

COBALT OPERATING, LLC  
CONSOLIDATED STATE 3  
660' FNL & 2128' FWL SEC. 9, T. 17 S., R. 37 E.  
LEA COUNTY, NEW MEXICO

PAGE 7

30-025-29711

No underground source of drinking water is below the proposed disposal interval. Produced water is currently being disposed into the Strawn at a well (30-025-29440) 1,228' east and was disposed into the Abo at a well (30-025-20267) 8,383' southwest.

Formation tops are:

Ogallala = 0'  
Salt = 625'  
Anhydrite = 2,030'  
Yates = 3,172'  
San Andres = 4,875'  
Glorieta = 6,366'  
Tubb = 7,710'  
Abo = 8,504'  
Wolfcamp = 8,733'  
Strawn = 10,934'  
Atoka = 11,080'  
Total Depth: 11,300'

IX. The well will be stimulated with acid to clean out scale or fill.

X. Compensated neutron litho density, dual induction/SFL, and dip meter logs were run and are on file NMOCD.

XI. Based on a field inspection and a review of the State Engineer's records, there is only one water well (see VIII. on PAGE 6) within a one mile radius.

XII. Cobalt is not aware of any geologic or engineering data which may indicate the Strawn is in hydrologic connection with any underground sources of water. Eight Strawn salt water disposal wells have been approved in New Mexico.

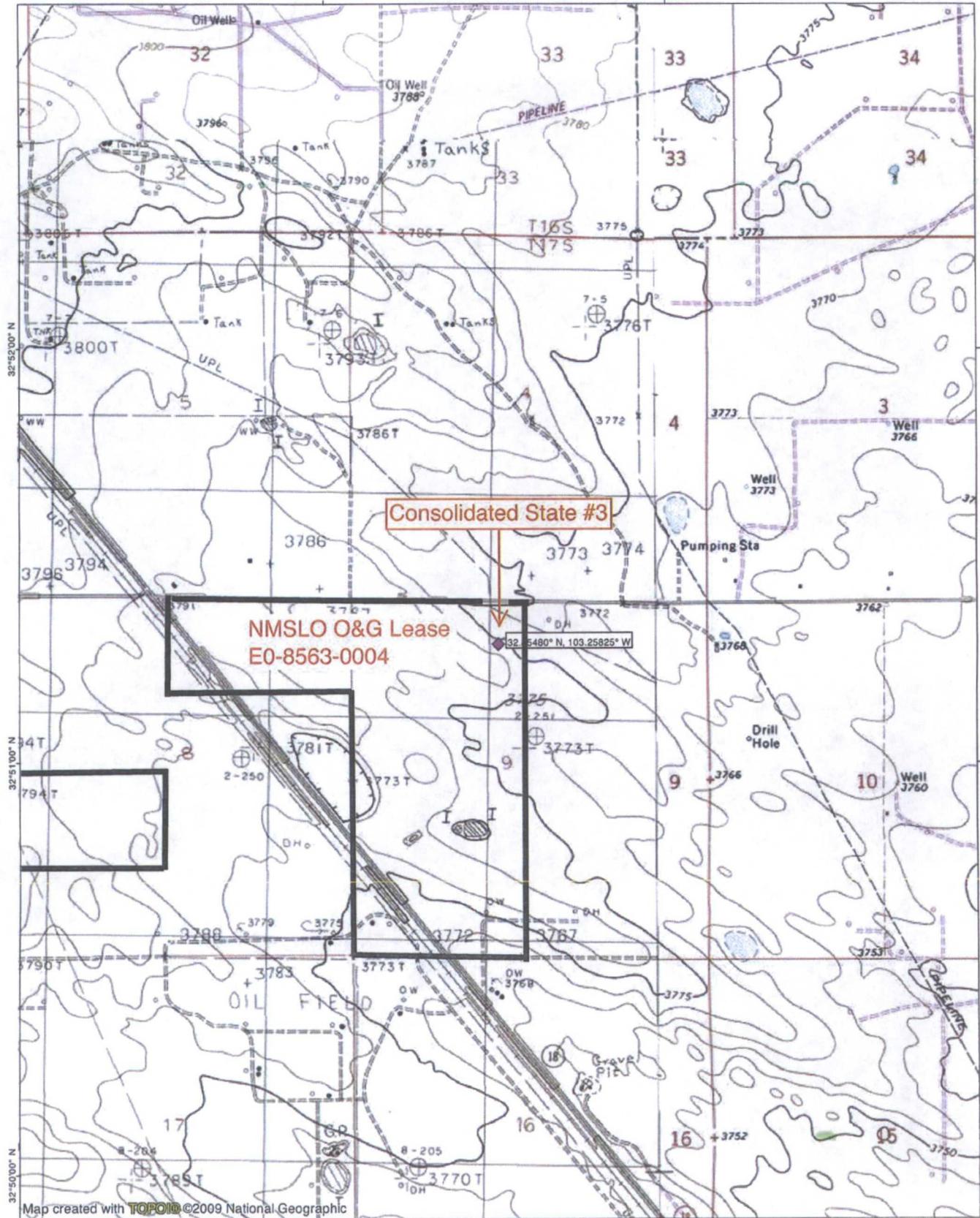
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XIII. A legal ad (see Exhibit L) was published on March 2, 2012. Notice (this application) has been sent to the surface owner (NM State Land Office), all oil and gas lessees or operating right holders (see below), and all Strawn interests within a half mile (Exhibit M).

<u>T. 17 S., R. 37 E.</u>	<u>Lease Number</u>	<u>Lessee or Operating Right</u>
W2SE4 & SESE Section 4	fee	Cimarex
SESW Section 4	B0-2517-0000	ConocoPhillips
N2SW4 Section 4	E0-8636-0001	ConocoPhillips, Chevron
SWSW Section 4	VB-0665-0001	Chesapeake
SESE Section 5	fee	Chesapeake
SENE Section 8	fee	Cobalt
NENE Section 8	E0-8563-0004	Roemer, Fasken
NE4 Section 9	VB-1354-0001	Chesapeake
NWSE Section 9	VB-2033-0001	Texland



Map created with TOPOI ©2009 National Geographic



EXHIBIT A

**NEW MEXICO OIL CONSERVATION COMMISSION  
WELL LOCATION AND ACREAGE DEDICATION**

Form C-102  
Supersedes C-128  
Effective 1-1-85

All distances must be from the outer boundaries of the Section.

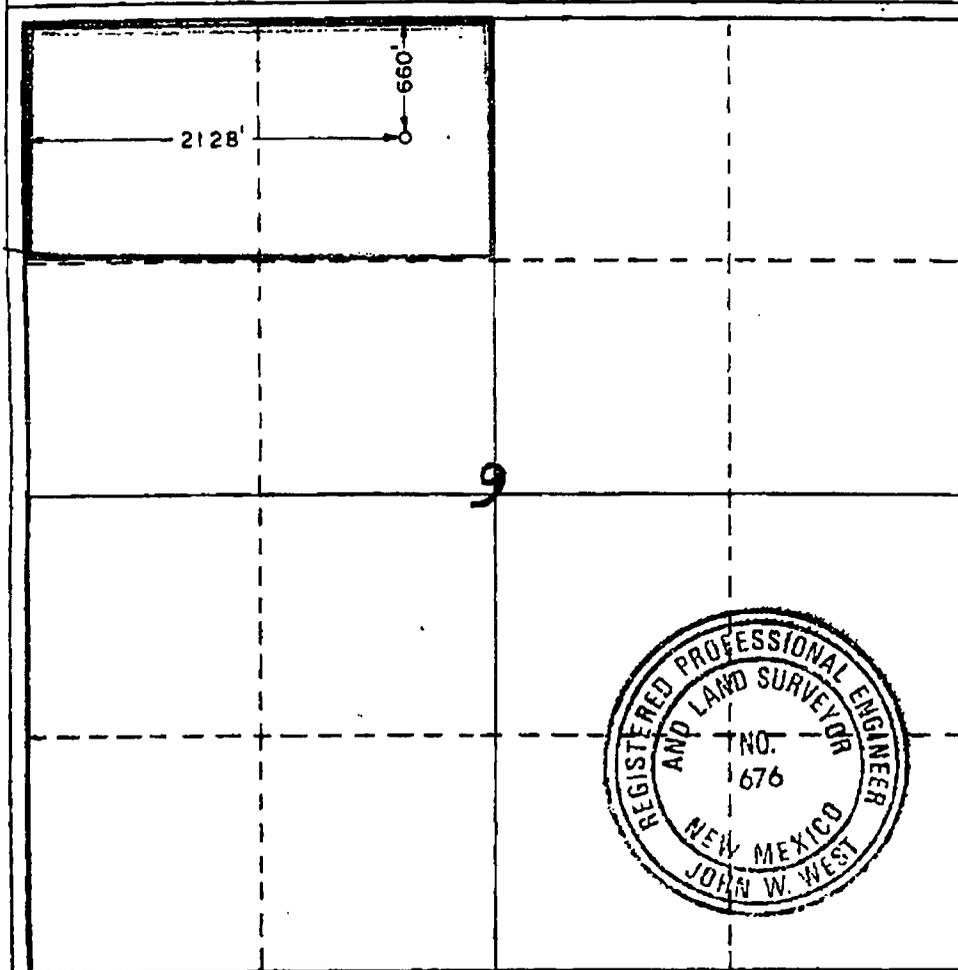
Operator <b>BARBARA FASKEN</b>			Lease <b>CONSOLIDATED STATE</b>		Well No. <b>3</b>
Unit Letter <b>C</b>	Section <b>9</b>	Township <b>17S</b>	Range <b>37E</b>	County <b>LEA</b>	
Actual Footage Location of Well: <b>660</b> feet from the <b>NORTH</b> line and <b>2128</b> feet from the <b>WEST</b> line					
Ground Level Elev. <b>3778.7</b>	Producing Formation <b>Strawn</b>		Pool <b>Shipp</b>	Dedicated Acreage: <b>80</b> Acres	

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

Yes     No    If answer is "yes," type of consolidation \_\_\_\_\_

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) \_\_\_\_\_

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



**CERTIFICATION**

*I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.*

*James F. Groce*  
Name

James F. Groce  
Position

Agent  
Company

Barbara Fasken  
Date

July 1, 1986

*I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.*

**EXHIBIT A**

Date Surveyed  
**JUNE 27, 1986**

Registered Professional Engineer  
and/or Land Surveyor  
*John W. West*

Certificate No. **JOHN W. WEST, 676**  
**RONALD J. EIDSON, 3239**



**STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE HEARING CALLED  
BY THE OIL CONSERVATION DIVISION FOR  
THE PURPOSE OF CONSIDERING:**

**APPLICATION OF COBALT OPERATING, LLC  
FOR AUTHORIZATION TO INJECT PRODUCED  
WATER, LEA COUNTY, NEW MEXICO.**

**CASE NO. 14834**

**COBALT OPERATING, LLC  
EXHIBITS**

**APPLICATION FOR AUTHORIZATION TO INJECT**

I. PURPOSE: \_\_\_\_\_ Secondary Recovery \_\_\_\_\_ Pressure Maintenance XXX Disposal \_\_\_\_\_ Storage  
Application qualifies for administrative approval? \_\_\_\_\_ Yes \_\_\_\_\_ No

II. OPERATOR: COBALT OPERATING, LLC

ADDRESS: 3001 NORTH BIG SPRING, SUITE 207, MIDLAND, TX 79705

CONTACT PARTY: BRIAN WOOD (PERMITS WEST, INC.) PHONE: 505 466-8120

III. WELL DATA: Complete the data required on the reverse side of this form for each well proposed for injection.  
Additional sheets may be attached if necessary.

IV. Is this an expansion of an existing project? \_\_\_\_\_ Yes XXX No  
If yes, give the Division order number authorizing the project: \_\_\_\_\_

V. Attach a map that identifies all wells and leases within two miles of any proposed injection well with a one-half mile radius circle drawn around each proposed injection well. This circle identifies the well's area of review.

VI. Attach a tabulation of data on all wells of public record within the area of review which penetrate the proposed injection zone. Such data shall include a description of each well's type, construction, date drilled, location, depth, record of completion, and a schematic of any plugged well illustrating all plugging detail.

VII. Attach data on the proposed operation, including: **CONSOLIDATED STATE 3**

1. Proposed average and maximum daily rate and volume of fluids to be injected; **30-025-29711**
2. Whether the system is open or closed;
3. Proposed average and maximum injection pressure;
4. Sources and an appropriate analysis of injection fluid and compatibility with the receiving formation if other than reinjected produced water; and,
5. If injection is for disposal purposes into a zone not productive of oil or gas at or within one mile of the proposed well, attach a chemical analysis of the disposal zone formation water (may be measured or inferred from existing literature, studies, nearby wells, etc.).

\*VIII. Attach appropriate geologic data on the injection zone including appropriate lithologic detail, geologic name, thickness, and depth. Give the geologic name, and depth to bottom of all underground sources of drinking water (aquifers containing waters with total dissolved solids concentrations of 10,000 mg/l or less) overlying the proposed injection zone as well as any such sources known to be immediately underlying the injection interval.

IX. Describe the proposed stimulation program, if any.

\*X. Attach appropriate logging and test data on the well. (If well logs have been filed with the Division, they need not be resubmitted).

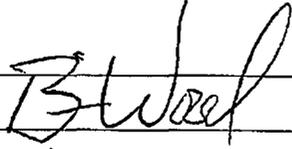
\*XI. Attach a chemical analysis of fresh water from two or more fresh water wells (if available and producing) within one mile of any injection or disposal well showing location of wells and dates samples were taken.

XII. Applicants for disposal wells must make an affirmative statement that they have examined available geologic and engineering data and find no evidence of open faults or any other hydrologic connection between the disposal zone and any underground sources of drinking water.

XIII. Applicants must complete the "Proof of Notice" section on the reverse side of this form.

XIV. Certification: I hereby certify that the information submitted with this application is true and correct to the best of my knowledge and belief.

NAME: BRIAN WOOD TITLE: CONSULTANT

SIGNATURE:  DATE: MARCH 12, 2012

E-MAIL ADDRESS: brian@permitswest.com

\* If the information required under Sections VI, VIII, X, and XI above has been previously submitted, please show the date and circumstances of the earlier submittal: \_\_\_\_\_

DISTRIBUTION: Original and one copy to Santa Fe with one copy to the appropriate District

BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Exhibit No. 1  
Submitted by:  
**COBALT OPERATING, LLC.**  
Hearing Date: May 10, 2012

### III. WELL DATA

A. The following well data must be submitted for each injection well covered by this application. The data must be both in tabular and schematic form and shall include:

- (1) Lease name; Well No.; Location by Section, Township and Range; and footage location within the section.
- (2) Each casing string used with its size, setting depth, sacks of cement used, hole size, top of cement, and how such top was determined.
- (3) A description of the tubing to be used including its size, lining material, and setting depth.
- (4) The name, model, and setting depth of the packer used or a description of any other seal system or assembly used.

Division District Offices have supplies of Well Data Sheets which may be used or which may be used as models for this purpose. Applicants for several identical wells may submit a "typical data sheet" rather than submitting the data for each well.

B. The following must be submitted for each injection well covered by this application. All items must be addressed for the initial well. Responses for additional wells need be shown only when different. Information shown on schematics need not be repeated.

- (1) The name of the injection formation and, if applicable, the field or pool name.
- (2) The injection interval and whether it is perforated or open-hole.
- (3) State if the well was drilled for injection or, if not, the original purpose of the well.
- (4) Give the depths of any other perforated intervals and detail on the sacks of cement or bridge plugs used to seal off such perforations.
- (5) Give the depth to and the name of the next higher and next lower oil or gas zone in the area of the well, if any.

### XIV. PROOF OF NOTICE

All applicants must furnish proof that a copy of the application has been furnished, by certified or registered mail, to the owner of the surface of the land on which the well is to be located and to each leasehold operator within one-half mile of the well location.

Where an application is subject to administrative approval, a proof of publication must be submitted. Such proof shall consist of a copy of the legal advertisement which was published in the county in which the well is located. The contents of such advertisement must include:

- (1) The name, address, phone number, and contact party for the applicant;
- (2) The intended purpose of the injection well; with the exact location of single wells or the Section, Township, and Range location of multiple wells;
- (3) The formation name and depth with expected maximum injection rates and pressures; and,
- (4) A notation that interested parties must file objections or requests for hearing with the Oil Conservation Division, 1220 South St. Francis Dr., Santa Fe, New Mexico 87505, within 15 days.

NO ACTION WILL BE TAKEN ON THE APPLICATION UNTIL PROPER PROOF OF NOTICE HAS BEEN SUBMITTED.

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NOTICE: Surface owners or offset operators must file any objections or requests for hearing of administrative applications within 15 days from the date this application was mailed to them.