



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
 OIL CONSERVATION DIVISION

TONY ANAYA
 GOVERNOR

April 12, 1985

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Mr. James Bruce
 Hinkle, Cox, Eaton,
 Coffield & Hensley
 Attorneys at Law
 Post Office Box 2068
 Santa Fe, New Mexico

Re: CASE NO. 8524
 ORDER NO. R-7874

Applicant:
Coastal Oil & Gas Corporation

Dear Sir:

Enclosed herewith are two copies of the above-referenced
 Division order recently entered in the subject case.

Sincerely,

R. L. STAMETS
 Director

RLS/fd

Copy of order also sent to:

Hobbs OCD x
 Artesia OCD x
 Aztec OCD

Other R. W. Gallini

HINKLE, COX, EATON, COFFIELD & HENSLEY

ATTORNEYS AT LAW

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700 UNITED BANK PLAZA
POST OFFICE BOX 10
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HAROLD L. HENSLEY, JR.
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ROY C. SNODGRAES, JR.
O. M. CALHOUN
MACK EASLE

W. E. BONCOURT, JR. (1913-1973)
ROBERT H. STONE (1905-1981)

*NOT LICENSED IN NEW MEXICO

April 9, 1985



Mr. Gilbert P. Quintana
Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico, 87504

Re: Case 8524 (Application of
Coastal Oil & Gas Corp. for
a Salt Water Disposal Well)

Dear Gilbert:

Enclosed for your records is a copy of federal lease NM 2842, which covers the land where the proposed well is located.

Very truly yours,

HINKLE, COX, EATON,
COFFIELD & HENSLEY

James Bruce
James Bruce

JGB: jr
Enclosure

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

LEASE FOR OIL AND GAS

(Sec. 17 Noncompetitive Public Domain Lease)

Act of February 25, 1920 (41 Stat. 437), as amended (30 U.S.C. Secs. 181-263)

Name **Leo P. Morgan**
Street **P.O. Box 12321**
City **Dallas, Texas 75225**
State
ZIP Code

NM 2312
(Serial Number)

This oil and gas lease is issued for a period of ten (10) years to the above-named lessee pursuant and subject to the provisions of the Mineral Leasing Act and subject to all rules and regulations of the Secretary of the Interior now or hereafter in force, when not inconsistent with any express and specific provisions herein, which are made a part hereof.

Lands included in the lease:

- T. 13 S., R. 33 E., NMPM, New Mexico
- Sec. 3: W $\frac{1}{2}$ SW $\frac{1}{4}$
- Sec. 4: S $\frac{1}{2}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$
- Sec. 9: SE $\frac{1}{4}$
- Sec. 10: SW $\frac{1}{4}$
- Sec. 15: S $\frac{1}{4}$
- Sec. 20: All

Containing a total of 1600 acres

Annual Rental. \$ 300.00

This lease is issued to the successful drawee pursuant to his "Simultaneous Oil and Gas Entry Card" application filed under 43 CFR 3123.9, and is subject to the provisions of that application and those specified on the reverse side hereof.

Effective date of lease: AUG 1 1967

THE UNITED STATES OF AMERICA

By *Fred E. Padilla*
(Signature of Signing Officer)

Chief, Branch of Oil & Gas

JUL 20 1967
(Date)

(Title)

LEASE TERMS

Section 1. Rights of lessee.—The lessee is granted the exclusive right and privilege to drill for, mine, extract, remove, and dispose of all the oil and gas deposits, except helium gas, in the lands leased, together with the right to construct and maintain thereupon, all works, buildings, plants, waterways, roads, telegraph or telephone lines, pipelines, reservoirs, tanks, pumping stations, or other structures necessary to the full enjoyment thereof, for a period of 10 years; and so long thereafter as oil or gas is produced in paying quantities; subject to any unit agreement heretofore or hereafter approved by the Secretary of the Interior, the provisions of said agreement to govern the lands subject thereto where inconsistent with the terms of this lease. Sec. 2. The lessee agrees:

(a) **Bonds.**—To file any bond required by this lease and the current regulations and until such bond is filed not to enter on the land under this lease. (2) To maintain any bond furnished by the lessee as a condition for the issuance of this lease. (3) To furnish a bond in a sum double the amount of \$2 per acre annual rental, but not less than \$1,000 nor more than \$5,000, upon the inclusion of any part of the leased land within the known geologic structure of a producing oil or gas field. (4) To furnish prior to beginning of drilling operations and maintain at all times thereafter as required by the lessor a bond in the penal sum of \$10,000 with approved corporate surety, or with deposit of United States bonds a surety therefor, conditioned upon compliance with the terms of his lease, unless a bond in that amount is already being maintained or unless such a bond furnished by an operator of the lease is accepted. (5) Until a general lease bond is filed to furnish and maintain a bond in the penal sum of not less than \$1,000 in those cases in which a bond is required by law for the protection of the owners of surface rights. In lieu of any of the bonds described herein, the lessee may file such other bond as the regulations may permit.

(b) **Cooperative or unit plan.**—Within 30 days of demand, or, if the leased land is committed to an approved unit or cooperative plan and such plan is terminated prior to the expiration of this lease, within 30 days of demand made thereafter, to subscribe to and to operate under such reasonable cooperative or unit plan for the development and operation of the area, field, or pool, or part thereof, embracing the lands included herein as the Secretary of the Interior may then determine to be practicable and necessary or advisable, which plan shall adequately protect the rights of all parties in interest, including the United States.

(c) **Wells.**—(1) To drill and produce all wells necessary to protect the leased land from drainage by wells on lands not the property of the lessor, or lands of the United States leased at a lower royalty rate, or as to which the royalties and rentals are paid into different funds than are those of this lease; or in lieu of any part of such drilling and production, with the consent of the Director of the Geological Survey, to compensate the lessor in full each month for the estimated loss of royalty through drainage in the amount determined by said Director; (2) at the election of the lessee, to drill and produce other wells in conformity with any system of well spacing or production allotments affecting the field or area in which the leased lands are situated, which is authorized and sanctioned by applicable law or by the Secretary of the Interior; and (3) promptly after due notice in writing to drill and produce such other wells as the Secretary of the Interior may reasonably require in order that the leased premises may be properly and timely developed and produced in accordance with good operating practice.

(d) **Rentals and royalties.**—(1) To pay rentals and royalties in amounts or value of production removed or sold from the leased lands as follows:

Rentals.—To pay the lessor in advance an annual rental at the following rates:

(a) If the lands are wholly outside the known geologic structure of a producing oil or gas field:

(i) For each lease year a rental of 50 cents per acre or fraction of an acre.

(b) If the lands are wholly or partly within the known geologic structure of a producing oil or gas field:

(i) Beginning with the first lease year after 30 days' notice that all or part of the land is included in such a structure and for each year thereafter, prior to a discovery of oil or gas on the lands leased, \$2 per acre or fraction of an acre.

(ii) If this lease is committed to an approved cooperative or unit plan which includes a well capable of producing oil or gas and contains a general provision for allocation of production, the rental prescribed for the respective lease years in subparagraph (a) of this section, shall apply to the acreage not within a participating area.

Minimum royalty.—Commencing with the lease year beginning on or after a discovery on the leased land, to pay the lessor in lieu of rental, a minimum royalty of \$1 per acre or fraction thereof at the expiration of each lease year, or the difference between the actual royalty paid during the year if less than \$1 per acre, and the prescribed minimum royalty of \$1 per acre, provided that if this lease is unitized, the minimum royalty shall be payable only on the participating acreage and rental shall be payable on the nonparticipating acreage as provided in subparagraph (b)(ii) above.

Royalty on production.—To pay the lessor 12½ percent royalty on the production removed or sold from the leased lands computed in accordance with the Oil and Gas Operating Regulations (30 CFR Pt. 221).

(2) It is expressly agreed that the Secretary of the Interior may establish reasonable minimum values for purposes of computing royalty on any or all oil, gas, natural gasoline, and other products obtained from gas, due consideration being given to the highest price paid for a part or for a majority of production of like quality in the same field, to the price received by the lessee, to posted prices, and to other relevant matters and, whenever appropriate, after notice and opportunity to be heard.

(3) When paid in value, such royalties on production shall be due and payable monthly on the last day of the calendar month next following the calendar month in which produced. When paid in amount of production, such royalty products shall be delivered in merchantable condition on the premises where produced without cost to lessor, unless otherwise agreed to by the parties hereto, at such times and in such tanks provided by the lessee as reasonably may be required by the lessor, but in no case shall the lessee be required to hold such royalty oil or other products in storage beyond the last day of the calendar month next following the calendar month in which produced nor be responsible or held liable for the loss or destruction of royalty oil or other products in storage from causes over which he has no control.

(4) Rentals or minimum royalties may be waived, suspended or reduced and royalties on the entire leasehold or any portion thereof segregated for royalty purposes may be reduced if the Secretary of the Interior finds that for the purpose of encouraging the greatest ultimate recovery of oil or gas and in the interest of conservation of natural resources, it is necessary, in his judgment, to do so in order to promote development, or because the lease cannot be successfully operated under the terms fixed herein.

(e) **Payments.**—Unless otherwise directed by the Secretary of the Interior, to make rental, royalty, or other payments to the lessor, to the order of the Bureau of Land Management at the places mentioned in the regulation 43 CFR 3102.2. If there is no well on the leased lands capable of producing oil or gas in paying quantities, the failure to pay rental on or before the anniversary date shall automatically terminate the lease by operation of law. However, if the time or payment falls on a day in which the proper office to receive payment is closed, payment shall be deemed timely if made on the next official working day.

(f) **Contracts for disposal of products.**—To file with the Oil and Gas Supervisor of the Geological Survey not later than 30 days after the effective date thereof any contract, or evidence of other arrangement, for the sale or disposal of oil, gas, natural gasoline, and other products of the leased land; *Provided*, That nothing in any such contract or other arrangement shall be construed as modifying any of the provisions of this lease, including, but not limited to, provisions relating to gas waste, taking royalty in kind, and the method of computing royalties due as based on a minimum valuation and in accordance with the Oil and Gas Operating Regulations.

(g) **Statements, plans and reports.**—At such times and in such form as the lessor may prescribe, to furnish detailed statements showing the amounts and quality of all products

and sold from the lease, the proceeds therefrom, and the amount used for production purposes or unavoidably lost; a plat showing development work and improvements on the leased lands; and a report with respect to stockholders, investments, depreciation and costs.

(h) **Well records.**—To keep a daily drilling record, a log, and complete information on all well surveys and tests in form acceptable to or prescribed by the lessor of all wells drilled on the leased lands, and an acceptable record of all subsurface investigations affecting said lands, and to furnish them, or copies thereof, to the lessor when required. All information obtained under this paragraph, upon the request of lessee, shall not be open to inspection by the public until the expiration of the lease.

(i) **Inspection.**—To keep open at all reasonable times for the inspection of any duly authorized officer of the Department, the leased premises and all wells, improvements, machinery, and fixtures thereon and all books, accounts, maps and records relative to operations and surveys or investigations on the leased lands or under the lease. All information obtained pursuant to any such inspection, upon the request of the lessee, shall not be open to inspection by the public until the expiration of the lease.

(j) **Diligence, prevention of waste, health and safety of workmen.**—To exercise reasonable diligence in drilling and producing the wells herein provided for unless consent to suspend operations temporarily is granted by the lessor; to carry on all operations in accordance with approved methods and practice as provided in the Oil and Gas Operating Regulations, having due regard for the prevention of waste of oil or gas or damage to deposits or formations containing oil, gas, or water or to coal measures or other mineral deposits, for conservation of gas energy, for the preservation and conservation of the property for future productive operations, and for the health and safety of workmen and employees; to plug properly and effectively all wells drilled in accordance with the provisions of this lease or of any prior lease or permit upon which the right to this lease was based before abandoning the same; to carry out at expense of the lessee all reasonable orders of the lessor relative to the matters in this paragraph, and that on failure of the lessee so to do the lessor shall have the right to enter on the property and to accomplish the purpose of such orders at the lessee's cost. *Provided*, That the lessee shall not be held responsible for delays or casualties occasioned by causes beyond lessee's control.

(k) **Taxes and wages, freedom of purchase.**—To pay when due all taxes lawfully assessed and levied under the laws of the State or the United States upon improvements, oil, and gas produced from the lands hereunder, or other rights, property, or assets of the lessee; to accord all workmen and employees complete freedom of purchase, and to pay all wages due workmen and employees at least twice each month in the lawful money of the United States.

(l) **Equal Opportunity clause.**—During the performance of this contract the lessee agrees as follows:

(1) The lessee will not discriminate against any employee or applicant for employment because of race, creed, color, or national origin. The lessee will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, creed, color, or national origin. Such action shall include, but not be limited to the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The lessee agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the contracting officer setting forth the provisions of this nondiscrimination clause.

(2) The lessee will, in all solicitations or advertisements for employees placed by or on behalf of the lessee, state that all qualified applicants will receive consideration for employment without regard to race, creed, color, or national origin.

(3) The lessee will send to each labor union or representative of workers with which he has a collective bargaining agreement or other contract or understanding, a notice, to be provided by the agency contracting officer, advising the labor union or workers' representative of the lessee's commitments under Section 202 of Executive Order No. 11246 of September 24, 1965, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

(4) The lessee will comply with all provisions of Executive Order No. 11246 of September 24, 1965, and of the rules, regulations, and relevant orders of the Secretary of Labor.

(5) The lessee will furnish all information and reports required by Executive Order No. 11246 of September 24, 1965, and by the rules, regulations, and orders of the Secretary of Labor, or pursuant thereto, and will permit access to his books, records, and accounts by the contracting agency and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.

(6) In the event of the lessee's noncompliance with the nondiscrimination clauses of this contract or with any of such rules, regulations, or orders, this contract may be cancelled, terminated or suspended in whole or in part and the lessee may be declared ineligible for further Government contracts in accordance with procedures authorized in Executive Order No. 11246 of September 24, 1965, and such other sanctions may be imposed and remedies invoked as provided in Executive Order No. 11246 of September 24, 1965, or by rule, regulation, or order of the Secretary of Labor, or as otherwise provided by law.

(7) The lessee will include the provisions of Paragraphs (1) through (7) in every subcontract or purchase order unless exempted by rules, regulations, or orders of the Secretary of Labor issued pursuant to Section 204 of Executive Order No. 11246 of September 24, 1965, so that such provisions will be binding upon each subcontractor or vendor. The lessee will take such action with respect to any subcontract or purchase order as the contracting agency may direct as a means of enforcing such provisions including sanctions for noncompliance. *Provided, however*, That in the event the lessee becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the contracting agency, the lessee may request the United States to enter into such litigation to protect the interests of the United States.

(m) **Assignment of oil and gas lease or interest therein.**—As required by applicable law, to file for approval by the lessor any instrument of transfer made of this lease or any interest therein, including assignments of record title, operating agreements and subleases, working or royalty interests, within 90 days from the date of final execution thereof.

(n) **Pipelines to purchase or convey at reasonable rates and without discrimination.**—If owner, or operator, or owner of a controlling interest in any pipeline or of any company operating the same which may be operated accessible to the oil or gas derived from lands under this lease, to accept and convey and, if a purchaser of such products to purchase at reasonable rates and without discrimination the oil or gas of the Government or of any citizen or company not the owner of any pipeline, operating a lease or purchasing or selling oil, gas, natural gasoline, or other products under the provisions of the act, or under the provisions of the act of August 7, 1947 (61 Stat. 913, 30 U.S.C. sec. 351).

(o) **Lands patented with oil and gas deposits reserved to the United States.**—To comply with all statutory requirements and regulations thereunder, if the lands embraced herein have been or shall hereafter be disposed of under the laws reserving to the United States the deposits of oil and gas therein, subject to such conditions as are or may hereafter be provided by the laws reserving such oil or gas.

(p) **Reserved or segregated lands.**—If any of the land included in this lease is embraced in a reservation or segregated for any particular purpose, to conduct operations thereunder in conformity with such requirements as may be made by the Director, Bureau of Land Management, for the protection and use of the land for the purpose for which it was reserved or segregated, so far as may be consistent with the use of the land for the purpose of this lease which latter shall be regarded as the dominant use unless otherwise provided herein or separately stipulated.

(q) **Protection of surface, natural resources and improvements.**—To take such reasonable steps as may be needed to prevent operations from unnecessarily: (1) Causing or contributing to soil erosion or damaging any forage and timber growth thereon

(2) polluting the waters of reservoirs, springs, streams or wells, (3) damaging crops, including forage, timber, or improvements of a surface owner, or (4) damaging range improvements whether owned by the United States or by its grazing permittees or lessees; and upon conclusion of operations, so far as can reasonably be done, to restore the surface to its former condition. The lessee may prescribe the steps to be taken and restoration to be made with respect to lands of the United States and improvements thereon.

(r) **Overriding royalties.**—Not to create overriding royalties in excess of five percent except as otherwise authorized by the regulations.

(s) **Deliver premises in cases of forfeiture.**—To deliver up to the lessor in good order and condition the land leased including all improvements which are necessary for the preservation of producing wells.

Sec. 3. The lessor reserves:

(a) **Easements and right-of-way.**—The right to permit for joint or several use easements of right-of-way, including easements in tunnels upon, through, or in the lands leased, occupied, or used as may be necessary or appropriate to the working of the same or of other lands containing the deposits described in the act, and the treatment and shipment of products thereof by or under authority of the Government, its lessees or permittees, and for other public purposes.

(b) **Disposition of surface.**—The right to lease, sell, or otherwise dispose of the surface of the leased lands under existing law or laws hereafter enacted, insofar as said surface is not necessary for the use of the lessee in the extraction and removal of the oil and gas therein, or to dispose of any resource in such lands which will not unreasonably interfere with operations under this lease.

(c) **Monopoly and fair prices.**—Full power and authority to promulgate and enforce all orders necessary to insure the sale of the production of the leased lands to the United States and to the public at reasonable prices, to protect the interests of the United States, to prevent monopoly, and to safeguard the public welfare.

(d) **Helium.**—Pursuant to Section 1 of the act as amended, the ownership of helium and the right to extract or have it extracted from all gas produced under this lease, subject to such rules and regulations as shall be prescribed by the Secretary of the Interior. If the lessor elects to take the helium, the lessee shall deliver all or any portion of gas containing the same to the lessor, in the manner required by the lessor, at any point on the leased premises, or, if the area is served at the time of production by a gas-gathering system owned or operated by the lessee, at any point in that system specified by the lessor, for extraction of the helium by such means as the lessor may provide. The residue shall be returned to the lessee, with no substantial delay in the delivery of the gas produced from the well to the owner or purchaser thereof. Save for the value of the helium extracted, the lessee shall not suffer a diminution of the value of the gas produced from the well, or loss otherwise, including any expense caused solely by the requirement of the delivery of the gas to permit the extraction of helium, for which he is not reasonably compensated. The lessor reserves the right to erect, maintain, and operate any and all reduction works necessary for extraction of helium on the leased premises. The lessee further agrees to include in any contract of sale of gas from the lands subject to this lease provisions setting forth that the lessor owns, and reserves the right to extract or have extracted, any helium in the gas sold, and that the lessor may take the gas from a pipeline carrier or any other gas-gathering system and extract the helium and return the gas to the owner thereof, without delay other than that caused by the extraction process; save for the value of the helium, the owner shall not suffer any diminution of the value of the gas from which helium has been extracted, or any other loss arising from the extraction of helium, including any expense caused solely by the requirement of the delivery of the gas to permit the extraction of helium, for which he is not reasonably compensated. It is further agreed that any rights reserved vested in the lessor under this paragraph shall also run to any agent or assignee of the lessor or any purchaser of the rights of the lessor.

(e) **Taking of royalties.**—All rights pursuant to section 36 of the act to take royalties in amount or in value of production.

(f) **Casing.**—All rights pursuant to section 40 of the act to purchase casing, and lease or operate valuable water wells.

Sec. 4. **Drilling producing restrictions.**—It is agreed that the rate of prospecting and developing and the quantity and rate of production from the lands covered by this lease shall be subject to control in the public interest by the Secretary of the Interior, and in the exercise of his judgment the Secretary may take into consideration, among other things, Federal laws, State laws, and regulations issued thereunder, or lawful agreements among operators regulating either drilling or production, or both. After unitization the Secretary of the Interior, or any person, committee, or State or Federal officer or agency so authorized in the unit plan, may alter or modify from time to time, the rate of prospecting and development and the quantity and rate of production from the lands covered by this lease.

Sec. 5. **Surrender and termination of lease.**—The lessee may surrender this lease or any legal subdivision thereof by filing in the proper land office a written relinquishment, in triplicate, which shall be effective as of the date of filing subject to the continued obligation of the lessee and his surety to make payment of all accrued rentals and royalties and to place all wells on the land to be relinquished in condition for suspension or abandonment in accordance with the applicable lease terms and regulations.

Sec. 6. **Purchase of materials, etc., on termination of lease.**—Upon the expiration of this lease, or the earlier termination thereof pursuant to the last preceding section, the lessee shall have the privilege at any time within a period of 90 days thereafter of removing from the premises all machinery, equipment, tools, and materials other than improvements needed for producing wells. Any materials, tools, appliances, machinery, structures, and equipment subject to removal as above provided which are allowed to remain on the leased lands shall become the property of the lessor on expiration of the 90-day period or such extension thereof as may be granted because of adverse climatic conditions throughout said period. *Provided*, That the lessee shall remove any or all of such property where so directed by the lessor.

Sec. 7. **Proceedings in case of default.**—If the lessee shall not comply with any of the provisions of the act or the regulations thereunder or of the lease, or shall make default in the performance or observance of any of the terms hereof (except that of payment of annual rental which results in the automatic termination of the lease), and such default shall continue for a period of 30 days after service of written notice thereof by the lessor, this lease may be canceled by the Secretary of the Interior in accordance with section 31 of the act, except that if this lease covers lands known to contain valuable deposits of oil or gas, the lease may be canceled only by judicial proceedings in the manner provided in section 31 of the act; but this provision shall not be construed to prevent the exercise by the lessor of any legal or equitable remedy which the lessor might otherwise have. Upon cancellation of this lease, any casing, material, or equipment determined by the lessor to be necessary for use in plugging or preserving any well drilled on the leased land shall become the property of the lessor. A waiver of any particular cause of cancellation and forfeiture shall not prevent the cancellation and forfeiture of this lease for any other cause of cancellation and forfeiture, or for the same cause occurring at any other time.

Sec. 8. **Heirs and successors-in-interest.**—It is further agreed that each obligation hereunder shall extend to and be binding upon, and every benefit hereof shall inure to, the heirs, executors, administrators, successors, or assigns of the respective parties hereto.

Sec. 9. **Unlawful interest.**—It is also further agreed that no Member of, or Delegate to, Congress, or Resident Commissioner, after his election or appointment, or either before or after he has qualified and during his continuance in office, and that no officer, agent, or employee of the Department of the Interior, except as provided in 43 CFR 7.4(a)(1), shall be admitted to any share or part in this lease or derive any benefit that may arise therefrom; and the provisions of Sec. 3741 of the Revised Statutes of the United States, as amended (41 U.S.C. Sec. 22) and Secs. 431, 432, and 433, Title 18 U.S.C., relating to contracts, enter into and form a part of this lease so far as the same may be applicable.

HINKLE, COX, EATON, COFFIELD & HENSLEY

ATTORNEYS AT LAW

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March 18, 1985

LEWIS C. COX
PAUL W. EATON
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W. E. BOE DURANT, JR. (913-1973)
ROBERT A. STONE (905-1981)

*NOT LICENSED IN NEW MEXICO

Mr. Gilbert Quintana
Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87504

Re: Case No. 8524; Application of
Coastal Oil & Gas Corporation for
a Salt Water Disposal Well

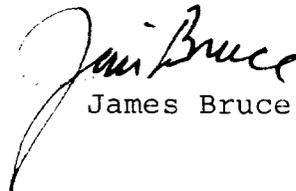
Dear Mr. Quintana:

Enclosed are copies of the cover letters sent to the surface and interest owners regarding this application. The return receipts were submitted at the hearing as Coastal Exhibit No. 6. Also enclosed is a letter from Coastal to Mr. Chamber's attorney, offering to negotiate for right-of-way and damage payments. Coastal is obtaining an analysis of the water from the Well in the NW $\frac{1}{4}$ of section 20.

Please call if you have any questions.

Very truly yours,

HINKLE, COX, EATON,
COFFIELD & HENSLEY


James Bruce

JGB:jr
Enclosures

cc: R. W. Gallini



WF

February 12, 1985

State of New Mexico
Energy & Minerals Department
P. O. Box 2088
Santa Fe, New Mexico 87501

Gentlemen:

Please find enclosed a copy of Form C-108, Application for Authorization to Inject, concerning our Federal "20" #1 well located in the SE/4 of Section 20, T-13-S, R-33-E in Lea County, New Mexico. We propose to convert this temporarily abandoned well to a Salt Water Disposal Well, thru perfs in the Bough "C" Formation.

If additional information concerning this application is needed, please feel free to contact our Midland office.

Sincerely,

Bobby L. Smith
Petroleum Engineer
Coastal Oil & Gas Corporation

BLS:sjb

Case 8524
Coastal Oil & Gas #7



February 12, 1985

New Mexico Oil Conservation
Commission
P. O. Box 1980
Hobbs, New Mexico 88240

Dear Gentlemen:

Please find enclosed a copy of Form C-108, Application for Authorization to Inject, concerning our Federal "20" #1 well located in the SE/4 of Section 20, T-13-S, R-33-E in Lea County, New Mexico. We propose to convert this temporarily abandoned well to a Salt Water Disposal Well, thru perfs in the Bough "C" Formation.

If additional information concerning this application is needed, please feel free to contact our Midland office.

Sincerely,

Bobby L. Smith
Petroleum Engineer
Coastal Oil & Gas Corporation

BLS:spb



February 12, 1985

Exxon Company, USA ✓
Production & Expl Div. Office
Box 1600
Midland, Texas 79702

Dear Gentlemen,

Please find enclosed a copy of Form C-108, Application for Authorization to Inject, concerning our Federal "20" #1 well located in the SE/4 of Section 20, T-13-S, R-33-E in Lea County, New Mexico. We propose to convert this temporarily abandoned well to a Salt Water Disposal Well, thru perms in the Bough "C" Formation.

If additional information concerning this application is needed, please feel free to contact our Midland office.

Sincerely,

Bobby L. Smith
Petroleum Engineer
Coastal Oil & Gas Corporation

BLS:spb



February 12, 1985

James Chambers
P. O. Box 1264
Hobbs, New Mexico 88240

Dear Mr. Chambers,

Please find enclosed a copy of Form C-108, Application for Authorization to Inject, concerning our Federal "20" #1 well located in the SE/4 of Section 20, T-13-S, R-33-E in Lea County, New Mexico. We propose to convert this temporarily abandoned well to a Salt Water Disposal Well, thru perfs in the Bough "C" Formation.

If additional information concerning this application is needed, please feel free to contact our Midland office.

Sincerely,

Bobby L. Smith
Petroleum Engineer
Coastal Oil & Gas Corporation

BLS:spb



February 12, 1985

Texaco, Inc. ✓
P. O. Box 3109
Midland, Texas 79701

Gentlemen:

Please find enclosed a copy of Form C-108, Application for Authorization to Inject, concerning our Federal "20" #1 well located in the SE/4 of Section 20, T-13-S, R-33-E in Lea County, New Mexico. We propose to convert this temporarily abandoned well to a Salt Water Disposal Well, thru perfs in the Bough "C" Formation.

If additional information concerning this application is needed, please feel free to contact our Midland office.

Sincerely,

Bobby L. Smith
Petroleum Engineer
Coastal Oil & Gas Corporation

BLS:spb



February 12, 1985

PYRO Energy Corporation
5110 1st International Bldg.
Dallas, Texas 75270

Gentlemen:

Please find enclosed a copy of Form C-108, Application for Authorization to Inject, concerning our Federal "20" #1 well located in the SE/4 of Section 20, T-13-S, R-33-E in Lea County, New Mexico. We propose to convert this temporarily abandoned well to a Salt Water Disposal Well, thru perfs in the Bough "C" Formation.

If additional information concerning this application is needed, please feel free to contact our Midland office.

Sincerely,

Bobby L. Smith
Petroleum Engineer
Coastal Oil & Gas Corporation

BLS:sjb

March 7, 1985

Heidel, Samberson, Gallini & Williams
311 North First Street
P.O. Box 1599
Lovington, New Mexico 88260

Attention: Mr. R. W. Gallini

Re: Federal "20" No. 1
North Baum Prospect
Lea County, New Mexico

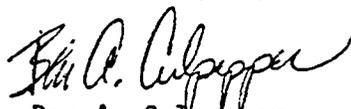
Gentlemen:

Reference is made to our previous conversations and correspondence concerning Coastal's conversion of the subject well to a salt water disposal well. As I discussed with you, Coastal does not consider it necessary to enter into an agreement with Mr. James N. Chambers whereby we lease said well from him. We currently own said well by virtue of its location on our currently producing USA BLM oil and gas lease NM2842. Said well has never been plugged and abandoned and the casing is intact, hence, our ownership of said well is clear, thereby relieving us of an obligation to lease something we already own.

We are, and have been, agreeable to paying Mr. Chambers a reasonable amount for damages and/or right of way for laying flowlines and any related activities connected with converting said well to a salt water disposal well. Please relay this to your client so he can have the opportunity to withdraw his objection and accept compensation on a reasonable basis.

Yours very truly,

COASTAL OIL & GAS CORPORATION


Ben A. Culpepper
Senior Landman

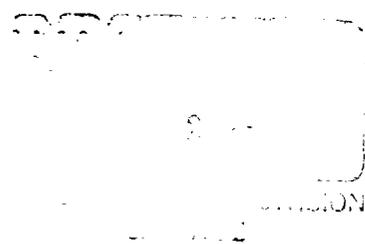
BAC/ma

bcc: W.E. Stack, Jr.
Bobby Smith
H.E. Clarke



March 18, 1985

State of New Mexico
Oil Conservation Division
P. O. Box 2008
Land Office Building
Santa Fe, New Mexico 87501



Attention: Mr. Gilbert P. Quintana

Re: C-108 Application
Federal "20" #1
Baum Field
Lea County, New Mexico

Gentlemen:

Please find enclosed two copies of the results from the water analysis on samples obtained from all known fresh water wells within one mile of our proposed SWD well, the Federal "20" #1, in Lea County, New Mexico. I have included a small map of the area to show the approximate location of these water wells in relation to our other wells.

Also, I have illustrated on the map the approximate location of our SWD line which runs from a battery in Section 5, T-14-S, R-33-E to our Baum SWD in the NE/4, Section 20, T-13-S, R-33-E. I would like to remind you that this line has been utilized for the last 15 years. When it was installed, Mr. James Chambers, the surface owner, was compensated for ROW accordingly. The only addition to the system, which is shown in blue on the map, would be approximately 500-600' due east from the line to the well.

Also, on the C-108 application part VII. (1), I had stated that the anticipated maximum injection rate is 1500 BWPD. I would like to request that this number be amended to 2000 BWPD. This is due to what our lawyers have recently told us about an old agreement between Coastal and MWJ Producing Company, concerning our Baum SWD System. They believe the agreement is iron-clad, i.e., we must take MWJ's produced water in the area, thus the requested change in anticipated maximum injection rate.

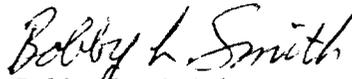
I apologize for any inconvenience these amendments to the C-108 Application may cause. The information given on the original application was,

Page 2
March 18, 1985

to the best of my knowledge at that time, accurate. However, it was rather hastily prepared due to our urgency in obtaining an alternate means of SWD, which is now costing us approximately \$1,000 per day.

Your promptness in responding to this matter would be very much appreciated. If you have any further questions concerning this matter, please feel free to contact me.

Sincerely,


Bobby L. Smith
Petroleum Engineer

BLS:eh
Enclosures

RESULT OF WATER ANALYSES

TO: Mr. Durwood Cox LABORATORY NO. 285646
P.O. Box 10160 Midland, Texas SAMPLE RECEIVED 2-27-85
 RESULTS REPORTED 3-7-85

COMPANY Petro-Chem Services LEASE Coastal Oil & Gas' Baum
 FIELD OR POOL _____
 SECTION _____ BLOCK _____ SURVEY _____ COUNTY Lea STATE NM

SOURCE OF SAMPLE AND DATE TAKEN:
 NO. 1 Raw water - taken from water supply well #1.
 NO. 2 Raw water - taken from water supply well #2.
 NO. 3 Raw water - taken from water supply well #3.
 NO. 4 WINDMILL N.W. OF FEDERAL 20 BATTERY

REMARKS:

| CHEMICAL AND PHYSICAL PROPERTIES | | | | |
|--------------------------------------|--------|--------|--------|--------|
| | NO. 1 | NO. 2 | NO. 3 | NO. 4 |
| Specific Gravity at 60° F. | 1.0018 | 1.0011 | 1.0012 | 1.0026 |
| pH When Sampled | | | | |
| pH When Received | 8.06 | 7.62 | 8.11 | 7.29 |
| Bicarbonate as HCO ₃ | 154 | 178 | 161 | 139 |
| Supersaturation as CaCO ₃ | | | | |
| Undersaturation as CaCO ₃ | | | | |
| Total Hardness as CaCO ₃ | 362 | 284 | 284 | 325 |
| Calcium as Ca | 125 | 84 | 87 | 103 |
| Magnesium as Mg | 12 | 18 | 16 | 16 |
| Sodium and/or Potassium | 27 | 3 | 21 | 20 |
| Sulfate as SO ₄ | 159 | 82 | 117 | 141 |
| Chloride as Cl | 92 | 42 | 54 | 77 |
| Iron as Fe | 0.13 | 1.0 | 0.73 | .26 |
| Barium as Ba | | | | |
| Turbidity, Electric | | | | |
| Color as Pt | | | | |
| Total Solids, Calculated | 569 | 407 | 456 | 497 |
| Temperature °F. | | | | |
| Carbon Dioxide, Calculated | | | | |
| Dissolved Oxygen, Winkler | | | | |
| Hydrogen Sulfide | 0.0 | 0.0 | 0.0 | 0.0 |
| Resistivity, ohms/in at 77° F. | 13.00 | 20.50 | 18.00 | 16.00 |
| Suspended Oil | | | | |
| Filtrable Solids as mg/l | | | | |
| Volume Filtered, ml | | | | |

Results Reported As Milligrams Per Liter

Additional Determinations And Remarks It is immediately apparent that none of the above three waters have any indication of oilfield brine contamination being present. Based on the determinations performed herein, we see only a very slight excess of iron in the water from wells #2 and #3, which is set by the State at 0.3 mg/l maximum for drinking water. However, it is extremely common for iron to fluctuate in well waters due to corrosion, and we would definitely question the continuity of the excessive iron encountered herein. Please contact us if we can be of any additional assistance in this matter.

RESULT OF WATER ANALYSES

LABORATORY NO. 285646
 TO: Mr. Durwood Cox SAMPLE RECEIVED 2-27-85
P.O. Box 10160, Midland, Texas RESULTS REPORTED 3-7-85

COMPANY Petro-Chem Services LEASE Coastal Oil & Gas' Baum

FIELD OR POOL _____

SECTION _____ BLOCK _____ SURVEY _____ COUNTY Lea STATE NM

SOURCE OF SAMPLE AND DATE TAKEN

- NO. 1 Raw water - taken from water supply well #1.
- NO. 2 Raw water - taken from water supply well #2.
- NO. 3 Raw water - taken from water supply well #3.
- NO. 4 WINDMILL N.W. OF FEDERAL 20 BATTERY

REMARKS:

| CHEMICAL AND PHYSICAL PROPERTIES | | | | |
|--------------------------------------|--------|--------|--------|--------|
| | NO. 1 | NO. 2 | NO. 3 | NO. 4 |
| Specific Gravity at 60° F. | 1.0018 | 1.0011 | 1.0012 | 1.0026 |
| pH When Sampled | | | | |
| pH When Received | 8.06 | 7.62 | 8.11 | 7.29 |
| Bicarbonate as HCO ₃ | 154 | 178 | 161 | 139 |
| Supersaturation as CaCO ₃ | | | | |
| Undersaturation as CaCO ₃ | | | | |
| Total Hardness as CaCO ₃ | 362 | 284 | 284 | 325 |
| Calcium as Ca | 125 | 84 | 87 | 103 |
| Magnesium as Mg | 12 | 18 | 16 | 16 |
| Sodium and/or Potassium | 27 | 3 | 21 | 20 |
| Sulfate as SO ₄ | 159 | 82 | 117 | 141 |
| Chloride as Cl | 92 | 42 | 54 | 77 |
| Iron as Fe | 0.13 | 1.0 | 0.73 | .26 |
| Barium as Ba | | | | |
| Turbidity, Electric | | | | |
| Color as Pt | | | | |
| Total Solids, Calculated | 569 | 407 | 456 | 497 |
| Temperature °F. | | | | |
| Carbon Dioxide, Calculated | | | | |
| Dissolved Oxygen Winkler | | | | |
| Hydrogen Sulfide | 0.0 | 0.0 | 0.0 | 0.0 |
| Resistivity, ohms/cm at 77° F. | 13.00 | 20.50 | 18.00 | 16.00 |
| Suspended Oil | | | | |
| Filtrable Solids as mg/l | | | | |
| Volume Filtered, ml | | | | |

Results Reported As Milligrams Per Liter

Additional Determinations And Remarks It is immediately apparent that none of the above three waters have any indication of oilfield brine contamination being present. Based on the determinations performed herein, we see only a very slight excess of iron in the water from wells #2 and #3, which is set by the State at 0.3 mg/l maximum for drinking water. However, it is extremely common for iron to fluctuate in well waters due to corrosion, and we would definitely question the continuity of the excessive iron encountered herein. Please contact us if we can be of any additional assistance in this matter.



Coastal Oil & Gas Corporation
 a subsidiary of The Coastal Corporation

Dinero Plaza
 1004 North Big Spring St.
 P. O. Box 235
 Midland, Texas 79702-0235

915/682-7925

*(Set for
 handling)*

RECEIVED
 FEB 15 1985
 OIL CONSERVATION DIVISION
 SANTA FE

February 12, 1985

State of New Mexico
 Energy & Minerals Department
 P. O. Box 2088
 Santa Fe, New Mexico 87501

Case 8524

Gentlemen:

Please find enclosed a copy of Form C-108, Application for Authorization to Inject, concerning our Federal "20" #1 well located in the SE/4 of Section 20, T-13-S, R-33-E in Lea County, New Mexico. We propose to convert this temporarily abandoned well to a Salt Water Disposal Well, thru perfs in the Bough "C" Formation.

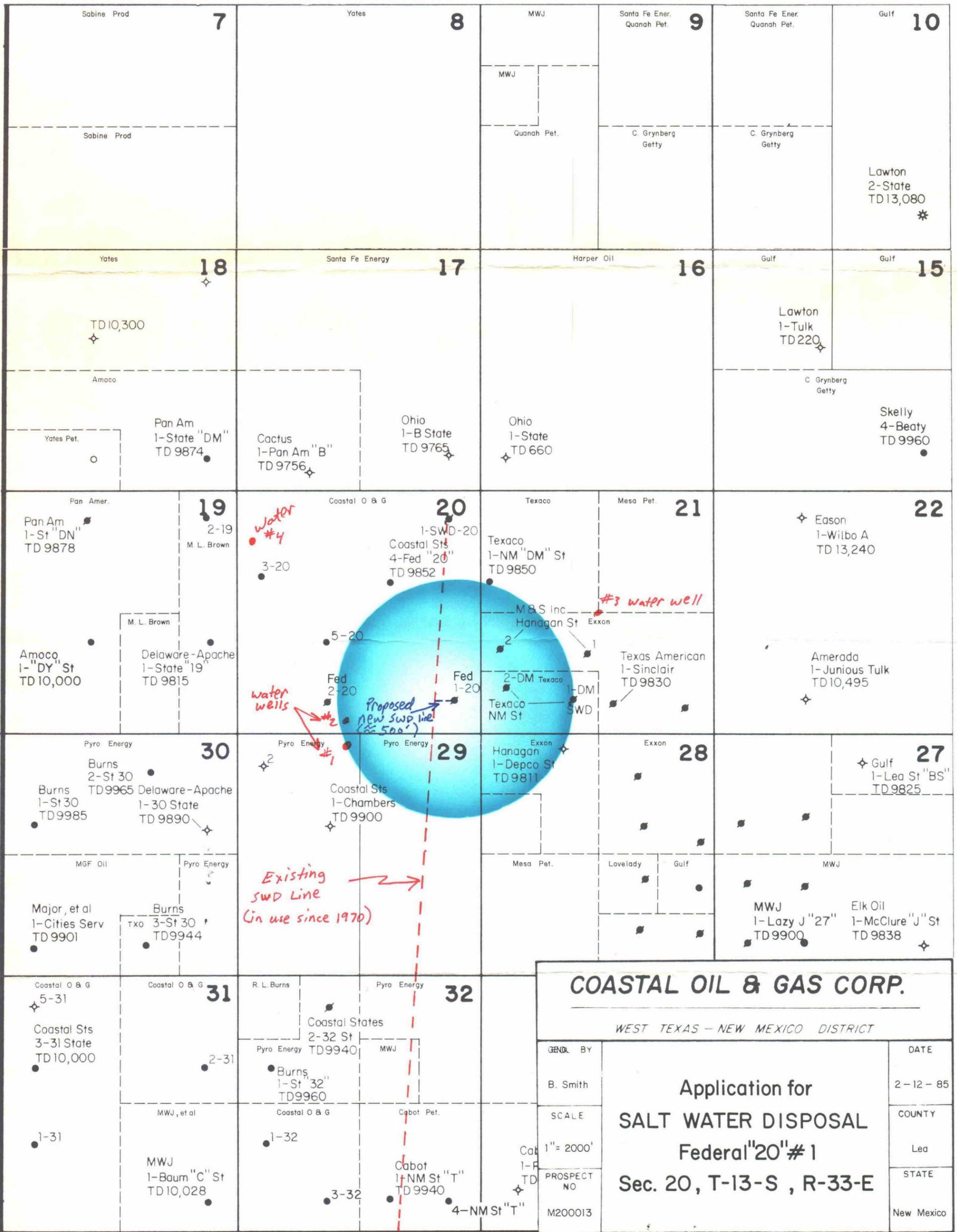
If additional information concerning this application is needed, please feel free to contact our Midland office.

Sincerely,

Bobby L. Smith

Bobby L. Smith
 Petroleum Engineer
 Coastal Oil & Gas Corporation

BLS:sp>



COASTAL OIL & GAS CORP.

WEST TEXAS - NEW MEXICO DISTRICT

| | | |
|------------------------|---|---------------------|
| GENERAL BY B. Smith | Application for SALT WATER DISPOSAL Federal "20" # 1 Sec. 20, T-13-S, R-33-E | DATE 2-12-85 |
| SCALE 1" = 2000' | | COUNTY Lea |
| PROSPECT NO M200013 | | STATE New Mexico |



Coastal Oil & Gas Corporation
a subsidiary of The Coastal Corporation

Dinero Plaza
1004 North Big Spring St.
P. O. Box 235
Midland, Texas 79702-0235

915/682-7925

February 28, 1985

Bureau of Land Management
P. O. Box 1778
Carlsbad, New Mexico 88220

Attention: Bob Pitschke

Dear Bob,

Please find attached the information you requested concerning our Federal "20" #1 well in Lea County, New Mexico. I appreciate you letting me know you needed this information.

If there is anything else you might need, please advise.

Sincerely,

Bobby L. Smith
Bobby L. Smith
Petroleum Engineer

Attachments

BLS:spb

CC: NMOCC-Hobbs & Sante Fe

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

5. LEASE DESIGNATION AND SERIAL NO.
NM 2842-A

6. IF INDIAN, ALLOTTEE OR TRIBE NAME

7. UNIT AGREEMENT NAME

8. FARM OR LEASE NAME
Federal "20"

9. WELL NO.
1

10. FIELD AND POOL, OR WILDCAT
Baum (U. Penn)

11. SEC., T., R., N., OR BLK.
AND SURVEY OR AREA
20, T-13-S, R-33-E

12. COUNTY OR PARISH
Lea

13. STATE
NM

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1A. TYPE OF WORK
DRILL DEEPEN PLUG BACK

B. TYPE OF WELL
OIL WELL GAS WELL OTHER Convert to SWD SINGLE ZONE MULTIPLE ZONE

2. NAME OF OPERATOR
Coastal Oil & Gas Corporation

3. ADDRESS OF OPERATOR
P. O. Box 23; Midland, Texas 79702

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)
At surface 660' FEL & 660' FSL

At proposed prod. zone

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*
Approx 20 miles NW of Lovington, NM

16. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drig. unit line, if any) 660'

18. NO. OF ACRES IN LEASE
640

17. NO. OF ACRES ASSIGNED TO THIS WELL

18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT. 2952'

19. PROPOSED DEPTH

20. ROTARY OR CABLE TOOLS

21. ELEVATIONS (Show whether DP, RT, GR, etc.)
GR 4256; KB 4267'

22. APPROX. DATE WORK WILL START*
Upon Approval of C-108

23. PROPOSED CASING AND CEMENTING PROGRAM

| SIZE OF HOLE | SIZE OF CASING | WEIGHT PER FOOT | SETTING DEPTH | QUANTITY OF CEMENT |
|--------------|----------------|-----------------|---------------|---------------------|
| 17 1/2" | 13 3/8" | 48# | 387' | 375 Sacks, Cmt Cir. |
| 11" | 8 5/8" | 24 & 32# | 4075' | 300 Sacks |
| 7 7/8" | 5 1/2" | 15.5# & 17 # | 9840' | 250 Sacks |

Well was spudded 2-23-68, and completed on 3-24-68. IP Flwg. 295 BO X O BW. SI and TA in July 19'0 due to excessive wtr production. Cum prod was 196 MBO X 373 MBW. Attached is a copy of a SNP log thru the zones of interest. The log shows existing perfs (solid line) and proposed perfs (dashed line).

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen or plug back, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24. SIGNED B. L. Smith *B.L. Smith* TITLE Petroleum Engineer DATE 2-28-85

(This space for Federal or State office use)

PERMIT NO. _____ APPROVAL DATE _____

APPROVED BY _____ TITLE _____ DATE _____

CONDITIONS OF APPROVAL, IF ANY:

*See Instructions On Reverse Side

APPLICATION FOR AUTHORIZATION TO INJECT

- I. Purpose: Secondary Recovery Pressure Maintenance Disposal Storage
Application qualifies for administrative approval? yes no
- II. Operator: Coastal Oil & Gas Corporation
Address: P. O. Box 235 Midland, Texas 79702
Contact party: Bobby L. Smith Phone: (915) 682-7925
- 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 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:
1. Proposed average and maximum daily rate and volume of fluids to be injected;
 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 geological data on the injection zone including appropriate lithologic detail, geological 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 source 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 source 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: Bobby L. Smith Title Petroleum Engineer
Signature: Bobby L. Smith Date: February 11, 1985
- * If the information required under Sections VI, VIII, X, and XI above has been previously submitted, it need not be duplicated and resubmitted. Please show the date and circumstance of the earlier submittal.

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 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, P. O. Box 2088, Santa Fe, New Mexico 87501 within 15 days.

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

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.

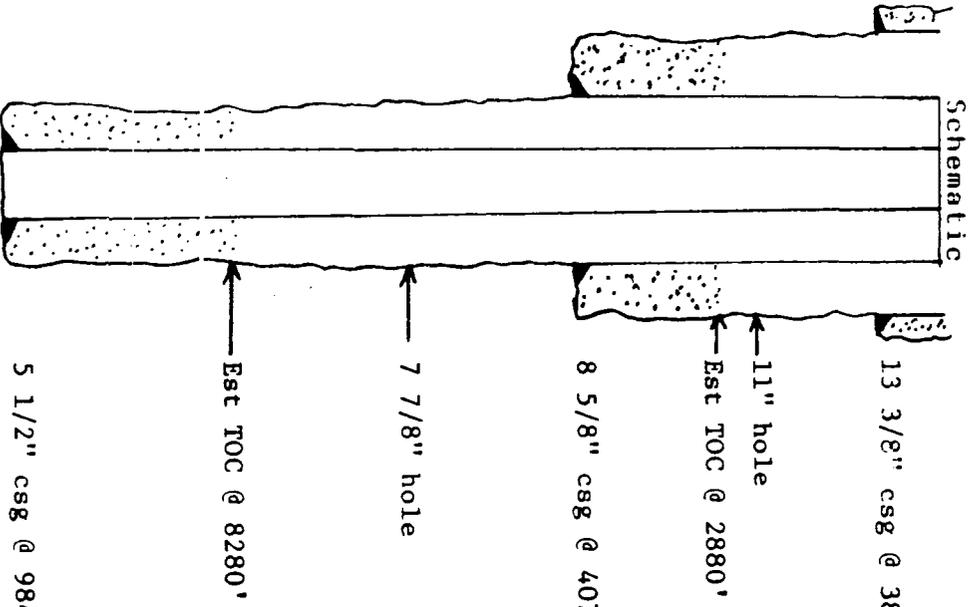
INJECTION WELL DATA SHEET

SIDE 1

Coastal Oil & Gas Corporation
OPERATOR

Federal "20"
LEASE

1 WELL NO. FOOTAGE LOCATION SECTION 20 TOWNSHIP 13-S RANGE 33-E



Tabular Data

13 3/8" csg @ 387' Surface Casing
 Size 13 3/8 " Cemented with 375 sx.
 TOC Surface feet determined by visual
 Hole size 17 1/2"
 8 5/8" csg @ 4075' Intermediate Casing
 Size 8 5/8 " Cemented with 300 sx.
 TOC 2880 feet determined by calculation
 Hole size 11" (TOC calculated based on 12" hole)
 Long string
 Size 5 1/2 " Cemented with 250 X 1.43 sx.
 TOC 8280 feet determined by calculation
 Hole size 1 7/8
 Total depth 9840'
 Injection interval Bough "C"
9738 feet to 9800 feet
 (perforated or open-hole, indicate which) feet

5 1/2" csg @ 9840'

Est TOC @ 8280'

7 7/8" hole

Est TOC @ 2880'

11" hole

13 3/8" csg @ 387' Surface Casing

8 5/8" csg @ 4075' Intermediate Casing

INJECTION WELL DATA SHEET -- SIDE 2

Tubing size 2 7/8" lined with Fiberglass Tubing w/Seal Assembly set in a
(material)
Baker "F-1" packer at 9650' feet
(brand and model)
(or describe any other casing-tubing seal).

Other Data

1. Name of the injection formation Bough "C" (Penn)

2. Name of field or Pool (if applicable) Baum (U. Penn)

3. Is this a new well drilled for injection? Yes No
If no, for what purpose was the well originally drilled? Oil Production

4. Has the well ever been perforated in any other zone(s)? List all such perforated intervals and give plugging detail (sacks of cement or bridge plug(s) used) Intervals to be perforated are 9738'-57' and 9787'-9800'

5. Give the depth to and name of any overlying and/or underlying oil or gas zones (pools) in this area. Not aware of any other productive zones in this area.

VII.

- 1) The anticipated average injection rate is 1200 BWPD and the anticipated maximum injection rate is 1500 BWPD.
- 2) This is a closed system.
- 3) Anticipated average injection pressure is 500 psi. The maximum anticipated injection pressure is 1500 psi.
- 4) All injected water will be Penn produced water, i.e., reinjected produced water.
- 5) NA, zone is productive of oil within one mile of the proposed well.

VIII. The proposed injection zone is designated the Bough "C". The lithology consists of a phylloid algal limestone interbedded with thin layers of shale. The Bough "C" is a Cisco age rock found at approximately 9730' and is 120' to 150' thick. The Ogallala is the only source of drinking water in the area and the base is found at approximately 300 feet.

IX. The stimulation program will be a relatively small volume matrix acid job, on the order of 3000-5000 gallons of 15% HCl.

X. This well was originally completed in 1968. I assume logs were sent to the Oil Conservation Division at that time.

XI. There are no known fresh water wells within one mile of this proposed SWD well.

XII. There are no known faults or other hydrologic connection between the disposal zone and any underground source of drinking water.

XIII. "Proof of Notice".

Copies of the return receipts will be sent as soon as they are returned. The C-108 applications were mailed to offset lease holders and the surface owner of record on February 12, 1985, via certified mail. Additionally, the affidavit of publication will be sent as soon as it is received. The legal advertisement was scheduled to run February 11, 1985. If additional information is needed, please advise.



Federal 20 #1
 Baum (U. Penn) Field

10/1/54
 20

LAW OFFICES
HEIDEL, SAMBERSON, GALLINI & WILLIAMS

C. GENE SAMBERSON
R. W. GALLINI
JERRY L. WILLIAMS

311 NORTH FIRST STREET
POST OFFICE DRAWER 1599
LOVINGTON, NEW MEXICO 88260
(505) 396-5303

F. L. HEIDEL
OF COUNSEL

February 22, 1985

M.S.

Case 8529

Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Application of Coastal Oil & Gas
Corporation for Salt Water Disposal
Permit

Gentlemen:

Enclosed herewith for filing in the above-referenced matter, please find the Formal Objection and Request for Hearing for James N. Chambers of Hobbs, New Mexico.

Very truly yours,

HEIDEL, SAMBERSON, GALLINI & WILLIAMS

By *R. W. Gallini*
R. W. GALLINI

RWG/rt
Enclosure

Copy: Mr. James N. Chambers

RECEIVED
FEB 23 1985
OIL CONSERVATION DIVISION
SANTA FE, N.M.

BEFORE THE OIL CONSERVATION DIVISION
ENERGY AND MINERALS DEPARTMENT
SANTA FE, NEW MEXICO

IN THE MATTER OF THE)
APPLICATION OF COASTAL OIL)
& GAS CORPORATION for)
ADMINISTRATIVE APPROVAL FOR)
AUTHORIZATION TO INJECT WATER)

Docket No. _____

FORMAL OBJECTION
and
REQUEST FOR HEARING

COMES NOW James N. Chambers of 906 E. Greenacres, Hobbs, Lea County, New Mexico, and files his Formal Objection to the Division approving the Application of Coastal Oil & Gas Corporation for Authorization to inject water into the Pennsylvanian Bough "C" formation in the Federal "20" #1 Well, located 660" FEL and 660' FSL of Section 20, T-13-S, R-33-E, Lea County, New Mexico and for grounds, states:

1.

That James N. Chambers is the owner of the surface estate of the Southeast Quarter (SE/4) of Section 20, Township 13 South, Range 33 East, N.M.P.M., Lea County, New Mexico where the Federal "20" #1 Well is situated. Said surface estate is fee land.

2.

That in addition to owning the surface estate where the Federal "20" #1 Well is situated, James N. Chambers also

claims right, title and interest in and to the Federal "20" #1 Well and location. Said well was abandoned and is not a producing well.

3.

That Applicant, Coastal Oil & Gas Corporation has not made any agreement with James N. Chambers for the use of his property in connection with the proposed disposal well operations. Therefore, the Oil Conservation Division should not approve Applicant's request to inject water into the Federal "20" #1 Well until such time that it satisfies the Division that it has reached an agreement with the surface owner, James N. Chambers, to use the said abandoned well and surface location around the well.

4.

That the proposed salt water disposal well is located less than one-half ($\frac{1}{2}$) mile from fresh water wells owned by James N. Chambers and said disposal operations could contaminate the said fresh water wells.

WHEREFORE, James N. Chambers objects to the issuance of a Permit to Coastal Oil & Gas Corporation as requested in

its Application and requests the Division to schedule a hearing in this matter prior to taking any administrative actions.

DATED this 22nd day of February, 1985.

HEIDEL, SAMBERSON, GALLINI & WILLIAMS
P. O. Drawer 1599
Lovington, New Mexico 88260
(505) 396-5303

By *R. W. Gallini*
R. W. GALLINI, Attorneys for
James N. Chambers

CERTIFICATE OF SERVICE

I hereby certify that on February 22, 1985, I mailed by first-class mail, postage prepaid, a true copy of James N. Chambers' Formal Objection and Request for Hearing to Bobby L. Smith, Petroleum Engineer, Coastal Oil & Gas Corporation, P. O. Box 235, Midland, Texas 79702-0235.

R. W. Gallini
R. W. GALLINI



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
 OIL CONSERVATION DIVISION
 HOBBS DISTRICT OFFICE

February 15, 1985

TONEY ANAYA
 GOVERNOR

POST OFFICE BOX 1980
 HOBBS, NEW MEXICO 88240
 (505) 393-6161

OIL CONSERVATION DIVISION
 P. O. BOX 2088
 SANTA FE, NEW MEXICO 87501

RE: Proposed:

MC _____
 DHC _____
 NSL _____
 NSP _____
 SWD _____ X _____
 WFX _____
 PMX _____

Gentlemen:

I have examined the application for the:

Coastal Oil & Gas Corp. Federal 20 No. 1-P 20-13-33
Operator Lease & Well No. Unit S-T-R

and my recommendations are as follows:

Need Hearing--J.S.

Yours very truly,

Jerry Sexton
 Jerry Sexton
 Supervisor, District 1

/mc