BW - <u>3/</u>

GENERAL CORRESPONDENCE

YEAR(S):



Stone, Ben, EMNRD

From: Stone, Ben, EMNRD

Sent: Tuesday, March 07, 2006 9:49 AM

To: 'garymschubert@aol.com'

Cc: Williams, Chris, EMNRD; Wink, Gary, EMNRD

Subject: HRC Brine Facility - Schubert 7 No.1

Mr. Schubert,

Wayne Price has recently taken over as the environmental bureau chief and has given your application for a brine well over to me.

The information you've submitted over the last several months looks essentially complete and I apologize for the obvious delay.

All that I need is an approved C-101 (Hobbs OCD district office) for your reentry into and completion of the well.

Apparently, the City of Hobbs has some interest and it is my understanding that you will be utilizing their waste water for your operation.

Anyway, as it stands now, once I receive the C-101 and visit with the manager of Hobbs Waste Water (at their request), I believe we can get your permit out very soon.

Thanks for your cooperation and patience!

Sincerely,

p.s. I had tried to contact Lorna who is listed as one contact but have been unable to get her by phone.

Ben Stone

Oil Conservation Division Environmental Bureau 1220 S. St. Francis Dr. Santa Fe, NM 87505 505.476.3474 ben.stone@state.nm.us

NOTICE OF PUBLICATION

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

Notice is hereby given that pursuant to New Mexico Water Quality Control Commission Regulations, the following discharge permit application(s) has been submitted to the Director of the Oil Conservation Division, 1220 S. Saint Francis Drive, Santa Fe, New Mexico 87505, Telephone (505) 476-3440:

(BW-031) – H.R.C. Inc., Mr. Gary Schubert, (505) 393-3194, P.O. Box 5102, Hobbs, New Mexico, 88241 has submitted a discharge plan application for a new in-situ brine extraction well and surface storage facilities. The new brine well and facility will be located in unit letter J of Section 7, Township 19 South, Range 39 East, NMPM, Lea County, New Mexico. Treated effluent water obtained from the city of Hobbs will be injected in the Salado formation at a approximate depth of 2300 feet and brine water will be extracted out of the formation from a depth of approximately 1800 feet with an average total dissolved solids concentration of 300,000 mg/l. H.R.C. INC. proposes to reenter the Sahara well #1 API#30-025-36781 (Now Schubert7#1) well located 2313 FSL and 2313 FEL of Section 7, Township 19 South, Range 39 East, NMPM, Lea County, New Mexico. Ground water most likely to be affected by any accidental release or discharge is the Ogallala water bearing formation at a depth of approximately 50 feet and has a total dissolved solids content of approximately 800 mg/l. The discharge plan addresses how spills, leaks, and other accidental discharges to the surface will be managed.

Any interested person may obtain further information from the Oil Conservation Division and may submit written comments to the Director of the Oil Conservation Division at the address given above. The discharge permit application and draft discharge permit may be viewed at the above address between 8:00 a.m. and 4:00 p.m., Monday through Friday. The draft discharge permit may also be viewed at OCD's web site <u>http://www.emnrd.state.nm.us/ocd/</u>. Prior to ruling on any proposed discharge permit or its modification, the Director of the Oil Conservation Division shall allow at least thirty (30) days after the date of publication of this notice during which comments may be submitted and a public hearing may be requested by any interested person. Requests for a public hearing shall set forth the reasons why a hearing should be held. A hearing will be held if the Director determines there is significant public interest.

If no public hearing is held, the Director will approve or disapprove the proposed permit based on information available. If a public hearing is held, the director will approve or disapprove the proposed permit based on information in the permit and information submitted at the hearing.

GIVEN under the Seal of New Mexico Oil Conservation Commission at Santa Fe, New Mexico, on this 10th day of January 2006.

STATE OF NEW MEXICO OIL CONSERVATION DIVISION

Mark Fesmire, Director

Price, Wayne, EMNRD

Subject: Due Date:	HRC Brine Well BW-31 Friday, March 31, 2006
Status: Percent Complete:	Not Started 0%
Total Work: Actual Work:	0 hours 0 hours
Owner:	Stone, Ben, EMNRD
Ben Stone.doc (24 2006GWPUBI	NOT.D BWAPP.DOC (56 DP_BEF.rtf (15 KB)

OC (32 KB) KB)

Dear Mr. Stone:

KB)

Please find enclosed instructions (Ben Stone) and electronic versions of a typical brine well public notice, permit and application. This project will give you exposure to well permitting, discharge permitting, UIC area of review, brine well testing and operations, MIT and of course well logging which I'm sure you could teach me a thing or two.

This is about as tough as it gets here, so don't worry it's not that bad. I will put the files on your desk.

H.R.C. BRINE FACILITY DISCHARGE PLAN APPLICATION FOR BRINE EXTRACTION FACILITY

- 1. H.R.C. Brine Facility Schubert 7 Well #1
- H.R.C., Inc.
 P.O. Box 5102
 Hobbs, NM 88241
 Gary M. Schubert (505) 393-3194

Location:

- 2

 Brine Well NW ¼ of SE ¼ Section 7 Township 19S. Range 39E. Fluid Transfer and Storage Facility: SE ¼ Section 26Township 19S Range 38E. (Map attached)

Surface Owners:

Gary M. and Marcia Schubert
P.O. Box 5102
Hobbs, NM 88241
Lea County – tax and ownership records attached.

5. This facility will store brine water produced from the underground salt formation at the site. No other fluids will be stored at the facility. Salt brine will be recovered up the tubing from the Schubert 7 well #1 and stored in 500 bl. above ground tanks. These tanks will be located inside and on a polyethylene lined dike area. The dike area will be sized to hold more than 133% of the brine tanks combined capacity. The volume of brine production will be determined by the amount of oil and gas drilling activities, and will vary from month to month. Based on activity at other brine facilities, this volume could be 12,000 to 15,000 barrels per month.

6. Fluid Transfer and Storage:

Treated effluent water will be received at the brine well for injection from the S & H Enterprises Inc. farm (City of Hobbs treated effluent) water supply system via polyethylene pipe, the connection to the system is approximately 4 miles south of proposed brine well #1. The fresh water line will be connected to the suction side of a pump which will pump fresh water down the annulus of the well casing at a rate of approximately 60 barrels per hour and a normal operating pressure of from 200 to 250 psi. Brine water will be produced up the well through the tubing and delivered to the 500 bl. tanks by polyethylene piping. All piping is low pressure with tank head pressure less than 50 psi. All piping will be above ground and visible for quick on site leak detection.

Brine water will be transported from the site by tanker truck for sale and use in oil and gas drilling and production operations. Tanker trucks will be positioned inside a polyethylene-lined dike loading area to retain fluids in the event an accidental discharge or spill were to occur. Brine water will flow from the storage tanks to a header system by piping positioned above the poly liner. Tank trucks will connect to the header valve by hose and the pumps on the truck will pull the fluids from the header valve and discharge the brine to the tanker. When the loading is complete, the driver or operator will close the header valve and continue to suck the line empty, this will prevent any spills, leaks or drips. As a precaution, an above ground drip tank will be located at the header valve to catch any drips that might occur during the loading process. The operator or driver will be present during the loading process and will fill out a load ticket for volume and destination. These tickets will be used for billing and also for monitoring the volumes of fresh water and brine production which will help in keeping up with the integrity of the system.

A meter will be located at the fresh water connection. This meter will be used by S & H Farms for billing purposes and by H.R.C. in calculating volumes. The brine well injection pump will be a positive displacement pump. The pump generally pumps at the same flow rate as well. A pressure gauge will be installed on the pump discharge which will record operating pressure and run time. Run time multiplied by pump flow rate gives an indication of water volume pumped into the formation and brine water recovered. Tank gauges, fresh water meter reading, pump run time and product sales tickets will be compared to give an idea as to the integrity of the operation. The volume of fresh water injected and the volume of brine produced will be recorded monthly and submitted to the OCD office in Santa Fe on a quarterly schedule.

Tanks and piping will be above ground for rapid visual leak inspection and detection. The loading area will be a poly lined dike area to contain any spillage that may occur. Dike areas will prevent run-off storm water. Any water that does accumulate will be vacuumed up and hauled to an OCD approved facility for disposal. H.R.C. will be at the facility on a daily basis checking for leaks and/or spills. The inspection will be recorded and kept on file, any corrections or repairs will be noted on inspection file.

Prior to starting injection and after approval, the casing will be pressure tested for integrity. A bridge plug will be run into bottom of the casing and pressure will be applied to casing to check for any leakage. The process will be conducted on at least a five year schedule. The tubing-casing formation test will be conducted annually to insure integrity.

No fluids or solids will be disposed of at this site. All brine fluids will be sold for use or stored in tanks. In the event it becomes necessary to dispose of brine fluids, it will be taken to an OCD approved facility. Any solids, such as soil containing chloride contamination, will be taken to an approved OCD facility.

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Closure Plan:

In the event it becomes necessary to abandon this facility, the well will be plugged and abandoned according to the specifications recommended by the OCD at time of closure, which will meet the requirements for protection of groundwater. All fluids and solids will be removed from the site and transported to an OCD approved facility. After removal of all surface equipment, the area will be remediated and graded in a manner to reflect its original condition.

7. Description of Underground Facility:

The only underground facilities will be brine well and its piping construction. Enclosed is schematic of proposed completion and a schematic of existing status.

The proposed construction will be:

8 5/8" production casing pulled and set at approximately 1600' with cement circulated to surface.

2 7/8" production tubing drilled into salt cavity and set approximately 2400'.

General operation is to pump fresh water down annulus between 2 7/8" tubing and 8 5/8" casing and produce brine water up to 2 7/8"tubing. Once a month, the flow is reversed for 24 hours to dissolve any buildup in tubing.

Mechanical integrity tests will be conducted on the well and salt dome foundation as OCD designates. The well and formation will be pressured up to one and one half times the normal operating pressure and shut in for four hours with pressure recorded on a pressure chart. The OCD will notify H.R.C. of the date and time for testing so it can be witnessed.

Cavity configuration tests will be conducted as required by OCD to determine size and configuration of the mined cavity.

The OCD office will be notified for approval prior to any drilling, deepening or plug back operations using the appropriate forms and notification. The OCD will also be notified before any remedial work, plugging or altering of well has started and after approval.

8. Reporting and Clean up of Spills:

All above ground piping and tanks will be visually inspected for leaks by company personnel during each site visit. Any problems such as leaks, spills or well abnormality will be taken to the attention of H.R.C. supervisor immediately. Supervisor will assess the problem and proceed with proper notification and repairs as OCD rule 116 requires.

9. Site Characteristics:

The proposed site is located southeast of Hobbs, NM adjacent to county road #

The area is relatively flat with very little elevation differences. There is no surface water in close proximatey to the proposed site. The average rainfall for for this area is 12 to 15 inches annually. The last recorded 100 year flood was in 1990, where 10 inches of rain was recorded in a 24 hour period. In normal conditions, rain soaks in and is absorbed into the soil as fast as it comes down. With the present facility design, it is highly unlikely any run off or run on of the property would occur. If, in the future, some problems were to occur, revisions to the discharge plan for this facility would be incorporated.

Hydrology:

Underground aquifers in this area are the Ogallala and Quaternary Alluvium formations. The groundwater in these formations is unconfined where the underlying red beds are relatively impermeable. This underlying layer prevents further downward or upward movement. From information reviewed, the groundwater flow from the Ogallala formation flows to the south southeast, the water level for this area ranges from 50' to 70' below ground level and the average depth of the wells are 150'. Find within list of water wells in the general area and analytical from one the wells.

Geology:

The proposed site is located on the Central Basin Platform of the Permian Basin. The sub-surface formations are in transitional area between Delaware Basins back reef or shelf area and the platform. The brine product is from the Salado formation of the Ochoa series. The series is of upper Permian Age, and extends across the Delaware Basin, Central Basin Platforms, thins and pinches out on the eastern shelf. This series layers are predominately evaporates which contain strings of dolomite, shale, siltstone, and sandstone. The thickness of this salt section averages about 1000ft. The Triassic rock overlaying the Permian formation is the Dockem group, and is divisible into the Santa Rosa sandstone and the Chinle formation. The Teriary rocks are represented by the Ogallala formation . This formation ranges in thickness from 0' to 300'. It is chiefly calcareous, unconsolidated sand, clay, silt and gravel. This is the information most of Lea County obtains its drinking water from.

10. H.R.C., Inc. will comply with any rule, regulation or order which the OCD currently has or any new rule and regulation that pertains to this type of facility that the OCS may initiate in the future.

H.R.C., Inc. P O Box 5102 Hobbs, NM 88241 (505)393-6662

RECEL

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222 8 0 2005

OIL CONSERVATION LIVISION

March 23, 2005

Mr. Wayne Price NMOCD Environmental Bureau P O Box 6429 Santa Fe, NM 87504

RE: Brine Supply Application

Mr. Price,

Please see the attached application for brine supply well and discharge permit. I believe everything is to be in order. If you have any questions or require any additional information, please give me a call or e-mail garymschubert@aol.com. Thanks for your cooperation.

Sincerely,

Gary M. Schubert

Feb 17, 2006

To: Ben Stone

From: Wayne Price

Subject: HRC Brine Well

Please find attached the file for the HRC BW-30 (existing well) and partial information on the new brine (BW-31). I have set up the admin permit for BW-31 but not the facility.

This permit application has been in purgatory for some time. I think what has happened is that Gary Schubert tried using his in house staff secretary who was not familiar with OCD rules and regs. The last time he used Eddie Seay for BW-30. Unfortunately for Gary here is what needs to be done and I would appreciate if you would ram rod this until completion.

- 1. Re-submit a complete copy of brine well application.
- 2. Submit a C-103 and C-108.
- 3. Check and make sure there is a bond on the well.
- 4. Public Notice was issued and we received a telephone call from the City of Hobbs Waste Water department. Please call the city of Hobbs and find out who we need to copy the draft permit to.
- 5. Prepare discharge permit draft. Use the BW-30 as a reference. I can E-mail you an electronic copy.
- 6. Once we have the draft we will list it on the web and wait 30 days.
- 7. During this time you can evaluate the permit application, C-103 and C-108.
- 8. When you receive the C-108 you need to check with Will Jones and make sure there is no other wells in the area of review that could be a problem.
- 9. When you receive the C-103 I would get with Chris and make sure they agree with the re-completion and what conditions they would require. We will want an casing MIT and cement bond log at a minimum.

GOOD LUCK!!!

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MEMO Schubert #7 Erling	· Foc		6		

Price, Wayne

From: Sent:	Price, Wayne Wednesday, June 01, 2005 2:58 PM
То:	'garymschubert@aol.com'
Cc:	Williams, Chris; Wink, Gary; Sheeley, Paul; Johnson, Larry; Anderson, Roger; Sanchez, Daniel
Subject:	H.R.C. Inc. New brine well application
Contacts:	Gary Schubert

Dear Mr. Schubert:

OCD is in receipt of H.R.C. Inc application for a new brine well to be located in UL J Section 7 Ts 19s R 39e. Your plan proposes to re-enter the Sahara well#1

API# 30-025-36781. The proposed completion does not meet OCD's minimum requirement for groundwater protection for EPA type Class III wells. OCD will require at least two strings of casing through the fresh water zone. The first string (outside) shall be embedded and terminate in the "Red Beds" and the second string shall be placed a minimum of 100 feet into the salt section. Both casing strings shall be cemented back to surface.

In order for OCD to continue the evaluation of the application please re-submit an amended plan to incorporate the above changes and include a \$100.00 filing fee made out to the New Mexico Water Quality Management Fund.

Sincerely:

Wayne Price New Mexico Oil Conservation Division 1220 S. Saint Francis Drive Santa Fe, NM 87505 505-476-3487 fax: 505-476-3462 E-mail: WPRICE@state.nm.us

H.R.C. INC.

SCHUBERT 7 #1 SECT. 7, T. 19 S, R. 39 E

APPLICATION FOR BRINE EXTRACTION WELL

AND

DISCHARGE PLAN FOR BRINE FACILITY

March 8, 2005

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Title: Presid	lent				0000		Appro	oval Dat	te:		Expir	ation Date:	•
E-mail Add	ress: Garv	MScl	ubert	aol.com									

Date: 3/8/05	Phone: 505-393-6662	Conditions of Approval Attached	

District I 1625 N. French Dr., Hobbs, NM 88240 District II 1301 W. Grand Avenue, Artesia, NM 88210 District III 1000 Rio Brazos Rd., Aztec, NM 87410 District IV 1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico Energy, Minerals & Natural Resources Department OIL CONSERVATION DIVISION 1220 South St. Francis Dr. Santa Fe, NM 87505

Form C-102 Revised June 10, 2003 Submit to Appropriate District Office State Lease - 4 Copies Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

	API Number 0-025-36781			² Pool Code ³ Pool Name 96173 BSW - Salado					
⁴ Property (301197					۴ w	⁶ Well Number 1			
⁷ OGRID 1 131652			⁸ Operator Name ⁹ Elevat HRC, Inc. 3585						
					¹⁰ Surface L	ocation			······································
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
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	L	L	¹¹ B	ottom Ho	ble Location If	Different From	Surface	<u></u>	
UL or lot no.	Section	Township	Range		Feet from the	North/South line	Feet from the	East/West line	County
¹² Dedicated Acres	s ¹³ Jeint o	r Infill 14 Co	nsolidation	Code ¹⁵ Or	der No.		A	L	

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

16			¹⁷ OPERATOR CERTIFICATION I hereby certify that the information contained herein is true
			and complete to the best of my through dge and belief.
			Signature
			Gary M. Schubert Printed Name
			President (laryMSchubert@AOL.com
			Title and E-mail Address
			3/8/05
			Date
	330 × 330	2313'	¹⁸ SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was
	\uparrow		plotted from field notes of actual surveys made by me or
			under my supervision, and that the same is true and correct
	2313'		to the best of my belief.
	 		Date of Survey
			Signature and Seal of Professional Surveyor:
	ł		Certificate Number

			······································	
Submit 3 Copies To Appropriate District Office	State of New Me	exico		m C-103
District I	Energy, Minerals and Natu	ral Resources		ay 27, 2004
1625 N. French Dr., Hobbs, NM 88240 District II			WELL API NO. 30-025-36781	
1301 W. Grand Ave., Artesia, NM 88210	OIL CONSERVATION		5. Indicate Type of Lease	
District III 1000 Rio Brazos Rd., Aztec, NM 87410	1220 South St. Fran		STATE FEE	3
District IV	Santa Fe, NM 8	/505	6. State Oil & Gas Lease No.	
1220 S. St. Francis Dr., Santa Fe, NM 87505				
	ES AND REPORTS ON WELLS		7. Lease Name or Unit Agreemer	nt Name
(DO NOT USE THIS FORM FOR PROPOSA DIFFERENT RESERVOIR. USE "APPLICA" PROPOSALS.)			Schubert 7	
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2. Name of Operator	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		9. OGRID Number	
HRC, Inc. 3. Address of Operator	موجوع بروان می از مراجع می از این می از می		131652 10. Pool name or Wildcat	
P.O. Box 5102 Hobbs, NM 8824	1		BSW-Salado	
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Unit Letter J : 2	1313 feet from the Sout	h line and	2313 feet from the East	line
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	11. Elevation (Show whether DR 3585 GL			
Pit or Below-grade Tank Application 🗌 or C		·····		
Pit typeDepth to Groundwate	rDistance from nearest fresh v	vater well Dis	tance from nearest surface water	
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I hereby certify that the information ab	ove is true and complete to the b	est of my knowledg	e and belief. I further certify that any p	nit or below-
grade tank has been/will be constructed or clo	sed according to NMOCD guidelines	_i, a general permit [_]	or an (attached) alternative OCD-approve	≥d plan ∐.
SIGNATURE US III AUG	TITLE	President	DATE_ <u>3/8/05</u>	
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EUL STATE USE WHILY				
APPROVED BY:			DATE	
Conditions of Approval (if any):				

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District I 1625 N. Frenc	h Dr., Hobl	bs, NM	88240	-	En	State o ergy Mineral	f New Mex s and Natura		irces		Form C-101 May 27, 2004	
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UL or lot no.	Section	Town	ship	Range		Ida Feet fro		iouth line	Fect from the	East/West line	County	
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	Type Code N			¹² Well Type Code O	;		/Rotary		Lease Type Code F	0"	round Level Elevation 3585'	
	fultiple			17 Proposed Depth			nation		¹⁹ Contractor		²⁰ Spud Date	
	No			8000'		أأرأ والمستحد والمسالي	b0	1022	Unknown		7/28/04- earest surface water + 2 miles	
Depth to Grou		80				ce from nearest fre		,303'				
	•		<u>12_</u> mils 	thick Clay	Pit V	olume: <u>2500</u> bbls		illing Meth	NOC: N Brine N Di			
Clos	ed-Loop Sy	stem L		21	Drono	sed Casing a				CSEMUTE-Dased 1		
	· · ·	T		1					1	. 1		
Hole S				g Size	Casu	ng weight/foot	Setting Depth Sacks of C				Estimated TOC	
12-1		+		5/8" /2"	15		<u>1850'</u> 8000'		800		Surface 1000'	
<i>l=u</i>	n											
		1										
²² Describe	the ampose		am Ifi	this application i	e to DF	EPEN or PLUG R	CK give the da	ta on the n	resent productive a		ed new productive zone.	
						nal sheets if necess		ta on use p	acsem productave z	one and propos	a new productive zone.	
	Frill 12.2	25" ho	le to	1850' w/fres	h wate	er. Set 8.625"	casing and c	ement to	o surface. NU	BOP's and	22S equipment.	
Drill 7-7/	8" hole	w/cut	brine,	Set and cen	nent 5	-1/2" casing () TD with 2-	stage ce	ment job utili	zing DV too	I. Calculate NU WH, retease	
drilling ri	g. Move	ised o	mplet	per log to en ion unit, per	forate	and acidize p	ay zone. Plac	ce well o	on test.	NU BUP's,	NU WH, recease	
	_		-	-		-	-			20		
										34		
Dem	: Evni	es 1	Yea	r From Ap	prova	al				N 83		
Perm	ata Un	less	Drilli	ng Underv	ay					1/	A.	
		• • •								C.OE 62	97.170,546	
				given above is t				OILO	CONSERVA	TION DIV	SION	
				uidelines 🛛, a		illing pit will be permit 🔲, or	Approved by:		~?			
an (attached						1. 11		6	ml 3/	Land	Lenn Friday	
Printed name	e: Robert	McAl	pine	160	1/4	18 m	Title:		//	TEINS		
Title:	Preside	nt					Approval Date	HLL O		Expiration Date:		
E-mail Addr	ess: Sahar	rarm@	sbcglol	bal.net					J 2004			
Date: 7-16-	04			Phone: 432-	697-09	67	Conditions of	Approval /	Attached			
							-			معمد بندرونی بالانا میشادین		

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				1	State	of New	r Mexico			
DISTRICT I P.A. Box 1980, Hobbs,	NM 99941-10	-		Baergy, I	linerais an	d Natural B	coources Department			orm C-102
DISTRICT II P.O. brawer BD, Artes					P.O .	Box 2		ION Submi		
DISTRICT III 1999 Rio Brazos Re	d., Astec, Ni	87410		Santa F	e, New	Mexic	o 87504–2088			
DISTRICT IV P.O. BOX 2000, SANTA	F. N.M. 671	504-2088	WELL LO	CATION	AND	ACREA	GE DEDICATIO	ON PLAT	CI AMENDI	ED REPORT
API	Number			Pool Code				Pool Name WILDCAT		
30-025- Property C		[<u>]</u>		Pro	perty Nam	Ċ	MLUCHI	Well Nun	iber
340					-	BERT			1	
02007			-	SAHARA		rator Nam RATING	COMPANY		Elevation 3585	- :
La		•			Surfa	ce Loca	ation		······································	
UL or lot No.	Section	Township	Range	Lot Idn		om the	North/South line	Feet from the	East/West line	County
J	7	19-S	39-E	<u> </u>	L	513'	SOUTH	2313'	EAST	LEA
							rent From Sur			
UL or lot No.	Section	Township	Range	Lot Idn	Feet D	rom the	North/South line	Feet from the	East/West line	County
Dedicated Acres	s Joint o	r Infill (Consolidation	Code Or	der No.		L			L
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NO ALLO	WABLE V						INTIL ALL INTER		EN CONSOLID	ATED
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								\$ 3	vledge and bettef.	
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	1					1		1/4	SV 4]//	<u> </u>
┣	!					!_		Signature		
			GEODETIC (TES			ROBERT N		·····
			NAD 2	27 NME		1		PRESIDEN	г	
				116.0 N 695.7 E				Title 6/20/04		
	1					j		Date		}
	ا ا ا		LAT.=32*4 LONG.=103*			I		SURVEY	OR CERTIFICA	TION
					\mathcal{T}_{\cdot}			I hereby certif	y that the well loca	tion shown
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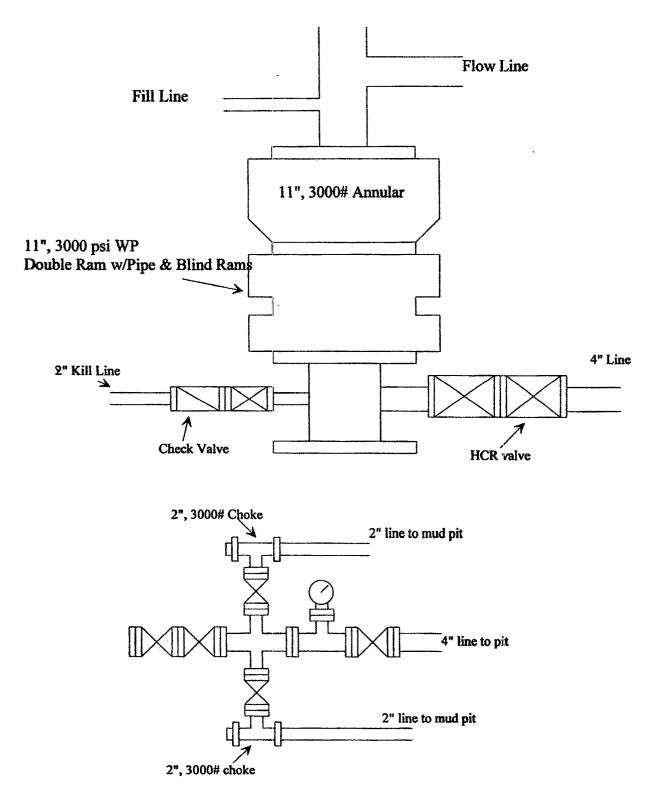
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					State	of New	Mexico	,		
DISTRICT I R.O. Box 1980, Hobbs.	. 194 88241-19	160		Energy. 1	liberals at	d Neturel B	coources Department		Fo Bevised Febru	orm C-102 wy 10, 1994
DISTRICT II P.O. Braner BD, Arts	sin, NM 88211	-0719	OIL	CONS		VATIC Box 2	ON DIVIS			strict Office - 4 Capies - 3 Capies
DISTRICT III 1690 Bio Brazos B	id., Artec, N	M 87410		Santa F	e, New	Mexic	o 87504-2088			
DISTRICT IV		874-000	WELL LO	CATION	AND	ACREA	GE DEDICATI	ON PLAT	CI AMENDE	D REPORT
1	Number		1	Paal Code		1		Poel Name		
38-025-	3678	Į				M		WILDCAT	Well Num	han
Property 1 341					•	perty Nam JBERT			1	
OCRID N	0.					rator Nam			Elevatio	
02007	7	L		SAHARA			G COMPANY		3585	5.
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UL OF ROL MO.	7	Township 19-S	Range 39-E	TOL KIL	1	313'	SOUTH	2313'	EAST	LEA
L	l			Hole Ic			rent From Sur			
the or lot No.	Section	Township	Range	Lot Idn		nome the	North/South line	Feet from the	East/West line	County
Dedicated Acre	Joint c	x Infill C	onsolidation	Code Or	der No.	haven (- /	l	<u>l</u>	L	
40										
NO ALLO	DWABLE 1	-					INTIL ALL INTER APPROVED BY		KEN CONSOLID	ATED
		*** <u>**********************************</u>		<u> </u>		<u> </u>		OPERATO	DR CERTIFICAT	TON
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	J		GEODETIC (TES	1		ROBERT N	ACALPINE.	
	l		NAD 2	27 NME	L -J	I		Printed Nam		
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	1	[in the second se			P4 24_	11	y that the well local as platted from fiel	
	1			330		²	313	actual surveys	made by me or	under my
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	1	[i i		N	IAY 5, 2004	
					r /			Date Survey	anno anti-	JR
								Signature & Professionel		
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								barn	to the former	116/04
	1					1			V4.18.0/28	
		l L				 		Continuento - 1	OFESSION AND AND AND AND AND AND AND AND AND AN	12541

SAHARA OPERATING COMPANY Schubert 7 #1 Sec. 7, T19S, R39E, Lea Cty, NM

Blow Out Preventer Schematic



Submit 3 Copies To Appropriate District	State of New Mexico	Form C-103
Office District 1	Energy, Minerals and Natural Resources	May 27, 2004
1625 N. French Dr., Hobbs, NM 88240		WELL API NO.
<u>District II</u> 301 W. Grand Ave., Artesia, NM 88210	OIL CONSERVATION DIVISION	30-025-36781 5. Indicate Type of Lease
District III 000 Rio Brazos Rd., Aztec, NM 87410	1220 South St. Francis Dr.	$STATE \square FEE \boxtimes$
District IV	Santa Fe, NM 87505	6. State Oil & Gas Lease No.
220 S. St. Francis Dr., Santa Fe, NM 7505		
SUNDRY NOTICI	ES AND REPORTS ON WELLS	7. Lease Name or Unit Agreement Name
	LS TO DRILL OR TO DEEPEN OR PLUG BACK TO A TION FOR PERMIT" (FORM C-101) FOR SUCH	Schubert 7
	as Well 🔲 Other	8. Well Number 1
2. Name of Operator		9. OGRID Number
SAHARA Address of Operator	A OPERATING COMPANY	10. Pool name or Wildcat
	Midland, TX 79704	Wildcat
4. Well Location		<u></u>
	2313 feet from the <u>South</u> line and	2313 feet from the East line
Section 7		DE NMPM County Lea
	11. Elevation (Show whether DR, RKB, RT, GR, e	nc.)
t or Below-grade Tank Application 🗌 or C	3585' GL	
	erDistance from nearest fresh water well1	Distance from nearest surface water
t Liner Thickness: mil		Construction Material
	propriate Box to Indicate Nature of Notic	
-	· ·	•
NOTICE OF INT		JBSEQUENT REPORT OF:
PERFORM REMEDIAL WORK 🔲	PLUG AND ABANDON	ORK 🛛 ALTERING CASING 🗌
	CHANGE PLANS	DRILLING OPNS. 🛛 P AND A
		— — —
		_
OTHER: 13 Describe proposed or comple	ted operations. (Clearly state all pertinent details,	and give portinent dates including actionate
		and give pertinent dates, including estimated da
or recompletion.	<). SEE RULE 1103. For Multiple Completions:	Attach wellbore diagram of proposed completion
		and give pertinent dates, including estimated data Attach wellbore diagram of proposed completion $\frac{0.82^{\circ}}{40.64^{\circ}}$
	oudded 12.25" hole @ 1800 hrs, 9-22-04	N
	using point of 1865'. Ran 8-5/8" casing as follows:	No SEP on
8.625" sawtooth	csg shoe, 8rd	
1 jt, 8-5/8" 24# 8	csg shoe, 8rd rd ST&C new csg ar 8rd ST&C new csg Set casing @ 1865'. Dressed casing w/12 centraling 12.7 PPG. Tailed w/200 sx class C w/2% CaCl2 M flanged wellhead. Tested casing to 1500# for 3 'IH w/bit, tested pipe rams, hydril and kill valves t	40.64' B Hobb ED
8-5/8" Float Coll	ar	1.20'
45 jts 8-5/8" 24#	8rd ST&C new csg	1826.96'
Total length string 1869.62'.	Set casing @ 1865'. Dressed casing w/12 centrali	zers. RU BJ and cemented with El ZI LIGLO
700 sx 35:65:6 lead mixed to	12.7 PPG. Tailed w/200 sx class C w/2% CaCl ₂	mixed to 14.8 ppg. Circulated 278 sx to pit.
WOC. Nippled up BOP on 3	M flanged wellhead. Tested casing to 1500# for 3	U minutes OK. Tested blinds, manifold and HCF
Rigged up H_2S equipment. T	IH w/bit, tested pipe rams, hydril and kill valves t	to 1500# OK. Drilled shoe after 18 hrs WOC.
hereby certify that the information al	pove is true and complete to the best of my knowle	edge and belief. I further certify that any pit or below
ade tank has been/will be constructed or cl	osed according to NMOCD guidelines 🛛, a general permit	t 🗍 or an (attached) alternative OCD-approved plan 🗌
IGNATURE	When TITLE President	DATE 9-27-04
ype or print name Robert McAlpin	e E-mail address: sahararm@st	ocglobal.net Telephone No. 432-697-0967
or State Use Only		
PPROVED BY:	Jang_TITLE	DATE
Conditions of Approval (if any):	PETROLEUM I	ENGINEER SEP 2 9 201
		~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~
		20(

		-		·
Submit 3 Copies To Appropriate District Office	State of New	Mexico		Form C-103
District I	Energy, Minerals and N	Natural Resources		May 27, 2004
1625 N. French Dr., Hobbs, NM 88240 District II			WELL API NO. 30-025-	36781
1301 W. Grand Ave., Artesia, NM 88210	OIL CONSERVATI		5. Indicate Type of L	
District III	1220 South St. 1	Francis Dr.	STATE	FEE
1000 Rio Brazos Rd., Aztec, NM 87410 District IV	Santa Fe, NN	A 87505	6. State Oil & Gas Le	
1220 S. St. Francis Dr., Santa Fe, NM				
87505	DO AND DEDODTO ON WE	110		
(DO NOT USE THIS FORM FOR PROPOSA DIFFERENT RESERVOIR. USE "APPLICA		R PLUG BACK TO A	7. Lease Name or Un Schubert 7	it Agreement Name
	as Well 🔲 Other DRY H	OLE	8. Well Number	1
2. Name of Operator			9. OGRID Number	000077
	A OPERATING COMPANY		10. Pool name or Wil	020077
3. Address of Operator	Midland TX 70704			ocat
-	Midland, TX 79704		Wildcat	
4. Well Location				
Unit Letter J :	2313 feet from the Sc	outh line and	2313 feet from the	East_line
Section 7	Township 19S	Range 39E	NMPM	County Lea
	11. Elevation (Show whether 3585' G	DR, RKB, RT, GR, etc.		
Pit or Below-grade Tank Application				Managar (n. 1966) (Marsadar (n. 1966)
			· · · · · · · · · · · · · · · · · · ·	
Pit typeDepth to Groundwat	erDistance from nearest fr	resh water well Dis	stance from mearest surface v	/ater
Pit Liner Thickness: mil	Below-Grade Tank: Volume	bbls; C	onstruction Material	
12. Check At	ppropriate Box to Indicat	te Nature of Notice.	Report or Other Da	ta
NOTICE OF INT PERFORM REMEDIAL WORK TEMPORARILY ABANDON PULL OR ALTER CASING		REMEDIAL WOR COMMENCE DR CASING/CEMEN		
13. Describe proposed or comple			d civo portinent deter in	
of starting any proposed wor or recompletion.				
10/7/04 Drilled to 7	ГD of 7900' @ 0530 hrs. Cir	a hala alaan TOU & D	on loss	
10/8/04 Rec'd plug set plug #2 Yates form	ging procedure from Paul Ka - 35 sx @ 5710', LDDP, set ation). At request of surface of ity for location and pits to	utz. TIH OEDP and set plug #3 - 40 sx @ 4089	plug #1, 30 sx @ 7900' 9'. LDDP, set plug #4 –	100 sx @ 2947'(top of
			1.	29
HRC, Inc.	(102		1	, 'o
P.O. Box 5				and a
OGRID #1	w Mexico, 88241			387 D .
UGRID #1	51052 .			5
			(č)	08
			(c)	
				La N
I hereby certify that the information a	bave is true and complete to f	the best of my knowled	ge and belief. I further ce	rtily that all be below-
grade tank has been/will be construction of	losed according to DOCD guidel	lines [], a general permit [	] or an (attached) alternative	: OCD-approved plan 🔲.
SIGNATURE	TITL	E President	DAT	`Е <u>10-11-04</u>
			UAI	
Type or print name Robert McAlpir For State Use Only	ie E-mail a	address: sahararm@sbcg	global.net Telephone No	). 432 <b>-</b> 697-0967
	1,1-1)			
APPROVED BY: 2 augu	JUMPS TITL	E	A COMPANY AND A STATE OF A COMPANY AND A	ATE and
Conditions of Approval (if any)		UC FIELD REPRES	SENTATIVE II/STAPP M	ANAG: OCT 1 8 20
0				

# WELL LOGS

A	Pl number:	30-025-367	/81						
	OGRID:		Operator:		OPERATING	i CO			
			Property:	SCHUBER	T 7			# 1	
	•							I	
surface	ULSTR:	J	7		19S		39E		
			2313	FSL	2313	FEL			
		r		г	400		005	l	
BH Loc	ULSTR:	J	7		19S		39E		
			2313	FSL	2313	FEL			
<b></b>		25.05	DE	2500	KB:	3599			
	ound Level: Datum:		DF:	3598	TD:	7900			
L	Datum:	<u>KD</u>		-		7900			
					Completic	n Date: (1)	10/9/2004	1	
	Land:	STATE					11/15/2004	**! ato***	
	Lanu.	STATE					10/29/2004	Late	
<u> </u>	nfidential:	NO		-I	Dale Logs	Date out:	10/2.0/2004		
		period: 90 Da	ve for State P	Foo 1 Voor	ior fodoral	Date out.			
		: (1) is equal 1	-						
[	Logs	. (1) 15 equal	Depth in						
DSN/SD			1862		Spectral De	nsity Dual S	paced Neutr	00	
DLL/MS			2800		7600 Spectral Density Dual Spaced Neutron 7680 Dual Laterolog Micro Sperically Focused Log				
BHC			1862		24 Borehole Compensated Sonic				
				· · · · · · · · · · · · · · · · · · ·		·····			
······									
		OCD TOP	S						
Rustler		1773	Strawn						
Tansill			Atoka						
Yates			Morrow						
7R		3159		<u> </u>					
	/ers Sd								
	vers Sd								
Queen		3722							
Penros									
Graybur		4080							
San And	res	4396						<u> </u>	
Glorieta		5715			ļ	ļ			
Tubb		0000	I		<u> </u>	<b> </b>		<u> </u>	
Tubb		6820							
Drinkard Abo	· · · · · · · · · · · · · · · · · · ·	7050							
Wolfcan	<u> </u>	/404				<u> </u>			
vv ulicali	<u>.</u>		· · · · · · · · · · · · · · · · · · ·		<u>}</u>				



Post Office Box 1767 Midland, Texas 79702 (432) 682-7880

Well Name & Number: Schubert 7 #1

30.	02	5 - 5	67	61

Operator: Sahara Operating Company	Attention: Drilling Department	
Unit J	2313/5 4 2313/E	
Location: Sec.7, T-19-S, R-39-E	Lea County, New Mexico	

The undersigned hereby certifies that he/she is an authorized representative of the drilling contractor who drilled the above described well and that he/she has conducted the deviation tests and obtained the following results:

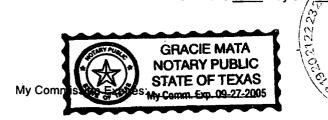
*11. Measured Depth (feet)	12. Course Length (Hundreds of feet)	*13. Angle of Inclination (Degrees)	14. Displacement per Hundred Feet (Sine of Angle X 100)	15. Course Displacement (feet)	16. Accumulative Displacement (feet)
343	343	0.50	0.87	2.98	2.98
540	197	0.75	1.31	2.58	5.56
840	300	1.00	1.75	5.25	10.81
1,317	477	1.00	1.75	8.35	19.16
1,817	500	2.00	3.49	17.45	36.61
2,084	267	1.75	3.05	8.14	44.75
2,402	318	1.50	2.62	8.33	53.08
2,751	349	1.00	1.75	6.11	59.19
3,227	476	0.75	1.31	6.24	65.43
3,727	500	0.50	0.87	4.35	69.78
4,202	475	1.00	1.75	8.31	78.09
4,679	477	1.25	2.18	10.40	88.49
5,186	507	3.25	5.67	28.75	117.24
5,442	256	3.50	6.10	15.62	132.86
5,694	252	3.25	5.67	14.29	147.15
6,148	454	3.25	5.67	25.74	172.89
6,528		The second s	••••••••••••••••••••••••••••••••••••••	16.57	
6,973		2.50	4.36	19.40	208.86
7,448	475	2.50		20.71	229.57
7,639	191	2.25		7.51	237.08
7,860	221	2.25	3.93	8.69	245.77

5191911

# **RECORD OF INCLINATION**

Drilling Contractor: Rod Ric Drilling, LP By:

Subscribed and sworn to me before this <u>12th</u> day of  $\sqrt{October}$ ,



Mata Notary Public

Pamela D. Lathram -- Secretary

Midland County, Texas

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1 Je

Submit To Appropriate I State Lease - 6 copies Fee Lease - 5 copies	District Office	Ene	ergy, N	State of New Me Minerals and Nat		sources	r			Rev		orm C-105 ch 25, 1999
District I 1625 N. French Dr., Hol	bbs, NM 88240							WELL API N		075 7C	701	
District II 1301 W. Grand Avenue.	Attesia NM 88710			0 Dil Conservation D 220 South St. Fran			┝	5. Indicate T		025-36	/81	
District III	•		,	Santa Fe, NM 87				STAT		FEE	X	
1000 Rio Brazos Rd., A. District IV							ł	State Oil & G				
1220 S. St. Francis Dr.,										V-662	6	
	MPLETION	OR RECO	MPL	ETION REPOR	T ANE	LOG						
	. 🔲 GAS WELI	DRY		OTHER			-	7. Lease Name o	_			
WELL OV	DRK 🗌 DEEPE /ER	N D PLUC BAC		DIFF. RESVR. 🔲 OTHE	R				Sch	ubert	7	
2. Name of Operator		OPERAT	TNG	COMPANY				8. Well No.		1		
3. Address of Operate	P.O. BOX	4130, Midl	land, 7	FX 79704				9. Pool name or	Wildcat	Wild	lcat	
4. Well Location												
Unit Letter	J : 231	3 Feet Fro	om The_	South Li	ne and	23	13	Feet I	From The	East		Line
Section	7	Towns		195	Range	<u>39E</u>		NMPM		Lea		County
10. Date Spudded	11. Date T.D. Read	hed 12. I	Date Con	mpl. (Ready to Prod.)	13	Elevations	(DF&	RKB, RT, GR, e	tc.)	14. Elev. (	Casinghea	d
9-22-04	10-7-04	}	D	ry Hole		35	585'	GL			3585'	
15. Total Depth	16. Plug Ba	* T.D.	17. lf	Multiple Compl. How I	Many	18. Interv		Rotary Tools	ba	Cable To	ools	
3600 79				nes?		Drilled B	у 	0-7900				
19. Producing Intervi		tion - Top, Bo	ttom, Na	ime				20.	Was Direc N	tional Sur O	vey Mad	¢
21. Type Electric and	•							22. Was Well C				
CNL/LDT; B	HC Sonic; Lat							L	]	NO		
23. CASING SIZE		CASI T LB./FT.		ECORD (Report a		is set in w DLE SIZE	ell)	CEMENTING	PECOPD	AN	<b>IOUNT 1</b>	NILLED
8-5/8"		4.0	<u> </u>	1865'		2-1/4"		900 S	and the second s	~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~	- 0	
			1									
							~~~~~					
			ļ					<u> </u>		2627	2820	
24.				ER RECORD			25	<u> </u>	BANG RE		3	2
and the second s	ТОР	BOTTOM	LIN	SACKS CEMENT	SCREE	N	SIZ		DEPTH S		ZBACKE	R SET
			-						12	03.9	Por	1-
									20	hi n	rs.	ω
26. Perforation rec	cord (interval, size,	and number)						ACTURE, CEN	IDNT, SQ	UEEZA,	ETC.	4
					DEPTH	INTERVA	L	AMOUNT AN	M DND M	ATERIA	USED	
					} -				- <u>Y</u>	-	. (\$/
							·····			101 212	1 11	
28				PRO	DUCT	ON						
Date First Productio	m	Production Me	thod (Fl	lowing, gas lift, pumpin	g - Size a	nd type pum	p)	Well Status (Prod. or Sh	ut-in)		
Date of Test	Hours Tested	Choke Siz	e	Prod'n For Test Period	Oil - B	əl	Ga	s - MCF	(Water - B	bi.	Gas - C	vil Ratio
Flow Tubing	Casing Pressure	Calculated		Oil - Bbl.	Ga	- MCF		Water - Bbl.	Oil C	Fravity - A	Pl - (Cor	r.)
Press.		Hour Rate					l					
29. Disposition of G	ias (Sold, used for j	uel, vanted, etc	.)					Т	Test Witnes	sed By	1/	N
30. List Attachment	Cofs,	recou	nd	of incline	ADIGA	in					*	V
31 .I hereby certif	what the informa	ation shown o	n both	sides of this form as	true ana	complete	to the	e best of my kno	wledge an	d belief		
Signature	814N	m	-	Printed Robert Name	McA1		itle	Presiden	t		11- Date	11-04

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INSTRUCTIONS

This form is to be filed with the appropriate District Office of the Division not later than 20 days after the completion of any newly-drilled or deepened well. It shall be accompanied by one copy of all electrical and radio-activity logs run on the well and a summary of all special tests conducted, including drill stem tests. All depths reported shall be measured depths. In the case of directionally drilled wells, true vertical depths shall also be reported. For multiple completions, items 25 through 29 shall be reported for each zone. The form is to be filed in quintuplicate except on state land, where six copies are required. See Rule 1105.

INDICATE FORMATION TOPS IN CONFORMANCE WITH GEOGRAPHICAL SECTION OF STATE

Southea	stern New Mexico	Northw	estern New Mexico
T. Anhy <u>1775</u>	T. Canyon	T. Ojo Alamo	T. Penn. "B"
T. Salt 1880	T. Strawn	T. Kirtland-Fruitland	T. Penn. "C"
B. Salt 2900	T. Atoka	T. Pictured Cliffs	T. Penn. "D"
T. Yates 2930	T. Miss	T. Cliff House	T. Leadville
T. 7 Rivers 3160	T. Devonian	T. Menefee	T. Madison
T. Queen <u>3710</u>	T. Silurian	T. Point Lookout	
T. Grayburg 4080	T. Montoya	T. Mancos	
T. San Andres 4396	T. Simpson		T. Ignacio Otzte
T. Glorieta 5715	T. McKee	Base Greenhorn	
T. Paddock 5858	T. Ellenburger		T
T. Blinebry 6260	T. Gr. Wash	T. Morrison	Т.
T.Tubb 6820	T. Delaware Sand	T.Todilto	<u>T</u>
T. Drinkard 7050	T. Bone Springs	T. Entrada	• •
T. Abo 7464	Т.		T
T. Wolfcamp	1.	T. Chinle	<u>T</u>
T. Penn	TT	T. Permian	Τ
T. Cisco (Bough C)	Т.	T. Penn "A"	Т.
			OIL OR GAS SANDS OR ZONES
No. 1, from	to	No. 3, from	to
No. 2, from	to	No. 4, from	to
•		TANT WATER SANDS	
Include data on rate of wat	er inflow and elevation to which		
		feet	
		feet	
		feet	
	LITHOLOGY KEC	CORD (Attach additional sheet if i	necessary)

_				(Auaci	addition	ai sheet ii nea	cessary)
From	То	Thickness In Feet	Lithology	From	То	Thickness In Feet	Lithology
2600	2900	300	Salt, Redbed, Shale				
2900	3130	230	Anhydrite, salt, shale				
3130	4080	950	Anhydrite, Dolomite				
4080	4430	350	Dolomite, Anhydrite				
4430	7500	3070	Dolomite, Limestone				
7500	7900	400	Dolomite				
							· ·

GARYSCHUBERTSOFFICE

PAGE 02 p.2 Page 1 of 1

Form C-104A

Permit 2278

Feb 22 05 03:44p C-104A Form

> Dis<u>trict 1</u> 1625 N. Franch Dr., Hobbs, NM 88240

State of New Mexico Energy, Minerals and Natural Resources Oil Conservation Division 1220 S. St Francis Dr. Santa Fe, NM 87505

Change of Operator

Previous Operator Information		New Operator Information			
-		Effective Date:	10/18/2004		
OGRID:	20077	OGRID:	131652		
Name:	SAHARA OPERATING CO	Name:	HRCINC		
Address:	PO Box 4130	Address:	PO BOX 5102		
Address:		Address:			
City, State, Zip:	Midland, TX 79704	City, State, Zip:	HOBB\$, NM K		

I hereby certify that the rules of the Oli Conservation Division have been complied with and that the information on this form and the certified list of wells is true to the best of my knowledge and belief.

Previous	Operator	New Ope	rator	Con	/
Signature: _ Printed Name: _	Seorge Ma Olfring Beorge McAlpine	Signature: Printed Name:	Gary S	schubert:	
Title:	Vice-Président	Title:	Manage		
Date:	02/22/05 Phone: 432-697-09	57 Date:	02/22/05	Phone:	505-393-6662
-	NMOC				
	Electronic Signature: Chri Date: Feb	s Williams, Dist ruary 23, 2005	rict I		

Form O & G CBA Revised 1-1-03

STATE OF NEW MEXICO Energy, Minerals and Natural Resources Department Oil Conservation Division

ASSIGNMENT OF CASH COLLATERAL DEPOSIT

H.R.C., INC.	("OPERATOR") of P.O. BOX 5011
HOBBS	N.M. 88241 (address) has deposited with
FIRST NATIONAL BANK	(name of federally insured state or national
bank or savings association in the State	of New Mexico) of
HOBBS N.M.	(address) (FINANCIAL INSTITUTION), the sum of
\$7,500.00 dollars (\$) in Certificate of Deposit or Savings Account No. 280219833 (FUND).

To comply with NMSA 1978, Section 70-2-14, as amended, OPERATOR hereby assigns all right, title and interest in the FUND, except as herein otherwise provided, to the Oil Conservation Division of the Energy, Minerals and Natural Resources Department (or successor agency) of the State of New Mexico (the DIVISION).

OPERATOR and FINANCIAL INSTITUTION agree that as to the FUND:

a. The DIVISION acquires by this assignment the entire beneficial interest in the FUND, with the right to order the FINANCIAL INSTITUTION in writing to distribute the FUND to persons determined by the DIVISION to be entitled thereto, including the DIVISION itself, in amounts determined by the DIVISION, without further consent by the OPERATOR. FINANCIAL INSTITUTION hereby acknowledges that the DIVISION is FINANCIAL INSTITUTION'S customer with respect to the FUND.

b. OPERATOR retains no legal or beneficial interest in the FUND except the right to interest, if any, thereon, and to return of the FUND upon written order of the DIVISION following final disposition, or plugging and abandonment in accordance with all rules and orders of the DIVISION, of all wells in the State of New Mexico for which this Assignment now or hereafter serves as financial assurance

c. FINANCIAL INSTITUTION agrees that the FUND may not be assigned, transferred, pledged or distributed except upon written order of the DIVISION or of a court order entered in a proceeding to which the DIVISION is a party. FINANCIAL INSTITUTION hereby waives all statutory or common law liens or rights of set-off or recoupment against the FUND by reason of any indebtedness or obligation of OPERATOR to FINANCIAL INSTITUTION now existing or hereafter incurred.

d. OPERATOR agrees that FINANCIAL INSTITUTION may deduct, solely from interest due OPERATOR, any costs or attorney fees incurred by FINANCIAL INSTITUTION by reason of any claim or demand via writ, summons or other process made upon FINANCIAL INSTITUTION arising from OPERATOR'S business. FINANCIAL INSTITUTION agrees that no such costs or fees shall be deducted from the principal of the FUND prior to final release thereof to OPERATOR by the DIVISON.

This agreement shall be governed by the laws of the State of New Mexico.

H.R.C. INC.

Operator By:

Signature of individual OPERATOR or Authorized Officer

Title PRESIDENT

FIRST NATIONAL BANK Financial Institution Signature uthorized Officer ofF INSTITUTION Title PREŠIDENT

NOTE: If the officer executing this instrument on behalf of the Financial Institution is not the President, a Vice President or a branch manager, attach a copy of a certified resolution of the Board of Directors evidencing such officer's authority.

INDIVIDUAL ACKNOWLEDGMENT:

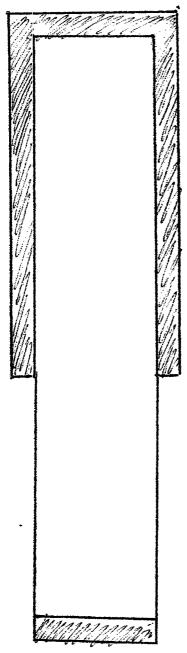
.

State of New Mexico County of _____

This instrument was acknowledged before me on,	20	Ьу
(Individual Operator)		
Notary Public		
SEAL		
My Commission Expires:		
ACKNOWLEDGMENT FOR PARTNERSHIP, CORPORATION OR LIMITED LIABILITY COMPANY:		
State of New Mexico: County of <u>Lea</u> :		
This instrument was acknowledged before me on DUC 21st, 2004 by GIAry Schublet	J	
as Drisident of M.R.C., InC. (Name of Person Signing)		
This instrument was acknowledged before me on DUC 21 ^{SL} , 2004 by GIANY SCHUBLE as DUL Sidlint , of H.R.C., InC. (Name of Person Signing) (Name of Person Signing) (Name of Operator) a. Cont Origination or Limited Liability Company)		
SEAL OFFICIAL SEAL (UUUUUUU Notary Martiaca NOTARY PUBLIC-STATE OF NEW MEXICO Notary Public Notary Public	5	
I'MY CUREMINICIUS CAUSES; AND CONTRACTOR		
My Commission Expires:		
FINANCIAL INSTITUION ACKNOWLEDGMENT:		
State of New Mexico: County of <u>klu</u> :		
This instrument was acknowledged before me on Dec. 21 2004 by Zare S-B40 man	,	
as president of First pational Bank (Name of Officer)		
(Title) (Name of Financial Institution)	\geq	
SEAL Notary Public C	\bigcirc	
My Commission Expires: 20-6 My commission expires: 0-0-06 My commission expires:		

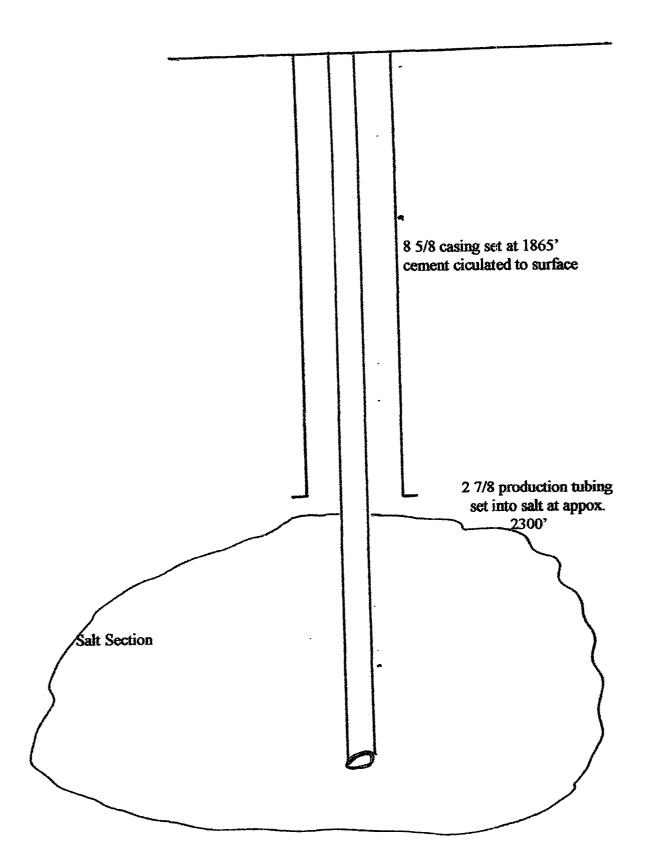
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Existing Condition H.R.C., Inc. Schubert 7 #1



Well plugged back to 2947' (10/8/04) (See attached C-103 Of 10/11/04)

Casing: Size: 8 5/8 Depth: 1865' Hole size: 12.25" Cmt: 900 sxs TOC: circ. 278 sx. To pit Proposed completion for HRC Brine Well Schubert 7 #1

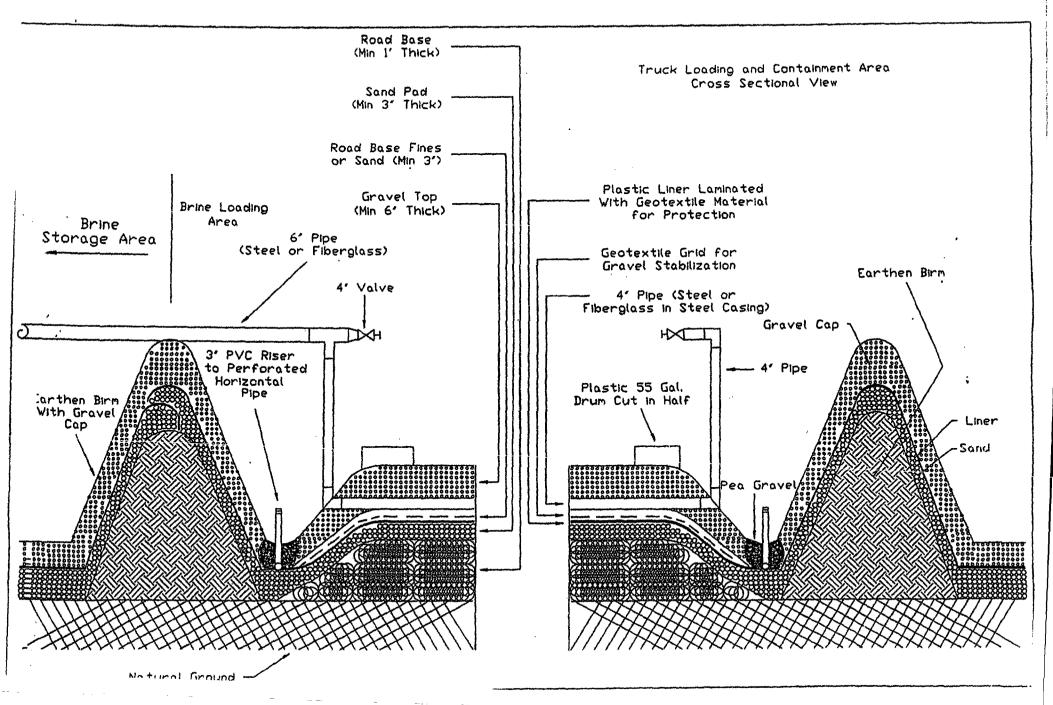


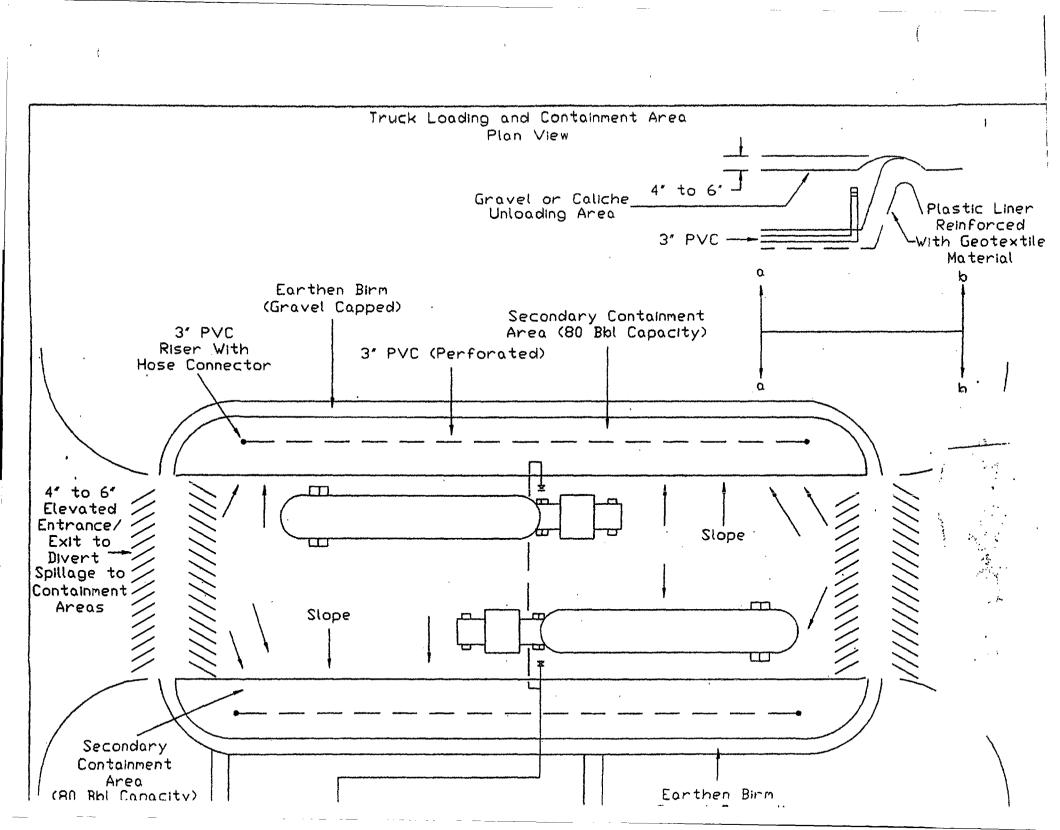
Area of Review

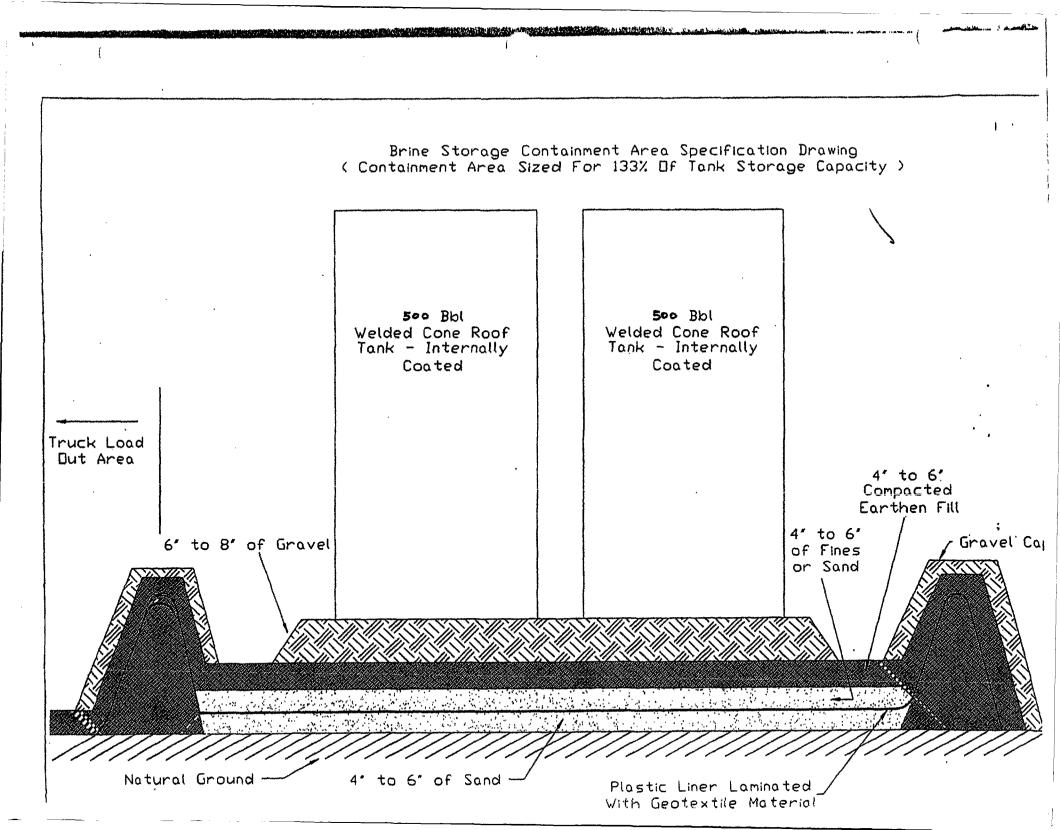
24 medon) Foster Pet. R.E. Gregory Jr. Nw of Nw Jr. 12:84 Perry Lamor	ARCO Parto Build 174-92 + J. S. Crump. My	Sm Try City of Made Near burg 6 Long Se zzaca. N. 5 0. W. Etz	Tamer (Palanti Internet (Palanti Palanti Autor	to 4715 Dega (WA prov to 4715 to 400 to 10 to 400 to 1000 to 100	
49 Yates Per etal <i>Kubas Per etal</i> <i>Kubas Per etal Per etal Per etal Per etal Per etal Per etal Per </i>	Ment w.T. D.N ESEMAN	LAM Prop 577 (5) G.H.Eft, Jr Leede Oper. Walten 5-2:2009	AI (100 CAS)	Le McCargoli maalao Ezolia (gotshow Explosives (2:1-82 Carrier 549912 McCure Nearburg 6 /oster Ingram, etal 128 a Natro 128 Natro	A-10
10/ Subern. OXY et al M. I. 59 10/ BB Stewns L. Tull 6: 25: 2004 N/2 5: 25: 2004 N/2	2 4 95 SW14 W.A JOAN Sm.Tra. MAL Sra. Tra. Scram- J Tra. Ford tonetof procham	Anno Dosmann Dosmann Annort Dossa Annort Dos	Datmontetor Ignks, Tr.	Mcclure Oil Armoco I ar m the foster us al J. Wright, etai Attained Leede Oper.	
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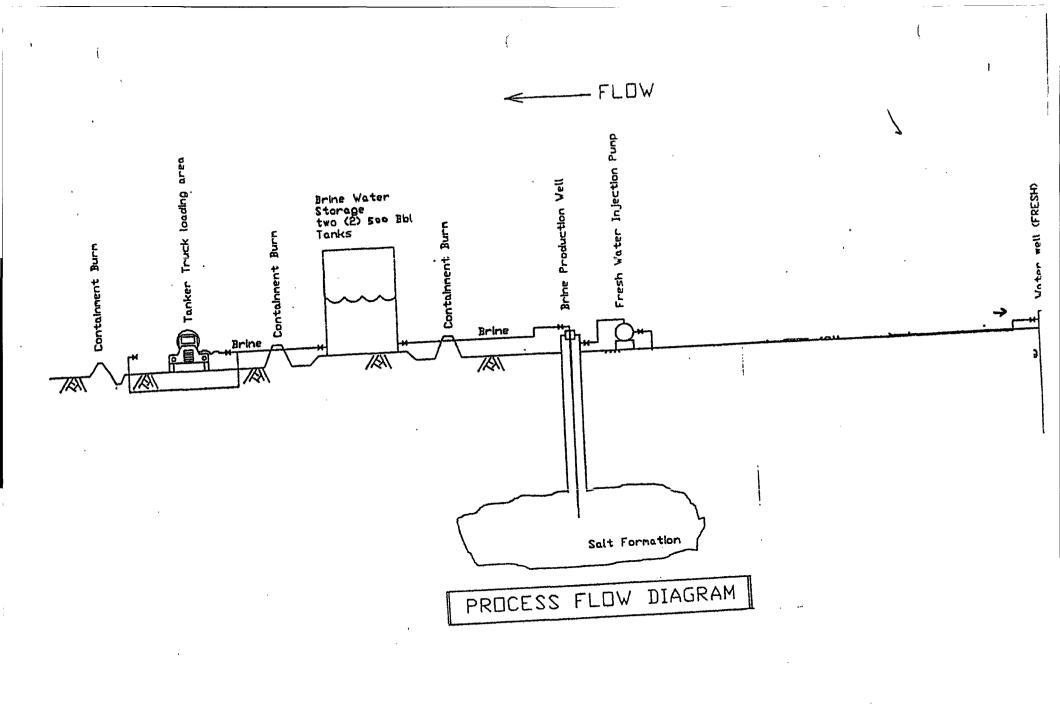
LIST OF WELLS WITHIN AREA OF REVIEW

No wells within area of review.

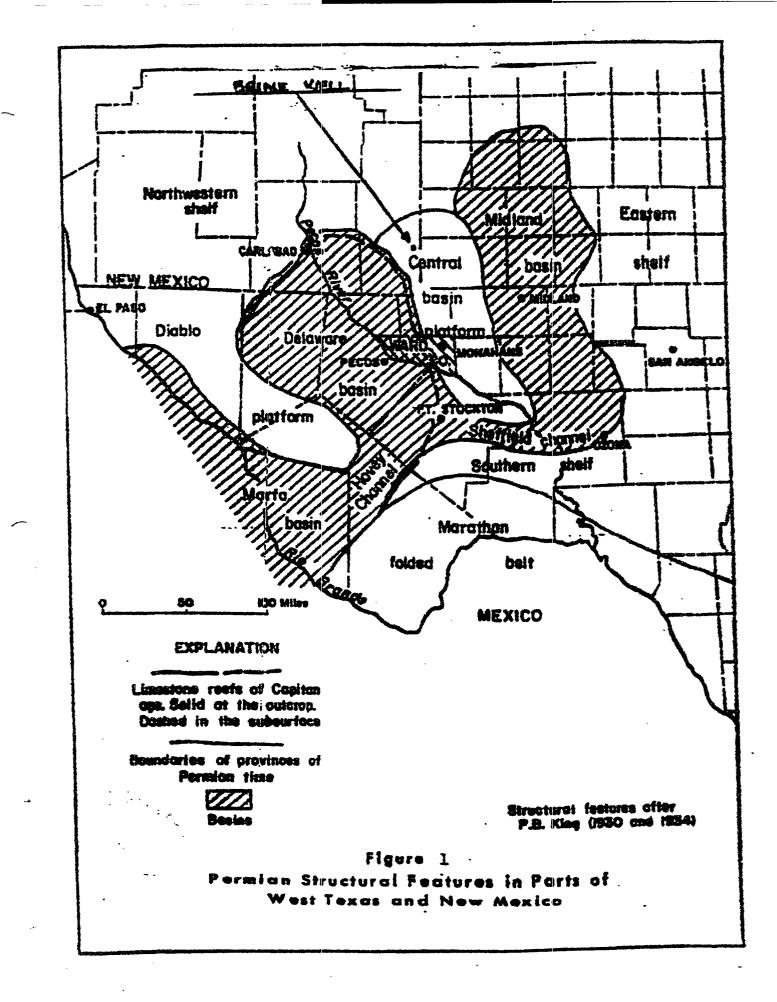




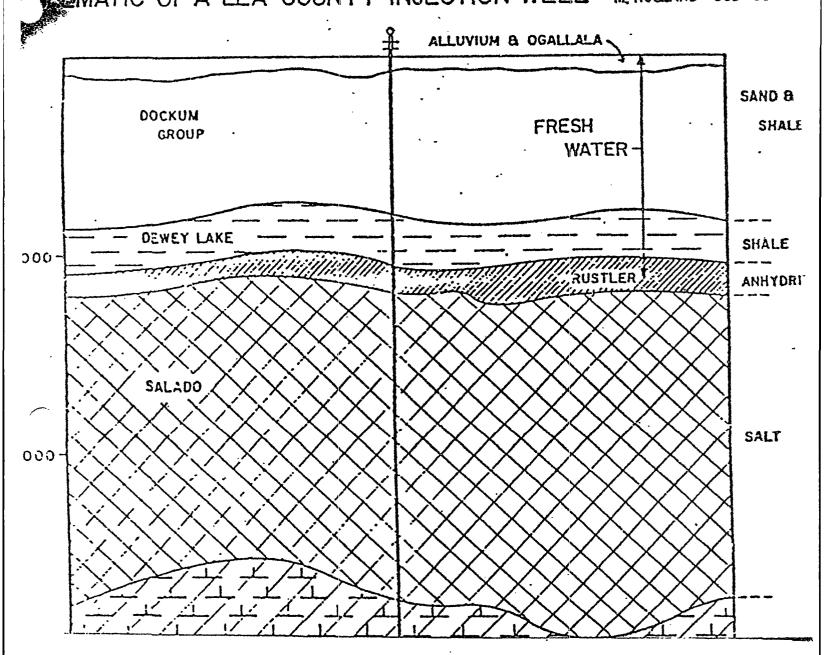




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		JOINS	GONNELL JOINS				
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MATIC OF A LEA COUNTY INJECTION WELL M. HOLLAND OCD '80



j#K"

WELL LOGS

A		30-025-367						
	OGRID:		Operator:		OPERATING	CO		
			Property:	SCHUBER	T 7			# 1
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surface	ULSTR:	J	7	Т	195	R	39E	
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	Land:	STATE	l l				11/15/2004	Late
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Cor	nfidential:	NO				Date out:		
	Confidential	period: 90 Da	ys for State &	Fise, 1 Year 1	or federal			
	Date Due In:	(1) is equal (o Completion	Date (1) + 20	days			
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}		<u> </u>	}		<u> </u>		الشياب ويريد الأنصيبي والكنار عمر بالخص	<u> </u>
		<u> </u>	<u> </u>		<u> </u>			t

INSTRUCTIONS

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INDICATE FORMATION TOPS IN CONFORMANCE WITH GEOGRAPHICAL SECTION OF STATE

Southe	astern New Mexico	Northw	estern New Mexico
T. Anhy 1775	T. Canyon	T. Ojo Alamo	T. Pean. "B"
T. Salt 1880	T. Strawn	T. Kirtland-Fruitland	T. Penn. "C"
B. Salt 2900	T. Atoka	T. Pictured Cliffs	T. Penn. "D"
T. Yates 2930	T. Miss	T. Cliff House	T. Leadville
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T. Queen 3710	T. Silurian	T. Point Lookout	T. Elbert
T. Grayburg 4080	T. Montoya	T. Mancos	T. McCracken
T. San Andres 4396	T. Simpson	T. Gallup	T. Ignacio Otzte
T. Glorieta 5715	T. McKee	Base Greenhorn	T. Granite
T. Paddock 5858	T. Ellenburger	T. Dakota	T
T. Blinebry 6260	T. Gr. Wash	T. Morrison	<u>T</u>
T.Tubb <u>6820</u>	T. Delaware Sand	T.Todilto	T
T. Drinkard 7050	T. Bone Springs	T. Entrada	T.
T. Abo 7464	<u>T.</u>	T. Wingate	Т.
T. Wolfcamp	<u> </u>	T. Chinle	Т.
T. Penn	<u> </u>	T. Permian	т.
T. Cisco (Bough C)	T.	T. Penn "A"	т.
			OIL OR GAS SANDS OR ZONES
No. 1, from	to	No. 3, from	to
	to		to
-		TANT WATER SANDS	
Include data on rate of wat	ter inflow and elevation to whic		
		feet	
		feet	
4 10. J y HUML			* * * ' * * * * * * * * * * * * * * * *

LITHOLOGY RECORD (Attach additional sheet if necessary)

				1			
From	То	Thickness In Feet	Lithology	From	То	Thickness In Feet	Lithology
2600	2900	300	Salt, Redbed, Shale				
2900	3130	230	Anhydrite, salt, shale				
3130	4080	950	Anhydrite, Dolomite				
4080	4430	350	Dolomite, Anhydrite				
4430	7500	3070	Dolomite, Limestone				
7500	7900	400	Dolomite				
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									Bagalanda		
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					•••		640.00 AC ALL *FOR 1987 COMBINED 43077	42075			
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							2/20/04-REDESCRIBED PRT #202618, CONTRACT LOVE,	TO			
							PROPERTY # 4 000 414 650	0 003			
	1		1				SECTION-08 TOWNSHIP-195 426.04 AC BEING ALL	s Range-398			
							FOR 1987 COMBINED 43071 41265	7, 41466,		/	
							+10/98-BANKS FARM MANAGA				
			1				2/20/04-REDESCRIBED PRT #202618, LOVE, KEVIN	TO	-		
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					1		half payment wil	l be delinquen	t after May 10	-	
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					this Bill No. &		r check or money arder.	Print	this Bitt No. & Owne	er No. on your cl	heck or money orde
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		cuupon to the rig	pit IOF SEC	ono nali	раушет. 10 8	woon musiest and bei	ally charges, pay by December 10th.	SCHI	BERT, GAR	(M	
									nana ing sarati Nataong		

SCHUBERT, GARY M PO BOX 6056 HOBBS NM 88241-6056

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16221

SCHUBERT, GARY M PO BOX 6056 HOBBS NM 88241-6056

 Remit to:
 In

 Lea County Treasurer
 P

 100 N Main Ave Suite 3C
 In

 Lovington NM 88260-4000
 In

 (505) 396-8643
 In

To avoid interest and penalty charges, pay by May 10. Detach and return this coupon with second ball payment b May 10.

If your address has changed, please check this box and indicate address changes on the back of this coupon.



PHONE (325) 673-7001 • 2111 BEECHWOOD • ABILENE, TX 79603

PHONE (505) 393-2326 • 101 E. MARLAND • HOBBS, NM 88240

ANALYTICAL RESULTS FOR H.R.C. INC. ATTN: GARY SCHUBERT P.O. BOX 5011 HOBBS, NM 88241 FAX TO: (505) 393-6662

Receiving Date: 03/07/05 Reporting Date: 03/10/05 Project Owner: SCHUBERT Project Name: IRR WELL Project Location: SEC 7-T19S-R39E Sampling Date: 03/07/05 Sample Type: GROUNDWATER Sample Condition: COOL & INTACT Sample Received By: BC Analyzed By: AH

	Na	Ca	Mg	к	Conductivity	T-Alkalinity
LAB NUMBER SAMPLE ID	(mg/L)	(mg/L)	(mg/L)	(mg/L)	(<i>u</i> S/cm)	(mgCaCO ₃ /L)

ANALYSIS DA	ATE:	03/08/05	03/08/05	03/08/05	03/08/05	03/08/05	03/08/05
H9614-1	IRR. WELL	64	106	33	4.01	1077	180
Quality Contro)]	NR	58	54	4.90	1322	NR
True Value Q0		NR	50	50	5.00	1413	NR
% Recovery		NR	116	108	98.0	93.6	NR
Relative Perce	ent Difference	NR	3.1	3.8	0.8	0.7	NR
METHODS:		SM	3500-Ca-D	3500-Mg E	8049	120.1	310.1

CI	SO4	CO_3	HCO ₃	pН	TDS
(mg/L)	(mg/L)	(mg/L)	(mg/L)	(s.u.)	(mg/L)

ANALYSIS DATE:	03/08/05	03/08/05	03/08/05	03/08/05	03/08/05	03/08/05
H9614-1 IRR. WELL	180	107	0	220	6.63	948
 				•		
Quality Control	950	50.33	NR	961	7.03	NR
True Value QC	1000	50.00	NR	1000	7.00	NR
% Recovery	95.0	101	NR	96.1	100	NR
Relative Percent Difference	5.0	0.2	NR	1.6	0.9	1.4
METHODS:	SM4500-CI-B	375.4	310.1	310.1	150.1	160.1

Date

PLEASE NOTE: Liability and Damages. Cardinal's liability and client's exclusive remedy for any claim arising, whether based in contract or tort, shall be limited to the amount paid by client for analyses. All claims, including those for negligence and any other cause whatsoever shall be deemed waived unless made in writing and received by Cardinal within thirty (30) days after completion of the applicable service! Whether based is contracted at the liable for incidental or consequential damages, including, without limitation, business interruptions, loss of use, or loss of profits incurred by client, its subsidiaries, affiliates or successors arising out of or related to the performance of services hereunder by Cardinal, regardless of whether such claim is based upon any of the above-stated reasons or otherwise.



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Receiving Date: 03/07/05 Reporting Date: 03/10/05 Project Owner: SCHUBERT Project Name: IRR WELL Project Location: SEC 7-T19S-R39E Sampling Date: 03/07/05 Sample Type: GROUNDWATER Sample Condition: COOL & INTACT Sample Received By: BC Analyzed By: AH

LAB NUMBER SAMPLE ID	NO3 (mg/L)	Specific Gravity (mg/L)
ANALYSIS DATE:	03/08/05	03/08/05
H9614-1 IRR. WELL	4.38	0.9929
Quality Control	3.04	NR
True Value QC	3.00	NR
% Recovery	101	NR
Relative Percent Difference	1.0	NR
METHODS: EPA 600/4-79-020	353.3	Gravametric

PLEASE NOTE: Liability and Damages. Cardinal's liability and client's exclusive remedy for any claim ansing, whether based in contract or tort, shall be limited to the amount paid by client for analyses. All claims, including the second sec



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ANALYTICAL RESULTS FOR H.R.C. INC. ATTN: GARY SCHUBERT P.O. BOX 5011 HOBBS, NM 88241 FAX TO: (505) 393-6662

Receiving Date: 03/07/05 Reporting Date: 03/10/05 Project Owner: SCHUBERT Project Name: IRR WELL Project Location: SEC 7-T19S-R39E Sampling Date: 03/07/05 Sample Type: GROUNDWATER Sample Condition: COOL & INTACT Sample Received By: BC Analyzed By: AH

Total Metals

	Ва	Fe
LAB NUMBER SAMPLE ID	(mg/L)	(mg/L)
ANALYSIS DATE:	03/10/05	03/10/05
H9614-1 IRR. WELL	<1	0.256
·····		
Quality Control	24.32	5.240
True Value QC	25.00	5.000
% Recovery	97.3	105
Relative Percent Difference	1.0	0.4
METHODS: EPA 600/4-79-020	208.1	236.1

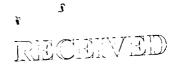
PLEASE NOTE: Liability and Damages. Cardinal's liability and client's exclusive remedy for any claim arising, whether based in contract or tort, shall be limited to the amount paid by client for analyses. All claims, including those for negligence and any other cause whatsoever shall be deemed waived unless made in writing and received by Cardinal within thirty (30) days after completion of the applicable serviced waived unless made in writing and received by Cardinal within thirty (30) days after completion of the applicable serviced waived unless made in writing and received by Cardinal within thirty (30) days after completion of the applicable serviced waived unless made in writing and received by Cardinal be liable for incidental or consequential damages, including, without limitation, business interruptions, loss of use, or loss of profits incurred by client, its subsidiaries, affiliates or successors arising out of or related to the performance of services hereunder by Cardinal, regardless of whether such claim is based upon any of the above-stated reasons or otherwise.

CHAIN-OF-CUSTODY AND ANALYSIS REQUEST

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Company Name:	H.R.C. INC.	<u>مر المراجع الم</u>			7									M. TO				ANAL	YSIS	REQU	EST		
Project Manager:	GARY SCH	UBRERT								P.0	. #:					T	1						1
Address: P	1.0, BOX 5011									Con	npa	iny:				1			Į				
City: HOBB	5	State: N M.	Zip	E	3 <i>6</i> .	24	5/			Attr	<b>1</b> :			•			ļ	1	Ь				
Phone #: 50	5-393-6662	Fax #: SAN	1E							Add	lres	88:				12		エ	Γ				
Project #: 5C	5-393-6662 HUBRART FARMS	Project Owner:	60	H	UBI	EP.	7			City	<i>r</i> :					Q		$\left  \begin{array}{c} \cdot \\ \cdot \end{array} \right $					
Project Name:	IRR. WELL									Stat	te:			Zip:		Ourion	1	2 aud					
Project Location:	IRR. WELL SEC. 7	- T195.	- P	2 ]	39	Ē				Pho	ne	#:				13			1				
Sampler Name:	GARY SCHUI	BERT								Fax	<b>#</b> :					$] \stackrel{\sim}{\sim}$	+-		1				
FOR LAB USE ONLY			Γ			1	TAN	RIX			PR	ESE	RV.	SAMP	LING	12		$ _{\mathcal{O}}$					
Lab I.D.	Sample I.D	).	(G)RAB OR (C)OMP.	# CONTAINERS	GROUNDWATER	WASTEWATER	SOIL	OIL	SLUDGE	OTHER :	ACID/BASE:	ICE / COOL	OTHER :	DATE	TIME	(ation	NO3	Spicifi	D C C C C C C C C C C	PE FE			
49614-1	fre Well	<b></b>	Ĭ	<b>*</b>	Ň	2	<i>"</i>		<u> </u>		4		Ŭ	BI1/K		1							
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analyses. All claims including the service, in no event shall Cardina	Damages, Cardinal's liability and client's exclus se for negligence and any other cause wheteoeve al be liable for incidental or consequential damages of or related to the performance of services here	r shall be deemed waived unless r , including without limitation, busin	nade in v ess inter	writing ( ruptions	and reci 3, foes (	elved by of use, d	Cardi Ir ioss	inai witi of prof	in 30 d its Incu	daya af arred by	fter co y clien	ompletio nt, its w	n of the bsidiari	applicable les,	<u> </u>	30 d	lays past du	e at the rat	e of 24% p		n all account om the origins.		
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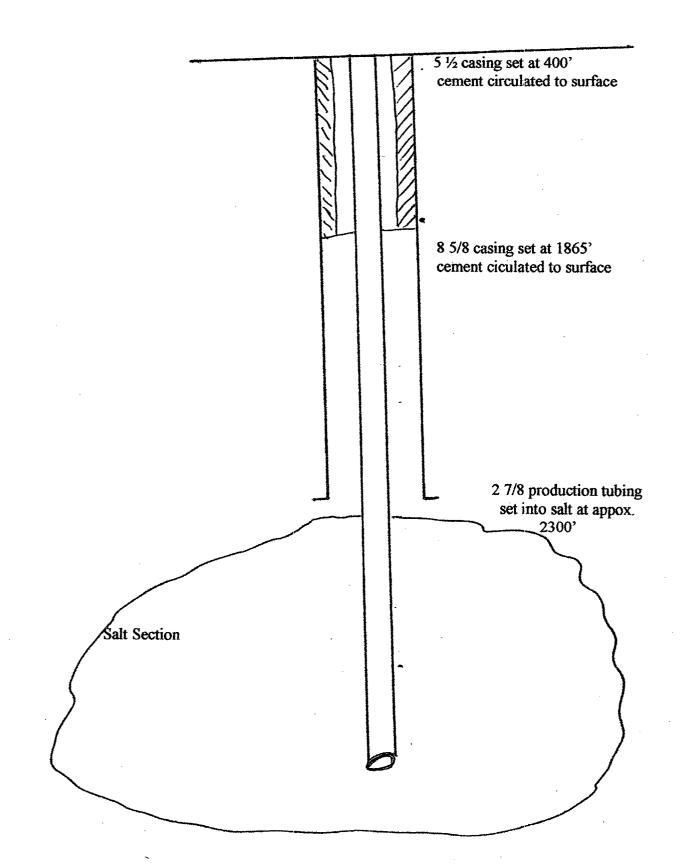
+ Cardinal cannot accept verbal changes. Please fax written changes to (325) 673-7020.

RDINAL LABORATORIES. INC.



OCT 2 4 2005

OIL CONSERVATION DIVISION Proposed completion for HRC Brine Well Schubert 7 #1



Closure Plan:

In the event it becomes necessary to abandon this facility, the well will be plugged and abandoned according to the specifications recommended by the OCD at time of closure, which will meet the requirements for protection of groundwater. All fluids and solids will be removed from the site and transported to an OCD approved facility. After removal of all surface equipment, the area will be remediated and graded in a manner to reflect its original condition.

7. Description of Underground Facility:

The only underground facilities will be brine well and its piping construction. Enclosed is schematic of proposed completion and a schematic of existing status.

The proposed construction will be:

5 ½ casing set at approximately 400' with cement circulated to surface 8 5/8" production casing set at approximately 1600' with cement circulated to surface.

2 7/8" production tubing drilled into salt cavity and set approximately 2400'.

General operation is to pump fresh water down annulus between 2 7/8" tubing and 8 5/8" casing and produce brine water up to 2 7/8" tubing. Once a month, the flow is reversed for 24 hours to dissolve any buildup in tubing.

Mechanical integrity tests will be conducted on the well and salt dome foundation as OCD designates. The well and formation will be pressured up to one and one half times the normal operating pressure and shut in for four hours with pressure recorded on a pressure chart. The OCD will notify H.R.C. of the date and time for testing so it can be witnessed.

Cavity configuration tests will be conducted as required by OCD to determine size and configuration of the mined cavity.

The OCD office will be notified for approval prior to any drilling, deepening or plug back operations using the appropriate forms and notification. The OCD will also be notified before any remedial work, plugging or altering of well has started and after approval.

8. Reporting and Clean up of Spills:

All above ground piping and tanks will be visually inspected for leaks by company personnel during each site visit. Any problems such as leaks, spills or well abnormality will be taken to the attention of H.R.C. supervisor immediately. Supervisor will assess the problem and proceed with proper notification and repairs as OCD rule 116 requires.

9. Site Characteristics:

Submit 3 Copies To Appropriate District	State of New Mexico	Form C-103
Office ,	Energy, Minerals and Natural Resource	
District I 1625 N. French Dr., Hobbs, NM 88240		WELL API NO. 30.025.36781
<u>District II</u> 1301 W. Grand Ave., Artesia, NM 88210	OIL CONSERVATION DIVISION	5. Indicate Type of Lease
District III 1000 Rio Brazos Rd., Aztec, NM 87410	1220 South St. Francis Dr.	STATE 🗍 FEE 🛛
District IV 1220 S. St. Francis Dr., Santa Fe, NM	Santa Fe, NM 87505	6. State Oil & Gas Lease No.
87505 SUNDRY NOTICE	S AND REPORTS ON WELLS	7. Lease Name or Unit Agreement Name
(DO NOT USE THIS FORM FOR PROPOSAL	S TO DRILL OR TO DEEPEN OR PLUG BACK TO A TON FOR PERMIT" (FORM C-101) FOR SUCH	Schubert 7
1. Type of Well: Oil Well 🔲 Ga	is Well 🛛 Other(Brine Supply)	8. Well Number 1
2. Name of Operator HRC, Inc.		9. OGRID Number 131652
3. Address of Operator P.O. Box 5102 Hobbs, NM 88241		10. Pool name or Wildcat BSW-Salado
4. Well Location		
Unit Letter J : 2		ad 2313 feet from the East line
Section 7	Township 19 Range 39	<u>NMPM County Lea</u> R, etc.)
Pit or Below-grade Tank Application 🗌 or C	3585 GL	
Pit type Depth to Groundwater		Distance from nearest surface water
Pit Liner Thickness: mil	Below-Grade Tank: Volume bb	ls; Construction Material
12. Check App	propriate Box to Indicate Nature of No	tice, Report or Other Data
NOTICE OF INTI	ENTION TO:	SUBSEQUENT REPORT OF:
PERFORM REMEDIAL WORK		
	- 1	E DRILLING OPNS. P AND A
PULL OR ALTER CASING		EMENT JOB
OTHER:	OTHER:	
of starting any proposed work or recompletion.	). SEE RULE 1103. For Multiple Completion	ils, and give pertinent dates, including estimated date ns: Attach wellbore diagram of proposed completion
- · ·		
<ol> <li>Rig up completion unit.</li> <li>Run in hole with 5 1/2" casi</li> </ol>	ng to 400' with D.V. tool on end	
3. Pump cement through 5 1/2'	" casing and back outside with D.V. tool to fil	l annulus between
5 1/2" casing and 8 5/8" cas	ing with cement; circulate cement to surface	
<ol> <li>Drill out cement and center</li> <li>Run in hole with 2 7/8" tub</li> </ol>		
	te fresh water down casing to circulate brine v	water through tubing.
· .		
I hereby certify that the information ab	ove is true and complete to the best of my kno	wledge and belief. I further certify that any pit or below-
grade tank has been/willsbe constructed of clo	sed according to NMOCD guidelines [], a general per	mit [] or an (attached) alternative OCD-approved plan [].
SIGNATURE	TITLE President	DATE 3/8/05

Type or print name For State Use Only E-mail address: Telephone No. PHU SAME APPROVED BY: ______ Conditions of Approval (if any): TITLE DATE

HRC INC P O Box 5102 Hobbs, NM 88241

CC 1220 S. St. Francis Dr. Santa Fe, MM

87504

₫7505+4000-20 CO11

15053936662 GARYSCHUBERTSOFFICE PAGE 01 Gory M. Schubert (505) 393-5662 The Wayne Price Fre 505-476-3462 Pages 8 Rec ČE: C For Rains [] Planse On 11 Plance Reply CI Ficano R 21 Unteret nion picase contact Larga Dudenbastiler at nobicans with th Wayne, here are the other forms you requested. - If needed anything else Please Call. -Thanks-Joura

01/10/2006 16:40 15053936662	GARYSCHUBERTS	DFFICE PAGE 02
Submit 3 Copies To Appropriate District State of New Me	xico	Form C-103
District Energy, Minerals and Natur		May 27, 2004
1625 N. French Dr., Hobbs, NM 88240 District II		WELL API NO. 30-025-36781
1301 W. Grand Ave., Artesia, NM \$8210 OIL CONSERVATION	• • • • • • • • •	5. Indicate Type of Lease
District III 1220 South St. Fran 1000 Rio Brazos Rd., Azicc, NM 87410	STATE FEE	
District IV Santa Fe, NM Santa Fe, NM 87	505	6. State Oil & Gas Lease No.
87505 SUNDRY NOTICES AND REPORTS ON WELLS		
(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLU DIPPERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FO PROPOSALS.)		7. Lease Name or Unit Agreement Name Schubert 7
1. Type of Well: Oil Well 🔲 Gas Well 🔯 Other(Brine Supply)	)	8. Well Number 1
2. Name of Operator		9. OGRID Number
HRC, Inc. 3. Address of Operator		131652 10. Pool name or Wildcat
P.O. Box 5102 Hobbs, NM 88241		BSW-Salado
4. Well Location		<b>1</b>
Unit LetterJ : 2313feet from theSouth	line and	2313 feet from the East line
	Lange 39	NMPM County Lea
11. Elevation (Show whether DR, 3585 GL	RKB, RT, GR, etc.)	
Pit or Below-grade Tank Application [] or Closere []		
Pit typeDepth to GroundwaterDistance from meanest fresh w	ater well Dist	ance from morest surface water
Pit Liner Thickness: mil Below-Grade Tank: Volume	bbks; Co	astruction Material
12. Check Appropriate Box to Indicate N	ature of Notice,	Report or Other Data
NOTICE OF INTENTION TO:	911D	SEQUENT REPORT OF:
PERFORM REMEDIAL WORK 🛛 PLUG AND ABANDON 🗋	REMEDIAL WOR	
TEMPORARILY ABANDON 🗍 CHANGE PLANS 🔲	COMMENCE DRI	
PULL OR ALTER CASING 💆 MULTIPLE COMPL 🔲	CASING/CEMEN	TJOB 🔲
other:	OTHER:	
13. Describe proposed or completed operations. (Clearly state all r	pertinent details, an	d give pertiment dates, including estimated date
of starting any proposed work). SEE RULE 1103. For Multipl or recompletion.	le Completions: At	tach wellfore diagram of proposed completion
or recomposition		
1. Rig up completion unit.	4	
<ol> <li>Run in hole with 5 1/2" casing to 400' with D.V. tool on end</li> <li>Pump cement through 5 1/2" casing and back outside with D</li> </ol>		ins between
5 1/2" casing and 8 5/8" casing with cement, circulate cemen		
4. Drill out cement and center of D.V. tool		
<ol> <li>Run in hole with 2 7/8" tubing to 2300'</li> <li>Install wellhead and circulate fresh water down casing to circulate fresh water down casing t</li></ol>	culate brine water t	heangh tubing.
I hereby certify that the information above is true and complete to the bugrade task has been/willibe constructed or closed according to NMOCD guidelines [	est of thy knowledg	C 3INI DCLLCL. I Unther certify that any pit or below- or an (attached) alternative OCD-approved plan [].
Ma 111 MMAN		
SIGNATURE TITLE	President	DATE <u>3/8/05</u>
$\smile$		

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### Closure Plan:

In the event it becomes necessary to abandon this facility, the well will be plugged and abandoned according to the specifications recommended by the OCD at time of closure, which will meet the requirements for protection of groundwater. All fluids and solids will be removed from the site and transported to an OCD approved facility. After removal of all surface equipment, the area will be remediated and graded in a manner to reflect its original condition.

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2 7/8" production tubing drilled into salt cavity and set approximately 2400'.

General operation is to pump fresh water down annulus between 2 7/8" tubing and 8 5/8" casing and produce brine water up to 2 7/8" tubing. Once a month, the flow is reversed for 24 hours to dissolve any buildup in tubing.

Mechanical integrity tests will be conducted on the well and salt dome foundation as OCD designates. The well and formation will be pressured up to one and one half times the normal operating pressure and shut in for four hours with pressure recorded on a pressure chart. The OCD will notify H.R.C. of the date and time for testing so it can be witnessed.

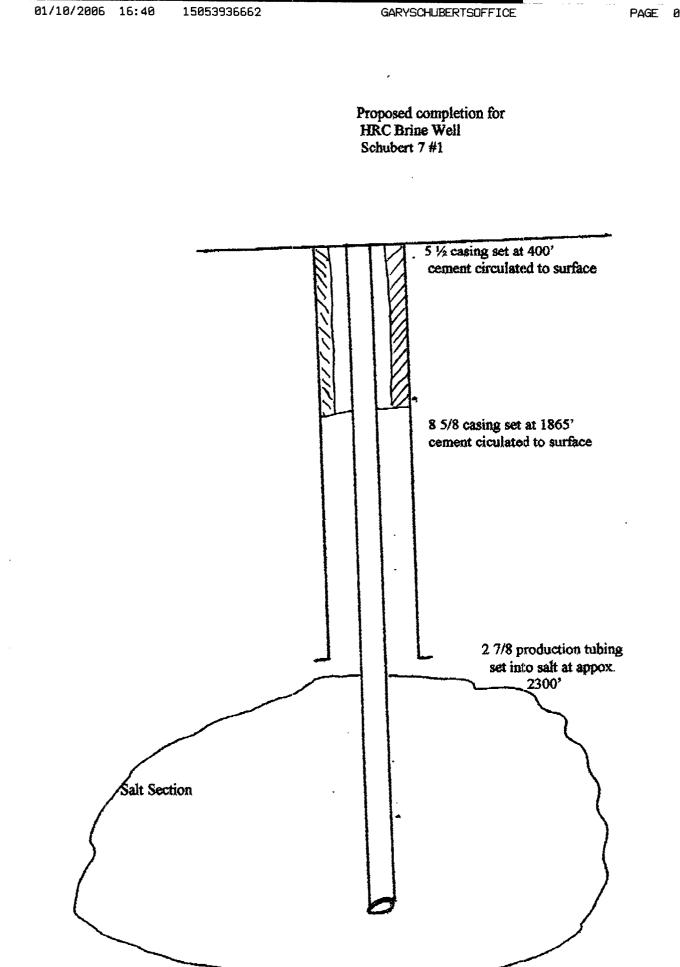
Cavity configuration tests will be conducted as required by OCD to determine size and configuration of the mined cavity.

The OCD office will be notified for approval prior to any drilling, deepening or plug back operations using the appropriate forms and notification. The OCD will also be notified before any remedial work, plugging or altering of well has started and after approval.

8. Reporting and Clean up of Spills:

All above ground piping and tanks will be visually inspected for leaks by company personnel during each site visit. Any problems such as leaks, spills or well abnormality will be taken to the attention of H.R.C. supervisor immediately. Supervisor will assess the problem and proceed with proper notification and repairs as OCD rule 116 requires.

9. Site Characteristics:



PAGE Ø4

01/10/2005	16:40	15053936662	GARYSCHUBERTSOFF	ICE PAGE 05	
Type or print name For State Use Only		Do in CMulat	E-mail address:	Telephone No.	
APPROVED BY:_ Canditions of Appr	oval (if an	<u>læ</u> tti (AlleF	TITLE	DATE	

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Rame O & G CRA Revised 1-1-09

#### STATE OF NEW MEXICO Emergy, Minerals and Nataval Resources Department OH Conservation Division

# ASSIGNMENT OF CASH COLLATERAL DEPOSIT

H.R.C., INC.	("OPERATOR") of (address) has deposited with
ROBBS	N.M. 88241 (address) has departed state or national
FIRST NATIONAL BANK	of New Machicol Of
HOBBS H.H. \$7,500,00 doilars (5	(address) (FINANCIAL INSTITUTION), and (FUND). ) in Certificate of Deposit or Savings Account No. 280219833 (FUND).

To comply with NHSA 1978, Section 70-2-14, as amended, OPERATOR beachy assigns all right, title and interest in the FUND, except as becam otherwise provided, to the Of Conservation Division of the Energy, Minerals and Newaral Resources Department (or successor agency) of the State of New Mexico (the DIVISION).

OPERATOR and FINANCIAL INSTITUTION agree that as to the FIND:

15053936662

The DEVISION acquires by this assignment the eathe beneficial interest in the FUND, with the right to ander the FINANCIAL INSTITUTION in writing to distribute the FUND to persons determined by the DIVISION to be entitled thereto, including the DIVISION itself, in amounts determined by the DIVISION, without further commute by the OPERATOR. FINANCIAL INSTITUTION bezeby acknowledges that the DIVISION is FRANCIAL INSTITUTION'S continuer with respect to the FUND.

OPERATOR reastas no legal or beneficial interest in the FUND except the right to interest, if any, thereon, and to manne of the FUND upon written order of the DIVISION following final disposition, or plagging and absorderment in accordance with all rules and orders of the DIVISION, of all wells in the State of New Mazico for which this Assignment new or hereafter across as financial assumace

FINANCIAL INSTITUTION agrees that the FUND may not be assigned, transferred, plodged at distributed except upon written order of the DIVISION or of a court order entered in a proceeding to which the DEVISION is a party. FINANCIAL INSTITUTION banday wrives all statusory or common law lists or rights of schoff or recomposed against the FUND by reason of any indebtoduess or obligation of OPERATOR to FRANCIAL INSTITUTION now existing or hereafter incurred.

OFERATOR agrees that FINANCIAL INSTITUTION may deduct, solely from interest due OPERATOR, say costs or stionacy fees incound by FINANCIAL INSTITUTION by reason of any claim or demand vie will, supersons or other process made upon FINANCIAL INSTITUTION acising from OPERATOR'S business. FINANCIAL INSTITUTION agrees that no much costs or free shall be deducted from the principal of the FUND prior to final release thereof to OPERATOR by the DIVISON.

This agreement shall be governed by the laws of the State of New Merrico.

H.R.C. INC.

Operator

divided OFERATOR ni Officer

THE PRESIDENT

FIRST NATIONAL BANK Financial Institu dion horized Officer Sie DISTITUTION LAD Title PRESIDENT

MOTE: If the officer excenting this instrument on behalf of the Financial Institution is not the President, a Vice President or a bound manager, sinch a copy of a contified seathing of the Bound of Directors evidenting such officer's authority.

INDIVIDUAL ACKNOWLEDGM	ENT:
Sume of New Mexico County of	
	acknowledged before me or 20_ by
(Individual Operator)	Notary Public
SEAL.	
My Commission Expires:	
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My Commission Expires	• • •
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# NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON Governor Joanna Prukop Cathort Sourceary

January 6, 2005

Mark E. Fesmire, P.E. Director Oil Conservation Division

Mr. Gary Shubert H.R.C., Inc. P.O. Box 5011 Hobbs, NM 88241

RE: \$7,500 Single-Well Cash Bond H.R.C., Inc., Principal First National Bank – Hobbs – Depository – Account No. 280219833 Schubert 7 No. 1 – 2313' FSL and 2313'FEL Section 7, Township 19 South, Range 39 East, Lea County, New Mexico Bond No. OCD 785

Dear Mr. Shubert:

The New Mexico Oil Conservation Division hereby approves the above-captioned single-well cash bond.

Sincerely,

Down K. F

DAVID K. BROOKS Assistant General Counsel

DKB/dp

cc: Oil Conservation Division - Hobbs, NM

First National Bank 600 W. Bender Hobbs, NM 88241-0460

			TRANSACTION	REPORT	-	JAN-10-2006 TUE	P.C 03:53	
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## Price, Wayne

From:	Price, Wayne
Sent:	Wednesday, June 01, 2005 2:58 PM
То:	'garymschubert@aol.com'
Cc:	Williams, Chris; Wink, Gary; Sheeley, Paul; Johnson, Larry; Anderson, Roger; Sanchez,
	Daniel
Subject:	H.R.C. Inc. New brine well application
Contacts:	Gary Schubert

Dear Mr. Schubert:

OCD is in receipt of H.R.C. Inc application for a new brine well to be located in UL J Section 7 Ts 19s R 39e. Your plan proposes to re-enter the Sahara well#1

API# 30-025-36781. The proposed completion does not meet OCD's minimum requirement for groundwater protection for EPA type Class III wells. OCD will require at least two strings of casing through the fresh water zone. The first string (outside) shall be embedded and terminate in the "Red Beds" and the second string shall be placed a minimum of 100 feet into the salt section. Both casing strings shall be cemented back to surface.

In order for OCD to continue the evaluation of the application please re-submit an amended plan to incorporate the above changes and include a \$100.00 filing fee made out to the New Mexico Water Quality Management Fund.

Sincerely:

Wayne Price New Mexico Oil Conservation Division 1220 S. Saint Francis Drive Santa Fe, NM 87505 505-476-3487 fax: 505-476-3462 E-mail: WPRICE@state.nm.us

#### NOTICE OF PUBLICATION

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

Notice is hereby given that pursuant to New Mexico Water Quality Control Commission Regulations, the following discharge permit application(s) has been submitted to the Director of the Oil Conservation Division, 1220 S. Saint Francis Drive, Santa Fe, New Mexico 87505, Telephone (505) 476-3440:

(BW-031) - H.R.C. inc., Mr. Gary Schubert, (505) 393-3194, P.O. Box 5102, Hobbs, New Mexico, 88241 has submitted a discharge plan application for a new in-situ brine extraction well and surface storage facilities. The new brine well and facility will be located in unit letter J of Section 7, Township 19 South, Range 39 East, NMPM. Lea County, New Mexico. Treated effluent water obtained from the city of Hobbs will be injected in the Salado formation at a approximate depth of 2300 feet and brine water will be extracted out of the formation from a depth of approximately 1800 feet with an average total dissolved solids concentration of 300,000 mg/l. H.R.C. INC. proposes to re-enter the Sahara well #1 API#30-025-36781 (Now Schubert7#1) well located 2313 FSL and 2313 FEL of Section 7, Township 19 South, Range 39 East, NMPM, Lea County, New Mexico. Ground water most likely to be affected by any accidental release or discharge is the Ogallala water bearing formation at a depth of approximately 50 feet and has a total dissolved solids content of approximately 800 mg/l. The discharge plan addresses how spills, leaks, and other accidental discharges to the surface will be managed.

Any interested person may obtain further information from the Oil Conservation Division and may submit written comments to the Director of the Oil **Conservation Division** at the address given above. The discharge permit application permit application and draft discharge permit may be viewed at the above address between 8:00 a.m. and 4:00 p.m., Monday through Friday. The draft discharge permit may also be viewed at OCD's web site

http://www.emnrd.st ate.nm.us/ocd/. Prior to ruling on any proposed discharge permit or its modification, the Director of the Oil Conservation Division shall allow at least thirty (30) days after the date of publication of this notice during which comments may be submitted and a public hearing may be requested by any interested person. Requested by any interested person. Requests for a public hearing shall set forth the reasons why a hearing should be held. A hearing will be held if the Director determines there is significant public interest.

If no public hearing is held, the Director will approve or disapprove the proposed permit based on information available. If a public hearing is held, the director will approve or disapprove the proposed permit based on information in the permit and information submitted at the hearing.

GIVEN under the Seal of New Mexico Oil Conservation Commission at Santa Fe, New Mexico, on this 10th day of January 2006.

> STATE OF NEW MEXICO OIL CONSERVATION DIVISION

S E A L Mark Fesmire, Director Legal #78265 Pub. January 16, 2006

Advertising Receipt	ини 201 - Марилан ини — Р 122	Abbbs Daily News-Sun 201 N Thorp P O Box 850 Hobbs, NM 88241 Dabb 2 3 2006 Phone: (505) 393-2123 Fax: (505) 397.0610 Fax: (505) 397.0610 Fax: (505) 397.0610 Phone: (505) 397.0610 Fax: (505) 397.0700 Fax: (505) 397.0700 Fax: (505) 397.0700 Fax: (505)	
ED MARTIN STATE OF NEW MEXICO OIL & CONSERVATION DIVISION * 1220 S. ST. FRANCIS SANTA FE, NM 87505	Saa Cust#: Ad#: Phone: Date:	20 S. St. Francis nta Fe, NM 3 01100060-000 67535545 (505)476-3492 01/12/06	949

Ad taker: C2

Salesperson: 08

Classification: 673

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Description	Start	Stop	Ins.	Cost/Day	Surcharges	Total
07 07 Daily News-Sun	01/13/06	01/13/06	1	92.40		92.40
Bold						1.00
Affidavit for legals						3.00
Payment Reference:					Total:	96.40
					Tax:	0.00
LEGAL NOTICE					Net:	96.40
January 13, 2006					Prepaid:	0.00
NOTICE OF PUBLICATION						
STATE OF NEW MEXICO					Total Due	96.40

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT OIL CONSERVATION DIVISION

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(BW-031) - H.R.C. Inc., Mr. Gary Schubert, (505) 393-3194, P.O. Box 5102, Hobbs New Mexico, 88241 has submitted a discharge plan application for a new in-situ brine



#### AFFIDAVIT OF PUBLICATION

State of New Mexico, County of Lea.

I, Daniel Russell

Editor

of the Hobbs News-Sun, a newspaper published at Hobbs, New Mexico, do solemnly swear that the clipping attached hereto was published once a week in the regular and entire issue of said paper, and not a supplement thereof for a period

of _

<u>1 issue(s).</u>

Beginning with the issue dated5

January 13 , 2006 and ending with the issue dated

January 13 Editor

Sworn and subscribed to before

17th day of

January 2006 Notary Public. My Commission expires

February 07, 2009 (Seal)



OFFICIAL SEAL DORA MONTZ NOTARY PUBLIC STATE OF NEW MEXICO

My Commission Expires:

This newspaper is duly qualified to publish legal notices or advertisements within the meaning of Section 3, Chapter 167, Laws of 1937, and payment of fees for said publication has been made. 01100060000 67535545 STATE OF NEW MEXICO OI L & CONSERVATION DIVISION 1220 S. ST. FRANCIS SANTA FE, NM 87505

#### LEGAL NOTICE January 13, 2006

#### NOTICE OF PUBLICATION

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Any interested person may obtain further information from the Oil Conservation Division and may submit written comments to the Director of the Oil Conservation Division, at the address given above. The discharge permit application and draft discharge permit may be viewed at the above address between 8:00 a.m. and 4:00 p.m. Monday through Friday. The draft discharge permit may also be viewed at OCD's web site http://www.emnrd.state.nm.us/cod/. Prior to ruling on any proposed discharge permit or its modification, the Director of the Oil conservation Division shall allow at least thirty (30) days after the date of publication of this notice during which comments may be submitted and a public hearing may be requested by any interested person. Requests for a public hearing shall set forth the reasons why a hearing should be held. A hearing will be held if the Director determines there is significant public interest.

If no public hearing is held, the Director will approve or disapprove the proposed permit based on information available. If a public hearing is held, the director will approve or disapprove the proposed permit based on information in the permit and information submitted at the hearing.

GIVEN under the Seal of New Mexico Oil Conservation Commission at Santa Fe, New Mexico, on this 10th day of January 2006.

STATE OF NEW MEXICO OIL CONSERVATION

Mark Fesmire, Director

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GIVEN under the Seal of New Mexico Oil Conservation Commission at Santa Fe, New Mexico, on this 10th day of January 2006.

# STATE OF NEW MEXICO OIL CONSERVATION DIVISION

Mark Fesmire, Director

SEAL

# **NEW MEXICAN** Founded 1849

RECEIVED .IAN 2 0 2006 MINING & MINERALS DIVISION

# EMNRD MINING & MINERALS

ATTN: Wayne Price 1220 S St. Francis Dr SANTA FE NM 87505 

 ALTERNATE ACCOUNT: 56660

 AD NUMBER: 00152886 ACCOUNT: 00002190

 LEGAL NO: 78265
 P.O. #: 06-199-050125

 252 LINES 1 TIME(S)
 141.12

 AFFIDAVIT:
 5.50

 TAX:
 11.18

 TOTAL:
 157.80

### AFFIDAVIT OF PUBLICATION

### STATE OF NEW MEXICO COUNTY OF SANTA FE

I, R. Lara, being first duly sworn declare and say that I am Legal Advertising Representative of THE SANTA FE NEW MEXICAN, a daily newspaper published in the English language, and having a general circulation in the Counties of Santa Fe and Los Alamos, State of New Mexico and being a newspaper duly qualified to publish legal notices and advertisements under the provisions of Chapter 167 on Session Laws of 1937; that the publication # 78265 a copy of which is hereto attached was published in said newspaper 1 day(s) between 01/16/2006 and 01/16/2006 and that the notice was published in the newspaper proper and not in any supplement; the first date of publication being on the 16th day of January, 2006 and that the undersigned has personal knowledge of the matter and things set forth in this affidavit.

K. Lar /S/____ LEGAL ADVERTISEMENT REPRESENTATIVE

Subscribed and sworn to before me on this 16th day of January, 2006

Lana 2. Harding Notary 11/23/07 Commission Expires:_



www.santafenewmexican.com

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