District I
1625 N. French Dr., Hobbs, NM 88240
District II
811 S. First St., Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

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

Form C-144 CLEZ
Revised August 1, 2011

For closed-loop systems *that only use above ground steel tanks or haul-off bins and propose to implement waste removal for closure*, submit to the appropriate NMOCD District Office.

Closed-Loop System Permit or Closure Plan Application

(that only use above ground steel tanks or haul-off bins and propose to implement waste removal for closure)

Type of action: [X] Permit [ ] Closure

Instructions: Please submit one application (Form C-144 CLEZ) per individual closed-loop system request. For any application request other than for a closed-loop system that only use above ground steel tanks or haul-off bins and propose to implement waste removal for closure, please submit a Form C-144.

Please be advised that approval of this request does not relieve the operator of liability should operations result in pollution of surface water, ground water or the environment. Nor does approval relieve the operator of its responsibility to comply with any other applicable governmental authority's rules, regulations or ordinances.

1.
Operator: Ray Westall Operating, Inc. OGRID #: 119305
Address: P.O. Box 4, Loco Hills, NM 88255
Facility or well name: Fireweed '10' Federal No.1 SWD
API Number: 30-015-29165 OCD Permit Number: ~~SWD-1383~~ 214070
U/L or Qtr/Qtr H Section 10 Township 18-S Range 28-E County: Eddy
Center of Proposed Design: Latitude 32.764554 Longitude -104.158272 NAD: [X] 1927 [ ] 1983
Surface Owner: [X] Federal [ ] State [ ] Private [ ] Tribal Trust or Indian Allotment

2.
[X] **Closed-loop System:** Subsection H of 19.15.17.11 NMAC
Operation: [ ] Drilling a new well [X] Workover or Drilling (Applies to activities which require prior approval of a permit or notice of intent) [ ] P&A
[X] Above Ground Steel Tanks or [ ] Haul-off Bins (Re-entry)

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3.
Signs: Subsection C of 19.15.17.11 NMAC
[ ] 12"x 24", 2" lettering, providing Operator's name, site location, and emergency telephone numbers
[X] Signed in compliance with 19.15.16.8 NMAC

4.
Closed-loop Systems Permit Application Attachment Checklist: Subsection B of 19.15.17.9 NMAC
Instructions: Each of the following items must be attached to the application. Please indicate, by a check mark in the box, that the documents are attached.
[X] Design Plan - based upon the appropriate requirements of 19.15.17.11 NMAC
[X] Operating and Maintenance Plan - based upon the appropriate requirements of 19.15.17.12 NMAC
[X] Closure Plan (Please complete Box 5) - based upon the appropriate requirements of Subsection C of 19.15.17.9 NMAC and 19.15.17.13 NMAC
[ ] Previously Approved Design (attach copy of design) API Number: _____
[ ] Previously Approved Operating and Maintenance Plan API Number: _____

5.
Waste Removal Closure For Closed-loop Systems That Utilize Above Ground Steel Tanks or Haul-off Bins Only: (19.15.17.13.D NMAC)
Instructions: Please indentify the facility or facilities for the disposal of liquids, drilling fluids and drill cuttings. Use attachment if more than two facilities are required.
Disposal Facility Name: CRI - Lea County Disposal Facility Permit Number: 6
Disposal Facility Name: _____ Disposal Facility Permit Number: _____
Will any of the proposed closed-loop system operations and associated activities occur on or in areas that *will not* be used for future service and operations?
[ ] Yes (If yes, please provide the information below) [X] No

Required for impacted areas which will not be used for future service and operations:
[ ] Soil Backfill and Cover Design Specifications - - based upon the appropriate requirements of Subsection H of 19.15.17.13 NMAC
[ ] Re-vegetation Plan - based upon the appropriate requirements of Subsection I of 19.15.17.13 NMAC
[ ] Site Reclamation Plan - based upon the appropriate requirements of Subsection G of 19.15.17.13 NMAC

6.
Operator Application Certification:
I hereby certify that the information submitted with this application is true, accurate and complete to the best of my knowledge and belief.
Name (Print): Ben Stone Title: Agent for Ray Westall Operating, Inc.
Signature: Ben Stone Date: 3/08/2013
e-mail address: ben@sosconsulting.us Telephone: 903-488-9850

7.
OCD Approval: ☒ Permit Application (including closure plan) ☐ Closure Plan (only)

OCD Representative Signature: [signature] **Approval Date:** 3/12/13

Title: Dist II Supervisor **OCD Permit Number:** 214070

8.
Closure Report (required within 60 days of closure completion): Subsection K of 19.15.17.13 NMAC

Instructions: Operators are required to obtain an approved closure plan prior to implementing any closure activities and submitting the closure report. The closure report is required to be submitted to the division within 60 days of the completion of the closure activities. Please do not complete this section of the form until an approved closure plan has been obtained and the closure activities have been completed.

☐ **Closure Completion Date:** _____

9.
Closure Report Regarding Waste Removal Closure For Closed-loop Systems That Utilize Above Ground Steel Tanks or Haul-off Bins Only:

Instructions: Please indentify the facility or facilities for where the liquids, drilling fluids and drill cuttings were disposed. Use attachment if more than two facilities were utilized.

Disposal Facility Name: _____ Disposal Facility Permit Number: _____

Disposal Facility Name: _____ Disposal Facility Permit Number: _____

Were the closed-loop system operations and associated activities performed on or in areas that *will not* be used for future service and operations?

☐ Yes (If yes, please demonstrate compliance to the items below) ☐ No

Required for impacted areas which will not be used for future service and operations:

☐ Site Reclamation (Photo Documentation)
☐ Soil Backfilling and Cover Installation
☐ Re-vegetation Application Rates and Seeding Technique

10.
Operator Closure Certification:

I hereby certify that the information and attachments submitted with this closure report is true, accurate and complete to the best of my knowledge and belief. I also certify that the closure complies with all applicable closure requirements and conditions specified in the approved closure plan.

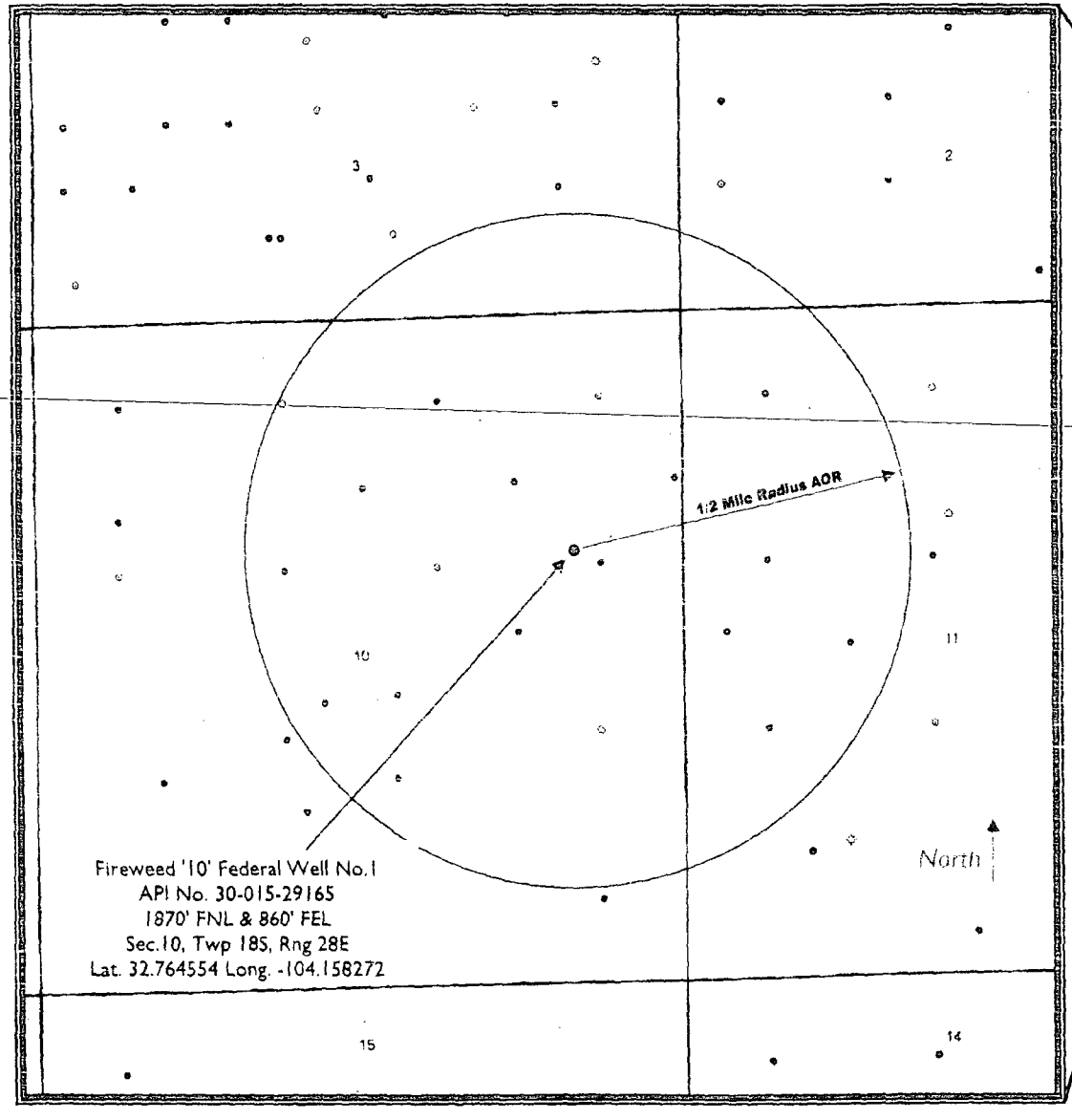
Name (Print): _____ Title: _____

Signature: _____ Date: _____

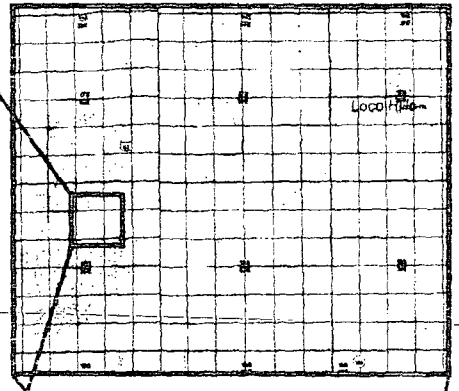
e-mail address: _____ Telephone: _____

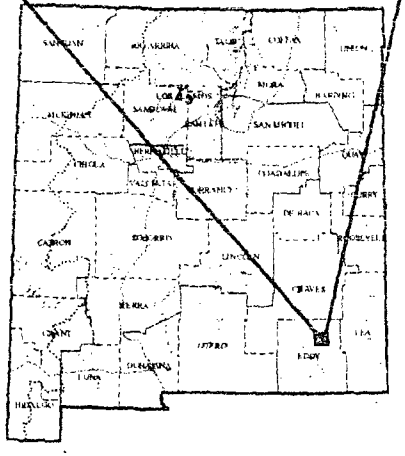
Fireweed '10' Federal Well No.1 - Area of Review / Overview Map

(Attachment to NMOCD Form C-108, Application for Authority to Inject.)



~11.0 miles West / Southwest
of Loco Hills, NM





Eddy County, New Mexico

Ray Westall Operating, Inc.

SOS Consulting, LLC

Standard Operating Procedure & Site Setup - Re-entry

ALL OPERATIONS CONDUCTED WITHIN EXISTING PAD SITE
NOT EXCEEDING SURVEYED SITE. ORIENTATION PER BEST FIT.

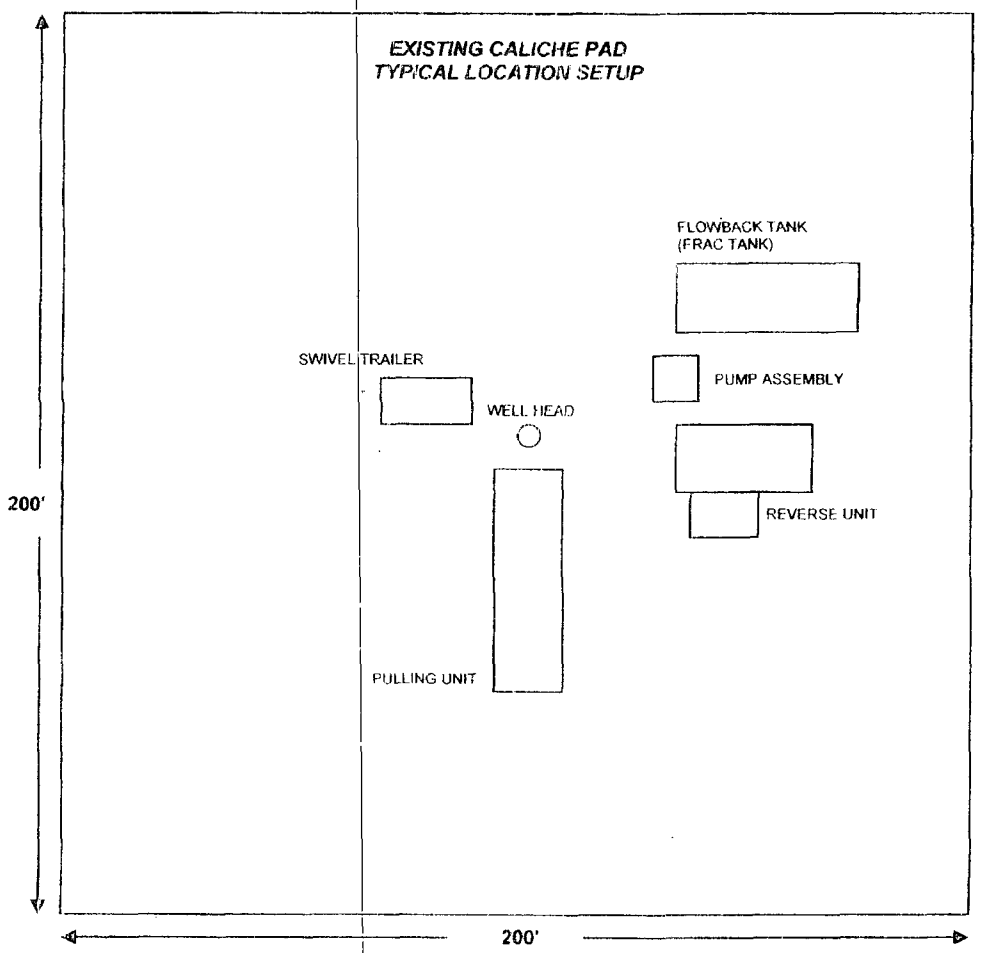
1. All contractors conduct safety meeting prior to task.

2. All equipment inspected daily. Repair as required.

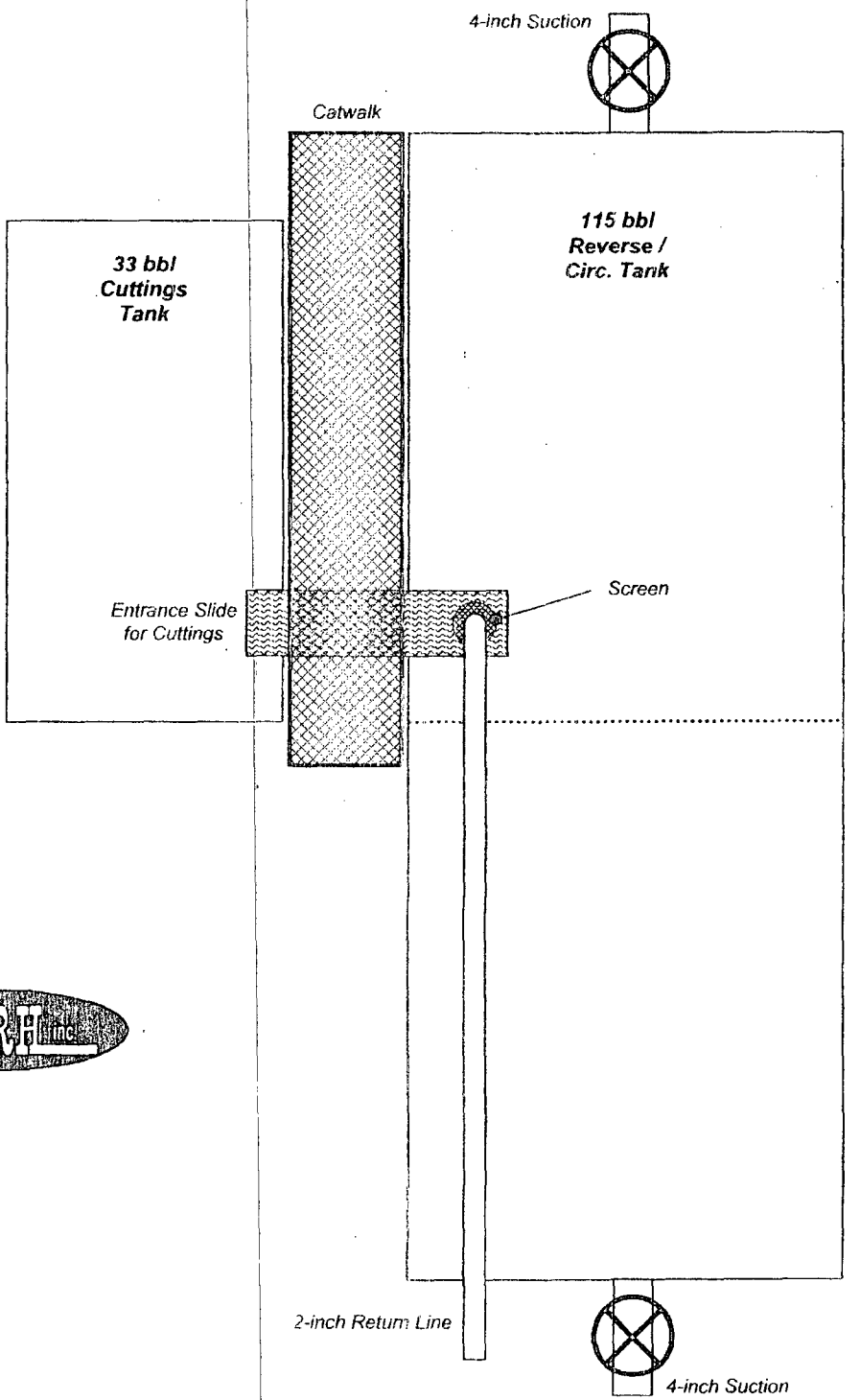
3. Cuttings / waste hauled to specified facility. CRI - LEA COUNTY

4. Spills contained & cleaned up immediately. Repair or otherwise correct the situation within 48 hours before resuming operations. Notify OCD and BLM within 24 hours. Remediation started ASAP if required. Operator shall comply with 19.15.29 NMAC and 19.15.30 NMAC, as appropriate.

5: Subsequent sundry / forms filed as needed - well returned to service.



Reverse / Circulation Tank for Workovers & Drillouts



WRH Inc.

Ray Westall Operating, Inc.
Fireweed '10' Federal Well No.1 SWD
Section 10, Twp 18-S, Rng 28-E
Eddy County, New Mexico

Well Re-entry Program

Objective: Re-enter the existing wellbore by drilling out all plugs, clean out to TD, log and perforate intervals and run new tubulars to configure for salt water disposal.

1. **Geologic Information** - (Roy E. Johnson, Consulting Geologist) - The Wolfcamp and Cisco Formations in this area consist of light gray-brown fine to medium crystalline fossiliferous limestone with inter-crystalline vug porosity interbedded with gray shale. Average porosity's are from 2 to 8% with permeability's averaging 18 to 35 Md. A review of the electric logs on this well indicated that the porosity's are within the averages and that the hydrocarbon bearing zones are some what limited. The previous operators (Amoco, Louis Dreyfus, and Dominion) have tested the porosity zones in these formations that had potential hydrocarbon potential with uneconomical results. State records show the well's only production was from the Wolfcamp resulting in a cumulative production of 523 BO and 6,300 Mcf. The last effort by Dominion attempted a completion in the upper Wolfcamp with no production which resulted with the well being plugged and abandoned.

In conclusion this well typifies the nature of the Wolfcamp and Cisco formations in this area as the reservoirs are usually limited and most often not contiguous. In my opinion to convert this well to a disposal well it would not be a waste issue for hydrocarbons or impose a correlative rights issue to offsetting operations.

Formation Tops:

Salado	662
Yates	790
Seven River	1110
Queen	1780
San Andres	2570
Bone Spring	5340
Wolfcamp	7696
Cisco (Bough C)	8655
Strawn	9448
Atoka	10088
Mississippian	10762

2. **Completion Procedure** - MIRU pulling unit, reverse unit and associated equipment. Install BOP. RIH with bit end collars to drillout plugs and two (2) CIBPs at 8547' and at 9350'. Set CIBP @ 9500' and cap with 35' cement. Selectively perforate Wolfcamp, Cisco and Canyon formations between 7696' and 9448' - exact depths to be determined. (Exact depths will be specified on NOI sundry prior to completion operation.)

3. **Tubular program** - The well casing is set. (See attached Proposed Well Schematic) 2-3/8" or 2-7/8" internally coated tubing will be run and set in a packer located at approximately 7590' (within 100' of the uppermost injection perforations).

Well Re-entry Program (cont.)

4. **Cementing Program** - Existing casing strings were all circulated to surface during the original well drilling and completion operations as follows:

Surface	13.375"	54.5#	17.5" hole	574'	600 sx	Circ to Surf
Intermediate	9.625"	36.0#	12.25" hole	2835'	1518 sx	Circ to Surf
Production	7.0"	26.0#	8.75" hole	10044'	1225 sx	Circ to Surf
Set CIBP	6.276"	Sized to Casing		Set @ 9500'	Cap w/ 35' cement	

5. **Pressure Control** - BOP diagram is attached to this application. All BOP and related equipment shall comply with well control requirements as described in Onshore Oil & Gas Order No.1 and API RP 53, Section 17. Minimum working pressure of the BOP and related equipment required for the drillout shall be 5000 psi. The BLM Carlsbad field office shall be notified a minimum of 4 hours in advance for a representative to witness BOP pressure tests. The test shall be performed by an independent service company utilizing a test plug (no cup or J-packer). The results of the test shall be recorded on a calibrated test chart submitted to the Carlsbad field office.

6. **Mud Circulation System** - the plugs will be drilled with 8.4 lb/gal fresh water looped through the reverse unit with all cutting recovered for disposal.

7. **Auxiliary Well Control and Monitoring** - Not Applicable

8. **H_2S Safety** - There is a low risk of H2S in this area. The operator will comply with the provisions of Onshore Oil and Gas Order #6. All personnel will wear monitoring devices and a wind direction sock will be placed on location.

9. **Logging, Coring and Testing** - Ray Westall Operating is not anticipating running additional logs. No corings or drill tests will be conducted. (The well may potentially be step rate tested in the future if additional injection pressures are required.)

10. **Potential Hazards** - No abnormal pressures or temperatures are expected.

No loss of circulation is expected to occur. All personnel will be familiar with the safe operation of the equipment being used to drillout and reenter this well.

The maximum anticipated bottom hole pressure is 4200 psi and the maximum anticipated bottom hole temperature is 120 F.

11. **Waste Management** - All drill cuttings and other wastes associated with the re-entry and drill out operations will be transported to a commercial surface waste disposal facility permitted by the Environmental Bureau of the New Mexico Oil Conservation Division.

12. **Anticipated Start Date** - Upon approval of all permits including the BLM right-of-way for SWD, operations would begin within 30 days. Completion of the well operations will take two to three weeks. Installation of the tank battery, berms, plumbing and other and associated equipment would be occurring during the same interval. In any event, it is not expected for the construction phase of the project to last more than 60 days, depending on availability of contractors and equipment. At the time of this submittal, the anticipated start date is:

May 1, 2013.

Well Re-entry Program (cont.)

13. **Configure for Salt Water Disposal** - Prior to commencing any work, an NOI sundry(ies) will be submitted to configure the well for SWD and will detail the following tasks: drillout and workover including all work otherwise described above, any change to the procedure noted herein and to perform mechanical integrity pressure test per BLM test procedures. (Notify BLM and NMOCD 24 hours prior.) The casing/tubing annulus will be monitored for communication with injection fluid or loss of casing integrity. Anticipated daily volume is ~1000 bpd at a maximum surface injection pressure of 1539 psi.