

ABOVE THIS LINE FOR DIVISION USE ONLY

1445

NEW MEXICO OIL CONSERVATION DIVISION
 - Engineering Bureau -
 1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

- [NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
- [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
- [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
- [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
- [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
- [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] **TYPE OF APPLICATION** - Check Those Which Apply for [A] 30-015-23350
 [A] Location - Spacing Unit - Simultaneous Dedication state B 14 com 001
 NSL NSP SD Ray Westall Operating

Check One Only for [B] or [C]

[B] Commingling - Storage - Measurement
 DHC CTB PLC PC OLS OLM

[C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
 WFX PMX SWD IPI EOR PPR

[D] Other: Specify _____

[2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or Does Not Apply

[A] Working, Royalty or Overriding Royalty Interest Owners

[B] Offset Operators, Leaseholders or Surface Owner

[C] Application is One Which Requires Published Legal Notice

[D] Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office

[E] For all of the above, Proof of Notification or Publication is Attached, and/or,

[F] Waivers are Attached

2013 JUN -5 PM 12:23
 PROTECTED COPY

[3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Ben Stone

 Print or Type Name

 Signature

Agent for Ray Westall

 Title
 ben@sosconsulting.us

 e-mail Address

6/04/13

 Date

APPLICATION FOR AUTHORIZATION TO INJECT

- I. PURPOSE: **Salt Water Disposal** and the application *qualifies* for administrative approval.
- II. OPERATOR: **Ray Westall Operating, Inc.**
ADDRESS: **P.O. 4, Loco Hills, NM 88255**
- CONTACT PARTY: **Donnie Mathews (575) 677-2372**
Agent: SOS Consulting, LLC – Ben Stone (903) 488-9850
- III. WELL DATA: **All well data and applicable wellbore diagrams are attached hereto.**
- IV. **This is not an expansion of an existing project.**
- V. **A map is attached** that identifies all wells and leases within two miles of any proposed injection well with a one-half mile radius circle drawn around each proposed injection well. This circle identifies the well's area of review.
- *VI. **A tabulation is attached** of data on all wells of public record within the area of review which penetrate the proposed injection zone. **(5 AOR wells penetrate subject interval - 2 P&A.) The data includes** a description of each well's type, construction, date drilled, location, depth, and a schematic of any plugged well illustrating all plugging detail.
- VII. **The following data is attached** on the proposed operation, including:
1. Proposed average and maximum daily rate and volume of fluids to be injected;
 2. Whether the system is open or closed;
 3. Proposed average and maximum injection pressure;
 4. Sources and an appropriate analysis of injection fluid and compatibility with the receiving formation if other than reinjected produced water; and,
 5. If injection is for disposal purposes into a zone not productive of oil or gas at or within one mile of the proposed well, attach a chemical analysis of the disposal zone formation water (may be measured or inferred from existing literature, studies, nearby wells, etc.).
- *VIII. **Appropriate geologic data on the injection zone is attached** including appropriate lithologic detail, geologic name, thickness, and depth. Give the geologic name, and depth to bottom of all underground sources of drinking water (aquifers containing waters with total dissolved solids concentrations of 10,000 mg/l or less) overlying the proposed injection zone as well as any such sources known to be immediately underlying the injection interval.
- IX. **No stimulation program is proposed at this time.**
- *X. **There is no applicable test data on the well however, any previous well logs (3 well logs available via OCD Online) have been filed with the Division and they need not be resubmitted.**
- *XI. **There are no domestic water wells within one mile the proposed salt water disposal well.**
- XII. **An affirmative statement is attached that available geologic and engineering data has been examined and no evidence was found** of open faults or any other hydrologic connection between the disposal zone and any underground sources of drinking water.
- XIII. **"Proof of Notice" section on the next page of this form has been completed.**
There are 6 offset operators within ½ mile - all have been noticed.
- XIV. Certification: I hereby certify that the information submitted with this application is true and correct to the best of my knowledge and belief.

NAME: **Ben Stone** TITLE: **SOS Consulting, LLC agent / consultant for Ray Westall Operating, Inc.**

SIGNATURE:  DATE: **5/20/2013**

E-MAIL ADDRESS: **ben@sosconsulting.us**

* If the information required under Sections VI, VIII, X, and XI above has been previously submitted, it need not be resubmitted. Please show the date and circumstances of the earlier submittal.

III. WELL DATA – ***The following information and data is included:***

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

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

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

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

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

XIV. PROOF OF NOTICE ***pursuant to the following criteria is attached.***

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

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

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

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



June 4, 2013

New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Attn: Ms. Jami Bailey, Director

*Re: Application of Ray Westall Operating, Inc. to permit for salt water disposal
in its State 'B-14' No.1 well located in Section 14, Township 18 South, Range 28
East, NMPM, Eddy County, New Mexico.*

Dear Ms. Bailey,

Please find enclosed form C-108 Application for Authority to Inject, supporting the above-referenced request to covert for disposal, the State 'B-14' No.1.

Ray Westall Operating seeks to optimize efficiency, both economically and operationally, of its operations. Approval of this application is consistent with that goal as well as the NMOCD's mission of preventing waste and protection of correlative rights.

Published legal notice ran in the May 17, 2013 edition of the Artesia Daily Press and all offset operators and other interested parties have been notified individually. The legal notice affidavit is included in this application package. This application also includes wellbore schematics, area of review maps, leaseholder plats and other required information for a complete Form C-108. The well is located on state lands and a copy of this application has been submitted to the State Land Office, Division of Oil, Gas and Minerals.

I respectfully request that the approval of this salt water disposal well proceed swiftly and if you or your staff requires additional information or has any questions, please do not hesitate to call or email me.

Best regards,

A handwritten signature in black ink, appearing to read 'Ben Stone', is written over a light-colored background.

Ben Stone, Partner
SOS Consulting, LLC
Agent for Ray Westall Operating, Inc.

Cc: Application attachment and file

CURRENT CONFIGURATION

**PLUGGED WELL SCHEMATIC
State B-14 Well No.1**

API 30-015-23350

660' FSL & 990' FEL, SEC. 14-T18S-R28E
EDDY COUNTY, NEW MEXICO

Spud Date: 6/27/1980

P&A Date: 11/13/2002

Well plugged by:
H.E.C. Petroleum, Inc.

<PLUGGING ITEMS LISTED LEFT>

PLUGS:

Spot 15 sx
60'-0'

Spot 45 sx
519'-354'
(Tagged)

Spot 25 sx Cmt
3177'-2958'
(Tagged)

Shot & Pulled 5-1/2" @ 3122'

Spot 25 sx Cmt
4450'-4156'
(Tagged)

Circulated Hole w/
9.5# Plugging Mud

Set CIBP @ 9000' for P&A
Cap w/ 5 sx Cmt.
TOC 8949

P&A Marker

CHF 3538.5'

<PRE-P&A EXISTING ITEMS LISTED RIGHT>

Surface Casing

13.375", 48.0# Csg. (17.5" Hole) @ 459'
425 sxs - Circulated to Surface

Intermediate Casing

8.625", 32.0# csg. (11.0" Hole) @ 3084'
1015 sxs - Circulated to Surface

Noted 2002 P&A

Remedial 8/18/2000: Sqz'd hole in Cag. @ 4355'-82' w/ 200 sx

<P&A SUBSEQUENT SUNDRY>

Submit 3 Copies To Appropriate Agency: State of New Mexico, Energy, Minerals and Natural Resources, Petroleum Conservation Division, 2040 South Postroad, Santa Fe, NM 87505

Form C-183
Period March 25, 1999

WELL API NO. 30-015-23350

5. Indicate Type of Lease
STATE FEE

6. State Oil & Gas Lease No.
811594-4

7. Lease Name or Unit Agreement Name:
State B 14 Case

8. Well No. 3

9. Pool name or Wellbore
Lease Hills (Wellbore)

11. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data
NOTICE OF INTENTION TO:
PERFORM REMEDIAL WORK PLUG AND ABANDON SUBSEQUENT REPORT OF:
TEMPORARILY ABANDON CHANGE PLANS COMMENCE DRILLING OPNS. PLUG AND ABANDONMENT
FULL OR ALTER CASING MULTIPLE COMPLETION CASING TEST AND CEMENT JOBS
OTHER: OTHER:

12. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of casing and proposed work.) SEE RULE 1103. For Multiple Completions: Attach diagram of proposed completion or recompletion.
H.E.C. Petroleum, Inc. Plugged and Abandoned the State B 14 Casing Well No. 1 on November 13, 2002 per the following procedure:
MRU BGM Rig #22; POH with 301 in 2-3/8" tag and plug; Set CIBP @ 9,000' and cement with 5 sx cmt; Cms into with 9.5 PPG mud; Spot 25 also Class "C" cmt from 4,157' WOC; Tag Plug, and then; Spot 25 also Class "C" cmt from 4,450'-4,157' WOC; Tag plug @ 4,150'; Cut 5-1/2" csg @ 3,122' POH and LD 81 in 5-1/2" csg; RSI with tag; Spot 50 also Class "C" cmt from 3,177'-2,967' WOC; Tag plug @ 2,958'; Spot 45 also Class "C" cmt from 519'-319' WOC; Tag plug @ 354'; Spot 15 also Class "C" cmt from 60'-surface; MD WPC install Dry Hole Marker; P&A 11/13/02.

11. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data
NOTICE OF INTENTION TO:
PERFORM REMEDIAL WORK PLUG AND ABANDON SUBSEQUENT REPORT OF:
TEMPORARILY ABANDON CHANGE PLANS COMMENCE DRILLING OPNS. PLUG AND ABANDONMENT
FULL OR ALTER CASING MULTIPLE COMPLETION CASING TEST AND CEMENT JOBS
OTHER: OTHER:

12. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of casing and proposed work.) SEE RULE 1103. For Multiple Completions: Attach diagram of proposed completion or recompletion.
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MRU BGM Rig #22; POH with 301 in 2-3/8" tag and plug; Set CIBP @ 9,000' and cement with 5 sx cmt; Cms into with 9.5 PPG mud; Spot 25 also Class "C" cmt from 4,157' WOC; Tag Plug, and then; Spot 25 also Class "C" cmt from 4,450'-4,157' WOC; Tag plug @ 4,150'; Cut 5-1/2" csg @ 3,122' POH and LD 81 in 5-1/2" csg; RSI with tag; Spot 50 also Class "C" cmt from 3,177'-2,967' WOC; Tag plug @ 2,958'; Spot 45 also Class "C" cmt from 519'-319' WOC; Tag plug @ 354'; Spot 15 also Class "C" cmt from 60'-surface; MD WPC install Dry Hole Marker; P&A 11/13/02.

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

SIGNATURE: *Mark Belling* TITLE: Regulatory Analyst DATE: 12/24/02

Typed or print name: *Mark W. Belling* Telephone No. (915) 496-8662

APPROVED BY: *[Signature]* TITLE: *Field Sup P* MAR 24 2003

Conditions of approval, if any:

PEVN: 82007

STWN: 9750

ATKA: 10145

MRW: 10463

PBTD 10950

DTD @ 11037

Production Casing

5.5", 17.0 & 20.0# Csg (7.875" Hole) @ 10078'
875 sxs CIs H - TOC @ 6610' by CBL

Perfs: 9553'-66', 9721'-46, 9761'-64', 9798'-9804'

Formation Fluids

Perfs. in }
South Empire - Morrow Gas Zone
10690 - 10743
Backer cut at 10/1/01 Prior Morrow



Drawn by: Ben Stone, 5/28/2013

WELL SCHEMATIC - PROPOSED
State B-14 Well No.1 SWD

API 30-015-23350

660' FSL & 990' FEL, SEC. 14-T18S-R28E
 EDDY COUNTY, NEW MEXICO

Spud Date: 6/27/1980

Annulus Monitored
 or open to atmosphere

Injection Pressure Regulated
 and Volumes Reported

Ray Westall Operating, Inc.

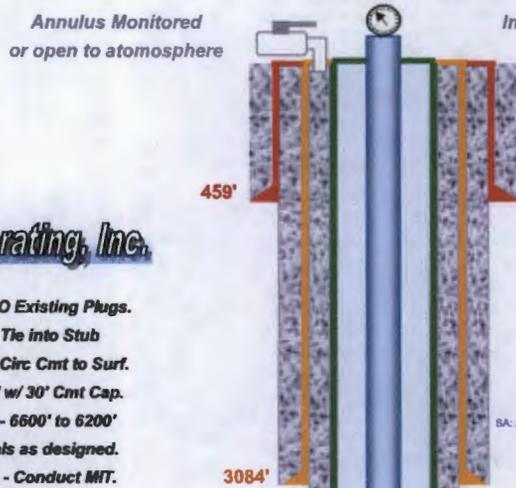
Convert to SWD: D/O & C/O Existing Plugs.
 Run & Set New 5-1/2" - Tie into Stub
 w/ Overshot & Csg Patch - Circ Cmt to Surf.
 Set CIBP @ 9200' or 9850' w/ 30' Cmt Cap.
 Sqz 5-1/2" as necessary - 6600' to 6200'
 Perforate Specific Intervals as designed.
 Run PC Tubing and PKR - Conduct MIT.
 Commence Disposal Operations.

Surface Casing

13.375", 48.0# Csg. (17.5" Hole) @ 459'
 425 sxs - Circulated to Surface

Intermediate Casing

8.625", 32.0# csg. (11.0" Hole) @ 3084'
 1015 sxs - Circulated to Surface



Squeeze as Required
 to Establish Cement Seal
 Behind 5-1/2" 6600' - 6200'

Annulus Loaded
 w/ Inert Packer Fluid

New 5-1/2" w/ Overshot / Seal / Csg Patch @ 3122'

2.375" IC Tubing
 PKR -6660'

Bone Spring production

Production Casing

5.5", 17.0 & 20.0# Csg (7.875" Hole) @ 10078'
 875 sxs Cls H - TOC @ 6610' by Temp

Depleted - WF/
 No
 production

Set CIBP @ ~9200' or ~9850'
 Cap w/ 30' Cmt.

NOTE: Existing perfs within permitted interval
 may or may not be utilized as specific intervals.

NOTE: Lower Cisco Intervals are being
 analyzed for suitable porosity and may
 or may not be utilized for injection.

Sundry dated 12/11/1980

5 1/2-in casing 948', 20"
 10678 17"
 11076' of 5 1/2"
 casing to PSTD

10078'

DTD @ 11037'

ATKA: 10145'
 MRW: 10453'
 PSTD @ 10950'

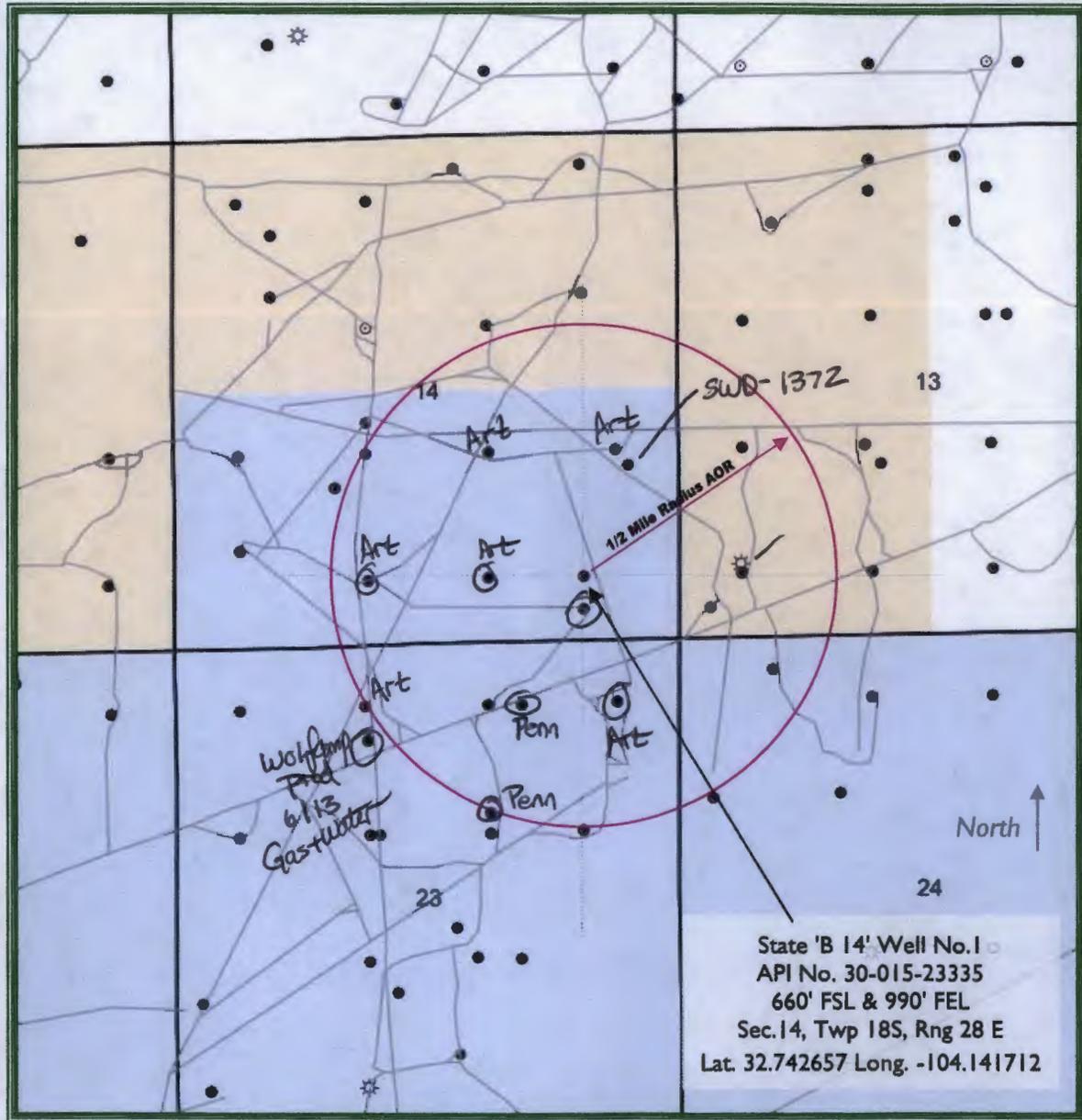
Perfs in Morrow 10690-10743
 12/11/80 sundry



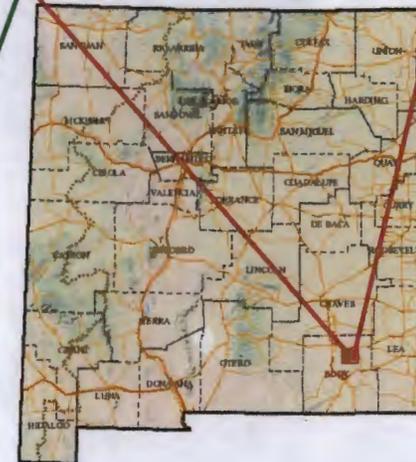
Drawn by: Ben Stone, 5/28/2013

State 'B 14' Well No.1 - Area of Review / Overview Map

(Attachment to NMOCD Form C-108 - Item V)



~10.0 miles Southwest of
Loco Hills, NM



Eddy County, New Mexico

Ray Westall Operating, Inc.

Form C-108 Item VI - Tabulation of AOR Wells

Depth to Top of Proposed
BONE SPRING Injection Interval 6760'

Wells which PENETRATE
Proposed Injection Zone.

API Well No.	Current Operator	Well Name	Well No.	Type	Lease	Status	UL	STR	Total Depth
<u>SECTION 14 WELLS</u>									
<u>Subject Well</u>									
30-015-23350	[9812] HEC PETROLEUM, INC	STATE B 14 COM	#001	Oil	State	Plugged, Site Released	P	14-18S-28E	11307'
13.375" (17.5" hole) @ 459' w/ 425 sx Circ; 8.625" (11.0" hole) @ 3084' w/ 1015 sx Circ 10 sx; 5.5" (7.875" hole) @ 10078' w/ 875 sx TOC 5874' by Calc.									
<u>Other AOR Wells</u>									
30-015-23618	[18862] RAY WESTALL OPERATING, INC	COWTOWN LOYD	#001	SWD	State	Active	I	14-18S-28E	9900'
13.375" (17.5" hole) @ 321' w/ 325 sx Circ; 8.625" (11.0" hole) @ 3102' w/ 1635 sx Circ 15 sx; 5.5" (7.875" hole) @ 9897' w/ 760 sx TOC 5447' by Calc.									
30-015-01868	[214263] PRE-ONGARD OPERATOR	STATE 647 AC 713	#123	Oil	State	Plugged, Site Released	J	14-18S-28E	2572'
DOES NOT PENETRATE									
30-015-01865	[214263] PRE-ONGARD OPERATOR	PRE-ONGARD WELL	#001	Oil	State	Plugged, Site Released	O	14-18S-28E	2558'
DOES NOT PENETRATE									
30-015-01864	[243874] QUANTUM RSRCs MGT, LLC	STATE 14 B	#015	Oil	State	Active	P	14-18S-28E	2665'
DOES NOT PENETRATE									
30-015-01863	[243874] QUANTUM RSRCs MGT, LLC	STATE 14 B	#014	Oil	State	Active	N	14-18S-28E	2598'
DOES NOT PENETRATE									
30-015-01869	[243874] QUANTUM RSRCs MGT, LLC	STATE 647 AC 713	#124	Oil	State	Active	I	14-18S-28E	3054'
DOES NOT PENETRATE									
30-015-24104	[214263] PRE-ONGARD OPERATOR	PRE-ONGARD WELL	#001	Oil	State	Plugged, Site Released	K	14-18S-28E	10921'
SEE PLUGGING SCHEMATIC									
<u>SECTION 13 WELLS</u>									
30-015-01844	[274841] ALAMO PERMIAN RSRCs, LLC	COWTOWN UNIT	#102	Oil	State	Active	L	13-18S-28E	2943'
DOES NOT PENETRATE									
30-015-01849	[274841] ALAMO PERMIAN RSRCs, LLC	COWTOWN UNIT	#201	Oil	State	Active	M	13-18S-28E	2904'
DOES NOT PENETRATE									
30-015-23859	[10179] HARVEY E YATES CO	TRAVIS DEEP OHIO COM	#001	Gas	State	Plugged, Site Released	M	13-18S-28E	11000'
SEE PLUGGING SCHEMATIC									
30-015-01837	[214263] PRE-ONGARD OPERATOR	PRE-ONGARD WELL	#001	Oil	State	Plugged, Site Released	M	13-18S-28E	2963'
DOES NOT PENETRATE									

Form C-108 Item VI - Tabulation of AOR Wells (cont.)

SECTION 24 WELLS

30-015-02037	[274841] ALAMO PERMIAN RSRCs, LLC	COWTOWN UNIT	#401	Oil	State	Active	D		2923'	<u>DOES NOT PENETRATE</u>
30-015-02032	[274841] ALAMO PERMIAN RSRCs, LLC	COWTOWN UNIT	#402	Oil	State	Active	E	23-18S-28E	2903'	<u>DOES NOT PENETRATE</u>
30-015-02021	[243874] QUANTUM RSRCs MGT, LLC	STATE 647 AC 711	#125	Oil	State	Active	A	23-18S-28E	2896'	<u>DOES NOT PENETRATE</u>

SECTION 23 WELLS

30-015-24686	[6137] DEVON ENERGY PROD. CO, LP	ARTESIA STATE COM	#001	Oil	State	Active	G	23-18S-28E	10930'	<u>DOES NOT PENETRATE</u>
<i>13.375" (17.5" hole) @ 330' w/ 350 sx Circ; 9.625" (11.0" hole) @ 2999' w/ 1500 sx Circ 200 sx; 5.5" (7.875" hole) @ 10930' w/ 800 sx TOC 6696' by Calc.</i>										
30-015-25129	[6137] DEVON ENERGY PROD. CO, LP	ARTESIA STATE COM	#002	Oil	State	Active	B	23-18S-28E	10900'	<u>DOES NOT PENETRATE</u>
<i>11.75" (14.75" hole) @ 318' w/ 300 sx Circ; 8.625" (11.0" hole) @ 3000' w/ 1200 sx Circ 200 sx; 5.5" (7.875" hole) @ 10900' w/ 1025 sx TOC 5475' by Calc.</i>										
30-015-02020	[243874] QUANTUM RSRCs MGT, LLC	STATE 14 C	#010	Oil	State	Active	C	23-18S-28E	2520'	<u>DOES NOT PENETRATE</u>
30-015-02019	[243874] QUANTUM RSRCs MGT, LLC	STATE 14 C	#011	Oil	State	Active	B	23-18S-28E	2535'	<u>DOES NOT PENETRATE</u>
30-015-02021	[243874] QUANTUM RSRCs MGT, LLC	STATE 647 AC 711	#125	Oil	State	Active	A	23-18S-28E	2896'	<u>DOES NOT PENETRATE</u>
30-015-02030	[243874] QUANTUM RSRCs MGT, LLC	STATE 647 AC 711	#129	Oil	State	Active	H	23-18S-28E	2872'	<u>DOES NOT PENETRATE</u>

5 wells in AOR
 1 zwb/Active
 2 Plugged
 2 Active Oil

C-108 ITEM VII – PROPOSED OPERATION

The State B-14 No.1 SWD will be operated as a commercial disposal service to area operators to facilitate in disposal of produced water from typical producing formations in the area. (Samples are included in this application from San Andres, Delaware and Morrow formation waters - chlorides and TDS are relative compatible with Wolfcamp and Canyon waters.)

The system will be closed utilizing a tank battery facility located on the well site.

Injection pressure will be 1352 psi with rates limited only by that pressure. In the future, Ray Westall Operating, Inc. may opt to conduct a step rate test if it is determined that greater rates may be required. This would be submitted to OCD as a request to increase the injection pressure.

Routine maintenance will be ongoing and any releases will be reported within 24 hours to OCD on form C-141 pursuant to various portions of 19.15.30 NMAC.

The facility will not be manned but will be available to Ray Westall's customers 24/7. The facility will be available for inspections at any time deemed necessary by OCD.

C-108 - Item VII.4

Water Analysis - Source Water - SAN ANDRES

B J Services Water Analysis

Artesia District Laboratory
(505)-746-3140

Date: 6-Nov-00 Test #: 51
 Company: SDX Resources Well #:
 Leaser: Chalk Federal #2 County: **Eddy**
 State: N.M. Formation: **San Andres**
 Depth: 2800 Source: 51

pH	8.51	Temp (F)	88.3
Specific Gravity	1.12		

CATIONS	mg/l	meq/l	ppm
Sodium (calc.)	64802	2370.7	48882
Calcium	3388	160.1	2884
Magnesium	1458	120.0	1382
Barium	< 25	—	—
Potassium	< 10	—	—
Iron	3	0.1	2

ANIONS	mg/l	meq/l	ppm
Chloride	83000	2823.4	83038
Sulfate	1071	22.3	957
Carbonate	< 1	—	—
Bicarbonate	878	14.4	784
Total Dissolved Solids (calc.)	184120		137807
Total Hardness as CaCO3	14014	280.0	12513

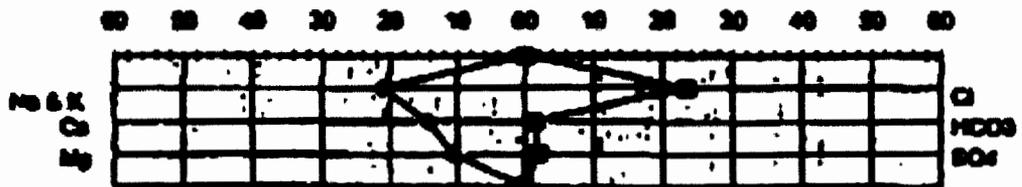
COMMENTS:

R_w = 0.0847 @ 51.1 deg.

SCALE ANALYSIS:

CaCO3 Factor 2817807 Calcium Carbonate Scale Probability → Probabl
 CaSO4 Factor 3848800 Calcium Sulfate Scale Probability → Probabl

SDS Plot



C-108 - Item VII.4

Water Analysis - Source Water - DELAWARE



Water Analysis

Date: 11-Jan-05

2708 West County Road, Hobbs NM 88240
 Phone (505) 392-5554 Fax (505) 392-7307

Analyzed For

Devon	Spud 16 State #1	Lea	New Mexico
-------	------------------	-----	------------

Sample Source	Sample	Sample #	1
Formation		Depth	
Specific Gravity	1.188	SG @ 60 °F	1.188
pH	8.98	Sulfides	Absent
Temperature (°F)	65	Reducing Agents	

Cations

Sodium (Calc)	in Mg/L	73,985	in PPM	61,880
Calcium	in Mg/L	34,800	in PPM	28,430
Magnesium	in Mg/L	5,040	in PPM	4,214
Soluble Iron (FE2)	in Mg/L	88.9	in PPM	42

Anions

Chlorides	in Mg/L	188,800	in PPM	157,191
Sulfates	in Mg/L	850	in PPM	480
Bicarbonates	in Mg/L	78	in PPM	65
Total Hardness (as CaCO3)	in Mg/L	189,680	in PPM	88,630
Total Dissolved Solids (Calc)	in Mg/L	381,783	in PPM	282,280
Equivalent NaCl Concentration	in Mg/L	284,733	in PPM	212,988

Scaling Tendencies

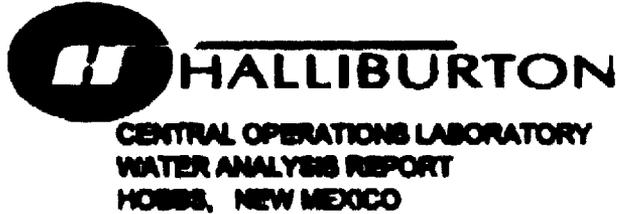
*Calcium Carbonate Index	2,854,720
Below 800,000 Remote / 800,000 - 1,000,000 Possible / Above 1,000,000 Probable	
*Calcium Sulfate (Gyp) Index	18,708,000
Below 800,000 Remote / 800,000 - 10,000,000 Possible / Above 10,000,000 Probable	

*This Calculation is only an approximation and is only valid before treatment of a well or several weeks after treatment.

Remarks rw=040@631

C-108 - Item VII.4

Water Analysis - Source Water - MORROW



COMPANY Morco

REPORT DATE DISTRICT WD2-128
June 18, 2002
Hobbs

SUBMITTED BY Jim Trelo

WELL Ruger St. #1 DEPTH _____ FORMATION SOURCE _____
COUNTY _____ FIELD _____

SAMPLE Morrow Prod. Water

Sample Temp.	<u>84</u>	°F				
RESISTIVITY	<u>0.13</u>					
SPECIFIC GR.	<u>1.000</u>					
pH	<u>6.75</u>					
CALCIUM	<u>4.500</u>	mg/L				
MAGNESIUM	<u>0.500</u>	mg/L				
CHLORIDE	<u>54.000</u>	mg/L				
SULFATES	<u>0.000</u>	mg/L				
BICARBONATES	<u>10</u>	mg/L				
SOLUBLE IRON	<u>0</u>	mg/L				
Sodium		mg/L	<u>0</u>	mg/L	<u>0</u>	mg/L
TDS		mg/L	<u>0</u>	mg/L	<u>0</u>	mg/L
OIL GRAVITY	<u>0</u>		<u>0</u>		<u>0</u>	

REMARKS _____

MPL = Milligrams per Liter
Resistivity measured in: Ohm-cm

This report is the property of Halliburton Company and neither it nor any part thereof nor a copy thereof is to be published or disclosed without first securing the express written approval of laboratory management; it may however, be used in the course of regular business operations by any person or persons and employees thereof receiving such report from Halliburton Co.

ANALYST: Mike Amberg

C-108 - Item VII.5

Water Analysis - Disposal Zone



Water Analysis

Date: 2/24/2005

2401 Sireley, Artesia NM 88210
 Phone (505) 746-3100 Fax (505) 746-2293

Analyzed For

Westall	State GM1	Eddy	New Mexico
---------	-----------	------	------------

Sample Source	Formation	Canyon	Sample #	Depth
			1	
Specific Gravity		1.858	SG @ 60 °F	1.061
pH		6.30	Sulfides	Not Tested
Temperature (°F)		65	Reducing Agents	Not Tested

Cations

	in Mg/L		in PPM	
Sodium (Calc)	9,518		9,036	
Calcium	5,800		5,326	
Magnesium	348		228	
Soluble Iron (FE2)	308.0		285	

Anions

	in Mg/L		in PPM	
Chlorides	24,800		22,835	
Sulfates	2,000		1,803	
Bicarbonates	185		178	
Total Hardness (as CaCO3)	18,000		14,272	
Total Dissolved Solids (Calc)	41,844		38,813	
Equivalent NaCl Concentration	38,410		36,546	

Scaling Tendencies

*Calcium Carbonate Index	1,838,864
Below 500,000 Remote / 500,000 - 1,000,000 Possible / Above 1,000,000 Probable	
*Calcium Sulfate (Gyp) Index	11,200,000
Below 500,000 Remote / 500,000 - 10,000,000 Possible / Above 10,000,000 Probable	

*This Calculation is only an approximation and is only valid before treatment of a well or several wells after treatment.

Remarks FAX 877-2261

C-108 - Item VIII

Geological Data

The Bone Spring Formation is the slope to basin equivalent of the Abo-Yeso shelf sediments of the Northern Delaware Basin. These were deposited as allochthonous debris sediments along the shelf and basin slope by slumping, debris flows, surge channel deposits, and turbidity currents. Geologists have divided this formation into three separate carbonate units, 1st, 2nd, and 3rd Bone Spring carbonates. The units are separated by clastic and detrital carbonate material and in certain areas where these detrital zones have been dolomitized excellent secondary porosity can be expected.

The Wolfcamp is a light gray-brown fine to medium crystalline fossiliferous limestone with inter-crystalline vugular porosity interbedded with gray shale. Additional porosity can be found when the well bore encounters detrital carbonates which were shed off shelf and foreslope areas and transported down the Wolfcamp paleoslope. This may explain the best porosity in the proposed injection interval located from 8290' to 8295'.

The Cisco Formation (Upper Penn) similar to the Wolfcamp is a gray micritic (fine grained) fossiliferous limestone with vugular porosity. The reservoirs in this area are usually limited in size with up dip porosity loss due to shelf margin carbonate build up.

In conclusion, the proposed injection intervals for this disposal well may have limited capacity in the Wolfcamp and Cisco Formations due to the nature of the reservoir. This is substantiated by the cumulative production history of these formations with the Wolfcamp making 29 barrels of oil and 714 Mcf, and the Cisco making 8471 barrels of oil with 496 MMcfg. The Bone Spring Formation has a relatively low porosity but there is several thousand feet of formation that can be exploited for this purpose.

Roy E. Johnson
Consulting Geologist

C-108 - Item XI

Water Wells Within One Mile

There are no domestic waters wells located within one mile of the proposed SWD.



New Mexico Office of the State Engineer Active & Inactive Points of Diversion (with Ownership Information)

No PODs found.

PLSS Search:

Section(s): 14 Township: 18S Range: 28E

No PODs found.

PLSS Search:

Section(s): 13 Township: 18S Range: 28E

No PODs found.

PLSS Search:

Section(s): 24 Township: 18S Range: 28E

No PODs found.

PLSS Search:

Section(s): 23 Township: 18S Range: 28E

The data is furnished by the NMOSE/ISC and is accepted by the recipient with the expressed understanding that the OSE/ISC make no warranties, expressed or implied, concerning the accuracy, completeness, reliability, usability, or suitability for any particular purpose of the data.

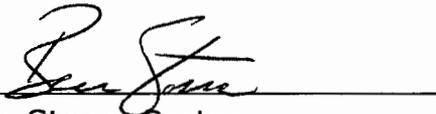
9/14/12 11:53 AM

Page 1 of 1

ACTIVE & INACTIVE POINTS OF DIVERSION

C-108 ITEM XII – GEOLOGIC AFFIRMATION

We have examined available geologic and engineering data and have found no evidence of open faults or other hydrologic connection between the disposal interval and any underground sources of drinking water.

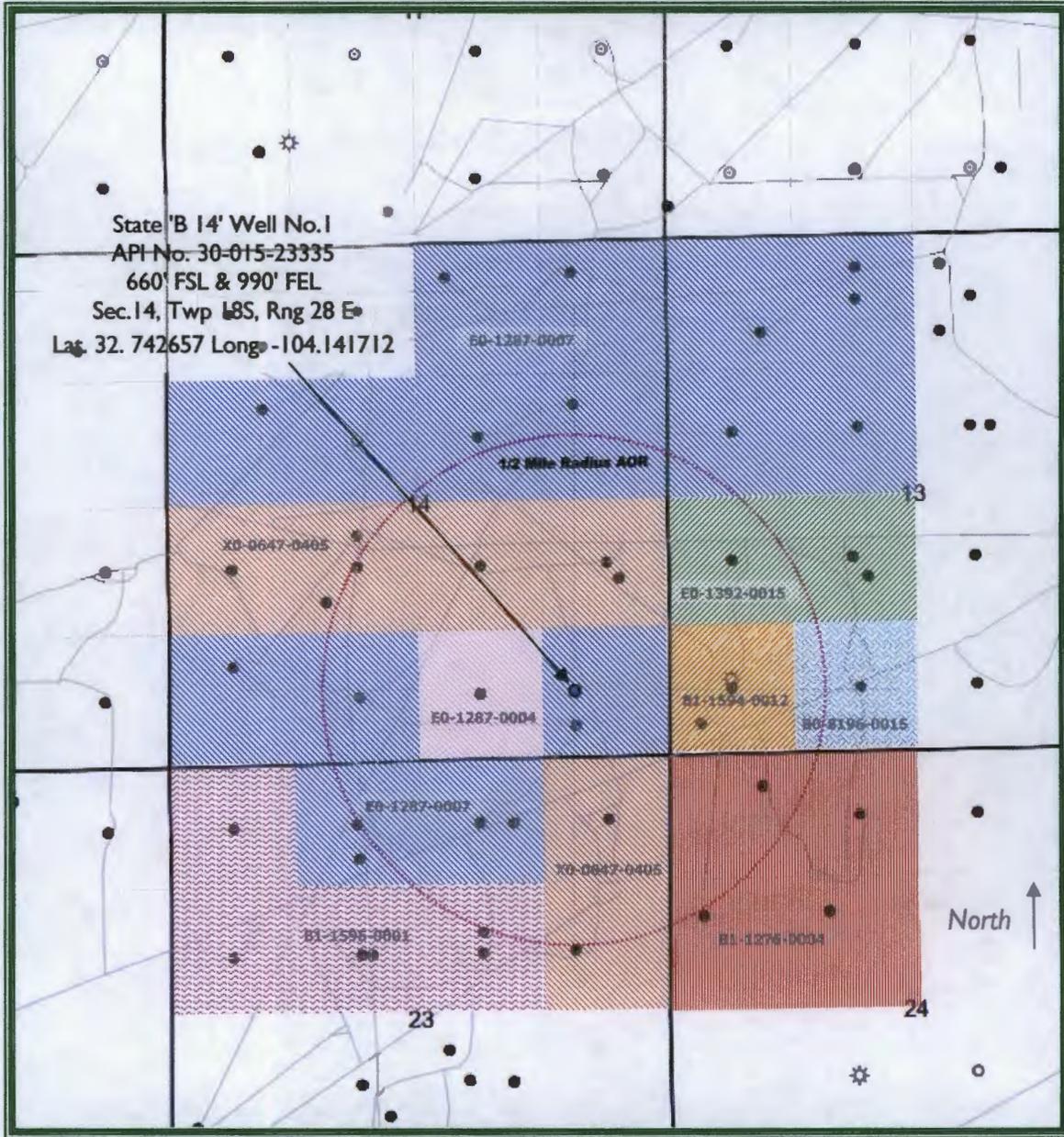
A handwritten signature in black ink, appearing to read "Ben Stone", is written over a horizontal line.

Ben Stone, Partner
SOS Consulting, LLC

Project: Ray Westall Operating, Inc.
State 14 B No.1
Reviewed 5/28/2013

State '14 B' Well No.1 - Leasehold Plat

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



Ray Westall Operating, Inc.

LEGEND

-  E0-1287-0007 - EOG Resources AND Read & Stevens
-  E0-1392-0015 - CBS Partners, LTD
-  B0-8196-0015 - CBS Partners, LTD
-  E0-1287-0004 - Della Sheldon / Pure Resources, LP
-  B1-1594-0012 - Fair Oil, LTD. AND Eako, LLC
-  B1-1276-0004 - Chevron Midcontinent, LP
-  X0-0647-0405 - Khody Land & Minerals Company
-  B1-1595-0001 - SDX Resources, Inc.

>>> Research performed by C&G Records Research <<<

**C-108 ITEM XIII – PROOF OF NOTIFICATION
INTERESTED PARTIES LIST**

SURFACE OWNER

STATE OF NEW MEXICO (FedEx'ed copy)
Oil, Gas and Minerals Division
310 Old Santa Fe Trail
Santa Fe, NM 87504

OFFSET MINERALS LESSEES and OPERATORS (All Notified via USPS Certified Mail)

State Lease E0-1287-0007

Lessee

- 1 EOG RESOURCES AND READ & STEVENS
ATTN: Land Admin.
P. O. Box 4362
Houston, TX 77210-4362

Operator

- 2 QUANTUM RESOURCES MANAGEMENT, LLC
1401 McKinney St., Suite 2400
Houston, TX 77010

- 3 DEVON ENERGY PRODUCTION CO., LP
333 W. Sheridan Avenue
Oklahoma City, OK 73102-5010

State Lease E0-1392-0015

Lessee

- 4 CBS PARTNERS, LTD
P. O. Box 2236
Midland, TX 79702-2236

Operator

- 5 ALAMO PERMIAN RESOURCES, LLC
415 W. Wall Street, Suite 500
Midland, TX 79701

State Lease B0-8196-0015

Lessee

CBS PARTNERS, LTD
P. O. Box 2236
Midland, TX 79702-2236

**C-108 ITEM XIII – PROOF OF NOTIFICATION
INTERESTED PARTIES LIST (cont.)**

State Lease E0-1287-0004

Lessee

6 DELLA SHELDON / PURE RESOURCES, LP
PO Box 1188
Houston, TX 77251

Operator

QUANTUM RESOURCES MANAGEMENT, LLC
1401 McKinney St., Suite 2400
Houston, TX 77010

State Lease B1-1594-0012

Lessee

7 FAIR OIL, LTD. AND EAKO, LLC
P. O. Box 689
Tyler, TX 75710

State Lease B1-1276-0004

Lessee

8 CHEVRON MIDCONTINENT, LP
PO Box 1635
Houston, TX 77251

Operator

ALAMO PERMIAN RESOURCES, LLC
415 W. Wall Street, Suite 500
Midland, TX 79701

State Lease X0-0647-0405

Lessee

9 KHODY LAND & MINERAL COMPANY
3817 NW Expressway, Suite 950
Oklahoma City, OK 73112

Operator

QUANTUM RESOURCES MANAGEMENT, LLC
1401 McKinney St., Suite 2400
Houston, TX 77010

RAY WESTALL OPERATING, INC. (Applicant)
P.O. Box 4
Loco Hills, NM 88255

**C-108 ITEM XIII – PROOF OF NOTIFICATION
INTERESTED PARTIES LIST (cont.)**

State Lease X0-0647-0405

Lessee

10 SDX RESOURCES, INC.
507 N. Marienfeld St., Ste. 100
Midland, TX 79701

Operator

DEVON ENERGY PRODUCTION CO., LP
333 W. Sheridan Avenue
Oklahoma City, OK 73102-5010

REGULATORY

NEW MEXICO OIL CONSERVATION DIVISION (FedEx'ed original and copy)
1220 S. St. Francis Dr.
Santa Fe, NM 87505

NEW MEXICO OIL CONSERVATION DIVISION (FedEx'ed copy)
811 S. First St.
Artesia, NM 88210

NEW MEXICO STATE LAND OFFICE (FedEx'ed copy)
Commissioner of Public Lands
310 Old Santa Fe Trail
Santa Fe, NM



May 17, 2013

NOTIFICATION TO INTERESTED PARTIES
via U.S. Certified Mail

To Whom It May Concern:

Ray Westall Operating, Inc., Loco Hills, New Mexico, has made application to the New Mexico Oil Conservation Division to convert for salt water disposal its State '14 B' Well No.1. The proposed commercial operation will be for produced water disposal from area operators. As indicated in the notice below, the well is located in Section 14, Township 18 South, Range 28 East in Eddy County, New Mexico.

The published notice states that the bottom of the interval will be no deeper than 9800 feet. As of the writing of this letter, the lowermost perforation selected will be at 9120 feet.

Following is the notice published in the Artesia Daily Press, Artesia, New Mexico on May 17, 2013.

LEGAL NOTICE

Ray Westall, Inc., P.O. Box 4, Loco Hills, NM 88255 is filing Form C-108 (Application for Authority to Inject) with the New Mexico Oil Conservation Division for administrative approval to permit for salt water disposal in its State B 14 Well No.1. The well, API No.30-015-23350 is located 660 FSL & 990 FEL in Section 14, Township 18 South, Range 28 East in Eddy County, New Mexico. Produced water from area production will be commercially disposed into the Bone Spring, Wolfcamp and Cisco Canyon formations through perforations between a maximum applied for top of 6760 feet to maximum depth of 9800 feet. Specific perforated intervals will be determined later. (Further consideration may result in a shallower maximum depth of 9120 feet.) Maximum injection pressure of 1352 psi and a maximum rate limited only by such pressure.

Interested parties wishing to object to the proposed application must file with the New Mexico Oil Conservation Division, 1220 St. Francis Dr., Santa Fe, NM 87505, (505)476-3460 within 15 days of the date of this notice. Additional information may be obtained from the applicant's agent, SOS Consulting, LLC, (903)488-9850 or, email info@sosconsulting.us.

You have been identified as a party who may be interested as an offset lessee or operator.

You are entitled to a full copy of the application. If so desired, please call or email SOS Consulting, LLC at 903-488-9850, info@sosconsulting.us, and a copy will be expedited to you. If a copy has already been sent to you or your company, we will advise you of that and the address to which it was sent.

Thank you for your attention in this matter.

Best regards,

A handwritten signature in black ink, appearing to read "Ben Stone". The signature is fluid and cursive, with the first name "Ben" and last name "Stone" clearly distinguishable.

Ben Stone, SOS Consulting, LLC
Agent for Ray Westall Operating, Inc.

Cc: Application File

C-108 - Item XIV

Proof of Notice (Certified Mail Receipts)

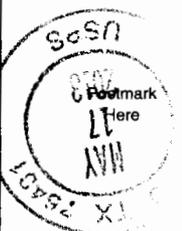
7011 0110 0000 9155 2700
7011 0110 0000 9155 26
7011 0110 0000 9155 26
7011 0110 0000 9155 2
7011 0110 0000 9155 2

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City, State
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ATTN: Land Admin.
P.O. Box 4362
Houston, TX 77210-4362

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Total Postage & Fees	\$	

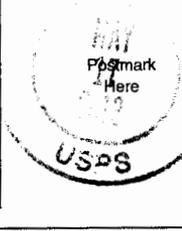


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333 W. Sheridan Avenue
Oklahoma City, OK 73102-5010

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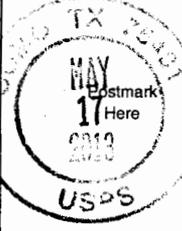
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ALAMO PERMIAN RESOURCES, LLC
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Midland, TX 79701

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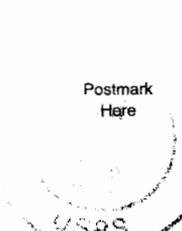


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1401 McKinney St., Suite 2400
Houston, TX 77010

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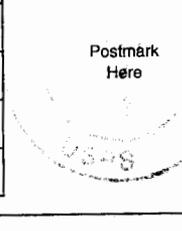


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CBS PARTNERS, LTD
P.O. Box 2236
Midland, TX 79702-2236

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City, State
DELLA SHELDON / PURE RESOURCES, LP
P.O. Box 1188
Houston, TX 77251

C-108 - Item XIV

Proof of Notice (Certified Mail Receipts - cont.)

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 P.O. Box 689
 Tyler, TX 75710

PS Form 3800

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CHEVRON MIDCONTINENT, LP
 P.O. Box 1635
 Houston, TX 77251

PS Form 3800

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KHODY LAND & MINERAL COMPANY
 3817 NW Expressway, Suite 950
 Oklahoma City, OK 73112

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Restricted Delivery Fee (Endorsement Required)		
Total Postage & Fees	\$ 6.11	

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 Street, Apt. No. or PO Box No.
 City, State, ZIP

SDX RESOURCES, INC.
 507 N. Marienfeld St., Suite 100
 Midland, TX 79701

PS Form 3800



C-108 Review Checklist: Received 06/05/13 Request: Non compliance Note - e-mail Reply Date: _____ Suspended: _____ [Ver 8]

Issued Permit: WFX / PMX (SWD) Number: 1445 Permit Date: 10/07/13 Legacy Permits/Orders: DHC

Well No. 1 Well Name(s): State B-14 Com.

API: 30-0 15-23350 Spud Date: 06/27/1980 New or (Old) (UIC Class II Primacy 03/07/1982)

Footages 660 FSL / 990 FEL Lot - Unit P Sec 14 Tsp 18S Rge 28E County Eddy

General Location: 15 mi SE of Artesia / South of Artesia Oil Field Pool: In East Illinois Bone Spring Pool - 96632
Morrow Empire, South of Morrow Empire, Pool No. 119305

Operator: Ray Westall Operating, Inc. OGRID: 119305 Contact: Ben Stone / consulting

Prior non-compliance - suspend appl. 07/05/13
 COMPLIANCE RULE 5.9: Inactive Wells: 1 Total Wells: 6 Fincl Assur: Yes Compl. Order? No IS 5.9 OK? Yes

Well File Reviewed Current Status: P&A (11/13/2002) - perfed for Upper Perm / straw / Morrow - pulled 5 1/2 in (0 to 3122')

Well Diagrams: Proposed New Before Conversion After Conversion Are Elogs in Imaging?: Yes

Planned Rehab Work to Well: Replace 5 1/2 in casing from 0 to 3122; place CIBP at (9850) (possibly 9200) - test deep existing or move BP to shallower interval

Well Construction Details:	Sizes (in) Borehole / Pipe	Setting Depths (ft)	Cement Sxpr Cf	Cement Top and Determination Method
Planned ___ or Existing <input checked="" type="checkbox"/> Cond	—	—	—	—
Planned ___ or Existing <input checked="" type="checkbox"/> Surface	17 1/2 / 13 3/8	0 to 459	425	Cir. to surface
Planned ___ or Existing <input checked="" type="checkbox"/> Interm/Prod	11 / 8 5/8	0 to 3084	1015	Cir. to surface
Planned <input checked="" type="checkbox"/> or Existing <input checked="" type="checkbox"/> Long St/Prod	7 7/8 / 5 1/2	3122 to	875	6610 / CBL
Planned ___ or Existing <input type="checkbox"/> Liner	—	—	—	—
Planned <input checked="" type="checkbox"/> or Existing <input checked="" type="checkbox"/> OH / PERF	Evaluate two sets	Proposed 6766-9800 Approved 8290-9800	Inj Length <u>3040</u>	Completion/Operation Details: Reduced to 1510 Drilled TD <u>11037</u> PBDT <u>10950</u> New TD <u>1108</u> New PBDT <u>10950</u>
Injection Stratigraphic Units:	Depths (ft)	Units	Tops?	
Adjacent Unit: Litho. Struc. Por.	—	Brushy Canyon	Sh. Andhra	
Confining Unit: Litho. Struc. Por.	~50	Bone Spring	~90220	Open Hole <input type="checkbox"/> or Perfs <input checked="" type="checkbox"/>
Proposed Inj Interval TOP:	8290	Bone Spring Wolfcamp	8232	Tubing Size _____ Inter Coated? <u>Yes</u>
Proposed Inj Interval BOTTOM:	9800	straw	1642	Proposed Packer Depth <u>6660 ft</u> ✓
Confining Unit: Litho. Struc. Por.	+1000	Atoka	10812	Min. Packer Depth <u>8190</u> (100-ft limit)
Adjacent Unit: Litho. Struc. Por.	—	—	—	Proposed Max. Surface Press <u>1352</u> ✓
AOR: Hydrologic and Geologic Information				Admin Inj. Press <u>1658</u> (0.2 psi per ft)

POTASH: R-111-P Noticed? NA BLM Sec Ord WIPP Noticed? NA SALADO: T: 644 B: 885 CLIFF HOUSE NA

Fresh Water: FW Formation Gal/Alluvial Max Depth 1250 Wells? 0 Analysis? No Hydrologic Affirm Statement Yes

Disposal Fluid: Formation Source(s) of lease / com - SA / Delaware Analysis? Yes On Lease Operator Only or Commercial

Disposal Interval: Injection Rate (Avg/Max BWPD): 7500 / 7500 Protectable Waters: No CAPITAN REEF: thru No adjacent No

H/C Potential: Producing Interval? Yes Formerly Producing? Yes Method: E Log / Mudlog / DST / Depleted / Other Not BS

AOR Wells: 1/2-M Radius Map? Yes Well List? Yes Total No. Wells Penetrating Interval: 5 Horizontals? 0

Penetrating Wells: No. Active Wells 3 Num Repairs? 0 on which well(s)? _____ Diagrams? Yes

Penetrating Wells: No. P&A Wells 2 Num Repairs? 0 on which well(s)? _____ Diagrams? Yes

NOTICE: Newspaper Date May 17th Mineral Owner SLO Surface Owner SLO N. Date 05/17/2013

RULE 26.7(A): Identified Tracts? Yes Affected Persons: Devon / EOG / CBS partners / Pure / Khady / Chevron / ... Date May 17th

Permit Conditions: Issues: Bone Spring in Sec 13 still producing; cmr of new 5 1/2 in casing

Add Permit Cond: No perfs in Bone Spring - reduce interval to Wolfcamp; CBL for new 5 1/2 inch casing - source part

Inactive Well Additional Financial Assurance Report

119305 RAY WESTALL OPERATING, INC.

Total Well Count: 6

Printed On: Tuesday, July 09 2013

Property	Well Name	Lease Type	ULSTR	OCD Unit Letter	API	Well Type	Last Prod/Inj	Inactive Additional Bond Due	Measured Depth	Required Bond Amount	Bond Required Now	Bond In Place	In Violation
311815	BERETTA 26 STATE COM #001	S	B-26-18S-28E	B	30-015-33628	S	01/2013	02/01/2015	11020	16020		16020	
311816	COWTOWN LOYD #001	S	I-14-18S-28E	I	30-015-23618	S	06/2007	07/01/2009	9900	14900	Y	14900	
39808	EMPIRE A FEDERAL #002	F	H-27-18S-29E	H	30-015-29618	S	03/2009		11404			0	
39972	STATE B 14 SWD #001	S	P-14-18S-28E	P	30-015-23350	S	03/2002	04/01/2004	11307	16307	Y	0	Y
311818	STATE CG #001	S	J-7-18S-28E	J	30-015-25361	S	04/2013	05/01/2015	10380	15380		0	
311819	WBP FEDERAL #001	F	M-8-19S-32E	M	30-025-35296	O	04/2013		12710			0	

WHERE Ogrid:119305

Inactive 6



RLI Insurance Company

8 Greenway Plaza | Suite 400 | Houston, TX 77046-0899
P: 713-961-1300 | F: 713-961-0285 | www.rlicorp.com

July 12, 2013

To: Ray Westall Operating, Inc.
Attn: Rene Mathews
P.O. Box 4
Loco Hills, NM 88255

RE: New Mexico One Well Plugging Bond RLB0015230

Dear Ms. Mathews:

Enclosed please find the original documents for the above referenced bond.

Please have an authorized officer of the company sign, sealed (if applicable), and then proceed with filing the original document and Power of Attorney with the obligee.

Should you have any questions or concerns, please feel free to call.

Sincerely,

Katie Tran
Associate Underwriter

Enclosures: Bond

STATE OF NEW MEXICO
ONE WELL PLUGGING BOND

For CHAVES, EDDY, LEA, MCKINLEY, RIO ARRIBA, ROOSEVELT,
SANDOVAL AND SAN JUAN COUNTIES ONLY

BOND NO. RLB0015230
WELL DEPTH 11.307'
AMOUNT OF BOND \$16,307.00
COUNTY Eddy

Note: Bond Amount is \$5,000 plus \$1 per foot of projected depth of
proposed well or measured depth of existing well.

*Under certain conditions, the appropriate district office of the Division may authorize a well to be drilled as
much as 500 feet deeper than the depth provided in the applicable financial assurance. (See Rule 8.9.D.3)

File with the Oil Conservation Division, 1220 South St. Francis Drive, Santa Fe, NM 87505

KNOW ALL MEN BY THESE PRESENTS:

That Ray Westall Operating, Inc., (an individual - if dba must read - Example: John Doe dba ABC
Services) (a general partnership) (a corporation), (limited liability company) (limited partnership) organized in the State
of New Mexico, and authorized to do business in the State of New Mexico), as PRINCIPAL,
and RLI Insurance Company, a corporation organized and existing under the laws of the State of
Illinois and authorized to do business in the State of New Mexico, as SURETY, are firmly bound unto the
State of New Mexico, for the use and benefit of the Oil Conservation Division of the Energy, Minerals and Natural
Resources Department (or successor agency) (the DIVISION), pursuant to NMSA 1978, Section 70-2-14, as amended, in
the sum of \$16,307.00-----, for the payment of which the PRINCIPAL and SURETY hereby bind themselves,
their successors and assigns, jointly and severally, firmly by these presents.

The conditions of this obligation are such that:

WHEREAS, the PRINCIPAL has commenced or may commence the drilling of one well to a depth not to exceed
11.307 feet, to prospect for and/or produce oil or gas, carbon dioxide gas, helium gas or brine minerals, or as
an injection or other service well related to such exploration or production, or does own or operate, or may acquire, own
or operate such well, the identification and location of said well being:

STATE B 14 SWD No. #001 API No. 30-015-23350, located 660 feet from the
(Name of Well)
South (North/South) line and 990 feet from the East (East/West) line
of Section 14 Township 18S (North) (South), Range 28E (East) (West),
NMPM, Eddy County, New Mexico.

NOW, THEREFORE, if the PRINCIPAL and SURETY or either of them, or their successors or assigns or any of
them, shall cause said well be properly plugged and abandoned when dry or when no longer productive or useful for other
beneficial purpose, in accordance with the rules and orders of the DIVISION, including but not limited to Rules 8.9
[19.15.8.9 NMAC] and 25.10 [19.15.25.10 NMAC], as such rules now exist or may hereafter be amended;

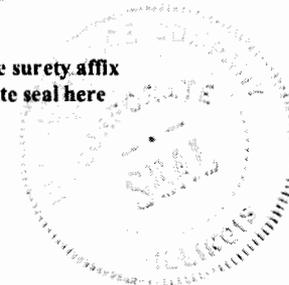
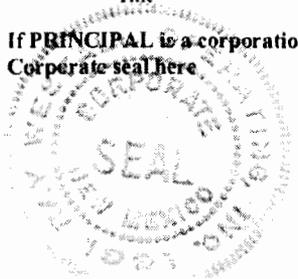
THEN AND IN THAT EVENT, this obligation shall be null and void; otherwise and in default of complete
compliance with any and all of said obligations, the same shall remain in full force and effect.

Ray Westall Operating, Inc.
PRINCIPAL
P. O. Box 4 Logo Hills NM 88255
Address
By [Signature]
Signature
President
Title

RLI Insurance Company
SURETY
8 Greenway Plaza, #400, Houston, TX 77046
Address
[Signature]
Jason T. Kilpatrick Attorney-in-Fact

If PRINCIPAL is a corporation, affix
Corporate seal here

Corporate surety affix
Corporate seal here





RLI Surety
A division of RLI Insurance Company

RLB0015230

POWER OF ATTORNEY

RLI Insurance Company

Know All Men by These Presents:

That the RLI INSURANCE COMPANY, a corporation organized and existing under the laws of the State of Illinois, and authorized and licensed to do business in all states and the District of Columbia does hereby make, constitute and appoint: JASON T. KILPATRICK in the City of HOUSTON, State of TEXAS, as Attorney-in-Fact, with full power and authority hereby conferred upon him to sign, execute, acknowledge and deliver for and on its behalf as Surety and as its act and deed, all of the following classes of documents to-wit:

\$16,307.00

Indemnity, Surety and Undertakings that may be desired by contract, or may be given in any action or proceeding in any court of law or equity; policies indemnifying employers against loss or damage caused by the misconduct of their employees; official, bail and surety and fidelity bonds. Indemnity in all cases where indemnity may be lawfully given; and with full power and authority to execute consents and waivers to modify or change or extend any bond or document executed for this Company, and to compromise and settle any and all claims or demands made or existing against said Company.

The RLI INSURANCE COMPANY further certifies that the following is a true and exact copy of a Resolution adopted by the Board of Directors of RLI Insurance Company, and now in force to-wit:

"All bonds, policies, undertakings, Powers of Attorney, or other obligations of the corporation shall be executed in the corporate name of the Company by the President, Secretary, any Assistant Secretary, Treasurer, or any Vice President, or by such other officers as the Board of Directors may authorize. The President, any Vice President, Secretary, any Assistant Secretary, or the Treasurer may appoint Attorneys-in-Fact or Agents who shall have authority to issue bonds, policies, or undertakings in the name of the Company. The corporate seal is not necessary for the validity of any bonds, policies, undertakings, Powers-of-Attorney, or other obligations of the corporation. The signature of any such officer and the corporate seal may be printed by facsimile."

IN WITNESS WHEREOF, the RLI Insurance Company has caused these presents to be executed by its PRESIDENT with its corporate seal affixed this

ATTEST:

Jean M. Stephenson
CORPORATE SECRETARY



RLI INSURANCE COMPANY

Michael J. Stone
PRESIDENT

State of Illinois)
County of Peoria) SS

On this 12 day of July 2013 before me, a Notary Public, personally appeared Michael J. Stone and Jean M. Stephenson, who being by me duly sworn, acknowledged that they signed the above Power of Attorney as President and Corporate Secretary, respectively, of the said RLI INSURANCE COMPANY, and acknowledged said instrument to be the voluntary act and deed of said corporation.

Jacqueline M. Bockler
Notary Public



Goetze, Phillip, EMNRD

From: Ben Stone <ben@sosconsulting.us>
Sent: Tuesday, October 01, 2013 8:37 AM
To: Goetze, Phillip, EMNRD
Subject: FW: Review of the State B-14 Com. SWD C-108 Application

Phillip,

Below is the 9/09/13 reply to your inquiry about dropping the Bone Spring from the State B 14 SWD application.

Is there anything else we need to do? Maybe this would help clear your desk a little!!

Thanks,

Ben



CONFIDENTIALITY NOTICE: This message is confidential and may be privileged. If you believe that this email has been sent to you in error, please reply to the sender that you received the message in error; then please delete this e-mail. Thank you.

From: Ben Stone [<mailto:ben@sosconsulting.us>]
Sent: Monday, September 09, 2013 9:55 AM
To: 'Goetze, Phillip, EMNRD'
Subject: RE: Review of the State B-14 Com. SWD C-108 Application

Phillip,

I visited w/ Westall about the situation. They would like for the application to move forward and the State B-14 SWD be permitted **without** the Bone Spring interval.

They believe there is adequate porosity remaining in the deeper intervals for a good SWD completion.

Please let me know if you need anything else.

Thanks,

Ben



CONFIDENTIALITY NOTICE: This message is confidential and may be privileged. If you believe that this email has been sent to you in error, please reply to the sender that you received the message in error; then please delete this e-mail. Thank you.

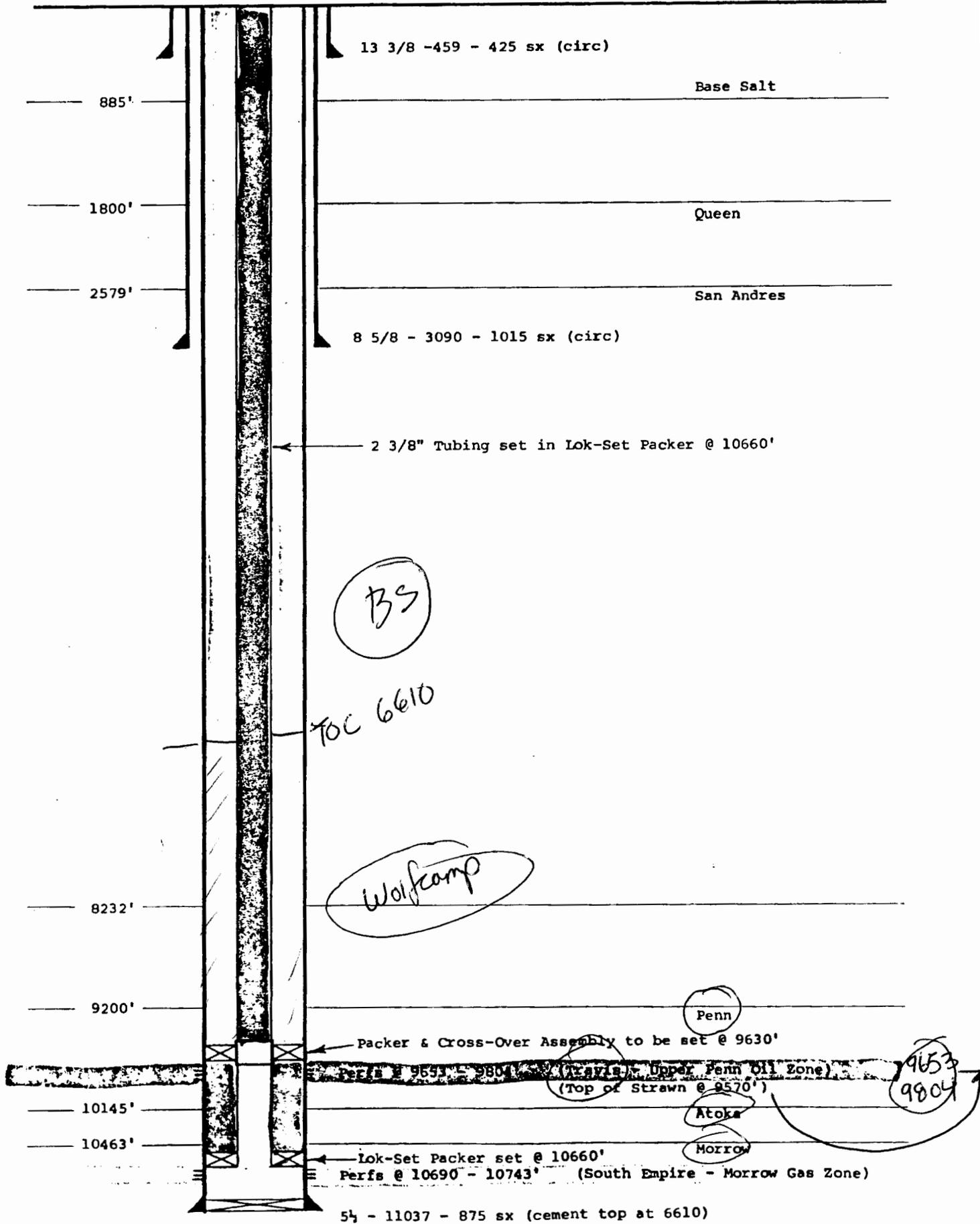
From: Goetze, Phillip, EMNRD [<mailto:Phillip.Goetze@state.nm.us>]
Sent: Thursday, September 05, 2013 5:44 PM
To: Ben Stone (ben@sosconsulting.us)
Cc: Ezeanyim, Richard, EMNRD; Shapard, Craig, EMNRD
Subject: Review of the State B-14 Com. SWD C-108 Application

Ben:

I've completed the review of Westall's application for conversion of the State B-14 Com. #1 (30-015-23350) to a commercial SWD well. At this point, I cannot approve the proposed Bone Spring injection interval (6760' to 7050' and 7890' to 7920') based upon the available information in the C-108. The existence of current production from the East Illinois BS pool would require some demonstration that correlative rights/hydrocarbon potential of this interval would not be impacted by injection of produced water. The remaining proposed interval from Wolfcamp to Strawn shows depleted hydrocarbons with a low potential for gas and would be approved. Please talk with your client and see what they would like to do. Thanks. PRG

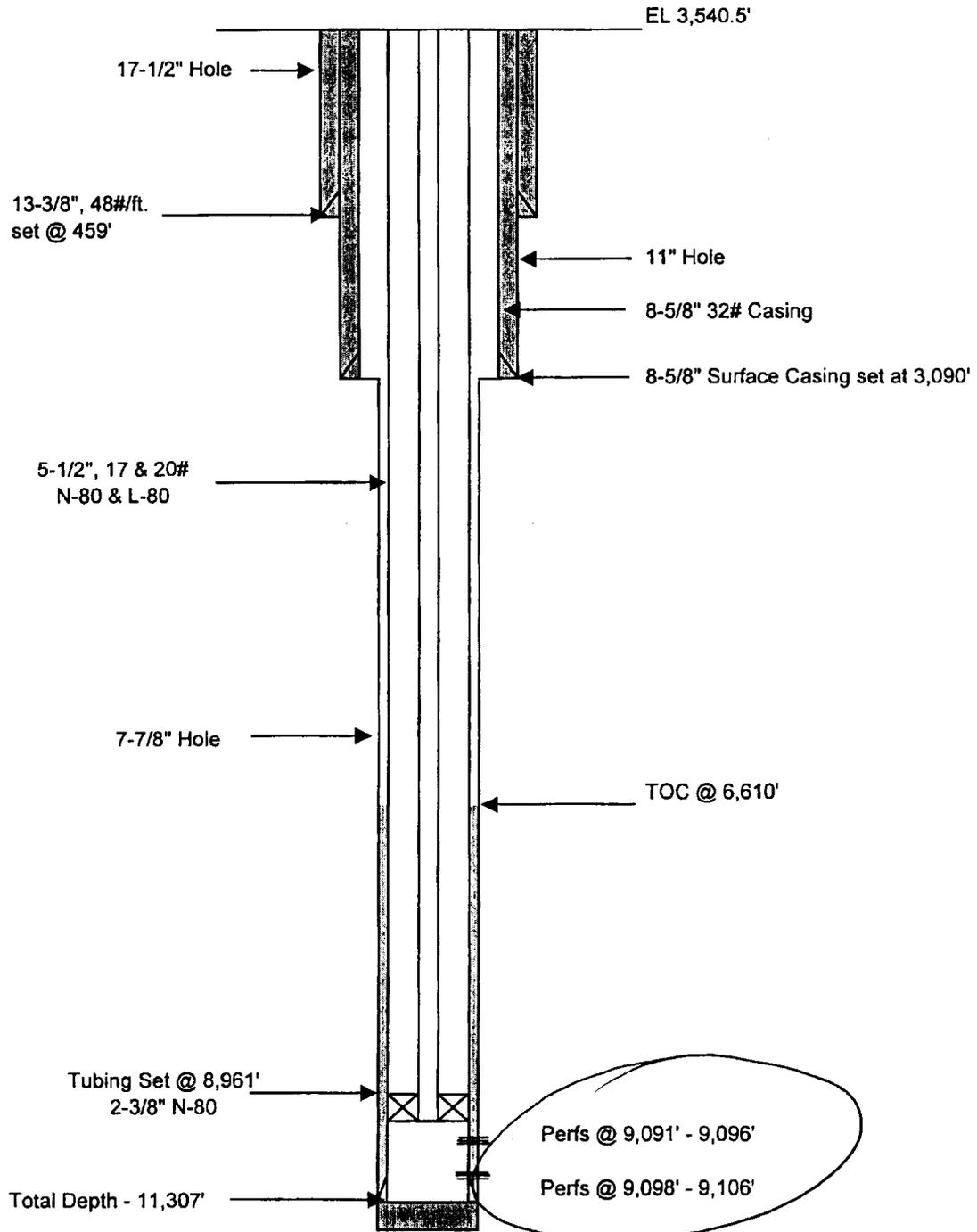
Phillip R. Goetze, P.G.
Engineering Bureau, Oil Conservation Division
1220 South St. Francis Dr., Santa Fe, NM 87505
O: 505.476.3466 F: 505.476.3462

DIAGRAMATIC SKETCH
 HOLLY ENERGY, INC.
 #1 STATE "B" 14 COM
 660' FSL & 990' FEL SEC. 14-18S-28E



HALLWOOD PETROLEUM, INC.
STATE "B" 14 COM #1
EDDY COUNTY, NEW MEXICO

Wellbore Schematic



Submit 3 Copies To Appropriate District Office
 District I
 1625 N. French Dr., Hobbs, NM 87240
 District II
 811 South First, Artesia, NM 87210
 District III
 1000 Rio Brazos Rd., Aztec, NM 87410
 District IV
 2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
 Energy, Minerals and Natural Resources
 OIL CONSERVATION DIVISION
 2040 South Pacheco
 Santa Fe, NM 87505

Form C-103 *asi*
 Revised March 25, 1999

WELL API NO.	30-015-23350
5. Indicate Type of Lease	STATE <input checked="" type="checkbox"/> FEE <input type="checkbox"/>
6. State Oil & Gas Lease No.	B11594-6
7. Lease Name or Unti Agreement Name	State B 14 Comm
8. Well No.	1
9. Pool name or Wildcat	Loco Hills (Wolfcamp)
10. Elevation (Show whether DR, RKB, RT, GR, etc.)	3,539.5' GR

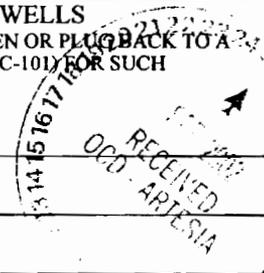
SUNDRY NOTICES AND REPORTS ON WELLS
 (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)

1. Type of Well:
 Oil Well Gas Well Other

2. Name of Operator H.E.C. Petroleum, Inc.

3. Address of Operator 500 W. Illinois
 Midland, Texas 79701

4. Well Location
 Unit Letter P 990 feet from the North line and 660 feet from the East line
 Section 14 Township 18S Range 28E NMPM County Eddy



11. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
PERFORM REMEDIAL WORK <input type="checkbox"/>	PLUG AND ABANDON <input checked="" type="checkbox"/>	REMEDIAL WORK <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
TEMPORARILY ABANDON <input type="checkbox"/>	CHANGE PLANS <input type="checkbox"/>	COMMENCE DRILLING OPNS. <input type="checkbox"/>	PLUG AND ABANDONMENT <input type="checkbox"/>
PULL OR ALTER CASING <input type="checkbox"/>	MULTIPLE COMPLETION <input type="checkbox"/>	CASING TEST AND CEMENT JOBS <input type="checkbox"/>	OTHER: <input type="checkbox"/>

12. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting and proposed work). SEE RULE 1103. For Multiple Completions: Attach diagram of proposed completion or recompletion.

Pure Resources, L.P. plans to Plug and Abandon the State B 14 Comm # 1 well per the following proposed procedure. Work is planned to begin on October 10, 2002 and finish on approximately October 17, 2002. Some pertinent well information is:

Perforations: Morrow @ 10,690'-94'.
 Strawn @ 9653'-66', 9721'-46', 9761'-64', & 9798'-9804'. PB w/CIBP @ 9476' w/20' cmt cap.
 Wolfcamp @ 9091'-96', 9098'-9106'.

Casing in Well: 13-3/8" 48# H-40 @ 460' w/425 sx cmt. Cmt. circ. (Hole Size=17-1/2")
 8-5/8" 32# K-55 @ 3,083' w/1015 sx cmt. Cmt. Circ. (Hole Size=12-1/4")
 5-1/2" 17 & 20# N-80 @ 11,037' w/875 sx cmt. TOC @ 6,800'. (Hole Size=7-7/8")
 Casing Leak @ 4,355'-82' Sqz'd w/200 sx cmt.

1) MIRU. Install BOP. 35'
 2) POH w/tbg. 35'
 3) Set CIBP @ 9,000' & cap w/20' cmt
 4) Load Hole w/9.5 PPG mud laden fluid.
 5) Spot 20 sx cmt plug from 4,300'-4,450'.
 6) Cut and pull 5-1/2" csg.
 7) Spot 30 sx plug across csg stubb.
 8) Spot 35 sx cmt plug from 3,030'-3,130'. TAG
 9) Spot 35 sx cmt plug from 410'-510'. TAG
 10) Spot 10 sx cmt plug at surface. 0' to 6'
 11) Install DH Marker.

Note: 9.5 PPG mud laden fluid to be placed between all plugs

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

SIGNATURE Alan W. Bohling TITLE Regulatory Analyst DATE 09/20/2002

Type or print name Alan W. Bohling Telephone No. (915)498-8662

(This space for State use)

APPROVED BY Gerry Guye TITLE Gerry Guye Compliance Officer DATE 10-4-02

Conditions of approval, if any:
include 100' plug @ 935'

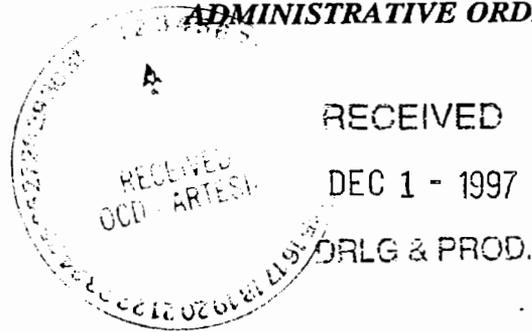


**NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT**

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

ADMINISTRATIVE ORDER DHC-1734

Hallwood Petroleum, Inc.
P.O. Box 378111
Denver, Colorado 80237



Attention: Mr. Kevin E. O'Connell

*State B "14" Com Well No. 1
API No. 30-015-23350
Unit P, Section 14, Township 18 South, Range 28 East, NMPM,
Eddy County, New Mexico.
Travis-Upper Penn (Oil-59860) and
South Empire-Morrow (Gas-76400) Pools*

Dear Mr. O'Connell:

Reference is made to your recent application for an exception to Rule 303.A. of the Division Rules and Regulations to permit the above described well to commingle production from the subject pools in the wellbore.

It appearing that the subject well qualifies for approval for such exception pursuant to the provisions of Rule 303.C., and that reservoir damage or waste will not result from such downhole commingling, and correlative rights will not be violated thereby, you are hereby authorized to commingle the production as described above and any Division Order which authorized the dual completion and required separation of the zones is hereby placed in abeyance.

The maximum amount of gas which may be produced daily from the well shall be determined by Division Rules and Regulations or by the gas allowable for each respective prorated pool as printed in the Division's Southeast Gas Proration Schedule.

Assignment of allowable to the well and allocation of production from the well shall be on the following basis:

Travis Upper-Penn Pool	Oil 81%	Gas 46%
South Empire-Morrow Pool	Oil 19%	Gas 54%