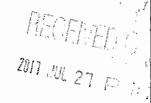
STATE OF NEW MEXICO ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT OIL CONSERVATION DIVISION



IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION DIVISION COMPLIANCE AND ENFORCEMENT BUREAU FOR:

A COMPLIANCE ORDER AGAINST OWL SWD OPERATING, LLC FOR THE MARALO SHOLES B WELL NO. 2 Case No.15753

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by an additional party presenting evidence as required by the Oil Conservation Division under 19.15.4.13 (B) NMAC.

APPEARANCES

APPLICANT'S ATTORNEY

Oil Conservation Division David K. Brooks

OPPONENT'S ATTORNEY

OWL SWD Operating, LLC Dalva L. Moellenberg and Rikki-lee Chavez

ADDITIONAL PARTY PRESENTING

ADDITIONAL PARTY PRESENTING

EVIDENCE EVIDENCE'S ATTORNEY

New Mexico State Land Office Katherine M. Moss

STATEMENT OF THE CASE

APPLICANT

Case No. 15753: The New Mexico Oil Conservation Division, Compliance and Enforcement Bureau ("OCD") filed an application for a compliance order (1) determining operator OWL SWD Operating LLC ("Operator") is out of compliance with 19.15.16.9 NMAC and 19.16.15.10

(2) requiring Operator to return its well to compliance with 19.15.16.9 (3) in the event of non-compliance, requiring Operator to suspend injection operations and to plug and abandon pursuant to 19.16.16.11 NMAC. The Application dealt specifically with Operator's violation of OCD rules regarding the proper construction of an injection well. On information and belief Owl currently injects into the Maralo Sholes B Well No. 2. The well has a total depth of approximately 3,055 feet, for injection of water into the Yates Seven River's formation and is located SW of Jal, NM.

OPPONENT NEW MEXICO STATE LAND OFFICE

The SLO is opposed to this well being used as a SWD well into this formation because at 3,055 feet the Tansill, Yates Seven River's zones, as well as the Capitan Reef, contain protectable groundwater of the State of New Mexico. In addition the Maralo Sholes B Well No. 2 is in poor condition as evidenced by reports filed in 2016 with the OCD and the Application brought by OCD in Case No. 15753.

PROPOSED EVIDENCE

APPLICANT

The State Land Office has not received notice of witnesses or exhibits that will be presented by the Applicant.

STATE LAND OFFICE

WITNESSES	EST. TIME	<u>EXHIBITS</u>
Anchor Holm	1 hour	8

The State Land Office incorporates by reference the Position Statement it filed in Case No. 15723 and reserves the right to present any evidence it presents on August 1, 2017 in Case No. 15723.

OTHER OPPONENTS

The State Land Office has received notice of witnesses and exhibits that will be presented by OWL OPERATING, LLC.

PROCEDURAL MATTERS

No procedural matters have been identified that are to be resolved prior to the hearing.

Respectfully submitted,

Katherine M. Moss

Associate General Counsel

Cathering M. Man

New Mexico State Land Office

P.O. Box 1148

Santa Fe, NM 87504-1148

(505) 827-5713

CERTIFICATE OF SERVICE

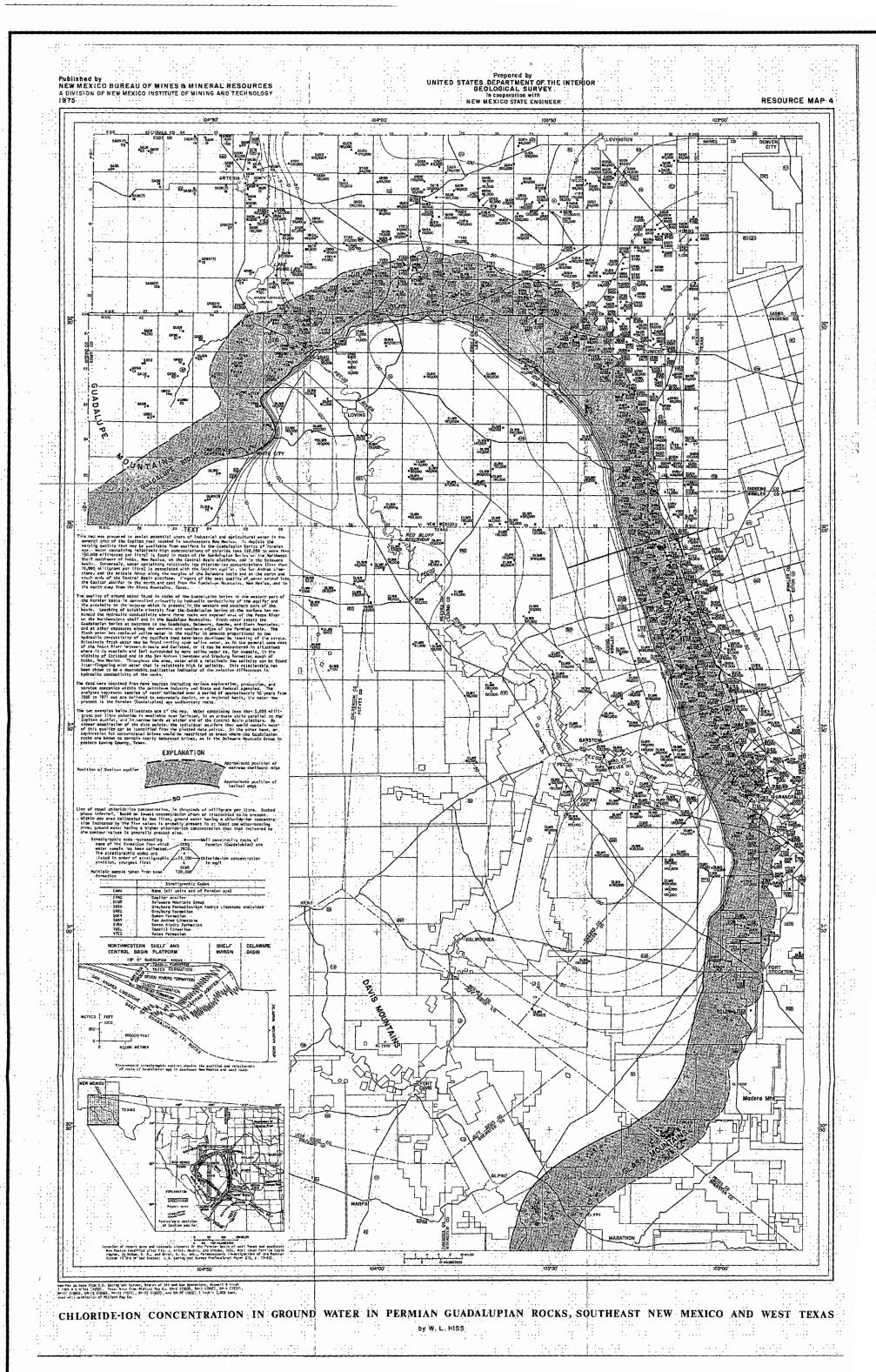
I hereby certify that a copy of the foregoing pleading was served upon the following counsel of record this 27th day of July, 2017 by email:

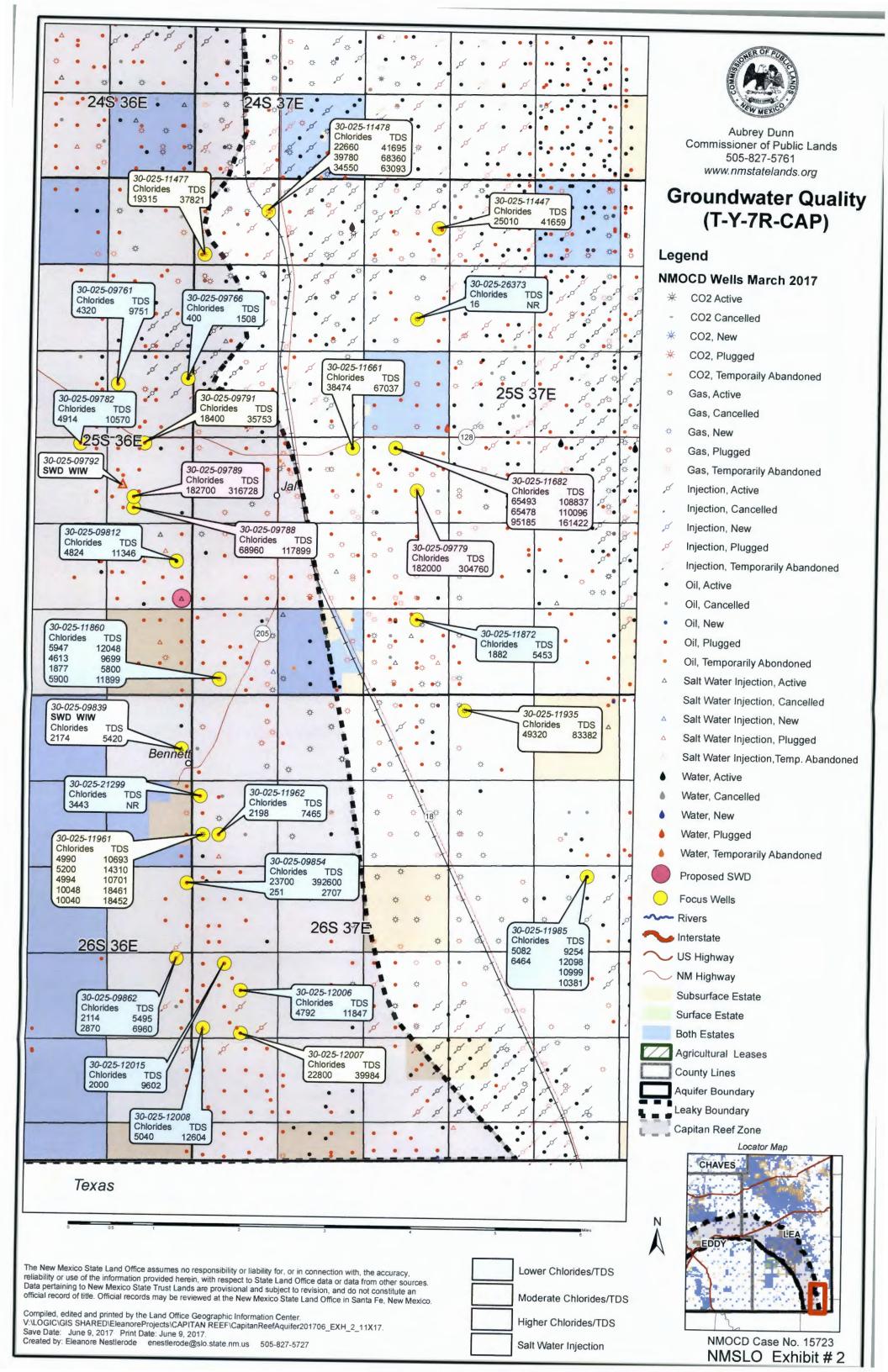
Dalva L. Moellenberg
Anthony J. Trujillo
Rikki-Lee Chavez
1239 Paseo de Peralta
Santa Fe, New Mexico 87501
Gallagher and Kennedy, PA
dlm@gknet.com
Rikki-lee.chavez@gknet.com
Lynda.muncy@gknet.com

David K. Brooks
Assistant General Counsel
Energy, Minerals and Natural Resources Department
1220 South St. Francis Drive
Santa Fe, NM 87505
Davidkbrooks@state.nm.us

Katherine M. Moss

1 Lectheine M. Man





Data Sources:

30-025-12015

26S

37E

OCD Online query for Produced Water Quality in SENM.

19

Water Sample Analyses submitted to OCD in C-108 SWD Applications.

С

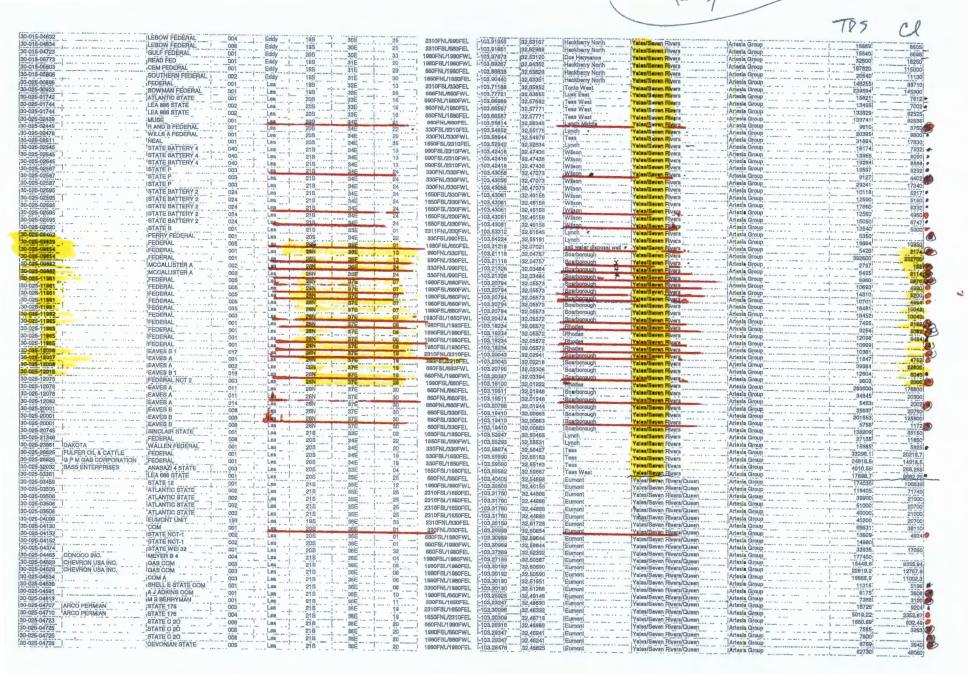
NM OCD Case No. 15723 EXHIBIT 2a

9602

2000

Scarborough (Yates/Seven Rivers)

Number	Operator	Lesse,name	well number	r county	township	fange	section	Footage call	Longitude	Latitude	Field/pool	stratigraphic unit of sample	alternate atratigraphic designation	TDS (mg/L)	Chlorids (mg/L)
-05875	1	G/SA UNIT	011K	Lea	1 195	37E	21	1650FSL/1650FWL	-103,25948	32.64274	Monument	Artesia	Artesia Group	1 12749	739
-05983		BARBER GAS COM	002	Lea	208	37E	07	990F8L/860FEL	-103.28389	32,58268	Monument	Artesla	Artesia Group	28588	1695
-06123		GENERAL G STATE	001	Lea	208	37E	16	660FNL/860FWL	-103.26237	132.57818	Monument	Artesia	Artesia Group	129354	7880
-10213		LOU WORTHAN	004	Lea	228	1 37E	11	1980FNL/1980FEL	-103.13117	32,40805	Paddock	Artesia	Artesia Group	30310	1304
10213		LOU WORTHAN	004	Lea	228	37E	111	1980FNL/1980FEL	-103.13117	32,40805	Paddock	Artesia	Artesia Group	31097	1662
20358		STATE O	004	Lea	. 208	37E	16	1980FSL/650FEL	-103,24954	32,57089	Monument	Artesia	Arteala Group	16324	
00369	L R Barton	Barton Mobil Fed	001	Eddy	218	26E	24	1980FNL/1980FWL	-104.24767	32.46724	Carlsbad	Capitan	and a simplescent column or mage from the second	28175	
00359	L R Barton	Barton Mobil Fed	001	Eddy	218	26E	24	1880FNL/1980FWL	-104.24787	32.46724	Carlsbad	Capitan		22198	1117
02406		EDDY STATE AD		Eddy	208	_]. 28E		1980FNL/880FWL	-104.22330	32.58035		Capitan		280001	
0817		N CEDAR HILLS	001	Eddy Eddy	218	27E	95	3060FNL/1993FEL	-104,20969	32.51378	A second second	Capitan	the second of the second	29392	180
0817		IN CEDAR HILLS	001	Eddy	216	27E	1 06	3060FNL/1993FEL	-104.20969	32,51378	*	Capitan		279001	
0817		N CEDAR HILLS	. 001	Eddy	215	27E	-1 05	3060FNL/1993FEL	-104.20969	32,51378		Capilan		27400.	
0817	1	N CEDAR HILLS	001	Eddy	218	27E	05	3080FNL/1983FEL	-104.20969	32,51378		Capilan		28700	148
0817	* ** *** ** * * * * ** *** *** ***	N CEDAR HILLS	001	Eddy	1 216	27E	05	3060ENI /1993FEL	-104,20969	32.51378		Capitan		28200	140
3871		SUPPLY WELL	001	Lea	1 238	300	07	660FNL/660FWL	-103.31040	32.32451	water supply well	Capitan	and a second magnet () and consider and a	44270	230
00971		GORMAN JP FEDERAL	001	Eddy-	1 188	27E	28	1980FSL/330FWL	-104.29081	32.71699	Dayton East	Greyburg	Artesia Group	112842	661
2768		SIMMONS FED COM	002	Eddy	168	29E	24	2310F8L/2310FWL	1-104.02894	32.90599	Henshaw West	Grayburg	Artesia Group	95588	570
3563		JONES-WATKINS ST	001	Eddy	198	29E	05	2310FNL/2310FWL	-104.09743	32,69059	Turkey Track West	Grayburg	Artesla Group	200307	1188
4487		IYATES A	. 012	Eddy	185	30E	06	990FNL/330FEL	-104.00321	32.78062	Loco Hills	Greyburg	Artesla Group	130307	
5867		STATE	001	Eddy	188	31E	1 32	1650FNU/2310FEL	1-103,88994	132.70642	Shugari	Grayburg	Artesia Group	145207	861
5708		ISTATE 36	001	Eddy	1 185	31E	. 1 36	330FNL/330FWL	-103.82948	32,71011	Shugart	Grayburg	Artesia Group	138380	62
5708		STATE 36	. 001	Eddy	188	31E	1 36	330FNL/330FWL	-103,82948	32.71011	Shugart	Grayburg -	Artesia Group	132956	
1562	4	IMOA UNIT BATTERY 2	198	1.62	.1. 178	33E	30	1989F8L/660FWL	-103.70867	32,80339	Maljarnar	Grayburg	Artesia Group	143000	83
4928		GRAYBURG UNIT	142	Lea	218	. 36E	36	560F8L/1980FWL	-103,22079	32.42994	Arrowhead	Grayburg	Artesia Group	210458	3
4939	TOTALIS CONTROLLATION	GRAYBURG UNIT	133	eaea	218	38E	36	1980FSIJ680FWL 660FSIJ1980FEL	-103.22507 -103.18260	32,43355	Arrowhead Penrose Skelly	Grayburg	Artesia Group	8156	
	APACHE CORPORATION	INAWK B T		Lon	218	3/15			-103,18260	32,48788		Grayburg	Artesia Group	198705	1120
6624	man to the state of the state o	LOCKHAHT A 17	005	Lea	218	37E		2310FNL/330FEL 1980FSL/860FEL	1-103.16010 1-103.17832	32,47700	Penrose Skelly	Grayburg	Ariesia Group	147051	89
6844		:W W WEATHERLY	002	Lea	218	37E		1980FSL/1980FWL	-103,17832	132,47700	Penrose Skelly	Grayburn	Arlesia Group	14238	
6644		W W WEATHERLY	001	Lpg	218	37E	17	1980FSL/1980FWL	-103,18669	32,47696	Penrose Skally	Grayburg	Artesia Group	11484	
6645		W W WEATHERLY	002	Lea	215	37E	17	1980FSL/1980FEL	-103,18280	32,47697	Penrose Skelly	1Grayburg	IArtesia Group	15453	7
6857		HT MATTERN NOT C	001	Lea	218	37E	18	1980FSL/860FEL	-103,19525	32.47699	Penrose Skelly	Grayburg	Artesia Group	23006	
6665		L G WARLICK B	1 001	Lea	218	37E	19	1980FNL/660FEL	-103,19526	32.48611	Penrose Skelly	Grayburg	Artesia Group	134673	
6746	APACHE CORPORATION	TURNER	004	Lez	218	37E	22	650F6L/330FWL	-103.15791	32,45886	Penrose Skelly	Grayburg	Artesia Group	95428.8	1 69
6753	APACHE CORPORATION	TURNER	011	Lea	218	1 37E	22	916FSL/1650FWL	-103.15363	32,45958	Penrose Skelly	Grayburg	Ariesia Group	108450	678
6837		EUNICE KING	: 001	Lea	218	37E	28	1980FNL/880FWL	-103.17392	32,45161	Penrose Skelly	Carayburg	:Artesia Group	16028	
6839		EUNICE KING	003	Lea	215	37E	. 28	1990FNL/1980FWL	-103.16965	32,45161	Penrose Skelly	Grayburg	Artesia Group	. 14405	
06884		HSTURNER	002	Lea	1 218	37E	29	330FSL/330FWL	-103.19206	32,44341	Penrose Skelly	Greyburg	:Artesla Group	15574	
08907		V M HENDERSON	. 001	Lea	218	, 37E	30	2319FNL/330FEL	1-103.19432		Penrosa Skelly	Gravburg	Artesia Group	12182	
07746		IUNIT	004	Lea	208	38E		1850FSL/330FWL	-103,19514	132,58462	Skapgs	Grayburg	Artesia Group	17926	
07801	ME;	SEMU PERMIAN	. 074	Loa	208	38E	18	850F8L/1980FWL	-103.18983	32,58731	Skaggs	Greyburg	Artesia Group	178600	100
07836 08723		GRAYBURG UNIT	159	Loa	208	38E	20	1980FNL/1980FWL	-103.17246	132,56371	Skaggs	Grayburg	Artesia Group Artesia Group	7382	
08733		IGRAYBURG UNIT	149	Lea	228	38E		650FNL/650FWL	-103.22073	32,42630	Arrowhead	Gradum	-Artesia Group	1 250367	
08744		OXY STATE N	002	Lea	225	36E		2310FSL/2310FWL	-103.23683	32.41987	Arrowhead	Chestone	Artesia Group	16557	
08747		STATE J 2	008	lea	228	305	02	1980FNL/2310FWL			Arrowhead	Chemphons	Artesia Group	7810	
08748		GRAYBURG UNIT	158	Lea	225	365	02	1980FNL/1980FEL	-103,23357	132,42254	Arrowhead	Gravburg	Artesia Group	8894	4.
08896		STATE 157 D	800	Lea	1 228	1 38E	12	330FSL/990FWL	-103,22385	32.39997	Arrowhead	Grayburg	Artesia Group	5759	g!
09915		ARGO	007	Lea	. 218	37E	15	2310FSL/990FEL	1-103,14509	32.47789	Penrose Skelly	Grayburg	Artesia Group	123162	2 7
09915		ARGO	007	Lea	218	37E	15	2310F8L/990FEL	-103.14509		Penrose Skelly	Grayburg	Artesia Group	123777	1
09974		IR L BRUNSON TR 2	005	Lea	225	37E	03	2080FSL/1980FWL	-103,15260	32,41918	Penrosa Skelly	Grayburg	Artesia Group	18329	
09983		BRUNSON	002	Lea	229	37E	03	2310F8L/990FWL	-103,15582	32,41082	Penrose Skally	Grayburg	Artesia Group	199041	
10029		R L BRUNSON TR 2	002	Lea	228	37E	. 04	1850FSL/990FEL	-103,16222		Penrosa Skelly	Grayburg	Artesia Group	62738	
10119		SKELLY UNIT	181	Lea	228	37E		660FSU1960FWL	-103.18684	32,40105	Penrosa Skelly	Grayburg	Artesia Group	16937	
10119		SKELLY UNIT	181	Lea .	228	37E	80	660FSL/1980FWL	-103,18684	32,40105	Penrosa Skelly	Grayburg	Artesia Group	14558	
10128		GREENWOOD	007	Lon	228	37E	09	1980FSL/1980FEL	-103,16539	32,40448	Penrose Skelly	Greyburg	:Artesia Group	11138	
0128		GREENWOOD	007		228	37E	09	1980FSU1980FEL		32,40448	Penrosa Skely	Grayburg	Artesta Group	11140	
0197		LOU WORTHAM		Lea	228	37E	1 11	680FNL/1800FWL			Penrose Skelly	Grayburg	Artesia Group	7401.83	
0500		LOU WORTHAM	002	Lea	225	376		1850FNL/330FWL	-103,13620	132,40892	Penrose Skelly	Grayburg	Artesia Group	14287.	
J340		CHRISTMAS C	001	Lea	228	37E	17	1980FNL/960FEL	-100117000		Penrose Skelly	Granture	Arlesia Group	14853	
21/2		HUGH	009	Lea	225	37E	14	330FNL/330FWL	-103,14094	32,39811	Penrose Skelly	Graybutg	Artesia Group	36250.	
	**	HUGH	009	Lea	228	37E	1 14	. 330FNL/330FWL	-103,14094		Penrose Skelly	(Grayburg	Artesia Group	20090.	
		HUGH	011	Lea	225	37E	14	1850FNL/1776FWI		32.39440	Penrose Skelly	Grayburg	Artesia Group	25637.	.0 13
		THUGH	012	Lea	228	37E	1 14	330FNL/1850FWL		32,39811	Penrosa Skelly	Grayburg	Artesia Group	24590,	
	RATION	HAWK B 1	018	Lea	215	37E	08	680F8L/1980FWL	-103,18684	32,48786	Penrose Skelly	Grayburg	:Arlesia Group	13265.	
		ITEXAGO	001	Lea	218	37E	1 03	1730E8L/660FWL	-103.15709	32.50534	Penrose Skelly	Grayburg	Artesia Group	54027,	.4
		ANDERSON STATE	001	Eddy	175	29E	02	1980F8L/660FWL		132.86165	Square Laire	Gravburg/San Andres		140	6
		IGULF STATE	002	Eddy	178	29E		330FNL/990FWL	-104.06746		Square Lake	Grayburg/San Andres		10900	Maria and American
		!FEDERALE	002	Eddy	168	30E	81	680FSL/1876FWL			Square Lake	Grayburg/San Andres		32372	
		IFEDERAL	001	Eddy	165	31E	27	1980FNL/660FWI			Square Lake	Grayburg/San Andres			
	3	IVALENTINE		Eddy	168	31E	27	680FBL/660FWL		32,89717	Square Lake	Grayburg/San Andres		13106	
	** * ***	SHELDON FED	001	Eddy	168	31E	28	1980FSL/1980FW			Square Lake	Grayburg/San Andres		19182	
	,,	STATER	001	Eddy	189	31E		680FNL/880FWL		32,88348	Square Lake	Grayburg/San Andres		1884	
		PUCKETT B	013	Eddy	178	31E	25	660FSU1980FEL	-103.82049		Meljamar	Grayburg/San Andres	Artesia Group	2583	
		TRIMBLE A	013	Loa	175	32E		3300FNL/880FEL 680FNL/860FWL			Malamar	Grayburg/San Andres Grayburg/San Andres		19007	
	-	UNIT	014		178	32E		1980FSL/860FWL			Malamar			14461	
							13					Grayburg/San Andres		12787	
		LYNX FEDERAL	007	Lea	175	32E	. 15	1980FSL/840FWI			Mallamar	Grayburg/San Andres Grayburg/San Andres	TO SEC. 25 11 10 1 WIND M 0 10 11 1 1 1 1 1 1	10903	
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NMOCD Case No. 15723 NMSLO Exhibit #2C

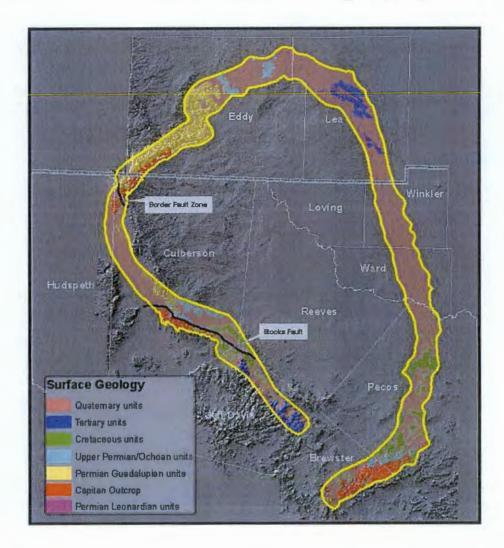
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Peter Pete	83			255	30E	25								4804
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Biologic Column		IL W GREGORY A		258	37E	31	990FSIJ1850FWL	-103.20473						461
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ALC PETER 100						24						Actoria Group		617
ALTOSETIALS 10						17	990FNL/1980FWL					iArlesia Group		1347
Ministry 1975 197				er of men and a promise in		17		-103.18678						196000
Figure (Figure)										Jalmat	TensillYales/Seven Rivers			12438
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VILLS PERDANA						15								4550
TURNET FEDERAL D3						01					Yales			14800
WILL FEDERAL CO	4													29400
TUNNET FEGURAL 07						18							38600	17600
PURNET PEDERAL COS ESY 200 RE 15 SOMPLASTORY 15.5.1177 17.5.		TURNER FEDERAL				13								45500
Company Comp	4			208										14400
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Control Column						15	1980FNL/1980FEL							124200
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TRIGOO ST						07			32.62262	Lisokosti Nouv				1209
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GILLESPIE OIL COMPANY STATE M 08 Lm 17S 95E 34 1996FNUT980FWL 103,4783 32,79255 Vacuum Yales Artesia Group 2296745 150 Vacuum Yales Artesia Group 124895 165 1874TE NOT 6 003 Lm 21S 36E 29 1990FNUT806FWL 103,3956 32,45175 San Simpn North Yales Artesia Group 17601 70 Value North North Yales Artesia Group 17601 70 Value North North Yales Artesia Group 17601 70 Value North North Yales Artesia Group 17601 10 Value North N	IGILLESPIE OIL COMPANY				33E	32				Gem	Yales		8771	430
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Skaggs Grayburg	. 18	208	38E	84845
Warren McKee	18	208	38E	85910
Warren Abo	19	208	38E	91600
	30	208	39E	108855
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East Hobbs grayburg	29	18S 20S	39E 32E	6461 • 14768
Halfway Yates	18			7171
Arkansas Junction San Andres	12	188	38E	
Pearl Queen	28	198	35E	114310
Midway Abo	17	178	37E	38494
Lovinton Abo	31	168	37E	22933
Lovington San Andres	3	165	37E	4899
Lovington Paddock	31	168	37E	93720
Mesa Queen	17	165	32E	172530
Kemnitz Welfcamp	27	185 .	34E	49345
Hume Queen	9	188	34E	124960
Anderson Ranch Wolfcamp	2	16\$. 32E	11040
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South Denton Wolfcamp	26	153	. 37E	54315
South Denton Devonian	36	158	37E	34080
Medicine Rock Devonian .	15	158	38E	39760
Litlia Lucký Lake Devonian	29	158 .	30E	23288
Wantz Abo	26	218	37E	132770
Crosby Devonian	18	258	37E	58220
carborough Yates Seven Rivers	7	265		3443(Reef)
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Teagus Ellenburger	34	238	37E	120345
Rhodes Yetes 7 Rivers	27	265	37E	144485
House SA	11	208	38E	93385
House Drinkerd	12	208	38E	49700
South Leonard Queen	24	268	37E	115375
Eillot Abo	.2	218	38E	55380
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EK Queen	13	188	34E	41890
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Capitan Reef Complex Structure and Stratigraphy



Report

by Allan Standen, P.G. Steve Finch, P.G. Randy Williams, P.G., Beronica Lee-Brand, P.G. Assisted by Paul Kirby

Texas Water Development Board

Contract Number 0804830794

September 2009



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Table 1	Summary of geologic formations and groups forming the Capitan Reef
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APPENDICES

Appendix A Database Development

Appendix B GIS Attribute Definitions

1. Executive summary

The Daniel B. Stephens & Associates, Inc. (DBS&A) team, consisting of DBS&A, John Shomaker & Associates, Inc., Bar-W Groundwater Exploration, and the Texas Bureau of Economic Geology, was contracted (Contract # 0804830794) by the Texas Water Development Board (TWDB) to construct a stratigraphic and structural framework of the Capitan Reef Complex. The purpose of the work is to develop a geologic framework that can serve as the foundation of a future groundwater availability model (GAM) of the Capitan Reef Complex Aquifer. The study area covers approximately 22,000 square miles in far west Texas and southeastern New Mexico and consists of all or portions of Winkler, Loving, Ward, Pecos, Reeves, Jeff Davis, Culberson, Brewster, and Hudspeth counties in Texas and Eddy and Lea Counties in New Mexico. The project consisted of compiling surface and subsurface geological data and information, constructing a geodatabase, and building a stratigraphic geologic model.

A total of 726 geophysical logs, driller's reports (oil, gas and water), and scout tickets were compiled into a geographical information system (GIS) geodatabase that was used to create Capitan Reef Complex surface, thickness, and base shapefiles and grids. An additional sand thickness grid was created of the subsurface sand-filled erosional channels between Capitan Reef Complex highs. The extent of the TWDB's Capitan Reef Complex Aquifer outline has been modified based on available data. The DBS&A team also compiled GIS shapefiles of the formations overlying and underlying the Capitan Reef Complex.

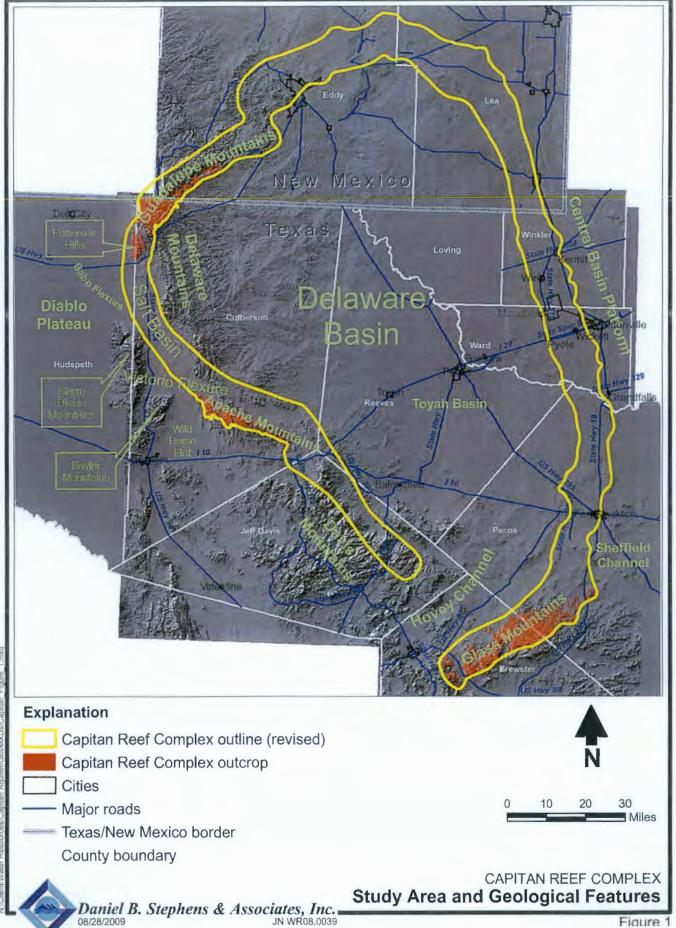


Figure 1

Table 1. Summary of geologic formations and groups forming the Capitan Reef Complex and Delaware Basin

Period/Epoch or Series		Apache Me (Wood, 1968; U		(Ki	Guadalupe I ng, 1948; Hiss, 1975 1994; Kerans and	5; Kera	ns and others,		Mounta 30; Hill,	Delaware Basin				
		Back Reef		Reef		Back Reef		Reef	Back Reef		Reef			
Quaternary to Tertiary		Quaternary Depos	-		Quatemary Tertiary Deposits				Quatemary Tertiary Deposits			Quaternary Tertiary Deposits		
Cretaceous									Cr	etaceous				
Triassic									Bissett					
								Rustler a					Rustler	
Permian/Ochoan								Salado a					Salado	
								Castile					Castile	
	roup	Tansill Yates	Rest Complex	Capitan Limestone	Artesia Group	Tansill Yates	Complies	Carlsbad and Capitan		Complex	Tessey	Mountain Group	Bell Canyon	
Permian/	Artesia Group	Seven Rivers	Capition			Seven Rivers	gridge Reef C	Limestones	Gilliam	apiten Res	Vidrio		Cherry Canyo	
Guadalupian		N	Munn			Queen/ Grayburg		Goat Seep Dolomite				are Mou		
		Cherry Canyon				pper San Andres Lower Sar (equivalent to Br	Word Formation (Cherry and Brushy Canyon			Delaware	Brushy Canyor			
		C	utoff Sha	ale (Member o	f Bone	Spring Limestone)			Eq	uivalent)			Pipeline Shale Member	
Permian/ Leonardian	Yeso Victorio Peak (Member of the Bone Spring Limestone) Leonard and Hess Member of Leonard Formatic										Bone Spring Limestone			

Note: Cell sizes are not to scale for formation thickness

Sources: Modified after King, 1930, 1948; Wood, 1968; Hiss, 1975; Uliana, 2001; Hill, 1999; Kerans and others, 1994; Kerans and Tinker, 1999

^a Formations overlie Capitan Reef Complex between the Guadalupe and Glass Mountains

DELAWARE BASIN NORTHWEST SHELF NW TANSILL FM. YATES FM. CAPITAN REEF FEET SEVEN RIVERS FM. CAPITAN FOREREEF CASTILE FM. GOAT SEEP FM. QUEEN FM. 1500 GRAYBURG FM. BELL CANYON GETAWAY BANK ? FM= GUADALUPIAN CHERRY CANYON TONGUE CHERRY CANYON FM. BRUSHY CANYON FM. 3000-VICTORIO CUTOFF FM. 1000 PEAK DOLOMITE 4500 BONE SPRING LS. 2 miles VERTICAL EXAGGERATION 4X Source: Melim and Scholle; 1999-CAPITAN REEF COMPLEX Stratigraphic Cross-Section Daniel B. Stephens & Associates, Inc. 08/28/2009 JN WR08.0039

3.1.1 Bone Spring Limestone

The Bone Spring Limestone is part of the Leonard Series, and consists predominantly of thin beds of cherty black limestone. Total thickness of the Bone Spring Limestone ranges between 1,500 and 2,000 feet. In general, these rocks are located basin-side and below the Capitan Reef Complex. In the western part of the study area, the distribution of the Bone Spring Limestone is complicated by the faulting associated with the Salt Basin. As a result of this faulting, rocks of the Bone Spring Limestone crop out along the western side of the Delaware Mountains. In Culberson County where the formation commonly crops out, the thickness of the Bone Spring Limestone varies from 900 to 1,700 feet (Dietrich and others, 1983).

West of the Capitan Reef Complex and toward the Delaware Basin fringe, the Bone Spring Limestone grades into the Victorio Peak Limestone (gray limestone) and the time-equivalent Yeso, Leonard and Hess Member of the Leonard Formation. The Bone Spring Limestone has been subdivided into two members, the Victorio Peak Member and the overlying Cutoff Shale Member. The Cutoff Shale Member is a black, platy, siliceous shale and shaly sandstone ranging from 50 to 150 feet in thickness (King, 1948). The Cutoff Shale Member forms a low permeability barrier between the underlying Victorio Peak Limestone and the overlying San Andres or Delaware Mountain Group stratigraphic equivalent (Table 1, Figure 3).

3.1.2 San Andres Formation

The San Andres Formation was deposited during Guadalupian time. The San Andres has been subdivided into the Upper and Lower San Andres formation (Ward and others, 1986; Kerans and others, 1994). The lower half is called the lower cherty limestone member and the top half is referred to as the upper non-cherty limestone member. Total thickness of the San Andres Formation is 700 to 1,000 feet. The San Andres Formation is a widespread shelf carbonate deposit found throughout most of New Mexico and west Texas. The lower member of the San Andres Formation grades downward forming an unconformity with the Cutoff Shale Member of the Bone Spring Limestone, Cherry Canyon, and Brushy Canyon Formations of the Delaware Mountain Group (Hill, 1996; Hiss, 1975; Kerans and others, 1994; Kerans and Tinker, 1999; Ward and others, 1986).

In the Delaware Basin, the San Andres Formation transition from shelf carbonate to reef environments is approximately 3 miles long and trends parallel to the Capitan Reef front (Hill, 1996; Hiss, 1975). In the reef margin, the San Andres Formation grades up into the Capitan Reef Complex (Table 1).

3.1.3 Delaware Mountain Group

The Delaware Mountain Group consists of several formations and members of the Guadalupe Series. Most of the Delaware Mountain Group includes formations that were deposited in the Delaware Basin at the same time that the Capitan Reef complex was being deposited on the basin margin (Table 1). Units include the Brushy Canyon, Cherry Canyon, and Bell Canyon Formations. Parts of the Brushy Canyon and Bell Canyon Formations were deposited prior to the formation of the Capitan Reef Complex (Hill, 1996; Hiss, 1975).

aquifers (Hill, 1996; Hiss, 1975). For example, the uplifted Guadalupe Mountains divide the Capitan Reef Complex Aquifer into two separate disconnected aquifers (Figure 1): one that trends to the northeast and discharges to the Pecos River in New Mexico and one that originates along the western flank of the Guadalupe Mountains and flows south from the Patterson Hills southeast toward the Apache Mountains (Hiss, 1975; King, 1948).

3.1.5 Artesia Group

The Artesia Group includes the back-reef (youngest to oldest) Tansill, Yates, Seven Rivers, Queen, and Grayburg Formations (Table 1, Figures 2 and 3). (The term *Artesia Group* replaced the older Carlsbad Group nomenclature.) All of these formations gradually grade into the Capitan Reef Complex. The formations that make up the Artesia Group have rapid lateral facies changes with cyclic deposits of sandstone, sandy dolomite, and dolomite (Hill, 1996; Hiss, 1975). The Grayburg and Queen Formations grade into the Goat Seep Limestone, whereas the Seven Rivers, Yates, and Tansill Formations grade into the Capitan Limestone. Characteristics of these formations are:

- The basal formation of the Artesia Group is the Grayburg Formation, which overlies the San Andres Formation and underlies the Queen Formation, and consists of interbedded dolomite with thin layers of fine-grained sandstone. Total thickness of this formation is approximately 300 to 400 feet (Hill, 1996; Hiss, 1975).
- The Queen Formation is similar to the Grayburg Formation, but with a 100-foot-thick sandstone layer near the top of the formation with thin interbedded dolomite and shale. Because of this upper sand unit, the contact between the Queen and overlying Seven Rivers Formation is often identifiable (Hill, 1996; Hiss, 1975). This formation is up to 420 feet thick.
- The Seven Rivers Formation is a thin-bedded dolomite sandwiched between the upper Queen sandstone and the Yates sand. This formation laterally grades from evaporite to a carbonate facies as it grades into the Capitan Reef Complex. The bedding disappears as it grades into the Capitan Limestone. This formation is up to 500 feet thick (Hiss, 1975)
- The Yates Formation was named after the Yates Oil Field in Pecos County, and it is the most widespread horizon used for structure contouring in the Delaware Basin. The Yates Formation consists of siltstone and sandstone beds totaling approximately 300 to 400 feet in thickness near the reef margin (Hill, 1996; Hiss, 1975).
- The Tansill Formation conformably overlies the Yates Formation near the reef margin. East of the Guadalupe Mountains, the formation is overlain by the Ochoan time evaporites (Salado Formation). The Tansill Formation consists of gypsum, red clay, and silt (evaporite facies) that laterally grades into dolomite near the reef margin. The thickness increases from 100 to 300 feet near the reef margin (Hill, 1996; Hiss, 1975).

3.1.6 Castile and Salado Formations

During the Ochoan epoch, the Delaware Basin began to fill with evaporite deposits of the Castile and Salado Formations. In places, these evaporite deposits overlie the Capitan Reef Complex.

and was then modified with oil and gas exploration data by Veldhuis and Keller (1980). The Salt Basin sediments are reported by Collins and Raney (1997) to be up to 3,000 feet thick, but the thickness varies according to geologic structures within the bolson (Veldhuis and Keller, 1980).

Bolson deposits consist of alluvial, lacustrine, and evaporite sediments that reflect the rocks from the surrounding mountains (King, 1965). Alluvial fan deposits of sand, gravel, silt, and clay are found along the margins of the Salt Basin. The alluvial fan deposits typically become finergrained away from the mountains, where the coarser-grained deposits along the mountain front readily infiltrate recharge from stormwater runoff (Scanlon and others, 2001).

The salt flats north of the Baylor Mountains (Figure 1) are in the center of the Salt Basin, in which the sediments consist of clay, silt, and sand probably deposited in a Pleistocene lake or succession of lakes. The salt flats represent an area of groundwater discharge by evaporation.

The volcanic rocks from the Davis Mountains consist of lavas, welded and ash flow tuffs, ignimbrites, and volcaniclastics ranging from Eocene to Miocene in age. The thickness of the volcanic rocks overlying the back-reef area of the Capitan Reef Complex is unknown. Volcanic rocks have highly variable groundwater flow characteristics, with some volcanic rocks (e.g., welded tuffs) generally serving as barriers to groundwater flow, while others (e.g., fractured lavas) are generally preferential conduits for groundwater flow.

3.2 Geologic History of the Delaware Basin and the Capitan Reef Complex

Structurally the Delaware Basin was a foreland basin created when the Ouachita Mountains were uplifted as the southern continent Gondwana collided with Laurasia during the Pennsylvanian period. By earliest Permian time, the subsiding ovoid-shaped Delaware Basin extended over 10,000 square miles. A narrow outlet called the Hovey Channel supplied seawater (Figure 1). This period of deposition left a thickness of 1,600 to 2,200 feet of limestone interbedded with dark-colored shale (Harris and others, 1997).

The Delaware Basin temporarily stopped subsiding in the Leonardian epoch at the start of the mid-Permian age. Small banks along its margin developed along with small discontinuous patch reefs in the shallow water just offshore. The first formation that resulted was the Yeso, which consists of alternating beds of dolomite limestone, gypsum, and sandstone. The sediments responsible for creating the Yeso were deposited in near-shore areas that graded into the carbonate banks of the Victorio Peak Formation in the deeper waters. Thin beds of Bone Spring Limestone accumulated as limy ooze in the stagnant deepest part of the basin (Harris and others, 1997).

Subsidence of the Delaware Basin restarted in mid-Permian time, and by the Guadalupian epoch of the upper Permian, the patch reefs had grown larger. Sediments deposited close to the shore during this period are now the cherty dolomites of the San Andres Formation, while deposition a little further out formed the quartz sandstone and scattered patch reefs of the Brushy Canyon Formation (Figure 3). Rapid subsidence of the basin started in the middle Guadalupian epoch of the upper Permian. Patch reefs responded by rapid (mostly vertical) growth, resulting in the Goat Seep Reef (Harris and others, 1997).

The Capitan Reef Complex has fissures parallel and perpendicular to the reef face. During deposition, the Capitan Reef was incised by submarine canyons that eventually filled with low-permeability material. Hiss (1975) believes that these submarine canyons restrict groundwater flow through the reef carbonates.

All relevant TWDB and Texas Board of Water Engineers (TBWE) reports and bulletins were reviewed for this study. A total of 7 locations from TWDB Report 125 (White, 1971), 1 location from TBWE Bulletin 6106 (Armstrong and McMillion, 1961), and 4 locations from TBWE Bulletin 5916 (Garza and Wesselman, 1959) were added to the *Capitan_Dataset* based on satisfactory location, depth, and lithologic information. Available consultant reports were also used to provide guidance in the subsurface interpretations, including Finch and Armour (2001), Finch and Bennett (2002), and Reed (1965).

4.1.2 Oil and gas geophysical logs and scout tickets

Numerous geophysical logs were obtained from the TBEG geophysical log library and the Texas Commission on Environmental Quality (TCEQ) Surface Casing department. The TBEG log library was the source of the majority of the additional geophysical logs used in this study. Harris and Saller's (1999) Figure 6 provided guidance for type geophysical log signatures that could be used to identify the Capitan Reef Complex and other formations in the subsurface.

Approximately 89 geophysical logs were initially selected based on location. Of this initial data set, 70 geophysical logs passed screening criteria for the *Capitan_Dataset*, based on details of location data, well depth, and log quality. TBEG also maintains an oil and gas industry scout ticket library, and an additional 82 locations were added to the *Capitan_Dataset* from this source. These data were also screened based on location, total depth, and lithologic information provided on each scout ticket.

The DBS&A team also researched the TBEG's oil and gas driller's reports library, indexed by county and operator, which included detailed cable tool drilling reports back to the early 1900s. These older, detailed lithologic descriptions occasionally included stratigraphic top and base selections, which were often useful in the interpretation of geophysical logs.

A total of 74 geophysical logs were pulled from the TCEQ's Surface Casing department. These logs were also screened for log quality, depth, and location information, and 33 of the log locations were added to the *Capitan_Dataset*.

4.1.3 Online well records and logs

Online websites were searched for available Capitan Reef Complex subsurface well data. The TWDB's Water Information Integration and Dissemination (WIID) web service (http://wiid.twdb.state.tx.us; two layers, *Groundwater Database* and *Submitted Driller's Reports*) was investigated as another source for subsurface driller's report descriptions. A total of 177 driller's reports were initially selected based on location criteria; of these, 69 met additional screening criteria and were added to the *Capitan_Dataset*.

The New Mexico Office of the State Engineer website database (http://www.ose.state.nm.us/waters_db_index.html) and the New Mexico Oil Conservation Division (OCD) database (http://ocdimage.emnrd.state.nm.us/imaging/default.aspx) were searched for available subsurface data in the vicinity of the Capitan Reef Complex. A review of the New Mexico OCD website yielded another 144 possible well locations, of which 124 locations passed screening criteria and were added to the *Capitan_Dataset*.

Detailed discussions of database construction, descriptions of GIS attribute columns, data screening, location and elevation correction procedures, and quality assurance/quality control of the database (*Capitan_Dataset*) and other GIS files for this study are discussed in Appendix A; Appendix B provides GIS attribute definitions.

4.1.4 Revised aquifer outline

A revised Capitan Reef Complex Aquifer outline was delineated based on 667 geophysical logs, driller's reports, and scout tickets with identified Capitan Reef Complex carbonates, and 59 locations that were identified to be within the back-reef, fore-reef, and Delaware Basin formations. Figure 7 illustrates the geographic distribution of the well data used to construct the structure, stratigraphy, and extent of the Capitan Reef Complex. In addition, the revised Capitan Reef Complex Aquifer outline also considered the digital Geologic Atlas of Texas (GAT) geology outcrops of the upper San Andres, Goat Seep, Capitan, and Carlsbad Formations according to Hiss's 1975 definition of the Capitan Reef Complex.

4.2 Geology and fault data sources

Digital files of the GAT sheets were obtained from a compact disc available from TBEG (Anderson and others, 1995; Dietrich and others, 1983; Eifler and Barnes, 1976; Twiss and Barnes, 1979). The digital GAT file includes surface geology and mapped faults for the entire state of Texas, but was clipped to include only the study area and surrounding counties. The resulting GIS file is named *TX geology clipped*.

A digital file of New Mexico surface geology (fault files were not available) was downloaded from the New Mexico Resource Geographic Information System (RGIS) website (http://rgis.unm.edu/intro.cfm). The downloaded file was clipped using the GIS shapefile New_Mexico_Counties, and the resultant GIS file is named NM_Geology_clipped. Unfortunately, the Texas GAT geology shapefiles did not match well with the available New Mexico digital geology shapefiles; the scale and detail of mapping was different between the GIS datasets.

Investigation confirmed that there were no mapped fault files available for the New Mexico portion of the study area. The fault file from the digital GAT sheet was determined to be adequate for use in this study. These faults were posted over the digital geology. A buffer polygon was created which extended 5 miles out from the existing boundary. This buffer polygon was used to clip the GAT faults file such that only faults that fell within the buffer's boundaries were kept. This clipped GAT fault file is called *GAT faults Clip1*.

Additional sources of fault information include King (1948), Wood (1965, 1968), Hill (1996), Goetz (1980), and Collins and Raney (1997).

4.3 Stratigraphic interpretation

The geological nomenclature and formation interpretation have varied over time as more field and subsurface analyses of the study area were made. For example, the Capitan Reef Complex was not generally recognized as a separate geologic formation or unit until after 1950. Hiss

(1975) considers the Capitan Reef Complex to include the Goat Seep, Capitan, and Carlsbad Limestones, where present on the reef margin. Since the delineation of these individual limestone units is not possible using available geophysical logs (due to non-unique limestone geophysical log signatures and resolution issues) or drillers' reports, Hiss's stratigraphic top picks for the Capitan Reef Complex were used to build the initial stratigraphic framework for this study. Another example of changing nomenclature and formation interpretation is the identification of the San Andres Formation by Ward and others (1986) in the vicinity of the Guadalupe Mountains, which redefined the earlier work by King (1948).

Delineation of the Ochoan evaporites (Rustler, Salado and Castile Formations), the Artesia Group (Tansill, Yates, Seven Rivers, Queen, Grayburg and Munn Formations), the Delaware Mountain Group (Bell Canyon, Cherry Canyon, Brushy Canyon and Pipeline Shale Formations), the San Andres Formation, the Word Formation and the Cutoff Shale was not completed for this project. These individual formations were not differentiated due to complex interbedded stratigraphy, lack of unique marker beds within each formation, facies changes within a formation, poor and highly variable quality and resolution of log signatures on the geophysical logs, and project budget constraints. All oil and gas geologist's comments on the geophysical logs concerning geologic formation or group tops and bases were captured in the dataset compiled, *Capitan Dataset*.

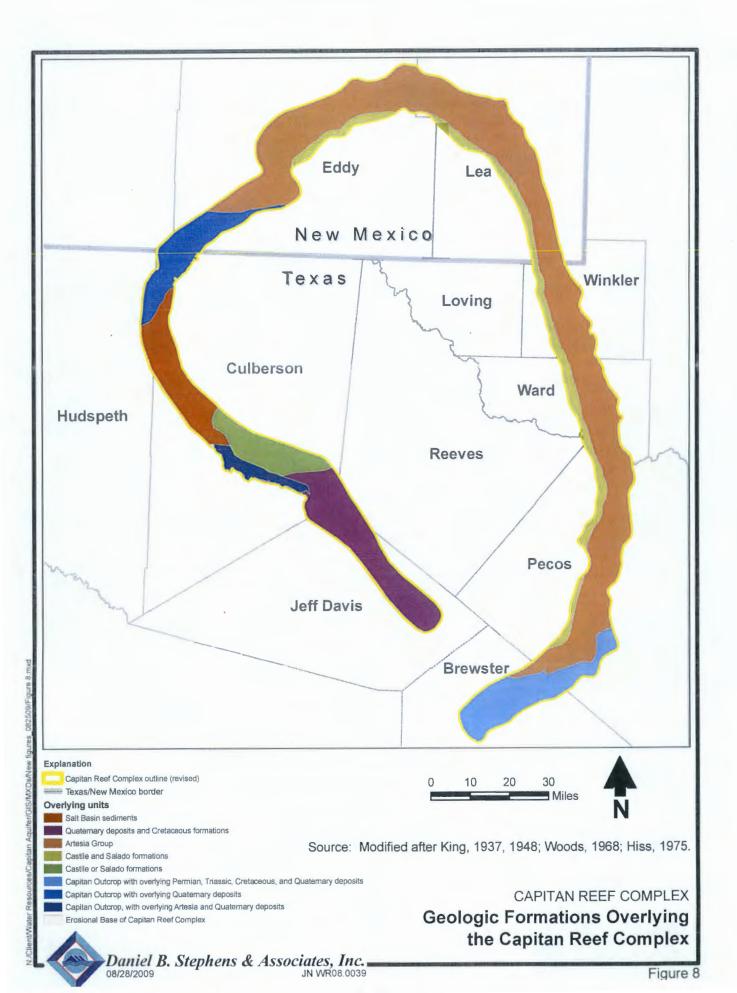
Geologic formation and group top and base information compiled by Hiss (1975, 1976), King (1930, 1937, 1948), Wood (1965, 1968), Finch and Armour (2001), and Finch and Bennett (2002) were used as a guide for all stratigraphic interpretations. The Ochoan evaporites, and the Artesia and Delaware Mountain Groups were generally undifferentiated in this study unless differentiated by the above authors or by geologist's comments on the geophysical logs or driller's reports.

4.4 Lithologic and driller's logs interpretations

Many of the early cable tool oil and gas exploration wells were drilled before geophysical logging was available. The older driller's reports occasionally included stratigraphic descriptions with detailed lithologic descriptions. Lithologic and driller's logs were more commonly found for water supply wells drilled along the western side of the Delaware Basin.

The lithologic and driller's logs (reports) were generally difficult to interpret without stratigraphic markers from the well site geologist or use of local geologic subsurface mapping. The DBS&A team's lithologic interpretation of the Capitan Reef Complex was based on reports of massive white fossiliferous limestone beds and lost circulation. All comments on the driller's reports made by oil and gas geologists concerning geologic formation or group tops and/or bases were captured in the dataset compiled, *Capitan_Dataset*.

A concerted effort was made to interpret and integrate as many lithologic descriptions from driller's reports as possible into the geophysical log stratigraphic framework. However, there is a large area in the western portion of the Capitan Reef Complex, from the northern Guadalupe Mountains to Apache Mountains, for which few driller's reports and geophysical logs exist (Figure 7).



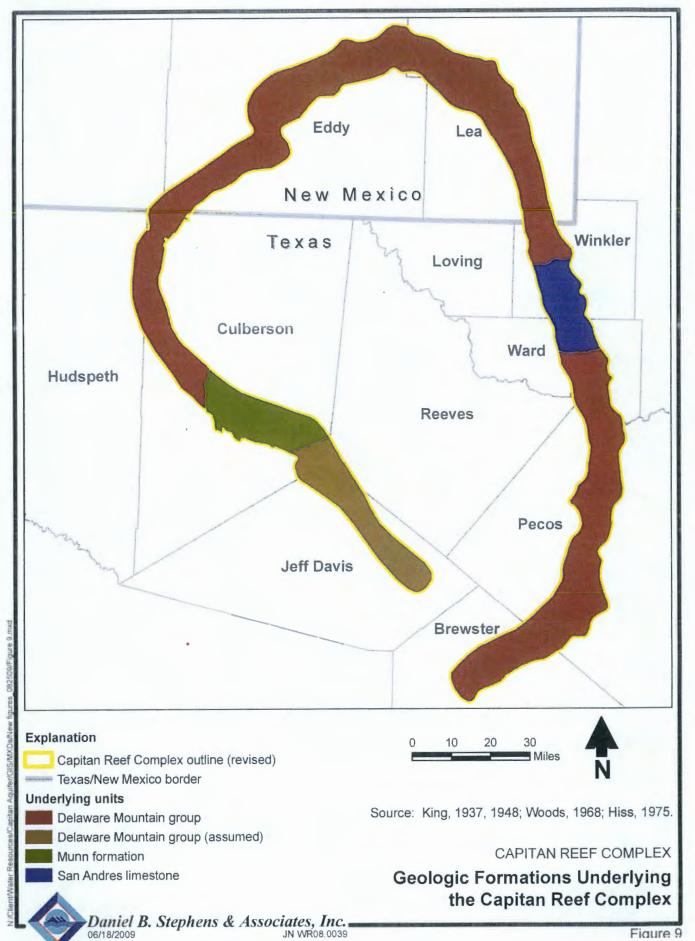
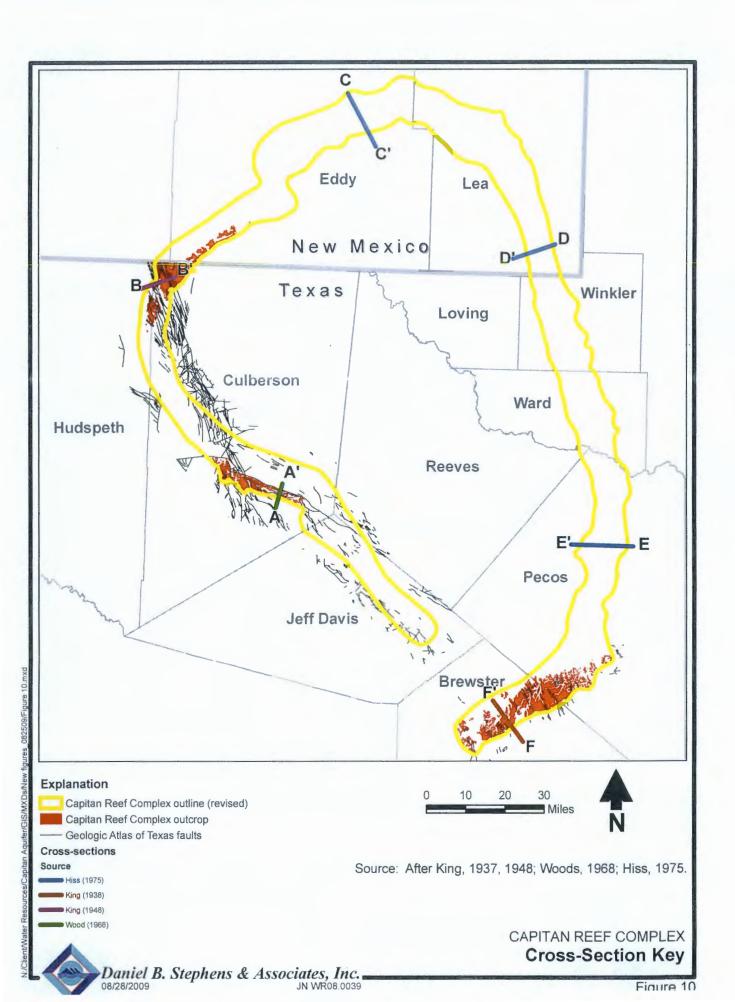
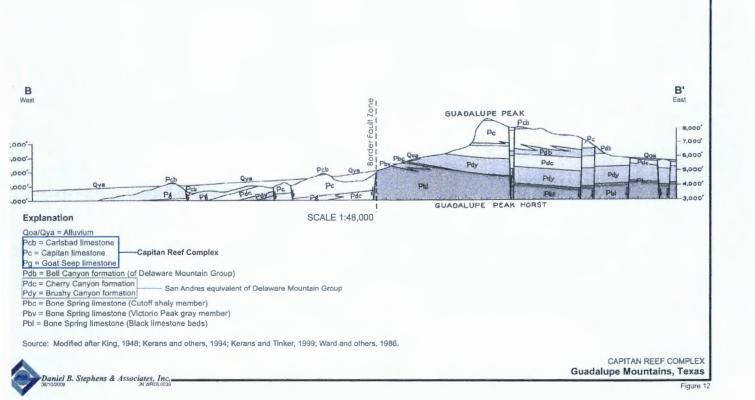
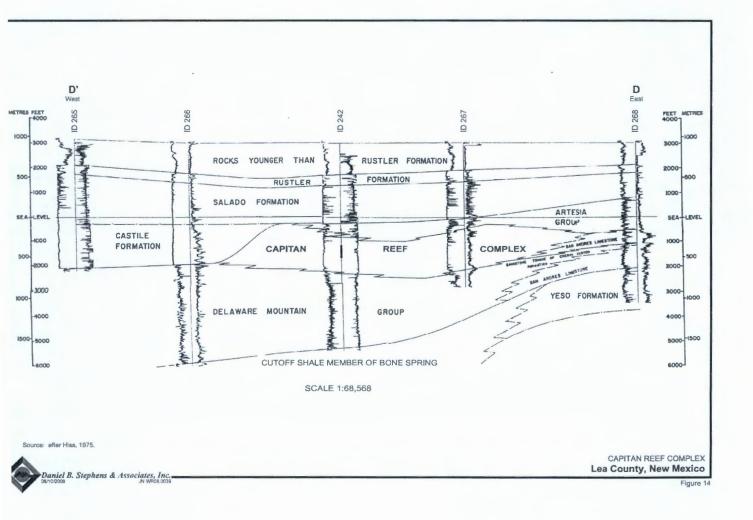
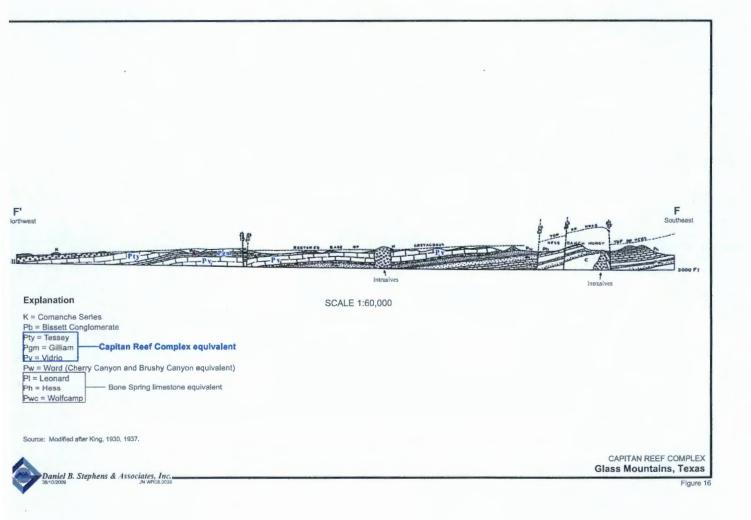


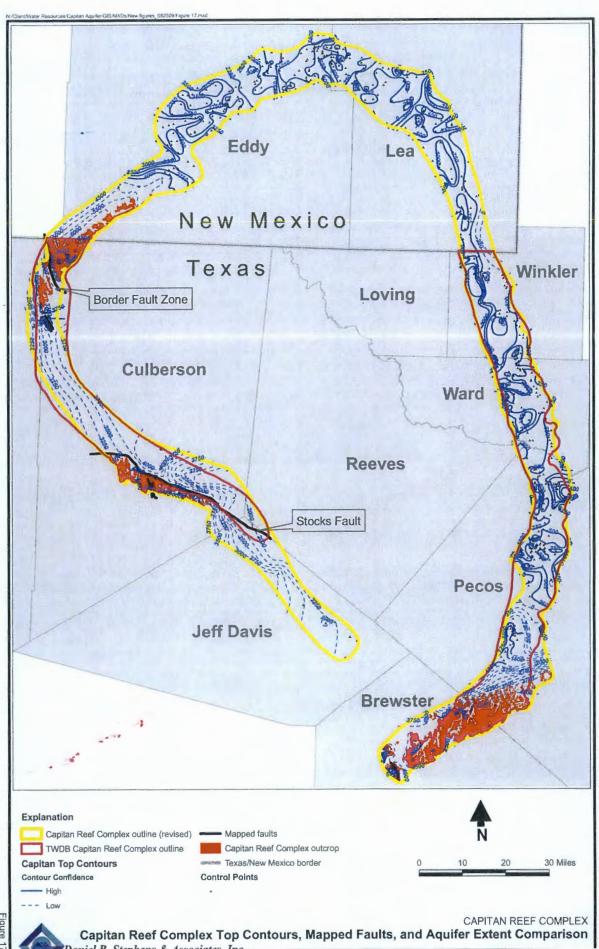
Figure 9











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sin(A) = Z/Y

where A = measured dip in degrees

Z =true thickness in feet

Y = apparent thickness (measured distance across the outcrop) in feet

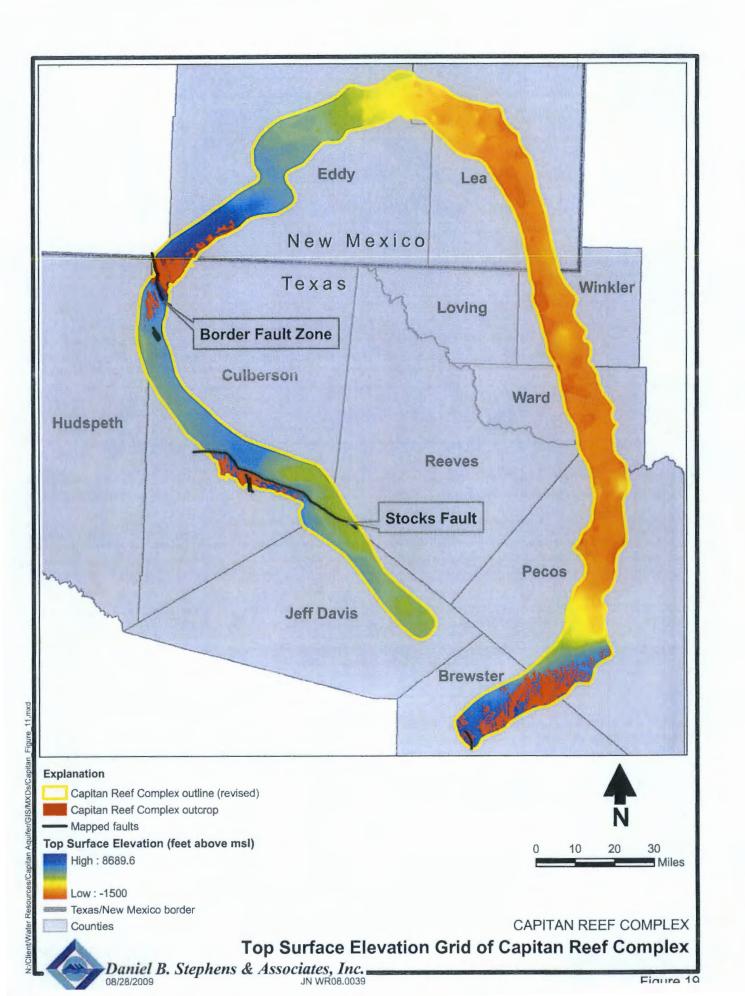
The calculated outcrop true thickness was used to supplement thickness data from the *Capitan Dataset* to construct the *Cap Isopach* contour shapefile (Figure 18).

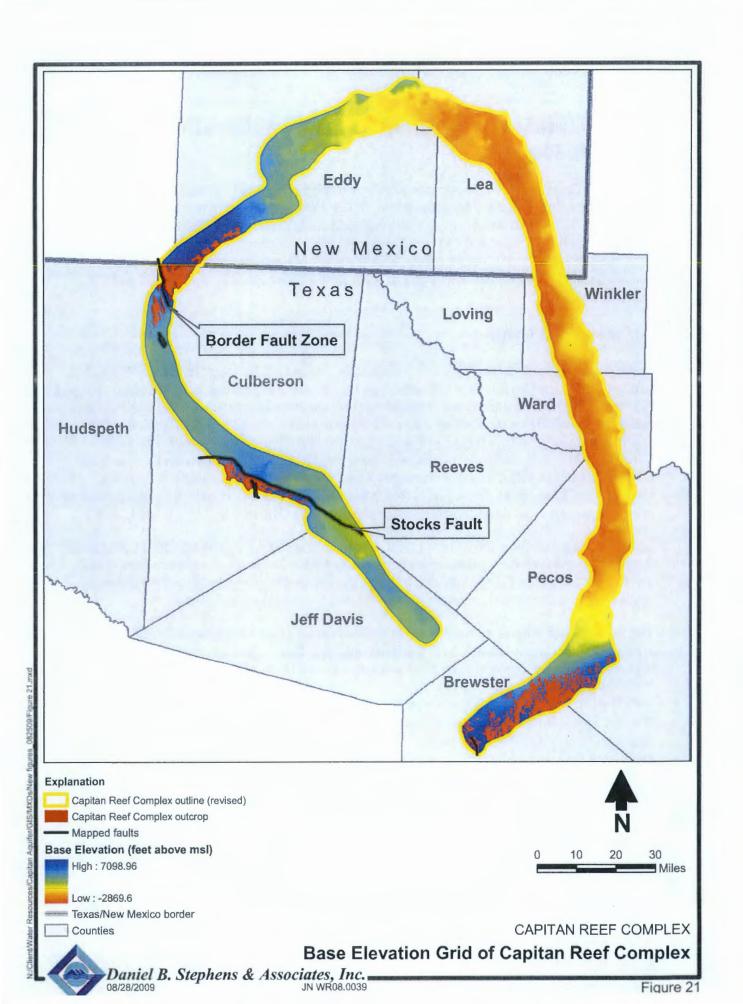
4.8.1 Faults identified during structural contouring

The Capitan Reef Complex top surface was contoured based on available data points, while considering the local GAT fault information. If the available data points in an area did not support the existence of a fault, even if a GAT fault had been mapped, a fault was not integrated into the Capitan Reef Complex surface. A GIS mapped fault file was created named mapped faults.

A total of seven normal GAT faults were confirmed by subsurface well data (Capitan_Dataset) and are included in the GIS file mapped_faults. The areas with abundant mapped faults generally had poor well control and limited subsurface data (Figures 4 and 5). Two major faults were delineated with the combination of subsurface well data and available surface geology:

- The largest fault confirmed was the northwest-southeast trending Border Fault Zone, which separates the Guadalupe Mountains and Patterson Hills with a fault throw ranging from 1,000 to more than 2,000 feet (Figure 17).
- The second confirmed fault is the Stocks Fault in the Apache Mountains which is a west northwest-east southeast trending fault with a mapped fault throw of more than 1,000 feet (Figure 17). Note that the existence of the Stocks Fault has been the subject of much debate (Hill, 1996), and the GAT (including digital geologic maps) does not contain the Stocks Fault; however, detailed mapping by Wood (1968) combined with the data analysis in this study supports the existence of the Stocks Fault.





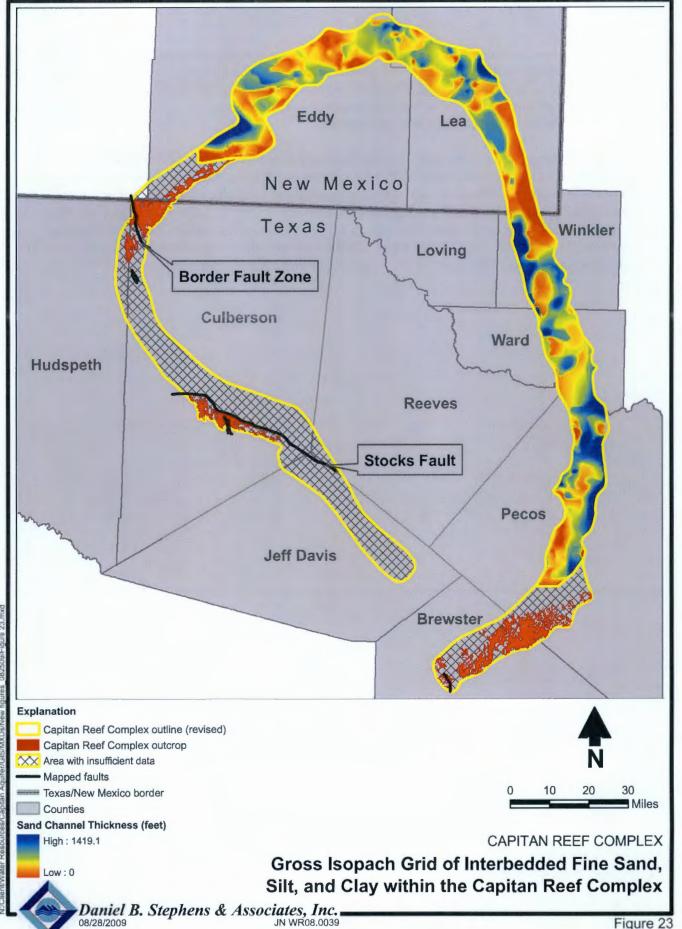


Figure 23

potentially low hydrogeologic properties. Since there was minor sand within this clastic facies, the proposed net sand interpolation was determined to be of no value and was not completed. Instead, a gross isopach thickness of the interval was created (Figure 23). Until additional research or information for these intervals becomes available, groundwater contained within this gross interval should be considered semiconfined.

Areas with large fault offsets may result in the stratigraphic alignment of more permeable Capitan Reef Complex carbonates with adjacent less permeable subsurface formations (Delaware Mountain Group or Artesia Group). This juxtaposition of subsurface formations may significantly impact local and regional groundwater flow systems. Areas with large fault offsets where the Capitan Reef Complex carbonates are in communication with different stratigraphy include (1) the eastern edge of Salt Basin, (2) the southern edge of the Border Fault Zone, and (3) the stratigraphic sequence north of the Stocks Fault in the Apache Mountains.

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Appendix A

Database Development

Appendix A. Database Development

A.1. Geo-referencing and Location Verification

Project work began with georeferencing several large structural and location maps from Hiss's 1975 doctoral dissertation titled "Stratigraphy and Ground-Water Hydrology of the Capitan Aquifer, Southeastern New Mexico and Western Texas." DBS&A staff digitized Hiss's aquifer outline as well as structural top and isopach thickness maps of the Capitan Reef Complex. In addition, Hiss's well locations were digitized from his base map. A digital 30-meter digital elevation model (DEM) was used to assign a land surface elevation to each of Hiss's well locations, and the digitized information described above was used to calculate a thickness and a base of the Capitan Reef point file dataset for all of Hiss's wells using ArcGIS Spatial Analysis tools.

The following sources were investigated for additional data:

- Geophysical logs, scout tickets, and driller's reports from the Bureau of Economic Geology
- Geophysical logs from the surface casing department of the Texas Commission on Environmental Quality
- The WIID database maintained by the Texas Water Development Board
- The USGS report Geology and water resources of the Carlsbad area, Eddy County, New Mexico (Bjorklund and Motts, 1959)
- New Mexico State Engineer Technical Report 38, Capitan aquifer observation-well network, Carlsbad to Jal, New Mexico (Hiss, 1973)
- The New Mexico Oil Conservation Division (OCD) web site
- Bulletin 6106, Geology and ground-water resources, Pecos County, Texas, Volumes I & II (Texas Board of Water Engineers, October 1961)
- Report 125, Water resources of Ward County, Texas (Texas Water Development Board, February 1971)
- Bulletin 5916, Geology and ground-water resources of Winkler County, Texas (Texas Board of Water Engineers, November 1959).

The next step was to enter location points for data gathered from the additional sources. To do this, the team would attempt to locate the well using any land survey, attached map, or directional information provided in the source document. In rare cases, latitude and longitude coordinates were provided. Most often, however, the team used the given information and attempted to locate the point in ArcMap using the state well grid layer, county land survey data, and county roads. If the source document had sufficient information to locate the point, it was

digitized and then assigned an accuracy value from 1 to 3 based on the detail level of the location information provided:

- A value of 1 corresponds to those points that were plotted using latitude and longitude and represents an estimated location error of less than 0.5-mile radius.
- A value of 2 was initially assigned to most points digitized and represents a location error between 0.5- and 1-mile radius.
- A value of 3 represents a location error of 1 to 1.5 miles and was assigned to points that the team had difficulty locating with some amount of certainty.

A 30-meter DEM was added and georeferenced for the study area to allow the team to extract DEM elevation values for all points that fell within its boundaries. Because the study area is too large to allow for downloading from the USGS seamless server one single DEM that covers the entire area, the DEM was downloaded in sections and "stitched" together using the ArcGIS Spatial Analyst tool "Mosaic to New Raster." The new single raster was then compared with the individual parts to ensure that it was created properly. Following this, Raster Calculator was used to convert the DEM units from meters to feet using the conversion factor of 1 meter = 3.28084 feet. QA/QC checks were performed subsequent to this conversion to ensure that the calculation performed properly.

A.2. Data Screening Criteria

Selected data for the database were originally entered into an Excel spreadsheet that was then imported into ArcGIS and added to the geodatabase prior to product delivery. This original Excel spreadsheet has undergone numerous iterations and corrections. Most of the work in building the dataset was simple data capture of information provided by the source materials. Unit tops and bottoms were entered from geophysical logs, driller's reports, scout tickets, and other previously identified reports and publications data sources.

Data were rigorously pre-screened prior to data entry. Screening criteria included depth of the well, location information, and whether the document in question provided useful lithologic information that could be used to pick out the Capitan and/or overlying or underlying units.

Elevations from the 30-meter DEM were extracted for each point that lies within its boundaries. These were the elevations used to calculate top and bottom unit elevations with reference to sea level for each applicable unit pick, with the notable exception of the Hiss (1975) data points. Hiss's data provided Capitan picks with reference to sea level, rather than depth-to-unit from surface. Further, the Hiss data did not include elevation information for each point from source data. Thus, the team had no way to recalculate elevations for the Hiss data. Research into Hiss's source data by Steven Finch, Jr., of John Shomaker & Associates, Inc., revealed that Hiss closely guarded his data and that, upon completion of his report, Hiss returned all the information that he had used to the data originator(s), as it appears to have been proprietary and not to be made public. The data to support Hiss's picks is thus not available for examination or publishing.

For many digitized points, no latitude and longitude information was provided. The team used ArcGIS to obtain X and Y coordinate values for these points once they had been digitized. These points were later reprojected in a layer using the NAD83 decimal degree geographic coordinate system, which allowed the team to get latitude and longitude values for these points. Shapefiles were also reprojected into GAM projection so that X and Y coordinates could be added for this projection system. Thus, each point used in the project has X/Y State Plane Texas Central FIPS 4203 (feet) coordinates, latitude/longitude decimal degree coordinates, and GAM X/Y coordinates.

A.3. Quality Assurance of Database

Quality assurance (QA) and quality control (QC) were ongoing during the construction of the dataset and geodatabase and included the following:

- Data were regularly compared between the most current dataset and reference datasets to catch any sorting errors that might have occurred. This was performed by copying several columns such as ID, LAT, DEM_ELEV, and T_CPT_ELEV from both datasets into a new spreadsheet and comparing them to ensure that the data entered for each unique ID number matched both datasets. Any discrepancies were thoroughly investigated and repairs to the dataset initiated. Further, to minimize sorting errors or other data manipulation errors that can occur when working with data in Excel, the dataset was manipulated while in ArcGIS to the extent practicable.
- With data coming from so many varied sources, the team suspected that duplicate points existed. Duplicates were found by sorting the dataset by *Total Depth* (TD) and looking for duplicates. If duplicate TDs were found, the rest of the data for those points was examined. If a duplicate was found, the one with the least information was deleted from the dataset. Additionally, clusters of points on the map were examined in ArcGIS to determine if any of the points located close to one another might be duplicates. Since some oil and gas wells have been re-entered and deepened, it was possible that duplicate entries would exist for the same well, but would have different TDs and not be detected by the TD comparison screening method. Duplicate points found using this map-query method were treated in a similar fashion to those found with the TD comparison method with the least useful point being removed from the dataset.
- Picks for the bottom of the Capitan sometimes were equivalent to the well TD. The team
 believed it highly unlikely that the bottom of the Capitan would correspond to the well TD
 except upon rare chance occurrences. In the case that wells were found to have a TD
 measurement that corresponded to a bottom of Capitan pick, the bottom pick was deleted
 for that point and a note made in the Comment section indicating that the well TD occurs
 in the Capitan.
- Structural contour maps were generated to provide another layer of QA/QC. Anomalies identified during contouring were investigated in ArcMap, and hard copies of the well report, if available, were examined to check the accuracy of the stratigraphic top and or base selection. In many cases, data density in the area in question was sufficient to exclude the anomalous point and it was removed from the dataset. More rarely, an anomaly would manifest in an area with sparse data coverage. Unfortunately, the questionable data often

was for the top and/or base selections of the Capitan Reef Complex. If review of the hard copy (when available) didn't provide any clarification for the anomaly, the point was removed from the dataset.

Appendix B GIS Attribute Definitions

Appendix B. GIS Attribute Definitions

Attribute	Definition
Point Files	
Data Sources: Capita	n_Dataset, Geophysical_logs, Geophysical_logs_select,
NM_JSAI_dataset, TO	CEQ Qlogs, Hiss_crs_sects_GAM, Hiss_wells_dem_GAM,
Top_elev_sand, TX_N	NM Border, Boundary Wells GAM
ID	Unique identification number assigned to that point or, for some files
	(e.g. TX_NM Border), it is the number in the attribute column
	generated by ArcGIS when the shapefile was created;
LAT	Latitude in decimal degrees;
LONG	Longitude in decimal degrees;
LOC ACCUR	The location accuracy value assigned to that point's location on a scale
_	of one (1) to three (3) where 1 is accurate to less than a 1/2 mile radius
	(lat/long given), 2 is accurate to within 1/2 to 1 mile radius (good map
	or survey information provided), and 3 is accurate to within 1 to 1.5
	mile radius;
PICK RELIA	A reliability value assigned to each point's geologic interpretation on a
_	scale of 1 to 3 where 1 is excellent data such as that provided by
	geophysical logs, 2 is good data such as that provided by descriptive
	scout tickets or driller's logs, and 3 is fair data such as that provided by
	Hiss' datapoints or other data that is less than ideal in description;
SOURCE_REF	The Source or Reference that provided information about that specific
	point;
API_NO	The API Identification number assigned to the log associated with that
	point, if applicable;
COUNTY	The County in Texas or New Mexico where the point is located;
OP_WELL_NO	The Operator and Well Number of that well, if provided in source data;
SURVEY	The Land Survey information for either Texas or New Mexico for that
	well, if provided by the source data;
ELEV	The given elevation with reference to sea level for that point from its
	source data;
DEM_ELEV	Elevation with reference to sea level for that point extracted from the
	Digital Elevation Model based on that point's location;
TD	Total Depth of well, if given;
T_RUSTLER	Depth to top of the Rustler Formation, if applicable;
T_RUS_ELEV	Elevation with reference to sea level to the top of the Rustler
	Formation, if applicable;
T_CPTN_RF	Depth to top of the Capitan Formation, if applicable;
T_CPT_ELEV	Elevation with reference to sea level to the top of the Capitan
	Formation, if applicable;
B_CPTN_RF	Depth to bottom of the Capitan Formation, if applicable;
B_CPT_ELEV	Elevation with reference to sea level to the bottom of the Capitan
	Formation, if applicable;
T_TANSILL	Depth to top of the Tansill Formation, if applicable;

Attribute	Definition				
T_TAN_ELEV	Elevation with reference to sea level to the top of the Tansill				
	Formation, if applicable;				
T CRLSBAD	Depth to top of the Carlsbad Formation, if applicable;				
T_CRL_ELEV	Elevation with reference to sea level to the top of the Carlsbad				
	Formation, if applicable;				
T YATES	Depth to top of the Yates Formation, if applicable;				
T_YTS_ELEV	Elevation with reference to sea level to the top of the Yates Formation,				
	if applicable;				
T 7 RIVERS	Depth to top of the Seven Rivers Formation, if applicable;				
T_7RV_ELEV	Elevation with reference to sea level to the top of the Seven Rivers				
	Formation, if applicable;				
T DEL LIME	Depth to top of the Delaware Formation (limestone portion), if				
	applicable;				
T DELM ELE	Elevation with reference to sea level to the top of the Delaware				
	Formation (limestone portion), if applicable;				
T DEL SAND	Depth to top of the Delaware Formation (sand portion), if applicable;				
T DESD ELE	Elevation with reference to sea level to the top of the Delaware				
	Formation (sand portion), if applicable;				
T_DELUNDIF	Depth to top of the Delaware Formation (undifferentiated), if				
	applicable;				
T_DEUN_ELE	Elevation with reference to sea level to the top of the Delaware				
	Formation (undifferentiated), if applicable;				
T_QUEEN	Depth to top of the Queen Formation, if applicable;				
T_QN_ELEV	Elevation with reference to sea level to the top of the Queen				
	Formation, if applicable;				
T_GRAYBURG	Depth to top of the Grayburg Formation, if applicable;				
T_GRBG_ELE	Elevation with reference to sea level to the top of the Grayburg				
	Formation, if applicable;				
T_SAN_ANDR	Depth to top of the San Andres Formation, if applicable;				
T_SNDR_ELE	Elevation with reference to sea level to the top of the San Andres				
	Formation, if applicable;				
T_SAN_ANGE	Depth to top of the San Angelo Formation, if applicable;				
T_SNGL_ELE	Elevation with reference to sea level to the top of the San Angelo				
	Formation, if applicable;				
T_CHY_CNYN	Depth to top of the Cherry Canyon Formation, if applicable;				
T_CHCNYN_E	Elevation with reference to sea level to the top of the Cherry Canyon				
	Formation, if applicable;				
T_BRY_CNYN	Depth to top of the Brushy Canyon Formation, if applicable;				
T_BRCNYN_E	Elevation with reference to sea level to the top of the Brushy Canyon				
	Formation, if applicable;				
T_GLORIETA	Depth to top of the Glorieta Formation, if applicable;				

Attribute	Definition
T_GLOR_ELE	Elevation with reference to sea level to the top of the Glorieta
	Formation, if applicable;
T_CLRFRK	Depth to top of the Clear Fork Formation, if applicable;
T CLRFRK E	Elevation with reference to sea level to the top of the Clear Fork
_	Formation, if applicable;
T_BONE_SPR	Depth to top of the Bone Spring Formation, if applicable;
T_BNSPR_EL	Elevation with reference to sea level to the top of the Bone Spring
	Formation, if applicable;
T_LEONARD	Depth to top of the Leonard Series, if applicable;
T_LEONRD_E	Elevation with reference to sea level to the top of the Leonard Series, if
	applicable;
COMMENT	Comments that are pertinent to that point;
THICK CAP	Thickness of the Capitan at that point; if applicable;
TOP_UNIT	Name of the formation overlying the Capitan, if it can be determined;
JSAI NUM	Unique identification number assigned to points that came from John
_	Shomaker & Associates, Inc.;
SP_X	The X-coordinate position in State Plane Texas Central FIPS 4203
	(feet) projected coordinate system;
SP_Y	The Y-coordinate position in State Plane Texas Central FIPS 4203
	(feet) projected coordinate system;
GAM_X	The X-coordinate position in GAM projected coordinate system;
GAM_Y	The Y-coordinate position in GAM projected coordinate system;
FILE	The M# assigned to individual geophysical logs by the Bureau of
	Economic Geology;
OPERATOR	The Company or Companies listed as the operator of the well;
LEASE	The name of the oil or gas lease associated with each geophysical log;
FIELD_NAME	The name of the oil or gas field where the well was drilled, if
	applicable;
LOG TYPES	The types of wireline logs run in the applicable hole;
TOP_AVAIL	The available top of the geophysical log, or where the log starts;
BOT_AVAIL	The available bottom of the geophysical log, or where the log ends;
LOG_DATE	The date the geophysical log was made;
HOLE_TYPE	The type of hole from the geophysical log, if given;
UTM27X_M	The X-coordinate position in UTM Zone 13N, NAD 1927, meters
	projection;
UTM27Y_M	The Y-coordinate position in UTM Zone 13N, NAD 1927, meters
	projection;
RASTERVALU	The elevation of that point as extracted from the DEM.
The following attribu	tes are unique to the <i>Top_elev_sand</i> shapefile:
POINT_X	GIS generated lateral spatial location;
POINT_Y	GIS generated longitudinal spatial location;
CAPR T ELV	Elevation with reference to sea level to the top of the Caprock;

Attribute	Definition
CAPR BS EL	Elevation with reference to sea level to the bottom of the Caprock;
CAPR THICK	Thickness of Caprock, in feet;
CAP T ELV	Elevation with reference to sea level to the top of the Capitan
	Formation;
CAP_BS_ELV	Elevation with reference to sea level to the bottom of the Capitan
	Formation;
CAP THICK	Thickness of the Capitan Formation, in feet.
The following attribu	ites are unique to Hiss_crs_sects_GAM and Hiss_wells_dem_GAM
shapefiles:	
BOT CAP	Bottom of Capitan at that point calculated by subtracting the given
_	thickness from the given top;
WELL	The lease name of the well as given in the source information;
CRS_SEC	The field that identifies which cross-section(s) of Hiss' to which this
_	well belongs;
F7	Number of feet from section line;
F8	Section line to which F7 refers;
F9	Number of feet from section line;
F10	Section line to which F9 refers;
F11	Survey section information;
F12	Land survey township or survey block information;
F13	Land survey range information or survey name;
LGRD	Elevation of point, as given in source data from Hiss' cross-sections;
T_TSY_ELEV	Elevation with reference to sea level to the top of the Tessy Formation, if applicable;
B_TSY_ELEV	Elevation with reference to sea level to the bottom of the Tessy
D_ISI_ELLV	Formation, if applicable;
T_RUST_ELE	Elevation with reference to sea level to the top of the Rustler
I_KOSI_EEE	Formation, if applicable;
B_RUST_ELE	Elevation with reference to sea level to the bottom of the Rustler
	Formation, if applicable;
T SLDO ELE	Elevation with reference to sea level to the top of the Salado
	Formation, if applicable;
B SLDO ELE	Elevation with reference to sea level to the bottom of the Salado
	Formation, if applicable;
T_ART_ELEV	Elevation with reference to sea level to the top of the Artesia Group, if
	applicable;
B_ART_ELEV	Elevation with reference to sea level to the bottom of the Artesia
	Group, if applicable;
T_CSTILE_E	Elevation with reference to sea level to the top of the Castile
	Formation, if applicable;
B_CSTILE_E	Elevation with reference to sea level to the bottom of the Castile
	Formation, if applicable;

Attribute	Definition
T_CPTN_ELE	Elevation with reference to sea level to the top of the Capitan
	Formation, if applicable;
B_CPTN_ELE	Elevation with reference to sea level to the bottom of the Capitan
	Formation, if applicable;
T SALS ELE	Elevation with reference to sea level to the top of the San Andres
	limestone, if applicable;
B_SALS_ELE	Elevation with reference to sea level to the bottom of the San Andres
	limestone, if applicable;
T_DLMTNG_E	Elevation with reference to sea level to the top of the Delaware
	Mountain Group, if applicable;
B DLMTNG E	Elevation with reference to sea level to the bottom of the Delaware
	Mountain Group, if applicable;
B BNSPR EL	Elevation with reference to sea level to the bottom of the Bone Spring
	Formation, if applicable;
B_CHCNYN_E	Elevation with reference to sea level to the bottom of the Cherry
	Canyon Formation, if applicable;
T YESSO EL	Elevation with reference to sea level to the top of the Yesso Formation,
	if applicable;
B YESSO EL	Elevation with reference to sea level to the bottom of the Yesso
	Formation, if applicable.
Polyline Files	
Data Sources: Capita	n Reef Outline, mapped_faults, Cap_Isopach, Cap_Top_Contours,
Published_Lines_of	
THICK_CONT	Thickness of Capitan (in feet);
CONTOUR	Contour lines (in feet) indicating the top of the Capitan referenced to
	mean sea level;
ID	Unique fault identification number assigned to faults in the
	mapped_faults shapefile or identification number attribute column
	generated by ArcGIS when the shapefile (Capitan Reef Outline,
	Cap_Isopach, Cap_Top_Contours, Published_Lines_of_Section) was
	created;
FAULT_NAME	The name associated with a particular fault in the mapped_faults
	shapefile;
CONFIDENCE	Used in the Cap_Top_Contours polyline file. A value of 1 corresponds
	to contour lines that have good well control. A value of 2 corresponds
	to contour lines that have poor well control;
Source	The published source information for the applicable line of section;
Shape_Length	The length of each respective polyline in the shapefile.

Attribute	Definition
Polygon Files	
Data Sources: Capita	n_Outline_Poly, Sand_Channel_Outline, No_data_area,
Capitan_overlying_u	nits, Capitan_underlying_units
Id	Identification number attribute column generated by ArcGIS when the
	shapefile was created;
GEOLOGI_ID	Attribute column generated by ArcGIS during shapefile creation and
	renamed, but not used;
AREA	Area of specific formation, if known;
DESCRIPTIO	Geologic name and/or description of area represented by polygon;
Shape_Length	Length of the polygon in the shapefile;
Shape Area	Area of the polygon in the shapefile;
Units	Formation name represented by the polygon.

STATE OF NEW MEXICO ENERGY AND MINERALS DEPARTMENT OIL CONSERVATION DIVISION

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

CASE NO. 8405 Order No. R-7935

APPLICATION OF P & O TREATING PLANT FOR AN AMENDMENT OF ADMINISTRATIVE ORDER SWD-272, LEA COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8 a.m. on November 14, 1984, at Santa Fe, New Mexico, before Examiner Gilbert P. Quintana.

NOW, on this 4th day of June, 1985, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

- (1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.
- (2) The applicant, P & O Treating Plant, is the owner and operator of the Meador "A" Well No. 1, located in Unit G of Section 10, Township 25 South, Range 36 East, NMPM, Lea County, New Mexico.
- (3) Administrative Order SWD-272 dated May, 1984, authorized P & O Treating Plant to utilize the Meador "A" Well No. 1 to dispose of produced salt water into the Delaware formation from a depth of approximately 5406 feet to 5426 feet in said well.
- (4) The applicant now proposes to utilize said well to dispose solely Seven Rivers formation waters produced from certain wells as shown on Exhibit "A" attached to this order and to change the injection interval to the Seven Rivers formation at an approximate depth of 3690 feet to 3700 feet.

NMOCD Case No. 15723 NMSLO Exhibit #4

- (5) Administrative procedures for the approval to dispose of additional produced waters into said well should be established.
- (6) The injection wells or injection pressurization system should be so equipped as to limit injection pressure at the wellhead to no more than 250 psi, but the Division Director should have authority to increase said pressure limitation, should circumstances warrant.
- (7) The injection should be accomplished through 2 3/8-inch plastic lined tubing in a packer set at approximately 3600 feet; the casing-tubing annulus should be filled with an inert fluid; and a pressure gauge or approved leak detection device should be attached to the annulus in order to determine leakage in the casing, tubing, or packer.
- (8) The operator should notify the supervisor of the Division's Hobbs district office of the date and time of the plugging of the Delaware interval and installation of disposal equipment so that the same may be witnessed.
- (9) The operator should take all steps necessary to ensure that the injection water enters only the proposed injection interval and is not permitted to escape to other formations or onto the surface.
- (10) Approval of the subject application will prevent the drilling of unnecessary wells and otherwise prevent waste and protect correlative rights.
- (11) Administrative Order SWD-272 should be superseded.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, P & O Treating Plant, is hereby authorized to utilize its Meador "A" Well No. 1, located in Unit G of Section 10, Township 25 South, Range 36 East, NMPM, Lea County, New Mexico, to dispose of produced Seven Rivers water from the wells described on Exhibit "A" to this order, into the Seven Rivers formation; injection to be accomplished through 2 3/8-inch tubing installed in a packer set at approximately 3600 feet, with injection into the interval from approximately 3690 feet to 3700 feet;

PROVIDED HOWEVER, the tubing shall be plastic-lined; the casing-tubing annulus shall be filled with an inert

fluid; and a pressure gauge shall be attached to the annulus or the annulus shall be equipped with an approved leak detection device in order to determine leakage in the casing, tubing, or packer.

- (2) The disposal waters shall be transported directly to said well through a pipeline.
- (3) The injection wells herein authorized and/or the injection pressurization system shall be so equipped as to limit injection pressure at the wellhead to no more than 250 psi, provided however, the Division Director may authorize a higher surface injection pressure upon satisfactory showing that such pressure will not result in fracturing of the confining strata.
- (4) The operator shall notify the supervisor of the Division's Hobbs District Office of the date and time of the plugging of the Delaware perforations in said well and the installation of disposal equipment so that the same may be witnessed.
- (5) The operator shall immediately notify the supervisor of the Division's Hobbs district office of the failure of tubing, casing, or packer in said well or the leakage of water from or around said well and shall take such steps as may be necessary to correct such failure or leakage.
- (6) The Supervisor of the Division's Hobbs District Office shall have the authority to administratively approve the disposal of additional produced waters from other formations into said well, provided that the applicant can demonstrate such additional disposal waters shall not adversely affect the well or endanger fresh waters. Notice of such a request by the applicant shall be mailed to the Santa Fe office of the Oil Conservation Division.
- (7) The applicant shall conduct disposal operations and submit monthly reports in accordance with Rules 701 through 708 and 1120 of the Division Rules and Regulations.
- (8) Division Administrative Order SWD-272 is hereby superseded.
- (9) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

-4-Case No. 8405 Order No. R-7935

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO

OLL CONSERVATION DIVISION

R. L. STAMETS,

Director

SEAL

EXHIBIT "A" CASE NO. 8405 ORDER NO. R-7935

WELLS AUTHORIZED TO DISPOSE PRODUCED WATER INTO THE MEADOR "A" WELL NO. 1

CONVEST ENERGY CORPORATION

Cities Services Federal Well No. 2

NE/4 SE/4, Sec. 35, T-24S, R-36E,

Lea County, NM

Cities Services Federal Well No. 4 SE/4 SE/4, Sec. 35, T-24S, R-36E, Lea County, NM

Everett Well No. 2 SE/4 SW/4, Sec. 35, T-24S, R-36E, Lea County, NM

Everett Well No. 4 SW/4 SW/4, Sec. 35, T-24S, R-36E, Lea County, NM

Arnett Ramsey State Well No. 1 NE/4 NW/4, Sec. 2, T-25S, R-36E,

Arnett Ramsey State Well No. 2 NW/4 NE/4, Sec. 2, T-25S, R-36E, Lea County, NM

Arnett Ramsey State Well No. 3 NE/4 NE/4, Sec. 2, T-25S, R-36E, Lea County, NM

Arnett Ramsey State Well No. 4 NE/4 SE/4, Section 2, T-25S, R-36E, Lea County, NM

Arnett Ramsey State Well No. 5 SW/4 NE/4, Sec. 2, T-25S, R-36E, Lea County, NM TENNECO OIL COMPANY
E. J. Wells No. 1
SE/4 NW/4, Sec. 12, T-25S,
R-36E, Lea County, NM

E. J. Wells No. 3 SW/4 NW/4, Sec. 12, T-25S, R-36E, Lea County, NM

WORLDWIDE ENERGY CORPORATION
E. J. Wells No. 3
SE/4 NE/4, Sec. 12, T-25S,
R-36E, Lea County, NM

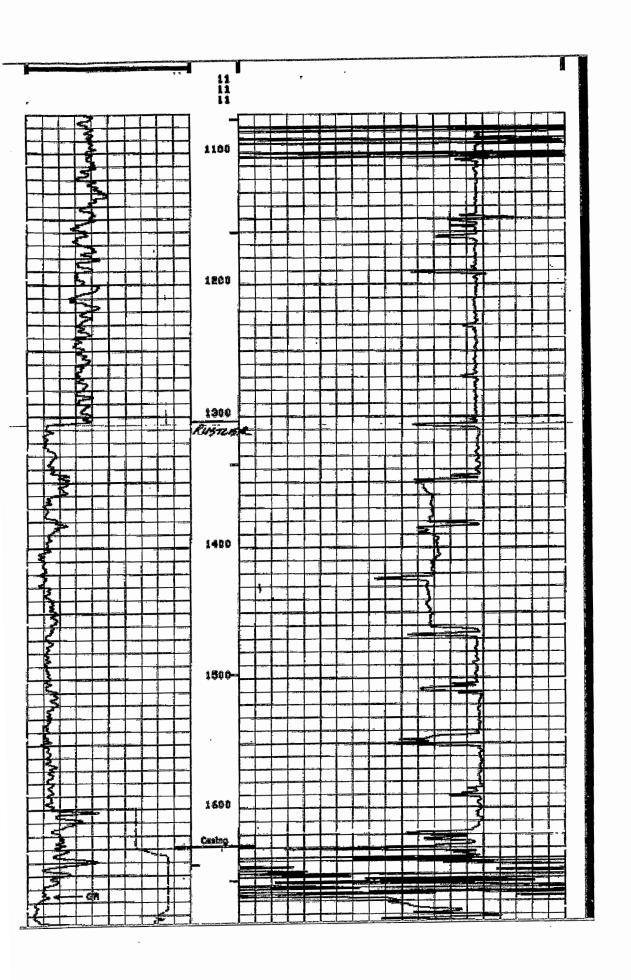
DOYLE HARIMAN
Etz Well No. 1
NW/4 NW/4, Sec. 7, T-25S,
R-37E, Lea County, NM

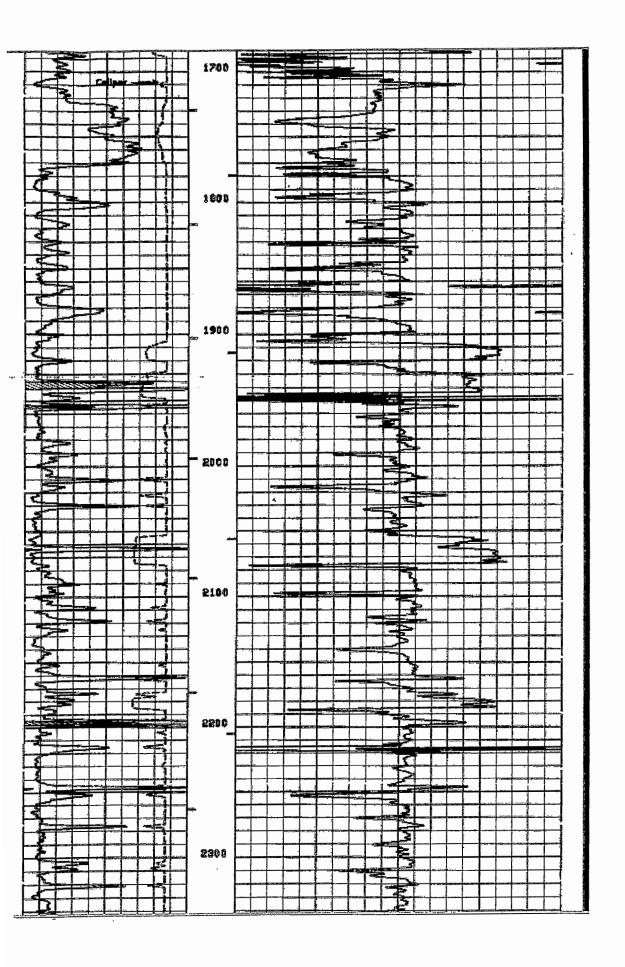
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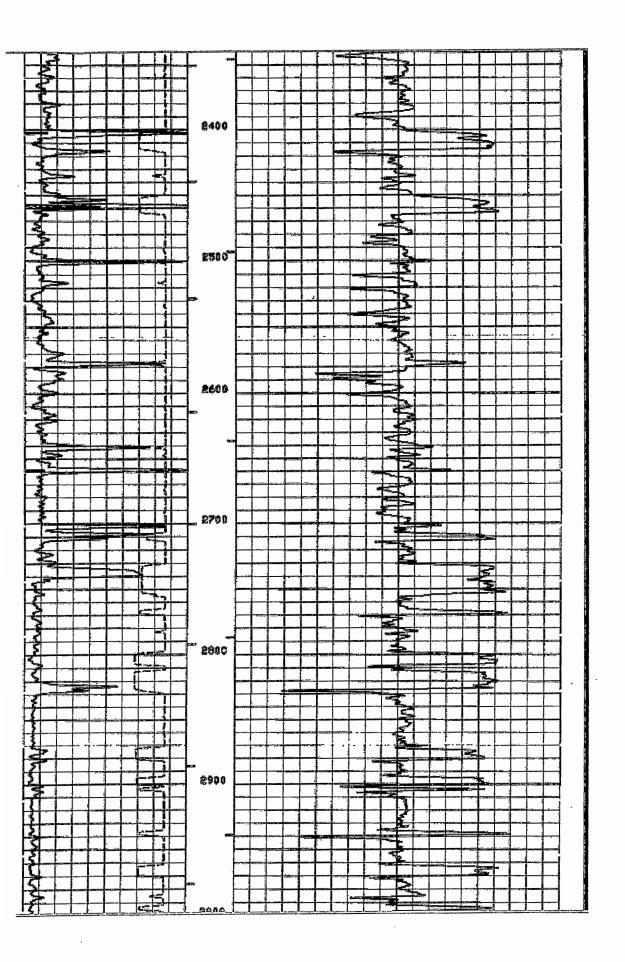
Etz Well No. 3 SW/4 NW/4, Sec. 7, T-25S, R-27E, Lea County, NM

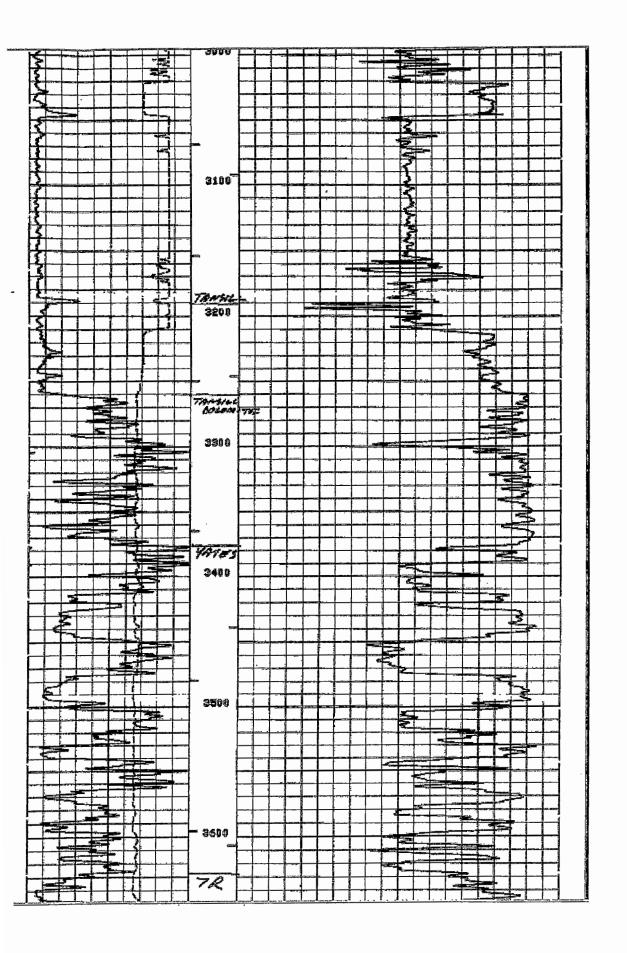
Etz Well No. 4 NW/4 NW/4, Sec. 7, T-25S, R-37E, Lea County, NM

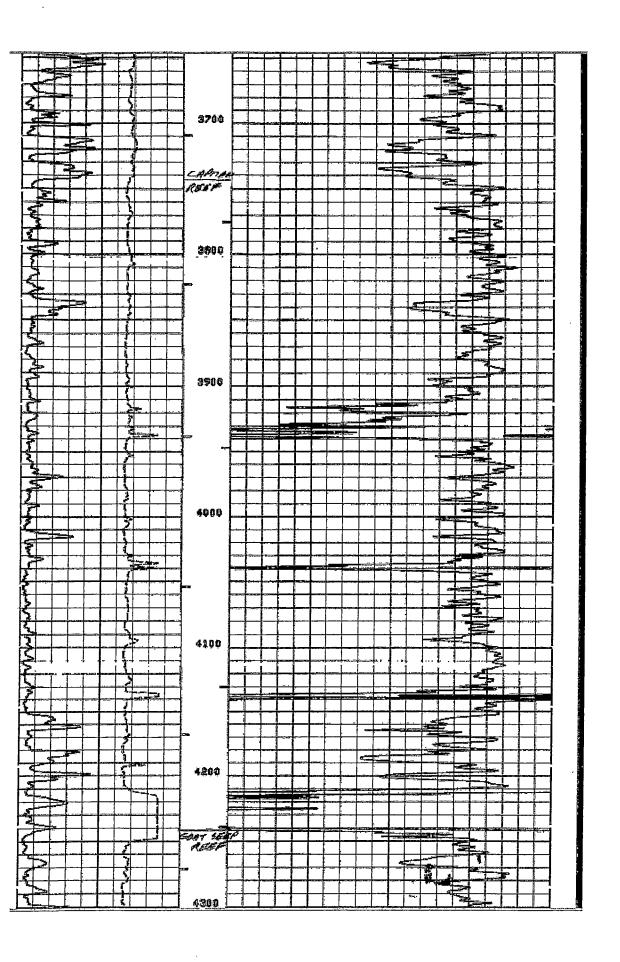
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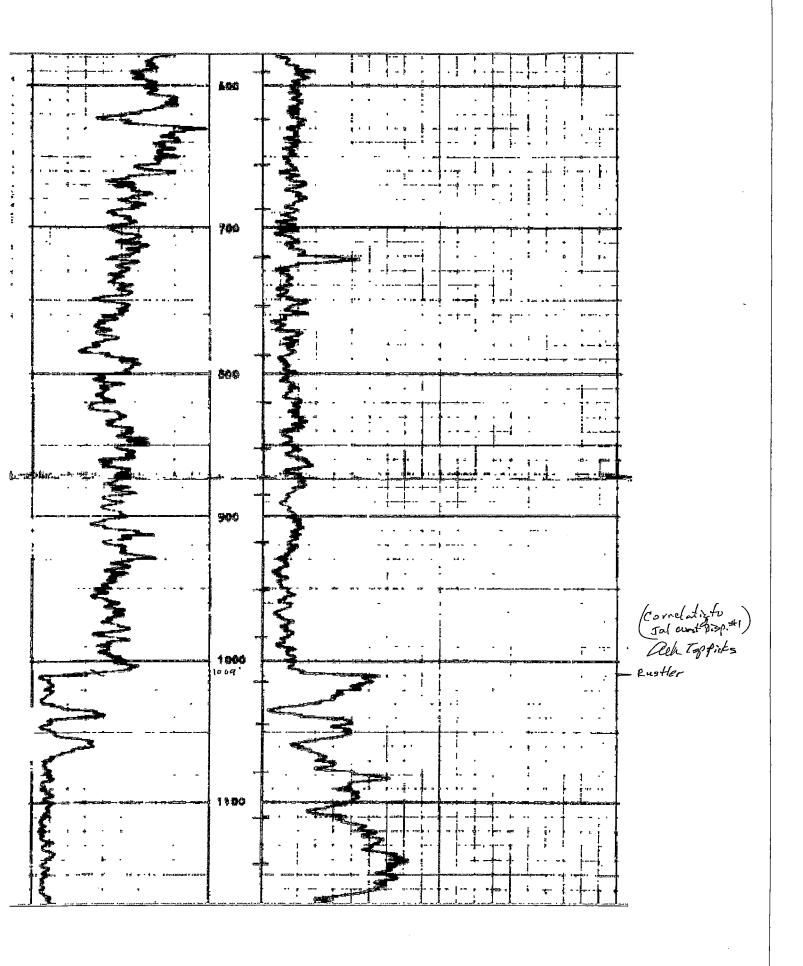
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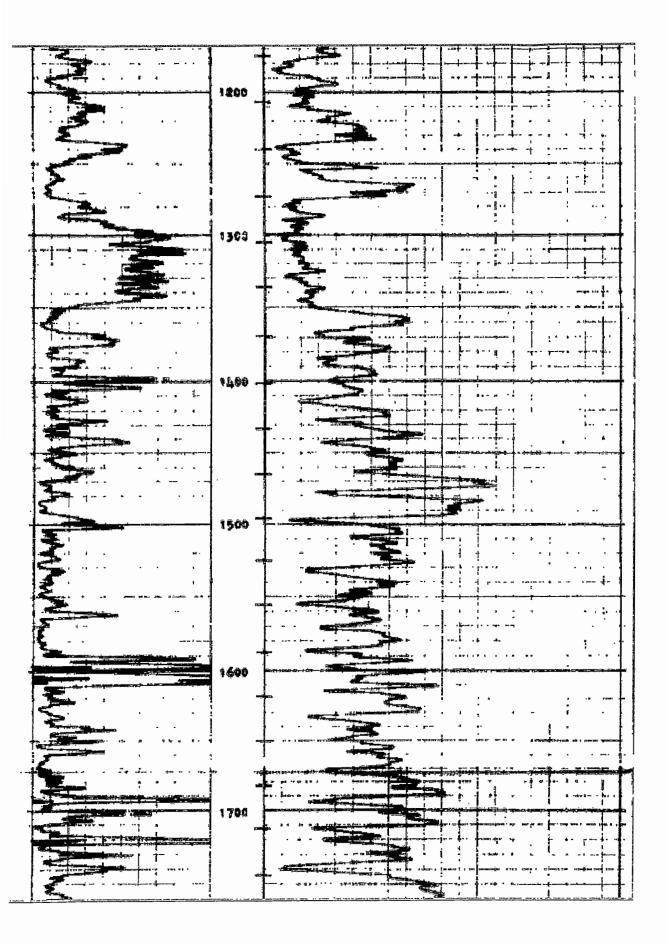
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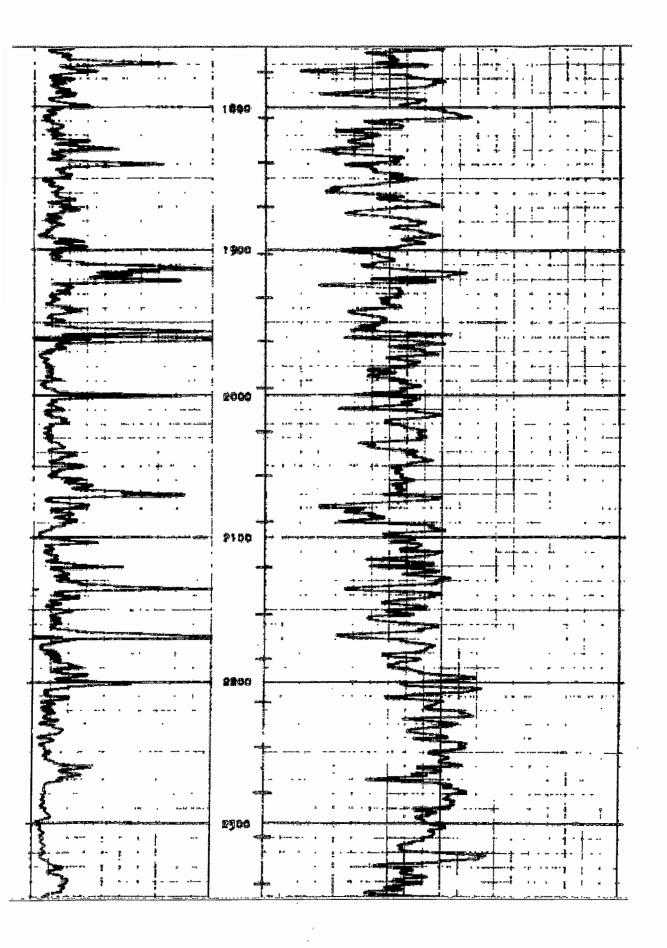
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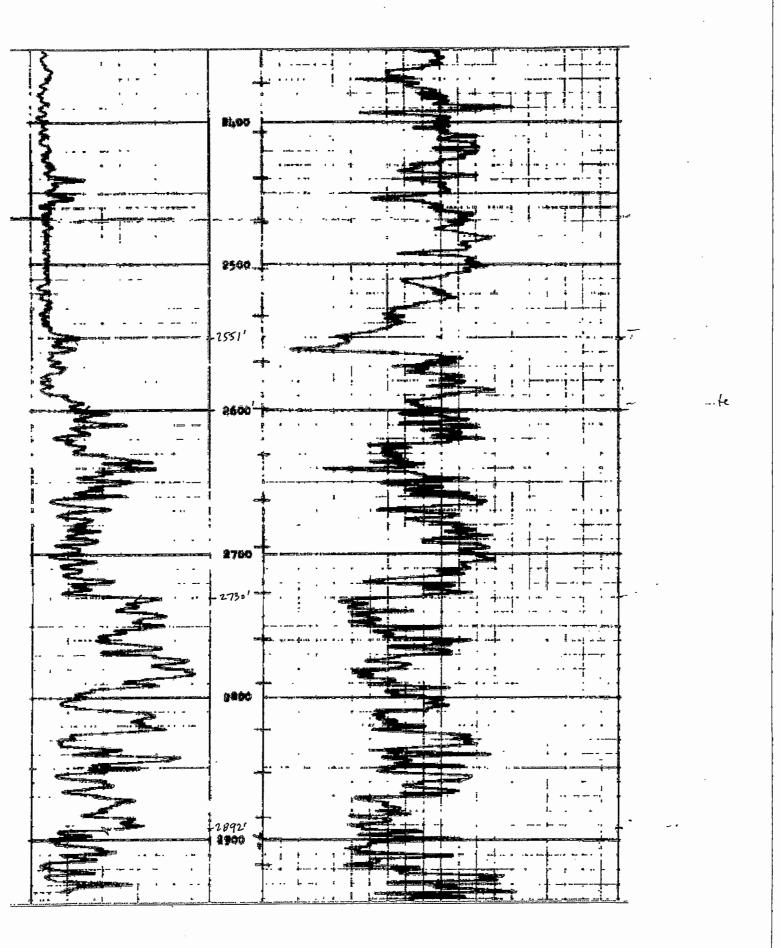
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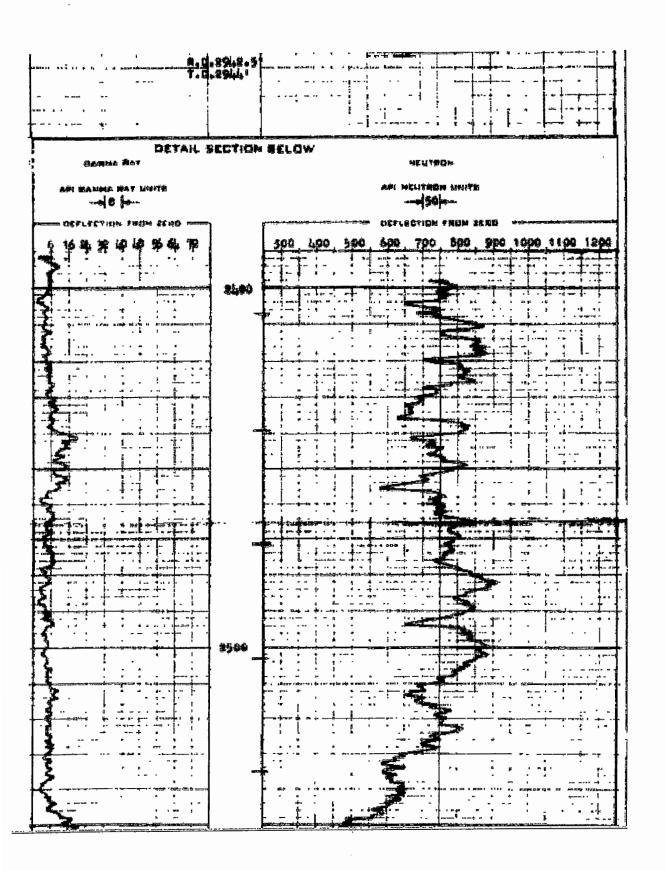
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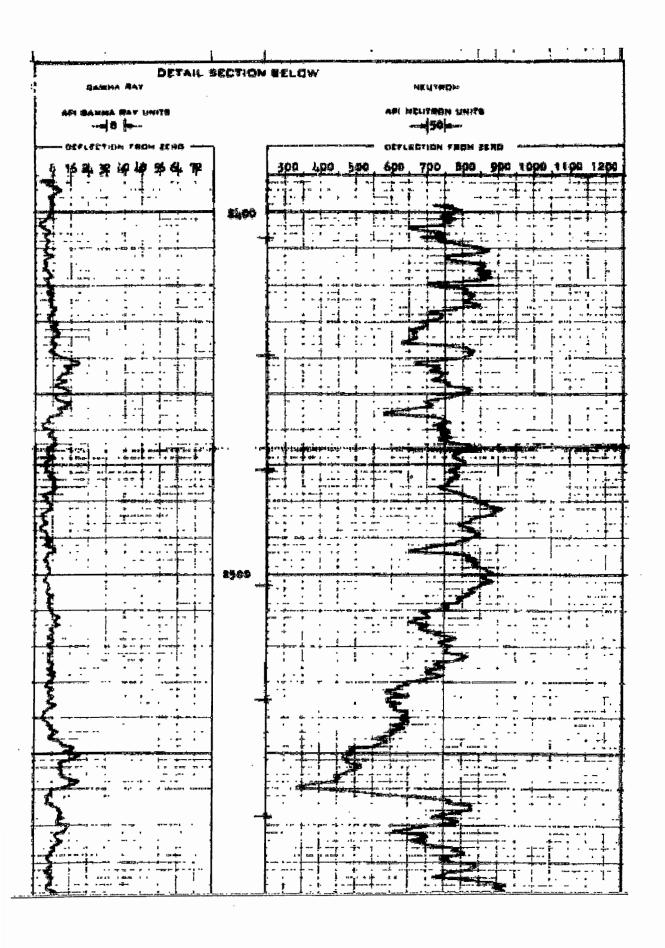












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general terms and conditions are also subject to our current Price Schedule.

Comments

LOG CORRECTED TO DEPTH OF 7" CASING SHOE AT 2935".

PERFORATIONS

SQUEEZED: 2733-2824", 2871-2910. OPEN HOLE: 2935-3055'

INJECTION WELL:

METERED INJ. RATE 6900 BPD PRESSURE VACUUM TEMP TOTAL VOLUME TO DATE N/A FLUID LEVEL TUBING N/A DUICER-S.I. PRESS NA N/A FLLSD TYPE WATER

PRODUCER:

CHOKE SETTING

HOURS PROD.

PUMPING FLOWING FLUID LEVEL CSG. TBG.

RATE

E/W

B/O

FLUID TYPE

RATE - PPM

FRAC OR ACID WELLS: TIME FINISHED FRAC OR ACID

PRESSURE

ACID

FLUID - GALS

SANO#

CONCLUSIONS

THIS SURVEY WAS RAN TO DETERMINE THE ZONES OF INJECTION AND TO DETECTED ANY CHANNEL OR PACKER

NO CHANNELS OR PACKER LEAKS WERE DETECTED AT TIME OF SURVEY. THE CHANNEL AND PACKER CHECKS HAVE BEEN PRESENTED ON THIS LOG.

NOTE: INJECTION TRACER INTENSITY LOSS CALCULATIONS INDICATED THAT 20% WAS EXITING THE WELL BORE AT 2335-2855. THE REMAINING 88% WAS EXITING THE WELL BORE FROM 2855 TO BELOW THE DEPTH GAMMA OF 3002.

THE TEMPERATURE AND TRACER INDICATED THAT FLUID IS MOVING BELOW DEPTH LOGGER AT 8005.

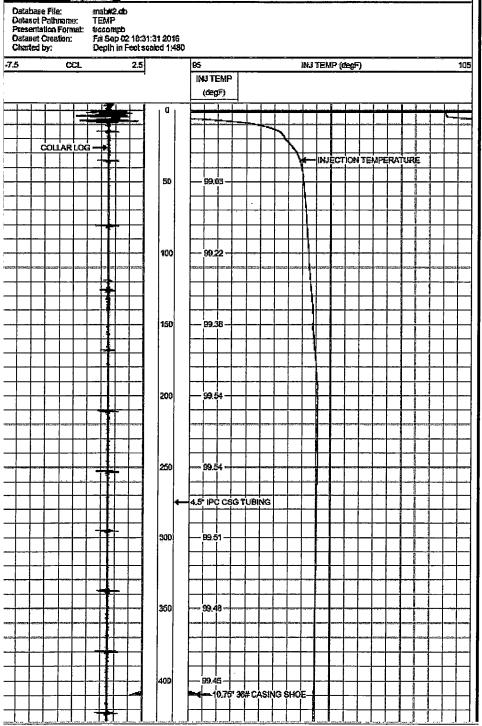
NMOCD Case No. 15723 NMSLO Exhibit #7

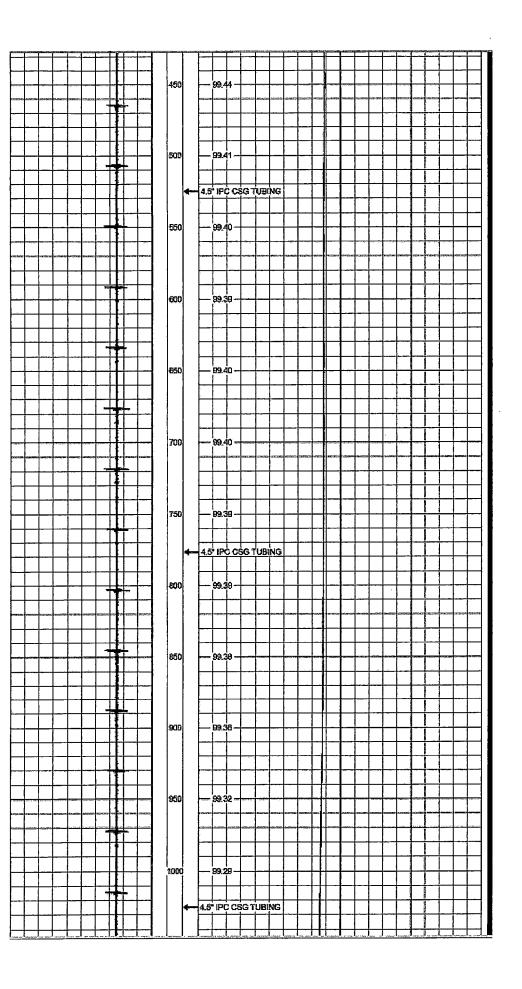
TRACER RESULTS

#	Depth (ft)	Timo	Integration	Flow (%)	Delta (%)	Comment
1	2874.50	13:26:24	349943.00	99.99	SEPONDE NO SE	
2	2924,22	13:28:49	349979,00	100.00	-0.01	
3	2955.57	13:29:15	282989.00	80.86	19.14	
4	2999,88	13:29:46	149440.00	42.70	38.16	

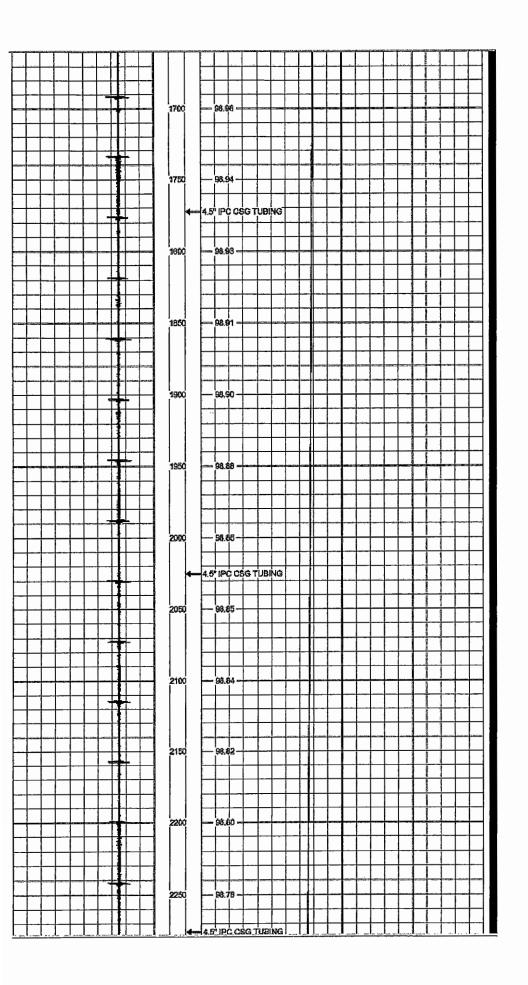


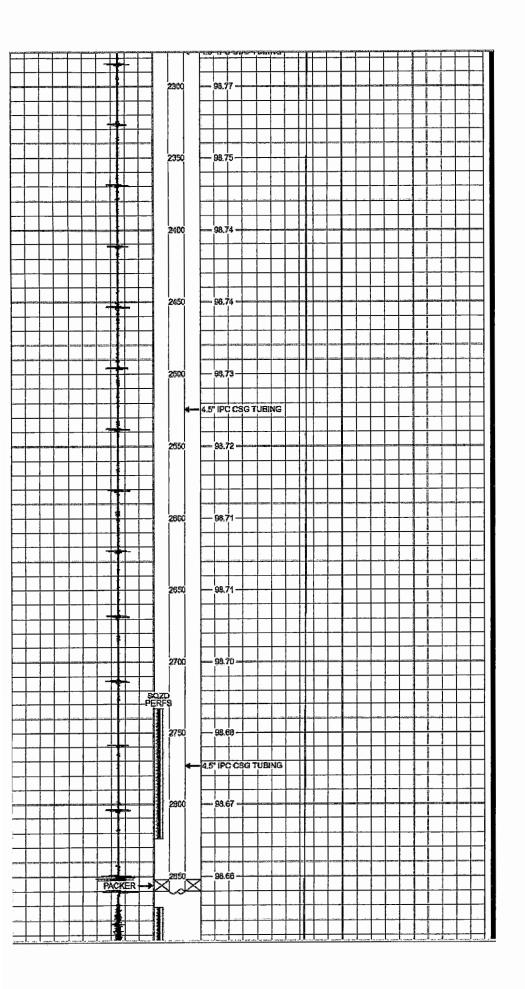
INJECTION TEMPERATURE SURFACE TO DEPTH LOGGER

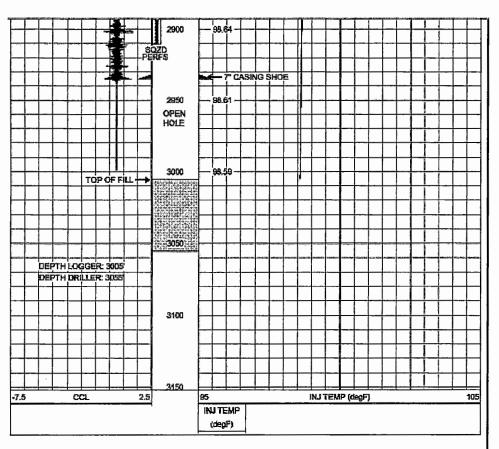




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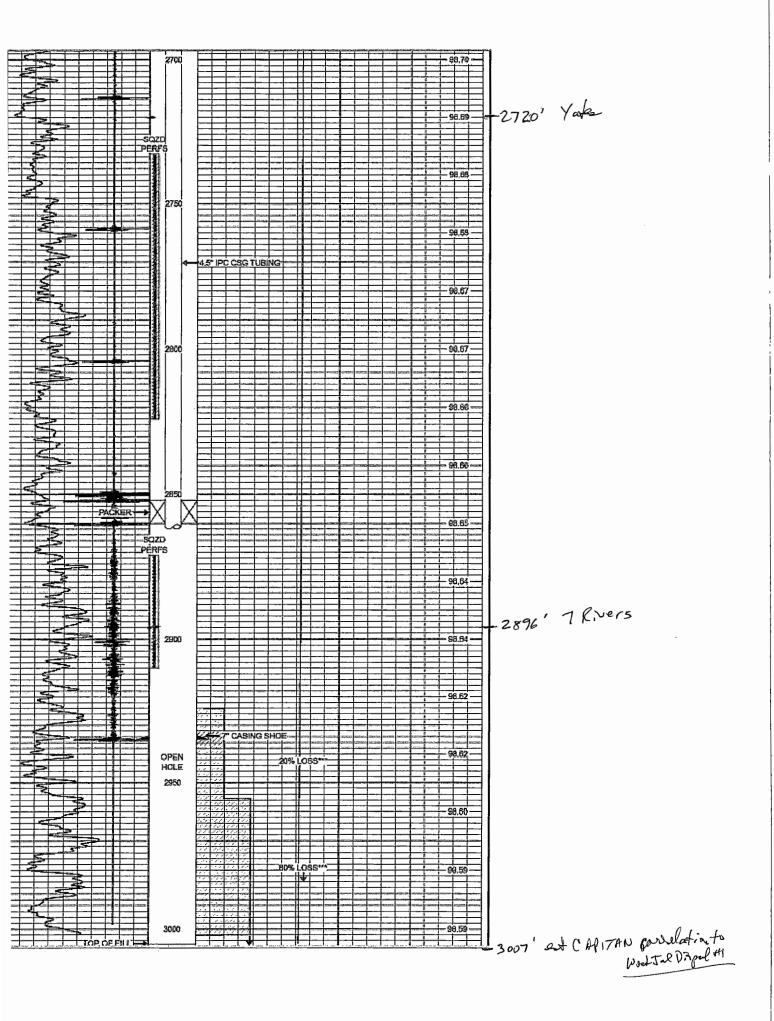
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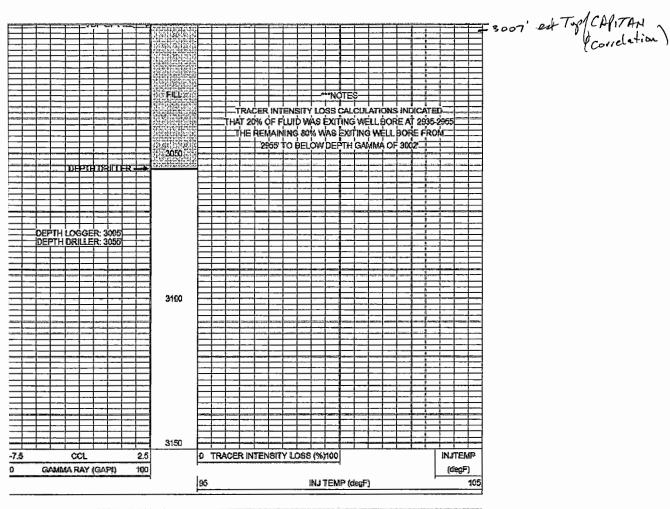
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1200 SEC UPWARD CHANNEL CHECK AT 2925' NO CHANNEL DETECTED WITH R/A

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DECLARATION OF OWNERSHIP OF UNDEAGROUND WATER RIGHT AND PLACE FOR ITS DEVELOPMENT

This statement is made by Skelly Oil Company, Tulsa, Oklahoma ("Skelly"), to be attached to its twelve (12) Declarations of Owner of Underground Water Right which are hereby filed with the State Engineer of New Mexico. These Declarations are for a total combined appropriation under all such Declarations of 7,200 acrefect per annum of non-potable water from the hereinafter described twelve (12) wells located within the boundary of the Capitan Underground Water Basin in Lea and Eddy Counties, New Mexico.

This statement is made in accordance with those portions of Chapter 251 of 1959 Session Laws of New Mexico which accord with the law of New Mexico. It should be noted, however, and notice is hereby given to the State Engineer of New Mexico, and to others who might be concerned, that compliance with portions of Chapter 251 which are in accordance with law shall never be deemed a statement or admission by Skelly that other portions of the Act, which attempt to impair the legal status and rights of a declarant, as compared to such status and rights prior to enactment of Chapter 251, are valid.

Prior to 1958, Shelly began an investigation of water sources and applicable New Mexico water law in order to acquire such water and water rights as would enable it to undertake the operation and further development for secondary recovery purposes of certain oil pools in southeast Lea County, New Mexico. It was apparent that the nature and extent of such operations would require a substantial quantity of water. In this connection, Skelly obtained opinions from resident legal counsel and discussed such need and appropriate methods of meeting it (see Exhibit #1).

In April, 1958, in anticipation of the need for water for its West Dollarnide Queen Sand Unit (which is located in Township 24 South, Range 38 East, Lea County,)

Skelly began a search for a source of water which would provide no less than 12,000 barrels of water per day for the life of the Unit. Concurrently, local counsel for Skelly drafted an instrument whereby Charles Whitten, the owner of surface rights in All of Section 3, the E½ and SW½ of Section 4, the W½ NW½ and the NW½ SW½ of Section 9, All of Section 10, All of Section 15 (except the West 100 acres of the NW½ thereof) and All of Section 16, Township 24 South, Range 36 East, N.M.P.M.

NMOCD Case No. 1572 NMSLO Exhibit #8





FOR LEGIBLE MICROFILM

would provide a source of water which was acceptable both quantitatively and qualitatively. Consequently, Skelly did not conclude its acquitations with Mr. Whitten, but, instead, drilled four (4) additional Danta Rose water supply wells in the immediate vicinity of said Well No. 65. These five (5) wells had an initial educative of 11.524 barrols per day; however, the decline rate of all five (5) wells was immediate and sharp. The present capacity of all of these wells is 3.000 per day - far below the 12,000 barrels per day necessary to achieve optimum recovery of oil.

Concurrent with Sholly's development of Santa Rosa water in the West Dollarhide Area, <u>Gulf Oil Corporation</u>, as Unit Operator of the West Dollarhide Devonian Unit (in which, Shelly has a substantial working interest) <u>likewise drilled</u> six (6) <u>Santa Rosa water supply wells within its Unit</u>. Performance reports of these wells indicate a lack of adequate productive capacity similar to Shelly's Santa Rosa wells.

Skelly and its royalty owners' economic interest in waterflooding operations in Southeast Lea County is readily demonstrable; Skelly owns a substantial working interest in each of the eleven (11) secondary recovery projects described below (the first four / a / are presently operative under appropriate orders of the Oil Conservation Commission, the balance being in various stages of negotiation). These projects are described as follows:

- Skelly Wost Dollarhide Queen Sand Unit, situate in Townships 24 and 25 South, Range 38 East.
- 2. Shelly Penrose "B" Unit, situate in Townships 22 and 23 South, Range 37 East.
- 3. Gulf West Dollarhide Devonian Unit, situate in Townships 24 and 25 South, Range 38 East.
- Ancelarko Production Company (formerly Embassador) Langlie Mattix Penrose Sand Unit, situate in Township 22 South, Range 37 East.
- 5. Shelly Penrose "A" Unit, situate in Townships 32 and 33 South, Range 37 Last.
- 6. Oberly West Dollarhide Drinkard Unit, situate in Toumships 24 and 25 South, Range 38 East.
- 7. Skelly Penrose "C" Unit, situate in Township 23 South, Range 37 East.

Water Flood , Opera Zion

ORIGINAL DOCUMENT IS OF POOR QUALITY FOR LEGIBLE MICROFILM.

- 10. Continental Oil Company Langlie Jack Unit, situate in Township 24 South, Range 37 East.
- 11. Pan American Myers Langlie Mattix Unit, situate in Townships 23 and 24 South, Ranges 35 and 37 East.

In terms of production taxes and royalty, the estimated revenue according to the State of New Mexico from consummation of these unitized waterflooding operations is in excess of \$12,500,000; while the estimated royalty income to the United States is in excess of \$6,500,000.

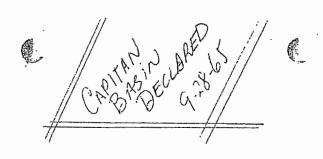
Confronted on the one hand with a substantial economic interest in the success of the above mentioned waterflooding projects, and on the other by a demonstrable lack of water, other than in the Capitan Reef, in quantities sufficient to meet its needs, Shelly reverted to its 1958 concept of obtaining water and water rights from the Capitan Reef underlying the Whitten premises in Township 24 South, Range 36 East. On September 4, 1964. Skelly began the drilling of a well which tested the Seven Rivers formation and the <u>Capitan Reef for water.</u> This well, designated as the <u>Hobbs</u> "O" Well No. 1, is located 660 feet from the north line and 1980 feet from the west line of Section 16, Township 24 South, Range 36 East, and was drilled to a total depth of 4,212 feet, The top of the Capitan Roof was encountered in this well at an approximate depth of 3,884 feet and a Halliburton drill stem test of the interval 4,012 feet to 4,212 feet was taken to confirm the water producing capabilities of the Reef (see Exhibit #3). This test indicated that the Capitan Reef contained non-potable water in sufficient quantities to warrant use of the Hobbs "Q" No. 1 as a water supply well. Therefore, 9-5/8" OD casing was run, set and cemented at 3,870 feet. This well is presently completed as a Seven Rivers oil well through perforations at 3,733 feet to 3,747 feet.

Under date of October 12, 1964, Mr. L. C. Case, of Tulsa, Oklahoma - a consultant in oil field water problems - reported his analysis of Capitan Reef water to Skelly as follows:

	Sulfate, SO4	940
Milligrams	Chloride, Cl	1,683
per	Bicarbonate, HCO3	372
liter	Carbonate, CO3	Nil
	Hydrogen sulfide, H2S	Present
	Barium, Ba	Nil

pH Value (Beckman)

7.4



Upon confirming that the Capitan Reef contained an adequate supply of non-potable water, and in December 1964, counsel for Skelly drafted a new water grant from the Whittens which was executed under date of January 1, 1965, by the Charles Whitten heirs and Skelly (see Exhibit #4).

As a necessary adjunct to locating and developing a source of water for waterflooding purposes and acquiring valid rights to use such water after locating it, and in January 1965. Skelly formulated plans for a water distribution system of a size adequate to assure that its requirements would be met at any given time (see Exhibit #5). In the furtherance of these plans, and in March and April, 1965, prior negotiations with numerous landowners resulted in the execution and delivery to Skelly of instruments granting to it easements and rights of vay for the Northeast leg of the water distribution system (see Exhibit #6). Such Northeast leg is approximatel, 7.4 miles in length and Skelly is currently proceeding with the construction thereof using 12-3/4 inch OD steel pipe internally coated with cement and externally wrapped and coated. It is estimated that construction of the 10.7 mile Southeast leg of such system will commence within nine (9) months from date.

Upon completion of the water pipe lines, pumping station, and other components of Skelly's water system, the aforementioned Hobbs "Q" No. 1 well will be placed in production of water from the Capitan Reef, using an electric Reda 240 HP submergible pump. Skelly's plans include the drilling of the following eleven (11) additional wells which will be drilled and equipped similarly to the Hobbs "Q" No. 1 well at or near the following described locations:

- 1. Center of SW4 of Section 16-24-36.
- 2. Center of NW: SW# of Section 9-24-36.
- 3. Center of SWA of Section 4-24-36.
- 4. Center of NEt of Section 4-24-36.
- 5. Center of SW2 of Section 10-24-36.
- 6. Center of SWH of Section 15-24-36.
- 7. Center of NET of Section 16-24-36.
- 8. Center of SEE of Section 16-24-36.
- 9. Center of SEt of Section 4-24-36.
- 10. Center of NW4 of Section 3-24-36.

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Proposed

Under the twelve (12) Declarations hereby filed, the amount (7,200 acre feet per annum from all twelve (12) wells described above), source, and use of the water to be appropriated are as described above. The entire project will be completed and the water put to beneficial use within four (4) years. The life of the project, and the limit of the intended appropriation with respect to the Units which are hereinabove described, is estimated to be eighteen (18) years. Any other information required by the State Engineer will be furnished, in accordance with law.

Description of Exhibits

Many written exhibits are available with which to document this Declaration. Selected exhibits have therefore bean chosen and attached hereto as follows:

- l. Exhibit l is a copy of intra-company corresponderce in 1958 reflecting early consideration of the need for waterflooding, and discussion of source of supply and procedure.
- 2. Exhibit 2 is a copy of the instrument referred to in Exhibit 1 and drafted in April, 1958, for use in acquiring surface and other rights on the Charles Whitten premises.
- 3. Exhibit 3 reflects a Halliburton drill stem test form showing data about the drill stem test of the Capitan Reef in the Hobbs "Q" No. 1.
- 4. Exhibit 4 is a copy of the instrument executed by the Charles Whitten heirs, January 1, 1965.
- 5. Exhibit 5 is a general plat showing the area of work.
- 6. Exhibit 6 is a typical easement or right of way grant which was purchased by Skelly.
- 7. Exhibit 7 is the AFE for \$291,652 submitted August 6, 1965, and approved August 23, 1965, for installation of the northeast lateral pipeline and the water handling plant for the system.



