

HOLLAND & HART LLP



Michael H. Feldewert
Recognized Specialist in the Area of
Natural Resources — oil and gas law —
New Mexico Board of Legal Specialization
mfeldewert@hollandhart.com

April 2, 2012

VIA HAND DELIVERY

Jami Bailey, Director
Oil Conservation Division
New Mexico Department of Energy
Minerals and Natural Resources
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

RECEIVED OOD
2012 APR -3 P 3:09
Case 14834

Re: Application of Cobalt Operating, LLC for authorization to injection produced water, Lea County, New Mexico.

Dear Ms. Bailey:

Enclosed in triplicate is the Application for Authorization to Inject (Form C-108) filed by Cobalt Operating, LLC, as well as a copy of a legal advertisement. Applicant requests that this matter be placed on the May 10, 2012, Examiner docket.

Sincerely,

Michael H. Feldewert

Holland & Hart LLP

Phone [505] 988-4421 Fax [505] 983-6043 www.hollandhart.com

110 North Guadalupe Suite 1 Santa Fe, NM 87501 Mailing Address P.O. Box 2208 Santa Fe, NM 87504-2208

Denver Aspen Boulder Colorado Springs Denver Tech Center Billings Boise Cheyenne Jackson Hole Las Vegas Salt Lake City Santa Fe Washington, D.C. ♻

CASE 14834:

Application of Cobalt Operating, LLC for authorization to inject produced water, Lea County, New Mexico. Applicant in the above-styled cause seeks authorization to inject produced water into the Strawn formation, SWD;Strawn Pool (Pool Code 96188), through the Consolidated State Well No. 3 (API 30-025-29711) located 660 feet from the North line and 2128 feet from the West line of Section 9, Township 17 South, Range 37 East, NMPM, Lea County, New Mexico. This well is located approximately 8 miles southeast of Lovington, New Mexico.



SUSPENSE	ENGINEER	LOGGED IN	TYPE	APP NO.
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NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

1220 South St. Francis Drive, Santa Fe, NM 87505

ABOVE THIS LINE FOR DIVISION USE ONLY

Case 14834

ADMINISTRATIVE APPLICATION CHECKLIST

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

Application Acronyms:

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

[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

[A] Location - Spacing Unit - Simultaneous Dedication
NSL NSP SD

Cobalt Operating, LLC
Consolidated State 3
30-0125-29711

Check One Only for [B] or [C]

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

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

[D] Other: Specify _____

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

[A] Working, Royalty or Overriding Royalty Interest Owners

[B] Offset Operators, Leaseholders or Surface Owner

[C] Application is One Which Requires Published Legal Notice

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

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

[F] Waivers are Attached

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

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

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

Print or Type Name

BRIAN WOOD
(505) 466-8120
FAX 466-9682

Signature

Title

CONSULTANT

Date

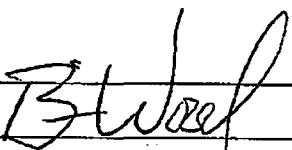
3-13-12

e-mail Address

brian@permitswest.com

2012 APR -2 P 3:09
RECEIVED OOD

APPLICATION FOR AUTHORIZATION TO INJECT

- I. PURPOSE: Secondary Recovery Pressure Maintenance XXX Disposal Storage
Application qualifies for administrative approval? Yes No
- II. OPERATOR: COBALT OPERATING, LLC
ADDRESS: 3001 NORTH BIG SPRING, SUITE 207, MIDLAND, TX 79705
CONTACT PARTY: BRIAN WOOD (PERMITS WEST, INC.) PHONE: 505 466-8120
- III. WELL DATA: Complete the data required on the reverse side of this form for each well proposed for injection.
Additional sheets may be attached if necessary.
- IV. Is this an expansion of an existing project? Yes XXX No
If yes, give the Division order number authorizing the project: _____
- V. Attach a map that identifies all wells and leases within two miles of any proposed injection well with a one-half mile radius circle drawn around each proposed injection well. This circle identifies the well's area of review.
- VI. Attach a tabulation of data on all wells of public record within the area of review which penetrate the proposed injection zone. Such data shall include a description of each well's type, construction, date drilled, location, depth, record of completion, and a schematic of any plugged well illustrating all plugging detail.
- VII. Attach data on the proposed operation, including: **CONSOLIDATED STATE 3**
30-025-29711
1. Proposed average and maximum daily rate and volume of fluids to be injected;
 2. Whether the system is open or closed;
 3. Proposed average and maximum injection pressure;
 4. Sources and an appropriate analysis of injection fluid and compatibility with the receiving formation if other than reinjected produced water; and,
 5. If injection is for disposal purposes into a zone not productive of oil or gas at or within one mile of the proposed well, attach a chemical analysis of the disposal zone formation water (may be measured or inferred from existing literature, studies, nearby wells, etc.).
- *VIII. Attach appropriate geologic data on the injection zone including appropriate lithologic detail, geologic name, thickness, and depth. Give the geologic name, and depth to bottom of all underground sources of drinking water (aquifers containing waters with total dissolved solids concentrations of 10,000 mg/l or less) overlying the proposed injection zone as well as any such sources known to be immediately underlying the injection interval.
- IX. Describe the proposed stimulation program, if any.
- *X. Attach appropriate logging and test data on the well. (If well logs have been filed with the Division, they need not be resubmitted).
- *XI. Attach a chemical analysis of fresh water from two or more fresh water wells (if available and producing) within one mile of any injection or disposal well showing location of wells and dates samples were taken.
- XII. Applicants for disposal wells must make an affirmative statement that they have examined available geologic and engineering data and find no evidence of open faults or any other hydrologic connection between the disposal zone and any underground sources of drinking water.
- XIII. Applicants must complete the "Proof of Notice" section on the reverse side of this form.
- XIV. Certification: I hereby certify that the information submitted with this application is true and correct to the best of my knowledge and belief.
- NAME: BRIAN WOOD TITLE: CONSULTANT
SIGNATURE:  DATE: MARCH 12, 2012
E-MAIL ADDRESS: brian@permitswest.com
- * If the information required under Sections VI, VIII, X, and XI above has been previously submitted, it need not be resubmitted. Please show the date and circumstances of the earlier submittal: _____

III. WELL DATA

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

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

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

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

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

XIV. PROOF OF NOTICE

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

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

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

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

NOTICE: Surface owners or offset operators must file any objections or requests for hearing of administrative applications within 15 days from the date this application was mailed to them.

WELL LOCATION:	660' FNL & 2128' FWL	C	9	17 S	37 E
	FOOTAGE LOCATION	UNIT LETTER	SECTION	TOWNSHIP	RANGE

Surface Casing

13-3/8" 48 & 61# in
17-1/2" hole @ 398'
TOC = GL

8-5/8" 24 & 32# in
12-1/4" hole @ 4,283'
TOC = GL

will set packer
≈10844' -
10894'

2-3/8" tbq
@ ≈10920

will perf
Stawn
10944' -
11075'

perforated Stawn
10944 - 10960

PBSD 11261'
TD 11300'

5-1/2" 17 & 20# in
7-7/8" hole @ 11,300'
TOC = 4,600'

Hole Size: 17-1/2" Casing Size: 13-3/8"
Cemented with: 350 sx. or ft³
Top of Cement: SURFACE Method Determined: 39 SX EXCESS
CIRCULATED

Intermediate Casing

Hole Size: 12-1/4" Casing Size: 8-5/8"
Cemented with: 1,650 sx. *or* ft³
Top of Cement: SURFACE Method Determined: 147 SX EXCESS
CIRCULATED

Production Casing

Hole Size: 7-7/8" Casing Size: 5-1/2"
Cemented with: 1,535 sx. *or* _____ ft³
Top of Cement: 4,600' Method Determined: per note
Total Depth: 11,300' in OCD file

Injection Interval

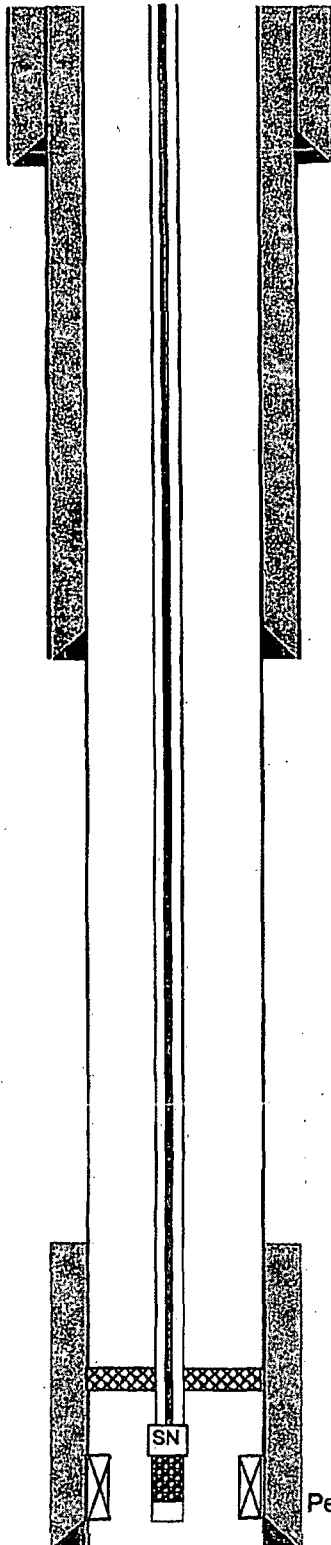
10,944 feet to 11,075'

(Perforated or Open Hole; indicate which)

EXISTING WELL BORE

Consolidated State #3
660 FNL & 2128 FWL
Sec. 9 - T17S-R37E
Lea County, New Mexico

Drilled 4/86



13 3/8" csg set @ 673' 398'
 1' guide shoe
 41.8' 61# / H-40 csg
 1 float insert
 363.78' 48#/ft. H-40 csg
 Cmt: 250 sx lite w/ 2% CaCl + 100sx class "C"
 circ'd 39 sx excess cement

8 5/8" csg set @ 4285'
 1' guide shoe
 38.88' 32# K-55
 1.5' float collar
 1856.22' 32# K-55
 2395.42' 24# K-55
 Cmt: 1450 lite + 200 sx class "C"
 circ'd 147 sx.

Perf: 10944-960 w/ 4 jsfp (66 total holes)
 Acidized w/ 1000 gal. 15% NeFe

5 1/2" csg set @ 11,300'
 1.6' float shoe
 42.29' 20#/ft. LT&C (plain)
 1.50' float collar
 177.92 20#/ft. LT&C (plain)
 276.76' 20#/ft. LT&C (ruff coat)
 10,792' : 8.12' 20#/ft. LT&C - marker joint

Perfs: 10,944'-960' w/ 4 JSPF

TD @ 11,300

PBTD @ 11,261

11/87: Put well on pump
 24' 2x1 1/16x24' RHBC pump w/ 1x10 GA
 2' 1 7/8x2' Norris 78 Pony rod
 500' 20 7/8x25' Norris 78 rods
 7375' 295 3/4x25' Norris 78 rods
 3050' 122 7/8x25' Norris 78 rods
 26' 1 1/4x26' pol. Rod w/ 1.5"x16' liner

2/90: Acidized w/5000 gal.
 Dowell SXE 15% oil invert acid

5/94: Pump stuck
 RIH w/ same rod configuration
 Polish rod 7/8"x25' Norris 90

10/95: Pulled all rod and pump out of hole
 and laid down.

INJECTION WELL DATA SHEET

Tubing Size: 2-3/8" N-80 9.3# Lining Material: INTERNAL PLASTIC COATED

Type of Packer: ARROW AS-1X

Packer Setting Depth: 10,844' - 10,894'

Other Type of Tubing/Casing Seal (if applicable): _____

Additional Data

1. Is this a new well drilled for injection? (DISPOSAL) _____ Yes XXX No

If no, for what purpose was the well originally drilled? _____

ORIGINALLY DRILLED AS A SHIPP; STRAWN OIL WELL.

2. Name of the Injection Formation: STRAWN

3. Name of Field or Pool (if applicable): SWD; STRAWN (POOL CODE 96188)

4. Has the well ever been perforated in any other zone(s)? List all such perforated intervals and give plugging detail, i.e. sacks of cement or plug(s) used. ONLY PERFORATED IN THE STRAWN

EXISTING STRAWN PERFS: 10,944' - 10,960'

5. Give the name and depths of any oil or gas zones underlying or overlying the proposed injection zone in this area: _____

OVER: WOLFCAMP (8,733'), ABO (8,504'), TUBB (7,710'),

SAN ANDRES (4,875'), & YATES (3,172')

UNDER: ATOKA (11,080')

COBALT OPERATING, LLC
CONSOLIDATED STATE 3
660' FNL & 2128' FWL SEC. 9, T. 17 S., R. 37 E.
LEA COUNTY, NEW MEXICO

PAGE 1

30-025-29711

I. Purpose is to convert an existing 11,300' deep Strawn oil well to a salt water disposal well. Disposal will be in the Strawn (10,944' - 11,075'). This is the SWD; Strawn Pool (NMOCD pool code 96188).

II. Operator: Cobalt Operating, LLC (OGRID #286255)
Operator phone number: (432) 682-8686
Operator address: 3001 North Big Spring, Suite 207
Midland, TX 79705
Contact for Application: Brian Wood (Permits West, Inc.)
Phone: (505) 466-8120

III. A. (1) Lease: New Mexico State Land Office lease E0-8563-0004
Lease Size: 480 acres (see Exhibit A for C-102 and map)
Closest Lease Line: 512'
Lease: N2NE4 & N2SW4 Section 8 and W2 Section 9, T 17 S, R 37 E
Surface Owner: New Mexico State Land Office

A. (2) Surface casing (13-3/8", 48# & 61#) was set in 1986 at 398' in a 17-1/2" hole. Casing was cemented to the surface with 250 sacks Pacesetter® light with 2% CaCl₂ followed by 100 sacks Class C with 2% CaCl₂. Circulated 39 sacks excess.

Intermediate casing (8-5/8", 24# & 32#) was set at 4,283' in an 12-1/4" hole. Casing was cemented to the surface with 1,450 sacks Pacesetter® light with 15 pounds per sack salt and 1/4 pound per sack cello flake followed by 200 sacks Class C with 2% CaCl₂. Circulated 147 sacks excess.

Production casing (5-1/2", N-80, L T & C, 17# & 20#) was set at 11,300' (TD) in a 7-7/8" hole and cemented to 4,600' with 1,535 sacks in 2 stages. Cement baskets were set at 10,352' and 10,359' and a DV tool was set at 8,423'.

First stage was cemented with 260 sacks Pacesetter® light Class H with 6% KCl + 0.6% CF-2 + 0.4% TF-4 + 1/4 pound per sack cello flake (= 12.7 pounds per gallon & 2.0 cubic feet per sack) and 375 sacks Class H with 3% KCl + 0.8% CF-2 + 0.4% TF-4 + 1/4 pound per sack cello flake (= 15.6 pounds per gallon & 1.18 cubic feet per sack).

Second stage was cemented with 800 sacks Pacesetter® light Class C with 6% KCl + 0.6% CF-2 + 0.4% TF-4 + 1/4 pound per sack cello flake (= 12.7 pounds per gallon & 2.0 cubic feet per sack) and 100 sacks Class C (= 14.8 pounds per gallon & 1.32 cubic feet per sack).

- A. (3) Tubing will be 2-3/8", N-80, 9.3#, and internally plastic coated. Setting depth will be ≈10,920'. (Disposal interval will be 10,944' - 11,075'.)
- A. (4) An Arrow AS-1X packer will be set between 10,844' and 10,894' (50' to 100' above the highest proposed perforation of 10,944').
- B. (1) Injection zone will be the Strawn limestone, which is part of the SWD; Strawn Pool (NMOCD pool code number 96188). Estimated fracture gradient is ≈0.7 psi per foot.
- B. (2) Injection interval will be 10,944' to 11,075'. All of the well bore is cased.
- B. (3) The well was spudded in 1986 and proposed for plugging and abandonment in 1999 and 2003. The well has produced 1,576 barrels of oil and 100,105 Mcf of gas from 10,944' - 10,960' in the Shipp; Strawn (#55695) oil pool. However, there has been no oil production after 1998, an average of just 76 Mcf of gas per month in 2011, and only 5 Mcf for all of January, 2012 (see Exhibit B).

B. (4) The well was perforated with 66 0.33" shots between 10,944' - 10,960. The well will additionally be perforated from 10,960' to 11,075' with 2 shots per foot. Shot diameter = 0.40".

B. (5) The next higher potential oil or gas zone is the Wolfcamp. Closest (1.5 miles southeast) Wolfcamp producer is in the Humble City; Wolfcamp Pool at the Bureaucrat AGV 1 (30-025-30767). Potential oil or gas zones above the Wolfcamp (from deep to shallow) include:

Bone Spring (4.1 miles SE at a now plugged wildcat in Section 25)
Abo (1 mile southwest in the Midway; Abo Pool in Section 17)
Tubb (1.5 miles north in the Lovington; Tubb Pool in 33-16s-37e)
Paddock (1 mile NW in the Lovington; Paddock Pool in Section 5)
San Andres (2.2 mi. west in Lovington; Grayburg-San Andres Pool in Sec. 7)
Yates (8 miles south in Eumont; Yates-& Rivers-Queen Pool in 28-18s-37e)

Closest (1,217' east) past Strawn producer is the New Mexico Ex State 2 (30-025-29440). It produced from the Strawn before being converted to a Strawn; SWD. Closest (1,764' northwest) current Strawn producer is Chesapeake's Bubba 4 State Com 1 (30-025-37420).

Lower potential oil or gas zones (from shallow to deep) are the Atoka (Shipp; Atoka Pool produced 5,504' northeast at the Simmons Estate 1 (30-025-30177) in Section 3) and Morrow (closest is 7 miles northwest in 17-16s-36e).

IV. This is not an expansion of an existing injection project. It is disposal only.

V. Exhibit C shows 9 wells (2 producing oil + 5 plugged & abandoned oil + 1 water disposal + 1 plugged water supply well) within a half mile radius. State Engineer records indicate the water supply well was 137' west of the Consolidated State 3 well head. No evidence of the water well was found during

COBALT OPERATING, LLC
 CONSOLIDATED STATE 3
 660' FNL & 2128' FWL SEC. 9, T. 17 S., R. 37 E.
 LEA COUNTY, NEW MEXICO

PAGE 4

30-025-29711

a November 17, 2011 field inspection. State records indicate the 120' deep water well was drilled in 1953 and plugged in 1954.

Exhibit D shows 163 existing wells (36 producing oil or gas + 97 plugged & abandoned + 9 water injectors or disposals + 21 water wells) within a two mile radius.

Exhibit E shows all leases and lessors (only State and fee) within a one-half mile radius. Exhibit F shows all leases and lessors (only State and fee) within a two mile radius. Details on the leases within a one half mile radius are:

<u>T. 17 S., R. 37 E.</u>	<u>Lessor</u>	<u>Lease Number</u>	<u>Lessee</u>
W2SE4 & SESE Section 4	fee	fee	Cimarex
SESW Section 4	NMSLO	BO-2517-0000	ConocoPhillips
N2SW4 Section 4	NMSLO	E0-8636-0001	ConocoPhillips
SWSW Section 4	NMSLO	VB-0665-0001	Chesapeake
SESE Section 5	fee	fee	Chesapeake
SENE Section 8	fee	fee	Cobalt
NENE Section 8	NMSLO	E0-8563-0004	Roemer
NE4 Section 9	NMSLO	VB-1354-0001	Chesapeake
NWSE Section 9	NMSLO	VB-2033-0001	Texland

VI. Seven of the nine wells that are within a half mile penetrated the Strawn. Five of those seven Strawn wells have been plugged and abandoned. Of the remaining two Strawn wells, one is an active SWD; Strawn well (1,228' east) and the other is an active Strawn oil well (1,768' northwest). See Exhibit G for a tabulation of the well histories and diagrams of the five plugged wells that penetrated the Strawn.

<u>OPERATOR</u>	<u>WELL</u>	<u>API 30-025-</u>	<u>T. 17 S., R. 37 E.</u>	<u>ZONE(S)</u>	<u>STATUS</u>	<u>TD</u>	<u>DISTANCE</u>
Frisbie & Yancy	water supply	(NMSEO L 02327)	NENW Section 9	Ogallala	P & A	120'	137'
Sinclair	State 335	05431	330 FN & 2310 FE Section 9	Wildcat; Paddock	P & A	6500	908'
Dakota	NM Ex State 2	29440	330 FN & 1980 Fe Section 9	SWD; Strawn	SWD	11300	1228'

COBALT OPERATING, LLC
CONSOLIDATED STATE 3
660' FNL & 2128' FWL SEC. 9, T. 17 S., R. 37 E.
LEA COUNTY, NEW MEXICO

PAGE 5

30-025-29711

<u>OPERATOR</u>	<u>WELL</u>	<u>API 30-025-</u>	<u>T. 17 S., R. 37 E.</u>	<u>ZONE(S)</u>	<u>STATUS</u>	<u>TD</u>	<u>DISTANCE</u>
Tipperary	Jons 4 State	28806	560 FS & 1650 FW Section 4	Shipp; Strawn	P & A	11336	1312'
Pennzoil	Viersen 3	29829	150 FS & 2080 FE Section 4	Shipp; Strawn	P & A	11240	1344'
Chesapeake	Bubba 4 State	37420	731 FS & 1043 FW Section 4	Shipp; Strawn	Oil	11195	1768'
Fasken	Consolidated 1	27183	2310 FN & 330 FW Section 9	Midway; Devonian	P & A	11073	2453'
Cimarex	Viersen 2	29445	1300 FS & 1650 FE Section 4	Shipp; Strawn	P & A	11281	2469'
Exxon	NM EX State 1	29367	330 FN & 660 FE Section 9	Midway; Abo Humble City; Wolfcamp Shipp; Strawn	P & A	11412	2523'
Chevron	Lea State 1	29640	2086 FS & 2086 FW Section 4	Shipp; Strawn	P & A	11250	2750'

- VII. 1. Average injection rate will be $\approx 1,500$ bwpd.
Maximum injection rate will be $\approx 2,000$ bwpd.
2. System will be closed. Cobalt has an existing pipeline to the well.
3. Average injection pressure will be $\approx 1,000$ psi
Maximum injection pressure will be $\approx 2,188$ psi ($= 0.2$ psi/foot \times 10,944' (highest perforation)).
4. Water source will be produced water only from Cobalt wells. Cobalt currently has 2 wells, both are in 8-17s-37e. One well is a Strawn oil well (Hale State 1Y is in the Midway; Strawn Pool). The other well (Warren 2) was once a Midway; Strawn producer, but is now a Midway; Devonian oil well. A summary of closest analyses in the WAIDS data base from Strawn (Exhibit H) and Devonian (Exhibit I) wells follows.
- No compatibility problems have been reported from Dakota's New Mexico Ex State 2 (30-025-29440). That Strawn disposal well is 1,228 east at 330 FNL & 1980 FEL Section 9. Over 270,624 barrels barrels have been disposed into it since 2007.

	<u>Strawn</u>	<u>Devonian</u>
Barium	0.679	-
Bicarbonate	423.454	999.0
Calcium	2,175.33	1,097.0
Carbonate	0	-
Chloride	43,455.7	15,643.0
Hydrogen Sulfide	2.092	-
Iron	41.301	-
Magnesium	458.969	1,077.0
Potassium	141.653	-
Sodium	24,921.8	-
Strontium	270.262	-
Sulfate	430.723	2,337.0
Total Dissolved Solids	69,174.1	29,118.5

5. There has been Strawn production from 16 wells (see Exhibit J) within one mile. Seven of the wells have since been plugged and abandoned, one (30-025-26953) had the Strawn squeezed and is now a Devonian producer, seven are Strawn producing oil wells, and one has been converted to a salt water disposal well. The Consolidated State 3 is 1,980' inside the Shipp; Strawn Pool and 2,128' west of the Midway; Strawn Pool (see Exhibit J).

VIII. The Strawn Formation consists of limestone with interbedded shale. It is 146' thick in this well. Closest possible underground source of drinking water above the proposed disposal interval is the Ogallala Formation at the surface. There are 2 salt zones and at least 10,309' of separation between the bottom of the Ogallala and the top of the Strawn. Exhibit K shows nearby water wells.

State engineer records indicate there was one well 137' west of the Consolidated State 3 and a second well is 5,300' northeast. Neither water well could be found during a November 17 field inspection. The closer well was drilled to 120' in 1953 and plugged in 1954. The other well was drilled to 90' in 1953.

A third well, not in the State Engineer's records, was found during the inspection. It is a windmill that is 3,264' east. A sample was collected. Its analysis is in Exhibit K.

No underground source of drinking water is below the proposed disposal interval. Produced water is currently being disposed into the Strawn at a well (30-025-29440) 1,228' east and was disposed into the Abo at a well (30-025-20267) 8,383' southwest.

Formation tops are:

Ogallala = 0'
Salt = 625'
Anhydrite = 2,030'
Yates = 3,172'
San Andres = 4,875'
Glorieta = 6,366'
Tubb = 7,710'
Abo = 8,504'
Wolfcamp = 8,733'
Strawn = 10,934'
Atoka = 11,080'
Total Depth: 11,300'

IX. The well will be stimulated with acid to clean out scale or fill.

X. Compensated neutron litho density, dual Induction/SFL, and dip meter logs were run and are on file NMOCD.

XI. Based on a field inspection and a review of the State Engineer's records, there is only one water well (see VIII. on PAGE 6) within a one mile radius.

XII. Cobalt is not aware of any geologic or engineering data which may indicate the Strawn is in hydrologic connection with any underground sources of water. Eight Strawn salt water disposal wells have been approved in New Mexico.

COBALT OPERATING, LLC
CONSOLIDATED STATE 3
660' FNL & 2128' FWL SEC. 9, T. 17 S., R. 37 E.
LEA COUNTY, NEW MEXICO

PAGE 8

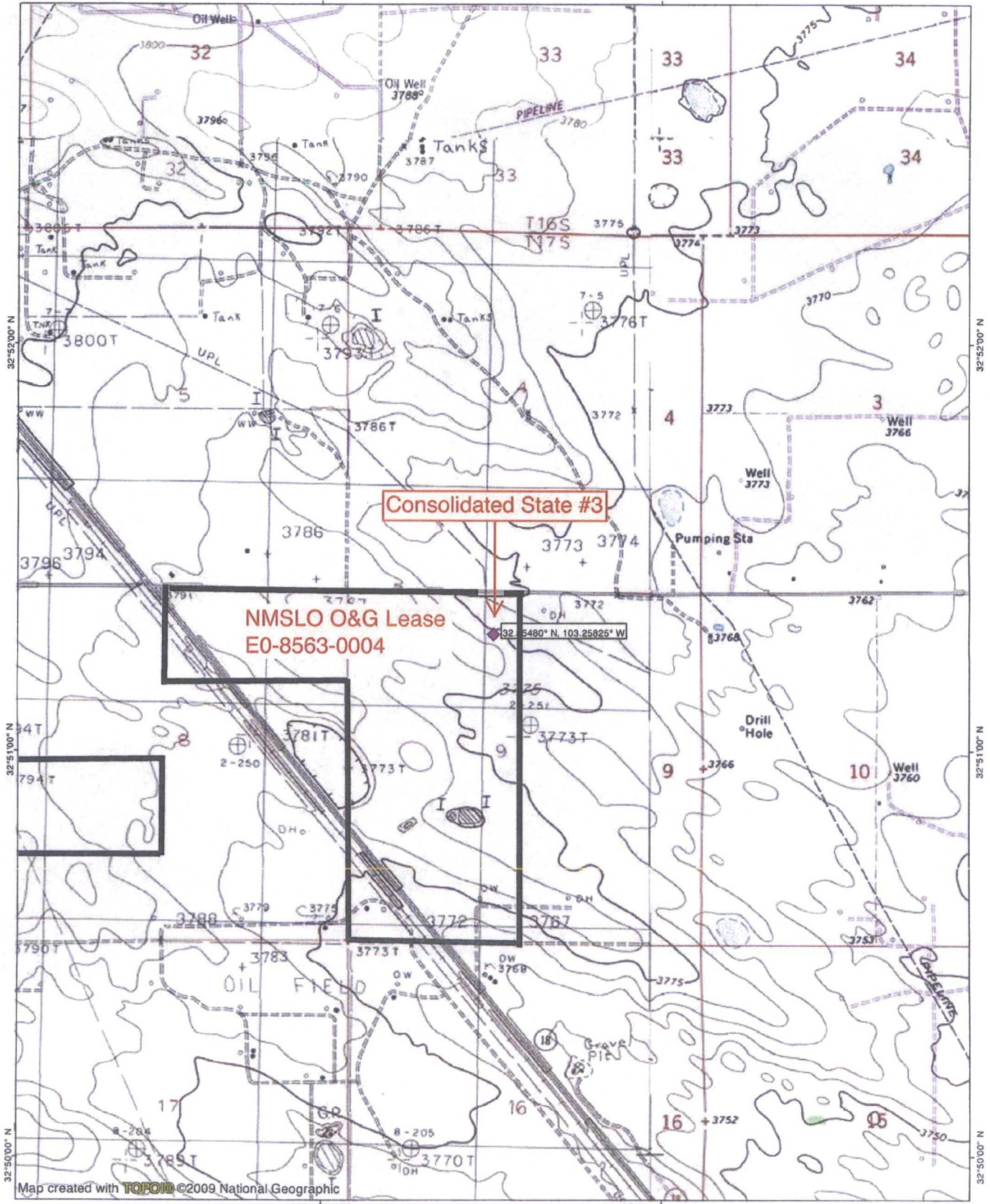
30-025-29711

XIII. A legal ad (see Exhibit L) was published on March 2, 2012. Notice (this application) has been sent to the surface owner (NM State Land Office), all oil and gas lessees or operating right holders (see below), and all Strawn interests within a half mile (Exhibit M).

<u>T. 17 S., R. 37 E.</u>	<u>Lease Number</u>	<u>Lessee or Operating Right</u>
W2SE4 & SESE Section 4	fee	Cimarex
SESW Section 4	B0-2517-0000	ConocoPhillips
N2SW4 Section 4	E0-8636-0001	ConocoPhillips, Chevron
SWSW Section 4	VB-0665-0001	Chesapeake
SESE Section 5	fee	Chesapeake
SENE Section 8	fee	Cobalt
NENE Section 8	E0-8563-0004	Roemer, Fasken
NE4 Section 9	VB-1354-0001	Chesapeake
NWSE Section 9	VB-2033-0001	Texland

103°16'00" W

WGS84 103°15'00" W



103°16'00" W

WGS84 103°15'00" W

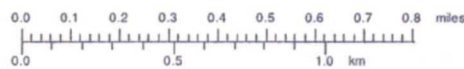


EXHIBIT A

TN/MN
7.5°

11/01/11

NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION

Form C-102
 Supersedes C-128
 Effective 1-1-85

All distances must be from the outer boundaries of the Section.

Operator BARBARA FASKEN			Lease CONSOLIDATED STATE		Well No. 3
Unit Letter C	Section 9	Township 17S	Range 37E	County LEA	
Actual Footage Location of Well: 660 feet from the NORTH line and 2128 feet from the WEST line					
Ground Level Elev. 3778.7	Producing Formation Strawn	Pool Shipp	Dedicated Acreage: 80 Acres		

1. Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

☐ Yes ☐ No If answer is "yes," type of consolidation _____

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.

CERTIFICATION

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

James F. Groce
 Name

James F. Groce

Position
Agent

Company
Barbara Fasken

Date
July 1, 1986

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

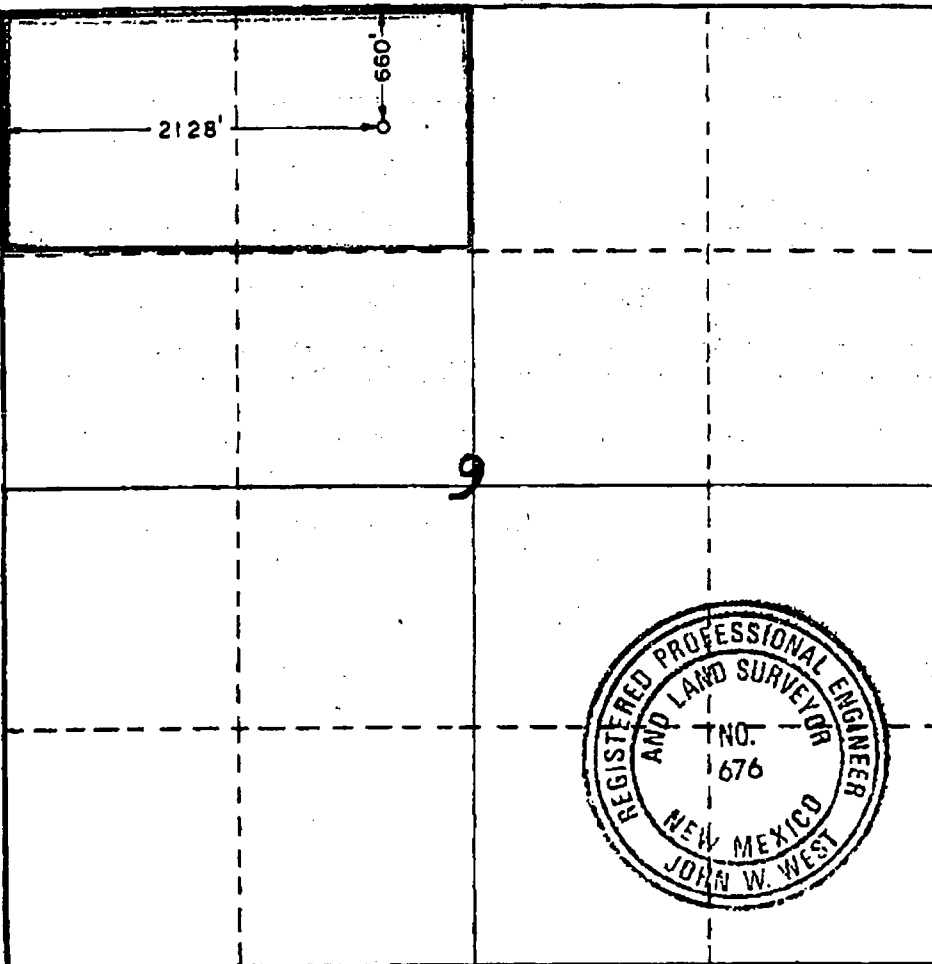
EXHIBIT A

Date Surveyed
JUNE 27, 1986

Registered Professional Engineer and/or Land Surveyor

John W. West

Certificate No. **JOHN W. WEST, 678**
RONALD J. EIDSON, 3239

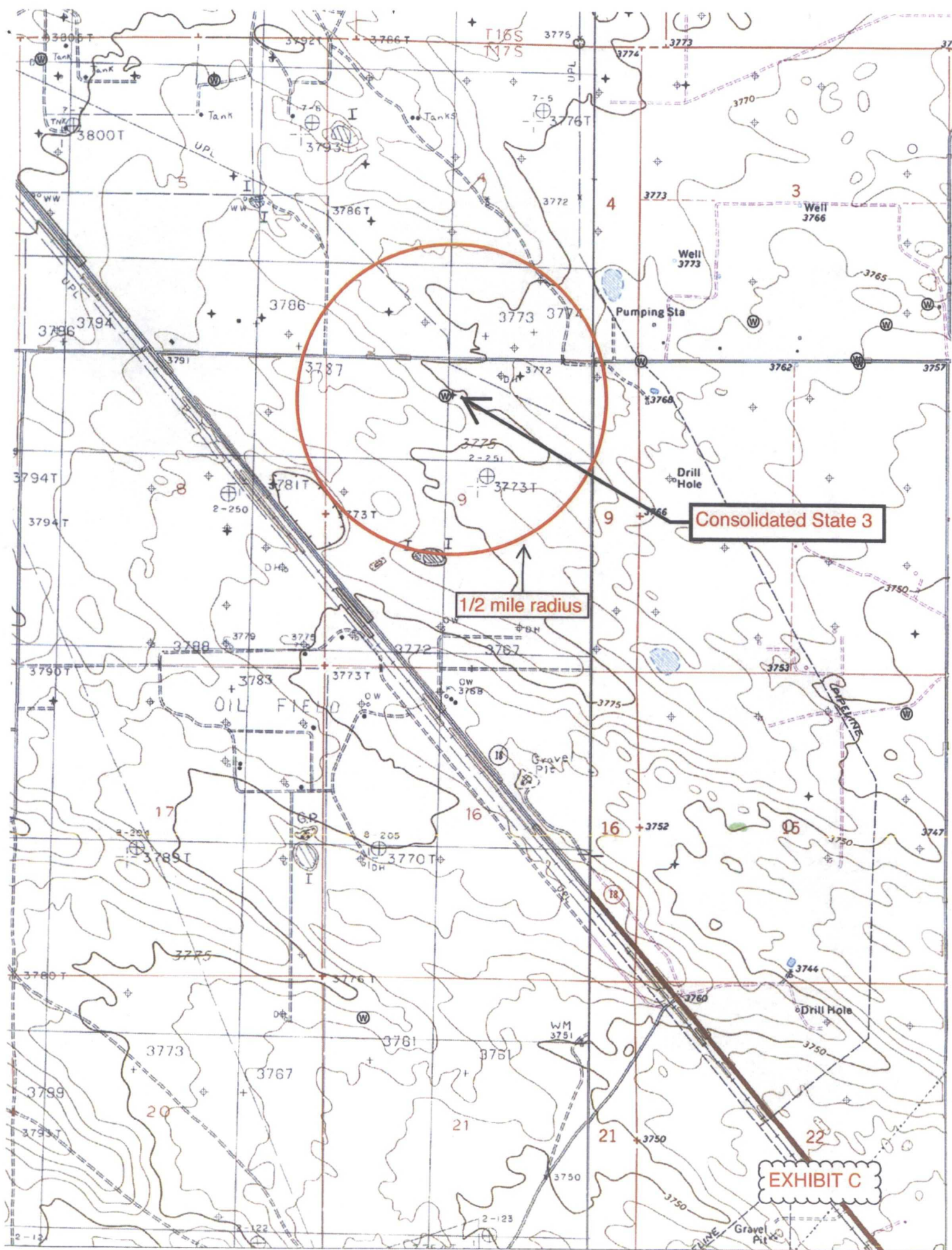


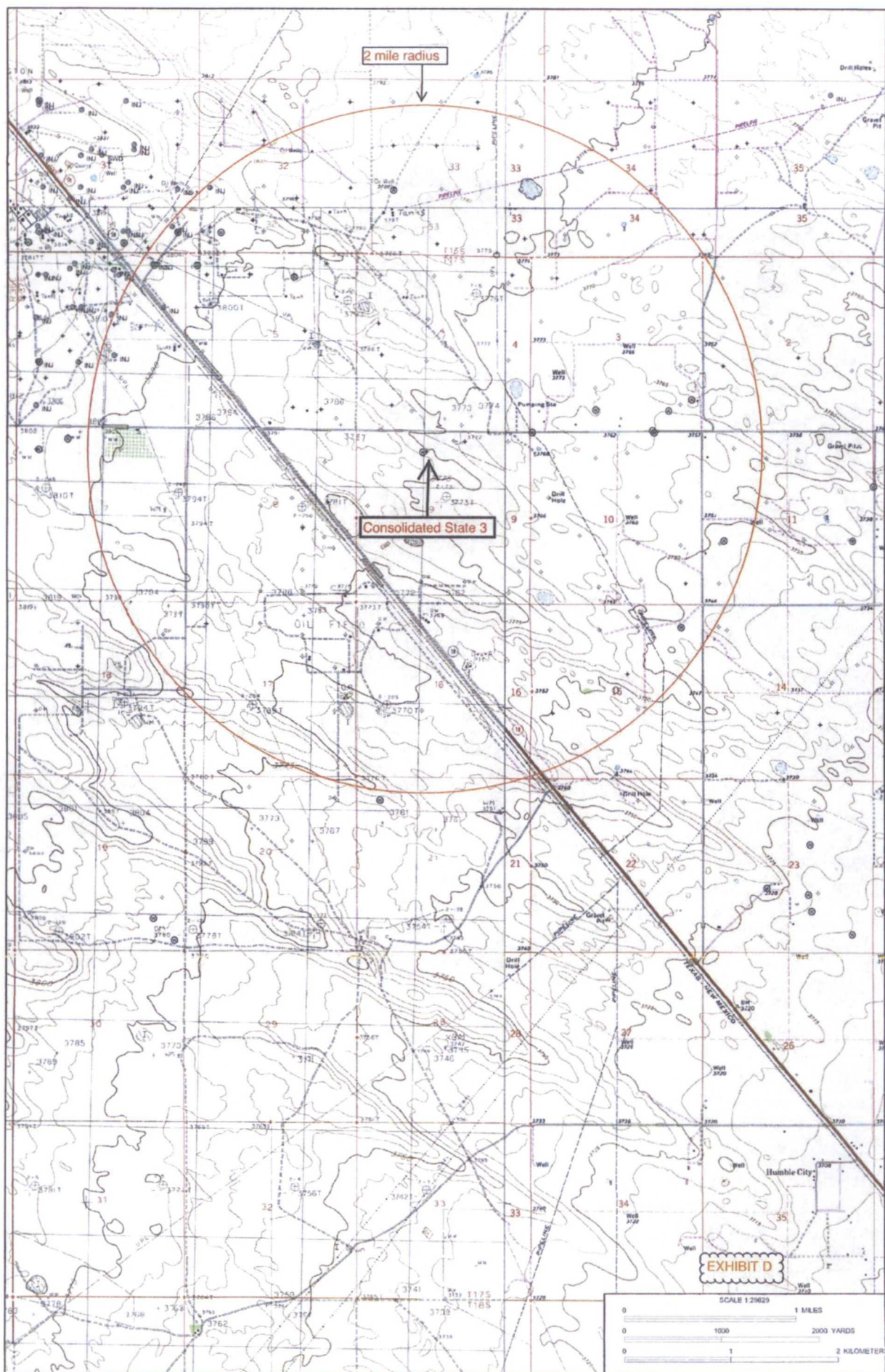
Production Summary of api:3002529711 pool:SHIPP;STRAWN

producing year	Oil	Gas	Water	Co2
1993	1069	14018	0	0
1994	479	12538	0	0
1995	25	10162	0	0
1996	0	8126	0	0
1997	1	7118	0	0
1998	2	6528	0	0
1999	0	5598	0	0
2000	0	4241	0	0
2001	0	4006	0	0
2002	0	3274	0	0
2003	0	2971	0	0
2004	0	4510	0	0
2005	0	5574	0	0
2006	0	4438	0	0
2007	0	2530	0	0
2008	0	1267	0	0
2009	0	1124	0	0
2010	0	1169	0	0
2011	0	908	0	0
2012	0	5	0	0
summary	1576	100106	0	0

- This well and pool combination has no other pre-ongard data.

EXHIBIT B





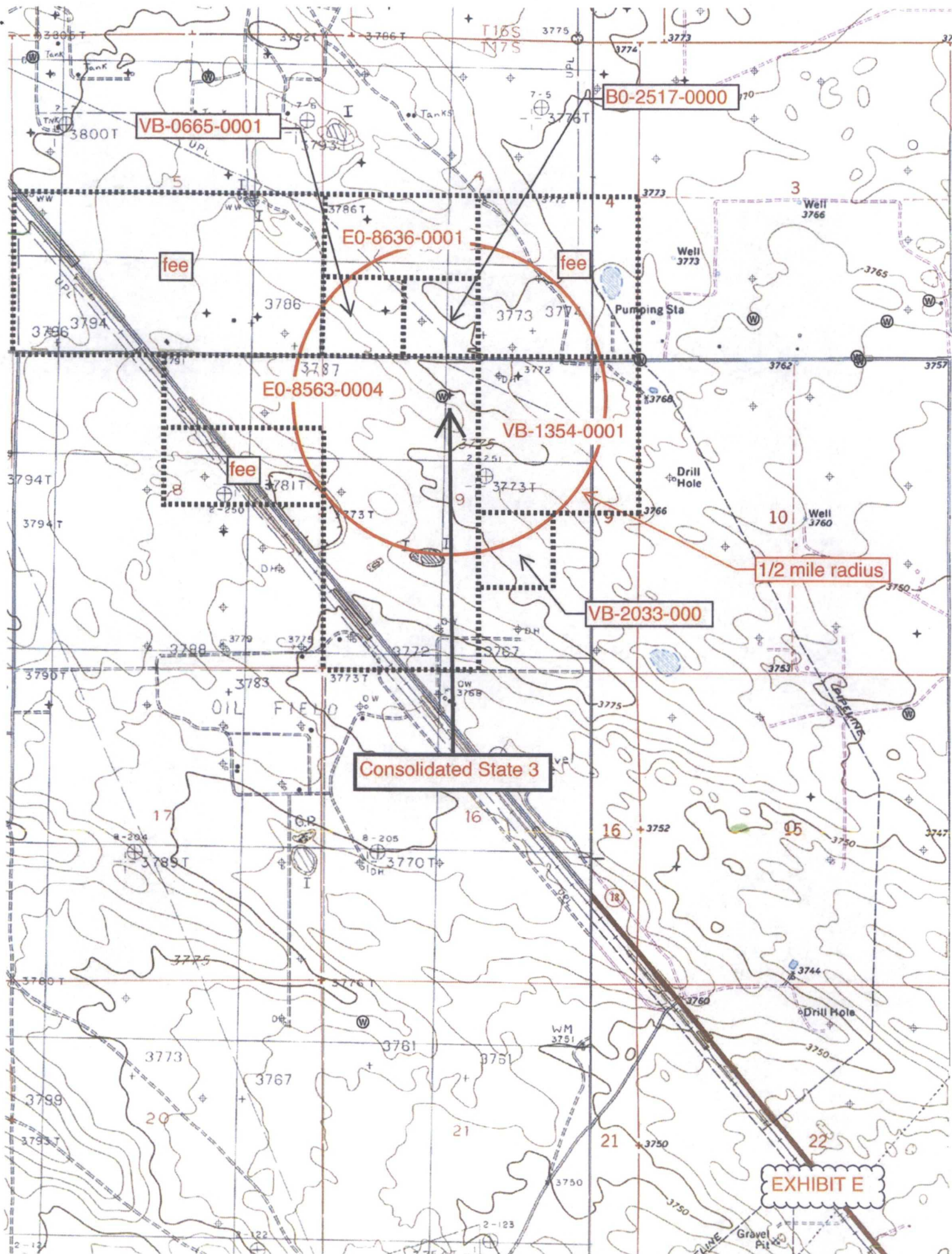
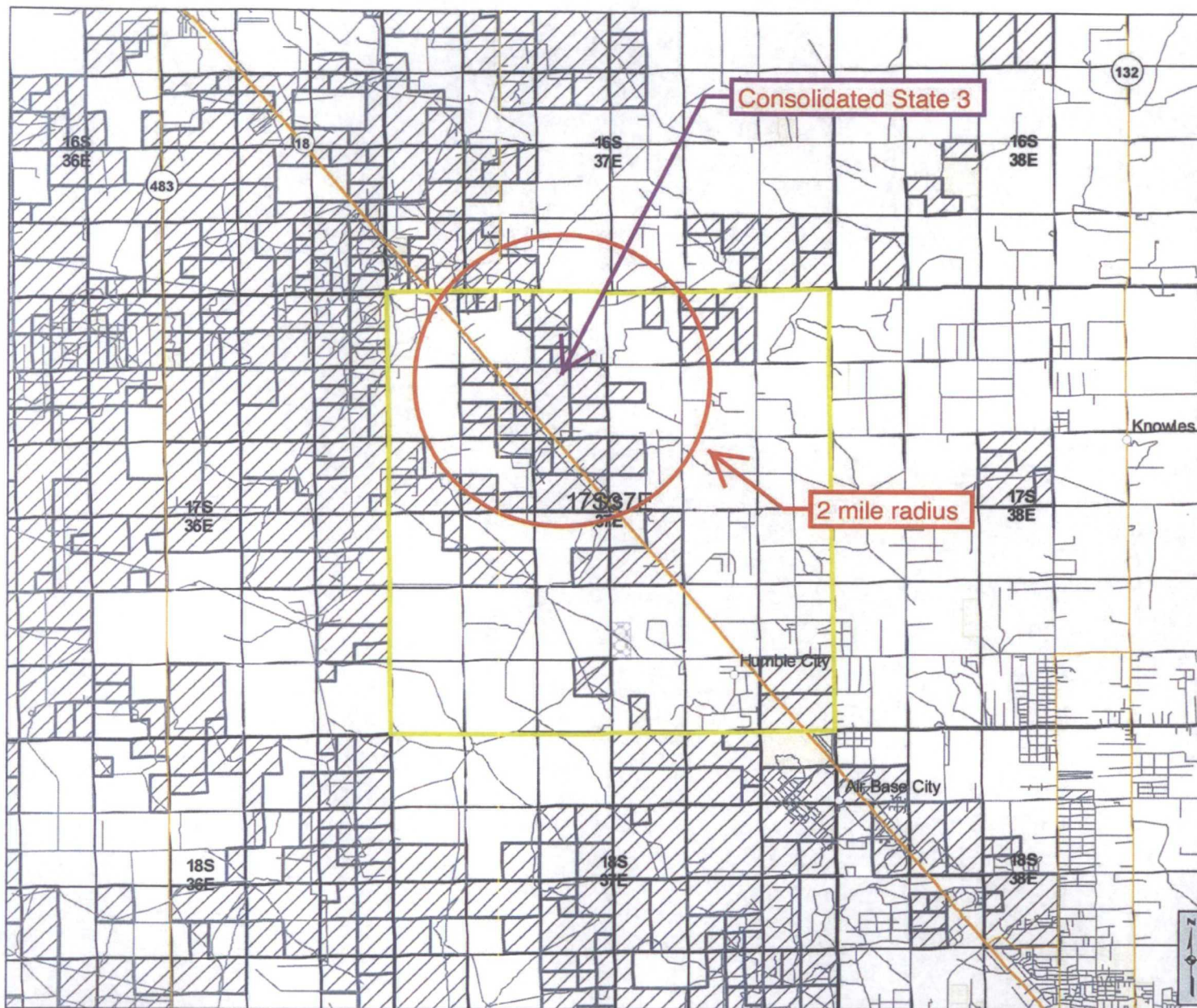


EXHIBIT E



Point Locations

- County Seat
- ▲ SLO District Offices
- City, Town or Village
- ★ Volcanic Vents
- Highway Mileposts

NMOCD Oil and Gas Wells

- Oil
- Injection
- Carbon Dioxide
- Miscellaneous
- ✱ Gas
- Water
- ◇ DA or PA
- △ Salt Water Disposal

Federal Minerals

- All Minerals
- Coal Only
- Oil and Gas Only
- Oil, Gas and Coal Only
- Other Minerals

State Trust Lands

- Surface Estate
- Subsurface Estate
- Both Estates

NMSLO Leasing

- Option Agreement
- Commercial Lease
- Minerals Lease
- Oil and Gas Lease
- Agricultural Lease
- Not Available for Oil and Gas Leasing
- Restriction Influences Oil and Gas Leasing

Other Boundaries

- Continental Divide
- State Boundary
- County Boundaries
- Oil and Gas Unit Boundary
- Participating Areas in Units
- Geologic Regions
- Potash Enclave (NMOCD R-111-P)

For detailed legend of the Geologic Map of New Mexico, please see <http://geoinfo.nmt.edu/>

New Mexico State Land Office Oil, Gas, and Minerals

0 0.3750.75 1.5 2.25 3 Miles

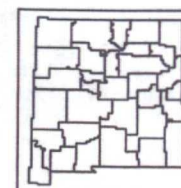
Universal Transverse Mercator Projection, Zone 13
1983 North American Datum

EXHIBIT F

The New Mexico State Land Office assumes no responsibility or liability for, or in connection with, the accuracy, reliability or use of the information provided here, in State Land Office data layers or any other data layer.

Land Office Geographic Information Center
logic@slo.state.nm.us

Created On: 1/1/2012 12:11:42 PM



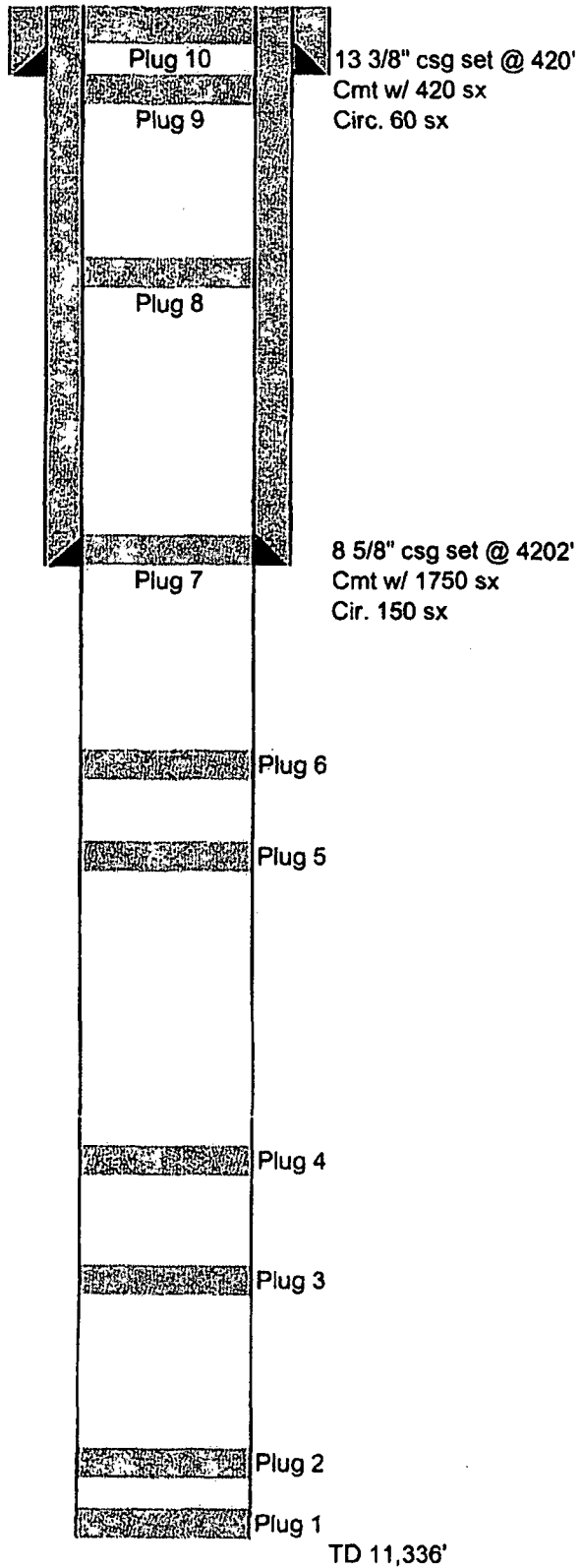
www.nmstatelands.org

WELL	API 30 015-	SPUD	STATUS	TD	HOLE O. D.	CASING O. D.	SET @	SX CEMENT	TYPE	TOC	HOW DETERMINED	POOL
Dakota's New Mexico EX State 2	29440	12/22/85	SWD	11,300'	17-1/2"	13-3/8"	444'	500	Class C	GL	circulated to surface	SWD; Strawn
					11"	8-5/8"	4200'	1500	Class C	GL	circulated to surface	
					7-7/8"	5-1/2"	11300'	2082	950 sx Class H & 1132 sx Class C	3700'	calculated	
Tipperary's Jons 4 State 1	28806	9/22/84	P & A	11,336'	17-1/2"	13-3/8"	397'	420	Class C	GL	circulated 60 sx	Wildcat; Strawn
					12-1/4"	8-5/8"	4202'	1950	1750 sx light + 200 sx neat	GL	circulated 150 sx	
					7-7/8"	not run						
Pennzoil's Viersen 3	29829	1/1/87	P & A	11,240'	17-1/2"	13-3/8"	405'	630	Class C	GL	circulated 180 sx	Shipp; Strawn
					11"	8-5/8"	4189'	1450	110 sx light + 350 sx Class C	1600'	temperature survey	
					7-7/8"	5-1/2"	11239'	350	Class H	9900'	calculated	
Chesapeake's Bubba 4 State Com 1	37420	8/18/05	oil well	11,200'	17-1/2"	13-3/8"	444'	402	201 sx 35/65 poz Class C & 201 sx Class C	GL	circulated 3 bbl to surface	Shipp; Strawn
					11"	8-5/8"	4208'	960	150 sx 50:50 poz Class C & 600 sx 50:50 poz Class C & 210 sx Class C	265'	(per Sundry)	
					7-7/8"	5-1/2"	11195'	1005	375 sx 50:50 poz Z & 130 sx oz H & 500 sx 50:50 poz Class H	2590'	CBL	

WELL	API 30 015-	SPUD	STATUS	TD	HOLE O. D.	CASING O. D.	SET @	SX CEMENT	TYPE	TOC	HOW DETERMINED	POOL
Fasken's Consolidated State 1	27183	1/10/81	P & A	11,073'	17-1/2"	13-3/8"	398'	350	Class C	GL	circulated 60 sx	Midway; Devonian
					12-1/4"	8-5/8"	4462'	1600	1400 sx light & 200 sx Class C	550'	temperature survey	
					7-7/8"	not run						
Cimarex's Viersen 2	29445	10/23/85	P & A	11,281'	17-1/2"	13-3/8"	406'	420	Class C	GL	circulated 25 sx	Shipp; Strawn
					11"	8-5/8"	4200'	1340	Class C	310'	temperature survey	
					7-7/8"	5-1/2"	11280'	400	Class H	9612'	CBL	
Exxon's New Mexico EX State 1	29367	12/22/85	P & A	11,412'	17-1/2"	13-3/8"	462'	500	Class C	GL	circulated 90 sx to surface	Midway; Abo, Humble City; Wolfcamp, & Shipp; Strawn
					12-1/4"	8-5/8"	4198'	1700	Class C	GL	circulated 250 sx to surface	
					7-7/8"	5-1/2"	11412'	1050	Class H	7705	(per completion report)	

1,312' from
Consolidated State '3

Jons 4 State
Sec. 4 (N), T-17-S, R-37-E
Lea County, New Mexico
560 FSL & 1650 FWL
30-025-28806



Plugging Detail

Plug 1	35 sx @ 11,300'
Plug 2	35 sx @ 10,985
Plug 3	35 sx @ 9,342
Plug 4	35 sx @ 8,505
Plug 5	35 sx @ 6,335
Plug 6	35 sx @ 5,558
Plug 7	35 sx @ 4150-4250
Plug 8	35 sx @ 2000-2100
Plug 9	35 sx @ 350-450
Plug 10	10 sx @ surface

EXHIBIT G

1,344' from
Consolidated State 3

Viersen #3

Sec. 4 (O), T-17-S, R-37-E
Lea County, New Mexico
150 FSL & 2080 FWL

30-025-29829

Plugging Detail

5 1/2" CIBP @ 10,992', Spot 35' cmt
Spot 25 sx @ 8206-8042
Cut csg @ 7992'
Set 50 sx 8042-7876
Set 50 sx 6349-6202
Set several plugs, but never tagged
Mixed LCM, no change
Set 8 5/8" CIBP @ 4145
Set 10 sx 4145-4110
Rest of report missing

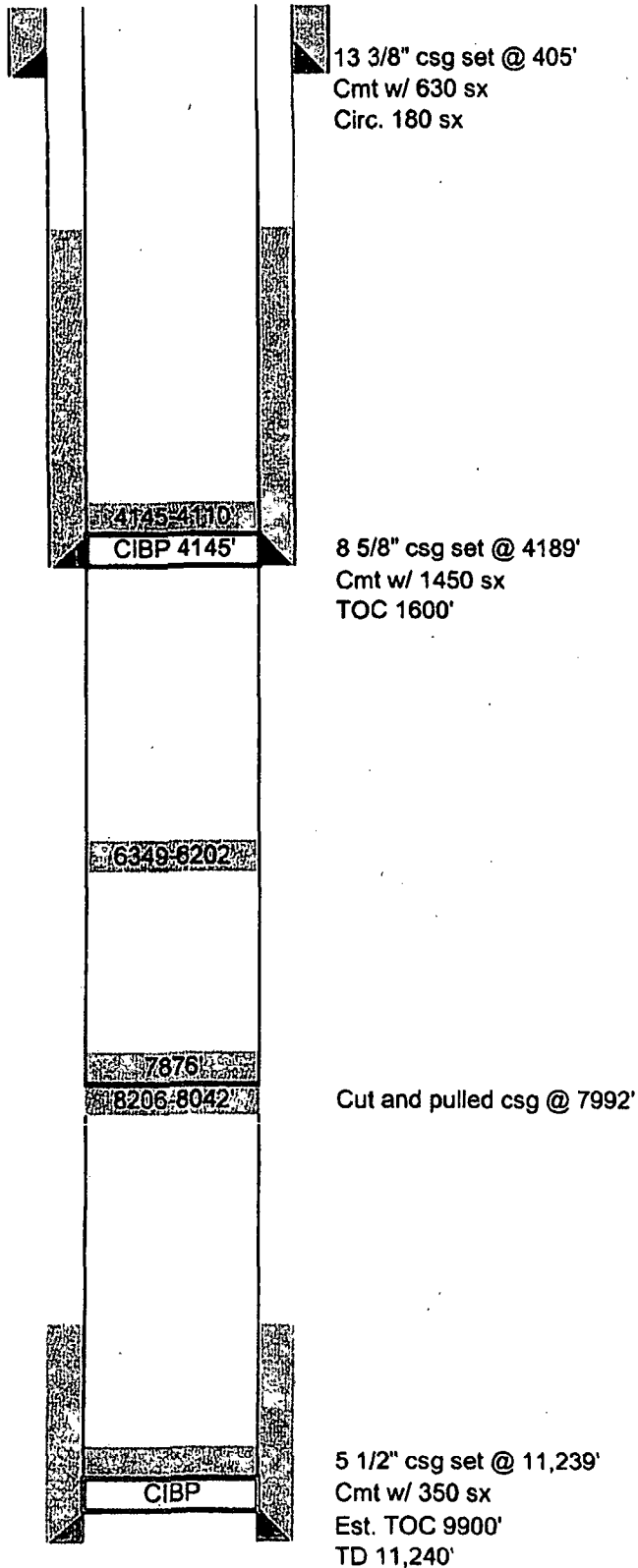
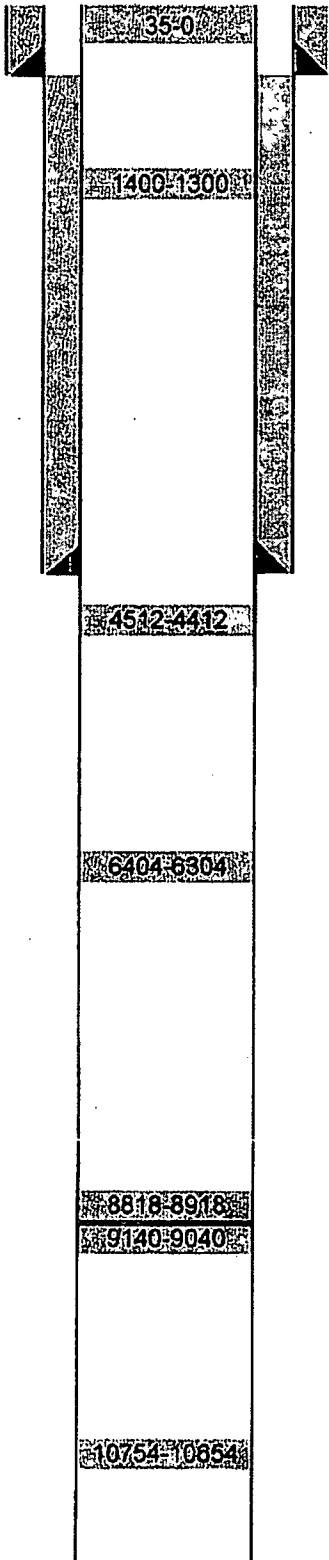


EXHIBIT G

2,453' from
Consolidated State 3

Consolidated State No. 1
Sec. 9 (E), T-17-S, R-37-E
Lea County, New Mexico
2310 FSL & 330 FWL
30-025-27183



13 3/8" csg set @ 398'
Cmt w/ 350 sx
Circ.60 sx

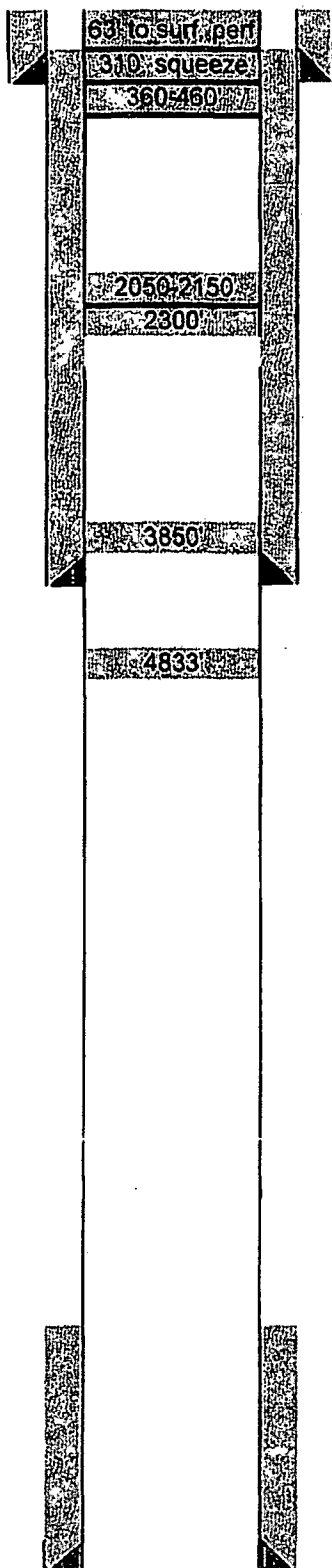
8 5/8" csg set @ 4462'
Cmt w/ 1600 sx
Est TOC @ 550' (Temp Surv)

Plugging Detail

35 sx @ 10754-10654
40 sx @ 9140-9040
40 sx @ 8918-8818
50 sx @ 6404-6304
40 sx @ 4512-4412
30 sx @ 1400-1300
10 sx @ 35-0

TD 11,073'

EXHIBIT G



13 3/8" csg set @ 406'
Cmt w/ 420 sx
Circ. 25 sx

Cut off and fish csg
@ 2340'

8 5/8" csg set @ 4200'
Cmt w/ 1340 sx
TOC 310'

5 1/2" csg set @ 11,280'
Cmt w/ 400 sx
TOC 9612' (Cement Bond Log)
TD 11,281

2,469' from
Consolidated State 3

Viersen #2

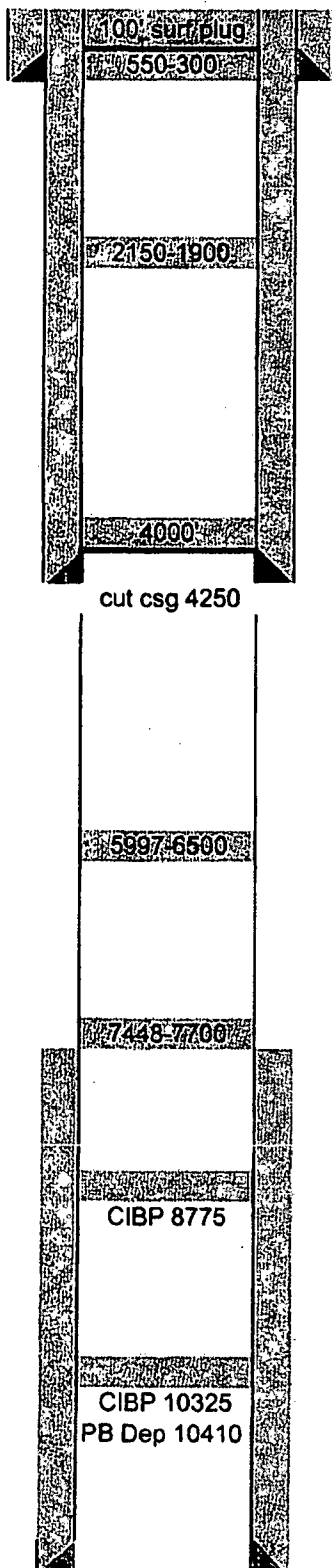
Sec. 4 (O), T-17-S, R-37-E
Lea County, New Mexico
1300 FSL & 1650 FEL

30-025-29945

Plugging Detail

Spot 50 sx @ 5068. No Tag.
Re-spot 50 sx & tag @ 4833'
Perf @ 4200. Squeez 50 sx & tag
@ 3850.
Spot 50 sx @ 2500. Tag @ 2300'
Spot 35 sx @ 2150-2050
Spot 35 sx @ 460-360
Perf @ 310, Squeeze 70 sx
Spot 20 sx @ 63' to surface

EXHIBIT G



13 3/8" csg set @ 462'
Cmt w/ 500 sx
Circ.90 sx

8 5/8" csg set @ 4198'
Cmt w/ 1700 sx
Circ 250 sx

5 1/2" csg set @ 11412'
Cmt w/ 1050 sx
Est TOC @ 7705'
TD 11,412'

2,523' from
Consolidated State 3

New Mexico State EX #1

Sec. 9 (A), T-17-S, R-37-E
Lea County, New Mexico
330 FNL & 660 FEL

30-025-29367

Plugging Detail

PB to 10, 410 and completed in Wolfcamp
Set CIBP @ 10325', dump 35' cement
Attempted Abo completion 8810-8860
Set CIBP @ 8775', cap w/ 35' cement
Cut off 5 1/2" csg @ 4250'
50 sx @ 7700-7448
50 sx @ 6500-5997
50 sx @ 4250
Reset plug from 4240 to 4000; w/ 56 sx
50 sx @ 2150-1900
50 sx @ 550-300
10 sx 100' to surface

EXHIBIT G

NM WAIDS

≈9 miles northwest of
Consolidated State 3

DATA

MAPS

HOME

SCALE

CORROSION

General Information About: Sample 5876			
SNYDER A COM 001			
API	3002534073	Sample Number	
Unit/Section/ Township/Range	18 / 06 / 16 S / 36 E	Field	SHOE BAR NORTHEAST
County	Lea	Formation	STRAWN
State	NM	Depth	
Lat/Long	32.94607 / -103.39970	Sample Source	
TDS (mg/L)	72615.6	Water Type	
Sample Date(MM/DD/YYYY)	3/10/1998	Analysis Date(MM/DD/YYYY)	3/19/1998
Remarks/Description			
Cation Information (mg/L)		Anion Information (mg/L)	
Potassium (K)	168.245	Sulfate (SO)	479.655
Sodium (Na)	26688.3	Chloride (Cl)	45588.1
Calcium (Ca)	1815.17	Carbonate (CO ₃)	0
Magnesium (Mg)	471.295	Bicarbonate (HCO ₃)	368.885
Barium (Ba)	0.3135	Hydroxide (OH)	
Manganese (Mn)		Hydrogen Sulfide (H ₂ S)	
Strontium (Sr)	269.61	Carbon Dioxide (CO ₂)	
Iron (Fe)	33.44	Oxygen (O)	



EXHIBIT H

NM WAIDS

≈9 miles northwest of
Consolidated State 3

DATA

MAPS

HOME

SCALE

CORROSION

General Information About: Sample 5856			
SNYDER A COM 001			
API	3002534073	Sample Number	
Unit/Section/ Township/Range	18 / 06 / 16 S / 36 E	Field	SHOE BAR NORTHEAST
County	Lea	Formation	STRAWN
State	NM	Depth	
Lat/Long	32.94607 / -103.39970	Sample Source	
TDS (mg/L)	65732.6	Water Type	
Sample Date(MM/DD/YYYY)	4/2/1998	Analysis Date(MM/DD/YYYY)	4/15/1998
Remarks/Description			
Cation Information (mg/L)		Anion Information (mg/L)	
Potassium (K)	115.06	Sulfate (SO)	381.79
Sodium (Na)	23155.3	Chloride (Cl)	41323.3
Calcium (Ca)	2535.5	Carbonate (CO ₃)	0
Magnesium (Mg)	446.642	Bicarbonate (HCO ₃)	478.022
Barium (Ba)	1.046	Hydroxide (OH)	
Manganese (Mn)		Hydrogen Sulfide (H ₂ S)	2.092
Strontium (Sr)	270.914	Carbon Dioxide (CO ₂)	
Iron (Fe)	49.162	Oxygen (O)	



EXHIBIT H

NM WAIDS

~8 miles east of
Consolidated State 3

DATA

MAPS

HOME

SCALE

CORROSION

General Information About: Sample 4524			
L COOPER A 001			
API	3002507301	Sample Number	
Unit/Section/ Township/Range	N / 12 / 17 S / 38 E	Field	KNOWLES SOUTH
County	Lea	Formation	DEV
State	NM	Depth	
Lat/Long	32.84384 / -103.10365	Sample Source	DST
TDS (mg/L)	29115	Water Type	
Sample Date(MM/DD/YYYY)		Analysis Date(MM/DD/YYYY)	
Remarks/Description			
Cation Information (mg/L)		Anion Information (mg/L)	
Potassium (K)		Sulfate (SO)	2337
Sodium (Na)		Chloride (Cl)	15640
Calcium (Ca)		Carbonate (CO ₃)	
Magnesium (Mg)		Bicarbonate (HCO ₃)	999
Barium (Ba)		Hydroxide (OH)	
Manganese (Mn)		Hydrogen Sulfide (H ₂ S)	
Strontium (Sr)		Carbon Dioxide (CO ₂)	
Iron (Fe)		Oxygen (O)	



EXHIBIT I

NM WAIDS

≈8 miles east of
Consolidated State 3

DATA

MAPS

HOME

SCALE

CORROSION

General Information About: Sample 7538			
L COOPER A001			
API	3002507301	Sample Number	
Unit/Section/ Township/Range	N / 12 / 17 S / 38 E	Field	KNOWLES SOUTH
County	Lea	Formation	DEV
State	NM	Depth	12263
Lat/Long	32.84384 / -103.10365	Sample Source	DST
TDS (mg/L)	29122	Water Type	
Sample Date(MM/DD/YYYY)		Analysis Date(MM/DD/YYYY)	
Remarks/Description			
Cation Information (mg/L)		Anion Information (mg/L)	
Potassium (K)		Sulfate (SO)	2337
Sodium (Na)		Chloride (Cl)	15646
Calcium (Ca)	1097	Carbonate (CO ₃)	
Magnesium (Mg)	1077	Bicarbonate (HCO ₃)	999
Barium (Ba)		Hydroxide (OH)	
Manganese (Mn)		Hydrogen Sulfide (H ₂ S)	
Strontium (Sr)		Carbon Dioxide (CO ₂)	
Iron (Fe)	0	Oxygen (O)	



EXHIBIT I

103°16'00" W WGS84 103°15'00" W



Hall Environmental Analysis Laboratory, Inc.

Date: 09-Dec-11

Analytical Report

CLIENT: Permits West
Lab Order: 1111998
Project: Cobalt Consolidated 3
Lab ID: 1111998-01

Client Sample ID: Section 9 Water Well
Collection Date: 11/26/2011 11:50:00 AM
Date Received: 11/29/2011
Matrix: AQUEOUS

Analyses	Result	PQL	Qual	Units	DF	Date Analyzed
EPA METHOD 1664						
N-Hexane Extractable Material	ND	5.0		mg/L	1	Analyst: MAW 12/6/2011
SM2540C MOD: TOTAL DISSOLVED SOLIDS						
Total Dissolved Solids	394	20.0		mg/L	1	Analyst: KS 12/2/2011 4:02:00 PM

EXHIBIT K

Qualifiers:

* Value exceeds Maximum Contaminant Level
E Estimated value
J Analyte detected below quantitation limits
NC Non-Chlorinated
PQL Practical Quantitation Limit

B Analyte detected in the associated Method Blank
H Holding times for preparation or analysis exceeded
MCL Maximum Contaminant Level
ND Not Detected at the Reporting Limit
S Spike recovery outside accepted recovery limits

QA/QC SUMMARY REPORT

Client: Permits West
Project: Cobalt Consolidated 3

Work Order: 1111998

Analyte	Result	Units	PQL	SPK Va	SPK ref	%Rec	LowLimit	HighLimit	%RPD	RPDLimit	Qual
Method: EPA Method 1664A											
Sample ID: MB-29608		MBLK									
N-Hexane Extractable Material	ND	mg/L	5.0								
Sample ID: MB-29608		MBLK									
Silica Gel Treated N-Hexane Extracta	ND	mg/L	5.0								
Sample ID: LCS-29608		LCS									
N-Hexane Extractable Material	32.70	mg/L	5.0	40	0	81.8	78	114			
Sample ID: LCS-29608		LCS									
Silica Gel Treated N-Hexane Extracta	14.10	mg/L	5.0	20	0	70.5	64	132			

Method: SM2540C MOD: Total Dissolved Solids

Sample ID: MB-29576		MBLK									
Total Dissolved Solids	ND	mg/L	20.0								
Sample ID: LCS-29576		LCS									
Total Dissolved Solids	1029	mg/L	20.0	1000	16	101	80	120			

EXHIBIT K

Qualifiers:

E	Estimated value	H	Holding times for preparation or analysis exceeded
J	Analyte detected below quantitation limits	NC	Non-Chlorinated
ND	Not Detected at the Reporting Limit	R	RPD outside accepted recovery limits

Affidavit of Publication

State of New Mexico,
County of Lea.

I, JUDY HANNA
PUBLISHER

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

of 1 issue(s).

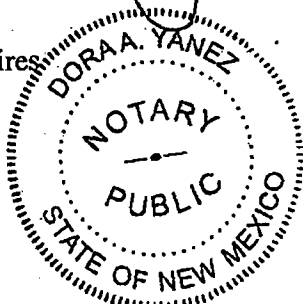
Beginning with the issue dated
March 02, 2012
and ending with the issue dated
March 02, 2012


PUBLISHER

Sworn and subscribed to before me
this 7th day of
March, 2012


Notary Public

My commission expires
February 09, 2013
(Seal)



This newspaper is duly qualified to
publish legal notices or
advertisements within the meaning of
Section 3, Chapter 167, Laws of
1937 and payment of fees for said
publication has been made.

LEGAL NOTICE
FEBRUARY 2, 2012
Cobalt Operating, LLC is applying to convert the Consolidated State #3 to a saltwater disposal well. Disposal will be into the Strawn (10,944' - 11,075'). The well is located 8 miles southeast of Lovington at 660 FNL-8-2126 FWL Sec. 9, T. 17 S., R. 37 E., Lea County. Maximum disposal rate will be 2,000 bwpd. Maximum injection pressure will be 2,088 psi. Interested parties must file objections or requests for hearing with the NM Oil Conservation Division, 1220 South Saint Francis Dr., Santa Fe, NM 87505 within 15 days. Additional information can be obtained by contacting Brian Wood, Permits West, Inc., 37 Verano Loop, Santa Fe, NM 87508. Phone number is (505) 466-8120.
#27179

02108485

00088507

BRIAN WOOD
PERMITS WEST
37 VERANO LOOP
SANTA FE, NM 87508

EXHIBIT L

Condolitated State - Lea County, NM

Owner Name	Address1	Address2	City	ST	ZIP	Phone	WI
Tritium Resources, LTD	3001 N Big Spring St	Suite 207	Midland	TX	79705		11.3109408
Yesco Energy, LLC	249-8 Yongdap-dong Sungdong-gu		Seoul South Korea		133-851		50.270848
Condor Power Company, LLC	1502 Augusta Drive	Suite 120	Houston	TX	77057		1.2567712
CBR Oil Properties, LLC	P.O. Box 1518		Roswell	NM	88202-1518	(505)622-3770	1.148817
Sage Energy, Inc.	10600 S Road V		Manter	KS	67862		2.093738
Don A Hood Trust	P.O.Box 1740		Brackettville	TX	78832	(830)563-2125	0.056966
Donald Allison Hood	P.O. Box 1740		Brackettville	TX	78832	(830)563-2125	0.056966
David Petroleum Corp	116 West First Street		Roswell	NM	88203	(575)622-8850	0.854492
Lucinda Loveless	P.O. Box 8		Hondo	NM	88336-0008	(575)653-4222	0.287205
Lucinda Loveless Revocable Trust	P.O. Box 8		Hondo	NM	88336	(575)653-4222	0.287204
Pfeifer Energy Company, LLC	480 Willow Drive		Pittsburgh	PA	15243	(412) 735-4435	7.291666
Harvard Energy Partners, L.P.	P.O. Box 936		Roswell	NM	88201	(575) 208-7135	0.91146
Lamar B. Roemer, PHD	35 N. Wynden Drive		Houston	TX	77056	(713)623-2183	9.770775
Stevens, Revocable Trust	P.O. Box 3087		Roswell	NM	88202-3087	(575) 653-4379	1.14882
Susan Dee Bergfeld	2001 South Donnybrook		Tyler	TX	75701		0.056966
Susan Hood Bergfeld Trust	2001 South Donnybrook		Tyler	TX	75701		0.05697
Davoil, Inc.	P.O. Box 122269		Fort Worth	TX	76121-2262		2.22025
Kent R. Ellison	1015 N. Walts Avenue		Sioux Falls	SD	57104		0.00726
Lauren Corporation	P.O. Box 3193		Englewood	CO	80155-3193		0.364583
Martin Oil & Gas Investments, LLC	841 Los Lovatos Road		Santa Fe	NM	87501		0.227865
Miller Oil & Gas Assets II, LC	P.O. Box 3193		Englewood	CO	80155-3193		6.927084
Carolyn Loveless Schlicher	P.O. Box 606		Roswell	NM	88202-0606		0.57441
John F. Sheridan	151 South Birch Street		Denver	CO	80246-1016		2.093737
Douglas H. Smith	3953 Meadowbrook Road		St. Louis Park	MN	55426		0.00485
The Trust Humble	35421 Kanis Road		Paron	AR	72122		0.712076
Unknown							0.00728



March 12, 2012

Nick Jaramillo
New Mexico State Land Office
P. O. Box 1148
Santa Fe, NM 87504-1148

Dear Nick,

Cobalt Operating, LLC is applying (application attached) to convert its Consolidated State 3 well to a salt water disposal well. As required by NM Oil Conservation Division Rules, I am notifying you of the following proposed salt water disposal well. This letter is a notice only. No action is needed unless you have questions or objections.

Well Name: Consolidated State 3 (state lease) ID = 11,300'
Proposed Injection Zone: Strawn (from 10,944' to 11,075')
Location: 660' FNL & 2128' FWL Sec. 9, T. 17 S., R. 37 E., Lea County, NM
Approximate Location: ~8 air miles southeast of Lovington, NM
Applicant Name: Cobalt Operating, LLC (432) 682-8686
Applicant's Address: 3001 North Big Spring, Suite 207, Midland, TX 79705

Submittal Information: Application for a salt water disposal well will be filed with the NM Oil Conservation Division (NMOCD). If you have an objection, or wish to request a hearing, then it must be filed with the NMOCD within 15 days of receipt of this letter. The New Mexico Oil Conservation Division address is 1220 South St. Francis Dr. Santa Fe, NM 87505. Their phone number is (505) 476-3440.

Cobalt will file for a SWD Easement. Please call me if you have any questions.

Sincerely,

Brian Wood
Brian Wood

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SANTA FE OFFICIAL USE

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Certified Fee	\$2.95
Return Receipt Fee (Endorsement Required)	\$2.35
Restricted Delivery Fee (Endorsement Required)	\$0.00
Total Postage & Fees	\$6.80

Postmark: MAR 12 2012
Stamp: 03/12/2012

PS Form 3800, August 2003 See Reverse for Instructions

EXHIBIT M



March 12, 2012

Sharon LaValley
Cimarex Energy Co.
15 East 5th St., Suite 1000
Tulsa, OK 74103

Dear Sharon,

Cobalt Operating, LLC is applying (application attached) to convert its Consolidated State 3 well to a salt water disposal well. As required by NM Oil Conservation Division Rules, I am notifying you of the following proposed salt water disposal well. This letter is a notice only. No action is needed unless you have questions or objections.

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Applicant's Address: 3001 North Big Spring, Suite 207, Midland, TX 79705

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Please call me if you have any questions.

Sincerely,

Brian Wood
Brian Wood

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Postage	\$1.50
Certified Fee	\$2.95
Return Receipt Fee (Endorsement Required)	\$2.35
Restricted Delivery Fee (Endorsement Required)	\$0.00
Total Postage & Fees	\$6.80

Postmark: MAR 12 2012
Stamp: 03/12/2012

Sent to: Cimarex
Street, Apt. No., or PO Box No.: Tulsa
City, State, ZIP+4: Tulsa

PS Form 3800, August 2003 See Reverse for Instructions



March 12, 2012

Susan Dee Bergfeld &
Susan Hood Bergfeld Trust
2001 South Donnybrook
Tyler, TX 75701

Cobalt Operating, LLC is applying (application attached) to convert its Consolidated State 3 well to a salt water disposal well. As required by NM Oil Conservation Division Rules, I am notifying you of the following proposed salt water disposal well. This letter is a notice only. No action is needed unless you have questions or objections.

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Applicant's Address: 3001 North Big Spring, Suite 207, Midland, TX 79705

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Please call me if you have any questions.

Sincerely,

Brian Wood

Brian Wood

EXHIBIT M

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TYLER TX 75701

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Certified Fee	\$2.95
Return Receipt Fee (Endorsement Required)	\$2.35
Restricted Delivery Fee (Endorsement Required)	\$0.00
Total Postage & Fees	\$6.80

Sent to: *Susan Bergfeld*
Address: Apt. No. or PO Box No.
City, State, ZIP+4

PS Form 3800, August 2006 See Reverse for Instructions



March 12, 2012

CBR Oil Properties, LLC
P. O. Box 1518
Roswell, NM 88202-1518

Cobalt Operating, LLC is applying (application attached) to convert its Consolidated State 3 well to a salt water disposal well. As required by NM Oil Conservation Division Rules, I am notifying you of the following proposed salt water disposal well. This letter is a notice only. No action is needed unless you have questions or objections.

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Applicant's Address: 3001 North Big Spring, Suite 207, Midland, TX 79705

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Please call me if you have any questions.

Sincerely,

Brian Wood

Brian Wood

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ROSWELL NM 88202

Postage	\$1.50
Certified Fee	\$2.95
Return Receipt Fee (Endorsement Required)	\$2.35
Restricted Delivery Fee (Endorsement Required)	\$0.00
Total Postage & Fees	\$6.80

Sent to: *CBR Oil Prop*
Address: Apt. No. or PO Box No.
City, State, ZIP+4

PS Form 3800, August 2006 See Reverse for Instructions



March 12, 2012

Condor Power Company, LLC
1502 August Dr., Suite 120
Houston, TX 77057

Cobalt Operating, LLC is applying (application attached) to convert its Consolidated State 3 well to a salt water disposal well. As required by NM Oil Conservation Division Rules, I am notifying you of the following proposed salt water disposal well. This letter is a notice only. No action is needed unless you have questions or objections.

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Applicant's Address: 3001 North Big Spring, Suite 207, Midland, TX 79705

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Please call me if you have any questions.

Sincerely,

Brian Wood
Brian Wood

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HOUSTON, TX 77057	
Postage	\$1.50
Certified Fee	\$2.65
Return Receipt Fee (Endorsement Required)	\$2.35
Restricted Delivery Fee (Endorsement Required)	\$0.00
Total Postage & Fees	\$6.80
MAR 12 2012	
See Reverse for Instructions	

EXHIBIT M



March 12, 2012

Chesapeake Exploration LP
P. O. Box 18496
Oklahoma City, OK 73154-0496

Cobalt Operating, LLC is applying (application attached) to convert its Consolidated State 3 well to a salt water disposal well. As required by NM Oil Conservation Division Rules, I am notifying you of the following proposed salt water disposal well. This letter is a notice only. No action is needed unless you have questions or objections.

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Applicant's Address: 3001 North Big Spring, Suite 207, Midland, TX 79705

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Please call me if you have any questions.

Sincerely,

Brian Wood
Brian Wood

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OKLAHOMA CITY, OK 73154	
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Certified Fee	\$2.65
Return Receipt Fee (Endorsement Required)	\$2.35
Restricted Delivery Fee (Endorsement Required)	\$0.00
Total Postage & Fees	\$6.80
MAR 12 2012	
See Reverse for Instructions	



March 12, 2012

Tom Scarborough
ConocoPhillips Company
P. O. Box 2197
Houston, TX 77252

Dear Mr. Scarborough:

Cobalt Operating, LLC is applying (application attached) to convert its Consolidated State 3 well to a salt water disposal well. As required by NM Oil Conservation Division Rules, I am notifying you of the following proposed salt water disposal well. This letter is a notice only. No action is needed unless you have questions or objections.

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Please call me if you have any questions.

Sincerely,

Brian Wood
Brian Wood

EXHIBIT M

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HOUSTON, TX 77252

Postage	\$11.50
Certified Fee	\$2.95
Return Receipt Fee (Endorsement Required)	\$2.35
Restricted Delivery Fee (Endorsement Required)	\$0.00
Total Postage & Fees	\$16.80

03/12/2012

Sent to: *ConocoPhillips*
Address: *Houston*
City, State, ZIP+4: *Houston, TX 77252*

PS Form 3800, August 2008 See Reverse for Instructions



March 12, 2012

David Petroleum Corp.
116 West First St.
Roswell, NM 88203

Cobalt Operating, LLC is applying (application attached) to convert its Consolidated State 3 well to a salt water disposal well. As required by NM Oil Conservation Division Rules, I am notifying you of the following proposed salt water disposal well. This letter is a notice only. No action is needed unless you have questions or objections.

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Applicant's Address: 3001 North Big Spring, Suite 207, Midland, TX 79705

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Please call me if you have any questions.

Sincerely,

Brian Wood
Brian Wood

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ROSSELLE, NM 88203

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Certified Fee	\$2.95
Return Receipt Fee (Endorsement Required)	\$2.35
Restricted Delivery Fee (Endorsement Required)	\$0.00
Total Postage & Fees	\$16.80

03/12/2012

Sent to: *David Pet*
Address: *Roswell*
City, State, ZIP+4: *Roswell, NM 88203*

PS Form 3800, August 2008 See Reverse for Instructions



March 12, 2012

Davol, Inc.
P. O. Box 122269
Ft. Worth, TX 76121-2262

Cobalt Operating, LLC is applying (application attached) to convert its Consolidated State 3 well to a salt water disposal well. As required by NM Oil Conservation Division Rules, I am notifying you of the following proposed salt water disposal well. This letter is a notice only. No action is needed unless you have questions or objections.

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Approximate Location: ~8 air miles southeast of Lovington, NM
Applicant Name: Cobalt Operating, LLC (432) 682-8686
Applicant's Address: 3001 North Big Spring, Suite 207, Midland, TX 79705

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Please call me if you have any questions.

Sincerely,

Brian Wood

EXHIBIT M

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Certified Fee	\$2.95
Return Receipt Fee (Endorsement Required)	\$2.35
Restricted Delivery Fee (Endorsement Required)	\$0.00
Total Postage & Fees	\$ 16.80

Sent to Davol
Street, Apt. No. or PO Box No.
City, State, ZIP+4[®]

PS Form 3800, August 2008 See Reverse for Instructions



March 12, 2012

Kent R. Ellison
1015 N. Waits Ave.
Sioux Falls, SD 57104

Cobalt Operating, LLC is applying (application attached) to convert its Consolidated State 3 well to a salt water disposal well. As required by NM Oil Conservation Division Rules, I am notifying you of the following proposed salt water disposal well. This letter is a notice only. No action is needed unless you have questions or objections.

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Please call me if you have any questions.

Sincerely,

Brian Wood

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Certified Fee	\$2.95
Return Receipt Fee (Endorsement Required)	\$2.35
Restricted Delivery Fee (Endorsement Required)	\$0.00
Total Postage & Fees	\$ 16.80

Sent to Kent R. Ellison
Street, Apt. No. or PO Box No.
City, State, ZIP+4[®]

PS Form 3800, August 2008 See Reverse for Instructions



March 12, 2012

Harvard Energy Partners, L. P.
P. O. Box 936
Roswell, NM 88201

Cobalt Operating, LLC is applying (application attached) to convert its Consolidated State 3 well to a salt water disposal well. As required by NM Oil Conservation Division Rules, I am notifying you of the following proposed salt water disposal well. This letter is a notice only. No action is needed unless you have questions or objections.

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Please call me if you have any questions.

Sincerely,

Brian Wood

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Restricted Delivery Fee (Endorsement Required)	\$0.00
Total Postage & Fees	\$ 6.80
MAR 12 2012	
See Reverse for Instructions	

EXHIBIT M



March 12, 2012

Don A. Hood Trust & Donald Allison Hood
P. O. Box 1740
Bracketville, TX 78832

Cobalt Operating, LLC is applying (application attached) to convert its Consolidated State 3 well to a salt water disposal well. As required by NM Oil Conservation Division Rules, I am notifying you of the following proposed salt water disposal well. This letter is a notice only. No action is needed unless you have questions or objections.

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Sincerely,

Brian Wood

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Postage	\$ 1.50
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Restricted Delivery Fee (Endorsement Required)	\$0.00
Total Postage & Fees	\$ 6.80
MAR 12 2012	
See Reverse for Instructions	



March 12, 2012

Lauren Corporation and
Miller Oil & Gas Assets II, LC
P. O. Box 3193
Englewood, CO 80155-3193

Cobalt Operating, LLC is applying (application attached) to convert its Consolidated State 3 well to a salt water disposal well. As required by NM Oil Conservation Division Rules, I am notifying you of the following proposed salt water disposal well. This letter is a notice only. No action is needed unless you have questions or objections.

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Please call me if you have any questions.

Sincerely,

Brian Wood
Brian Wood

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Postage	\$1.50
Certified Fee	\$2.95
Return Receipt Fee (Endorsement Required)	\$2.35
Restricted Delivery Fee (Endorsement Required)	\$0.00
Total Postage & Fees	\$6.80
Sent to: <i>Lauren Corporation</i> Street, Apt. No. or PO Box No.: City, State, ZIP+4:	

PS Form 3800, August 2006 See Reverse for Instructions

EXHIBIT M



March 12, 2012

Lucinda Loveless & Lucinda Loveless Revocable Trust
P. O. Box 8
Hondo, NM 88336-0008

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Applicant's Address: 3001 North Big Spring, Suite 207, Midland, TX 79705

Submittal Information: Application for a salt water disposal well will be filed with the NM Oil Conservation Division (NMOCD). If you have an objection, or wish to request a hearing, then it must be filed with the NMOCD within 15 days of receipt of this letter. The New Mexico Oil Conservation Division address is 1220 South St. Francis Dr. Santa Fe, NM 87505. Their phone number is (505) 476-3440.

Please call me if you have any questions.

Sincerely,

Brian Wood
Brian Wood

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Restricted Delivery Fee (Endorsement Required)	\$0.00
Total Postage & Fees	\$6.80
Sent to: <i>Lucinda Loveless</i> Street, Apt. No. or PO Box No.: City, State, ZIP+4:	

PS Form 3800, August 2006 See Reverse for Instructions



March 12, 2012

Martin Oil & Gas Investments
841 Los Lovatos Rd.
Santa Fe, NM 87501

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SANTA FE NM 87501

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Return Receipt Fee (Endorsement Required)	\$2.35
Restricted Delivery Fee (Endorsement Required)	\$0.00
Total Postage & Fees	\$6.80

PS Form 3800, August 2005 See Reverse for Instructions

EXHIBIT M



March 12, 2012

Pfeifer Energy Company, LLC
480 Willow Dr.
Pittsburgh, PA 15243

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PITTSBURGH PA 15243

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Return Receipt Fee (Endorsement Required)	\$2.35
Restricted Delivery Fee (Endorsement Required)	\$0.00
Total Postage & Fees	\$6.80

PS Form 3800, August 2005 See Reverse for Instructions



March 12, 2012

Lamar B. Roemer
35 N. Wynden Dr.
Houston, TX 77056

Cobalt Operating, LLC is applying (application attached) to convert its Consolidated State 3 well to a salt water disposal well. As required by NM Oil Conservation Division Rules, I am notifying you of the following proposed salt water disposal well. This letter is a notice only. No action is needed unless you have questions or objections.

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Please call me if you have any questions.

Sincerely,

Brian Wood

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Certified Fee	\$2.95
Return Receipt Fee (Endorsement Required)	\$2.45
Restricted Delivery Fee (Endorsement Required)	\$0.00
Total Postage & Fees	\$6.80

Post to: Lamar Roemer
Address: 35 N. Wynden Dr.
City: Houston, TX 77056

EXHIBIT M



March 12, 2012

Roemer Oil Company
240 Milwaukee St., Suite 200
Denver, CO 80206-5006

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Please call me if you have any questions.

Sincerely,

Brian Wood

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Certified Fee	\$2.95
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Restricted Delivery Fee (Endorsement Required)	\$0.00
Total Postage & Fees	\$6.80

Post to: Roemer Oil Co
Address: 240 Milwaukee St., Suite 200
City: Denver, CO 80206



March 12, 2012

Sage Energy, Inc.
10600 S Road V
Manter, KS 67862

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Sincerely,

Brian Wood

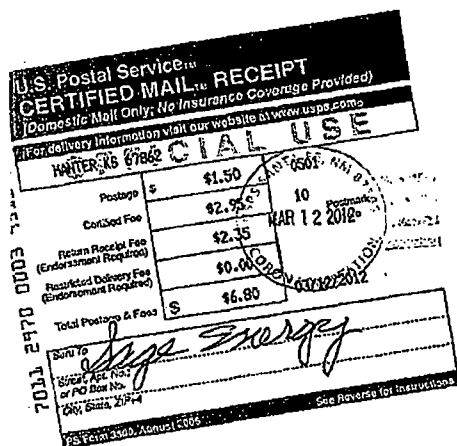


EXHIBIT M



March 12, 2012

Carolyn Loveless Schlicher
P. O. Box 606
Roswell, NM 88202-0606

Cobalt Operating, LLC is applying (application attached) to convert its Consolidated State 3 well to a salt water disposal well. As required by NM Oil Conservation Division Rules, I am notifying you of the following proposed salt water disposal well. This letter is a notice only. No action is needed unless you have questions or objections.

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Please call me if you have any questions.

Sincerely,

Brian Wood





March 12, 2012

John F. Sheridan
151 South Birch St.
Denver, CO 80246-1016

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Total Postage & Fees	\$6.80

Sent to: *[Signature]*
By: *[Signature]*
P.S. Form 3800, August 2006 See Reverse for Instructions

Sincerely,

[Signature]

Brian Wood

EXHIBIT M



March 12, 2012

Douglas H. Smith
3953 Meadowbrook Rd.
St. Louis Park, MN 55426

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Return Receipt Fee (Endorsement Required)	\$4.35
Restricted Delivery Fee (Endorsement Required)	\$0.00
Total Postage & Fees	\$6.80

Sent to: *[Signature]*
By: *[Signature]*
P.S. Form 3800, August 2006 See Reverse for Instructions

Sincerely,

[Signature]

Brian Wood



March 12, 2012

Stevens Revocable Trust
P. O. Box 3087
Roswell, NM 88202-3087

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Please call me if you have any questions.

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Brian Wood

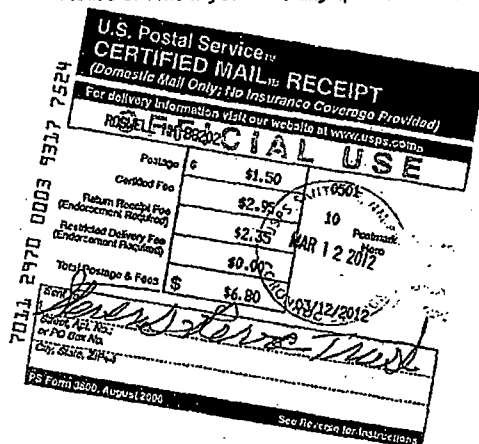


EXHIBIT M



March 12, 2012

Texland Petroleum, LP
777 Main St., Suite 3200
Ft. Worth, TX 76102

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Sincerely,

Brian Wood





March 12, 2012

The Humble Trust
35421 Kanis Rd.
Paron, AR 72122

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Brian Wood

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PARON AR 72122

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Restricted Delivery Fee (Endorsement Required)	\$0.00
Total Postage & Fees	\$ 6.80

Postmark Here
MAR 12 2012
03/12/2012

Sent To: *The Humble Trust*
Street, Apt. No. or PO Box No.
City, State, ZIP+4[®]

PS Form 3800, August 2006

EXHIBIT M



March 12, 2012

Tritium Resources, Ltd.
3001 North Big Spring, Suite 207
Midland, TX 79705

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Brian Wood

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MIDLAND TX 79705

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Total Postage & Fees	\$ 6.80

Postmark Here
MAR 12 2012
03/12/2012

Sent To: *Tritium Resources*
Street, Apt. No. or PO Box No.
City, State, ZIP+4[®]

PS Form 3800, August 2006

PERMITS WEST, INC.

PROVIDING PERMITS for LAND USERS

37Verano Loop, Santa Fe, New Mexico 87508 (505) 466-8120

March 12, 2012

Yesco Energy, LLC
249-8 Yogdap-dong Sungdong-gu
Seoul, South Korea 133-851

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Please call me if you have any questions.

Registered No. RB459678464US		Date Stamp USPS SANTA FE, NM 87505 MAR 12 2012 10 03/12/12 POSTATION	
To Be Completed By Post Office	Reg. Fee	\$11.75	
	Handling Charge	\$0.00	Return Receipt \$2.35
	Postage	\$4.09	Restricted Delivery \$0.00
	Received by	18.19	
Customer Must Declare Full Value \$ \$0.00		Domestic Insurance up to \$25,000 is included based upon the declared value. International indemnity is limited. (See Reverse).	

Sincerely,

Brian Wood
Brian Wood

OFFICIAL USE	
To Be Completed By Customer (Please Print) All Entries Must Be In Ballpoint or Typed	<p>FROM</p> <p>Permits West, Inc 37 Verano Loop Santa Fe, NM 87508 USA</p> <p>TO</p> <p>Yesco Energy, LLC 249-8 Yogdap-dong Sungdong-gu Seoul, South Korea 133-851</p>

EXHIBIT M



April 2, 2012

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

TO AFFECTED PARTIES

Re: Application of Cobalt Operating, LLC for authorization to injection produced water, Lea County, New Mexico.

Ladies and Gentlemen:

This letter is to advise you that Cobalt Operating, LLC has filed the enclosed application with the New Mexico Oil Conservation Division. This application has been set for hearing before a Division Examiner at 8:15 a.m. on May 10, 2012. The hearing will be held in Porter Hall in the Oil Conservation Division's Santa Fe Offices located at 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases are required by Division Rule 1208.B to file a Pre-hearing Statement four days in advance of a scheduled hearing. This statement must be filed at the Division's Santa Fe office at the above specified address and should include: the names of the parties and their attorneys; a concise statement of the case; the names of all witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that are to be resolved prior to the hearing.

If you have any questions regarding this application, please contact Brian Wood at Permits West at (505) 466-8120.

Sincerely,

Michael H. Feldewert