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RAYMOND H. MARSHALL

OF COUNSEL: PAUL A. COOTER*

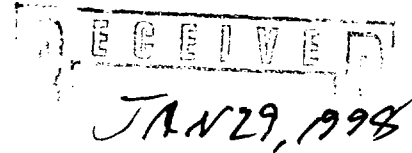
* MEMBERS TEXAS BAR
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** MEMBERS IDAHO BAR
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*** MEMBERS NEW MEXICO AND CALIFORNIA BARS
111 MEMBERS IOWA BAR

**** MEMBERS FLORIDA AND MICHIGAN BARS
1111 MEMBERS DISTRICT OF COLUMBIA BAR

January 28, 1998



By Fax: 505/827-8177

Mr. Michael E. Stogner
Chief Hearing Officer/Engineer
Oil Conservation Division
New Mexico Energy, Minerals and Natural Resources Dept.
2040 South Pacheco
PO Box 6429
Santa Fe, NM 87505

Re: Application of Shahara Oil, L.L.C. for its Shahara State Unit

Dear Michael:

Forwarded to you with this letter is a copy of Order R-3155 granting Shenandoah Oil Corporation's Application for the injection of water in the Phillips State No. 2 Well located in Unit D of Section 16. This answers your morning's inquiry.

With regards, I am

Very truly yours,

Paul A. Cooter
Paul A. Cooter smb

PAC/smb
enclosure

Kemp, Smith, Duncan & Hammond, P.C.

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Oil Conservation Division
New Mexico Energy, Minerals and Natural Resources Dept.
2040 South Pacheco
PO Box 6429
Santa Fe, NM 87505

Re: Application of Shahara Oil, L.L.C. for its Shahara State Unit

Dear Michael:

After your inquiry, Shahara Oil reviewed the records obtained from Lynx Petroleum Consultants, from whom it purchased the property in February, 1995 and learned the following facts:

1. The well was originally drilled by Pair Oil Company in April, 1959, and designated the Pair State No. 2 Well. A copy of the relevant Commission's Form C-101 is enclosed.

2. The well was apparently converted to an injection well some time prior to April, 1971, when rework operations were conducted on the well by an unknown operator. The file contained a one-page memorandum of those operations, but the name of the operator at that time remains a mystery. That operator may still have been Pair, or possibly Shenandoah Oil Corporation which thereafter sold the well to Southland Royalty Company in March, 1979. A copy of that referenced page is enclosed.

3. The aforementioned sale is evidenced by the Division's Form C-104 which shows that the well was a water-injection well

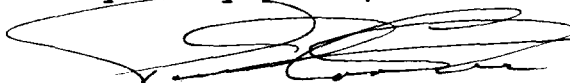
January 28, 1998
Page 2

when it was sold by Shenandoah to Southland. A copy of that form is enclosed.

4. Southland subsequently sold the well to Lynx Petroleum Consultants in September, 1984, who thereafter sold it to Shahara Oil as first mentioned. Copies of those Division Forms C-104 are also enclosed.

Shahara Oil continues its investigation of the matter. Be assured that you will be advised of what is learned.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Paul A. Cooter', with a large, stylized initial 'P'.

Paul A. Cooter

PAC/smb
enclosure

NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

Form O-101
 Revised (12/1/55)

NOTICE OF INTENTION TO DRILL

Notice must be given to the District Office of the Oil Conservation Commission and approval obtained before drilling or recompletion. If changes in the proposed plan are considered advisable, a copy of this notice showing such changes will be returned to the sender. Submit this notice in **QUINTUPPLICATE**. One copy will be returned following approval. See additional instructions in Rules and Regulations of the Commission. If State Land submit 6 Copies Attach Form O-128 in triplicate to first 3 copies of Form O-101.

APR 17 1959

(Place)

(Date)

CONSERVATION COMMISSION
 SANTA FE, NEW MEXICO

EL G. 4 1931

Attention:

You are hereby notified that it is our intention to commence the Drilling of a well to be known as

PAIR OIL COMPANY

(Company or Operator)

STATE OF NEW MEXICO

(Lease)

Well No.

2

in

D

(Unit)

The well is

660 feet from the North line and 660 feet from the

West

Line of Section 16, T. 17 South, R. 33 East, NMPM.

(GIVE LOCATION FROM SECTION LINE) Undesignated Pool, Lea County

If State Land the Oil and Gas Lease is No. B-2148

If patented land the owner is

Address

We propose to drill well with drilling equipment as follows:

Rotary type equipment

The status of plugging bond is current and on file

Drilling Contractor Pair Oil Company

We intend to complete this well in the Grayburg

formation at an approximate depth of 4500 feet.

CASING PROGRAM

We propose to use the following strings of Casing and to cement them as indicated:

Size of Hole	Size of Casing	Weight per Foot	New or Second Hand	Depth	Slab Cement
12 1/4	8 5/8	24	New	375	150
7 7/8	5 1/2	14	New	4500	200

If changes in the above plans become advisable we will notify you immediately.

ADDITIONAL INFORMATION (If recompletion give full details of proposed plan of work.)

APR 17 1959

Approved _____, 19____
 except as follows:

CEMENT MUST BE CIRCULATED BEHIND

CASING
 OIL CONSERVATION COMMISSION

Sincerely yours,

PAIR OIL COMPANY

(Company or Operator)

By

Roscoe

Position

Superintendent

Send Communications regarding well to

Name

Pair Oil Company

500 S. Clinton St. Tyler, Texas

PHILLIPS
PAIR STATE #2

- 4/29/71 Move rig in to pull tubing.
Unseated Larkin Simpax Tension Packer - 9S.
Pulled 136 joints 2 3/8" tubing (plastic coated).
Found split in 30th joint.
Rigged up sand pump, ran in hole, got pick up....put on bottom flag.
Ran depthometer, found T.D. at 4405'.
Picked up rust scale and small amount of sand.
Could not make hole with 3 1/4" sand pump.
Shut down rig.
- 4/30/71 Poured rope socket, ran 4 1/4 sand pump, made approximately 16' of hole,
getting some muddy substance and fractured with sand.
Cleaned out to 4421' depthometer measurement.
Made up Baker AD tension packer, ran 135 joints 2 3/8" o.d. 8 round thread,
internally plastic costed tubing. Packer set at 4175.94'.
Tied well up to injection line, started water back in ground.
Released rig.

CC: Downey - 5/1/71
Bellah 92

CONSERVATION DIVISION

P. O. BOX 2000

SANTA FE, NEW MEXICO 87501

REQUEST FOR ALLOWABLE
AND
AUTHORIZATION TO TRANSPORT OIL AND NATURAL GAS

Southland Royalty Company

1100 Wall Towers West, Midland, Tx. 79701

Reason(s) for filing (Check proper box)

Well ☐ Completion ☐ Change in Ownership ☒ Change in Transporter oil ☐ Oil ☐ Dry Gas ☐ Casinghead Gas ☐ Condensate ☐

Other (Please explain)

Effective 2-1-79

Range of ownership give name

address of previous owner: Shenandoah Oil Corp., 1500 Commerce Bldg., Ft. Worth, Tx. 76102

DESCRIPTION OF WELL AND LEASE

Well Name	Well No.	Pool Name, including Formation	Kind of Lease	Lease No.
Phillips State	2	Maljamar (G.S.A.)	State, Federal or Foreign State	B-2148

Section

Unit Letter D : 660 Feet From The North Line and 660 Feet From The West

Line of Section 16 Township 17S Range 33E, NMADA, Lea County

SIGNATURE OF TRANSPORTER OF OIL AND NATURAL GAS

Name of Authorized Transporter of Oil ☐ or Condensate ☐ Address (Give address to which approved copy of this form is to be sent)

Water Injection Well

Name of Authorized Transporter of Casinghead Gas ☐ or Dry Gas ☐ Address (Give address to which approved copy of this form is to be sent)

None

Well produces oil or liquids, or location of tanks	Unit	Sec.	Twp.	Rge.	Is gas actually connected?	When
---	------	------	------	------	----------------------------	------

His production is commingled with that from any other lease or pool, give commingling order number:

COMPLETION DATA

Designate Type of Completion - (X)	Oil Well	Gas Well	New Well	Workover	Deepen	Plug Back	Same Rest.	Diff. Rest.
Spudded	Date Compl. Ready to Prod.	Total Depth	P.B.T.D.					
Wellbore (DE, RKE, ET, GR, etc.)	Name of Producing Formation	Top Oil/Gas Pay	Tubing Depth					
Perforations			Depth Casing Shoe					

TUBING, CASING, AND CEMENTING RECORD

HOLE SIZE	CASING & TUBING SIZE	DEPTH SET	SACKS CEMENT

TEST DATA AND REQUEST FOR ALLOWABLE
WELL

(Test must be after recovery of total volume of load oil and must be equal to or exceed top allowable for this depth or be for full 24 hours)

First New Oil Run To Tank	Date of Test	Producing Method (Flow, pump, gas lift, etc.)
Length of Test	Tubing Pressure	Casing Pressure
Choke Size		
Oil Prod. During Test	Oil - Bbls.	Water - Bbls.
		Gas - MCF

Testing Method (pilot, back pr.)

Tubing Pressure (Shut-in)

Casing Pressure (Shut-in)

Choke Size

CERTIFICATE OF COMPLIANCE

I hereby certify that the rules and regulations of the Oil Conservation Division have been complied with and that the information given above is true and complete to the best of my knowledge and belief.

C. Hamney
(Signature)

District Engineer

(Title)

3-1-79

(Date)

13

OIL CONSERVATION DIVISION

APPROVED MAR 13 1979, 19

BY DATE Signed by

Jerry Sexton

TITLE Dyn. L. Super

This form is to be filed in compliance with RULE 1104.

If this is a request for allowable for a newly drilled or deepened well, this form must be accompanied by a tabulation of the deviation tests taken on the well in accordance with RULE 111.

All sections of this form must be filled out completely for allowable on new and recompleted wells.

Fill out only Sections I, II, III, and VI for changes of owner, well name or number, or transporter, or other such change of condition.

Separate Form C-104 must be filed for each pool in multiple completion wells.

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT

NO. OF COPIES RECEIVED	
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SANTA FE	
FILE	
U.S.D.S.	
LAND OFFICE	
TRANSPORTER	OIL
	GAS
OPERATOR	
PROMOTION OFFICE	

OIL CONSERVATION DIVISION

P. O. BOX 2088

SANTA FE, NEW MEXICO 87501

Form C-104
Revised 10-01-78
Format 06-01-83
Page 1REQUEST FOR ALLOWABLE
AND
AUTHORIZATION TO TRANSPORT OIL AND NATURAL GAS

Operator Lynx Petroleum Consultants, Incorporated	
Address P.O. Box 1666, Hobbs, New Mexico 88240	
Reason(s) for filing (Check proper box)	Other (Please explain)
☐ New Well ☐ Recompletion ☐ Change in Ownership	Change in Transporter of: ☐ Oil ☐ Gas ☐ Condensate

If change of ownership give name and address of previous owner **Southland Royalty Co. 21 Desta Drive, Midland, Texas 7970**

II. DESCRIPTION OF WELL AND LEASE

Lease Name Phillips State	Well No. 2	Pool Name, including Formation Maljamar GR-SA	Kind of Lease State, Federal or Fee State State	Lease No. B-2148
Location Unit Letter D : 660 Feet From The North Line and 660 Feet From The West Line of Section 16 Township 17S Range 33E , NMPM, Lea County				

III. DESIGNATION OF TRANSPORTER OF OIL AND NATURAL GAS

Name of Authorized Transporter of Oil ☐ or Condensate ☐ Injection Well	Address (Give address to which approved copy of this form is to be sent)
Name of Authorized Transporter of Casinthead Gas ☐ or Dry Gas ☐	Address (Give address to which approved copy of this form is to be sent)
If well produces oil or liquids, give location of tanks.	Unit Sec. Twp. Res. Is gas actually connected? When

If this production is commingled with that from any other lease or pool, give commingling order number: _____

NOTE: Complete Parts IV and V on reverse side if necessary.

VI. CERTIFICATE OF COMPLIANCE

I hereby certify that the rules and regulations of the Oil Conservation Division have been complied with and that the information given is true and complete to the best of my knowledge and belief.

Ray W. Foray
(Signature)Vice-President
(Title)September 10, 1984
(Date)

OIL CONSERVATION DIVISION

SEP 21 1984

APPROVED _____, 19

BY **ORIGINAL SIGNATURE**

DISTRICT I SUPERVISOR

TITLE _____

This form is to be filed in compliance with RULE 1104.

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Separate Forms C-104 must be filed for each pool in multiply completed wells.

State of New Mexico

Energy, Minerals & Natural Resources Department

Form C-104

Revised February 10, 1994

Instructions on back

Submit to Appropriate District Office

5 Copies

OIL CONSERVATION DIVISION

PO Box 2088

Santa Fe, NM 87504-2088

☐ AMENDED REPORT

REQUEST FOR ALLOWABLE AND AUTHORIZATION TO TRANSPORT

Operator name and Address ✓ SHAHARA OIL CORPORATION 207 W MCKAY CARLSBAD, NM 88220		OGRID Number 143119
		Reason for Filing Code CH-Effective 2/21/95
API Number 30-025-01429	Pool Name Maljamar Grayburg SA	Pool Code 43329
Property Code 005983 16770	Property Name Phillips State Injection	Well Number 002

I. Surface Location

UL or lot no.	Section	Township	Range	Lot/Ida	Feet from the	North/South Line	Feet from the	East/West Line	County
D	16	17S	33E		660	North	660	West	Lea

II. Bottom Hole Location

UL or lot no.	Section	Township	Range	Lot/Ida	Feet from the	North/South Line	Feet from the	East/West Line	County
D	16	17S	33E		660	North	660	West	Lea

" Loc Code	" Producing Method Code	" Gas Connection Date	" C-129 Permit Number	" C-129 Effective Date	" C-129 Expiration Date
S	Injection	Unknown			

III. Oil and Gas Transporters

" Transporter OGRID	" Transporter Name and Address	" POD	" O/G	" POD ULSTR Location and Description
022628	Texas New Mexico Pipeline P.O. Box 1510 Midland, TX 79702	1199610	O	C-16-17S-33E
009171	GPM Gas Corp. 4001 Penbrook Odessa, TX 79762	1199630	G	C-16-17S-33E

IV. Produced Water

" POD	" POD ULSTR Location and Description
1199650	C-16-17S-33E

V. Well Completion Data

" Spud Date	" Ready Date	" TD	" PRTD	" Perforations
" Hole Size	" Casing & Tubing Size	" Depth Set	" Sacks Cement	

VI. Well Test Data

" Date New Oil	" Gas Delivery Date	" Test Date	" Test Length	" Tbg. Pressure	" Csg. Pressure

" Check Size	" Oil	" Water	" Gas	" AOP	" Test Method
" I hereby certify that the rules of the Oil Conservation Division have been complied with and that the information given above is true and complete to the best of my knowledge and belief. Signature: <i>Melanie J. Parker</i> Printed name: MELANIE J. PARKER Title: SECRETARY Date: 03/08/95 Phone: 505/885-5433			OIL CONSERVATION DIVISION Approved by: (ORIGINAL SIGNED BY JERRY SEXTON) Title: DISTRICT I SUPERVISOR Approval Date: MAR 10 1995		
			" If this is a change of operator fill in the OGRID number and name of the previous operator <i>Kary W. Foy</i> Lynx Petroleum Consultants, Inc. Vice Pres. 2/21/95 Previous Operator Signature Printed Name Title Date		

RECEIVED MAR 15 1995