

ATS-07-54



OCD-ARTESIA

FORM APPROVED
OMB No. 1004-0137
Expires March 31, 2007

S
3160-3
(25-0004)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of work: <input type="checkbox"/> DRILL <input checked="" type="checkbox"/> REENTER		5. Lease Serial No. NM-029128
1b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name NA
2. Name of Operator Encore Operatin L.P. 189951		7. If Unit or CA Agreement, Name and No. NA
3a. Address 777 Main Street Suite 1400 Ft. Worth, TX 76102	3b. Phone No. (include area code) 817-877-9955	8. Lease Name and Well No. Encore 27 Catclaw Corn #1 36163
4. Location of Well (Report location clearly and in accordance with any State requirements.)* At surface 1654' FSL & 1896' FEL At proposed prod. zone Same as Above		9. API Well No. 30-015-21343
14. Distance in miles and direction from nearest town or post office* 5.25 miles from Carlsbad		10. Field and Pool, or Exploratory Exploratory 74320
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 1330'	16. No. of acres in lease 640	11. Sec., T. R. M. or Blk. and Survey or Area 27-21S-25E
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 4,000'	19. Proposed Depth 10900'	12. County or Parish Eddy County
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3459' GL	20. BLM/BIA Bond No. on file MTB0000120	13. State NM
22. Approximate date work will start* 12/1/06	23. Estimated duration 40 Days	

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No.1, shall be attached to this form:

- | | |
|---|--|
| 1. Well plat certified by a registered surveyor. | 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above). |
| 2. A Drilling Plan. | 5. Operator certification |
| 3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office). | 6. Such other site specific information and/or plans as may be required by the authorized officer. |

25. Signature 	Name (Printed/Typed) Scott St. John	Date 10/19/06
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Title

Sr. Landman / Project Manager, Agent for Encore Operating L.P.

Approved by (Signature) /s/ Don Peterson	Name (Printed/Typed) /s/ Don Peterson	Date NOV 17 2006
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ACTING FIELD MANAGER

Office CARLSBAD FIELD OFFICE
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Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Conditions of approval, if any, are attached.

APPROVAL FOR 1 YEAR

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

*(Instructions on page 2)

Please address inquiries, questions, scheduling of meetings and deficiency statements, if any, to Scott St. John and/or Monica Smith at the address shown below:

Reagan Smith Energy Solutions, Inc.
2525 Northwest Expressway, Suite 312
Oklahoma City, OK 73112
405-286-9326
sstjohn@rsenergysolutions.com

**APPROVAL SUBJECT TO
GENERAL REQUIREMENTS
AND SPECIAL STIPULATIONS
ATTACHED**

**SEE ATTACHED FOR
CONDITIONS OF APPROVAL**

DISTRICT I
1625 N. French Dr., Hobbs, NM 88240

DISTRICT II
1301 W. Grand Avenue, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals, and Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

Form C-102
Revised August 15, 2000
Submit to Appropriate District Office
State Lease - 4 copies
Fee Lease - 3 copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number	² Pool Code 74320	³ Pool Name Catclaw Draw; Mearow
⁴ Property Code	⁵ Property Name ENCORE 27 CAT CLAW COM	⁶ Well Number 1
⁷ OGRID No.	⁸ Operator Name ENCORE OPERATING, L.P.	⁹ Elevation 3446'

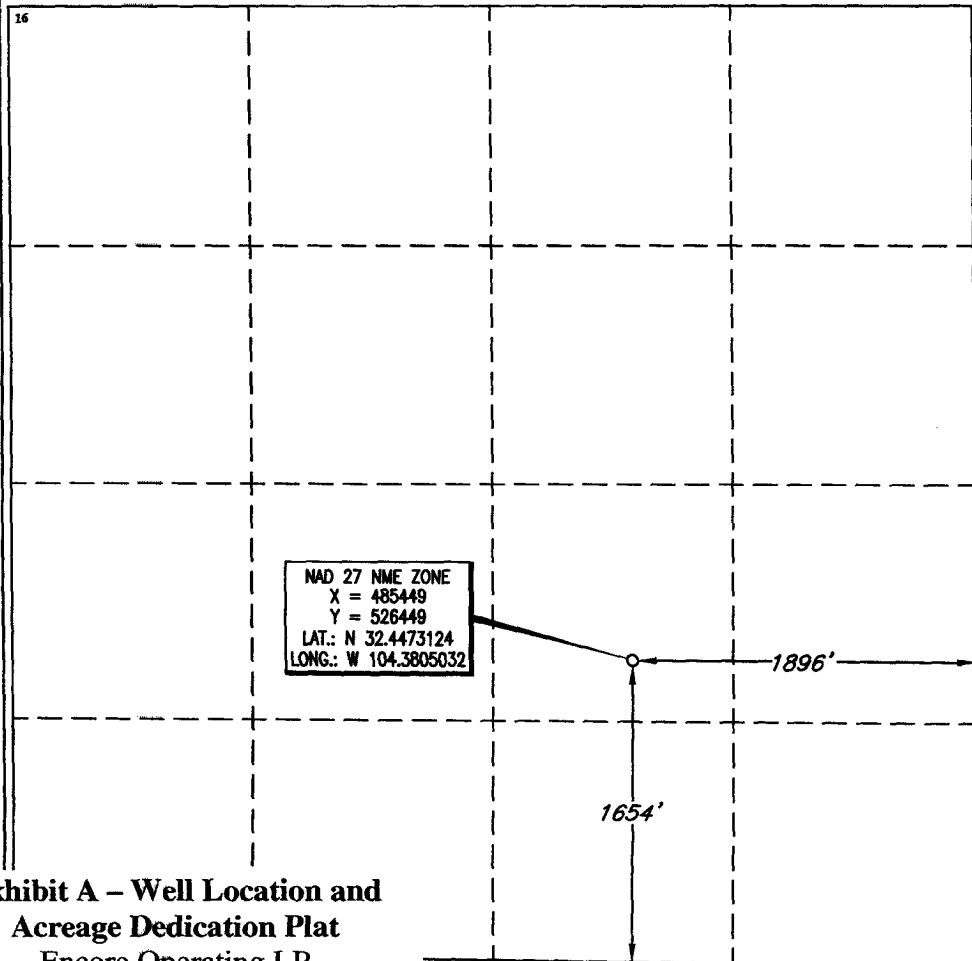
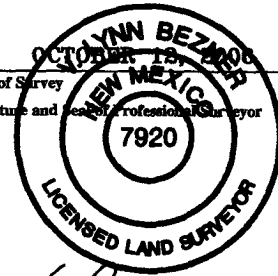
¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
J	27	21 SOUTH	25 EAST, N.M.P.M.		1654'	SOUTH	1896'	EAST	EDDY

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
¹² Dedicated Acres 640	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.						

NO ALLOWABLE WELL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

<div data-bbox="120 1027 1088 1991"><p>¹⁶</p></div>	<div data-bbox="1088 1027 1510 1991"><p>¹⁷ OPERATOR CERTIFICATION</p><p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p><p>Signature _____</p><p>Printed Name _____</p><p>Title _____</p><p>Date _____</p><p>¹⁸ SURVEYOR CERTIFICATION</p><p>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 belief.</p><p>Date of Survey OCTOBER 18, 2006</p><p>Signature and Seal of Professional Surveyor</p><p><i>V. Lynn Bezner</i></p><p>Certification Number V. L. BEZNER R.P.S. #7920 JOB #117506 / 50NW / E.U.O.</p></div>
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**Exhibit A - Well Location and
Acreage Dedication Plat**
Encore Operating LP
Encore 27 Catclaw Com #1
Sec 27 T21S R25E Eddy Co, NM

Encore Operating L.P..
Encore 27 Catclaw Com #1
Section 27-21S-25E, Eddy County, NM

Application for Permit to Drill

ENCORE OPERATING L.P.
Encore 27 Catclaw Com #1
1654' FSL & 1896' FEL
Section 27-21S-25E Eddy County, New Mexico

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Encore Operating L.P..
Encore 27 Catclaw Com #1
Section 27-21S-25E, Eddy County, NM

Drilling Program
ENCORE OPERATING L.P.
Encore 27 Catclaw Com #1
1654' FSL & 1896' FEL
Section 27-21S-25E Eddy County, New Mexico

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Drilling Program
Encore Operating L.P.
Encore 27 Catclaw Com #1

1654' FSL & 1896' FEL
Section 27-21S-25E Eddy County, New Mexico

2.1 Location:

1654' FSL & 1896' FEL

2.2 Elevation Above Sea Level:

GR 3459'

2.3 Geologic Name of Surface Formation:

Quaternary Alluvium Deposits

2.4 Drilling Tools and Associated Equipment:

Conventional rotary drilling rig using fluid will be used as a circulating medium for solids removal.

2.5 Proposed Drilling Depth:

10900'

2.6 Estimated Tops of Geological Markers:

Captian	810'	Atoka	9970'
Bone Spring	4095'	Morrow	10438'
3 rd Bone Spring	7443'	Morrow C	10685'
Wolfcamp	7788'	Morrow D	10787'
Cisco	8689'	Barnett	10814'
Total Depth	10900'		

*The target formation is the Barnett series.

2.7 Possible Mineral Bearing Formation

Cisco	Gas
Atoka	Gas
Morrow	Gas

2.8 Casing Program

<u>Hole Size</u>	<u>Interval</u>	<u>Casing OD</u>	<u>Weight</u>	<u>Thread</u>	<u>Collar</u>	<u>Grade</u>
20"	0 - 185'	16"	65	8-R		
14-3/4" & 12-1/4"	0 - 2195'	9-5/8"	40 & 36	8-R	ST&C	
7-7/8"	0 - 10900'	5-1/2"	17	8-R	LT&C	P-110

2.9 Cementing & Setting Depth

Surface 16" – On 9/13/74 Hanagan Petroleum Corp. set 16: 65# csg @ 185' and cemented with 200 sx Class C + additives, circulated cement to surface.

Intermediate 9-5/8" – ON 9/17/74 Hanagan Petroleum Corp. ran 2222' of 9-5/8" 40 & 36 LT&C csg and set @ 2195". Cemented with 950 sx Class C + additives, circulated cement to surface.

Production 5-1/2" – Set 10900' of 5-1/2" P-110 17# LT&C casing. Cement in two stages. The first stage cement will consist of 275 sks of an interfill H lead slurry mixed at 11.5 ppg, and 330 sks of a Premium H tail slurry + additives mixed at 13.2 ppg. The second stage cement will consist fo 335 sks of an interfill H lead slurry mixed at 11.9 ppg and 150 sks of a Premium tail cement mixed at 14.8 ppg. Estimated top of cement 1500'.

2.10 Pressure Control Equipment

A 13-3/8" 5000 psi working pressure B.O.P. consisting of one set of blind rams and one set of pipe rams and a 5000# annular type preventer. A choke manifold and accumulator with floor and remote operating stations and auxiliary power system. A Kelly cock will be installed an maintained in operable condition and a drill string safety valve in the open position will be available on the rig floor. BOP unit will be hydraulically operated. BOP will be nipped up on the 9-5/8" casing and will be operated at least once a day while drilling and the blind rams will be operated when out of hole during trips. No abnormal pressure or temperature is expected while drilling.

2.11 Proposed Mud Circulating System

Depth	Mud Wt	Viscosity	Fluid Loss	Type Mud
0 – 2195'	8.4 – 8.6	30 – 32	NC	Fresh water spud mud and high viscosity sweeps to clean hole
2195' – 10900'	8.4 – 9.8	28 – 45	NC	Brine water. Add paper as needed to control seepage and lime for pH control. Use high viscosity sweeps to clean hole.

Sufficient mud materials will be kept on location at all times in order to combat lost circulation, or unexpected kicks. In order to run DST's, open hole logs, and casing, the viscosity and water loss may have to be adjusted in order to meet these needs. Mud system monitoring equipment with derrick floor indicators and visual/audio alarms shall be installed and operative prior to drilling into the Wolfcamp formation. This equipment will remain in use until production casing is run and cemented.

2.12 Testing, Logging, and Coring Program:

1. Mud logging program: None
2. Electric logging program: None – well was logged in 1974
3. No DST's, or cores are planned at this time.

2.13 Potential Hazards:

No abnormal pressures or temperatures or H₂S has are expected. Adequate flare lines will be installed off the mud / gas separator where gas may be flared safely. All personnel will be familiar with all aspects of safe operation of equipment being used. Estimated BHP 4500 PSI, estimated BHT 190.

2.14 Anticipated Starting Date and Duration of Operations:

Road and location construction will begin after BLM approval of APD. Anticipated spud (re-entry) date as soon as approved before 12/1/06. Plan to begin operations using a daylight only pulling unit to clean out wellbore to +/- 2185' which will require minimal location work. Should this operation prove successful, additional location work would be done to accommodate a larger 24 hr workover rig. Cleanout to TD and running casing is expected to take 3-7 days.

An additional 30 days will be required to complete and construct surface facilities.

2.15 Other Facets of Operations:

After running casing , cased hole gamma ray neutron collar logs will be run from total depth over possible pay intervals. The Morrow pay will be perforated and stimulated. The well will be tested and potentialled as a gas well.

Hydrogen Sulfide Drilling Operations Plan

ENCORE OPERATING L.P.

Encore 27 Catclaw Com #1

1654' FSL & 1896' FEL

Section 27-21S-25E Eddy County, New Mexico

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Hydrogen Sulfide Drilling Operations Plan
Encore Operating L.P.
Encore 27 Catclaw Com #1

1654' FSL & 1896' FEL
Section 27-21S-25E Eddy County, New Mexico

3.1. Training

All company and contract personnel admitted on location must be trained by a qualified H2S safety instructor to the following:

- A. Characteristics of H2S
- B. Physical effects and hazards
- C. Proper use of safety equipment and life support systems
- D. Principle and operation of H2S detectors, warning system and briefing
- E. Evacuation procedure, routes, and first aid
- F. Proper use of 30 minutes pressure demand air pack

3.2. H2S Detection and Alarm Systems

- A. H2S detectors and audio alarm system to be located at bell nipple, end of blooie line (mud pit) and on derrick floor or doghouse

3.3. Windsock and/or wind streamers

- A. windsock at mudpit area should be high enough to be visible
- B. Windsock at briefing area should be high enough to be visible
- C. There should be a windsock at entrance to location

3.4. Condition Flags and Signs

- A. Warning sign on access road to location
- B. Flags to be displayed on sign at entrance to location. Green flag, normal safe condition. Yellow flag indicates potential pressure and danger. Red flag, danger – H2S present in dangerous concentration. Only emergency personnel admitted to location.

3.5. Well Control Equipment

- A. See Exhibit "E"

3.6. Communications

- A. While working under masks chalkboards will be used for communication
- B. Hand signals will be used where chalk board is inappropriate
- C. Two way radio will be used to communicate off location in case of emergency help is required. In most cases cellular telephones will be available at most drilling foreman's trailer or living quarters.

3.7. Drillstem Testing

- A. Exhausts will be watered
- B. Flare line will be equipped with an electric ignitor or a propane pilot light in the event that gas reaches the surface
- C. If location is near any dwelling a closed DST will be performed

3.8. Supervision

- A. Drilling contractor supervisor will be required to be familiar with the effects H₂S has on tubular goods and other mechanical equipment

3.9. Mud System

- A. If H₂S is encountered, mud system will be altered if necessary to maintain control of formation. A mud gas separator will be brought into service along with H₂S scavengers if necessary.

Surface Use Plan

ENCORE OPERATING L.P.

Encore 27 Catclaw Com #1

1654' FSL & 1896' FEL

Section 27-21S-25E Eddy County, New Mexico

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SURFACE USE PLAN
Encore Operating L.P.
Encore 27 Catchlaw Com #1
1654' FSL & 1896' FEL
Section 15-2S-2W
Carter County, Oklahoma

4.1 Existing Roads:

Area Maps, Exhibit "B" is a reproduction of Eddy Co. General Highway map. Exhibit "C" is a reproduction of a USGS Topographic Map showing existing roads and proposed roads. All existing roads will be maintained in a condition equal to or better than current conditions. Any new roads will be constructed to BLM specifications.

- A. Exhibit "A" shows the proposed well site as staked
- B. Detailed Directions to Location – From junction of highway 524 & county road 427, go West 1.8 miles on County Road 427, thence Northwest on Cherry Road 1.7 miles, thence West on lease road .3 miles on lease road, thence West 2.4 miles on trail road, continue Northwest .6 miles on trail road to existing well pad for Well #1.

4.2 Planned Access Roads

No new access road will be constructed. Existing road will be upgraded.

4.3 Location of Existing Wells in a One-Mile Radius Exhibit "A"

- | | |
|----------------------|-------------------------|
| A. Water wells - | None known |
| B. Disposal wells - | None known |
| C. Drilling wells - | None known |
| D. Producing wells - | As shown on Exhibit "A" |
| E. Abandoned wells - | AS shown on Exhibit "A" |

4.4 Additional Maps and Plats

If, on completion this well is a producer Encore Operation L.P. will furnish maps and/or plats showing on-site facilities or off-site facilities if needed. This will be accompanied with a Sundry Notice.

4.5 Location and Typed of Water Supply

Water will be purchased locally from a commercial source and trucked over the access roads or piped in flexible lines laid on top of the ground.

4.6 Source of Construction Material

If possible, construction will be obtained from the excavation of drill site, if additional material is needed it will be purchased from a local source and transported over the access route as shown on Exhibit "C".

4.7 Methods of Handling Waste Material

- A. Drill cuttings will be disposed of in a cuttings pit.
- B. All trash, junk and other waste material will be contained in trash cages or bins to prevent scattering. When the job is completed all contents will be removed and disposed of in an approved sanitary land fill.
- C. Salts remaining after completion of well will be picked up by supplier including broken sacks.
- D. Sewage from living quarters will drain into holding tanks and be cleaned out periodically. A Porta-John will be provided for the rig crews. This equipment will be properly maintained during the drilling operations and removed upon completion of the well.
- E. Excess fluids will be hauled off by transports and be disposed of at a state approved disposal facility. Later pit area will be leveled and contoured to conform with the original and surrounding area. Water and any oil or condensate produced will be stored in test tanks until sold and hauled from the site.

4.8 Ancillary Facilities

- A. No camps or airstrips to be constructed.

4.9 Well Site Layout

- A. Exhibit "D" shows location and rig layout
- B. This exhibit indicates proposed location of reserve and trash pits and living facilities
- C. Mud pits in the active circulating system will be steel pits with a cuttings pit. The cuttings pit liner will be 6 mils thick PVC or polyethylene. Pit liner will extend a minimum 2' over the cuttings pit, where it will be anchored down.

- D. Upon completion of the well, all excess fluids will be suctioned off from the cuttings pit and hauled off for proper disposal.
- E. The reserve pit will be fenced on three sides with four strands of barbed wire during drilling and completion phases. The fourth side will be fenced after all drilling operations have ceased. If the well is a producer, the reserve pit fence will be torn down. The reserve pit and those areas of the location not essential to production facilities will be reclaimed and seeded per BLM requirements.

4.10 Plans for Restoration of Surface

Rehabilitation of the location and reserve pit will start in a timely manner after all drilling operations cease. The type of reclamation will depend on whether the well is a producer or a dry hole.

However, in either event, the reserve pit will be allowed to dry properly, and fluid removed and disposed of in accordance with Article 7.B as previously noted. The pit area will then be leveled and contoured to conform to the original and surrounding area. Drainage systems, if any, will be reshaped to the original configuration with provisions made to alleviate erosion. These may need to be modified in certain circumstances to prevent inundation of the location's pad and surface facilities. After the area has been shaped and contoured, topsoil from the spoil pile will be placed over the disturbed area to the extent possible. Revegetation procedures will comply with BLM standards.

If the well is a dry hole, the pad and road area will be recontoured to match the existing terrain. Topsoil will be spread to the extent possible. Revegetation will comply with BLM standards

Should the well be a producer, the previously noted procedures will apply to those areas which are not required for production facilities.

4.11 Other Information

- A. Topography consists of a sloping plane with loose tan sands. Vegetation is mainly yucca, mesquite and shin oak.
- B. The well site is on surface owned by The United States Department of the Interior, Bureau of Land Management. The land is used mainly for farming, cattle ranching, recreational use, and oil and gas production.

- C. An Archeological survey will be conducted on the location and proposed roads, and this report will be filed with the Bureau of Land Management in the Carlsbad BLM office.
- D. There are no known dwellings within 1 mile of this location.

4.12 Operators Representative

ENCORE OPERATING L.P.
777 Main Street, Suite 1400
Fort Worth, TX 76102

Office Phone: 817-877-9955
Contact: Ann Wiley

4.13 Certification

CERTIFICATION: I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill site and access route; that I am familiar with the conditions which currently exist; that the statements made in this plan are to the best of my knowledge, true and correct; and that the work associated with the operations proposed herein will be performed by Encore Operating and/or its contractors/subcontractors and is in conformity with this plan and the terms and conditions under which it is approved. This statement is subject to the provision of U.S.C. 1001 for the filing of a false statement.

Date:

10/20/00

Name:

SCOTT ST. JOHN

Title:

SR. LANDMAN

Project Mgr.

Scott St. John, Agent for Encore Operating L.P.

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Encore Operating L.P..
Encore 27 Catclaw Com #1
Section 27-21S-25E, Eddy County, NM

WELL HISTORY
ENCORE OPERATING L.P.
Encore 27 Catclaw Com #1
1654' FSL & 1896' FEL
Section 27-21S-25E Eddy County, New Mexico

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Well History
Encore Operating L.P.
Encore 27 Catclaw Com #1
1654' FSL & 1896' FEL
Section 27-21S-25E Eddy County, New Mexico

5.1 Location

A. Catclaw Draw Morrow Area

B. 1654' FSL & 1896' FEL, Sec 27, T-21S, R-25E, Eddy County, New Mexico

5.2 Elevation

GL: 3459'
DF -

RDB: 3475'

5.3 Depths

TD: 10900'

5.4 Spud Date

1974

5.5 CSG/TBG DATA:

Casing: 16" (20" hole), 65# @ 185' w/ 200 sx - circ

9-5/8 (14-3/4" & 12-1/4" hole), 40 & 36# @ 2195' w/950 sx - circ

Tbg: None

Pkr: None

Drilled by Hanagan Petroleum Corporation - dry

5.6 Well History

Spud Date: 9/11/74

Spud

Drilled 20" hole - Ran & Cmt 16" @ 185' - circ

Tested csg to 600 psi for 30 mins

Drill 14-3/4" & 12-1/4" hole - Ran and Cmt 9-5/8" - circ

Tested csg to 1500 psi for 30 mins

Drill hole - planned 8-1/2" & 7-7/8"

DST #1 8703 - 8721'

Encore Operating L.P..
Encore 27 Catclaw Corn #1
Section 27-21S-25E, Eddy County, NM

DST #2 9210 – 9255'
DST #3 10430 – 10462'
DST #4 10565 – 10598'
DST #5 10733 – 10758'
DST #6 10782 – 10809'
TD 10900'
Log well – Dry Hole
Hole loaded w/ drilling mud – NR of weight
Spot 25 sx cmt plug 10500 – 10400'
Spot 30 sx cmt plug 9300' – 9200'
Spot 30 sx cmt plug 7850 – 7750'
Spot 30 sx cmt plug 6200 – 6100'
Spot 30 sx cmt plug 4145 – 4045'
Spot 30 sx cmt plug 2245 – 2145' (in and out 9-5/8" casing)
Spot 20' plug @ surface
Top w. dry hole marker
RR 10/18/74

RE-ENTRY PROCEDURE

ENCORE OPERATING L.P.

Encore 27 Catclaw Com #1

1654' FSL & 1896' FEL

Section 27-21S-25E Eddy County, New Mexico

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Recommended Re-Entry Procedure Catclaw Draw Unit #10

Encore Operating L.P. Encore 27 Catclaw Com #1

1654' FSL & 1896' FEL
Section 27-21S-25E Eddy County, New Mexico

6.1 Well Data

Spud Date: 9/11/74
Perm. Zero PT: GL=3459' (will need to verify)
Total Depth: 10900'
Surface CSG: 16", 65# @ 185' w/ 200 sx cmt – circ
Inter CSG: 9-5/8", 40 & 36# @ 2195' w/ 950 sx cmt – circ
Prod CSG: None

6.2 Objective

Re-enter Plugged well.

*******SAFETY IS TOP PRIORITY*******

6.3 Procedure

1. Clean out cellar. Remove P&A marker. Install wellhead.
2. MIRU well service rig. NU BOP's and test
3. PU & RIH w / magnet on 2-7/8" workstring. POH.
4. PU & RIH w / 7-7/8" bit & DC's on 2-7/8" workstring. DO surface cmt plug.
5. Lower & tag cmt plug @2145'. DO cmt plug 2145 – 2185'. (Plug is supposed to 2145 – 2245')
6. POH w/ bit & workstring
7. PU & RIH w/ csg scraper on workstring to 2185'. POH.
8. PU & RIH w/RBP & pkr on workstring. Set RBP +/- 2180'. Test RBP. Pressure test csg to 1000 psi.
9. If csg does not test, isolate leaks. Determine if well should be re-plugged or work continued.

The Following assumes that the 9-5/8" csg will test and work will continue

10. RLS pkr, latch RBP & POH

11. RIH w/ CIBP on workstring and set +/- 2180'. Test CIBP to 500psi.
POH laying down workstring
12. ND BOP's. NU wellhead and dryhole tree. RD & RR.
13. Prepare location as needed for rig.
14. MIRU workover / drilling rig. RU de gasser. ND wellhead. NU
BOP's and test.
15. PU & RIH w/ 7-7/8" bit & DC's on drill pipe to CIBP.
16. DO CIBP, cmt plugs & hole to cmt plugs to 10900'

Note: Cement plugs are supposed to be 2145 – 2245, 4045 – 4145, 6100 - 6200, 7750-7850, 9200-9300 and 10400 – 10500'

17. Circ hole clean. Run fluid caliper
18. POH w/ drill string laying down
19. RU csg crew. PU & RIH w/ 5-1/2", 17#, P-110 csg to TD. Have DV
tool in string @ +/- 8000'
20. MIRU cementing equipment. Cement csg in two stages circulating to
surface
21. ND BOP stack. Set slips. NU wellhead.
22. RD & RR
23. Additional procedure to complete well to follow

[illegible]

CONTOUR INTERVAL 10'

LONG. _____ LONG.: W 104.3805032



Sec 27 T21S R25E Eddy Co, NM

Encore Operating, L.P.

Encore 27 Catclaw Com#1

Section 27-21S-25E

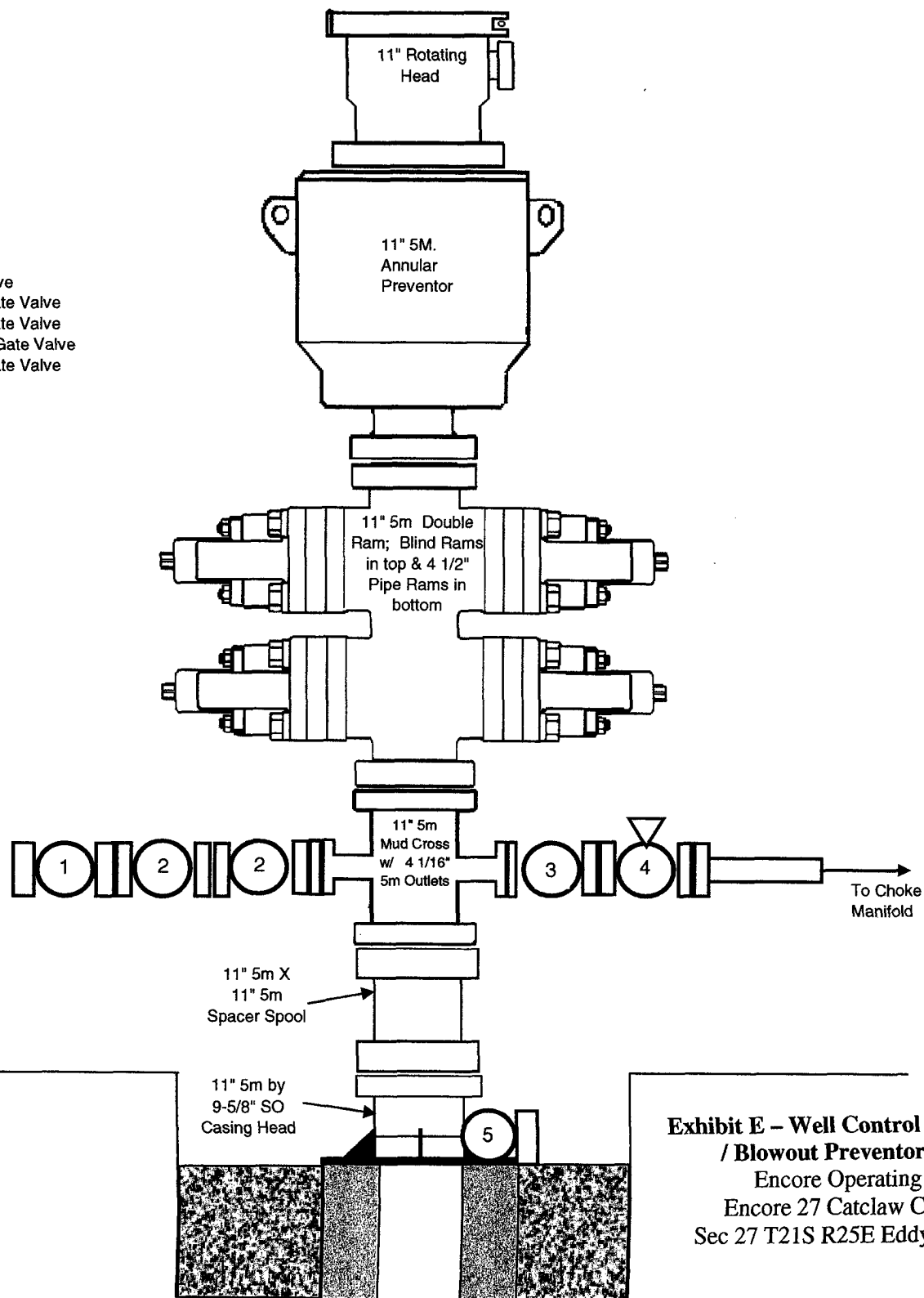
Eddy County, New Mexico

Encore Operating, L.P.

Proposed Blowout Preventor Stack

Valve Nomenclature

- 1.) 2 1/16" 5m Check Valve
- 2.) 2 1/16" 5m Manual Gate Valve
- 3.) 4 1/16" 5m Manual Gate Valve
- 4.) 4 1/16" 5m Hydraulic Gate Valve
- 5.) 2 1/16" 5m Manual Gate Valve



**Exhibit E - Well Control Equipment
/ Blowout Preventor Stack**
Encore Operating LP
Encore 27 Catclaw Com #1
Sec 27 T21S R25E Eddy Co, NM

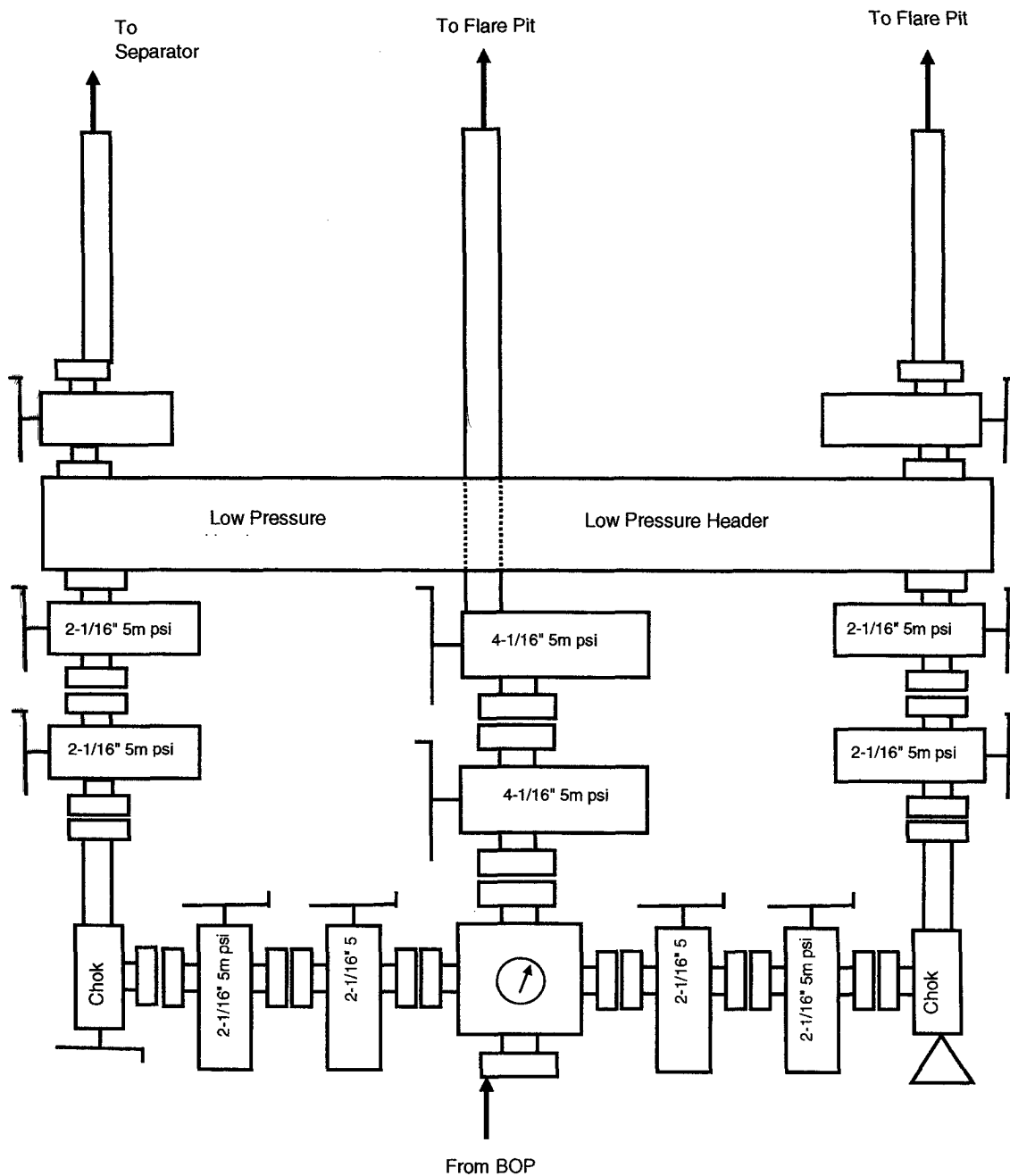
Encore Operating, L.P.

Encore 27 Catclaw Com #1

Section 27-21S-25E

Eddy County, New Mexico

Choke Manifold



**Exhibit F – Choke Manifold and
Closing Unit**
Encore Operating LP
Encore 27 Catclaw Com #1
Sec 27 T21S R25E Eddy Co, NM

PLAT SHOWING PROPOSED WELL LOCATION IN
SECTION 27, T-21-S, R-25-E, N.M.P.M.
EDDY COUNTY, NEW MEXICO

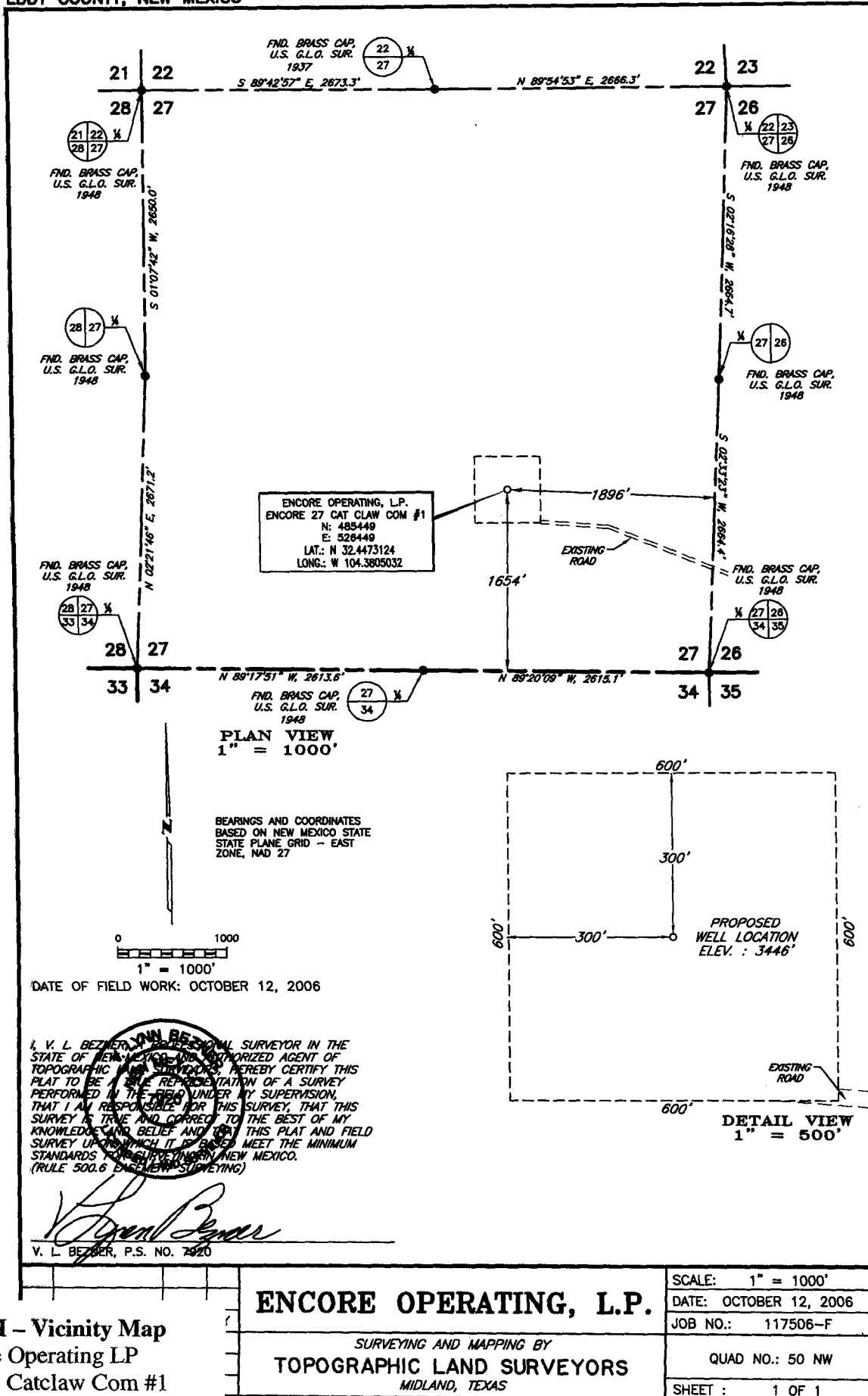


Exhibit H - Vicinity Map
Encore Operating LP
Encore 27 Catclaw Com #1
27 T21S R25E Eddy Co, NM

Application for Permit to Drill

Operator:

Encore Operating L.P.

Well Name:

**Encore 27 Catclaw Com #1
1654' FSL & 1896' FEL
Section 27-21S-25E Eddy County, New Mexico**

Please address inquiries, questions, scheduling of meetings and deficiency statements, if any, to Scott St. John and/or Monica Smith at the address shown below:

**Reagan Smith Energy Solutions, Inc.
2525 NW Expressway, Suite 312
Oklahoma City, OK 73112
405-286-9326
sstjohn@rsenergysolutions.com**

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SPECIAL DRILLING STIPULATIONS

THE FOLLOWING DATA IS REQUIRED ON THE WELL SIGN

Operator's Name: Encore Operating, L.P. Well Name & #: Encore 27 Catclaw Com. # 1
Location 1654' F S L & 1896' F E L; Sec. 27, T. 21 S., R. 25 E.
Lease #: NM-029128 County: Eddy State: New Mexico

The Special stipulations check marked below are applicable to the above described well and approval of this application to drill is conditioned upon compliance with such stipulations in addition to the General Requirements. The permittee should be familiar with the General Requirements, a copy of which is available from a Bureau of Land Management office. EACH PERMITTEE HAS THE RIGHT OF ADMINISTRATIVE APPEAL TO THESE STIPULATIONS PURSUANT TO TITLE 43 CFR 3165.3 AND 3165.4.

This permit is valid for a period of one year from the date of approval or until lease expiration or termination whichever is shorter.

I. SPECIAL ENVIRONMENT REQUIREMENTS

- () Lesser Prairie Chicken (stips attached) () Flood plain (stips attached)
() San Simon Swale (stips attached) (X) Other (Stips for Cave/Karst attached)

II. ON LEASE - SURFACE REQUIREMENTS PRIOR TO DRILLING

() The BLM will monitor construction of this drill site. Notify the () Carlsbad Field Office at (505) 234-5972 () Hobbs Office (505) 393-3612, at least 3 working days prior to commencing construction.

() Roads and the drill pad for this well must be surfaced with _____ inches of compacted caliche upon completion of well and it is determined to be a producer.

() All topsoil and vegetation encountered during the construction of the drill site area will be stockpiled and made available for resurfacing of the disturbed area after completion of the drilling operation. Topsoil on the subject location is approximately _____ inches in depth. Approximately _____ cubic yards of topsoil material will be stockpiled for reclamation.

(X) Other. **Closed loop system** (A closed loop system will be used, and the excess fluids will be hauled off the location by transports and be disposed of at a state approved disposal facility. The well pad will not be expanded to the East or West. The well pad can be expanded to the North to create just enough room to get trucks turned around.)

III. WELL COMPLETION REQUIREMENTS

() A Communitization Agreement covering the acreage dedicated to the well must be filed for approval with the BLM. The effective date of the agreement must be prior to any sales.

(x) Surface Restoration: If the well is a producer, the reserve pit(s) will be backfilled when dry, and cut-and-fill slopes will be reduced to a slope of 3:1 or less. All areas of the pad not necessary for production must be re-contoured to resemble the original contours of the surrounding terrain, and topsoil must be re-distributed and re-seeded with a drill equipped with a depth indicator (set at depth of 1/2 inch) with the following seed mixture, in pounds of Pure Live Seed (PLS), per acre. If broadcasting, the seeding rate must be doubled.

() A. Seed Mixture 1 (Loamy Sites)

Side Oats Grama (*Bouteloua curtipendula*) 5.0
Sand Dropseed (*Sporobolus cryptandrus*) 1.0
Plains lovegrass (*Eragrostis intermedia*) 0.5

() B. Seed Mixture 2 (Sandy Sites)

Sand Dropseed (*Sporobolus crptandrus*) 1.0
Sand Lovegrass (*Eragostis trichodes*) 1.0
Plains Bristlegrass (*Setaria magrostachya*) 2.0

(X) C. Seed Mixture 3 (Shallow Sites)

Side oats Grama (*Bouteloua curtipendula*) 5.0
Green Spangletop (*Leptochloa dubia*) 2.0
Plains Bristlegrass (*Setaria magrostachya*) 1.0

() D. Seed Mixture 4 (Gypsum Sites)

Alkali Sacaton (*Sporobolus airoides*) 1.0
Four-Wing Saltbush (*Atriplex canescens*) 5.0

() OTHER SEE ATTACHED SEED MIXTURE

Seeding should be done either late in the fall (September 15 - November 15, before freeze up, or early as possible the following spring to take advantage of available ground moisture.

() Other

Cuttings PIT CONSTRUCTION STANDARDS

The cuttings pit shall be constructed entirely in cut material and lined with 6-mil plastic.

Mineral material extracted from within the boundary of the APD during construction of the well pad and cuttings pit and be used for the construction of this well pad and its immediate access road only, as long as that portion of the access road it is use on remains on-lease. Removal of any additional material from this location for construction or improvement of other well pads and other access or lease roads must first be purchased from BLM.

Reclamation: Reclamation of this type of deep pit will consist of pushing the pit walls into the pit when sufficiently dry to support track equipment. The pit liner is NOT TO BE RUPTURED to facilitate drying; a ten month period after completion of the well is allowed for drying of the pit contents.

The pit area must be contoured to the natural terrain with all contaminated drilling mud buried with at least 3 feet of clean soil. The reclaimed area will then be seeded as specified in this permit.

CULTURAL

Whether or not an archaeological survey has been completed and notwithstanding that operations are being conducted as approved, the lessee/operator/grantee shall notify the BLM immediately if previously unidentified cultural resources are observed during surface disturbing operations. From the time of the observation, the lessee/operator/grantee shall avoid operations that will result in disturbance to these cultural resources until directed to process by BLM.

TRASH PIT STIPS

All trash, junk, and other waste material shall be contained in trash cages or bins to prevent scattering and will be removed and deposited in an approved sanitary landfill. Burial on site is not permitted.

Conditions of Approval

Cave and Karst

EA#: NM-520-07-111

Lease #: NM-029128

Encore Operating L.P.

Encore 27 Catclaw Com # 1

Cave/Karst Surface Mitigation

The following stipulations will be applied to minimize impacts during construction, drilling and production.

Berming:

Any tank batteries will be constructed and bermed large enough to contain any spills that may occur.

Bermed areas will be lined with rip-stop padding to prevent tears or punctures in liners and lined with a permanent 20 mil plastic liner.

Closed Mud System with Buried Cuttings Pit:

All fluids will be in steel tanks and hauled off. A 70X100 foot cuttings pit will be utilized for this location. The cuttings pit will be lined with 4 oz. felt and a layer of 20 mil. plastic. Upon completion of the well all excess fluids will be vacuumed off the cuttings pit and allowed to dry. The pit liner will then be folded over the cuttings, covered with a 20 mil plastic cover and then covered with at least three feet of top soil.

Cave/Karst Subsurface Mitigation

The following stipulations will be applied to protect cave/karst and ground water concerns:

Rotary Drilling with Fresh Water:

Rotary drilling techniques in cave or karst areas will include the use of fresh water as a circulating medium in zones where caves or karst features are expected. See geologist report for depth.

Casing:

All casing will meet or exceed National Association of Corrosion Engineers specifications pertaining to the geology of the location and be run to American Petroleum Institute and BLM standards.

Cementing:

All casing strings will be cemented to the surface.

Lost Circulation:

ALL lost circulation zones from the surface to the base of the cave occurrence zone will be logged and reported.

Regardless of the type of drilling machinery used, if a bit drops of four feet or more and circulation losses greater than 75 percent occur simultaneously while drilling in any cave-bearing zone, drilling operations will immediately stop and the BLM will be notified by the operator. The BLM will assess the consequences of the situation and work with operator on corrective actions to resolve the problem.

Delayed Blasting:

Any blasting will be a phased and time delayed.

Abandonment Cementing:

Upon well abandonment the well bore will be cemented completely from 100 feet below the bottom of the cave bearing zone to the surface.

CONDITIONS OF APPROVAL - DRILLING

Well Name & No. **Encore 27 Catclaw Com # 1**
Operator's Name: **Encore Operating LP**
Location: **1654' FSL, 1896' FEL, SEC 27, T21S, R25E, Eddy County, NM**
Lease: **NM- 029128**

I. DRILLING OPERATIONS REQUIREMENTS:

1. The Bureau of Land Management (BLM) is to be notified at the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (505) 361-2822 for wells in Eddy County; and the Hobbs Field Station, 414 West Taylor, Hobbs NM 88240, (505) 393-3612 for wells in Lea County, in sufficient time for a representative to witness:
 - A. Spudding
 - B. Cementing casing: 5 1/2 inch
 - C. BOP tests
2. A Hydrogen Sulfide (H₂S) Drilling Plan should be activated prior to drilling into the N/A Formation. A copy of the plan shall be posted at the drilling site.
- 3 Unless the production casing has been run and cemented or the well has been properly plugged, the drilling rig shall not be removed from over the hole without prior approval.
4. Submit a Sundry Notice (Form 3160-5, one original and five copies) for each casing string, describing the casing and cementing operations. Include pertinent information such as; spud date, hole size, casing (size, weight, grade and thread type), cement (type, quantity and top), water zones and problems or hazards encountered. The Sundry shall be submitted within 15 days of completion of each casing string. The reports may be combined into the same Sundry if they fall within the same 15 day time frame.
5. The API No. assigned to the well by NMOCD shall be included on the subsequent report of setting the first casing string.
6. A Communitization Agreement covering the acreage dedicated to this well must be filed for approval with the BLM. The effective date of the agreement shall be prior to any sales.
7. Gamma-Ray/Neutron logs shall be run from the base of the Salado Formation to the surface; cable speed not to exceed 30 feet per minute.

II. CASING:

1. A CIT will be run on the existing 9 5/8 inch casing before drilling out the plug at the shoe of the casing.
2. The minimum required fill of cement behind the 5-1/2 inch production casing is cement shall be circulated to the surface.
5. Whenever a casing string is cemented in the R-111-P Potash Area, cement shall be allowed to stand a minimum of twelve (12) hours under pressure and a total of twenty-four (24) hours before drilling the plug or initiating tests.

III. PRESSURE CONTROL:

1. All BOP systems and related equipment shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2. The BOP and related equipment shall be installed and operational before drilling below the 9 5/8 inch casing shoe and shall be tested as described in Onshore Order No. 2. Any equipment failing to test satisfactorily shall be repaired or replaced.

2. Minimum working pressure of the blowout preventer and related equipment (BOPE) is 3000 psi.

3. The appropriate BLM office shall be notified in sufficient time for a representative to witness the tests.

- A variance to test the _____ to the reduced pressure of _____psi with the rig pumps is approved.
- The tests shall be done by an independent service company.
- The results of the test shall be reported to the appropriate BLM office.
- Testing fluid must be water or an appropriate clear liquid suitable for sub-freezing temperatures. Use of drilling mud for testing is not permitted since it can mask small leaks.
- Testing must be done in a safe workman-like manner. Hard line connections shall be required.

Engineers can be reached at 505-706-2779 for any variances that might be necessary.

F Wright 11/03/06

Submit 3 Copies To Appropriate District

Office

District I

1625 N. French Dr., Hobbs, NM 88240

District II

1301 W. Grand Ave., Artesia, NM 88210

District III

1000 Rio Brazos Rd., Aztec, NM 87410

District IV

1220 S. St. Francis Dr., Santa Fe, NM
87505

State of New Mexico
Energy, Minerals and Natural Resources

CONSERVATION DIVISION

1320 South St. Francis Dr.
Santa Fe, NM 87505

Form C-103

May 27, 2004

WELL API NO.

30-015-34858

5. Indicate Type of Lease

STATE ☐ FEE ☒

6. State Oil & Gas Lease No.

7. Lease Name or Unit Agreement Name

Pardue Farms "29"

8. Well Number 3

9. OGRID Number

015262

10. Pool name or Wildcat

Undes. Willow Lake; Del

SUNDRY NOTICES AND REPORTS ON WELLS

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

1. Type of Well: Oil Well ☒ Gas Well ☐ Other

2. Name of Operator
Morexco, Inc.

3. Address of Operator
P. O. Box 1591 Roswell, NM 88202-1591

4. Well Location

Unit Letter D : 660 feet from the N line and 660 feet from the W line
Section 28 Township 24S Range 28E NMPM Eddy County

11. Elevation (Show whether DR, RKB, RT, GR, etc.)
3060 GR

Pit or Below-grade Tank Application ☐ or Closure ☐

Pit type Depth to Groundwater Distance from nearest fresh water well Distance from nearest surface water

Pit Liner Thickness: mil Below-Grade Tank: Volume bbls; Construction Material

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

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☐

TEMPORARILY ABANDON ☐ CHANGE PLANS ☐

PULL OR ALTER CASING ☐ MULTIPLE COMPL ☐

OTHER: ☐

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐

COMMENCE DRILLING OPNS. ☒ P AND A ☐

CASING/CEMENT JOB ☐

OTHER: ☐

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

7/12/06 Set 30' 14" conductor

7/27/06 Spudded well

7/29/06 TD 604'. Ran 486' of new 24# api casing. Could not get pipe to TD. With permission from Brian Arrant, OCD Artesia, cemented w/ 320 sxs class "C" cement w/ 2% CaCl. Plug down at 10 a.m. tested and held 1000# for 30 min. Cement did not circulate. Ran temp. survey (Keltic Svc.). Cement top @ 95' ran 1". Cemented w/ 200 sxs class "C" 2% CaCl & cir to surface. WOC 18 hrs.

8/08/06 TD 6250'. Ran 158 jts, 6245' of 5 1/2 15.5 J-55, cemented w/ 300 sxs class "H", 4% gel, 3% salt, 3# Gilsonite, .4 C41P & .7% celloflake. Plug down @ 8 p.m. Tested & held 1500# for 30 min. Cement top 2245' by bond log.

8/10/06 Released rig @ 10:30 a.m.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any pit or below-grade tank has been/will be constructed or closed according to NMOED guidelines ☐, a general permit ☐ or an (attached) alternative OCD-approved plan ☐.

SIGNATURE Donald G. Becker, Jr. TITLE President DATE 11/16/06

Type or print name Donald G. Becker, Jr.

E-mail address: morexco@plateautel.net

Telephone No. 505-627-1290

For State Use Only

APPROVED BY: _____ TITLE _____ DATE _____

Conditions of Approval (if any): _____



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Tom Mills

Deputy Cabinet Secretary

**Oil Conservation Division
Weekly Activity Report
For Week of November 6, 2006**

Action Items:

Follow-up Items:

Budget Issues:

Legal Issues:

The OCD has reinstated the authority of R-J Enterprises to transport from or inject into the wells it operates. Its authority was cancelled on October 12, 2006 pursuant to Rule 1115, due to R-J's failure to file C-115 production reports. R-J has since filed its reports for all missing months except August 2006.

Personnel Issues:

Press Issues:

Contracting Issues:

On Monday, November 6, OCD Director Mark Fesmire, attorney David Brooks, OFS Public Information Director Jodi Porter, and representatives of other divisions, met with representatives of contractor, D. W. Turner, for a brainstorming session of the new Energy Education contract that the Department is doing with funds appropriated from the Oil and Gas Reclamation Fund. The purpose of the session was to develop the core message for the new education campaign. D. W. Turner has until Friday, November 17, to develop the message.

Other Issues:

On November 7, 2006, Mark Fesmire, David Brooks, and Richard Ezeanyim met with personnel from Apache Corporation to discuss their Multi-Lease Development plans in Township 21 South, Range 37 East, Lea County, New Mexico. Approximately 3500 wells will be drilled in this township and most of them will be drilled at unorthodox locations. These unorthodox location orders will be issued shortly so that Apache can start the project as soon as possible.

Aztec District Supervisor Charlie Perrin made a presentation to the Petroleum Accountants Society of San Juan Basin at the San Juan College in Farmington. The oil and gas training seminar "From Dust to the Pump" consisted of seven presenters, including the lunch speaker, Bob Gallagher of the New Mexico Oil and Gas Association. Charlie addressed the regulatory process for the Approval to Drill and Plugging and Abandonment.

Upcoming Events:

November 14 Tatum High School Water Resources Design Team Meeting, Tatum
November 16 Oil Conservation Commission Meeting, Porter Hall, Santa Fe
November 17 Bureau of Land Management Pilot Office Meeting, Denver, Colorado



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

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Cabinet Secretary

Tom Mills

Deputy Cabinet Secretary

**Oil Conservation Division
Weekly Activity Report
For Week of November 13, 2006**

Action Items:

Follow-up Items:

Budget Issues:

Legal Issues:

Hobbs district personnel discussed a Notice of Violation (NOV) for Pronghorn with Mr. Baber on November 16, 2006. He asked for time to read through the NOV's penalties. It will be discussed for resolution on November 20.

Personnel Issues:

Press Issues:

Contracting Issues:

Other Issues:

Chris Williams, Hobbs District Supervisor, met with OXY Permian to discuss their emergency procedures for leaks on the gas lines in the North Hobbs Unit. Lieutenant Shaw with the Hobbs police department along with several OXY personnel discussed the recent drill and response to a mock gas leak on both the fuel gas line and the acid gas line. Both lines are regulated by DOT at present. One line is being reviewed by DOT to determine if it can be removed from DOT regulations. The post mortem on the drill showed where improvements can be made and OXY is addressing this.

Chris Williams met with Chesapeake Energy and BBC International to discuss closure of leak sites. Two sites have been approved. On one site Chesapeake will drill a monitor well and test the groundwater before closure will be approved. On the other site BBC will bore deeper to check chloride concentrations before closure can be approved.

Hobbs staff met with Randy Barnes from Amerada Hess and BBC International to review closures of tank batteries in the Monument area. Remediation plans for 50 tank batteries have been submitted. Ten closures have been completed; only 85 more to go.

Hobbs staff met with Steve Cathey from the BLM to discuss possible false reporting by Patterson Petroleum on Glenn Ryan wells located south of Eunice. This will be a joint effort by the BLM and the OCD.

Repairs and work are being done on the Hobbs OCD building on French Drive. The soffitt and fascia are being repaired and painted. The brick will be repainted outside. Windows are being replaced on the east side of the building. A new sprinkler system is being installed along with landscaping.

The Aztec district is performing tests on wells surrounding a cathodic protection well that had gas pressure on it. The pipeline company cemented the well before discussing operations with the district office. Bradenhead tests will be performed on wells within ½ mile, and OCD will evaluate the results.

Mary Ellen Villanueva, Karen Sharp and Shelbe Bernally of the Aztec district office attended the Regulatory Industry Network Group (RING) meeting. Fifty ladies from local industry enjoyed lunch and saw presentations regarding NEPA and APD processes.

The Santa Fe Environmental Bureau staff conducted inspections at Basin Disposal in Farmington, witnessed a Tracer Survey and Mechanical Integrity Test for Navajo Refinery's new Class I injection well in Artesia, and inspected the new pond installation for the Loco Hills GSF LP gas storage system. Director Mark Fesmire and Carl Chavez attended an environmental presentation at the Tatum Public School System. Glenn VonGonten attended a meeting in Albuquerque for new above-ground storage tank rules.

Upcoming Events:

November 20	New Mexico Indian Affairs Department Lecture, State Personnel Office, Leo Griego Auditorium, Santa Fe
November 27	Public Outreach Meeting on Pit Rules, Artesia Community Center, Artesia
November 28	Public Outreach Meeting on Pit Rules, New Mexico Junior College, Hobbs
November 29	Water and Natural Resources Committee Meeting on Surface Owners Protection and Otero Mesa (Salt Basin) Water, State Capitol, Santa Fe
November 30	Public Outreach Meeting on Pit Rules, San Juan College, Farmington
December 4	Public Outreach Meeting on Pit Rules, Porter Hall, Santa Fe
December 7	Oil Conservation Commission Meeting, Porter Hall, Santa Fe
December 14-15	Oil Conservation Commission Special Meeting, Porter Hall, Santa Fe