

K.P. KAUFFMAN COMPANY, INC.

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DENVER, COLORADO 80202-4628

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FACSIMILE (303) 825-4825
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AUG - 4 2008
OCD-ARTESIA



Via USPS- CERTIFIED MAIL-RETURN RECEIPT REQUESTED

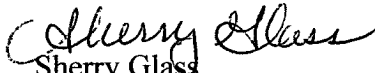
August 1, 2008

State of New Mexico
Oil Conservation Division
District II office
1301 W. Grand Ave.
Artesia, New Mexico 88210

Re: Form C-103
Sundry Notice sinkhole development 7-16-08, summation of incident report
API #30-015-02036
State 24 No. 1

To Whom It May Concern:

Please see attached sundry (in triplicate) regarding the referenced well. This brine well was reported as lost on the morning of July 16, 2008. The sundry and attachments are the incident report for this event. I will send more information on the ongoing investigation that Jim's Water Service (JWS) and K. P. Kauffman Company, Inc. (KPK) are conducting at this time when the information becomes available. We will continue to notify you of anyone on site. Please call me if you have any questions. Thanks!


Sherry Glass
Engineering Technician
KPK/JWS

Attachments

Cc: Mr. Wayne Price, OCD, Santa Fe, New Mexico 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

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

WELL API NO. 3001502036
5. Indicate Type of Lease STATE <input checked="" type="checkbox"/> FEE <input type="checkbox"/>
State Oil & Gas Lease No. M19609
Lease Name or Unit Agreement Name State 24
8. Well Number No. 001
9. OGRID Number
10. Pool name or Wildcat
11. Elevation (Show whether DR, RKB, RT, GR, etc.) 3503 GL

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 Brine extraction

2. Name of Operator
Jim's Water Service

3. Address of Operator
11113 US Highway 82, Artesia, NM 88210

4. Well Location
Unit Letter J : 1988 feet from the south line and 1930 feet from the east line
Section 24 Township 18S Range 28E NMPM Eddy County

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

<p>NOTICE OF INTENTION TO:</p> <p>PERFORM REMEDIAL WORK <input type="checkbox"/> PLUG AND ABANDON <input type="checkbox"/></p> <p>TEMPORARILY ABANDON <input type="checkbox"/> CHANGE PLANS <input type="checkbox"/></p> <p>PULL OR ALTER CASING <input type="checkbox"/> MULTIPLE COMPL <input type="checkbox"/></p> <p>DOWNHOLE COMMINGLE <input type="checkbox"/></p> <p>OTHER: <input type="checkbox"/></p>	<p>SUBSEQUENT REPORT OF:</p> <p>REMEDIAL WORK <input type="checkbox"/> ALTERING CASING <input type="checkbox"/></p> <p>COMMENCE DRILLING OPNS. <input type="checkbox"/> P AND A <input type="checkbox"/></p> <p>CASING/CEMENT JOB <input type="checkbox"/></p> <p>sinkhole development 7-16-08</p> <p>OTHER summation of incident report <input checked="" type="checkbox"/></p>
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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.

Please see attached summation of incident events, remediation, and accounting of JWS, BLM, OCD, and others following incident 7-16-08. JWS is proceeding with investigation of event using our specialists at present and will monitor roadway along 217 for additional subsidence.

Spud Date:

Rig Release Date:

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

SIGNATURE Sherry Glass TITLE Engineering Technician DATE 8-1-08
Type or print name Sherry Glass E-mail address: sglass@kpk.com PHONE: 303.825.4822
For State Use Only
APPROVED BY: _____ TITLE Accepted for record NMOC DATE _____
Conditions of Approval (if any): _____

Summation of JWS brine well collapse, OCD permit #BW-005, Eddy County,
New Mexico

7-16-08: Mark Netherlin of JWS arrived at the wellhead site at approximately 8:15 a.m., saw the collapse of the wellhead start after hearing a loud noise (rumble), got back in his truck and reversed quickly to a safe distance on the pavement along Hwy 217, then called the JWS field office. Dimas Herrera, the GM of the JWS field office, arrived within half an hour and called the OCD, BLM, State Land Office, Eddy Co. Emergency Response and County Roads and Sheriff's office. Dimas called corporate office to report loss of brine well. The hole was approximately 30' x 40' wide at that point, with undetermined depth. Other field hands arrived from the field office and blocked off all access roads with posts, flagging ribbons and old pallets and lumber available at the brine reserve pit. OCD (Mike Bratcher) reported later to Energy, Minerals and Natural Resources (EMNR) District 2 office in Artesia about disappearance of the well. Many successive collapses occurred over the course of the day, with noise and dust obscuring the sinkhole from sight. Sheriff was on location to close road.

7-17-08: OCD was onsite and Mark Netherlin gave a verbal report to Wayne Price of OCD, who had assumed Incident Commander (IC) role. The sinkhole was very active, had grown to approximately 120' x 100'. A perimeter around the outside of the visual cracks was established with stakes and flagging. Kent Gilbert of Denver office flew to Artesia to go to site and meet with OCD, established a log book for visitors to site, and incidents report. Kent, Dimas and Wayne agreed to wait until Monday to set up fence to allow sinkhole to stabilize. Kent Gilbert and Dimas Herrera then walked perimeter of site to place numbered flags on visible surface cracks to map and record distances from approximate far wall of hole to each flag (please see attachment 1). The Eddy County Mobile Command Center arrived, Jim Carr, District Manager of Field Operations Division of State (SLO) arrived and inspected the site. David Herroll of the BLM assumed IC from Wayne Price and was safety officer when Mark Netherlin, Pat Seiser of the National Caverns and Karst Research Institute (NCKRI), and Carl Chavez of the OCD walked the perimeter to examine the cracks paralleling the feature. Wayne Price called for a safety meeting to assign tasks to the personnel at the site and go over the dangers to avoid on the site.

7-18-08: The sinkhole was very active, with loud rumbling, ground-shaking and dust thrown up. The hole is approximately 200' x 200'. John Stewart of EMNR stated there was little fresh ground water present in this location (from Rustler Formation). The BLM representatives arrived with 4 karst specialists, including George Veni, the Executive Director of the NCKRI and Lewis Derrick, Eddy County Commissioner. David Herroll assumed IC, and did the incident safety briefing for the day and indicated he wanted 'Keep Out-Danger' signs posted, as he noticed cracks along the east side and undercutting of the north and west walls. Wayne Price had diagrammed the 'Hot Zone' indicated on the attached map (please see attachment 2), expecting the feature to stabilize within one week. Pat Seiser spray painted a scale on the roadway for the expected flyovers. Robert Brader of the SLO requested a chain link fence around the site. The Eddy County

Mobile Command Center was assigned to the location and JWS personnel were assigned to be on site 24 hours a day. The state police arrived and ranchers requesting access to their lands were told they could not go by the access roads in the 'Hot Zone' by Lewis Derrick. Dimas Herrera and the OCD conducted GPS and range finder surveys on the flagged stress cracks and the perimeter of the hole. State police arrived on the site at 3:40 p.m. 7-19-08: JWS personnel posted 2 state signs, indicating penalties and danger of trespass of property on T-posts with wire strung in between around access onto site from 217. Glenn Von Gonten and Edward Hansen (OCD) arrived on site. There were two flyovers, at 9:22 and 9:40 a.m. Some activity at the site indicated the feature was mainly deepening. Email from George Veni (NCKRI) to Carl Chavez (OCD) indicates his interest in coordinating an exchange of information and ideas regarding this sinkhole and the brine production well in Carlsbad.

7-20-08: Rental trailer secured for the JWS crew to stay in, OCD requested meals for their personnel on site. Some activity, with NCKRI photos indicating growth except for the W-SW-S area. OCD queried JWS personnel about fence status.

7-21-08: KPK discussing cave specialists to help mitigate situation, lessen impacts to public safety and help in KPK investigation of event. NCKRI flyover, JWS began installing fence posts and cemented in place. Jenny Rennie (Eddie County Commissioner), Robert Brader (Eddy Co. OEM), and Joel Arnwine (Eddy Co. OEM) walked perimeter of hole. Jim Herring (Bogel Farms ranch foreman) came to check on progress of the fence. Hole was active, lots of dust from fallout. Size is approximately 220' x 220'. Massive sinkhole activity occurred in the evening. Two trespassers were encountered on the north side of the area at 22:00, state police were informed.

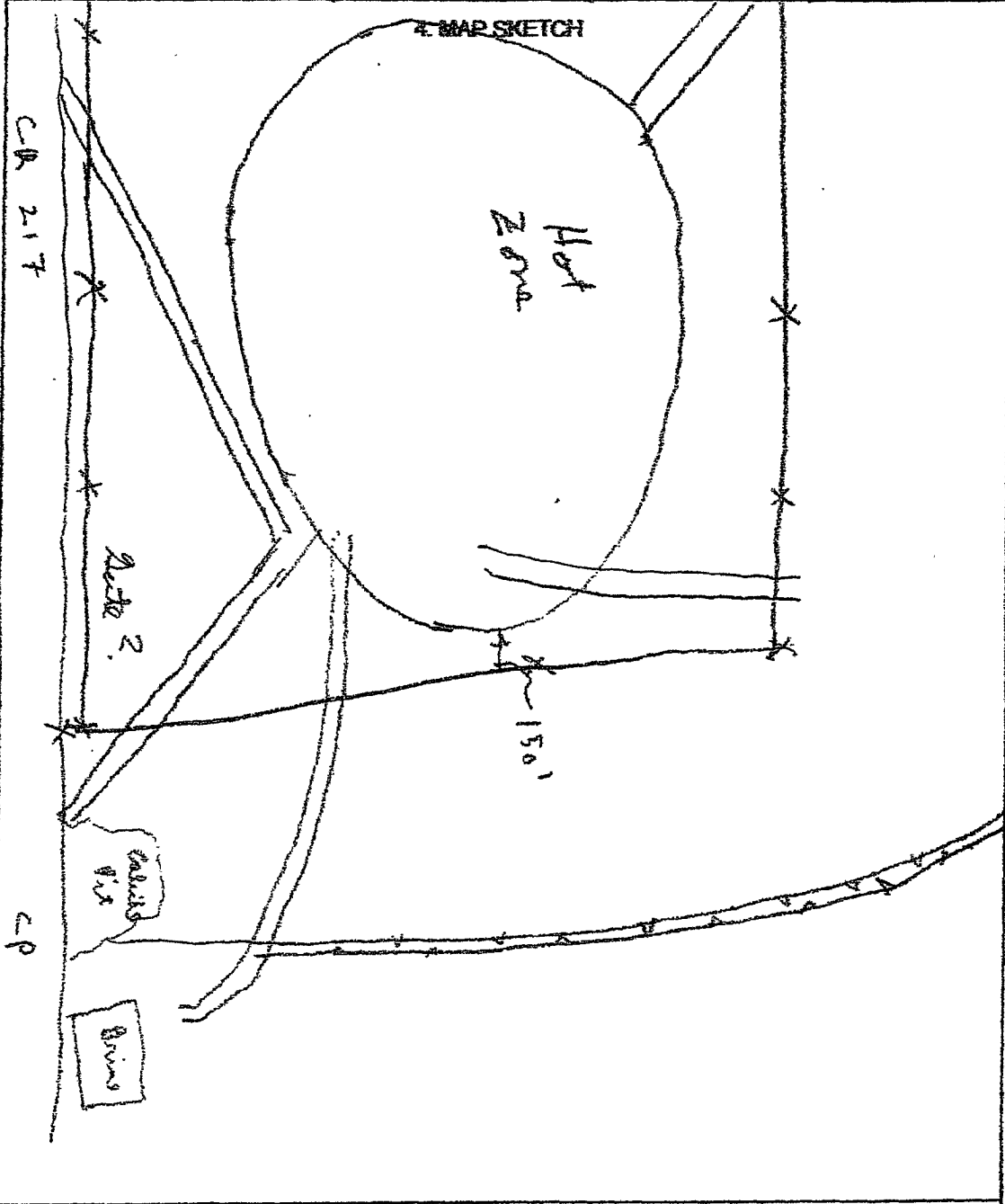
7-22-08: Aerial photos indicating feature over brine well are discussed at KPK, acquiring and sorting documents from JWS for review. Sheriff visits the site, JWS directed to dig a trench with a backhoe on high ground on east side to direct drainage from the sinkhole. Cemented fence corner post at Reed & Stevens Travis well location to southwest of feature, but directed by David Herroll to put fencing crews to dig ditch for drainage from sinkhole, so workers pulled off fencing project. Hole was very active in the evening.

7-23-08: Pipeline markers were flagged. Ten workmen for JWS working on installing fencing and finishing ditch by backhoe. OCD puts Travis well (Reed and Stevens, operator) to the west back on line. Activity resumes, with S-SE sidewalls caving back approximately 50'. The Eddy County Mobile Command unit decides to de-mobilize on 7-24-08. Leonard Lowe and Jim Griswold from OCD were on site. Hole active in the evening, as indicated by dusting.

7-24-08: Activity larger on south side, helicopter flyover, outermost fractures at 118' to 217.

7-25-08: Finished fencing, lock on gate. Hole is still active, with lots of dust from the edges. Highway (217) is opened. (please see attachment 3, sketch of fence around sinkhole, and attachment 4, photos of sinkhole)

235-108

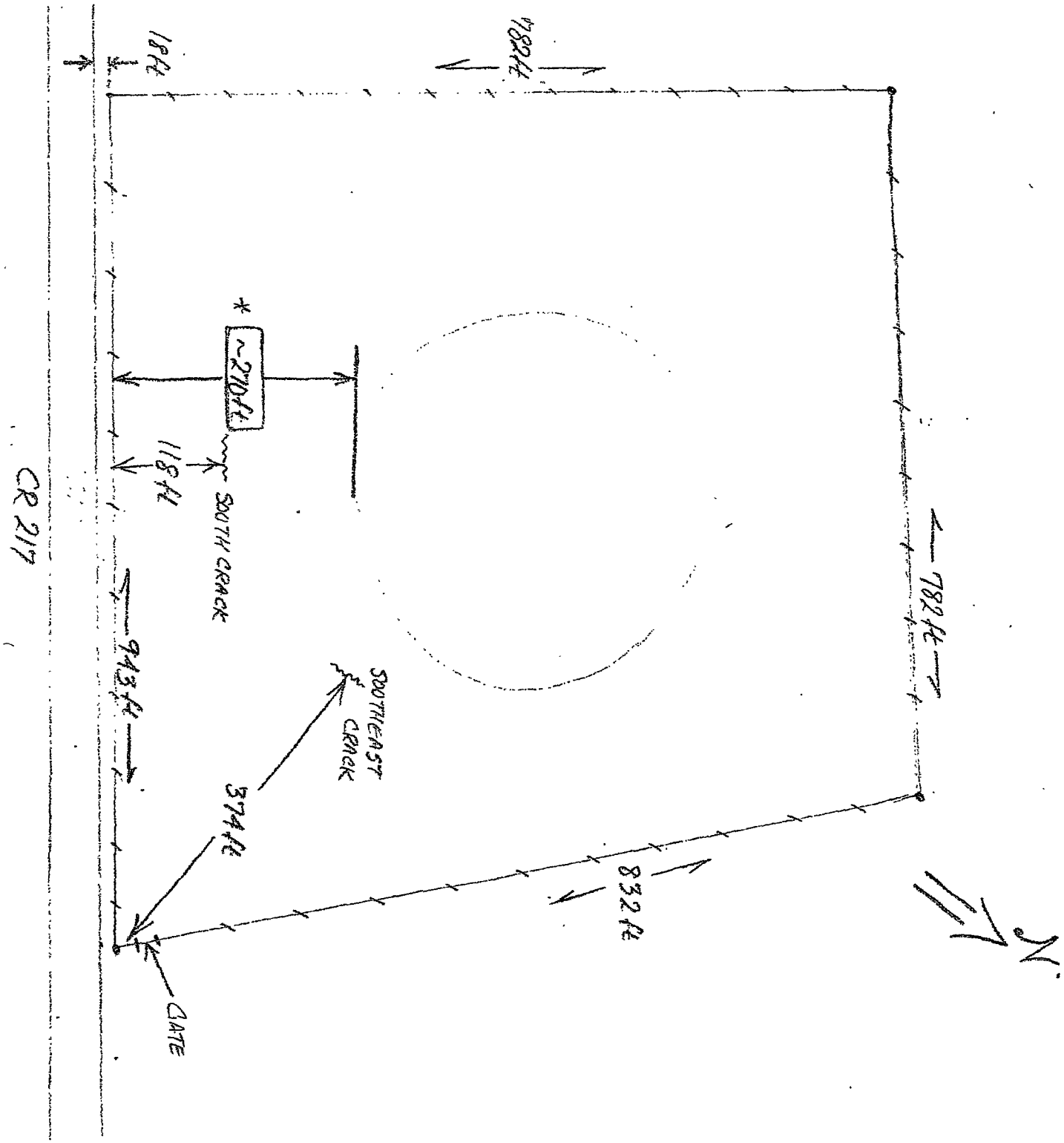
INCIDENT BRIEFING	1. INCIDENT NAME	2. DATE PREPARED	3. TIME PREPARED
<p data-bbox="706 425 901 457">4. MAP SKETCH</p> 			
ICS 201 (12/93) NFES 1325	PAGE 1	5. PREPARED BY (NAME AND POSITION)	

Hot to side
= two trucks
O Hot Zone
C.P. command post

by
Fireman
French

attachment 2

08
10



CR 217



sbc global sinkhole 001



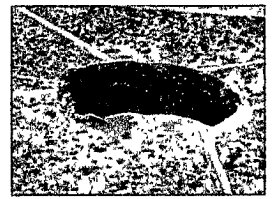
sbc global sinkhole 002



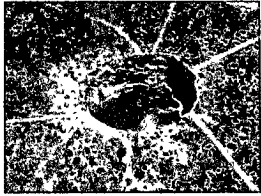
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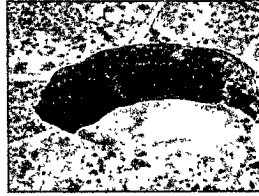
sbc global sinkhole 004



sbc global sinkhole 005



sbc global sinkhole 006



sbc global sinkhole 007



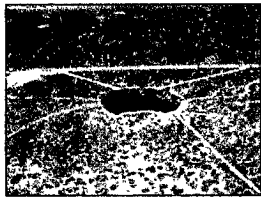
sbc global sinkhole 008



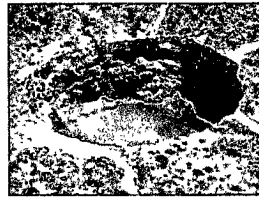
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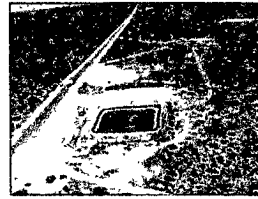
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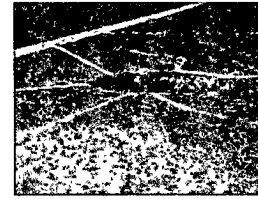
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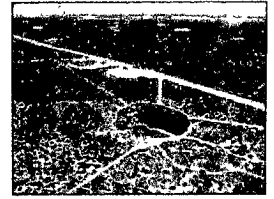
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sbc global sinkhole 013



sbc global sinkhole 014



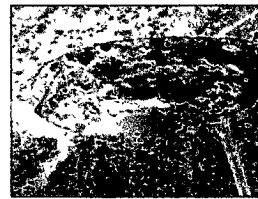
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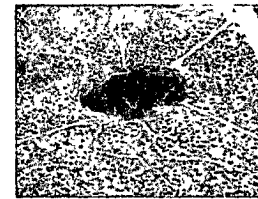
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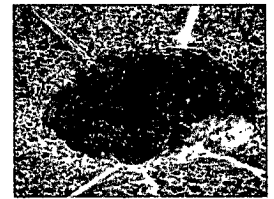
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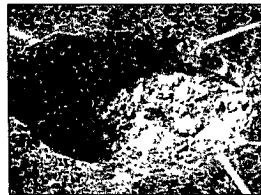
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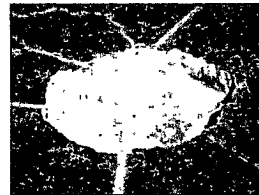
sinkhole1



sinkhole2



sinkhole3



sinkhole4



sinkhole5

attachment 4