Submit 1 Copy To Appropriate District Office
District I – (575) 393-6161
1625 N. French Dr., Hobbs, NM 88240
District II – (575) 748-1283
811 S. First St., Artesia, NM 88210
District III – (505) 334-6178
1000 Rio Brazos Rd., Aztec, NM 87410
District IV – (505) 476-3460
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources

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

Form C-103
October 13, 2009

WELL API NO. 30-025-40852
5. Indicate Type of Lease STATE [X] FEE [ ]
6. State Oil & Gas Lease No.

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.)

7. Lease Name or Unit Agreement Name: KLEIN 16 STATE
1. Type of Well: Oil Well [X] Gas Well [ ] Other
8. Well Number 2
2. Name of Operator Marshall & Winston Incorporated
9. OGRID Number 14187
3. Address of Operator POB 50880, Midland, TX 79710-0880
10. Pool name or Wildcat Scharb Bone Springs
4. Well Location
Unit Letter A : 660 feet from the N line and 250 feet from the E line
Section 16 Township 19S Range 35E NMPM County Lea
11. Elevation *(Show whether DR, RKB, RT, GR, etc.)* 3787'

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

| NOTICE OF INTENTION TO: | | SUBSEQUENT REPORT OF: | |
|---|---|---|---|
| PERFORM REMEDIAL WORK [ ] | PLUG AND ABANDON [ ] | REMEDIAL WORK [ ] | ALTERING CASING [ ] |
| TEMPORARILY ABANDON [ ] | CHANGE PLANS [ ] | COMMENCE DRILLING OPNS. [ ] | P AND A [ ] |
| PULL OR ALTER CASING [ ] | MULTIPLE COMPL [ ] | CASING/CEMENT JOB [ ] | |
| DOWNHOLE COMMINGLE [ ] | | | |
| OTHER: Construct Frac Pit with Liner [X] | | 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 19.15.7.14 NMAC. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

Marshall & Winston Inc. intends to construct a Frac Pit to complete the Klein State 16 2H at the above location. The pit edge will be 20 feet from the south edge of the location, 6 feet deep, 200' x 200' and lined with 20 mil plastic. The pit is a reserve and will hold fresh water only. The water source is a water well located in the NW qtr of Section 9 to the north. It is owned by private surface owner Chris Northcutt. The water sample was done by Impact, Hobbs, NM and analysis is attached.

It is anticipated to utilize the frac pit for three additional wells. One well will be drilled in each of the 40/ac tracts in the E2 E2 of Sec 16.

Spud Date: 12/04/12 Rig Release Date: drlg AS of 12/17/12

HOBBS OCD
DEC 17 2012

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

RECEIVED

SIGNATURE Vernon D. Dyer TITLE AGENT DATE 12/17/2012

Type or print name Vernon D. Dyer E-mail address: Vdyeroil@cableone.com PHONE: 575 420-0355

**For State Use Only**

APPROVED BY: _____ TITLE _____ DATE _____

Conditions of Approval (if any):

12/17

(575) 391-6813

# Impact Water Analysis Analytical Report

IMPACT! CHEMICAL TECHNOLOGIES, INC.

Company: Marshal & Winston
Number: 11727
Source: Water Tank

Location: ####
Date Sampled: December 4, 2012
Salesman: Jr Garcia
Attention:

| ANALYSIS | mg/L | | EQ. WT. | | MEQ/L |
|---|---|---|---|---|---|
| 1. pH | 6.50 | | | | |
| 2. Specific Gravity 60/60 F | 1.002 | | | | |
| 3. Hydrogen Sulfide | 10 | PPM | | | |
| 4. Carbon Dioxide | 160 | PPM | | | |
| 5. Dissolved Oxygen | ND | | | | |
| 6. Hydroxyl ($OH^-$) | 0 | / | 17.0 | = | 0.00 |
| 7. Carbonate ($CO_3^{-2}$) | 0 | / | 30.0 | = | 0.00 |
| 8. Bicarbonate ($HCO_3^-$) | 305 | / | 61.1 | = | 4.99 |
| 9. Chloride ($Cl^-$) | 800 | / | 35.5 | = | 22.54 |
| 10. Sulfate ($SO_4^{-2}$) | 440 | / | 48.8 | = | 9.02 |
| 11. Calcium ($Ca^{+2}$) | 561 | / | 20.1 | = | 27.91 |
| 12. Magnesium ($Mg^{+2}$) | 97 | / | 12.2 | = | 7.95 |
| 13. Sodium ($Na^+$) | 16 | / | 23.0 | = | 0.69 |
| 14. Barium ($Ba^{+2}$) | 5.0 | | | | |
| 15. Total Soluble Iron (Fe) | 4.5 | | | | |
| 16. Dissolved Solids | 2,219 | | | | |
| 17. Filterable Solids | ND | | | | |
| 18. Total Solids | 2,219 | | | | |
| 19. Total Hardness As $CaCO_3$ | 1,802 | | | | |
| 20. Suspended Oil | 0.0000 | | | | |
| 21. Volume Filtered (ml) | 0 | | | | |
| 22. Resistivity @ 75 °F (calculated) | 3.8020 | Ω-m | | | |

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23. $CaCO_3$ Saturation Index

| | |
|---|---|
| @ 80 °F | -0.0541 |
| @ 100 °F | 0.1959 |
| @ 120 °F | 0.4559 |
| @ 140 °F | 0.6459 |
| @ 160 °F | 0.8559 |

24. $CaSO_4$ Supersaturation Ratio

| | |
|---|---|
| @ 70 °F | 0.4235 |
| @ 90 °F | 0.4099 |
| @ 110 °F | 0.4064 |
| @ 130 °F | 0.4135 |
| @ 150 °F | 0.4342 |

PROBABLE MINERAL COMPOSITION

| COMPOUND | EQ. WT. | X | MEQ/L | = mg/L |
|---|---|---|---|---|
| $Ca(HCO_3)_2$ | 81.04 | | 4.99 | 404 |
| $CaSO_4$ | 68.07 | | 9.02 | 614 |
| $CaCl_2$ | 55.50 | | 13.90 | 771 |
| $Mg(HCO_3)_2$ | 73.17 | | 0.00 | 0 |
| $MgSO_4$ | 60.19 | | 0.00 | 0 |
| $MgCl_2$ | 47.62 | | 7.95 | 379 |
| $NaHCO_3$ | 84.00 | | 0.00 | 0 |
| $NaSO_4$ | 71.03 | | 0.00 | 0 |
| NaCl | 58.46 | | 0.69 | 40 |

Analyst: Dee Johnson

Date: December 4, 2012

12/17

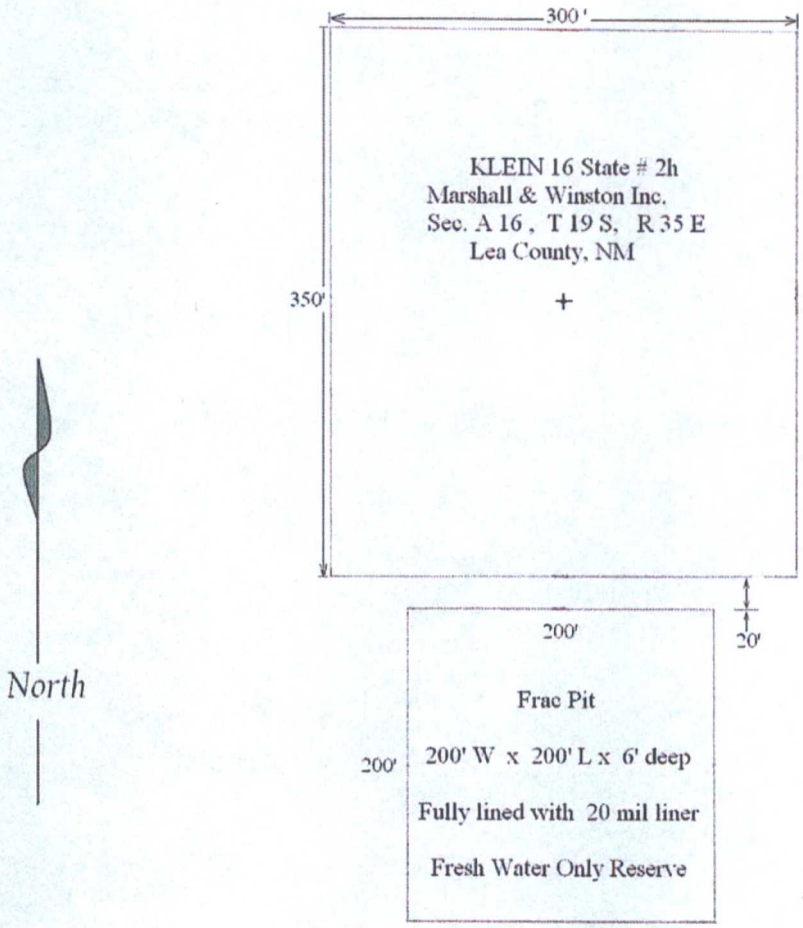


Diagram attachment to C-103, dated 12/17/2012, indicating the orientation of the Frac Pit (fresh water storage reserve) in relation to the well pad.

Enclosed together is the :
1) C-103,
2) This diagram,
3) Water Analysis of water well source.

12/17