

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

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

Form C-103

May 27, 2004

WELL API NO.

30 025 08269

5. Indicate Type of Lease FEDERAL
STATE ☐ FEE ☒

6. State Oil & Gas Lease No.
NMLC-065876A

7. Lease Name or Unit Agreement Name
North El Mar Unit

8. Well Number 2

9. OGRID Number 20077

10. Pool name or Wildcat
El Mar (Delaware)

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 Injection

2. Name of Operator
Sahara Operating Company

3. Address of Operator
P.O. Box 4130, Midland, TX 79704

4. Well Location
Unit Letter P 660 feet from the South line and 660 feet from the East line
Section 24 Township 26S Range 32E NMPM County

11. Elevation (Show whether DR, RKB, RT, GR, etc.)
3,139 GL

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: TR ☐

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.

Request Temporarily Abandoned status for well. We wish to preserve this well bore for Enhanced recovery, Justification attached.

This well passed a Mechanical Integrity Test on 11-21-06, witnessed by Andy Cortez of the BLM and has been accepted for TA status by the BLM.

A copy of the Approved 3160-5 with a copy of the test chart is attached.

This Approval of Temporary
Abandonment Expires 4/14/2013

RECEIVED

FEB - 7 2008

HOBBS OCD

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 MOC guidelines ☐, a general permit ☐ or an (attached) alternative OCD-approved plan ☐.

SIGNATURE [Signature] TITLE President DATE 2-06-2008

Type or print name Robert McAlpine E-mail address: SaharaRM@sbcglobal.net Telephone No. 432-697-0967

For State Use Only

APPROVED BY: [Signature] TITLE OC DISTRICT SUPERVISOR/GENERAL MANAGER DATE APR 14 2008

Conditions of Approval (if any):

OPERATOR'S COPY

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

SUNDRY NOTICES AND REPORTS ON WELLS
Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals

FORM APPROVED
OMB No. 1004-0135
Expires November 30, 2000

5 Lease Serial No.

NMLC-065876A

6. If Indian, Allottee or Tribe Name

7. If Unit or CA/Agreement, Name and/or No.

North El Mar Unit

8. Well Name and No.

North El Mar Unit #2

9. API Well No.

30 025 08269

10. Field and Pool, or Exploratory Area

El Mar (Delaware)

11. County or Parish, State

Lea County, N.M.

SUBMIT IN TRIPLICATE - Other Instructions on reverse side

1. Type of Well
☐ Oil Well ☐ Gas Well ☒ Other Service (Injection)

2 Name of Operator
Sahara Operating Company

3a. Address
P.O. Box 4130, Midland, TX 79704

3b. Phone No. (include area code)
432/697-0967

4 Location of Well (Footage, Sec., T., R., M., or Survey Description)
660' FSL & 660' FEL, Sec 24, T26S, R32E, NMPM, Unit Letter "P"

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
<input type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input checked="" type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treatment	<input type="checkbox"/> Reclamation	<input checked="" type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input type="checkbox"/> Other _____
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

13 Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomple horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

Subsequent report of integrity test on TA well.

11-21-06 Press test casing to 540 psi /30 mins OK. Bradenhead valves open, no leaks

Original chart attached

Wellbore as follows: 4-1/2" casing @ 4790'
Perfs 4697-4728'
CIBP @ 4650'

14. I hereby certify that the foregoing is true and correct
Name (Printed/Typed)

Robert McAlpine

Title President

Signature

Date 12/1/2006

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

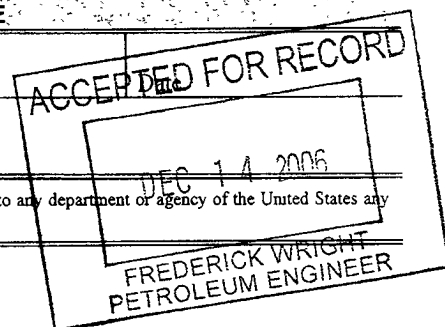
Approved by

Title

Conditions of approval, if any, are attached. Approval of this notice 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.

Office

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.



JUSTIFICATION FOR REQUEST FOR TEMPORARILY ABANDONED STATUS

North El Mar Unit Wells

Lea County, New Mexico

July, 2006

It is requested that the subject wells be granted Temporarily Abandoned status. This is necessary in order to prevent the waste of approximately 6 million barrels of underground oil reserves (a midrange estimate of CO₂ reserves) which will likely occur if the requested relief is not granted on these wells in the North El Mar Unit. Given that the Mineral Management Service holds approximately a 10.338% royalty interest in the North El Mar Unit, the prospective loss to the MMS is 620,000 barrels of royalty oil, worth in excess of \$35 million at current oil and gas prices.

Sahara Operating Company operates a number of leases on Federal lands in the North Mason, El Mar, and North Paduca Delaware fields. Until July, 2005, we also operated the Delaware Sand Participating Area of the Cotton Draw Unit, also known as the Paduca Delaware field.

The North El Mar Unit, as it currently exists, is a depleted waterflood. According to Sahara's analysis, the wells in question are not currently capable of production in paying quantities. These wells do have significant future value for a CO₂ flood and the wellbores should be preserved for this purpose.

At the Paduca Delaware field (Cotton Draw Unit Delaware Sand Participating Area), Sahara Operating successfully assembled reservoir and engineering data and performed geological, engineering and economic studies which allowed us to evaluate the field's future economic potential as an enhanced oil recovery project. It also allowed us to bring in a partner (Pogo Producing Company, which is a company much larger than us) with the financial strength and integrated staff to be able to commit to a full scale CO₂ flood and fieldwide redevelopment. This project will cost and risk tens of millions of dollars and result in tens, if not hundreds, of millions of dollars of economic activity, and perhaps up to 1 million barrels of additional royalty oil for the MMS in the event of a successful project. A crucial aspect of the redevelopment plan for this field was the fact that, with the BLM's foresight and cooperation, Sahara had been able to preserve many of the inactive wellbores and hence eliminate the need for many expensive and possibly uneconomic redrillings of wells.

We are now engaged in the same process for the North El Mar Unit. This is a laborious process involving digitizing every log in the field, correlating log and core properties, mapping, etc. We expect the petrophysics to take another 4-6 months to complete. We would like to be able to show prospective partners a realistic injection/production schedule complete with capital spending predictions and near-AFE quality cost estimates. We expect to have the prospect ready to present to prospective partners within the next 6 months. Hopefully the implementation of such a Tertiary project might be agreed to in early to mid 2007, however, industry information we have received from Exxon and Kinder-Morgan regarding CO₂ supply indicates that it may be 2009 before the Cortez

Pipeline is expanded and enough supply comes available to allow implementation of a fieldwide CO2 project. North El Mar has long been considered a good CO2 candidate, as evidenced by a CO2 pipeline running along the south edge of the Unit.

The Paduca Delaware field was, prior to our efforts, a marginal field and a near future plugging candidate. It is now the focus of an intense redevelopment and Tertiary injection plan. We believe that we can achieve similar results for North El Mar in the very near future. However, as it now sits this field is a largely depleted waterflood. We do not believe that reactivation of North El Mar wellbores is likely to be economic at this time. Yet the wellbores have very real and substantial value in the event we are able to implement a CO2 flood. It is our opinion that, if we are forced to plug and abandon all of these wellbores, it will be far more difficult if not improbable that a CO2 flood may be implemented in the future. In essence, we believe that the future of this field hangs in the balance at this time.

Sahara and its partners have a proven track record at the Paduca Delaware Field. We have been able to directly cause and implement CO2 projects in fields very analogous to North El Mar. It is imperative that we preserve these wellbores for future use. We hope given the extenuating circumstances pertinent to the long term economic viability of the North El Mar Unit that the BLM will carefully consider granting TA status for these wells as requested.