

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

David Martin
Cabinet Secretary

Brett F. Woods, Ph.D.
Deputy Cabinet Secretary

Jami Bailey, Division Director
Oil Conservation Division



February 17, 2014

Ms. Donna Mayes
Mayes Ranch
1107-2 Washington Ranch Road
Carlsbad, NM 88220

RE: Application for Authorization to Inject

Leeman Well No. 1 API No. 30-015-10791
1980 FSL & 1980 FEL; Unit J, Sec 28, T26S, R24E, NMPM, Eddy County, New Mexico

Dear Ms. Mays:

Enclosed is your application for the proposed conversion of the above referenced well to a produced water disposal well. Your application cannot be considered due to the lack of basic items that are compulsory under the rules that govern oil and gas operations in New Mexico.

The first prerequisite for the application to be considered is being qualified as an operator (19.15.9.8 New Mexico Administrative Code (NMAC)) which includes registration with the Division. The approval as an operator will include proof of financial assurance (19.15.8.8 NMAC) which will require a surety bond, irrevocable letter of credit, or cash.

In addition to these items, your application did not contain several sections that are necessary for the application to be "administratively complete". Some of these sections include a review of all wells that penetrate the proposed injection interval within ½-mile of the proposed disposal well (known as the Area of Review – Sections V and VI), notification of affected persons (Section XIII), a description of the final completion of the proposed disposal well (Section III), chemical analyses of injection fluids (Section VII), assessment and identification of aquifers with total dissolved solids less than 10,000 milligrams per liter (Section VIII). All of these sections are described on the C-108 application form.

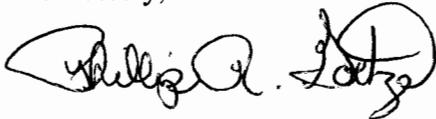
Finally, the well that you have proposed for conversion to a disposal well has several significant technical challenges. The most fundamental problem with well is that there is only one string of

casing. The surface casing is the 10³/₄-inch casing that is set to a depth of 900 feet. No other casing was used in the well since the testing showed no hydrocarbon potential. In order to inject into the interval that you have identified, the well will require significant investment of materials (casing, cement, logging, etc.) and capital to fulfill the minimum construction requirements for approval as an injection well.

Therefore, I am returning your application with the understanding that if you wish to pursue this project that you will have to start the process by applying to be an operator. I would also recommend that you consider the cost and time necessary to have this well meet the minimum technical specifications to be considered for approval as a disposal well.

Please contact me with any questions regarding this matter at 505.476.3466.

Sincerely,

A handwritten signature in black ink, appearing to read "Phillip R. Goetze". The signature is fluid and cursive, with a large initial "P" and "G".

Phillip R. Goetze
Engineering and Geological Services Bureau

cc: Well File API 30-015-10791