



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Pecos District

Carlsbad Field Office

620 E. Greene

Carlsbad, New Mexico 88220-6292

www.blm.gov/nm



IN REPLY REFER TO:
3162.3-2 (P0220)
NMLC029418B

MAY - 1 2013

Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505

Re: Lea "C" Federal Waterflood Project – Convert to (3) wells located in Section 11, Township 17 South, Range 31 East, NMPM, Eddy County, New Mexico dated April 19, 2013

The BLM will object to the conversion of this the three referenced wells located within the Lea "C" Federal lease until the following items have been submitted and reviewed.

1. Operator has not approached the BLM to request approval to initiate a waterflood project.
2. The operator shall provide a plan of development to initiate waterflood project which shall contain the following information:
 - a. Structural, Gross and Net Isopach maps. (legible and larger format and must include an appropriate legend and be properly scaled for necessary resolution)
 - b. Cross sections of wells in the area.
 - c. Geological and reservoir engineering write up on past and proposed waterflood project.
 - d. Is the operator randomly placing water injection wells throughout the field? Or is there a proposed pattern such as line drive or five spot? What will prevent oil from migrating off the Lea "C" Federal lease?
 - e. Where is the reservoir engineering evaluation, indicating how water injection wells will maintain and or increase oil production throughout the field?
3. The operator has been issued written orders to plug or return the wells to beneficial use for the three referenced wells back in June 2012 and have since provide documentation on all but one of the wells. The operator has not provided a subsequent sundry report on the Lea C Federal 4. Also, all but two of the wells are producing in paying quantities.

If you have any questions regarding this approval, please contact Edward G Fernandez,
Petroleum Engineer at (575) 234-2220.

Sincerely,

A handwritten signature in black ink, appearing to read "Edward G. Fernandez". The signature is fluid and cursive, with a large, stylized "E" and "F".

Edward G. Fernandez
Petroleum Engineer
Bureau of Land Management
Carlsbad Field Office

cc: Capstone Natural Resources
SOS Consulting (Ben Stone)

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