(ſ ^				
Z C 11	SUSPENSE 15	ENGINEER	LOGOED IN (V)	mo Sus	DWU 1119257082
/-/-					FORWED (JCI)
,		. AB	OVE THIS LINE FOR DIVISION USE ONLY	1296/	III.OLIVE III.

NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau 1220 South St. Francis Drive, Santa Fe, NM 87505

		ADMINISTRATIVE APPLICATION CHECKLIST
		MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE
A pp:	[DHC-Dov	Indard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication] Inhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling] Inhole Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement] INFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion] INFX-Water Disposal] [IPI-Injection Pressure Increase] Indified Enhanced Oil Recovery Certification] [PPR-Positive Production Response] INFY-PLICATION - Check Those Which Apply for [A] Location - Spacing Unit - Simultaneous Dedication
[1]	TYPE OF A [A]	PPLICATION - Check Those Which Apply for [A] Location - Spacing Unit - Simultaneous Dedication NSL NSP SD
	Chec [B]	C One Only for [B] or [C] Commingling - Storage - Measurement DHC CTB PLC PC OLS OLM
	[C]	Injection - Disposal - Pressure Increase - Enhanced Oil Recovery WFX PMX SWD IPI EOR PPR
	[D]	Other: Specify
[2]	NOTIFICAT [A]	ON REQUIRED TO: - Check Those Which Apply, or Does Not Apply Working, Royalty or Overriding Royalty Interest Owners
	[B]	Offset Operators, Leaseholders or Surface Owner
	[C] -	Application is One Which Requires Published Legal Notice
	, [D]	Notification and/or Concurrent Approval by BLM or SLO U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
	[E]	For all of the above, Proof of Notification or Publication is Attached, and/or,
	[F]	Waivers are Attached
3] ·	SUBMIT ACC	URATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE TION INDICATED ABOVE.
4] pprova pplicat	al is accurate and	ON: I hereby certify that the information submitted with this application for administrative complete to the best of my knowledge. I also understand that no action will be taken on this irred information and notifications are submitted to the Division.
	Note: 5	tatement must be completed by an individual with managerial and/or supervisory capacity.
dd (Type Name	Signature Agent 7/5/2011
VI	בונוחונ טעלי	Date •

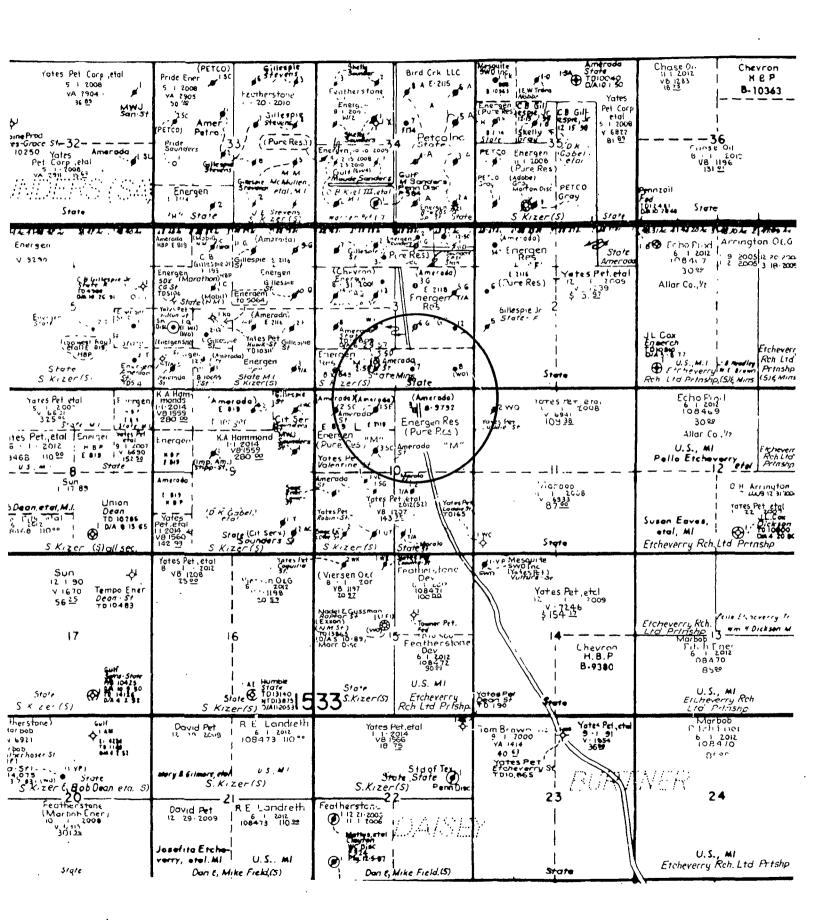
e-mail Address

Oil Conservation Division 1220 South St. Francis Dr. Santa Fe, New Mexico 87505

FORM C-108 Revised June 10, 2003

APPLICATION FOR AUTHORIZATION TO INJECT

I.	PURPOSE: Secondary Recovery Pressure Maintenance X Disposal Storage Application qualifies for administrative approval? X Yes No
П.	OPERATOR: DKD, LLC
	ADDRESS: Box 682 Tatum, NM 88267
	CONTACT PARTY: Danny Watson PHONE: 575-398-3494
III.	WELL DATA: Complete the data required on the reverse side of this form for each well proposed for injection. Additional sheets may be attached if necessary.
IV.	Is this an expansion of an existing project? Yes X No If yes, give the Division order number authorizing the project:
V.	Attach a map that identifies all wells and leases within two miles of any proposed injection well with a one-half mile radius circle drawn around each proposed injection well. This circle identifies the well's area of review.
VI.	Attach a tabulation of data on all wells of public record within the area of review which penetrate the proposed injection zone. Such data shall include a description of each well's type, construction, date drilled, location, depth, record of completion, and a schematic of any plugged well illustrating all plugging detail.
VII.	Attach data on the proposed operation, including:
	 Proposed average and maximum daily rate and volume of fluids to be injected; Whether the system is open or closed; Proposed average and maximum injection pressure; Sources and an appropriate analysis of injection fluid and compatibility with the receiving formation if other than reinjected produced water; and, If injection is for disposal purposes into a zone not productive of oil or gas at or within one mile of the proposed well, attach a chemical analysis of the disposal zone formation water (may be measured or inferred from existing literature, studies, nearby wells, etc.).
*VIII.	Attach appropriate geologic data on the injection zone including appropriate lithologic detail, geologic name, thickness, and depth Give the geologic name, and depth to bottom of all underground sources of drinking water (aquifers containing waters with total dissolved solids concentrations of 10,000 mg/l or less) overlying the proposed injection zone as well as any such sources known to be immediately underlying the injection interval.
IX.	Describe the proposed stimulation program, if any.
*X.	Attach appropriate logging and test data on the well. (If well logs have been filed with the Division, they need not be resubmitted)
*XI.	Attach a chemical analysis of fresh water from two or more fresh water wells (if available and producing) within one mile of any injection or disposal well showing location of wells and dates samples were taken.
XII.	Applicants for disposal wells must make an affirmative statement that they have examined available geologic and engineering data and find no evidence of open faults or any other hydrologic connection between the disposal zone and any underground sources of drinking water.
XIII.	Applicants must complete the "Proof of Notice" section on the reverse side of this form.
XIV.	Certification: I hereby certify that the information submitted with this application is true and correct to the best of my knowledge and belief.
	NAME: Danny R. Watson TITLE: President
	SIGNATURE: DATE: 7/1/11
*	E-MAIL ADDRESS: <u>kdklle@leaco.net</u> If the information required under Sections VI, VIII, X, and XI above has been previously submitted, it need not be resubmitted. Please show the date and circumstances of the earlier submittal:



ATTACHMENT TO APPLICATION C-108

State M Com #3 (API 30-025-01235) Unit B, Sect. 10, Tws. 15 S., Rng. 33 E. Lea Co., NM

III. WELL DATA

- A. 1) See injection well data sheets and attached schematics.
 - 2) See injection well data sheets and attached schematics.
 - 3) 2 7/8" plastic coated tubing.
 - 4) Baker Loc Set.
- B. 1) Injection formation is the Permo-Penn.
 - 2) Injection interval 9840' to 9990' in open tole
 - 3) Well was drilled as a producer.
 - 4) The next higher producing zone is the Wolfcamp at approximately 9140'.

 The next lower producing zone is the Devonian at approximately 13550'.
- IV. NO.
- V. MAP ATTACHED.
- VI. LIST OF WELLS AND DATA ATTACHED.
- VII. DKD proposes to clean out well bore and CIBP down to 9990', circulate hole clean, acidize perfs from 9840' to 9990'. Run 2 7/8" IPC Tubing and packer and set at approximately 9740'. Test casing as OCD requires and put on injection.
 - 1) Plan to inject approximately 3000 bpd of produced water as a commercial disposal.
 - 2) Closed system.
 - 3) Average injection pressure should be approximately 800# to 1200# or whatever limit OCD allows.
 - 4) Analysis attached, only produced water.
 - 5) Water from the surrounding area, Wolfcamp, San Andres, Permo-Penn and Devonian.
- VIII. The proposed disposal formation is interbedded shale and limestone. The primary geologic formation is the Permo-Penn from 9700' to 10025'.

The fresh water formation in the area is the Ogallala which ranges in thickness from 100' to 160'. Analysis of water well attached.

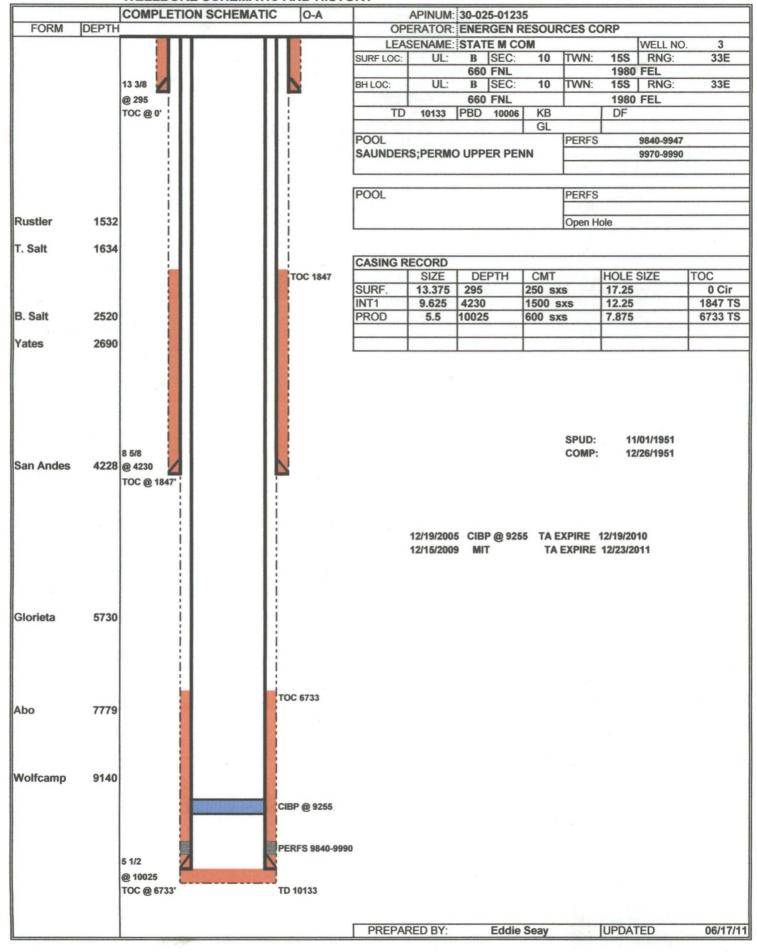
- IX. ACID AS NEEDED.
- X. PREVIOUSLY SUBMITTED TO OCD.
- XI. ATTACHED.
- XII. I, Eddie W. Seay, have examined all available geologic and engineering data and find no evidence of open faults or any other hydrologic connection between the disposal zones and any underground source of drinking water pertaining to this well.
- XIII. ATTACHED.

· INJECTION WELL DATA SHEET

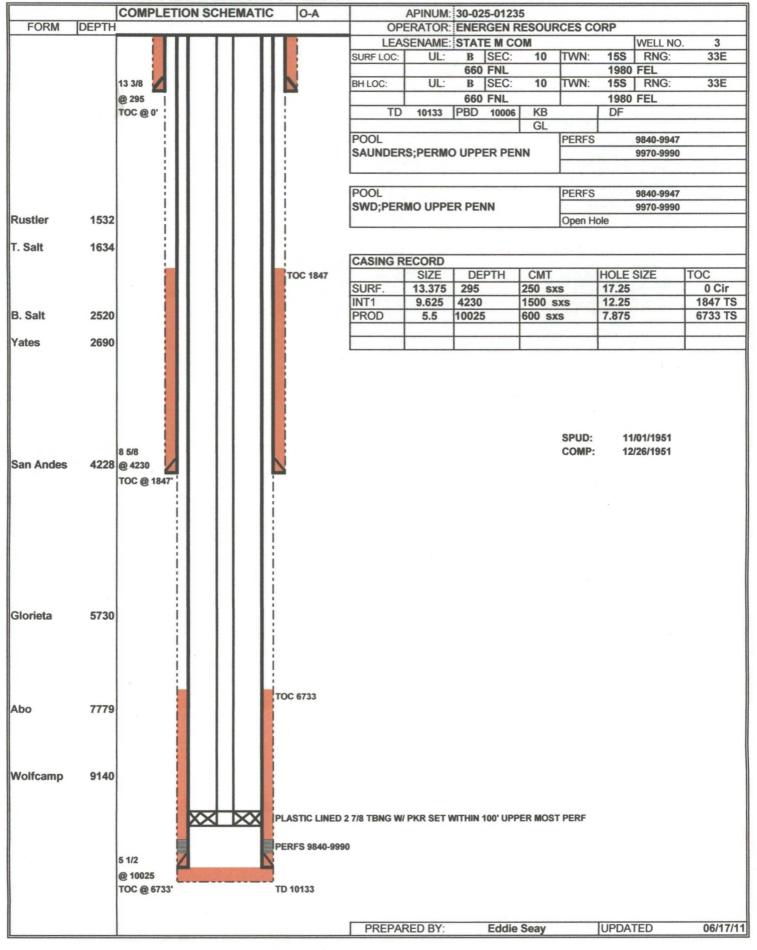
OPER	(A I OI	K:	VD.	LLC	 -				
WEL	L NAN	ME & NUI	MBER:	state M Co	m #3	ARI 30	. 025. 0	1235	_ •
WEL	L LOC	CATION:	660	IN 1980E DTAGE LOCATION	Uì	B	10	75 S TOWNSHIP	
FORM		WEL.	LBORE .	SCHEMATIC APINUM: 30-025-01235 OPERATOR: EMERGEN RESOURCES CORP		VII LETTER		ONSTRUCTION DAT	
PORM	13 V8 @ 295 TOC @	711		LEASENAME. STATE M COM	WELL NO. 3	Hole Size: 174			
Rustler	1632			SAUNDERS; PERMO UPPER PENN POOC SWD; PERMO UPPER PENN Open Hole	9370-9990 9840-9947 9970-9990	Cemented with: 250 Top of Cement: Sur.	•		
T. Sait B. Sait Yates	1634 2520 2690		TOC 1847	SURF. 13.375 295 250 sxs - 17 INT1 9.625 4230 1500 sxs 12	DLE SIZE TOC 1.25 0 Cir 1.25 1847 TS 1875 6733 TS	Hole Size: 124	<u>Intermedia</u>		<u>\$</u>
San Andes	\$ 5/8 4/228 @ 4234 TOC @	0		.· SPUD: COMP:	11/01/1951 12/26/1951	Cemented with: 154 Top of Cement: 184	<i>+</i> 7	Method Determined	
3						Hole Size: 7 7	Production •	· · · · · · · · · · · · · · · · · · ·	1
Glorieta Abo	5730). 37 TOC 8733			Cemented with: 600 Top of Cement: 67	33		
Wolfcamp	9140	**	PLASTIC LINE	d 2 7/8 teng w/ PKR set within 100' upper Most Perf		Total Depth: 1013	Injection	Interval	
	5 1/2 @ 100: TOC @		PERFS \$840-0	990				Tole; indicate which)	

INJECTION WELL DATA SHEET

Tubing Size: 2 % Lining Material: IPC	
Type of Packer: Raker Loc Sat	
Packer Setting Depth: 4900 9740	
Other Type of Tubing/Casing Seal (if applicable): None	
Additional Data	
1. Is this a new well drilled for injection? Yes X No	
If no, for what purpose was the well originally drilled? produce	Y
from Permo-Penn	
2. Name of the Injection Formation: Perms - Penn	
3. Name of Field or Pool (if applicable): Saunders Permo 1	Lppar Penn
4. Has the well ever been perforated in any other zone(s)? List all such per intervals and give plugging detail, i.e. sacks of cement or plug(s) used	rforated
only those Penno Penn / well has CIBP 9255	5
5. Give the name and depths of any oil or gas zones underlying or overlying injection zone in this area:	ng the proposed
the zone overlying is the wolfamp	A 9140
the zone underlying is the Davonia	n + 1355



PROPOSED WELLBORE SCHEMATIC



Proposed SWD Well

API	Well Name	Well Num	Туре	Lease	Stat	Twn	Rng	Sec	UL					Spud Date	Int Comp	Plugged On	TD	Current Operator
30-025-01235	STATE M COM	3	0	S	TA	15 S	33E	10	В	660	N	1980	Ε	11/1/1951	12/26/1951		10133	ENERGEN RESOURCES CORP

Wells within 1/2 mile of proposed SWD

	Wens within 1/2 mile of prop																	
API	Well Name	Well Num	Туре	Lease	Stat	Twn	Rng	Sec	UL	. 4				Spud Date	Int Comp	Plugged On	TD	Current Operator
30-025-01213	STATE G		0	s	Р	158	33E	3	J	1980	5	1980	E	07/21/1951	09/10/1951	04/26/1993	9935	CHARLES B GILLESPIE JR
30-025-01217	STATE M COM Sould Sould	4	0	S ,	Р	158	33E	3	N	660	5	1980	w	06/27/1951	08/15/1951	04/02/1984	9915	CHARLES B GILLESPIE JR
30-025-01218	SAUNDERS SALT WATER DISPOSAL	2	S	Р	Α	158	33E	3	N	810	; T	1980	w	02/10/1957	05/31/1957		14809	ENERGEN RESOURCES CORP
30-025-01233	STATE·M COM	1	o	s	Р	158	33E	10	D	1 099	V	660	w	01/06/1952	03/06/1952	01/31/1994	10050	CHARLES B GILLESPIE JR
30-025-01234	STATE M COM	2	0	s	Р	15 S	33E	10	F	1980	V	1980	w	03/13/1952	05/23/1952	02/22/1994	10177	CHARLES B GILLESPIE JR
30-025-01237	STATE M COM	5	I	s	Р	158	33E	10	С	. 660	N	1980	w	08/25/1951	10/20/1951	05/30/1991	10077	CHARLES B GILLESPIE JR
30-025-28105	LADDIE WC STATE	2	0	S	Р	155	33E	11	D	660 1	N	660	w	12/30/1982	06/03/1983	01/16/1987	10245	YATES PETROLEUM CORP
30-025-28646	STATE 10	2	0	S	Р	15 S	33E	10	J	1980	\Box	1980	E	03/19/1984	05/05/1984	09/13/1990	10200	MARALO INC
30-025-28702	sтате м <i>у</i> сом	7	o	s	Р	158	33E	3	0	660	5	1980	E	05/07/1984	07/03/1984	06/06/2006	10116	ENERGEN RESOURCES CORP
30-025-29285	STATE M COM	8	0	S	А	15 S	33E	3	Р.	. 660	5	660	E	06/02/1985	07/13/1985		10259	ENERGEN RESOURCES CORP

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- Produces,

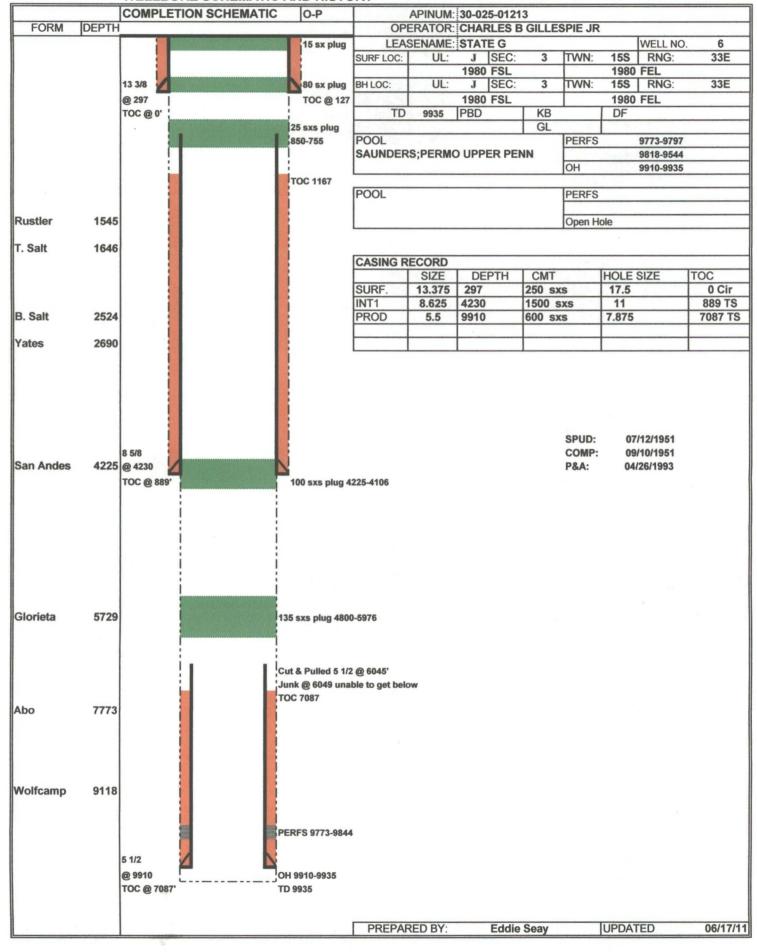
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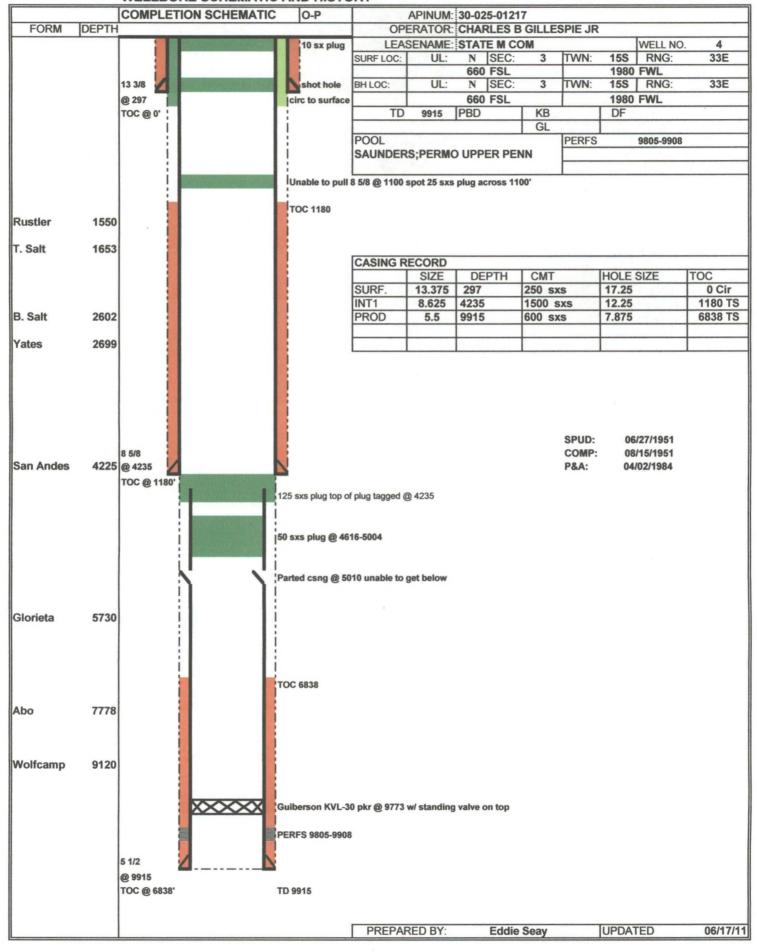
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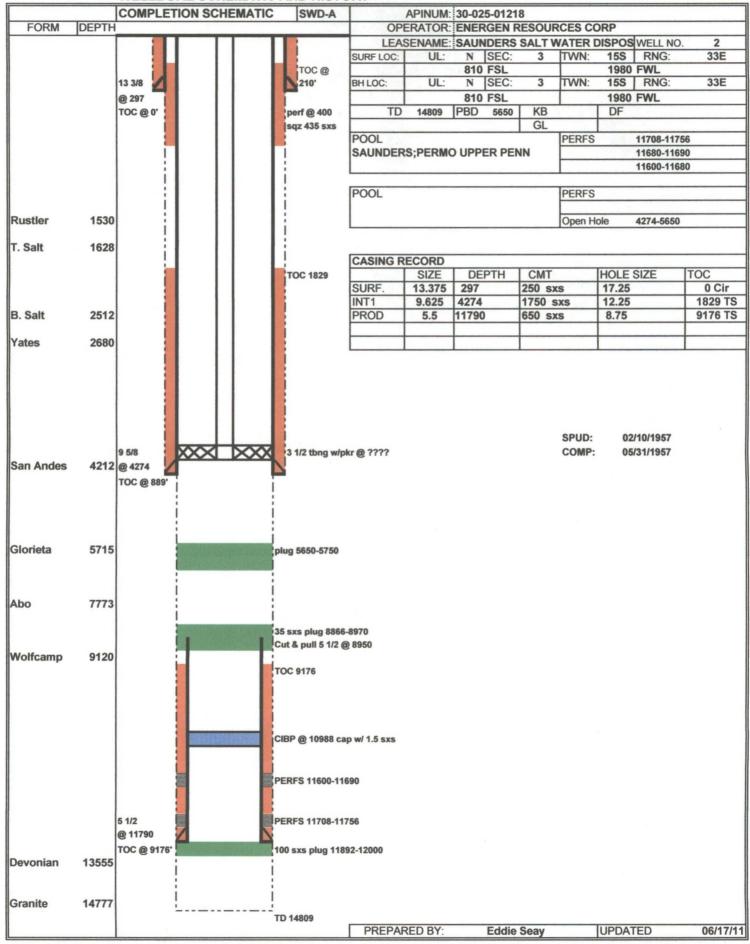
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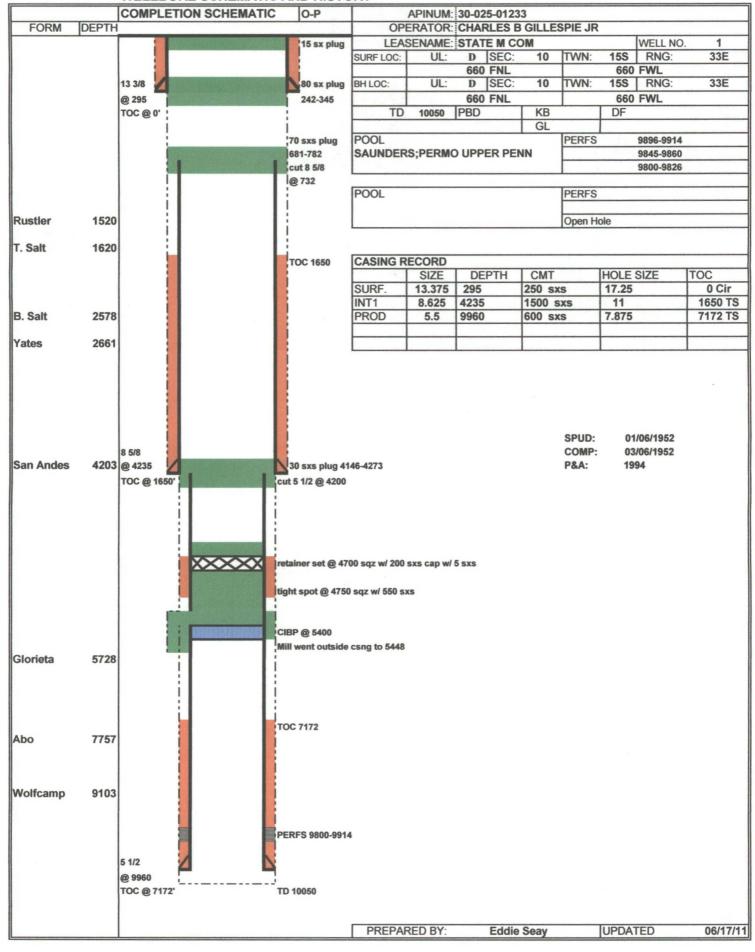
Distance to proposed SWD

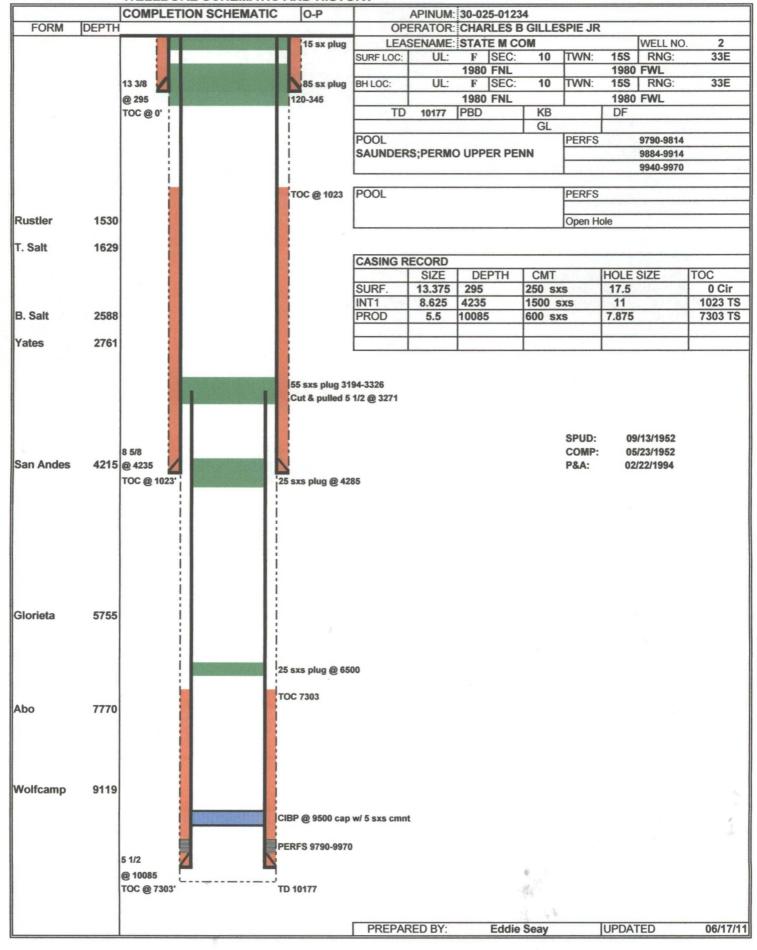
API	T .	Rng		U/L			T	latitude	longitude	Northing (m)	Easting (m)	Distance to SWD (m)	Distance to SWD (ft)	
30-025-01235	15S	33E	10	В	660 N	198	0 E	33.0367315319321	-103.600169835452	3656230.092	630717.4072			
30-025-01208	15S	33E	3	В	660 N	198	0 E	33.0520142914473	-103.600211197741	3657924.507	630690.9664	1694.62	5559.78	
30-025-01209	15S	33E	3	С	660 N	198	0 W	33.0520174276275	-103.604432584837	3657919.608	630296.801	1741.08	5712.22	
30-025-01210	15S	33E	3	G	1980 N	198	0 E	33.0483866293258	-103.600200482165	3657522.305	630697.3272	1292.37	4240.06	
30-025-01211	15S	33E	3	K	1980 S	198	0 W	33.0439842048281	-103.604418981988	3657028.946	630309.9045	896.79	2942.21	
30-025-01212	15S	33E	3	Н	2120 N	66	0 E	33.0479982900382	-103.595871141428	3657484.646	631102.1602	1312.23	4305.21	
30-025-01213	15S	33E	. 3	J	1980 S	198	0 E	33.0439875037078	-103.600187740425	3657034.571	630705.0164	804.57	2639.68	<1/2 mile
30-025-01214	15S	33E	3	D	800 N	66	0 W	33.0516358566703	-103.608760096243	3657871.939	629893.2919	1837.07	6027.13	
30-025-01215	15S	33E	3	L	1980 S	66	0 W	- 33.0439808304318	-103.608747131397	3657,023.209	629905.7437	1134.83	3723.19	
30-025-01216	15S	33E	3	A	660 N	66	0 E	33.0520110762801	-103.595883020881	3657929.547	631095.1034	1740.92	5711.68	
30-025-01217	15S	33E	3	N	660 S	198	0 W	33.0403562191404	-103.604412828496	3656626.703	630315.8226	564.42	1851.77	<1/2 mile
30-025-01218	15S	33E	3	N	810 S	198	0 W	33.0407684902412	-103.604413527766	3656672.413	630315.1501	597.88	1961.54	<1/2 mile
30-025-01219	15S	33E	3	F	2270 N	198	0 W	33.0475923730656	-103.604425102614	3657428.992	630304.0183	1268.17	4160.66	
30-025-01220	15S	33E	3	Е	2271 N	66	1 W	33.0475928388104	-103.608749979634	3657423.684	629900.1739	1446.56	4745.93	
30-025-01233	15S	33E	10	D	660 N	66	0 W	33.0367248516698	-103.608738187039	3656218.719	629917.2321	800.26	2625.51	<1/2 mile
30-025-01234	15S	33E	10	F	1980 N	198	0 W	33.0331002255274	-103.604410709380	3655822.203	630326.7057	564.82	1853.08	<1/2 mile
30-025-01236	15S	33E	10	K	1980 S	198	0 W	33.0294770235799	-103.604410659980	3655420.484	630332.0452	896.64	2941.74	
30-025-01237	15S	33E	10	С	660 N	198	0 W	33.0367282255036	-103.604410759172	3656224.455	630321.3587	396.09	1299.50	<1/2 mile
30-025-08331	15S	33E	· 2	D	660 N	66	0 W	33.0520078607848	-103.591554844272	3657934.604	631499.2407	1875.27	6152.45	
30-025-23056	15S	33E	10	L	1980 S	66	0 W	33.0294761620417	-103.608738087951	3655415.028	629927.8817	1134.76	3722.97	
30-025-26612	15S	33E	3	M	660 S	66	0 W	33.0403528447441	-103.608740977904	3656620.966	629911.6451	895.56	2938.20	
30-025-27981	15S	33E	10	K	2310 S	165	0 W	33.0303838328106	-103.605492554398	3655519.684	630229.6664	861.73	2827.18	
30-025-28026	15S	33E	11	M	330 S	33	0 W	33.0249436798607	-103.592584016106	3654932.589	631443.3394	1486.77	4877.86	
30-025-28105	15S	33E	11	D	660 N	66	0 W	33.0367355623819	-103.591514978474	3656241.344	631525.6659	808.34	2652.02	<1/2 mile
30-025-28132	15S	33E	10	N	660 S	198	0 W	33.0258490246201	-103.604410610160	3655018.233	630337.3912	1270.04	4166.81	
30-025-28606	15S	33E	10	0	660 S	231	0 E	33.0258496314055	-103.601239838926	3655022.239	630633.5401	1210.76	3972.31	
30-025-28646	15S	33E	10	J	1980 S	198	0 E	33.0294778702496	-103.600161883758	3655425.858	630728.8631	804.32	2638.83	<1/2 mile
30-025-28702	15S	33E	3	O	660 S	198	0 E	33.0403595209077	-103.600177883321	3656632.333	630711.2965	402.29	1319.84	<1/2 mile
30-025-28720	15S	33E	10	M	660 S	99	0 W	33.0258484037608	-103.607656181170	3655014.142	630034.2561	1394.71	4575.83	
30-025-28756	15S	33E	3	I	1980 S	66	0 E	33.0439908781842	-103.595859584712	3657040.341	631109.1784	899.99	2952.73	
30-025-29285	15S	33E	3	P	660 S	66	0 E	33.0403628953841	-103.595849727608	3656638.102	. 631115.4751	570.03	1870.17	<1/2 mile
30-025-29306	15S	33E	2	L	1980 S	40	0 W	33.0439919596787	-103.592383940248	3657044.806	631433.7357	1084.84	3559.20	
30-025-29307	15S	33E_	2	E	2120 N		0 W	33.0479956983472	-103.592395483166	3657488.704	631426.7096	1444.72	4739.89	
30-025-36859	15S	33E		A	420 N		0 E	33.0526714051462	-103.596803049899	3658001.612	631008.2199	1795.23	5889.87	
30-025-37362	15S	33E	3	F	1810 N	221	0 W	33.0488561053003	-103.603673098367	3657570.041	630372.3756	1383.66	4539.56	
30-025-38056	15S	33E		В	400 N		0 E	33.0527288012195	-103.600082132641	3658003.889	630701.9616	1773.86	5819.77	
30-025-38543	15S	33E	3	C	990 N	220	0 W	33.0511098845374	-103.603709694759	3657819.882	630365.6366	1628.24	5342.00	<u> </u>

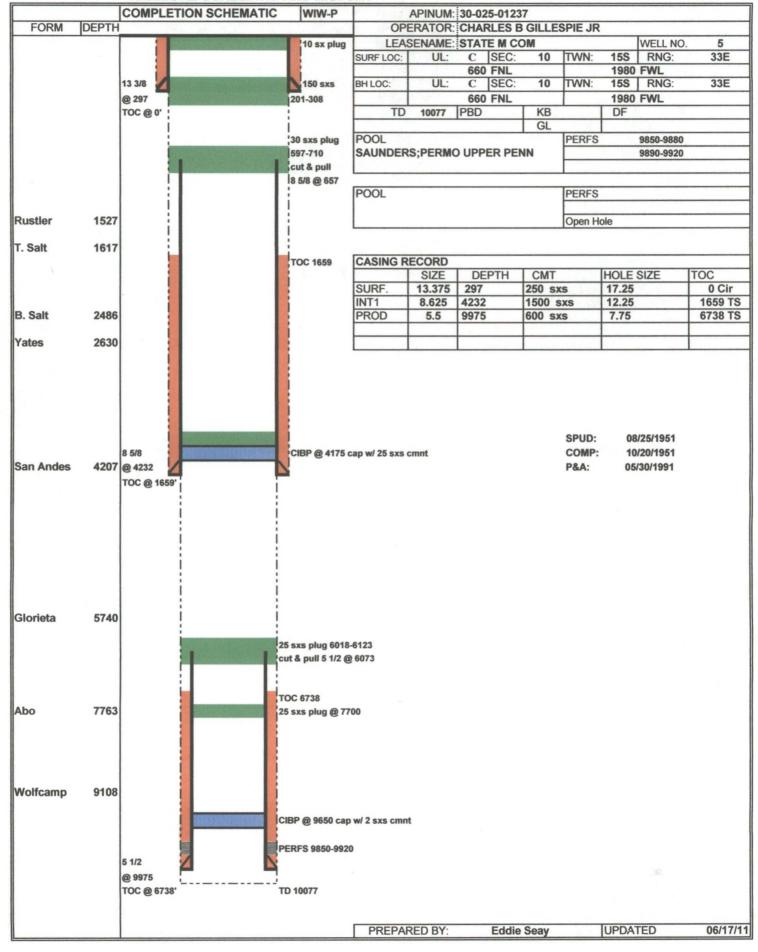


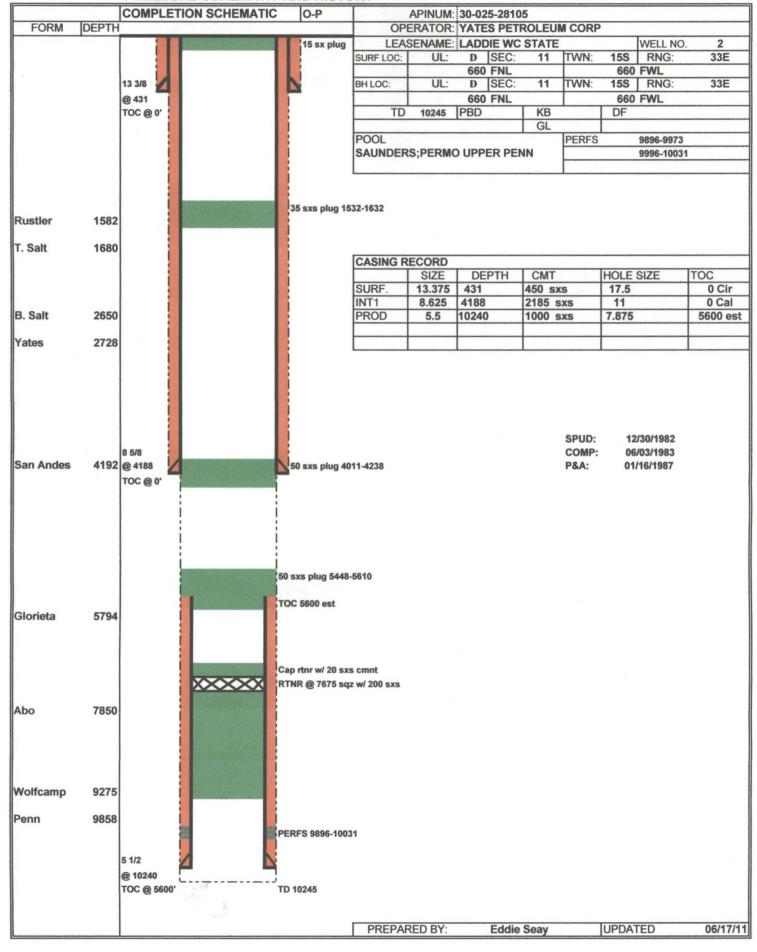


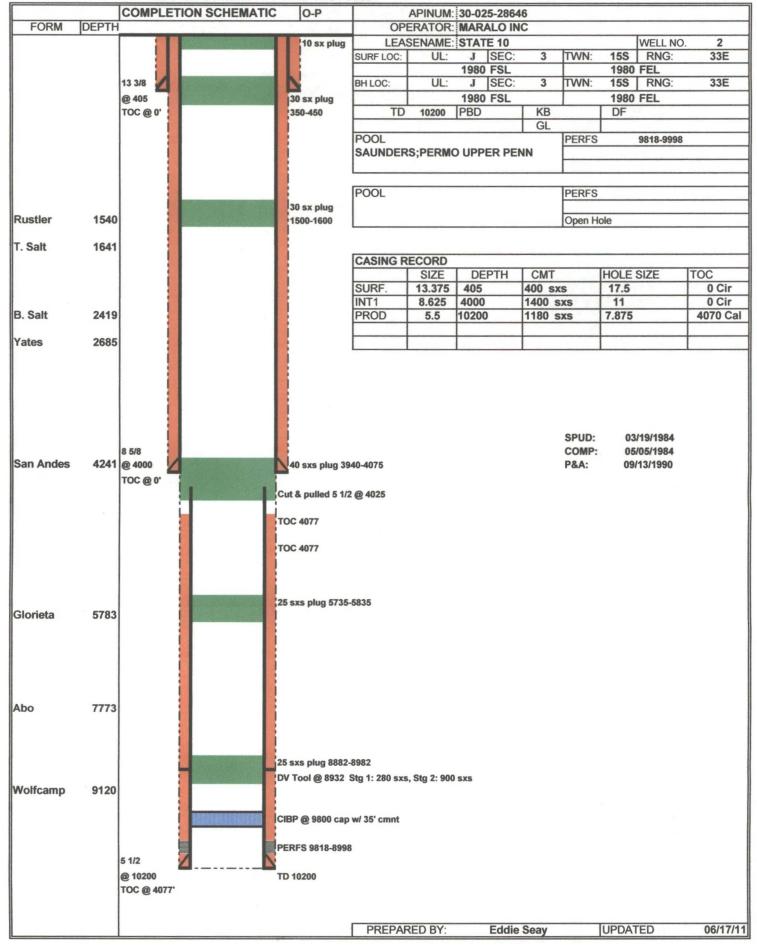


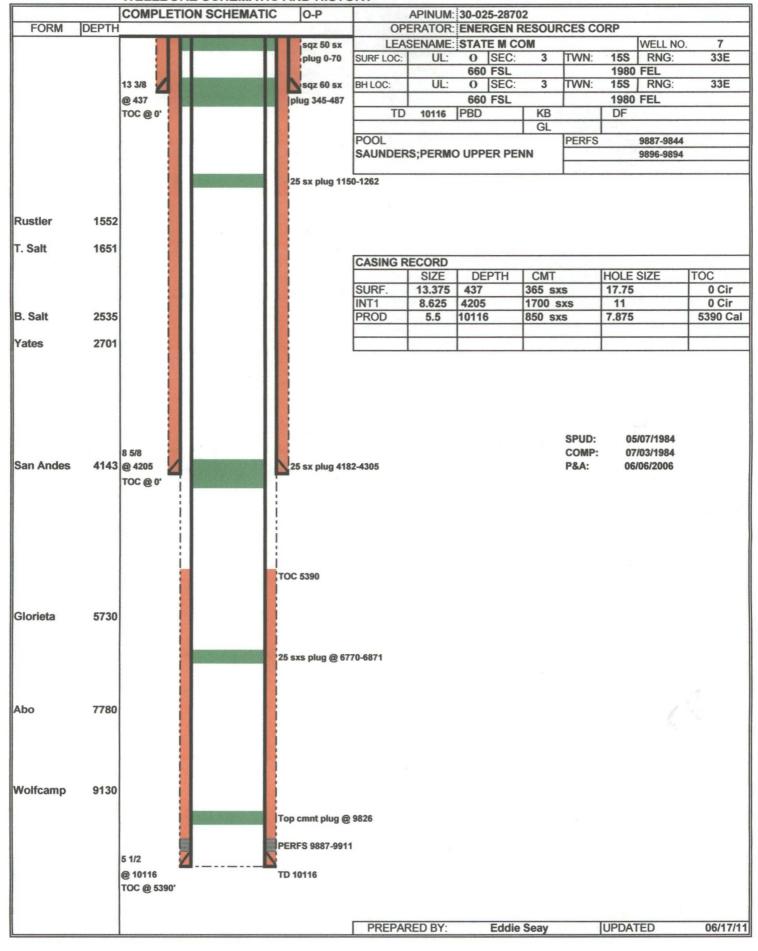


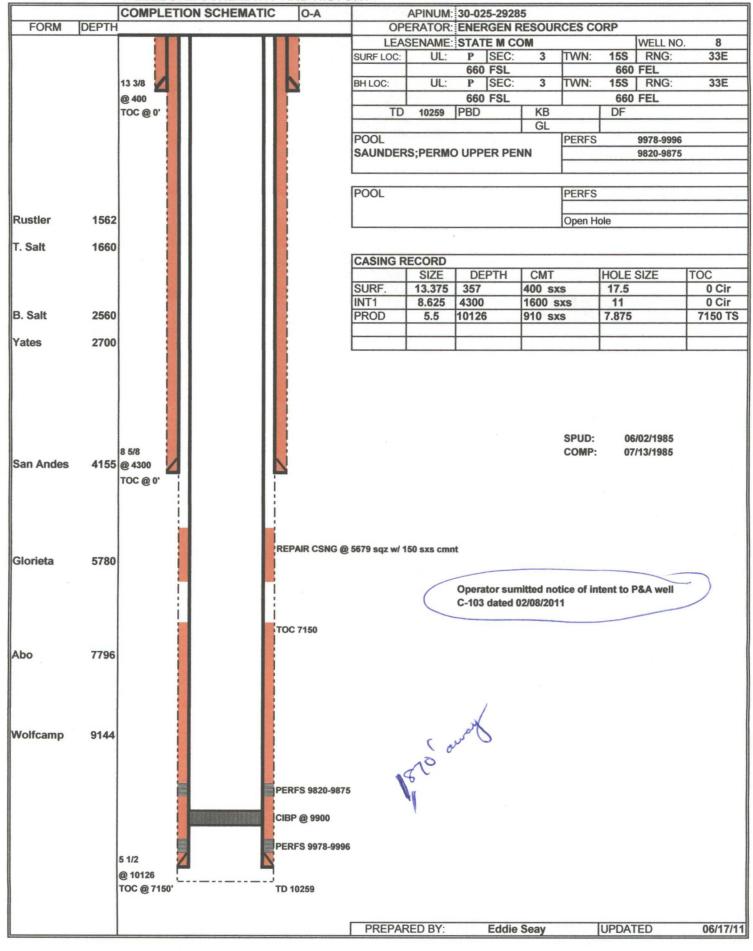












Water:	Sample	Analysis
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VValer Sample Analysis		Location		
Pool	Section	Township	Range	Chlorides
North Justis Montoya	2	258	37E	45440
North Justis McKee	2	25S	37E	58220
North Justis Fusselman	2	25S	37E	68533
North Justis Ellenburger	2	25S	37E	34151 ₂
Fowler Blinebry	22	24S	37E	116085
Skaggs Grayburg	18		38E	84845
Warren McKee	18	208	38E	85910
Warren Abo	19	20S	39E	91600
DK Drinkard	30	208	39E	106855
Littman San Andres	8	21S	38E	38695
	29	18S	39E	6461
East Hobbs grayburg	16	208	32E	14768
Halfway Yates Arkansas Junction San Andres	12	20S 18S	38E	7171
Pearl Queen	28	198	35E	114310
Midway Abo	17	17S	37E	36494
Lovinton Abo	31	168	37E	22933
	3	16S	37E	4899
Lovington San Andres	31	168	37E	93720
Lovington Paddock	17	16S	32E	172530
Mesa Queen	27	16S	34E	49345
Kemnitz Wolfcamp	9	165	34E	124960
Hume Queen	2	168	32E	11040
Anderson Ranch Wolfcamp			32E	25702
Anderson Ranch Devonian	11 11	16S	32E	23788
Anderson Ranch Unit		16S		
Caudill Devonian	9	15S 16S	38E	20874
Townsend Wolfcamp	6 5	168	38E	38695
Dean Permo Penn	-		37E	44730
Dean Devonian	35 26	15S	36E	19525
South Denton Wolfcamp	26 36	15S	37E	54315
South Denton Devonian	36 15	15S	37E	34080
Medicine Rock Devonian		15S	38E	39760
Little Lucky Lake Devonian	29	15S	30E	23288
Wantz Abo	26	218	37E	132770
Crosby Devonian	18	258	37E	58220
Scarborough Yates Seven Rivers	7	26S	37E	3443(Reef)
Teague Simpson	34	238	37E	114665
Teague Ellenburger Rhodes Yates 7 Rivers	34 27	238	37E	120345
House SA		26S	37E	144485
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CHAIN-OF-CUSTODY AND ANALYSIS REQUEST

101 East Mariand, Hobbs, NM 88240 (575) 393-2326 FAX (575) 393-2476

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Analytical Results For:

Eddie Seay Consulting Eddie Seay 601 W. Illinois Hobbs NM, 88242

Fax To:

(505) 392-6949

Received:

06/28/2011

Sampling Date:

06/28/2011

Reported:

07/06/2011

Sampling Type:

Water

Project Name:

DKD SWD

Sampling Condition:

** (See Notes)

Project Number:

DKD STAT M COM #3 - WW

Sample Received By:

Jodi Henson

Project Number:
Project Location:

SECT 10 T 15 R. 33

Sample ID: DKD WW #1 (H101340-01)

Bicarbonate 310.1M	mg	/L	Analyze	d By: HM					
Analyte ·	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier
Alkalinity, Bicarbonate	156	5.00	06/28/2011	ND	976	97.6	1000	0.913	
Calcium SM3500Ca-D	mg	/L	Analyze	d By: HM					·
Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier
Calcium	80.2	1.60	06/29/2011	ND .	48.1	96.2	50.0	4.08	
Carbonate 310.1M	mg	/L	Analyze	d By: HM	_				
Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier
Alkalinity, Carbonate	<0.00	0.00	06/28/2011	ND	ND		0.00		
Chloride, SM4500CI-B	mg	/L	Analyze	d By: HM					
Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier
Chloride	72.0	4.00	06/29/2011	ND	112	112	100	3.64	
Conductivity 120.1	uS,	/cm	Analyze	d By: HM					
Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier
Conductivity	672	1.00	06/28/2011	ND	1430	101	1410	0.149	
Magnesium SM3500MgE	mg	/L	Analyze	d By: HM				•	
Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier
Magnesium	13.6	1.00	06/29/2011	ND	53.5	107	50.0	16.4	
рН	рН	Units	Analyze	d By: HM					
. Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier
рН	7.70	0.100	06/28/2011		7.05	101	7.00	0.00	
Potassium 8049	mg	/L	Analyze	d By: HM					
Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier

Cardinal Laboratories

*=Accredited Analyte

PLEASE NOTE: Liability and Damages Cardinal's Bability and client's exclusive remedy for any daim arising, whether based in contract or tort, shall be limited to the amount paid by client for analyses. All claims, including those for negligence and any other cause whatsoever shall be deemed waved unless made in writing and received by Cardinal within thirty (30) days after completion of the applicable service. In no event shall Cardinal be liable for incidental or consequential damages, including, without limitation, business interruptions, loss of use, or loss of profits incurred by client, its subsidiaries, affiliates or successors arising out of or related to the performance of the services hereunder by Cardinal, regardless of whether such claim is based upon any of the above stated reasons or otherwise. Results relate only to the samples identified above. This report shall not be reproduced except in full with written approval of Cardinal Laboratories.

Celey D. Keine

Celey D. Keene, Lab Director/Quality Manager



Analytical Results For:

Eddie Seay Consulting Eddie Seay 601 W. Illinois Hobbs NM, 88242

Fax To:

(505) 392-6949

Received:

06/28/2011

Sampling Date:

06/28/2011

Reported:

07/06/2011

Sampling Type:

Water

Project Name:

DKD SWD

Sampling Condition:

** (See Notes)

Project Number:

DKD STAT M COM #3 - WW

Sample Received By:

Jodi Henson

Project Location:

SECT 10 T 15 R. 33

Sample ID: DKD WW #1 (H101340-01)

Potassium 8049	mg	/L	Analyze	d By: HM				•	
Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier
Potassium	1.34	1.00	06/30/2011	ND	7.66	95.8	8.00	5.31	
Sodium Calculated	mg	mg/L		Analyzed By: HM					
Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier
Sodium	24.0	1.00	06/30/2011	ND				0.154	
Sulfate 375.4	mg	mg/L·		Analyzed By: HM					
Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier
Sulfate	78.3	10.0	06/29/2011	ND	39.2	98.0	40.0	1.70	
TDS 160.1 mg/L		/L	Analyzed By: HM						
Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier
ms	399	5.00	06/30/2011	ND	270	112	240	0.605	
Total Alkalinity 310.1M	mg	mg/L		Analyzed By: HM					
Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier
, Alkalinity, Total	128	4,00	06/28/2011	ND	800	97.6	820	1.12	

Cardinal Laboratories

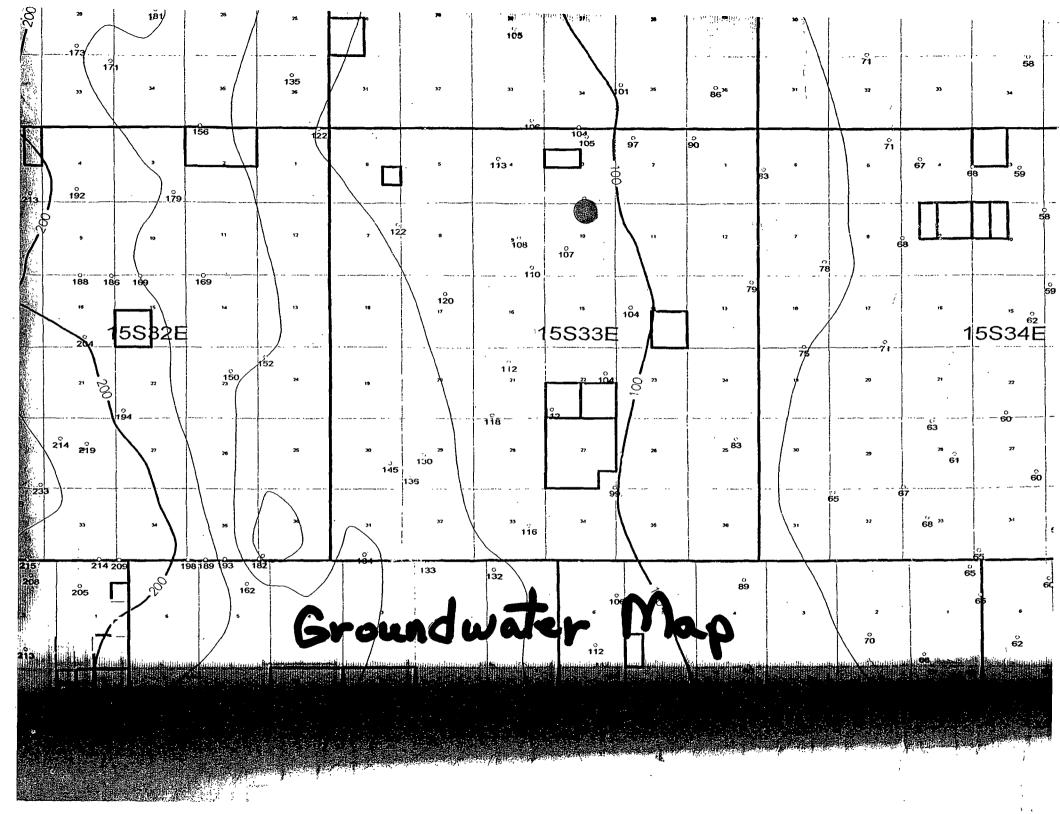
*=Accredited Analyte

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Celey & Keena

Celey D. Keene, Lab Director/Quality Manager





OFFSET OPERATOR

LEASE HOLD OPERATORS

Energen Resources Corp. 2198 Bloomfield Hwy. Farmington, NM 87401

Yates Petroleum Co. 105 S. 4th St. Artesia, NM 88210

Amerada Hess Corp. Box 840 Seminole, TX 79360

SURFACE OWNER

State of New Mexico New Mexico State Land Office 310 Old Santa Fe Trail Box 1148 Santa Fe, NM 87504

MINERAL INTEREST OWNER

State of New Mexico New Mexico State Land Office 310 Old Santa Fe Trail Box 1148 Santa Fe, NM 87504

Leave hold operators State of N.M. - Energen leased State of N.M. - You Pet based

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	Con C, MIRE PIERS(3)	Dan E, Mike Field.(5)	3,016	

DKD, LLC

July 1, 2011

RE: State M Com #3
Unit B, Sect. 10, Tws. 15 S., Rng. 33 E.
Lea Co., NM
API 30-025-01235

Dear Sir:

In accordance with the Rules and Regulations of the Oil Conservation Division of the State of New Mexico, you are being provided a copy of the C-108, Application for Authorization to Inject into the above captioned well.

Any questions about the permit can be directed to Eddie W. Seay, (575)392-2236. Any objections or request for hearing must be filed with the Oil Conservation Division within fifteen (15) days from the date received. The OCD address is 1220 S. Saint Francis Drive, Santa Fe, NM 87504, (505)476-3440.

Thank you,

Eddie W. Seay, Agent Eddie Seay Consulting

Ellinul

601 W. Illinois Hobbs, NM 88242 (575)392-2236

seay04@leaco.net

Mr. Will Jones New Mexico Oil Conservation Division 1220 South St. Francis Drive Santa Fe, NM 87505

Re: DKD, LLC State "M" Com Well No. 3 API No. 30-025-01235 NW/4 NE/4 (B) Sec. 10, T15S, R33E Lea County, New Mexico

Dear Mr. Jones:

Energen Resources Corporation is the former operator of the above-referenced well which was recently transferred to DKD, LLC. Energen continues to own working interests and operate other wells in the vicinity of the State "M" Com Well No. 3. It is our understanding that DKD, LLC is making application to the NMOCD for authorization to convert the State "M" Com Well No. 3 and utilize it for disposal operations. Please be advised that Energen waives any objections to the application for authorization to inject through this well that is being filed by DKD, LLC.

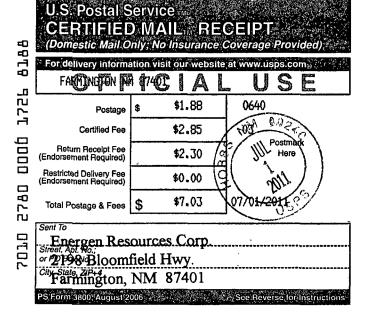
Sincerely,

Mark Solari Energen Resources Corporation

Cc: DKD, LLC









LEGAL NOTICE

Pursuant to the rules and regulations of the Oil Conservation Division of the State of New Mexico, DKD, LLC, Box 682, Tatum, NM 88267, is filing a C-108, Application for Salt Water Disposal. The well being applied for is the State M Com #3, API 30-025-01235, located in Unit B, Section 10, Township 15 South, Range 33 East, Lea Co., NM. The injection formation is the Permo-Penn from 9840' to 9990' below surface. Expected maximum injection rate is 3000 bpd., and the expected maximum injection pressure is 1000 psi or what the OCD allows. Any questions about the application can be directed to Eddie W. Seay, (575)392-2236, or any objection or request for hearing must be directed to the Oil Conservation Division, (505)476-3440, 1220 South Saint Francis Drive, Santa Fe, NM 87504, within fifteen (15) days.

Affidavit of Publication

STATE OF NEW MEXICO)
) ss
COUNTY OF LEA)

Joyce Clemens being first duly sworn on oath deposes and says that she is Advertisting Director of THE LOVINGTON LEADER, a thrice a week newspaper of general paid circulation published in the English language at Lovington, Lea County, New Mexico: that said newspaper has been so published in such county continuously and uninterruptedly for a period in excess of Twenty-six (26) consecutive weeks next prior to the first publication of the notice hereto attached as hereinafter shown; and that said newspaper is in all things duly qualified to publish legal notices within the meaning of Chapter 167 of the 1937 Session Laws of the State of New Mexico.

That the notice which is hereto attached, entitled Legal Notice was published in a THE regular and entire issue LOVINGTON LEADER and not in any supplement thereof, for one (1) beginning with the issue of July 2, 2011 and ending with the issue of July 2, 2011.

And that the cost of publishing said notice is the sum of \$ 25.59 which sum has been "(Paid) as Court Costs.

Joyce Clemens, Advertising Manager Subscribed and sworn to before me this 5th day of July, 2011.

Dina tod

Notary Public, Lea County, New Mexico My Commission Expires June 30, 2014



Conservation Division of maximum injection ipres-the State of New Mexico, sure is 1900 psi or what DKD, LLC, Box 682, the OCD allows Any Tatum, NM 88267, is filling guestions about the appli-as C:108: Application for Catton can be directed to Salt Water Disposal. The Eddle W Seay (575) 392well being applied for is the State McCom #3, API 30:025:01235; located in Unit B, Section 10. Township 15 South, Range 33 East, Lea Co., NM. The injection formation is the Permo-Penn from 9840' to 9990' below surface: Expected maximum injection rate is 3000 bpd. and the expected.

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Published Lovington Leader July 2, 2011

LEGAL NOTICE Pursuant to the rules and regulations of the Oil



RECEIVED OCD

2011 MAY -9 P 12: 50

May 5, 2011

Mr. Will Jones **New Mexico Oil Conservation Division** 1220 South St. Francis Drive Santa Fe, NM 87505

Re:

Energen Resources Corporation - State M Com Well No. 3

API No. 30-025-01235

NW/4 NE/4 (B) Sec. 10, T15S, R33E

Lea County, NM

Dear Mr. Jones:

Energen Resources Corporation is the operator of the above-referenced well which is in the process of being transferred to D.K.D., LLC. Energen continues to own working interests and operate other wells in the vicinity of the State M Com Well No. 3. It is our understanding that DKD, LLC is making application to the NMOCD for authorization to convert the State M Com Well No. 3 and utilize it for disposal operations. Please be advised that Energen waives any objections to the application for authorization to inject through this well that is being filed by DKD, LLC.

Sincerely,

Joe D. Niederhofer

Vice President – Permian Basin Operations

JDN/mm

c: DKD, LLC

From: Jones, William V., EMNRD Sent: Saturday, July 16, 2011 3:52 PM

To: 'Rena Seay'; 'kdklle@leaco.net'; 'kdkllc@leaco.net'

Cc: Ezeanyim, Richard, EMNRD; Phillips, Dorothy, EMNRD; Gonzales, Elidio L, EMNRD

Subject: Disposal application from DKD, LLC: State M Com #3 30-025-01235 Upper Penn disposal

perfs from 9840 to 9990

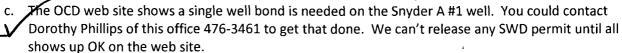
Hello Eddie and Danny:

I only have a couple questions/requests:



We have no logs in the Division's imaging site. IF you can find a log for this well covering the disposal interval, let me know, and send a copy to Paul Kautz. If you can't find any logs, we will ask that after the plug is drilled out, the well be logged with at least a GR-CNL or GR-CasingInspectionLog prior to conversion to disposal.

The only casing that is circulated on this well is Surface pipe and the well was drilled in 1951. This well apparently held pressure at TA time, but a casing inspection log would be prudent to run to see the condition of the casing over the San Andres and Upper Salt and Redbeds. If you ever have to squeeze, this may help locating the best spots to shoot holes. The San Andres is or was being used for disposal by an offset well, so it may be a possibility in this well in the future and you would at that time want your pipe to have cement behind the San Andres. Let me know what you think?



Thank You,

<u>William V Jones, P.E.</u> Engineering, Oil Conservation Division 1220 South St. Francis Drive, Santa Fe, NM 87505 Tel 505.476.3448 ~ Fax 505.476.3462



From:

Phillips, Dorothy, EMNRD

Sent: To: Monday, July 18, 2011 7:51 AM Jones, William V., EMNRD

Subject:

RE: Disposal application from DKD, LLC: State M Com #3 30-025-01235 Upper Penn

disposal perfs from 9840 to 9990

Will, DKD, LLC does have a one well bond in place for this well Snyder A No. 1 -30-025-03727. It is showing up on Financial Assurance because of a computer glitch. I have made Ed aware of it and he is working with IT to get it resolved. I approved the bond 6/28/2011.

Thanks

From: Jones, William V., EMNRD Sent: Saturday, July 16, 2011 3:52 PM

To: Rena Seay; kdklle@leaco.net; kdkllc@leaco.net

Cc: Ezeanyim, Richard, EMNRD; Phillips, Dorothy, EMNRD; Gonzales, Elidio L, EMNRD

Subject: Disposal application from DKD, LLC: State M Com #3 30-025-01235 Upper Penn disposal perfs from 9840 to

9990

Hello Eddie and Danny:

I only have a couple questions/requests:

- a. We have no logs in the Division's imaging site. IF you can find a log for this well covering the disposal interval, let me know, and send a copy to Paul Kautz. If you can't find any logs, we will ask that after the plug is drilled out, the well be logged with at least a GR-CNL or GR-CasingInspectionLog prior to conversion to disposal.
- b. The only casing that is circulated on this well is Surface pipe and the well was drilled in 1951. This well apparently held pressure at TA time, but a casing inspection log would be prudent to run to see the condition of the casing over the San Andres and Upper Salt and Redbeds. If you ever have to squeeze, this may help locating the best spots to shoot holes. The San Andres is or was being used for disposal by an offset well, so it may be a possibility in this well in the future and you would at that time want your pipe to have cement behind the San Andres. Let me know what you think?
- c. The OCD web site shows a single well bond is needed on the Snyder A #1 well. You could contact Dorothy Phillips of this office 476-3461 to get that done. We can't release any SWD permit until all shows up OK on the web site.

Thank You,

William V Jones, P.E.
Engineering, Oil Conservation Division
1220 South St. Francis Drive, Santa Fe, NM 87505
Tel 505.476.3448 ~ Fax 505.476.3462



From: Sent: Danny Watson [dkdllc@leaco.net] Thursday, July 21, 2011 11:01 AM Jones, William V., EMNRD

To: Subject:

Re: Disposal application from DKD, LLC: State M Com #3 30-025-01235 Upper Penn

disposal perfs from 9840 to 9990

Hello Will,

I do have the logs on the State M Com #3 and Paul should have them today.

My answer to your e-mail question (b) is that while we can anticapate holes in the casing, that can only be adressed if and when it happens. There is no telling where they could show up. I did pressure up on the casing before buying the well, and it is still okay. I also checked on surveying the casing and a estimated cost of \$7,000 is to be expected for that. I already have \$68,000 of out-of-pocket expenses to comply with all of the state agencies requirements so far. So, at this time I dont think I want to spend another \$7,000 when the casing has been pressure tested and is holding.

Regarding the bonds, please check with Dorothy Phillips, as she told me that you should have an e-mail stating that all of my bonds are in place now.

Please let me know if need any thing else.

Danny R. Watson DKD, LLC Owner

---- Original Message -----

From: Jones, William V., EMNRD

To: Danny Watson

Sent: Saturday, July 16, 2011 4:06 PM

Subject: FW: Disposal application from DKD, LLC: State M Com #3 30-025-01235 Upper Penn disposal perfs from 9840

to 9990

From: Jones, William V., EMNRD Sent: Saturday, July 16, 2011 3:52 PM

To: 'Rena Seay'; 'kdklle@leaco.net'; 'kdkllc@leaco.net'

Cc: Ezeanyim, Richard, EMNRD; Phillips, Dorothy, EMNRD; Gonzales, Elidio L, EMNRD

Subject: Disposal application from DKD, LLC: State M Com #3 30-025-01235 Upper Penn disposal perfs from 9840 to

9990

Hello Eddie and Danny:

I only have a couple questions/requests:

- a. We have no logs in the Division's imaging site. IF you can find a log for this well covering the disposal interval, let me know, and send a copy to Paul Kautz. If you can't find any logs, we will ask that after the plug is drilled out, the well be logged with at least a GR-CNL or GR-CasingInspectionLog prior to conversion to disposal.
- b. The only casing that is circulated on this well is Surface pipe and the well was drilled in 1951. This well apparently held pressure at TA time, but a casing inspection log would be prudent to run to see the condition of the casing over the San Andres and Upper Salt and Redbeds. If you ever have to squeeze, this may help locating the best spots to shoot holes. The San Andres is or was being used for disposal

Kautz, Paul, EMNRD From:

Thursday, July 21, 2011 10:58 AM

Sent:

Jones, William V., EMNRD To:

'Eddie Seay' Cc:

Logs DKD State M #3 30-025-01235 Subject:

Will

Eddy Seay dropped off logs for DKD proposed SWD well State M # 3 30-025-01235 located in Sec 10-15S-35E. They include the following:

Acoustic Cement Bond log dated 07/09/1991 Casing Inspection Log dated 07/03/1991 Gama Ray-Collar dated 08/01/1983 dated 12/17/1951 Electric Log Micro Logging dated unknown

Our log scanner is down and out for repair. The logs will be scanned as soon as we are back up.

Paul

	Injection Permit Checklist (11/15/2010)							
	WFX PMX SWD 1296 Permit Date 7 27 11 UIC Qtr (5)	A PORT						
	# Wells Well Name(s): STote M 3	// Giral						
	API Num: 30-0 25-01235 Spud Date: 11(1/51 New/Old: O(UIC primacy March 7, 1982)							
	Footages 660 FNL/180 FEL Unit B Sec 10 Tsp 155 Rge 33E County LEA							
	General Location:							
FPIEL	Operator: PKO, LC os of 5/31 11 Contact Edda W Seay Dom							
	OGRID: BULE 5.9 Compliance (Wells) (Finan Assur)	IS 5.9 OK?						
polyv	Well File Reviewed Current Status: TA 2005							
	Planned Work to Well. Dull out PLWG, # ONP, Test, inject							
	Diagrams: Before Conversion After Conversion Elogs in Imaging File	OK						
		ment Determination or Cf Method						
	New_Existing_Surface 17/4 13 8 295 295	TO CIRC						
•	New_Existing _Interm 12/4 95/8 4230 150	00 1847 TSr						
	New_Existing Longst 778 5/2 10025 600	5 6733 TSr						
	New_ExistingLiner_							
	New_ExistingOpenHole							
	Depths/Formations: Depths/Ft. Formation Tops?	roduces intand						
	Formation(s) Above 9483							
	Injection TOP: 9840 Per Max. PSI 1968.	OnenHole Parts						
	Injection BOTTOM: 9990 Workern Tubing Size 2/8P	11 0011-						
	Formation(s) Below ,							
	Capitan Reef? (Potash? Noticed? WIPP? Noticed? Salado Top/Bot	4-2520 HHouse?						
We w	Fresh Water: Depths 100 160 Formation OCollecture Wells? You Analysis?	_Affirmative Statement						
18	Disposal Fluid Analysis? Sources: Commercial DSP.							
(Disposal Interval: Analysis? Production Potential/Testing:	won How Placedor						
	-(.)	,						
	Notice: Newspaper Date / 2 \ Surface Owner \ Mineral Owner(s)							
	RULE 26.7(A) Affected Persons: A round / Jas / Evargn 7 1 (1)							
	AOR: Maps? Well List? Producing in Interval? Wellbore Diagrams?							
	Active Wells Repairs? WhichWells?							
	P&A Wells Repairs? Which Wells?							
	h -10 -1							
	Issues: Req	uest SentReply:						