

New Mexico Oil Conservation Division, Division I
1625 N. French Drive
Hobbs, NM 88240
UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENTFORM APPROVED
OMB No. 1004-0137
Expires: March 31, 2007

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.

SUBMIT IN TRIPLICATE- Other instructions on reverse side.

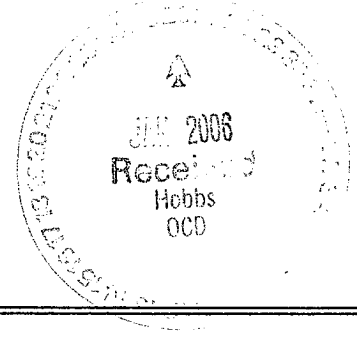
1. Type of Well <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other	5. Lease Serial No. NM 80650
2. Name of Operator Capataz Operating, Inc.	6. If Indian, Allottee or Tribe Name --
3a. Address Midland, TX 79701 414 W Texas, Ste 314	7. If Unit or CA/Agreement, Name and/or No.
3b. Phone No. (include area code) 432-620-8820	8. Well Name and No. Pall Mall #1
4. Location of Well (Footage, Sec., T., R., M., or Survey Description) 660' FEL & 660' FNL 14-T20S-R38E	9. API Well No. 30-025-34634
	10. Field and Pool, or Exploratory Area House, Drinkard
	11. County or Parish, State Lea Co., N.M.

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

TYPE OF SUBMISSION	TYPE OF ACTION			
<input checked="" 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 type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input 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 recompleat 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 recompleat 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.)

Attached find NOI advising BLM of Disposal Facility used to dispose of produced water from referenced well.



14. I hereby certify that the foregoing is true and correct Name (Printed/Typed) H Scott Davis	Title Agent
Signature 	Date 1-6-06

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by DAVID E. CLARK PETROLEUM ENGINEER	Title Date JAN 24 2006
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.

(Instructions on page 2)

GWW

SEE ATTACHED FOR
CONDITIONS OF APPROVAL

ATTACHMENT to Incident of Noncompliance # AJM-062-06

The following information is needed before your disposal of produced water can be approved, per Onshore Oil & Gas Order #7.

You may attach this information to your Sundry Notice (3160-5). Submit all required information as per this attachment, submit a Sundry Notice(3160-5), one original and five copies to this office within the required time.

1. Name(s) of all formation(s) producing water on the lease. Drinkard
2. Amount of water produced from all formations in barrels per day. 11.6
3. A CURRENT water analysis of produced water from all zones showing at least the total dissolved solids, ph, and the concentrations of chlorides and sulfates.
4. How water is stored on the lease. Open Top 210 Bbl. Fiverglass Tank
5. How water is moved to the disposal facility. Trucked
6. Identify the Disposal Facility by:
 - A. Operators' Name HRC Inc.
 - B. Well Name AN ETZ #1
 - C. Well type and well number SWD, Brine, Fresh #1
 - D. Location by quarter/quarter, section, township, and range SE SE Sec. 26-T19S-R38E
Lea County, NM
7. A copy of the Underground Injection Control Permit - issued for the injection well by the Environmental Protection Agency or New Mexico Oil Conservation Division where the State has achieved primacy.



REEF CHEMICAL

Company: Capataz
Source: WH
Number: 47954

Location:
Attention:
Date Sampled:
Salesman:

Pall Mall
October 10, 2003
Dwayne Johnson

ANALYSIS	mg/L	EQ. WT.	MEQ/L
1. pH	5.60		
2. Specific Gravity 60/60 f.	1.112		
3. Hydrogen Sulfide	Negative		
4. Carbon Dioxide	Not Determined		
5. Dissolved Oxygen	Not Determined		
6. Hydroxyl (OH-)	0	/ 17.0	= 0.00
7. Carbonate (CO3=)	0	/ 30.0	= 0.00
8. Bicarbonate (HCO3-)	122	/ 61.1	= 2.00
9. Chloride (Cl-)	103,977	/ 35.5	= 2,928.93
10. Sulfate (SO4=)	833	/ 48.8	= 17.07
11. Calcium (CA++)	7,688	/ 20.1	= 382.49
12. Magnesium (Mg++)	2,555	/ 12.2	= 209.43
13. Sodium (Na+)	54,190	/ 23.0	= 2,356.08
14. Barium (Ba++)	7.00		
15. Total Iron (Fe)	9.00		
16. Manganese	0.00		
17. Strontium	158		
18. Potassium	1204.00		
19. Total Dissolved Solids	170,741		

21. Resistivity @ 75 F. (calculated)

0.05 /cm.

22. CAC03 Saturation Index

@80 F.	-1.2652
@100 F.	-0.9552
@120 F.	-0.6952
@140 F.	-0.3352
@160 F.	0.0148

23. CASO4 Supersaturation Ratio

@70F	0.5520
@90F	0.5520
@110F	0.5558
@130F	0.5580
@150F	0.5557

Ratio Greater than 1 indicates Scale

PROBABLE MINERAL COMPOSITION

COMPOUND	EQ. WT.	X	MEQ/L	= mg/L
Ca(HCO3)2	81.04		2.00	162
CaSO4	68.07		17.07	1,162
CaCl2	55.50		363.42	20,170
Mg(HCO3)2	73.17		0.00	0
MgSO4	60.19		0.00	0
MgCL2	47.62		209.43	9,973
NaHCO3	84.00		0.00	0
NaSO4	71.03		0.00	0
NaCl	58.46		2,356.08	137,736

Chemist



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
BETTY RIVERA
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

CORRECTED ADMINISTRATIVE ORDER SWD-792

APPLICATION OF HRC INC. FOR SALT WATER DISPOSAL, LEA COUNTY, NEW MEXICO.

ADMINISTRATIVE ORDER OF THE OIL CONSERVATION DIVISION

Under the provisions of Rule 701(B), HRC Inc. made application to the New Mexico Oil Conservation Division on November 13, 2000, for permission to complete for salt water disposal it's A N ETZ Well No. 1 (API No. 30-025-07713) located 650 feet from the South line and 650 feet from the East line (Unit P) of Section 26, Township 19 South, Range 38 East, NMPM, Lea County, New Mexico.

THE DIVISION DIRECTOR FINDS THAT:

- (1) The application has been duly filed under the provisions of Rule 701(B) of the Division Rules and Regulations;
- (2) Satisfactory information has been provided that all offset operators and surface owners have been duly notified;
- (3) The applicant has presented satisfactory evidence that all requirements prescribed in Rule 701 will be met; and
- (4) No objections have been received within the waiting period prescribed by said rule.

IT IS THEREFORE ORDERED THAT:

The applicant, HRC Inc. be and the same is hereby authorized to complete it's A N ETZ Well No. 1 (API No. 30-025-07713) located 650 feet from the South line and 650 feet from the East line (Unit P) of Section 26, Township 19 South, Range 38 East, NMPM, Lea County, New Mexico, in a such manner as to permit the injection of salt water for disposal purposes into the San Andres formation from approximately 4087 feet to 4800 feet through 3.5 inch plastic-lined tubing set in a packer located at approximately 3987 feet.

Oil Conservation Division • 1220 South St. Francis Drive • Santa Fe, New Mexico 87505
Phone: (505) 476-3440 • Fax (505) 476-3462 • <http://www.ernrd.state.nm.us>

JAN 04, 2006 05:10P

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 HRC Inc.
 September 24, 2002
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IT IS FURTHER ORDERED THAT:

The operator shall take all steps necessary to ensure that the injected water enters only the proposed injection interval and is not permitted to escape to other formations or onto the surface.

Prior to commencing injection operations into the well, the casing shall be pressure tested from the surface to the packer setting depth to assure the integrity of said casing.

The casing-tubing annulus shall be loaded with an inert fluid and equipped with a pressure gauge at the surface or left open to the atmosphere to facilitate detection of leakage in the casing, tubing, or packer.

The injection well or system shall be equipped with a pressure limiting device which will limit the wellhead pressure on the injection well to no more than 814 psi.

The Director of the Division may authorize an increase in injection pressure upon a proper showing by the operator of said well that such higher pressure will not result in migration of the injected fluid from the San Andres formation. Such proper showing shall consist of a valid step-rate test run in accordance with and acceptable to this office.

The operator shall notify the supervisor of the Hobbs district office of the Division of the date and time of the installation of disposal equipment and of any mechanical integrity test so that the same may be inspected and witnessed.

The operator shall immediately notify the supervisor of the Hobbs district office of the Division of the failure of the tubing, casing, or packer in said well and shall take such steps as may be timely and necessary to correct such failure or leakage.

PROVIDED FURTHER THAT, jurisdiction is retained by the Division for the entry of such further order or orders as may be necessary or convenient for the prevention of waste and/or protection of correlative rights; upon failure of the operator to conduct operations in a manner which will ensure the protection of fresh water or in a manner inconsistent with the requirements in this order, the Division may, after notice and hearing, terminate the injection authority granted herein.

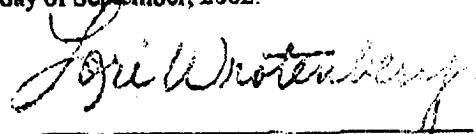
The operator shall submit monthly reports of the disposal operations on Division Form C-115, in accordance with Rule Nos. 706 and 1120 of the Division Rules and Regulations.

The injection authority granted herein shall terminate one year after the effective date of

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this order if the operator has not commenced injection operations into the subject well, provided however, the Division, upon written request by the operator, may grant an extension thereof for good cause shown.

DONE at Santa Fe, New Mexico, on this 24th day of September, 2002.



LORI WROTENBERY, Director

LW/kv

cc: Oil Conservation Division - Hobbs
New Mexico State Land Office - Oil and Gas Division