

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

John H. Bemis
Cabinet Secretary

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

Jami Bailey
Division Director
Oil Conservation Division



April 2, 2012

Quantum Resources Management, LLC
Attn: Yolanda Perez
1401 McKinney St., Suite 2400
Houston, TX 77010

Email: yperez@gracq.com

Notice of Termination of Authority to Inject into the Guajalote State #2 (API #30-015-24930), Administrative Order SWD-1131

Dear Operator:

According to Oil Conservation Division records, the authority to inject into the above-identified salt water disposal well **has terminated** pursuant to Division Rule 19.15.26.12.C NMAC. Division records show Quantum Resources Management, LLC (Quantum) as the operator of record of the well.

Division Rule 19.15.26.12.C NMAC states:

- C. Abandonment of injection operations.
- (1) Whenever there is a continuous one year period of non-injection into all wells in an injection or storage project or into a salt water disposal well or special purpose injection well, the division shall consider the project or well abandoned, and the authority for injection shall automatically terminate ipso facto.
 - (2) For good cause shown, the director may grant an administrative extension or extensions of injection authority as an exception to Paragraph (1) of Subsection C of 19.15.26.12 NMAC, provided that any such extension may be granted only prior to the end of one year or [sic] continuous non-injection, or during the term of a previously granted extension.

Injection reports filed for the Guajalote State #2 indicate that there has been no injection into the well since October 2010. (A copy of the division's records is enclosed.) Injection reports have not been filed for November 2010 and December 2010. Injection reports for January 2011 and subsequent months indicate continuous non-injection.

As such, injection authority would have terminated automatically after a continuous one year period of non-injection unless the division director granted an administrative extension prior to the end of the one year of continuous non-injection. There is no indication in the division's records that an administrative extension of injection authority was requested or granted prior to the end of the one year of continuous non-injection.

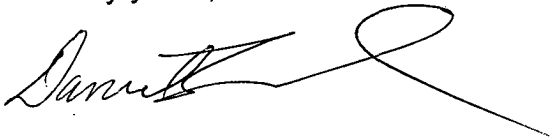
Therefore, based upon the injection reports filed for the Guajalote State #2, the authority to inject into the Guajalote State #2 has terminated pursuant to Division Rule 19.15.26.12.C NMAC.

Please disconnect any injection lines.

If Quantum wishes to inject into the Guajalote State #2, it will have to apply for authority to inject with the Division's Engineering Bureau. Please contact Will Jones in the Division's Engineering Bureau at (505) 476-3448 or william.v.jones@state.nm.us if you have any questions regarding reacquiring injection authority.

I would like to discuss this matter further with Quantum. Please call me at (505) 476-3493.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'Daniel Sanchez', with a long, sweeping horizontal line extending to the right.

Daniel Sanchez
New Mexico Underground Injection Control Program Director

ec: Richard Inge, OCD, Artesia
Randy Dade, OCD, Artesia
William Jones, OCD, Santa Fe
Theresa Duran-Saenz, OCD, Santa Fe
Martin Williams, mwilliams@qracq.com

30-015-24930 GUAJALOTE STATE #002 [309189]**General Well Information****Status:** Active**History****Comments****Operator**

Company: [243874] QUANTUM RESOURCES MANAGEMENT, LLC
Address: 1401 McKinney St Suite 2400
Houston, TX 77010
Country: U.S.A.
Main Phone: 713-452-2900

Central Contact Person

Name: Yolanda Perez
Phone: 713-634-4696
Cell:
E-Mail Address: yperez@qracq.com

Title: Regulatory Supervisor
Fax: 713-634-4697

Hobbs Contacts

Name: Martin Williams
Phone: 432-269-8667
Cell:
E-Mail Address: mwilliams@qracq.com

Title:
Fax: 432-269-8667

Artesia Contacts

Name: Martin Williams
Phone: 432-269-8667
Cell:
E-Mail Address: mwilliams@qracq.com

Title:
Fax: 432-269-8667

Pits**Casing****Well Completions****[96187] SWD;QUEEN-GRAYBURG****Status:** Active**Last Produced:** 10/1/2010**Financial Assurance****Compliance**

Note that Financial Assurance and Inactive Well Compliance are documented in separate reports ([Inactive Well Report](#), [Financial Assurance Report](#)).

Also note that some compliance issues are addressed at the operator level so not listed under each well.

BER0025639122 **Date of Violations:** 2/3/2000**Violations:****CLB0526543428** **Date of Violations:** 9/22/2005**Violations:** Pollution and Contamination**GEG0412649210** **Date of Violations:** 5/5/2004**Violations:** Mechanical Integrity**GEG0508337694** **Date of Violations:** 3/24/2005**Violations:** Mechanical Integrity**REI0734151817** **Date of Violations:** 7/12/2007**Violations:** Permit Violation (Order No. in comments)**REI0916038963** **Date of Violations:** 6/9/2009**Violations:** Permit Violation (Order No. in comments)**Complaints, Incidents and Spills**

No Incidents Found

Please note that incidents that impact ground water are recorded along with "facilities" which may not be wells, so although the initial report may be recorded here as a spill, information related to the abatement plans, remediation plans and ground water impact information are not yet part of this application.

Orders

Agreed Compliance Order ACO-224-0

ACO - Inactive Wells ACOI-193-0

Salt Water Disposal SWD-1131-0

Injection Pressure Increase IPI-0-0

Production / Injection

[Show All Production](#)
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Earliest Production in OCD Records: 3/1994

Last 10/2010

Time Frame	Production				Injection				
	Oil(BBLS)	Gas(MCF)	Water (BBLS)	Days P/I	Water (BBLS)	Co2(MCF)	Gas(MCF)	Other	Pressure
1994	0	0	0	0	41384	0	0	0	4050
1995	0	0	0	0	33610	0	0	0	2350
1996	0	0	0	0	20045	0	0	0	3150
1998	0	0	0	0	15185	0	0	0	4400
1999	0	0	0	0	12706	0	0	0	5200
2000	0	0	0	0	13459	0	0	0	5600
2001	0	0	0	0	21866	0	0	0	4800
2002	0	0	0	0	15573	0	0	0	3640
2003	0	0	0	0	18808	0	0	0	4880
2004	0	0	0	0	15253	0	0	0	4800
2005	0	0	0	0	3967	0	0	0	1200
2006	0	0	0	0	0	0	0	0	0
2007	0	0	0	0	698	0	0	0	400
2008	0	0	0	0	6936	0	0	0	3200
2009	0	0	0	0	6157	0	0	0	2400
2010									
SWD;QUEEN-GRAYBURG									
Jan	0	0	0	0	0	0	0	0	0
Feb	0	0	0	0	0	0	0	0	0
Mar	0	0	0	0	0	0	0	0	0
Apr	0	0	0	0	0	0	0	0	0
May	0	0	0	0	0	0	0	0	0
Jun	0	0	0	0	0	0	0	0	0
Jul	0	0	0	0	0	0	0	0	0
Aug	0	0	0	0	986	0	0	0	200
Sep	0	0	0	0	861	0	0	0	200
Oct	0	0	0	0	1411	0	0	0	400
Pool Total:	0	0	0	0	3258	0	0	0	800
Annual Total:	0	0	0	0	3258	0	0	0	800
2011									
SWD;QUEEN-GRAYBURG									
Jan	0	0	0	0	0	0	0	0	0
Feb	0	0	0	0	0	0	0	0	0
Mar	0	0	0	0	0	0	0	0	0
Apr	0	0	0	0	0	0	0	0	0
May	0	0	0	0	0	0	0	0	0
Jun	0	0	0	0	0	0	0	0	0
Jul	0	0	0	0	0	0	0	0	0
Aug	0	0	0	0	0	0	0	0	0
Sep	0	0	0	0	0	0	0	0	0
Oct	0	0	0	0	0	0	0	0	0
Nov	0	0	0	0	0	0	0	0	0
Dec	0	0	0	0	0	0	0	0	0
Pool Total:	0	0	0	0	0	0	0	0	0
Annual Total:	0	0	0	0	0	0	0	0	0

2012									
SWD;QUEEN-GRAYBURG									
Jan	0	0	0	0	0	0	0	0	0
Pool Total:	0	0	0	0	0	0	0	0	0
Annual Total:	0	0	0	0	0	0	0	0	0
Grand Total:	0	0	0	0	228905	0	0	0	50870

Transporters
