

APPLICATION FOR AUTHORIZATION TO INJECT

- I. PURPOSE: _____ Secondary Recovery _____ Pressure Maintenance Disposal
Storage
Application qualifies for administrative approval? Yes _____ No
- II. OPERATOR: TLT SWD, L.L.C.
ADDRESS: PO Box 1906 Hobbs, New Mexico 88240
CONTACT PARTY: Billy E. Prichard billy@pwllic.net PHONE: 4329347680
- 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 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:
1. Proposed average and maximum daily rate and volume of fluids to be injected;
 2. Whether the system is open or closed;
 3. Proposed average and maximum injection pressure;
 4. Sources and an appropriate analysis of injection fluid and compatibility with the receiving formation if other than reinjected produced water; and,
 5. 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: Billy E. Prichard TITLE: Agent for TLT SWD,L.L.C.
SIGNATURE: Billy E. Prichard DATE: 7/7/13
E-MAIL ADDRESS: billy@pwllic.net
- * 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: _____

**TLT SWD, L.L.C.
Phillips State # 1
30-025-01271
1980 FSL X 660 FEL
Unit Letter "I", Section 25, T16S, R33E
Lea County, New Mexico**

C108 (Application for Authorization to Inject)

I.

The purpose of this application is to convert the Phillips State # 1 from a depleted Kemnitz Lower Wolfcamp oil well to a commercial salt water disposal well. The application qualifies for administrative approval.

II.

**Operator: TLT SWD,L.L.C. Ogrid# 287481
Address: P.O. Box 1906 Hobbs, New Mexico 88241
Contact Party: Billy E. Prichard Phone: 432-934-7680**

III.

Please see Exhibit "A" for well data

IV.

This is not an expansion of an existing project.

V.

Please see Exhibit "B" for map of Area of Review

VI.

Please see Exhibit "C" for off set well data

VII.

- 1. Anticipated disposal rate is 5000 BWPD with a maximum disposal rate of 7500 BWPD.**
- 2. The system will be open.**
- 3. Anticipated disposal press is 0(Zero)psi with a maximum disposal pressure of 2154 psi.**
- 4. Disposed fluid will trucked in from producing wells in southeastern New Mexico.**
- 5.**

Please see Exhibit "D" for analysis of possible disposal fluid and for analysis of Wolfcamp produced water.

VIII.

The proposed disposal interval is the Kemnitz Lower Wolfcamp formation. The Kemnitz Lower Wolfcamp was discovered in the 1950s, it is a light to dark gray reefoid limestone of Permian Age. Above the Kemnitz Lower Wolfcamp is the Wolfcamp and above the Wolfcamp is the Abo formation and below the Kemnitz is the Strawn formation.

There is no known fresh water strata below the Kemnitz Lower Wolfcamp Numerous fresh water wells were identified within the 1 mile Area of review. Fresh water is in the alluvial fill from the surface to the top of the Red Bed.

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IX.

There is no stimulation planned at this time.

X.

Logs and completion data filed by previous operators.

XI.

Please see Exhibit "E" for fresh water analysis.

XII.

Available geological and engineering data have been examined and no evidence of open faults or hydrological connection between the disposal zone and any underground sources of drinking water has been found.

XIII.

Please see Exhibit "F" for Proof of Notice

TLT SWD, LLC has no inactive wells

**TLT SWD, L.L.C.
Phillips State # 1
30-025-01271
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Lea County, New Mexico**

Well Data

Data obtained from records maintained by NMOCD

Spud 6/18/1957 as Wolfcamp test

13 3/8" 48# casing set in 17 1/2" hole at 364'. Cemented with 400 sacks of cement. Cement circulated to surface.

8 5/8" 24# & 32# casing set in 11" hole at 4553'. Cemented with 1500 sacks of cement. Cement circulated to surface

Drilled 7 7/8" hole to TD of 11640'.

5 1/2" 17# casing set at 11030' in 7 7/8" hole. Cemented with 270 sacks of cement. Top of cement per NMOCD well file 9650'.

Plugged and abandoned 4/5/1994

Re-entered and returned to Wolfcamp production 1/12/2013

Well produced water only

Lower Wolfcamp perforations 10772-10829'

**Formation Tops
Anhy - 1511'
Queen - 3678'
Penrose - 3981'
San Andres - 4504'
Glorieta - 5948'
Clearfork - 6586'
Tubb - 7197'
Abo - 7962'
Wolfcamp - 9702'
Lower Wolfcamp - 10318'
Cisco - 10999'**

Exhibit "A"

Phillips State # 1

API 30-025-01271

1980 FSL X 660 FEL

Unit Letter I, Section 25, T16S, R33E

Lea County, New Mexico

Spud 6/18/1957

Before Conversion to SWD

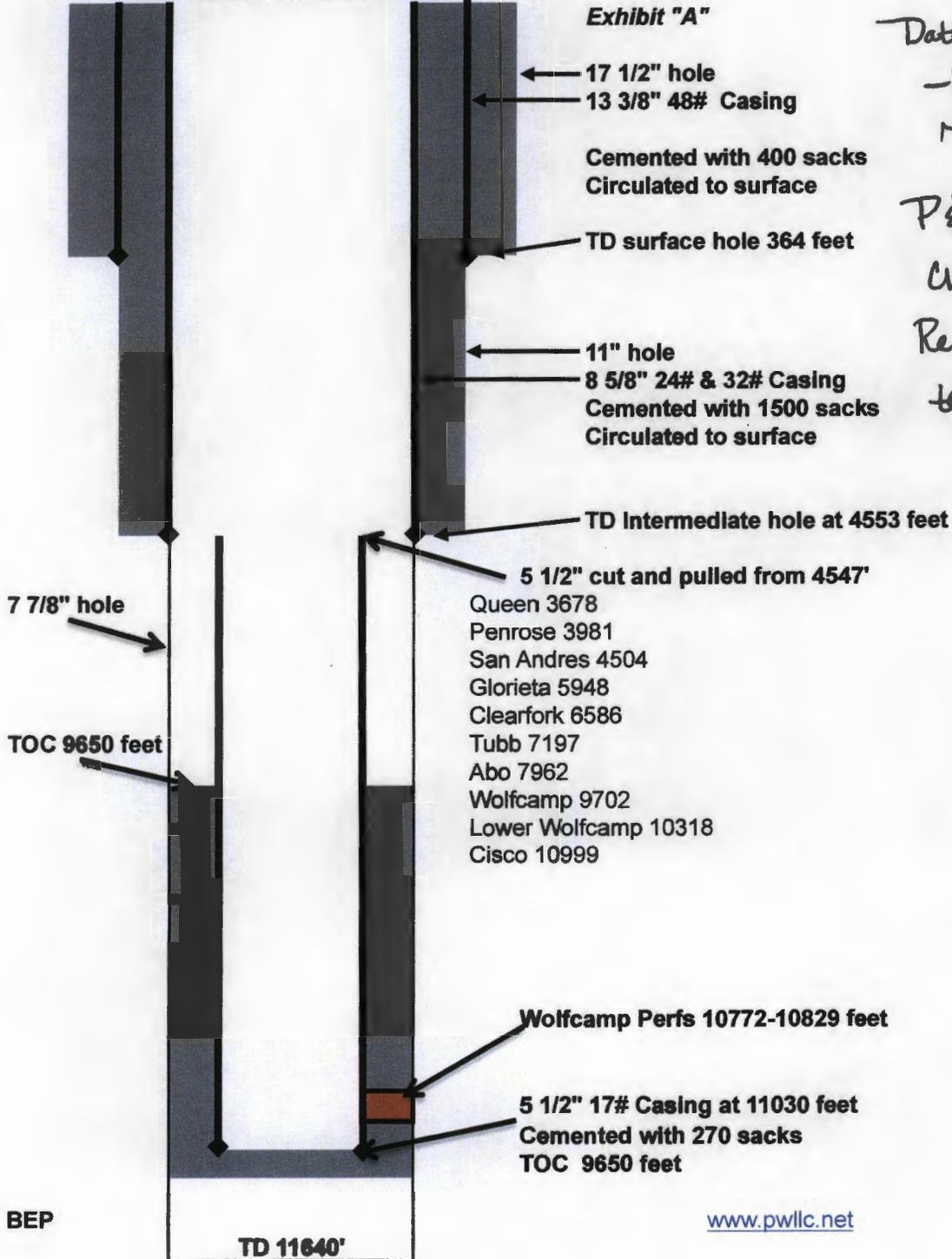


Exhibit "A"

← 17 1/2" hole
← 13 3/8" 48# Casing

Cemented with 400 sacks
Circulated to surface

TD surface hole 364 feet

← 11" hole
← 8 5/8" 24# & 32# Casing
Cemented with 1500 sacks
Circulated to surface

TD Intermediate hole at 4553 feet

5 1/2" cut and pulled from 4547'

- Queen 3678
- Penrose 3981
- San Andres 4504
- Glorieta 5948
- Clearfork 6586
- Tubb 7197
- Abo 7962
- Wolfcamp 9702
- Lower Wolfcamp 10318
- Cisco 10999

Wolfcamp Perfs 10772-10829 feet

5 1/2" 17# Casing at 11030 feet
Cemented with 270 sacks
TOC 9650 feet

7 7/8" hole

TOC 9650 feet

BEP

TD 11640'

Database

-last production report

P&A Sundry - 7/15/94

UBP + 5cmr plugs

Re-entered 11/2012 & tested (Sundry 1/15/13)

Phillips State # 1

API 30-025-01271

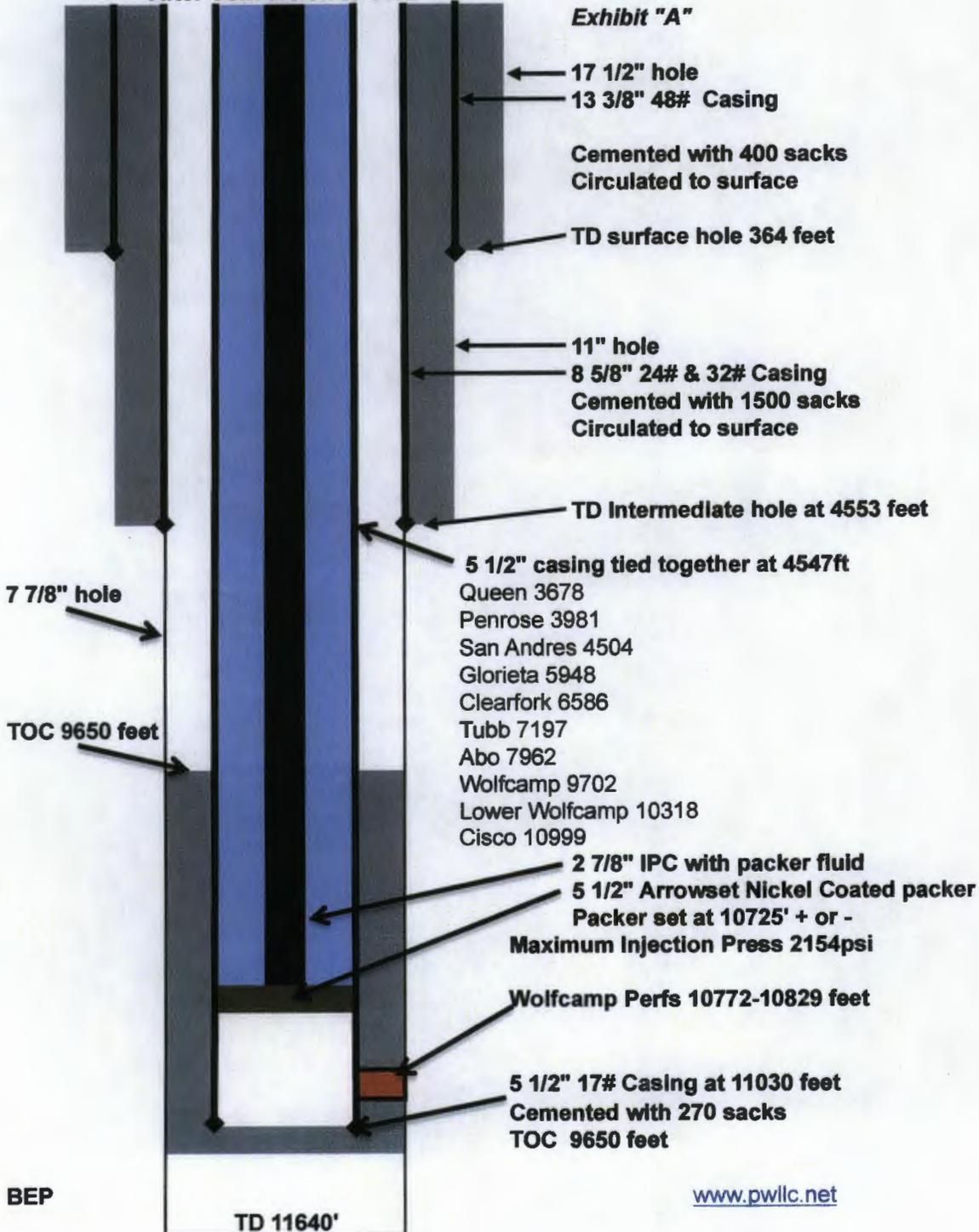
1980 FSL X 660 FEL

Unit Letter I, Section 25, T16S, R33E

Lea County, New Mexico

Spud 6/18/1957

After Conversion to SWD



TLT SWD, L.L.C.
 Phillips State # 1
 Unit Letter I, Section 25, T16S, R33E
 Lea County, New Mexico
 Possible pools disposing in Phillips State # 1

| Pool | Section | Township | Range | TDS | Chlorides |
|-----------------------------------|---------|----------|-------|--------|-----------|
| EMPIRE;ABO | 27 | 17S | 28E | 224062 | 135900 |
| ARTESIA;QUEEN-GRAYBURG-SAN ANDRES | 28 | 17S | 28E | 237482 | 147300 |
| ARTESIA; GLORIETA-YESO | 33 | 17S | 28E | 206471 | 137940 |
| EMPIRE; MORROW, SOUTH | 31 | 17S | 29E | 35148 | 19800 |
| EMPIRE; GLORIETA-YESO | 19 | 17S | 29E | 213384 | 142829 |
| CROW FLATS;MORROW | 3 | 17S | 27E | 44318 | 27242 |
| LOGAN DRAW;MORROW | 11 | 17S | 27E | 8567 | 4604 |
| RED LAKE;QUEEN-GRAYBURG-SA | 3 | 18S | 37E | 217737 | 146435 |

Data obtained from
<http://octane.nmt.edu>

Exhibit"D"

**TLT SWD, LLC
Phillips State # 1
Wells in 0.5 mile AOR**

| | API | OPERATOR | LEASE | # | T | S | TWN | RNG | SEC | UNT | TVD | LEASE |
|----|------------|----------|-----------------------|----|---|---|-----|-----|-----|-----|-------|-------------|
| | 3002501271 | TLT SWD | Phillips State | 1 | O | A | 16S | 33E | 25 | I | 11640 | Open |
| 1 | 3002501270 | PENROC | NEW MEX A | 3 | O | P | 16S | 33E | 25 | J | 10870 | S ✓ |
| 2 | 3002501269 | KENEMORE | NEW MEX A | 2 | S | A | 16S | 33E | 25 | O | 11610 | S ✓ |
| 3 | 3002501273 | MGM | KEMNITZ WOLFCAMP UNIT | 22 | O | A | 16S | 33E | 25 | G | 10979 | S ✓ |
| 4 | 3002501275 | TENNECO | A A KEMNITZ B STATE | 2 | O | P | 16S | 33E | 25 | H | 5191 | S ✓ |
| 5 | 3002527906 | CIMAREX | STATE LG 25 | 1 | G | A | 16S | 33E | 25 | H | 13350 | S ✓ |
| 6 | 3002508333 | MGM | KEMNITZ WOLFCAMP UNIT | 18 | O | A | 16S | 33E | 25 | A | 11529 | S ✓ |
| 7 | 3002501943 | FINA | KEMNITZ WOLFCAMP UNIT | 23 | O | P | 16S | 34E | 30 | 2 | 10891 | S ✓ |
| 8 | 3002527458 | CIMAREX | STATE LF 30 | 2 | G | P | 16S | 34E | 30 | K | 13350 | S ✓ |
| 9 | 3002501944 | MGM | KEMNITZ WOLFCAMP UNIT | 28 | O | A | 16S | 34E | 30 | K | 10950 | S SwD-1088 |
| 10 | 3002501268 | TLT SWD | NEW MEX A | 1 | S | A | 16S | 33E | 25 | K | 11587 | S R-13612 ✓ |

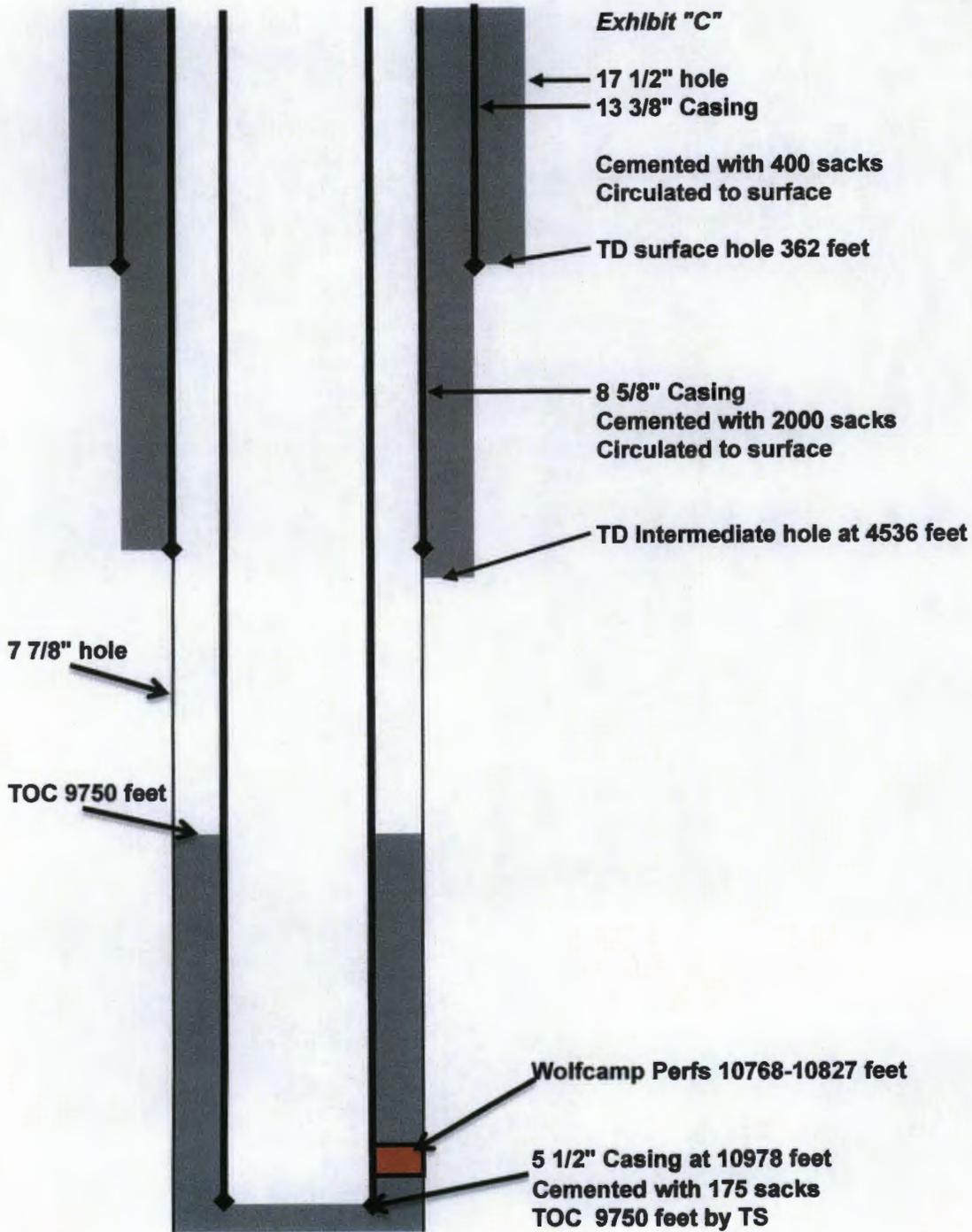
WELLS IN THE 0.5 MILE AREA OF REVIEW

EXHIBIT "C"

Kemnitz Wolfcamp Unit # 22
UL G, Section 25, T16S, R33E
Lea County, New Mexico

API 30-025-01273

~ 100 mcf per month 2 months since last prod. report



BEP

www.pwllc.net

New Mex A # 1

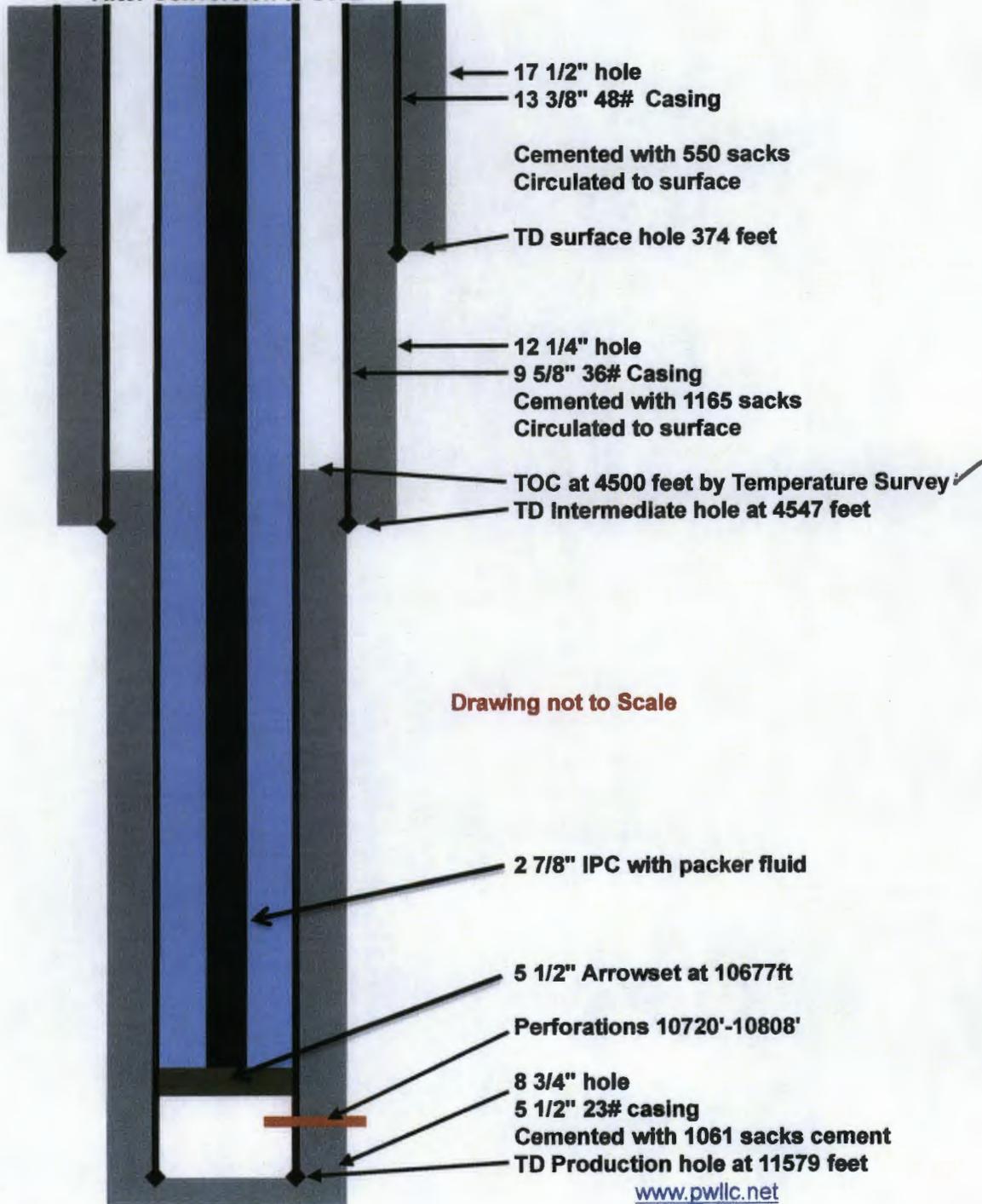
API 30-025-01268

1983 FSL X 2313 FWL

Unit Letter K, Section 25, T16S, R33E

Lea County, New Mexico

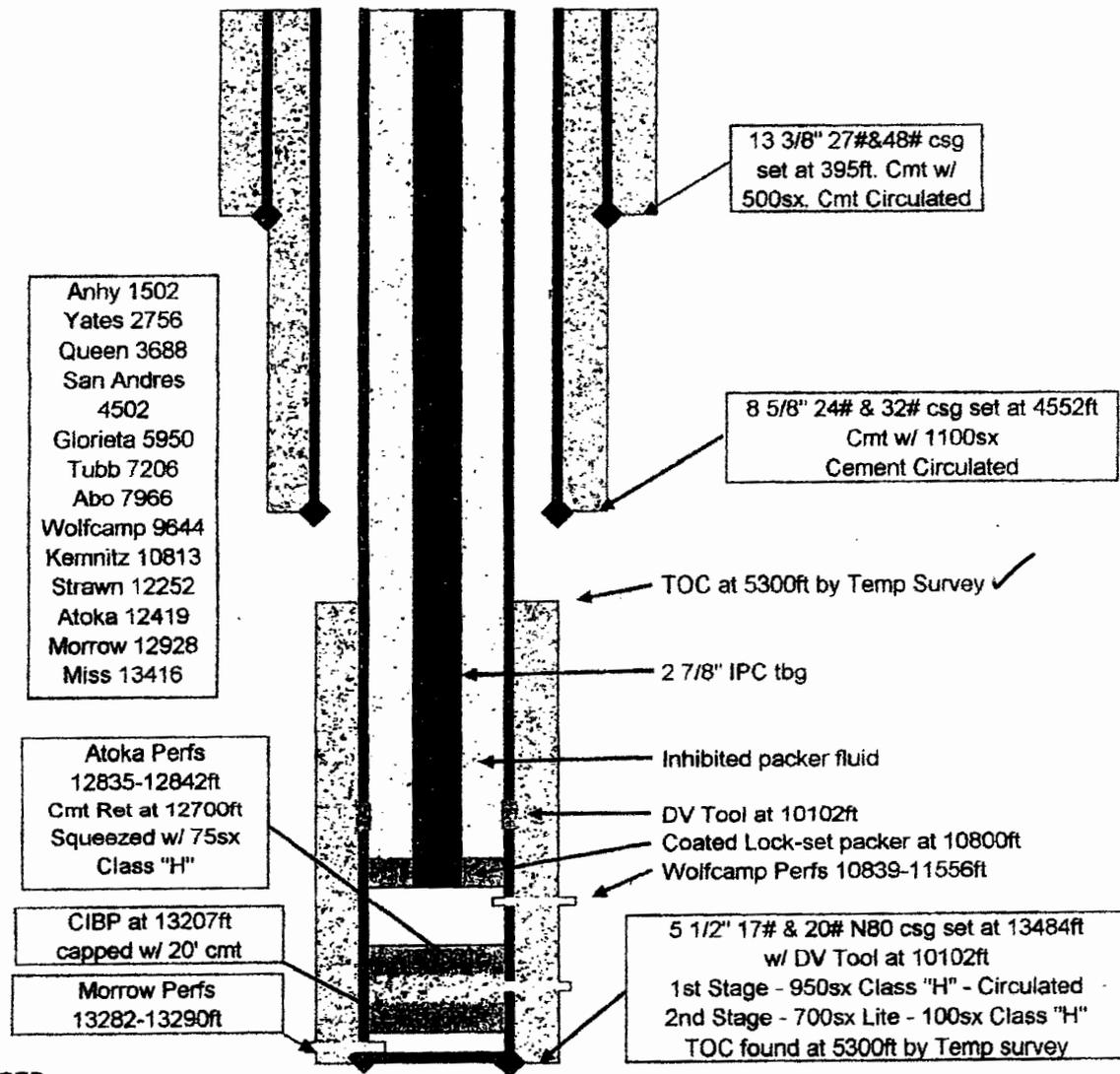
After Conversion to SWD



BEP

Kenemore Welding

New Mex A # 2
 API # 30-025-01269
 661 FSL X 1983 FEL
 Unit Letter "O", Section 25, T16S, R33E
 Lea County, New Mexico
 After Conversion to SWD



BEP

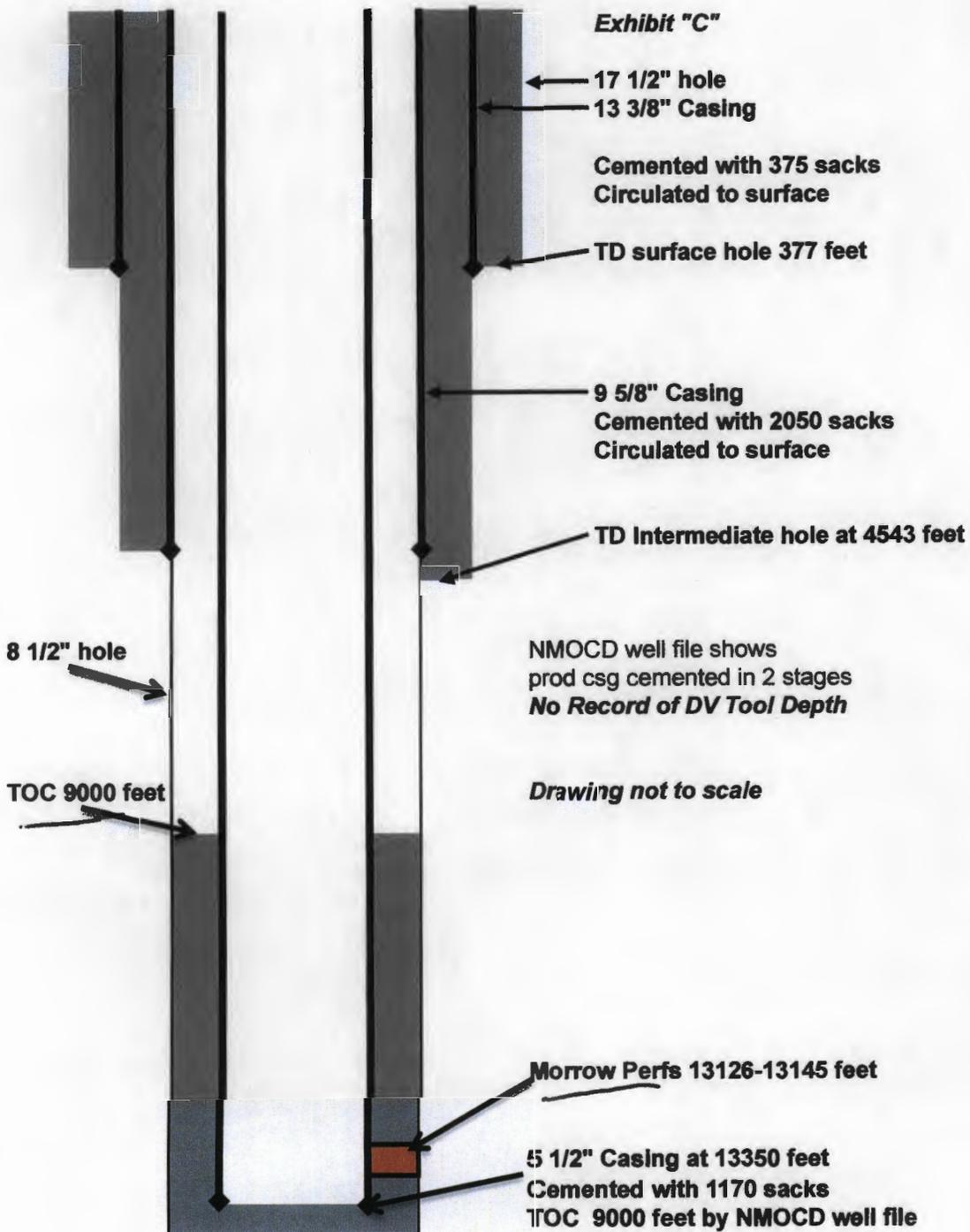
Exhibit "C"

State LG 25 # 1

UL H, Section 25, T16S, R33E

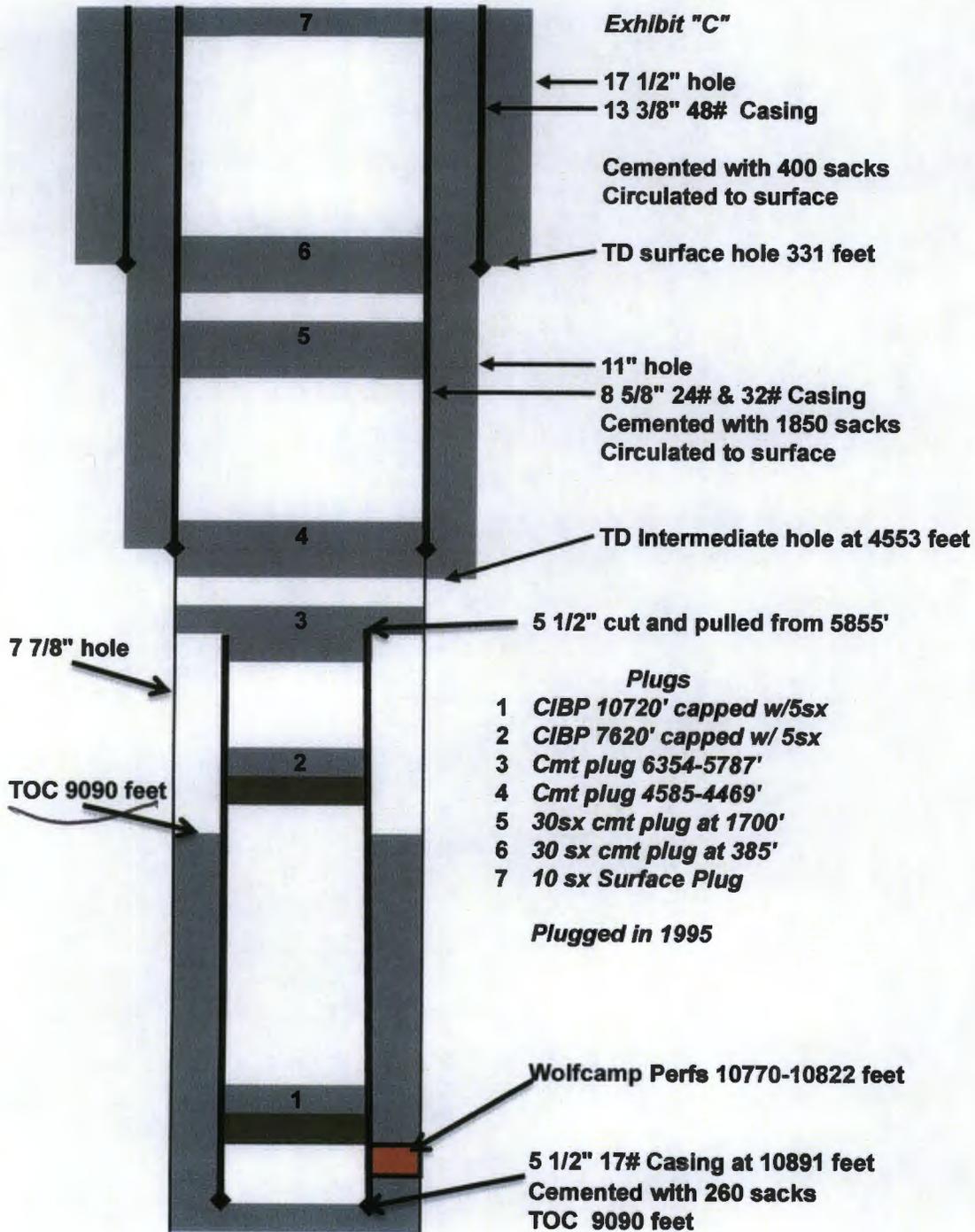
Lea County, New Mexico

API 30-025-27906



Kemnitz Wolfcamp Unit # 23
Lot 2, Section 30, T16S, R34E
Lea County, New Mexico

API 30-025-01943

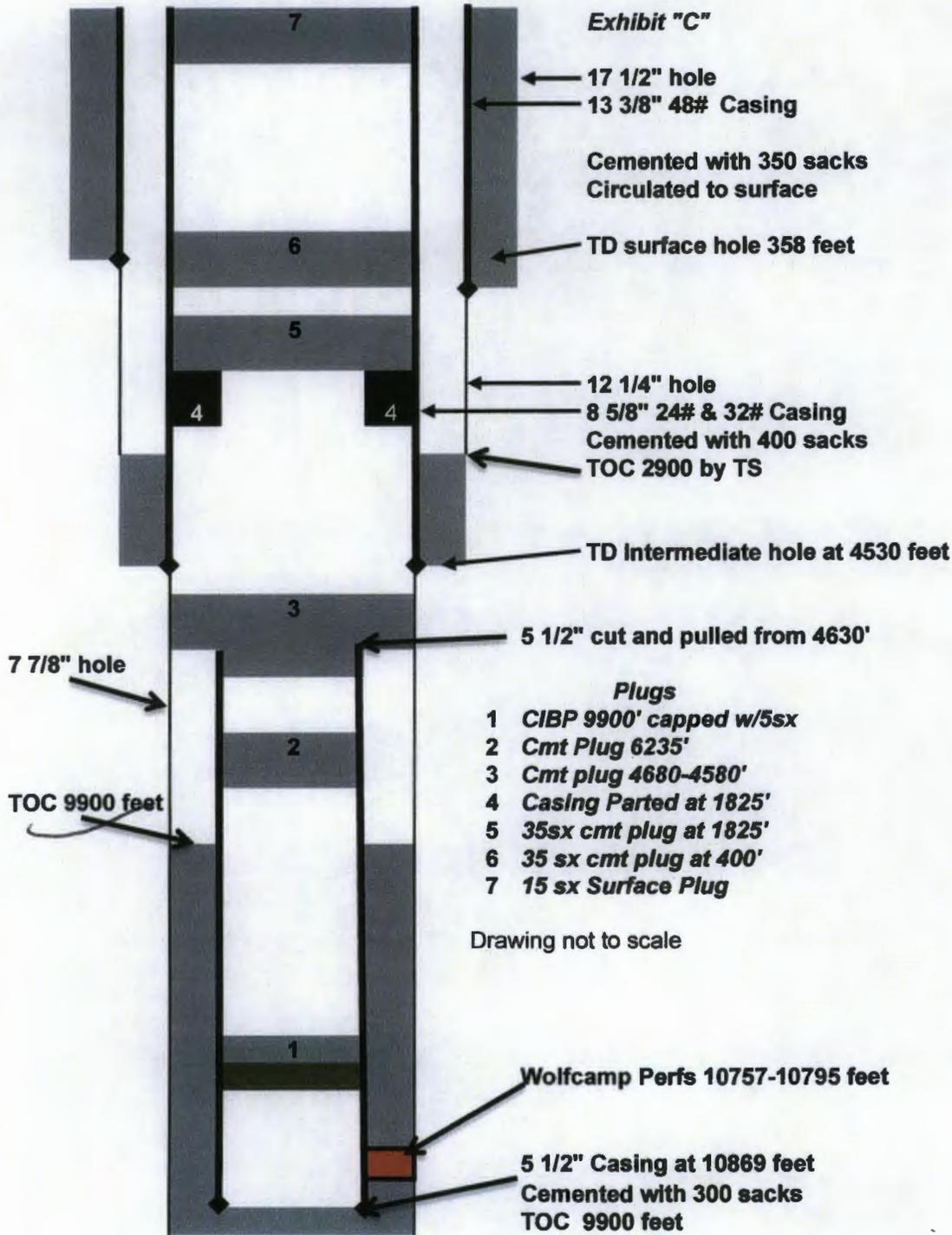


New Mex A # 3

UL J, Section 25, T16S, R33E

Lea County, New Mexico

API 30-025-01270



Fresh Water Analysis
Section 25, T16S, R33E

General Information About: Sample 3803

| | | | |
|------------------------------------|------------------|-----------|---------------------|
| Section/ Township/Range | 25 / 16 S / 33 E | Lat/Long | 32.8923 / -103.6163 |
| Elevation | 4140 | Depth | 0 |
| Date Collected | 9/26/1995 | Chlorides | 36 |
| Collector / Point of Collection | SEO / DP | Use | Stock |
| Formation | OGALLALA | TDS | 0 |

Data obtained from <http://octane.nmt.edu>

Exhibit "E"

**TLT SWD, L.L.C.
Phillips State # 1
30-025-01271
1980 FSL X 660 FEL
Unit Letter "I", Section 25, T16S, R33E
Lea County, New Mexico**

Proof of Notify

**Minerals in Section 25, T16S, 33E
Owned by the State of New Mexico**

**Unit Letter "A"
Magnum Hunter Production, Inc
600 N. Marienfeld Street
Suite 600
Midland, TX 79701**

**Unit Letter "B"
Magnum Hunter Production, Inc
600 N. Marienfeld Street
Suite 600
Midland, TX 79701**

**Unit Letter "F"
Magnum Hunter Production, Inc
600 N Marienfeld Street
Suite 600
Midland, TX 79701**

**Unit Letter "G"
Magnum Hunter Production, Inc
600 N Marienfeld Street
Suite 600
Midland, TX 79701**

**Unit Letter "H"
Magnum Hunter Production, Inc
600 N Marienfeld
Suite 600
Midland, TX 79701**

**Unit Letter "I"
Open
Exhibit F**

**TLT SWD, L.L.C.
Phillips State # 1
30-025-01271
1980 FSL X 660 FEL
Unit Letter "I", Section 25, T16S, R33E
Lea County, New Mexico
*Proof of Notify***

**Minerals in Section 25 , T16S, R33E
Owned by the State of New Mexico**

**Unit Letter "J"
Salt Water Disposal Lease
TLT SWD, L.L.C.
PO Box 1906
Hobbs, NM 88241**

**Unit Letter "K"
Open
Unit Letter "N"
Open**

**Unit Letter "O"
Salt Water Disposal Lease
Kenemore Welding and Oilfield Services, Inc
George A. Kenemore
PO Box 154
Maljamar, NM 88264**

**Unit Letter "P"
Open**

Operators in Section 25, T16S, R33E

**Unit Letter "A" & "G" & "H"
MGM Oil and Gas Company
PO Box 891
Midland, TX 79702**

**Unit Letter "H"
Cimarex Energy of Company of Colorado
600 N Marienfeld
Suite 600
Midland, TX 79701
*Exhibit F***

**TLT SWD, L.L.C.
Phillips State # 1
30-025-01271
1980 FSL X 660 FEL
Unit Letter "I", Section 25, T16S, R33E
Lea County, New Mexico**

Proof of Notify

**Minerals in Section 36, T16S, R33E
Owned by the State of New Mexico**

**Unit Letter "A" and B"
Legacy Reserves Operating, LP
Paul T. Horne
PO Box 10848
Midland, TX 79702**

**Minerals in Section 30, T16S, R34E
Owned by the State of New Mexico**

**Unit Letter "D" Lot 1
Magnum Hunter Production, Inc
600 N Marienfeld
Suite 600
Midland, TX 79701**

**Unit Letter "E" Lot 2
Magnum Hunter Production, Inc
600 N Marienfeld
Suite 600
Midland, TX 79701**

**Unit Letter "F" & "K" & "L" & "M" & "N"
Magnum Hunter Production, Inc
600 N Marienfeld
Suite 600
Midland, TX 79701**

**Operator in Section 30, T16S, R34E
MGM Oil and Gas Company
PO Box 891
Midland, TX 79702**

Exhibit F

**TLT SWD, L.L.C.
Phillips State # 1
30-025-01271
1980 FSL X 660 FEL
Unit Letter "I", Section 25, T16S, R33E
Lea County, New Mexico**

Proof of Notify

**Minerals in Section 31, T16S, R34E
Owned by the state of New Mexico**

**Unit Letter "D" Lot 1
Yates Petroleum Corporation
105 South 4th Street
Artesia, NM 88210**

Other Notified Parties

**New Mexico Oil Conservation Division
District 1
1625 N. French Drive
Hobbs, NM 88240**

**New Mexico State Land Office
PO Box 1148
Santa Fe, NM 87504-1148**

Exhibit F

7242 504E E000 0101 2101

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| Restricted Delivery Fee (Endorsement Required) | | \$0.00 |
| Total Postage & Fees | \$ | \$7.37 |



Kenemore Welding & Oilfield
George A. Kenemore
PO Box 154
Maljamar, NM 88264

Sent To
 Street, Apt. or PO Box
 City, State

PS Form Instructions

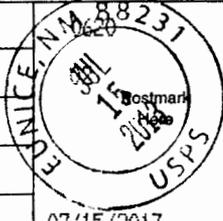
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MGM Oil and Gas Company
PO Box 891
Midland, TX 79702

Sent To
 Street, Apt. or PO Box
 City, State

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Cimarex Energy Co of Colorado
600 N Marienfeld
Suite 600
Midland, TX 79701

Sent To
 Street, Apt. or PO Box
 City, State

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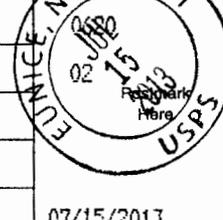
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Magnum Hunter Production, Inc
600 N. Marienfeld Street
Suite 600
Midland, TX 79701

Sent To
 Street, Apt. or PO Box
 City, State

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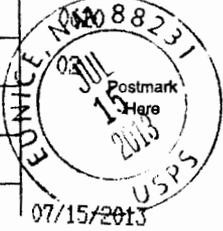
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NMOCD

Sent To **District 1**
 Street, Apt. or PO Box **1625 N. French Drive**
 City, State **Hobbs, NM 88240**

PS Form 3800, August 2008 Instructions

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| Restricted Delivery Fee (Endorsement Required) | | \$0.00 |
| Total | \$ | \$7.37 |



New Mexico State Land Office
PO Box 1148

Street or PO **Santa Fe, NM 87504-1148**
 City:

PS Form 3800, August 2008 Instructions

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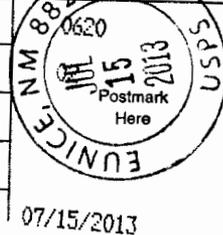
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HOBBS NM 88240

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| Restricted Delivery Fee (Endorsement Required) | | \$0.00 |
| Total Postage & Fees | \$ | \$7.37 |



Sent To **Yates Petroleum Corporation**
 Street or PO **105 South 4th Street**
 City, State **Artesia, NM 88210**

PS Form 3800, August 2008 Instructions

2622 504E 0000 0101 2101 7012

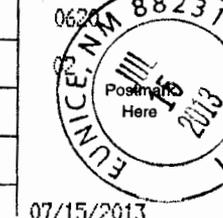
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MIDLAND TX 79702

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| Restricted Delivery Fee (Endorsement Required) | | \$0.00 |
| Total | \$ | \$7.37 |



Legacy Reserves Operating, LP

Sent To **Paul T. Horne**
 Street or PO **PO Box 10848**
 City, State **Midland, TX 79702**

PS Form 3800, August 2008 Instructions

July 7, 2013

New Mexico Oil Conservation Division
Engineering Bureau
1220 South St. Francis
Santa Fe, NM 87504

RECEIVED OGD

2013 JUL 10 P 2: 21

RE: NMOCD form C108

Please find enclosed 2 copies of C108, also enclosed is original Affidavit of Publication for legal notice.

Should you have questions or need further information. Do not hesitate to call, email, or text with the below contact Information.

Sincerely



Billy(Bill) E.Prichard
Pueblo West Consulting
125 Greathouse Village
Decatur, TX 76234
4329347680 cellular or text
9406270086 fax
Email; billy@pwllc.net
www.pwllc.net

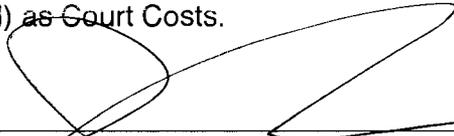
Affidavit of Publication

STATE OF NEW MEXICO)
) ss.
COUNTY OF LEA)

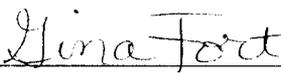
John Graham being first duly sworn on oath deposes and says that he is Publisher of THE LOVINGTON LEADER, a thrice a week newspaper of general paid circulation published in the English language at Lovington, Lea County, New Mexico; that said newspaper has been so published in such county continuously 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 regular and entire issue of THE LOVINGTON LEADER and not in any supplement thereof, for one (1) day(s), beginning with the issue of June 11 , 2013 and ending with the issue of June 11 , 2013.

And that the cost of publishing said notice is the sum of \$ 36.36 which sum has been (Paid) as Court Costs.



John Graham, Publisher
Subscribed and sworn to before me this 14th day of June , 2013.



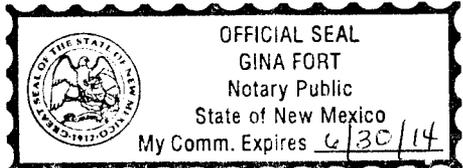
Gina Fort
Notary Public, Lea County, New Mexico
My Commission Expires June 30, 2014

LEGAL NOTICE
TLT SWD, L.L.C. , PO Box 1906, Hobbs, New Mexico 88241 has filed form C108(Application for Authorization to Inject) with the New Mexico Oil Conservation Division seeking administrative approval for the conver-

sion of the Phillips State # 1, API 30-025-01271, 1980 FSL x 660 FEL, Unit Letter "I", Section 25, T16S, R33E, Lea County, New Mexico from a Kemnitz Lower Wolfcamp oil well to a commercial salt water disposal well. The disposal interval would be the lower Wolfcamp formation through perforations 10772 feet to 10829 feet. Disposal fluid would be produced water trucked in from numerous producing oil wells in southeastern New Mexico. Anticipated disposal rate 5000 BWPD with a maximum disposal rate of 7500 BWPD. Anticipated disposal pressure of 0(Zero) psi with a maximum disposal pressure of 2154 psi. Well is located approximately 10 miles west of Lovington, New Mexico.

All interested parties opposing the aforementioned must file objections with the New Mexico Oil Conservation Division, 1220 South St. Francis Drive, Santa Fe, New Mexico 87505 within 15 days. Additional information can be obtained by contacting Billy Prichard 432-934-7680.

Published in the Lovington Leader June 11, 2013.





C-108 Review Checklist: Received 07/22/13 Add. Request: — Reply Date: — Suspended: — [Ver 8]

Issued Permit: WFX / PMX / SWD Number: 1439 Permit Date: 09/21/13 Legacy Permits/Orders: *R-13612 (included)

Well No. 1 Well Name(s): Phillips State

API: 30-0 25-01271 Spud Date: 06/10/1957 New or Old: 0 (UIC Class II Primacy 03/07/1982)

Footages 1980 FSL / 660 FEL Lot — Unit I Sec 25 Tsp 16S Rge 33E County Lea

General Location: 15 miles W of Lovington along 82 Pool: former: Kernitz Wolfcamp Lower Pool No.: 35530

Operator: TLT SWD, LLC OGRID: 287481 Contact: Billy Prichard / JW

COMPLIANCE RULE 5.9: Inactive Wells: 0 Total Wells: 4 Fincl Assur: Yes Compl. Order? NO IS 5.9 OK? OK

Well File Reviewed Current Status: P&A - former Wolfcamp producer (1994) re-entered 10/11-2012 *R-13612: nearing for 30 025-01268 (New Mex A #17) Wolfcamp showing depletion - operator of WC wells did not object to SWD approval

Well Diagrams: Proposed New Before Conversion After Conversion Are Elogs in Imaging? —

Planned Rehab Work to Well: Re-enter & drill out/top of 5 1/2 in casing / install new 5 1/2 in casing

| Well Construction Details: | Sizes (in) Borehole / Pipe | Setting Depths (ft) | Cement Sx or Cf | Cement Top and Determination Method |
|---|----------------------------|---------------------|-----------------|-------------------------------------|
| Planned <input type="checkbox"/> or Existing <input type="checkbox"/> Cond | — | — | — | — |
| Planned <input type="checkbox"/> or Existing <input checked="" type="checkbox"/> Surface | 17 1/2 / 13 3/8 | 0 to 364 | 400 | Cir to surf |
| Planned <input type="checkbox"/> or Existing <input checked="" type="checkbox"/> Interm/Prod | 11 / 8 5/8 | 0 to 4353 | 1500 | Cir to surf |
| Planned <input type="checkbox"/> or Existing <input checked="" type="checkbox"/> Long Sv/Prod | 7 7/8 / 5 1/2 | 0 to 11030 | 270+ | TS - 7650 ft |
| Planned <input type="checkbox"/> or Existing <input type="checkbox"/> Liner | — | — | — | — |
| Planned <input type="checkbox"/> or Existing <input checked="" type="checkbox"/> OH / PERF | 5 1/2 casing | 10772 - 10829 | Inj Length 57' | — |

| Injection Stratigraphic Units: | Depths (ft) | Injection or Confining Units | Tops? |
|------------------------------------|-------------|------------------------------|-------|
| Adjacent Unit: Litho. Struc. Por. | F2810 | Abo | 7762 |
| Confining Unit: Litho. Struc. Por. | T020 | Wolfcamp | 9702 |
| Proposed Inj Interval TOP: | 10772 | Lower Wolfcamp | 10318 |
| Proposed Inj Interval BOTTOM: | 10829 | Formation | — |
| Confining Unit: Litho. Struc. Por. | — | Cisco | — |
| Adjacent Unit: Litho. Struc. Por. | — | Canyon | — |

| Completion/Operation Details: | |
|-------------------------------|---|
| Drilled TD | 11640 PBDT 11030 |
| New TD | No Change New PBDT No Change |
| Open Hole | <input type="checkbox"/> or Perfs <input checked="" type="checkbox"/> |
| Tubing Size | 2 7/8 Inter Coated? Yes |
| Proposed Packer Depth | 10725 |
| Min. Packer Depth | 10672 (100-ft limit) |
| Proposed Max. Surface Press | 2154 |
| Admin Inj. Press | 2154 (0.2 psi per ft) |

AOR: Hydrologic and Geologic Information

POTASH: R-111-P Noticed? NA BLM Sec Ord WIPP Noticed? NA SALADO: T: — B: — CLIFF HOUSE NA

Fresh Water: FW Formation Capitana Max Depth ± 200 Wells? See attached Analysis? Yes Hydrologic Affirm Statement Yes

Disposal Fluid: Formation Source(s) Wolfcamp in Area / B5/G Analysis? Yes On Lease Operator Only or Commercial

Disposal Interval: Injection Rate (Avg/Max BWPD): 5000/7500 Protectable Waters: No CAPITAN REEF: thru NA adjacent NA

H/C Potential: Producing Interval? Yes Formerly Producing? Yes Method: E Log / Mudlog / DST / Depleted / Other hearing for SWD in Area

AOR Wells: 1/2-M Radius Map? Yes Well List? Yes Total No. Wells Penetrating Interval: 10 Horizontals? 0

Penetrating Wells: No. Active Wells 6 Num Repairs? 0 on which well(s)? — Diagrams? Yes

Penetrating Wells: No. P&A Wells 4 Num Repairs? 0 on which well(s)? — Diagrams? Yes

NOTICE: Newspaper Date 06/11/13 Mineral Owner SLO Surface Owner SLO N. Date 07/13/13

RULE 26.7(A): Identified Tracts? Yes Affected Persons: Yates / Legacy Reser. / Magnum / MGM N. Date 7/13/13

Permit Conditions: Issues: Old casing - MIT will identify failure of casing

Add Permit Cond: None



New Mexico Office of the State Engineer

Active & Inactive Points of Diversion

(with Ownership Information)

| WR File Nbr | Sub basin | Use | Diversion | Owner | County | POD Number | Code | Grant | | | | | | | | |
|-------------------------|-----------|-----|-----------|--|--------|----------------------------|---------|-------|--------|----|-----|-----|--------|----------|----------|----------|
| | | | | | | | | | Source | q | q | q | X | Y | | |
| L 03163 | L | PRO | 0 | FRONTIER DRILLING CO. | LE | L 03163 | | | 64164 | 4 | 25 | 16S | 33E | 629992 | 3640466* | |
| L 03397 | L | PRO | 0 | TENNESSEE GAS TRANSMISSION CO | LE | L 03397 | Shallow | | 2 | 25 | 16S | 33E | 629987 | 3640869* | | |
| L 03527 | L | SRO | 1418.7 | WORKING INTEREST OWNERS MALJAMAR COOPERATIVE AGREEMENT | LE | L 03527 | Shallow | | 1 | 2 | 36 | 16S | 33E | 629907 | 3639359* | |
| | | | | | LE | L 03527 S | Shallow | | 1 | 1 | 3 | 36 | 16S | 33E | 628715 | 3638131* |
| | | | | | LE | L 03527 S2 | Shallow | | 3 | 4 | 3 | 35 | 16S | 33E | 627508 | 3637911* |
| | | | | | LE | L 03527 S3 | Shallow | | 2 | 3 | 3 | 35 | 16S | 33E | 627305 | 3638104* |
| L 03574 | L | PRO | 0 | MCALESTER FUEL COMPANY | LE | L 03574 | Shallow | | 2 | 1 | 25 | 16S | 33E | 629182 | 3640855* | |
| L 03712 | L | PRO | 0 | LLANE DRILLING COMPANY | LE | L 03712 | Shallow | | 2 | 2 | 26 | 16S | 33E | 628377 | 3640841* | |
| L 03751 | L | PRO | 0 | LLANO DRILLING COMPANY | LE | L 03751 | | | 2 | 2 | 26 | 16S | 33E | 628377 | 3640841* | |
| L 03789 | L | DOM | 3 | FOREST OIL COMPANY | LE | L 03789 | Shallow | | | 26 | 16S | 33E | 627788 | 3640216* | | |
| L 03909 | L | PRO | 0 | KREE-MCGEE OIL INDUSTRIES INC | LE | L 03909 | Shallow | | 3 | 1 | 25 | 16S | 33E | 628785 | 3640445* | |
| L 04260 | L | PRO | 0 | SHELL OIL COMPANY | LE | L 04260 | | | 2 | 1 | 35 | 16S | 33E | 627593 | 3639218* | |
| L 06072 | L | PRO | 0 | JOHNN DRILLING CO | LE | L 06072 | Shallow | | 3 | 4 | 23 | 16S | 33E | 627969 | 3641236* | |
| L 06222 | L | PRO | 0 | LOFFLAND BROTHER DRILLING CO | LE | L 06222 | Shallow | | 2 | 3 | 26 | 16S | 33E | 627582 | 3640022* | |
| L 06611 | L | STK | 3 | MCVAY DRILLING COMPANY | LE | L 06611 | Shallow | | 3 | 3 | 23 | 16S | 33E | 627063 | 3641121* | |
| L 10289 | L | PLS | 3 | CHARLES R. MARTIN, INC. | LE | L 10289 | Shallow | | 2 | 2 | 25 | 16S | 33E | 629987 | 3640869* | |
| L 10290 | L | PDL | 6 | CHARLES R. MARTIN, INC. | LE | L 10290 | | | 2 | 2 | 25 | 16S | 33E | 629987 | 3640869* | |

(R=POD has been replaced and no longer serves this file, (quarters are 1=NW 2=NE 3=SW 4=SE)
C=the file is closed) (quarters are smallest to largest) (NAD83 UTM in meters)

*UTM location was derived from PLSS - see Help

(R=POD has been replaced and no longer serves this file, (quarters are 1=NW 2=NE 3=SW 4=SE)
 C=the file is closed) (quarters are smallest to largest) (NAD83 UTM in meters)

(acre ft per annum)

Sub
 basin Use Diversion Owner

WR File Nbr County POD Number Code Grant Source 6416 4 Sec Twrs Rng X Y

Record Count: 17

POD Search:

POD Basin: Lea County

PLSS Search:

Section(s): 23, 24, 25, 26, Township: 16S Range: 33E
 35, 36

Sorted by: File Number



New Mexico Office of the State Engineer

Active & Inactive Points of Diversion

(with Ownership Information)

| WR File Nbr | Sub basin | Use | Diversion | Owner | County | POD Number | Code Grant | Source | q q q | | | X | Y | | | | |
|-------------------------|-----------|-----|-----------|--|--------|----------------------------|------------|---------|-------|---|-----|-----|-----|--------|----------|----------|--|
| | | | | | | | | | 6416 | 4 | Sec | | | Tws | Rng | | |
| L 03282 | L | PRO | 0 | WARREN & BRADSHAW DRILLING CO. | LE | L 03282 | | Shallow | 1 | 1 | 19 | 16S | 34E | 630369 | 3642484* | | |
| L 03306 | L | PRO | 0 | TENNASSEE GAS TRANSMISSION CO. | LE | L 03306 | | Shallow | 2 | 2 | 30 | 16S | 34E | 631521 | 3640897* | | |
| L 03476 | L | PRO | 0 | TENNESSE GAS TRANSMISSION CO | LE | L 03476 | | Shallow | 2 | 1 | 30 | 16S | 34E | 630717 | 3640882* | | |
| L 03477 | L | PRO | 0 | TENNESSEE GAS TRANSMISSION CO | LE | L 03477 | | Shallow | 3 | 3 | 2 | 30 | 16S | 34E | 631024 | 3640386* | |
| L 03529 | L | SRO | 825.7 | WORKING INTEREST OWNERS MALJAMAR COOPERATIVE AGREEMENT | LE | L 03529 | | Shallow | 4 | 3 | 2 | 30 | 16S | 34E | 631224 | 3640386* | |
| | | | | | LE | L 03529 S | | Shallow | 1 | 1 | 4 | 30 | 16S | 34E | 631030 | 3640184* | |
| | | | | | LE | L 03529 S2 | | Shallow | 4 | 4 | 4 | 19 | 16S | 34E | 631614 | 3641198* | |
| L 05298 | L | SAN | 3 | TENNECO OIL COMANY | LE | L 05298 | | Shallow | | 3 | 30 | 16S | 34E | 630606 | 3639870* | | |
| L 05382 | L | IND | 0 | EL PASO NATURAL GAS | LE | L 05382 | | | | 3 | 30 | 16S | 34E | 630606 | 3639870* | | |

(R=POD has been replaced
and no longer serves this file,
C=the file is closed)

(quarters are 1=NW 2=NE 3=SW 4=SE)

(quarters are smallest to largest) (NAD83 UTM in meters)

Record Count: 9

POD Search:

POD Basin: Lea County

PLSS Search:

Section(s): 19, 30, 31 Township: 16S Range: 34E

Sorted by: File Number

*UTM location was derived from PLSS - see Help

The data is furnished by the NMOSE/ISC and is accepted by the recipient with the expressed understanding that the OSE/ISC make no warranties, expressed or implied, concerning the accuracy, completeness, reliability, usability, or suitability for any particular purpose of the data.

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:**

**CASE NO. 14874
ORDER NO. R-13612**

**APPLICATION OF STAR OIL AND GAS COMPANY FOR
AUTHORIZATION TO INJECT, LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on June 25, 2012, at Santa Fe, New Mexico, before Examiner David K. Brooks.

NOW, on this 31st day of July, 2012, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

(1) Due notice has been given, and the Division has jurisdiction of the subject matter of this case.

(2) By this application, Star Oil and Gas Company ("Applicant") seeks authorization to convert the following existing oil well (the "subject well") to a commercial disposal well in the Wolfcamp formation (SWD-Wolfcamp Pool):

New Mex A Well No. 1
API No. 30-025-01268
1983 feet FSL & 2313 feet FWL
Unit K, Section 25, Twsp 16 South, Range 33 East, NMPM
Lea County, New Mexico

(3) Applicant proposes to inject produced water from various neighboring wells into the Wolfcamp formation through the existing perforations in the subject well at a depth interval from 10,720 to 10,808 feet below the surface.

(4) At the hearing, Applicant appeared through counsel and presented testimony and exhibits to the effect that:

(a) The subject well is an existing Wolfcamp producer that has become marginal. Current production is less than two barrels of oil and less than three mcf of gas per day.

(b) There is an existing disposal well injecting into the Wolfcamp in the immediate vicinity, which is Kenmore's New Mex A Well No. 2, located in Unit O of Section 25.

(c) There is a need for additional disposal capacity for produced water generated by producing wells in the geographical vicinity of the subject well.

(d) There are no active fresh water wells in the vicinity. Fresh water is encountered at 150 to 200 feet below the surface.

(e) The subject well has 13 3/8-inch surface casing set at 374 feet, with cement circulated to surface, 9 5/8-inch intermediate casing set at 4,547 feet, with cement circulated to surface, and 5 1/2-inch production casing set at 11,579 feet with top of cement identified by temperature survey at 4,500 feet.

(f) Injection will be accomplished through 2 7/8-inch internally plastic coated tubing, set in a packer inside the existing production casing. Applicant expects that the formation will take the expected volumes of water without injection pressure, but nevertheless seeks authorization to inject at pressures up to 2,200 psig surface injection pressure.

(g) The injected fluids will consist of produced water from various formations produced from wells in the vicinity. No fluid compatibility problems are anticipated.

(h) There are 23 wells producing from the Wolfcamp within two miles from the subject well. Two of these wells are within the one-half mile area of review. These wells evidence substantial depletion, and currently produce a total of approximately 55 barrels of oil per day and small amounts of casinghead gas. The wells within one-half mile of the subject well are producing 3 to 4 barrels of oil per day.

(i) Based upon the location of the subject well in the extreme West/Southwest (structurally low) portion of the pool, the depleted nature of this pool and a geological report admitted in evidence, injection into the subject wells will not adversely affect production from the existing Wolfcamp wells in the vicinity, and might, sometime in the indeterminate future, improve that production.

(j) There have been no secondary recovery efforts undertaken in this pool, and the operator of the existing Wolfcamp wells has specifically indicated that it has no intention of attempting secondary recovery. However, conversion of the subject well to injection, if it improved production from existing wells, could provide an indication whether or not there is potential for secondary recovery.

(k) In addition to the two producing wells, in the half-mile area of review (AOR) surrounding the subject well there is one disposal well (described in Finding paragraph 4(b) above) and two plugged and abandoned wells. The plugged wells appear to be properly plugged so that neither will serve as a conduit to allow injected fluids to flow out of zone or the surface.

(5) No other party appeared at the hearing or otherwise opposed the application. MGM Oil & Gas Company, the operator of all the producing Wolfcamp wells within two miles from the subject well, filed a letter expressly stating that it has no objection to the granting of the application.

The Division concludes that:

(6) Granting of this application will provide additional capacity for disposal of produced water, facilitating production of oil and gas from reservoirs in the vicinity of the subject well and thereby preventing waste, and will not impair correlative rights.

(7) The wells in the AOR appear to be adequately cased and cemented, so that none of them will become a conduit for the escape of injected fluid from the permitted injection formation. Accordingly no remedial work on wells in the AOR need be required.

(8) Applicant has certified in the Form C-108 filed in this case that available geologic and engineering data have been examined, and no evidence of open faults or hydrological connection between the disposal zone and any underground sources of drinking water has been found.

(9) Based on the foregoing, it appears that the granting of the application will not be harmful to human health or the environment.

(10) Accordingly, the application should be approved, and Applicant should be authorized to inject fluids at a surface injection pressure not to exceed 2,144 psi (.2 psi per foot of depth to the shallowest perforation). The Applicant may apply to the Division for a higher injection pressure upon satisfactorily demonstrating that an increase in injection pressure will not result in fracturing of the injection formation or confining strata.

IT IS THEREFORE ORDERED THAT:

(1) Star Oil and Gas Company ("Star" or "Operator") is hereby authorized to inject produced water for the purpose of disposal into the Wolfcamp formation (SWD-Wolfcamp Pool), at an injection interval from approximately 10,720 to 10,808 feet below the surface, through its New Mex A Well No. 1 (API No. 30-025-01268), located 1983 feet from the South line and 2313 feet from the West line (Unit K) of Section 25, Township 16 South, Range 33 East, NMPM, in Lea County, New Mexico.

(2) Operator shall take all steps necessary to ensure that the injected fluid enters only the injection interval and is not permitted to escape to other formations or onto the surface from injection, production, or plugged and abandoned wells.

(3) Injection shall be accomplished through internally plastic-lined steel tubing installed in a packer set in the casing below the top of the injection formation and within 100 feet of the uppermost injection perforations. The casing-tubing annulus shall be filled with an inert fluid, and a gauge or approved leak-detection device shall be attached to the annulus in order to detect leakage in the casing, tubing or packer.

(4) The well shall pass a mechanical integrity test prior to initial commencement of disposal and prior to resumption of disposal each time the disposal packer is unseated. All testing procedures and schedules shall conform to the requirements of Division Rule 19.15.26.11.A NMAC. The Division Director retains the right to require at any time wireline verification of completion and packer setting depths.

(5) The injection well shall be initially equipped with a pressure control device or acceptable substitute that will limit the surface injection pressure to no more than 2,144 psi.

(6) The Division Director shall have the authority to administratively authorize an increase in injection pressure upon a showing by the operator that such higher pressure will not result in fracturing of the injection formation or confining strata.

(7) The operator shall give at least 72 hours advance notice to the supervisor of the Division's Hobbs District Office of the date and time (i) injection equipment will be installed, and (ii) the mechanical integrity pressure tests will be conducted, so these operations may be witnessed.

(8) The operator shall provide written notice of the date of commencement of injection into each well to the Hobbs District Office of the Division.

(9) The operator shall immediately notify the supervisor of the Division's Hobbs District Office of the failure of the tubing, casing or packer in the subject well, or the leakage of water, oil, gas or other fluid from or around any producing or abandoned well within one-half mile of the injection well, and shall take all steps as may be timely and necessary to correct such failure or leakage.

(10) The Project shall be governed by applicable provisions of Division Rules 19.15.26.1 through 19.15.26.15 NMAC. The operator shall submit monthly reports of the injection operations on Division Form C-115, in accordance with Division Rule 19.15.7.24 NMAC.

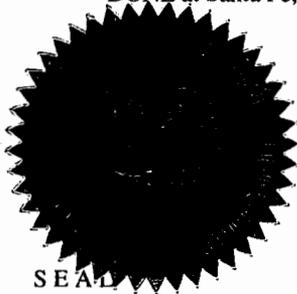
(11) In accordance with Division Rule 19.15.26.12(C), the injection authority granted herein shall terminate one year after the effective date of this order if the operator has not commenced injection operations; provided, however, the Division, upon written request by the Operator, may grant an extension for good cause.

(12) This Order does not relieve Operator of responsibility should its operations cause any actual damage or threat of damage to protectable fresh water, human health or the environment; nor does it relieve the operator of responsibility for complying with applicable Division rules or other state, federal or local laws or regulations.

(13) Upon failure of the operator to conduct operations (1) in such manner as will protect fresh water or (2) in a manner consistent with the requirements in this Order, the Division may, after notice and hearing, (or without notice and hearing in event of an emergency, subject to the provisions of NMSA 1978 Section 70-2-23), terminate the injection authority granted herein.

(14) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

JAMI BAILEY
Director

SEAL