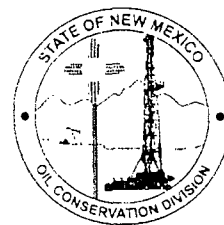


New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Joanna Prukop
Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



September 9, 2009

Mr. David A. Pyatt
Liquid Resource Services, LLC
1819 N. Turner, Suite B
Hobbs, NM 88240

Re: Administrative Order SWD-121 Hobbs State Well No. 3 API No. 30-025-23621
990 FNL, 1830 FEL, Sec 29, T18S, R38E, NMPM, Lea County
San Andres formation permitted disposal depths: 5144 to 5170 perforated

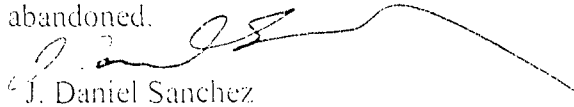
The Division issued Administrative Order SWD-121 on June 22, 1971, allowing this well to be used for disposal into the San Andres from 5144 to 5170. That order was issued after a demonstration of compliance with State rules governing injection and disposal.

On January 3, 2001, after a workover to repair corroded casing, 4136 feet of 2-3/8 inch, injection tubing was installed and the well returned to disposal. That report said "bad pipe" exists below 4150 feet. If this report is correct, this well is disposing of water out of the permitted depth range and must be shut-in or re-permitted to dispose from 4136 to 5170. If Liquid Resources contends this data is not correct or up to date, then it must run an elog - witnessed by the Hobbs OCD inspectors - from TD to surface showing the condition of the casing and actual location of the packer and tubing.

Liquid Resource Services must make application to the Division on form C-108 (application to inject) including sending notices to all affected parties, demonstrating that all area wells are adequately cemented over the proposed interval, and providing evidence that oil and gas reserves will not be adversely affected by this proposed disposal interval.

If Liquid Resource Services does apply for this revised disposal interval and a permit is NOT granted for whatever reason, Liquid Resource Services will have to cease injection into this well and if the well cannot be used for other purposes, it must be plugged.

Please submit a revised C-108 to this office by October 15, 2009. If Liquid Resource Services does not apply for the revised disposal permit by this date, the Division will enter a case before an examiner asking for this well to be plugged and abandoned.


J. Daniel Sanchez
Compliance and Enforcement Manager

Cc: Oil Conservation Division - Hobbs
State Land Office - Oil, Gas, and Minerals Division. and File: SWD-121

