STATE OF NEW MEXICO ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION 2040 SOUTH PACHECO SANTA FE, NEW MEXICO 87505

4/21/00 FORM C-108 Revised 4-1-98

SWD

APPLICATION FOR AUTHORIZATION TO INJECT

| I. | PURPOSE: Secondary Recovery Pressure Maintenance X Disposal Storage Application qualifies for administrative approval? X Yes No |
|-------------------|---|
| / п. | OPERATOR: Saga Petroleum LLC |
| | ADDRESS:415 W. Wall, #835, Midland, TX 79701 |
| | CONTACT PARTY: Joe Clement PHONE: 915-684-4293 |
| ₩ 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. |
| ر 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. |
| UI. | 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. |
| ^U 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: Joe N. Clement TITLE: New Mexico Engineer |
| | SIGNATURE: A Clement DATE: 32800 |
| * | 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: |

III. WELL DATA

- A. The following well data must be submitted for each injection well covered by this application. The data must be both in tabular and schematic form and shall include:
 - (1) Lease name; Well No.; Location by Section, Township and Range; and footage location within the section.
 - (2) Each casing string used with its size, setting depth, sacks of cement used, hole size, top of cement, and how such top was determined.
 - (3) A description of the tubing to be used including its size, lining material, and setting depth.

(4) The name, model, and setting depth of the packer used or a description of any other seal system or assembly used.

Division District Offices have supplies of Well Data Sheets which may be used or which may be used as models for this purpose. Applicants for several identical wells may submit a "typical data sheet" rather than submitting the data for each well.

- B. The following must be submitted for each injection well covered by this application. All items must be addressed for the initial well. Responses for additional wells need be shown only when different. Information shown on schematics need not be repeated.
 - (1) The name of the injection formation and, if applicable, the field or pool name.
 - (2) The injection interval and whether it is perforated or open-hole.
 - (3) State if the well was drilled for injection or, if not, the original purpose of the well.
 - (4) Give the depths of any other perforated intervals and detail on the sacks of cement or bridge plugs used to seal off such perforations.
 - (5) Give the depth to and the name of the next higher and next lower oil or gas zone in the area of the well, if ny.
- XIV. PROOF OF NOTICE

All applicants must furnish proof that a copy of the application has been furnished, by certified or registered niail, to the owner of the surface of the land on which the well is to be located and to each leasehold operator within one-half mile of the well location.

Where an application is subject to administrative approval, a proof of publication must be submitted. Such proof shall consist of a copy of the legal advertisement which was published in the county in which the well is located. The contents of such advertisement must include:

- (1) The name, address, phone number, and contact party for the applicant;
- (2) The intended purpose of the injection well; with the exact location of single wells or the Section, Township, and Range location of multiple wells;
- (3) The formation name and depth with expected maximum injection rates and pressures; and,

(4) A notation that interested parties must file objections or requests for hearing with the Oil Conservation Division, 2040 South Pacheco, Santa Fe, New Mexico 87505, within 15 days.

NO ACTION WILL BE TAKEN ON THE APPLICATION UNTIL PROPER PROOF OF NOTICE HAS BEEN SUBMITTED.

NOTICE: Surface owners or offset operators must file any objections or requests for hearing of administrative applications within 15 days from the date this application was mailed to them.

Aztec State Com #2 660' FNL & 660' FEL Unit A, Sec. 26-T13S-R32E Lea County, New Mexico

Application for Authorization to Inject

- VI. Attached is a tabulation of all wells of public record that fall within the ½ mile radius of the proposed SWD well, the Aztec State Com #2. This investigation has further shown that all these wells have a good cement seal around their casing shoe and will therefore prevent the upward migration of the disposed water into any potable water zone. The Aztec State Com #2 was swab tested in October, 1999, and failed to produce any hydrocarbons.
- VII. The proposed average daily injection rate for the subject well is 1,000 BWPD; the maximum daily injection rate would be 2,000 BWPD. This will be a closed system with an average pressure of zero and a maximum pressure of 1000 psi. Only produced Bough water will be injected in the proposed well, so incompatibility will not be a problem.
- VIII. The injection zone is a limestone, a part of the Bough formation. The top of the Bough "A" in this well is at 9466', and is approximately 400' thick. The zone has been selectively perforated from 9742' - 9800', a part of the Bough "D" formation. The main source of drinking water in this area comes from the Ogallala formation, the base of which is at 140'. There are no known sources of drinking water underlying the injection interval.
- IX. After casing integrity testing, the well will be stimulated with 1000 gallons of 15% NEFE HCI and ball sealers.
- X. Log and test data is on file with the Division.
- XI. Attached is an analysis of the water from a water well approximately 1 mile east of the proposed disposal.
- XII. Saga Petroleum LLC has examined the available geologic and engineering data and can find no evidence of open faults or any other hydrologic connection between the disposal zone and any underground source of drinking water.
- XIII. The required "Proof of Notice" is attached.

| OPERATOR: Saga Petroleum | LOCATION: Sec. 26, T13S, R32E, Lea County, NM |
|---------------------------|---|
| LEASE: Aztec State Com #2 | Unit A, 660' FNL & 660' FEL |

<u>336</u> " casing set at <u>360</u> ' with <u>400</u> sx of cement. Hole Size: 17 1/2 ". TOC @ <u>Surface</u> by circ. 1 1 4 4 4 4 4 5 K 1 4 1 المريخين في الألافية المريخين المريخين. المريخين في المريخين المريخين المريخين المريخين المريخين المريخين المريخ <u>9</u>⁵/₈ " casing set at <u>4060</u> ' with <u>200</u> sx of cement. Hole Size: _____. TOC @ 3281 by calc ... Perfs - 9743 - 9799' $5\frac{12}{2}$ " casing set at 10315' with 425 sx of cement. Hole Size: 7% ". TOC @ 8725' by calc.

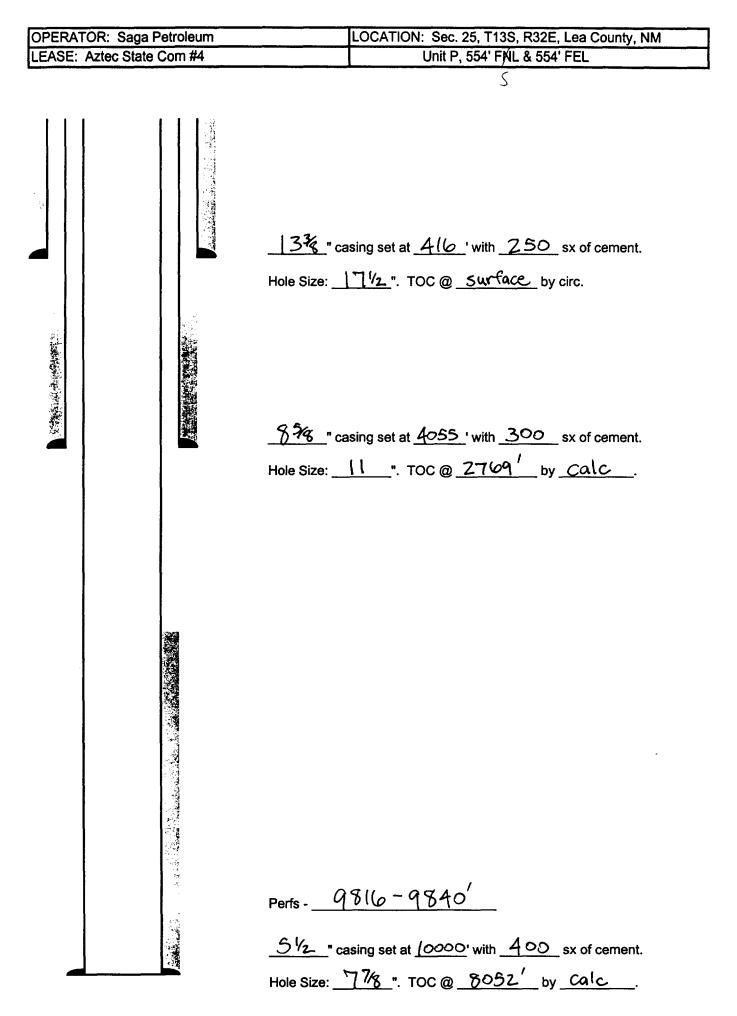
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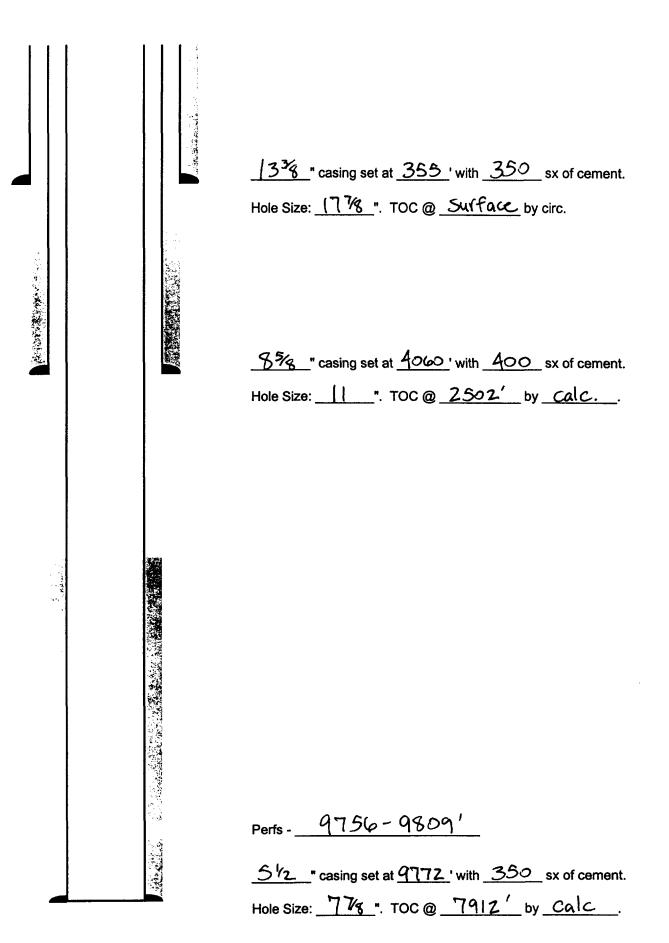
Offset wells to the Aztec State Com #2

| | Well | Location | Surface Casing | Inter. Casing | Prod. Casing | TD | Completions | P&A |
|----------|--------------------|----------------------|---------------------|----------------------|----------------------|--------|-------------|-----------|
| <u> </u> | | Sec. 24-T13S-R32E | 11 3/4" @ 415 | 8 5/8" @ 3960' | 5 1/2" @ 10000' | | | P.V/d |
| | State 24 #1 | Unit M | Cmt. w/ 400 sx | Cmt w/ 400 sx | Cmt w/ 500 sx | 10000' | 9780-9789' | Schematic |
| | Spud 3/1/69 | 660' FSL & 660' FWL | TOC @ surf by circ. | TOC @ 2780' by TS | TOC @ 7910' by TS | | - | Attached |
| | | Sec. 23-T13S-R32E | 13 3/8" @ 412' | 8 5/8" @ 3990' | 5 1/2" @ 10003' | | 9754-9765 | P.V/d |
| `` | NM State JJ #1 | Unit O | Cmt. w/ 375 sx | Cmt w/ 920 sx | Cmt w/ 250 sx | 10003' | 9781-9796' | Schematic |
| | Spud 3/6/69 | 660' FSL & 1980' FEL | TOC @ surf by circ. | TOC @ 550' by TS | TOC @ 8320' by TS | | 9798-9845' | Attached |
| L | | Sec. 26-T13S-R32E | 13 3/8" @ 380' | 8 5/8* @ 4060 | 5 1/2" @ 10315' | | | _ |
| AU > | Aztec State Com #2 | Unit A | Cmt. w/ 400 sx | Cmt w/ 200 sx | Cmt w/ 425 sx | 10315 | 9743-9799' | |
| | Spud 1/4/69 | 660' FNL & 660' FEL | TOC @ surf by circ. | TOC @ 3281' by calc. | TOC @ 8725' by calc. | | | |
| L | | Sec. 26-T13S-R32E | 13 3/8" @ 391' | 8 5/8" @ 4050' | | | | P/A'd |
| 5 | Aztec State #3 | Unit I | Cmt. w/ 400 sx | Cmt w/ 300 sx | N/A | 9666 | | Schematic |
| | Spud 2/12/69 | 1980' FSL & 660' FEL | TOC @ surf by circ. | TOC @ 2882' by calc. | | | | Attached |
| | | Sec. 25-T13S-R32E | 13 3/8" @ 416' | 8 5/8" @ 4055' | 5 1/2" @ 10000' | | | |
| 100 | Aztec State Com #4 | Unit P | Cmt. w/ 250 sx | Cmt w/ 300 sx | Cmt w/ 400 sx | 10000' | 9816-9840' | |
| < | Spud 6/20/70 | 554' FSL & 554' FEL | TOC @ surf by circ. | TOC @ 2769' by calc. | TOC @ 8052' by calc. | | | |
| L | | Sec. 26-T13S-R32E | 13 3/8" @ 355' | 8 5/8" @ 4060' | 5 1/2" @ 9772' | | | |
| > | Aztec State Com #5 | Unit C | Cmt. w/ 350 sx | Cmt w/ 400 sx | Cmt w/ 350 sx | 9773' | 9756-9809' | |
| | Spud 4/15/69 | 660' FNL & 1980' FWL | TOC @ surf by circ. | TOC @ 2502' by calc. | TOC @ 7912' by calc. | | | |

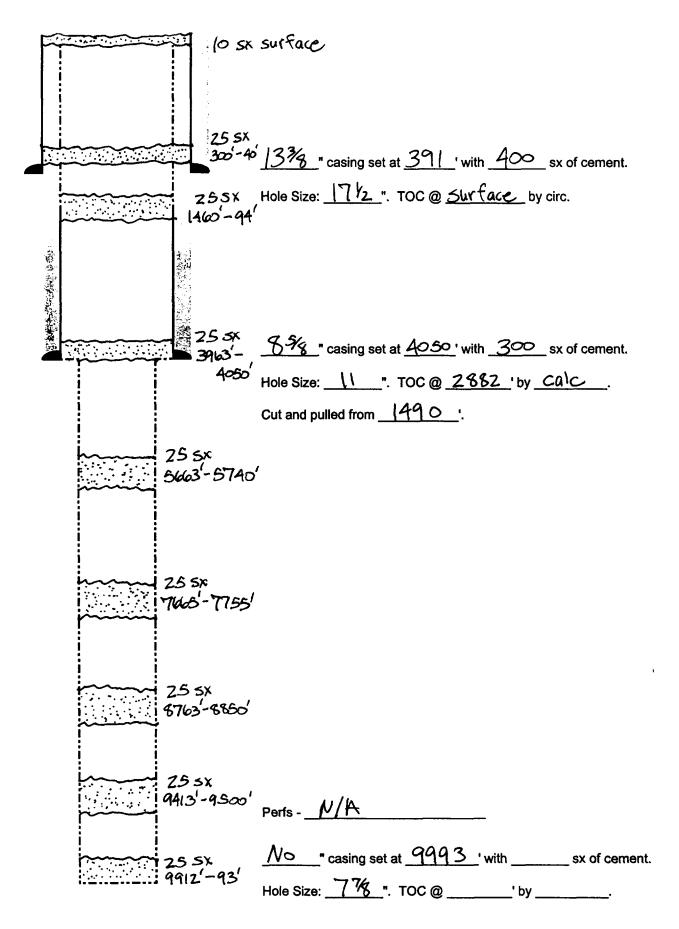
Exhibit 1



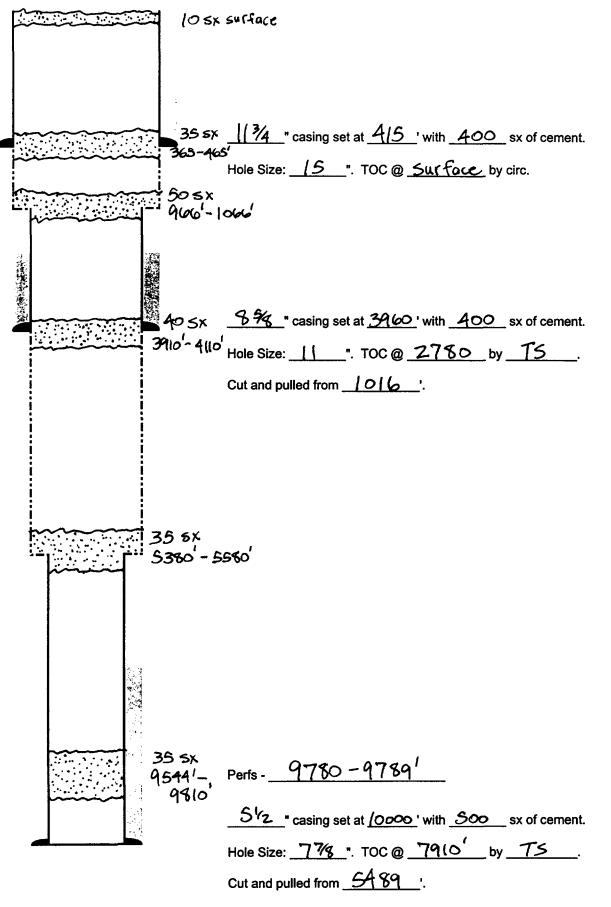
| OPERATOR: Saga Petroleum | LOCATION: Sec. 26, T13S, R32E, Lea County, NM |
|---------------------------|---|
| LEASE: Aztec State Com #5 | Unit C, 660' FNL & 1980' FWL |



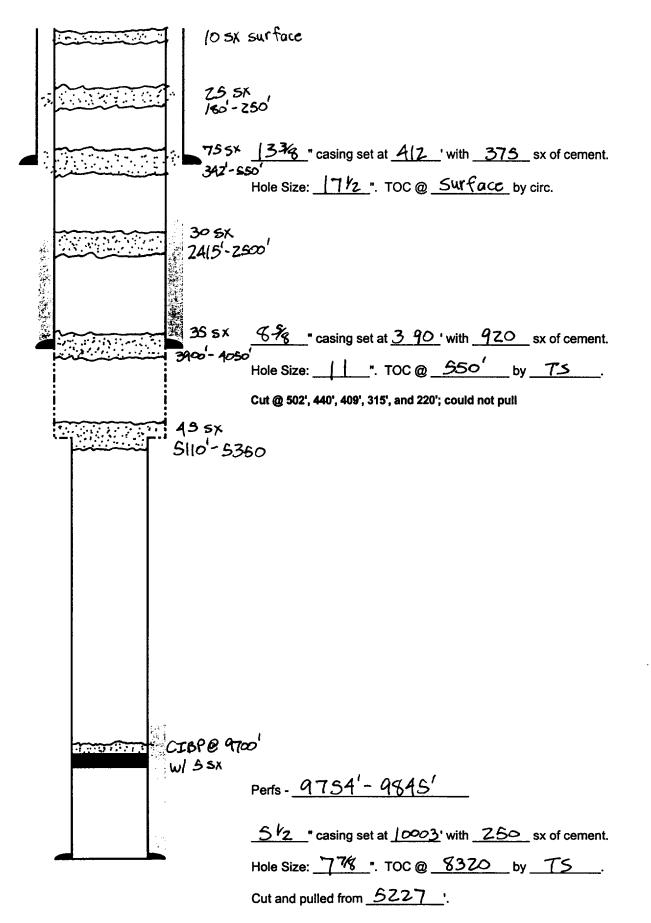
| OPERATOR: Robert B. Holt | LOCATION: Sec. 26, T13S, R32E, Lea County, NM |
|--------------------------|---|
| LEASE: Aztec State #3 | Unit I, 1980' FSL & 660' FEL |



| OPERATOR: Union Texas | LOCATION: Sec. 24, T13S, R32E, Lea County, NM |
|-----------------------|---|
| LEASE: State "24" #1 | Unit M, 660' FSL & 660' FWL |



| OPERATOR: Sun Oil | LOCATION: Sec. 23, T13S, R32E, Lea County, NM |
|---------------------------------|---|
| LEASE: New Mexico "JJ" State #1 | Unit O, 660' FSL & 1980' FEL |



MCI CHEMICALS and CONSULTING

MILLER CHEMICALS, INC.

Post Office Box 298 Artesia, N.M. 88211-0298 (505) 746-1919 Artesia Office (505) 393-2893 Hobbs Office (505) 746-1918 Fax

WATER ANALYSIS REPORT

| Company Address Lease Well Sample | : : EAST WATER WELL : l | Date : 3-22-04 Date Sampled : 3-21-04 Analysis No. : | - |
|---|----------------------------------|--|---------|
| | ANALYSIS | mg/L | * meg/L |
| ٦ | рн 7.5 | | *** |
| 1. | H2S 0 | | |
| 3. | Specific Gravity 1.001 | | |
| 4. | Total Dissolved Solids | 1009.9 | |
| 5. | Suspended Solids | NR | |
| 6. | Dissolved Oxygen | NR | |
| 7. | Dissolved CO2 | NR | |
| 8. | Oil In Water | NR | |
| 9. | Phenolphthalein Alkalinity (CaC | 03) | |
| 10. | Methyl Orange Alkalinity (CaCO3) |) | |
| 11. | Bicarbonate H | CO3 146.0 HCO3 | 2.4 |
| 12. | Chloride C. | 1 380.0 Cl | 10.7 |
| 13. | Sulfate SC | O4 150.0 SO4 | 3.1 |
| 14. | Calcium Ca | a 120.0 Ca | 6.0 |
| 15. | Magnesium Me | g 24.4 Mg | 2.0 |
| 16. | Sodium (calculated) Na | a 189.5 Na | 8.2 |
| 17. | Iron Fe | e 0.0 | |
| 18. | Barium Bi | a 0.0 | |
| 19. | Strontium S: | r 0.0 | |
| 20. | Total Hardness (CaCO3) | 400.0 | |

PROBABLE MINERAL COMPOSITION

| | | - | | |
|------------------------------------|-------------|----------|---------|--------|
| *milli equivalents per Liter | Compound | Equiv wt | X meq/L | = mg/L |
| ++ ++ | | | | |
| 6 +Ca < +HCO3 2 | Ca (HCO3)2 | 81.0 | 2.4 | 194 |
| /> | CaSO4 | 68.1 | 3.1 | 213 |
| 2 *Mg> *SO4 3 | CaCl2 | 55.5 | 0.5 | 26 |
| < | Mg (HCO3) 2 | 73.2 | | |
| 8 *Na> *Cl 11 | MgSO4 | 60.2 | | |
| ++ ++ | MgC12 | 47.6 | 2.0 | 95 |
| Saturation Values Dist. Water 20 C | NaHCO3 | 84.0 | | |
| CaCO3 13 mg/L | Na2SO4 | 71.0 | | |
| CaSO4 * 2H2O 2090 mg/L | NaCl | 58.4 | 8.2 | 482 |
| BaSO4 2.4 mg/L | | | | |

REMARKS:

AFFIDAVIT OF PUBLICATION

State of New Mexico, County of Lea.

I, KATHI BEARDEN

Publisher

of the Hobbs News-Sun, a newspaper published at Hobbs, New Mexico, do solemnly swear that the clipping attached hereto was published once a week in the regular and entire issue of said paper, and not a supplement thereof for a period.

of _____1

weeks.

____ 2000

Beginning with the issue dated

March 7 2000 and ending with the issue dated

March 7

Publisher Sworn and subscribed to before

me this <u>7th</u> day of

March

____ 2000

Honson

Notary Public.

My Commission expires October 18, 2000 (Seal)

This newspaper is duly qualified to publish legal notices or advertisements within the meaning of Section 3, Chapter 167, Laws of 1937, and payment of fees for said publication has been made.

02101450000 02535885

Saga Petroleum 415 W. Wall St. Suite 835 Midland, TX 79701

LEGAL NOTICE March 7, 2008 NOTICE OF PRODUCED WATER DISPOSAL WELL Saga Petroleum Limited Lia bility Co. of Colorado, 415 W Wall, Suite 835, Midland, Texas 79701, 915-684-4293, contact Joe N. Clement, has anade application for a produced water disposal well with the New Mexico Oil Conservation Commission, The well, known as the Artic State Com #2, is located FNL and 660, FEL, Sec T13S-R32E, Les Com New Mexical Disposal into the Baline Upper zone through perfor from 9,743'-9,799". rate and pressure i edito be 1,000 B 1000 PSI. Inten must life obje Division Santa Fe. N within litteen (15) da notice 232 #17244

Aztec State Com #2 660' FNL & 660' FEL Unit A, Sec. 26-T13S-R32E Lea County, New Mexico

Offset Operators

Mobil PO Box 633 Midland, TX 79702

Read & Stevens PO Box 1518 Roswell, NM 88201

C.L. House 401 W. Texas Midland, TX 79701

Robert B. Holt 6 Desta Drive, #6400 Midland, TX 79705

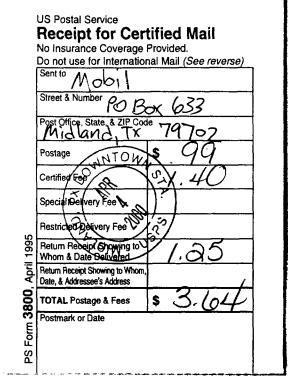
| Z 558 Dl5 7 | 167 | |
|-------------|-----|--|
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US Postal Service Receipt for Certified Mail No Insurance Coverage Provided. Do not use for International Mail (See reverse) Sent to obr 0 Street & Numbe Drive 400 6 Desta Post Office, State, & ZIP Code Midland 05 Postage \$ **Certified Fee** C Special Delivery NN ST O Restricted Deliver Fee ٢Û April 1995 Return Receip Sheaving to Whom & Dette Define red Return Rec Ai ing to Wh Date, & Addr ada Form **3800**. TOTAL Postage & Peter Postmark or Date R

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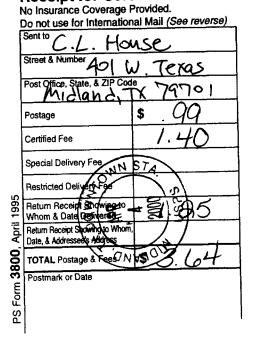
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US Postal Service Receipt for Certified Mail



5WD-773



STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION HOBBS DISTRICT OFFICE

4/12/00

GOVERNOR

POST OFFICE BOX 1980 HOBBS, NEW MEXICO 88241-1980 (505) 393-6161

OIL CONSERVATION DIVISION P. O. BOX 2088 SANTA FE, NEW MEXICO 87501

RE: Proposed:

| MC | | |
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Gentlemen:

I have examined the application for the:

Petroleum LPCo Hater State Con #2-A. 26-135-32e Lease & Well No. Unit S-T-R UP1# 30.025-22931

and my recommendations are as follows:

Yours very truly,

N

Chris Williams Supervisor, District 1

/ed