

**HINKLE, HENSLEY, SHANOR & MARTIN, L.L.P.**

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WRITER:

Kelcey C. Nichols  
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September 19, 2008

*Hand-delivered*

Richard Ezeanyim  
New Mexico Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, NM 87505

2008 SEP 19 PM 4 10  
RECEIVED

Re: Case No. 14136 and 14178 / Mesquite SWD, Inc. OGRID 161968 / Exxon State No. 8  
(30-015-22055)

Dear Mr. Ezeanyim:

During our Pre-Hearing Conference on Monday, you mentioned you had not received the attachments to Mesquite's Motion to Quash. I have attached a copy of the motion and all exhibits for your records.

Very truly yours,

Kelcey C. Nichols

cc: Sonny Swazo  
Clay Wilson  
David and Anita Perini  
Cindy Perini  
Kay Havenor, Ph.D.

APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION, THROUGH THE ENFORCEMENT AND COMPLIANCE MANAGER, FOR A COMPLIANCE ORDER AGAINST MESQUITE SWD, INC. PENDING MESQUITE'S AUTHORITY TO INJECT INTO THE EXXON STATE NO. 8 UNDER ORDER SWD-180 UNTIL MESQUITE SHOWS THAT THE INJECTED FLUIDS ARE NOT ESCAPING TO UNAUTHORIZED INJECTION ZONES; REQUIRING COMPLIANCE WITH ORDER NO. SWD-180 AND RULE 19.15.9.703 NMAC AND REQUEST FOR EXPEDITED HEARING; EDDY COUNTY, NEW MEXICO

Case No. 14136

IN THE MATTER OF MESQUITE SWD, INC.'S APPLICATION NO. PKVR0817936301 TO AMEND PERMIT SWD-180

Case No. 14178

**REPLY TO OIL CONSERVATION DIVISION'S RESPONSE IN OPPOSITION TO MESQUITE SWD, INC.'S MOTION TO QUASH EMERGENCY ORDER NO. E-37**

Mesquite SWD, Inc. ("Mesquite") hereby responds to the New Mexico Oil Conservation Division's ("NMOCD's) Response in Opposition to Mesquite SWD, Inc.'s Motion to Quash Emergency Order No. E-37 ("Response"). In support of its Reply, Mesquite states:

**I. Introduction**

The NMOCD issued Emergency Order No. E-37 on May 9, 2008, shutting in the Exxon State No. 8 well due its operation in alleged violation of "Order No. SWD-180 and 19.15.9.703 A & B NMAC." **Emergency Order No. E-37, ¶ 6.** However, Emergency Order No. ER-37 disregarded the NMOCD amendment to Order No. SWD-180 in 1977, whereby an approved Application to Drill ("APD") authorized the Exxon State No. 8 to be drilled to a depth of 700 feet. Because amended Order No. SWD-180 allows the Exxon State No. 8 to dispose of salt water at a depth not to exceed 700 feet, no legal basis supports Emergency Order No. E-37.

The Response attempts to create a *post hoc* valid legal basis for the improvidently entered Emergency Order No. E-37. Yet nowhere does Emergency Order No. E-37 mention, let alone

discuss, any inactivity or lapse in the operation of the Exxon State No. 8 that would terminate the authority for the Exxon State No. 8 to inject salt water.

## II. Legal standard

A legal order that lacks a valid legal basis should be quashed. *See, State v. Heinsen, 2005-NMSC-35, ¶s 2, 4-5, 138 N.M. 441, 444-445* (affirming the quash of a order granting an appeal based on a non-appealable, non-final order); *Charles P. Young, Co. v. Anaya, 119 N.M. 449, 451; 891 P.2d 1203, 1205 (1995)* (affirming the quash of improperly issued subpoenas). The NMOCD bears the burden of showing that Mesquite has violated a specific rule of law or administrative regulation that supports Emergency Order No. E-37. *See, 19.15.14.1227(B) NMAC* (The NMOCD may seek a compliance proceeding “for violation of... any rule or order” issued pursuant to the Oil and Gas Act.); *19.15.14.1227(C)(2) NMAC* (“The division initiates an administrative compliance proceeding by filing a written application with the division clerk... identifying the Provisions of the Oil and Gas Act, NMSA 1978, Sections 70-2-1 through 70-2-38, or the provision of the rule or order issued pursuant to the act, allegedly violated.”). Just as a defendant in a civil action must be informed of the plaintiff’s claims, so must the NMOCD inform an operator subject to an NMOCD emergency order of the specific rule or law that supports the order. *See, NMSA 1978 § 70-2-23* (The NMOCD is required to give a party reasonable notice before holding a hearing or issuing an order.); *19.15.14.1227(C)(2) NMAC; Johnson v. State Oil Conservation Comm’n, 1999-NMSC-021, ¶17, 127 N.M. 120, 124* (voiding an order entered by the Oil Conservation Commission for failure to provide adequate notice under the agency rules); *Rule 1-008 NMRA 2008* (A complaint must set forth a short and plain statement of the claim.); *Valles v. Silverman, 2004-NMCA-19, ¶ 18, 135 N.M. 91, 97 (N.M. Ct. App. 2003)* (A party is entitled to know the basis of the claim against it).

Due process and the NMOCD rules require: (1) that the NMOCD provide Mesquite with sufficient notice of the alleged violations that support Emergency Order No. E-37, and (2) that a valid legal basis supports Emergency Order No. E-37. *See, NMSA 1978 § 70-2-23; Johnson, 1999-NMSC-021, ¶17, 127 N.M. at 124.*

## II. Argument

### A. The NMOCD's *Post Hoc* Attempt to Support Emergency Order No. E-37 Is Invalid.

The NMOCD bears the burden of demonstrating that a valid legal basis supports Emergency Order No. E-37. *See, 19.15.14.1227(B) NMAC; 19.15.14.1227(C)(2) NMAC.* The NMOCD stated in Emergency Order No. E-37 that Mesquite violated rules 19.15.9.703(A) & (B) NMAC. **Emergency Order No. 37, ¶ 6.** More than three months later, in response to Mesquite's Motion to Quash, the NMOCD now states that Mesquite violated a completely different rule, 19.15.9.705(C) NMAC, and that the Exxon State No. 8 well was shut-in due to inactivity. ***See, Response, Section I, p. 2.*** New Mexico law prohibits the NMOCD from changing the legal basis of its emergency order five days before the scheduled hearing on Emergency Order No. E-37. *See, NMSA 1978 § 70-2-23.* To allow the NMOCD to assert this *post hoc* argument against Mesquite now would violate Mesquite's due process rights because Mesquite has not been provided with adequate notice of this alleged violation. *See, NMSA 1978 § 70-2-23; Johnson, 1999-NMSC-021, ¶17, 127 N.M. at 124.*

Furthermore, the NMOCD's allegations regarding inactivity of the Exxon State No. 8 between 1994 thorough 1997, and March 2005 through March 2006 are inaccurate. The wells surrounding the Exxon State No. 8, including the Exxon State No. 3, use the Exxon State No. 8 as a salt water disposal well. Mesquite has attached production well records from the Exxon State No. 3, which used the Exxon State No. 8 as a salt water production well between 1994 through 1997. *See, Ex. A.* Mesquite has also attached production receipts from Plains

Marketing, LP, for April, May and July of 2005. *See, Ex. B.* Plains Marketing, LP, could not produce oil without using the Exxon State No. 8 to dispose of its salt water. A notice for a mechanical integrity test on the Exxon State No. 8, and a Form C-115 for April 2006 further show that the Exxon State No. 8 was active between March 2005 through March 2006. *See, Ex. 3 and Ex. D.*

Additionally, the NMOCD's contention that the Exxon State No. 8's authority to inject salt water automatically terminated conflicts with the NMOCD's rules. The NMOCD rules prohibit a new operator from commencing operations "until the division approves the application for change of operator." **19.15.3.100(E)(2) NMAC.** As a practical matter, some period of inactivity will occur when a salt water disposal well is sold and the operators change because the new operator must wait for approval from the NMOCD before operating the well. *See, id.* Mr. Clay Wilson purchased the Exxon State No. 8 salt water disposal well and filed a Change of Operator, Form C-105A, with the NMOCD on December 1, 2005. *See, Ex. E, Form C-104A.* The NMOCD did not approve this Change of Operator form until April 25, 2006. *See, id.* The NMOCD rules prohibited Mr. Wilson from operating the Exxon State No. 8 before the NMOCD approved Mr. Wilson as a new operator. *See, 19.15.3.100(E)(2) NMAC.* Thus, Mr. Wilson cannot be penalized for any inactivity of that occurred between December 1, 2005 and April 25, 2006 as the NMOCD rules prohibited him from operating the well. *See, id.*

The NMOCD's actions further undermine its *post hoc* argument. Emergency Order No. E-37 expressly recognizes the Exxon State No. 8's authority to inject at a depth of up to 600 feet under Order No. SWD-180. **Emergency Order No. E-37, ¶ 2.** Presumably, if the Exxon State No. 8's authority to inject automatically terminated *ispo facto*, all injection authority would terminate, not just the authority to inject to from 601 to 700 feet. Additionally, the NMOCD has

visited the Exxon State No. 8 annually and never before raised the issue of inactivity, just as it does not raise this issue in Emergency Order No. E-37. The NMOCD's allegation that the Exxon State No. 8's authority to inject automatically terminated is nothing more than a misplaced attempt to gin up a valid legal basis for Emergency Order No. E-37. Notably, the NMOCD has failed to produce any information showing that the Exxon State No. 8's authority to inject automatically terminated or was revoked. In contrast, the NMOCD's records show that the NMOCD continued to approve forms and orders, including Mr. Wilson's Change of Operator form, years after the alleged lapse.

The NMOCD's *post hoc* legal theory is unsupported by the New Mexico law and the NMOCD's rules. Moreover, the NMOCD failed to provide proper notice of its allegations to Mesquite in direct contravention of the NMOCD rules and due process requirements. *See, NMSA 1978 § 70-2-23; 19.15.14.1227(B) NMAC; 19.15.14.1227(C)(2) NMAC; Johnson, 1999-NMSC-021, ¶17, 127 N.M. at 124.*

**B. The Approved Application for Permit to Drill, which Amended Order No. SWD-180, Did Not Expire.**

The Commission approved Mr. Rains' Application for Permit to Drill the Exxon State No. 8 on February 15, 2008. **Ex. A to Motion to Quash.** The Approved Application for Permit to Drill ("APD") bears a stamp stating that "Approval valid for 90 days unless drilling commenced, expires 5-18-77." *Id.* Mr. Rains submitted a Application to Drill for the Exxon State No. 8, on May 24, 1977, stating he proposed to commence drilling the well on May 23, 1977 to a depth of 700 feet. *Id.* Under New Mexico law, any activities made in preparation of drilling are sufficient for the commencement of drilling. *See, Johnson v. Yates Petroleum, Corp., 1999-NMCA-66, ¶11, 127 N.M. 355, 358* ("[A]ny activities in preparation for, or incidental to, drilling a well are sufficient" to constitute the commencement of drilling

operations.); *see also*, **Williams & Meyers, Oil and Gas Law § 618 (2007)** (“[I]n general it appears that the courts have been ready to find the commencement of operations (or the pursuit of drilling operations) where only the most modest preparations for drilling have been made.”) Thus, because Mr. Rains prepared to commence drilling on May 23, 2007 and made preparations in advance of that date, the approval did not expire on May 18, 1977. *See, Yates Petroleum, Corp., 1999-NMCA-66, ¶11, 127 N.M. at 358.*

The Commission’s continued approval and understanding that amended Order No. SWD-180 allowed Mr. Rains to drill to 700 feet is shown by its subsequent approval of sundry notices and acceptance of the well completion report. After approving the sundry notice allowing Mr. Rains to commence drilling on May 26, 1977, the Commission approved two additional sundry notices with the knowledge that the Exxon State No. 8 would be drilled to a depth of 700 feet. *See, Exs. F and G, Sundry Notices.* Then, on November 28, 1977, the Commission approved a sundry notice stating that the Exxon State No. 8 had been “drilled to depth of 694” feet. **Ex. E to Motion to Quash.** The Commission also accepted the Well Completion Report showing that the Exxon State No. 8 had been completed to a dept of 694 feet. *See, id.* In contrast, the NMOCD has offered no evidence in support of its theory that the approval granted under Mr. Rains’ APD expired. The current Rule 1101 provides that, if the NMOCD denies an APD, the Form C-101 will be returned to the “applicant with the cause for rejection stated thereon.” **19.15.13.1101(C) NMAC.** Although this rule has likely changed since 1977, if the approval of Mr. Rains’ APD had expired, the NMOCD records would show that Mr. Rains was prohibited from drilling the Exxon State No. 8 to 700 feet. The reverse is true: the NMOCD records show approval after approval allowing Mr. Rains to drill and complete the Exxon State No. 8 to a depth of 700 feet. Consequently, the NMOCD has failed to support its position that the approval of the APD lapsed

or was otherwise revoked.

**C. The NMOCD Response Misstates and Misunderstands the Results of the Tracer Survey.**

The tracer survey conducted on the Exxon State No. 8 shows that the bottom depth of the logging tool was 690 feet, four feet short of the bottom of the Exxon State No. 8. The logger's comment that he observed injection fluid going past the total depth must be read in the context of the depth observable to the logger: 690 feet. Contrary to the NMOCD's assertion, the logger could not observe fluid moving past 694 feet *because he could only observe to 690 feet*. Sediment and cavings from the well accumulate in the bottom of the hole naturally and stop the descent of the logging tool. Although this material prevents the logging tool from reaching the bottom of the hole, the material is permeable and gravity will cause water to flow toward the bottom of the hole. Notably, Mr. Rains' driller's log shows that Mr. Rains stopped drilling after penetrating ten feet of vuggy dolomite. *See, Application, Attachment 3, Expert report Regarding Assessment of the Geological Structure and Stratigraphy and Hydrogeological Setting of the Mesquite Exxon State No. 8 Salt Water Disposal and Other Wells, p. 18-19.* Mr. Rains likely encountered a dense dolomite that resisted penetration. *See, id.* Therefore Mr. Rains could not have drilled the well deeper than 694 feet. *See, id.*

The NMOCD's conclusions are based on a misunderstanding of the tracing test and do not provide a legal basis for Emergency Order No. E-37.

**III. Conclusion**

For the reasons stated herein, Mesquite requests that that the Division Examiner enter an order quashing Emergency Order No. E-37 and allow the Exxon State No. 8 to operate pursuant to Order SWD No. 180, as amended and modified by the NMOCD on February 18, 1977.

Respectfully submitted,

HINKLE, HENSLEY, SHANOR & MARTIN, LLP



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Kelcey C. Nichols  
Post Office Box 2068  
Santa Fe, NM 87504-2068  
505.982.4554

*Attorneys for Applicant Mesquite SWD, Inc.*

**CERTIFICATE OF SERVICE**

I hereby certify that on this on this 15th day of September, 2008, I hand-delivered a true and correct copy of the foregoing and *Reply to Oil Conservation Division's Response in Opposition to Mesquite SWD, Inc.'s Motion to Quash Emergency No. Order E-37* to:

Mr. Sonny Swazo, Esq.  
Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, NM 87505



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Kelcey C. Nichols

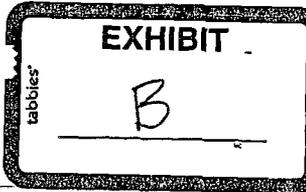


302443 Exxon State #008  
30-015-22055

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I hereby certify that the information contained in this report is true and complete to the best of my knowledge.  
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Signature \_\_\_\_\_ Printed Name & Title LINDA J WILSON Date \_\_\_\_\_ Phone Number 505-885-2909



DETACH CHECK STUB AT THE BOTTOM

CHECK NUMBER: 03699408      CHECK DATE: 04/20/2005     
 PLAINS MARKETING, L.P.      OWNER NUMBER: 0725577      TAXPAYER ID:
 P.O. BOX 4648 • HOUSTON, TX 77210-0448

LEASE NUMBER	01-06323			
LEASE NAME	EXXON STATE			
LEASE STATE/COUNTY	NM/EDDY			
OPERATOR NAME	BLUE COLLAR OIL			
PRODUCT	OIL			
PRODUCTION DATE(MM/YY)	03/2005			
LEASE BARRELS OR MCF	142.52			
LEASE GROSS VALUE	6,398.44			
OPERATOR PAY	.00			
LEASE SEVERANCE TAX	503.99			
LEASE NET VALUE	5,894.45			
AVG PRICE PER BBL/MCF	44.90			
OWNER KIND OF INTEREST	WORKING			
OWNER DECIMAL	.75000000			
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OIL AND GAS ASSESSMENT	.00			
COLORADO SEVERANCE TAX	.00			
UTAH WITHHOLDING TAX	.00			
TAX RESERVE (SEE CODE)	.00			
OWNER NET	4,420.84			

**FOR YOUR INFORMATION**

DIRECT ALL INQUIRIES REGARDING THIS CHECK TO:

PLAINS MARKETING, L.P.  
 ATTN: CUSTOMER RELATIONS  
 P.O. BOX 4648  
 HOUSTON, TX 77210-4648  
 800-772-7589  
 713-646-4460  
 713-646-5573 (FAX)

BE SURE TO INCLUDE LEASE NUMBER AND OWNER NUMBER

TAX RESERVE CODES:

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 02 - MINERAL RIGHTS  
 03 - OIL AND GAS LEASES  
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LEASE NUMBER				
LEASE NAME				
LEASE STATE/COUNTY				
OPERATOR NAME				
PRODUCT				
PRODUCTION DATE(MM/YY)				
LEASE BARRELS OR MCF				
LEASE GROSS VALUE				
OPERATOR PAY				
LEASE SEVERANCE TAX				
LEASE NET VALUE				
AVG PRICE PER BBL/MCF				
OWNER KIND OF INTEREST				
OWNER DECIMAL				
OWNER GROSS VALUE				
OWNER SEVERANCE TAX				
OIL AND GAS ASSESSMENT				
COLORADO SEVERANCE TAX				
UTAH WITHHOLDING TAX				
TAX RESERVE (SEE CODE)				
OWNER NET				

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WFB BLUE COLLAR OIL & GAS LLC		C/O DAVE PERTINI		PO BOX 1075	
YTD GROSS	YTD SEVERANCE TAX	YTD WINDFALL PROFIT TAX	YTD BACKUP WITHHOLDING	YTD NON-RESIDENT ALIEN TAX	YTD CHECK NET
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DETACH CHECK STUB AT FOLLOWING LINE

CHECK NUMBER 05752242	CHECK DATE 05/20/2005	<b>PLAINS MARKETING, L.P.</b> P.O. BOX 4648 • HOUSTON, TX 77210-4648	OWNER NUMBER 0725577	TAXPAYER ID #
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LEASE STATE/COUNTY NM/EDDY	OPERATOR NAME BLUE COLLAR OI			
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LEASE BARRELS OR MCF 163.48	LEASE GROSS VALUE 7,073.29			
OPERATOR PAY .00	LEASE SEVERANCE TAX 557.15			
LEASE NET VALUE 6,516.14	AVG PRICE PER BBL/MCF 43.27			
OWNER KIND OF INTEREST WORKING	OWNER DECIMAL .75000000			
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OIL AND GAS ASSESSMENT .00	COLORADO SEVERANCE TAX .00			
UTAH WITHHOLDING TAX .00	TAX RESERVE (SEE CODE) .00			
OWNER NET 4,887.10				

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 PLAINS MARKETING, L.P.  
 ATTN: CUSTOMER RELATIONS  
 P.O. BOX 4648  
 HOUSTON, TX 77210-4648  
 800-772-7589  
 713-648-4648  
 713-648-4671 (FAX)

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**TAX RESERVE CODES:**

1. FEDERAL  
2. STATE  
3. LOCAL  
4. BUSINESS PROFITS  
5. REAL ESTATE

LEASE NUMBER	LEASE NAME			
LEASE STATE/COUNTY	OPERATOR NAME			
PRODUCT	PRODUCTION DATE(MM/YY)			
LEASE BARRELS OR MCF	LEASE GROSS VALUE			
OPERATOR PAY	LEASE SEVERANCE TAX			
LEASE NET VALUE	AVG PRICE PER BBL/MCF			
OWNER KIND OF INTEREST	OWNER DECIMAL			
OWNER GROSS VALUE	OWNER SEVERANCE TAX			
OIL AND GAS ASSESSMENT	COLORADO SEVERANCE TAX			
UTAH WITHHOLDING TAX	TAX RESERVE (SEE CODE)			
OWNER NET				

CHECK GROSS 5,304.96	SEVERANCE TAX 417.86	WINDFALL PROFIT TAX .00	BACKUP WITHHOLDING .00	NON-RESIDENT ALIEN TAX .00	CHECK NET 4,887.10
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DETACH CHECK STUB AT DOTTED LINE

00790 40776

CHECK NUMBER 00350800	CHECK DATE 07/20/2005	PLAINS MARKETING, LP. P.O. BOX 4648 HOUSTON, TX 77210-4648			OWNER NUMBER 0725577	TAXPAYER ID #
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PRODUCT OIL	PRODUCTION DATE(MM/YY) 06/2005					
LEASE BARRELS OR MCF 160.27	LEASE GROSS VALUE 7,579.49					
OPERATOR PAY .00	LEASE SEVERANCE TAX 597.01					
LEASE NET VALUE 6,982.48	AVG PRICE PER BBL/MCF 47.29					
OWNER KIND OF INTEREST WORKING	OWNER DECIMAL 75000000					
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OIL & GAS ASSESSMENT .00	COLORADO SEVERANCE TAX .00					
UTAH WITHHOLDING TAX .00	TAX RESERVE (SEE CODE) .00					
OWNER NET 5,236.86						

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ATTN: CUSTOMER RELATIONS  
P.O. BOX 4648  
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PH: 772-7589  
TDD: 772-7589  
FAX: 772-7589 (FAX)

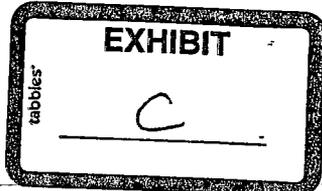
BE SURE TO INCLUDE LEASE NUMBER AND OWNER NUMBER.

**TAX RESERVE CODES:**

1. AD VALOREM 2. SEVERANCE  
3. NET PROCEEDS 4. BUSINESS PRIVILEGE  
5. REAL ESTATE 6. AD VALOREM/SEVERAN  
7. NET PRO/BUS PRIV/REAL EST  
8. AD VAL/TRET PRO/BUS PRIV/REAL EST  
9. UTAH OCCUPATIONAL TAX

LEASE NUMBER	LEASE NAME					
LEASE STATE/COUNTY	OPERATOR NAME					
PRODUCT	PRODUCTION DATE(MM/YY)					
LEASE BARRELS OR MCF	LEASE GROSS VALUE					
OPERATOR PAY	LEASE SEVERANCE TAX					
LEASE NET VALUE	AVG PRICE PER BBL/MCF					
OWNER KIND OF INTEREST	OWNER DECIMAL					
OWNER GROSS VALUE	OWNER SEVERANCE TAX					
OIL & GAS ASSESSMENT	COLORADO SEVERANCE TAX					
UTAH WITHHOLDING TAX	TAX RESERVE (SEE CODE)					
OWNER NET						

CHECK GROSS 5,684.62	SEVERANCE TAX 447.76	WINDFALL PROFIT TAX .00	BACKUP WITHHOLDING .00	NON-RESIDENT ALIEN TAX .00	CHECK NET 5,236.86
WEB BLUE COLLAR OIL & GAS LLC	C/O DAVE PERINI	PO BOX 1075	PAGE: 0001 OF: 0001		
YTD GROSS 19,762.83	YTD SEVERANCE TAX 1,556.67	YTD WINDFALL PROFIT TAX .00	YTD BACKUP WITHHOLDING .00	YTD NON-RESIDENT ALIEN TAX .00	YTD CHECK NET 18,206.16



NEW MEXICO ENERGY, MINERALS and  
NATURAL RESOURCES DEPARTMENT

**BILL RICHARDSON**  
Governor  
**Joanna Prukop**  
Cabinet Secretary

**Mark E. Fesmire, P.E.**  
Director  
Oil Conservation Division

*Underground Injection Control Program*  
*"Protecting Our Underground Sources of Drinking Water"*

26-Jul-2005

**BLUE COLLAR OIL & GAS LLC**  
P.O. BOX 1075  
ARTESIA NM 88210-

228017

626-0843

Dear Sirs:

Our records indicate that the following well(s) are due for the type of mechanical integrity test indicated. If the required test is a pressure test, please have the necessary equipment on location and ready to commence the test at the specified time. For all types of tests, please have a representative on location to operate any valves or other equipment as necessary. Your representative should meet our inspector at the meeting place indicated below for the entire inspection group.

**Scheduled Inspections / MITs**

Meeting Place for this Inspection Group: Well indicated

Scheduled Date: 9/27/2005 2:30:00 PM

UL S-T-R	API Well No.	Well No.	Type Insp/MIT
Property Name: EXXON STATE			
O 15 21S 27E	30-015-22055-00-00	008	Pressure Test

If you have any questions or need to reschedule any test, please call Mr. Gerry Guye at 505-748-1283 at the Artesia district office between 7:00 am and 4:00 pm, at least two weeks prior to the indicated schedule date.

Sincerely,

*[Handwritten Signature]*  
Artesia OCD District Office

## Instructions In Preparation for MIT Test(s)

→ All injection wells must be shut in. If the following instructions are not followed: ←

### → "Bradenhead"

Ensure company field representative has a copy of these instructions.

→ If your notification letter indicates "Bradenhead" under the title "Type Insp/MIT" then the following applies:

#### Bradenhead test:

1. Requires that injection pump be running at the time of the test and an operable pressure gauge or vacuum gauge installed on the tubing so that the injection pressure may be observed.
2. Casing & Bradenhead valves must be shut-in 24 hours prior to test.

\*\* THIS TEST DOES NOT REQUIRE A PUMP TRUCK!

\*\* PLEASE MAKE SURE YOU HAVE ENOUGH WATER TO RUN THE INJECTION PUMP(S) FOR THE DURATION OF THE TEST(S)

\*\* TEST(S) CANNOT BE PERFORMED IF THE CONDITIONS OF ITEMS # 1 & 2 ARE NOT MET.

\*\* A company representative must be on location during the test(s) to operate valves and equipment.

**IF YOUR WELL(S) FAILS THE TEST(S); IF WE ARE UNABLE TO CONDUCT THE TEST(S); OR IF A REPRESENTATIVE DOES NOT MEET US:**

You will be required to shut in all injection wells scheduled for testing immediately!

### → "Pressure test"

Ensure company field representative has a copy of these instructions.

→ If your notification letter indicates "Pressure test" under the title "Type Insp/MIT" then the following applies:

#### Pressure Test:

1. Requires, in addition to the above, a pump truck capable of holding a minimum of 300 psi on the casing for a period of at least 30 minutes.
2. A chart recorder is required with a 1000 psi capability, a 60 minute clock, and must have been calibrated within 12 months. Documentation of this calibration must accompany the recorder.

\*\* THIS TEST DOES REQUIRE A PUMP TRUCK!

\*\* PLEASE MAKE SURE YOU HAVE ENOUGH WATER TO RUN THE INJECTION PUMP(S) FOR THE DURATION OF THE TEST(S)

\*\* TEST(S) CANNOT BE PERFORMED UNLESS ALL CONDITIONS ARE MET.

\*\* A company representative must be on location during the test(s) to operate valves and equipment.

**IF YOUR WELL(S) FAILS THE TEST(S); IF WE ARE UNABLE TO CONDUCT THE TEST(S); OR IF A REPRESENTATIVE DOES NOT MEET US:**

You will be required to shut in all injection wells scheduled for testing immediately!

District I  
 P. O. Box 1980, Hobbs, NM 88241-1980  
 District II  
 P. O. Drawer 00, Artesia, NM 88211-0719  
 District III  
 1000 Rio Brazos, Aztec, NM 87410

State of New Mexico  
 Energy, Minerals & Natural Resources Department  
**OIL CONSERVATION DIVISION**  
 P. O. Box 6429  
 Santa Fe, NM 87505  
**OPERATOR'S MONTHLY REPORT**

Form C-115 First Page  
 Instruction on Reverse Side  
 Amended Report

2 Operator **Blue Collar Oil & Gas LLC** 3 OGRID: 228017 4 Month/Year **4/05**  
 5 Address: **PO Box 1075 Artesia, NM 88220-1075** 8 Page 1 of 1

POOL NO. AND NAME Property No. and Name Well No. & U.-L.-S.-T-R API No.	INJECTION		PRODUCTION				DISPOSITION OF OIL, GAS, AND WATER									
	B C D E	9 Volume	10 Pressure	11 C O D E	12 Barrels of Oil/conden- sate produced	13 Barrels of water produced	14 MCF Gas Produced	15 Days Prod- used	16 C O D E	17 Point of Disposition	18 Gas BTU or Oil API Gravity	19 Oil on hand at beginning of month	20 Volume (bbl/mcf)	21 Transporter Ogrid	22 C O D E	23 Oil on hand at end of month
<b>42750 McStuder Yates</b> 034088 Exxon State 1 J 15-21S-27E 30-015-01081	T				0											
2 J 15-21S-27E 30-015-01082	T				0											
3 O 15-21S-27-E 30-015-01086	P				105	7500	0	15	O	2458010	17.8	292 292 -145 147	165 7800	34063	232	
7 O 15-21S-27E 30-015-01100	T				0											
<b>88090 SWD Yates</b> 034068 Exxon State 8 O 15-21S-27E 30-015-22056	D	84000	0 W													
		5/05	160 bbl		160 bbl											
		6/05	160 bbl		110" @ 60W (26400)											
		6/05	160 bbl													

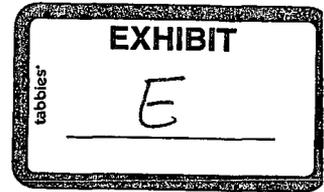
I hereby certify that the information contained in this report is true and complete to the best of my knowledge.

Signature Craig Huber, Manager Date 7/7/05 Phone Number 505.708.0269 chuber@swdell.net  
 Printed Name & Title Craig Huber, Manager

137' @ 210  
 159

State of New Mexico  
Energy, Minerals and Natural Resources

Oil Conservation Division  
1220 S. St Francis Dr.  
Santa Fe, NM 87505



Change of Operator

Previous Operator Information

New Operator Information

OGRID:	<u>228017</u>	OGRID:	<u>161968</u>
Name:	<u>BLUE COLLAR OIL &amp; GAS LLC</u>	Name:	<u>MESQUITE SWD, INC</u>
Address:	<u>PO Box 1075</u>	Address:	<u>PO Box 1479</u>
Address:	<u></u>	Address:	<u></u>
City, State, Zip:	<u>Artesia, NM 88210</u>	City, State, Zip:	<u>Carlsbad, NM 88221</u>

I hereby certify that the rules of the Oil Conservation Division have been complied with and that the information on this form and the certified list of wells is true to the best of my knowledge and belief.

Previous Operator

New Operator

Signature:	<u>X Dennis Woods</u>	Signature:	<u>Clay Wilson</u>
Printed Name:	<u>X Dennis Woods</u>	Printed Name:	<u>CLAY L WILSON</u>
Title:	<u>MANAGING MEMBER - Blue Collar, L.L.C</u>	Title:	<u>V.P.</u>
Date:	<u>12-1-05</u>	Date:	<u>12-1-05</u>
Phone:	<u>X 505-380-8362</u>	Phone:	<u>985-3996</u>

**NMOCD Approval**  
Electronic Signature: Carmen Reno, District 2  
Date: April 25, 2006

NO. OF COPIES RECEIVED	3
DISTRIBUTION	
AMOUNT	1
DATE	1 ✓
U.S.G.S.	
FIELD OFFICE	
REPORT	1

**RECEIVED**  
 NEW MEXICO OIL CONSERVATION COMMISSION  
 MAY 26 1977

Supersedes Old  
 C-102 and C-103  
 Effective 1-1-63

**O.C.C.**  
 ALBUQUERQUE, OFFICE

5a. Indicate Type of Lease  
 State 8 Fee  
 5. State Oil & Gas Lease No.  
B-2597

SUNDRY NOTICES AND REPORTS ON WELLS  
DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO RE-OPEN OR PLUG BACK TO A DIFFERENT RESERVOIR.  
 USE APPLICATION FOR PERMIT (FORM O-101) FOR SUCH PROPOSALS.

7. Unit Agreement Name  
 8. Farm or Lease Name  
EXXON STATE  
 9. Well No.  
8

OIL WELL  GAS WELL  OTHER- WATER DISPOSAL WELL  
 Name of Operator  
A. H. RAINS ✓  
 Address of Operator  
Box 927 CARLSBAD N.M. 88220  
 Location of Well  
 UNIT LETTER 0 1268 FEET FROM THE SOUTH LINE AND 2037 FEET FROM  
215 27E  
 THE EAST LINE, SECTION 15 TOWNSHIP 20S RANGE 27E N.M.P.M.

10. Field and Foot, or Without  
MAGLDER YA

11. Elevation (Show whether DR, RT, GR, etc.)  
3270

12. County  
EDDY

Check Appropriate Box To Indicate Nature of Notice, Report or Other Data  
 NOTICE OF INTENTION TO:

CONFORM REMEDIAL WORK   
 EMERGENCY ABANDON   
 JILL OR ALTER CASING   
 PLUG AND ABANDON   
 CHANGE PLANS   
WATER DISPOSAL WELL

SUBSEQUENT REPORT OF:  
 REMEDIAL WORK   
 COMMENCE DRILLING OPS.   
 CASING TEST AND CEMENT JOBS   
 OTHER BEGINNING 5-23-77  
 ALTERING CASING  
 PLUG AND ABANDONMENT

Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work) SEE RULE 1102.  
April 5-23-77  
 PROPOSED TO DRILL 7 7/8" HOLE TO A DEPTH 175' AND SET 8 5/8" CASING CEMENTED OVER THE TOP. THEN DRILL 7 7/8" HOLE TO A DEPTH OF 570 TO 600' THEN SET 5 1/8" CASING AND CEMENT OVER THE TOP. TH. WILL DRILL WITH 4 3/4" BIT TO A DEPTH APPROX. 700'

**EXHIBIT**  
F

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

A. H. Rains TITLE OPERATOR DATE 5-24-1977

PREPARED BY W. A. Sussett TITLE SUPERVISOR, DISTRICT # DATE MAY 26 1977  
 INDICATIONS OF APPROVAL, IF ANY:

NO. OF COPIES RECEIVED	3
DISTRIBUTION	
SANTA FE	1
FILE	1
U.S.G.S.	
FIELD OFFICE	
OPERATOR	1

NEW MEXICO OIL & GAS COMMISSION

Form C-103  
Supersedes Old  
C-102 and C-103  
Effective 1-1-65

OCT 14 1977

3a. Indicate Type of Lease  
State  Fee

5. State Oil & Gas Lease No.  
E-2517

SUNDRY NOTICES AND REPORTS CHARTERED OFFICE

(DO NOT USE THIS FORM FOR APPLICATIONS TO DRILL OR TO REOPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE APPLICATION FOR PERMIT - 1 (FORM C-102) FOR SUCH PROPOSALS.)

1.  OIL WELL  GAS WELL  OTHER: WATER DISPOSAL WELL

2. Name of Operator: A. E. RAINS

3. Address of Operator: Box 427 CARISBAD, N.M. 88220

4. Location of Well:  
UNIT LETTER C 1268 FEET FROM THE SOUTH LINE AND 2032 FEET FROM  
THE 1435 LINE, SECTION 15 TOWNSHIP 21S RANGE 27E N.M.P.M.

15. Elevation (Show whether DF, RT, GR, etc.) 5295

7. Unit Agreement Name

8. Form of Lease Name: EXXON STATE

9. Well No.: 1E9

10. Field and Tract, or Wildcat: MAGNIFER #17

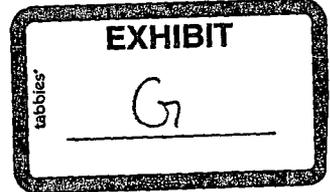
12. County: SOBY

16. Check Appropriate Box To Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
PERFORM REMEDIAL WORK <input type="checkbox"/>	PLUG AND ABANDON <input type="checkbox"/>	REMEDIAL WORK <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
TEMPORARILY ABANDON <input type="checkbox"/>	CHANGE PLANS <input type="checkbox"/>	COMMENCE DRILLING OPNS. <input type="checkbox"/>	PLUG AND ABANDONMENT <input type="checkbox"/>
PULL OR ALTER CASING <input type="checkbox"/>	OTHER <input type="checkbox"/>	CASING TEST AND CEMENT JOBS <input type="checkbox"/>	

17. Describe the Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work) SEE RULE 1703.

DRILLED TO DEPTH OF 644' TREATED WELL WITH 400  
ACID, RUN 565' OF 2" UPSET PLASTIC LINE PIPE  
WITH PACKER, FILLED WELL WITH TREATED WA  
IN BETWEEN 2" UPSET AND THE 5 1/2" CASING, WE  
TAKING WATER UNDER VACUUM, 9-20-77



I, I hereby certify that the information above is true and complete to the best of my knowledge and belief.

By A. E. Rains TITLE OPERATOR DATE 10-13-1977

APPROVED BY W. A. Gessert TITLE SUPERVISOR, DISTRICT II DATE NOV 28 1977

CONDITIONS OF APPROVAL, IF ANY: