

New Mexico Oil Conservation Division, District I
 UNITED STATES DEPARTMENT OF THE INTERIOR
 1625 N. French Drive
 Hobbs, NM 88240
 BUREAU OF LAND MANAGEMENT

FORM APPROVED
 OMB No. 1004-0137
 Expires: July 31, 2010

SUNDRY NOTICES AND REPORTS ON WELLS
 Do not use this form for proposals to drill or to re-enter an
 abandoned well. Use Form 3160-3 (APD) for such proposals.

5. Lease Serial No. NM NM 137
 6. If Indian, Allottee or Tribe Name

SUBMIT IN TRIPLICATE - Other instructions on page 2.

7. If Unit of CA/Agreement, Name and/or No.
 8. Well Name and No. Federal 18 #2
 9. API Well No. 30-041-20224
 10. Field and Pool or Exploratory Area Bluitt, San Andres (Assoc)
 11. Country or Parish, State Roswell City, NM

1. Type of Well
 Oil Well Gas Well Other
 2. Name of Operator Smith & Marrs, Inc
 3a. Address P.O. Box 863 3b. Phone No. (include area code) 432-586-3076
Hermit, TX 79745
 4. Location of Well (Footage, Sec., T., R., M., or Survey Description)
Unit Letter "P", Sec 18, T8S, R38E 660' ESE + 660' ESE

12. CHECK THE APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION		
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)
<input checked="" type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal
			<input type="checkbox"/> Water Shut-Off
			<input type="checkbox"/> Well Integrity
			<input checked="" type="checkbox"/> Other <u>Water Disposal Plan</u>

13. Describe Proposed or Completed Operation: Clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomplete horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports must be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 must be filed once testing has been completed. Final Abandonment Notices must be filed only after all requirements, including reclamation, have been completed and the operator has determined that the site is ready for final inspection.)

Water Disposal Plan

RECEIVED
 MAR 10 2011
 HOBBSOCD

14. I hereby certify that the foregoing is true and correct. Name (Printed/Typed)
Terri Jennings Title Production Analyst
 Signature Terri Jennings Date 3-2-2011

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by /S/ DAVID R. GLASS Title PETROLEUM ENGINEER Date MAR 08 2011
 Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon. EG 3-14-2011
 Office

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

(Instructions on page 2)

**SEE ATTACHED FOR
 CONDITIONS OF APPROVAL**

WATER DISPOSAL ONSHORE ORDER #7

The following information is needed before your method of water disposal can be considered for approval.

1. Name(s) of formation (s) producing water on the lease.
Bluitt, San Andres (Assoc)

2. Amount of water produced from each formation in barrels per day.
8 BBLs per day

3. How water is stored on the lease.
Storage facility at Battery

4. How water is moved to disposal facility.
Truck

5. Operator's of disposal facility
 - a. Lease name or well name and number See attachment

 - b. Location by $\frac{1}{4}$ $\frac{1}{4}$ Section, Township, and Range of the disposal system _____

 - c. The appropriate NMOCD permit number _____

Submit to this office, 2909 W Second St. Roswell, NM 88201, the above required information on a Sundry Notice 3160-5. Submit 1 original and 5 copies, with the abatement period. (This form may be used as an attachment to the Sundry Notice).

SWD Permit Numbers & Legal Descriptions**DKD, LLC OGRID #: 210091**

Richardson Fee #2:

McDonald between Tatum & Lovington

API#: 30-0- 2527886

West 1 mile, 1st cattle guard and back North

Permit#: 262

PUN #: 120630

POD #: 2809103

Location: K-5-14S-36E 1980 ft. from South line, 1980 ft. from West line

County: Lea

Vulture:

W on Hwy 457 (16 miles W of Lovington &

API#: 30-0 2527950

N 7 miles on 457)

Permit#: 278

PUN #: 1216168

POD #: 2809164

Location: D-14-15S-33E 300 ft. from North line, 330 ft. from West line

County: Lea

Watson 6:

by Lovington Airport West of Lovington off of Artesia Hwy

API#: 30-0 2534197

Permit#: 834

PUN #: 1302196

POD #: 2832183

Location: N-6-16S-36E Lot 14 2857 ft. from South line 1417 ft. from West line

County: Lea

BUREAU OF LAND MANAGEMENT
Roswell Field Office
2909 West Second Street
Roswell, New Mexico 88201
575-627-0272

Disposal of Produced Water From Federal Wells
Conditions of Approval

Approval of the produced water disposal methodology is subject to the following conditions of approval:

1. This agency shall be notified of any change in your method or location of disposal.
2. Compliance with all provisions of Onshore Order No. 7.
3. This agency shall be notified of any spill or discharge as required by NTL-3A.
4. This agency reserves the right to modify or rescind approval whenever it determines continued use of the approved method may adversely affect the surface or subsurface environments.
5. Any on-lease open top storage tanks shall be covered with a wire screen to prevent entry by birds and other wildlife.
6. This approval should not constitute the granting of any right-of-way or construction rights not granted by the lease instrument.
7. If water is transported via a pipeline that extends beyond the lease boundary, then you need to submit within 30 days an application for right-of-way approval to the Realty Section in this office for wells in Chaves or Roosevelt County if you have not already done so.