

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

Ken McQueen
Cabinet Secretary

Mathias Sayer
Deputy Cabinet Secretary

David R. Catanach, Division Director
Oil Conservation Division



August 25, 2017

Owl SWD Operating, LLC
8214 Westchester Dr., Ste. 850
Dallas, TX 75225
Attn: Mr. Ben Stone

RE: **Expired Disposal Permit SWD-1464: First Extension of Deadline**

Black 7 SWD State Well No. 1 (API 30-015-35558)
660' FNL, 1980' FWL; Unit C, Sec 7, T25S, R28E, NMPM, Eddy County, New Mexico
Order Date: March 5, 2014
First Extension Deadline: March 5, 2017
Injection into the Bell Canyon, Cherry Canyon and Brushy Canyon formations of the Delaware Mountain group; approved interval: 2340 feet to 4350 feet

Dear Mr. Stone,

Pursuant to 19.15.26.12.C NMAC, the OCD disposal permit SWD-1464 has terminated ipso-facto as of March 5, 2017. Any further use of this well for disposal will be in violation of OCD rules, the United States Safe Drinking Water Act and the Environmental Protection Agency's Underground Injection Control Program.

Division Rule 19.15.26.12.C NMAC states the following:

Whenever there is a continuous one year period of non-injection into all wells in an injection or storage project or into a salt water disposal well or special purpose injection well, the division shall consider the project or well abandoned, and the authority for injection shall automatically terminate ipso facto.

Non-reporting of disposal to the Division is considered as "non-injection" for purposes of triggering automatic termination of the authority to use the well for disposal. Pursuant to Division Rule 19.15.7.24 NMAC, disposal volumes must be reported on or before the 15th day of the second month following the month of disposal on OCD Form C-115 (Monthly Production Reports). Failure to report disposal to the OCD is a violation of OCD rules and the Oil and Gas Act, NMSA 1978 § 70-2 *et seq.*, and could be punishable by a fine of not more than one thousand dollars (\$1,000) per day for each violation. NMSA 1978 § 70-2-31.

Owl SWD Operating, LLC must immediately ensure this well is shut-in and disconnected from incoming disposal sources.

If you wish to again use this well for disposal, you must apply for a new disposal permit pursuant to Division Rule 19.15.26.8 NMAC after proper notice using form C-108 either through the

administrative process or an examiner hearing. The well must not again be used for disposal until such permit has been approved, all conditions of approval completed, the well passes a new Mechanical Integrity Test, and the District office of the Division has approved a new form C-104.

Please also be aware that pursuant to Division Rule 19.15.25.8 NMAC, or any applicable Agreed Compliance Order, this well has a limited time in which it must be returned to service, temporarily abandoned, or plugged and abandoned. For deadlines, please refer to said rule or agreement.

If you have any questions regarding the procedure to obtain a new disposal permit for this well, please contact William Jones at (505) 476-3477 or Phillip Goetze at (505) 476-3466. If you have questions as to C-115 reporting, inactive well status, or other compliance issues, contact Mr. Daniel Sanchez at (505) 476-3493.

Sincerely,



Scott Dawson
Petroleum Engineering Specialist
New Mexico Oil Conservation Division

CC: SWD-1464 / RBDMS Records / API No. 30-015-35558
Oil Conservation Division - Artesia District
New Mexico State Land Office – Oil, Gas and Minerals
Keith Herrmann, EMNRD Assistant General Counsel
Ben Stone, SOS Consulting, LLC

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

David Martin
Cabinet Secretary

Tony Delfin
Deputy Cabinet Secretary

David R. Catanach, Division Director
Oil Conservation Division



February 3, 2016

Mr. Ben Stone
SOS Consulting, LLC
P.O. Box 300
Como Tx. 75431

RE: Administrative Order SWD-1464; First Extension of Deadline
Black 7 SWD State Well No. 1 (API 30-015-35558)
660 FNL, 1980 FWL; Unit C, Sec 7, T25S, R28E, NMPM, Eddy County, New Mexico
Order Date: March 5, 2014
Injection into the Bell Canyon, Cherry Canyon and Brushy Canyon formations of the Delaware Mountain group; approved interval: 2430 feet to 4350 feet

Mr. Stone:

Reference is made to your request on behalf of OWL SWD Operating, LLC ("OWL") for an additional one year extension of the March 5, 2016 deadline to commence injection into the above named well for reasons outlined in the attached correspondence.

It is the Division's understanding from your request that there have been no significant changes in the information provided in the application submitted for review and approval of this order. These changes include the completion of new wells within the Area of Review that penetrated the approved injection interval and any changes in ownership.

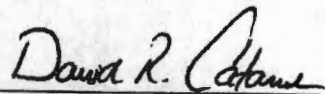
The Division finds that granting this request to extend this administrative order is in the interest of conservation, will prevent waste, and will protect the environment.

All requirements of the above referenced administrative order and agreements in the application remain in full force and effect.

The deadline to commence injection for the existing order is hereby extended until March 5, 2017.

SWD-1464: First Extension of Deadline
OWL SWD Operating, LLC
February 3, 2016
Page 2 of 2

Sincerely,



DAVID R. CATANACH
Director

DRC/mam

cc: Oil Conservation Division – Artesia Office
SWD-1464
New Mexico State Land Office – Oil, Gas, and Minerals
Well File API 30-015-35558



Oil & Gas Accounting - Regulatory Processing Assistance - Oil & Gas Technical Assistance

Years of
Quality Service

1-20-16
ZEPH-1 P 2 111

January 27, 2016

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

Attn: Mr. David Catanach, Director

*Re: Request for Extension of SWD-1464 pertaining to the Black Lake 7 No.1 located in
Section 7, Township 25 South, Range 28 East, NMPM, Eddy County, New Mexico.*

Dear Mr. Catanach,

The subject administrative SWD order was recently acquired by Owl SWD Operating, LLC from Mewbourne Oil Company. The order applies to API well number 30-015-35558, the C-145 Change of Operator was approved June 3, 2015.

SWD-1464 expires on March 5, 2016.

Due to the current climate in the industry, as many operators, Owl SWD Operating, LLC is making adjustments and prioritizing projects as necessary. For the Black Lake 7 No.1 SWD project, commencement of disposal operations may not be possible by the March 5th expiration date.

Therefore, on behalf of Owl SWD Operating, LLC, I respectfully request that the expiration date of order SWD-1464 be extended for one year, to expire on March 5, 2017.

If you or your staff has any questions, please do not hesitate to call or email me.

Best regards,

Ben Stone, Partner
SOS Consulting, LLC
Agent for Owl SWD Operating, LLC

Cc: Project file