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**LINN OPERATING, INC.**

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July 20, 2015

Hand delivered

Mr. Aubrey Dunn  
Commissioner of Public Lands  
310 Old Santa Fe Trail  
Santa Fe, New Mexico 87501

Re: East Hobbs San Andres Pressure Maintenance Unit  
Lea County, New Mexico

Dear Mr. Dunn:

By letter dated June 22, 2015, LINN Operating, Inc. ("Linn") requested a waiver of Section 18 of the Unit Agreement, which prohibits use of fresh water for unit operations without your express permission. Your letter dated June 25, 2015 stated that you would not approve our request.

Linn respectfully requests your re-consideration of that decision. Section 18 of the State Waterflood Unit Agreement concerns conservation. The operator is required to provide for the most economical and efficient recovery of oil without waste. The use of fresh water can be approved for use on the basis of excessive technological and financial burden. The hearing before the Oil Conservation Commission last Thursday, July 16, 2015 granted approval to Linn's request to remove a provision in its unitization order which also prohibits fresh water usage. Linn's position at the hearing can be summarized as follows:

1. Linn has been searching for a source of water to re-pressurize the reservoir for over a year. Linn's last option was the use of fresh water for makeup purposes and was the only economical source with acceptable volumes available to meet the technical requirements for re-pressurization prior to carbon dioxide flooding.
2. At the Oil Conservation Commission's request, Linn presented data on its search for sources of water, the economics of using various water sources as well as carbon dioxide for re-pressurization, scaling issues, the benefits to the City of Hobbs, and the economic benefits to the Commissioner's trust beneficiaries as well as other mineral owners and the State's general funds.
3. The fresh water use will be limited to a two year period.

4. In short, fresh water is the only economical source with sufficient volumes available to re-pressurize the reservoir. There is no City "gray" water currently available, Devonian water cannot be sold for this short a term and also presents difficult technical issues, and carbon dioxide injection for re-pressurization is uneconomical.

5. Without carbon dioxide flooding, additional reserves will not be recovered, which will cause waste. The technology of miscible carbon dioxide flooding cannot be achieved without sufficient reservoir pressure. Re-pressurizing the pool is a large financial burden on the project. The City water source is the only acceptable alternative.

6. Fresh water is used for frac treatments on horizontal wells, with the average frac using 5-7 million barrels of water. Over the next two years the use of fresh water for fracs, just in Lea County, will exceed the use of water for this project. Thus industrial use of water is proper.

In support of its request, Linn encloses herewith a set of its exhibits from the Commission hearing (except for the Unit Agreement, Unit Operating Agreement, and notice affidavit). We would appreciated the chance to discuss this request with you and your staff. We are willing to come to Santa Fe later in the week to meet with you.

Thank you for your consideration of this request.

Very truly yours,

A handwritten signature in black ink, appearing to read 'David Blackmon', followed by a horizontal line.

David Blackmon  
Governmental Relations Director

cc: Patrick Padilla w/encl.  
Terry Warnell w/encl.  
Debra Gordon w/o encl.  
John Maier w/o encl.  
Bob Sutherland w/o encl.