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2012 OCT 10 P 12:51

Will Jones  
Petroleum Engineer  
Oil Conservation Division, District 4  
1220 South St. Francis Drive  
Santa Fe, NM 87505

October 9, 2012

Mr. Jones:

Enclosed please find a copy of the letter that outlines the Bureau of Land Management's approval for Chuza Oil Company to transport produced water from our Western Federal lease to our neighboring Northeast Hogback Unit for use in our enhanced-recovery injection wells. The amount of water we intend to transport per month is approximately 80bbls, and we plan to inject it into Northeast Hogback #29, Northeast Hogback #31 and Northeast Hogback #37 via our central injection facility. The case number associated with the Northeast Hogback Unit is 14853.

Thank you again for your time, and please let me know if you require any more information on this matter.

Sincerely,

A handwritten signature in black ink, consisting of a stylized 'P' followed by a series of loops and a long horizontal stroke extending to the right.

Patrick Padilla  
President  
Chuza Oil Company  
1000 Cordova Place #376  
Santa Fe, New Mexico, 87505  
P: 505-690-7803  
F: 505-212-2075  
plpadilla@chuzaoil.com



Mr. Stephen Mason  
Petroleum Engineer  
Bureau of Land Management  
Farmington Field Office  
6251 College Boulevard, Suite A  
Farmington, NM 87402

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AUG 17 2012

Farmington  
Bureau of Land Management

August 15, 2012

Mr. Mason:

As of August 1, 2012, Chuza Oil Company has become the operator of NMNM 58917, which includes the producing oil wells Western Federal #1 (T30N, R16W, Sec 11, 330' FSL, 2310' FEL) and Western Federal #2 (T30N, R16W, Sec 11, 1650' FSL, 2310' FEL) that both produce from the Gallup formation. Monthly production for these wells includes approximately 80bbls of produced water. The previous operator, Enerdyne LLC, used a third party to haul and dispose of the water at a commercial disposal facility.

*AFM 58917 Water Disposal*

Chuza Oil Company would like to respectfully request permission to inject the water produced by the Western Federal #1 and Western Federal #2 into the Northeast Hogback #29 (T30N, R16W, Sec 11, 2090' FWL, 2190' FWL), Northeast Hogback #31 (T30N, R16W, Sec 10, 1970' FSL, 2210' FWL) and Northeast Hogback #37 (T30N, R16W, Sec 10, 700' FSL, 500' FEL) that we currently operate on the Northeast Hogback Unit. All three of these wells inject into the Gallup formation, and we propose to use a water truck owned by Chuza Oil Company to transport the water from the producing wells to the injection facility.

Please let me know if you require any further clarification or have any questions on this matter, and thank you for your time.

Sincerely,

Patrick Padilla  
President  
Chuza Oil Company  
551 W. Cordova Rd. #376  
Santa Fe, New Mexico, 87505  
P: 505-690-7803  
F: 505-212-2075  
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AFMSS

AUG 20 2012

BY /s/ K.J. Schneider

APPROVED

OPERATOR COPY