

Goetze, Phillip, EMNRD

From: Holm, Anchor <aholm@slo.state.nm.us>
Sent: Tuesday, August 04, 2015 11:37 AM
To: Goetze, Phillip, EMNRD
Subject: regarding TLT SWD, LLC - State 2 #1: OCD Case No. 15344
Attachments: TLT SWD LLC-St.2#1-SWD App.Comp.Royalty 3-16-2015.pdf

Phil,

To date, the State Land Office has not been noticed of the Re-Advertised Case No. 15344 regarding regarding TLT SWD, LLC - State 2 #1 application to inject. To date, the applicant, TLT SWD, LLC has not delivered to the State Land Office the Compensatory Royalty payment cited in the attached letter from the New Mexico State Land Commissioner. Please have this lack of payment noted in the record, since the State Land Commissioner will not be issuing a SWD Easement without the compensatory royalty payment from TLT SWD, LLC.

Thank you,

Anchor Holm

*GeoScientist/Petroleum Engineering Specialist
NM State Land Office
Oil, Gas and Minerals Division
P.O. Box 1148
310 Old Santa Fe Trail
Santa Fe, NM 87504-1148
Ph. 505-827-5759
aholm@slo.state.nm.us*

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Aubrey Dunn
COMMISSIONER

State of New Mexico
Commissioner of Public Lands

310 OLD SANTA FE TRAIL
P.O. BOX 1148
SANTA FE, NEW MEXICO 87504-1148
March 16, 2015

COMMISSIONER'S OFFICE

Phone (505) 827-5760
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www.nmstatelands.org

Certified Mail
Return Receipt Requested

Pueblo West Resources
125 Greathouse Village
Decatur, Texas 76234

For: TLT SWD, L.L.C.

Re: State 2 #1 Well (API No. 30-015-35678) Conversion from Oil and Gas Producer to Salt Water Disposal (SWD) Delaware (4600' to 5240') on SLO Lease V0-0302-6 Unit G, Section 2, Township 23 South, Range 31 East, Eddy County, NM.

Mr. Billy E. Pritchard:

In response to your request for the New Mexico State Land Office to approve the conversion of the State 2 #1 Well, which is currently producing Oil and gas from the Livingston Ridge; Delaware, South Pool (8192' to 8238'). Our records, obtained through the Oil Conservation Division, indicate that the well located on the subject lease is producing in large enough amounts to hold the lease. We are concerned that the State Land Office Oil & Gas Lease V0-0302-6 will lose Delaware oil and gas royalties due to our beneficiary, the Common Schools (CS), if this well were converted to the salt water disposal (SWD) as proposed.

This Office has reviewed the item which Pueblo West Resources for TLT SWD, L.L.C. has submitted to us via the Letter of Transmittal regarding your upcoming submittal of the full application. Our review demonstrates that this oil well is capable of producing oil and gas in paying quantities for at least 1.5 more years at an estimated oil price of \$50.00 per barrel of oil (BO) and a gas price of \$4.00 per MCF. No change in the oil and gas production and its gas market is apparent. Since the Livingston Ridge; Delaware, South Pool is still capable of oil and gas production and conversion of the existing perforations in the well to salt water disposal into same zones will cause waste to occur and loss of royalty revenues to the State Land Office Beneficiary. The loss of royalty revenue is calculated to be \$2,565.29 based on the past 3 years of production history and an oil price of \$50.00/BO plus a gas price of \$4.00/MCF including BTU adjustment.

As operator of the proposed SWD well, you are requested to remit to this office \$2,565.29 Compensatory Royalty payment within 30 days from the date of this letter. Upon receipt of payment, this office will recommend approval for a SWD Easement and your conversion of this State well to salt water disposal service as proposed if approved by the NM Oil Conservation Division. Failure to remit the requested this royalty payment will result in disapproval of your request to convert this well to salt water disposal service on this State Trust Land. If you have any questions, please feel free to contact Anchor Holm at (505) 827-5759.

Sincerely,

Terry G. Warnell
For Terry G. Warnell, Director
Oil, Gas & Minerals Division
(505) 827-5745

TGW/EM/WJ/ah
Attachment (SLO Reserve Calculation Sheet)
Cc: Phillip Goetz, NM OCD; Katherine Moss, NM SLO

30	15	35678
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33 Mo.Totals:	1837	670	387944			
55.67	20.30					
Avg.MCFPM	Avg.BOPM	52.5	12.0	6927.6	4386.866	579.0

	Oil		Gas		
	Case 1	Case 2	Case 1	Case 2	
BOPM	20.30	10.00	MCFPM	55.667	16.333
\$/BO	50	50	\$/MCF	\$4.00	\$4.00
\$/MO Gross	\$1,015.15	\$500.00	\$/MO	\$222.67	\$65.33
Net Lease	0.8	0.8	Net Lease	0.800	0.800
\$/MO Net	\$812.12	\$400.00	\$/MO Net	\$178.13	\$52.27

[illegible]

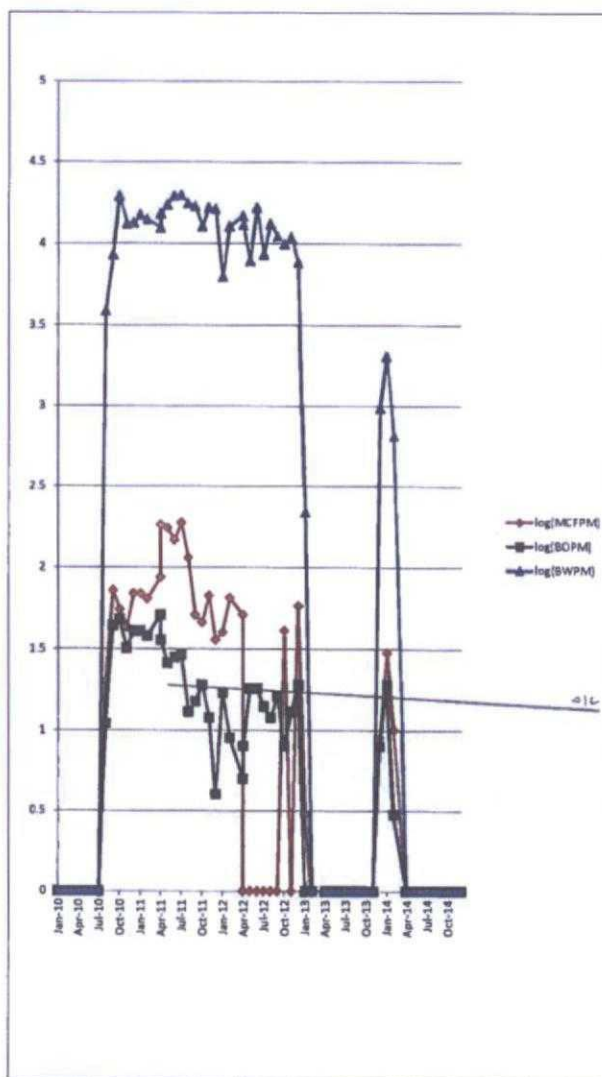
BWPM	6927.571	1214.66667
\$2/BW Cost	\$13,855	\$2,429
\$1/BW Cost	\$6,928	\$1,215

\$990.25 per month

Economic Well

										Case 1	Case 2
										Less \$2/BW	Less \$1/BW
Estimated SLO Loss:	\$1,237.82	X	20	X	0.1667	Ri	=	<u>\$4,126.89</u>	Case 1	-\$2,800.69	\$2,912.22
			SLO OG Lease:		[VO-0302-0006]						
	\$565.33	X	20	X	0.1667	Ri	=	<u>\$1,884.82</u>	Case 2	-\$5,042.75	\$670.16
										Uneconomic	Economic
Est. Remaining Reserves:	MCE	BQ	\$4/MCE	\$50/BQ	SLO Ri						
	50	30	\$200	\$1,500	0.1667	=		\$450.05 Minimum Value Lost			
	150	90	\$600	\$4,500	0.1667	=		\$1,350.15 9 Month Value Lost			
	200	120	\$800	\$6,000	0.1667	=		\$1,800.20 1-yr Value Lost			
	250	150	\$1,200	\$9,000	0.1667	=		\$2,700.30 1.5-yr Value Lost			
	400	240	\$1,600	\$12,000	0.1667	=		\$3,600.40 2-yr Value Lost			
									(95% Risk)	AEH/SLO	3/16/2021
								\$2,565.29 Best Estimate - Compensatory Royalty			

Mo/Yr	Log10 MCF	Log10 BO	Log10 BW
Jan-10	#NUM!	#NUM!	#NUM!
Feb-10	#NUM!	#NUM!	#NUM!
Mar-10	#NUM!	#NUM!	#NUM!
Apr-10	#NUM!	#NUM!	#NUM!
May-10	#NUM!	#NUM!	#NUM!
Jun-10	#NUM!	#NUM!	#NUM!
Jul-10	#NUM!	#NUM!	#NUM!
Aug-10	1.30103	1.04139269	3.586475
Sep-10	1.857332	1.64345268	3.931814
Oct-10	1.740363	1.68124124	4.290257
Nov-10	1.633468	1.50514998	4.120804
Dec-10	1.838849	1.61278386	4.125319
Jan-11	1.838849	1.61278386	4.171931
Feb-11	1.80618	1.5797836	4.14746
Mar-11	1.939519	1.70757018	4.094122
Apr-11	2.260071	1.5563025	4.181501
May-11	2.240549	1.41497335	4.235806
Jun-11	2.167317	1.44715803	4.290346
Jul-11	2.271842	1.462398	4.295545
Aug-11	2.056905	1.11394335	4.245685
Sep-11	1.70757	1.17609126	4.228246
Oct-11	1.662758	1.2787536	4.104077
Nov-11	1.826075	1.07918125	4.220448
Dec-11	1.556303	0.60205999	4.211014
Jan-12	1.60206	1.23044892	3.797129
Feb-12	1.812913	0.95424251	4.105033
Mar-12	1.70757	0.69897	4.167908
Apr-12	#NUM!	0.90308999	4.11571
May-12	#NUM!	1.25527251	3.896361
Jun-12	#NUM!	1.25527251	4.219742
Jul-12	#NUM!	1.14612804	3.933943
Aug-12	#NUM!	1.07918125	4.119322
Sep-12	#NUM!	1.20411998	4.042457
Oct-12	1.612784	0.90308999	3.988041
Nov-12	#NUM!	1.11394335	4.03611
Dec-12	1.763428	1.2787536	3.886152
Jan-13	0.477121	0	2.338456
Feb-13	#NUM!	#NUM!	#NUM!
Mar-13	#NUM!	#NUM!	#NUM!
Apr-13	#NUM!	#NUM!	#NUM!
May-13	#NUM!	#NUM!	#NUM!
Jun-13	#NUM!	#NUM!	#NUM!
Jul-13	#NUM!	#NUM!	#NUM!
Aug-13	#NUM!	#NUM!	#NUM!
Sep-13	#NUM!	#NUM!	#NUM!
Oct-13	#NUM!	#NUM!	#NUM!
Nov-13	#NUM!	#NUM!	#NUM!
Dec-13	0.954243	0.90308999	2.985875
Jan-14	1.477121	1.2787536	3.306425
Feb-14	1	0.47712125	2.813581
Mar-14	#NUM!	#NUM!	#NUM!
Apr-14	#NUM!	#NUM!	#NUM!
May-14	#NUM!	#NUM!	#NUM!
Jun-14	#NUM!	#NUM!	#NUM!
Jul-14	#NUM!	#NUM!	#NUM!
Aug-14	#NUM!	#NUM!	#NUM!
Sep-14	#NUM!	#NUM!	#NUM!
Oct-14	#NUM!	#NUM!	#NUM!
Nov-14	#NUM!	#NUM!	#NUM!
Dec-14	#NUM!	#NUM!	#NUM!



celh