



September 8, 2009

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

Attn: Mr. Mark Fesmire, Director

RECEIVED OCD
2009 SEP -9 A 11:12

Re: Application of Agua Sucia, LLC to reinstate administrative order SWD-559 authorizing salt water disposal into its Government 'E' Well No.1 located in Unit Letter 'N', Section 25, Township 19 South, Range 34 East, NMPM, Lea County, New Mexico.

Dear Mr. Fesmire,

Please find enclosed updated data supporting the above-referenced request for reinstatement of disposal operations on the subject well.

Agua Sucia, LLC seeks to optimize efficiency, both economically and operationally, of its operations. Approval of this application is consistent with that goal as well as the NMOCD's mission of preventing waste and protection of correlative rights.

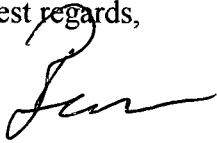
The subject well has been authorized for salt water disposal since May 19, 1994 under division order SWD-559. The previous operator of the well suspended operations for over a year during lengthy repair workover and subsequently lost authority to inject.

Immediately prior to Agua Sucia's purchase of the SWD facility, the newly repaired well had over 5700 feet of new 4-inch flush joint casing installed as well as nearly 9600 feet of new plastic-coated injection tubing and packer. The well passed an OCD witnessed, post-repair mechanical integrity test in April of this year. Buddy Hill, the supervisor of the Hobbs OCD district office confirmed to me in a telephone conversation that "We've had lots of issues with [the previous operator]" and that "...the well is technically sound and ready for injection". (L. Hill, 5/19/2009). The repair operation was at considerable expense and will allow the salt water disposal well to operate safely and effectively for years to come.

The one-half mile area of review has not changed since the original issuance of SWD-559; however Agua Sucia has re-noticed interested parties and republished the legal notice. This application for reinstatement also includes new wellbore schematics, a new area of review maps and other pertinent updated information.

I respectfully request that the reinstatement of SWD-559 proceed swiftly and if you or your staff requires additional information or has any questions, please do not hesitate to call or email me.

Best regards,

A handwritten signature in black ink, appearing to read 'Ben Stone', with a stylized flourish at the end.

Ben Stone, Partner
SOS Consulting, LLC
Agent for Agua Sucia, LLC

Cc: Application attachment and file

APPLICATION FOR AUTHORIZATION TO INJECT

- I. PURPOSE: **Salt Water Disposal** and the application *qualifies* for administrative **RENEWAL** approval.
- II. OPERATOR: **Agua Sucia, LLC**
ADDRESS: **1009 W. Broadway, Hobbs, NM 88241**

CONTACT PARTY: **Agent: SOS Consulting, LLC – Ben Stone (903) 488-9850**
- III. WELL DATA: **All well data and applicable wellbore diagrams are attached hereto.**
- IV. **This is not an expansion of an existing project.**
- V. **A map is attached** that identifies all wells and leases within two miles of any proposed injection well with a one-half mile radius circle drawn around each proposed injection well. This circle identifies the well's area of review.
- *VI. **A tabulation is attached** of data on all wells of public record within the area of review which penetrate the proposed injection zone. **The data includes** a description of each well's type, construction, date drilled, location, depth, record of completion, and a schematic of any plugged well illustrating all plugging detail.
- VII. **The following data is attached** on the proposed operation, including:
1. Proposed average and maximum daily rate and volume of fluids to be injected;
 2. Whether the system is open or closed;
 3. Proposed average and maximum injection pressure;
 4. Sources and an appropriate analysis of injection fluid and compatibility with the receiving formation if other than reinjected produced water; and,
 5. If injection is for disposal purposes into a zone not productive of oil or gas at or within one mile of the proposed well, attach a chemical analysis of the disposal zone formation water (may be measured or inferred from existing literature, studies, nearby wells, etc.).
- *VIII. **Appropriate geologic data on the injection zone is attached** including appropriate lithologic detail, geologic name, thickness, and depth. Give the geologic name, and depth to bottom of all underground sources of drinking water (aquifers containing waters with total dissolved solids concentrations of 10,000 mg/l or less) overlying the proposed injection zone as well as any such sources known to be immediately underlying the injection interval.
- IX. **No stimulation program is proposed at this time.**
- *X. **There is no applicable logging and test data on the well however, any previous well logs have been filed with the Division and they need not be resubmitted.**
- *XI. **There are no fresh water wells within one mile the proposed salt water disposal well.**
- XII. **An affirmative statement is attached that available geologic and engineering data has been examined and no evidence was found** of open faults or any other hydrologic connection between the disposal zone and any underground sources of drinking water.
- XIII. **"Proof of Notice" section on the next page of this form has been completed.**
- XIV. Certification: I hereby certify that the information submitted with this application is true and correct to the best of my knowledge and belief.

NAME: **Ben Stone** TITLE: **Consultant, Agent for Agua Sucia, LLC**

SIGNATURE:  _____

DATE: **8/24/2009**

E-MAIL ADDRESS: **Agent: SOS Consulting, LLC: info@sosconsulting.us**

- * If the information required under Sections VI, VIII, X, and XI above has been previously submitted, it need not be resubmitted. Please show the date and circumstances of the earlier submittal:

III. WELL DATA – *The following information and data is included:*

A. The following well data must be submitted for each injection well covered by this application. The data must be both in tabular and schematic form and shall include:

- (1) Lease name; Well No.; Location by Section, Township and Range; and footage location within the section.
- (2) Each casing string used with its size, setting depth, sacks of cement used, hole size, top of cement, and how such top was determined.
- (3) A description of the tubing to be used including its size, lining material, and setting depth.
- (4) The name, model, and setting depth of the packer used or a description of any other seal system or assembly used.

Division District Offices have supplies of Well Data Sheets which may be used or which may be used as models for this purpose. Applicants for several identical wells may submit a "typical data sheet" rather than submitting the data for each well.

B. The following must be submitted for each injection well covered by this application. All items must be addressed for the initial well. Responses for additional wells need be shown only when different. Information shown on schematics need not be repeated.

- (1) The name of the injection formation and, if applicable, the field or pool name.
- (2) The injection interval and whether it is perforated or open-hole.
- (3) State if the well was drilled for injection or, if not, the original purpose of the well.
- (4) Give the depths of any other perforated intervals and detail on the sacks of cement or bridge plugs used to seal off such perforations.
- (5) Give the depth to and the name of the next higher and next lower oil or gas zone in the area of the well, if any.

XIV. PROOF OF NOTICE *pursuant to the following criteria is attached.*

All applicants must furnish proof that a copy of the application has been furnished, by certified or registered mail, to the owner of the surface of the land on which the well is to be located and to each leasehold operator within one-half mile of the well location.

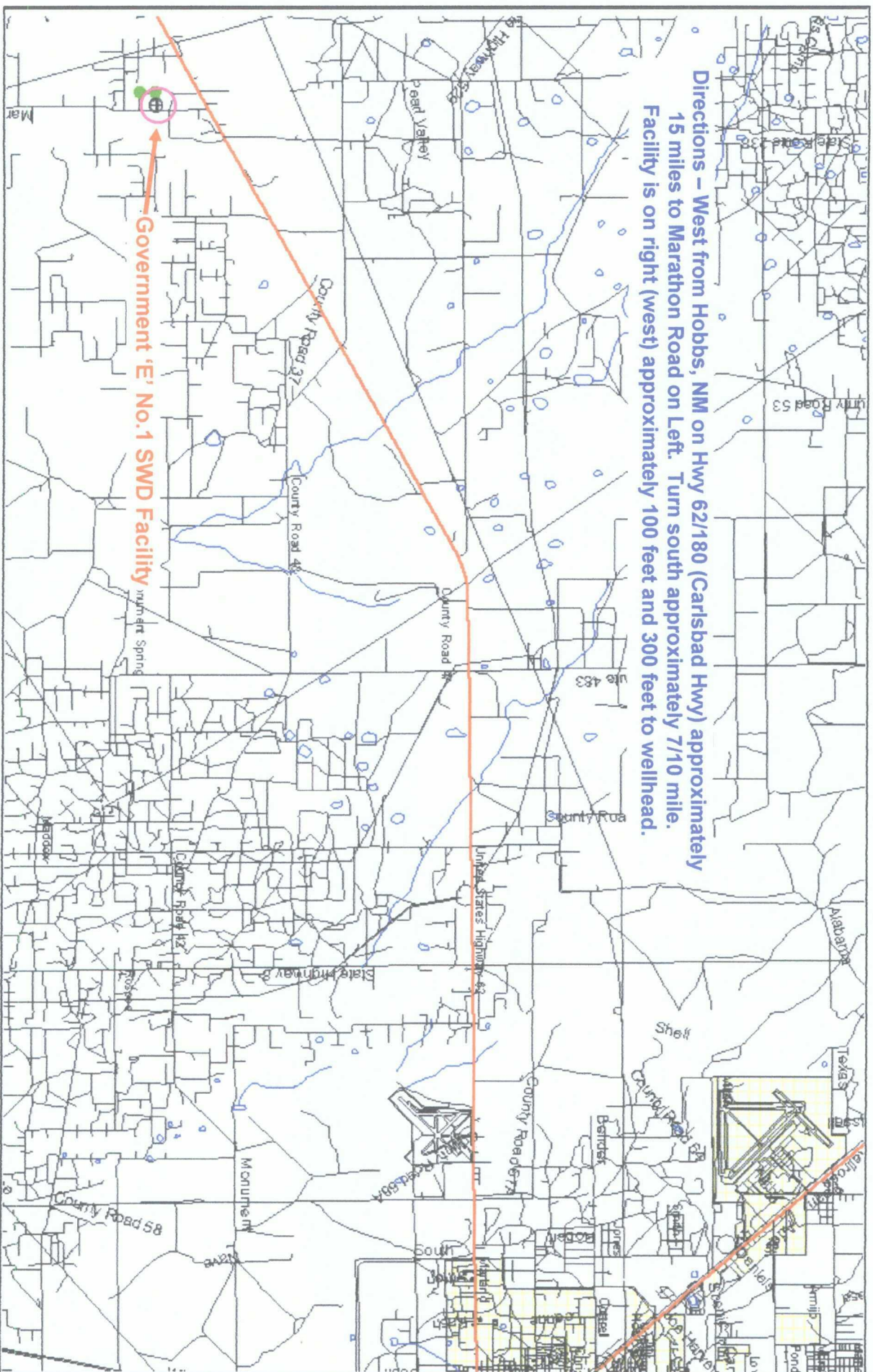
Where an application is subject to administrative approval, a proof of publication must be submitted. Such proof shall consist of a copy of the legal advertisement which was published in the county in which the well is located. The contents of such advertisement must include:

- (1) The name, address, phone number, and contact party for the applicant;
- (2) The intended purpose of the injection well; with the exact location of single wells or the Section, Township, and Range location of multiple wells;
- (3) The formation name and depth with expected maximum injection rates and pressures; and,
- (4) A notation that interested parties must file objections or requests for hearing with the Oil Conservation Division, 1220 South St. Francis Dr., Santa Fe, New Mexico 87505, within 15 days.

NO ACTION WILL BE TAKEN ON THE APPLICATION UNTIL PROPER PROOF OF NOTICE HAS BEEN SUBMITTED.

NOTICE: Surface owners or offset operators must file any objections or requests for hearing of administrative applications within 15 days from the date this application was mailed to them.

Government 'E' No. 1 SWD Facility – General Location

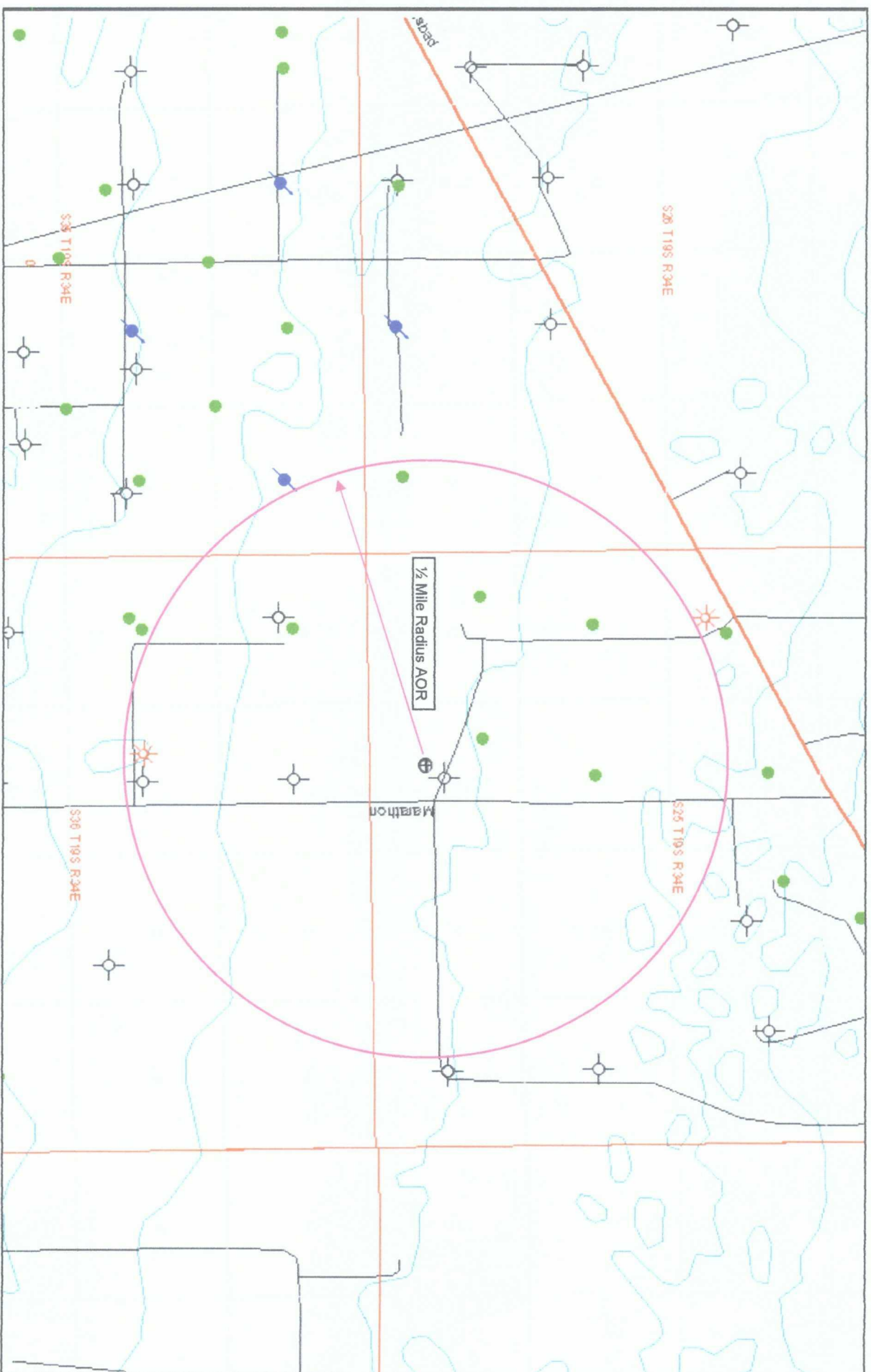


GIS Map by Sylvan Ascent
 Drawn 8/24/2009
 by Ben Stone, SOS Consulting, LLC
 For Agua Sucia, LLC

SOS Consulting, LLC

Well spots generated from
 RBDMS database with most
 current recordset provided by
 NMT Octane AllWells.mdb

Government 'E' No. 1 – Area of Review



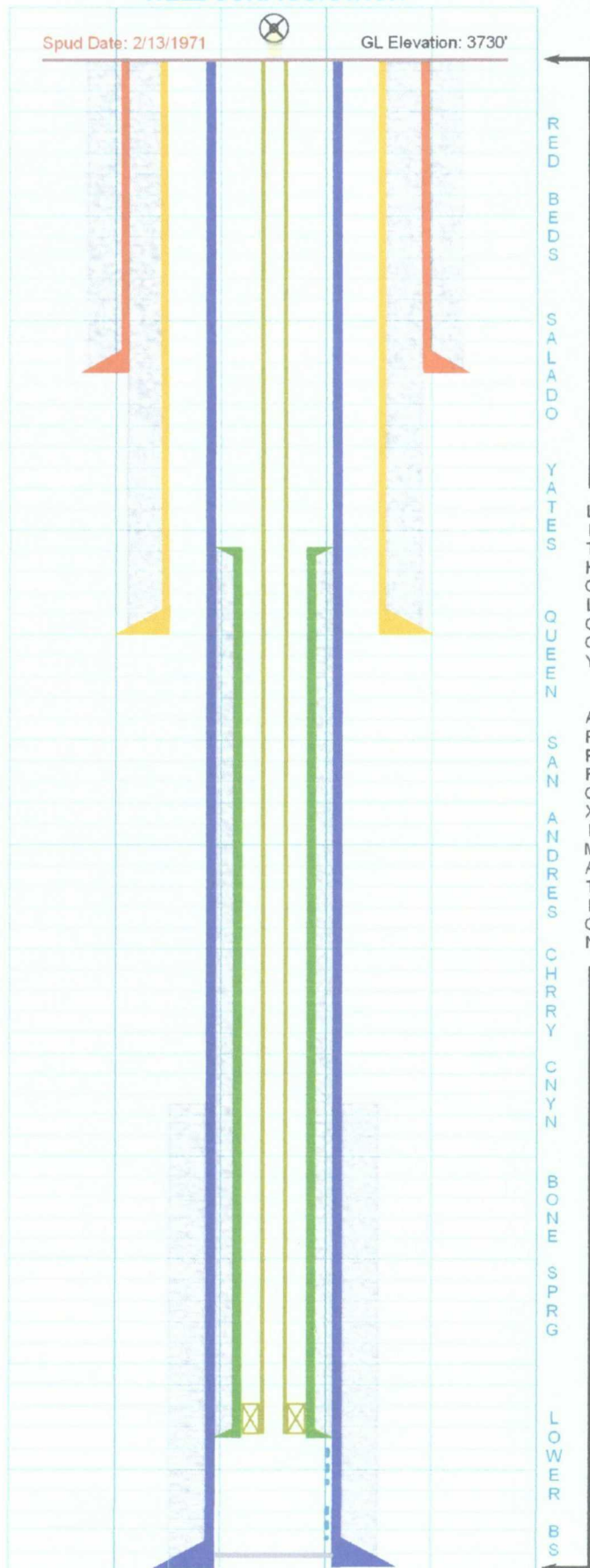
GIS Map by Sylvan Ascent
Drawn 8/24/2009
by Ben Stone, SOS Consulting, LLC
For Agua Sucia, LLC

SOS Consulting, LLC

Well spots generated from
RBDMS database with most
current recordset provided by
NMT Octane AllWells.mdb

Agua Sucia, LLC

PROPOSED / EXISTING WELL CONFIGURATION



Government 'E' No. 1

API No. 30-025-23708

Location: 610' FSL & 1880' FWL

UL 'N', Sec. 25, Twp 19S, Rng 34E, NMPM

Latitude: 32.625818 Longitude: -103.516315

Lea County, New Mexico

SWD: Bone Spring (Pool No.96095)

Formation: Red Beds

Surface: 11.75" 42# @ 400' (Borehole 15")

Cement: 450 Sacks Class H w/2% CaCl
from 400' to 0' (Circulated)

Formation: Salado / Anhydrite Mix (Top ~1800')

Formation: Yates (Top ~3500')

Intermediate: 8.625" 32# @ 4089' (Borehole 11.0")

Cement: 775 Sacks TLW & Pozmix from 4089' to 2200' (Calc.)

Formation: Queen (Top ~4400')

Formation: San Andres (Top ~6050')

Casing/Tubing Annulus loaded with Packer Fluid.

Formation: Cherry Canyon (Top 6490')

Tubing: 2.375" (184 jnts) and 2.875" (113 jnts)
Plastic Coated @ 9579'

Packer: 4.0" (Nominal) PKR (w/ On/Off Tool) @ 9596'

Formation: Bone Spring (Top 9716')

Liner: 4.0" Flush Joint 15.6# @ 9597' to 3843'

Cement: 240 Sacks Class H from 9547' to 3843'

Perforations Top: 9716' - 20'
Bottom: 10,225' - 36'

Formation: Lower Bone Spring (Top 10,222')

Production: 5.5" 17# @ 10,300' (Borehole 7.875")

Cement: 500 Sacks Class H from 10,300' to 7700' (Temp Srvy)

PBTD: 10,277'

C-108 Supporting Data

Tabulation of Wells in Area of Review

<i>Well Name & No. / API</i>	<i>Operator</i>	<i>Location</i>	<i>Status</i>	<i>Surface Pipe & Cement</i>	<i>Intermediate / Production & Cement</i>
Superior Federal No.1 30-025-02396	Pre-ONGARD Operator	N-25-19S-34E	P	8.625" @ 210' w/ 25 sx Class 'C' Circulated	4.5" @ 5095' w/ 275 sx Class 'C' TOC 3030'
Pearl State No.1 30-025-32935	Trilogy Operating, Inc.	F-36-19S-34E	P	8.625" @ 610' w/ 320 sx Class 'C' Circulated	5.5" @ 5296' w/ 1500 sx Class 'C' TOC 3300'
Gulf 'C' State No.2 30-025-02403	Pre-ONGARD Operator	C-36-19S-34E	P	8.625" @ 129' w/ 90 sx Class 'C' Circulated	5.5" @ 5050' w/ 355 sx Class 'C' TOC 3616'
Lea 'DS' State No.2 30-025-23808	Pre-ONGARD Operator	C-36-19S-34E	P	13.625" @ 355' w/ 420 sx Class 'C' Circulated	8.625" @ 4049' w/ 265 sx Class 'C' TOC 3210' 5.5" @ 9770' w/ 585 sx Class 'C' TOC 2360'
Superior 'A' Fed. No.1 30-025-08457	Armstrong Energy Corp.	K-25-19S-34E	A	8.625" @ 307' w/ 300 sx Class 'C' Circulated	4.5" @ 5056' w/ 300 sx Class 'C' TOC 4685'
Superior Federal No.4 30-025-21369	Armstrong Energy Corp.	L-25-19S-34E	A	8.625" @ 238' w/ 125 sx Class 'C' Circulated	5.5" @ 5149' w/ 270 sx Class 'C' TOC 2950'
Superior Federal No.5 30-025-21370	Armstrong Energy Corp.	M-25-19S-34E	A	8.625" @ 241' w/ 125 sx Class 'C' Circulated	5.5" @ 5146' w/ 270 sx Class 'C' TOC 2970'
Superior Federal No.6 30-025-21745	Armstrong Energy Corp.	N-25-19S-34E	A	8.625" @ 248' w/ 125 sx Class 'C' Circulated	5.5" @ 5146' w/ 270 sx Class 'C' TOC 2960'
Sarah Sue No.3 30-025-21756	Louray Oil Company	D-36-19S-34E	A	8.625" @ 245' w/ 125 sx Class 'C' Circulated	4.5" @ 5137' w/ 268 sx Class 'C' TOC 4313'

C-108 – Tabulation of Wells in Area of Review – Cont'd

Well Name & No. / API	Operator	Location	Status	Surface Pipe & Cement	Intermediate / Production & Cement
Mescalero Ridge No.262 30-025-21798	Merit Energy Company	P-26-19S-34E	A	8.625" @ 211' w/ 150 sx Class 'C' Circulated	5.5" @ 5150' w/ 350 sx Class 'C' TOC 3250'
West Pearl 36 State No.1 30-025-38079	COG Operating, LLC	F-36-19S-34E	A	13.375" @ 605' w/ 505 sx Class 'C' Circulated	9.625" @ 5310' w/ 2000 sx Class 'C' TOC 3210' 7.0" @ 11,100' w/ 825 sx Class 'C' TOC 11sx off DVT 4.5" @ 13,656' w/ 325 sx Class 'C' TOC 70 sx off LNR Top

Pre-ONGARD Operator

CURRENT WELL CONFIGURATION

Plugged and Abandoned 12/5/1960

Superior Federal No. 1

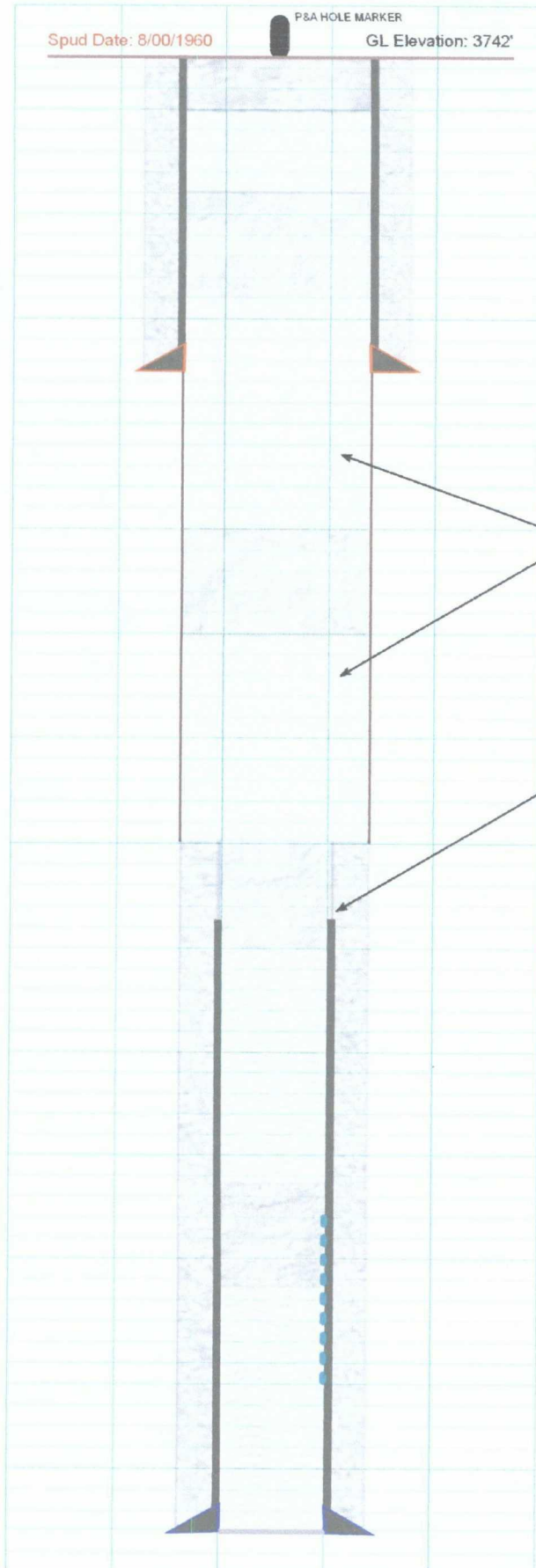
API No. 30-025-02396

Location: 660' FSL & 1980' FWL

Section 25, Twp 19S, Rng 34E, NMPM

Latitude: 32.625956 Longitude: -103.515989

Lea County, New Mexico



Spud Date: 8/00/1960

P&A HOLE MARKER

GL Elevation: 3742'

Cement Plug: 5 sx 20' - 0'

Cement Plug: 25 sx 260' - 160'

Surface: 8.625" 26# @ 210' (Borehole 11")

Cement: 200 Sacks Class C from 210' to 0' (Circulated)

Formation: Anhydrite (Top 1813')

Mud Between Plugs

Cement Plug: 20 sx 1900' - 1800'

4.5" Casing shot off at 3228'.

Cement Plug: 20 sx 3248' - 3148'

Formation: Yates (Top Apprx. 3500')

Hole filled with mud prior to pumping plugs.

Formation: Queen (Top Apprx. 4400')

Cement Plug: 15 sx 4830' - 4658'

Perforations: 4559' - 4965'

4784' - 4792'

4909' - 4913'

Production: 4.5" 11.6# @ 3665' (Borehole 6.25")

Cement: 275 Sacks Class C from 5095' to 3050' (by CALC.
Perhaps closer to 4.5" recovery depth.)

TD: 5095'

TRILOGY OPERATING, INC.

CURRENT WELL CONFIGURATION

Plugged and Abandoned 7/11/1997

Pearl State No. 1

API No. 30-025-32935

Location: 1980' FNL & 1980' FWL

Section 36, Twp 19S, Rng 34E, NMPM

Latitude: 32.618700 Longitude: -103.515985

Lea County, New Mexico

Cement Plug: 10 sx 60' - 0'

Formation: Red Beds

Surface: 8.625" 24# @ 610' (Borehole 12.25")

Cement: 320 Sacks Class C from 610' to 0' (Circulated)

Formation: Anhydrite Mix

Mud Between Plugs

Cement Plug: 75 sx 1950' - 1500'

Formation: Salt (Top ~1500')

Formation: Seven Rivers (Top 3960')

Cement Plug: 100 sx 3900' - 3300'

Perforations: 3960' - 3970'

CIBP @ 4060'

Perforations: 4090' - 4100'

Cement Plug: 3 sx 4500' - 4482'

CIBP @ 4500'

Formation: Queen (Top 4530')

Perforations: 4533' - 4675'

Cement Plug: 3 sx 4800' - 4782'

CIBP @ 4800'

Perforations: 4888' - 5050'

PKR w/ bull plug abandoned @ 5200'

Perforations: 5232' - 5240'

Production: 5.5" 17# @ 5296' (Borehole 7.875")

Cement: 1500 Sacks Class C POZ from 5296' to 3300' (by Calc.)

DTD: 5300'

Pre-ONGARD Operator

CURRENT WELL CONFIGURATION

Plugged and Abandoned 11/03/1961

Gulf 'C' State No. 2

API No. 30-025-02403

Location: 660' FNL & 1980' FWL

Section 36, Twp 19S, Rng 34E, NMPM

Latitude: 32.622328 Longitude: -103.515987

Lea County, New Mexico

Spud Date: 8/27/1960

P&A HOLE MARKER

GL Elevation: 3726'

Cement Plug: 10 sx 40' - 0'

Formation: Red Beds

Cement Plug: 20 sx 129' - 40'

Surface: 8.625" 26# @ 129' (Borehole 9.0")

Cement: 90 Sacks Class C from 129' to 0' (Circulated)

Formation: Rustler (Top 1815')

Cement Plug: 20 sx 1950' - 1850'

5.5" Casing shot off at 2150'.

Cement Plug: 25 sx 2150' - 2025'

Formation: Tansill (Top 3324')

Formation: Yates (Top 3530')

Hole filled with mud prior to pumping plugs.

Cement Plug: 25 sx 3901' - 3600'

Perforations: 3650' - 3700'

Set plug @ 3901'

Perforations: 3910' - 3984'

Formation: Seven Rivers (Top 4082')

Set plug @ 4162'

Perforations: 4562' - 4568'

Set plug @ 4602'

Perforations: 4616' - 4660'

Formation: Queen (Top 4654')

Set plug @ 4800'

Production: 5.5" 17# @ 3665' (Borehole 7.875")

Cement: 355 Sacks Class C from 5050' to 3616' (by CALC.

Perforations: 5020' - 5034'

DTD: 5050'

Pre-ONGARD Operator

CURRENT WELL CONFIGURATION

Plugged and Abandoned 3/27/1980

Lea 'DS' State No. 2

API No. 30-025-23808

Location: 770' FNL & 560' FWL

Section 36, Twp 19S, Rng 34E, NMPM

Latitude: 32.622014 Longitude: -103.520621

Lea County, New Mexico

Spud Date: 6/30/1971

P&A HOLE MARKER

GL Elevation: 3723'

Cement Plug: 10 sx 30' - 0'

Formation: Red Beds

Surface: 13.625" 48# @ 355' (Borehole 17.5")

Cement: 420 Sacks Class C from 355' to 0' (Circulated)

Cement Plug: 55 sx 300' - 270'

Cement Plug: 80 sx 400' - 367'

Cement Plug: 70 sx 1400' - 940'

Shot-off 8.625" @ 990'

Formation: Anhydrite Mix (Top ~1815')

Cement Plug: 35 sx 1950' - 1850'

Shot-off 5.5" @ 2327'

Cement Plug: 2358' - 2210'

Formation: Salt (Top ~3350')

Intermediate: 8.625" 24 & 32# @ 4049' (Borehole 11.0")

Cement: 265 Sacks Class C from 4049' to 3210'

Formation: Queen (Top ~5045')

Cement Plug: 20 sx 5400' - 5300'

Mud Between Plugs

Formation: 1st Bone Spring (Top 8780')

Cement Plug: 10 sx 9350' - 9300'

Formation: 2nd Bone Spring (Top 9504')

Perforations: 9692' - 9706'

Production: 5.5" 17# @ 9770' (Borehole 7.875")

Cement: 585 Sacks Class C from 9770' to 2360' (by Calc.)

DTD: 9770'

C-108 Supporting Data

The Government 'E' No.1 SWD recently underwent extensive work-over and repair operations which are summarized below. OCD site visits and actual expenditures are in tables that follow.

First Repair Attempt

January 22, 2008 through February 26, 2008

Upon identifying the well failure, the subject well was shut in on 1/22/08. The well was bled down for several days to get on the hole. Approximately 4500 bbls of water were trucked for disposal. On 1/28/08, the operator was able to get in the hole – pulled 309 joints 2-3/8" tubing and ran in hole with 8 joints of 2-7/8" work string and scraper and shut in well. On 1/29/08 the job was shut down due to high wind. On 1/30/08, the well pressured back up to about 50 psi and approximately 400 bbls was flowed to the tanks for disposal. The unit crew was able to run in the hole with a scraper on work string. The next two days consisted of several runs with bit & scraper and gauge ring and then a routine plug & packer job was conducted to locate the depth of the casing failure. A length of bad casing was located between 5332' and 4168'. Set bridge plug and cement retainer. On 2/5/08 a squeeze job was performed between the 5-1/2" and 8-5/8" Initially pumped 20 bbls down at 100 psi to get a rate - established maximum rate of 4 bpm @ 600 psi. Pumped 260 sacks of class 'C' Neat followed by 500 sacks of class 'C' with 6% gel. Pulled out of the cement retainer and finished pumping and shut the well in with 600 psi. Drilled out and tested again for the next several days. Additional testing with plug and packer identified remaining hole between 5049' and 5018'. On 2/11/08, a cement retainer was set at 4986' but when tested the following morning, it did not hold. The retainer was drilled out and pulled the pipe out of the hole. Ran the packer in and set it to isolate the hole. On 2/13/08 a new retainer was run in the hole but would not set. The retainer was pulled and found severely damaged. Ran a new retainer in the hole and it was able to set. Hooked up to establish a rate but could only get 1 bpm @ 2500 psi. On 2/14/08 the crew ran back in the hole with bit and collars. The first retainer was drilled out and the hole was circulated. Drilled out for the next few days and ran a mill to get through a hardened steel piece of a stinger. On 2/18/08, drilled with the bit again to try and get through the remaining pieces of junk. Finally drilled through and ran more pipe and tagged the plug at 5332'. Started drilling and made several more feet with additional pieces of the retainer coming up. Circulated the hole and shut down. Over the next several days, the hole was cleaned out to a depth of 9743'. The hole was circulated with fresh water and shut in on 2/26/08 and the workover unit was rigged down.

OCD Site Visits During First Repair Attempt

<i>Date</i>	<i>OCD Inspector and Number of Visits</i>
1/26/08	Gary Wink – 1
1/29/08	Buddy Hill – 1
1/30/08	Buddy Hill – 2
1/31/08	Buddy Hill – 2
2/05/08*	Buddy Hill – 2
2/06/08	Mark Whitaker – 2
2/07/08	Mark Whitaker – 2
2/08/08*	Mark Whitaker – 1
2/18/08	Mark Whitaker – 2
2/19/08	Mark Whitaker – 2
2/20/08	Mark Whitaker – 2
2/21/08	Mark Whitaker – 2
2/22/08	Mark Whitaker – 2

* Went into OCD office to drop off C-103's and to discuss workover operations.

Final Repair – March – April, 2009

Consultant for workover – Al Perry, Hobbs, NM

<i>Date</i>	<i>Activity</i>
3/23/09	RU Black Warrior Wireline. Log well from 9536' to 9733'. Perforated 9716'-9732' w/ 32 holes. POOH guns. RIH and set composite bridge plug at 9650'.
3/26/09	RU Bull Rodgers casing crew. RIH w/ 4.0" float shoe & collar, follow w/ 137 jnts. 4.0" casing, x-over sub 4.0 x 5.5" and landed @ 9597' with top of liner @ 3843'. Ran 20 jts. 3.5" drill collar & 2.875" tubing. RD casing crew and shut in over night.
3/27/09	RU BJ Services and circulated liner at 2bpm @1300 psi for 30 mins. Ball seat sheared @ 3000 psi. Hanger set. PU 3' check liner weight w/ 52,000 # loss. Repressure ball seat, liner held. Push ball thru & circulated thru float 1.5bpm @ 700 psi. Pump down 240 sx 15.6 ppg slurry Class 'H' cement. Dropped plug & bumped w/ 4000 psi. Float held. Check liner top to 950 psi. Good test. RD BJ Services. Pulled tubing and collars 1000' above liner top. Shut down over night. Witnessed by Maxie Brown w/ OCD.
3/28/09	POOH w/ tubing and collars.
3/30/09	Tally pipe & RU TFH Rental Tools. PU bit & 6 collars. Shut down due to high wind.
3/31/09	Continue in hole w/ tubing. Tag top of liner at 3820. Test to 500 psi. Good test. Start drilling & fell thru cement @ 3844'. Continued in hole w/ tubing and tagged up @ 9547'. Circulated hole clean. Shut down over night.
4/01/09	Resume drilling at 9547'. DO to 9597'. Pushed composite bridge plug to bottom. Lay down swivel and POOH w/ 56 jnts 2.875" TBG. Shut down over night.
4/02/09	POOH w/ remaining TBG and collars. Tally pipe and shut down.

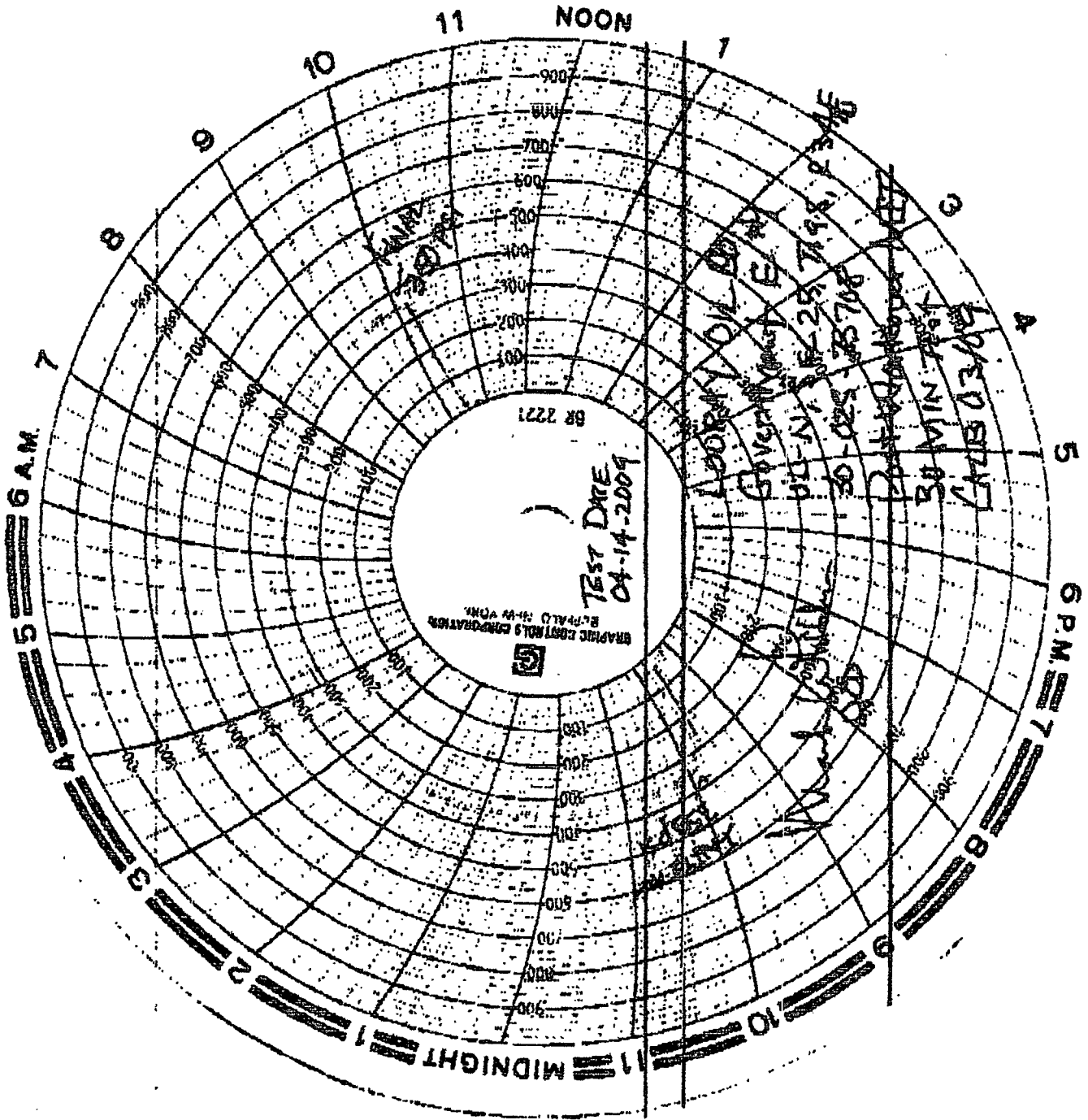
4/03/09	Trip in hole w/ 3.25" packer, 184 jnts 2.375" & 111 jnts 2.875" tbg. Tagged @ 9552'. POOH w/ TBG and packer. Shut down over night.
4/04/09	RIH w/ 3.625" bit & 6 x 3.125" collars & 6 jnts 2.375" TBG. Shut down due to high winds.
4/06/09	RIH w/ TBG & tagged @ 9552'. Drilled out to 9597' and circulated hole clean. Shut down over night.
4/07/09	PU swivel and circulated hole w/ 100 bbls 2% KCL. LD swivel. POOH w/ all TBG, collars & bit. Shut down over night.
4/08/09	Trip hole w/ packer & tubing. Packer would not set. POOH and shut down over night.
4/10/09	RIH w/ PKR & 184 jnts 2.375" TBG (6013.37') and 113 jnts 2.875" TBG (3565.65') RU pump truck and circulated hole clean. Set PKR @ 9596'. Tested casing. Shut down over night.
4/14/09	RU Maclasky Services and load CSG. Tested to 300 psi for 30 mins. w/ no bleed off. MIT witnessed by Mark Whitaker, OCD. RD pulling unit. Shut down. Well ready for injection. (MIT attached.)

Costs Associated With Final Repair

<i>Payee</i>	<i>Item or service (if known)</i>	<i>Cost</i>
Weatherford	Liner hangers, collars; other	32,103.75
Louis Edgett	Additional tubulars	11,320.00
Lonnie Wilson Insurance	Insurance	4,531.77
TFH Rental Tools	Location pipe racks, etc.	34,197.38
Warrior Energy Services	Wireline bridge plug, etc.	11,663.67
Maclasky Oilfield Services	Acid job	9,066.03
Lea County Packer	Packer and run/set charge	12,031.23
Permian Pump and Supply	4.00" Liner (new); other	186,703.98
BJ Services	Cementing service	15,000.00
MICO Services	Pulling Unit and Oilfield service	61,719.88
Al Perry	Consulting services	9,000.00
SOS Consulting, LLC	Consulting services	3,344.97
G&L Trucking	Trucking	12,504.87
Barriga Tank Service	Tank setting and maintenance	6,000.00
First Insurance Funding	Insurance	1,214.40
BMB Rentals	Rental tools, matt boards	2,634.38
RMAA Oilfield Service	Gang truck	287.89
Miscellaneous service		13,514.65
Supplies (Office)		69.90
Postage, courier		168.45
TOTAL FOR WORKOVER AND REPAIR – APPROXIMATELY \$432,000		

C-108 - Supporting Data

Successful Mechanical Integrity Test - 4/14/2009



C-108 ITEM XII – GEOLOGIC AFFIRMATION

We have examined available geologic and engineering data and have found no evidence of open faults or other hydrologic connection between the disposal interval and any underground sources of drinking water.

A handwritten signature in black ink, appearing to read "Ben Stone", is written over a horizontal line.

Ben Stone, Partner
SOS Consulting, LLC

C-108 ITEM VII.4 – SOURCE AND ANALYSIS OF SUBJECT WATERS

Produced water will be gathered from area wells producing from the Queen (and other Delaware Group formations) and the Bone Spring formations. These waters will be disposed into the Bone Spring formation in the proposed SWD.

Water analyses from regional wells are attached and indicate that these waters are reasonably compatible.



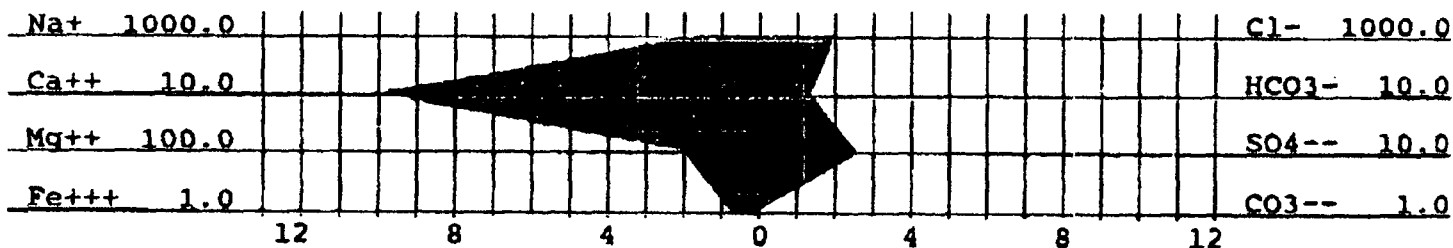
WATER ANALYSIS
for
ARMSTRONG ENERGY

Date of Analysis: OCTOBER 12, 1992
Company: ARMSTRONG ENERGY
State: N/D
Lease: GOVERNMENT E #1
Oil (bbl/day): N/D
Type of Water: PRODUCED
Sample Source: WELL HEAD
Representative: DON BLACKSTOCK

Analysis #: 1757
Company Address: N/D
Field: N/D
Well #: # 1
Water (bbl/day): N/D
Temp., C: 17
Date of Sampling: OCTOBER 11, 1992
Analysis By: SUZANNE WILLIAMS

WATER ANALYSIS PATTERN

(number beside ion symbol indicates me/l scale unit)



DISSOLVED SOLIDS

CATIONS	me/l	mg/l
Total Hardness :	300.00	
Calcium, (Ca++) :	100.00	2004.81
Magnesium, (Mg++) :	200.00	2430.28
Iron, (Fe++) :	0.81	15.00
Barium, (Ba++) :	N/D	N/D
Sodium, Na+(calc.) :	1767.38	40649.65
Manganese, (Mn++) :	0.00	0.00

ANIONS	me/l	mg/l
Chloride, Cl- :	2028.17	71997.52
Sulfate, SO4-- :	26.01	1250.00
Carbonate, CO3-- :	0.00	0.00
Bicarbonate, HCO3- :	14.00	854.18
Hydroxyl, OH- :	0.00	0.00
Sulfide, S-- :	0.00	0.00
TOTAL SOLIDS (quant.) :		119201.40

DISSOLVED GASES

Hydrogen sulfide:	0.00	mg/l
Carbon dioxide :	308.88	mg/l
Oxygen :	N/D	mg/l

PHYSICAL PROPERTIES

pH :	6.05	:
Spec Grav. :	1.100	
TDS (calc.) :	119215.45	

SCALE STABILITIES

Temp., C	CaCO3	CaSO4	BaSO4
17.0	-0.48	5491	0
27.0	-0.31	5708	0
37.0	-0.10	6002	0
Max entity, (calc.)	1836		0
RESIDUAL HYDROCARBONS:	N/D		

N/D = not determined

320'C...CALCIUM SULFATE SCALING IS UNLIKELY.
@20'C...MODERATE CORROSIVE.

WIL CONSERVATION DIVISION
RECEIVED



P.O. BOX 2187
BBS, N.M. 88240

PHONE: (505) 393-7726

WATER ANALYSIS REPORT

Report for: Lowell Deckert

cc: Kenny Kearney

cc:

cc:

Company: Subsurface Water Disp. Inc.

Address: P.O. Box 1002

Service Engineer: K. Kearney

Date sampled: 04/29/94

Date reported: 05/01/94

Lease or well #: Lea Bone Springs

County: Lea State: N.M.

Formation:

Depth:

Submitted by: K. Kearney

CHEMICAL COMPOSITION :

	mg/L	meq/L
Chloride (Cl)	160000	4513
Iron (Fe) (total)	3.0	
Total hardness	87000	
Calcium (Ca)	23458	1171
Magnesium (Mg)	6925	556
Bicarbonates (HCO3)	36	1
Carbonates (CO3)	0	
Sulfates (SO4)	548	11
Hydrogen sulfide (H2S)	n/a	
Carbon dioxide (CO2)	n/a	
Sodium (Na)	64373	2799
Total dissolved solids	255342	
Barium (Ba)	n/a	
Strontium (Sr)	n/a	

Specific Gravity

1.182

Density (#/gal.)

9.850

pH

5.750

IONIC STRENGTH

5.39

Stiff-Davis (CaCO3) Stability Index :

SI = pH - pCa - pAlk - K

SI @ 86 F = +0.41

104 F = +0.64

122 F = +0.90

140 F = +1.19

158 F = +1.51

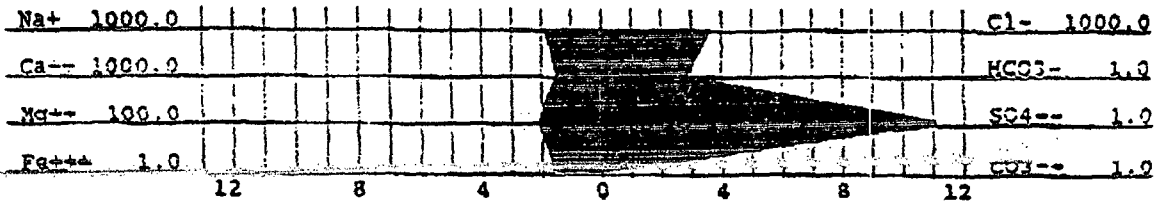
This water is 90 mg/l (-10.38%) under ITS CALCULATED
CaSO4 saturation value at 82 F.

SATURATION= 867 mg/L

PRESENT= 777 mg/L

REPORTED BY ROBERT C MIDDLETON *Ron*
TECHNICAL SERVICES REPRESENTATIVE

WATER ANALYSIS PATTERN



DISSOLVED SOLIDS

	mg/l	mg/l
Total Hardness	1820.00	
Calcium, (Ca++)	1600.00	32076.98
Magnesium, (Mg++)	220.00	2673.31
Iron, (Fe++)	1.61	30.00
Barium, (Ba++)	N/D	N/D
Sodium, Na+(calc)	1939.31	44604.19
Manganese, (Mn++)	0.00	0.00

ANIONS

Chloride, Cl-	3746.48	132995.33
Sulfate, SO4--	11.45	550.00
Carbonate, CO3--	0.00	0.00
Bicarbonate, HCO3--	3.00	183.04
Hydroxyl, OH-	0.00	0.00
Silicate, SiO4--	0.00	0.00
TOTAL SOLIDS (quant.):		213112.90

DISSOLVED GASES

Hydrogen sulfide:	0.00	mg/l
Carbon dioxide :	217.80	mg/l
Oxygen :	N/D	mg/l

PHYSICAL PROPERTIES

pH	:	6.63
Spec Grav.	:	1.140
TDS (calc.)	:	213112.89

SCALE STABILITIES

Temp., C	CaCO3	CaSO4	BaSO4
16.0	L75	513	2
26.0	N/D	570	1
36.0	N/D	527	2
Max entity, (calc.)	833		0
RESIDUAL HYDROCARBONS:		N/D	

N/D = not determined

@16'C...CALCIUM SULFATE SCALING IS UNLIKELY.
 @16'C...SEVERE CARBONATE SCALING.

RESISTIVITY: 0.057 @ 70°

ARMSTRONG ENERGY CORP.

WATER ANALYSIS
 NORTHEAST LEA FIELD *Delaware*
 LEA COUNTY, NEW MEXICO

EXHIBIT F-1



P.O. BOX 2187
OBBS, N.M. 88240

PHONE: (505) 393-7726

WATER ANALYSIS REPORT

Report for: Lowell Deckert	Date sampled: 04/29/94
cc: Kenny Kearney	Date reported: 05/01/94
cc:	Lease or well #: West Pearl Queen
cc:	County: Lea State: N.M.
Company: Subsurface Water Disp. Inc.	Formation:
Address: P.O. Box 1002	Depth:
Service Engineer: K. Kearney	Submitted by: K. Kearney

CHEMICAL COMPOSITION :	mg/L	meq/L
Chloride (Cl)	110000	5105
Iron (Fe) (total)	1.0	
Total hardness	47000	
Calcium (Ca)	10827	540
Magnesium (Mg)	4860	390
Bicarbonates (HCO ₃)	158	3
Carbonates (CO ₃)	0	
Sulfates (SO ₄)	1757	37
Hydrogen sulfide (H ₂ S)	n/a	
Carbon dioxide (CO ₂)	n/a	
Sodium (Na)	50869	2212
Total dissolved solids	178473	
Barium (Ba)	n/a	
Strontium (Sr)	n/a	
Specific Gravity	1.127	
Density (#/gal.)	9.392	
pH	6.150	
IONIC STRENGTH	3.63	

Stiff-Davis (CaCO₃) Stability Index :

$$SI = pH - pCa - palk - K$$

SI @ 86 F = +0.25
104 F = +0.48
122 F = +0.74
140 F = +1.03
158 F = +1.35

This water is 512 mg/l (25.87%) over ITS CALCULATED
CaSO₄ saturation value at 82 F.
SATURATION= 1979 mg/L PRESENT= 2491 mg/L

REPORTED BY ROBERT C MIDDLETON *RCM*
TECHNICAL SERVICES REPRESENTATIVE



P.O. BOX 2187
OBBS, N.M. 88240

PHONE: (505) 393-7726

WATER ANALYSIS REPORT

Report for: Lowell Deckert

cc: Kenny Kearney

cc:

cc:

Company: Subsurface Water Disp. Inc.

Address: P.O. Box 1002

Service Engineer: K. Kearney

Date sampled: 04/29/94

Date reported: 05/01/94

Lease or well #: Guall Greyburg

County: Lea

State: N.M.

Formation:

Depth:

Submitted by: K. Kearney

CHEMICAL COMPOSITION:

	mg/L	meq/L
Chloride (Cl)	180000	5078
Iron (Fe) (total)	2.0	
Total hardness	71000	
Calcium (Ca)	22055	1101
Magnesium (Mg)	3888	312
Bicarbonates (HCO ₃)	57	1
Carbonates (CO ₃)	0	
Sulfates (SO ₄)	573	12
Hydrogen sulfide (H ₂ S)	n/a	
Carbon dioxide (CO ₂)	n/a	
Sodium (Na)	84592	3678
Total dissolved solids	291176	
Barium (Ba)	n/a	
Strontium (Sr)	n/a	

Specific Gravity 1.207

Density (#/gal.) 10.059

pH 5.950

IONIC STRENGTH 5.80

~~Stiff-Davis~~ (CaCO₃) Stability Index :

SI = pH - pCa - pAlk - K

SI @ 86 F = +1.09

104 F = +1.32

122 F = +1.58

140 F = +1.87

158 F = +2.19

This water is 207 mg/l (-20.29%) under ITS CALCULATED
CaSO₄ saturation value at 82 F.

SATURATION= 1020 mg/L

PRESENT= 813 mg/L

REPORTED BY ROBERT C MIDDLETON

TECHNICAL SERVICES REPRESENTATIVE



P.O. BOX 2187
OBBS, N.M. 88240

PHONE: (505) 393-7726

WATER ANALYSIS REPORT

Report for: Lowell Deckert
cc: Kenny Kearney
cc:
cc:
Company: Subsurface Water Disp. Inc.
Address: P.O. Box 1002
Service Engineer: K. Kearney

Date sampled: 04/29/94
Date reported: 05/01/94
Lease or well #: W. Tonto B. Springs
County: Lea State: N.M.
Formation:
Depth:
Submitted by: K. Kearney

CHEMICAL COMPOSITION :	mg/L	mg/L
Chloride (Cl)	110000	3103
Iron (Fe) (total)	6.0	
Total hardness	8400	
Calcium (Ca)	2887	144
Magnesium (Mg)	291	23
Bicarbonates (HCO ₃)	329	5
Carbonates (CO ₃)	0	
Sulfates (SO ₄)	377	8
Hydrogen sulfide (H ₂ S)	n/a	
Carbon dioxide (CO ₂)	n/a	
Sodium (Na)	67820	2949
Total dissolved solids	181706	
Barium (Ba)	n/a	
Sr	n/a	
Specific Gravity	1.129	
Density (#/gal.)	9.409	
pH	6.200	
IONIC STRENGTH	3.20	

Stiff-Davis (CaCO₃) Stability Index :

$$SI = pH - pCa - pAlk - K$$

$$SI @ 86 F = -0.11$$

$$104 F = +0.12$$

$$122 F = +0.38$$

$$140 F = +0.67$$

$$158 F = +0.92$$

This water is 3672 mg/l (-87.30%) under ITS CALCULATED
CaSO₄ saturation value at 82 F.

SATURATION= 4206 mg/L

PRESENT= 534 mg/L

REPORTED BY ROBERT C. MIDDLETON
TECHNICAL SERVICES REPRESENTATIVE

Affidavit of Publication

State of New Mexico,
County of Lea.

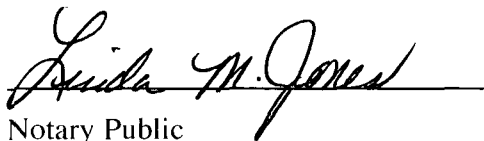
I, KENNETH NORRIS
GENERAL MANAGER
of the Hobbs News-Sun, a
newspaper published at Hobbs, New
Mexico, do solemnly swear that the
clipping attached hereto was
published in the regular and entire
issue of said newspaper, and not a
supplement thereof for a period

of 1 issue(s).
Beginning with the issue dated
August 30, 2009
and ending with the issue dated
August 30, 2009

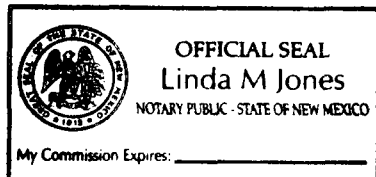


GENERAL MANAGER

Sworn and subscribed to before me
this 31st day of
August, 2009


Notary Public

My commission expires
June 16, 2013
(Seal)



This newspaper is duly qualified to
publish legal notices or
advertisements within the meaning of
Section 3, Chapter 167, Laws of
1937 and payment of fees for said
publication has been made.

LEGAL

LEGAL NOTICE
AUGUST 30, 2009

Agua Sucia, LLC, 14605 Memorial Drive, Bixby, OK 74008 has made application for renewal of a previously operating salt water disposal well authorized by order number SWD-559. Agua Sucia has filed Form C-108 (Application for Authority to Inject) with the New Mexico Oil Conservation Division for administrative approval for salt water disposal in its Government 'E' Well No.1. The well, API No.30-025-23708 is located 610' FSL & 1880' FWL in Section 25, Township 19 South, Range 34 East in Lea County, New Mexico. Produced water from the Bone Spring formation will be disposed into the Bone Spring formation from approximately 9,716 to 10,236 feet at a maximum injection pressure of 1943 psi at a maximum rate limited only by this pressure. The recently repaired well has successfully passed a mechanical integrity test witnessed by a representative of the NMOCD.

Interested parties wishing to object to the proposed application must file with the New Mexico Oil Conservation Division, 1220 St. Francis Dr., Santa Fe, NM 87505 within 15 days of the date of this notice. Additional information may be obtained from Agua Sucia, LLC at the above address or its agent, SOS Consulting, LLC, (505)488-9850.
#25194

67104417

00037835

BEN STONE
SOS CONSULTING, LLC.
P.O. BOX 300
COMO, TX 75431

**C-108 ITEM XIII – PROOF OF NOTIFICATION
INTERESTED PARTIES LIST**

SURFACE OWNER

U.S. DEPARTMENT OF INTERIOR
Bureau of Land Management
Oil & Gas Division
2909 W. Second Street
Roswell, NM 88201-2019

SWD RIGHT-OF-WAY HOLDER

AGUA SUCIA, LLC
1009 W. Broadway
Hobbs, NM 88241

OFFSET MINERALS LESSEES

ARMSTRONG ENERGY CORP.
P.O. Box 1973
Roswell, NM 88202

COG OPERATING, LLC
500 W. Texas, Ste.1300
Midland, TX 79701

MERIT ENERGY COMPANY
13727 Noel Road, Suite 500
Dallas, TX 75240

TRILOGY OPERATING INC.
P.O. Box 7606
Midland, TX 79708

REGULATORY

NEW MEXICO OIL CONSERVATION DIVISION
1625 N. French Dr.
Hobbs, NM 88240

U.S. DEPARTMENT OF INTERIOR
Bureau of Land Management
Oil & Gas Division
620 E. Greene St.
Carlsbad, NM 88220

August 28, 2009

Mr. Robert Armstrong
Armstrong Energy Corporation
P.O. Box 1973
Roswell, New Mexico 88202

Subject: Application of Agua Sucia, LLC to reinstate a permit for salt water disposal for its Government 'E' Well No.1 located in Unit Letter 'N', Section 25, Township 19-S, Range 34-E, Lea County, New Mexico.

Dear Mr. Armstrong:

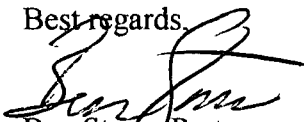
Agua Sucia, LLC, 14605 Memorial Drive, Bixby, OK 74008 has filed an Application for Authority to Inject (C-108) with the New Mexico Oil Conservation Division for reinstatement of OCD Order SWD-559. Produced water from Queen (and other Delaware Group producing formations) and the Bone Spring formation will be disposed into the Bone Spring formation through perforations from 9,716 to 10,236 feet at a maximum injection pressure of 1943 psi at a maximum rate limited only by this pressure.

Immediately prior to Agua Sucia's purchase of the SWD facility, the newly repaired well had over 5700 feet of new 4-inch flush joint casing installed as well as nearly 9600 feet of new plastic-coated injection tubing and packer. The well passed an OCD witnessed, post-repair mechanical integrity test in April of this year. Buddy Hill, the supervisor of the Hobbs OCD district office confirmed to me in a telephone conversation that "We've had lots of issues with [the previous operator]" and that, "...the well is technically sound and ready for injection". (L. Hill, 5/19/2009). The repair operation was at considerable expense and will allow the salt water disposal well to operate safely and effectively for years to come. Agua Sucia, LLC is committed to this outcome and to being a good neighbor.

I would implore you to please review the enclosed copy of Agua Sucia's C-108 application. If you require additional information, please don't hesitate to contact me or Denis Schoenhofer, the owner of Agua Sucia, LLC at the above address or by calling him at 918-366-7957.

Thank you for your attention in this matter.

Best regards,


Ben Stone, Partner

Cc: Application file
New Mexico Oil Conservation Division

August 28, 2009

Subject: Application of Agua Sucia, LLC to reinstate a permit for salt water disposal for its Government 'E' Well No.1 located in Section 25, Twp 19-S, Rng 34-E, Lea County, New Mexico.

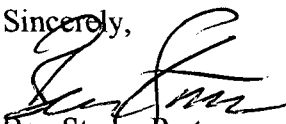
To Whom It May Concern:

Agua Sucia, LLC, 14605 Memorial Drive, Bixby, OK 74008 has made application for renewal of a previously operating salt water disposal well authorized by order number SWD-559. Agua Sucia has filed Form C-108 (Application for Authority to Inject) with the New Mexico Oil Conservation Division for administrative approval for salt water disposal in its Government 'E' Well No.1. The well, API No.30-025-23708 is located 610 FSL & 1880 FWL in Section 25, Township 19 South, Range 34 East in Lea County, New Mexico. Produced water from the Bone Spring formation will be disposed into the Bone Spring formation from approximately 9,716 to 10,236 feet at a maximum injection pressure of 1943 psi at a maximum rate limited only by this pressure.

Additional information may be obtained from Agua Sucia, LLC at the above address, attention Denis Schoenhofer, or its agent, SOS Consulting, LLC, (903)488-9850. Interested parties wishing to object to the proposed application must file with the New Mexico Oil Conservation Division, 1220 St. Francis Dr., Santa Fe, NM 87505 within 15 days of the date of this notice.

Thank you for your attention in this matter.

Sincerely,


Ben Stone, Partner

Cc: Application file
New Mexico Oil Conservation Division

C-108 ITEM XIII – Proof of Notification
Certified Mailing to Interested Parties

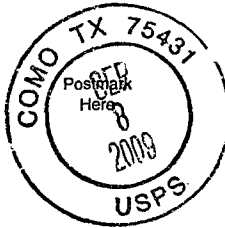
7008 1630 0002 3622 6150

U.S. Postal Service™
CERTIFIED MAIL™ RECEIPT
(Domestic Mail Only, No Insurance Coverage Provided)

For delivery information, visit our website at www.usps.com

OFFICIAL USE

Postage	\$ 44
Certified Fee	280
Return Receipt Fee (Endorsement Required)	230
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 554



CEIPT
Coverage Provided)

at www.usps.com

USE

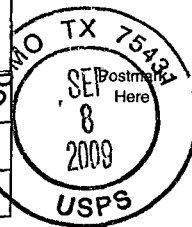
Sent To **COB OPERATING, LLC**
Street, Apt. No.,
or PO Box No. **500 W. TEXAS, STE 1300**
City, State, ZIP+4 **MIDLAND, TX 79701**

PS Form 3800, August 2006

See Reverse for Instructions

000 DEPT 8002

Return Receipt Fee (Endorsement Required)	230
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 554



CEIPT
Coverage Provided)

at www.usps.com

USE

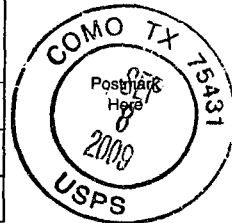
Sent To **TRILOGY OPERATING CO.**
Street, Apt. No.,
or PO Box No. **POB 7606**
City, State, ZIP+4 **MIDLAND, TX 79708**

PS Form 3800, August 2006

See Reverse for Instructions

000 DEPT 8002

Return Receipt Fee (Endorsement Required)	230
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 554



Sent To **MERIT ENERGY Co.**
Street, Apt. No.,
or PO Box No. **13727 NOLAN RD., STE 500**
City, State, ZIP+4 **DALLAS, TX 75240**

PS Form 3800, August 2006

See Reverse for Instructions

C-108 ITEM XIII - Proof of Notification
FedEx'd Copies of Application to Parties with Particular Interest

1. NMOCD - Santa Fe, NM - Application package with all originals
2. Armstrong Energy Corporation - Roswell, NM
3. Bureau of Land Management - Carlsbad, NM
4. NMOCD - Hobbs District Office, Hobbs, NM
5. Agua Sucia, LLC - Bixby, OK
6. Lee Engineering - Midland, TX
7. James Bruce - Santa Fe, NM

<https://www.fedex.com/shipping/html/en/PrintIFrame>

From: Origin ID: SLRA (803) 488-8850
 Benjamin Stone
 SOS Consulting, LLC
 1850 CR 2331

Como, TX 75431



Ship Date: 08SEP08
 Act/Wgt: 1.0 LB
 CAD: 100120607/NET9060
 Account#: S

Delivery Address Bar Code



Ref #
 Invoice #
 PO #
 Dept #

SHIP TO: (505) 476-3448 **BILL SENDER**
Will Jones
NM Oil Conservation Division
1220 S SAINT FRANCIS DR

SANTA FE, NM 87505

WED - 08SEP A2

<https://www.fedex.com/shipping/html/en/PrintIFrame>

From: Origin ID: SLRA (803) 488-8850
 Benjamin Stone
 SOS Consulting, LLC
 1850 CR 2331

Como, TX 75431



Ship Date: 08SEP08
 Act/Wgt: 0.5 LB
 CAD: 100120607/NET9060
 Account#: S

Delivery Address Bar Code



Ref # Agua Sucia
 Invoice #
 PO #
 Dept #

SHIP TO: (575) 625-2222 **BILL SENDER**
Robert Armstrong
Armstrong Energy Corp.
500 N MAIN ST STE 200

ROSWELL, NM 88201

WED - 08SEP A2

TRK# 7000

<https://www.fedex.com/shipping/html/en/PrintIFrame>

From: Origin ID: SLRA (803) 488-8850
 Benjamin Stone
 SOS Consulting, LLC
 1850 CR 2331

Como, TX 75431



Ship Date: 08SEP08
 Act/Wgt: 1.0 LB
 CAD: 100120607/NET9060
 Account#: S

Delivery Address Bar Code



Ref #
 Invoice #
 PO #
 Dept #

SHIP TO: (575) 234-5609 **BILL SENDER**
Jim Stovall
BLM - Carlsbad Office
620 E. Greene St.

Carlsbad, NM 88220

THU - 10SEP PM

TRK# 7000 2413 2381

** 2DAY **

ABQ

Jones, William V., EMNRD

From: Wesley_Ingram@blm.gov
Sent: Thursday, April 30, 2009 8:58 AM
To: Jones, William V., EMNRD
Subject: RE: Reinstatement of SWD-599 - Government E 1

Will,

The non-compliance would be a separate issue and should not affect the re-instatement if NMOCD grants it.

As far as the injection, I have reviewed all of the wells that are within the radius of review and did not see any major problems. One well did state that its formation was the Cisco/Canyon and then has cement to 8000'. I think it must be in the pinched out area of the Wolfcamp and the TOC should still cover the zone needed for injection in that well. The BLM review did not bring any item to light that would affect the re-instatement.

The non-compliance could result in the company losing their right to the wellbore, but that will probably be resolved.

Thanks for the response. Wesley

"Jones, William
V., EMNRD"
<William.V.Jones
@state.nm.us>

04/30/2009 08:36
AM

To
cc
"Ocean Munds-Dry"
<Omundsdry@hollandhart.com>, "Swazo,
Sonny, EMNRD"
<Sonny.Swazo@state.nm.us>,
"Ezeanyim, Richard, EMNRD"
<richard.ezeanyim@state.nm.us>,
"Brooks, David K., EMNRD"
<david.brooks@state.nm.us>, "Ben
Stone"
<neostone_consultant@excite.com>
Subject
RE: Reinstatement of SWD-599 -
Government E 1

Hello Wesley:

Thank You for the heads up, I have already one and maybe two protests of this application - but those may be worked out so:

Concerning these BLM non-compliance issues related to assigning ROW - will this be an official "protest" of the application or is this an issue separate from the application to inject? Let me know?

The reason we need to know the distinction is Louray has the right to have its application for SWD heard at an examiner hearing (at hearing it would have to make its case for injection), and all protesting parties also have the right to appear, make statements, present evidence, etc.

The effect of "protesting" the application to inject always delays the applicant's permit - but it still could be granted after notice and hearing. If you protest and work out your concerns and wish to retract your protest, please send a letter of retraction.

As an affected party, you do have the right to protest, just let me know.

Regards,

Will

-----Original Message-----

From: Wesley_Ingram@blm.gov [mailto:Wesley_Ingram@blm.gov]

Sent: Wednesday, April 29, 2009 5:40 PM

To: Jones, William V., EMNRD

Subject: RE: Reinstatement of SWD-599 - Government E 1

Will,

I want to give you a heads up on this one.

The BLM is drafting a letter that will be sent to Louray Oil Company with a copy to NMOCD regarding the non-compliance issues related to the Assignment of the ROW grant on this well.

Thanks, Wesley

This inbound email has been scanned by the MessageLabs Email Security System.

Confidentiality Notice: This e-mail, including all attachments is for the sole use of the intended recipient(s) and may contain confidential and privileged information. Any unauthorized review, use, disclosure or distribution is prohibited unless specifically provided under the New Mexico Inspection of Public Records Act. If you are not the intended recipient, please contact the sender and destroy all copies of this message. -- This email has been scanned by the Sybari - Antigen Email System.

Affidavit of Publication

State of New Mexico,
County of Lea.

RECEIVED

2009 APR 22 PM 12 15

I, KATHI BEARDEN
PUBLISHER

of the Hobbs News-Sun, a
newspaper published at Hobbs, New
Mexico, do solemnly swear that the
clipping attached hereto was
published in the regular and entire
issue of said newspaper, and not a
supplement thereof for a period

of 1 issue(s).

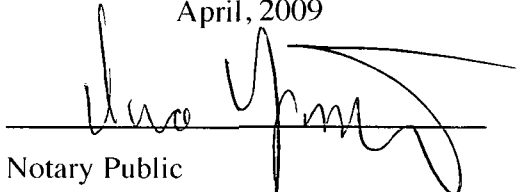
Beginning with the issue dated
April 11, 2009

and ending with the issue dated
April 11, 2009

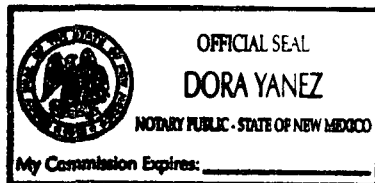


PUBLISHER

Sworn and subscribed to before me
this 13th day of
April, 2009


Notary Public

My commission expires
February 09, 2013
(Seal)



This newspaper is duly qualified to
publish legal notices or
advertisements within the meaning of
Section 3, Chapter 167, Laws of
1937 and payment of fees for said
publication has been made.

LEGAL NOTICE

Louray Oil Company, P.O. Box 2081, Lovington, NM 88260 has made application for renewal of a previously operating salt water disposal well authorized by order number SWD-559. Louray has filed Form C-108 (Application for Authority to Inject) with the New Mexico Oil Conservation Division for administrative approval for salt water disposal in its Government 'E' Well No.1. The well, API No.30-025-23708 is located 610 FSL & 1880 FWL in Section 25, Township 19 South, Range 34 East in Lea County, New Mexico. Produced water from the Bone Spring formation will be disposed into the Bone Spring formation from approximately 9,716 to 10,236 feet at a maximum injection pressure of 1943 psi at a maximum rate limited only by this pressure.

Interested parties wishing to object to the proposed application must file with the New Mexico Oil Conservation Division, 1220 St. Francis Dr., Santa Fe, NM 87505 within 15 days of the date of this notice. Additional information may be obtained from Louray Oil Company at the above address or its agent, SOS Consulting, LLC, (903)488-9850.
#24877

67104417

00029025

BEN STONE
SOS CONSULTING, LLC.
P.O. BOX 300
COMO, TX 75431

Affidavit of Publication

State of New Mexico,
County of Lea.

I, KATHI BEARDEN
PUBLISHER

of the Hobbs News-Sun, a
newspaper published at Hobbs, New
Mexico, do solemnly swear that the
clipping attached hereto was
published in the regular and entire
issue of said newspaper, and not a
supplement thereof for a period

of 1 issue(s).

Beginning with the issue dated

April 11, 2009

and ending with the issue dated

April 11, 2009



PUBLISHER

Sworn and subscribed to before me

this 13th day of

April, 2009


Notary Public

My commission expires

February 09, 2013

(Seal)



This newspaper is duly qualified to
publish legal notices or
advertisements within the meaning of
Section 3, Chapter 167, Laws of
1937 and payment of fees for said
publication has been made.

RECEIVED

2009 APR 22 PM 12 15

LEGAL NOTICE

Louray Oil Company, P.O. Box 2081, Lovington, NM 88260 has made application for renewal of a previously operating salt water disposal well authorized by order number SWD-559. Louray has filed Form C-108 (Application for Authority to Inject) with the New Mexico Oil Conservation Division for administrative approval for salt water disposal in its Government 'E' Well No.1. The well, API No.30-025-23708 is located 610 FSL & 1880 FWL in Section 25, Township 19 South, Range 34 East in Lea County, New Mexico. Produced water from the Bone Spring formation will be disposed into the Bone Spring formation from approximately 9,716 to 10,236 feet at a maximum injection pressure of 1943 psi at a maximum rate limited only by this pressure.

Interested parties wishing to object to the proposed application must file with the New Mexico Oil Conservation Division, 1220 St. Francis Dr., Santa Fe, NM 87505 within 15 days of the date of this notice. Additional information may be obtained from Louray Oil Company at the above address or its agent, SOS Consulting, LLC, (903)488-9850.
#24877

67104417

00029025

BEN STONE
SOS CONSULTING, LLC.
P.O. BOX 300
COMO, TX 75431

Jones, William V., EMNRD

From: Jones, William V., EMNRD
Sent: Monday, April 20, 2009 1:40 PM
To: 'Ben Stone'
Cc: Ezeanyim, Richard, EMNRD; 'Ocean Munds-Dry'
Subject: Disposal Application from Louray Oil Company: Government E #1 30-025-23708
N-25-19S-34E-Lea

Hello Mr. Stone:

Armstrong Energy Corporation through its attorneys has protested the Louray application to re-instate the SWD-559. A copy of the protest letter was addressed to the operator address in Lovington.

Louray has the option to present this at an examiner hearing.

If the Division receives a letter from Armstrong retracting this protest, the application will then be reviewed and acted upon.

You know the drill Mr. Ben –

Regards,

William V. Jones PE
New Mexico Oil Conservation Division
1220 South St. Francis
Santa Fe, NM 87505
505-476-3448

*Got call from one owner
in preparing well 4/22/09
Directed him to OCEAN Munds-Dry
BEN STONE * WJS*

HOLLAND & HART^{LLP}



RECEIVED

Ocean Munds-Dry

omundsdry@hollandhart.com

2009 APR 20 AM 11 12

April 20, 2009

VIA HAND DELIVERY

Mr. Mark Fesmire, P. E.
Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Re: Application of Louray Oil Company for renewal of a salt water disposal well authorized by SWD-559, Government "E" Well No. 1, located 610 feet from the South line and 1880 feet from the West line of Section 25, Township 19 South, Range 34 East, NMPM, Lea County, New Mexico.

Dear Mr. Fesmire:

Armstrong Energy Corporation hereby objects to the above-referenced application filed by Louray Oil Company seeking authorization to inject salt water in the Government "E" Well No. 1 located 610 feet from the South line and 1880 feet from the West line of Section 25, Township 19 South, Range 34 East, NMPM, Lea County, New Mexico.

Pursuant to Division Rule 19.15.26.8, this application must be set for hearing before a Division Examiner in order to be further considered, as Armstrong has timely objected to this application. Your attention to this matter is appreciated.

Sincerely,

Ocean Munds-Dry
Ocean Munds-Dry

cc: Bob Armstrong

Louray Oil Co.
P.O. Box 2081
Lovington, New Mexico 88260

Holland & Hart^{LLP}

Phone [505] 988-4421 Fax [505] 983-6043 www.hollandhart.com

110 North Guadalupe Suite 1 Santa Fe, NM 87501 **Mailing Address** P.O. Box 2208 Santa Fe, NM 87504-2208

Denver Aspen Boulder Colorado Springs Denver Tech Center Billings Boise Cheyenne Jackson Hole Las Vegas Salt Lake City Santa Fe Washington, D.C. ♻

HOLLAND & HART LLP



RECEIVED

2009 APR 20 AM 11 12

Ocean Munds-Dry

omundsdry@hollandhart.com

April 20, 2009

VIA HAND DELIVERY

Mr. Mark Fesmire, P. E.
Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Re: Application of Louray Oil Company for renewal of a salt water disposal well authorized by SWD-559, Government "E" Well No. 1, located 610 feet from the South line and 1880 feet from the West line of Section 25, Township 19 South, Range 34 East, NMPM, Lea County, New Mexico.

Dear Mr. Fesmire:

Armstrong Energy Corporation hereby objects to the above-referenced application filed by Louray Oil Company seeking authorization to inject salt water in the Government "E" Well No. 1 located 610 feet from the South line and 1880 feet from the West line of Section 25, Township 19 South, Range 34 East, NMPM, Lea County, New Mexico.

Pursuant to Division Rule 19.15.26.8, this application must be set for hearing before a Division Examiner in order to be further considered, as Armstrong has timely objected to this application. Your attention to this matter is appreciated.

Sincerely,

Ocean Munds-Dry
Ocean Munds-Dry

cc: Bob Armstrong

Louray Oil Co.
P.O. Box 2081
Lovington, New Mexico 88260

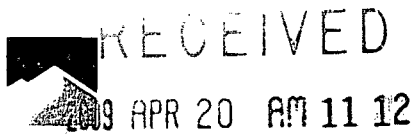
Holland & Hart LLP

Phone (505) 988-4421 Fax (505) 983-6043 www.hollandhart.com

110 North Guadalupe Suite 1 Santa Fe, NM 87501 Mailing Address P.O. Box 2208 Santa Fe, NM 87504-2208

Denver Aspen Boulder Colorado Springs Denver Tech Center Billings Boise Cheyenne Jackson Hole Las Vegas Salt Lake City Santa Fe Washington, D.C.

HOLLAND & HART LLP



Ocean Munds-Dry
omundsdry@hollandhart.com

April 20, 2009

VIA HAND DELIVERY

Mr. Mark Fesmire, P. E.
Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Re: Application of Louray Oil Company for renewal of a salt water disposal well authorized by SWD-559, Government "E" Well No. 1, located 610 feet from the South line and 1880 feet from the West line of Section 25, Township 19 South, Range 34 East, NMPM, Lea County, New Mexico.

Dear Mr. Fesmire:

Armstrong Energy Corporation hereby objects to the above-referenced application filed by Louray Oil Company seeking authorization to inject salt water in the Government "E" Well No. 1 located 610 feet from the South line and 1880 feet from the West line of Section 25, Township 19 South, Range 34 East, NMPM, Lea County, New Mexico.

Pursuant to Division Rule 19.15.26.8, this application must be set for hearing before a Division Examiner in order to be further considered, as Armstrong has timely objected to this application. Your attention to this matter is appreciated.

Sincerely,

Ocean Munds-Dry
Ocean Munds-Dry

cc: Bob Armstrong

Louray Oil Co.
P.O. Box 2081
Lovington, New Mexico 88260

Holland & Hart LLP

Phone [505] 988-4421 Fax [505] 983-6043 www.hollandhart.com

110 North Guadalupe Suite 1 Santa Fe, NM 87501 Mailing Address P.O. Box 2208 Santa Fe, NM 87504-2208

Denver Aspen Boulder Colorado Springs Denver Tech Center Billings Boise Cheyenne Jackson Hole Las Vegas Salt Lake City Santa Fe Washington, D.C.

WILL,

PLEASE INCLUDE THIS
PROOF OF NOTICE WITH
THE RECENTLY SUBMITTED
LOURAY OIL SWID -
GOVERNMENT 'E' No. 1

THANKS, P

7007 0220 0004 0036 9756

U.S. Postal Service
CERTIFIED MAIL[™]
(Domestic Mail Only; No Insurance Coverage Provided)
For delivery information visit our website at www.usps.com
OFFICIAL USE

Postage	\$	32
Certified Fee		270
Return Receipt Fee (Endorsement Required)		220
Restricted Delivery Fee (Endorsement Required)		
Total Postage & Fees	\$	5.32

Sent To
ARMSTRONG ENERGY CORP.
Street, Apt. No., or PO Box No. PO Box 1973
City, State, ZIP+4 ROSWELL, NM 88202
PS Form 3800, August 2005 See Reverse for Instructions

RECEIPT
(Insurance Coverage Provided)
Visit our website at www.usps.com
OFFICIAL USE

Postage	\$	32
Certified Fee		270
Return Receipt Fee (Endorsement Required)		220
Restricted Delivery Fee (Endorsement Required)		
Total Postage & Fees	\$	5.32

Postmark Here
USPS

7007

Sent To
MERIT ENERGY CO.
Street, Apt. No., or PO Box No. 13727 N. RD, ST 500
City, State, ZIP+4 DALLAS, TX 75240
PS Form 3800, August 2005 See Reverse for Instructions

7007 0220 0004 0036 9749

U.S. Postal Service[™]
CERTIFIED MAIL[™] RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)
For delivery information visit our website at www.usps.com
OFFICIAL USE

Postage	\$	32
Certified Fee		270
Return Receipt Fee (Endorsement Required)		220
Restricted Delivery Fee (Endorsement Required)		
Total Postage & Fees	\$	5.32

Postmark Here
USPS

Sent To
TRILOGY OPERATING, INC.
Street, Apt. No., or PO Box No. P.O. Box 7606
City, State, ZIP+4 MIDLAND, TX 79708
PS Form 3800, August 2005 See Reverse for Instructions

7007 0220 0004 0036 9749

U.S. Postal Service[™]
CERTIFIED MAIL[™] RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)
For delivery information visit our website at www.usps.com
OFFICIAL USE

Postage	\$	42
Certified Fee		270
Return Receipt Fee (Endorsement Required)		220
Restricted Delivery Fee (Endorsement Required)		
Total Postage & Fees	\$	5.32

Postmark Here
USPS

Sent To
COG OPERATING, LLC
Street, Apt. No., or PO Box No. 500 W. TEXAS, ST 1300
City, State, ZIP+4 MIDLAND, TX 79701
PS Form 3800, August 2005 See Reverse for Instructions

RECEIVED
2009 APR 20 PM 12 50

ABOVE THIS LINE FOR DIVISION USE ONLY

RECEIVED NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

2009 APR 17 AM 11 06 2220 South St. Francis Drive, Santa Fe, NM 87505



30-025-23708
Govt E #1
Louray Oil Co.
210510

ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
[DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
[PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
[WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
[SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
[EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

[A] Location - Spacing Unit - Simultaneous Dedication
☐ NSL ☐ NSP ☐ SD

Check One Only for [B] or [C]

[B] Commingling - Storage - Measurement
☐ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

[C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
☐ WFX ☐ PMX ☒ SWD ☐ IPI ☐ EOR ☐ PPR

[D] Other: Specify REINSTATEMENT OF SWD-559

[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or ☐ Does Not Apply

[A] ☐ Working, Royalty or Overriding Royalty Interest Owners

[B] ☒ Offset Operators, Leaseholders or Surface Owner

[C] ☒ Application is One Which Requires Published Legal Notice

[D] ☒ Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office

[E] ☒ For all of the above, Proof of Notification or Publication is Attached, and/or,

[F] ☐ Waivers are Attached

[3] SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Ben Stone

Print or Type Name

Signature

Agent for Louray Oil

Title

4/15/09

Date

neostone_consultant@excite.com (agent)

e-mail Address



April 14, 2009

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

Attn: Mr. Mark Fesmire, Director

Re: Application of Louray Oil Company to reinstate administrative order SWD-559 authorizing salt water disposal into its Government 'E' Well No.1 located in Unit Letter 'N', Section 25, Township 19 South, Range 34 East, NMPM, Lea County, New Mexico.

Dear Mr. Fesmire,

Please find enclosed updated data supporting the above-referenced request for reinstatement of disposal operations on the subject well.

Louray Oil Company seeks to optimize efficiency, both economically and operationally, of its operations. Approval of this application is consistent with that goal as well as the NMOCD's mission of preventing waste and protection of correlative rights.

The subject well has been authorized for salt water disposal since May 19, 1994 under division order SWD-559. Louray recently lost authority to inject since operations had been suspended for over one year. The reason for this suspension was to allow the well to bleed down remaining pressure on the wellbore so repairs could be made.

Louray has recently installed over 5700 feet of new 4-inch flush joint and is preparing to run nearly 9600 feet of new plastic-coated injection tubing with packer. The repair operation was at considerable expense and will allow the salt water disposal well to operate safely and effectively for years to come.

The one-half mile area of review has not changed since the original issuance of SWD-559, however Louray has re-noticed interested parties and republished the legal notice. This application for reinstatement also includes new wellbore schematics, a new area of review maps and other pertinent updated information.

I respectfully request that the reinstatement of SWD-559 proceed swiftly and if you or your staff requires additional information or has any questions, please do not hesitate to call or email me.

Best regards,

A handwritten signature in black ink, appearing to read "Ben Stone", with a stylized, cursive script.

Ben Stone, Partner
SOS Consulting, LLC
Agent for Louray Oil Company

Cc: Application attachment and file

APPLICATION FOR AUTHORIZATION TO INJECT

- I. PURPOSE: **Salt Water Disposal** and the application **qualifies** for administrative approval **RENEWAL**.
- II. OPERATOR: **Louray Oil Company**
ADDRESS: **P.O. Box 2081, Lovington, NM 88260**
- CONTACT PARTY: **Louis Edgett (575) 631-3387**
Agent: SOS Consulting, LLC – Ben Stone (903) 488-9850
- III. WELL DATA: **All well data and applicable wellbore diagrams are attached hereto.**
- IV. **This is not an expansion of an existing project.**
- V. **A map is attached** that identifies all wells and leases within two miles of any proposed injection well with a one-half mile radius circle drawn around each proposed injection well. This circle identifies the well's area of review.
- *VI. **A tabulation is attached** of data on all wells of public record within the area of review which penetrate the proposed injection zone. **The data includes** a description of each well's type, construction, date drilled, location, depth, record of completion, and a schematic of any plugged well illustrating all plugging detail.
- VII. **The following data is attached** on the proposed operation, including:
1. Proposed average and maximum daily rate and volume of fluids to be injected;
 2. Whether the system is open or closed;
 3. Proposed average and maximum injection pressure;
 4. Sources and an appropriate analysis of injection fluid and compatibility with the receiving formation if other than reinjected produced water; and,
 5. If injection is for disposal purposes into a zone not productive of oil or gas at or within one mile of the proposed well, attach a chemical analysis of the disposal zone formation water (may be measured or inferred from existing literature, studies, nearby wells, etc.)
- *VIII. **Appropriate geologic data on the injection zone is attached** including appropriate lithologic detail, geologic name, thickness, and depth. Give the geologic name, and depth to bottom of all underground sources of drinking water (aquifers containing waters with total dissolved solids concentrations of 10,000 mg/l or less) overlying the proposed injection zone as well as any such sources known to be immediately underlying the injection interval.
- IX. **No stimulation program is proposed at this time.**
- *X. **There is no applicable logging and test data on the well however, any previous well logs have been filed with the Division and they need not be resubmitted.**
- *XI. **There are no fresh water wells within one mile the proposed salt water disposal well.**
- XII. **An affirmative statement is attached that available geologic and engineering data has been examined and no evidence was found** of open faults or any other hydrologic connection between the disposal zone and any underground sources of drinking water.
- XIII. **"Proof of Notice" section on the next page of this form has been completed.**
- XIV. Certification: I hereby certify that the information submitted with this application is true and correct to the best of my knowledge and belief.

NAME: **Ben Stone** TITLE: **Consultant, Agent for Louray Oil Company**

SIGNATURE: _____

DATE: **4/14/2009**

E-MAIL ADDRESS: **Agent: SOS Consulting, LLC: neostone_consultant@excite.com; neostone@consultant.com**

- * If the information required under Sections VI, VIII, X, and XI above has been previously submitted, it need not be resubmitted. Please show the date and circumstances of the earlier submittal:

III. WELL DATA – *The following information and data is included:*

A. The following well data must be submitted for each injection well covered by this application. The data must be both in tabular and schematic form and shall include:

- (1) Lease name; Well No.; Location by Section, Township and Range; and footage location within the section.
- (2) Each casing string used with its size, setting depth, sacks of cement used, hole size, top of cement, and how such top was determined.
- (3) A description of the tubing to be used including its size, lining material, and setting depth.
- (4) The name, model, and setting depth of the packer used or a description of any other seal system or assembly used.

Division District Offices have supplies of Well Data Sheets which may be used or which may be used as models for this purpose. Applicants for several identical wells may submit a "typical data sheet" rather than submitting the data for each well.

B. The following must be submitted for each injection well covered by this application. All items must be addressed for the initial well. Responses for additional wells need be shown only when different. Information shown on schematics need not be repeated.

- (1) The name of the injection formation and, if applicable, the field or pool name.
- (2) The injection interval and whether it is perforated or open-hole.
- (3) State if the well was drilled for injection or, if not, the original purpose of the well.
- (4) Give the depths of any other perforated intervals and detail on the sacks of cement or bridge plugs used to seal off such perforations.
- (5) Give the depth to and the name of the next higher and next lower oil or gas zone in the area of the well, if any.

XIV. PROOF OF NOTICE *pursuant to the following criteria is attached.*

All applicants must furnish proof that a copy of the application has been furnished, by certified or registered mail, to the owner of the surface of the land on which the well is to be located and to each leasehold operator within one-half mile of the well location.

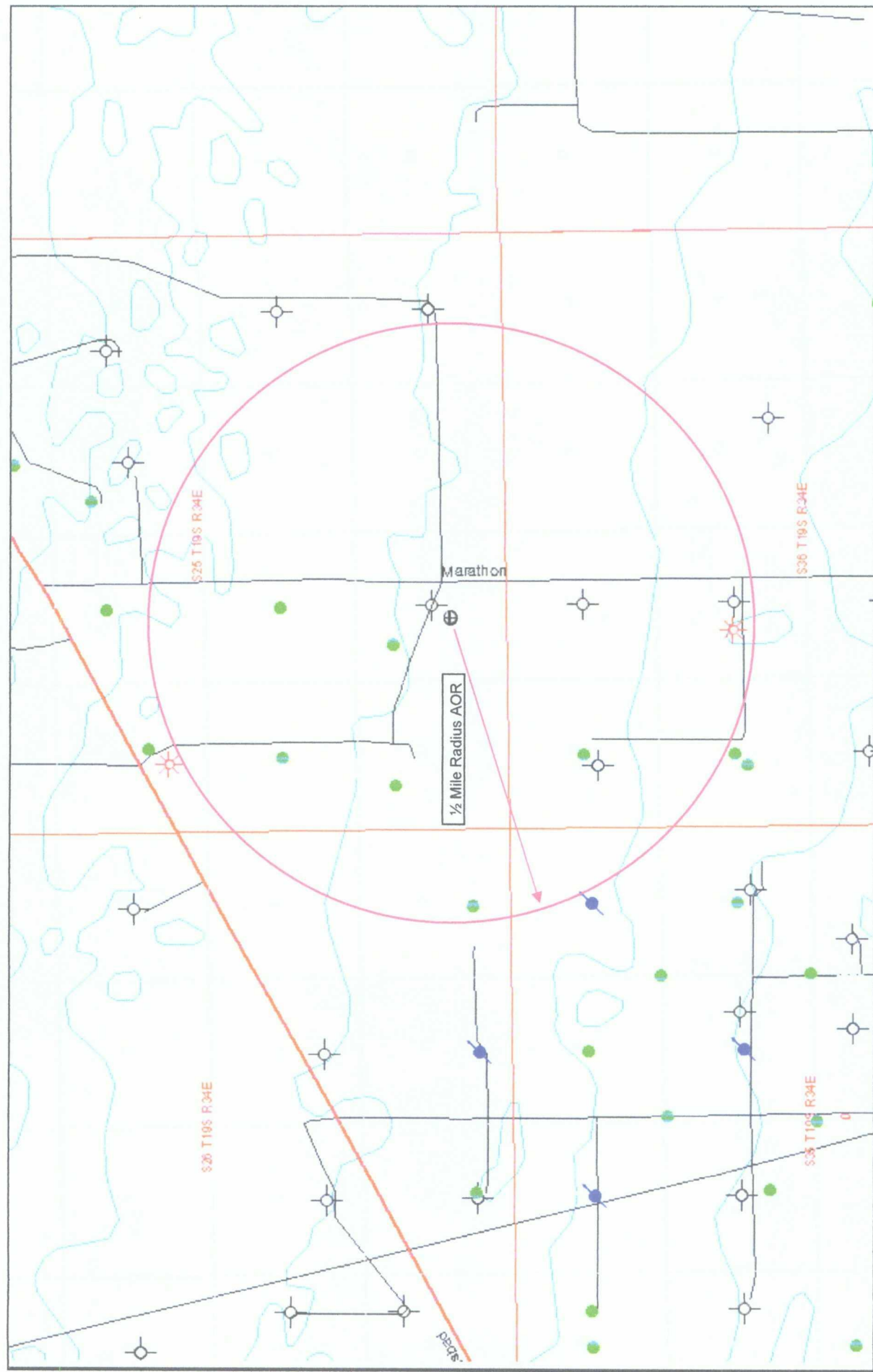
Where an application is subject to administrative approval, a proof of publication must be submitted. Such proof shall consist of a copy of the legal advertisement which was published in the county in which the well is located. The contents of such advertisement must include:

- (1) The name, address, phone number, and contact party for the applicant;
- (2) The intended purpose of the injection well; with the exact location of single wells or the Section, Township, and Range location of multiple wells;
- (3) The formation name and depth with expected maximum injection rates and pressures; and,
- (4) A notation that interested parties must file objections or requests for hearing with the Oil Conservation Division, 1220 South St. Francis Dr., Santa Fe, New Mexico 87505, within 15 days.

NO ACTION WILL BE TAKEN ON THE APPLICATION UNTIL PROPER PROOF OF NOTICE HAS BEEN SUBMITTED.

NOTICE: Surface owners or offset operators must file any objections or requests for hearing of administrative applications within 15 days from the date this application was mailed to them.

Government 'E' No. 1 – Area of Review

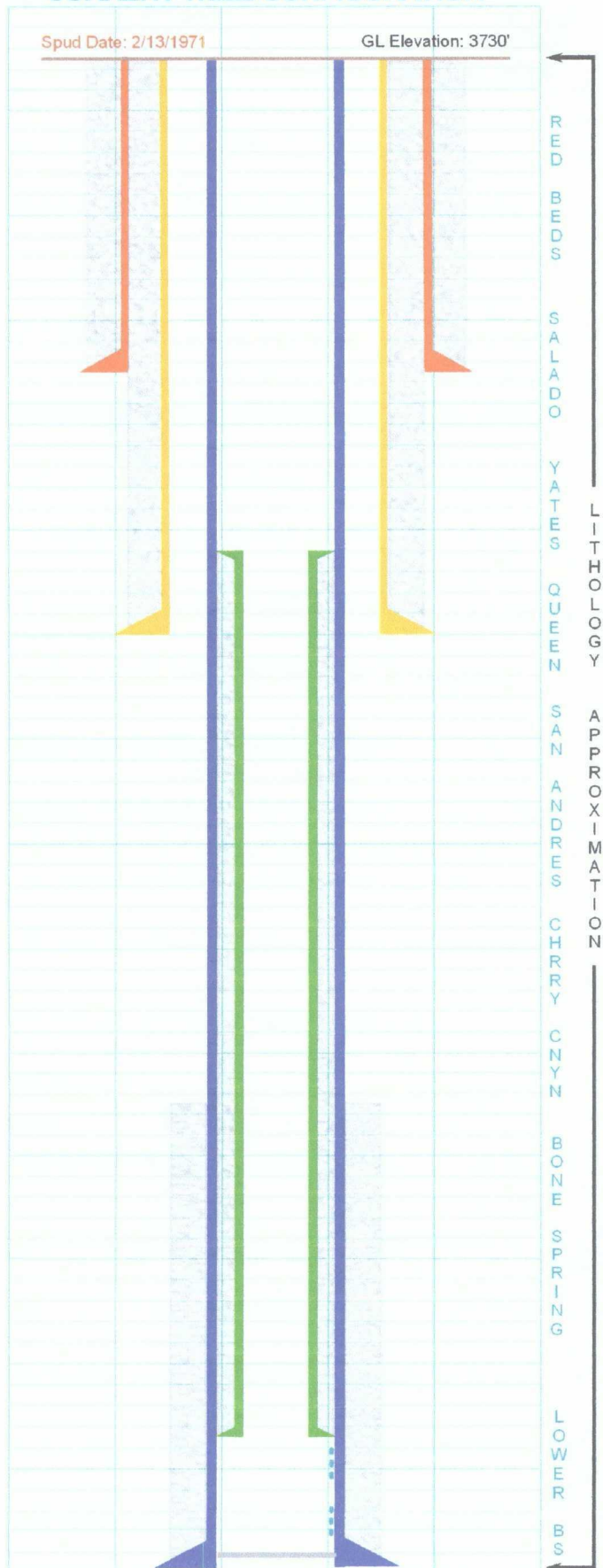


GIS Map by Sylvan Ascent
 Drawn 4/06/2009
 by Ben Stone, SOS Consulting, LLC
 For Louray Oil Company



Well spots generated from
 RBDMS database with most
 current recordset provided by
 NMT Octane AllWells.mdb

CURRENT WELL CONFIGURATION



SOS Consulting, LLC

Government 'E' No. 1

API No. 30-025-23708

Location: 610' FSL & 1880' FWL

UL 'N', Sec. 25, Twp 19S, Rng 34E, NMPM

Latitude: 32.625818 Longitude: -103.516315

Lea County, New Mexico

SWD; Bone Spring (Pool No.96095)

Formation: Red Beds

Surface: 11.75" 42# @ 400' (Borehole 15")

Cement: 450 Sacks Class H w/2% CaCl
from 400' to 0' (Circulated)

Formation: Salado / Anhydrite Mix (Top ~1800')

Formation: Yates (Top ~3500')

Intermediate: 8.625" 32# @ 4089' (Borehole 11.0")

Cement: 775 Sacks TLW & Pozmix from 4089' to 2200' (Calc.)

Formation: Queen (Top ~4400')

Formation: San Andres (Top ~6050')

Formation: Cherry Canyon (Top 6490')

Formation: Bone Spring (Top 9716')

Liner: 4.0" Flush Joint 15.6# @ 9597' to 3843'

Cement: 240 Sacks Class H from 9547' to 3843'

Perforations Top: 9716' - 20'

Bottom: 10,225' - 36'

Formation: Lower Bone Spring (Top 10,222')

PBTD: 10,277'

Production: 5.5" 17# @ 10,300' (Borehole 7.875")

Cement: 500 Sacks Class H from 10,300' to 7700' (Temp Srvy)

Formation: Red Beds

Surface: 11.75" 42# @ 400' (Borehole 15")

Cement: 450 Sacks Class H w/2% CaCl
from 400' to 0' (Circulated)

Formation: Salado / Anhydrite Mix (Top ~1800')

Formation: Yates (Top ~3500')

Intermediate: 8.625" 32# @ 4089' (Borehole 11.0")

Cement: 775 Sacks TLW & Pozmix from 4089' to 2200' (Calc.)

Formation: Queen (Top ~4400')

Formation: San Andres (Top ~6050')

Casing/Tubing Annulus loaded with Packer Fluid.

Formation: Cherry Canyon (Top 6490')

Tubing: 2.375" (184 jnts) and 2.875" (113 jnts)
Plastic Coated @ 9579'

Packer: 4.0" (Nominal) PKR (w/ On/Off Tool) @ 9596'

Formation: Bone Spring (Top 9716')

Liner: 4.0" Flush Joint 15.6# @ 9597' to 3843'

Cement: 240 Sacks Class H from 9547' to 3843'

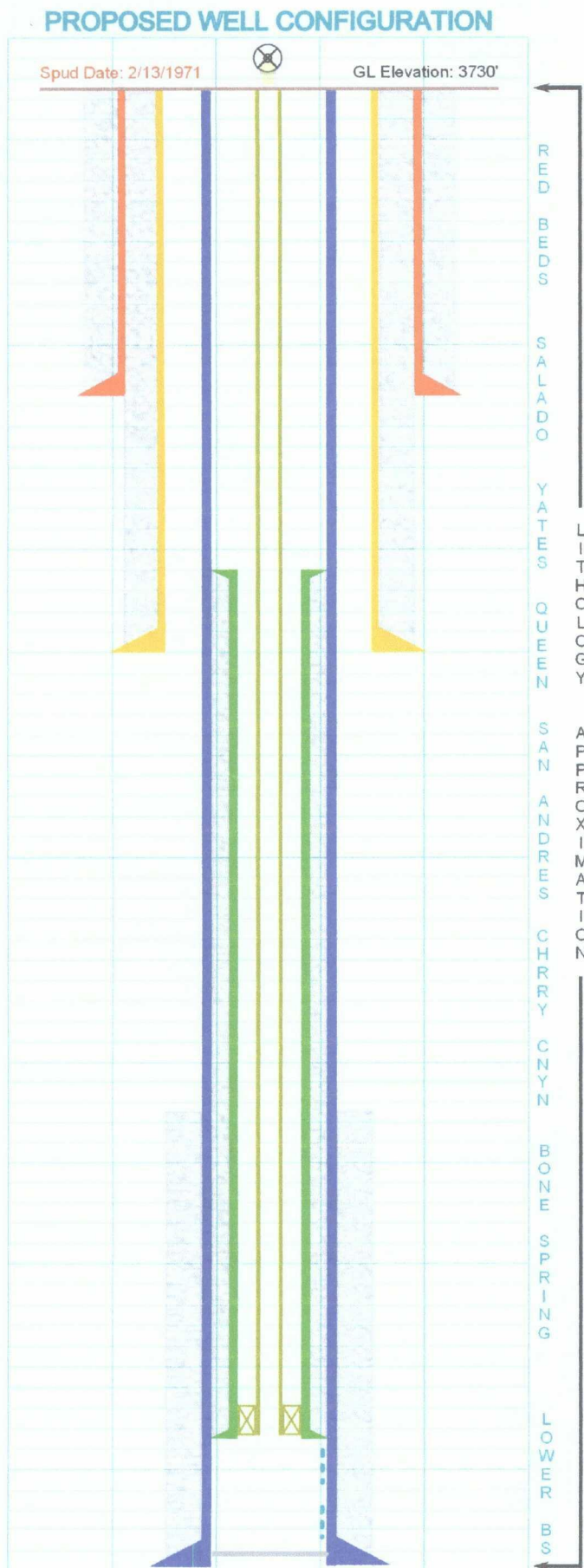
Perforations Top: 9716' - 20'
Bottom: 10,225' - 36'

Formation: Lower Bone Spring (Top 10,222')

PBTD: 10,277'

Production: 5.5" 17# @ 10,300' (Borehole 7.875")

Cement: 500 Sacks Class H from 10,300' to 7700' (Temp Srvy)



**C-108 ITEM XIII – PROOF OF NOTIFICATION
INTERESTED PARTIES LIST**

SURFACE OWNER

U.S. Department of Interior
Bureau of Land Management
Oil & Gas Division
2909 W. Second Street
Roswell, NM 88201-2019

MINERALS LESSEE

Louray Oil Company
P.O. Box 2081
Lovington, NM 88260

OFFSET MINERALS LESSEES

ARMSTRONG ENERGY CORP.
P.O. Box 1973
Roswell, NM 88202

COG OPERATING, LLC
500 W. Texas, Ste. 1300
Midland, TX 79701

MERIT ENERGY COMPANY
13727 Noel Road, Suite 500
Dallas, TX 75240

TRILOGY OPERATING INC.
P.O. Box 7606
Midland, TX 79708

REGULATORY

New Mexico Oil Conservation Division
1625 N. French Dr.
Hobbs, NM 88240



April 15, 2009

Subject: Application of Louray Oil Company to reinstate its permit for salt water disposal in its Government 'E' Well No.1 located in Section 25, Twp 19-S, Rng 34-E, Lea County, New Mexico.

To Whom It May Concern:

Louray Oil Company, P.O. Box 2081, Lovington, NM 88260 has made application for renewal of a previously operating salt water disposal well authorized by order number SWD-559. Louray has filed Form C-108 (Application for Authority to Inject) with the New Mexico Oil Conservation Division for administrative approval for salt water disposal in its Government 'E' Well No.1. The well, API No.30-025-23708 is located 610 FSL & 1880 FWL in Section 25, Township 19 South, Range 34 East in Lea County, New Mexico. Produced water from the Bone Spring formation will be disposed into the Bone Spring formation from approximately 9,716 to 10,236 feet at a maximum injection pressure of 1943 psi at a maximum rate limited only by this pressure.

Interested parties wishing to object to the proposed application must file with the New Mexico Oil Conservation Division, 1220 St. Francis Dr., Santa Fe, NM 87505 within 15 days of the date of this notice. Additional information may be obtained from Louray Oil Company at the above address or its agent, SOS Consulting, LLC, (903)488-9850.

Thank you for your attention in this matter.

Sincerely,

A handwritten signature in black ink, appearing to read 'Ben Stone'.

Ben Stone, Partner

Cc: Application file
New Mexico Oil Conservation Division

FOR IMMEDIATE PUBLICATION

LEGAL NOTICE

Louray Oil Company, P.O. Box 2081, Lovington, NM 88260 has made application for renewal of a previously operating salt water disposal well authorized by order number SWD-559. Louray has filed Form C-108 (Application for Authority to Inject) with the New Mexico Oil Conservation Division for administrative approval for salt water disposal in its Government 'E' Well No.1. The well, API No.30-025-23708 is located 610 FSL & 1880 FWL in Section 25, Township 19 South, Range 34 East in Lea County, New Mexico. Produced water from the Bone Spring formation will be disposed into the Bone Spring formation from approximately 9,716 to 10,236 feet at a maximum injection pressure of 1943 psi at a maximum rate limited only by this pressure.

Interested parties wishing to object to the proposed application must file with the New Mexico Oil Conservation Division, 1220 St. Francis Dr., Santa Fe, NM 87505 within 15 days of the date of this notice. Additional information may be obtained from Louray Oil Company at the above address or its agent, SOS Consulting, LLC, (903)488-9850.

CONTACT:

Ben Stone
SOS Consulting, LLC
P.O. Box 300
Como, TX 75431
903-488-9850