

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

David Martin
Cabinet Secretary

Brett F. Woods, Ph.D.
Deputy Cabinet Secretary

David R. Catanach, Division Director
Oil Conservation Division



Notice of Violation (2-01-FY16)

August 13, 2015

Operator
TLT SWD, LLC
P.O. Box 1906
Hobbs, NM 88241

Via Certified Mail Return Receipt No.:7012-0470-0001-5967-3604

Re: Sweet Pea SWD #001, API No. 30-015-35749

Dear Operator,

Regarding the e-mail from Billy (Bill) E. Prichard of Pueblo West Resources to representatives of the Oil Conservation Division ("OCD") and TLT SWD, LLC ("TLT") subject "LINN Operating: Objection Withdrawal of TLT's C-108 Application" (last reply Tuesday August 4, 2015, 4:25 PM MST), it has come to the OCD's attention that TLT's salt water disposal well Sweet Pea SWD #001, API No. 30-015-35749 ("Sweet Pea" or "subject well") has been operating outside of the conditions set forth in OCD Administrative Order SWD-1140-A ("Order 1140-A") since the reporting month of September of 2013.

Review of the Sweet Pea well file revealed the following information:

1. The authorization to inject was granted on November 24, 2009, pursuant to an application made by the original operator, Reef Exploration, LP. Order 1140-A permitted the Sweet Pea for "disposal of waste water originating only from producing wells operated by the operator of this disposal well[.]"
2. Order 1140-A further conditioned the wellhead injection pressure of the Sweet Pea (at that time named State 2 Well No. 8) to "no more than 920 psi."
3. Based on the record of the current operator, TLT, OCD has identified six (6) active oil wells that would be the source of produced water for injection in the subject well:
 - a. State "2" #1, 1980' FNL & 1980' FEL, Sec 2, T 23S, R 31E, Eddy County, New Mexico, API No. 30-15-35678; last production 4/2014.
 - b. State "2" #2, 660' FNL & 1980' FWL, Sec 2, T 23S, R 31E, Eddy County, New Mexico, API No. 30-15-35674; last production 9/2014.

- c. State "2" #3, 1980' FNL & 1980' FWL, Sec 2, T 23S, R 31E, Eddy County, New Mexico, API No. 30-15-35675; last production 7/2014.
 - d. State "2" #4, 1980' FSL & 1980' FWL, Sec 2, T 23S, R 31E, Eddy County, New Mexico, API No. 30-15-35676; last production 5/2014.
 - e. State "2" #5, 660' FSL & 1980' FWL, Sec 2, T 23S, R 31E, Eddy County, New Mexico, API No. 30-15-35677; last production 10/2014.
 - f. State "2" #9, 660' FSL & 660' FWL, Sec 2, T 23S, R 31E, Eddy County, New Mexico, API No. 30-15-35750; last production 5/2014.
4. Since TLT took over the Sweet Pea on April 1, 2013, the following table shows the annual injection totals to date on the well:

Period of Injection	Injection Volume (bbls)
2013 (Beginning in April with the transfer of ownership)	420,272
2014	1,674,587
2015 (As of the date of this letter)	757,094
Cumulative Total	2,851,953

- 5. Based on production reports since November 2014, the active wells operated by TLT have produced a total of 0 bbls of water, indicating that TLT is out of compliance with the conditions set forth in Order 1140-A. Further review of production is required to determine the full extent of TLT's non-compliance.
- 6. OCD records indicate that the injection pressure has exceeded the allowable 920 psi on five months of reporting data (April 2014 through August 2014).
- 7. An inspection of the well site on 8/6/2015 by an OCD inspector showed the well operating with a surface injection pressure of 1100 psi.

OCD Rule 19.15.5.11 NMAC states, in relevant part, "[a] person who conducts an activity pursuant to a permit, administrative order or other written authorization or approval from the division shall comply with every term, condition and provision of the permit, administrative order, authorization or approval." TLT is currently in violation of OCD Rule 19.15.5.11 NMAC by not complying with the conditions set forth in Order 1140-A.

Immediate action is now required by TLT. You are hereby ordered to cease all violating activities and to return the subject well to compliance with OCD Administrative Order SWD-1140-A and all other relevant OCD rules. If compliance cannot be achieved, the well must be shut-in until compliance can be achieved.

Further, the OCD requires additional information from TLT regarding the operation of the Sweet Pea. OCD requires TLT to provide information regarding the injected fluids including the sources and analytical composition.

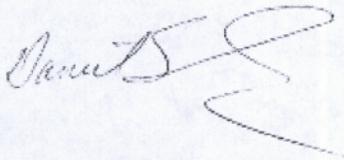
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Please contact Daniel Sanchez at (505) 476-3493 Ext 111 within ten (10) days of receipt of this letter to schedule a compliance conference to discuss the outstanding compliance issues.

The goal of the conference will be to negotiate corrective actions for TLT to come into compliance. If you do not respond to this letter, or if we are not able to resolve these issues administratively, the OCD will file an application for hearing seeking an order setting a compliance schedule for TLT.

Sincerely,

A handwritten signature in cursive script, appearing to read "Daniel Sanchez", with a long, sweeping underline.

Daniel Sanchez
OCD Compliance and Enforcement Manager, UIC Program Director
Daniel.Sanchez@state.nm.us

EC: Scott Hall, Montgomery and Andrews
Keith Herrmann, ENMRD Assistant General Counsel