

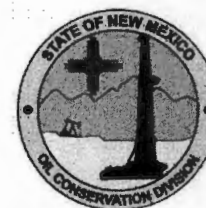
State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

Ken McQueen
Cabinet Secretary

Mathias Sayer
Deputy Cabinet Secretary

David R. Catanach, Division Director
Oil Conservation Division



August 25, 2017

Mesquite SWD, Inc.
C/o Melanie J. Wilson
PO Box 1479
Carlsbad, NM 88220

RE: **Expired Disposal Permit SWD-1530**

Huapache Federal SWD Well No. 1 (API 30-015-21248)

660' FSL, 2245' FEL; Unit O, Sec 30, T25S, R25E, NMPM, Eddy County, New Mexico

Order Date: April 28, 2015

Injection into the Devonian and Silurian formations; approved interval: 12800 feet to 12950 feet

Dear Ms. Wilson,

Pursuant to 19.15.26.12.C NMAC, the OCD disposal permit SWD-1530 has terminated as of April 28, 2017. The disposal authority granted for this well has terminated because Mesquite has not commenced injection operations into this well. Any further use of this well for disposal will be in violation of OCD rules, the United States Safe Drinking Water Act and the Environmental Protection Agency's Underground Injection Control Program.

Division Rule 19.15.26.12.C NMAC states the following:

Whenever there is a continuous one year period of non-injection into all wells in an injection or storage project or into a salt water disposal well or special purpose injection well, the division shall consider the project or well abandoned, and the authority for injection shall automatically terminate ipso facto.

Non-reporting of disposal to the Division is considered as "non-injection" for purposes of triggering automatic termination of the authority to use the well for disposal. Pursuant to Division Rule 19.15.7.24 NMAC, disposal volumes must be reported on or before the 15th day of the second month following the month of disposal on OCD Form C-115 (Monthly Production Reports). Failure to report disposal to the OCD is a violation of OCD rules and the Oil and Gas Act, NMSA 1978 § 70-2 *et seq.*, and could be punishable by a fine of not more than one thousand dollars (\$1,000) per day for each violation. NMSA 1978 § 70-2-31.

Mesquite SWD, Inc. must immediately ensure this well is shut-in and disconnected from incoming disposal sources.

If you wish to again use this well for disposal, you must apply for a new disposal permit pursuant to Division Rule 19.15.26.8 NMAC after proper notice using form C-108 either through the administrative process or an examiner hearing. The well must not again be used for disposal until such permit has been approved, all conditions of approval completed, the well passes a new Mechanical Integrity Test, and the District office of the Division has approved a new form C-104.

Please also be aware that pursuant to Division Rule 19.15.25.8 NMAC, or any applicable Agreed Compliance Order, this well has a limited time in which it must be returned to service, temporarily abandoned, or plugged and abandoned. For deadlines, please refer to said rule or agreement.

If you have any questions regarding the procedure to obtain a new disposal permit for this well, please contact William Jones at (505) 476-3477 or Phillip Goetze at (505) 476-3466. If you have questions as to C-115 reporting, inactive well status, or other compliance issues, contact Mr. Daniel Sanchez at (505) 476-3493.

Sincerely,



Scott Dawson
Petroleum Engineering Specialist
Oil Conservation Division, Santa Fe

CC: SWD-1530 / RBDMS Records / API No. 30-015-21248
Richard Inge, Oil Conservation Division - Artesia District
Bureau of Land Management - Carlsbad Field Office
Keith Herrmann, EMNRD Assistant General Counsel