

**UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT**

OCD-HOBBS

HOBBS OCD

FORM APPROVED
OMB No 1004-0137
Expires: March 31, 2007

COPY

SUNDRY NOTICES AND REPORTS ON WELLS 27 2011

Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

SUBMIT IN TRIPLICATE- Other instructions on reverse side.

1. Type of Well <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other		5. Lease Serial No. NM 99048
2. Name of Operator Caza Operating LLC		6. If Indian, Allottee or Tribe Name
3a. Address 200 N. Loraine, Suite 1550, Midland, Texas 79701	3b. Phone No (include area code) 432 682 7424	7. If Unit or CA/Agreement, Name and/or No.
4. Location of Well (Footage, Sec, T, R, M, or Survey Description) 1980 FNL & 1980 FWL, Sec 15, T20S, R34E, Lea County, New Mexico		8. Well Name and No. Mud Slide Slim 15 Federal # 1
		9. API Well No. 30 025 38469
		10. Field and Pool, or Exploratory Area Lea Bone Springs
		11. County or Parish, State Lea, New Mexico

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
<input type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input checked="" type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input type="checkbox"/> Other
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input checked="" type="checkbox"/> Water Disposal	

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleat in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

See Attached Water Disposal and Information Forms. Caza has submitted two forms because the trucking company has to have an option for terminus of fluid due to facility capacity.

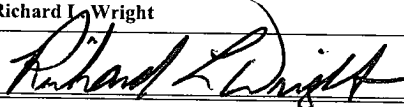
SEE ATTACHED FOR
CONDITIONS OF APPROVAL

ACCEPTED FOR RECORD

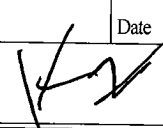
JUN 17 2011
/s/ JD Whitlock Jr

BUREAU OF LAND MANAGEMENT
CARLSBAD FIELD OFFICE

14. I hereby certify that the foregoing is true and correct
Name (Printed/Typed)

Richard L Wright	Title Operations Manager
Signature 	Date 06/08/2011

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by _____	Title _____	Date _____
Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.	Office 	

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

(Instructions on page 2)

WATER PRODUCTION & DISPOSAL INFORMATION

In order to process your disposal request, the following information must be completed:

1. Names(s) of all formation(s) producing water on the lease.
Bone Springs Formation
2. Amount of water produced from all formations in barrels per day.
10-15 BWPD produced
3. How water is stored on the lease.
400 Bbl Stock Tank on Site
4. How water is moved to the disposal facility.
Bryan Oilfield Services Permit # C133-198
5. Identify the Disposal Facility by:
 - A. Facility Operator Name **Agua Sucia, LLC R-13265**
 - B. Name of facility of well name & number **Agua SWD # 559**
 - C. Type of facility of well (WDW)(WIW), etc. **WDW**
 - D. Location by $\frac{1}{4}$, $\frac{1}{4}$, Section, Township and Range **SE4SW4-
SE4/SW4_Sec 25, T19S, R34E.**
6. Attach a copy of the State issued permit for the Disposal Facility.
Attached

Submit all of the above required information to the Carlsbad Field Office, 620 E. Greene St., Carlsbad, NM 88220, on a Sundry Notice Form 3160-5, 1 Original and 5 copies, within the required time frame. (This form may be used as an attachment to the Sundry Notice.)

WATER PRODUCTION & DISPOSAL INFORMATION

In order to process your disposal request, the following information must be completed:

1. Names(s) of all formation(s) producing water on the lease.
Bone Springs Formation
2. Amount of water produced from all formations in barrels per day.
10-15 BWPD produced
3. How water is stored on the lease.
400 Bbl Stock Tank on Site
4. How water is moved to the disposal facility.
Bryan Oilfield Services Permit # C133-198
5. Identify the Disposal Facility by:
 - A. Facility Operator Name **J. Cooper Enterprises, LLC R-12375**
 - B. Name of facility of well name & number **Cooper SWD # 12375**
 - C. Type of facility of well (WDW)(WIW), etc. **WDW**
 - D. Location by $\frac{1}{4}$, $\frac{1}{4}$, Section, Township and Range
SW4/SE4, Sec 8, T20S, R37E, Lea County, New Mexico
6. Attach a copy of the State issued permit for the Disposal Facility.
Attached

Submit all of the above required information to the Carlsbad Field Office, 620 E. Greene St., Carlsbad, NM 88220, on a Sundry Notice Form 3160-5, 1 Original and 5 copies, within the required time frame. (This form may be used as an attachment to the Sundry Notice.)

**STATE OF NEW MEXICO
ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:**

**CASE NO. 13511
ORDER NO. R-12375**

**APPLICATION OF SMITH & MARRS, INC. FOR APPROVAL OF A SALT
WATER DISPOSAL WELL, LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on June 16, 2005, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 28th day of June, 2005, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.

(2) The applicant, Smith & Marrs, Inc. ("Smith & Marrs" or "applicant"), seeks authority to utilize its Anderson Well No. 1 (API No. 30-025-29962), located 330 feet from the South line and 1980 feet from the East line (Unit O) of Section 8, Township 20 South, Range 37 East, NMPM, Lea County, New Mexico, to dispose of produced water into the Lower San Andres and Glorieta formations from a depth of 4,350 feet to 5,180 feet.

(3) Smith & Marrs originally filed the subject application for administrative approval on December 8, 2004. On December 13, 2004, the Division received a letter of objection to the application from Rice Operating Company. On December 15, 2004, the Division also received a letter of objection to the application from Amerada Hess Corporation, an offset operator to the proposed disposal well. The subject application was subsequently set for hearing before a Division examiner.

Case No. 13511
Order No. R-12375
Page 2

(4) Rice Operating Company ("Rice") appeared at the hearing through legal counsel in opposition to the application. Rice cross-examined Smith & Marrs' witness, but presented no evidence or testimony.

(5) Amerada Hess Corporation did not appear at the hearing.

(6) Smith & Marrs presented evidence that demonstrates that:

- (a) the injection interval in the Anderson Well No. 1 was originally proposed to encompass the Lower San Andres, Glorieta, Blinebry and Tubb formations; however, due to concerns expressed by Amerada Hess Corporation regarding injection into the Blinebry and Tubb intervals, the injection interval in the well is to be contracted to include only the Lower San Andres and Glorieta intervals from a depth of 4,350 feet to 5,180 feet;
- (b) the Anderson Well No. 1 is cased and cemented adequately to preclude the movement of fluid from the injection zone into other formations, including any fresh water aquifers;
- (c) the Anderson Well No. 1 will be utilized for the commercial disposal of produced water from various oil and gas pools in this area. Approximately 3,000-5,000 barrels of water per day will be disposed of in the subject well; and
- (d) all "area of review" wells are cased and cemented and/or plugged and abandoned adequately so as to confine the injected fluid to the proposed injection interval.

(7) Rice currently operates three (3) commercial disposal wells in this area. These wells are identified as the: i) EME SWD Well No. 5 (API No. 30-025-05902) located in Unit M of Section 5, Township 20 South, Range 37 East, NMPM; ii) EME SWD Well No. 8 (API No. 30-025-06017) located in Unit G of Section 8, Township 20 South, Range 37 East, NMPM, and; iii) EME SWD Well No. 9 (API No. 30-025-12801) located in Unit M of Section 9, Township 20 South, Range 37 East, NMPM. Testimony in this case demonstrates that all of Rice's wells are injecting into the same interval that will be utilized in the Anderson Well No. 1.

(8) Rice's concern is that approval of the subject application will adversely affect its ability to inject water into its EME SWD Wells No. 5, 8 and 9 due to the finite reservoir capacity of the San Andres formation.

(9) The Division is not statutorily obligated to protect the rights of operators with regards to conducting produced water disposal operations, unless such injection activities impair an operator's ability to produce hydrocarbons.

(10) Approval of the application will prevent the drilling of unnecessary wells and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Smith & Marrs, Inc., is hereby authorized to utilize its Anderson Well No. 1 (API No. 30-025-29962), located 330 feet from the South line and 1980 feet from the East line (Unit O) of Section 8, Township 20 South, Range 37 East, NMPM, Lea County, New Mexico, to dispose of produced water into the Lower San Andres and Glorieta formations from a depth of 4,350 feet to 5,180 feet.

(2) The operator shall take all steps necessary to ensure that the injected fluids enter only the proposed injection interval and are not permitted to escape to other formations or onto the surface from injection, production, or plugged and abandoned wells.

(3) Injection shall be accomplished through 3-1/2 inch internally plastic-lined tubing installed in a packer set at approximately 4,250 feet. The casing-tubing annulus shall be filled with an inert fluid and a gauge or approved leak-detection device shall be attached to the annulus in order to determine leakage in the casing, tubing, or packer.

(4) The injection well or pressurization system shall be equipped with a pressure control device or acceptable substitute that will limit the surface injection pressure to no more than 870 psi.

(5) The Division Director may administratively authorize a pressure limitation in excess of the above upon a showing by the operator that such higher pressure will not result in the fracturing of the injection formation or confining strata.

(6) Prior to commencing injection operations, the applicant shall effectively isolate all formations deeper than the Glorieta formation in the well. This shall be accomplished by setting a cast iron bridge plug (CIBP) with cement on top at a depth of approximately 5,300 feet; provided however, that the supervisor of the Division's Hobbs District Office may approve an alternate method to isolate these formations in the well.

(7) Prior to commencing injection operations and every five years thereafter, the casing shall be pressure tested throughout the interval from the surface down to the proposed packer setting depth to assure the integrity of such casing.

(8) The operator shall give advance notice to the Supervisor of the Division's Hobbs District Office of the date and time the following operations are to be conducted on the Anderson Well No. 1 in order that these operations may be witnessed; i) disposal equipment installed; ii) all formations deeper than the Glorieta formation isolated; and iii) the conductance of the mechanical integrity pressure test.

(9) The operator shall immediately notify the Supervisor of the Division's Hobbs District Office of the failure of the tubing, casing or packer in the disposal well or the leakage of water, oil or gas from or around any producing or plugged and abandoned well within the area, and shall take all steps as may be timely and necessary to correct such failure or leakage.

(10) The operator shall submit monthly reports of the disposal operations on Form C-120-A in accordance with Division Rules No. 19.15.9.706 and 19.15.13.1120.

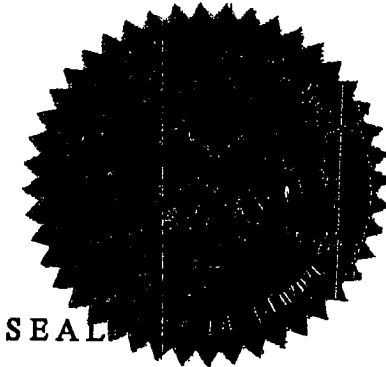
(11) The injection authority granted herein for the Anderson Well No. 1 shall terminate one year after the date of this order if the operator has not commenced injection operations into the well; provided, however, the Division, upon written request by the operator, may grant an extension for good cause.

Case No. 13511
Order No. R-12375
Page 5

(12) Pursuant to the requirements set forth on Part VI(4) of Division Form C-108, the applicant shall provide the Division an analysis of all source water that is to be disposed of in the Anderson Well No. 1. This shall be accomplished within six months after commencement of injection operations, and each time thereafter a new source of injected fluid is placed in the well.

(13) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

MARK E. FESMIRE, P. E.
Director

**STATE OF NEW MEXICO
ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:**

**CASE NO. 14411
ORDER NO. R-13265**

**APPLICATION OF AGUA SUCIA, LLC TO REINSTATE ADMINISTRATIVE
ORDER SWD-559 FOR A SALT WATER DISPOSAL WELL, LEA COUNTY,
NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on March 18, 2010, at Santa Fe, New Mexico, before Examiner Terry Warnell.

NOW, on this 1st day of June, 2010, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.

(2) The applicant, Agua Sucia, LLC ("Agua Sucia" or "applicant"), seeks authority to reinstate Division Administrative Order SWD-559 approved May 19, 1994 for salt water disposal into the Government E Well No. 1 (**API No. 30-025-23708**) (the "subject well") located 610 feet from the South line and 1880 feet from the West line, Unit N of Section 25, Township 19 South, Range 34 East, NMPM, Lea County, New Mexico, to dispose of oil field produced waters into the Bone Spring formation from 9,716 feet to 10,240 feet.

(3) The Government E Well No. 1 was drilled by The Superior Oil Company in 1971 as a Bone Spring formation producer. Sometime after 1971 Armstrong Energy bought and produced the well. After most of the recoverable oil was produced Armstrong sold the well to Subsurface Water Disposal, Inc., who turned the well into a salt water disposal well under Order SWD-559.

(4) Louray Oil Company (OGRID 210510) bought the well and operated it as a salt water disposal well from 2001 to 2008. Injection was shut down in January 2008 and there has been no water injected into the well since.

(5) On April 17 of 2009, the Division received an administrative application seeking to reinstate administrative Order SWD-559 for this well. Armstrong Energy Corporation objected to this application and it was set to hearing as Division Case No. 14345.

(6) Before Case No. 14345 was heard, Agua Sucia, LLC became operator of record for the Government E Well No. 1 on July 16, 2009.

(7) Agua Sucia, LLC (Agua Sucia), on September 9, 2009 filed a new application for reinstatement of Order SWD-559.

(8) By letter dated September 15, 2009, Louray Oil Company requested that Case No. 14345 be dismissed.

(9) Armstrong Energy Corporation renewed its objection to the reinstatement of Order SWD-559 by Agua Sucia on September 22, 2009 and it was set to hearing as Division Case No. 14411.

(10) Agua Sucia appeared at the hearing through counsel and presented exhibits and testimony from two experts as follows:

a. The well had been a salt water disposal well for many years before Louray bought the Government E Well No. 1 in 2001.

b. Louray operated this well from 2001 to 2009. There has been no water injected into the well since January 2008.

c. The witness, Ben Stone, was hired by Louray to prepare the Form C-108 for reinstatement of Order SWD-559 based on the log book pages provided by Al Perry who was the consultant who supervised the repair work on the Government E Well No. 1.

d. Mr. Stone pointed out early on that perhaps Louray should not transfer operation to Agua Sucia until the SWD was reinstated.

e. In 2009, Louray transferred the Well to Agua Sucia. Shortly after the change of operator, Louray declared bankruptcy.

f. Louis Edgett was the owner of Louray, and is now a pumper for Agua Sucia.

g. Prior to the Government E Well No. 1 being shut in, in 2008, Ben Stone certainly saw evidence of the damaged casing through the Queen interval.

h. Robert Lee testified that 302,000 barrels were taken out of the Government E Well No. 1 and 3.1 million barrels (ten times) had been injected back into the well.

(11) Armstrong Energy Corporation appeared at the hearing through counsel in opposition to the application and presented exhibits and testimony from five witnesses as follows:

a. Mr. Edgett, under subpoena, testified that Surface Water Disposal had run a casing and inspection log on the Government E Well No. 1 in 2001 prior to his purchase of the well, but no log was offered as an exhibit.

b. Louray found out about Armstrong's concerns when Hobbs OCD started checking the well three or four times a month.

c. In 2008 Louray had problems with the well and was flowing it back; part of what was coming out of the well was oil. No hauled or sold oil was ever reported to OCD by Louray.

d. No water has been injected into the Government E Well No. 1 since January 2008.

e. In October 2009, Agua Sucia reported that they were moving 723 barrels of oil off the property.

f. Armstrong owns some Queen producing wells and some deeper rights in other parts of the same lease as the Government E Well No. 1.

g. Armstrong's Superior Federal Well No. 6, producing from the Queen formation, is 370 feet from the Government E Well No. 1.

h. The water chlorides that were being injected into the Government E Well No. 1 were showing up in Armstrong's Superior Federal Well No. 6.

i. On January 14, 2008 Armstrong told the OCD Hobbs District office about the water problems they were having with their Superior Federal Well No. 5 and Superior Federal Well No. 6. OCD agreed to have MIT's run on all the surrounding wells within one mile AOR, which included the Government E Well No. 1.

j. Mr. Gary Wink testified that OCD notified all operators within a one-mile radius of the subject well that they would review all wells. Before OCD could get to the Government E Well No. 1, Louray pulled the tubing out of the well and hauled it off.

k. Armstrong believes Louray was injecting directly into the Queen prior to 2008.

l. On February 5, 2009 Agua Sucia did a Bradenhead squeeze on the Government E Well No. 1 starting at 1600 hours. Armstrong's exhibit 1, page 6, shows a pressure increase on their Superior Federal Well No. 6 as Agua Sucia pumped cement, and when they stopped pumping the pressure increase drops off.

m. Mr. Jerry Guy of Guy Oil and Gas Limited testified that when the subject well was shut down their three San Andres wells' water production dropped immediately.

n. Something is allowing direct communications between the Bone Spring, Delaware, San Andres and Queen formations in this area.

(12) Division records indicate that Agua Sucia, LLC (OGRID 265779), as of the date of this order, is in compliance with Division Rule 5.9.

(13) The mineral rights in the Government E Well No. 1 are owned by Armstrong Energy Corporation. Only the right to use the wellbore for disposal was conveyed to Subsurface Water Disposal.

(14) There is still a large void (7,700-4,089 feet) behind the 5 ½ inch casing in the Government E Well No. 1 that is not cemented. This void includes the Delaware, San Andres and Queen formations.

(15) No exhibits were presented detailing the January 2008 repair job when cement was pumped between the 8 5/8 inch casing and the 5 1/2 inch casing.

(16) Even though the Operator of record has changed, the same person is responsible for the day to day operations.

(17) Over the injection life of the Government E Well No. 1 the injection pressure has decreased, indicating the injected water has found a new path of less resistance.

(18) The operator was authorized to inject produced water into the Government E Well No. 1 to be disposed into the Bone Springs formation through perforations from

9,716 feet to 10,240 feet. There are several area of review (AOR) wells producing hydrocarbons from the shallower Delaware, San Andres and Queen formations.

(19) The Government E Well No. 1 is a commercial disposal well. The suitability of this disposal well for injection operations is questionable. Division records indicate that approximately 723 barrels of oil were skimmed off and reported to the Division before injecting the produced water.

(20) Testimony indicates that there may be casing damage in the Government E Well No. 1 in the Queen formation, and when this disposal well was shut-in, operators in the Queen formation experienced less water production in their producing wells. The Division concludes that the water injected into this well is not being confined in the injection zone.

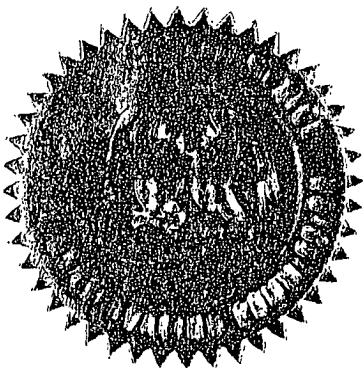
(21) To prevent waste of oil and gas reserves that could result from intrusion of injected water into a producing horizon, the reinstatement of Order SWD-559 to allow Agua Sucia, LLC to dispose of produced waters into the Bone Spring formation from 9,716 feet to 10,236 feet should be denied.

IT IS THEREFORE ORDERED THAT:

(1) The application of Agua Sucia, LLC ("Agua Sucia" OGRID 265779), to reinstate administrative Order SWD-559 authorizing produced water disposal into its Government E Well No. 1 (API No. 30-025-23708) into the Bone Spring formation at approximately 9,716 feet to 10,240 feet is hereby denied.

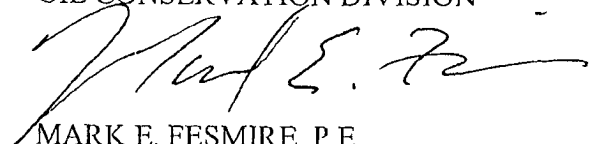
(2) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


MARK E. FESMIRE, P.E.
Acting Director

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENTOCD-HOBBS
RECEIVEDFORM APPROVED
OMB No. 1004-0137
Expires March 31, 2007

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

SUBMIT IN TRIPLICATE- Other instructions on reverse side.

1. Type of Well
☐ Oil Well ☐ Gas Well ☒ Other SWD

2. Name of Operator Agua Sucia, LLC

3a. Address
14605 Memorial Dr, Bixby, OK 765433b. Phone No. (include area code)
918-366-7957

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

25 19S 34E 610 S 1870 W

5. Lease Serial No.
NM-09243 SWD ROW

6. If Indian, Allottee or Tribe Name

7. If Unit or CA/Agreement, Name and/or No.

8. Well Name and No.
Government 'E' Well No.19. API Well No.
30-025-2370810. Field and Pool, or Exploratory Area
SWD; Bone Spring11. County or Parish, State
Lea County, New Mexico

12 CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other Commence Injection
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	& run injection
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	profile

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

WELL HAS BEEN SHUT IN FOR 2 YEARS WHILE REINSTATEMENT OF INJECTION AUTHORITY WAS SOUGHT FROM OCD.

Per OCD Commission Order R-13265-D, issued 12/9/10, Agua Sucia will restart injection on this well. The order reinstates the original SWD-559 order which allows for a maximum injection pressure of 1943 psi.

Injection will resume immediately after installation of a new connection line from the high pressure pump to the well head.

Within 10 days of commencing injection operations, Agua Sucia will run a radioactive tracer combined with temperature survey to verify injection into zone.

BLM and OCD will be notified of the date and time of the survey.

SEE ATTACHED FOR
CONDITIONS OF APPROVAL

14. I hereby certify that the foregoing is true and correct
Name (Printed/Typed)

Ben Stone (903) 488-9850

Title Consultant for Agua Sucia, LLC

Signature

Date December 14, 2010

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

/s/ JD Whitlock Jr

Title LPET

Date 2/18/11

Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Office

CFO

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

(Instructions on page 2)

Cox

CONDITIONS OF APPROVAL
Government 'E' Well #1
Agua Sucia, LLC
Sec.25, SESW, T19S R34E
NM086

Maintain the annulus full of packer fluid and be able to verify that fluid level at any time. Report any significant loss of packer fluid (5bbl) within a one month period.

Provide fluid containment and automation controls that will shut off the well's disposal injection should the tubing/casing annulus began flow into that containment. Provide downhole (near the packer) equipment that can be used to prevent backflow from the disposal reservoir .

Automation controls are required to limit the wellhead tubing pressure at or below the maximum set by NMOCD.

Annually perform and supply BLM with logs of the well's injection profile.

Compare "safe service life" of the tubing to "time in the well", and follow up with "in time" tubing inspection, reconditioning, and replacement as proactive maintenance. A "safe service life" of 10 years between inspections may be reasonable. Some tubing evaluation tools are described at <http://www.memorylog.com/> and <http://www.tuboscopevetco-egy.com/>.



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
HOBBS DISTRICT OFFICE

BRUCE KING
GOVERNOR

3-3-94

POST OFFICE BOX 1980
HOBBS, NEW MEXICO 88241-1980
(505) 393-6161

OIL CONSERVATION DIVISION
P. O. BOX 2088
SANTA FE, NEW MEXICO 87501

SWD-559

RE: Proposed:

MC	_____
DHC	_____
NSL	_____
NSP	_____
SWD	<u>X</u> _____
WFX	_____
PMX	_____

Gentlemen:

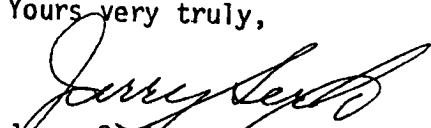
I have examined the application for the:

Subsurface Water Disposal Inc Government E #
Operator Lease & Well No. Unit S-T-R 1-N 25-19-34

and my recommendations are as follows:

OK

Yours very truly,


Jerry Sexton
Supervisor, District 1

/ed

**BUREAU OF LAND MANAGEMENT
Carlsbad Field Office
620 East Greene Street
Carlsbad, New Mexico 88220
575-234-5972**

**Disposal of Produced Water From Federal Wells
Conditions of Approval**

Approval of the produced water disposal methodology is subject to the following conditions of approval:

1. This agency shall be notified of any change in your method or location of disposal.
2. Compliance with all provisions of Onshore Order No. 7.
3. This agency shall be notified of any spill or discharge as required by NTL-3A.
4. This agency reserves the right to modify or rescind approval whenever it determines continued use of the approved method may adversely affect the surface or subsurface environments.
5. All above ground structures on the lease shall be painted Shale Green (5Y 4/2), or as per approved APD stipulations. This is to be done within 90 days, if you have not already done so.
6. Any on-lease open top storage tanks shall be covered with a protective cover to prevent entry by birds and other wildlife.
7. This approval should not constitute the granting of any right-of-way or construction rights not granted by the lease instrument.
8. If water is transported via a pipeline that extends beyond the lease boundary, then you need to submit within 30 days an application for right-of-way approval to the Realty Section in this office if you have not already done so.
9. Disposal at any other site will require prior approval.
10. Subject to like approval by NMOCD.

6/17/2011