

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

OCT 25 2011

FORM 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 <input type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input checked="" type="checkbox"/> Other		5 Lease Serial No NMLC 054667
2 Name of Operator DC Energy LLC		6 If Indian, Allottee or Tribe Name
3a Address 105 Oscar lane Dallas, Georgia 30132	3b Phone No (include area code) 770-757-3715	7 If Unit or CA/Agreement, Name and/or No
4 Location of Well (Footage, Sec, T, R, M, or Survey Description) Sec: 33-25S-37E 1980' FSL and 660' FEL		8 Well Name and No. Gregory A5
		9 API Well No 30-025-11884
		10 Field and Pool, or Exploratory Area
		11 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 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
	<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.)

This well is cuurently permitted as a SWD well. Submitted C-108 package was approved. Moved rig onto well. 1000' of Found 2 7/8" tubing with 1 3/4' tubing inside of 2 7/8" tubing. pulled all tubing out of hole and attmpted to run all 2 7/8 " with packer hit blockage at 1000' do not know what blockage consist of,

THIS WELL HAS A FORMAL LOSS OF INJECTION AUTHORITY SEE ATTACHED.

RECEIVED FOR FILE RECORD ONLY: DC
ENERGY LLC, has not been approved as
operator of this well. Approval subject to
appropriate well bond.

/s/ JD Whitlock Jr

EUG 10-26-2011

14 I hereby certify that the foregoing is true and correct Name (Printed/Typed) Dan Johnson		Title Managing member
Signature <i>[Signature]</i>		Date 09/12/2011

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by 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.	Title LRET	Date 10/21/11
	Office CEO	

Title 18 USC Section 1001 and Title 43 USC 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)

OCT 26 2011

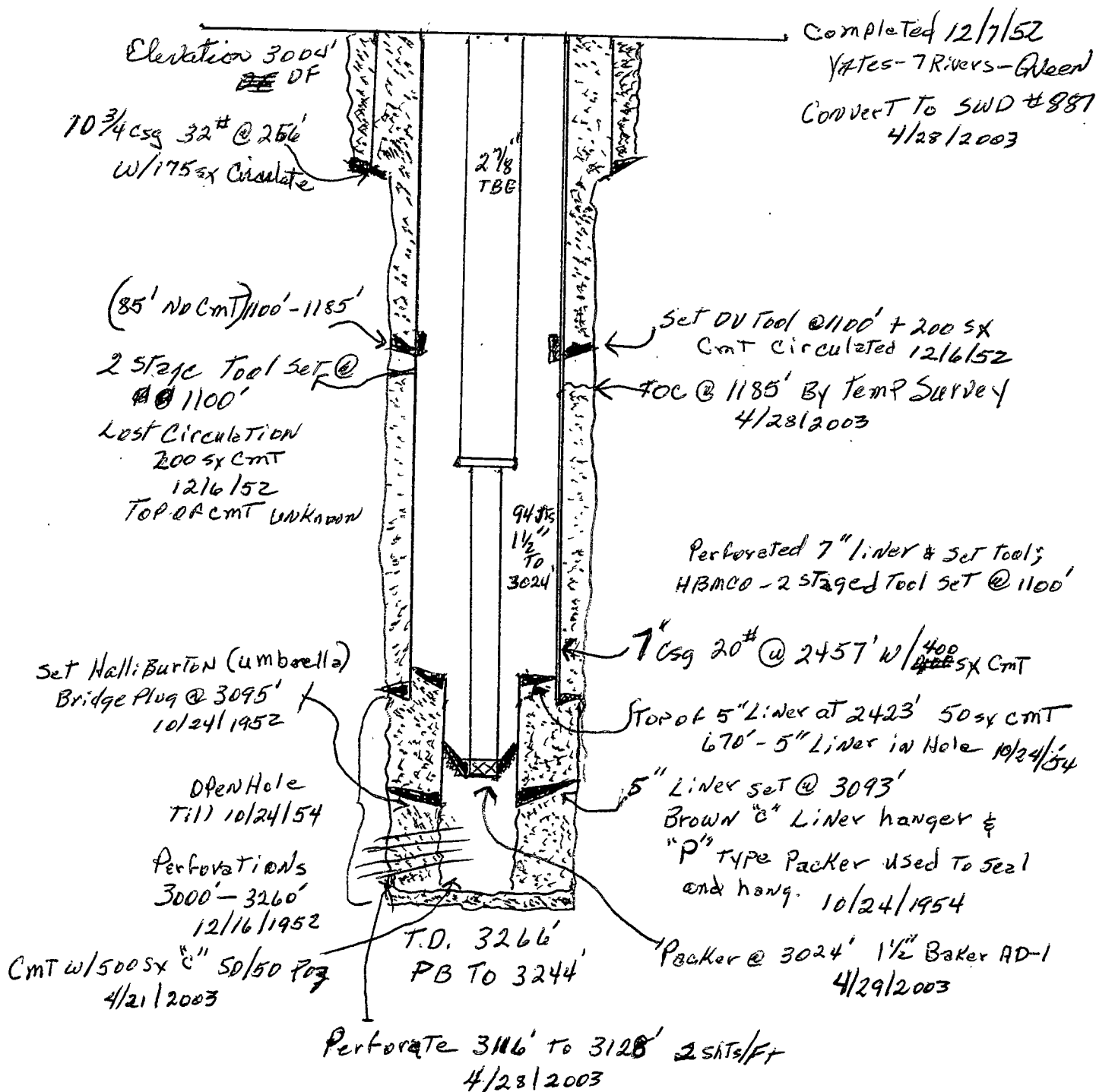
WELL BORE Schematic - Gregory "A" #5 - 8 SWD #887
 ULSTR "I" Sec. 33, T25S, R37E 1980' FSL & 660' FEL
 LEA Co. N.M.

Jonglin-Mattij Gas Well
 New SWD #887

D.C. ENERGY LLC

Last Authority To Inject for not showing
 Report on Water Put in Well. Reapplying
 for SWD status again -

APL-30-025-11884





NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Underground Injection Control Program

"Protecting Our Underground Sources of Drinking Water"

17-Dec-09

DC ENERGY LLC

105 OSCAR LANE

DALLAS GA 30132-

LETTER OF VIOLATION and SHUT-IN DIRECTIVE **Failed Mechanical Integrity Test**

Dear Operator:

The following test(s) were performed on the listed dates on the following well(s) shown below in the test detail section.

The test(s) indicates that the well or wells failed to meet mechanical integrity standards of the New Mexico Oil Conservation Division. To comply with guidelines established by the U.S. Environmental Protection Agency, the well(s) must be shut-in immediately until it is successfully repaired. The test detail section which follows indicates preliminary findings and/or probable causes of the failure. This determination is based on a test of your well or facility by an inspector employed by the Oil Conservation Division. Additional testing during the repair operation may be necessary to properly identify the nature of the well failure.

Please notify the proper district office of the Division at least 48 hours prior to the date and time that the well(s) will be retested so the test may be witnessed by a field representative.

MECHANICAL INTEGRITY TEST DETAIL SECTION

GREGORY A No.005

30-025-11884-00-00

Active Salt Water Disposal Well

1-33-25S-37E

Test Date: 12/17/2009

Permitted Injection PSI:

Actual PSI:

Test Reason: Initial Test

Test Result: F

Repair Due: 3/22/2010

Test Type: Std. Annulus Pres. Test

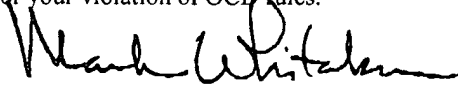
FAIL TYPE: Other Internal Failure

FAIL CAUSE:

Comments on MIT: Pressure up on tbg/csg annulus. Pump 10 bbls at 2 BPM and 250 psi. Annulus on vacuum when pump was shut down. NEED TO DETERMINE ROOT CAUSE OF PROBLEM AND REPAIR PRIOR TO CONDUCTING MIT. 1st notice of non-compliance. MW

In the event that a satisfactory response is not received to this letter of direction by the "Repair Due:" date shown above, or if the well(s) are not immediately shut-in, further enforcement will occur. Such enforcement may include this office applying to the Division for an order summoning you to a hearing before a Division Examiner in Santa Fe to show cause why you should not be ordered to permanently plug and abandon this well. Such a hearing may result in imposition of CIVIL PENALTIES for your violation of OCD rules.


Sincerely,



COMPLIANCE OFFICER

Hobbs OCD District Office

Note Pressure Tests are performed prior to initial injection, after repairs and otherwise, every 5 years; Bradenhead Tests are performed annually. Information in Detail Section comes directly from field inspector data entries - not all blanks will contain data "Failure Type" and "Failure Cause" and any Comments are not to be interpreted as a diagnosis of the condition of the wellbore. Additional testing should be conducted by the operator to accurately determine the nature of the actual failure. * Significant Non-Compliance events are reported directly to the EPA, Region VI, Dallas, Texas.



New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Joanna Prukop
Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



December 11, 2009

DC Energy LLC
105 Oscar Lane
Dallas, GA 30132

Certified Mail No.: 7002 3150 0005 2327 4669

FORMAL NOTICE OF LOSS OF INJECTION AUTHORITY
OPERATOR REQUIRED TO CEASE AND DESIST INJECTION

Re: DC Energy LLC, OGRID 268370
Gregory A #005, 30-025-11884, Admin. Order SWD-887
Gregory El Paso Federal #004, 30-025-11871, Admin. Order SWD-240

Dear Operator:

This letter gives DC Energy LLC (DC Energy) formal notice that its authority to inject into the two wells identified above has terminated. **DC Energy must immediately cease and desist injecting into the wells identified above.**

19.15.26.12(C)(1) NMAC provides:

“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.”

19.15.26.12(C)(2) NMAC provides:

“For good cause shown, the director may grant an administrative extension or extensions of injection authority as an exception to Paragraph (1) of Subsection C of 19.15.26.12 NMAC, provided that any such extension may be granted only prior to the end of one year or [sic] continuous non-injection, or during the term of a previously granted extension.”



December 11, 2009

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Mr. Dan Johnson of DC Energy was made aware of these provisions during a meeting with the OCD in September 2009, prior to DC Energy becoming operator of record of the identified wells. A copy of the list of operator responsibilities, signed by Mr. Johnson, is attached. The injection well requirements at issue are found in paragraph 8.

The Gregory A #005, 30-025-11884, is a salt water disposal well authorized by Admin. Order SWD-887, issued August 13, 2003. According to OCD records, the Gregory A #005 has not injected since 2005. (It reported a small amount of production in 2009.) A copy of the production/injection reporting summary is attached.

The Gregory El Paso Federal #004, 30-025-11871, is a salt water disposal well authorized by Admin. Order SWD-240, issued October 13, 1981. According to OCD records, the Gregory El Paso Federal #004 did not inject in 2007 or 2008. A copy of the production/injection reporting summary is attached.

Because all injection in these salt water disposal wells ceased for a period in excess of one year, the authority for injection into those wells automatically terminated pursuant to 19.15.26.12(C)(1) NMAC. If you wish to inject into either of these wells you must apply for a new permit under 19.15.26.8 NMAC. Please note that to be eligible for a permit the operator must be in compliance with 19.15.5.9 NMAC.

All injection into these two wells must cease immediately. By copy of this letter, I am notifying the Hobbs District Office that your injection authority for these wells has been terminated. Hobbs District Office inspectors will be checking the wells to determine if they are continuing to inject. If you believe that an emergency exists you may wish to apply for an emergency order allowing you to inject while you apply for a new permit. See 19.15.2.11 NMAC.

If you continue to inject into these wells without authority the OCD intends to take further enforcement action. The OCD may seek an administrative order requiring you to plug the wells under NMSA 1978, Section 70-2-14(B), and authority for the state to plug the wells if you do not do so. Or the OCD may seek an order from District Court pursuant to NMSA 1978, Section 70-2-28 enjoining you from injecting into the identified wells and assessing penalties under NMSA 1978, Section 70-2-31(A) for the knowing and willful violation of 19.15.26.12.C(1) NMAC.

If you disagree with the OCD's conclusion that the authority to inject into these wells has terminated, please provide documentary proof that there has not been a period of one year of non-injection, or that you are operating under an administrative extension of injection authority.

Sincerely,



Daniel Sanchez

Underground Injection Control Director for the State of New Mexico


Ec: Larry "Buddy" Hill, Supervisor, Hobbs District Office
Sylvia Dickey, Hobbs District Office

As the operator of record of wells in New Mexico,

1. I am responsible for ensuring that the wells and related facilities comply with applicable statutes and rules, and am responsible for all regulatory filings with the OCD. I am responsible for knowing all applicable statutes and rules, not just the rules referenced in this list. I understand that the OCD's rules are available on the OCD website under "Rules," and that the Water Quality Control Commission rules are available on the OCD website on the "Publications" page.
2. I understand that if I acquire wells from another operator, the OCD must approve the operator change before I begin operating those wells. See 19.15.9.9.B NMAC. I understand that if I acquire wells or facilities subject to a compliance order addressing inactive wells or environmental cleanup, before the OCD will approve the operator change it may require me to enter into an enforceable agreement to return those wells to compliance. See 19.15.9.9.C(2) NMAC.
3. I must file a monthly C-115 report showing production for each non-plugged well completion for which the OCD has approved an allowable and authorization to transport, and injection for each injection well. See 19.15.7.24 NMAC. I understand that the OCD may cancel my authority to transport from or inject into all the wells I operate if I fail to file C-115 reports. See 19.15.7.24(C) NMAC.
4. I understand that New Mexico requires wells that have been inactive for certain time periods to be plugged or placed on approved temporary abandonment. See 19.15.25.8 NMAC. I have read and understand the requirements for plugging and approved temporary abandonment in 19.15.25 NMAC. I know how to check my compliance with the basic requirements of 19.15.25.8 NMAC by using the "Inactive Well List" on OCD's website.
5. I must keep current with financial assurances for well plugging. I understand that New Mexico requires each state or fee well that has been inactive for more than two years to be covered by a single-well financial assurance, even if the well is also covered by a blanket financial assurance. See 19.15.8.9(C) NMAC. I know how to check my compliance with the single-well financial assurance requirement by using the "Inactive Well Additional Financial Assurance Report" on the OCD's website.
6. I am responsible for reporting releases as defined by 19.15.29 NMAC. I understand the OCD will look to me as the operator of record to take corrective action for releases at my wells and related facilities, including releases that occurred before I became operator of record.
7. I have read 19.15.5.9 NMAC, commonly known as "Part 5.9," and understand that to be in compliance with its requirements I must have the appropriate financial assurances in place, comply with orders requiring corrective action, pay penalties assessed by the courts or agreed to by me in a settlement agreement, and not have too many wells out of compliance with the inactive well rule (19.15.25.8 NMAC). If I am in violation of Part 5.9, I may not be allowed to drill, acquire or produce any additional wells, and will not be able to obtain any new injection permits. See 19.15.16.19 NMAC, 19.15.26.8 NMAC, 19.15.9.9 NMAC and 19.15.14.10 NMAC.
8. For injection wells, I understand that I must report injection on my monthly C-115 report and must operate my wells in compliance with 19.15.26 NMAC and the terms of my injection permit. I understand that I must conduct mechanical integrity tests on my injection wells at least once a year. See 19.15.26.11 NMAC. I understand that when there is a continuous one-year period of non-injection into all wells in an injection or storage project or into a saltwater disposal well or special purpose injection well, authority for that injection automatically terminates. See 19.15.26.12 NMAC.
9. I am responsible for providing the OCD with my current address of record and emergency contact information, and I am responsible for updating that information when it changes. See 19.15.9.8(C) NMAC. I understand that I can update that information on the OCD's website under "Electronic Permitting."
10. If I transfer well operations to another operator, the OCD must approve the change before the new operator can begin operations. See 19.15.9.9.B NMAC. I remain responsible for the wells and related facilities and all related regulatory filings until the OCD approves the operator change. I understand that the transfer will not relieve me of responsibility or liability for any act or omission which occurred while I operated the wells and related facilities.

DC Energy LLC
Operator Company Name

9/30/09
Date


Signature of Individual Signing for Operator

DAN C. JOHNSON
Printed Name and Title of Individual Signing for Operator