

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

John H. Bemis
Cabinet Secretary

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

Jami Bailey, Division Director
Oil Conservation Division



October 11, 2012

Mesquite SWD, Inc.
Attn: Clay Wilson
P.O. Box 1479
Carlsbad, NM 88221

RESPONSE REQUIRED BY OCTOBER 25, 2012

RE: **HOBBS STATE #3, SEC. 29, TWSHP 18S, RGE 38
API NUMBER 30-025-23621 INACTIVE WELL
OCD REQUEST TO PLUG AND ABANDON**

Mr. Clay Wilson:

According to Oil Conservation Division (OCD) records, you became the operator of record as of March 18, 2010, of the well referenced above. **In addition, as operator of record of wells in New Mexico, you agreed to the statements as noted on Page 2 of approved C145, dated March 2010.**

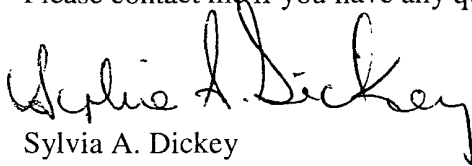
As noted on the enclosed Well Inspection History, you have been notified on several different occasions to submit the plug and abandonment procedure on the Hobbs State #3. As of this date the OCD has not received any paperwork regarding our request.

OCD rules require wells that have been inactive for more than one year plus 90 days to be plugged and abandoned, placed on approved temporary abandonment status, or returned to active status (19.15.25.8 NMAC). Please return the well to compliance as soon as possible. If you are taking action to return the well to compliance in the immediate future, please contact Elidio L. Gonzales, OCD District I Manager, at 575-393-6161 ext. 102 or ElidioL.Gonzales@state.nm.us. You may be able to avoid enforcement action.

If the OCD does not hear from you by October 25, 2012, the OCD will file an application for hearing to seek plugging orders for state or fee wells out of compliance with 19.15.25.8 NMAC, that have been inactive for excessive periods of time. The OCD will seek an order requiring the operator to plug the well by a certain date, and authorizing the OCD to plug the well and forfeit any available financial assurance if the operator fails to comply.

If the well is not covered by a financial assurance or if the financial assurance is not sufficient to cover the OCD's plugging costs, the OCD may bring suit against the operator for indemnification. See NMSA 1978, Section 70-2-14(E).

Please contact me if you have any questions concerning this issue.

A handwritten signature in black ink, appearing to read "Sylvia A. Dickey". The signature is fluid and cursive, with the first name "Sylvia" and last name "Dickey" clearly distinguishable.

Sylvia A. Dickey
Compliance Officer
Hobbs, OCD District I Office

Encl: Well Inspection History
Inactive Well List
C145 and Agreements

11-Oct-12

Well Inspection History

API Number. **30-025-23621-00-00** Well Name & No.. **HOBBS STATE**
 Operator: **MESQUITE SWD, INC, CLAY WILSON** District: **HOBBS** County Name: **LEA**
 Field. **HOBBS STATE** Legal. **S: 29 T: 18S R: 38E**
 Well Type. **SALT WATER DISPOSAL WELL**

Insp Dt.	Insp. Type	Insp. Purpose	Insp. No.	RmdyRqDt	Insp. By	Viol. SNC	Failed Codes
9/18/2012	File and Compliance Review	Normal Routine Activity	iSAD12262242		118		
	CLD CLAY WILSON 575-706-1840; ASKED FOR P&A PROCEDURE IN OFFICE; LEFT MESSAGE;						
7/17/2012	File and Compliance Review	Normal Routine Activity	iSAD12199360		118		
	CALLED CLAY WILSON W/MESQUITE 706-1840; W/BRING IN P&A PROCEDURE (NOI) BY END OF WEEK TO EL GONZALES						
7/16/2012	File and Compliance Review	Normal Routine Activity	iSAD12198572		118		
	CLD CLAY WILSON REGARDING P&A ON WELL						
7/11/2012	Routine/Periodic	Normal Routine Activity	iMAW1219331		122		
	Valve at wellhead closed Line to wellhead has been disconnected. NOT INJECTING. No injection reported in 30 months.						
4/12/2011	Bradenhead	Normal Routine Activity	iSAD11102564		118		
	ATTEMPTED SPOT BHT; PER CLAY WILSON IS STILL BEING OBJECTED BY OCCCI; WELL IS SHUT IN;						
2/23/2010	File and Compliance Review	Normal Routine Activity	iSAD10054419		118		
	CLAY WILSON W/RUN MIT REQUIRED FROM SANTA FE (GAIL M) ON 2/25/2010 @ 10 00 AM; (SAD)						
4/13/2007	Bradenhead		iSAD07003578		118		
	OK. All Equipment and Location in Good Shape.						
12/7/2005	Routine/Periodic	Normal Routine Activity	iJDR05341406		113		
	All Equipment and Location in Very Good Shape.						
2/4/2005	Bradenhead		iSAD05010486		114		
	OK. All Equipment and Location in Good Shape.						
12/16/2003	Bradenhead		iSAD03328476		111		
	OK						
12/4/2002	Bradenhead	Normal Routine Activity	iELG02338335		114		
	A-OK. All Equipment and Location in Good Shape.						
12/4/2002	Bradenhead		iSAD02305479		113		
	A-OK. All Equipment and Location in Good Shape.						
1/3/2001	Pressure Test		iSAD00348402		113		
	OK. All Equipment and Location in Good Shape.						
12/15/1999	MIT Witnessed - Other		iSAD0003383		106		
	All Equipment and Location in Very Good Shape.						
2/26/1998	MIT Witnessed - Other		unk0011999		107		
10/4/1996	MIT Witnessed - Other		unk0011998		107		
	12/2/92 REPAIRED & PT OK						
8/29/1996	MIT Witnessed - Other		unk0011997		114		
	8/29/96 PT AFTER REPAIR						

Total Inspections Performed: 17

Inactive Well List

Total Well Count: 28 Inactive Well Count: 1

Printed On: Thursday, October 11 2012

District	API	Well	ULSTR	OCD Unit	OGRID	Operator	Lease Type	Well Type	Last Production	Formation/Notes	Status	TA Exp Date
1	30-025-23621	HOBBS STATE #003	B-29-18S-38E	B	161968	MESQUITE SWD, INC	S	S	01/2010	SWD SAN ANDRES		

WHERE Ogrid:161968, County:All, District:All, Township:All, Range:All, Section:All, Production(months):15, Excludes Wells Under ACOI, Excludes Wells in Approved TA Period

C-145

Page 1 of 3

District 1
1625 N. French Dr., Hobbs, NM 88240
Phone (575) 393-6161 Fax (575) 393-0720

State of New Mexico
Energy, Minerals and Natural
Resources

Form C-145
Permit 108671

Oil Conservation Division
1220 S. St Francis Dr.
Santa Fe, NM 87505

Change of Operator

Previous Operator Information

OGRID: 243571
Name: LIQUID RESOURCE SERVICES, LLC
Address: 1819 N. TURNER, SUITE B
City, State, Zip: HOBBS, NM 88240

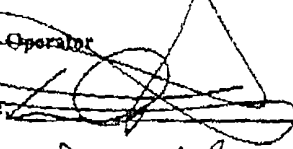
New Operator Information

Effective Date: Effective on the date of approval by the OCD
OGRID: 161968
Name: MESQUITE SWD, INC
Address: PO BOX 1479
City, State, Zip: CARLSBAD, NM 88221

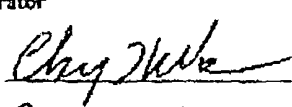
I hereby certify that the rules of the Oil Conservation Division have been complied with and that the information on this form and the certified list of wells is true to the best of my knowledge and belief.

Additionally, by signing below, MESQUITE SWD, INC certifies agreement with all statements on the following pages.

Previous Operator

Signature: 
Printed Name: DAVID A. PYATT
Title: MGR
Date: 3-5-10 Phone: 575-393-7706

New Operator

Signature: 
Printed Name: CLAY L. WILSON
Title: PRESIDENT
Date: 3/5/10 Phone: 575-706-1840

NMOCD Approval

Electronic Signature: Paul Kautz, District 1
Date: March 18, 2010

MESQUITE SWD, INC certifies that all below-grade tanks constructed and installed prior to June 16, 2008 associated with the selected wells are in compliance with 19.15.17 NMAC, have been closed pursuant to 19.15.17.13 NMAC, or have been retrofitted to comply with Paragraphs (1) through (4) of Subsection I of 19.15.17.11 NMAC.

MESQUITE SWD, INC understands that the OCD's approval of this operator change:

1. constitutes approval of the transfer of the permit for any permitted pit, below-grade tank or closed-loop system associated with the selected wells; and
2. constitutes approval of the transfer of any below-grade tanks constructed and installed prior to June 16, 2008 associated with the selected wells, regardless of whether the transferor has disclosed the existence of those below-grade tanks to the transferee or to the OCD, and regardless of whether the below-grade tanks are in compliance with 19.15.17 NMAC.

As the operator of record of wells in New Mexico, MESQUITE SWD, INC agrees to the following statements:

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 understand the requirements for plugging and approved temporary abandonment in 19.15.25 NMAC. I understand that I can 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 and has not been plugged and released to be covered by a single-well financial assurance, even if the well is also covered by a blanket financial assurance and even if the well is on approved temporary abandonment status. See 19.15.8.9.C NMAC. I understand that I can 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. If I am in violation of Part 5.9 the OCD may, after notice and hearing, revoke my existing injection permits. See 19.15.26.8 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 every five years. 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. I understand that if I transfer operation of an injection well to another operator, the OCD must approve the transfer of authority to inject, and the OCD may require me to demonstrate the well's mechanical integrity prior to approving that transfer. See 19.15.26.15 NMAC.

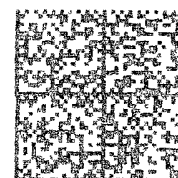
9. I am responsible for providing the OCD with my current address of record and emergency contact information, and I am responsible for updating that information when it changes. See 19.15.9.8.C NMAC. I understand that I can update that information on the OCD's website under "Electronic Permitting."
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.

ChangeOp Comments

OGRID: [243571] LIQUID RESOURCE SERVICES, LLC
 Permit Number: 108671
 Permit Type: ChangeOp

Created By	Comment	Comment Date
DPHILLIPS	Cannot approve change of operator per instruction of Gail MacQuesten, OCD Attorney. Questions? Please contact her at 505-475-3451	2/24/2010
DPHILLIPS	I was given approval for transfer of the Hobbs State No 9 - 20-025-22501 but NOT the approval of the transfer of injection authority under Order SWD 121. The Hobbs State No 10 - approval is still pending because I have not received the bond and certificate required by Carl Chavez from our Environmental Bureau. Questions? His number is 505-475-3490	2/8/2010

EMNRD
OIL CONSERVATION DIVISION
1625 N FRENCH DRIVE
HOBBS NM 88240



HASLER	01EH14150977
	\$0.45
	10/11/12
	Mailed From 88240

US POSTAGE

MESQUITE SWD, INC.
ATTN: CLAY WILSON
P.O. BOX 1479
CARLSBAD, NM 88221