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UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

OCD-HOBBS

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 SWD		5. Lease Serial No. NM-082(29-000082)
2. Name of Operator Chestnut Petroleum Inc		6. If Indian, Allottee or Tribe Name
3a. Address 2201 N Central Expy Suite 240 Richardson TX 75080	3b. Phone No (include area code) 972-715-8812	7. If Unit or CA/Agreement, Name and/or No
4. Location of Well (Footage, Sec., T., R., M., or Survey Description) SE SW Sec 22 T20S R34E NMP		8. Well Name and No. D&E Federal #1
		9. API Well No. 30-025-02448
		10. Field and Pool, or Exploratory Area SWD (Lynch Yates-Seven Rivers)
		11. County or Parish, State Lea, NM

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 See comments below
	<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 recomple 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.)

Reference: 1006PS11W

This SWD well has failed an MIT subsequent to repair and testing of the tubing and packer. Injection operations have ceased and the well is shut in pending further operations.

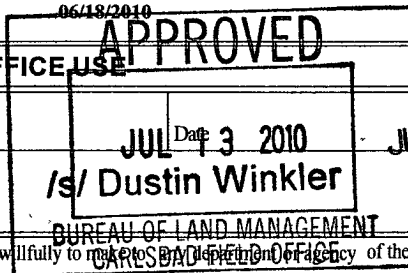
At this time we are testing the active producing wells that this SWD services and ascertaining the anticipated cost of various potential operations in order to determine the economic viability of determining the problem and returning the well to active SWD status. We are trucking the produced water to an approved disposal facility in the interium.

We respectfully request a 90 day testing and evaluation period in order to make a proper and economically viable determination.

Procedure to repair & resume injection or to P&A due in 90 days.

14. I hereby certify that the foregoing is true and correct Name (Printed/Typed) Charles R. Foster		Title Vice President, Acquisitions and Operations
Signature 	Date 06/18/2010	
THIS SPACE FOR FEDERAL OR STATE OFFICE USE		
Approved by 	Title Is/ Dustin Winkler	Date JUL 13 2010
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. ELG 7-19-10		
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)



JUL 19 2010

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