

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENTOCD-HOBBBSUCD
RECEIVED

FEB 21 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 checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other	5. Lease Serial No. NM073240
2. Name of Operator Nadel and Gussman HEYCO, LLC	6. If Indian, Allottee or Tribe Name
3a. Address PO BOX 1936 ~ ROSWELL NM 88202-1936	7. If Unit or CA/Agreement, Name and/or No.
3b. Phone No. (include area code) 575.623.6601	8. Well Name and No. Federal 30 #1
4. Location of Well (Footage, Sec., T., R., M., or Survey Description) 1980' FSL & 760' FEL, Sec. 30, T19S, R33E	9. API Well No. 30-025-27069
	10. Field and Pool, or Exploratory Area Gem, Bone Spring
	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.)

BLM Bond No. NMB00520
Surety Bond NO. B004230

1. Bone Springs
2. BWPD: 55
3. Lease Storage: Stock Tanks
4. Water transported by truck to disposal
5. Disposal facility
 - A) Kenemore Welding and Oilfield Services
 - B) New Mex A #2
 - C) WDW
 - D) SW/4 of SE/4 Section 25, T16S, R33E
6. See Attached

SEE ATTACHED FOR
CONDITIONS OF APPROVAL

ACCEPTED FOR RECORD

FEB 17 2011
/s/ JD Whitlock JrBUREAU OF LAND MANAGEMENT
CARLSBAD FIELD OFFICE

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

Tammy R. Link

Title Production Tech

Signature

Date

02/15/2011

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

PETROLEUM ENGINEER
Title

Date

FEB 22 2011

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.

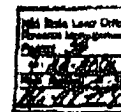
(Instructions on page 2)

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NEW MEXICO
STATE LAND OFFICE
COMMERCIAL RESOURCES DIVISION
PO Box 1148, Santa Fe, NM 87504-1148



SALT WATER DISPOSAL EASEMENT

SALT WATER DISPOSAL EASEMENT NO. SWD-248

THIS EASEMENT, dated this 17th day of December, 2007, made and entered into between the New Mexico Commissioner of Public Lands, hereinafter called the Commissioner, and *Kenemore Welding and Oilfield Services of P.O. Box 154, Maljamar, NM 88264*, hereinafter called the Grantee.

WITNESSETH:

THAT, whereas, the Grantee has filed in the State Land Office an application for a salt water disposal easement (the Easement) along with the sum of \$2,500.00, and a \$30.00 application fee;

NOW, THEREFORE, the Commissioner does grant to the Grantee an Easement for the sole and only purpose of underground disposal of produced salt water in connection with oil and gas operations that has not been treated with any chemicals over and beyond operational procedures per federal and state regulations (hereinafter "salt water"). The Easement shall cover the following described lands:

INSTITUTION	SECTION	TOWNSHIP	RANGE	SUBDIVISION	ACRES
C.S.	25	16S	33E	SE 1/4 SE 1/4 SW 1/4 SE 1/4	2.50

WELL NAME: *New Mex A*

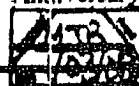
WELL NUMBER: # 002

API NUMBER: 3002501269

TO HAVE AND TO HOLD for a term of *Five (5) years* beginning on the date of this Easement, subject to all terms and conditions set forth below:

GENERAL

- 1) **Annual Fee.** The Grantee shall pay the Commissioner an annual fee of *\$2,500.00 for the first year, \$5,000.00 the second year, \$7,500.00 the third year, \$10,000.00 the fourth year and \$10,000.00 the fifth year* due and payable in advance on or before the 17 day of December of each year during the term of this easement on or before the effective date of this Easement as set forth above. In the event that this Easement is relinquished, cancelled or otherwise terminated prior to the Anniversary Date, the annual fee shall not be prorated for any part of the year during which the Easement is not in effect.
- 2) **Disposal Fee.** The Grantee shall pay the Commissioner the amount of \$0.10 per barrel of produced water injected into the Easement. The number of barrels injected shall be calculated on a monthly basis. On or before the 30th day following the Anniversary Date of this Easement, or the earlier



**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.

2/09/2011