

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

N.M. Oil Cons. Division  
1625 N. French Dr.  
Hobbs, NM 88240

FORM APPROVED  
No. 1004-0135  
Expires November 30, 2000

**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

2. Name of Operator  
LAYTON ENTERPRISES, INC.

3a. Address  
3103 79TH ST LOBBACK TX 79423

3b. Phone No. (include area code)  
806-745-4635

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)  
#1 2080 FNL S10 FEL SEC. 1 T9S R36E LEA CO. NM  
#2 1880 FNL 1350 FEL SEC. 1 T9S R36E LEA CO. NM

5. Lease Serial No.  
88240M94864

6. If Indian, Allottee or Tribe Name

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

8. Well Name and No.  
EL ZORRO FREMONT FEDERAL

9. API Well No.  
#1 AND #2

10. Field and Pool, or Exploratory Area  
ALLISON! DEVONIAN

11. County or Parish, State  
LEA COUNTY

**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 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.)

APPROVAL IS REQUESTED FOR DISPOSAL OF PRODUCED  
WATER FROM THESE WELLS IN OUR DISPOSAL  
WELL AS DESCRIBED ON THE ATTACHMENT.

14. I hereby certify that the foregoing is true and correct:

Name (Printed/Typed)

DARIN LAYTON

Title VICE PRESIDENT

Signature

Date 2-28-01

**THIS SPACE FOR FEDERAL OR STATE OFFICE USE**

Approved by (ORIG. SGD.) DAVID R. GLASS

PETROLEUM ENGINEER

Date MAR 09 2001

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.

SEE ATTACHED FOR  
CONDITIONS OF APPROVAL

GWW

# BLM COPY

Form 3160-9  
(December 1989)

Number AJM-018-01  
Page 1 of 1

☒ Certified Mail - Return Receipt Requested  
70093220000199188370

☐ Hand Delivered Received by

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

### NOTICE OF INCIDENTS OF NONCOMPLIANCE

|                        |
|------------------------|
| Identification         |
| ID                     |
| Lease <u>NMNM94864</u> |
| CA                     |
| Unit                   |
| PA                     |

|  |                               |   |                     |
|--|-------------------------------|---|---------------------|
| Bureau of Land Management Office<br><b>HOBBS INSPECTION OFFICE</b> |                               | Operator<br><b>LAYTON ENTERPRISES INC</b>               |                     |
| Address<br><b>414 WEST TAYLOR<br/>HOBBS NM 88240</b>               |                               | Address<br><b>3103 79TH STREET<br/>LUBBOCK TX 79423</b> |                     |
| Telephone<br><b>505.393.3612</b>                                   |                               | Attention   |                     |
| Inspector<br><b>Andrea Massengill</b>                              |                               | Attn Addr   |                     |
| Site Name<br><b>EL ZORRO FREMONT FEDERAL</b>                       | Well or Facility<br><b>01</b> | Township<br><b>9S</b>                                   | Range<br><b>36E</b> |
|  |                               | Meridian<br><b>NMP</b>                                  | Section<br><b>1</b> |
|  |                               |   | <b>1/4 1/4 SENE</b> |
| Site Name<br><b>EL ZORRO FREMONT FEDERAL</b>                       | Well or Facility<br><b>02</b> | Township<br><b>9S</b>                                   | Range<br><b>36E</b> |
|  |                               | Meridian<br><b>NMP</b>                                  | Section<br><b>1</b> |
|  |                               |   | <b>1/4 1/4 SWNE</b> |

THE FOLLOWING VIOLATION WAS FOUND BY BUREAU OF LAND MANAGEMENT INSPECTORS ON THE DATE AND AT THE SITE LISTED ABOVE

| Date                                 | Time (24 - hour clock) | Violation                    | Gravity of Violation |
|--------------------------------------|------------------------|------------------------------|----------------------|
| 02/16/2001                           |                        | 43 CFR 3162.5-1(b)           | MINOR                |
| Corrective Action To Be Completed By | Date Corrected         | Assessment for Noncompliance | Assessment Reference |
| 03/23/2001                           |                        |                              | 43 CFR 3163.1(i)     |

Remarks: Water production is being disposed without prior approval. Submit to this office on a Sundry Notice (3160-5), a request for water disposal approval with other required information as per attachment.

When violation is corrected, sign this notice and return to above address.

Company Representative Title VICE PRESIDENT Signature [Signature] Date 2-28-01

Company Comments

### WARNING

Incidents of Noncompliance correction and reporting timeframes begin upon receipt of this Notice or 7 business days after the date it is mailed, whichever is earlier. Each violation must be corrected within the prescribed time from receipt of this Notice and reported to the Bureau of Land Management office at the address shown above. Please note that you already may have been assessed for noncompliance (see amount under "Assessment for Noncompliance"). If you do not comply as noted above under "Corrective Action To Be Completed By" you may incur an additional assessment under (43 CFR 3163.1) and may also incur Civil Penalties (43 CFR 3163.2). All self-certified corrections must be postmarked no later than the next business day after the prescribed time for correction.

Section 109(d)(1) of the Federal Oil and Gas Royalty Management Act of 1982, as implemented by the applicable provisions of the operating regulations at Title 43 CFR 3163.2(f)(1), provides that any person who "knowingly or willfully" prepares, maintains, or submits, false, inaccurate, or misleading reports, notices, affidavits, record, data, or other written information required by this part shall be liable for a civil penalty of up to \$25,000 per violation for each day such violation continues, not to exceed a maximum of 20 days.

### REVIEW AND APPEAL RIGHTS

A person contesting a violation shall request a State Director review of the Incidents of Noncompliance. This request must be filed within 20 working days of receipt of the Incidents of Noncompliance with the appropriate State Director (see 43 CFR 3165.3). The State Director review decision may be appealed to the Interior Board of Land Appeals, 4015 Wilson Blvd., Arlington VA 22203 (see 43 CFR 3165.4). Contact the above listed Bureau of Land Management office for further information.

| Signature of Bureau of Land Management Authorized Officer<br><u>Andrea Massengill</u> |      | Date<br><u>02/16/01</u> | Time<br><u>08:00</u> |
|---|------|-------------------------|----------------------|
| FOR OFFICE USE ONLY   |      |                         |                      |
| Number<br><u>33</u>   | Date | Assessment              | Penalty              |
|   |      | Termination             |                      |

ATTACHMENT to Incident of Noncompliance # ATM-018-01

The following information is needed before your disposal of produced water can be approved, per Onshore Oil & Gas Order #7.

You may attach this information to your Sundry Notice (3160-5). Submit all required information as per this attachment, submit a Sundry Notice(3160-5), one original and five copies to this office within the required time.

1. Name(s) of all formation(s) producing water on the lease. DEVONIAN
2. Amount of water produced from all formations in barrels per day. 250
3. A CURRENT water analysis of produced water from all zones showing at least the total dissolved solids, ph, and the concentrations of chlorides and sulfates.
4. How water is stored on the lease. 500 BBL COATED STEEL TANK
5. How water is moved to the disposal facility. BY CENTRIFUGAL PUMP THROUGH  
3 1/2" OD. POLYETHYLENE PIPELINE
6. Identify the Disposal Facility by:
  - A. Operators' Name LAYTON ENTERPRISES, INC.
  - B. Well Name MERRELL DISPOSAL
  - C. Well type and well number DISPOSAL WELL #1
  - D. Location by quarter/quarter, section, township, and range SE 1/4 / NE 1/4 SEC. 10  
T9S, R36E
7. A copy of the Underground Injection Control Permit - issued for the injection well by the Environmental Protection Agency or New Mexico Oil Conservation Division where the State has achieved primacy.

Oilfield Solutions, Inc.  
2614 S.C.R. 1257, Midland, Tx. 79706

WATER ANALYSIS REPORT

LAYTON

Company: EL ZORRO  
Location: FREMONT #2  
Source: 0  
Date Sampled: 2/26/01

Sampled By:  
Analysis Date: 2/26/01  
Salesman: CHEM TECH SERVICES

| ANALYSIS                              | mg/L           | EQ. WT. | MEQ/L           |
|---------------------------------------|----------------|---------|-----------------|
| 1. pH                                 | 6.00           |         |                 |
| 2. Specific Gravity 60/60 f.          | 1.058          |         |                 |
| 3. Hydrogen Sulfide                   | NEGATIVE       |         |                 |
| 4. Carbon Dioxide                     | Not Determined |         |                 |
| 5. Dissolved Oxygen                   | Not Determined |         |                 |
| 6. Hydroxyl (OH-)                     | 0 /            | 17.0 =  | 0.00            |
| 7. Carbonate (CO3=)                   | 0 /            | 30.0 =  | 0.00            |
| 8. Bicarbonate (HCO3-)                | 513 /          | 61.1 =  | 8.40            |
| 9. Chloride (Cl-)                     | 57987 /        | 35.5 =  | 1.633 44        |
| 10. Sulfate (SO4=)                    | 765 /          | 48.3 =  | 15.68           |
| 11. Calcium (CA++)                    | 4409 /         | 20.1 =  | 219.35          |
| 12. Magnesium (Mg++)                  | 243 /          | 12.2 =  | 19.92           |
| 13. Sodium (Na+)                      | 32520 /        | 23.0 =  | 1.418 25        |
| 14. Barium (Ba++)                     | Not Determined |         |                 |
| 15. Total Iron (Fe)                   | 3.00           |         |                 |
| 16. Dissolved Solids                  | 96537          |         |                 |
| 17. Filterable Solids                 |                |         |                 |
| 18. Total Solids                      | 96537          |         |                 |
| 19. Total Total Hardness As CaCO3     | 12011          |         |                 |
| 20. Suspended Oil                     |                |         |                 |
| 21. Volume Filtered (ml)              |                |         |                 |
| 22. Resistivity @ 75 F. (calculated)  | 0.082 /cm.     |         |                 |
| 23. CAC03 Saturation Index            |                |         |                 |
| @80 F.                                | -0.4829        |         |                 |
| @100 F.                               | -0.1729        |         |                 |
| @120 F.                               | 0.0871         |         |                 |
| @140 F.                               | 0.4471         |         |                 |
| @160 F.                               | 0.7971         |         |                 |
| 24. Calcium Sulfate solubility @ 90 F | 2.912 mg/L     |         |                 |
| PROBABLE MINERAL COMPOSITION          |                |         |                 |
| COMPOUND                              | EQ. WT.        | X       | MEQ/L = mg/L    |
| Ca(HCO3)2                             | 81.04          |         | 8.40 681        |
| CaSO4                                 | 68.07          |         | 15.68 1067      |
| CaCl2                                 | 55.50          |         | 195.27 10837    |
| Mg(HCO3)2                             | 73.17          |         | 0.00 0          |
| MgSO4                                 | 60.19          |         | 0.00 0          |
| MgCL2                                 | 47.60          |         | 19.92 949       |
| NaHCO3                                | 84.00          |         | 0.00 0          |
| NaSO4                                 | 71.00          |         | 0.00 0          |
| NaCl                                  | 58.45          |         | 1.418 25 32.911 |

Chemist: \_\_\_\_\_