

BEFORE THE BOARD OF OIL, GAS AND MINING
DEPARTMENT OF NATURAL RESOURCES
STATE OF UTAH

**IN THE MATTER OF THE)
APPLICATION OF WEST HAZMAT)
OIL FIELD SERVICES, INC., FOR)
ADMINISTRATIVE APPROVAL OF)
THE FEDERAL 1-20 WELL LOCATED)
IN SECTION 20, TOWNSHIP 30)
SOUTH, RANGE 25 EAST, S.L.B.&M.)
SAN JUAN COUNTY, UTAH, AS A)
CLASS II INJECTION WELL)**

**FINDINGS OF FACT,
CONCLUSIONS OF LAW, AND
ORDER GRANTING APPROVAL OF
FEDERAL 1-20 WELL AS A CLASS II
INJECTION WELL**

**Docket No. 92-033
Cause No. UIC-129**

43 037 30464

THIS CAUSE came on for hearing before the Utah Board of Oil, Gas and Mining (the "Board") on Wednesday, June 24, 1992, at the hour of 10:00 a.m. Members of the Board present at the hearing were James W. Carter, Chairman, Judy F. Lever, Jay L. Christensen, E. Steele McIntyre, David D. Lauriski, and Raymond Murray. Board member Kent G. Stringham was recused and did not participate in this cause. Ronald J. Firth, Associate Director, Oil and Gas, Frank R. Matthews, Petroleum Engineer, and Gilbert Hunt, UIC Manager, were present for the Division of Oil, Gas and Mining (the "Division"). The Division was represented by William R. Richards, Assistant Attorney General. Gregory P. Williams and Thomas W. Clawson of Van Cott, Bagley, Cornwall and McCarthy represented applicant West Hazmat Oil Field Services, Inc. ("West Hazmat") and appearing as witnesses for West Hazmat were Norman L. Rooney, Chief Executive Officer, West Hazmat Companies, Inc., Steve Rooney, Vice President, West Hazmat Oil Field Services, Inc., and

William A. Ryan, consulting petroleum engineer. Thomas W. Bachtell of Pruitt, Gushee and Bachtell represented protestant Mesa Inc. ("Mesa") and appearing as witnesses for Mesa were John E. Janbaz, Geologist, and Ronald C. Nutt, Production Engineer.

The Board, having considered the testimony adduced and the exhibits received at the hearing, being fully advised, and good cause appearing, hereby makes the following Findings of Fact, Conclusions of Law, and Order:

FINDINGS OF FACT

1. On May 11, 1992, West Hazmat submitted an Application for Injection Well (Form No. DOGM-UIC-1) (the "Application"), in accordance with the applicable rules and regulations of the Board, for administrative approval to convert the Federal 1-20 Well in Section 20, Township 30 South, Range 25 East, S.L.B.&M., San Juan County, Utah (the "Disposal Well") to a Class II injection well for the purpose of water disposal.

2. West Hazmat gave notice of the Application pursuant to the requirements of Utah Administrative Code ("U.A.C.") Rules R649-5-1 and R649-5-3, and provided a copy of the Application to all operators, owners, and surface owners within a one-half mile radius of the Disposal Well as required by U.A.C. Rule R649-5-2. Notice was duly published as required by U.A.C. Rule R649-5-3.

3. On or about May 28, 1992, Mesa, formerly known as Mesa Limited Partnership, filed a protest and objection to the Application, stating that:

continued injection into the Federal #1-20 well would probably reduce the ultimate recovery of hydrocarbons from the Lisbon-Federal #2-21F gas well operated by Mesa, and located

approximately 3,000 feet to the southeast of the Federal #1-20 well. Mesa's review of the well(s) logs indicates that both the Federal #1-20 proposed injection well and the Lisbon-Federal #2-21F gas well are completed in the Mississippian Leadville formation.

4. West Hazmat is an environmentally responsible and otherwise reputable oil field services company now operating Class II injection wells, including a well in Utah, and is capable of operating the Disposal Well as a Class II injection well.

5. There presently exists a need for produced-water disposal facilities in the Moab-LaSal area in Grand and San Juan Counties, Utah to service producing oil and gas wells in that vicinity. Previously, produced-water from those wells was disposed of at the Keystone Disposal Pit, but that pit has been closed by order of the Board. At present, the nearest existing disposal pit is the Cisco Pit which is located approximately 90 miles from the Disposal Well.

6. The only well whose surface location is within a one-half mile radius of the Disposal Well is the Spiller Canyon State #1 Well, located in Section 16, Township 30 South, Range 25 East, S.L.B.&M., San Juan County, Utah (the "Spiller Well"), which has been plugged and abandoned in accordance with the applicable rules and regulations of the Board. That well does not provide a conduit that would enable fluids to migrate up or down the wellbore and enter improper intervals.

7. The surface location of the Disposal Well is located approximately 3,000 feet from the Lisbon Federal 2-21F Well, operated by Mesa, and located in Section 21, Township 30 South, Range 25 East, S.L.B.&M., San Juan County, Utah. The Lisbon

Federal 2-21F Well (the "Mesa Well") was shut-in on or about May 1992, due to the closure of the nearby Rocky Mountain Natural Gas Company gas processing plant which was previously used to remove or strip the sulfur from the hydrocarbons produced from the Mesa Well.

8. West Hazmat proposes to inject produced-water into underground intervals within the Mississippian Leadville Formation which are vertically separated from the nearest known source of drinking water by approximately 7,000 feet of salt in the overlying Pennsylvanian Paradox Formation, as demonstrated by well log data from the Disposal Well, the Spiller Well, and the Mesa Well.

9. The underground intervals within the Mississippian Leadville Formation into which West Hazmat proposes to inject produced-water are separate from and not in communication with the intervals in the Mesa Well from which Mesa produces oil, gas, and water as demonstrated by well log data and reservoir pressure data derived from drill stem tests in both the Disposal Well and the Mesa Well.

10. Because the productive intervals in the Mississippian Leadville Formation in the Mesa Well are separate from and not in communication with the intervals into which West Hazmat proposes to inject produced-water, the recovery of hydrocarbons from the Mesa Well will not be adversely affected by the use of the Disposal Well for water disposal in the manner proposed by West Hazmat.

11. The use of the Disposal Well for water disposal in the manner proposed by West Hazmat will cause no adverse effect upon oil, gas, or other resources, and will cause no adverse effect upon groundwater.

12. All technical requirements for the approval of the Disposal Well as a Class II injection well have been met.

13. Based on the production history of the Mesa Well and that well's current gas-to-liquid ratio, if the Mesa Well remains shut-in for an extended period and the gas-to-liquid ratio decreases by a factor of three as it did during an approximate two-month shut-in period in 1987, it is unlikely that the Mesa Well will be returned to production and the remaining reserves recoverable from the Mesa Well will be lost due to premature abandonment.

14. The vote by the Board in this cause was four votes in favor of approving the Application as submitted and two votes opposed, with Board members Carter, Christensen, McIntyre, and Lauriski voting in favor of approval and Board members Murray and Lever voting not to approve the Application.

CONCLUSIONS OF LAW

15. Due and regular notice of the time, place, and purpose of the June 24, 1992, hearing was given to all interested parties and all owners or operators and surface owners within one-half mile of the Disposal Well in the form and manner and within the time required by law and the applicable rules and regulations of the Board. Due and regular notice of the filing of the Application for Injection Well (Form No. DOGM-UIC-1)

was given to all interested parties and to all owners or operators and surface owners within one-half mile of the Disposal Well, in the form and manner and within the time required by law and the rules and regulations of the Board.

16. The Board has jurisdiction over all matters covered by the Application for Injection Well (Form No. DOGM-UIC-1) and the protest of Mesa herein pursuant to Section 40-6-5, Utah Code Annotated, and has power and authority to make and promulgate the Order herein set forth.

17. The use of the Disposal Well for water disposal in the manner proposed by West Hazmat is reasonably necessary to fulfill the purposes of Chapter 6, Title 40, Utah Code Annotated.

18. West Hazmat's application meets all applicable statutory and administrative requirements for the approval of the Disposal Well as a Class II injection well.

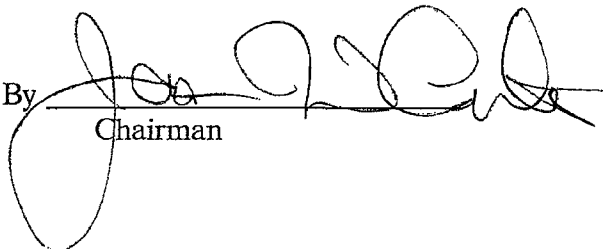
19. The recovery of hydrocarbons from the Mesa Well will not be adversely affected by the use of the Disposal Well for water disposal in the manner proposed by West Hazmat.

ORDER

Based upon the Findings of Fact and Conclusions of Law set forth above, the Board hereby ORDERS that the Application of West Hazmat Oil Field Services, Inc. for approval of the Federal 1-20 Well as a Class II Injection Well is approved, and the protest and objection of Mesa Inc. is denied.

DATED this 2nd day of July, 1992.

BOARD OF OIL, GAS AND MINING

By 
Chairman

CERTIFICATE OF SERVICE

I hereby certify that I caused a draft copy of the within and foregoing ORDER to be telecopied, the 1st day of July, 1992, to the following, and that I caused a true and correct copy of the foregoing ORDER to be hand-delivered, this 8th day of July, 1992 to the following:

Thomas W. Bachtell, Esq.
Robert G. Pruitt, Jr., Esq.
Pruitt, Gushee & Bachtell
Suite 1850 Beneficial Life Tower
Salt Lake City, Utah 84111

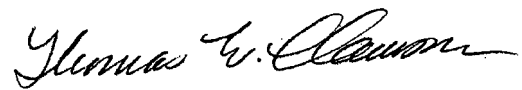
I further certify that I caused a true and correct copy of the within and foregoing ORDER to be mailed, certified mail, return receipt requested, this 8th day of July, 1992, to the following:

Bureau of Land Management
San Juan Resource Area
P. O. Box 7
Monticello, Utah 84535

Bureau of Land Management
P. O. Box 970
Moab, Utah 84532

CNG Producing Co.
1459 Poydras St.
New Orleans, Louisiana 70112

Grand County Commission
125 East Center
Moab, Utah 84532



Division of Oil, Gas and Mining
OPERATOR CHANGE WORKSHEET

ROUTING

- | |
|--------|
| 1. DJJ |
| 2. CDW |

X - Change of Operator (Well Sold)

Operator Name Change/Merger

The operator of the well(s) listed below has changed, effective:

9/15/2008

FROM: (Old Operator): N2095-Wasatch Oil & Gas, LLC 1010 N 500 E, Suite 200 North Salt Lake, UT 84054 Phone: 1 (801) 451-9200	TO: (New Operator): N3530-T.E.S. Water Injection, LLC PO Box 5471 Farmington, NM 87401 Phone: 1 (505) 325-1198
---	--

CA No.			Unit:					
WELL NAME	SEC	TWN	RNG	API NO	ENTITY NO	LEASE TYPE	WELL TYPE	WELL STATUS
FEDERAL 1-20	20	300S	250E	4303730464	2560	Federal	WD	A

OPERATOR CHANGES DOCUMENTATION

Enter date after each listed item is completed

- (R649-8-10) Sundry or legal documentation was received from the **FORMER** operator on: 9/15/2008
- (R649-8-10) Sundry or legal documentation was received from the **NEW** operator on: 9/15/2008
- The new company was checked on the **Department of Commerce, Division of Corporations Database** on: 9/17/2008
- Is the new operator registered in the State of Utah: _____ Business Number: 7089269-0160
- (R649-9-2) Waste Management Plan has been received on: IN PLACE
- Inspections of LA PA state/fee well sites complete on: n/a
- Reports current for Production/Disposition & Sundries on: n/a
- Federal and Indian Lease Wells:** The BLM and or the BIA has approved the merger, name change, or operator change for all wells listed on Federal or Indian leases on: BLM not yet BIA n/a
- Federal and Indian Units:**
The BLM or BIA has approved the successor of unit operator for wells listed on: n/a
- Federal and Indian Communization Agreements ("CA"):**
The BLM or BIA has approved the operator for all wells listed within a CA on: n/a
- Underground Injection Control ("UIC")** The Division has approved UIC Form 5, **Transfer of Authority to Inject**, for the enhanced/secondary recovery unit/project for the water disposal well(s) listed on: 9/18/2008

DATA ENTRY:

- Changes entered in the **Oil and Gas Database** on: 9/17/2008
- Changes have been entered on the **Monthly Operator Change Spread Sheet** on: 9/17/2008
- Bond information entered in RBDMS on: n/a
- Fee/State wells attached to bond in RBDMS on: n/a
- Injection Projects to new operator in RBDMS on: n/a
- Receipt of Acceptance of Drilling Procedures for APD/New on: n/a

BOND VERIFICATION:

- Federal well(s) covered by Bond Number: UTB000333
- Indian well(s) covered by Bond Number: n/a
- (R649-3-1) The **NEW** operator of any state/fee well(s) listed covered by Bond Number n/a
- The **FORMER** operator has requested a release of liability from their bond on: n/a

LEASE INTEREST OWNER NOTIFICATION:

- (R649-2-10) The **NEW** operator of the fee wells has been contacted and informed by a letter from the Division of their responsibility to notify all interest owners of this change on: n/a

COMMENTS:

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

FORM 9

SUNDRY NOTICES AND REPORTS ON WELLS		5. LEASE DESIGNATION AND SERIAL NUMBER: BLM R-O-W UTU-68788
		6. IF INDIAN, ALLOTTEE OR TRIBE NAME:
		7. UNIT or CA AGREEMENT NAME:
Do not use this form for proposals to drill new wells, significantly deepen existing wells below current bottom-hole depth, reenter plugged wells, or to drill horizontal laterals. Use APPLICATION FOR PERMIT TO DRILL form for such proposals.		
1. TYPE OF WELL OIL WELL <input type="checkbox"/> GAS WELL <input type="checkbox"/> OTHER <u>Water Disposal</u>	8. WELL NAME and NUMBER: Federal #1-20	
2. NAME OF OPERATOR: T.E.S. Water Injection, LLC <u>N3530</u>		9. API NUMBER: 4303730464
3. ADDRESS OF OPERATOR: P.O. Box 5471 CITY <u>Farmington</u> STATE <u>NM</u> ZIP <u>87401</u>	PHONE NUMBER: <u>(505) 325-1198</u>	10. FIELD AND POOL, OR WLDGAT: <u>Little Valley</u>
4. LOCATION OF WELL FOOTAGES AT SURFACE: <u>1,000' FNL, 1,000' FEL</u>		COUNTY: <u>San Juan</u>
QTR/QR, SECTION, TOWNSHIP, RANGE, MERIDIAN: <u>NENE 20 30S 25E S</u>		STATE: <u>UTAH</u>

11. CHECK APPROPRIATE BOXES TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION		
<input checked="" type="checkbox"/> NOTICE OF INTENT (Submit in Duplicate) Approximate date work will start: _____	<input type="checkbox"/> ACIDIZE	<input type="checkbox"/> DEEPEN	<input type="checkbox"/> REPERFORATE CURRENT FORMATION
<input type="checkbox"/> SUBSEQUENT REPORT (Submit Original Form Only) Date of work completion: _____	<input type="checkbox"/> ALTER CASING	<input type="checkbox"/> FRACTURE TREAT	<input type="checkbox"/> SIDETRACK TO REPAIR WELL
	<input type="checkbox"/> CASING REPAIR	<input type="checkbox"/> NEW CONSTRUCTION	<input type="checkbox"/> TEMPORARILY ABANDON
	<input type="checkbox"/> CHANGE TO PREVIOUS PLANS	<input type="checkbox"/> OPERATOR CHANGE	<input type="checkbox"/> TUBING REPAIR
	<input type="checkbox"/> CHANGE TUBING	<input type="checkbox"/> PLUG AND ABANDON	<input type="checkbox"/> VENT OR FLARE
	<input type="checkbox"/> CHANGE WELL NAME	<input type="checkbox"/> PLUG BACK	<input type="checkbox"/> WATER DISPOSAL
	<input type="checkbox"/> CHANGE WELL STATUS	<input type="checkbox"/> PRODUCTION (START/RESUME)	<input type="checkbox"/> WATER SHUT-OFF
	<input type="checkbox"/> COMMINGLE PRODUCING FORMATIONS	<input type="checkbox"/> RECLAMATION OF WELL SITE	<input checked="" type="checkbox"/> OTHER: <u>Change of Operator</u>
	<input type="checkbox"/> CONVERT WELL TYPE	<input type="checkbox"/> RECOMPLETE - DIFFERENT FORMATION	

12. DESCRIBE PROPOSED OR COMPLETED OPERATIONS. Clearly show all pertinent details including dates, depths, volumes, etc.

Effective with the date signed below, T.E.S. Water Injection, LLC succeeds Wasatch Oil & Gas, LLC as operator and owner of the subject well.

Wasatch Oil & Gas, LLC N2095
By: [Signature]
Title: manager/president
Date: 9-15-08
1010 N 500 E Ste 200
North Salt Lake, Ut 84025-0699
(801) 451-9200

NAME (PLEASE PRINT) <u>Tsuyoshi Okano</u>	TITLE <u>Manager</u>
SIGNATURE <u>[Signature]</u>	DATE <u>9-15-08</u>

(This space for State use only)

APPROVED 9/17/2008
(5/2000) Earlene Russell (See Instructions on Reverse Side)
Division of Oil, Gas and Mining
Earlene Russell, Engineering Technician

RECEIVED
SEP 15 2008
DIV. OF OIL, GAS & MINING

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

UIC FORM 5

TRANSFER OF AUTHORITY TO INJECT

Well Name and Number Federal #1-20		API Number 4303730464
Location of Well Footage : 1,000' FNL, 1,000' FEL County : San Juan		Field or Unit Name Little Valley
QQ, Section, Township, Range: NENE 20 30S 25E	State : UTAH	Lease Designation and Number Federal R-O-W #UTU-68788

EFFECTIVE DATE OF TRANSFER: 9/15/2008

CURRENT OPERATOR

Company: <u>Wasatch Oil & Gas, LLC</u> <i>N2095</i>	Name: <u>Todd Cusick</u>
Address: <u>1010 North, 500 East</u>	Signature: <i>[Signature]</i>
<u>city North Salt Lake state UT zip 84054</u>	Title: <u>President/Manager</u>
Phone: <u>(801) 295-5985</u>	Date: <u>9/15/08</u>
Comments:	

NEW OPERATOR

Company: <u>T.E.S. Water Injection, LLC</u> <i>N3530</i>	Name: <u>Tsuyoshi Okano</u>
Address: <u>P.O. Box 5471</u>	Signature: <i>[Signature]</i>
<u>city Farmington state NM zip 87401</u>	Title: <u>President- Manager</u>
Phone: <u>(505) 325-1198</u>	Date: <u>9-15-08</u>
Comments:	

(This space for State use only)

Transfer approved by: *[Signature]*

Title: BRADLEY G. HILL
ENVIRONMENTAL MANAGER

Comments:

Approval Date: 09-18-08

RECEIVED
SEP 15 2008
DIV. OF OIL, GAS & MINING