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DEPUTY DIRECTOR, OIL AND GAS DIVISION

RAILROAD COMMISSION OF TEXAS

OIL AND GAS DIVISION

May 2, 2011

Sandy SWD, LLC
PO Box 1555
Uvalde, Texas 78802

Via e-mail to carter.davis@plattsparks.com

Re: Notice Pursuant to 16 TAC § 3.46(d)(1) of Intent to Suspend, Modify, or Terminate the Permit to Inject Fluid into a Reservoir Productive of Oil and Gas for the Sandy SWD, LLC, Jung Carmen Lease (14776), Wells No. 1 and 2, Evergreen Farms, NE. (1st Olmos) Field, Dimmit County Texas [Project No. F-17203]

Dear Operator,

This letter is to notify you of this office's intent to suspend, modify, or terminate the subject permits. The basis for this action is the occurrence of fluid emanating from or around a nearby abandoned well ("leaking well or breakout"). This office considers the existence of the breakout to be a direct result of injection into the Jung Nos. 1 and 2, causing fluids to migrate from the permitted injection interval and presenting a threat of groundwater contamination.

On April 14, 2011, Commission district office personnel identified the existence of the breakout approximately ¼ mile east of the Carmen Jung No. 1. Subsequent inspections of the Jung Wells No. 1 and 2 were conducted on the same date. Additional inspections of the leaking well and the Jung Wells were conducted on April 19, 2011. On April 20, 2011, the district office obtained authorization to expend pollution abatement funds (OFCU ID 67102) in attempt to minimize all potential threats to the environmental health and safety presented by the existence of the breakout. Work has begun to contain and collect the fluid emanating from the breakout and attempt to identify its source. On April 21, 2011, Commission seals were placed on injection pump valves for the Jung No. 1 and 2.

As of April 28, 2011, approximately 260 barrels of fluid have been removed from an excavation made around the leaking well. Staff continues to monitor the breakout location in an effort to determine whether the fluid flow is from within and/or around the casing of the leaking well and whether the rate of fluid buildup is subsiding since the Jung Wells were shut in. This office is also examining the potential effects other injection wells in the area may be having on the breakout.

In order to facilitate the most expeditious communication of the information contained in this letter, it is being forwarded to your representative Carter Davis via e-mail.

Respectfully,


Doug O. Johnson, PE

Manager for Injection – Storage Permits and Support

cc: RRC – San Antonio, James Huie
Carter Davis