

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

David Martin
Cabinet Secretary

Brett F. Woods, Ph.D.
Deputy Cabinet Secretary

Jami Bailey, Division Director
Oil Conservation Division



Certified Mail 70110470000027628089

March 13, 2014

Jim Reedy, General Counsel
Read and Stevens, Inc.
PO Box 1518
Roswell, NM 88202

RE: Denial of the Marbob 10H C-144 Temporary Drilling Pit Permit
Operator: Read & Stevens, Inc.
OGRID: 18917
Well Name: Marbob 010H
API Number: 30-015-41962
Location: Unit B, Section 19, Township 19 South, Range 29 East, NMPM
Eddy County, New Mexico

Dear Mr. Reedy,

The New Mexico Oil Conservation Division (OCD), District 2 Office, has reviewed Read and Stevens, Inc.'s Form C-144 permit application, dated February, 2014, and submitted to OCD on February 06, 2014 by R.T. Hicks Consultants, Ltd. The permit application seeks OCD approval for construction, use, and closure of a temporary pit, more specifically, a drilling pit, to be utilized during drilling operations for the above referenced well, as allowed by meeting the requirements of 19.15.17 [NMAC].

OCD review has shown this well site to be situated in an area identified by Bureau of Land Management (BLM) as being a "High" potential for cave/karst features. Areas identified as "Critical" and "High" are considered to be an unstable area in regard to permitting pits. Specifically, 19.15.17.10.A.(3)(h) [NMAC] states in relevant part;

(3) An operator shall not locate a temporary pit containing fluids that are not low chloride fluids:

(h) within an unstable area, unless a variance is granted upon a demonstration that the operator has incorporated engineering measures into the design to ensure that the temporary pit's integrity is not compromised; or...

April 8, 2014

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Although the permit application mentions this portion of the rule, it does not include a specific proposal, or demonstration, explaining how or what engineering measures will be utilized to comply with this portion of the rule.

At this time, OCD finds that the permit application does not meet compliance with 19.15.17 [NMAC], and hereby **denies** the permit application.

You have 10 days from receipt of this notice to request a hearing on the denial of your C-144 permit application. Please contact Florene Davidson at (505) 476-3458 within 10 days of receipt of this notice if you want to request a hearing on the denial of the C-144 permit application.

If you have any questions regarding this matter, please do not hesitate to contact Mike Bratcher, of my staff, at (575) 748-1283 Ext. 108 or mike.bratcher@state.nm.us

Sincerely,

A handwritten signature in black ink that reads "Randy Dade". The signature is written in a cursive, flowing style.

Randy Dade
OCD District 2 Supervisor
randy.dade@state.nm.us

Cc: Daniel Sanchez, Compliance & Enforcement Manager, OCD Santa Fe
Glenn VonGonten, Senior Hydrologist, OCD Santa Fe
Randy Dade, District Supervisor, OCD District 2
Mike Bratcher, Environmental Specialist, OCD District 2
R.T. Hicks Consultants, Ltd.