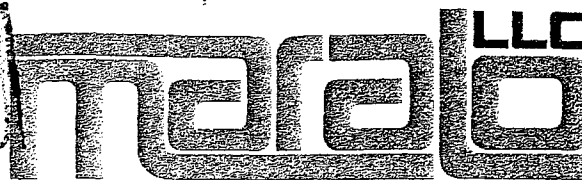
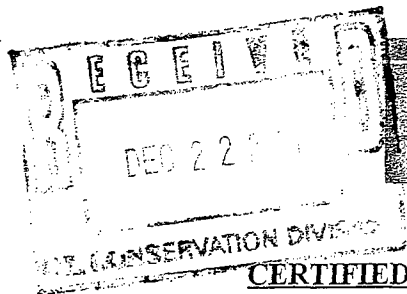


December 15, 2000



CERTIFIED MAIL/RETURN RECEIPT

7099 3220 0005 1182 7970

Mr. William C. Olson, Hydrologist
New Mexico Energy, Mineral and Natural Resources Department
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Re: Humble State #3 Tank Battery Site
Lea County, New Mexico

Dear Mr. Olson:

Maralo is in receipt of your letter dated November 22, 2000, advising us that water samples from a water well owned by Mr. Jay Anthony contain chlorides and TDS in concentrations in excess of the New Mexico Water Quality Control Commission standards.

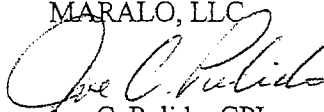
While Maralo acknowledges that it has operated two (2) wells in the immediate area, which as you may know were plugged in September and October of 1988, and the battery remediated by discing in 1993, we find no reason to believe that any of our actions contributed to the concentration of chlorides and TDS found through your analysis. As your report shows, no B-Tex or Toluene (Hydrocarbons) were noted, therefore eliminating the probability of oilfield contamination. Further, the chlorides noted in your analysis could be naturally occurring and in our opinion the water is still suitable for consumption by livestock which should be the primary consumer in the remote area of Mr. Anthony's ranch.

Finally, any application by your department of Rule 19 of the New Mexico Oil and Gas Regulations promulgated in February, 1997 would be considered, in our opinion, retroactively applied and therefore not enforceable.

If no response to our letter is received prior to January 22, 2001, we will assume this matter has been resolved to your satisfaction.

Yours very truly,

MARALO, LLC


Joe C. Pulido, CPL
Manager

JCP/jl

BEFORE THE
OIL CONSERVATION DIVISION
Case No. 13142 Exhibit No. 12
Submitted By:
Maralo
Hearing Date: November 10, 2004

humble state #3 tank battery site - nm ennr