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**GENERAL
CORRESPONDENCE**

YEAR(S):

2007

RICE Operating Company

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March 29, 2007

Mr. Wayne Price
New Mexico Energy, Minerals, & Natural Resources
Oil Conservation Division, Environmental Bureau
1220 S. St. Francis Drive
Santa Fe, New Mexico 87504

RE: JUNCTION BOX UPGRADE REPORT for 2006
HOBBS SWD SYSTEM
Lea County, New Mexico

Mr. Price:

Rice Operating Company (ROC) takes this opportunity to submit the Junction Box Upgrade results for the year 2006. Enclosed is a closure report for the junction box completed in 2006. This box is located in the Hobbs Salt Water Disposal (SWD) System, which has been abandoned. The closure request for the Hobbs jct. E-32-2 site was submitted to NMOCD by R.T. Hicks Consultants on December 21, 2006. NMOCD approved closure on March 7, 2007. In 2007, junction boxes will continue to be evaluated with the objective of abandonment of the System.

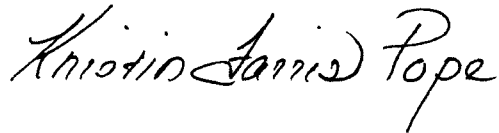
Enclosed are the 2006 results from the PID/BTEX study described in the NMOCD-approved Revised Junction Box Upgrade Work Plan (July 16, 2003). This comparison study is ongoing and data will continue to be collected in 2007. From the data collected thus far, no definitive conclusions can be drawn from the composite methods analyzed. A third-party analysis of ROC's 2006 chloride field tests compared to chloride laboratory analyses is also enclosed. The study of this data continues to validate the accuracy of the chloride field tests employed by ROC.

ROC is the service provider (agent) for the Hobbs SWD System and has no ownership of any portion of the pipeline, well, or facility. The System is owned by a consortium of oil producers, System Partners, who provide all operating capital on a percentage ownership/usage basis.

Upgrade/closure projects of this magnitude require System Partner AFE approval and work begins as funds are received.

Thank you for your consideration of this Junction Box Upgrade Report for 2006.

RICE OPERATING COMPANY

A handwritten signature in cursive script that reads "Kristin Farris Pope".

Kristin Farris Pope
Project Scientist

enclosures as stated

cc: SC, CDH, file,

Mr. Chris Williams
NMOCD, District I Office
1625 N. French Drive
Hobbs, NM 88240

RICE *Operating Company*

Hobbs SWD SYSTEM Junction Box Upgrade Project

2006 Completed Boxes

	Junction Box Name	Legal Description				Completion Date	OCD Assessment Score
		Unit	Sec	T	R		
1	Jct. E-32-2	E	32	18S	38E	5/4/2006	Closure

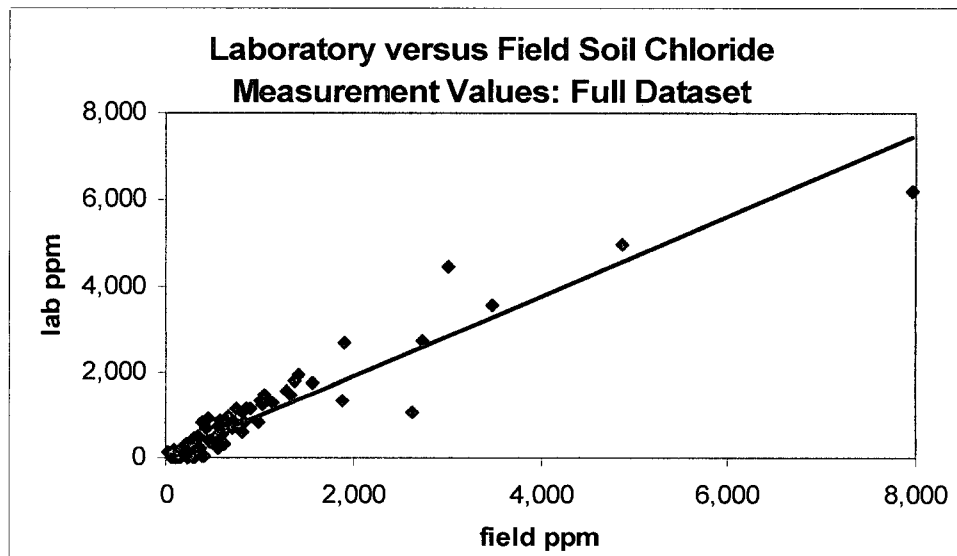
Soil Chloride Measurement QA/QC: Comparison of Laboratory and Field Measurements¹

Objective and Scope

Rice Operating Company (ROC) evaluated soil chloride data from its junction box replacement program to determine how field measurements compared with laboratory measurements. A total of 112 measurements were taken from 45 sites over the period December, 2004 through December, 2006. Most (91) of the laboratory measurements were made by the Environmental Laboratories of Texas, with the remainder (21) being made by Cardinal Laboratories.

Results

Evaluation of the dataset reveals a good relationship between laboratory and field measurements of soil chloride concentrations (see graph, below).



Field soil chloride measurement thus provides a reasonable surrogate for laboratory measurement (which may be presumed to be closer to the true values), and the ability to distinguish between low and high levels of chloride contamination.

¹ Prepared by L. Peter Galusky, Jr. of Texerra.

2006 BTEX Study

Revised Junction Box Upgrade Plan (2003)

System: BD Date: 10/27/2005 Laboratory: Environmental
 Site: Hendrix Elliott EOL Sampler: Kevin Collins Lab of Texas

Location	PID reading (ppm)	FIELD COMPOSITE		
		Benzene	Toluene	Ethyl Benzene Total Xylenes
bottom composite at 12 ft BGS	599	0.00796	0.0980	0.257 1.18
		LAB COMPOSITE		
		0.0142	0.515	1.83 4.893

Field PID tests <100 ppm are considered final for BTEX. If PID is >100 ppm, the components of the BTEX composite sample will be collected individually and will be composited under laboratory conditions to prevent excessive volatilization. A 15-box, 30-sample study will be made to compare field-compositing with lab-compositing BTEX samples. Composite components are collected in a skewed 'W' pattern.

Revised Junction Box Upgrade

Work Plan (July 16, 2003)

2006 BTEX Study

Revised Junction Box Upgrade Plan (2003)

System: EME Date: 10/20/2006 Laboratory: Cardinal
 Site: Hartman Britt 'A' EOL Sampler: Darnell Mitchell Laboratories

Location	Component	PID reading (ppm)	FIELD COMPOSITE			Total Xylenes
			Benzene	Toluene	Ethyl Benzene	
4-WALL COMPOSITE from 30 x 25 x 12 ft	NORTH wall	4.1	<0.005	<0.005	0.043	0.052
	SOUTH wall	597				
	EAST wall	415				
	WEST wall	273				
			LAB COMPOSITE			
			<0.005	<0.005	0.024	0.025

Field PID tests <100 ppm are considered final for BTEX. If PID is >100 ppm, the components of the BTEX composite sample will be collected individually and will be composited under laboratory conditions to prevent excessive volatilization. A 15-box, 30-sample study will be made to compare field-compositing with lab-compositing BTEX samples. Composite components are collected in a skewed 'W' pattern.

Revised Junction Box Upgrade Work Plan (July 16, 2003)

2006 BTEX Study

Revised Junction Box Upgrade Plan (2003)

System: EME Date: 8/3/2006 Laboratory: Cardinal
 Site: Amerada Hartman 'J' EOL Sampler: Darnell Mitchell Laboratories

Location	Component	PID reading (ppm)	FIELD COMPOSITE (mg/kg)			
			Benzene	Toluene	Ethyl Benzene	Total Xylenes
4-WALL COMPOSITE from 30 x 30 x 12 ft	NORTH wall	265	<0.005	<0.005	<0.005	<0.015
	SOUTH wall	715				
	EAST wall	133				
	WEST wall	71.6				
			LAB COMPOSITE (mg/kg)			
			<0.005	<0.005	<0.005	<0.015

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Revised Junction Box Upgrade Work Plan (July 16, 2003)

2006 BTEX Study

Revised Junction Box Upgrade Plan (2003)

System: EME
Site: C-8 vent

Date: 9/26/2006
Sampler: Noel Carmona

Laboratory: Cardinal Laboratories

Location	Component	PID reading (ppm)	FIELD COMPOSITE (mg/kg)			
			Benzene	Toluene	Ethyl Benzene	Total Xylenes
bottom composite at 12 ft BGS	1	0.1	<0.005	<0.005	<0.005	<0.015
	2	3.2				
	3	23.5				
	4	33.5				
	5	18.2				
			LAB COMPOSITE (mg/kg)			
			<0.005	<0.005	<0.005	<0.015

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Revised Junction Box Upgrade Work Plan (July 16, 2003)

2006 BTEX Study

Revised Junction Box Upgrade Plan (2003)

System: BD
Site: jct. P-30

Date: 6/22/2006
Sampler: Darnell Mitchell

Laboratory: Cardinal Laboratories

Location	Component	PID reading (ppm)	FIELD COMPOSITE (mg/kg)			
			Benzene	Toluene	Ethyl Benzene	Total Xylenes
bottom composite at 12 ft BGS	1	4000	<0.005	<0.005	<0.005	0.021
	2	3500				
	3	3940				
	4	0.1				
	5	0.0				
			LAB COMPOSITE (mg/kg)			
			<0.005	<0.005	<0.005	0.035

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Revised Junction Box Upgrade Work Plan (July 16, 2003)