

AP - 018

**GENERAL
CORRESPONDENCE**

2002

KEELY M. CASSELS
CLARKE C. COLL
ERIC J. COLL
STEVEN R. FISHER**
S. DOUG JONES WITT
IAN D. MCKELVY**
CLAY H. PAULOS**
OCTAVIO L. SANCHEZ**
JOSHUA T. WORLEY
MICHAEL T. WORLEY**

LAW OFFICES OF
SANDERS, BRUIN, COLL & WORLEY, P.A.
701 WEST COUNTRY CLUB ROAD
ROSWELL, NEW MEXICO 88201
POST OFFICE BOX 550
ROSWELL, NEW MEXICO 88202-0550

RECEIVED
SEP 20 2004
OIL CONSERVATION
DIVISION

September 16, 2004

JAMES L. BRUIN
RETIRED
CHARLES H. COLL
OF COUNSEL
T. T. SANDERS, JR.
(1908-1996)
TELEPHONE
505-622-5440
FAX
505-622-5853
E-MAIL
sbcw@sbcw-law.com
WEBSITE
http://www.sbcw-law.com

*ALSO LICENSED IN VIRGINIA
**ALSO LICENSED IN TEXAS

COPY

Lee A. Kirksey
Maddox & Holloman, P.C.
P O Box 2508
Hobbs NM 88241-2508

Re: **Smith & Marrs, Inc. v. Osborn**

Dear Ms. Kirksey:

I am honored to represent Clay and Jeri Osborn. They have referred the above referenced Petition to me for response. You will find transmitted herewith my Entry of Appearance which I am filing with the Court today.

I have reviewed the Petition and its contents with my clients at length. I do not feel that there is a good faith basis for your Petition and I respectfully request that you consider filing a Notice of Dismissal in regard to this action.

My clients have never opposed, and do not now oppose, the entry of your client onto their property in order to comply with the Abatement Plan. Quite simply put, your client has not made a good faith effort, or really any effort at all, to negotiate the damages to be paid to my clients for the implementation of this Plan.

The extent of your client's effort was the delivery to my clients of a letter, the same letter, on two separate occasions. As my clients have stated to your client in the past, they respectfully request payment for the monitor wells to be placed on their property in the same manner and amounts as received by the State of New Mexico for similar actions taken on State Lands. This, it seems to me, is not an egregious demand.

In short, I do not feel that your Petition was filed in order to obtain the prompt adjudication of any valid dispute between your client and mine. Instead, I believe that it was your client's intention in filing the Petition to appear to be in compliance with the Settlement Agreement it entered into with OCD, by making my clients the scapegoat for your client's unfounded and unreasonable delay in implementing the Abatement Plan.



My client will not oppose the entry of your client onto their land with regard to the implementation of the Abatement Plan, so long as your client agrees to compensate my clients for any damages caused to their property in the same measure and manner as the State of New Mexico is compensated. That being the case, there is no good cause for this suit to exist. Consequently, unless this suit is dismissed within ten (10) days of the date of this correspondence, when I Answer, I will file a counterclaim for malicious abuse of process.

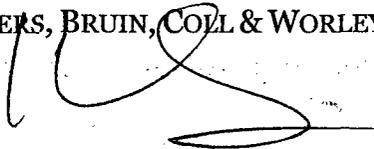
A quick review of the Public Regulation Commission's records shows that your client's Certificate of Authority to transact business in the State of New Mexico has been revoked and is beyond the appeal period. Consequently, under NMSA 1978, §53-17-20(A), your client's lack of standing to bring this action. For this reason alone, it must be dismissed immediately.

If you have any questions or concerns regarding this matter, or if you would like to discuss the implementation of your client's access onto my clients' property, you should feel free to contact me at your convenience.

With kindest regards, I am

Yours,

SANDERS, BRUIN, COIL & WORLEY, P.A.



Kelly Mack Cassels

js

enc

c/enc:

Clay and Jeri Osborn via fax
David K. Brooks, Assistant General Counsel
Energy, Minerals & Natural Resources, State of New Mexico

CASE 13271: *Continued from August 5, 2004, Examiner Hearing*

Application of Tom Brown, Inc. for Compulsory Pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described acreage in Section 15, Township 22 South, Range 27 East, and in the following manner: The N/2 to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within that vertical extent, including the East Carlsbad-Wolfcamp Gas Pool, Undesignated Carlsbad-Strawn Gas Pool, and Undesignated South Carlsbad-Morrow Gas Pool; the NW/4 to form a standard 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within that vertical extent; and the SW/4 NW/4 to form a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within that vertical extent, including the Esperanza-Delaware Pool. The units are to be dedicated to applicant's Forni Well No. 3, to be drilled at an orthodox well location in the SW/4 NW/4 of Section 15. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The units are located approximately 3 miles north-northwest of Otis, New Mexico.

Dismissed

CASE 13320: *Continued from August 19, 2004, Examiner Hearing*

Application of Platinum Exploration, Inc. for Approval of a Salt Water Disposal Well, Lea County, New Mexico. Applicant seeks approval to utilize its Whitten Well No. 1 SWD (API No. 30-025-27856) located 990 feet from the North line and 1,680 feet from the West line, Unit C, Section 35, Township 16 South, Range 38 East, to dispose of produced water into the Devonian formation through an open hole interval from 12,550 feet to 13,000 feet. This well is located 14 miles east of the town of Lovington, New Mexico.

CASE 13336: ***Application of the New Mexico Oil Conservation Division for a Compliance Order.*** Applicant seeks an order requiring operator B. Bernard Lankford to bring one well into compliance with 19.15.4.201 NMAC by a date certain and, in the event of non-compliance, assessing a civil penalty against the operator, authorizing the Division to plug said well, forfeiting the operator's plugging security, and for such other relief as the Director deems appropriate. The affected well is: Spears State #1, API # 30-025-22098, Unit Letter F, Section 2, Township 26 South, Range 37 East, in Lea County, New Mexico. The Spears State #1 is located approximately 6 miles southeast of Jal, New Mexico.

CASE 13337: ***Application of the New Mexico Oil Conservation Division for a Compliance Order.*** Applicant seeks an order requiring Carbon Energy Inc. and Carbon Energy to bring wells into compliance with 19.15.4.201 NMAC, authorizing the Division to plug said wells, forfeiting the applicable financial assurances, and for such other relief as the Director deems appropriate. The affected wells are the Aztec "28" State #3, API #30-025-04361, located at Unit Letter M, Section 28, Township 20 South, Range 36 East, in Lea County, New Mexico, and the Shell State #1, API #30-025-26637, located at Unit Letter C, Section 6, Township 19 South, Range 37 East, in Lea County, New Mexico. The Aztec "28" State #3 is located approximately 10 miles southwest of Hobbs, New Mexico. The Shell State #1 is located approximately 5 miles west of Hobbs, New Mexico.

CASE 13061: *Reopened*

Application of the New Mexico Oil Conservation Division, through the Environmental Bureau Chief, for an Order Determining the Responsible Party or Parties and Ordering the Responsible Party or Parties to Complete and Perform an Abatement Plan Pursuant to OCD Rule 19; Lea County, New Mexico. The Applicant seeks an order directing Smith & Marrs, Inc. to comply with a Stage 1 Abatement Plan and a prior Settlement Agreement with respect to subsurface water pollution existing at the South Langlie Jal Unit, in Sections 7, 8, 17 and 18, Township 25 South, Range 37 East, and ordering the responsible parties to submit a Stage 1 Investigation Report to the Division for approval.



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

July 30, 2004

Chaparral Energy, Inc.
Attn: Mr. Robert C. Lang IV
701 Cedar Lake Blvd.
Oklahoma City, Oklahoma
73114-7806

Smith & Mars, Inc.
Attn: Mr. Rickey Smith
P.O. Box 863
Kermit, Texas 79745

CERTIFIED MAIL

**Re: Case No. 13061 (Re-Opened)
Application of the New Mexico Oil Conservation Division, through the Environmental Bureau Chief, for an Order Determining the Responsible Party or Parties and Ordering the Responsible Party or Parties to Complete and Perform an Abatement Plan Pursuant to OCD Rule 19; Lea County, New Mexico.**

Gentlemen:

You are hereby notified that the New Mexico Oil Conservation Division has filed the referenced Application, a copy of which is enclosed herewith, seeking to re-open the referenced case to obtain an order directing Smith & Marris, Inc. to comply with the Settlement Agreement previously entered into with respect to subsurface water pollution at the South Langlie Jal Unit in Lea County, New Mexico, and seeking civil penalties.

A hearing on this Application will take place before a Division hearing officer on Thursday, September 2, 2004, at 8:15 a.m., in Porter Hall, First Floor, 1220 South St. Francis Drive in Santa Fe, New Mexico. At that hearing you will have an opportunity to show cause why an order should not be entered as requested in the Application.

Should you have questions, you may contact the undersigned in the Santa Fe office of the Oil Conservation Division, at (505)-476-3450.

Very truly yours,

David K. Brooks
Assistant General Counsel

cc: Ernest Padilla
Padilla Law Firm, P.A.
P.O.Box 2523
Santa Fe, NM 87504

cc: Mr. Gary Larson
Hinkle, Hensley, Shanor & Martin, LLP
P.O.Box 2068
Santa Fe, NM 87504-2068

ec: Mr. William C. Olson, OCD.

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION,
THROUGH THE ENVIRONMENTAL BUREAU CHIEF, FOR AN ORDER
DETERMINING THE REPOSNSIBLE PARTY OR PARTIES AND ORDERING
THE RESPONSIBLE PARTY OR PARTIES TO COMPLETE AND PERFORM
AN ABATEMENT PLAN PURSUANT TO OCD RULE 19; LEA COUNTY, NEW
MEXICO**

CASE NO. 13061 (Re-opened)

APPLICATION TO RE-OPEN AND FOR COMPLIANCE ORDER

1. In January of 1999, OCD began an investigation of salt contamination of soils from a produced-water-line leak within the South Langlie Jal Unit, located in Sections 7, 8, 17 & 18, Township 25 South, Range 37 East, Lea County, New Mexico. The surface owner, Mr. Clay Osborn, reported that the drinking water well at his residence was contaminated with salts. Additional soil and ground water contamination investigations were conducted through March 20, 2000. Investigations have shown that ground water in the Osborn private drinking water well and monitor wells on the South Langlie Jal Unit is contaminated with chlorides and total dissolved solids in excess of New Mexico Water Quality Control Commission standards. Investigations have also shown that there are tank batteries with associated produced water and petroleum spills, an unlined flare pit and produced water line leaks located hydrologically upgradient from some of these wells.

2. Bristol Resources Corporation (Bristol) was the operator of the South Langlie Jal Unit when the investigations commenced in 1999. Pursuant to OCD Rule

19.C, on August 2, 2000, the OCD required that Bristol submit an "Abatement Plan" for the South Langlie Jal Unit to investigate and abate ground water pollution.

3. On September 15, 2000, Chaparral Oil, LLC and CEI Bristol Acquisition, LP (Chaparral) purchased Bristol's assets at a bankruptcy auction and assumed operation of the South Langlie Jal Unit. On October 31, 2000, the OCD notified Chaparral that, as the current operator, Chaparral was required to submit an "Abatement Plan" for the South Langlie Jal Unit to investigate and abate ground water pollution.

4. On March 12, 2001, the OCD issued a Notice of Violation to Chaparral for the failure to submit an Abatement Plan as required. On March 23, 2001, Chaparral submitted a Stage 1 Abatement Plan Proposal for the investigation of the extent of contamination on the South Langlie Jal Unit. Public notice of the proposal was issued in the fall of 2001. On February 22, 2002, the OCD issued Chaparral a Notice of Violation for failure to submit information to correct deficiencies in the Stage 1 Abatement Plan Proposal. Chaparral subsequently amended the proposal several times.

5. On April 25, 2002, the OCD administratively approved the Stage 1 Abatement Plan Proposal. At Chaparral's request, in order to negotiate access to conduct the required investigations, OCD issued an extension of the deadline for submission of a Stage 1 Investigation Report from July 31, 2002 to October 31, 2002.

6. On November 7, 2002, Chaparral notified the OCD that the South Langlie Jal Unit had been sold to Ricky Smith Oil & Gas Corporation. On January 13, 2003, OCD issued a Notice of Violation pursuant to Rule 19.C(2) to both Chaparral and Smith & Marris, Inc. ("Smith & Marris"), an affiliate of Ricky Smith Oil & Gas Corporation, who is operating the South Langlie Jal Unit, for failure to conduct the actions required by

final execution of the Settlement Agreement), or thereafter, but has wholly failed and refused, and continues to fail and refuse, to perform the obligations it undertook in the Settlement Agreement.

WHEREFORE, the Chief of the Environmental Bureau of the Division hereby applies to the Director to enter an order:

- A. Ordering Smith & Marris to submit a Stage 1 Investigation Report for approval by the Division by a date fixed in said order.
- C. Imposing civil penalties against Smith & Marris for failure to comply with Rule 19.C(2) and with the terms of the Settlement Agreement, not to exceed \$1,000 per day from February 15, 2004 to the date of such order.
- D. For such other and further relief as the Division deems just and proper under the circumstances.

RESPECTFULLY SUBMITTED,

David K. Brooks
Assistant General Counsel
Energy, Minerals and Natural
Resources Department of the State of
New Mexico
1220 S. St. Francis Drive
Santa Fe, NM 87505
(505)-476-3450

Attorney for The New Mexico Oil
Conservation Division

Rocky Top Ranch

Clay & Jeri Osborn
11 Rocky Top Lane
P.O. Box 1285
Jal, NM 88252

RECEIVED

JUL 21 2004

OIL CONSERVATION
DIVISION

Phone 505-395-2510
Fax 505-395-2676
E-Mail cjosborn@valornet.com

July 18, 2004

Dear Mr. Smith,

I am in receipt of your letter that you mailed to us July 12, 2004. This is the same letter that we received on December 27, 2003 from you. Your letter is still dated December 23, 2003. This time you have included two releases with your letter, one dated December 23, 2003 and the other dated July 12, 2004. I have responded to this letter once and have not heard from you until now.

I am inclosing a copy of my response letter to you dated December 27, 2003. If you have and any questions please do not hesitate to call me at 505-395-2510 to set up a meeting with us.

We still look forward to meeting you and discussing this matter.

Sincerely,



Clay Osborn

RECEIVED

JUL 21 2004

Oil Conservation Division
Environmental Bureau

Rocky Top Ranch

Clay & Jeri Osborn
P.O. Box 1285
Jal, NM 88252

Phone 505.395.2510
Fax 505.395.2676
E-Mail cjosborn@valornet.com

December 27, 2003

Smith & Marrs, Inc.
P.O. Box 863
Kermit, Texas 79745

Dear Mr. Smith,

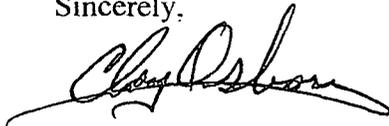
We are in receipt of your letter dated December 23, 2003. As per your intro to our awareness of Burro Lake, LLC, you are much mistaken. We were not aware of BURRO LAKE, LLC and have never heard of them; maybe you could forward their address and a person's name to contact so that we can forward this response to them as well. You have also alluded to an agreement between NMOCD and Chaparral Energy, Inc in 1999. We also are not aware that Bristol Resources Corp. and Chaparral Energy, Inc. had agreed to an Abatement Plan for the South Langlie Jal Unit back in 1999.

We are aware that Smith & Marrs, Inc. is the operator of the South Langlie Jal Unit and of the agreement you have with the NMOCD and Chaparral Energy, LLC to conduct the Stage 1 Abatement Plan and the letter dated April 25, 2002 from Roger C. Anderson, Environmental Bureau Chief of the NMOCD, to Robert C. Lang IV of Chaparral Energy stating the OCD'S Stage 1 Abatement Plan and their conditions for the South Langlie Jal Unit.

We would be happy to meet with you on discussion of the drilling of water monitor wells, soil boreholes and all other aspects of the investigation on our property and any other issues we need to discuss in order to proceed. Please notify us at least 48 hours in advance when you would like to arrange this meeting so that I can plan my schedule accordingly.

We look forward to meeting you and discussing this matter.

Sincerely,



Clay Osborn

cc: Chris Williams, NMOCD Hobbs District Office
Bill Olson, MNOCD Santa Fe Office
Rodger C. Anderson, Environmental Bureau Chief, NMOCD Santa Fe Office
Lori Wrotenbery, Director NMOCD, Santa Fe Office
David K Brooks, Assistant General Counsel, NMOCD Santa Fe Office

Mailed 12/28/03

SENT 1/6/04 CERTIFIED MAIL

P. W. D. M.

Received
7/14/04

SMITH & MARRS INC.
BOX 863
KERMIT, TEXAS 79745

December 23, 2003

Mr. & Mrs. Clay Osborn
Box 1285
JAL, N.M. 88252

Dear Mr. & Mrs. Osborn

As you are aware BURRO LAKE LLC purchased from CHAPARRAL ENERGY, L.L.C. the South Langlie Jal Unit in Lea County, New Mexico in November, 2002. SMITH & MARRS INC. as the operator has entered into an agreement with the NMOCD and Chaparral to conduct the Stage 1 Abatement Plan that was agreed to by Chaparral & Bristol in 1999.

We request you provide us with written permission to enter the land covered by the Stage 1 Abatement plan in order to drill the abatement wells (10 wells +/-).

If I do not receive a response by January 9, 2004, I assume you are denying us permission to drill the abatement wells.

Thank you, for you consideration on this matter and I look forward to hearing from you in the near future.

Sincerely,



Rickey Smith

cc: Chad Smith
GREAK & SMITH PC

Rec. 7/14

SMITH & MARRS INC.
BOX 863
KERMIT, TEXAS 79745

December 23, 2003

ROCKY TOP RANCH
Mr. & Mrs. Clay Osborn
Box 1285
JAL, N.M. 88252
Dear Mr. & Mrs. Osborn

RELEASE

ROCKY TOP RANCH(Mr. & Mrs. Clay Osborn) hereinafter referred to as ROCKY TOP Agrees to hold harmless SMITH & MARRS INC. or any of it's agents for the implementing of the Phase I Abatement Plan agreed to by the NMOCD. No damages will be paid for the drilling of monitor wells, completed wells, soil borings or surface locations required to perform this work.

Signed & agreed to by _____
It's _____
Date _____

Thank you, for you consideration on this matter and I look forward to hearing from you in the near future.

Sincerely,



Rickey Smith

cc: Chad Smith
GREAK & SMITH PC

SMITH & MARRS INC.
BOX 863
KERMIT, TEXAS 79745

July 12, 2004

ROCKY TOP RANCH
Mr. & Mrs. Clay Osborn
Box 1285
JAL, N.M. 88252
Dear Mr. & Mrs. Osborn

RELEASE

ROCKY TOP RANCH(Mr. & Mrs. Clay Osborn) hereinafter referred to as ROCKY TOP Agrees to hold harmless SMITH & MARRS INC. or any of it's agents for the implementing of the Phase I Abatement Plan agreed to by the NMOCD. No damages will be paid for the drilling of monitor wells, completed wells, soil borings or surface locations required to perform this work.

Signed & agreed to by _____
It's _____
Date _____

Thank you, for you consideration on this matter and I look forward to hearing from you in the near future.

Sincerely,



Rickey Smith

cc: Chad Smith
GREAK & SMITH PC

APR 18

Clay & Jeri Osborn
11 Rocky Top Lane
P.O. Box 1285
Jal, NM 88252
Phone 505.395.2510
Fax 505.395.2676
E-Mail cjosborn@valomet.com

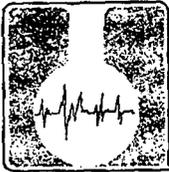
Rocky Top Ranch

Fax

To: Mr. Bill Olson	From: Clay Osborn
Fax: 505.476.3462	Pages: 4
Phone: 505.476.3440	Date: 1/15/2004
Re: Water Wells	CC:

Urgent **For Review** **Please Comment** **Please Reply** **Please Recycle**

● **Comments:**



**ASSAIGAI
ANALYTICAL
LABORATORIES, INC.**

4301 Masthead NE • Albuquerque, New Mexico 87109 • (505) 345-8964 • FAX (505) 345-7259

3332 Wedgewood, Ste. N • El Paso, Texas 79925 • (915) 593-6000 • FAX (915) 593-7820

127 Eastgate Drive, 212-C • Los Alamos, New Mexico 87544 • (505) 662-2558

CITY OF JAL
attn: FRED SEIFTS
PO DRAWER 340
JAL

NM 88252

Explanation of codes

B	analyte detected in Method Blank
E	result is estimated
H	analyzed out of hold time
N	tentatively identified compound
S	subcontracted
1-9	see footnote

STANDARD

Assaigai Analytical Laboratories, Inc.

Certificate of Analysis

Client: CITY OF JAL

Project:

Order: 0311382 JAL02

Receipt: 11-19-03

William P. Biava
William P. Biava: President of Assaigai Analytical Laboratories, Inc.

Sample: #3 WELL #17" BOX AT CC

Collected: 11-19-03 13:00:00 By: ST

Matrix: W

QC Group	Run Sequence	CAS #	Analyte	Result	Units	Dilution Factor	Detection Limit	Code	Prep Date	Run Date
0311382-01A			EPA 160.1 Total Dissolved Solids					By: BAS		
WTDS-03-061	WC.2003.2941.4		Total Dissolved Solids	2680	mg/L	1	10		11-21-03	11-26-03
0311382-01B			EPA 300.0 Anions by IC					By: DAW		
W03503	WC.2003.2946.9	16887-00-6	Chloride	698	mg / L	100	0.05		11-24-03	11-24-03
W03503	WC.2003.2946.10	14797-65-0	Nitrate, as N	10.6	mg / L	10	0.05		11-24-03	11-24-03
0311382-01B			SM 4500-N & NH3B,C					By: TRS		
W03505	WC.2003.2933.20		Kjeldahl Nitrogen, Total	0.6	mg / L	1	0.2		11-25-03	12-03-03

Sample: #4 WELL CC NE WELL

Collected: 11-19-03 13:00:00 By: ST

Matrix: W

QC Group	Run Sequence	CAS #	Analyte	Result	Units	Dilution Factor	Detection Limit	Code	Prep Date	Run Date
0311382-02A			EPA 160.1 Total Dissolved Solids					By: BAS		
WTDS-03-061	WC.2003.2941.6		Total Dissolved Solids	1670	mg/L	1	10		11-21-03	11-26-03
0311382-02B			EPA 300.0 Anions by IC					By: DAW		
W03503	WC.2003.2946.11	16887-00-6	Chloride	682	mg / L	100	0.05		11-24-03	11-24-03
W03503	WC.2003.2946.13	14797-65-0	Nitrate, as N	ND	mg / L	10	0.05		11-24-03	11-24-03
0311382-02B			SM 4500-N & NH3B,C					By: TRS		
W03505	WC.2003.2933.21		Kjeldahl Nitrogen, Total	4.9	mg / L	2	0.2		11-25-03	12-03-03



SQLCoyote: Reports 1.0.0310221500XX

Report Date 12/8/2003 10:58:14 AM

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THIS REPORT MAY NOT BE USED IN ANY MANNER BY THE CLIENT OR ANY OTHER THIRD PARTY TO CLAIM
PRODUCT ENDORSEMENT BY THE NATIONAL VOLUNTARY LABORATORY ACCREDITATION PROGRAM

Assaigal Analytical Laboratories, Inc.
Certificate of Analysis

Client: CITY OF JAL

Project:

Order: 0311382 JAL02 Receipt: 11-19-03

Sample: #11 WELL ROCKY TOP RANCH Collected: 11-19-03 13:00:00 By: ST

Matrix: W MAIN HOUSE well (#2)

QC Group	Run Sequence	CAS #	Analyte	Result	Units	Dilution Factor	Detection Limit	Code	Prep Date	Run Date
EPA 160.1 Total Dissolved Solids By: BAS										
0311382-03A	WTDS-03-061	WC.2003.2941.7	Total Dissolved Solids	2020	mg/L	1	10		11-21-03	11-26-03
EPA 300.0 Anions by IC By: DAW										
0311382-03B	W03503	WC.2003.2946.14	16887-00-6 Chloride	806	mg/L	100	0.05		11-24-03	11-24-03
0311382-03B	W03503	WC.2003.2946.15	14797-65-0 Nitrate, as N	4.83	mg/L	10	0.05		11-24-03	11-24-03
SM 4500-N & NH3B,C By: TRS										
0311382-03B	W03505	WC.2003.2933.23	Kjeldahl Nitrogen, Total	0.3	mg/L	1	0.2		11-25-03	12-03-03

Sample: EFFLUENT (EFFLUENT) Collected: 11-19-03 13:00:00 By: ST

Matrix: W

QC Group	Run Sequence	CAS #	Analyte	Result	Units	Dilution Factor	Detection Limit	Code	Prep Date	Run Date
EPA 160.1 Total Dissolved Solids By: BAS										
0311382-04A	WTDS-03-061	WC.2003.2941.8	Total Dissolved Solids	988	mg/L	1	10		11-21-03	11-26-03
EPA 300.0 Anions by IC By: DAW										
0311382-04B	W03503	WC.2003.2946.17	16887-00-6 Chloride	165	mg/L	10	0.05		11-24-03	11-24-03
0311382-04B	W03503	WC.2003.2946.17	14797-65-0 Nitrate, as N	3.61	mg/L	10	0.05		11-24-03	11-24-03
SM 4500-N & NH3B,C By: TRS										
0311382-04B	W03505	WC.2003.2933.24	Kjeldahl Nitrogen, Total	2.5	mg/L	5	0.2		11-25-03	12-03-03

Sample: #8 SOUTH Well Collected: 11-19-03 13:00:00 By: ST

Matrix: W

QC Group	Run Sequence	CAS #	Analyte	Result	Units	Dilution Factor	Detection Limit	Code	Prep Date	Run Date
EPA 160.1 Total Dissolved Solids By: BAS										
0311382-05A	WTDS-03-061	WC.2003.2941.9	Total Dissolved Solids	2510	mg/L	1	10		11-21-03	11-26-03
EPA 300.0 Anions by IC By: DAW										
0311382-05B	W03503	WC.2003.2946.18	16887-00-6 Chloride	526	mg/L	100	0.05		11-24-03	11-24-03
0311382-05B	W03503	WC.2003.2946.19	14797-65-0 Nitrate, as N	12.9	mg/L	10	0.05		11-24-03	11-24-03
SM 4500-N & NH3B,C By: TRS										
0311382-05B	W03505	WC.2003.2933.25	Kjeldahl Nitrogen, Total	0.5	mg/L	1	0.2		11-25-03	12-03-03

Assaigai Analytical Laboratories, Inc.
Certificate of Analysis

Client: **CITY OF JAL**
 Project:
 Order: **0311382 JAL02** Receipt: **11-19-03**

Sample: **#16 DARROL STEPHENSON** Collected: **11-19-03 13:00:00** By: **ST**
 Matrix: **W HOUSE WELL**

QC Group	Run Sequence	CAS #	Analyte	Result	Units	Dilution Factor	Detection Limit	Code	Prep Date	Run Date
By: BAS										
0311382-06A	EPA 160.1 Total Dissolved Solids									
WTDS-03-061	WC.2003.2941.10		Total Dissolved Solids	1900	mg/L	1	10		11-21-03	11-26-03
By: DAW										
0311382-06B	EPA 300.0 Anions by IC									
W03503	WC.2003.2946.20	16887-00-6	Chloride	465	mg / L	100	0.05		11-24-03	11-24-03
W03503	WC.2003.2946.21	14797-65-0	Nitrate, as N	13.4	mg / L	10	0.05		11-24-03	11-24-03
By: TRS										
0311382-06B	SM 4500-N & NH3B,C									
W03505	WC.2003.2933.26		Kjeldahl Nitrogen, Total	0.4	mg / L	1	0.2		11-25-03	12-03-03

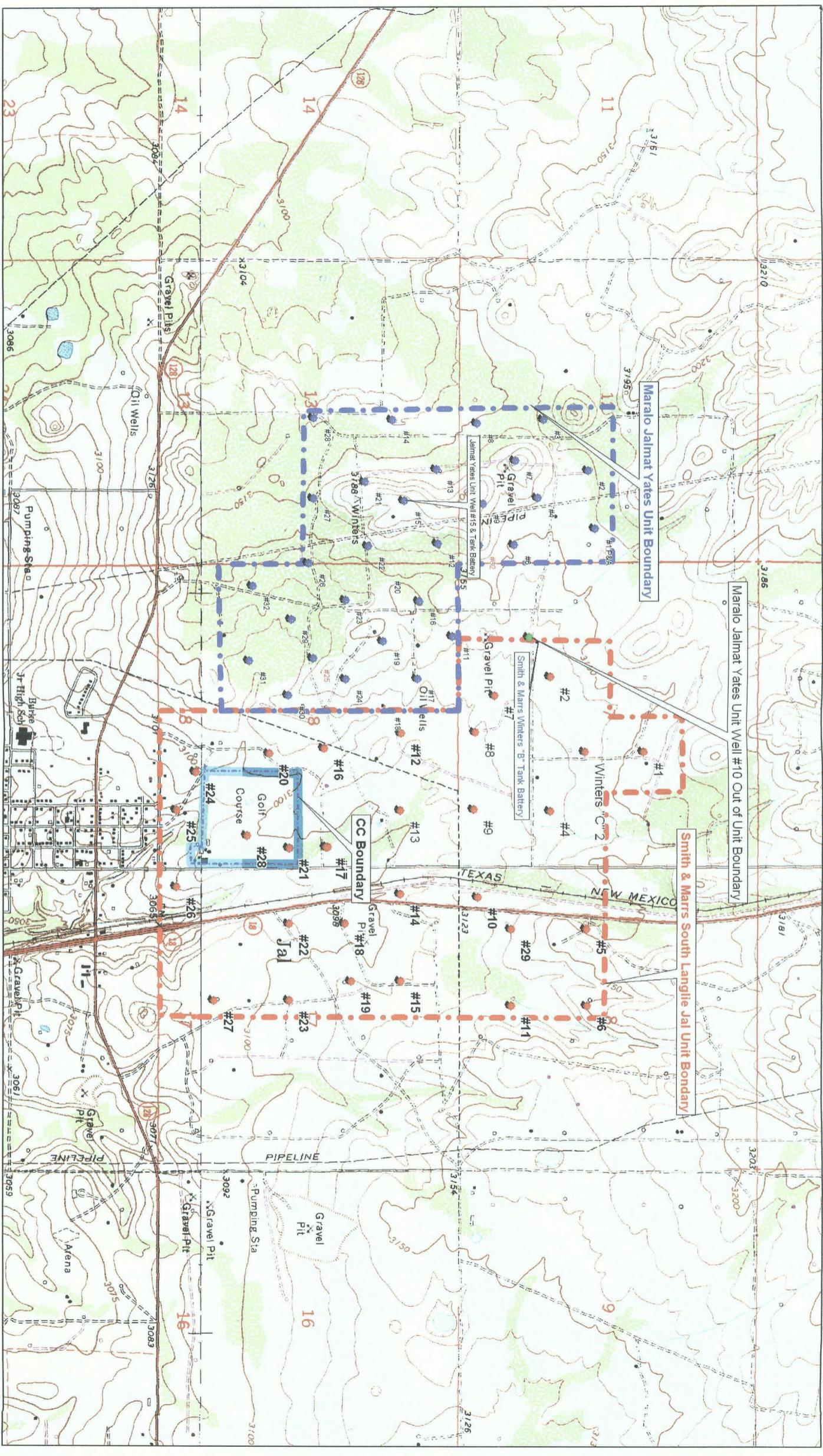
Sample: **LEWELLEN** Collected: **11-19-03 13:00:00** By: **ST**
 Matrix: **W**

QC Group	Run Sequence	CAS #	Analyte	Result	Units	Dilution Factor	Detection Limit	Code	Prep Date	Run Date
By: BAS										
0311382-07A	EPA 160.1 Total Dissolved Solids									
WTDS-03-061	WC.2003.2941.11		Total Dissolved Solids	896	mg/L	1	10		11-21-03	11-26-03
By: DAW										
0311382-07B	EPA 300.0 Anions by IC									
W03503	WC.2003.2946.22	16887-00-6	Chloride	266	mg / L	100	0.05		11-24-03	11-24-03
W03503	WC.2003.2946.24	14797-65-0	Nitrate, as N	6.21	mg / L	10	0.05		11-25-03	11-25-03
By: TRS										
0311382-07B	SM 4500-N & NH3B,C									
W03505	WC.2003.2933.27		Kjeldahl Nitrogen, Total	0.5	mg / L	1	0.2		11-25-03	12-03-03

Unless otherwise noted, all samples were received in acceptable condition and all sampling was performed by client or client representative. Sample result of ND indicates Not Detected, ie result is less than the sample specific Detection Limit. Sample specific Detection Limit is determined by multiplying the sample Dilution Factor by the listed Reporting Detection Limit. All results relate only to the items tested. Any miscellaneous workorder information or footnotes will appear below.

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 Scale: 1 : 24,000 Map Rotation: 0° Magnetic Declination: 8.6°E

1,000 ft

#128103

ROCKY TOP RANCH
LEAKS AND SPILLS

COMPANY	LEAKS	GPS		OCCURANCE DATE	DISCOVERY DATE	LOCATION			REPORT TO REGULATORY	PHOTOS		
		North Latitude	West Longitude			Section	Township	Range		By (P)/roducer or (O)wner	Yes	No
JAL PROPERTY	JAL PROPERTY											
Lynx	Tanks ran over 60 bbls in firewall	32° 08.480'	103° 12.369'	1/15/2000	(O)	7	25S	37E	1/15/00 (O)			
Maralo	Jalmat Yates Tank Batt. 65 bbls Estimated out.	32° 08.142'	103° 12.827'	4/17/2000	(P)	13	25S	36E				
MNA	Ran Tank over Condit Lse.	32° 07.828'	103° 12.610'		4/17/2000 (O)	12	25S	36E				
Lynx	Flow line leaked	32° 08.480'	103° 12.369'		4-17-2000 (O)	7	25S	37E	4/17/2000 (O)			
Lynx	Winters "B" ran over tanks 120 bbls out	32° 08.480'	103° 12.369'		5/19/2000 (O)	7	25S	37E	5/19/2000 (O)			
MNA	Ran tanks over Condit Lse.	32° 07.828'	103° 12.610'		6/2/2000 (O)	12	25S	36E	6/2/2000 (O)	Y		
EOTT / Tex-NewMex	Located Hobbs pipeline			6/20/2000 (P)		7	25S	37E				
EOTT / Tex-NewMex	Corehole drilled Jalmat #1 site			6/21/2000 (P)		7	25S	37E				
Maralo	Meter leaked JMYU #8	32° 08.310'	103° 13.095'		7/17/2000 (O)	12	25S	36E	7/17/2000 (O)			

**ROCKY TOP RANCH
LEAKS AND SPILLS**

COMPANY	LEAKS	GPS		OCCURANCE DATE	DISCOVERY DATE	LOCATION			REPORT TO REGULATORY	PHOTOS	
		Latitude	Longitude			Section	Township	Range		By (P)roducer or (O)wner	Yes
JAL PROPERTY	JAL PROPERTY			Or Notes	By (P)roducer or (O)wner	Section	Township	Range	By (P)roducer or (O)wner	Yes	No
MNA	Water tank leak Conditl Batt.	32° 07.828'	103° 12.610'		7/17/2000 (O)	12	25S	36E	7/17/2000 (O)		
	Lse operator David Ford										
Maralo	tank Batt 20 bbl	32° 08.117'	103° 12.828'	12/29/2000 (P)		13	25S	36E			
	leak (prod. water)										
Maralo	(2) flowline leaks @ JMYU #29				7/29/2000 (O)	18	25S	37E			
Sid Richardson	Gas pipeline Leak				8/12/2000 (O)					Y	
Sid Richardson	Gas pipeline Leak (54 ppm h2s)	N32 8.474	W103 12.782		8/15/2000 (O)	7	25S	36E			N
Bristol	Chemical Line Leak	N32 07.870	W103 11.667		8/28/2000 (O)	18	25S	37E		Y	
	WELL # 17										
EOTT / Shell	Drilled MW @ north shell site	N32 8.571	W103 12.954	9/1/2000 (P)	9/1/2000 (P)	12	25S	36E			
	oil in water table @ 46.6'										
EOTT / Shell	MNA site; water @ 20'	N32 8.359	W103 13.325	9/7/2000(P)	9/7/2000(P)	12	25S	36E		Y	
MNA	SWD line leak 30'-40' west	N32 8.359	W103 13.325	9/7/2000(P)	9/7/2000(P)	12	25S	36E	9/8/2000 (O)	Y	
	of MNA monitor well site										
Maralo	JMYU #3 wsw oil on top	N32 8.163	W103 12.835	9/9/2000	Billy Bentle	13	25S	36E		Y	
	of deep water sand				Water well ser.						

ROCKY TOP RANCH
LEAKS AND SPILLS

COMPANY	LEAKS	GPS		OCCURANCE DATE	DISCOVERY DATE	LOCATION			REPORT TO REGULATORY	PHOTOS	
		Latitude	Longitude			Section	Township	Range		By (P)roducer or (O)wner	Yes
JAL PROPERTY	JAL PROPERTY			Or Notes	By (P)roducer or (O)wner	Section	Township	Range	By (P)roducer or (O)wner	Yes	No
Maralo	Flowline leak @ JMYU battery	32° 08.117'	103° 12.828'	9/27/2000		13	25S	36E	(P)	Y	
	50 bbls. Oil 250 bbls water										
MNA	Gas leak Hanagan Lease	32° 08.554'	103° 13.256'	10/25/2000	10/25/2000 (O)	12	25S	36E			N
Sid Richardson	Gas Line Leak				11/11/2000	12	25S	36E		Y	
Maralo	JMYU #29 Leak	32° 07.768'	103° 12.429'		12/16/2000						
Maralo	JMYU Tank Battery (4bw:1bo)	32° 08.117'	103° 12.828'		12/23/2000	13	25S	36E			N
Maralo	JMYU Tank Battery Water	32° 08.117'	103° 12.828'		12/29/2000	13	25S	36E	(P)		
	Line leak 20 bw										
Sid Richardson	Leak next to pipeline road				1/13/2001 (O)	12	25S	36E			
Chaparral	SLJU trunk line at Battery	32° 08.479'	103° 11.913'		6/1/2000 (P)	7	25S	37E		Y	
Sid Richardson	Pipeline leak				1/18/2001 (O)						
Maralo	JMYU Battery Leak used our topsoil to cover	32° 08.117'	103° 12.828'		1/29/2001 (O)	13	25S	36E			

ROCKY TOP RANCH
LEAKS AND SPILLS

COMPANY	LEAKS	GPS		OCCURANCE DATE	DISCOVERY DATE	LOCATION			REPORT TO REGULATORY	PHOTOS		
		Latitude	Longitude			Section	Township	Range		By (P)producer or (O)wner	Yes	No
JAL PROPERTY	JAL PROPERTY											
Chaparral	Flowline leak SLJU #9	32° 08.418'	103° 11.921'	1/12/2001	1/12/2001 (P)	7	25S	37E	(O)		Y	
	50 bbl oil : 300 bbls water	32° 08.308'	103° 11.863'			7	25S	37E				
Lynx	SW Pump leaking 3 bbls out	32° 08.489'	103° 12.357'		3/15/2001 (O)	7	25S	37E				
	Winters "B" Lse.					7	25S	37E				
Chaparral	SLJU Battery ran down road	32° 08.479'	103° 11.913'	5/19/2001	5/19/2001 (P)	7	25S	37E			Y	
Maralo	JMYU #29 flowline leak	32° 07.768'	103° 12.429'	6/18/2001 (P)	6/18/2001 (P)						Y	
Maralo	JMYU #10 Environmental Plus called in leak	32° 08.461'	103° 12.376'		7/10/2001 (O)	7	25S	37E	Need to Talk!		Y	
Summers Explor.	Condit Lse SWD line used our topsoil to cover	32° 08.403'	103° 13.488'		7/20/2001 (O)	12	25S	36E			Y	
Summers Explor.	Condit tank batt. Ran over told OCD 1 bbl oil (our topsoil)	32° 08.403'	103° 13.488'	12/31/2001 (P)		12	25S	36E	(P)		Y	
Chaparral	Truck dumped west side of battery ran down road east	32° 08.484'	103° 11.897'		9/24/2001	7	25S	37E	(O)			
Maralo	JMYU #26 leak Used our topsoil	32° 07.828'	103° 12.610'		1/29/2002 (O)	13	25S	36E				

**ROCKY TOP RANCH
LEAKS AND SPILLS**

COMPANY	LEAKS	GPS		OCCURRENCE DATE	DISCOVERY DATE	LOCATION			REPORT TO REGULATORY	PHOTOS		
		Latitude	Longitude			Section	Township	Range		By (P)roducer or (O)wner	Yes	No
JAL PROPERTY	JAL PROPERTY			Or Notes	By (P)roducer or (O)wner							
Maralo	JMYU water station ran	32° 08.117'	103° 12.828'		1/9/2002 (O)	13	25S	36E			Y	
	So. & east 200-300 bbls water					13	25S	36E				
Maralo	JMYU Battery ran over	32° 08.117'	103° 12.828'		2/2/2002 (O)	13	25S	36E				
Maralo	JMYU #24 FL leak ran 1/10 mi. to stock pond	32° 07.961'	103° 12.465'	3/3/2002		18	25S	37E			Y	
Chaparral	SLJU No. So. trunk line leak SW of house 20-25 bbls soaked in	32° 07.879'	103° 11.881'		4/30/2002 (O)	18	25S	37E			Y	
Chaparral	Top blew on check from well SLJU #17	32° 07.927'	103° 11.672'		3/3/2002 (O)	18	25S	37E			no	Y
Smith & Marrs	Winters B #1 FL Leak left leaking line not clamped	32° 08.458'	103° 12.401'		8/29/2002 (O)	7	25S	36E			(O)	Y
Maralo	JMYU Tank Batt. Ran over 100-200 bbls	32° 08.117'	103° 12.828'		8/29/2002 (O)	13	25S	36E			(O)	Y
Maralo	Clean leak inside batt. OCD rep. Paul Shealy got samples	32° 08.117'	103° 12.828'	10/18/2002		13	25S	36E				
Maralo	JMYU WSW #4 oil in deep water sands	32° 08.213'	103° 12.929'		11/21/2002	13	25S	36E				
Maralo	Flow Line leak JMYU #22 est. 20 bbls (O)			2/25/2003	2/25/2003 (P)	13	25S	36E			Y	

ROCKY TOP RANCH
LEAKS AND SPILLS

COMPANY	LEAKS	GPS		OCCURANCE DATE	DISCOVERY DATE	LOCATION			REPORT TO REGULATORY	PHOTOS	
		Latitude	Longitude			Section	Township	Range		By (P)roducer or (O)wner	Yes
JAL PROPERTY	JAL PROPERTY			Or Notes	By (P)roducer or (O)wner						
Maralo	JMYU #22	32° 07.995'	103° 12.681'		7/20/2003 (O)	13	25S	26E			
Maralo	JMYU #22 flow line leak caught covering up leak (no call)	32° 07.995'	103° 12.681'	8/3/2003	8/3/2003 (O)	13	25S	26E			Y
Maralo	JMYU #13 flow line leak	32° 08.207'	103° 12.930'		12/31/2001	13	25s	36e			Y
Gruy Pet.	E.C. Winters #2 tank #h1181 tank is leaking	32° 07.927'	103° 11.799'		11/1/2003	18	25s	37e			Y
Smith & Marrs	Winters B SW x-fer 3" poly line	32° 08.454'	103° 12.426'	still leaking	11/1/2003	7	25S	37E	(O)		Y
Maralo	JMYU #11csg. Valve leaking	32° 08.235'	103° 12.361'		11/1/2003	7	25s	37e			
Shell P.L.	Shell Pipeline North Center	32° 08.138'	103° 12.379'	New Discovery	11/1/2003	18	25s	37e	no		Y
Maralo	Maralo North 18 Pit oil percolating to surf.	32° 08.167'	103° 12.358'			18	25s	37e	no		Y
Shell P.L.	Shell pipeline south center old Ralph Lowe battery	32° 08.182'	103° 12.371'								
Shell P.L.	Shell pipeline south center old Ralph Lowe battery	32° 08.013'	103° 12.397'	New Discovery	11/1/2003	18	25s	37e	no		Y

**ROCKY TOP RANCH
LEAKS AND SPILLS**

COMPANY	LEAKS	GPS		OCCURRENCE DATE	DISCOVERY DATE	LOCATION			REPORT TO REGULATORY	PHOTOS	
		Latitude	Longitude			Section	Township	Range		By (P)producer or (O)wner	Yes
JAL PROPERTY	JAL PROPERTY			Or Notes	By (P)producer or (O)wner	Section	Township	Range	By (P)producer or (O)wner	Yes	No
MNA	Hanagan West site SW leak	32°08.365'	103°13.322'	partial remedi	(O)	12	25S	36E		Y	
S.W. Royalties	Sholes B-13 #4	32°08.211'	103°13.179'		4-28-2001 (O)	12	25S	36E			
	Vessel Leaked									Y	
EOTT / Tex-NewMex	Jalmat #1 Site (clamp on line)	32° 08.405'	103° 12.623'	Monitor well	(P)	12	25S	36E		Y	
"	Jalmat #2 Site (cored)	32° 08.477'	103° 12.625'	West end		12	25S	36E		Y	
"	Jalmat #2 Site (cored)	32° 08.416'	103°12.484'	East end		12	25S	36E		Y	
"	Jalmat #3 Site	32° 08.249'	103° 12.630'		(P)	18	25S	36E		Y	
"	Jalmat #22a Site (cored)	32° 07.973'	103° 12.627'	Runs ESE to stock pond		18	25S	36E		Y	
Maralo	JMYU #29 flowline	32° 07.928'	103° 12.627'	Not covered	(P)	18	25S	36E		Y	
EOTT / Tex-NewMex	Jalmat #22b Site (cored)	32° 07.916'	103° 12.629'	pipeline exposed minor EOTT claimed		18	25S	36E		Y	
"	Jalmat #4 Site (cored)	32° 07.844'	103°12.625'			18	25S	36E		Y	
GPM	GPM west 26 Site	32° 07.853'	103° 12.728'	Gas leak (large)	(P) notified not claimed	18	25S	36E		Y	
EOTT /Shell	Hwy 128 Site (ran West)	33° 07.599'	103° 13.409'	Eott claimed	(O) 05-01	13	25S	36E	not reported	Y	
"	Hwy 128 Site (ran South)(cored)	32° 07.621'	103° 13.515'	turns south	None recovered	13	25S	36E		Y	
"	Hwy 128 Site South end	32° 07.564'	103° 13.592'	at Hwy 128	" "	13	25S	36E		Y	
"	Hanagan Batt. Flow (cored)	32° 08.529'	103°13.270'	Eott claimed	West side	12	25S	36E		Y	
"	" " " " "	32° 08.511'	103° 13.247'	Eott claimed	East side	12	25S	36E		Y	
"	" " " " "	32° 08.391'	103° 13.199'	Eott claimed	East side	12	25S	36E		Y	
"	" " " " "	32° 08.352'	103° 13.172'	Eott claimed	East side	12	25S	36E		Y	

ROCKY TOP RANCH
LEAKS AND SPILLS

COMPANY	LEAKS	GPS		OCCURANCE DATE	DISCOVERY DATE	LOCATION			REPORT TO REGULATORY	PHOTOS		
		Latitude	Longitude			By (P)roducer or (O)wner	Section	Township		Range	By (P)roducer or (O)wner	Yes
JAL PROPERTY	JALPROPERTY											
EOTT / Shell	Hanagan Batt Flow	32° 08.445'	103° 13.265'	approx midway	west side	12	25S	36E			Y	
EOTT / Shell	Hanagan Batt Flow	32° 80.363'	103° 13.275'	at well rd.	west side	12	25S	36E			Y	
EOTT / Shell	Hanagan Batt Flow	32° 08.249'	103° 13.297'	end of runoff	west side	12	25S	36E			Y	
EOTT / Shell	Shell Pit #1	32° 08.365'	103° 12.962'	north end	(P)	12	25S	36E			Y	
EOTT / Shell	Shell Pit #1	32° 08.347'	103° 12.977'	catch pond	(P)	12	25S	36E			Y	
EOTT / Shell	Shell Pit #1	32° 08.296'	103° 13.030'	end of cores	(P)	12	25S	36E			Y	
EOTT / Shell	Shell North	32° 08.545'	103° 13.020'	West end	(O)	12	25S	36E			Y	
EOTT / Shell	Shell North	32° 08.574'	103° 13.004'	So. End pit	(O)	12	25S	36E			Y	
EOTT / Shell	Shell North	32° 08.597'	103° 12.977'	monitor #4	(O)	12	25S	36E			Y	
EOTT / Shell	Shell North	32° 08.571'	103° 12.954'	monitor #1	(O)	12	25S	36E			Y	
EOTT / Shell	Shell North	32° 08.575'	103° 12.931'	monitor #2	(O)	12	25S	36E			Y	
EOTT / Shell	Shell North	32° 08.549'	103° 12.948'	monitor #3	(O)	12	25S	36E			Y	
EOTT / Shell	Shell North	32° 08.578'	103° 12.829'	end of leak	(O)	12	25S	36E			Y	
EOTT / Shell	Shell Pit #2	32° 07.987'	103° 12.923'	start of leak	(O)	12	25S	36E			Y	
EOTT / Shell	Shell Pit #2	32° 08.021'	103° 12.982'	Pit itself	(O)	12	25S	36E			Y	
EOTT /Tex-NewMex	West Valve lines	32° 08.415'	103° 13.132'		(O)	12	25S	36E			Y	



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Lori Wrotenbery

Director

Oil Conservation Division

November 17, 2003

Mr. Gary Larson
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P.O.Box 2068
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Ernest Padilla
Padilla Law Firm, P.A.
P.O.Box
Santa Fe, NM 87504

Re: Case No. 13061; Application of the NMOCD for an Order Determining the Responsible Party to Complete and Perform an Abatement Plan, Etc.

Gentlemen:

Enclosed are fully executed copies of the Settlement Agreement in the referenced matter.

Should you have questions, please feel free to call the undersigned at (505)-476-3450.

Very truly yours,

David K. Brooks
Assistant General Counsel

cc William C. Olson
OCD, Santa Fe

RECEIVED

NOV 12 2003

Oil Conservation Division

SETTLEMENT AGREEMENT

This agreement is entered into between and among the OIL CONSERVATION DIVISION of the NEW MEXICO ENERGY MINERALS AND NATURAL RESOURCES DEPARTMENT ("OCD"), CHAPARRAL ENERGY, L.L.C. ("Chaparral") and SMITH & MARRS, INC. ("Smith & Marrs").

WHEREAS:

1. In January of 1999, OCD began an investigation of salt contamination of soils from a produced-water-line leak within the South Langlie Jal Unit, located in Sections 7, 8, 17 and 18, Township 25 South, Range 37 East, Lea County, New Mexico. The surface owner, Mr. Clay Osborn, reported that the drinking water well at his residence was contaminated with salts. Additional soil and ground water contamination investigations were conducted through March 20, 2000. As a result of these investigations, OCD developed evidence that it believes indicates the presence of contamination that most likely originated from operations in the South Langlie Jal Unit.

2. Bristol Resources Corporation (Bristol) was the operator of the South Langlie Jal Unit when the investigations commenced in 1999. Pursuant to OCD Rule 19.C, on August 2, 2000, the OCD required that Bristol submit an "Abatement Plan" for the South Langlie Jal Unit to investigate and abate ground water pollution.

3. On September 15, 2000, Chaparral purchased Bristol's assets at a bankruptcy auction and assumed operation of the South Langlie Jal Unit. On October 31, 2000, the OCD notified Chaparral that, as the current operator, Chaparral was required to submit an "Abatement Plan" for the South Langlie Jal Unit to investigate and abate ground water pollution.

4. Chaparral submitted a Stage 1 Abatement Plan Proposal pursuant to OCD's notification, and subsequently modified and supplemented the same to comply with additional OCD requirements. On April 25, 2002, OCD administratively approved the Stage 1 Abatement Plan Proposal. At Chaparral's request, in order to allow Chaparral time to negotiate access to conduct the required investigations, OCD issued an extension of the deadline for submission of the Stage 1 Investigation Report from July 31, 2002 to October 31, 2002. Chaparral did not submit the Stage 1 Investigation Report prior to October 31, 2002, nor subsequently.

6. On November 7, 2002, Chaparral notified the OCD that the South Langlie Jal Unit had been sold to Ricky Smith Oil & Gas Corporation. The unit was actually conveyed to Smith & Marrs, which is an affiliate of Ricky Smith Oil & Gas Corporation, and Smith & Marrs assumed operation of the unit. On January 13, 2003, OCD notified both Chaparral and Smith & Marrs to submit a Stage 1 Investigation Report by February

17, 2003. Neither Chaparral nor Smith & Marris complied within such time or subsequently.

7. On March 20, 2003, OCD filed its administrative application in Case No. 13061, citing both Chaparral and Smith & Marris, asking that either or both be found to be responsible parties with respect to pollution found to have originated from the South Langlie Jal Unit, and seeking civil penalties against both Chaparral and Smith & Marris, Inc., for failure to file a Stage 1 Investigation Report pursuant to the previously-approved Abatement Plan.

8. Following several continuances, a hearing was scheduled on OCD's administrative application before a Division Hearing Examiner on July 15, 2003. Prior to commencement of the hearing, the parties agreed to compromise and settle the matters at issue in the hearing upon the following terms and provisions.

IT IS THEREFORE NOW AGREED AS FOLLOWS:

A. All parties have entered into this compromise and settlement agreement solely for the purpose of avoiding further adversarial proceedings or litigation. Chaparral and Smith & Marris do not admit, but rather each expressly denies, that any action or omission on its part caused any pollution that may have resulted from operations on the South Langlie Jal Unit, if any did so result, which neither admits. OCD reserves the right, in the event of any future adversarial proceedings, to assert any claim or position that it could have asserted at the hearing on July 15, 2003, and Chaparral and Smith & Marris each reserve the right, in the event of any future adversarial proceedings, to assert any defense that either could have asserted on July 15, 2003, except that each agrees to perform the obligations which it expressly undertakes in this agreement.

B. Smith & Marris agrees to fully perform the approved Stage 1 Abatement Plan as submitted by Chaparral and approved by OCD, and to file the Stage 1 Investigative Report not later than ninety (90) days after the execution of this Agreement by the last party to execute same.

C. Smith & Marris shall make a good faith effort to negotiate an access agreement with the surface landowner(s) as necessary for implementation of the Stage 1 Abatement Plan. In the event that Smith & Marris is unable to obtain an access agreement from the surface owner(s) and institutes legal proceedings to secure an injunction authorizing such access for the purpose of performing the Stage 1 Abatement Plan, Smith & Marris will notify OCD of such filing and of the date, time and place of any hearing. OCD will use its best efforts to have a representative available at the hearing to explain to the court, if necessary or requested, the nature of the administrative proceedings conducted by OCD in this matter.

D. In the event that the Stage 1 investigation reveals the existence of contamination of which the South Langlie Jal Unit is determined to be the probable source, Smith & Marris will submit a Stage 2 Abatement Plan as is required of a

responsible party under OCD Rule 19 [19.15.1.19 NMAC], and upon approval thereof, will fully perform such abatement plan, including any conditions imposed thereon by OCD. Smith & Marris reserves the right to contest any such conditions by administrative process and appeals allowed therefrom, but will perform the plan as finally approved.

E. OCD will not look to Chaparral for further filings or performance in connection with either the Stage 1 Abatement Plan or any future Stage 2 Abatement Plan regarding the contamination that is the subject of Case No. 13061, unless, and except to the extent that, Smith & Marris fails to perform its obligations hereunder. Prior to demanding performance hereunder from Chaparral, OCD will issue a notice of violation, and secure a compliance order directed to Smith & Marris, after notice and hearing.

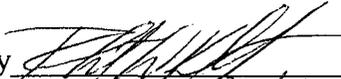
F. Case No. 13061 will be dismissed without prejudice. However, OCD will not, in any future proceeding, seek any civil penalties against either Chaparral or Smith & Marris for any act or omission of either with respect to the subject matter of its application in Case No. 13061, that occurred prior to July 15, 2003. OCD reserves the right to seek civil penalties against Smith & Marris for any breach of this Agreement. OCD will not seek civil penalties against Chaparral in connection with any matter that was the subject of Case No. 13061 unless OCD has first notified Chaparral that Smith & Marris has failed to perform hereunder and demanded performance by Chaparral within a definite time after such notice. Penalties may thereafter be sought against Chaparral if Chaparral fails to comply with such demand within the time provided.

IN WITNESS WHEREOF, all parties have signed below on the respective dates shown beside their signatures. The effective date of this agreement shall be the date of the last signature.

NEW MEXICO ENERGY MINERALS
AND NATURAL RESOURCES DEPARTMENT
(Oil Conservation Division)

By 
Its Administrative SERVICES DIRECTOR
Date 11/17/03

CHAPARRAL ENERGY, L.L.C.

By 
Its Exec. President - General Counsel
Date 10-27-03

SMITH & MARRS, INC.

By 
Its President
Date 11-3-03

Olson, William

From: Lister.Chris@epamail.epa.gov
Sent: Tuesday, September 02, 2003 9:31 AM
To: dand0g@msn.com
Cc: wolson@state.nm.us
Subject: Response to Internet Inquiry

Dear Mr. Terrell,

Thank you for your August 13, 2003 e-mail concerning elevated chlorides in the ground water at Mr. Clay Osborn=s ranch near Jal, New Mexico. As you know, the Environmental Bureau of the New Mexico Oil Conservation Division has primary responsibility for matters pertaining to pollution abatement relating to oil and gas operations in New Mexico. Region 6 of the United States Environmental Protection Agency provides oversight to certain state delegated environmental programs, including the Underground Injection Control (UIC) Program. Although this case does not appear to fall under the UIC program, we have been in contact with Mr. William Olson with the Environmental Bureau. Mr. Olson indicates that the Bureau has approved an abatement plan to assess potential ground water contamination at your property. Mr. Olson also stated that a settlement agreement with the current operator to perform a site assessment is in draft form and the Bureau expects this agreement to be finalized shortly. We encourage you to work with the Bureau in order to investigate and address any identified ground water problems.

Chloride content in drinking water is addressed in the Safe Drinking Water Act (SDWA) through National Secondary Drinking Water Regulations (NSDWR). Secondary drinking water standards are non-enforceable guidelines set for public water systems and address taste, odor, and aesthetic considerations; they are not health-based standards. The NSDWR for chloride is 250 milligrams per liter. While the level of chloride in your well, based on samples taken by the Bureau, exceeds the NSDWR, chloride at this level is not considered to present a health risk.

EPA Region 6 will remain engaged with the Environment Bureau to monitor progress on this matter. If you have questions, please contact Mr. Philip Dellinger of my staff at (214) 665-7165.

Sincerely,

Larry Wright, Chief
Source Water Protection Branch

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

RECEIVED

JUL 10 2003

Oil Conservation Division

APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION
THROUGH THE ENVIRONMENTAL BUREAU CHIEF, FOR AN ORDER
DETERMINING THE RESPONSIBLE PARTY OR PARTIES AND ORDERING
THE RESPONSIBLE PARTY OR PARTIES TO COMPLETE AND PERFORM
AN ABATEMENT PLAN PURSUANT TO OCD RULE 19; LEA COUNTY, NEW
MEXICO

CASE NO. 13061

CHAPARRAL ENERGY, L.L.C.'S PREHEARING STATEMENT

Pursuant to 19 NMAC § 15.1208.B, Chaparral Energy, L.L.C. ("Chaparral") submits its Prehearing Statement.

I. Parties

1. The New Mexico Oil Conservation Division ("OCD"), through the Environmental Bureau Chief.

The OCD is represented by David K. Brooks, Esq., Assistant General Counsel of the Energy, Minerals and Natural Resources Department.

2. Chaparral Energy, L.L.C.

Chaparral is represented by the undersigned counsel, Gary W. Larson, Esq., of Hinkle, Hensley, Shanor & Martin, L.L.P.

3. Smith & MARRS, Inc.

Smith & MARRS, Inc. ("Smith & MARRS") is represented by Ernest L. Padilla, Esq., of the Padilla Law Firm, P.A.

II. Concise Statement of the Case

This case concerns the responsibility for performing abatement work at the South Langlie Jal Unit ("SLJU") in Lea County, including the completion of the Stage 1 Abatement Plan work requirements and the submission of a report. In his Application for Compliance Order ("the Application"), the OCD's Environmental Bureau Chief requests the Director to enter an order: (1) determining that Chaparral and Smith & Marris are responsible persons with respect to subsurface chloride contamination within the SLJU; (2) requiring Smith & Marris and Chaparral, "each, or jointly," to submit a Stage 1 Investigation Report by a date certain; and (3) imposing civil penalties for Smith & Marris' and Chaparral's failure to comply with Rule 19.C(2) and the Notice of Violation ("NOV") issued to them by the OCD on January 13, 2003.

The following statement of the case sets out: (1) factual background regarding the history of the SLJU, the period of Chaparral's ownership and operation of the unit, Chaparral's sale of the SLJU assets to an affiliate of Smith & Marris, Inc. ("Smith & Marris"), and Smith & Marris' assumption of responsibility for completing the Stage 1 Abatement Plan investigation and any subsequent OCD-required abatement; and (2) Chaparral's position regarding the relief requested in the Application. As set out below, the chloride contamination in the groundwater beneath the SLJU predates the period of Chaparral's ownership and operation of the unit. During that period, Chaparral made consistent, good-faith efforts to comply with the OCD's abatement requirements. Chaparral committed significant resources to upgrade the operating tank battery, to clean up the four abandoned tank batteries, and to remove debris and old equipment left by its predecessors, and it immediately and effectively addressed the three releases that occurred on its watch. Upon the sale of the SLJU to a Smith & Marris affiliate, Rickey Smith Oil and Gas Company ("Rickey Smith Oil and Gas"),

Smith & Marris unequivocally assumed the role of designated responsible person for purposes of performing abatement at the SLJU. Consequently, Chaparral reasonably assumed that Smith & Marris would fulfill its obligations by performing the Stage 1 Abatement Plan work requirements and timely submitting a report to the OCD Environmental Bureau.

Based on these circumstances, it is Chaparral's position that: (1) the Director should deem Smith & Marris to have primary responsibility for complying with the OCD's abatement requirements for the SLJU; and (2) the imposition of a penalty against Chaparral is neither warranted nor appropriate.

A. Factual Background

1. Brief History of the SLJU

The SLJU is located in Sections 7, 8, 17 and 18, Township 25 South, Range 37 East in Lea County. The unit is situated near the northern boundary of the City of Jal. Since 1922, oil and gas production activities have been conducted in the area that now comprises the SLJU.

In January 1999, the OCD initiated an investigation of potential chloride contamination at the SLJU. That investigation arose because the then-current operator, Bristol Resources Corporation ("Bristol"), had reported a release of produced water from a saltwater injection line south of production well # 9 and just north of saltwater injection well # 13. Apparently, the OCD's investigation also was prompted by the reports of the surface owner, Clay Osborn, that the drinking water well at his residence was contaminated. As stated in the Application, the OCD conducted further investigations of the soil and groundwater at the SLJU through March of 2000. The Application further states that those investigations revealed elevated levels of chlorides and total dissolved solids in the groundwater, and indicated "that there were tank batteries with associated

produced water and petroleum spills, an unlined flare pit and produced water line leaks located hydrologically upgradient from some of these wells."

On August 2, 2000, the OCD required Bristol to submit an abatement plan to investigate and abate contamination of the groundwater underlying the SLJU. Bristol never submitted a Stage 1 Abatement Plan. In addition to reporting to the OCD that his water well was contaminated, Mr. Osborn sued Bristol for property damage. That litigation was stayed when Bristol filed a bankruptcy petition.

2. Chaparral's Purchase of the SLJU

In mid-September of 2000, two related Chaparral entities, Chaparral Oil, L.L.C. and CEI Bristol Acquisition, purchased all of Bristol's New Mexico assets, including the SLJU, through the bankruptcy court. Bristol did not disclose to Chaparral the nature and extent of the groundwater contamination believed to exist at the SLJU, or the abatement requirements that the OCD had previously imposed on Bristol.

3. Chaparral's Efforts to Comply with the OCD's Abatement Regulations

On October 31, 2000, the OCD notified Chaparral that, as the current operator, Chaparral was required to submit an abatement plan to investigate and abate groundwater pollution at the SLJU. Chaparral immediately undertook an investigation of possible chloride contamination at the SLJU, and attempted to marshal pertinent information that had been generated by Bristol and its environmental consultant. But Chaparral's efforts to prepare an appropriate Stage 1 Abatement Plan were hindered and delayed due to its inability to obtain information and documents from Bristol.

In the course of preparing its abatement plan, Chaparral researched the history of the water quality in the area of the SLJU. It learned that elevated chloride levels had been detected as early as

the 1950s, and that there was a possibility that chloride contamination had migrated to the SLJU as a result of releases caused by off-site operators. On March 23, 2001, Chaparral submitted a Stage 1 Abatement Plan to the OCD Environmental Bureau. With the exception of one small release discussed below, all of the potential releases at the SLJU addressed in Chaparral's plan resulted from the operations of Chaparral's predecessors. Subsequently, Chaparral engaged in on-going, good-faith discussions with representatives of the Environmental Bureau to determine the appropriate scope of the work activities to be conducted pursuant to the Stage 1 Abatement Plan. Chaparral submitted an Amended Stage 1 Abatement Plan, which the Environmental Bureau administratively approved on September 7, 2001. Chaparral then provided publication notice, as well as personal notice to approximately 500 property owners, of the proposed plan.

In late October 2001, Mr. Osborn gave Chaparral verbal approval for access to begin the necessary Stage 1 work activities. Subsequently, however, Mr. Osborn changed his mind and rescinded his verbal approval. Also in late October 2001, the Environmental Bureau informed Chaparral that, because of the SLJU's proximity to the City of Jal, the Environmental Bureau had received a number of public comments on Chaparral's amended Stage 1 Abatement Plan.

Based on the numerous public comments, the Environmental Bureau informed Chaparral in January 2002 that it would have to modify its Stage 1 work plan, and two months later requested additional information from Chaparral. Following discussions with the Environmental Bureau about the scope of the Stage 1 investigation activities, Chaparral submitted further revisions to its work plan. Ultimately, the OCD approved Chaparral's Amended Stage 1 Abatement Plan in late April 2002.

Chaparral then scheduled its environmental consultant, Whole Earth Environmental ("Whole Earth"), to commence the Stage 1 investigation work in mid-June of 2002. Before Whole Earth could begin, Chaparral needed to enter into a written access agreement with Mr. Osborn. In early June, Chaparral informed the Environmental Bureau that it had been unable to reach a mutually acceptable agreement with Mr. Osborn. The Environmental Bureau gave Chaparral an extension of time until October 31, 2002, to submit its Stage 1 report.

Chaparral continued its negotiations with Mr. Osborn, albeit unsuccessfully. As consideration for granting access to Chaparral and Whole Earth to perform the Stage 1 work, Mr. Osborn sought "surface damages" for the monitoring wells and soil sampling activities of more than \$5,000 per disturbed acre, or a total amount that would approach \$400,000 over a twenty-year period. (By way of comparison, a February 2000 appraisal valued Mr. Osborn's land at about \$100 an acre). Chaparral continually informed the OCD of the status of its negotiations with Mr. Osborn, and was informed by Environmental Bureau representatives in July of 2002 that the OCD would not compel Mr. Osborn to grant access to Chaparral and Whole Earth. Despite its persistent efforts, Chaparral was unable to strike a mutually acceptable agreement with Mr. Osborn, and it requested a further extension of the deadline for submitting the Stage 1 report. The Environmental Bureau declined Chaparral's request.

4. Chaparral's Remediation and Cleanup Activities

Upon assuming control of the SLJU, Chaparral began to clean up the surface and to upgrade certain equipment. As part of that effort, Chaparral investigated and assessed the tank batteries, unlined flare pit, and produced water lines that are identified in the Application. It cleaned up the surface areas of four abandoned tank batteries, and installed new tanks and lines at the operating tank

battery, at a cost of approximately \$65,000. Chaparral investigated what the Application describes as an unlined flare pit, but determined that it actually was a vent line pit, and found no indication of a hydrocarbon release in the area. Finally, Chaparral cleared away old equipment and debris that had been left by previous operators.

During the 26 months that it operated the SLJU, Chaparral experienced three releases, all of which Chaparral immediately and effectively addressed. The first release occurred on February 13, 2001, as a result of a defective flow line from producing well # 9 to the tank battery. Approximately 7.5 barrels of a mixture of oil and water were leaked. Chaparral timely notified the OCD's Hobbs office of the release, and excavated all of the impacted soil.

The second release occurred on May 19, 2001, when approximately 65 barrels of petroleum leaked from an oil-sales line at the operating tank battery. Chaparral notified the OCD's Hobbs office immediately upon learning of the release. An OCD representative was on site when Chaparral abated and remediated the release.

The last release happened on April 20, 2002. Less than five barrels of emulsion were released from producing well # 17. Chaparral informed the OCD Hobbs office of the release, and remediated the release by excavating and replacing the impacted soil.

5. Chaparral's Sale of the SLJU to Rickey Smith Oil and Gas

In the fall of 2002, Chaparral's management decided to put its SLJU assets up for sale at an auction conducted by the Oil & Gas Asset Clearinghouse in Oklahoma City. On October 30, 2002, Rickey Smith Oil & Gas purchased all of the SLJU assets at the auction. The purchase price was approximately 10% of the fair market value of the assets. Prior to the auction, Chaparral had informed the principal of the buyer (and of Smith & Marrs), Rickey Smith, of the environmental

conditions existing at the SLJU and the Stage 1 abatement requirements previously imposed by the OCD. Chaparral had further informed Mr. Smith that the OCD's Stage 1 work requirements had not been undertaken because of the ongoing difficulties in obtaining access from Mr. Osborn.

Chaparral and Rickey Smith Oil & Gas memorialized the terms of the transaction in an Assignment and Bill of Sale ("Assignment"), which has been filed of record in Lea County. In the Assignment, Rickey Smith Oil & Gas expressly and unequivocally agreed to assume responsibility for implementing all OCD-mandated abatement at the SLJU, including the pending Stage 1 Abatement Plan work requirements.

6. Smith & Marris Agrees to be the Designated Responsible Person for Conducting Abatement at the SLJU

On November 7, 2002, Chaparral sent a certified letter to Mr. Smith, in accordance with 19 NMAC § 15.1.19c(2), that formally notified Smith & Marris that the SLJU was subject to an OCD-required Stage 1 Abatement Plan. Enclosed was another letter from Chaparral to Mr. Smith, which stated that Mr. Smith had been aware of the OCD's Stage 1 abatement requirements prior to the auction, and that Smith & Marris had accepted responsibility for implementing the Stage 1 Abatement Plan. On the same date, Chaparral submitted written notification to the OCD's Director that Chaparral had sold the SLJU to Rickey Smith Oil and Gas, and that the transfer of the ownership, operation and control of the unit would be effective on December 1, 2002.

On November 13, 2002, Mr. Smith, on behalf of Smith & Marris, wrote to the Director of the OCD and Chaparral to formally notify them that Smith & Marris agreed to be the designated responsible person, within the meaning of 19 NMAC § 15.1.19c(2), for purposes of assuming responsibility for implementing the Stage 1 Abatement Plan work requirements, and all other actions

required by 19 NMAC § 15.51a, at the SLJU. As asserted in the Application, Smith & Marris has not conducted any of the Stage 1 Abatement Plan work, despite its assumption of responsibility to perform the work as the designated responsible person, and despite its contractual obligations under the Assignment.

B. Chaparral's Position

It is Chaparral's position that the Director should determine that Smith & Marris has primary responsibility for implementing the Stage 1 Abatement Plan, and all subsequent abatement, at the SLJU. After purchasing the SLJU assets from Chaparral, Smith & Marris voluntarily represented to the Director that it agreed to be the designated responsible person for purposes of conducting the Stage 1 Abatement Plan work and all other actions required by 19 NMAC § 15.5.1.19. Under 19 NMAC § 15.1.19(c)(2), a party that agrees to be the designated responsible person "*shall assume the responsibility to conduct the actions required*" by the OCD's abatement regulations. Additionally, under the Assignment, Smith & Marris is contractually obligated to undertake and perform all necessary actions to complete the Stage 1 Abatement Plan Work, as well as any and all subsequent abatement requirements imposed by the OCD.

Chaparral further asserts that the Director should decline the Environmental Bureau Chief's request that a penalty be imposed against Chaparral. During the 26 months that it owned and operated the SLJU, Chaparral undertook all necessary steps to comply with OCD's abatement regulations. Only six weeks after it purchased the SLJU from Bristol, the OCD notified Chaparral that it should submit a Stage 1 Abatement Plan addressing chloride contamination in the soils and groundwater at the SLJU, which had resulted from releases that occurred *prior* to Chaparral's purchase of the unit. Chaparral made diligent and good-faith efforts to assess possible releases that

might have caused the pre-existing chloride contamination, and to prepare a Stage 1 investigation plan that reasonably addressed those releases. That assessment included research into the history of the regional chloride contamination of the groundwater in the vicinity of the SLJU, and the possibility of off-site, up gradient contamination migrating onto the unit.

In April 2002, the Environmental Bureau gave its final approval of Chaparral's Stage 1 Abatement Plan. Up to that point, the approval process had been delayed for several reasons, including Chaparral's inability to obtain information and documents from Bristol, the ongoing discussions with the Environmental Bureau about the scope of the Stage 1 investigation, and the substantial number of public comments on the plan.

Chaparral then scheduled Whole Earth and a well drilling company to commence the investigation work. They could not begin work, however, because Chaparral was unable to negotiate a mutually acceptable access agreement with Mr. Osborn. Those negotiations revealed that, from Chaparral's perspective, Mr. Osborn was seeking to recover an unreasonable amount (as compared to the fair market value of the land) of "damages" from Chaparral in the form of a surface agreement, in lieu of Mr. Osborn's inability to recovery property damages in his lawsuit against Bristol.

Upon Chaparral's sale of the SLJU assets at auction, Rickey Smith Oil & Gas contractually agreed to assume responsibility for conducting all required Stage 1 abatement work, and Smith & Marris agreed to be the designated responsible person within the meaning of the OCD's abatement regulations. Accordingly, Chaparral had a reasonable expectation that Smith & Marris would conduct the Stage 1 Abatement Plan work and timely submit a report.

To the best of its knowledge, Chaparral did not cause any groundwater contamination as a result of its operations at the SLJU. As discussed above, Chaparral successfully abated the three

releases that occurred during the period that it owned and operated the unit, and it committed significant expenditures to upgrade the operating tank battery and to clean up the surface of the unit. In sum, Chaparral had no hand in any contamination of the groundwater underlying the SLJU.

III. Chaparral's Witnesses

1. Robert C. Lang, IV, who is Chaparral's Environmental, Health & Safety Manager. Mr. Lang had responsibility for preparing and submitting Chaparral's Stage 1 Abatement Plan, for interfacing with representatives of the OCD's Environmental Bureau, and for overseeing Chaparral's environmental compliance at the SLJU.

2. Michael Tarpley, who is Chaparral's Joint Venture Coordinator. Mr. Tarpley represented Chaparral in its sale of the SLJU assets.

3. James Miller, who is Chaparral's Operations Manager for New Mexico. Mr. Miller had management responsibility for day-to-day operations at the SLJU.

IV. Chaparral's Case Presentation

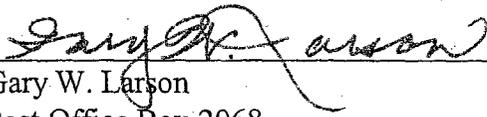
Chaparral anticipates that it will take approximately three (3) hours to present its case.

V. Unresolved Procedural Matters

Chaparral is not aware of any procedural matters that need to be resolved prior to the hearing.

Respectfully submitted,

HINKLE, HENSLEY, SHANOR &
MARTIN, L.L.P.



Gary W. Larson
Post Office Box 2068
Santa Fe, New Mexico 87504-2068
(505) 982-4554

Attorneys for Chaparral Energy, Inc.

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing Chaparral Energy, L.L.C.'s Pre-Hearing Statement was served via facsimile transmission on the following counsel of record, on this 10th day of July 2003:

David K. Brooks, Esq.
Assistant General Counsel
Energy, Minerals and Natural Resources Department
1220 S. St. Francis Drive
Santa Fe, NM 87505

Attorney for the New Mexico Oil Conservation Division

Ernest L. Padilla, Esq.
Padilla Law Firm, P.A.
P. O. Box 2523
Santa Fe, NM 87504-2523

Attorney for Smith & Marrs, Inc.



Gary W. Larson

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

APPLICATION OF THE NEW MEXICO OIL CONSERVATION
DIVISION, THROUGH THE ENVIRONMENTAL BUREAU CHIEF, FOR AN
ORDER DETERMINING THE RESPONSIBLE PARTY OR PARTIES AND
ORDERING THE RESPONSIBLE PARTY OR PARTIES TO COMPLETE AND
PERFORM AN ABATEMENT PLAN PURSUANT TO OCD RULE 19;
COUNTY, NEW MEXICO

CASE NO. 13061

JUL 10 2003

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Oil Conservation Division

PRE-HEARING STATEMENT

This Pre-hearing statement is submitted by Smith and Marrs, Inc., by and through its undersigned counsel, Ernest L. Padilla, Padilla Law Firm, P.A. as required by the Oil Conservation Division.

APPEARANCES OF PARTIES

SMITH & MARRS, INC.

ATTORNEY

Ernest L. Padilla
PADILLA LAW FIRM, P.A.
P.O. Box 2523
Santa Fe, NM 87504
(505) 988-7577

OPPOSITION OR OTHER PARTY

1) NEW MEXICO OIL CONSERVATION
DIVISION

David K. Brooks
Assistant General Counsel
New Mexico Oil
Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

2) CHAPARRAL ENERGY, INC.

Gary W. Larson
HINKLE, HENSLEY,
SHANOR & MARTIN, LLP
P.O. Box 2068
Santa Fe, NM 87504-2068
(505) 982-8623

STATEMENT OF CASE

APPLICATION:

The Division seeks an order determining the responsible parties with respect to subsurface water pollution existing at the South Langlie Jal Unit, in Sections 7, 8, 17 and 18, Township 25 South, Range 37 East, and ordering the responsible parties to submit a Stage I Investigation Report to the Division for approval.

OPPOSITION OR OTHER PARTY:

(1) Smith & Marrs, Inc. is the transferee from Chaparral Energy of the South Langlie Jal Unit. The effective date of the assignment was December 1, 2002. Smith & Marrs, Inc. knew that the Division had been demanding of Chaparral to comply with its environmental regulations by submitting an abatement plan. However, its position with respect to the abatement plan was that by December 1, 2002, Chaparral would have had the abatement plan in place and implemented, including the drilling of monitor wells as required by the Division. After the effective date of the assignment, Smith & Marrs, Inc. would assume compliance of the abatement plan and any further requirements of the Division.

Because of the disagreement and dispute that has arisen by and between Smith & Marrs, Inc. and Chaparral regarding this issue, Smith & Marrs, Inc. has asked for voluntary rescission of the transaction, which Chaparral has refused. Moreover, the assignment instrument has not yet been delivered to Smith & Marrs, Inc., but has apparently been recorded in the records of Lea County by Chaparral. Smith & Marrs, Inc. has complied with bonding requirements of the Division, but has not delivered a copy of the bond to the Oil and Gas Clearinghouse, through which the transaction occurred, until this dispute is resolved.

Furthermore, the Division is not apparently seeking compliance with its environmental regulations from prior operators of the property (other than Chaparral), which likely caused the environmental conditions that the Division now seeks to assess against Smith & Marrs, Inc. The economic reality is that the subject oil and gas property is in a depleted stage with marginal economics

PROPOSED EVIDENCE

APPLICANT

WITNESSES
(Name and Expertise)

EST. TIME

EXHIBITS

Unknown

OPPOSITION

Smith & Marris, Inc.:

Smith & Marris, Inc. does not plan to introduce any exhibits at the hearing other than those submitted by the Division and Chaparral. It is not in possession of any pertinent documents evidencing the transaction, insofar as the December 1, 2002, abatement plan requirements of Chaparral as contended by Smith & Marris are concerned.

WITNESSES	EST. TIME	EXHIBITS
Rickey Smith (Mr. Smith is president of Smith & Marris, Inc.)	45 min.	None contemplated at this time.

Chaparral Energy, Inc.:

WITNESSES	EST. TIME	EXHIBITS
Unknown		

PROCEDURAL MATTERS

(Please identify any procedural matters which need to be resolved prior to hearing.)

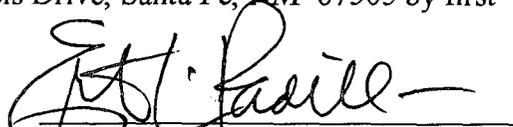
None



ERNEST L. PADILLA

CERTIFICATE OF SERVICE

I hereby certify that I caused a copy of this Pre-Hearing Statement to be served upon Gary Larson, HINKLE, HENSLEY, SHANOR & MARTIN, L.L.P., P.O. Box 2068, Santa Fe, NM 87504-2068 and to David K. Brooks, Assistant General Counsel, NM Oil Conservation Division, 1220 S. St. Francis Drive, Santa Fe, NM 87505 by first class mail this 10th day of July, 2003.



ERNEST L. PADILLA



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

June 26, 2003

Lori Wrotenbery
Director
Oil Conservation Division

Chaparral Energy, Inc.
C/o Gary W. Larson, Esq.
Hinkle, Hensley, Shanor & Martin, L.L.P.
218 Montezuma
PO Box 2068
Santa Fe, New Mexico 87504-2068

Re: DIVISION CASE NO. 13061; APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION, THROUGH THE ENVIRONMENTAL BUREAU CHIEF, FOR AN ORDER DETERMINING THE RESPONSIBLE PARTY OR PARTIES AND ORDERING THE RESPONSIBLE PARTY OR PARTIES TO COMPLETE AND PERFORM AN ABATEMENT PLAN PURSUANT TO OCD RULE 19; LEA COUNTY, NEW MEXICO

Dear Mr. Larson:

Per your request received June 17, 2003, and after no objection from other parties, this case is continued to a special hearing date of July 15, 2003. The case will be held at 8:15 AM in Room 102 (Porter Hall) at the Energy Minerals and Natural Resources Department, 1220 S. St. Francis, Santa Fe, New Mexico.

Should you have any questions, please contact me at (505) 476-3448.

Sincerely,

William V. Jones Jr. PE
Hearing Examiner

Xc: Case File - 13061

Mr. David K. Brooks, Esq. Attorney for the New Mexico Oil Conservation Division
1220 S. St. Francis Drive Santa Fe, New Mexico 87505

Ernest L. Padilla, Esq. Attorney for Smith & Marrs, Inc.
Padilla Law Firm, P.A.
P.O. Box 2523
Santa Fe, New Mexico 87504-2523

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

RECEIVED

JUN 17 2003

Oil Conservation Division

APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION,
THROUGH THE ENVIRONMENTAL BUREAU CHIEF, FOR AN ORDER
DETERMINING THE RESPONSIBLE PARTY OR PARTIES AND ORDERING
THE RESPONSIBLE PARTY OR PARTIES TO COMPLETE AND PERFORM
AN ABATEMENT PLAN PURSUANT TO OCD RULE 19; LEA COUNTY, NEW
MEXICO

CASE NO. 13061

UNOPPOSED MOTION FOR CONTINUANCE

Chaparral Energy, Inc. ("Chaparral") moves the Division for a continuance of the hearing currently scheduled for Thursday, June 19, 2003. In support of its motion, Chaparral states:

1. Chaparral anticipates presenting three witnesses who will appear and testify on its behalf at the hearing in this matter.

2. All of Chaparral's anticipated witnesses have irreconcilable scheduling conflicts with the presently scheduled hearing date of June 19, 2003.

3. Chaparral has contacted counsel for the Division and for Smith & Marrs, Inc. ("Smith & Marrs") regarding this motion, and they do not oppose the relief requested.

4. Additionally, Chaparral has communicated with counsel regarding the availability of the Division's and Smith & Marrs' counsel and witnesses for potential new hearing dates. Based on those communications, all of the parties are in agreement that July 15, 2003 is a mutually acceptable hearing date. Accordingly, Chaparral requests that the hearing be set for July 15, 2003.

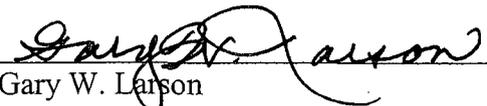
5. No prejudice will inure to any of the parties as a result of a continuance of the presently scheduled hearing date.

6/21/03
CCM
e

WHEREFORE, Chaparral requests that the Hearing Examiner grant Chaparral's motion, continue the hearing in this matter until July 15, 2003, and grant Chaparral such additional relief as the Hearing Examiner deems appropriate.

Respectfully submitted,

HINKLE, HENSLEY, SHANOR &
MARTIN, L.L.P.



Gary W. Larson
Post Office Box 2068
Santa Fe, New Mexico 87504-2068
(505) 982-4554

Attorneys for Chaparral Energy, Inc.

CERTIFICATE OF SERVICE

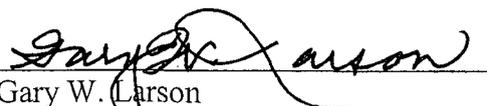
I hereby certify that a true and correct copy of the foregoing Unopposed Motion for Continuance was served via facsimile transmission on the following counsel of record on this 17th day of June 2003:

David K. Brooks, Esq.
Assistant General Counsel
New Mexico Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

Attorney for the New Mexico Oil Conservation Division

Ernest L. Padilla, Esq.
Padilla Law Firm, P.A.
P. O. Box 2523
Santa Fe, NM 87504-2523

Attorney for Smith & Marrs, Inc.



Gary W. Larson



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

Bill Richardson
Governor
Joanna Prukop
Cabinet Secretary

Lori Wrotenberg
Director
Oil Conservation Division

May 21, 2003

Mr. Ernest L. Padilla
P.O. Box 2523
Santa Fe, New Mexico 87504

Re: Division Case No. 13061
Docket No. 15-03

Dear Mr. Padilla:

Per your request dated May 16, 2003, Division Case No. 13061, which is currently scheduled to be heard on May 22, 2003, is hereby continued to the hearing to be held on June 19, 2003. Inasmuch as your letter did not specify the hearing date to which to continue the case, the June 19th docket was selected due to the availability of Division personnel involved in the case.

If you should have any questions, please contact me at (505) 476-3466.

Sincerely,

A handwritten signature in black ink that reads "David Catanach".

David Catanach
Examiner

Xc: Mr. David Brooks
Mr. Bill Olson
Case File-13061



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop
Cabinet Secretary

May 19, 2003

Lori Wrotenbery

Director

Oil Conservation Division

Hon. David R. Catanach
Hearing Examiner
New Mexico Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

**Re: Case No. 13061; Application of the New Mexico Oil Conservation Division
for an Order Determining the Responsible Party of Parties, Etc; Lea County,
New Mexico**

Dear Examiner Catanach:

The Division does not oppose the Motion for Continuance filed in this matter on May 10, 2003 by Ernest L. Padilla, attorney for Smith & Marrs, Inc.

Should you have any questions, please call me at (505)-476-3450.

Very truly yours,

David K. Brooks
Assistant General Counsel

cc:

Mr. Ernest L. Padilla
P.O.Box 2523
Santa Fe, NM 87504

Mr. Gary Larson
Hinkle, Hensley, Shanor & Martin, LLP
218 Montezuma
Santa Fe, NM 87501

cc

William C. Olson

RECEIVED

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

Oil Conservation Division

APPLICATION OF THE NEW MEXICO OIL CONSERVATION
DIVISION, THROUGH THE ENVIRONMENTAL BUREAU CHIEF, FOR AN
ORDER DETERMINING THE RESPONSIBLE PARTY OR PARTIES AND
ORDERING THE RESPONSIBLE PARTY OR PARTIES TO COMPLETE AND
PERFORM AN ABATEMENT PLAN PURSUANT TO OCD RULE 19; LEA
COUNTY, NEW MEXICO

CASE NO. 13061

UNOPPOSED MOTION FOR CONTINUANCE

Smith & Marrs, Inc., by its undersigned attorney moves the Division for a
continuance of the hearing in the above-captioned matter and as grounds therefore states:

1. Undersigned counsel's office was destroyed by a fire in the early morning of May 14, 2003.
2. Undersigned counsel's paper files are wet and/or smoke damaged and in some instances destroyed.
3. Undersigned counsel's electronic files have been destroyed unless a portion of those files can be recovered from damaged hard drives (back-ups were completely destroyed).
4. Undersigned counsel has leased new offices and is in the process of furnishing and equipping such new offices.
5. Undersigned counsel will also be out of state in Boston, MA from May 16, 2003 to May 20, 2003 to attend his son's college graduation. But for the fire and the destruction of his offices such out of state travel would not have affected the May 22, 2003 hearing date.

RECEIVED

MAY 10 2003

Oil Conservation Division

6. Opposing Counsel does not oppose this motion.

PADILLA LAW FIRM, P.A.

By: *Michelle Quintana by
the direction of Ernest L. Padilla*
Ernest L. Padilla
P.O. Box 2523
Santa Fe, New Mexico 87504
(505) 988-7577

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing Unopposed Motion for Continuance was served by hand delivery to Gary Larson, HINKLE, HENSLEY, SHANOR & MARTIN, L.L.P., 218 Montezuma, Santa Fe, New Mexico 87501 and to David K. Brooks, Assistant General Counsel, New Mexico Oil Conservation Division, 1220 S. St. Francis Drive, Santa Fe, New Mexico 87505, this 16th day of May, 2003.

*Michelle Quintana by the
direction of Ernest L. Padilla*
ERNEST L. PADILLA



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

April 21, 2003

Lori Wrotenbery
Director
Oil Conservation Division

New Mexico Oil Conservation Division
Attention: **David K. Brooks, Assistant General Counsel**
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505-5472

Telefax No. (505) 476-3462

DKBrooks@state.nm.us

Padilla Law Firm, P. A.
Attention: **Ernest L. Padilla, Legal Counsel for Smith & Marrs, Inc.**
P. O. Box 2523
Santa Fe, New Mexico 87504-2523

Telefax No. (505) 988-7592

Hinkle, Hensley, Shanor & Martin, L.L.P.
Attention: **Gary Larson, Legal Counsel for Chaparral Energy, Inc.**
P. O. Box 2068
Santa Fe, New Mexico 87504-2068

Telefax No. (505) 982-8623

Re: *Case No. 13061: Application of the New Mexico Oil Conservation Division ("Division"), through the Environmental Bureau Chief, for an order determining the responsible party or parties and ordering the responsible party or parties to complete and perform an abatement plan pursuant to Division Rule 19; Lea County, New Mexico.*

Dear Messrs. Brooks, Padilla, and Larson:

Reference is made to Mr. Padilla's motion for continuance dated April 18, 2003; Division Case No. 13061 is hereby continued from the April 24th Examiner's Hearing to the next docket scheduled for May 8, 2003.

Sincerely,

Michael E. Stogner
Chief Hearing Officer/Engineer

cc: New Mexico Oil Conservation Division - Hobbs
Case File 13,061
Florene Davidson - NMOCD, Santa Fe
Kathy Valdes - NMOCD, Santa Fe

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

RECEIVED

APR 18 2003

Oil Conservation Division

APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION
THROUGH THE ENVIRONMENTAL BUREAU CHIEF, FOR AN ORDER
DETERMINING THE RESPONSIBLE PARTY OR PARTIES AND ORDERING
THE RESPONSIBLE PARTY OR PARTIES TO COMPLETE AND PERFORM
AN ABATEMENT PLAN PURSUANT TO OCD RULE 19; LEA COUNTY, NEW
MEXICO

CASE NO. 13061

MOTION FOR CONTINUANCE

SMITH & MARRS, INC., by and through its undersigned counsel of record,
moves the Division for a continuance of the hearing currently scheduled for Thursday,
April 24, 2000, at 8:15 a.m., to the Division's next regularly scheduled hearing date for
the following reasons:

1. Undersigned counsel was contacted by Smith & Marrs, Inc. on
April 16, 2003 and retained on April 17, 2003 to handle this matter.
2. Undersigned counsel currently is scheduled for a two day administrative
hearing in Rascon v. Wal Mart, HRD No. 02-01-03-0002, before the New Mexico
Human Rights Commission on April 23 and 24.
3. Counsel for Chaparral Energy, Inc. takes no position on this motion, but
would prefer that the hearing not be continued and that negotiations to resolve underlying
contractual issues continue to progress.
4. Counsel for the Division does not oppose this motion due to undersigned
counsel's prior trial commitment.

Respectfully submitted,

PADILLA LAW FIRM, P.A.

By:



Ernest L. Padilla

Post Office Box 2523

Santa Fe, New Mexico 87504-2523

(505) 988-7577

**ATTORNEY FOR SMITH &
MARRS, INC.**

CERTIFICATE OF SERVICE

I hereby certify that I caused a copy of this Motion for Continuance to be served upon David K. Brooks, 1220 S. St. Francis Drive, Santa Fe, New Mexico 87505, and Gary W. Larson, P.O. Box 2068, Santa Fe, New Mexico 87504 on this 18th day of April, 2003.



ERNEST L. PADILLA



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

April 2, 2003

Lori Wrotenbery

Director

Oil Conservation Division

Chaparral Energy, Inc.
Attn: Mr. Robert C. Lang IV
701 Cedar Lake Blvd.
Oklahoma City, Oklahoma 73114-7806

Smith & Mars, Inc.
Attn: Mr. Rickey Smith
P.O. Box 863
Kermit, Texas 79745

CERTIFIED MAIL

Re: Case No. 13061

Application of the New Mexico Oil Conservation Division, through the Environmental Bureau Chief, for an Order Determining the Responsible Party or Parties and Ordering the Responsible Party or Parties to Complete and Perform an Abatement Plan Pursuant to OCD Rule 19; Lea County, New Mexico; Lea County, New Mexico.

Gentlemen:

You are hereby notified that the New Mexico Oil Conservation Division has filed the referenced Application, a copy of which is enclosed herewith, seeking an order determining that Chaparral Energy, Inc. and Smith & Marrs, Inc., and each of them, is a responsible person with respect to subsurface water pollution at the South Langlie Jal Unit in Lea County, New Mexico, ordering each of said entities to submit a Stage I Investigation Report for approval by the Division as previously demanded by notice letter under date of January 13, 2003, and seeking civil penalties.

A hearing on this Application will take place before a Division hearing officer on Thursday, April 24, 2003, at 8:15 a.m., in the Division Hearing Room, First Floor, 1220 South St. Francis Drive in Santa Fe, New Mexico. At that hearing you will have an opportunity to show cause why an order should not be entered as requested in the Application.

Should you have questions, you may contact the undersigned in the Santa Fe office of the Oil Conservation Division, at (505)-476-3450...

Very truly yours,

David K. Brooks
Assistant General Counsel

cc: Mr. William C. Olson, OCD

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

RECEIVED

MAR 20 2003

Oil Conservation Division

APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION,
THROUGH THE ENVIRONMENTAL BUREAU CHIEF, FOR AN ORDER
DETERMINING THE REPOSNSIBLE PARTY OR PARTIES AND ORDERING
THE RESPONSIBLE PARTY OR PARTIES TO COMPLETE AND PERFORM
AN ABATEMENT PLAN PURSUANT TO OCD RULE 19; LEA COUNTY, NEW
MEXICO

CASE NO. 13061

APPLICATION FOR COMPLIANCE ORDER

1. In January of 1999, OCD began an investigation of salt contamination of soils from a produced-water-line leak within the South Langlie Jal Unit, located in Sections 7, 8, 17 & 18, Township 25 South, Range 37 East, Lea County, New Mexico. The surface owner, Mr. Clay Osborn, reported that the drinking water well at his residence was contaminated with salts. Additional soil and ground water contamination investigations were conducted through March 20, 2000. Investigations have shown that ground water in the Osborn private drinking water well and monitor wells on the South Langlie Jal Unit is contaminated with chlorides and total dissolved solids in excess of New Mexico Water Quality Control Commission standards. Investigations have also shown that there are tank batteries with associated produced water and petroleum spills, an unlined flare pit and produced water line leaks located hydrologically upgradient from some of these wells.

2. Bristol Resources Corporation (Bristol) was the operator of the South Langlie Jal Unit when the investigations commenced in 1999. Pursuant to OCD Rule

19.C, on August 2, 2000, the OCD required that Bristol submit an "Abatement Plan" for the South Langlie Jal Unit to investigate and abate ground water pollution.

3. On September 15, 2000, Chaparral Oil, LLC and CEI Bristol Acquisition, LP (Chaparral) purchased Bristol's assets at a bankruptcy auction and assumed operation of the South Langlie Jal Unit. On October 31, 2000, the OCD notified Chaparral that, as the current operator, Chaparral was required to submit an "Abatement Plan" for the South Langlie Jal Unit to investigate and abate ground water pollution.

4. On March 12, 2001, the OCD issued a Notice of Violation to Chaparral for the failure to submit an Abatement Plan as required. On March 23, 2001, Chaparral submitted a Stage 1 Abatement Plan Proposal for the investigation of the extent of contamination on the South Langlie Jal Unit. Public notice of the proposal was issued in the fall of 2001. On February 22, 2002, the OCD issued Chaparral a Notice of Violation for failure to submit information to correct deficiencies in the Stage 1 Abatement Plan Proposal. Chaparral subsequently amended the proposal several times.

5. On April 25, 2002, the OCD administratively approved the Stage 1 Abatement Plan Proposal. At Chaparral's request, in order to negotiate access to conduct the required investigations, OCD issued an extension of the deadline for submission of a Stage 1 Investigation Report from July 31, 2002 to October 31, 2002.

6. On November 7, 2002, Chaparral notified the OCD that the South Langlie Jal Unit had been sold to Ricky Smith Oil & Gas Corporation. On January 13, 2003, OCD issued a Notice of Violation pursuant to Rule 19.C(2) to both Chaparral and Smith & Marrs, Inc. ("Smith & Marrs"), an affiliate of Ricky Smith Oil & Gas Corporation, who is operating the South Langlie Jal Unit, for failure to conduct the actions required by

Rule 19, and required that they submit a Stage 1 Investigation Report by February 17, 2003. To date, the OCD has not received a response from either Chaparral or Smith and Marrs.

7. OCD Rule 19.c(2) [19.15.1.19.C(2) [NMAC] provides:

(2) In the event of a transfer of the ownership, control or possession of a facility for which an abatement plan is required or approved, where the transferor is a responsible person, the transferee also shall be considered a responsible person for the duration of the abatement plan, and may jointly share the responsibility to conduct the actions required by Section 19.15.1.19 NMAC with other responsible persons. The transferor shall notify the transferee in writing, at least thirty (30) days prior to the transfer, that abatement plan has been required or approved for the facility, and shall deliver or send by certified mail to the Director a copy of such notification together with a certificate or other proof that such notification has in fact been received by the transferee. The transferor and transferee may agree to a designated responsible person who shall assume the responsibility to conduct the actions required by Section 19.15.1.19 NMAC. The responsible persons shall notify the Director in writing if a designated responsible person is agreed upon. If the Director determines that the designated responsible person has failed to conduct the actions required by Section 19.15.1.19 NMAC, the Director shall notify all responsible persons of this failure in writing and allow them thirty (30) days, or longer for good cause shown, to conduct the required actions before setting a show cause hearing requiring those responsible persons to appear and show cause why they should not be ordered to comply, a penalty should not be assessed, a civil action should not be commenced in district court or any other appropriate action should not be taken by the Division.

8. OCD Rule 7.R(5) [19.15.1.7.R(5) NMAC] provides:

(5) Responsible Person shall mean the owner or operator who must complete Division approved corrective action for pollution from releases.

9. Following the January 13, 2003 notice described above, neither Chaparral nor Smith & Marrs submitted a Stage I Investigation Report as directed, nor has either requested an extension of the February 17, 2003 deadline for such submittal or otherwise indicated an intention or purpose to comply.

WHEREFORE, the Chief of the Environmental Bureau of the Division hereby applies to the Director to enter an order:

- A. Determining that Chaparral and Smith & Marrs are responsible persons with respect to the subsurface water pollution herein described, and, as such, are required by Rule 19 to complete performance of the Stage I Abatement Plan and thereafter to submit and perform a Stage II Abatement Plan as provided in rule.
- B. Ordering each of said responsible persons, or both of them jointly, to submit a Stage I Investigation Report for approval by the Division by a date fixed in said order.
- C. Imposing civil penalties on each of said responsible persons for failure to comply with Rule 19.C(2) and with the terms of the January 13, 2003 notice.
- D. For such other and further relief as the Division deems just and proper under the circumstances.

RESPECTFULLY SUBMITTED,



David K. Brooks
Assistant General Counsel
Energy, Minerals and Natural
Resources Department of the State of
New Mexico
1220 S. St. Francis Drive
Santa Fe, NM 87505
(505)-476-3450

Attorney for The New Mexico Oil
Conservation Division

Case No. 13061: **Application of the New Mexico Oil Conservation Division, through the Environmental Bureau Chief, for an Order Determining the Responsible Party or Parties and Ordering the Responsible Party or Parties to Complete and Perform an Abatement Plan Pursuant to OCD Rule 19; Lea County, New Mexico.** The Applicant seeks an order determining the responsible parties with respect to subsurface water pollution existing at the South Langlie Jal Unit, in Sections 7, 8, 17 & 18, Township 25 South, Range 37 East, NMPM, Lea County, New Mexico and ordering the responsible parties to submit a Stage I Investigation Report to the Division for approval .

RECEIVED
MAR 20 2003
Oil Conservation Division

Olson, William

From: Olson, William
Sent: Monday, March 03, 2003 3:49 PM
To: Brooks, David K
Cc: Anderson, Roger; Williams, Chris; Johnson, Larry; Sheeley, Paul

David,

Attached is the information you need for an OCD application for the next available examiner hearing on Abatement Plan AP-18 for the South Langlie Jal Unit. Also attached for your reference is a copy of the last Notice of Violation that we issued to Chaparral and Smith & Marrs.

If you have any questions or need additional information, please let me know.

Sincerely,



William C. Olson
Hydrologist
New Mexico Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505
(505) 476-3491



General Information
for Divisi...



NOV3.DOC

**GENERAL INFORMATION
FOR
APPLICATION FOR DIVISION HEARING
ON
ABATEMENT PLAN #AP-18**

Site Name

South Langlie Jal Unit

Location

Sections 7, 8, 17 and 18, Township 25 South, Range 37 East
Jal, New Mexico

Nature of Contamination

In January of 1999 an investigation was begun of salt contamination of soils from a produced water line leak within the South Langlie Jal Unit. The surface owner, Mr. Clay Osborn, also reported that his drinking water well at his residence was contaminated with salts. Additional soil and ground water contamination investigations were conducted up through March 20, 2000. Investigations have shown that ground water in the Osborn private drinking water well and monitor wells on the South Langlie Jal Unit is contaminated with chlorides and total dissolved solids in excess of New Mexico Water Quality Control Commission standards. Investigations have also shown that there are tank batteries with associated produced water and petroleum leaks and spills, an unlined flare pit and produced water line leaks and spills located hydrologically upgradient of some of these wells.

Abatement Plan History

Bristol Resources Corporation (Bristol) was operating the South Langlie Jal Unit when the investigations commenced in 1999. Pursuant to 19 NMAC 15.1.19.C.1, on August 2, 2000, the OCD required that Bristol submit an "Abatement Plan" for the South Langlie Jal Unit to investigate and abate ground water pollution. On September 15, 2000, Chaparral Oil, LLC and CEI Bristol Acquisition, LP (Chaparral) purchased Bristol's assets at a bankruptcy auction. On October 31, 2000, the OCD notified Chaparral that, as the current operator, Chaparral was required to submit an "Abatement Plan" for the South Langlie Jal Unit to investigate and abate ground water pollution. On March 12, 2001, the OCD issued a Notice of Violation to Chaparral for the failure to submit an Abatement Plan as required. On March 23, 2001, Chaparral submitted a Stage 1 Abatement Plan Proposal for the investigation of the extent of contamination on the South Langlie Jal Unit. Public notice of the proposal was issued in the fall of 2001. On February 22, 2002, the OCD issued Chaparral a Notice of Violation for failure to submit information to correct deficiencies in the Stage 1 Abatement Plan Proposal. Chaparral subsequently amended the proposal several times. On April 25, 2002, the OCD administratively

approved the Stage 1 Abatement Plan Proposal. At Chaparrals request, in order to negotiate access to conduct the required investigations, OCD issued an extension of the deadline for submission of a Stage 1 Investigation Report from July 31, 2002 to October 31, 2002. On November 7, 2002, Chaparral notified the OCD that the South Langlie Jal Unit had been sold to Ricky Smith Oil & Gas Corporation. On January 13, 2003, OCD issued a Notice of Violation to both Chaparral and Mr. Rickey Smith, who is operating the South Langlie Jal Unit under the company named Smith & Marrs, Inc., for the failure to conduct the actions required by NMAC 19.15.1.19, and required that they submit a Stage 1 Investigation Report by February 17, 2003. To date, the OCD has not received a response from either Chaparral or Smith and Marrs.

Contacts for Responsible Parties

Robert C. Lang IV
Chaparral Energy, Inc.
701 Cedar Lake Blvd.
Oklahoma City, Oklahoma 73114-7806

Rickey Smith
Smith & Marrs
P.O. Box 863
Kermit, TX 79745



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

Bill Richardson
Governor
Joanna Prukop
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

January 13, 2003

CERTIFIED MAIL

RETURN RECEIPT NO: 7001-1940-0004-7923-0650

Mr. Robert C. Lang IV
Chaparral Energy, Inc.
701 Cedar Lake Blvd.
Oklahoma City, Oklahoma 73114-7806

CERTIFIED MAIL

RETURN RECEIPT NO: 7001-1940-0004-7923-0667

Mr. Rickey Smith
Smith & Mars, Inc.
P.O. Box 863
Kermit, Texas 79745

**RE: NOTICE OF VIOLATION
STAGE 1 ABATEMENT PLAN (AP-18)
SOUTH LANGLIE JAL UNIT
JAL, NEW MEXICO**

Dear Sirs:

The New Mexico Oil Conservation Division (OCD) has reviewed Chaparral Energy, Inc.'s (Chaparral) December 9, 2002 correspondence titled "REQUESTED CERTIFICATIONS OF SERVICE, SOUTH LANGLIE JAL UNIT (AP-18), SEC. 7, 8, 17 & 18 - T25S - R37E, LEA COUNTY, NEW MEXICO" and November 7, 2002 correspondence titled "TRANSFER OF OWNERSHIP, SOUTH LANGLIE JAL UNIT (AP-18), SEC 7, 8, 17 & 18 - T25S - R37E, LEA COUNTY, NEW MEXICO". These documents show that Chaparral has transferred ownership, operations and control of the South Langlie Jal Unit located in portions of Sections 7, 8, 17 and 18 of Township 25 South, Range 37 East, Lea County, New Mexico to Smith & Marris, Inc.

On August 5, 2002, the OCD granted Chaparral an extension of the deadline for submission of a Stage 1 investigation report of the extent of contamination related to Chaparral's South Langlie Jal Unit. The report was to be submitted to the OCD by October 31, 2002. No such report has been

submitted by either Chaparral or Smith & Marris. Chaparral and Smith & Marris are in violation of OCD rules for the failure to conduct the actions required by NMAC 19.15.1.19. Pursuant to NMAC 19.15.1.19.C(2), the OCD requires that Chaparral and Smith & Marris submit the required Stage 1 investigation report by February 17, 2002. The report shall be submitted to the OCD Santa Fe Office with a copy provided to the OCD Hobbs District Office. If Chaparral and Smith & Marris fail to submit this document, the OCD will set a show cause hearing requiring Chaparral and Smith & Marris to appear and show cause why they should not be ordered to comply, a penalty should not be assessed, a civil action should not be commenced in district court or any other appropriate action should not be taken by the Division.

If you have any questions, please contact me at (505) 476-3490.

Sincerely,



Roger C. Anderson
Environmental Bureau Chief

RCA/wco

cc: Chris Williams, OCD Hobbs District Office
Mary C. Claiborne, Mayor, City of Jal
Clay Osborn
Carroll H. Leavell
Darrell E. Bailey
Darrold E. Stephenson & JoAn R. Stephenson

02 DEC 11 PM 1:26

9 December 2002

Director
New Mexico Oil Conservation Division
1220 St. Francis Drive
Santa Fe, New Mexico 87505

Re: Requested Certifications of Service
South Langlie Jal Unit (AP-18)
Sec. 7, 8, 17 & 18 - T25S - R37E
Lea County, New Mexico

Dear Sir;

Per your letter of 6 December 2002 attached are Xerox copies of the letters and Return Receipts received transferring ownership and responsibility for the captioned lease. Should you require anything further, please let me know.

Sincerely,



Robert C. Lang IV, REM, CEA
Environmental, Health & Safety Manager

Attachments



7 November 2002

COPY

Director
New Mexico Oil Conservation Division
1220 St. Francis Drive
Santa Fe, New Mexico 87505

Re: Transfer of Ownership of the
South Langlie Jal Unit (AP-18)
Sec. 7, 8, 17 & 18-T25S-R37E
Lea County, New Mexico

Dear Sir:

In accordance with NMAC 19.15.1.19C(2) this letter is to inform you Chaparral Energy, LLC has sold its interest in the captioned unit to Ricky Smith Oil & Gas Corporation of Kermit, Texas. The transfer of the ownership, operations and control of the unit shall become effective 1 December 2002. Enclosed with this letter is a copy of Chaparral's notification to the purchaser of the existence of the Stage 1 Abatement Plan to officially inform them of the existence of and duty to comply with said Plan. The purchaser has known about this requirement since before the purchase date of 30 October 2002 and has in its possession a copy of the Plan.

Should you require anything further, please contact the undersigned at (405) 478-8770 Ext. 1130 or the address below.

Sincerely,



Robert C. Lang IV, REM, CEA
Environmental, Health & Safety Manager

cc: Ricky Smith Oil & Gas Corporation, Kermit, TX
Environmental Bureau Chief, NMOCD, Santa Fe, NM

CERTIFIED MAIL: 7000 1670 0005 0737 7949

CERTIFIED MAIL RECEIPT (Domestic Mail Only; No Insurance Coverage Provided)	
OFFICIAL USE	
Postage	\$.37
Certified Fee	2.30
Return Receipt Fee (Endorsement Required)	1.75
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 4.42
Sent To Director, NMOCD Street, Apt. No., or PO Box No. 1220 St. Francis Drive City, State, ZIP+4 Santa Fe NM 87505	
PS Form 3800, May 2000 See Reverse for Instructions	

7000 1670 0005 0737 7949



RECEIVED NOV 21 2002

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:
 Director
 NM Oil Conservation Division
 1220 St. Francis Dr.
 Santa Fe, NM 87505

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) B. Date of Delivery

C. Signature **RECEIVED**
 X *[Signature]* Agent
 Addressee

D. Is delivery address different from item 1? Yes
 If YES, enter delivery address below No
 NOV 18 2002
**OIL CONSERVATION
 OIL CONSERVATION
 DIVISION**
 RETURN RECEIPT REQUESTED

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

2. Article Number (Copy from service label) **7000-1670-0005-0737-7949**

7 November 2002

COPY

Ricky Smith Oil & Gas Corporation
Attn.: Ricky Smith, President
P. O. Box 863
Kermit, Texas 79745

Re: Transfer of Ownership
South Langlie Jal Unit (AP-18)
Sec. 7, 8, 17 & 18-T25S-R37E
Lea County, New Mexico

Dear Mr. Smith:

As required by NMAC 19.15.1.19C(2), this letter is to formally notify you that the South Langlie Jal Unit (AP-18) is subject to a New Mexico Oil Conservation Division (NMOCD) required Stage 1 Abatement Plan designed to investigate the extent of contamination of soil and/or groundwater on and under the unit. It is our understanding that you have been aware of this requirement since before the auction date, 30 October 2002, and that you have accepted the responsibility to implement this plan. A copy of the Stage 1 Abatement Plan was made available to you prior to 30 October 2002, along with other pertinent information, and additional copies can be forwarded to your office should you so request.

A copy of this letter shall be forwarded to the Director of the NMOCD to satisfy Chaparral's duty of notification under NMAC 19.15.1.19C(2) and to inform the Director of Chaparral's transfer of the ownership, operations and control of the unit that will become effective 1 December 2002.

Should you have any questions relating to this matter, please contact the undersigned at (405) 478-8770 Ext. 1130.

Sincerely,



Robert C. Lang IV, REM, CEA
Environmental, Health & Safety Manager

cc: Director, NMOCD, Santa Fe, NM
Environmental Bureau Chief, NMOCD, Santa Fe, NM

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

OFFICIAL USE

Postage	\$.37
Certified Fee	2.30
Return Receipt Fee (Endorsement Required)	1.75
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$ 4.42

Postmark: Santa Fe, NM 11/07/02

Sent To: Ricky Smith Oil & Gas Corp
Street, Apt. No., or PO Box No.: P.O. Box 863
City, State, ZIP+4: Kermit Texas 79745

PS Form 3800, May 2000 See Reverse for Instructions

7000 1670 0005 0737 7956

COPY

CERTIFIED MAIL: 7000 1670 0005 0737 7956



SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Ricky Smith Oil + Gas Corp
P.O. Box 863
Kermit, Texas 79745

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) B. Date of Delivery

Terri Jennings 11-12-02

C. Signature

X Terri Jennings Addressee Addressee

D. Is delivery address different from item 1? Yes

If YES, enter delivery address below: No

RETURN RECEIPT REQUESTED

3. Service Type

- Certified Mail Express Mail
- Registered Return Receipt for Merchandise
- Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee)

Yes

2. Article Number (Copy from service label)

7000-1670-0005-0737-795L

SMITH & MARRS, INC.

P.O. BOX 863
KERMIT, TEXAS 79745
(915)586-3076
FAX (915)586-2453
TAX ID 75-2215662

November 13, 2002

Chaparral Energy, LLC
Attn: Robert C. Lang IV, EH&S Manager
701 Cedar Lake Blvd.
Oklahoma City, Oklahoma 73114-7806

Re: Designated Responsible Party
South Langlie Jal Unit (AP-18)
Sec. 7, 8, 17 & 18 – T25S – R37E
Lea County, New Mexico

Dear Mr. Lang:

In accordance with NMAC 19.15.1.19C(2), this letter is to formally notify Chaparral Energy, LLC, and the Director of the New Mexico Oil Conservation Division that Smith & Marrs, Inc., hereby agrees to be the designated responsible party who shall assume the responsibility to conduct the Stage 1 Abatement Plan and all other actions required by Section 19.15.5.19 of the NMAC for the above captioned unit. Smith & Marrs, Inc., shall assume those responsibilities effective December 1, 2002, the day this corporation accepts the ownership, operations and control of the unit.

Sincerely,



Rickey Smith
President

cc: Director, NMOCD, Santa Fe, New Mexico



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Betty Rivera
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

December 6, 2002

CERTIFIED MAIL

RETURN RECEIPT NO: 7001-1940-0004-7923-0599

Mr. Robert C. Lang IV
Chaparral Energy, Inc.
701 Cedar Lake Blvd.
Oklahoma City, Oklahoma 73114-7806

**RE: ABATEMENT PLAN (AP-18)
SOUTH LANGLIE JAL UNIT
JAL, NEW MEXICO**

Dear Mr. Lang:

The New Mexico Oil Conservation Division (OCD) has reviewed Chaparral Energy, Inc.'s (Chaparral) November 7, 2002 correspondence titled "TRANSFER OF OWNERSHIP, SOUTH LANGLIE JAL UNIT (AP-18), SEC 7, 8, 17 & 18 - T25S - R37E, LEA COUNTY, NEW MEXICO". This document states that Chaparral has transferred ownership, operations and control of South Langlie Jal Unit located in portions of Sections 7, 8, 17 and 18 of Township 25 South, Range 37 East, Lea County, New Mexico to Ricky Smith Oil & Gas Corporation. The document also included a copy of a letter that Chaparral sent to Ricky Smith Oil & Gas Corporation prior to the transfer notifying them of the existence of the OCD required abatement plan for the South Langlie Jal Unit.

According to NMAC 19.15.1.19.C.(2) Chaparral is required to:

"notify the transferee in writing, at least thirty (30) days prior to the transfer, that abatement plan has been required or approved for the facility, and shall deliver or send by certified mail to the Director a copy of such notification together with a certificate or other proof that such notification has in fact been received by the transferee. The transferor and transferee may agree to a designated responsible person who shall assume the responsibility to conduct the actions required by Section 19.15.1.19 NMAC. The responsible persons shall notify the Director in writing if a designated responsible person is agreed upon."

While Chaparral provided a copy of a notification letter sent to Ricky Smith Oil & Gas Corporation, Chaparral did not provide a certificate or proof that the notification was received by the transferee.

In addition, OCD has not received a written notice from Chaparral and Ricky Smith Oil & Gas Corporation regarding whether they have agreed as to which party shall assume responsibility for the abatement plan. OCD requires that Chaparral provide this information to the OCD Santa Fe Office by December 13, 2002.

Please be aware that, pursuant to NMAC 19.15.1.19.C.(2), Chaparral is still a responsible party for the South Langlie Jal Unit abatement plan. On August 5, 2002 OCD granted Chaparral an extension of the deadline for submission of a Stage 1 investigation report of the extent of contamination related to Chaparral's South Langlie Jal Unit from July 31, 2002 to October 31, 2002. Due to impacts of contaminated ground water on private domestic water wells, OCD advised Chaparral that this case would be referred to a Division hearing if the October 31, 2002 deadline was not met. To date OCD has not received the required Stage 1 investigation report and therefore we are referring this case to Division counsel for further action.

If you have any questions, please contact Bill Olson at (505) 476-3491.

Sincerely,



for Roger C. Anderson
Environmental Bureau Chief

RCA/wco

cc: David K. Brooks, OCD attorney
Chris Williams, OCD Hobbs District Office
Mary C. Claiborne, Mayor, City of Jal
Clay Osborn
Carroll H. Leavell
Darrell E. Bailey
Darrold E. Stephenson & JoAn R. Stephenson

7 November 2002

New Mexico Oil Conservation Division
Energy, Minerals and Natural Resources Department
Attn: Roger Anderson, Environmental Bureau Chief
P. O. 2088
Santa Fe, New Mexico 87504-2088

RECEIVED

NOV 12 2002

**ENVIRONMENTAL-BUREAU
OIL CONSERVATION-DIVISION**

Re: Transfer of Ownership
South Langlie Jal Unit (AP-18)
Sec. 7, 8, 17 & 18 - T25S - R37E
Lea County, New Mexico

Dear Mr. Anderson:

Attached are copies of the letters Chaparral has sent to the Director of the NMOCD and to Ricky Smith Oil & Gas Corporation, the new owner of this unit, informing both that Chaparral's interest, ownership, operations and control over the South Langlie Jal Unit will cease as of 1 December 2002. Mr. Smith has been advised as per NMAC 19.15.1.19C(2), and he has verbally acknowledged to Chaparral, that he will be responsible for implementing the Stage 1 Abatement Plan. A more formal letter to that effect will follow.

Should you require anything further, please contact me at the address below or at my office telephone, (405) 478-8770 Ext. 1130.

Sincerely,



Robert C. Lang IV, REM, CEA
Environmental, Health & Safety Manager



7 November 2002

Director
New Mexico Oil Conservation Division
1220 St. Francis Drive
Santa Fe, New Mexico 87505

Re: Transfer of Ownership of the
South Langlie Jal Unit (AP-18)
Sec. 7, 8, 17 & 18-T25S-R37E
Lea County, New Mexico

Dear Sir:

In accordance with NMAC 19.15.1.19C(2) this letter is to inform you Chaparral Energy, LLC has sold its interest in the captioned unit to Ricky Smith Oil & Gas Corporation of Kermit, Texas. The transfer of the ownership, operations and control of the unit shall become effective 1 December 2002. Enclosed with this letter is a copy of Chaparral's notification to the purchaser of the existence of the Stage 1 Abatement Plan to officially inform them of the existence of and duty to comply with said Plan. The purchaser has known about this requirement since before the purchase date of 30 October 2002 and has in its possession a copy of the Plan.

Should you require anything further, please contact the undersigned at (405) 478-8770 Ext. 1130 or the address below.

Sincerely,



Robert C. Lang IV, REM, CEA
Environmental, Health & Safety Manager

cc: Ricky Smith Oil & Gas Corporation, Kermit, TX
✓ Environmental Bureau Chief, NMOCD, Santa Fe, NM

CERTIFIED MAIL: 7000 1670 0005 0737 7949



7 November 2002

Ricky Smith Oil & Gas Corporation
Attn.: Ricky Smith, President
P. O. Box 863
Kermit, Texas 79745

Re: Transfer of Ownership
South Langlie Jal Unit (AP-18)
Sec. 7, 8, 17 & 18-T25S-R37E
Lea County, New Mexico

Dear Mr. Smith:

As required by NMAC 19.15.1.19C(2), this letter is to formally notify you that the South Langlie Jal Unit (AP-18) is subject to a New Mexico Oil Conservation Division (NMOCD) required Stage 1 Abatement Plan designed to investigate the extent of contamination of soil and/or groundwater on and under the unit. It is our understanding that you have been aware of this requirement since before the auction date, 30 October 2002, and that you have accepted the responsibility to implement this plan. A copy of the Stage 1 Abatement Plan was made available to you prior to 30 October 2002, along with other pertinent information, and additional copies can be forwarded to your office should you so request.

A copy of this letter shall be forwarded to the Director of the NMOCD to satisfy Chaparral's duty of notification under NMAC 19.15.1.19C(2) and to inform the Director of Chaparral's transfer of the ownership, operations and control of the unit that will become effective 1 December 2002.

Should you have any questions relating to this matter, please contact the undersigned at (405) 478-8770 Ext. 1130.

Sincerely,



Robert C. Lang IV, REM, CEA
Environmental, Health & Safety Manager

cc: Director, NMOCD, Santa Fe, NM
✓ Environmental Bureau Chief, NMOCD, Santa Fe, NM

CERTIFIED MAIL: 7000 1670 0005 0737 7956

701 Cedar Lake Blvd., Oklahoma City, Oklahoma 73114 • telephone: 405-478-8770 • facsimile: 405-478-4162



Fax Cover Sheet

Rocky Top Ranch
Clay & Jeri Osborn
11 Rocky Top Ln.
P.O. Box 1285
Jal, NM 88252
Phone 505-395-2510
Fax 505-395-2676
cl: yjeri.osborn@worldnet.att.net

Send to: MNOCD	From: Clay Osborn
Attention: Bill Olson	Date: 10/15/02
Office Location: SANTA FE NM	Office Location: JAL NM
Fax Number: 505-476-2462	Phone Number: 505-395-2510

- Urgent
- Reply ASAP
- Please comment
- Please Review
- For your information

Total pages, including cover: 3

Comments:

SELECTIVE OFFERING

1875 OIL AND GAS PROPERTIES

ANSIBWITZ

Chesapeake
Natural Gas.
Natural Advantages.

Cordillera
ENERGY PARTNERS

Dominion

TCW

Magnum Hunter Resources, Inc.

HARRIS OIL AND GAS COMPANY

PTCO

➤ **PRIMARY NATURAL RESOURCES, INC.**

OKLAHOMA CITY, OKLAHOMA
OCTOBER 30, 2002 • 8:00 A.M.

The Oil & Gas Asset
CLEARINGHOUSE

A Petroleum Place Company

Properties WILL not be sold in the order listed - contact The Clearinghouse for sale order.

ORDER#	WELL NAME	LOCATION	COUNTY	WI	NRI	ORRURI	ROSD	MCFPD	OPERATOR	SELLER	REMARKS
KANSAS											
	BFC WARING TRUST 15-11	15, 32S-40W	MORTON			.003000	.00	21.00	HARRIS OIL & GAS		
	BREEDING 1-715	13, 32S-40W	MORTON			.003000	.00	63.00	HARRIS OIL & GAS		
	CHARLES BRILLIUNG 3-1210	10, 32S-40W	MORTON			.003000	.00	37.00	HARRIS OIL & GAS		
	JOHNS 1-1224	24, 32S-41W	MORTON			.002100	.00	250.00	HARRIS OIL & GAS		
	RICH SMITH 4-20	20, 33S-42W	MORTON			.010000	1.50	15.00	HARRIS OIL & GAS		
	MCPHERSON COLLEGE 1A-28	28, 29S-39W	STANTON			.020000	1.50	.00	DNR OIL & GAS		
	MCPHERSON COLLEGE 2A-28	28, 29S-39W	STANTON			.020000	18.00	.00	DNR OIL & GAS		
	BOWERS 1-20	20, 12N-11W	OKLAHOMA			.009167	18.00	.00	DIGGER OIL & GAS		ST OF OK
78732	MCOUARRHE 1-12	12, 38S-32W	SEWARD	1.000000	768864	.001152	.00	15.00	CHAPARRAL ENERGY	CHAPARRAL ENERGY	OPER
	STRONG 1-26	28, 3N-23E	BEAVER	1.000000	890000			SHUT-IN	CHAPARRAL ENERGY		ST OF OK, OPER
	MENDENHALL 1-3	3, 4N-19E	TEXAS	.195833	152260			15.00	INVOIL		ST OF OK
76903	LAMBERT 1-31	31, 31S-32W	SEWARD	.308000	238700			5.00	HARRIS OIL & GAS	HARRIS OIL & GAS	OPER
	LIGHT 1-5	5, 34S-32W	SEWARD	1.000000	740000			.00	HARRIS OIL & GAS		OPER
78904	LUCAS 1-1211	11, 28S-40W	STANTON	.462000	355740			3.00	HARRIS OIL & GAS	HARRIS OIL & GAS	OPER
	MCPHERSON COLLEGE B 1-49	9, 30S-39W	STANTON	.478000	361900			.00	HARRIS OIL & GAS		OPER
78905	MLP CAVNER B 1	32, 31S-38W	STEVENS	.163750	116850			.00	OXY	HARRIS OIL & GAS	MIN BID
	MLP CAVNER D 1	31, 31S-38W	STEVENS	.100825	080500			28.20	OXY		
	MLP CAVNER E 1	31, 31S-38W	STEVENS	.112500	090000			40.00	OXY		
	MLP CAVNER G 1	31, 31S-38W	STEVENS	.152500	111590			.00	OXY		
	MLP CAVNER H 1	32, 31S-38W	STEVENS	.112500	090000			43.00	OXY		
	MLP CLOSE A 1	34, 31S-38W	STEVENS	.183303	130714			60.00	OXY		
	MLP CLOSE B 1	10, 32S-39W	STEVENS	.222828	169197			6.00	OXY		
	MLP CLOSE C 1	34, 31S-38W	STEVENS	.217857	165571			4.00	OXY		
	MLP CLOSE E 1	34, 31S-38W	STEVENS	.396104	301100			83.00	OXY		
	MLP CORNELL UNIVERSITY A 1	15, 32S-39W	STEVENS	.114375	091500			.00	OXY		
	MLP CORNELL UNIVERSITY B 1	15, 32S-39W	STEVENS	.114375	091500			.00	OXY		
	MLP FORD A 1	10, 32S-39W	STEVENS	.152500	115900			4.00	OXY		
	MLP SHANK A 1	31, 31S-38W	STEVENS	.220860	176806			38.00	OXY		
	MLP SIMMONS A 1	15, 32S-39W	STEVENS	.100825	080500			2.00	OXY		
	MLP YOUNGREN B 1	11, 32S-39W	STEVENS	.112500	090000			1.00	OXY		

LOUISIANA											
78743	EMANUAL DW 1-22	22, 20N-2W	LINCOLN	.052144	.042367			SHUT-IN	OWL CREEK	CEI BRISTOL ACQUISITION	
	BANK OF SUNSET 1	23, 8S-3E	ST LANDRY	1.000000	750005	.022405		SHUT-IN	CHAPARRAL ENERGY		R. OPER

NEW MEXICO												
78010	NEELY 1	28, 22S-27E	DOY	.001928	.002944			.00	53.47	DEVON SFS OPERATING	FOREMAN ENTERPRISES	
78505	W JAL	17, 25S-30E	LEA	.024722	.029028			.00	29.00	CHAPARRAL ENERGY	PITCO PRODUCTION ST LSE	
78744	SOUTH LANGUE JAL UNIT	VAR, 25S-37E	LEA	.810487	771874	.059375	32.00	4.00	CHAPARRAL ENERGY	CEI BRISTOL ACQUISITION	OPER, ST LSE	
	WINTERS C-1-7	7, 25S-37E	LEA	.307500	279004			.018229	CHAPARRAL ENERGY		OPER, TA	
78506	DOMO FEDERAL 24-21	24, 24N-8W	SAN JUAN					.018750	.00	ELM RIDGE	PITCO PRODUCTION FED LSE	
	SO BLANCO COAL 22-1	22, 24N-8W	SAN JUAN					.080711	.00	5.00	ELM RIDGE	FED LSE
	SO BLANCO FEDERAL 22-2	22, 24N-8W	SAN JUAN	.173611	146701			4.00	12.30	ELM RIDGE	FED LSE	
	SO BLANCO FEDERAL 25-7	25, 24N-8W	SAN JUAN	.173611	146701			.00	7.00	ELM RIDGE	FED LSE	
	SO BLANCO FEDERAL 25-9	25, 24N-8W	SAN JUAN	.173611	146701			3.00	8.00	ELM RIDGE	FED LSE	
	SO BLANCO FEDERAL 26-3	26, 24N-8W	SAN JUAN	.173611	146701			5.00	7.00	ELM RIDGE	FED LSE	
	SO BLANCO FEDERAL 26-4	26, 24N-8W	SAN JUAN	.173611	146701			5.00	7.00	ELM RIDGE	FED LSE	
	SO BLANCO FEDERAL 26-5	26, 24N-8W	SAN JUAN	.173611	146701			.00	7.00	ELM RIDGE	FED LSE	
	SO BLANCO FEDERAL 26-6	26, 24N-8W	SAN JUAN	.173611	146701			.00	6.00	ELM RIDGE	FED LSE	
78507	GRIGSBY FED 1-7, 2-7	7, 25N-10W	SAN JUAN	.125000	103125			.50	104.00	DUGAN PRODUCTION	PITCO PRODUCTION FED LSE	
78508	GRIGSBY FED 3-8	8, 25N-10W	SAN JUAN					.018750	.50	26.00	DUGAN PRODUCTION	PITCO PRODUCTION FED LSE
78509	RICKY 1	18, 28N-11W	SAN JUAN					.031250	.00	8.00	COLEMAN OIL & GAS	PITCO PRODUCTION BIA LSE
	RICKY 2	18, 28N-11W	SAN JUAN					.031250	.00	13.00	COLEMAN OIL & GAS	BIA LSE
78510	NAVAJO 10-22-7 1	10, 22N-7W	SANDOVAL					.004369	.00	19.00	DUGAN PRODUCTION	PITCO PRODUCTION FED LSE
	OROUDEA 4-1H	4, 20N-2W	SANDOVAL	.052632	046400	.001177	2.50	.00		SYNERGY OPERATING	WI APO ONLY, FED LSE	
	TAYLER 24-13	29, 21N-3W	SANDOVAL	.040000	033000	.006250	8.00	.50		SYNERGY OPERATING	WI APO ONLY, FED LSE	

OKLAHOMA											
78801	ANN RUSSELL A-1	34, 5N-25E	BEAVER	.049218	.040275			.00	95.00	ELDER & VAUGHN	DOMINION EXPL & PROD
78802	DARBY B R 1-27	27, 4N-26E	BEAVER	.250000	200000			.00	42.00	CUMMINGS OIL	DOMINION EXPL & PROD
78067	BECK 2-21	21, 2N-26E	BEAVER	.290640	249789			.00	5.00	NATURAL GAS ANADARKO	DOMINION EXPL & PROD
78079	BROWN 1-4	4, 3N-23E	BEAVER	.492891	434457			.00	48.00	GLACIER PETROLEUM	GLACIER PETROLEUM OPER

The Oil & Gas Asset
CLEARINGHOUSE
A Petroleum Place Company

NOTE: Wellbore Orientation, Depth Limitations and other restrictions are not always represented in this publication. Please see the Data Package and Conveyance Documents for a complete representation of any restrictions associated with each property offered.

Olson, William

From: Olson, William
Sent: Friday, October 11, 2002 8:33 AM
To: Bob Lang - Chaparral Energy (E-mail)
Subject: FW: Surface Damage

Bob,

I just received this from Clay Osborn. I don't know if you have seen this. It is true that there is a current case backlog due to ongoing rulemaking and workgroup meetings this year, but this is not a normal situation. However, this case is a high priority because of the contamination of Mr. Osborn's water wells and will receive timely response from the OCD. All Chaparral documents this year have received a response from the OCD within 30 days. The biggest time delays in the abatement plan process involve the submission of administratively and technically complete work plans by company's, and compliance with public notification requirements as required by rule.

In addition, the OCD does not tell a company how to clean up a site. The rules require that the company propose remedial methods that are protective of ground water and approved by the OCD.

If you have any questions, please contact me.

Sincerely,

William C. Olson
New Mexico Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505
(505) 476-3491

-----Original Message-----

From: Clay & Jeri Osborn [mailto:clayjери.osborn@worldnet.att.net]
Sent: Friday, October 11, 2002 7:36 AM
To: Bill Olson
Subject: Fw: Surface Damage

----- Original Message -----

From: "Bob Kelly" <bobk@chaparralenergy.com>
To: "'Clay & Jeri Osborn'" <clayjери.osborn@worldnet.att.net>
Sent: Thursday, October 10, 2002 7:33 AM
Subject: RE: Surface Damage

> Mr. Osborn,
> We have spoken with consultants and local attorneys familiar with the
NMOCD
> and these abatement matters and have received this feedback:
>
> ... it normally takes 6 to 9 months to get a reply back from the NMOCD,
> despite the regs saying 90 days. Some responses take up to as much a 1.5
> years! The earliest he has ever seen it come back is 3 months, but that
was
> due to immense political pressure.
>
>
> ... normally you do not plan to dig out and haul off ALL of the

contaminated

> soil from all of the leaks and spill sites. The NMOCD will require us to
> dig down to a certain point within the contaminated zone with the soil
> removal extending beyond the edges of the contamination, lay down a
plastic
> membrane that extends past the edges of the contamination, mix clean soil
> with the contaminated soil we've removed until the PPM of chlorides is
below
> the threshold set by the state, put it all back into the hole, level it up
> and plant native grasses. We may need to apply a salt-blocker chemical on
> some of these sites to speed up plant re-growth. We do not plan to haul
> much if anything away.

>
> ... as for the water line requirements as dictated by the City of Jal, I
> have been told they want us to put in a 3" water line parallel to the
> highway until we are perpendicular to Clay's rent house; install two 3/4
> inch meters followed by a flush hydrant. Coming off of one of the water
> meters run a 1.5" line to Clay's home. Tie in a reducer from 1.5" to 3/4"
> and tie into the house water system. There is no need to run 3" all the
way
> to the house. In fact, the city will not allow it. His water usage will
> not keep a 3" line purged of silt as is necessary. Also, a 3" line will
not
> be purged enough to keep the chlorine level high enough to keep bacteria
out
> of the system. They will need to periodically purge the 3" line to keep
it
> cleaned out and the chlorine level where it needs to be.

>
> Mr Osborn, I thought you should be aware of this so we are both working
with
> the same information. We are willing to pay the 250/acre/year, but cannot
> commit to a monthly payment when there is no control over the NMOCD. We
> will commit to begin work within 30days of receiving the NMOCD's approval
to
> show our good faith in moving forward.
> We can begin the testing and water monitoring well drilling on October
15th
> if you are agreeable. That will allow completion by the end of the month.
> Otherwise, the crew will not be available until sometime in November.
> Thanks,
> Bob Kelly
>
>

Olson, William

From: Olson, William
Sent: Wednesday, October 09, 2002 4:20 PM
To: 'Bob Lang'
Cc: Williams, Chris; Sheeley, Paul; Johnson, Larry; Clay Osborn (E-mail); Brooks, David K
Subject: RE: South Langlie Jal Unit

Bob,

My phone number has not changed recently and can be found below.

Please review OCD Rule 19 for the abatement plan process. OCD Rule 19 provides for a 60 day response time to a Stage 1 Investigation Report. That is the maximum time. I cannot give you an exact response time. However, due to the impacts on the Osborn Ranch, the site has a high priority and overall past response times have been much less than 60 days.

Also, under Rule 19, when a Stage 2 plan is submitted there is public notice with a 30 day public comment period and similar administrative review times there as well. If a hearing is requested during the 30 day comment period the time frames for approval would increase since the plan couldn't be approved until after a public hearing has been conducted.

If you have any questions, please contact me.

Sincerely,

William C. Olson
New Mexico Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505
(505) 476-3491

=====
-----Original Message-----
From: Bob Lang [mailto:bobl@chaparralenergy.com]
Sent: Wednesday, October 09, 2002 2:33 PM
To: Bill Olson (E-mail)
Cc: Bob Kelly
Subject: South Langlie Jal Unit

Bill,
I've tried to call you, but I am being told your number is no longer any good. I did leave a message on your cell phone, but I'm not sure it's your number anymore. Your name never came up on the recording. Hopefully, you still have this for an email address.

We have some questions regarding the Stage I Abatement Plan. After we have finished our field work, modeling and report writing, how long will it take your office to approve/disapprove our findings/recommendations? 30 Days? 90 days? We are still trying to deal with Clay on damages, right of entry, etc. Right now he wants, on top of everything else, about \$250/acre/month, starting 1 November 2002, for all the surface we "damage" while drilling our test wells, removing contaminated soils, planting seed, etc. If your office cannot get us an answer until after Christmas, we see no reason to pay him this for a month or two or three if nothing is happening to his surface. We do not want to agree to something this expensive, thus we are trying to get a feel for how long it will take to get an answer back from the NMOCD plus determine how long before we actually start work after we hear from you.

Any help you can give is appreciated.

Bob Lang
Environmental, Health & Safety Manager
(405) 478-8770 Ext. 1130 (O)
(405) 478-4162 (F)

bobl@chaparralenergy.com <<mailto:bobl@chaparralenergy.com>>

Clay & Jeri Osborn
11 Rocky Top Lane
P.O. Box 1215
Jal, NM 88212
Phone 505.395.2510
Fax 505.395.1676
E-Mail clayjeri.osborn@worldnet.att.net

Rocky Top Ranch

Fax

To: Mrs. Lori Wrotenberg	From: Clay Osborn
Fax: 505.476.3462	Pages: 3
Phone: 505.476.3460	Date: 8/10/2002
Re: Chaparral Energy E-Mail	CC:

Urgent For Review Please Comment Please Reply Please Recycle

• **Comments:**

Clay Osborn
11 Rocky Top Lane
P.O. Box 1285
Jal, NM 88252
Phone 505.395.2510

August 10, 2002

Reference: Chaparral E-Mail

Ms Lori Wrotenbery
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 78505

Dear Ms Wrotenbery:

I called Mr. Bob Kelly with Chaparral Energy Inc. 8/9/2002 at 8:15 A.M. He was not at his desk so I left him a voice mail message. I received E-Mail from him at 9:06 A.M. the same day; this is the first correspondence I have received from Chaparral since June 4, 2002.

I am not sure I understand the implications made in the last sentence of his E-Mail. It would appear that Mr. Kelly has knowledge we are not aware of or he is trying to force Chaparral's unacceptable terms on us. If a mutually acceptable agreement is not reached is it going to be the NMOCD policy to grant extensions until we do accept their terms?

Ms Wrotenbery I have revised a Surface Damage Agreement to Chaparral Energy that is fair to both parties and would allow Chaparral Energy to put their groundwater-monitoring wells in and do their core testing of all sites within the entire Unit before any compensation to us would have to be paid. This will allow the Stage I investigation report to be received by the NMOCD in a timely matter.

Thank you for all your help. If I can do anything to help please let me know.

Regards,



Clay Osborn
Enclosure (1)

Clay & Jeri Osborn

From: "Bob Kelly" <bobk@chaparralenergy.com>
To: "Clay & Jeri Osborn" <clayjeri.osborn@worldnet.att.net>
Sent: Friday, August 09, 2002 9:06 AM
Subject: Agreement

Mr. Osborn,

We are still willing to have the water line laid to your house. However, we are not interested in paying any portion of monthly water bill. We feel that we are being very generous considering the short time we have been the operator of this unit. We believe that we have been a good operator and have promptly reacted.

If you are agreeable to our proposed terms covering the surface use, water line and the core testing, we are ready to finalize an agreement and begin the surface testing. The NMOCD has granted an extension until 10-31 recognizing that they do not have authority to force you to allow entry for testing. If we can't reach a mutually acceptable agreement by then, they will grant another extension until we do.

Thank you for your assistance.

Bob Kelly



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor
Betty Rivera
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

August 5, 2002

CERTIFIED MAIL

RETURN RECEIPT NO: 7001-1940-0004-7923-0513

Mr. Robert C. Lang IV
Chaparral Energy, Inc.
701 Cedar Lake Blvd.
Oklahoma City, Oklahoma 73114-7806

**RE: STAGE 1 ABATEMENT PLAN PROPOSAL (AP-18)
SOUTH LANGLIE JAL UNIT
JAL, NEW MEXICO**

Dear Mr. Lang:

The New Mexico Oil Conservation Division (OCD) has reviewed Chaparral Energy, Inc.'s (Chaparral) July 9, 2002 correspondence titled "SOUTH LANGLIE JAL UNIT (AP-18)". This document requests an extension of the July 31, 2002 deadline for submission of a Stage 1 investigation report of the extent of contamination related to Chaparral's South Langlie Jal Unit located in portions of Sections 7, 8, 17 and 18 of Township 25 South, Range 37 East, Lea County, New Mexico.

The OCD is concerned that contaminated ground water on the South Langlie Jal Unit has impacted a private domestic water well. It is imperative that investigations be conducted to determine the source of this contamination.

The OCD grants Chaparral an extension of the Stage 1 report submission deadline. Chaparral shall complete the necessary field work and submit the Stage 1 investigation report to the OCD by October 31, 2002. Failure to submit the report by this deadline will result in the case being referred to a Division hearing for further action.

If you have any questions, please contact Bill Olson at (505) 476-3491.

Sincerely,

A handwritten signature in cursive script, appearing to read "Roger C. Anderson".

Roger C. Anderson
Environmental Bureau Chief

RCA/wco

cc: Chris Williams, OCD Hobbs District Office
Mary C. Claiborne, Mayor, City of Jal
Clay Osborn
Carroll H. Leavell
Darrell E. Bailey
Darrold E. Stephenson & JoAn R. Stephenson

9 July 2002

New Mexico
Energy, Minerals and Natural Resources Department
Oil Conservation Division
Attn: William C. Olson
1220 St. Francis Drive
Santa Fe, New Mexico 87505

RECEIVED

JUL 15 2002

ENVIRONMENTAL BUREAU
OIL CONSERVATION DIVISION

Re: South Langlie Jal unit (AP-18)

Dear Mr. Olson:

This letter is to inform the State of New Mexico Oil Conservation Division that Chaparral Energy Inc. has not yet reached a mutually acceptable surface damage agreement with the surface owner, Mr. Clay Osborn. Negotiations will continue between our office and Mr. Osborn, but until the agreement is signed, Chaparral Energy Inc. is precluded from moving any heavy equipment onto the property in order to meet the objectives of our Stage 1 Abatement Plan.

The State of New Mexico had given Chaparral Energy Inc. until the end of July 2002 to gather the necessary data, process the information and write a full report on what was found and what needed to be done next. In that we cannot obtain the information within this time period we hereby request an extension of time to write the required report. When this report can be completed is totally unknown. It will depend on when a satisfactory written agreement can be signed with Mr. Osborn and then when we can obtain the services of the third-party contractor's heavy equipment. At the present time it appears the drilling rigs we had planned to use will not be available until late September 2002 at the earliest.

We will keep you informed as to our progress in negotiating with the landowner as well as when we can get in to do the work.

Sincerely,



Robert C. Lang IV, REM, CEA
Environmental, Health & Safety Manager



OIL CONSERVATION DIV.
02 JUN 14 PM 12:37

11 June 2002

Mr. William C. Olson
New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Re: South Langlie Jal Unit (AP-18)

Dear Bill:

This letter is to inform the State of New Mexico Oil Conservation Division that we were unable to start the first phase of our Abatement Plan on this unit as initially planned. Despite months of good faith negotiations we still do not have a surface damage or a long term use agreement with Mr. Osborn. To move in and start the necessary investigative work without these agreements would not be prudent for any lease operator. Chaparral is still attempting to find common ground with Mr. Osborn.

Chaparral Energy Inc.'s environmental consultant, Whole Earth Environmental, was to have started drilling investigative bore holes and monitoring wells on Monday, 10 June 2002, but they were told to wait until such time as an agreement can be reached. According to Mr. Mike Griffin, President of Whole Earth Environmental, it may be early August before his group can return to the site and start work. Hopefully, it will be sooner than that. Accordingly, Chaparral is not requesting an extension of time to complete this phase of the plan until we know for certain that Whole Earth cannot make the 31 July 2002 deadline. Should it come to pass that an agreement cannot be reached, or that Whole Earth cannot be on site any earlier than August, Chaparral will let your Division know of the problems and request an extension as dictated by the facts of the case.

Should you require anything further, please let me know.

Sincerely,



Robert C. Lang IV, REM, CEA
Environmental, Health & Safety Manager

cc: Chris Williams, Hobbs Office



Olson, William

From: Olson, William
Sent: Tuesday, June 11, 2002 10:05 AM
To: 'Bob Lang'
Subject: South Langlie Jal Unit Delay (AP-18)

Bob,

Due to the problems with access to do the site work, if you come up on the deadline for submission of the Stage 1 Investigation Report you will need to submit a request for an extension of deadline. Please include in the request the reasons for the extension.

Sincerely,

William C. Olson
New Mexico Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505
(505) 476-3491

=====

-----Original Message-----

From: Bob Lang [mailto:bobl@chaparralenergy.com]
Sent: Tuesday, June 11, 2002 8:55 AM
To: Bill Olson (E-mail)
Cc: Chris Williams (E-mail)
Subject: South Langlie Jal Unit Delay

Bill,

I have been told we still do not have an agreement with Clay Osborn regarding surface damages while conducting coring and monitoring well drilling, annual cost for monitoring wells, annual cost for oil, gas and injection wells, annual costs for tank battery locations, ROW damages when putting in a water line from the city to his house (at our expense) and monthly payments to cover his city water bill. Other than that, we are free to come in and get started with the Abatement Plan.

I have had to flag off Mike Griffin. He was to go in yesterday to start work, but without those agreements we can not let him do his work. Now it appears it may be late July to early August before he can get back to us. I will write you a formal letter to this affect just as soon as I know the full details of the holdups (delays).

I apologize for the delay, but it is out of my hands.

Bob Lang
Environmental, Health & Safety Manager
(405) 478-8770 Ext. 1130 (O)
(405) 478-4162 (F)

bobl@chaparralenergy.com <mailto:bobl@chaparralenergy.com>

cc: Chris Williams, Hobbs Office

Olson, William

From: Bob Lang [bobl@chaparralenergy.com]
Sent: Friday, June 07, 2002 10:23 AM
To: Mike Griffin (E-mail)
Cc: Bill Olson (E-mail)
Subject: South Langlie Jal Unit

Mike,

I just spoke (again) with Bob Kelly, Corporate Counsel. We do NOT have an agreement with Clay Osborn and we cannot start doing anything on his property until we do. DO NOT start work on the South Langlie Jal Unit this Monday. As soon as I am told we can move in I'll call you and send an email. Sorry for the delay (again), but this is not in my hands.

Bob Lang
Environmental, Health & Safety Manager
(405) 478-8770 Ext. 1130 (O)
(405) 478-4162 (F)

bobl@chaparralenergy.com <mailto:bobl@chaparralenergy.com>



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Betty Rivera
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

April 25, 2002

CERTIFIED MAIL

RETURN RECEIPT NO: 7001-1940-0004-3929-7235

Mr. Robert C. Lang IV
Chaparral Energy, Inc.
701 Cedar Lake Blvd.
Oklahoma City, Oklahoma 73114-7806

**RE: STAGE 1 ABATEMENT PLAN PROPOSAL (AP-18)
SOUTH LANGLIE JAL UNIT
JAL, NEW MEXICO**

Dear Mr. Lang:

The New Mexico Oil Conservation Division (OCD) has completed a review of the following Chaparral Energy, Inc. (Chaparral) documents:

- April 12, 2002 "STAGE 1 ABATEMENT PLAN PROPOSAL (AP-18), SOUTH LANGLIE JAL UNIT, JAL, NEW MEXICO".
- February 28, 2002 correspondence titled "STAGE 1 ABATEMENT PLAN, FOR THE SOUTH LANGLIE JAL UNIT CONSISTING OF PORTIONS OF SECTIONS 7, 8, 17 & 18, TOWNSHIP 25 SOUTH – RANGE 37 EAST, LEA COUNTY, NEW MEXICO" and accompanying February 2, 2002 "STAGE 1 ABATEMENT PLAN FOR THE SOUTH LANGLIE JAL UNIT CONSISTING OF PORTIONS OF SECTIONS 7, 8, 17 & 18, TOWNSHIP 25 SOUTH – RANGE 37 EAST, LEA COUNTY, NEW MEXICO".

The above documents contain Chaparral's amended proposed Stage 1 abatement plan for investigation of the extent of contamination related to Chaparral's South Langlie Jal Unit located in portions of Sections 7, 8, 17 and 18 of Township 25 South, Range 37 East, Lea County, New Mexico. These amended documents replace Chaparral's prior Stage 1 Abatement Plan Proposal for the South Langlie Jal Unit. The OCD has also reviewed a series of public comments and investigation documents related to Chaparral's Stage 1 investigation proposal.

The Stage 1 Abatement Plan Proposal, as contained in the above-referenced documents, is approved with the following conditions:

1. Chaparral shall investigate the extent of soil contamination at each of the sites identified in the amended Appendix F contained in Chaparral's April 12, 2002 correspondence.
2. In addition to the ground water monitoring wells proposed, Chaparral shall install ground water monitoring wells directly adjacent to and hydrologically downgradient of the following sites:
 - a. Winters "E" Tank Battery.
 - b. Winters "C" Tank Battery.
 - c. Gutman Lease Flare Pit.
 - d. The produced water release sites at the Injection Facility.
 - e. The source of the produced water pipeline leak between SLJU #9 and SLJU well #13.
 - f. At the site of temporary "Well #3" as shown on Appendix A.10 in Chaparral's February 2, 2002 "STAGE 1 ABATEMENT PLAN FOR THE SOUTH LANGLIE JAL UNIT CONSISTING OF PORTIONS OF SECTIONS 7, 8, 17 & 18, TOWNSHIP 25 SOUTH – RANGE 37 EAST, LEA COUNTY, NEW MEXICO."
3. Chaparral shall complete all monitor wells as follows:
 - a. At least 15 feet of well screen shall be placed across the water table interface with at least 5 feet of well screen above the water table and 10 feet of well screen below the water table.
 - b. An appropriately sized gravel pack shall be set in the annulus around the well screen from the bottom of the hole to 2-3 feet above the top of the well screen.
 - c. A 2-3 foot bentonite plug shall be placed above the gravel pack.
 - d. The remainder of the hole shall be grouted to the surface with cement containing 3-5% bentonite.
 - e. A concrete pad and locking well cover shall be placed around the well casing at the surface.
 - f. The well shall be developed after construction using EPA approved procedures.

4. No less than 24 hours after the wells are developed, ground water from all monitor wells shall be purged, sampled and analyzed for concentrations of benzene, toluene, ethylbenzene, xylene (BTEX), major cations and anions, total dissolved solids (TDS) and New Mexico Water Quality Control Commission (WQCC) metals using EPA approved methods and quality assurance/quality control (QA/QC) procedures.
5. Ground water samples from all pre-existing site monitor wells and private water wells within one mile and surface water samples from the small pond next to the Osborn's home shall be obtained and analyzed for concentrations of BTEX, major cations and anions, TDS and WQCC metals using EPA approved methods and QA/QC procedures.
6. All wastes generated shall be disposed of at an OCD approved facility.
7. A report on the investigations shall be submitted to the OCD Santa Fe Office by July 31, 2002 with a copy provided to the OCD Hobbs District Office. The report shall contain:
 - a. A description and discussion of all investigation actions and results as well as conclusions and recommendations.
 - b. Summary tables of all soil/waste and water quality sampling results including copies of laboratory analytical data sheets and associated QA/QC data.
 - c. Site maps showing the locations of all soil/waste sampling points, boreholes, monitor wells, ponds, private water wells with one mile of the unit and all relevant site features such as locations of all current and former production wells, injection wells, gathering systems, pipelines, tank batteries, disposal or storage pits and spill areas.
 - d. A ground water potentiometric map created using the water table elevations from all monitor wells and private wells within one mile of the site. The map will show the direction and magnitude of the hydraulic gradient.
 - e. Geologic/lithologic logs and well completion diagrams for each borehole and monitor well.
 - f. Soil and ground water isopleth maps for contaminants of concern such as BTEX, chloride, TDS and other significant contaminants found during the investigations.
 - g. A listing of all sites on the unit previously remediated under Chaparral's lease/well site cleanup program, a map showing their locations, a description of the cleanup activities which occurred, the nature of the remediation, and the results of all soil sampling conducted at the sites.
 - h. The disposition of all investigation derived wastes.
 - i. Any other information pertinent to the investigations.

8. The OCD defers comment on the proposed long term ground water monitoring program until the OCD has an opportunity to review an investigation report on the site.
9. Chaparral shall notify the OCD at least 24 hours in advance of all scheduled activities such that the OCD has the opportunity to witness the events and split samples.

Please be advised that OCD approval does not limit Chaparral to the proposed work plan should the investigation actions fail to adequately define the extent of contamination, or if contamination exists which is outside the scope of the work plan. In addition, OCD approval does not relieve Chaparral of responsibility for compliance with any other federal, state or local laws and regulations.

If you have any questions, please contact Bill Olson at (505) 476-3491.

Sincerely,



Roger C. Anderson
Environmental Bureau Chief

RCA/wco

cc: Chris Williams, OCD Hobbs District Office
Mary C. Claiborne, Mayor, City of Jal
Clay Osborn
Carroll H. Leavell
Darrell E. Bailey
Darrold E. Stephenson & JoAn R. Stephenson

12 April 2002

New Mexico
Energy, Minerals and Natural Resources Department
Oil Conservation Division
Attn: William C. Olson
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

RECEIVED

APR 12 2002

ENVIRONMENTAL BUREAU
OIL CONSERVATION DIVISION

Re: Stage 1 Abatement Plan Proposal (AP-18)
South Langlie Jal Unit
Jal, New Mexico

Dear Mr. Olson:

This letter and the attached documents are submitted by Chaparral Energy Inc. in response to your letter of 21 March 2002 to supplement our Stage 1 Abatement Plan for the South Langlie Jal Unit.

1. The "Well Spot Map" in appendix A.7 now has an index for map symbols as part of the A.7 cover page. See attached cover page and map.
2. The "Pipeline Map" in appendix A.8 now has an index for map symbols as part of the A.8 cover page. The map has labels naming the type and size of each flowline known to us. Other lines are known to exist, but Chaparral has no exact knowledge of their exact location, size and use due to the fact this data was not turned over to us by the previous operator. When this investigation gets underway attempts will be made to properly locate and identify each line. See attached cover page and map.
3. The "Map Showing Documented Release Sites" in appendix A.9 now has an index for map symbols as part of the A.9 cover page. The Winters, Henderson and Gutman battery sites are now marked and labeled on the map. See attached cover page and map.
4. Appendix F Table now includes the Winters Tank Battery sites and the Gutman Lease Tank Battery Flare Pits. See attachment.
5. The SESI Site #9 is the same site listed in Appendix F, Site No. 1-7. The CERI sampling site is the same site listed in Appendix F, Site No. 1-18. Appendix F has been annotated to reflect this information.
6. Paragraph 2.4.5 indicted a possibility that local groundwater flow from the golf course migrated in a northerly direction. This was based on conversations we have had with local environmental company personnel, field inspectors from the Hobbs office of the NMOC and a physical inspection of the land surface by the undersigned. It is not based on actual drilling, groundwater mapping or sampling of groundwater. Whether or not this direction of migration is accurate remains to be determined.



7. Attached to this letter are copies of all mechanical integrity testing (MIT) charts in our possession. Also attached are copies of correspondence between the NMOCD and Chaparral Energy Inc. concerning well inspections and the temporary abandonment (TA) of several wells. Chaparral Energy Inc. is in the planning stages for plugging and abandoning three wells, namely the SLJU #1, G-7-25S-37E (Form C-103 to be submitted soon), SLJU #10, M-8-25S-37E, and the SLJU #16, G-18-25S-37E (See attached charts and Forms C-103). The reason Chaparral Energy Inc. is plugging these three wells is that they are no longer needed as part of the water flood and neither appears to have commercial zones behind casing.

Should you have any further questions, please feel free to contact me at (405) 478-8770 Ext. 1130 (O), (405) 850-2732 (C), or (405) 47804162 (F).

Sincerely,



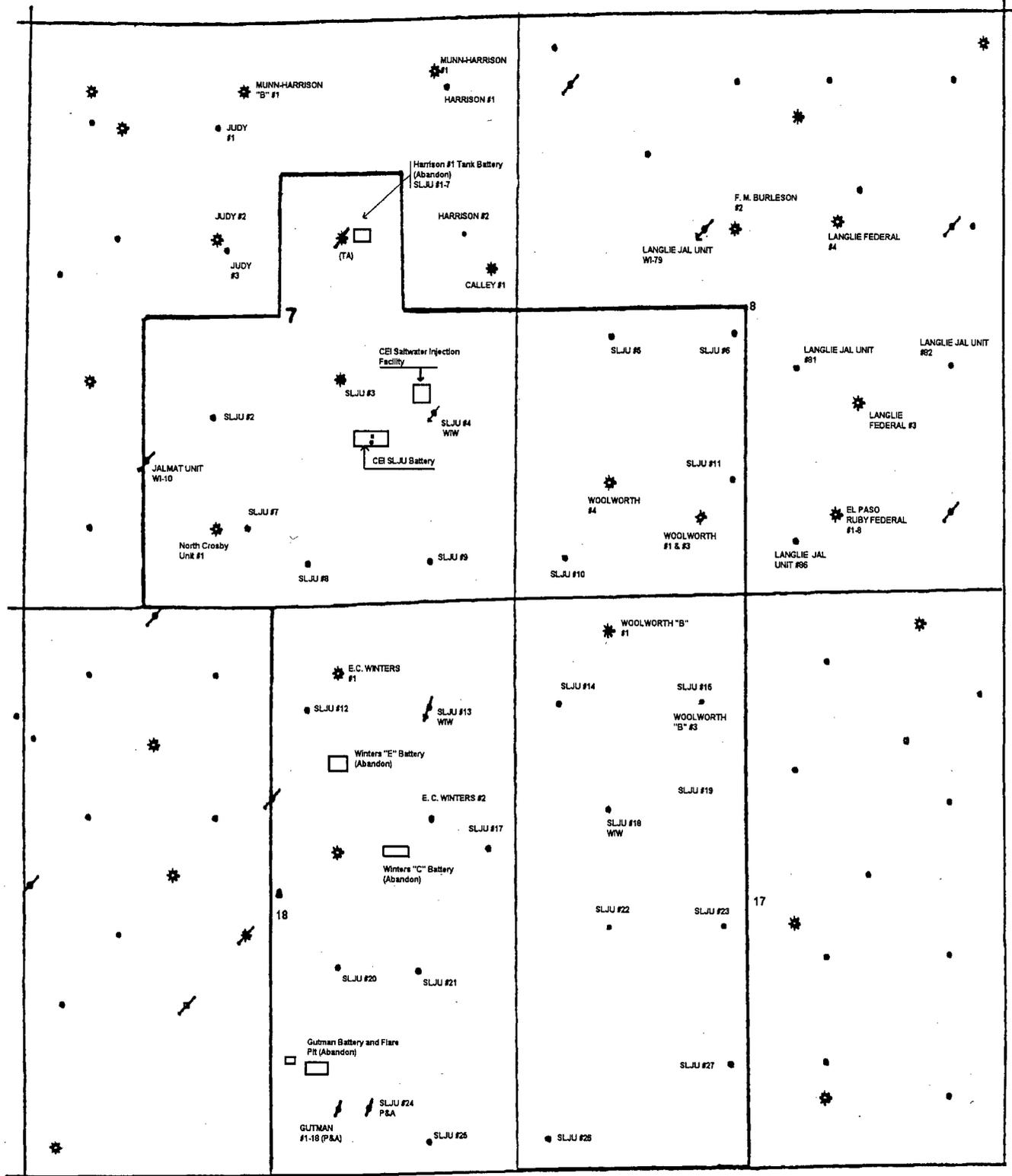
Robert C. Lang IV, REM, CEA
Environmental, Health & Safety Manager

cc: Chris Williams, OCD Hobs District Office

A.7 Well Spot Map showing the location of all known oil and gas wells, water injection wells, tank batteries and pits.

Index of Map Symbols For Attached Map

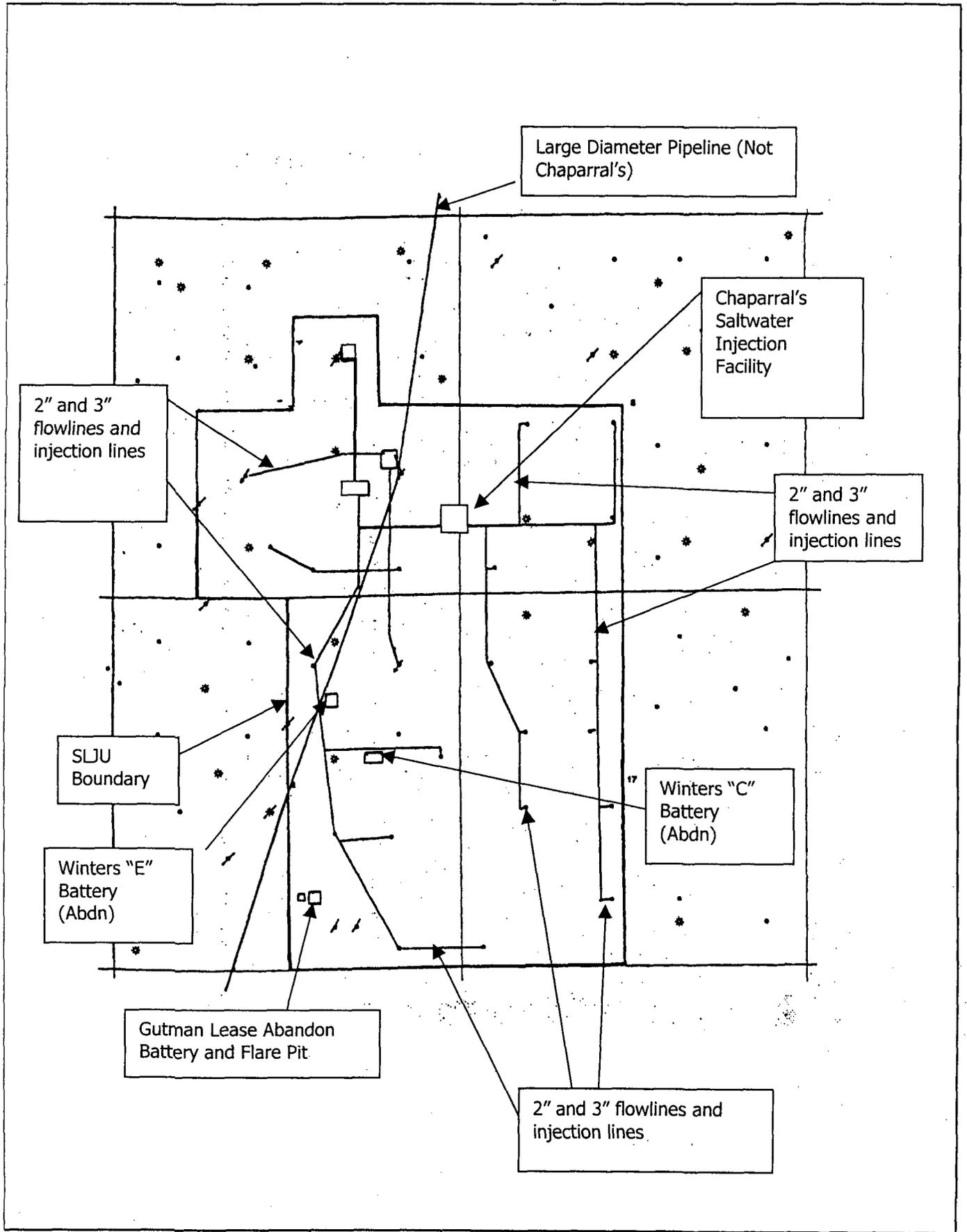
- Producing Oil Well
- ⊛ Producing Gas Well
- Producing Oil and Gas Well
- Injection Well
- Plugged and Abandon Oil Well
- ⊛ Plugged and Abandon Gas Well
- Tank Battery Site, Building, etc.
- Pipeline, flowline, gathering line, etc.



A.8 *Pipeline Map showing all known pipelines, flowlines and injection lines.*

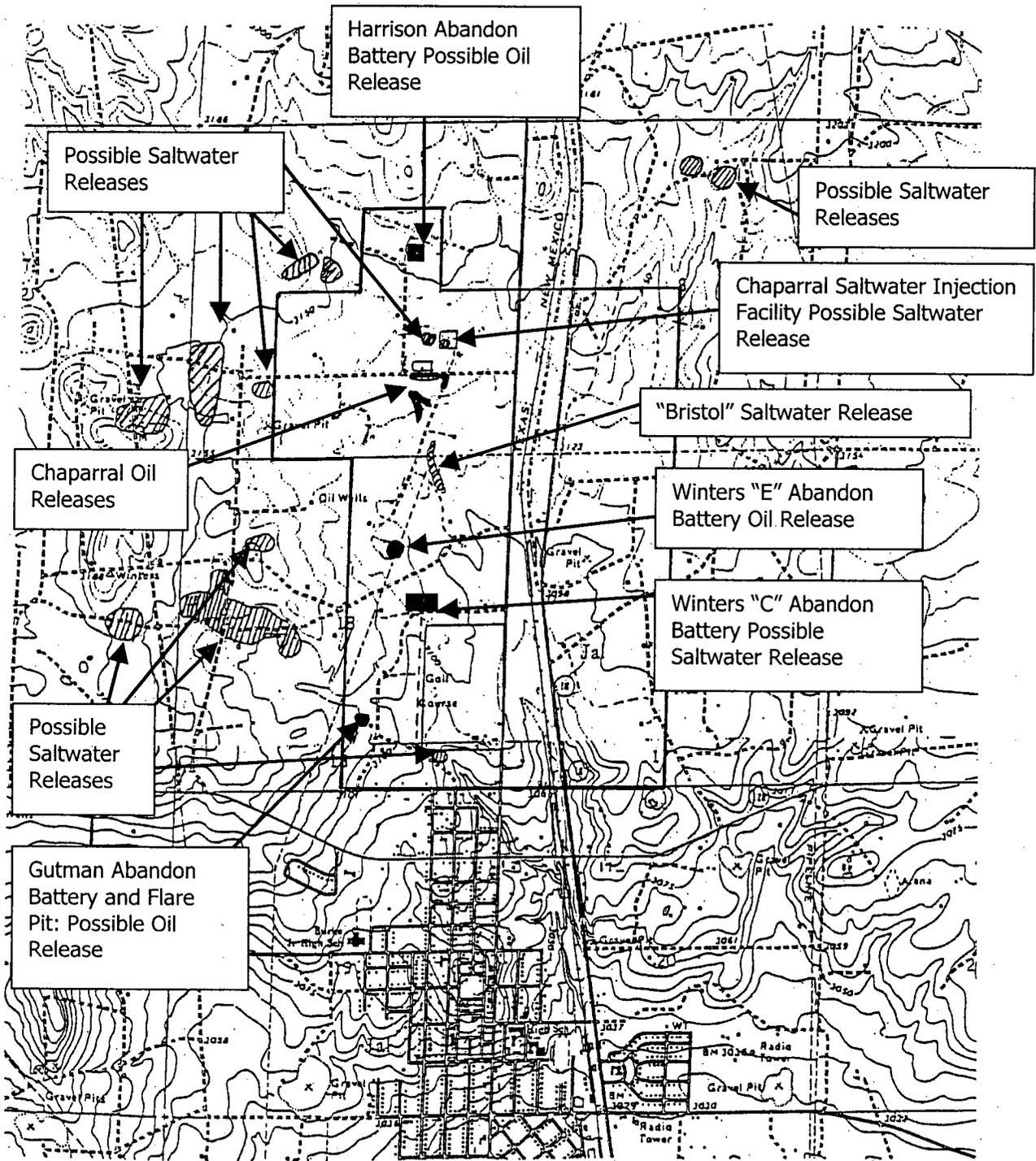
NOTE: Map is based on memory and aerial photos. May not be entirely accurate. On the ground investigation will determine actual ROW for all pipelines, flowlines and injection lines. A new map may be made as new lines or correct ROW's are found.

- Producing Oil Well
- ⊛ Producing Gas Well
- Producing Oil and Gas Well
- Injection Well
- Plugged and Abandon Oil Well
- ⊛ Plugged and Abandon Gas Well
- Tank Battery Site, Building, etc.
- Pipeline, flowline, gathering line, etc.



A.9 *Map showing documented release sites.*

- Producing Oil Well
 - ⊗ Producing Gas Well
 - Producing Oil and Gas Well
 - Injection Well
 - Plugged and Abandon Oil Well
 - ⊗ Plugged and Abandon Gas Well
 - Tank Battery Site, Building, etc.
 - Pipeline, flowline, gathering line, etc.
 - Flare Pit
-  Approximate location of a saltwater release
(Alleged or actual)
-  Approximate location of a crude oil release
(Alleged or actual)



APPENDIX F

TABLE OF DOCUMENTED RELEASE SITES

Site No.	Site Name Location	Release Date, Item and Released/Volume
1-7	100' west of Saltwater Injection Facility 100' W SW SE SE Sec. 7-T25S-R37E 1810 FSL & 1200 FEL	Date and volumes unknown. Possible saltwater release. SESI Site #9.
2-7	Saltwater Injection Facility SW SE SE Sec. 7-T25S-R37E 1790 FSL & 1075 FEL	15 January 1999, 10 April 1999, 19 April 1999, 3 July 1999, 17 July 1999 Saltwater reportedly was released. Volumes not reported. SESI Site #8.
3-7	Chaparral Energy Inc. Tank Battery (Operational) S/2 S/2 N/2 SE Sec. 7-T25S-R37E 1525 FSL & 1310 FEL	19 May 2001. Lost appx'ly 60 bbls of crude oil onto roadway south of tank battery. SESI Site #7.
4-7	Pipeline leak NW of the SLJU #9 and south of the tank battery. W/2 SE SE Sec. 7-T25S-R37E 600 FSL & 1050 FEL	2 February 2001 Approximately 7.5 barrels of oil and saltwater released. SESI Site #8?.
1-18	Pipeline leak between SLJU #9 and SLJU #13 W/2 NE NE Sec. 18-T25S-R37E 600 FSL & 1050 FEL	10 January 1999. Unreported volume of saltwater released. SESI Site #4?
2-18	SLJU #25 SW SE SE Sec. 18-T25S-R37E 2310 FSL & 990 FWL	10 August 1999. Unknown volume (TSTM) of emulsion released from broken flowline.
3-18	Winters "E" Battery NW NE SW NE Sec. 18-T25S-R37E 1200 FSL & 1900 FEL	Unknown date. Abandon tank battery location with heavy, viscous oil mixed into the soil. SESI Site #1.
4-18	Winters "C" Battery SE SE SW NE Sec. 18-T25S-R37E 330 FSL & 1350 FEL	Unknown date. Abandon tank battery location with a possible saltwater release in the past. SESI Site #2.
5-18	Gutman Lease Battery NW SW SE Sec. 18-T25S-R37E 1200 FSL & 330 FWL	Unknown date. Abandon tank battery and flare pit with traces of an oil release. Possible, but not confirmed, saltwater release site. SESI Site #3.

2.4.5 DIRECTION OF CONTAMINATE MIGRATION

Previous borings and measurements appear to indicate groundwater is moving to the southeast, possibly from the hills located north and west of Jal, New Mexico. This flow crosses the unit and would cause contamination from sources north and west of the unit to pass underneath the property of the surface owner and the City of Jal, New Mexico. After conversations with Cornerstone Environmental Resources, Inc., Whole Earth Environmental, Inc., and NMOCD personnel, there is a possibility local groundwater flows will go in a different direction over a limited area due to near-surface impermeable strata, hills, etc. It appears this may possibly be the case along the north edge of the golf course where there is indications surface and groundwater flow is down-gradient to the north and northwest, towards the Osborn home. Surface geology and topographic map reconnaissance tends to support this idea, but no mapping has been located to confirm or deny it. The proposed test and monitoring wells, as well as use of local water wells should help confirm the general direction of groundwater flow, including north of the golf course. In order to determine the direction of groundwater flow, all existing water wells used in this survey and all new wells put in by Chaparral shall be surveyed in, accurately spotted on a USGS Topographic Map and from this an accurate direction of groundwater flow and contaminate migration determined.

APPENDIX K

**Mechanical Inspection
And
Related Reports**



NEW MEXICO ENERGY, MINERALS and
NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Betty Riverz
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

RECEIVED MAR 1 2002

18-Feb-02

CHAPARRAL ENERGY, INC.
701 CEDAR LAKE BLVD
OKLAHOMA CITY, OK 73114

Dear Operator:

The following inspection(s) indicate one or more violations as described in the detail section below. The inspection(s) indicates that the well, equipment, location or operational status failed to meet standards of the New Mexico Oil Conservation Division. To comply with standards imposed by Rules and Regulations of the Division, corrective action must be taken immediately and the situation brought into compliance. The detail section below indicates preliminary findings and/or probable nature of the violation. This determination is based on an inspection of your well or facility by an inspector employed by the Oil Conservation Division.

Please notify the proper district office of the Division of the date corrective actions are scheduled to be made so that arrangements can be made to reinspect the well and/or facility.

INSPECTION DETAIL SECTION

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
01/02/2002	Routine/Periodic	E.L. Gonzales	Yes	No	4/7/2002	ELG020023824

Comments on Inspection: THIS WELL IS AN INJ. & IT LOOKS LIKE IT HAS BEEN SA/A LONGTIME. I/ST. LETTER ELG

Thank you for your prompt attention to this matter and your efforts in helping to protect our environment and the infrastructure of the oil and gas industry.

Sincerely,

Chris Williams
Chris Williams, District I Supervisor

Note: Information in Detail Section comes directly from field inspector data entries - not all blanks will contain data.
*Significant Non-Compliance events are reported directly to the EPA, Region VI, Dallas, Texas.

Submit 3 Copies To Appropriate District Office
 District I
 1625 N. French Dr., Hobbs, NM 88240
 District II
 811 South First, Artesia, NM 88210
 District III
 1000 Rio Brazos Rd., Aztec, NM 87410
 District IV
 2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
 Energy, Minerals and Natural Resources

Form C-103
 Revised March 25, 1999

OIL CONSERVATION DIVISION
 2040 South Pacheco
 Santa Fe, NM 87505

WELL API NO. 30-025-11484
5. Indicate Type of Lease STATE <input type="checkbox"/> FEE <input checked="" type="checkbox"/>
6. State Oil & Gas Lease No. 408175
7. Lease Name or Unit Agreement Name: SOUTH LANGLIE JAL UNIT
8. Well No. #8
9. Pool name or Wildcat JAL TANSILL YATES 7 RIVERS

SUNDRY NOTICES AND REPORTS ON WELLS
 (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)

1. Type of Well:
 Oil Well Gas Well Other WATER INJECTION WELL

2. Name of Operator
 CHAPARRAL ENERGY, INC.

3. Address of Operator
 701 CEDAR LAKE BLVD., OKLAHOMA CITY, OK 73114

4. Well Location
 Unit Letter _____ O: 330 feet from the SOUTH line and 2310 feet from the EAST line
 Section 7 Township 25S Range 37E NMPM LEA County
 10. Elevation (Show whether DR, RKB, RT, GR, etc.)
 3126' DF, 3118 TH

11. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO: PERFORM REMEDIAL WORK <input type="checkbox"/> PLUG AND ABANDON <input type="checkbox"/> TEMPORARILY ABANDON <input checked="" type="checkbox"/> CHANGE PLANS <input type="checkbox"/> PULL OR ALTER CASING <input type="checkbox"/> MULTIPLE COMPLETION <input type="checkbox"/> OTHER: <input type="checkbox"/>	SUBSEQUENT REPORT OF: REMEDIAL WORK <input type="checkbox"/> ALTERING CASING <input type="checkbox"/> COMMENCE DRILLING OPNS. <input type="checkbox"/> PLUG AND ABANDONMENT <input type="checkbox"/> CASING TEST AND CEMENT JOB <input type="checkbox"/> OTHER: Mechanical Integrity Test <input checked="" type="checkbox"/>
---	---

12. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompilation.

- PULLED TUBING AND PACKER.
- SET CIBP @ 3190' AND CAPPED WITH 2 SX CEMENT.
- RAN MECHANICAL INTEGRITY TEST ON DECEMBER 5, 2001 AND TUBING-CASING ANNULUS HELD 540 PSIG FOR 30 MINUTES (COPY OF PRESSURE CHART ATTACHED). TEST WAS WITNESSED BY E. L. GONZALES.
- BASED ON SUCCESSFUL MIT TEST, CHANGE IN CLASSIFICATION FROM ACTIVE TO TA STATUS IS REQUESTED.

This Approval of Temporary Abandonment Expires 1/4/07

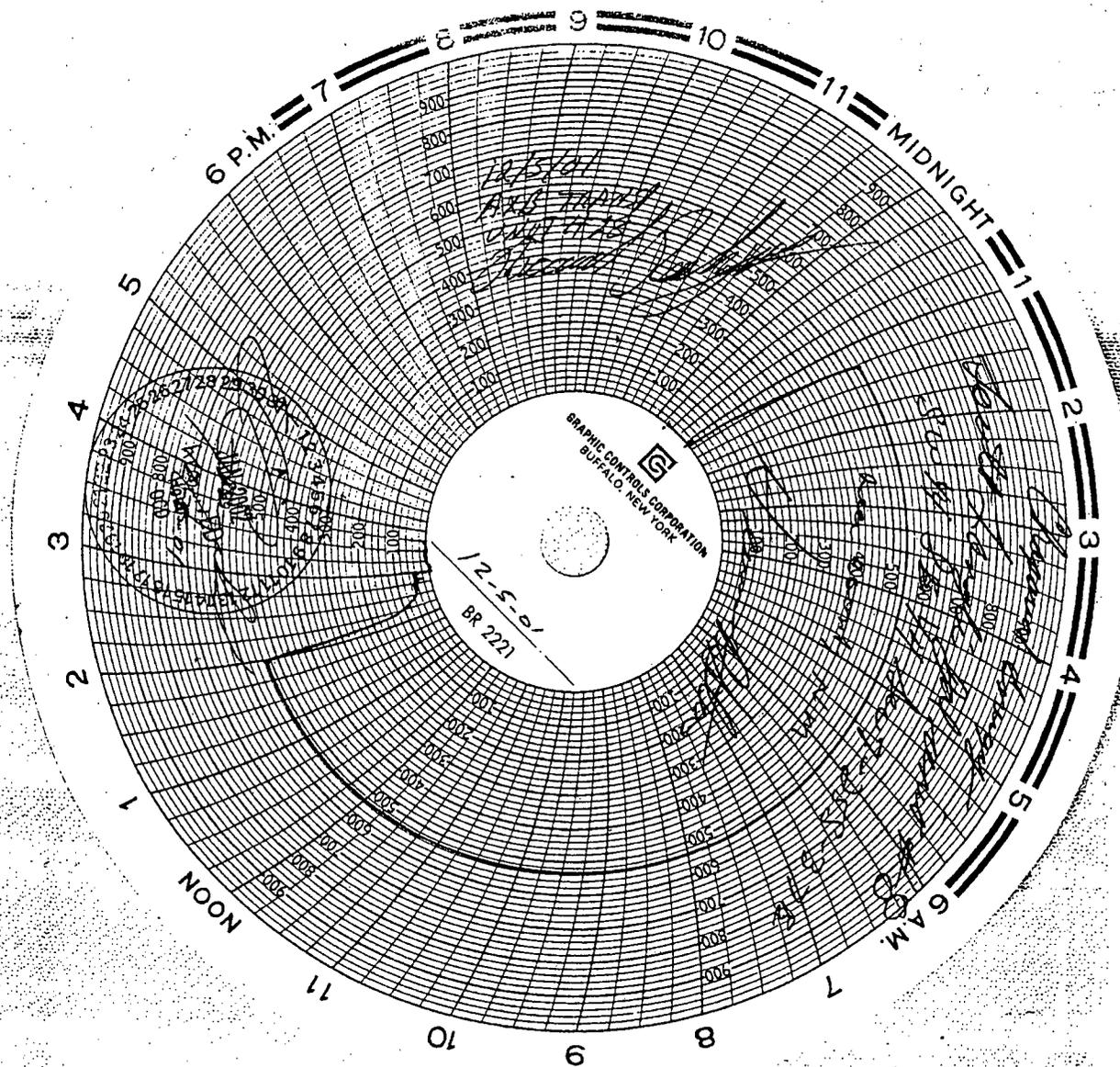


I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE Ralph W. Everett TITLE OPERATIONS ENGINEER DATE 12/27/01

Type or print name RALPH W. EVERETT Telephone No. (405) 478-8770 ext. 1278
 (This space for State use)

APPROVED BY _____ TITLE ORIGINAL SIGNED BY DATE _____
 Conditions of approval, if any: _____
OPERATIONS MANAGER



SLJU#8
 12/5/01

Submit 3 Copies To Appropriate District Office

State of New Mexico
Energy, Minerals and Natural Resources

Form C-103
Revised March 25, 1999

District I
1625 N. French Dr., Hobbs, NM 88240
District II
811 South First, Artesia, NM 88210
District III
1000 Rio Brazas Rd., Aztec, NM 87410
District IV
2040 South Pacheco, Santa Fe, NM 87505

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

WELL API NO. 30-025-11508
5. Indicate Type of Lease STATE <input type="checkbox"/> FREE <input checked="" type="checkbox"/>
6. State Oil & Gas Lease No. 408175
7. Lessee Name or Unit Agreement Name: SOUTH LANGLE JAL UNIT
8. Well No. #10
9. Pool name or Wildcat JAL TANSILL YATES 7 RIVERS

SUNDRY NOTICES AND REPORTS ON WELLS
(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)

1. Type of Well:
Oil Well Gas Well Other WATER INJECTION WELL

2. Name of Operator
CHAPARRAL ENERGY, INC.

3. Address of Operator
701 CEDAR LAKE BLVD., OKLAHOMA CITY, OK 73114

4. Well Location
Unit Letter M : 330 feet from the SOUTH line and 500 feet from the WEST line
Section 8 Township 25S Range 37E NMPM LEA County

10. Elevation (Show whether DR, RKB, RT, GR, etc.)
3129' GR

11. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO: PERFORM REMEDIAL WORK <input type="checkbox"/> PLUG AND ABANDON <input checked="" type="checkbox"/> TEMPORARILY ABANDON <input type="checkbox"/> CHANGE PLANS <input type="checkbox"/> PULL OR ALTER CASING <input type="checkbox"/> MULTIPLE COMPLETION <input type="checkbox"/> OTHER: <input type="checkbox"/>	SUBSEQUENT REPORT OF: REMEDIAL WORK <input type="checkbox"/> ALTERING CASING <input type="checkbox"/> COMMENCE DRILLING OPNS. <input type="checkbox"/> PLUG AND ABANDONMENT <input type="checkbox"/> CASING TEST AND CEMENT JOB <input type="checkbox"/> OTHER: <input type="checkbox"/>
--	---

12. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompilation.

- SET CIBP @ 3250'
- RUN TUBING AND DISPLACE HOLE WITH SALT GEL MUD.
- SPOT CEMENT PLUG FROM 3230' - 3010' (25 SX "C")
- SPOT CEMENT PLUG FROM 2840' - 2600' (25 SX "C")
- SPOT CEMENT PLUG FROM 2440' - 2000' (25 SX "C") - PERF @ 1150/50' IN + DUT - TAG.
- SPOT CEMENT PLUG FROM 96' TO SURFACE (10 SX "C")
- INSTALL A 4" DRY HOLE MARKER

*Perforating not required
Per conversation w/ Gary Wink
@ 11:15 AM, 10-09-01 - RWE*

THE COMPLETION ABOVE IS INDICATED AS
HOLDING POWER TO THE EXTENT OF
PLUGGING OPERATIONS FOR THE CIBP
TO BE APPROVED.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE Ralph W. Everett TITLE OPERATIONS ENGINEER DATE 03/28/01

Type or print name RALPH W. EVERETT Telephone No. (405) 478-8770 - 1278

(This space for State use)
APPROVED BY Gary Wink ORIGINAL SIGNED BY GARY WINK DATE APR 17 2001
Conditions of approval, if any: FIELD NO. 11

OCT-05-01 07:48 From:8152219

15053939758

T-014 P.05/05 Job-502

CHAPARRAL ENERGY, INC.

Well: Langlie Jal Unit , 10 , 959000-
Operator: Chaparral Energy, Inc.
Location: Lea Co., NM
Legal: Sec. 8-259-37E

Diz:

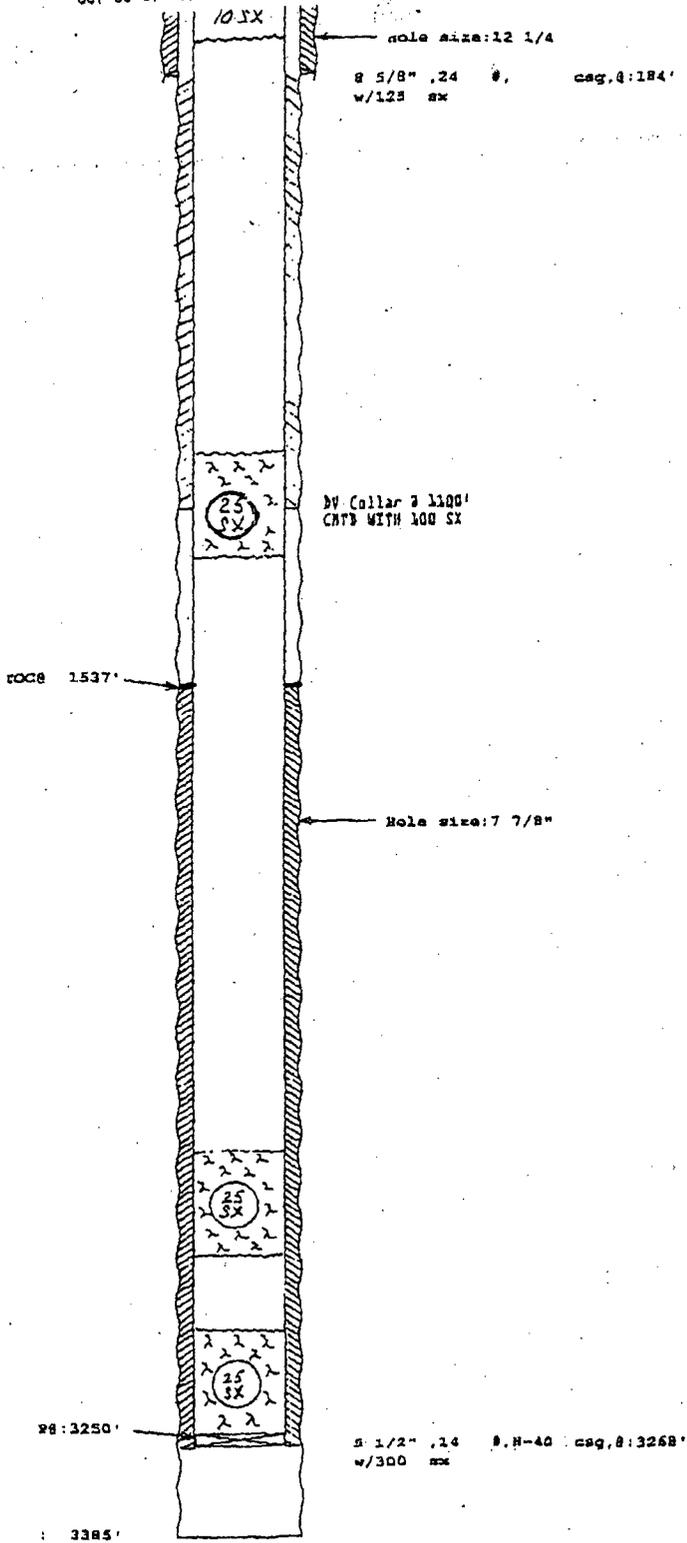
Spud Date:
Drilling Finished:
Completion Date:
First Production:

HISTORY:

Formation Test are:
T. Anhw @ 1072', T. Salt @ 1172', B. Salt @ 2440',
Yates @ 2800', T. Rivers @ 3024', T. Queen @ 3226'.

Proposed Cement Plugs:

1. 25 sx @ 3010' - 3250'
2. 25 sx @ 2600' - 2840'
3. 25 sx @ 3000' - 3240' *1150' - 1050' PERF/TAG*
4. 10 sx @ 74' - Surface.



Input by: Trish
Approved by:
Last Update: 03/28/01

Submit 3 Copies To Appropriate District Office
 District I
 1823 N. French Dr., Hobbs, NM 88248
 District II
 811 South First, Aramis, NM 88216
 District III
 1000 Rio Hondo Rd., Aztec, NM 87410
 District IV
 2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
 Energy, Minerals and Natural Resources

OIL CONSERVATION DIVISION
 2040 South Pacheco
 Santa Fe, NM 87505

Form C-103
 Revised March 25, 1999

SUNDRY NOTICES AND REPORTS ON WELLS (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DEEPER RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)		WELL API NO. 30-025-11647
1. Type of Well: Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other WATER INJECTION WELL		5. Indicate Type of Lease: STATE <input type="checkbox"/> FREE <input checked="" type="checkbox"/>
2. Name of Operator CHAPARRAL ENERGY, INC.		6. State Oil & Gas Lease No. 408175
3. Address of Operator 701 CEDAR LAKE BLVD, OKLAHOMA CITY, OK 73114		7. Lease Name or Unit Agreement Name: SOUTH LANGLEIE IAL UNIT
4. Well Location Unit Letter C 990' feet from the NORTH line and 1980' feet from the WEST line Section 17 Township 25S Range 17E NMPM IBA County		8. Well No. #15
10. Elevation (Show whether DR, RCB, RT, GR, etc.) 3118' DF, 3110' GL		9. Pool name or Wildcat IAL TANSILL YATES 7 RIVERS

11. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO: PERFORM REMEDIAL WORK <input type="checkbox"/> PLUG AND ABANDON <input type="checkbox"/> TEMPORARILY ABANDON <input checked="" type="checkbox"/> CHANGE PLANS <input type="checkbox"/> FULL OR ALTER CASING <input type="checkbox"/> MULTIPLE COMPLETION <input type="checkbox"/> OTHER: <input type="checkbox"/>	SUBSEQUENT REPORT OF: REMEDIAL WORK <input type="checkbox"/> ALTERING CASING <input type="checkbox"/> COMMENCE DRILLING OPNS. <input type="checkbox"/> PLUG AND ABANDONMENT <input type="checkbox"/> CASING TEST AND CEMENT JOB <input type="checkbox"/> OTHER: Mechanical Integrity Test <input checked="" type="checkbox"/>
--	--

12. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work); SEE RULE 1103. For Multiple Completions: Attach wellbore diagrams of proposed completion or recompletion.

1. Run mechanical integrity test on August 16, 2001 and tubing-casing annulus held 550 psig for 30 minutes (copy of pressure chart attached). Test was witnessed by B. Hill with OCD.
2. Based on successful MIT test, change in classification from active to TA status is requested.

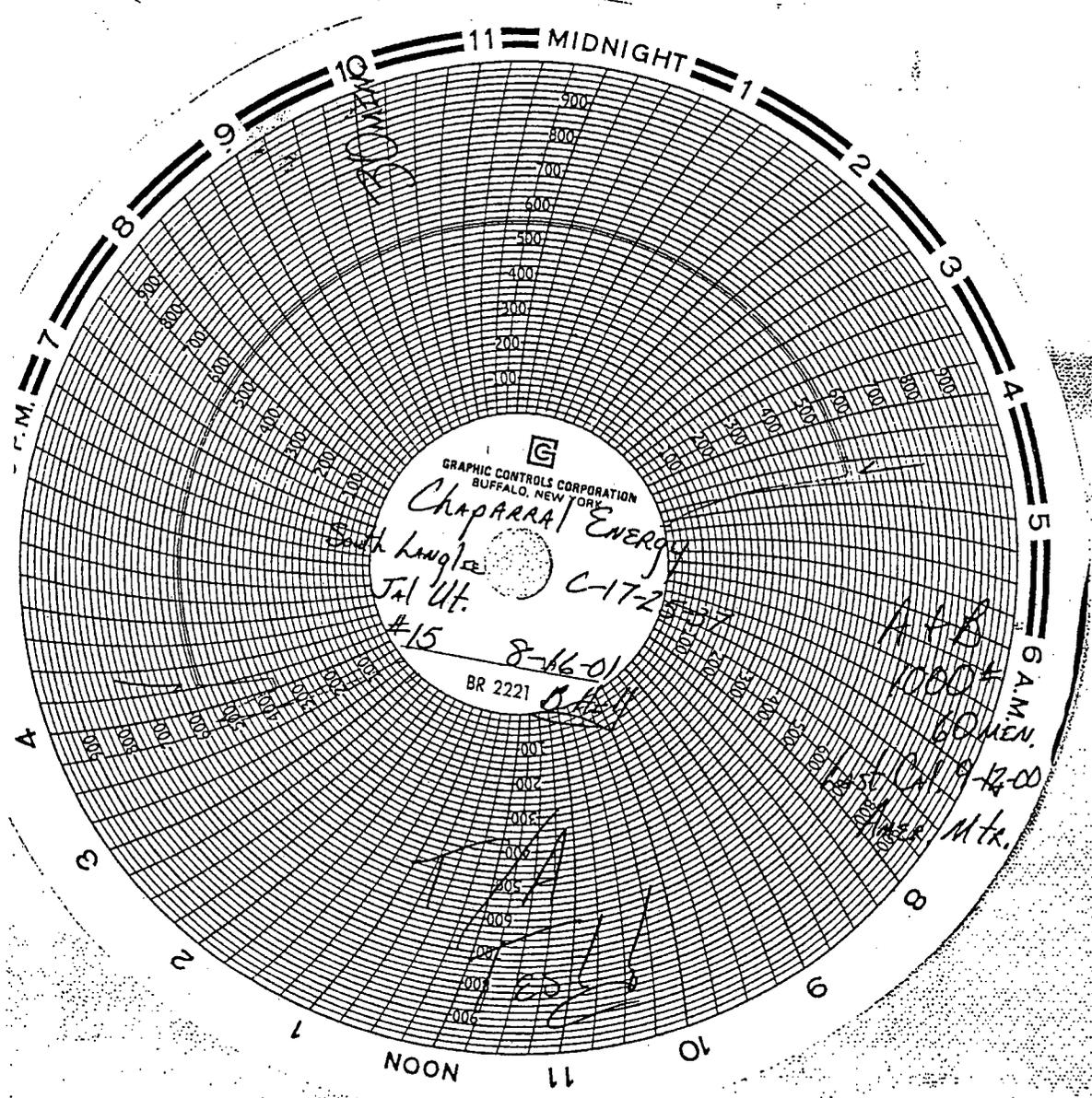
This Approval of Temporary Abandonment Expires 10/10/04

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE Ralph W. Everett TITLE OPERATIONS ENGINEER DATE 09/27/01

Type or print name RALPH W. EVERETT Telephone No. (405) 478-8770 ext. 1278
 (This space for State use)

APPROVED BY _____ TITLE ORIGINAL SIGNED BY GARY W. WINK DATE OCT 16 2001
 Conditions of approval, if any: NATURAL SCIENCE MANAGER - 2



GRAPHIC CONTROLS CORPORATION
BUFFALO, NEW YORK

CHAPARRAL ENERGY

South Longton

Jal Ut.

#15

8-16-01

BR 2221

C-17-2

H.H.B.

WOOD+

60 MEN.

19-12-00

MTR.

6 P.M.

MIDNIGHT

NOON

6 A.M.

Office
 District I
 1625 N. French Dr., Hobbs, NM
 District II
 811 South First, Artesia, NM 88210
 District III
 1000 Rio Brazos Rd., Aztec, NM 87410
 District IV
 2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
 Energy, Minerals and Natural Resources

Form C-103
 Revised March 25, 1999

OIL CONSERVATION DIVISION
 2040 South Pacheco
 Santa Fe, NM 87505

WELL API NO.
 30-025-11614

5. Indicate Type of Lease
 STATE FEE

6. State Oil & Gas Lease No.
 408175

7. Lease Name or Unit Agreement
 Name:
 SOUTH LANGLEIE JAL UNIT

8. Well No.
 #16

9. Pool name or Wildcat
 JAL TANSILL YATES 7 RIVERS

SUNDRY NOTICES AND REPORTS ON WELLS
 (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)

1. Type of Well:
 Oil Well Gas Well Other WATER INJECTION WELL

2. Name of Operator
 CHAPARRAL ENERGY, INC.

3. Address of Operator
 701 CEDAR LAKE BLVD., OKLAHOMA CITY, OK 73114

4. Well Location

Unit Letter _____ G: 2310 feet from the NORTH line and 1980 feet from the EAST line

Section 18 Township 25S Range 37E NMPM LEA County

10. Elevation (Show whether DR, RKB, RT, GR, etc.)
 3115 RKB, 3105 GR

11. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

<p>NOTICE OF INTENTION TO:</p> <p>PERFORM REMEDIAL WORK <input type="checkbox"/> PLUG AND ABANDON <input checked="" type="checkbox"/></p> <p>TEMPORARILY ABANDON <input type="checkbox"/> CHANGE PLANS <input type="checkbox"/></p> <p>PULL OR ALTER CASING <input type="checkbox"/> MULTIPLE COMPLETION <input type="checkbox"/></p> <p>OTHER: <input type="checkbox"/></p>	<p>SUBSEQUENT REPORT OF:</p> <p>REMEDIAL WORK <input type="checkbox"/> ALTERING CASING <input type="checkbox"/></p> <p>COMMENCE DRILLING OPNS. <input type="checkbox"/> PLUG AND ABANDONMENT <input type="checkbox"/></p> <p>CASING TEST AND CEMENT JOB <input type="checkbox"/></p> <p>OTHER: <input type="checkbox"/></p>
--	---

12. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompilation.

1. SET CIBP @ 3041' - TAG

2. RUN TUBING AND DISPLACE HOLE WITH SALT GEL MUD.

3. SPOT CEMENT PLUG FROM 2610' - 3040' (45 SX "C").

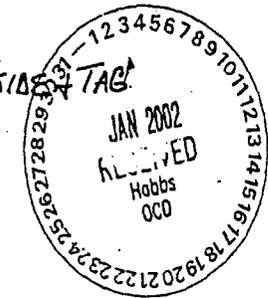
4. SPOT CEMENT PLUG FROM 1100' - 1340' (25 SX "C").

5. SPOT CEMENT PLUG FROM 96' TO SURFACE (10 SX "C").

5. INSTALL A 4" DRY HOLE MARKER.

→ 8 5/8 CSG SHOE 330' PERF @ 380' 50' OUTSIDE + INSIDE TAG

THE COMMISSION MUST BE NOTIFIED 24 HOURS PRIOR TO THE BEGINNING OF PLUGGING OPERATIONS FOR THE C-103 TO BE APPROVED.



I hereby certify that the information above is true and complete to the best of my knowledge and belief.

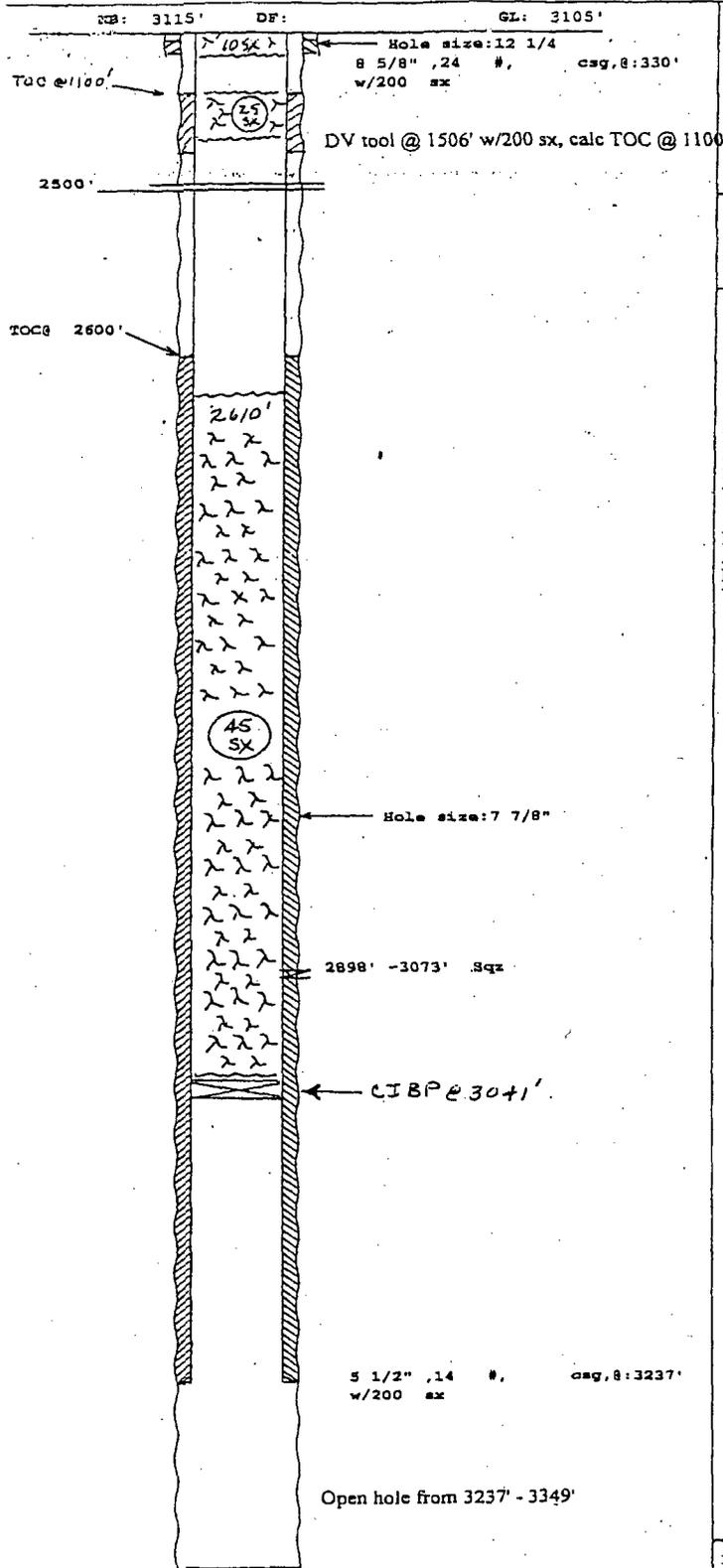
SIGNATURE Ralph W. Everett TITLE OPERATIONS ENGINEER DATE 12/28/01

Type or print name RALPH W. EVERETT Telephone No. (405) 478-8770 ext. 1278

This space for State use)

APPROVED BY _____ TITLE _____ DATE _____

Conditions of approval, if any:



CHAPARRAL ENERGY, INC.

Well: South Langlie Jal ,16 ,95914
 Operator: Chaparral Energy, Inc.
 Location: Letter, G, Lea Co., NM
 Legal: Sec. 18-25S-37E

Dir: *Schematic After Plugging*

Spud Date:
 Drilling Finished:
 Completion Date:
 First Production:

HISTORY:

12/01/70 Perfs @ 2898' - 3073' squeezed with 200 sx Class C. Drilled out cement, cleaned out to TD and equipped well with cement lined tubing and packer for WIW service.

- Proposed cement plugs:
1. 45 sx @ 2610' - 3040'
 2. 25 sx @ 1100' - 1340'
 3. 10 sx @ surface - 96'

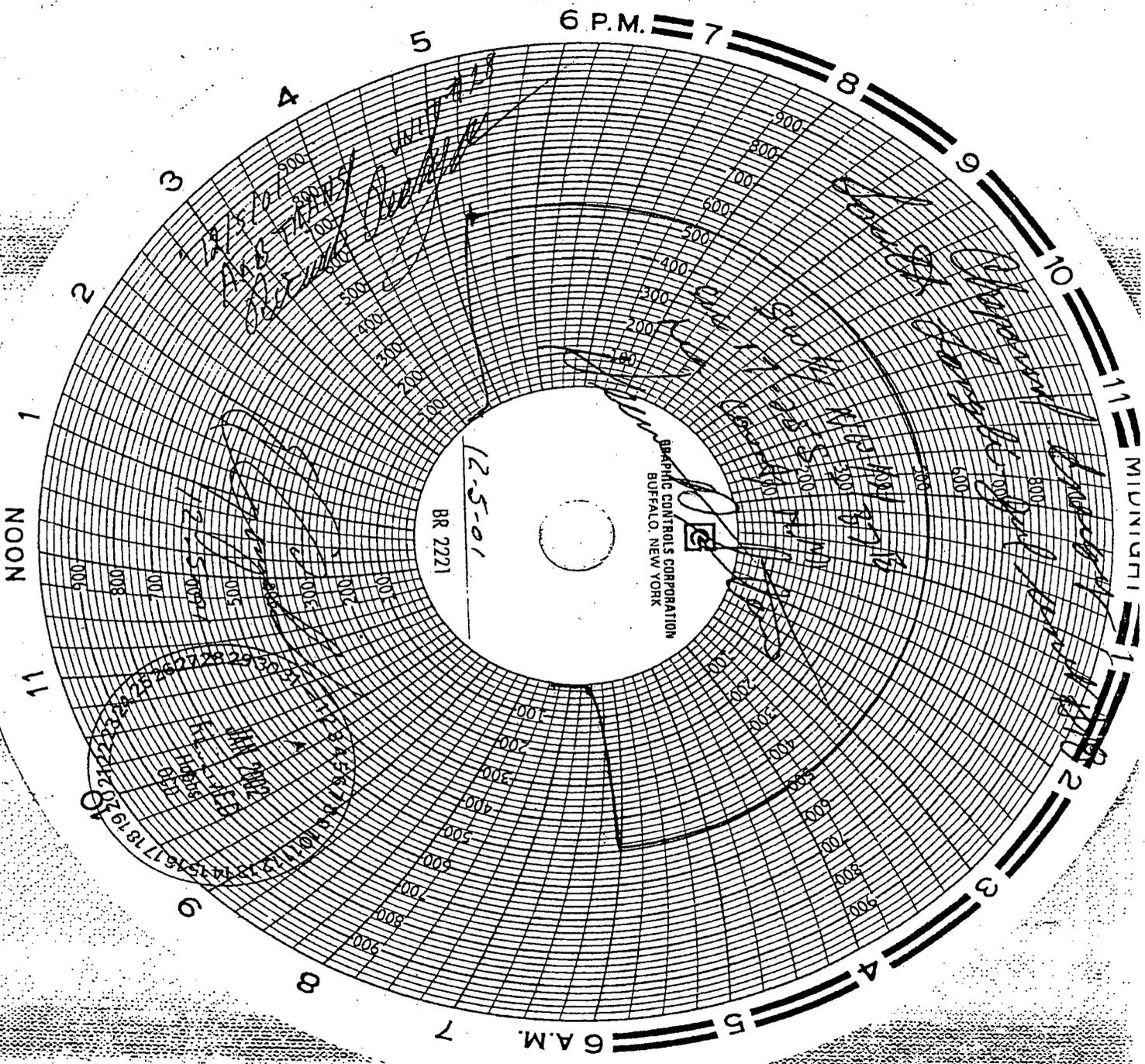
Formation Tops:

Anhydrite @ 1165', T. Salt @ 1260'
 B. Salt @ 2690', Yates @ 2790'
 7 Rivers @ 2980', Queen @ 3190'.



Input by: Trish
 Approved by:
 Last Update: 12/28/01

TD: 3349'



6 P.M. 7 8 9 10 11

NOON

6 A.M. 5 4 3 2 1

BR 2221

12-5-01

GRAPHIC CONTROLS CORPORATION
BUFFALO, NEW YORK

Submit 3 Copies To Appropriate District Office
 District I
 1625 N. French Dr., Hobbs, NM 88240
 District II
 811 South First, Artesia, NM 88210
 District III
 1000 Rio Brazos Rd., Aztec, NM 87410
 District IV
 2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
 Energy, Minerals and Natural Resources
OIL CONSERVATION DIVISION
 2040 South Pacheco
 Santa Fe, NM 87505

Form C-103
 Revised March 25, 1999

SUNDRY NOTICES AND REPORTS ON WELLS (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)		WELL API NO. 30-025-11638
1. Type of Well: Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other WATER INJECTION WELL		5. Indicate Type of Lease STATE <input type="checkbox"/> FEE <input checked="" type="checkbox"/>
2. Name of Operator CHAPARRAL ENERGY, INC.		6. State Oil & Gas Lease No. 408175
3. Address of Operator 701 CEDAR LAKE BLVD., OKLAHOMA CITY, OK 73114		7. Lease Name or Unit Agreement Name: SOUTH LANGLIE JAL UNIT
4. Well Location Unit Letter <u>K 2310</u> feet from the <u>SOUTH</u> line and <u>2310</u> feet from the <u>WEST</u> line Section <u>17</u> Township <u>25S</u> Range <u>37E</u> NMPM LEA County		8. Well No. #23
10. Elevation (Show whether DR, RKB, RT, GR, etc.) 3111' DF, 3102 GL		9. Pool name or Wildcat JAL TANSILL YATES 7 RIVERS

11. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO: PERFORM REMEDIAL WORK <input type="checkbox"/> PLUG AND ABANDON <input type="checkbox"/> TEMPORARILY ABANDON <input checked="" type="checkbox"/> CHANGE PLANS <input type="checkbox"/> PULL OR ALTER CASING <input type="checkbox"/> MULTIPLE COMPLETION <input type="checkbox"/>		SUBSEQUENT REPORT OF: REMEDIAL WORK <input type="checkbox"/> ALTERING CASING <input type="checkbox"/> COMMENCE DRILLING OPNS. <input type="checkbox"/> PLUG AND ABANDONMENT <input type="checkbox"/> CASING TEST AND CEMENT JOB <input type="checkbox"/>	
OTHER: <input type="checkbox"/>		OTHER: <u>Mechanical Integrity Test</u> <input checked="" type="checkbox"/>	

12. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompilation.

- Ran mechanical integrity test on August 16, 2001 and tubing-casing annulus held 580 psig for 30 minutes (copy of pressure chart attached). Test was witnessed by B. Hill with OCD.
- Based on successful MIT test, change in classification from active to TA status is requested.

This Approval of Temporary Abandonment Expires 12/4/06

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE Ralph W. Everett TITLE OPERATIONS ENGINEER DATE 09/27/01

Type or print name RALPH W. EVERETT Telephone No. (405) 478-8770 ext. 1278
 (This space for State use)

APPROVED BY _____ TITLE NATURAL SCIENCE MANAGER - 2 ORIGINAL SIGNED BY _____ DATE 09/27/2001

Conditions of approval, if any: _____

Submit 3 Copies To Appropriate District Office
 District I
 1625 N. French Dr., Hobbs, NM 88240
 District II
 811 South First, Artesia, NM 88210
 District III
 1000 Rio Brazos Rd., Aztec, NM 87410
 District IV
 2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
 Energy, Minerals and Natural Resources

Form C-103
 Revised March 25, 1999

OIL CONSERVATION DIVISION
 2040 South Pacheco
 Santa Fe, NM 87505

SUNDRY NOTICES AND REPORTS ON WELLS (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)		WELL API NO. 30-025-11613
1. Type of Well: Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other WATER INJECTION WELL		5. Indicate Type of Lease STATE <input type="checkbox"/> FEE <input checked="" type="checkbox"/>
2. Name of Operator CHAPARRAL ENERGY, INC.		6. State Oil & Gas Lease No. 408175
3. Address of Operator 701 CEDAR LAKE BLVD., OKLAHOMA CITY, OK 73114		7. Lease Name or Unit Agreement Name: SOUTH LANGLEIE JAL UNIT
4. Well Location Unit Letter O: 660' feet from the SOUTH line and 1650' feet from the EAST line Section 18 Township 25S Range 37E NMPM LEA County		8. Well No. #24
10. Elevation (Show whether DR, RKB, RT, GR, etc.) 3107' DF, 3098' GL		9. Pool name or Wildcat JAL TANSILL YATES 7 RIVERS

11. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO: PERFORM REMEDIAL WORK <input type="checkbox"/> PLUG AND ABANDON <input type="checkbox"/> TEMPORARILY ABANDON <input checked="" type="checkbox"/> CHANGE PLANS <input type="checkbox"/> PULL OR ALTER CASING <input type="checkbox"/> MULTIPLE COMPLETION <input type="checkbox"/> OTHER: <input type="checkbox"/>	SUBSEQUENT REPORT OF: REMEDIAL WORK <input type="checkbox"/> ALTERING CASING <input type="checkbox"/> COMMENCE DRILLING OPNS. <input type="checkbox"/> PLUG AND ABANDONMENT <input type="checkbox"/> CASING TEST AND CEMENT JOB <input type="checkbox"/> OTHER: Mechanical Integrity Test <input checked="" type="checkbox"/>
--	--

12. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompilation.
- Ran mechanical integrity test on August 16, 2001 and tubing-casing annulus held 550 psig for 30 minutes (copy of pressure chart attached). Test was witnessed by B. Hill with OCD.
 - Based on successful MIT test, change in classification from active to TA status is requested.

This Approval of Temporary Abandonment Expires 12/4/06

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

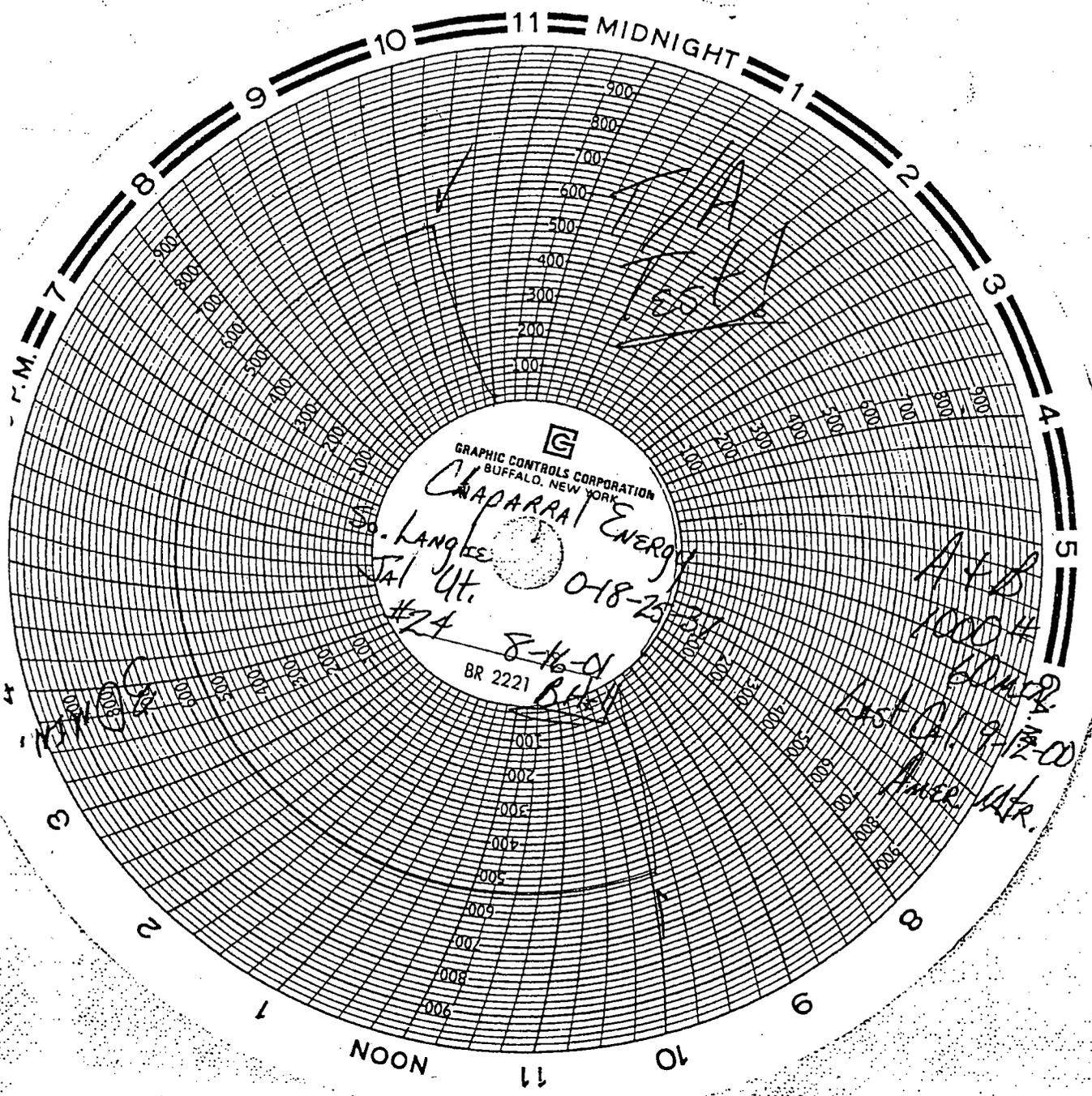
SIGNATURE Ralph W. Everett TITLE OPERATIONS ENGINEER DATE 09/27/01

Type or print name RALPH W. EVERETT Telephone No. (405) 478-8770 ext. 1278

(This space for State use)

APPROVED BY _____ TITLE _____ DATE _____
 Conditions of approval, if any:

NATURAL RESOURCES MANAGER - 2



Submit 3 Copies To Appropriate District Office
 District I
 1625 N. French Dr., Hobbs, NM 88240
 District II
 811 South First, Artesia, NM 88210
 District III
 1000 Rio Brazos Rd., Aztec, NM 87410
 District IV
 2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
 Energy, Minerals and Natural Resources

Form C-103
 Revised March 25, 1999

OIL CONSERVATION DIVISION
 2040 South Pacheco
 Santa Fe, NM 87505

SUNDRY NOTICES AND REPORTS ON WELLS (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)		WELL API NO. 30-025-11645
1. Type of Well: Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other WATER INJECTION WELL		5. Indicate Type of Lease STATE <input type="checkbox"/> FEE <input checked="" type="checkbox"/>
2. Name of Operator CHAPARRAL-ENERGY, INC.		6. State Oil & Gas Lease No. 408175
3. Address of Operator 701 CEDAR LAKE BLVD., OKLAHOMA CITY, OK 73114		7. Lease Name or Unit Agreement Name: SOUTH LANGLEIE JAL UNIT
4. Well Location Unit Letter <u>M 330</u> feet from the <u>SOUTH</u> line and <u>330</u> feet from the <u>WEST</u> line Section <u>17</u> Township <u>25S</u> Range <u>37E</u> NMPM LEA County		8. Well No. #26
10. Elevation (Show whether DR, RKB, RT, GR, etc.) 3092' KB		9. Pool name or Wildcat JAL TANSILL YATES'7 RIVERS

11. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO: PERFORM REMEDIAL WORK <input type="checkbox"/> PLUG AND ABANDON <input type="checkbox"/> TEMPORARILY ABANDON <input checked="" type="checkbox"/> CHANGE PLANS <input type="checkbox"/> PULL OR ALTER CASING <input type="checkbox"/> MULTIPLE COMPLETION <input type="checkbox"/> OTHER: <input type="checkbox"/>		SUBSEQUENT REPORT OF: REMEDIAL WORK <input type="checkbox"/> ALTERING CASING <input type="checkbox"/> COMMENCE DRILLING OPNS. <input type="checkbox"/> PLUG AND ABANDONMENT <input type="checkbox"/> CASING TEST AND CEMENT JOB <input type="checkbox"/> OTHER: MECHANICAL INTEGRITY TEST <input checked="" type="checkbox"/>	
--	--	--	--

12. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompilation.

- PULLED TUBING AND PACKER.
- SET CIBP @ 3147' AND CAPPED WITH 2 SX CEMENT.
- RAN MECHANICAL INTEGRITY TEST ON DECEMBER 5, 2001 AND TUBING-CASING ANNULUS HELD 540 PSIG FOR 30 MINUTES (COPY OF PRESSURE CHART ATTACHED). TEST WAS WITNESSED BY E. L. GONZALES.
- BASED ON SUCCESSFUL MIT TEST, CHANGE IN CLASSIFICATION FROM ACTIVE TO TA STATUS IS REQUESTED.

This Approval of Temporary Abandonment Expires 1/4/07



I hereby certify that the information above is true and complete to the best of my knowledge and belief.

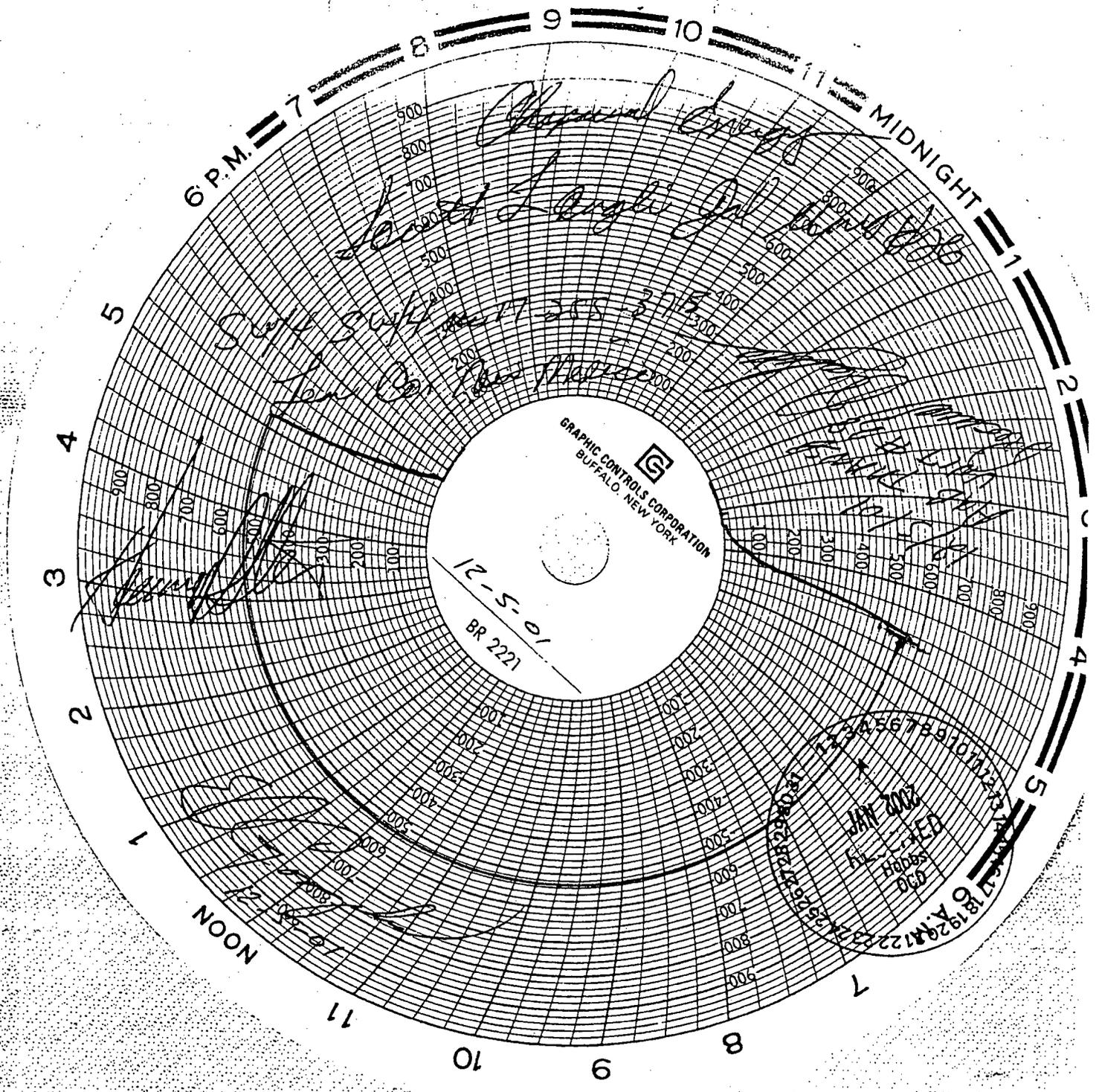
SIGNATURE Ralph W. Everett TITLE OPERATIONS ENGINEER DATE 12/27/01

Type or print name RALPH W. EVERETT Telephone No. (405) 478-8770

(This space for State use)

APPROVED BY _____ TITLE _____ ORIGINAL SIGNED BY _____ DATE _____

Conditions of approval, if any:



6 P.M.

MIDNIGHT

NOON

GRAPHIC CONTROLS CORPORATION
BUFFALO, NEW YORK

12-5-61
BR 2221

Physical Growth

David L. Argyle

John D. ...

MIL ...

12-5-61
BR 2221

March 25, 2002

From:

Mr. Clay Osborn
Rocky Top Ranch
P.O. Box 1285
Jal, New Mexico

To:

Director
Oil Conservation Division
1220 St. Francis Dr.
Santa Fe, New Mexico 87505

RECEIVED
MAR 28 2002
Environmental Bureau
Oil Conservation Division

Subject: Comments on the Chaparral Energy, Inc. "Amended South Langlie Jal Unit (SLJU) Stage I Abatement Plan," February 2, 2002.

To the Director of the Oil Conservation Division;

Thank you for the opportunity to comment on the above referenced Abatement Plan submitted to the New Mexico Energy Minerals and Natural Resources Department, Oil Conservation Division (NMOCD) by Chaparral Energy, Inc. Comments are sequential and are as follows;

COVER LETTER

Page 1, 2nd paragraph, 1st sentence; "We have tried to ascertain the validity of the independent reports..."

COMMENT: The environmental studies by the land owner and provided to the NMOCD were conducted using established environmental investigation procedures based on EPA Quality Assurance and Quality Control (QA/QC) protocols and are documented in the reports.

Page 2, 1st paragraph, 6th sentence; "There have been no salt water spills."

COMMENT: This statement is false. The landowner has documented that produced water (salt water) has been released since the Chaparral Energy, Inc. began operating the system. Refer to Attachment #5 for photographic evidence.

Page 2, 1st paragraph, 7th sentence; "Chaparral has cleaned up both in a timely fashion and the NMOCD appears satisfied the job was performed correctly and expeditiously."

COMMENT: This statement appears subjective and not supported with a final NMOCD form C-141 or analytical results demonstrating objective compliance with NMAC Rule 19.

1.1 EXECUTIVE SUMMARY:

Page 1, 1ST PARAGRAPH

“Mr. and Mrs. Clay Osborn (hereinafter referred to as Osborn or the surface owner) the surface owners upon whom this unit rests has reported their water wells have “salted out” in the aquifer located just below 45 feet from the surface.”

COMMENT: The west half of the SLJU rests on the Osborn’s property. The east half, i.e., section 8 & 17 is located on surface owned by the Woolworth Foundation, has experienced similar or more severe environmental impacts from the unit system, and is not considered, referenced, or addressed in the current Stage 1 Abatement Plan.

“... the USGS has stated that the once potable ground water in this area started to become nonpotable as early as 1953.”

COMMENT: The context of the USGS report is that intentional and accidental releases of crude oil, natural gas, and produce brine water from oil and gas operations have generally had a negative impact on the near surface ground waters in southern Lea County. Indeed, ground water in some areas of the Osborn property are not potable, however, non impacted ground water is present and protectable, i.e., The Pond Monitoring Well, Section 18 T25S R37E, July 2001, Chloride 239 mg/L and Total Dissolved Solids 1280 mg/L.

“Chloride contents of 610 ppm and higher has been found in several shallow water wells in the Jal, New Mexico area at this time.”

COMMENT: Table 8, USGS Report #6, Nicholson and Clebsch, 1961, does record a 1953 chloride level of 610 mg/L in Section 15 three miles to the east but also shows chloride in a section 20 well within 1 mile of the Osborn property to be 168 mg/L in 1942. Section 19, adjacent to the section 18 on the south has a 1942 recorded chloride value of 54 mg/L.

“A chloride content of 525 ppm had been found in well 22.37.1.440 in October 1953, another one of several shallow water wells in the Jal, New Mexico area at this time.”

COMMENT: This well information is irrelevant, in that it is located in Township 22S Range 37 East south of Eunice, New Mexico and ~15 miles north of the SLJU located in Township 25 South Range 37 East.

“Since the injection of saltwater in the SLJU did not begin until early 1971, it is highly improbable that this unit was the cause of any of the groundwater contamination of Mr. Osborn’s wells.

COMMENT: The fact the SLJU did not begin injection until 1971 is immaterial and does not support the conclusion that the SLJU is not the source of the current soil and ground water contamination on the Osborn property. Rather, the historical USGS data referenced previously establishes a relatively pristine ground water resource prior to the development of the areas’ oil and gas resources on the Osborn property.

Page 1, 2ND PARAGRAPH

“Since taking over operations and ownership of the SLJU two very small but reportable releases were experienced and both were immediately reported to the NMOCD and cleaned up to state standards.”

COMMENT: The final NMOCD form C-141 and supporting documentation and analytical reports should be referenced and provided.

“Some existing wells are scheduled to be properly plugged and abandoned in that they are no longer needed for water flood operations and it is the prudent thing to do if the wells are no longer needed or necessary for the economic recovery of oil and gas.”

COMMENT: The wells referenced in this statement have been shut in for two years.

“ After reviewing the work of past evaluators it appears many of the sites presented by them revealed no contamination, or, in several cases, only limited contamination.”

COMMENT: This statement is subjective and general and should be supported by empirical data and objective discussion.

Page 2, 1st Paragraph

“To the south, the daily water of the golf course allegedly uses high chloride ground water mixed with water from the sanitary lagoons to the east. This would pull contaminated ground water towards the golf course wells at a much faster rate than the Osborn’s wells, thus “salting out” the Osborn’s wells.”

COMMENT: The golf course wells are used exclusively to supply water to the Jal Country Club Water Station for use in the oilfield and not for watering the course. The greens are watered with water from the City of Jal water field 8 miles south and the fairways with the sewage effluent. Use of the effluent has been approved by the EPA and New Mexico Environment Department and is tested quarterly. Chloride concentration in the effluent has previously been reported to be 188 ppm and that of the Jal Country Club wells to be 610 ppm.

1.4 SITE HISTORY

Page 3, 2nd sentence

“Few improvements have been made to the area other than various homes, barns, corrals, and other outbuildings need for ranching and the facilities necessary for oil and gas exploration and production.”

COMMENT: The southeast quarter of section 18 has been developed with several homes and ranchettes. The Jal Country Club Golf Course takes up the greater portion.

Page 4, 1st sentence;

“According to telephone conversation with the NMOCD, at least thirty other Stage 1 Abatement Plans are being pursued in the Lea and Eddy County area of the State.”

COMMENT: This statement is not relevant.

1.5 SUMMARY OF PREVIOUS INVESTIGATIONS

Page 4, 1st paragraph;

“Trenches were dug along the path of the 10 January 1999 saltwater release between SLJU #9 and the SLJU #13 WIW to the top of the first hard barrier (caliche) where liquids were thought to not be able to pass.”

COMMENT: The caliche interbed occurring in the area is highly fractured and cannot be considered a barrier. This is in contradiction with the discussion provided in the section 3.3 on page 10 of the Abatement Plan, i.e., Ground Water/Surface Water Relationships, i.e., “Just beneath the topsoil (mostly sand) is a layer of fractured caliche and limestone.”

“Sampling and testing showed some high chloride levels, but it also indicated the damage done was either from much earlier releases (prior to Bristol taking over operations of the unit), releases from off-site or the chlorides could be naturally occurring.”

COMMENT: The leaks and spills that have occurred within the unit on the Osborn property have contributed to the degradation of the aquifer. Migration of contaminants from a source up-gradient of the Osborn property needs to be determined. Evidence provided in the USGS report #6 Table 8 clearly shows that the background ground water chloride levels are <100 mg/L.

Page 4, 2nd paragraph;

“Six soil boring using a 7” hollow stem auger were made to depths of 20 to 25 feet to further delineate chloride concentrations at or near the site of the 10 January 1999 release just north of the SLJU Well #13 WIW...(chloride) concentrations ranged from 1 to 3,710 ppm.”

COMMENT: This investigation did not determine the vertical extent of chloride impact consistent with current NMOCD protocols, i.e., identify the vertical interval below ground surface at which 250 mg/Kg chloride was encountered.

Page 5, 2nd paragraph, 9th sentence;

“Reportedly, chloride concentrations ranged from 121 mg/L to 857 mg/L, but data was not provided on a specific well to well basis.”

COMMENT: The original report with well specific information is on file with the NMOCD Santa Fe office.

2.1 SITE GEOLOGY AND HYDROLOGY

Page 6, Paragraph 2, 2nd & 3rd sentences

“Triassic rocks in the area have a regional dip of less than 1 degree to the southeast. There are reverse dips in the area generally around depressions. Groundwater flow tends to follow this regional dip within the area of the SLJU.”

COMMENT: The USGS Report #6 Plate 2. Ground-Water Map of Southern Lea County, New Mexico, is included in the Abatement Plan on page 22 and indicates that, on the Osborn

property, the aquifer surface contour to be south southwest not to the southeast. This should be confirmed and will be important, as each point source is studied.

2.2 VERTICAL & HORIZONTAL EXTENT OF THE POLLUTION

Page 7, Paragraph 2, 1st sentence;

“Six sites within the SLJU have been identified as having the potential to have had oil and/or saltwater releases.”

COMMENT: According to the Osborns there are at least 12 release sites on his property and several others of equal or greater magnitude on the east half of the unit owned by the Woolworth Foundation.

Page 7, Paragraph 3 – Methodologies

COMMENT: The EPA methods should be listed and routine laboratory confirmation samples should be analyzed to verify field survey data not only positive results but also for achievement of remedial goals.

2.3 MAGNITUDE OF VADOSE-ZONE & GROUNDWATER CONTAMINATION

“Vadose-zone contamination has not been determined.”

COMMENT: Previous studies commissioned by Bristol and the Osborn’s have identified vadose-zone contamination above background levels. The documentation is on file with the NMOCD Santa Fe office.

2.4.5 DIRECTION OF CONTAMINATE MIGRATION

4th sentence

“It appears this may be the case along the north edge of the golf course where there is indications surface and ground water flow is to the north, towards the Osborn home.”

COMMENT: An east west drainage occurs between the golf course and Osborn home and will divert any run-off from the golf course to the east and away from the Osborn home. The USGS report #6 does not indicate any subsurface anomaly capable of diverting ground water to the north. Likewise, the study commissioned by Osborn, “Hydrogeology and Groundwater in the Vicinity of the Osborn Ranch, Jal, New Mexico, March 20, 2000,” identified a general southeastward ground water gradient.

2.5 INVENTORY OF WATER WELLS....

Page 8, 1st paragraph;

COMMENT: The Jal Country Club owns the golf course water wells and are tested quarterly for Nitrate (NO₃) and Chloride (Cl).

Page 9, 1st paragraph, 3rd sentence;

“At present, no reliable data has been seen as to the exact location and depth of any water well in the area.”

COMMENT: The well information provided in the report seems to refute this statement, however, it does suggest a need for a more contemporary well study.

3.1 SURFACE-WATER HYDROLOGY

3rd sentence – “No lakes, ponds, creeks or streams were seen during the course of a recent physical investigation of the surface, only very shallow and broad areas that can conduct floodwater runoff were seen.”

COMMENT: A manmade pond is located in the western part of section 18 T25S R37E that receives run-off from the west and is used as a livestock watering. This pond may be dry during parts of the year depending on rainfall. The Osborn’s also have a pond on the east side of their home located on the east side of Section 18 and is maintained with local ground water.

3.4 IMPACT TO SURFACE WATER AND STREAM SEDIMENTS

“Any release of produced water onto the surface will have little to no impact upon surface waters and stream sediments.”

COMMENT: A study of the surface dip should be made to confirm the impact on the Osborn ponds. Likewise, the Jal Lake is located down gradient and also may ultimately receive run-off from the Osborn property and the surrounding area.

3.5 IMPACTS ON SURFACE WATER

“Surface water from the Jal Golf Course may be able to find its way north to a small pond next to Osborn’s home.”

COMMENT: The Jal Golf Course is at a lower elevation than the Osborn’s pond and is topographically separated by an east west drainage.

3.5.2 BIOLOGICAL ASSESSMENTS OF BENTHIC MACROINVERTEBRATES

“There are no known benthic macroinvertebrates in this area.”

COMMENT: Benthic macroinvertebrates, i.e., insect larvae and small crustaceans are endemic to all surface water bodies where the water chemistry promotes survival. Surveys of the benthic macroinvertebrates can provide a rapid assessment of water quality.

4.0 MONITORING PROGRAMS

“Based on state (mechanical integrity tests) records all of these wells (producing and salt water injection) have adequate surface casing, cemented to surface, to protect all known fresh water zones in the area.”

COMMENT: Given past history and age of the infrastructure, this statement of compliance should be verified.

4.2 FREQUENCIES OF SAMPLING

“Monitoring shall continue until such time as Chaparral is satisfied that the SLJU is not the cause for any ground water contamination.”

COMMENT: The purpose of monitoring is to determine achievement of remedial goals providing quality empirical information necessary to support viable environmental management decisions.

4.4 QUALITY ASSURANCE PLAN

COMMENT: This plan should be approved prior to beginning work.

CONCLUSION

The context of the abatement plan is too general and incorrectly assumes that the ground water resource underlying the Osborn property was initially of poor quality. The plan must first inventory the leak sites and focus on identifying and characterizing these specific locations to ensure against further ground water degradation. The title of the Abatement Plan implies that it addresses environmental issues present within the whole unit but in reality addresses only those in Sections 7 and 18 owned by the Osborns. Because of a similar operational and release history, the Plan should necessarily propose identifying and investigating the sites located in the east half of the unit in Sections 8 and 17 owned by the Woolworth Foundation. Finally, to rule out the possibility of well casing failure, the abatement plan should review and verify that the producing and injection wells in the whole South Langlie Jal Unit have passed all the NMOCD required casing integrity tests in the past.

Included below are Attachments I, II, III, IV, and V, i.e., respectively, Clay Osborn Ranch Journal, Bristol Leak Photographs, USGS map with known leak sites, Bristol Resources file documentation, and Photographs of Chaparral Energy releases.

Attachment I: Clay Osborn Ranch Journal

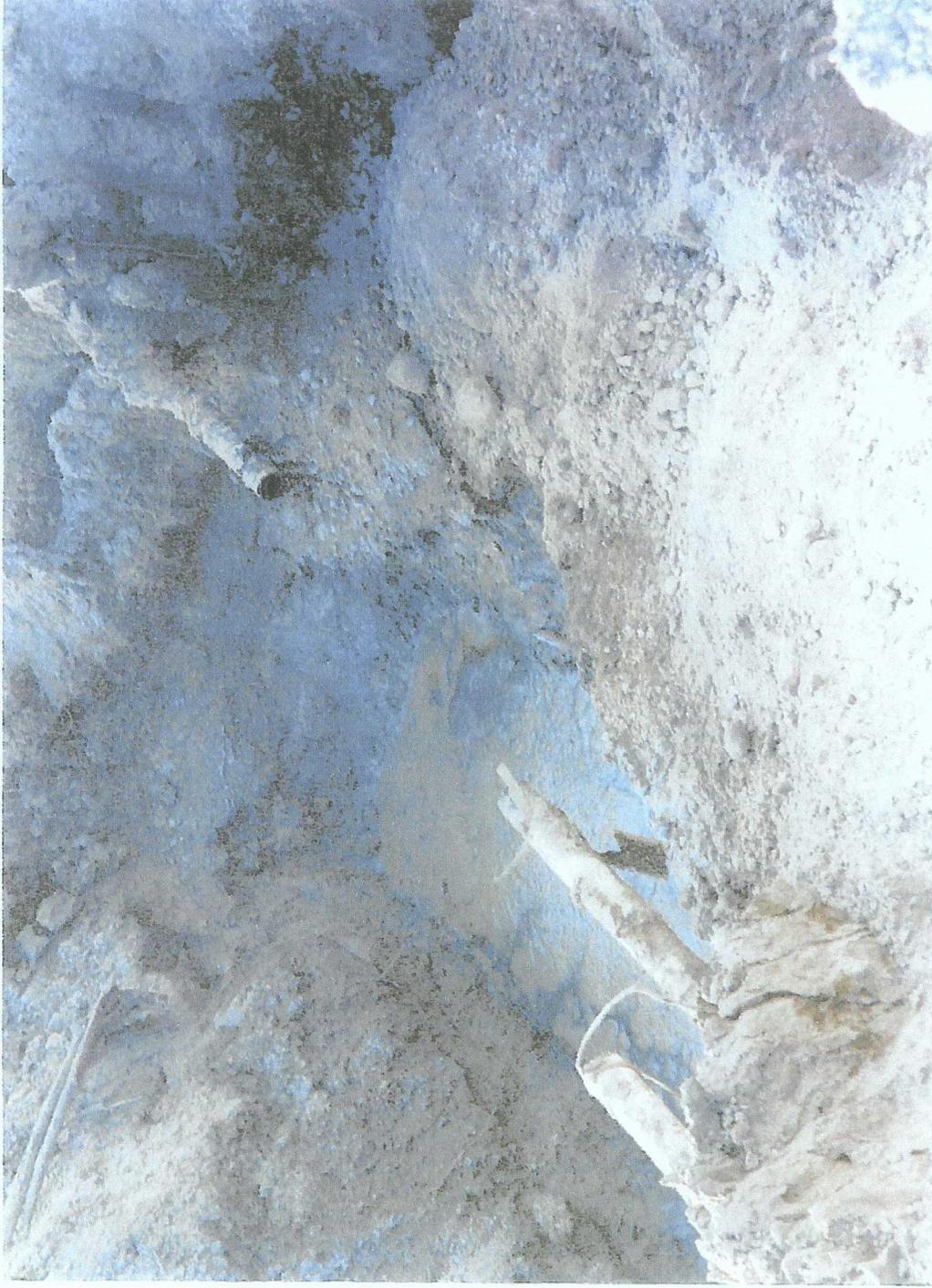
Clay Osborn Ranch Journal	
Date	Entry
January 11, 1997	Injection line leak west of the tank battery.
April 18, 1997	Leak west of tank battery ran east past TB then south on lease road. Estimate volume ~200 barrels of salt water.
April 19, 1997	Water still standing in road. Had to tell Bristol pumper to get truck to pick up water. Geo Willis; witness.
May 4, 1997	Bristol had 2 injection line leaks north of the house. Had been leaking several days.
May 5, 1997	Water standing in Bell hole. (Pictures)
April 16, 1998	Injection line leak next to Winters "C" lease, called OCD. No water recovered. Estimated spill volume @ 100 to 150 bbls out. All went into ground.
September 1, 1998	Injection line leak north of well #9. Leaked long time. Estimated volume of spill is ~200 to 500 bbls. Backhoe drove all over our pasture. No water recovered. All went into ground.
January 10, 1999	Injection line leak north of house. Had been leaking for a long time. Estimated 800-1000 bbls out. No water recovered. Was at site with roustabouts. Cow walked on wet ground. Went down to front shoulders. I called OCD.
January 11, 1999	Found another leak north of the house 9:30 PM. Ran ¼ mile; called OCD talked to Chris. 500-1000 bbls out. No water recovered.
January 18, 1999	Had to call OCD. Injection line leak @ well #4. Water was running out of line. Line clamp would not hold. They also had a leak inside yard @ pump station.
February 13, 1999	Found Injection line leaks south of pump station and west of pump station. Took pictures. Also found leak south of pump station south side of road. Another leak inside pump station yard. Water and oil ran west into pasture. Another leak west of production tank battery, north side of road. Also pumper for Bristol opened valves on bottom of tanks and ran water and oil west into pasture.
March 8, 1999	Bristol had injection leak inside pump station yard. Ran south into pasture.
March 26, 1999	Bristol had a large leak south of pump station 25-35 bbls estimated. Also found another leak inside pump station yard. (Video #2)

Clay Osborn Ranch Journal	
Date	Entry
April 19, 1999	Injection line leak south of pump station. Used topsoil and grass to cover up with. Meet new lady pumper.
April 20, 1999	Found another leak inside yard & pump station. Shows lots of salt on surface. (Video #3)
May 8, 1999	All wells in SLJU SI. Found leak @ pump station. & Well #4 vegetation west of well #9 dying.
May 27, 1999	Pipe in ground-oil running out south side of Tank Battery. (Video)
June 9, 1999	Bristol well #9 had leak ran into pasture. Johnson Construction cleaning up. (Video) Sink hole west of #9 spotted on injection line right-of-way (video)
June 16, 1999	Cornerstone on location. Digging core holes north of house.
July 3, 1999	Bristol pumper let tanks run over. Opened bleed valves on bottom of tank and ran salt water on pump station location 30-60 bbls ran out. (took video) Opening valves was a deliberate act.
July 11, 1999	SLJU SI for 8 days now.
July 17, 1999	Bristol water tanks back in service. P&M construction did not put gasket on manhole plate west tank. Salt water 30-40 bbls ran south across pump station location. Ground now has heavy salt build up.
July 20, 1999	Bristol starting digging old TB west of house.
July 20, 1999	Bristol drilling water well north of house.
August 10, 1999	Bristol had flowline leak @ well #25. Oil and water out.
September 14, 2000	8:30 PM, Bristol Resources shut down Water Flood due to a main trunk line leak east of Highway 18.

Attachment II: Bristol Leak Photographs



BRISTOL RESOURCES
INJECTION LINE LEAK south of well #9 5-4-97



5-5-97

BRISTOL RECOURCES CORP .



09/01/1998

Injection line keak

NORTH OF WELL #9

09/01/1998

BRISTOL RECOURCES CORP. SLJU

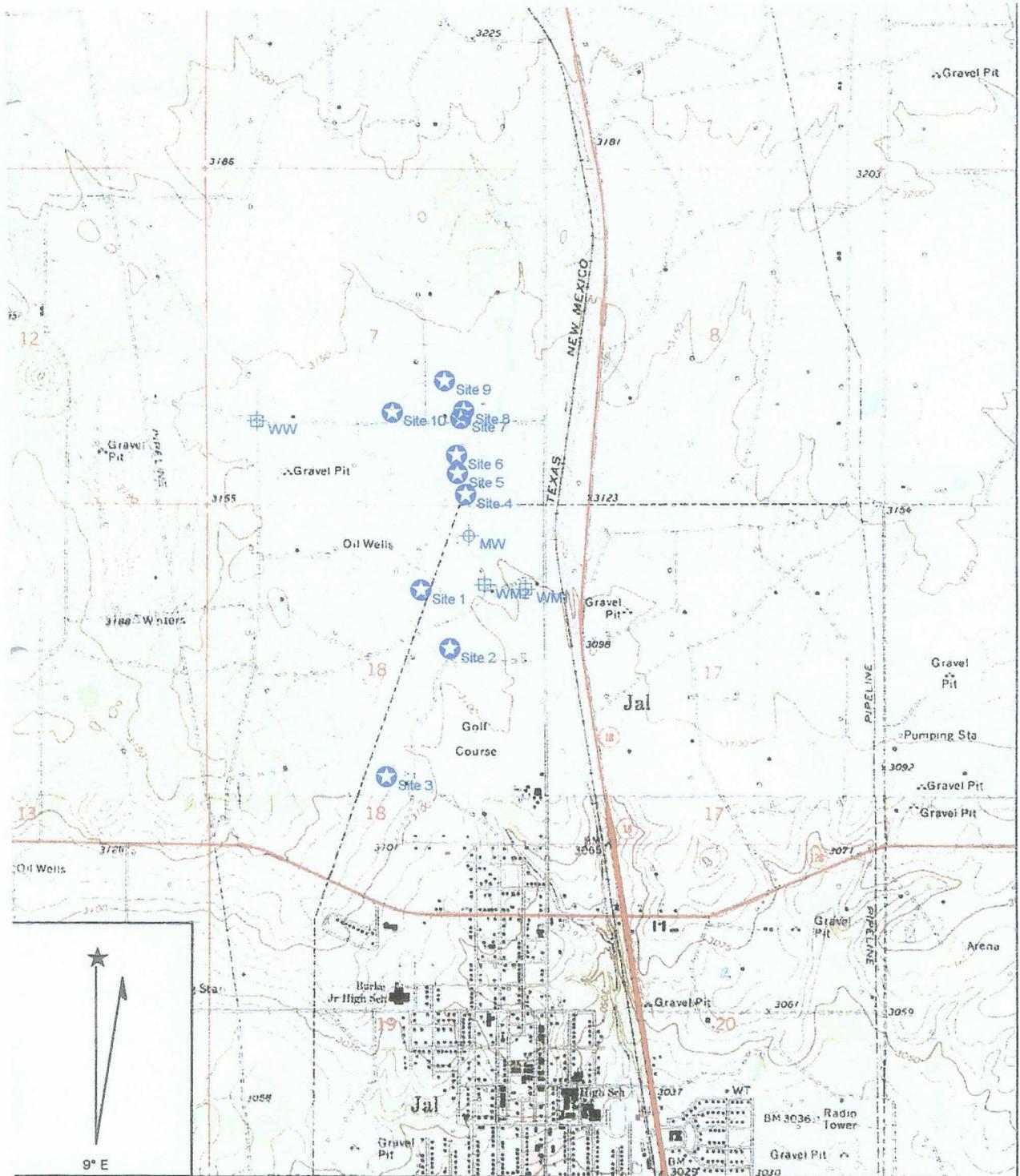


TANK VALVES OPENED EAST TANK 50 TO 60 BBLs OUT

TANK AT PUMP STATION

07/03/1999

Attachment III: USGS Map with Known Leak Sites



Name: JAL NW
Date: 12/20/99
Scale: 1 inch equals 2000 feet

Location: 032° 08.0716' N 103° 11.6874' W
Caption: Osborn Ranch Site Map

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Attachment IV: Bristol Resources file documentation

To: Dan Abney

16-Aug-99

*From
Bristol's
Files*

Re: Oil/Water Leaks South Langlie Jal Unit

Listed Below are the only two reports found at the OCD Office

<u>Date:</u>	<u>Size</u>	<u>Map Location</u>		<u>Reported</u>
4/24/98	20'x20'	??	Water	Eddie Elliot
11/30/98	25'x40'	??	Water	Yes

Other Leaks that were reported by Bristol or Clay Osborne but no confirmation report was available at the OCD office.

<u>Date:</u>	<u>Size</u>	<u>Map Location</u>	<u>Fluid Lost</u>	<u>Reported</u>
1/10/99			Water	Yes
Injection leak between well # 9 and Well # 13 WI				
1/11/99			Water	Yes
Injection leak in front of the oil storage battery in the middle of the road				
1/15/99			Water	Yes
Injection leak inside the Water Injection Tank Battery				
4/10/99				Yes
Injection leak inside the Water Injection Tank Battery				
4/19/99				Yes
Injection leak at the corner of the main road to water station				

4/23/99 Yes
Injection leak at WI well # 4 small drip no fluid out did not report

5/20/99
Clay Osborne lock gate to Water Station and install a keep out sign

5/27/99
Gate to water station was unlocked and sign removed.

6/10/99 Yes
Pump stuck on Well # 9 polish rod pulled out of stuffing box

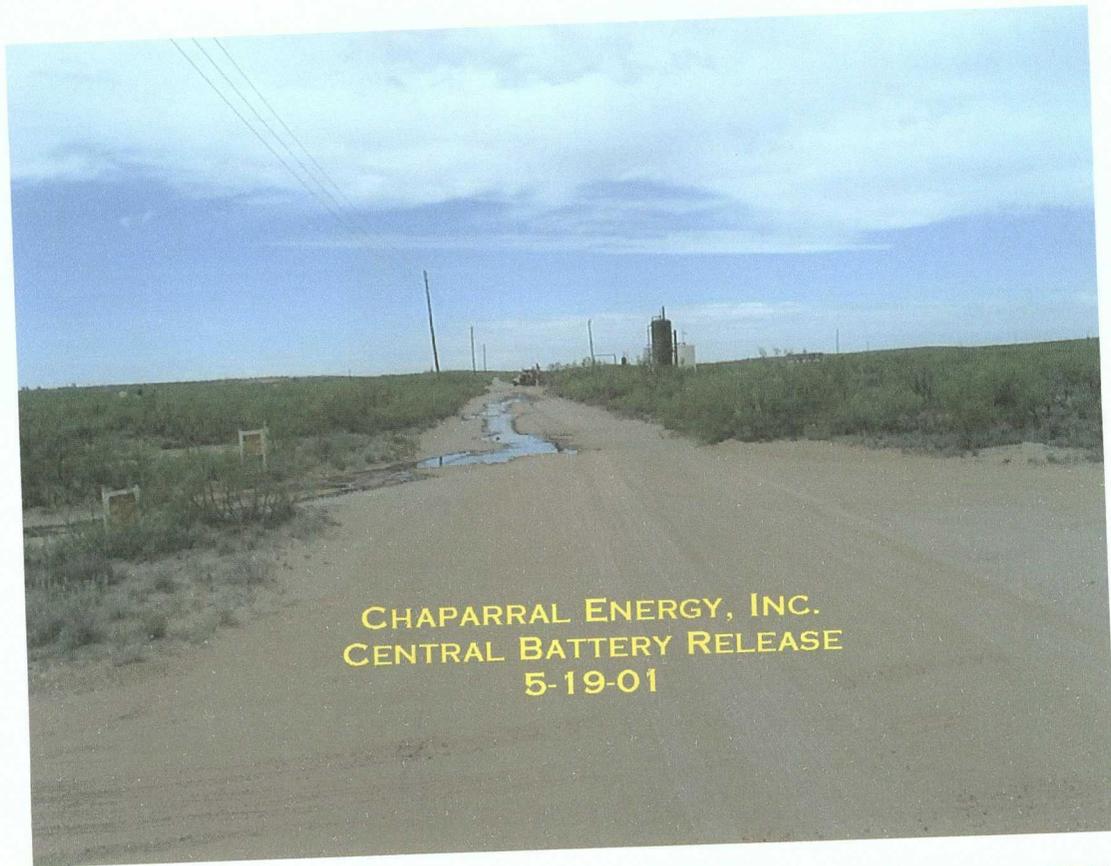
7/3/99 Yes
Hole in West 500 BBIs water tank

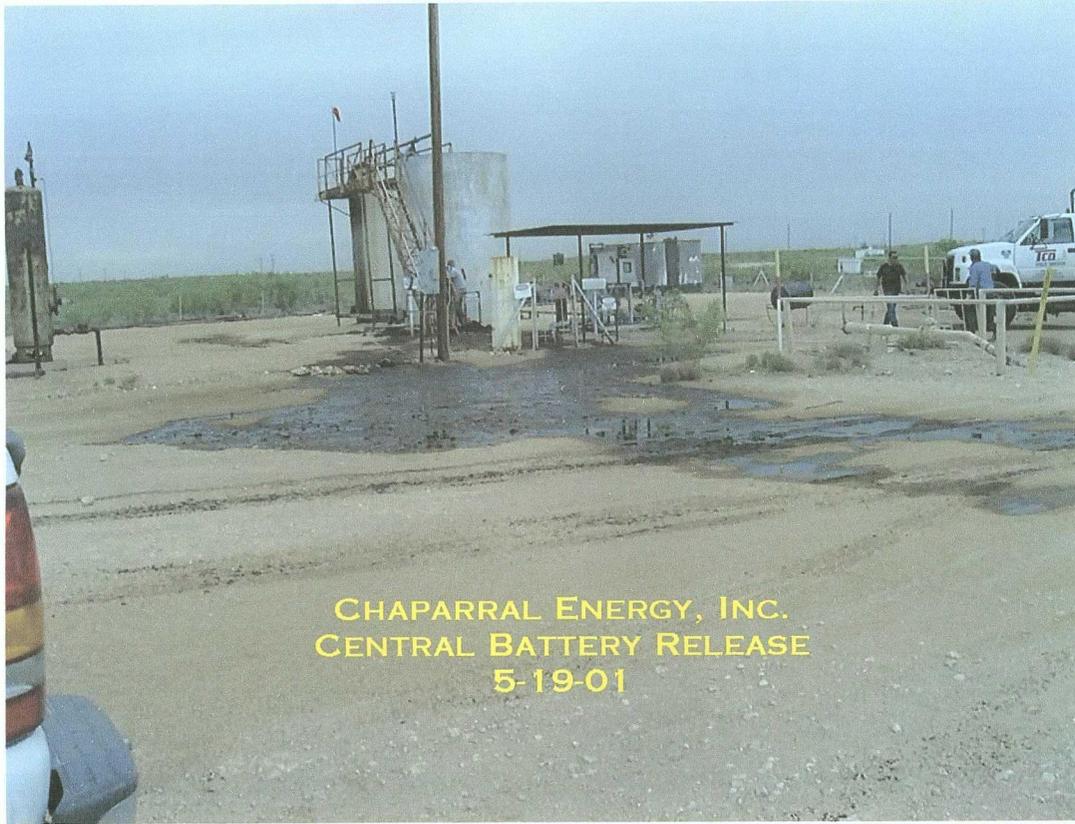
7/17/99 Yes
Gasket not installed properly on West 500 BBIs tank leaking at manway

8/10/99 Yes
Flowline leak on well # 25 Dresser Sleeve replaced on fiberglass line

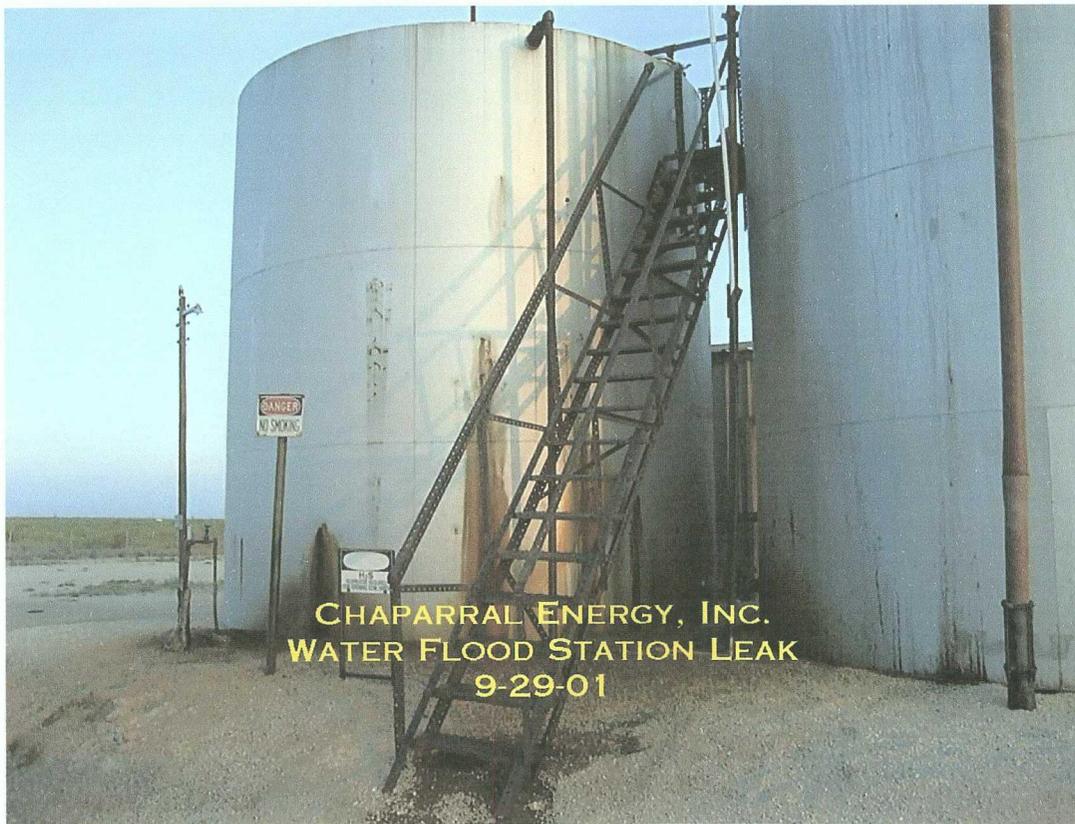
Attachment V: Photographs of Chaparral Energy Releases

Central Tank Battery – 5-19-01
Water Flood Station – 9-29-01
Well #17 Check Valve Leak – 03-03-02
Well #8 Casing Leak – 10-17-01
Well #9 Flowline Leak – 2-14-01

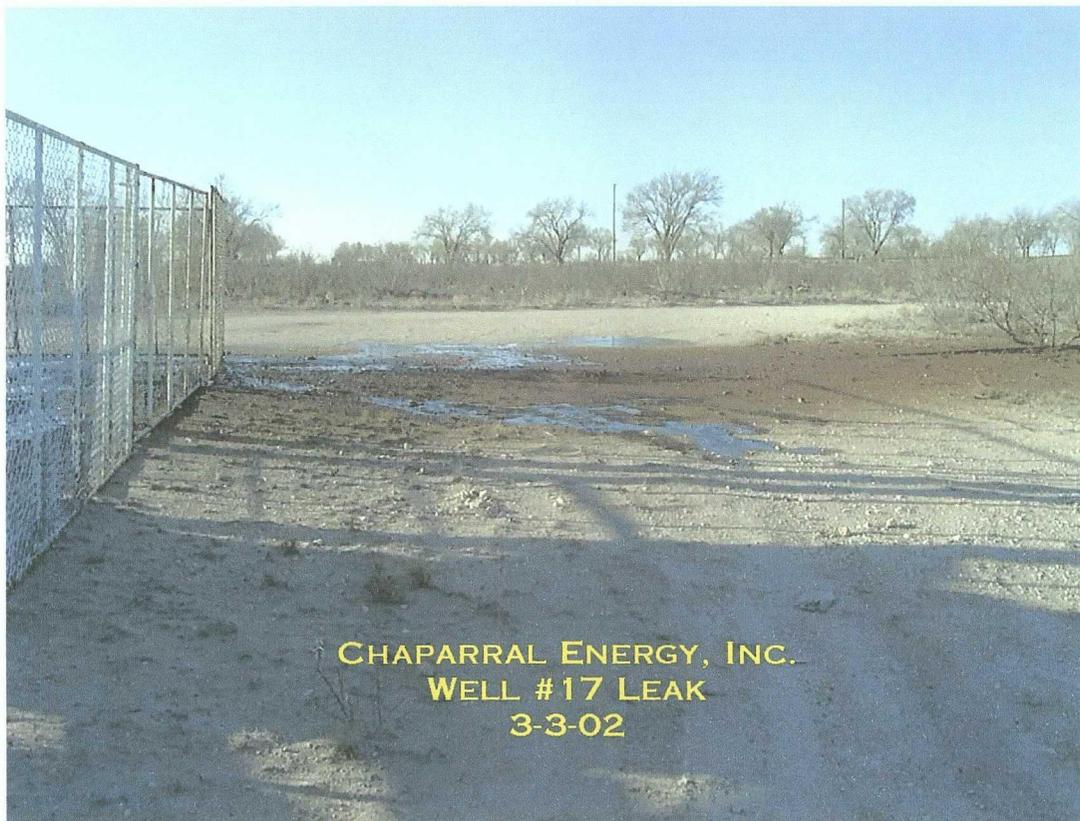
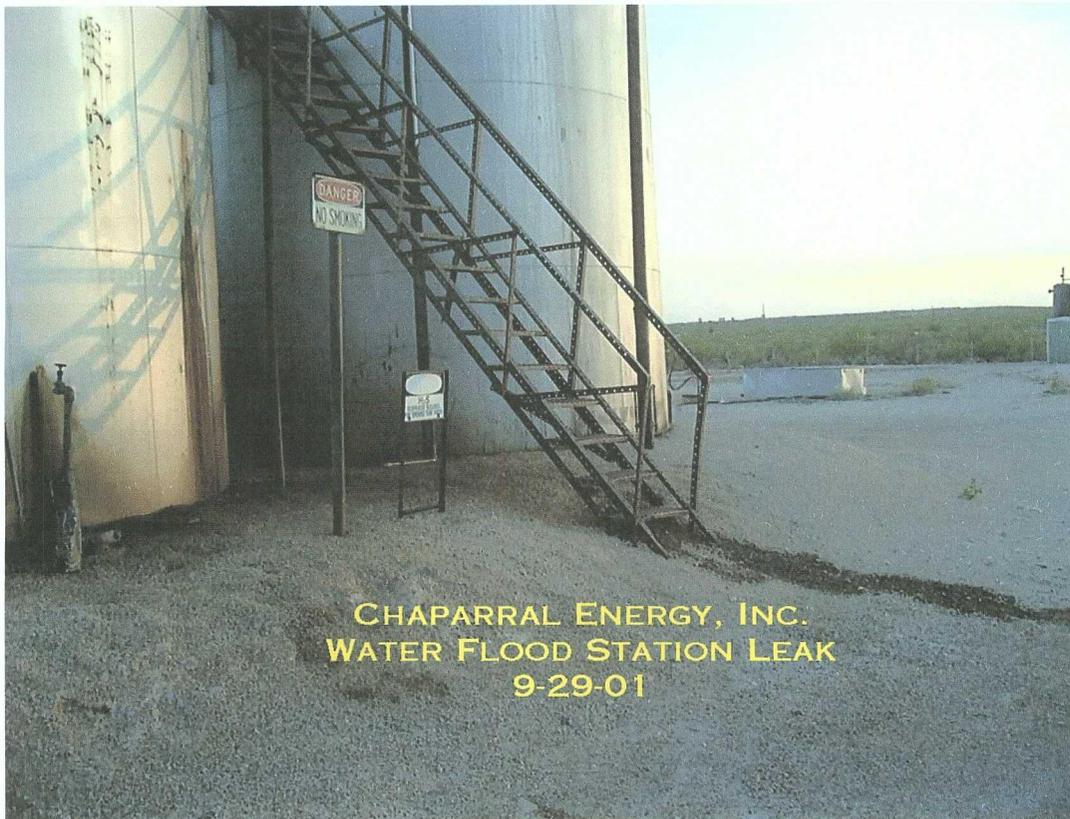


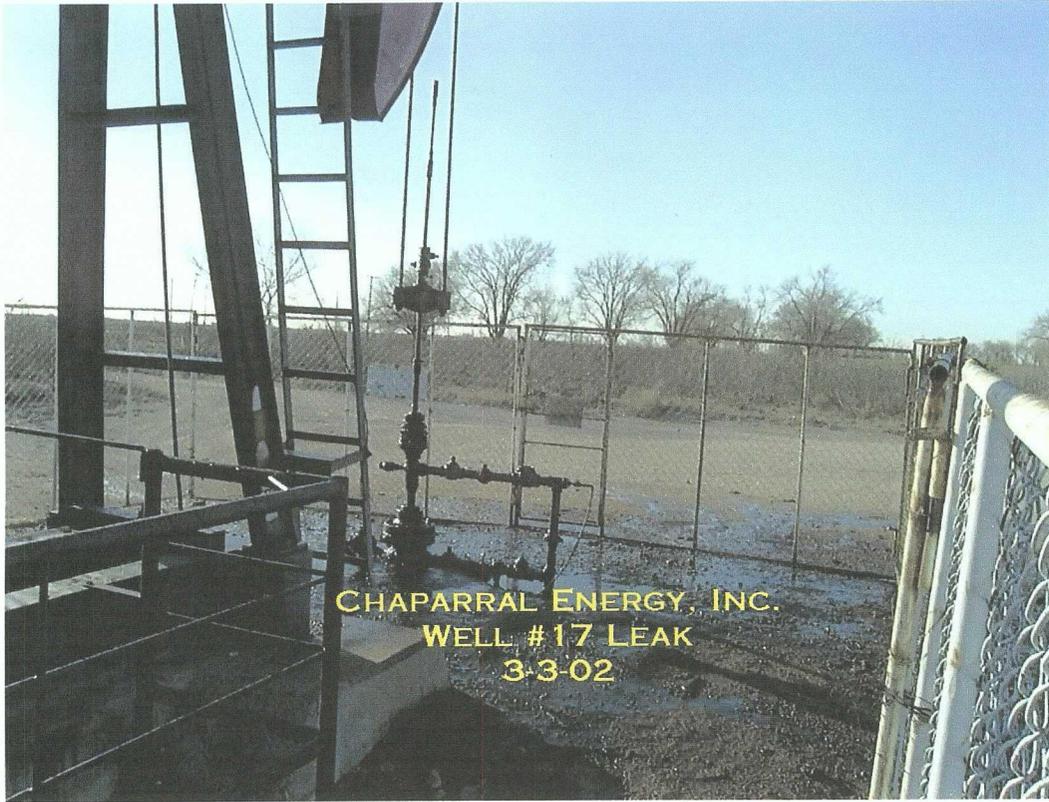


CHAPARRAL ENERGY, INC.
CENTRAL BATTERY RELEASE
5-19-01

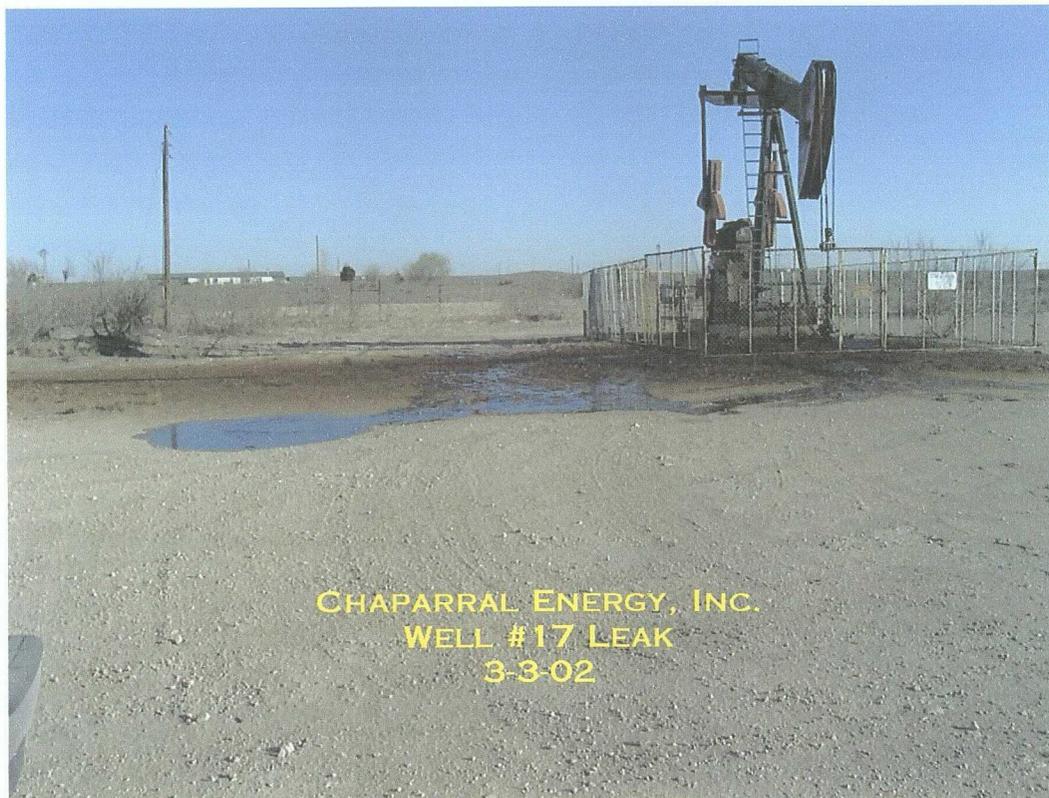


CHAPARRAL ENERGY, INC.
WATER FLOOD STATION LEAK
9-29-01

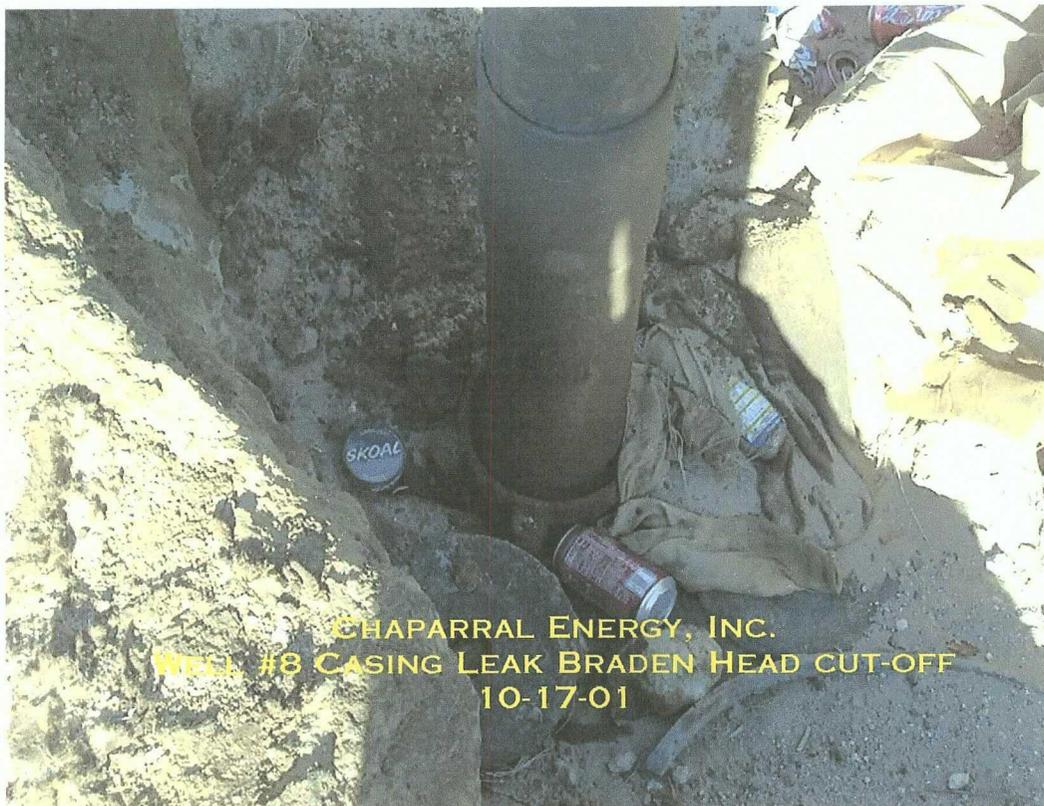




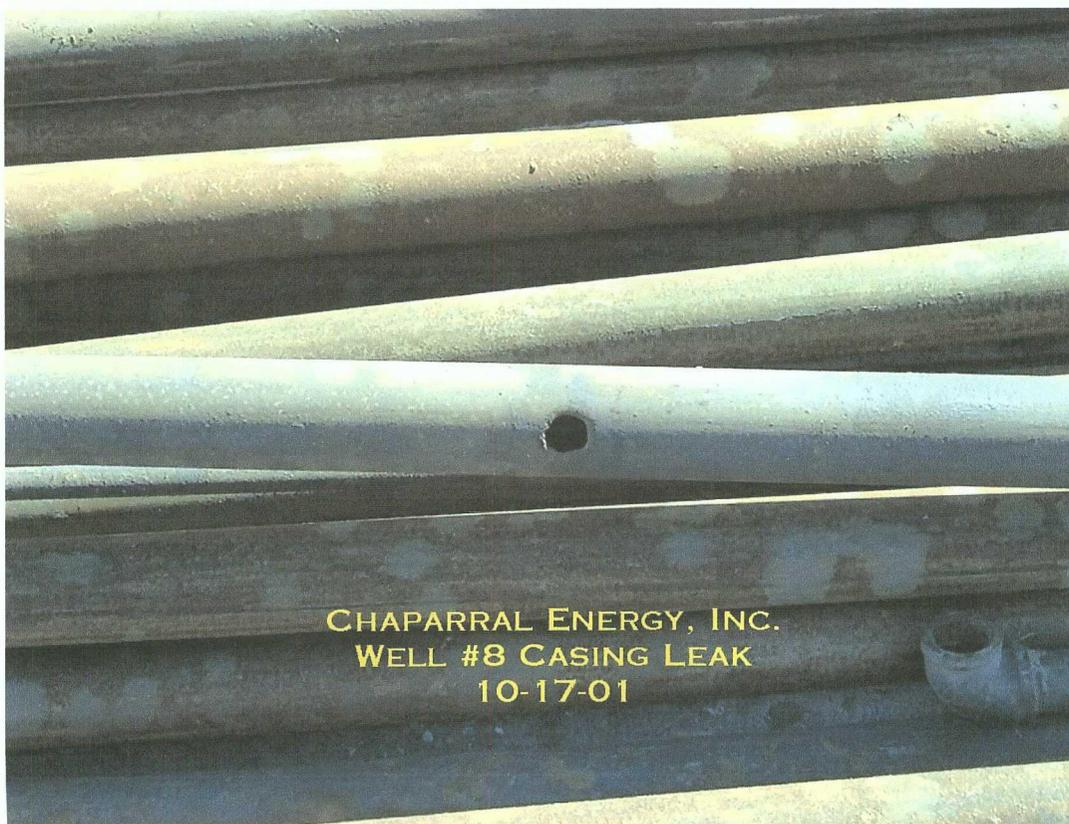
CHAPARRAL ENERGY, INC.
WELL #17 LEAK
3-3-02



CHAPARRAL ENERGY, INC.
WELL #17 LEAK
3-3-02

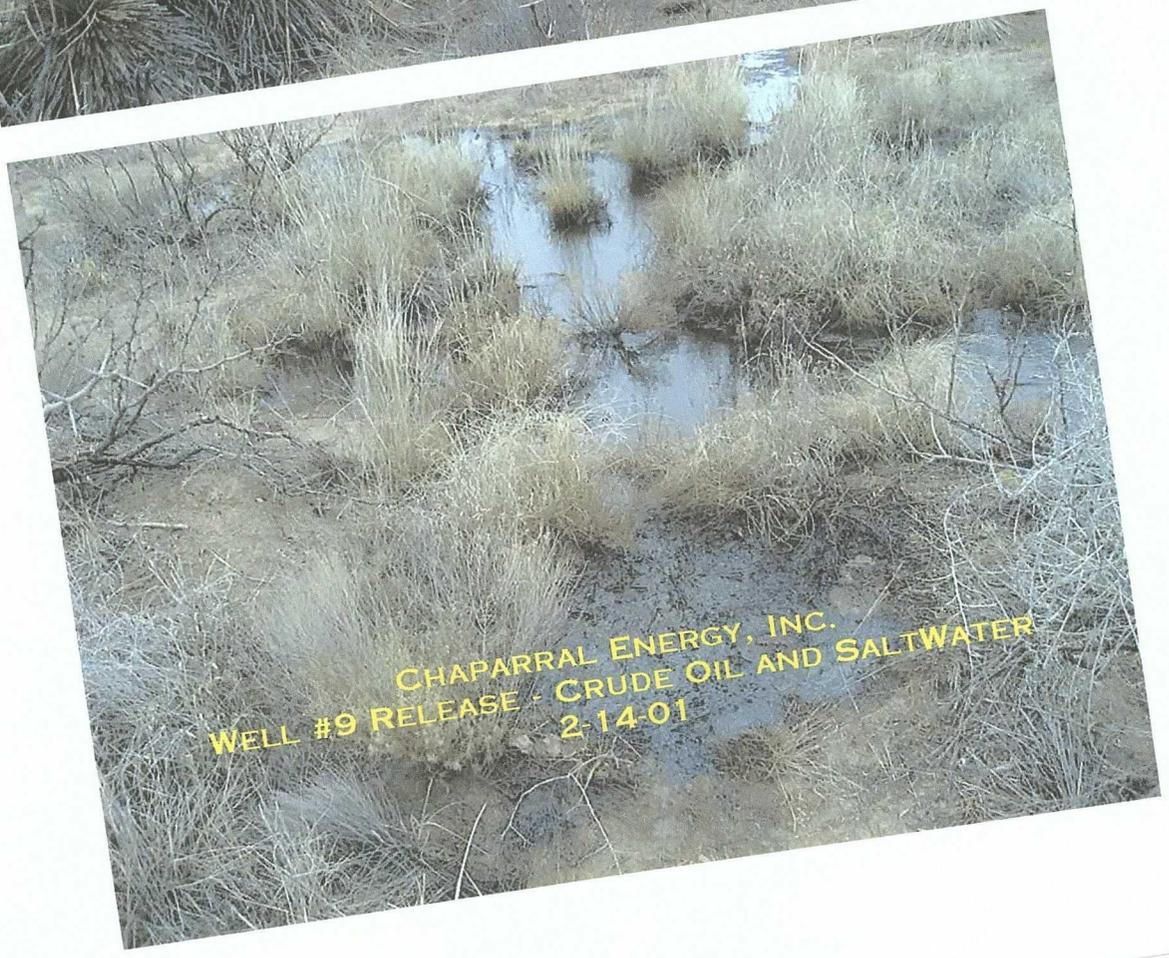
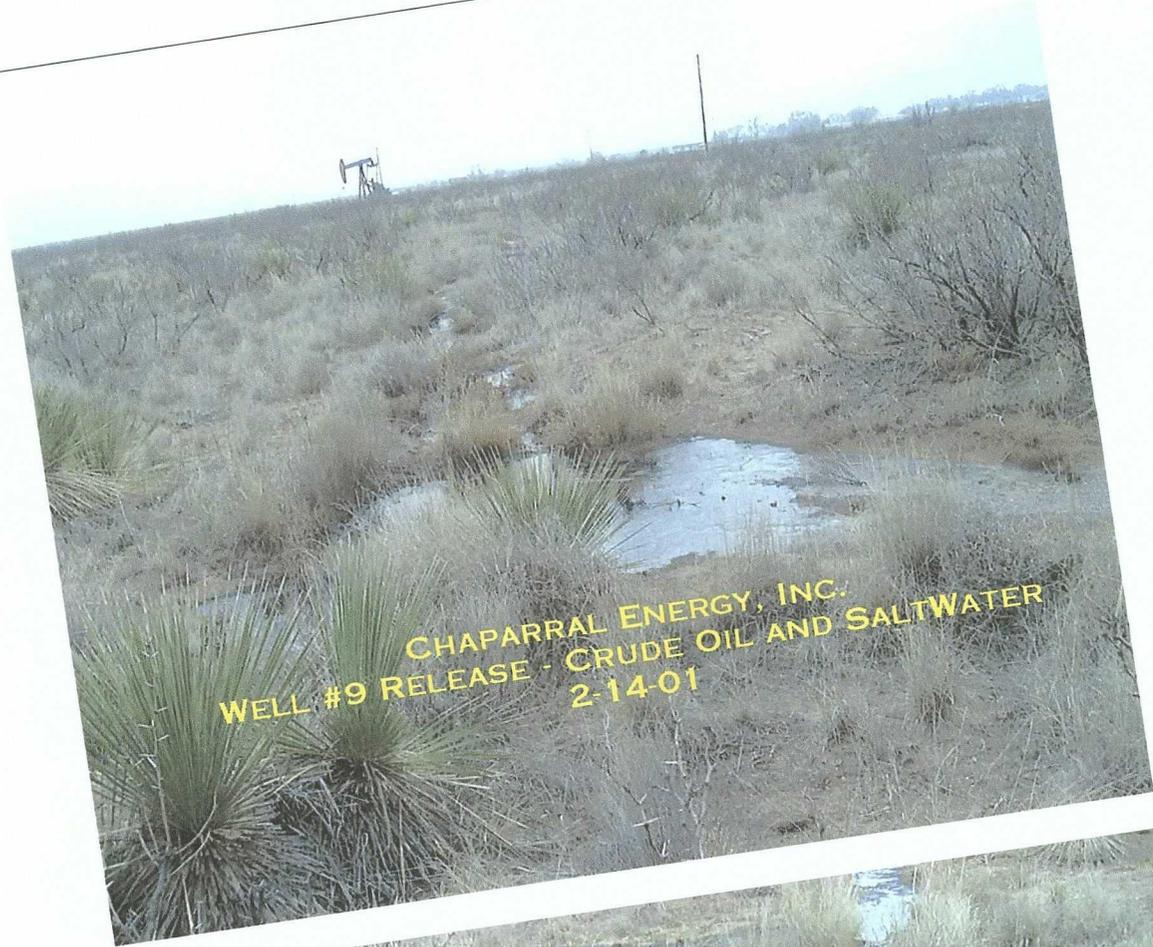


CHAPARRAL ENERGY, INC.
WELL #8 CASING LEAK BRADEN HEAD CUT-OFF
10-17-01



CHAPARRAL ENERGY, INC.
WELL #8 CASING LEAK
10-17-01







NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor
Betty Rivera
Cabinet Secretary

Lori Wrotenbery

Director
Oil Conservation Division

March 21, 2002

CERTIFIED MAIL

RETURN RECEIPT NO: 7001-1940-0004-3929-7228

Mr. Robert C. Lang IV
Chaparral Energy, Inc.
701 Cedar Lake Blvd.
Oklahoma City, Oklahoma 73114-7806

**RE: STAGE 1 ABATEMENT PLAN PROPOSAL (AP-18)
SOUTH LANGLIE JAL UNIT
JAL, NEW MEXICO**

Dear Mr. Lang:

The New Mexico Oil Conservation Division (OCD) has reviewed Chaparral Energy, Inc.'s (Chaparral) February 28, 2002 correspondence titled "STAGE 1 ABATEMENT PLAN, FOR THE SOUTH LANGLIE JAL UNIT CONSISTING OF PORTIONS OF SECTIONS 7, 8, 17 & 18, TOWNSHIP 25 SOUTH – RANGE 37 EAST, LEA COUNTY, NEW MEXICO" and accompanying February 2, 2002 "STAGE 1 ABATEMENT PLAN FOR THE SOUTH LANGLIE JAL UNIT CONSISTING OF PORTIONS OF SECTIONS 7, 8, 17 & 18, TOWNSHIP 25 SOUTH – RANGE 37 EAST, LEA COUNTY, NEW MEXICO". These documents contain Chaparral's amended proposed Stage 1 abatement plan for investigation of the extent of contamination related to Chaparral's South Langlie Jal Unit located in portions of Sections 7, 8, 17 and 18 of Township 25 South, Range 37 East, Lea County, New Mexico. These amended documents replace Chaparral's prior Stage 1 Abatement Plan Proposal for the South Langlie Jal Unit.

Upon a review of the above-referenced document, the OCD has a few comments and has identified some deficiencies in the Stage 1 Abatement Plan Proposal as set out below:

1. The "Well Spot Map" in appendix A.7 does not contain an index or any information on what facilities are shown on the map. Please provide a revised map which designates the name and type of each facility, well and pit represented within the unit.
2. The "Pipeline Map" in appendix A.8 does not contain an index or any information on what facilities are shown on the map. Please provide a revised map which designates the name and type of each pipeline, flowline and injection line represented within the unit.

3. The "Map Showing Documented Release Sites" in appendix A.9 does not contain an index or any information on what sites are represented on the map. In addition, it does not appear that the 2 Winters Tank Battery sites and Gutman Lease Tank Battery Flare Pit site are shown on the map. These are also known release sites. Please provide a revised map which designates the name and type of each spill or release site represented within the unit including the above tank battery and flare pit sites.
4. The table of documented release sites in Appendix F does not include the Winters Tank Battery sites and Gutman Lease Tank Battery Flare Pit sites. Please provide a revised table which includes these sites.
5. It is not clear whether the CERI sampling site and SESI Site #9, as shown in Appendix A.10, are sites listed in the table of documented release sites in Appendix F. Please clarify this information.
6. Section 2.4.5 on page 8 states that "there is indications surface and ground water flow is to the north, towards the Osborn home". Please provide this information.
7. Page 2 of Chaparral's February 28, 2002 correspondence states that Chaparral has completed mechanical integrity testing (MIT) of the injection wells within the unit and that 2 wells have been scheduled for plugging and abandonment. Please provide information on the names and locations of all wells with completed MIT's. In addition, please indicate which wells have been scheduled for plugging and abandonment and the reasons for the plugging on these 2 wells.

Please submit the above information by April 12, 2002. Submission of this information will allow the OCD to complete a review of Chaparral's Stage 1 Abatement Plan Proposal.

If you have any questions, please contact me at (505) 476-3491.

Sincerely,



William C. Olson
Hydrologist
Environmental Bureau

cc: Chris Williams, OCD Hobbs District Office
Mary C. Claiborne, Mayor, City of Jal
Clay Osborn
Carroll H. Leavell
Darrell E. Bailey
Darrold E. Stephenson & JoAn R. Stephenson

28 February 2002

New Mexico Energy, Minerals and Natural Resources Department
Oil Conservation Division
Attn: Bill Olson, Hydrologist
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

RECEIVED

MAR 01 2002

ENVIRONMENTAL BUREAU
OIL CONSERVATION DIVISION

RE: Stage 1 Abatement Plan
South Langlie Jal Unit
Sec. 7, 8, 17 & 18
Twp 25 South – Rge 37 East
Lea County, New Mexico

Dear Mr. Olson:

In reply to your letter of 2 January 2002, enclosed is Chaparral Energy, Inc.'s (hereinafter referred to as Chaparral) amended Stage 1 Abatement Plan for the South Langlie Jal Unit, located in portions of Sections 7, 8, 17 and 18 of Township 25 South, Range 37 East, Lea County, New Mexico. Chaparral analyzed and evaluated your letter and its amended plan attempts to reply to each of your six points in an as complete a manner as is practical. We have sent people to check the records as they are maintained in the Hobbs, New Mexico office of the NMOCD to ascertain what is and is not a verifiable release, when the release occurred, the volumes lost and what attempts were made to remediate the site or sites. Chaparral also has checked NMOCD and Dwight's records as to oil and gas well locations, disposal sites, flowlines, tank batteries and pits on and around the unit. Where documented, they are listed and placed on the attached maps. If you are aware of other documented sites, please let us know of their location in order for us to visit those sites and make a determination as to status as a release site in need of work.

We have tried to ascertain the validity of independent reports that other sites have been contaminated by saltwater releases. In some cases, these reports overlap what is of record. In others we fail to see definite release related problems. It will be far too expensive for a small company to investigate and verify or refute each and every spot someone thinks or feels may have been a release site.

The attached plan covers the locations Chaparral Energy Inc. intends to drill monitoring wells in search of reliable information as to the status of incoming groundwater and to establish baseline data on groundwater and aquifer quality. To further extend the database, Chaparral intends to locate, sample and test local existing water wells from this aquifer. All testing shall be in accordance with New Mexico Water Quality Control Commission requirements and will include analyzing for BTEX, TDS, major cations and anions and WQCC metals. Additionally, the plan covers the locations where Chaparral will conduct soil sampling and testing.



Chaparral Energy, Inc
South Langlie Jal Unit
28 February 2002

When Chaparral assumed control over the South Langlie Jal Unit from the bankruptcy court, much of the well history was not available from Bristol. Since that time Chaparral has completed Mechanical Integrity Testing on the water injection wells within the unit. At least two wells have been scheduled for plugging and abandoning, waiting only for permission to come down from the NMOCD. In an attempt to further address the problems inherited from the previous owner, Chaparral has removed surface debris, used equipment and other such items, as well as replaced worn equipment and flowlines. All this in an attempt to put the unit back into respectable shape and to prevent the releases of oil or saltwater. During the course of this, and very early into our tenure on the lease, there have been two very small yet reportable releases of crude oil. There have been no saltwater spills. Chaparral has cleaned up both in a timely fashion and the NMOCD appears satisfied the job was performed correctly and expeditiously. Both sites are on our list of sites to investigate in order to ensure they are in fact remediate to state standards.

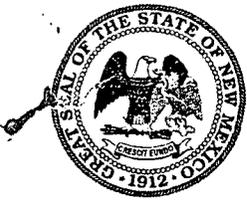
After you have had a chance to review this plan, please contact the undersigned as to the next phase of this project.

Sincerely,



Robert C. Lang IV, REM, CEA
Environmental, Health & Safety Manager

cc: Chris Williams, OCD Hobbs District Office



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor
Betty Rivera
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

February 22, 2002

CERTIFIED MAIL

RETURN RECEIPT NO: 7001-1940-0004-3929-7174

Mr. Robert C. Lang
Chaparral Energy, Inc.
701 Cedar Lake Blvd.
Oklahoma City, Oklahoma 73114-7806

**RE: NOTICE OF VIOLATION
ABATEMENT PLAN (AP-18)
SOUTH LANGLEY JAL UNIT**

Dear Mr. Lang:

On January 2, 2002, the New Mexico Oil Conservation Division (OCD) notified Chaparral Energy, Inc. (Chaparral) of deficiencies in their Stage 1 Abatement Plan Proposal for investigation of ground water pollution at Chaparral's South Langley Jal Unit located in Sections 7, 8, 17 and 18 of Township 25 South, Range 37 East, NMPM, Lea County, New Mexico. The OCD required that Chaparral submit information to correct these deficiencies by February 2, 2002.

To date the OCD has not received the information as required. As a result Chaparral is in violation of OCD Rule 19.H.4. In order to correct this violation, the OCD requires that Chaparral submit, by March 1, 2002, information to correct the identified deficiencies as required in the OCD's January 2, 2002 correspondence. Failure to provide this information may result in Chaparral being summoned to a show cause hearing before a Division Hearing Examiner where the Division staff will recommend issuance of a formal order requiring compliance with OCD rules. Such an order may include imposition of civil penalties.

If you have any questions, please contact Bill Olson of my staff at (505) 476-3491.

Sincerely,

A handwritten signature in black ink, appearing to read "Roger C. Anderson". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Roger C. Anderson
Environmental Bureau Chief

xc: Chris Williams, OCD Hobbs District Office
David K. Brooks, OCD Legal Counsel
Mary C. Claiborne, Mayor, City of Jal
Clay Osborn
Carroll H. Leavell
Darrell E. Bailey
Darrold E. Stephenson & JoAn R. Stephenson

Olson, William

From: Bob Lang [bobl@chaparralenergy.com]
Sent: Monday, February 11, 2002 9:15 AM
To: 'Olson, William'
Subject: RE: South Langlie Jal Unit

Bill,

I will have it going your way as fast as I can get it approved at this end.

Bob Lang
Environmental, Health & Safety Manager
(405) 478-8770 Ext. 1130 (O)
(405) 478-4162 (F)

bobl@chaparralenergy.com <mailto:bobl@chaparralenergy.com>

-----Original Message-----

From: Olson, William [mailto:WOLSON@state.nm.us]
Sent: Thursday, February 07, 2002 14:22
To: 'Bob Lang'
Cc: Clay Osborn (E-mail); Anderson, Roger
Subject: RE: South Langlie Jal Unit

Bob,

The OCD can give extensions for a number of things but not responses to deficiencies in the plans. Rule 19 states that responses to deficiencies shall be made within 30 days of receipt of notice of deficiency. The responsible party is in violation of the rule if the response is not submitted in that time frame. Therefore, the below-referenced extension request is denied. If a response is not received shortly the OCD will have to issue a notice of violation. If you have any questions, please contact me.

Sincerely,

William C. Olson
Hydrologist
New Mexico Oil Conservation Division
1220 St. Francis Dr.
Santa Fe, NM 87505
(505)476-3491

-----Original Message-----

From: Bob Lang [mailto:bobl@chaparralenergy.com]
Sent: Tuesday, February 05, 2002 9:30 AM
To: Bill Olson (E-mail)
Subject: South Langlie Jal Unit

Bill,

I am still gathering the information requested in your letter of 2 January 2002. Some of what you requested we have found in newly acquired data surrendered by Bristol. Some is still being searched for in the files we were given. I hope to have everything in hand by the 15th of February and request an extension of time to reply to your letter. I believe I can have

our reply in your office by the 20th.

Bob Lang
Environmental, Health & Safety Manager
(405) 478-8770 Ext. 1130 (O)
(405) 478-4162 (F)

bobl@chaparralenergy.com <<mailto:bobl@chaparralenergy.com>>

Olson, William

From: Olson, William
Sent: Thursday, February 07, 2002 1:22 PM
To: 'Bob Lang'
Cc: Clay Osborn (E-mail); Anderson, Roger
Subject: RE: South Langlie Jal Unit

Bob,

The OCD can give extensions for a number of things but not responses to deficiencies in the plans. Rule 19 states that responses to deficiencies shall be made within 30 days of receipt of notice of deficiency. The responsible party is in violation of the rule if the response is not submitted in that time frame. Therefore, the below-referenced extension request is denied. If a response is not received shortly the OCD will have to issue a notice of violation. If you have any questions, please contact me.

Sincerely,

William C. Olson
Hydrologist
New Mexico Oil Conservation Division
1220 St. Francis Dr.
Santa Fe, NM 87505
(505) 476-3491

-----Original Message-----

From: Bob Lang [mailto:bobl@chaparralenergy.com]
Sent: Tuesday, February 05, 2002 9:30 AM
To: Bill Olson (E-mail)
Subject: South Langlie Jal Unit

Bill,

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Bob Lang
Environmental, Health & Safety Manager
(405) 478-8770 Ext. 1130 (O)
(405) 478-4162 (F)

bobl@chaparralenergy.com <mailto:bobl@chaparralenergy.com>

Olson, William

From: Clay & Jeri Osborn [clayjери.osborn@worldnet.att.net]
Sent: Wednesday, February 06, 2002 10:19 PM
To: Bill Olson
Subject: SLJU Release

Bill,
I looked at the release list from Chaparral's South Langlie Jal Unit you e-mailed me. I did not see any spill sites from Sections 8 & 17, T 25S, R 37E. Bristol and Chaparral had leaks and spills in those sections. One injection line leak was across the road from my front house and water wells. The produced water and oil ran down the bar ditch. Another injection line leak across the road and north of my east water wells leaked for several days before it was found and reported, this line has leaked many times and has never been cleaned up. This could be part of the problem with my east water wells.

Clay Osborn

Olson, William

From: Olson, William
Sent: Friday, January 25, 2002 9:40 AM
To: 'Bob Lang'
Subject: RE: South Langlie Jal Unit



William Olson

This morning I mailed you copies of the public comments we have received to date. The information I have on spills was contained in Clay Osborn's comments, which is included in the documents I sent. Some of the sites identified by Mr. Osborn may be the same as some of the sites you have identified. I hope this helps you.

-----Original Message-----

From: Bob Lang [mailto:bobl@chaparralenergy.com]
Sent: Wednesday, January 23, 2002 4:40 PM
To: Bill Olson (E-mail)
Cc: Bob Kelly
Subject: South Langlie Jal Unit

Bill,

I have identified, through actual inspection of the unit and from the data I've been given by others, the places most likely to have had releases of oil and/or saltwater on the South Langlie Jal Unit. They are listed below. Are you aware of any others? If so, would you please let me know so I can include them in my Abatement Plan.

Secondly, can I get copies of the letters, e-mails, etc. you have received from the public after we published in the local papers? I'd like to see what the public has to say in order that I might take that into account as I write the Plan. I do have copies of the three letters you sent back to people in the Jal area, but I do not have anything from them outlining their concerns.

Thanks for your help.

Bob Lang
Environmental, Health & Safety Manager
(405) 478-8770 Ext. 1130 (O)
(405) 478-4162 (F)

bobl@chaparralenergy.com <mailto:bobl@chaparralenergy.com>

Site #

Description

Location

Section

1

Winters Tank Battery

W/2 NE/4

18-25S-37E

2

Abandon Tank Battery Site

SE/4 SW/4 NE/4

18-25S-37E

3

Abandon Flare Pit

NW/4 SE/4 SE/4

18-25S-37E

4

Possible Saltwater Release Site

S/2 S/2 S/2 SE/4

18-25S-37E

5

Possible Saltwater Release Site

N/2 S/2 S/2 SE/4

18-25S-37E

6

Possible Saltwater Release Site

S/2 N/2 S/2 SE/4

18-25S-37E

7

Existing Oil Storage Battery

SE/4

7-25S-37E

8

Possible Saltwater Release Site

S/2 S/2 N/2 SE/4

7-25S-37E

9

Possible Saltwater Release Site

E/2 NW/4 SE/4

7-25S-37E

10

Possible Saltwater Release Site

S/2 SW/ NW/4 SE/4

7-25S-37E

11

Abandon Tank Battery Site

SW/4 NE/4

7-25S-37E

12

Saltwater Injection Station

N/2 SW/4 NE/4 SE/4

7-25S-37E

13

SLJU #4 WIW

SW/4 NE/4 SE/4

7-25S-37E

14

Possible Saltwater Release Site

E/2 SE/4 NE/4

18-25S-37E

15

SLJU #13 WIW

SW/4 NE/4 NE/4

18-25S-37E



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

January 2, 2002

CERTIFIED MAIL

RETURN RECEIPT NO: 7000-1670-0012-5357-8130

Mr. Robert C. Lang IV
Chaparral Energy, Inc.
701 Cedar Lake Blvd.
Oklahoma City, Oklahoma 73114-7806

**RE: STAGE 1 ABATEMENT PLAN PROPOSAL (AP-18)
SOUTH LANGLIE JAL UNIT
JAL, NEW MEXICO**

Dear Mr. Lang:

The New Mexico Oil Conservation Division (OCD) has reviewed the following Chaparral Energy, Inc. (Chaparral) documents:

- Two October 8, 2001 correspondences.
- August 22, 2001 "AMENDED SOUTH LANGLIE JAL UNIT STAGE I ABATEMENT PLAN".
- March 23, 2001 "SOUTH LANGLIE JAL UNIT STAGE I ABATEMENT PLAN".

These documents contain Chaparral's proposed Stage 1 abatement plan and proof of public notice for investigation of the extent of contamination related to Chaparral's South Langlie Jal Unit located in portions of Sections 7, 8, 17 and 18 of Township 25 South, Range 37 East, Lea County, New Mexico. The OCD has also received a number of public comments in response to the public notice.

Upon a review of the above-referenced documents the OCD has identified several deficiencies in the Stage 1 Abatement Plan Proposal as set out below:

1. A couple of leak and spill contamination sites within the unit are noted in the plan, however the public comments have identified some potential contamination source areas that were not identified by Chaparral. Please provide an inventory of the location of all former leak, spill and release areas within the unit. The inventory shall include a description of the dates, nature, volume and remediation actions taken of all leaks, spills and releases and a map showing their locations within the unit.

2. The plan does not contain complete information on oil and gas production and disposal activities within the unit. Please provide a description of all current and former disposal activities within the unit, and a map showing the location of all current and former production wells, injection wells, gathering systems, pipelines, tank batteries and disposal or storage pits .
3. Chaparral proposes to install monitor wells along the upgradient side of the unit to determine the quality of ground water entering the site, but does not propose to investigate contamination at leak, spill or disposal areas within the unit. Please submit a work plan for investigating the magnitude of soil and ground water contamination at these sites.
4. The plan states that other water wells in the area may be sampled. In order to get a complete snapshot of the relationship of unit operations on ground water quality, the OCD requires that Chaparral sample ground water from all newly installed and existing monitor wells, and private and public water wells within the unit. Please provide a commitment to conduct this sampling.
5. The OCD requires that all ground water samples be obtained and analyzed for benzene, toluene, ethylbenzene, xylene (BTEX), total dissolved solids (TDS), major cations and anions and New Mexico Water Quality Control Commission (WQCC) metals using EPA approved methods and quality assurance/quality control (QA/QC). Please provide a commitment to obtain these samples.
6. The plan does not contain information on the mechanical integrity of injection and production wells within the unit. Please provide this information.

Please submit the above information by February 2, 2002. Submission of this information will allow the OCD to complete a review of Chaparral's Stage 1 Abatement Plan Proposal.

If you have any questions, please contact me at (505) 476-3491.

Sincerely,



William C. Olson
Hydrologist
Environmental Bureau

cc: Chris Williams, OCD Hobbs District Office
Mary C. Claiborne, Mayor, City of Jal
Clay Osborn
Carroll H. Leavell
Darrell E. Bailey
Darrold E. Stephenson & JoAn R. Stephenson



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

January 2, 2002

Ms. Mary C. Claiborne, Mayor
City of Jal
P.O. Drawer 340
Jal, NM 88252

**RE: STAGE 1 ABATEMENT PLAN PROPOSAL (AP-18)
CHAPARRAL ENERGY – SOUTH LANGLIE JAL UNIT**

Dear Ms. Claiborne:

The Oil Conservation Division (OCD) received your October 10, 2000 letter commenting on Chaparral Energy, Inc.'s (Chaparral) proposed Stage 1 abatement plan for investigation of the extent of contamination related to the South Langlie Jal Unit located in portions of Sections 7, 8, 17 and 18 of Township 25 South, Range 37 East, Lea County, New Mexico. The OCD has included your name as an intervenor in this case and you will receive copies of all OCD correspondence concerning the abatement plan.

Pursuant to OCD Rule 19, the OCD required an abatement plan because of contamination of private water wells on the South Langlie Jal Unit and the fact that upgradient oilfield operations (formerly operated by Bristol Resources Corporation but recently purchased by Chaparral) were shown to have a number of leaks and spills, one of which was shown to have contaminated ground water in excess of state standards.

The abatement plan is broken into 2 stages, a Stage 1 Abatement Plan Proposal and a Stage 2 Abatement Plan Proposal. The purpose of the Stage 1 Abatement Plan Proposal is for the responsible person to determine the magnitude and extent of contamination that is related to their operations. The rules require that the responsible person provide public notice of the plan and allows a 30 day period for receipt of public comments. Based upon a technical review of the proposal and consideration of the public comments, the OCD resolves deficiencies in the proposal with the responsible person and issues administrative approval of the Stage 1 Abatement Plan. The responsible person then conducts the investigations at the site and provides a Stage 1 Investigation Report to the OCD for approval.

Once the extent of contamination has been determined, the responsible person is required to submit a Stage 2 Abatement Plan Proposal which contains a proposed plan to remediate the site to state standards. The rule also requires that the responsible person provide public notice of the plan and allows a 30 day period for receipt of public comments and public requests for a hearing on the merits of the plan. A request for a public hearing must be in writing and must include the reasons why a hearing should be held. Based upon a technical review of the proposal and consideration of the public comments, the OCD attempts to resolve deficiencies in the proposal with the responsible person and then determines whether the Stage 2 Abatement Plan is administratively approvable or denied. If the plan is administratively denied, the applicant will be notified and it will be its responsibility to request a hearing appealing the denial. If the Stage 2 Abatement Plan is determined to be administratively approvable, the OCD will notify the applicant and all intervenors of the conditions under which the plan would be approved. Intervenors will be allowed fifteen (15) days from receipt of the determination to notify the OCD whether they still wish to proceed to hearing.

The OCD appreciates your input on environmental and public health issues relating to this abatement plan. If you have any questions or comments, please do not hesitate to contact Bill Olson of my staff at (505) 476-3491.

Sincerely:



for Roger C. Anderson, Chief
Environmental Bureau

RCA/wco

cc: Chris Williams, OCD Hobbs District Office
Robert C. Lang, Chaparral Energy, Inc.



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

January 2, 2002

Mr. Clay Osborn
P.O. Box 1285
Jal, New Mexico 88252

**RE: STAGE 1 ABATEMENT PLAN PROPOSAL (AP-18)
CHAPARRAL ENERGY – SOUTH LANGLIE JAL UNIT**

Dear Mr. Osborn:

The Oil Conservation Division (OCD) received your October 10, 2000 letter commenting on Chaparral Energy, Inc.'s (Chaparral) proposed Stage 1 abatement plan for investigation of the extent of contamination related to the South Langlie Jal Unit located in portions of Sections 7, 8, 17 and 18 of Township 25 South, Range 37 East, Lea County, New Mexico. The OCD has included your name as an intervenor in this case and you will receive copies of all OCD correspondence concerning the abatement plan.

Pursuant to OCD Rule 19, the OCD required an abatement plan because of contamination of private water wells on the South Langlie Jal Unit and the fact that upgradient oilfield operations (formerly operated by Bristol Resources Corporation but recently purchased by Chaparral) were shown to have a number of leaks and spills, one of which was shown to have contaminated ground water in excess of state standards.

The abatement plan is broken into 2 stages, a Stage 1 Abatement Plan Proposal and a Stage 2 Abatement Plan Proposal. The purpose of the Stage 1 Abatement Plan Proposal is for the responsible person to determine the magnitude and extent of contamination that is related to their operations. The rules require that the responsible person provide public notice of the plan and allows a 30 day period for receipt of public comments. Based upon a technical review of the proposal and consideration of the public comments, the OCD resolves deficiencies in the proposal with the responsible person and issues administrative approval of the Stage 1 Abatement Plan. The responsible person then conducts the investigations at the site and provides a Stage 1 Investigation Report to the OCD for approval.

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The OCD appreciates your input on environmental and public health issues relating to this abatement plan. If you have any questions or comments, please do not hesitate to contact Bill Olson of my staff at (505) 476-3491.

Sincerely:



for Roger C. Anderson, Chief
Environmental Bureau

RCA/wco

cc: Chris Williams, OCD Hobbs District Office
Robert C. Lang, Chaparral Energy, Inc.



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

January 2, 2002

Mr. Darrell E. Bailey
P.O. Box 1225
Jal, NM 88252

**RE: STAGE 1 ABATEMENT PLAN PROPOSAL (AP-18)
CHAPARRAL ENERGY – SOUTH LANGLIE JAL UNIT**

Dear Mr. Bailey:

The Oil Conservation Division (OCD) received your October 10, 2000 letter commenting on Chaparral Energy, Inc.'s (Chaparral) proposed Stage 1 abatement plan for investigation of the extent of contamination related to the South Langlie Jal Unit located in portions of Sections 7, 8, 17 and 18 of Township 25 South, Range 37 East, Lea County, New Mexico. The OCD has included your name as an intervenor in this case and you will receive copies of all OCD correspondence concerning the abatement plan.

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The OCD appreciates your input on environmental and public health issues relating to this abatement plan. If you have any questions or comments, please do not hesitate to contact Bill Olson of my staff at (505) 476-3491.

Sincerely:



for Roger C. Anderson, Chief
Environmental Bureau

RCA/wco

cc: Chris Williams, OCD Hobbs District Office
Robert C. Lang, Chaparral Energy, Inc.



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

January 2, 2002

Darrold E. Stephenson and
JoAn R. Stephenson
P.O. Box 749
Jal, NM 88252

**RE: STAGE 1 ABATEMENT PLAN PROPOSAL (AP-18)
CHAPARRAL ENERGY – SOUTH LANGLIE JAL UNIT**

Dear Mr. and Mrs. Stephenson:

The Oil Conservation Division (OCD) received your October 10, 2000 letter commenting on Chaparral Energy, Inc.'s (Chaparral) proposed Stage 1 abatement plan for investigation of the extent of contamination related to the South Langlie Jal Unit located in portions of Sections 7, 8, 17 and 18 of Township 25 South, Range 37 East, Lea County, New Mexico. The OCD has included your name as an intervenor in this case and you will receive copies of all OCD correspondence concerning the abatement plan.

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Sincerely:



for Roger C. Anderson, Chief
Environmental Bureau

RCA/wco

cc: Chris Williams, OCD Hobbs District Office
Robert C. Lang, Chaparral Energy, Inc.