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**GENERAL
CORRESPONDENCE**

**YEAR(S):
2000**



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

January 24, 2000

CERTIFIED MAIL # Z 559 572 856

Paul Slayton
Mountain States Petroleum Corporation
P.O. Box 1936
Roswell, NM 88202-1936

DOES Mt. States
HAVE A BOND?

RE: Potential Groundwater Contamination in Sec. 32, Township 11 South, Range 27
East, Chaves County, NM (old Ernest A. Hanson water supply station for the old
Coyote Queen waterflood)

Dear Mr. Slayton:

By letter dated May 27, 1999, the Oil Conservation Division Artesia District Office
Supervisor, Tim Gum, informed you of possible groundwater contamination at the above-
referenced site.

Mountain States is the OCD operator of record of wells on several leases in the Coyote
Queen Pool and is the successor operator to Hanson Operating Co. As such, Mountain
States is responsible for protecting groundwater from oil and gas operations at those well
sites, whether those operations are current or historical. Mr. Gum gave you 30 days to
submit a plan to remove the potential source of groundwater contamination. To date, you
have not done so.

The OCD hereby informs Mountain States that if Mountain States does not submit an
acceptable cleanup plan or an acceptable reason why it should not be held liable for the
contamination by February 14, 2000, the OCD will file an application for hearing
requiring Mountain States to appear and show cause why: (i) Mountain States should not
be ordered to clean up the contaminated site, (ii) the OCD should not be authorized to
clean up the site if Mountain States refuses to do so, (iii) the OCD should not be
authorized to take all available legal action to recover its costs of cleanup from Mountain
States, and (iv) Mountain States should not also be fined for failure to clean up the site.

If you have any questions, please feel free to call me at 505/827-8156 through January
27, 2000, or Ms. Lyn Hebert, Legal Counsel to the OCD after that date, at 505/827-1364,
or Tim Gum at 505/748-1283.

Sincerely,

Rand Carroll
Legal Counsel

Roger Slayton contacted
Artesia, New Mexico
12344
12345

c: Lyn Hebert, OCD Legal Counsel
Tim Gum, OCD Artesia District Supervisor