



New Mexico Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

Brett F. Woods, Ph.D
Deputy Cabinet Secretary

Daniel Sanchez
Acting Division Director
Oil Conservation Division



Mailed: 2/17/2011
DS

February 17, 2011

Dan A. Hughes Company, L.P.
208 E. Houston Street
Beeville, TX 78104

RESPONSE REQUIRED

30-023-20014

Dear Operator,

This letter is in reference to your wells located in Hidalgo County, New Mexico: Big Hatchet North Unit 14 State #1 and Hueco South Unit 29 State #1. Our office is aware that you are currently performing "lease hold" operations on this well, by drilling a few feet a month.

With the assistance of the Office of the State Engineer, our office has identified shallow water wells in & around this well. Depths of ground water in this area vary from 40 feet to 135 feet in depth.

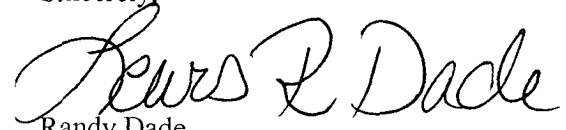
In an attempt to prevent possible contamination to ground water through whole or partial conduits from the surface, we would like for you install a conductor pipe in this well, with a locking cap installed. The conductor pipe may be of adequate size to allow you to continue your drilling operations, set at least 10 feet deep, cemented to surface. The locking cap is to remain in place and locked at all times except when it is necessary to be open to allow drilling operations.

We would appreciate your compliance with this matter, and assist us in our attempt to preserve New Mexico's precious groundwater. We would like to see you have this conductor installed within 60 days of receipt of this letter. Upon completion, please submit a sundry in reference to this. If you have any questions concerning this matter, please feel free to contact me.

Oil Conservation Division
1301 W. Grand Avenue • Artesia, New Mexico 88210
Phone (575)748-1283 • Fax (575) 748-9720 • www.emnrd.state.nm.us/OCD



Sincerely,

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

Randy Dade
District Supervisor
NMOCD- Artesia District Office