

PRIDE ENERGY COMPANY

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August 28, 2017

Via Certified Mail

91 7199 9991 7034 2246 4732

New Mexico Oil Conservation Division, District I
1625 N. French Drive
Hobbs, NM 88240

ATTN: Olivia Yu
Environmental Specialist

RE: New Mexico 87 State #1 - Wellhead
API #30-025-23655
Unit K, Section 33-14S-34E
Lea County, NM

New Mexico 87 State #1 – Tank Battery
Unit J, Section 33-14S-34E
Lea County, NM

HOBBS OCD
SEP 01 2017
RECEIVED

Dear Ms. Yu,

Pride Energy wishes to move forward with implementation of a remediation plan under Rule 29 for the release reported for the above-referenced well. However, reports from the field have created confusion in our office. We request from OCD a response (via email and/or phone call) to the questions presented below. In this manner, we will be able to work with our consultants to create a remediation plan that is consistent with the Rule and meets the technical and regulatory mandates of NMOCD. We look forward to working with you on this matter.

Regarding the pre-established facts that have been presented thus far:

1. The release described in Form C-141 was predominantly oil. As stated, Pride implemented an immediate response to prevent the oil from impacting cattle.
2. The well was drilled in 1970. At that time, unlined drilling pits were authorized by OCD in many areas in New Mexico. Unlined production pits were also allowed in certain parts of New Mexico – perhaps at this location as well. Reporting of releases of produced water did not routinely occur until the 1990s and/or early 2000s.
3. Pride Energy Company took over operations of said well in 2007.
4. The NMOCD well records did not indicate any reportable releases for this well.
5. Examination of Google Earth photographs indicates the following:
 - a. In imagery dated 2003, an old release may have occurred to the northeast of the well
 - b. This same image also may show an old release in the southeast corner of the pad

- c. The 1996 image appears to show reflective soil to the northwest of the pad and the most recent images show this same area covered by vegetation
- 6. Our recent oil release footprint has been defined and we are prepared to provide OCD with a remediation plan that generally adheres to the guidance provided in your response to our notification.

In light of the aforementioned items, please find below our questions:

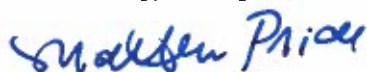
- A. Given the past history of releases and authorized practices at this well, how are we to discern the difference between chloride from past surface spills and any chloride that may have been entrained in our release?
- B. Is it true that OCD inspected this well many times and never required any actions in the past to address obvious releases prior to the acquisition of the well by Pride?
- C. We are now told that somebody reported that produced water was discharged from this well into a nearby playa. Can OCD provide all of the information relating to this alleged action? This will require a written response, please.
- D. We are also told that OCD is requesting borings and other actions associated with this report of a release to a playa. Would you please provide this request in writing with the data and information to support what we are hearing? Or tell us over the phone that we heard wrong.
- E. The Rule states that we are to report spills that occurred during our operation of the well. Pride made the report. The Rule also states that we must report spills that "may with reasonable probability be detrimental to water or exceed the standards in Subsections A and B or C of 19.15.30.9 NMAC". Is OCD now concerned about old releases from this well and not the release we reported?
- F. Does OCD have data or reports that would support a conclusion that old surface releases from this well meet the standard of the Rule stated above? This question presupposes that there is no discharge of produced water from this well into a playa as we are not aware of such a release by Pride.

Obviously, the report of a release to a playa is the primary concern. Second to that is a concern that OCD is requiring investigations of past releases that were surely observed by OCD during past inspections, were never reported by previous operator or others, may have been authorized by OCD (e.g. unlined drilling pits) and may not be detrimental to water.

Again, Pride has no issue with preparing and implementing an adequate remediation plan for the release that occurred on our watch. We need clarity on what more OCD requires and the justification for the requirements.

If you have any questions, please do not hesitate to contact me at (918) 524-9200. In the meantime, we look forward to hearing from you.

Sincerely,
Pride Energy Company



Matthew Pride