

HOLLAND & HART^{LLP}



Kristina Martinez
kemartinez@hollandhart.com

November 13, 2007

HAND-DELIVERED

Mark E. Fesmire, P.E.
Director
Oil Conservation Division
New Mexico Energy, Minerals and
Natural Resources Department
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Case 14050

RECEIVED
2007 NOV 13 PM 4 16

Re: Case No. ~~14022~~; Application of Dan A. Hughes Company, L.P. for Approval of Application for Permit to Drill, Hidalgo County, New Mexico.

Dear Mr. Fesmire:

Enclosed is the application of Dan A. Hughes Company, L.P. ("Hughes") in the above-referenced case as well as a copy of a legal advertisement. Hughes requests that this matter be placed on the docket for the December 13, 2007 Examiner hearings.

However, Hughes does not believe that this matter should be required to go to hearing. Hughes appeared before Examiner William Jones on November 1, 2007 in connection with its Application for Unit Approval. Before that hearing public notice was given but no interested parties appeared at hearing. Hughes submits that any party affected by the drilling of its initial test well has already been put on notice and does not object. Accordingly, the Application for Permit to Drill should be approved in the usual course of Division business and should not be required to go to hearing.

Sincerely,

Kristina Martinez
Attorney for Dan A. Hughes Company

Enclosures

cc: Robert Holder, Dan A. Hughes Company, L.P.

Holland & Hart LLP

Phone [505] 988-4421 Fax [505] 983-6043 www.hollandhart.com

110 North Guadalupe Suite 1 Santa Fe, NM 87501 **Mailing Address** P.O. Box 2208 Santa Fe, NM 87504-2208

Denver Aspen Boulder Colorado Springs Denver Tech Center Billings Boise Cheyenne Jackson Hole Las Vegas Salt Lake City Santa Fe Washington, D.C. ♻

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

APPLICATION OF DAN A. HUGHES COMPANY, L.P. FOR APPROVAL OF A UNIT AGREEMENT, HIDALGO COUNTY, NEW MEXICO.

CASE NO. ~~14022~~

14050

APPLICATION FOR APPROVAL
OF APPLICATION FOR PERMIT TO DRILL

Dan A. Hughes Company, L.P. ("Hughes") hereby applies to the Division for an order approving its proposed Application for Permit to drill currently pending in District 2-Artesia. In support of its application, Hughes states:

1. On November 1, 2007, after filing a formal application and after 30-day public notice, Hughes appeared before Examiner William V. Jones to have the Hueco South Unit 26 State approved. Said Unit is located in Hidalgo County and consists of 82,622.60 acres of State and Fee land. Hughes is awaiting final order from the Division on its Application for Unit Approval.

2. When approved, Hughes is designated as Unit Operator in the Hueco South Unit and has the right to drill thereon.

3. Hughes proposes to drill its initial test well before January 1, 2008 to prevent expiration of 52 state oil and gas leases. Said well will be located in Section 26, Township 32 South, Range 17 West, N.M.P.M., Hidalgo County, New Mexico.

4. On October 29, 2007 Hughes filed an Application for Permit to Drill its test well as a wildcat well from a standard location 660 feet from the South line and 660 feet from the West line in the SW/4 SW/4 (Unit M) of Section 26. Hughes's APD is attached as Exhibit A.

5. **Exhibit B** is a copy of Division Form C-102 for this well that shows the proposed location of the well.

6. On November 8, 2007 Hughes received notification that its APD would require further examination and should be set for hearing before the Division in Santa Fe. The fax sent to Hughes is attached as **Exhibit C**. Hughes was instructed to give notice to the parties identified in **Exhibit D**.

7. As required by the Division, a copy of this application has been sent to those parties and they have been advised that if they have an objection to this application they may appear and present testimony before a Division Examiner on December 13, 2007. A copy of the notice letter sent to those parties is attached as **Exhibit E**.

WHEREFORE, Dan A. Hughes Company, L.P. requests that this application be set for hearing before an Examiner of the Oil Conservation Division on December 13, 2007 and, after notice and hearing as required by law, the Division enter its order approving the Application for Permit to Drill.

Respectfully submitted,

HOLLAND & HART, LLP

By:  _____

William F. Carr
Kristina Martinez
Post Office Box 2208
Santa Fe, New Mexico 87504
Telephone: (505) 988-4421

ATTORNEYS FOR
DAN A. HUGHES COMPANY, L.P.

State of New Mexico
 Energy Minerals and Natural Resources

Form C-101
 May 27, 2004

District I
 1625 N. French Dr., Hobbs, NM 88240
 District II
 1301 W. Grand Avenue, Artesia, NM 88210
 District III
 1000 Rio Brazos Road, Aztec, NM 87410
 District IV
 1220 S. St. Francis Dr., Santa Fe, NM 87505

Oil Conservation Division
 1220 South St. Francis Dr.
 Santa Fe, NM 87505

Submit to appropriate District Office

AMENDED REPORT

S

OCT 30 2007

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUG BACK, OR ADD A ZONE

Operator Name and Address DAN A HUGHES COMPANY, LP C/O OIL REPORTS & GAS SERVICES, INC. 1008 W. BROADWAY HOBBS, NM 88240		UGRB Number 251054
Property Code		API Number 30 - 023 -
Property Name HUECO SOUTH UNIT 26 STATE		Well No. 001
Proposed Pool 1 WILDCAT		Proposed Pool 2

Surface Location

UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County
04	26	30S	17W		660	SOUTH	560	WEST	HIDALGO

Proposed Bottom Hole Location if Different From Surface

UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County

Additional Well Information

Work Type Code N	Well Type Code G	Cable/Rotary Rotary	Liner Type Code S	Ground Level Elevation 4527.68'
Multiple NO	Proposed Depth 6200'	Formation PERCHA SHALE	Completor PATTERSON DRLG	Spud Date 12/2007
Depth to Groundwater 850' - 1100'	Distance from nearest fresh water well 1000' OR MORE		Distance from nearest surface water 1000' OR MORE	
Liner: Synthetic <input type="checkbox"/> m/in thick Clay <input type="checkbox"/> Pit Volume: _____ bbls Drilling Method: Closed-Loop System <input checked="" type="checkbox"/> Fresh Water <input type="checkbox"/> Brine <input type="checkbox"/> Diesel/Oil-based <input type="checkbox"/> Gas/Air <input type="checkbox"/>				

Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
12 1/4"	9 5/8"	36# 155 LT & C	500'		SURE
7 7/8"	5 1/2"	17# 155 LT & C	6200'		5000'

22. Describe the proposed program. If this application is to DEEPEN or PLUG BACK, give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

SEE ATTACHED PROPOSED WELLBORE SCHEMATIC

23. I hereby certify that the information given above is true and complete to the best of my knowledge and belief. I further certify that the drilling pit will be constructed according to NMOCN guidelines <input checked="" type="checkbox"/> , a general permit <input type="checkbox"/> , or an (attached) alternative OCD-approved plan <input type="checkbox"/> . Signature: <i>Gaye Heard</i> Printed name: GAYE HEARD Title: AGENT E-mail Address: oilreports@oilreports.com Date: 10/29/07 Phone: 575-393-2727	OIL CONSERVATION DIVISION	
	Approved by:	
	Title:	
	Approval Date:	Expiration Date:
	Conditions of Approval Attached <input type="checkbox"/>	

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised October 12, 2005
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

'API Number 30-023-	'Pool Code	'Pool Name Wildcat
'Property Code	'Property Name Hueco South Unit 26 State	
'Well Number 001	'Operator Name Dan A. Hughes Company, L.P.	
'OGRID No. 251054	'Elevation 4527.68	

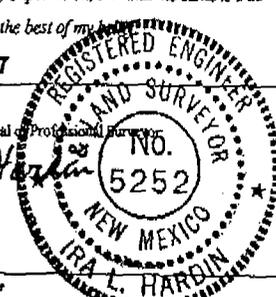
¹⁰ Surface Location

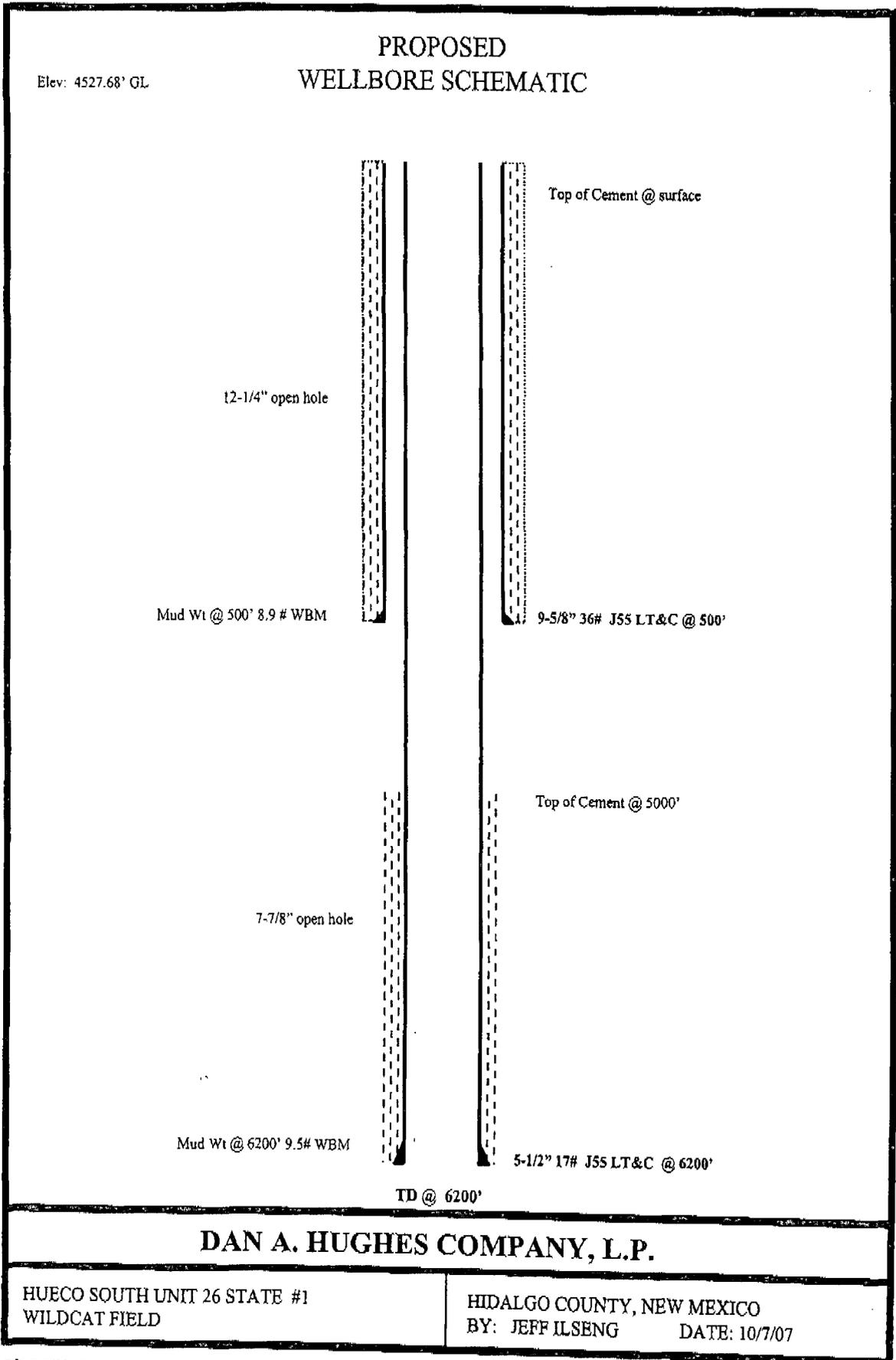
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	26	32S	17W		660'		660'		Hidalgo

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County				
<table border="1"> <tr> <td>'Dedicated Acres 160</td> <td>'Joint or Infill</td> <td>'Consolidation Code</td> <td>'Order No.</td> </tr> </table>										'Dedicated Acres 160	'Joint or Infill	'Consolidation Code	'Order No.
'Dedicated Acres 160	'Joint or Infill	'Consolidation Code	'Order No.										

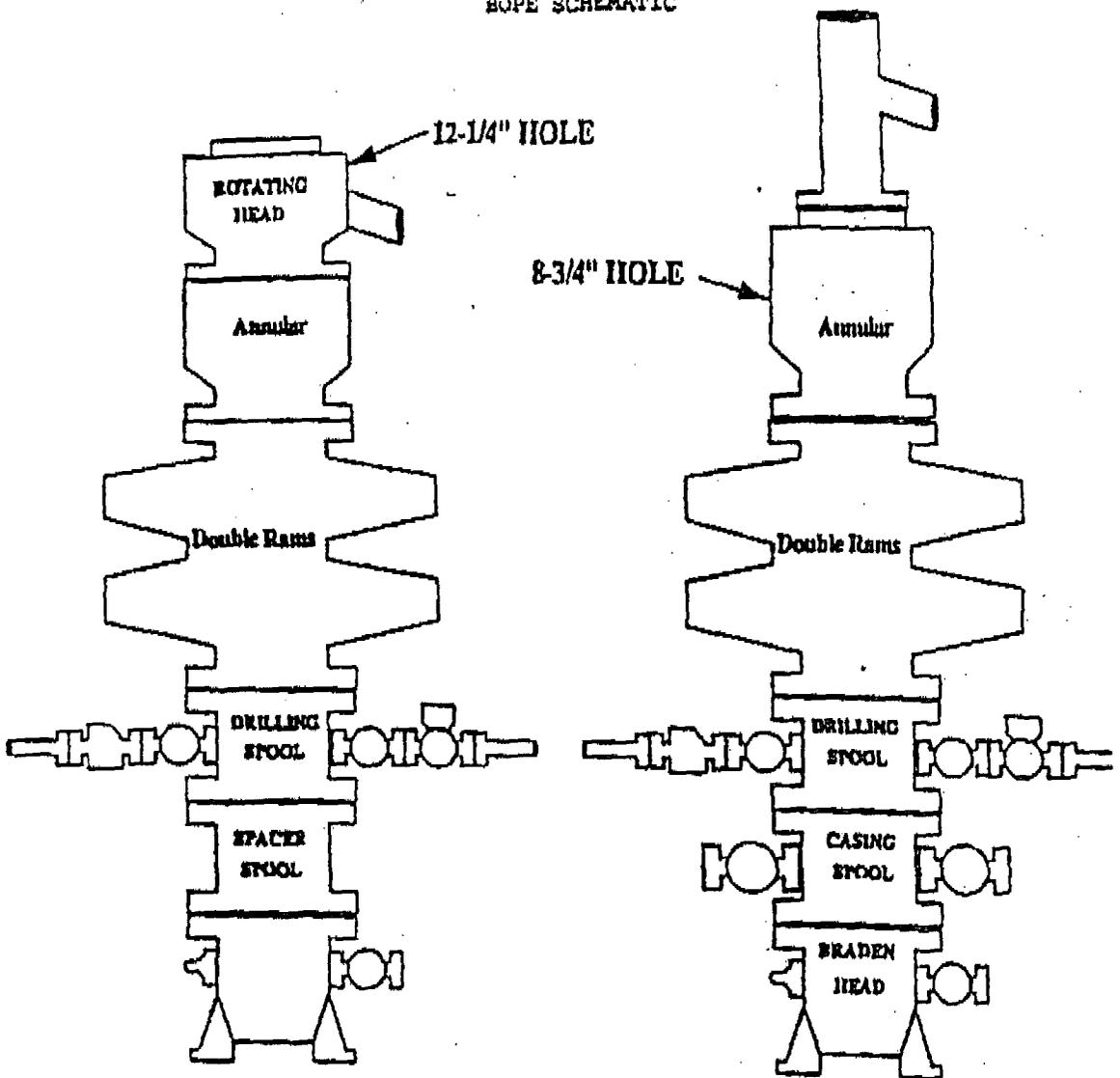
No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.

<p>¹⁶</p>	<p>¹⁷ OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest or to a voluntary pooling agreement or a compulsory pooling order heretofore covered by the division.</p> <p><i>Gaye Heard</i> 10/29/07 Signature Date</p> <p>Gaye Heard Printed Name</p>			
	<p>¹⁸ SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.</p> <p>9-26-07 Date of Survey</p> <p>Signature and Seal of Professional Surveyor <i>Ira L. Hardin</i></p> <p>5252 Certificate Number</p> 			
	<p>660' O</p> <p>660' O</p>			

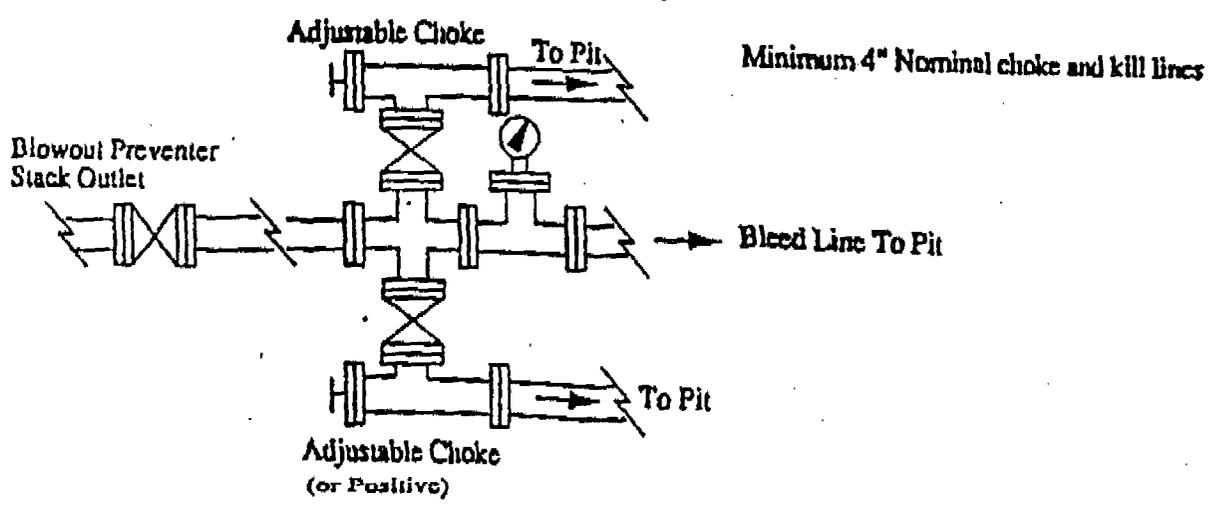


DIRECTIONS: Located Township 32S Range 17W, Section 26, SW/4 SW/4, 660' FSL x 660' FWL

HOPE SCHEMATIC



Choke Manifold Requirement (3000 psi WP)



11/13/2007 14:39 5053935388
 1025 N. French Dr., Hobbs, NM 88240
 District II
 1301 W. Grand Avenue, Artesia, NM 88210
 District III
 1000 Rjo Brazos Road, Aztec, NM 87410
 District IV
 1220 S. St. Francis Dr., Santa Fe, NM 87505

OIL REPORTS
 Energy Minerals and Natural Resources

Oil Conservation Division
 1220 South St. Francis Dr.
 Santa Fe, NM 87505

For drilling and production facilities, submit to appropriate NMOCD District Office.
 For downstream facilities, submit to Santa Fe office

Pit or Below-Grade Tank Registration or Closure

Is pit or below-grade tank covered by a "general plan"? Yes No

Type of action: Registration of a pit or below-grade tank Closure of a pit or below-grade tank

Operator: DAN A. HUGHES COMPANY, L.P. Telephone: 575-393-2727 e-mail address: oilreportsinc@oilreportsinc.com
 Address: 1008 W. BROADWAY, HOBBS, NM 88240
 Facility or well name: HUECO SOUTH UNIT 26 ST. API #: 30-023 U/L or Qtr/Qtr M Sec 26 T 32S R 17W
 County: HIDALGO Latitude _____ Longitude _____ NAD: 1927 1983
 Surface Owner: Federal State Private Indian

Pit Type: Drilling <input checked="" type="checkbox"/> Production <input type="checkbox"/> Disposal <input type="checkbox"/> Workover <input type="checkbox"/> Emergency <input type="checkbox"/> Lined <input type="checkbox"/> Unlined <input type="checkbox"/> Liner type: Synthetic <input type="checkbox"/> Thickness _____ mil Clay <input type="checkbox"/> Pit Volume _____ bbl CLOSED LOOP SYSTEM	Below-grade tank Volume: _____ bbl Type of fluid: _____ Construction material: _____ Double-walled, with leak detection? Yes <input type="checkbox"/> If not, explain why not. _____	
	Depth to ground water (vertical distance from bottom of pit to seasonal high water elevation of ground water.)	Less than 50 feet 50 feet or more, but less than 100 feet 100 feet or more X
Wellhead protection area: (Less than 200 feet from a private domestic water source, or less than 1000 feet from all other water sources.)	Yes No X	(20 points) (0 points) 0
Distance to surface water: (horizontal distance to all wetlands, playas, irrigation canals, ditches, and perennial and ephemeral watercourses.)	Less than 200 feet 200 feet or more, but less than 1000 feet 1000 feet or more X	(20 points) (10 points) (0 points) 0
Ranking Score (Total Points)		0

If **this is a pit closure**: (1) Attach a diagram of the facility showing the pit's relationship to other equipment and tanks. (2) Indicate disposal location: (check the onsite box if you are burying in place) onsite offsite If offsite, name of facility _____. (3) Attach a general description of remedial action taken including remediation start date and end date. (4) Groundwater encountered: No Yes If yes, show depth below ground surface _____ ft. and attach sample results. (5) Attach soil sample results and a diagram of sample locations and excavations.

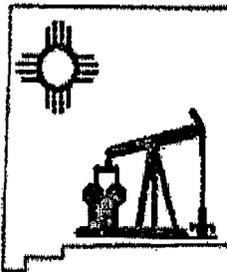
Additional Comments:

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that the above-described pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines , a general permit , or an (attached) alternative OCD-approved plan .

Date: 10/29/07
 Printed Name/Title GAYE HEARD-AGENT Signature Gaye Heard

Your certification and NMOCD approval of this application/closure does not relieve the operator of liability should the contents of the pit or tank contaminate ground water or otherwise endanger public health or the environment. Nor does it relieve the operator of its responsibility for compliance with any other federal, state, or local laws and/or regulations.

Approval:
 Printed Name/Title _____ Signature _____ Date: _____



OIL REPORTS & GAS SERVICES, INC.
"Supporting The Oil & Gas Industry"

October 29, 2007

Oil Conservation Division
1301 W. Grand Ave.
Artesia, New Mexico 88210

Ref: Dan A. Hughes Company, L.P.
Hueco South Unit 26 State #1
Unit M, Sec. 26, T32S, R17W
Hidalgo County, New Mexico

Gentlemen:

Dan A. Hughes Company, L.P. does not expect an encounter with H2S and therefore deems a H2S contingency plan unnecessary.

Sincerely,

Gaye Heard – Agent
Dan A. Hughes Company, L.P.

11/08/2007 15:05 5053935300
11/08/2007 15:25 5057489720

OIL REPORTS
OCD ARTESIA

PAGE 02
PAGE 01/02

Dear **Gaye Heard**,

In reference to the above noted application to drill (APD) please be advised:

Your proposed APD needs to be set for hearing in Santa Fe.

Please have your attorney contact Florene Davidson at 505-476-3458 and supply Ms Davidson an advertisement and supply notice to the following agencies:

Director of New Mexico Game and Fish
Director of State Forestry
New Mexico Commissioner of Public Lands

Yours truly,

Bryan G. Arrant
District II Geologist
New Mexico Oil Conservation Division
1301 West Grand Ave
Artesia, NM 88210
505-748-1283 Ext 103

11/8/2007

EXHIBIT D

**APPLICATION OF
DAN A. HUGHES COMPANY, L.P.
FOR APPROVAL OF APPLICATION FOR PERMIT TO DRILL
HUECO SOUTH UNIT
HIDALGO COUNTY, NEW MEXICO.**

Bruce Thompson, Director
New Mexico Game and Fish
1 Wildlife Way
Santa Fe, NM 87506

Arthur "Butch" Blazer, Director
State Forestry Division
New Mexico Energy, Minerals
and Natural Resources Department
1220 S. St. Francis Drive
Santa Fe, NM 87505

Patrick H. Lyons
Commissioner of Public Lands
New Mexico State Land Office
310 Old Santa Fe Trail
Santa Fe, NM 87501

November 13, 2007

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

TO AFFECTED INTEREST OWNERS

**Re: Application of Dan A. Hughes Company, L.P. for Approval of
Application for Permit to Drill, Hidalgo County, New Mexico.**

Ladies and Gentlemen:

This letter is to advise you that Dan A. Hughes Company, L.P. has filed the enclosed application with the New Mexico Oil Conservation Division seeking an order approving its Application for Permit to Drill an initial test well in Section 26, Township 32 South, Range 17 West, N.M.P.M., Hidalgo County, New Mexico. Said well will be drilled as a wildcat well from a standard location 660 feet from the South line and 660 feet from the West line in the SW/4 SW/4 (Unit M) of Section 26.

This application has been set for hearing before a Division Examiner at 8:15 AM on December 13, 2007. The hearing will be held in Porter Hall in the Oil Conservation Division's Santa Fe Offices located at 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases are required by Division Rule 1208.B to file a Pre-Hearing Statement with the Oil Conservation Division's Santa Fe office, four days in advance of a scheduled hearing, but at least on the Thursday preceding the hearing. This statement must include: the names of the parties and their attorneys; a concise statement of the case; the names of all witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that are to be resolved prior to the hearing.

Very truly yours,



Kristina Martinez
Attorney for Dan A. Hughes Company, L.P.

CASE NO. ~~14022~~:

14050

Application of Dan A. Hughes Company, L.P. for Approval of Application for Permit to Drill, Hidalgo County, New Mexico.

Applicant seeks approval of its Application for Permit to Drill an initial test well in Section 26, Township 32 South, Range 17 West, N.M.P.M., Hidalgo County, New Mexico. Said well will be drilled as a wildcat well from a standard location 660 feet from the South line and 660 feet from the West line in the SW/4 SW/4 (Unit M) of Section 26. Said well is located North of the United States-Mexico border approximately 40 miles South of Hachita, New Mexico.