

February 5, 2008

FEB 08 2008
OCD-ARTESIA

Attention: Mr. Gerry Guy
New Mexico Oil Conservation Division
Artesia Office
1301 W. Grand
Artesia, NM 88210

Re: Lease Name: Federal G Gas Com
Well No.: 1
API No.: 30-015-20848-00-0
Location: Unit Letter "J"
Section 21-T20S-R30E
Eddy County, New Mexico

Dear Mr. Guy:

In the Violation Inspection Letter we received on December 17, 2007 (LOV NO.: 02-07-234) mention was made about an un-permitted pit on location. This letter is to explain this pit and to allow us to continue using it under terms of the R-3221 exemption.

The well is located in the "Pot Ash" area of New Mexico subsequently this pit has been in use since the well was drilled. It has been utilized all these years as an evaporation pit for produced water. We realize now after our discussions that this pit should have been granted the exemption under the previous operator. But since there was a breakdown in communication between the operator and the actual well owner to whom the permit data was probably sent in 2004 it was not.

We realize under the terms of the R-3221 exemption for this pit that it is limited to an accumulation of only 1 BWPD. That the pit because it is unlined can not have any free hydrocarbons on it and if any appear they must be removed immediately. We now also understand that no accumulation of liquids above a few barrels is to be kept in this pit and if a major rain event or other source of water should get into the pit it to will be removed immediately.

Thank you for your help in this matter. Please contact us at the address listed below if there is more data needed for this pit.

Sincerely,

ACCEPTED FOR RECORD



David P. Spencer
Manager of Regulatory Affairs

FEB 12 2008

Gerry Guye, Deputy Field Inspector
NMOCD-District II ARTESIA

CC: Bureau of Land Management, New Mexico Office (Information Only Copy)

Mr. Jim Davis, Chaparral Energy, L.L.C., Southern District Foreman, Oklahoma City, Oklahoma

