

NOTE TO FILES

~Rationale for Approving Deep Surface Casing Setting Depth on Santa Fe Energy's Running Wolf #1 APD. [SWNE, Sec. 15, T19S, R31E].

- The BLM had previously approved Santa Fe Energy's APD for their Lusk '15' Federal #2 located NWSE, Sec. 15, T19S, R31E on December 13, 1991 which had an identical casing design proposed. At that time, BLM had consulted w/ Darrell Moore, NMOC-D-Artesia and w/ Keith O'Hare, NM State Engineer's office-Roswell to ascertain whether or not the proposed surface casing posed a threat to fresh water resources (i.e. surface water above the Rustler Anhydrite). Darrell and Keith determined that no shallow fresh water resources existed in Sec. 15, T19S, R31E, and therefore, no fresh water resources would be negatively impacted as a result of the operator's proposed surface casing program.

- The rationale used by the BLM w/ NMOC-D and State Engineer's concurrence still holds true today. Unfortunately, Santa Fe Energy's Lusk '15' Fed. #2 was never drilled, and the lease which the proposed well was situated upon has expired so now the well cannot be drilled.

- It should be noted that Ed Bailey, geologist, BLM, noted in his Geologic Review for the Lusk '15' #2 that groundwater found in the area is "locally impotable".

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- BLM (Carlsbad) phoned NMOCD (Artesia) and discussed the issue of approving this type of "non-standard" casing design within the Capitan Underground Water Basin on 16 November 1992. Specifically, BLM discussed w/ NMOCD geologist Mark Ashley the possibility of setting a bad precedent with respect to relaxation of otherwise stringent casing requirements in fresh water basins. Mark agreed that BLM & NMOCD should continue to stand firm on the running of fresh water protection casing strings in established fresh water basins and further, should only grant exceptions in cases where operators have demonstrated to NMOCD, BLM, & State Engineer's Office ^{satisfaction} that fresh water resources would not be jeopardized as a result of not running the shallow, surface casing string. However, Mark had no specific problem with Santa Fe's proposal.

- NMOCD & BLM will only consider such requests on a case-by-case basis.

Shannon-Jraw