



New Mexico Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

John Bemis
Cabinet Secretary-Designate

Brett F. Woods, Ph. D.
Deputy Cabinet Secretary

Jami Bailey
Division Director
Oil Conservation Division



August 9, 2011

Mr. David P. Spencer
Chaparral Resources, L.L.C
701 Cedar Lake Blvd
Oklahoma City, OK 73114

Mr. Robert C. Lang IV
Chaparral (USA) Energy
701 Cedar Lake Blvd
Oklahoma City, OK 73114

Certified Mail:

**Re: Houston A #1 Salt Water Disposal API No. 30-025-07202
NMOCD-AC0 271**

Dear Gentlemen,

Given that it has been several months since our last communication, I felt it prudent to correspond with both of you to discuss the current status of Chaparral Resources's ("Chaparral") Houston A #1 Salt Water Disposal, Kinsolving North Site (1RP-498) and Gladiola No. 2 Release Site.

As you are aware, the New Mexico Oil Conservation Division (NMOCD) and Chaparral entered into Agreed Compliance Order 271 (ACO 271) on January 12, 2011. The Environmental Bureau of the NMOCD has reviewed ACO 271, and upon conferring with the Division Director, grants permission for Chaparral to proceed with the investigation work plan dated April 9, 2010 and the subsequent amendment to the work plan dated June 30, 2010 for the Kinsolving North Site and the site(s) near Houston A #1.

In addition, Chaparral agreed in ACO 271 to survey and test Gladiola No. 2 Site and to submit a form C-141 with any remediation plan proposals, etc. Please submit to the NMOCD Environmental Bureau Santa Fe Office (attention: Edward J. Hansen) an investigation report for both the Kinsolving and Houston A #1 under separate cover within 120 days of the date of this letter. Edward J. Hansen can be reached at 505.476.3489 or edwardj.hansen@state.nm.us. In regards to Gladiola No. 2 Site, if after investigation it is determined to be a release site please submit a form C-141 within 15 days to NMOCD Hobbs District Office attention Geoffrey Leking.



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Sincerely,

A handwritten signature in black ink, appearing to read "Dan", written over a horizontal line.

Daniel Sanchez
Compliance Manager

Cc: NMOCD – Hobbs
Files: API No. 30-025-07202, SWD-576
Edward J. Hansen