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**GENERAL
CORRESPONDENCE**

YEAR(S):

2007

HOLLAND & HART LLP



Ocean Munds-Dry
omundsdry@hollandhart.com

1R 434
Gen. Cgr.
2007

June 26, 2007

HAND-DELIVERED

Mr. Wayne Price
Environmental Bureau Chief
Oil Conservation Division
New Mexico Energy, Minerals and
Natural Resources Department
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

RECEIVED
2007 JUN 26 PM 4 11

**Re: Howard Fleet #4 Salt Water Disposal Well, Section 35, Township
13 South, Range 37 East, NMPM, Lea County**

Dear Mr. Price:

I write to you on behalf of Paladin Energy Corporation ("Paladin") in response to the New Mexico Oil Conservation Division's letter of June 7, 2007, requiring a groundwater monitoring well be installed between the Howard Fleet No. 4 well located in Section 35, Township 13 South, Range 37 East and an irrigation well located in Section 2, Township 14 South, Range 37 East.

Paladin acquired the acreage where the Howard Fleet No. 4 Well (API No. 30-025-05089) is located in 1997. The well was plugged and abandoned in 1975. Division records indicate that four cement plugs were set at various intervals from the surface to 4600 feet. Paladin is not aware of any complaints or claims regarding contamination of groundwater since the well was plugged and abandoned.

Manzano, LLC operates the Rum Point State Well No. 1 (API No. 30-025-35499) located 121 feet from the North line and 1089 feet from the East line of Section 2, Township 14 South, Range 37 East. *See* Amended Administrative Order NSL-4568. This well was re-completed in the Devonian formation in 2002. Although it is not clear from the Division's letter where the irrigation well is located exactly, it appears that Manzano's well may in fact be as close if not closer than the plugged and abandoned well in Section 35. Further, the Manzano well was drilled and has been producing closer in time to the reported claim of contamination. Accordingly, it is possible that the plugged and abandoned well may not be the source of contamination or at the very least that there is another possible source(s) of contamination. Paladin therefore respectfully requests that the

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Mr. Wayne Price

June 26, 2007

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Division consider other more likely sources before it requires Paladin to install a groundwater monitoring well.

Finally, Paladin would appreciate receiving further information regarding the complaint and the irrigation well including what type of contamination has been reported (if known), what depth the irrigation well produces water from and the exact location. Paladin would appreciate the opportunity to discuss this matter with you further.

Thank you for your attention to this matter. Please feel free to contact me if you have any questions.

Sincerely,



Ocean Munds-Dry

Attorney for Paladin Energy Corp.

Enclosures

cc: David Plaisance



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

Mark E. Festire, P.E.
Director
Oil Conservation Division

June 7, 2007

Michael Horn
Palandin Energy Corp.
4006 Dunkirk
Midland, TX 79707

**Re: Groundwater Monitoring Well(s) Required
at the "Howard Fleet #4" Salt Water Disposal Well
UL O, Section 35, Township 13 South, Range 37 East, NMPM
Lea County, New Mexico near Alexander Farms (1R0434)**

Dear Mr. Horn:

The New Mexico Oil Conservation Division (OCD) has received a complaint regarding the water quality of an irrigation well (in UL B, Section 2, T14S, R37E) at Alexander Farms south of the above referenced plugged salt water disposal well. Since the above referenced well is in close proximity to the contaminated irrigation well, the OCD is requiring a groundwater monitoring well(s) be installed by Palandin Energy Corp. between the plugged disposal well and the contaminated irrigation well.

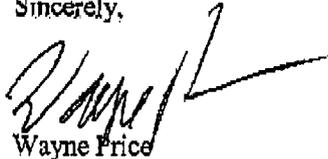
The groundwater monitoring well(s) location and construction must be approved by the OCD prior to installation of the well. The groundwater monitoring well(s) must be sampled and analyzed for TPH, BTEX, TDS and Chlorides. Please submit a proposed location map, construction diagram and sampling and analysis plan for the groundwater monitoring well(s) within 60 days of receipt of this letter. The construction must include the groundwater bearing zones of the contaminated irrigation well (and any other zones that may be hydraulically interconnected) and be capable of obtaining representative samples from across the thickness of each water bearing zone. This may require multiple wells at varying depths.

Once the well(s) is installed and the samples analyzed in accordance with the approved plan, then a report must be submitted to the OCD within a specified time frame. If it is determined that a release to groundwater from the above-referenced well has likely occurred, then further action will be required on the part of Palandin Energy Corporation, including the submittal of a proposed Stage I & II abatement plan in accordance with Rule 19, NMAC.

Mr. Horn
June 7, 2007
Page 2 of 2

If you have any questions regarding this matter, please do not hesitate to contact Edward J. Hansen at (505) 476-3489 or edwardj.hansen@state.nm.us.

Sincerely,



Wayne Price
Environmental Bureau Chief

LWP:EJH:ejh

cc: OCD District I Office, Hobbs, NM



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

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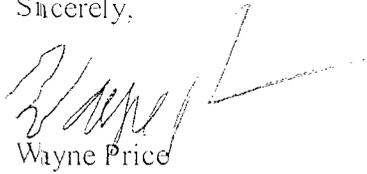
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Mr. Horn
June 7, 2007
Page 2 of 2

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Sincerely,

A handwritten signature in black ink, appearing to read "Wayne Price", with a long horizontal stroke extending to the right.

Wayne Price
Environmental Bureau Chief

LVP:EJH:ejh

cc: OCD District I Office, Hobbs, NM