



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

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Director

Oil Conservation Division

October 28, 2004

Mr. William Jones
Oil Conservation Hearing Examiner
Energy, Minerals and Natural Resources Department
1220 S. St. Francis Drive
Santa Fe NM 87505

Via hand-delivery

CASE 13362: APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION, THROUGH THE SUPERVISOR OF DISTRICT I, FOR AN ORDER REQUIRING KC RESOURCES INC. TO REMEDIATE CONTAMINATION AT A TANK BATTERY SITE IN COMPLIANCE WITH 19.15.3.116.D NMAC AND BRING THREE INACTIVE WELLS INTO COMPLIANCE WITH 19.15.4.201 NMAC; AUTHORIZING THE DIVISION TO PLUG SAID WELLS AND ORDERING A FORFEITURE OF THE APPLICABLE PLUGGING BOND IF THE OPERATOR FAILS TO COMPLY; AND ASSESSING APPROPRIATE CIVIL PENALTIES; LEA COUNTY, NEW MEXICO.

Dear Mr. Jones,

The parties respectfully request that the above matter be continued until the December 16, 2004 docket. This continuance will allow additional time for K.C. Resources, Inc. to complete its compliance efforts. The attached letter from J. Scott Hall outlines the progress that has been made to date.

Sincerely,


Gail MacQuesten
Attorney for the Oil Conservation Division

Cc: J. Scott Hall

Ec: Chris Williams
Johnny Robinson

2004 OCT 28 PM 3:11

MILLER STRATVERT

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October 27, 2004

Gail MacQuesten, Esq.
New Mexico Oil Conservation Division
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RECEIVED

OCT 28 2004

OIL CONSERVATION
DIVISION

Re: NMOCD Case No. 13362; Application of the New Mexico Oil Conservation
Division for Compliance Order, KC Resources, Inc., Lea County, New Mexico

Dear Gail:

In accordance with our telephone conversation yesterday, this will provide you with a second update on the efforts of KC Resources, Inc. to bring its Lea "YH" State tank battery and the No. 1, 2 and 3 wells into compliance:

K. C. Resources has completed the workover of the Lea "YH" State No. 1 well which has been placed back on pump with good results. The workover rig has been moved to the No. 3 well and work is underway to restore production. K. C. Resources has retained a consulting engineer to design workover procedures for the No. 2 and No. 4 wells, and it is hoped work to restore production can begin in the next three weeks.

The remediation at the tank battery site has been performed. Soil to a depth of 24" has been removed to a landfarm. Additional samples from 6", 15" and 24" have been obtained and taken to a lab for analysis. Once the analyses are received, K. C. Resources personnel will contact Mr. Robinson to determine what additional remediation work may be warranted.

K. C.'s local representative has been in regular communication with Johnny Robinson from the Division's District I office. Recently, soil samples from the Lea "YH" State lease tank battery site were obtained and have been sent for analysis. K. C. understands that once Mr. Robinson receives the results of the analysis, K. C. will be given further guidance on the scope and extent remediation needed at the site and K. C. will formulate and submit a remediation plan promptly thereafter.

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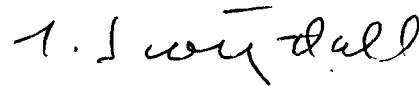
Gail MacQuesten, Esq.
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In view of the ongoing progress K. C. Resources is making to address the issues Division's concerns, we ask that the November 4, 2004 hearing on the Division's Application be continued to the November 18, 2004 Examiner hearing docket.

Should additional information be required, please do not hesitate to contact me.

Very truly yours,

MILLER STRATVERT P.A.

A handwritten signature in cursive script, appearing to read "J. Scott Hall".

J. Scott Hall

JSH/glb

cc: Terrell Rowe (Via Facsimile)
Reinhardt Klauwitter
James Spillane