

**Arrant, Bryan, EMNRD**

**From:** Dave A. Henard [Dave.Henard@respec.com]  
**Sent:** Monday, December 17, 2007 11:40 AM  
**To:** Arrant, Bryan, EMNRD  
**Cc:** richard.aguilar@cityofcarlsbadnm.com  
**Subject:** Chi Energy, Arthur #1 Permit to Drill

Bryan,

I have recieved a permit to drill application from the City of Carlsbad for the above referenced Chi Energy well. They are proposing to drill a 5400' Delaware Fm. test. When you approve this permit could you please forward me the assigned API number so I can browse the OCD e-permit file for this well.

I have briefly looked at the application and it appears that it does not confirm the minimum required distance from a commercial or residential building. I will be in Carlsbad on Thursday and will get with Mr. Aguilar and confirm distance to nearest buildings. If I remember correctly, the well is located in a large field and should be good to go except if located across (east) from DOE offices and north of residential area located south of Chapman Road.

Chi proposes to set 350' of 8 5/8" surface pipe. Will that be sufficient depth to cover total depth of fresh water. The only reference I have for the area is the Mewbourne Oil Co. Pecos River 20 API # 015-34230 well which set surface pipe to 400'.

Finally, a reserve pit diagram was included that proposed an open earthen pit. Will that meet Rule 50 requirements? Groundwater will be approximately 30' below ground surface in this area. I am fairly sure it will not meet the new regs presently being discussed at OCD but I do not know the status of the new regs.

I will wait on your (OCD) final approval of the C-101 before I complete my review.

Thanks for your attention to this. If you need anything please do not hesitate to call me at 505-268-2661.

Dave Henard  
Oil & Gas Inspector, City of Carlsbad

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12/17/2007

**Arrant, Bryan, EMNRD**

**From:** Kristina Martinez [KEMartinez@hollandhart.com]  
**Sent:** Monday, December 17, 2007 12:45 PM  
**To:** Arrant, Bryan, EMNRD  
**Subject:** RE: Dan A. Hughes' Hueco South Unit 26 State # 1

Bryan,

I would like a copy of the letter you mentioned on my voicemail. Please send it. Thanks,

Kristina

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**From:** Arrant, Bryan, EMNRD [mailto:bryan.arrant@state.nm.us]  
**Sent:** Monday, December 17, 2007 9:52 AM  
**To:** Kristina Martinez  
**Cc:** Robert Holder; hankk@danahughes.net; William Carr; Fesmire, Mark, EMNRD; Gum, Tim, EMNRD; Ezeanyim, Richard, EMNRD; Jones, William V., EMNRD; Sanchez, Daniel J., EMNRD; Bratcher, Mike,; Macquesten, Gail, EMNRD  
**Subject:** RE: Dan A. Hughes' Hueco South Unit 26 State # 1

Dear Kristina,

In consultation with Tim Gum, the Oil Conservation Division will hold confidential the daily drilling reports and will consider them for 'our use only'.

As for the other requirements **(at this time)** we will require of other wells drilled in this area, we will require that the operator: "Operator to sample from the return flow line chloride readings every 100'."

I suggest that you submit a "confidential agreement letter" as I left on your voice mail.

Yours truly,

*Bryan G. Arrant*  
 District II Geologist  
 New Mexico Oil Conservation Division  
 1310 West Grand Ave.  
 Artesia, NM 88210  
 505-748-1283 Ext. 103

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**From:** Kristina Martinez [mailto:KEMartinez@hollandhart.com]  
**Sent:** Friday, December 14, 2007 3:11 PM  
**To:** Arrant, Bryan, EMNRD  
**Cc:** Robert Holder; hankk@danahughes.net; William Carr  
**Subject:** Dan A. Hughes' Hueco South Unit 26 State # 1

Mr. Arrant,

Dan A. Hughes Company will agree to the requirements listed in the email you sent earlier today. However, with regard to the daily submittal of drilling reports, Dan A. Hughes asks that the Artesia District II office agree to keep the information confidential as it is proprietary in nature. Please let us know if this is an acceptable arrangement.

Additionally, Dan A. Hughes would like to express a concern. While it is willing to comply with these requirements for this initial well, Dan A. Hughes believes it would be unnecessary and excessive to impose such requirements on every well it drills in the Hueco South Unit.

If you have any questions, please feel free to contact me.

12/17/2007