

RICE Operating Company

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May 30, 2001

Mr. Chris Williams
NMOCD Hobbs Office
1625 N. French Drive
Hobbs, NM 88240

Re: Mechanical Integrity Tests (MIT) Requirements
Hobbs East Salt Water Disposal System, SWD Well F-30

Dear Mr. Williams:

is already on 6/8/01 ✓
The Hobbs East SWD Well F-30 is one of the disposal wells utilizing the oil-blanket completion that NMOCD UIC has ordered be re-completed with an injection packer. Rice Operating Company (ROC) requested an extension of the December 1, 2000 deadline and received an extension consideration until June 1, 2001.

The majority-interest System Partner has informed ROC that their plans to unitize the East Hobbs (San Andres) Field for the purpose of waterflood are not yet complete. The Hobbs East SWD System will probably be incorporated into this plan and SWD Well F-30 will most likely become inactive. However, because of this new timeline, the System Partners have approved the AFE to install this packer, but have not fully funded the AFE.

Early in April, ROC contacted four pulling unit companies to be on the waiting lists for a rig. The pulling unit companies are contacted weekly to check for availability and the waiting list does not seem to shorten quickly. As of today: POOL Company has ROC on page 4; Lucky Services has ROC on the list; Key Energy says maybe 2 weeks; and Basic Services has a rig to pull short jobs and it may be ROC's turn sometime next week. This work will be accomplished as soon as a rig becomes available. NMOCD will be notified in advance of the MIT.

ROC is the service provider (operator) for the Hobbs East SWD System. ROC has no ownership of any portion of pipelines, disposal well, equipment or facilities. The Hobbs East SWD System is owned by a consortium of oil producers called System Partners, who provide all operating capital on a percentage ownership basis. Major projects, such as this well work, require System Partner AFE approval and work begins as funds are received.

As always, ROC appreciates the opportunity to work with the NMOCD.

Sincerely,

RICE OPERATING COMPANY

Carolyn Doran Haynes

Carolyn Doran Haynes
Operations Engineer

Cc: LG, file, and Mr. David Catanach, NMOCD UIC Director

OK till 7/1/01 ✓
AW