



COPY

July 25, 2002

City Of Hobbs  
David Hooten – Emergency Management Director  
300 North Turner  
Hobbs, NM 88240

Re: Drill & Complete - Conoco State #3 Well  
2110' FSL & 2055' FEL  
Sec. 33 (Unit Letter J) -T18S-R38E  
Lea County, New Mexico

Dear Mr. Hooter:

Saga Petroleum is filing for a permit to drill the subject well, located on the west side of Hobbs, North off of Broadway Place. As required by the New Mexico OCD, this well will be drilled with a "closed loop" disposal system. As the drill cuttings are separated from the drilling fluid, they will be transferred to containers designed specifically for the purpose of closed system drilling waste disposal, and provided by Malco Trucking of Odessa. Once a container is full, Malco will haul the drill cuttings to a State of New Mexico licensed disposal facility in Eunice, New Mexico, Sundance Services Parabo Disposal Facility.

Callaway Safety Equipment of Hobbs will provide safety services on this well. As detailed in the attached recommendation, Callaway provides a safety trailer on location with all necessary air packs, windsocks, and H<sub>2</sub>S detection monitors. Also attached is Callaway's contingency plan in the event of an H<sub>2</sub>S release.

Saga thinks these plans and/or safety measures are adequate for the drilling of this well, but would be happy to discuss additional needs or requests you think might be necessary for the city of Hobbs.

Yours very truly,

SAGA PETROLEUM LLC

A handwritten signature in black ink that reads "Joe N. Clement". The signature is written in a cursive style with a large, stylized "J" and "C".

Joe N. Clement  
Area Engineer

cc: OCD – Hobbs, NM