

THE CITY OF

# HOBBS, NEW MEXICO

(505) 397-9231

• 300 NORTH TURNER •

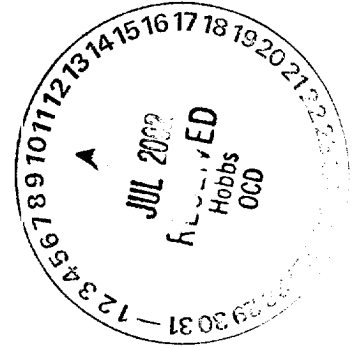
HOBBS, NEW MEXICO 88240

FAX (505) 393-9851



July 9, 2002

New Mexico Oil Conservation Division  
1626 North French Drive  
Hobbs, New Mexico, 88240



Re: Requested Drilling Approval for SAGA Petroleum Sites - City of Hobbs Review  
\*Conoco State A3 and Location on Grimes Estate

Dear Mr. Chris Williams,

I have been contacted by SAGA Petroleum and their agents Mr. Joe Clement and Mr. Rodney Long about two possible drilling locations within the City of Hobbs corporate boundaries. I was finally, able to get the site locations from Mr. Rodney Long today. As I explained to both gentlemen the City's position is and has not changed for utilizing closed-loop systems within the City for safety and emergency management measures when public is in close proximity.

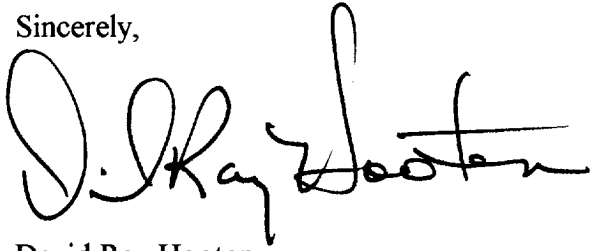
I did go by and personally check one site, that being Conoco State A3. This site is .10 of a mile from a residential area at Denson and Taylor, .20 of a mile to Jefferson Elementary school and roughly 180 yards to the adjoining business district on the south side of this location. The City of Hobbs definitely request a closed-loop system for drilling operations at this site.

I could not locate the other site on the Grimes Estate properties off Sanger street. The location was somewhere around the large caliche pit area. I could not verify, but this is still too close to the Dale Bellamah residential area with a hydrogen sulfide gas release and prevailing winds.

I am in agreement with having both drill site locations under closed-loop protection. Again, the City still requires any drilling company to have a pre-drilling conference and all safety issues to be discussed with our emergency response staff.

Please contact me if you have any questions on our position with this drilling application by SAGA. We look forward to assisting wherever we can. Thanks, NMOCD staff for your direction and guidance in these issues.

Sincerely,

A handwritten signature in black ink, appearing to read "D. Ray Hooten". The signature is fluid and cursive, with a large initial "D" and a stylized "H".

David Ray Hooten  
Emergency Management Director

XC: Debi Lee, Acting City Manager  
Gary Don Reagan, City Attorney

