



United States Department of the Interior

NATIONAL PARK SERVICE

Padre Island National Seashore
P. O. Box 181300
Corpus Christi, Texas 78480-1300



IN REPLY REFER TO:

L3025(PAIS-RM)

CERTIFIED-RETURN RECEIPT REQUESTED

August 15, 2008

Mr. Eric Leuenberger
Cinco Natural Resources Corporation
2626 Howell Street, Suite 800
Dallas, Texas 75204

Re: Plan of Operations for Dunn McCampbell 16-1, 16-2, and 16-3 wells

Dear Mr. Leuenberger:

The National Park Service (NPS) has reviewed the revised plan of operations submitted on July 29, 2008. The proposed plan of operations includes the possibility for two additional wells, #16-2 and #16-3, to be drilled from a common wellpad used to drill the #16-1 well. Cinco Natural Resources Corporation (Cinco) has addressed most of the NPS's comments in our January 18, 2008, letter on the original plan; however, I cannot accept the plan as complete until issues regarding the identification and protection of wetlands are resolved and Cinco provides a detailed analysis of alternatives for the routing, installation, and operation of the gathering line to Energy Transfer's pipeline. Please address the following comments in a revised plan of operations and submit five copies of just the revised sections and a CD. Upon receiving the revisions that address these issues, I will formally accept the plan and begin the environmental compliance and public involvement phase.

Wetlands

Kevin Noon (Wetlands Scientist for the Water Resources Division) and Pete Biggam (Soils Scientist with the Geologic Resources Division) have reviewed updated wetlands delineation documentation and find that the delineation forms continue to include the same anomalies identified in the previous delineation. These anomalies trigger the need for on-site verification by NPS scientists. We recommend that you advise Cinco that Dr. Noon is not available to travel to the park until November or December of this year. At that time, he could accompany Cinco's wetlands delineator, Belaire Environmental, in the field in order to verify the wetlands delineation.



These anomalies continue to exist even though Belaire Environmental has been given specific guidance in the past from the NPS scientists to eliminate them. Both Kevin and Pete traveled to the park the previous year to guide Belaire Environmental when the same deficiencies occurred in a delineation performed on Kindee's operation across Park Road 22 from Cinco's proposed site. They reiterated the procedures to Belaire Environmental for Cinco's proposal in a January 2008 conference call.

We suggest the time and effort to provide repeated guidance and perform repeated wetland delineation reviews is not cost-effective or time-efficient for Cinco or the NPS. Cinco may want to consider contracting another wetland delineator to avoid further delays. Kevin can provide a list of companies used by the NPS that have not required the need for our on-site verification thus far. He can also review qualifications and provide recommendations for wetland delineators that Cinco may independently select.

After we receive and determine the adequacy of the revised wetlands delineation, we suggest the best way to expedite your permit process is for you have your wetland contractor proceed to draft a Wetland Statement of Findings (WSOF) for NPS to adopt.

Gathering Line

In the January 18, 2008 comment letter to Cinco, the NPS suggested that Cinco evaluate an alternative gathering line route and construction method that would better meet a technically feasible least damaging method standard. The NPS's recommended alternative used horizontal directional drilling (HDD) from the well site to a tie-in point near Bird Island Basin Road. The alternative is premised on Energy Transfer requiring the sales meter placement at the tie-in point as opposed to on Cinco's well site. Cinco's revised proposed plan verifies Energy Transfer's requirement but does not contain an analysis of the environmental impacts of the HDD alternative. Since access to the sales meter is an operational necessity, having the sales meter at the tie-in point results in a long-term road or trail. Thus, the long-term impacts of the gathering line operation and the short-term impacts of construction need to be weighed in selection of the best environmental alternative.

Cinco maintains its original proposal to construct a 1950-foot gathering line from the wellsite to a tie-in point on Energy Transfer's line using a trench and burial method. Cinco states that cost concerns and future maintenance needs are reasons to not use HDD, and notes that the corridor will be fully restored to natural conditions after pipeline installation to achieve the same environmental results. However, full restoration is not consistent with access necessitated by the proposed sales meter point at the tie-in point to Energy Transfer's pipeline.

Cinco still needs to expand the detail of gathering line alternatives. It also needs to provide the cost and operational data that support its conclusion that the HDD alternative is not a feasible alternative to trenching. Also, Cinco needs to describe the schedule and means of access to the sales meter so that we can fully evaluate alternatives.

If an alternative places the tie-in point several hundred feet north of Bird Island Basin Road, and we think it can, the environmental impacts of a sales meter at the pipeline change to short access along a previously disturbed route (i.e., the pipeline corridor). Even if HDD is ruled out, the alternative tie-in point and access route to the sales meter would allow full restoration of this gathering line route.

Finally, with the notification from Kindee that the Wilson well will be plugged this fall or winter, perhaps Cinco can develop an alternative that utilizes a portion of Kindee's existing gathering line.

The NPS looks forward to receiving a plan of operations that addresses these remaining deficiencies. If you have any questions, or need additional information, please feel free to contact me at 361-949-8173.

Sincerely,

A handwritten signature in dark ink, appearing to read "Joe Escoto". The signature is fluid and cursive, with the first name "Joe" and last name "Escoto" clearly distinguishable.

Joe Escoto
Superintendent