



Highlander Environmental Corp.

Midland, Texas

July 21, 2003

Mr. Larry Johnson
Environmental Bureau
New Mexico Oil Conservation Division
1625 N. French Drive
P.O. Box 1980
Hobbs, New Mexico 88240

**RE: Assessment and Closure for the Concho Oil & Gas Corp. - Candy Com #1 Battery,
Unit Letter N, Section 5, Township 11 South, Range 33 East, Lea County, New Mexico**

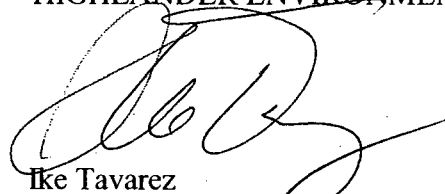
Dear Mr. Johnson:

As we discussed in a telephone conversation on July 16, 2003, Highlander had previously submitted the above-mentioned closure report to the NMOCD in March of 2003. Enclosed is a new copy of that report. As stated on page 3 of the report, the NMOCD had expressed concern for the volume of fluid spilled and not recovered. However, after reviewing Concho's internal files relating to this spill, it was noted that immediately after the spill occurred, approximately 35 cubic yards of impacted soil was excavated from the spill area and taken to Gandy-Marley, Inc. for disposal. In light of this additional information and based upon the sample results, you agreed verbally that this site could be closed. No

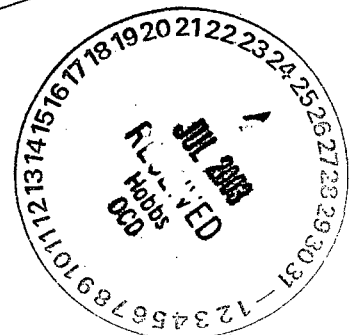
All soil samples collected from the spill area were below the RRAL for BTEX and TPH, except for the area of trench #6. The area around trench #6 has been excavated and the impacted soils disposed of properly. Based on the sample results and remedial activities, Concho Oil and Gas proposes closure for the spill area.

If you require any additional information or have any questions or comments concerning the assessment report, please call.

HIGHLANDER ENVIRONMENTAL CORP.,


Ike Tavarez
Project Manager/Geologist

cc: Eddie Everett - Concho Oil and Gas Corp.



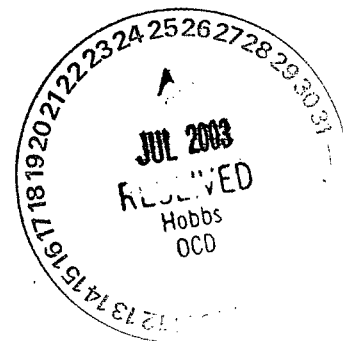


Highlander Environmental Corp.

Midland, Texas

March 13, 2003

Mr. Larry Johnson
Environmental Bureau
New Mexico Oil Conservation Division
1625 N. French Drive
P.O. Box 1980
Hobbs, New Mexico 88240



RE: Assessment and Closure for the Concho Oil & Gas Corp. - Candy Com #1 Battery, Unit Letter N, Section 5, Township 11 South, Range 33 East, Lea County, New Mexico

Dear Mr. Johnson:

Highlander Environmental Corp. (Highlander) was contacted by Concho Oil & Gas Corp. (Concho) to assess a spill area located at the Candy Com #1 Battery, Unit letter N, Section 5, Township 11 South, Range 33 East, Lea County, New Mexico (Site). The site is more specifically located at 33° 23' 20" North, 103° 38' 20" West (Site). The State of New Mexico C-141 for the leak on September 2001 is enclosed in Appendix A. The Site location is shown in Figure 1.

Background

On or about July 19, 2001, a release of fluids occurred at the Candy Com #1 Battery, due to a lightening strike to one of the oil tanks on the location. Concho personnel indicated that the tank, at the time, was empty. The New Mexico Oil Conservation Division (NMOCD) originally contacted Concho by letter dated August 10, 2001 about a release that had occurred at the location, due to a lightening strike to an oil tank.

In the month of September 2001, approximately 75 barrels of fluid was spilled at the same location, due to overflow of the remaining tank. No fluids were recovered from the tank overflow. The spill appeared to impact soils on the tank pad to the north and east of the tank battery.

On September 20, 2001 and October 8, 2001, Concho had excavated and hauled 35 cubic yards of impacted soil, as part of the cleanup activities. These soils were hauled and disposed of at a permitted landfarm at Gandy Marley, Inc. located approximately 35 miles west of Tatum, New Mexico. The transporter manifests are shown in Appendix B.

On September 20, 2001, NMOCD personnel inspected and stated in a letter, dated October 10, 2001, that corrective action and clean-up activities were in progress on the location without NMOCD approval. All clean-up activities were to be discontinued pending a site assessment in accordance with NMOCD guidelines.

In addition, On October 31, 2001, Concho had initiated clean up and assessment activities to the affected soils by excavating the area east of the tank in a 120' x 30' area to a depth of 8 inches. Soils removed from this area were stockpiled on location, adjacent to the spill area. Figure 3 shows the approximate extent of the excavated areas.

Groundwater and Regulatory

Published data, obtained from the New Mexico State Engineer Office, indicated one water well located in Section 5, Township 11 South, Range 33 East, with a reported depth to groundwater of 40 feet below surface. The New Mexico Office of the State Engineer well report is included in Appendix C.

A risk-based evaluation was performed for the Site in accordance with the NMOCD Guidelines for Remediation of Leaks, Spills and Releases, dated August 13, 1993. The guidelines require a risk-based evaluation of the site to determine recommended remediation action levels (RRAL) for benzene, toluene, ethylbenzene and xylene (collectively referred to as BTEX) and total petroleum hydrocarbons (TPH) in soil. The proposed RRAL for benzene was determined to be 10 parts per million (ppm) or milligrams per kilogram (mg/kg) and 50 ppm for total BTEX (sum of benzene, toluene, ethylbenzene and xylene). Based on the regional groundwater data, the proposed RRAL for TPH is 100 mg/kg.

Previous Assessment

On October 31, 2001, Highlander performed a subsurface investigation of the spill area. The assessment consisted of the collection of soil samples from the spill area. Highlander prepared and submitted to the NMOCD the report "Assessment and Work Plan for the Candy Com #1, Lea County, New Mexico, Operated by Concho Oil and Gas Corp." dated December 13, 2001. As discussed in the report, the vertical extent of the impact was not vertically defined. Due to the dense caliche layer, boreholes were proposed to define the extents of the impact. Highlander later modified its recommendations. As approved by NMOCD, Highlander proposed to supervise the installation of backhoe trenches instead of drilling boreholes. If vertical delineation was not achieved using the backhoe, boreholes would then be installed.

On September 10, 2002, Highlander personnel collected soil samples from the spill area. Highlander prepared and submitted to the NMOCD the report "Assessment and Work Plan for the Candy Com #1, Lea County, New Mexico, Operated by Concho Oil and Gas Corp." dated October 10, 2002. A total of (6) six backhoe trenches were installed to vertically define the extent of the impact. The trench locations are shown in Figure 2. The September 10, 2002 results of the sampling are summarized in Table 1.

Based on the previous investigation performed on October 31, 2001, none of the benzene or total BTEX levels exceeded the determined RRAL levels. On September 10, 2002, the samples collected from trench locations (#1, #2, #3, #4 and #5) were all below the TPH RRAL of 100 mg/kg. Trench #6 showed a TPH level of 1,040 mg/kg at 0-1' below surface, which dropped below the method detection limit at 2.0' below surface. The chloride levels detected are not an



environmental concern. The soil stockpiles were all above the RRAL.

As proposed, the area of trench #6 would be excavated to a depth of 1.0' to 2.0' below surface. The excavated soil and soil stockpiles would be transported to an approved disposal facility.

Corrective Action

On February 12, 2003, Highlander supervised the excavation and the removal of the stockpiles onsite. The area of trench #6 was excavated to a depth of approximately 1.0' to 1.5' below surface. The excavation extended to the separator located north of the tank battery. In addition, an area located south of the tank battery was also scraped to a depth of 6" to 1.0' below surface. Once the area was scraped, the excavated soil and the soil stockpiles were hauled to Controlled Recovery, Inc. located in west of Hobbs, New Mexico. A total of 90 cubic yards were hauled to disposal.

Conclusions and Recommendations

In the month of September 2001, approximately 75 barrels of fluid were spilled at the location due to overflow of the remaining tank. No fluids were recovered from the tank overflow. Due to the volume, the NMOCD expressed this concern based upon their observation made on September 20, 2001. File research by Concho personnel revealed the September 20 and October 8, 2001 excavation and removal of approximately 35 cubic yards of contaminated material that had not been documented to either Highlander or the NMOCD. The NMOCD did not inspect after this removal.

In summary, all samples collected were all below the RRAL for BTEX and TPH, except for the area of trench #6. The assessment did not reveal a deep hydrocarbon impact at the Site. The area of trench #6 has been excavated and disposed of properly. Based on the sample results and remedial activities, Concho Oil and Gas proposes closure for the spill area. Once the closure has been approved, the excavated areas will be backfilled with fill material.

If you require any additional information or have any questions or comments concerning the assessment report, please call.

HIGHLANDER ENVIRONMENTAL CORP,

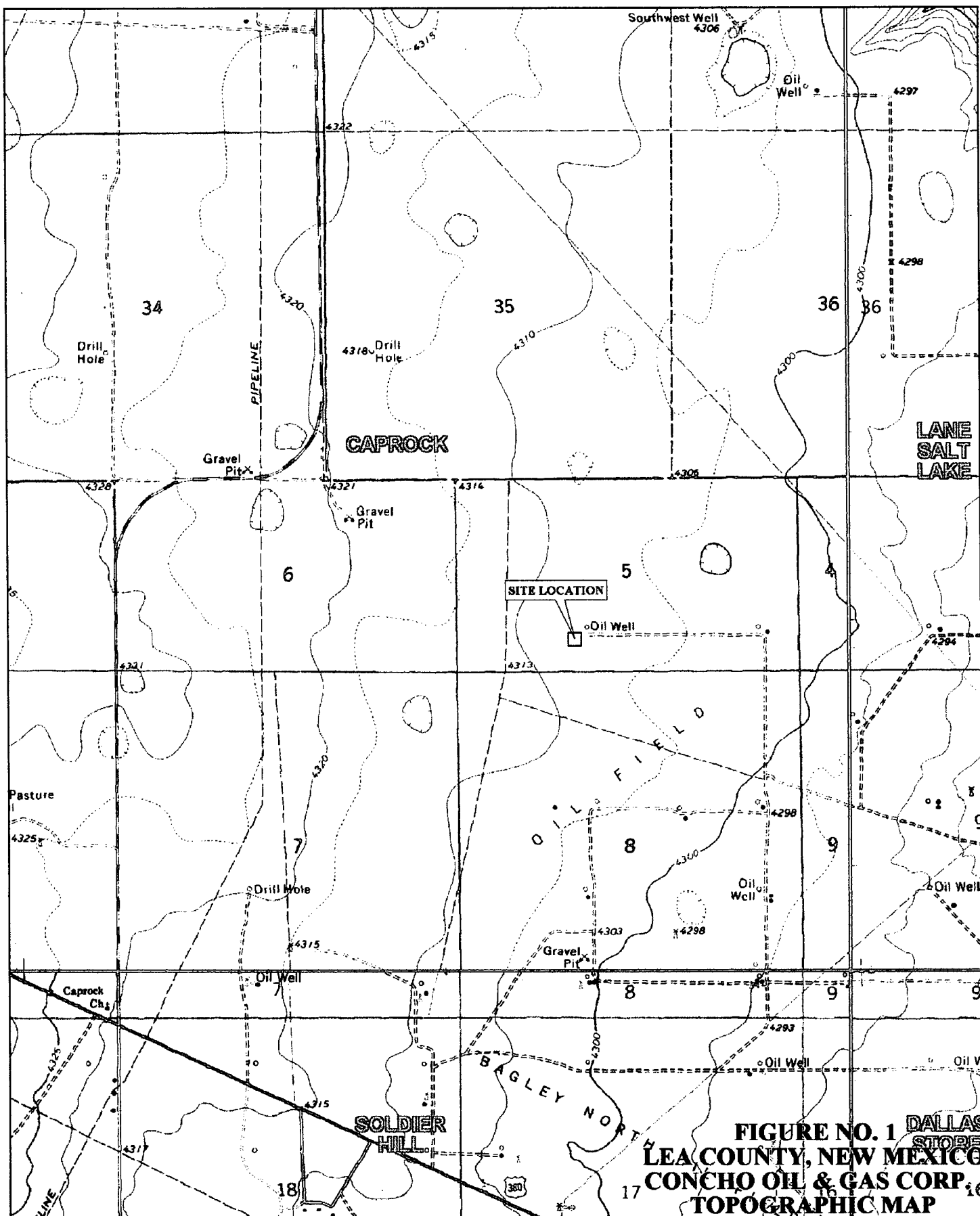

Ike Tavaréz

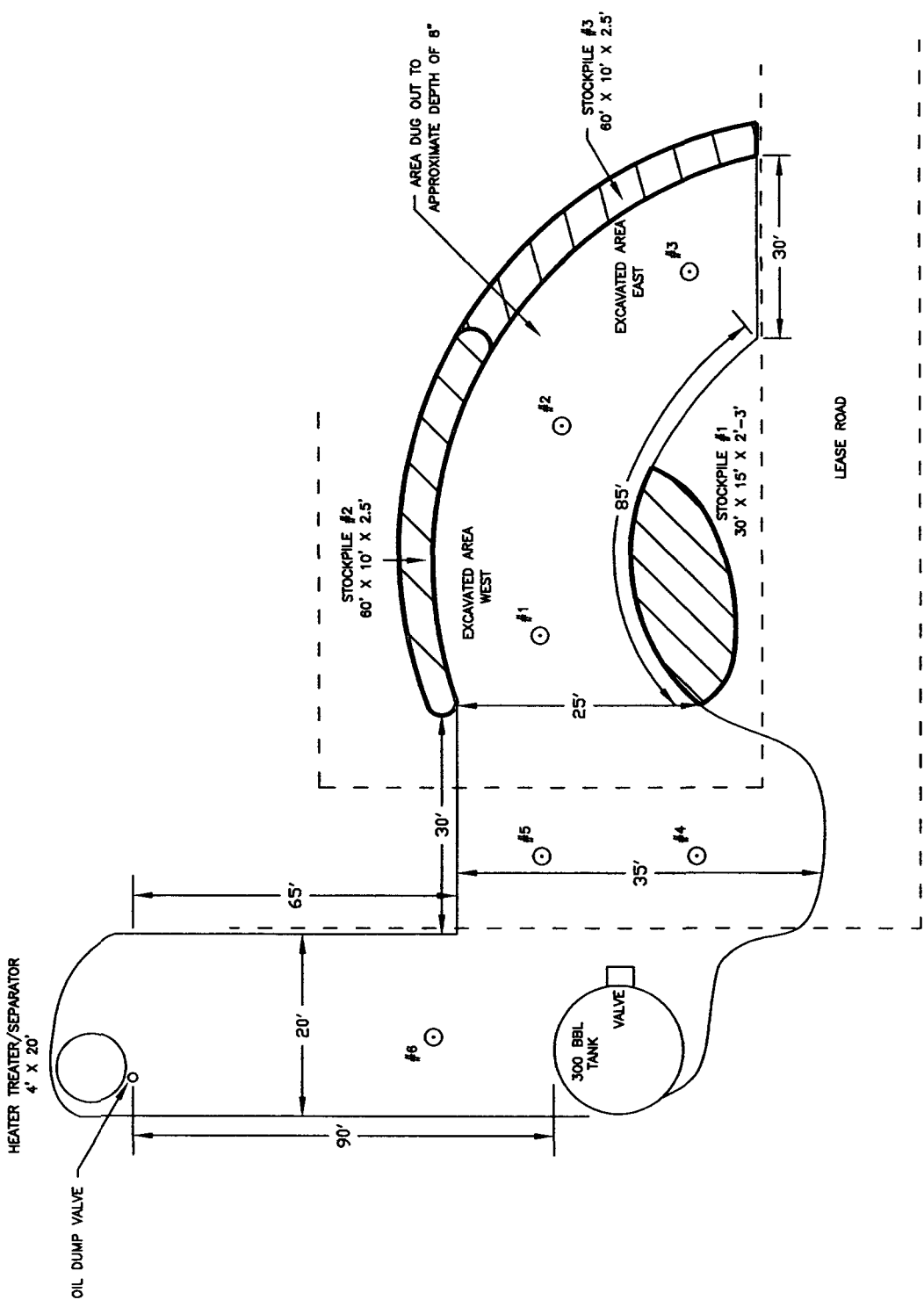
Project Manager/Geologist

cc: Eddie Everett – Concho Oil and Gas Corp.



FIGURES





LEGEND

- TRENCH (SAMPLE LOCATIONS)
- ▨ STOCKPILE MATERIAL

FIGURE NO. 2

CONCHO OIL & GAS CORP.

DATE: 9/27/02	CANDY CON #1 TB
DRAWN BY: JDA	SITE DRAWING
FILE CONCHO	LEA COUNTY, NEW MEXICO
CANDY-CON-1	HIGHLANDER ENVIRONMENTAL CORP. MIDLAND, TEXAS

NOT TO SCALE

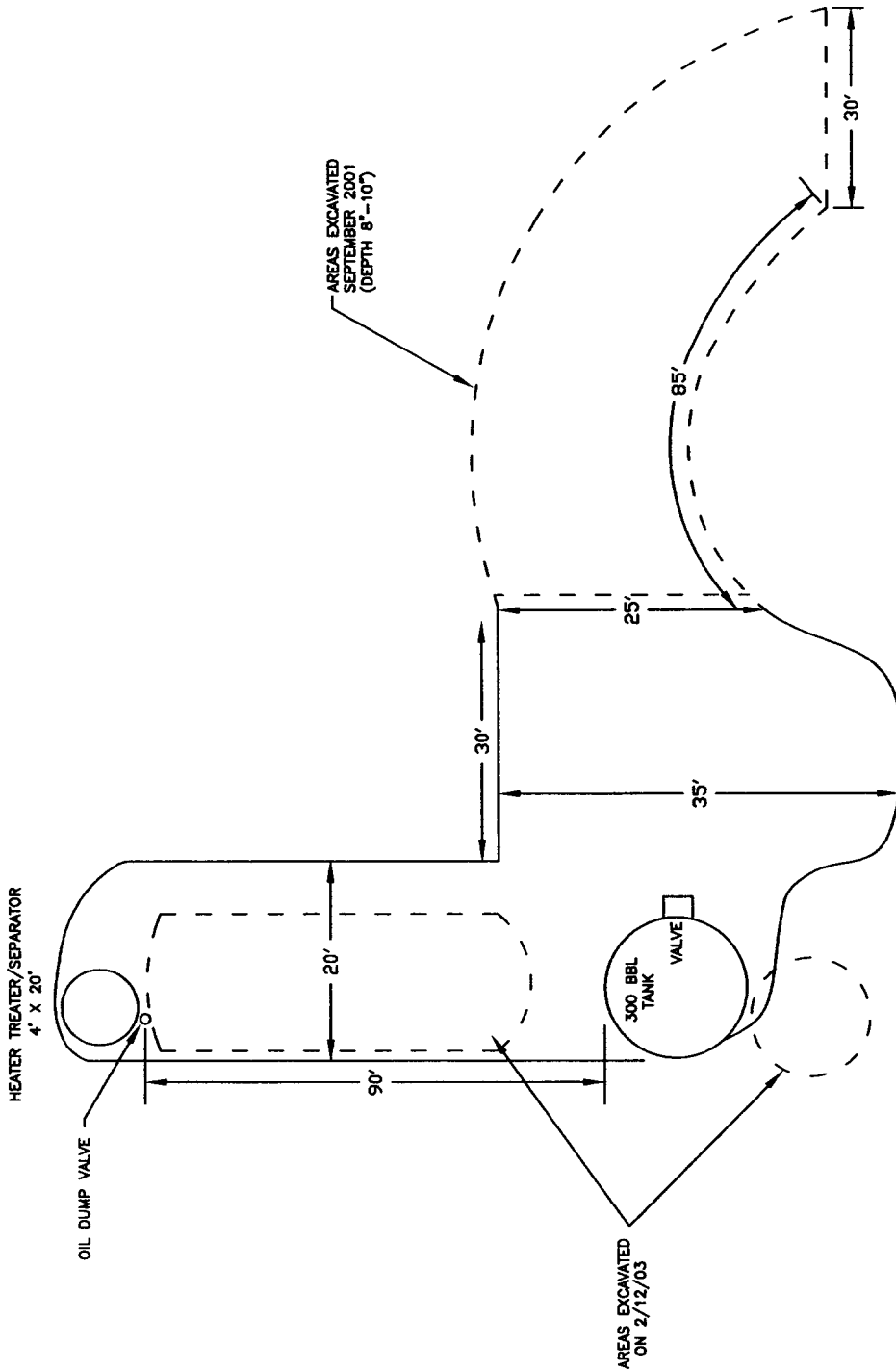


FIGURE NO. 3

CONCHO OIL & GAS CORP.

CANDY COM #1 TB
SITE DRAWING
LEA COUNTY, NEW MEXICO

HIGHLANDER ENVIRONMENTAL CORP.
MIDLAND, TEXAS

DATE: 9/27/02
DWB: BP
JDA
FILE: CDRWY
CANDY-COM-1A

NOT TO SCALE

LEGEND

— — EXCAVATED AREAS

TABLES

Table 1
Concho Oil and Gas Corp. - Candy Com #1 Battery
Trench Soil Sample Results
Lea County, New Mexico

Sample ID	Date Sampled	Depth (ft)	TPH (mg/kg)			Chloride (mg/kg)
			GRO,(C6-C12)	DRO,(>C12-C35)	Total GRO & DRO	
#1	9/10/02	1.0	<10.0	<10.0	<10.0	70.9
#2	9/10/02	1.0	<10.0	<10.0	<10.0	-
	9/10/02	2.0	-	-	-	70.9
#3	9/10/02	1.0	<10.0	<10.0	<10.0	-
	9/10/02	2.0	-	-	-	<20
#4	9/10/02	0-1	<10.0	38.1	38.1	-
	9/10/02	2.0	<10.0	<10.0	<10.0	-
	9/10/02	3.0	-	-	-	213
#5	9/10/02	0-1	<10.0	59.2	59.2	-
	9/10/02	2.0	<10.0	<10.0	<10.0	-
	9/10/02	3.0	-	-	-	106
#6	9/10/02	0-1	10.7	1,030	1,041	-
	9/10/02	2.0	<10.0	<10.0	<10.0	53.2
Stockpile #1	9/10/02	Composite	301	2,120	2,421	-
Stockpile #2	9/10/02	Composite	72.9	903	976	-
Stockpile #3	9/10/02	Composite	14.1	875	889	-

(-) Not Analyzed

APPENDIX A

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-
Revised March 17,

Submit 2 Copies to appropriate
District Office in accordance
with Rule 116 on the
side of f

Release Notification and Corrective Action

OPERATOR

☒ Initial Report ☐ Final Report

Name of Company Concho Oil & Gas Corp.	Contact Eddie Everett
Address 110 W. Louisiana, Suite 410, Midland, TX 79701	Telephone No. 915-683-7443
Facility Name Candy Com #1	Facility Type Oil tank

Surface Owner Ricky Pierce	Mineral Owner	Lease No.
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LOCATION OF RELEASE

Unit Letter N	Section 5	Township 11S	Range 33E	Feet from the 660	North/South Line South	Feet from the 1980	East/West Line West	County Lea
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NATURE OF RELEASE

Type of Release Crude oil	Volume of Release 75 bbl.	Volume Recovered 0
Source of Release oil tank	Date and Hour of Occurrence	Date and Hour of Discovery
Was Immediate Notice Given? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Required	If YES, To Whom? Sylvia Dickey/Gary Wink	
By Whom?	Date and Hour	
Was a Watercourse Reached? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	If YES, Volume Impacting the Watercourse.	

If a Watercourse was Impacted, Describe Fully.*


Describe Cause of Problem and Remedial Action Taken.*

Tank bottom leak discharging oil onto ground (approximately 100' x 30'). All oil is on well and battery location. Backhoe affected area and hauled to state approved land farm. Welded patch on tank and gated tank.

Describe Area Affected and Cleanup Action Taken.*

Area of spill is approximately 100' x 30' within the well and battery location. Backhoe affected area down approximately 8". Removed soil down to rock. Sampling will be performed to determine the extent of contamination.

I hereby certify that the information given above is true and complete to the best of my knowledge and understand that pursuant to NMOCD rules and regulations all operators are required to report and/or file certain release notifications and perform corrective actions for releases which may endanger public health or the environment. The acceptance of a C-141 report by the NMOCD marked as "Final Report" does not relieve the operator of liability should their operations have failed to adequately investigate and remediate contamination that pose a threat to ground water, surface water, human health or the environment. In addition, NMOCD acceptance of a C-141 report does not relieve the operator of responsibility for compliance with any other federal, state, or local laws and/or regulations.

Signature 	OIL CONSERVATION DIVISION		
Printed Name: Eddie Everett	Approved by District Supervisor:		
Title: Environmental Coordinator	Approval Date:	Expiration Date:	
Date: 10/2/01 Phone: 915-683-7443	Conditions of Approval:		Attached <input type="checkbox"/>

Attach Additional Sheets If Necessary

APPENDIX B



Gandy Marley, Inc.

P.O. Box 1658 Roswell, NM 88202

Phone 505-347-0434 Fax 505-347-0435

Oil & Gas Corp,
~~Concho Resources, Inc.~~
110 W. Louisiana, Ste. 410
Midland, TX 79701

RECEIVED 12/5/01
DEC - 7 2001

Detailed Report of material for Invoices 3595 thru 3595

EXEMPT OCD

Origin: CANDY COM #1

Date:	Ticket No:	Discription:	Transporter:	Cell:	Units	Unit Type:
9/20/01	3053	OCD EXEMPT SOILS	GMI Contracts	2	25	YARDS
10/8/01	3406	OCD EXEMPT SOILS	GMI Contracts	2	10	YARDS

CANDY COM #1 Total YARDS.

35 YARDS

EXEMPT OCD Total YARDS.

35 YARDS

EXEMPT OCD Total Units.

35 Units

Concho Resources, Inc. Total Units.

35 Units

GANDY•MARLEY, INC.

P.O. Box 1658
Roswell, NM 88202
(505) 625-9206
Fax (505) 625-9706

No

340

LEASE OPERATOR/SHIPPER/COMPANY: ~~THE~~ CONCHO OIL & GAS

LEASE NAME: CANDY COM STATE 1

TRANSPORTER COMPANY: T.B.S.

TIME: AM/PM

DATE: 10-8-01 VEHICLE NO.: 1

DRIVER NO.: 1

CHARGE TO: CONCHO OIL & GAS CORP.

TYPE OF MATERIAL

OCD

☐ Other Material:☒ Contaminated soil☐ C-117 No.: _____☐ BS&W content: _____

Description: _____

VOLUME OF MATERIAL ☐ YARDS 10 : CELL# 2 : ☐

AS A CONDITION TO GANDY•MARLEY, INC.'S ACCEPTANCE OF THE MATERIALS SHIPPED WITH THIS JOB TICKET, OPERATOR/SHIPPER REPRESENTS AND WARRANTS THAT THE WASTE MATERIAL SHIPPED HERewith IS MATERIAL EXEMPT FROM THE RESOURCE, CONSERVATION AND RECOVERY ACT OF 1976, AS AMENDED FROM TIME TO TIME, 40 U.S.C. §6901, et seq., THE NM HEALTH AND SAF. CODE, §361.001, et seq. AND REGULATIONS RELATED THERE TO, VIRTUE OF THE EXEMPTION AFFORDED CONTAMINATED SOILS AND OTHER WASTE ASSOCIATED WITH THE EXPLORATION, DEVELOPMENT OR PRODUCTION OF CRUDE OIL OR NATURAL GAS OR GEOTHERMAL ENERGY.

ALSO AS A CONDITION TO GANDY•MARLEY, INC.'S ACCEPTANCE OF THE MATERIALS SHIPPED WITH THIS TICKET, TRANSPORTER REPRESENTS AND WARRANTS THAT ONLY THE MATERIAL DELIVERED BY OPERATOR/SHIPPER TO TRANSPORTER IS NOW DELIVERED BY TRANSPORTER TO GANDY•MARLEY, INC.'S FACILITY FOR DISPOSAL.

THIS WILL CERTIFY that the above Transporter loaded the material represented by this Transporter Statement at the above described location, and that it was tendered by the above described shipper. This will certify that no additional materials were added to this load, and that the material was delivered without incident.

DRIVER: Mike ParkerFACILITY REPRESENTATIVE: Jim Turner

White - GMI

Canary - Shipper

Pink - GMI

Gold - Transporter

SAND ISYARD

GANDY-MARLEY, INC.

P.O. Box 1658
Roswell, NM 88202
(505) 625-9206
Fax (505) 625-9706

NO

30!

LEASE OPERATOR/SHIPPER/COMPANY: Concho

LEASE NAME: CANDY Com #1

TRANSPORTER COMPANY: T.B.S. (Tatum Bros.) TIME: AM/PM

DATE: 092001 VEHICLE NO.: 1 (Sawyer) DRIVER NO.:

CHARGE TO: Concho

TYPE OF MATERIAL

OCD

☐ Other Material:

☒ Contaminated soil

☐ C-117 No.:

☐ BS&W content:

Description: EXEMPT

C

VOLUME OF MATERIAL [] YARDS 25 : CELL# 2 : []

AS A CONDITION TO GANDY-MARLEY, INC.'S ACCEPTANCE OF THE MATERIALS SHIPPED WITH THIS JOB TICKET, OPERATOR/SHIPPER REPRESENTS AND WARRANTS THAT THE WASTE MATERIAL SHIPPED HERewith IS MATERIAL EXEMPT FROM THE RESOURCE, CONSERVATION AND RECOVERY ACT OF 1976, AS AMENDED FROM TIME TO TIME BY 40 U.S.C. §6901, et seq., THE NM HEALTH AND SAF. CODE, §361.001, et seq. AND REGULATIONS RELATED THEREUNDER. THE VIRTUE OF THE EXEMPTION AFFORDED CONTAMINATED SOILS AND OTHER WASTE ASSOCIATED WITH THE EXPLORATION, DEVELOPMENT OR PRODUCTION OF CRUDE OIL OR NATURAL GAS OR GEOTHERMAL ENERGY.

ALSO AS A CONDITION TO GANDY-MARLEY, INC.'S ACCEPTANCE OF THE MATERIALS SHIPPED WITH THIS TICKET, TRANSPORTER REPRESENTS AND WARRANTS THAT ONLY THE MATERIAL DELIVERED BY OPERATOR/SHIPPER TO TRANSPORTER IS NOW DELIVERED BY TRANSPORTER TO GANDY-MARLEY, INC.'S FACILITY FOR DISPOSAL.

THIS WILL CERTIFY that the above Transporter loaded the material represented by this Transporter Statement at the above described location, and that it was tendered by the above described shipper. This will certify that no additional materials were added to this load, and that the material was delivered without incident.

DRIVER: Mike Pugh

FACILITY REPRESENTATIVE: [Signature]

White - GMI

Canary - Shipper

Pink - GMI

Gold - Transporter

APPENDIX C

New Mexico Office of the State Engineer

Well Reports and Downloads

Township: 11S Range: 33E Sections: 5

NAD27 X: Y: Zone: Search Radius:

County: Basin: Number: Suffix:

Owner Name: (First) (Last) ☐ Non-Domestic ☐ Domestic
☐ All

Well / Surface Data Report

Avg Depth to Water Report

Water Column Report

Clear Form

WATERS Menu

Help

WATER COLUMN REPORT 11/15/2001

(quarters are 1=NW 2=NE 3=SW 4=SE)

(quarters are biggest to smallest)

Well Number	Tws	Rng	Sec	q	q	q	Zone	X	Y	Depth Well	Depth Water	Wat Colu
L 06140	11S	33E	05	4	4					75	40	

Record Count: 1