

**DALLAS OFFICE**

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**CROSS BORDER****RECEIVED****By OCD District 1 at 1:33 pm, Apr 30, 2015**

April 23, 2015

U.S. Department of the Interior  
Bureau of Land Management  
2909 W. Second Street  
Roswell, New Mexico 88201-2019  
Attention: Jim Stovall

Re: Oil Spill on Wattam Federal Tank Battery, Lease # NMNM15016  
NENE of Section 7, T-8-S, R-31-E, Chaves County, New Mexico

Dear Mr. Stovall:

Pursuant to my conversation with Mr. Harley C. Davis of the Bureau of Land Management ("BLM") Roswell office, Cross Border Resources, Inc. ("Cross Border") respectfully wishes to inform the BLM of an oil spill that occurred on the Wattam Federal tank battery due to a power failure on the lease which prevented the transfer pump to move the produced water to the Wattam Federal #6 salt water disposal well. Production from the nearby wells continued to fill the tanks until they ran over. The spill occurred at the end of February 2015 and was fully contained with the firewall. The spill was found by Mr. Davis, and the BLM owns the surface and the mineral rights associated with the Wattam Federal Lease #NMNM15016.

Attempts were made to pull the oil out of the firewall with the vacuum truck, but some oil remained within the area contained by the firewall. The area of contaminated dirt is approximately 30' by 100' with an approximate depth of penetration between four and eight inches.

A meeting was held with Mr. Davis on April 8, 2015 to discuss remediation procedures, and it was determined that the contaminated soil should be hauled to a registered land farm facility located in New Mexico. Cross Border is planning to use Gandy Marley Inc. located in Roswell, New Mexico for the designated registered land farm.

We estimate a total spill volume of approximately 35 barrels. In order to avoid future disturbances, a gas fired transfer pump will be set along with electric transfer pump as back up. Cross Border has notified all field personnel of notification, containment and remediation protocol for oil and saltwater spills to ensure compliance with the Bureau of Land Management rules and guidelines.

Sincerely,

A handwritten signature in blue ink that reads "Ross Pearson".

Ross Pearson  
Vice President of Operations

**UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT  
NOTICE OF WRITTEN ORDER**

IDENTIFICATION	
IID	NMNM15016*PDC
Lease	NMNM15016
CA	
Unit	
PA	

☐ Certified Mail - Return Receipt Requested

*[Signature]*

Bureau of Land Management Office <b>ROSWELL FIELD OFFICE</b>				Operator <b>CROSS BORDER RESOURCES, INC.</b>			
Address <b>2909 W. SECOND ST. ROSWELL NM 88201</b>				Address <b>2515 MCKINNEY AVENUE, SUITE 900 DALLAS TX 75201</b>			
Telephone <b>575.627.0272</b>				Attention			
Inspector <b>DAVIS</b>				Attn Addr			
Site Name <b>WATTAM FEDERAL</b>	Well/Facility/FMP <b>6</b>	1/4 1/4 Section <b>NENE 7</b>	Township <b>8S</b>	Range <b>31E</b>	Meridian <b>NMP</b>	County <b>CHAVES</b>	State <b>NM</b>
Site Name	Well/Facility/FMP	1/4 1/4 Section	Township	Range	Meridian	County	State
Site Name	Well/Facility/FMP	1/4 1/4 Section	Township	Range	Meridian	County	State

The following condition(s) were found by Bureau of Land Management Inspectors on the date and at the site(s) listed above.

Date	Time (24-hour clock)	Corrective Action to be Completed by	Date Corrected	Authority Reference
04/08/2015		05/08/2015		43 CFR 3162.5-1

**Remarks:**

A VERBAL WAS GIVEN TO MR. PIERSON ON 03/09/2015 TO HAVE THE FREE STANDING OIL CLEANED FROM THE TANK BATTERY BERM. THIS WAS NOT PROPERLY DONE. THE BERMS WERE USED TO SOAK UP THE STANDING OIL AND ABANDONED.

**CORRECTIVE ACTIONS: UNDERSIRABLE EVENT**

SUBMIT THE PROPER PAPER WORK EXPLAINING WHAT HAPPENED, WHEN IT HAPPENED, HOW MUCH AND WHAT WAS LOST FROM THE TANK BATTERIES.

(Remarks continued on following page(s).)

When the Written Order is complied with, sign this notice and return to above address.

Company Representative Title V.P. Operations Signature *[Signature]* Date 4/9/15

Company Comments Must be hauled off

**Warning**

The Authorized Officer has authority to issue a Written Order in accordance with 43 CFR 3161.2. Written Order correction and reporting time frames begin upon receipt of this Notice or 7 business days after the date it is mailed, whichever is earlier. Each stipulation must be corrected within the prescribed time from receipt of this Notice and reported to the Bureau of Land Management Office at the address shown above. If you do not comply as noted above under "Corrective Action to be Completed By", you shall be issued an Incident of Noncompliance (INC) in accordance with 43 CFR 3163.1(a). Failure to comply with the INC may result in assessments as outlined in 43 CFR 3163.1 and may also incur civil penalties (43 CFR 3163.2). All self-certified corrections must be postmarked no later than the next business day after the prescribed time frame for correction.

Section 109(d)(1) of the Federal Oil and Gas Royalty Management Act of 1982, as implemented by the applicable provisions of the operating regulations at Title 43 CFR 3163.2(f)(1), provides that any person who "knowingly or willfully" prepares, maintains, or submits false, inaccurate, or misleading reports, notices, affidavits, records, data, or other written information required by this part shall be liable for a civil penalty of up to \$25,000 per violation for each day such violation continues, not to exceed a maximum of 20 days.

**Review and Appeal Rights**

A person contesting a decision shall request a State Director review of the Written Order. This request must be filed within 20 working days of receipt of the Notice with the appropriate State Director (see 43 CFR 3165.3). The State Director review decision may be appealed to the Interior Board of Land Appeals, 801 North Quincy Street, Suite 300, Arlington, VA 22203 (see 43 CFR 3165.4). Contact the above listed Bureau of Land Management office for further information.

Signature of Bureau of Land Management Authorized Officer *[Signature]* Date 4/3/2015 Time

**FOR OFFICE USE ONLY**

Number <b>37</b>	Date	Type of Inspection <b>ES</b>
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BLM Remarks, continued

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REMOVE ALL CONTAMINATED SOIL AND PROPERLY DISPOSE AT AN APPROVED DISPOSAL FACILITY WITH RECORD OF DISPOSAL (HAUL TICKET) RETURNED UPON COMPLETION. A BLM REPRESENTATIVE MUST BE ON SITE FOR REMOVAL OF CONTAMINATED SOIL AND NOTIFIED AT LEAST 3 DAYS PRIOR TO THE WORK BEING DONE.

THE PAD AND BERMS ARE TO BE RECONSTRUCTED PER BLM SPECS. THE BERM MUST BE ABLE TO CONTAIN 110% OF THE LARGEST TANK PLUS 24 HOURS OF PRODUCTION.

THE EXCLOSURE FENCE SHALL BE REPAIRED TO PREVENT WILDLIFE AND LIVESTOCK FROM ENTERING THE CONTAINMENT BERM.