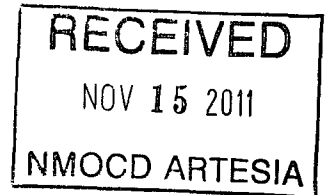


Mr. Tom Brandt  
President  
MARSHALL & WINSTON, LLC  
PO Box 50880  
Midland, TX 79710



October 26, 2011

Mr. Mike Bratcher  
OIL CONSERVATION DIVISION  
811 South First Street  
Artesia, NM 88210

Re: Peacemaker Federal 25 Com 2H Non-Reportable Acid Discharge  
U/L F S25 T19S R25E, 2480 FNL 1700FWL  
**API No.: 30-015-38988**

Dear Mr. Bratcher:

On 19 June 2011, Marshall & Winston, LLC (M&W) had a non-reportable acid discharge at the Peacemaker Federal 25 Com 2H well during the frac job. The C-141 for the spill, delineating specifics, is included with this transmittal.

A total of 4 sacks of soda ash were used to neutralize the acid once it had discharged and flowed across the pad and off location on to fee land. J.T. Ross, the surface owner, was immediately contacted and the discharge reported to him.

Superior Well Services began to cleanup the discharge immediately, even hauling off some of the more saturated material. The rancher notified M&W that he did not want further disturbance of his land until spring conditions would reveal whether or not the vegetation had successfully re-established itself. In his experience, this was not a problem. In fact, he said he had used soda ash on his land before very successfully.

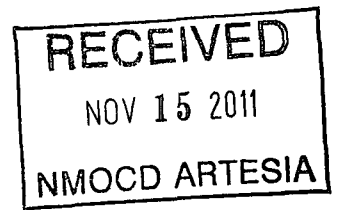
Please call 432-689-6373 should you have questions.

Sincerely,

A handwritten signature in black ink that reads "Tom M Brandt". The signature is stylized with a large, looped "T" and "M".

Tom Brandt  
President

Enclosures: Photo, C-141



November 7, 2011

U. S. Dept. of the Interior  
Bureau of Land Management  
Carlsbad Field Office  
620 E. Greene Street  
Carlsbad, New Mexico 88220-6292

Attn: Mr. James Amos

Dear Mr. Amos:

This letter constitutes Marshall & Winston, Inc.'s response to Notice of Incidents of Noncompliance 11-JA-109, 12-JA-005, 12-JA-007A and 12-JA-008, Notice of Written Order 12-JA-006W and your request for a report on the spill that occurred on the Peacemaker Federal 25 #2H.

We do not agree that the Bureau of Land Management has jurisdiction to enforce federal regulations pertaining to surface use where the surface is privately owned fee land. Both the Peacemaker Federal 25 #1H and the Peacemaker Federal 25 #2H drill sites are on land owned by Ross Ranch, Inc. and Lonesome Oil. A copy of our Surface Use Agreement with Ross Ranch, Inc. and Lonesome Oil is enclosed for your review. We acknowledge that both wells involve production from federal leases, but none of the surface operations are on federal surface. Production from the federal leases is only by virtue of the horizontal laterals that penetrate and produce from federally owned minerals. We are aware that you believe that 43 CFR Subpart 3161 Ch. II, §3161.1 confers regulatory authority on BLM, including the surface operations, simply because any part of the well produces from a federal lease; we respectfully disagree with your position.

Our disagreement notwithstanding, Marshall & Winston, Inc. is interested in maintaining a cooperative working relationship with you. We do our very best to be responsible operators on all of our properties and our past dealings with BLM have been amicable and professional. We want that relationship to continue in a similar fashion.

Letter to James Amos  
Dated 11/07/11  
Page 2

We did not respond to 11-JA-109, which dealt with the requirement that we notify you 3 days in advance of constructing any access road or well pad because the road and pad were all on fee land and we did not believe that the Pecos District Conditions of Approval applied to surface operations on privately owned property. While we may not agree that advance notification was required, we will endeavor to give the requested notice on future wells involving federal leases whether the drill site is located on fee or BLM surface.

We accept responsibility for our decision not to respond and in the spirit of cooperation we agree to pay the \$250 penalty assessed by 12-JA-007A; our check is enclosed. Also in the spirit of cooperation we are providing the following information: (1) the construction company who built the location is Badger DMB Services; (2) the contact person is Lewis Sparkman, who may be reached at 432-447-0498; (3) the start date for construction was May 5, 2011; and (4) the caliche was purchased from the BLM caliche pit on Rock Daisy Rd.

With respect to 12-JA-005 and 12-JA-008, both of which deal with pad sizes that exceed what might be required on BLM surface, we submit that Onshore Oil and Gas Order No. 1 does not apply to privately owned surface and that pad size is a matter to be determined between the owner of the surface estate and the operator. Our pad sizes are in compliance with the requirements of our Surface Use Agreement with Ross Ranch and Lonesome Oil and are consistent with safe operation of the wells after drilling and completion. Both of the Peacemaker wells are located on rolling terrain where additional pad area is required for safe operation of service, repair and emergency vehicles.

Our position regarding the applicability of NTL-3A to reporting of the hydrochloric acid spill on the Peacemaker Federal 25 #2H location is the same; because this is privately owned surface (and subsurface), we do not agree that we are subject to BLM regulation simply because our horizontal lateral penetrates into federal minerals. We further disagree with the classification of the surface as sensitive area, the Conditions of Approval with Cave/Karst requirements notwithstanding. The Cave/Karst regulations themselves do not address any surface issues other than surface mitigation requirements. Marshall & Winston, Inc. has complied with the Cave/Karst requirements set

Letter to James Amos  
Dated 11/07/11  
Page 3

forth in the Conditions of Approval for both of the Peacemaker wells. We are sensitive to Cave/Karst issues when operating in Eddy County and we generally observe the BLM requirements even when our wells are located on fee land.

The spill about which you have expressed concern was a spill of less than five barrels of 15 percent hydrochloric acid that occurred on or about June 19, 2011. Details pertaining to the subject spill are outlined in the attached C-141 for your review.

We will provide the information requested in Notice of Written Order 12-JA-006W by the date specified in the notice.

We do not feel that we should have been charged by the Notices of Incidents of Noncompliance, but we are not proceeding with further contests to these allegations at this point. We respectfully request that the notices complaining about oversize pads be withdrawn. We are providing the information requested in the notice dealing with the notification of intent to construct access roads or pads, we are providing the requested information about the spill even though it occurred on fee land, and we are paying the penalty assessed for not responding in writing to the first notice we received. Please advise if 12-JA-005 and 12-JA-008 will be withdrawn. In addition, to the extent that any of these Notices of Incidents of Noncompliance must become part of Marshall & Winston, Inc.'s permanent record as an operator of federal leases, we request that a copy of this letter be included with them.

Please advise if the proposed resolution of these matters set forth above is acceptable.

Sincerely,

A handwritten signature in black ink, appearing to read "Tom M. Brandt". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Tom M. Brandt  
President

TMB/sr

Letter to James Amos  
Dated 11/07/11  
Page 4

Enclosures: SUCA - Lonesome Oil  
SUCA - Ross Ranch  
C-141  
INC (12-JA-007A), (11-JA-109), Ck#314561  
INC (12-JA-005), (12-JA-008)

CC: Mike Bratcher - NMOCD

BCC: Max E. Wright  
Cheryl Winkler

## **SURFACE USE AND COMPENSATION AGREEMENT**

STATE OF NEW MEXICO

COUNTY OF EDDY

KNOW ALL MEN BY THESE PRESENTS:

**Lonesome Oil, LLC** whose address is 5725 Ridgemont Pl, Midland, TX 79707, hereinafter referred to as "Grantor", grants to **Marshall & Winston, Inc.**, whose address is 6 Desta Drive, Suite 3100, P. O. Box 50880, Midland, Texas 79710, hereinafter referred to as "Grantee", its successors and assigns, the right to ingress, egress, easement, rights of way and use the following described tracts of land (the "Land") situated in Eddy County, New Mexico.

Being the Fairchild Farm Tract 210; Containing 5.00 acres, more or less of Section 25, Township 19 South Range 25 East, NMPM and as indicted on Exhibit "A" attached hereto

In consideration of the terms, conditions and covenants hereinafter recited, the receipt and sufficiency of which are hereby acknowledged, it is agreed and understood that such consideration shall cover any such matters of ingress, egress, easement and rights of way necessary and any such damages resultant from or associated with the drilling and completion of well(s) located on the Land described on Exhibit "A" attached hereto.

- 1.) Grantee shall pay Grantor the cash sum of \$8,000.00 for each drillsite location, which Grantor constructs and utilizes for a re-entry of a plugged and/or abandoned well or the drilling of a new oil and/or gas or injection well(s) located on the Land. This amount shall represent surface damages for the reasonable use of the surface of the Land for the drillsite location, including, without limitation, the drillsite and reserve pit. Any injury or damage occurring to groundwater, lands adjacent to the drillsite location, other lands owned by Grantor or damage to any cattle as a result of the operations of Grantee is not hereby released.
- 2.) All pits used by Grantee shall be lined with plastic material of sufficient thickness to prevent the escape of saltwater and other materials on or into the Land. Grantee shall fence off the entire well location, including drillsite pad, reserve pit and if applicable, tank batteries and pumping units, in order to prevent Grantor's livestock from coming onto the drillsite location. If livestock enter upon the drillsite location and ingest oil, or become otherwise injured as a direct result of Grantee insufficiently fencing off locations, Grantee shall be liable to Grantor for such damages.
- 3.) Grantee shall stockpile, adjacent to the location, the topsoil taken during the building of the drillsite location. If the well is a producer, Grantee shall redistribute the topsoil over the reserve pit area and restore the surface as near as reasonably possible to its condition prior to drilling operations. Grantee shall continue to be entitled to retain for its use as much of the Land as is reasonable and prudent for the performance of its operation. If the well is a dry hole, Grantee shall remove the caliche pad, redistribute the topsoil over the drill site location and restore the surface as near as is reasonably possible to its condition prior to drilling operations.
- 4.) Upon completion of the drilling operations, Grantee agrees to reduce the size of the well pad to a size required for the operations and maintenance of and for a producing the well, the reserve pit will be allowed to evaporate until dry, after which all plastic and contents of the pit shall be removed and disposed of off-site of the Land. Clean margins will be established both horizontally and vertically in the removal of reserve pit contents. The reserve pit shall be backfilled with the top layer containing topsoil 3' in depth. Grantee agrees to purchase topsoil owned by Grantor from Grantor for \$7.00 per cubic yard to back fill reserve pit, if necessary. The pit shall be leveled, leaving such land suitable for replanting. Rocks larger than 3" in diameter will be buried below ground level. After the above procedures are completed, Grantee shall reseed the reserve pit area with native grass seed. Grantee will cooperate with Grantor as to the type and quantity of seed to be planted and the time of year and technique of planting grass seed.

- 5.) Grantee agrees to purchase from and pay Grantor the cash sum of \$0.50 per barrel for water obtained from Grantor's wells for drilling and completion operations; provided that Grantor's water wells are capable of supplying the quantity of water required by Grantee for its operations. Grantee shall furnish all necessary equipment for pumping, metering and delivery of the water to the well, and shall obtain the necessary permit(s) from the New Mexico State regulatory office with jurisdiction for the same. No fresh water from beneath the Land shall ever be used for secondary recovery or repressor operations (or any like operations) by Grantee.
- 6.) Grantee agrees to purchase caliche owned by grantor for the construction or modification of drillsite locations or access roads built on the Land from Grantor at a rate of \$3.00 per cubic yard.
- 7.) Upon written request of Grantor, Grantee agrees to bury all production lines, flow lines or injection lines, or any type of line, which Grantee may have installed or cause to be installed at least 24" beneath the surface and to thereafter clean and level the land affected thereby; with there being no mound over the ditch line and restore it as near as reasonably possible to its state of condition prior to burying thereof. Grantee shall have the right to transport any water purchased from Grantor through temporary water lines installed on top of and across the Land. Grantee agrees to remove the temporary water lines within two (2) weeks after the temporary water lines are no longer necessary or needed for Grantee's use.
- 8.) Grantee shall pay Grantor the cash sum of \$30.00 per rod for any new or existing road the Grantee shall use, whether one or more, which Grantee constructs or causes to be constructed on the Land. All roads to be built by Grantee on the Land shall be located as agreed upon by and between Grantor and Grantee, but Grantor may not unreasonably withhold permission to build a road on the Land and shall be reasonable in its location. Grantee shall consult with Grantor for the placement of any and all roads to be located on the Land.
- 9.) If any fence is cut by Grantee or its contractors, it shall properly brace same before cutting and shall install and maintain a proper cattle guard and at the request of Grantor, Grantee shall install a pipe gate across the cattle guard capable of being locked. Keys will be distributed to only those persons, as identified and determined by Grantee, requiring access to the Land. For so long as the road is used by Grantee, it shall maintain the road and shall not permit or cause production vehicles (or any other vehicles) to enlarge the margin of the road.
- 10.) When Grantee no longer uses the road to access its well(s) on the Land Grantee shall, upon written request of Grantor, remove the materials utilized to construct the road and restore the surface as near as reasonably possible to its condition prior to Grantee's drilling and/or production activities.
- 11.) Grantee agrees to remove the rig and its associated drilling equipment from the land as soon as reasonably possible following the completion of a well.
- 12.) If a well is plugged and abandoned, Grantee shall, within six (6) months, remove all equipment, all production lines and all other items of equipment used directly or indirectly by Grantee as it pertains to the well drilled by it on the Land, and restore the site, as near as reasonably possible, to its original condition. If Grantee should fail to remove all such equipment and lines within said six (6) months and if Grantee fails to remove same within fifteen (15) days after Grantor gives written notice specifying such failure to remove same, Grantors, at their option, shall be entitled, but is not obligated, to remove all or any part of same and dispose of it without further notice.
- 13.) Grantee shall pay Grantor the cash sum of \$30.00 per rod for any pipeline that Grantee builds on the Land, and shall pay Grantor the cash sum of \$100.00 per hole for each hole drilled or dug for installation of electrical poles used to support power line on the Land.
- 14.) Grantee shall exercise reasonable diligence to remove and/or remediate any and all soil and water contamination resulting from the Grantee's operations in accordance with the rules and regulations set forth by the New Mexico Oil Conservation Division. However, nothing contained herein gives Grantee the right to leave in place or remediation on site contaminated soil unless there is a separate agreement between Grantor and Grantee for same.

15.) Grantee shall be solely responsible and liable for any harm or injuries caused to persons or property as a result of Grantee's operations, and shall indemnify and hold Grantor and their trustees, officers, employees and agents harmless from and against any and all claims, charges, assessments, damages, expenses, fines or penalties incurred in defense of Grantor as a result of Grantee's operations; provided, however that nothing herein shall be construed to require or obligate Grantee to indemnify Grantor against, or hold Grantor harmless from Grantor's own negligent acts or omissions. Further, Grantee shall indemnify and save Grantor and his trustees, officers, employees and agents harmless from any and all damages cleanup expenses, fines or penalties, resulting from a fire or any violation of, or non-compliance with, applicable local, state, or federal laws and regulations resulting from Grantee's operations.

16.) Notwithstanding anything herein contained to the contrary, this Agreement is made without prejudice as to the rights of Grantee pursuant to any existing Oil and Gas Lease or other agreement covering the Land and nothing herein shall be construed to lessen or alter Grantee's rights under any such Oil and Gas Lease or agreement.

THIS AGREEMENT shall be binding on the party's successors, assigns, agents and representatives. Grantee's agents and independent contractors who will enter upon the Land shall comply with the terms and conditions set forth herein. The covenants hereunder shall be performable in Chaves County, New Mexico.

IN WITNESS WHEREOF, this instrument is executed the 3<sup>rd</sup> day of January 2011.

**Grantors:**

Lonesome Oil, LLC.

By: Charles G Rice, Manager  
It's CHARLES G. RICE

**Grantee:**

Marshall & Winston, Inc.

By: Tom M Brandt  
It's: PRESIDENT



## **SURFACE USE AND COMPENSATION AGREEMENT**

STATE OF NEW MEXICO

COUNTY OF EDDY

KNOW ALL MEN BY THESE PRESENTS:

**Ross Ranch, Inc** whose address is P. O. Box 216, Lakewood, New Mexico 88254-0216, hereinafter referred to as "Grantor", grants to **Marshall & Winston, Inc.**, whose address is 6 Desta Drive, Suite 3100, P. O. Box 50880, Midland, Texas 79710, hereinafter referred to as "Grantee", its successors and assigns, the right to ingress, egress, easement, rights of way and use the following described tracts of land (the "Land") situated in Eddy County, New Mexico.

Being the Southwest Quarter (SW/4), Southeast Quarter of the Northwest Quarter (SE/4NW/4) of Section 25, Township 19 South Range 25 East, NMPM and as indicted on Exhibit "A" attached hereto

In consideration of the terms, conditions and covenants hereinafter recited, the receipt and sufficiency of which are hereby acknowledged, it is agreed and understood that such consideration shall cover any such matters of ingress, egress, easement and rights of way necessary and any such damages resultant from or associated with the drilling and completion of well(s) located on the Land described on Exhibit "A" attached hereto.

- 1.) Grantee shall pay Grantor the cash sum of \$8,000.00 for each drillsite location, which Grantor constructs and utilizes for a re-entry of a plugged and/or abandoned well or the drilling of a new oil and/or gas or injection well(s) located on the Land. This amount shall represent surface damages for the reasonable use of the surface of the Land for the drillsite location, including, without limitation, the drillsite and reserve pit. Any injury or damage occurring to groundwater, lands adjacent to the drillsite location, other lands owned by Grantor or damage to any cattle as a result of the operations of Grantee is not hereby released.
- 2.) All pits used by Grantee shall be lined with plastic material of sufficient thickness to prevent the escape of saltwater and other materials on or into the Land. Grantee shall fence off the entire well location, including drillsite pad, reserve pit and if applicable, tank batteries and pumping units, in order to prevent Grantor's livestock from coming onto the drillsite location. If livestock enter upon the drillsite location and ingest oil, or become otherwise injured as a direct result of Grantee insufficiently fencing off locations, Grantee shall be liable to Grantor for such damages.
- 3.) Grantee shall stockpile, adjacent to the location, the topsoil taken during the building of the drillsite location. If the well is a producer, Grantee shall redistribute the topsoil over the reserve pit area and restore the surface as near as reasonably possible to its condition prior to drilling operations. Grantee shall continue to be entitled to retain for its use as much of the Land as is reasonable and prudent for the performance of its operation. If the well is a dry hole, Grantee shall remove the caliche pad, redistribute the topsoil over the drill site location and restore the surface as near as is reasonably possible to its condition prior to drilling operations.
- 4.) Upon completion of the drilling operations, Grantee agrees to reduce the size of the well pad to a size required for the operations and maintenance of and for a producing the well, the reserve pit will be allowed to evaporate until dry, after which all plastic and contents of the pit shall be removed and disposed of off-site of the Land. Clean margins will be established both horizontally and vertically in the removal of reserve pit contents. The reserve pit shall be backfilled with the top layer containing topsoil 3' in depth. Grantee agrees to purchase topsoil owned by Grantor from Grantor for \$7.00 per cubic yard to back fill reserve pit, if necessary. The pit shall be leveled, leaving such land suitable for replanting. Rocks larger than 3" in diameter will be buried below ground level. After the above procedures are completed, Grantee shall reseed the reserve pit area with native grass seed. Grantee will cooperate with Grantor as to the type and quantity of seed to be planted and the time of year and technique of planting grass seed.

5.) Grantee agrees to purchase from and pay Grantor the cash sum of \$0.50 per barrel for water obtained from Grantor's wells for drilling and completion operations; provided that Grantor's water wells are capable of supplying the quantity of water required by Grantee for its operations. Grantee shall furnish all necessary equipment for pumping, metering and delivery of the water to the well, and shall obtain the necessary permit(s) from the New Mexico State regulatory office with jurisdiction for the same. No fresh water from beneath the Land shall ever be used for secondary recovery or repressor operations (or any like operations) by Grantee.

6.) Grantee agrees to purchase caliche owned by grantor for the construction or modification of drillsite locations or access roads built on the Land from Grantor at a rate of \$3.00 per cubic yard.

7.) Upon written request of Grantor, Grantee agrees to bury all production lines, flow lines or injection lines, or any type of line, which Grantee may have installed or cause to be installed at least 24" beneath the surface and to thereafter clean and level the land affected thereby; with there being no mound over the ditch line and restore it as near as reasonably possible to its state of condition prior to burying thereof. Grantee shall have the right to transport any water purchased from Grantor through temporary water lines installed on top of and across the Land. Grantee agrees to remove the temporary water lines within two (2) weeks after the temporary water lines are no longer necessary or needed for Grantee's use.

8.) Grantee shall pay Grantor the cash sum of \$30.00 per rod for any new or existing road the Grantee shall use, whether one or more, which Grantee constructs or causes to be constructed on the Land. All roads to be built by Grantee on the Land shall be located as agreed upon by and between Grantor and Grantee, but Grantor may not unreasonably withhold permission to build a road on the Land and shall be reasonable in its location. Grantee shall consult with Grantor for the placement of any and all roads to be located on the Land.

9.) If any fence is cut by Grantee or its contractors, it shall properly brace same before cutting and shall install and maintain a proper cattle guard and at the request of Grantor, Grantee shall install a pipe gate across the cattle guard capable of being locked. Keys will be distributed to only those persons, as identified and determined by Grantee, requiring access to the Land. For so long as the road is used by Grantee, it shall maintain the road and shall not permit or cause production vehicles (or any other vehicles) to enlarge the margin of the road.

10.) When Grantee no longer uses the road to access its well(s) on the Land Grantee shall, upon written request of Grantor, remove the materials utilized to construct the road and restore the surface as near as reasonably possible to its condition prior to Grantee's drilling and/or production activities.

11.) Grantee agrees to remove the rig and its associated drilling equipment from the land as soon as reasonably possible following the completion of a well.

12.) If a well is plugged and abandoned, Grantee shall, within six (6) months, remove all equipment, all production lines and all other items of equipment used directly or indirectly by Grantee as it pertains to the well drilled by it on the Land, and restore the site, as near as reasonably possible, to its original condition. If Grantee should fail to remove all such equipment and lines within said six (6) months and if Grantee fails to remove same within fifteen (15) days after Grantor gives written notice specifying such failure to remove same, Grantors, at their option, shall be entitled, but is not obligated, to remove all or any part of same and dispose of it without further notice.

13.) Grantee shall pay Grantor the cash sum of \$30.00 per rod for any pipeline that Grantee builds on the Land, and shall pay Grantor the cash sum of \$100.00 per hole for each hole drilled or dug for installation of electrical poles used to support power line on the Land.

14.) Grantee shall exercise reasonable diligence to remove and/or remediate any and all soil and water contamination resulting from the Grantee's operations in accordance with the rules and regulations set forth by the New Mexico Oil Conservation Division. However, nothing contained herein gives Grantee the right to leave in place or remediation on site contaminated soil unless there is a separate agreement between Grantor and Grantee for same.

15.) Grantee shall be solely responsible and liable for any harm or injuries caused to persons or property as a result of Grantee's operations, and shall indemnify and hold Grantor and their trustees, officers, employees and agents harmless from and against any and all claims, charges, assessments, damages, expenses, fines or penalties incurred in defense of Grantor as a result of Grantee's operations; provided, however that nothing herein shall be construed to require or obligate Grantee to indemnify Grantor against, or hold Grantor harmless from Grantor's own negligent acts or omissions. Further, Grantee shall indemnify and save Grantor and his trustees, officers, employees and agents harmless from any and all damages cleanup expenses, fines or penalties, resulting from a fire or any violation of, or non-compliance with, applicable local, state, or federal laws and regulations resulting from Grantee's operations.

16.) Notwithstanding anything herein contained to the contrary, this Agreement is made without prejudice as to the rights of Grantee pursuant to any existing Oil and Gas Lease or other agreement covering the Land and nothing herein shall be construed to lessen or alter Grantee's rights under any such Oil and Gas Lease or agreement.

THIS AGREEMENT shall be binding on the party's successors, assigns, agents and representatives. Grantee's agents and independent contractors who will enter upon the Land shall comply with the terms and conditions set forth herein. The covenants hereunder shall be performable in Chaves County, New Mexico.

IN WITNESS WHEREOF, this instrument is executed the 10th day of February, 2011.

**Grantors:**

Ross Ranch Inc.

By: [Signature]

It's Sec / Treasurer

**Grantee:**

Marshall & Winston, Inc.

By: [Signature]

It's: PRESIDENT

kDistrict 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

**COPY**

Form C-141  
Revised October 10, 2003

Submit 2 Copies to appropriate  
District Office in accordance  
with Rule 116 on back  
side of form

**Release Notification and Corrective Action**

**OPERATOR**

☒ Initial Report

☒ Final Report


Name of Company: Marshall & Winston, INC	Contact: Tom Brandt, President
Address: PO Box 50880, Midland, TX 79710	Telephone No.: 432-684-6373
Facility Name: Peacemaker 25 Federal 2H	Facility Type: Producing Oil Well <b>API NO.: 30-015-38988</b>
Surface Owner: Fee	Mineral Owner: N/A
Lease No.: N/A	

**LOCATION OF RELEASE**

Unit Letter	Section	Township	Range	Feet from the	North/South Line	Feet from the	East/West Line	County
SL F	25	19S	25E	2480	N	1700	W	Eddy
BH N				330	S	1700	W	

Latitude \_\_\_\_\_ Longitude \_\_\_\_\_

**NATURE OF RELEASE**

Type of Release: Non-Reportable Acid Discharge	Volume of Release: 4BBLs	Volume Recovered: None
Source of Release: Failed valve on frac tank during acid job.	Date and Hour of Occurrence: 6/19/11 During frac job.	Date and Hour of Discovery 6/19/11 Immediately during frac job.
Was Immediate Notice Given? <input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Not Required	If YES, To Whom? Mike Bratcher notified as an NR and FYI.	
By Whom? Cheryl Winkler called in the discharge as an NR.	Date and Hour: 6/19/11 Not Required	
Was a Watercourse Reached? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	If YES, Volume Impacting the Watercourse. N/A	
If a Watercourse was Impacted, Describe Fully.*  N/A		
Describe Cause of Problem and Remedial Action Taken.*  The valve on the frac tank holding the acid for the frac job failed. Consequently, 4 BBLs were discharged.		
Describe Area Affected and Cleanup Action Taken.* A total of 4 sacks of soda ash were used to neutralize the acid once it had discharged and flowed off location. J.T. Ross, the rancher, was immediately contacted and the discharge reported. Superior Well Services began to cleanup the discharge immediately, even hauling off some of the more saturated material. The rancher notified M&W that he did not want further disturbance of his land until spring conditions could be viewed. In his experience, this was not a problem at all. In fact, he said he had used soda ash on his land before very successfully.		
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: 	<b>OIL CONSERVATION DIVISION</b>	
Printed Name: Tom Brandt	Approved by District Supervisor:	
Title: President	Approval Date:	Expiration Date:
E-mail Address: tbrandt@mar-win.com	Conditions of Approval:	Attached <input type="checkbox"/>
Date: October 26, 2011 Phone: 432-684-6373		

\* Attach Additional Sheets If Necessary

PEACEMAKER #2H Lease NMNM116565

11-JA-109

12-JA-007A

BA193

TOTAL AMOUNT \$250.00

PLEASE DETACH STUB BEFORE DEPOSITING CHECK

**MARSHALL & WINSTON, INC.**POST OFFICE BOX 50880 (432) 684-6373  
MIDLAND, TEXAS 79710-0880**WELLS FARGO BANK TEXAS, N.A.**  
MIDLAND, TEXAS32-65  
1119

CHECK NUMBER

314561

AMOUNT

\$ 250.00

VOID AFTER 90 DAYS

PAY \*\*\*\*\*250\* DOLLARS AND 00\*\*\*CENTS

DATE		
11	4	11

TO THE  
ORDER  
OFBUREAU OF LAND MANAGMENT  
620 W. GREENE STREET  
CARLSBAD, NM 88220**MARSHALL & WINSTON, INC.**

⑈004561⑈ ⑆111900659⑆0500807028⑈

**I & E CFO**

Number 12-JA-007A

Page of

<input checked="" type="checkbox"/> Certified Mail - Return Receipt Requested 7010187000352264741
<input type="checkbox"/> Hand Delivered Received by

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

**NOTICE OF INCIDENTS OF NONCOMPLIANCE**

Identification
IID
Lease NMNM116565
CA
Unit
PA

Bureau of Land Management Office CARLSBAD FIELD OFFICE		Operator MARSHALL & WINSTON INC					
Address 620 E GREENE STREET CARLSBAD NM 88220		Address P O BOX 50880 MIDLAND TX 79710-0880					
Telephone 575-234-5909		Attention					
Inspector AMOS		Attn Addr					
Site Name PEACEMAKER FED 25	Well or Facility 2H	1/4 1/4 Section SE NW 25	Township 19S	Range 25E	Meridian NMP	County EDDY	State NM
Site Name	Well or Facility	1/4 1/4 Section	Township	Range	Meridian	County	State

**THE FOLLOWING VIOLATION WAS FOUND BY BUREAU OF LAND MANAGEMENT INSPECTORS ON THE DATE AND AT THE SITE LISTED ABOVE**

Date	Time (24 - hour clock)	Violation	Gravity of Violation
10/23/2011	12:15	43 CFR 3162.1 a, APD COAs	MINOR
Corrective Action To Be Completed By	Date Corrected	Assessment for Noncompliance	Assessment Reference
11/23/2011		\$250.00	43 CFR 3163.1(a)(2)

## Remarks

Failure to comply with Notice of Incidents of Noncompliance 11-JA-109 (attached), which was due 10/10/11. Submit requested information.

When violation is corrected, sign this notice and return to above address

Company Representative Title Tom M. Brandt, President Signature *Tom M Brandt* Date 11/04/11

Company Comments See attached letter to Mr. James Amos dated 11/07/11.

**WARNING**

Incidents of Noncompliance correction and reporting timeframes begin upon receipt of this Notice or 7 business days after the date it is mailed, whichever is earlier. Each violation 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. Please note that you already may have been assessed for noncompliance (see amount under "Assessment for Noncompliance"). If you do not comply as noted above under "Corrective Action To Be Completed By" you may incur an additional assessment under (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 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, record, 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 violation shall request a State Director review of the Incidents of Noncompliance. This request must be filed within 20 working days of receipt of the Incidents of Noncompliance 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 <i>James A. Amos</i>		Date 10-23-11	Time 12:15
FOR OFFICE USE ONLY			
Number 50	Date	Assessment \$250.00	Penalty
Type of Inspection ES	Termination		

**UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT**

**NOTICE OF INCIDENTS OF NONCOMPLIANCE**

Identification	
IID	
Lease	NMNM116565
CA	
Unit	
PA	

<input checked="" type="checkbox"/> Certified Mail - Return Receipt Requested 70101870000352263744
<input type="checkbox"/> Hand Delivered Received by

RECEIVED OCT 26 2011

Bureau of Land Management Office		Operator	
CARLSBAD FIELD OFFICE		MARSHALL & WINSTON INC	
Address 620 E GREENE STREET CARLSBAD NM 88220		Address P O BOX 50880 MIDLAND TX 79710-0880	
Telephone 575-234-5909		Attention	
Inspector AMOS		Attn Addr	

Site Name PEACEMAKER FED 25	Well or Facility 2H	1/4 1/4 Section SE NW 25	Township 19S	Range 25E	Meridian NMP	County EDDY	State NM
Site Name	Well or Facility	1/4 1/4 Section	Township	Range	Meridian	County	State

THE FOLLOWING VIOLATION WAS FOUND BY BUREAU OF LAND MANAGEMENT INSPECTORS ON THE DATE AND AT THE SITE LISTED ABOVE

Date	Time (24 - hour clock)	Violation	Gravity of Violation
09/24/2011	09:15	43 CFR 3162.1.a, APD COAs	MINOR
Corrective Action To Be Completed By	Date Corrected	Assessment for Noncompliance	Assessment Reference
10/10/2011			43 CFR 3163.1()

**Remarks**

Failure to notify BLM 3 working days prior to starting construction on the referenced well location as per APD Conditions of Approval. Supply the name of the construction company and a contact (name and number). Include the date of construction start and the source of the caliche for surfacing the location. If any questions contact Jim Amos @ 575-234-5909.

When violation is corrected, sign this notice and return to above address

Company Representative Title Tom M. Brandt, President

Signature



Date

11/04/11

Company Comments

Refer to INC 12-JA-007A**WARNING**

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**REVIEW AND APPEAL RIGHTS**

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Signature of Bureau of Land Management Authorized Officer 	Date <u>11-04-11</u>	Time <u>09:15</u>
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**FOR OFFICE USE ONLY**

Number 50	Date	Assessment	Penalty	Termination
Type of Inspection ES				

☒ Certified Mail - Return  
Receipt Requested  
70101870000352264741☐ Hand Delivered Received  
byUNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

## NOTICE OF INCIDENTS OF NONCOMPLIANCE

Identification	
IID	
Lease	NMNM116565
CA	NMNM127210
Unit	
PA	

Bureau of Land Management Office CARLSBAD FIELD OFFICE		Operator MARSHALL & WINSTON INC					
Address 620 E GREENE STREET CARLSBAD NM 88220		Address P O BOX 50880 MIDLAND TX 79710-0880					
Telephone 575-234-5909		Attention					
Inspector AMOS		Attn Addr					
Site Name PEACEMAKER FED COM 25	Well or Facility 1H	1/4 1/4 Section SWNW 25	Township 19S	Range 25E	Meridian NMP	County EDDY	State NM
Site Name	Well or Facility	1/4 1/4 Section	Township	Range	Meridian	County	State

## THE FOLLOWING VIOLATION WAS FOUND BY BUREAU OF LAND MANAGEMENT INSPECTORS ON THE DATE AND AT THE SITE LISTED ABOVE

Date	Time (24 - hour clock)	Violation	Gravity of Violation
10/23/2011	11:30	43 CFR 3162.1 a, APD COAs	MINOR
Corrective Action To Be Completed By	Date Corrected	Assessment for Noncompliance	Assessment Reference
11/23/2011			43 CFR 3163.1()

## Remarks

Unauthorized surface disturbance outside what was permitted. Submit plans and schematics for downsizing the location as per Onshore Oil and Gas Order No. 1. Future unauthorized disturbances will be addressed at the rate of \$500 per day not to exceed \$5000. If any questions contact Jim Amos @ 575-234-5909.

When violation is corrected, sign this notice and return to above address

Company Representative Title Tom M. Brandt, President Signature Tom M Brandt Date 11/04/11  
Company Comments Request that the violation be withdrawn. See attached letter to Mr. James Amos dated 11/07/11.

## WARNING

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## REVIEW AND APPEAL RIGHTS

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Signature of Bureau of Land Management Authorized Officer <u>James E. Amos</u>		Date <u>10-23-11</u>	Time <u>11:30</u>
FOR OFFICE USE ONLY			
Number <u>53</u>	Date	Assessment	Penalty
Type of Inspection <u>ES</u>			Termination



**12 E CFO**  
**UNITED STATES****DEPARTMENT OF THE INTERIOR**  
**BUREAU OF LAND MANAGEMENT****NOTICE OF INCIDENTS OF NONCOMPLIANCE**

<input checked="" type="checkbox"/> Certified Mail - Return Receipt Requested 7010187000352264741
<input type="checkbox"/> Hand Delivered Received by

Identification	
IID	
Lease	NMNM116565
CA	
Unit	
PA	

Bureau of Land Management Office CARLSBAD FIELD OFFICE				Operator MARSHALL & WINSTON INC			
Address 620 E GREENE STREET CARLSBAD NM 88220				Address P O BOX 50880 MIDLAND TX 79710-0880			
Telephone 575-234-5909				Attention			
Inspector AMOS				Attn Addr			
Site Name PEACEMAKER FED 25	Well or Facility 2H	1/4 1/4 Section SENW 25	Township 19S	Range 25E	Meridian NMP	County EDDY	State NM
Site Name	Well or Facility	1/4 1/4 Section	Township	Range	Meridian	County	State

**THE FOLLOWING VIOLATION WAS FOUND BY BUREAU OF LAND MANAGEMENT INSPECTORS ON THE DATE AND AT THE SITE LISTED ABOVE**

Date	Time (24 - hour clock)	Violation	Gravity of Violation
10/23/2011	12:15	43 CFR 3162.1 a, APD COAs	MINOR
Corrective Action To Be Completed By	Date Corrected	Assessment for Noncompliance	Assessment Reference
11/23/2011			43 CFR 3163.1(a)(2)

## Remarks

Unauthorized surface disturbance outside what was permitted. Submit plans and schematics for downsizing the location as per Onshore Oil and Gas Order No. 1 Future unauthorized disturbances will be addressed at the rate of \$500 per day not to exceed \$5000 If any questions contact Jim Amos @ 575-234-5909.

When violation is corrected, sign this notice and return to above address

Company Representative Title Tom M. Brandt, President Signature Tom M Brandt Date 11/04/11

Company Comments Request that the violation be withdrawn. See attached letter to Mr. James Amos dated 11/07/11.

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Signature of Bureau of Land Management Authorized Officer <u>James B. Amos</u>		Date <u>10-23-11</u>	Time <u>12:15</u>
<b>FOR OFFICE USE ONLY</b>			
Number <u>50</u>	Date	Assessment	Penalty
Type of Inspection <u>ES</u>			Termination

**1 From** Please print and press hard  
 Date **11/07/11** Sender's FedEx Account Number **1061-1004-2**  
 Sender's Name **TOM M. BRANDT** Phone **(432) 684-6373**  
 Company **MARSHALL & WINSTON, INC.**  
 Address **6 DESTA DR STE 3100**  
 City **MIDLAND** State **TX** ZIP **79705-5538**

**2 Your Internal Billing Reference** OPTIONAL

**3 To**  
 Recipient's Name **JAMES AMOS** Phone **(575) 234-5909**  
 Company **BUREAU OF LAND MANAGEMENT**  
 Recipient's Address **620 E. GREENE STREET**  
 We cannot deliver to PO boxes or PO ZIP codes  
 Address  
 To request a package be held at a specific FedEx location, print FedEx address here  
 City **CARLSBAD** State **NM** ZIP **88220-6292**

0387050313



**Schedule a pickup at fedex.com**

Simplify your shipping. Manage your account. Access all the tools you need.

**4a Express Package Service**

☒ **FedEx Priority Overnight** Next business morning \*\* Friday shipments will be delivered on Monday unless SATURDAY Delivery is selected  
☐ **FedEx Standard Overnight** Next business afternoon \* Saturday Delivery NOT available  
☐ **FedEx First Overnight** Earliest next business morning delivery to select locations \* Saturday Delivery NOT available  
☐ **FedEx 2Day** Second business day \* Thursday shipments will be delivered on Monday unless SATURDAY Delivery is selected  
☐ **FedEx Express Saver** Third business day \* Saturday Delivery NOT available  
 \* To most locations.

**4b Express Freight Service**

☐ **FedEx 1Day Freight\*** Next business day \*\* Friday shipments will be delivered on Monday unless SATURDAY Delivery is selected  
☐ **FedEx 2Day Freight** Second business day \* Thursday shipments will be delivered on Monday unless SATURDAY Delivery is selected  
☐ **FedEx 3Day Freight** Third business day \*\* Saturday Delivery NOT available  
 \* Call for Confirmation \*\* To most locations.

**5. Packaging**

☒ **FedEx Envelope\*** ☐ **FedEx Pak\*** Includes FedEx Small Pak, FedEx Large Pak, and FedEx Sturdy Pak. ☐ **FedEx Box** ☐ **FedEx Tube** ☐ **Other**  
 \*Declared value limit \$500.

**6 Special Handling**

☐ **SATURDAY Delivery** NOT Available for FedEx Standard Overnight, FedEx First Overnight, FedEx Express Saver, or FedEx 3Day Freight.  
☐ **HOLD Weekday** at FedEx Location NOT Available for FedEx First Overnight.  
☐ **HOLD Saturday** at FedEx Location Available ONLY for FedEx Priority Overnight and FedEx 2Day to select locations.  
 Does this shipment contain dangerous goods?  
☒ **No** ☐ **Yes** As per attached Shipper's Declaration ☐ **Yes** Shipper's Declaration not required ☐ **Dry Ice** Dry Ice, S, UN 1845 ☐ **Cargo Aircraft Only**  
 Dangerous goods (including dry ice) cannot be shipped in FedEx packaging.

**7 Payment Bill to:**

Enter FedEx Acct. No. or Credit Card No. below  
☐ **Sender** FedEx Acct. No. in Section 1 will be billed ☐ **Recipient** ☐ **Third Party** ☐ **Credit Card** ☐ **Cash/Check**

Total Packages	Total Weight	Total Declared Value*
		\$ .00

\*Our liability is limited to \$100 unless you declare a higher value. See back for details. By using this Airbill you agree to the service conditions on the back of this Airbill and in the current FedEx Service Guide, including terms that limit our liability.

**8 Residential Delivery Signature Options**

If you require a signature, check Direct or Indirect.  
☐ **No Signature Required** Package may be left without obtaining a signature for delivery.  
☒ **Direct Signature** Someone at recipient's address may sign for delivery. Fee applies.  
☐ **Indirect Signature** If no one is available at recipient's address, someone at a neighboring address may sign for delivery. Fee applies.

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