

McElvain Energy, Inc.

MCELVAIN #5 PRODUCED WATER TANK RELEASE / LIGHTNING STRIKE

FINAL C141 CLOSURE REPORT

API 30-025-29051

UL-M (SW¼ OF THE SW¼) OF SECTION 25 T18S R33E LATITUDE: N 32° 42.796' LONGITUDE: W 103° 37.356'

~15.9 MILES W (BEARING 373.3°) OF ARKANSAS JUNCTION

> LEA COUNTY, NEW MEXICO

> > July 25, 2012

PREPARED BY: TONY COOPER, SENIOR EHS SPECIALIST

MCELVAIN ENERGY INC. 1050 17TH Street Suite 2500 Denver, Colorado 80265

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ATTACHMENTS

Plate 1: Site Location Map

Plate 2: Site Topography Map

Plate 3: Site Aerial Photograph

Plate 4: Ground Water Elevation Contour Map

Plate 5: Site Detail Drawing

Cardinal Laboratory Analytical Reports

Photographs

Initial NMOCD C-141(s)

Final NMOCD C-141 Form

1.0 Project Summary

Release Site Name:

McElvain #5 (Fiberglass PW Tank)

Operating Company:

McElvain Oil & Gas Properties, Inc

Company Representative:

E. Reed Fischer, Sr. Operations Engineer

Phone: 303-893-0933

Address: 1050 17th St, Suite 2500, Denver, CO 80265

Email: reedf@mcelvain.com

SITE SPECIFIC DATA:

Legal Description:

Lea County, New Mexico

UL-M Section 25 T18S R33E

General Location:

15.9 miles W (373.3°) of Arkansas Junction, Lea County, NM

Latitude: N32° 42.796'

Longitude: W103° 37.356' Elevation: 3,840-ft amsl

Land Ownership:

Public - Bureau of Land Management

Ground Water Elevation:

100-ft (Water Contour Map)

Water Wells within 1000-ft: none

Surface Water within 1000-ft:

none

RELEASE SPECIFIC DATA:

Date and Time of Release(s): 7/3/2012 – discovered on 7/4/2012 AM

Material Released:

Produced Water with Trace Crude Oil component

Volume Released:

 ~ 160 -bbl

Volume Recovered: 158-bbl

Cause of Release:

Lightning Strike – 400-bbl Fiberglass PW Tank

Release Affected Area:

 $\sim 1250 - \Omega^2$

Depth of Contamination:

1-3-(ft bgs)

NMOCD Site Ranking:

10 (ground water >50-ft, <100-ft)

Remediation Action Levels: TPH: 1000-ppm; Benzene: 10-ppm; BTEX: 50-ppm; Chlorides 250-ppm

REMEDIATION SUMMARY:

Remediation of the release affected area consisted of the removal and disposal of 15-yd3 of trace hydrocarbon and chloride contaminated gravel covering the poly liner. The gravel, poly liner, and cutup fiberglass tank was disposed of at the R-360 disposal facility, Hobbs NM. The bottom (1ft bgs) of the release area was sampled in a five spot grid. All samples were confirmed to be below the NMOCD thresholds for TPH, Benzene, and BTEX through analytical analyses performed by Cardinal Laboratories, Hobbs, NM.

Chloride concentrations at (1-ft bgs) ranged between 575 and 625 ppm between four composite samples. Upon further direction from the NMOCD a chloride field test kit was used to determine the vertical range of the chloride levels. The field test kit showed 300 ppm @ (2-ft bgs) and 200 ppm at (3-ft bgs). A confirmation soil sample was taken @ (3-ft bgs) and sent to Cardinal Labs for analyses of chloride levels. Results confirmed chlorides levels to be @ 240 ppm at the (3-ft bgs) level which is under the 250 level required by NMOCD. All of the soil sample analysis results from Cardinal Laboratories have been included for your review.

Upon NMOCD approval of this final report the area will be relined with a poly liner and backfilled with gravel purchased from a private source. A new 300 bbl fiberglass open top produced water tank will be set in the area when received from the manufacturer. A new containment berm will then be constructed around the produced water tank battery area. The containment area for the water tank is 34' x 37' (1258 sg ft). McElvain Energy Inc. requests that NMOCD require "no further action" as regards to the July 3rd, 2012 release of produced water at this location.

2.0 Detailed Site Description

2.1 Geological Description

The United States Geological Survey (USGS) Ground-Water Report 6, "Geology and Ground-Water Conditions in Southern Lea County, New Mexico," A. Nicholson and A. Clebsch, 1961, describes the near surface geology of southern Lea County as "an intergrade of the Quaternary Alluvium (QA) sediments, i.e., fine to medium sand, with the mostly eroded Cenozoic Ogallala (CO) formation. Typically, the QA and CO formations in the area are capped by a thick interbed of caliche and generally overlain by sandy soil." The release site is located in the Querecho Plains physiographic subdivision, described by Nicholson & Clebsch as "covered almost entirely by dune sand which is stable or semi-stable over most of the area, but which locally drifts. The surface is very irregular and has no drainage features except at the edges of several playas. The sand is generally underlain by recent alluvium but in several places the sand forms topographic highs where it is underlain by a caliche surface. The thickness of the sand cover ranges from a few inches to a probable maximum of 20 feet."

2.2 Ecological Description

The area is typical of the Upper Chihuahuan Desert Biome consisting primarily of hummocky sand hills covered with Harvard Shin Oak (*Querqus harvardi*) interspersed with Honey Mesquite (*Prosopis glandulosa*) along with typical desert grasses, flowering annuals and flowering perennials. Mammals represented, include Orrd's and Merriam's Kangaroo Rat, Deer Mouse, White Throated Wood Rat, Cottontail Rabbit, Black Tailed Jackrabbit, Mule Deer, Bobcat, Red Fox and Coyote. Reptiles, Amphibians, and Birds are numerous and typical of the area. A survey of Listed,

Threatened, or Endangered species was not conducted.

2.3 Area Ground Water

The Chevron-Texaco water contour map (*Plate 4 of Attachments*) indicates that water in this area is 100-ft bgs.

2.4 Area Water Wells

There are no recorded or observed water wells within 1000 horizontal feet of the site.

2.5 Area Surface Water Features

No permanent surface water bodies exist within 1000 horizontal feet of the site.

3.0 Contaminant and Size of Area

The primary Contaminants of Concern (COC's) were chlorides and possible trace amounts of TPH and BTEX resulting from the produced water release on 7/3/2012. The extent of the release was contained within the bermed produced water tank containment area ~34' x 37' (~1258-ft²).

4.0 NMOCD Site Ranking

Contaminant delineation and site evaluation work done at this site indicate that the chemical parameters of the soil and the physical parameters of the ground water were characterized consistent with the characterization and remediation/abatement goals and objectives set forth in the following New Mexico Oil Conservation Division (NMOCD) publications:

- Guidelines for Remediation of Leaks, Spills and Releases (August 13, 1993)
- Acceptable thresholds for contaminants/constituents of concern (CoCs), i.e., TPH^{8015m},

 Benzene, and the mass sum of Benzene, Toluene, Ethyl Benzene, and total Xylenes (BTEX⁸²⁶⁰), was determined based on the NMOCD Ranking Criteria as follows:
- Depth to Ground water, i.e., distance from the lower most acceptable concentration to the ground water.
 - Wellhead Protection Area, i.e., distance from fresh water supply wells.
- Distance to Surface Water Body, i.e., horizontal distance to all down gradient surface water bodies.

Based on the proximity of the site to area water wells, surface water bodies, and depth to ground water from the lower most contamination, the NMOCD ranking score for the site is 10 points

with the soil remedial goals highlighted in the Site Ranking Table.

TABLE	
2. WELLHEAD PROTECTION	3. DISTANCE TO SURFACE WATER
If <1000' FROM WATER SOURCE, OR; <200' FROM PRIVATE DOMESTIC	<200 HORIZONTAL FEET: 20 POINTS
WATER SOURCE: 20 POINTS	200-1000 HORIZONTAL FEET: 10 POINTS
If >1000' FROM WATER SOURCE, OR; >200' FROM PRIVATE DOMESTIC WATER SOURCE: 0 POINTS	>1000 HORIZONTAL FEET: 0 POINTS

SUDEACE WATER SCORES O

5000 PPU

GROUND VV	ATER SCORE - U	WELLHEAD PROTECTION SCORE- 0	SURFACE WATER SCORE- U
		SITE RANK (1+2+3) =10 + 0 + 0 = 0 POINTS	
	TOTAL SITE RANK	ING SCORE AND ACCEPTABLE REMEDIAL GOAL	CONCENTRATIONS
PARAMETER	20 -	10	0
BENZENE	10 рем	10 РРМ	10 PPM
BTEX	50 PPM	50 PPM	50 PPM

WELL HEAD PROTECTION SCORES O

SITE RANKING

5.0 Remediation Process

100 PPR

TPH

1. GROUND WATER

DEPTH TO GW <50 FEET:

20 POINTS

DEPTH TO GW 50 TO 99 FEET: 10 POINTS

DEPTH TO GW > 100 FEET:

O POINTS

REMEDIATION SUMMARY:

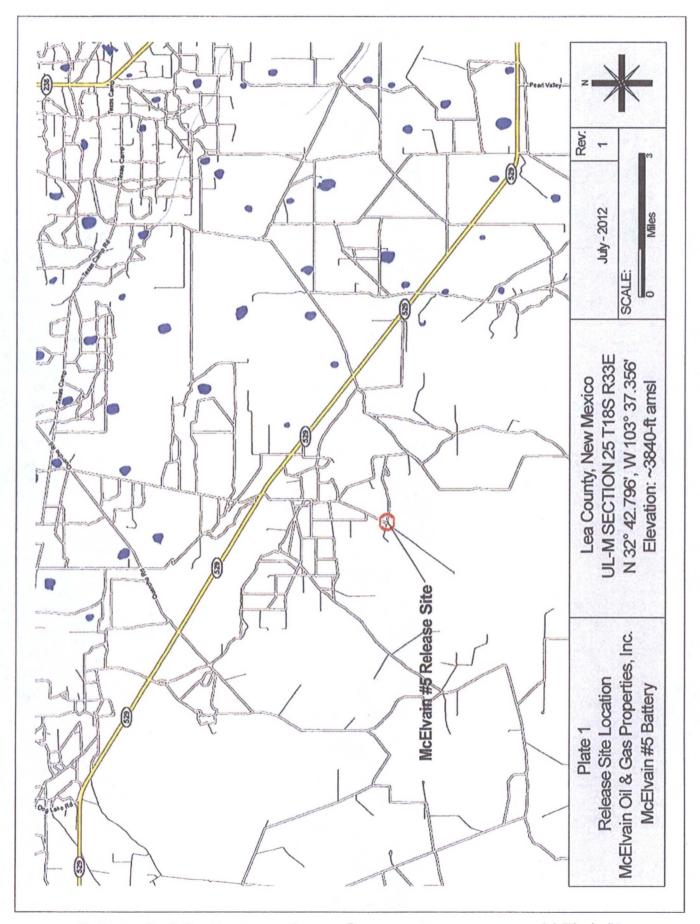
1000 PPM

Remediation of the release affected area consisted of the removal and disposal of 15-yd3 of trace hydrocarbon and chloride contaminated gravel covering the poly liner. The gravel, poly liner, and cutup fiberglass tank was disposed of at the R-360 disposal facility, Hobbs NM. The bottom (1-ft bgs) of the release area was sampled in a five spot grid. All samples were confirmed to be below the NMOCD thresholds for TPH, Benzene, and BTEX through analytical analyses performed by Cardinal Laboratories, Hobbs, NM.

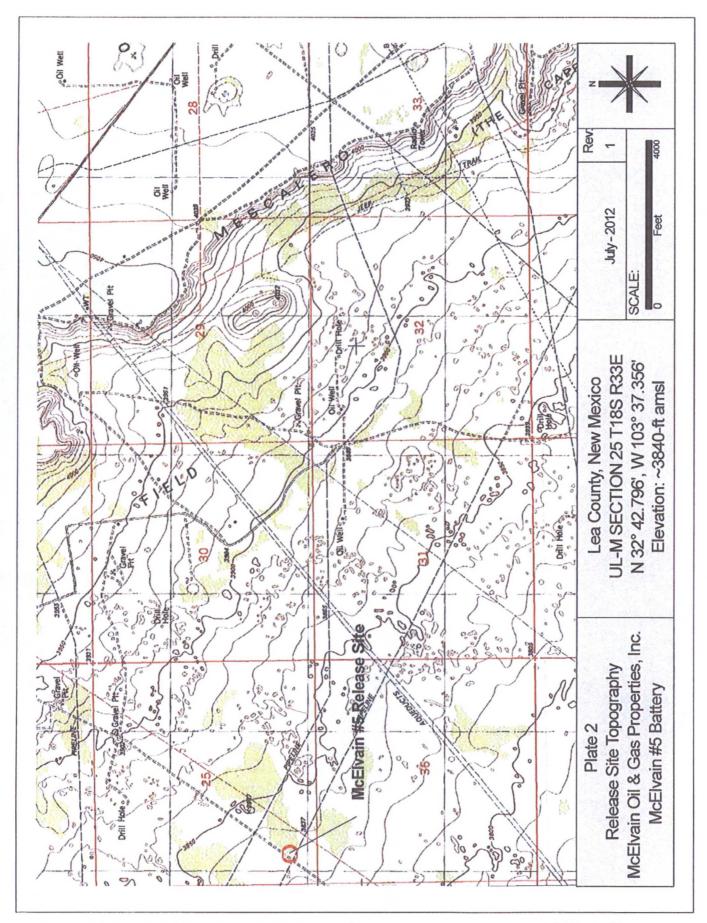
Chloride concentrations at (1-ft bgs) ranged between 575 and 625 ppm between four composite samples. Upon further direction from the NMOCD a chloride field test kit was used to determine the vertical range of the chloride levels. The field test kit showed 300 ppm @ (2-ft bgs) and 200 ppm at (3-ft bgs). A confirmation soil sample was taken @ (3-ft bgs) and sent to Cardinal Labs for analyses of chloride levels. Results confirmed chlorides levels to be @ 240 ppm at the (3-ft bgs) level which is under the 250 level required by NMOCD. All of the soil sample analysis results from Cardinal Laboratories have been included for your review.

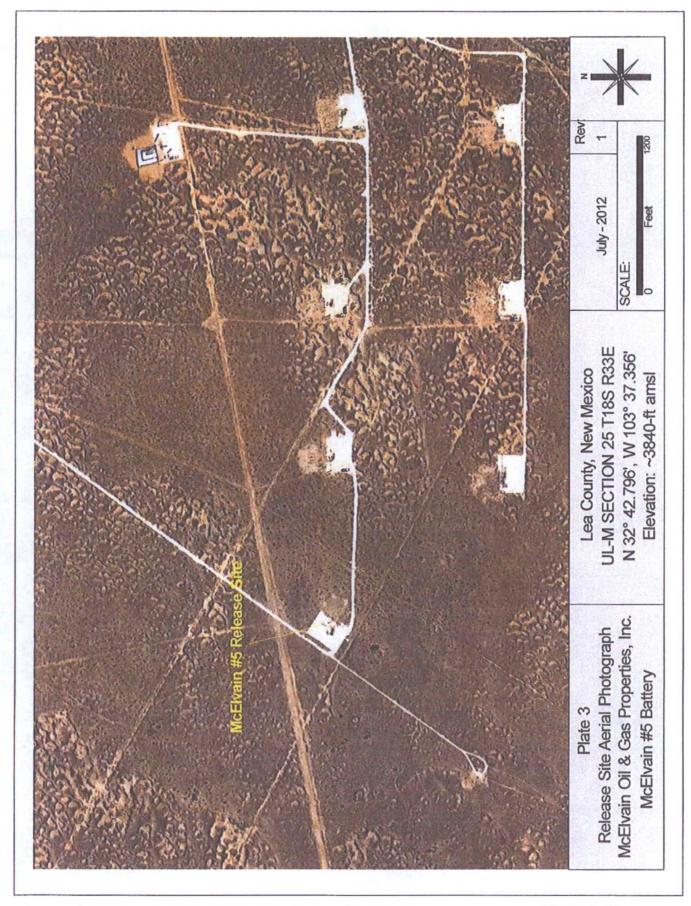
Upon NMOCD approval of this final report the area will be relined with a poly liner and backfilled with gravel purchased from a private source. A new 300 bbl fiberglass open top produced water tank will be set in the area when received from the manufacturer. A new containment berm

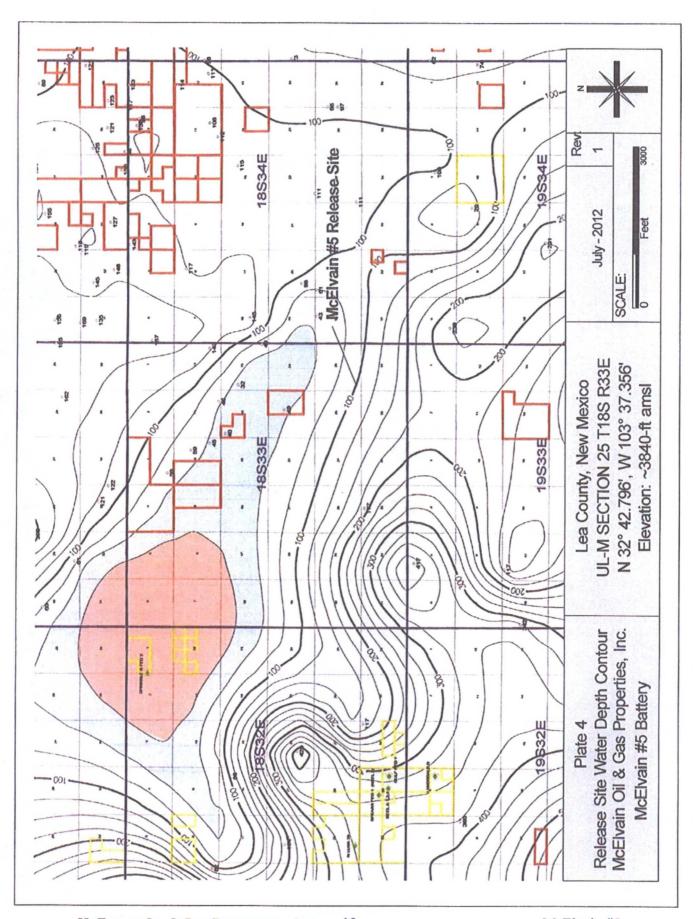
backfilled with gravel purchased from a private source. A new 300 bbl fiberglass open top produced water tank will be set in the area when received from the manufacturer. A new containment berm will then be constructed around the produced water tank battery area. The containment area for the water tank is 34' x 37' (1258 sg ft). McElvain Energy Inc. requests that NMOCD require "no further action" as regards to the July 3rd, 2012 release of produced water at this location.

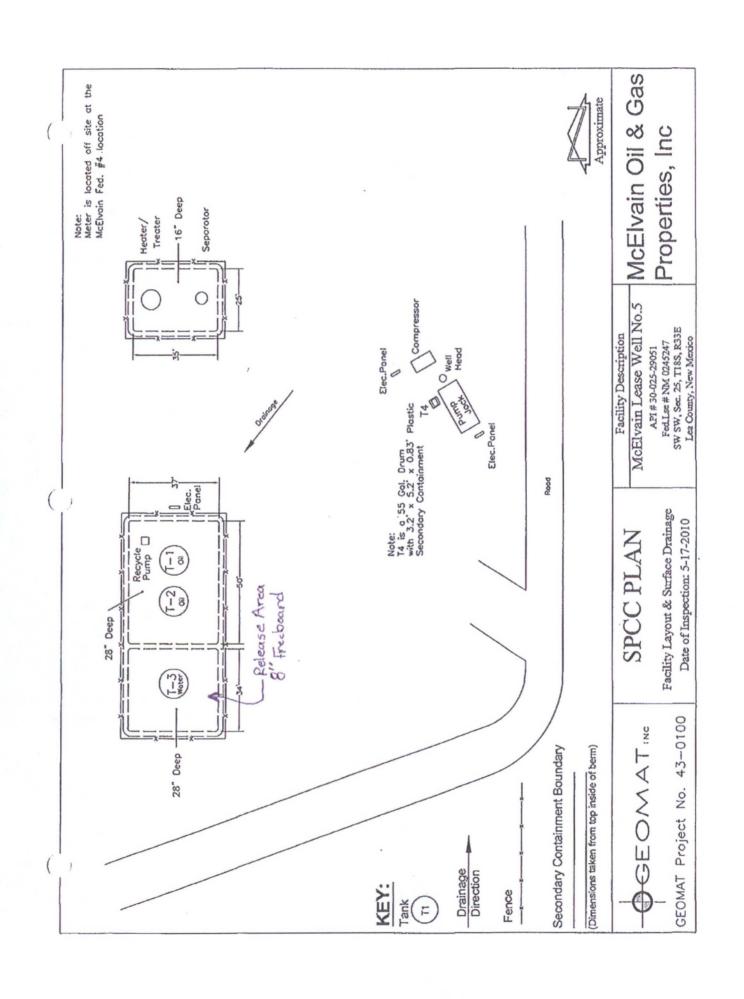


McElvain #5









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Project Manager: + OMy Cooper		P.O. #:		
Address:		COMPANY: INCE IDE :		anner n
City: 12en 1/45 State: Co	3 Zip:	Attn:		
Phone #: 303-501-0004 Fax #:		Address:		
Project #:	wner	City: Dew Ver		
Project Name:		State: Zip:		
Project Location: MC E) Jain Lease	かり	Phone #:		
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FOR USE ONLY	MATRIX	PRESERV. SAMPLING	16	
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Relinquished By:		Joan Alexander	Relinquished By:	Milesty		Delivered By: (Circle One)	Sampler - UPS - Bus - Other:	

† Cardinal cannot accept verbal changes. Please fax written changes to (575) 393-2326

200

Page 8 of 8



July 13, 2012

MC ELVAIN OIL & GAS
MC ELVAIN OIL & GAS
1050 17TH STREET, SUITE 2500
DENVER, CO 80265

RE: MC ELVAIN LEASE #5

Enclosed are the results of analyses for samples received by the laboratory on 07/06/12 14:15.

Cardinal Laboratories is accredited through Texas NELAP under certificate number T104704398-11-3. Accreditation applies to drinking water, non-potable water and solid and chemical materials. All accredited analytes are denoted by an asterisk (*). For a complete list of accredited analytes and matrices visit the TCEQ website at www.tceq.texas.gov/field/ga/lab accredited certif.html.

Cardinal Laboratories is accreditated through the State of Colorado Department of Public Health and Environment for:

Method EPA 552.2

Haloacetic Acids (HAA-5)

Method EPA 524.2

Total Trihalomethanes (TTHM)

Method EPA 524.4

Regulated VOCs (V1, V2, V3)

Accreditation applies to public drinking water matrices.

Lope S. Moreno

This report meets NELAP requirements and is made up of a cover page, analytical results, and a copy of the original chain-of-custody. If you have any questions concerning this report, please feel free to contact me.

Sincerely,

Hope Moreno

Inorganic Technical Director



MC ELVAIN OIL & GAS MC ELVAIN OIL & GAS 1050 17TH STREET, SUITE 2500 **DENVER CO, 80265** Fax To: NOT GIVEN

07/06/2012 Reported: 07/13/2012

Project Name: MC ELVAIN LEASE #5 Project Number: NONE GIVEN

Project Location:

OFF HWY 529

Sampling Date:

07/06/2012 Soil

Sampling Type: Sampling Condition:

** (See Notes)

Sample Received By: Jodi Henson

Sample ID: #1 (H201543-01)

Received:

BTEX 8021B	mg/	kg	Analyze	d By: AP					
Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier
Benzene*	<0.050	0.050	07/11/2012	ND	1.81	90.3	2.00	3.87	
Toluene*	<0.050	0.050	07/11/2012	ND	1.84	91.8	2.00	2.07	
Ethylbenzene*	<0.050	0.050	07/11/2012	ND	1.86	93.0	2.00	2.40	
Total Xylenes*	<0.150	0.150	07/11/2012	ND	5.61	93.5	6.00	2.08	
Surrogate: 4-Bromofluorobenzene (PIL	104 9	89.4-12	6						
Chloride, SM4500CI-B	mg/	kg	Analyze	d By: AP					
Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier
Chloride	656	16.0	07/10/2012	ND	400	100	400	0.00	
TPH 8015M	mg/kg		Analyzed By: AM						
Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier
GRO C6-C10	<10.0	10.0	07/12/2012	ND	193	96.5	200	0.00207	
DRO >C10-C28	68.4	10.0	07/12/2012	ND	202	101	200	0.0431	
Surrogate: 1-Chlorooctane	69.4	% 65.2-14	0		50 - 10 - 10 00 00 00 00 00 00 00 00 00 00 00 00				
Surrogate: 1-Chlorooctadecane	91.3	% 63.6-15	4						

Cardinal Laboratories

*=Accredited Analyte

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Lope S. Moreno



MC ELVAIN OIL & GAS MC ELVAIN OIL & GAS 1050 17TH STREET, SUITE 2500 **DENVER CO, 80265** Fax To: NOT GIVEN

Received:

07/06/2012

Reported:

07/13/2012

Project Name: Project Number: MC ELVAIN LEASE #5

Project Location:

NONE GIVEN OFF HWY 529 Sampling Date:

07/06/2012

Sampling Type:

Sampling Condition:

Soil ** (See Notes)

Sample Received By:

Jodi Henson

Sample ID: #2 (H201543-02)

Sample 10: #2 (1201343-02)									
BTEX 8021B	mg/	kg	Analyze	d By: ZZZ			M-11-11-11-11-11-11-11-11-11-11-11-11-11	****	
Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier
Benzene*	<0.050	0.050	07/11/2012	ND	1.81	90.3	2.00	3.87	
Toluene*	<0.050	0.050	07/11/2012	ND	1.84	91.8	2.00	2.07	
Ethylbenzene*	< 0.050	0.050	07/11/2012	ND	1.86	93.0	2.00	2.40	
Total Xylenes*	<0.150	0.150	07/11/2012	ND	5.61	93.5	6.00	2.08	
Surrogate: 4-Bromofluorobenzene (PIE	103 9	89.4-12	6						
Chloride, SM4500CI-B	mg/	kg	Analyze	d By: AP					
Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier
Chloride	576	16.0	07/10/2012	ND	400	100	400	0.00	
TPH 8015M	mg/	kg	Analyze	Analyzed By: AM					
Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier
GRO C6-C10	<10.0	10.0	07/12/2012	ND	193	96.5	200	0.00207	
DRO >C10-C28	23.7	10.0	07/12/2012	ND	202	101	200	0.0431	
Surrogate: 1-Chlorooctane	78.1	65.2-14	0						
Surrogate: 1-Chlorooctadecane	102 9	63.6-15	4						

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*=Accredited Analyte

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Hope S. Moreno



MC ELVAIN OIL & GAS MC ELVAIN OIL & GAS 1050 17TH STREET, SUITE 2500 **DENVER CO, 80265** NOT GIVEN Fax To:

Received:

07/06/2012

Reported:

07/13/2012

Project Name:

MC ELVAIN LEASE #5

Project Number: Project Location:

NONE GIVEN

OFF HWY 529

Sampling Date:

Sampling Type:

Sample Received By:

07/06/2012

Sampling Condition:

** (See Notes)

Jodi Henson

Soil

Sample ID: #3 (H201543-03)

BTEX 8021B	mg/	kg	Analyze	d By: ZZZ					
Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier
Benzene*	<0.050	0.050	07/11/2012	ND	1.81	90.3	2.00	3.87	
Toluene*	<0.050	0.050	07/11/2012	ND	1.84	91.8	2.00	2.07	
Ethylbenzene*	<0.050	0.050	07/11/2012	ND	1.86	93.0	2.00	2.40	
Total Xylenes*	<0.150	0.150	07/11/2012	ND	5.61	93.5	6.00	2.08	
Surrogate: 4-Bromofluorobenzene (PIE	103 9	% 89.4-12	6						
Chloride, SM4500Cl-B	mg/	kg	Analyze	ed By: AP					
Analyte	Result Reporting Limit		Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier
Chloride	576	16.0	07/10/2012	ND	400	100	400	0.00	
TPH 8015M	mg/	kg	Analyzed By: AM						
Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier
GRO C6-C10	<10.0	10.0	07/12/2012	ND	193	96.5	200	0.00207	
DRO >C10-C28	23.6 10.0		07/12/2012	ND	202	101	200	0.0431	
Surrogate: 1-Chlorooctane	79.1	% 65.2-14	0						
Surrogate: 1-Chlorooctadecane	104 9	63.6-15	4						

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Klope S. Moreno



MC ELVAIN OIL & GAS MC ELVAIN OIL & GAS 1050 17TH STREET, SUITE 2500 **DENVER CO, 80265** Fax To: NOT GIVEN

Reported: 07/13/2012 Project Name:

MC ELVAIN LEASE #5

07/06/2012

Project Number: Project Location:

Received:

NONE GIVEN

Sampling Date:

Sampling Type:

07/06/2012

Soil

Sampling Condition: Sample Received By: ** (See Notes) Jodi Henson

OFF HWY 529

Sample ID: #4 (H201543-04)

BTEX 8021B	mg/l	kg	Analyze	d By: ZZZ					
Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifie
Benzene*	<0.050	0.050	07/11/2012	ND	1.81	90.3	2.00	3.87	
Toluene*	<0.050	0.050	07/11/2012	ND	1.84	91.8	2.00	2.07	
Ethylbenzene*	<0.050	0.050	07/11/2012	ND	1.86	93.0	2.00	2.40	
Total Xylenes*	<0.150	0.150	07/11/2012	ND	5.61	93.5	6.00	2.08	
Surrogate: 4-Bromofluorobenzene (PIL	102 %	6 89.4-12	6						
Chloride, SM4500CI-B	mg/l	kg	Analyze	d By: AP					
Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier
Chloride	592	16.0	07/10/2012	ND	400	100	400	0.00	
TPH 8015M	mg/l	kg	Analyze	d By: AM					
Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifie
GRO C6-C10	<10.0	10.0	07/12/2012	ND	193	96.5	200	0.00207	
DRO >C10-C28	17.7	10.0	07/12/2012	ND	202	101	200	0.0431	
Surrogate: 1-Chlorooctane	66.9 %	65.2-14	0						
Surrogate: 1-Chlorooctadecane	86.0 %	63.6-15	4						

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MC ELVAIN OIL & GAS MC ELVAIN OIL & GAS 1050 17TH STREET, SUITE 2500 **DENVER CO, 80265** Fax To: NOT GIVEN

Received: Reported: 07/06/2012

07/13/2012

Project Name:

MC ELVAIN LEASE #5

Project Number: Project Location: NONE GIVEN

OFF HWY 529

Sampling Date:

07/06/2012

Sampling Type:

Soil

Sampling Condition: Sample Received By: ** (See Notes)

Jodi Henson

Sample ID: SMITH RANCH PIT (H201543-05)

BTEX 8021B	mg/	kg	Analyze	d By: ZZZ					
Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifie
Benzene*	< 0.050	0.050	07/11/2012	ND	1.81	90.3	2.00	3.87	
Toluene*	<0.050	0.050	07/11/2012	ND	1.84	91.8	2.00	2.07	
Ethylbenzene*	<0.050	0.050	07/11/2012	ND	1.86	93.0	2.00	2.40	
Total Xylenes*	<0.150	0.150	07/11/2012	ND	5.61	93.5	6.00	2.08	
Surrogate: 4-Bromofluorobenzene (PIL	102 9	89.4-12	6						
Chloride, SM4500Cl-B	mg/	kg	Analyze	d By: AP					
Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier
Chloride	32.0	16.0	07/10/2012	ND	400	100	400	0.00	
TPH 8015M	mg/	kg	Analyzed By: AM						
Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifie
GRO C6-C10	<10.0	10.0	07/12/2012	ND	193	96.5	200	0.00207	
DRO >C10-C28	<10.0	10.0	07/12/2012	ND	202	101	200	0.0431	
Surrogate: 1-Chlorooctane	78.9	% 65.2-14	0						
Surrogate: 1-Chlorooctadecane	105 9	63.6-15	4						

Cardinal Laboratories

*=Accredited Analyte

FLEASE NOTE: Liability and Damages. Candnalis liability and clerk's exclusive remedy for any claim arising, whether based in contract or tort, shall be limited to the amount paid by clerk for analyses. All claims, including those for neplagence and any other canne whatbooker shall be deemed waived unless made in writing and received by Candnal within thirty (30) days after completion of the applicable service. In no event shall Candnal be liable for incidental or consequential damages, including, without intention, behinses interruptions, loss of use, or loss of profits incimed by client, its abusiness, anythates are successors advised but the partnermance of the services hareunder by Candnal, regardless of whether such claim is based upon any of the above stated reasons or oftensives. Results relate only to the samples identified above. This report shall not be reproduced except in full with written approval of Candnal Laboratories.

Hope S. Moreno

District I 1625 N. French Dr., Hobbs, NM 88240 District II 811 S. First St., 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

Form C-141 Revised August 8, 2011 Submit 1 Copy to appropriate District Office in accordance with 19.15.29 NMAC.

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

			Rele	ease Notific	cation	and Co	rrective A	ction				
						OPERAT	OR		nitial	Report x	F	inal Repor
		AcElvain En				Contact - To	ony Cooper					•
				rer Co 80265			No. 303-893-093		501-0	0004		
Facility Na	me - McEl	vain #5 Faci	lity			Facility Typ	e - Tank Batter	У				
Surface Ow	ner – BLN	1 USA		Mineral C	Owner -	BLM USA		AP	I No.	30-025-29	051	
				LOCA	ATIO	N OF REI	LEASE					
Unit Letter	Section	Township	Range	Feet from the	North/	South Line	Feet from the	East/West L	ine	County		
M	25	18S	33E		660 FS	SL		810 FWL		Lea		
		Lati	tude	32.713176143	35436		Longitude-103	6225174639	22			
				_		OF RELI						
Type of Rele	ase – PROI	DUCED WAT	ER RELEA		UKE	_	Release – EST 1.	58 - Volu	ıme R	ecovered – E	ST 158	BBLS
Source of Re	lease – 400	BBL FIBERO	GLASS WA	TER TANK (abo	ve		lour of Occurrence		and F	Hour of Disco	very	
Was Immedi	ate Notice (If YES, To	Whom?					
Required		X[Yes	□ No □ Not			Jeff Lecking (NA ill follow up with					
By Whom? 7	Tony Coope	r EHS Coord	inator Mc	Elvain Energy De	enver	Date and H	lour- 7/5/2012 11	:50am				
Was a Water	course Read		Yes x [□ No		If YES, Vo	lume Impacting t	he Watercour	se.			
If a Waterco	urse was Im	pacted, Descr	ibe Fully.	*								
NA												
Describe Car	ise of Probl	em and Reme	dial Actio	n Taken.*								
Lightning str	ike to above	ground prod	uced wate	r tank								
Describe Are	a Affected	and Cleanup /	Action Tal	cen.*								
	area was no	ot breached by					oduced water con h a poly liner so					
covering the of the release	poly liner. 's area was s	The gravel, po campled in a fi	ly liner, a ive spot gr	nd cutup fibergla.	ss tank w ere conf	vas disposed o	-yd3 of trace hydr of at the R-360 dis elow the NMOCD	sposal facility,	Hobb	bs NM. The l	bottom ((1-fl bgs)
chloride field bgs). A confi	test kit was rmation soin at the (3-ft b	s used to deter sample was t gs) level whic	mine the aken @ (3	vertical range of t 3-ft bgs) and sent	the chlor to Cardi	ride levels. Th inal Labs for a	composite sample e field test kit sho analyses of chlori l of the soil sampl	wed 300 ppm de Ievels. Resi	@ (2-	-ft bgs) and 2 onfirmed chlo	00 ppm rides le	at (3-ft evels to be
300 bbl fiber constructed of	glass open in around the p	top produced produced water	water tank er tank bat	will be set in the tery area. The co	area wh ntainmer	nen received for nt area for the	and backfilled w from the manufact water tank is 34 roduced water at	urer. A new c 'x 37' (1258)	ontair	ment berm w	ill then	be

I hereby certify that the information given above is true and complete to regulations all operators are required to report and/or file certain release public health or the environment. The acceptance of a C-141 report by the should their operations have failed to adequately investigate and remediator the environment. In addition, NMOCD acceptance of a C-141 report federal, state, or local laws and/or regulations.	notifications and perform corrective a he NMOCD marked as "Final Report' ate contamination that pose a threat to	ctions for relead does not relieground water,	leases which may endanger lieve the operator of liability er, surface water, human health compliance with any other					
To al	OIL CONSER	VATION I	DIVISION					
Signature: 1879 6 100pt	Approved by Environmental Specialist:							
Printed Name: Jony G. Cooper								
Title: 5, EHS Specialist	Approval Date:	Pate:						
Printed Name: Tony G. Cooper. Title: S. EHS Specialist E-mail Address: tony (a) McFlvain, con	Conditions of Approval:	Attached						

^{*} Attach Additional Sheets If Necessary



July 23, 2012

TONY COOPER
MC ELVAIN OIL & GAS
1050 17TH STREET, SUITE 2500
DENVER, CO 80265

RE: MC ELVAIN #5 WELL

Enclosed are the results of analyses for samples received by the laboratory on 07/20/12 16:07.

Cardinal Laboratories is accredited through Texas NELAP under certificate number T104704398-11-3. Accreditation applies to drinking water, non-potable water and solid and chemical materials. All accredited analytes are denoted by an asterisk (*). For a complete list of accredited analytes and matrices visit the TCEQ website at www.tceq.texas.gov/field/ga/lab accredited certif.html.

Cardinal Laboratories is accreditated through the State of Colorado Department of Public Health and Environment for:

Method EPA 552.2

Haloacetic Acids (HAA-5)

Method EPA 524.2

Total Trihalomethanes (TTHM)

Method EPA 524.4

Regulated VOCs (V1, V2, V3)

Accreditation applies to public drinking water matrices.

Celey D. Keena

This report meets NELAP requirements and is made up of a cover page, analytical results, and a copy of the original chain-of-custody. If you have any questions concerning this report, please feel free to contact me.

Sincerely,

Celey D. Keene

Lab Director/Quality Manager



MC ELVAIN OIL & GAS TONY COOPER 1050 17TH STREET, SUITE 2500 DENVER CO, 80265 Fax To: NOT GIVEN

Received:

07/20/2012

Sampling Date:

07/20/2012

Reported:

07/23/2012

Sampling Type:

Soil

Project Name:

MC ELVAIN #5 WELL

Sampling Condition:

** (See Notes)

Project Number:

NONE GIVEN

Sample Received By:

Jodi Henson

Project Location:

LEA COUNTY

Sample ID: MC ELVAIN #5 (H201685-01)

Chloride, SM4500CI-B

mg/l

Analyzed By: HM

Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier
Chloride	240	16.0	07/23/2012	ND	432	108	400	0.00	

Cardinal Laboratories

*=Accredited Analyte

PLEASE NOTE: Liability and Danages. Cardinals lability and den'th evolusive remedy for any claim arising, whether based in contract or tort, shall be limited to the amount paid by client for analyses. All claims, including those for negligence and any other cause whallsower shall be deemed waited unless made in writing and nectived by Cardinal within thing (23) clays after completion of the applicable service. In no event shall Curdinal be liable for incidental or consequential dismapes, including, without invitation, business interruptions, loss of use, or loss of profix incurred by client, its subsidiaries, efficiency is not uncessors arising out of or related to the performance of the services hereunder by Cardinal, regardless of whether such claims is based upon any of the above stated reasons or of service. See of profix incurred by other services of the performance of the services hereunder by Cardinal, regardless of whether such claims is been profit to the performance of the services hereunder by Cardinal, regardless of whether such claims is been profit for the performance of the services hereunder by Cardinal, regardless of whether such claims is been profit for the performance of the services hereunder by Cardinal, regardless of whether such claims is been profit for the performance of the services hereunder by Cardinal, regardless of whether such claims is been profit for the performance of the services hereunder by Cardinal, regardless of whether such claims in the performance of the services hereunder by Cardinal techniques.

Celegy Keene

Celey D. Keene, Lab Director/Quality Manager

PHOTOS
07/06/2012 -Reconstruction of release containment area.









COMPANY PHATHEMANL WAME MCELVAIN #5 PRODUCED WATER TANK clarify 1) Smith Reman Pit Sample 1 of 5 often lines removed? 2) CHLORIDE RAMONAL TESTING BEZOW LINER? LAB @1'->500 4 COMPOSITE SAMPLES? 5,- 300, E1851) 31-200 FIELD 240 PPM LAB #1 CL 656 #2 576 #3 576 #4 592 # SMITH PIT 32.0 (This Backfill right - NO BG 5 SPOT GRID REALLY ONLY 4 SAMP POINTS RIGHTZ WHERE DID YOU CUT THE COLOR FORTION OF MMOCD WITE

District I
1625 N. French Dr., Hobbs, NM 88240
District II
811 S. First St., 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

Form C-141 Revised August 8, 2011 Submit 1 Copy to appropriate District Office in accordance with 19.15.29 NMAC.

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

Name of Company- McElvain Energy				Rele	ease Notific	ation	and Co	rrective A	ction	l					
Address - 1050 17th Street Suite 2500 Denver Co 80265 Telephone No. 303-893-0933 cell 303-501-0004											Final Rep				
Surface Owner = BLM USA Mineral Owner = BLM USA API No 30-025-29051															
LOCATION OF RELEASE					ei C0 80203										
LOCATION OF RELEASE	Surface Own	ner – BLM	1 USA		Mineral O	wner –	BLM USA			API No	- 30-025-	29051			
Unit Letter Section Township Range Feet from the North/South Line Set from the Bast/West Line County	Starture O HA	2211					<u> </u>								
Latitude	Unit Letter	Section	Township	Range						/West Line County					
NATURE OF RELEASE Type of Release – PRODUCED WATER RELEASE Type of Release – 400 BBL FIBERGLASS WATER TANK (above ground) Was Immediate Notice Given? Yes No Not N	М	25	18S	33E		660 FS	FSL 810 FWL				Lea				
Type of Release — PRODUCED WATER RELEASE Source of Release — 400 BBL FIBERGLASS WATER TANK (above ground) Was Immediate Notice Given? X Yes No Not Required Whom? Tony Cooper EHS Coordinator McEivain Energy Denver CO Was a Watercourse Reached? Was Impacted, Describe Fully.* No Describe Cause of Problem and Remedial Action Taken.* Lightning strike to above ground produced water tank Describe Area Affected and Cleanup Action Taken.* On 7/4/2012 a vacuum truck was called and recovered approximately 158 bbls of produced water contained within the tank containment area. The containment area was not breached by the release. Scheduling soil samples to be taken by local environmental contractor ASAP. Will test for THP BTEX and chlorides per NMOCD requirements. 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 responsibility for compliance with any other federal, state, or local laws and/or regulations. OIL CONSERVATION DIVISION			Lati	tude	32.7131761435	5436		Longitude-103.	62251	7463922					
Type of Release — PRODUCED WATER RELEASE Source of Release — 400 BBL FIBERGLASS WATER TANK (above ground) Was Immediate Notice Given? X Yes No Not Required Whom? Tony Cooper EHS Coordinator McEivain Energy Denver CO Was a Watercourse Reached? Was Impacted, Describe Fully.* No Describe Cause of Problem and Remedial Action Taken.* Lightning strike to above ground produced water tank Describe Area Affected and Cleanup Action Taken.* On 7/4/2012 a vacuum truck was called and recovered approximately 158 bbls of produced water contained within the tank containment area. The containment area was not breached by the release. Scheduling soil samples to be taken by local environmental contractor ASAP. Will test for THP BTEX and chlorides per NMOCD requirements. 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 responsibility for compliance with any other federal, state, or local laws and/or regulations. OIL CONSERVATION DIVISION					NAT	URE	OF REL	EASE							
Source of Release – 400 BBL FIBERGLASS WATER TANK (above ground) Was Immediate Notice Given? Required X Yes No Not Not Required Not Required Not Required Not Required X Yes No Not Not Required By Whom? Tony Cooper EHS Coordinator McElvain Energy Denver CO Was a Watercourse Reached? Yes x No Not If YES, Volume Impacting the Watercourse. If YES, Volume Impacting the Watercourse. If YES, Volume Impacting the Watercourse. If a Watercourse was Impacted, Describe Fully.* NA Describe Cause of Problem and Remedial Action Taken.* Lightning strike to above ground produced water tank Describe Area Affected and Cleanup Action Taken.* On 7/4/2012 a vacuum truck was called and recovered approximately 158 bbls of produced water contained within the tank containment area. The containment area was not breached by the release. The containment area was lined with a poly liner so the soil in the containment area is not expected have been impacted by the release. Scheduling soil samples to be taken by local environmental contractor ASAP. Will test for THP BTEX and chlorides per NMOCD requirements. 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 hear of 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.	Type of Releas	se – PROD	DUCED WAT	ER RELEA			Volume of		i8 -	Volume I	Recovered -	EST 15	8 BBLS		
Required Spoke with Jeff Lecking (NMOCD) at 11:50 am on 7/5/2012 and reported release. Will follow up with a Form C-141initialrelease notification reported release. Will follow up with a Form C-141initialrelease notification reported to the Spoke with Jeff Lecking (NMOCD) at 11:50 am on 7/5/2012 11:		ease – 400	BBL FIBERO	GLASS WA	TER TANK (above	2	Date and H		e EST			scovery			
Required Pelease. Will follow up with a Form C-141initialrelease notification report Poster and Hour-7/5/2012 11:50am	Was Immediate Notice Given? If YES, To Whom?									anortad tha					
Was a Watercourse Reached? Yes x No If a Watercourse was Impacted, Describe Fully.* NA Describe Cause of Problem and Remedial Action Taken.* Lightning strike to above ground produced water tank Describe Area Affected and Cleanup Action Taken.* On 7/4/2012 a vacuum truck was called and recovered approximately 158 bbls of produced water contained within the tank containment area. The containment area was not breached by the release. The containment area was lined with a poly liner so the soil in the containment area is not expected have been impacted by the release. Scheduling soil samples to be taken by local environmental contractor ASAP. Will test for THP BTEX and chlorides per NMOCD requirements. 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 head 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. OIL CONSERVATION DIVISION	Latitude 32.7131761435436 Longitude-103.622517463922 NATURE OF RELEASE Type of Release – PRODUCED WATER RELEASE Volume of Release – EST 158 - 160 BBLS Source of Release – 400 BBL FIBERGLASS WATER TANK (above ground) Was Immediate Notice Given? Required Ves No Not Release – Whom? Spoke with Jeff Lecking (NMOCD) at 11:50 am on 7/5/2012 and reported the release. Will follow up with a Form C-141 initial release notification report. By Whom? Tony Cooper EHS Coordinator McElvain Energy Denver CO Was a Watercourse Reached? Yes x No If a Watercourse was Impacted, Describe Fully.* NA Describe Cause of Problem and Remedial Action Taken.* Lightning strike to above ground produced water tank Describe Area Affected and Cleanup Action Taken.* On 7/4/2012 a vacuum truck was called and recovered approximately 158 bbls of produced water containment area was not breached by the release. The containment area was lined with a poly liner so the soil in the containment area is not expected to have been impacted by the release. Scheduling soil samples to be taken by local environmental contractor ASAP. Will test for THP BTEX and chlorides as per NMOCD requirements. 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														
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On 7/4/2012 a vacuum truck was called and recovered approximately 158 bbls of produced water contained within the tank containment area. The containment area was not breached by the release. The containment area was lined with a poly liner so the soil in the containment area is not expected have been impacted by the release. Scheduling soil samples to be taken by local environmental contractor ASAP. Will test for THP BTEX and chlorides per NMOCD requirements. 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 heal 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. OIL CONSERVATION DIVISION	Lightning strik	ke to above	ground prod	luced water	r tank										
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	regulations all public health o should their op or the environr	operators or the envir perations had ment. In a	are required to ronment. The ave failed to a ddition, NMC	o report ar acceptance adequately OCD accep	nd/or file certain re ce of a C-141 repor investigate and re	lease no t by the mediate	vifications at NMOCD m contaminati	nd perform correct arked as "Final Re on that pose a thre	tive acti eport" d eat to gr	ions for release oes not release ound water	eases which ieve the ope r, surface wa	may en rator of ater, hur	danger liability nan health		
Signature: Tony G. Cooper								OIL CONS	SERV	crourse. thin the tank containment area. The in the containment area is not expected to Will test for THP BTEX and chlorides as and that pursuant to NMOCD rules and ions for releases which may endanger oes not relieve the operator of liability ound water, surface water, human health bility for compliance with any other ATION DIVISION					
Approved by Environmental Specialists	Signature:	Tony	, G. Co.	per											
Printed Name: Tong & Cooper Approved by Environmental Specialist.	Printed Name: Tong & Coper						Approved by Environmental Specialist:								
Title: Sr. EHS Specialist Approval Date: Expiration Date:	Title: 57	Sr. EHS Specialist Approval Date													
E-mail Address: Tony Ca MCEIVain, Com Conditions of Approval:	E-mail Address	is: ton	y Ca	WEET	Jain, Com		Conditions of	ions of Approval:							
Date: 7-5-/2 Phone: 303 50100004 * Attach Additional Sheets If Necessary	Date: 7	5-/2	ets If Necess	Phone:	30350100	104									