

Mr. Kern McCready
NM Operations Manager
NADEL AND GUSSMAN PERMIAN, LLC
601 N. Marienfeld
Suite 508
Midland, TX 79701

22 May 2007

Mr. Larry Johnson
OIL CONSERVATION DIVISION
1625 N. French Drive
Hobbs, NM 88240

Re: TP State No. 2 Hydrocarbon Fluid Release Final Report
Reference Letter of Violation, Inspection No.: IMGB0703661710 (Lease No. E75671)

Dear Mr. Johnson:

RP# 1258

Pursuant to your Letter of Violation, Inspection No. IMGB0703661710, issued 7 February 2007, Nadel & Gussman Permian, LLC (NGP) herewith notifies Lea County, State of New Mexico, Oil Conservation Division (NMOCD) that it has completed remediation of the above cited hydrocarbon fluid release on TP State No. 2 (API No. 30-025-23950) located in U/L 1 S24 T17S R35E of Lea County, New Mexico. Due to a series of spring storms moving through the area during the active infield operations on this location, NGP was not able to complete its remediation operations prior to this time.

The following documents are herewith submitted as part of NGP's final report on the above cited hydrocarbon release for the TP State No. 2: (1) C-141 Initial and Final Reports, (2) Spill/Remediation Photo Record, (3) NaCl2 Analyses (baseline/removal), (4) GRO/DRO Analyses (baseline/removal), (5) State Engineer's Well Record and (6) Summary Report on borehole analyticals.

NGP's "Corrective Action Plan" submitted 2 February 2007, cited all project action to be initiated which was executed as described therein. Of several parameters, one was to ascertain whether or not groundwater had been polluted as a result of the spill. This investigation was conducted by drilling a pilot well in the area of active surface contamination but no groundwater was present to a depth of 70', even after waiting 72 hours for recharge potential. Soil analyses of this borehole show expected ranges of salt naturally occurring in the area (see attached analyticals). Therefore, no groundwater has been contaminated by this action. Offsite spill areas located along the northeastern and southern boundaries, impounding somewhat in the southwest corner of the pad (see photos) have been completely removed and transported to a landfarm for disposal. These areas were then backfilled with clean material.

NGP would like to thank you for the opportunity to work with Lea County regarding remediation of the TP State No. 2 location. Your input and patience with our efforts has been much appreciated.

Should you have questions please call 432-682-4429 (office) or 432-425-6347 (cell).

Sincerely,


Kern McCready
NM Operations Manager

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

State of New Mexico
Energy Minerals and Natural Resources
Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-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 NADEL & Gussman Permianna Contact Kern McCready
Address 501 N. MAREN GATE, Midland, TX 79701 Telephone No. 432-622-4429/432-425-6347 (C)
Facility Name T P STATE NO. 2 Facility Type 625

Surface Owner _____ Mineral Owner NEW MEXICO Lease No. 675671

LOCATION OF RELEASE API No: 30-025-23950

Unit Letter	Section	Township	Range	Feet from the	North/South Line	Feet from the	East/West Line	County
<u>I</u>	<u>24</u>	<u>173</u>	<u>35E</u>					<u>LEA COUNTY</u>

Latitude _____ Longitude _____

NATURE OF RELEASE

Type of Release <u>UNKNOWN</u>	Volume of Release <u>5-10 bbls</u>	Volume Recovered <u>2 bbls</u>
Source of Release <u>HYDROCARBON</u>	Date and Hour of Occurrence _____	Date and Hour of Discovery <u>UNKNOWN</u>
Was Immediate Notice Given? <input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Not Required	If YES, To Whom? <u>UNKNOWN</u>	
By Whom? <u>N/A</u>	Date and Hour <u>N/A</u>	
Was a Watercourse Reached? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	If YES, Volume Impacting the Watercourse. <u>N/A</u>	

If a Watercourse was Impacted, Describe Fully.*

N/A

Describe Cause of Problem and Remedial Action Taken.*

Water leg froze on gum barrel tank forcing tank contents to continue to rise and overflowed out of small hole in tank skin and thief hatch.

Describe Area Affected and Cleanup Action Taken.*

Pad area, less than 50' of road bed. Caliche applied to soak up liquids. Will be land farmed later.

I hereby certify that the information given above is true and complete to the best of my knowledge and understand that pursuant to NMOC 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 NMOC 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, NMOC 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

Signature: Kern McCreadyPrinted Name: Kern McCreadyTitle: Operations EngineerE-mail Address: KEMM@naguss.comDate: 11 February 2007Phone: 432-425-6347Approved by District Supervisor: ENG. ENGRApproval Date: 2-22-07Expiration Date: 4-26-07

Conditions of Approval:

Attached ☐AS DISCUSSED

* Attach Additional Sheets If Necessary

Mr. Kem McCready
Operations Engineer
NADEL AND GUSSMAN PERMIAN, LLC
601 N. Marienfeld
Suite 508
Midland, TX 79701

11 February 2007

Mr. Larry Johnson
OIL CONSERVATION DIVISION
1625 N. French Drive
Hobbs, NM 88240



Re: TP State No. 2 "Corrective Action Work Plan" for Hydrocarbon Fluid Release
Reference Letter of Violation No.: IMGB0703661710

Dear Mr. Johnson:

Pursuant to your Letter of Violation No. IMGB0703661710 issued on 7 February 2007 with corrective action cited to be completed by 11 May 2007, Nadel & Gussman Permian, LLC, hereinafter "NGP", herewith notifies Lea County, State of New Mexico, Oil Conservation Division of its receipt of the LOV for their location TP State No. 2 (API No. 30-025-23950) located in the U/L 1 S24 T17S R35E (Lease No. E75671). NGP intends to engage remediation action as soon as approval to commence is granted by the OCD.

In accordance with the State of New Mexico regulatory requirements and guidelines for *Remediation of Leaks, Spills and Releases*, please find enclosed NGP's, Form C-141 in compliance with New Mexico Administrative Code 19.15.3.116 for the release of approximately 5 to 10 barrels of oil and oil laden hydrocarbon fluids leaking from the thief hatch and small holes in the gum barrel tank located on the northeast corner of the pad at an unknown time of day, approximately two weeks prior to this transmittal.

In summation, the spill occurred consequential of the water leg on the gum barrel tank freezing, forcing the rise of its contents to the top of the tank at which point it simultaneously released through several small holes in the tank skin and the thief hatch (refer to photos). Compounding the action was the intermittent presence of inclement weather releasing both snow and rain over a several day period, preventing adequate implementation of measures to both clean up and assess the spill. Ineluctably, the spill became diffuse across portions of the pad with an exiguous amount traveling a short distance down the road wherein it pooled at the grassy berm but did not exit the roadbed.

To date the following actions have been undertaken: (1) NGP placed several loads of caliche on the active spill area to absorb excess hydrocarbon fluids for the purpose of preparing them for removal from the spill area and to prevent further spread of the spill.

(2) A backhoe and cleanup crew has been contracted to pick up said contaminated soils, land farm them and apply them to construction of the berms required to meet regulatory Performa on location.

(3) Due to the location exhibiting highly compacted soils, the prospective estimation is that the hydrocarbon penetration rate was inhibited, at least to some degree creating a semi-impermeable situation retarding the spill spread.

(4) The location has been checked for potential groundwater contamination and offsite spill areas. To the best of our knowledge at this juncture, groundwater has not been contaminated. Depth to groundwater in this area ranges from 35 to 60 feet with existing contamination manifest to approximately eight inches. Offsite spill areas are located along the northeastern and southern boundaries, impounding somewhat in the southwest corner of the pad (see photos). Known private domestic water sources are significantly up-dip and greater than 2,000 feet from the location.

NGP intends to implement the following "Corrective Action Work Plan" for remediation of the spill action:

1. Remove contaminated materials to utilize for land farming and berm construction.
2. Construct berms around the tank farm area and make necessary repairs to achieve compliance and safety regulatory Performa.
3. NGP intends to meet New Mexico, OCD Rule 50 remediation requirements regarding spill cleanup and provide notification to Lea County, OCD prior to closure. A final closure report shall be submitted at culmination of said actions.

Should you have questions, please call 432-682-4429 (office) or 432-425-6347 (cell).

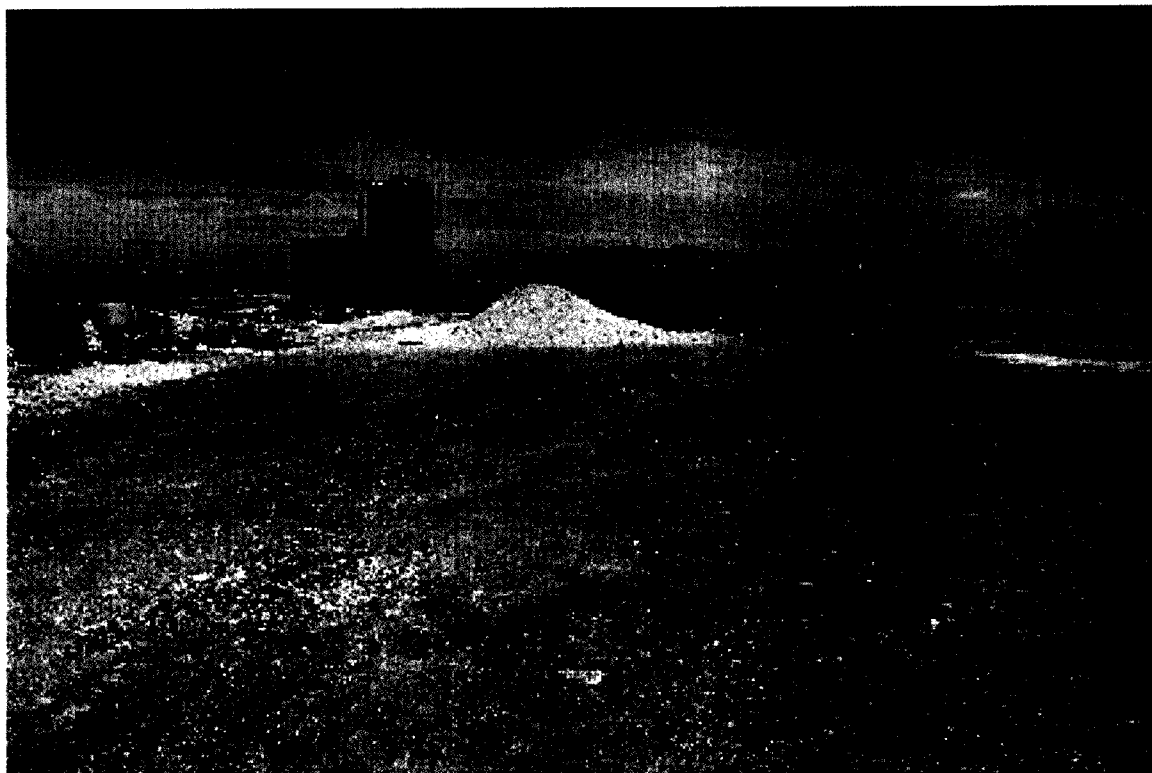
Sincerely,

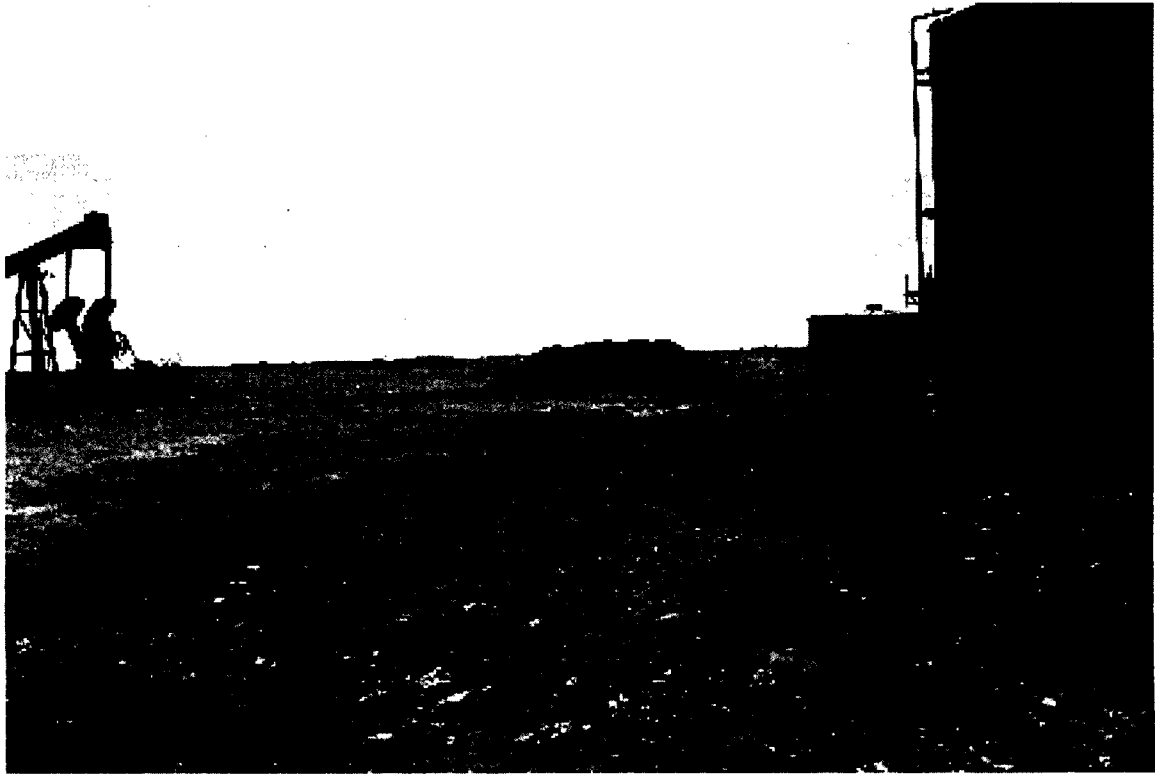
Kern McCready
Kern McCready
NM Operations Manager



NADEL & GUSSMAN PERMIAN, LLC
TP STATE NO. 2
SPILL/REMEDIATION FINAL REPORT PHOTO RECORD







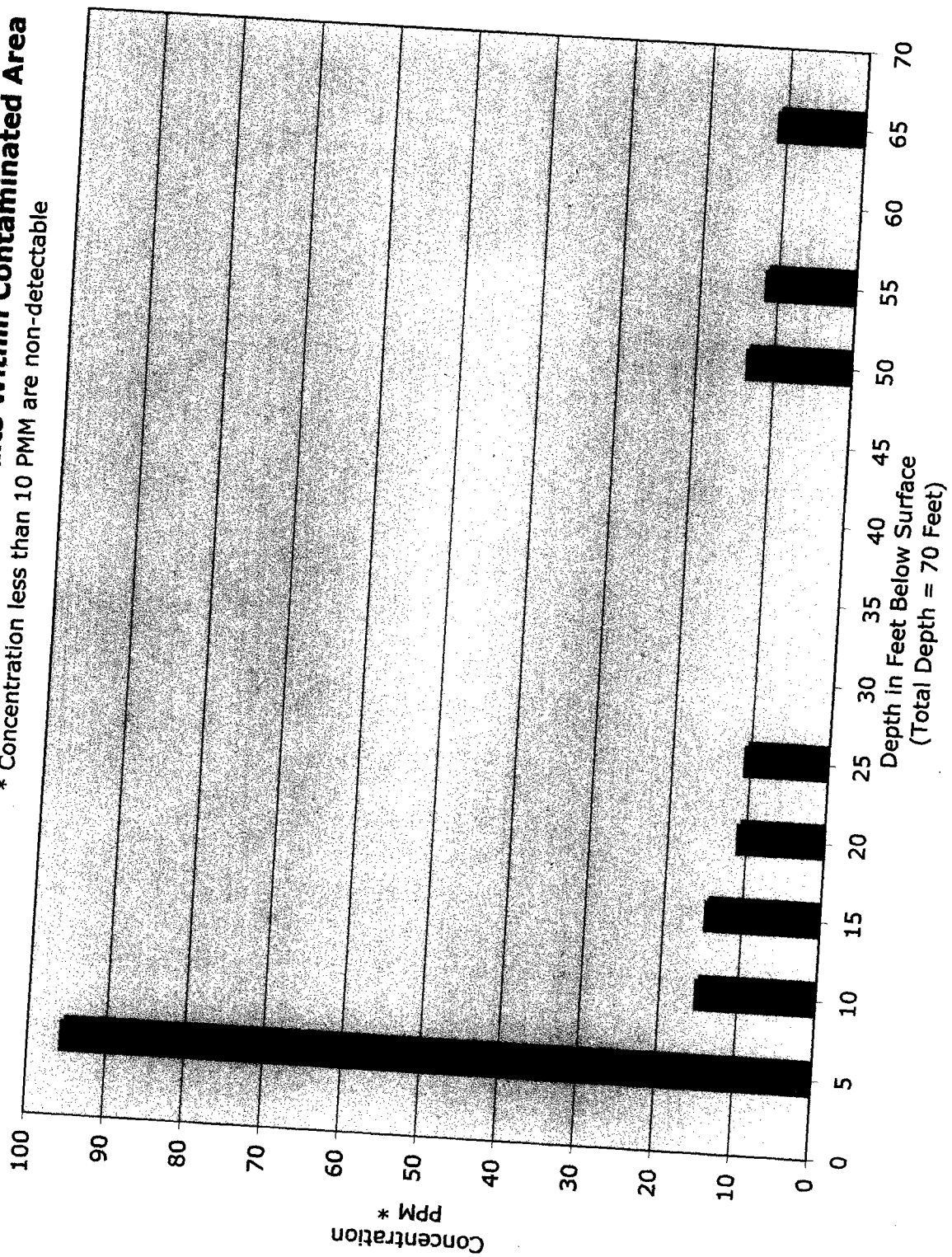




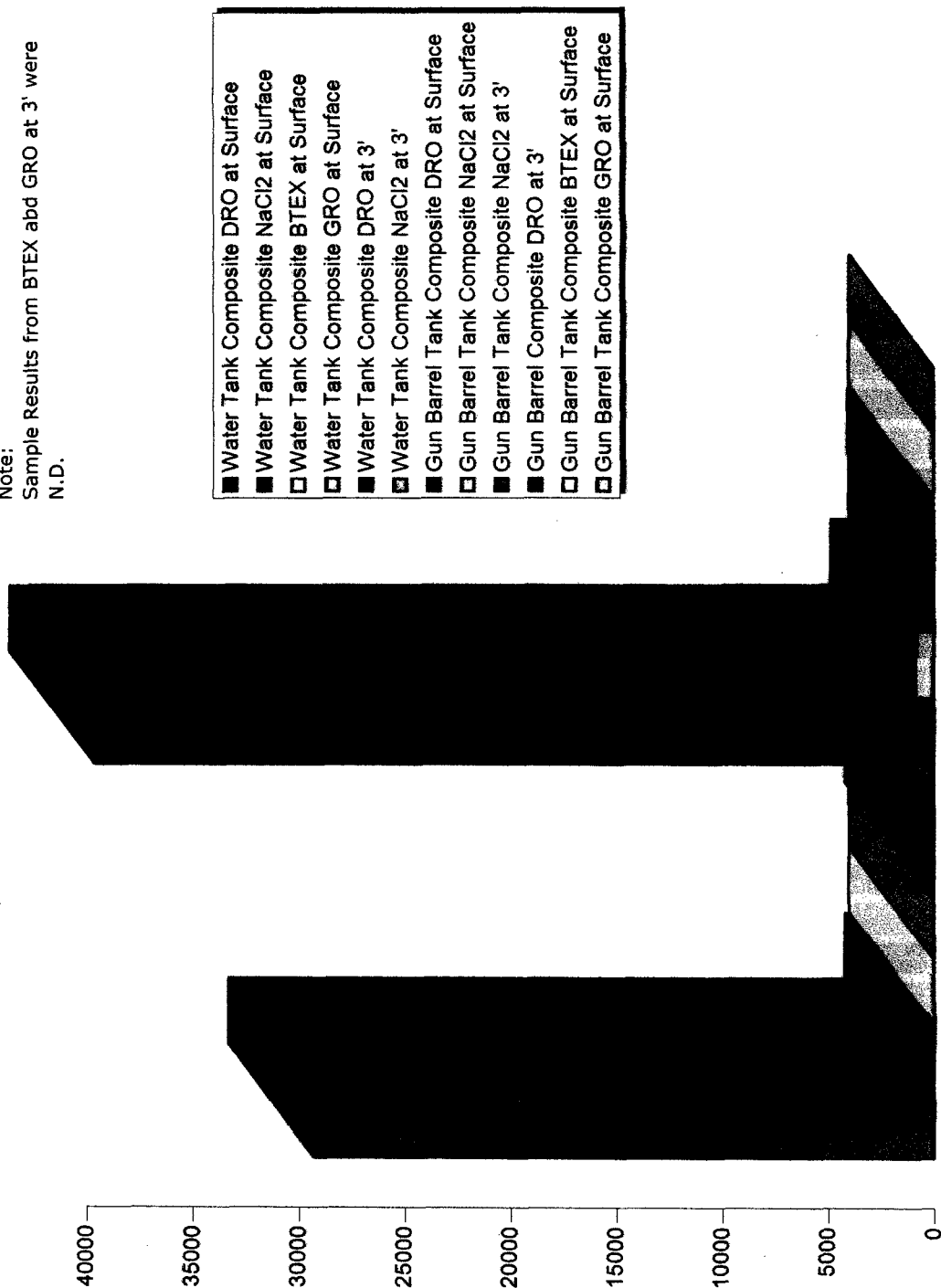


NaCl₂ Bore Hole Investigation Results Within Contaminated Area

* Concentration less than 10 PPM are non-detectable



Note:
 Sample Results from BTEX abd GRO at 3' were
 N.D.



File Number: _____

NEW MEXICO OFFICE OF THE STATE ENGINEER WELL RECORD

1. OWNER OF WELL

Name: Nadd + Grossman Perminar Work Phone: 505 746 1428
 Contact: Lee Had better Home Phone: _____
 Address: 2506 Freeman
 City: Alamogordo NM State: _____ Zip: 88200

2. LOCATION OF WELL (A, B, C, or D required, E or F if known)

A. 1/4 1/4 1/4 Section: _____ Township: _____ Range: _____ N.M.P.M. County: _____
 in _____

B. X = _____ feet, Y = _____ feet, N.M. Coordinate System Grant. _____
 Zone in the _____
 U.S.G.S. Quad Map _____

C. Latitude: _____ d _____ m _____ s Longitude: _____ d _____ m _____ s
 D. East _____ (m), North _____ (m), UTM Zone 13, NAD _____ (27 or 83)

E. Tract No. _____, Map No. _____ of the _____ Hydrographic Survey

F. Lot No. _____, Block No. _____ of Unit/Tract _____ of the _____
 Subdivision recorded in _____ County.

G. Other: TP State #2

H. Give State Engineer File Number if existing well: _____

I. On land owned by (required): _____

3. DRILLING CONTRACTOR

License Number: _____ Work Phone: 888-400-6294
 Name: Butch's Ratchele Home Phone: _____
 Agent: _____
 Mailing Address: PO Box 1323
 City: Levelland Tx State: _____ Zip: 79336

4. DRILLING RECORD:

Drilling began: 3/13/07; Completed: 3/13/07; Type tools: Auger;
 Size of hole: 28 in.; Total depth of well: 70 ft.;
 Completed well is: (shallow) artesian;
 Depth to water upon completion of well: _____ ft.

File Number: _____

Form: wr-20

page 1 of 4

Trn Number: _____

**NEW MEXICO OFFICE OF THE STATE ENGINEER
WELL RECORD****5. PRINCIPAL WATER-BEARING STRATA:**

Depth in Feet		Thickness in feet	Description of water-bearing formation	Estimated Yield (GPN)
From	To			
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

6. RECORD OF CASING

Diameter (inches)	Pounds per ft.	Threads per in.	Depth in Feet		Length (feet)	Type of Shoe	Perforations	
			Top	Bottom			From	To
_____	_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____	_____

7. RECORD OF MUDDING AND CEMENTING

Depth in Feet		Hole Diameter	Sacks of mud	Cubic Feet of Cement	Method of Placement
From	To				
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____

8. PLUGGING RECORD

Plugging Contractor: _____
Address: _____
Plugging Method: _____
Date Well Plugged: _____
Plugging approved by: _____ State Engineer Representative

No.	Depth in Feet		Cubic Feet of Cement
	Top	Bottom	
1	_____	_____	_____
2	_____	_____	_____
3	_____	_____	_____
4	_____	_____	_____
5	_____	_____	_____

File Number: _____

Form: wr-20

Trn Number: _____

page 2 of 4

File Number: _____

NEW MEXICO OFFICE OF THE STATE ENGINEER
WELL RECORD**10. ADDITIONAL STATEMENTS OR EXPLANATIONS:***no water bearing formation found**no H₂O recharge after 72 hrs.*

The undersigned hereby certifies that, to the best of his knowledge and belief, the foregoing is a true and correct record of the above described hole.

John R. Balad
Driller

3/16/07
DATE

FOR STATE ENGINEER USE ONLY

Quad _____, FWL _____, FSL _____, Use _____, Location No. _____

File Number: _____

Form: WR-20

page 4 of 4

Trn Number: _____

Report Date: March 20, 2007

Work Order: 7031512
TP State #2 Spill

Page Number: 1 of 3

Summary Report

Lee Ledbetter
Nadel & Gussman Permian LLC
Cheryl Winkler
2408 Freeman
Artesia, NM, 88210

Report Date: March 20, 2007

Work Order: 7031512



Project Name: TP State #2 Spill

Sample	Description	Matrix	Date Taken	Time Taken	Date Received
118886	Water Tank Baseline Comp	soil	2007-03-14	09:00	2007-03-15
118887	Gun Barrel Baseline Comp	soil	2007-03-14	09:30	2007-03-15
118888	H2O Tank @ 3' Excav Comp	soil	2007-03-14	13:00	2007-03-15
118889	Gun Barrel @ 3' Excav Comp	soil	2007-03-14	13:30	2007-03-15
118890	TP 5	soil	2007-03-13	15:00	2007-03-15
118891	TP 10	soil	2007-03-13	15:05	2007-03-15
118892	TP 15	soil	2007-03-13	15:10	2007-03-15
118893	TP 20	soil	2007-03-13	15:15	2007-03-15
118894	TP 25	soil	2007-03-13	15:20	2007-03-15
118895	TP 30	soil	2007-03-13	15:25	2007-03-15
118896	TP 35	soil	2007-03-13	15:30	2007-03-15
118897	TP 40	soil	2007-03-13	15:35	2007-03-15
118898	TP 45	soil	2007-03-13	15:40	2007-03-15
118899	TP 50	soil	2007-03-13	15:45	2007-03-15
118900	TP 55	soil	2007-03-13	15:50	2007-03-15
118901	TP 60	soil	2007-03-13	15:55	2007-03-15
118902	TP 65	soil	2007-03-13	16:00	2007-03-15
118903	TP 70	soil	2007-03-13	16:05	2007-03-15

Sample - Field Code	BTEX				MTBE	TPH DRO	TPH GRO
	Benzene (mg/Kg)	Toluene (mg/Kg)	Ethylbenzene (mg/Kg)	Xylene (mg/Kg)	MTBE (mg/Kg)	DRO (mg/Kg)	GRO (mg/Kg)
118886 - Water Tank Baseline Comp	16.5	140	84.7	144		29300	5500
118887 - Gun Barrel Baseline Comp	38.9	164	84.7	154		39700	5520
118888 - H2O Tank @ 3' Excav Comp	<0.0100	<0.0100	<0.0100	<0.0100		170	<1.00
118889 - Gun Barrel @ 3' Excav Comp	<0.0100	<0.0100	<0.0100	<0.0100		<50.0	1.69

Sample: 118886 - Water Tank Baseline Comp

Param	Flag	Result	Units	RL
Chloride		213	mg/Kg	5.00

Sample: 118887 - Gun Barrel Baseline Comp

TraceAnalysis, Inc. • 6701 Aberdeen Ave., Suite 9 • Lubbock, TX 79424-1515 • (806) 794-1296
This is only a summary. Please, refer to the complete report package for quality control data.

Report Date: March 20, 2007

Work Order: 7031512
TP State #2 Spill

Page Number: 2 of 3

Param	Flag	Result	Units	RL
Chloride		865	mg/Kg	5.00

Sample: 118888 - H2O Tank @ 3' Excav Comp

Param	Flag	Result	Units	RL
Chloride		36.2	mg/Kg	5.00

Sample: 118889 - Gun Barrel @ 3' Excav Comp

Param	Flag	Result	Units	RL
Chloride		<20.0	mg/Kg	5.00

Sample: 118890 - TP 5

Param	Flag	Result	Units	RL
Chloride		95.9	mg/Kg	5.00

Sample: 118891 - TP 10

Param	Flag	Result	Units	RL
Chloride		15.5	mg/Kg	5.00

Sample: 118892 - TP 15

Param	Flag	Result	Units	RL
Chloride		14.8	mg/Kg	5.00

Sample: 118893 - TP 20

Param	Flag	Result	Units	RL
Chloride		11.3	mg/Kg	5.00

Sample: 118894 - TP 25

Param	Flag	Result	Units	RL
Chloride		10.9	mg/Kg	5.00

Sample: 118895 - TP 30

Param	Flag	Result	Units	RL
Chloride		<10.0	mg/Kg	5.00

Report Date: March 20, 2007

Work Order: 7031512
TP State #2 Spill

Page Number: 3 of 3

~~Sample: 118896 - TP 33~~

Param	Flag	Result	Units	RL
Chloride		<10.0	mg/Kg	5.00

Sample: 118897 - TP 40

Param	Flag	Result	Units	RL
Chloride		<10.0	mg/Kg	5.00

Sample: 118898 - TP 45

Param	Flag	Result	Units	RL
Chloride		<20.0	mg/Kg	5.00

Sample: 118899 - TP 50

Param	Flag	Result	Units	RL
Chloride		13.6	mg/Kg	5.00

Sample: 118900 - TP 55

Param	Flag	Result	Units	RL
Chloride		11.7	mg/Kg	5.00

Sample: 118901 - TP 60

Param	Flag	Result	Units	RL
Chloride		<10.0	mg/Kg	5.00

Sample: 118902 - TP 65

Param	Flag	Result	Units	RL
Chloride		11.3	mg/Kg	5.00

Sample: 118903 - TP 70

Param	Flag	Result	Units	RL
Chloride		<10.0	mg/Kg	5.00

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

State of New Mexico
Energy Minerals and Natural Resources

Oil Conservation Division
1220 South St. Francis Dr.

Santa Fe, NM 87505

Form C-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	<i>Nadel-Grimman Petroleum, LLC</i>	Contact	<i>Kem McCreedy</i>
Address	<i>601 N. Main Street, Suite 508, Midland, TX</i>	Telephone No.	<i>432-682-4429/432-425-6347 (C/O)</i>
Facility Name	<i>TP State No. 2</i>	Facility Type	
Surface Owner		Mineral Owner	<i>NEW MEXICO</i>
		Lease No.	<i>E 75671</i>

LOCATION OF RELEASE

Unit Letter	Section	Township	Range	Feet from the	North/South Line	Feet from the	East/West Line	County
<i>I</i>	<i>24</i>	<i>17S</i>	<i>35E</i>					<i>LEA</i>

Latitude _____ Longitude _____

NATURE OF RELEASE

Type of Release	<i>Hydrocarbon fluid</i>	Volume of Release	<i>5-10 bbls</i>	Volume Recovered	<i>2 bbls</i>
Source of Release	<i>Gas barrel tank</i>	Date and Hour of Occurrence	<i>UK</i>	Date and Hour of Discovery	<i>UK</i>
Was Immediate Notice Given?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Not Required	If YES, To Whom?	<i>N/A</i>		
By Whom?		Date and Hour			
Was a Watercourse Reached?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	If YES, Volume Impacting the Watercourse.	<i>N/A</i>		

If a Watercourse was Impacted, Describe Fully.*

N/A

Describe Cause of Problem and Remedial Action Taken.*

Refer to initial C-141 and final report documents

Describe Area Affected and Cleanup Action Taken.*

Refer to report documents.

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: <i>Kem McCreedy</i>		OIL CONSERVATION DIVISION	
Printed Name: <i>KEM MCCREEDY</i>		Approved by District Supervisor: <i>[Signature]</i>	
Title: <i>NM Operations Manager</i>		Approval Date: <i>5-25-07</i>	Expiration Date: _____
E-mail Address: <i>Kemm.D.Nagura.com</i>		Conditions of Approval: _____	Attached <input type="checkbox"/>
Date: <i>21 May 2007</i> Phone: <i>432-682-4429</i>			

* Attach Additional Sheets If Necessary

RP#1258

*HOBBS OGD
Rec'd 5.25.07*