2R-56

Annual GW Mon. Report

Year; 2012 March 26, 2013

Mr. Ed Hansen NM Oil Conservation Division 1220 S. Saint Francis Santa Fe, NM 87505

Reference: Devon Energy Fed. Com 2RP-056

Avalon Hills 7 Fed Com #3 Release Site (2R-56)

Section 7, T21S, R27E, NMPM, Eddy County, New Mexico

Subject: Annual Report

Dear Mr. Hansen,

Enclosed is an "Annual Report" required pursuant to your December 20, 2011 4:08:27 PM MST E-mail and work plan approval. The approved work plan consisted of installing a Micro-Vapor Extraction System to extract hydrocarbon vapors out of the last remaining on-site monitoring well MW-1, and collect a base line sample for general chemistry, PAH's, and routine water and air samples.

Please find in Appendix "A", a spreadsheet that reflects all data collected to-date from MW-1, including more recent air samples. Appendix "B" contains all of the field and laboratory analytical sheets.

Brief History:

As you know, this site had experienced a high-pressure down-hole gas well blowout (2005-2006). After the gas well was brought under control, it was plugged and abandoned. Devon Energy installed a series of monitoring boreholes, and wells to determine if local ground water had been impacted.

All of these wells have since been properly plugged and abandoned, as approved by the OCD March 23, 2011 (E-mail), except MW-1, which lied within a few feet of the actual gas well-bore blow-out area and was directly impacted by the down-hole liquids.

When OCD approved the closure of the non-impacted monitoring wells, they conditioned the approval with a required clean-up plan for the MW-1 well.

Devon had bailed hydrocarbon/water emulsions, monitored and tested the MW-1 well from October of 2006 until August 2010. During the August 2010 sampling event, it was noted the water level in MW-1 had dropped down to the point that proper sampling protocol was impeded and pumping made impractical.

Devon submitted a work plan and was approved by OCD on April 18, 2011 to use oil absorbent pigs to assist in removing any free phase hydrocarbons in the well. This process worked, but was quite time and labor intensive. The absorbent pigs removed an estimated three pints of oily liquid in a three-month period.

Due to the inefficiency of this process, and the fact that the water level in the well had dropped to a point where the pigs were not saturated, was reason for Devon to recommend the micro vapor extraction system.

The vapor system was started up in early May of 2012 and has been monitored on several occasions

Findings:

The vapor extraction system has been in operation almost a year now and the system reliability has been excellent, as the system has not experienced any major downtimes.

Appendix "A" (Excel Spreadsheet) first sheet labeled (Water), shows the entire analytical history of MW-1. The second sheet labeled (Air) reflects the Air samples collected from the discharge of the vapor pump. A third sheet, labeled (Graphs) show the plotted data over time. Each sheet contains pertinent field notes during sampling events.

It appears that both the benzene and toluene water and air factions were somewhat recalcitrant during the year, however large decreases have been noted during the total duration of the project. The last recorded water analytical results for benzene was (455 ug/l), while toluene was noted at (1420 ug/l). Both of these values exceed the WQCC groundwater standard for benzene (10 ug/l) and toluene (750 ug/l) respectfully.

Xylenes did make a notable decrease during the year, ranging from a high of 5150 ug/l, down to 1680 ug/l, but still exceeded the WQCC groundwater standard for Xylene of (620 ug/l). Ethlybenzene was 61 ug/l, recorded during the last reading, and has consistently been below the WQCC groundwater standard of (750 ug/L) for the entire year.

Chlorides have ranged from about 34,984 mg/l initially in 2006, went up to 65,900 mg/l in 2007, and have progressively been going down, with the last sample noted at 7,660 mg/l.

OCD had requested we run PAH's on the first baseline water samples. The February 24, 2012 sample analytical results reflected the following PAH's;

Naphthalene at 13.1 ug/l; 2-Methylnaphtalene at 37.7 ug/l; 1-Methylnaphtalene at 19.4 ug/l; and Phenanthrene at 2.83 ug/l. The above Naphthalene totals appear to exceed the WQCC standard of 30 ug/l. The second round of sampling on August 03, 2012 were all non-detect. (This sample was diluted in order to obtain enough sample)

While the OCD does not have Air standards, the total BTEX and Hydrocarbon air factions also appear to be very recalcitrant. It appears from the collected air samples that the vapor extraction system is in deed removing a fair amount of product, and over time should impact the water readings.

Referring to the air sample data, see Appendix "A" sheet labeled (Air), the Total Volatile Hydrocarbons (TVHC) discharge readings averaged about 76,100 mg/m3. Using the average pump-rate data of 5 liters of air removed per minute, this calculates a product removal of about .07 gallons/day, which if annualized provides a product removal of about 25 gallons/year. (Calculation show in Appendix C).

Conclusions:

MW-1 did not communicate with any other monitor well on-site, as was verified by Devon and OCD. The original drilling log for MW-1 indicated this well was drilled into a cavern that appeared to have been in communication with the downhole blow out casing area at about 80-90 feet BGL. Most importantly, no other monitor well or the local groundwater tables in this area appeared to have been impacted.

The MW-1 well water/air samples appear to be generated from the gas well blowout area. As pointed out in previous studies, the other monitor wells and associated groundwater was not hydraulically connected to this well. It is for this main reason, the OCD allowed all of the other monitoring wells to be properly plugged and abandoned.

The size and condition of the underground cavern (blow-out area) is unknown at this time. The blow out area was squeezed with several sacks of cement under pressure, and was successfully isolated by sealing off the casing above and below the shallow interval.

It does appear we are dealing with residual liquids and vadose zone contamination at about the 80-90 feet interval (BGL) that are contained in a small cavern, which MW-1 penetrated.

Continued air pumping over time will evaporate the liquids in the hole and remediate the vadoze. The uncertainly is the amount of time that will be involved in this process, and the environmental cost benefit in performing this remediation.

Recommendations:

Devon recommends that it be allowed to continue using the micro vapor extraction system and perform the existing monitoring and sampling protocol as approved by OCD, but reduce the sampling event to semi-annual, and provide a progress report in April of 2014.

Devon will also evaluate using additional water treatment chemicals, such as Hydrogen Peroxide (H202) or other approved methods to enhance the break down of the existing hydrocarbons to a more non-volatile and safer state.

On behalf of Devon Energy, Mr. Chris Biagi, Price LLC hereby submits this annual report for your evaluation and approval. If you should have any questions, or concerns, please do not hesitate to call or E-mail Wayne Price-Price LLC at 505-715-2809 or wayneprice77@earthlink.net.

Sincerely,

Wayne Price-Price LLC 312 Encantado Ridge Ct Ne

Rio Rancho, NM 87124

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CC: chris.biagi@dvn.com

APPENDIX "A"

- Water Analytical Summary
- Air Analytical Summary
- Water Graphs

Devoa Energy Company Avalon Hills Fed 7 2R-0056 Water Analytical Summary

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19-Dec-12 Treated well with approximately 10 quarts of 3% H202 and 2.5 gal DI water. 26-Feb-13 Treated well with approximately 10 quarts of 3% H202 and 2.5 gal DI water.

Notes:

MW-1 Air Samples Devon 2RP-056

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dure: Air samples were collected from the MW-1 air pump discharge using Tedlar Bags. Samples stored on ice when sent to Lab.

Note: All Tedlar bags were filled and purged three times before sample collection.

Field PID Equipment: 1. RAE Hini 3000 with benezene tubes. 2. Hini Ree for TPH



Devon 2RP-056 HW-1 & P-A Marker

Collecting Air Sample from MW-1 Vapor Extraction Pump

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APPENDIX "C"