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August 15, 2008

*Via Email wayne.price@state.nm.us*  
*and Regular Mail*

Mr. Wayne Price  
New Mexico Energy, Minerals  
and Natural Resources Department  
1220 South St. Francis Street  
Santa Fe, New Mexico 87505

RE: AP-26 Remediation Work at Humble State #3 Tank Battery  
Order No. R-12152-A  
Case No. 13142  
Maralo, LLC

Dear Mr. Price:

We are in receipt of your letter memorializing our discussions in Santa Fe, New Mexico on August 8, 2008. We believe your letter correctly sets out the contents of our discussions in Santa Fe. However, we have three (3) areas that we would like to clarify:

- (1) You have asked for soil sampling for WQCC metals. We understand that the standard test for this is referred to as "RCRA 8" and includes testing for arsenic, silver, barium, cadmium, chromium, lead, mercury and selenium. We wish to confirm that this is the test that the OCD wishes us to use.
- (2) You request testing for "General Chemistry". We believe this refers to a test for chlorides. We would appreciate it if you would confirm that this is the case.
- (3) We assume that the standards to which our soil sample analysis will be held are consistent with the standards set out in the March 3, 2006 letter from Mr. Daniel Sanchez. Specifically, contaminant levels are as follows: "benzene that exceeds 0.2 mg/kg as determined by EPA SW-846 Method 8021B; TPH that exceeds 500 mg/kg. (GRO/DRO) combined fraction, as determined by EPA SW-846 Method 8015M; total extractable petroleum

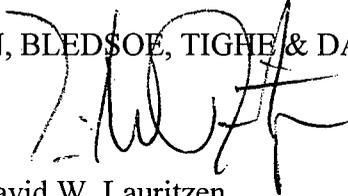
Mr. Wayne Price  
August 15, 2008  
Page 2

hydrocarbon fractions that exceed 5000 mg/kg as determined by EPA 418.1 Method; and chlorides that exceed 250 mg/kg as determined by EPA Method 300.1.” With respect to WQCC metals that are not discussed in Mr. Sanchez’ letter, we assume they are to meet WQCC standards.

We very much appreciate your professional courtesies and your attention to the matters discussed herein. We look forward to hearing from you as to these clarifications in the near future.

Very truly yours,

COTTON, BLEDSOE, TIGHE & DAWSON, P.C.

  
David W. Lauritzen

DWL/pm

cc: Daniel Sanchez  
New Mexico Energy, Minerals  
and Natural Resources Department  
1220 South St. Francis Street  
Santa Fe, New Mexico 87505

Geoffrey Perrin  
*Via Email*

Logan Anderson  
*Via Facsimile*



# NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

**BILL RICHARDSON**  
Governor  
**Joanna Prukop**  
Cabinet Secretary

**Mark E. Fesmire, P.E.**  
Director  
Oil Conservation Division

March 03, 2006

**CERTIFIED MAIL**

Return Receipt Requested: 7001 1940 0004 7923 4801

Maralo, LLC  
Mr. David W. Lauritzen  
C/o Cotton, Bledsoe, Tighe & Dawson  
P.O. Box 2776  
Midland, Texas 79701

Re: OCD Case 131142 Order R-12152-A  
Humble State #3 Tank Battery Site  
Jal, New Mexico

Dear Ladies and Gentlemen:

On December 09, 2004 the New Mexico Oil Conservation Commission issued an order requiring Maralo LLC. to perform approved delineation and remediation at the Humble State #3 Tank Battery Site. As of this date Maralo LLC has failed to perform the requirements of Order R-12152-A.

**Therefore, OCD hereby orders Maralo LLC to perform the following actions:**

1. Excavate all on-site contaminated soils that exceed the standards shown in item 2., down to a maximum depth of 10 feet below existing ground surface. All contaminated soils shall be disposed of off-site at an approved OCD facility.
2. Soils containing the following Levels of contaminants are contaminated soils: benzene that exceeds 0.2 mg/kg as determined by EPA SW-846 Method 8021B; total BTEX that exceeds 50 mg/kg as determined by EPA SW-846 Method 8021B; TPH that exceeds 500 mg/kg. (GRO/DRO) combined fraction, as determined by EPA SW-846 Method 8015M; total extractable petroleum hydrocarbon fractions that exceed 5000 mg/kg as determined by EPA 418.1 Method; and chlorides that exceed 250 mg/kg as determined by EPA Method 300.1.

3. Final confirmation samples shall be collected and analyzed for the constituents shown in item 2. Each excavated area shall have at a minimum 5 bottom hole samples taken and each side wall shall have at least one 4 point composite sample collected. In addition all obvious "hot spots" shall be sampled.
4. All excavated areas shall be backfilled and compacted with similar native clean soils only after OCD approval.
5. Re-vegetation by establishment of a vegetative cover over at least 70% of the site, consisting of at least two native plant species and not including noxious weeds, and maintenance of that cover through two successive growing seasons. Deviations for re-vegetation may be allowed if Maralo receives written landowner acceptance.
6. Maralo LLC shall notify the OCD Santa Fe office, OCD District office and the landowner at least 72 hours in advance of all scheduled activities so that the OCD has the opportunity to witness the events and/or split samples during OCD's normal business hours.
7. Maralo LLC shall submit a final report for OCD approval by June 15, 2006. The report shall contain the following information:
  - a. A scaled plot plan of the clean-up area showing pertinent features, location and dimensions of all excavated areas and final sample points.
  - b. Dated photos of the project, before, and during excavation, at sample points and after final closure.
  - c. Records of all waste manifest.
  - d. Daily log of major activities.
  - e. All Laboratory analytical results cross referenced to sample points.

Please note the OCD requirements stated above do not relieve Maralo LLC of responsibility for compliance with any other federal, state, or local laws and/or regulations.

If Maralo LLC wishes a technical meeting or guidance concerning the remediation requirement please contact Wayne Price Environmental Bureau Chief at 505-476-3487 or E-mail wayne.price.state.nm.us. If OCD does not hear from Maralo LLC within 15 days of receipt of this letter then OCD will assume Maralo LLC understands the requirements and shall commence work.

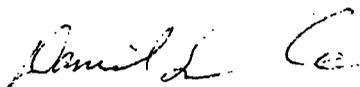
Maralo, LLC  
Mr. David W. Lauritzen  
C/o Cotton, Bledsoe, Tighe & Dawson

March 03, 2006

Page 3

*Failure to perform the required actions by June 16, 2006 may result in civil penalties of \$1000 dollars per day for each day that Maralo LLC has been deficient in the clean-up operation.. If Maralo wants a hearing concerning the specific requirements of this directive it may file an application for a hearing with the Division clerk within 15 days of receipt of this letter.*

Sincerely,



Daniel Sanchez  
Enforcement & Compliance Manager

cc: Jay Anthony-Landowner  
Tom Kellahin-attorney for Maralo LLC.  
David Brooks, OCD legal