State G Com #1

(Located in UL-E of SEC 24, T19S, R27E of Eddy Co, NM)

(GPS Reading of 32°-38'-51.0"-N & 104°-14'-19.4"-W)

API # 30-015-22955

Spill Assessment Report

Presented to:

Basic Energy Services

PO Box 10460
Midland, Texas 79702

Prepared by:

Phoenix Environmental, LLC.

P.O. Box 1856
Hobbs, New Mexico 88240

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SECTION I

Project Overview

Phoenix Environmental, LLC. (Phoenix) was contracted by David Alvarado with Basic Energy Services to consult and oversee the Site Assessment on the State G Com # 1 SWD owned by Basic Energy Services and is located at Sec 24, T19S, R27E of Eddy County New Mexico with a GPS Reading: 32°-38'-51.0"N & 104°-14'-19.4"W. The land, in and around the site, is primarily used as pasture for cattle and the production of oil and gas.

The potential contaminates of concern were mid- to high-level concentrations of Hydrocarbons and produced water that was lost from the spill and truck unloading operations and was absorbed by the surrounding near surface soils on the location pad.

The ground water depth data available from the State of New Mexico Engineers' office showed the vertical depth to the top of water to be about 145 feet below surface.

Pursuant to the NMOCD guidelines for clean up of leaks and spills, the clean up level for this site will be at <2,500 ppm for TPH (Total Petroleum Hydrocarbons) and <50 ppm for BTEX (Benzene, Toluene, Ethylbenzene, and Xylene). The NMOCD has also asked for CL (Chlorides) be returned back as close to background levels as possible or <250 ppm.

Findings and Conclusion

Phoenix at the site noted that some clean up at the spill site had already been done but not completed. Phoenix utilized a backhoe to excavate test holes in the spill area to define the vertical depth of impact at the site.

There were a total of five test holes excavated in all, starting with test hole # 1 that was located in the northwest at the end of the spill where it pooled up. Test holes # 1 and # 5 were the worst areas of impact. Test hole # 1 1has vertical impact that is greater than ten feet in depth and # 5 is in the ten foot range.

The total spill area is 150' long and 10' wide and with an average depth of 7' the spill area would yield an estimated 389cyds of impacted soils that need to be addressed for spill clean up and compliance.

Once clean up operations have been completed a berm should be installed around the out side of location down gradient to prevent any runoff from any future spills and or leaks.

Chronology of Operations

1. *June 1, 2010 – Phoenix mobilized on-site. The first order on the agenda was a tailgate safety meeting to review any potential safety concerns of the site and to cover the clean- up operations. (Please note that a daily safety meeting is the first order of the day before any work begins on site). New Mexico One Call was notified of the intent to start the site assessment.*

2. *Phoenix utilized a backhoe to excavate five test holes in the spill area to define vertical depth of the impact at the site. (See site map and lab analysis for location and levels)*

Limitations

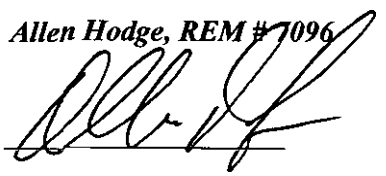
Phoenix Environmental LLC has prepared this assessment report to the best of its ability. No other warranty expressed, implied or intended is made.

This report has been prepared for Basic Energy Services our client. The information contained in this report including all exhibits and attachments, may not be used by any other party without the express consent from Phoenix Environmental LLC and/or the client.

Certification

The following Phoenix Environmental LLC personnel have reviewed this report and verify that to the best of their knowledge the contents are true and correct.

Name: ***Allen Hodge, REM # 7096***

Signature: 

Title: VP Operations
Phoenix Environmental LLC
www.phoenix-env.us

SECTION II

CARDINAL LABORATORIES

PHONE (575) 393-2326 • 101 E. MARLAND • HOBBS, NM 88240

June 8, 2010

Allen Hodge
Phoenix Environmental
PO Box 1856
Hobbs, NM 88241

Re: Basic (3001522955)

Enclosed are the results of analyses for sample number H20026, received by the laboratory on 06/02/10 at 4:00 pm.

Cardinal Laboratories is accredited through Texas NELAP for:

Method SW-846 8021	Benzene, Toluene, Ethyl Benzene, and Total Xylenes
Method SW-846 8260	Benzene, Toluene, Ethyl Benzene, and Total Xylenes
Method TX 1005	Total Petroleum Hydrocarbons

Certificate number T104704398-08-TX. Accreditation applies to solid and chemical materials and non-potable water matrices.

Cardinal Laboratories is accredited though 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 524.2	Regulated VOCs (V2, V3)

Accreditation applies to public drinking water matrices.

Total Number of Pages of Report: 3 (includes Chain of Custody)

Sincerely,

Celey D. Keene
Laboratory Director

This report conforms with NELAP requirements.

CARDINAL LABORATORIES

PHONE (575) 393-2326 • 101 E. MARLAND • HOBBS, NM 88240

ANALYTICAL RESULTS FOR
PHOENIX ENVIRONMENTAL
ATTN: ALLEN HODGE
PO BOX 1856
HOBBS, NM 88241
FAX TO: (575) 391-9687

Receiving Date: 06/02/10
Reporting Date: 06/07/10
Project Owner: BASIC (3001522955)
Project Name: ST 6 COM #1
Project Location: UL-E-SEC24, T19S, R27E

Sampling Date: 06/01/10
Sample Type: SOIL
Sample Condition: COOL & INTACT @ 3°C
Sample Received By: JH
Analyzed By: AB/ZL/HM

LAB NO.	SAMPLE ID	GRO (C_6-C_{10}) (mg/kg)	DRO (>C_{10}-C_{28}) (mg/kg)	BENZENE (mg/kg)	TOLUENE (mg/kg)	ETHYL BENZENE (mg/kg)	TOTAL XYLENES (mg/kg)	Cl* (mg/kg)
ANALYSIS DATE:		06/02/10	06/02/10	06/03/10	06/03/10	06/03/10	06/03/10	06/03/10
H20026-1	TH-1 @ 5'-6'	335	2,820	<0.050	1.59	0.409	4.69	1,880
H20026-2	TH-1 @ 8'-9'	<10.0	18.5	<0.050	0.089	<0.050	0.362	2,120
H20026-3	TH-2 @ 4'-5'	84.1	2,270	<0.050	0.076	0.120	1.22	448
H20026-4	TH-2 @ 7'-8'	<10.0	20.7	<0.050	<0.050	<0.050	<0.300	96
H20026-5	TH-3 @ 4'-5'	21.4	1,050	<0.050	<0.050	<0.050	<0.300	384
H20026-6	TH-3 @ 7'-8'	<10.0	<10.0	<0.050	<0.050	<0.050	<0.300	192
H20026-7	TH-4 @ 3'-4'	29.6	2,000	<0.050	<0.050	<0.050	<0.300	224
H20026-8	TH-4 @ 5'-6'	<10.0	<10.0	<0.050	<0.050	<0.050	<0.300	272
H20026-9**	TH-5 @ 2.5'-3.5'	39.6	2,240	<0.050	<0.050	<0.050	0.339	17,200
H20026-10**	TH-5 @ 5'-6'	<10.0	<10.0	<0.050	<0.050	<0.050	<0.300	16,000
Quality Control		458	439	0.018	0.018	0.017	0.052	500
True Value QC		500	500	0.020	0.020	0.020	0.060	500
% Recovery		91.6	87.8	90.0	90.0	85.0	86.7	100
Relative Percent Difference		1.2	2.8	11.9	11.1	10.0	11.0	<0.1

METHODS: TPH GRO & DRO - EPA SW-846 8015 M; BTEX - SW-846 8021B; Cl-: Std. Methods 4500-Cl-B
*Analyses performed on 1:4 w:v aqueous extracts. Reported on wet weight.
**One or more TPH surrogates outside historical limits.

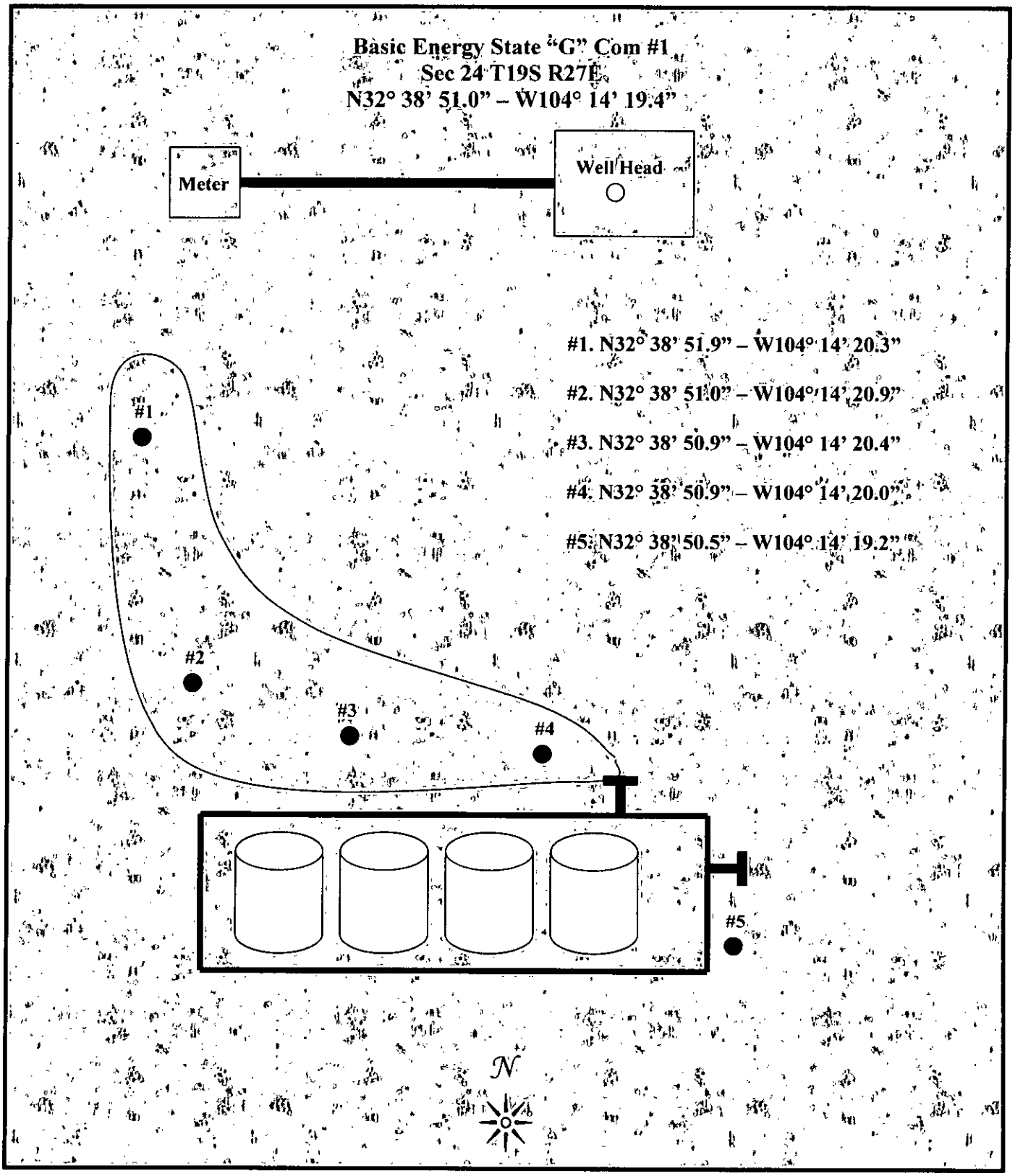
TEXAS NELAP CERTIFICATION T104704398-08-TX FOR BENZENE, TOLUENE, ETHYL BENZENE, AND TOTAL XYLENES. Not accredited for Chloride and GRO/DRO.

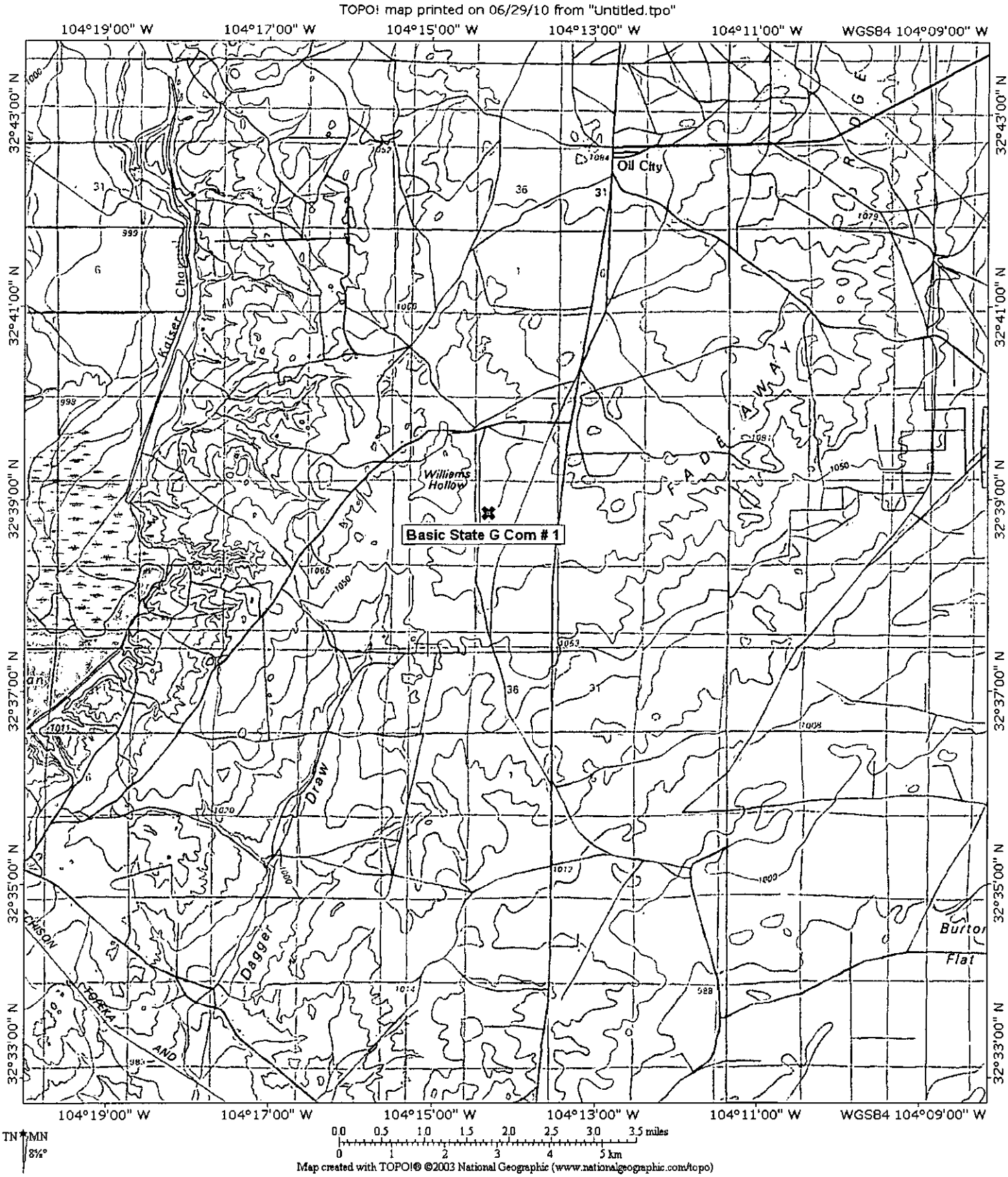
Lab Director

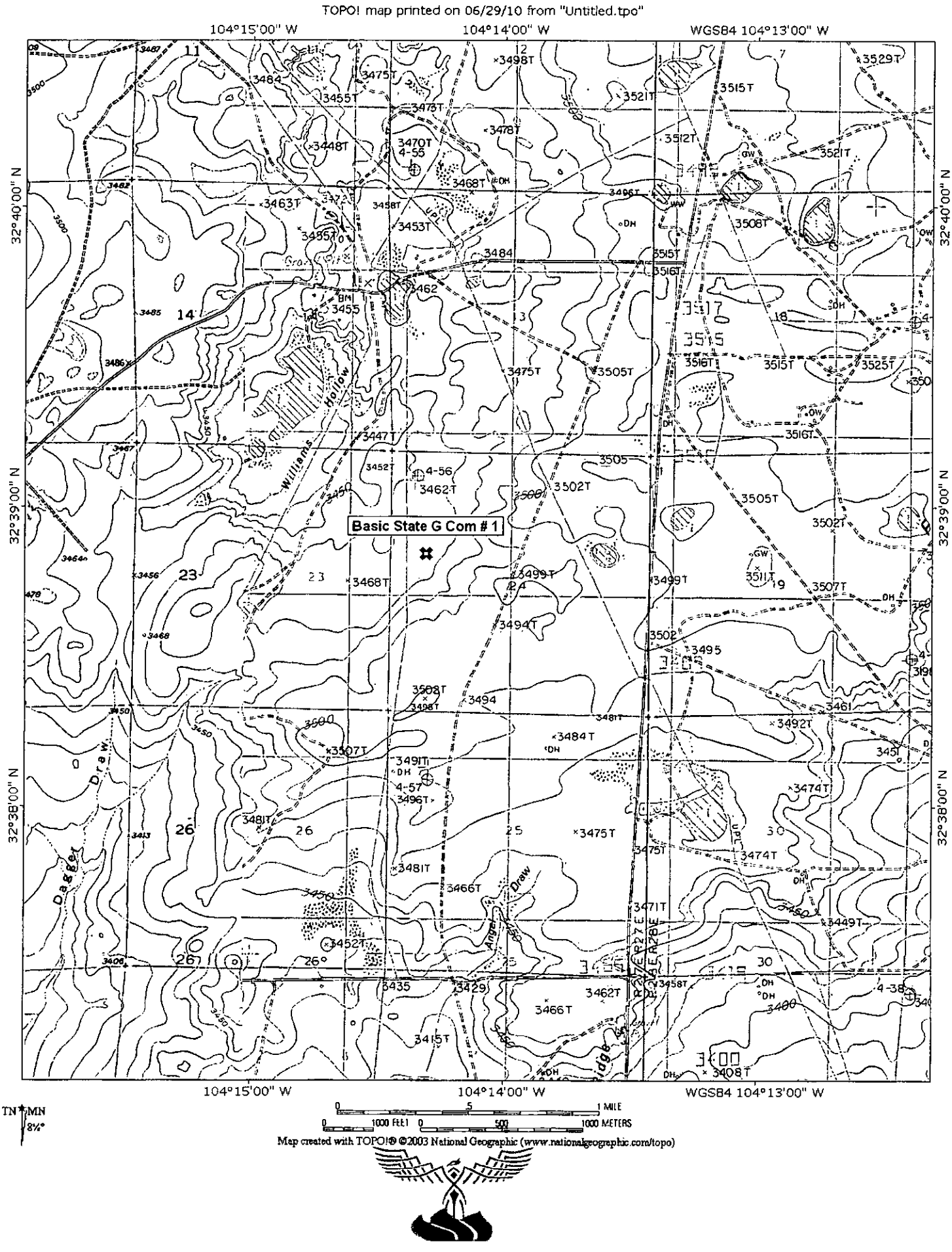
06/08/10
Date

H20026 TBCL PHOENIX

SECTION III


Basic Energy State "G" Com #1
Sec 24 T19S R27E
N32° 38' 51.0" – W104° 14' 19.4"
Meter
Well Head
#1. N32° 38' 51.9" – W104° 14' 20.3"
#2. N32° 38' 51.0" – W104° 14' 20.9"
#3. N32° 38' 50.9" – W104° 14' 20.4"
#4. N32° 38' 50.9" – W104° 14' 20.0"
#5. N32° 38' 50.5" – W104° 14' 19.2"
#1
#2
#3
#4
#5
N


TOPO! map printed on 06/29/10 from "Untitled.tpo"
104°19'00" W
104°17'00" W
104°15'00" W
104°13'00" W
104°11'00" W
WGS84 104°09'00" W
32°43'00" N
32°41'00" N
32°39'00" N
32°37'00" N
32°35'00" N
32°33'00" N
Oil City
Kaiser Channel
Williams Hollow
Basic State G Com # 1
FADE AWAY RIDGE
Dagger Draw
TOPEKA AND
Burton Flat
TN MN
8½°
0.0 0.5 1.0 1.5 2.0 2.5 3.0 3.5 miles
0 1 2 3 4 5 km
Map created with TOPO!® ©2003 National Geographic (www.nationalgeographic.com/topo)


TOPO! map printed on 06/29/10 from "Untitled.tpo"
104°15'00" W
104°14'00" W
WGS84 104°13'00" W
32°40'00" N
32°39'00" N
32°38'00" N
Basic State G Com # 1
Williams Hollow
Dagger Draw
Angel Draw
Ridge
TN MN
8½°
0 5 1 MILE
0 1000 FEET 0 500 1000 METERS
Map created with TOPO!® ©2003 National Geographic (www.nationalgeographic.com/topo)

SECTION IV

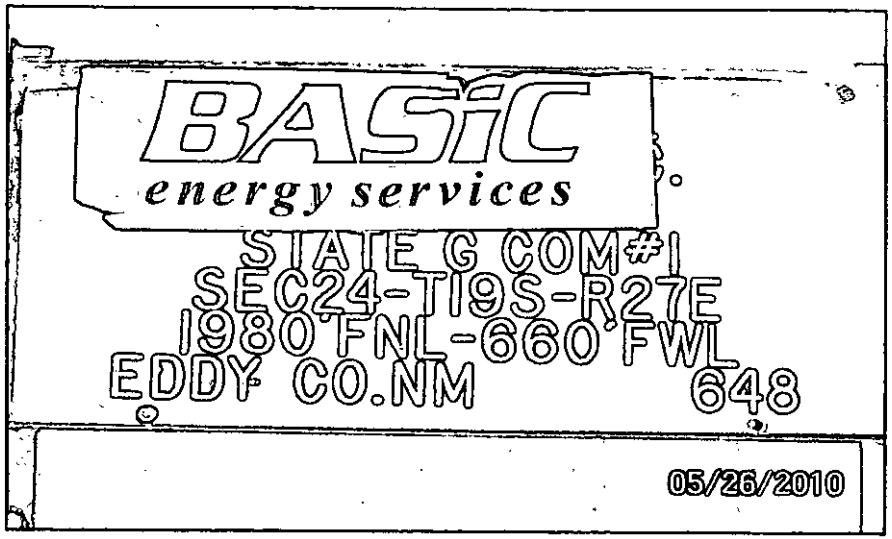


Photo # 1 Site sign and location

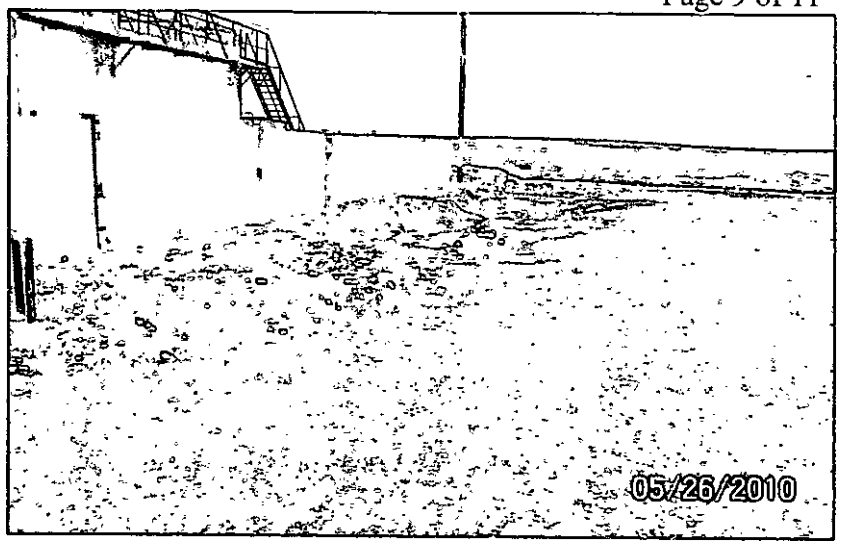


Photo # 2 Spill area

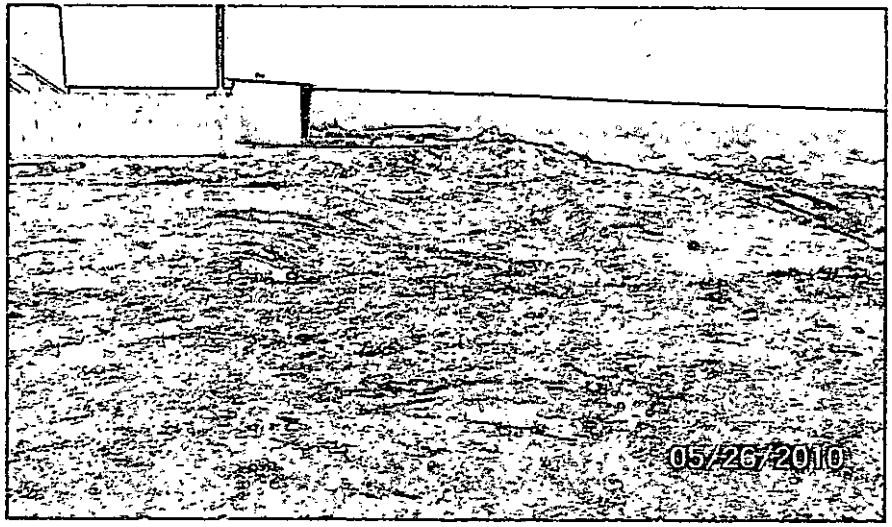


Photo # 3 Spill area

Photo # 4 Test hole # 1

Photo # 5 Test hole # 2

Photo # 6 Test hole # 2

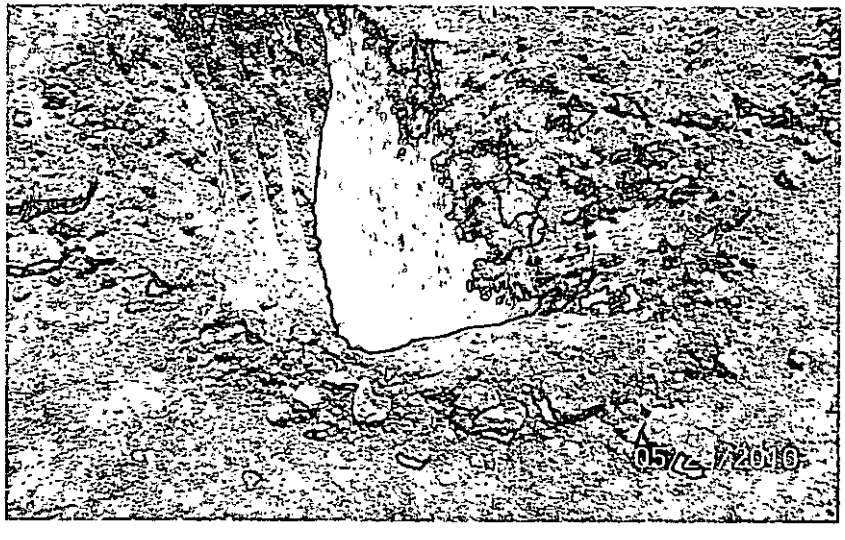


Photo # 7 Test hole # 3

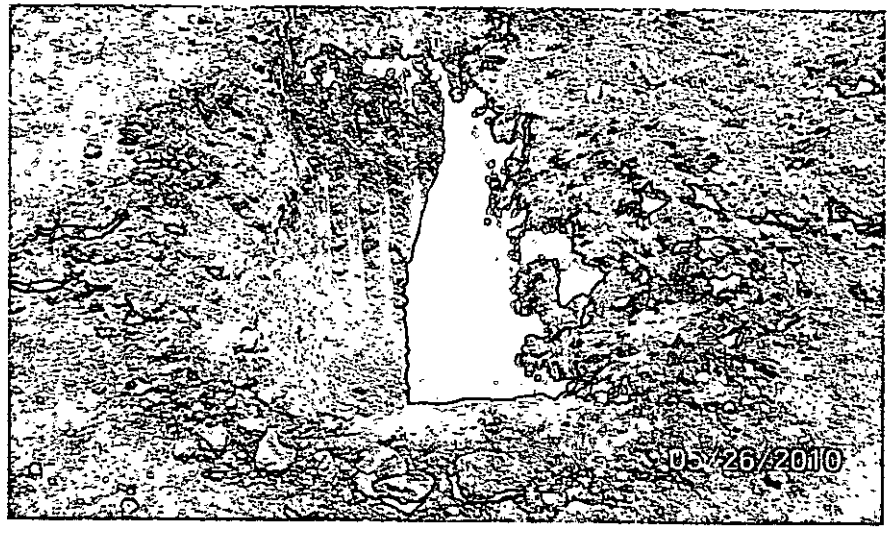


Photo # 8 Test hole # 3

Photo # 9 Test hole # 4

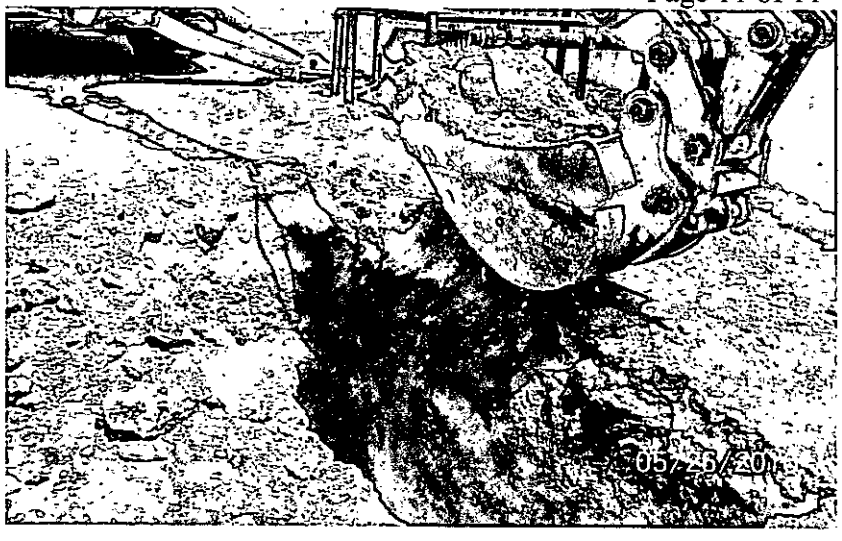


Photo # 10 Test hole # 4

Photo # 11 Test hole # 5

Photo # 12 Test hole # 5