

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

Form C-141
Revised October 10, 2003

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

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>Merit Energy</i>	Contact <i>Mike Self</i>
Address <i>P.O. Box 69 Lugo Hills N.M.</i>	Telephone No. <i>505-706-4758</i>
Facility Name <i>Grayburg Jackson Flo-line</i>	Facility Type <i>3" Poly Flow-line</i>
Surface Owner <i>BLM</i>	Mineral Owner <i>BLM</i>
Lease No.	

LOCATION OF RELEASE

Unit Letter	Section	Township	Range	Feet from the	North/South Line	Feet from the	East/West Line	County
	<i>18</i>	<i>17 S</i>	<i>31 E</i>	<i>580 FSI</i>	<i>F S L</i>	<i>1880</i>	<i>F E L</i>	<i>Eddy</i>

Latitude _____ Longitude _____

NATURE OF RELEASE

Type of Release <i>Crude Oil</i>	Volume of Release <i>6 bbl</i>	Volume Recovered <i>4 bbl</i>
Source of Release <i>3" Poly line</i>	Date and Hour of Occurrence	Date and Hour of Discovery
Was Immediate Notice Given? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Required	If YES, To Whom? <i>12-15-05 6:00am</i> <i>12-15-05 10:50 am</i> <i>Chris Beadle (OC.D)</i> <i>Paul Evans (BLM)</i>	
By Whom? <i>Mike Self</i>	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.*
3" Poly (surface) Flowline ruptured @ previous fused location. line was secured and re-fused. 6 bbl release was contained to 40'x20' area

Describe Area Affected and Cleanup Action Taken.*
VAC Truck to loc to pick-up all standing crude oil. The area was sprayed w/ micro-blaze to blend soil in place w/ BLM & OGD APPROVAL.

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>Mike Self</i>	OIL CONSERVATION DIVISION	
Printed Name: <i>Mike Self</i>	Approved by District Supervisor:	
Title: <i>Foreman</i>	Approval Date:	Expiration Date:
E-mail Address: <i>M. Self @ Merit Energy</i>	Conditions of Approval:	Attached <input type="checkbox"/>
Date: <i>12-15-05</i> Phone: <i>505 706-4758</i>		

* Attach Additional Sheets If Necessary

Spill area is approx. 100' S.E of T.A. 58 well-head in Old Pit area

2RP-3595
NCLB 0605945221

Terracon

24 Smith Road, Suite 261
Midland, Texas 79705
(432) 684-9600 Fax (432) 684-9608

January 11, 2006

Merit Energy Company
13727 Noel Rd. Ste 500
Dallas, Texas 75240
Attn: Mr. Mike Self

Phone: (505) 677-2327
Fax: (505) 677-2162

Re: *Work Plan for the Flow line Release near the Turner A #58*
Section 18, T17S, R31E, 560' from the South line, 1880' from the East line
Eddy County, New Mexico
5 miles east of Loco Hills, NM
Terracon Project Number 94057472C

Dear Mr. Self:

Terracon appreciates the opportunity to submit this workplan for remediation activities at the above-referenced site. This work plan includes the project information summary, preliminary investigation, scope of services and a summary of proposed remediation activities.

A. PROJECT INFORMATION SUMMARY

The release site is located east of the Turner A # 58 well location and is located on property overseen by the Bureau of Land Management. The surrounding area is native rangeland in a sand hill region.

The release consisted of approximately six barrels of oil from a flow line. The release occurred on top of an old drill pit, and affected an oval shaped area approximately 100 feet by 30 feet. During the initial response, approximately four barrels of oil was recovered and Micro-Blaze® was applied to the affected area.

B. PRELIMINARY INVESTIGATION

A limited investigation to determine the extent of soil impact was performed by Jim Hollon, a Terracon project manager, on December 21, 2005. The New Mexico Oil Conservation Division

Arizona ■ Arkansas ■ California ■ Colorado ■ Georgia ■ Idaho ■ Illinois ■ Iowa ■ Kansas ■ Kentucky ■ Minnesota ■ Missouri
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(NMOCD) "Guidelines for Remediation of Leaks, Spills and Releases" dated August 13, 1993 was used as a guide during the investigation.

The surface consists of windblown sand and caliche. No surface water bodies or water wells were identified within 1,000 feet of the project site. The New Mexico Office of the State Engineer website indicated that shallow ground water generally does not exist in the area and where it does exist; it is at a depth greater than 200 feet below ground surface (bgs).

The NMOCD uses ranking criteria for determining the remediation action levels on "Unsaturated Contaminated Soils, IV.A.2.a." Based on these ranking criteria, the remediation action level at this site is as follows:

Depth to Ground Water >100'bgs Ranking Score = 0
(As defined as vertical distance from lowermost contaminants to seasonal high water level)

Wellhead Protection Area >1000' to water source
>200' to domestic well Ranking Score = 0

Distance to Surface Water >1000 horizontal feet Ranking Score = 0

Total Ranking Score = 0

The investigation consisted of only a visual inspection since the release occurred on an old drilling pit site. The stained soils covered an area of approximately 30 feet by 100 feet and averaged two inches in depth.

C. SCOPE OF SERVICES

Terracon's scope of services will consist of the following:

- Provide a work plan to the NMOCD and Merit Energy detailing the preliminary investigation and a summary of remediation recommendations;
- Provide project oversight and management of remediation activities, regulatory permitting and documentation; and
- Prepare a final report detailing documentation of field activities and adherence to NMOCD's verbal cleanup standards.

Terracon will develop a generic safety plan to be used by all personnel during field services. At this time, we anticipate that a USEPA Level D work uniform consisting of hard hats, safety glasses, protective gloves, and steel-toed boots will be required by all personnel in the work

area. It may become necessary to upgrade this level of protection, at additional cost, due to an increased risk for personal exposure in the event that petroleum or chemical constituents are encountered during excavation/remediation activities.

Preparation of Final Report

Upon completion of site activities a final report will be prepared that will include the documentation of field activities and a presentation of the conclusions.

Terracon is prepared to commence work immediately, pending approval by Mr. Mike Self and the NMOCD. It is anticipated that the field activities will be completed in one day. The final written report will be available two weeks following completion of the field activities. This written report will reflect final results and recommendations, and, as such, will take precedence over any verbal reports that Terracon personnel may have provided. All field services will be performed under modified Level D safety personal protective equipment. The analysis, comments and recommendations presented in the written report will be based on the information collected as discussed in this work plan.

Terracon's services will be performed in a manner consistent with generally accepted practices of the professional undertaken in similar studies in the same geographic area during the same period. Terracon makes no warranties, expressed or implied, regarding its services, findings, conclusions or recommendations. Please note that Terracon does not warrant the work of laboratories, regulatory agencies or other third parties supplying information used in the preparation of the report. These services will be performed in accordance with the scope of work agreed with you, our client, as set forth in this work plan.

Findings, conclusions and recommendations resulting from these services will be based upon information derived from on-site activities and other services performed under this scope of work; such information is subject to change over time. Certain indicators of the presence of hazardous substances, petroleum products, or other constituents may have been latent, inaccessible, unobservable, non-detectable or not present during these services, and we cannot represent that the site contains no hazardous substances, toxic substances, petroleum products, or other latent conditions beyond those identified during this scope of work. Subsurface conditions may vary from those encountered at specific borings or wells or during other surveys, tests, assessments, investigations or exploratory services; the data, interpretations, findings and our recommendations are based solely upon data obtained at the time and within the scope of these services.

Merit Energy Company
Loco Hills - Turner A #58 FL
Terracon Project #94057472C
January 11, 2006

Terracon

D. PROPOSED REMEDIATION ACTIVITIES

Based on the limited site investigation, the size and location of the affected area, and the total ranking criteria of "0", the remediation actions are as follows:

Terracon proposes to scrape the affected soils with a back-hoe and remediate them with the stockpile at the JL Keel B # 56 location. The excavation will be as shallow as possible but include all visually affected soils.

E. GENERAL COMMENTS

This workplan is valid for 60 days. We appreciate the opportunity to provide environmental oversight and look forward to working with you on this project. If this workplan meets with your approval, please sign notification to proceed in accordance with the Master Services Agreement between Merit Energy Company and Terracon and return a copy via fax at (432) 684-9608 or mail to our Midland Office at 24 Smith Rd, Suite 261, Midland, Texas 79705.

If you should have any questions or comments regarding this workplan, please contact either of the undersigned.

Sincerely,

Terracon



Jim Hollon
Project Manager



Clayton McDonald
Manager of Environmental Services

NOTICE TO PROCEED

The above work plan is understood and accepted

Client: Merit Energy Company

Signed By: _____

Printed Name: Mr. Mike Self

Title: _____

Date: _____

Table 1

CONCENTRATIONS OF CHEMICALS OF CONCERN IN SOIL

Merit Energy
 Turner A # 58 (FL) Site
 Loco Hills, Eddy County, New Mexico
 Terracon Project Number 94057472C

All concentrations are in mg/kg

SAMPLE DATE	SAMPLE LOCATION	SAMPLE DEPTH	Total Chlorides EPA 300.0	EPA Method 8015M				EPA Method 8021B			
				TPH C ₆ -C ₁₂	TPH C ₁₂ -C ₂₈	TPH C ₁₂ -C ₃₅	TPH C ₆ -C ₃₅	BENZENE	TOLUENE	ETHYL- BENZENE	TOTAL XYLENES
02/22/06	Comp	0-3"	12,900	3,180	21,200	1,520	25,900	0.244	4.87	12.8	32.8

CONCENTRATIONS IN BOLD ARE ABOVE REGULATORY GUIDELINES