

May 7, 2010

Mr. Mike Bratcher
Oil Conservation Division
New Mexico Energy, Minerals and Natural Resources Department
1301 W. Grand Avenue
Artesia, New Mexico 88210

**Re: Spill Remediation Report, Skelly #963
Unit Letter O (SW/4, SE/4), Section 15, Township 17 South, Range 31 East,
Eddy County, New Mexico
(Latitude: N 32.82832° / Longitude: W 103.85645°)**

Dear Mr. Bratcher:

Chevron MidContinent, L.P. (Chevron) has retained Ocotillo Environmental, LLC (Ocotillo) to remediate impacts to soil from a leak at the Skelly #963 flow line. The well is located in the southwest quarter (SW/4) of the southeast quarter (SE/4), Section 15, Township 17 South, Range 31 East, Eddy County, New Mexico (Site). On November 8, 2009, 5.4 barrels of produced water was released from the flow line, with no fluids recovered from the spill. A C-141 was submitted to the New Mexico Oil Conservation Division (NMOCD) on November 9, 2009. Figure 1 shows the site location. Appendix A provides a copy of the Initial C141 document and the Final C141 document for closure approval.

On February 15, 2010, Ocotillo excavated soil from the spill area, measuring approximately 60 feet x 15 feet, to a depth of one (1) foot below ground surface (bgs). Soil samples (SS-1, SS-2 and SS-3) were collected at three locations of the spill area (at a depth of 1' bgs) and submitted to Cardinal Laboratories (Cardinal) in Hobbs, New Mexico for chloride and TPH analysis. Figure 2 shows the sample point locations. Appendix B provides laboratory and chain of custody documentation.

At sample point SS-1, the laboratory reported a chloride concentration of 368 mg/kg and a TPH concentration less than the test method detection limit. At sample point SS-2, the chloride concentration was reported at 3,480 mg/kg and TPH was reported at 78.4 mg/kg. At sample point SS-3, the chloride concentration was reported at 192 mg/kg and TPH was reported at 882 mg/kg.

On April 13, 2010, additional soil was excavated from the sample point SS-2 area to a depth of two (2) feet bgs. A soil sample was collected from the SS-2 location at a depth of approximately two (2) feet bgs and submitted to Cardinal for TPH and chloride analysis. The SS-2 sample, collected at 2' bgs reported a TPH concentration less than the test method detection limit and a chloride concentration of 32 mg/kg. Appendix B provides laboratory and chain of custody documentation. All excavated soil was hauled to Controlled Recovery Inc. (CRI) for disposal.

Mr. Mike Bratcher
Page 2
May 7, 2010

Based on published literature (1961), well records of the New Mexico State Engineer, and well records of the United States Geological Survey, groundwater occurs at approximately 300 feet bgs in the well located nearest the Site. No domestic water wells are located within 1,000 feet of the site. The NMOCD has established recommended remediation action levels (RRALs) for benzene, total BTEX and TPH resulting from spills of natural gas liquids ("Guidelines for Remediation of Leaks, Spills and Releases, August 13, 1993"). Remediation levels for benzene, total BTEX and TPH were calculated using the following NMOCD criteria:

Criteria	Result	Ranking Score
Depth-to-Groundwater	>100 Feet	0
Wellhead Protection Area	No	0
Distance to Surface Water Body	>1000 Horizontal Feet	0
		Total: 0

The following RRALs have been assigned based on NMOCD criteria:

Benzene **10 mg/kg**
Total BTEX **50 mg/kg**
TPH **5,000 mg/kg**

As all sample points reported TPH and chloride concentrations below the NMOCD remediation levels, the excavation was backfilled with clean soil. This site is considered remediated to NMOCD standards, and thereby requires no further action.

If you have any questions or need additional information, please call me at (575) 441-7244 or Kim Klahsen at (575) 396-4414 X128. We may also be reached by email at Cindy.Crain@gmail.com or KDKL@chevron.com.

Sincerely,
Ocotillo Environmental, LLC



Cindy K. Crain, P.G.
Environmental Manager

FIGURES

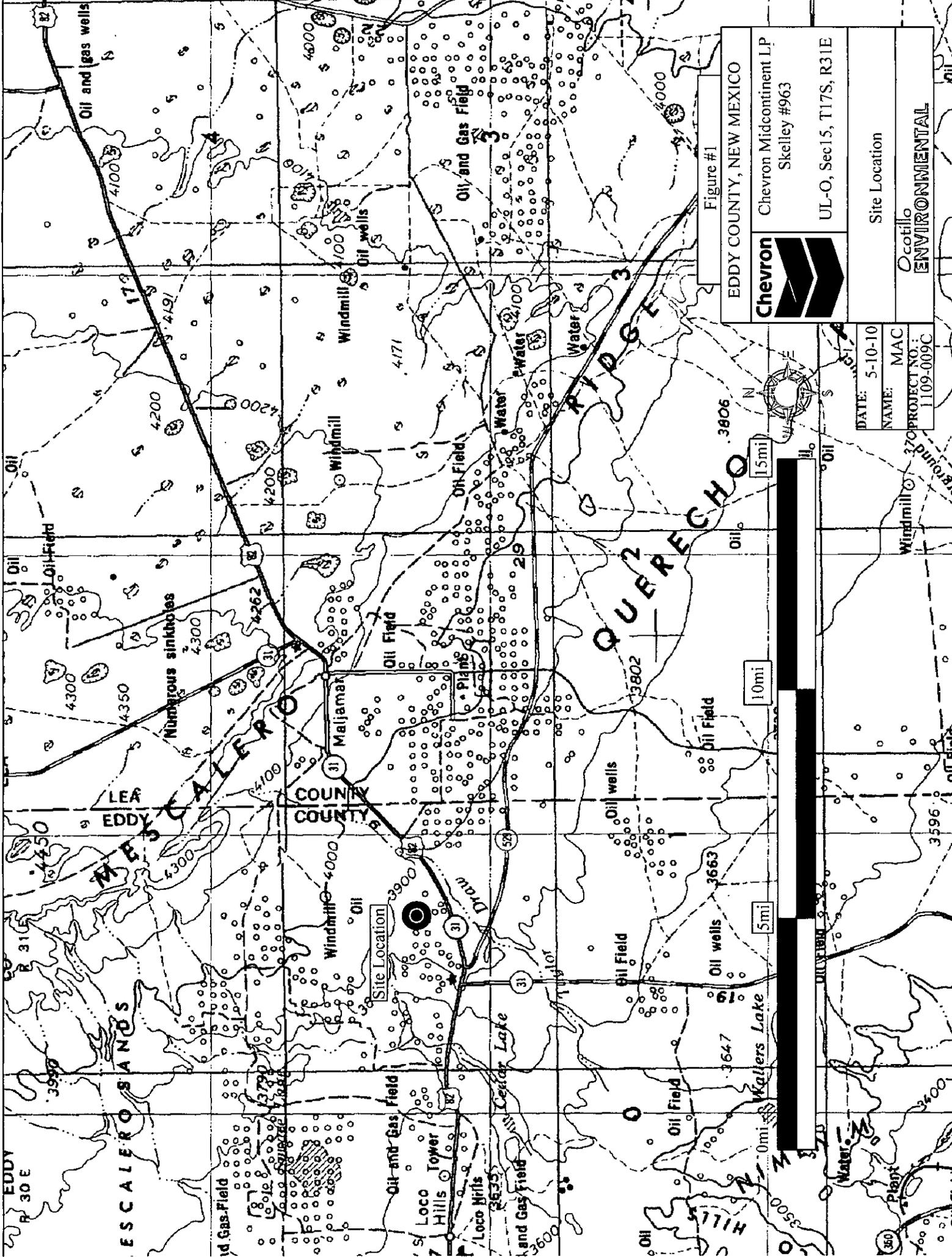


Figure #1

EDDY COUNTY, NEW MEXICO	
Chevron	Chevron Midcontinent LP Skelley #963
UL-O, Sec 15, T17S, R31E	
Site Location	
Ocotillo ENVIRONMENTAL	

DATE: 5-10-10
 NAME: MAC
 PROJECT NO.: 1109-009C



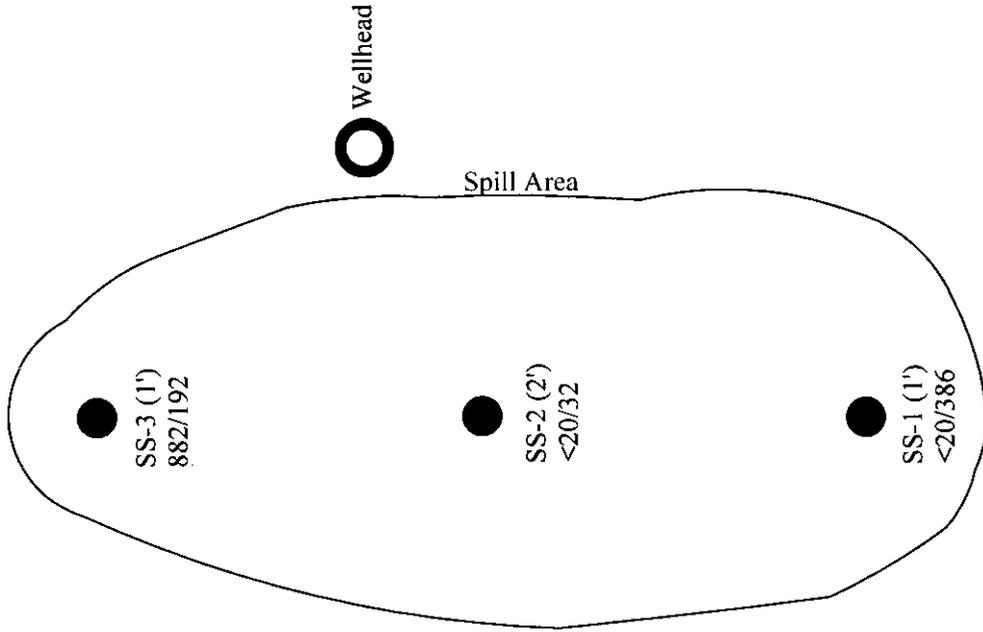
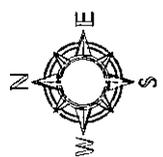


Figure #2

EDDY COUNTY, NEW MEXICO	
Chevron	Chevron Midcontinent LP Skelley #963
UL-O, Sec 15, T17S, R31E	
Site Drawing With Soil Sample Locations	
Ocotillo ENVIRONMENTAL	
DATE: 5-10-10	NAME: MAC
PROJECT NO.: 1109-009C	



GPS Coordinates	
SS-1	N32.82823° W 103.85643°
SS-2	N32.82832° W103.85645°
SS-3	N32.82839° W103.85645

Legend	
●	Soil Sample Location With Depth (Feet/bgs), TPH and Chloride (TPH/CI) Concentrations (mg/Kg)
●	SS-3 (1') 882/192

APPENDIX A
INITIAL C141 DOCUMENTATION
And
FINAL C141 FORM

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

X Initial Report Final Report

Name of Company Chevron USA	Contact Kim Klahsen
Address HCR 60 Box 423 Lovington, N.M. 88260	Telephone No. 505-396-4414 X 128
Facility Name Skelly 963	Facility Type Production Well

Surface Owner	Mineral Owner	Lease No.
---------------	---------------	-----------

LOCATION OF RELEASE

Unit Letter	Section	Township	Range	Feet from the	South Line	Feet from the	East Line	County
O	15	17	31	330		2310		Eddy

Latitude 32.8282493881 Longitude 103.856496754

NATURE OF RELEASE

API # 3001534646

Type of Release Produced water	Volume of Release Oil 0 Barrels Water 5.4 Barrels	Volume Recovered 0 Oil 0 BW
Source of Release Flow line	Date and Hour of Occurrence 11/08/09 12:00 PM	Date and Hour of Discovery 11/08/09 14:00 PM
Was Immediate Notice Given? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Required	If YES, To Whom? Artesia office NM OCD	
By Whom? Larry Ridenour	Date and Hour 11/08/09 PM	
Was a Watercourse Reached? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	If YES, Volume Impacting the Watercourse.	

If a Watercourse was Impacted, Describe Fully.*

Describe Cause of Problem and Remedial Action Taken.*

A flowline burst causing a release of 5.4 bbls of produced water. The well was shut in to prevent additional release and the extent of the spill was determined on the ground surface. The site will be sampled to determine the extent of the contamination and a remediation plan will be developed to reduce contaminants to below threshold levels.

Chlorides

Describe Area Affected and Cleanup Action Taken.

Land surface affected is approximately 200 feet * 30 feet. There were no liquids recovered so the soil will be sampled to delineate the contamination and the soil will either be removed or remediated after we determine the extent of contamination.

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: 	OIL CONSERVATION DIVISION	
Printed Name: Kim Klahsen	Approved by District Supervisor:	
Title: HES Specialist	Approval Date:	Expiration Date:
E-mail Address kdkl@chevron.com	Conditions of Approval:	Attached <input type="checkbox"/>

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	Chevron USA	Contact	Kim Klahsen
Address	HCR 60 Box 423 Lovington, NM 88260	Telephone No.	(575) 396-4414 x 128 or (432) 894-3298 (cell)
Facility Name	Skelly #963	Facility Type	Production Well

Surface Owner:	State	Mineral Owner:	State	API # 30-015-34646
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LOCATION OF RELEASE

Unit Letter	Section	Township	Range	Feet from the	North/South Line	Feet from the	East/West Line	County
O	15	17S	31E	330	South	2310	East	Eddy

Latitude N 32.82832° Longitude W 103.85645°

NATURE OF RELEASE

Type of Release	Produced Water	Volume of Release	0 bbl oil / 5.4 bbl water	Volume Recovered	0 bbl fluids
Source of Release	Flow line	Date and Hour of Occurrence	11/08/09 12:00 PM	Date and Hour of Discovery	11/08/09 14:00 PM
Was Immediate Notice Given?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Not Required	If YES, To Whom?	Artesia Office, NMOCD		
By Whom?	Larry Ridenour	Date and Hour	11/08/09 PM		
Was a Watercourse Reached?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	If YES, Volume Impacting the Watercourse.			

If a Watercourse was Impacted, Describe Fully.*

Describe Cause of Problem and Remedial Action Taken.*

A flowline burst causing a release of 5.4 bbls of produced water. The well was shut in to prevent additional release and the extent of the spill was determined on the ground surface.

Describe Area Affected and Cleanup Action Taken.*

Visibly impacted soil was removed from an area measuring approximately 60' x 15' and disposed at an NMOCD approved facility. Soil samples were collected on 2/15/10. Additional soil was excavated and removed from the site, until further sampling confirmed that chloride concentrations were below 1,000 mg/kg and TPH concentrations were below 5,000 mg/kg at the site. Figures are attached that show the site location (Fig #1) and the soil sample locations (Fig #2). Laboratory data and chain of custody documentation is also attached.

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:	OIL CONSERVATION DIVISION		
Printed Name: Kim Klahsen	Approved by District Supervisor:		
Title: HES Specialist	Approval Date:	Expiration Date:	
E-mail Address: KDKL@chevron.com	Conditions of Approval:		Attached <input type="checkbox"/>
Date: 5/10/10	Phone: (575) 396-4414 x 128		

* Attach Additional Sheets If Necessary

APPENDIX B

**ANALYTICAL DATA AND CHAIN OF CUSTODY
DOCUMENTATION**



ARDINAL LABORATORIES

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

February 17, 2010

Cindy Crain
Ocotillo Environmental, LLC
P.O. Box 1816
Hobbs, NM 88241

Re: Chevron Skelly 963

Enclosed are the results of analyses for sample number H19274, received by the laboratory on 02/16/10 at 1:10 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 through 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



ARDINAL LABORATORIES

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

ANALYTICAL RESULTS FOR
OCOTILLO ENVIRONMENTAL
ATTN: CINDY CRAIN
P.O. BOX 1816
HOBBS, NM 88241
FAX TO: (432) 272-0304

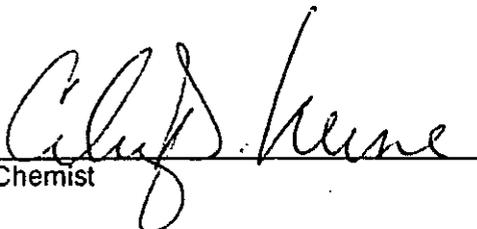
Receiving Date: 02/16/10
Reporting Date: 02/17/10
Project Owner: CHEVRON (1109-009C)
Project Name: SKELY 963
Project Location: SE. 15 T17S R31E
EDDY COUNTY, NM

Sampling Date: 02/15/10
Sample Type: SOIL
Sample Condition: COOL & INTACT @ 0°C
Sample Received By: JH
Analyzed By: AB/HM

LAB NUMBER	SAMPLE ID	GRO (C ₆ -C ₁₀) (mg/kg)	DRO (>C ₁₀ -C ₂₈) (mg/kg)	*Cl' (mg/kg)
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ANALYSIS DATE	02/16/10	02/16/10	02/17/10
H19274-1** SS#1	<10.0	<10.0	368
H19274-2 SS#2	<10.0	78.4	3,480
H19274-3 SS#3	<10.0	882	192
Quality Control	591	503	510
True Value QC	500	500	500
% Recovery	118	101	102
Relative Percent Difference	1.0	14.8	< 0.1

METHODS: TPH GRO & DRO: EPA SW-846 8015 M; Cl': Std. Methods 4500-Cl'B
*Analyses performed on 1:4 w:v aqueous extracts. Reported on wet weight.
**TPH second surrogate outside historical limits due to matrix interference.



Chemist



Date

H19274 TCL OCO

PLEASE NOTE: Liability and Damages. Cardinal's liability and client's exclusive remedy for any claim arising, whether based in contract or tort, shall be limited to the amount paid by client for analyses. All claims, including those for negligence and any other cause whatsoever shall be deemed waived unless made in writing and received by Cardinal within thirty (30) days after completion of the applicable service. In no event shall Cardinal be liable for incidental or consequential damages, including, without limitation, business interruptions, loss of use, or loss of profits incurred by client, its subsidiaries, affiliates or successors arising out of or related to the performance of services hereunder by Cardinal, regardless of whether such claim is based upon any of the above-stated reasons or otherwise. Results relate only to the samples identified above. This report shall not be reproduced except in full with written approval of Cardinal Laboratories.



ARDINAL LABORATORIES
 101 East Marland, Hobbs, NM 88240
 (575) 393-2326 Fax (575) 393-2476

BILL TO		ANALYSIS REQUEST									
Company Name: <u>OCOTILLO ENVIRONMENTAL</u>		P.O. #:									
Project Manager: <u>CINDY CRAIN</u>		Company:									
Address: <u>PO Box 1816</u>		Attn: <u>Hobbs</u>		Address:							
City: <u>Hobbs</u>		State: <u>NM</u>		City:							
Phone #: <u>575-393-6371</u>		Zip: <u>88241</u>		State:							
Project #: <u>1109-009C</u>		Project Owner: <u>CHURCH</u>		Phone #:							
Project Name: <u>S Kelly 963</u>		Fax #:									
Project Location: <u>SE 15 T7S 31E Coln</u>											
Sampler Name: <u>Bobby D Jones</u>											
FOR LAB USE ONLY		MATRIX		PRESERV		SAMPLING					
Lab I.D. <u>Sample I.D.</u>		GROUNDWATER		ACID/BASE:		DATE					
<u>H19274-1 SS #1</u>		WASTEWATER		ICE / COOL		<u>2/15 10:00 AM</u>					
<u>-2 SS #2</u>		SLUDGE		OTHER:		<u>2/15 1:00 P</u>					
<u>-3 SS #3</u>		OIL		OTHER:		<u>2/15 1:18 P</u>					
		# CONTAINERS									
		(GRAB OR (C)MP)									

PLEASE NOTE: Liability and Damages. Cardinal's liability and client's exclusive remedy for any claim arising whether based in contract or tort, shall be limited to the amount paid by the client for the analyses. All claims including those for negligence and any other cause, whatever shall be deemed waived unless made in writing and received by Cardinal within 30 days after completion of the applicable service. In no event shall Cardinal be liable for incidental or consequential damages, including without limitation, business interruptions, loss of use, or loss of profits incurred by client, its subsidiaries, affiliates or successors arising out of or related to the performance of services hereunder, by Cardinal, regardless of whether such claim is based upon any of the above stated reasons or otherwise.

Sampler Relinquished: _____ Date: _____ Time: _____
 Relinquished By: _____ Date: 2/10 PM
 Delivered By: (Circle One) _____ Time: 2/10
 Sampler - UPS - Bus - Other: _____

Received By: Jacki Henderson Checked By: _____
 Sample Condition: Cool, Intact Yes No
 Date: 2/10 Time: 2/10

Phone Result: No No Add'l Phone #: _____
 Fax Result: No No Add'l Fax #: _____

REMARKS: Fax number 575-8304
Cardinal 575-393-2476

† Cardinal cannot accept verbal changes. Please fax written changes to 575-393-2476.

#26



**ARDINAL
LABORATORIES**

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

April 19, 2010

Cindy Crain
Ocotillo Environmental
P.O. Box 1816
Hobbs, NM 88241

Re: Skelly 963 (1109-009C)

Enclosed are the results of analyses for sample number H19666, received by the laboratory on 04/13/10 at 1:50 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.

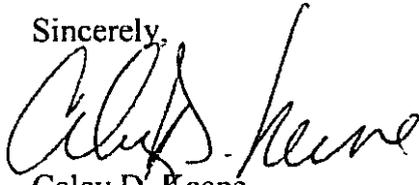
Cardinal Laboratories is accredited though the State of Colorado Department of Public Health and Environment for:

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.

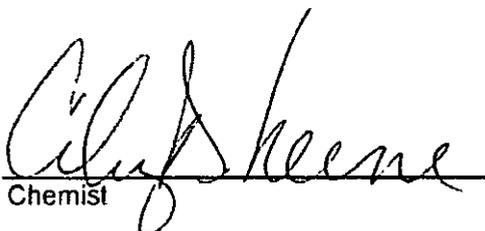
ANALYTICAL RESULTS FOR
OCOTILLO ENVIRONMENTAL
ATTN: CINDY CRAIN
P.O. BOX 1816
HOBBS, NM 88241
FAX TO: (432) 272-0304

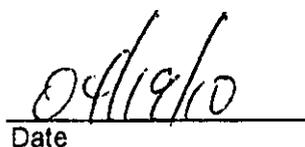
Receiving Date: 04/13/10
Reporting Date: 04/19/10
Project Owner: CHEVRON (1109-009C)
Project Name: SKELLY 963
Project Location: SE 15 T17S R31E
EDDY COUNTY, NM

Sampling Date: 04/13/10
Sample Type: SOIL
Sample Condition: INTACT @ 13°C
Sample Received By: JH
Analyzed By: AB/HM

LAB NUMBER	SAMPLE ID	GRO (C ₆ -C ₁₀) (mg/kg)	DRO (>C ₁₀ -C ₂₈) (mg/kg)	*CI (mg/kg)
ANALYSIS DATE		04/15/10	04/15/10	04/14/10
H19666-1	SS-#2 2' DEPTH	<10.0	<10.0	32
Quality Control		485	564	500
True Value QC		500	500	500
% Recovery		97.0	113	100
Relative Percent Difference		0.1	0.4	<0.1

METHODS: TPH GRO & DRO: EPA SW-846 8015 M; CI: Std. Methods 4500-CI'B
*Analysis performed on a 1:4 w:v aqueous extract. Reported on wet weight.


Chemist


Date

H19666 TCL OCO



ARDINAL LABORATORIES
101 East Marland, Hobbs, NM 88240

(575) 393-2326 Fax (575) 393-2476

BILL TO		ANALYSIS REQUEST																					
Company Name: <u>OCOTILLO ENVIRONMENTAL</u>		P.O. #:																					
Project Manager: <u>CINEX CRAIN</u>		Company:																					
Address: <u>Po Box 1816</u>		City: <u>Hobbs</u>		State: <u>NM</u>		Zip: <u>88241</u>																	
Phone #: <u>575-393-6371</u>		Fax #: <u>432-272-0308</u>		Project #: <u>109-009C</u>		Project Owner: <u>CHENROLL</u>																	
Project Name: <u>SKELLY 963</u>		Project Location: <u>SE 15 777S R 31E C&A Co.</u>		Sampler Name: <u>Bobby D Jones</u>																			
FOR LAB USE ONLY		Matrix		PRESERV		SAMPLING																	
Lab ID: <u>HR1066-1</u>		GROUNDWATER		ACID/BASE: <input checked="" type="checkbox"/>		ICE / COOL: <input checked="" type="checkbox"/>		OTHER: <input type="checkbox"/>		DATE: <u>5/13</u>		TIME: <u>9:55A</u>											
Sample ID: <u>SS-02 J'lepta</u>		WASTEWATER		OTHER: <input type="checkbox"/>																			
		OIL																					
		SLUDGE																					
		# CONTAINERS																					
		(G)RA or (C)OMP																					
		1																					

TAH 8015M
C1

PLEASE NOTE: Liability and Damages. Cardinal's liability and client's exclusive remedy for any claim arising whether based in contract or tort, shall be limited to the amount paid by the client for the analyses. All claims including those for negligence and any other cause whatsoever shall be deemed waived unless made in writing and received by Cardinal within 30 days after completion of the applicable service. In no event shall Cardinal be liable for incidental or consequential damages, including without limitation, business interruptions, loss of use, or loss of profits incurred by client, its subsidiaries, affiliates or successors arising out of or related to the performance of services hereunder by Cardinal, regardless of whether such claim is based upon any of the above stated reasons or otherwise.

Sampler Relinquished:		Date: _____		Received By: _____		Temp: _____		Sample Condition: _____		Checked By: _____	
Relinquished By: <u>[Signature]</u>		Time: _____		400i Jensen		130		Cool Intact: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		Initials: <u>[Signature]</u>	
Delivered By: (Circle One)		Date: <u>5/13</u>		Time: <u>1:50</u>							
Sample - UPS - Bus - Other: _____											
Phone Result: <input type="checkbox"/> No <input type="checkbox"/> Yes		Add'l Phone #: _____		Fax Result: <input type="checkbox"/> No <input type="checkbox"/> Yes		Add'l Fax #: _____		REMARKS: <u>Fax Pink Plaster</u> <u>432-272-0308</u>			

† Cardinal cannot accept verbal changes. Please fax written changes to 575-393-2476.

#26