



May 9, 2016

VIA EMAIL: tsam@cazapetro.com

Mr. Tony Sam
Caza Petroleum, Inc.
200 N. Loraine, STE. 1550
Midland, TX 79701
432-682-7424 (OFFICE)
432-556-6708 (CELL)

Re: Scope of Work and Cost Estimate for Spill Remediation, Forehand 27 State # 4, Eddy County, New Mexico

Dear Mr. Sam:

Charger Services (Charger) appreciates the opportunity to provide this scope of work and cost estimate to Caza Petroleum, Inc. (Caza), for remediation of the Forehand 27 State #4 spill in Eddy County, New Mexico.

INVESTIGATION

On May 3, 2016, Charger field personnel investigated a produced water spill at the Caza Forehand 27 State #4 (Site) located at 32°16'40.66"N, 104°10'18.05"W in Eddy County, New Mexico. Caza reported an unknown quantity of produced water was lost at the Site and covering approximately 27,300 sq. ft. of the facility and state land. This was confirmed during the investigation and photo documentation was used to record the condition during the investigation.

REMEDIATION SCOPE OF WORK

Charger proposes to delineate the impacted area with direct push or auger units, excavate the impacted soil to approximately 1.0 to 1.5 feet below ground surface (bgs), sample soil for cleanup confirmation, hauling impacted soil to disposal, and back fill excavation with clean soil. Charger will submit a final report to Caza and the New Mexico Oil Conservation Division (NMOCD) once the work is complete. It is expected to take five (5) days to delineate, excavate, sample, haul impacted soil, and back fill excavation. The soil samples will be placed in clean 4-ounce jars, sealed, labeled, chilled in an ice chest and delivered under chain of custody to Permian Basin Environmental Labs located in Midland, Texas. The laboratory will analyze the samples for BTEX by SW-8021, TPH by method SW-8015M, and chloride by method E300. Drill cuttings will be placed on the soil pile near the southeast corner of location for disposal according to New Mexico Oil Conservation Division (OCD) rules. The borings will be plugged to ground surface with bentonite chips. All excavated areas during remediation will be delineated for chlorides below 250 mg/kg vertically ten (10) feet below excavation surface and horizontally by eight hundred (800) feet from excavation walls. The sample results will take approximately two weeks on normal turnaround time and will dictate the soil disposal. This is expected to take five (5) days to complete with a final report to follow after all data is collected.

Equipment decontamination, sample collection, field documentation, sample custody, and laboratory analyses will be in general accordance with industry standards of practice and in conformance with applicable Federal and State regulations. All work will be performed under the supervision of a qualified environmental professional. All laboratory work will be performed under standard turn-around times and costs, unless otherwise directed.

FEES

Charger estimates that this scope of work will take approximately 5 days. Performance of the outlined scope of services will be on a time and materials basis. The estimated cost is **\$ 24,722.50**. A detailed cost estimate is enclosed.

This proposal does not include the handling, storage, transportation, or disposal of hazardous substances or wastes.

Additional work required beyond this scope of services presented in this proposal, or as caused by factors beyond Charger's control, will be invoiced on a time and materials expense basis in accordance with Charger's Fee Schedule. Additional work will not be performed without prior authorization from the State and client.

AUTHORIZATION

If this proposal is acceptable to you, please sign below as notice to proceed and return one copy of this proposal intact to our office. We will proceed with the work upon receipt of proposal authorization. You may contact me at (325) 669-5735 (cell) to discuss any questions you may have.

Respectfully submitted,

Charger Services, LLC



Coty Woolf
Environmental Manager
Charger Services, LLC
325.669.5735
Coty.woolf@chargerservices.com

Cost Estimate

Caza - Forehand 27 State #4

Remediation Cost Estimate

9-May-16

Site Marking, One-Call Notification, and Delineation

Assumes: Marking Excavation Area, Driving Instructions, One-Call (811) Utility Notification, and Delineating

| Item | Quantity | Rate | Unit | Total |
|---------------------------|----------|-----------|--------|--------------------|
| Project Manager | 8 | \$ 95.00 | / Hour | \$ 760.00 |
| Direct push or Auger Unit | 8 | \$ 125.00 | / Hour | \$ 1,000.00 |
| Environmental Technician | 16 | \$ 45.00 | /Hour | \$ 720.00 |
| Truck | 16 | \$ 12.00 | /Day | \$ 192.00 |
| Mileage - Truck | 440 | \$ 0.40 | /Each | \$ 176.00 |
| Subtotal: | | | | \$ 2,848.00 |

Spill Remediation

| Item | Quantity | Rate | Unit | Total |
|--|-------------|-----------|-------------|--------------------|
| Site Safety Plan | 1 | \$ 250.00 | /Lump Sum | \$ 250.00 |
| Mob and De-Mob | 8 | \$ 115.00 | /Hour | \$ 920.00 |
| Backhoe with operator | 24 | \$ 90.00 | /Hour | \$ 2,160.00 |
| Crew men and truck with tools | 24 | \$ 90.00 | /Hour | \$ 2,160.00 |
| Project Manager | 12 | \$ 95.00 | / Hour | \$ 1,140.00 |
| Environmental Technician | 24 | \$ 45.00 | /Hour | \$ 1,080.00 |
| Estimated cost of soil disposal | 140 | \$ 35.00 | /Cubic Yard | \$ 4,900.00 |
| Estimated cost of clean soil | 140 | \$ 8.00 | /Cubic Yard | \$ 1,120.00 |
| Transport of impacted soil to disposal | 24 | \$ 85.00 | /Hour | \$ 2,040.00 |
| Transport of clean soil for backfill | 24 | \$ 85.00 | /Hour | \$ 2,040.00 |
| Truck (project manager) | 12 | \$ 12.00 | /Day | \$ 144.00 |
| Mileage - Truck (crew) | 880 | \$ 0.40 | /Mile | \$ 352.00 |
| Mileage - Truck (project manager) | 440 | \$ 0.40 | /Mile | \$ 176.00 |
| Equipment (Digital Camera, Sample Trowels, etc.) | 1 | \$ 250.00 | /Lump Sum | \$ 250.00 |
| Reproduction (Professional Services) | \$ 2,220.00 | 4.00% | Percentage | \$ 88.80 |
| Subtotal: | | | | \$ 8,820.80 |

Laboratory Analysis

| Item | Quantity | Rate | Unit | Total |
|--|-------------|-----------|------------------|--------------------|
| Excavation Samples (BTEX, TPH, & CI) | 14 | \$ 110.00 | /Each | \$ 1,540.00 |
| Stockpiled Soil Sample (BTEX, TPH, & CI) | 1 | \$ 110.00 | /Each | \$ 110.00 |
| Service Fee | \$ 1,650.00 | 17.00% | Percentage | \$ 280.50 |
| | | | Subtotal: | \$ 1,930.50 |

Report and Project Management

| Item | Quantity | Rate | Unit | Total |
|--------------------------------------|----------|----------|------------------|--------------------|
| Sr. Project Manager | 8 | \$ 95.00 | / Hour | \$ 760.00 |
| Drafting | 4 | \$ 65.00 | / Hour | \$ 260.00 |
| Clerical | 2 | \$ 30.00 | / Hour | \$ 60.00 |
| | \$ | | | |
| Reproduction (Professional Services) | 1,080.00 | 4.00% | Percentage | \$ 43.20 |
| | | | Subtotal: | \$ 1,123.20 |

Total: \$ 24,722.50

AUTHORIZATION

If this proposal is acceptable to you, please sign below as notice to proceed and return one copy of this proposal intact to our office. We will proceed with the work upon receipt of proposal authorization and executed consulting services agreement.

AGREED TO, THIS _____ DAY OF _____, 2016

BY (please print): _____

TITLE: _____

COMPANY: _____

SIGNATURE: _____