Project Report

Project:

Susco State Lease
Section 19, T9S, R33E
Lea County, New Mexico

January 10, 2008

Will e-mail
Closure request. CW
1/24/08

Prepared for:

Merit Energy Company
13727 Noel Rd. Ste. 500
Dallas, Texas 75240

Jim Hollon Consulting

14034 W. Co. Rd. 123, Odessa, Texas 79765
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RP# 1763

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January 10, 2008

Merit Energy Company
13727 Noel Rd. Ste. 500
Dallas, Texas 75240

Attn: Mr. Justin Findley

Phone: (972) 628-1493
Fax: (972) 628-1793

Re: Project Report
Susco State Lease
Section 19, T9S, R33E
Lea County, New Mexico

Dear Mr. Findley:

Jim Hollon Consulting is pleased to submit four copies of the Project Report for the above referenced site.

I appreciate the opportunity to participate in this project at the Susco State lease for Merit Energy Company. Please contact me at (432) 631-5768 if you have questions regarding the information provided in the report.

Sincerely,

Jim Hollon

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Project Report

Susco State Lease
Section 19, T9S, R33E
Lea County, New Mexico

1.0 INTRODUCTION

This site is located in Lea County, New Mexico approximately sixteen miles west of Crossroads and approximately one quarter mile south of County Road 170 (Figure 1). The surrounding area is native rangeland in a grassland prairie region with naturally occurring salt lakes within two and one half miles of the site. The site is on property overseen by the State Lands Office (SLO). The facility included seven above grade tanks, consisting of three 500 barrel welded steel, two 300 barrel welded steel and two 300 barrel fiberglass. Two vertical heater/separators, a circulation and transfer pump, a manifold and associated piping is on the site as well as the pumping unit for the # 1 well. The facility was acquired by Merit Energy Company (Merit) in April, 1993.

In May 2007, the rancher, Carl Lane Johnson, made the request to repair the road leading into the lease. On June 15, 2007 the required permits were obtained from the SLO and work began in the following week, repairing the road from the pavement to the battery. The well sites were also addressed by clearing weeds, repairing the fences and general site clean-up.

On June 26, 2007 a site visit was performed by a New Mexico Oil Conservation Division (NMOCD) field inspector and the following violations were noted: repair or remove unused tanks; replace livestock fence; and, continue to repair the main road to access the battery.

1.1 Site Description

Site Name	Susco State Lease
Site Location/GPS	Lea County, New Mexico / 33.51311° N, 103.60091° W
General Site Description	The site consisted of the tank battery and pumping unit for the # 1 well. The surrounding area is sandy loam rangeland with grass cover and naturally occurring salt lakes.

A topographic map (Figure 1,) aerial photograph (Figure 2) and site map (Figure 3) are included in Appendix A.

1.2 Scope of Services

The Scope of Services for JHC as requested by Merit included:

- Removal of the abandoned equipment from the site;
- Excavation and disposal of the affected soils;
- Collection of confirmation soil samples; and,
- Submittal of a project report detailing field activities, analytical results and recommendations.

1.3 Regulatory Framework

Crude oil facilities in New Mexico are generally regulated by the New Mexico Oil Conservation Division (NMOCD). Contamination of soil due to a surface release of crude oil is addressed within a NMOCD guideline titled *Guidelines for Remediation of Leaks, Spills and Releases.* Remediation standards for chloride contamination have not been published and are handled by the local district offices on a case by case basis.

Soils which are impacted by petroleum constituents are scored according to the ranking criteria to determine their relative threat to public health, fresh water, and the environment. Such limits are defined by the depth to groundwater, wellhead protection area, and distance to surface water. Based on these ranking criteria, the remediation action level at this site is as follows:

Depth to Ground Water	50 - 99 feet	Ranking Score = 10
(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 = 10

Based on total ranking criteria of 10, the following remediation levels apply:
Benzene = 10 ppm
BTEX = 50 ppm
TPH = 1000 ppm
Chlorides = Site Specific

Depth to groundwater has been assumed to be between 50 and 99 feet. Although windmills are visible from the site, no water well records have been found. After contacting Andy Morely, with the State Engineer's Office, reports were found for two wells near the site. The depth to water was reported to be 61.7 feet in one well and 143.64 feet in the second well. It was also agreed upon that the more shallow groundwater was perched and isolated in nature.

1.4 Standard of Care

Services were performed in a manner consistent with generally accepted practices of the profession undertaken in similar studies in the same geographical area during the same time period. JHC makes no warranties, either express or implied, regarding the findings or recommendations. Please note that JHC can not warrant the work of laboratories, regulatory agencies or other third parties supplying information used in the preparation of the report.

2.0 FIELD ACTIVITIES

On August 23, 2007, following the receipt of a right of entry permit from the SLO, removal of half of the surface equipment from the battery began, while diverting the production to the second half of the equipment. Following the removal of the unused tanks, all visibly affected soils, totaling 276 cubic yards, were excavated and disposed at an NMOCD approved disposal facility. Five point composite soil samples were collected from the excavated area under each of the former tank locations. Samples were collected from each side wall and the bottom of each excavation, approximately four feet below ground surface (bgs). The samples were labeled 300 East and 300 West, according to the tank from which they were collected. The samples collected were submitted to Xenco Laboratories (formally Environmental Lab of Texas) for analysis of Total Petroleum Hydrocarbons (TPH), Benzene, Toluene, Ethylbenzene and total Xylenes (BTEX), and total chlorides.

On September 26, 2007, following the receipt of the laboratory analysis, an additional 150 cubic yards of soil was excavated, enlarging the excavations into one, measuring approximately 15 feet wide by 30 feet long and 10 feet deep. Samples were collected from each side wall and the bottom of the excavation, approximately ten feet bgs. The sample was submitted in duplicate and labeled 300-1 and 300-2. The samples were again submitted to Xenco Laboratories for

analysis. The sample labeled 300-1 was analyzed for TPH, BTEX, and total chlorides; the sample labeled 300-2 was submitted only as a duplicate for analysis of total chlorides.

A report was submitted to the OCD on October 16, 2007, summarizing the field activities and the analytical results from the laboratory. On December 3, 2007, the OCD had requested additional vertical delineation to be performed. The following day a backhoe was utilized to attempt to delineate the affected soils. Due to the hard rock that was encountered at 10 feet bgs, the backhoe was only capable of digging an additional three feet, making the total depth approximately 13 feet bgs, in a small area of the excavation. A sample was collected from the bottom at 13 feet bgs, and composites from each sidewall, and submitted for analysis of total chlorides. Following the receipt of the laboratory analysis, the decision was made to conduct soil borings to collect the required samples. A length of casing was set in the 13 feet bgs excavation and the excavations were backfilled to a point where a mobile drilling rig could gain access. Trenches were also cut to the east, west and south of the excavation in an effort to horizontally delineate the site. Three samples were collected from each trench and labeled as follows: E-1 – 6' out 7' bgs, E-2 – 10' out 7' bgs, E-3 – 16' out 5' bgs, W-1 – 4' out 10' bgs, W-2 – 8' out 8' bgs, W-3 – 12' out 4' bgs, S-1 – 4' out 8' bgs, S-2 – 8' out 6' bgs, and S-3 – 12' out 4' bgs.

On January 4, 2008, a mobile air rotary drilling rig was utilized to advance two soil borings within the footprints of the tanks. The first soil boring, labeled SB-1, was advanced through the casing to a total depth of 43 feet bgs. Four composite samples were collected from the cuttings at five foot intervals until a hard, dense red clay was encountered at 35 feet bgs. After encountering the red clay, a sample was collected from the cuttings both before and after a one foot core was collected. The boring was advanced to 43 feet bgs, approximately eight feet into the red clay, where the final sample was collected. The second soil boring, SB-2, was advanced in the footprint of the 500 barrel tank. SB-2 was advanced to a total depth of 44 feet bgs. The boring included approximately four feet of backfill before encountering native rock. Composite samples were collected at two foot intervals throughout the boring.

Soil Sampling

The soil samples were placed in laboratory prepared glassware and sealed with the identification label. The soil samples submitted for analysis of TPH and BTEX were placed on ice in a cooler. The samples and completed chain-of-custody forms were relinquished to Xenco Laboratories in Odessa, Texas for analysis. The executed chain-of-custody forms, laboratory data sheets are provided in Appendix B.

Analytical Methods

The soil samples collected on September 11 and 26, 2007 and January 4, 2008 were analyzed using the following methods:

Chlorides - EPA Method 325.3
BTEX – EPA Method 8021B
TPH – EPA Method 8015M

3.0 DATA EVALUATION

The soil samples collected on September 11, 2007, from under the eastern 300 barrel tank, labeled 300 East had a chloride concentration of 5,100 mg/kg, the BTEX concentration was below the detection limit of 0.0012 mg/kg, and the TPH concentration was below the detection limit of 12 mg/kg. The sample collected from under the western 300 barrel tank, labeled 300 West had a chloride concentration of 1,100 mg/kg, the BTEX concentration was below the detection limit of 0.0011 mg/kg, and the TPH concentration was 3,120 mg/kg.

The soil samples collected on September 26, 2007, from the excavation under the 300 barrel tanks, labeled 300-1 had a chloride concentration of 1,430 mg/kg, the BTEX concentration was 0.0199 mg/kg, and the TPH concentration was 49.1 mg/kg. The duplicate sample labeled 300-2 had a chloride concentration of 1,490 mg/kg.

The soil samples collected on December 4, 2007, had chloride concentrations as follows: North side wall, 851 mg/kg, South sidewall, 13,600 mg/kg, East sidewall, 7,440 mg/kg, West sidewall, 6,270 mg/kg, the bottom and the duplicate bottom were 1,340 mg/kg and 1,320 mg/kg, respectively. The samples from the east trench, collected on December 12, 2007, had chloride concentrations as follows: E-1, E-2 and E-3, 6,160 mg/kg, 1,030 mg/kg and 1,540 mg/kg, respectively. The west trench had chloride concentrations as follows: W-1, W-2 and W-3, 5,950 mg/kg, 1,230 mg/kg and 1,000 mg/kg, respectively. The south trench had chloride concentrations as follows: S-1, S-2 and S-3, 317 mg/kg, 1,830 mg/kg and 1,110 mg/kg, respectively.

The soil samples collected on January 4, 2008, from soil boring SB-1 had chloride concentrations ranging from 1,340 mg/kg to 117 mg/kg. The first sample with chloride concentrations below 250 mg/kg and subsequent samples also below 250 mg/kg was collected at 36-37 feet bgs. The samples collected from SB-2 had chloride concentrations ranging from 1,910 mg/kg to 106 mg/kg. The first sample with chloride concentrations below 250 mg/kg and

subsequent samples also below 250 mg/kg was collected at 34-36 feet bgs. A table summarizing the analytical results is presented as Table 1 in Appendix B.

The lithology of site, as compiled from the excavations and soil borings, is as follows:

- 0-1' bgs – caliche pad
- 1-3' bgs – light brown, fine sand, poorly graded
- 3-9' bgs – tan sandstone, cemented (caliche)
- 9-22' bgs – very hard and dense, white sandstone, cemented (caliche)
- 22-30' bgs – various silty sands, with small rounded gravel
- 30-35' bgs – gray clay
- 35-44' bgs – red, dense, firm clay

4.0 FINDINGS AND RECOMMENDATIONS

JHC submits this report to Merit which documents the activities, findings and recommendations for the project. Based on results of the field activities and laboratory analysis the findings are as follows:

- The concentrations of BTEX and TPH in the confirmation sample from the initial excavation were 0.0199 mg/kg and 49.1 mg/kg, respectively, well below the remediation levels for the site's ranking;

- The chloride concentrations in the soils under the site have been delineated to below 250 mg/kg with subsequent samples also below 250 mg/kg; this depth was found at approximately 35 feet bgs;

- The dense red clay layer (red bed) was also encountered at approximately 35 feet bgs. No groundwater was encountered during any boring or excavation activities; and,

- Throughout the soil samples collected from both soil borings, only three of the 28 samples had chloride concentrations above 1,000 mg/kg, additionally, these three samples were below 2,000 mg/kg.

- Consideration should be given to the proximity to the naturally occurring salt lakes, and that the new battery will be constructed on a poly liner.

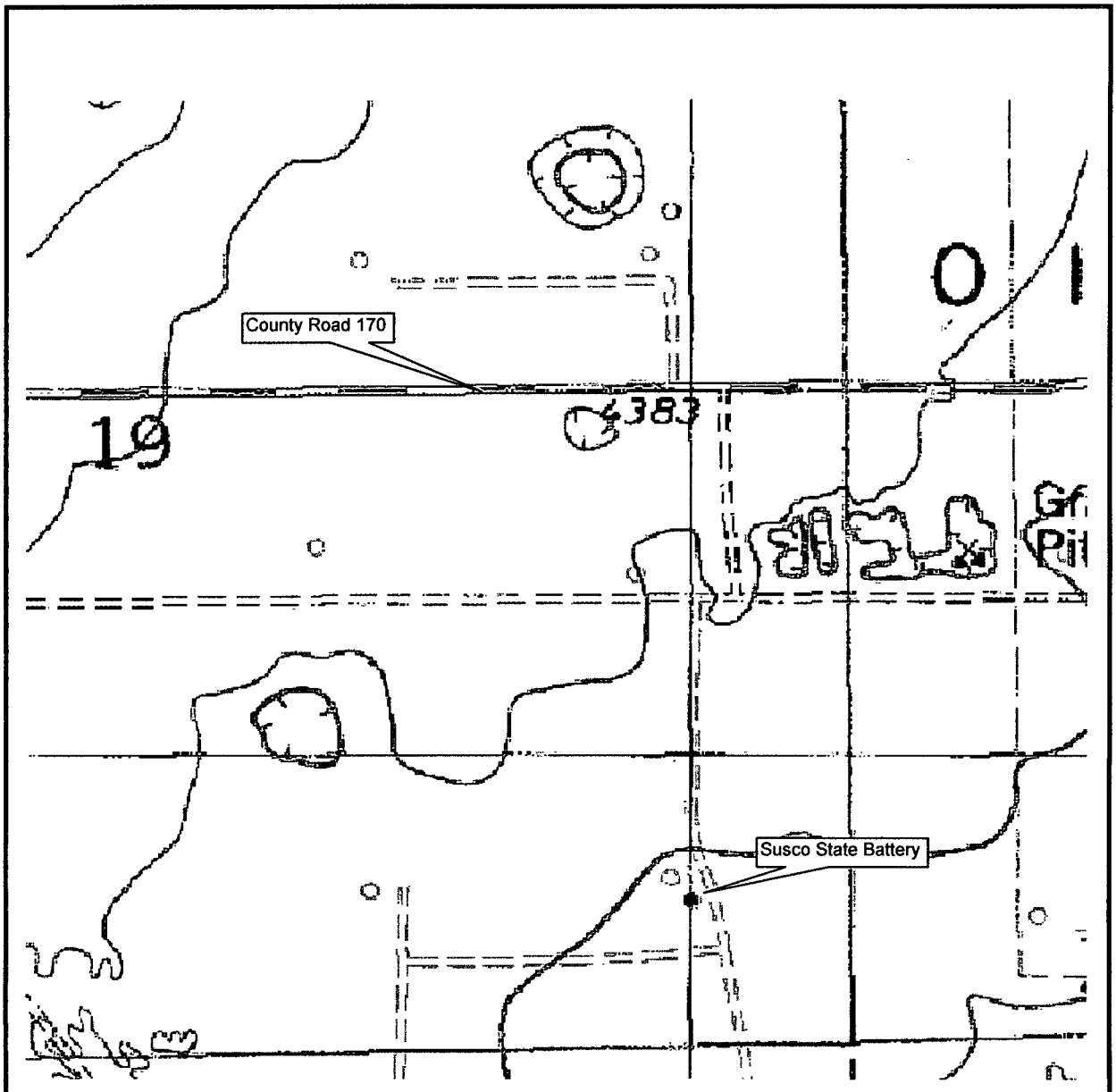
The recommendations are as follows:

- Submittal of this report to the OCD to document the delineation of the chloride affected soils; and,

- Based on the discovery that there is no groundwater to protect under the site, between the surface and the red beds, and the very low chloride concentrations remaining in the soils, the current excavations should be satisfactory.

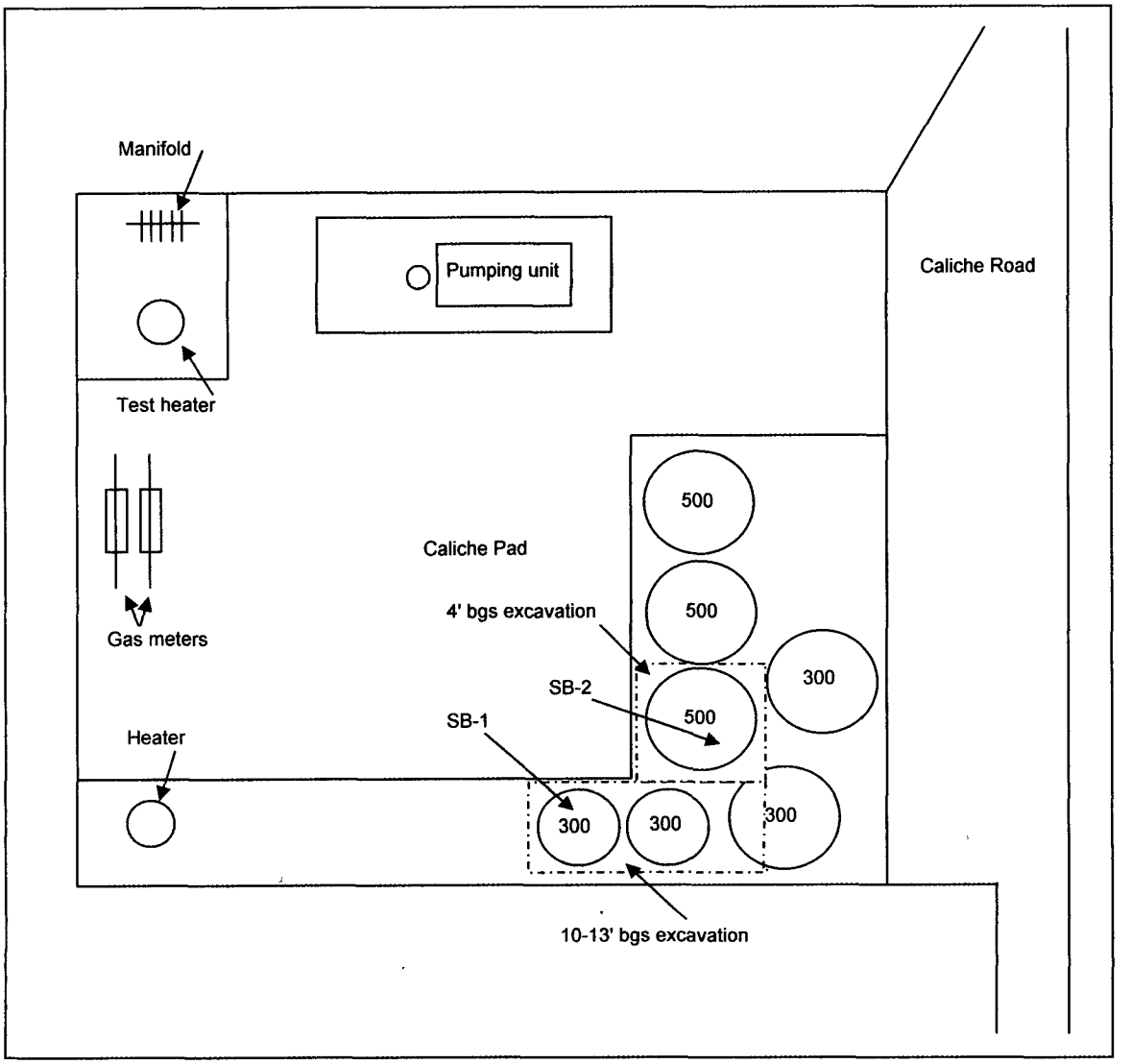
APPENDIX A

Figure 1 – Topographic Map
Figure 2 – Aerial Photograph
Figure 3 – Site Map



Source: Terraserver Dated July 1,1984	**Merit Energy Company**	Figure 1 Topographic Map
Scale: 1" = 200 yards	Susco State Battery	
N	24 miles northwest of Tatum Lea County, New Mexico	Prepared By: Jim Hollon Consulting

Source: Terraserver	**Merit Energy Company**	Figure 2
Dated September 19,1996		Aerial Photograph
Scale: 1" = 1 Mile	Susco State Battery	
N	24 miles northwest of Tatum Lea County, New Mexico	Prepared By: Jim Hollon Consulting



	Merit Energy Company	Figure 3 Site Map
Not to Scale	Susco State Battery	
N	24 miles northwest of Tatum Lea County, New Mexico	Prepared By: Jim Hollon Consulting

APPENDIX B

Analytical Summary Table
Laboratory Data Sheets
Laboratory Chain of Custody Documents

Table 1

CONCENTRATIONS OF CHEMICALS OF CONCERN IN SOIL

Merit Energy
Susco State
Tatum, Lea County, New Mexico

All concentrations are in mg/kg

SAMPLE DATE	SAMPLE LOCATION	SAMPLE DEPTH	EPA 325.3	EPA Method 8015M				EPA Method 8021B				
			TOTAL CHLORIDE	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	TOTAL BTEX
9/11/2007	300 E	4'	**5,100**	<12 0	<12.0	<12 0	<12.0	<0.0012	<0 0012	<0 0012	<0 0024	<0 0024
	300 W	4'	**1,110**	218	2,350	552	**3,120**	<0.0011	<0 0011	<0 0011	<0 0023	<0 0023
9/26/2007	300-1	10'	**1,430**	18.2	30 9	<11 2	49.1	<0.0056	<0.0056	<0.0056	0 0199	0.0199
	300-2 (DUP)	10'	**1,490**									
	Topsoil	comp	**681**									
	Stockpile	comp	**2,210**									
12/4/2007	300 N	comp	**851**									
	S	comp	**13,600**									
	E	comp	**7,440**									
	W	comp	**6,270**									
	Bottom	13'	**1,340**									
	Dup Bottom	13'	**1,320**									
	Caliche pit	8'	21									
12/12/2007	E-1 6'	7'	**6,160**									
	E-2 10'	7'	**1,030**									
	E-3 16'	5'	**1,540**									
	W-1 4'	10'	**5,950**									
	W-2 8'	8'	**1,230**									
	W-3 12'	4'	**1,000**									
	S-1 4'	8'	**317**									
	S-2 8'	6'	**1,830**									
	S-3 12'	4'	**1,110**									
1/4/2008	SB-1	16-18'	117									
		21-23'	**1,340**									
		26-28'	**893**									
		31-33'	**681**									
		35-36'	**425**									
		36-37'	170									
		37-38'	213									
		41-43'	128									
	SB-2	4-6'	**298**									
		6-8'	**1,660**									
		8-10'	**1,910**									
		10-12'	**766**									
		12-14'	**723**									
		14-16'	**808**									
		16-18'	**723**									
		18-20'	**808**									
		20-22'	**723**									
		22-24'	**978**									
		24-26'	**510**									
		26-28'	**383**									
		28-30'	**425**									
		30-32'	**298**									
		32-34'	**298**									
		34-36'	170									
		36-38'	128									
		38-40'	213									
		40-42'	106									
		42-44'	170									

CONCENTRATIONS IN BOLD ARE ABOVE REGULATORY GUIDELINES

Analytical Report 295486

for

Merit Energy

Project Manager: Jim Hollon

Susco State

08-JAN-08

12600 West I-20 East Odessa, Texas 79765

Texas certification numbers:
Houston, TX T104704215

Florida certification numbers:
Houston, TX E871002 - Miami, FL E86678 - Tampa, FL E86675
Norcross(Atlanta), GA E87429

South Carolina certification numbers:
Norcross(Atlanta), GA 98015

North Carolina certification numbers:
Norcross(Atlanta), GA 483

Houston - Dallas - San Antonio - Austin - Tampa - Miami - Latin America
Midland - Corpus Christi - Atlanta

08-JAN-08

Project Manager: **Jim Hollon**
Merit Energy
P.O. Box 300
Whiteface, TX 79379

Reference: XENCO Report No: **295486**
Susco State
Project Address: Tatum

Jim Hollon:

We are reporting to you the results of the analyses performed on the samples received under the project name referenced above and identified with the XENCO Report Number 295486. All results being reported under this Report Number apply to the samples analyzed and properly identified with a Laboratory ID number. Subcontracted analyses are identified in this report with either the NELAC certification number of the subcontract lab in the analyst ID field, or the complete subcontracted report attached to this report.

Unless otherwise noted in a Case Narrative, all data reported in this Analytical Report are in compliance with NELAC standards. Estimation of data uncertainty for this report is found in the quality control section of this report unless otherwise noted. Should insufficient sample be provided to the laboratory to meet the method and NELAC Matrix Duplicate and Matrix Spike requirements, then the data will be analyzed, evaluated and reported using all other available quality control measures.

The validity and integrity of this report will remain intact as long as it is accompanied by this letter and reproduced in full, unless written approval is granted by XENCO Laboratories. This report will be filed for at least 5 years in our archives after which time it will be destroyed without further notice, unless otherwise arranged with you. The samples received, and described as recorded in Report No. 295486 will be filed for 60 days, and after that time they will be properly disposed without further notice, unless otherwise arranged with you. We reserve the right to return to you any unused samples, extracts or solutions related to them if we consider so necessary (e.g., samples identified as hazardous waste, sample sizes exceeding analytical standard practices, controlled substances under regulated protocols, etc).

We thank you for selecting XENCO Laboratories to serve your analytical needs. If you have any questions concerning this report, please feel free to contact us at any time.

Respectfully,

Brent Barron, II
Odessa Laboratory Manager

Sample Cross Reference 295486

Merit Energy, Whiteface, TX

Susco State

Sample Id	Matrix	Date Collected	Sample Depth	Lab Sample Id
SB - 1	S	Jan-04-08 00:00	16 - 18	295486-001
SB - 1	S	Jan-04-08 00:00	21 - 23	295486-002
SB - 1	S	Jan-04-08 00:00	26 - 28	295486-003
SB - 1	S	Jan-04-08 00:00	31 - 33	295486-004
SB - 1	S	Jan-04-08 00:00	35 - 36	295486-005
SB - 1	S	Jan-04-08 00:00	36 - 37	295486-006
SB - 1	S	Jan-04-08 00:00	37 - 38	295486-007
SB - 1	S	Jan-04-08 00:00	41 - 43	295486-008
SB - 2	S	Jan-04-08 00:00	4 - 6	295486-009
SB - 2	S	Jan-04-08 00:00	6 - 8	295486-010
SB - 2	S	Jan-04-08 00:00	8 - 10	295486-011
SB - 2	S	Jan-04-08 00:00	10 - 12	295486-012
SB - 2	S	Jan-04-08 00:00	12 - 14	295486-013
SB - 2	S	Jan-04-08 00:00	14 - 16	295486-014
SB - 2	S	Jan-04-08 00:00	16 - 18	295486-015
SB - 2	S	Jan-04-08 00:00	18 - 20	295486-016
SB - 2	S	Jan-04-08 00:00	20 - 22	295486-017
SB - 2	S	Jan-04-08 00:00	22 - 24	295486-018
SB - 2	S	Jan-04-08 00:00	24 - 26	295486-019
SB - 2	S	Jan-04-08 00:00	26 - 28	295486-020
SB - 2	S	Jan-04-08 00:00	28 - 30	295486-021
SB - 2	S	Jan-04-08 00:00	30 - 32	295486-022
SB - 2	S	Jan-04-08 00:00	32 - 34	295486-023
SB - 2	S	Jan-04-08 00:00	34 - 36	295486-024
SB - 2	S	Jan-04-08 00:00	36 - 38	295486-025
SB - 2	S	Jan-04-08 00:00	38 - 40	295486-026
SB - 2	S	Jan-04-08 00:00	40 - 42	295486-027
SB - 2	S	Jan-04-08 00:00	42 - 44	295486-028

Certificate of Analysis Summary 295486

Merit Energy, Whiteface, TX

Project Name: Susco State

Project Id:

Contact: Jim Hollon

Project Location: Tatum

Date Received in Lab: Mon Jan-07-08 11 55 am

Report Date: 08-JAN-08

Project Manager: Brent Barron, II

Analysis Requested													
	Lab Id:	295486-001		295486-002		295486-003		295486-004		295486-005		295486-006	
	Field Id:	SB - 1		SB - 1		SB - 1		SB - 1		SB - 1		SB - 1	
	Depth:	16-18		21-23		26-28		31-33		35-36		36-37	
	Matrix:	SOIL		SOIL		SOIL		SOIL		SOIL		SOIL	
	Sampled:	Jan-04-08 00 00		Jan-04-08 00 00		Jan-04-08 00.00		Jan-04-08 00 00		Jan-04-08 00 00		Jan-04-08 00 00	
Total Chloride by EPA 325.3	***Extracted:***												
	Analyzed:	Jan-07-08 15 30		Jan-07-08 15 30		Jan-07-08 15.30		Jan-07-08 15 30		Jan-07-08 15 30		Jan-07-08 15 30	
	Units/RL:	mg/kg	RL	mg/kg	RL	mg/kg	RL	mg/kg	RL	mg/kg	RL	mg/kg	RL
Chloride		117	5 00	1340	5.00	893	5 00	681	5 00	425	5 00	170	5 00

Brent Barron
Odessa Laboratory Director

ENVIRONMENTAL LAB OF

Certificate of Analysis Summary 295486

Merit Energy, Whiteface, TX

Project Name: Susco State

Project Id:

Contact: Jim Hollon

Project Location: Tatum

Date Received in Lab: Mon Jan-07-08 11.55 am

Report Date: 08-JAN-08

Project Manager: Brent Barron, II

Analysis Requested													
	Lab Id:	295486-007		295486-008		295486-009		295486-010		295486-011		295486-012	
	Field Id:	SB - 1		SB - 1		SB - 2		SB - 2		SB - 2		SB - 2	
	Depth:	37-38		41-43		4-6		6-8		8-10		10-12	
	Matrix:	SOIL		SOIL		SOIL		SOIL		SOIL		SOIL	
	Sampled:	Jan-04-08 00.00		Jan-04-08 00 00		Jan-04-08 00 00		Jan-04-08 00 00		Jan-04-08 00 00		Jan-04-08 00 00	
Total Chloride by EPA 325.3	***Extracted:***												
	Analyzed:	Jan-07-08 15 30		Jan-07-08 15 30		Jan-07-08 15 30		Jan-07-08 15 30		Jan-07-08 15 30		Jan-07-08 15 30	
	Units/RL:	mg/kg	RL	mg/kg	RL	mg/kg	RL	mg/kg	RL	mg/kg	RL	mg/kg	RL
Chloride		213	5 00	128	5 00	298	5 00	1660	5 00	1910	5 00	766	5 00

Brent Barron
Odessa Laboratory Director

Certificate of Analysis Summary 295486

Merit Energy, Whiteface, TX

Project Name: Susco State

Project Id:

Contact: Jim Hollon

Project Location: Tatum

Date Received in Lab: Mon Jan-07-08 11 55 am

Report Date: 08-JAN-08

Project Manager: Brent Barron, II

Analysis Requested	*Lab Id:*	295486-013		295486-014		295486-015		295486-016		295486-017		295486-018	
	Field Id:	SB - 2		SB - 2		SB - 2		SB - 2		SB - 2		SB - 2	
	Depth:	12-14		14-16		16-18		18-20		20-22		22-24	
	Matrix:	SOIL		SOIL		SOIL		SOIL		SOIL		SOIL	
	Sampled:	Jan-04-08 00 00		Jan-04-08 00 00		Jan-04-08 00 00		Jan-04-08 00 00		Jan-04-08 00 00		Jan-04-08 00 00	
Total Chloride by EPA 325.3	*Extracted:*												
	Analyzed:	Jan-07-08 15 30		Jan-07-08 15 30		Jan-07-08 15 30		Jan-07-08 15 30		Jan-07-08 15 30		Jan-07-08 15 30	
	Units/RL:	mg/kg	RL	mg/kg	RL	mg/kg	RL	mg/kg	RL	mg/kg	RL	mg/kg	RL
Chloride		723	5.00	808	5 00	723	5 00	808	5 00	723	5 00	978	5 00

Brent Barron
Odessa Laboratory Director

Certificate of Analysis Summary 295486

Merit Energy, Whiteface, TX

Project Name: Susco State

Project Id:

Contact: Jim Hollon

Project Location: Tatum

Date Received in Lab: Mon Jan-07-08 11.55 am

Report Date: 08-JAN-08

Project Manager: Brent Barron, II

Analysis Requested													
	Lab Id:	295486-019		295486-020		295486-021		295486-022		295486-023		295486-024	
	Field Id:	SB - 2		SB - 2		SB - 2		SB - 2		SB - 2		SB - 2	
	Depth:	24-26		26-28		28-30		30-32		32-34		34-36	
	Matrix:	SOIL		SOIL		SOIL		SOIL		SOIL		SOIL	
	Sampled:	Jan-04-08 00 00		Jan-04-08 00 00		Jan-04-08 00 00		Jan-04-08 00 00		Jan-04-08 00 00		Jan-04-08 00 00	
Total Chloride by EPA 325.3	***Extracted:***												
	Analyzed:	Jan-07-08 15 30		Jan-07-08 15 30		Jan-07-08 16.15		Jan-07-08 16 15		Jan-07-08 16 15		Jan-07-08 16 15	
	Units/RL:	mg/kg	RL	mg/kg	RL	mg/kg	RL	mg/kg	RL	mg/kg	RL	mg/kg	RL
Chloride		510	5 00	383	5 00	425	5 00	298	5.00	298	5 00	170	5 00

Since 1990 Houston - Dallas - San Antonio - Austin - Tampa - Miami - Latin America - Atlanta - Corpus Christi

Brent Barron
Odessa Laboratory Director

ENVIRONMENTAL LAB OF

Certificate of Analysis Summary 295486

Merit Energy, Whiteface, TX

Project Name: Susco State

Project Id:

Contact: Jim Hollon

Project Location: Tatum

Date Received in Lab: Mon Jan-07-08 11 55 am

Report Date: 08-JAN-08

Project Manager: Brent Barron, II

Analysis Requested													
	Lab Id:	295486-025		295486-026		295486-027		295486-028					
	Field Id:	SB - 2		SB - 2		SB - 2		SB - 2					
	Depth:	36-38		38-40		40-42		42-44					
	Matrix:	SOIL		SOIL		SOIL		SOIL					
	Sampled:	Jan-04-08 00 00		Jan-04-08 00 00		Jan-04-08 00 00		Jan-04-08 00 00					
Total Chloride by EPA 325.3	***Extracted:***												
	Analyzed:	Jan-07-08 16 15		Jan-07-08 16 15		Jan-07-08 16 15		Jan-07-08 16 15					
	Units/RL:	mg/kg	RL	mg/kg	RL	mg/kg	RL	mg/kg	RL				
Chloride		128	5 00	213	5 00	106	5 00	170	5 00				

Since 1990 Houston - Dallas - San Antonio - Austin - Tampa - Miami - Latin America - Atlanta - Corpus Christi

Brent Barron
Odessa Laboratory Director

Flagging Criteria

X In our quality control review of the data a QC deficiency was observed and flagged as noted. MS/MSD recoveries were found to be outside of the laboratory control limits due to possible matrix /chemical interference, or a concentration of target analyte high enough to effect the recovery of the spike concentration. This condition could also effect the relative percent difference in the MS/MSD.

B A target analyte or common laboratory contaminant was identified in the method blank. Its presence indicates possible field or laboratory contamination.

D The sample(s) were diluted due to targets detected over the highest point of the calibration curve, or due to matrix interference. Dilution factors are included in the final results. The result is from a diluted sample.

E The data exceeds the upper calibration limit; therefore, the concentration is reported as estimated.

F RPD exceeded lab control limits.

J The target analyte was positively identified below the MQL(PQL) and above the SQL(MDL).

U Analyte was not detected.

L The LCS data for this analytical batch was reported below the laboratory control limits for this analyte. The department supervisor and QA Director reviewed data. The samples were either reanalyzed or flagged as estimated concentrations.

H The LCS data for this analytical batch was reported above the laboratory control limits. Supporting QC Data were reviewed by the Department Supervisor and QA Director. Data were determined to be valid for reporting.

K Sample analyzed outside of recommended hold time.

* Outside XENCO'S scope of NELAC Accreditation

Blank Spike Recovery

Project Name: Susco State

Work Order #: 295486 **Project ID:**

Lab Batch #: 711678 **Sample:** 711678-1-BKS **Matrix:** Solid
Date Analyzed: 01/07/2008 **Date Prepared:** 01/07/2008 **Analyst:** IRO
Reporting Units: mg/kg **Batch #:** 1

Total Chloride by EPA 325.3 Analytes	Blank Result [A]	Spike Added [B]	Blank Spike Result [C]	Blank Spike %R [D]	Control Limits %R	Flags
	BLANK /BLANK SPIKE RECOVERY STUDY					
Chloride	ND	100	91.5	92	75-125	

Lab Batch #: 711680 **Sample:** 711680-1-BKS **Matrix:** Solid
Date Analyzed: 01/07/2008 **Date Prepared:** 01/07/2008 **Analyst:** IRO
Reporting Units: mg/kg **Batch #:** 1

Total Chloride by EPA 325.3 Analytes	Blank Result [A]	Spike Added [B]	Blank Spike Result [C]	Blank Spike %R [D]	Control Limits %R	Flags
	BLANK /BLANK SPIKE RECOVERY STUDY					
Chloride	ND	100	95 7	96	75-125	

Blank Spike Recovery [D] = 100*[C]/[B]
All results are based on MDL and validated for QC purposes.

Form 3 - MS / MSD Recoveries

Project Name: Susco State

Work Order # : 295486 **Project ID:**

Lab Batch ID: 711678 **QC- Sample ID:** 295486-009 S **Batch #:** 1 **Matrix:** Soil

Date Analyzed: 01/07/2008 **Date Prepared:** 01/07/2008 **Analyst:** IRO

Reporting Units: mg/kg

Total Chloride by EPA 325.3 Analytes	MATRIX SPIKE / MATRIX SPIKE DUPLICATE RECOVERY STUDY										
	Parent Sample Result [A]	Spike Added [B]	Spiked Sample Result [C]	Spiked Sample %R [D]	Spike Added [E]	Duplicate Spiked Sample Result [F]	Spiked Dup. %R [G]	RPD %	Control Limits %R	Control Limits %RPD	Flag
Chloride	298	1000	1280	98	1000	1300	100	2	75-125	30	

Lab Batch ID: 711680 **QC- Sample ID:** 295486-027 S **Batch #:** 1 **Matrix:** Soil

Date Analyzed: 01/07/2008 **Date Prepared:** 01/07/2008 **Analyst:** IRO

Reporting Units: mg/kg

Total Chloride by EPA 325.3 Analytes	MATRIX SPIKE / MATRIX SPIKE DUPLICATE RECOVERY STUDY										
	Parent Sample Result [A]	Spike Added [B]	Spiked Sample Result [C]	Spiked Sample %R [D]	Spike Added [E]	Duplicate Spiked Sample Result [F]	Spiked Dup. %R [G]	RPD %	Control Limits %R	Control Limits %RPD	Flag
Chloride	106	1000	1230	112	1000	1230	112	0	75-125	30	

Matrix Spike Percent Recovery [D] = 100*(C-A)/B
Relative Percent Difference RPD = 200*(D-G)/(D+G)

Matrix Spike Duplicate Percent Recovery [G] = 100*(F-A)/E

ND = Not Detected, J = Present Below Reporting Limit, B = Present in Blank, NR = Not Requested, I = Interference, NA = Not ApplicableN = See Narrative, EQL = Estimated Quantitation Limit

Environmental Lab of Texas

CHAIN OF CUSTODY RECORD AND ANALYSIS REQUEST

12600 West I-20 East
Odessa, Texas 79765

Phone: 432-563-1800
Fax: 432-563-1713

Project Manager: Jim Holton
Company Name: Merit Energy Company
Company Address: P.O. Box 300
City/State/Zip: Whitefface, Texas 79379
Telephone No: 432-637-5768 Fax No. 432-563-1166
Sampler Signature: Jim Holton e-mail: Jim@JHCon.net

Project Name: Susco State
Project #:
Project Loc: Tatum
PO #:
Report Format: ☑ Standard ☐ TRRP ☐ NPDES

(lab use only)
ORDER #: 29548

LAB # (lab use only)	FIELD CODE	Beginning Depth	Ending Depth	Date Sampled	Time Sampled	No. of Containers	Preservation & # of Containers: Ice	HNO3	HCl	H2SO4	NaOH	Na2S2O3	None	Other (Specify)	Matrix: DW=Drinking Water SL=Sludge GW= Groundwater S=Soil/Solid NP=Non-Potable Specify Other	Analyze For: TCLP / TOTAL: TPH 418.1 8015M 1005 1005	Cations (Ca, Mg, Na, K)	Anions (Cl, SO4, CO3, HCO3)	SAR / ESP / CEC	Metals: As Ag Ba Cd Cr Pb Hg Se	Volatiles	Semivolatiles	BTEX 8021B/5030 or BTEX 8260	RCI	N O R M	Chlorides	Specific Conductance			RUSH TAT (Pre-Scheduled) 24, 48, 72 hrs	Standard TAT
001	SB - 1	16	18	1/4/2008		1							X		S												X					X
002	SB - 1	21	23	1/4/2008		1							X		S												X					X
003	SB - 1	26	28	1/4/2008		1							X		S												X					X
004	SB - 1	31	33	1/4/2008		1							X		S												X					X
005	SB - 1	35	36	1/4/2008		1							X		S												X					X
006	SB - 1	36	37	1/4/2008		1							X		S												X					X
007	SB - 1	37	38	1/4/2008		1							X		S												X					X
008	SB - 1	41	43	1/4/2008		1							X		S												X					X

Special Instructions:

Relinquished by	Date	Time	Received by:	Date	Time
Jim Holton	1-7-08	11:55			
Relinquished by:	Date	Time	Received by:	Date	Time
Relinquished by:	Date	Time	Received by ELOT	Date	Time
			[illegible]	01/07/08	11:55

Laboratory Comments:
Sample Containers Intact? Y (N)
VOCs Free of Headspace? Y N
Custody seals on container(s) Y N
Custody seals on cooler(s) Y N
Sample Hand Delivered by Sampler/Client Rep ? Y (N)
by Courier? UPS DHL FedEx Lone Star

Temperature Upon Receipt 11.0 °C

Environmental Lab of Texas

CHAIN OF CUSTODY RECORD AND ANALYSIS REQUEST

12600 West I-20 East
Odessa, Texas 79765

Phone: 432-563-1800
Fax: 432-563-1713

Project Manager: Jim Holon
Company Name: Merit Energy Company
Company Address: P O Box 300
City/State/Zip: Whiteface, Texas 79379
Telephone No: 432-634-5768
Fax No: 432-563-1166
Sampler Signature: Jim Holon
e-mail: Jim@JHCon.net

Project Name: Susco State
Project #:
Project Loc: Tatum
PO #:
Report Format: ☑ Standard ☐ TRRP ☐ NPDES

(lab use only)
ORDER #: 29548

LAB # (lab use only)	FIELD CODE	Beginning Depth	Ending Depth	Date Sampled	Time Sampled	No. of Containers	Preservation & # of Containers: Ice	HNO3	HCl	H2SO4	NaOH	Na2S2O3	None	Other (Specify)	Matrix: DW=Drinking Water SL=Sludge GW = Groundwater S=Soil/Solid NP=Non-Potable A=Air Other	Analyze For: TCLP: TPH 418.1 8015M 1005 1005	TOTAL: Cations (Ca, Mg, Na, K)	Anions (Cl, SO4, CO3, HCO3)	SAR / ESP / CEC	Metals: As Ag Ba Cd Cr Pb Hg Se	Volatiles	Semivolatiles	BTEX 8021B/5030 or BTEX 8260	RCI	N O R M	Chlorides	Specific Conductance			RUSH TAT (Pre-Scheduled) 24, 48, 72 hrs	Standard TAT
009	SB - 2	4	6	1/4/2008		1							X		S											X				X
010	SB - 2	6	8	1/4/2008		1							X		S											X				X
011	SB - 2	8	10	1/4/2008		1							X		S											X				X
012	SB - 2	10	12	1/4/2008		1							X		S											X				X
013	SB - 2	12	14	1/4/2008		1							X		S											X				X
014	SB - 2	14	16	1/4/2008		1							X		S											X				X
015	SB - 2	16	18	1/4/2008		1							X		S											X				X
016	SB - 2	18	20	1/4/2008		1							X		S											X				X
017	SB - 2	20	22	1/4/2008		1							X		S											X				X
018	SB - 2	22	24	1/4/2008		1							X		S											X				X

Special Instructions:

Relinquished by	Date	Time	Received by	Date	Time
Jim Holon	1-7-08	11:55			
Relinquished by	Date	Time	Received by:	Date	Time
Relinquished by	Date	Time	Received by ELOT	Date	Time
				01/07/08	11:55

Laboratory Comments:
Sample Containers Intact? Y (N)
VOCs Free of Headspace? Y N
Custody seals on container(s) Y N
Custody seals on cooler(s) Y N
Sample Hand Delivered by Sampler/Client Rep.? Y N
by Courier? UPS DHL FedEx Lone Star

Temperature Upon Receipt 19.C °C

Environmental Lab of Texas

CHAIN OF CUSTODY RECORD AND ANALYSIS REQUEST

12600 West I-20 East
Odessa, Texas 79765

Phone: 432-563-1800
Fax: 432-563-1713

Project Manager: Jim Holton
Company Name: Merit Energy Company
Company Address: P O Box 300
City/State/Zip: Whiteface, Texas 79379
Telephone No: 432-631-5768
Sampler Signature: [signature]

Project Name: Susco State
Project #:
Project Loc: Tatum
PO #:
Fax No: 432-563-1166
e-mail: Jim@JHCon.net
Report Format: ☑ Standard ☐ TRRP ☐ NPDES

(lab use only)
ORDER #: 295486

LAB # (lab use only)	FIELD CODE	Beginning Depth	Ending Depth	Date Sampled	Time Sampled	No of Containers	Ice	HNO_3	HCl	H_2SO_4	NaOH	$Na_2S_2O_3$	None (28-4oz)	Other (Specify)	Matrix (DW=Drinking Water SL=Sludge GW=Groundwater S=Soil/Solid NP=Non-Potable Specify Other)	TPH: 418.1 8015M 1005 1006	Cations (Ca, Mg, Na, K)	Anions (Cl, SO4, CO3, HCO3)	SAR / ESP / CEC	Metals: As Ag Ba Cd Cr Pb Hg Se	Volatiles	Semivolatiles	BTEX 8021B/5030 or BTEX 8260	RCI	N.O.R.M.	Chlorides	Specific Conductance			RUSH TAT (Pre-Schedule) 24, 48, 72 hrs	Standard TAT
019	SB - 2	24	26	1/4/2008		1							X		S											X					X
020	SB - 2	26	28	1/4/2008		1							X		S											X					X
021	SB - 2	28	30	1/4/2008		1							X		S											X					X
022	SB - 2	30	32	1/4/2008		1							X		S											X					X
023	SB - 2	32	34	1/4/2008		1							X		S											X					X
024	SB - 2	34	36	1/4/2008		1							X		S											X					X
025	SB - 2	36	38	1/4/2008		1							X		S											X					X
026	SB - 2	38	40	1/4/2008		1							X		S											X					X
027	SB - 2	40	42	1/4/2008		1							X		S											X					X
028	SB - 2	42	44	1/4/2008		1							X		S											X					X

Special Instructions:

Relinquished by	Date	Time	Received by	Date	Time
[signature]	1-7-08	11:55			
			Received by ELOT: [signature]	01/07/08	11:55

Laboratory Comments:
Sample Containers Intact? (Y) N
VOCs Free of Headspace? Y (N/A)
Custody seals on container(s) Y (N)
Custody seals on cooler(s) Y (N)
Sample Hand Delivered (Y) N
by Sampler/Client Rep.? (Y) N
by Courier? UPS DHL FedEx Lone Star
Temperature Upon Receipt: 19.0 °C

Environmental Lab of Texas

Variance/ Corrective Action Report- Sample Log-In

Client: Merit Energy Company

Date/ Time: 01/07/08 11:55

Lab ID #: 295486

Initials: GMA

Sample Receipt Checklist

					Client Initials
#1	Temperature of container/ cooler?	(Yes)	No	19.0 °C	
#2	Shipping container in good condition?	(Yes)	No		
#3	Custody Seals intact on shipping container/ cooler?	Yes	No	(Not Present)	
#4	Custody Seals intact on sample bottles/ container?	Yes	No	(Not Present)	
#5	Chain of Custody present?	(Yes)	No		
#6	Sample instructions complete of Chain of Custody?	(Yes)	No		
#7	Chain of Custody signed when relinquished/ received?	(Yes)	No		
#8	Chain of Custody agrees with sample label(s)?	(Yes)	No	ID written on Cont / Lid	
#9	Container label(s) legible and intact?	(Yes)	No	Not Applicable	
#10	Sample matrix/ properties agree with Chain of Custody?	(Yes)	No		
#11	Containers supplied by ELOT?	(Yes)	No		
#12	Samples in proper container/ bottle?	(Yes)	No	See Below	
#13	Samples properly preserved?	(Yes)	No	See Below	
#14	Sample bottles intact?	(Yes)	No		
#15	Preservations documented on Chain of Custody?	(Yes)	No		
#16	Containers documented on Chain of Custody?	(Yes)	No		
#17	Sufficient sample amount for indicated test(s)?	(Yes)	No	See Below	
#18	All samples received within sufficient hold time?	(Yes)	No	See Below	
#19	Subcontract of sample(s)?	Yes	No	(Not Applicable)	
#20	VOC samples have zero headspace?	Yes	No	(Not Applicable)	

Variance Documentation

Contact: _____ Contacted by: _____ Date/ Time: _____

Regarding: _____

Corrective Action Taken: _____

Check all that Apply

- ☐ See attached e-mail/ fax
- ☐ Client understands and would like to proceed with analysis
- ☐ Cooling process had begun shortly after sampling event

APPENDIX C

Soil Boring Logs

Boring ID: SB-1
Project: Susco State Lease
Location: 24 mi. NW of Tatum NM
Boring Date: 1/4/2008
Datum: Ground surface

Logged By: Jim Hollon Consulting
Installed By: Straub Corporation
Bore Diameter: 5"
Well Diameter: N/A
Screen Size: N/A

Depth Feet	Boring Method	Soil Profile			Samples		Completion Data		
		Description	Strata	Depth (BGS)	ID	Type			
GS									
1 2 3		Open Excavation		3'					
4 5 6 7 8 9 10 11 12		Cased Hole, Backfill		13'					43' Bentonite hole plug
13 14 15	Air Rotary						Chloride Concentration (mg/kg)		
16 17 18 19 20 21		Very hard & dense, cemented sandstone (caliche)		22'	16-18'	C	117		
22 23 24 25		Tan silty sand w/ small gravel		26'	21-23'	C	1,340		
26 27 28 29 30		Orange silty sand w/ small gravel		31'	26-28'	C	893		
31 32 33 34		Gray clay		35'	31-33'	C	681		
35 36 37 38 39 40 41 42		Red Clay, dense, firm		43'	35-36'	C	425		
					36-37'	C	170		
					37-38'	C	213		
					41-43'	C	128		
43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60		End of exploration @43'							

Boring ID: SB-2
Project. Susco State Lease
Location: 24 mi. NW of Tatum NM
Boring Date: 1/4/2008
Datum: Ground surface

Logged By: Jim Hollon Consulting
Installed By: Straub Corporation
Bore Diameter: 5"
Well Diameter: N/A
Screen Size: N/A

Depth Feet	Boring Method	Soil Profile			Samples		Completion Data		
		Description	Strata	Depth (BGS)	ID	Type			
GS									
1 2 3 4	Air Rotary	Caliche Backfill		4			Chloride Concentration (mg/kg)		44' Bentonite hole plug
5 6 7 8 9		Tan silty, sandstone (caliche)		9	4-6'	C	298		
					6-8'	C	1,660		
10 11 12 13 14 15 16 17 18 19 20 21 22		Very hard & dense, cemented sandstone (caliche)		22	8-10'	C	1,910		
					10-12'	C	766		
					12-14'	C	723		
					14-16'	C	808		
					16-18'	C	723		
					18-20'	C	808		
					20-22'	C	723		
23		Tan sitly sand w/ sm		23					
24		Red silty sand		24	22-24'	C	978		
25 26 27 28 29		Orange sand		29	24-26'	C	510		
					26-28'	C	383		
30 31 32 33		Gray clayey sand		33	28-30'	C	425		
					30-32'	C	298		
34		Red clay w/ caliche		34	32-34'	C	298		
35 36 37		Gray clay		37	34-36'	C	170		
					36-38'	C	128		
38 39 40 41 42 43 44		Red Clay, dense, firm		44	38-40'	C	213		
					40-42'	C	106		
					42-44'	C	170		
45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60		End of exploration @44'							

APPENDIX D

Regulatory Report

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: Merit Energy Company	Contact: Dwain Wall
Address: P.O. Box 69, Loco Hills N.M., 88255	Telephone No.: 505-706-4758
Facility Name: Susco State	Facility Type: Production Battery

Surface Owner: SLO	Mineral Owner: SLO	Lease No.: API 300-25-25554

LOCATION OF RELEASE

Unit Letter	Section	Township	Range	Feet from the	North/South Line	Feet from the	East/West Line	County
	19	9S	33E	660'	South	660'	East	Lea

Latitude 33.51298 **Longitude** -103.60086

NATURE OF RELEASE

Type of Release: Produced fluids	Volume of Release: unknown	Volume Recovered:
Source of Release: Storage tanks	Date and Hour of Occurrence: Unknown	Date and Hour of Discovery: 6/25/07
Was Immediate Notice Given? ☐ Yes ☒ No Not Required	If YES, To Whom?	
By Whom?	Date and Hour:	
Was a Watercourse Reached? ☐ Yes ☒ No	If YES, Volume Impacting the Watercourse.	

If a Watercourse was Impacted, Describe Fully.*
N/A

Describe Cause of Problem and Remedial Action Taken.*
Integrity failure of oil stock tanks. The tanks have been removed and 425 cubic yards of affected soil removed from the site. Soil samples were collected from the excavation and submitted to Environmental Labs of Texas, in Odessa, Texas for analysis.

Describe Area Affected and Cleanup Action Taken.*
The suspect tanks and affected soils have been removed, the current excavation measures 15' x 30' x 10' deep, and soil samples have been collected.

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: Jim Hollon	OIL CONSERVATION DIVISION	
Printed Name: Jim Hollon	Approved by District Supervisor: *	
Title: Consultant	Approval Date:	Expiration Date:
E-mail Address: Jim@JHCon.net	Conditions of Approval:	Attached ☐
Date: 10/16/07 Phone: 432-631-5768		

* Attach Additional Sheets If Necessary

* Chris Williams signed cover sheet - PC 1/24/08

RP# 1763