

April 14, 2010

AMARILLO
921 North Bivins
Amarillo, Texas 79107
Phone 806.467.0607
Fax 806.467.0622

ARTESIA
104 West Hermosa
Artesia, New Mexico 88210
Phone 575.746.8768
Fax 575.746.8905

AUSTIN
911 West Anderson Lane
Suite 202
Austin, Texas 78757
Phone 512.989.3428
Fax 512.989.3487

HOBBS
318 East Taylor Street
Hobbs, New Mexico 88240
Phone 575.393.4261
Fax 575.393.4658

MIDLAND
2901 State Hwy 349
Midland, Texas 79706
Phone 432.522.2133
Fax 432.522.2180

SAN ANTONIO
17170 Jordan Rd
Suite 102
Selma, Texas 78154
Phone 210.579.0235
Fax 210.568.2191

TULSA
525 South Main Street
Suite 535
Tulsa, Oklahoma 74103
Phone 918.742.0871
Fax 918.382.0232

TYLER
719 West Front
Suite 255
Tyler, Texas 75702
Phone 903.531.9971
Fax 903.531.9979

Mr. Mike Bratcher
NMOCD District 2
1301 W Grand Avenue
Artesia, NM 88210

RE: Remediation of the Finney Oil Company Malco #1 Storage Tank Crude Release (Lease # LC 067849)

Mr. Bratcher,

Mr. Darrel Finney of Finney Oil Company has contracted Talon/LPE (Talon) to perform remediation services at the Malco # 1 storage tank crude oil release site. Within this transmittal, Talon presents a proposed workplan to perform the remediation activities.

Background

On February 6, 2010 a crude oil release was discovered at the Malco #1 storage tank. The leak resulted from a hole in the tank which was subsequently repaired. The surface owner, US Bureau of Land Management (BLM) was informed of the release and subsequently a C-141 was filed with the New Mexico Oil Conservation Division (NMOCD). The estimated quantity of release was reported as 25.5 barrels, of which none was immediately recovered. The resultant spill measured up to 700 feet in length along the larger of the two divergent flow paths, downhill to the north and northwest. The width of the flow path averaged between 3 feet and 20 feet in width. To minimize the immediate effects of the release, Mr. Finney spread soil and caliche on parts of the flow path to act as an absorbent.

Mr. Finney contacted Talon on March 9, 2010 to request assistance with the remediation activities. Talon subsequently visited the site and then received verbal approval from the NMOCD District 2 office to perform preliminary sampling activities (3/17/10). Talon collected samples along the flow path at depth ranging from 1.5 feet to 3.5 feet below ground surface (bgs). These samples were collected in laboratory provided sample containers, preserved on ice in a cooler, and relinquished to Cardinal Laboratories in Hobbs, NM for analysis of TPH GRO/DRO by SW-846 Method 8015B, BTEX by SW-846 Method 8021, and total chlorides. These analytical results are provided with this letter. Please note that sample point FP-6 is incorrectly identified as a duplicate of FP-5 on the laboratory summary page (i.e. the second FP-5 should be labeled as "FP-6").

While performing the site reconnaissance, Talon identified numerous historic release flowpaths from apparent chloride impact originating from sources not associated with the Malco #1. The Malco #1 does appear to cross some of these historic flow paths. This is a very old field and exhibits visual evidence of heavy historic chloride impact in the surrounding terrain. The area is heavily traversed by flow lines and is heavily

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populated with oil production appurtenances. Based on this visual observation and the background sampling performed by Talon, it appears that Mr. Finney's declaration that the release should have contained little, if any, produced water seems to be vindicated. Additionally, analytical results for the sample collected by Mr. Finney from the surface of the flow path contents (as requested by the BLM - sample I.D. "Tank Battery") indicate a chloride level of 320 mg/kg. Laboratory results from Talon's delineation sampling indicate that only two sample locations exhibited chlorides above 500 mg/kg, and one of these locations (FP-2) was collected outside of the Malco #1 release (between the two flow paths) for use as a background sample. The FP-2 sample indicated very low hydrocarbon content, but elevated chlorides (3,120mg/kg). Additionally, Talon collected three background samples off-site background samples from up-gradient ("uphill") of the location. Two of these samples (001 and 003) were submitted to the laboratory for chloride analysis. The results indicate off-site chloride concentrations at 12,400 and 14,000 mg/kg, respectively.

Proposed Scope of Work

Based on initial analytical results, the obvious evidence of historic chloride impact from off-site sources across a large area, the hydrocarbon-only nature of the Malco #1 release, and the narrow and well defined flow path from the Malco #1 release, Talon proposes the following remedial activities:

- No further delineation sampling, as the Malco #1 release evidence suggests minimal chloride content, preliminary sampling indicates very shallow hydrocarbon impact, and extensive historic chloride impact from off-site sources would render such delineation impracticable.
- Removal of the surficial hydrocarbon residue in the upper release area. This material will be removed and transported to an approved disposal facility.
- In-place treatment of the remaining spill area by aerating and liberal application of MicroBlaze® and water. Thirty days after implementing the treatment, the area will be re-watered with fresh water to enhance the microbial action.
- Approximately 120 days after the initial microbial treatment, samples will be collected from 0.5 feet to 1.0 feet below grade along the flow path to evaluate the remedial results and determine if additional actions are necessary.

If you have any questions please call me at (432) 230-7673.

Respectfully Submitted,



Kyle Summers
District Manager
Talon/LPE – Artesia
432.230.7673

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

RECEIVED

APR 14 2010

Submit 2 Copies to appropriate District Office in accordance with Rule 116 on back side of form

NMOCD ARTESIA

Release Notification and Corrective Action

OPERATOR

Initial Report Final Report

Name of Company FINNEY OIL COMPANY		Contact DARREL FINNEY	
Address PO BOX 1569		Telephone No. 575-746-9292	
Facility Name MALCO #1		Facility Type OIL WELL	
Surface Owner BLM	Mineral Owner BLM	Lease No. LC 067849	

LOCATION OF RELEASE

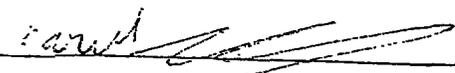
Unit Letter	Section	Township	Range	Feet from the	North/South Line	Feet from the	East/West Line	County
D	35	17	27	330	NORTH	990	WEST	EDDY

Latitude _____ Longitude _____

NATURE OF RELEASE

Type of Release OIL	Volume of Release 25.5	Volume Recovered 0
Source of Release TANK	Date and Hour of Occurrence	Date and Hour of Discovery 2/6/10
Was Immediate Notice Given? <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Required	If YES, To Whom?	
By Whom?	Date and Hour	
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.* HOLE IN TANK/ REPAIRED TANK		
Describe Area Affected and Cleanup Action Taken.* BEHIND TANK BATTERY/ SOIL TESTED WORKING WITH BLM		

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: DARREL FINNEY	Approved by District Supervisor:	
Title: OWNER	Approval Date:	Expiration Date:
E-mail Address:	Conditions of Approval:	Attached <input type="checkbox"/>
Date: 22 FEB 2010 Phone: 746-9293		

Attach Additional Sheets If Necessary



**ARDINAL
LABORATORIES**

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

March 2, 2010

Darrel Finney
Finney Oil
P.O. Box 1569
Artesia, NM 88210

Re: Malco #1

Enclosed are the results of analyses for sample number H19339, received by the laboratory on 02/25/10 at 9:12 am.

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

This report conforms with NELAP requirements.

ARDINAL LABORATORIES

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

ANALYTICAL RESULTS FOR
FINNEY OIL
ATTN: DARREL FINNEY
P.O. BOX 1569
ARTESIA, NM 88210

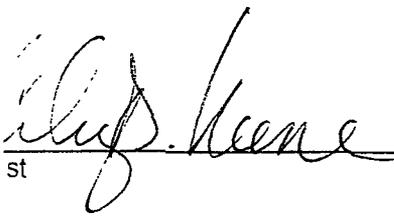
Sampling Date: 02/25/10
Analysis Date: 03/02/10
Lab Number: MALCO #1
Lab Name: MALCO #1
Lab Location: NOT GIVEN

Sampling Date: 02/24/10
Sample Type: SOIL
Sample Condition: INTACT @ 28°C
Sample Received By: JH
Analyzed By: AB/HM

LAB NUMBER	SAMPLE ID	GRO	DRO	CI*
		(C ₆ -C ₁₀) (mg/kg)	(>C ₁₀ -C ₂₈) (mg/kg)	(mg/kg)

ANALYSIS DATE	02/26/10	03/01/10	02/26/10
H19339-1 TANK BATTERY	4,470	24,800	320
Quality Control	422	490	510
True Value QC	500	500	500
% Recovery	84.4	98.0	102
Relative Percent Difference	7.4	1.7	2.0

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



st



Date

TCL FINNEY

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. In no case 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, or 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 services identified above. This report shall not be reproduced except in full with written approval of Cardinal Laboratories.



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

March 22, 2010

Kyle Summers
Talon/LPE
408 Texas St.
Artesia, NM 88210

Re: Malco #1

Enclosed are the results of analyses for sample number H19464, received by the laboratory on 03/17/10 at 2:50 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.

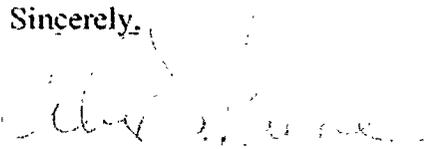
Cardinal Laboratories is accredited through the State of Colorado Department of Public Health and Environment for:

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

This report conforms with NELAP requirements.



ARDINAL LABORATORIES

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

ANALYTICAL RESULTS FOR
TALON/LPE
ATTN: KYLE SUMMERS
408 TEXAS ST.
ARTESIA, NM 88210
FAX TO: (575) 746-8905

Receiving Date: 03/17/10
Reporting Date: 03/22/10
Project Owner: NOT GIVEN
Project Name: MALCO #1
Project Location: EDDY COUNTY, NM

Sampling Date: 03/17/10
Sample Type: SOIL
Sample Condition: INTACT @ 8 °C
Sample Received By: JH
Analyzed By: AB/ZL/HM/SJ

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:		03/19/10	03/19/10	03/18/10	03/18/10	03/18/10	03/18/10	03/17/10
H19464-1	FP1 (2.5')	153	2360	<0.050	0.660	1.94	3.64	464
H19464-2	FP2 (2.5')	<10.0	52.5	<0.050	<0.050	<0.050	<0.300	3120
H19464-3**	FP3 (2.5')	<10.0	281	<0.050	<0.050	<0.050	<0.300	2520
H19464-4**	FP3 (3.5')	<10.0	30.4	<0.050	<0.050	<0.050	<0.300	2480
H19464-5	FP4 (2')	1500	6300	0.062	3.38	5.62	30.9	16
H19464-6	FP4 (3')	278	1370	<0.050	0.396	1.32	7.35	304
H19464-7**	FP5 (2')	<10.0	56.4	<0.050	0.084	0.178	1.44	<16
H19464-8**	FP5 (2') <i>FP6</i>	<10.0	49.3	0.132	0.863	1.06	1.99	<16
H19464-9	FP END	<10.0	<10.0	<0.050	<0.050	<0.050	<0.300	96
Quality Control		536	558	0.056	0.046	0.051	0.152	510
True Value QC		500	500	0.050	0.050	0.050	0.150	500
% Recovery		107	112	112	92.0	102	101	102
Relative Percent Difference		1.7	6.6	6.9	9.8	10.9	11.4	<0.1

METHODS TPH GRO & DRO - EPA SW-846 8015 M; BTEX - SW-846 8260. Cl⁻ Std Methods 4500-Cl-B
*Analyses performed on 1:4 w/v aqueous extracts. Reported on wet weight.
TEXAS NELAP ACCREDITATION T104704398-08-TX FOR BENZENE, TOLUENE, ETHYL BENZENE,
AND TOTAL XYLENES. Not accredited for GRO/DRO and Chloride
**One or more TPH surrogates outside historical limits due to matrix interference.

Kyle Summers

Lab Director

03/22/10

Date

H19464 TBCL TALON

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 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 claims are 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.



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

April 7, 2010

Mike Stubblefield
Talon/LPE
408 Texas St.
Artesia, NM 88210

Re: Malco Federal #1

Enclosed are the results of analyses for sample number H19601, received by the laboratory on 04/05/10 at 4:30 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

This report conforms with NELAP requirements.

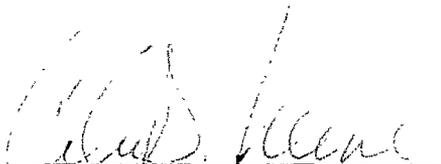
ANALYTICAL RESULTS FOR
TALON LPE
ATTN: MIKE STUBBLEFIELD
408 WEST TEXAS AVE.
ARTESIA, NM 88210
FAX TO: (575) 748-8905

Receiving Date: 04/05/10
Reporting Date: 04/06/10
Project Number: 701297.001.01
Project Name: MALCO FEDERAL #1
Project Location: UT.D-35-17S-27E

Analysis Date: 04/06/10
Sampling Date: 04/05/10
Sample Type: SOIL
Sample Condition: INTACT @ 16.5°C
Sample Received By: CK
Analyzed By: HM

LAB NUMBER	SAMPLE ID	Cl ⁻ (mg/kg)
H19601-1	001 HISTORIC IMPACTED AREA SE OF STOCK TANK	12,400
H19601-2	003 HISTORIC IMPACTED AREA SE OF STOCK TANK	14,000
Quality Control		500
True Value QC		500
% Recovery		100
Relative Percent Difference		< 0.1

METHOD: Standard Methods 4500-Cl⁻B
Note: Analyses performed on 1:4 w:v aqueous extracts.



Chemist



Date

H19601 Talon LPE



CARDINAL LABORATORIES

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

Company Name: Talon LPE Project Manager: Mike Stubblefield Address: 408 West Texas Ave City: Artesia State: NM Zip: 88210 Phone #: 575-441-9254 Fax #: 575-746-8905 Project #: 901292-001.01 Project Owner: Project Name: Malco Federal #1 Project Location: UT D-35-12c-27e Sampler Name: Mike Stubblefield	BILL TO P.O. #: Box 1569 Company: Finlay Callaway Attn: David Finlay Address: PO Box 1569 City: Artesia State: NM Zip: 88210 Phone #: 575-746-9292 Fax #: Ksummers@talonlpe.com	ANALYSIS REQUEST
---	---	-------------------------

Lab I.D.	Sample I.D.	# GRAB OR C/COMP # CONTAINERS	MATRIX					PRESERV.			SAMPLING		Total Containers
			GROUNDWATER	WASTEWATER	SOIL	OIL	SLUDGE	OTHER	ACID/BASE	ICE / COOL	OTHER	DATE	
H191211 1001	Historic impacted area SE of Stock Tank	✓			✓					✓	04/05/2010	11:35A	✓
Z003	Historic impacted area SE of Stock Tank	✓			✓					✓	04/05/2010	11:45A	✓

PLEASE NOTE: Cardinal 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 services rendered hereon plus for the expense 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. Cardinal is not liable for incidental or consequential damages, including without limitation, business interruptions, loss of use or loss of profits incurred by client or its subsidiaries. All terms of service apply, but are not limited 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: 04/05/2010 Time: 11:30 AM Relinquished By: David Finlay	Received By: Date: 4/5/10 Time: 11:30 AM Received By: [Signature]	Temp. Sample Condition Cool Intact <input type="checkbox"/> Yes <input type="checkbox"/> No	Checked By: (Initials) [Signature]
Delivered By: (Circle One) Sampler - UPS - Bus - <u>Other</u>		Phone Result: <input type="checkbox"/> No Add'l Phone #: Fax Result: <input type="checkbox"/> No Add'l Fax #: REMARKS:	

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

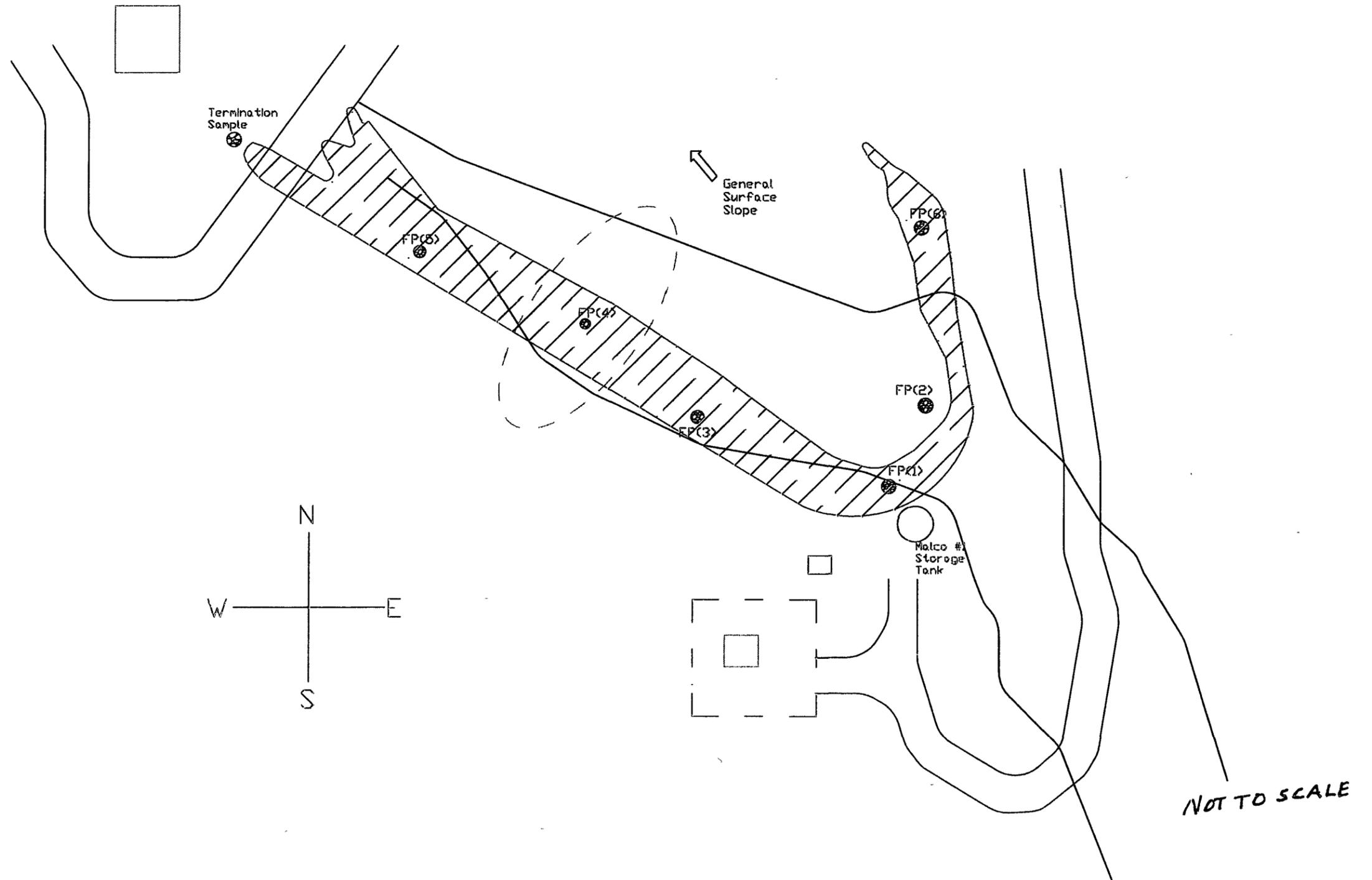
Finney Oil Company

Malco No. 1

701297.001.01

March 17, 2010

Sec. 35, T17S, R27E



Legend

-  Apparent Historic Release Path
-  Other Lease Pump Jacks
-  Other Lease Boundary
-  Malco No. 1 Well
-  Potential Historic Well Site
-  Flow Path Boundaries
-  Potentially Impacted Flow Path Area
-  Road Boundaries
-  Flow Lines (Above Ground)
-  Malco No. 1 Tank
-  Initial Sample Location
-  Apparent Prior Release Site