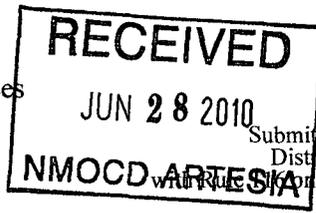


District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

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 the back side of form

Release Notification and Corrective Action

30-015-32877

OPERATOR

Initial Report Final Report

| | |
|---|-----------------------------|
| Name of Company: Nadel & Gussman Permian, LLC | Contact: Kem McCready |
| Address: 601 N. Marienfeld St. Suite 508, Midland, TX 79701 | Telephone No.: 432-682-4429 |
| Facility Name: Jump Start No. 1 | Facility Type: Gas |

| | | |
|----------------|----------------|------------|
| Surface Owner: | Mineral Owner: | Lease No.: |
|----------------|----------------|------------|

LOCATION OF RELEASE

API No.: 30-015-~~32887~~³²⁸⁷⁷

| Unit Letter | Section | Township | Range | Feet from the | North/South Line | Feet from the | East/West Line | County |
|-------------|---------|----------|-----------------------|---------------|------------------|---------------|----------------|--------|
| D | 36 | 17S | 36E 26E | 660' | N | 660' | W | Eddy |

Latitude _____ Longitude _____

c141 DOC

NATURE OF RELEASE

| | | |
|--|--|---|
| Type of Release: Produced Water | Volume of Release: Approximately 85 bbls. | Volume Recovered: 15 bbls. |
| Source of Release: Lightning Strike | Date and Hour of Occurrence: Late night of 4/21/10 | Date and Hour of Discovery: 2315 Hrs. 4/21/10 |
| Was Immediate Notice Given? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Required | If YES, To Whom? OCD Artesia: Jason / Sherry | |
| By Whom? Lee Ledbetter | Date and Hour: 22 April 2010 | |
| Was a Watercourse Reached? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | If YES, Volume Impacting the Watercourse. N/A | |
| If a Watercourse was Impacted, Describe Fully.* N/A | | |
| Describe Cause of Problem and Remedial Action Taken.* Lightening strike hit the 210 bbl. water tank causing it to burn and vaporizing most of the liquid it contained. Atoka Fire Department notified NGP of the strike and immediately went to location to stop the burn from spreading. Atoka used a fire retardant gel on the burn quickly extinguishing it. Discharge of contaminated fluids occurred on a limited basis due to volatilization of the majority of the produced water with approximately 67 bbls. lost and 15 recovered. | | |
| Describe Area Affected and Cleanup Action Taken.* See attached <i>Final Remediation Report</i> for details of final remediation actions. The spill occurred due to a lightning strike on the water tank in an area which had naturally occurring, extremely high salt concentrations resulting from the Pecos River flooding repeatedly into the area and the harvesting of hundreds of Salt Cedar trees which exacerbated the presence of salt concentrations in the soils. | | |
| 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. In addition, NMOCD acceptance of a C-141 report does not relieve the operator of responsibility for compliance with any other federal, state, or local laws and/or regulations. | | |

| | | | |
|--|--|--|----------------------|
| Signature: <i>Kem McCready</i> | | OIL CONSERVATION DIVISION | |
| Printed Name: Kem McCready | | Approved by District Supervisor: <i>Mike Brannon</i> | |
| Title: Operations Manager | | Approval Date: JUN 29 2010 | Expiration Date: N/A |
| E-mail Address: kemm@naguss.com | | Conditions of Approval: N/A | |
| Date: 24 June 2010 Phone: 432-682-4429 | | Attached <input type="checkbox"/> | |

* Attach Additional Sheets If Necessary

n SEB 10/12 59221
p MLB 10/40 34862

2RP-411



Mr. Kem McCready
Operations Manager
NADEL AND GUSSMAN PERMIAN, LLC
601 N. Marienfeld
Suite 508
Midland, TX 79701

24 June 2010

Mr. Mike Bratcher
OIL CONSERVATION DIVISION
1301 West Grand Avenue
Artesia, NM 88210

Re: Jump Start No. 1 Lightening Strike on Battery (API No. 30-015-~~32887~~³²⁸⁷⁷) *Final Remediation Plan*

Dear Mr. Bratcher:

Please be advised that Nadel & Gussman Permian, LLC (NGP) notified the New Mexico Oil Conservation Division (NMOCD) that they experienced a lightening strike on the 210 bbl. water tank at the Jump Start No. 1 located in (U/L D S36 T17S ~~R36E~~ 660' FNL 660' FWL) Eddy County, New Mexico during late night hours of 22 April 2010. Following this, the *Corrective Action Plan* (CAP) and Initial C-141 were filed with the Agency. *D-36-17s-26e*

Subsequently, NGP implemented infield remediation of the spill. A discharge of the contaminated fluids occurred on a limited basis due to volatilization of the majority of the contents of the water tank. NGP estimated approximately 67 barrels were lost with 15 barrels recovered. All remaining discharge was contained within the existing berms. NMOCD was then queried regarding potential existence of extremely high soil saline concentrations naturally occurring in the area of impact as well as that of hundreds of acres adjacent to the Pecos River. This premise was significantly visible across the old pit area and along the lease road of the Jump Start No. 1 that further validated the suppositions already noted above. NGP obtained samples of the various areas of concern, sending them for analytical evaluation to Trace Analysis Laboratory.

After discussing the laboratory analytical results with NMOCD it was proposed that NGP should not have to remediate the lightening strike other than within the existing battery berm. Specifically to address hydrocarbon contaminants exceeding regulatory standards because salts naturally occurring in the area were the result of an extremely large Salt Cedar harvesting event that affected several hundred acres in concert with flooding of the Pecos River into this area during seasonal high water events.

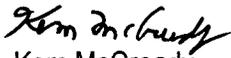
To confirm this theory, NMOCD, during an onsite visit on 25 May 2010, requested samples be taken along river floodplain areas and as far away as the gate area which serves as entrance into this lease. Ultimately, these samples were pulled and the analytical results supported the hypothesis that the removal of the Salt Cedar exacerbated the effects of the salty Pecos River's seasonal flooding on the land. Once the Salt Cedar was removed, the salt utilized by them

remains in the soil and consequently nothing will grow in these areas for a very long time, if ever. The laboratory analyticals show total calcium to be 173,000 mg/kg while chloride levels were only 15,600 mg/kg supported by chloride levels from the river floodplains averaging greater than 10,000 mg/kg.

The remediation action was approved by the NMOCD and no areas other than the inner berm of the battery were excavated (24 yards) and taken to disposal. New caliche was hauled in to replace the excavated material and upgrade the berm. The old pit area was not covered with new topsoil because the surrounding salt concentrations would never allow vegetative growth on it and the seasonal high water flooding from the Pecos River only brings more salty soils depositing onto the hundreds of acres surrounding it.

Should you have questions, please call 432-682-4429 (office) or 432-425-6347 (cell).

Sincerely,



Kem McCready
Operations Manager

Enclosed: Final C-141, sample analyticals

RECEIVED
 JUN 28 2010
 NMOCD ARTESIA

COPY

Report Date: May 26, 2010

Work Order: 10043016

Page Number: 1 of 2

Summary Report

Kem McCreedy
 Nadel & Gussman Permian LLC
 600 N. Marienfeld
 Suite 508
 Midland, TX 79701

Report Date: May 26, 2010

Work Order: 10043016



Project Name: Jump Start No. 1
 Project Number: Discharge @ Battery Fire

| Sample | Description | Matrix | Date Taken | Time Taken | Date Received |
|--------|----------------------------------|--------|------------|------------|---------------|
| 230119 | Battery Containment Comp. N Side | soil | 2010-04-27 | 17:15 | 2010-04-30 |
| 230120 | Battery Containment Comp. S Side | soil | 2010-04-27 | 17:25 | 2010-04-30 |
| 230121 | Battery Containment Comp. E Side | soil | 2010-04-27 | 17:40 | 2010-04-30 |
| 230122 | Battery Containment Comp. W Side | soil | 2010-04-27 | 17:55 | 2010-04-30 |
| 230123 | White Discharge Area W Comp. | soil | 2010-04-27 | 18:00 | 2010-04-30 |

| Sample - Field Code | BTEX | | | | MTBE | TPH DRO - NEW | TPH GRO |
|---|--------------------|--------------------|-------------------------|-------------------|-----------------|----------------|----------------|
| | Benzene (mg/Kg) | Toluene (mg/Kg) | Ethylbenzene (mg/Kg) | Xylene (mg/Kg) | MTBE (mg/Kg) | DRO (mg/Kg) | GRO (mg/Kg) |
| 230119 - Battery Containment Comp. N Side | <0.100 | 0.227 | 0.362 | 1.61 | | 692 | 147 |
| 230120 - Battery Containment Comp. S Side | <0.100 | 0.185 | 2.18 | 8.40 | | 6610 | 1650 |
| 230121 - Battery Containment Comp. E Side | <0.100 | <0.100 | 0.415 | 1.54 | | 5480 | 175 |
| 230122 - Battery Containment Comp. W Side | <0.0400 | 0.274 | 1.15 | 15.8 | | 5080 | 636 |
| 230123 - White Discharge Area W Comp. | <0.0200 | 0.0423 | 0.0265 | 0.195 | | <50.0 | 3.74 |

Sample: 230119 - Battery Containment Comp. N Side

| Param | Flag | Result | Units | RL |
|-----------------|------|--------|-------|-------|
| Chloride | | 24800 | mg/Kg | 3.25 |
| Total Calcium | | 173000 | mg/Kg | 0.500 |
| Total Magnesium | | 5380 | mg/Kg | 0.500 |
| Total Potassium | | 5070 | mg/Kg | 50.0 |
| Total Sodium | | 15600 | mg/Kg | 50.0 |

Sample: 230120 - Battery Containment Comp. S Side

| Param | Flag | Result | Units | RL |
|----------|------|--------------|-------|------|
| Chloride | | 12000 | mg/Kg | 3.25 |

Sample: 230121 - Battery Containment Comp. E Side

| Param | Flag | Result | Units | RL |
|----------|------|-------------|-------|------|
| Chloride | | 8590 | mg/Kg | 3.25 |

Sample: 230122 - Battery Containment Comp. W Side

| Param | Flag | Result | Units | RL |
|----------|------|-------------|-------|------|
| Chloride | | 2080 | mg/Kg | 3.25 |

Sample: 230123 - White Discharge Area W Comp.

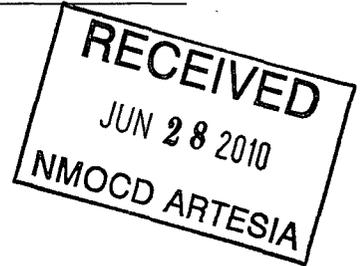
| Param | Flag | Result | Units | RL |
|-----------------|------|--------------|-------|-------|
| Chloride | | 53000 | mg/Kg | 3.25 |
| Total Calcium | | 43000 | mg/Kg | 0.500 |
| Total Magnesium | | 17400 | mg/Kg | 0.500 |
| Total Potassium | | 9000 | mg/Kg | 50.0 |
| Total Sodium | | 21000 | mg/Kg | 50.0 |

COPY

Report Date: June 4, 2010

Work Order: 10052813

Page Number: 1 of 2



Summary Report

Kem McCreedy
Nadel & Gussman Permian LLC
600 N. Marienfeld
Suite 508
Midland, TX 79701

Report Date: June 4, 2010

Work Order: 10052813



Project Name: Chloride Delineation
Project Number: Jump Start No. 1

| Sample | Description | Matrix | Date Taken | Time Taken | Date Received |
|--------|------------------|--------|------------|------------|---------------|
| 233144 | Open Rim to S | soil | 2010-05-25 | 13:30 | 2010-05-28 |
| 233145 | Yates Area #1 | soil | 2010-05-25 | 14:00 | 2010-05-28 |
| 233146 | Yates Area #2 | soil | 2010-05-25 | 14:10 | 2010-05-28 |
| 233147 | S of Water Tank | soil | 2010-05-25 | 14:25 | 2010-05-28 |
| 233148 | Road @ Exit Area | soil | 2010-05-25 | 15:00 | 2010-05-28 |

Sample: 233144 - Open Rim to S

| Param | Flag | Result | Units | RL |
|----------|------|--------|-------|------|
| Chloride | | 4490 | mg/Kg | 2.50 |

Sample: 233145 - Yates Area #1

| Param | Flag | Result | Units | RL |
|----------|------|--------|-------|------|
| Chloride | | 6390 | mg/Kg | 2.50 |

Sample: 233146 - Yates Area #2

| Param | Flag | Result | Units | RL |
|----------|------|--------|-------|------|
| Chloride | | 4860 | mg/Kg | 2.50 |

Sample: 233147 - S of Water Tank

| Param | Flag | Result | Units | RL |
|----------|------|-------------|-------|------|
| Chloride | | 2730 | mg/Kg | 2.50 |

Sample: 233148 - Road @ Exit Area

| Param | Flag | Result | Units | RL |
|----------|------|-------------|-------|------|
| Chloride | | 8940 | mg/Kg | 2.50 |

COPY

Report Date: May 18, 2010

Work Order: 10043016

Page Number: 1 of 1

Summary Report

Cheryl Winkler
Nadel & Gussman Permian LLC
600 N. Marienfeld
Suite 508
Midland, TX 79701

Report Date: May 18, 2010

Work Order: 10043016



Project Name: Jump Start No. 1
Project Number: Discharge @ Battery Fire

| Sample | Description | Matrix | Date Taken | Time Taken | Date Received |
|--------|----------------------------------|--------|------------|------------|---------------|
| 230119 | Battery Containment Comp. N Side | soil | 2010-04-27 | 17:15 | 2010-04-30 |
| 230123 | White Discharge Area W Comp. | soil | 2010-04-27 | 18:00 | 2010-04-30 |

Sample: 230119 - Battery Containment Comp. N Side

| Param | Flag | Result | Units | RL |
|-----------------|------|--------|-------|-------|
| Total Calcium | | 173000 | mg/Kg | 0.500 |
| Total Magnesium | | 5380 | mg/Kg | 0.500 |
| Total Potassium | | 5070 | mg/Kg | 50.0 |
| Total Sodium | | 15600 | mg/Kg | 50.0 |

Sample: 230123 - White Discharge Area W Comp.

| Param | Flag | Result | Units | RL |
|-----------------|------|--------|-------|-------|
| Total Calcium | | 43000 | mg/Kg | 0.500 |
| Total Magnesium | | 17400 | mg/Kg | 0.500 |
| Total Potassium | | 9000 | mg/Kg | 50.0 |
| Total Sodium | | 21000 | mg/Kg | 50.0 |