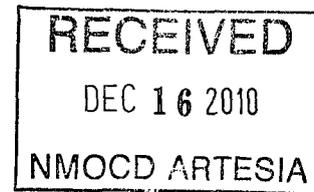




December 10, 2010



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

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

ARTESIA  
408 West Texas Ave.  
Artesia, New Mexico 88210  
Phone 575.746.8768  
Fax 575.746.8905

**RE: Final Closure Report for the Finney Oil Company Malco #1 Storage Tank Crude Release (Lease # LC 067849) 2RP-398.**

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

Dear Mr. Bratcher,

### 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 property owner, US Bureau of Land Management (BLM) was informed of the release and 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 nothing 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 paths averaged between 3 feet to 20 feet in width. To minimize the immediate effects of the release, Mr. Finney spread soil and caliches on parts of the flow path to act as an absorbent.

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

### Field Activities

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 depths 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 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"). This laboratory report was submitted with the original work plan.

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 210.265.8025  
Fax 210.568.2191

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

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

ENVIRONMENTAL CONSULTING  
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SPILL MANAGEMENT  
GENERAL CONTRACTING

Toll Free: 866.742.0742  
www.talonlpe.com

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 appears valid.

Analytical results for the sample collected by Mr. Finney from the surface of the flow path (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 off-site background samples up gradient of the location. Two of these samples (001 and 003) were submitted to the laboratory for chloride analysis. The results indicate background chloride concentrations at 12,400 and 14,000 mg/kg, respectively. This data was submitted with the original work plan.

### **Final Closure Report**

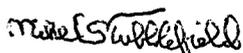
Talon mobilized equipment to the Malco Federal #1 site on May 3, 2010. The flow path located north of the Malco tank battery was ripped and then treated using an emulsion of 50 gallons of micro blaze and 1700 gallons of fresh water. The site was monitored over a four (4) month period. Proper notification to witness soil sampling was provided to the NMOCD on August 18, 2010.

On August 20, 2010 a composite soil sample was collected for analytical testing from 0.5 feet to one (1') foot below ground surface (bgs) along the flow path to evaluate the remedial results. This sample was collected in laboratory provided containers, preserved on ice, and relinquished to Cardinal Lab in Hobbs, NM for analysis for TPH GRO/DRO by SW-846 Method 8015B, BTEX by SW-846 8021. Analytical results dated September 1, 2010 are attached.

The analytical results received from Cardinal Lab dated September 1, 2010 reported the TPH to be 4610 mg/kg. BTEX was reported to be <50 mg/kg. The site ranking score for the Malco #1 is 0. The TPH and BTEX as reported by analytical results were under the corrective actions level for this site. Therefore Finney Oil Company respectfully requests closure for the release that occurred on February 6, 2010.

If you have any questions please feel free to call us.

Respectfully Submitted,

  
Mike Stubblefield  
Project Manager  
Talon/LPE - Artesia

**APPENDIX I**  
**LABORATORY REPORT**

September 01, 2010

GARY SMITH  
TALON LPE  
408 W. TEXAS AVE.  
ARTESIA, NM 88210

RE: MALCO FEDERAL #1

Enclosed are the results of analyses for samples received by the laboratory on 08/20/10 16:47.

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 524.4	Regulated VOCs (V2, V3)

Accreditation applies to public drinking water matrices.

This report meets NELAP requirements and is made up of a cover page, analytical results, and a copy of the original chain-of-custody. If you have any questions concerning this report, please feel free to contact me.

Sincerely,



Celey D. Keene  
Lab Director/Quality Manager

**Analytical Results For:**

TALON LPE  
GARY SMITH  
408 W. TEXAS AVE.  
ARTESIA NM, 88210  
Fax To: (575) 745-8905

Received:	08/20/2010	Sampling Date:	08/20/2010
Reported:	09/01/2010	Sampling Type:	Soil
Project Name:	MALCO FEDERAL #1	Sampling Condition:	Cool & Intact
Project Number:	MALCO #1	Sample Received By:	Jodi Henson
Project Location:	EDDY COUNTY		

**Sample ID: COMPOSITE (H020690-01)**

BTEX 8021B		mg/kg		Analyzed By: CK						
Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier	
Benzene*	<0.050	0.050	08/24/2010	ND	0.810	81.0	1.00	5.27		
Toluene*	<0.050	0.050	08/24/2010	ND	0.860	86.0	1.00	3.68		
Ethylbenzene*	<0.050	0.050	08/24/2010	ND	0.906	90.6	1.00	2.96		
<b>Total Xylenes*</b>	<b>0.383</b>	0.150	08/24/2010	ND	2.65	88.2	3.00	3.89		

Surrogate: 4-Bromofluorobenzene (PIL) 94.5 % 80-120

Chloride, SM4500CI-B		mg/kg		Analyzed By: HM						
Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier	
<b>Chloride</b>	<b>80.0</b>	16.0	08/24/2010	ND	416	104	400	3.77		

TPH 8015M		mg/kg		Analyzed By: AB							S-06
Analyte	Result	Reporting Limit	Analyzed	Method Blank	BS	% Recovery	True Value QC	RPD	Qualifier		
GRO C6-C10	<50.0	50.0	08/31/2010	ND	187	93.3	200	6.38			
<b>DRO &gt;C10-C28</b>	<b>4610</b>	50.0	08/31/2010	ND	191	95.7	200	6.38			

Surrogate: 1-Chlorooctane 21.4 % 70-130

Surrogate: 1-Chlorooctadecane 26.0 % 70-130

Cardinal Laboratories

\*=Accredited Analyte

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Celey D. Keene, Lab Director/Quality Manager

**Notes and Definitions**

- S-06 The recovery of this surrogate is outside control limits due to sample dilution required from high analyte concentration and/or matrix interference's.
- QM-07 The spike recovery was outside acceptance limits for the MS and/or MSD. The batch was accepted based on acceptable LCS recovery.
- ND Analyte NOT DETECTED at or above the reporting limit
- RPD Relative Percent Difference
- \*\* Samples not received at proper temperature of 6°C or below.
- \*\*\* Insufficient time to reach temperature.
- Chloride by SM4500Cl-B does not require samples be received at or below 6°C  
Samples reported on an as received basis (wet) unless otherwise noted on report

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Cardinal Laboratories

\*=Accredited Analyte

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Celey D. Keene, Lab Director/Quality Manager



# CARDINAL LABORATORIES

101 East Marland, Hobbs, NM 88240

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

Company Name: <u>Talon/LPE</u>		<b>BILL TO</b>		<b>ANALYSIS REQUEST</b>									
Project Manager: <u>Gary Smith</u>		P.O. #:											
Address: <u>409 Texas Artesia NM 88210</u>		Company: <u>Talon/LPE</u>											
City: <u>Artesia</u> State: Zip:		Attn: <u>Gary Smith</u>											
Phone #: <u>575-441-7353</u> Fax #:		Address: <u>409 Texas</u>											
Project #: <u>Maleo #1</u> Project Owner:		City: <u>Artesia</u>											
Project Name: <u>maleo #1</u>		State: <u>NM</u> Zip: <u>88210</u>											
Project Location: <u>Eddy County</u>		Phone #: <u>575-441-7353</u>											
Sampler Name: <u>Gary Smith</u>		Fax #: <u>575-746-8905</u>											

FOR LAB USE ONLY		G (GRAB OR C) OMP.	# CONTAINERS	MATRIX						PRESERV.		SAMPLING		DATE	TIME	TAP	BTEX	Chloride
Lab I.D.	Sample I.D.			GROUNDWATER	WASTEWATER	SOIL	OIL	SLUDGE	OTHER	ACID/BASE	ICE / COOL	OTHER						
<u>H206901</u>	<u>Compositae</u>	<u>C</u>	<u>2</u>		<u>X</u>						<u>X</u>		<u>8-20-10</u>		<u>X</u>	<u>X</u>	<u>X</u>	

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.

Terms and Conditions: Interest will be charged on all accounts more than 30 days past due at the rate of 24% per annum from the original date of invoice, and all costs of collections, including attorney's fees.

Sampler Relinquished By: <u>Gary Smith</u>		Date: <u>8-20-10</u>	Received By:	Phone Result: <input type="checkbox"/> No	Add'l Phone #:
Relinquished By: <u>Jodi Henson</u>		Date: <u>8/20/10</u>	Received By: <u>Jodi Henson</u>	Fax Result: <input checked="" type="checkbox"/> No	Add'l Fax #:
Delivered By: (Circle One) <u>Sampler</u> - UPS - Bus - Other:		Temp: <u>60</u>	Sample Condition: Cool Intact <input checked="" type="checkbox"/> Yes <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> No	CHECKED BY: <u>JH</u> (Initials)	

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

#26