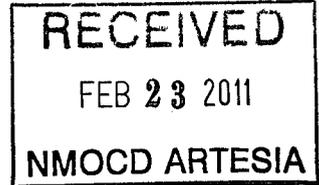




*Apollo Energy Operating
Company, LP*

4823 Ihles Road • Lake Charles, LA. 70605



15 February 2011

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

Re: Russell USA No. 2 Produced Water Unauthorized Discharge *Final Remediation Report*
U/L O Sec 12 20S 28E 330' FSL 1650' FEL

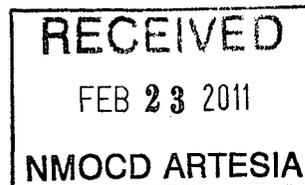
NMOCD RN NO.: 2RP-419 (Extended)
API No.: 30-015-02346

Dear Mr. Bratcher:

On 9 August 2010 Apollo Energy, L.P. (Apollo) filed their *Corrective Action Plan (CAP)* and initial Form C-141 with the New Mexico Oil Conservation Division (NMOCD) due to what appeared to be an unauthorized discharge of produced water likely caused by a transport truck arriving on the location from a foreign source. The consequence of this unauthorized release required Apollo to again begin sampling in order to comply with NMOCD regulatory standards. Previously, Apollo had excavated the contaminated soil around the wellhead area, hauling approximately 40 loads to disposal as detailed in the CAP.

By 15 December 2010, Apollo extended the investigation to identify the particular salts which were triggering high EC values and subsequently was able to verify that the subject area was within the outer limits a gypsum quarry showing salt values for (1) calcium totaling 288,000 mg/K / averaging 144,000 mg/K, (2) sulfate totaling 240,800 mg/K / averaging 120,400 mg/K and chlorides totaling 2,757 mg/K / averaging 393 mg/K which actually agreed with the 7 July 2010 sampling results. Background soil chloride for this area, taken from infield data, averages around 120 mg/K. Therefore, decreasing affected soil chloride values down to 273 mg/K notwithstanding the significant effect (extremely high ratios of gypsum to chloride) of the gypsum influence on the chloride itself, which competitively binds itself to the soil reducing the toxicity of sodium. Therefore, the NMOCD and the BLM concurred no further remediation would be required.

Following this infield assessment by both agency representatives, authorization was given by the agencies to initiate backfilling operations using clean caliche from a relatively close source. Once in place the backfilled areas were compacted to restore the integrity of the previously existing drilling pad.



Apollo herewith notifies the NMOCD and the BLM that all remediation actions on the Russell USA Federal No. 2 have been completed in compliance with NMOCD and BLM regulatory standards and/or guidelines. All trash, pipes, power pole, wire etc. has been removed either to disposal or to Apollo's storage site for future use.

Please call should you have questions. Thank you for your assistance.

Regards,


Tommy Wright, CPL

Cc: Jim Amos (BLM)

Enclosures: Laboratory Analyticals, Photo

Summary Report

Tommy Wright
Apollo Energy
4823 Ihles Road
Lake Charles, LA 70605

Report Date: January 24, 2011

Work Order: 10121713



Project Name: Russell USA No. 2
Project Number: Unauthorized Discharge

Sample	Description	Matrix	Date Taken	Time Taken	Date Received
253643	NW Corner	soil	2010-12-15	16:00	2010-12-17
253644	North Center	soil	2010-12-15	16:15	2010-12-17
253645	NE Corner	soil	2010-12-15	16:30	2010-12-17
253646	W Middle	soil	2010-12-15	16:40	2010-12-17
253647	Center Middle	soil	2010-12-15	16:50	2010-12-17
253648	E Middle	soil	2010-12-15	17:10	2010-12-17
253649	South End	soil	2010-12-15	17:20	2010-12-17

Sample: 253643 - NW Corner

Param	Flag	Result	Units	RL
Chloride		46.5	mg/Kg	2.50
Sulfate		155000	mg/Kg	25.0

Sample: 253644 - North Center

Param	Flag	Result	Units	RL
Chloride		391	mg/Kg	2.50

Sample: 253645 - NE Corner

Param	Flag	Result	Units	RL
Chloride		419	mg/Kg	2.50

Sample: 253646 - W Middle

Param	Flag	Result	Units	RL
Total Calcium		133000	mg/Kg	0.500
Chloride		1260	mg/Kg	2.50
Sulfate		85800	mg/Kg	25.0

Sample: 253647 - Center Middle

Param	Flag	Result	Units	RL
Chloride		<25.0	mg/Kg	2.50

Sample: 253648 - E Middle

Param	Flag	Result	Units	RL
Chloride		92.6	mg/Kg	2.50

Sample: 253649 - South End

Param	Flag	Result	Units	RL
Chloride		528	mg/Kg	2.50

