

R. T. HICKS CONSULTANTS, LTD.

901 Rio Grande Blvd NW ▲ Suite F-142 ▲ Albuquerque, NM 87104 ▲ 505.266.5004 ▲ Fax: 505.266-0745

June 2, 2014

Mr. Mike Bratcher
NMOCD District 2
811 S. First Street
Artesia, New Mexico 88210
Via Email and US Mail

RE: Murchison – Hackberry State #1 Release C-141 form

Dear Mr. Bratcher:

On behalf of Murchison Oil and Gas, R.T Hicks Consultants submits the attached initial C-141 form for the above-referenced release. Between 3:00 pm on May 19 and 4:00 pm on May 20, the nipple on a fiberglass, open-topped tank failed, releasing approximately 155 barrels of produced water onto the location. The photograph below was taken at the time of discovery on May 20, facing west toward the tank. On May 21 during a meeting in the field with you, Chace Walls of Murchison notified you of this release.

The nipple on the tank was replaced. The stained surface was scraped and blended on site with dry material from the facility pad and spread on the location to dry the impacted material and reduce the potential of downward moisture migration and surface migration off site.

As shown on Figure 1, data from the Office of the State Engineer demonstrate that depth to groundwater exceeds 100 feet and the distance to mapped surface water bodies is nearly ½ mile. The nearest known water well is more than 1 mile distant. Our understanding of how regulated constituents migrate from the source

through the environment allow us to conclude that the residual salt on the location pose no threat to fresh water, public health, or the environment. However, a high salt concentration fixed in the underlying soil can create a problem for re-vegetation of the site after plugging and abandonment. Therefore, characterization and remediation of affected subsoils will be

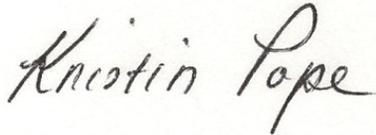


conducted upon closure of the facility in accordance with applicable NMOCD Rules and, if required, Murchison will take measures to ensure that the abandoned site's surface will be reclaimed in a manner fully consistent with applicable Rules.

Please contact me with any questions regarding this submission. Thank you.

Sincerely,

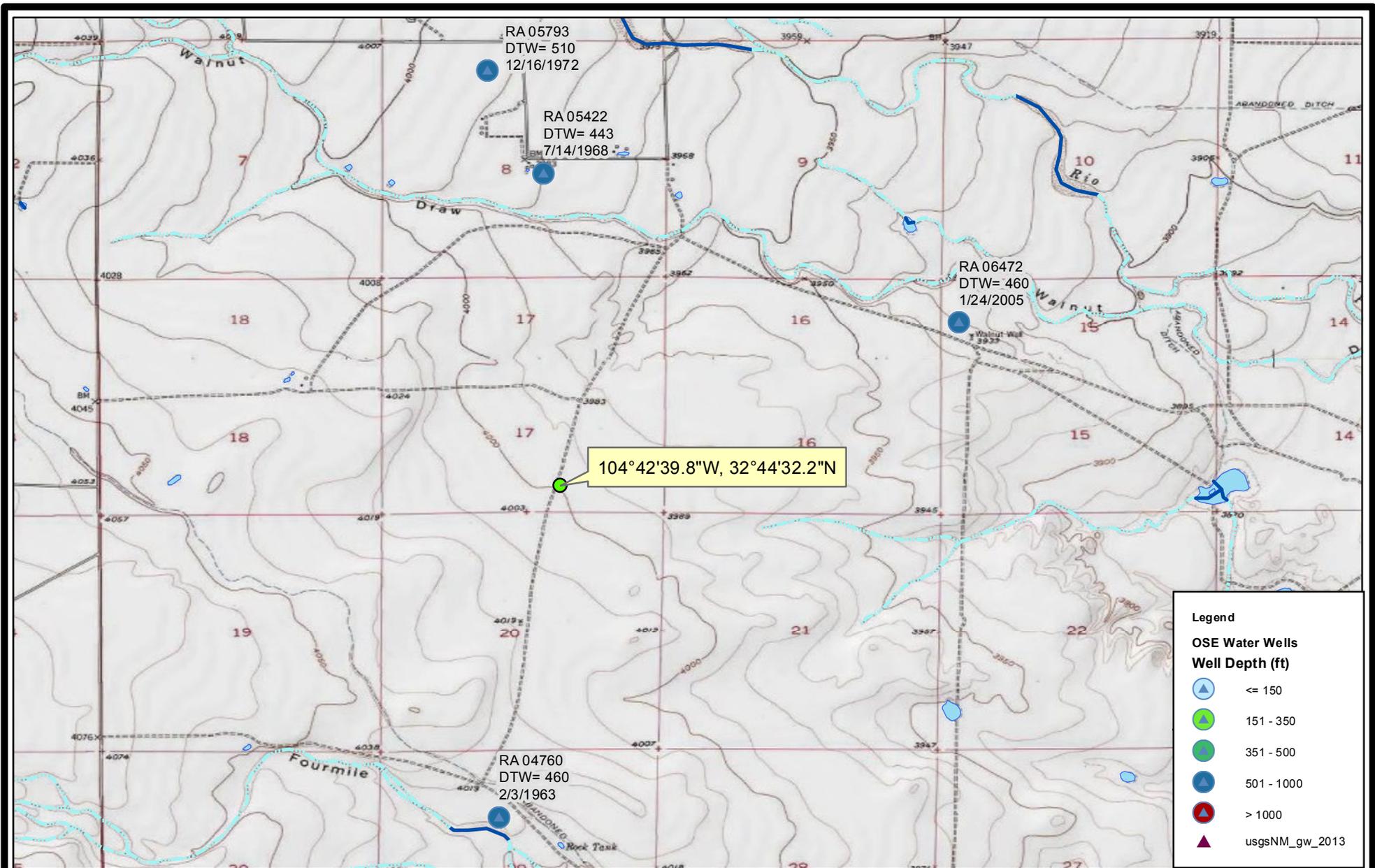
R.T. Hicks Consultants

A handwritten signature in black ink that reads "Kristin Pope". The signature is written in a cursive style and is placed on a light-colored rectangular background.

Kristin Pope

Copy: Murchison Oil & Gas, State Land Office

Enclosures as stated



R.T. Hicks Consultants, Ltd
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 Albuquerque, NM 87104
 Ph: 505.266.5004

Topography-Surface Water and OSE DTW Data
 Murchison Oil and Gas - Hackberry State #1H

Figure 1
 June 2014

District I
1625 N. French Dr., Hobbs, NM 88240
District II
811 S. First St., 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

Form C-141
Revised August 8, 2011

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Submit 1 Copy to appropriate District Office in
accordance with 19.15.29 NMAC.

Release Notification and Corrective Action

OPERATOR

Initial Report Final Report

Name of Company	Murchison Oil & Gas, Inc.	Contact	Greg Boans
Address	1100 Mira Vista Blvd, Plano, TX 75093	Telephone No.	(575) 628-3932
Facility Name	Hackberry State #1	Facility Type	Production Battery

Surface Owner	State of New Mexico	Mineral Owner	API No.	30-015-34803
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LOCATION OF RELEASE

Unit Letter	Section	Township	Range	Feet from the	North/South Line	Feet from the	East/West Line	County
O	17	18S	23E	660	South	1980	East	Eddy

Latitude 32° 44' 32.2" N Longitude 104° 42' 39.8" W

NATURE OF RELEASE

Type of Release	Produced Water	Volume of Release	155 bbls	Volume Recovered	0 bbls
Source of Release	Open-top fiberglass tank	Date and Hour of Occurrence	After 3:00 pm on 5/19/2014	Date and Hour of Discovery	5/20/2014 4:00 pm
Was Immediate Notice Given?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Required	If YES, To Whom? In person to Mike Bratcher			
By Whom?	Chace Walls	Date and Hour	5/21/2014 4:15 pm		
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.*
n/a

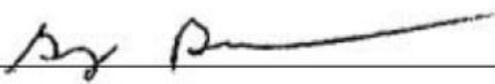
Describe Cause of Problem and Remedial Action Taken.*

Fluid was lost due to a failure of the nipple on the backside of a 200-bbl open-top fiberglass tank. A vacuum truck was dispatched to the location but no standing fluid remained at the time of its arrival. The nipple on the tank was replaced.

Describe Area Affected and Cleanup Action Taken.*

Produced water leaked out of the tank and onto the location, affecting approximately 4,000 square feet, all of which was contained on the location pad. A backhoe was used to blend the impacted caliche and soils with surrounding material from the facility pad. Residual salt on the location poses no threat to fresh water, public health, or the environment. This facility remains active; characterization and remediation of affected subsoils will be conducted upon closure of the facility in accordance with applicable NMOCD Rules and, if required, the abandoned site's surface will be reclaimed in a manner fully consistent with applicable Rules.

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: 	<u>OIL CONSERVATION DIVISION</u>		
Printed Name: Greg Boans	Approved by Environmental Specialist:		
Title: Production Superintendent	Approval Date:	Expiration Date:	
E-mail Address: gboans@jdmii.com	Conditions of Approval:		Attached <input type="checkbox"/>
Date: 6/2/2014	Phone: (575) 628-3932		

* Attach Additional Sheets If Necessary