

30-015-05108

District I
1425 N. French Dr., Hobbs, NM 88240
District II
1701 W. Grand Avenue, Artesia, NM 88220
District III
1000 E. Bureau 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 Rule 116 on back
side of form

Release Notification and Corrective Action

INCIDENT: AQBOS23734332

VIOLATION: CLB 0605929322

| | | | | | |
|--------------------------------|--|----------------------------|--|--|---------------------------------------|
| Name of Company | | Contact | | <input checked="" type="checkbox"/> Initial Report | <input type="checkbox"/> Final Report |
| MERIT ENERGY CO. | | Jimmy Lubb / Billy Vaughan | | | |
| Address | | Telephone No. | | | |
| PO BOX 69 Lolo hills, NM 88255 | | 420 5516 420 0165 | | | |
| Facility Name | | Facility Type | | | |
| LB / GRAYBURG-SACKEN | | INJ WELL | | | |
| Surface Owner | | Mineral Owner | | Lease No. | |
| BLM | | BLM | | LC-079435-B | |

LOCATION OF RELEASE

| Unit Letter | Section | Township | Range | Feet from the | North/South Line | Feet from the | East/West Line | County |
|-------------|---------|----------|-------|---------------|------------------|---------------|----------------|--------|
| | 8 | 17S | 31E | 660' | NORTH | 1980' | EAST | EDDY |

Latitude _____ Longitude _____

NATURE OF RELEASE

| | | |
|---|---|----------------------------|
| Type of Release | Volume of Release | Volume Recovered |
| WATER | 10 | 0 |
| Source of Release | Date and Hour of Occurrence | Date and Hour of Discovery |
| FIBER GLASS LINE / TIN HORN | | |
| Was Immediate Notice Given? | If YES, To Whom? | |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Not Required | | |
| By Whom? | Date and Hour | |
| Was a Watercourse Reached? | If YES, Volume Impacting the Watercourse. | |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | | |

If a Watercourse was Impacted, Describe Fully.* N/A

Describe Cause of Problem and Remedial Action Taken.* LEAK IN TIN HORN ABOUT 30 YARD FROM INJ WELL #7

ISOLATED @ WTR STATION HEADER #4

Describe Area Affected and Cleanup Action Taken.* About 6 or 7 B. @ TIN HORN DOWN HILL TO INJ WELL ACROSS ROAD AND ABOUT 70-100 FT. SOUTH OF INJ WELL

I hereby certify that the information given above is true and complete to the best of my knowledge and understand that pursuant to NMOCOD 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 NMOCOD marked as "Final Report" does not relieve the operator of liability should their operations have failed to adequately investigate and remediate contamination that poses a threat to ground water, surface water, human health or the environment. In addition, NMOCOD 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: Billy Vaughan | OIL CONSERVATION DIVISION | |
| Printed Name: Billy Vaughan | Approved by District Supervisor: | |
| Title: LEASE OPERATOR | Approved Date: | Expiration Date: |
| Facility Address: | Condition of Assessment: | |

1.21 11/1/01

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Release Notification and Corrective Action

1480523734332

OPERATOR

☐ Initial Report ☒ Final Report

| | |
|---|--------------------------------------|
| Name of Company: <i>Merit Energy Company</i> | Contact: <i>Mike Self</i> |
| Address: <i>P.O. Box 69, Loco Hills N.M., 88255</i> | Telephone No.: <i>505-677-2327</i> |
| Facility Name: <i>Keel B # 7</i> | Facility Type: <i>Injection well</i> |

| | | |
|---------------------------|---------------------------|-------------------------------|
| Surface Owner: <i>BLM</i> | Mineral Owner: <i>BLM</i> | Lease No.: <i>LC-029435-B</i> |
|---------------------------|---------------------------|-------------------------------|

LOCATION OF RELEASE

| | | | | | | | | |
|-------------------------|---------------------|------------------------|---------------------|-----------------------------|----------------------------------|------------------------------|-------------------------------|-----------------------|
| Unit Letter <i>C</i> | Section <i>8</i> | Township <i>17S</i> | Range <i>31E</i> | Feet from the <i>660</i> | North/South Line <i>North</i> | Feet from the <i>1980</i> | East/West Line <i>West</i> | County <i>Eddy</i> |
|-------------------------|---------------------|------------------------|---------------------|-----------------------------|----------------------------------|------------------------------|-------------------------------|-----------------------|

Latitude 32.854496 Longitude 103.894204

NATURE OF RELEASE

| | | |
|--|---|---|
| Type of Release: <i>produced water</i> | Volume of Release: <i>10 bbls</i> | Volume Recovered: <i>0</i> |
| Source of Release: <i>Fiberglass line</i> | Date and Hour of Occurrence: <i>unknown</i> | Date and Hour of Discovery: <i>unknown</i> |
| Was Immediate Notice Given? <input type="checkbox"/> Yes <input checked="" 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. <i>N/A</i> | |

If a Watercourse was Impacted, Describe Fully.*

N/A

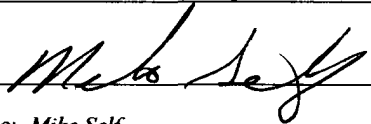

Describe Cause of Problem and Remedial Action Taken.*

Leak within the tin horn approximately 30 yards north of the well.

Describe Area Affected and Cleanup Action Taken.*

The affected area was not recognizable. A composite confirmation sample was collected from the estimated flow path. The sample was analyzed for chlorides with a result of 22.1 mg/kg.

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: <i>Mike Self</i> | Approved by District Supervisor: TIM GUM by MB  | |
| Title: <i>Area Foreman</i> | Approval Date: <i>4/13/06</i> | Expiration Date: |
| E-mail Address: <i>m.self@meritenergy.com</i> | Conditions of Approval: | Attached <input type="checkbox"/> |
| Date: <i>4-10-06</i> Phone: <i>505-677-2327</i> | | |

* Attach Additional Sheets If Necessary

Table 1

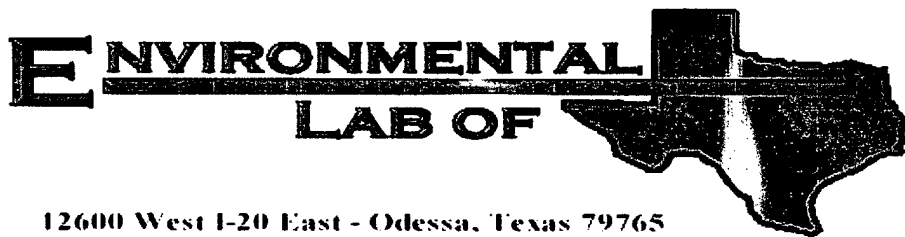
CONCENTRATIONS OF CHEMICALS OF CONCERN IN SOIL

**Merit Energy
Keel B # 7 Site
Loco Hills, Eddy County, New Mexico
Terracon Project Number 94057472C**

All concentrations are in mg/kg

| SAMPLE DATE | SAMPLE LOCATION | SAMPLE DEPTH | Total Chlorides |
|------------------------|----------------------------|-------------------------|----------------------------|
| 03/28/06 | Comp | 6" | 22.1 |

CONCENTRATIONS IN BOLD ARE ABOVE REGULATORY GUIDELINES



12600 West I-20 East - Odessa, Texas 79765

Analytical Report

Prepared for:

Jim Hollon

Terracon Consulting, Inc.

24 Smith Road, Ste. 261

Midland, TX 79705

Project: Various

Project Number: 94057472

Location: Loco Hills

Lab Order Number: 6C31006

Report Date: 04/06/06

Terracon Consulting, Inc.
24 Smith Road, Ste. 261
Midland TX, 79705

Project: Various
Project Number: 94057472
Project Manager: Jim Hollon

Fax: (432) 684-9608

Reported:
04/06/06 17:28

General Chemistry Parameters by EPA / Standard Methods
Environmental Lab of Texas

| Analyte | Result | Reporting Limit | Units | Dilution | Batch | Prepared | Analyzed | Method | Notes |
|---|--------|--------------------|-------|----------|---------|----------|----------|---------------|-------|
| RT H2O Line (6C31006-01) Soil | | | | | | | | | |
| Chloride | 270 | 10.0 | mg/kg | 20 | ED60405 | 04/03/06 | 04/03/06 | EPA 300.0 | |
| TB #44 (6C31006-02) Soil | | | | | | | | | |
| Chloride | 39.5 | 5.00 | mg/kg | 10 | ED60405 | 04/03/06 | 04/03/06 | EPA 300.0 | |
| TB #50 (6C31006-03) Soil | | | | | | | | | |
| Chloride | 10.9 | 5.00 | mg/kg | 10 | ED60405 | 04/03/06 | 04/03/06 | EPA 300.0 | |
| WA #21 (6C31006-04) Soil | | | | | | | | | |
| Chloride | 44.3 | 5.00 | mg/kg | 10 | ED60405 | 04/03/06 | 04/03/06 | EPA 300.0 | |
| KB #7 (6C31006-05) Soil | | | | | | | | | |
| Chloride | 22.1 | 5.00 | mg/kg | 10 | ED60405 | 04/03/06 | 04/03/06 | EPA 300.0 | |
| TA Battery (6C31006-06) Soil | | | | | | | | | |
| % Moisture | 3.8 | 0.1 | % | 1 | ED60401 | 03/31/06 | 04/03/06 | % calculation | |
| Keel B Battery (6C31006-07) Soil | | | | | | | | | |
| % Moisture | 0.4 | 0.1 | % | 1 | ED60401 | 03/31/06 | 04/03/06 | % calculation | |
| TA #43 (6C31006-08) Soil | | | | | | | | | |
| % Moisture | 0.6 | 0.1 | % | 1 | ED60401 | 03/31/06 | 04/03/06 | % calculation | |
| TB #91 (6C31006-09) Soil | | | | | | | | | |
| % Moisture | 2.3 | 0.1 | % | 1 | ED60401 | 03/31/06 | 04/03/06 | % calculation | |
| TB #132 16' (6C31006-10) Soil | | | | | | | | | |
| % Moisture | 1.3 | 0.1 | % | 1 | ED60401 | 03/31/06 | 04/03/06 | % calculation | |

Environmental Lab of Texas

The results in this report apply to the samples analyzed in accordance with the samples received in the laboratory. This analytical report must be reproduced in its entirety, with written approval of Environmental Lab of Texas.

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