

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
Minerals and Natural Resources

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

Form C-144
June 1, 2004

For drilling and production facilities, submit to
appropriate NMOCD District Office.
For downstream facilities, submit to Santa Fe office

Pit or Below-Grade Tank Registration or Closure

Is pit or below-grade tank covered by a "general plan"? Yes ☐ No ☐

Type of action: Registration of a pit or below-grade tank ☐ Closure of a pit or below-grade tank ☒

Operator: MURCHISON OIL AND GAS, INC.

Telephone: 505-628-3932

e-mail address: tommyfolsom@valornet.com

Address: 1100 Mira Vista Blvd., Plano, TX 75093-4698

Facility or well name: Dainwood Draw Fed. 4 No. 1 API #: 30-015-35175 U/L P Sec 4 T17S R23E 660' FSL and 860' FEL

County: Eddy Latitude N Longitude W NAD: 1927 ☐ 1983 ☐

Surface Owner: State X

Month - Year
MAR 26 2007
OCD - ARTESIA, NM

Pit

Type: Drilling X

Lined X

Liner type: Synthetic X Thickness: 12ml HDPE Liner

Pit Volume: 2000 bbl. (Approximately)

Below-grade tank N/A

Volume: N/A bbl Type of fluid: N/A

Construction material: N/A

Double-walled, with leak detection? ☐ If not, explain why not.

Depth to ground water (vertical distance from bottom of pit to seasonal high water elevation of groundwater.) State Engineer's records show groundwater at 400'+.

Less than 50 feet
50 feet or more, but less than 100 feet
100 feet or more

(20 points)
(10 points)
(0 points) 0 pts.

Wellhead protection area: (Less than 200 feet from a private domestic water source, or less than 1000 feet from all other water sources.)

Yes
No X

(20 points)
(0 points) 0 pts.

Distance to surface water: (horizontal distance to all wetlands, playas, irrigation canals, ditches, and perennial and ephemeral watercourses.)

Less than 200 feet
200 feet or more, but less than 1000 feet
1000 feet or more

(20 points)
(10 points)
(0 points) 0 pts.

Ranking Score (Total Points)

0 pts.

If this is a pit closure: (1) Attach a diagram of the facility showing the pit's relationship to other equipment and tanks. Digital photos shall be submitted for before and after remediation activity in final report. (2) Indicate disposal location: Insitu as described above. If offsite, name of facility: N/A (4) Groundwater encountered: No X Yes
☐ If yes, show depth below ground surface ft. and attach sample results. (5) Attach soil sample results and a diagram of sample locations and excavations.

Additional Comments: Please refer to the attached letter for detailed "Closure Plan" information. For purposes of continuity, all materials shall be submitted as part of the final closure report.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that the above-described pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines X, a general permit ☐, or an (attached) alternative OCD-approved plan ☐.

Date: 21 March 2007

Printed Name/Title: Tommy W. Folsom, Production Manager

Signature

Your certification and NMOCD approval of this application/closure does not relieve the operator of liability should the contents of the pit or tank contaminate groundwater or otherwise endanger public health or the environment. Nor does it relieve the operator of its responsibility for compliance with any other federal, state, or local laws and/or regulations.

Approval:

Printed Name/Title:

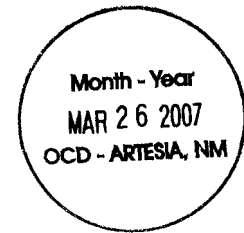
Signature

Date:

Jim W. Green
District II Supervisor

3/26/07

Mr. Tommy W. Folsom
Production Manager
MURCHISON OIL AND GAS, INC.
PO Box 627
Carlsbad, NM 88221-0627



21 March 2007

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

Re: Dainwood Draw Fed. 4 No. 1 Pit Closure Documents

Dear Mr. Bratcher:

Pursuant to the State of New Mexico regulatory requirements for permanent closure of drilling pits, enclosed herewith is the completed Form C-144 and additional information constituting the "Closure Plan" for closure of the Murchison Oil and Gas, Inc., hereinafter "Murchison", Dainwood Draw Federal 4 No. 1 drilling pit (API No. 30-015-35175) located in U/L P S4 T17S R23E, 660' FSL and 860' FEL of Eddy County, New Mexico.

INTRODUCTION

Remediation of the Murchison, hereinafter "Dainwood Draw", drilling pit is targeted to begin 28 March 2007 with completion expected by 18 April 2007, permitting weather and the occurrence of unexpected conditions not within the Operator's control do not create delays or exacerbate the proposed schedule in any way. Murchison intends to maintain its commitment to environmental health and safety and fully comply with the Regulatory Performa of the State of New Mexico, OCD regarding this disposal action and permanent closure of the Dainwood Draw drilling pit.

Potential, temporary contamination from the Dainwood Draw drilling pit site, should any exist, resulted solely from oil and gas production activities. Potential contaminants of concern are typical mid to high-level concentrations of brines, typical polymers (such as xanthium gum and starch) and in general, drilling mud and fluids remaining upon completion of said drilling operations.

Area land use is primarily ranching with domestic pasturage and oil and gas production activities. The Murchison Dainwood Draw drilling pit is located in an area wherein groundwater depth to surface data from water wells is located at approximately 400' on the State of New Mexico, State Engineer's web site. However, in conjunction with their normal online databank, the State of New Mexico, OCD is cross-referencing with a groundwater map titled "Eddy County Depth to Groundwater" dated 9 February 2005. This map indicates the presence of groundwater in the area to be > 400'. The nearest recorded water well lies within the Section but no water information is available. Therefore, it is reasonable to utilize the "Eddy County Depth to Groundwater" map.

Consequently, *insitu* disposal is the preferred choice for the Dainwood Draw drilling pit closure. It is the belief of Murchison that compliant environmental performance and reduction of liability in this area pursuant to New Mexico; OCD regulations can be achieved with *insitu* disposal predicated on the evidentiary data heretofore presented. Further, should future Regulatory Performa mandate additional action or should the Operator choose to take additional action, the *insitu* option, in this case, (1) limits the environmental impact

in general, (2) allows the Operator/government immediate access to said liability, (3) contains said material within the Operator's lease boundary and (4) in the event evidence of water is discovered during the digging of the *insitu* pit, all actions would cease and the State would be immediately notified.

Murchison intends to engage in *insitu* disposal upon approval from the New Mexico, OCD. This compliance action shall strictly apply the State of New Mexico, OCD standards, i.e. clean-up level for the Dainwood Draw drilling pit shall meet the less than 100ppm of TPH, ND for BTEX and the less than 250ppm of chlorides unless approved otherwise and substantiated by background information documented to be higher than the above cited indices.

CLOSURE PLAN

Prior to commencement of closure activities, Murchison contractor will contact One-Call for line spot clearance confirming the State of New Mexico, OCD is in agreement with the proposed "Closure Plan" for removal of approximately 2,000 bbl. of liquid followed by the removal of all fines (drill cuttings) assuming these fines have sufficiently dried allowing for maneuverability of heavy equipment in the pit area, enabling *insitu* burial application to take place and final closure of the pit occur.

Environmental health and safety regulations mandate control of pit volumes at all times. Thus, the liquid material was pumped off as needed and properly disposed of during active drilling operations. Water accumulated since this time is either due to liquid material not completely hauled from actual drilling operations or rain. This water has subsequently been hauled from the location and properly disposed of pursuant to OCD Regulatory Performa.

- ❖ Contractor shall mobilize to Dainwood Draw drilling pit site. Personnel and heavy equipment necessary to provide for the initiation and completion of said remediation activities presented above shall be engaged as is appropriate to the mandated exercise.
- ❖ No remediation activity shall occur off the existing pad or already disturbed areas as authorized by the APD and approved Best Management Practices (BMP's). Murchison shall consider weather conditions and necessary equipment positioning to provide a clear area for adequate staging for site control and safety compliance, ensuring operations shall be compliant with New Mexico, OCD Regulatory Performa.
- ❖ The Dainwood Draw drilling pit is currently lined with a 12ml HDPE liner, which shall be removed by heavy equipment and disposed of *insitu* with the drilling fines pursuant to New Mexico, OCD requirements. *Insitu* actions provide for the encasement of all drilling pit contents in a 20 ml HDPE liner placed below ground. The bottom and sides of the "container" shall be married to undisturbed ground ensuring no objects such as sharp rocks, etc. shall be in the contact area to reduce the potential of puncturing the "container" resulting from (1) the placement of soil on top of it during the burying process and (2) the composition of the pit material contained within it.
- ❖ Once the burial trench/pit has been dug to sufficient dimensions to ensure proper placement of the pit contents, the track hoe shall begin to deposit pit materials within the secured "container" until all pit material has been placed within it. This 20ml HDPE liner "container" shall not be permanently sealed until after the pit bottom has been sampled and approved for closure by the State of New Mexico, OCD. In the event more material must be harvested to achieve compliance, and said harvest shall increase the volume of the *insitu* material to such a degree that it will threaten the integrity of the "container" or potentially cause leakage to occur by reason of increased volume, an

additional *insitu* 20ml HDPE liner "container" shall be placed adjacent (when space and terrain permits) to the existing "container". Such action will provide for reasonable assurance that no leakage will occur and maintain all contaminants within a specific geographic location within the lease boundary.

- ❖ Prior to initiation of backfilling, the Operator shall take appropriate samples of the pit area to ensure compliance with OCD Standards for remediation of possible TPH, ND for BTEX and levels of less than 250ppm of chlorides. However if levels at the bottom of the drilling pit test too high, a background set of samples shall be obtained for testing from the immediate vicinity and compared to those of the pit bottom. Simultaneously, more soil shall be removed from the "hot spots". Once completed, new data acquisition shall occur and sample results determine whether or not compliance has been reached in order to begin backfilling. No backfilling shall begin without authorization by the State of New Mexico, OCD.
- ❖ Backfilling of the Dainwood Draw drilling pit shall be commensurate with existing topography and terrain relief features (contouring) so as to return it to its "near-as" previous condition, including a contour for moisture accumulation which prevents abnormal or unsustainable water impoundment resulting in erosive actions.
- ❖ The "Closure Plan" shall include a final report providing lab analysis of the backfill material, digital project photos and evidentiary narrative to support the completed disposition of the reclaimed Dainwood Draw drilling pit site.

Should you have questions, please call 505-628-3932 (office) or 505-706-0667 (cell).

Sincerely,



Tommy W. Folsom
Production Manager

cc: State of New Mexico, OCD, Form C-144 and photo