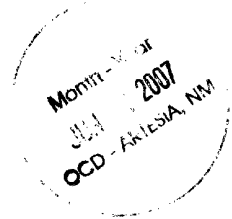




Highlander Environmental Corp.

Midland, Texas

January 16, 2007



Mr. Mike Bratcher
State Of New Mexico,
Oil Conservation Division
1301 W. Grand Ave.
Artesia, New Mexico 88210

Re: Walnut Draw Unit 1821-25 #1, Pit Closure
Eddy County, New Mexico

30-015-35376

The attached are the laboratory analysis for the pit closure of the above mentioned well. The pit which is not located in an agricultural area was closed on 5-16-2007. The results of the field sampling were called in to you on that date. A verbal approval to close the pit was issued at the time. I have attached a copy of the approved pit C-144 Pit Closure as well as the lab results and a summary of the field data. Two of the samples did indicate Chloride levels of 282 and 283 ppm but field testing indicated that the levels were at or below the 250 ppm levels required.

After sampling the pit was reopened as a fresh water storage pit as requested in the original C-144 pit permit dated 4-27-2007.

Should you need additional information regarding this issue, please contact me at 432-682-4559 or my email address at gmler@hec-enviro.com.

Sincerely,

Gary Miller, Agent
Highlander Environmental Corp.

Accepted for record
NMOCD

Parallel Petroleum Corporation
Walnut Draw Unit 1821-25 State #1

API # 30-015-35376

Reserve Pit Closure - Sample Results

Pit was 10' deep after removal of cuttings

All pit sample depths are *below pit bottom* (BPB)

Background sample taken 30' Northeast of pit at 6' of depth.

Sample Location	Depth (BPB)	Field Chloride Results	Lab Chloride Results
Background	6' BGS	200 ppm	127 ppm
Northwest Quarter	2'	245 ppm	283 ppm
Northeast Quarter	4'	240 ppm	114 ppm
Southwest Quarter	4'	260 ppm	211 ppm
Southeast Quarter	1.5'	500 ppm	DNR
	4'	700 ppm	DNR
	8'	540 ppm	DNR
	10'	350 ppm	DNR
	12'	100 ppm	19.9 ppm
Center	4'	320 ppm	DNR
	8'	240 ppm	282 ppm

DNR- Did not run at lab.

BGS- Below Ground Surface

BPB- Below Pit Bottom

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 87412
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

Form C-144
June 1, 2004

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

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 ☒

Month - Year
MAY 1 2007
OCD - ARTESIA, NM

Operator: **Parallel Petroleum Corporation** Telephone: **432-684-3905** e-mail address: **ddurham@pili.com**
Address: **1004 N. Big Spring Street, Suite 400, Midland, Texas 79701**
Facility or well name: **Walnut Draw Unit 1821-25 State #1** API #: **30-015-35376** U/L or Qtr/Qtr **A** Sec **25** T **18S** R **25E**
County: **Eddy** Latitude **32° 43' 26.32 N** Longitude **104° 44' 21.89 W** NAD: 1927 X 1983 ☐
Surface Owner: Federal ☐ State ☒ Private ☐ Indian ☐

Pit	Below-grade tank
Type: Drilling <input checked="" type="checkbox"/> Production <input type="checkbox"/> Disposal <input type="checkbox"/> Workover <input type="checkbox"/> Emergency <input type="checkbox"/> Lined <input checked="" type="checkbox"/> Unlined <input type="checkbox"/> Liner type: Synthetic <input checked="" type="checkbox"/> Thickness 12 mil Clay <input type="checkbox"/> Pit Volume 25,000 bbl	Volume: _____ bbl Type of fluid: _____ Construction material: _____ Double-walled, with leak detection? Yes <input type="checkbox"/> If not, explain why not. _____
Depth to ground water (vertical distance from bottom of pit to seasonal high water elevation of ground water.) 750'	Less than 50 feet (20 points) 50 feet or more, but less than 100 feet (10 points) 0 100 feet or more (0 points)
Wellhead protection area: (Less than 200 feet from a private domestic water source, or less than 1000 feet from all other water sources.)	Yes (20 points) No (0 points) 0
Distance to surface water: (horizontal distance to all wetlands, playas, irrigation canals, ditches, and perennial and ephemeral watercourses.)	Less than 200 feet (20 points) 200 feet or more, but less than 1000 feet (10 points) 1000 feet or more (0 points) 0
Ranking Score (Total Points) 0	

If this is a pit closure: (1) Attach a diagram of the facility showing the pit's relationship to other equipment and tanks. (2) Indicate disposal location: (check the onsite box if you are burying in place) onsite ☒ offsite ☐ If offsite, name of facility _____. (3) Attach a general description of remedial action taken including remediation start date and end date. (4) Groundwater encountered: No ☒ 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: **The drilling pit for this site will be closed as per the attached Pit Closure Plan.**
Pit will be reopened as a frac pit after drilling mud is removed. See second attached Pit Permit for information.

If pit is situated in an agricultural area, all Pit contents MUST be hauled to disposal.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I 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: **4-27-07**

Printed Name/Title **Gary Miller, Agent**

Your certification and NMOCD approval of this application/closure does not otherwise endanger public health or the environment. Nor does it relieve the owner of its obligations under applicable laws and regulations.

Approval: **Jim W. Green**
District II Supervisor

Notify OCD 24 hours prior to beginning pit closure. The contents of the pit or tank contaminate ground water or federal, state, or local laws and/or regulations.

Samples are to be obtained from pit area and analysis submitted to NMOCD prior to back-filling

Date: **5/7/07**



6701 Aberdeen Avenue, Suite 9 Lubbock, Texas 79424 800•378•1296 806•794•1296 FAX 806•794•1298
200 East Sunset Road, Suite E El Paso, Texas 79922 888•588•3443 915•585•3443 FAX 915•585•4944
5002 Basin Street, Suite A1 Midland, Texas 79703 432•689•6301 FAX 432•689•6313
6015 Harris Parkway, Suite 110 Ft. Worth, Texas 76132 817•201•5260
E-Mail: lab@traceanalysis.com

Analytical and Quality Control Report

Gary Miller
Highlander Environmental Services
1910 N. Big Spring Street
Midland, TX, 79705

Report Date: May 30, 2007

Work Order: 7051823



Project Location: Eddy County, NM
Project Name: Walnut Creek Unit State #1
Project Number: 2828

Enclosed are the Analytical Report and Quality Control Report for the following sample(s) submitted to TraceAnalysis, Inc.

Sample	Description	Matrix	Date Taken	Time Taken	Date Received
124491	Center 8'	soil	2007-05-16	00:00	2007-05-17
124492	Background 6'	soil	2007-05-16	00:00	2007-05-17
124493	SE 12'	soil	2007-05-16	00:00	2007-05-17
124494	NE 4'	soil	2007-05-16	00:00	2007-05-17
124495	SW 4'	soil	2007-05-16	00:00	2007-05-17
124496	NW 1.5'-2'	soil	2007-05-16	00:00	2007-05-17

These results represent only the samples received in the laboratory. The Quality Control Report is generated on a batch basis. All information contained in this report is for the analytical batch(es) in which your sample(s) were analyzed.

This report consists of a total of 5 pages and shall not be reproduced except in its entirety, without written approval of TraceAnalysis, Inc.

Dr. Blair Leftwich, Director

Standard Flags

B - The sample contains less than ten times the concentration found in the method blank.

Analytical Report

Sample: 124491 - Center 8'

Analysis:	Chloride (IC)	Analytical Method:	E 300.0	Prep Method:	N/A
QC Batch:	37480	Date Analyzed:	2007-05-23	Analyzed By:	ER
Prep Batch:	32504	Sample Preparation:	2007-05-23	Prepared By:	ER

Parameter	Flag	RL Result	Units	Dilution	RL
Chloride		282	mg/Kg	50	1.00

Sample: 124492 - Background 6'

Analysis:	Chloride (IC)	Analytical Method:	E 300.0	Prep Method:	N/A
QC Batch:	37653	Date Analyzed:	2007-05-29	Analyzed By:	ER
Prep Batch:	32626	Sample Preparation:		Prepared By:	ER

Parameter	Flag	RL Result	Units	Dilution	RL
Chloride		127	mg/Kg	5	1.00

Sample: 124493 - SE 12'

Analysis:	Chloride (IC)	Analytical Method:	E 300.0	Prep Method:	N/A
QC Batch:	37480	Date Analyzed:	2007-05-23	Analyzed By:	ER
Prep Batch:	32504	Sample Preparation:	2007-05-23	Prepared By:	ER

Parameter	Flag	RL Result	Units	Dilution	RL
Chloride		19.9	mg/Kg	5	1.00

Sample: 124494 - NE 4'

Analysis:	Chloride (IC)	Analytical Method:	E 300.0	Prep Method:	N/A
QC Batch:	37653	Date Analyzed:	2007-05-29	Analyzed By:	ER
Prep Batch:	32626	Sample Preparation:		Prepared By:	ER

Parameter	Flag	RL Result	Units	Dilution	RL
Chloride		114	mg/Kg	5	1.00

Sample: 124495 - SW 4'

Analysis:	Chloride (IC)	Analytical Method:	E 300.0	Prep Method:	N/A
QC Batch:	37480	Date Analyzed:	2007-05-23	Analyzed By:	ER
Prep Batch:	32504	Sample Preparation:	2007-05-23	Prepared By:	ER

Parameter	Flag	RL Result	Units	Dilution	RL
Chloride		211	mg/Kg	50	1.00

Sample: 124496 - NW 1.5'-2'

Analysis: Chloride (IC) Analytical Method: E 300.0 Prep Method: N/A
QC Batch: 37480 Date Analyzed: 2007-05-23 Analyzed By: ER
Prep Batch: 32504 Sample Preparation: 2007-05-23 Prepared By: ER

Parameter	Flag	RL Result	Units	Dilution	RL
Chloride		283	mg/Kg	50	1.00

Method Blank (1) QC Batch: 37480

QC Batch: 37480 Date Analyzed: 2007-05-23 Analyzed By: ER
Prep Batch: 32504 QC Preparation: 2007-05-23 Prepared By: ER

Parameter	Flag	MDL Result	Units	RL
Chloride		<0.140	mg/Kg	1

Method Blank (1) QC Batch: 37653

QC Batch: 37653 Date Analyzed: 2007-05-29 Analyzed By: ER
Prep Batch: 32626 QC Preparation: 2007-05-29 Prepared By: ER

Parameter	Flag	MDL Result	Units	RL
Chloride		<0.140	mg/Kg	1

Laboratory Control Spike (LCS-1)

QC Batch: 37480 Date Analyzed: 2007-05-23 Analyzed By: ER
Prep Batch: 32504 QC Preparation: 2007-05-23 Prepared By: ER

Param	LCS Result	Units	Dil.	Spike Amount	Matrix Result	Rec.	Rec. Limit
Chloride	12.0	mg/Kg	1	12.5	<0.140	96	90 - 110

Percent recovery is based on the spike result. RPD is based on the spike and spike duplicate result.

Param	LCSD Result	Units	Dil.	Spike Amount	Matrix Result	Rec.	Rec. Limit	RPD	RPD Limit
Chloride	12.2	mg/Kg	1	12.5	<0.140	98	90 - 110	2	20

Percent recovery is based on the spike result. RPD is based on the spike and spike duplicate result.

Laboratory Control Spike (LCS-1)

QC Batch: 37653
Prep Batch: 32626

Date Analyzed: 2007-05-29
QC Preparation: 2007-05-29

Analyzed By: ER
Prepared By: ER

Param	LCS Result	Units	Dil.	Spike Amount	Matrix Result	Rec.	Rec. Limit
Chloride	12.0	mg/Kg	1	12.5	<0.140	96	90 - 110

Percent recovery is based on the spike result. RPD is based on the spike and spike duplicate result.

Param	LCSD Result	Units	Dil.	Spike Amount	Matrix Result	Rec.	Rec. Limit	RPD	RPD Limit
Chloride	11.8	mg/Kg	1	12.5	<0.140	94	90 - 110	2	20

Percent recovery is based on the spike result. RPD is based on the spike and spike duplicate result.

Matrix Spike (MS-1) Spiked Sample: 124496

QC Batch: 37480
Prep Batch: 32504

Date Analyzed: 2007-05-23
QC Preparation: 2007-05-23

Analyzed By: ER
Prepared By: ER

Param	MS Result	Units	Dil.	Spike Amount	Matrix Result	Rec.	Rec. Limit
Chloride	¹ 602	mg/Kg	50	625	282.816	51	75.6 - 117

Percent recovery is based on the spike result. RPD is based on the spike and spike duplicate result.

Param	MSD Result	Units	Dil.	Spike Amount	Matrix Result	Rec.	Rec. Limit	RPD	RPD Limit
Chloride	² 586	mg/Kg	50	625	282.816	48	75.6 - 117	3	20

Percent recovery is based on the spike result. RPD is based on the spike and spike duplicate result.

Matrix Spike (MS-1) Spiked Sample: 124730

QC Batch: 37653
Prep Batch: 32626

Date Analyzed: 2007-05-29
QC Preparation: 2007-05-29

Analyzed By: ER
Prepared By: ER

Param	MS Result	Units	Dil.	Spike Amount	Matrix Result	Rec.	Rec. Limit
Chloride	³ 32.6	mg/Kg	5	62.5	7.1772	41	75.6 - 117

Percent recovery is based on the spike result. RPD is based on the spike and spike duplicate result.

Param	MSD Result	Units	Dil.	Spike Amount	Matrix Result	Rec.	Rec. Limit	RPD	RPD Limit
Chloride	⁴ 34.7	mg/Kg	5	62.5	7.1772	44	75.6 - 117	6	20

Percent recovery is based on the spike result. RPD is based on the spike and spike duplicate result.

¹ Matrix spike recovery out of control limits due to matrix interference. Use LCS/LCSD to demonstrate analysis is under control.

² Matrix spike recovery out of control limits due to matrix interference. Use LCS/LCSD to demonstrate analysis is under control.

³ Matrix spike recovery out of control limits due to matrix interference. Use LCS/LCSD to demonstrate analysis is under control.

⁴ Matrix spike recovery out of control limits due to matrix interference. Use LCS/LCSD to demonstrate analysis is under control.

Standard (ICV-1)

QC Batch: 37480

Date Analyzed: 2007-05-23

Analyzed By: ER

Param	Flag	Units	ICVs True Conc.	ICVs Found Conc.	ICVs Percent Recovery	Percent Recovery Limits	Date Analyzed
Chloride		mg/Kg	12.5	12.0	96	90 - 110	2007-05-23

Standard (CCV-1)

QC Batch: 37480

Date Analyzed: 2007-05-23

Analyzed By: ER

Param	Flag	Units	CCVs True Conc.	CCVs Found Conc.	CCVs Percent Recovery	Percent Recovery Limits	Date Analyzed
Chloride		mg/Kg	12.5	12.0	96	90 - 110	2007-05-23

Standard (ICV-1)

QC Batch: 37653

Date Analyzed: 2007-05-29

Analyzed By: ER

Param	Flag	Units	ICVs True Conc.	ICVs Found Conc.	ICVs Percent Recovery	Percent Recovery Limits	Date Analyzed
Chloride		mg/Kg	12.5	11.8	94	90 - 110	2007-05-29

Standard (CCV-1)

QC Batch: 37653

Date Analyzed: 2007-05-29

Analyzed By: ER

Param	Flag	Units	CCVs True Conc.	CCVs Found Conc.	CCVs Percent Recovery	Percent Recovery Limits	Date Analyzed
Chloride		mg/Kg	12.5	11.7	94	90 - 110	2007-05-29

