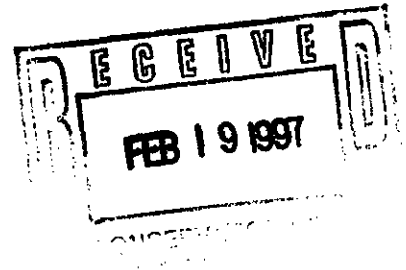


**INSPECTION
&
RECOMMENDATIONS**

Feb. 13 , 1997



To: Bill LeMay
From: Jerry Sexton

Subject: Wayne Price recommendations for
East Caprock Maljamar area

I have attached Wayne's recommendations on the area to you for your handling.

It was my understanding that pits were to be a priority in the next two years. Pits are being filled in SE New Mexico as has been discussed previously. We give out the Guidelines and then it is up to the companies on what they due. The understanding is that they are still responsible for any contamination and you will decide how to address the above problem when the pit problem is taken care of in this two year period.

It should be pointed out that we have pits in critical areas that are not being addressed it was also my understanding that these pits would also be addressed at a later date.

The Chaveroo pit was looked at and I did not think it was being used and this will be rechecked.

It is my understanding from talking to Wayne that we are in the process of revising the guide lines for pit closures to allow risk factors to be used and that the calculations for the risk factors will be in the guidelines. With this in mind you need to consider if we should not put this information out with the guidelines as these risk factors may save operators Tens of thousands of Dollars.

cc:
Roger Anderson
Wayne Price
Bill Olson
Gary Wink

Wayne Price

From: Wayne Price
To: Jerry Sexton; Roger Anderson
Cc: Bill Olson; Gary Wink
Subject: Recommendations for Operators in East Caprock Maljamar Area.
Date: Tuesday, February 11, 1997 3:58PM
Priority: High

Dear Jerry and Roger,

Please find attached an inspection report of a recent field trip I took with the NM State Land Office. Near the end of the attached letter please note the recommendations I have made.

Please note I am referring these recommendations to both of you for your review and comments and/or actions required if deemed necessary.

Thank You.

<<File Attachment: WPENSL>>



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
HOBBS DISTRICT OFFICE

January 11, 1997

POST OFFICE BOX 1980
HOBBS, NEW MEXICO 88241-1980
(505) 393-6161

Mr. Eric Nelson
NM State Land Office (NMSLO)
Suite C
3830 N. Grimes
Hobbs, NM 88240

Re: Inspection report of field trip on January 21, 1997.

Dear Mr. Nelson,

On January 21, 1997 you had requested I accompany you to inspect certain NM State land Oil & Gas leases in the east caprock maljamar area more or less Township 16-17 and Range 32-33.

The NMOCD understands that the NMSLO is the trustee for these lands in this area and that you requested the NMOCD to make an environmental inspection concerning possible contamination on these properties as a result of present and past Oil & Gas activities.

Per your request please find enclosed copies of my recent field report during our trip on January 21, 1997 and my summation.

The Wiser Company has requested pit closure information from me and their plans according to Mr. Mike Jones of Wiser is to obtain bids on all of their pits in the Caprock Maljamar Unit and to close these pits per NMOCD Guidelines.

The Penroc Oil Corp. sites that we toured are as follows:

Mal-Mar unit Water Flood Plant 0-sec 12-Ts17s-R32e: There was an existing pit just east of the building, this pit has been closed. I do not have any information in my environmental files on this closure. I do have pictures available in the file before the pit was closed.

Penroc Aztec State E-sec 8-Ts17s-R33e battery: This location revealed unsaturated contaminated soils and historical crude oil contamination in an area where the old drilling pit was covered. Drilling pits are normally not included in the pit closure guidelines. However, per rule 105 these pits are required to be closed in a manner to prevent contamination to surface or subsurface waters.

The magnitude or the extent of this contamination is not know by the NMOCD at this time. I do not have any information on the closure of this pit at this time. There is a windmill in close proximity to the site.

Penroc Mal-Mar unit Tr. #3 Batt. I-sec 12-Ts17s-R32e; The tank battery has historical crude oil contamination in the form of solidified asphaltines. There is an old line running from the bottom of the tanks on the east side out to an area where there is evidence of contaminated soils with a fresh mound of calichie.

The NMOCD does not have any information on this site in the environmental files in Hobbs and at this time does not know what this area was used for.

There were a few miscellaneous well sites that still have unlined pits. One of these had an old drum in it. These pits appear to be work over or emergency blow down, etc. They did not have visual contamination of any significant magnitude.

Penroc NE Maljamar Unit nw/4 sec 5-Ts17s-R33e; See field report. Old BS&W pit.

Chaveroo Operating Co. Inc. st. of NM "O" (NCT-3) se/4 nw/4 sec 12-Ts17s-R32e.; Found BS&W unlined netted pit. Pit has old drum in it and free oil floating on top. It appears that the tank bottoms are being discharged into this pit.

I will be making the following recommendations to the NMOCD District I Supervisor and the NMOCD Environmental Bureau Chief.

Wiser Pits: NMOCD should follow up on and coordinate the approval of these pit closures.

Penroc: The NMOCD should request that Penroc provide closure information on any pits it has closed.

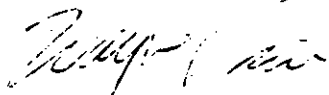
Penroc should complete closure of the NE Maljamar Unit #1 pit and remove old tank and junk.

Penroc should perform a site assessment and determine the vertical and horizontal extent of any contamination on site at these above locations and provide closure reports as per the NMOCD guidelines or another method approved by the NMOCD.

Chaveroo Pit: The NMOCD should require Chaveroo to stop discharging into this pit and require closure plans.

If you require any further assistance concerning this matter please do not hesitate to call (505-393-6161) or write.

Sincerely yours,



Wayne Price-Environmental Engineer

cc: Jerry Sexton-NMOCD District I Supervisor
Roger Anderson-Environmental Bureau Chief
NMOCD files: This correspondence, field reports and pictures:

attachments: Wiser field report
Penroc field report
Chaveroo field report

NEW MEXICO OIL CONSERVATION COMMISSION
FIELD TRIP REPORT

ROGER ANDERSON
BILL OLSON
ST LAND OFF - HO.

2:30 PM

Name WAYNE PRICE

Date 1/21/97

Miles _____ District _____

Time of Departure 7 AM

Time of Return 4 PM

Car No. _____

In the space below indicate the purpose of the trip and the duties performed, listing wells or leases visited and any action taken.

Signature [Signature]

WAYNE PRICE - NMOCN ERIC NELSON - NM ST LAND OFFICE
ALLEN SHORT - WISER OIL CO.

INSPECTED WISER OIL CO. CMU - PITS

H-18-175-33C OPEN UNLINED PIT - BROKE O
TOOK PICTURES - 90'x180'x6
HEAVY BS&W
TEMP X 55°F

D-20-17-33 CMU MAIN WATER BATTERY
NEAR CAPROCK - HAS UNLINED
2100' TO CORNER NESTED PIT 60'x60'x8' OIL
FRESH WATER WELL BS&W IN BOTTOM - TOOK
PICTURES - RUM FILM EXPOSED!

Mileage

UIC _____

RFA _____

Other _____

Per Diem

UIC _____

RFA _____

Other _____

Hours

UIC _____

RFA _____

Other _____

TYPE INSPECTION
PERFORMED

H = Housekeeping
P = Plugging
C = Plugging Cleanup
T = Well Test
R = Repair/Workover
F = Waterflow
M = Mishap or Spill
W = Water Contamination
O = Other

INSPECTION
CLASSIFICATION

U = Underground Injection Control - Any inspection of or related to injection project, facility, or well or resulting from injection into any well. (SWD, 2ndry injection and production wells, water flows or pressure tests, surface injection equipment, plugging, etc.)
R = Inspections relating to Reclamation Fund Activity
O = Other - Inspections not related to injection or The Reclamation Fund
E = Indicates some form of enforcement action taken in the field (show immediately below the location U, R or O)

NATURE OF SPECIFIC
OR FACILITY INSPEC

D = Drilling
P = Production
I = Injection
C = Combined prod. operations
S = SWD
U = Underground Stor
G = General Operati
F = Facility or loca
M = Meeting
O = Other

NEW MEXICO OIL CONSERVATION COMMISSION
FIELD TRIP REPORT

ROBERT ARNOLD
BILL OLSON
ST LAND OFF-

INVESTIGATION
CLASSIFICATION
FACILITY
HOURS
QUARTER
HOURS

Name WAYNE PRICE Date 1/21/97 Miles _____ District _____
Time of Departure 7 AM Time of Return 4 PM Car No. _____

In the space below indicate the purpose of the trip and the duties performed, listing wells or leases visited and any action taken.

Signature [Signature]

WAYNE PRICE - NMOC ERIC NELSON - NM ST LAND OFF

PENROC OIL CORP. - MAL MAR UNIT

0-12-17-32

TOOK PICTURES - FILM ROLLED

OLD PIT HAS BEEN COVERED! UNOC DID NOT RECEIVE CLOSURE REPORTS

PENROC AZTEC STATE - OLD PIT COVERED!

PENROC NE MALJAMAN UNIT #1

NW/4 5-17-33

2- PRODUCTION TANKS REMOVED, 1- OLD JUNK

TANK ON SITE, OLD BS&W PIT STILL

ON SITE WITH HEAVY BS&W - NO NE

IS FENCED - HEARD OF ANTelope ON LOCATION

Mileage	Per Diem	Hours
UIC _____	UIC _____	UIC _____
RFA _____	RFA _____	RFA _____
Other _____	Other _____	Other _____

TYPE INSPECTION
PERFORMED

INSPECTION
CLASSIFICATION

NATURE OF SPECIFIC
OR FACILITY INSPECTION

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X = Indicates some form of enforcement action taken in the field (show immediately below the letter "X" or "O")

D = Drilling
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NEW MEXICO OIL CONSERVATION COMMISSION
FIELD TRIP REPORT

12 AUGER 50
BILL OLSON
54 LAND 116-

INSPECTION	CLASSIFICATION	FACILITY	HOURS	QUARTER HOURS
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Name WAYNE PRICE Date 11/21/97 Miles _____ District _____
Time of Departure 7 AM Time of Return 4 PM Car No. _____

In the space below indicate the purpose of the trip and the duties performed, listing wells or leases visited and any action taken.

Signature Wayne Price

WAYNE PRICE - NMOCN

ERIC NELSON - NM ST LAND OFFICE

CHAUVERON OPERATING CO. INC.

STATE of NM "O" (NCT-3)

TR BHT #20 320 AC

NW 1/4 SEC 12 - T17S - R32E

BS+R PIT UNLINED / LINED / FENCE

FREE OIL IN PIT + 1 OLD DRUM

Mileage

UIC _____

RFA _____

Other _____

Per Diem

UIC _____

RFA _____

Other _____

Hours

UIC _____

RFA _____

Other _____

TYPE INSPECTION PERFORMED

H = Housekeeping
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O = Other

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