NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

2/25/2004

Merit Energy Company
12222 Merit Drive , ste. 1500
Dallas, TX 75251

Re: Work plan approval letter
Keel B #39 Flowline leak sec. 6-17s-31e.

Dear Merit Energy Company,

O.C.D. has received a work plan from your agent Safety & Environmental Solutions for the Keel B #39 flowline leak. The work plan as presented for the remediation of a 60 bbls produced fluids release which occurred 12/19/2004 on the flowline.

The Work plan as presented to O.C.D. is approved with the following stipulations added:

1 Please notify O.C.D. before remediation actions are taken or soil samples are taken for analytical therefore giving O.C.D. the opportunity to witness.

2.The corrective actions as approved in this workplan shall be completed no later than 4/25/2004.

If I can be of assistance in this matter please do not hesitate to contact me at 505-748-1283 or E-Mail me at mstubblefield@state.nm.us.

Sincerely,

Mike Stubblefield
Environ Eng. Spec.
N.M.O.C.D.

Cc. Safety & Environmental Solutions, Inc.

Merit Energy
Keel B # 39 Flowline Leak
Work Plan
Section 6, Township 17S, Range 31E
Eddy County, New Mexico

February 12, 2004

Prepared for:

Merit Energy
P.O. Box 69
Loco Hills, New Mexico 88255

By:

Safety & Environmental Solutions, Inc.
703 E. Clinton Suite 102
Hobbs, New Mexico 88240
(505) 397-0510

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I. Purpose

The purpose of this work plan is to propose a plan for the cleanup of the area identified as the Keel B #39 Flow Line Leak. The site is located in Section 6 Township 17S Range 31E, Eddy County, New Mexico. The site follows an arroyo and is otherwise situated on a relatively level site. (Vicinity Map)

II. Background

The subject leak site was caused by a flowline leak which entered an arroyo and followed the bottom of the arroyo approximately ¼ of a mile. On December 19, 2003 approximately 60 barrels of fluid was released from a flowline near the Keel #39 well. Approximately 50 barrels of fluid was recovered. The leak created a spray around the leak site.

III. Contaminant and Size of Area

The suspected contaminant is produced water and crude oil which was being transported in the flowline. The release was basically contained in the arroyo and is only approximately 3 to 4 feet in width and approximately ¼ mile in length. The affected area is stained with hydrocarbon. (Site Plan)

Crude oil and produced water are considered exempt oilfield waste. No evidence of other contaminants was observed.

IV. Vertical and Horizontal Extent of Contamination

The vertical and horizontal extent of the contamination will be determined through the use of a hand auger in the pooling areas.

V. Groundwater

There is no groundwater of record in the area according to information received from the New Mexico State Engineer.

VI. Action Plan

Based on visual observations, the cleanup level reached by the application of the **"Guidelines for Remediation of Leaks, Spills and Releases"** *New Mexico Oil Conservation Division* – August 13, 1993 (Guidelines) to this site is 5000 ppm TPH. Application of the NMOCD's ranking criteria for contaminated soils at this site is presented below.

Depth to Ground Water:	0 points
Distance to Well Head or Water Source:	0 points
Distance to Surface Water/Waterways:	0 points
Total Score:	0 points

The subject site is in the bottom of an arroyo. Any major excavation of this arroyo will cause more severe erosion in the area. As an alternative to total excavation and removal, SESI proposes to till the bottom of the arroyo with a small tractor. The pooling

areas will be excavated to bring all of the highly saturated soils to the surface where they will be tilled with the other soil in the bottom of the arroyo. Upon completion of the tilling, the bottom of the arroyo will be sprayed with Micro Blaze and allowed to naturally attenuate.

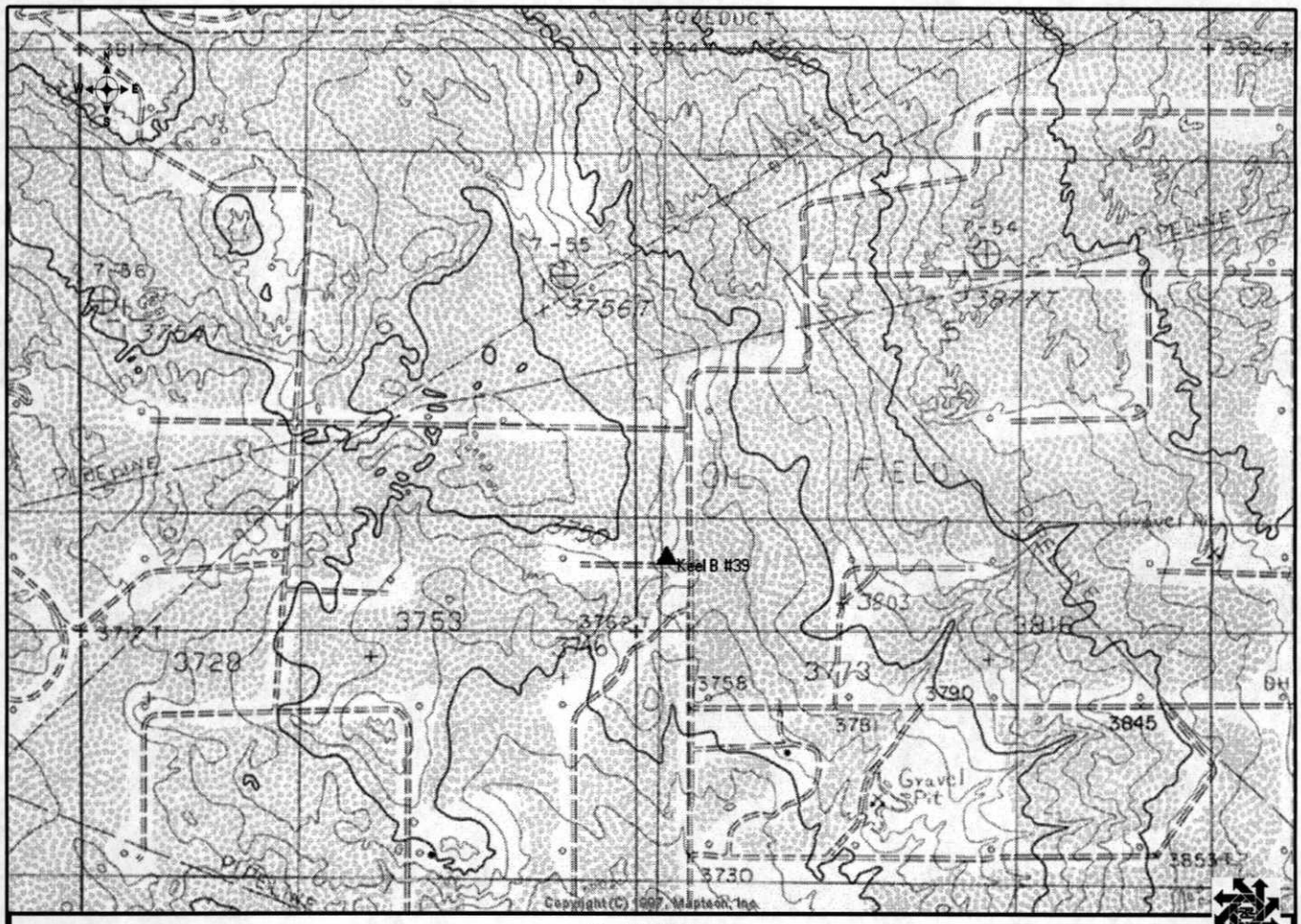
Samples from the bottom of the arroyo will be analyzed for Total Petroleum Hydrocarbons (TPH), Benzene, Toluene, Ethyl Benzene and Total Xylenes (BTEX), and Chlorides. The contaminate levels will be recorded and reported to the New Mexico Oil Conservation Division (NMOCD). The attenuation progress of the arroyo bottom may be monitored at the request of the NMOCD.

SESI also proposes that the area, which was contaminated by a slight spray from the leak, be left in place, sprayed with Micro Blaze and allowed to naturally attenuate.

VII. Figures & Appendices

Figure 1. Vicinity Map
Figure 2. Site Plan
Appendix A C-141
Appendix B Site Photos

Figure 1
Vicinity Map

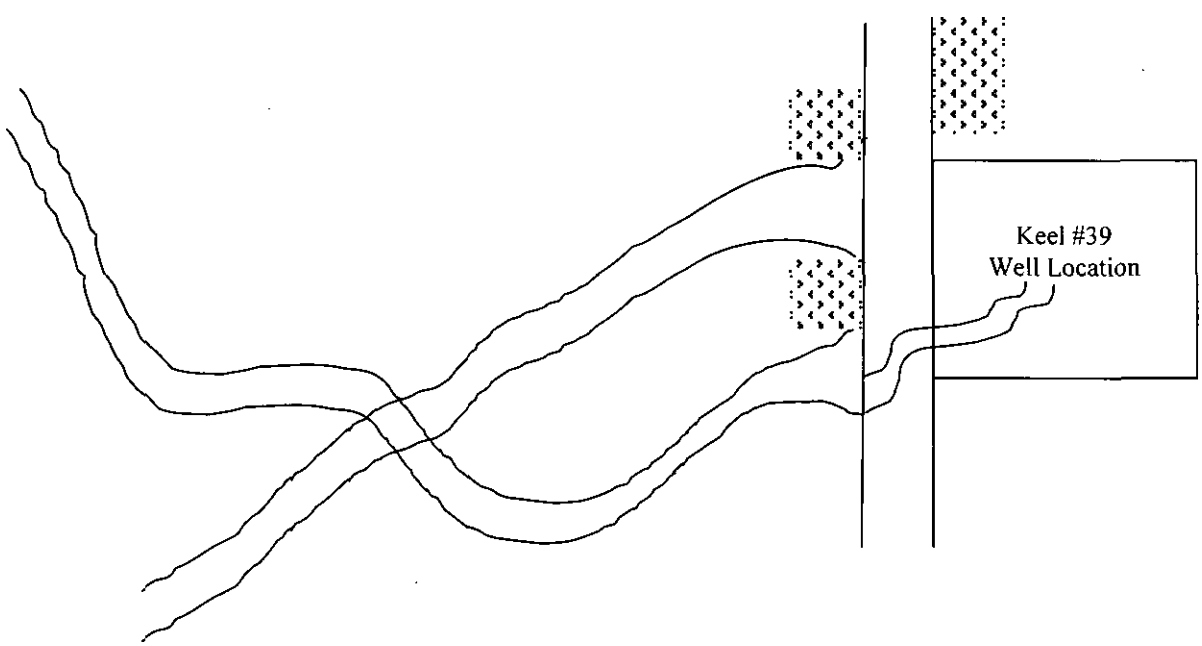


Merit Energy

Keel B #39
S6, T17S, R31E
Eddy County, New Mexico

Safety & Environmental Solutions, Inc.

Figure 2
Site Plan



Not to Scale

Merit Energy	Keel B #39 Sec. 6, 17S, R31E Eddy County, New Mexico	Safety & Environmental Solutions, Inc.

Appendix A
C-141

Appendix B
Site Photos