

Mr. Kern McCready  
NM Operations Manager  
NADEL AND GUSSMAN PERMIAN, LLC  
601 N. Marienfeld  
Suite 508  
Midland, TX 79701

22 May 2007

Mr. Larry Johnson  
OIL CONSERVATION DIVISION  
1625 N. French Drive  
Hobbs, NM 88240

Re: TP State No. 2 Hydrocarbon Fluid Release Final Report  
Reference Letter of Violation, Inspection No.: iMGB0703661710 (Lease No. E75671)

Dear Mr. Johnson:

RP# 1258

Pursuant to your Letter of Violation, Inspection No. iMGB0703661710, issued 7 February 2007, Nadel & Gussman Permian, LLC (NGP) herewith notifies Lea County, State of New Mexico, Oil Conservation Division (NMOCD) that it has completed remediation of the above cited hydrocarbon fluid release on TP State No. 2 (API No. 30-025-23950) located in U/L I S24 T17S R35E of Lea County, New Mexico. Due to a series of spring storms moving through the area during the active infield operations on this location, NGP was not able to complete its remediation operations prior to this time.

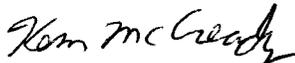
The following documents are herewith submitted as part of NGP's final report on the above cited hydrocarbon release for the TP State No. 2: (1) C-141 Initial and Final Reports, (2) Spill/Remediation Photo Record, (3) NaCl<sub>2</sub> Analyses (baseline/removal), (4) GRO/DRO Analyses (baseline/removal), (5) State Engineer's Well Record and (6) Summary Report on borehole analyticals.

NGP's "Corrective Action Plan" submitted 2 February 2007, cited all project action to be initiated which was executed as described therein. Of several parameters, one was to ascertain whether or not groundwater had been polluted as a result of the spill. This investigation was conducted by drilling a pilot well in the area of active surface contamination but no groundwater was present to a depth of 70', even after waiting 72 hours for recharge potential. Soil analyses of this borehole show expected ranges of salt naturally occurring in the area (see attached analyticals). Therefore, no groundwater has been contaminated by this action. Offsite spill areas located along the northeastern and southern boundaries, impounding somewhat in the southwest corner of the pad (see photos) have been completely removed and transported to a landfarm for disposal. These areas were then backfilled with clean material.

NGP would like to thank you for the opportunity to work with Lea County regarding remediation of the TP State No. 2 location. Your input and patience with our efforts has been much appreciated.

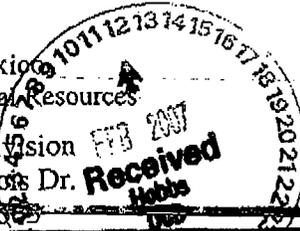
Should you have questions please call 432-682-4429 (office) or 432-425-6347 (cell).

Sincerely,

  
Kern McCready  
NM Operations Manager

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  
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**

OPERATOR  Initial Report  Final Report

Name of Company NADEL & Gussman Permiamic Contact Kern McCready  
Address 501 N. MAREN GATE, MIDLAND, TX 79701 Telephone No. 432-682-4429 / 432-425-6347 (C)  
Facility Name TP STATE NO. 2 Facility Type 625

Surface Owner \_\_\_\_\_ Mineral Owner NEW MEXICO Lease No. E75671

**LOCATION OF RELEASE** API No: 30-025-23950

Unit Letter	Section	Township	Range	Feet from the	North/South Line	Feet from the	East/West Line	County
<u>I</u>	<u>24</u>	<u>179</u>	<u>35E</u>					<u>LEA COUNTY</u>

Latitude \_\_\_\_\_ Longitude \_\_\_\_\_

WTR 40'

**NATURE OF RELEASE**

Type of Release <u>UNKNOWN</u>	Volume of Release <u>5-10 bbls</u>	Volume Recovered <u>2 bbls</u>
Source of Release <u>HYDROCARBON</u>	Date and Hour of Occurrence _____	Date and Hour of Discovery <u>UNKNOWN</u>
Was Immediate Notice Given? <input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Not Required	If YES, To Whom? <u>UNKNOWN</u>	
By Whom? <u>N/A</u>	Date and Hour <u>N/A</u>	
Was a Watercourse Reached? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	If YES, Volume Impacting the Watercourse. <u>N/A</u>	

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

Describe Cause of Problem and Remedial Action Taken.\*  
Water leg froze on gum barrel tank forcing tank contents to continue to rise and overflowed out of small hole in tank skin and thief hatch.

Describe Area Affected and Cleanup Action Taken.\*  
Pad area, less than 50' of road bed. Caliche applied to soak up liquids. Will be land farmed later.

I hereby certify that the information given above is true and complete to the best of my knowledge and understand that pursuant to NMOC 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 NMOC 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, NMOC 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: <u>Kern McCready</u>		OIL CONSERVATION DIVISION	
Printed Name: <u>Kern McCready</u>	Approved by District Supervisor: _____	Approval Date: <u>2-22-07</u>	Expiration Date: <u>4-26-07</u>
Title: <u>Operations Engineer</u>	Conditions of Approval:		Attached <input type="checkbox"/>
E-mail Address: <u>KEMM@naguss.com</u>	Date: <u>11 February 2007</u> Phone: <u>432-425-6347</u>		<u>AS DISCUSSED</u>

\* Attach Additional Sheets If Necessary

Mr. Kem McCready  
Operations Engineer  
NADEL AND GUSSMAN PERMIAN, LLC  
601 N. Marienfeld  
Suite 508  
Midland, TX 79701

11 February 2007

Mr. Larry Johnson  
OIL CONSERVATION DIVISION  
1625 N. French Drive  
Hobbs, NM 88240



Re: TP State No. 2 "Corrective Action Work Plan" for Hydrocarbon Fluid Release  
Reference Letter of Violation No.: iMGB0703661710

Dear Mr. Johnson:

Pursuant to your Letter of Violation No. iMGB0703661710 issued on 7 February 2007 with corrective action cited to be completed by 11 May 2007, Nadel & Gussman Permian, LLC, hereinafter "NGP", herewith notifies Lea County, State of New Mexico, Oil Conservation Division of its receipt of the LOV for their location TP State No. 2 (API No. 30-025-23950) located in the U/L I S24 T17S R35E (Lease No. E75671). NGP intends to engage remediation action as soon as approval to commence is granted by the OCD.

In accordance with the State of New Mexico regulatory requirements and guidelines for *Remediation of Leaks, Spills and Releases*, please find enclosed NGP's, Form C-141 in compliance with New Mexico Administrative Code 19.15.3.116 for the release of approximately 5 to 10 barrels of oil and oil laden hydrocarbon fluids leaking from the thief hatch and small holes in the gum barrel tank located on the northeast corner of the pad at an unknown time of day, approximately two weeks prior to this transmittal.

In summation, the spill occurred consequential of the water leg on the gum barrel tank freezing, forcing the rise of its contents to the top of the tank at which point it simultaneously released through several small holes in the tank skin and the thief hatch (refer to photos). Compounding the action was the intermittent presence of inclement weather releasing both snow and rain over a several day period, preventing adequate implementation of measures to both clean up and assess the spill. Ineluctably, the spill became diffuse across portions of the pad with an exiguous amount traveling a short distance down the road wherein it pooled at the grassy berm but did not exit the roadbed.

To date the following actions have been undertaken: (1) NGP placed several loads of caliche on the active spill area to absorb excess hydrocarbon fluids for the purpose of preparing them for removal from the spill area and to prevent further spread of the spill.

(2) A backhoe and cleanup crew has been contracted to pick up said contaminated soils, land farm them and apply them to construction of the berms required to meet regulatory Performa on location.

(3) Due to the location exhibiting highly compacted soils, the prospective estimation is that the hydrocarbon penetration rate was inhibited, at least to some degree creating a semi-impermeable situation retarding the spill spread.

(4) The location has been checked for potential groundwater contamination and offsite spill areas. To the best of our knowledge at this juncture, groundwater has not been contaminated. Depth to groundwater in this area ranges from 35 to 60 feet with existing contamination manifest to approximately eight inches. Offsite spill areas are located along the northeastern and southern boundaries, impounding somewhat in the southwest corner of the pad (see photos). Known private domestic water sources are significantly up-dip and greater than 2,000 feet from the location.

NGP intends to implement the following "Corrective Action Work Plan" for remediation of the spill action:

1. Remove contaminated materials to utilize for land farming and berm construction.
2. Construct berms around the tank farm area and make necessary repairs to achieve compliance and safety regulatory Performa.
3. NGP intends to meet New Mexico, OCD Rule 50 remediation requirements regarding spill cleanup and provide notification to Lea County, OCD prior to closure. A final closure report shall be submitted at culmination of said actions.

Should you have questions, please call 432-682-4429 (office) or 432-425-6347 (cell).

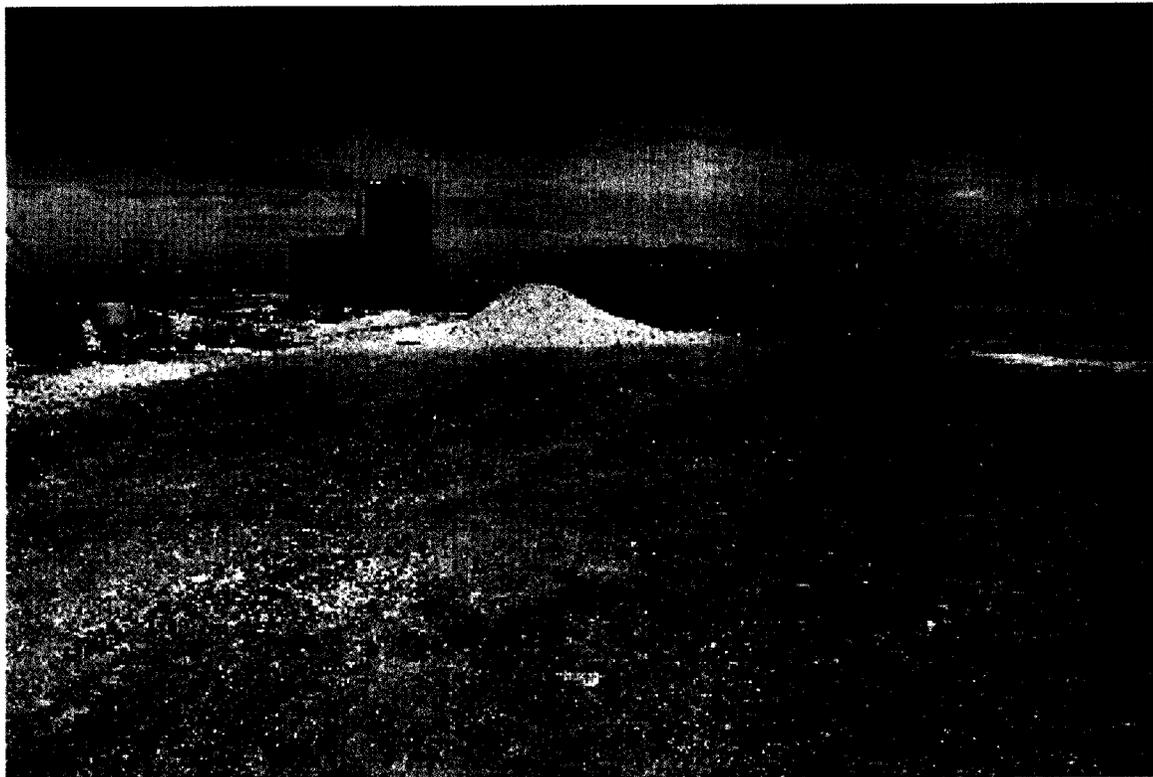
Sincerely,

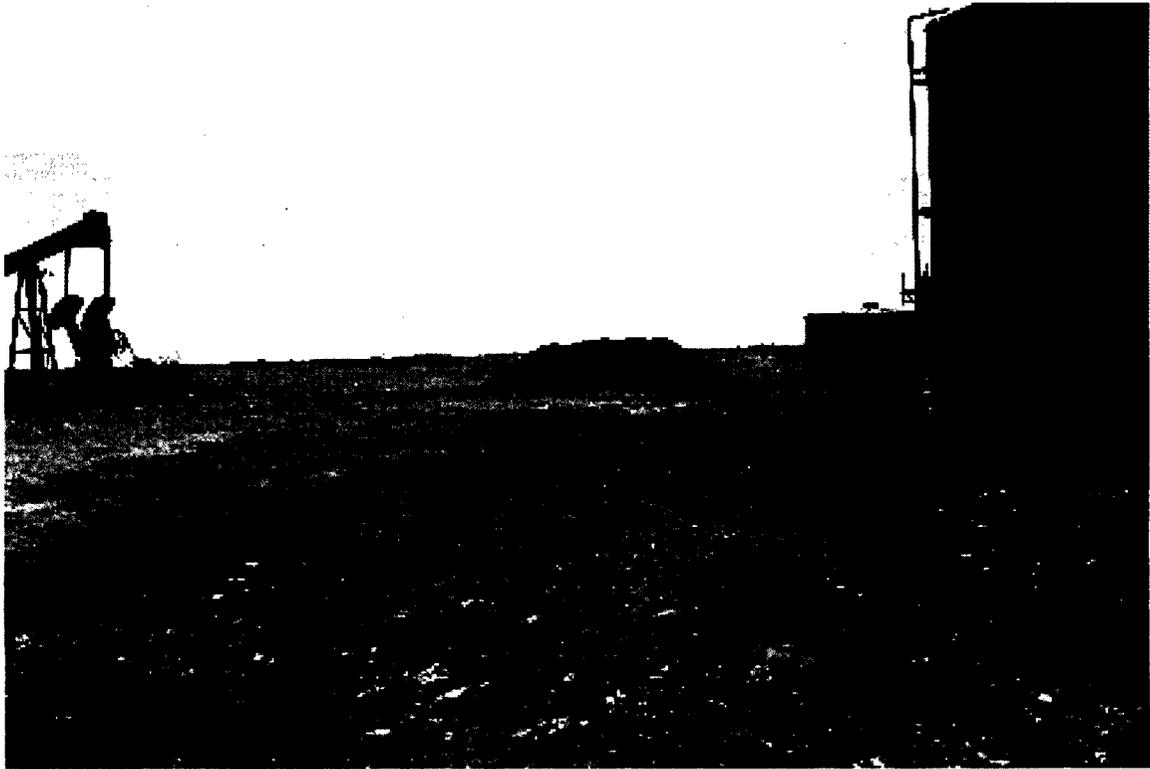
*Kem McCready*  
Kem McCready  
NM Operations Manager



**NADEL & GUSSMAN PERMIAN, LLC**  
TP STATE NO. 2  
SPILL/REMEDIATION FINAL REPORT PHOTO RECORD







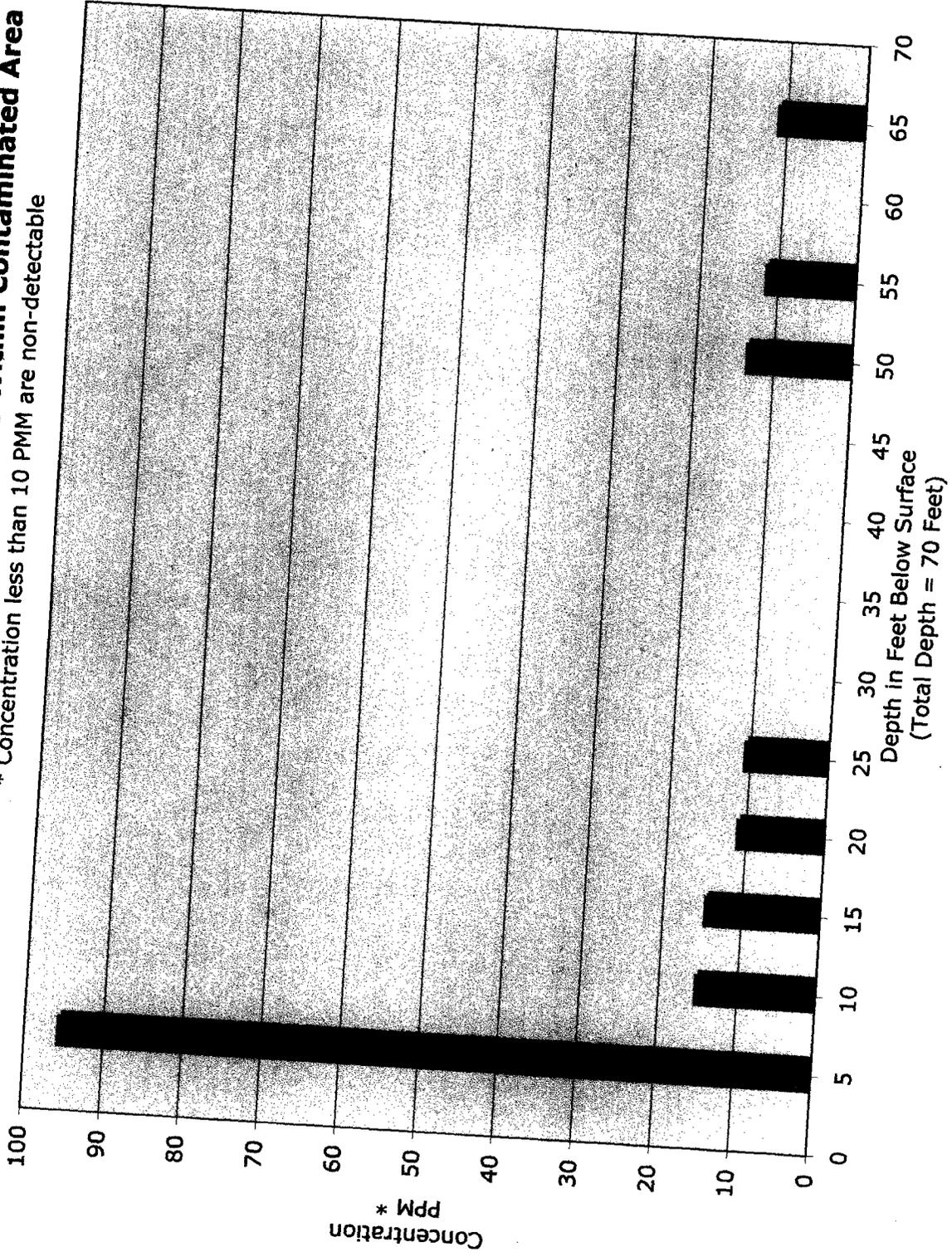




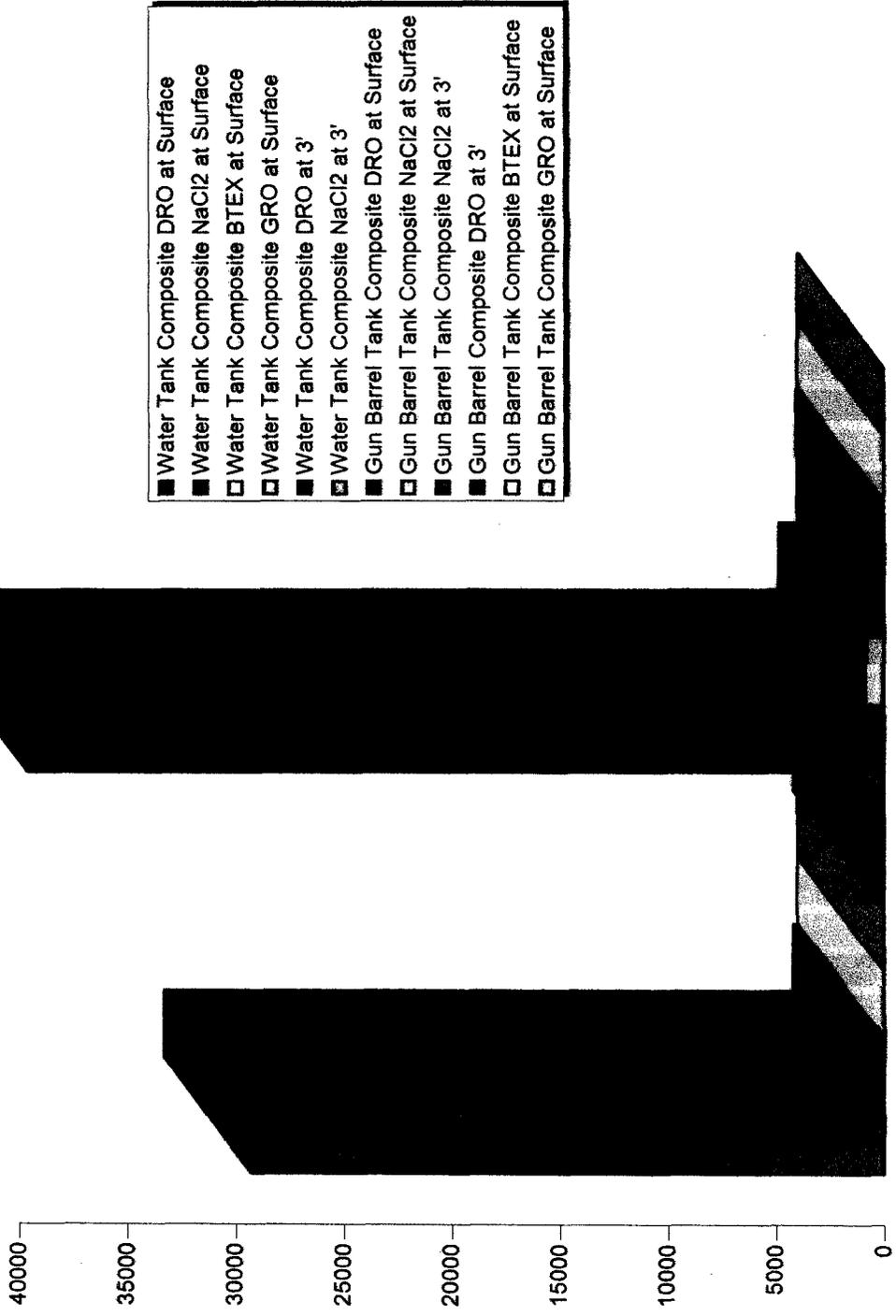


# NaCl<sub>2</sub> Bore Hole Investigation Results Within Contaminated Area

\* Concentration less than 10 PPM are non-detectable



Note:  
 Sample Results from BTEX abd GRO at 3' were  
 N.D.



File Number: \_\_\_\_\_

NEW MEXICO OFFICE OF THE STATE ENGINEER  
WELL RECORD

1. OWNER OF WELL

Name: Nadd + Grossman Perminar Work Phone: 505 746 1428  
Contact: Lee Had better Home Phone: \_\_\_\_\_  
Address: 2506 Freeman  
City: Alamogordo, NM State: \_\_\_\_\_ Zip: 88200

2. LOCATION OF WELL (A, B, C, or D required, E or F if known)

A.      1/4      1/4      1/4 Section: \_\_\_\_\_ Township: \_\_\_\_\_ Range: \_\_\_\_\_ N.M.P.M. County: \_\_\_\_\_  
in \_\_\_\_\_

B. X = \_\_\_\_\_ feet, Y = \_\_\_\_\_ feet, N.M. Coordinate System Grant. \_\_\_\_\_  
Zone in the \_\_\_\_\_  
U.S.G.S. Quad Map \_\_\_\_\_

C. Latitude: \_\_\_\_\_ d \_\_\_\_\_ m \_\_\_\_\_ s Longitude: \_\_\_\_\_ d \_\_\_\_\_ m \_\_\_\_\_ s

D. East \_\_\_\_\_ (m), North \_\_\_\_\_ (m), UTM Zone 13, NAD \_\_\_\_\_ (27 or 83)

E. Tract No. \_\_\_\_\_, Map No. \_\_\_\_\_ of the \_\_\_\_\_ Hydrographic Survey

F. Lot No. \_\_\_\_\_, Block No. \_\_\_\_\_ of Unit/Tract \_\_\_\_\_ of the \_\_\_\_\_  
Subdivision recorded in \_\_\_\_\_ County.

G. Other: TP State #2

H. Give State Engineer File Number if existing well: \_\_\_\_\_

I. On land owned by (required): \_\_\_\_\_

3. DRILLING CONTRACTOR

License Number: \_\_\_\_\_ Work Phone: 888-400-6294  
Name: Butchs Raffele Home Phone: \_\_\_\_\_  
Agent: \_\_\_\_\_  
Mailing Address: PO Box 1323  
City: Levelland Tx State: \_\_\_\_\_ Zip: 79336

4. DRILLING RECORD:

Drilling began: 3/13/07; Completed: 3/13/07; Type tools: Auger;  
Size of hole: 2 1/2 in.; Total depth of well: 70 ft.;  
Completed well is: (Shallow) artesian;  
Depth to water upon completion of well: \_\_\_\_\_ ft.

File Number: \_\_\_\_\_

Trn Number: \_\_\_\_\_

Form: wr-20

page 1 of 4

NEW MEXICO OFFICE OF THE STATE ENGINEER  
WELL RECORD

5. PRINCIPAL WATER-BEARING STRATA:

Depth in Feet		Thickness in feet	Description of water-bearing formation	Estimated Yield (GPN)
From	To			

6. RECORD OF CASING

Diameter (inches)	Pounds per ft.	Threads per in.	Depth in Feet		Length (feet)	Type of Shoe	Perforations	
			Top	Bottom			From	To

7. RECORD OF MUDDING AND CEMENTING

Depth in Feet		Hole Diameter	Sacks of mud	Cubic Feet of Cement	Method of Placement
From	To				

8. PLUGGING RECORD

Plugging Contractor: \_\_\_\_\_  
 Address: \_\_\_\_\_  
 Plugging Method: \_\_\_\_\_  
 Date Well Plugged: \_\_\_\_\_  
 Plugging approved by: \_\_\_\_\_ State Engineer Representative

No.	Depth in Feet		Cubic Feet of Cement
	Top	Bottom	
1			
2			
3			
4			
5			

File Number: \_\_\_\_\_  
Form: wr-20

Trn Number: \_\_\_\_\_



File Number: \_\_\_\_\_

NEW MEXICO OFFICE OF THE STATE ENGINEER  
WELL RECORD

10. ADDITIONAL STATEMENTS OR EXPLANATIONS:

*no water bearing formation found.*  
*no H<sub>2</sub>O recharge after 72 hrs.*

The undersigned hereby certifies that, to the best of his knowledge and belief, the foregoing is a true and correct record of the above described hole.

*Jody R. Balad*  
Driller

*3/16/07*  
DATE

FOR STATE ENGINEER USE ONLY

Quad \_\_\_\_\_ ; FWL \_\_\_\_\_ ; FSL \_\_\_\_\_ ; Usa \_\_\_\_\_ ; Location No. \_\_\_\_\_

File Number: \_\_\_\_\_

Form: WR-20

page 4 of 4

Trn Number: \_\_\_\_\_

Report Date: March 20, 2007

Work Order: 7031512  
TP State #2 Spill

Page Number: 1 of 3

## Summary Report

Lee Ledbetter  
Nadel & Gussman Permian LLC  
Cheryl Winkler  
2408 Freeman  
Artesia, NM, 88210

Report Date: March 20, 2007

Work Order: 7031512



Project Name: TP State #2 Spill

Sample	Description	Matrix	Date Taken	Time Taken	Date Received
118886	Water Tank Baseline Comp	soil	2007-03-14	09:00	2007-03-15
118887	Gun Barrel Baseline Comp	soil	2007-03-14	09:30	2007-03-15
118888	H2O Tank @ 3' Excav Comp	soil	2007-03-14	13:00	2007-03-15
118889	Gun Barrel @ 3' Excav Comp	soil	2007-03-14	13:30	2007-03-15
118890	TP 5	soil	2007-03-13	15:00	2007-03-15
118891	TP 10	soil	2007-03-13	15:05	2007-03-15
118892	TP 15	soil	2007-03-13	15:10	2007-03-15
118893	TP 20	soil	2007-03-13	15:15	2007-03-15
118894	TP 25	soil	2007-03-13	15:20	2007-03-15
118895	TP 30	soil	2007-03-13	15:25	2007-03-15
118896	TP 35	soil	2007-03-13	15:30	2007-03-15
118897	TP 40	soil	2007-03-13	15:35	2007-03-15
118898	TP 45	soil	2007-03-13	15:40	2007-03-15
118899	TP 50	soil	2007-03-13	15:45	2007-03-15
118900	TP 55	soil	2007-03-13	15:50	2007-03-15
118901	TP 60	soil	2007-03-13	15:55	2007-03-15
118902	TP 65	soil	2007-03-13	16:00	2007-03-15
118903	TP 70	soil	2007-03-13	16:05	2007-03-15

Sample - Field Code	BTEX				MTBE	TPH DRO	TPH GRO
	Benzene (mg/Kg)	Toluene (mg/Kg)	Ethylbenzene (mg/Kg)	Xylene (mg/Kg)	MTBE (mg/Kg)	DRO (mg/Kg)	GRO (mg/Kg)
118886 - Water Tank Baseline Comp	16.5	140	84.7	144		29300	5500
118887 - Gun Barrel Baseline Comp	38.9	164	84.7	154		39700	5520
118888 - H2O Tank @ 3' Excav Comp	<0.0100	<0.0100	<0.0100	<0.0100		170	<1.00
118889 - Gun Barrel @ 3' Excav Comp	<0.0100	<0.0100	<0.0100	<0.0100		<50.0	1.69

Sample: 118886 - Water Tank Baseline Comp

Param	Flag	Result	Units	RL
Chloride		213	mg/Kg	5.00

Sample: 118887 - Gun Barrel Baseline Comp

Report Date: March 20, 2007

Work Order: 7031512  
TP State #2 Spill

Page Number: 2 of 3

Param	Flag	Result	Units	RL
Chloride		865	mg/Kg	5.00

**Sample: 118888 - H2O Tank @ 3' Excav Comp**

Param	Flag	Result	Units	RL
Chloride		36.2	mg/Kg	5.00

**Sample: 118889 - Gun Barrel @ 3' Excav Comp**

Param	Flag	Result	Units	RL
Chloride		<20.0	mg/Kg	5.00

**Sample: 118890 - TP 5**

Param	Flag	Result	Units	RL
Chloride		95.9	mg/Kg	5.00

**Sample: 118891 - TP 10**

Param	Flag	Result	Units	RL
Chloride		15.5	mg/Kg	5.00

**Sample: 118892 - TP 15**

Param	Flag	Result	Units	RL
Chloride		14.8	mg/Kg	5.00

**Sample: 118893 - TP 20**

Param	Flag	Result	Units	RL
Chloride		11.3	mg/Kg	5.00

**Sample: 118894 - TP 25**

Param	Flag	Result	Units	RL
Chloride		10.9	mg/Kg	5.00

**Sample: 118895 - TP 30**

Param	Flag	Result	Units	RL
Chloride		<10.0	mg/Kg	5.00

Report Date: March 20, 2007

Work Order: 7031512  
TP State #2 Spill

Page Number: 3 of 3

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Param	Flag	Result	Units	RL
Chloride		<10.0	mg/Kg	5.00

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Sample: 118897 - TP 40

Param	Flag	Result	Units	RL
Chloride		<10.0	mg/Kg	5.00

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Sample: 118898 - TP 45

Param	Flag	Result	Units	RL
Chloride		<20.0	mg/Kg	5.00

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Sample: 118899 - TP 50

Param	Flag	Result	Units	RL
Chloride		13.6	mg/Kg	5.00

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Sample: 118900 - TP 55

Param	Flag	Result	Units	RL
Chloride		11.7	mg/Kg	5.00

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Sample: 118901 - TP 60

Param	Flag	Result	Units	RL
Chloride		<10.0	mg/Kg	5.00

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Sample: 118902 - TP 65

Param	Flag	Result	Units	RL
Chloride		11.3	mg/Kg	5.00

---

Sample: 118903 - TP 70

Param	Flag	Result	Units	RL
Chloride		<10.0	mg/Kg	5.00

---

District I  
1625 N. French Dr., Hobbs, NM 88240  
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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**

OPERATOR  Initial Report  Final Report

Name of Company	<i>Nadel &amp; Chapman Petroleum, LLC</i>	Contact	<i>Kem McCreedy</i>
Address	<i>601 N. Main St. Suite 508, Midland, TX</i>		Telephone No. <i>432-682-4429/432-425-6347 (Cell)</i>
Facility Name	<i>TP Stack No. 2</i>	Facility Type	

Surface Owner	Mineral Owner	Lease No.
	<i>NEW MEXICO</i>	<i>E 95671</i>

**LOCATION OF RELEASE**

Unit Letter	Section	Township	Range	Feet from the	North/South Line	Feet from the	East/West Line	County
<i>I</i>	<i>24</i>	<i>17S</i>	<i>35E</i>					<i>LEA</i>

Latitude \_\_\_\_\_ Longitude \_\_\_\_\_

**NATURE OF RELEASE**

Type of Release	<i>Hydrocarbon fluid</i>	Volume of Release	<i>5-10 bbls.</i>	Volume Recovered	<i>2 bbls</i>
Source of Release	<i>50 barrel tank</i>	Date and Hour of Occurrence	<i>UK</i>	Date and Hour of Discovery	<i>UK</i>
Was Immediate Notice Given?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Not Required	If YES, To Whom? <i>N/A</i>			
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*

*HOBBS OCD  
Rec'd 5.25.07  
✓*

Describe Cause of Problem and Remedial Action Taken.\*

*Refer to initial C-141 and final report documents*

Describe Area Affected and Cleanup Action Taken.\*

*Refer to report documents.*

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.

**OIL CONSERVATION DIVISION**

Signature: <i>Kem McCreedy</i>	Approved by District Supervisor: <i>[Signature]</i>	
Printed Name: <i>KEM MCCREEDY</i>	Approval Date: <i>5.25.07</i>	Expiration Date: _____
Title: <i>NM OPERATIONS MANAGER</i>	Conditions of Approval: _____	
E-mail Address: <i>Kemm.D.naguez.com</i>	Attached <input type="checkbox"/>	
Date: <i>21 May 2007</i>	Phone: <i>432-682-4429</i>	

\* Attach Additional Sheets If Necessary

*RP#1258*