

2 July 2010

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

Re: Russell USA No. 2 Produced Water Incidental Discharge *Corrective Action Plan*  
API No.: 30-015-02346 / NMOCD RN NO.: 2RP-419  
U/L O 12-20S-28E 330' FSL 1650' FEL

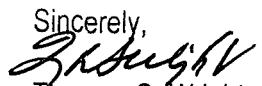
Dear Mr. Bratcher:

Please be advised Apollo Energy, L.P. (Apollo) herewith notifies the New Mexico Oil Conservation Division (NMOCD) that an unexpected discharge of produced water occurred at the Russell USA No. 2 location as cited above in Eddy County, New Mexico during an unidentifiable time frame near the end of May 2010. Following this, the Initial C-141 was filed by Apollo with the NMOCD on 16 June 2010.

The discharge occurred resultant of an open casing status on the Russell USA No. 2 which was temporarily abandoned (TA status). Due to a pressure increase in the formation, remaining fluids traveled up the casing and was released onto the surface of the drilling pad. Upon discovery, Apollo excavated the contaminated soil around the wellhead area (60'x40'x3'), hauling approximately 40 loads to disposal. This area has been sampled and Apollo is awaiting analytical results from the laboratory, which are expected during the week of 5 July 2010.

Once these results are known, Apollo will contact NMOCD (1) should further excavation be necessary due to non-compliant results or (2) request authorization to close the remediated area, restoring it to the status of a drilling pad since the Russell USA No. 2 continues to hold a TA status. This well will be returned to production status. Should unforeseen remediation efforts become necessary, these actions will be delineated in written format to the NMOCD.

Please contact me should you have questions at 337-502-5227 (office) or 337-540-1243 (cell).

Sincerely,  
  
Thomas G. Wright, CPL

Enclosure: Jim Amos (BLM)