

**BK EXPLORATION CORPORATION**

10159 E. 11th Street, Suite 401 • Tulsa, OK 74128-3028

Phone: (918) 582-3855 • Fax: (918) 582-3865

April 6, 2006

New Mexico Oil Conservation Division  
Artesia District II Office  
1301 W. Grand  
Artesia, NM 88210

RECEIVED  
APR 11 2006  
OCCIDENTAL

Attn: Mr. Chris Beadle

Re: Notice of Completion of Remediation and Closure  
Letter of Violation, LEU Well #2, API # 30-015-26811  
UL A, Section 28 T-23-S R-28-E, Eddy County, New Mexico

Chris,

Per our telephone conversation on Tuesday, March 14, 2006, please accept this letter as our written notice to the NMOCD of completion of the Remediation Work Plan dated January 5, 2006. The final step of the closure of the site excavations was performed on April 5, 2006.

A brief history of the remediation activity is as follows:

<u>1/24/2006</u>	NMOCD letter approval date of 1/5/2006 Remediation Work Plan
<u>1/31/2006</u>	BK Exploration Corp. (BKX) commenced contamination excavation procedures, transporting all contaminated soil to CRI and Lea Land landfills
<u>2/1/2006</u>	BKX collected soil samples and submitted to Cardinal Lab in Hobbs for analysis
<u>2/7/2006</u>	Cardinal Lab analyses found all hydrocarbon related contamination below thresholds from all excavated areas (near tanks and wellhead), except for chlorides (wellhead) exceeding threshold of 1,000 mg/Kg
<u>2/21/2006</u>	NMOCD e-mail approval date to commence closure of excavations near tanks
<u>2/23/2006</u>	BKX closed tank area excavations and restored to original condition, then continued additional excavation of wellhead area from 2/23/06 through 3/7/06, whenever equipment was available to transport contaminated soil to landfills
<u>3/7/2006</u>	BKX collected soil samples and submitted to Cardinal Lab in Hobbs for analysis
<u>3/9/2006</u>	Cardinal Lab analyses found average chlorides content of 541 mg/Kg in wellhead area from 5 samples, below threshold of 1,000 mg/Kg
<u>3/14/2006</u>	NMOCD verbal approval from your office to commence wellhead area closure, based on acceptable average chlorides of 541 mg/Kg (Cardinal Lab analyses attached)
<u>3/15/2006</u>	BKX commenced closure of wellhead area excavation, completing final step on 4/5/06

Notice of Completion of Remediation and Closure

4/6/2006

Page 2 of 2

The remediation of all contaminated areas involved 3 general steps, as follows: (1) Excavation of contaminated material (soil) based on either the senses or lab analyses; (2) Transportation of contaminated material to NMOCD approved landfill areas; and (3) Closure of the excavated areas by backfill with clean soil or caliche, including contouring to original condition. A final application of fresh water was applied on caliche to form a cap resilient to equipment traffic and to prevent loss of material due to high wind velocities.

Our final application of fresh water to caliche at this well location was performed on April 5, 2006. We consider this step to be the completion of the Remediation Work Plan. We are therefore pleased to report this progress to your office.

Should you require additional documentation regarding this process, please contact me via e-mail at [office@bkxcorp.com](mailto:office@bkxcorp.com) or at the letterhead phone number. As I relayed to you on the phone in March, I genuinely appreciate your guidance towards our completion of this project.

Yours truly,

BK Exploration Corporation

A handwritten signature in black ink, appearing to read "Brad D. Burks".

Brad D. Burks, President

BDB

Attachment



# ARDINAL LABORATORIES

PHONE (325) 673-7001 • 2111 BEECHWOOD • ABILENE, TX 79603

PHONE (505) 393-2326 • 101 E. MARLAND • HOBBS, NM 88240

ANALYTICAL RESULTS FOR  
BK EXPLORATION CORP.  
ATTN: BRAD BURKS  
10159 E. 11TH ST #401  
TULSA, OK 74128  
FAX TO: (918) 582-3865

Receiving Date: 03/07/06  
Reporting Date: 03/10/06  
Project Owner: NOT GIVEN  
Project Name: LEU #2  
Project Location: NE/4 NE/4 SEC. 28 T23S R28E

Analysis Date: 03/09/06  
Sampling Date: 03/07/06  
Sample Type: SOIL  
Sample Condition: COOL & INTACT  
Sample Received By: NF  
Analyzed By: AB

LAB NUMBER	SAMPLE ID	Cl <sup>-</sup> (mg/Kg)
H10865-1	1 NORTH WALL	1999
H10865-2	2 EAST WALL	304
H10865-3	3 SOUTH WALL	304
H10865-4	4 WEST WALL	352
H10865-5	5 SOUTH FLOOR	352
Quality Control		510
True Value QC		500
% Recovery		102
Relative Percent Difference		2.0

METHOD: Standard Methods

4500-Cl<sup>-</sup>B

NOTE: Analyses performed on 1:4 w:v aqueous extracts.

  
Chemist

03-13-06  
Date

H10865

PLEASE NOTE: Liability and Damages. Cardinal's liability and client's exclusive remedy for any claim arising, whether based in contract or tort, shall be limited to the amount paid by client for analyses. All claims, including those for negligence and any other cause whatsoever shall be deemed waived unless made in writing and received by Cardinal within thirty (30) days after completion of the applicable service. In no event shall Cardinal be liable for incidental or consequential damages, including, without limitation, business interruptions, loss of use, or loss of profits incurred by client, its subsidiaries, affiliates or successors arising out of or related to the performance of services hereunder by Cardinal, regardless of whether such claim is based upon any of the above-stated reasons or otherwise.

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Phone: (918) 582-3865 • Fax: (918) 582-3865

**BKX FAX TRANSMITTAL**

DATE: 2/8/2006  
TO: NMOCD - District 2  
ATTN: Mike Bratcher - Chris Beadle  
FAX: 505-748-9720  
FROM: Brad Burks  
PAGES: Cover + 1

RE: Cardinal Labs in Hobbs has completed soil sample  
analyses for: LEU Well #2 (30-015-26811)  
They had instructions to fax results to your office.  
My copy of the results show low values of TPH and BTEX.  
Values for chlorides vary. OCD Guidelines do not  
address chloride levels.  
Attached is a diagram showing location of each  
analyzed sample. Please let me know if I can be  
of further assistance. Thank you,  
Brad



2639 Southwest Alameda St. 7th Fl.

**0185 Broad Street, New York, NY 10038**

(800) 675-7098 Fax: (254) 675-7099  
 (800) 262-2539 Fax: (800) 261-5676

## CHAIN-EXTENSIBILITY AND ANALYSIS REQUIREMENTS

[illegible]



PHONE (325) 873-7001 • 2111 BEECHWOOD • ARLENE, TX 79603

PHONE (505) 383-2328 • 101 E. MARLAND • HOBBS, NM 88240

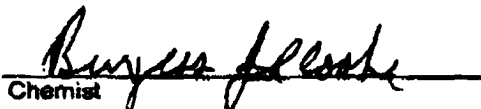
ANALYTICAL RESULTS FOR  
BK EXPLORATION CORP.  
ATTN: BRAD BURKS  
10159 E. 11th ST., #401  
TULSA, OK 74138  
FAX TO: (918) 582-3885

Receiving Date: 02/02/06  
Reporting Date: 02/07/06  
Project Number: 30-015-28811  
Project Name: LEU #2  
Project Location: NE/NE/4 SEC. 28 T23S R28E

Sampling Date: 02/01/06  
Sample Type: SOIL  
Sample Condition: COOL & INTACT  
Sample Received By: HM  
Analyzed By: BC

LAB NO.	SAMPLE ID	BENZENE (mg/Kg)	TOLUENE (mg/Kg)	ETHYL BENZENE (mg/Kg)	TOTAL XYLENES (mg/Kg)
ANALYSIS DATE		02/03/06	02/03/06	02/03/06	02/03/06
H10697-1	1-SOUTH TANK BERM	<0.005	<0.005	<0.005	<0.015
H10697-2	2-NORTH CENTER TANK	<0.005	<0.005	<0.005	<0.015
H10697-3	3-WEST WELLHEAD WALL	<0.005	<0.005	<0.005	<0.015
H10697-4	4-FLOOR WELLHEAD HOLE	<0.005	<0.005	<0.005	<0.015
H10697-5	5-FLOOR MANIFOLD HOLE	<0.005	<0.005	<0.005	<0.015
H10697-6	6-SOUTHEAST TEST HOLE	<0.005	<0.005	<0.005	<0.015
Quality Control		0.098	0.098	0.094	0.282
True Value QC		0.100	0.100	0.100	0.300
% Recovery		96.3	97.5	94.4	93.9
Relative Percent Difference		7.3	6.2	2.3	1.0

METHOD: EPA SW-846 8260

  
Chemist

2/7/06  
Date

PLEASE NOTE: Liability and Damages. Cardinal's liability and client's exclusive remedy for any claim arising, whether based in contract or tort, shall be limited to the amount paid by client for analysis. All claims, including those for negligence and any other cause whatsoever shall be deemed waived unless made in writing and received by Cardinal within thirty (30) days after completion of the applicable service. If accepted, Cardinal shall be liable for incidental or consequential damages, including, without limitation, business interruptions, loss of use, or loss of profits incurred by client or its subsidiaries, affiliates or successors arising out of or related to the performance of services hereunder by Cardinal, regardless of whether such claim is based upon any of the above-stated reasons or otherwise.



PHONE (325) 873-7001 • 2111 BEECHWOOD • ABILENE, TX 79603

PHONE (806) 383-2326 • 101 E. MARLAND • MOSBRO, NM 88240

ANALYTICAL RESULTS FOR  
BK EXPLORATION CORP.  
ATTN: BRAD BURKS  
10159 E. 11th ST., #401  
TULSA, OK 74138  
FAX TO: (918) 582-3885


Receiving Date: 02/02/06  
Reporting Date: 02/06/06  
Project Number: 30-015-26811  
Project Name: LEU #2  
Project Location: NE/NE/4 SEC. 28 T23S R28E

Sampling Date: 02/01/06  
Sample Type: SOIL  
Sample Condition: COOL & INTACT  
Sample Received By: HM  
Analyzed By: BC/HM

LAB NUMBER	SAMPLE ID	GRO	DRO	Cl <sup>-</sup>
		(C <sub>6</sub> -C <sub>10</sub> ) (mg/Kg)	(>C <sub>10</sub> -C <sub>22</sub> ) (mg/Kg)	(mg/Kg)
ANALYSIS DATE		02/02/06	02/02/06	02/02/06
H10897-1	1-SOUTH TANK BERM	<10.0	49.1	98
H10897-2	2-NORTH CENTER TANK	<10.0	<10.0	16
H10897-3	3-WEST WELLHEAD WALL	<10.0	<10.0	2240
H10897-4	4-FLOOR WELLHEAD HOLE	<10.0	<10.0	2670
H10897-5	5-FLOOR MANIFOLD HOLE	<10.0	<10.0	160
H10897-6	6-SOUTHEAST TEST HOLE	<10.0	<10.0	160
Quality Control		793	742	500
True Value QC		800	800	500
% Recovery		99.1	92.7	100
Relative Percent Difference		<0.1	2.3	8.0

METHODS: TPH GRO & DRO: EPA SW-846 8015 M; Cl<sup>-</sup>: Std. Methods 4500-Cl B

\*Analyses performed on 1:4 w/v aqueous extracts.

  
Chemist

2/6/06  
Date

H10897A.XLS

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**EXHIBIT "C"**

**SITE PLAT #2**  
**(30-015-24011)**  
**BKX's LEU Well #2**  
**NE/4 NE/4, A-28-23S-28E**  
**Eddy County, New Mexico**

Scale: 1" = 25'

Barren Land

Plan Well Access Road

Samples  
taken 2/1/2006

Plan Well: BKX's LEU #2  
NE/4 NE/4, A-28-23S-28E

SAMPLE #4

SAMPLE #6

Plan Well Location

612' FNL, 418' FEL

Well Pumping Unit

SAMPLE #3

Wellhead Contamination Area (25' E-W, 22' N-S)

Flowline, Single

Heater Treater

460' FNL, 622' FEL

Flowlines, Multiple

SAMPLE #5

Tank Manifold Contamination Area (22' E-W, 9' N-S)

SAMPLE #2

Tank Front Contamination Area (6' E-W, 2' N-S)

Earthen Tank Berm

210'

Irrigated Farmland

**SAMPLE LOCATIONS**  
**2/1/2006**

Tank Back Contamination Area (4' E-W, 18' N-S)

SAMPLE #1

150'

16





# NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

**BILL RICHARDSON**

Governor

**Joanna Prukop**

Cabinet Secretary

**Mark E. Fesmire, P.E.**

Director

**Oil Conservation Division**

Mr. Brad D. Burks  
BK Exploration Corporation  
10159 E. 11<sup>th</sup> Street, Suite 401  
Tulsa, OK 74128-3028

January 24, 2006

## REMEDIATION WORK PLAN APPROVAL - LEU 2

The New Mexico Oil Conservation Division District 2 Office is in receipt of your remediation work plan dated January 6, 2006 which provides an outline for work to remediate the release at the LEU No. 2 (30-015-26811).

Your proposed method of remediation (excavation and hauling contaminated materials) is approved for this remediation under the following conditions:

- Surface owner of adjacent farmed land must be notified by BK Exploration, contractors or sub-contractors before any excavation or remedial activities occur that will disturb crops growing in these adjacent fields or alter tilled rows where crops are intended to be grown. All reasonable efforts, including legal requirements for entering onto private property, should be made to address any concerns of the surface land owner prior to beginning remediation work that will impact farmed soils.
- All soils removed from the location must be documented as to volume, contaminants in the soils and disposition of the soils (OCD approved landfarm, centralized site, etc.)
- All materials used to backfill the excavation must be contamination free. Any materials used as backfill that come from a remediation facility or site (OCD approved landfarm, localized landfarm or centralized landfarm) must have analysis conducted and OCD approval prior to using such previously contaminated materials.
- If soil action levels cannot practicably be attained (Method 2 in work plan), a detailed evaluation of risk may be performed and provided in writing to OCD for approval showing that the remaining contaminants will not pose a threat to present or foreseeable beneficial use of fresh water, public health and the environment.
- If alternate methods of remediation are to be used, prior approval from the OCD District 2 Office is required before beginning any work using these alternate methods. A specific proposal outlining the alternate methods must be submitted in writing.
- If ground water is encountered during the excavation or remediation of the impacted soils, a sample should be obtained to assess the potential impact on ground water quality and the OCD District 2 Office should be notified immediately.
- Notify OCD District 2 Office 24 hours prior to conducting work by BK Exploration, contractors or sub-contractors that is intended to excavate, wash, move or disturb (such as in tilling, blading, etc.) soils or contaminated materials for the purpose of remediation, or hauling any soils or contaminated materials into or out of the location covered under this remediation work plan. This notification is to ensure NMOCD personnel are able to monitor compliance with approved remediation work plans as required by the New Mexico Administrative Code. Therefore, if a reasonable schedule of work cannot be provided then a separate

notification that work is to resume is required if work ceases at the location for more than 5 days.

- Notify OCD District 2 Office 24 hours prior to obtaining samples where analysis of samples will be submitted to OCD. ALL final delineation sample results must be submitted to the OCD whether or not the OCD actually witnesses those samples being taken.
- Upon termination of any required remedial actions, the area of a leak, spill or release may be closed, **after obtaining approval for the closure from the OCD District 2 office**, by backfilling any excavated areas, contouring to provide drainage, revegetating the area or other OCD approved methods. Upon completion of remedial activities a final report summarizing all actions taken to mitigate environmental damage related to the leak, spill or release will be provided to OCD for approval.
- For all Federal Lease wells, a "Like Approval" by the United States Bureau of Land Management may be required. It is the operators responsibility to obtain this approval and the approval of any other surface owner that may be required by law, regulation or contractual obligation of the operator and surface owner.

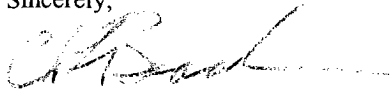
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Acceptance of the remediation work plan does not relieve the operator of liability should their operations have failed to adequately investigate and remediate contamination that pose a threat to ground water, surface water, human health or the environment. In addition, NMOCD acceptance of reports and work plans does not relieve the operator of responsibility for compliance with any other federal, state or local laws and/or regulations.

NMOCD District 2 Contact Person: Chris Beadle, Office: (505) 748-1283 x107 / Cell: (505) 626-0831 / Fax: (505) 748-9720 / E-mail: [Chris.Beadle@state.nm.us](mailto:Chris.Beadle@state.nm.us)

Thank you for your prompt attention to this matter and your efforts in helping to protect our environment and the infrastructure of the oil and gas industry.

Sincerely,



Artesia OCD District Office

# BK EXPLORATION CORPORATION

10159 E. 11th Street, Suite 401 • Tulsa, OK 74128-3028

Phone: (918) 582-3855 • Fax: (918) 582-3865

January 6, 2006

FedEx Next Day  
# 8542 6246 4578

State of New Mexico Energy, Minerals and Natural  
Resources Department  
Oil Conservation Division (OCD)  
1301 W. Grand  
Artesia, NM 88210

RECEIVED  
JAN 09 2006  
OCD-ARTECOM

Re: OCD Letter of Violation  
Leu Well No. 002 (API 30-015-26811)  
Inspection No: CLB 053 4943917

Dear OCD:

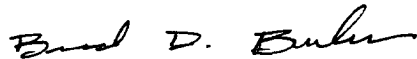
BK Exploration Corporation ("BKX"), operator of the referenced oil and gas well, recently received your Letter of Violation. That Letter requested that BKX submit a Remediation Work Plan to your office by January 7, 2006.

Per your request, please find attached BKX's proposed Remediation Work Plan (the "Plan") to remediate surface oil leaks.

Your Letter further requested that OCD approved remediation must begin on this release no later than January 15, 2006. BKX is prepared to commence remediation at an earlier date, upon your approval of the attached Plan.

Please contact our office should you require additional information. Thank you.

Sincerely,



Brad D. Burks, President  
BK Exploration Corporation (BKX)

BDB;rm  
Encl.

# **REMEDIATION WORK PLAN**

BK Exploration Corporation (BKX)  
LEU Well No. 002 (API 30-015-26811)  
A-28-23S-28E Eddy County, New Mexico

RECEIVED  
JAN 09 2006  
OCU-ANTECOM

January 5, 2006

## TABLE OF PLAN CONTENTS

- I Introduction
- II Well Production
- III OCD Inspection
- IV Site Characteristics
- V Site Ranking Score
- VI Soil Remediation Action Levels
- VII Soil Remediation Method
- VIII Soil Analytical Testing
- IX Site Restoration

## TABLE OF PLAN EXHIBITS

- A. OCD Letter of Violation
- B. Site Topographic Plat
- C. Site Plats
- D. Nearest Water Well
- E. Contact Information

## **I. INTRODUCTION**

This Remediation Work Plan (the "Plan") has been prepared by BK Exploration Corporation ("BKX") of Tulsa, Oklahoma, and is submitted to the State of New Mexico Energy, Minerals and Natural Resources Department, Oil Conservation Division ("OCD"), specifically OCD District Office 2 in Artesia, New Mexico.

In December, 2005, an OCD Inspector observed evidence of past surface oil leaks on the location of the subject well. Prior to correcting this situation, the OCD has requested that BKX furnish a Plan to the OCD for review and approval.

OCD approval of the Plan is a prerequisite to BKX's implementation of the Plan. BKX is prepared to implement the Plan by, or before, January 15, 2006.

## **II. WELL PRODUCTION**

LEU Well No. 2 ("Well") was drilled and completed in the month of January, 1992, as an oil and gas well. Oil and gas production originates from the Brushy Canyon formation at an approximate sub-surface depth of 6,100 feet. The well currently produces at a daily rate of 2 barrels of oil, 15 barrels of water, and 50,000 cubic feet of natural gas.

The oil produced is a light, sweet form of crude oil. Average API gravity is 40.0. The appearance of the oil is nearly identical to refined diesel, with the presence of visible paraffin in suspension. Produced oil is stored into two oil tanks at atmospheric pressure. Oil sales occur by transfer to a truck and tank trailer combination, via a loading manifold on one oil tank.

The gas produced is in association with the oil and is likewise considered a sweet gas. Gas sales occurs to a closed gas gathering pipeline system which operates at an average pressure of 60 psia.

Water production from the well is usually present with oil production. The water is separated at surface from the oil and gas, then transferred into a closed water gathering pipeline system at an average pressure of 80 psia. The produced water is a salt brine with approximate total dissolved solids of 150,000 ppm. A water tank is present to store water at atmospheric pressure should the closed system encounter operational difficulties.

## **III. OCD INSPECTION**

On December 15, 2005, OCD Inspector Chris Beadle observed the Well and location. The next day, Mr. Beadle prepared an OCD Letter of Violation ("Letter"), listing problems related to surface oil leaks. The Letter was received by BKX on December 27, 2005, a copy of which is attached as Plan Exhibit "A".

The OCD Letter listed three areas at the Well and location where evidence of past oil leaks was observed. Those areas are as follows:

1. **Wellhead** The Letter reported heavy localized contamination (oil impacting surface material). Likely cause of the observed contamination is oil leaking, in small quantities over time, from the stuffing box at the wellhead, onto the ground. The surface material situated around the wellhead is caliche, a limey clay excavated from a nearby source pit.
2. **Oil Manifold** The Letter reported heavy localized contamination (oil impacting surface material). Likely cause of the observed contamination is loss of oil, onto the ground in small quantities over time, whenever a tank of oil was transferred to a tank truck. The surface material situated around the oil manifold is caliche.
3. **Center Tank** The Letter reported that the center oil tank is coated with produced oil, that oil has impacted and saturated the ground next to the tank, and that oil has impacted, to an unsaturated degree, the tank berm and farmed field. Apparent cause was gas venting into a full tank of oil. The surface material under the tank is caliche, and the surface material of the berm and field is primarily fine-grained loam.

The Letter stated that remediation is required on all contaminated areas, and requested that BKX submit a Remediation Work Plan to OCD District 2 Office. Further, the Letter suggested the review of an OCD Publication, namely "Guidelines for Remediation of Leaks, Spills and Releases". BKX has elected to rely on the August 13, 1993 version of that publication in the preparation of this Plan.

#### **IV. SITE CHARACTERISTICS**

The Well is physically located at a legally surveyed surface location as follows:

510' from north line and 510' from east line of Section 28 T-23-S R-28-E, Eddy County, New Mexico.

This description places the well in the NE/4 of the NE/4 of said Section 28. The GPS location of the well is as follows:

Latitude N 32° 16' 55.02" (aka 32° 16.917')  
Longitude W 104° 5' 7.56" (aka 104° 5.126').

The Well is accessed from Nymeyer Road, just south of the intersection of Nymeyer Road and Ash Street. Attached Exhibit "B", Site Topographic Plat, designates the location of the Well relative to the village of Loving, New Mexico. This village is situated about 15 miles southeast of Carlsbad, New Mexico on US Highway 285.

General conditions prevailing at the Well site is as follows:

1. **Well Location** Well is surrounded by its support location comprised of compacted caliche, situated directly on top of native loam. The caliche is roughly 8" thick, with dimensions of 150' (N-S) and 210' (E-W). Caliche is primarily a white limey clay. The underlying soil is a fine-grained, reddish brown loam. Refer to attached Plan Exhibit "C", Site Plats.
2. **Adjacent Lands** Well location is surrounded on all sides by fine-grained, reddish brown, loam. Areas to the northwest, west, south, and east are farmed. Alfalfa is the predominant crop, which requires watering by field flooding. The area to the northeast is not utilized for any specific purpose. Refer to attached Plan Exhibit "C", Site Plats.
3. **Residences** Well location is situated southeast of the village of Loving, New Mexico, roughly 2,000' distant. The nearest rural residence is southeast of the Well, roughly 1,000' distant. To the northeast of the Well, an abandoned trailer home lies 200' distant, but has not served as a residence since the Well was drilled and completed in 1992.
4. **Slope** The native slope of the site is to the northeast at a rate of 30' per mile. Refer to Plan Exhibit "B", Site Topographic Plat.
5. **Precipitation** Average annual rainfall for the site is approximately 10 inches, normally occurring during the summer monsoonal months of July and August. During heavy rains, site drainage is classified as sheetwash, due to the lack of natural drainage courses.
6. **Watercourses** The nearest natural, perennial watercourse is the Pecos River. This river is located over 3 miles to the east of the Well, at its closest point. Concrete canals exist in the irrigated fields nearby, which conduct water from field to field. Water flows intermittently in these small canals as warranted by crop requirements.
7. **Water Wells** Research of the New Mexico State Engineer's web site shows no water wells situated within 1,000' of the Well. The nearest water well appears to be located about 1,300' to the northeast. A copy of that water well data is attached as Plan Exhibit "D", Nearby Water Well. In that water well, fresh water was encountered at a sub-surface depth of 54'. As this is the nearest water well, it is assumed that ground water is deeper than 50' under the Well in this Plan.

## V. SITE RANKING SCORE

The site ranking score considers the following criteria:



1. **Depth to Ground Water** Depth in nearest water well, 1,300' distant to the northeast, is 54'. It is therefore assumed that depth to ground water under the Plan Well is 50-99 feet. Ranking score = 10.
2. **Wellhead Protection Area** The nearest water source is the aforementioned water well, 1300' distant to the northeast. Ranking score = 0.
3. **Distance to Surface Water Body** The nearest water body, or watercourse, is the Pecos River, located over 3 miles (15,840') to the east of the Plan Well. Ranking score = 0.

Based on these 3 criteria, the total site ranking score is 10.

## VI. SOIL REMEDIATION ACTION LEVELS

According to the OCD Publication, "Guidelines for Remediation of Leaks, Spills and Releases", dated August 13, 1993, the total ranking score previously computed determines the degree of remediation required at the site.

Based on the computed total ranking score of 10, the table in the referenced OCD Publication dictates the maximum allowed contaminant concentrations in a tested sample from the Well site. The maximum concentrations dictated are as follows: Benzene 10 ppm; BTEX 50 ppm; and TPH 1000 ppm. The contaminant concentration for TPH is that level above background levels.

Benzene is an organic chemical compound which is a colorless, flammable liquid with a pleasant, sweet smell. It is a natural constituent of crude oil.

BTEX is an acronym that stands for Benzene, Toluene, Ethylbenzene, and Xylene. These 4 compounds are volatile organic hydrocarbons found in crude oil.

TPH is an acronym that stands for Total Petroleum Hydrocarbons, a term used to describe a large group of several hundred chemical compounds that originate from crude oil.

## VII. SOIL REMEDIATION METHOD

Surface material (i.e. caliche) and soil remediation of non-hazardous petroleum contamination will be conducted according to the criteria described in OCD Publication "Guidelines for Remediation of Leaks, Spills and Releases".

The rough dimensions of each area of petroleum contamination at the Well site are attached in Exhibit "C", Site Plats.

Remediation of all areas of petroleum contamination at the Well site will be managed under one of the two following excavation methods:

1. **Method #1** Excavation of all contamination from the ground until a representative sample from the walls and bottom of the excavation is below the Soil Remediation Action Levels as described previously; or
2. **Method #2** Excavation of all contamination from the ground to the maximum depth and horizontal extent practicable. Upon reaching this limit, samples will be taken from the walls and bottom of the excavation to determine remaining levels of contaminants.

Excavation equipment will be furnished by one of two area contractors listed on Exhibit "E", Contact Information.

Regardless of the excavation method employed, all contaminated and potentially contaminated materials excavated will be trucked and disposed of at an off-site, permitted facility. The recipient facility chosen for this Plan is the CRI site on US Highway 62, located between the New Mexico cities of Carlsbad and Hobbs. That facility is operated by Controlled Recovery, Inc.

## **VIII. SOIL ANALYTICAL TESTING**

As described in the previous section, representative samples will be collected from excavated areas. A background sample will also be collected in an uncontaminated area. Soil sampling for laboratory analysis will be conducted under the guidelines provided in the aforementioned OCD Publication, as follows:

1. **Collection** Samples will be collected in clean, air-tight glass jars furnished by the laboratory conducting the required analysis;
2. **Labelling** Each jar will be labeled with a unique reference code, based on location of collection;
3. **Storage** Each sample jar will be stored in a larger container containing ice;
4. **Transportation** The container and jars will be transported to the preferred laboratory, Cardinal Laboratories, in Hobbs, New Mexico, for the required analysis following chain of custody procedures;
5. **Analysis** Submitted samples will be analyzed within the holding times for the laboratory analytical method specified by the EPA; and
6. **Methods** OCD approved methods for soil sample analysis will be utilized, namely:

- a) EPA Method 602/8020 for benzene and BTEX, and
- b) EPA Method 418.1 (or Modified 8015) for TPH.

Results of the sample analyses will be furnished to both the OCD District 2 Office and to BKX's Office as soon as they become available.

## **IX SITE RESTORATION**

Upon the OCD accepted termination of the remedial actions previously described, the excavated areas will be backfilled with native earthen material, and capped with a minimum of 8" of compacted caliche around the wellhead area. All backfill will be contoured to the original slope.

A final report will be prepared by BKX and submitted to OCD District 2 Office after restoration of the site. The final report will summarize all actions taken to mitigate environmental damage related to the subject Well site, and will include measures taken to prevent future releases of petroleum.

## **PLAN EXHIBIT “A”**

### **OCD Letter of Violation**



# NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

**BILL RICHARDSON**

Governor

**Joanna Prukop**

Cabinet Secretary

**Mark E. Fesmire, P.E.**

Director

**Oil Conservation Division**

*Field Inspection Program*

*"Preserving the Integrity of Our Environment"*

16-Dec-05

**BK EXPLORATION CORP**

10159 E 11TH STREET SUITE 401

TULSA OK 74128

**LETTER OF VIOLATION - Inspection**

Dear Operator:

The following inspection(s) indicate that the well, equipment, location or operational status of the well(s) failed to meet standards of the New Mexico Oil Conservation Division as described in the detail section below. To comply with standards imposed by Rules and Regulations of the Division, corrective action must be taken immediately and the situation brought into compliance. The detail section indicates preliminary findings and/or probable nature of the violation. This determination is based on an inspection of your well or facility by an inspector employed by the Oil Conservation Division on the date(s) indicated.

Please notify the proper district office of the Division, in writing, of the date corrective actions are scheduled to be made so that arrangements can be made to reinspect the well and/or facility.

---

***INSPECTION DETAIL SECTION***

---

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
12/15/2005	Routine/Periodic	Chris Beadle	Yes	No	1/7/2006	iCLB0534943917
<b>Violations</b>						
Surface Damage/Restoration						
Surface Leaks/Spills						

**Comments on Inspection:** Center tank on tank battery on southwest corner of location has overflowed, soils inside the berm, the berm to the south and soils outside the berm to the south have been impacted. Oil staining on side of tank is in liquid phase, oil impacting ground has saturated soils near tank and has unsaturated soils in berm and small impact in farmed field.

Wellhead area has heavy localized contamination. Truck loading manifold for center tank has heavy localized contamination.

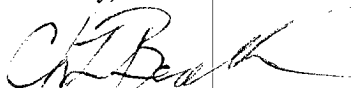
Remediation is required on all contaminated areas. Submit remediation work plan to OCD District 2 Office. Remediation work plan must include general site characteristics, site ranking score, soil remediation action levels, soil remediation methods, and planned analytical testing for TPH, BTEX, Chlorides or any other contaminants of concern as applicable. Please use the "Guidelines For Remediation of Leaks, Spills, and Releases" as your guide. This document may be found on the NMOCD web site: [www.emnrd.state.nm.us/oed](http://www.emnrd.state.nm.us/oed), under Publications> Environmental Handbook> Miscellaneous Guidelines> Remediation of Leaks, Spills and Releases.

OCD approved remediation must begin on this release no later than January 15, 2006. OCD Rule 19.15.3.116.D [NMAC] requires that the responsible person for a release must complete division approved corrective action and that releases will be addressed in accordance with a remediation work plan submitted to and approved by the division. Provide NMOCD District 2 Office with the remediation work plan prior to January 7, 2006.

Until a remediation work plan is received, the NMOCD District 2 Office must be notified 48 hours prior to any remediation work or prior to taking samples where results of the samples may be submitted to the OCD.

In the event that a satisfactory response is not received to this letter of direction by the "Corrective Action Due By:" date shown above, further enforcement will occur. Such enforcement may include this office applying to the Division for an order summoning you to a hearing before a Division Examiner in Santa Fe to show cause why you should not be ordered to permanently plug and abandon this well. Such a hearing may result in imposition of CIVIL PENALTIES for your violation of OCD rules.

Sincerely,



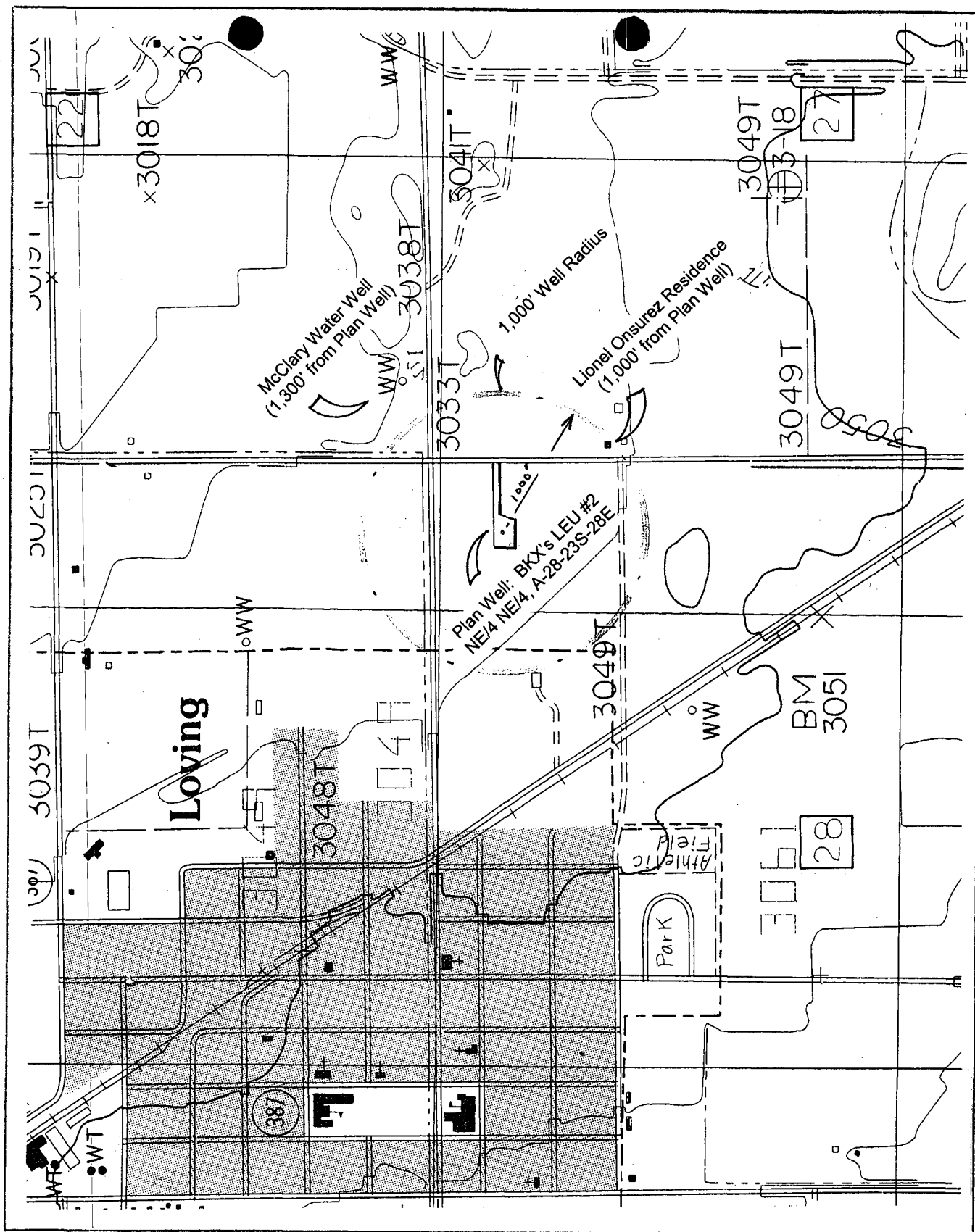
Artesia OCD District Office

Note: Information in Detail Section comes directly from field inspector data entries - not all blanks will contain data.

\*Significant Non-Compliance events are reported directly to the EPA, Region VI, Dallas, Texas.

## **PLAN EXHIBIT “B”**

### **Site Topographic Plat**



# **EXHIBIT "B"**

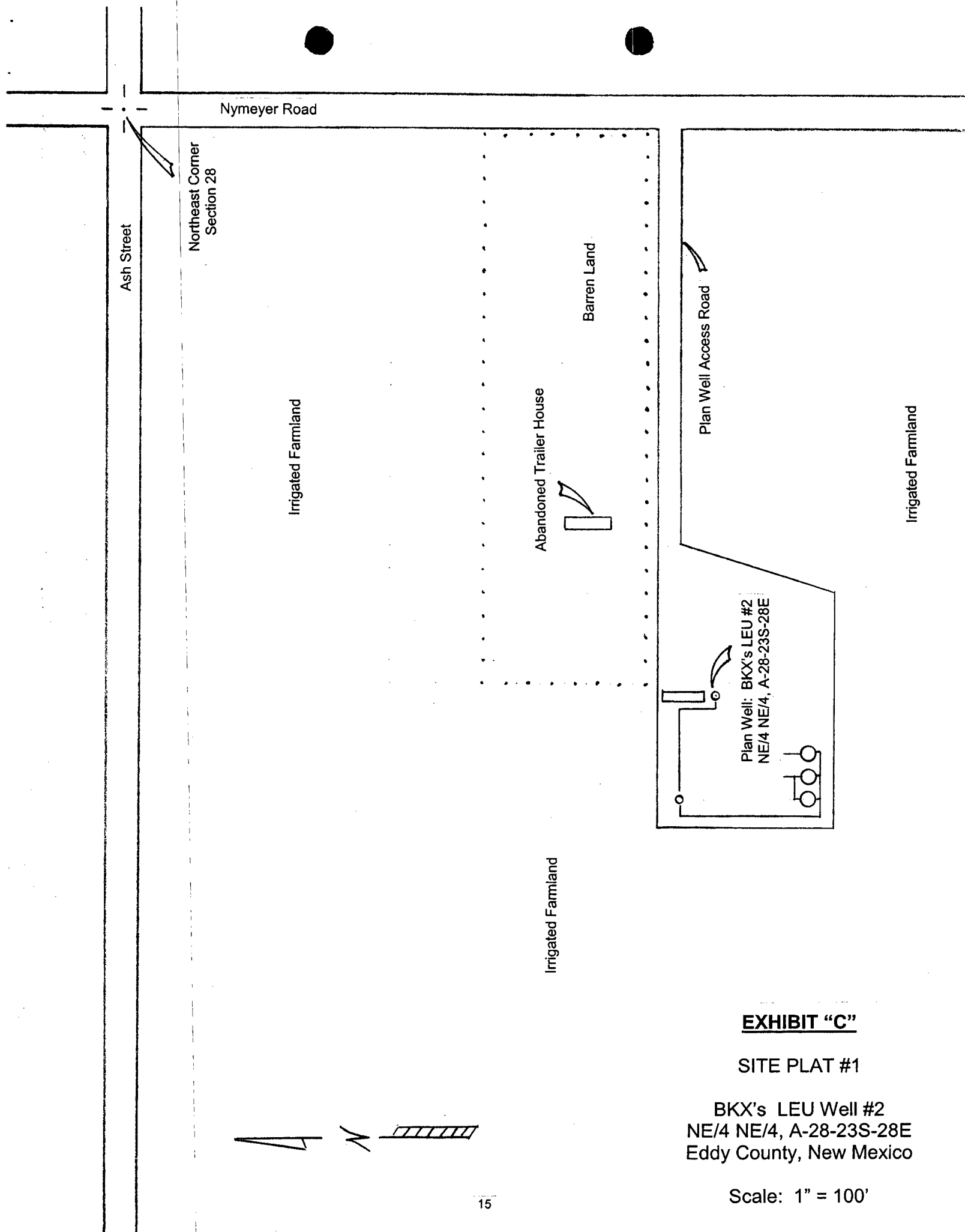
## **SITE TOPOGRAPHIC PLAT**

T-23-S R-28-E  
 Loving, New Mexico Area  
 Scale: 1" = 1,000'  
 Contour Interval: 10'



## **PLAN EXHIBIT “C”**

### **Site Plats**



Nymeyer Road

Ash Street

Northeast Corner  
Section 28

Irrigated Farmland

Abandoned Trailer House

Barren Land

Plan Well Access Road

Plan Well: BKX's LEU #2  
NE/4 NE/4, A-28-23S-28E

Irrigated Farmland

Irrigated Farmland

## EXHIBIT "C"

SITE PLAT #1

BKX's LEU Well #2  
NE/4 NE/4, A-28-23S-28E  
Eddy County, New Mexico

Scale: 1" = 100'

**EXHIBIT "C"**

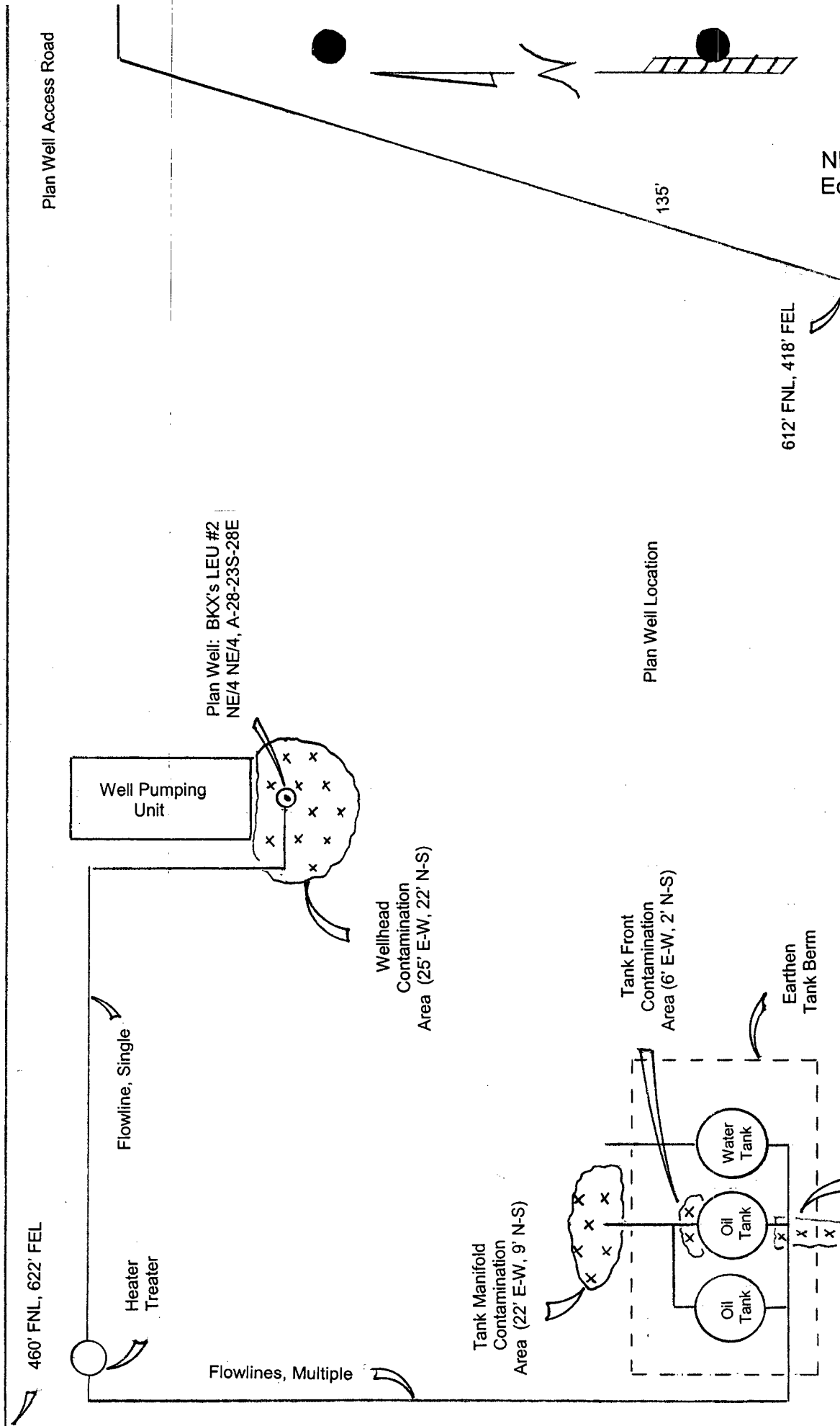
**SITE PLAT #2**

BKX's LEU Well #2  
NE/4 NE/4, A-28-23S-28E  
Eddy County, New Mexico

Scale: 1" = 25'

Barren Land

Irrigated Farmland



## **PLAN EXHIBIT "D"**

### **Nearest Water Well**

*New Mexico Office of the State Engineer*  
Point of Diversion Summary

Back

(quarters are 1=NW 2=NE 3=SW 4=SE)  
(quarters are biggest to smallest)

POD Number	Tws	Rng	Sec	q	q	q	Zone	X	Y
C 01870	23S	28E	22	3	1				

Driller Licence: 113 MORELAND, A.J.

Driller Name: MORELAND, A.J.

Drill Start Date: 07/03/1979

Log File Date: 12/14/1979

Pump Type:

Casing Size: 14

Depth Well: 105

Source: Shallow

Drill Finish Date: 12/06/1979

PCW Received Date:

Pipe Discharge Size:

Estimated Yield: 300

Depth Water: 48

Water Bearing Stratifications:	Top	Bottom	Description
	54	58	Sandstone/Gravel/Conglomerate
Casing Perforations:	Top	Bottom	
	50	70	
	80	90	

**EXHIBIT "D"**

NEAREST WATER WELL

McClary Water Well  
SW/4 Section 22 T-23-S R-28-E  
Eddy County, New Mexico

## **PLAN EXHIBIT “E”**

### **Contact Information**

## CONTACT INFORMATION

New Mexico Oil Conservation Division  
District 2 Office  
1301 W. Grand Ave.  
Artesia, NM 88210

Phone: 505-748-1283

Fax: 505-748-9720

BK Exploration Corporation  
Attn: Brad D. Burks  
10159 E. 11<sup>th</sup> St. #401  
Tulsa, OK 74128

Phone: 918-582-3855

Fax: 918-582-3865

Email: [office@bkxcorp.com](mailto:office@bkxcorp.com)

Valley Energy Services, Inc.  
Attn: Tony Tucker  
P. O. Box 207  
Loving, NM 88256

Phone: 505-200-5344

Fax: 505-236-6006

B&R Trucking, Inc.  
4311 Monica Ln.  
Carlsbad, NM 88220  
Phone: 505-236-6012

M&M Excavating, Inc.  
2737 Pecos Highway  
Carlsbad, NM 88220  
Phone: 505-236-6600

Fax: 505-236-6201

Controlled Recovery, Inc.  
P. O. Box 388  
Hobbs, NM 88241  
Phone: 505-393-1079

Fax: 505-393-3615

Cardinal Laboratories  
Attn: Burgess Cooke, PhD  
101 E. Marland  
Hobbs, NM 88240  
Phone: 505-393-2326

Fax: 505-393-2476



# NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

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Artesia OCD District Office

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