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-144
June 1, 2004

For drilling and production facilities, submit to appropriate NMOCD District Office.
For downstream facilities, submit to Santa Fe office

Pit or Below-Grade Tank Registration or Closure

Is pit or below-grade tank covered by a "general plan"? Yes ☐ No ☒
Type of action: Registration of a pit or below-grade tank ☐ Closure of a pit or below-grade tank ☒

Operator Celero Energy II, LP Telephone (432) 686-1883 e-mail address bwoodard@celeroenergy com
Address 400 West Illinois, Suite 1601, Midland, Texas 79701
Facility or well name: Rock Queen Unit Tract 1 Tank Battery API # _____ U/L or Qtr/Qtr B Sec 25 T-13-S R-31-E
County Chaves Latitude 33 15806 N Longitude 103 74472 W NAD 1927 ☒ 1983 ☐
Surface Owner Federal ☐ State ☐ Private ☒ Indian ☐

Pit
Type: Drilling ☐ Production ☐ Disposal ☐
Workover ☐ Emergency ☒
Lined ☒ Unlined ☐
Liner type Fiberglas ☒ Thickness **Unknown** mil Clay ☐
Pit Volume 14,000 bbl

Below-grade tank
Volume: _____bbl Type of fluid: _____
Construction material: _____
Double-walled, with leak detection? Yes ☐ If not, explain why not

Depth to ground water (vertical distance from bottom of pit to seasonal high water elevation of ground water)	Less than 50 feet 50 feet or more, but less than 100 feet 100 feet or more 119'	(20 points) (10 points) (0 points) 0
Wellhead protection area (Less than 200 feet from a private domestic water source, or less than 1000 feet from all other water sources)	Yes No	(20 points) (0 points) 0
Distance to surface water: (horizontal distance to all wetlands, playas, irrigation canals, ditches, and perennial and ephemeral watercourses)	Less than 200 feet 200 feet or more, but less than 1000 feet 1000 feet or more	(20 points) (10 points) (0 points) 0
	Ranking Score (Total Points)	0

If this is a pit closure: (1) Attach a diagram of the facility showing the pit's relationship to other equipment and tanks. (2) Indicate disposal location (check the onsite box if your are burying in place) onsite ☐ offsite ☐ If offsite, name of facility_____ (3) Attach a general description of remedial action taken including remediation start date and end date (4) Groundwater encountered No ☐ Yes ☐ If yes, show depth below ground surface_____ft and attach sample results (5) Attach soil sample results and a diagram of sample locations and excavations

Additional Comments The Closure Plan for this site is attached
Pit contents and Liner have been removed and taken to the Gandy Marley, Inc landfill site

I hereby certify that the information above is true and complete to the best of my knowledge and belief **I further certify that the above-described pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines ☐, a general permit ☐, or an (attached) alternative OCD-approved plan ☐. See above ☒**

Date **8-13-2007**
Printed Name/Title **Gary Miller, Agent, Highlander Environmental Corp.** Signature _____

Your certification and NMOCD approval of this application/closure does not relieve the operator of liability should the contents of the pit or tank contaminate ground water or otherwise endanger public health or the environment Nor does it relieve the operator of its responsibility for compliance with any other federal, state, or local laws and/or regulations

Approval
Printed Name/Title L JOHNSON - ENVIROENGR Signature _____ Date 8.31.07

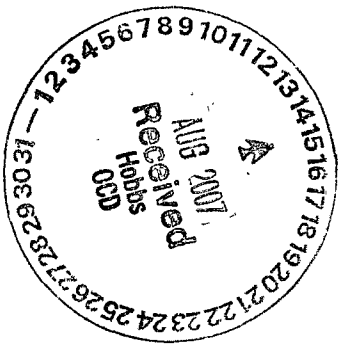
RP#1554

Highlander Environmental Corp.

Midland, Texas

CERTIFIED MAIL

RETURN RECIEPT NO. 7005 1160 0005 3780 6085



August 13, 2007

Mr. Larry Johnson
Oil Conservation Division- District I
1625 N. French Drive
Hobbs, New Mexico 88240

RE: **INVESTIGATION & CHARACTERIZATION WORK PLAN, CELERO ENERGY II, LP, ROCK QUEEN UNIT TRACT 1 TANK BATTERY, UNIT B, SECTION 25, T-13-S, R-31-E, CHAVES COUNTY, NEW MEXICO.**

Mr. Johnson:

Celero Energy II, LP (Celero) has retained Highlander Environmental Corp. (Highlander) to address potential environmental concerns at the above-referenced site. In response, Highlander presents the following Investigation and Characterization Plan (ICP) for assessment and closure of open pits.

BACKGROUND & PREVIOUS WORK

Celero retained Highlander Environmental (Highlander) of Midland, Texas to investigate this site as part of a due diligence in an acquisition of property operated by Palisades Asset Holding Company, LLC (Palisades). This production was originally developed in the mid-1950's. The primary surface owner in this Unit is the State of New Mexico, with the exception of one section of fee ownership. Highlander installed one monitoring well at the pit location and one background well upgradient of the tank battery. The monitoring well (MW-1) at the pit had elevated chlorides. A Groundwater Impact Notification was submitted to the NMOCD on June 18, 2007. The site is shown on Figures 1 and 2.

Hydrology

Chaves County is located in the southeastern corner of New Mexico. The area is located in the High Plains Valley section of the Great Plains physiographic province. Rocks of Quaternary, Tertiary, and Triassic age are exposed and contain the principal aquifers. The most prominent aquifer is the Ogallala formation, which underlies the Llano Estacado and forms

outliers south of it. Below the Cenozoic rocks are sandstones and shales of the Dockum group of Late Triassic age, from which small quantities of water are obtained. No usable groundwater is obtained from rocks older than the Triassic.

The Ogallala formation consists chiefly of sediments deposited by streams that had their headwaters in the mountainous regions to the west and northwest. The Ogallala formation rests unconformably upon an erosional surface of the underlying Triassic and Cretaceous rocks. The Ogallala is made of beds and lenses of clay, silt, sand, and gravel. Caliche occurs as a secondary deposit in many places in the formation.

Uncontaminated water from the Ogallala formation is high in silica (49 to 73 ppm), and contains moderate concentrations of calcium and magnesium. The dissolved solids content is relatively low, being typically less than 1,100 ppm. Water wells east of Mescalero Ridge derive their water from the Ogallala. The reported depth to groundwater in this area ranges from 100' to 200'. Water wells west of Mescalero Ridge derive water from the Triassic Dockum or Quaternary alluvium. No reported depths to groundwater were found for this area.

Regulatory

Neither the New Mexico State Engineer's Office database nor the USGS database show any wells in Section 25, Township 13 South, Range 31 East. The monitor wells installed at this site had a depth to groundwater of 119'. A risk-based evaluation was performed for the Site in accordance with the New Mexico Oil Conservation Division (NMOCD) Guidelines for Remediation of Leaks, Spills and Releases, dated August 13, 1993. The guidelines require a risk-based evaluation of the site to determine recommended remedial action levels (RRAL) for benzene, toluene, ethylbenzene and xylene (collectively referred to as BTEX) and total petroleum hydrocarbons (TPH) in soil. The proposed RRAL for benzene was determined to be 10 parts per million (ppm) or milligrams per kilogram (mg/kg) and 50 ppm for total BTEX (sum of benzene, toluene, ethylbenzene, and xylene). Based upon the depth to groundwater, the proposed RRAL for TPH is 5,000 mg/kg.

As discussed above, existing site data document impairment of groundwater quality. Therefore the work elements described below are designed to assist Celero in selecting an appropriate vadose zone remedy.

Task 1 - Agreed Compliance Order

Celero and the OCD are currently negotiating an Agreed Compliance Order to assess and close open pits. Once the pit closures are underway and the source areas eliminated, additional groundwater delineation will be performed and Corrective Action Plans will be presented for remediation of the groundwater in this area.

Task 2 - Dewater Pit

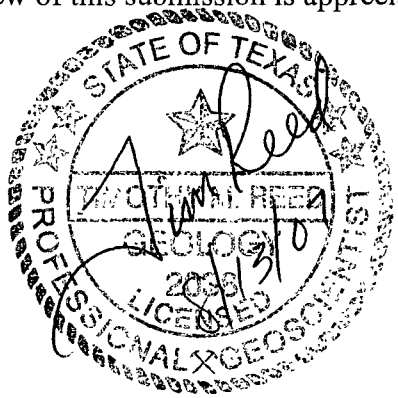
The Tract 1 Tank Battery pit was dewatered and the residual sludge, tank bottom materials, and liner removed in late July and early August 2007. Removed fluids were placed

into an existing SWD system or taken to disposal, while the sludge, tank bottom materials, and liner were disposed of at Gandy-Marley, Inc landfill site of Lovington, New Mexico.

Task 3 - Evaluate Concentrations of Constituents of Concern in Soil

Upon completion of the removal of the fluids, sludge and liner, the underlying soils were visually inspected for obvious signs of impact. Approximately 200 cubic yard of soil were excavated and hauled to Gandy-Marley, Inc. for disposal. The pit was excavated to a point where the subsoil will support a soil boring rig that will be utilized to determine vertical extents. Additionally, soil boring may be performed around the perimeter of the pits to determine horizontal extents of impact. The information gathered from tasks 1-3 will be evaluated to determine what, if any additional remediation/isolation techniques will be required at the Site. A Pit Closure C-144 Pit Closure Form is attached.

Should you have any questions, please contact me at (432) 682-4559. Your prompt review of this submission is appreciated. Thank you for your attention to this matter.

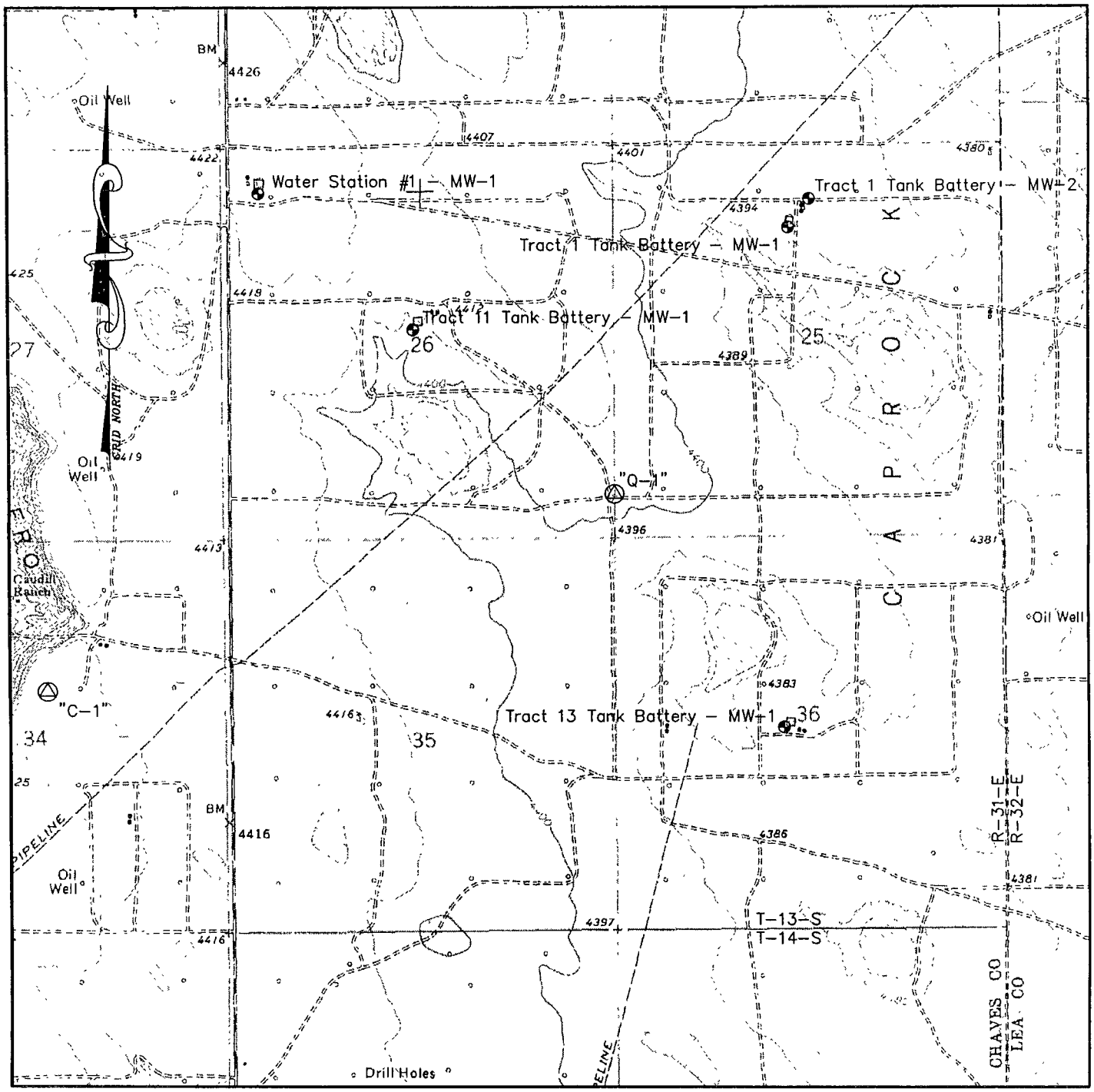


Highlander Environmental Corp.

Timothy M. Reed, P.G.
Vice President

cc: Wayne Price – NMOCD, Santa Fe

L-2007-0643-A



2000 0 2000 4000

Graphic Scale in Feet

LEGEND

◕ – Denotes Monitor Well

△ – Denotes Static GPS Control Station

CELERO ENERGY II, L.P.

Proximity Sketch of

CAPROCK QUEEN UNIT MONITOR WELLS

Located in Sections 25, 26 and 36
Township 13 South, Range 31 East, N.M.P.M.
Chaves County, New Mexico

WEST COMPANY of Midland, Inc.

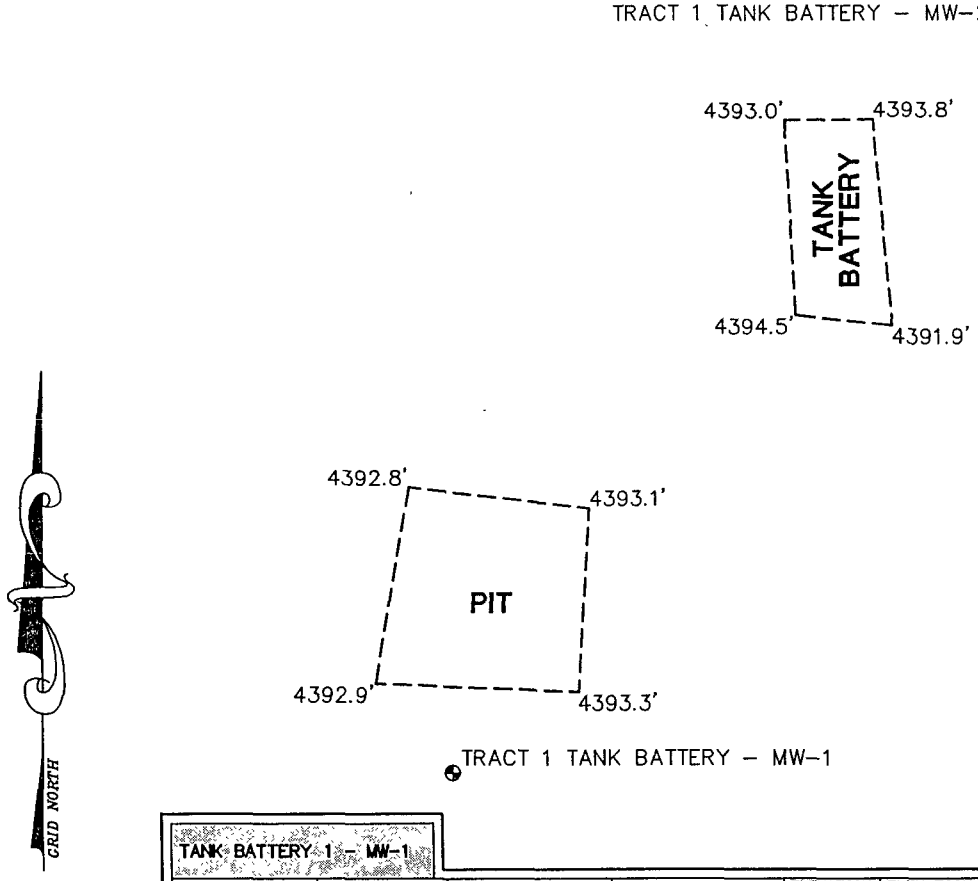
110 W. LOUISIANA, STE. 110
MIDLAND TEXAS, 79701
(432) 687-0865 – (432) 687-0868 FAX

Date: June 21, 2007

SECTION 25, TOWNSHIP 13 SOUTH, RANGE 31 EAST, N.M.P.M.

CHAVES COUNTY NEW MEXICO

L-2007-0643-D



TANK BATTERY 1 – MW-1

NORTHING (Y)	EASTING (X)	LATITUDE	LONGITUDE	ELEVATION TOP OF CASING	ELEVATION CONCRETE PAD	ELEVATION NATURAL GROUND
788,110.6	670,752.8	33°09'55.11" N	103°46'31.22" W	4,394.36	4,391.78	4,391.3

TANK BATTERY 1 – MW-2

NORTHING (Y)	EASTING (X)	LATITUDE	LONGITUDE	ELEVATION TOP OF CASING	ELEVATION CONCRETE PAD	ELEVATION NATURAL GROUND
788,496.8	671,039.4	33°09'58.92" N	103°46'27.83" W	4,397.22	4,394.15	4,393.5

Date Surveyed: June 11, 2007
Weather: Warm & Clear

NOTE:

1) Plane Coordinates shown hereon are Transverse Mercator Grid and Conform to the "New Mexico Coordinate System", New Mexico East Zone, North American Datum of 1927.

2) Elevations reference the National Geodetic Vertical Datum of 1929.

3) Geodetic Coordinates shown hereon references the North American Datum of 1927, (Clarke Spheroid of 1866). Reference Stations – "ODESSA RRP2" – CORS (DF5393), "LUBBOCK RRP2" – CORS (DF5391) and "PORTALESAP NM 2005" – CORS (DF5391).

LEGEND

⊕ – Denotes Monitor Well

100 0 100 200

Graphic Scale in Feet

I HEREBY CERTIFY THAT THIS PLAT WAS PREPARED FROM NOTES TAKEN IN THE FIELD IN A BONA FIDE SURVEY MADE UNDER MY SUPERVISION

MACON McDONALD N.M. P.S. No. 12185

WEST COMPANY of Midland, Inc.
110 W. LOUISIANA, STE. 110
MIDLAND TEXAS, 79701
(432) 687-0865 – (432) 687-0868 FAX

CELERO ENERGY II, L.P.

Topographic Survey of

MONITOR WELLS AT TRACT 1 TANK BATTERY

Located in Section 25
Township 13 South, Range 31 East, N.M.P.M.
Chaves County, New Mexico

Drawn By: LVA	Date: June 19, 2007
Scale: 1" = 100'	Field Book: 365 / 40-42
Revision Date: 6-21-2007	Quadrangle: Caudill Ranch
W.O. No: 2007-0643	Dwg. No.: L-2007-0643-D