

BW - 5

**GENERAL
CORRESPONDENCE**

2009

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JWS OF NEW MEXICO, INC.

WORLD TRADE CENTER
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DENVER, COLORADO 80202-4628

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COMPLETE OIL FIELD SERVICES

Mr. Wayne Price
Environmental Bureau Chief
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

February 20, 2009

Mr. Larry Kehoe
Assistant Land Commissioner, Surface Resources
New Mexico State Land Office
310 Old Santa Fe Trail
Santa Fe, NM 87504

RE: Closure and Remediation Proposal for Brine Pit Associated with Brine Well "BW-005"
Sinkhole and Groundwater Investigation Proposal for BW-005

Township 18 South, Range 28 East
Section 24: NW/4SE/4
Eddy County, New Mexico

Dear Mr. Price and Mr. Kehoe:

Jim's Water Service of New Mexico, Inc. (JWS) is submitting the following proposal to close the above-described brine pit and to investigate possible groundwater contamination resulting from the sudden and unexpected development of a sink hole on July 16, 2008, in the location of the collapsed Brine Well BW-005. Both the brine pit and Brine Well are operated by JWS, a wholly owned subsidiary of K.P. Kauffman Company, Inc. (KPK). It is JWS' intent to be diligent and prudent in the pit remediation and groundwater investigation.

I. Proposed Brine Pit Closure Plan

As stated in our earlier letters to you, JWS remains concerned about the safety implications of performing work in the vicinity of the sinkhole, particularly work involving heavy equipment. As always, the safety of workers and the public will be our first priority. However, after further studying the situation, and hearing from Mr. Price directly about the essential elements of an acceptable plan, we have designed our proposal both to meet safety standards and to meet the needs of the Oil Conservation Division (OCD) and State Land Office (SLO).

Taking into consideration our concerns, JWS proposes that before closing the brine pit, JWS will sample the soil under the pit. In order to sample the soil under the pit, the contents of the pit and the pit liner will be removed. These items will be properly disposed of in the CRI Halfway Facility, located between Hobbs, NM and Carlsbad, NM.

JWS will take a five point, composite sample under the liner, and collect grab samples from any area that is wet, discolored or showing signs of a release. Samples will be analyzed for benzene, BTEX, TPH, the GRO & DRO and chlorides as per recommended EPA methods.

In addition, a plastic tank to the southeast of the pit will be investigated for any leaks of hydrocarbons to the soils, and this area will be remediated as needed. A modified method (EPA 300) of determining chlorides in the surrounding native soils shall also be undertaken.

The laboratory results of the samples will be studied, with consultation from the OCD. If further remediation of the pit area is deemed necessary, JWS will consult with the OCD and the Commissioner of Public Lands to reach an acceptable final condition.

It is JWS' intention to remediate the site to the point that it "blends in" with the surrounding area. The remediation plan includes surface contours and vegetation. JWS realizes it may take several growing seasons to achieve the desired results, as no artificial irrigation shall be used. Topsoil will be added, as needed, to restore native plants. A 70% cover of native perennial plants at the pit site will be the goal to achieve final reclamation. Care will be taken to avoid noxious weeds in the reseeding area. JWS will repeat seeding/planting until the OCD approves the remediation.

JWS is in the process of completing a Form C-144, "Pit, Closed-Loop System, Below-Grade Tank, or Proposed Alternative Method Permit or Closure Plan Application", which JWS will file with the OCD.

II. Proposed Groundwater Investigation Plan

In a letter dated October 28, 2008, JWS expressed to the OCD its conclusion and supporting basis that the sinkhole feature will not have any detrimental effect on any potable water sources in the area. However, after several conversations with the OCD, it has become apparent that the drilling of one or more monitoring wells will be required by OCD. JWS therefore proposes moving forward with a groundwater investigation plan in a prudent phased manner.

JWS proposes that it install an initial groundwater monitoring well upgradient of the sinkhole, subject to the issuance of a water easement by the SLO. Utilizing field testing of groundwater for TDS concentration, JWS will determine if two additional wells are needed down-gradient of the sinkhole following the criteria set forth below. Prior to drilling the initial well, JWS will notify the OCD.

The 8-inch diameter borehole will be advanced using air rotary drilling to an approximate maximum depth of 245 feet bgs, which is the assumed depth of the primary freshwater aquifer (the Rustler Formation). Cuttings will be recovered and inspected from the ground surface to the

terminus of the boring. Cuttings will be used to provide a description of the subsurface lithology. Liquids, soil and cuttings will be spread adjacent to the borehole.

Upon completion of above-described drilling, a groundwater monitoring well will be installed to a depth of approximately 245 feet bgs. The well will be constructed with four-inch diameter Schedule 80 polyvinyl chloride (PVC) blank and 0.010-inch factory slotted casing. The screened interval is anticipated to span the water-bearing zone of the Rustler Formation from 225 to 245 feet bgs. The well casing will extend approximately two feet above the ground surface. The well annulus will be filled with a filter pack of 10/20 silica sand from the total depth to two feet above the screened interval. A five-foot seal consisting of bentonite (hydrated) will be placed by tremie pipe above the silica sand. The remaining annular space will be backfilled with neat cement grout to prevent surface water infiltration. A locking well cover will be installed around the aboveground surface casing.

Well development will follow well installation in order to remove any stagnant water and residual solids material resulting from drilling activities. Well development will ensure that water samples are representative of groundwater quality. A minimum of 10 casing volumes will be removed from each groundwater monitoring well prior to groundwater sampling using a disposable bailer. Groundwater level and total well depth will be measured using a water level meter. The surface water level in the sinkhole will also be measured. The water level meter will be decontaminated prior to each use. Purge water generated from well development and sampling will be spread on site.

The groundwater will be field-filtered to 0.45-micron size to derive samples for analysis. An aliquot will be field tested for specific conductance and evaluated according to the following relationship:

$$\text{Specific Conductance } (\mu\text{mhos/cm}) \times A = \text{Dissolved Solids (mg/L)}$$

The conversion factor A is known to vary from 0.54 to 0.96 in natural waters, with higher values associated with water high in sulfate concentration. High sulfate may be present in site groundwater based on review of the brine well boring log. Therefore, JWS will assume a one-to-one relationship between specific conductance and dissolved solids measured in the field sample.

JWS will conduct field testing of groundwater for TDS concentration (using Hydropunch® discrete depth sampling equipment through a temporary wellbore), lab analysis, and use attainability analysis as cited in Title 20, Chapter 6, Part 4, Paragraph 15.D of the New Mexico Administrative Code. Then, depending upon the results of this analysis, JWS will consult with OCD regarding what, if any, further testing of the groundwater is needed, whether through additional sampling of the existing well or one or two downgradient wells. The presumption will be that no further sampling or monitor wells will be required if the initial well indicates that the groundwater is not usable or viable. JWS plans to use a calibrated field meter that utilizes this relationship to measure TDS in the water.

Field-filtered samples will also be placed into laboratory-supplied sample bottles, properly labeled, placed on ice in a cooler and transported to the laboratory under chain-of-custody

control for quantitative analysis. The samples will be analyzed for the following general water chemistry parameters: ionic concentrations (cations and anions), hardness, TDS, pH, and electrical conductivity.

III. Additional Information

JWS has been conducting ongoing subsidence monitoring at the sinkhole site using Pyeatt's Surveying Service located in Carlsbad, NM. An updated report with the latest regression analysis results is enclosed herein.

JWS will be filing a Form C-141, "Release Notification and Corrective Action", with the OCD shortly.

Finally, JWS would like to make the OCD aware that it has a financial assurance bond in place for \$50,000.00. A copy of the bond is attached hereto.

IV. Approval of Plan

JWS would like to move forward with its pit closure plan and groundwater monitoring plan as quickly and reasonably as possible, with continued communication and cooperation with the OCD and SLO. JWS therefore requests written confirmation and approval of the two proposals outlined herein by the OCD and the SLO in a timely matter. If you have any questions or concerns with the proposals outlined herein, please contact me either by email at rgorka@kpk.com or phone at 303-825-4822.

Sincerely,

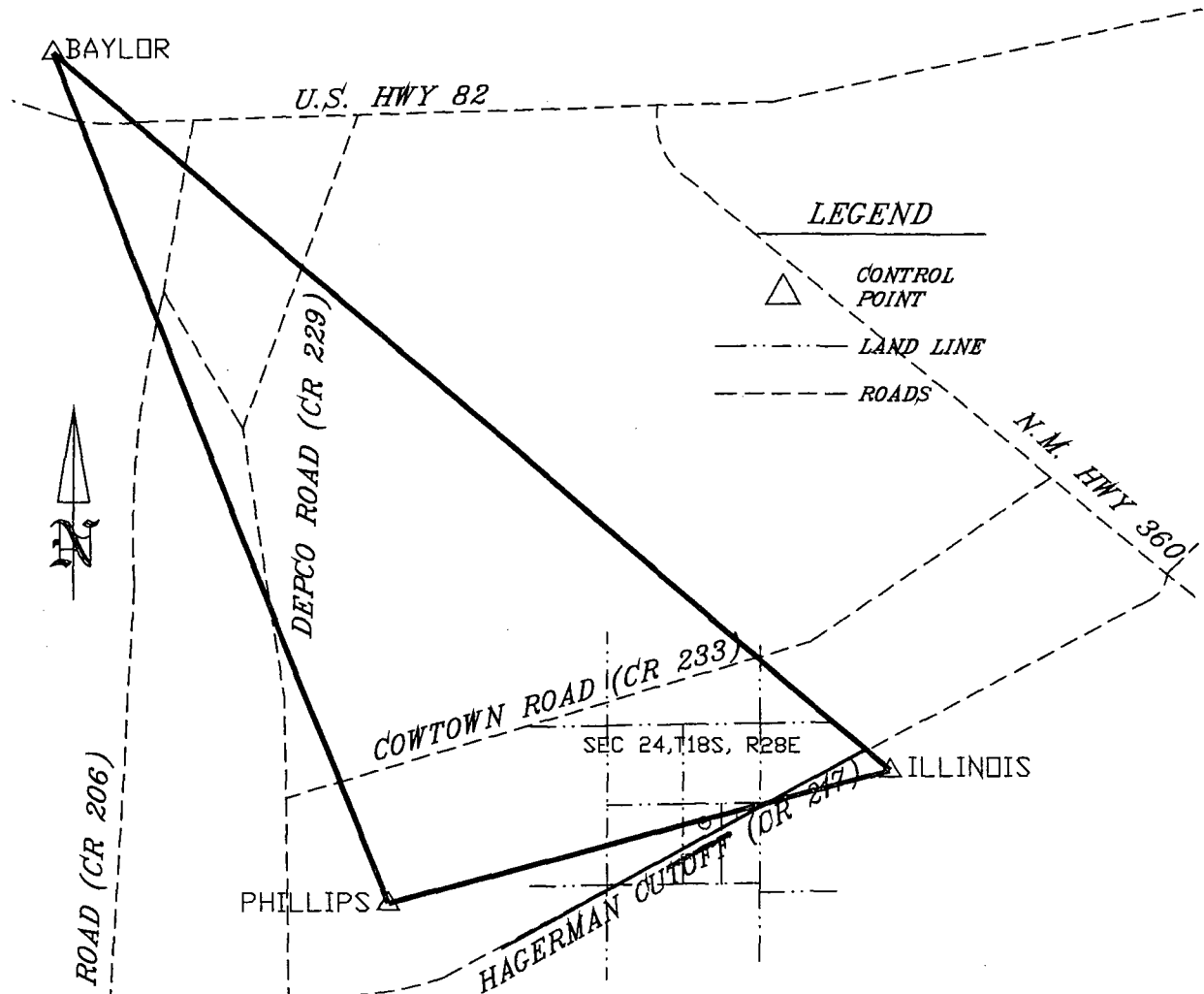


Raymond M. Gorka
EHS Coordinator

Enclosures

Cc : Jim Carr, District Resources Manager II, SLO (without enclosures)
Carl Chavez, Environmental Bureau, OCD (without enclosures)
Brian Henington, Public Land Resources Assistant Director, Field Operations, SLO
(without enclosures)

OUTSIDE CONTROL FOR: SINKHOLE DEVELOPMENT 7/16/2008



NEW MEXICO EAST STATE PLANE COORDINATES FOR:

BAYLOR

N 655741.603
E 582490.688
EL 3727.86

PHILLIPS

N 627435.102
E 593916.484
EL 3594.40

ILLINOIS

N 631857.056
E 610758.903
EL 3593.07

MILLMAN

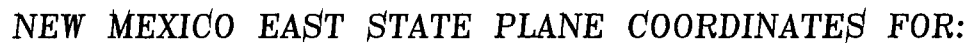
BEEN HIT DURING ROAD
WORK, REPLACED WITH
POINT 'LIMEROCK'. NO
INFO ON LIMEROCK.



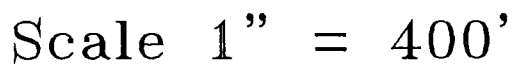
Scale 1" = 6000'

8/18/2008

SEC 24

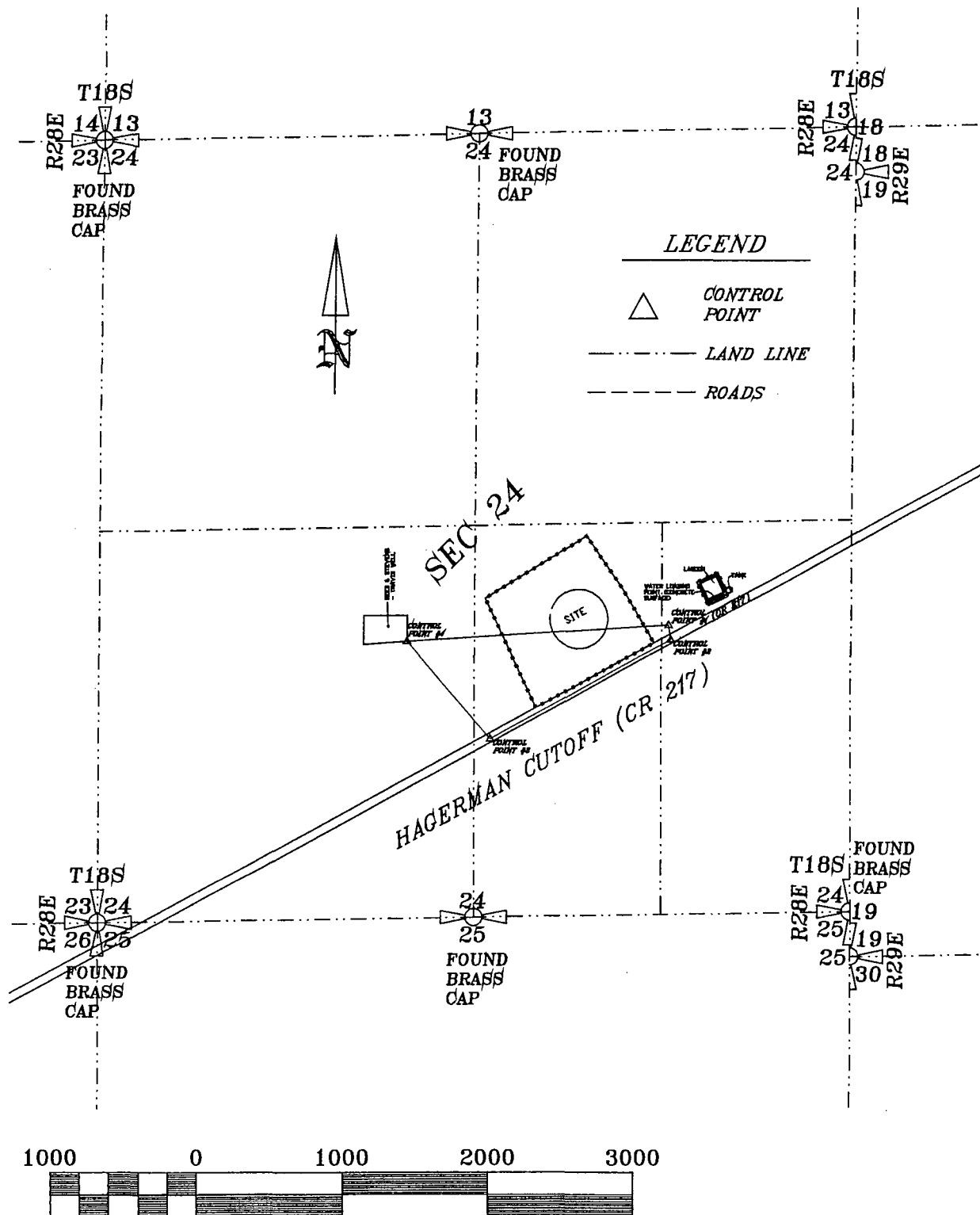


*CONTROL POINTS ARE #4 REBARS WITH YELLOW CAPS STAMPED 8510.
*MONITORING POINTS ARE #4 REBARS WITH YELLOW CAPS STAMPED 8510.
**HAGERMAN CUTOFF IS SHOWN AT THE 60' WIDE R.O.W. WIDTH NOT THE 25' WIDE ASPHALT WIDTH.
***TRAVIS WELL, LAGOON, TANK & CONCRETE LOADING POINT AT THE LAGOON ARE SHOWN FOR RELATIONAL PURPOSES.



8/19/2008

SECTION OVERVIEW FOR: SINKHOLE DEVELOPMENT 7/16/2008



8/20/2008

Regression Analysis

Warning: Data Copied from Summary and tracking rather than linked. Any new data or changes have to be made manually.

All elevational differences compared to 8/14 starting point

Date (2001)	8/14	8/18	8/19	8/20	8/22	8/23	8/24	8/25	8/26	8/27	8/28	8/29	9/2	9/4	9/8	9/15	9/23	9/29	10/6	10/13	Elevation
Start	0	4	5	6	8	9	10	11	12	13	14	15	19	21	25	32	40	46	53	60	
Day																					
mp11	0	0	0	0	0	0.09	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.00	0.08	0.10	0.09	0.10	0.10	0.10	3515.7
mp12	0	0	0	0	0	0.06	0.01	0.07	0.04	0.04	0.05	0.00	0.00	0.00	0.04	0.04	0.00	0.04	0.04	0.04	3500.9
mp13	0	0	0	0	0	0.12	0.04	0.06	0.07	0.07	0.08	0.07	0.08	0.10	-0.02	0.10	0.00	0.09	0.09	0.08	3495.1
mp14	0	0	0	0	0	0.13	0.10	0.08	0.11	0.10	0.10	0.11	0.11	0.00	0.11	0.10	0.08	0.12	0.12	0.12	3518.9
M15	0											0			NEW	0.00	0.00	0.00	0.00	0.00	3505.7
mp16	0	0.03	0.02	0.02	-0.03	0.14	0.11	0.09	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.01	0.12	0.12	0.12	0.11	3514.3
mp17	0	-0.07	-0.08	-0.02	-0.05	0.13	0.09	0.02	0.09	0.09	0.09	0.09	0.09	0.10	0.02	0.00	0.07	0.09	0.10	0.09	3510.2
mp18	0	-0.04	-0.03	-0.02	-0.03	0.10	0.10	0.06	0.07	0.07	0.07	0.07	0.07	0.09	0.07	0.01	0.04	0.08	0.08	0.08	3508.9
mp19	0	-0.06	-0.04	-0.05	-0.03	0.09	0.10	0.11	0.07	0.07	0.07	0.08	0.08	0.02	-0.04	0.01	0.05	0.08	0.08	0.08	3508.9
m20	0	-0.06	-0.04	-0.07	-0.03	0.12	0.03	0.07	0.06	0.05	0.05	0.05	0.06	0.02	0.05	0.05	0.03	0.06	0.06	0.06	3505.7
m21	0	-0.04	-0.03	-0.06	0.01	0.11	0.06	0.05	0.07	0.07	0.07	0.07	0.07	0.09	0.06	0.08	0.06	0.07	0.07	0.07	3504.3
m22	0	-0.08	-0.07	-0.08	0.00	0.11	-0.02	0.01	0.04	0.03	0.04	0.04	0.03	0.05	0.03	0.07	0.06	0.05	0.04	0.04	3502.6
m23	0	-0.05	-0.03	-0.05	0.05	0.13	0.08	0.02	0.07	0.06	0.07	0.07	0.08	0.07	0.08	0.08	0.05	0.08	0.08	0.08	3501.9
m24	0	-0.03	-0.03	-0.03	0.02	0.12	0.02	0.05	0.06	0.06	0.06	0.06	0.06	0.07	0.08	0.08	0.06	0.08	0.07	0.07	3499.8
m25	0	-0.01	-0.01	-0.03	0.00	0.13	0.03	0.08	0.10	0.09	0.10	0.09	0.10	0.07	0.10	0.12	0.10	0.11	0.11	0.10	3498.7
m26	0	-0.02	-0.03	-0.02	0.03	0.12	0.06	0.05	0.08	0.08	0.08	0.07	0.08	0.08	0.08	0.09	0.08	0.09	0.09	0.09	3497.4
m27	0	-0.03	-0.01	-0.05	-0.03	0.13	0.05	0.05	0.06	0.07	0.06	0.05	0.06	0.06	0.06	0.07	0.06	0.07	0.07	0.07	3496.3
M28	0	-0.01	0.00	0.00	0.00	0.00	0.00	0.12	0.11	0.11	0.12	0.11	0.11	0.14	0.11	0.12	0.10	0.12	0.12	0.12	3510.5
M29	0																				
M30	0	-0.01	0.00	0.00	0.00	0.00	0.00	0.06	0.08	0.08	0.08	0.08	0.08	0.08	0.07	0.08	0.04	0.06	0.06	0.06	3507.2
M31	0														NEW	0.00	0.00	0.00	0.00	0.00	3534.3
M32	0	0													NEW	0.00	0.00	0.00	0.00	-0.03	3516.9
M33	0														NEW	0.00	-0.01	-0.01	-0.01	-0.04	3507.4
M34	0														NEW	0.00	0.00	0.02	0.02	-0.01	3506.7
															NEW	0.00	0.00	-0.02	-0.02	-0.02	3502.2
															NEW	0.01	0.01	0.03	0.03	0.03	3496.6
			</																		

Graphs at the right show too many anomalies. Going back to raw data.

Location and elevation copied, sorted, then location removed. Avoids problem of different order on different days.

Elev	14-Aug	18-Aug	19-Aug	20-Aug	22-Aug	23-Aug	24-Aug	25-Aug	26-Aug	27-Aug	28-Aug	29-Aug	2-Sep	4-Sep	8-Sep	15-Sep	23-Sep	29-Sep	6-Oct	13-Oct	3-Nov	24-Nov	15-Dec	1/28/2009
baylor	3728.00																							
phillip	3594.44																							
phillip	3594.36																							
illinois	3593.00																							
illinois	3592.98																							
illinois adj	3593.07																							
phillip adj	3594.46																							
baylor	3727.86																							
baylor	3727.82																							
Day	0	4	5	6	8	9	10	11	12	13	14	15	19	21	25	32	40	46	53	60	81	102	123	165
mp11	3515.58	3515.58	3515.58	3515.58	3515.58	3515.58	3515.67	3515.66	3515.66	3515.66	3515.66	3515.66	3515.66	3515.66	3515.66	3515.66	3515.66	3515.67	3515.7	3515.7	3515.68	3515.68	3515.66	3515.660
mp12	3500.88	3500.9	3500.89	3500.89	3500.89	3500.89	3500.95	3500.90	3500.96	3500.93	3500.94	3500.94	3500.94	3500.94	3500.89	3500.89	3500.93	3500.93	3500.9	3500.9	3500.93	3500.93	3500.93	3500.93
mp13	3495.06	3495.1	3495.06	3495.06	3495.1	3495.06	3495.18	3495.10	3495.12	3495.13	3495.13	3495.13	3495.14	3495.14	3495.16	3495.16	3495.16	3495.15	3495.2	3495.2	3495.14	3495.14	3495.12	3495.090
mp14	3518.78	3518.8	3518.78	3518.78	3518.8	3518.78	3518.91	3518.88	3518.86	3518.89	3518.88	3518.88	3518.88	3518.89	3518.89	3518.89	3518.89	3518.86	3518.9	3518.9	3518.9	3518.90	3518.88	3518.860
mp16	3514.16	3514.2	3514.18	3514.18	3514.2	3514.13	3514.30	3514.27	3514.25	3514.27	3514.27	3514.27	3514.27	3514.27	3514.27	3514.27	3514.28	3514.28	3514.3	3514.3	3514.28	3514.28	3514.26	3514.240
mp17	3510.15	3510.1	3510.07	3510.13	3510.2	3510.10	3510.28	3510.24	3510.17	3510.24	3510.24	3510.24	3510.24	3510.24	3510.24	3510.25	3510.17	3510.24	3510.22	3510.2	3510.3	3510.24	3510.22	3510.200
mp18	3508.83	3508.8	3508.80	3508.81	3508.8	3508.80	3508.93	3508.89	3508.89	3508.90	3508.90	3508.90	3508.90	3508.90	3508.92	3508.9	3508.91	3508.87	3508.9	3508.9	3508.90	3508.87	3508.880	

m19	3505.55	3505.5	3505.51	3505.50	3505.5	3505.52	3505.64	3505.65	3505.66	3505.62	3505.62	3505.63	3505.63	3505.57	3505.51	3505.63	3505.6	3505.6	3505.6	3505.6	3505.6	3505.6	3505.62	3505.59
m20	3505.63	3505.6	3505.59	3505.55	3505.6	3505.60	3505.75	3505.65	3505.70	3505.69	3505.68	3505.68	3505.68	3505.69	3505.65	3505.68	3505.68	3505.7	3505.7	3505.7	3505.7	3505.68	3505.66	
m21	3504.26	3504.2	3504.23	3504.20	3504.3	3504.27	3504.37	3504.32	3504.31	3504.33	3504.33	3504.33	3504.33	3504.35	3504.32	3504.34	3504.32	3504.3	3504.3	3504.3	3504.3	3504.32	3504.30	
m22	3502.52	3502.4	3502.45	3502.44	3502.5	3502.52	3502.63	3502.55	3502.53	3502.56	3502.55	3502.55	3502.55	3502.57	3502.55	3502.59	3502.58	3502.6	3502.6	3502.6	3502.6	3502.55	3502.53	
m23	3501.79	3501.7	3501.76	3501.74	3501.8	3501.84	3501.92	3501.87	3501.81	3501.86	3501.86	3501.86	3501.87	3501.85	3501.87	3501.87	3501.84	3501.9	3501.9	3501.9	3501.9	3501.86	3501.84	
m24	3499.76	3499.7	3499.73	3499.73	3499.7	3499.78	3499.88	3499.78	3499.81	3499.82	3499.82	3499.82	3499.83	3499.84	3499.82	3499.84	3499.82	3499.8	3499.8	3499.8	3499.8	3501.96	3501.88	
m25	3498.63	3498.6	3498.62	3498.60	3498.7	3498.68	3498.76	3498.66	3498.71	3498.73	3498.72	3498.73	3498.72	3498.73	3498.72	3498.73	3498.73	3498.7	3498.7	3498.7	3498.72	3498.71	3498.680	
m26	3497.33	3497.3	3497.30	3497.31	3497.35	3497.45	3497.45	3497.39	3497.38	3497.41	3497.41	3497.41	3497.41	3497.41	3497.41	3497.42	3497.4	3497.4	3497.4	3497.4	3497.41	3497.41	3497.370	
m27	3496.24	3496.2	3496.23	3496.19	3496.2	3496.21	3496.37	3496.29	3496.29	3496.29	3496.29	3496.30	3496.29	3496.30	3496.30	3496.30	3496.3	3496.3	3496.3	3496.3	3496.3	3496.30	3496.29	
M28	3510.36	3510.4								3510.48	3510.47	3510.48	3510.47	3510.50	3510.47	3510.48	3510.46	3510.5	3510.5	3510.5	3510.5	3510.45	3510.440	
M29	3507.08	3507.1							3507.14	3507.16	3507.16	3507.16	3507.16	3507.16	3507.15	3507.16	3507.12	3507.1	3507.1	3507.1	3507.1	3507.08	3507.080	
M30			M15													3524.47	3524.47	3524.5	3524.5	3524.5	3524.47	3524.47	3524.460	
M31																3534.28	3534.28	3534.28	3534.3	3534.3	3534.28	3534.28	3534.280	
M32																3516.90	3516.90	3516.90	3516.90	3516.87	3516.9	3516.86	3516.88	
M33																3507.43	3507.43	3507.42	3507.4	3507.4	3507.39	3507.38	3507.42	
M34																3506.71	3506.71	3506.71	3506.7	3506.7	3506.7	3506.69	3506.670	
M35																3502.16	3502.16	3502.16	3502.1	3502.1	3502.12	3502.11	3502.080	
M36																3496.58	3496.58	3496.58	3496.6	3496.6	3496.60	3496.58	3496.550	

Day	14-Aug	18-Aug	19-Aug	20-Aug	22-Aug	23-Aug	24-Aug	25-Aug	26-Aug	27-Aug	28-Aug	29-Aug	2-Sep	4-Sep	8-Sep	15-Sep	23-Sep	29-Sep	6-Oct	13-Oct	3-Nov	24-Nov	15-Dec	26-Jan
0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
mp11	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.01	0.08	0.10	0.09	0.10	0.10	0.10	0.10	0.10	0.08	
mp12	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	
mp13	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.08	0.10	0.10	0.09	0.09	0.08	0.05	0.08	0.03	
mp14	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.11	0.10	0.08	0.12	0.12	0.12	0.12	0.10	0.08	
mp16	0.00	0.03	0.02	0.02	-0.03	0.14	0.11	0.09	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.12	0.12	0.12	0.12	0.11	0.13	0.12	0.10	
mp17	0.00	-0.07	-0.08	-0.02	-0.05	0.13	0.09	0.02	0.09	0.09	0.09	0.09	0.09	0.10	0.02	0.09	0.07	0.09	0.10	0.09	0.10	0.09	0.07	
mp18	0.00	-0.04	-0.03	-0.02	-0.03	0.10	0.10	0.06	0.07	0.07	0.07	0.07	0.07	0.09	0.07	0.08	0.04	0.09	0.08	0.08	0.07	0.04	0.05	
mp19	0.00	-0.06	-0.04	-0.05	-0.03	0.09	0.10	0.11	0.07	0.07	0.07	0.07	0.08	0.02	-0.04	0.08	0.05	0.08	0.08	0.06	0.06	0.04	0.03	
mp20	0.00	-0.06	-0.04	-0.07	-0.03	0.12	0.06	0.03	0.07	0.06	0.04	0.05	0.05	0.06	0.02	0.05	0.06	0.06	0.06	0.06	0.05	0.04	0.03	
mp21	0.00	-0.04	-0.03	-0.06	0.01	0.11	0.06	0.05	0.05	0.07	0.07	0.07	0.07	0.09	0.06	0.08	0.06	0.07	0.07	0.07	0.07	0.06	0.04	
mp22	0.00	-0.08	-0.07	-0.08	0.00	0.11	-0.02	0.01	0.04	0.03	0.04	0.04	0.04	0.05	0.03	0.07	0.05	0.05	0.04	0.04	0.04	0.03	0.01	
mp23	0.00	-0.05	-0.03	-0.05	0.05	0.13	0.08	0.02	0.07	0.06	0.07	0.07	0.08	0.07	0.08	0.08	0.05	0.08	0.08	0.08	0.07	0.05	0.03	
mp24	0.00	-0.03	-0.03	-0.03	0.02	0.12	0.02	0.02	0.05	0.06	0.06	0.06	0.06	0.07	0.08	0.06	0.06	0.08	0.07	0.07	0.07	0.05	0.05	
mp25	0.00	-0.01	-0.01	-0.03	0.00	0.13	0.03	0.08	0.10	0.09	0.10	0.09	0.10	0.07	0.10	0.12	0.10	0.11	0.11	0.10	0.11	0.09	0.05	
mp26	0.00	-0.02	-0.03	-0.02	0.03	0.12	0.06	0.05	0.08	0.08	0.08	0.07	0.08	0.08	0.08	0.09	0.08	0.09	0.09	0.09	0.10	0.08	0.07	
mp27	0.00	-0.03	-0.01	-0.05	-0.03	0.13	0.05	0.12	0.05	0.06	0.06	0.06	0.06	0.06	0.06	0.07	0.10	0.06	0.07	0.07	0.08	0.05	0.02	
M28	0.00							0.12	0.11	0.11	0.11	0.11	0.11	0.14	0.11	0.12	0.10	0.12	0.12	0.12	0.11	0.10	0.08	
M29	0.00							0.06	0.08	0.08	0.08	0.07	0.08	0.08	0.07	0.08	0.04	0.06	0.06	0.06	0.04	0.03	0.00	
M30																0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
M31																0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
M32																0.00	0.01	0.00	0.00	0.00	0.03	0.03	0.04	
M33																0.00	0.00	0.00	0.01	0.01	0.04	0.04	0.01	
M34																0.00	0.00	0.00	0.00	-0.02	0.01	-0.01	0.00	
335																0.00	0.01	0.00	0.00	0.02	0.02	0.02	-0.03	

Regression basic assumptions:

The adjustment on 8/23 caused a positive jump for all the data points followed by a rebound, so initially all regressions will start on 8/24.

Single day jumps cannot be explained, so they will be used in initial regressions.

The largest change will be modeled first.

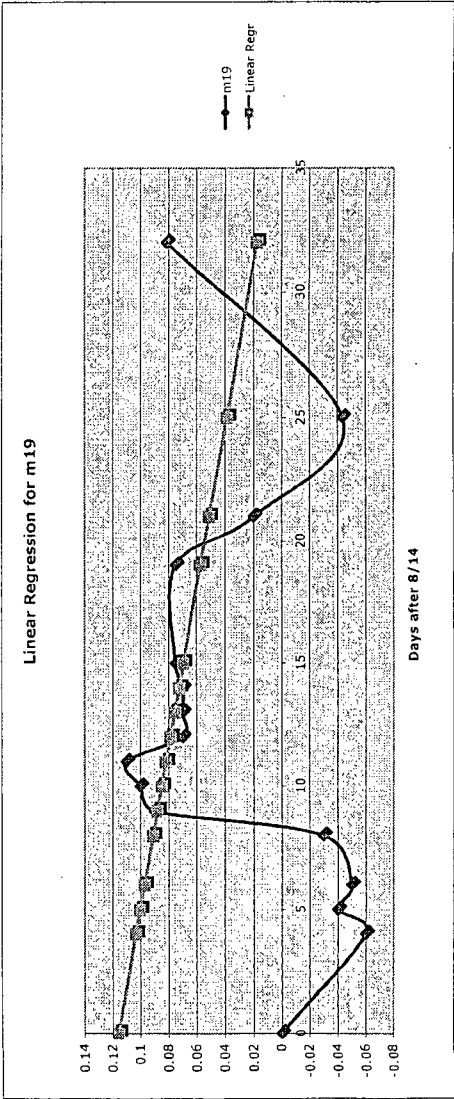
Until M15 and M30-M35 show significant changes, they will not be added to the set of graphs.

The updated regression follows this initial set.

	10	11	12	13	14	15	19	21	25	32	15-Sep	40	46	53	60	Slope	"Start"	#N/A	#N/A	#N/A	#N/A	#N/A
mp13	0.04	0.06	0.07	0.07	0.08	0.065	0.08	0.1	0.07624	0.0955						0.00182	0.04235	#N/A	#N/A	#N/A	#N/A	#N/A
m19	0.1	0.11	0.07	0.07	0.07	0.075	0.075	0.02	-0.0437	0.0815						-0.0031	0.11553	#N/A	#N/A	#N/A	#N/A	#N/A
m22	-0.02	0.01	0.04	0.03	0.04	0.04	0.03	0.05	0.031	0.066						0.00222	-0.0065	#N/A	#N/A	#N/A	#N/A	#N/A
m24	0.02	0.05	0.06	-0.055	0.06	0.06	0.065	0.08	0.05707	0.078						0.00156	0.03163	#N/A	#N/A	#N/A	#N/A	#N/A
m25	0.03	0.08	0.1	0.09	0.1	0.09	0.1	0.07	0.0971	0.1195						0.00189	0.05523	#N/A	#N/A	#N/A	#N/A	#N/A

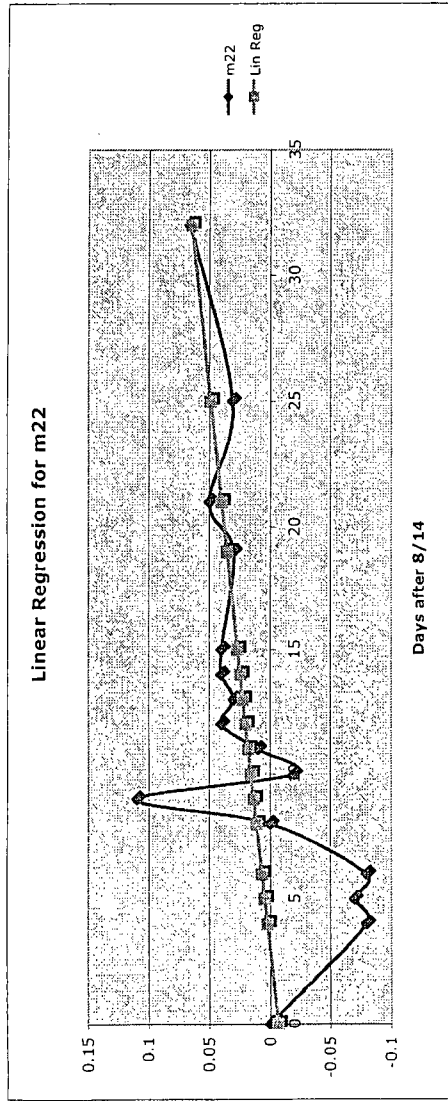
Biggest regression change is M19

Day	0	4	5	6	8	9	10	11	12	13	14	15	19	21	25	32
m19	0	-0.06	-0.04	-0.05	-0.03	0.091	0.08793	0.08486	0.08179	0.07873	0.07259	0.06953	0.05726	0.02	-0.0437	0.0815
Linear Ref	0.11553	0.1033	0.1002	0.0971	0.091	0.08793	0.08486	0.08179	0.07873	0.07566	0.07259	0.06953	0.05726	0.05112	0.03885	0.01738



The main cause of the negative trend is from Sep 4 (21) and Sep 8 (25) drops.
Unless future data shows drops, days 21 and 25 should be considered errors in data collection. Without them there is no change beyond the noise.

Day	0	4	5	5	8	9	10	11	12	13	14	15	19	21	25	32
m22	0	-0.08	-0.07	-0.08	0	0.11	-0.02	0.01	0.04	0.03	0.04	0.04	0.03	0.05	0.031	0.066
Lin Reg	-0.0065	0.0024	0.00459	0.0068	0.0113	0.01348	0.0157	0.01792	0.02015	0.02237	0.02459	0.02681	0.0357	0.04014	0.04903	0.06459



The linear regression for m22 fits much better than for m19. Remember, the early data, through day 9. Is not used in the regression.
 The positive slope shows an average increase of .0022 feet per day.
 That equates to a rise of 0.7992 inches per 30 day month.

Data Through October 13

None of the points are showing any new trends. The two most significant linear trends from September 15 have both diminished.

	10	11	12	13	14	15	19	21	25	32	40	46	53	60 Slope	"Start"
mp13	0.04	0.06	0.07	0.07	0.08	0.065	0.08	0.1	0.07624	0.0955	0.1	0.09	0.09	0.08	0.00058 0.06306 #N/A
m19	0.1	0.11	0.07	0.07	0.07	0.075	0.075	0.02	-0.0437	0.0815	0.05	0.08	0.08	-5E-05 0.06582 #N/A	#N/A
m22	-0.02	0.01	0.04	0.03	0.04	0.04	0.03	0.05	0.031	0.066	0.06	0.05	0.04	0.0006 0.02023 #N/A	#N/A
m24	0.02	0.05	0.06	0.055	0.06	0.06	0.065	0.08	0.05707	0.078	0.06	0.08	0.07	0.07 0.00049 0.04869 #N/A	#N/A
m25	0.03	0.08	0.1	0.09	0.1	0.09	0.1	0.07	0.0971	0.1195	0.1	0.11	0.11	0.1 0.00066 0.07505 #N/A	#N/A

None of the sites have significant slope, meaning no active change in elevation.

Using the biggest average rate of change: m25 changes at: 0.23857 inches per 30 day month on average.

Data Through November 3

	10	11	12	13	14	15	19	21	25	32	40	46	53	60	81 Slope	"Start"	#N/A
mp13	0.04	0.06	0.07	0.07	0.08	0.065	0.08	0.1	0.07624	0.0955	0.1	0.09	0.09	0.08	0.06	6.6E-05	0.07768
																	#N/A

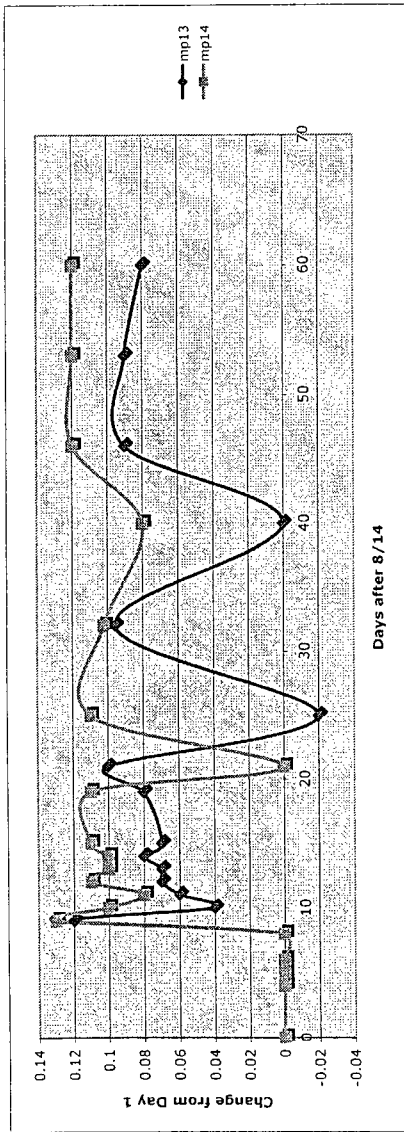
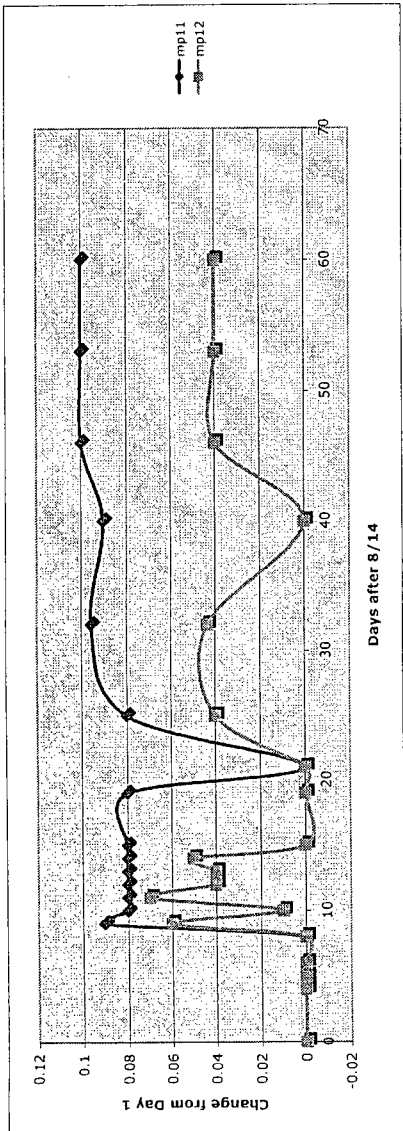
m19	0.1	0.11	0.07	0.07	0.07	0.075	0.02	-0.0437	0.0815	0.05	0.08	0.08	0.08	0.00021	0.05743	#N/A
m22	-0.02	0.01	0.04	0.03	0.04	0.03	0.05	0.031	0.066	0.06	0.05	0.04	0.04	0.0002	0.03419	#N/A
m24	0.02	0.05	0.06	0.055	0.06	0.06	0.065	0.08	0.05707	0.078	0.06	0.07	0.07	0.00022	0.05839	#N/A
m25	0.03	0.08	0.1	0.09	0.1	0.09	0.1	0.07	0.03971	0.1195	0.1	0.11	0.11	0.00032	0.06808	#N/A

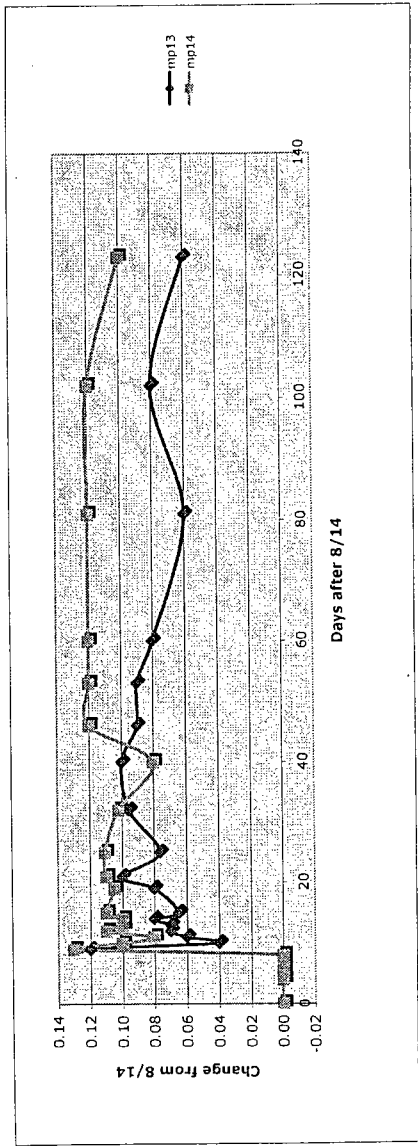
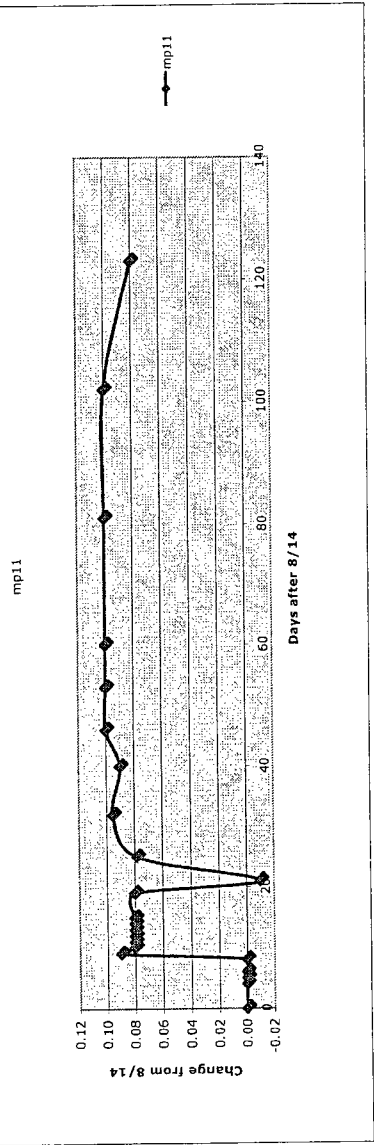
The slight drop noted in December continues in January. However, given the starting point above zero, things may be slowly settling back to original elevations.

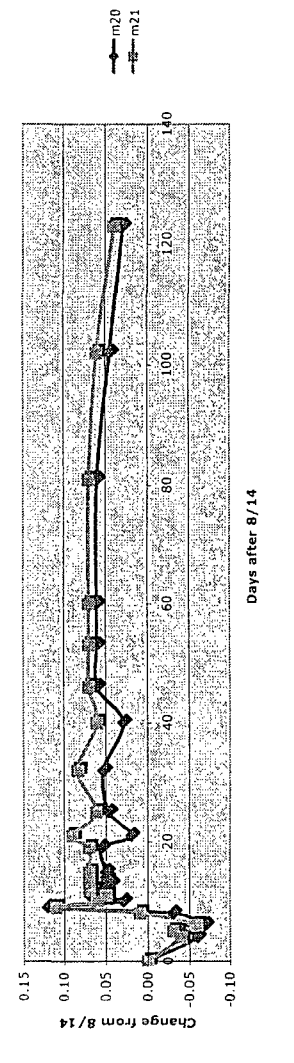
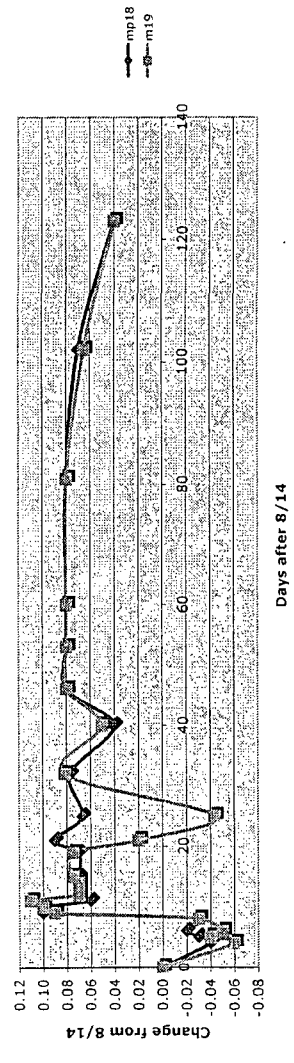
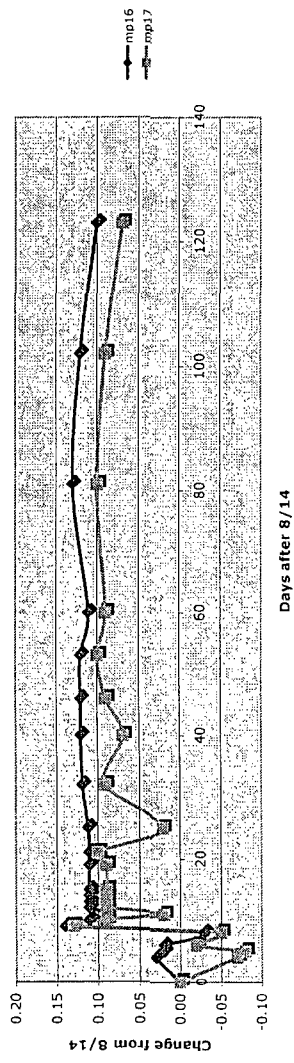
	10	11	12	13	14	15	19	21	25	32	40	46	53	60	81	102	123	165 Slope	"Start"	#N/A	#N/A	
mp13	0.04	0.06	0.07	0.07	0.08	0.065	0.08	0.1	0.07624	0.0955	0.1	0.09	0.09	0.08	0.06	0.08	0.06	0.03	-0.0002	0.0814	#N/A	#N/A
m19	0.1	0.11	0.07	0.07	0.07	0.075	0.075	0.02	-0.0437	0.0815	0.05	0.08	0.08	0.08	0.08	0.065	0.04	0.03	-0.0002	0.0711	#N/A	#N/A
M23	0.08	0.02	0.07	0.06	0.07	0.07	0.075	0.07	0.08332	0.0805	0.05	0.08	0.08	0.08	0.08	0.07	0.05	0.03	-0.0001	0.0728	#N/A	#N/A
m24	0.02	0.05	0.06	0.055	0.06	0.06	0.065	0.08	0.05707	0.078	0.06	0.08	0.07	0.07	0.07	0.06	0.05	-0.04	-0.0003	0.0711	#N/A	#N/A
m25	0.03	0.08	0.1	0.09	0.1	0.09	0.1	0.07	0.0971	0.1195	0.1	0.11	0.11	0.1	0.11	0.09	0.08	0.05	-9E-05	0.0947	#N/A	#N/A
m26	0.06	0.05	0.08	0.08	0.08	0.07	0.08	0.08	0.07817	0.089	0.08	0.09	0.09	0.09	0.1	0.08	0.07	0.04	-8E-05	0.0807	#N/A	#N/A

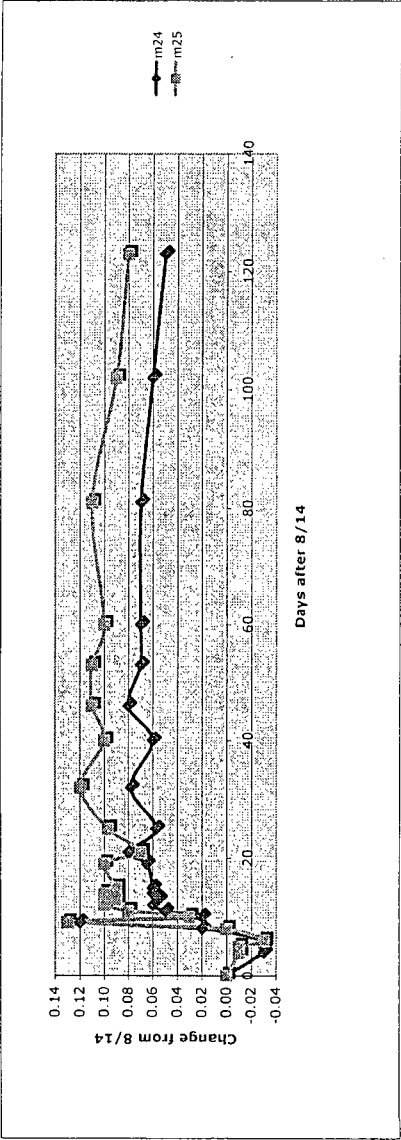
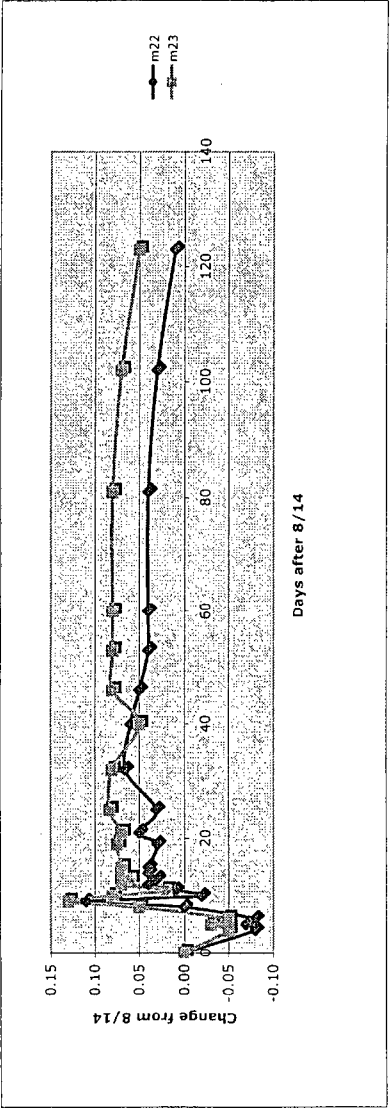
The value at m24 dropped .09 foot, which has not been seen anywhere else. Given the documented problems at m22 and m20, there probably is a measurement problem. Even if there is no problem, the average rate of change is 3-ten thousandths of a foot per day.

Worst case -0.1175 inch per month over a period of 5 1/2 months.

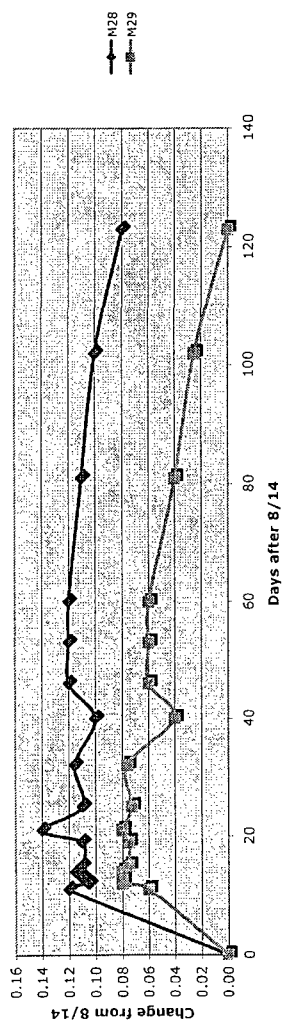
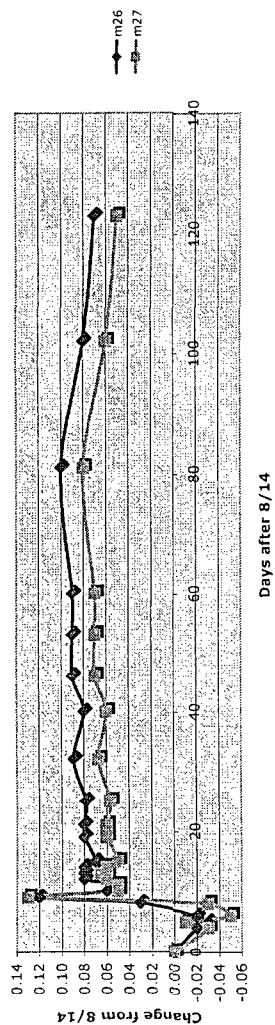


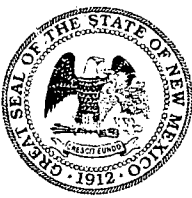






0.14





NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

October 11, 2007

OCT 17 2007

Mrs. Rhonda Gallup
K.P. Kauffman Company, Inc.
1675 Broadway 28th Floor
Denver, CO 80202

Re: **\$50,000 One-Well Plugging Bond**
Jim's Water Service of Colorado, Inc.
dba Jim's Water Service of New Mexico, Principal – OGRID 255448
U. S. Specialty Insurance Company, Surety
API 30-015-02036
State 24 Well No. 1
1987.9' FSL and 1930.4' FEL
Section 24, Township 18 South, Range 28 East,
Eddy County, NM
Bond No. B001493

Dear Mrs. Gallup:

The New Mexico Oil Conservation Division hereby acknowledges receipt of and approves Rider No. 1 dated September 17, 2007, to the above-captioned one-well plugging bond amending the penal sum to **\$50,000**.

Sincerely,

DAVID K. BROOKS
Assistant General Counsel

DKB/cc

cc: Oil Conservation Division – Artesia, NM

U.S. Specialty Insurance Company
13403 Northwest Freeway
Houston, TX 77040

Bond No. B001493

BW-5

30-015-02036

State 24 Well #1

SURETY RIDER NO. 1

To be attached to and form a part of Bond No. B001493 on behalf of Jim's Water Service of Colorado, Inc. dba Jim's Water Service of New Mexico, as Principal, executed by U.S. Specialty Insurance Company, as Surety, and in favor the State of New Mexico Oil Conservation Division of the Energy, Minerals and Natural Resources Department, as Obligee.

Executed date of bond: January 8, 2005

Effective date of change: September 17, 2007

In consideration of the mutual agreement contained herein, the Principal and the Surety hereby consent to the following changes:

The *penalty amount* has been increased from:

Five Thousand and No/100 Dollars (\$5,000.00)

to:

Fifty Thousand and No/100 Dollars (\$50,000.00)

Nothing contained herein shall vary, alter or extend any provision, term or condition of this bond except as expressly stated herein.

SIGNED, SEALED AND DATED THIS: 17th day of September, 2007.

Jim's Water Service of Colorado, Inc.
dba Jim's Water Service of New Mexico
Name of Principal

Signature

Kevin P. Kauffman
Chairman & CEO

(Name and title)

U.S. Specialty Insurance Company
Name of Surety

Signature

W. Russell Brown, Jr.

Attorney-in-Fact

IndemCo

POWER OF ATTORNEY

(To be used with bonds issued on behalf of U. S. SPECIALTY INSURANCE COMPANY)

Know All Men by These Presents That, U. S. SPECIALTY INSURANCE COMPANY (the "Company"), a corporation duly organized and existing under the laws of the State of Texas, and having its principal office in Houston, Harris County, Texas, does by these presents make, constitute and appoint

Edwin H. Frank III, W. Russell Brown, Jr.

its true and lawful Attorney-in-fact, with full power and authority hereby conferred in its name, place and stead, to execute, acknowledge and deliver any and all bonds, recognizances, undertakings or other instruments or contracts of suretyship to include riders, amendments, and consents of surety, providing the bond penalty does not exceed Three Million (\$3,000,000) and to bind the Company thereby as fully and to the same extent as if such bonds were signed by the President, sealed with the corporate seal of the Company and duly attested by its Secretary, hereby ratifying and confirming that the said Attorney-in-Fact may do in the premises. Said appointment is made under and by authority of the following resolutions of the Board of Directors of the U. S. Specialty Insurance Company:

Be it Resolved, that the President, any Vice-President, any Assistant Vice-President, any Secretary or any Assistant Secretary shall be and is hereby vested with full power and authority to appoint any one or more suitable persons as Attorney(s)-in-Fact to represent and act for and on behalf of the Company subject to the following provisions:

Attorney-in-Fact may be given full power and authority for and in the name of and of behalf of the Company, to execute, acknowledge and deliver, any and all bonds, recognizances, contracts, agreements or indemnity and other conditional or obligatory undertakings and any and all notices and documents canceling or terminating the Company's liability thereunder, and any such instruments so executed by any such Attorney-in-Fact shall be binding upon the Company as if signed by the President and sealed and effected by the Corporate Secretary.

Be it Resolved, that the signature of any authorized officer and seal of the Company heretofore or hereafter affixed to any power of attorney or any certificate relating thereto by facsimile, and any power of attorney or certificate bearing facsimile signature or facsimile seal shall be valid and binding upon the Company with respect to any bond or undertaking to which it is attached. (Adopted by unanimous written consent in lieu of meeting on July 7, 2003.)

In Witness Whereof, U. S. SPECIALTY INSURANCE COMPANY has caused these presents to be signed by its President, and its corporate seal to be hereto affixed this 28th day of June, 2007.

Corporate Seal

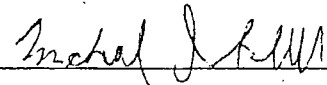
U. S. SPECIALTY INSURANCE COMPANY

By

State of Texas

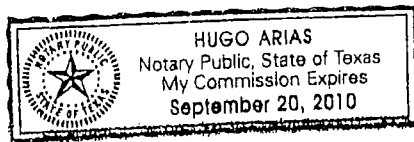
County of Harris

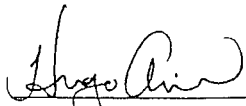
ss:


Michael J. Schell, President

On this 28th day of June, 2007 before me personally came Michael J. Schell, to me known, who, being by me duly sworn, did depose and say, that he resides in Houston, Texas, that he is President of U. S. SPECIALTY INSURANCE COMPANY, the company described in and which executed the above instrument; that he knows the seal of said Company; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said Company; and that he signed his name thereto by like order.

Notary Seal

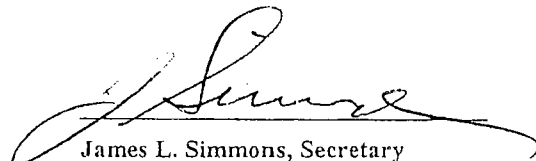



My commission expires 9/20/10

I, James L. Simmons, Secretary of U. S. SPECIALTY INSURANCE COMPANY, do hereby certify that the above and foregoing is a true and correct copy of a Power of Attorney, executed by said Company, which is still in full force and effect; furthermore, the resolutions of the Board of Directors, set out in the Power of Attorney are in full force and effect.

In Witness Whereof, I have hereunto set my hand and affixed the seal of said Company at Houston, Texas this 17th day of September, 20 07.

Corporate Seal


James L. Simmons, Secretary