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3 August 2016

Ms. Heather Patterson
New Mexico Oil Conservation Division
District II
811 S. First St.
Artesia, New Mexico 88210

Via Email: Heather.Patterson@state.nm.us

Re: Spill No. 2 Summary Report
Candelario 24 #1 SWD Battery
UL/E Section 24 T23S R28E
API No. 30-015-26536

Dear Ms. Patterson,

SQ Environmental (SQE) prepared this report to provide the results of the recent inspection of an area near Candelario 24 #1 Saltwater Disposal Well (SWD) Battery site where a small leak from a transfer line was discovered in January of this year. This leak occurred at the same location as an earlier release which is now being addressed under Project No. 2RP-2400. Information regarding the work being performed on Project No. 2RP-2400 is being provided, separately. This work was performed on behalf of Rockcliff Operating New Mexico LLC (Rockcliff). Rockcliff recently acquired assets in the Loving, New Mexico area from Vanguard Operating LLC (Vanguard).

Background

Representatives from the New Mexico Oil Conservation Division (NMOCD) District II office conducted a site inspection of the Candelario 24 #1 SWD site on 27 January 2016. During the inspection, evidence of a release of produced fluid was observed in the area of a flow line located approximately 700 feet (ft) north of the Candelario 24 #1 SWD tank battery. Photographs of the release area were collected during the site inspection by NMOCD to document the spill. Vanguard operated the Candelario 24 #1 SWD and associated lines at the time of the spill. According to NMOCD, Vanguard was notified of the spill and provided the documentation photos.

July 2014 Release Summary

NMOCD conducted the 27 January 2016 inspection to observe response actions related to a prior release of produced fluid that occurred from the same flow line in July 2014. Notification of the July 2014 release was provided to the NMOCD, and an initial C-141 form was submitted. Release identification number 2RP-2400 was assigned to the incident by NMOCD. A Corrective Action Plan (CAP) dated 13 October 2014 was submitted to NMOCD. In accordance with the CAP, the upper 4 feet of soil within an approximately 2,251 square feet area was removed. A 20-mil reinforced poly liner was placed in the excavation and "seated" to minimize infiltration through the soil. The excavation was backfilled with imported fill material, contoured to match the surrounding grade, and seeded with a blend of native vegetation.



Field activities were conducted at the site in March through July 2016 to evaluate groundwater in the area of the spill. Five monitoring wells were installed to delineate potential chloride impacts to groundwater in the area. SQE and Rockcliff are working with the NMOCD to continue monitoring groundwater to resolve remaining issues associated with the July 2014 release.

Assessment and Spill Resolution

The 2nd release addressed in this letter occurred in the same area as the July 2014 release, and over the liner installed during the previously discussed response actions. SQE contacted Vanguard to acquire additional information related to the 2nd release. According to Vanguard, following identification and notification of the release, the field team stopped the spill before significant fluid was spilled. The release volume was estimated by Vanguard to be 3 barrels. The line was repaired and the spilled fluid and impacted soil was removed.

An assessment of the 2nd release area was conducted by SQE while onsite for the July 2016 groundwater assessment discussed above. Based on observations of the 2nd release area by SQE staff, the vegetation in the release area appeared be similar to vegetation in the surrounding area. A photograph of the release area on 18 July 2016 is attached.

Based on the liner installed in the release area, previously completed response actions, and observations of vegetation in the area of the release, no additional assessment or response actions appear to be necessary in regards to the 2nd release of produced fluid that occurred near the Candelario 24 #1 SWD Battery site.

Please let us know if you have any questions regarding this report or need any additional information.

Sincerely,
SQ Environmental, LLC

Samuel Enis, P.G.
Senior Geologist

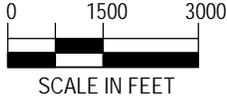
Susan T. Litherland, P.E.
Principal

Cc: Mike Bratcher – NMOCD
Nick Koch – Rockcliff Operating New Mexico LLC

Attachments



SOURCE: USGS LOVING QUADRANGLE



SQ Environmental, LLC

FIGURE 1

SITE LOCATION MAP
CANDELARIO 24 #1 SWD BATTERY
LOVING, NEW MEXICO

SCALE: 1 IN = 3000 FT

DATE: AUG 2016

PN: 1072.002.005

**ATTACHMENT 1
PHOTOGRAPHIC LOG**



Photograph 1: View of area of spilled produced fluid located north of the Candelario 24 #1 Salt Water Disposal Tank Battery. Direction: East.