

Submit 3 Copies To Appropriate District Office
District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Ave., Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources

Form C-103
May 27, 2004

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

WELL API NO. 30-015-34423
5. Indicate Type of Lease STATE <input checked="" type="checkbox"/> FEE <input type="checkbox"/>
6. State Oil & Gas Lease No.
7. Lease Name or Unit Agreement Name Walnut Canyon State Com
8. Well Number 001
9. OGRID Number 162683
10. Pool name or Wildcat Chosa Draw; Morrow (Gas)

SUNDRY NOTICES AND REPORTS ON WELLS
(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)

1. Type of Well: Oil Well ☐ Gas Well ☒ Other ☐

2. Name of Operator
Gruy Petroleum Management Co.

RECEIVED

3. Address of Operator
PO Box 140907; Irving, TX 75014-0907

MAR 27 2006

UUU-ARTESIA

4. Well Location

Unit Letter A : 660 feet from the North line and 660 feet from the East line

Section 2 Township 25S Range 25E NMPM County Eddy

11. Elevation (Show whether DR, RKB, RT, GR, etc.)

3554' GR

Pit or Below-grade Tank Application ☐ or Closure ☐

Pit type _____ Depth to Groundwater _____ Distance from nearest fresh water well _____ Distance from nearest surface water _____

Pit Liner Thickness: _____ Below-Grade Tank: Volume _____ bbls; Construction Material _____

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☐
TEMPORARILY ABANDON ☐ CHANGE PLANS ☐
PULL OR ALTER CASING ☐ MULTIPLE COMPL ☐

OTHER: ☐

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐
COMMENCE DRILLING OPNS. ☐ P AND A ☐
CASING/CEMENT JOB ☒

OTHER: ☐

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

03-06-06 Reached TD of 8-3/4" hole (11925').

03-07-06 Ran 254 jts 5-1/2" 17# P-110 LTC casing to 11925'. Cemented first stage with lead of 400 sx Interfill H + 0.25% HR-7 gilsonite + 0.25 lb/sk flocele (wt 11.9 ppg, yield 2.47 cu ft/sk, H2O 13.25 gal/sk) and tail of 775 sx Super H + 5% Lap-1 + 0.25 lb/sk D-Air 3000 + 4% CFR-3 + 1 lb/bbl salt + 5 lb/bbl gilsonite + .25 lb/bbl flocele + 0.4% HR-7 (wt 13.2 ppg, yield 1.61 cu ft/sk, H2O 7.73 gal/sk). Circulated 75 sx to surface on first stage. Cemented second stage with lead of 250 sx Interfill "C" + 0.25 lb/sk Flocele (wt 11.9 ppg, yield 2.47 cu ft/sk, H2O 13.25 gal/sk) and tail of 860 sx Super "H" + 0.5% LAP-1 + 0.25 lb/sk D-AIR 3000 + 0.25 lb/sk Flocele + 0.4% CFR-3 + 1.0 lb/sk Salt + 0.25 lb/sk HR-7 (wt 13.2 ppg, yield 1.6 cu ft/sk, H2O 2.2 gal/sk).

03-08-06 Ran temperature survey and found top of cement at 2800'.

03-09-06 Released rig at 8am.

03-17-06 Pressure tested casing to 4000 psi for 30 minutes.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any 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 ☐.

SIGNATURE Natalie Krueger TITLE Regulatory Technician DATE March 20, 2006

Type or print name Natalie Krueger email address: nkrueger@cimarex.com Telephone No. 972-401-3111

For State Use Only

FOR RECORDS ONLY

MAR 27 2006

APPROVED BY: _____ TITLE _____ DATE _____

Conditions of Approval (if any):



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

PETE MILLS
4901 TEAKWOOD
MIDLAND TX 79707

March 27, 2006

FINAL REPORT C-141 AND SITE CLOSURE – RUSSELL 35 FEDERAL NO. 3

The NMOCD District 2 Office has received your sampling report dated 03/13/06 by Environmental Lab of Texas and your Final Report C-141 for site closure for the release at the Russell 35 Federal No. 3 (30-015-05892).

Based on the results shown in the laboratory analysis the Final Report C-141 is approved and site closure authorized.

Thank you for your prompt attention to this matter and your efforts in protecting the environment.

A handwritten signature in black ink, appearing to read "Cheryl Beal".

Artesia OCD District Office

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-141
Revised October 10, 2003

Submit 2 Copies to appropriate
District Office in accordance
with Rule 116 on back
side of form

Release Notification and Corrective Action

OPERATOR

☐ Initial Report ☒ Final Report

Name of Company Pete Mills	Contact Pete Mills
Address 4901 Teakwood, Midland, TX 79707	Telephone No. 432-689-0923
Facility Name Russell 35 Federal #3	Facility Type Oil Well

Surface Owner Federal	Mineral Owner	Lease No. 007957
-----------------------	---------------	------------------

LOCATION OF RELEASE

Unit Letter	Section	Township	Range	Feet from the	North/South Line	Feet from the	East/West Line	County
B	35	26S	31E	433	North	1980	East	Eddy

Latitude _____ Longitude _____

NATURE OF RELEASE

Type of Release Produced oil	Volume of Release 2 bbls	Volume Recovered 0 bbls
Source of Release pumpjack failed	Date and Hour of Occurrence	Date and Hour of Discovery
Was Immediate Notice Given? <input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Not Required	If YES, To Whom?	
By Whom?	Date and Hour	
Was a Watercourse Reached? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	If YES, Volume Impacting the Watercourse.	

RECEIVED

MAR 16 2006

OCD-ARTESIA

If a Watercourse was Impacted, Describe Fully.*

Describe Cause of Problem and Remedial Action Taken.* Pumper estimates the pumpjack failed on December 28, 2005. The pumpjack has been replaced.

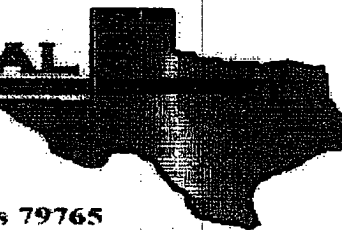
Describe Area Affected and Cleanup Action Taken.* The pumper found about 30' area of spilled produced oil. The area was remediated by KOJO Energy, Inc. from Odessa, TX. A soil analysis is enclosed showing the TPH below 5,000 ppm. Your letter dated February 24, 2006 stated all other levels were below the remediation action levels.

I hereby certify that the information given above is true and complete to the best of my knowledge and understand that pursuant to NMOCD rules and regulations all operators are required to report and/or file certain release notifications and perform corrective actions for releases which may endanger public health or the environment. The acceptance of a C-141 report by the NMOCD marked as "Final Report" 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 a C-141 report does not relieve the operator of responsibility for compliance with any other federal, state, or local laws and/or regulations.

Signature: <i>Pete Mills</i>		OIL CONSERVATION DIVISION	
Printed Name: Pete Mills		Approved by District Supervisor: TIM GUM by MB <i>MB</i>	
Title: Operator	Approval Date: 3/27/06	Expiration Date:	
E-mail Address:	Conditions of Approval:		Attached <input type="checkbox"/>
Date: 3/14/06	Phone: 432-689-0923		

* Attach Additional Sheets If Necessary

E **N** **V** **I** **R** **O** **N** **M** **E** **N** **T** **A** **L** **L** **A** **B** **O** **F**



12600 West I-20 East - Odessa, Texas 79765

Analytical Report

Prepared for:

Pete Mills
Pete Mills Oil Company
4901 Teakwood
Midland, TX 79707

Project: Russel Fed 35 Well #3

Project Number: None Given

Location: None Given

Lab Order Number: 6C10008

Report Date: 03/13/06

Pete Mills Oil Company
4901 Teakwood
Midland TX, 79707

Project: Russel Fed 35 Well #3
Project Number: None Given
Project Manager: Pete Mills

Fax: (432) 689-0363
Reported:
03/13/06 17:32

ANALYTICAL REPORT FOR SAMPLES

Sample ID	Laboratory ID	Matrix	Date Sampled	Date Received
Sample #2	6C10008-01	Soil	03/10/06 11:30	03/10/06 13:45

Pete Mills Oil Company
4901 Teakwood
Midland TX, 79707

Project: Russel Fed 35 Well #3
Project Number: None Given
Project Manager: Pete Mills

Fax: (432) 689-0363
Reported:
03/13/06 17:32

Organics by GC
Environmental Lab of Texas

Analyte	Result	Reporting Limit	Units	Dilution	Batch	Prepared	Analyzed	Method	Notes
Sample #2 (6C10008-01) Soil									
Carbon Ranges C6-C12	25.9	20.0	mg/kg dry	2	EC61020	03/10/06	03/11/06	EPA 8015M	
Carbon Ranges C12-C28	3220	20.0	"	"	"	"	"	"	
Carbon Ranges C28-C35	322	20.0	"	"	"	"	"	"	
Total Hydrocarbon C6-C35	3570	20.0	"	"	"	"	"	"	
Surrogate: 1-Chlorooctane		62.6 %	70-130	"	"	"	"	"	S-06
Surrogate: 1-Chlorooctadecane		82.6 %	70-130	"	"	"	"	"	S-04

Pete Mills Oil Company
4901 Teakwood
Midland TX, 79707

Project: Russel Fed 35 Well #3
Project Number: None Given
Project Manager: Pete Mills

Fax: (432) 689-0363
Reported:
03/13/06 17:32

General Chemistry Parameters by EPA / Standard Methods
Environmental Lab of Texas

Analyte	Result	Reporting Limit	Units	Dilution	Batch	Prepared	Analyzed	Method	Notes
Sample #2 (6C10008-01) Soil									
% Moisture	1.6	0.1	%	1	EC61307	03/10/06	03/13/06	% calculation	

Pete Mills Oil Company
4901 Teakwood
Midland TX, 79707

Project: Russel Fed 35 Well #3
Project Number: None Given
Project Manager: Pete Mills

Fax: (432) 689-0363
Reported:
03/13/06 17:32

Organics by GC - Quality Control
Environmental Lab of Texas

Analyte	Result	Reporting Limit	Units	Spike Level	Source Result	%REC	%REC Limits	RPD	RPD Limit	Notes
Batch EC61020 - Solvent Extraction (GC)										
Blank (EC61020-BLK1)				Prepared: 03/10/06 Analyzed: 03/11/06						
Carbon Ranges C6-C12	ND	10.0	mg/kg wet							
Carbon Ranges C12-C28	ND	10.0	"							
Carbon Ranges C28-C35	ND	10.0	"							
Total Hydrocarbon C6-C35	ND	10.0	"							
Surrogate: 1-Chlorooctane	48.6		mg/kg	50.0		97.2	70-130			
Surrogate: 1-Chlorooctadecane	49.8		"	50.0		99.6	70-130			
LCS (EC61020-BS1)				Prepared: 03/10/06 Analyzed: 03/11/06						
Carbon Ranges C6-C12	418	10.0	mg/kg wet	500		83.6	75-125			
Carbon Ranges C12-C28	479	10.0	"	500		95.8	75-125			
Total Hydrocarbon C6-C35	897	10.0	"	1000		89.7	75-125			
Surrogate: 1-Chlorooctane	57.0		mg/kg	50.0		114	70-130			
Surrogate: 1-Chlorooctadecane	45.5		"	50.0		91.0	70-130			
Calibration Check (EC61020-CCV1)				Prepared: 03/10/06 Analyzed: 03/11/06						
Carbon Ranges C6-C12	246		mg/kg	250		98.4	80-120			
Carbon Ranges C12-C28	285		"	250		114	80-120			
Total Hydrocarbon C6-C35	531		"	500		106	80-120			
Surrogate: 1-Chlorooctane	61.5		"	50.0		123	70-130			
Surrogate: 1-Chlorooctadecane	61.0		"	50.0		122	70-130			
Matrix Spike (EC61020-MS1)				Source: 6C03014-28 Prepared: 03/10/06 Analyzed: 03/11/06						
Carbon Ranges C6-C12	615	10.0	mg/kg dry	532	ND	116	75-125			
Carbon Ranges C12-C28	618	10.0	"	532	ND	116	75-125			
Total Hydrocarbon C6-C35	1230	10.0	"	1060	ND	116	75-125			
Surrogate: 1-Chlorooctane	64.6		mg/kg	50.0		129	70-130			
Surrogate: 1-Chlorooctadecane	64.8		"	50.0		130	70-130			

Environmental Lab of Texas

The results in this report apply to the samples analyzed in accordance with the samples received in the laboratory. This analytical report must be reproduced in its entirety, with written approval of Environmental Lab of Texas.

Page 4 of 7

Pete Mills Oil Company
4901 Teakwood
Midland TX, 79707

Project: Russel Fed 35 Well #3
Project Number: None Given
Project Manager: Pete Mills

Fax: (432) 689-0363

Reported:
03/13/06 17:32

Organics by GC - Quality Control
Environmental Lab of Texas

Analyte	Result	Reporting Limit	Units	Spike Level	Source Result	%REC	%REC Limits	RPD	RPD Limit	Notes
Batch EC61020 - Solvent Extraction (GC)										
Matrix Spike Dup (EC61020-MSD1)		Source: 6C03014-28			Prepared: 03/10/06 Analyzed: 03/11/06					
Carbon Ranges C6-C12	508	10.0	mg/kg dry	532	ND	95.5	75-125	19.1	20	
Carbon Ranges C12-C28	541	10.0	"	532	ND	102	75-125	13.3	20	
Total Hydrocarbon C6-C35	1050	10.0	"	1060	ND	99.1	75-125	15.8	20	
Surrogate: 1-Chlorooctane	54.4		mg/kg	50.0		109	70-130			
Surrogate: 1-Chlorooctadecane	53.0		"	50.0		106	70-130			

Environmental Lab of Texas

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Page 5 of 7

Pete Mills Oil Company
4901 Teakwood
Midland TX, 79707

Project: Russel Fed 35 Well #3
Project Number: None Given
Project Manager: Pete Mills

Fax: (432) 689-0363

Reported:
03/13/06 17:32

General Chemistry Parameters by EPA / Standard Methods - Quality Control
Environmental Lab of Texas

Analyte	Result	Reporting Limit	Units	Spike Level	Source Result	%REC	%REC Limits	RPD	RPD Limit	Notes
Batch EC61307 - General Preparation (Prep)										
Blank (EC61307-BLK1)				Prepared: 03/10/06 Analyzed: 03/13/06						
% Solids	100		%							
Duplicate (EC61307-DUP1)				Prepared: 03/10/06 Analyzed: 03/13/06						
% Solids	86.3		%		86.1			0.232	20	
Duplicate (EC61307-DUP2)				Prepared: 03/10/06 Analyzed: 03/13/06						
% Solids	95.8		%		96.5			0.728	20	

Environmental Lab of Texas

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Page 6 of 7

Pete Mills Oil Company
4901 Teakwood
Midland TX, 79707

Project: Russel Fed 35 Well #3
Project Number: None Given
Project Manager: Pete Mills

Fax: (432) 689-0363

Reported:
03/13/06 17:32

Notes and Definitions

S-06 The recovery of this surrogate is outside control limits due to sample dilution required from high analyte concentration and/or matrix interference's.

S-04 The surrogate recovery for this sample is outside of established control limits due to a sample matrix effect.

DET Analyte DETECTED

ND Analyte NOT DETECTED at or above the reporting limit

NR Not Reported

dry Sample results reported on a dry weight basis

RPD Relative Percent Difference

LCS Laboratory Control Spike

MS Matrix Spike

Dup Duplicate

Report Approved By: Raland K TuttleDate: 3-14-06

Raland K. Tuttle, Lab Manager
Celey D. Keene, Lab Director, Org. Tech Director
Peggy Allen, QA Officer

Jeanne Mc Murrey, Inorg. Tech Director
LaTasha Cornish, Chemist
Sandra Sanchez, Lab Tech.

This material is intended only for the use of the individual (s) or entity to whom it is addressed, and may contain information that is privileged and confidential.

If you have received this material in error, please notify us immediately at 432-563-1800.



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

PETE MILLS

4901 TEAKWOOD

MIDLAND TX 79707

February 24, 2006

REMEDIATION SAMPLING RESULTS – RUSSELL 35 FEDERAL NO. 3

The NMOCD District 2 Office has received your sampling report dated 02/14/06 by Environmental Lab of Texas. Based on the Total Petroleum Hydrocarbons (TPH) of 12,000mg/kg (ppm) results, further remediation is required to address the release on this location. The lab results show that all other contaminant levels are below the remediation action levels required for this location.

Once further excavation or other remediation specific to hydrocarbons is completed, sampling should be conducted to determine if TPH levels are below the 5,000 ppm action level. Notify the OCD District 2 Office a minimum of 24 hours prior to final sampling. ALL final delineation sample results must be submitted to the OCD whether or not the OCD actually witnesses those samples being taken.

Once final sampling has occurred and contaminant concentrations are below the contaminant specific remediation action levels, a closure report should be submitted to this office.

Artesia OCD District Office

4801 Teakwood Trace, Midland, TX 79707
Phone 432/689-0923
Fax 432/689-0363

**Pete Mills Oil
Company**

Fax

To: Chris Beadle, OCD

From: Pete Mills

Fax: (505) 748-9720

Pages: 12 (including cover)

Phone: (505) 748-1283 ext 107

Date: 2/14/06

Re: Soil Sample, Russell 36 Federal #3

CC:

☐ **Urgent**

☐ **For Review**

☐ **Please Comment**

☐ **Please Reply**

☐ **Please Recycle**

• **Comments:**

ENVIRONMENTAL LAB OF TEXAS

12600 West I-20 East - Odessa, Texas 79765

Analytical Report

Prepared for:

Pete Mills
Pete Mills Oil Company
4901 Teakwood
Midland, TX 79707

Project: Russel Fed 35 Well #3

Project Number: None Given

Location: Eddy Co., NM

Lab Order Number: 6B07008

Report Date: 02/14/06

Pete Mills Oil Company
4901 Teakwood
Midland TX, 79707

Project: Russel Fed 35 Well #3
Project Number: None Given
Project Manager: Pete Mills

Fax: (432) 689-0363

Reported:
02/14/06 11:51

ANALYTICAL REPORT FOR SAMPLES

Sample ID	Laboratory ID	Matrix	Date Sampled	Date Received
Well #3	GB07008-01	Soil	02/07/06 10:30	02/07/06 14:33

Feb 14 2006 12:39

Environmental Lab of Texas 432-563-1713

p.3

Pets Mills Oil Company
4901 Teakwood
Midland TX, 79707

Project: Russel Fed 35 Well #3
Project Number: None Given
Project Manager: Pets Mills

Fax: (432) 689-0363
Reported:
02/14/06 11:51

Organics by GC
Environmental Lab of Texas

Analyte	Result	Reporting Limit	Units	Dilution	Batch	Prepared	Analyzed	Method	Notes
Well #3 (6B97008-01) Soil									
Benzene	ND	0.0250	mg/kg dry	25	EB60908	02/09/06	02/11/06	EPA 8021B	
Toluene	0.0391	0.0250	"	"	"	"	"	"	
Ethylbenzene	0.118	0.0250	"	"	"	"	"	"	
Xylene (p/m)	0.699	0.0250	"	"	"	"	"	"	
Xylene (o)	0.250	0.0250	"	"	"	"	"	"	
Surrogate: <i>a,a,a</i> -Trifluorobenzene		89.8 %	80-120	"	"	"	"	"	
Surrogate: 4-Bromofluorobenzene		166 %	80-120	"	"	"	"	"	S-04
Carbon Ranges C6-C12	1070	20.0	mg/kg dry	2	EB61015	02/10/06	02/10/06	EPA 8015M	
Carbon Ranges C12-C28	9540	20.0	"	"	"	"	"	"	
Carbon Ranges C28-C35	1400	20.0	"	"	"	"	"	"	
Total Hydrocarbon C6-C35	12000	20.0	"	"	"	"	"	"	
Surrogate: 1-Chlorooctane		64.6 %	70-130	"	"	"	"	"	S-06
Surrogate: 1-Chlorooctadecane		51.2 %	70-130	"	"	"	"	"	S-06

Environmental Lab of Texas

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Feb 14 2006 12:39

Environmental Lab of Texas 432-563-1713

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Pete Mills Oil Company
4901 Teakwood
Midland TX. 79707

Project: Russel Rod 35 Well #3
Project Number: None Given
Project Manager: Pete Mills

Fax: (432) 689-0363

Reported:
02/14/06 11:51

General Chemistry Parameters by EPA / Standard Methods
Environmental Lab of Texas

Analyte	Result	Reporting Limit	Units	Dilution	Batch	Prepared	Analyzed	Method	Notes
Well #3 (GB07008-01) Soil									
% Moisture	5.8	0.1	%	1	EB60806	02/07/06	02/08/06	% calculation	

Environmental Lab of Texas

The results in this report apply to the samples analyzed in accordance with the samples received in the laboratory. This analytical report must be reproduced in its entirety, with written approval of Environmental Lab of Texas.

Page 3 of 8

12600 West I-20 East - Odessa, Texas 79705 - (432) 563-1800 - Fax (432) 563-1713

Feb 14 2006 12:39

Environmental Lab of Texas 432-563-1713

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Pete Mills Oil Company
4901 Teakwood
Midland TX, 79707

Project: Russel Fed 35 Well #3
Project Number: None Given
Project Manager: Pete Mills

Fax: (432) 689-0363
Reported:
02/14/06 11:51

Organics by GC - Quality Control
Environmental Lab of Texas

Analyte	Result	Reporting Limit	Units	Spike Level	Source Result	%REC	%REC Limits	RPD	RPD Limit	Notes
Batch EB60908 - EPA 5039C (GC)										
Blank (EB60908-BL.K1) Prepared: 02/09/06 Analyzed: 02/11/06										
Benzene	ND	0.0250	mg/kg wet							
Toluene	ND	0.0250	"							
Ethylbenzene	ND	0.0250	"							
Xylene (p/m)	ND	0.0250	"							
Xylene (o)	ND	0.0250	"							
Surrogate: o,p,p'-Trifluorotoluene	32.1		ug/kg	40.0		80.2	80-120			
Surrogate: 4-Bromofluorobenzene	37.4		"	40.0		93.5	80-120			
LCS (EB60908-BS1) Prepared: 02/09/06 Analyzed: 02/11/06										
Benzene	1.07	0.0250	mg/kg wet	1.25		85.6	80-120			
Toluene	1.15	0.0250	"	1.25		92.0	80-120			
Ethylbenzene	1.10	0.0250	"	1.25		88.0	80-120			
Xylene (p/m)	2.06	0.0250	"	2.50		82.4	80-120			
Xylene (o)	1.01	0.0250	"	1.25		80.8	80-120			
Surrogate: o,p,p'-Trifluorotoluene	41.0		ug/kg	40.0		102	80-120			
Surrogate: 4-Bromofluorobenzene	43.2		"	40.0		108	80-120			
Calibration Check (EB60908-CCV1) Prepared: 02/09/06 Analyzed: 02/14/06										
Benzene	41.5		ug/kg	50.0		83.0	80-120			
Toluene	41.6		"	50.0		83.2	80-120			
Ethylbenzene	40.4		"	50.0		80.8	80-120			
Xylene (p/m)	82.1		"	100		82.1	80-120			
Xylene (o)	43.8		"	50.0		87.6	80-120			
Surrogate: o,p,p'-Trifluorotoluene	82.5		"	40.0		81.2	80-120			
Surrogate: 4-Bromofluorobenzene	33.1		"	40.0		82.8	80-120			
Matrix Spike (EB60908-MS1) Source: 6B06018-35 Prepared: 02/09/06 Analyzed: 02/14/06										
Benzene	1.47	0.0250	mg/kg dry	1.33	ND	111	80-120			
Toluene	1.51	0.0250	"	1.33	ND	114	80-120			
Ethylbenzene	1.59	0.0250	"	1.33	ND	120	80-120			
Xylene (p/m)	3.18	0.0250	"	2.66	ND	120	80-120			
Xylene (o)	1.59	0.0250	"	1.33	ND	120	80-120			
Surrogate: o,p,p'-Trifluorotoluene	41.0		ug/kg	40.0		102	80-120			
Surrogate: 4-Bromofluorobenzene	40.3		"	40.0		101	80-120			

Environmental Lab of Texas

The results in this report apply to the samples analyzed in accordance with the samples received in the laboratory. This analytical report must be reproduced in its entirety, with written approval of Environmental Lab of Texas.

Page 4 of 8

Feb 14 2006 12:39

Environmental Lab of Texas 432-563-1713

p. 6

Pete Mills Oil Company
4901 Teakwood
Midland TX, 79707

Project: Russel Fed 35 Well #3
Project Number: None Given
Project Manager: Pete Mills

Fax: (432) 689-0363

Reported:
02/14/06 11:51

Organics by GC - Quality Control
Environmental Lab of Texas

Analyte	Result	Reporting Limit	Units	Splice Level	Source Result	%REC	%REC Limit	RPD	RPD Limit	Notes
---------	--------	-----------------	-------	--------------	---------------	------	------------	-----	-----------	-------

Batch EB60908 - EPA 5030C (GC)

Matrix Spike: Dup (EB60908-MSD1)		Source: EB60918-35		Prepared: 02/09/06		Analyzed: 02/14/06				
Benzene	1.40	0.0250	mg/kg dry	1.33	ND	105	80-120	5.56	20	
Toluene	1.57	0.0250	"	1.33	ND	118	80-120	3.43	20	
Ethylbenzene	1.56	0.0250	"	1.33	ND	117	80-120	2.53	20	
Xylene (p/m)	3.13	0.0250	"	2.66	ND	118	80-120	1.68	20	
Xylene (o)	1.54	0.0250	"	1.33	ND	116	80-120	3.39	20	
Surrogate: 4,4,4-Trifluorobenzene	39.2		mg/kg	40.0		98.0	80-120			
Surrogate: 1-Bromonitrobenzene	41.8		"	40.0		104	80-120			

Batch EB61015 - Solvent Extraction (GC)

Blank (EB61015-BLK1)		Prepared & Analyzed: 02/10/06								
Carbon Ranges C6-C12	ND	10.0	mg/kg wet							
Carbon Ranges C12-C28	ND	10.0	"							
Carbon Ranges C28-C35	ND	10.0	"							
Total Hydrocarbon C6-C35	ND	10.0	"							
Surrogate: 1-Chlorooctane	50.9		mg/kg	50.0		102	70-130			
Surrogate: 1-Chlorooctadecane	56.2		"	50.0		112	70-130			

LCS (EB61015-BL1)		Prepared & Analyzed: 02/10/06								
Carbon Ranges C6-C12	499	10.0	mg/kg wet	500		99.8	75-125			
Carbon Ranges C12-C28	493	10.0	"	500		98.6	75-125			
Total Hydrocarbon C6-C35	992	10.0	"	1000		99.2	75-125			
Surrogate: 1-Chlorooctane	59.6		mg/kg	50.0		119	70-130			
Surrogate: 1-Chlorooctadecane	60.1		"	50.0		120	70-130			

Calibration Check (EB61015-CCV1)		Prepared & Analyzed: 02/10/06								
Carbon Ranges C6-C12	486		mg/kg	500		97.2	80-120			
Carbon Ranges C12-C28	480		"	500		96.0	80-120			
Total Hydrocarbon C6-C35	966		"	1000		96.6	80-120			
Surrogate: 1-Chlorooctane	57.7		"	50.0		115	70-130			
Surrogate: 1-Chlorooctadecane	58.9		"	50.0		118	70-130			

Environmental Lab of Texas

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Page 5 of 8

Feb 14 2006 12:38

Environmental Lab of Texas 432-563-1713

P.7

Pete Mills Oil Company
4901 Taskwood
Midland TX, 79707

Project: Russel Fed 35 Well #3
Project Number: None Given
Project Manager: Pete Mills

Fax: (432) 689-0363

Reported:
02/14/06 11:51

Organics by GC - Quality Control
Environmental Lab of Texas

Analyte	Result	Reporting Limit	Units	Spike Level	Source Result	%REC	%REC Limits	RPD	RPD Limit	Notes
---------	--------	-----------------	-------	-------------	---------------	------	-------------	-----	-----------	-------

Batch EB61015 - Solvent Extraction (GC)**Matrix Spike (EB61015-MS1)**

Source: GB08803-01

Prepared & Analyzed: 02/10/06

Carbon Ranges C6-C12	662	10.0	mg/kg dry	638	ND	104	75-125			
Carbon Ranges C12-C28	656	10.0	"	638	ND	103	75-125			
Total Hydrocarbon C6-C35	1320	10.0	"	1280	ND	103	75-125			
Surrogate: 1-Chlorooctane	60.2		mg/kg	50.0		120	70-130			
Surrogate: 1-Chlorooctadecane	60.3		"	50.0		121	70-130			

Matrix Spike Dup (EB61015-MSD1)

Source: GB08803-01

Prepared & Analyzed: 02/10/06

Carbon Ranges C6-C12	662	10.0	mg/kg dry	638	ND	104	75-125	0.00	20	
Carbon Ranges C12-C28	662	10.0	"	638	ND	104	75-125	0.910	20	
Total Hydrocarbon C6-C35	1320	10.0	"	1280	ND	103	75-125	0.00	20	
Surrogate: 1-Chlorooctane	60.2		mg/kg	50.0		120	70-130			
Surrogate: 1-Chlorooctadecane	60.3		"	50.0		120	70-130			

Environmental Lab of Texas

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Page 6 of 8

Feb 14 2006 12:39

Environmental Lab of Texas 432-563-1713

p. 8

Pete Mills Oil Company
4901 Teakwood
Midland TX, 79707

Project: Russel Fed 35 Well #3
Project Number: None Given
Project Manager: Pete Mills

Fax: (432) 689-0363

Reported:
02/14/06 11:51

General Chemistry Parameters by EPA / Standard Methods - Quality Control
Environmental Lab of Texas

Analyte	Result	Reporting Limit	Units	Spike Level	Source Result	%REC	%RBC Limits	RPD	RPD Limit	Notes
Batch EB60806 - General Preparation (Prep)										
Blank (EB60806-BLK1)										
					Prepared: 02/07/06 Analyzed: 02/08/06					
% Solids	100		%							
Duplicates (EB60806-DUP1)										
					Source: 6B06017-01 Prepared: 02/07/06 Analyzed: 02/08/06					
% Solids	90.2		%		90.2			0.00	20	
Duplicates (EB60806-DUP2)										
					Source: 6B06018-07 Prepared: 02/07/06 Analyzed: 02/08/06					
% Solids	97.7		%		97.9			0.205	20	
Duplicates (EB60806-DUP3)										
					Source: 6B06018-27 Prepared: 02/07/06 Analyzed: 02/08/06					
% Solids	99.4		%		99.3			0.101	20	
Duplicates (EB60806-DUP4)										
					Source: 6B07006-02 Prepared: 02/07/06 Analyzed: 02/08/06					
% Solids	91.2		%		92.1			0.982	20	

Environmental Lab of Texas

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Page 7 of 8

12600 West I-20 East - Odessa, Texas 79705 - (432) 563-1800 - Fax (432) 563-1713

Feb 14 2006 12:39

Environmental Lab of Texas 432-563-1713

P. 8

Pete Mills Oil Company
4901 Tankwood
Midland TX, 79707

Project: Russel Fed 55 Well #3
Project Number: None Given
Project Manager: Pete Mills

Fax: (432) 563-0363

Reported:
02/14/06 11:51

Notes and Definitions

S-06 The recovery of this surrogate is outside control limits due to sample dilution required from high analyte concentration and/or matrix interference's.

S-04 The surrogate recovery for this sample is outside of established control limits due to a sample matrix effect.

DET Analyte DETECTED

ND Analyte NOT DETECTED at or above the reporting limit

NR Not Reported

dry Sample results reported on a dry weight basis

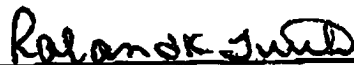
RPD Relative Percent Difference

LCS Laboratory Control Spike

MS Matrix Spike

Dup Duplicate

Report Approved By:



Date: 2-14-06

Roland K. Tuttle, Lab Manager
Coley D. Keene, Lab Director, Org. Tech Director
Peggy Allen, QA Officer

Jeanne Mc Murrey, Inorg. Tech Director
LaTasha Cornish, Chemist
Sandra Sanchez, Lab Tech.

This material is intended only for the use of the individual (s) or entity to whom it is addressed, and may contain information that is privileged and confidential.

If you have received this material in error, please notify us immediately at 432-563-1800.

Environmental Lab of Texas

The results in this report apply to the samples analyzed in accordance with the samples received in the laboratory. This analytical report must be reproduced in its entirety, with written approval of Environmental Lab of Texas.

Page 8 of 8

Environmental Lab of Texas12808 West I-30 East
Odessa, Texas 79765Phone: 432-401-1890
Fax: 432-681-1713

CHAIN OF CUSTODY RECORD AND ANALYSIS REQUEST

Project Manager:

Pat Mills

Project Name:

Russell Fall 35-401-013

Company Name:

Pete Mills Oil Co.

Project #:

Eddy Co. N.W.

Company Address:

4951 79th StreetProject Loc: Eddy Co. N.W.

City/State/Zip:

Midland TX 79707

PO #:

Telephone No:

689-0923

Fax No:

432-681-0263

Sampler Signature:

Pat Mills

Email:

Pat Mills

Analysis For:

TEL#

TOTAL

Analysis For:

TEL#

TOTAL

Analysis For:

TEL#

TOTAL

LAB # (Lab use only)

FIELD CODE

Date Sampled

Time Sampled

No. of Containers

Is

HNO₃

HCl

NaOH

H₂SO₄

None

Other (Specify)

Water

Sludge

Soil

Other (Specify)

TPHE 418, 5018M, 1005, 1006

Cations (Ca, Mg, Na, K)

Anions (Cl, SO₄, CO₃, HCO₃)

SAR / ESP / CEC

Metals: As Ag Ba Cd Cr Pb Hg Se

Volatiles

Semi-volatiles

BTEX 80218-000 or BTEX 8280

ACI

NORM

RUSH TAT (Pre-Schedule)

Standard TAT

Special Instructions:

Requested by:

Pat Mills

Date:

02-07-06

Time:

1453

Received by:

Received by ELDT:

Date:

02-07-06

Time:

1453

Date:

02-07-06

Time:

1453

Date:

02-07-06

Time:

1453

Date:

02-07-06

Time:

1453

Date:

02-07-06

Time:

1453

Laboratory Comments:

4oz glasshard deliveredby sampler40°C40°C

Feb 14 2006 12:40

Environmental Lab of Texas 432-563-1713

p.11

Environmental Lab of Texas Variance / Corrective Action Report – Sample Log-In

Client: Pete Mills Oil Co.Date/Time: 02-07-06 @ 1453Order #: 6307008Initials: JMM

Sample Receipt Checklist

Temperature of container/cooler?	<input checked="" type="radio"/> Yes	<input type="radio"/> No	4.0 C
Shipping container/cooler in good condition?	<input checked="" type="radio"/> Yes	<input type="radio"/> No	
Custody Seals intact on shipping container/cooler?	<input type="radio"/> Yes	<input type="radio"/> No	Not present
Custody Seals intact on sample bottles?	<input checked="" type="radio"/> Yes	<input type="radio"/> No	Not present
Chain of custody present?	<input checked="" type="radio"/> Yes	<input type="radio"/> No	
Sample Instructions complete on Chain of Custody?	<input checked="" type="radio"/> Yes	<input type="radio"/> No	
Chain of Custody signed when relinquished and received?	<input checked="" type="radio"/> Yes	<input type="radio"/> No	
Chain of custody agrees with sample label(s)	<input checked="" type="radio"/> Yes	<input type="radio"/> No	
Container labels legible and intact?	<input checked="" type="radio"/> Yes	<input type="radio"/> No	
Sample Matrix and properties same as on chain of custody?	<input checked="" type="radio"/> Yes	<input type="radio"/> No	
Samples in proper container/bottle?	<input checked="" type="radio"/> Yes	<input type="radio"/> No	
Samples properly preserved?	<input checked="" type="radio"/> Yes	<input type="radio"/> No	
Sample bottles intact?	<input checked="" type="radio"/> Yes	<input type="radio"/> No	
Preservations documented on Chain of Custody?	<input checked="" type="radio"/> Yes	<input type="radio"/> No	
Containers documented on Chain of Custody?	<input checked="" type="radio"/> Yes	<input type="radio"/> No	
Sufficient sample amount for indicated test?	<input checked="" type="radio"/> Yes	<input type="radio"/> No	
All samples received within sufficient hold time?	<input checked="" type="radio"/> Yes	<input type="radio"/> No	
VOC samples have zero headspace?	<input checked="" type="radio"/> Yes	<input type="radio"/> No	Not Applicable

hand delivered
by sample

Other observations:

Variance Documentation:

Contact Person: _____ Date/Time: _____ Contacted by: _____
Regarding: _____

Corrective Action Taken:



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

PETE MILLS

4901 TEAKWOOD

MIDLAND TX 79707

February 2, 2006

SITE RANKING – RUSSELL 35 FEDERAL NO. 3

Dear Operator:

Based on the site ranking for this location in your facsimile letter dated February 2, 2006, the remediation action levels of 10 ppm Benzene, 50 ppm BTEX and 5000 ppm TPH are acceptable for remediation. To close this remediation, sampling must be conducted to verify the contamination is below the remediation action levels. Chloride levels must be determined through background samples and remediated to locally occurring chloride concentrations.

Notify the OCD District 2 Office a minimum of 24 hours prior to final sampling. ALL final delineation samples results must be submitted to the OCD whether or not the OCD actually witnesses those samples being taken.

Once final sampling has occurred and contaminant concentrations are below the contaminant specific remediation action levels, a Final C-141 should be resubmitted to this office.

A handwritten signature in cursive script, appearing to read "Chris Bead".

Artesia OCD District Office

Pete Mills
4901 Teakwood
Midland, TX 79707

Phone: (432) 689-0923

Fax: (432) 689-0363

February 2, 2006

Oil Conservation Division
1301 W. Grand
Artesia, New Mexico 88210

Attention: Mr. Chris Beadle

Re: Site Ranking
Russell 35 Federal #3
API #30-015-05892
Inspection No. iCLB060034905

2/2/06

8:45am

SPOKE w/ JUDY BAGWELL

432-684-7097

Dear Sir:

A site ranking of 0 has been determined

- The depth to groundwater is more sample.
- The distance to surface water is more
- The distance from a water source is a private domestic water source. Th

- KOSO SERVICES DID WORK
ON LOCATION

- WEST AREAS NOTED THAT HAVE
BEEN PAID AFTER WELL WAS
RETURNED TO PRODUCTION

Please advise if additional information is

- SITE RANKING "0" BASED ON
OUR CONVERSATIONS SO THAT
OF 5000 IS ACCEPTABLE.

Sincerely,



Judy Bagwell
Production Clerk

/jb

Enclosure: water sample

- RECOMMENDED FIELD SAMPLE
IF LESS THAN 5 KTPH SEEN
LAB SAMPLES; IF NOT MORE
REMEDIATION REQUIRED
- PROVIDED OGD WEB INMAYADS WEB

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-141
Revised October 10, 2003

Submit 2 Copies to appropriate
District Office in accordance
with Rule 116 on back
side of form

Release Notification and Corrective Action

OPERATOR

☐ Initial Report ☒ Final Report

Name of Company Pete Mills	Contact Pete Mills
Address 4901 Teakwood, Midland, TX 79707	Telephone No. 432-689-0923
Facility Name Russell 35 Federal #3	Facility Type Oil Well

Surface Owner Federal	Mineral Owner	Lease No. 007957
-----------------------	---------------	------------------

LOCATION OF RELEASE

Unit Letter	Section	Township	Range	Feet from the	North/South Line	Feet from the	East/West Line	County
B	35	26S	31E	433	North	1980	East	Eddy

Latitude _____ Longitude _____

NATURE OF RELEASE

Type of Release Produced oil	Volume of Release 2 bbls	Volume Recovered 0 bbls
Source of Release pumpjack failed	Date and Hour of Occurrence	Date and Hour of Discovery
Was Immediate Notice Given? <input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Not Required	If YES, To Whom?	
By Whom?	Date and Hour	RECEIVED
Was a Watercourse Reached? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	If YES, Volume Impacting the Watercourse:	JAN 18 2006

If a Watercourse was Impacted, Describe Fully.*

OLD ARTESIA

Describe Cause of Problem and Remedial Action Taken.* Pumper estimates the pumpjack failed on December 28, 2005. He discovered the spill on the same day. Cause of problem - pumpjack failed. Replaced pumpjack

Describe Area Affected and Cleanup Action Taken.* Pumper found about 30' area of spilled produced oil. Cleanup crew used backhoe to break up and cover with new soil.

I hereby certify that the information given above is true and complete to the best of my knowledge and understand that pursuant to NMOCD rules and regulations all operators are required to report and/or file certain release notifications and perform corrective actions for releases which may endanger public health or the environment. The acceptance of a C-141 report by the NMOCD marked as "Final Report" 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 a C-141 report does not relieve the operator of responsibility for compliance with any other federal, state, or local laws and/or regulations.

Signature: <i>Pete Mills</i>	OIL CONSERVATION DIVISION	
Printed Name: Pete Mills	Approved by District Supervisor:	
Title: Operator	Approval Date:	Expiration Date:
E-mail Address:	Conditions of Approval:	Attached <input type="checkbox"/>
Date: 1/13/06	Phone: 432-689-0923	

* Attach Additional Sheets If Necessary



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

PETE MILLS

4901 TEAKWOOD

MIDLAND TX 79707

January 30, 2006

FINAL C-141 DENIAL – RUSSELL 35 FEDERAL NO. 3

Dear Operator:

The Form C-141 (Notice of Release and Corrective Actions) Final Report submitted to the OCD District 2 Office on January 13, 2006 is being returned marked as "Denied".

The well location was reinspected on January 26, 2006, and found to still be contaminated. There were wet soils found where oil pooling areas were noted during the January 3, 2006, inspection and heavy hydrocarbon smells remained in the surface soils indicating soil remediation is still required.

To close this remediation, sampling must be conducted to verify the contamination is below the remediation action levels required for this location. Since no work plan and site ranking has been received as required by the OCD Letter of January 3, 2006, the remediation action levels for this location are assumed to be 10 ppm Benzene, 50 ppm BTEX and 100 ppm TPH. Chloride levels must be determined through background samples and remediated to locally occurring chloride concentrations. If site ranking has been conducted and higher action levels are appropriate, please notify this office.

Notify the OCD District 2 Office a minimum of 24 hours prior to final sampling. ALL final delineation samples results must be submitted to the OCD whether or not the OCD actually witnesses those samples being taken.

Once final sampling has occurred and contaminant concentrations are below the contaminant specific remediation action levels, a Final C-141 should be resubmitted to this office.

Artesia OCD District Office

Pete Mills
4901 Teakwood
Midland, TX 79707

Phone: (432) 689-0923

Fax: (432) 689-0363

January 18, 2006

Oil Conservation Division
1301 W. Grand
Artesia, New Mexico 88210

Attention: Mr. Chris Beadle

Re: Letter of Violation
Dated January 3, 2006
Russell 35 Federal #3
API #30-015-05892
Inspection No. iCLB0600349059

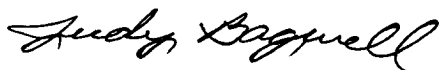
RECEIVED
JAN 24 2006
OCD-ARTESIA

Dear Sir:

Form C-141 was mailed to your office on January 13, 2006 concerning the above letter of violation. A spill of less than five barrels occurred and the area has been cleaned as stated on the form. Also, well identifications have been corrected on the pumpjacks.

Please advise if additional information is required.

Sincerely,



Judy Bagwell
Production Clerk

/jb

**Pete Mills
4901 Teakwood
Midland, TX 79707**

Phone: (432) 689-0923

Fax: (432) 689-0363

January 18, 2006

**Oil Conservation Division
1301 W. Grand
Artesia, New Mexico 88210**

Attention: Mr. Chris Beadle

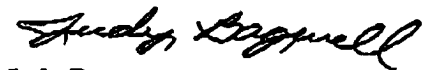
**Re: Letter of Violation
Dated January 3, 2006
Russell 35 Federal #3
API #30-015-05892
Inspection No. iCLB0600349059**

Dear Sir:

Form C-141 was mailed to your office on January 13, 2006 concerning the above letter of violation. A spill of less than five barrels occurred and the area has been cleaned as stated on the form. Also, well identifications have been corrected on the pumpjacks.

Please advise if additional information is required.

Sincerely,



**Judy Bagwell
Production Clerk**

/jb

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-141
Revised October 10, 2003

Submit 2 Copies to appropriate
District Office in accordance
with Rule 116 on back
side of form

Release Notification and Corrective Action

OPERATOR

☐ Initial Report ☒ Final Report

Name of Company Pete Mills	Contact Pete Mills
Address 4901 Teakwood, Midland, TX 79707	Telephone No. 432-689-0923
Facility Name Russell 35 Federal #3	Facility Type Oil Well

Surface Owner Federal	Mineral Owner	Lease No. 007957
-----------------------	---------------	------------------

LOCATION OF RELEASE

Unit Letter	Section	Township	Range	Feet from the	North/South Line	Feet from the	East/West Line	County
B	35	26S	31E	433	North	1980	East	Eddy

Latitude _____ Longitude _____

NATURE OF RELEASE

Type of Release Produced oil	Volume of Release 2 bbls	Volume Recovered 0 bbls
Source of Release pumpjack failed	Date and Hour of Occurrence	Date and Hour of Discovery
Was Immediate Notice Given? <input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Not Required	If YES, To Whom?	
By Whom?	Date and Hour	RECEIVED JAN 18 2006 OCC-ARTEDIA
Was a Watercourse Reached? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	If YES, Volume Impacting the Watercourse.	

If a Watercourse was Impacted, Describe Fully.*

Describe Cause of Problem and Remedial Action Taken.* Pumper estimates the pumpjack failed on December 28, 2005. He discovered the spill on the same day. Cause of problem - pumpjack failed. Replaced pumpjack

Describe Area Affected and Cleanup Action Taken.* Pumper found about 30' area of spilled produced oil. Cleanup crew used backhoe to break up and cover with new soil.

I hereby certify that the information given above is true and complete to the best of my knowledge and understand that pursuant to NMOCD rules and regulations all operators are required to report and/or file certain release notifications and perform corrective actions for releases which may endanger public health or the environment. The acceptance of a C-141 report by the NMOCD marked as "Final Report" 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 a C-141 report does not relieve the operator of responsibility for compliance with any other federal, state, or local laws and/or regulations.

Signature: <i>Pete Mills</i>		OIL CONSERVATION DIVISION	
Printed Name: Pete Mills		Approved by District Supervisor:	
Title: Operator		Approval Date:	Expiration Date:
E-mail Address:		Conditions of Approval:	
Date: 1/13/06 Phone: 432-689-0923		Attached <input type="checkbox"/>	

* Attach Additional Sheets If Necessary



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

03-Jan-06

PETE MILLS

4901 TEAKWOOD

MIDLAND TX 79707

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

RUSSELL 35 FEDERAL No.003

B-35-26S-31E

30-015-05892-00-00

Inspection

Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
01/03/2006	Routine/Periodic	Chris Beadle	Yes	No	1/20/2006	iCLB0600349059

Violations Surface Leaks/Spills

Comments on Inspection: Well identification on PJ shows this as Russell 35 Federal #6, OCD records show this to be the Russell 35 Federal #3. Discrepancies between well signs and OCD records at all the Russell 35 Federal wells except #1 and #4.

Pumpjack has had a catastrophic failure and has broken free of the mounting bolts on the south side of the pumpjack. Pumpjack has collapsed, oil is pooled on location and contamination has run off from wellhead to north and east/southeast.

Remediation is required. Submit C-141 (Release Notification and Corrective Action). 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. To provide you with approval for corrective actions the OCD District 2 Office must first receive a remediation work plan that addresses, at a minimum, the following:

1. Site characterization including site ranking, layout and remediation action levels;
2. Release characterization including source, cause, area and volumetric estimations of impacted area(s) and contaminant specific concerns;
3. On site method of remediation including specific procedures you will follow for moisture/nutrients/additives to enhance biodegradation of the contaminants (or other specific procedures for other remediation technologies). Please ensure that the remediation technology you propose for this release is applicable to Highly Contaminated/Saturated Soils and Unsaturated Contaminated Soils and appropriate for the contaminant (for instance, MicroBlaze® is not proven to be appropriate for chloride

remediation);

4. Off site remediation including sampling procedures for removed material, disposition of materials and documentation required;
5. Notification to NMOCD of work/sampling and sampling procedures (for TPH, B-TEX, Chlorides or any other contaminants of concern and as applicable) to be used for site characterization (vertical and horizontal delineation) and final closure;
6. General schedule of work to be performed including periodicity of repeated work such as tilling/moisture, etc; and,
7. Site closure procedures (closure of excavations, reseeding, grading, etc, as applicable).

Provide NMOCD District 2 Office with the remediation work plan prior to January 20, 2006. 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/ocd, under Publications> Environmental Handbook> Miscellaneous Guidelines> Remediation of Leaks, Spills and Releases.

OCD approved remediation must begin on this release no later than January 27, 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.*

ECO Notification

Date: Tuesday, January 03, 2006
To: Environmental Compliance Officer, NMOCD District II
From: Chris Beadle
Subject: Russell 3~~6~~ Federal 3 - 30-015-05892 - Pete Mills
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Violation Opened? ☐ Yes ☐ No Letter Sent? ☐ Yes ☐ No Incident Opened? ☐ Yes ☐ No n _____



Photo looking west at collapsed PJ and contamination runoff.

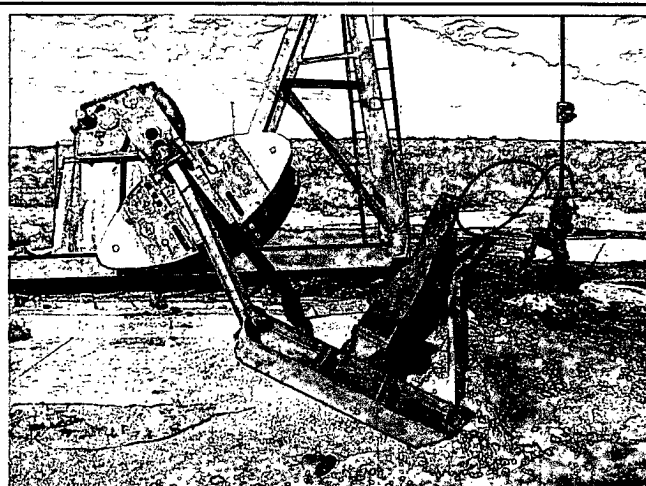


Photo looking north at collapsed PJ and contamination.



Photo looking northwest of pooled fluids on location.



Photo looking southeast at PJ and contamination runoff paths.