NOTIFICATION OF DRILLING PIT CLOSURE
RED TANK STATE COM. NO. 1

API NO. 30 015 34265 U/L H S35 R18S T24E

Murchison Oil & Gas, Inc. herewith notifies the State of New Mexico, Oil Conservation Division (OCD) that it completed closure of the Red Tank State Com. No. 1 drilling pit on 23 May 2006 pursuant to the requirements of OCD, Rule 50.

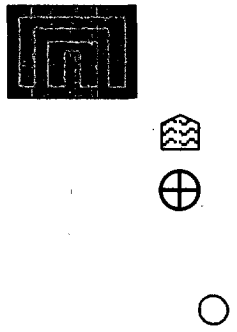
Roadrunner Environmental, Inc. notified One Call prior to initiating and completing the insitu closure of the above-cited drilling pit. Permission to close was given by the State of New Mexico, OCD and all notifications were done according to schedule.

Attached are the facility diagram, appropriate photos and lab data for documentation purposes. All other pertinent information can be obtained either from the C-144 or the "Closure Plan" currently on file with OCD.

Tommy Folsom, Production Manager — Date: 8/1/06

Enclosures: Photos, Lab Data

Facility Diagram (not to scale)



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

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AUG 2006
OCD - ARTESIA

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 X

Operator: **MURCHISON OIL AND GAS, INC.** Telephone: **505-628-3932** e-mail address: **tommyfolsom@valornet.com**

Address: **PO Box 627, 406 N. Guadalupe, Suite B, Carlsbad, NM 88221-0627**

Facility or well name: **Red Tank State No. 1** API #: **3001534265** U/L or Qtr/Qtr Lot **H** **Sec 35 T18S R24E**

County: **Eddy** Latitude N_____ Longitude W_____ NAD: 1927 ☐ 1983 ☐

Surface Owner: **State X**

Pit	**Below-grade tank N/A**	
Type: **Drilling X**	Volume: **N/A** bbl Type of fluid: **N/A**	
Lined **X**	Construction material: **N/A**	
Liner type: Synthetic **X** Thickness: **12ml HDPE Liner**	Double-walled, with leak detection? ☐ If not, explain why not.	
Pit Volume: **2000 bbl. (Approximately)**		
Depth to ground water (vertical distance from bottom of pit to seasonal high water elevation of groundwater.) Yates applied to drill a well in S36 in 2/93 but no water information exists. All other data shows approximately 300' to groundwater.	Less than 50 feet 50 feet or more, but less than 100 feet 100 feet or more	(20 points) (10 points) (0 points) **0 pts.**
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 **X**	(20 points) (0 points) **0 pts.**
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) **10 pts.** (0 points)
	Ranking Score (Total Points)	**10 pts.**

If this is a pit closure: (1) Attach a diagram of the facility showing the pit's relationship to other equipment and tanks. **Digital photos shall be submitted for before and after remediation activity.** (2) Indicate disposal location: **Insitu as described above.** If offsite, name of facility: **N/A** (4) Groundwater encountered: No **X** 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: **Please refer to the attached letter for detailed "Closure Plan" information, digital photos, and sample location diagram. For purposes of continuity, all materials shall be submitted as part of the final closure report.**

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 **X**, a general permit ☐, or an (attached) alternative OCD-approved plan ☐.

Date: **25 January 2006**

Printed Name/Title: **Tommy W. Folsom, Production Manager** Signature T. W. Folsom

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 groundwater 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: _____ Signature **Accepted for record - NMOCD** Date: AUG 08 2006

TRACEANALYSIS, INC.

6701 Aberdeen Avenue, Suite 9 Lubbock, Texas 79424 800•378•1296 806•794•1296 FAX 806•794•1298
155 McCutcheon, Suite H El Paso, Texas 79932 888•588•3443 915•585•3443 FAX 915•585•4944
E-Mail lab@traceanalysis.com

Analytical and Quality Control Report

Tommy Folsom
Murchison Oil & Gas Inc.
P.O. Box 627
Carlsbad, NM, 88220

Report Date: May 16, 2006

Work Order: 6051605

Project Name: Red Tank State No.1
Project Number: Red Tank State No.1

Enclosed are the Analytical Report and Quality Control Report for the following sample(s) submitted to TraceAnalysis, Inc.

Sample	Description	Matrix	Date Taken	Time Taken	Date Received
90423	Pit NE Corner	soil	2006-05-13	19:00	2006-05-16
90424	Pit NW Corner	soil	2006-05-13	19:00	2006-05-16
90425	Pit SE Corner	soil	2006-05-13	19:00	2006-05-16
90426	Pit SW Corner	soil	2006-05-13	19:00	2006-05-16
90427	Background	soil	2006-05-13	19:00	2006-05-16
90428	Rio Pit NE, SE, Middle resample	soil	2006-05-06	13:00	2006-05-16
90429	Lincoln Fed, Com #2 Background resample	soil	2006-05-12	16:00	2006-05-16

These results represent only the samples received in the laboratory. The Quality Control Report is generated on a batch basis. All information contained in this report is for the analytical batch(es) in which your sample(s) were analyzed.

This report consists of a total of 5 pages and shall not be reproduced except in its entirety, without written approval of TraceAnalysis, Inc.

Michael Abel

Dr. Blair Leftwich, Director

Analytical Report

Sample: 90423 - Pit NE Corner

Analysis:	Chloride (IC)	Analytical Method:	E 300.0	Prep Method:	N/A
QC Batch:	26576	Date Analyzed:	2006-05-16	Analyzed By:	WB
Prep Batch:	23345	Sample Preparation:	2006-05-16	Prepared By:	WB

Parameter	Flag	Result	RL	Units	Dilution	RL
Chloride		**320**		mg/Kg	50	1.00

Sample: 90424 - Pit NW Corner

Analysis:	Chloride (IC)	Analytical Method:	E 300.0	Prep Method:	N/A
QC Batch:	26576	Date Analyzed:	2006-05-16	Analyzed By:	WB
Prep Batch:	23345	Sample Preparation:	2006-05-16	Prepared By:	WB

Parameter	Flag	Result	RL	Units	Dilution	RL
Chloride		**326**		mg/Kg	50	1.00

Sample: 90425 - Pit SE Corner

Analysis:	Chloride (IC)	Analytical Method:	E 300.0	Prep Method:	N/A
QC Batch:	26576	Date Analyzed:	2006-05-16	Analyzed By:	WB
Prep Batch:	23345	Sample Preparation:	2006-05-16	Prepared By:	WB

Parameter	Flag	Result	RL	Units	Dilution	RL
Chloride		**308**		mg/Kg	50	1.00

Sample: 90426 - Pit SW Corner

Analysis:	Chloride (IC)	Analytical Method:	E 300.0	Prep Method:	N/A
QC Batch:	26576	Date Analyzed:	2006-05-16	Analyzed By:	WB
Prep Batch:	23345	Sample Preparation:	2006-05-16	Prepared By:	WB

Parameter	Flag	Result	RL	Units	Dilution	RL
Chloride		**288**		mg/Kg	50	1.00

Sample: 90427 - Background

Analysis:	Chloride (IC)	Analytical Method:	E 300.0	Prep Method:	N/A
QC Batch:	26576	Date Analyzed:	2006-05-16	Analyzed By:	WB
Prep Batch:	23345	Sample Preparation:	2006-05-16	Prepared By:	WB

Parameter	Flag	RL Result	Units	Dilution	RL
Chloride		**21.8**	mg/Kg	5	1.00

Sample: 90428 - Rio Pit NE, SE, Middle resample

Analysis:	Chloride (IC)	Analytical Method:	E 300.0	Prep Method:	N/A
QC Batch:	26576	Date Analyzed:	2006-05-16	Analyzed By:	WB
Prep Batch:	23345	Sample Preparation:	2006-05-16	Prepared By:	WB

Parameter	Flag	RL Result	Units	Dilution	RL
Chloride		**134**	mg/Kg	10	1.00

Sample: 90429 - Lincoln Fed, Com #2 Background resample

Analysis:	Chloride (IC)	Analytical Method:	E 300.0	Prep Method:	N/A
QC Batch:	26576	Date Analyzed:	2006-05-16	Analyzed By:	WB
Prep Batch:	23345	Sample Preparation:	2006-05-16	Prepared By:	WB

Parameter	Flag	RL Result	Units	Dilution	RL
Chloride		**21.6**	mg/Kg	5	1.00

Method Blank (1)

QC Batch:	26576	Date Analyzed:	2006-05-16	Analyzed By:	WB
Prep Batch:	23345	QC Preparation:	2006-05-16	Prepared By:	WB

Parameter	Flag	MDL Result	Units	RL
Chloride		<0.0222	mg/Kg	1

Laboratory Control Spike (LCS-1)

QC Batch:	26576	Date Analyzed:	2006-05-16	Analyzed By:	WB
Prep Batch:	23345	QC Preparation:	2006-05-16	Prepared By:	WB

Param	LCS Result	LCSD Result	Units	Dil.	Spike Amount	Matrix Result	Rec.	RPD	Rec. Limit	RPD Limit
Chloride	13.7	13.6	mg/Kg	1	12.5	<0.0222	110	1	90 - 110	20

Percent recovery is based on the spike result. RPD is based on the spike and spike duplicate result.

Matrix Spike (MS-1)

QC Batch:	26576	Date Analyzed:	2006-05-16	Analyzed By:	WB
Prep Batch:	23345	QC Preparation:	2006-05-16	Prepared By:	WB

Param	MS Result	MSD Result	Units	Dil.	Spike Amount	Matrix Result	Rec.	RPD	Rec. Limit	RPD Limit
Chloride	1030	1010	mg/Kg	50	12.5	320	114	2	15.3 - 175	20

Percent recovery is based on the spike result. RPD is based on the spike and spike duplicate result.

Standard (ICV-1)

QC Batch: 26576 Date Analyzed: 2006-05-16 Analyzed By: WB

Param	Flag	Units	ICVs True Conc.	ICVs Found Conc.	ICVs Percent Recovery	Percent Recovery Limits	Date Analyzed
Chloride		mg/Kg	12.5	13.0	104	90 - 110	2006-05-16

Standard (CCV-1)

QC Batch: 26576 Date Analyzed: 2006-05-16 Analyzed By: WB

Param	Flag	Units	CCVs True Conc.	CCVs Found Conc.	CCVs Percent Recovery	Percent Recovery Limits	Date Analyzed
Chloride		mg/Kg	12.5	12.8	102	90 - 110	2006-05-16