OCD - ARTESIA, NM
MAR 1 6 2007
Month - Year

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-144
June 1, 2004

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

Pit or Below-Grade Tank Registration or Closure

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

Operator: Nadel & Gussman Permian, LLC Telephone: 432-682-4429 e-mail address: kemm@naguss.com

Address: 601 N. Marienfeld, Suite 508, Midland, Texas 79701

Facility or well name: Hermes Fee No. 1 API #: 30-015-34572 U/L H Sec 30 T23S R28E, 660' FNL, 1980' FEL

County: Eddy Latitude N____ Longitude W____ NAD: 1927 ☐ 1983 ☐

Surface Owner: Federal State Private X Indian ☐

Pit	Below-grade tank N/A
Type: Drilling X Production ☐ Disposal ☐ Workover ☐ Emergency ☐	Volume: N/A bbl Type of fluid: N/A
Lined X Unlined ☐	Construction material: N/A
Liner type: Synthetic X Thickness: **12ml HDPE liner** Clay ☐	Double-walled, with leak detection? ☐ If not, explain why not.
Pit Volume: **1500 bbl. Approximately**	

Depth to ground water (vertical distance from bottom of pit to seasonal high water elevation of groundwater.) **Two water wells exist in Sec 19 showing high water elevation of groundwater at 10' and 45'. See Closure Plan for details.**	Less than 50 feet 50 feet or more, but less than 100 feet 100 feet or more	(20 points) (10 points) (0 points)	20 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) (0 points)	10 pts.
	Ranking Score (Total Points)		**30 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 in closure report.** (2) Indicate disposal location: **Solidification onsite.** offsite If offsite, name of facility: (3) Attach a general description of remedial action taken including remediation start date and end date. (4) Groundwater encountered: No 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.**

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: 15 March 2007

Printed Name/Title Kem McCready, Operations Engineer Signature Kem McCready

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

Approval:
Printed Name/Title ____ Signature Mike Bratcher Date: MAR 1 6 2007

Month - Year
MAR 2007
OCD - ARTESIA, NM

Mr. Kem McCready
Operations Engineer
NADEL AND GUSSMAN PERMIAN, LLC
601 N. Marienfeld
Suite 508
Midland, TX 79701

March 15, 2007

Mr. Mike Bratcher
OIL CONSERVATION DIVISION
1301 West Grand Avenue
Artesia, NM 88210

Re: Hermes Fee No. 1 Pit Closure Documents

Dear Mr. Bratcher:

Pursuant to the State of New Mexico regulatory requirements for permanent closure of drilling pits, enclosed herewith is the completed Form C-144 and additional information constituting the "Closure Plan" for closure of the Nadel and Gussman Permian, LLC, hereinafter "NGP", Hermes Fee No. 1 drilling pit (API No. 30-015-34572) located in U/L H S30 T23S, R28E, 660' FNL, 1980' FEL of Eddy County, New Mexico.

INTRODUCTION

Remediation of the NGP Hermes Fee No. 1, hereinafter Hermes Fee, drilling pit is targeted to begin 19 March 2007 with completion expected by 06 April 2007, permitting weather and the occurrence of unexpected conditions not within the Operator's control do not create delays or exacerbate the proposed schedule in any way. NGP intends to maintain its commitment to environmental health and safety and fully comply with the Regulatory Performa of the State of New Mexico, OCD regarding this disposal action and permanent closure of the Hermes Fee drilling pit.

Potential, temporary contamination from the Hermes Fee drilling pit site, should any exist, resulted solely from oil and gas production activities. Potential contaminates of concern are typical mid to high-level concentrations of brines, typical polymers (such as xanthium gum and starch) and in general, drilling mud and fluids remaining upon completion of said drilling operations.

Area land use is primarily ranching with domestic pasturage and oil and gas production activities. The NGP Hermes Fee drilling pit is located in an area wherein groundwater depth to surface demonstrates an average depth of approximately 28 feet from two water wells: (1) CO 1477 in SW of SW of NW ¼ at a depth of 10 feet and (2) CO 1992 in NW1/4 of SE1/4 of SW1/4 at a depth of 45 feet. Consequently, *insitu* disposal is not being considered for the Hermes Fee No. 1 drilling pit closure to ensure compliant environmental performance and reduction of liability in this designated water sensitive area as defined by New Mexico, OCD Rule 50 regulations.

Therefore, after pursuing other regulatory alternatives in concert with input from the Eddy County, New Mexico, Oil Conservation Division (OCD) and the Santa Fe Office, NGP has elected to implement insitu solidification burial for the Hermes. NGP is in receipt of your 26 February, Letter of Violation (No. LOV-02440) citing for failure to close the pit within the regulatory time mandates. Please be advised NGP's response to this LOV is to commence closure on, Monday, 19 March. Due to the research of options for closure, NGP had applied for an extension of this time allocation but was unfortunately not able to execute a better solution than insitu solidification. NGP does appreciate the OCD's willingness to explore options and anticipates it is understood that this violation was directly related to the potential and time it took to examine said options rather than negligence on the part of NGP.

Mode of Closure: Insitu Solidification Burial

NGP shall use the Certified Kiln Dust (CKD) solidification process, depositing the material into a 20ml HDPE lined pit on location capped with a 20 ml HDPE liner. The process utilized in this disposal method shall be as described above with the exception of the solidification itself prior to initiation of the insitu burial action.

The CKD solidification procedure shall be as follows:

Three trenches shall be established, two for encapsulation and one to function as a CKD work pit constructed within the original reserve pit immediately adjacent to and between the other two pits.

1. Cuttings will be mixed with a track hoe and the contents lifted and dropped in a stirring fashion. Once the Certified Kiln Dust (CKD) and the pit contents are sufficiently bonded solidification will occur.

2. The CKD ratio to measured pit contents on the average shall be I yard drill fines to 240 pounds CKD or 1K cy to 240 pounds of drill fines. Should the fines be too dry fresh water will be introduced to initiate the bonding process.

3. To ensure proper QA/QC, the CKD is precisely weighed before delivery and pit size is set for a predetermined volume of pit contents.

4. Three representative samples of the pit contents shall be taken prior to initiation of the work and stored in closed containers. Then each stage of mixing shall be sampled prior to transferring the slurry to the deep trench, alternating "closed" then "open" environmentally approved containers to QA/QC solidification.

5. The contractor shall deliver the properly marked samples within three days to OCD for storage.

CLOSURE PLAN

Prior to commencement of closure activities, NGP contractor will contact One-Call for line spot clearance confirming the State of New Mexico, OCD is in agreement with the proposed "Closure Plan" for removal of approximately 1,500 bbl. of liquid followed by the removal of all fines (drill cuttings) assuming these fines have sufficiently dried allowing for maneuverability of heavy equipment in the pit area, enabling final closure.

Environmental health and safety regulations mandate control of pit volumes at all times. Thus, the liquid material was pumped off as needed and properly disposed of during active drilling operations. Water accumulated since this time is either due to liquid material not completely hauled from actual drilling operations or rain. This water has subsequently been hauled from the location and properly disposed of pursuant to OCD Regulatory Performa.

- Contractor shall mobilize to Hermes Fee No. 1drilling pit site located approximately 15 miles South and 3 miles West of Carlsbad, New Mexico (see Form C-144). Personnel necessary to provide for the initiation and completion of said remediation activities presented above shall be engaged as is appropriate to the mandated exercise.

- No remediation activity shall occur off the existing pad or already disturbed areas as authorized by the APD and approved Best Management Practices (BMP's). NGP shall consider weather conditions and necessary equipment positioning to provide a clear area for adequate staging for site control and safety compliance, ensuring operations shall be compliant with New Mexico, OCD Regulatory Performa.

- The Hermes Fee No. 1 drilling pit is currently lined with a 12ml HDPE liner, which shall be removed by heavy equipment and disposed of with the solidified drilling fines pursuant to New Mexico, OCD requirements.

- Prior to initiation of backfilling, the Operator shall take appropriate samples of the pit area to ensure compliance with OCD Standards for remediation of possible TPH, ND for BTEX and levels of less than 250ppm of chlorides. However if levels at the bottom of the drilling pit test too high, a background set of samples shall be obtained for testing from the immediate vicinity and compared to those of the pit bottom. Simultaneously, more soil shall be removed from the "hot spots". Once completed, new data acquisition shall occur and sample results determine whether or not compliance has been reached in order to begin backfilling. No backfilling shall begin without authorization by the State of New Mexico, OCD.

- Backfilling of the Hermes Fee No.1 drilling pit shall be commensurate with existing topography and terrain relief features (contouring) so as to return it to its "near-as" previous condition, including a contour for prevention of water impoundment.

- The "Closure Plan" shall include a final report providing lab analysis of the backfill material, digital project photos and evidentiary narrative to support the completed disposition of the reclaimed Hermes Fee No. 1 drilling pit site.

Should you have questions, please call 432-682-4429 (office) or 432-425-6347 (cell).

Sincerely,

Kem McCready
Operations Engineer

cc: State of New Mexico, OCD, Form C-144