



J.D. MURCHISON INTERESTS, INC.

015-34653

MURCHISON OIL & GAS, INC.  
MURCHISON PROPERTIES, INC.

CERTIFIED MAIL

April 19, 2007



Mr. Ron Harvey  
State of New Mexico  
Oil Conservation Division - District II  
1301 W. Grand Avenue  
Artesia, NM. 88210

**RE: RIO STATE #4  
EDDY CO., NM.**

Dear Mr. Harvey:

In response to the Letter of Violation dated April 3, 2007, LOV No. 029107 (copy attached), Murchison Oil & Gas, Inc.'s Form C-144 with pit closure plan was approved by the OCD on March 26, 2007 (copy attached). The pits were emptied by Jim's Water Service in February, 2007. Upon OCD inspection, the water in the pit may have been a collection of rainwater. Murchison currently has two different contractors working on pit closures and are moving from one well to the next as soon as complete. The plans are to move to the Rio State #4 as soon as possible and complete pit closure. Since we cannot provide an accurate date to begin this work, I will provide you with an update of our progress in 30 days.

If you have any questions feel free to call.

Very truly yours,

**MURCHISON OIL & GAS, INC.**

  
Michael S. Daugherty  
Vice President Operations

MSD/ct/RioSt#4-OCDLettofViol-#029107-Resp

Encl.



# NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

**BILL RICHARDSON**

Governor

**Joanna Prukop**

Cabinet Secretary

**Mark E. Fesmire, P.E.**

Director

**Oil Conservation Division**

*Field Inspection Program  
"Preserving the Integrity of Our Environment"*

03-Apr-07

**MURCHISON OIL & GAS INC**

1100 MIRA VISTA BLVD

PLANO TX 75093-4698

**LOV NO. 029107**

## 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

**RIO STATE No.004**

**A-36-18S-24E**

**30-015-34653-00-00**

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
04/03/2007	Routine/Periodic	Ron Harvey	Yes	No	5/3/2007	iREH0709344888
Violations						
Emergency/Temporary Pits						
Comments on Inspection: Well producing since 7/1/2006. Drilling pit still open and full, liner ok. Violation of Rule 50. Photos taken.						

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.

District I  
1625 N. French Dr., Hobbs, NM 88240  
District II  
1301 W. Grant 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  
Minerals and Natural Resources

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

Well File

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 ☒

Operator: MURCHISON OIL AND GAS, INC.

Telephone: 505-628-3932

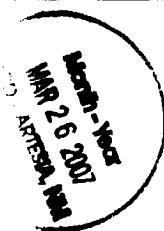
e-mail address: tommyfolsom@valomet.com

Address: 1100 Mira Vista Blvd., Plano, TX 75093-4698

Facility or well name: Rio State No. 4 API #: 30-015-34653 U/L A Sec 36 T18S R24E 990' FNL and 660' FEL

County: Eddy Latitude N Longitude W NAD: 1927 ☐ 1983 ☐

Surface Owner: State X



<b>Pit</b> Type: Drilling X Lined X Liner type: Synthetic X Thickness: 12ml HDPE Liner Pit Volume: 2000 bbl. (Approximately)	<b>Below-grade tank</b> N/A Volume: N/A bbl Type of fluid: N/A Construction material: N/A Double-walled, with leak detection? <input type="checkbox"/> If not, explain why not.	
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	(20 points)
	50 feet or more, but less than 100 feet	(10 points)
	100 feet or more	(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	(20 points)
	No X	(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	(20 points)
	200 feet or more, but less than 1000 feet	(10 points)
	1000 feet or more	(0 points) 0 pts.
<b>Ranking Score (Total Points)</b>		<b>0 pts.</b>

**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 final report. (2) Indicate disposal location: in situ 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. 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: 21 March 2007

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

Signature

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

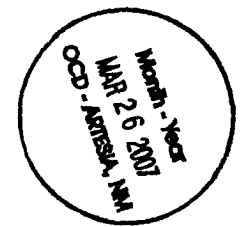
*Jim W. Burns*  
*District II Supervisor*

Signature

Date:

3/26/07

Mr. Tommy W. Folsom  
Production Manager  
MURCHISON OIL AND GAS, INC.  
PO Box 627  
Carlsbad, NM 88221-0627



21 March 2007

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

Re: Rio State No. 4 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 Murchison Oil and Gas, Inc., hereinafter "Murchison", Rio State No. 4 drilling pit (API No. 30-015-34653) located in U/L A S36 T18S, R24E of Eddy County, New Mexico.

#### INTRODUCTION

Remediation of the Murchison, hereinafter Rio No. 4, drilling pit is targeted to begin 26 March 2007 with completion expected by 16 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. Murchison 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 Rio No. 4 drilling pit.

Potential, temporary contamination from the Rio No. 4 drilling pit site, should any exist, resulted solely from oil and gas production activities. Potential contaminants 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 Murchison Rio No. 4 drilling pit is located in an area wherein groundwater depth to surface data from water wells is not readily available on the State of New Mexico, State Engineer's web site. However, in conjunction with their normal online databank, the State of New Mexico, OCD is cross-referencing with a groundwater map titled "Eddy County Depth to Groundwater", produced by Wayne Johnson at Chevron/Texaco, dated 9 February 2005. This map indicates the presence of groundwater in the area to be > 300'. The nearest recorded water well lies within the Section and was drilled by Yates in February 1993 but no water information is available. Therefore, it is reasonable to utilize the "Eddy County Depth to Groundwater" map.

Consequently, *insitu* disposal is the preferred choice for the Rio No. 4 drilling pit closure. It is the belief of Murchison that compliant environmental performance and reduction of liability in this area pursuant to New Mexico; OCD regulations can be achieved with *insitu* disposal predicated on the evidentiary data heretofore presented. Further, should future Regulatory Performa mandate additional action or should the Operator

choose to take additional action, the *insitu* option, in this case, (1) limits the environmental impact in general, (2) allows the Operator/government immediate access to said liability, (3) contains said material within the Operator's lease boundary and (4) in the event evidence of water is discovered during the digging of the *insitu* pit, all actions would cease and the State would be immediately notified.

Murchison intends to engage in *insitu* disposal upon approval from the New Mexico, OCD. This compliance action shall strictly apply the State of New Mexico, OCD standards, i.e. clean-up level for the Rio No. 4 drilling pit shall meet the less than 100ppm of TPH, ND for BTEX and the less than 250ppm of chlorides unless approved otherwise and substantiated by background information documented to be higher than the above cited indices.

#### CLOSURE PLAN

Prior to commencement of closure activities, Murchison 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 2,000 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 *insitu* burial application to take place and final closure of the pit occur.

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 Rio No. 4 drilling pit site located South of Artesia, New Mexico (see Form C-144) accessing via the Four Dinkus Road (CR 39). Personnel and heavy equipment 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). Murchison 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 Rio No. 4 drilling pit is currently lined with a 12ml HDPE liner, which shall be removed by heavy equipment and disposed of *insitu* with the drilling fines pursuant to New Mexico, OCD requirements. *Insitu* actions provide for the encasement of all drilling pit contents in a 20 ml HDPE liner placed below ground. The bottom and sides of the "container" shall be married to undisturbed ground ensuring no objects such as sharp rocks, etc. shall be in the contact area to reduce the potential of puncturing the "container" resulting from (1) the placement of soil on top of it during the burying process and (2) the composition of the pit material contained within it.
- ❖ Once the burial trench/pit has been dug to sufficient dimensions to ensure proper placement of the pit contents, the track hoe shall begin to deposit pit materials within the secured "container" until all pit material has been placed within it. This 20ml HDPE liner "container" shall not be permanently sealed until after the pit bottom has been sampled and approved for closure by the State of New Mexico, OCD. In the event more material must be harvested to achieve compliance, and said

harvest shall increase the volume of the *insitu* material to such a degree that it will threaten the integrity of the "container" or potentially cause leakage to occur by reason of increased volume, an additional *insitu* 20ml HDPE liner "container" shall be placed adjacent (when space and terrain permits) to the existing "container". Such action will provide for reasonable assurance that no leakage will occur and maintain all contaminants within a specific geographic location within the lease boundary.

- ❖ 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 Rio No. 4 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 moisture accumulation which prevents abnormal or unsustainable water impoundment resulting in erosive actions.
- ❖ 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 Rio No. 4 drilling pit site.

Should you have questions, please call 505-628-3932 (office) or 505-706-0667 (cell).

Sincerely,



Tommy W. Folsom  
Production Manager

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