

Robin Terrell
Mewbourne Oil Company
PO Box 5270
Hobbs, New Mexico 88241

October 17, 2007

Mike Bratcher
NMOCD District 2 Office
1301 W. Grand
Artesia, New Mexico 88210

RE: Milagro 34 Federal 001 – Lithology

Milagro 34 Federal 001
API: 30-015-34609
Unit A Sec 34-T22S-R26E
660 FNL & 990 FEL

Depth to Ground Water: 175' - 200'
Planned Analytical Testing: Chlorides
Site Ranking Score: 0 (zero)
Primary Land Use: Ranching, Oil & Gas Production

Pursuant to Pit Rule 50 of the New Mexico Oil Conservation District of the State of New Mexico regulatory requirement for pit closure, please accept the following documentation for final closure of the drilling pit for the aforementioned location.

An Insitu burial trench was excavated and lined with 20mil liner. All drill cuttings were stiffened and transferred to the lined Insitu trench. Upon transferring all pit contents to the lined burial trench, field tests were performed on the soil within in the confines of the original drill pit. The field results of chloride delineation of the impacted material are as follows (a diagram has also been attached):

Q1	6' 350mg/kg	Q2	6' 3000mg/kg 8' 4450mg/kg 10' 2400mg/kg 13' 2200mg/kg 17' water encountered – water 25550mg/kg 19' 800mg/kg 21' 550mg/kg 24' 300mg/kg	Q3	6' 4850mg/kg 8' 10000mg/kg 10' 3400mg/kg 13' 2800mg/kg 16' 200mg/kg
Q4	6' 4800mg/kg 8' 6400mg/kg 10' 3550mg/kg 13' 3000mg/kg 16' 1000mg/kg 19' 900mg/kg 21' 750mg/kg 24' 330mg/kg	Q5	6' 9000mg/kg 8' 14000mg/kg 10' 6560mg/kg 13' 3850mg/kg 16' 300mg/kg	OCD	

After field tests were performed, Mike Bratcher of the New Mexico Oil Conservation Division (NMOCD) was contacted. Approval for closure was granted with the following stipulations:

The impacted material in Sections Q2, Q3, Q4, Q5 will need to be excavated and placed in a lined Insitu cell and capped with a 20mil.

Pursuant to NMOCD Pit Rule 50, a 20mil liner was placed on top of the initial Insitu trench to seal in the impacted soils and the stiffened drill cuttings. The soils in sections "Q2", "Q3", "Q4" and "Q5" were excavated. The area was then lined with a 20mil plastic liner. The excavated material was placed back in the lined cell and capped with a 20mil per the aforementioned stipulation. In addition, the pit was backfilled with clean native material, contoured to the surrounding terrain and reseed with an approved seed mixture.

8002 0 1 NYF

Mewbourne Oil Company – Milagro 34 Federal 001

Accepted for record
NMOCD Page 1 of 2

(1)

Soil samples were collected, prepared and packaged per EPA guidelines and forwarded to Trace Analysis in Lubbock, Texas for official analytical testing. Please find the official analytical results attached hereto.

Please review the attached documentation and contact me at 505-393-5905 with any questions or concerns.

Sincerely,

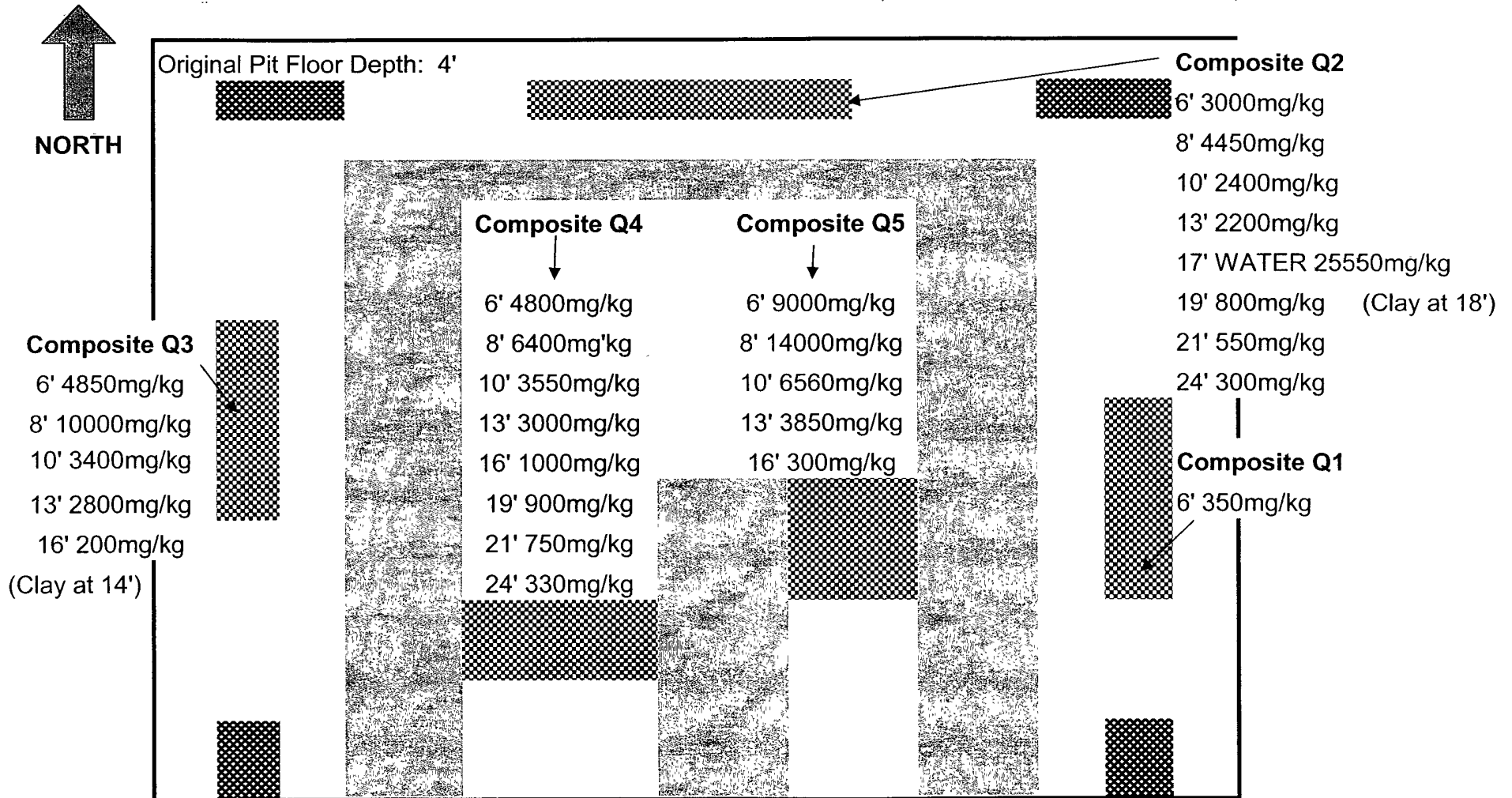
A handwritten signature in black ink, appearing to read 'Robin Terrell', written over the word 'Sincerely,'.

Robin Terrell
Production Engineer

/sjt

Milagro 34 Federal 001
Field Results
Floor 10-23-07

Lined
Burial
Trench



NOTE: CLAY LAYERS ENCOUNTERED AT 14' IN SECTIONS Q3 & Q5; CLAY ENCOUNTERED AT 18' IN SECTION Q2

October 4, 2007

Robin Terrell
Mewbourne Oil Company
PO Box 5270
Hobbs, New Mexico 88241

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API: 30-015-34609
Unit A Sec 34-T22S-R26E
660 FNL & 990 FEL

Depth to Ground Water: 175'- 200'
Planned Analytical Testing: Chlorides
Site Ranking Score: 0 (zero)
Primary Land Use: Ranching , Oil & Gas Production

Mr. Terrell:

In regards to the aforementioned location, the Litho logy of the test hole drilled 40' northwest of the drilling pit on October 4, 2007 is as follows:

Surface – Caliche
0- 10' – 90% River Rock - 10% Caliche
10'- 20' – 90% River Rock - 10% Caliche
20'- 25' – Red Clay
25'- 30' – Clay Mix
30' – 50' – Gypsum
50' – 55' – Clay Mix
55' - 65' – Caliche
65'- 75' – Clay Mixture
75' – 80' – Gypsum
80'- 90' – Caliche mix
90' – 100' -- Gypsum

The hole was left open for 24 hours to check for water entry. After 24 hours no moisture was present. If you should need and further information, please do not hesitate to contact me.

Sincerely,

Shelly J. Tucker
Environmental Consultant

/s/jt

Valley Energy Services, Inc.

PO Box 207
Loving, NM 88256

Invoice

Date	Invoice #
10/4/2007	627

Bill To
Mewbourne Oil Company Robin Terrell PO Box 5270 Hobbs, NM 88241

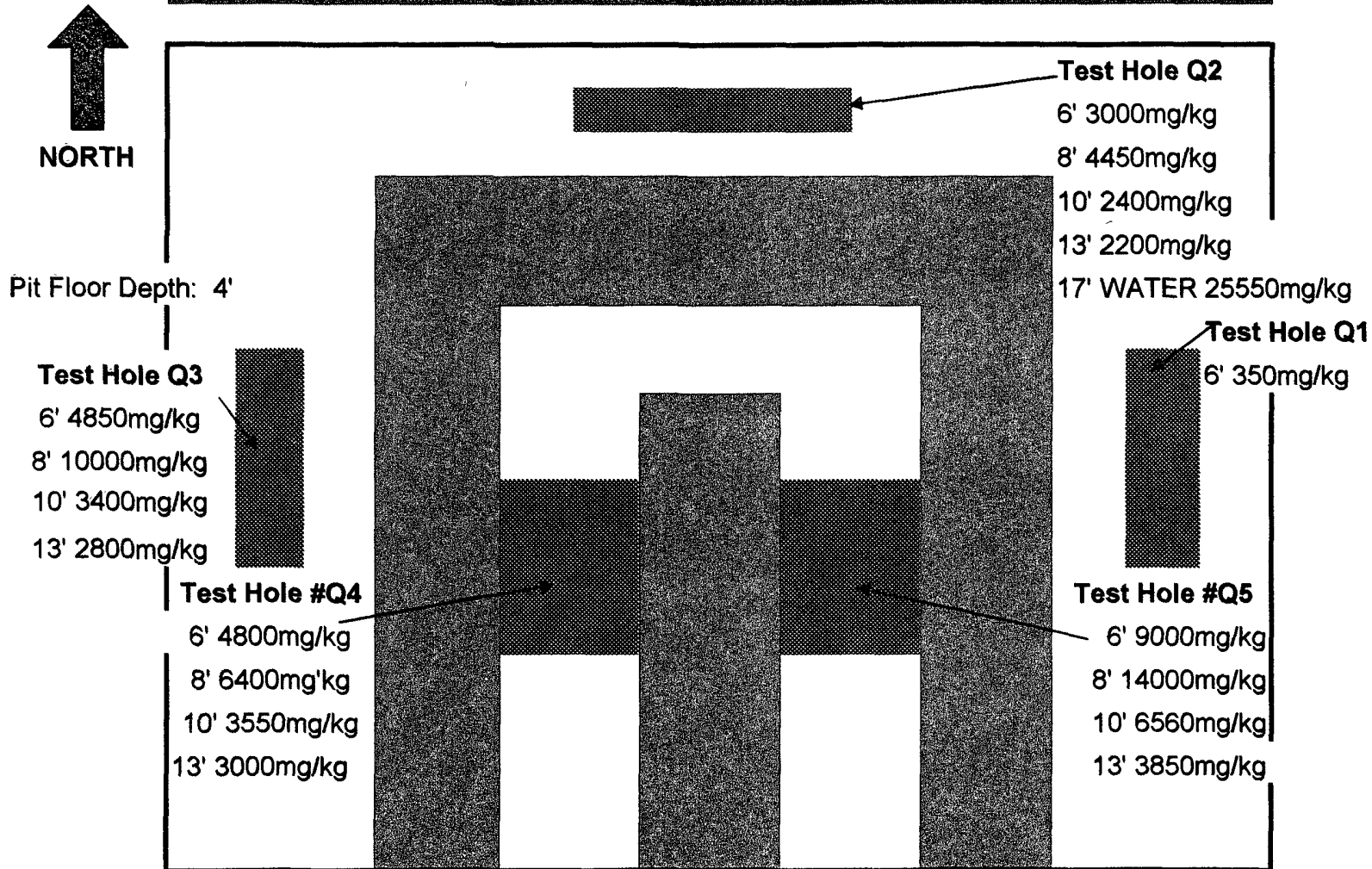
Terms	Rep
Due on receipt	SJT

Location
Milagro 34 Federal 1

Quantity	Item Code	Description	Price Each	Amount
5	Enviro Supervision	Butches Rat Hole Service drilled 100' test hole 40' NW of drilling pit to determine Lithology and possible water (no water present)	65.00	325.00T
20	Mileage Charge	New Mexico Sales Tax	0.50 6.3125%	10.00T 21.15
			Total	\$356.15

Milagro 34 Federal 001
Field Results
Floor 9-27-07

Lined
Burial
Trench



Valley Energy Services, Inc.

PO Box 207
Loving, NM 88256

Invoice

Date	Invoice #
9/27/2007	623

Bill To
Mewbourne Oil Company Robin Terrell PO Box 5270 Hobbs, NM 88241

Terms	Rep
Due on receipt	SJT

Location
Milagro 34 Federal 001

Quantity	Item Code	Description	Price Each	Amount
5	Enviro Sampling	pulled infield analysis for delineation, hit water in section "Q2", contacted Mike Bratcher of the NMOCD - he requested a bore hole to be drilled for water outside of the pit	65.00	325.00T
20	Mileage Charge	New Mexico Sales Tax	0.50 6.3125%	10.00T 21.15
			Total	\$356.15

Valley Energy Services, Inc.

PO Box 207
Loving, NM 88256

Invoice

Date	Invoice #
10/23/2007	646

Bill To
Mewbourne Oil Company Robin Terrell PO Box 5270 Hobbs, NM 88241

Terms	Rep
Due on receipt	SJT

Location
Milagro 34 Federal 001

Quantity	Item Code	Description	Price Each	Amount
3	Enviro Sampling	pulled infield analysis for delineation in section Q2, Q3, Q4, Q5 (Section Q1 already delineated) - contacted Mike Bratcher with the NMOCD - approval for closure granted	65.00	195.00T
0.5	Enviro Reports		65.00	32.50T
0.5	Enviro misc	prepared, packaged and sent samples to Trace Analysis for official analyticals	65.00	32.50T
20	Mileage Charge		0.50	10.00T
		New Mexico Sales Tax	6.3125%	17.04
			Total	\$287.04

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

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

Form C-144
June 1, 2004

Pit or Below-Grade Tank Registration or Closure

Is pit or below-grade tank covered by a "general plan"? Yes ☐ No ☒ X

Type of action: Registration of a pit or below-grade tank ☐ Closure of a pit or below-grade tank ☒ X

III 31 2007

OCD-ARTESIA

Operator: <u>Mewbourne Oil Co.</u> Telephone: <u>505-393-5915</u> e-mail address: _____				
Address: <u>701 S. Cecil, Hobbs N.M. 88240</u>				
Facility or well name: <u>Milagro 34#1</u> API #: <u>30-015-341609</u> U/L or Qtr/Qt: <u>A</u> Sec <u>34</u> T22 S <u>R26</u> IE _____				
County: <u>Eddy</u> Latitude <u>N 32° 21' 15.3"</u> Longitude <u>W 104° 11' 32.2"</u> NAD: 1927 ☐ 1983 ☒ X				
Surface Owner: Federal ☒ State ☐ Private ☐ Indian ☐				
<table border="1"> <tr> <td> Pit Type: Drilling X Production ☐ Disposal ☐ Workover ☐ Emergency ☐ Lined X Unlined ☐ Liner type: Synthetic X Thickness <u>12</u> mil Clay ☐ Pit Volume <u>5000</u> bbl </td> <td> Below-grade tank Volume: _____ bbl Type of fluid: _____ Construction material: _____ Double-walled, with leak detection? Yes ☐ If not, explain why not: _____ </td> </tr> </table>			Pit Type: Drilling X Production ☐ Disposal ☐ Workover ☐ Emergency ☐ Lined X Unlined ☐ Liner type: Synthetic X Thickness <u>12</u> mil Clay ☐ Pit Volume <u>5000</u> bbl	Below-grade tank Volume: _____ bbl Type of fluid: _____ Construction material: _____ Double-walled, with leak detection? Yes ☐ If not, explain why not: _____
Pit Type: Drilling X Production ☐ Disposal ☐ Workover ☐ Emergency ☐ Lined X Unlined ☐ Liner type: Synthetic X Thickness <u>12</u> mil Clay ☐ Pit Volume <u>5000</u> bbl	Below-grade tank Volume: _____ bbl Type of fluid: _____ Construction material: _____ Double-walled, with leak detection? Yes ☐ If not, explain why not: _____			
Depth to ground water (vertical distance from bottom of pit to seasonal high water elevation of ground water.)	Less than 50 feet (20 points) 50 feet or more, but less than 100 feet (10 points) <u>100 feet or more</u> (0 points) <u>200'</u>			
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) <u>No</u> (0 points)			
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) <u>1000 feet or more</u> (0 points)			
Ranking Score (Total Points)		<u>0</u>		

If this is a pit closure: (1) Attach a diagram of the facility showing the pit's relationship to other equipment and tanks. (2) Indicate disposal location: (check the onsite box if you are burying in place) onsite X 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: Closure work plan for drilling pit. Category 2 location: The drilling pit contents will be excavated from the pit area.

If there is a potential for contamination, the soil will be tested by lab and if contamination is confirmed, further remediation will be conducted according to guidelines. A trench will be installed. The trench will be lined with a 20-mil impervious liner and the excavated material will be placed on top and encapsulated.

The excavated pit will be backfilled with clean soil and the pit area as well as the trench will be covered and contoured with three feet of soil or like material capable of supporting native plant growth to prevent erosion and ponding of rainwater.

A one call and a 48 hour notice will be provided to the Oil Conservation Division.

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 ☐, a general permit X or an (attached) alternative OGD-approved permit ☐.

Date: 7-30-07 Printed Name/Title: Jeff R. Rines / President Signature: [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 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: _____

Signed By [Signature]

AUG 03 2007

Signature _____

Date: _____

NOTIFY OCD 24 HOURS PRIOR to beginning closure and 24 HOURS PRIOR

If burial trench is to be constructed in all cases, samples are to be obtained

MEWBOURNE OIL COMPANY

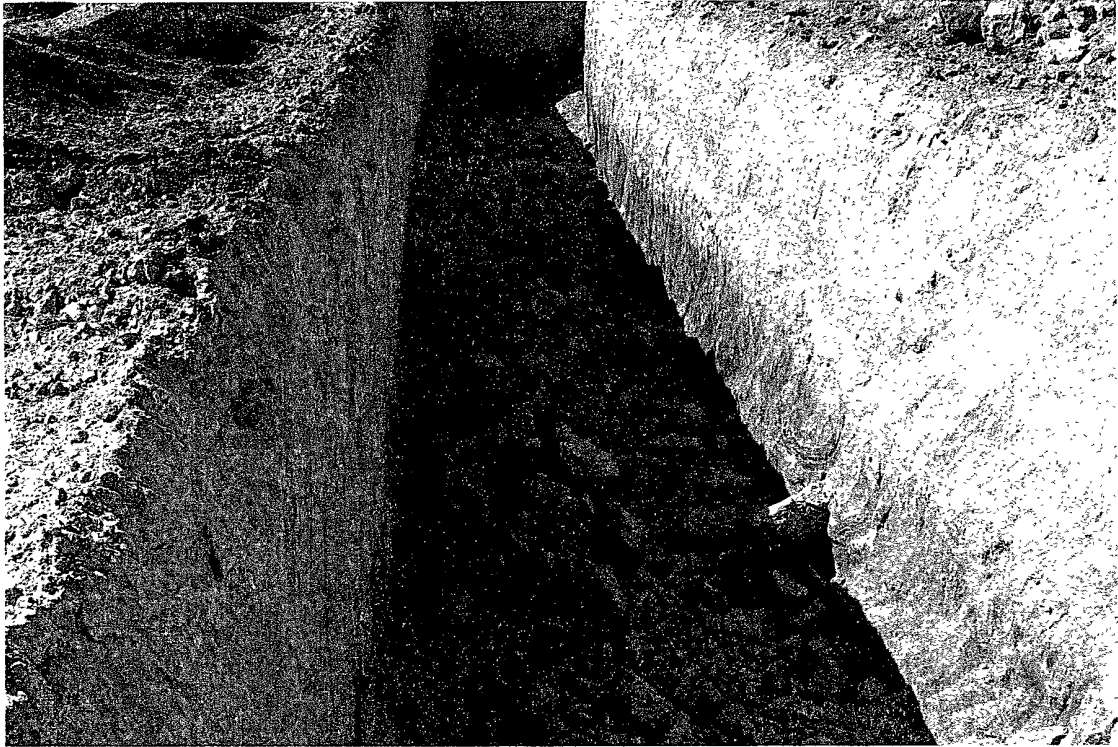
MILAGRO "34" FEDERAL #1

660' FNL & 990' FEL

SEC. 34, T22S, R26E

EDDY COUNTY, NEW MEXICO

LEASE #NMNM-96203

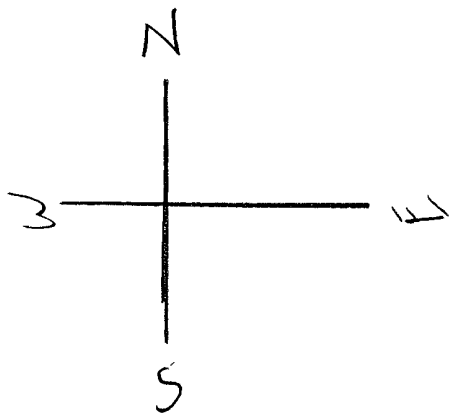




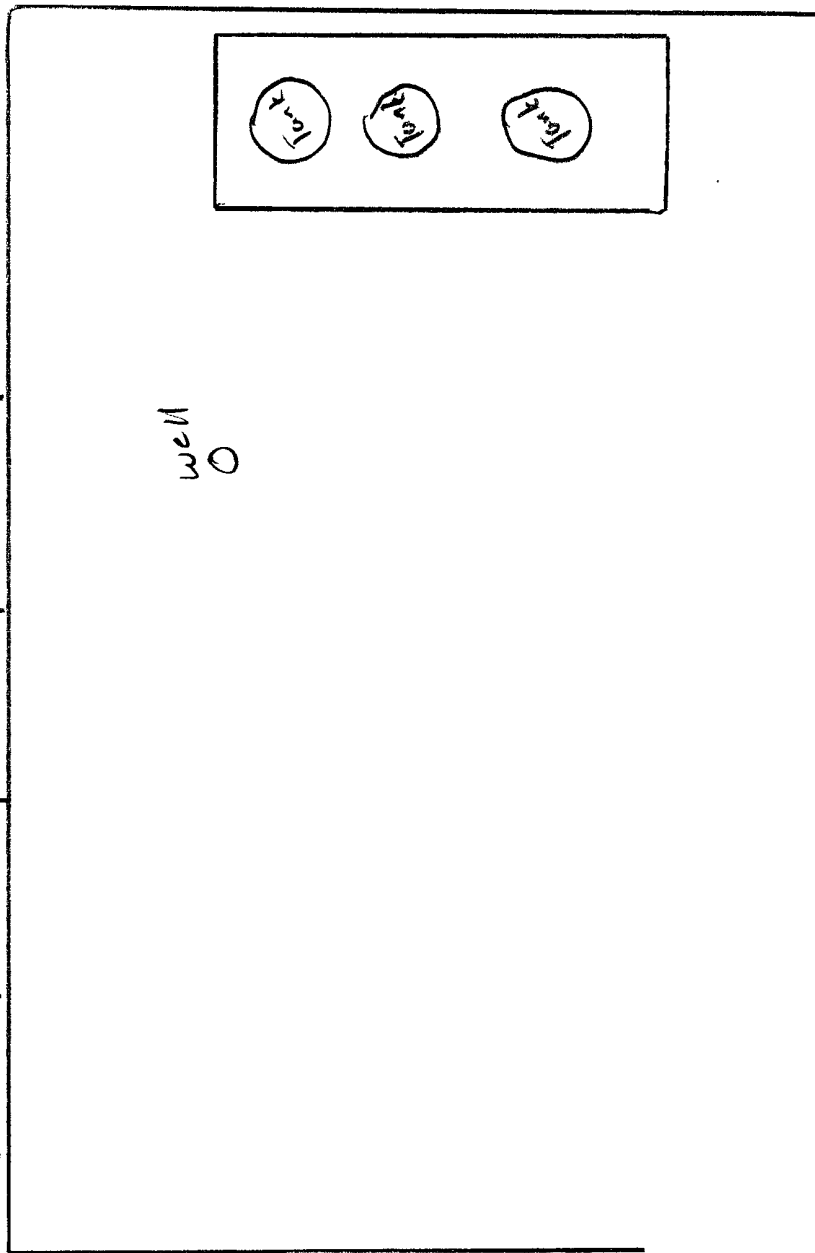




Deep Bury Pit



Mewbourne
MILAGRO 341-601



Road

Analytical Report

Sample: 142558 - Q1 6'

Analysis:	Chloride (Titration)	Analytical Method:	SM 4500-Cl B	Prep Method:	N/A
QC Batch:	43227	Date Analyzed:	2007-11-19	Analyzed By:	ER
Prep Batch:	37297	Sample Preparation:	2007-11-19	Prepared By:	ER

Parameter	Flag	RL Result	Units	Dilution	RL
Chloride		426	mg/Kg	10	5.00

Sample: 142559 - Q2 24'

Analysis:	Chloride (Titration)	Analytical Method:	SM 4500-Cl B	Prep Method:	N/A
QC Batch:	43227	Date Analyzed:	2007-11-19	Analyzed By:	ER
Prep Batch:	37297	Sample Preparation:	2007-11-19	Prepared By:	ER

Parameter	Flag	RL Result	Units	Dilution	RL
Chloride		350	mg/Kg	10	5.00

Sample: 142560 - Q3 16'

Analysis:	Chloride (Titration)	Analytical Method:	SM 4500-Cl B	Prep Method:	N/A
QC Batch:	43227	Date Analyzed:	2007-11-19	Analyzed By:	ER
Prep Batch:	37297	Sample Preparation:	2007-11-19	Prepared By:	ER

Parameter	Flag	RL Result	Units	Dilution	RL
Chloride		144	mg/Kg	10	5.00

Sample: 142561 - Q4 24'

Analysis:	Chloride (Titration)	Analytical Method:	SM 4500-Cl B	Prep Method:	N/A
QC Batch:	43227	Date Analyzed:	2007-11-19	Analyzed By:	ER
Prep Batch:	37297	Sample Preparation:	2007-11-19	Prepared By:	ER

Parameter	Flag	RL Result	Units	Dilution	RL
Chloride		504	mg/Kg	10	5.00

Sample: 142562 - Q5 16'

Analysis:	Chloride (Titration)	Analytical Method:	SM 4500-Cl B	Prep Method:	N/A
QC Batch:	43227	Date Analyzed:	2007-11-19	Analyzed By:	ER
Prep Batch:	37297	Sample Preparation:	2007-11-19	Prepared By:	ER

Parameter	Flag	RL Result	Units	Dilution	RL
Chloride		470	mg/Kg	10	5.00

Method Blank (1) QC Batch: 43227

QC Batch: 43227 Date Analyzed: 2007-11-19 Analyzed By: ER
Prep Batch: 37297 QC Preparation: 2007-11-19 Prepared By: ER

Parameter	Flag	MDL Result	Units	RL
Chloride		<3.25	mg/Kg	5

Laboratory Control Spike (LCS-1)

QC Batch: 43227 Date Analyzed: 2007-11-19 Analyzed By: ER
Prep Batch: 37297 QC Preparation: 2007-11-19 Prepared By: ER

Param	LCS Result	Units	Dil.	Spike Amount	Matrix Result	Rec.	Rec. Limit
Chloride	101	mg/Kg	1	100	<3.25	101	96.1 - 103

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

Param	LCSD Result	Units	Dil.	Spike Amount	Matrix Result	Rec.	Rec. Limit	RPD	RPD Limit
Chloride	101	mg/Kg	1	100	<3.25	101	96.1 - 103	0	20

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

Matrix Spike (MS-1) Spiked Sample: 142562

QC Batch: 43227 Date Analyzed: 2007-11-19 Analyzed By: ER
Prep Batch: 37297 QC Preparation: 2007-11-19 Prepared By: ER

Param	MS Result	Units	Dil.	Spike Amount	Matrix Result	Rec.	Rec. Limit
Chloride	960	mg/Kg	10	500	470	98	80 - 120

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

Param	MSD Result	Units	Dil.	Spike Amount	Matrix Result	Rec.	Rec. Limit	RPD	RPD Limit
Chloride	984	mg/Kg	10	500	470	103	80 - 120	2	20

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

Standard (ICV-1)

QC Batch: 43227 Date Analyzed: 2007-11-19 Analyzed By: ER

Param	Flag	Units	ICVs True Conc	ICVs Found Conc	ICVs Percent Recovery	Percent Recovery Limits	Date Analyzed
Chloride		mg/Kg	100	101	101	85 - 115	2007-11-19

Standard (CCV-1)

QC Batch: 43227

Date Analyzed: 2007-11-19

Analyzed By: ER

Param	Flag	Units	CCVs True Conc	CCVs Found Conc.	CCVs Percent Recovery	Percent Recovery Limits	Date Analyzed
Chloride		mg/Kg	100	98.6	99	85 - 115	2007-11-19

TraceAnalysis, Inc.

email: lab@traceanalysis.com

6701 Aberdeen Avenue, Suite 9
Lubbock, Texas 79424
Tel (806) 794-1296
Fax (806) 794-1298
1 (800) 378-1296

5002 Basin Street, Suite A1
Midland, Texas 79703
Tel (432) 689-6301
Fax (432) 689-6313

200 East Sunset Rd., Suite F
El Paso, Texas 79922
Tel (915) 585-3413
Fax (915) 585-4944
1 (888) 580-3443

8808 Camp Bowie Blvd. West, Suite 18C
Ft. Worth, Texas 76116
Tel (817) 201-5260
Fax (817) 560-4336

Page 711104 of 711104

Company Name: Midland Oil Company Phone #:

Address: PO Box 5210 Hobbs, NM 88240 Fax #:

Contact Person: Robert Terredo E-mail: Robert.Terredo@midlandoil.com

Invoice to:

(If different from above)

Project #: API 30 OIS-3460A

Project Name: Midland Oil Field

Sampler Signature: Shirley J. Terredo

Project Location (including state): EC 34-1035-R60E Early City NM

LAB # (LAB USE ONLY)	FIELD CODE	# CONTAINERS	Volume : Amount	MATRIX				PRESERVATIVE METHOD						SAMPLING		DATE	TIME
				WATER	SOIL	AIR	SLUDGE	HCl	HNO ₃	H ₂ SO ₄	NaOH	ICE	NONE				
4258	Q1 1E-10	1			X											10/23/07	1300
559	Q2 - 24'	1			X											10/23/07	1330
560	Q3 - 16'	1			X											10/23/07	1400
561	Q4 - 24'	1			X											10/23/07	1430
562	Q5 - 16'	1			X											10/23/07	1500

ANALYSIS REQUEST (Circle or Specify Method No.)

MTBE	8021B / 502 / 8260B / 524	
BTEX	3021B / 602 / 8260B / 624	
TPH 418 I / TX1005 / TX1005 Ext(C35)		
TPH 8016 GRO / DRO / TVHC		
PAH 8270C / 625		
Total Metals Ag As Ba Cd Cr Pb Se Hg	5010B/2007	
TCLP Metals Ag As Ba Cd Cr Pb Se Hg		
TCLP Volatiles		
TCLP Semi Volatiles		
TCLP Pesticides		
RCI		
GC/MS Vol: 8250B / 524		
GC/MS Semi Vol: 8270C / 625		
PCBs 3082 / 608		
Pesticides 3081A / 508		
BOD, TSS pH		
Moisture Content		
Turn Around Time if different from standard		

REMARKS:

LAB USE ONLY

Temp °C:

Time:

Date:

Company:

Received by:

Temp °C:

Time:

Date:

Company:

Received by:

Temp °C:

Time:

Date:

Company:

Received by:

- ☐ Dry Weight Basis Required
☐ TRRP Report Required
☐ Check If Special Reporting Limits Are Needed

Initials: PLN
Headspace: Y/N
Log-In/Review:

Submittal of samples constitutes agreement to Terms and Conditions listed on reverse side of C O C

Carrier # Fedex 7925 5659 1597

Camp Bowie Blvd West, Suite 180
 Ft. Worth, Texas 76116
 Tel (817) 201-5260
 Fax (817) 560-4336