

Melrose Units of Interest per Field Visit Monday 11/15/2010

- 1) Drilling pit northeast of Northeast Pearl Queen Unit #10, 24-19S-35E, 990' FNL & 330' FWL, API# 30-025-20983-00-00.

Pit is old and contains black tar deposit of unknown depth on the bottom. Pit also displays vegetation and junk such as steel barrels, tubing, etc. inside it. Pit is approximately 30' X 40' X 5'. Barb wire fence surrounds pit. The company must turn in a C-144 and close the pit appropriately. Photos may be viewed at L:HOBBS\MELROSE\PIT NORTHEAST OF NORTHEAST PEARL QUEEN UNIT #10

- 2) Melrose Northeast Pearl Queen Unit #19, K-23-19S-35E, 1980' FSL & 2180' FWL, API# 30-025-03199-00-00

Drove northwest and encountered stuffing box leak of produced water. No sign is present to identify well, but the name on the control box indicates that the well is a Melrose operated well. Drive to location to the east. This is an injection well whose sign states "Melrose Northeast Pearl Queen Unit #20, 1980' FSL & 2180' FEL, 23-19S-35E and API# 30-025-03200-00-00". In office, RBDMS search identifies the subject well to be Melrose Northeast Pearl Queen Unit #19, K-23-19S-35E, 1980' FSL & 2180' FWL, API# 30-025-03199-00-00. The company has been instructed to submit a C-141 for the stuffing box leak and to delineate and remediate contamination appropriately. Photos may be viewed at L:HOBBS\MELROSE\ NORTHEAST PEARL QUEEN UNIT #19. - MARK WITKIE SENT OUT LETTER TO MELROSE

- 3) Melrose Northeast Pearl Queen Central Tank Battery, D-23-19S-35E, 330' FNL & 660' FWL

Drove northeast to the Melrose Northeast Pearl Queen Central Tank Battery, D-23-19S-35E, 330' FNL & 660' FWL. Treater and header located at north end of tank battery. Believe leak originated at the header. Soils are saturated with oil and produced water at and surrounding the header and treater. A trail of saturation then exits the bermed area at the north end and northeast corner and flows north and down slope for approximately 200' at which point it crosses the east to west running lease road and continues into the pasture for approximately 300'. There is evidence that fresh caliche was placed on top of the release. The company has been instructed to submit a C-141 for this site and to delineate and remediate contamination appropriately. Photos may be viewed at L:HOBBS\MELROSE\ NORTHEAST PEARL QUEEN CENTRAL TANK BATTERY.

#4 - NE PEARL QUEEN UNIT No. 090

Leking, Geoffrey R, EMNRD

From: Whitaker, Mark A, EMNRD
Sent: Thursday, May 13, 2010 4:04 PM
To: Leking, Geoffrey R, EMNRD
Subject: MELROSE DRILLING PITS

Geoffrey,

Here is a listing of the pits I have found as of 5/13/10.

Pits not closed:

- 1) Jalmat Field Yates Sand Unit #'s : 140,142,143,146,148,236,237,239,247,249
- 2) Cone Jalmat Yates Pool Unit #'s : 126,127,128,130,145

Contents of pit have been deep buried but not filled and/or contoured:

- 1) Jalmat Field Yates Sand Unit #'s : 107,168,178,182

The CJYPU #145 has not been drilled, but the APD is set to expire this month.

If you need anything else let me know.

Mark

Jalmat/Cone Pits 10/04/2010

WELLS	Work % Done	JOB DESCRIPTION
222	100%	COMPLETE
225	100%	COMPLETE
226	100%	COMPLETE
227	100%	COMPLETE
228	100%	COMPLETE
231	100%	COMPLETE
232	100%	COMPLETE
179	99%	DONE, WORKING ON FINAL REPORT
OK 107	99%	DONE, WORKING ON FINAL REPORT
159	99%	DONE, WORKING ON FINAL REPORT
OK 168	100%	COMPLETE
OK 178	100%	COMPLETE
OK 143	80%	MUD MIXED, WAITING ON LABS
OK 236	90%	MUD TRANSFERRED TO BAG & COVERED
OK 182	99%	DONE, WORKING ON FINAL REPORT
185	99%	DONE, WORKING ON FINAL REPORT
187	99%	DONE, WORKING ON FINAL REPORT
★ 142	90%	MUD (TRANSFERRED) TO BAG & COVERED (has not been done)
OK 240	99%	DONE, WORKING ON FINAL REPORT
OK 237	90%	MUD TRANSFERRED TO BAG & COVERED
OK 195	100%	COMPLETE
OK 233	99%	DONE, WORKING ON FINAL REPORT
OK 234	100%	COMPLETE
OK 235	100%	COMPLETE
★ 140	90%	MUD (TRANSFERRED) TO BAG & COVERED (has not been done)
OK 241	99%	DONE, WORKING ON FINAL REPORT
OK 146	25%	DIG TOMB HOLE
OK 242	99%	DONE, WORKING ON FINAL REPORT
250(180)	99%	DONE, WORKING ON FINAL REPORT
★ 148	25%	DIG TOMB HOLE (has not been done)
OK 239	25%	DIG TOMB HOLE
OK 247	80%	MUD MIXED, WAITING ON LABS
OK 249	90%	MUD TRANSFERRED TO BAG & COVERED
OK 126 Cone	80%	MUD MIXED, WAITING ON LABS
★ 130 Cone	90%	MUD TRANSFERRED TO BAG & COVERED (has not been done)
OK 127 Cone	25%	DIG TOMB HOLE
OK 128 Cone	25%	DIG TOMB HOLE
OK 137	25%	DIG TOMB HOLE
★ 243	0%	NEW DRILLING PITS, NOT DRILLED
★ 144 Cone	0%	NEW DRILLING PITS, NOT DRILLED
★ 145 Cone	0%	NEW DRILLING PITS, NOT DRILLED

Need to be closed
145 looks like some
dumping - (water)

5

May 12, 2010

Mr. Peter Evtimov
MOC Operations Engineer
Melrose Operating Co.
20333 State Hwy #249
Suite 310
Houston, Tx 77070

Re: Failure to comply with CLOSURE REQUIREMENTS per NMAC Rule 19.15.17.13

Mr. Evtimov

Inspections of Melrose well sites have indicated that:

- 1) At 8 locations closure activities have not begun. This is in violation of NMAC Rule 19.15.17.13 Section A.(7) which states; "An operator shall close any other permitted temporary pit within six months from the date that the operator releases the drilling or workover rig..."
- 2) At 3 locations reclamation of the original pit has not been completed. This is in violation of NMAC Rule 19.15.17.13 Sections G., H. and I. pertaining to "Reclamation of pit locations, on-site burial locations and drying pad locations", "Soil cover designs" and "Re-vegetation", respectively.
- 3) At 1 location the pit has not been used as the well was not drilled. The permit is close to expiring. If the well is not going to be drilled then the pit should be closed per NMAC Rule 19.15.17.13 requirements. This includes collecting a five point composite bottom sample to assure that no fluids that could contaminate ground water were advertently or inadvertently discharged into the pit.
- 4) At the well sites where deep trench burial was performed it is not clear whether all the requirements of NMAC Rule 19.15.17.12 Section F. (3) "On-site trench burial" were met. For example, did the operator satisfy Section F.(3)(c) which requires a five point composite sample of the contents of the temporary pit pass specified concentration limits before trench burial? Subsequently, did the operator satisfy Section F.(3)(f)(ii) which requires the operator to collect at least a five point composite sample from the underlying soils after the waste and the liner have been removed and compare the sample results to applicable

concentration limits? These are only two examples of the requirements that need to be met under NMAC Rule 19.15.17.12 Section F (3).


- 5) It is also not clear whether the requirements of NMAC Rule 19.15.17.13. Section J. "Closure Notice" were fulfilled. For example, Section J. (2) requires that within at least 72 hours prior to any closure operation, the operator shall notify the appropriate division district office. Was this notification provided?
- 6) NMAC Rule 19.15.17.13 Section K. "Closure Report" states; "Within 60 days of closure completion, the operator shall submit a closure report on form C-144, with necessary attachments to document all closure activities including sampling results; information required by 19.15.17 NMAC; a plot plan; and details on back-filling, capping and covering, where applicable. In the closure report, the operator shall certify that all information in the report and attachments is correct and that the operator has complied with all applicable closure requirements and conditions specified in the approved closure plan. If the operator used a temporary pit, the operator shall provide a plat of the pit location on form C-105 within 60 days of closing the temporary pit.". Was this report(s) submitted?

Please respond to this letter within 14 days of its reception. Address the response to:

Geoffrey Leking
Environmental Engineer
NMOCD-Hobbs
1625 N. French Drive
Hobbs, New Mexico 88240

Please contact Geoffrey Leking at 575-393-6161 Ext. 113 or 575-399-2990 if you have any questions. I can also be contacted by email at the following address: geoffreyr.leking@state.nm.us. Thank you for your attention to this matter.

Geoffrey Leking



Environmental Engineer
NMOCD-Hobbs

EC: Larry Hill, District Supervisor, NMOCD-Hobbs
Elido Gonzalez, Inspector Supervisor, NMOCD-Hobbs

EMNRD
OIL CONSERVATION DIVISION
1625 N FRENCH DRIVE
HOBBS NM 88240

ATTN: MR. PETER EVTIMOV
MELROSE OPERATING CO.
20333 STATE HWY 249 STE 310
HOUSTON, TX 77070



HASLER

017H15554612

\$0.44

05/12/2010

Mailed From 88240

US POSTAGE