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

26 June 2006

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

Re: Puma 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, digital photos of existing pit (final report), sample location diagram (final report) and additional information constituting the "Closure Plan" for closure of the Murchison Oil and Gas, Inc., hereinafter "Murchison", Puma No. 1 drilling pit (API No. 30-015-34461) located in U/L B S11 T17S, R28E of Eddy County, New Mexico.

Remediation of the Murchison, hereinafter Puma No. 1, drilling pit is targeted to begin 30 June 2006 with completion expected by 21 July 2006, permitting weather and the occurrence of unexpected conditions not within the Operator's control do not create delays nor 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 Puma No. 1 drilling pit.

Potential, temporary contamination from the Puma No. 1 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 Murchison Puma No. 1 drilling pit is located in a section wherein groundwater depth to surface data has been established by a groundwater survey well drilled by White Drilling Company, Inc. showing the total depth of the well at 57.0 feet and depth to water upon completion at 54.9 feet. Murchison Oil and Gas, Inc. has elected to use Certified Kiln Dust (CKD) solidification depositing the material into a 12 ml HDPE lined insitu pit on location capped with a 20 ml HDPE liner. The process utilized in this disposal method is attached.

Murchison intends to engage in CKD solidification, *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 Puma No. 1 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.

Backfilling of the Puma 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 moisture accumulation which prevents abnormal or unsustainable water impoundment resulting in erosive actions.

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, Groundwater Survey Well Data, CKD Process

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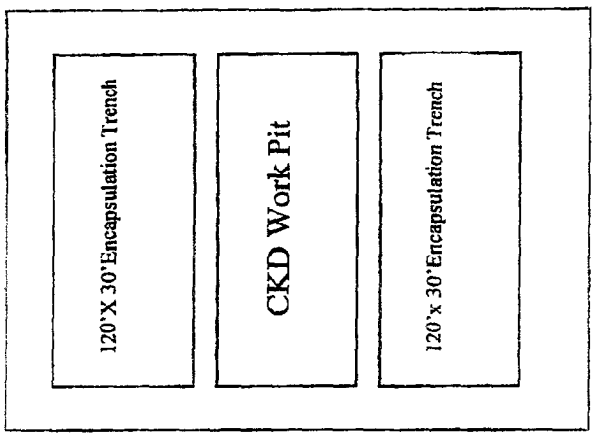
DESERT OILFIELD CONSTRUCTION INC.

Reserve Pit Solidification Procedure

1. Diagram of deep burial trench(s) is provided with application for closure (form C-144)



Reserve pit 150' x 150'

2. Solidification of Cuttings:

(A) The cuttings will be mixed with a track hoe. Contents will be lifted and dropped so as to create a stirring process. This process will continue until CKD and pit contents are thoroughly bonded.

(B) The solidification material will be Cement Kiln Dust (CKD).

(C) CKD to pit contents ratio will be 1 yard of pit contents to 240 lbs. of CKD or 1,000 cubic yards of pit contents to 120 tons of CKD. Pit contents will be measured to determine actual volume (length x width x depth /27). CKD is weighed and delivered to the site in 40,000 lb increments.

A 1,200 cubic yard work pit will be constructed inside the original reserve pit beside the encapsulation /solidification trench. One thousand cubic yards of pit contents will be placed in the work trench along with six 20 ton loads of CKD to begin mixing process.

(D) Fresh water may be introduced to initiate the bonding process of CKD and pit contents.

(E) In order to assure proper mixing, all CKD is precisely weighed before delivery and pit construction is measured to pre-determined need depending on exact volume of pit contents.

3. Each stage being mixed will be sampled prior to transferring the slurry to the deep trench as follows:

(A) One sample of the slurry will be taken at the beginning of the transference and stored in a closed container.

(B) One sample of the slurry will be taken at the beginning of the transference and stored in an open container.

(C) One sample of the slurry will be taken at the end of the transference and stored in a closed container.

(D) One sample of the slurry will be taken at the end of the transference and stored in an open container.

4. All samples will be stored in environmentally approved containers.

5. All samples and associated paperwork will be delivered to the OCD office within 3 working days of closure.

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

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Address: **PO Box 627, 406 N. Guadalupe, Suite B, Carlsbad, NM 88221-0627** **Elevation: 3,579'**

Facility or well name: **Puma No. 1** API #: **30-015-34461** **U/L B Sec 14 T17S R28E, 660' FNL, 1,980' FEL**

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

Surface Owner: **State X**

Pit	**Below-grade tank N/A**		
Type: **Drilling X** Lined **X** Liner type: Synthetic **X** Thickness: **12ml HDPE Liner** Pit Volume: **2500 bbl. (Approximately)**	Volume: **N/A** bbl Type of fluid: **N/A** Construction material: **N/A** Double-walled, with leak detection? ☐ If not, explain why not.		
Depth to ground water (vertical distance from bottom of pit to seasonal high water elevation of groundwater) Groundwater elevation well shows groundwater at 54.9 feet	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) (0 points)	**/ 0 pts.**
	Ranking Score (Total Points)		**/ 0 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 final report).** (2) Indicate disposal location: **CKD solidification, insitu on location.** If offsite, name of facility: **N/A** (4) Groundwater encountered: No Yes **X** If yes, show depth below ground surface 54.9 ft. and attach sample results. (5) Attach soil sample results and a diagram of sample locations and excavations.

Additional Comments: **Please refer to attached letter for detailed "Closure Plan" information, digital photos, sample location diagram and survey well record of groundwater elevation in the immediate vicinity. Operator proposes to implement a CKD solidification process and dispose of it insitu on location. 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: **26 June 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 _____ Date: AUG 0 3 2006

File Number: _____

NEW MEXICO OFFICE OF THE STATE ENGINEER
WELL RECORD

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1. OWNER OF WELL

Name: Murchison Oil and Gas, Inc. Work Phone: _____
Contact: Tommy Folsom Home Phone: _____
Address: P.O. Box 627
406 N. Guadalupe, Suite B
City: Carlsbad State: NM Zip: 88221-0627

2. LOCATION OF WELL (A,B,C,or D required,E or F if known)

A. ____ 1/4 ____ 1/4 ____ 1/4 Section: 14 Township: 17S Range: 28E N.M.P.M.
in Eddy County.

B. X = _____ feet, Y = _____ feet, N.M. Coordinate System
_____ Zone in the _____ Grant.
U.S.G.S. Quad Map _____

C. Latitude: 32 d 50 m 27.7 s Longitude: 104 d 08 m 42.2 s

D. East _____ (m), North _____ (m), UTM Zone 13, NAD _____ (27 or 83)

E. Tract No. _____, Map No. _____ of the _____ Hydrographic Survey

F. Lot No. _____, Block No. _____ of Unit/Tract _____ of the
_____ Subdivision recorded in _____ County.

G. Other: 660' FNL and 1980 FEL/API #30-015-34461

H. Give State Engineer File Number if existing well: _____

I. On land owned by (required): Murchison Oil and Gas, Inc. – Puma # 1

3. DRILLING CONTRACTOR

License Number: WD-1456
Name: White Drilling Company, Inc. Work Phone: 325-893-2950
Agent: John W. White Home Phone: 325-893-2950
Mailing Address: P.O. Box 906

City: Clyde State: TX Zip: 79510

4. DRILLING RECORD Puma #1

Drilling began: 5/08/06 ; Completed: 5/09/06 ; Type tools: Air Rotary ;
Size of hole: 6 1/8 in.; Total depth of well: 57.0 ft.;
Completed well is: shallow (shallow, artesian);
Depth to water upon completion of well: 54.9 ft.

File Number: _____

NEW MEXICO OFFICE OF THE STATE ENGINEER
WELL RECORD

5. PRINCIPAL WATER-BEARING STRATA - Puma #1

Depth in Feet From	To	Thickness in feet	Description of water-bearing formation	Estimated Yield (GPM)
54.9	57.0	2.1	Reddish brown clayey sand	

6. RECORD OF CASING

Diameter (inches)	Pounds per ft.	Threads per in.	Depth in Feet Top	Bottom	Length (feet)	Type of Shoe	Perforations From	To

7. RECORD OF MUDDING AND CEMENTING

Depth in Feet From	To	Hole Diameter	Sacks of mud	Cubic Feet of Cement	Method of Placement

8. PLUGGING RECORD

Plugging Contractor: White Drilling Company, Inc.

Address: P.O. Box 906

Plugging Method: Hand Mix

Date Well Plugged: 5/09/06

Plugging approved by: _____

State Engineer Representative

No.	Depth in Feet Top	Bottom	Cubic Feet of Cement
1	0.0	10.0	2.304 cement
2	10.0	57.0	16 sacks bentonite pellets
3			
4			
5			

File Number: _____

NEW MEXICO OFFICE OF THE STATE ENGINEER
WELL RECORD

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WATERS

9. LOG OF HOLE - Puma #1

Depth in feet From	To	Thickness in feet	Color and Type of Material Encountered
0.0	5.0	5.0	Caliche.
5.0	13.0	8.0	Light brown sand & caliche.
13.0	15.0	2.0	Tan sand & caliche.
15.0	26.0	11.0	Reddish brown sand & caliche.
26.0	30.0	4.0	Reddish brown sand & limestone gravel.
30.0	38.0	8.0	Reddish brown silty shale.
38.0	40.0	2.0	Gray silty shale.
40.0	50.0	10.0	Gray limestone.
50.0	53.0	3.0	Gray limestone & thin layers of clay.
53.0	57.0	4.0	Reddish brown clayey sand. Wet @ 55.0

File Number: _____

NEW MEXICO OFFICE OF THE STATE ENGINEER
WELL RECORD

10. ADDITIONAL STATEMENTS OR EXPLANATIONS:- Puma #1

The undersigned hereby certifies that, to the best of his knowledge and belief, the foregoing is a true and correct record of the above described hole.

Driller _____ 5/18/06 (mm/dd/year)

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FOR STATE ENGINEER USE ONLY

Quad ____ ;FWL ____ ;FSL ____ ;Use _____ ;Location No. _____

File Number: _____ Trn Number: _____