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Petroleum Corporation

1004 N. Big Spring Street, Suite 400 • Midland, TX 79701 • Ph: 915-684-3727 • Fax: 915-685-6580

DEANE DURHAM
SENIOR ENGINEER

March 6, 2007

New Mexico Oil Conservation Division
1301 W. Grand
Artesia, New Mexico 88210



Re: LOV NO. 022707 Inspection No. iREH0705232060

Gentlemen,

This letter is to address the violation referenced above and the inspection by Mr. Ron Harvey on 2/1/2001. The Boxtop 1921-1 Federal #1 drilling pit was closed in accordance with regulations under an approved pit closure dated 2/9/2006. The pit site was then reopened as a fresh water only pit and still is in use in the field as a fresh water supply reservoir for drilling and completion operations in the nearby field area. This pit will also be closed when it is no longer in use for such operations.

Please find attached the pit closure approval dated 2/9/2006 and a subsequent C-144 dated for approval on 1/22/2007 to reinforce that the fresh water pit has never had and is not planned to have anything except fresh water in it until it is closed also.

Should you have any questions regarding this matter, please feel free to call or email me at any time.

Sincerely,

Deane Durham

ddurham@p111.com
www.p111.com

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 ☐

Operator Parallel Petroleum Corporation Telephone: 432-684-3727 e-mail address: ddurham@plll.com
Address: 1004 N. Big Spring St., Suite 400, Midland, Texas 79701
Facility or well name: Box Top Federal 1921-1 #1 API #: 30-015-34374 U/L or Qtr/Qtr SW/4 of the SW/4 Sec 1 T 19S R 21E
County: Eddy Latitude 32 41' 03.15" N Longitude 104 45' 10.86" W NAD: 1927 X 1983 ☐
Surface Owner: Federal ☐ State ☐ Private ☒ Indian ☐

Pit

Type: Drilling ☒ Production ☐ Disposal ☐

Workover ☒ Emergency ☐

Lined ☒ Unlined ☐

Liner type: Synthetic ☒ Thickness 12 mil Clay ☐

Pit Volume 25,000 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.) 750'	Less than 50 feet	(20 points)	
	50 feet or more, but less than 100 feet	(10 points)	0
	100 feet or more	(0 points)	
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	(0 points)	0
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
Ranking Score (Total Points)			0

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 ☒ 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 ☒ 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:

This is a fresh water frac pit previously registered. The previous registration said that the pit may be used for flow back water. This pit has never been and is not planned to hold flow back water. It has been and still is being used for a FRESH water pit and it is intended that this pit be used as such and only hold fresh water until application for closure.

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 ☐, or an (attached) alternative OCD-approved plan ☐.

Date: 01-16-2007

Printed Name/Title Deane Durham / Engineer

Signature

Deane Durham 1-15-07

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

Jim W. Green
District II Supervisor

Signature

Date:

1/24/07

cc: BLM

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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: **Parallel Petroleum Corporation** Telephone: **432-684-3905** e-mail address: **tiffin@pll.com**
Address: **1004 N. Big Spring Street, Suite 400, Midland, Texas 79701**
Facility or well name: **Box Top Federal 19 21-1 #1** API #: **30-015-034374** U/L or Qtr/Qtr **SW/4 of the SW/4** Sec **1** T **19S** R **21E**
County: **Eddy** Latitude **32° 41' 03.15" N** Longitude **104° 45' 1086" W** NAD: 1927 X 1983 ☐
Surface Owner: Federal ☐ State ☐ Private ☒ Indian ☐

<u>Pit</u>	<u>Below-grade tank</u>	
Type: Drilling <input checked="" type="checkbox"/> Production <input type="checkbox"/> Disposal <input type="checkbox"/> Workover <input type="checkbox"/> Emergency <input type="checkbox"/> Lined <input checked="" type="checkbox"/> Unlined <input type="checkbox"/> Liner type: Synthetic <input checked="" type="checkbox"/> Thickness 12 mil Clay <input type="checkbox"/> Pit Volume 10,000 bbl	Volume: _____ bbl Type of fluid: _____ Construction material: _____ Double-walled, with leak detection? Yes <input type="checkbox"/> If not, explain why not.	RECEIVED FEB 07 2006 UUL-ARTCO
Depth to ground water (vertical distance from bottom of pit to seasonal high water elevation of ground water.) 750'	Less than 50 feet (20 points) 50 feet or more, but less than 100 feet (10 points) 0 100 feet or more (0 points)	
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 (0 points) 0	
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	
Ranking Score (Total Points) 0		

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 ☒ 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 ☒ 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:
The drilling pit for this site will be closed as per the attached Pit Closure Plan.

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 ☐, or an (attached) alternative OCD-approved plan ☐.

Date: 2-3-06

Printed Name/Title **Gary Miller, Agent**

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: **Gerry Guye**
Printed Name/Title **Compliance Officer**

Signature 

Date: **2-4-06**

Pit Closure Plan – Drilling Pit

Operator: Parallel Petroleum Corporation
Well Name: Box Top Federal 19 21 #1, API # 30-015-034374
Location: Unit M, Section 1, Township 19 S, Range 23 E, Eddy County, NM

In order to construct a Fresh Water Storage/Work-over Pit for completion activities on this site the closure of the drilling pit is required. The contents of the pit are to be removed and encapsulated onsite as per New Mexico OCD "Pit and Below-Grade Tank Guidelines" dated November 1, 2004. The visual inspection of the pit indicated that the pit liner has maintained its integrity. When the contents have been removed, the pit walls will be reconstructed and the pit site lined and filled with fresh water to be used during completion operations as a Fresh Water Storage/Work-over Pit. The removal of the drill cuttings from the drilling pit will be performed as follows:

1. Any remaining liquids will be removed from the pit.
2. Remaining solid wastes (i.e. buckets, cans, miscellaneous trash, debris, contaminated solids, etc.) will be removed from the pit, except for dried mud and cuttings, cement, and frac materials in drilling and reserve pits which have been approved by the OCD for encapsulation.
3. **This well did not penetrate a salt section and was drilled with less than 9.5 lb/gal brine. Therefore, the drilling pit will be closed by encapsulation:**

Trench burial and capping will be performed for the drilling mud and cuttings that will be removed from the pit prior to using the site for fresh water storage. Up to two trenches (approximately 5 feet wide x 10 feet deep x 125 feet length) will be dug next to the pit and the cuttings buried and capped. The trenching and capping will be accomplished by lining the trench with an impervious, reinforced, synthetic or fabricated liner at least 12 mils in thickness; mixing earthen materials with the pit contents, as necessary to stiffen the pit contents sufficiently to provide stability and support for the trench cap; emplacing the stiffened mud and cuttings into the lined trench; capping the trench with a 20 mil minimum thickness impervious, fiber reinforced, synthetic or fabricated liner (the synthetic liner will overlap the trench area by at least 3 feet in all directions); and covering the trench with a minimum of 3 feet of clean soil that is capable of supporting native plant growth.

4. Upon completion of the well, the fresh water/work-over pit will be closed by removing all remaining fluids and the new pit liner. The surface area where the pit was located will be contoured to prevent erosion and ponding of rainwater over the site.
5. Since this is a federal well, the Bureau of Land Management (BLM) will be contacted for site reclamation requirements.



Highlander Environmental Corp.

Midland, Texas

February 3, 2006

Mr. Van Barton
State Of New Mexico,
Oil Conservation Division
1301 W. Grand Ave.
Artesia, New Mexico 88210

RECEIVED
FEB 07 2006
OCC-ARTESIA

Re: Parallel Petroleum Corporation, Box Top Federal 19 21-1 #1
API # 30-015-034374

Dear Mr. Barton

The attached is a Pit Closure Plan and C-144 for the above mentioned wellsite. Parallel Petroleum Corporation (Parallel) request that they be allowed to remove the drilling pit contents and encapsulate onsite and then reuse the reserve pit area for a fresh water storage/work-over frac pit. Please review the attached plan and if you have any questions please call. Parallel would like to begin the closure activities ASAP as they plan to begin completion operations in March 2006. If an additional closure plan is required for the frac pit when the well has been completed please let me know.

I will be acting as agent for Parallel for the permitting of this well. If you have any questions please call at 432-682-4559 or email me at gmliller@hec-enviro.com.

Sincerely,

Gary E. Miller, Agent