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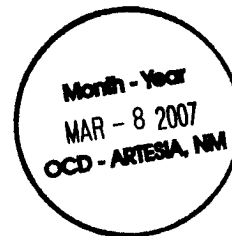
Petroleum Corporation

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. iREH0705236578

Gentlemen,

This letter is to address the violation referenced above and the inspection by Mr. Ron Harvey on 2/1/2001. The Jack in the Box Federal #1 drilling pit will be closed in accordance with regulations under an approved pit closure dated 1/22/2007. Sweatt Construction will start closure operations immediately, and anticipate completion on or about 3/19/2007.

Please find attached the pit closure approval dated 1/22/2007.

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

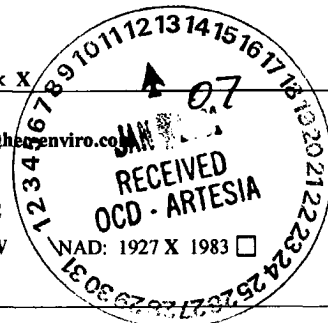
For drilling and production facilities, submit to appropriate NMOCD District Office.
For downstream facilities, submit to Santa Fe office

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: **432-684-3905** e-mail address: **gmiller@hennenviro.com**
Address: **1004 N. Big Spring Street, Suite 400, Midland, Texas 79701**
Facility or well name: **Jack in the Box Federal #1** API #: **30-015-34652** U/L or Qtr/Qtr **M Sec 14 T 19S R 21E**
County: **Eddy** Latitude **32° 39' 17.67" N** Longitude **104° 46' 13.62" W**
Surface Owner: Federal ☒ State ☐ Private ☐ Indian ☐



Pit
Type: Drilling ☒ Production ☐ Disposal ☐
Workover ☐ Emergency ☐
Lined ☒ Unlined ☐
Liner type: Synthetic ☒ Thickness **12** mil Clay ☐
Pit Volume **10,000** 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) 10
1000 feet or more	(0 points)

Ranking Score (Total Points) **10**

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.

Pit is located 800' from dry creek bed located north of the location.

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: **1-15-2007**

Printed Name/Title **Gary Miller, Agent** Phone **432/682/4559**

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:

Printed Name/Title _____

Signature _____

Date: **1/24/07**

Pit Closure Plan – Drilling Pit

Operator: Parallel Petroleum Corporation

Well Name: Jack in the Box Federal #1, API # 30-015-34652

Location: Unit M, Section 14, Township 19 S, Range 21 E, Eddy County, NM

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:**

It is proposed to bury the drill cutting in place and not remove or trench the cutting if it can be done so that a minimum of 3' of fill can be placed over the material. A 20 mil liner will be placed over the drill cutting before the area is backfilled.

If this method can not be used, trench burial will be utilized for burial and capping of the drilling mud and cuttings. 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. Since this is a federal well, the Bureau of Land Management (BLM) will be contacted for site reclamation requirements.