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 Amendment

JAN 16 2008
OCD-ARTESIA

Operator: Nadel & Gussman Permian, LLC Telephone: 432-682-4429 e-mail address: kemm@naguss.com
Address: 601 N. Marienfeld, Suite 508, Midland, Texas 79701
Facility or well name: **Cronos Fee No. 1** **API #: 30-015-35569 U/L E Sec 20 T23S R28E, 1950' FNL 660' FWL**
County: **Eddy** Latitude N_____ Longitude W_____ NAD: 1927 ☐ 1983 ☐
Surface Owner: Federal State Private X Indian ☐

Pit	**Below-grade tank N/A**
Type: Drilling X Production ☐ Disposal ☐ Workover ☐ Emergency ☐ Lined X Unlined ☐ Liner type: Synthetic X Thickness: **20ml HDPE liner** Clay ☐ Pit Volume: **1500 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 levels in this area show <50'. However, NGP procured soil samples for background data which indicate 19,000 to 30,400 ppm of soil chlorides naturally occurring in the area. NGP has also closed two other pits in this area and sodium chlorides levels commensurate with the above numbers.**	Less than 50 feet 50 feet or more, but less than 100 feet 100 feet or more	(20 points) (10 points) (0 points)	20 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)		**20 pts.**

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: **Offsite** If offsite, name of facility: **Haul to Lea Land, Inc** (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.

Additional Comments: Soil sample results have been emailed directly to NMOCD as taken. Due to the high salinity naturally occurring in this area, NGP has chosen to request (see Amended Closure Plan) hauling off the drilling fines to Lea Land followed by closure of the pit without further digging which has been supported by the laboratory results from soil samples taken from the pit bottom. Currently available analytical documents are attached. When Trace Analysis, Inc. provides the final numbers verbally communicated to Mike Bratcher on 14 January 2008 in written format, they will be submitted with 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: **14 January 2008**

Printed Name/Title: Kem McCready, Operation Manager Signature Kem McCready

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 **Signed By** Mike Bratcher Date: JAN 17 2008

Mr. Kem McCready
Operations Manager
NADEL AND GUSSMAN PERMIAN, LLC
601 N. Marienfeld
Suite 508
Midland, TX 79701

14 January 2008

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

Re: Cronos Fee No. 1 Pit Closure Amendment

Dear Mr. Bratcher:

Pursuant to the State of New Mexico regulatory requirements for permanent closure of drilling pits, enclosed herewith is the Amended Form C-144 and amended information constituting the "Amended Closure Plan" for closure of the Nadel and Gussman Permian, LLC, hereinafter "NGP", Cronos Fee No. 1 drilling pit (API No. 30-015-35569) located in U/L E S20 T23S, R28E, 1950' FNL, 660' FWL of Eddy County, New Mexico.

On 29 May 2007 (Exhibit 1), NGP took the opportunity to establish a pre-drilling environmental baseline for all drilling pits such that sodium chloride levels naturally occurring in the area of the proposed disturbance could be documented through the use of an EPA certified laboratory's analytical evaluation. NGP had come to this conclusion predicated upon its infield experience during the closure of the Mercury Fee No. 1 (2006) location wherein samples taken from the drilling pit exceeded 20,000 ppm naturally occurring and from the Hermes Fee No. 1 location which showed greater than 15,0000 ppm.

Consequently prior to lining the Cronos drilling pit, samples were pulled on Friday, 11 January and hand-delivered to Trace Analysis, Inc. lab to hopefully substantiate our prior experience of exceedingly high, naturally occurring salts in this area. The laboratory reported on 14 January that the results not only did in fact confirm the trend earlier discovered for this area but substantiated those reported on 29 May 2007 were consistent with anticipated projections. Although no written documents are yet available, Trace verbally reported the following analyticals during their telephone conversation with Cheryl Winkler this morning, as follows:

N1/4	22,992 ppm
S1/4	2,305 ppm
E1/4	31,824 ppm
W1/4	14,054 ppm

When final analytical documents are available (*Analytical and Quality Control Report* and Summary *Report*), they will be posted to your email for reference and verification. We anticipate this to occur not later than tomorrow, 15 January.

As a consequence of the foregoing actions, NGP herewith desires to amend its currently approved C-144 and "Closure Plan" for the Cronos Fee No. 1 to show NGP intends to (1) haul the drill fines to Lea Land Disposal, Inc. and (2) obtain closure for this pit with the higher limits herewith reported since it has been documented saline conditions of the area are naturally elevated at these reported levels. Therefore, no insitu solidification burial shall occur as initially submitted but all other applications discussed in the initial "Closure Plan" shall be instituted where and when necessary.

The amended documents as cited above are included with this transmittal for your approval.

Should you have questions, please call 432-682-4429 (office) or 432-425-6347 (cell).

Sincerely,

Kem McCready

Kem McCready
Operations Manager

cc: NMOCD, Amended Form C-144 and Amended Closure Plan, Laboratory Analyticals

Summary Report

Kem McCready
Nadel & Gussman Permian LLC
601 N. Marienfeld
Suite 508
Midland, TX, 79701

Report Date: May 30, 2007

Work Order: 7052902

Project Name: Caronos Fee No. 1 Background Data

Sample	Description	Matrix	Date Taken	Time Taken	Date Received
125610	Quad No. 1 Comp	soil	2007-05-24	17:00	2007-05-26
125611	Quad No. 2 Comp	soil	2007-05-24	17:30	2007-05-26
125612	Quad No. 3 Comp	soil	2007-05-24	17:50	2007-05-26
125613	Quad No. 4 Comp	soil	2007-05-24	18:00	2007-05-26
125614	Well Head Area @ 20'	soil	2007-05-24	18:25	2007-05-26
125615	Area Comp @ 60' X 600'	soil	2007-05-24	18:45	2007-05-26

Sample: 125610 - Quad No. 1 Comp

Param	Flag	Result	Units	RL
Chloride		**30400**	mg/Kg	5.00

Sample: 125611 - Quad No. 2 Comp

Param	Flag	Result	Units	RL
Chloride		**23800**	mg/Kg	5.00

Sample: 125612 - Quad No. 3 Comp

Param	Flag	Result	Units	RL
Chloride		**23800**	mg/Kg	5.00

Sample: 125613 - Quad No. 4 Comp

Param	Flag	Result	Units	RL
Chloride		**30300**	mg/Kg	5.00

Sample: 125614 - Well Head Area @ 20'

Param	Flag	Result	Units	RL
Chloride		**19000**	mg/Kg	5.00

Sample: 125615 - Area Comp @ 60' X 600'

Param	Flag	Result	Units	RL
Chloride		**21900**	mg/Kg	5.00