APPROVED
By Olivia Yu at 2:00 pm, Dec 08, 2017

NMOCD approves of the proposed delineation for 1RP-4819.

Penroc Oil Corporation

Oil Conservation Division (OCD) – District 1
1625 N. French Dr.
Hobbs, NM 88240
Attn: Olivia Yu

November 7, 2017

RE: State E 14
API No. 30-025-30516

Remediation case No.: 1RP-4819
Unit Letter J, Section 17, T-22-S, R36E, Lea County, NM
Latitude 32.388449 Longitude -103.283518

Dear Ms. Yu,

This letter and supporting documentation is submitted as a work plan for the characterization of impacts associated with the release of produced water and skim oil at the State E 14 Satellite Water Tank Battery located in Lea County, NM. Upon this work plan approval from the OCD, the release characterization work plan will be commenced and the resultant investigation report will be submitted to the OCD.

The goals of this characterization effort are: 1) determination of the lateral and vertical extents along with the magnitude of soil contamination. 2) determine if groundwater or surface waters have been impacted. 3) If groundwater or surface waters have been impacted, what are the extents and magnitude of that impact. 4) The characterization of any other adverse impacts that may have occurred (examples: impacts on vegetation, impacts on wildlife, air quality, loss of use of property, etc.) In meeting these goals, at a minimum, the following items will be addressed:

- Horizontal delineation of soil impacts in each of the four cardinal compass directions. Adsorbed soil contamination will be characterized for the following constituents using the associated laboratory methods: benzene, toluene, ethylbenzene, and total xylenes by either Method 8260 or 8021, total petroleum hydrocarbons by Method 8015 extended range (GRO+DRO+MRO; C6 thru C36), and for chloride by Method 300. If applicable, other potential contaminants will be analyzed. Soil samples will be taken in both the impacted area and beyond.

- Vertical delineation of soil impacts. Adsorbed soil contamination will be characterized for the following constituents using the associated laboratory methods: benzene, toluene, ethylbenzene, and total xylenes by either Method 8260 or 8021, total petroleum hydrocarbons by Method 8015 extended range (GRO+DRO+MRO; C6 thru C36), and for chloride by Method 300. If applicable, other potential contaminants will be analyzed. Vertical soil samples will be taken at depth intervals no greater than five feet apart. Lithologic description of the encountered soils will be provided. At least ten vertical feet of soils with contaminant concentration at or below the OCD required value must be demonstrated as existing above the water table.

- Nominal detection limits for field and laboratory analyses will be provided.

- Composite sampling will not occur.

- A statistically significant set of split samples will be submitted for confirmatory laboratory analysis. This will include the laterally farthest and vertically deepest sets of soil samples. At least two soil samples will be submitted for laboratory analysis from each borehole or test pit (highest observed contamination and deepest depth investigated). Copies of actual laboratory results will be provided including chain of custody documentation.

- Probable depth to shallowest protectable groundwater and lateral distance to the nearest surface water will be provided. If there is a reasonable assumption that the depth to protectable water is 50 feet or less, then it will be anticipated at least one groundwater monitoring well will need to be installed in the area of likely maximum contamination.

- If groundwater contamination is encountered, an additional investigation work plan may be required to determine the extents of that contamination.

- Accurately scaled and well-drafted site maps will be provided indicating the location of boring, test pits, monitoring well(s) (if needed), potentially impacted areas, and significant surface features including roads and site infrastructure that might limit either the release characterization or remedial efforts. Digital photographic documentation of the location and fieldwork will be provided.

Please let me know if this release characterization work plan meets your approval. Once this work plan is approved by the OCD, the release characterization work plan will be commenced and the resultant investigation report will be submitted to the OCD.

Please let me know if you have any questions.

Sincerely,

Todd M. Yocham, P.E.
Petroleum Engineer
tyocham@desertproduction.com
432-770-0615 cell

Penroc Oil Corporation
1515 W. Calle Sur, Suite 174
Hobbs, NM 88241

District I
1625 N. French Dr., Hobbs, NM 88240
District II
811 S. First St., 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-141
Revised April 3, 2017

Submit 1 Copy to appropriate District Office in accordance with 19.15.29 NMAC.

Release Notification and Corrective Action

OPERATOR

☒ Initial Report ☐ Final Report

Name of Company Penroc Oil Corporation	Contact M.Y. Merchant
Address 1515W Calle Sur, Suite 174, Hobbs, NM 88241	Telephone No. 575-492-1236
Facility Name State E 14	Facility Type Satellite Water Tank Battery

Surface Owner State	Mineral Owner State of NM	API No. 30-025-30516

LOCATION OF RELEASE

Unit Letter	Section	Township	Range	Feet from the	North/South Line	Feet from the	East/West Line	County
J	17	22S	36E					Lea

Latitude 32.388449 Longitude -103.283518 NAD83

NATURE OF RELEASE

Type of Release Produced Water and Skim Oil	Volume of Release 15 bbls	Volume Recovered 10 bbls
Source of Release Produced Water Tank	Date and Hour of Occurrence 08/23/17 6:30 am	Date and Hour of Discovery 08/23/17 7:00 am
Was Immediate Notice Given? ☐ Yes ☒ No ☐ Not Required	If YES, To Whom?	
By Whom?	Date and Hour	
Was a Watercourse Reached? ☐ Yes ☒ No	If YES, Volume Impacting the Watercourse.	

If a Watercourse was Impacted, Describe Fully.*

RECEIVED
By Olivia Yu at 9:36 am, Sep 22, 2017

Describe Cause of Problem and Remedial Action Taken.*

Penroc recently took over operations from Conoco-Phillips. This Satellite Produced Water Tank battery is located a distance from main tank battery. Water is transferred from main tank battery to this Satellite battery before being transferred to SWD. The water transfer pump at the Satelitte battery malfunctioned due to lightning storm in the area. A line fuse was down causing the transfer pump to not come on at the proper time to transfer the water. The spill fluid ran over the top of the tank and down the road. The spill fluid was diluted with the rain water and was recovered with a vacuum truck. The spill area was dragged and clean dirt was spread.

Describe Area Affected and Cleanup Action Taken.*

2 ft wide, 600 feet long effected. Area was dragged and clean dirt was spread.

I hereby certify that the information given above is true and complete to the best of my knowledge and understand that pursuant to NMOCD rules and regulations all operators are required to report and/or file certain release notifications and perform corrective actions for releases which may endanger public health or the environment. The acceptance of a C-141 report by the NMOCD marked as "Final Report" does not relieve the operator of liability should their operations have failed to adequately investigate and remediate contamination that pose a threat to ground water, surface water, human health or the environment. In addition, NMOCD acceptance of a C-141 report does not relieve the operator of responsibility for compliance with any other federal, state, or local laws and/or regulations.

Signature: Todd Yocham	OIL CONSERVATION DIVISION
Printed Name: Todd Yocham	Approved by Environmental Specialist:
Title: Petroleum Engineer	Approval Date: 9/22/2017 Expiration Date:
E-mail Address: tyocham@desertproduction.com	Conditions of Approval: see attached directive Attached ☑
Date: 9/19/2017 Phone: 575-492-1236	

fOY1726535005 1RP-4819 nOY1726535181 pOY1726535576

Penroc Oil Corporation

State E 10 Strawn Tank Battery
API No. 30-025-30516
Production Battery
Unit Letter O, Section 17, T-22-S, R36E, Lea County, NM
Latitude 32.385930 Longitude -103.285105
Remediation case No.: 1RP-4802

AND

State E 14
API No. 30-025-30516
Satellite Water Tank Battery
Unit Letter J, Section 17, T-22-S, R36E, Lea County, NM
Latitude 32.388449 Longitude -103.283518
Remediation case No.: 1RP-4819

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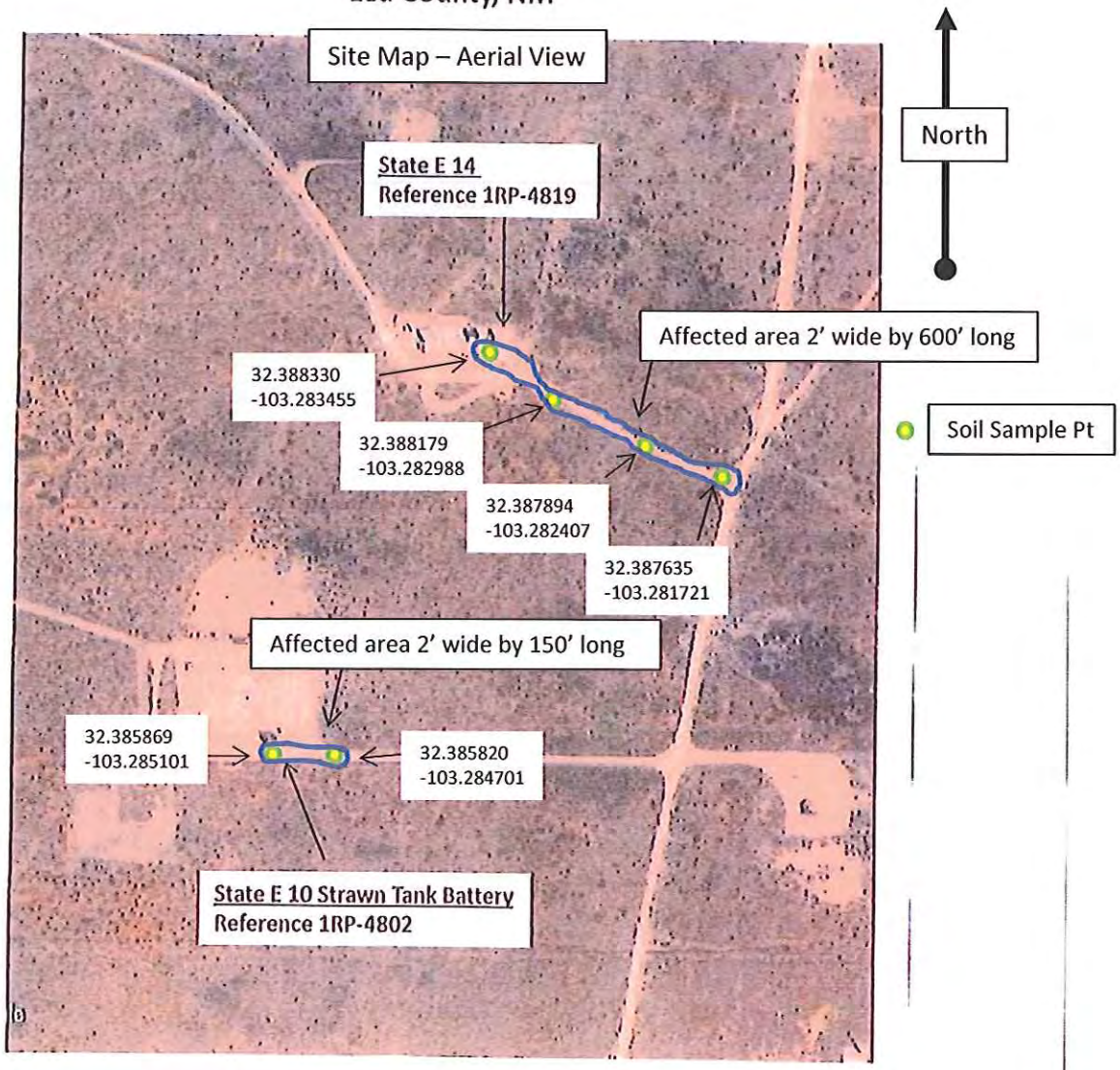
Latitude 32.385930 Longitude -103.285105
Remediation case No.: 1RP-4802

Penroc Oil Corp
State E Lease
Lea County, NM



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Penroc Oil Corp
State E Lease
Lea County, NM