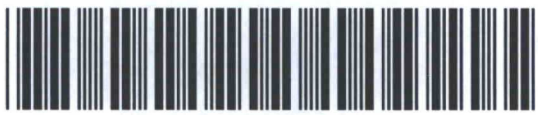
API Well Number Banner

Report Description

This report shows a Well's API Number in Barcode format for purposes of scanning. The Barcode format is Code 39.



30025362850000

30 25 36285

LOCO OCHO STATE No.001

NADEL AND GUSSMAN PERMIAN, LLC

4/19/2016

Mr. Joel Martin
Drilling Manager
NADEL AND GUSSMAN PERMIAN, LLC
601 N. Marienfeld, Suite 508
Midland, TX 79701

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25 September 2012

Mr. Geoffrey Leking
OIL CONSERVATION DIVISION
1625 N. French Drive
Hobbs, NM 88240

Re: Loco Ocho State No. 1 Pad and Pit Final Remediation Report **1RP-8-12-2844**
U/L N Sec. 33 16S 35E 660 FSL 1980 FWL **API No.: 30-025-36285**

Dear Mr. Leking:

Nadel and Gussman Permian, LLC (NGP) submitted its notice of intent for final closure of the Loco Ocho State No. 1 drilling pad and pit on August 15, 2012 following NGP's P&A activities that were completed on this location during February 2012. Final reclamation implementation was based on the results of the August 21, 2012 New Mexico Oil and Gas Conservation Division (NMOCD) onsite inspection of the, then, current pit area(s) and pad conditions. NGP had sampled the drilling pad on 18 March 2011 in preparation for closure. During the actual closure event, a total of 4 more sampling events were needed to verify onsite conditions following excavation, prior to release by the NMOCD

On August 1st, the NMOCD made an independent assessment of the Loco Ocho State No. 1 pit area(s) and mandated that the pit area(s) located along the northern edge of the drilling pad will be closed by excavation. NGP was required to delineate vertical and horizontal contamination levels of the pit area(s) due to the close proximity of the groundwater table located at approximately 59' to 61'. Subsequently, after using the backhoe to assess the situation, excavation began. At all levels of the excavation, every effort was made to reduce the amount of material hauled to CRI for disposal.

The pad caliche from the northwest corner was also hauled to disposal as mandated by the NMOCD because soil chlorides were in excess of 2,500 mg/Kg. Efforts were made to resample on several occasions but horizontal movement of the pit area(s) discharges, which had both surfaced and moved horizontally by several feet, significantly influenced contamination in this area to levels greater than 20,000 mg/Kg. Tank battery areas had very limited excavation, totaling less than approximately 6 yards. There was approximately only 6 to 8 inches of contaminated material present where the separator was previously located, making this a very small footprint. In fact, infield sampling shows beneath the caliche layer here, soils meet background at 88 mg/Kg. Summarily then, the total amount of material hauled to CRI from the Loco Ocho State No.1 was approximately 110 loads.

approved
Geoff Leking
env. Specialist
NMOCD - DIST I
10/01/12

Prior to backfilling, all excavated areas were final tested to ensure compliance with NMOCD Recommended Remediation Action Levels (RRAL's). The entire area was then treated with calcium sulfate and nitrate to reduce the influence of any remaining soil chlorides and enhance degradation of remaining hydrocarbons. Since the excavation limits were arrested at the cap that covers this area in an undulating fashion, sometimes outcropping at a few inches and in other areas plunging to depths greater than 15 feet, the actual amount of material hauled off was significantly reduced.

Post excavation, the clean caliche remaining on the pad and the access road area was used for backfilling, again reducing haul and material costs for closure. This material contained a significant amount of excess soil resulting from the push back of the caliche into a long ridge across the pad from which it was moved into the old pit area(s). The topsoil was available onsite and used to cover the caliche prior to seeding. It is important to note that the area is highly rocky and topsoil very thin, found only among the rocky masses. In order for the final topographic relief to match the surrounding terrain, excessive additional soil could not be applied. Therefore, utilization of the onsite materials was sufficient.

The "bald areas" located along the west, north and east sides of the drilling pad were tested for soil chlorides prior to completion of the reclamation process. These areas were found to be a naturally occurring "scar" on the landscape caused by lichen present during low moisture conditions.

Reclamation activities were completed and NMOCD's final inspection occurred on September 19th. Seeding the footprint with a local grass seed mixture approved by the NMOCD occurred on September 21st.

Please call (432-682-4429) should you have questions.

Sincerely

Joel Martin
Drilling Manager

Enclosures: Laboratory Analyticals

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

John H. Bemis
Cabinet Secretary

Brett F. Woods, Ph.D.
Deputy Cabinet Secretary

Jami Bailey, Division Director
Oil Conservation Division

September 28, 2012

Re: Nadel and Gussman Permian Loco Ocho State 001 Remediation of Former Pit Area

My first visit to the Nadel and Gussman Permian Loco Ocho State 001, API# 30-025-36285-00-00, N-33-16S-35E site was on August 1, 2012. I went by myself in order to be uninfluenced by other personnel's observations. Of the areas of concern that I identified, the most striking was the large bare area running north and northwest of the northwest portion of the pad. Although I suspected that part of the bare area could possibly be an old pit area, it was evident that a larger contamination issue was present than just an old pit footprint. The soils were heavily stained with white chloride residue which reached onto the pad's northwest corner as well to the west and north. I came to the conclusion that whatever the source of the contamination was, it would have to be remediated in order to protect the environment; both the surficial and underlying soils as well as the ground water which is estimated to be between 55 feet to 70 feet below ground surface in the area. On August 24, 2012 I returned to the site to observe the progress of the soils Investigation. Excavation of the area north of the pad's northwest portion displayed that it was indeed the location of an old drilling pit containing drilling mud and other contaminated material. Although liner material was observed, it did not appear to have been used in the closure of the pit, but probably was part of the liner when the pit was operating. It was apparent it was not or had not prevented the leaching of contamination from the pit in its present condition. Research into historical documentation of the site has not produced any evidence that there was a design plan or closure plan for the drilling pit. From my observations of the contamination surrounding the pit area and the contents of the pit, I decided that the pit contents should be excavated and disposed of to the greatest extent practically possible in order to adequately protect the environment. In addition, I suggested that Nadel and Gussman should install a liner to protect the environment from any residual contamination left in the pit area after excavation. Instead, Nadel and Gussman suggested the less expensive application of CaSO4 H20 to the bottom and north end of the excavated pit area in order to fix any residual chlorides that still exist. This alternative was approved by OCD. Nadel and Gussman has been successful in remediating this area of concern and the OCD will be mindful of this success in future interactions with the company.

Geoffrey Leking
Environmental Specialist
NMOCD-Hobbs
1625 N. French Drive
Hobbs, NM 88240
Office: (575) 393-6161 Ext. 113
Cell: (575) 399-2990
email: geoffreyr.leking@state.nm.us

COPY

From: "Leking, Geoffrey R, EMNRD" <GeoffreyR.Leking@state.nm.us>
Subject: Nadel Gussman Loco Ocho State #1 Remediation Complete
Date: 24 September 2012 09:21:32 CDT
To: "Sanchez, Daniel J., EMNRD" <daniel.sanchez@state.nm.us>
Cc: "Gonzales, Elidio L, EMNRD" <ElidioL.Gonzales@state.nm.us>, "cmwink@mac.com" <cmwink@mac.com>

Daniel

Nadel Gussman has completed the remediation at the Loco Ocho State #1. Reseeding took place Friday. The final report, C-141 and other documentation will be submitted this week. Thank you.

Geoffrey Leking
Environmental Specialist
NMOCD-Hobbs
1625 N. French Drive
Hobbs, NM 88240
Office: (575) 393-6161 Ext. 113
Cell: (575) 399-2990
email: geoffreyr.leking@state.nm.us

Summary Report

Nadel & Gussman Permian LLC
600 N. Marienfeld
Suite 508
Midland, TX 79701

Report Date: April 5, 2011

Work Order: 11032803

Project Location: Drilling Pad Closure - P & A
Project Name: Loco Ocho State No. 1

Sample	Description	Matrix	Date Taken	Time Taken	Date Received
261823	Drilling Pad Closure - SE Area	soil	2011-03-18	13:00	2011-03-25
261824	Drilling Pad Closure - SW Area	soil	2011-03-18	13:20	2011-03-25
261825	Drilling Pad Closure - NE Area	soil	2011-03-18	13:45	2011-03-25
261826	Drilling Pad Closure - NW Area	soil	2011-03-18	14:00	2011-03-25
261827	Drilling Pad Closure - Wellhead Area	soil	2011-03-18	14:10	2011-03-25
261828	Drilling Pad Closure - Background	soil	2011-03-18	14:25	2011-03-25

	BTEX				MTBE	TPH DRO - NEW	TPH GRO
Sample - Field Code	Benzene (mg/Kg)	Toluene (mg/Kg)	Ethylbenzene (mg/Kg)	Xylene (mg/Kg)	MTBE (mg/Kg)	DRO (mg/Kg)	GRO (mg/Kg)
261823 - Drilling Pad Closure - SE Area	<0.0200	<0.0200	<0.0200	<0.0200		<50.0	<2.00
261824 - Drilling Pad Closure - SW Area	<0.0200	<0.0200	<0.0200	<0.0200		<50.0	<2.00
261825 - Drilling Pad Closure - NE Area	<0.0200	<0.0200	<0.0200	<0.0200		<50.0	<2.00
261826 - Drilling Pad Closure - NW Area	<0.0200	<0.0200	<0.0200	<0.0200		<50.0	<2.00
261827 - Drilling Pad Closure - Wellhead Area	<0.0200	<0.0200	<0.0200	<0.0200		<50.0	<2.00
261828 - Drilling Pad Closure - Background	<0.0200	<0.0200	<0.0200	<0.0200		<50.0	<2.00

Sample: 261823 - Drilling Pad Closure - SE Area

Param	Flag	Result	Units	RL
Chloride		**38.5**	mg/Kg	2.50

Sample: 261824 - Drilling Pad Closure - SW Area

Param	Flag	Result	Units	RL
Chloride		**38.5**	mg/Kg	2.50

Sample: 261825 - Drilling Pad Closure - NE Area

Param	Flag	Result	Units	RL
Chloride		**38.5**	mg/Kg	2.50

Sample: 261826 - Drilling Pad Closure - NW Area

Param	Flag	Result	Units	RL
Chloride		**2450**	mg/Kg	2.50

Sample: 261827 - Drilling Pad Closure - Wellhead Area

Param	Flag	Result	Units	RL
Chloride		**721**	mg/Kg	2.50

Sample: 261828 - Drilling Pad Closure - Background

Param	Flag	Result	Units	RL
Chloride		<2.50	mg/Kg	2.50

Summary Report

Zach Hernandez
Nadel & Gussman Permian LLC
600 N. Marienfeld
Suite 508
Midland, TX 79701

Report Date: July 25, 2012

Work Order: 12071124

Project Location: Drilling Pad Closure - P & A
Project Name: Loco Ocho State No. 1

Sample	Description	Matrix	Date Taken	Time Taken	Date Received
303336	Pad NW Area @ 1'	soil	2012-07-11	08:30	2012-07-11
303337	Rectangular Tank Battery @ 2'	soil	2012-07-11	09:10	2012-07-11
303338	Tank Battery @ 4'	soil	2012-07-11	09:20	2012-07-11
303339	Pit East @ 6 in.	soil	2012-07-11	09:40	2012-07-11

Sample - Field Code	BTEX Benzene (mg/Kg)	BTEX Toluene (mg/Kg)	BTEX Ethylbenzene (mg/Kg)	BTEX Xylene (mg/Kg)	TPH DRO - NEW DRO (mg/Kg)	TPH GRO GRO (mg/Kg)
303336 - Pad NW Area @ 1'	<0.0200	<0.0200	<0.0200	<0.0200	<50.0	<2.00
303337 - Rectangular Tank Battery @ 2'	<0.100	<0.100	**0.277**	**0.195**	**2330**	**87.7**
303338 - Tank Battery @ 4'	<0.0200	<0.0200	**0.0845**	**0.0776**	**310**	**108** Je
303339 - Pit East @ 6 in.	<0.0200	<0.0200	<0.0200	<0.0200	<50.0	**2.96**

Sample: 303336 - Pad NW Area @ 1'

Param	Flag	Result	Units	RL
Chloride		**87.9**	mg/Kg	4

Sample: 303337 - Rectangular Tank Battery @ 2'

Param	Flag	Result	Units	RL
Chloride		**11500**	mg/Kg	4

Sample: 303338 - Tank Battery @ 4'

Param	Flag	Result	Units	RL
Chloride		**732**	mg/Kg	4

Sample: 303339 - Pit East @ 6 in.

Param	Flag	Result	Units	RL
Chloride		**26000**	mg/Kg	4

Summary Report

Joel Martin
Nadel & Gussman Permian LLC
600 N. Marienfeld
Suite 508
Midland, TX 79701

Report Date: September 11, 2012

Work Order: 12083004

Project Name: Loco Ocho State #1
Project Number: Pad and Pit Closure

Sample	Description	Matrix	Date Taken	Time Taken	Date Received
308156	Pit @ 1'	soil	2012-08-28	08:00	2012-08-30
308157	Pit @ 2'	soil	2012-08-28	08:20	2012-08-30
308158	Pit NW Area	soil	2012-08-29	09:00	2012-08-30
308159	Pit SE Area	soil	2012-08-29	10:00	2012-08-30
308160	NE Battery Comp.	soil	2012-08-29	10:10	2012-08-30
308161	SW Battery Comp.	soil	2012-08-29	10:15	2012-08-30
308162	Brown Spots	soil	2012-08-29	10:40	2012-08-30
308163	Background	soil	2012-08-29	10:50	2012-08-30
308313	Pad NW	soil	2012-08-30	15:20	2012-08-30
308314	Pad SE	soil	2012-08-30	15:40	2012-08-30
308315	Pit N Boundary	soil	2012-08-30	15:55	2012-08-30

	BTEX				MTBE	TPH DRO - NEW	TPH GRO
	Benzene	Toluene	Ethylbenzene	Xylene	MTBE	DRO	GRO
Sample - Field Code	(mg/Kg)	(mg/Kg)	(mg/Kg)	(mg/Kg)	(mg/Kg)	(mg/Kg)	(mg/Kg)
308156 - Pit @ 1'	**1.22**	**25.4**	**57.3**	**154**		**4040** Qs	**4920** Qs
308157 - Pit @ 2'	<0.100 [1]	**0.867**	**1.87**	**7.10**		**2170** Qs	**568** Qs
308158 - Pit NW Area	<0.0200 Qr	<0.0200 Qr	<0.0200 Qr	<0.0200 Qr		<50.0 Qs	<4.00 Qr
308159 - Pit SE Area	<0.0200 Qr	<0.0200 Qr	<0.0200 Qr	<0.0200 Qr		<50.0 Qs	<4.00 Qr
308160 - NE Battery Comp.	<0.0200 Qr	<0.0200 Qr	<0.0200 Qr	<0.0200 Qr		<50.0 Qs	<4.00 Qr
308161 - SW Battery Comp.	<0.0200 Qr	<0.0200 Qr	<0.0200 Qr	<0.0200 Qr		<50.0 Qs	<4.00 Qr
308162 - Brown Spots	<0.0200	<0.0200	<0.0200	<0.0200		<50.0 Qs	<4.00 Qs
308313 - Pad NW	<0.0200 Qr	<0.0200 Qr	<0.0200 Qr	<0.0200 Qr		<50.0 Qs	<4.00 Qr
308314 - Pad SE	<0.0200 Qr	<0.0200 Qr	<0.0200 Qr	<0.0200 Qr		<50.0 Qs	<4.00 Qr
308315 - Pit N Boundary	<0.0200 Qr	<0.0200 Qr	<0.0200 Qr	<0.0200 Qr		<50.0 Qs	<4.00 Qr

Sample: 308156 - Pit @ 1'

[1] Sample dilution due to hydrocarbons.

Param	Flag	Result	Units	RL
Chloride		**13000**	mg/Kg	4

Sample: 308157 - Pit @ 2'

Param	Flag	Result	Units	RL
Chloride		**10400**	mg/Kg	4

Sample: 308158 - Pit NW Area

Param	Flag	Result	Units	RL
Chloride		**372**	mg/Kg	4

Sample: 308159 - Pit SE Area

Param	Flag	Result	Units	RL
Chloride		**223**	mg/Kg	4

Sample: 308160 - NE Battery Comp.

Param	Flag	Result	Units	RL
Chloride		**273**	mg/Kg	4

Sample: 308161 - SW Battery Comp.

Param	Flag	Result	Units	RL
Chloride		**335**	mg/Kg	4

Sample: 308162 - Brown Spots

Param	Flag	Result	Units	RL
Chloride		**74.5**	mg/Kg	4

Sample: 308163 - Background

Param	Flag	Result	Units	RL
Chloride		<20.0	mg/Kg	4

Sample: 308313 - Pad NW

Param	Flag	Result	Units	RL
Chloride		**811**	mg/Kg	4

Sample: 308314 - Pad SE

Param	Flag	Result	Units	RL
Chloride		**861**	mg/Kg	4

Sample: 308315 - Pit N Boundary

Param	Flag	Result	Units	RL
Chloride		**817**	mg/Kg	4

Summary Report

Joel Martin
Nadel & Gussman Permian LLC
600 N. Marienfeld
Suite 508
Midland, TX 79701

Report Date: September 14, 2012

Work Order: 12091333

Project Name: Loco Ocho State #1
Project Number: Pad and Pit Closure

Sample	Description	Matrix	Date Taken	Time Taken	Date Received
309263	Pad NW @ 4'	soil	2012-09-12	16:50	2012-09-13
309264	Pad SE @ 1'	soil	2012-09-12	17:10	2012-09-13
309265	Pit North Boundary	soil	2012-09-12	16:20	2012-09-13

Sample: 309263 - Pad NW @ 4'

Param	Flag	Result	Units	RL
Chloride		<20.0	mg/Kg	4

Sample: 309264 - Pad SE @ 1'

Param	Flag	Result	Units	RL
Chloride		**102**	mg/Kg	4

Sample: 309265 - Pit North Boundary

Param	Flag	Result	Units	RL
Chloride		<20.0	mg/Kg	4


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Summary Report

Nadel & Gussman Permian LLC
600 N. Marienfeld
Suite 508
Midland, TX 79701

Report Date: April 5, 2011

Work Order: 11032803

Project Location: Drilling Pad Closure - P & A
Project Name: Loco Ocho State No. 1

Sample	Description	Matrix	Date Taken	Time Taken	Date Received
261823	Drilling Pad Closure - SE Area	soil	2011-03-18	13:00	2011-03-25
261824	Drilling Pad Closure - SW Area	soil	2011-03-18	13:20	2011-03-25
261825	Drilling Pad Closure - NE Area	soil	2011-03-18	13:45	2011-03-25
261826	Drilling Pad Closure - NW Area	soil	2011-03-18	14:00	2011-03-25
261827	Drilling Pad Closure - Wellhead Area	soil	2011-03-18	14:10	2011-03-25
261828	Drilling Pad Closure - Background	soil	2011-03-18	14:25	2011-03-25

	BTEX				MTBE	TPH DRO - NEW	TPH GRO
	Benzene	Toluene	Ethylbenzene	Xylene	MTBE	DRO	GRO
Sample - Field Code	(mg/Kg)	(mg/Kg)	(mg/Kg)	(mg/Kg)	(mg/Kg)	(mg/Kg)	(mg/Kg)
261823 - Drilling Pad Closure - SE Area	<0.0200	<0.0200	<0.0200	<0.0200		<50.0	<2.00
261824 - Drilling Pad Closure - SW Area	<0.0200	<0.0200	<0.0200	<0.0200		<50.0	<2.00
261825 - Drilling Pad Closure - NE Area	<0.0200	<0.0200	<0.0200	<0.0200		<50.0	<2.00
261826 - Drilling Pad Closure - NW Area	<0.0200	<0.0200	<0.0200	<0.0200		<50.0	<2.00
261827 - Drilling Pad Closure - Wellhead Area	<0.0200	<0.0200	<0.0200	<0.0200		<50.0	<2.00
261828 - Drilling Pad Closure - Background	<0.0200	<0.0200	<0.0200	<0.0200		<50.0	<2.00

Sample: 261823 - Drilling Pad Closure - SE Area

Param	Flag	Result	Units	RL
Chloride		**38.5**	mg/Kg	2.50

Sample: 261824 - Drilling Pad Closure - SW Area

Param	Flag	Result	Units	RL
Chloride		**38.5**	mg/Kg	2.50

Sample: 261825 - Drilling Pad Closure - NE Area

Param	Flag	Result	Units	RL
Chloride		**38.5**	mg/Kg	2.50

Sample: 261826 - Drilling Pad Closure - NW Area

Param	Flag	Result	Units	RL
Chloride		**2450**	mg/Kg	2.50

Sample: 261827 - Drilling Pad Closure - Wellhead Area

Param	Flag	Result	Units	RL
Chloride		**721**	mg/Kg	2.50

Sample: 261828 - Drilling Pad Closure - Background

Param	Flag	Result	Units	RL
Chloride		<2.50	mg/Kg	2.50

Summary Report

Zach Hernandez
Nadel & Gussman Permian LLC
600 N. Marienfeld
Suite 508
Midland, TX 79701

Report Date: July 25, 2012

Work Order: 12071124

Project Location: Drilling Pad Closure - P & A
Project Name: Loco Ocho State No. 1

Sample	Description	Matrix	Date Taken	Time Taken	Date Received
303336	Pad NW Area @ 1'	soil	2012-07-11	08:30	2012-07-11
303337	Rectangular Tank Battery @ 2'	soil	2012-07-11	09:10	2012-07-11
303338	Tank Battery @ 4'	soil	2012-07-11	09:20	2012-07-11
303339	Pit East @ 6 in.	soil	2012-07-11	09:40	2012-07-11

Sample - Field Code	BTEX Benzene (mg/Kg)	BTEX Toluene (mg/Kg)	BTEX Ethylbenzene (mg/Kg)	BTEX Xylene (mg/Kg)	TPH DRO - NEW DRO (mg/Kg)	TPH GRO GRO (mg/Kg)
303336 - Pad NW Area @ 1'	<0.0200	<0.0200	<0.0200	<0.0200	<50.0	<2.00
303337 - Rectangular Tank Battery @ 2'	<0.100	<0.100	**0.277**	**0.195**	**2330**	**87.7**
303338 - Tank Battery @ 4'	<0.0200	<0.0200	**0.0845**	**0.0776**	**310**	**108** J⁰
303339 - Pit East @ 6 in.	<0.0200	<0.0200	<0.0200	<0.0200	<50.0	**2.96**

Sample: 303336 - Pad NW Area @ 1'

Param	Flag	Result	Units	RL
Chloride		**87.9**	mg/Kg	4

Sample: 303337 - Rectangular Tank Battery @ 2'

Param	Flag	Result	Units	RL
Chloride		**11500**	mg/Kg	4

Sample: 303338 - Tank Battery @ 4'

Param	Flag	Result	Units	RL
Chloride		**732**	mg/Kg	4

Sample: 303339 - Pit East @ 6 in.

Param	Flag	Result	Units	RL
Chloride		**26000**	mg/Kg	4

Summary Report

Joel Martin
Nadel & Gussman Permian LLC
600 N. Marienfeld
Suite 508
Midland, TX 79701

Report Date: September 11, 2012

Work Order: 12083004

Project Name: Loco Ocho State #1
Project Number: Pad and Pit Closure

Sample	Description	Matrix	Date Taken	Time Taken	Date Received
308156	Pit @ 1'	soil	2012-08-28	08:00	2012-08-30
308157	Pit @ 2'	soil	2012-08-28	08:20	2012-08-30
308158	Pit NW Area	soil	2012-08-29	09:00	2012-08-30
308159	Pit SE Area	soil	2012-08-29	10:00	2012-08-30
308160	NE Battery Comp.	soil	2012-08-29	10:10	2012-08-30
308161	SW Battery Comp.	soil	2012-08-29	10:15	2012-08-30
308162	Brown Spots	soil	2012-08-29	10:40	2012-08-30
308163	Background	soil	2012-08-29	10:50	2012-08-30
308313	Pad NW	soil	2012-08-30	15:20	2012-08-30
308314	Pad SE	soil	2012-08-30	15:40	2012-08-30
308315	Pit N Boundary	soil	2012-08-30	15:55	2012-08-30

Sample - Field Code	BTEX Benzene (mg/Kg)	BTEX Toluene (mg/Kg)	BTEX Ethylbenzene (mg/Kg)	BTEX Xylene (mg/Kg)	MTBE MTBE (mg/Kg)	TPH DRO - NEW DRO (mg/Kg)	TPH GRO GRO (mg/Kg)
308156 - Pit @ 1'	**1.22**	**25.4**	**57.3**	**154**		**4040** Qs	**4920** Qs
308157 - Pit @ 2'	<0.100 [1]	**0.867**	**1.87**	**7.10**		**2170** Qs	**568** Qs
308158 - Pit NW Area	<0.0200 Qr	<0.0200 Qr	<0.0200 Qr	<0.0200 Qr		<50.0 Qs	<4.00 Qr
308159 - Pit SE Area	<0.0200 Qr	<0.0200 Qr	<0.0200 Qr	<0.0200 Qr		<50.0 Qs	<4.00 Qr
308160 - NE Battery Comp.	<0.0200 Qr	<0.0200 Qr	<0.0200 Qr	<0.0200 Qr		<50.0 Qs	<4.00 Qr
308161 - SW Battery Comp.	<0.0200 Qr	<0.0200 Qr	<0.0200 Qr	<0.0200 Qr		<50.0 Qs	<4.00 Qr
308162 - Brown Spots	<0.0200	<0.0200	<0.0200	<0.0200		<50.0 Qs	<4.00 Qs
308313 - Pad NW	<0.0200 Qr	<0.0200 Qr	<0.0200 Qr	<0.0200 Qr		<50.0 Qs	<4.00 Qr
308314 - Pad SE	<0.0200 Qr	<0.0200 Qr	<0.0200 Qr	<0.0200 Qr		<50.0 Qs	<4.00 Qr
308315 - Pit N Boundary	<0.0200 Qr	<0.0200 Qr	<0.0200 Qr	<0.0200 Qr		<50.0 Qs	<4.00 Qr

Sample: 308156 - Pit @ 1'

[1] Sample dilution due to hydrocarbons.

Param	Flag	Result	Units	RL
Chloride		**13000**	mg/Kg	4

Sample: 308157 - Pit @ 2'

Param	Flag	Result	Units	RL
Chloride		**10400**	mg/Kg	4

Sample: 308158 - Pit NW Area

Param	Flag	Result	Units	RL
Chloride		**372**	mg/Kg	4

Sample: 308159 - Pit SE Area

Param	Flag	Result	Units	RL
Chloride		**223**	mg/Kg	4

Sample: 308160 - NE Battery Comp.

Param	Flag	Result	Units	RL
Chloride		**273**	mg/Kg	4

Sample: 308161 - SW Battery Comp.

Param	Flag	Result	Units	RL
Chloride		**335**	mg/Kg	4

Sample: 308162 - Brown Spots

Param	Flag	Result	Units	RL
Chloride		**74.5**	mg/Kg	4

Sample: 308163 - Background

Param	Flag	Result	Units	RL
Chloride		<20.0	mg/Kg	4

Sample: 308313 - Pad NW

Param	Flag	Result	Units	RL
Chloride		**811**	mg/Kg	4

Sample: 308314 - Pad SE

Param	Flag	Result	Units	RL
Chloride		**861**	mg/Kg	4

Sample: 308315 - Pit N Boundary

Param	Flag	Result	Units	RL
Chloride		**817**	mg/Kg	4

Mr. Joel Martin
Drilling Manager
NADEL AND GUSSMAN PERMIAN, LLC
601 N. Marienfeld, Suite 508
Midland, TX 79701

15 August 2012

Mr. Geoffrey Leking
OIL CONSERVATION DIVISION
1625 N. French Drive
Hobbs, NM 88240

Re: Loco Ocho State No. 1 Notice of Intent for Drilling Pad Closure
U/L N Sec. 33 16S 35E 660 FSL 1980 FWL

1RP-8-12-2844
API No.: 30-025-36285

Dear Mr. Leking:

Thank you for your time and consideration in reviewing the Nadel and Gussman Permian, LLC (NGP) Loco Ocho State No. 1 drilling pad for final closure following their P&A activities which were completed on this location during February 2012. The following environmental corrective action information is based on the results of your August 2, 2012 onsite inspection of the current site and pad conditions. NGP intends to comply with New Mexico Oil and Gas Commission (NMOCD) regulatory requirements for the closure of this drilling pad and the associated environmental compliance issues.

Initially, NGP had sampled the drilling pad on 18 March 2011 in preparation for closure that is included with this transmittal. Due to the very busy status of the oil field in general, NGP was not able to P&A the Loco Ocho State No. 1 well until February of 2012. However, this location is now in preparation for closure targeted to begin the week of August 20th. NMOCD will be notified of the exact date 24 hours prior to infield implementation.

NGP intends to implement the following infield activities as discussed below:

The two pits located along the northern edge of the drilling pad will be closed by excavation of approximately 3' of contaminated material which will be hauled to disposal from pit 1, then the area treated with calcium sulfate and nitrate, covered with approximately 2' of backfill material, followed by 6" to 8" of topsoil or enough soil cumulatively that the footprint will be commensurate with surrounding topographic relief. Prior to backfill, this excavated area will be tested to ensure compliance with NMOCD Recommended Remediation Action Levels (RRAL's).

Pit 2, which is physically adjacent to pit 1 currently exhibits a vegetative stand comprised mainly of invasive weeds and is not showing much indigenous grass. Therefore, this specific area will no be excavated but be handled separately from pit 1, although handled at the same time since the two are linked together. Once the pit area is completed, it will be tied into the entire remediated site so that no separate areas will be contributing to the existing footprint when remediation is completed.

Approved
Geoffrey Leking
Env. Specialist
NMOCD - Dist 1
8/15/12

Affected areas of the rectangular tank battery located along the south side of the pad will be excavated to meet NMOCD RRAL's. Based on NGP's infield evaluations and NMOCD's onsite visit on August 2, 2012, excavation to approximately 3' or less will be necessary only at the southwest end of the tank battery footprint. However, the southeast end of this tank battery will be sampled along with the southwest end following removal of the contaminated material from the southwest area.

The tank battery area to the northeast and the separator footprint to the northwest will be excavated where necessary to meet NMOCD RRAL's followed by confirmation sampling and NMOCD's clearance to close these areas. Again, based on NGP's infield evaluations and NMOCD's onsite visit on August 2nd, there is approximately only 6 to 8 inches of contaminated material present where the separator was previously located, making this a very small footprint. In fact, infield sampling shows beneath the caliche layer here, soils meet background at 88 mg/Kg. The tank battery area to the northeast only showed surficial contamination during the infield onsite with the exception of pea gravel covering the area within the berms which will be handled with the removal of the drilling pad caliche. Once these areas have been cleared by NMOCD, they will be closed along with the overall drilling pad to incorporate them into one footprint.

The "bald areas" located along the west, north and east sides of the drilling pad will be tested this week for soil chlorides prior to completion of the reclamation process. If these areas are found to be above soil chloride concentration limits, NMOCD will be notified and appropriate action taken. NGP has some concern that this is either a naturally occurring "scar" on the landscape caused by a fungus or lichen or a footprint caused by perhaps, foreign trucks dumping in the area, as similar "bald areas" can be seen very frequently up and down the main service road as well as in areas far removed from the roadbed itself. Should these areas prove to be naturally occurring, NGP will not be responsible for their disposition.

The remainder of the drilling pad will be handled by flipping the pad in all areas that qualify for this procedure. Should a serious contamination issue arise, NMOCD will be notified immediately and the infield reclamation action changed accordingly, if necessary. Currently, NGP sees no evidence that other than above described handling shall be necessary.

As stated earlier in this transmittal, NGP had sampled the entire Loco Ocho State No. 1 drilling pad on March 18, 2011 with the exception of the tank batteries and the separator areas because they were occupied with equipment at that time.

The road (.1 mile) will be the last area closed during infield operations. V-F Petroleum, Inc. has contacted NGP regarding their interest in obtaining caliche from the Loco Ocho State No. 1 pad. NGP has subsequently contacted Bill Sonnemacher of the New Mexico Department of State Lands to verify if this was commensurate with state regulations. NGP was told this was acceptable. NGP will notify V-F Petroleum, Inc. when the caliche is ready for harvest from the road area and of any other caliche remaining from the remediation work. At this time, V-F Petroleum, Inc. may obtain the caliche on an "as is where is" basis with a fixed deadline which will coincide with NGP's final reclamation efforts and prior to their departure from the location. However, should NGP determine that the caliche is needed for reclamation efforts, it will not be transferred to V-F Petroleum, Inc. and NGP will continue to handle the area as identified earlier for the entire drilling pad.

Reclamation activities are targeted for completion prior to August 31, 2012. At this time, NMOCD will be notified for final inspection. Following this, the entire footprint will be seeded with a state approved seed mix.

Please call (432-682-4429) should you have questions.

Sincerely,

Joel Martin
Drilling Manager

Enclosures: Laboratory Analyticals

Summary Report

Nadel & Gussman Permian LLC
600 N. Marienfeld
Suite 508
Midland, TX 79701

Report Date: April 5, 2011

Work Order: 11032803

Project Location: Drilling Pad Closure - P & A
Project Name: Loco Ocho State No. 1

Sample	Description	Matrix	Date Taken	Time Taken	Date Received
261823	Drilling Pad Closure - SE Area	soil	2011-03-18	13:00	2011-03-25
261824	Drilling Pad Closure - SW Area	soil	2011-03-18	13:20	2011-03-25
261825	Drilling Pad Closure - NE Area	soil	2011-03-18	13:45	2011-03-25
261826	Drilling Pad Closure - NW Area	soil	2011-03-18	14:00	2011-03-25
261827	Drilling Pad Closure - Wellhead Area	soil	2011-03-18	14:10	2011-03-25
261828	Drilling Pad Closure - Background	soil	2011-03-18	14:25	2011-03-25

Sample - Field Code	BTEX Benzene (mg/Kg)	BTEX Toluene (mg/Kg)	BTEX Ethylbenzene (mg/Kg)	BTEX Xylene (mg/Kg)	MTBE MTBE (mg/Kg)	TPH DRO - NEW DRO (mg/Kg)	TPH GRO GRO (mg/Kg)
261823 - Drilling Pad Closure - SE Area	<0.0200	<0.0200	<0.0200	<0.0200		<50.0	<2.00
261824 - Drilling Pad Closure - SW Area	<0.0200	<0.0200	<0.0200	<0.0200		<50.0	<2.00
261825 - Drilling Pad Closure - NE Area	<0.0200	<0.0200	<0.0200	<0.0200		<50.0	<2.00
261826 - Drilling Pad Closure - NW Area	<0.0200	<0.0200	<0.0200	<0.0200		<50.0	<2.00
261827 - Drilling Pad Closure - Wellhead Area	<0.0200	<0.0200	<0.0200	<0.0200		<50.0	<2.00
261828 - Drilling Pad Closure - Background	<0.0200	<0.0200	<0.0200	<0.0200		<50.0	<2.00

Sample: 261823 - Drilling Pad Closure - SE Area

Param	Flag	Result	Units	RL
Chloride		**38.5**	mg/Kg	2.50

Sample: 261824 - Drilling Pad Closure - SW Area

Param	Flag	Result	Units	RL
Chloride		**38.5**	mg/Kg	2.50

Sample: 261825 - Drilling Pad Closure - NE Area

Param	Flag	Result	Units	RL
Chloride		**38.5**	mg/Kg	2.50

Sample: 261826 - Drilling Pad Closure - NW Area

Param	Flag	Result	Units	RL
Chloride		**2450**	mg/Kg	2.50

Sample: 261827 - Drilling Pad Closure - Wellhead Area

Param	Flag	Result	Units	RL
Chloride		**721**	mg/Kg	2.50

Sample: 261828 - Drilling Pad Closure - Background

Param	Flag	Result	Units	RL
Chloride		<2.50	mg/Kg	2.50

Summary Report

Nadel & Gussman Permian LLC
600 N. Marienfeld
Suite 508
Midland, TX 79701

Report Date: April 5, 2011

Work Order: 11032803

Project Location: Drilling Pad Closure - P & A
Project Name: Loco Ocho State No. 1

Sample	Description	Matrix	Date Taken	Time Taken	Date Received
261823	Drilling Pad Closure - SE Area	soil	2011-03-18	13:00	2011-03-25
261824	Drilling Pad Closure - SW Area	soil	2011-03-18	13:20	2011-03-25
261825	Drilling Pad Closure - NE Area	soil	2011-03-18	13:45	2011-03-25
261826	Drilling Pad Closure - NW Area	soil	2011-03-18	14:00	2011-03-25
261827	Drilling Pad Closure - Wellhead Area	soil	2011-03-18	14:10	2011-03-25
261828	Drilling Pad Closure - Background	soil	2011-03-18	14:25	2011-03-25

	BTEX				MTBE	TPH DRO - NEW	TPH GRO
Sample - Field Code	Benzene (mg/Kg)	Toluene (mg/Kg)	Ethylbenzene (mg/Kg)	Xylene (mg/Kg)	MTBE (mg/Kg)	DRO (mg/Kg)	GRO (mg/Kg)
261823 - Drilling Pad Closure - SE Area	<0.0200	<0.0200	<0.0200	<0.0200		<50.0	<2.00
261824 - Drilling Pad Closure - SW Area	<0.0200	<0.0200	<0.0200	<0.0200		<50.0	<2.00
261825 - Drilling Pad Closure - NE Area	<0.0200	<0.0200	<0.0200	<0.0200		<50.0	<2.00
261826 - Drilling Pad Closure - NW Area	<0.0200	<0.0200	<0.0200	<0.0200		<50.0	<2.00
261827 - Drilling Pad Closure - Wellhead Area	<0.0200	<0.0200	<0.0200	<0.0200		<50.0	<2.00
261828 - Drilling Pad Closure - Background	<0.0200	<0.0200	<0.0200	<0.0200		<50.0	<2.00

Sample: 261823 - Drilling Pad Closure - SE Area

Param	Flag	Result	Units	RL
Chloride		**38.5**	mg/Kg	2.50

Sample: 261824 - Drilling Pad Closure - SW Area

Param	Flag	Result	Units	RL
Chloride		**38.5**	mg/Kg	2.50

Sample: 261825 - Drilling Pad Closure - NE Area

Param	Flag	Result	Units	RL
Chloride		**38.5**	mg/Kg	2.50

Sample: 261826 - Drilling Pad Closure - NW Area

Param	Flag	Result	Units	RL
Chloride		**2450**	mg/Kg	2.50

Sample: 261827 - Drilling Pad Closure - Wellhead Area

Param	Flag	Result	Units	RL
Chloride		**721**	mg/Kg	2.50

Sample: 261828 - Drilling Pad Closure - Background

Param	Flag	Result	Units	RL
Chloride		<2.50	mg/Kg	2.50

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

Susana Martinez
Governor

John H. Bemis
Cabinet Secretary

Jami Bailey
Division Director
Oil Conversation Division

Response Required – Deadline Enclosed

Field Inspection Program

"Preserving the Integrity of Our Environment"

13-Mar-12

HOBBS OCD

MAR 13 2012

RECEIVED

NADEL AND GUSSMAN PERMIAN, LLC
601 N MARIENFELD SUITE 508
MIDLAND TX 79701

LETTER OF VIOLATION - Inspection

Dear Operator:

The following inspection(s) indicate that the well, equipment, location or operational status of the well(s) failed to meet standards of the New Mexico Oil Conservation Division as described in the detail section below. To comply with standards imposed by Rules and Regulations of the Division, corrective action must be taken immediately and the situation brought into compliance. The detail section indicates preliminary findings and/or probable nature of the violation. This determination is based on an inspection of your well or facility by an inspector employed by the Oil Conservation Division on the date(s) indicated.

Please notify the proper district office of the Division, in writing, of the date corrective actions are scheduled to be made so that arrangements can be made to reinspect the well and/or facility.

INSPECTION DETAIL SECTION

LOCO OCHO STATE No.001 N-33-16S-35E **30-025-36285-00-00**

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
03/12/2012	Plugged Well Surface Restor	Maxey Brown	Yes	No	6/15/2012	iMGB1207256671

Comments on Inspection: DO NOT RELEASE RULE 19 15 25 10 NEED TO LEVEL OUT TANK BERMS BACK TO NATURAL CONTOUR. REMOVE CUT OFF WELLHEAD. REMOVE MISC JUNK (THAT INCLUDE WOOD BOARDS, PIPE, THREAD PROTECTORS). P/A MARKER IS OK THIS IS 1ST LETTER OF NON-COMPLIANCE MGB

Oil Conservation Division 1625 N French Drive Hobbs, New Mexico 88240
Phone 575-393-6161 Fax 575-393-0720 http://www.emnrd.state.nm.us

MAR 13 2012

In the event that a satisfactory response is not received to this letter of direction by the "Corrective Action Due By:" date shown above, further enforcement will occur. Such enforcement may include this office applying to the Division for an order summoning you to a hearing before a Divison Examiner in Santa Fe to show cause why you should not be ordered to permanently plug and abandon this well. Such a hearing may result in imposition of CIVIL PENALTIES for your violation of OCD rules.

Sincerely,

Maley Brown

COMPLIANCE OFFICER

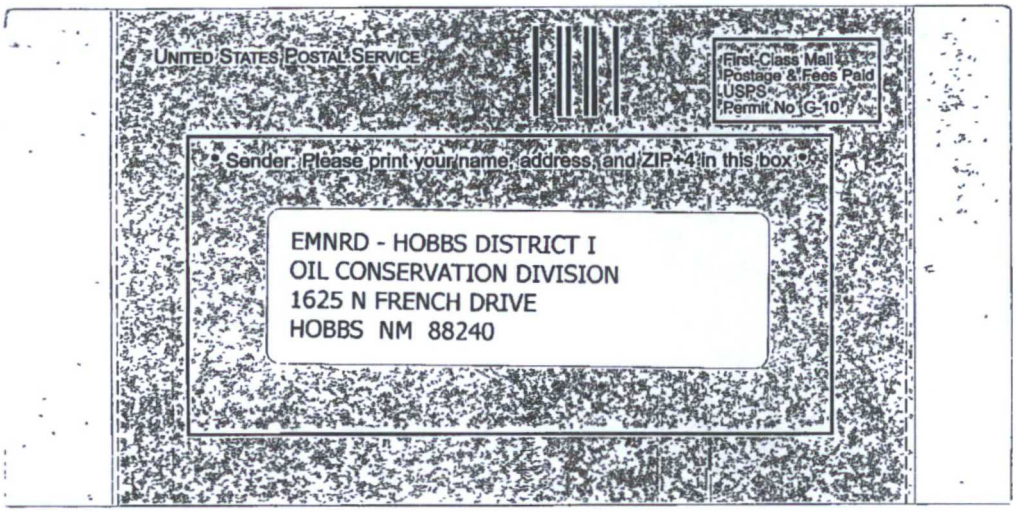
Hobbs OCD District Office

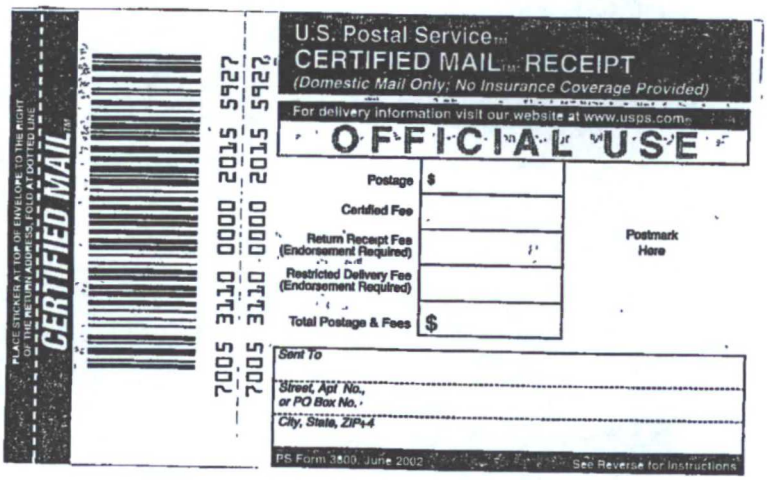
Note: Information in Detail Section comes directly from field inspector data entries - not all blanks will contain data
*Significant Non-Compliance events are reported directly to the EPA, Region VI, Dallas, Texas

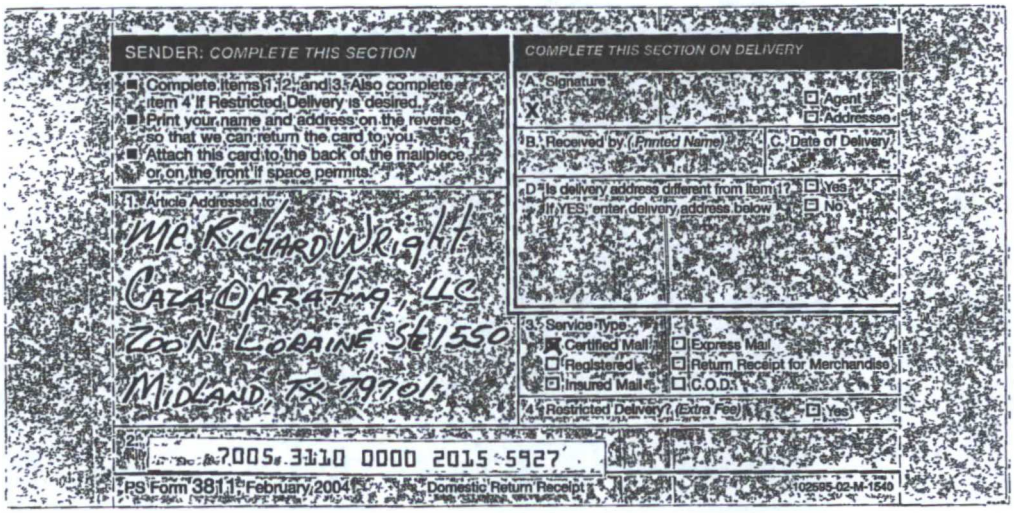
EMNRD
OIL CONSERVATION DIVISION
1625 N FRENCH DRIVE
HOBBS NM 88240

HASLER
015H14150977
$0.45
03/13/12
Mailed From 88240
US POSTAGE

NADEL AND GUSSMAN PERMIAN, LLC
601 N MARIENFELD SUITE 508
MIDLAND TX 79701


UNITED STATES POSTAL SERVICE
First-Class Mail
Postage & Fees Paid
USPS
Permit No. G-10
Sender: Please print your name, address, and ZIP+4 in this box
EMNRD - HOBBS DISTRICT I
OIL CONSERVATION DIVISION
1625 N FRENCH DRIVE
HOBBS NM 88240


PLACE STICKER AT TOP OF ENVELOPE TO THE RIGHT OF THE RETURN ADDRESS, FOLD AT DOTTED LINE
CERTIFIED MAIL
7005 3110 0000 2015 5927
7005 3110 0000 2015 5927
U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)
For delivery information visit our website at www.usps.com
OFFICIAL USE
Postage $
Certified Fee
Return Receipt Fee (Endorsement Required)
Restricted Delivery Fee (Endorsement Required)
Total Postage & Fees $
Postmark Here
Sent To
Street, Apt No., or PO Box No.
City, State, ZIP+4
PS Form 3800, June 2002
See Reverse for Instructions



SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse, so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

MR. RICHARD WRIGHT
CAZA OPERATING, LLC
200 N. LORAINE ST #1550
MIDLAND, TX 79701

COMPLETE THIS SECTION ON DELIVERY

A. Signature
X
☐ Agent
☐ Addressee

B. Received by (Printed Name) C. Date of Delivery

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below ☐ No

3. Service Type
☒ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number (Transfer from service label) 7005 3110 0000 2015 5927

PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-1540