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September 28, 2012

Geoffrey Leking
Oil Conservation Division
1625 North French Drive
Hobbs, New Mexico 88240
Via E-Mail and US Mail

HOBBS OCD

OCT 09 2012

RECEIVED

RE: Pride Energy Company State B-H #1 API 30-025-02788
Unit Letter B section 12 T16S R35E
Reserve Pit Closure Plan

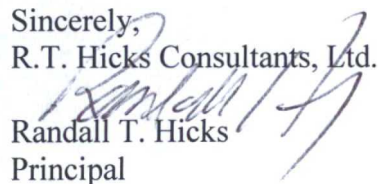
Dear Geoff:

Attached is the closure plan and C-144 Form for the above-referenced site. After we receive approval from NMOCD, we will move forward with selection of a contractor to perform the excavation, removal and disposal. We will inform OCD of the selected landfill for waste disposal when we provide the construction schedule in mid-November.

Pride plans to plug and abandon this well. Therefore, the schedule for closure also depends upon completing this action first. After plugging and abandonment we plan to

1. Excavate the cuttings and residual mud and transport this material to the selected disposal facility
2. Test the earth material beneath the liner with a backhoe or excavator to determine if leakage occurred
3. If the tests show that
 - a. Results do not meet the criteria of the Rule for closure, we will submit a remediation plan to OCD in accordance with OCD Rules
 - b. Results meet the criteria for closure, we will proceed as outlined below
4. We will transfer the caliche from pad and road into the pit after testing for chloride to determine if this caliche meets the criteria for non-waste fill.
5. We will proceed with the closure plan as described in the attachment.

Please contact me if you have any questions or concerns regarding the closure plan.

Sincerely,
R.T. Hicks Consultants, Ltd.

Randall T. Hicks
Principal

Closure Plan

Protocols and Procedures

The operator will use the following procedures and protocols to implement the closure:

- The operator will notify the surface owner by certified mail, return receipt requested, prior to closure, that the operator plans to close the temporary pit.
- The operator of the temporary pit will notify the applicable division district office verbally or by email at least 72 hours, but not more than one week, prior to any closure operation. The notice will include the operator's name and the location to be closed by unit letter, section, township and range, well's name, number, the API number.
- Within 60 days of closure completion, the operator will submit a closure report on form C-144, with necessary attachments to document all closure activities including sampling results; information required by 19.15.17 NMAC; a plot plan; and details on back-filling, capping and covering, where applicable.
- In the closure report, the operator will certify that all information in the report and attachments is correct and that the operator has complied with all applicable closure requirements and conditions specified in the approved closure plan.
- The operator will provide a plat of the pit location on form C-105 with the closure report within 60 days of closing the temporary pit.

Site Reclamation Plan

After the operator has closed the pit, the operator will reclaim the pit location and all areas associated with the pit, including associated access roads to a safe and stable condition that blends with the surrounding undisturbed area. The operator will substantially restore the impacted surface area to the condition that existed prior to oil and gas operations by placement of the soil cover as provided in Subsection H of 19.15.17.13 NMAC, re-contour the location and associated areas to a contour that approximates the original contour and blends with the surrounding topography and re-vegetate according to Subsection I of 19.15.17.13 NMAC.

Soil Cover Design Plan

The soil cover will consist of a minimum of four feet of compacted, non-waste containing, earthen material. The soil cover will include either the background thickness of topsoil or one foot of suitable material to establish vegetation at the site, whichever is greater. The operator will construct the soil cover to the site's existing grade and prevent ponding of water and erosion of the cover material.

Re-vegetation Plan

1. The first growing season after the operator closes the pit, including access roads; the operator will seed or plant the disturbed areas.
2. The operator will accomplish seeding by drilling on the contour whenever practical.
3. The operator will obtain vegetative cover that equals 70% of the native perennial vegetative cover (un-impacted by overgrazing, fire or other intrusion damaging to

native vegetation).

4. In the absence of specific guidance from the surface owner, the operator will follow BLM mandates for the seed mixture not including noxious weeds, and maintain that cover through two successive growing seasons. The operator will notify NMOCD of the specific mixture prior to seeding.
5. During the two growing seasons that prove viability, there will be no artificial irrigation of the vegetation.
6. The operator will repeat seeding or planting until it successfully achieves the required vegetative cover.
7. If conditions are not favorable for the establishment of vegetation, such as periods of drought, the operator may request that the division allow the operator to delay seeding or planting until soil moisture conditions become favorable or may require the operator to use additional cultural techniques such as mulching, fertilizing, irrigating, fencing or other practices.
8. The operator will notify the division when it has seeded or planted and when it successfully achieves re-vegetation.

Protocols and Procedures for Excavation and Removal

The operator will close the temporary pit by excavating the drilling waste that does not meet the criteria for in-place closure (e.g. solids in the inner shoe) and any synthetic pit liners that cannot be re-used and transferring those materials to one of the division- approved facilities listed below:

| | |
|----------------------------------|------------|
| Controlled Recovery, Inc. (R360) | NM-01-0006 |
| Lea Land, LLC | NM-01-0035 |
| Gandy Marley | NM-01-0019 |

If the sampling program described below demonstrates that a release has not occurred or that any release does not exceed the concentrations specified in 19.15.17.13 NMAC, then the operator will:

1. Backfill the temporary pit excavation with compacted, non-waste containing,
 1. earthen material;
2. Construct a division-prescribed soil cover to existing grade as described in the
3. Soil Cover Plan (above);
4. Re-contour and re-vegetate the site as described in the Revegetation Plan
5. (above).

Confirmation Sampling Plan for Excavation and Removal

The operator will test the soils beneath the temporary pit after excavation to determine whether a release has occurred. To determine if a release has occurred, the operator and/or qualified contractor will collect, at a minimum:

- A five point, composite sample and;
- Individual grab samples from any area that is wet, discolored or showing other evidence of a release

The purpose of this sampling is to demonstrate that:

- Benzene, as determined by EPA SW-846 method 8021B or 8260B does not exceed concentration limits of the Rule;
- Total BTEX, as determined by EPA SW-846 method 8021B or 8260B does not exceed concentration limits of the Rule;
- The GRO and DRO combined fraction, as determined by EPA SW-846 method 8015M, does not exceed concentration limits of the Rule;
- The TPH, as determined by EPA method 418.1 does not exceed 2,500 mg/kg;
- and
- Chloride, as determined by EPA method 300.1, does not exceed concentration limits of the Rule or the background concentration, whichever is greater.

Reporting

The operator shall notify the division of its results on form C-141. If the operator or the division determines that a release has occurred, then the operator will comply with 19.15.29 NMAC and 19.15.30 NMAC, as appropriate.