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DISTRICT DIRECTOR

RAILROAD COMMISSION OF TEXAS OIL AND GAS DIVISION

December 2, 2008

SIERRA RESOURCES, LLC (780233)
952 ECHO LANE STE 290
HOUSTON TX 77024

Re: INITIAL-FINAL REPORT
Elizabeth Burns, Complaint No: 04-1226
McGill Bros. #701 (DP-664352)
Wildcat Field
Hidalgo County, Texas
Job # - 2008-04-13119

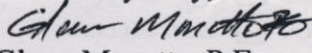
Gentlemen:

On November 17, 2008, Ms. Elizabeth Burns, landowner, contacted the Railroad Commission of Texas, RRC, with concerns about pollution and backfilling of a pit on her property. According to Ms. Burns, historical oil spills have not been cleaned up. Carlos Moreno, RRC District inspector, conducted an inspection of the lease on November 18, 2008 and observed no violation of RRC Statewide Rules. A reserve pit, measuring 240'x240' contained approximately 200 barrels of water based drilling mud. No signs of oil or diesel fuel were observed in the drilling mud. The operator set 9 5/8" casing at 11,931 feet on 10/26/08 and must backfill the reserve pit within one year from this date. Written permission from the landowner is not required by RRC Statewide Rules to backfill the pit.

The District Office considers this matter to have been thoroughly investigated and is closing the complaint. Please direct all questions regarding this complaint to Glenn Monette, P.E., at 361-242-3113.

Assistant District Director A.O.

Yours very truly,


Glenn Monette, P.E.
Engineering Specialist

cc: Field Operations Section – Austin
Elizabeth Burns
3684 FM 755
Encino, Texas 78353

RAILROAD COMMISSION OF TEXAS

Oil and Gas Division
Compliance Section

DISTRICT OFFICE

INSPECTION REPORT

D-O

rev. 2 00

JOB NO. 2008-13119-00

DISTRICT 04

OPERATOR SIERRA RESOURCES, LLC 780233

LEASE/FACILITY McGill Bros.

WELL No.(s) 701

FIELD Wildcat

COUNTY HIDALGO (131) COASTAL MGT. AREA

COMPLAINT NO. 1226

COMPLAINANT NAME Elizabeth Burns Ms

DIRECTIONS HWY 281 TURN WEST ON 755 TRAVEL 18 MILES

GUARD GATE ON SOUTH SIDE OF ROAD . FOLLOW THE GPS

COOR.TO THE RESERVE PIT.

N 26 45.616' W098 19.094'

GPS COORDINATES: NO YES: LOG #

LAT LONG

ACTIVITY (check appropriate boxes)

- A BLOWOUT
- B COM. SURFACE DISP. FACILITY
- C COM. DISPOSAL WELL
- D FLARE/VENT
- E DISPOSAL/INJECTION
- F DRILLING RIG
- G FIRE
- H H2S COMPLIANCE INSP.
- I H2S INCIDENT
- J HYDROCARBON STRG.
- K LEASE INSPECTION
- L MIT
- M MINOR PERMIT
- N OFFICE
- O OTHER
- P OIL SPILL (NON-SENS.)
- Q OIL SPILL (SENS. AREA)
- R PIT INSPECTION
- S PLANT INS
- T PLUGGING (OPER.)
- U PLUGGING (SFP)
- V PROD. WATER SPILL
- W PROD. TEST
- X PROD./INT. CASING
- Y SEAL WELL
- Z SITE ASSMT (SFCU)
- AA SITE CLEAN-UP (SFCU)
- BB SURFACE CASING
- CC WASTE HAULER

LEASE/ID _____ MUST WITNESS

DRILL PMT. NO. 664352 FIELD INITIATED

PLANT NO. _____ TAKEN

PIT PMT. NO. _____ BY GM AUSTIN DISTRICT

PIPELINE PMT. NO. _____ BACKCHECK

OTHER _____ COINSPECTION

LE DOCKET _____ SWEEP

SFP CODE _____

SFCU CODE _____

TOTAL:

UIC WELLS INSP _____

WELLS INSP 1

SITES INSP 1

% TIME UIC _____ ENV _____ SITE REM _____

LEGAL ENF _____ PRO/PROD _____ TERRA _____

SFP _____ OTHER _____

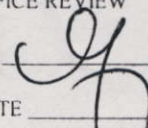
FIELD INSPECTION STATUS	COMPLIANCE		Prev. viols.	New viols.	Total viols.
	yes	no			
SWR 2 Access to Property	<input checked="" type="checkbox"/>	<input type="checkbox"/>	0	0	0
SWR 3 Signs	<input type="checkbox"/>	<input type="checkbox"/>			
SWR 8 Water Protection	<input checked="" type="checkbox"/>	<input type="checkbox"/>	0	0	0
SWR 9 Disposal Wells	<input type="checkbox"/>	<input type="checkbox"/>			
SWR 13 Casing/Cementing	<input type="checkbox"/>	<input type="checkbox"/>			
SWR 14(b)(2) Inactive Wells	<input type="checkbox"/>	<input type="checkbox"/>			
SWR 17 Pressure on Bradenhead	<input type="checkbox"/>	<input type="checkbox"/>			
SWR 21 Firewalls	<input type="checkbox"/>	<input type="checkbox"/>			
SWR 22 Protection of Birds	<input type="checkbox"/>	<input type="checkbox"/>			
SWR 27 Gas Metering	<input type="checkbox"/>	<input type="checkbox"/>			
SWR 32 Flaring/Venting	<input type="checkbox"/>	<input type="checkbox"/>			
SWR 36 Hydrogen Sulfide	<input type="checkbox"/>	<input type="checkbox"/>			
SWR 46 Injection Wells	<input type="checkbox"/>	<input type="checkbox"/>			
SWR 91 Oil Spill Clean-up	<input type="checkbox"/>	<input type="checkbox"/>			
OTHER	<input type="checkbox"/>	<input type="checkbox"/>			
OTHER	<input type="checkbox"/>	<input type="checkbox"/>			

COMMENTS: Reserve Pit measures 240'x 240', contains about 200 bbl's of non-potable water.

Observed no signs of oil nor diesel in the water.

Photo no. 101-0364 shows the non-potable water in the reserve pit.

Photo no. 101-0365 shows weed growing in the reserve pit.

1 C. L. M. M. M.	ND COMPLETE:	MILEAGE	TIME	LUNCH	OFFICE REVIEW BY 
	START: 116670	1155	60 (MIN)	<input type="checkbox"/> JOB INTERRUPT	
TECH NO. 455	DATE 11-18-8	END: 116849	1830		