

District I  
1625 N. French Dr., Hobbs, NM 88240  
District II  
1301 W. Grand Avenue, Artesia, NM 88210  
District III  
1500 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 October 10, 2003

Submit 2 Copies to appropriate  
District Office in accordance  
with Rule 116 on back  
side of form

Release Notification and Corrective Action

OPERATOR

☐ Initial Report ☒ Final Report

|                 |   |               |                      |
|-----------------|---|---------------|----------------------|
| Name of Company | Fairway Resources Operating, LLC                    | Contact       | Matt Eagleston       |
| Address         | 538 Silicon Drive, Ste. 101, Southlake, Texas 76092 | Telephone No. | (817) 416-1946       |
| Facility Name   | South Red Lake II Unit Central Battery              | Facility Type | Produced Water Tanks |

|               |                     |               |                     |           |             |
|---------------|---------------------|---------------|---------------------|-----------|-------------|
| Surface Owner | State of New Mexico | Mineral Owner | State of New Mexico | Lease No. | NMNM109695X |
|---------------|---------------------|---------------|---------------------|-----------|-------------|

3001500658

LOCATION OF RELEASE

|             |         |          |       |               |                  |               |                |        |
|-------------|---------|----------|-------|---------------|------------------|---------------|----------------|--------|
| Unit Letter | Section | Township | Range | Feet from the | North/South Line | Feet from the | East/West Line | County |
| T           | 35      | 17S      | 27E   | 2,125'        | South            | 150           | East           | Lddy   |

Latitude 32.78898° North

Longitude -104.24337° West

NATURE OF RELEASE

|                   |                |                             |                                   |                            |                                  |
|-------------------|----------------|-----------------------------|-----------------------------------|----------------------------|----------------------------------|
| Type of Release   | Produced Water | Volume of Release           | 200 bbls water, 10 bbls crude oil | Volume Recovered           | 5 bbls crude oil, 150 bbls water |
| Source of Release | Storage Tank   | Date and Hour of Occurrence | 11/02/07 @ 5 am                   | Date and Hour of Discovery | 11/02/07 @ 8 am                  |

|                             |   |                  |  |
|-----------------------------|---|------------------|--|
| Was Immediate Notice Given? | Yes <input type="checkbox"/> No <input type="checkbox"/> Not Required <input checked="" type="checkbox"/> | If YES, To Whom? |  |
|-----------------------------|---|------------------|--|

|          |               |
|----------|---------------|
| By Whom? | Date and Hour |
|----------|---------------|

|                            |   |  |  |
|----------------------------|---|--|--|
| Was a Watercourse Reached? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | If YES, Volume Impacting the Watercourse |  |
|----------------------------|---|--|--|

If a Watercourse was Impacted, Describe Fully.\*

Describe Cause of Problem and Remedial Action Taken: An electrical malfunction caused an injection pump to stop operating and a high level tank alarm malfunctioned causing the storage tanks to overflow. Following initial response activities, including the recovery of free liquids, the electrical malfunctions were repaired and the facility was restarted.

Describe Area Affected and Cleanup Action Taken: A soil investigation was completed and analytical results indicated soil impact was not present below the gypsum cap. Excavation of the impacted soil was initiated and soil samples were collected and submitted to the laboratory for analysis. Approximately 2,239 cubic yards of impacted soil was transported to Lea Land Landfill (Permit #NM-01-0035) for disposal. With NMOCD Artesia Office approval a risk-based site closure was employed, utilizing a polyethylene liner. Following the installation of the liner the excavation was backfilled with locally purchased native soil. A Remediation Summary and Site Closure Request dated January 2009 was submitted to the NMOCD Artesia Office and contains additional details and documentation not contained in this document.

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.

OIL CONSERVATION DIVISION

|                                  |                                 |
|----------------------------------|---------------------------------|
| Signature: <i>Matt Eagleston</i> | Approved by District Supervisor |
|----------------------------------|---------------------------------|

|                              |  |
|------------------------------|--|
| Printed Name: Matt Eagleston |  |
|------------------------------|--|

|                          |                        |                      |
|--------------------------|------------------------|----------------------|
| Title: President and CEO | Approval Date: 6-29-09 | Expiration Date: N/A |
|--------------------------|------------------------|----------------------|

|   |                        |          |
|---|------------------------|----------|
| E-mail Address: meagleston@fairwayresources.com | Conditions of Approval | 2RP-0125 |
|---|------------------------|----------|

|               |                       |  |
|---------------|-----------------------|--|
| Date: 2/25/09 | Phone: (817) 416-1946 |  |
|---------------|-----------------------|--|