



February 29, 2012

Mr. Mike Bratcher
NMOCD District 2
1301 West Grand Avenue
Artesia, NM 88210



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921 North Bivins
Amarillo, Texas 79107
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Fax 806.467.0622

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Fax 575.393.4658

MIDLAND
2901 State Hwy 349
Midland, Texas 79706
Phone 432.522.2133
Fax 432.522.2180

SAN ANTONIO
11 Commercial Place
Schertz, Texas 78154
Phone 210.265.8025
Fax 210.568.2191

TULSA
525 South Main Street
Suite 535
Tulsa, Oklahoma 74103
Phone 918.742.0871
Fax 918.382.0232

Subject: **Remediation and Closure Report**
Quantum Resources Management, LLC
Artesia Battery 1 to Battery 3 Transfer Line Release
Artesia Unit No. 22
API # 30-015-01747 – 2RP-775

Dear Mr. Bratcher,

Quantum Resources Management, LLC has contracted Talon/LPE (Talon) to perform soil assessment and remediation services at the referenced Artesia Battery 1 to Battery 3 Transfer Line release. The results of our soil assessment, completed remediation activities and closure request are submitted herein.

Incident Date

April 29, 2011

Background Information

The Artesia Battery 1 to 3 Transfer Line is located approximately sixteen (16) miles southeast of Artesia, New Mexico. The legal location for the site is Section 35, Township 17 South and Range 28 East in Eddy County, New Mexico. More Specifically the latitude and longitude for the release are 32.79069 North and -104.14837 West.

This site lies on undulating plains and low hills consisting of wind worked sandy deposits. Drainage courses in this area are normally dry. The local surface and shallow geology consists of Quaternary Age sedimentary deposits comprised of alluvium and eolian sands under lain by sand stone and hard caliches. The New Mexico State Engineer web site indicates the nearest ground water data to be in S35-T18S-R28E. The ground water in Section 35 is reported to be 65' below ground surface (bgs). The referenced groundwater data is presented in Appendix I.

The ranking for this site is 10 based on the as following:

| | |
|--------------------------------|----------|
| Depth to ground water | 50'-100' |
| Wellhead Protection Area | >1000' |
| Distance to surface water body | >1000' |

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GENERAL CONTRACTING

Toll Free: 866.742.0742
www.talonlpe.com

Incident Description

On April 29, 2011 the water transfer line coming from the Artesia Battery No. 1 to the Artesia Battery No. 3 had developed a leak. The line was shut-in, excavated, repaired and placed back into service. Ten (10) barrels of produced water were released with no fluids recovered. The impacted area is located north of the Apache Corporation D State No. 17 well location. The visibly impacted soil measured approximately 45-feet long by 30-feet wide. The visually impacted soil was immediately excavated to a depth of 5-feet and placed on a liner.

Remedial Actions

On January 13, 2012 Talon personnel mobilized to the site to begin excavation of the chloride impacted area. The impacted soil within the area of the release was removed to an average depth of 7-feet deep and transported to a NMOCD approved solid waste disposal facility, Lea Land, LLC pursuant to the work plan. The excavated area was left open until approval for installation of a 20 Mil liner was obtained from NMOCD.

Multiple sampling and field testing events for chlorides using field titration methods were conducted during the excavation process, per NMOCD requirements. The excavation was expanded to include the lease road, which was excavated to a depth of 7-feet deep, a 20 mil liner was installed and backfilled to grade. The overspray area, west of the lease road, was excavated to a depth of 2.5 feet deep and backfilled to grade using new material from Lea Land, LLC and contoured to match the surrounding terrain.

On January 19, 2012 Talon personnel mobilized to the site to begin closure soil sampling activities on the bottom and sidewalls of the excavations per NMOCD requirements. Grab soil samples were collected and submitted for laboratory analysis.

All soil samples were collected by Talon personnel wearing clean nitrile gloves. The soil samples were placed in laboratory provided sample containers, iced and transported to Cardinal Laboratories in Hobbs, New Mexico for analysis. The samples were tested for Chlorides using method SM4500Cl-B, TPH (Total Petroleum Hydrocarbons) using EPA Method 8015M, and volatile organics (BTEX) using EPA Method 8021B. The complete laboratory report is attached as Appendix II.

Analytical Results

Analytical results received from Cardinal Laboratories are summarized below:

January 19, 2012

| <u>Sample</u> | <u>Chlorides</u> | <u>BTEX</u> | <u>TPH</u> |
|---------------------------|------------------|--------------|------------|
| S-1, North side wall | 32 mg/kg | <0.150 mg/kg | <10 mg/kg |
| S-2, East side wall | 24,800 | <0.150 | <10 |
| S-3, South side wall | 656 | <0.150 | <10 |
| S-4, West side wall | 48 | <0.150 | <10 |
| S-5, Bottom excavation 7' | 7,680 | <0.150 | <10 |

| <u>Sample</u> | <u>Chlorides</u> | <u>BTEX</u> | <u>TPH</u> |
|--------------------------------|------------------|-------------|------------|
| S-6, North side wall overspray | 80 | <0.150 | <10 |
| S-7, East side wall overspray | 416 | -- | -- |
| S-8, South side wall overspray | 1,230 | -- | -- |
| S-9, West side wall overspray | 2,040 | -- | -- |
| S-10, Bottom overspray 2.5' | 448 | <0.150 | <10 |

--Analyte not tested

For this site's ranking, New Mexico Oil Conservation District action level criterion for BTEX is 50 mg/kg, Benzene is 10 mg/kg and TPH is 100 mg/kg.

On February 1, 2012 the NMOCD granted approval for backfilling the excavated area to 4-feet deep using new material backhauled from Lea Land, LLC then install a 20 Mil liner into the bottom of the excavation. The excavated area was subsequently backfilled to grade and contoured to match the surrounding location.

Summary and Conclusion

- Groundwater in the project vicinity is greater than 50-feet below land surface per the New Mexico State Engineer Database.
- The impacted soil from the initial release area and lease road was excavated to approximately 7-feet deep. The excavated soil was transported to Lea Land, LLC disposal facility.
- The excavated area was backfilled to 4-feet deep, a 20 Mil liner was installed into the bottom of the excavated area at 4-feet and backfilled to grade using new material from Lea Land, LLC.
- The overspray area to the west of the lease road was excavated to a depth of 2.5 feet deep. The excavated soil was transported to Lea Land, LLC disposal facility.
- The overspray area was backfilled to grade using new material from Lea Land, LLC and contoured to match existing terrain.
- Based on the depth to groundwater and the remedial actions carried out, it is unlikely that the impacts identified from this release will pose a threat to groundwater.

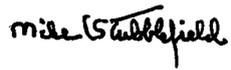
Closure

Therefore, on behalf of Quantum Resources Management, LLC, we respectfully request that no further actions be required and that closure with respect to this release be granted.

If we can provide additional information or be of further assistance please contact our office at 575.746.8768.

Respectfully submitted,

TALON/LPE



Mike Stubblefield
Project Manager



David J. Adkins
District Manager

APPENDIX I
GROUNDWATER DATA



New Mexico Office of the State Engineer

Water Column/Average Depth to Water

(A CLW##### in the POD suffix indicates the POD has been replaced & no longer serves a water right file.)

(R=POD has been replaced, O=orphaned, C=the file is closed)

(quarters are 1=NW 2=NE 3=SW 4=SE)

(quarters are smallest to largest)

(NAD83 UTM in meters)

(In feet)

| POD Number | POD Code | Subbasin | County | Q1 | Q2 | Q3 | Q4 | Sec | Tws | Rng | X | Y | Distance | Depth Well | Depth Water | Water Column |
|------------|----------|----------|--------|----|----|----|-----|-----|--------|----------|----------|------|----------|------------|-------------|--------------|
| L 01142 | POD1 | L | LE | 2 | 4 | 15 | 18S | 28E | 578921 | 3623453* | 4564 | 80 | | | | |
| L 01150 | POD1 | L | LE | 1 | 1 | 35 | 18S | 28E | 579344 | 3619433* | 8561 | 135 | 65 | 70 | | |
| RA 04561 | | | ED | 4 | 2 | 26 | 17S | 27E | 570871 | 3630142* | 8782 | 250 | | | | |
| RA 09588 | | | ED | 1 | 2 | 33 | 18S | 28E | 576976 | 3619384* | 8941 | 300 | | | | |
| RA 04048 | | | LE | 1 | 4 | 4 | 14 | 18S | 27E | 570841 | 3623030* | 9883 | 2096 | | | |

Average Depth to Water: 65 feet
 Minimum Depth: 65 feet
 Maximum Depth: 65 feet

Record Count: 5

UTMNAD83 Radius Search (in meters):

Easting (X): 579387

Northing (Y): 3627994

Radius: 10000

*UTM location was derived from PLSS - see Help

The data is furnished by the NMOSE/ISC and is accepted by the recipient with the expressed understanding that the OSE/ISC make no warranties, expressed or implied, concerning the accuracy, completeness, reliability, usability, or suitability for any particular purpose of the data.

APPENDIX II
LABORATORY RESULTS

January 30, 2012

MIKE STUBBLEFIELD

TALON LPE

408 W. TEXAS AVE.

ARTESIA, NM 88210

RE: ARTESIA NO. 22

Enclosed are the results of analyses for samples received by the laboratory on 01/23/12 16:00.

Cardinal Laboratories is accredited through Texas NELAP under certificate number T104704398-11-3. Accreditation applies to drinking water, non-potable water and solid and chemical materials. All accredited analytes are denoted by an asterisk (*). For a complete list of accredited analytes and matrices visit the TCEQ website at www.tceq.texas.gov/field/qa/lab_accred_certif.html.

Cardinal Laboratories is accredited through the State of Colorado Department of Public Health and Environment for:

| | |
|------------------|------------------------------|
| Method EPA 552.2 | Haloacetic Acids (HAA-5) |
| Method EPA 524.2 | Total Trihalomethanes (TTHM) |
| Method EPA 524.4 | Regulated VOCs (V1, V2, V3) |

Accreditation applies to public drinking water matrices.

This report meets NELAP requirements and is made up of a cover page, analytical results, and a copy of the original chain-of-custody. If you have any questions concerning this report, please feel free to contact me.

Sincerely,



Celey D. Keene

Lab Director/Quality Manager

Analytical Results For:

 TALON LPE
 MIKE STUBBLEFIELD
 408 W. TEXAS AVE.
 ARTESIA NM, 88210
 Fax To: (575) 745-8905

| | | | |
|-------------------|-----------------------|---------------------|---------------|
| Received: | 01/23/2012 | Sampling Date: | 01/19/2012 |
| Reported: | 01/30/2012 | Sampling Type: | Soil |
| Project Name: | ARTESIA NO. 22 | Sampling Condition: | Cool & Intact |
| Project Number: | 701407.010.01 | Sample Received By: | Jodi Henson |
| Project Location: | SEC. 35 - T17S - R28E | | |

Sample ID: S-1 NORTHSIDE WALL (H200164-01)

| BTEX 8021B | | mg/kg | | Analyzed By: AP | | | | | |
|----------------|--------|-----------------|------------|-----------------|------|------------|---------------|------|-----------|
| Analyte | Result | Reporting Limit | Analyzed | Method Blank | BS | % Recovery | True Value QC | RPD | Qualifier |
| Benzene* | <0.050 | 0.050 | 01/28/2012 | ND | 1.83 | 91.4 | 2.00 | 5.44 | |
| Toluene* | <0.050 | 0.050 | 01/28/2012 | ND | 1.94 | 97.1 | 2.00 | 5.68 | |
| Ethylbenzene* | <0.050 | 0.050 | 01/28/2012 | ND | 1.94 | 97.1 | 2.00 | 5.73 | |
| Total Xylenes* | <0.150 | 0.150 | 01/28/2012 | ND | 6.07 | 101 | 6.00 | 5.61 | |

Surrogate: 4-Bromofluorobenzene (PIL) 109 % 64.4-134

| Chloride, SM4500Cl-B | | mg/kg | | Analyzed By: HM | | | | | |
|----------------------|-------------|-----------------|------------|-----------------|-----|------------|---------------|------|-----------|
| Analyte | Result | Reporting Limit | Analyzed | Method Blank | BS | % Recovery | True Value QC | RPD | Qualifier |
| Chloride | 32.0 | 16.0 | 01/26/2012 | ND | 448 | 112 | 400 | 0.00 | |

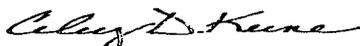
| TPH 8015M | | mg/kg | | Analyzed By: MS | | | | | |
|--------------|--------|-----------------|------------|-----------------|-----|------------|---------------|--------|-----------|
| Analyte | Result | Reporting Limit | Analyzed | Method Blank | BS | % Recovery | True Value QC | RPD | Qualifier |
| GRO C6-C10 | <10.0 | 10.0 | 01/26/2012 | ND | 174 | 86.8 | 200 | 0.0835 | |
| DRO >C10-C28 | <10.0 | 10.0 | 01/26/2012 | ND | 225 | 113 | 200 | 6.70 | |

Surrogate: 1-Chlorooctane 93.3 % 55.5-154
Surrogate: 1-Chlorooctadecane 124 % 57.6-158

Cardinal Laboratories

*=Accredited Analyte

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Celey D. Keene, Lab Director/Quality Manager

Analytical Results For:

 TALON LPE
 MIKE STUBBLEFIELD
 408 W. TEXAS AVE.
 ARTESIA NM, 88210
 Fax To: (575) 745-8905

| | | | |
|-------------------|-----------------------|---------------------|---------------|
| Received: | 01/23/2012 | Sampling Date: | 01/19/2012 |
| Reported: | 01/30/2012 | Sampling Type: | Soil |
| Project Name: | ARTESIA NO. 22 | Sampling Condition: | Cool & Intact |
| Project Number: | 701407.010.01 | Sample Received By: | Jodi Henson |
| Project Location: | SEC. 35 - T17S - R28E | | |

Sample ID: S-2 EASTSIDE WALL (H200164-02)

| BTEX 8021B | | mg/kg | | Analyzed By: AP | | | | | | |
|----------------|--------|-----------------|------------|-----------------|------|------------|---------------|------|-----------|--|
| Analyte | Result | Reporting Limit | Analyzed | Method Blank | BS | % Recovery | True Value QC | RPD | Qualifier | |
| Benzene* | <0.050 | 0.050 | 01/28/2012 | ND | 1.83 | 91.4 | 2.00 | 5.44 | | |
| Toluene* | <0.050 | 0.050 | 01/28/2012 | ND | 1.94 | 97.1 | 2.00 | 5.68 | | |
| Ethylbenzene* | <0.050 | 0.050 | 01/28/2012 | ND | 1.94 | 97.1 | 2.00 | 5.73 | | |
| Total Xylenes* | <0.150 | 0.150 | 01/28/2012 | ND | 6.07 | 101 | 6.00 | 5.61 | | |

Surrogate: 4-Bromofluorobenzene (PIL) 108 % 64 4-134

| Chloride, SM4500Cl-B | | mg/kg | | Analyzed By: HM | | | | | | |
|----------------------|--------------|-----------------|------------|-----------------|-----|------------|---------------|------|-----------|--|
| Analyte | Result | Reporting Limit | Analyzed | Method Blank | BS | % Recovery | True Value QC | RPD | Qualifier | |
| Chloride | 24800 | 16.0 | 01/26/2012 | ND | 448 | 112 | 400 | 0.00 | | |

| TPH 8015M | | mg/kg | | Analyzed By: MS | | | | | | |
|--------------|--------|-----------------|------------|-----------------|-----|------------|---------------|--------|-----------|--|
| Analyte | Result | Reporting Limit | Analyzed | Method Blank | BS | % Recovery | True Value QC | RPD | Qualifier | |
| GRO C6-C10 | <10.0 | 10.0 | 01/26/2012 | ND | 174 | 86.8 | 200 | 0.0835 | | |
| DRO >C10-C28 | <10.0 | 10.0 | 01/26/2012 | ND | 225 | 113 | 200 | 6.70 | | |

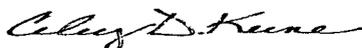
Surrogate: 1-Chlorooctane 86.2 % 55.5-154

Surrogate: 1-Chlorooctadecane 115 % 57.6-158

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* = Accredited Analyte

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 Fax To: (575) 745-8905

| | | | |
|-------------------|-----------------------|---------------------|---------------|
| Received: | 01/23/2012 | Sampling Date: | 01/19/2012 |
| Reported: | 01/30/2012 | Sampling Type: | Soil |
| Project Name: | ARTESIA NO. 22 | Sampling Condition: | Cool & Intact |
| Project Number: | 701407.010.01 | Sample Received By: | Jodi Henson |
| Project Location: | SEC. 35 - T17S - R28E | | |

Sample ID: S-3 SOUTHSIDE WALL (H200164-03)

| BTEX 8021B | | mg/kg | | Analyzed By: AP | | | | | | |
|----------------|--------|-----------------|------------|-----------------|------|------------|---------------|------|-----------|--|
| Analyte | Result | Reporting Limit | Analyzed | Method Blank | BS | % Recovery | True Value QC | RPD | Qualifier | |
| Benzene* | <0.050 | 0.050 | 01/28/2012 | ND | 1.83 | 91.4 | 2.00 | 5.44 | | |
| Toluene* | <0.050 | 0.050 | 01/28/2012 | ND | 1.94 | 97.1 | 2.00 | 5.68 | | |
| Ethylbenzene* | <0.050 | 0.050 | 01/28/2012 | ND | 1.94 | 97.1 | 2.00 | 5.73 | | |
| Total Xylenes* | <0.150 | 0.150 | 01/28/2012 | ND | 6.07 | 101 | 6.00 | 5.61 | | |

Surrogate: 4-Bromofluorobenzene (PIL) 108 % 64 4-134

| Chloride, SM4500Cl-B | | mg/kg | | Analyzed By: HM | | | | | | |
|----------------------|------------|-----------------|------------|-----------------|-----|------------|---------------|------|-----------|--|
| Analyte | Result | Reporting Limit | Analyzed | Method Blank | BS | % Recovery | True Value QC | RPD | Qualifier | |
| Chloride | 656 | 16.0 | 01/26/2012 | ND | 448 | 112 | 400 | 0.00 | | |

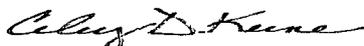
| TPH 8015M | | mg/kg | | Analyzed By: MS | | | | | | |
|--------------|--------|-----------------|------------|-----------------|-----|------------|---------------|--------|-----------|--|
| Analyte | Result | Reporting Limit | Analyzed | Method Blank | BS | % Recovery | True Value QC | RPD | Qualifier | |
| GRO C6-C10 | <10.0 | 10.0 | 01/26/2012 | ND | 174 | 86.8 | 200 | 0.0835 | | |
| DRO >C10-C28 | <10.0 | 10.0 | 01/26/2012 | ND | 225 | 113 | 200 | 6.70 | | |

Surrogate 1-Chlorooctane 100 % 55 5-154
Surrogate 1-Chlorooctadecane 133 % 57.6-158

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*=Accredited Analyte

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 Fax To: (575) 745-8905

| | | | |
|-------------------|-----------------------|---------------------|---------------|
| Received: | 01/23/2012 | Sampling Date: | 01/19/2012 |
| Reported: | 01/30/2012 | Sampling Type: | Soil |
| Project Name: | ARTESIA NO. 22 | Sampling Condition: | Cool & Intact |
| Project Number: | 701407.010.01 | Sample Received By: | Jodi Henson |
| Project Location: | SEC. 35 - T17S - R28E | | |

Sample ID: S-4 WESTSIDE WALL (H200164-04)

| BTEX 8021B | | mg/kg | | Analyzed By: AP | | | | | | |
|----------------|--------|-----------------|------------|-----------------|------|------------|---------------|------|-----------|--|
| Analyte | Result | Reporting Limit | Analyzed | Method Blank | BS | % Recovery | True Value QC | RPD | Qualifier | |
| Benzene* | <0.050 | 0.050 | 01/28/2012 | ND | 1.83 | 91.4 | 2.00 | 5.44 | | |
| Toluene* | <0.050 | 0.050 | 01/28/2012 | ND | 1.94 | 97.1 | 2.00 | 5.68 | | |
| Ethylbenzene* | <0.050 | 0.050 | 01/28/2012 | ND | 1.94 | 97.1 | 2.00 | 5.73 | | |
| Total Xylenes* | <0.150 | 0.150 | 01/28/2012 | ND | 6.07 | 101 | 6.00 | 5.61 | | |

Surrogate. 4-Bromofluorobenzene (PII) 109 % 64 4-134

| Chloride, SM4500CI-B | | mg/kg | | Analyzed By: HM | | | | | | |
|----------------------|-------------|-----------------|------------|-----------------|-----|------------|---------------|------|-----------|--|
| Analyte | Result | Reporting Limit | Analyzed | Method Blank | BS | % Recovery | True Value QC | RPD | Qualifier | |
| Chloride | 48.0 | 16.0 | 01/26/2012 | ND | 448 | 112 | 400 | 0.00 | | |

| TPH 8015M | | mg/kg | | Analyzed By: MS | | | | | | |
|--------------|--------|-----------------|------------|-----------------|-----|------------|---------------|--------|-----------|--|
| Analyte | Result | Reporting Limit | Analyzed | Method Blank | BS | % Recovery | True Value QC | RPD | Qualifier | |
| GRO C6-C10 | <10.0 | 10.0 | 01/26/2012 | ND | 174 | 86.8 | 200 | 0.0835 | | |
| DRO >C10-C28 | <10.0 | 10.0 | 01/26/2012 | ND | 225 | 113 | 200 | 6.70 | | |

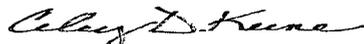
Surrogate. 1-Chlorooctane 69 4 % 55 5-154

Surrogate. 1-Chlorooctadecane 85 2 % 57 6-158

Cardinal Laboratories

* = Accredited Analyte

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Celey D. Keene, Lab Director/Quality Manager

Analytical Results For:

 TALON LPE
 MIKE STUBBLEFIELD
 408 W. TEXAS AVE.
 ARTESIA NM, 88210
 Fax To: (575) 745-8905

| | | | |
|-------------------|-----------------------|---------------------|---------------|
| Received: | 01/23/2012 | Sampling Date: | 01/19/2012 |
| Reported: | 01/30/2012 | Sampling Type: | Soil |
| Project Name: | ARTESIA NO. 22 | Sampling Condition: | Cool & Intact |
| Project Number: | 701407.010.01 | Sample Received By: | Jodi Henson |
| Project Location: | SEC. 35 - T17S - R28E | | |

Sample ID: S-5 BOTTOM 7' BGS (H200164-05)

| BTEX 8021B | | mg/kg | | Analyzed By: AP | | | | | | |
|----------------|--------|-----------------|------------|-----------------|------|------------|---------------|------|-----------|--|
| Analyte | Result | Reporting Limit | Analyzed | Method Blank | BS | % Recovery | True Value QC | RPD | Qualifier | |
| Benzene* | <0.050 | 0.050 | 01/28/2012 | ND | 1.83 | 91.4 | 2.00 | 5.44 | | |
| Toluene* | <0.050 | 0.050 | 01/28/2012 | ND | 1.94 | 97.1 | 2.00 | 5.68 | | |
| Ethylbenzene* | <0.050 | 0.050 | 01/28/2012 | ND | 1.94 | 97.1 | 2.00 | 5.73 | | |
| Total Xylenes* | <0.150 | 0.150 | 01/28/2012 | ND | 6.07 | 101 | 6.00 | 5.61 | | |

Surrogate. 4-Bromofluorobenzene (PIL) 110 % 64 4-134

| Chloride, SM4500Cl-B | | mg/kg | | Analyzed By: HM | | | | | | |
|----------------------|-------------|-----------------|------------|-----------------|-----|------------|---------------|------|-----------|--|
| Analyte | Result | Reporting Limit | Analyzed | Method Blank | BS | % Recovery | True Value QC | RPD | Qualifier | |
| Chloride | 7680 | 16.0 | 01/26/2012 | ND | 448 | 112 | 400 | 0.00 | | |

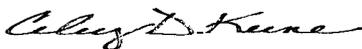
| TPH 8015M | | mg/kg | | Analyzed By: MS | | | | | | |
|--------------|--------|-----------------|------------|-----------------|-----|------------|---------------|--------|-----------|--|
| Analyte | Result | Reporting Limit | Analyzed | Method Blank | BS | % Recovery | True Value QC | RPD | Qualifier | |
| GRO C6-C10 | <10.0 | 10.0 | 01/26/2012 | ND | 174 | 86.8 | 200 | 0.0835 | | |
| DRO >C10-C28 | <10.0 | 10.0 | 01/26/2012 | ND | 225 | 113 | 200 | 6.70 | | |

Surrogate. 1-Chlorooctane 103 % 55.5-154
Surrogate. 1-Chlorooctadecane 138 % 57 6-158

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* = Accredited Analyte

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Caley D. Keene, Lab Director/Quality Manager

Analytical Results For:

 TALON LPE
 MIKE STUBBLEFIELD
 408 W. TEXAS AVE.
 ARTESIA NM, 88210
 Fax To: (575) 745-8905

| | | | |
|-------------------|-----------------------|---------------------|---------------|
| Received: | 01/23/2012 | Sampling Date: | 01/19/2012 |
| Reported: | 01/30/2012 | Sampling Type: | Soil |
| Project Name: | ARTESIA NO. 22 | Sampling Condition: | Cool & Intact |
| Project Number: | 701407.010.01 | Sample Received By: | Jodi Henson |
| Project Location: | SEC. 35 - T17S - R28E | | |

Sample ID: S-6 NORTHSIDE WALL (H200164-06)

| BTEX 8021B | | mg/kg | | Analyzed By: AP | | | | | | |
|----------------|--------|-----------------|------------|-----------------|------|------------|---------------|------|-----------|--|
| Analyte | Result | Reporting Limit | Analyzed | Method Blank | BS | % Recovery | True Value QC | RPD | Qualifier | |
| Benzene* | <0.050 | 0.050 | 01/28/2012 | ND | 1.83 | 91.4 | 2.00 | 5.44 | | |
| Toluene* | <0.050 | 0.050 | 01/28/2012 | ND | 1.94 | 97.1 | 2.00 | 5.68 | | |
| Ethylbenzene* | <0.050 | 0.050 | 01/28/2012 | ND | 1.94 | 97.1 | 2.00 | 5.73 | | |
| Total Xylenes* | <0.150 | 0.150 | 01/28/2012 | ND | 6.07 | 101 | 6.00 | 5.61 | | |

Surrogate: 4-Bromofluorobenzene (PIL) 106 % 64 4-134

| Chloride, SM4500Cl-B | | mg/kg | | Analyzed By: AP | | | | | | |
|----------------------|--------|-----------------|------------|-----------------|-----|------------|---------------|------|-----------|--|
| Analyte | Result | Reporting Limit | Analyzed | Method Blank | BS | % Recovery | True Value QC | RPD | Qualifier | |
| Chloride | 80.0 | 16.0 | 01/26/2012 | ND | 448 | 112 | 400 | 0.00 | | |

| TPH 8015M | | mg/kg | | Analyzed By: MS | | | | | | |
|--------------|--------|-----------------|------------|-----------------|-----|------------|---------------|--------|-----------|--|
| Analyte | Result | Reporting Limit | Analyzed | Method Blank | BS | % Recovery | True Value QC | RPD | Qualifier | |
| GRO C6-C10 | <10.0 | 10.0 | 01/26/2012 | ND | 174 | 86.8 | 200 | 0.0835 | | |
| DRO >C10-C28 | <10.0 | 10.0 | 01/26/2012 | ND | 225 | 113 | 200 | 6.70 | | |

Surrogate: 1-Chlorooctane 105 % 55.5-154

Surrogate: 1-Chlorooctadecane 143 % 57.6-158

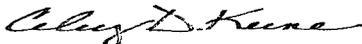
Sample ID: S-7 EASTSIDE WALL (H200164-07)

| Chloride, SM4500Cl-B | | mg/kg | | Analyzed By: AP | | | | | | |
|----------------------|--------|-----------------|------------|-----------------|-----|------------|---------------|------|-----------|--|
| Analyte | Result | Reporting Limit | Analyzed | Method Blank | BS | % Recovery | True Value QC | RPD | Qualifier | |
| Chloride | 416 | 16.0 | 01/26/2012 | ND | 448 | 112 | 400 | 0.00 | | |

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Celey D. Keene, Lab Director/Quality Manager

Analytical Results For:

 TALON LPE
 MIKE STUBBLEFIELD
 408 W. TEXAS AVE.
 ARTESIA NM, 88210
 Fax To: (575) 745-8905

| | | | |
|-------------------|-----------------------|---------------------|---------------|
| Received: | 01/23/2012 | Sampling Date: | 01/19/2012 |
| Reported: | 01/30/2012 | Sampling Type: | Soil |
| Project Name: | ARTESIA NO. 22 | Sampling Condition: | Cool & Intact |
| Project Number: | 701407.010.01 | Sample Received By: | Jodi Henson |
| Project Location: | SEC. 35 - T17S - R28E | | |

Sample ID: S-8 SOUTHSIDE WALL (H200164-08)

| Chloride, SM4500Cl-B | mg/kg | | Analyzed By: AP | | | | | | |
|----------------------|-------------|-----------------|-----------------|--------------|-----|------------|---------------|------|-----------|
| Analyte | Result | Reporting Limit | Analyzed | Method Blank | BS | % Recovery | True Value QC | RPD | Qualifier |
| Chloride | 1230 | 16.0 | 01/26/2012 | ND | 448 | 112 | 400 | 0.00 | |

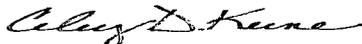
Sample ID: S-9 WESTSIDE WALL (H200164-09)

| Chloride, SM4500Cl-B | mg/kg | | Analyzed By: AP | | | | | | |
|----------------------|-------------|-----------------|-----------------|--------------|-----|------------|---------------|------|-----------|
| Analyte | Result | Reporting Limit | Analyzed | Method Blank | BS | % Recovery | True Value QC | RPD | Qualifier |
| Chloride | 2040 | 16.0 | 01/26/2012 | ND | 432 | 108 | 400 | 0.00 | |

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Celey D. Keene, Lab Director/Quality Manager

Analytical Results For:

 TALON LPE
 MIKE STUBBLEFIELD
 408 W. TEXAS AVE.
 ARTESIA NM, 88210
 Fax To: (575) 745-8905

| | | | |
|-------------------|-----------------------|---------------------|---------------|
| Received: | 01/23/2012 | Sampling Date: | 01/19/2012 |
| Reported: | 01/30/2012 | Sampling Type: | Soil |
| Project Name: | ARTESIA NO. 22 | Sampling Condition: | Cool & Intact |
| Project Number: | 701407.010.01 | Sample Received By: | Jodi Henson |
| Project Location: | SEC. 35 - T17S - R28E | | |

Sample ID: S-10 BOTTOM 2.5' BGS (H200164-10)

| BTEX 8021B | | mg/kg | | Analyzed By: AP | | | | | | |
|----------------|--------|-----------------|------------|-----------------|------|------------|---------------|------|-----------|--|
| Analyte | Result | Reporting Limit | Analyzed | Method Blank | BS | % Recovery | True Value QC | RPD | Qualifier | |
| Benzene* | <0.050 | 0.050 | 01/30/2012 | ND | 1.94 | 96.9 | 2.00 | 6.70 | | |
| Toluene* | <0.050 | 0.050 | 01/30/2012 | ND | 2.07 | 104 | 2.00 | 6.87 | | |
| Ethylbenzene* | <0.050 | 0.050 | 01/30/2012 | ND | 2.07 | 103 | 2.00 | 6.68 | | |
| Total Xylenes* | <0.150 | 0.150 | 01/30/2012 | ND | 6.46 | 108 | 6.00 | 6.43 | | |

Surrogate 4-Bromofluorobenzene (PIL) 108 % 64 4-134

| Chloride, SM4500Cl-B | | mg/kg | | Analyzed By: AP | | | | | | |
|----------------------|------------|-----------------|------------|-----------------|-----|------------|---------------|------|-----------|--|
| Analyte | Result | Reporting Limit | Analyzed | Method Blank | BS | % Recovery | True Value QC | RPD | Qualifier | |
| Chloride | 448 | 16.0 | 01/26/2012 | ND | 432 | 108 | 400 | 0.00 | | |

| TPH 8015M | | mg/kg | | Analyzed By: MS | | | | | | |
|--------------|--------|-----------------|------------|-----------------|-----|------------|---------------|--------|-----------|--|
| Analyte | Result | Reporting Limit | Analyzed | Method Blank | BS | % Recovery | True Value QC | RPD | Qualifier | |
| GRO C6-C10 | <10.0 | 10.0 | 01/26/2012 | ND | 174 | 86.8 | 200 | 0.0835 | | |
| DRO >C10-C28 | <10.0 | 10.0 | 01/26/2012 | ND | 225 | 113 | 200 | 6.70 | | |

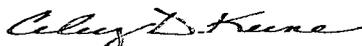
Surrogate: 1-Chlorooctane 104 % 55.5-154

Surrogate: 1-Chlorooctadecane 141 % 57.6-158

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* = Accredited Analyte

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Celey D. Keene, Lab Director/Quality Manager

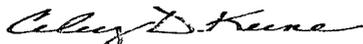
Notes and Definitions

| | |
|-----|--|
| ND | Analyte NOT DETECTED at or above the reporting limit |
| RPD | Relative Percent Difference |
| ** | Samples not received at proper temperature of 6°C or below. |
| *** | Insufficient time to reach temperature. |
| - | Chloride by SM4500Cl-B does not require samples be received at or below 6°C Samples reported on an as received basis (wet) unless otherwise noted on report |

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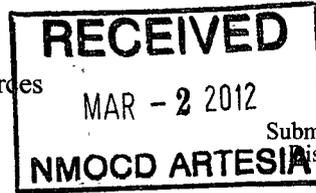


Celey D. Keene, Lab Director/Quality Manager

FINAL C-141

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, 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 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 -- Quantum Resources Management, LLC | Contact Garrett Newton |
| Address 1905 West Sears Ave., Artesia, New Mexico 88210 | Telephone No. 575-513-0230 |
| Facility Name Artesia Battery 1 to Battery 3 Transfer Line | Facility Type |

| | | |
|---------------|---------------|---|
| Surface Owner | Mineral Owner | Lease No. API # 30-015-01747 2RP-775 |
|---------------|---------------|---|

LOCATION OF RELEASE

| Unit Letter | Section | Township | Range | Feet from the | North/South Line | Feet from the | East/West Line | County |
|-------------|---------|----------|-------|---------------|------------------|---------------|----------------|--------|
| K | 35 | 17S | 28E | 2187' | FSL | 2310' | FWL | EDDY |

Latitude 32.79069 N Longitude -104.14837 W

NATURE OF RELEASE

| | | |
|--|--|------------------------------------|
| Type of Release Produced Water | Volume of Release 10 bbls | Volume Recovered -0- |
| Source of Release Water Transfer Line | Date and Hour of Occurrence 4/29/11 2:00 pm | Date and Hour of Discovery same |
| Was Immediate Notice Given? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Required | If YES, To Whom? NMOCD / Mike Bratcher | |
| By Whom? Garrett Newton | Date and Hour 4/29/11 2:15 pm | |
| 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.* The water transfer line coming from the Artesia Battery No. 1 to the Artesia Battery No. 3 was found to be leaking. The line was shut in, repaired, analytical testing was completed and the impacted soil was transported to Lea Land, LLC for disposal.

Describe Area Affected and Cleanup Action Taken.* Talon/LPE was contracted for the correction of this release. The impacted area from this release was excavated to a depth of 7-feet deep. A 20 mil liner was installed into the bottom of the excavation. The excavation was backfilled to grade using new material from Lea Land, LLC and contoured to match the surrounding location.

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: | OIL CONSERVATION DIVISION | |
| Printed Name: Garrett Newton | Approved by District Supervisor: | |
| Title: Field Supervisor | Approval Date: | Expiration Date: |
| E-mail Address: gnewton@pvtnetworks.net | Conditions of Approval: | Attached <input type="checkbox"/> |
| Date: 2/21/2012 Phone: 575-513-0230 | | |

* Attach Additional Sheets If Necessary