Basin Environmental Service Technologies, LLC

2800 Plains Highway
P. O. Box 301
Lovington, New Mexico 88260
cstanley@basinenv.com
Office: (505) 396-2378 Fax: (505) 396-1429

Effective Solutions

AUG 15 2008
OCD-ARTESIA

2RP-188

SOIL INVESTIGATION SUMMARY AND SITE CLOSURE PROPOSAL

Fairway Resources Operating, LLC (241598)

South Red Lake II Unit #43
API # 30-015-23913

Eddy County, New Mexico

UNIT "K" (NE/SW), Section 36, Township 17S, Range 27E

Latitude 32.7877800° North, Longitude 104.2350200° West

Prepared For:

Fairway Resources Operating, LLC
538 Silicon Drive, Suite 101
Southlake, Texas 76092

Prepared By:
Basin Environmental Service Technologies, LLC

August 2008

Curt D. Stanley
Basin Environmental Service Technologies, LLC

TABLE OF CONTENTS

INTRODUCTION AND BACKGROUND INFORMATION

Basin Environmental Service Technologies, LLC (Basin), on behalf of Fairway Resources Operating, LLC (Fairway), has prepared this Soil Investigation Summary and Site Closure Proposal for the release site known as South Red Lake II Unit #43 (API # 30-015-23913). The legal description of the release site is NE¼ SW¼ (Unit Letter K), Section 36, Township 17 South, Range 27 East in Eddy County, New Mexico. The property is owned by the State of New Mexico (SLO). The release site GPS coordinates are 32.7877800° North and 104.2350200° West. Please reference Figure 1 for a Site Location Map and Figure 2 for a Site Map. The Release Notification and Corrective Action is included as Appendix B.

On June 16, 2008, a leak was discovered in a steel nipple at the South Red Lake II Unit #43 wellhead flowline connection. The Release Notification and Corrective Action (Form C-141) indicates 25 barrels (BBL) of a mixture of produced water and crude oil were released as a result of the nipple failure. The C-141 indicates 20 BBL of the mixture of produced water and crude oil were recovered during initial response operations using a vacuum truck. The release net loss was reported at 5 BBL of the mixture. The area affected by the release measures approximately 20 feet in width and 270 feet in length and included portion of the well pad and the adjacent lease road.

NMOCD SITE CLASSIFICATION

As described in Section 3A of the *Guidelines for Remediation of Leaks, Spills and Releases* (NMOCD, 1993), the following characteristics are used to determine the site soil ranking criteria, which influences the site-specific cleanup standards applicable for this site. The depth to groundwater is between 50 - 100 feet from the base of the impacted zone, resulting in ten (10) points being assigned to the site as a result of this criterion.

The water well database, maintained by the New Mexico Office of the State Engineer (NMOSE), was accessed to determine the location and type of nearby registered water wells in the area. The database indicated there are no water wells less than 1,000 feet from the release, resulting in zero (0) points being assigned to this site as a result of this criterion.

There is no surface water body located within 1,000 feet of the site. Based on the NMOCD ranking system zero (0) points will be assigned to the site as a result of the criterion. The Guidelines indicate that the South Red Lake II Unit #43 release site has a ranking score of ten (10). Based on this score, the soil remediation levels for a site with a ranking score of ten (10) points are as follows:

- Benzene – 10 mg/Kg (ppm)
- BTEX – 50 mg/Kg (ppm)
- TPH – 1,000 mg/Kg (ppm)

The NMOCD chloride clean up level concentrations are site specific and will be 500 mg/Kg per the NMOCD – Artesia District office.

SUMMARY OF RECENT FIELD ACTIVITIES

On June 19, 2008, a backhoe was mobilized to the release site to assess the extent of the impacted soil and remove highly saturated soil from the site. Approximately thirty (30) cubic yards (cy) of crude oil and produced water saturated soil was scraped from the flowpath to a depth of approximately eight (8) inches below ground surface (bgs) and transported to an NMOCD approved disposal site.

Following the removal of the saturated soil, three (3) investigation trenches (T-1, T-2 and T-3) were excavated along the release flowpath to assess the vertical extent of the release. Please reference Figure 2 (Site Map) for locations of the investigation trenches.

Investigation Trench T-1 was located on the well pad and was excavated to a depth of 2.5 feet bgs. A soil sample (T-1 @ 2.5') was collected from the floor of the trench and submitted to the laboratory for determination of the benzene, toluene, ethyl-benzene and xylene (BTEX) concentration, total petroleum hydrocarbon (TPH) concentration and chloride concentration by methods 8021b, 8015M, and EPA 300, respectively. The analytical results indicated benzene and BTEX concentrations were below the laboratory method detection limits (MDL) of 0.0012 mg/Kg and 0.0024 mg/Kg, respectively. The TPH concentration of soil sample T-1 @ 2.5' was 183.1 mg/Kg and the chloride concentration was 7,650 mg/Kg. Following the collection of the soil sample the investigation trench was backfilled. A summary of the laboratory results is provided as Table 1, Concentrations of Benzene, BTEX, TPH and Chloride in Soil. Laboratory reports are provided as Appendix A.

Investigation Trench T-2 was located off the well pad on the caliche road adjacent to the well pad and was excavated to a depth of two (2) feet bgs. A soil sample (T-2 @ 2') was collected from the floor of the trench and submitted to the laboratory and analyzed for concentrations of benzene, BTEX, TPH and chloride. The analytical results indicated benzene and BTEX concentrations were below the MDL of 0.0012 mg/Kg and 0.0024 mg/Kg, respectively. The TPH concentration of soil sample T-2 @ 2' was below the MDL of 17.7 mg/Kg and chloride concentration was 215 mg/Kg. Following the collection of the soil sample the investigation trench was backfilled.

Investigation Trench T-3 was located on the caliche road and was excavated to a depth of four (4) feet bgs. A soil sample (T-3 @ 4') was collected from the floor of the trench and submitted to the laboratory and analyzed for concentrations of benzene, BTEX, TPH and chloride. The analytical results indicated benzene and BTEX concentrations were below the MDL of 0.0006 mg/Kg and 0.0012 mg/Kg, respectively. The TPH concentration of soil sample T-2 @ 2' was below the MDL of 18 mg/Kg and the chloride concentration was 639 mg/Kg. Following the collection of the soil sample the investigation trench was backfilled.

CONCLUSIONS

The analytical results of the submitted soil samples indicated benzene concentrations were less than the MDL and all BTEX concentrations are less than the NMOCD regulatory clean up levels.

The analytical results further indicate TPH concentrations are less than the NMOCD regulatory clean up level as described in the NMOCD Site Classification of this report. The analytical results indicated chloride concentrations were above the NMOCD regulatory clean up level of 500 mg/Kg in soil samples T-1@ 2.5' and T-3 @ 4'.

The analytical results indicate the contaminant of concern (COC) for this release site appears to be chloride, which has affected the well pad west of the release point and to a minor extent, areas along the flowpath.

PROPOSED CLOSURE STRATEGY

Fairway proposes the following remedial activities to advance the release site known as South Red Lake II Unit #43 toward an NMOCD approved site closure:

- Excavation of impacted soil from three feet south of the wellhead (to maintain the integrity of the wellhead), west and east along the release flowpath to the edge of the caliche road to a maximum deep of six feet bgs. Should the excavation of impacted soil exceed six (6) feet in depth, Fairway proposes to collect soil samples from the floor of the excavation and submit the soil samples to the laboratory for determination of benzene, BTEX, TPH and chloride concentrations. Following receipt and evaluation of the analytical results, should the analytical results indicate COC concentrations on the floor of the excavation exceed the NMOCD regulatory standards, as outlined in the NMOCD site classification, Fairway will request NMOCD approval of a risk-based closure strategy.

  On NMOCD approval, Fairway will place a twenty (20) mil polyethylene liner, manufactured for this purpose, on the floor of the excavation. A six (6) inch layer of non-impacted sand will be placed above and below the liner to protect the integrity of the liner. The lower sand layer will be mounded to encourage moisture to move toward the edges of the liner. This engineering control is designed to channel moisture to the edge of the liner and away from the impacted soil beneath the liner, reducing the potential for leaching of contaminants to the groundwater.

- Soil impacted along other areas of the release flowpath will be scraped and/or excavated and stockpiled on site. Confirmation soil samples will be collected and submitted to the laboratory for determination of concentrations of benzene, BTEX, TPH and chloride.

- When confirmation soil sample results collected from the remediated areas indicate all benzene, BTEX, TPH and chloride concentrations are within the NMOCD regulatory guidelines, with the exception of the potential risk-based closure strategy adjacent to the wellhead; Fairway will request permission to backfill the excavation(s). The impacted excavated soil stockpiles will be transported to an NMOCD approved landfill and locally purchased backfill material will be transported to the release site. The backfilled excavation will be contoured to fit the surrounding topography. If vegetated areas have been affected by the release or the proposed remediation activities, the affected areas will be reseeded.

REPORTING

Following NMOCD approval of this Work Plan and upon the completion of the remediation activities detailed in this Work Plan, Fairway will submit a Site Closure Request to the NMOCD. The Site Closure Request will document the results of recent remediation activities and will present laboratory confirmation soil sample results as evidence for the Site Closure Request.

LIMITATIONS

Basin Environmental Service Technologies, LLC has prepared this Soil Investigation Summary and Site Closure Proposal to the best of its ability. No other warranty, expressed or implied, is made or intended.

Basin Environmental Service Technologies, LLC has examined and relied upon documents referenced in the report and has relied on oral statements made by certain individuals. Basin Environmental Service Technologies, LLC has not conducted an independent examination of the facts contained in referenced materials and statements. We have presumed the genuineness of the documents and that the information provided in documents or statements is true and accurate. Basin Environmental Service Technologies, LLC has prepared this report, in a professional manner, using the degree of skill and care exercised by similar environmental consultants. Basin Environmental Service Technologies, LLC also notes that the facts and conditions referenced in this report may change over time and the conclusions and recommendations set forth herein are applicable only to the facts and conditions as described at the time of this report.

This report has been prepared for the benefit of Fairway Resources Operating, LLC. The information contained in this report, including all exhibits and attachments, may not be used by any other party without the express consent of Basin Environmental Service Technologies, LLC and/or Fairway Resources Operating, LLC.

DISTRIBUTION:

Copy 1: Sherry Bonham
New Mexico Oil Conservation Division
District 2
1301 W. Grand Avenue
Artesia, New Mexico 88210

Copy 2: Kenneth Pearce
Fairway Resources Operating, LLC.
538 Silicon Drive,
Suite 101
Southlake, Texas 76092

Copy 3: Curt Stanley
Basin Environmental Service Technologies, LLC
P.O. Box 301
Lovington, New Mexico 88220

Figures

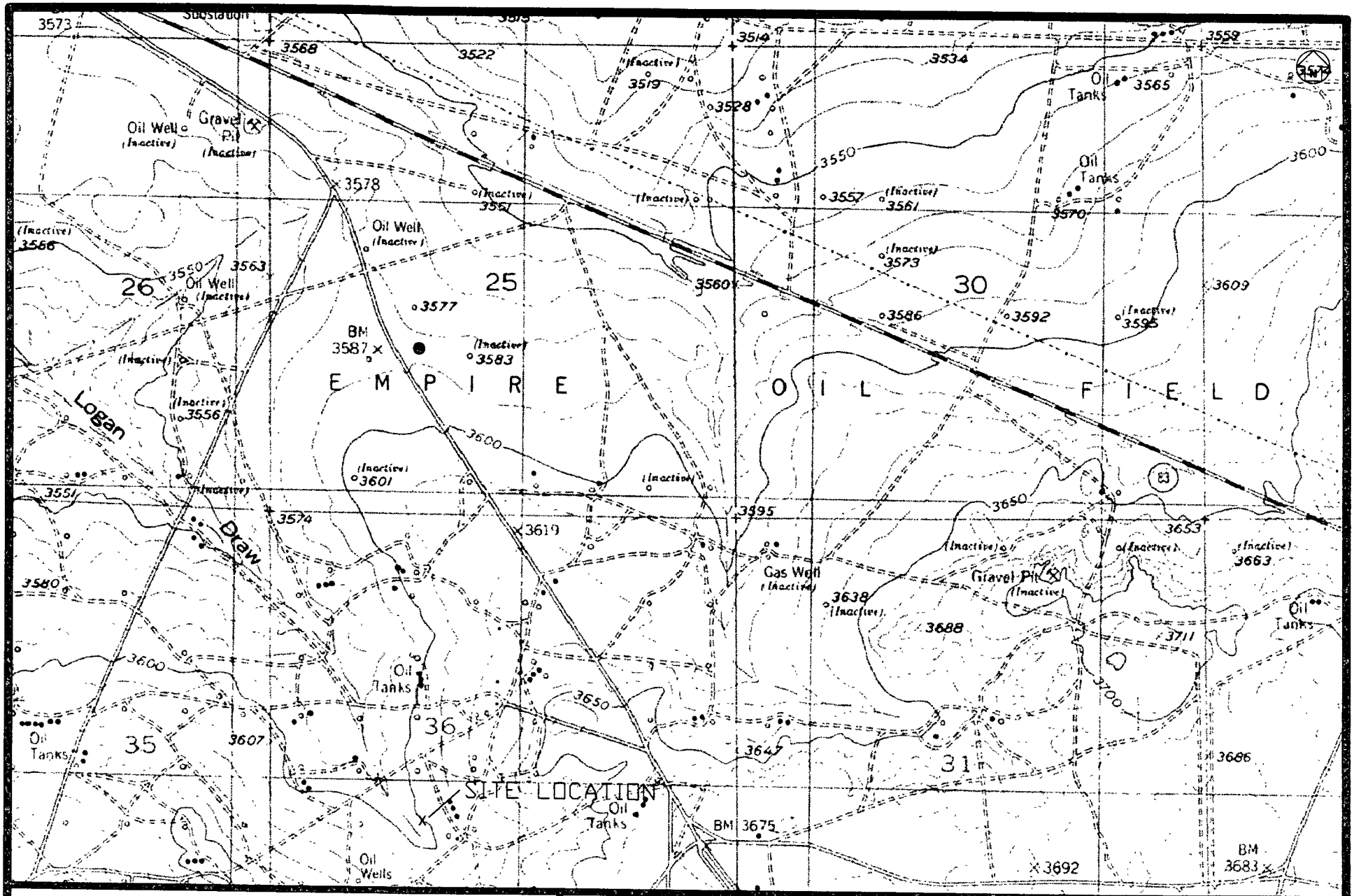
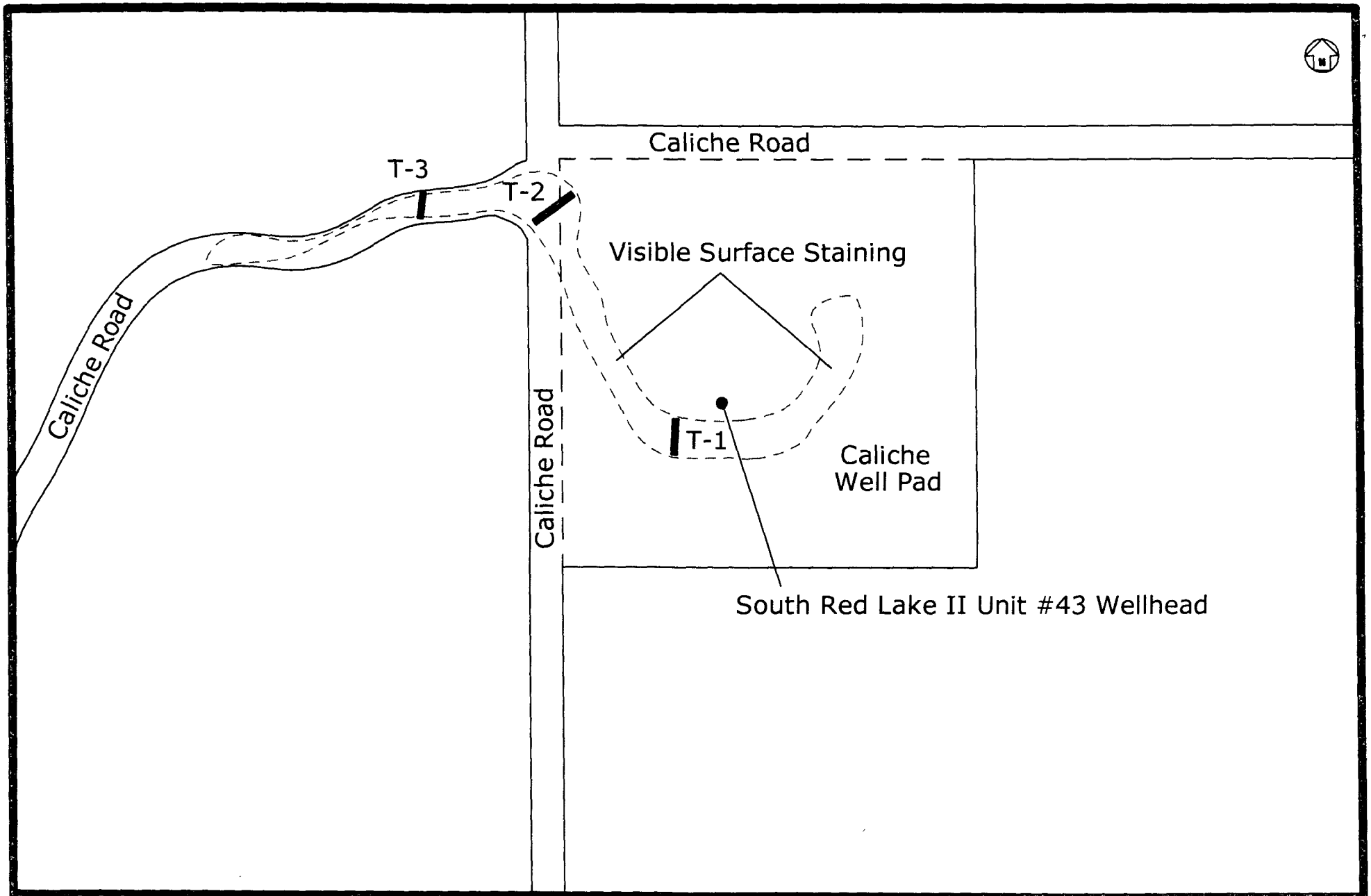


Figure 1
Site Location Map
Fairway Resources
South Red Lake II Unit #43
Eddy County, New Mexico
2RP-188

Basin Environmental Services

Prep By: CDS	Checked By: CDS
August 6, 2008	Scale 1"=1,500'



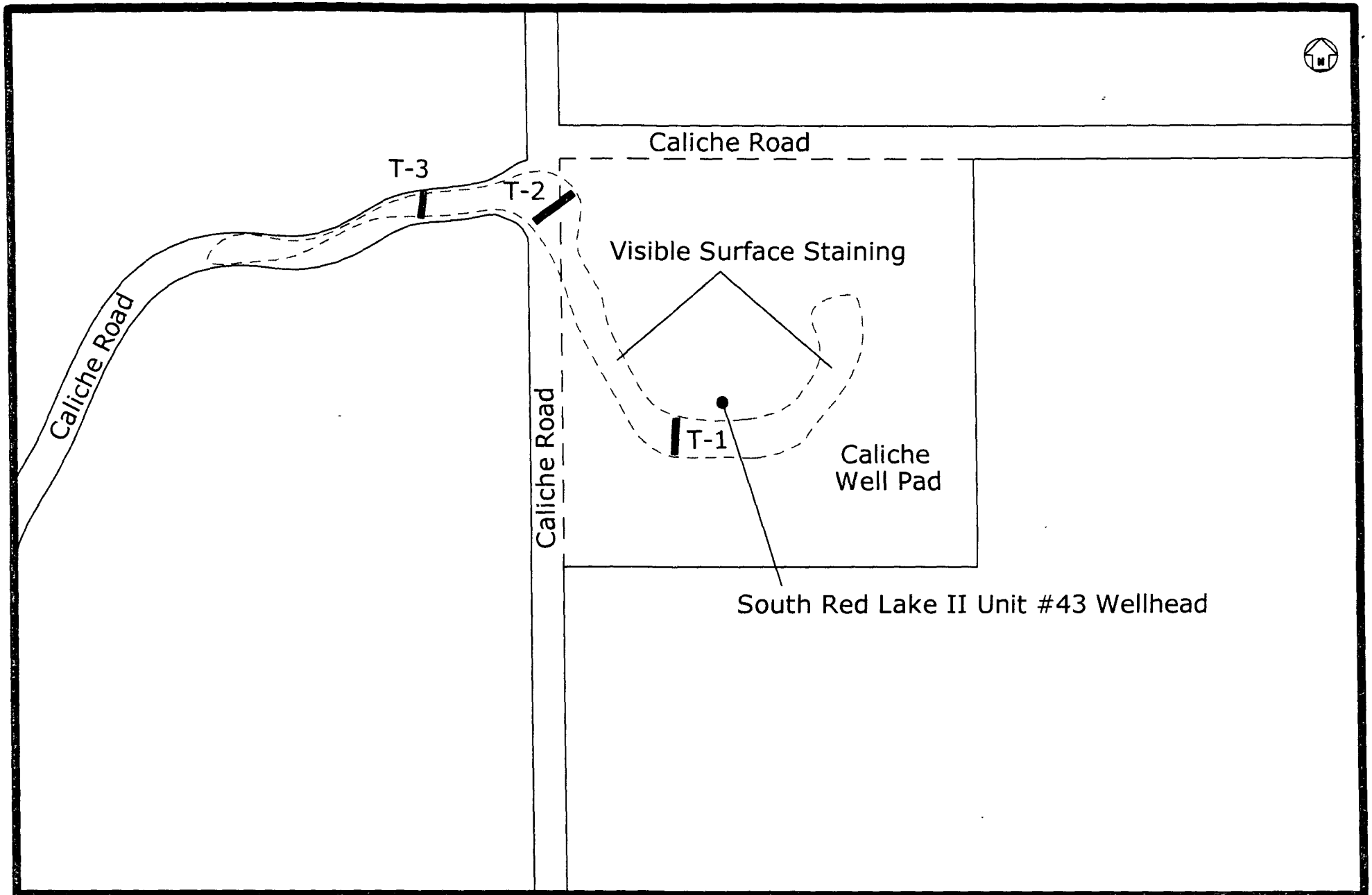
Legend:

- – – – Approximate Extent of Surface Staining
- ▬ Location of Investigation Trench

Figure 2
Schematic Site Map
Fairway Resources
South Red Lake II
Unit #43
Eddy County, New Mexico

Basin Environmental Services

Prep By: CDS	Checked By: CDS
August 6, 2008	Not to Scale



Legend:

- – – – Approximate Extent of Surface Staining
- ▬▬ Location of Investigation Trench

Figure 2
Schematic Site Map
Fairway Resources
South Red Lake II
Unit #43
Eddy County, New Mexico

Basin Environmental Services

Prep By CDS	Checked By. CDS
August 6, 2008	Not to Scale

Tables

Table 1

CONCENTRATIONS of BTEX, TPH and CHLORIDE IN SOIL
Fairway Resources - South Red Lake II Unit #43
EDDY COUNTY, NEW MEXICO

All measurments recorded in mg/Kg

SAMPLE DATE	SAMPLE LOCATION	SAMPLE DEPTH	SAMPLE TYPE	SOIL STATUS	Methods: EPA SW 846-8021B, 5030							Methods: EPA SW 846-8015M				EPA 300
					BENZENE (mg/Kg)	TOLUENE mg/Kg)	ETHYL-BENZENE (mg/Kg)	m,p-XYLENE (mg/Kg)	o-XYLENE (mg/Kg)	TOTAL XYLENE (mg/Kg)	TOTAL BTEX (mg/Kg)	GRO C_6-C_{12} (mg/Kg)	DRO C_{12}-C_{28} (mg/Kg)	ORO C_{28}-C_{35} (mg/Kg)	TOTAL TPH C_6-C_{35} (mg/Kg)	Chloride (mg/Kg)
06/19/08	T-1 @ 2 5'	2 5 feet bgs	Soil	In-Situ	<0 0012	<0 0024	<0 0012	<0 0024	<0 0012	<0 0024	<0 0024	20 3	133	29 8	183 1	**7,650**
06/19/08	T-2 @ 2'	2 feet bgs	Soil	In-Situ	<0 0012	<0 0024	<0 0012	<0 0024	<0 0012	<0 0024	<0 0024	<17 7	<17 7	<17 7	<17 7	215
06/19/08	T-3 @ 4'	4 feet bgs	Soil	In-Situ	<0 0060	<0 0120	<0 0060	<0 0120	<0 0060	<0 0120	<0 0120	<18 0	<18 0	<18 0	<18 0	**639**
NMOCD REGULATORY STANDARD					10						50				1,000	500

BOLD indicates concentration exceeding NMOCD regulatory standards

Appendices

Appendix A
Laboratory Reports

Analytical Report 306371

for

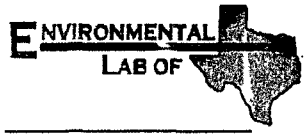
Basin Enivronmental Services

Project Manager: Curt Stanley

South Red Lake II Unit # 43

Same

27-JUN-08



12600 West I-20 East Odessa, Texas 79765

Texas certification numbers:
Houston, TX T104704215

Florida certification numbers:
Houston, TX E871002 - Miami, FL E86678 - Tampa, FL E86675
Norcross(Atlanta), GA E87429

South Carolina certification numbers:
Norcross(Atlanta), GA 98015

North Carolina certification numbers:
Norcross(Atlanta), GA 483

Houston - Dallas - San Antonio - Austin - Tampa - Miami - Latin America
Midland - Corpus Christi - Atlanta

27-JUN-08

Project Manager: **Curt Stanley**
Basin Enivronmental Services
P.O. Box 301
Lovington, NM 88260

Reference: XENCO Report No: **306371**
South Red Lake II Unit # 43
Project Address: Artesia, NM

Curt Stanley:

We are reporting to you the results of the analyses performed on the samples received under the project name referenced above and identified with the XENCO Report Number 306371. All results being reported under this Report Number apply to the samples analyzed and properly identified with a Laboratory ID number. Subcontracted analyses are identified in this report with either the NELAC certification number of the subcontract lab in the analyst ID field, or the complete subcontracted report attached to this report.

Unless otherwise noted in a Case Narrative, all data reported in this Analytical Report are in compliance with NELAC standards. Estimation of data uncertainty for this report is found in the quality control section of this report unless otherwise noted. Should insufficient sample be provided to the laboratory to meet the method and NELAC Matrix Duplicate and Matrix Spike requirements, then the data will be analyzed, evaluated and reported using all other available quality control measures.

The validity and integrity of this report will remain intact as long as it is accompanied by this letter and reproduced in full, unless written approval is granted by XENCO Laboratories. This report will be filed for at least 5 years in our archives after which time it will be destroyed without further notice, unless otherwise arranged with you. The samples received, and described as recorded in Report No. 306371 will be filed for 60 days, and after that time they will be properly disposed without further notice, unless otherwise arranged with you. We reserve the right to return to you any unused samples, extracts or solutions related to them if we consider so necessary (e.g., samples identified as hazardous waste, sample sizes exceeding analytical standard practices, controlled substances under regulated protocols, etc).

We thank you for selecting XENCO Laboratories to serve your analytical needs. If you have any questions concerning this report, please feel free to contact us at any time.

Respectfully,

Brent Barron, II
Odessa Laboratory Manager

Recipient of the Prestigious Small Business Administration Award of Excellence in 1994.
Certified and approved by numerous States and Agencies.
A Small Business and Minority Status Company that delivers SERVICE and QUALITY
Houston - Dallas - San Antonio - Austin - Tampa - Miami - Atlanta - Corpus Christi - Latin America

Sample Cross Reference 306371

Basin Enivronmental Services, Lovington, NM

South Red Lake II Unit # 43

Sample Id	Matrix	Date Collected	Sample Depth	Lab Sample Id
T-1 @ 2.5	S	Jun-19-08 15:00		306371-001
T-2 @ 2'	S	Jun-19-08 15:10		306371-002
T-3 @ 4'	S	Jun-19-08 15:20		306371-003

Certificate of Analysis Summary 306371

Basin Enivronmental Services, Lovington, NM

Project Name: South Red Lake II Unit # 43

Project Id: Same
Contact: Curt Stanley
Project Location: Artesia, NM

Date Received in Lab: Mon Jun-23-08 08:35 am
Report Date: 27-JUN-08
Project Manager: Brent Barron, II

Analysis Requested											
	Lab Id:	306371-001		306371-002		306371-003					
	Field Id:	T-1 @ 2 5		T-2 @ 2'		T-3 @ 4'					
	Depth:										
	Matrix:	SOIL		SOIL		SOIL					
	Sampled:	Jun-19-08 15.00		Jun-19-08 15:10		Jun-19-08 15:20					
BTEX by EPA 8021B	*Extracted:*	Jun-23-08 15:00		Jun-23-08 15 00		Jun-24-08 12.00					
	Analyzed:	Jun-24-08 00:08		Jun-24-08 00:32		Jun-24-08 16:15					
	Units/RL:	mg/kg	RL	mg/kg	RL	mg/kg	RL				
Benzene		ND	0 0012	ND	0.0012	ND	0 0060				
Toluene		ND	0.0024	ND	0 0024	ND	0.0120				
Ethylbenzene		ND	0 0012	ND	0 0012	ND	0 0060				
m,p-Xylenes		ND	0 0024	ND	0 0024	ND	0.0120				
o-Xylene		ND	0.0012	ND	0.0012	ND	0 0060				
Total Xylenes		ND		ND		ND					
Total BTEX		ND		ND		ND					
Inorganic Anions by EPA 300	*Extracted:*										
	Analyzed:	Jun-24-08 10:52		Jun-24-08 10:52		Jun-24-08 10:52					
	Units/RL:	mg/kg	RL	mg/kg	RL	mg/kg	RL				
Chloride		7650	238	215	5 90	639	24.0				
Percent Moisture	*Extracted:*										
	Analyzed:	Jun-23-08 17 00		Jun-23-08 17:00		Jun-23-08 17:00					
	Units/RL:	%	RL	%	RL	%	RL				
Percent Moisture		15 9		15.3		16 7					
TPH by SW8015 Mod	*Extracted:*	Jun-24-08 08:48		Jun-24-08 08:48		Jun-24-08 08:48					
	Analyzed:	Jun-26-08 14:10		Jun-26-08 14:48		Jun-26-08 15:35					
	Units/RL:	mg/kg	RL	mg/kg	RL	mg/kg	RL				
C6-C12 Gasoline Range Hydrocarbons		20.3	17.8	ND	17.7	ND	18 0				
C12-C28 Diesel Range Hydrocarbons		133	17 8	ND	17.7	ND	18 0				
C28-C35 Oil Range Hydrocarbons		29 8	17 8	ND	17 7	ND	18 0				
Total TPH		183 1		ND		ND					

This analytical report, and the entire data package it represents, has been made for your exclusive and confidential use
The interpretations and results expressed throughout this analytical report represent the best judgment of XENCO Laboratories
XENCO Laboratories assumes no responsibility and makes no warranty to the end use of the data hereby presented
Our liability is limited to the amount invoiced for this work order unless otherwise agreed to in writing

Since 1990 Houston - Dallas - San Antonio - Austin - Tampa - Miami - Latin America - Atlanta - Corpus Christi

Brent Barron
Odessa Laboratory Director

Flagging Criteria

X In our quality control review of the data a QC deficiency was observed and flagged as noted. MS/MSD recoveries were found to be outside of the laboratory control limits due to possible matrix /chemical interference, or a concentration of target analyte high enough to effect the recovery of the spike concentration. This condition could also effect the relative percent difference in the MS/MSD.

B A target analyte or common laboratory contaminant was identified in the method blank. Its presence indicates possible field or laboratory contamination.

D The sample(s) were diluted due to targets detected over the highest point of the calibration curve, or due to matrix interference. Dilution factors are included in the final results. The result is from a diluted sample.

E The data exceeds the upper calibration limit; therefore, the concentration is reported as estimated.

F RPD exceeded lab control limits.

J The target analyte was positively identified below the MQL(PQL) and above the SQL(MDL).

U Analyte was not detected.

L The LCS data for this analytical batch was reported below the laboratory control limits for this analyte. The department supervisor and QA Director reviewed data. The samples were either reanalyzed or flagged as estimated concentrations.

H The LCS data for this analytical batch was reported above the laboratory control limits. Supporting QC Data were reviewed by the Department Supervisor and QA Director. Data were determined to be valid for reporting.

K Sample analyzed outside of recommended hold time.

* Outside XENCO'S scope of NELAC Accreditation

Form 2 - Surrogate Recoveries

Project Name: South Red Lake II Unit # 43

Work Order #: 306371 **Project ID:** Same

Lab Batch #: 726318 **Sample:** 306371-001 / SMP **Batch:** 1 **Matrix:** Soil

Units: mg/kg

BTEX by EPA 8021B Analytes	SURROGATE RECOVERY STUDY Amount Found [A]	True Amount [B]	Recovery %R [D]	Control Limits %R	Flags
1,4-Difluorobenzene	0.0336	0.0300	112	80-120	
4-Bromofluorobenzene	0.0319	0.0300	106	80-120	

Lab Batch #: 726318 **Sample:** 306371-002 / SMP **Batch:** 1 **Matrix:** Soil

Units: mg/kg

BTEX by EPA 8021B Analytes	SURROGATE RECOVERY STUDY Amount Found [A]	True Amount [B]	Recovery %R [D]	Control Limits %R	Flags
1,4-Difluorobenzene	0.0332	0.0300	111	80-120	
4-Bromofluorobenzene	0.0309	0.0300	103	80-120	

Lab Batch #: 726318 **Sample:** 511084-1-BKS / BKS **Batch:** 1 **Matrix:** Solid

Units: mg/kg

BTEX by EPA 8021B Analytes	SURROGATE RECOVERY STUDY Amount Found [A]	True Amount [B]	Recovery %R [D]	Control Limits %R	Flags
1,4-Difluorobenzene	0.0306	0.0300	102	80-120	
4-Bromofluorobenzene	0.0355	0.0300	118	80-120	

Lab Batch #: 726318 **Sample:** 511084-1-BLK / BLK **Batch:** 1 **Matrix:** Solid

Units: mg/kg

BTEX by EPA 8021B Analytes	SURROGATE RECOVERY STUDY Amount Found [A]	True Amount [B]	Recovery %R [D]	Control Limits %R	Flags
1,4-Difluorobenzene	0.0343	0.0300	114	80-120	
4-Bromofluorobenzene	0.0316	0.0300	105	80-120	

Lab Batch #: 726318 **Sample:** 511084-1-BSD / BSD **Batch:** 1 **Matrix:** Solid

Units: mg/kg

BTEX by EPA 8021B Analytes	SURROGATE RECOVERY STUDY Amount Found [A]	True Amount [B]	Recovery %R [D]	Control Limits %R	Flags
1,4-Difluorobenzene	0 0269	0.0300	90	80-120	
4-Bromofluorobenzene	0.0320	0.0300	107	80-120	

** Surrogates outside limits; data and surrogates confirmed by reanalysis

*** Poor recoveries due to dilution

Surrogate Recovery [D] = 100 * A / B

All results are based on MDL and validated for QC purposes.

Form 2 - Surrogate Recoveries

Project Name: South Red Lake II Unit # 43

Work Order #: 306371 **Project ID:** Same

Lab Batch #: 726328 **Sample:** 306371-003 / SMP **Batch:** 1 **Matrix:** Soil

Units: mg/kg

BTEX by EPA 8021B Analytes	SURROGATE RECOVERY STUDY Amount Found [A]	True Amount [B]	Recovery %R [D]	Control Limits %R	Flags
1,4-Difluorobenzene	0.0347	0.0300	116	80-120	
4-Bromofluorobenzene	0.0307	0.0300	102	80-120	

Lab Batch #: 726328 **Sample:** 511084-1-BKS / BKS **Batch:** 1 **Matrix:** Solid

Units: mg/kg

BTEX by EPA 8021B Analytes	SURROGATE RECOVERY STUDY Amount Found [A]	True Amount [B]	Recovery %R [D]	Control Limits %R	Flags
1,4-Difluorobenzene	0.0270	0.0300	90	80-120	
4-Bromofluorobenzene	0.0323	0.0300	108	80-120	

Lab Batch #: 726328 **Sample:** 511084-1-BLK / BLK **Batch:** 1 **Matrix:** Solid.

Units: mg/kg

BTEX by EPA 8021B Analytes	SURROGATE RECOVERY STUDY Amount Found [A]	True Amount [B]	Recovery %R [D]	Control Limits %R	Flags
1,4-Difluorobenzene	0.0349	0 0300	116	80-120	
4-Bromofluorobenzene	0.0299	0.0300	100	80-120	

Lab Batch #: 726328 **Sample:** 511084-1-BSD / BSD **Batch:** 1 **Matrix:** Solid

Units: mg/kg

BTEX by EPA 8021B Analytes	SURROGATE RECOVERY STUDY Amount Found [A]	True Amount [B]	Recovery %R [D]	Control Limits %R	Flags
1,4-Difluorobenzene	0 0282	0.0300	94	80-120	
4-Bromofluorobenzene	0.0318	0.0300	106	80-120	

Lab Batch #: 726418 **Sample:** 306327-001 S / MS **Batch:** 1 **Matrix:** Soil

Units: mg/kg

TPH by SW8015 Mod Analytes	SURROGATE RECOVERY STUDY Amount Found [A]	True Amount [B]	Recovery %R [D]	Control Limits %R	Flags
1-Chlorooctane	83.3	100	83	70-135	
o-Terphenyl	47.2	50.0	94	70-135	

** Surrogates outside limits; data and surrogates confirmed by reanalysis

*** Poor recoveries due to dilution

Surrogate Recovery [D] = 100 * A / B

All results are based on MDL and validated for QC purposes.

Form 2 - Surrogate Recoveries

Project Name: South Red Lake II Unit # 43

Work Order #: 306371 **Project ID:** Same

Lab Batch #: 726418 **Sample:** 306327-001 SD / MSD **Batch:** 1 **Matrix:** Soil

Units: mg/kg

TPH by SW8015 Mod Analytes	SURROGATE RECOVERY STUDY Amount Found [A]	True Amount [B]	Recovery %R [D]	Control Limits %R	Flags
1-Chlorooctane	83.8	100	84	70-135	
o-Terphenyl	48.2	50.0	96	70-135	

Lab Batch #: 726418 **Sample:** 306371-001 / SMP **Batch:** 1 **Matrix:** Soil

Units: mg/kg

TPH by SW8015 Mod Analytes	SURROGATE RECOVERY STUDY Amount Found [A]	True Amount [B]	Recovery %R [D]	Control Limits %R	Flags
1-Chlorooctane	73.4	100	73	70-135	
o-Terphenyl	41.8	50.0	84	70-135	

Lab Batch #: 726418 **Sample:** 306371-002 / SMP **Batch:** 1 **Matrix:** Soil

Units: mg/kg

TPH by SW8015 Mod Analytes	SURROGATE RECOVERY STUDY Amount Found [A]	True Amount [B]	Recovery %R [D]	Control Limits %R	Flags
1-Chlorooctane	72.6	100	73	70-135	
o-Terphenyl	41.7	50.0	83	70-135	

Lab Batch #: 726418 **Sample:** 306371-003 / SMP **Batch:** 1 **Matrix:** Soil

Units: mg/kg

TPH by SW8015 Mod Analytes	SURROGATE RECOVERY STUDY Amount Found [A]	True Amount [B]	Recovery %R [D]	Control Limits %R	Flags
1-Chlorooctane	70.4	100	70	70-135	
o-Terphenyl	40.8	50.0	82	70-135	

Lab Batch #: 726418 **Sample:** 511165-1-BKS / BKS **Batch:** 1 **Matrix:** Solid

Units: mg/kg

TPH by SW8015 Mod Analytes	SURROGATE RECOVERY STUDY Amount Found [A]	True Amount [B]	Recovery %R [D]	Control Limits %R	Flags
1-Chlorooctane	79.4	100	79	70-135	
o-Terphenyl	44.3	50.0	89	70-135	

** Surrogates outside limits; data and surrogates confirmed by reanalysis

*** Poor recoveries due to dilution

Surrogate Recovery [D] = 100 * A / B

All results are based on MDL and validated for QC purposes.

Form 2 - Surrogate Recoveries

Project Name: South Red Lake II Unit # 43

Work Order #: 306371 **Project ID:** Same

Lab Batch #: 726418 **Sample:** 511165-1-BLK / BLK **Batch:** 1 **Matrix:** Solid

Units: mg/kg

TPH by SW8015 Mod Analytes	SURROGATE RECOVERY STUDY Amount Found [A]	True Amount [B]	Recovery %R [D]	Control Limits %R	Flags
1-Chlorooctane	73.0	100	73	70-135	
o-Terphenyl	41.3	50.0	83	70-135	

Lab Batch #: 726418 **Sample:** 511165-1-BSD / BSD **Batch:** 1 **Matrix:** Solid

Units: mg/kg

TPH by SW8015 Mod Analytes	SURROGATE RECOVERY STUDY Amount Found [A]	True Amount [B]	Recovery %R [D]	Control Limits %R	Flags
1-Chlorooctane	80.0	100	80	70-135	
o-Terphenyl	44.1	50.0	88	70-135	

** Surrogates outside limits; data and surrogates confirmed by reanalysis

*** Poor recoveries due to dilution

Surrogate Recovery [D] = 100 * A / B

All results are based on MDL and validated for QC purposes.

Blank Spike Recovery

Project Name: South Red Lake II Unit # 43

Work Order #: 306371 **Project ID:** Same

Lab Batch #: 726343 **Sample:** 726343-1-BKS **Matrix:** Solid

Date Analyzed: 06/24/2008 **Date Prepared:** 06/24/2008 **Analyst:** LATCOR

Reporting Units: mg/kg **Batch #:** 1

Inorganic Anions by EPA 300 Analytes	Blank Result [A]	BLANK /BLANK SPIKE RECOVERY STUDY Spike Added [B]	Blank Spike Result [C]	Blank Spike %R [D]	Control Limits %R	Flags
Chloride	ND	100	114	114	75-125	

Blank Spike Recovery [D] = 100*[C]/[B]
All results are based on MDL and validated for QC purposes.

BS / BSD Recoveries

Project Name: South Red Lake II Unit # 43

Work Order #: 306371 **Project ID:** Same

Analyst: BRB **Date Prepared:** 06/23/2008 **Date Analyzed:** 06/23/2008

Lab Batch ID: 726318 **Sample:** 511084-1-BKS **Batch #:** 1 **Matrix:** Solid

Units: mg/kg

BTEX by EPA 8021B	BLANK /BLANK SPIKE / BLANK SPIKE DUPLICATE RECOVERY STUDY										
Analytes	Blank Sample Result [A]	Spike Added [B]	Blank Spike Result [C]	Blank Spike %R [D]	Spike Added [E]	Blank Spike Duplicate Result [F]	Blk. Spk Dup. %R [G]	RPD %	Control Limits %R	Control Limits %RPD	Flag
Benzene	ND	0.1000	0.1165	117	0.1	0.0984	98	17	70-130	35	
Toluene	ND	0.1000	0.1152	115	0.1	0.0961	96	18	70-130	35	
Ethylbenzene	ND	0.1000	0.1269	127	0.1	0.1060	106	18	71-129	35	
m,p-Xylenes	ND	0.2000	0.2584	129	0.2	0.2165	108	18	70-135	35	
o-Xylene	ND	0.1000	0.1255	126	0.1	0.1044	104	18	71-133	35	

Analyst: BRB **Date Prepared:** 06/24/2008 **Date Analyzed:** 06/24/2008

Lab Batch ID: 726328 **Sample:** 511084-1-BKS **Batch #:** 1 **Matrix:** Solid

Units: mg/kg

BTEX by EPA 8021B	BLANK /BLANK SPIKE / BLANK SPIKE DUPLICATE RECOVERY STUDY										
Analytes	Blank Sample Result [A]	Spike Added [B]	Blank Spike Result [C]	Blank Spike %R [D]	Spike Added [E]	Blank Spike Duplicate Result [F]	Blk. Spk Dup. %R [G]	RPD %	Control Limits %R	Control Limits %RPD	Flag
Benzene	ND	0.1000	0.0998	100	0.1	0.1047	105	5	70-130	35	
Toluene	ND	0.1000	0.0987	99	0.1	0.1035	104	5	70-130	35	
Ethylbenzene	ND	0.1000	0.1111	111	0.1	0.1166	117	5	71-129	35	
m,p-Xylenes	ND	0.2000	0.2237	112	0.2	0.2348	117	5	70-135	35	
o-Xylene	ND	0.1000	0.1083	108	0.1	0.1138	114	5	71-133	35	

Relative Percent Difference RPD = 200*|(D-F)/(D+F)|
Blank Spike Recovery [D] = 100*(C)/[B]
Blank Spike Duplicate Recovery [G] = 100*(F)/[E]
All results are based on MDL and Validated for QC Purposes

BS / BSD Recoveries

Project Name: South Red Lake II Unit # 43

Work Order #: 306371 **Project ID:** Same

Analyst: ASA **Date Prepared:** 06/24/2008 **Date Analyzed:** 06/25/2008

Lab Batch ID: 726418 **Sample:** 511165-1-BKS **Batch #:** 1 **Matrix:** Solid

Units: mg/kg

	BLANK /BLANK SPIKE / BLANK SPIKE DUPLICATE RECOVERY STUDY										
TPH by SW8015 Mod **Analytes**	Blank Sample Result [A]	Spike Added [B]	Blank Spike Result [C]	Blank Spike %R [D]	Spike Added [E]	Blank Spike Duplicate Result [F]	Blk. Spk Dup. %R [G]	RPD %	Control Limits %R	Control Limits %RPD	Flag
C6-C12 Gasoline Range Hydrocarbons	ND	1000	840	84	1000	838	84	0	70-135	35	
C12-C28 Diesel Range Hydrocarbons	ND	1000	838	84	1000	832	83	1	70-135	35	

Relative Percent Difference RPD = 200*|(D-F)/(D+F)|
Blank Spike Recovery [D] = 100*(C)/[B]
Blank Spike Duplicate Recovery [G] = 100*(F)/[E]
All results are based on MDL and Validated for QC Purposes

Form 3 - MS Recoveries

Project Name: South Red Lake II Unit # 43

Work Order #: 306371
Lab Batch #: 726343
Date Analyzed: 06/24/2008
QC- Sample ID: 306370-001 S
Reporting Units: mg/kg

Date Prepared: 06/24/2008
Batch #: 1

Project ID: Same
Analyst: LATCOR
Matrix: Soil

Inorganic Anions by EPA 300	MATRIX / MATRIX SPIKE RECOVERY STUDY					
Analytes	Parent Sample Result [A]	Spike Added [B]	Spiked Sample Result [C]	%R [D]	Control Limits %R	Flag
Chloride	2140	2040	5140	147	75-125	X

Matrix Spike Percent Recovery [D] = 100*(C-A)/B
Relative Percent Difference [E] = 200*(C-A)/(C+B)
All Results are based on MDL and Validated for QC Purposes

Form 3 - MS / MSD Recoveries

Project Name: South Red Lake II Unit # 43

Work Order # : 306371 **Project ID:** Same

Lab Batch ID: 726418 **QC- Sample ID:** 306327-001 S **Batch #:** 1 **Matrix:** Soil

Date Analyzed: 06/26/2008 **Date Prepared:** 06/24/2008 **Analyst:** ASA

Reporting Units: mg/kg

	MATRIX SPIKE / MATRIX SPIKE DUPLICATE RECOVERY STUDY										
TPH by SW8015 Mod **Analytes**	**Parent Sample Result [A]**	**Spike Added [B]**	**Spiked Sample Result [C]**	**Spiked Sample %R [D]**	**Spike Added [E]**	**Duplicate Spiked Sample Result [F]**	**Spiked Dup. %R [G]**	**RPD %**	**Control Limits %R**	**Control Limits %RPD**	**Flag**
C6-C12 Gasoline Range Hydrocarbons	ND	1300	1090	84	1300	1090	84	0	70-135	0	
C12-C28 Diesel Range Hydrocarbons	ND	1300	1120	86	1300	1110	85	1	70-135	1	

Matrix Spike Percent Recovery [D] = 100*(C-A)/B
Relative Percent Difference RPD = 200*(D-G)/(D+G)

Matrix Spike Duplicate Percent Recovery [G] = 100*(F-A)/E

ND = Not Detected, J = Present Below Reporting Limit, B = Present in Blank, NR = Not Requested, I = Interference, NA = Not ApplicableN = See Narrative, EQL = Estimated Quantitation Limit

Sample Duplicate Recovery

Project Name: South Red Lake II Unit # 43

Work Order #: 306371

Lab Batch #: 726343 **Project ID:** Same

Date Analyzed: 06/24/2008 **Date Prepared:** 06/24/2008 **Analyst:** LATCOR

QC- Sample ID: 306370-001 D **Batch #:** 1 **Matrix:** Soil

Reporting Units: mg/kg

Inorganic Anions by EPA 300	SAMPLE / SAMPLE DUPLICATE RECOVERY				
Analyte	Parent Sample Result [A]	Sample Duplicate Result [B]	RPD	Control Limits %RPD	Flag
Chloride	2140	2300	7	20	

Lab Batch #: 726229

Date Analyzed: 06/23/2008 **Date Prepared:** 06/23/2008 **Analyst:** JLG

QC- Sample ID: 306371-001 D **Batch #:** 1 **Matrix:** Soil

Reporting Units: %

Percent Moisture	SAMPLE / SAMPLE DUPLICATE RECOVERY				
Analyte	Parent Sample Result [A]	Sample Duplicate Result [B]	RPD	Control Limits %RPD	Flag
Percent Moisture	15.9	16.2	2	20	

Spike Relative Difference RPD 200 * | (B-A)/(B+A) |
All Results are based on MDL and validated for QC purposes.

Environmental Lab of Texas

A Xenco Laboratories Company

CHAIN OF CUSTODY RECORD AND ANALYSIS REQUEST

12600 West I 20 East
Odessa, Texas 79765

Phone 432-563-1800
Fax 432 563-1713

Project Manager: CURT STANLEY
Company Name: BASIN ENVIRONMENTAL
Company Address: P.O. Box 301
City/State/Zip: LOVINGTON, NM
Telephone No: 575-441-2241
Fax No:
Sampler Signature:
e-mail: CdStanley@basinenv.com

Project Name: SOUTH KEMP LAKE II UNIT #43
Project #: SAME
Project Loc: ARTESIA, NM
PO #:
Report Format: Standard TRRP NPDES

(lab use only)
ORDER #: 306371

Analyze For: TCLP / TOTAL

LAB # (lab use only)	FIELD CODE	Beginning Depth	Ending Depth	Date Sampled	Time Sampled	Field Filtered	Total # of Containers	Preservation & # of Containers: Ice	HNO3	HCl	H2SO4	NaOH	Na2S2O3	None	Other (Specify)	Matrix: Water	Soil/Solid	Sludge	Other	8015	TPH 418.1	TPH TX 005	Cations (Ca, Mg, Na, K)	Anions (Cl, SO4, Alkalinity)	SAR / ESP / CEC	Metals: As Ag Ba Cd Cr Pb Hg Se	Volatiles	Semivolatiles	BTEX 8021B/5030 or 8260	HCl	NORM	CHLORIDES 300	RUSH TAT (Pre-Schedule) 24, 48, 72 hrs	Standard TAT
01	T-1@ 2.5			6/19	1500		1	X									S			X									X			X		X
02	T-2@ 2'			6/19	1510		1	X									S			X									X			X		X
03	T-3@ 4'			6/19	1520		1	X									S			X									X			X		X

Special Instructions: BILL TO BASIN

Relinquished by	Date	Time	Received by	Date	Time
	6/23/08	835			
Relinquished by	Date	Time	Received by	Date	Time
Relinquished by	Date	Time	Received by ELOT	6/24/08	8:35

Laboratory Comments
Sample Containers Intact? Y N
VOCs Free of Headspace? Y N
Labels on container(s) Y N
Custody seals on container(s) Y N
Custody seals on cooler(s) Y N
Sample Hand Delivered Y N
by Sampler/Client Rep.? Y N
by Courier? UPS DHL FedEx Lone Star
Temperature Upon Receipt 6.0°C

Environmental Lab of Texas

Variance/ Corrective Action Report- Sample Log-In

Client: Basin Env.

Date/ Time: 6.23.08 8:35

Lab ID #: 306371

Initials: al

Sample Receipt Checklist

					Client Initials
#1	Temperature of container/ cooler?	Yes	No	6.0 °C	
#2	Shipping container in good condition?	Yes	No		
#3	Custody Seals intact on shipping container/ cooler?	Yes	No	Not Present	
#4	Custody Seals intact on sample bottles/ container?	Yes	No	Not Present	
#5	Chain of Custody present?	Yes	No		
#6	Sample instructions complete of Chain of Custody?	Yes	No		
#7	Chain of Custody signed when relinquished/ received?	Yes	No		
#8	Chain of Custody agrees with sample label(s)?	Yes	No	ID written on Cont / Lid	
#9	Container label(s) legible and intact?	Yes	No	Not Applicable	
#10	Sample matrix/ properties agree with Chain of Custody?	Yes	No		
#11	Containers supplied by ELOT?	Yes	No		
#12	Samples in proper container/ bottle?	Yes	No	See Below	
#13	Samples properly preserved?	Yes	No	See Below	
#14	Sample bottles intact?	Yes	No		
#15	Preservations documented on Chain of Custody?	Yes	No		
#16	Containers documented on Chain of Custody?	Yes	No		
#17	Sufficient sample amount for indicated test(s)?	Yes	No	See Below	
#18	All samples received within sufficient hold time?	Yes	No	See Below	
#19	Subcontract of sample(s)?	Yes	No	Not Applicable	
#20	VOC samples have zero headspace?	Yes	No	Not Applicable	

Variance Documentation

Contact: _____ Contacted by _____ Date/ Time: _____

Regarding _____

Corrective Action Taken:

Check all that Apply

- ☐ See attached e-mail/ fax
- ☐ Client understands and would like to proceed with analysis
- ☐ Cooling process had begun shortly after sampling event

Appendix B
Release Notification and Corrective Action
(Form 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

JUN 20 2008
OCD-ARTESIA

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

iSEB0819256396
nSEB0819256221

OPERATOR

☒ Initial Report ☐ Final Report

Name of Company Fairway Resources Operating LLC 241598	Contact Kenneth Pearce
Address 538 Silicon Drive, Suite 101, Southlake, TX 76092	Telephone No. 817-416-1946
Facility Name South Red Lake II Unit #43 30-015-23913	Facility Type oil well

Surface Owner State of New Mexico	Mineral Owner State of New Mexico	Lease No. NM109695X

LOCATION OF RELEASE

Unit Letter	Section	Township	Range	Feet from the	North/South Line	Feet from the	East/West Line	County
"K"	36	17-S	27-E	1,650	South	1,650	West	Eddy

Latitude 32.7877800 **Longitude** -104.2350200

NATURE OF RELEASE

Type of Release Produced water and crude oil	Volume of Release 25 bbls est.	Volume Recovered 20 bbls est.
Source of Release Flowline leak near the wellhead	Date and Hour of Occurrence 6/16/08 unknown time	Date and Hour of Discovery 6/17/08 8:00am
Was Immediate Notice Given? ☒ Yes ☐ No ☐ Not Required	If YES, To Whom?	
By Whom? Kenneth Pearce	Date and Hour 6/17/08	
Was a Watercourse Reached? ☐ Yes ☒ No	If YES, Volume Impacting the Watercourse.	

If a Watercourse was Impacted, Describe Fully.*

Describe Cause of Problem and Remedial Action Taken.*

A leak developed in a steel nipple at the wellhead flowline connection. The nipple was replaced, repairing the leak.

Describe Area Affected and Cleanup Action Taken.*

The affected area was the well location, lease road, and area immediately along the lease road.

All free-standing liquids were picked-up with a vacuum truck and transported to the central facility. A remediation work plan will be prepared and submitted for approval within 30 days of this notification.

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: Kenneth Pearce	**OIL CONSERVATION DIVISION**
Printed Name: Kenneth Pearce	Approved by District Supervisor: Tonn by SB. — Remediation Actions to be completed and Final C-141 submitted with confirmation analyses/documentation on or before the Expiration Date.
Title: Operations Engineer	Approval Date: 7-10-08 Expiration Date: 9-12-08
E-mail Address: kpearce@fairwayresources.com	Conditions of Approval: Attached ☐
Date: June 17, 2008 Phone: 817-416-1946	The plan must include general site characteristics, site ranking score, soil remediation action levels, soil remediation methods, and planned analytical testing for TPH, B-TEX, Chlorides or any other COCs as applicable. Please use the "Guidelines for Remediation of Leaks, Spills, & Releases" as your guide. This document may be found at the following link. http://www.emnrd.state.nm.us/ocd/documents/7C_spill1.pdf — 2RP-188 — Notify OCD 48 hours prior to obtaining samples where analyses are to be presented to OCD

* Attach Additional Sheets If Necessary

SEB0819256504

New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Joanna Prukop
Cabinet Secretary
Reese Fullerton
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division

August 18, 2008

Fairway Resources Operating, LLC
538 Silicon Drive, Suite 101
Southlake, TX 76092

Reference: South Red Lake II Unit #43 K-36-17S-27E
30-015-23913 Eddy County, New Mexico
2RP-188

Operator, ,

The New Mexico Oil Conservation Division District 2 Office (OCD) is in receipt of a remediation work plan (plan) submitted by Basin Environmental Service Technologies, LLC on behalf of Fairway Resources Operating, LLC regarding above referenced facility. The plan is approved with the following stipulations:

- Notify the OCD 48 hours prior to obtaining samples where analyses are to be submitted to the OCD.
- Results of analytical data obtained through sampling shall be forwarded to OCD for approval **prior** to any backfilling activities.
- Should operator request NMOCD approval of a risk-based closure strategy, a vertical and lateral delineation for constituents of concern must be accomplished to a site specific background or agreed upon acceptable level.
- Any stockpiled soils are to be placed on plastic and a perimeter berm constructed around stockpiled soils to control run-on and run-off.
- Remediation requirements may be subject to change as site conditions warrant.
- A final Report C-141 is to be submitted to the OCD upon satisfactory completion of remediation project.
- Remediation activities to be completed on or before **October 20, 2008**.

Please be advised that NMOCD acceptance of documentation/work plan etc., 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 documentation/plans, etc., does not relieve the operator of responsibility for compliance with any other federal, state, local laws and/or regulations.

Respectfully,

Sherry Bonham
NMOCD District 2
1301 W Grand Avenue
Artesia, NM 88210
575.748.1283 ext. 109
sherry.bonham@state.nm.us