

District I
1625 N. French Dr., Hobbs, NM
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

RECEIVED
SEP 25 2008

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: Crownquest Operating, LLC | Contact: Doug Vaughan |
| Address: PO Box 53310, Midland, TX 79710 | Telephone No.: 432-818-0310 |
| Facility Name: J.M. Huber State NCT 2 No. 1 SITE 3 | Facility Type: Produced Water & Oil Flowline |

| | | |
|----------------------------|------------------------------------|------------|
| Surface Owner: Norman Hahn | Mineral Owner: State of New Mexico | Lease No.: |
|----------------------------|------------------------------------|------------|

LOCATION OF RELEASE

API NO.: 30-025-29915

| Unit Letter | Section | Township | Range | Feet from the | North/South Line | Feet from the | East/West Line | County |
|-------------|---------|----------|-------|---------------|------------------|---------------|----------------|--------|
| O | 11 | 14S | 33E | 660' | FSL | 1980' | FEL | Lea |

Latitude _____ Longitude _____

NATURE OF RELEASE

| | | |
|--|---|--|
| Type of Release: Produced Water, Oil, Gas | Volume of Release: Unknown but estimated approx. 20 bbls. | Volume Recovered: 18 bbls. |
| Source of Release: Flowline which traverses the field fatigued from the well to battery. | Date and Hour of Occurrence: Unknown | Date and Hour of Discovery: 9 July 2008 1215 Hours |
| Was Immediate Notice Given? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | If YES, To Whom? Larry Johnson | |
| By Whom? C. Winkler | Date and Hour: 9 July 08 Approx. 1400 Hours | |
| Was a Watercourse Reached? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | If YES, Volume Impacting the Watercourse. N/A | |

If a Watercourse was Impacted, Describe Fully.*
N/A

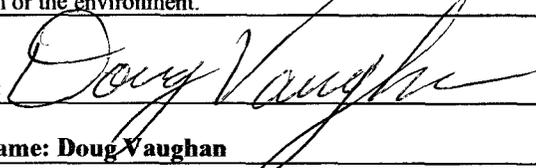
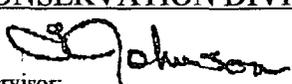
Describe Cause of Problem and Remedial Action Taken.*

The well was shut in to cease the flow down the polyline and vacuum trucks were called to the scene. At the time, it was estimated approximately 20 bbls. had been discharged onto the rancher's property. The rancher was notified at approximately 1420 Hrs. of the situation. His response was that he was glad to be notified and only wanted it cleaned up. Once the vacuum trucks arrived and the standing fluids were removed, a backhoe began to remove the contaminated soil placing it on HDPE liner on the pad. Upon inspection of the line, 4 other areas were found which had also leaked at one time. Consequently, the entire line will be replaced. These areas were also targeted for cleanup and removal of the contaminated soil to the pad area for transport to disposal at Gandy's Disposal in Lovington. However, later infield sampling demonstrated it would be possible to place these materials in the rancher's landfarm.

Describe Area Affected and Cleanup Action Taken.*

Soil samples were taken and sent to Trace Analysis for analyticals. Continued removal of contaminated material was determined by infield and laboratory results and the areas backfilled after authorization by NMOCD. Once the polyline was replaced, the well was returned to production. Remediation of all other sites continued simultaneously. All sites were fertilized, seeded and enhanced with topsoil due to the tremendously high concentration of rocks.

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.

| | | |
|--|--|--|
| Signature:  | OIL CONSERVATION DIVISION | |
| Printed Name: Doug Vaughan | Approved by District Supervisor:  ENVIRONMENTAL ENGINEER | |
| Title: Drilling/Production Superintendent | Approval Date: 10.3.08 | Expiration Date: — |
| E-mail Address: dvaughan@crowquest.com | Conditions of Approval: — | Attached <input type="checkbox"/> IRP# 196A |
| Date: 22 September 2008 Phone: 432-818-0310 | | |

* Attach Additional Sheets If Necessary

Summary Report

Doug Vaughan
 Crownquest Operating, LLC
 303 Veterans Airpark Lane, Ste. 5100
 P.O. Box 53310
 Midland, TX, 79710

Report Date: August 14, 2008

Work Order: 8072201



Project Name: HM Huber State NCT #2

| Sample | Description | Matrix | Date Taken | Time Taken | Date Received |
|--------|---|--------|------------|------------|---------------|
| 167703 | Final Sample Composite Site 1 West Side | soil | 2008-07-18 | 11:45 | 2008-07-22 |
| 167704 | Final Sample Composite Site 1 East Side | soil | 2008-07-18 | 11:50 | 2008-07-22 |

| Sample - Field Code | BTEX | | | | MTBE | TPH DRO | TPH GRO |
|--|--------------------|--------------------|-------------------------|-------------------|-----------------|----------------|----------------|
| | Benzene (mg/Kg) | Toluene (mg/Kg) | Ethylbenzene (mg/Kg) | Xylene (mg/Kg) | MTBE (mg/Kg) | DRO (mg/Kg) | GRO (mg/Kg) |
| 167703 - Final Sample Composite Site 1 West Side | <0.0100 | <0.0100 | <0.0100 | <0.0100 | | <50.0 | <1.00 |
| 167704 - Final Sample Composite Site 1 East Side | <0.0100 | <0.0100 | <0.0100 | <0.0100 | | <50.0 | <1.00 |

Sample: 167703 - Final Sample Composite Site 1 West Side

| Param | Flag | Result | Units | RL |
|----------|------|--------|-------|------|
| Chloride | | 74.2 | mg/Kg | 3.25 |

Sample: 167704 - Final Sample Composite Site 1 East Side

| Param | Flag | Result | Units | RL |
|----------|------|--------|-------|------|
| Chloride | | 76.1 | mg/Kg | 3.25 |