

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

RECEIVED  
MAR 11 2010  
HOBSBODD

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 <i>EverQuest Energy Corporation</i>	Contact <i>Terry M. Duffey</i>	<b>RP# 2051</b>
Address <i>10 Desta Drive, Suite 300-East, Midland, TX 79705</i>	Telephone No. <i>432-686-9790</i>	
Facility Name <i>Schooner B State #2</i>	Facility Type <i>Producing Well</i>	

Surface Owner <i>State of New Mexico</i>	Mineral Owner <i>State of New Mexico</i>	Lease No.
--	--	-----------

#### LOCATION OF RELEASE

*API 30.025.37921*

Unit Letter	Section	Township	Range	Feet from the	North/South Line	Feet from the	East/West Line	County
<i>H</i>	<i>17</i>	<i>16S</i>	<i>32E</i>					<i>Lea</i>

Latitude *32.922506N* Longitude *103.789272W*

*WTR 200'*

#### NATURE OF RELEASE

Type of Release <i>Drilling Fluids</i>	Volume of Release	Volume Recovered
Source of Release <i>Compromised Pit Liner</i>	Date and Hour of Occurrence <i>Unknown</i>	Date and Hour of Discovery <i>7:30 AM on 6/11/08</i>
Was Immediate Notice Given? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Not Required	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.\*  
*6/6/08: initial delineation was conducted with backhoe, samples taken and sent to Cardinal Labs for analysis.  
 Periodic rains during summer and fall months caused operations to be suspended pending pit water evaporation so additional soil samples could be secured.  
 11/20/09: supplemental soil delineation sampling was conducted and sent to Cardinal Labs for analysis.  
 12/16/09: submitted email to Larry Johnson proposing cleanup plan for RP# 2051, received email approval from LJ on 12/18/09 to proceed as requested*

Describe Area Affected and Cleanup Action Taken.\*  
*RP#2051  
 All impacted material was extracted to below acceptable MCL, approximately 720 cu.yds. of material was disposed at Gandy-Marley. A 12-mil plastic liner was laid down and the original pit material was encapsulated and wrapped in the plastic liner and buried in-place inside the drilling pit. The encapsulated pod was covered by a 20-mil plastic liner and capped with 3 feet (530 cu yds.) of topsoil back to native site grade level.  
 2/24/10: remedial action was completed in accordance with NMOCD protocol.*

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: <i>T M Duffey</i>	<b>OIL CONSERVATION DIVISION</b>	
Printed Name: <i>Terry M Duffey</i>	<i>L Johnson</i> Approved by District <b>ENVIRONMENTAL ENGINEER</b>	
Title: <i>President</i>	Approval Date: <i>3.26.2010</i>	Expiration Date: <i>—</i>
E-mail Address: <i>private</i>	Conditions of Approval:	Attached <input type="checkbox"/>
Date: <i>March 7, 2010</i>	Phone: <i>432-686-9790</i>	<b>RP# 2051</b>

\* Attach Additional Sheets If Necessary

*Adm. p LWS 101553529*

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JAN 16 7 00 AM

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Revised October 10, 2003

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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 - EverQuest Energy Corporation	Contact - Terry Duffey
Address - 10 Desta Drive, Suite 300-E, Midland, TX 79705	Telephone No. - 432-686-9790
Facility Name - Schooner B # 2	Facility Type - Producing Well

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

LOCATION OF RELEASE

UTR 7 150'

Unit Letter	Section	Township	Range	Fect from the	North/South Line	Fect from the	East/West Line	County
H	17	16S	32E					Lea

Latitude - 32.92260 N Longitude - 103.78150 W

NATURE OF RELEASE

Type of Release - Drilling Fluids	Volume of Release	Volume Recovered
Source of Release - Compromised Pit Liner	Date and Hour of Occurrence unknown	Date and Hour of Discovery 6/11/08 7:30 AM
Was Immediate Notice Given? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Not Required	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.\*

6/9/08 - Initial delineation was conducted with a backhoe, samples were taken and sent to Cardinal Laboratories for analysis

Describe Area Affected and Cleanup Action Taken.\*

RP# 2051 -  
API # 30-025-37921

All impacted material will be removed to below acceptable MCL's and disposed of at a disposal facility;  
A 12 ml liner will be installed and original drilling pit material will be buried in place, capped with a 20 ml liner, and covered with 3' of backfill material to grade.

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: <i>J. Brim on behalf of EverQuest Energy</i>	OIL CONSERVATION DIVISION	
Printed Name: <i>Jerry Brim</i>	Approved by District Supervisor: <i>[Signature]</i>	
Title: <i>Authorized Agent</i>	Approval Date: <i>1.16.09</i>	Expiration Date: <i>3.16.09</i>
E-mail Address: <i>jbrim@everquest.net</i>	Conditions of Approval:	Attached <input type="checkbox"/>
Date: <i>1/16/09</i> Phone: <i>390-6149</i>	<i>CLEAN TO LSE - SUBMIT</i>	<i>IRP#2051</i>

FINAL C-141 w/ DOCUMENTATION BY 3.16.09

FGRL0902139096

# EverQuest Energy Corporation

**RECEIVED**

MAR 11 2010

HOBBSOCD

## Site Investigation and Closure Report

Schooner B State #2  
UL H, Section 17, T16S, R32E  
Latitude: N32.922506, Longitude: W103.789272  
Lea County, NM

**Report dated: March 8, 2010**

**Report prepared by: Terry M. Duffey**

10 Desta Drive, Ste 300-E

Midland, Texas 79705

432-686-9790

[public@everquestenergy.com](mailto:public@everquestenergy.com)

## Table of Contents

<u>Section</u>	<u>Description</u>	<u>Page</u>
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2.2	Soil Description	4
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3.0	Work Performed	4
4.0	Closure Justification	5

## Attachments

<u>Reference</u>	<u>Description</u>	<u>Sampling Date</u>
Map 1	Site Vicinity	N/A
Map 2	Site Delineation	N/A
Table 1	Initial Pit Area Analytical Report	6/6/08
Table 2	Re-Initialized Pit Area Analytical Report - chlorides	11/20/09
Table 3	Pit Area Analytical Report - chlorides, TPH, BTEX	2/12/10
Table 4	Pit Area Analytical Report - chlorides	2/15/10
Table 5	Stockpile Area Analytical Report - chlorides	2/18/10
Table 6	Stockpile Area Analytical Report - chlorides	2/19/10
Email	Closure Plan Request & Approval	Request dated: 12/16/09 Approval dated: 12/08/09
Form C-141	Initial Report	N/A
Form C-141	Final Report	N/A
Photographs	Taken during various stages of project	Available upon request

## **1.0 Introduction and Background**

The C-144 report for this well was approved on 1/8/08. The C-141 Initial Report was approved on 1/16/09. EverQuest Energy proposed a closure plan for this drilling pit that was identical to that which was used about 400 yards to the west during the summer of 2008. All the pit circumstances were similar for these two well sites. Both pits were of the same vintage. The proposed closure plan was approved via email from Larry Johnson w/ the NMOCD in Hobbs on 12/18/09.

On 6/6/08 the initial delineation was conducted with a backhoe to determine the vertical and horizontal extent of chloride impact at the site. Heavy periodic rains throughout the summer and autumn months delayed further testing as the site was too wet to get heavy earthmoving equipment into the pit area for further chloride level delineation. The soil tests were finally obtained on 11/20/09. The results of the Cardinal Lab analysis were used in the proposed site closure plan submitted and ultimately approved by Mr. Johnson in mid-December of 2009.

This final report evaluates, identifies and addresses the results of the information obtained from the initial and subsequent sub-surface delineation conducted at the pit site.

The site vicinity map, site delineation (sampling) map and laboratory analyzes are included as Attachments to this report.

## **2.0 Site Description**

### **2.1 Geological**

The site is located 5-miles northeast of Maljamar, NM in the Llano Estacado part of the High Plains section in western Lea County. See Map 1. The Llano Estacado is an isolated mesa. It is a depositional surface of low relief that slopes uniformly southeastward.

The Llano Estacado is underlain by the Ogallala aquifer which is of Tertiary age overlying older Cretaceous, Jurassic, Triassic and Permian age strata.

The Ogallala on the Llano Estacado is capped by a layer of dense caliche, ranging from a few to as much as 60-feet in thickness. At the surface the caliche is well indurated and is almost completely calcium carbonate. Below the surface it is less indurated and with increasing depth it becomes more porous and gradates into underlying sands.

The Ogallala formation ranges in thickness from a few inches to 300-feet. It contains both coarse fluvial conglomerate and sandstones and fine-grained eolian siltstone and clay. The grain size of the Ogallala clastics is controlled by the topography of the underlying mid-Tertiary erosional surface. Coarse fluvial clastics were deposited in paleo-lows, whereas the finer eolian sediments were deposited in upland areas. Eolian clastics also overlie the fluvial sediments in the paleo-lows as sand and loess sheets. The change from fluvial to eolian sedimentations probably resulted from the diversion of Ogallala streams.

During Ogallala time, depositional conditions varied rapidly; the sorting power of the streams which deposited the formations fluctuated, and well-sorted sediments are inter-bedded with poorly sorted sediments. It is chiefly calcareous, unconsolidated sand, but it contains clay, silt and gravel. Some beds of well-consolidated, silica-cemented conglomeritic sandstone 1-3 feet thick also occur within the Ogallala.

## **2.2 Soils Description**

The soils in the area are of the Kimbrough-Lea complex. This complex is about 50% Kimbrough gravelly loam and 25% Lea loam, and in a few places about 40% Kimbrough and 40% Lea soils. It is 20 to 25% inclusions of Stegall, Arvana, Slaughter and Sharvana soils. The Kimbrough soil is gently sloping and is on the tops and sides of low ridges. It is very shallow over a thick bed of indurated caliche. The Lea soil is nearly level and is in swales between the ridges. The Lea soil has a dark grayish-brown to brown surface layer and a grayish-brown to brown loam subsoil. Indurated caliche is at a depth of 20-40 inches. Slopes are 0-3 percent. The vegetation consists of mid and tall grasses and shrubs. The soils in this complex are used as a range, wildlife habitat and recreational areas. They are also a source of caliche for use in construction.

## **2.3 Area Ground Water**

Based on the Chevron-Texaco ground water elevation contour map the depth to ground water is projected to be greater than (>) 150 feet below ground surface (BGS).

## **2.4 Area Water Wells**

No water wells lie within 1000 feet of the site.

## **2.5 Area Surface Water Features**

No surface water or drainage areas lie within 1000 feet of the site.

## **3.0 Work Performed**

On 6/6/08 initial delineation began with the utilization of a backhoe to determine the vertical and horizontal extent of the suspected contaminants of concern (COC): chloride concentration. A compromised plastic pit liner was the reason for the suspected contamination due to released drilling fluids (saltwater mud).

The pit area was excavated to 5-feet BGS and stockpiled immediately adjacent to the drilling reserve pit on the existing caliche drilling pad. A 5-point sampling was conducted inside the pit area as well as the four pit walls. See Map 2. The soil samples were transported under chain-of-custody protocol to Cardinal Labs in Hobbs, NM for analysis. Analytical results can be seen in Table 1. These results obviously indicated that additional excavation and soil testing at deeper levels was necessary.

Attempts to obtain deeper soil samples in the areas of concern were postponed several times from July through mid-November 2008 due to heavy rains filling the pit area which subsequently required further periods of drying. Finally on November 20, 2008 hole augering equipment was able to secure additional soil samples. Cardinal Lab chloride analysis results can be seen in Table 2. Other than the NW and SE quadrants (see Map 1) the depth to MCL of 5000 ppm was established. The results were included in an email to Mr. Larry Johnson dated December 16, 2009. EverQuest Energy requested that Mr. Johnson approve the same MCL he granted in the "twin" drilling reserve pit covered by RP# 1883 during the summer of 2008. An

acknowledgment email from Mr. Johnson dated 12/18/2009 granted that MCL. A copy of this correspondence is attached to this report.

Watson Construction of Hobbs, NM was awarded the bid for excavation, removal and transportation of chloride impacted material to Gandy-Marley (G-M). They also took care of transporting and spreading the 3-feet of topsoil used to cap the pit. Akome, Inc. in Hobbs, NM installed the 12-mil and 20-mil plastic liners. Cardinal Labs (CL) in Hobbs performed all laboratory analyzes used in this report.

Pit closure/deconstruction began in mid-February 2010. Mr. Johnson OCD/Hobbs was notified via email of the commencement. Additional impacted material was removed from the NW and SE quadrants. Soil samples were analyzed at CL for chloride, BTEX and TPH 8015 concentrations – see Table 3 and 4. All impacted material that exceeded the 5000 ppl MCL was excavated and transported to G-M for disposal. Approximately 720 cu.yds. of impacted material was transported and disposed at G-M. The CL analytical results showed that all sampling points at the final level of excavation were below the acceptable MCL for chloride, TPH and BTEX – see Table 3 and 4 for results.

The 12-mil liner was installed and all stockpiled material – including the impacted material below the unlined stockpile footprint – was transferred back on top. Soil sampling at the north and south halves center points of the stockpile area (see Map 2) are shown in Table 5 and 6. Again, any impacted material above the 5000 ppm MCL was also transferred onto the new 12-mil pit liner. The 12-mil liner was then folded-up and sealed by Akome personnel. The CL analytical results showed that both sampling points at the final level of excavation were below the acceptable MCL for chloride, TPH and BTEX – see Table 5 and 6 for results.

A 20-mil plastic liner was installed over the pit area and 3 feet of clean topsoil was used to bring the grade level back to native conditions. Additional topsoil was used to bring the grade level to native conditions in the stockpile area.

#### 4.0 Closure Justification

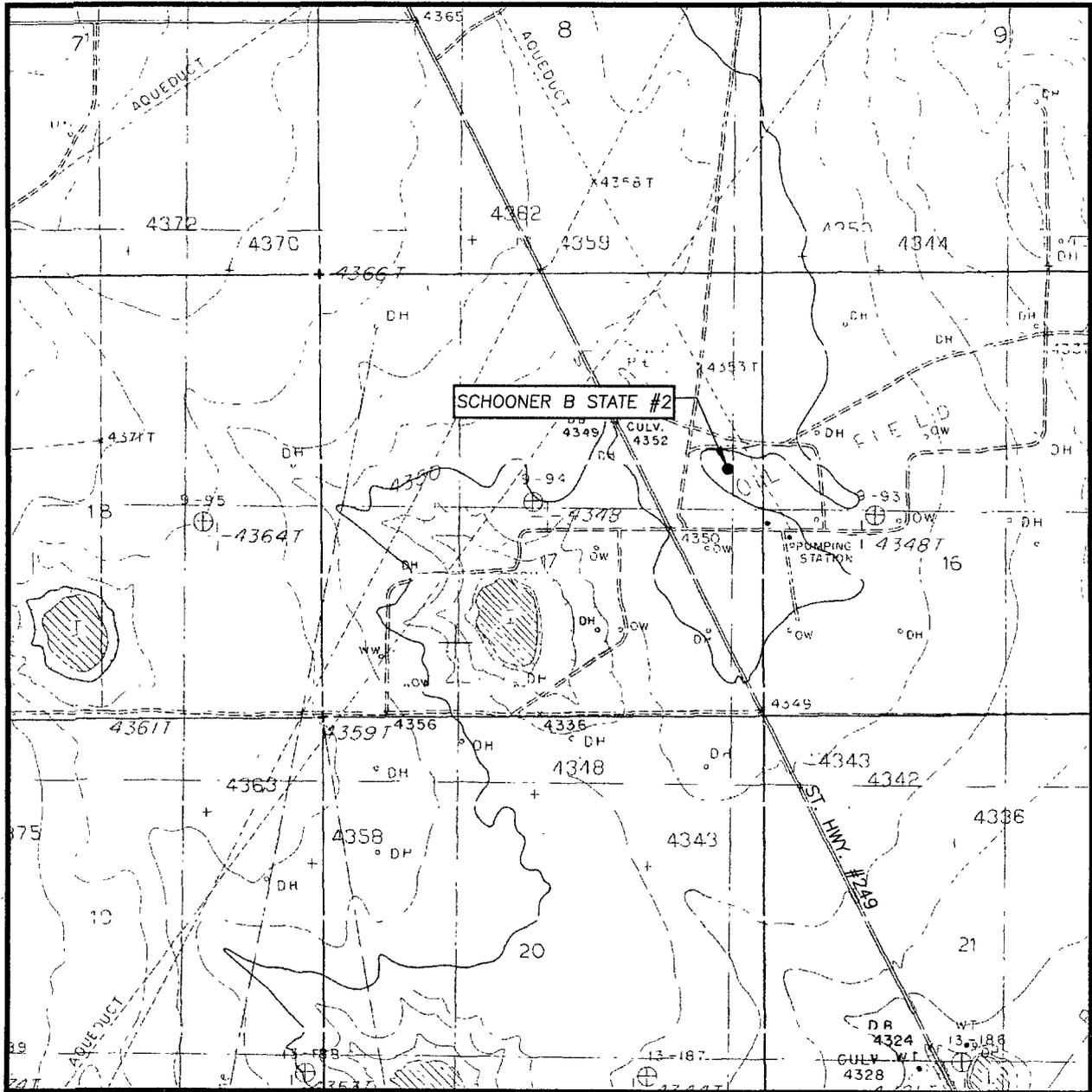
This report documents the successful remediation of the EverQuest Energy – Schooner B State #2 release site. Impacted soils within the affected areas were excavated to below acceptable MCL levels.

All stockpiled pit contents were buried in a totally encapsulated burial trench as per NMOCD protocol. The pit was covered with 3 feet of clean topsoil to grade as per NMOCD requirements.

Based on the information and data presented in this report, EverQuest Energy Corporation requests that the New Mexico Oil Conservation Division require “NO FURTHER ACTION” at this site and thereby approve the accompanying Form C-141 FINAL REPORT.

# LOCATION VERIFICATION MAP

MAP 1



SCALE: 1" = 2000'

CONTOUR INTERVAL:  
MALJAMAR, N.M. - 10'  
SUPPLEMENTAL CONTOUR - 5'

SEC. 17 TWP. 16-S RGE. 32-E

SURVEY N.M.P.M.

COUNTY LEA STATE NEW MEXICO

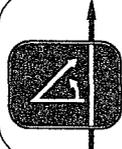
DESCRIPTION 2310' FNL & 430' FEL

ELEVATION 4351'

OPERATOR EVERQUEST ENERGY CORPORATION

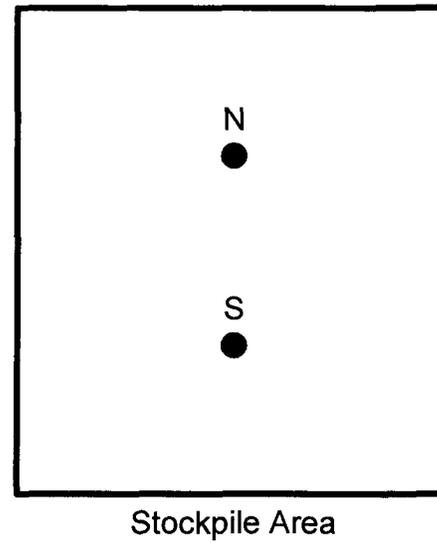
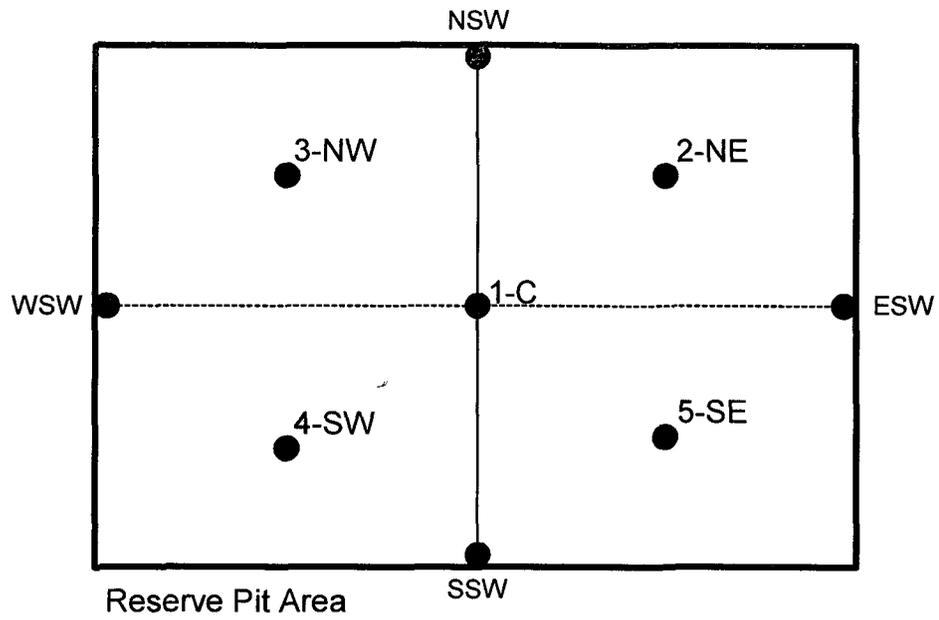
LEASE SCHOONER B STATE

U.S.G.S. TOPOGRAPHIC MAP  
MALJAMAR NE, N.M.



**PROVIDING SURVEYING SERVICES**  
**SINCE 1946**  
**JOHN WEST SURVEYING COMPANY**  
 412 N. DAL PASO  
 HOBBS, N.M. 88240  
 (505) 393-3117

**EverQuest Energy Corporation**  
**Schooner B State #2**



● Denote Location of Sample Points

**Map 2**  
**Site Delineation**

TABLE 1



PHONE (575) 393-2326 • 101 E. MARLAND • HOBBS, NM 88240

ANALYTICAL RESULTS FOR  
 BRIAN ENVIRONMENTAL SERVICES, LLC  
 ATTN: JERRY BRIAN  
 622 W. STILES RD.  
 HOBBS, NM 88242  
 FAX TO: (432) 682-3821

Receiving Date: 06/09/08

Reporting Date: 06/10/08

Project Owner: EVERQUEST ENERGY

Project Name: NOT GIVEN *SCHOOL B #2*

Project Location: LEA COUNTY, NM *INITIAL SAMPLING STARTING POINT*

Analysis Date: 06/10/08

Sampling Date: 06/06/08

Sample Type: SOIL

Sample Condition: INTACT

Sample Received By: HM

Analyzed By: KS

LAB NUMBER	SAMPLE ID	CF (mg/kg)
H14952-1	SP #1 - 5' BGS	41,600 ✓
H14952-2	SP #2 - 5' BGS	26,400 ✓
H14952-3	SP #3 - 5' BGS	86,400 ✓
H14952-4	SP #4 - 5' BGS	34,000 ✓
H14952-5	SP #5 - 5' BGS	22,000 ✓
H14952-6	NSW - 3' BGS	128 ✓
H14952-7	SSW - 3' BGS	1,010 ✓
H14952-8	ESW - 3' BGS	54,800 ✓
H14952-9	WSW - 3' BGS	95,200 ✓
Quality Control		500
True Value QC		500
% Recovery		100
Relative Percent Difference		< 0.1

*JERRY'S FIELD #15*

METHOD: Standard Methods 4500-CFB

Note: Analyses performed on 1:4 w:v aqueous extracts.

*Kirsti Supro*  
 Chemist

*06/10/08*  
 Date

H14952 BRIAN ENV.

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TABLE 2



PHONE (575) 393-2326 • 101 E. MARLAND • HOBBS, NM 88240

ANALYTICAL RESULTS FOR  
 EVERQUEST ENERGY CORPORATION  
 ATTN: TERRY DUFFEY  
 10 DESTA DRIVE, STE. 300-E  
 MIDLAND, TX 79705  
 FAX TO: (432) 682-3821

Receiving Date: 11/30/09  
 Reporting Date: 12/02/09  
 Project Owner: NOT GIVEN  
 Project Name: SCHOONER B #2  
 Project Location: LEA COUNTY, NM

Analysis Date: 12/02/09  
 Sampling Date: 11/20/09  
 Sample Type: SOIL  
 Sample Condition: INTACT @ 13.5°C  
 Sample Received By: CK  
 Analyzed By: HM

LAB NUMBER	SAMPLE ID	Cl <sup>-</sup> (mg/kg)
H18807-1	CB/2'	2,200
H18807-2	CB/4'	4,160
H18807-3	CB/8'	3,360
H18807-4	WSW 7'	2,760
H18807-5	WSW 9'	2,280
H18807-6	1-C/7' SP1	496
H18807-7	1-C/9'	304
H18807-8	1-C/11'	432
H18807-9	2-NE/7' SP2	4,280
H18807-10	2-NE/9'	2,480
H18807-11	2-NE/11'	2,840
Quality Control		500
True Value QC		500
% Recovery		100
Relative Percent Difference		2.0

METHOD: Standard Methods 4500-Cl<sup>-</sup>B

Note: Analyses performed on 1:4 w:v aqueous extracts.

*Clay S. Merritt*  
 Chemist

*12/02/09*  
 Date

H18807 Everquest

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TABLE 2

PHONE (575) 393-2326 • 101 E. MARLAND • HOBBS, NM 88240

ANALYTICAL RESULTS FOR  
 EVERQUEST ENERGY CORPORATION  
 ATTN: TERRY DUFFEY  
 10 DESTA DRIVE, STE. 300-E  
 MIDLAND, TX 79705  
 FAX TO: (432) 682-3821

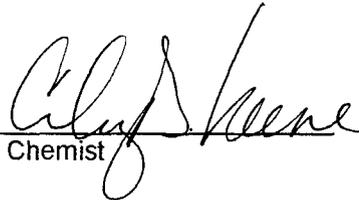
Receiving Date: 11/30/09  
 Reporting Date: 12/02/09  
 Project Owner: NOT GIVEN  
 Project Name: SCHOONER B #2  
 Project Location: LEA COUNTY, NM

Analysis Date: 12/02/09  
 Sampling Date: 11/20/09  
 Sample Type: SOIL  
 Sample Condition: INTACT @ 13.5°C  
 Sample Received By: CK  
 Analyzed By: HM

LAB NUMBER	SAMPLE ID		Cl <sup>-</sup> (mg/kg)
H18807-12	3-NW/7'	SP 3	25,200
H18807-13	3-NW/8'		14,200
H18807-14	3-NW/9'		17,400
H18807-15	3-NW/11'		11,400
H18807-16	4-SW/7'	SP 4	400
H18807-17	4-SW/9'		224
H18807-18	4-SW/11'		96
H18807-19	5-SE/7'	SP 5	5,440
H18807-20	5-SE/9'		1,820
H18807-21	5-SE/11'		848
H18807-22	ESW/5'		3,320
H18807-23	ESW/6'		2,000
Quality Control			500
True Value QC			500
% Recovery			100
Relative Percent Difference			< 0.1

METHOD: Standard Methods      4500-Cl<sup>-</sup>B

Note: Analyses performed on 1:4 w:v aqueous extracts.

  
 Chemist

12/02/09  
 Date

H18807 Everquest

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# CARDINAL LABORATORIES

101 East Marland, Hobbs, NM 88240

(575) 393-2326 Fax (575) 393-2476

Company Name: <u>EVERQUEST ENERGY CORP</u>		<b>BILL TO</b>		<b>ANALYSIS REQUEST</b>											
Project Manager: <u>TERRY DUFFEY</u>		P.O. #:													
Address: <u>10 DESTA DRIVE, STE 300-E</u>		Company: <u>←</u>													
City: <u>MIDLAND</u> State: <u>TX</u> Zip: <u>79705</u>		Attn:													
Phone #: <u>432-686-9790</u> Fax #: <u>432-682-3821</u>		Address:													
Project #: _____ Project Owner: _____		City:													
Project Name: <u>SCHOONER B #2</u>		State: _____ Zip: _____													
Project Location: <u>LEA COUNTY, NM</u>		Phone #:													
Sampler Name: <u>T. DUFFEY</u>		Fax #:													

FOR LAB USE ONLY		(GRAB OR (C)OMP # CONTAINERS	MATRIX					PRESERV.		SAMPLING		DATE	TIME
Lab I.D.	Sample I.D.		GROUNDWATER	WASTEWATER	SOIL	OIL	SLUDGE	OTHER	ACID/BASE	ICE / COOL	OTHER		
H18807-													
1	CB 12'	1										11/20/09	
2	CB 14'												
3	CB 18'												
4	WSW 7'												
5	WSW 9'												
6	1-C 17'												
7	1-C 19'												
8	1-C 11'												
9	2-NE 17'												
10	2-NE 19'												

TABLE 2

PLEASE NOTE: Liability and Damages. Cardinal's liability and client's exclusive remedy for any claim arising whether based in contract or tort shall be limited to the amount paid by the client for the analyses. All claims including those for negligence and any other cause whatsoever shall be deemed waived unless made in writing and received by Cardinal within 30 days after completion of the applicable service. In no event shall Cardinal be liable for incidental or consequential damages including without limitation, business interruptions, loss of use, or loss of profits incurred by client, its subsidiaries, affiliates, or successors arising out of or related to the performance of services hereunder by Cardinal, regardless of whether such claim is based upon any of the above stated reasons or otherwise.

Sampler Relinquished: <u>T. Duffey</u>		Date: <u>8:20</u>	Received By: _____	Phone Result: <input type="checkbox"/> No <input type="checkbox"/> Add'l Phone #:
Relinquished By: _____		Time: <u>11-30-09</u>	Date: _____	Fax Result: <input type="checkbox"/> No <input type="checkbox"/> Add'l Fax #:
Delivered By: (Circle One) Sampler - UPS - Bus - Other:		Temp: <u>13.5°C</u>	Received By: <u>Alan Keene</u>	REMARKS: <u>T. DUFFEY@EVERQUESTENERGY.COM</u>
		Sample Condition Codi Intact	Checked By: <u>CDK</u>	
		<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	

† Cardinal cannot accept verbal changes. Please fax written changes to 575-393-2476.

#26



# CARDINAL LABORATORIES

101 East Marland, Hobbs, NM 88240

(575) 393-2326 Fax (575) 393-2476

Company Name: <u>EVERQUEST ENERGY CORP</u>		<b>BILL TO</b>		<b>ANALYSIS REQUEST</b>									
Project Manager: <u>TERRY DUFFEY</u>		P.O. #:											
Address: <u>10 DESTA DRIVE, STE 300-E</u>		Company: <u>←</u>											
City: <u>MIDLAND</u> State: <u>TX</u> Zip: <u>79705</u>		Attn:											
Phone #: <u>432-686-9790</u> Fax #: <u>432-682-3821</u>		Address:											
Project #:		Project Owner:											
Project Name: <u>SCHOONER B #2</u>		State: Zip:											
Project Location: <u>LEA COUNTY, NM</u>		Phone #:											
Sampler Name: <u>T. DUFFEY</u>		Fax #:											

FOR LAB USE ONLY		(G)RAB OR (C)OMP.	# CONTAINERS	MATRIX					PRESERV.		SAMPLING		DATE	TIME	C1-
Lab I.D.	Sample I.D.			GROUNDWATER	WASTEWATER	SOIL	OIL	SLUDGE	OTHER	ACID/BASE	ICE / COOL	OTHER			
#18807-11	2-NE/11'		1			✓						11/20/09		✓	
12	3-NW/7'														
13	3-NW/8'														
14	3-NW/9'														
15	3-NW/11'														
16	4-SW/7'														
17	4-SW/9'														
18	4-SW/11'														
19	5-SE/7'														
20	5-SE/9'														

TABLE 2

PLEASE NOTE: Liability and Damages: Cardinal's liability and client's exclusive remedy for any claim arising whether based in contract or tort shall be limited to the amount paid by the client for the analyses. All claims including those for negligence and any other cause whatsoever shall be deemed waived unless made in writing and received by Cardinal within 30 days after completion of the applicable service. In no event shall Cardinal be liable for incidental or consequential damages including without limitation business interruptions, loss of use or loss of profits incurred by client, its subsidiaries, affiliates or successors arising out of or related to the performance of services hereunder by Cardinal regardless of whether such claim is based upon any of the above stated reasons or otherwise.

Sampler Relinquished:	Date: <u>8:20</u>	Received By:	Phone Result: <input type="checkbox"/>	No	Add'l Phone #:
Relinquished By: <u>T. Duffey</u>	Time: <u>11-30-09</u>	Received By: <u>Cathy Keene</u>	Fax Result: <input type="checkbox"/>	No	Add'l Fax #:
Delivered By: (Circle One)	Temp. <u>13.5°C</u>	Sample Condition	REMARKS: <u>T.DUFFEY@EVERQUESTENERGY.COM</u>		
Sampler - UPS - Bus - Other:	Cool <input checked="" type="checkbox"/> Intact <input checked="" type="checkbox"/>	Checked By: <u>CDK</u>			
	Yes <input type="checkbox"/> No <input type="checkbox"/>	Yes <input type="checkbox"/> No <input type="checkbox"/>			

† Cardinal cannot accept verbal changes. Please fax written changes to 575-393-2476.

#26





ANALYTICAL RESULTS FOR  
 EVERQUEST ENERGY  
 ATTN: TERRY DUFFEY  
 10 DESTA DRIVE, STE 300-EAST  
 MIDLAND, TX 79705  
 FAX TO: (432) 682-3821

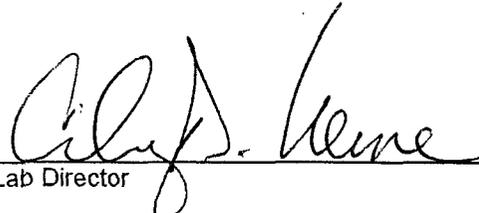
Receiving Date: 02/12/10  
 Reporting Date: 02/17/10  
 Project Number: NOT GIVEN  
 Project Name: SCHOONER B #2  
 Project Location: LEA COUNTY, NM

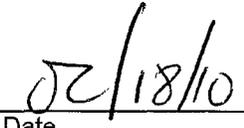
Sampling Date: 02/12/10  
 Sample Type: SOIL  
 Sample Condition: INTACT @ 9.0°C  
 Sample Received By: HM  
 Analyzed By: AB/ZL/HM

LAB NO. SAMPLE ID	GRO (C <sub>6</sub> -C <sub>10</sub> ) (mg/kg)	DRO (>C <sub>10</sub> -C <sub>28</sub> ) (mg/kg)	BENZENE (mg/kg)	TOLUENE (mg/kg)	ETHYL BENZENE (mg/kg)	TOTAL XYLENES (mg/kg)	Cl* (mg/kg)
ANALYSIS DATE:	02/13/10	02/13/10	02/16/10	02/16/10	02/16/10	02/16/10	02/16/10
H19256-1 NW/12'	<10.0	<10.0	<0.050	<0.050	<0.050	<0.300	2,760
H19256-2 SW/7'	<10.0	<10.0	<0.050	<0.050	<0.050	<0.300	2,480
H19256-3 SE/7'	<10.0	<10.0	<0.050	<0.050	<0.050	<0.300	1,260
H19256-4 WSW/7'	<10.0	<10.0	<0.050	<0.050	<0.050	0.382	6,000
H19256-5 NE/8'	<10.0	<10.0	<0.050	<0.050	<0.050	<0.300	6,960
H19256-6 ESW/5'	<10.0	<10.0	<0.050	<0.050	<0.050	<0.300	7,760
H19256-7 SSW/5'	<10.0	<10.0	<0.050	<0.050	<0.050	<0.300	9,680
H19256-8 NSW/5'	<10.0	<10.0	<0.050	<0.050	<0.050	<0.300	6,000
H19256-9 C/7'	<10.0	<10.0	<0.050	<0.050	<0.050	<0.300	5,700
Quality Control	543	511	0.044	0.046	0.044	0.128	510
True Value QC	500	500	0.050	0.050	0.050	0.150	500
% Recovery	109	102	88.0	92.0	88.0	85.3	102
Relative Percent Difference	9.2	12.6	<1.0	<1.0	1.0	1.2	2.0

METHODS: TPH GRO & DRO - EPA SW-846 8015 M; BTEX - SW-846 8021B; Cl-: Std. Methods 4500-Cl-B  
 \*Analyses performed on 1:4 w:v aqueous extracts. Not accredited for Chloride and GRO/DRO.

TEXAS NELAP CERTIFICATION T104704398-08-TX FOR BENZENE, TOLUENE, ETHYL BENZENE,  
 AND TOTAL XYLENES. Reported on wet weight.

  
 Lab Director

  
 Date

H19256 TBCL EVERQUEST

PLEASE NOTE Liability and Damages. Cardinal's liability and client's exclusive remedy for any claim arising, whether based in contract or tort, shall be limited to the amount paid by client for analyses. All claims, including those for negligence and any other cause whatsoever shall be deemed waived unless made in writing and received by Cardinal within thirty (30) days after completion of the applicable service. In no event shall Cardinal be liable for incidental or consequential damages, including, without limitation, business interruptions, loss of use, or loss of profits incurred by client, its subsidiaries, affiliates or successors arising out of or related to the performance of services hereunder by Cardinal, regardless of whether such claim is based upon any of the above-stated reasons or otherwise. Results relate only to the samples identified above. This report shall not be reproduced except in full with written approval of Cardinal Laboratories.



# CARDINAL LABORATORIES

101 East Marland, Hobbs, NM 88240

(575) 393-2326 Fax (575) 393-2476

Page \_\_\_\_ of \_\_\_\_

Company Name: <b>EVERQUEST ENERGY</b>		<b>BILL TO</b>		<b>ANALYSIS REQUEST</b>											
Project Manager: <b>TERRY DUFFEY</b>		P.O. #:													
Address: <b>10 DESTA DRIVE, STE 300-EAST</b>		Company:													
City: <b>MIDLAND</b> State: <b>NM</b> Zip: <b>79705</b>		Attn:													
Phone #: <b>432-686-9790</b> Fax #: <b>432-682-3821</b>		Address:													
Project #: _____ Project Owner: _____		City:													
Project Name: <b>SCHOONER B #2</b>		State: _____ Zip: _____													
Project Location: <b>LEA COUNTY, NM</b>		Phone #:													
Sampler Name: <b>T. DUFFEY</b>		Fax #:													

Lab I.D.	Sample I.D.	(G)RAB OR (C)OMP	# CONTAINERS	MATRIX						PRESERV.			SAMPLING		BTEX	CHLORIDES	TRIPLE BOIS
				GROUNDWATER	WASTEWATER	SOIL	OIL	SLUDGE	OTHER	ACID/BASE	ICE / COOL	OTHER	DATE	TIME			
H19256-1	NW/12'					✓							2/12	12 noon			
-2	SW/7'					✓											
-3	SE/7'					✓											
-4	WSW/7'					✓											
-5	NE/8"					✓											
-6	ESW/5'					✓											
-7	SSW/5'					✓											
-8	NSW/5'					✓											
-9	C/7'					✓											

TABLE 3

PLEASE NOTE: Liability and Damages: Cardinal's liability and client's exclusive remedy for any claim arising whether based in contract or tort, shall be limited to the amount paid by the client for the analyses. All claims including those for negligence and any other cause whatsoever shall be deemed waived unless made in writing and received by Cardinal within 30 days after completion of the applicable service. In no event shall Cardinal be liable for incidental or consequential damages, including without limitation, business interruptions, loss of use, or loss of profits incurred by client, its subsidiaries, affiliates or successors arising out of or related to the performance of services hereunder by Cardinal, regardless of whether such claim is based upon any of the above stated reasons or otherwise.

Terms and Conditions: Interest will be charged on all accounts more than 30 days past due at the rate of 24% per annum from the original date of invoice, and all costs of collections, including attorney's fees.

Sampler Relinquished: <i>T. Duffey</i>		Date: <b>2-12-10</b>	Received By: <i>John S. McNamee</i>	Phone Result: <input type="checkbox"/> No	Add'l Phone #:
Relinquished By: _____		Time: <b>3:30</b>	Received By: _____	Fax Result: <input type="checkbox"/> No	Add'l Fax #:
Delivered By: (Circle One) Sampler - UPS - Bus - Other:		Temp: <b>9.0C</b>	Sample Condition Cool Intact: <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	REMARKS: <b>EMAIL: TDUFFEY@EVERQUESTENERGY.COM</b>	
			CHECKED BY: (Initials) <i>JS</i>		

† Cardinal cannot accept verbal changes. Please fax written changes to 575-393-2476.

F26





# CARDINAL LABORATORIES

101 East Marland, Hobbs, NM 88240  
(575) 393-2326 Fax (575) 393-2476

Company Name: <b>EVERQUEST ENERGY</b>		<b>BILL TO</b>		<b>ANALYSIS REQUEST</b>											
Project Manager: <b>T. DUFFEY</b>		P.O. #:													
Address: <b>10 DESTA DRIVE, STE 300-EAST</b>		Company:													
City: <b>MIDLAND</b> State: <b>TX</b> Zip: <b>79705</b>		Attn:													
Phone #: <b>432-686-9790</b> Fax #:		Address:													
Project #:		City:													
Project Name: <b>SCHOONER B #2</b>		State: Zip:													
Project Location: <b>LEA CTY, NM</b>		Phone #:													
Sampler Name: <b>T. DUFFEY</b>		Fax #:													

FOR LAB USE ONLY		(GRAB OR (C)OMP.	# CONTAINERS	MATRIX						PRESERV.		SAMPLING		DATE	TIME	C1
Lab I.D.	Sample I.D.			GROUNDWATER	WASTEWATER	SOIL	OIL	SLUDGE	OTHER	ACID/BASE	ICE / COOL	OTHER				
H19305-1	NE/9					X							2/15	NOON		
-2	C/B					X							2/15	"		
-3	NSW/7					X							2/15	"		
-4	SSW/7					X							2/15	"		
-5	WSW/8					X							2/15	"		
-6	ESW/7					X							2/15	"		

TABLE 4

PLEASE NOTE: Liability and Damages Cardinal's liability and client's exclusive remedy for any claim arising whether based in contract or tort, shall be limited to the amount paid by the client for the analyses. All claims including those for negligence and any other cause whatsoever shall be deemed waived unless made in writing and received by Cardinal within 30 days after completion of the applicable service. In no event shall Cardinal be liable for incidental or consequential damages, including without limitation, business interruptions, loss of use, or loss of profits incurred by client, its subsidiaries, affiliates or successors arising out of or related to the performance of services hereunder by Cardinal, regardless of whether such claim is based upon any of the above stated reasons or otherwise.

Terms and Conditions: Interest will be charged on all accounts more than 30 days past due at the rate of 24% per annum from the original date of invoice and all costs of collections, including attorney's fees

Sampler Relinquished By: <i>T. Duffey</i>		Date: <b>2/19/10</b>	Received By: <i>T. Duffey</i>	Phone Result: <input type="checkbox"/>	No	Add'l Phone #:
Relinquished By:		Time: <b>9:40A</b>	Received By:	Fax Result: <input type="checkbox"/>	No	Add'l Fax #:
Delivered By: (Circle One)		Temp. <b>#26 15.50</b>	Sample Condition	REMARKS: <b>EMAIL: TDUFFEY@EVERQUESTENERGY.COM</b>		
Sampler - UPS - Bus - Other:			Cool Intact <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No			
			Checked By: (Initials) <i>TB</i>			

† Cardinal cannot accept verbal changes. Please fax written changes to 575-393-2476.









# COPY

**Terry Duffey**

---

**From:** Johnson, Larry, EMNRD [larry.johnson@state.nm.us]  
**Sent:** Friday, December 18, 2009 9:31 AM  
**To:** Terry Duffey  
**Subject:** RE: Schooner B #2 - RP#2051

Received – proceed as requested. Larry

---

**From:** Terry Duffey [mailto:tduffey@everquestenergy.com]  
**Sent:** Wednesday, December 16, 2009 10:27 AM  
**To:** Johnson, Larry, EMNRD  
**Subject:** Schooner B #2 - RP#2051

**Double-checking to make sure you received this last week. We don't want to proceed ahead without your acknowledgement and approval...**

---

Since our meeting on July 16<sup>th</sup>, we were delayed getting additional soil samples from this open drilling reserve pit. It may not rain too often in SE New Mexico but every time we arranged for sampling heavy rains filled the pit and we had to await for it to dry-out again. This same sequence was repeated throughout the summer/autumn. Finally, last week we were able to get into the pit with heavy equipment to get the samples.

Please recall that Jerry Brian assisted us in getting the twin pit (Schooner B #3-located 400 yards to the west) closed during the summer of 2008. We hope to close this RP#2051 using the EXACT same plan whereby we remove impacted material exceeding the acceptable chloride MCL of 5000 ppm in the pit bottom and sidewalls. Thereafter a 12 ml liner will be installed and the original drilling pit material well be buried in place, capped with a 20 ml liner, covered with 3' of backfill material and graded to natural surface contour.

The MCL of 5000 ppm was approved by you in the case of the Schooner B #3 pit last year. Useable water in the area is below 150 feet from surface. Furthermore, the Schooner B #2 pit is immediately adjacent to a drilling pit that was closed by the original operator of the Mesa Queen Unit (MQU) over 30-years ago. We tested the soil in that area (denoted as "CB" ["control base"] in the Cardinal Laboratory analytical report. Note that those readings for 2', 4' and 8' BGL are 2200, 4160 and 3360 ppm respectively. We think this fact of already-impacted background chloride levels helps justify the higher MCL of 5000 ppm in our case. Freshwater wells in the vicinity have never shown any adverse affects from the numerous drilling pits dug and closed during the course of drilling the 30+ wells comprising the MQU in the distant past. The deepness of freshwater and the hard-pan nature of the caliche-based near surface soils certainly contribute to protecting freshwater in the area of interest.

The subject pit has already been excavated to 5' BGL – the removed material is stock-piled on the well site. As you can see from the analytical report, we will have to remove 2 additional feet of impacted soil from the SE quadrant. Additionally will have to remove at least 6 more feet from the NW quadrant plus whatever more to get to the 5000 MCL level. We will take those samples below 11' BGL and forward them to you at the time. As we did in the aforementioned twin pit we will move the existing stockpiled soil back into a 12ml-lined pit bottom where it will be encapsulated. We will test the soils below the stockpiled area and dispose of any material above the MCL 5000 ppm. Those soil sample analyticals will be sent to you also.

The following documents are included in the attachment:

- Cardinal Laboratories – Soil Sample Analytical Report dtd 12-2-09
- Form C-141 Initial – Schooner B #2
- Form C-141 Final – Schooner B #3

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  
220 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

RECEIVED

JAN 16 2009

HOBBSOCD

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 - EverQuest Energy Corporation	Contact - Terry Duffey
Address - 10 Desta Drive, Suite 300-E, Midland, TX 79705	Telephone No. - 432-686-9790
Facility Name - Schooner B # 2	Facility Type - Producing Well

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

**LOCATION OF RELEASE**

UTR 7150'

Unit Letter	Section	Township	Range	Feet from the	North/South Line	Feet from the	East/West Line	County
II	17	16S	32E					Lea

Latitude - 32.92260 N Longitude - 103.78150 W

**NATURE OF RELEASE**

Type of Release - Drilling Fluids	Volume of Release	Volume Recovered
Source of Release - Compromised Pit Liner	Date and Hour of Occurrence unknown	Date and Hour of Discovery 6/11/08 7:30 AM
Was Immediate Notice Given? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Not Required	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.\*

6/9/08 - Initial delineation was conducted with a backhoe, samples were taken and sent to Cardinal Laboratories for analysis

Describe Area Affected and Cleanup Action Taken.\*

RP# 2051-  
API # 30-025-37921  
All impacted material will be removed to below acceptable MCL's and disposed of at a disposal facility;  
A 12 ml liner will be installed and original drilling pit material will be buried in place, capped with a 20 ml liner, and covered with 3' of backfill material to grade.

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: <i>J. Brown on behalf of EverQuest Energy</i>	<b>OIL CONSERVATION DIVISION</b>	
Printed Name: <i>Jerry Brown</i>	Approved by District Supervisor: <i>J. Johnson</i>	
Title: <i>Authorizing Agent</i>	Approval Date: <i>1.16.09</i>	Expiration Date: <i>3.16.09</i>
E-mail Address: <i>j.brown@everquest.net</i>	Conditions of Approval:	Attached <input type="checkbox"/>
Date: <i>1/16/09</i> Phone: <i>370-6149</i>	<i>Clear to CSF - Submit</i>	<i>IRP#2051</i>

Final C-141 w/ Documentation by 3.16.09