

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

JUL 28 2008

HOBBS OGD

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

Latitude _____ Longitude _____

NATURE OF RELEASE

Type of Release: Produced Water, Oil, Gas	Volume of Release: Unknown but estimated approx. 200 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.*

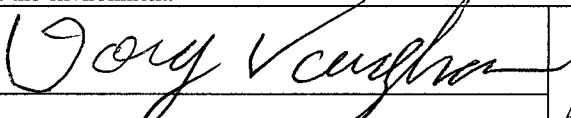
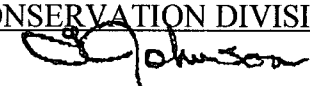
The well was shut in to cease the flow down the polyline and vacuum trucks were called to the scene. At the time, it was estimated approximately 20 bbls. had been discharged onto the rancher's property. The rancher was notified at approximately 1420 Hrs. of the situation. His response was that he was 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, another area was found which had also begun to leak. Consequently, the entire line will be replaced. This area was also targeted for cleanup and removal of the contaminated soil to the pad area for transport to disposal at Gandy's Disposal in Lovington.

200 x 80 - 16000

Describe Area Affected and Cleanup Action Taken.*

Soil samples were taken and sent to Trace Analysis for analyticals. Continued removal of contaminated material shall be determined by laboratory results and the areas backfilled after authorization by NMOCD.

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: 7.28.08	Expiration Date: 9.29.08
E-mail Address: dvaughan@crownquest.com	Conditions of Approval:	Attached <input type="checkbox"/>
Date: 22 July 2008 Phone: 432-818-0310		1 RP# 1911

* Attach Additional Sheets If Necessary

Mr. Doug Vaughan
CROWNQUEST OPERATING, LLC
303 Veterans Airpark Lane
Suite 5100
Midland, TX 79710

22 July 2008

Mr. Larry Johnson
OIL CONSERVATION DIVISION
1625 N. French Drive
Hobbs, NM 88240

Re: J.M. Huber State NCT 2 No. 1
API No.: 30-025-29915

1RP# 1911

RECEIVED
JUL 28 2008
HOBBS OCD

Dear Mr. Johnson:

Please find enclosed herewith, CrownQuest Operating, LLC's Initial Form C-141 for information delineating the produced water and hydrocarbon release as described below.

On or about 9 July 2008, a Crownquest Operating, LLC (CrownQuest) representative discovered a fatigued poly flowline running from the J.M. Huber State NCT 2 No. 1 well located in U/L O S11 T14S R33E to its respective battery which traversed across a ranch property field. Upon discovering this initial area of fatigue, another minor discharge area was located closer to the battery and also cited for cleanup. The total discharge is currently estimated to be approximately 20 bbls. but exact numbers cannot be provided due to the discharge conditions. The rancher and the New Mexico Oil Conservation Division (NMOCD) were immediately notified of the situation and the well shut in.

CrownQuest made the infield decision to replace the entire old polyline due to its condition and dispose of it pursuant to regulatory requirements. Once the vacuum trucks called to the discharge site had removed all of the standing liquid possible (approximately 18 bbls.) excavation of the contaminated soil began in order to reduce the continued absorption of the produced water and hydrocarbon into the soil. Samples were taken from both of the locations in order to establish baseline discharge information and reported to NMOCD. Excavation of these areas, however, proceeded with the contaminated materials being removed initially to a large piece of HDPE liner laid down on the pad for later transport Gandy Disposal in Lovington. Once a sufficient amount of material had been accumulated, transport began.

The spill is not a large area and is not found near any water sources; also depth to groundwater in this area ranges from 80' to 100'.

Consequently, at this time CrownQuest has engaged the removal of approximately 120 yards of soil (minimum) from the effected areas and is actively hauling it to disposal. Samples need to be taken again to determine if there is any soil chloride or TCP contaminate remaining and if so, how much. Therefore the *Corrective Action Plan*, herewith transmitted, shall consist of further defining

the spill and if it is found to be outside NMOCD regulatory standards, haul it to disposal as noted above. NMOCD shall be notified and the analytical results discussed prior to any further infield action taken with the exception of that necessary to delineate the situation. The *Final Remediation Report* and *Final C-141* shall describe closeout actions and provide laboratory analyticals.

Should you have questions please call 432-664-7172 (cell) or 432-818-0300 (office) or contact our infield environmental representative, Cheryl Winkler at 432-425-7386 (cell).

Thank you for your consideration and assistance with our project.

Sincerely,

A handwritten signature in black ink, reading "Doug Vaughan". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Doug Vaughan

Enclosed: Laboratory analyticals, Initial Form C-141

RECEIVED

JUL 28 2008

HOBBS OCD

Report Date: July 23, 2008

Work Order: 8072201
IIM Huber State NCT #2

Page Number: 1 of 1

COPY

Summary Report

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

Report Date: July 23, 2008

Work Order: 8072201



Project Name: IIM Huber State NCT #2

Sample	Description	Matrix	Date Taken	Time Taken	Date Received
167703	Background Samples: West Side	soil	2008-07-18	11:15	2008-07-22
167704	Background Samples: North Side	soil	2008-07-18	11:50	2008-07-22

Sample - Field Code	BTEN				MTBE	TPH DRO	TPH GRO
	Benzene	Toluene	Ethylbenzene	Xylene	MTBE	DRO	GRO
167703 - Background Samples: West Side	<0.0100	<0.0100	<0.0100	<0.0100		<50.0	<1.00
167704 - Background Samples: North Side	<0.0100	<0.0100	<0.0100	<0.0100		<50.0	<1.00

Sample: 167703 - Background Samples: West Side

Param	Flag	Result	Units	RL
Chloride		74.2	mg/Kg	3.25

Sample: 167704 - Background Samples: North Side

Param	Flag	Result	Units	RL
Chloride		76.1	mg/Kg	3.25

RECEIVED

JUL 28 2008

HOBBS OCD

Report Date: July 23, 2008

Work Order: 8072202
HM Huber State NCT #2

Page Number: 1 of 1

COPY

Summary Report

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

Report Date: July 23, 2008

Work Order: 8072202



Project Name: HM Huber State NCT #2

Sample	Description	Matrix	Date Taken	Time Taken	Date Received
167705	Spill Condition: East #3	soil	2008-07-18	12:00	2008-07-22
167706	Spill Condition: West #4	soil	2008-07-18	12:10	2008-07-22

Sample - Field Code	BTX				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)
167705 - Spill Condition: East #3	<0.100	0.131	<0.100	0.854		6840	<10.0
167706 - Spill Condition: West #4	<0.200	<0.200	<0.200	<0.200		42300	62.4

Sample: 167705 - Spill Condition: East #3

Param	Flag	Result	Units	RL
Chloride		3730	mg/Kg	3.25

Sample: 167706 - Spill Condition: West #4

Param	Flag	Result	Units	RL
Chloride		5620	mg/Kg	3.25

RECEIVED

JUL 23 2008

Report Date: July 23, 2008

Work Order: 8072203
IIM Huber State

Page Number: 1 of 1

HOBBS OCD**COPY****Summary Report**

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

Report Date: July 23, 2008

Work Order: 8072203



Project Name: IIM Huber State NCT #2

Sample	Description	Matrix	Date Taken	Time Taken	Date Received
167707	Site Composite	soil	2008-07-15	12:50	2008-07-22
167708	North #1	soil	2008-07-15	13:00	2008-07-22
167709	South #2	soil	2008-07-15	13:05	2008-07-22

Sample - Field Code	BTEN				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)
167707 - Site Composite	<0.100	<0.100	0.327	1.01		1820	275
167708 - North #1	<0.0500	0.103	0.513	1.99		3320	372
167709 - South #2	<0.100	<0.100	<0.100	0.204		6860	123

Sample: 167707 - Site Composite

Param	Flag	Result	Units	RL
Chloride		3770	mg/Kg	3.25

Sample: 167708 - North #1

Param	Flag	Result	Units	RL
Chloride		3180	mg/Kg	3.25

Sample: 167709 - South #2

Param	Flag	Result	Units	RL
Chloride		4230	mg/Kg	3.25