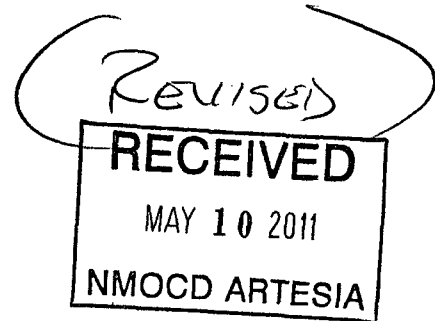
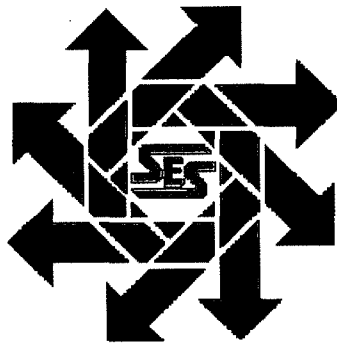


**Cimarex Energy Company
Palmillo State #2
Unit J Section 32, Township 18S, Range 29E
Eddy County, New Mexico**

Delineation Report/Work Plan

April 18, 2011



Prepared for:

***Cimarex Energy Company
600 North Marienfeld, Suite 600
Midland, Texas 79701***

By:

***Safety & Environmental Solutions, Inc.
703 East Clinton Street
Hobbs, New Mexico 88240
(575) 397-0510***

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I. Company Contacts

| Company Representative | Company | Telephone | E-mail |
|------------------------|--------------------|--------------|---------------------|
| James Tinney | Cimarex Energy Co. | 575-706-0095 | jtinney@cimarex.com |
| Bob Allen | SESI | 575-397-0510 | ballen@sesi-nm.com |

II. Background

Safety and Environmental Solutions, Inc. (SESI) was engaged by Cimarex Energy Company to perform a site assessment at the Palmillo State Com #2 located in Unit J Section 32, Township 18 South, and Range 29 East, Eddy County New Mexico.

According the C-141 dated 3.13.11, Mr. Tinney states that a internal corrosion of the 2" x 4" connection on back of oil tank ruptured, in which 285 barrels of crude oil was release and 20 barrels were recovered.

III. Surface and Ground Water

According the database provided by the New Mexico Office of State Engineer's online database, the closest depth of water in this area located 2.2 miles southwest in section 7 of Township 19 South, Range 29 East. The depth of water is 150' October 1981, primarily used for livestock watering.

IV. Soils

According to the United States Department of Agriculture Soil Survey for Eddy Area, New Mexico, the surface soils in the area are from the Tonuco Series: Tonuco loamy fine sand. These soils are consisted of moderately dark colored non calcareous soils that have been worked by the wind. This soil occurs on ridges and in swales of uplands east of the Pecos River. All acreage is used for native pasture and wildlife habitat. The root zone is restricted by the depth to caliche. Revegetation is difficult because temperatures are high and rainfall is undependable.

V. Characterization

The target cleanup levels are reached by the application of the "Guidelines for Remediation of Leaks, Spills and Releases New Mexico Oil Conservation Division (NMOCD) – August 13, 1993 to this site is 5,000 parts per million (ppm) Total Petroleum Hydrocarbons (TPH).

Application of the New Mexico Oil Conservation Division's ranking criteria for contaminated soils at this site is presented below:

| | | | |
|--|-----------------------|-----------|----------|
| Depth to Ground Water: | | | |
| (Vertical distance from contaminants to seasonal high water elevation of groundwater) | Less than 50 feet | 20 points | |
| | 50 feet to 99 feet | 10 points | |
| | >100 feet | 0 points | X |
| Wellhead Protection Area: | | | |
| (Less than 200 feet from a private domestic water source; or less than 1000 feet from all other water sources) | Yes | 20 points | |
| | No | 0 points | X |
| Distance to Surface Water: | | | |
| (Horizontal distance to perennial lakes, ponds, rivers, streams, creeks, irrigation canals and ditches) | Less than 200 feet | 20 points | |
| | 200 feet to 1000 feet | 10 points | |
| | >1000 feet | 0 points | X |
| RANKING SCORE (TOTAL POINTS) | | | 0 |

VI. Work Performed

On March 29, 2011 SESI arrived at the location with Gandy's Construction to install test trenches from release area. A representative for Enterprise was onsite to spot and witness excavation around Enterprise line. Three (3) test trenches were installed to depths ranging from 0-10 feet (ft.) below ground surface (bgs). The extent of the back hoe was 10 ft.

TT#1 (east of the tank battery) was excavated to a depth of 3 ft bgs. Heavy staining with minimal was encountered on the surface, at 1-10 ft. there was no visible staining and minimal odor encountered. Three samples were obtained from test trench #1 at depths of 3, 5 and 10 ft.

TT#2 (northeast of the north end of the tank battery) and was excavated to a depth of 5 ft below ground surface. Heavy staining was encountered from the 0-1 ft, from 3-5 ft there was no visible staining and minimal odor encountered. Two samples were obtained from test trench #2 at depths of 3 and 5 ft.

TT#3 (northwest of the tank battery off location pad) and was excavated to a depth of three feet below ground surface. Heavy staining with heavy odor was encountered 0-1 ft; at 3 ft. there was no visible staining and no odor encountered. Two samples were obtained from test trench #3 at depths of 3 and 5 ft.

Mr. Steve King and Mr. James Tinney, Cimarex representatives were onsite. Mr. King requested a background sample outside of the release area. A sample was retrieved at three (3) feet below ground surface.

A total of eight (8) samples were properly preserved and transported under chain of custody to Cardinal Laboratories, Hobbs, New Mexico. The samples were analyzed Chlorides (EPA Method 4500-Cl⁻B), Total Petroleum Hydrocarbons (TPH) (EPA Method 418.1) and Benzene, Toluene, Ethylbenzene, and Total Xylenes (BTEX) (EPA Method SW846 8021B). The results of the analysis are as follows:

| Lab ID | Sample ID | Cl ⁻ (mg/kg) | TPH 418.1 (mg/kg) | Benzene (mg/kg) | Toluene (mg/kg) | Ethyl Benzene (mg/kg) | Total Xylenes (mg/kg) |
|-------------------|-------------------|----------------------------|-------------------------|--------------------|--------------------|-----------------------------|-----------------------------|
| Analysis Date: | - | 04/01/11 | 3/31/11 | 04/01/11 | 04/01/11 | 04/01/11 | 04/01/11 |
| H100630-01 | TT#1 3' bgs | 1,790 | <100 | <0.050 | <0.050 | <0.050 | <0.150 |
| H100630-02 | TT#1 5' bgs | 640 | <100 | <0.050 | <0.050 | <0.050 | <0.150 |
| H100630-03 | TT#1 10' bgs | 128 | <100 | <0.050 | <0.050 | <0.050 | <0.150 |
| H100630-04 | TT#2 3' bgs | 48.0 | 1,330 | <0.050 | <0.050 | <0.050 | <0.150 |
| H100630-05 | TT#2 5' bgs | 272 | <100 | <0.050 | <0.050 | <0.050 | <0.150 |
| H100630-06 | TT#3 3' bgs | 16.0 | 8,520 | 5.56 | 23.9 | 6.32 | 12.2 |
| H100630-07 | TT#3 5' bgs | 64.0 | 337 | <0.050 | <0.050 | <0.050 | <0.150 |
| H100630-08 | Background Sample | 256 | <100 | <0.050 | <0.050 | <0.050 | <0.150 |

VII. Action Plan

Based on the recent delineation, the analytical results conclude that vertical extent of contamination is above 5 ft. below ground level. It is proposed that the affected area be excavated to a depth of 3' below ground level, removing the most highly contaminated soils. The excavated soils will be transported to Controlled Recovery Inc. (CRI), a New Mexico Oil Conservation Division (NMOCD) approved facility for disposal. The excavated area will then be backfilled with clean soils and contoured to original grade.

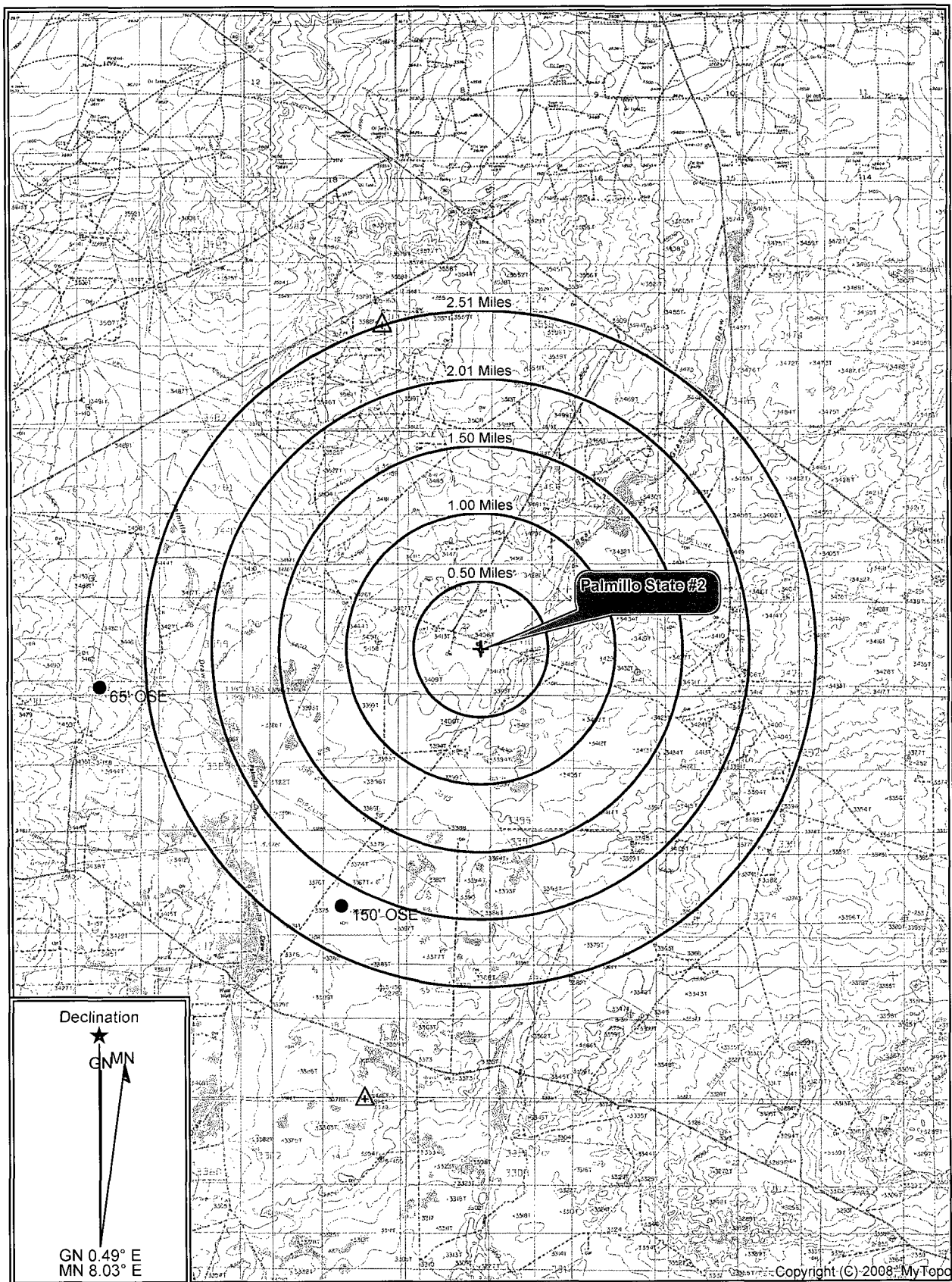
VIII. Figures and Appendices

Figure 1 – Vicinity Map
Figure 2 – Site Map
Appendix A – Analytical Results
Appendix B – Site Photographs
Appendix C – C-141



Figure 1

Vicinity Map



Map Name: ILLINOIS CAMP NE,
Scale: 1 inch = 5,750 ft.

Map Center: 032° 42' 08.26" N 104° 05' 42.43" W
Horizontal Datum: WGS84



New Mexico Office of the State Engineer

Water Column/Average Depth to Water

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

(quarters are smallest to largest) (NAD83 UTM in meters) (In feet)

| POD Number | Sub basin | Use | County | Q Q Q | | | | | X | Y | Depth Depth Water | | | |
|------------|--------------|-----|--------|-------|----|---|-----|-----|-----|--------|-------------------|------|-------|--------|
| | | | | 64 | 16 | 4 | Sec | Tws | | | Rng | Well | Water | Column |
| CP 00646 | | STK | ED | 1 | 1 | 4 | 07 | 19S | 29E | 583155 | 3615551 | 199 | 150 | 49 |
| CP 00681 | | PRO | ED | 1 | 1 | 3 | 34 | 19S | 29E | 587230 | 3609127* | | | |
| CP 00703 | | PRO | ED | | 4 | 1 | 36 | 19S | 29E | 590945 | 3609441* | 225 | 115 | 110 |
| CP 00739 | | PRO | ED | 3 | 4 | 4 | 35 | 19S | 29E | 589246 | 3608217 | 200 | 110 | 90 |
| CP 00741 | | PRO | ED | 1 | 3 | 2 | 34 | 19S | 29E | 588030 | 3609533* | 230 | 60 | 170 |
| CP 00820 | | STK | LE | | 2 | 4 | 13 | 19S | 29E | 591713 | 3613870* | 120 | | |
| CP 00821 | | STK | LE | | 4 | 4 | 25 | 19S | 29E | 591743 | 3610248* | 120 | | |

Average Depth to Water: **108 feet**

Minimum Depth: **60 feet**

Maximum Depth: **150 feet**

Record Count: 7

PLSS Search:

Township: 19S

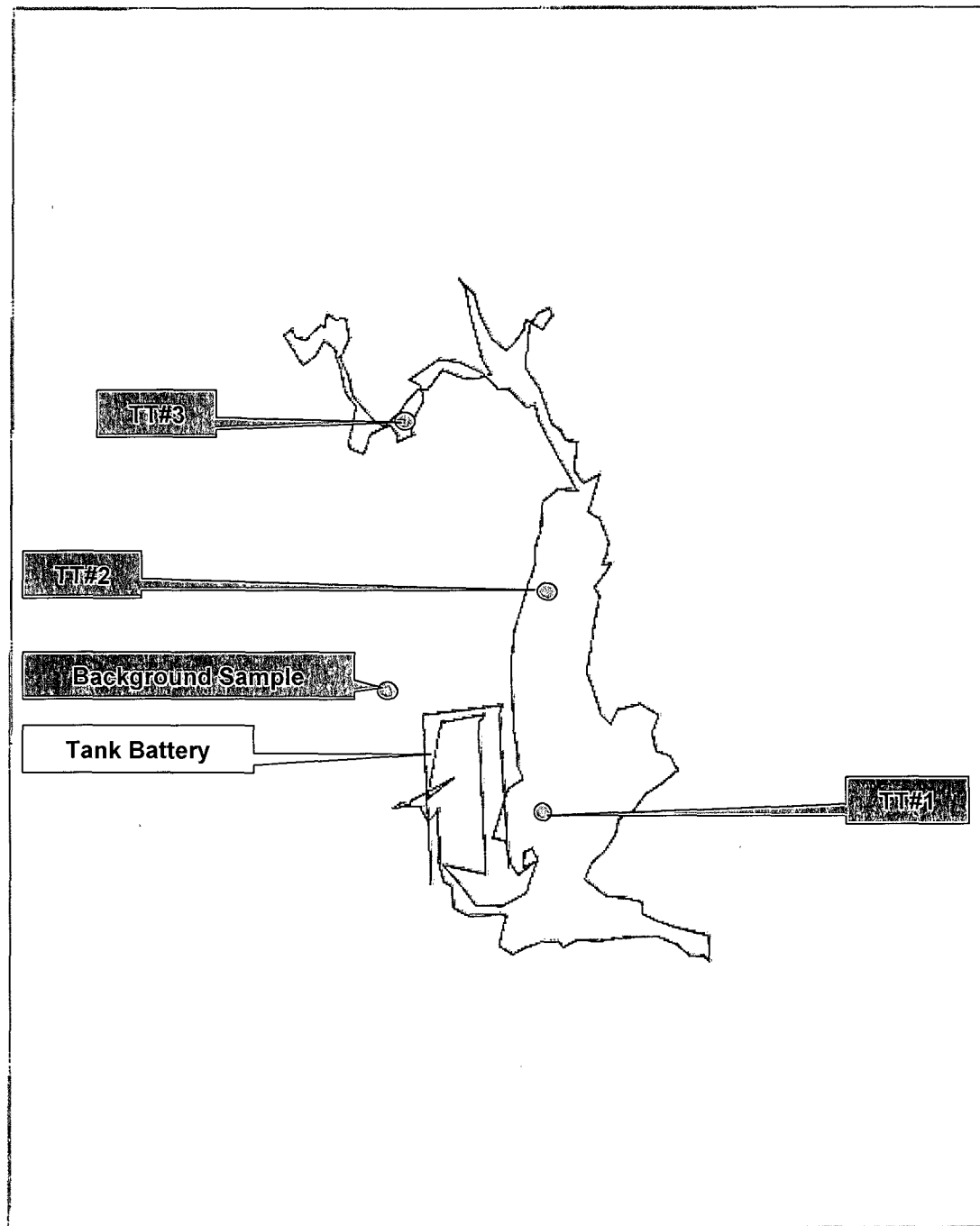
Range: 29E

*UTM location was derived from PLSS - see Help

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



Figure 2 Site Map



Lat/Long
WGS 1984



Scale 1 in : 100 ft

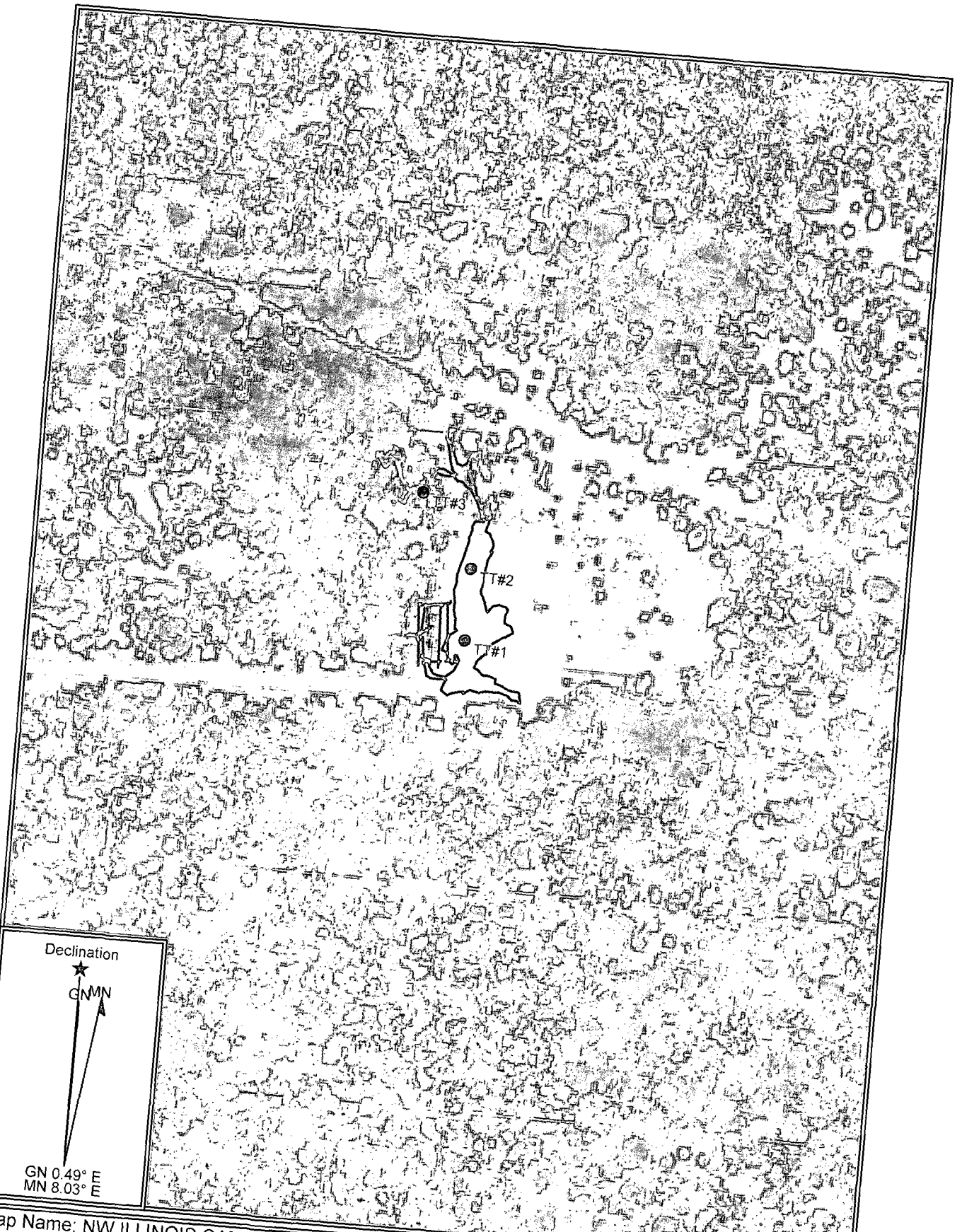


CIMAREX03131.cor

4/19/2011

GPS Pathfinder[®] Office





Declination

★
GMN

GN 0.49° E
MN 8.03° E

Map Name: NW ILLINOIS CAMP NE, NM
Scale: 1 inch = 200 ft.

Map Center: 032° 42' 07.15" N 104° 05' 42.25" W
Horizontal Datum: WGS84

Copyright (C) 2010 MyTopo

Appendix A

Analytical Results

April 05, 2011

Bob Allen
Safety & Environmental Solutions
703 East Clinton
Hobbs, NM 88240

RE: CIM-11-005

Enclosed are the results of analyses for samples received by the laboratory on 03/30/11 16:03.

Cardinal Laboratories is accredited through Texas NELAP for:

| | |
|--------------------|--|
| Method SW-846 8021 | Benzene, Toluene, Ethyl Benzene, and Total Xylenes |
| Method SW-846 8260 | Benzene, Toluene, Ethyl Benzene, and Total Xylenes |
| Method TX 1005 | Total Petroleum Hydrocarbons |

Certificate number T104704398-08-TX. Accreditation applies to solid and chemical materials and non-potable water matrices.

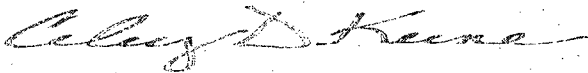
Cardinal Laboratories is accredited through the State of Colorado Department of Public Health and Environment for:

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

Accreditation applies to public drinking water matrices.

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

Sincerely,



Caley D. Keene
Lab Director/Quality Manager

Analytical Results For:

 Safety & Environmental Solutions
 Bob Allen
 703 East Clinton
 Hobbs NM, 88240
 Fax To: (575) 393-4388

 Received: 03/30/2011
 Reported: 04/05/2011
 Project Name: CIM-11-005
 Project Number: PALMILLO STATE #2
 Project Location: EDDY CO, NM

 Sampling Date: 03/30/2011
 Sampling Type: Soil
 Sampling Condition: Cool & Intact
 Sample Received By: Jodi Hanson

Sample ID: TT #1 3' BGS (H100630-01)
BTEX 8021B
mg/kg
Analyzed By: CMS

| Analyte | Result | Reporting Limit | Analyzed | Method Blank | BS | % Recovery | True Value QC | RPD | Qualifier |
|----------------|--------|-----------------|------------|--------------|------|------------|---------------|------|-----------|
| Benzene* | <0.050 | 0.050 | 04/01/2011 | ND | 1.81 | 90.6 | 2.00 | 3.31 | |
| Toluene* | <0.050 | 0.050 | 04/01/2011 | ND | 1.88 | 94.1 | 2.00 | 3.73 | |
| Ethylbenzene* | <0.050 | 0.050 | 04/01/2011 | ND | 1.93 | 96.7 | 2.00 | 3.41 | |
| Total Xylenes* | <0.150 | 0.150 | 04/01/2011 | ND | 5.72 | 95.4 | 6.00 | 3.22 | |

Surrogate: 4-Bromofluorobenzene (PIL) 96.8 % 70-130

Chloride, SM4500Cl-B
mg/kg
Analyzed By: HM

| Analyte | Result | Reporting Limit | Analyzed | Method Blank | BS | % Recovery | True Value QC | RPD | Qualifier |
|----------|--------|-----------------|------------|--------------|-----|------------|---------------|------|-----------|
| Chloride | 1790 | 16.0 | 04/01/2011 | ND | 432 | 106 | 400 | 3.77 | |


TPH 418.1
mg/kg
Analyzed By: AS

| Analyte | Result | Reporting Limit | Analyzed | Method Blank | BS | % Recovery | True Value QC | RPD | Qualifier |
|-----------|--------|-----------------|------------|--------------|------|------------|---------------|-------|-----------|
| TPH 418.1 | <100 | 100 | 03/31/2011 | ND | 1200 | 101 | 1190 | 0.830 | |

Cardinal Laboratories

* = Accredited Analyte

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Celey D. Keene, Lab Director/Quality Manager

Analytical Results For:

 Safety & Environmental Solutions
 Bob Allen
 703 East Clinton
 Hobbs NM, 88240
 Fax To: (575) 393-4388

 Received: 03/30/2011
 Reported: 04/05/2011
 Project Name: CIM-11-005
 Project Number: PALMILLO STATE #2
 Project Location: EDDY CO, NM

 Sampling Date: 03/30/2011
 Sampling Type: Soil
 Sampling Condition: Cool & Intact
 Sample Received By: Jodi Henson

Sample ID: TT #1 5' BGS (H100636-02)
BTX 8021B
mg/kg
Analyzed By: CMS

| Analyte | Result | Reporting Limit | Analyzed | Method Blank | BS | % Recovery | True Value QC | RPD | Qualifier |
|----------------|--------|-----------------|------------|--------------|------|------------|---------------|------|-----------|
| Benzene* | <0.050 | 0.050 | 04/01/2011 | ND | 1.81 | 90.6 | 2.00 | 3.31 | |
| Toluene* | <0.050 | 0.050 | 04/01/2011 | ND | 1.88 | 94.1 | 2.00 | 3.78 | |
| Ethylbenzene* | <0.050 | 0.050 | 04/01/2011 | ND | 1.93 | 96.7 | 2.00 | 3.41 | |
| Total Xylenes* | <0.150 | 0.150 | 04/01/2011 | ND | 5.72 | 95.4 | 6.00 | 3.22 | |

Surrogate: 4-Bromofluorobenzene (PIL) 94.6 % 70-130

Chloride, SM4500Cl-E
mg/kg
Analyzed By: KM

| Analyte | Result | Reporting Limit | Analyzed | Method Blank | BS | % Recovery | True Value QC | RPD | Qualifier |
|----------|--------|-----------------|------------|--------------|-----|------------|---------------|------|-----------|
| Chloride | 640 | 16.0 | 04/01/2011 | ND | 432 | 108 | 490 | 3.77 | |

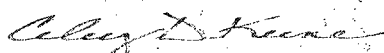
TPH 418.1
mg/kg
Analyzed By: AL

| Analyte | Result | Reporting Limit | Analyzed | Method Blank | BS | % Recovery | True Value QC | RPD | Qualifier |
|-----------|--------|-----------------|------------|--------------|------|------------|---------------|-------|-----------|
| TPH 418.1 | <100 | 100 | 03/21/2011 | ND | 1200 | 101 | 1150 | 0.830 | |

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Celay D. Keene, Lab Director/Quality Manager

Analytical Results For:

 Safety & Environmental Solutions
 Bob Allen
 703 East Clinton
 Hobbs NM, 88240
 Fax To: (575) 393-4388

 Received: 03/30/2011
 Reported: 04/05/2011
 Project Name: CIM-11-005
 Project Number: PALMILLO STATE #2
 Project Location: EDDY CO, NM

 Sampling Date: 03/30/2011
 Sampling Type: Soil
 Sampling Condition: Cool & Intact
 Sample Received By: Jodi Hanson

Sample ID: TT #1 10' BGS (H100630-03)

| BTEX 0321H | | mg/kg | Analyzed By: CMS | | | | | | |
|----------------|--------|-----------------|------------------|--------------|------|------------|---------------|------|-----------|
| Analyte | Result | Reporting Limit | Analyzed | Method Blank | BS | % Recovery | True Value QC | RPD | Qualifier |
| Benzene* | <0.050 | 0.050 | 04/01/2011 | ND | 1.81 | 99.5 | 2.00 | 3.31 | |
| Toluene* | <0.050 | 0.050 | 04/01/2011 | ND | 1.88 | 94.1 | 2.00 | 3.79 | |
| Ethylbenzene* | <0.050 | 0.050 | 04/01/2011 | ND | 1.93 | 95.7 | 2.00 | 3.41 | |
| Total Xylenes* | <0.150 | 0.150 | 04/01/2011 | ND | 5.72 | 95.4 | 5.00 | 3.22 | |

Surrogate: 4-Bromofluorobenzene (PIL) 95.6 % 70-130

| Chloride, SM436001-B | | mg/kg | Analyzed By: NM | | | | | | |
|----------------------|--------|-----------------|-----------------|--------------|-----|------------|---------------|------|-----------|
| Analyte | Result | Reporting Limit | Analyzed | Method Blank | BS | % Recovery | True Value QC | RPD | Qualifier |
| Chloride | 1.28 | 15.0 | 04/01/2011 | ND | 432 | 108 | 400 | 3.77 | |

| TPH 418.1 | | mg/kg | Analyzed By: AS | | | | | | |
|-----------|--------|-----------------|-----------------|--------------|------|------------|---------------|-------|-----------|
| Analyte | Result | Reporting Limit | Analyzed | Method Blank | BS | % Recovery | True Value QC | RPD | Qualifier |
| TPH 418.1 | <100 | 100 | 03/31/2011 | ND | 1200 | 101 | 1190 | 0.330 | |

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Celey D. Keena, Lab Director/Quality Manager

Analytical Results For:

Safety & Environmental Solutions

Bob Allen

703 East Clinton

Hobbs NM, 88240

Fax To: (575) 393-4388

Received: 03/30/2011
 Reported: 04/05/2011
 Project Name: CIM-11-005
 Project Number: PALMILLO STATE #2
 Project Location: EDDY CO, NM

Sampling Date: 03/30/2011
 Sampling Type: Soil
 Sampling Condition: Cool & Intact
 Sample Received By: Jodi Henson

Sample ID: TT #2 3' BGS (H100630-04)

| BTX 50212 | | mg/kg | Analyzed By: CMS | | | | | | |
|----------------|--------|-----------------|------------------|--------------|------|------------|---------------|------|-----------|
| Analyte | Result | Reporting Limit | Analyzed | Method Blank | BS | % Recovery | True Value QC | RPD | Qualifier |
| Benzene* | <0.050 | 0.050 | 04/01/2011 | ND | 1.81 | 90.6 | 2.00 | 3.31 | |
| Toluene* | <0.050 | 0.050 | 04/01/2011 | ND | 1.85 | 94.1 | 2.00 | 3.78 | |
| Ethylbenzene* | <0.050 | 0.050 | 04/01/2011 | ND | 1.33 | 96.7 | 2.00 | 3.41 | |
| Total Xylenes* | <0.150 | 0.150 | 04/01/2011 | ND | 5.72 | 95.4 | 6.00 | 3.22 | |

Surrogate: 4-Bromofluorobenzene (PIL) 98.3 % 70-130

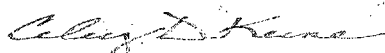
| Chloride, SM4500Cl-B | | mg/kg | Analyzed By: RM | | | | | | |
|----------------------|--------|-----------------|-----------------|--------------|-----|------------|---------------|------|-----------|
| Analyte | Result | Reporting Limit | Analyzed | Method Blank | BS | % Recovery | True Value QC | RPD | Qualifier |
| Chloride | 48.0 | 16.0 | 04/01/2011 | ND | 432 | 108 | 480 | 3.77 | |

| TPH 413.1 | | mg/kg | Analyzed By: AB | | | | | | |
|-----------|--------|-----------------|-----------------|--------------|------|------------|---------------|-------|-----------|
| Analyte | Result | Reporting Limit | Analyzed | Method Blank | BS | % Recovery | True Value QC | RPD | Qualifier |
| TPH 413.1 | 1330 | 100 | 03/31/2011 | ND | 1200 | 101 | 1190 | 0.830 | |

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Celey D. Keene, Lab Director/Quality Manager

Analytical Results For:

 Safety & Environmental Solutions
 Bob Allen
 703 East Clinton
 Hobbs NM, 88240
 Fax To: (575) 393-4388

 Received: 03/30/2011
 Reported: 04/05/2011
 Project Name: CIM-11-005
 Project Number: PALMILLO STATE #2
 Project Location: EDDY CO, NM

 Sampling Date: 03/30/2011
 Sampling Type: Soil
 Sampling Condition: Cool & Intact
 Sample Received By: Jodi Henson

Sample ID: TT #2 5' BGS (H100630-05)
STEX 2021B
mg/kg
Analyzed By: CMS

| Analyte | Result | Reporting Limit | Analyzed | Method Blank | BS | % Recovery | True Value QC | RPD | Qualifier |
|----------------|--------|-----------------|------------|--------------|------|------------|---------------|------|-----------|
| Benzene* | <0.050 | 0.050 | 04/01/2011 | ND | 1.91 | 90.5 | 2.00 | 3.31 | |
| Toluene* | <0.050 | 0.050 | 04/01/2011 | ND | 1.88 | 94.1 | 2.00 | 3.78 | |
| Ethylbenzene* | <0.050 | 0.050 | 04/01/2011 | ND | 1.93 | 96.7 | 2.00 | 3.41 | |
| Total Xylenes* | <0.150 | 0.150 | 04/01/2011 | ND | 5.72 | 95.4 | 6.00 | 3.22 | |

Surrogate: 4-Bromofluorobenzene (PIL) 94.7 % 70-130

Chloride, SM4500Cl-B
mg/kg
Analyzed By: MM

| Analyte | Result | Reporting Limit | Analyzed | Method Blank | BS | % Recovery | True Value QC | RPD | Qualifier |
|----------|--------|-----------------|------------|--------------|-----|------------|---------------|------|-----------|
| Chloride | 272 | 16.0 | 04/01/2011 | ND | 432 | 108 | 400 | 3.77 | |


TPH 418.1
mg/kg
Analyzed By: AB

| Analyte | Result | Reporting Limit | Analyzed | Method Blank | BS | % Recovery | True Value QC | RPD | Qualifier |
|-----------|--------|-----------------|------------|--------------|------|------------|---------------|-------|-----------|
| TPH 418.1 | <100 | 100 | 03/31/2011 | ND | 1200 | 101 | 1190 | 0.830 | |

Cardinal Laboratories

* = Accredited Analyte

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Celley D. Keene, Lab Director/Quality Manager

Analytical Results For:

 Safety & Environmental Solutions
 Bob Allen
 703 East Clinton
 Hobbs NM, 88240
 Fax To: (575) 393-4388

 Received: 03/30/2011
 Reported: 04/05/2011
 Project Name: CIM-11-005
 Project Number: PALMILLO STATE #2
 Project Location: EDDY CO, NM

 Sampling Date: 03/30/2011
 Sampling Type: Soil
 Sampling Condition: Cool & Intact
 Sample Received By: Jodi Henson

Sample ID: TT #3 3' BGS (H100630-06)

| BTEX 8021B | | mg/kg | Analyzed By: CMS | | S-Low | | | | |
|----------------|--------|-----------------|------------------|--------------|-------|------------|---------------|------|-----------|
| Analyte | Result | Reporting Limit | Analyzed | Method Blank | BS | % Recovery | True Value QC | RPD | Qualifier |
| Benzene* | 5.55 | 1.00 | 04/04/2011 | ND | 1.01 | 90.6 | 2.00 | 3.31 | |
| Toluene* | 23.9 | 1.00 | 04/04/2011 | ND | 1.88 | 94.1 | 2.00 | 3.78 | |
| Ethylbenzene* | 5.32 | 1.00 | 04/04/2011 | ND | 1.93 | 96.7 | 2.00 | 3.41 | |
| Total Xylenes* | 12.2 | 3.00 | 04/04/2011 | ND | 5.72 | 95.4 | 6.00 | 3.22 | |

Surrogate: 4-Bromofluorobenzene (FLL) 57.1% 70-130

| Chloride, SM4500Cl-B | | mg/kg | Analyzed By: MM | | | | | | |
|----------------------|--------|-----------------|-----------------|--------------|-----|------------|---------------|------|-----------|
| Analyte | Result | Reporting Limit | Analyzed | Method Blank | BS | % Recovery | True Value QC | RPD | Qualifier |
| Chloride | 16.0 | 16.0 | 04/01/2011 | ND | 432 | 108 | 400 | 3.77 | |

| TPH 418.1 | | mg/kg | Analyzed By: AB | | | | | | |
|-----------|--------|-----------------|-----------------|--------------|------|------------|---------------|-------|-----------|
| Analyte | Result | Reporting Limit | Analyzed | Method Blank | BS | % Recovery | True Value QC | RPD | Qualifier |
| TPH 418.1 | 8520 | 500 | 03/31/2011 | ND | 1200 | 101 | 1190 | 0.830 | |

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 Bob Allen
 703 East Clinton
 Hobbs NM, 88240
 Fax To: (575) 393-4388

 Received: 03/30/2011
 Reported: 04/05/2011
 Project Name: CIM-11-005
 Project Number: PALMILLO STATE #2
 Project Location: EDDY CO, NM

 Sampling Date: 03/30/2011
 Sampling Type: Soil
 Sampling Condition: Cool & Intact
 Sample Received By: Jodi Hanson

Sample ID: TT #3 S' BGS (H100630-07)

| STEX 80210 mg/kg | | | Analyzed By: CMS | | | | | | |
|------------------|--------|-----------------|------------------|--------------|------|------------|---------------|------|-----------|
| Analyte | Result | Reporting Limit | Analyzed | Method Blank | BS | % Recovery | True Value QC | RPD | Qualifier |
| Benzene* | <0.050 | 0.050 | 04/04/2011 | ND | 1.91 | 95.5 | 2.00 | 5.78 | |
| Toluene* | <0.050 | 0.050 | 04/04/2011 | ND | 1.97 | 98.6 | 2.00 | 5.39 | |
| Ethylbenzene* | <0.050 | 0.050 | 04/04/2011 | ND | 2.05 | 102 | 2.00 | 5.11 | |
| Total Xylenes* | <0.150 | 0.150 | 04/04/2011 | ND | 5.10 | 102 | 5.00 | 5.63 | |

Surrogate: 4-Bromofluorobenzene (PIL) 93.1 % 70-130

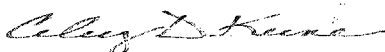
| Chloride, SM4500Cl-B mg/kg | | | Analyzed By: HM | | | | | | |
|----------------------------|--------|-----------------|-----------------|--------------|-----|------------|---------------|------|-----------|
| Analyte | Result | Reporting Limit | Analyzed | Method Blank | BS | % Recovery | True Value QC | RPD | Qualifier |
| Chloride | 64.0 | 16.0 | 04/01/2011 | ND | 432 | 108 | 400 | 3.77 | |

| TPH 418.1 mg/kg | | | Analyzed By: AB | | | | | | |
|-----------------|--------|-----------------|-----------------|--------------|------|------------|---------------|-------|-----------|
| Analyte | Result | Reporting Limit | Analyzed | Method Blank | BS | % Recovery | True Value QC | RPD | Qualifier |
| TPH 418.1 | 337 | 100 | 05/31/2011 | ND | 1200 | 101 | 1190 | 0.830 | |

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Celey D. Keene, Lab Director/Quality Manager

Analytical Results For:

 Safety & Environmental Solutions
 Bob Allen
 703 East Clinton
 Hobbs NM, 88240
 Fax To: (575) 393-4388

 Received: 03/30/2011
 Reported: 04/05/2011
 Project Name: CIM-11-005
 Project Number: PALMILLO STATE #2
 Project Location: EDDY CO, NM

 Sampling Date: 03/30/2011
 Sampling Type: Soil
 Sampling Condition: Cool & Intact
 Sample Received By: Jodi Henson

Sample ID: BACKGROUND 3' BGS (H100630-02)

| BTEX 30212 | | mg/kg | Analyzed By: CMS | | | | | | |
|----------------|--------|-----------------|------------------|--------------|------|------------|---------------|------|-----------|
| Analyte | Result | Reporting Limit | Analyzed | Method Blank | BS | % Recovery | True Value QC | RPD | Qualifier |
| Benzene* | <0.050 | 0.050 | 04/04/2011 | ND | 1.91 | 95.5 | 2.00 | 5.78 | |
| Toluene* | <0.050 | 0.050 | 04/04/2011 | ND | 1.97 | 98.6 | 2.00 | 5.39 | |
| Ethylbenzene* | <0.050 | 0.050 | 04/04/2011 | ND | 2.05 | 102 | 2.00 | 5.11 | |
| Total Xylenes* | <0.150 | 0.150 | 04/04/2011 | ND | 6.10 | 102 | 6.00 | 5.63 | |

Surrogate: 4-Bromofluorobenzene (PIL) 93.8 % 76-130

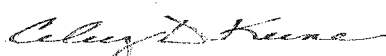
| Chloride, SM4500Cl-B | | mg/kg | Analyzed By: HAN | | | | | | |
|----------------------|--------|-----------------|------------------|--------------|-----|------------|---------------|------|-----------|
| Analyte | Result | Reporting Limit | Analyzed | Method Blank | BS | % Recovery | True Value QC | RPD | Qualifier |
| Chloride | 256 | 16.0 | 04/01/2011 | ND | 432 | 108 | 400 | 3.77 | |

| TPH 419.1 | | mg/kg | Analyzed By: AB | | | | | | |
|-----------|--------|-----------------|-----------------|--------------|------|------------|---------------|-------|-----------|
| Analyte | Result | Reporting Limit | Analyzed | Method Blank | BS | % Recovery | True Value QC | RPD | Qualifier |
| TPH 418.1 | <100 | 100 | 03/31/2011 | ND | 1200 | 101 | 1190 | 0.830 | |

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Celey D. Keene, Lab Director/Quality Manager

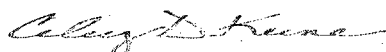
Notes and Definitions

| | |
|-------|--|
| S-LOW | Low surrogate recovery confirmed as a matrix effect by a second analysis. |
| ND | Analyte NOT DETECTED at or above the reporting limit. |
| RPD | Relative Percent Difference |
| ** | Samples not received at proper temperature of 6°C or below. |
| ** | Insufficient time to reach temperature. |
| - | Chloride by SM4500Cl-8 does not require samples be received at or below 6°C |
| | Samples reported on an as received basis (wet) unless otherwise noted on report. |

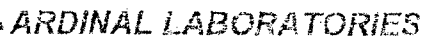
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Celey D. Keene, Lab Director/Quality Manager



101 East Marland, Hobbs, NM 88249

(505) 393-2326 Fax (505) 393-2476

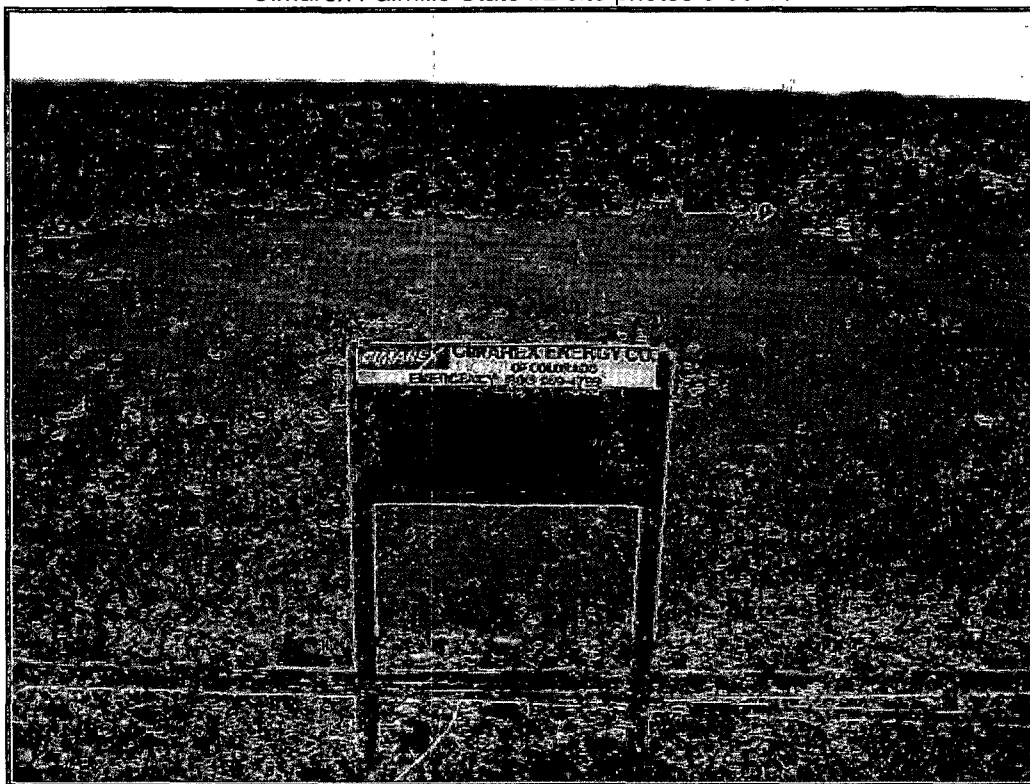
CHAIN-OF-CUSTODY AND ANALYSIS REQUEST

Page _____ of _____

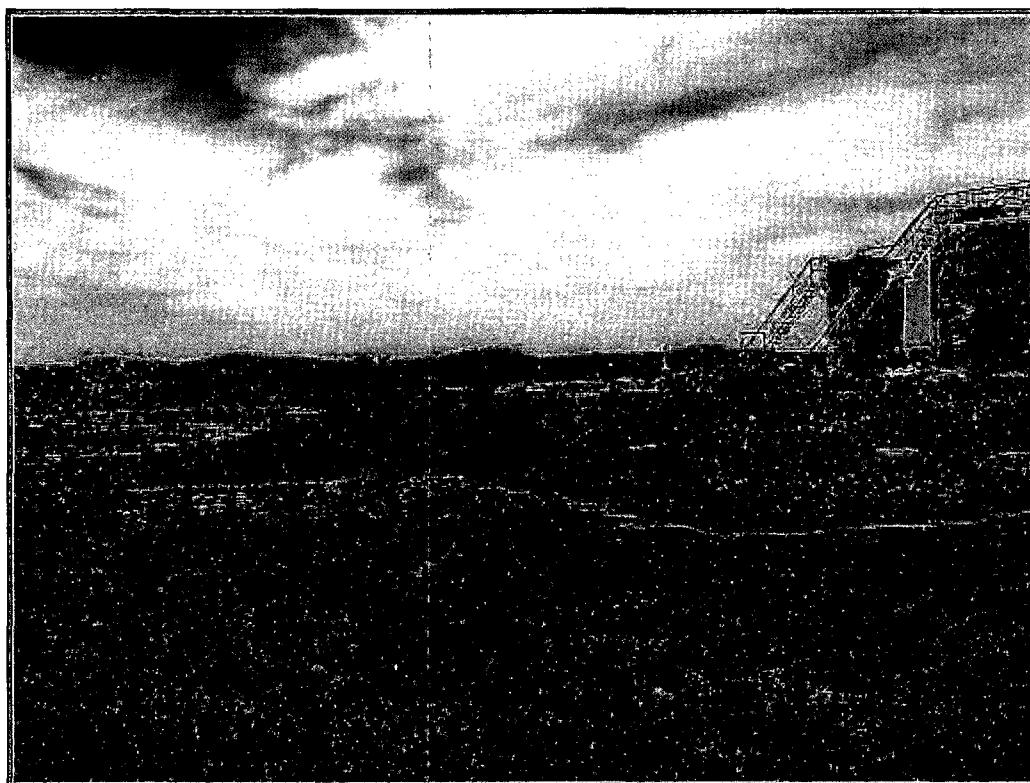
† Cardinal cannot accept verbal changes. Please fax written changes to 575-393-2476

Appendix B

Site Photographs



Well Sign



Release area with TT #1 facing southwest



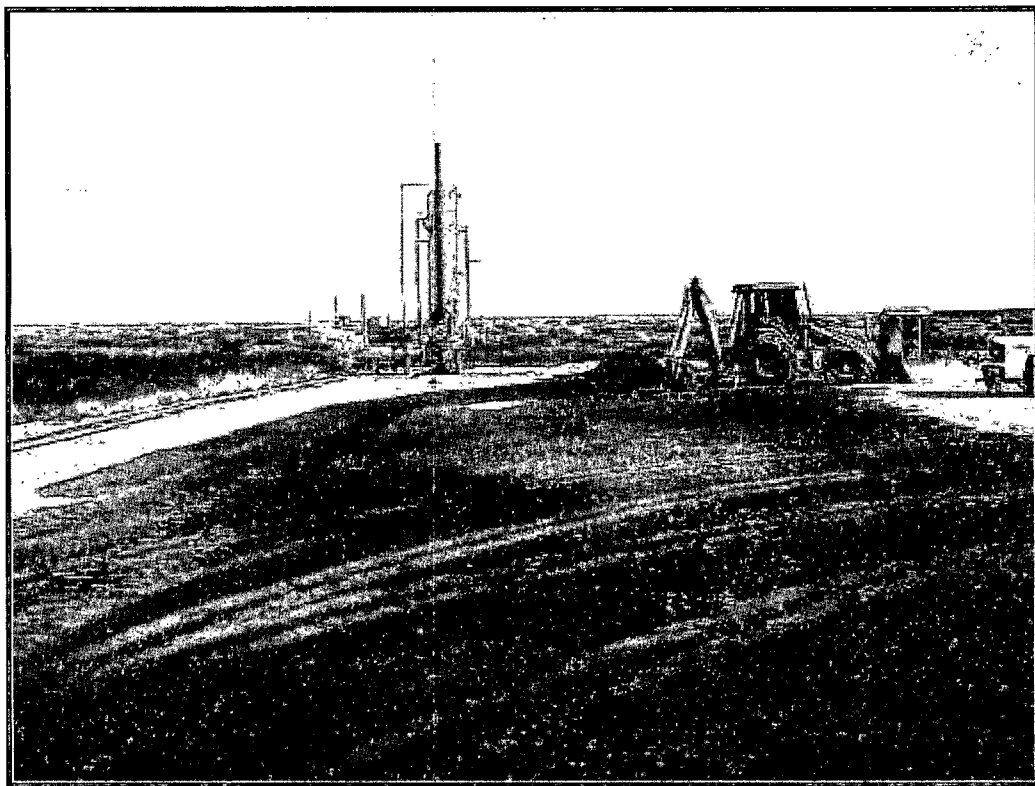
Test Trench #1 10'bgs



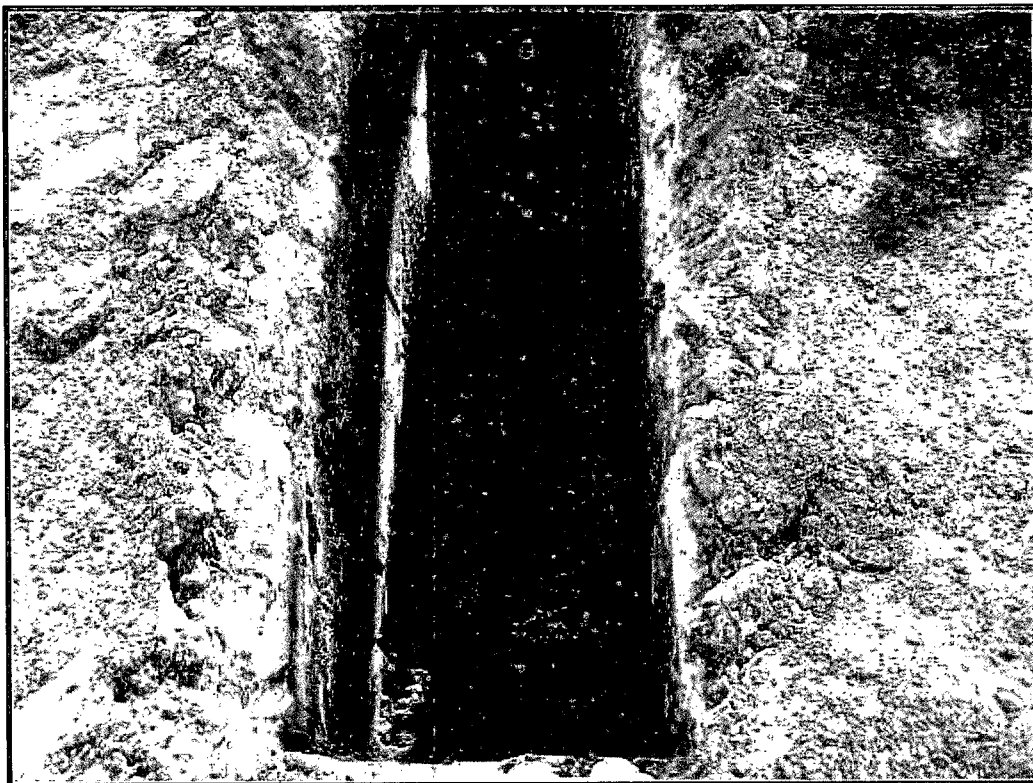
Test Trench #1 west wall



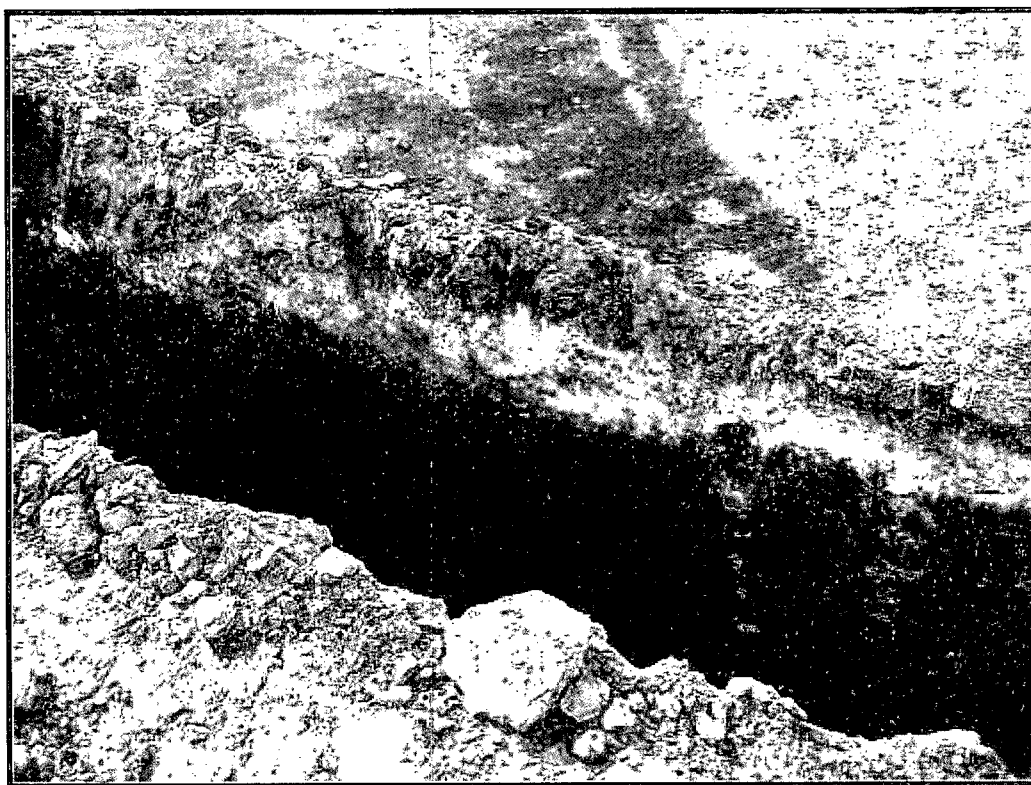
Release area facing west



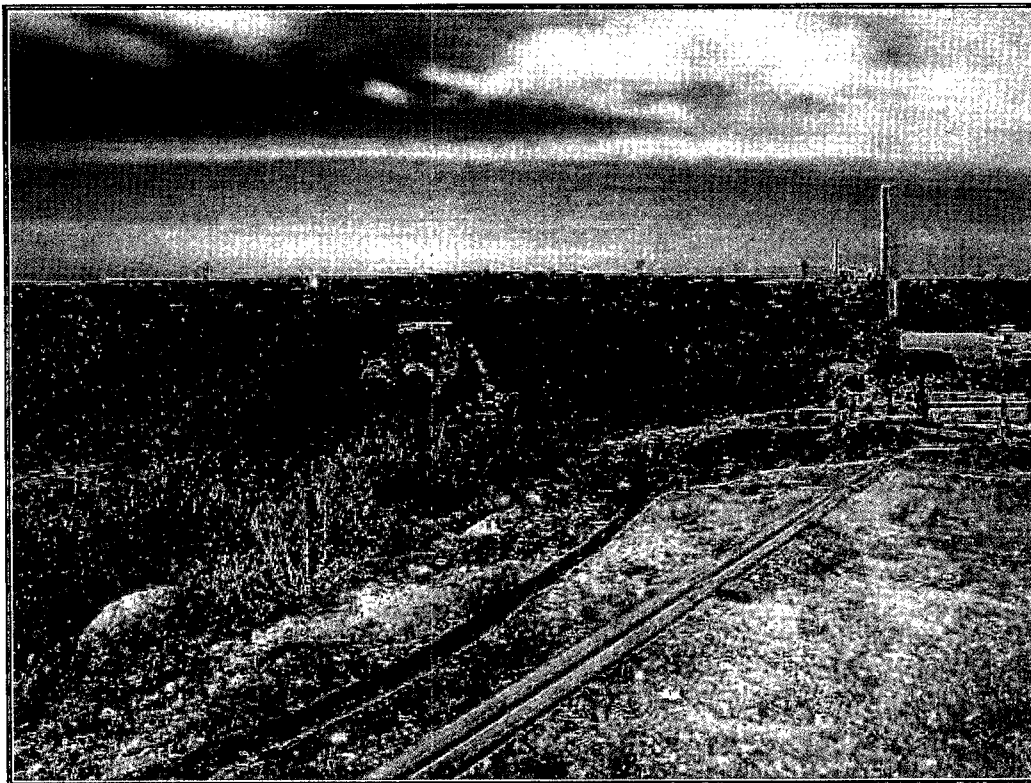
Test Trench #2 area facing north



Test Trench #2 5' bgs



Test Trench #2 south wall



Test Trench #3 location facing northwest



Test Trench #3 5' bgs



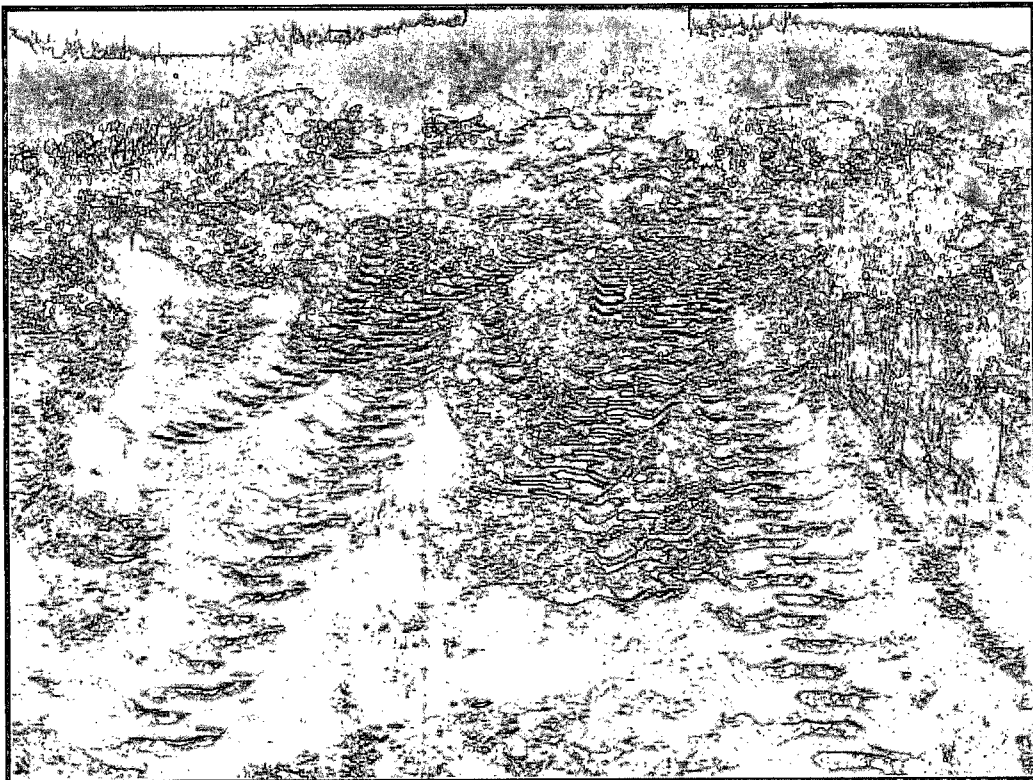
Background location facing southeast



Background at 3' bgs



Test Trench #3 backfilled



Background backfilled

Appendix C

C-141

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-141
Revised October 10, 2003

Submit 2 Copies to appropriate
District Office in accordance
with Rule 116 on back
side of form

Release Notification and Corrective Action

OPERATOR

☒ Initial Report ☐ Final Report

| | |
|--|-----------------------------|
| Name of Company-Cimarex Energy | Contact- James Tinney |
| Address-600 N Marienfeld Ste 600, Midland Tx 79701 | Telephone No. 575 706 0095 |
| Facility Name- Palmillo State Com # 2 | Facility Type- Tank battery |

| | | |
|---------------|---------------|-----------|
| Surface Owner | Mineral Owner | Lease No. |
|---------------|---------------|-----------|

LOCATION OF RELEASE

| | | | | | | | | |
|------------------|---------------|-----------------|--------------|-----------------------|---------------------------|-----------------------|------------------------|---------------|
| Unit Letter J | Section 32 | Township 18S | Range 29E | Feet from the 1796 | North/South Line South | Feet from the 1980 | East/West Line East | County - Eddy |
|------------------|---------------|-----------------|--------------|-----------------------|---------------------------|-----------------------|------------------------|---------------|

Latitude-32° 42' 07.16" Longitude-104° 05' 42.87" W

NATURE OF RELEASE

| | | |
|--|--|---|
| Type of Release- crude oil | Volume of Release-385 bbls | Volume Recovered-20 bbls |
| Source of Release- 2" X 4" connection on back of oil tank (corrosion) | Date and Hour of Occurrence- 3-13-11 | Date and Hour of Discovery: 3-13-11 9:30 am |
| Was Immediate Notice Given? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Required | If YES, To Whom? Mr. Mike Bratcher, NMOCD | |
| By Whom? Bill Hope (pumper) James Tinney (APF) | Date and Hour 3-13-11 9:30 AM called OCD @ 12:00pm | |
| 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.*

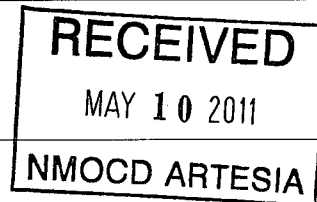
Describe Cause of Problem and Remedial Action Taken.*

Internal corrosion caused a rupture in the back of the tank. Vac truck onsite to recover standing fluid.

Describe Area Affected and Cleanup Action Taken.*

SESI was contacted for assessment. Area will be delineated and an appropriate work plan will be submitted to 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. 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: James Tinney | | OIL CONSERVATION DIVISION | |
| Printed Name: James Tinney | | Approved by District Supervisor:- | |
| Title: Assistant Production Foreman | | Approval Date: | Expiration Date: |
| E-mail Address: jtinney@cimarex.com | | Conditions of Approval: | |
| Date: 3-13-11 Phone: 575-706-0095 | | Attached <input type="checkbox"/> | |

Attach Additional Sheets If Necessary

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources
Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-141
Revised October 10, 2003

Submit 2 Copies to appropriate
District Office in accordance
with Rule 116 on back
side of form

Release Notification and Corrective Action

| OPERATOR | | <input checked="" type="checkbox"/> Initial Report | <input type="checkbox"/> Final Report |
|--|-----------------------------|--|---------------------------------------|
| Name of Company-Cimarex Energy | Contact- James Tinney | | |
| Address-600 N Marienfeld Ste 600, Midland Tx 79701 | Telephone No. 575 706 0095 | | |
| Facility Name- Palmillo State Com # 2 | Facility Type- Tank battery | | |
| Surface Owner | Mineral Owner | Lease No. | |

LOCATION OF RELEASE

| Unit Letter | Section | Township | Range | Feet from the | North/South Line | Feet from the | East/West Line | County - Eddy |
|-------------|---------|----------|-------|---------------|------------------|---------------|----------------|---------------|
| J | 32 | 18S | 29E | 1796 | South | 1980 | East | |

Latitude-32° 42' 07.16" Longitude-104° 05' 42.87" W

NATURE OF RELEASE

| | | |
|--|--|---|
| Type of Release- crude oil | Volume of Release-385 bbls | Volume Recovered-20 bbls |
| Source of Release- 2" X 4" connection on back of oil tank (corrosion) | Date and Hour of Occurrence- 3-13-11 | Date and Hour of Discovery- 3-13-11 9:30 am |
| Was Immediate Notice Given? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Required | If YES, To Whom? Mr. Mike Bratcher, NMOCD | |
| By Whom? Bill Hope (pumper) James Tinney (APF) | Date and Hour 3-13-11 9:30 AM called OCD @ 12:00pm | |
| 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.*

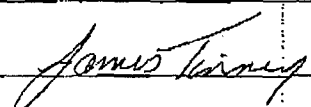
Describe Cause of Problem and Remedial Action Taken.*

Internal corrosion caused a rupture in the back of the tank. Vac truck onsite to recover standing fluid.

Describe Area Affected and Cleanup Action Taken.*

SESI was contacted for assessment. Area will be delineated and an appropriate work plan will be submitted to 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. 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.

| OIL CONSERVATION DIVISION | |
|---|---|
| Signature: James Tinney  | Approved by District Supervisor:- |
| Printed Name: James Tinney | |
| Title: Assistant Production Foreman | Approval Date: Expiration Date: |
| E-mail Address: jtinney@eimarex.com | Conditions of Approval: Attached <input type="checkbox"/> |
| Date: 3-13-11 Phone: 575-706-0095 | |

* Attach Additional Sheets If Necessary

RECEIVED

MAY 10 2011

NMOCD ARTESIA