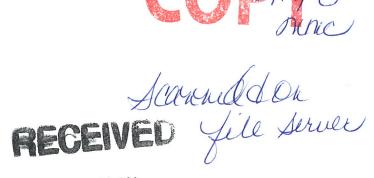
Mr. Doug Vaughan
Drilling/Production Superintendent
CROWNQUEST OPERATING, LLC
PO Box 53310
Midland, TX 79710

11 April 2008

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

Willfell 5/14/08 sinc



APR 1 4 2008 HOBBS OCD

Re: Federal 20 No. 5 SWD Suspected Pipeline Spill Final Remediation Report Produced Water Flowline Located in Off Lease Area (NW Sec. 27 T13S R33E) Lea County, New Mexico

Dear Mr. Johnson:

On 12 March 2008 CrownQuest Operating, LLC (CrownQuest) submitted its *Corrective Action Plan*, Initial C-141 and baseline information to the New Mexico Oil Conservation Division (NMOCD) addressing the extent to which a then suspected spill came from the produced water flowline which traverses the area from the Federal 20 No. 5 SWD carrying produced water across the ranch property (depth to groundwater 65' to 75') as the potential source of the relatively small area of contaminated soil discovered in late February 2008.

Subsequently, samples have been taken as directed by NMOCD to delineate the contaminate levels of this spill. Initially chlorides were 13,900 mg/K for the north half of the disturbed area and 12,000 mg/K for the south half. Following this sampling event, approximately an additional 100 yards were removed to depths ranging from .5' to 1.5' and were then hauled to disposal. Severely rocky conditions, however, dominated the area making removal of the contaminated material difficult.

Once the additional contaminated material had been removed, new samples were taken on 4 April 2008 and tested for TPH DRO/GRO and chlorides. The attached Trace Analysis laboratory analytical results show TPH DRO/GRO as non-detect and chlorides at 446 mg/K on the north half and 368 mg/K on the south half. Subsequently, NMOCD was notified and CrownQuest obtained permission to backfill the area.

Currently CrownQuest is in the process of obtaining the desired seed mixture from the rancher prior to seeding the project area. In this way, it will be consistent with the rest of the property and feeding desires for livestock. NMOCD will be notified once this is obtained and seeding completed.

Should you have questions please call 432-894-5889 (cell) or 432-818-0300 (office) or contact our infield environmental representative, Cheryl Winkler at 406-431-2528 (cell).

Thank you for your consideration and assistance with our project.

Sincerely,

Doug Vaughan

Drilling/Production Superintendent

Enclosed: Laboratory analyticals, Initial Form C-141 (copy), Final C-141



<u>District I</u> 1625 N. French Dr., Hobbs, NM 88240 <u>District II</u> 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

Form C-141 Revised October 10, 2003

Oil Conservation Division 1220 South St. Francis Dr.

MAR 1 7 2008

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

Santa Fe, NM 87505 IMPOO Release Notification and Corrective Action

	r	OPERA	TOR	X I	nitial l	Report		inal Report
Name of Company: Crownquest Operating, LL	C	Contact: De	Contact: Doug Vaughan					
Address: PO Box 53310, Midland, TX 79710			Telephone No.: 432-818-0310					
Facility Name: Federal 20 No. 5 SWD		Facility Typ	Facility Type: Produced Water Flowline					
Surface Owner: Norman Hahn	Mineral Ow	ner: State of Ne	w Mexico	Le	ase No	.: N/A off	lease a	area
	LOCAT	TION OF RE	LEASE					
Unit Letter Section Township Range Fee	et from the	North/South Line	Feet from the	East/West I	ine	County		
	NA	NA	NA NA Lea					
LatitudeLongitude								
	NATU	RE OF REL	EASE					
Type of Release: Produced Water			Release: Unknow	Andread property of the Park o		covered: N		
Source of Release: Punctured line			lour of Occurrenc known			our of Disc ry 2008 at		Hours
Was Immediate Notice Given?	X Not Requi	If YES, To		!				
By Whom? C. Winkler	***************************************	Date and F	lour: 3 March 08	Approx. 130	00 Hour	rs .		
Was a Watercourse Reached?	erjettum gene 7 diejen eent 16 eeu ja van terpera entscheider (stern)		lume Impacting t					
☐ Yes X No			N/A					
If a Watercourse was Impacted, Describe Fully.*			,					
N/A								
Describe Cause of Problem and Remedial Action Tal	cen.*							
In order to determine if there was a problem, it was necessary to pull samples and send them to the lab for analysis. There was no odor to this spill and probably it occurred long before Crownquest took over the property. There were some grasses still growing on it but Crownquest decided to check it out. The location of the spill is out in the middle of a pasture far from any facilities or roads. Laboratory results (attached) show there are some salts present. Consequently, approximately 30 tons were removed from the surface and hauled to disposal. Samples need to be taken again to determine if the problem still exists or if it will meet regulatory standards. There were no TPH indicators resulting from the infield evaluation. If any did exist, they likely long ago eroded away. The area is approximately 20° x 38° in size.								
Describe Area Affected and Cleanup Action Taken.*								
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: Oug laughan Approved by District Supervisor.								
Printed Name: Doug Vaughan	inted Name: Doug Vaughan Approved by District Supervisor ENVIRONMENTAL ENGINEER							
Title: Drilling/Production Superintendent		Approval Da	e: 3.18.08	8 Expir	ation D	ate: 4	18.00	88
E-mail Address: dvaughan@crownquest.com			Conditions of Approval:				×	
Date: 11 March 2008 Phone: 432-818-0	310	Swem	T-FINAL "	200 Ju	5	IRA	中	1813

District I 1625 N. French Dr., Hobbs, NM 88240 District II

District III

District III

District III 1000 Rio Brazos Road, Aztec, NM 87410 District IV 1220 S. St. Francis Dr., Santa Fe, NM 87505

Energy Minerals and Natural Resources CEIV

Form C-141 Revised October 10, 2003

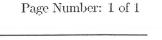
Oil Conservation Division 1220 South St. Francis Dr. Santa Fe, NM 87505

APR 1 4 2006 Submit 2 Copies to appropriate District Office in accordance with Rule 116 on back side of form

Pologgo Notification and Corrective

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NI 60				TTG		-	RATOR		Initi	al Report	X	Final Report
Name of Co						Contact: Doug Vaughan Talanhana Na - 422 212 2210						
Address: Po				10		Telephone No.: 432-818-0310 Facility Type: Produced Water Flowline						
racinty ivan	iic. i cuci a	1 20 140. 3 8	VY LJ			racinty Typ	e. Floduced wa	nei fio	WILLE			
Surface Own	ner: Norm	an Hahn		Mineral O	wner:	State of Ner	w Mexico	ui-out-out-out-out-out-out-out-out-out-out	Lease N	o.: N/A o	ff leas	se area
				LOCA	TIO	N OF REI	LEASE					
Unit Letter NW	Section 27	Township 13S	Range 33E	Feet from the NA		/South Line NA	Feet from the NA		Vest Line NA	County Lea		WA EH
			Lat	itude		Longitud	e					
				NAT	URE	OF RELI	EASE		The second			
Type of Relea						Volume of	Release: Unknow	/n	Volume R	ecovered:	None	
Source of Rel	ease: Possi	bly punctured	line			E .	our of Occurrence known	e:		Hour of Dis ary 2008 a		
Was Immedia	te Notice G		Yes 🗌	No X Not Requ	iired	If YES, To Larry Johns						
By Whom? C.	Winkler					Date and H	our: 3 March 08	Approx	. 1300 Hou	IFS		
Was a Waterc	ourse Reac	hed?	Yes Y	K No		If YES, Vo	lume Impacting th	he Water	rcourse.	N/A		
If a Watercour	rse was Imp	acted, Descri	be Fully.*	1	V/A							
Describe Caus												
probably it out The location o Consequently, still exists or is eroded away.	In order to determine if there was a problem, it was necessary to pull samples and send them to the lab for analysis. There was no odor to this spill and probably it occurred long before CrownQuest took over the property. There were some grasses still growing on it but CrownQuest decided to check it out. The location of the spill is out in the middle of a pasture far from any facilities or roads. Laboratory results (attached) show there are some salts present. Consequently, approximately 30 tons were removed from the surface and hauled to disposal. Samples need to be taken again to determine if the problem still exists or if it will meet regulatory standards. There were no TPH indicators resulting from the infield evaluation. If any did exist, they likely long ago eroded away. The area is approximately 20° x 38° in size.											
Describe Area	Affected a	nd Cleanup A	ction Take	en.*								
north half of the to depths rang taken on 4 Ap non-detect and permission to be	ne disturbed ing from .5 ril 2008 and chlorides backfill the	d area and 12 to 1.5' which d tested for 1 at 446 mg/K area.	,000 mg/K ch were th TPH DRO, on the nor	ed by NMOCD to for the south half en hauled to dispo GRO and chlorid th half and 368 m	f. Follosal. (es. Th	owing this sar Once the addit e attached Tra n the south ha	npling event, app tional contaminate ace Analysis labor lf. Subsequently,	roximated mater ratory at NMOC	ely an addi rial had bee nalytical re D was not	tional 100 en removed esults show ified and C	yards I, new TPH rown(were removed samples were DRO/GRO as Quest obtained
I hereby certify regulations all public health o	operators a	re required to	report and	is true and comple I/or file certain rel	te to the tease n	ne best of my lotifications an	knowledge and ur d perform correct	ive action	d that pursuons for rele	ant to NM ases which	may e	rules and endanger
Signature: Z	Dou Dough	1 /	igh			Approved by 1	OIL CONS	L	Ohun	-		
Title: Drillin			standart.	NAME OF THE OWNER OWNER OF THE OWNER OWNER.		Approval Date			xpiration I			
THE DIMIN	g/1 louuc	uon supern	echtent.			xpprovai Date	4.14.00	E	Aphanon L	T		
E-mail Addr	ess: dvau	ghan@crow	nquest.c	om		Conditions of Approval: Attached			0.7			
Date: 11 Ma	rch 2008	Phon	e: 432-81	8-0310						IRP	# (815

^{*} Attach Additional Sheets If Necessary





Summary Report

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

Report Date: February 27, 2008

Work Order: 8022718

Project Name: Pipeline Spill

			Date	Time	Date
Sample	Description	Matrix	Taken	Taken	Received
151844	N 1/2 Area Composite	soil	2008-02-22	12:00	2008-02-27
151845	S 1/2 Area Composite	soil	2008-02-22	12:50	2008-02-27

Sample: 151844 - N 1/2 Area Composite

Param	Flag	Result	Units	RL
Chloride		13900	mg/Kg	5.00

Sample: 151845 - S 1/2 Area Composite

Param	Flag	Result	Units	RL
Chloride		12000	mg/Kg	5.00



Summary Report

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

Report Date: April 10, 2008

Work Order: 8040719

Project Name: Pipeline Spill (Produced H20)

			Date	Time	Date
Sample	Description	Matrix	Taken	Taken	Received
155919	N 1/2 Area 6"-12.5"	soil	2008-04-04	17:00	2008-04-07
155920	S 1/2 Area 6"-12.5"	soil	2008-04-04	17:40	2008-04-07

	TPH DRO DRO	TPH GRO GRO
Sample - Field Code	(mg/Kg)	(mg/Kg)
155919 - N 1/2 Area 6"-12.5"	< 50.0	<1.00
155920 - S 1/2 Area 6"-12.5"	< 50.0	<1.00

Sample: 155919 - N 1/2 Area 6"-12.5"

Param	Flag	Result	Units	RL
Chloride		446	mg/Kg	3.25

Sample: 155920 - S 1/2 Area 6"-12.5"

Param	Flag	Result	Units	RL
Chloride		368	mg/Kg	3.25