

RECEIVED

January 31, 2011

MIKE STUBBLEFIELD

TALON LPE

408 W. TEXAS AVE.

ARTESIA, NM 88210

RE: QUAIL STATE '16' #2

HORRSOCD LEB 0 1 5011

Enclosed are the results of analyses for samples received by the laboratory on 01/28/11 11:53.

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 Hydorcarbons

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

Cardinal Laboratories is accreditated 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,

Celey D. Keene

Lab Director/Quality Manager

Celey D. Keine

copproved for bookfull Stepff Loking ENV. ENGR. NMOCD-HOBBS 02/01/2011



Analytical Results For:

TALON LPE MIKE STUBBLEFIELD 408 W. TEXAS AVE. ARTESIA NM, 88210 (575) 745-8905 Fax To:

Received:

01/28/2011

Reported:

01/31/2011

Project Name: Project Number: QUAIL STATE '16' #2

Project Location:

701014.022.01

SEC. 16 T 20S.R34 E

Sampling Date:

01/28/2011

Sampling Type:

Soil

Sampling Condition:

Cool & Intact

Sample Received By:

Jodi Henson

Sample ID: 001 DRILLING PIT COMPOSITE (H100202-01)

| BTEX 8021B | mg | /kg | Analyze | d By: CMS | | | | | |
|--------------------------------------|--------|-----------------|------------|--------------|------|------------|---------------|-------|-----------|
| Analyte | Result | Reporting Limit | Analyzed | Method Blank | BS | % Recovery | True Value QC | RPD | Qualifier |
| Benzene* | <0.050 | 0.050 | 01/31/2011 | ND | 2.18 | 109 | 2.00 | 15.3 | |
| Toluene* | <0.050 | 0.050 | 01/31/2011 | ND | 2.16 | 108 | 2.00 | 14.0 | |
| Ethylbenzene* | <0.050 | 0.050 | 01/31/2011 | ND | 2.17 | 108 | 2.00 | 11.6 | |
| Total Xylenes* | <0.150 | 0.150 | 01/31/2011 | ND | 6.38 | 106 | 6.00 | 10.2 | |
| Surrogate: 4-Bromofluorobenzene (PIL | 98.3 | % 70-130 | | | | | | | |
| Chloride, SM4500CI-B | mg, | /kg | Analyze | d By: HM | | | | **** | |
| Analyte | Result | Reporting Limit | Analyzed | Method Blank | BS | % Recovery | True Value QC | RPD | Qualifier |
| Chloride | 400 | 16.0 | 01/28/2011 | ND | 416 | 104 | 400 | 3.77 | |
| TPH 418.1 | mg, | /kg | Analyze | d By: AB | | | | | |
| Analyte | Result | Reporting Limit | Analyzed | Method Blank | BS | % Recovery | True Value QC | RPD | Qualifier |
| TPH 418.1 | <100 | 100 | 01/28/2011 | ND | 1420 | 119 | 1190 | 0.702 | |
| TPH 8015M | mg | /kg | Analyze | d By: AB | | | | | |
| Analyte | Result | Reporting Limit | Analyzed | Method Blank | BS | % Recovery | True Value QC | RPD | Qualifier |
| GRO C6-C10 | <10.0 | 10.0 | 01/31/2011 | ND | 236 | 94.4 | 250 | 0.298 | |
| DRO >C10-C28 | <10.0 | 10.0 | 01/31/2011 | ND | 211 | 84.4 | 250 | 2.46 | |
| Surrogate: 1-Chlorooctane | 92.3 | % 70-130 | | , | | | | | |
| Surrogate: 1-Chlorooctadecane | 94.0 | % 70-130 | | | | | | | |

Cardinal Laboratories

*=Accredited Analyte

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 any other cause whatsoever shall be deemed waived unless made in writing and received by Cardinal within thirty (30) days after competetion of the applicable service. In no event shall Cardinal be liable for incidental or consequential dam 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 the services hereunder by Cardinal, regardless of whether claims 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.



Notes and Definitions

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-B does not require samples be received at or below 6°C

Samples reported on an as received basis (wet) unless otherwise noted on report

Cardinal Laboratories *=Accredited Analyte

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 fimilitation, business interruptions, loss of use, or loss of profits incurred by client, its subsidiaries, effiliates or successors arising out of or related to the performance of the 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.

Celey D. Keine

ARDINAL LABORATORIES 101 East Marland, Hobbs, NM 88240 (505) 393-2326 FAX (505) 393-2476

CHAIN-OF-CUSTODY AND ANALYSIS REQUEST

| | | | | | | | | | BILL TO ANALYSIS REQUEST | | | | | | | | | | | | | | | | | |
|--|--|--|-----------------|---------------------|--------------------|--------------------|-----------|--------------------|--------------------------|------------------|---------------------|--------------|---|---------------------|----------------------|-------|-----------|----------|----------|--------|--|----------|--|-------------|---|---|
| Project Manage | mike Stubble | fictel . | | | | | | | P.O |).#; | | | | | | | | | | 1 | | T | | | | |
| Address: 40% W. Toral Avc. | | | | | | | | | Coi | mpa | any: | ΤA | ba/LPE | | | | | Ì | | | ļ | | ł | | | |
| City: Anesia State: NM Zip: 88210 | | | | | | | | | Attn: | | | | | | | ٠. | | | l | | | | | | | |
| Phone #: 525-746-8905 Fax #: 525-746 8905 | | | | | | | | | Address: | | | | | | | | | | | | 1 | | | | | |
| | | | | | | | | | City: | | | | | | | | ٠. | ٠. | | | | | | | | |
| Project Name: Quail State 16" # Z | | | | | | | | | State: Zip: | | | | | | | _ | ŀ | 1 | | | 1 | | | | | |
| Project Location: Sec. 16. T205. R34E | | | | | | | | | Phone #: | | | | | | άκο/ ρκο | | | 1 | | | 1 | | | | | |
| Sampler Name: | more (5 Weeks | <i>શ</i> | | | | | | | Fax | (#: | | | | | chlorides | | ŀ | 1 | | | ٠ | | | | | |
| FOR LAB USE ONLY | | | | | | M | ATRIX | (| PRESERV. SAMPLING | | | | | BTEX | 2 | 10 H | ١ | | | 1 | | 1 | | | | |
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| Lab I.D. | Sample I. | U. | BOR | ITAII | ΔN | É | | ы | | 3ASE | 8 | | | | 9 | 5.0 | - | - | 1 | | | | 1 | | | |
| | 1 | | (G)RAB | # CONTAINERS | GROUNDWATER | WASTEWATER | 1 | Š | OTHER: | ACID/BASE | ICE / COOL | OTHER | DATE | TIME | 82 | 8015 | 81.5 | 300 | , | , | 1 | | | | | |
| H100202-1 | ool Drilling pit a | anni tr | C | * | ၅ | S U | | S | 9 | ⋖ | 7 | | 1/28/2VII | | | | _ | H | | +- | ┼ | + | ┼─ | - | A | - |
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| PLEASE NOTE: Liability or | nd Damages. Cardinal's liability and clie | nt's exclusive remedy for a | ny dais | n arish | ng who | ther bas | ed in co | nhact | or tort | shall | be limi | ted to | o lhe emount pa | d by the client for | the | | | L | <u> </u> | 1 | ــــــــــــــــــــــــــــــــــــــ | <u> </u> | | | | |
| analyses. All claims includi service. In no event shall C | ng those for negligence and any other ca ardinal be liable for incidental or conseq | ause whatsoever shall be d ruental damages; including | eemed wilhou | 1 waive 4 limita | id unle tion, b | ss made usiness | in writin | ng and lions, l | receiv | red by use, o | Cardin or loss o | ad wi | ithin 30 days afte ofits incurred by | r completion of the | ne applicat nies. | le . | | | | | | | | | | |
| Relinquished By | ng out of or related to the performance of | Date: | | ceiv | | | r such (| claim is | a base | d upo | n any o | f the | above stated re | Phone Re | | ☐ Yes | s O | No | Addi | Phone | #: | + + | | | | |
| | | 1/28 (201) Time: | , | | 0 | 1/2 | | | y a | | À | nn | e e General | Fax Resul | | ☐ Ye | | No | | Fax #: | | | | | | |
| Relinguished B | ull | 11 - 53 A | Da | ceiv | 3/ | برارا | | J. | LC | 1/1 | | عون | - | | -, | | | | ٠. | | | . • | | | | |
| Treamquiomou D | , | | I.e | fen | eu - | IJ. | | | | | | | | 100 | | | | | | | ٠, | | | · . | | |
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| Delivered By | · . | | | | . 1 | Sampl Cool | | | on | | - 6 | . 4 | ED BY: als) | | | | | • | | | | | | | | |
| Sampler - UPS | - Bus - Other: | | Ė | 30 | أرا | PY | s 🖺 | Yes | | | 1 | $\vec{\tau}$ | 矿" | | | | | , | • | | | | | | | |

† Cardinal cannot accept verbal changes. Please fax written changes to 505-393-2476

RECEIVED

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

* Attach Additional Sheets If Necessary

State of New Mexico Energy Minerals and Natural Resources JAN 28 2011

Form C-141 Revised October 10, 2003

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

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

Release Notification and Corrective Action

| | | | | | | OPERA? | ΓOR | | | | | | | | | |
|--|---------------|-------------------------|--------------|----------------|---------------|---|---|---|------------------------------|-------------|----------|------|--|--|--|--|
| Name of Co | mpany | Southern U | Jnion Ga | s Services | (| Contact Cu | rt Stanley | Pps | | | | | | | | |
| Address ` | 1: | 507 W. 15 th | Street, M | onahans, TX 79 | 756 ′ | | | | | | | | | | | |
| Facility Nan | ne | Pipeline # | 101 | |] | Facility Type Natural Gas Pipeline | | | | | | | | | | |
| Surface Owi | ner Cra | wford | | Mineral O | wner | | | | Lease N | Io. 30-025- | -38822 | | | | | |
| | | | | LOCA | TION | OF REI | LEASE | | | | | | | | | |
| Unit Letter "P" | Section 20 | Township 24S | Range 37E | Feet from the | | South Line | Feet from the | East/W | st/West Line County Lea | | | | | | | |
| Latitude N 32 degrees 11.749' Longitude W 103 degrees 10.788' | | | | | | | | | | | | | | | | |
| NATURE OF RELEASE Type of Release Crude Oil, Produced Water and Natural Gas Volume of Release 7 BBLS Volume Recovered 4 BBLS | | | | | | | | | | | | | | | | |
| | | | | l Natural Gas | | Volume of | | | Volume Recovered 4 BBLS | | | | | | | |
| Source of Rel | ease 16-I | nch Steel Pipe | | | | lour of Occurrence, 2011 – Time | e | Date and Hour of Discovery January 25, 2011 – approximately 1200 | | | | | | | | |
| Was Immedia | ate Notice C | Given? | | | | If YES, To | Whom? | | hrs | | | | | | | |
| Yes No Not Required | | | | | | | | | | | | | | | | |
| By Whom? C | Curt Stanley | , | | | | Date and Hour | | | | | | | | | | |
| Was a Watero | | hed? | _ | | | If YES, Volume Impacting the Watercourse. | | | | | | | | | | |
| | | | Yes 🛚 | No | | | | | | | | | | | | |
| If a Watercou | rse was Im | pacted, Descr | ibe Fully.* | - | | - | - | | | | | | | | | |
| | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | |
| Describe Cause of Problem and Remedial Action Taken.* A sixteen (16) inch diameter low pressure steel pipeline developed a leak, most likely due to internal corrosion. A vacuum truck was called to recover free standing fluids from the ground surface. Following the excavation of the pipeline, a temporary pipeline clamp was utilized to mitigate the release. Following the initial response activities, the excavation was backfilled due the proximity of the release to a county road. Permanent pipeline repairs will be made. | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | |
| Describe Area Affected and Cleanup Action Taken.* The release affected an area measuring approximately 1,700 square feet. The release will be remediated per NMOCD regulatory guidelines following the completion of permanent pipeline repair activities. | | | | | | | | | | | wing the | | | | | |
| 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. | | | | | | | | | | | | | | | | |
| | \wedge | | | _ | | | OIL CONS | SERV | ATION | DIVISIO | N | | | | | |
| Ciomotumos | (', ') | H : 🌭 | 1 | L. | | | | | _ | | | | | | | |
| Signature: Printed Name | : Curt Stan | llev | 500 | | | Approved by | ENV. ENG.W District Supervise | _{जाः} ृ | Mas QC | 2 2.00 | Mr. | | | | | |
| Title: EHS C | | | 1 | Approval Dat | e:01/28/11 | F | Expiration 1 | Date: \bigcirc 3 | 128 | 11 | | | | | | |
| E-mail Addre | ss: curt.star | nley@sug.com | | | Conditions of | Approval: SUB | smot. | | Attached \Box | | | | | | | |
| Date: 1/27/2011 Phone: 575-390-7595 | | | | | | INAL | C-141 B | Y / | | MP-01 | | 2677 | | | | |

District I
1625 N. French Dr., Hobbs, NM 88240
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1301 W. Grand Avenue, Artesia, NM 88210
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1220 S. St. Francis Dr., Santa Fe. NM 87505

State of New Mexico Energy Minerals and Natural Resources

JAN 28 2011

Form C-141 Revised October 10, 2003

HOBBSUCD

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

Attached

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

Release Notification and Corrective Action OPERATOR X Initial Report Final Report Name of Company Sheridan Production Company, LLC Contact Ricky Chesshire Address 200 N. Loraine Ste. 530 Midland, TX 79701 Telephone No. 432-269-8489 Facility Name North Vacuum (Abo) North Unit Facility Type Battery Surface Owner Eidson Ranch Box 1286 Mineral Owner Lease No. E-619 Lovington, NM 88260 Rep: Arzell Sellers Nearest well is NVNAU #20-1 575-369-6529 LOCATION OF RELEASE Unit Letter Section Township Feet from the Range North/South Line Feet from the East/West Line County 2 N 17S 34E 660 South 1980 West Lea **Latitude** 32.51279 **Longitude** 103.31587 NATURE OF RELEASE Type of Release Produced Water Volume of Release 400 BBLS Volume Recovered 390 BBLS Source of Release Water line from Heaters to Water Tanks Ruptured Date and Hour of Occurrence Date and Hour of Discovery 1/22/11 Unknown 1/22/11 10:30 a.m. Was Immediate Notice Given? If YES, To Whom? X□ Yes □ No □ Not E. L. Gonzales Required By Whom? Eddie Elliot Date and Hour 1/22/11 10:50 a.m. Was a Watercourse Reached? If YES, Volume Impacting the Watercourse. ☐ Yes X☐ No If a Watercourse was Impacted, Describe Fully.* Describe Cause of Problem and Remedial Action Taken.* 3" water line from heater to water tanks ruptured. Shut valves from heaters, removed water from berm area and clamped pipe. Replaced 3" ruptured pipe. Describe Area Affected and Cleanup Action Taken.* All water contained inside berm. Removed water from berm. 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: Approved by District Supervisor: Printed Name: James Sullens Title: Pumper Approval Date: **Expiration Date:**

Conditions of Approval:

1/24/2011

E-mail Address: jsullens@sheridanproduction.com

Phone: 432 296-9216

^{*} Attach Additional Sheets If Necessary