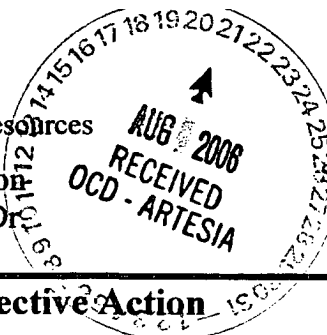


District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

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



30-015-33153

Release Notification and Corrective Action

NMLB0624456716

2/226

OPERATOR

☒ Initial Report ☐ Final Report

Name of Company	Preston Exploration, LLC	Contact	Tim Dever, Operations Manager
Address	PO Box 7520; The Woodlands, TX 77387	Telephone No.	(281) 367-8697
Facility Name	Cemetery 2 St. #1	Facility Type	

Surface Owner	Mineral Owner	Lease No.	NM-111245
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LOCATION OF RELEASE

Unit Letter	Section	Township	Range	Feet from the	North/South Line	Feet from the	East/West Line	County
G	2	20S	25E	1650	North	1750	East	Eddy

Latitude 32.6051 N Longitude -104.4521 W

NATURE OF RELEASE

Type of Release Major Release	Volume of Release 142 BBls	Volume Recovered 0 due to evaporation
Source of Release Water tank struck by lightning	Date and Hour of Occurrence 08/12/06 00:00	Date and Hour of Discovery 08/12/06 08:33
Was Immediate Notice Given? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Required	If YES, To Whom? Phil Hawkins 505-626-0836	
By Whom? Jimmy Olguin	Date and Hour 08/12/06 08:33	
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.*

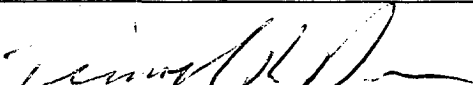
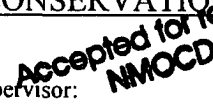
Describe Cause of Problem and Remedial Action Taken.*

On the morning of 08/12/06 lightning struck water tank located on the Cemetery 2 -#1 resulting explosion destroyed the water tank. The tank contents (all produced water) were confined by the firewall. Tank will be replaced

Describe Area Affected and Cleanup Action Taken.*

All fluids were contained by the firewall and have since evaporated. No further action required.

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: 		OIL CONSERVATION DIVISION	
Printed Name: Tim Dever		Approved by District Supervisor: 	
Title: Operations Manager		Approval Date:	Expiration Date:
E-mail Address: tdever@prestonexpl.com		Conditions of Approval: See Attached <input checked="" type="checkbox"/>	
Date: 8/17/06 Phone: (281) 367-8697			

* Attach Additional Sheets If Necessary



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

Mark E. Fesmire, P.E.
Director
Oil Conservation Division

Preston Exploration, LLC
PO Box 7520
The Woodlands, TX 77837
ATTN: Tim Dever

September 6, 2006

Reference: Cemetery 2 State 001 G-2-20s-25e Eddy County, New Mexico API: 30-015-33153

Operator,

The New Mexico Oil Conservation Division District 2 Office (OCD) is in receipt of an Initial Report Form C-141 reporting a release of produced fluids that occurred at the above referenced well site on or about August 12, 2006. The C-141 indicates a release volume of 142 bbls (produced water) with no fluids recovered. The C-141 also states "All fluids were contained by the firewall and have since evaporated. No further action required."

At this time, the OCD is accepting this C-141 for record only. A remediation action work plan proposal will be required to be formulated by Preston Exploration, LLC or an agent, and submitted to the OCD for review. The work plan proposal is to be formulated based on delineation of contaminants and OCD guidelines. A copy of the guidelines, Remediation of Leaks, Spills and Releases (1993 publication) may be found on the OCD web site as follows: www.emnrd.state.nm.us/oed. Click on each of the following items as they appear: (1) Publications; (2) Environmental Handbook; (3) Miscellaneous Guidelines; (4) Remediation of Leaks, Spills and Releases.

Please submit this work plan proposal to the District 2 office no later than September 21, 2006.

If I can be of assistance, my contact information is listed below.

Sincerely,

Mike Bratcher
NMOCD District 2
1301 W. Grand Ave.
Artesia, NM 88210
(505) 748-1283 Ext. 108
(505) 626-0857
mike.bratcher@state.nm.us

Distribution: email copy to: tdever@prestonexpl.com

Signed hard copy will be mailed to the Preston Exploration address listed above.