

Spill Summary and Work Plan

Incident Date: March 31, 2006

Location: Belco AIA Federal #1
Unit M Section 14 T20S R32E
Lea County, New Mexico

The Belco AIA Federal #1 is located 35 miles east of Carlsbad, NM. This site lies on the edge of a flat plain cut by dry drainage channels. There are visible brine playas approximately one half mile to the North West of this location. Watercourses in the area are dry except for infrequent flows in response to major precipitation events. Area surface geology includes Quaternary formations, sandstones over lying limestone & dolomite. The area, dry at the time of the spill, consists of soil that is fine grained, loamy and interspersed with clay seams providing a low permeability barrier to retard vertical percolation of contaminants into the subsurface. Groundwater in the area is estimated to be at a depth of <50' feet.

The ranking for this site is (20) based on the as following:

Depth to ground water	< 50'
Wellhead Protection Area	> 1000'
Distance to surface water body	> 1000'

Incident Description:

On 3/16/2006 a 6" poly line which was located with-in a below grade valve box split, causing produced waters & BS to spray in the air. The released produced waters pooled in the diked area of the tank battery, south of the tank battery in the adjacent pasture & on the west side of the tank battery on location. The pooling area off location was measured to be 46'x 67' in area, the pooling area on location was measured to be 54'x114' in area.

Action Taken:

The 6" line was isolated and a vacuum truck was called to recover standing fluids. The 6" line was repaired to put back into service. The release volume was 200 bbls of produced water. The recover volume was 60 bbls of produced water. The produced waters from a sample taken at the tank battery were tested and found to contain Chlorides of 170940 ppm.

Soil samples were taken on 4/6/2006 & 6/19/06 in the impacted area located on the west side of the tank battery on location for the vertical delineation of Chlorides. Soil samples were taken on 8/16/2006 in the impacted area south of the tank battery off the location for the vertical delineation of Chlorides. Back ground soil samples were also taken on

8/16/06 from a non impacted area located 20' west of the location. The soil samples taken were submitted to a second party lab & tested for TPH, B-Tex & Chlorides.

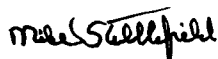
The analytical results for the TPH & B-tex were under the RRAL for the site. Chlorides in the pooling area on location were 50784 ppm at the surface, 2079 at the 3' depth, 3935 ppm at the 6' depth, and 400' ppm at the 9' depth. Chlorides in the pooling area off location were 39588 ppm on the surface, 16795 ppm at the 1' depth, 13036 ppm at the 2' depth, 10637 ppm at the 3' depth, 3247 ppm at the 4' depth, 1600 ppm at the 5' depth, & 928 ppm at the 10' depth. Back ground soil samples were taken on 8/16/06 from 20' due west of the location in a non-impacted area. The analytical results for Chlorides from the background soil samples were surface <16 ppm, 368 ppm at the 3' depth, 992 ppm at the 6' depth, 800 ppm at the 10' depth. See attached results for analytical.

Closure Plan:

The impacted soils located with-in the diked area of the tank battery will be excavated to a depth of 3'. Soil samples will be taken in the excavated area. Soil samples taken will be submitted to a second party lab & tested for TPH, B-tex, & chlorides. When analytical results are under the RRAL for TPH & B-tex for the diked area of the tank battery and the Chlorides have be documented. The excavated area located with-in the diked area of the tank battery will be backfilled to grade using clean soil and like material. The impacted area on location which measured 54' x 114' will be excavated to a depth of 3' and back filled to grade using clean soil & like material. Impacted soils off location which measured 46'x 67' will be excavated to a depth of 3' and backfilled to grade using clean soil and like material. Excavated soils will be removed to and O.C.D. approved solid wasted disposal facility. The impacted area off location will be reseeded with an approved B.L.M. seed mixture. After the above actions are completed. A final C-141 form with remediation actions taken and attached analytical results will be submitted to O.C.D. requesting closure at this release site.

If you have questions or need additional information, please contact me at 505-748-4500. Or E-mail me at mikes@ypcnm.com.

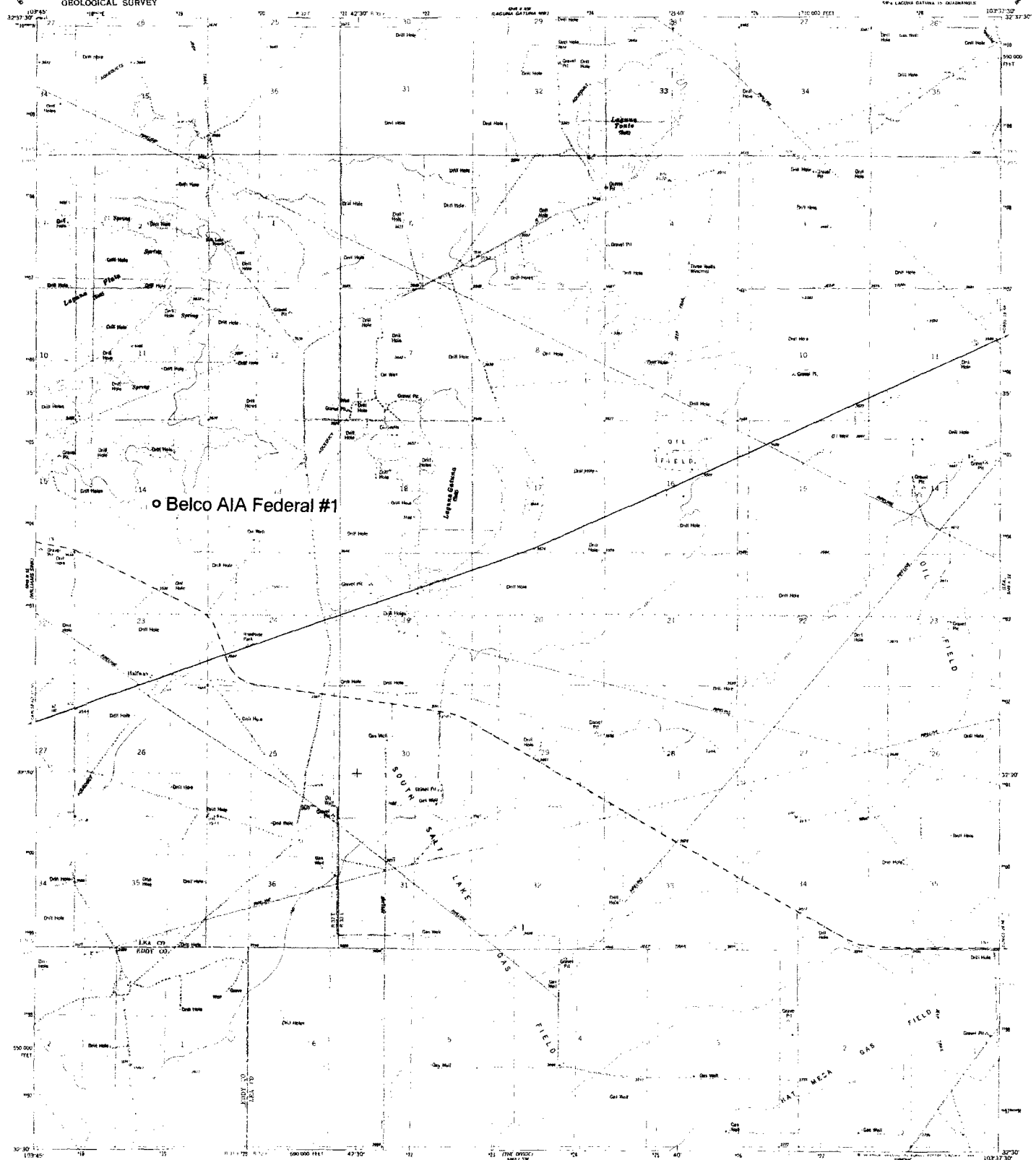
Sincerely,



Mike Stubblefield
Environmental Regulatory Agent

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

LAGUNA GATUNA QUADRANGLE
NEW MEXICO
7.5 MINUTE SERIES (TOPOGRAPHIC)
NEW LAGUNA GATUNA 10,000-FOOT



Mapped, edited, and published by the Geological Survey
Consent by USGS and HOS/NOAA
Topography by photogrammetric method from aerial photographs
taken 1957. First checked 1976. Map revised 1984.
Projection and 10,000-foot grid based on New Mexico
coordinate system, near zone (transverse Mercator)
1000-meter (Universal Transverse Mercator) grid zone 13
(1927 North American Datum).
To place on the predicted North American Datum 1983
near the projection lines of modern maps and
to meters east as shown by dashed corner marks.
Using red dashed lines, internally adjacent corner marks.

SCALE 1:24,000
CONTOUR INTERVAL 10 FEET
NATIONAL GEODESIC DATUM OF 1929

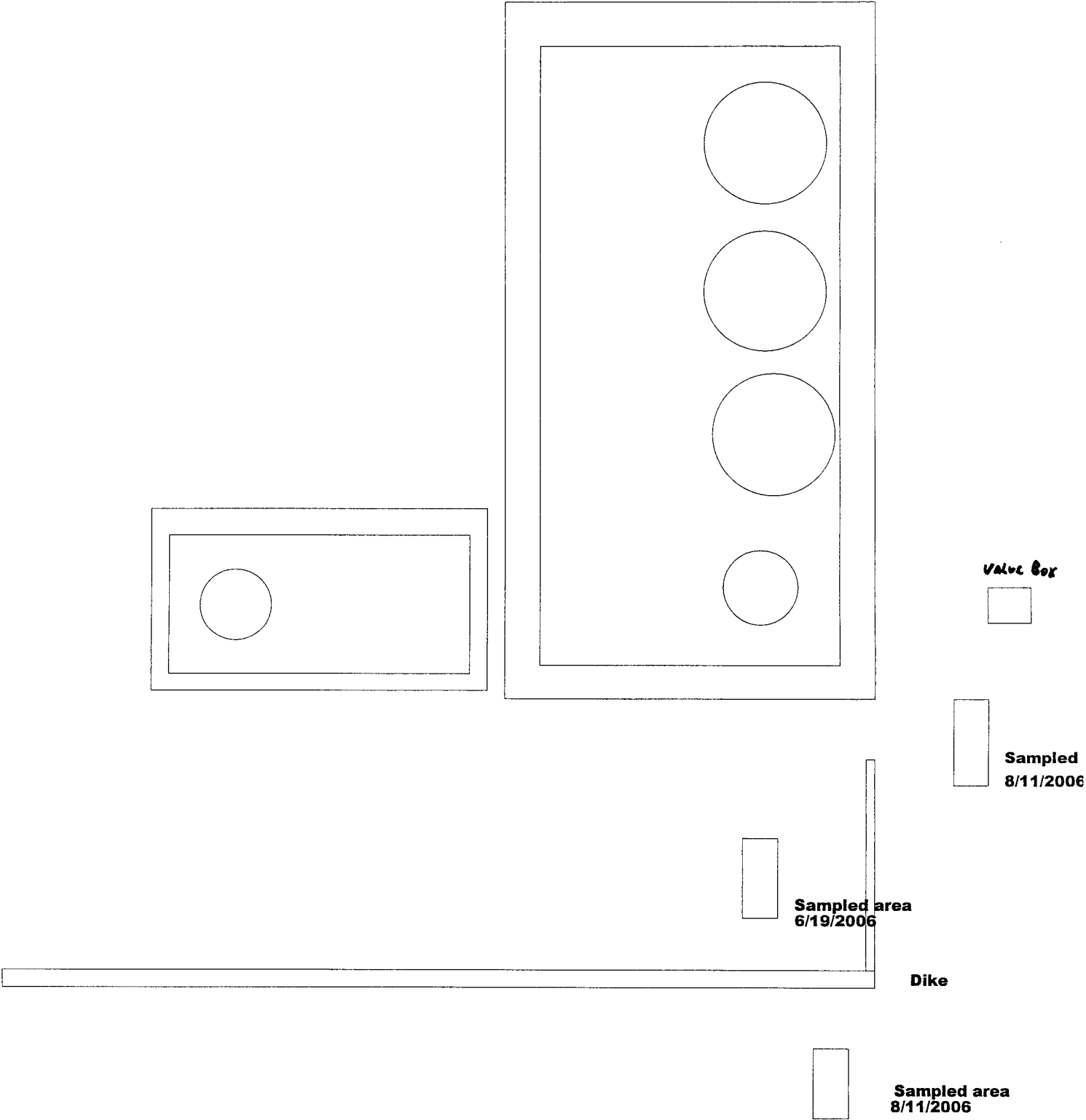
ROAD CLASSIFICATION
Primary highway
State highway
Secondary highway
Local road
Interstate
State route

THIS MAP COMPLETES WITH NATIONAL MAP ACQUISITION STANDARDS
FOR SALE BY U.S. GEOLOGICAL SURVEY, SUITE 100, 400 NORTH 2ND STREET, ARLINGTON, VIRGINIA 22202
A FOLDER CONTAINING THIS MAP AND A SUMMARY IS AVAILABLE ON REQUEST

LAGUNA GATUNA, N.MEX.
NEW LAGUNA GATUNA 10,000-FOOT
27103-15-17-02A

1984
GSA 100-11-01-01-01-01-01

Belco AIA Federal #1





PHONE (325) 673-7001 • 2111 BEECHWOOD • ABILENE, TX 79603

PHONE (505) 393-2326 • 101 E. MARLAND • HOBBS, NM 88240

ANALYTICAL RESULTS FOR
YATES PETROLEUM CORPORATION
ATTN: MIKE STUBBLEFIELD
105 S. 4TH STREET
ARTESIA, NM 88210
FAX TO: (505) 748-4635

Receiving Date: 08/15/06
Reporting Date: 08/16/06
Project Number: NOT GIVEN
Project Name: BELCO AIA FED #1
Project Location: UT M 14-20S-32E

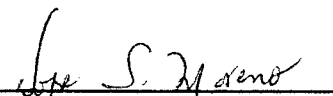
Analysis Date: 08/16/06
Sampling Date: 08/11/06
Sample Type: SOIL
Sample Condition: COOL & INTACT
Sample Received By: NF
Analyzed By: AB

LAB NO.	SAMPLE ID	Cl ⁻ (mg/kg)
H11444-1	POOLING AREA OFF LOCATION SURFACE	39588
H11444-2	POOLING AREA OFF LOCATION 1' DEPTH	16795
H11444-3	POOLING AREA OFF LOCATION 2' DEPTH	13036
H11444-4	POOLING AREA OFF LOCATION 3' DEPTH	10637
H11444-5	POOLING AREA OFF LOCATION 4' DEPTH	3247
H11444-6	POOLING AREA OFF LOCATION 5' DEPTH	1600
H11444-7	POOLING AREA OFF LOCATION 10' DEPTH	928
H11444-8	WEST LOCATION BACKGROUND @ SURFACE	< 16
H11444-9	WEST LOCATION BACKGROUND 3' DEPTH	368
H11444-10	WEST LOCATION BACKGROUND 6' DEPTH	992
H11444-11	WEST LOCATION BACKGROUND 10' DEPTH	800
Quality Control		1000
True Value QC		1000
% Recovery		100
Relative Percent Difference		1.0

METHOD: Standard Methods

4500-Cl⁻B

NOTE: Analyses performed on 1:4 w:v aqueous extracts.


Chemist

08-16-06
Date

H11444

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 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 services hereunder by Cardinal, regardless of whether such claim is based upon any of the above-stated reasons or otherwise.



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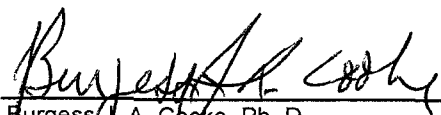
ANALYTICAL RESULTS FOR
YATES PETROLEUM CORPORATION
ATTN: MIKE STUBBLEFIELD
105 SOUTH 4TH STREET
ARTESIA, NM 88210
FAX TO: (505) 748-4635

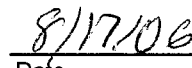
Receiving Date: 08/15/06
Reporting Date: 08/17/06
Project Number: NOT GIVEN
Project Name: BELCO AIA FED #1
Project Location: UT M 14-20S-32E

Sampling Date: 08/11/06
Sample Type: SOIL
Sample Condition: COOL & INTACT
Sample Received By: NF
Analyzed By: BC

LAB NO.	SAMPLE ID	GRO (C ₆ -C ₁₀) (mg/Kg)	DRO (>C ₁₀ -C ₂₈) (mg/Kg)	BENZENE (mg/Kg)	TOLUENE (mg/Kg)	ETHYL BENZENE (mg/Kg)	TOTAL XYLENES (mg/Kg)
ANALYSIS DATE:		08/16/06	08/16/06	08/16/06	08/16/06	08/16/06	08/16/06
H11444-1	POOLING AREA...SURFACE	<10.0	<10.0	<0.005	<0.005	<0.005	<0.015
H11444-2	POOLING AREA...1' DEPTH	<10.0	<10.0	<0.005	<0.005	<0.005	<0.015
H11444-4	POOLING AREA...3' DEPTH	<10.0	<10.0	<0.005	<0.005	<0.005	<0.015
Quality Control		781	783	0.103	0.103	0.100	0.300
True Value QC		800	800	0.100	0.100	0.100	0.300
% Recovery		97.6	97.9	103	103	99.5	100
Relative Percent Difference		1.0	6.4	<0.1	0.7	0.8	0.2

METHODS: TPH GRO & DRO - EPA SW-846 8015 M; BTEX - SW-846 8260.


Burgess J. A. Cooke, Ph. D.


Date

H11444A

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 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 services hereunder by Cardinal, regardless of whether such claim is based upon any of the above-stated reasons or otherwise.

CHAIN-OF-CUSTODY AND ANALYSIS BENEFIT

Company Name: Valco Petroleum Corporation		BILL TO	PO #:
Project Manager: Mike Stubblefield			
Address: 105 South 4th Street		Company: Valco Petro. Corp.	
City: Artesia		Attn: Mike Stubblefield	
State: NM Zip: 88710		Address: 105 S. 4th Street	
Phone #: 505-748-4500		City: Artesia	
Fax #: 505-748-4635		State: N.M. Zip: 88710	
Project #:		Phone #: 505-748-4500	
Project Name: Belco AIA Feed # 1		Fax #: 505-748-4635	
Project Location: V.I.C. 14-205-32c			

LAB I.D.	Sample I.D.	(G)RAB OR (C)OMP.	# CONTAINERS	MATRIX						DATE	TIME	TPH.	B-Tex	Chlorides
				GROUNDWATER	WASTEWATER	SOIL	OIL	SLUDGE	OTHER :					
A11444 - 1	Pool/Area off location surface									8/11/06	10:00AM	✓	✓	✓
- 2	Pool/Area off location 1' depth			✓						8/11/06	11:00AM	✓	✓	✓
- 3	Pool/Area off location 2' depth			✓						8/11/06	11:10AM	✓	✓	✓
- 4	Pool/Area off location 3' depth			✓						8/11/06	11:15AM	✓	✓	✓
- 5	Pool/Area off location 4' depth			✓						8/11/06	11:20AM	✓	✓	✓

PLEASE NOTE: Liability and Damages. Contractor's liability and owner's exclusive remedy for any claim arising whether based in contract or tort, shall be limited to the amount paid by the client for the analysis. All claims including those for negligence and any other causes whatsoever shall be deemed waived unless made in writing and received by Cardinal within 30 days after completion of the applicable service. In no event shall Cardinal be liable for incidental or consequential damages, 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 services hereunder by Cardinal. Repetition of whatever such claim is based upon any of the above stated reasons or otherwise.

Terms and Conditions: Interest will be charged on all accounts more than 30 day past due at the rate of 24% per annum from the original date of invoice, and all costs of collection, including attorney's fees.

Sampler Relinquished:	Date: 8/11/06	Received By:	Checked By:
Mike Stubblefield	Time: 11:30 PM	U.S. Starn	(Initials)
Relinquished By:	Date: 8/11/06	Sample Condition:	COPIES:
Made Stubblefield	Time: 1:30 PM	Cool Intact	Yes No
Delivered By: (Circle One)		Sample Condition	Checked By: (Initials)
Sampler - UPS - Bus Other:		Yes No	74

REMARKS:

Phone Result: Yes No Additional Fax #: _____

+ Cardinal cannot accept verbal changes. Please fax written changes to 915-673-7020.



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Page _____ of _____

CHAIN-OF-CUSTODY AND ANALYSIS REQUEST

Company Name: Valco Petroleum Corporation		HILLTOP PO#:
Project Manager: Mike Stubblefield		
Address: 105 Scott's 4th Street City: Artesia State: NM Zip: 88210		Company: Valco Petro Corp. Attn: Mike Stubblefield
Phone #: 505-748-4500		Address: 105 S. 4th Street City: Artesia State: N.M. Zip: 88210
Fax #: 505-748-4635		State: N.M. Zip: 88210
Project #:		Phone #: 505-748-4500 Fax #: 505-748-4635
Project Owner: Mike Stubblefield		
Project Name: Belco AHA Feal. #1		
Project Location: ut . m 14 - 205 - 32c		

	FOR LAB USE ONLY	LAB I.D.	Sample I.D.	(G)RAB OR (C)OMP.	# CONTAINERS	MATRIX						PRES.	SAMPLING	DATE	TIME	
						GROUNDWATER	WASTEWATER	SOIL	OIL	SLUDGE	OTHER :	ACID:	ICE / COOL			
-6 ft Below Area off location		A11444	Boring Area off location	(G)										8/11/06	11:30 AM	✓ Chlorides
-7 ft Pooling Area off location			Pool area off location	(C)										8/11/06	11:45 AM	✓
-8 ft West location drill			West location Drill	(G)										8/11/06	1:00 PM	✓
-9 ft East location Borehole			East location Borehole	(G)										8/11/06	1:20 PM	✓
-10 ft Well location Borehole			Well location Borehole	(G)										8/11/06	1:20 PM	✓

PLEASE NOTE: Liability and Damages Cardholder's liability and start-up analysis remain solely for any drilling whether based in contract or tort, shall be limited to the amount paid by the client for the service. All claims involving those for negligence and/or other causes whatsoever shall be deemed waived unless made in writing and received by Cardinal within 30 days after completion of the applicable service. In no event shall Cardinal be liable for incidental or consequential damages, 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 services hereunder by Cardinal, regardless of whether such claim is based upon any of the above stated reasons or otherwise.

Sampler Relinquished:	Date: 8/14/06 Time: 1:30 PM	Received By:	Checked By:
Mike Stubblefield		[Signature]	[Initials]
Relinquished By:	Date: 8/14/06 Time: 1:30 PM	Received By:	Checked By:
MRS. Campbell		[Signature]	[Initials]
Delivered By:	Date: 8/14/06 Time: 1:30 PM	Received By:	Checked By:
Sampler - UPS - Bus - Other:			

REMARKS:

Terms and Conditions: Payment will be charged on all accounts more than 30 days past due at the rate of 2.5% per annum from the original date of invoice, and all costs of collection, including attorney's fees.

† Cardinal cannot accept verbal changes. Please fax written changes to 915-673-7020

ARDINAL LABORATORIES, INC.

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CHAIN-OF-CUSTODY AND ANALYSIS REQUEST

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ANALYTICAL RESULTS FOR
YATES PETROLEUM CORPORATION
ATTN: MIKE STUBBLEFIELD
105 SOUTH 4th STREET
ARTESIA, NM 88210
FAX TO: (505) 748-4335

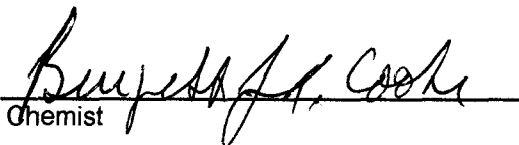
Receiving Date: 11/27/06
Reporting Date: 11/30/06
Project Number: NOT GIVEN
Project Name: BELCO AIA FED #1
Project Location: UT M-14-20S-32E

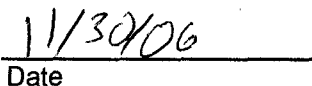
Sampling Date: 11/21/06
Sample Type: SOIL
Sample Condition: COOL & INTACT
Sample Received By: NF
Analyzed By: BC/AB

LAB NO.	SAMPLE ID	GRO	DRO	CI*
		(C ₆ -C ₁₀) (mg/Kg)	(>C ₁₀ -C ₂₈) (mg/Kg)	(mg/Kg)
ANALYSIS DATE		11/29/06	11/29/06	11/27/06
H11832-1	#1 EXC. DIKE AREA, 5 SPOT COMP., 3' DEPTH BTM.	<10.0	42.8	352
H11832-2	#2 EXC. DIKE AREA N. SIDE WALL AREA 5 SPOT COMP.	<10.0	<10.0	960
Quality Control		767	765	470
True Value QC		800	800	500
% Recovery		95.8	95.7	94.0
Relative Percent Difference		1.0	1.3	4.2

METHODS: TPH GRO & DRO: EPA SW-846 8015 M; CI: Std. Methods 4500-CI'B

*Analyses performed on 1:4 w:v aqueous extracts.


Chemist


Date

H11832A

PLEASE NOTE: Liability and Damages: Cardinal's liability to client is limited to the amount paid by client for analyses and reports, including those for negligence and any other cause whatsoever that is 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 limitation, business interruptions, loss of use, or loss of profits incurred by client, its subsidiaries, affiliates or licensors arising out of or related to the performance of services hereunder by Cardinal, regardless of whether such claim is based upon any of the above-stated reasons or otherwise.



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ANALYTICAL RESULTS FOR
YATES PETROLEUM CORPORATION
ATTN: MIKE STUBBLEFIELD
105 SOUTH 4th STREET
ARTESIA, NM 88210
FAX TO: (505) 748-4335

Receiving Date: 11/27/06
Reporting Date: 11/30/06
Project Number: NOT GIVEN
Project Name: BELCO AIA FED #1
Project Location: UT M-14-20S-32E

Sampling Date: 11/21/06
Sample Type: SOIL
Sample Condition: COOL & INTACT
Sample Received By: NF
Analyzed By: BC

LAB NO.	SAMPLE ID	BENZENE (mg/Kg)	TOLUENE (mg/Kg)	ETHYL BENZENE (mg/Kg)	TOTAL XYLENES (mg/Kg)
ANALYSIS DATE		11/29/06	11/29/06	11/29/06	11/29/06
H11832-1	#1 EXC. DIKE AREA, 5 SPOT COMP., 3' DEPTH BTM.	<0.005	<0.005	<0.005	<0.015
H11832-2	#2 EXC. DIKE AREA N. SIDE WALL AREA 5 SPOT COMP.	<0.005	<0.005	<0.005	<0.015
Quality Control		0.104	0.103	0.101	0.294
True Value QC		0.100	0.100	0.100	0.300
% Recovery		104	103	101	98.0
Relative Percent Difference		1.0	1.5	3.5	5.4

METHOD: EPA SW-846 8260

Chemist

Burgess J. Cooke

Date

11/30/06