

MARTIN YATES, III
1912-1985

FRANK W. YATES
1936-1986



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2118
TELEPHONE (505) 748-1471

S.P. YATES
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Ms. Pat Caperton
NMOCD-District 1
1625 N French Drive
Hobbs, NM 88240

December 18, 2006



RE: Merle State Unit 3 30-025-37545
Unit P, Section 14, T10S, R34E
Lea County, New Mexico

Dear Pat,

Enclosed, please find a Form C-141 Initial Report for the Merle State Unit 3
December 4, 2006 release date. Also included is a work plan.

Regretfully, notification of this discharge event was not given. The reason for the
lack of notification was due to initial reporting from field personnel as being below
the major release reporting requirements. However, when the actual report was
received, the amount of the release exceeded the 25 barrel notification criteria.

Your consideration to the work plan is greatly appreciated. And should you have
any questions, please don't hesitate to contact me at 505.742.4162 or
sherryb@ypcnm.com.

Sincerely,

Sherry Bonham
Environmental Regulatory Agent

release
amended spill volume
from 10 to 40 B/O
RP 1091

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 YATES PETROLEUM CORPORATION	OGRID Number 25575	Contact SHERRY BONHAM
Address 105 S 4 TH STREET		Telephone No. 505.748.1471
Facility Name MERLE STATE UNIT 3	API Number 30-025-37545	Facility Type WELL
Surface Owner STATE	Mineral Owner STATE	Lease No.

LOCATION OF RELEASE

Unit Letter P	Section 14	Township 10S	Range 34E	Feet from the 990	North/South Line SOUTH	Feet from the 990	East/West Line EAST	County LEA
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Latitude 33.44253 Longitude 103.42887

NATURE OF RELEASE

Type of Release CRUDE OIL	Volume of Release 40 B/O	Volume Recovered 20 B/O
Source of Release OIL TANKS	Date and Hour of Occurrence 12/4/06 7:00 AM	Date and Hour of Discovery 12/4/06 7:00 AM
Was Immediate Notice Given? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Not Required	If YES, To Whom? N/A	
By Whom? N/A	Date and Hour N/A	
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.* N/A		
Describe Cause of Problem and Remedial Action Taken.* OIL TRANSPORTERS DID NOT PICK UP LOAD. OIL TANKS RAN OVER.		
Describe Area Affected and Cleanup Action Taken.* AN APPROXIMATE 25' X 30' X 3" AREA AFFECTED. VACUUM TRUCK PICKED UP ALL STANDING FLUIDS. IMMEDIATELY SCRAPED UP IMPACTED MATERIALS AND HAULED TO APPROVED DISPOSAL FACILITY. SITE RANKING: 20		
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: Sherry Bonham	Approved by District Supervisor:	
Title: Environmental Regulatory Agent	Approval Date:	Expiration Date:
E-mail Address: sherryb@ypcnm.com	Conditions of Approval:	Attached <input type="checkbox"/>
Date: December 15, 2006	Phone: 505.748.1471	

* Attach Additional Sheets If Necessary

Spill Summary and Work Plan

Incident Date: December 4, 2006

Location: Merle State Unit 3
API 30-025-37545
Unit P Section 14 T10S R34E
Lea County, New Mexico

The well is located approximately 14.5 miles northwest of Tatum, NM as depicted on the attached Johnson Ranch; NM USGS Quadrangle Map.

Watercourses in the area are dry except for infrequent flows in response to major precipitation events. The area, dry, clear, and windy at the time of the spill, consists of soil that is sandy loam. The bermed area and pad consists of hard packed caliche. Groundwater in the area is estimated to be at a depth of less than 50 feet according to the Chevron/Texaco Lea County Depth to Groundwater Trend Map.

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

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

For sites with a Total Ranking Score of 20, the Recommended Remedial Action Levels are:

Benzene	10
BTEX	50
TPH	100

Incident Description:

The area is the site of a tank battery. The oil tanks ran over due to oil transporters not picking up and hauling oil load. All fluid of the discharge event was contained within the bermed area. The 40 barrel crude oil spill affected an approximate 25' X 30' X 3" area.

Action Taken:

Immediately upon discovery, the source of the release was eliminated by shutting in the well. A vacuum truck was called to remove fluids. Approximately twenty barrels of crude oil were recovered.

Work Plan:

The visual contaminants of the impacted area were immediately excavated and removed to an approved NMOCD commercial disposal site. Soil samples will be obtained and sent to a third party laboratory to be analyzed for TPH and BTEX. A 48 hour advance notice will be given OCD to allow opportunity to witness the sample collection. If concentrations exceed Recommended Remedial Action Levels (RRALs), further delineation and evaluation will be required. If, however, concentrations are within the RRALs, the excavated area will be backfilled with clean, like material and Yates Petroleum Corporation will request closure approval from OCD per section IX of the Guidelines.

Thank you for your consideration to this work plan. And should you have questions or need additional information, please contact me at 505-748-4162 or sherryb@ypcnm.com.

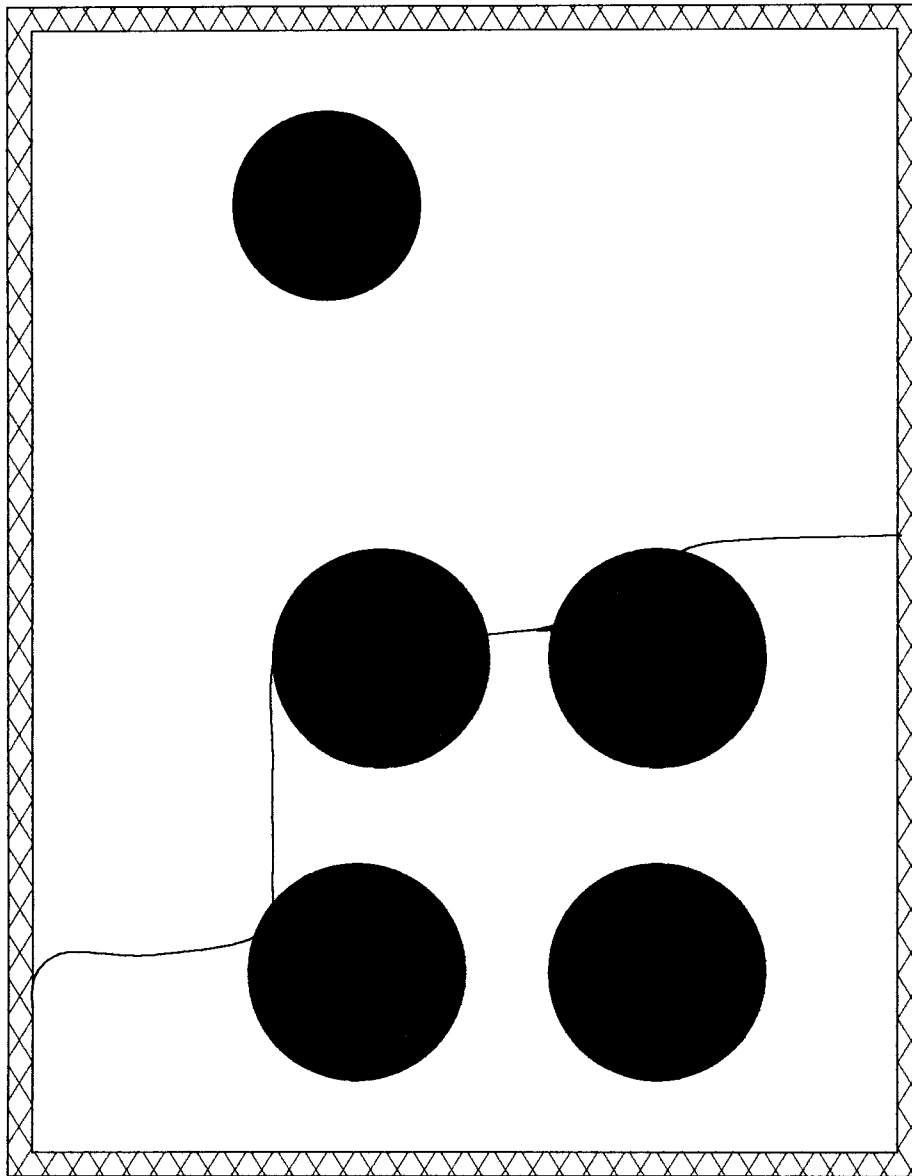
Respectfully,

A handwritten signature in black ink, appearing to read 'Sherry Bonham', with a stylized, cursive script.

Sherry Bonham
Environmental Regulatory Agent



Denotes Spill Area



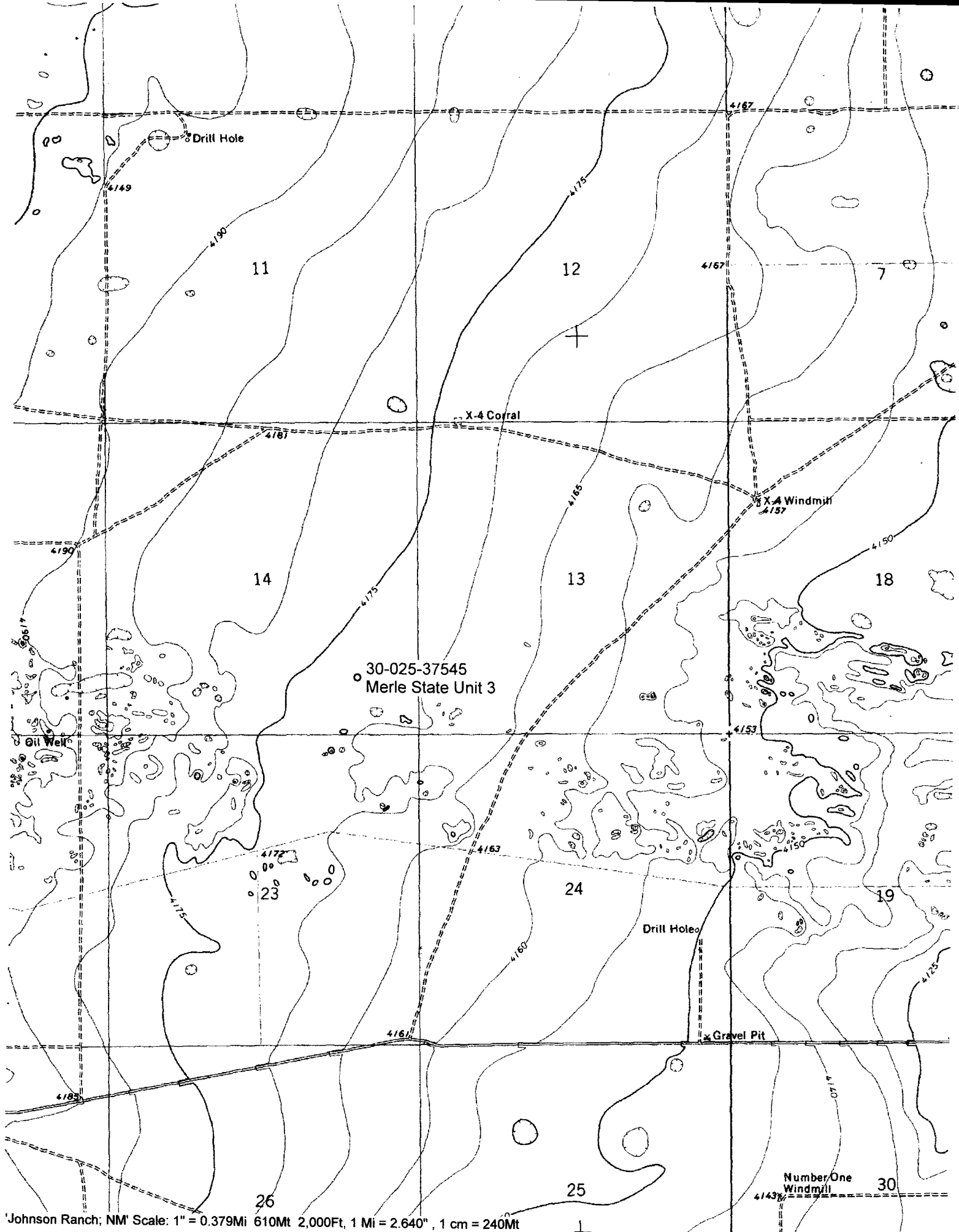
Merle State Unit 3

Sec. 14 T10S R34E

Lea County, NM

DISCHARGE DIAGRAM
RELEASE DATE: 12/4/06

(Not to Scale)



Johnson Ranch; NM Scale: 1" = 0.379Mi 610Mt 2,000Ft, 1 Mi = 2.640" , 1 cm = 240Mt