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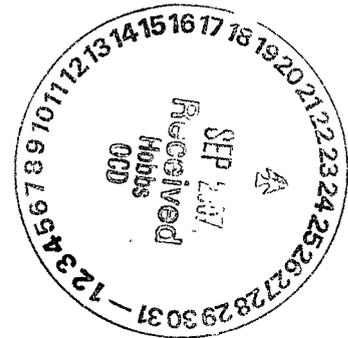
FRANK YATES, JR.
EXECUTIVE VICE PRESIDENT

JOHN A. YATES, JR.
SENIOR VICE PRESIDENT

WTR (50)

September 21, 2007

Mr. Larry Johnson
NMOCD District I
1625 French Drive
Hobbs, NM 88240



Re: Livingston Ridge Water System
1RP-1548
Section 2, T23S-R32E
Lea County, New Mexico

Dear Mr. Johnson:

Yates Petroleum Corporation would like to submit for your consideration the enclosed remediation plan for the above captioned location. The plan is being submitted in response to the C-141 dated August 17, 2007. Scope of work described in the plan will be conducted as soon as the work plan is approved and a contractor can be scheduled.

If you have any questions call me at (505) 748-4217

Thank you.

YATES PETROLEUM CORPROATION

Robert Asher
Environmental Regulatory Agent

Enclosure(s)

Johnson
ENVIRONMENTAL ENGINEER
DENIED 9.25.07

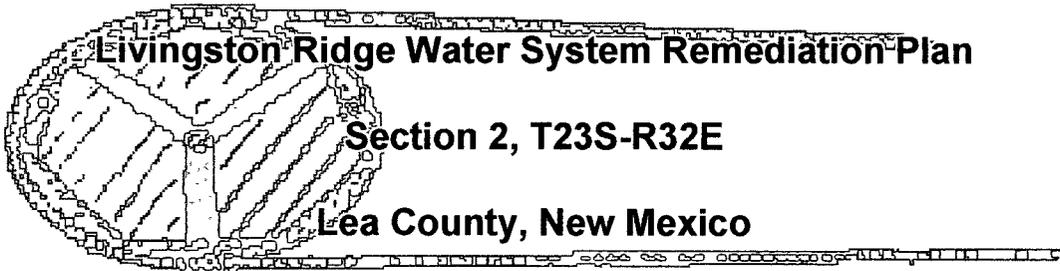
- ① NO DELINEATION SUBMITTED
- ② ADDITIVES DO NOT AFFECT CHLORIDES ON PERMANENT BASIS
- ③ CHLORIDE CONTAMINATION MUST BE SUBMITTED TO DISPOSAL
- ④ RESUBMIT ONCE DELINEATION IS ESTABLISHED
- ⑤ SUBMIT BY 12.3.07

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TREASURER

Yates Petroleum Corporation

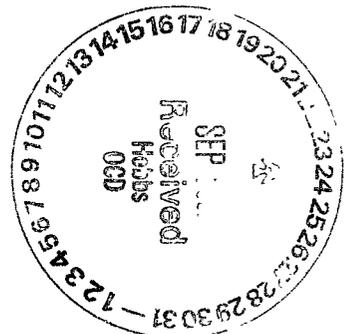


Livingston Ridge Water System Remediation Plan

Section 2, T23S-R32E

Lea County, New Mexico

September 21, 2007



I. Location

The well is located approximately 45 miles south-southwest of Carlsbad, NM northeast of County Road 128, (approximately 0.5 of a mile north of the Amanda AMN Federal #1 battery) as represented by the attached Bootleg Ridge, NM, USGS Quadrangle Map.

II. Background

On August 17, 2007, Yates submitted to the NMOCD District I office a C-141 report reflecting a release of approximately 5 barrels of crude oil and 2000 barrels of produced water from a 6 inch water line that ruptured inside the valve box, all wells and pumps associated with the water line were shut down, there was no oil or produced water to recover. The water line has been repaired. The affected area is approximately 235 feet by 245 feet, it is currently fenced off to prevent livestock from entering area and will remain in place until remediation work is completed. Contaminated soils are being excavated and taken to an OCD approved disposal facility.

III. Surface and Ground Water

Area surface geology is Cenozoic. The nearest groundwater of record listed on the ChevronTexaco, Lea County Depth to Groundwater Water Well Facilities Trend Map dated 2/9/2005 shows depth to groundwater approximately 500 feet making the site ranking a zero (0). Watercourses in the area are dry.

The ranking for this site is zero (0) based on the as following:

Depth to ground water	> 100'
Wellhead Protection Area	> 1000'
Distance to surface water body	> 1000'

IV. Soils

The area consists of sand, interspersed with caliche and clay seams providing a low permeability barrier to retard vertical percolation of contaminants into the subsurface.

V. Scope of Work

Upon approval of this remediation plan, Yates Petroleum Corporation will take soil samples within the effected area for delineation. These samples will be sent to a certified lab and analyzed for BTEX, TPH and Chlorides (for reference purposes). Based on the Total Ranking Score of zero (0), the RRAL's for BTEX is 50 ppm and TPH is 5000 ppm. If these results are above OCD guidelines, then remediation will be implemented by adding one or more of the following (nitrogen fertilizer, micro-blaze or calcium domant mix) and tilling of the affected area. Yates will resample within the release area in six months, if results are above OCD guidelines, and then further remediation will be implemented to attain the acceptable limits. If lab analysis reflects closure levels then Yates will contact the Oil Conservation Division to give opportunity to witness a final sampling event. A final C-141 and attached analytical results will be submitted to the OCD requesting closure.

