

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	Contact Mike Stubblefield
Address 105 South 4 th Street, Artesia, N.M. 88210	Telephone No. 505-748-4500 505-513-1712
Facility Name Merle State Unit #9730-025-38183	Facility Type drilling well.

Surface Owner State	Mineral Owner. State	Lease No.
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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
E	24	10s	34e	1650'	FNL	330'	FWL	Lea

Latitude ___ Longitude

NATURE OF RELEASE

Type of Release Drilling fluids	Volume of Release 200-300 bbls	Volume Recovered 270
Source of Release. Drilling reserve pit	Date and Hour of Occurrence 3/19/2008 3:00 am	Date and Hour of Discovery 3/2008 3:00am
Was Immediate Notice Given? Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Not Required	If YES, To Whom? Larry Johnson	
By Whom? Mike Stubblefield	Date and Hour 3/25/2008 10:30am	
Was a Watercourse Reached? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	If YES, Volume Impacting the Watercourse	

RECEIVED

APR 01 2008

HOBBS OCD

Describe Cause of Problem and Remedial Action Taken * During the transfer of drilling mud from a steel pit to the middle reserve pit, the volume of the middle reserve pit was exceeded, the middle reserve pit overflowed onto the drilling location. A backhoe was called to the location, the impacted area was the area around the steel pits & mud pumps. The backhoe recovered 90% of the released mud which was placed back into the drilling reserve pit. The drilling crew recovered mud using shovels.

Describe Area Affected and Cleanup Action Taken.
The impacted area was the area around the steel pit closed loop system. When the drilling equipment is moved off the location. The remaining drilling mud will be excavated and then placed into the drilling pit. Soil samples will be taken from the impacted area. Soil samples taken will be submitted to a second party lab and analysis ran for TPH, B-TEX, and Chlorides. A Remediation work plan based on analytical results will be submitted to NMOCD for remediation of release. The nearest water information is from a monitor well drilled on 5/21/07 by TalonLPE at the U.P 14-10s-34e Merle State Unit #3. The monitor well was TD at 70'. Monitor well found to be dry.

Site ranking Depth to ground water - 50'-99', Wellhead protection area - > 1000', Distance to surface water body - > 1000' site ranking score - 10

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: <i>Mike Stubblefield</i>	OIL CONSERVATION DIVISION	
Printed Name: Mike Stubblefield	ENVIRONMENTAL ENGINEER	
Title. Environmental Regulatory Agent	Approved by District Supervisor <i>[Signature]</i>	
E-mail Address: mikes@ypnm.com	Approval Date. 4.18.08	Expiration Date. 6.18.08
Date: 3/28/2007 Phone: 505-748-4500	Conditions of Approval: SUBMIT FINAL C-141 w/ DOCUMENTATION BY 6.18.08	Attached <input type="checkbox"/>

* Attach Additional Sheets If Necessary

PCOHO 812339007