

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

X 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 #18 30-025-38821	Facility Type drilling well.

Surface Owner State	Mineral Owner. State	Lease No.
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LOCATION OF RELEASE

Unit Letter E	Section 23	Township 10s	Range 34e	Feet from the 1650'	North/South Line FNL	Feet from the 990'	East/West Line FWL	County Lea
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Latitude ___ Longitude

NATURE OF RELEASE

Type of Release Drilling fluids	Volume of Release 150-200 bbls	Volume Recovered 125 bbls
Source of Release. Steel pit closed loop system	Date and Hour of Occurrence 5/2/2008 3:00 am	Date and Hour of Discovery same
Was Immediate Notice Given? Yes X No Not Required	If YES, To Whom? Larry Johnson voice mailbox follow up by E-mail.	
By Whom? Mike Stubblefield	Date and Hour 5/2/2008 2:30pm	
Was a Watercourse Reached? <input type="checkbox"/> Yes X No	If YES, Volume Impacting the watercourse.	

If a Watercourse was Impacted, Describe Fully.*

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MAY 07 2008
HOBBS OCD

Describe Cause of Problem and Remedial Action Taken.* During drilling operations a hose busted on the steel pit closed loop system. The hose was repaired. A backhoe was called to the location, the impacted area was the area around the steel pits & the edge of the drilling reserve pit. 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 & the edge of the drilling reserve pit. 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 the remediation of release. The nearest water information is from a monitor well drilled on 5/21/07 by TalonLPE at the Ut.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 <i>Johnson</i>	
Printed Name: Mike Stubblefield	Approved by District ENVIRONMENTAL ENGINEER	
Title Environmental Regulatory Agent	Approval Date: 5.8.08	Expiration Date 6.30.08
E-mail Address: mikes@ypcnm.com	Conditions of Approval: Submitted Final C-141	
Date: 5/5/2008 Phone: 505-748-4500	Attached <input type="checkbox"/> IRP# 1852	

* Attach Additional Sheets If Necessary

DOCUMENTATION B1

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