January 27, 2012

Mr. Mike Bratcher
Oil Conservation Division
Artesia, NM

Re: Rio Penasco Draw Remediation Project
Section 25, T18S-R25E SW/NE
Eddy County, New Mexico

Dear Mr. Bratcher:

Yates Petroleum Corp. (YPC) would like to submit for your consideration the enclosed work plan in connection to the C-141 report dated January 17, 2012.

Upon approval of the attached work plan, Yates will proceed with the scope of work described.

If you have any questions, call me at 575-748-4310

Thank you,

A Trujillo

Amanda Trujillo
Environmental Scientist
Yates Petroleum Corporation

Enclosure(s):

- Map
- Work Site Diagram
- Analytical results
- Soil Map

Yates Petroleum Corporation

Rio Penasco Draw Reclamation Plan

Section 25, T18S-R25E

Eddy County, New Mexico

January 27, 2012

I. Location

South on Highway 285 from Artesia. Turn west on Kincade Ranch Road just before mile marker 60. Follow Kincade for approximately 2.25 miles to lease road. Turn north on lease road. (orange and white flagging marks turn). Follow lease road due north approximately 0.75 miles to Hornbaker BA Battery. The excavation site is approximately 400 feet northwest of battery location. (Map and Worksite diagram enclosed)

II. Background

On January 14, 2012 a release occurred of approximately 600 bbls of produced water and hydrocarbon constituents of which 460 bbls were recovered. Yates submitted a C-141 on January 17, 2012 to the NMOCD District II office. The total affected area was 20 feet wide x 300 feet long.
Immediately, after notification from YPC field personnel, Randy Dade of NMOCD was notified by phone by Jerry Fanning, YPC NM Environmental Coordinator. Mike Bratcher, NMOCD, was also notified via voice message and follow up email.
Field personnel took the following actions to mitigated environmental impact:

- Immediately upon discovery, the leaking pipeline was isolated
- Multiple vacuum trucks were called to the scene and began removing standing fluid
- A backhoe and other heavy equipment were dispatched to the scene to assist
- Earthen berms were constructed to segregate the impacted area
- The area was fenced to prevent livestock from entering

YPC environmental personnel identified the impacted area as the Rio Penasco Draw, classified as an intermittent stream. Under 40 CFR part 112, Spill Prevention Controls and Countermeasures, navigable waters by definition include intermittent streams.
YPC environmental personnel classified the spill area as a non-emergency under EPA spill reporting requirements, for the following reasons; no water was impacted, the draw was dry, and the area had been in severe drought conditions for more than 1 year. As per EPA direction, via www.epa.gov, we were to report the release to the Regional Office in Dallas, Texas.
Monday, January 16, 2012 was a federal holiday. Tuesday, January 17, 2012 the following agencies were contacted as a precautionary measure.

- U.S. Environmental Protection Agency
- National Response Center
- U.S. Army Corp of Engineers
- N.M. Oil Conservation Division

Initial delineation samples were taken (1/17/12) and sent to an NMOCD approved laboratory (1/17/12 results enclosed).

Yates Petroleum Corporation is operating under the jurisdiction of the New Mexico Oil Conservation Division in accordance with the *Guidelines for Remediation of Leaks, Spills and Releases (circa 1993).*

III. Surface and Ground Water

The nearest Depth to Groundwater record listed on the New Mexico Office of the State Engineer (Section 26 and 24, T18S-R25E) shows depth of groundwater to be approximately 200 feet and 158 feet, respectively. Additionally, depth to groundwater information was also obtained from a water well owned and operated by YPC in Section 25 T18S-R25E. Groundwater was measured at 241' in December of 2011. By all indications, depth to groundwater is greater than 100 feet, making the site ranking a classification of zero (0). Watercourses in the area are dry except for infrequent flows in response to major precipitation events.

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

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

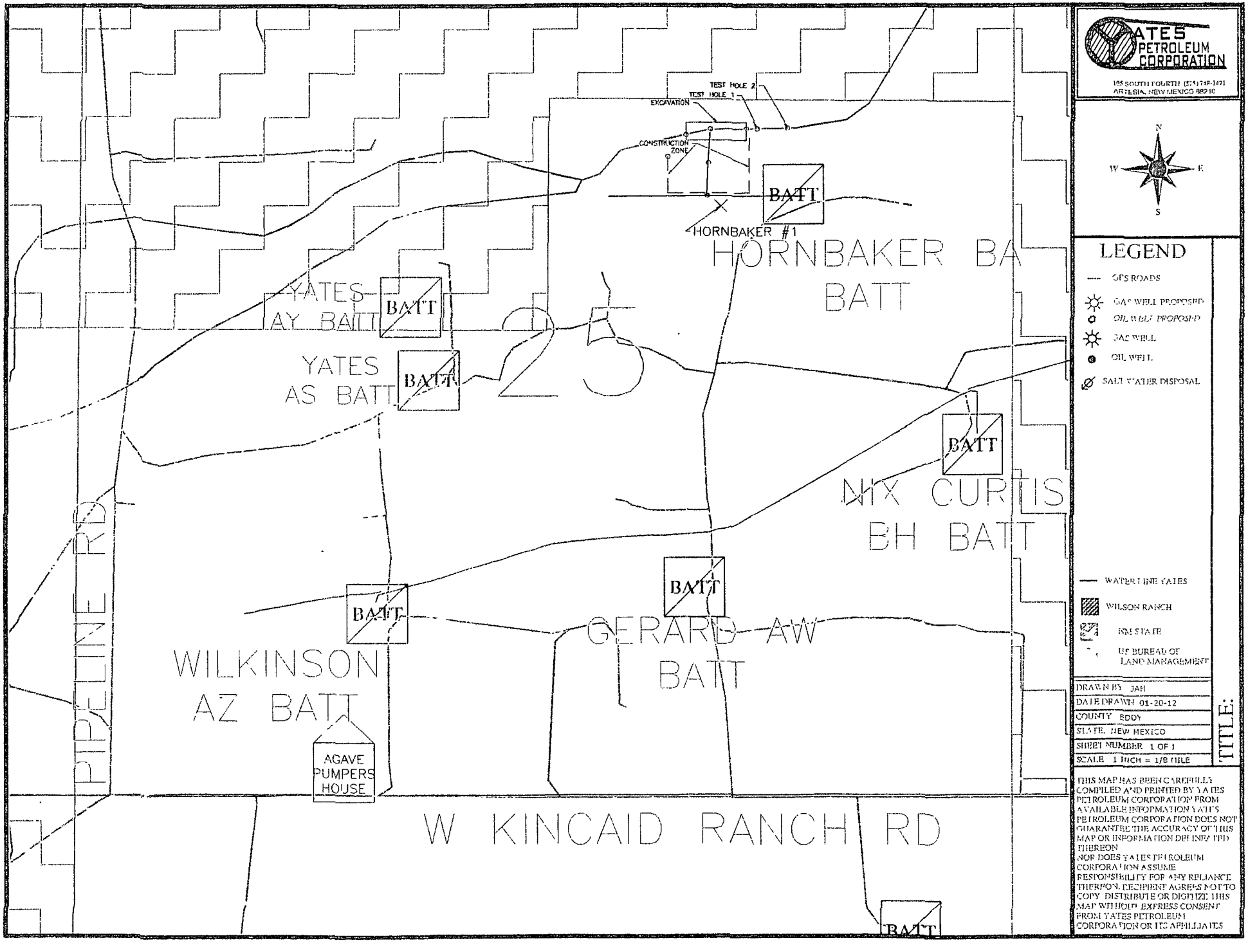
IV. Soils

Drainages are typically defined as mixed alluvium, however, NRCS classifies the area as Dev-Pima. The Dev-Pima Complex is characterized by a textural class of a very gravelly loam with an Alluvium parent material. Characteristics also include high hydraulic conductivity within the first 120" inches at which point peculation becomes restricted due to a silty clay loam horizon. Description of landforms includes alluvial fans and alluvial flood plains with vegetation dominated primarily by mesquite (Prosopis spp.) as well as several grass species including Sand Drop Seed (Sporobolus cryptandrus).

V. Scope of Work

Soil in three sections designated *S1, S2,* and *S3* (see attached diagram) will be excavated to a depth of 10', 4' and 8' respectively. Excavated soil will be placed on plastic up gradient from the excavation. The impacted material will be bermed. The excavation will be conducted in accordance with OSHA regulation 1926 Subpart P App B, titled Sloping and Benching.

Once excavation is complete additional sampling will be conducted. When the analytical results are within RRAL's for BTEX (50 ppm) and TPH (5000 ppm) for the Total Ranking Score of zero (0), YPC will submit a *C-141 Final Report* along with the analytical results and request closure of the site.



YATES PETROLEUM CORPORATION

105 SOUTH FOURTH (575) 748-1471
ARTESIA, NEW MEXICO 88210

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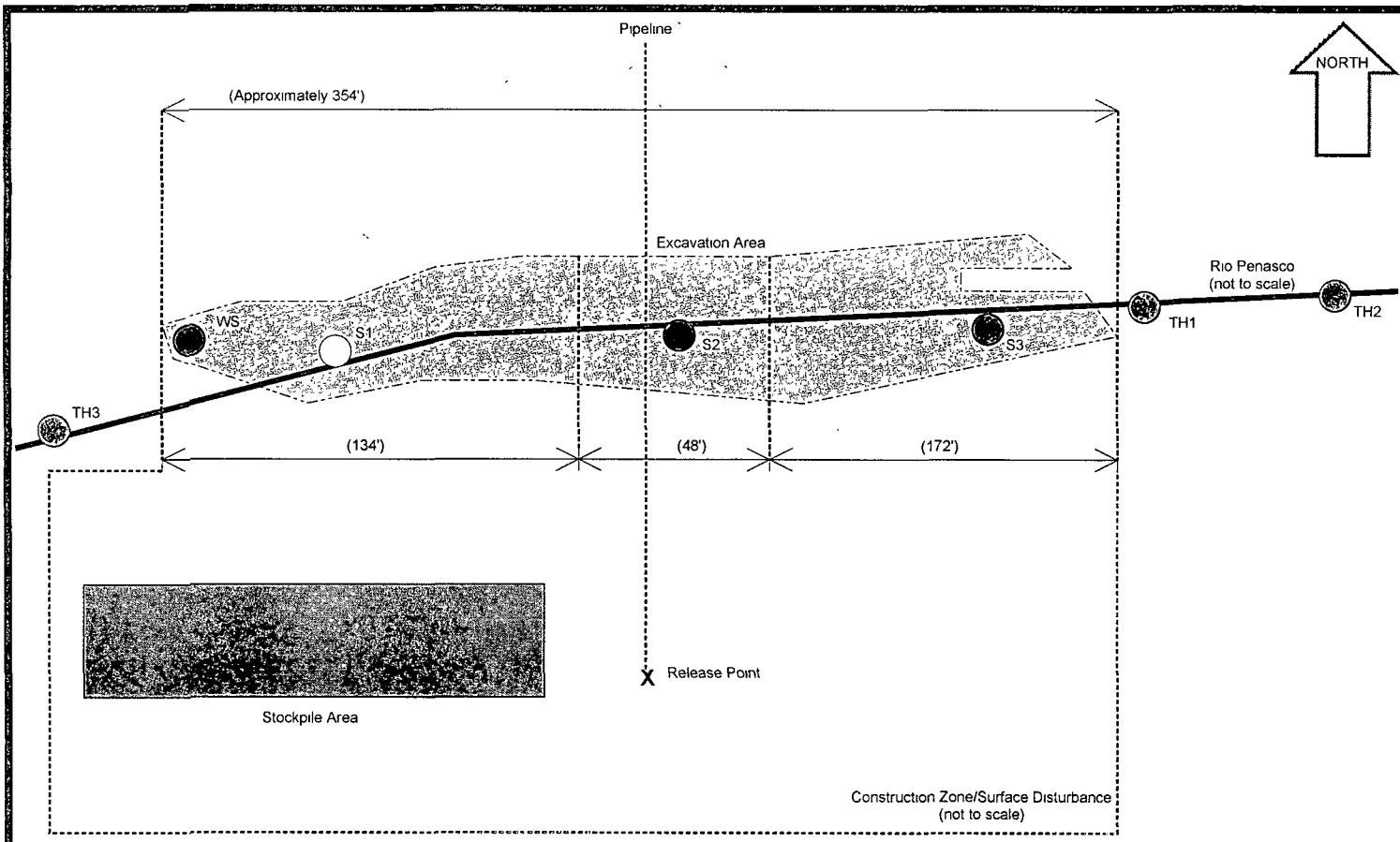
LEGEND

- GPS ROADS
- GAS WELL PROPOSED
- OIL WELL PROPOSED
- GAS WELL
- OIL WELL
- SALT WATER DISPOSAL
- WATER LINE YATES
- WILSON RANCH
- NM STATE
- US BUREAU OF LAND MANAGEMENT

DRAWN BY	JAH
DATE DRAWN	01-20-12
COUNTY	EDDY
STATE	NEW MEXICO
SHEET NUMBER	1 OF 1
SCALE	1 INCH = 1/8 MILE

TITLE:



Sample Area	Sample Date	Depth	BTEX	GRO	DRO	TOTAL	Chlorides
West Side	1/17/2012	6'	1100.70	8900	1930	10830	4440
S1	1/17/2012	2'	2482.00	25200	2600	27800	8590
S1	1/17/2012	4'	552.00	3640	1340	4980	4430
S1	1/17/2012	5'	1752.40	16300	5980	22280	2320
S1	1/17/2012	6'	1061.90	10900	1420	12320	8590
S1	1/17/2012	7'	913.20	5630	368	5998	4430
S1	1/17/2012	8'	1578 00	11500	879	12379	2320
S1	1/17/2012	9'	9563.00	193	ND	193	2320
S1	**1/17/2012**	**10'**	**0.96**	**ND**	**ND**	**0**	**1080**

Site Ranking is Zero (0). Depth to Ground Water >100' (per ChevronTexacoTrend Map).

All results are ppm. Release Date: 1/14/2012

Sample Results within NMOCD Guidelines (RRAL) for TPH/BTEX

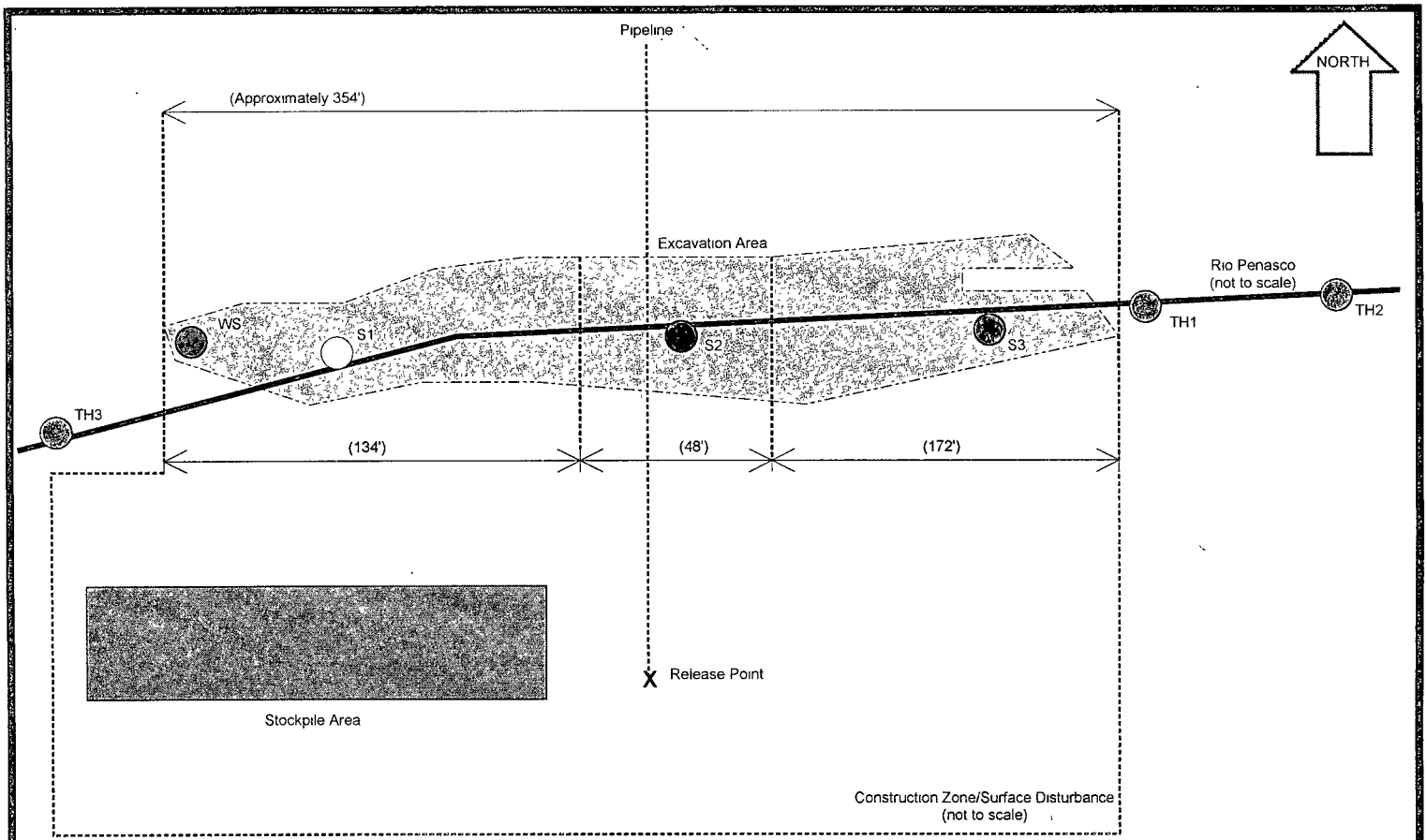
YATES PETROLEUM CORPORATION

Penasco Water Line

Section 25, T18S-R25E
Eddy County, NM

SAMPLE DIAGRAM
(Not to Scale)

Yates Petroleum Corporation



Sample Area	Sample Date	Depth	GRO	DRO	TOTAL	BTEX	Chlorides
S2	1/23/2012	3'	3.04	1148	1151.04	174.98	320
S2	1/23/2012	4'	11.6	ND	11.6	2.31	5200
S2	1/23/2012	5'	11.1	ND	11.1	2.12	6000
S2	1/23/2012	6'	19	17.4	36.4	7.03	496
S2	1/23/2012	7'	32	14.6	46.6	13.68	1880
S2	1/23/2012	8'	ND	ND	ND	1.37	352
S2	1/23/2012	9'	16.6	12.8	29.4	1.11	432
S2	1/23/2012	10'	18.8	ND	18.8	0.79	496
S2	1/23/2012	11'	10.3	11.4	21.7	1.21	496
S2	1/23/2012	12'	33.2	21.2	54.4	7.38	608

Site Ranking is Zero (0). Depth to Ground Water >100' (per ChevronTexacoTrend Map).

All results are ppm. Release Date: 1/14/2012

Sample Results within NMOCD Guidelines (RRAL) for TPH/BTEX

YATES PETROLEUM CORPORATION

Penasco Water Line

Section 25, T18S-R25E
Eddy County, NM

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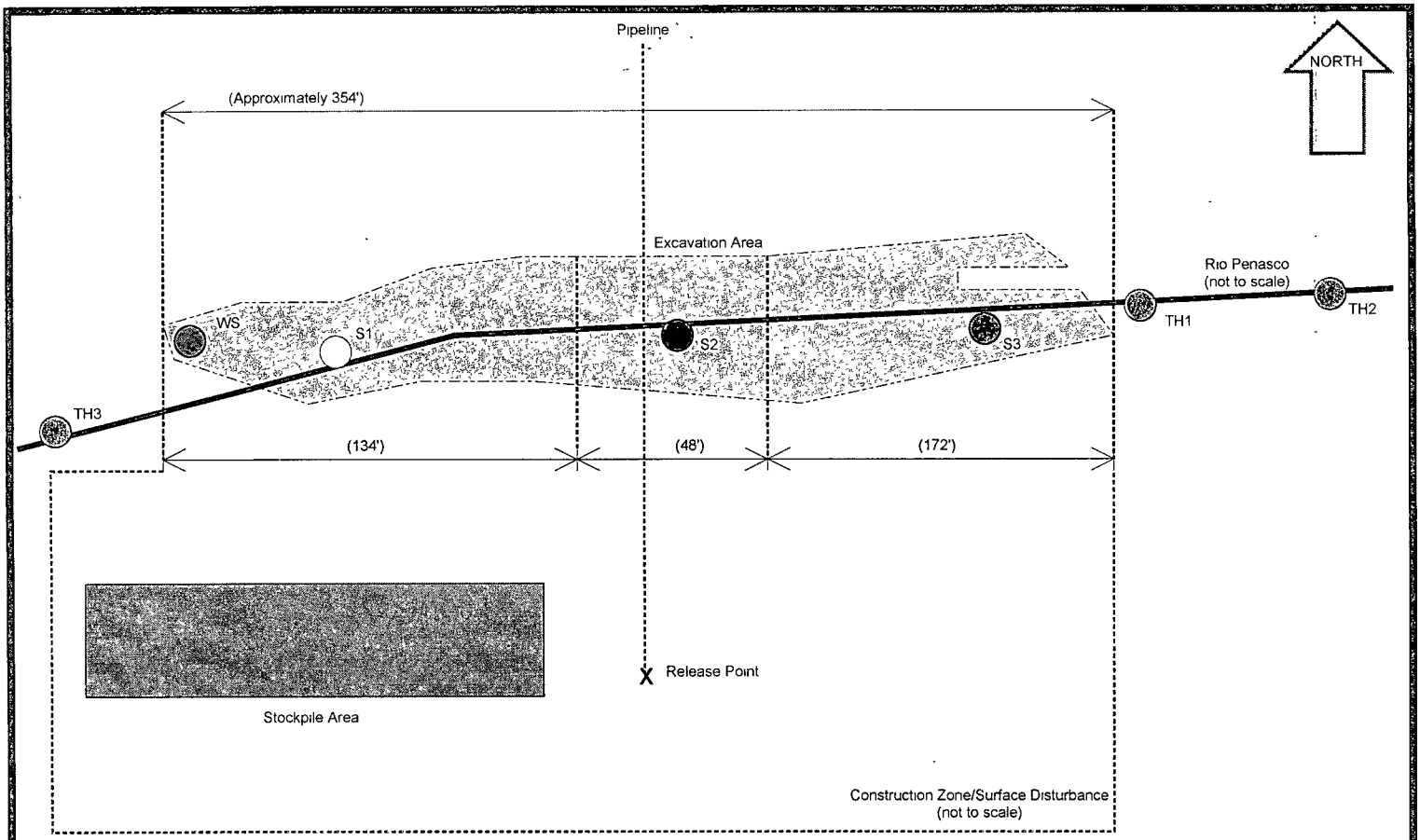
(Not to Scale)

Yates Petroleum Corporation



Sample Area	Sample Date	Depth	GRO	DRO	TOTAL	BTEX	Chlorides
S3	1/23/2012	5'	ND	ND	ND	11.41	8800
S3	1/23/2012	6'	2.99	516.01	519	157.13	15800
S3	1/23/2012	7'	32	14.6	46.6	246.63	10000
S3	1/23/2012	8'	ND	ND	ND	1.37	17000
S3	1/23/2012	9'	38.1	24.9	63	1.11	13200
S3	1/23/2012	10'	88.4	65.4	153.8	0.79	12600
S3	1/23/2012	11'	17.5	14.6	32.1	1.21	2720
S3	1/23/2012	12'	14.3	13.9	28.2	7.38	2820

Site Ranking is Zero (0). Depth to Ground Water >100' (per ChevronTexacoTrend Map).

All results are ppm. Release Date: 1/14/2012

Sample Results within NMOCD Guidelines (RRAL) for TPH/BTEX

YATES PETROLEUM CORPORATION

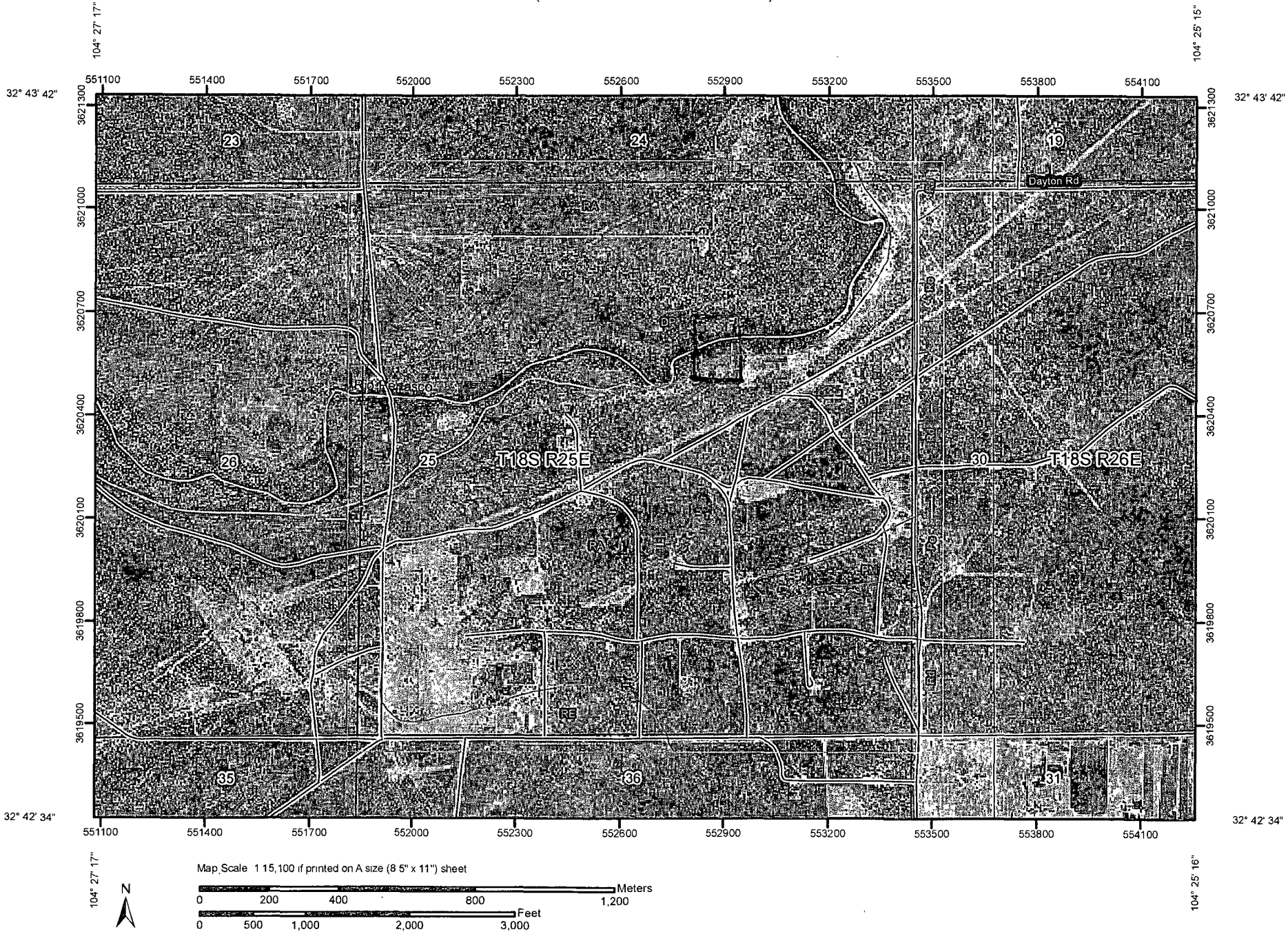
Penasco Water Line

Section 25, T18S-R25E
Eddy County, NM

SAMPLE DIAGRAM
(Not to Scale)

Yates Petroleum Corporation

Soil Map—Eddy Area, New Mexico
(Rio Penasco Draw Reclamation Site)



Eddy Area, New Mexico

DP—Dev-Pima complex, 0 to 3 percent slopes

Map Unit Setting

Elevation: 3,200 to 4,600 feet
Mean annual precipitation: 10 to 16 inches
Mean annual air temperature: 60 to 64 degrees F
Frost-free period: 195 to 217 days

Map Unit Composition

Dev and similar soils: 55 percent
Pima and similar soils: 30 percent

Description of Dev

Setting

Landform: Alluvial fans, flood plains
Landform position (three-dimensional): Rise, talf
Down-slope shape: Linear
Across-slope shape: Linear
Parent material: Mixed alluvium

Properties and qualities

Slope: 0 to 3 percent
Depth to restrictive feature: More than 80 inches
Drainage class: Well drained
Capacity of the most limiting layer to transmit water (Ksat): High (2.00 to 6.00 in/hr)
Depth to water table: More than 80 inches
Frequency of flooding: Frequent
Frequency of ponding: None
Calcium carbonate, maximum content: 70 percent
Maximum salinity: Nonsaline (0.0 to 2.0 mmhos/cm)
Sodium adsorption ratio, maximum: 1.0
Available water capacity: Low (about 4.3 inches)

Interpretive groups

Land capability (nonirrigated): 6w
Ecological site: Bottomland (R042XC017NM)

Typical profile

0 to 15 inches: Very gravelly loam
15 to 60 inches: Very gravelly loam

Description of Pima

Setting

Landform: Alluvial fans, alluvial flats, flood plains
Landform position (three-dimensional): Rise, talf
Down-slope shape: Linear, convex
Across-slope shape: Linear, convex
Parent material: Alluvium

Properties and qualities

Slope: 0 to 3 percent
Depth to restrictive feature: More than 80 inches
Drainage class: Well drained
Capacity of the most limiting layer to transmit water (Ksat): Moderately high (0.20 to 0.60 in/hr)
Depth to water table: More than 80 inches
Frequency of flooding: Rare
Frequency of ponding: None
Calcium carbonate, maximum content: 15 percent
Maximum salinity: Nonsaline to very slightly saline (0.0 to 4.0 mmhos/cm)
Sodium adsorption ratio, maximum: 1.0
Available water capacity: High (about 11.9 inches)

Interpretive groups

Land capability classification (irrigated): 2e
Land capability (nonirrigated): 7c
Ecological site: Bottomland (R042XC017NM)

Typical profile

0 to 3 inches: Silt loam
3 to 60 inches: Silty clay loam

Data Source Information

Soil Survey Area: Eddy Area, New Mexico
Survey Area Data: Version 9, Feb 20, 2009

MAP LEGEND

Area of Interest (AOI)
- Area of Interest (AOI)

Soils
- Soil Map Units

Special Point Features
- Blowout
- Borrow Pit
- Clay Spot
- Closed Depression
- Gravel Pit
- Gravelly Spot
- Landfill
- Lava Flow
- Marsh or swamp
- Mine or Quarry
- Miscellaneous Water
- Perennial Water
- Rock Outcrop
- Saline Spot
- Sandy Spot
- Severely Eroded Spot
- Sinkhole
- Slide or Slip
- Sodic Spot
- Spoil Area
- Stony Spot
- Very Stony Spot
- Wet Spot
- Other

Special Line Features
- Gully
- Short Steep Slope
- Other

Political Features
- Cities
- PLSS Township and Range
- PLSS Section

Water Features
- Streams and Canals

Transportation
- Rails
- Interstate Highways
- US Routes
- Major Roads
- Local Roads

MAP INFORMATION

Map Scale: 1:15,100 if printed on A size (8.5" × 11") sheet.

The soil surveys that comprise your AOI were mapped at 1:20,000.

Please rely on the bar scale on each map sheet for accurate map measurements.

Source of Map: Natural Resources Conservation Service
Web Soil Survey URL. http://websoilsurvey.nrcs.usda.gov
Coordinate System UTM Zone 13N NAD83

This product is generated from the USDA-NRCS certified data as of the version date(s) listed below.

Soil Survey Area: Eddy Area, New Mexico
Survey Area Data: Version 9, Feb 20, 2009

Date(s) aerial images were photographed: Data not available.

The orthophoto or other base map on which the soil lines were compiled and digitized probably differs from the background imagery displayed on these maps. As a result, some minor shifting of map unit boundaries may be evident.

Map Unit Legend

Eddy Area, New Mexico (NM614)			
Map Unit Symbol	Map Unit Name	Acres in AOI	Percent of AOI
DP	Dev-Pima complex, 0 to 3 percent slopes	118.8	16.2%
Pe	Pima silt loam, 0 to 1 percent slopes	3.7	0.5%
PM	Pima silt loam, 0 to 1 percent slopes	13.3	1.8%
RA	Reagan loam, 0 to 3 percent slopes	526.1	71.7%
Rc	Reagan loam, 0 to 1 percent slopes	8.7	1.2%
Rd	Reagan loam, 1 to 3 percent slopes	21.7	3.0%
RE	*Reagan-Upton association, 0 to 9 percent slopes*	41.0	5.6%
Totals for Area of Interest		**733.4**	**100.0%**

YATES PET DAGGER DRAW WATER LINE NEAR HORNBAKER BTRY FIRST INITIAL CLEAN UP

-18-25

YATES PET DAGGER DRAW WATER LINE NEAR HORNSBACK BTRY BEFORE FIRST INITIAL CLEAN-UP

~5-18-25