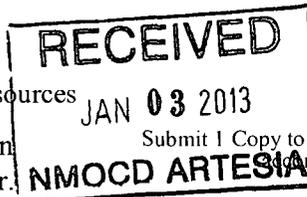


District I
1625 N. French Dr., Hobbs, NM 88240
District II
811 S. First St., Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

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 August 8, 2011

Release Notification and Corrective Action

nJMW1300435637 OPERATOR Initial Report Final Report

Name of Company <i>Jalapeno Corporation 26307</i>	Contact <i>H. Emmons Yates III</i>
Address <i>P.O. Box 1608; Albuquerque, NM 87103</i>	Telephone No. <i>505-242-2050</i>
Facility Name <i>Duncan Federal #2-#3 Tank Battery</i>	Facility Type <i>Oil well</i>
Surface Owner <i>BLM</i>	Mineral Owner <i>BLM</i>
API No. <i>D#2 30-005-62235</i> <i>D#3 30-005-63564</i>	

LOCATION OF RELEASE

Unit Letter	Section	Township	Range	Feet from the	North/South Line	Feet from the	East/West Line	County
4	7	9-S	28-E	330 330	FSL FSL	990 330	FWL FWL	Chaves

Latitude _____ Longitude _____

*spill occurred either evening of 12/19/12 or early morning of 12/20/12

NATURE OF RELEASE

Type of Release <i>Oil/Water</i>	Volume of Release <i>300 bbls</i>	Volume Recovered <i>300 bbls</i>
Source of Release <i>Water leg</i>	Date and Hour of Occurrence *	Date and Hour of Discovery <i>12/20/12 morning</i>
Was Immediate Notice Given? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Required	If YES, To Whom? <i>Beth Skaggs of BLM Roswell office & left message at OCD Artesia office</i>	
By Whom? <i>H. Emmons Yates III</i>	Date and Hour <i>12/20/12 4:20 PM</i>	
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.*
Extreme winds had caused the water leg to be torn free from one of the gun barrels on the tank battery.

Describe Area Affected and Cleanup Action Taken.*
All of the spilled fluids were contained within the gravel and plastic lined firewall of the tank battery. We had Standard Energy Service pump the fluids back into the gun barrel and Liberty Maintenance is in the process of removing the stained gravel by shovels, as not to damage the firewall's plastic liner. The gravel will be transported to Grandy Marley for disposal.

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>H. Emmons Yates III</i>	OIL CONSERVATION DIVISION	
Printed Name: <i>H. Emmons Yates III</i>	Approved by Environmental Specialist: <i>Signed By Mike Demore</i>	
Title: <i>Geological Analyst</i>	Approval Date: <i>JAN 04 2013</i>	Expiration Date:
E-mail Address: <i>eyates@jalapenocorp.com</i>	Conditions of Approval:	Attached <input type="checkbox"/>
Date: <i>12/31/12</i>	Phone: <i>505-242-2050</i>	

* Attach Additional Sheets If Necessary

Remediation per OCD Rules & Guidelines. **SUBMIT REMEDIATION PROPOSAL NOT LATER THAN: February 4, 2013**

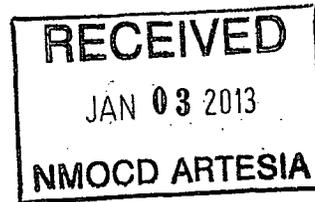
2RP-1480

Jalapeño Corporation
P.O. Box 1608
Albuquerque, NM 87103-1608
Phone: (505) 242-2050 Fax: (505) 242-8501

December 31, 2012
Sent by Certified Mail
7010 0780 0000 6199 9836

Oil Conservation Division
District II-Artesia
811 South First Street
Artesia, NM 88210

RE: Duncan Federal # 2-#3 Tank Battery
Section 7, T. 9S, R. 28E
Chaves County, NM



Ladies and Gentlemen:

Enclosed, please find the OCD Form C-141 Release Notification and Corrective Action for the Duncan Federal #2-#3 Tank Battery. Emmons Yates called and left a message regarding this matter on 12/20/12 at the OCD's Artesia office. Mr. Yates also contacted Beth Skaggs on 12/20/12 at the BLM's Roswell office and several BLM officials visited the site later that day.

We intend to install new metal braces in order to give further support to our gun barrels. The new braces will enable the water and oil legs to be much better equipped to deal with the high wind velocities in the future.

If you have any questions or need further information, you can reach Emmons Yates at the numbers listed above or by e-mail at eyates@jalapenocorp.com.

Sincerely,

A handwritten signature in cursive script that reads "Jun Barrack".

Jun Barrack
Oil and Gas Operations Associate