

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 PHOENIX HYDROCARBONS OPER	Contact CLARENCE CRAIG
Address P O BOX 3638, MIDLAND, TX 79701	Telephone No. 505-370-0825
Facility Name NM STATE BB LEASE BATTERY	Facility Type TANK BATTERY

Surface Owner CARL L JOHNSON STATE OF NM	Mineral Owner	Lease No. N/A
---	---------------	---------------

LOCATION OF RELEASE

Unit Letter	Section	Township	Range	Feet from the	North/South Line	Feet from the	East/West Line	County
J	14	10-S	32-E					LEA CO, NM

Latitude 33°26' 65N Longitude 103° 38' 44W

NATURE OF RELEASE

Type of Release CRUDE OIL	Volume of Release 25 BBLS	Volume Recovered 18
Source of Release TANK OVERFLOWED	Date and Hour of Occurrence 1PM	Date and Hour of Discovery 3/23/07
Was Immediate Notice Given? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Required	If YES, To Whom?	
By Whom?	Date and Hour	
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.*

Describe Cause of Problem and Remedial Action Taken.*

Describe Area Affected and Cleanup Action Taken.* Spill sited in initial C-141 dated 3/23/07 (attached) and inspection violation letter dated 8/7/07(attached); Phoenix plan (1) remove & replace oil stained dirt (aerially & vertically) in the area originally affected outside the battery including the area where flow lines enter the battery. (2) remove idle or junk equipment from the tank battery. (3) Phoenix feels this is an adequate plan given the small volume of oil released (7 barrels). **Cleanup action to began upon approval by Oil Conservation Commission.**

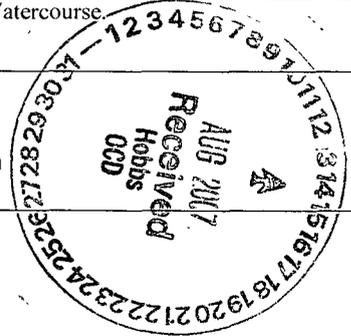
I hereby certify that the information given above is true and complete to the best of my knowledge and understand that pursuant to NMOCD rules and regulations all operators are required to report and/or file certain release notifications and perform corrective actions for releases which may endanger 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>Phyllis R. Gunter</i>	OIL CONSERVATION DIVISION	
Printed Name: Phyllis R. Gunter	DENIED ENVIRONMENTAL ENGINEER	
Title: Agent	Approval Date:	Expiration Date: SEPT 24, 2007
E-mail Address: phygun@aol.com	Conditions of Approval:	Attached <input type="checkbox"/>
Date: 8/13/07 Phone: 432-686-9869		

* Attach Additional Sheets If Necessary

FINAL REPORT CANNOT BE APPROVED UNTIL WORK IS COMPLETED & DOCUMENTATION IS SUBMITTED.

SOIL TESTING REQUIRED FOR CLOSURE. SUBMIT TESTS BY THIS WORK SHOULD HAVE BEEN COMPLETED BY 8-5-07



IRP # 1419

?

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 PHOENIX HYDROCARBONS OPERA	Contact CLARENCE CRAIG
Address P O BOX 3638	Telephone No. 505-370-0825
Facility Name NM STATE BB LEASE BATTERY	Facility Type TANK BATTERY
Surface Owner CARL L JOHNSON	Mineral Owner STATE
Lease No. N/A	

LOCATION OF RELEASE

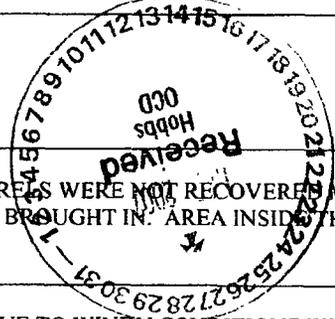
Unit Letter J	Section 14	TOWNSHIP 10-S	Range 32-E	Feet from the	North/South Line	Feet from the	East/West Line	County LEA NEW MEXICO
------------------	---------------	------------------	---------------	---------------	------------------	---------------	----------------	--------------------------

Latitude **33° 26' 65N** Longitude **103° 38' 44W**

WTR = 50'

NATURE OF RELEASE

Type of Release CRUDE OIL	Volume of Release 25 BBLS	Volume Recovered 18 BBLS
Source of Release TANK OVERFLOWED	Date and Hour of Occurrence 1PM	Date and Hour of Discovery 8 3/23/07
Was Immediate Notice Given? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Required	If YES, To Whom? GARY WINK	
By Whom? PHYLLIS R GUNTER	Date and Hour 12:47 PM 3/23/07	
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.*

Describe Cause of Problem and Remedial Action Taken.*

CIRCULATING PUMP MALFUNCTIONED AND FIELED TANK TO OVERFLOWING. 7 BARRELS WERE NOT RECOVERED MOSTLY INSIDE THE BERM. SMALL AREA OUTSIDE THE BERM WILL BE SCRAPED UP AND NEW SOIL BROUGHT IN. AREA INSIDE THE BERM WILL BE REMEDIATED USING PEAT SORB MATERIAL.

Describe Area Affected and Cleanup Action Taken.*

AFFECTED AREA IS GRASSY (40'X 50') OUTSIDE TANK BATTERY - OIL SPRAY/MIST DUE TO WINDY CONDITIONS WHEN THE TANK OVERFLOWED. THIS AREA WILL BE TREATED WITH SOAPY FRESH WATER.

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>Phyllis R Gunter</i>		OIL CONSERVATION DIVISION	
Printed Name: PHYLLIS R GUNTER		Approved by District Supervisor <i>E. Johnson</i> ENR 120 ENGR	
Title: AGENT	Approval Date: 6.5.07	Expiration Date: 8.5.07	
E-mail Address: PRGUNTER@AOL.COM	Conditions of Approval: SUBMIT FINAL C-141 BY		Attached <input type="checkbox"/>
Date: 3/23/07	Phone: 432-686-9869		

* Attach Additional Sheets If Necessary

*RP# 1507
1419*



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Field Inspection Program

"Preserving the Integrity of Our Environment"

07-Aug-07

PHOENIX HYDROCARBONS OPERATING CORP

PO BOX 3638

MIDLAND TX 79702

LETTER OF VIOLATION - Inspection

Dear Operator:

The following inspection(s) indicate that the well, equipment, location or operational status of the well(s) failed to meet standards of the New Mexico Oil Conservation Division as described in the detail section below. To comply with standards imposed by Rules and Regulations of the Division, corrective action must be taken immediately and the situation brought into compliance. The detail section indicates preliminary findings and/or probable nature of the violation. This determination is based on an inspection of your well or facility by an inspector employed by the Oil Conservation Division on the date(s) indicated.

Please notify the proper district office of the Division, in writing, of the date corrective actions are scheduled to be made so that arrangements can be made to reinspect the well and/or facility.

INSPECTION DETAIL SECTION

NEW MEXICO BB STATE No.002

J-14-10S-32E

30-025-21475-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
08/06/2007	Routine/Periodic	Maxey Brown	Yes	No	9/9/2007	iMGB0721857567

Violations

Tank Battery Equipment (Rules 114, 115)

Surface Leaks/Spills

Comments on Inspection: FOLLOWUP ON SPILL OCCURRING IN MARCH 2007. NEED TO REMOVE SOIL CONTAMINATION OUTSIDE OF FENCE USING VERTICAL AND HORIZONTAL DELINIATION TO DETERMINE EXTENT OF EFFECTED AREA, SEND REPORT AND WORK PLAN TO LARRY JOHNSON HOBBS-OCD 505-393-6161 EXT.111 FOR APPROVAL. RULE 116. ALSO NEED TO REMOVE IDLE OR JUNK EQUIPMENT FROM TANK BATTERY. RULE 114, 115. (TANK, SEPERATOR, UNUSED HEATER TREATER). IF TIME EXTENSION IS NEEDED OR ADMINISTRATIVE CONFERENCE CONTACT CHRIS WILLIAMS DISTRICT SUPERVISOR, HOBBS-OCD 393-6161 EXT 102. THIS IS 1ST LETTER OF NON-COMPLIANCE.

In the event that a satisfactory response is not received to this letter of direction by the "Corrective Action Due By:" date shown above, further enforcement will occur. Such enforcement may include this office applying to the Division for an order summoning you to a hearing before a Division Examiner in Santa Fe to show cause why you should not be ordered to permanently plug and abandon this well. Such a hearing may result in imposition of CIVIL PENALTIES for your violation of OCD rules.

Sincerely,



COMPLIANCE OFFICER

Hobbs OCD District Office

Note: Information in Detail Section comes directly from field inspector data entries - not all blanks will contain data
*Significant Non-Compliance events are reported directly to the EPA, Region VI, Dallas, Texas.