

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
MAR 03 2008
OCD-ARTESIA

Release Notification and Corrective Action

OPERATOR Initial Report Final Report

n SEB 0806642627

| | | | |
|-----------------|--|---------------|--------------|
| Name of Company | McKay Oil Corp. <i>14/24</i> | Contact | Jim Schultz |
| Address | P.O. Box 2014, Roswell, NM 88202-2014 | Telephone No. | 575-626-6879 |
| Facility Name | Jerry Don Fed. #1 Pipeline <i>30 005 62221</i> | Facility Type | Pipeline |
| Surface Owner | BLM | Mineral Owner | BLM |
| | | Lease No. | NM-32330 |

LOCATION OF RELEASE

| Unit Letter | Section | Township | Range | Feet from the | North/South Line | Feet from the | East/West Line | County |
|-------------|------------------|----------|--------------------|---------------|------------------|---------------|----------------|--------|
| <i>A</i> | <i>18 24</i> | 4S | <i>22E 21E</i> | | | | | Chaves |

Latitude 33° 56.507' Longitude W104° 40.311'

NATURE OF RELEASE

| | | | | | |
|-----------------------------|---|---|---------|----------------------------|----------------------|
| Type of Release | Produced Water | Volume of Release | 50 BW | Volume Recovered | None |
| Source of Release | Hole in Pipeline | Date and Hour of Occurrence | Unknown | Date and Hour of Discovery | 2/28/08 Hour Unknown |
| Was Immediate Notice Given? | <input type="checkbox"/> Yes <input checked="" 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.*

On February 21, 2008, the BLM notified McKay Oil Corp. that a field inspection on February 7, 2008 revealed that there appeared to be a water leak along a pipeline from the Jerry Don Fed. #1 well to the Pronghorn Fed. #1. (See Attached Map) A water pipeline developed a leak due to rust. The pipeline was dug up to determine if it could be patched or needed to be replaced. The hole was too large, so a 3" poly pipe was laid in its place. The ground was leveled. McKay Oil Corp. and representative from the BLM will meet Tuesday afternoon, March 4, 2008 to discuss the plan of remediation.

Describe Area Affected and Cleanup Action Taken.*

The size of the spill is approximately ~~60' X 60'~~ *75' X 110'*, but the depth is unknown at this time. A plan of remediation will be filed after the meeting between McKay Oil Corp. and the BLM.

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>Jim Schultz</i> | | OIL CONSERVATION DIVISION | |
| Printed Name: Jim Schultz | | Approved by District Supervisor: <i>T. Gunn by SB</i> | |
| Title: Agent | Approval Date: <i>3-6-08</i> | Expiration Date: | |
| E-mail Address: jschultz80@hotmail.com | Conditions of Approval: <i>REMEDIATION</i> | | Attached <input type="checkbox"/> |
| Date: 3/2/08 | Phone: 575-626-6879 | <i>WORK PLAN DUE 4-7-08</i> | |

* Attach Additional Sheets If Necessary

i SEB 0806642494
p SEB 0806643100

2RP-141

