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

RECEIVED
NOV 19 2008
HOBBS OCD

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 X Final Report

Name of Company Yates Petroleum Corporation	Contact Mike Stubblefield
Address 105 South 4th Street, Artesia, N.M. 88210	Telephone No. 505-748-4500 505-513-1712
Facility Name Merle State Unit #9 30-025-38185	Facility Type Drilling well.

Surface Owner State	Mineral Owner. State	Lease No.

LOCATION OF RELEASE

Unit Letter	Section	Township	Range	Feet from the	North/South Line	Feet from the	East/West Line	County
E	24	10s	34e	1650'	FNL	330'	FWL	Lea

Latitude ___ Longitude

NATURE OF RELEASE

Type of Release Drilling fluids	Volume of Release 200-300 bbls	Volume Recovered 270
Source of Release. Drilling reserve pit	Date and Hour of Occurrence 3/19/2008 3:00 am	Date and Hour of Discovery 3//2008 3:00am
Was Immediate Notice Given? Yes X No Not Required	If YES, To Whom? Larry Johnson	
By Whom? Mike Stubblefield	Date and Hour 3/25/2008 10:30am	
Was a Watercourse Reached? ☐ Yes X No	If YES, Volume Impacting the Watercourse.	

If a Watercourse was Impacted, Describe Fully.*

Describe Cause of Problem and Remedial Action Taken.* During the transfer of drilling mud from a steel pit to the middle drilling reserve pit, the volume of the middle reserve pit was exceeded, the middle reserve pit overflowed onto the drilling location A backhoe was called to the location, the impacted area was the area around the steel pits & mud pumps. 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 remaining drilling mud was excavated and then placed back into the drilling pit. This material was placed into the encapsulation trench during the closure of the drilling pit. The location material was excavated & stockpiled from the P&A location at the Merle State Unit #9. As per the Work plan approved by NMOCD/Larry Johnson. Soil samples were taken from the impacted area located on the excavated location and the stockpiled material. Soil samples were submitted to Xenco Laboratories for analysis. Analytical results dated 10/31/2008 received from Xenco Laboratories reported the Chlorides to be ND for the composite soil sample taken from the excavated location. Chlorides were reported to be 675 ppm for the composite soil sample taken from the stockpiled material. After approved was obtained from Larry Johnson part of the stockpiled material was used for the backfilling of the cleaned out drilling pit at the Merle State Unit #14 The remaining stockpiled material has been moved to the off set location and then will be used for the construction of lease roads in the same area as the Merle State Unit #9. Analytical attached.
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: mike Stubblefield	OIL CONSERVATION DIVISION	
Printed Name: Mike Stubblefield	Approved by District Supervisor: Johnson	
Title: Environmental Regulatory Agent	Approval Date. 12.18.08	Expiration Date: —
E-mail Address. mikes@ypcnm.com	Conditions of Approval: —	Attached ☐ IRP # 2054
Date: 11/10/2008 Phone: 505-748-4500		

ENVIRONMENTAL ENGINEER

* Attach Additional Sheets If Necessary

fGRL0835837586

Analytical Report 316129

for

Yates Petroleum Corporation

Project Manager: Robert Asher

Merle State Unit # 9

30-025-38185

31-OCT-08

E84880

12600 West I-20 East Odessa, Texas 79765

Texas certification numbers:
Houston, TX T104704215 - Odessa/Midland, TX T104704215-08-TX

Florida certification numbers:
Houston, TX E871002 - Miami, FL E86678 - Tampa, FL E86675
Norcross(Atlanta), GA E87429

South Carolina certification numbers:
Norcross(Atlanta), GA 98015

North Carolina certification numbers:
Norcross(Atlanta), GA 483

Houston - Dallas - San Antonio - Austin - Tampa - Miami - Latin America
Midland - Corpus Christi - Atlanta

31-OCT-08

Project Manager: **Robert Asher**
Yates Petroleum Corporation
105 South Fourth St.
Artesia, NM 88210

Reference: XENCO Report No: **316129**
Merle State Unit # 9
Project Address: Lea County

Robert Asher:

We are reporting to you the results of the analyses performed on the samples received under the project name referenced above and identified with the XENCO Report Number 316129. All results being reported under this Report Number apply to the samples analyzed and properly identified with a Laboratory ID number. Subcontracted analyses are identified in this report with either the NELAC certification number of the subcontract lab in the analyst ID field, or the complete subcontracted report attached to this report.

Unless otherwise noted in a Case Narrative, all data reported in this Analytical Report are in compliance with NELAC standards. Estimation of data uncertainty for this report is found in the quality control section of this report unless otherwise noted. Should insufficient sample be provided to the laboratory to meet the method and NELAC Matrix Duplicate and Matrix Spike requirements, then the data will be analyzed, evaluated and reported using all other available quality control measures.

The validity and integrity of this report will remain intact as long as it is accompanied by this letter and reproduced in full, unless written approval is granted by XENCO Laboratories. This report will be filed for at least 5 years in our archives after which time it will be destroyed without further notice, unless otherwise arranged with you. The samples received, and described as recorded in Report No. 316129 will be filed for 60 days, and after that time they will be properly disposed without further notice, unless otherwise arranged with you. We reserve the right to return to you any unused samples, extracts or solutions related to them if we consider so necessary (e.g., samples identified as hazardous waste, sample sizes exceeding analytical standard practices, controlled substances under regulated protocols, etc).

We thank you for selecting XENCO Laboratories to serve your analytical needs. If you have any questions concerning this report, please feel free to contact us at any time.

Respectfully,

Brent Barron, II
Odessa Laboratory Manager

Sample Cross Reference 316129

Yates Petroleum Corporation, Artesia, NM

Merle State Unit # 9

Sample Id	Matrix	Date Collected	Sample Depth	Lab Sample Id
GS/Comp-001	S	Oct-29-08 11:34	1 - 1 ft	316129-001
GS/Comp-002	S	Oct-29-08 11:43	1 - 1 ft	316129-002

Certificate of Analysis Summary 316129

Yates Petroleum Corporation, Artesia, NM

Project Name: Merle State Unit # 9

Project Id: 30-025-38185
Contact: Robert Asher
Project Location: Lea County

Date Received in Lab: Thu Oct-30-08 10 15 am
Report Date: 31-OCT-08
Project Manager: Brent Barron, II

Analysis Requested	*Lab Id:*	316129-001		316129-002					
	Field Id:	GS/Comp-001		GS/Comp-002					
	Depth:	1-1 ft		1-1 ft					
	Matrix:	SOIL		SOIL					
	Sampled:	Oct-29-08 11 34		Oct-29-08 11 43					
Anions by EPA 300/300.1	*Extracted:*								
	Analyzed:	Oct-30-08 13 40		Oct-30-08 13 40					
	Units/RL:	mg/kg	RL	mg/kg	RL				
Chloride		ND	5 00	675	25 0				

Brent Barron
Odessa Laboratory Director

Flagging Criteria

X In our quality control review of the data a QC deficiency was observed and flagged as noted. MS/MSD recoveries were found to be outside of the laboratory control limits due to possible matrix /chemical interference, or a concentration of target analyte high enough to effect the recovery of the spike concentration. This condition could also effect the relative percent difference in the MS/MSD.

B A target analyte or common laboratory contaminant was identified in the method blank. Its presence indicates possible field or laboratory contamination.

D The sample(s) were diluted due to targets detected over the highest point of the calibration curve, or due to matrix interference. Dilution factors are included in the final results. The result is from a diluted sample.

E The data exceeds the upper calibration limit; therefore, the concentration is reported as estimated.

F RPD exceeded lab control limits.

J The target analyte was positively identified below the MQL(PQL) and above the SQL(MDL).

U Analyte was not detected.

L The LCS data for this analytical batch was reported below the laboratory control limits for this analyte. The department supervisor and QA Director reviewed data. The samples were either reanalyzed or flagged as estimated concentrations.

H The LCS data for this analytical batch was reported above the laboratory control limits. Supporting QC Data were reviewed by the Department Supervisor and QA Director. Data were determined to be valid for reporting.

K Sample analyzed outside of recommended hold time.

* Outside XENCO'S scope of NELAC Accreditation

Blank Spike Recovery

Project Name: Merle State Unit # 9

Work Order #: 316129 **Project ID:** 30-025-38185

Lab Batch #: 738696 **Sample:** 738696-1-BKS **Matrix:** Solid

Date Analyzed: 10/30/2008 **Date Prepared:** 10/30/2008 **Analyst:** LATCOR

Reporting Units: mg/kg **Batch #:** 1

	BLANK /BLANK SPIKE RECOVERY STUDY					
Anions by EPA 300/300.1 **Analytes**	**Blank Result [A]**	**Spike Added [B]**	**Blank Spike Result [C]**	**Blank Spike %R [D]**	**Control Limits %R**	**Flags**
Chloride	ND	10 0	9 61	96	75-125	

Blank Spike Recovery [D] = 100*[C]/[B]
All results are based on MDL and validated for QC purposes

Form 3 - MS Recoveries

Project Name: Merle State Unit # 9

Work Order #: 316129
Lab Batch #: 738696
Date Analyzed: 10/30/2008
QC- Sample ID: 316119-001 S
Reporting Units: mg/kg

Project ID: 30-025-38185
Date Prepared: 10/30/2008
Analyst: LATCOR
Batch #: 1
Matrix: Soil

Inorganic Anions by EPA 300	MATRIX / MATRIX SPIKE RECOVERY STUDY					
Analytes	Parent Sample Result [A]	Spike Added [B]	Spiked Sample Result [C]	%R [D]	Control Limits %R	Flag
Chloride	31 6	100	149	117	75-125	

Matrix Spike Percent Recovery [D] = 100*(C-A)/B
Relative Percent Difference [E] = 200*(C-A)/(C+B)
All Results are based on MDL and Validated for QC Purposes

Sample Duplicate Recovery

Project Name: Merle State Unit # 9

Work Order #: 316129

Lab Batch #: 738696 **Project ID:** 30-025-38185

Date Analyzed: 10/30/2008 **Date Prepared:** 10/30/2008 **Analyst:** LATCOR

QC- Sample ID: 316119-001 D **Batch #:** 1 **Matrix:** Soil

Reporting Units: mg/kg

Anions by EPA 300/300.1	SAMPLE / SAMPLE DUPLICATE RECOVERY				
Analyte	Parent Sample Result [A]	Sample Duplicate Result [B]	RPD	Control Limits %RPD	Flag
Chloride	31 6	28 9	9	20	

Spike Relative Difference RPD 200 * | (B-A)/(B+A) |
All Results are based on MDL and validated for QC purposes

Environmental Lab of Texas

CHAIN OF CUSTODY RECORD AND ANALYSIS REQUEST

12600 West I-20 East
Odessa, Texas 79765
Phone: 432-563-1800
Fax: 432-563-1713

Project Manager: Robert Asher
Company Name: Yates Petroleum Corporation
Company Address: 105 South 4th Street
City/State/Zip: Artesia, NM 88210
Telephone No: 505-748-4217
Fax No: 505-748-4662
Sampler Signature:
e-mail: boba@ypcnm.com

Project Name: Merle State Unit #9
Project #: 30-025-38185
Project Loc: Lea County
PO #: 105632
Report Format: [X] Standard [ ] TRRP [ ] NPDES

(lab use only)
ORDER #: 3110179

LAB # (lab use only)	FIELD CODE	Beginning Depth	Ending Depth	Date Sampled	Time Sampled	# Field Filtered	Total # of Containers	Preservation & # of Containers: Ice	HNO3	HCl	H2SO4	NaOH	Na2S2O3	None	Other (Specify)	Matrix: DW=Drinking Water SL=Sludge	GW=Groundwater S=Soil/Solid	NP=Non-Potable Specify Other	Analyze For: TPH 418.1	TPH 8015M	TPH TX 1005	TPH TX 1006	Cations (Ca, Mg, Na, K)	Anions (Cl, SO4, Alkalinity)	SAR / ESP / CEC	Metals: As Ag Ba Cd Cr Pb Hg Se	Volatiles	Semivolatiles	BTEX 8021B/5030 or BTEX 8260	RCI	N O R M	Chlorides		RUSH TAT (Pre-Schedule) 24, 48, 72 Hrs	Standard TAT
01	GS/Comp-001 Location	1'	1'	10/29/2008	11 34 AM		1	X									S															X		X	
02	GS/Comp-002 Location	1'	1'	10/29/2008	11 43 AM		1	X									S															X		X	

Special Instructions: Chlorides Only 24 HR TAT PLEASE. Thank you

Relinquished by	Date	Time	Received by	Date	Time
Robert Asher (COA / UPC)	10/29/08	2 47 PM			
Relinquished by	Date	Time	Received by	Date	Time
Relinquished by: Fedex	Date 10 30 08	Time	Received by ELOT: Andrea Ramm	Date 10 30 08	Time 10 15

Laboratory Comments
Sample Containers Intact? Y N
VOCs Free of Headspace? Y N
Labels on container(s) Y N
Custody seals on container(s) Y N
Custody seals on cooler(s) Y N
Sample Hand Delivered by Sampler/Client Rep ? Y N
by Courier? UPS DHL FedEx Lone Star
Temperature Upon Receipt: 4.0 2.9 (corr) °C

Environmental Lab of Texas

Variance/ Corrective Action Report- Sample Log-In

Client: Yates Petroleum

Date/ Time: 10 30 08 10 15

Lab ID #: 516129

Initials: AZ

Sample Receipt Checklist

					Client Initials
#1	Temperature of container/ cooler?	(Yes)	No	-1 0 °C	
#2	Shipping container in good condition?	(Yes)	No		
#3	Custody Seals intact on shipping container/ cooler?	(Yes)	No	Not Present	
#4	Custody Seals intact on sample bottles/ container?	(Yes)	No	Not Present	
#5	Chain of Custody present?	(Yes)	No		
#6	Sample instructions complete of Chain of Custody?	(Yes)	No		
#7	Chain of Custody signed when relinquished/ received?	(Yes)	No		
#8	Chain of Custody agrees with sample label(s)?	(Yes)	No	ID written on Cont / Lid	
#9	Container label(s) legible and intact?	(Yes)	No	Not Applicable	
#10	Sample matrix/ properties agree with Chain of Custody?	(Yes)	No		
#11	Containers supplied by ELOT?	(Yes)	No		
#12	Samples in proper container/ bottle?	(Yes)	No	See Below	
#13	Samples properly preserved?	(Yes)	No	See Below	
#14	Sample bottles intact?	(Yes)	No		
#15	Preservations documented on Chain of Custody?	(Yes)	No		
#16	Containers documented on Chain of Custody?	(Yes)	No		
#17	Sufficient sample amount for indicated test(s)?	(Yes)	No	See Below	
#18	All samples received within sufficient hold time?	(Yes)	No	See Below	
#19	Subcontract of sample(s)?	Yes	No	Not Applicable	
#20	VOC samples have zero headspace?	Yes	No	Not Applicable	

Variance Documentation

Contact: _____ Contacted by: _____ Date/ Time: _____

Regarding: _____

Corrective Action Taken: _____

Check all that Apply.

- ☐ See attached e-mail/ fax
- ☐ Client understands and would like to proceed with analysis
- ☐ Cooling process had begun shortly after sampling event