

MARTIN YATES, III
1912-1985

FRANK W. YATES
1936-1986



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2118
TELEPHONE (505) 748-1471

S.P. YATES
CHAIRMAN EMERITUS

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FRANK YATES, JR.
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JOHN A. YATES, JR.
SENIOR VICE PRESIDENT

December 11, 2006

Mr. Larry Johnson
NMOCD District 1
1625 N. French Drive
Hobbs, NM 88240



Re: Lusk "AHB" Federal 2
30-025-31042
Section 35, Township 19S, Range 32E
Lea County, New Mexico

Mr. Larry Johnson,

This letter is in response to the return of the initial C-141 and attached "Spill Summary and Work Plan" for the Lusk "AHB" Federal #2 which was faxed to your office on November 30, 2006 by Sherry Bonham, Environmental Regulatory Agent for Yates Petroleum Corporation.

As you can see by the enclosed the returned C-141 which was attached to the work plan has a small "sticky note" on it which says "NEED CHLORIDES". No other explanation was provided which makes it hard to understand what is needed. The attached "Spill Summary and Work Plan" under the section labeled "**Work Plan**" on page 2 states in the 3rd sentence that chloride analysis will be provided for reference. If additional information is needed please provide Yates that request in the form of approval stipulations for the submitted work plan.

If you should have questions or concerns pertaining this matter please feel free to email, call or write me.

RANDY G. PATTERSON
VICE PRESIDENT

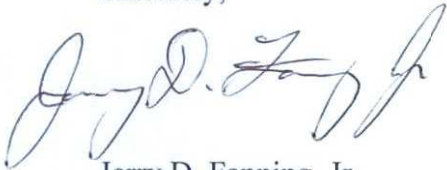
DAVID L. LANNING
ASSISTANT VICE PRESIDENT

DENNIS G. KINSEY
TREASURER

1RP-1588

PAC0726933614

Sincerely,

A handwritten signature in black ink, appearing to read "Jerry D. Fanning, Jr.", with a stylized flourish at the end.

Jerry D. Fanning, Jr.
Environmental Coordinator
Yates Petroleum Corporation
(505)748-4195
jerryf@ypcnm.com

Cc: Lisa Norton, Environmental Director YPC

Wayne Price, NMOCD

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 YATES PETROLEUM CORPORATION | OGRID Number 25575 | Contact SHERRY BONHAM |
| Address 105 S 4 TH STREET | Telephone No. 505.748.1471 | |
| Facility Name LUSK AHB FEDERAL 2 | API Number 30-025-31042 | Facility Type TANK BATTERY |
| Surface Owner FEDERAL | Mineral Owner FEDERAL | Lease No. |

LOCATION OF RELEASE

| | | | | | | | | |
|------------------|---------------|-----------------|--------------|-----------------------|---------------------------|-----------------------|------------------------|---------------|
| Unit Letter G | Section 35 | Township 19S | Range 32E | Feet from the 1930 | North/South Line NORTH | Feet from the 1650 | East/West Line EAST | County LEA |
|------------------|---------------|-----------------|--------------|-----------------------|---------------------------|-----------------------|------------------------|---------------|


Latitude 32.61853 Longitude 103.73323

NATURE OF RELEASE

| | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------|-------------------------------------------|
| Type of Release CRUDE OIL AND PRODUCED WATER | Volume of Release 10 B/O 50 B/PW | Volume Recovered 0 B/O 25 B/PW |
| Source of Release POLY LINE | Date and Hour of Occurrence 11/17/06 AM | Date and Hour of Discovery 11/17/06 AM |
| Was Immediate Notice Given? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Required | If YES, To Whom? PAT CAPERTON VIA PHONE AND FOLLOW UP BY MAIL | |
| By Whom? SHERRY BONHAM | Date and Hour 11/17/06 8:45 AM | |
| Was a Watercourse Reached? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | If YES, Volume Impacting the Watercourse. N/A | |
| If a Watercourse was Impacted, Describe Fully.* N/A | | |
| Describe Cause of Problem and Remedial Action Taken.* 3" POLY LINE SPLIT. SHUT TANK VALVES AND PUMP. REPAIRED LINE. | | |
| Describe Area Affected and Cleanup Action Taken.* APPROXIMATE 30' X 60' AREA AFFECTED. VACUUM TRUCK AND CREW CALLED IN TO RECOVER FLUIDS. AFFECTED MATERIALS EXCAVATED AND DISPOSED AT WASTE FACILITY. SITE RANKING : 0 | | |

NEED
CHLORIDES!

OIL CONSERVATION DIVISION

| | | |
|------------------------------------------------------------------------------------------------|-----------------------------------|------------------|
| Signature:  | Approved by District Supervisor: | |
| Printed Name: Sherry Bonham | Approval Date: | Expiration Date: |
| Title: Environmental Regulatory Agent | Conditions of Approval: | |
| E-mail Address: sherryb@ypcnm.com | Attached <input type="checkbox"/> | |
| Date: November 28, 2006 | Phone: 505.748.1471 | |

* Attach Additional Sheets if Necessary

RP#1136

Spill Summary and Work Plan

Incident Date: November 17, 2006

Location: Lusk AHB Federal 2
API 30-025-31042
Unit G Section 35 T19S R32E
Lea County, New Mexico

The well is located approximately 18 miles southwest of Buckeye, NM as depicted on the attached Laguna Gatuna; NM USGS Quadrangle Map.

Watercourses in the area are dry except for infrequent flows in response to major precipitation events. The area, dry, clear, and calm at the time of the spill, consists of soil that is sandy loam. The bermed area and pad consists of hard packed caliche. Groundwater in the area is estimated to be at a depth of between 200 and 225 feet according to the Chevron/Texaco Lea County Depth to Groundwater Trend Map.

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' |

For sites with a Total Ranking Score of 0, the Recommended Remedial Action Levels are:

| | |
|---------|------|
| Benzene | 10 |
| BTEX | 50 |
| TPH | 5000 |

Incident Description:

The area is the site of a tank battery. A three inch poly line split resulting in a release of ten barrels of oil and fifty barrels of produced water. The spill affected an approximate 30' X 60' area within the berm and sprayed an approximate 10' X 10' area outside the berm on the south side of the tank battery.

Action Taken:

Immediately upon discovery, the source of the release was eliminated by shutting down the pump and shutting the tank valves. A vacuum truck was called to remove fluids. Approximately twenty five barrels of fluids were recovered. The poly line was repaired.

Work Plan:

The visual contaminants of the impacted area have been excavated and removed to an approved NMOCD commercial disposal site. Soil samples will be obtained and sent to a third party laboratory to be analyzed for TPH and BTEX. Chloride analysis will be provided for reference. A 48 hour advance notice will be given OCD to allow opportunity to witness the sample collection. If concentrations exceed Recommended Remedial Action Levels (RRALs), further delineation and evaluation will be required. If, however, concentrations are within the RRALs, the excavated area will be backfilled with clean, like material and Yates Petroleum Corporation will request closure approval from OCD per section IX of the Guidelines.

Thank you for your consideration to this work plan. And should you have questions or need additional information, please contact me at 505-748-4162 or sherryb@ypcnm.com.

Respectfully,



Sherry Bonham
Environmental Regulatory Agent

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

