

**Blue Ridge Resources**

A Limited Liability Company

John M. ...
3001 N. Big Spring St.
Ste. 206
Midland, TX. 79705
P: 432-683-8030
F: 432-683-8006
blueridgeresources.com

June 1, 2006

Mr. Larry Johnson
New Mexico Oil Conservation Division
1625 N. French Dr.
Hobbs, NM 88240

RE: Remediation Workplan
Inspection No. iLWJ0614626811
Mexico F Lease
Section 2 15S 37E
Denton Field
Lea County, New Mexico

Mr. Johnson:

Please find attached a Form C-141 regarding the accidental release of oil and water on the Mexico F lease. The spill occurred the day before your inspection. We apologize for not giving immediate verbal notification, but we were under the impression from field reports the leak was much smaller. We immediately contained the leak, vacuumed up the entire area, and repaired the faulty valve. We also changed our policy to close ALL valves when circulating off tank bottoms.

Because of our fast response and immediate containment of the leak, there was very little downward movement of the hydrocarbons. We have dug in the lowest places and see contamination only 8 inches deep in the worst case. Given the limited vertical extent of this spill, we request your approval of the following Workplan regarding the remediation of the area around the Mexico F tank battery:

1. Identify and delineate the extent of the spill both horizontally and vertically.
2. Dig up hydrocarbon-impacted dirt lying in the truck turnaround and bring same adjacent to the tanks.
3. Replace soil in the truck turnaround with fresh topsoil and/or caliche.
4. Build a firewall around the tanks.

*Facility - FPAC0619555044
Incident - FPAC06195551160
Application - FPAC0619556146
RP # 953*

BLUE RIDGE RESOURCES, LLC

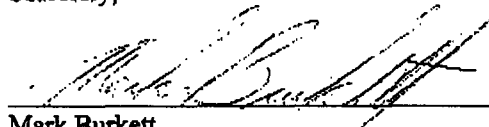
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06/03/06

5. Mix organic material such as cow manure, hay, or cotton seed hulls and blend thoroughly with the hydrocarbon-impacted soil. This would include soil from the truck turnaround and soil near the tanks.
6. Wet the mixture with fresh water and nitrogen fertilizer.
7. Allow bacteria to naturally remediate the soil.
8. Turn soil with a disk plow, tiller, or backhoe. Fertilize and water occasionally as needed until the total hydrocarbon levels fall below 5 percent.

Upon your approval of this plan, we will begin operations immediately. If you have any questions, please don't hesitate to call me at 432-683-8030.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark Burkett", is written over a horizontal line.

Mark Burkett

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		<input checked="" type="checkbox"/> Initial Report	<input type="checkbox"/> Final Report
Name of Company	Blue Ridge Resources LLC	Contact	Mark Burkett
Address	Box 51407, Midland, TX 79701	Telephone No.	432-683-8030
Facility Name	Mexico E. Drilling	Facility Type	Storage
Surface Owner	State of New Mexico	Mineral Owner	State of New Mexico
		Lease No.	5-2244

LOCATION OF RELEASE

Unit Letter	Section	Township	Range	Feet from the	North/South Line	Feet from the	East/West Line	County
G	2	15S	37E	1300'	North	2500'	West	Lea

Latitude 37.05065 Longitude 103.17149

NATURE OF RELEASE

Type of Release	Oil and Water	Volume of Release	62 bbl	Volume Recovered	41 bbl
Source of Release	Storage Tank	Date and Hour of Occurrence	5/24/06	Date and Hour of Discovery	5/24/06
Was Immediate Notice Given?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Not Required				
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.*

Corrosion of Valve - Replaced Valve

Describe Area Affected and Cleanup Action Taken.*

Area adjacent to tank ~~with~~ extending eastward in low spots in truck turnaround area. All liquid recovered up immediately. Remediation work plan will be submitted for approval.

I hereby certify that the information given above is true and complete to the best of my knowledge and understand that pursuant to NMOC 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 NMOC 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, NMOC 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: <u>Mark Burkett</u>		OIL CONSERVATION DIVISION	
Printed Name: <u>Mark Burkett</u>		Approved by District Supervisor:	
Title: <u>Engineer</u>	Approval Date:	Expiration Date:	
E-mail Address: <u>mark@blue-ridge-resources.com</u>	Conditions of Approval:	Attached <input type="checkbox"/>	
Date: <u>6/1/06</u>	Phone: <u>432-683-8030</u>		

* Attach Additional Sheets If Necessary