

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

Form C-141
Revised October 10, 2003

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Submit 2 Copies to appropriate
District Office in accordance
with Rule 116 on back
side of form

Release Notification and Corrective Action

AKMW 1035731740

OPERATOR

Initial Report Final Report

| | | | |
|--|-------------------------------|--------------------------|---|
| Name of Company Yates Petroleum Corporation | OGRID Number 25575 | Contact Robert Asher | RECEIVED OCT 13 2010 NMOCD ARTESIA |
| Address 105 South 4th Street, Artesia, NM 88210 | Telephone No. 575-748-1471 | | |
| Facility Name Serrano Federal #1 | API Number 30-015-28166 | Facility Type Battery | |
| Surface Owner Federal | Mineral Owner Federal | Lease No. NM-92748 | |

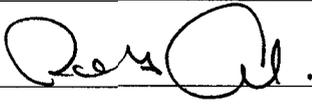
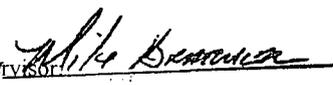
LOCATION OF RELEASE

| Unit Letter | Section | Township | Range | Feet from the | North/South Line | Feet from the | East/West Line | County |
|-------------|---------|----------|-------|---------------|------------------|---------------|----------------|--------|
| M | 11 | 19S | 25E | 660 | South | 660 | West | Eddy |

Latitude 32.67000 Longitude 104.46139

NATURE OF RELEASE

| | | |
|--|--|---|
| Type of Release Crude Oil/Produced Water Mix | Volume of Release 50 B/O & PW Mix | Volume Recovered 39 B/O & PW Mix |
| Source of Release Knockout | Date and Hour of Occurrence 6/2/2010 AM | Date and Hour of Discovery 6/2/2010 AM |
| Was Immediate Notice Given? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Required | If YES, To Whom? Mike Bratcher/NMOCD, District II | |
| By Whom? Amanda Trujillo/Yates Petroleum Corporation | Date and Hour 6/9/2010 - PM (Voicemail & E-mail) | |
| 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.* Hole in water side nipple of knockout. Vacuum truck and roustabout crew called. | | |
| Describe Area Affected and Cleanup Action Taken.* Area approximately 130' X 10' all contained inside berm, knockout was isolated and repaired, vacuum truck picked up remaining oil and produced water. Vertical and horizontal delineation samples will be taken and analysis ran for TPH & BTEX (chlorides for documentation). Samples taken, based on results, work plan submitted (7/1/2010), impacted soils excavated/hauled for disposal, re-sampled on 10/6/2010. Depth to Ground Water: 50-99' (80' per N.M. Office of the State Engineer), Wellhead Protection Area: No, Distance to Surface Water Body: >1000', SITE RANKING IS 10. Based on enclosed analytical reports, impacted soils removed, Yates Petroleum Corporation requests closure. | | |
| 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:  | OIL CONSERVATION DIVISION | |
| Printed Name: Robert Asher | Approved by  Signed By: <u>Mike Bratcher</u> | |
| Title: Environmental Regulatory Agent | Approval Date: <u>3/8/2011</u> | Expiration Date: <u>N/A</u> |
| E-mail Address: boba@yatespetroleum.com | Conditions of Approval: <u>N/A</u> | Attached <input type="checkbox"/> |
| Date: Tuesday, October 12, 2010 | Phone: 575-748-4217 | <i>Final</i> |

* Attach Additional Sheets If Necessary

2RP-529