

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION,
THROUGH THE SUPERVISOR OF DISTRICT I, FOR AN ORDER REQUIRING
KEVIN O. BUTLER & ASSOCIATES, INC. TO COMPLY WITH 19.15.3.116
NMAC, AND ASSESSING AN APPROPRIATE CIVIL PENALTY; CHAVEZ
COUNTY, NEW MEXICO.**

2005 SEP 27 PM 1:40

CASE NO. 13577

AMENDED APPLICATION FOR COMPLIANCE ORDER

1. Kevin O. Butler & Associates, Inc. (hereinafter, "KOB") is the operator of record for the South Caprock Queen well #12, API# 30-005-01180, located in Unit Letter L, Section 33, Township 14 South, Range 31 East, in Chavez County, New Mexico (the "subject well"). *Exhibit 1.*

2. On March 24, 2004, New Mexico Oil Conservation Division (hereinafter, "OCD") personnel investigated and documented a release of oil and water at the site of the subject well.

3. The release flowed in two directions off the cap. One flow traveled from the top of the cap down a cliff and into an arroyo. It follows the arroyo, flowing a total of about 2000 feet northwest and west. The second flow of the fluids is on, or along, the access road on the cap to the southeast, for approximately 200 feet.

4. The release was not reported to the OCD, as required by Rule 19.15.3.116 NMAC (hereinafter, "OCD Rule 116").

5. The release had been covered up with dirt.

6. As KOB had not reported the release to the OCD, the OCD had not approved any remediation activities.

7. OCD Rule 116 requires the person operating or controlling either the release or the location of the release to notify the OCD of any unauthorized release. "Minor releases" require written notice within 15 days to the division district office. "Major releases" require both verbal notification within twenty-four hours of discovery to the division district office and written notice within 15 days to the division district office.

8. A "minor release" is defined as an unauthorized release of more than 5 barrels but not more than 25 barrels." OCD Rule 116.B(2).

9. A "major release" includes an unauthorized release of a volume in excess of 25 barrels, or any volume that may, with reasonable probability, endanger public health or results in substantial damage to property or the environment, or will reach a watercourse. OCD Rule 116.B(1). "Watercourse" is defined as "any lake bed, or gully, draw, stream bed, wash, arroyo, or natural or human-made channel through which water flows or has flowed." 19.5.1.7.W(4) NMAC. This release is a major release, as it was in excess of 105 barrels.

10. OCD Rule 116.D provides,

Corrective Action. The responsible person must complete division approved corrective action for releases, which endanger public health or the environment. Releases will be addressed in accordance with a remediation plan submitted to and approved by the division or with an abatement plan submitted in accordance with Section 19 of 19.15.1 NMAC.

11. On April 9, 2004, the OCD mailed a notice of violation to KOB, notifying KOB that it was in violation of OCD Rule 116 and requiring KOB to submit a spill report

and a remediation work plan by April 23, 2004. *Exhibit 2, 4/9/04 Letter from OCD to Kevin O'Butler & Assoc., Inc.*

12. On May 10, 2004, the OCD mailed a request for a Show Cause Hearing to KOB, as KOB had made no response to the OCD's April 9, 2004 letter, and had failed to submit spill reports or a Remediation Work Plan by the required deadline of April 23, 2004. *Exhibit 3, 5/10/04 Letter from OCD to Kevin O'Butler & Assoc., Inc.*

13. Finally, on June 7, 2004, KOB submitted to the OCD three C-141 forms, Release Notification and Corrective Action, spill reports, but no Remediation Work Plans.

14. One C-141 reported a release of 105 barrels of oil and water from a tank battery located at the south Caprock Queen Unit on March 23, 2004. KOB reported that water ran down the road, and that the area affected was approximately 100' by 300'. They reported having vacuumed up about 100 barrels of the spill, and spreading dirt and caliche over the area. The second reported a ten-barrel release of salt water from a tank at the South Caprock Queen Unit on April 15, 2004. The leak was due to a faulty nipple at the production header on the tank battery; the nipple and a valve were replaced and the location of the spill cleaned. The third report was of a ten-barrel release of salt water from a leak in a disposal line at a stock tank on April 17, 2004. Again, KOB reported repairing the leak and cleaning the location.

15. Not only were KOB's reports untimely, they were incomplete, misleading and contained factually inaccurate information. KOB denied that the large spill had reached a watercourse, when OCD's investigation showed that it had. The three C-141 reports were returned to KOB on June 14, 2004 for re-submittal; the re-submittal was to

be accomplished by June 18, 2004 and was to include corrective action work plans for each incident. *Exhibit 4-A, 6/14/04 Letter from OCD to Kevin O'Butler & Assoc., Inc.; Exhibit 4-B, Re-Submit Notice, incorrectly dated 6/9/03 (should have been 6/9/04); Exhibit 4-C Three Release Notifications.*

16. In late June 2004, KOB provided two identical Remedial Work Plans, one dated June 17, 2004 and the other June 18, 2004. *Exhibit 5, Remedial Work Plans.* The only proposed remedial work by KOB was to gather soil samples for analysis. The Plans were inadequate.

17. By letter dated October 4, 2004 to OCD, KOB stated it was submitting a "final report on the spills" and a "final remedial work plan." A Remedial Work Plan dated October 4, 2004 was enclosed. This Plan had a section titled "Final Analysis", which states that three soil samples taken at the site were found to be clean of TPH, BTEX and Chlorides. *Exhibit 6, Letter dated October 4, 2004 and Remedial Work Plan.*

18. KOB's letter was inaccurate, as two samples exceeded OCD guidelines for remediation of TPH. Further, KOB had not addressed the issue of cleaning the fluids that ran along an access road on top of the cap, down the cliff and down an arroyo. *Exhibit 7, October 6, 2004 letter to KOB from the OCD; Exhibit 8, photograph.*

19. By undated letter received in the OCD October 29, 2004, Bill Robinson committed KOB to immediately begin the re-stabilization of the ground and to construct a "containment and secondary containment area around the battery and edge of the Caprock." He also stated that Phoenix Environmental would devise a 30-day approved work plan for KOB, with a 45-day completion date, for the issues at South Caprock

Queen. KOB also agreed to meet with the OCD within the next two (2) weeks to discuss any further concerns. *Exhibit 9, Letter from Bill Robinson to Chris Williams.*

20. A containment berm was constructed and a remediation plan submitted to the OCD on January 21, 2005. The same day, the OCD approved the remediation plan, which approval expired on March 25, 2005. *Exhibit 10, January 21, 2005 Letter and Remediation Plan.*

21. KOB never completed the work proposed by the remediation plan.

22. On July 13, 2005, Paul Sheeley, OCD, visited the KOB South Caprock Queen operation. There were more leaks. KOB was also dumping waste on the ground at other well sites, off the Caprock.

WHEREFORE, Chris Williams, Supervisor of District I of the OCD, hereby applies to the Director to enter an order:

A. Requiring Kevin O. Butler & Assoc. Inc. to perform the work specified in the remediation plan submitted by them and approved by the Oil Conservation Division on January 21, 2005;

B. Requiring Kevin O. Butler & Assoc. Inc. to perform remediation clean up work for its violations subsequent to March 25, 2004;

C. Terminating Kevin O. Butler & Assoc. Inc.'s operational authority for the South Caprock Queen well #12, API# 30-005-01180, located in Unit Letter L, Section 33, Township 14 South, Range 31 East, in Chavez County, New Mexico;

D. A Ten Thousand Dollar (\$10,000.00) civil penalty for knowingly and willfully violating Rule 116 [19.15.3.116 NMAC]; and

E. For such other and further relief as the Director deems just and proper under the circumstances.

RESPECTFULLY SUBMITTED, this 27th day of September, 2005 by

A handwritten signature in black ink, appearing to read "Cheryl O'Connor", written over a solid horizontal line.

Cheryl O'Connor
Assistant General Counsel
Energy, Minerals and Natural Resources
Department of the State of New Mexico
1220 S. St. Francis Drive
Santa Fe, New Mexico 87505
(505) 476-3480

Attorney for the New Mexico Oil
Conservation Division

Case No. 13577. Application of the New Mexico Oil Conservation Division for a Compliance Order Against Kevin O. Butler and Associates, Inc. The Division seeks an order requiring operator Kevin O. Butler and Associates, Inc. to perform the work specified in the remediation plan submitted by them and approved by the Oil Conservation Division on January 21, 2005; to perform remediation clean up work for its violations subsequent to March 25, 2004; to terminate Kevin O. Butler & Assoc. Inc.'s operational authority for the South Caprock Queen well #12, API# 30-005-01180, located in Unit Letter L, Section 33, Township 14 South, Range 31 East, in Chavez County, New Mexico; for a Ten Thousand Dollar (\$10,000.00) civil penalty for knowingly and willfully violating Rule 116 [19.15.3.116 NMAC]; and for such other relief as the Director deems appropriate. The affected site is the South Caprock Queen well #12, API# 30-005-01180, located in Unit Letter L, Section 33, Township 14 South, Range 31 East, in Chavez County, New Mexico.

**Wells Operated By KEVIN O BUTLER & ASSOC INC , 12627
September 26, 2005**

Property	Well Name	Lease Type	ULSTR	OCD Unit	API	Well Type	Pool ID	Pool Name	Last Prod/Inj	Oil POD	Gas POD
23917	AETNA EAVES #002	P	A-26-16S-38E	A	30-025-27789	S	96121	SWD;SAN ANDRES	07/05		
2403	ANDERSON #001	P	I-1 -16S-36E	Q	30-025-29953	O	40760	LOVINGTON;UPPER PENN, NORTHEAST	07/01	650510	650530
2404	ANDERSON 6 #001	P	18-6 -16S-37E	U	30-025-29748	O	40760	LOVINGTON;UPPER PENN, NORTHEAST	07/01	650610	650630
27325	BYERS #001	P	C-29-16S-39E	C	30-025-33407	O	96761	GARRETT;ABO, EAST	07/05	2820098	
2405	CHAVEROO A FEDERAL #001	F	E-15-08S-33E	E	30-005-20883	O	12049	CHAVEROO;SAN ANDRES	05/02	650910	650930
	CHAVEROO A FEDERAL #002	F	D-15-08S-33E	D	30-005-21112	O	12049	CHAVEROO;SAN ANDRES	05/02	650910	650930
19041	DELMONT L HATFIELD #001	P	J-23-16S-38E	J	30-025-27487	O	27100	GARRETT;ABO REEF	07/05	1260510	1260530
19024	E B ANDERSON #001	P	L-6 -13S-38E	L	30-025-22340	O	7460	BRONCO;DEVONIAN, WEST	11/04	1115010	1115030
	E B ANDERSON #002	P	M-6 -13S-38E	M	30-025-22454	S	96135	SWD;WOLFCAMP	05/96		
	E B ANDERSON #003	P	M-6 -13S-38E	M	30-025-29786	O	7460	BRONCO;DEVONIAN, WEST	05/94	1115110	1115130
23813	EAST EK UNIT #010	S	L-22-18S-34E	L	30-025-22766	I			12/92		
2407	GANDHI FEDERAL #001	F	D-24-18S-31E	D	30-015-26243	O	58040	TAMANO;BONE SPRING	07/05	650810	650830
2409	LEA L STATE #001	S	G-14-15S-34E	G	30-025-01881	G	81460	MORTON;MORROW (GAS)	07/05	651010	651030
23547	MAXWELL #001	P	F-6 -13S-38E	F	30-025-21186	O	28120	GLADIOLA;WOLFCAMP, SOUTH	07/05	1177110	1177130
	MAXWELL #002	P	E-6 -13S-38E	E	30-025-23089	S	96101	SWD;DEVONIAN			
22209	MESA STATE #001	S	F-20-18S-35E	F	30-025-27397	G	83750	REEVES;QUEEN, WEST (GAS)	08/03		764330
	MESA STATE #002	S	J-20-18S-35E	J	30-025-27722	G	83750	REEVES;QUEEN, WEST (GAS)	04/04	764410	764430
25335	NEW MEXICO X STATE #001	S	B-20-17S-36E	B	30-025-03941	O	19070	DOUBLE A;LOWER ABO	03/05	1077810	1077830
	NEW MEXICO X STATE #002	S	G-20-17S-36E	G	30-025-03942	O	19070	DOUBLE A;LOWER ABO	07/05	1077810	1077830
26951	NM DE STATE #001	S	F-18-17S-37E	F	30-025-21618	O	46280	MIDWAY;ABO	07/05	843410	843430
	NM DE STATE #002	S	2-18-17S-37E	E	30-025-21763	O	46280	MIDWAY;ABO	01/86	843410	843430
	NM DE STATE #003	S	C-18-17S-37E	C	30-025-21813	O	46280	MIDWAY;ABO	12/92	843410	843430
25336	PEERLESS ET AL COM #001	P	C-22-22S-36E	C	30-025-09007	G	79240	JALMAT;TAN-YATES-7 RVRS (GAS)	06/05	2825334	1078330

**Before the OCD
Case 13577
OCD Ex. 1**

14893	SOUTH CAPROCK QUEEN UNIT #003	P	C-33-14S-31E	C	30-005-01190	O	8559	CAPROCK;QUEEN	02/00	2545910	2545930
	SOUTH CAPROCK QUEEN UNIT #003	S	C-31-15S-31E	C	30-005-00674	O	8559	CAPROCK;QUEEN	04/89	2545910	2545930
	SOUTH CAPROCK QUEEN UNIT #005	S	2-30-15S-31E	E	30-005-00670	O	8559	CAPROCK;QUEEN	06/89	2545910	2545930
	SOUTH CAPROCK QUEEN UNIT #010	S	J-30-15S-31E	J	30-005-00658	I	8559	CAPROCK;QUEEN	06/89		
	SOUTH CAPROCK QUEEN UNIT #011	S	K-30-15S-31E	K	30-005-00657	O	8559	CAPROCK;QUEEN	04/89	2545910	2545930
	SOUTH CAPROCK QUEEN UNIT #012	P	L-33-14S-31E	L	30-005-01180	O	8559	CAPROCK;QUEEN	02/05	2545910	2545930
	SOUTH CAPROCK QUEEN UNIT #014	P	N-28-14S-31E	N	30-005-01163	O	8559	CAPROCK;QUEEN	12/92	2545910	2545930
	SOUTH CAPROCK QUEEN UNIT #014X	P	N-33-14S-31E	N	30-005-01193	O	8559	CAPROCK;QUEEN	07/05	2545910	2545930
	SOUTH CAPROCK QUEEN UNIT #015	S	O-30-15S-31E	O	30-005-00662	I	8559	CAPROCK;QUEEN	04/89		
	SOUTH CAPROCK QUEEN UNIT #015	P	O-28-14S-31E	O	30-005-01161	I	8559	CAPROCK;QUEEN	11/04		
	SOUTH CAPROCK QUEEN UNIT #016	S	P-30-15S-31E	P	30-005-00661	O	8559	CAPROCK;QUEEN	12/92		
	SOUTH CAPROCK QUEEN UNIT #017	S	J-30-15S-31E	J	30-005-21000	O	8559	CAPROCK;QUEEN	06/89	2545910	2545930
25103	STATE 32 #001	S	K-32-16S-33E	K	30-025-26065	O	43270	MALJAMAR;CISCO	07/05	1235710	1235730
25337	STATE LAND 76 #001	S	10-2-16S-32E	J	30-025-00376	O	1900	ANDERSON RANCH;WOLFCAMP	07/05	1077510	1077530
	STATE LAND 76 #003	S	9-2-16S-32E	I	30-025-29066	O	1900	ANDERSON RANCH;WOLFCAMP	12/92	1077510	1077530
	STATE LAND 76 #004	S	5-1-16S-32E	E	30-025-29067	O	1360	ANDERSON RANCH;CISCO-CANYON, NORTH	07/05	1077610	1077630
	STATE LAND 76 #005	S	10-2-16S-32E	J	30-025-29208	O	1900	ANDERSON RANCH;WOLFCAMP	03/05	1077510	1077530
27128	STATE R #001	S	K-27-14S-33E	K	30-025-01155	O	55120	SAUNDERS;PERMO UPPER PENN	07/05	2537110	2537130
	STATE R #003	S	B-27-14S-33E	B	30-025-01157	O	55120	SAUNDERS;PERMO UPPER PENN	06/05	1961410	1961430
24084	V E RODDY #001	P	A-23-16S-38E	A	30-025-29869	O	36330	KNOWLES;DEVONIAN, NORTH	07/05	1243110	1243130



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor

Joanna Prukop
Cabinet Secretary
Acting Director
Oil Conservation Division

April 9, 2004

USPS CERTIFIED MAIL RETURN RECEIPT: #7099 3220 0002 3948 3861

Kevin O' Butler & Assoc. Inc., (KOB)
Attn: Environmental
POB 1171
Midland, Texas 79702

Re: **SOUTH CAPROCK QUEEN WELL #12 – MAJOR RELEASE**

NOTICE OF VIOLATION – OCD Rule 116.A-D.

On March 24, 2004 New Mexico Oil Conservation Division (OCD) personnel investigated and documented a major release at the KOB South Caprock Queen Well #12, API# 30-005-01180, located in Unit Letter L, Section 33, Township 14 South, Range 31 East, Lea County, New Mexico.

Several hundred barrels of fluids were released on top of the cap and ran down the cliff into an arroyo. The release then followed a dirt road into another arroyo flowing a total of about 2000 feet northwest and west. The fluids also flowed down the access road on the cap to the southeast.

This leak was not reported. It was covered up with dirt. Surface manipulation and remedial activities were not approved by OCD. No Remediation Work Plan was submitted.

KOB is required to submit a C-141 spill report immediately and a Remediation Work Plan by April 23, 2004.

The Hobbs District I Office believes a penalty is warranted and corrective action essential. Unless the matter can be satisfactorily resolved OCD will request a show cause hearing, before an OCD Hearing Examiner, recommending issuance of a formal order terminating KOB's operational authority and a possible \$10,000 (ten thousand dollar) civil penalty.

Sincerely,

Paul Sheeley - Environmental Engineer

Cc: Roger Anderson - Environmental Bureau Chief, SF
Larry Johnson - Environmental Engineer
Chris Williams - District I Supervisor

Before the OCD
Case 13577
OCD Ex. 2

PLACE STICKER AT TOP OF ENVELOPE
TO THE RIGHT OF RETURN ADDRESS.
DO NOT WRITE IN THESE SPACES

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Kevin O' Butler & Assoc. Inc., (KOB)
 Attn: Environmental
 POB 1171
 Midland, Texas 79702

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) ASB Date of Delivery 11/19/99

C. Signature ASB

D. Is delivery address different from addressee if YES, enter delivery address below

Addressee
 Yes
 No



3. Service Type

- Certified Mail
- Registered
- Insured Mail
- Express Mail
- Return Receipt for Merchandise
- C.O.D.

4. Restricted Delivery? (Extra Fee)

Yes

2. Article Number (Copy from service label)

7017 328 DIOPAR B948 3861

PS Form 3811, July 1999

Domestic Return Receipt

102595-00-M-0952



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor

Joanna Prukop
Cabinet Secretary
Acting Director
Oil Conservation Division

May 10, 2004

Oil Conservation Division Legal Counsel
Attn: Gail MacQuesten
1220 S. St. Francis Drive
Santa Fe, NM 87505

**REQUEST FOR SHOW CAUSE HEARING - NO RESPONSE TO NOTICE OF VIOLATION
SOUTH CAPROCK QUEEN WELL #12 - MAJOR RELEASE.
USPS CERTIFIED MAIL RETURN RECEIPT: #7099 3220 0002 3948 3861**

OPERATOR:
Kevin O' Butler & Assoc. Inc., (KOB)
POB 1171
Midland, Texas 79702

Dear Ms. MacQuesten,

On April 12, 2004 New Mexico Oil Conservation Division (OCD) personnel sent a Notice of Violation, (USPS Certified Mail Return Receipt #7099 3220 0002 3948 3861, see attached copy), to KOB regarding a major release at the KOB South Caprock Queen Well #12, API# 30-005-01180, located in Unit Letter L, Section 33, Township 14 South, Range 31 East, Lea County, New Mexico.

KOB was required, in the NOV attached, to submit a C-141 spill report immediately and a Remediation Work Plan by April 23, 2004. There has not been any response from KOB. This was a very large spill running nearly 2000 horizontal feet down a watercourse.

OCD District I personnel recommend a show cause hearing before an OCD Hearing Examiner, to request a formal order terminating KOB's operational authority and a \$1,000/day, (one thousand dollar per day out of compliance), civil penalty.

Sincerely,


Paul Sheeley - Environmental Engineer

Cc: Roger Anderson - Environmental Bureau Chief, SF
Larry Johnson - Environmental Engineer
Chris Williams - District I Supervisor
Kevin O' Butler & Assoc. Inc., (KOB) ✓

Before the OCD
Case 13577
OCD Ex. 3



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor

Joanna Prukop
Cabinet Secretary
Acting Director
Oil Conservation Division

RECEIVED

JUN 17 2004

June 14, 2004

OIL CONSERVATION
DIVISION

Kevin O' Butler & Assoc. Inc., (KOB)
POB 1171
Midland, Texas 79702

Re: **SOUTH CAPROCK QUEEN WELL #12**
Re-submit Notice – OCD Rule 116.A-D.

On June 7, 2004 New Mexico Oil Conservation Division (OCD) received three C-141 spill reports from KOB for a spill at the above referenced site. The Rule 116 was disregarded. Then, after **OCD sent a NOV (attached)** stating, "KOB is required to submit a C-141 spill report immediately and a Remediation Work Plan by April 23, 2004", nothing was done.

The C-141's (attached) arrived 2-weeks later and are incomplete missing over a dozen entries each. No Work Plan was submitted. The largest spill, most concerning the OCD, reached a watercourse. However, KOB misrepresented this important fact by checking the **NO** box on the form.

The C-141's are being returned for re-submittal according to the attached form. The C-141's must be corrected, completed and re-submitted by June 18, 2004.

If you have any questions or need any assistance please email: psheeley@state.nm.us or call: (505) 393-6161 x113.

Sincerely,

Paul Sheeley-Environmental Engineer

Cc: Roger Anderson - Environmental Bureau Chief, SF
Larry Johnson - Environmental Engineer
Chris Williams - District I Supervisor
Wayne Price - Petroleum Engineer, SF
Gail MacQuesten - OCD Counsel, SF ✓

Before the OCD
Case 13577
OCD Ex. 4-A



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor

Joanna Prukop
Cabinet Secretary
Acting Director
Oil Conservation Division

RE-SUBMIT NOTICE x 3 C-141's

TO: Company/Operator Kevin O Butler

From: NMOCD Rep. Paul Sheeley Date: 6-9-03

Please Note Your Attached C-141 Report(s) has been rejected because of the following reason(s):
Please make corrections and re-submit within 7 days unless otherwise allowed or marked for a longer time period.

- Wrong form: See proper form enclosed.
- Incorrect or inaccurate information: See comments below.
- "Initial" or "Final" box not marked.
- Missing Information: See comments below.
- Wrong Operator! Operators are responsible to submit C-141 for all leaks & spills on their leases, pipelines and/or properties under their control.
- Improper Disposal of Oilfield Waste without NMOCD Approval:
 - Road spreading without NMOCD approval.
 - Landfarming without permit or NMOCD approval.
 - Burying of Oilfield Waste without NMOCD Approval.
 - Offsite disposal without NMOCD Approval.
 - Building roads, berms dykes with contaminated soils without NMOCD Approval.
- Not Signed.
- NMOCD Cannot accept your C-141 as a "final" report at this time. Please do the following:
 - Submit a Site Corrective Action Plan for NMOCD approval within 0 days.
 - Please describe in detail what Clean-up Action was taken and area affected. If none taken explain why.
 - Please Describe in detail what Remediation action will be taken. If none planned please explain why.
 - Operator has indicated off-site disposal; please indicate where waste was disposed of.
 - Was vertical extent of contamination checked? If Yes, please provide information. If No please provide explanation.
 - Please provide vertical extent of contamination within 14 days. Please collect samples for one or more of the following: TPH BTEX Chloride Other . Please provide a plot map of sample locations and depth sample was collected.

Comments:

Water course yes . Release volume < 125 bbl total

see highlighted parameters missing

OGD must receive a corrective action work plan - Rule 116.D

Please see attached letter

Please re-submit C-141 or information requested and include a copy of this notice.

Hobbs, NM 88240
 Avenue, Artesia, NM 88210
 Road, Aztec, NM 87410
 Francis Dr., Santa Fe, NM 87505

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

Company KEVIN O. BUTLER & ASSOCIATES INC	Contact KEVIN O. BUTLER
POB 1171, MIDLAND, TX 79702	Telephone No. 432/682-1178
Name SOUTH CAPROCK QUEEN UNIT	Facility Type TANK BATTERY
Owner	Mineral Owner
Lease No.	

LOCATION OF RELEASE

Section	Township	Range	Feet from the	North/South Line	Feet from the	East/West Line	County
31	14S	31E					LEA

Latitude _____ Longitude _____

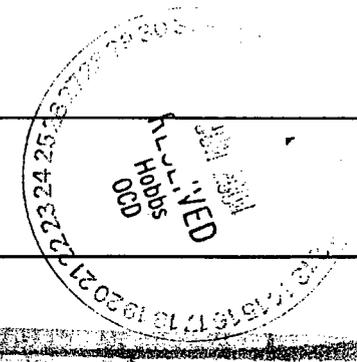
NATURE OF RELEASE

Volume of Release 10 BBLs	Volume Recovered 0
Date and Hour of Occurrence	Date and Hour of Discovery
mediate Notice Given? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Not Required	If YES, To Whom?
Watercourse Reached? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Date and Hour If YES, Volume Impacting the Watercourse.

Watercourse was Impacted, Describe Fully.*
 Cause of Problem and Remedial Action Taken.*

Leak in nipple at production header on tank battery. All 10 bbls leaked were salt water.

Area Affected and Cleanup Action Taken.*
 Nipple on back of tank and valve on front of tank. Cleaned location



I 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 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 if 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 state, or local laws and/or regulations.

OIL CONSERVATION DIVISION	
Approved by District Supervisor:	
Name: KEVIN O. BUTLER	Approval Date:
PRESIDENT	Expiration Date:
Address: GEED2000@AOL.COM	Conditions of Approval:
06/03/04 Phone: 432/682-1178	Attached <input type="checkbox"/>

Additional Sheets If Necessary

Before the OCD
 Case 13577
 OCD Ex. 4-C

Mr., Hobbs, NM 88240

State of New Mexico
Energy Minerals and Natural Resources

Form C-141
Revised October 10, 2003

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

and Avenue, Artesia, NM 88210
Brazos Road, Aztec, NM 87410
S. St. Francis Dr., Santa Fe, NM 87505

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

Release Notification and Corrective Action

OPERATOR

Initial Report Final Report

Name of Company KEVIN O. BUTLER & ASSOCIATES INC	Contact KEVIN O. BUTLER
Address POB 1171, MIDLAND, TX 79702	Telephone No. 432/682-1178
Facility Name SOUTH CAPROCK QUEEN UNIT	Facility Type TANK BATTERY

Surface Owner	Mineral Owner	Lease No.
---------------	---------------	-----------

LOCATION OF RELEASE

Unit Letter L	Section 31	Township 14S	Range 31E	Feet from the	North/South Line	Feet from the	East/West Line	County LEA
-------------------------	----------------------	------------------------	---------------------	---------------	------------------	---------------	----------------	----------------------

Latitude _____ Longitude _____

NATURE OF RELEASE

Type of Release	Volume of Release 105 BBLs	Volume Recovered 0
Source of Release	Date and Hour of Occurrence	Date and Hour of Discovery
Was Immediate Notice Given? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No 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.*

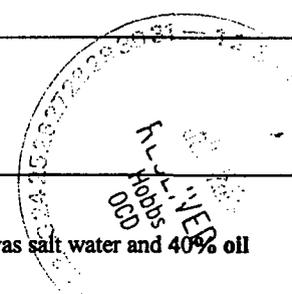
Describe Cause of Problem and Remedial Action Taken.*
03/23/04 - Hole in bottom of stock tank approximately 105 bbls fluid leaked. Of the fluid leaked 60% was salt water and 40% oil

Describe Area Affected and Cleanup Action Taken.*
The area affected was approximately 100' X 300'. Water ran on location and down the road. Vacuum truck cleaned location, vacuumed up appx 100 bbls and hauled to swd. Backhoe hauled in dirt and caliche to location. Backhoe spread dirt, caliche and cleaned location and road.

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: KEVIN O. BUTLER	Approved by District Supervisor:	
Title: PRESIDENT	Approval Date:	Expiration Date:
E-mail Address: GEED2000@AOL.COM	Conditions of Approval:	Attached <input type="checkbox"/>
Date: 06/03/04 Phone: 432/682-1178		

Attach Additional Sheets If Necessary



Hobbs, NM 88240
 Grand Avenue, Artesia, NM 88210
 Rio Brazos Road, Aztec, NM 87410
 strict IV
 20 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 KEVIN O. BUTLER & ASSOCIATES INC	Contact KEVIN O. BUTLER
Address POB 1171, MIDLAND, TX 79702	Telephone No. 432/682-1178
Facility Name SOUTH CAPROCK QUEEN UNIT	Facility Type TANK BATTERY

Surface Owner	Mineral Owner	Lease No.
---------------	---------------	-----------

LOCATION OF RELEASE

Unit Letter L	Section 31	Township 14S	Range 31E	Feet from the	North/South Line	Feet from the	East/West Line	County LEA
-------------------------	----------------------	------------------------	---------------------	---------------	------------------	---------------	----------------	----------------------

Latitude _____ Longitude _____

NATURE OF RELEASE

Type of Release	Volume of Release 10 BBLs	Volume Recovered 0
Source of Release	Date and Hour of Occurrence	Date and Hour of Discovery
Was Immediate Notice Given? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No 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.*

4/17/04 - Leak salt water disposal line @ stock tank. All 10 bbls leaked were salt water.

Describe Area Affected and Cleanup Action Taken.*

Repaired leak on water line to disposal. Cleaned location



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.

OIL CONSERVATION DIVISION

Signature:	Approved by District Supervisor:	
Printed Name: KEVIN O. BUTLER	Approval Date:	Expiration Date:
Title: PRESIDENT	Conditions of Approval:	
E-mail Address: GEED2000@AOL.COM	Attached <input type="checkbox"/>	
Date: 06/03/04 Phone: 432/682-1178		

Attach Additional Sheets If Necessary

KEVIN O. BUTLER & ASSOCIATES, INC.

550 W. Texas, Suite 660, Midland, TX 79701 (915) 682-1178 / FAX (915) 687-5725 / e-mail GEED2000@aol.com

June 17, 2004

Remedial Work Plan

South Caprock Queen Unit
Tank Battery
Section 33, T15S, R31E
Lea County, NM

Initial problem:

On 3/23/04 a tank at the South Caprock Queen tank battery developed a leak. Approximately 105 barrels of fluid (60% Salt Water and 40% Oil) leaked onto the location and down an old ranch road, off the Caprock and into a ravine. This problem was not "several hundred" of barrels as represented in the Notice of Violation dated 4/9/04. There was not that much fluid on this location nor that much ever in the tank. The problem was compounded two weeks later by two more leaks, one was in the salt water disposal line and the other one on a nipple on the front of the tanks, approximately 20 (10 bbls each leak) barrels of fluid (Salt Water) leaked on the location.

Initial clean up:

On the first spill, Zia transports took a vacuum truck to the location and vacuumed the location. They took 100 barrels to the Sundance SWD. A roustabout crew cleaned the location and hauled in caliche and dirt within 24 hours of the leak. Two weeks later when the second and third leak happened, a roustabout crew (Liberty Maintenance) was dispatched to the location immediately and repaired the nipple and valve on the tank and the leak in the salt water disposal line. They hauled in more dirt and cleaned the location once again.

Additional remedial work:

We are gathering soil samples from different places around the tank battery to be analyzed. The samples will be tested for TPH, BTEX, Chlorides. The results from these samples will determine our next course of action.

KEVIN O. BUTLER & ASSOCIATES, INC.

550 W. Texas, Suite 660, Midland, TX 79701 (915) 682-1178 / FAX (915) 687-5725 / e-mail GEED2000 @ aol.com

October 4, 2004

Mr. Paul Sheeley
New Mexico Oil Conservation Division
1625 N. French Drive
Hobbs, NM 88240

RE: South Caprock Queen Unit Spill

Dear Mr. Sheely,

Enclosed you should find my final report on the spills at the South Caprock Queen Unit. I have also enclosed an final remedial work plan.

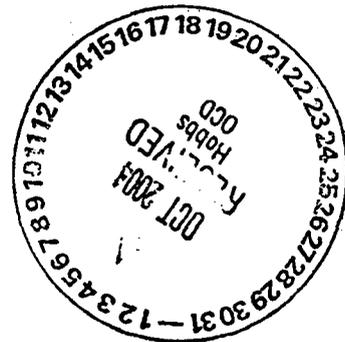
Thank you for your help in this and for working with me on clearing this up.

Sincerely,

KEVIN O. BUTLER & ASSOCIATES, INC.



Gwyna Crow



Before the OCD
Case 13577
OCD Ex. 6

KEVIN O. BUTLER & ASSOCIATES, INC.

550 W. Texas, Suite 660, Midland, TX 79701 (915) 682-1178 / FAX (915) 687-5725 / e-mail GEED2000 @ aol.com

October 4, 2004

Remedial Work Plan

South Caprock Queen Unit
Tank Battery
Section 33, T15S, R31E
Lea County, NM

Initial problem:

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Initial clean up:

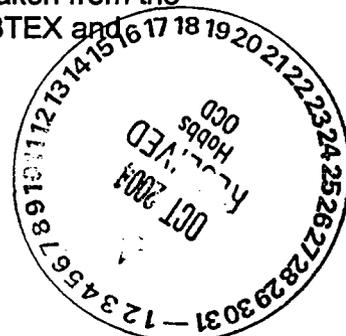
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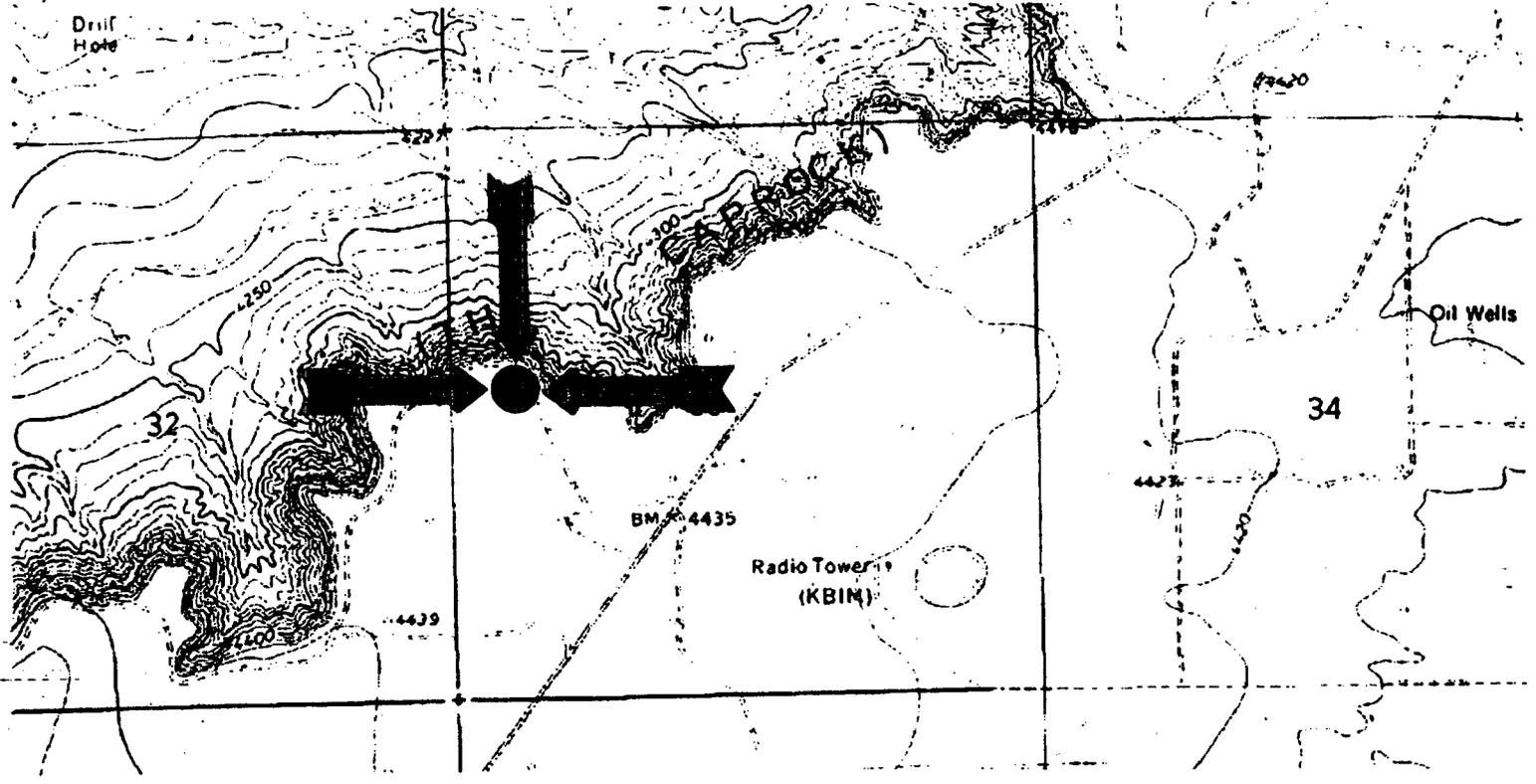
Additional remedial work:

We are gathering soil samples from different places around the tank battery to be analyzed. The samples will be tested for TPH, BTEX, Chlorides. The results from these samples will determine our next course of action.

Final Analysis:

Attached is a copy of the Analytical Report from the three soil samples taken from the South Caprock Queen tank battery. Three samples (as marked on attached map) were taken from the battery to Enviromental Lab of Texas. These samples came back clean of TPH, BTEX and Chlorides.

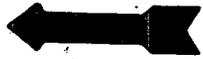




KEVIN O. BUTLER & ASSOCIATES

South Caprock Queen Unit
 section 33 T 14 S R 31 E
 Chaves County, N.M.

- Sample ID
- 1. 4H03004-01
 - 2. 4H03004-02
 - 3. 4H03004-03

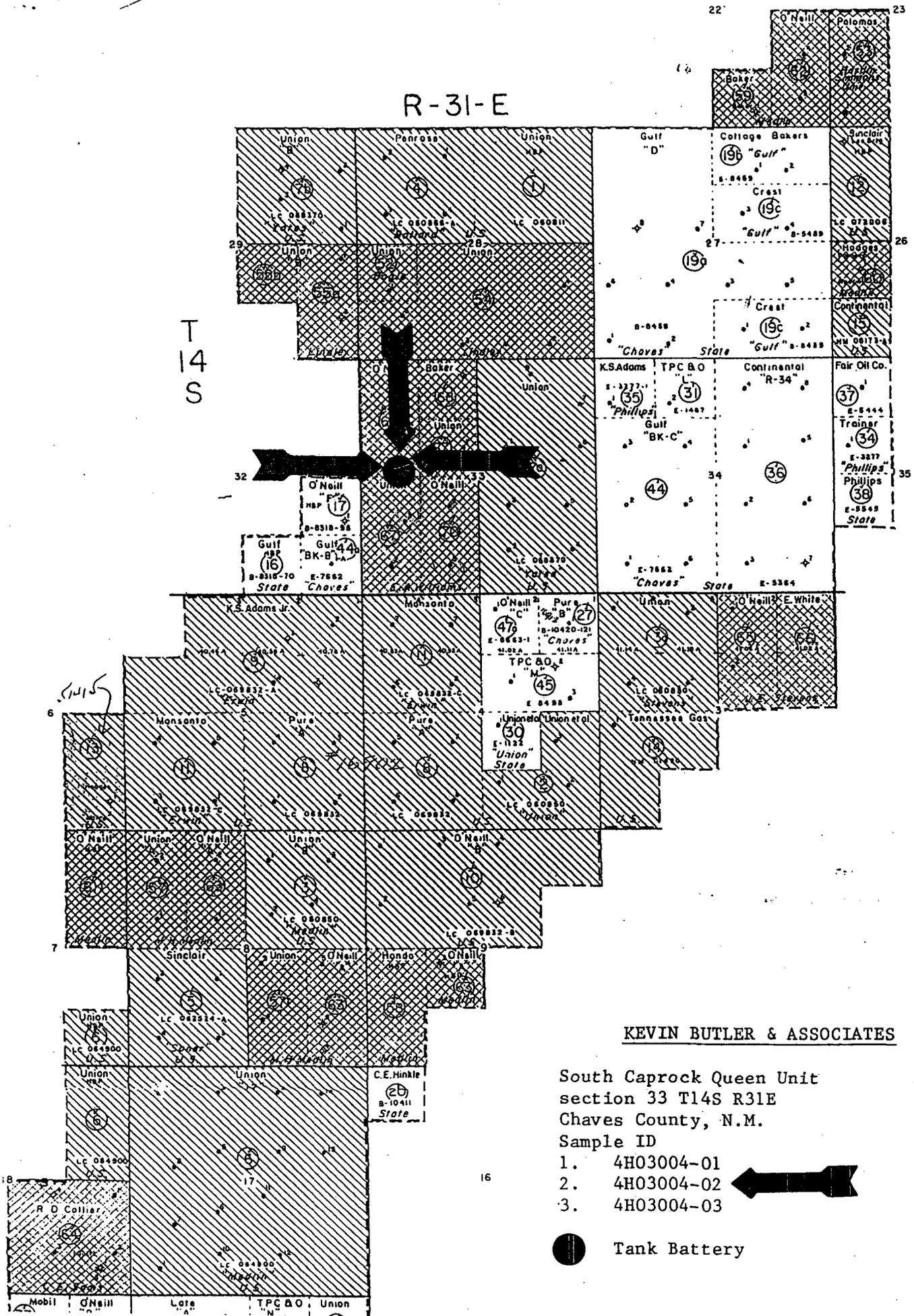


● Tank Battery

*Sample pts. vague depths?
 What about the ~~cliff~~
 fluids running
 off location*

R-31-E

T
14
S



KEVIN BUTLER & ASSOCIATES

South Caprock Queen Unit
 section 33 T14S R31E
 Chaves County, N.M.
 Sample ID

1. 4H03004-01
2. 4H03004-02
3. 4H03004-03

● Tank Battery



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

October 6, 2004

Kevin O' Butler & Assoc. Inc., (KOB)

POB 1171

Midland, Texas 79702

Re: **Final Notice**

SOUTH CAPROCK QUEEN WELL #12 - Spill Remediation Non-compliance

Dear Mr. Butler,

The New Mexico Oil Conservation Division (OCD) reviewed the report and sampling results submitted on October 4, 2004 for the site referenced above: KOB, South Caprock Queen Well #12, API# 30-005-01180, located in Unit Letter L, Section 33, Township 14 South, Range 31 East, Lea County, New Mexico.

Two sample measurements reported exceeded OCD Guidelines for remediation of TPH, [5,000mg/Kg]. The fluid that ran down the cliff and 2000 feet down an arroyo was not addressed or mentioned. Also, the fluids flowed down the access road on top of the cap to the southeast without corrective action. The locations and depths of the sample collection points are not clear because of the scale of the map.

The list below indicates only part of KOB non-compliance issues:

1. KOB failed to provide an OCD approved Corrective Action or Work Plan.
2. KOB failed to Rank the site according to the Guidelines.
3. KOB failed to notify OCD at least 48-hr. before sampling and construction of secondary containment.
4. KOB failed to use OCD approved material for construction material, (secondary containment).
5. KOB failed to submit a C-138 form.
6. KOB failed to cooperate with OCD correspondence and personnel.

As it presently stands, this matter will be scheduled for hearing.

Sincerely,

Chris Williams - District I Supervisor

Cc: Roger Anderson - Environmental Bureau Chief, SF
Larry Johnson - Environmental Engineer
Gail MacQuesten - OCD Counsel
Paul Sheeley - Environmental Engineer

Before the OCD

Case 13577

OCD Ex. 7

PHOTOGRAPHS
(will be provided at Hearing)

Chris Williams
Oil Conservation Division
1625 N. French Dr.
Hobbs, NM 88240

Re: South Caprock Queen – Chaves Co. N.M.

Dear Mr. Williams,

Kevin O. Butler, myself and Allen Hodge of Phoenix Environmental met with Paul Sheeley on October 26, 2004 to discuss issues with the South Caprock Queen. As per our discussion, Kevin O Butler & Associates has hired Phoenix Environmental to devise a 30 day approved work plan and a 45 day completion date for these issues at the South Caprock Queen. Allen Hodge will meet with Paul Sheely in the next two (2) weeks at the location to discuss further concerns needing to be addressed. In this interim, Phoenix Environmental will immediately begin to re-stabilize the ground and construct a containment and secondary containment area around the battery and edge of the Caprock, north of the battery.

Should you have any questions, please contact me or Kevin O. Butler in the Midland, TX office. Kevin O Butler & Associates look forward to getting this matter resolved in the very near future.

Thank you for your help.

Very Truly

Bill Robinson

CC: Paul Sheely – Hobbs NM
Larry Johnson – Hobbs NM

Before the OCD
Case 13577
OCD Ex. 9





NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

January 21, 2005

Kevin O' Butler & Assoc. Inc., (KOB)
POB 1171
Midland, Texas 79702

Re: SOUTH CAPROCK QUEEN - Spill Remediation Work Plan Approval

Dear Mr. O'Butler,

The New Mexico Oil Conservation Division (OCD) reviewed the remediation work plan submitted by Phoenix Environmental LLC, (Phoenix) for KOB, on January 21, 2005 for the site referenced above. The work plan is hereby approved. This approval expires on March 25, 2005.

If you have any questions or need assistance please write or call: (505) 393-6161, ext. 113, or e-mail: psheeley@state.nm.us

Sincerely,

A handwritten signature in black ink, appearing to read "Paul Sheeley".

Paul Sheeley-Environmental Engineer

xc: Roger Anderson - Environmental Bureau Chief
Chris Williams - District I Supervisor
Larry Johnson - Environmental Engineer
Allen Hodge - Phoenix

Before the OCD
Case 13577
OCD Ex. 10

January 14, 2005

Kevin O Butler & Associates
PO Drawer 2436
Midland, Texas 79702

Attn: Mr. Bill Robinson
Vice President E & P

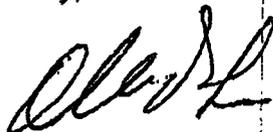
**RE: Remediation Work Plan for the South Caprock Queen Unit Battery Spill
Located in the NW/SW Sec. 33, T14S, R31E of Lea Co., New Mexico**

Dear Mr. Robinson:

Phoenix Environmental, LLC (Phoenix) would like to take this time to thank you and Kevin O Butler & Associates for the opportunity to provide our professional services on the site remediation of the above listed site.

If you have any questions and/or need more data in regards to this project please call at any time.

Sincerely,



Allen Hodge, REM
Sr. Project Manager
Phoenix Environmental LLC

Cc: Mr. Kevin Butler



Summary/Overview

The South Caprock Queen Battery spill site should be completed and remediated in accordance with the standards of the New Mexico Oil Conservation Division (NMOCD) guidelines for cleanup of leaks and spills. It is our understanding that any potential contamination from the site was a result of activities associated with the production of oil and gas.

The potential contaminants of concern are mid to high-level concentrations of petroleum-based hydrocarbons and produced water that were lost due to leaks from the Battery and were absorbed by the surrounding near-surface soils.

The NMOCD regulates the remediation and disposal of non-domestic wastes resulting from the Oil and Gas industry. In addition, the NMOCD administers all Water Quality Act regulations pertaining to surface and ground water except sewage for the oil and gas industry. This authority includes the disposition of non-domestic, non-hazardous wastes at Oil and Gas facilities.

The South Caprock Queen Battery site is located in NW/SW of Sec. 33, T14S, and R31E in Lea County New Mexico. The site had a GPS reading of 33° 03' 35" N and 103° 50' 03" W with an elevation of 4,436' ASL. The lands primary use is domestic pasture for ranching and the production of oil and gas.

The ground water depth data available for this section from the state engineer's office showed the depth to ground water to be in the 220' range.

Pursuant to the standards of the NMOCD guidelines for clean up of leaks and spills, the clean up level for this site will be at <100ppm of TPH and ND for BTEX. The NMOCD has also asked that the chlorides be less than 250ppm for clean up. This is due to the fact that the spill ran off the caprock and down an arroyo for an estimated 2,000 feet.

On 12-8-04 Mr. Allen Hodge from Phoenix and Mr. Paul Sheeley with the NMOCD met on location to look at the spill area. The purpose of this meeting was to discuss possible work plan options due to the poor site access from the caprock and arroyo.

1. The impacted soils located at the battery on top of the cap would be push up and mix with clean caliche and use for berm material around battery for secondary containment.
2. The impacted soils that can be accessed from the spill that went off the cap and down the arroyo would be picked up with a backhoe and trucked



back on top and mixed with clean caliche and used for berm material and secondary containment.

3. The areas of the arroyo that can be accessed with the backhoe but not trucks would be mixed in place adding some fertilizer to enhance natural attenuation of the impacted soils.
4. The areas of the arroyo that can not be accessed would be tested to define what will be left in place due to no access.

The following scope of work that has been requested for the listed site was based on data from our site visit on 12-8-04 and the requirements of the MNOCD for site clean up.

Scope of work

1. First Phoenix will call New Mexico One-Call for line spot clearance before any excavation at the site.
2. Phoenix will mobilize to the site equipment and personnel necessary to start and complete the site remediation as required, getting the site back into regulatory compliance.
3. Impacted soils at the site would be addressed in the following ways.
 - The impacted soils located at the battery on top of the cap would be push up and mix with clean caliche and use for berm material around battery for secondary containment
 - The impacted soils that can be accessed from the spill that went off the cap and down the arroyo would be picked up with a backhoe and trucked back on top and mixed with clean caliche and used for berm material and secondary containment
 - The areas of the arroyo that can be accessed with the backhoe but not trucks would be mixed in place adding some fertilizer to enhance natural attenuation of the impacted soils.
 - The areas of the arroyo that can not be accessed would be tested to define what will be left in place due to no access.



4. Phoenix will field screen the site during the excavation and once the TPH and CL has dropped below clean up requirements final samples will be taken and sent to a third party lab for analysis.
5. Once all of the remediation criteria have been met for site closure and regulatory compliance, the site will be contoured to prevent the ponding of any water.
6. Once all of the closure criteria have been met, a final closure report will be prepared by Phoenix. This report will include a summary of remediation operations, findings on-site and lab analysis, site maps and project photos.

If you have any questions and/or need more data in regards to this project please call 505-631-8314 at any time.

Sincerely,



Allen Hodge, REM
Sr. Project Manager
Phoenix Environmental LLC

Cc: Mr. Kevin Butler
Mr. Bill Robinson

