



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

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Oil Conservation Division

Yates Petroleum Corp
105 S. 4th St.
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November 17, 2004

Reference: Mimosa Fed 3-Y P-4-20s-24e API: 30-015-29123

Operator:

The NMOCD District 2 office is in receipt of Form C-141 submitted by your company, reporting a release of produced fluids at the above referenced well site. The reported date of release was November 7, 2004. The release was initially reported to the OCD by BLM representative, Becky Hunt. The type fluids and volume of release as reported on the C-141 was 1000 bbls produced water, with 515 bbls recovered. The report also indicated a water course was impacted. This location has an ongoing remediation project from a release due to lightning strike earlier this year. The soils in remediation have been placed on a plastic liner for remediation on site. During an inspection of this well site it was noted that some soils that appear to be contaminated with hydrocarbons have been added to the soils in remediation. The remediation site is intended for soils from the initial release. No contaminated soils are to be added to a remediation project without notification and consent of the OCD.

In regards to the release at this well site on November 7, 2004, soil samples will be required to be taken at various locations in the spill path, including the watercourse (draw) area that was impacted. At this time, recent rainfall will prohibit adequate sampling in the draw area. I am requesting that your representatives that work in the area monitor the draw and notify this office when conditions permit an adequate sampling event. Be advised that this incident may require reporting to the Federal EPA and the WQCC.

After inspecting this site before, during and after rainfall in the area and evaluating the flowpath of the recent release, I would ask your company, in the spirit of protection of the environment and fresh waters in the State of New Mexico, to consider the following recommendation: Ideally, the tank battery should be located on the Southeast portion of the well site. The current location is on the North side of the facility with the back side of the tank battery berm located directly on a downhill slope that allows any fluids released to flow straight to the draw that has been impacted. An alternate plan for consideration would be to construct a more permanent berm that would positively contain one and one-half of the maximum volume of fluids that could be contained in the storage vessels. This would provide containment of any future releases to the tank battery area, thus minimizing and ultimately eliminating the possibility of further damage to the draw and surrounding areas.

At this time the OCD is requiring that when conditions permit, soil samples of impacted areas be obtained and that a workplan for remediation, based on the analysis of samples and considering a watercourse has been impacted, be formulated and submitted to this office for approval. Like approval will be also be requested by the Carlsbad District BLM office.

A 24-hour notice to this office is required prior to any sampling or remediation event.

If I can be of further assistance in this matter, my contact information is listed below.

Mike Bratcher

Mike Bratcher

NMOCD District 2

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