

August 14, 2003

VIA FACSIMILE: (505) 393-0720

Mr. Larry Johnson
Oil Conservation Division – District I
New Mexico Energy, Minerals and Natural Resources Department
1625 North French Drive
Hobbs, New Mexico 88240

Re: Pipeline Spill Remediation Workplan, Dynegy Midstream Services, L.P., Unit Letter J (NE/4, SW/4), Section 31, Township 23 South, Range 37 East, Lea County, New Mexico (Kelly Myers Deep Wells Lease)

Dear Mr. Johnson:

Dynegy Midstream Services, L. P. (Dynegy) has retained Larson and Associates, Inc. (LA) to remediate impacts to soil from natural gas liquids (i.e., natural gas condensate) spills at two locations (Site #26 and Site #45) in the northeast quarter (NE/4) of the southwest quarter (SW/4), Section 31, Township 23 South, Range 37 East, Lea County, New Mexico. The spills occurred along a section of pipeline trending south to north. The spill at the northernmost Site (Site #45) was encountered on June 4, 2003, and a Release Notification and Corrective Action form (Form C-141) was submitted to the State of New Mexico Oil Conservation Division (NMOCD). A copy of the C-141 is attached.

LA personnel were on site June 5, 2003 to collect soil samples at Site #45 for laboratory analysis. At a depth of approximately nine (9) feet below ground surface (bgs), additional soil staining was encountered. Excavation was continued from June 5 to July 2, 2003, until no further impacted soil was observed.

Dynegy observed an additional spill on the pipeline, approximately 500 feet south of Site #45. While awaiting laboratory results of samples collected at Site #45, Dynegy began remediation of the spill site to the south (Site #26). As of July 2, 2003, the horizontal limits of impacted soil had been determined; however, no vertical limits had been defined. The excavation of Site #26 has been halted at a depth of 35 feet bgs, pending approval of this workplan.

Dynegy proposes to continue excavation of Site #26 until a vertical limit of impact is defined, and Recommended Remediation Action Levels (RRALs) can be calculated. Laboratory results from soil collected at Site #45 and Site #26 will be compared to the calculated RRALs, and excavation will continue until laboratory results exhibit soil concentrations below the RRAL.

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A report will be submitted to the NMOCD following completion of activities, prior to backfilling of the excavations.

If you should have any questions, please contact Mr. Cal Wrangham with Dynegy at (432) 688-0542 of myself at (432) 687-0901. I can also be reached by e-mail at Cindy@laenvironmental.com.

Sincerely,

Cindy K. Crain
Project Manager/Geologist

CC: Mr. Cal Wrangham, Dynegy
Mr. Dave Harris, Dynegy
Mr. Roger Holland, Dynegy

District I
1625 N. French Dr., Hobbs, NM 88240
District II
811 South First, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources
Oil Conservation Division
2040 South Pacheco
Santa Fe, NM 87505

Form C-141
Revised March 17, 1999

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

Release Notification and Corrective Action

OPERATOR

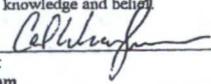
Initial Report Final Report

Name: Dynegy Midstream Services, L. P.	Contact: Dave Harris
Address: PO Box 1909 Eunice, NM 88231	Telephone No (505) 631-7069
Facility Name: Eunice Plant Gathering System	Facility Type: Gas Plant Low Pressure Gathering Lines <input type="checkbox"/>
Surface Owner: Kelly Meyer Deep Wells Ranch	Mineral Owner _____ Lease No. <input type="checkbox"/>

LOCATION OF RELEASE

Unit Letter	Section	Township	Range	Feet from the	North/South Line	Feet from the	East/West Line	County <input type="checkbox"/> Lea
NW Q of the SE Q	31	23S	37E					

NATURE OF RELEASE

Type of Release Natural gas condensate	Volume of Release ??	Volume Recovered none
Source of Release Pipeline leak	Date and Hour of Occurrence 6/7/03 4:30 PM	Date and Hour of Discovery same
Was Immediate Notice Given? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> 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.* 10" Pipeline leak due to interior and exterior corrosion. While line was dug out for clamping leak other contaminated soil was seen adjacent to leak. Dug up approximately 600 feet of line exposing some historic contamination.		
Describe Area Affected and Cleanup Action Taken.* Spots of stained soil along right of way. Will cleanup per NMOCD guidelines and submit documentation to district office.		
Describe General Conditions Prevailing (Temperature, Precipitation, etc.)* Mid 90 degree daytime temperatures with dry conditions.		
I hereby certify that the information given above is true and complete to the best of my knowledge and belief.		OIL CONSERVATION DIVISION
Signature: 	Approved by <input type="checkbox"/> District Supervisor:	
Printed Name: Cal Wrangham	Approval Date:	Expiration Date:
Title: ES&H Advisor	Conditions of Approval:	
Date: 6/23/03	Phone: 915 688-0542	Attached <input type="checkbox"/>

* Attach Additional Sheets If Necessary