District III 1000 Rto Brazos Road, Aztec, NM 87410 District IV 1220 S. St. Francis Dr., Santa Fe, NM 87505	Oil Conservation Division 1220 South St. Francis Dr. Santa Fe, NM 87505	FEB 1 2 2008 OCD-ARTESIA	Submit 2 Copies to appropriate District Office in accordance with Rule 116 on back side of form
District I 1625 N. French Dr., Hobbs. NM 88240 District II 1301 W. Grand Avenue, Artesia, NM 88210	State of New Mexico Energy Minerals and Natural Resou	Form C-141 Revised October 10, 2063	

Release Notification and Corrective Action

1 MKB-03046 40209	OPERATOR	X	Initial Report	Final Report
Name of Company Yates Petroleum Corporation 25575	Contact Mike Stubblefield			
Address 105 South 4 th Street, Artesia, N.M. 88210	Telephone No. 505-748-4500	505-513-17	12	
Facility Name Loving AIB State #16 30-015-35449	Facility Type drilling well			

Surface Owner State Mineral Owner.				Lease No.				
LOCATION OF RELEASE								
Unit Letter	Section 16	Township 23s	Range 28e	Feet from the 1650'	North/South Line FSL	Feet from the 990°	East/West Line FWL	County Eddy

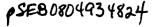
Latitude 32.30609 Longitude 104.0889

NATURE OF RELEASE Type of Release Drilling fluids Volume of Release 150 bbls Volume Recovered 145 bbls Source of Release Steel Tank Date and Hour of Occurrence Date and Hour of Discovery 2/1/2008 7.00pm 2/1/2008 7.00pm Was Immediate Notice Given? If YES, To Whom? NMOCD after hour's answering service Yes X No Not Required By Whom ' Lisa Norton Date and Hour 2/2/2008 9:00am Was a Watercourse Reached? If YES, Volume Impacting the Watercourse Yes X No If a Watercourse was Impacted, Describe Fully,* Describe Cause of Problem and Remedial Action Taken.* During cementing operations using a closed loop system a steel tank leaked The cause of the release was the steel tank having a hole from a clean out on the previous drilling well. Drilling mud was removed from the steel tank using a backhoc. Describe Area Affected and Cleanup Action Taken. The impacted area on location is est to be 100° x 100°. The impacted area on the North side of the pad off location is est to be 50° x 25°. A vacuum truck & backhoe were brought to the location. All visible muds were removed & hauled to Lea Land Inc. and NMOCD approved Solid Waste Disposal Facility Soil samples will be taken for analytical and submitted to a second party lab for analysis. Soil samples will be tested for TPH, B-TEX and Chlorides. IF the analytical results for the initial sampling event report the TPH & B-TEX to be over the RRAL for the site, a remediation work plan will be submitted to the NMOCD. The Chlorides will be documented. When final analytical results report the TPH & B-Tex to be under the RRAL for the site a final C-141 form will be submitted by Yates Petroleum Corporation requesting closure for the release that occurred on 2/1/2008. Site ranking Depth to ground water $< 50^{\circ}$. Wellhead protection area $- > 1000^{\circ}$. Distance to surface water body $- > 1000^{\circ}$ site ranking score $- 20^{\circ}$. 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 hability 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** mal Sweekl **TIM GUM** Appro by MBstrict Supervisor. Printed Name Mike Stubblefield Approval Date FEB 1 5 2008 Expiration Date: M Title, Environmental Regulatory Agent E-mail Address' mikes@ypenm.com Conditions of Approval Attached

Date: 2/11/2008

Attach Additional Sheets If Necessary

Phone 505-748-4500



2RP-10



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON Governor Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E. Director Oil Conservation Division

Yates Petroleum Corporation 105 S. 4th St. Artesia, NM 88210 ATTN: Mike Stubblefield February 15, 2008

Reference: Loving AIB State 016 L-16-23s-28e API: 30-015-35449 Eddy County New Mexico

Dear Mr. Stubblefield,

The New Mexico Oil Conservation Division District 2 Office (OCD) is in receipt of an Initial Report Form C-141(report) reporting a release of drilling fluids that occurred on 2/1/2008 at the above referenced well site. The report indicates that visibly identifiable impacted materials were excavated and hauled to a disposal. The report proposes to obtain samples from the impacted area and submit samples to be tested for BTEX, TPH, and Chloride constituents. If the BTEX and TPH levels are above OCD Recommended Remediation Action Levels (RRAL), a remediation work plan will be submitted to OCD. The report then indicates that Chloride impact will be documented.

Due to this site being situated in a water sensitive area (less than 50' bgs from ground water), all constituents of concern including Chloride impact, are to be delineated. Hydrocarbon impact is to be delineated to RRAL for this site and Chloride impact is to be delineated to 250 mg/kg or "like depth" background. A determination will then be made as to disposition of impacted materials. The proposal to test Chloride levels for documentation only is not approved.

Notify OCD 48 hours prior to obtaining samples where analyses of samples obtained are to be submitted to OCD.

Please submit sample analyses to OCD no later than March 14, 2008.

If I can be of assistance in this matter, please contact me.

Sincerely,

Mikehanne

Mike Bratcher NMOCD District 2 1301 W. Grand Ave. Artesia, NM 88210 (575) 748-1283 Ext.108 (575) 626-0857 mke.bratcher(a)state.nm.us