

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

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

NMCB 1114048031

Operator

OPERATOR

X Initial Report

X Final Report

| | | |
|---|---------------|-----------------------------------|
| Name of Company Melrose Oil & Gas | 243874 | Contact Garrett Newton |
| Address 1905 West Sears Ave., Artesia, New Mexico 88210 | | Telephone No. 575-513-0230 |
| Facility Name State 647 #711 Water Flood Station | | Facility Type Water Flood Station |
| Surface Owner | Mineral Owner | Lease No. AP# 30-015-02056 |

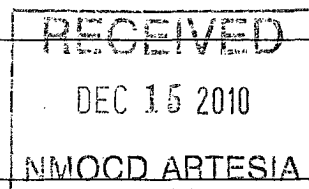
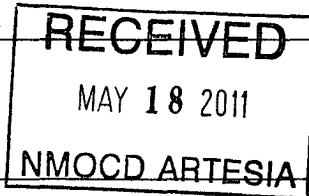
LOCATION OF RELEASE

| | | | | | | | | |
|------------------|---------------|-----------------|--------------|-----------------------|---------------------------|-----------------------|------------------------|----------------|
| Unit Letter M | Section 27 | Township 18S | Range 28E | Feet from the 990' | North/South Line South | Feet from the 330' | East/West Line West | County EDDY |
|------------------|---------------|-----------------|--------------|-----------------------|---------------------------|-----------------------|------------------------|----------------|

Latitude 32.71420 Longitude 104.17128

NATURE OF RELEASE

| | | |
|---|--|---|
| Type of Release Produced Waters | Volume of Release 30 bbls | Volume Recovered 30 bbls |
| Source of Release Stock tank | Date and Hour of Occurrence 12/7/2010 10:00AM | Date and Hour of Discovery 12/7/2010 10:00AM |
| Was Immediate Notice Given? X Yes <input type="checkbox"/> No Not Required | If YES, To Whom? NMOCD/Mike Bratcher. | |
| By Whom? Garrett Newton | Date and Hour 12/7/2010 10:00am. | |
| Was a Watercourse Reached? <input type="checkbox"/> Yes X No | If YES, Volume Impacting the Watercourse. | |
| If a Watercourse was Impacted, Describe Fully.* | | |



Describe Cause of Problem and Remedial Action Taken.*

The injection pump at the water flood station went down. The stock tank overflowed into the lined berm at the facility.

Describe Area Affected and Cleanup Action Taken.*

The affected area was the berm at the water flood station. The berm at the water flood station is lined. A vacuum truck was brought to the facility and the released fluids were recovered. The impacted material located with-in the berm was excavated and placed on a liner. The removed material will be transported to an NMOCD approved Solid Waste disposal facility.

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: Garrett Newton | Approved by District Supervisor | Signed By: |
| Title: Field Supervisor | Approval Date: 5/20/2011 | Expiration Date: N/A |
| E-mail Address: gnewton@pvtnetworks.net | Conditions of Approval: N/A | Attached <input type="checkbox"/> |
| Date: 12/14/2010 | Phone: 513-0230 | |

* Attach Additional Sheets If Necessary

2RP-786