



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

*Field Inspection Program
"Preserving the Integrity of Our Environment"*

16-Dec-05

YATES PETROLEUM CORPORATION

105 S 4TH ST

ARTESIA NM 88210

LETTER OF VIOLATION - Inspection

Dear Operator:

The following inspection(s) indicate that the well, equipment, location or operational status of the well(s) failed to meet standards of the New Mexico Oil Conservation Division as described in the detail section below. To comply with standards imposed by Rules and Regulations of the Division, corrective action must be taken immediately and the situation brought into compliance. The detail section indicates preliminary findings and/or probable nature of the violation. This determination is based on an inspection of your well or facility by an inspector employed by the Oil Conservation Division on the date(s) indicated.

Please notify the proper district office of the Division, in writing, of the date corrective actions are scheduled to be made so that arrangements can be made to reinspect the well and/or facility.

INSPECTION DETAIL SECTION

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
12/13/2005	Routine/Periodic	Chris Beadle	Yes	No	1/7/2006	iCLB0534736865
Violations						
Surface Leaks/Spills						

Comments on Inspection:

Contaminated area outside the fenced tank battery berm north of the water tank. This area measures 30 x 20 feet and is saturated to a depth of at least 1 foot indicative of a release of at least 20 barrels of produced fluids. Heavy chloride deposits on the surface of the impacted soils. The flow path for this impact area comes over the top of the berm and is directly lined up with the water tank discharge valve. The inside of the berm in this area is not heavily contaminated, some light contamination is present. The discharge piping at the base of the water tank is actively dripping, chlorides are coating the piping and impacting soils inside the berm.

Remediation is required. Submit Form C-141 (Release Notification and Remedial Actions) for this release. Submit remediation work plan to OCD District 2 Office. Remediation work plan must include general site characteristics, site ranking score, soil remediation action levels, soil remediation methods, and planned analytical testing for TPH, B-TEX, Chlorides or any other contaminants of concern as applicable. Please use the "Guidelines For Remediation of Leaks, Spills, and Releases" as your guide. This document may be found on the NMOCD web site: www.emnrd.state.nm.us/oed, under Publications> Environmental Handbook> Miscellaneous Guidelines> Remediation of Leaks, Spills and Releases.

OCD approved remediation must begin on this release no later than January 15, 2006. OCD Rule 19.15.3.116.D [NMAC] requires that the responsible person for a release must complete division approved corrective action and that releases will be addressed in accordance with a remediation work plan submitted to and approved by the division. Provide NMOCD District 2 Office with the remediation work plan prior to January 7, 2006.

Until a remediation work plan is received, the NMOCD District 2 Office must be notified 48 hours prior to any remediation work or prior to taking samples where results of the samples may be submitted to the OCD.

In the event that a satisfactory response is not received to this letter of direction by the "Corrective Action Due By:" date shown above, further enforcement will occur. Such enforcement may include this office applying to the Division for an order summoning you to a hearing before a Division Examiner in Santa Fe to show cause why you should not be ordered to permanently plug and abandon this well. Such a hearing may result in imposition of CIVIL PENALTIES for your violation of OCD rules.

Sincerely,



Artesia OCD District Office

Note: Information in Detail Section comes directly from field inspector data entries - not all blanks will contain data.

*Significant Non-Compliance events are reported directly to the EPA, Region VI, Dallas, Texas.

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

OPERATOR		<input checked="" type="checkbox"/> Initial Report	<input type="checkbox"/> Final Report
Name of Company	Yates Petroleum Corp.	Contact	Dan Dolan
Address	105 S. 4 th St., Artesia NM 88210	Telephone No.	748-4181
Facility Name	Cotton Draw AJT Fod #1	Facility Type	Oil Battery
Surface Owner	Fed	Mineral Owner	Fed
		Lease No.	

LOCATION OF RELEASE

Unit Letter	Section	Township	Range	Feet from the	North/South Line	Feet from the	East/West Line	County
E	23	24S	31E					Eddy

Latitude _____ Longitude _____

NATURE OF RELEASE

Type of Release	Produced water	Volume of Release	Unknown	Volume Recovered	0
Source of Release	Leaky Valve	Date and Hour of Occurrence	Unknown	Date and Hour of Discovery	12-13-05
Was Immediate Notice Given?	Yes <input type="checkbox"/> No <input checked="" 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.*

Valve leaking on produced water tank, valve replaced, and other repairs made to tank.

Describe Area Affected and Cleanup Action Taken.*

Valve was leaking water through a hose connected to the produced water tank and put an unknown amount of water outside the berm on the pad. The area will be excavated and tested for TPH, BTEX, and Chlorides. When all requirements are met, the area will be filled with clean soil and a closure C-141 will be submitted. Ranking for this area is as follows; Depth to ground water-0, Wellhead protection area-0, Distance to surface water-0. This was found by Chris Beadle during normal inspection #ICLB0534736863. The clean-up action has started, and the OCD will be notified 24hrs prior to final testing.

I hereby certify that the information given above is true and complete to the best of my knowledge and understand that pursuant to NMOC 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 NMOC 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, NMOC 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: Dan Dolan		Approved by District Supervisor:	
Title: Environmental Regulatory Agent	Approval Date:	Expiration Date:	
E-mail Address: ddolan@ypcnm.com	Conditions of Approval:		Attached <input type="checkbox"/>
Date: 12-30-05	Phone: 748-4181		

* Attach Additional Sheets if Necessary

FAX COVER SHEET



YATES
PETROLEUM
CORPORATION
105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 748-1471

Date: 12-30-05

To: Chris Beadle

DISTRICT 2 NMCD

From: Dan Dolan

Yates Petroleum Corporation

Fax #: 748-9720

Number of Pages 2
(Including Cover Sheet)

If you do not receive all of this transmission, Please call me at 748-4181

Note:

MAR BEADLE:

THE WORK PLAN AND RANKING ARE INCLUDED
IN THE BLOCK MARKED AS "DESCRIBE AREA AFFECTED AND
CLEAN UP ACTION TAKEN"



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Oil Conservation Division

Mr. Dan Dolan
Yates Petroleum Corporation
105 S 4th Street
Artesia, NM 88210

January 17, 2006

REMEDIATION WORK PLAN REQUEST - COTTON DRAW AJT FEDERAL NO. 1

The New Mexico Oil Conservation Division District 2 Office is in receipt of your Form C-141 (Release Notification and Corrective Action) dated 12-30-05 for the Cotton Draw AJT Federal #1 (30-015-26630) which states "The area will be excavated and tested" and "The clean-up action has started, and the OCD will be notified 24hrs prior to final testing."

OCD Rule 19.15.3.116.D requires that the responsible person for a release must complete division approved corrective action and that releases will be addressed in accordance with a remediation plan submitted to and approved by the division.

The Form C-141 you submitted contains a site ranking and that you intend to excavate the contaminated materials and sampling notification procedures but does not contain sufficient information to approve this remediation.

To provide you with approval for corrective actions the OCD District 2 Office must first receive further information on this release. Please provide the following information prior to January 25, 2006:

- Site characterization, layout, and remediation action levels and to what levels remediation work will target at each phase (i.e. excavation, land farming, tilling);
- Off site remediation including sampling procedures for removed material, disposition of materials and documentation required.

The OCD District 2 Office uses the "Guidelines For Remediation of Leaks, Spills, and Releases" to evaluate the adequacy of all remediation work plans submitted for approval. Please feel free to contact me if I can be of further assistance in this matter.


Chris Beadle

Artesia OCD District Office

1-20-06: spoke w/ DAN DOLAN - WORK HAS BEEN COMPLETED. WILL CALL
MON 1-23 TO SET-UP SAMPLING FOR 1-24 or 1-25 - CD

MARTIN YATES, III
1912 - 1988
FRANK W. YATES
1936 - 1988



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2118
TELEPHONE (505) 748-1471

S. P. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

01-23-06

Chris Beadle
NM Oil Conservation Division
1301 W Grand St.
Artesia NM 88210

RE: Cotton Draw AJT Federal #1 Remediation Work Plan

Mr. Beadle:

The additional information that you requested is as follows;

- The site characteristics are a normal location pad made with caliche, and packed to a 10,000 lb rating as is normal for this type of location.
- The layout is normal for a single well area, the well is 100' fro the tank battery, with a berm around the battery 2' tall, and able to contain 150% of the largest vessel on location as required by the EPA.
- There was no discharge of hydrocarbon on location with this spill, but a test will be made, the other testing will be for BTEX, and Chlorides.
- The target levels are consistent with the ranking for this location, TPH- 5000 mg/l, BTEX 100 ppm, and there are no regulatory levels in rule 116 for chlorides.
- The soil that was removed from the location totaled 12 cubic yards, was transported to Lea Land Land-fill, and was replaced with caliche from the location of the Cotton Draw AJT Federal #1.
- This was accomplished by cutting down the size of the location and using the soil to repair the excavation.
- Initial testing was not needed to determine the chloride levels because of the build up of salt indicators on the surface, but final testing will be done with an OCD representative present as a witness.

If I may be of further assistance, please contact me at 748-4181 or 513-1529 at any time.

Cotton Draw AJT Federal #1

I will call you to schedule testing for this week, or the first part of next week depending on both our schedules.

A handwritten signature in black ink, appearing to read 'Dan Dolan', with a long horizontal line extending to the right.

Dan Dolan
Environmental Regulatory Agent

FAX COVER SHEET

**YATES**
PETROLEUM
CORPORATION105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 748-1471Date: 01-23-06To: CHRIS BEADLE
NMOCID DISTRICT 2From: Dan DolanYates Petroleum CorporationFax #: 748-9720Number of Pages 3
(Including Cover Sheet)If you do not receive all of this transmission, Please call me at 748-4181Note:



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Oil Conservation Division

Mr. Dan Dolan
Yates Petroleum Corporation
105 S 4th Street
Artesia, NM 88210

January 25, 2006

REMEDIATION WORK PLAN APPROVAL - COTTON DRAW AJT FEDERAL NO. 1

The New Mexico Oil Conservation Division District 2 Office is in receipt of your Form C-141 (Release Notification and Corrective Action) dated 12-30-05 which provides an outline for work to remediate the release at the Cotton Draw AJT Federal No. 1 (30-015-26630) and your letter providing additional details on the remediation dated 1-23-06.

Your proposed method of remediation (excavating and hauling contaminated materials) is approved for this release.

As we discussed by telephone on Friday, January 20, 2006, since work has already been completed on this release there remains only the final samples from the excavation to close the remediation. You had indicated that sampling was to take place on Tuesday, January 24, 2006 or Wednesday, January 25, 2006 and that you would notify me of the date and time. Since no notification has been received, please contact the NMOCD District 2 Office 24 hours prior to taking samples where samples may be submitted to the OCD.

Thank you for your prompt attention to this matter and your efforts in helping to protect our environment and the infrastructure of the oil and gas industry.

A handwritten signature in cursive script, appearing to read "Cheryl S. Smith".

Artesia OCD District Office