

MARTIN YATES, III
1912-1985

FRANK W. YATES
1936-1986

S.P. YATES
1914-2008



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2118
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JOHN A. YATES
CHAIRMAN OF THE BOARD
PRESIDENT

DAVID LANNING
CHIEF OPERATING OFFICER

9/26/2008

NOV -7 2008
OCD-ARTESIA

Oil Conservation Division
Att: Mike Bratcher
1301 West Grand
Artesia, N.M. 88210

Re: Closure report for L.O.V. dated 03-Jun.-08
30-015-33411 Lucky Lobo ASX Federal #1

Dear Mr. Bratcher,

I'm submitting the final closure report for the LOV dated June 3, 2008 which was attached to the Lucky Lobo ASX Federal Com. #2.

The original LOV cited the Lucky Lobo ASX Federal Com. #2 to be in violation of Rule 116. The LOV stated there appears to have been a large spill from the upper area where pit probably was. A large area of the pad site is impacted. A submittal of a C-141 form was requested by the LOV and corrective actions proposal due date attached.

6/18/2008 a meeting was arranged at the Lucky Lobo Location with Yates Petroleum Corporation Environmental Regulatory Agent Mike Stubblefield, BLM Supervision Jim Amos, NMOCD Field Rep. 2 Mike Bratcher and NMOCD Environmental Specialist Sherry Bonham. The source of the impacted area on location was identified to be from equipment parked on the location during the closure of the drilling pit under rule 50. It was agreed during the meeting that this was to be a landowner issue. The landowner being the BLM and it representatives. Jim Amos requested the impacted areas on the location be excavated and the Chlorides impacted soil be hauled to disposal facility. Mr. Amos requested the Chlorides in the impacted areas on location be corrected to a plant range for vegetation. The location was downsized for additional backfill soil to complete backfilling the excavation back to grade.

During a subsequent meeting at the NMOCD office on 6/19/2008 with NMOCD District manager Tim Gum, NMOCD Field Representative 2 Mike Bratcher, YPC Environmental Coordinator Jerry Fanning and YPC Environmental Regulatory Agent Mike Stubblefield it was agreed upon that the release did not occur as a one time event and was not

reportable under Rule 116, Tim Gum and Mike Bratcher informed Jerry Fanning and Mike Stubblefield that a C-141 form would not be required for the LOV. 9/9/2008 the Chloride impacted area on the location was excavated to an average depth of 2' BGS. A total of 51 cu. yds of impacted soil were hauled to Lea Land Inc. and NMOCD approved Solid Waste Disposal facility. Soil samples were taken from the excavated area on location on 9/22/2008. The soil samples taken were analyzed at YPC Lab. using EPA method 9253. Analytical results reported the Chlorides to be 1460 ppm. 9/23/2008 Mike Stubblefield phoned BLM/Jim Amos and reported the analytical results to Mr. Amos. Jim Amos informed Mr. Stubblefield that a second party Lab analysis would not be required for the soil samples and it would be ok to backfill the excavated areas on location to grade using clean soil. All actions as requested by the Land owner have been completed. Mike Stubblefield phoned NMOCD Mike Bratcher on 9/23/2008 and Mr. Bratcher informed Mike Stubblefield that the LOV dated 03-Jun.-08 was closed.

Sincerely,

A handwritten signature in black ink that reads "Mike Stubblefield". The signature is written in a cursive, slightly slanted style.

Mike Stubblefield
Environmental Regulatory Agent

New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Joanna Prukop
Cabinet Secretary
Reese Fullerton
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



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

January 12, 2009

Re: Lucky Lobo ASX Fed 001 30-015-33411

Dear Mr. Stubblefield,

The NMOCD District 2 Office is in receipt of a Closure Report for a LOV that was issued for the above referenced site dated June 3, 2008. An investigation of this site had determined that there was likely not a release at this site and that the visibly identifiable impacted areas were the result of leaching from the closed drilling pit. Reclamation action was deferred to BLM.

The NMOCD accepts the Closure Report and requires no further action regarding this incident.

Please be advised that acceptance of this Closure Report does not relieve Yates Petroleum of liability should their operations have failed to adequately investigate and remediate contamination that may pose a threat to ground water, surface water, human health or the environment. In addition, acceptance of this Closure Report does not relieve Yates Petroleum of responsibility for compliance with any other federal, state, local laws and/or regulations.

Sincerely,

Mike Bratcher
NMOCD District 2
1301 W. Grand Ave.
Artesia, NM 88210
575-748-1283 Ext.108

