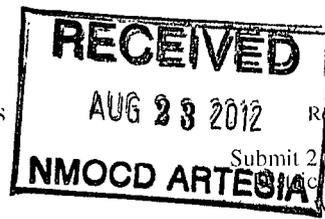


District I
1625 N French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

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
Office in accordance
with Rule 116 on back
side of form

Release Notification and Corrective Action

nJMW1225440827 256523 OPERATOR X Initial Report Final Report

Name of Company: Southern Bay Operating, L.L.C.	Contact: Steve Collins, V.P.-Operations
Address: 110 Cypress Station Drive, Suite 220 - Houston, TX 77090-1629	Telephone No.: 281.537-9920
Facility Name: Nearest Well - Beeson "F" Federal, Well 29	Facility Type: Active Oil Producing Lease

Surface Owner: Bureau of Land Management	Mineral Owner: Office of Natural Resources Revenue	Lease No. / APE Number: 30-015-31164
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LOCATION OF RELEASE well location: **A-31-17s-30E**
32.79739 N 104.06381

Unit Letter	Section	Township	Range	Feet from the	North/South Line	Feet from the	East/West Line	County: EDDY
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Latitude: 32.80151 N Longitude: -103.96690 W

NATURE OF RELEASE

Type of Release: PRODUCED WATER	Volume of Release: UNKNOWN	Volume Recovered: ZERO bbl
Source of Release: Buried hi-pressure fiberglass pipeline	Date and Hour of Occurrence: 08/22/2012 - Unknown hour	Date and Hour of Discovery: 08/22/2012 - 1000 hrs
Was Immediate Notice Given? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Required	If YES, To Whom? E-mail transmission - NMOCD, Artesia office	
By Whom? Mark Weatherly, Consultant for Southern Bay	Date and Hour: 08/23/2012 - 1020 hrs CDT	
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 *

Produced Water Injection System with buried hi-pressure 3-inch nominal fiberglass pipeline.. At above coordinates, line had a 'T' connection that had a plug on 1 side.. Plug blew out from 'T' conn and produced water was released below ground level.. Upon discovery, transfer pump at Central Battery was shutdown.. Lease crew with back-hoe was brought to site and excavation performed to determine source / cause of leak.. Line was repaired and tested..

Describe Area Affected and Cleanup Action Taken.*

Spill area surface estimated to be +/- 2200 sq/ft.. Contaminated soil area to be delineated by sampling/lab analysis, excavated, load/haul to off-site 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: MARK WEATHERLY	Approved by District Supervisor:	Signed By:
Title: Environmental / Regulatory Coordinator	Approval Date: SEP 10 2012	Expiration Date:
E-mail Address: Mark@SBEnergy.com	Conditions of Approval:	Attached <input type="checkbox"/>
Date: 08/23/2012 Phone: 281.537-9920, X-120		

* Attach Additional Sheets If Necessary

Remediation per OCD Rules & Guidelines. **SUBMIT REMEDIATION PROPOSAL NOT LATER THAN: October 10th 2012**

2RP-1276

Bratcher, Mike, EMNRD

From: Mark Weatherly <mark@sbenergy.com>
Sent: Thursday, August 23, 2012 9:46 AM
To: Bratcher, Mike, EMNRD; Dade, Randy, EMNRD
Cc: J.F. Hickman
Subject: Produced Water Release, Pipeline break - Southern Bay Operating
Attachments: Initial_C-141.doc

Gentlemen,

Attached is the report form concerning the spill discovered yesterday near the Beeson 'F' Federal Lease, Eddy County..

Mark Weatherly
Environmental Coordinator
Southern Bay Operating, LLC
281.537-9920, x120 - Office