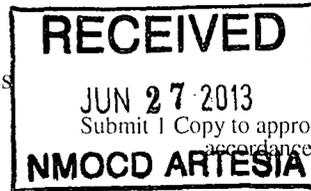


District I
1625 N. French Dr., Hobbs, NM 88240
District II
811 S. First St., Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

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 August 8, 2011

Release Notification and Corrective Action

nJMW 1319233299 OPERATOR Initial Report Final Report

Name of Company Southern Bay Operating, LLC <i>256523</i>	Contact Mark Newton
Address 5100 East Skelly Drive, Suite 650 Tulsa, OK 74135	Telephone No. 940-704-2608
Facility Name Grayburg Jackson Premier San Andres Unit K Central Battery	Facility Type: Oil Production Battery

Surface Owner: BLM	Mineral Owner: BLM	API No. Various
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LOCATION OF RELEASE

use: 30-015 - 31163

Unit Letter	Section	Township	Range	Feet from the	North/South Line	Feet from the	East/West Line	County
K	27	17 S	30 E					Eddy

Latitude _____ Longitude _____

NATURE OF RELEASE

Type of Release Spill	Volume of Release 120 BBL	Volume Recovered 65 bbl.
Source of Release 3" water leg on the production separator	Date 06-24-13 Hour 4:30 am	Date 06-24-13 Hour 10:30 am Discovery
Was Immediate Notice Given? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Required	If YES, To Whom? Mike Bratcher	
By Whom? Danny Harrell	Date and Hour 06-24-13 Time: 17:37 AM	
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.*
N/A

Describe Cause of Problem and Remedial Action Taken.*
3" water leg from the production separator to the produced water tank failed due to corrosion spilling 120 bbls of produced water inside the battery secondary containment. The lease operator shut in the facility and associated wells to stop the spill.

Describe Area Affected and Cleanup Action Taken.*
The spill of 120 bbls of produced water was contained inside the battery secondary containment. Free produced water inside the battery containment was recovered using a vacuum truck (approx. 65 bbls). Secondary containment was flushed with fresh water and recovered with a vacuum truck. Sampling and vertical/horizontal delineation will be conducted to determine the extent of the residual CI and TPH contamination.

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.

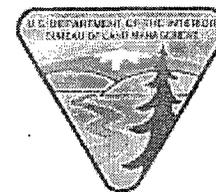
Signature: <i>Danny W. Harrell</i>	OIL CONSERVATION DIVISION	
Printed Name: Danny W. Harrell	Approved by Environmental Specialist: Signed By <i>Mike Bratcher</i>	
Title: EH&S Manager	JUL 11 2013	Expiration Date:
E-mail Address: dharrell@halconresources.com	Approval Date:	Attached <input type="checkbox"/>
Date: 04-26-13 Phone: 225-571-1170	Conditions of Approval: Remediation per OCD Rule & Guidelines, & like approval by BLM. SUBMIT REMEDIATION PROPOSAL NO LATER THAN:	

* Attach Additional Sheets If Necessary

August 11, 2013 **2RP-1709**



United States Department of the Interior
Bureau of Land Management



Report of Undesirable Event

1. Operator: Southern Bay Operating, LLC		Field Name: Grayburg Jackson Premier San Andres Unit		
2. IID NO (Unit/PA, Lease, CA, R/W): LC-0467934		RECEIVED JUN 27 2013 NMOCD ARTESIA		
3. Date and Time of Occurrence: 24 June 2013 Time: 10:30 AM				
4. Date and Time Reported to BLM: 24 June 2013 Time: 18:20				
5. Reported By: Danny Harrell				
6. Person in Charge: Mark Newton		Phone Number 940-704-2608		
7. Location: County Eddy State NM		T. 17 South	R. 30 East Sec. 27 Qtr SE Qtr SE	
8. Surface Ownership (Federal, Fee, Indian, State): Federal Nearest Town or Landmark: Loco Hills, NM				
9. Well or Facility ID: Grayburg Jackson Premier San Andres Unit K Central Battery				
10. Type of Event (see instructions): Spill				
11. Cause of, and Extent of Event: 3" water leg from separator to produced water tank failed due to corrosion spilling produced water inside secondary containment.				
12. Volume Discharged or Consumed:		Oil.	Water 120 bbl.	Gas
Volume Recovered:		Oil	Water 65 bbl.	Gas
Volume Lost:		Oil	Water	Gas
13. Time Required to Control Event: 1/2 Hr				
14. Action Taken to Control Event: The facility and associated wells were shut in.				
15. Description of Potential/Resultant Damage and Cause/Extents of Personal Injuries: Soils inside containment were impacted with produced water and the 3" line that failed required replacement.				
16. Clean up Procedures and Dates: Free produced water inside the battery containment was recovered using a vacuum truck (approx. 65 bbls). Secondary containment was flushed with fresh water and recovered with a vacuum truck. Sampling and vertical/horizontal delineation will be conducted to determine the extent of the residual CI and TPH contamination.				
17. Action Taken to Prevent Recurrence/Initiate or Update Contingency Planning: The failed 3" water leg off the separator was replaced with a new 3" poly line which is corrosion resistant.				
18. General Remarks:				
19. Other Federal, State, and Local Agencies Notified: New Mexico Oil Conservation Division – Mike Bratcher @ 17:37 on 6-24-13				
20. Signature: <i>Danny W. Harrell</i>			Date: 27 June 2013	

.....
BLM USE ONLY

A. Field Office:		B. Date Reported to MSO:	
C. Event Classification (I, II, or III):			
D. Site Inspected By:		Date:	
E. FY (PRIORITY YEAR): _____		INSPECTION NO:	
F. INSPECTION TYPE: NU		G. ACTIVITY CODE (SV or FA):	
H. NO. TRIPS:	INSPECTION HRS:	OFFICE HRS:	

Instructions

Report of Undesirable Event

1. Name of operator and oil field name.
2. Identification number for the lease, unit, participating area, communitization agreement, or right of way.
3. Date and time the undesirable event occurred.
4. Date and time the undesirable event was reported to BLM.
5. Reported by whom. Individual's name and telephone number.
6. Who will be in charge of the cleanup and their telephone number.
7. Exact location at which the undesirable event occurred.
8. Surface ownership; federal, state, fee, Indian, (describe) and other notable features like nearby town, communities or landmarks.
9. Associated well number, tank battery identification, pipeline nomenclature or other identification description.
10. Type of event; oil spill, oil and saltwater spill, oil and toxic fluid spill, toxic fluid spill, saltwater spill, saltwater and toxic fluid spill, gas venting, blowout, fire, fatality, injury, property damage or other (specify).
11. Describe cause and extent of event so a determination can be made as to avoidable or unavoidable loss.
12. List the amount discharged as a result of the event and list the amount recovered from the event. Also list the amount which was actually lost.
13. Time required to control the event in hours from the time of occurrence to when the event was stopped.
14. Describe the procedures and actions that were taken to control the event (include and attach photographs).
15. Describe the damage that that event caused, estimate the acreage of surface disturbance or length (feet, yard, miles) of area affected ; document any affected cultural resources, loss of any wildlife or livestock, and the cause and extent of any personal injury; identify if any sensitive areas or surface waters are or could be affected (include stream names).
16. Describe the cleanup procedures that were used along with dates and plans for reclaiming or remediating the disturbed areas.
17. Describe the actions taken or plans to prevent future events or if contingency plans will be developed or modified.
18. List any other miscellaneous remarks.
19. Identify other federal, state and local agencies notified such as Environmental Protection Agency, Montana Department of Environmental Quality, North Dakota Industrial Commission, South Dakota Department of Environment and Natural Resources, land owners (list names and phone numbers).
20. Signature and date of person receiving or submitting the report.
 - A. BLM Field Office where the undesirable event occurred.
 - B. Actual date reported to the Montana State Office: Send a copy of the event report to MSO via e-mail or (406-896-5292- Fax).
 - C. Determine and document the proper event classification.
 - Class I: >100 Barrels of fluids, >500 Mcf, into environmentally sensitive areas, or major incidents.
 - Class II: >10 but <100 Barrels of fluids, >50 Mcf but <500 Mcf
 - Class III: <10 Barrels of fluids, < 50 Mcf
 - D. List the inspection date and the BLM on site inspector.
 - E. Current Fiscal Year and Inspection Number by I&E.
 - F. Inspection type: NU = Undesirable event.
 - G. Activity Code: SV = Spills or venting of gas.
 - FA = Fires or personnel accidents.
 - H. Number of onsite trips, inspection hours on site, travel hours to and from the site and number of office hours.

Bratcher, Mike, EMNRD

From: Drew Hall <DHall@halconresources.com>
Sent: Thursday, June 27, 2013 10:45 AM
To: Amos, James; Bratcher, Mike, EMNRD
Cc: Eileen Shannon; Steve Milinichik; Gordon Ware (GWare@kleinfelder.com); Bill Walker; Danny Harrell; Mark Newton; Tim McDonald
Subject: Grayburg Jackson Premier San Andres Unit K Central Battery - 120 bbl Produced Water Spill on 6/24/13
Attachments: BLM Report of Undesirable Event ntl-3aform.doc; C-141 New Mexico State form for spill notification.doc

Jim and Mike,

Please find attached the respective notification forms for your agencies for the 120 bbl produced water spill that occurred at the Grayburg Jackson Premier San Andres Unit K Central Battery on June 24th, 2013.

We will send you hard copies in the mail.

Gordon and Eileen,

Please make arrangements to visit this site and conduct soil sampling to determine lateral and vertical (take a hand auger) extent of the CI and any TPH/BTEX that was entrained in the produced water. I also would like you to collect at least two background samples outside of the spill impacted area. Please contact Mark Newton (cc'd) to make arrangements for the site visit. Next week would be good, if possible.

Please let me know if you have questions or need clarification.

Regards,

Drew Hall
Environmental Compliance Manager
Halcon Resources
Email: dhall@halconresources.com
Mobile: 720-648-5613



Bratcher, Mike, EMNRD

From: Bratcher, Mike, EMNRD
Sent: Thursday, June 27, 2013 1:33 PM
To: Danny Harrell
Cc: Warren, JeanMarie, EMNRD
Subject: RE: Grayburg Jackson Premier San Andres Unit K Central Battery - 120 bbl Produced Water Spill on 6/24/13

Danny,

I received the documents sent, including NMOCD Form C-141. Where the form asks for an API number, "Various" is listed. I realize this is likely a centralized tank battery that receives product from numerous wells. If we have a specific API number, it makes our data entry much simpler and also will allow you to access the approved form, which will have a date by which a remediation proposal is due. It will also include a "RP" number (such as 2RP-1234). With that number, you will be able to access all documents pertaining to that particular incident through OCD Online. After reviewing our database, I believe this battery is either at, or very near Southern Bay's Grayburg Jackson PSU #17 (API: 30-015-31163). Unless you object, or want to use a different API number, this is the one we will use to track this release event. There can be instances where it is not practicable to use an API number, such as a flowline or pipeline release that may not be near any of your wells. In those instances, our data entry process is a little different, but it will still be assigned the RP number. You will likely have to contact us to get that number if you wish to track the event, or obtain copies of related documents. I am just copying you and my co-worker on this correspondence, but feel free to distribute as you see necessary. Either myself or Ms. Warren can assist you if you have any questions. Her extension number is 101.

Thanks,

Mike Bratcher
NMOCD District 2
811 S. First Street
Artesia, NM 88210
O: 575-748-1283 X108
C: 575-626-0857
F: 575-748-9720

From: Drew Hall [<mailto:DHall@halconresources.com>]
Sent: Thursday, June 27, 2013 10:45 AM
To: Amos, James; Bratcher, Mike, EMNRD
Cc: Eileen Shannon; Steve Milinichik; Gordon Ware (GWare@kleinfelder.com); Bill Walker; Danny Harrell; Mark Newton; Tim McDonald
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Drew Hall
Environmental Compliance Manager
Halcon Resources
Email: dhall@halconresources.com
Mobile: 720-648-5613



Bratcher, Mike, EMNRD

From: Eileen Shannon <EShannon@kleinfelder.com>
Sent: Thursday, June 27, 2013 11:10 AM
To: Drew Hall; Amos, James; Bratcher, Mike, EMNRD
Cc: Steve Milinichik; Gordon Ware; Bill Walker; Danny Harrell; Mark Newton; Tim McDonald
Subject: RE: Grayburg Jackson Premier San Andres Unit K Central Battery - 120 bbl Produced Water Spill on 6/24/13

Thanks Drew, I am in the field today and will look at this tonight

Sent from my Windows Phone

From: Drew Hall
Sent: 6/27/2013 10:45 AM
To: Amos, James; Bratcher, Mike, EMNRD
Cc: Eileen Shannon; Steve Milinichik; Gordon Ware; Bill Walker; Danny Harrell; Mark Newton; Tim McDonald
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Regards,

Drew Hall
Environmental Compliance Manager
Halcon Resources
Email: dhall@halconresources.com
Mobile: 720-648-5613



Bratcher, Mike, EMNRD

From: Gordon Ware <GWare@kleinfelder.com>
Sent: Thursday, June 27, 2013 12:50 PM
To: Drew Hall; Amos, James; Bratcher, Mike, EMNRD
Cc: Eileen Shannon; Steve Milinichik; Bill Walker; Danny Harrell; Mark Newton; Tim McDonald
Subject: RE: Grayburg Jackson Premier San Andres Unit K Central Battery - 120 bbl Produced Water Spill on 6/24/13

Drew,
Thanks we will read trough and get this completed.
I will work with Eileen on scheduling for next week if at all possible.

Regards,
-GW

From: Drew Hall [<mailto:DHall@halconresources.com>]
Sent: Thursday, June 27, 2013 11:45 AM
To: Amos, James; Bratcher, Mike, EMNRD
Cc: Eileen Shannon; Steve Milinichik; Gordon Ware; Bill Walker; Danny Harrell; Mark Newton; Tim McDonald
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Halcon Resources
Email: dhall@halconresources.com
Mobile: 720-648-5613



Warren, JeanMarie, EMNRD

From: Bratcher, Mike, EMNRD
Sent: Wednesday, July 03, 2013 6:55 AM
To: Warren, JeanMarie, EMNRD
Subject: FW: Grayburg Jackson Premier San Andres Unit K Central Battery - 120 bbl Produced Water Spill on 6/24/13

As a matter of fact I did hear something back! – MLB

From: Danny Harrell [<mailto:DHarell@halconresources.com>]
Sent: Thursday, June 27, 2013 4:42 PM
To: Bratcher, Mike, EMNRD; Drew Hall
Subject: RE: Grayburg Jackson Premier San Andres Unit K Central Battery - 120 bbl Produced Water Spill on 6/24/13

Yes Sir that is fine with me. The Gray burg Jackson PSU #17 is one of the wells that flows to this battery. I will make sure to include this API in the report I mail to you.

From: Bratcher, Mike, EMNRD [<mailto:mike.bratcher@state.nm.us>]
Sent: Thursday, June 27, 2013 2:33 PM
To: Danny Harrell
Cc: Warren, JeanMarie, EMNRD
Subject: RE: Grayburg Jackson Premier San Andres Unit K Central Battery - 120 bbl Produced Water Spill on 6/24/13

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