

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

Initial Report Final Report

| | | | |
|-----------------|---------------------------------|---------------|----------------------------|
| Name of Company | PHOENIX HYDROCARBONS OPER | Contact | Clarence Craig |
| Address | P O BOX 3638, MIDLAND, TX 79702 | Telephone No. | 505-370-0285 |
| Facility Name | BURRO SWDS SATELLITE 3 | Facility Type | SALT WATER DISPOSAL SYSTEM |
| Surface Owner | UNKNOWN PRIVATE | Mineral Owner | STATE |
| | | Lease No. | N/A |

LOCATION OF RELEASE

| | | | | | | | | |
|-------------|---------|----------|-------|---------------|------------------|---------------|----------------|---------------|
| Unit Letter | Section | Township | Range | Feet from the | North/South Line | Feet from the | East/West Line | County |
| B | 5 | 12-S | 33E | | | | | LEA COUNTY NM |

Latitude 33°18:892' Longitude 103°38:248'

NATURE OF RELEASE

| | | | | | |
|-----------------------------|---|---|---|----------------------------|---------|
| Type of Release | PRODUCED WATER | Volume of Release | 25-35 BBLs | Volume Recovered | 0 |
| Source of Release | P/L leaving the tank battery | Date and Hour of Occurrence | AM | Date and Hour of Discovery | 6/20/08 |
| Was Immediate Notice Given? | X Yes No <input type="checkbox"/> Not Required | If YES, To Whom? | MARK w/OCD found the leak and notified Phoenix and the Hobbs office | | |
| By Whom? Mark with OCD | | Date and Hour | 6/20/08 at approximately 3:30 | | |
| 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.* Mark with OCD office discovered the leak and called Phoenix. Mark advised this office that he would report the leak to the Hobbs OCD office. A 1/2" nipple under the head switch on the P/L leaving the tank failed due to corrosion of the nipple; as a result, 25 to 35 barrels of produced water was lost in the pasture land. The valve was closed by Mr. Craig upon his arrival, until the nipple could be replaced. A vacuum truck was called, but the ground is so dry it was immediately saturated with the liquid, 0 barrels recovered. A backhoe was called to excavate the soil.

Describe Area Affected and Cleanup Action Taken.*
The affected area is about 90' by 15' of rocky terrain, arid, with sparse vegetation. Mr. Craig called a vacuum truck and back hoe to remove soil. Whole Earth has been contacted to take soil samples as soon as the affected soil is removed.

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>Phyllis R. Gunter</i> | OIL CONSERVATION DIVISION <i>Johnson</i> | |
| Printed Name: Phyllis R. Gunter | Approved by District Environmental Engineer | |
| Title: Agent | Approval Date: 7-8-08 | Expiration Date: 9-8-08 |
| E-mail Address: phygun@aol.com | Conditions of Approval: | Attached <input type="checkbox"/> |
| Date: 6/23/08 Phone: 432-686-9869 | SUBMIT FINAL C. 141 w/ | IRP # 1897 |

* Attach Additional Sheets If Necessary

SUPPORTING DOCUMENTATION
& SAMPLING RESULT BY 9-8-08