

San Mateo Midstream, LLC

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Matthew D. Spicer
Chief Operating Officer – Operations,
Business Development and Special Projects

February 27, 2020

BY ELECTRONIC MAIL

Jim Griswold
State of New Mexico
Energy, Minerals and Natural Resources Department
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Re: Alleged Release During Boring Activities in Section 9 of Township 24 South, Range 28
East in Eddy County, New Mexico (the “Site”)

Mr. Griswold:

San Mateo Midstream, LLC (“San Mateo”) is in receipt of the letter from Adrienne Sandoval, dated February 26, 2020 (the “Letter”), regarding the alleged release of boring fluids at the Site. While San Mateo reserves its rights regarding whether the alleged release constitutes a major release under OCD Rule 19.15.29 NMAC as well as with respect to the time periods in which to respond to the items set forth in the Letter, San Mateo desires to work with the State of New Mexico and its agencies to protect human health and the environment and therefore submits this response to the Letter.

Thank you for taking the time to meet with members of San Mateo’s management team earlier today to discuss this matter. As mentioned, San Mateo takes its responsibility to the environment seriously and seeks to operate in a sustainable and responsible manner.

San Mateo became aware of an alleged release on Monday morning and shortly thereafter began an investigation to determine what, if anything, was released into the Black River and what may have caused the release. This investigation is ongoing. Notably, the alleged release that was identified was not a release from the surface into the Black River. Instead, it appeared that sand or silt was bubbling up from the bottom of the riverbed.

At the time of the alleged release, S&J Contractors (“S&J”) was conducting boring operations for Longwood RB Pipeline, LLC, which is a subsidiary of San Mateo. These boring operations were being conducted approximately thirty yards downstream of the Site. S&J used boring fluids, including Wyoming Bentonite Drilling clay and soda ash (the “Boring Fluids”), in

connection with the boring activities. Importantly, there was no active pipeline in the ground and no hydrocarbons were used in connection with the boring activities. San Mateo's investigation has not yet determined whether the river sand or silt that appeared to be bubbling up from the riverbed was the Boring Fluids or other naturally occurring sediment. San Mateo has obtained soil samples near the Site to determine whether the release included Boring Fluids but has not yet received the test results of such samples.

Even if the river sand and silt that appeared to be bubbling up from the bottom of the riverbed were Boring Fluids, San Mateo does not believe that the Boring Fluids present any material threat to human health or the environment as bentonite and soda ash are naturally occurring items that are often used in connection with water related activities such as lining ponds and adjusting the pH balance of well water.

San Mateo cased the borehole under the Black River, which was intended to prevent any additional Boring Fluids from being released into the river (assuming that the river sand and silt that appeared to be bubbling up from the bottom of the riverbed were Boring Fluids). As discussed during the meeting today, while pulling pipeline through the casing this morning, additional bubbling from the bottom of the riverbed was noticed and operations were suspended. San Mateo is developing a plan to address such additional bubbling and will not continue operations to pull the pipeline through the casing until such plan is approved by you.

As part of its investigation, San Mateo collected water samples from the Black River on Monday evening. The official test results from these initial samples are pending, but initial test results have indicated that there were no hydrocarbons or chlorides in the water. As discussed in our meeting earlier today, San Mateo is designing a daily water testing program and will provide the details of such program to you when it is available.

In addition, San Mateo has monitored the Site and the portions of the river upstream and downstream from the Site to determine whether there has been any impact on fish or other wildlife. San Mateo has not identified any dead fish or other wildlife during this monitoring. As discussed in our meeting earlier today, San Mateo intends to continue to watch for impacts to fish or other wildlife.

In order to prevent any unauthorized access to the Site, San Mateo currently has personnel at the Site on a 24/7 basis. San Mateo intends to continue such 24/7 monitoring of the Site until a remediation plan has been agreed to and then will comply with the monitoring provisions that may be included in such plan.

San Mateo has cooperated with New Mexico regulatory authorities since learning about the alleged release. In particular, San Mateo has had discussions with representatives of the New Mexico Oil Conservation Division, the New Mexico Department of Game and Fish and the New Mexico Environment Department. San Mateo intends to continue this cooperation, and we again express our appreciation for taking time to meet earlier today.

San Mateo is evaluating various remediation alternatives (in the event that the river sand and silt that appeared to be bubbling up from the bottom of the riverbed were Boring Fluids) and will work with you to identify the alternative that has the least impact to the Black

River and protects human health and environment. We look forward to coordinating our efforts on this matter.

Please feel free to contact me at 372-371-5420 or Matt Hairford at 972-371-5420 if you have any questions or would like to discuss further.

Sincerely,

San Mateo Midstream, LLC



Matthew D. Spicer
Chief Operating Officer – Operations
Business Development and Special Projects *BSW*

cc: Adrienne Sandoval, Director, Oil Conservation Division
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