

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

Form C-141
Revised August 8, 2011

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Submit 1 Copy to appropriate District Office in accordance with 19.15.29 NMAC.

Release Notification and Corrective Action

OPERATOR

Initial Report Final Report

| | |
|---|--------------------------------|
| Name of Company: Nika Energy Operating, LLC, Agent for SG INTERESTS I, Ltd. | Contact William Schwab III |
| Address P. O. Box 2677, Durango, CO 81302 | Telephone No. (970) 259-2701 |
| Facility Name SE Cha Cha Unit Tank Battery #3 | Facility Type SWD Tank Battery |
| Surface Owner Navajo Nation | Mineral Owner BLM |
| API No. <u>30-045-24159</u> | |

LOCATION OF RELEASE

| | | | | | | | | |
|-------------|------------|--------------|-----------|---------------|------------------------|---------------|---------------------|-----------------|
| Unit Letter | Section 15 | Township 28N | Range 13W | Feet from the | North/South Line South | Feet from the | East/West Line West | County San Juan |
|-------------|------------|--------------|-----------|---------------|------------------------|---------------|---------------------|-----------------|

Latitude 36.67157° N Longitude -108.24500° W

NATURE OF RELEASE

| | | |
|--|---|--|
| Type of Release BS&W and oil (~10 bbls wtr, ~3 bbls oil) | Volume of Release ~ 13 bbls | Volume Recovered ~ 13 bbls |
| Source of Release Pipeline Rupture on Cha Cha Tank Battery #3 of the flowline coming from SE Cha Cha Unit #36 | Date and Hour of Occurrence 7/31/2016 ~ 8:00 am | Date and Hour of Discovery 7/31/2016 ~ 1:00 am |
| Was Immediate Notice Given? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Required | If YES, To Whom? Allottee was notified by Brad McKinney, Field Superintendent, William Schwab III, agent for SG Interests, notified Brandon Powell of NMOCD | |
| By Whom? William Schwab III | Date and Hour from 7/31/2016 ~ 2:00 pm | |
| Was a Watercourse Reached? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | If YES, Volume Impacting the Watercourse. N/A | |

OIL CONS. DIV DIST. 3

If a Watercourse was Impacted, Describe Fully.*
Spill flowed off of the tank battery location approximately 100 yards down a small itinerant arroyo.

AUG 04 2016

Describe Cause of Problem and Remedial Action Taken.*

The leak itself was an earlier historical pipeline repair job. Said repair was made with a Dresser sleeve by previous field operator which was not the right application for that piece of equipment. The leak occurred at the fiberglass to steel transition. We are now repairing the flow line correctly.

Describe Area Affected and Cleanup Action Taken.* Down the ROW 50 yards then left the ROW for another 100 yards down a small natural arroyo. The Well was shut in, the line isolated and a hydro-vac truck was called to suck up the free standing liquid. Additional remediation has been ongoing with the impacted soil scraped up and land farmed at Envirotech. We have scheduled Envirotech to take soil samples per NMOCD and will continue to clean up until all impact has been remediated. Envirotech has been assisting in this remediation.

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: William Schwab III | Approved by Environmental Specialist: | |
| Title: Agent for SG Interests I, Ltd. | Approval Date: <u>2/1/2016</u> | Expiration Date: |
| E-mail Address: tripp@nikaenergy.com | Conditions of Approval: <u>WUF1703831979</u> | Attached <input type="checkbox"/> |
| Date: 8/1/2016 | Phone: 970-259-2701 | |

* Attach Additional Sheets If Necessary

Sample Area For 8015 & 8021 include (m20/020)

①