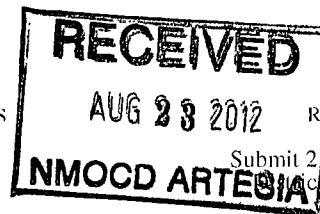


District I  
1625 N French Dr., Hobbs, NM 88240  
District II  
1301 W. Grand Avenue, Artesia, NM 88210  
District III  
1000 Rio Brazos Road, Aztec, NM 87410  
District IV  
1220 S. St. Francis Dr., Santa Fe, NM 87505

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

☒ Initial Report ☐ Final Report

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

|   |   |  |
|---|---|--|
| Surface Owner: <b>Bureau of Land Management</b> | Mineral Owner: <b>Office of Natural Resources Revenue</b> | Lease No. <b>APF Number</b><br><b>30-015-31164</b> |
|---|---|--|

### LOCATION OF RELEASE

|             |         |          |       |               |                  |               |                |                     |
|-------------|---------|----------|-------|---------------|------------------|---------------|----------------|---------------------|
| Unit Letter | Section | Township | Range | Feet from the | North/South Line | Feet from the | East/West Line | County: <b>EDDY</b> |
|-------------|---------|----------|-------|---------------|------------------|---------------|----------------|---------------------|

Latitude: 32.80151 N Longitude: -103.96690 W

### NATURE OF RELEASE

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


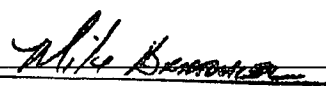
Describe Cause of Problem and Remedial Action Taken \*

*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:  | <b>OIL CONSERVATION DIVISION</b>   |                                   |
| Printed Name: <b>MARK WEATHERLY</b>  | Approved by District Supervisor:   |                                   |
| Title: <b>Environmental / Regulatory Coordinator</b>   | Signed By:  | Approval Date: <b>SEP 10 2012</b> |
| E-mail Address: <b>Mark@SBEnergy.com</b>   | Expiration Date:   | Conditions of Approval:           |
| Date: <b>08/23/2012</b> Phone: <b>281.537-9920, X-120</b>                                      | Attached <input type="checkbox"/>  |                                   |

\* Attach Additional Sheets If Necessary

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

2RP-1276

**Bratcher, Mike, EMNRD**

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**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