

District I
 25 N. French Dr., Hobbs, NM 88240
 District II
 101 W. Grand Avenue, Artesia, NM 88210
 District III
 100 Rio Brazos Road, Aztec, NM 87410
 District IV
 220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
 Energy Minerals and Natural Resources

Form C-141
 Revised October 10, 2003

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

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: Rice Operating Company | Contact: |
| Address: 122 West Taylor | Telephone No.: 505-393-9174 |
| Facility Name: BD | Facility Type: Salt Water Gathering System |
| Surface Owner: Charlie Bettis | Mineral Owner: |
| | Lease No.: |

LOCATION OF RELEASE

| Unit Letter | Section | Township | Range | Feet from the | North/South Line | Feet from the | East/West Line | County |
|-------------|---------|----------|-------|---------------|------------------|---------------|----------------|--------|
| M | 9 | 22S | 37E | | | | | Lea |

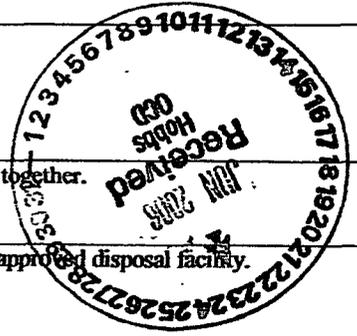
Latitude: 32*24.163N Longitude: 103*10.334W

NATURE OF RELEASE

| | | |
|--|---|---------------------------------------|
| Type of Release: Produced Water with Oil | Volume of Release: 363 barrels | Volume Recovered: 210 barrels |
| Source of Release: Jct Box | Date and Hour of Occurrence: N/A | Date and Hour of Discovery: 6/8/06 |
| Was Immediate Notice Given? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Required | If YES, To Whom? Pat Caperton left message. | |
| By Whom? Jennifer Johnson | Date and Hour: 6/8/06 3:50 pm | |
| 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.* Coupling blew out. Replaced with flanges fused together.

Describe Area Affected and Cleanup Action Taken.* Vacuum truck was used to haul produced water to an approved 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: <i>Jennifer Johnson</i> | OIL CONSERVATION DIVISION | |
| Printed Name: Jennifer Johnson | Approved by District Supervisor: <i>Chris Williams</i> | |
| Title: Environmental and Field Technician | Approval Date: <i>9/14/07</i> | Expiration Date: <i>9/14/07</i> |
| E-mail Address: <i>jjohnson@riceswd.com</i> | Conditions of Approval: | Attached <input type="checkbox"/> |
| Date: 6/23/06 | Phone: 505-393-9174 | |

Attach Additional Sheets If Necessary

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

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with Rule 116 on back
side of form

Release Notification and Corrective Action

OPERATOR

Initial Report Final Report

| | | | |
|-----------------|------------------------------------|---------------|-----------------------------|
| Name of Company | Rice Operating | Contact | Tony Grieco |
| Address | 122 W. Taylor St., Hobbs, NM 88240 | Telephone No. | (505) 393-9174 |
| Facility Name | BD | Facility Type | Salt Water Gathering System |

| | | | | | |
|---------------|----------------|---------------|--|-----------|--|
| Surface Owner | Charlie Bettis | Mineral Owner | | Lease No. | |
|---------------|----------------|---------------|--|-----------|--|

LOCATION OF RELEASE

| Unit Letter | Section | Township | Range | Feet from the | North/South Line | Feet from the | East/West Line | County |
|-------------|---------|----------|-------|---------------|------------------|---------------|----------------|--------|
| M | 9 | 22S | 37E | | | | | Lea |

Latitude 32* 24.163N Longitude 103* 10.334W

NATURE OF RELEASE

| | | | | | |
|-----------------------------|---|--|----------------|----------------------------|-------------|
| Type of Release | Produced water | Volume of Release | 363 barrels | Volume Recovered | 210 barrels |
| Source of Release | Junction Box | Date and Hour of Occurrence | N/A | Date and Hour of Discovery | 6/8/06 |
| Was Immediate Notice Given? | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Required | If YES, To Whom? Patricia Caperton /left message | | | |
| By Whom? | Jennifer Johnson | Date and Hour | 6/8/06 3:50 PM | | |
| 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.*

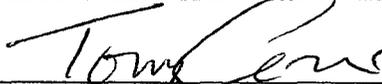
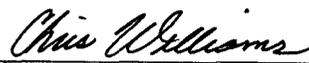
Describe Cause of Problem and Remedial Action Taken.*

Coupling failed. Replaced with flanges fused together as a permanent repair

Describe Area Affected and Cleanup Action Taken.*

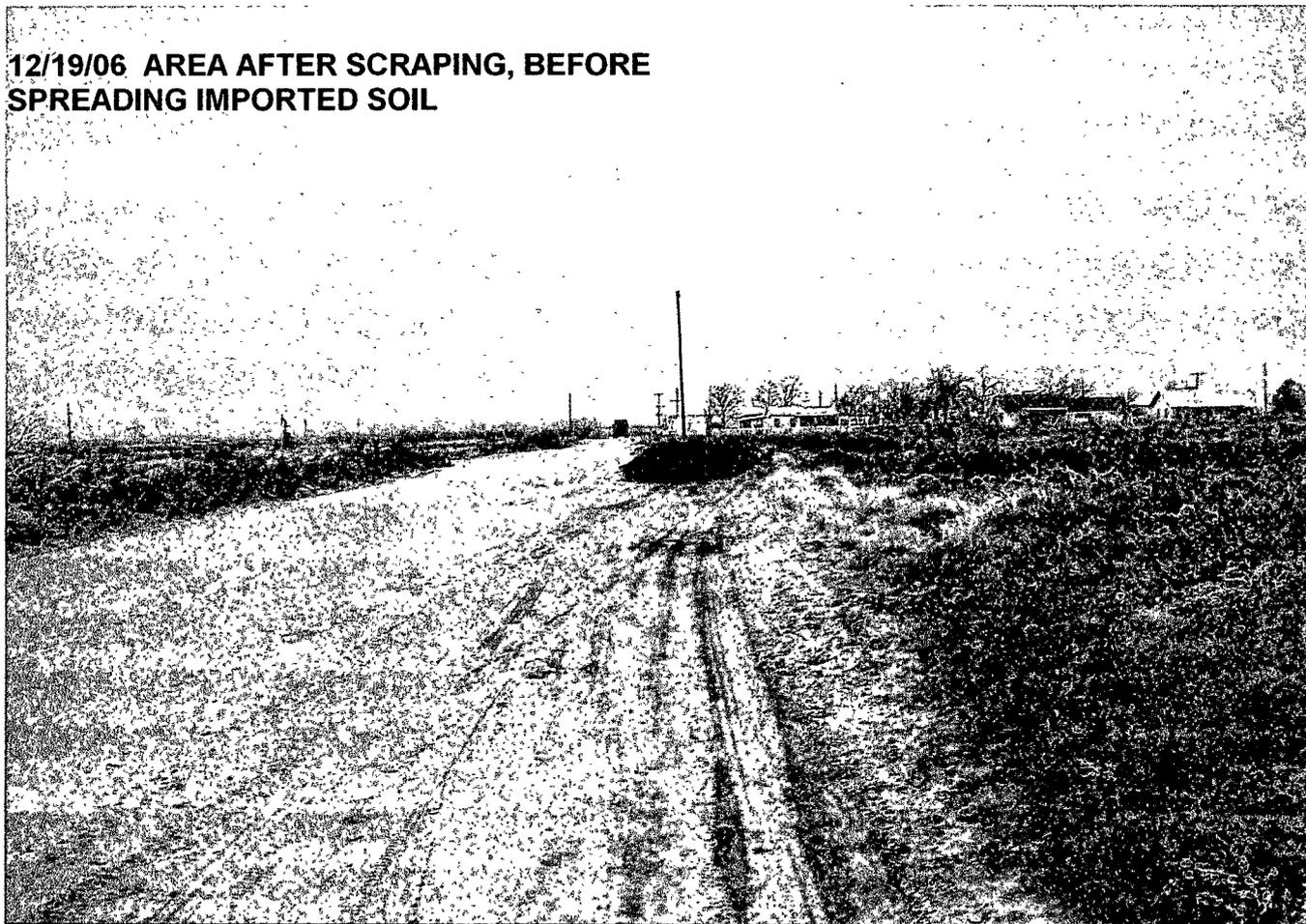
A vacuum truck was dispatched at the time the spill was discovered to haul produced water to an appropriate disposal facility. The affected area was initially scraped to a depth of 4 inches and the 120 yds of impacted soil was disposed at the Sundance facility. The site was delineated using a hand auger and backhoe. 144 yds of clean soil was imported to the location and the shoulder built up along the road to restrict vehicular traffic. The entire area was seeded with a blend of grasses requested by the landowner.

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.

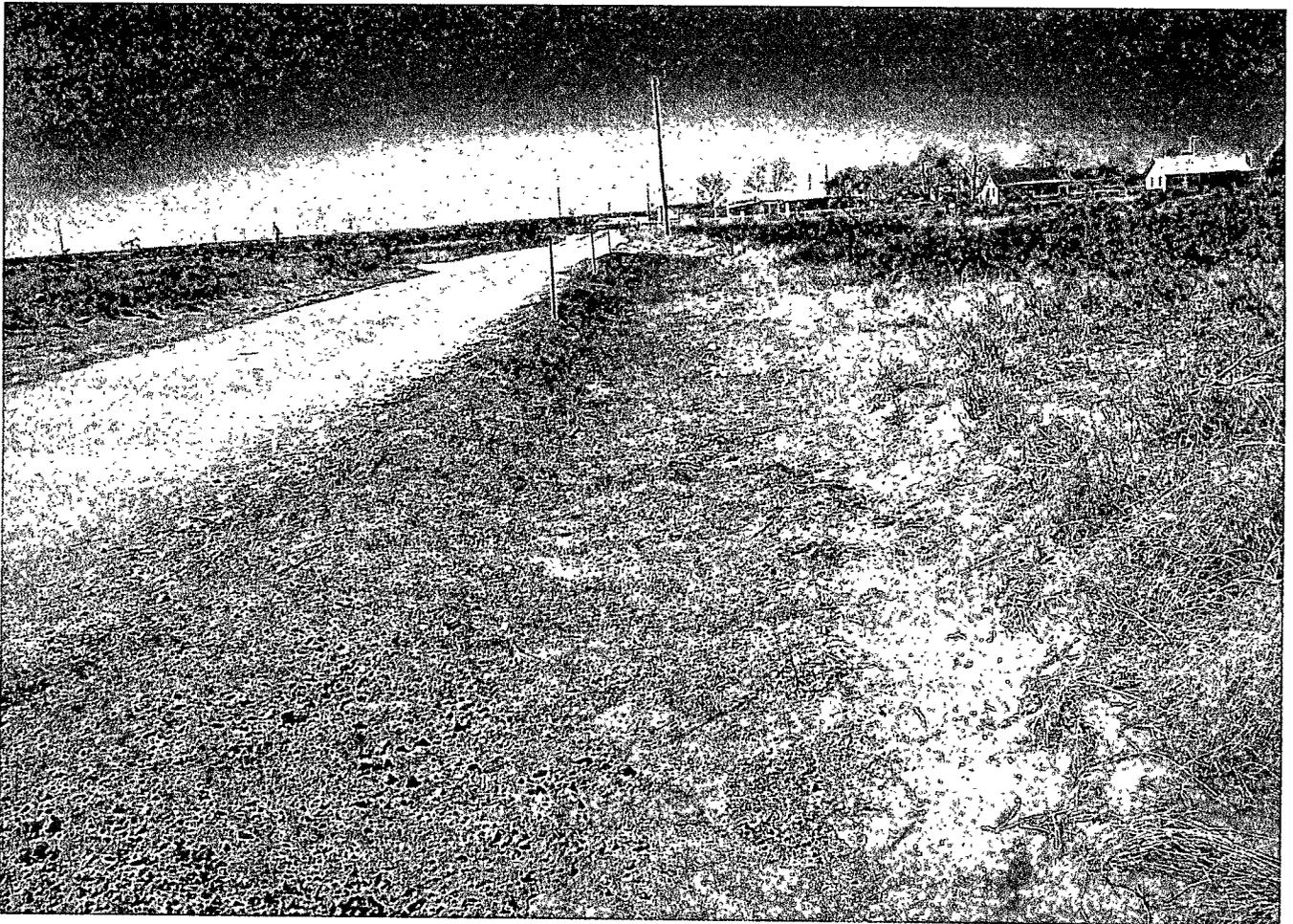
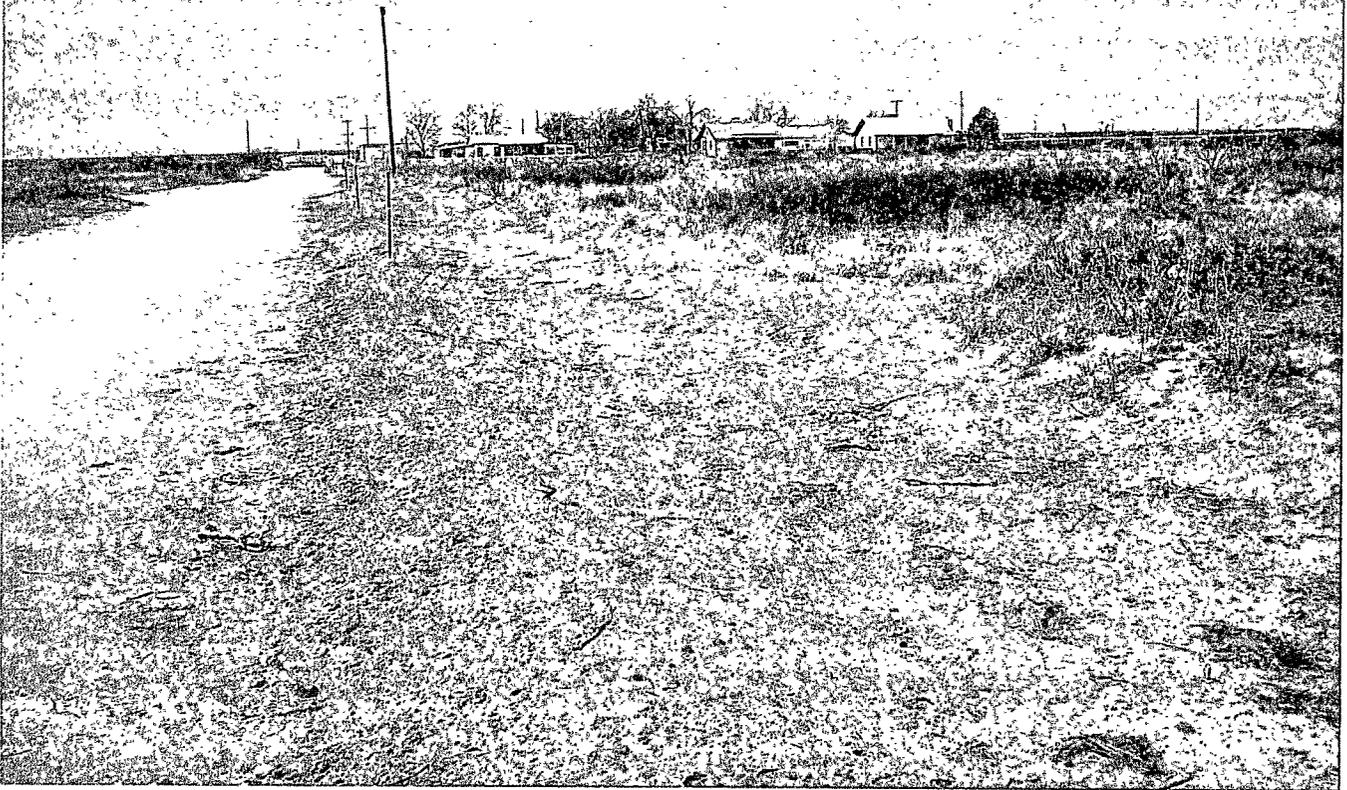
| | | | | | |
|-------------------------------------|---|---------|---|-----------------------------------|--|
| Signature: |  | | | OIL CONSERVATION DIVISION | |
| Printed Name: Tony Grieco | Approved by District Supervisor: | |  | | |
| Title: Environmental Technician | Approval Date: | 9/14/07 | Expiration Date: | 9/14/07 | |
| E-mail Address: tgrieco@riceswd.com | Conditions of Approval: | | | Attached <input type="checkbox"/> | |
| Date: 7/27/07 | Phone: (505) 393-9174 | | | | |

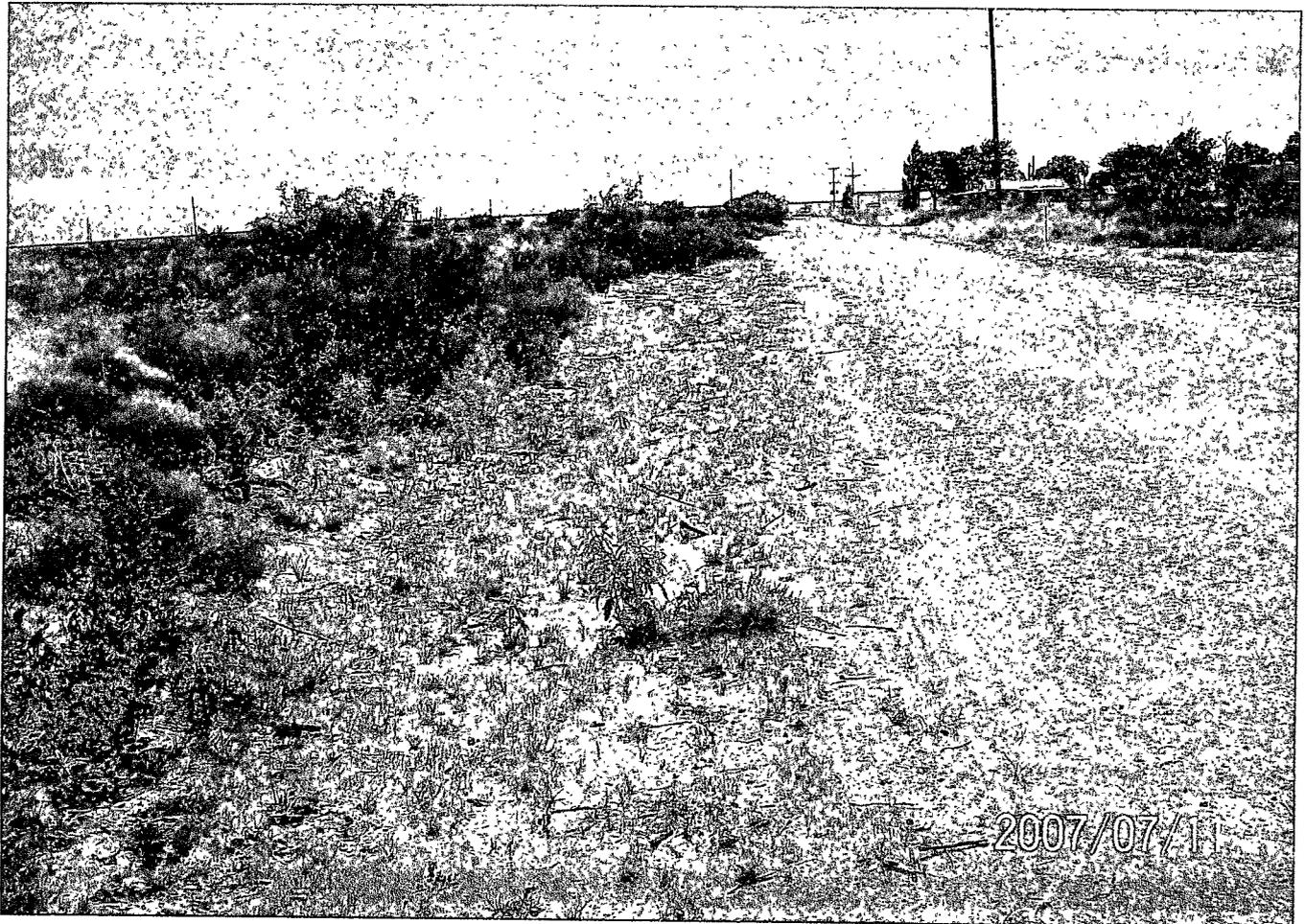
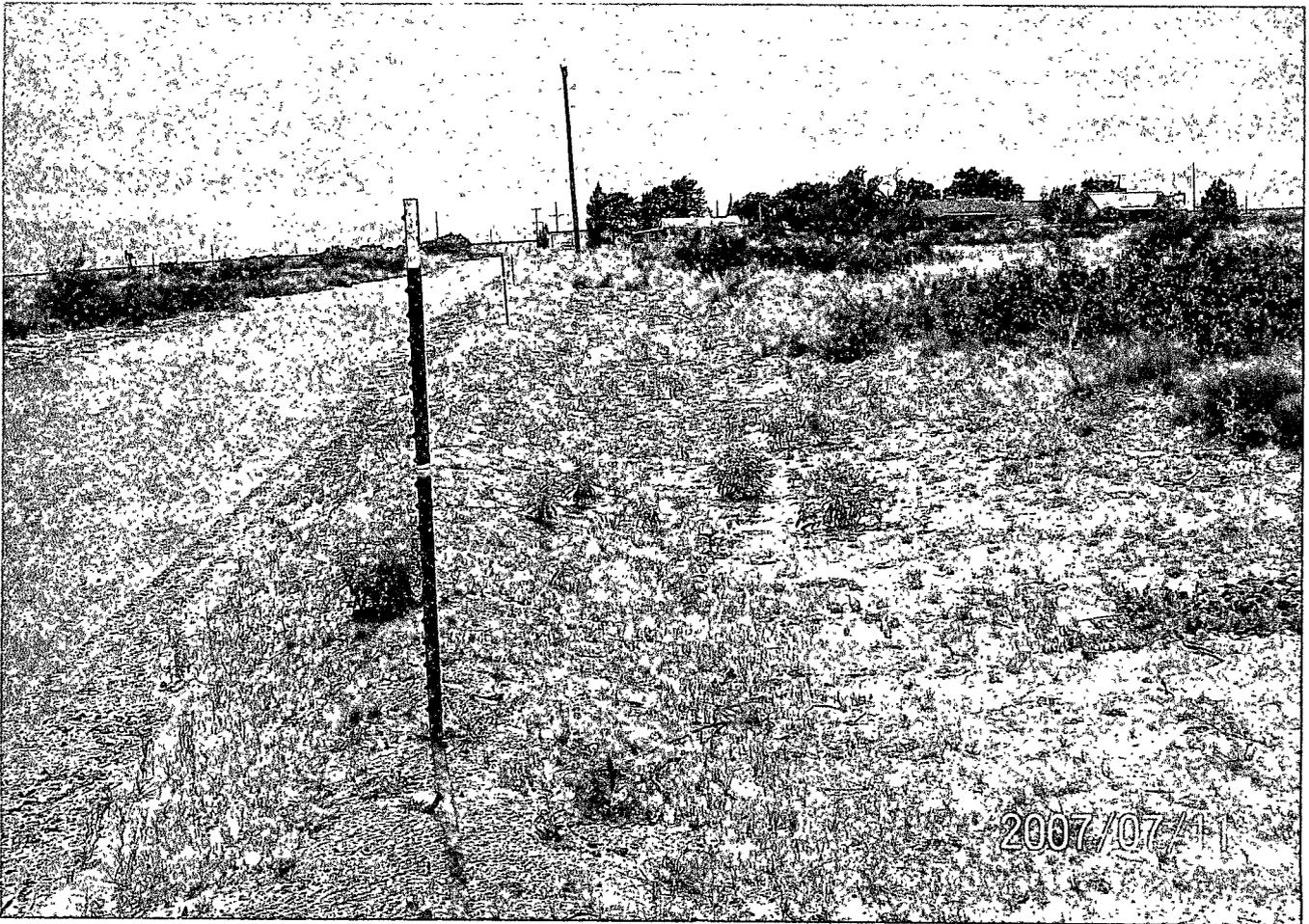
* Attach Additional Sheets If Necessary

**12/19/06 AREA AFTER SCRAPING, BEFORE
SPREADING IMPORTED SOIL**



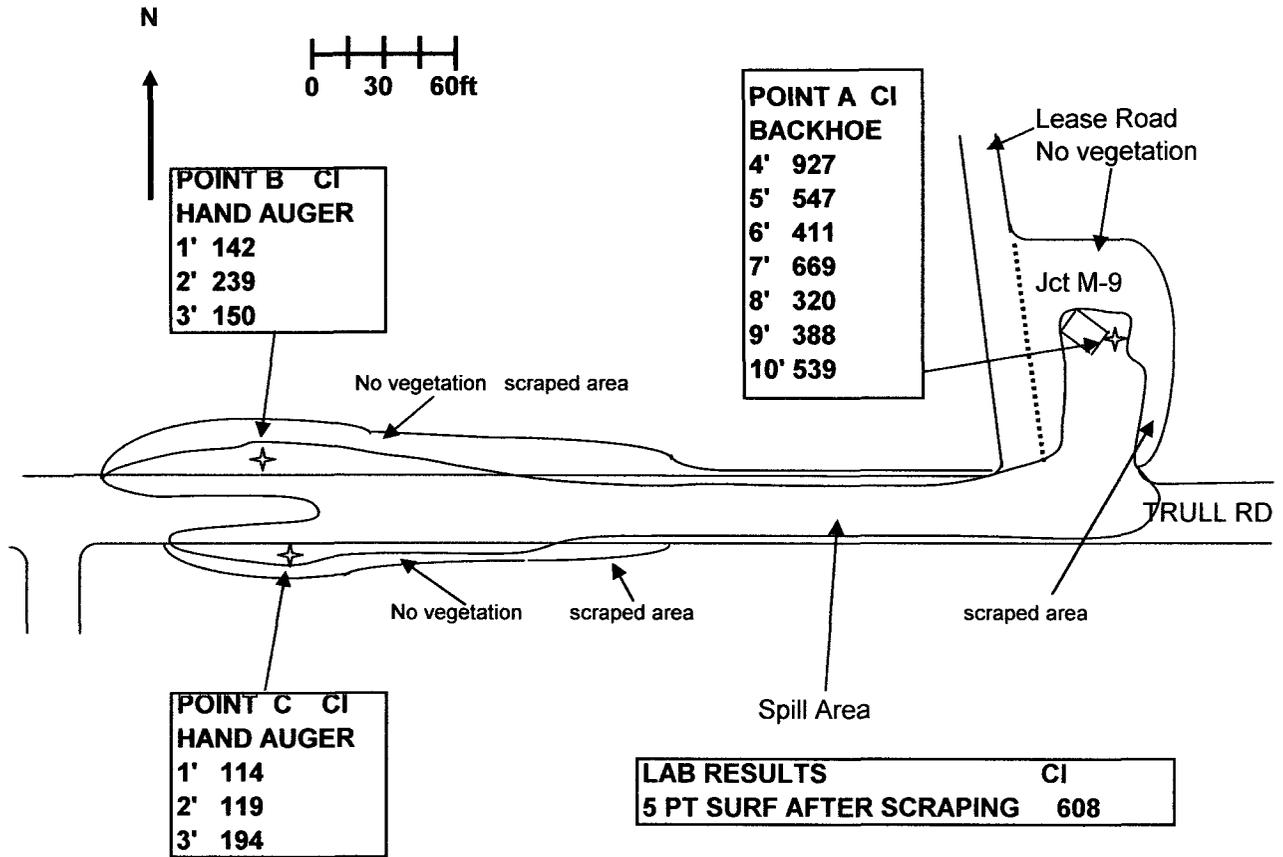
3/19/07





BD M-9 Leak

U/L M SEC 9 T22S R37E GW 70'
 DELINEATION RESULTS AFTER SCRAPING





**ARDINAL
LABORATORIES**

PHONE (325) 673-7001 • 2111 BEECHWOOD • ABILENE, TX 79603

PHONE (505) 393-2326 • 101 E MARLAND • HOBBS, NM 88240

ANALYTICAL RESULTS FOR
RICE OPERATING CO.
ATTN: KRISTIN FARRIS-POPE
122 W. TAYLOR
HOBBS, NM 88240
FAX TO: (505) 397-1471

Receiving Date: 07/18/06
Reporting Date: 07/21/06
Project Number: NOT GIVEN
Project Name: BD M-9
Project Location: NOT GIVEN

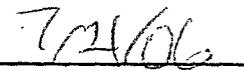
Sampling Date: 07/14/06
Sample Type: SOIL
Sample Condition: COOL & INTACT
Sample Received By: BC
Analyzed By: BC/HM

| LAB NUMBER | SAMPLE ID | GRO (C ₆ -C ₁₀) (mg/Kg) | DRO (>C ₁₀ -C ₂₈) (mg/Kg) | CI* (mg/Kg) |
|-----------------------------|--------------|--|--|----------------|
| ANALYSIS DATE | | 07/20/06 | 07/20/06 | 07/18/06 |
| H11349-1 | 5 PT SURFACE | <10.0 | <10.0 | 608 |
| | | | | |
| | | | | |
| Quality Control | | 706 | 807 | 1010 |
| True Value QC | | 800 | 800 | 1000 |
| % Recovery | | 95.7 | 101 | 101 |
| Relative Percent Difference | | 3.4 | 8.9 | 0.0 |

METHODS: TPH GRO & DRO: EPA SW-846 8015 M; CI: Std. Methods 4500-CI B

*Analysis performed on a 1:4 w:v aqueous extract.


Chemist


Date

H11349

PLEASE NOTE: Liability and Damages Cardinal's liability and client's exclusive remedy for any claim arising, whether based in contract or tort, shall be limited to the amount paid by client for analyses. All claims, including those for negligence and any other cause whatsoever shall be deemed waived unless made in writing and received by Cardinal within thirty (30) days after completion of the applicable service. In no event shall Cardinal be liable for incidental or consequential damages, including, without limitation, business interruptions, loss of use, or loss of profits incurred by client, its subsidiaries, affiliates or successors arising out of or related to the performance of services hereunder by Cardinal, regardless of whether such claim is based upon any of the above-stated reasons or otherwise.

