

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

Form C-141  
Revised October 10, 2003

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

JUN 22 2009

Submit 2 Copies to appropriate  
District Office in accordance  
with Rule 116 on back  
side of form

30-015-30025

Release Notification and Corrective Action

nMLB0916140542

256523

OPERATOR

Initial Report  Final Report

Name of Company: <i>Southern Bay Operating, L.L.C.</i>	Contact: <i>Steve Collins, V.P.-Operations</i>
Address: <i>110 Cypress Station Drive, Suite 220 - Houston, TX 77090-1629</i>	Telephone No.: <i>281.537-9920</i>
Facility Name: <i>Grayburg Jackson, Tract MB, Well 16-P</i>	Facility Type: <i>Well's Flow Line [to Tank Battery]</i>
Surface Owner: <i>Bureau of Land Management</i>	Mineral Owner: <i>Mineral Management Service</i> Lease No.: <i>NM-0467934</i>

LOCATION OF RELEASE

Unit Letter <i>P</i>	Section <i>27</i>	Township <i>17S</i>	Range <i>30E</i>	Feet from the <i>330</i>	North/South Line <i>SOUTH</i>	Feet from the <i>430</i>	East/West Line <i>EAST</i>	County: <i>EDDY</i>
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Latitude: *32.7989 N* Longitude: *-103.9577*

NATURE OF RELEASE

Release #1 of 2

Type of Release: <i>Well Fluid [full-stream production]</i>	Volume of Release: <i>+/- 20 bbl</i>	Volume Recovered: <i>Zero bbl</i>
Source of Release <i>Flow line Integrity failure</i>	Date and Hour of Occurrence: <i>Unknown</i>	Date and Hour of Discovery: <i>5/20/2009 - 1100 hrs</i>
Was Immediate Notice Given? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Not Required	If YES, To Whom?	
By Whom?	Date and Hour	
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.\*

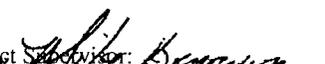
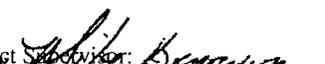
*Short Horizontal Split in 3-inch poly-flow line; Installed NEW flow line..*

Describe Area Affected and Cleanup Action Taken.\*

*Used back-hoe to delineate sub-surface & excavate sub-surface / ground surface contaminated soil..*

*Load & haul to disposal total of 30 cy.. Collect soil samples, submit to laboratory for TPH and Total Chloride analyses.. Review lab report..*

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: <i>MARK WEATHERLY</i>	Approved By: 	Signed By: 
Title: <i>Environmental / Regulatory Coordinator</i>	Approval Date: <b>JUL 23 2009</b>	Expiration Date: <i>N/A</i>
E-mail Address: <i>Mark@SBEnergy.com</i>	Conditions of Approval: <i>N/A</i>	Attached <input type="checkbox"/>
Date: <i>06/22/2009</i> Phone: <i>281.537-9920, X-120</i>		

\* Attach Additional Sheets If Necessary

nMLB0916141259

2RP-316

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**Release Notification and Corrective Action**

NMLB 0916140542

256523 OPERATOR

Initial Report  Final Report

Name of Company: Southern Bay Operating, L.L.C.	Contact: Steve Collins, V.P.-Operations
Address: 110 Cypress Station Drive, Suite 220 - Houston, TX 77090-1629	Telephone No.: 281.537-9920
Facility Name: Grayburg Jackson, Tract MB, Well 16-P	Facility Type: Well's Flow Line [to Tank Battery]

Surface Owner: Bureau of Land Management	Mineral Owner: Mineral Management Service	Lease No.: NM-0467934
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**LOCATION OF RELEASE**

Unit Letter P	Section 27	Township 17S	Range 30E	Feet from the	North/South Line	Feet from the	East/West Line	County: EDDY
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Latitude: 32.79898 N Longitude: -103.95858 W

**NATURE OF RELEASE**

Release # 2 of 2

Type of Release: Well Fluid [full-stream production]	Volume of Release: +/- 4 bbl	Volume Recovered: Zero bbl
Source of Release Flow line Integrity failure	Date and Hour of Occurrence: 5/29/2009 - At Unknown Hour	Date and Hour of Discovery: 5/29/2009 - 1000 hrs
Was Immediate Notice Given? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Required	If YES, To Whom? Facsimile to District 2 Office	
By Whom?	Date and Hour	
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.\*

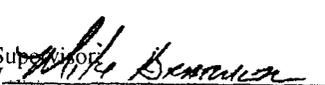
Short Horizontal Split in 3-inch poly-flow line; Installed NEW flow line..

Describe Area Affected and Cleanup Action Taken.\*

Used back-hoe to delineate sub-surface & excavate sub-surface / ground surface contaminated soil..

Load & haul to disposal total of 6 cy.. Collect soil samples, submit to laboratory for TPH and Total Chloride analyses.. Review lab report..

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: MARK WEATHERLY	Approved by District Supervisor: Signed By 	
Title: Environmental / Regulatory Coordinator	Approval Date: JUL 23 2009	Expiration Date: N/A
E-mail Address: Mark@SBEnergy.com	Conditions of Approval: N/A	Attached <input type="checkbox"/>
Date: 06/22/2009	Phone: 281.537-9920, X-120	

\* Attach Additional Sheets If Necessary

NMLB 0916141259

2RA-316



# ARDINAL LABORATORIES

PHONE (575) 393-2326 • 101 E. MARLAND • HOBBS, NM 88240

ANALYTICAL RESULTS FOR  
SOUTHERN BAY OPERATING, LLC.  
ATTN: MARK WEATHERLY  
110 CYPRESS STATION DR., #200  
HOUSTON, TX 77090

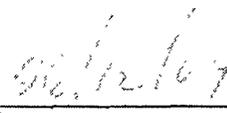
Receiving Date: 06/10/09  
Reporting Date: 06/12/09  
Project Number: NOT GIVEN  
Project Name: GRAYBURG JACKSON, MB #16-P  
Project Location: NOT GIVEN

Sampling Date: 06/10/09  
Sample Type: SOIL  
Sample Condition: INTACT @ 7.5°C  
Sample Received By: ML  
Analyzed By: AB/HM

LAB NUMBER	SAMPLE ID	GRO (C <sub>5</sub> -C <sub>10</sub> ) (mg/kg)	DRO (>C <sub>10</sub> -C <sub>28</sub> ) (mg/kg)	Cl* (mg/kg)
ANALYSIS DATE		06/11/09	06/11/09	06/11/09
H17607-1	2A	<10.0	38.4	16
H17607-2	2B	<10.0	<10.0	<16
Quality Control		595	599	490
True Value QC		500	500	500
% Recovery		119	120	98.0
Relative Percent Difference		0.6	6.2	2.0

METHODS: TPH GRO & DRO: EPA SW-846 8015 M; Cl: Std. Methods 4500-ClB  
\*Analyses performed on 1:4 w:v aqueous extracts. Reported on wet weight.

  
\_\_\_\_\_  
Chemist

  
\_\_\_\_\_  
Date

H17607 TCL SBO

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