

AP - 54

**GENERAL
CORRESPONDENCE**

YEAR(S):
2008

Hansen, Edward J., EMNRD

From: Jeffrey P Dann [jpdann@paalp.com]
Sent: Friday, August 01, 2008 7:37 AM
To: Hansen, Edward J., EMNRD
Cc: Camille J Bryant; Douglas S Kennedy; Price, Wayne, EMNRD; kwaggoner@talonlpe.com
Subject: RE: Plains - Hobbs Jct Mainline (AP-54) and CS Caylor (AP-52) Sites - AP Amendment Approval

Ed and Wayne:

Thank you for your quick response to our request. Just wanted to update you on the remaining issues we still have to resolve before we can get the systems fully up and running. We started with the most difficult and time consuming task first - namely finding a disposal facility and getting a contract in place. We have the agreement for the Caylor and we are still waiting on an agreement from Oxy for the Hobbs Jct Mainline site (hopefully it will be here next week). Once the agreements are in place, the next step will be to survey the proposed alignment and obtain a right-of-way for the flowlines from the landowners. Once we have the ROWs in place we can lay the pipe and set pumps - we have already sized the pipe and pumps. Hope you understand I can't purchase all the pipe and pump supplies until I get these agreements in place (just in case they were to fall through). The ROW for the Caylor is scheduled to be surveyed next week and then we can get with the landowner to finalize a ROW agreement. All of this sounds fairly straight forward, but actually progress is very slow. I just want to reassure the NMOCD that we are pushing forward as fast as we can but the remaining steps may take up to 90 days to complete. In the meantime, we are hauling water from both of these sites on a regular basis.

Regards,
Jeff Dann
Plains

-----Original Message-----

From: Hansen, Edward J., EMNRD [mailto:edwardj.hansen@state.nm.us]
Sent: Wednesday, July 30, 2008 5:05 PM
To: Jeffrey P Dann
Cc: Camille J Bryant; Douglas S Kennedy; Price, Wayne, EMNRD
Subject: RE: Plains - Hobbs Jct Mainline (AP-54) and CS Caylor (AP-52) Sites - AP Amendment Approval

Dear Mr. Dann:

The New Mexico Oil Conservation Division (OCD) has reviewed your proposal for the disposal of recovered water from the above referenced sites. The OCD hereby conditionally approves the respective amendments to the abatement plans (AP-52 and AP-54). Please commence the disposal of the recovered water as specified for each site within 30 days.

Also, please be advised that NMOCD approval of these plans does not relieve the owner/operator of responsibility should operations pose a threat to ground water, surface water, human health or the environment. In addition, NMOCD approval does not relieve the owner/operator of responsibility for compliance with any OCD, federal, state, or local laws and/or regulations.

If you have questions regarding this matter, please contact me at 505-476-3489.

Edward J. Hansen
Hydrologist
Environmental Bureau

P.S.: Please use the respective OCD case #s on future correspondence regarding the sites listed

8/5/2008

above.

From: Jeffrey P Dann [mailto:jpdann@paalp.com]
Sent: Thursday, July 17, 2008 1:14 PM
To: Price, Wayne, EMNRD; Hansen, Edward J., EMNRD
Cc: Camille J Bryant; Douglas S Kennedy
Subject: Plains - Hobbs Jct Mainline and CS Caylor Sites

Wayne and Ed:

Pursuant to your request for Plains to increase our groundwater pumping and oil recovery rates at the C.S. Caylor and Hobbs Jct Mainline remediation sites in Lea County, New Mexico, Plains has installed total fluid pumps and larger water storage tanks at these sites and increased our recovery efforts. During our last meeting in Santa Fe in February 2008, you had mentioned to Plains that a produced water/fluids disposal option available to Plains was to pipe the produced fluids to a nearby permitted disposal well or injection facility (water flood unit). We have evaluated this option and located facilities within close proximity to each site and we are in the process of negotiating agreements with both of these firms to dispose of our produced fluids. The water generated from a groundwater remediation system is not a typical E&P generated waste and does not exactly meet the definition of "produced water" or "oil field waste" based on New Mexico Oil Conservation Division (NMOCD) Rule 19.15.2.52, "Disposition of Produced Water and Other Oil Field Waste". Plains seeks division authorization [pursuant to 19.15.2.52 B(2)] to dispose of "produced water" in the manner described below:

C.S. Caylor Site - Total fluid pumps and skimmer pumps will recover oil and water and the recovered fluids will be placed in storage tanks located at the site. The storage tanks will be equipped with high levels switches will kick on at the appropriate level and pump the produced fluids via pipeline to the disposal facility. The produced water will be disposed at the Miller Oil & Gas Assets III, LLC (API # 3002503857) disposal well located in Section 6, Township 17 South and Range 36 East, Lea County, New Mexico. The system will be equipped with a flow meter and Plains will report the monthly volume of fluid disposal to the NMOCD. The operator of this well has obtained a representative sample of this water and has deemed it acceptable for disposal through their system.

Hobbs Jct Mainline Site - Total fluid pumps and skimmer pumps will recover oil and water and the recovered fluids will be placed in storage tanks located at the site. The storage tanks will be equipped with high levels switches will kick on at the appropriate level and pump the produced fluids via pipeline to the disposal facility. The produced water will be transported to the Oxy Satellite #25 battery where the water will be utilized in their water flood operations. The Oxy Satellite #25 facility

is located in Section 26, Township 18 South and Range 37 East, Lea County, New Mexico. The system will be equipped with a flow meter and Plains will report the monthly volume of fluid disposal to the NMOCD. The operator of this system has obtained a representative sample of this water and has deemed it acceptable for use in their water flood system.

As a matter of Plains policy, Plains will not execute these disposal agreements with Miller and Oxy until we have NMOCD concurrence. Your prompt attention to this matter would be greatly appreciated.

Regards

*Jeffrey P. Dann, P.G.
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