

NM1 - 5

Part 36 PERMIT

(May 19, 2010)

Renewals & Mod's.

2010 – 2015

Hansen, Edward J., EMNRD

From: Hansen, Edward J., EMNRD
Sent: Wednesday, June 30, 2010 10:16 AM
To: 'jvolkerding@aztecwell.com'
Cc: Powell, Brandon, EMNRD; Jones, Brad A., EMNRD
Subject: Approval of Minor Modification to Permit, NM1-005, Paragraph 6.A - Basin Disposal, Inc., dated 6-8-10

Dear Dr. Volkerding:

The New Mexico Oil Conservation Division (OCD) has received on June 17, 2010 the request for minor modification to permit (NM-1-005), dated June 8, 2010, and subsequent addendum, dated June 29, 2010. The OCD has conducted a review of the request. The Request, submitted for the minor modification to the surface waste management facility, Basin Disposal, Inc., indicates that the Request would be considered a minor modification under 19.15.36 NMAC (Part 36) and meets the requirements of Part 36. Therefore, the OCD hereby approves the Minor Modification to Permit, NM-1-005, Condition 6.A, (regarding an alternate wastewater pipeline testing method) as specified in the Request, in accordance with 19.15.36 NMAC.

Please be advised that OCD approval of this Request 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, OCD 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 any questions regarding this matter, please contact me at 505-476-3489.

Edward J. Hansen
Hydrologist
Environmental Bureau

Hansen, Edward J., EMNRD

From: John Volkerding [jvolkerding@aztecwell.com]
Sent: Tuesday, June 29, 2010 12:26 PM
To: Hansen, Edward J., EMNRD
Subject: Pictures and Description of Discharge Line Pressure Testing

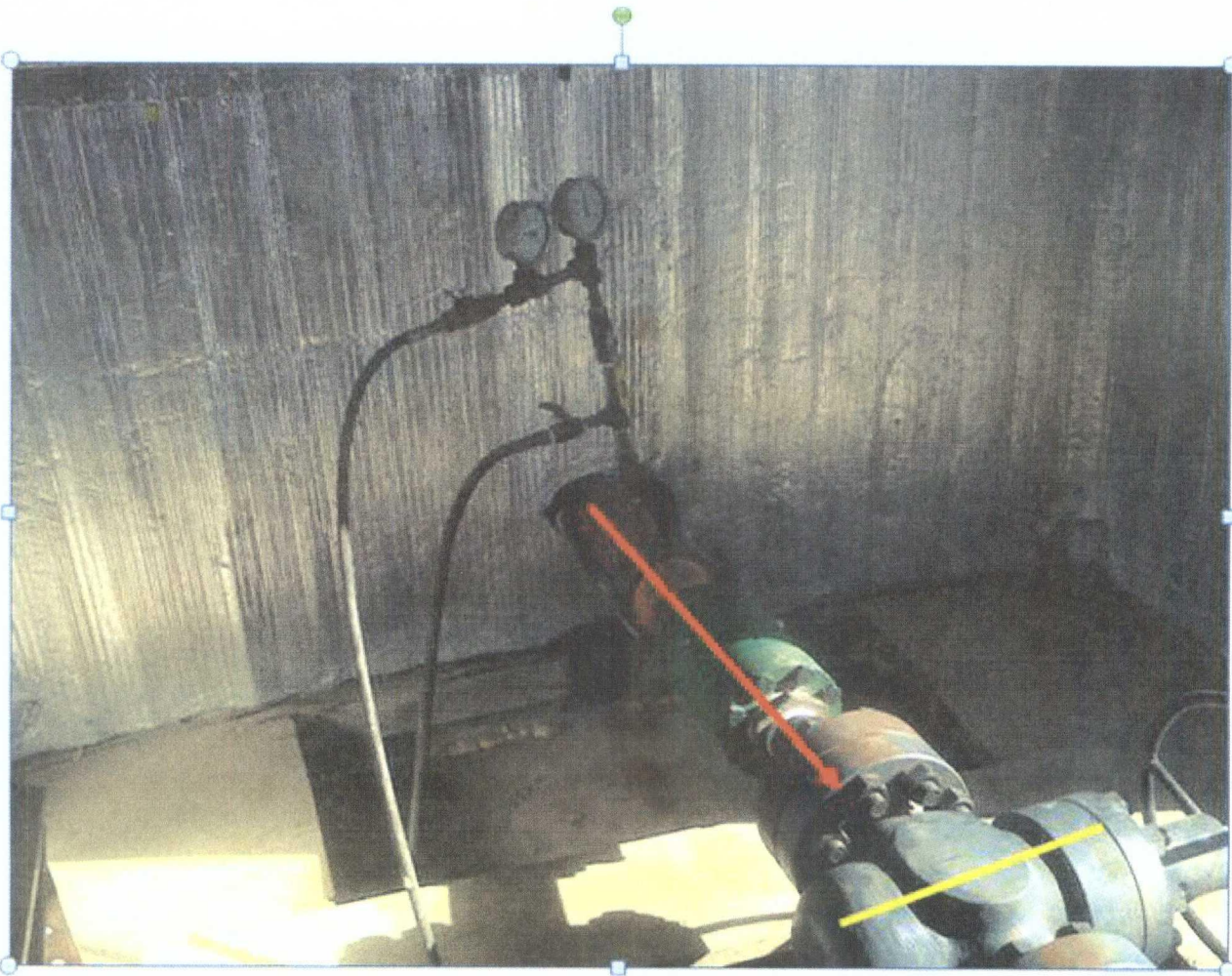
Edward;

Below are a couple pictures that hopefully will clarify how the discharge line will be pressurized and tested.

In the picture below, the hose marked with a yellow arrow is the discharge from the pumps. The pumps will be turned off and the connector highlighted in blue will be disconnected from the pumps. This is where the kill truck will attach its hose. The red arrows show the flow of water to the wellhead and is the line to be pressure tested. The kill truck will pressure this line to 1600 psi and then shut its valve. The kill truck's hose will be equipped with a pressure gauge to monitor the pressure.



The picture below shows the inlet to the wellhead. The red line is the line coming from the pumps and is the line that will be pressure tested. The valve designated with the yellow line will be closed to maintain the pressure in the discharge line.

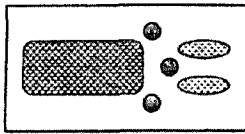


I hope the pictures and description help describe the process for pressure testing the disposal line.

Thanks and Happy Fourth of July, John

John Volkerding
General Manager
Basin Disposal, Inc.
PO Box 100, Aztec, NM 87410
Office: 505-334-3013
Mobile: 505-320-2840
Fax: 505-333-3898
Plant: 505-632-8936
Email: bdinc@digii.net

A single sunbeam is enough to drive away many shadows.
-- St. Francis of Assisi



BASIN DISPOSAL, INC.

"SPECIALIZING IN DISPOSAL OF PRODUCED WATER AND DRILLING MUD"

P.O. BOX 100 - AZTEC, NEW MEXICO 87410 - PHONE: (505) 334-3013

8 June 2010

Edward J Hansen
EMNRD/OCD
Environmental Bureau
1220 South St. Francis Dr.,
Santa Fe, New Mexico 87505

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2010 JUN 17 P 1:19

RE: Proposal for Alternate Test Method under Permit Paragraph 6.A
Permit NM-1-005

Dear Mr. Hansen;

Paragraph 6.A states:

"The Owner/operator shall test all underground process/wastewater pipelines at least once every five (5) years to demonstrate their mechanical integrity, except lines containing fresh water. The Owner/Operator shall test all pressure-rated pipelines to 150% of the normal operating pressure, if possible, or for atmospheric drain systems, to 4 pounds per square inch greater than normal operating pressure, and pressure held for a minimum of 30 minutes with no more than 1% loss/gain in pressure. The Owner/Operator may propose other test methods for the Division's Environmental Bureau's review and approval."

Basin Disposal proposes an alternative test method for the piping from the injection pumps to the well. That line has a normal operating pressure of 1500-1600 psi (depending on whether 1 or 2 pumps are operating). A testing pressure of 150% would require testing at 2400 psi. Given the already high normal pressure in the line, for the purposes of safety, Basin Disposal proposes that the line be tested at 1600 psi and that pressure held for a minimum of 30 minutes. 1600 psi is adequately high enough to demonstrate the mechanical integrity and is safer than attempting to pressurize the line to 2400 psi.

In order to accurately maintain and measure the pressure during the test, Basin Disposal proposes using a Pump (Kill) truck, mostly likely from Halliburton, to create the pressure in the line. Our injection pumps would be off at this time. Basin Disposal personnel would close the master valve to the well, tie the pump truck into the injection line at the discharge point of the pumps and allow the pump truck to increase the pressure in the line to 1600 psi. The pressure would be measured by the pump truck and the chart recorder at the well head to verify that pressure gain/loss is no more than 1% over the 30 minute test period.

Since the permit requires that the test be performed every five years and the well is required to have a mechanical integrity test every 5 years, Basin Disposal proposes to conduct both tests on the same date. The next mechanical integrity test is scheduled for July 2012.

I appreciate the opportunity to propose the alternative test method and if you have any questions, please feel free to phone me at 334-3013 or 320-2840 or via email at bdinc@digii.net.

Sincerely;

John Volkerding
General Manager

Encl: C-137

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

For State Use Only:

Form C-137
Revised March 1, 2007

Submit 1 Copy to Santa Fe Office

APPLICATION FOR SURFACE WASTE MANAGEMENT FACILITY

A meeting should be scheduled with the Division's Santa Fe office Environmental Bureau prior to pursuing an application for a surface waste management facility in order to determine if the proposed location is capable of satisfying the siting requirements of Subsections A and B of 19.15.36.13 NMAC for consideration of an application submittal.

1. Application: ☐ New ☒ Modification ☐ Renewal
2. Type: ☒ Evaporation ☒ Injection ☐ Treating Plant ☐ Landfill ☐ Landfarm ☐ Other
3. Facility Status: ☒ Commercial ☐ Centralized
4. Operator: Basin Disposal, Inc
Address: Physical: 200 Montana Blvd, Bloomfield, NM 87413. Mailing: PO Box 100, Aztec, NM 87410
Contact Person: John Volkerding Phone: 505-334-3013
5. Location: SE /4 NW /4 Section 3 Township 29N Range 11W
6. Is this an existing facility? ☒ Yes ☐ No If yes, provide permit number NM-1-005
7. Attach the names and addresses of the applicant and principal officers and owners of 25 percent or more of the applicant. Specify the office held by each officer and identify the individual(s) primary responsible for overseeing management of the facility.
8. Attach a plat and topographic map showing the surface waste management facility's location in relation to governmental surveys (quarter-quarter section, township and range); highways or roads giving access to the surface waste management facility site; watercourses; fresh water sources, including wells and springs; and inhabited buildings within one mile of the site's perimeter.
9. Attach the names and addresses of the surface owners of the real property on which the surface waste management facility is sited and surface owners of the real property within one mile of the site's perimeter.
10. Attach a description of the surface waste management facility with a diagram indicating the location of fences and cattle guards, and detailed construction/installation diagrams of pits, liners, dikes, piping, sprayers, tanks, roads, fences, gates, berms, pipelines crossing the surface waste management facility, buildings and chemical storage areas.
11. Attach engineering designs, certified by a registered professional engineer, including technical data on the design elements of each applicable treatment, remediation and disposal method and detailed designs of surface impoundments.
12. Attach a plan for management of approved oil field wastes that complies with the applicable requirements contained in 19.15.36.13, 19.15.36.14, 19.15.36.15 and 19.15.36.17 NMAC.
13. Attach an inspection and maintenance plan that complies with the requirements contained in Subsection L of 19.15.36.13 NMAC.
14. Attach a hydrogen sulfide prevention and contingency plan that complies with those provisions of 19.15.3.118 NMAC that apply to surface waste management facilities.

15. Attach a closure and post closure plan, including a responsible third party contractor's cost estimate, sufficient to close the surface waste management facility in a manner that will protect fresh water, public health, safety and the environment (the closure and post closure plan shall comply with the requirements contained in Subsection D of 19.15.36.18 NMAC).

16. Attach a contingency plan that complies with the requirements of Subsection N of 19.15.36.13 NMAC and with NMSA 1978, Sections 12-12-1 through 12-12-30, as amended (the Emergency Management Act).

17. Attach a plan to control run-on water onto the site and run-off water from the site that complies with the requirements of Subsection M of 19.15.36.13 NMAC.

18. In the case of an application to permit a new or expanded landfill, attach a leachate management plan that describes the anticipated amount of leachate that will be generated and the leachate's handling, storage, treatment and disposal, including final post closure options.

19. In the case of an application to permit a new or expanded landfill, attach a gas safety management plan that complies with the requirements of Subsection O of 19.15.36.13 NMAC

20. Attach a best management practice plan to ensure protection of fresh water, public health, safety and the environment.

21. Attach a demonstration of compliance with the siting requirements of Subsections A and B of 19.15.36.13 NMAC.

22. Attach geological/hydrological data including:

- (a) a map showing names and location of streams, springs or other watercourses, and water wells within one mile of the site;
- (b) laboratory analyses, performed by an independent commercial laboratory, for major cations and anions; benzene, toluene, ethyl benzene and xylenes (BTEX); RCRA metals; and total dissolved solids (TDS) of ground water samples of the shallowest fresh water aquifer beneath the proposed site;
- (c) depth to, formation name, type and thickness of the shallowest fresh water aquifer;
- (d) soil types beneath the proposed surface waste management facility, including a lithologic description of soil and rock members from ground surface down to the top of the shallowest fresh water aquifer;
- (e) geologic cross-sections;
- (f) potentiometric maps for the shallowest fresh water aquifer; and
- (g) porosity, permeability, conductivity, compaction ratios and swelling characteristics for the sediments on which the contaminated soils will be placed.

23. In the case of an existing surface waste management facility applying for a minor modification, describe the proposed change and identify information that has changed from the last C-137 filing.


24. The division may require additional information to demonstrate that the surface waste management facility's operation will not adversely impact fresh water, public health, safety or the environment and that the surface waste management facility will comply with division rules and orders

25. CERTIFICATION

I hereby certify that the information submitted with this application is true, accurate and complete to the best of my knowledge and belief.

Name: John M. Volkerding

Title: General Manager

Signature: 

Date: 6/8/2010

E-mail Address: jvolkerding@aztecwell.com

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2010 MAY 26 P 1:47

**SURFACE WASTE MANAGEMENT FACILITY PERMIT (NM1-005)
MAJOR MODIFICATION**

1. GENERAL PROVISIONS.

A. PERMITTEE AND PERMITTED FACILITY: The Oil Conservation Division (Division) of the Energy, Minerals and Natural Resources Department issues this surface waste management permit, including a major modification, **NM1-005**, (Permit) to Basin Disposal, Inc. (Owner/Operator), P.O. Box 100, Aztec, New Mexico 87410, located at 200 Montana Street, Bloomfield, New Mexico 87413 to construct, operate, and close the Basin Disposal, Inc, Surface Waste Management Facility (Facility) located in Section 3, Township 29 North, Range 11 West, NMPM, San Juan County, New Mexico. The Facility is located approximately 3 miles north of the intersection of Highways 550 and 64.

The existing 28 acres \pm commercial surface waste management facility includes an evaporation pond, 12 receiving tanks, 3 oily water receiving tanks, 3 skimmed oil tanks, 3 oil heating tanks, 2 sludge settling tanks, 7 oil sales tanks, 3 filtered water tanks, 4 bleach tanks, 1 concrete sludge stabilization station, 2 covered below-grade tanks, and various support facilities including an office, a maintenance building, roads, and a storm water detention basin. Also, within the facility boundaries is an UIC Class II injection well (which is permitted separately by Division order R-8524, API No. 30-045-26862) for the disposal of produced water at the Facility. The major modification includes the addition of 2 evaporation ponds (approximately 2 acres each) constructed with 60-mil high density polyethylene (HDPE) primary liner, leak detection, and secondary liner systems. In addition, 6 additional oil field waste liquid receiving tanks and 2 oil sales tanks will be installed at the Facility.

B. SCOPE OF PERMIT: The Division regulates the disposition of water produced or used in connection with the drilling for or producing of oil or gas or both and to direct surface or subsurface disposal of the water in a manner that will afford reasonable protection against contamination of fresh water supplies designated by the state engineer pursuant to authority granted in the Oil and Gas Act (Chapter 70, Article 2 NMSA 1978) at Section 70-2-12(B)(15) NMSA 1978.

The Division regulates the disposition of nondomestic wastes resulting from the exploration, development, production or storage of crude oil or natural gas to protect the public health and the environment pursuant to authority granted in the Oil and Gas Act (Chapter 70, Article 2 NMSA 1978) at Section 70-2-12(B)(21) NMSA 1978.

The Division regulates disposition of nondomestic wastes resulting from the oil field service industry, the transportation of crude oil or natural gas, the treatment of natural gas or the refinement of crude oil to protect public health and the environment pursuant to authority granted

in the Oil and Gas Act (Chapter 70, Article 2 NMSA 1978) at Section 70-2-12(B)(22) NMSA 1978.

This Permit does not convey any property rights of any sort or any exclusive privilege, and does not authorize any injury to persons or property, any invasion of other private rights, or any infringement of state, federal or local laws, rules or regulations.

C. PERMIT CONDITIONS: By signing this Permit, the Owner/Operator agrees to the specific provisions set out in this document, and the commitments made in the approved Permit Major Modification Application of June 11, 2009 and the attachments to that application (as deemed complete on October 20, 2009), which are incorporated into this Permit by reference.

D. DEFINITIONS: Terms not specifically defined in this Permit shall have the same meanings as those in the Oil and Gas Act or the rules adopted pursuant to that Act, as the context requires.

E. GENERAL PERFORMANCE STANDARDS: The Owner/Operator shall operate in accordance with the permit conditions, to comply with the Oil and Gas Act and the rules issued pursuant to that Act, to protect public health and the environment [see Sections 70-2-12(B) (15), (21) and (22) NMSA 1978]; and to prevent waste of oil and gas, prevent the contamination of fresh waters and so that oil and gas are not used wastefully or allowed to leak or escape from a natural reservoir or from wells, tanks, containers, pipe or other storage conduit or operating equipment. See 19.15.2.8 NMAC.

F. EFFECTIVE DATE, EXPIRATION, RENEWAL CONDITIONS, AND PENALTIES FOR OPERATING WITHOUT A PERMIT: This Permit is effective when the Division's Environmental Bureau receives the signed Permit from the Owner/Operator. This Permit will expire on **May 19, 2020**. This Permit supersedes the Permit Major Modification of May 17, 1999, and any subsequent permit minor modifications to date. The Owner/Operator shall submit to the Division's Environmental Bureau an application for renewal no later than 120 calendar days before **May 19, 2020**, pursuant to 19.15.36.12A(2)(a) NMAC. If an Owner/Operator submits a renewal application at least 120 calendar days before the Permit expires and is in compliance with the approved Permit, then the existing Permit will not expire until the Division's Environmental Bureau has approved or disapproved the renewal application. See 19.15.36.12A(2)(a) NMAC. Operating with an expired Permit may subject the Owner/Operator to civil and/or criminal penalties. See Section 70-2-31 NMSA 1978.

G. FINANCIAL ASSURANCE: The Owner/Operator shall provide financial assurance in a form approved by the Division's Environmental Bureau for the commercial surface waste management facility's estimated closure and post closure cost. See 19.15.36.11 NMAC. The amount of financial assurance required is \$147,099.00 in addition to the current financial assurance of \$140,000.00 for a total amount of \$287,099.00. This Permit cannot be issued until the total amount (\$287,099.00) of financial assurance has been submitted to the Division's Environmental Bureau. The UIC Class II injection well located at the Facility is subject to the financial assurance requirements for well plugging specified at in 19.15.8.9 NMAC.

2. GENERAL FACILITY OPERATIONS.

A. LABELING: The Owner/Operator shall clearly label all tanks, drums, and containers to identify the contents and provide other emergency notification information in accordance with the tank numbering system as specified in Attachment III.1.F of the approved Application.

B. INSPECTIONS AND MAINTENANCE OF SECONDARY CONTAINMENT SYSTEMS: The Owner/Operator shall inspect all secondary containment systems and sumps at least monthly, unless otherwise specified, to ensure proper operation and to prevent over topping or system failure. The Owner/Operator shall empty all secondary containment systems of any fluids within 48 hours of discovery. The Owner/Operator shall keep written records of its inspections using the inspection form as specified in its approved Application and keep written records of any fluid analyses.

- i. **Evaporation Ponds:** If the Owner/Operator determines that fluids are present in the leak detection system in excess of 2 feet, the Owner/Operator shall initiate corrective actions as specified in Section 1 of Volume II of the approved Application. The Owner/Operator shall inspect all secondary containment systems and sumps at least every two weeks.
- ii. **Below-grade Tanks, Sumps, and Sludge Stabilization Unit:** If the Owner/Operator determines that a secondary containment system has developed a leak, or if any penetration of the below-grade tank, sump or sludge stabilization unit has occurred below the liquid's surface, then the Owner/Operator shall remove all liquid above the damage or leak line within 48 hours, notify the Division's Environmental Bureau within 48 hours of the discovery and repair the damage or replace the below-grade tank, sump or sludge stabilization unit as specified in Section 1 of Volume II of the approved Application.

C. RELEASE REPORTING AND CORRECTIVE ACTION FOR RELEASES: The Owner/Operators shall comply with the spill reporting and corrective action provisions of 19.15.30 NMAC or 19.15.29 NMAC.

D. ANNUAL REPORT: The Owner/Operator shall submit an annual report to the Division's Environmental Bureau by May 17 of each year. The annual report shall include the following information for the preceding calendar year:

- i. A copy of all inspections forms including facility inspections and inspections conducted of leak detection systems and analytical results of fluids if fluids were detected;
- ii. A copy of the annual hydrogen sulfide (H₂S) monitoring results for tank batteries in accordance with permit condition 9H and the monitoring results for underground

process and wastewater pipeline integrity tests in accordance with permit condition 6A;

- iii. A copy of all facility training records;
- iv. A copy of all form C-138s for waste generated by the Owner/Operator;
- v. A copy of all complaint logs and resolutions; and,
- vi. In addition to reporting releases as specified in the contingency plan of Section 5 of Volume II of the approved Application and pursuant to 19.15.29 NMAC, a summary report that includes the nature and amount of any reportable releases pursuant to 19.15.29 NMAC, with a description of the disposition of any contaminated soil or water.

3. MATERIAL STORAGE.

A. DRUM AND CONTAINER STORAGE: The Owner/Operator shall store all drums and other containers, including empty drums and containers, on a curbed, impermeable pad. "Containers" include tote tanks, sacks, and buckets. The Owner/Operator shall store empty drums on their sides with the bungs in place and lined up on a horizontal plane. The Owner/Operator may store fresh water outside the drum and container, process, maintenance, material and waste storage areas without having a curbed, impermeable pad, liner, pavement, or curbing.

B. PROCESS, MAINTENANCE, AND MATERIAL STORAGE AREAS: The Owner/Operator shall pave and curb all process, maintenance, and material storage areas at the Facility, excluding all evaporation ponds, below-grade tanks, and sumps, or incorporate another appropriate spill collection device for these areas.

C. ABOVE GROUND TANKS: The Owner/Operator shall place above ground tanks on impermeable pads and surround the tanks with lined berms or other impermeable secondary containment system having a capacity at least equal to one and one-third times the capacity of the largest above ground tank, or, if the above ground tanks are interconnected, of all interconnected above ground tanks. The Owner/Operator may store fresh water outside the drum and container, process, maintenance, material and waste storage areas without having a curbed, impermeable pad, liner, pavement, or curbing.

4. WASTE MANAGEMENT.

A. WASTE STREAMS: This Permit authorizes the Owner/Operator to handle the RCRA exempt liquid waste streams as specified in Section 2 of Volume II of the approved Application. The Owner/Operator must obtain the Division's Environmental Bureau's approval to receive any waste stream not specified in its approved Application for the collection, disposal, evaporation, remediation, reclamation, treatment, or storage.

B. WASTE STORAGE: The Owner/Operator shall store waste at the Facility only in clearly marked waste storage areas that have been specified in its approved Application, except that waste generated during emergency response operations may be stored elsewhere for no more than 72 hours. The Division's Environmental Bureau may approve additional waste storage areas on a case-by-case basis.

The Owner/Operator shall not store oil field waste, as defined in 19.15.2.7O(3) NMAC, generated at the Facility by the Owner/Operator on-site for more than 180 calendar days from the date that the container is filled without obtaining approval from the Division's Environmental Bureau.

C. CLASS V WELLS: Leach fields and other wastewater disposal systems at Division-regulated facilities that inject non-hazardous fluid into or above an underground source of drinking water are UIC Class V injection wells, pursuant to 20.6.2.5002B NMAC.

This Permit does not authorize the use of a Class V injection well for the disposal of industrial waste at the Facility. The Owner/Operator shall close any Class V industrial waste injection wells at the Facility that inject non-hazardous industrial wastes or a mixture of industrial wastes and domestic wastes (*e.g.*, septic systems, leach fields, dry wells, *etc.*) pursuant to 20.6.2.5005 NMAC within 90 calendar days of the issuance of this Permit. Other Class V wells, including wells used only for the injection of domestic wastes, must be permitted by the New Mexico Environment Department.

5. BELOW-GRADE TANKS AND SUMPS.

A. EXISTING BELOW-GRADE TANKS AND SUMPS: Below-grade tanks and sumps must have secondary containment systems with leak detection. The Owner/Operator shall retrofit existing below-grade tanks and sumps that lack secondary containment and/or leak detection systems to meet the design and construction specifications of 19.15.17.11 NMAC. The Owner/Operator shall submit a retrofit plan for the below-grade tank which includes procedures and protocols for addressing any releases discovered during the retrofit operation to the Division's Environmental Bureau no later than one year from the date of issuance of this Permit. The Division's Environmental Bureau shall review and approve, approve with conditions, or deny the Owner/Operator's retrofit plan. The approved plan for retrofitting existing below-grade tanks and sumps shall be incorporated into any permit renewal.

The Owner/Operator shall test existing below-grade tanks that lack secondary containment and leak detection annually or as specified herein. The Owner/Operator may propose various methods for testing such as pressure testing to 3 pounds per square inch greater than normal operating pressure and/or visual inspection of cleaned tanks and/or sumps, or other Division-approved methods. The Owner/Operator shall maintain the test results for inspection by the Division's Environmental Bureau.

B. NEW BELOW-GRADE TANKS AND SUMPS: The Owner/Operator shall obtain the Division's Environmental Bureau's approval before installing a new below-grade tank

or sump. The Owner/Operator shall submit a proposed design plan that meets the design and construction specifications for below-grade tanks at 19.15.17.11 NMAC and which meets the definition for sumps specified at 19.15.17.7H NMAC, to the Division's Environmental Bureau to install a new below-grade tank or sump at least 90 calendar days before it intends to install the new unit. Design plans for below-grade tanks shall incorporate secondary containment and/or leak detection. The Division's Environmental Bureau will review and approve, approve with conditions, or deny the Owner/Operator's proposed design for a new below-grade tank or sump.

6. UNDERGROUND PROCESS AND WASTEWATER PIPELINES.

A. TESTING: The Owner/Operator shall test all underground process/wastewater pipelines at least once every five (5) years to demonstrate their mechanical integrity, except lines containing fresh water. The Owner/Operator shall test all pressure-rated pipelines to 150% of the normal operating pressure, if possible, or for atmospheric drain systems, to 3 pounds per square inch greater than normal operating pressure, and pressure held for a minimum of 30 minutes with no more than a 1% loss/gain in pressure. The Owner/Operator may propose other test methods for the Division's Environmental Bureau's review and approval. If the pipeline fails the integrity test, then the Owner/Operator shall notify the Division's Environmental Bureau within 72 hours and propose methods to either repair or replace the defective pipeline. The Owner/Operator shall also submit a Remediation Plan to the Division's Environmental Bureau to investigate and remediate any contamination pursuant to 19.15.29 NMAC. The Owner/Operator shall maintain the test results for inspection by the Division's Environmental Bureau.

B. SCHEMATIC DIAGRAMS OR PLANS: The Owner/Operator shall maintain at the Facility all underground process and wastewater pipeline schematic diagrams or plans showing all drains, vents, risers, valves, underground piping, pipe type, rating, size, and approximate location.

C. NEW UNDERGROUND PIPELINES: The Owner/Operator shall notify the Division's Environmental Bureau prior to installing any new underground pipelines. The Owner/Operator shall submit a design plan as specified in permit condition 6B to the Division's Environmental Bureau for new underground pipelines at least 90 calendar days before it intends to begin construction. The Division's Environmental Bureau shall determine whether any modifications to this Permit are necessary and appropriate based on the new underground pipelines.

7. STORM WATER: The Owner/Operator shall implement and maintain storm water run-on and run-off plans and controls as specified in Sections 1 and 4 of Volume III of the approved Application, and shall comply with any additional commitments as specified in the Contingency Plan in Section 5 of Volume II of the approved Application.

The Owner/Operator shall inspect the berms and the outside walls of pond levees quarterly and after a major rainfall or windstorm, and maintain the storm water control features in such a manner as to prevent erosion.

8. CLOSURE / POST-CLOSURE: In addition to the closure / post-closure plan of Section 4 of Volume II of the approved Application, the Owner/Operator shall complete the following action items during closure of the entire Facility:

A. The Owner/Operator shall close all portions of the Facility including the temporary soil storage area.

B. Upon closure of the entire Facility, the Owner/Operator shall not accept any material for the collection, disposal, evaporation, remediation, reclamation, treatment, or storage.

If the Owner/Operator chooses to close part of the Facility while continuing to operate the other parts of the Facility, it shall submit a partial closure plan to the Division's Environmental Bureau. The Division's Environmental Bureau will review and approve, approve with conditions, or deny the Owner/Operator's proposed partial closure plan.

9. ADDITIONAL SITE SPECIFIC CONDITIONS:

A. The Owner/Operator shall comply with all applicable requirements of the Surface Waste Management Facilities Rules (19.15.36 NMAC), the Oil and Gas Act (Chapter 70, Article 2 NMSA 1978), and all conditions specified in the Permit, and shall construct, operate and close the Facility in accordance with the approved Permit Major Modification application of June 11, 2009, as deemed administratively complete on October 20, 2009, and all conditions specified in the Permit.

B. The Owner/Operator shall include the surface waste management facility permit number on the sign pursuant to 19.15.36.13J NMAC.

C. At least 30 days prior to the start of pond construction, the Owner/Operator shall furnish the Division's Environmental Bureau with a major milestone schedule for pond construction.

D. The Owner/Operator shall submit to and obtain approval from the Division's Environmental Bureau of a Liner Certification Report prior to use of Pond #2 and any other ponds that it may construct after the issuance of this Permit.

E. The Owner/Operator shall clearly mark the liner of each existing pond (i.e., Pond #1) to indicate a 3-foot freeboard within the term of this Permit. A 3-foot freeboard in Pond #1 shall be required at that time. Also, the Owner/Operator shall clearly mark the liner of any newly constructed pond to indicate the required 3-foot freeboard prior to use.

F. The Owner/Operator shall, within 24 hours of receiving notification from the Division's Environmental Bureau or a concerned party that an objectionable odor has been detected or reported, implement the following response procedures:

- i. Log date and approximate time of notice that an odor exists, including the name of the complainant and any contact information;
- ii. Investigate the source of the odor and log investigative steps taken, including date and time, and conclusions reached; and,
- iii. Take actions to alleviate the odor, which may include adjusting chemical treatment, air sparging, solidification, or similar responses, and log the actions taken.

G. In addition to the commitments of the Hydrogen Sulfide (H₂S) Prevention and Contingency Plan in Section 3 of Volume II of the approved Application, if a hydrogen sulfide (H₂S) reading of 10.0 ppm or greater is obtained at the facility boundary, then the Owner/Operator shall notify all persons residing within one-half mile of the facility boundary and assist public safety officials with evacuation as requested.

H. In addition to the commitments specified in the Hydrogen Sulfide (H₂S) Prevention and Contingency Plan in Section 3 of Volume II of the approved Application, the Owner/Operator shall monitor at least once per year for hydrogen sulfide (H₂S) at the vent of covered tanks or at the top of open tanks as specified in Attachment III.1.F of the approved Application. The Owner/Operator shall comply with 19.15.11.12E NMAC as required. The Owner/Operator shall include the results of the annual hydrogen sulfide monitoring event in its Annual Report.

I. The Owner/Operator shall obtain Division's Environmental Bureau approval prior to any design changes to the produced water receiving, treatment and evaporation area.

J. The Owner/Operator shall obtain Division's Environmental Bureau approval prior to the installation of any wells or other structures within the boundaries of the Facility.

K. In addition to forms that are currently submitted to the Division, the Owner/Operator shall also file to the Division's Environmental Bureau a copy of form C-118, Sheet 1 by the 15th of the next succeeding month and a copy of form C-120-A by the 15th of the second succeeding month.

10. SCHEDULE OF COMPLIANCE:

A. The Owner/Operator shall sign and return this Permit to the Division's Environmental Bureau within 30 days of its receipt of this Permit.

B. The Owner/Operator shall provide financial assurance in a form approved by the Division's Environmental Bureau for the commercial surface waste management facility's estimated closure and post closure cost within 30 days of its receipt of this Permit. The amount of financial assurance required is \$147,099.00 in addition to the current financial assurance of \$140,000.00 for a total amount of \$287,099.00.

C. The Owner/Operator shall clearly mark the liner of each existing pond (Pond #1) to indicate a 3-foot freeboard in accordance with permit condition 9E within the term of this Permit. A 3-foot freeboard in Pond #1 shall be required at that time. Also, the Owner/Operator shall clearly mark the liner of any newly constructed pond to indicate the required 3-foot freeboard prior to use. The Owner/Operator shall submit photo-documentation to the Division's Environmental Bureau within 90 days upon completion marking the liner.

D. The Owner/Operator shall submit a plan for the retrofitting of below-grade tanks and sumps in accordance with permit condition 5A to the Division's Environmental Bureau no later than one year from the date of issuance of this Permit.

E. The Owner/Operator shall submit an annual report pursuant to permit condition 2C to the Division's Environmental Bureau by May 17 of each year.

F. At least 30 days prior to the start of pond construction, the Owner/Operator shall furnish the Division's Environmental Bureau with a major milestone schedule for pond construction pursuant to permit condition 9C.

11. **CERTIFICATION: (OWNER/OPERATOR)** by the officer whose signature appears below, acknowledges receipt of this Permit, and has reviewed its terms and conditions.

Basin Disposal Inc.
Company Name - print name above

Jerry Sandel
Company Representative - print name

Jerry Sandel
Company Representative - Signature

Title: President

Date: 5-20-10