

Exhibits 1 through 3  
Complete Set

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RULE 312 Treating Plant

(a) Prior to the construction of a treating plant, application in the form of an affidavit for treating plant permit shall be filed in duplicate with the Santa Fe office of the Division and one copy to the appropriate district office. Such application shall be accompanied by:

- (1) a plat showing the location of the plant in relation to governmental surveys (section, township and range) and to highways or roads giving access to the plant site;
- (2) a description of the plant, type and process of treatment and design capacity;
- (3) a diagrammatic plan of plant layout including location of water wells, pits, dikes, dwellings, fences and cattle-guards within 1/4 mile of the site;
- (4) a description of containment dikes and pits, if any, with detailed information on construction and lining;

(Note: any pits, lined pits or below grade tanks used at the site must meet Division requirements for ground water protection);

- (5) a demonstration that any unmerchantable solids or liquids resulting from operation of the facility will be disposed of at a Division approved site;
- (6) a surety or cash bond in the amount of \$25,000, in a form approved by the Division, conditioned upon compliance with statutes of the State of New Mexico and rules of the Division and the satisfactory clean-up of site upon cessation of operation; and,
- (7) a demonstration that the notice requirements of Paragraph (b) of this rule have been met.

(b) The applicant shall give written notice to the owners of the surface of the plant site and an area within one-half (1/2) mile. The applicant shall also give notice of his application by advertisement in a paper of general circulation published in the county in which the treating plant is to be located. Both the written notice and published notice shall state the name of the plant operator, the nature of the proposed operation, the design capacity, and that any person seeking to oppose such application must file a protest within 20 days of the date of the notice.

(c) The Director of the Division may issue a treating plant permit upon a finding that a complete and proper application has been filed and that no party has objected within 20 days following submittal of the application.

The permit shall be consistent with the application and appropriate requirements of Division rules and The Oil and Gas Act.

The Director of the Division may set any application for a treating plant permit for public hearing.

(d) The Director of the Division may suspend any treating plant permit when it appears that such suspension is necessary to prevent waste, to protect fresh water, or to assure compliance with Division rules.

(e) Such permit shall entitle the treating plant operator to an approved Form C-104, Request for Allowable and Authorization to Transport Oil and Natural Gas, for the total amount of products secured from sediment oils and miscellaneous hydrocarbons processed by the operator. All permits shall be revocable, after notice and hearing, upon showing of good cause.

(f) No treating plant operator may accept sediment oil at or into the treating facility unless the same is accompanied by an approved Form C-117-A (Tank Cleaning, Sediment Oil Removal, Transportation of Miscellaneous Hydrocarbons and Disposal Permit).

(g) Except as provided under Rule 311(h), no treating plant operator may accept tank bottoms from pipeline stations, crude oil storage terminals or refineries, pipeline break oil or other miscellaneous hydrocarbons for processing or mixing with recovered pipeline oil unless the same is accompanied by an approved Form C-117-A.

(h) All treating plant operators shall file a monthly report which shall detail the net oil recovered and sold during the preceding month. See Rule 1118.

The operator of each lease from which sediment oil is removed for reclamation shall be promptly notified by the treating plant operator of the amount of pipeline oil recovered therefrom. In the event sediment oil from two or more separate leases is to be commingled prior to treating, the treating plant operator shall determine the amount of pipeline oil attributable to each lease by testing a representative sample of the sediment oil from said lease in accordance with the standard centrifugal test prescribed by the API Manual of Petroleum Measurement Standards, Chapter 10, Section 4. Other test procedures may be used if such procedures reliably predict the percentage of good oil to be recovered from sediment oil.

(i) Upon cessation of treating plant operations for 6 consecutive months, the operator will complete cleanup and restoration of the facility site to Division standards within 6 months, unless an extension of time is granted by the Director of the Division.

ENGINEER STOGNER

DIVISION

TREATING PLANT SURFACE RECLAMATION COSTS

Summary Sheet

|             |      |
|-------------|------|
| PROJECT NO. | 8909 |
| DISTRICT    | 2    |
| CASE NO.    |      |

(10)

1. Mobilization and Demobilization

\$ 1410

10% of line items 2 through 5

2. Demolition

Buildings, Tanks, Facilities

\$ 3000 24 HRS @ \$125/HR

Fluid and Chemicals Removal

\$ 9000

FULL TANKS + PITS: 4612 BELLS = 5740405

2.5 HRS. TRUCKING/LOAD

\$12.50/HR TRUCKING = \$2975

\$50/LOAD DISPOSAL FEE

\$ 12,000

3. Backfilling and Grading

Backfilling Pits 2 PITS @ \$550/PT

\$ 1100

Final Grading 8 HRS @ \$125/HR

\$ 1000

\$ 2100

4. Replacing Topsoil

\$

5. Revegetation

Seeding

\$

Labor

\$

\$

6. Contingencies

10% of Items 1 through 5

\$ 1551

7. Hard Costs

Summation of Items 1 through 6

\$ 17061

8. Engineering Costs

10% of Item 7

\$ 1706

9. Contractor Profit and Overhead

25% of Item 7

\$ 4265

10. Total Cost Estimate of Land Surface Reclamation

for Bonding Purposes

\$ 23032

ENGINEERING NEWS RECORD INDEX FLAT

AVG PLANT WITH 2 PITS

6 TANKS

1 BUILDING

FLUID REMOVAL FROM FULL TANKS + PITS

DOES NOT ACCOUNT FOR CONTAMINATED SOIL REMOVAL OR  
INFLATION.

\* SOURCES OF COSTS: CONSTRUCTION COSTS TRENDS: US BUREAU OF RECLAMATION  
CATERPILLAR PERFORMANCE HANDBOOK  
RENTAL RATE BLUE BOOK  
ENGINEERING NEWS RECORD INDEX

BEFORE EXAMINER STOGNER  
OIL CONSERVATION DIVISION

NEW MEXICO OIL CONSERVATION DIVISION  
OF THE ENERGY & MINERALS DEPARTMENT

EXHIBIT NO. 3

\$25,000.00 TREATING PLANT BOND

CASE NO. 8909

BOND NO. \_\_\_\_\_  
(For Use of Surety Company)

File with Oil Conservation Division, P. O. Box 2088, Santa Fe, New Mexico 87504

KNOW ALL MEN BY THESE PRESENTS:

That \_\_\_\_\_, (an individual) (partnership) (a corporation organized in the State of \_\_\_\_\_, with its principal office in the City of \_\_\_\_\_, State of \_\_\_\_\_, and authorized to do business in the State of New Mexico), as PRINCIPAL, and \_\_\_\_\_, a corporation organized and existing under the laws of the State of \_\_\_\_\_, and authorized to do business in the State of New Mexico with duly appointed resident agent licensed in the State of New Mexico to execute this bond on behalf of the surety company, as SURETY, are held firmly bound unto the State of New Mexico, for the use and benefit of the Oil Conservation Division of the Energy & Minerals Department pursuant to Chapter 72, Laws of New Mexico, 1935, as amended, and to the State of New Mexico in the sum of Twenty Five Thousand (\$25,000.00) Dollars lawful money of the United States for the payment of which, well and truly to be made, said PRINCIPAL and SURETY hereby bind themselves, their successors and assigns, jointly and severally, firmly by these presents.

The conditions of this obligation are such that:

WHEREAS, The above principal has heretofore or may hereafter enter into the process of treating and reclaiming sediment oil in Section \_\_\_\_\_, Township \_\_\_\_\_ ~~(North)~~ ~~(South)~~, Range \_\_\_\_\_ ~~(East)~~ ~~(West)~~, N.M.P.M., \_\_\_\_\_ County, New Mexico.

NOW, THEREFORE, This \$25,000 performance bond is conditioned upon substantial compliance with all applicable statutes of the State of New Mexico and all rules, regulations, and orders of the Oil Conservation Division of the Energy and Minerals Department, and upon clean-up of the plant site to standards of the Oil Conservation Division; otherwise the principal amount of the bond to be forfeited to the State of New Mexico.

PROVIDED, HOWEVER, That sixty (60) days after receipt by the Oil Conservation Division of written notice of cancellation from the Surety, the obligation of the Surety shall terminate as to activities or operations conducted by PRINCIPAL after said sixty (60) day period but shall continue in effect, notwithstanding said notice, as to such activities or operations conducted or commenced before the expiration of the sixty day period.

Signed and sealed this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_\_.

\_\_\_\_\_  
PRINCIPAL

\_\_\_\_\_  
SURETY

\_\_\_\_\_  
Mailing Address

\_\_\_\_\_  
Mailing Address

By \_\_\_\_\_  
Signature TITLE

By \_\_\_\_\_  
Attorney-in-Fact

(Note: Principal, if corporation  
Affix corporate seal here.)

(Note: Corporate surety affix corporate  
seal here.)

