

BW-37

**FINANCIAL
ASSURANCE
BONDS**

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

Ken McQueen
Cabinet Secretary

Matthias Sayer
Deputy Cabinet Secretary

Heather Riley, Division Director
Oil Conservation Division



January 18, 2018

Valley Bank of Commerce
Attn: Robert Cody Burson
217 W. Second Street
Roswell, NM 88201

Re: \$108,000.00 Water Quality Control Commission (WQCC) OCD Discharge Permit No. BW 37-
Letter of Credit No. 231
Llano Disposal, LLC, Customer
Valley Bank of Commerce, Issuer
API 30-025-26370
State 4 #1
1980' FNL and 660' FWL
Section 4, Township 13 South, Range 36 East
Lea County, New Mexico

Dear Mr. Burson:

The New Mexico Oil Conservation Division hereby approves the above-captioned \$108,000.00 Water Quality Control Commission – OCD Discharge Permit No. BW 37 - Letter of Credit No. 231.

Sincerely,

DENISE GALLEGOS
Bond Administrator

cc: Oil Conservation Division – Hobbs District

Llano Disposal, LLC
Attn: Darr Angell
P.O. Box 250
Lovington, NM 88260

Chavez, Carl J, EMNRD

From: Chavez, Carl J, EMNRD
Sent: Thursday, January 4, 2018 4:17 PM
To: 'danny@pwllc.net'; 'Marvin'
Cc: Griswold, Jim, EMNRD; Kautz, Paul, EMNRD; Casillas, Bertha, EMNRD; Gallegos, Denise, EMNRD; Gallegos, Denise, EMNRD
Subject: RE: OCD WQCC Bond State '4' No. 1 Prospective Brine Well (API# 30-025-26370)

Danny, et al.:

The New Mexico Oil Conservation Division (OCD) has completed its review of the Llano Disposal, LLC closure plan/financial assurance cost estimate of \$108,000 and has determined that it appears to meet the intent of the Water Quality Control Commission (WQCC) relevant financial responsibilities, closure, and post-closure regulations, i.e., 20.6.2.5342(A)1 NMAC, 20.6.2.5361(A) NMAC, 20.6.2.5363 NMAC...) at this time.

Please proceed to submit the WQCC Single Surety Bond in the amount of \$108,000 to the OCD Bond Administrator at your earliest convenience.

Thank you.

Mr. Carl J. Chavez, CHMM (#13099)
New Mexico Oil Conservation Division
Energy Minerals and Natural Resources Department
1220 South St Francis Drive
Santa Fe, New Mexico 87505
Ph. (505) 476-3490
E-mail: CarlJ.Chavez@state.nm.us

“Why not prevent pollution, minimize waste to reduce operating costs, reuse or recycle, and move forward with the rest of the Nation?” (To see how, go to: <http://www.emnrd.state.nm.us/OCD> and see “Publications”)

From: Chavez, Carl J, EMNRD
Sent: Thursday, January 4, 2018 8:34 AM
To: 'danny@pwllc.net' <danny@pwllc.net>; Marvin <burrowsmarvin@gmail.com>
Cc: Griswold, Jim, EMNRD <Jim.Griswold@state.nm.us>; Kautz, Paul, EMNRD <paul.kautz@state.nm.us>; Casillas, Bertha, EMNRD <Bertha.Casillas@state.nm.us>; Gallegos, Denise, EMNRD <Denise.Gallegos@state.nm.us>
Subject: RE: OCD WQCC Bond State '4' No. 1 Well (API# 30-025-26370)

Danny:

The New Mexico Oil Conservation Division (OCD) is in receipt of the attached financial assurance document(s) (cost estimate amount of \$108,000) for the above subject prospective Water Quality Control Commission (WQCC) Brine Well Discharge Permit, and well bond to gain access and ownership to the above subject plugged and abandoned well on Llano Disposal, LLC property.

OCD- Santa Fe will review and respond soon.

Thank you.

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From: danny@pwllc.net [mailto:danny@pwllc.net]
Sent: Thursday, January 4, 2018 7:49 AM
To: Chavez, Carl J, EMNRD <CarlJ.Chavez@state.nm.us>; Marvin <burrowsmarvin@gmail.com>
Subject: RE: OCD WQCC Bond

Carl,
Thank you for the information. Attached is a copy of Llano's proposed closure plan and financial assurance plan for the proposed State 4 #1 brine well and adjoining brine station. We propose to provide a single surety bond in the amount of \$108,000 per the cost estimates detailed in the plans. Upon OCD approval, we will secure the bond and submitting the WQCC bond forms to the OCD.

If you have any questions, please let either Marvin or me know.
Thank you,
Danny J. Holcomb
Cell: 806-471-5628
Email: danny@pwllc.net

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

Subject: OCD WQCC Public Notice, Bond, Well Bond Administrator Contact Info. and Other Related Information
From: "Chavez, Carl J, EMNRD" <CarlJ.Chavez@state.nm.us>
Date: Wed, January 03, 2018 5:42 pm
To: "danny@pwllc.net" <danny@pwllc.net>, Marvin <burrowsmarvin@gmail.com>
Cc: "Griswold, Jim, EMNRD" <Jim.Griswold@state.nm.us>, "Kautz, Paul, EMNRD" <paul.kautz@state.nm.us>, "Casillas, Bertha, EMNRD" <Bertha.Casillas@state.nm.us>



Danny:

Hi. First, please see attached the WQCC public notice (e.g., 20.6.2.3108 NMAC) process when the official application for a brine well is submitted by a prospective permittee.

Second, I forgot to mention, the WQCC Bond includes the closure plan costs, which includes PA of the well, surface reclamation, etc. Consequently, Llano will need to submit a **facility closure plan** for a brine well facility with closure cost estimate for OCD to approve to set the bond amount. If done this

way, Llano will have addressed the financial assurance for the well and facility in line with the WQCC Discharge Permit process.

Third, the bond administrator contact info. is:

Denise Gallegos
Denise.Gallegos@state.nm.us
(505) 476-3453

Fourth, as we communicated today, Llano will follow a similar approach as for BW-35. Llano will get bonding in place, ownership of the current PA'd well on Llano property, and submit relevant forms to OCD Hobbs to enter the well and perform a caliper log and CBL to assess the well conditions with OCD before embarking on the WQCC Discharge Permit process. Llano plans on all brine well related facilities to be proximal to the brine well just off the roadway, which may be most efficient. Marvin Burrows will be involved in the field aspects similar to BW-35.

Please feel free to contact me with any questions, and I know you will be contacting OCD Hobbs to move forward with the above.

Thank you.

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Chavez, Carl J, EMNRD

From: danny@pwllc.net
Sent: Thursday, January 4, 2018 7:49 AM
To: Chavez, Carl J, EMNRD; Marvin
Subject: RE: OCD WQCC Bond
Attachments: State 4 #1 Closure Plan and Financial Assurance Plan.docx

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Llano Disposal, LLC
State 4 #1 and Tatum Brine Station
Proposed Closure Plan and Financial Assurance Plan

Closure Plan

Per OCD and WQCC regulations, upon cease of operations and after regulatory approval, Llano will plug and abandon the brine well, remove all surface equipment, restore the surface to original contour and reseed it with native grasses. In addition, Llano will continue surface subsidence monument surveys for a minimum of 5 years after well plugging.

1. Well Plug and Abandonment

The brine well will be plugged and abandoned per WQCC regulations section 5-209 and NMOCD rules in place at that time. The plugging plan includes swabbing approximately one foot of water out of the cavern, removing the tubing string, setting a cast iron bridge plug at 10 feet above the 8-5/8" casing window and filling the casing with a Class C high strength salt resistant cement. The wellhead will be cut off and a dry hole marker installed. Over time, large portions of the resulting salt cavern will re-solidify.

2. Surface Restoration

All surface equipment at the brine well location and brine station will be emptied, decommissioned and removed either through recycle, scrapping, sale or used by the owner elsewhere. The disturbed surface at the well location and brine station will be reclaimed and re-contoured to near original condition. The disturbed area will be reseeded with a BLM grass seed mixture to establish 70% minimum regrowth coverage.

3. Surface Subsidence Monitoring

The annual surface subsidence monitoring program (discussed in detail in the proposed discharge plan) will be continued for a minimum of 5 years following plugging and abandonment of the brine well.

Llano Disposal, LLC
State 4 #1 and Tatum Brine Station
Proposed Closure Plan and Financial Assurance Plan

Financial Assurance Plan

Llano currently has no well plugging bond for the proposed brine well. However, Llano proposes to provide financial assurance for the State '4' #1 Brine Well and Tatum Brine Station via a single surety bond in the amount of \$108,000 covering well plugging and abandonment, surface restoration and surface subsidence monitoring for 5 years after ceasing operations as detailed below.

1. Well Plugging - \$41,475

Based on recently obtained bids and experience in plugging wells, Llano proposes a well plugging bond amount of \$41,475. See cost breakdown below.

\$17,400	Well plugging contractor labor/equipment including cement
\$8,925	Equipment rental (workstring, flowback tanks, BOPE, porta-john, etc)
\$4,725	Transportation of equipment
\$3,150	Supervision
\$2,730	Purchase/transportation of brine and fresh water
\$2,100	Disposal of tank fluids
\$1,260	Excavate/cutoff wellhead and anchors; weld on flat plate and PxA marker
\$1,185	Miscellaneous

2. Surface Restoration - \$47,625

Based on recently obtained surface restoration cost quotes, these costs total \$47,625 as detailed below:

\$8,400	Equipment/Labor – washout tanks for disposal, haul fluids and solids to disposal
\$2,200	Backhoe/Labor - 2 days to crush fiberglass tanks and PVC components at brine station
\$2,520	35 Yd Roll-off Dumpsters - delivery, rental and hauling to landfill
\$551	Lea County Landfill Charges – 3 ea 35 yd dumpsters = 105 cy x 300 lbs = 15.75 tons @ \$35/ton
\$1,700	Onsite Supervision
\$20,059	Equipment/Labor – pull all fencing, remove all concrete, disassemble all metal components, re-contour land to original grade, rebuild barbed wire fence to original ranch configuration, remove underground piping, electrical conduit, wiring, high line poles, wiring and signage
\$2,300	Trucking/Disposal – of concrete to Lea County Landfill @ \$35/ton
\$3,700	Trucking – haul metal components to Hobbs Iron & Metal for recycle
\$4,725	Decommission buried polyethylene brine pipeline - costs include fresh water, trucking and pumping to wash pipeline clean and disposal of brine and wash water, then leave pipeline in place for ranching, fresh water sales use
\$1,470	Reseeding BLM mix grass on estimated 2 acres at well location and brine station

3. Surface Subsidence Monitoring - \$18,900

Based on recently obtained surface subsidence survey cost quotes, these costs total \$18,900 for 5 years of follow-on subsidence monument monitoring. Cost estimate is \$1260 per year per monument surveyed. Annual cost to survey three monuments is \$3780 per year or \$18,900 for 5 years.