

1RF - 450

Quail Ranch Air Gap
Above-Ground Storage Tank
Recycling Containment
Permit Application Revision
Cost Closure Estimate

Solaris Midstream LLC
April 30, 2020

LucasKamat, Susan, EMNRD

From: r@rthicksconsult.com
Sent: Thursday, April 30, 2020 1:20 PM
To: LucasKamat, Susan, EMNRD
Cc: 'Michael Incerto'; 'Todd Carpenter'
Subject: [EXT] Solaris Quail Ranch Financial Assurance
Attachments: Closure Cost Estimate and Financial AssuranceASTQuail2.pdf; 25K Bond for Above-Ground-Steel-Containments.pdf

Susan

As we discussed yesterday the attached bond exists at OCD. Neither the Okeanos nor the Mad Cow AST Containments were constructed. Therefore, upon OCD approval of the FA Cost Estimate, the text of this bond will be changed to reflect that it covers the Quail Ranch Air Gap AST Containment.

I am working on a variance to allow one bond to be used for more than one AST Containment that is constructed on an existing production pad. We can talk about that next week.

Thanks for working on this so diligently. Call me with questions.

Randall Hicks, PG
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Albuquerque, NM 87104

Closure Cost Estimate and Financial Assurance Quail Ranch Air Gap AST

Solaris will install the AST CONTAINMENT on an existing production pad that is associated with the air gap for the Solaris pipeline. Thus, there is no “reclamation” associated with the disassembly and removal of the AST CONTAINMENT as the pad will remain in accordance to the agreement between Solaris and the landowner.

Sampling beneath the containment in accordance with Subsection C of 19.15.34.14 of Rule 34 is required. The sampling program would include an EM survey at a cost about \$1500. The EM survey would identify any high salinity soil beneath the AST footprint and the pad. EM evaluation of the nearby pasture would provide a baseline to compare findings. Sampling beneath the AST footprint would occur as well as any areas where the EM survey suggests high salinity. Sampling beneath the AST footprint would be a 5-point composite sample in conformance with the Rule. The sampling program with laboratory analysis would cost less than \$5,000. Thus, the total cost of closure sampling is about \$6,500

The Rule suggests that after the containment is closed reclamation begins. Thus, the “closure cost” does not include reclamation and revegetation to the condition that existed prior to construction – because, as stated above, construction of the AST is on an existing pad.

“Closure cost” could include the cost of disassembly and removal. Attached to this submission is a quotation from New Wave that outlines the cost for removal of an AST in southern Lea County that is near a paved road. With a set up and rig down cost of \$21,000, the cost of removal is \$10,500 or half the total cost on the bid sheet. The cost of a used 22,000 bbl AST CONTAINMENT ranges from \$75,000 to \$125,000¹. Based upon the attached rig down and removal cost from New Wave, the value of an abandoned AST CONTAINMENT is four times the cost of removal. These costs suggest that a company would pay the surface owner to allow them to remove the abandoned AST Containment, resulting in a negative cost of removal.

Nevertheless, it is our understanding that the concern of OCD is that New Wave and Solaris both end all business in New Mexico and the State of NM becomes saddled with an abandoned AST Containment. Due to NM procurement rules, the OCD may be required to pay for removal of the AST and deliver it to recycling facility, for example.

To satisfy these concerns, the total closure cost to close the Quail Ranch Air Gap AST CONTAINMENT is 6,500 plus \$10,500 = \$17,000.

¹ Personal communication with Randal Strickland, VP of Sales, New Wave Energy Services, 4/28/20



April 18, 2020

Attention: Todd Carpenter

Reference: New Wave Energy Services updated pricing

New Wave Energy Services would like to thank you for the opportunity to provide pricing for our Modular Tanks.

NEW WAVE TANKS

The pricing provided for the Modular Tanks is based on storage of produced water. For PW the tank will have two liners, **two** layers of geotextile, and bird net. Setup charge includes rig up and rig down, suction discharge line and fill lines are also included. **Turnkey cost includes trucking and liner disposal for the 21k.** Solaris will be responsible to provide 18 inches of fresh water to hold the liner down and finish the installation on the day of setup. If New Wave has to wait on water the crew fee is \$250 per hour added to the turnkey cost.

21,400 BBL Modular Tank (Dimensions-138' diameter)

Rental charges: \$200.00 per day

Turnkey cost: \$42,000.00 per tank

1250 BBL Buffer Tank (Dimensions – 60' x 14')

Rental charges: \$150.00 per day

Oversize DOT permit in Texas is \$285.00 per trip.

Trucking is \$155.00 per hour round trip from Odessa Texas.

General Terms and Conditions:

- All quotes are subject to New Wave agreement and are valid for 90 days, pricing may be revisited at that time.

New Wave Energy Services would sincerely like to thank you again for the opportunity to provide you with this pricing for your operations. If you have any questions, please contact the undersigned at your convenience.

Best regards,

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