

NM1 - 25

**GENERAL
CORRESPONDENCE**

YEAR(S):

2006 - 1989

ACORD CERTIFICATE OF LIABILITY INSURANCE

OP ID BE
GANDY-1

DATE (MM/DD/YYYY)

08/21/06

PRODUCER

LEAVEILL INSURANCE, INC.
P.O. BOX 848
HOBBS, NM 88241
Phone: 505-393-2550 Fax: 505-393-6539

RECEIVED

AUG 24 2006

INSURED

GANDY CORPORATION
P.O. BOX 2140
LOVINGTON NM 88260

Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION
ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE
HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR
ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.

INSURERS AFFORDING COVERAGE

NAIC #

INSURER A: ST. PAUL FIRE & MARINE INS

INSURER B: SOUTHWEST CASUALTY CO.

INSURER C:

INSURER D:

INSURER E:

COVERAGES

THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING
ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR
MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH
POLICIES. AGGREGATE LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR	ADD'L	LTR	INSRD	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS
A				GENERAL LIABILITY <input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS MADE <input checked="" type="checkbox"/> OCCUR	VK08301125	09/01/06	09/01/07	EACH OCCURRENCE \$1,000,000 DAMAGE TO RENTED PREMISES (Ea occurrence) \$100,000 MED EXP (Any one person) \$5,0000 PERSONAL & ADV INJURY \$1,000,000 GENERAL AGGREGATE \$2,000,000 PRODUCTS - COMP/OP AGG \$2,000,000
A				<input checked="" type="checkbox"/> SUDDEN & ACCIDENT <input checked="" type="checkbox"/> CONTRACTUAL LIABI GEN'L AGGREGATE LIMIT APPLIES PER: <input checked="" type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC				
A				AUTOMOBILE LIABILITY <input checked="" type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> HIRED AUTOS <input type="checkbox"/> NON-OWNED AUTOS	VK08301125	09/01/06	09/01/07	COMBINED SINGLE LIMIT (Ea accident) \$1,000,000 BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$
				GARAGE LIABILITY <input type="checkbox"/> ANY AUTO				AUTO ONLY - EA ACCIDENT \$ OTHER THAN EA ACC \$ AUTO ONLY: AGG \$
A				EXCESS/UMBRELLA LIABILITY <input checked="" type="checkbox"/> OCCUR <input type="checkbox"/> CLAIMS MADE <input type="checkbox"/> DEDUCTIBLE <input checked="" type="checkbox"/> RETENTION \$10,000	VK08301125	09/01/06	09/01/07	EACH OCCURRENCE \$5,000,000 AGGREGATE \$5,000,000 \$ \$ \$
B				WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? If yes, describe under SPECIAL PROVISIONS below OTHER	28232.105	09/01/06	09/01/07	<input checked="" type="checkbox"/> WC STATU-TORY LIMITS <input type="checkbox"/> OTH-ER E.L. EACH ACCIDENT \$1,000,000 E.L. DISEASE - EA EMPLOYEE \$1,000,000 E.L. DISEASE - POLICY LIMIT \$1,000,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES / EXCLUSIONS ADDED BY ENDORSEMENT / SPECIAL PROVISIONS

CERTIFICATE HOLDER

NMOIL-2

NM OIL CONSERVATION DIVISION
1202 S SAINT FRANCIS
SANTA FE NM 87505

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION
DATE THEREOF, THE ISSUING INSURER WILL ENDEAVOR TO MAIL 10 DAYS WRITTEN
NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO DO SO SHALL
IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE INSURER, ITS AGENTS OR
REPRESENTATIVES.

AUTHORIZED REPRESENTATIVE



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

September 17, 2004

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Mr. Larry Gandy
Gandy Corporation
P.O. Box 827
Tatum, NM 88267

Dear Mr. Gandy:

Since the New Mexico Oil Conservation Division (NMOCD) promulgated Rule 50 covering pits and below-grade tanks, there has arisen a need, in certain circumstances, for operators to transport their drill cuttings off-site and dispose of them.

NMOCD Rule 711, as it pertains to landfarms, does not specifically address the issue of exempt oilfield wastes that may be contaminated with salts. Your landfarm application and permit were written with only hydrocarbon-contaminated soils in mind. Salt-contaminated wastes cause the following problems:

1. Lessening the effectiveness of the biodegradation capacity of your landfarm
2. Rapid leachability causing adverse effects on groundwater

If you want to accept salt-contaminated cuttings or any other salt-contaminated wastes, your 711 permit must be modified to ensure that your acceptance of those wastes will not adversely affect public health or the environment.

Please check one of the following:

☐ I have accepted or intend to accept salt-contaminated wastes in my landfarm. An OCD form C-137, applying for a modification to my 711 permit is attached. Included, as an attachment, is a demonstration that the accepted salt-contaminated soils will not adversely affect groundwater in the foreseeable future. (Closure requirements will also require modification to ensure the protection of groundwater. Should your acceptance of salt-contaminated wastes prove detrimental to groundwater, future liability for such damage rests with the landfarm operator).

☐ I do not intend to accept salt-contaminated wastes in my landfarm. Should this condition change, I will submit an OCD Form C-137 for a modification to my 711 permit at that time.

New Mexico Oil Conservation Division
Attn: Ed Martin
1220 S. St. Francis
Santa Fe, NM 87505

This letter must be returned to the above address no later than October 31, 2004. An extension of time may be granted if you contact this office no later than that date.

If you have any questions, contact Ed Martin (505) 476-3492 or emartin@state.nm.us

Signed _____

Date _____

Kieling, Martyne

From: Prichard, Billy
Sent: Monday, November 25, 2002 6:06 AM
To: Kieling, Martyne
Subject: RE: Gandy Treating plant

Martyne, I did respond to the state police call last summer to fire at Gandy plant. The fire was put out buy Tatum FD and gone by the time that I got there. Apparently vapors on top of tall green fiberglass tank ignited either by static or lightning. I do not know if Gandy filed anything..

BEP

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

From: Kieling, Martyne
Sent: Friday, November 22, 2002 5:06 PM
To: Prichard, Billy
Subject: Gandy Treating plant

Billy,

I wanted to ask you a question and did not catch you when I was down there this week.

Do you or does anyone else recall a fire that happened out at the Gandy Treating plant ... it would have been last summer 2001? I was told that they had a fire and notified OCD and someone came down and looked at it. The fire was coming out of the top of their large green fiberglass tank. I don't have anything on record and just wanted to check out the plant operators statement. The plant operator thought it was Gary that came out but Gary said that it wasn't him and that I should check with you.

If you remember anything let me know.

Sorry to trouble you
Thanks

Martyne J. Kieling

Martyne J. Kieling
Environmental Geologist



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

Betty Rivera
Cabinet Secretary

Lori Wrotenbery

Director

Oil Conservation Division

April 23, 2002

CERTIFIED MAIL

RETURN RECEIPT NO. 7001-1940-0004-7923-4108

Mr. Larry Gandy
Gandy Corporation
P.O. Box 827
Tatum, NM 88267

RE: Financial Assurance Reminder
Gandy Corporation, Permit NM-01-0025
SE/4 of Section 11, Township 10 South, Range 35 East, NMPM,
Lea County, New Mexico

Dear Mr. Gandy:

The New Mexico Oil Conservation Division (OCD) has conducted a review of the financial assurance portion of Permit NM-01-0025. Currently Gandy Corporation has financial assurance in the form of a letter of credit for a total of \$49,427. According to the Permit, Gandy Corporation is required to submit additional financial assurance by May 11, 2002 to the amount of **\$74,140**.

Please give me a call at (505) 476-3488 if you have any questions.

Sincerely

Martyne J. Kieling
Environmental Geologist

xc: Hobbs OCD Office



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

Jennifer A. Salisbury

Cabinet Secretary

April 11, 2001

Lori Wrotenbery

Director

Oil Conservation Division

CERTIFIED MAIL

RETURN RECEIPT NO. 7099-3220-0000-5051-2122

Mr. Larry Gandy
Gandy Corporation
P.O. Box 827
Tatum, NM 88267

**RE: OCD Rule 711 Permit Approval WM-1-025
 Gandy Corporation
 Commercial Surface Waste Management Facility
 SE/4 of Section 11, Township 10 South, Range 35 East, NMPM
 Lea County, New Mexico**

Dear Mr. Gandy:

The permit application for the Gandy Corporation (Gandy) commercial surface waste management facility located in SE/4 of Section 11, Township 10 South, Range 35 East, NMPM, Lea County, New Mexico is hereby approved in accordance with New Mexico Oil Conservation Division (OCD) Rule 711 under the conditions contained in the enclosed attachment. **This permit approval is conditional upon the receipt and approval by the Director of financial assurance in the amount of \$98,855.** According to the schedule outlined in the financial assurance section of the enclosed attachment, a portion of the \$98,855 financial assurance (\$49,427) is required within thirty (30) days of the date of this permit approval letter. The application consists of the permit application Form C-137 dated March 6, 2001.

The operation, monitoring and reporting shall be as specified in the enclosed attachment. All modifications and alternatives to the approved treating plant methods must receive prior OCD approval. Gandy is required to notify the Director of any facility expansion or process modification and to file the appropriate materials with the Division.

Please be advised approval of this facility permit does not relieve Gandy of liability should your operation result in pollution of surface water, ground water, or the environment. In addition, OCD approval does not relieve Gandy of responsibility for compliance with other federal, state or local laws and/or regulations.

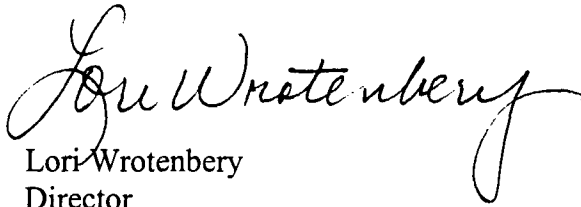
Please be advised that all tanks exceeding 16 feet in diameter and exposed pits, ponds or lagoons must be screened, netted or otherwise rendered non-hazardous to migratory birds. In addition, OCD Rule 310 prohibits oil from being stored or retained in earthen reservoirs or open receptacles.

The facility is subject to periodic inspections by the OCD. The conditions of this permit will be reviewed by the OCD no later than five (5) years from the date of this approval and the facility will be inspected at least once a year. In addition, the closure cost estimate will be reviewed according to prices and remedial work estimates at the time of the five (5) year review. The financial assurance may be adjusted to incorporate any closure cost changes.

Enclosed are two copies of the conditions of approval. **Please sign and return one copy to the OCD Santa Fe Office within five working days of receipt of this letter.**

If you have any questions please do not hesitate to contact Martyne J. Kielling at (505) 476-3488.

Sincerely,



Lori Wrotenberg
Director

LW/mjk

xc with attachments:
Hobbs OCD Office

ATTACHMENT TO OCD 711 PERMIT APPROVAL
PERMIT WM-1-025
GANDY CORPORATION
SE/4 of Section 11, Township 10 South, Range 35 East, NMPM,
Lea County, New Mexico
(April 11, 2001)

TREATING PLANT OPERATION

1. The facility must be fenced and have a sign at the entrance. The sign must be legible from at least fifty (50) feet and contain the following information: a) name of the facility; b) permit number; c) location by section, township and range; and d) emergency phone number.
2. Disposal may occur only when an attendant is on duty. The facility must be secured when no attendant is present.
3. The facility must be maintained such that there will be no storm water runoff beyond the boundaries of the facility.
4. Any major design changes to the surface waste management facility must be submitted to the OCD Santa Fe office for approval and a copy must be sent to the Hobbs District office.
5. Facility inspection and maintenance must be conducted on at least a weekly basis and immediately following each consequential rainstorm or windstorm. The OCD Santa Fe and Hobbs offices must be notified within 24 hours if any defect is noted. Repairs must be made as soon as possible. If the defect will jeopardize the integrity of the tank(s), additional wastes may not be placed into the affected tank(s) until repairs have been completed.
6. All saddle tanks or drums located at the facility and containing materials other than fresh water must be placed on an impermeable pad with curb containment. The pad and curb containment must be able to hold one and one-third the volume of the largest tank or all interconnected tanks. The tanks and containers must be labeled as to contents and hazards.
7. All existing above-ground tanks located at the facility and containing materials other than fresh water must be bermed to contain one and one-third the volume of the largest tank or all interconnected tanks, whichever is greater. All above-ground tanks must be labeled as to contents and hazards.
8. All new or replacement above-ground tanks located at the facility and containing materials other than fresh water must be placed on an impermeable pad and be bermed so that the area will contain one and one-third the volume of the largest tank or all

- interconnected tanks, whichever is greater. All above-ground tanks must be labeled as to contents and hazards.
9. Below-grade sumps and below-grade tanks must be inspected on a regular basis and fluid must be removed to prevent overflow.
 10. Below-grade sumps and below-grade tanks must be cleaned and visually inspected annually. Results must be recorded and maintained at the facility for OCD review. If sump/tank integrity has failed the OCD must be notified within 48 hours of discovery and the sump/tank must be replaced.
 11. All new or replacement below-grade sumps and below-grade tanks at the facility must have secondary impermeable containment with a leak detection system. The leak detection system must be inspected for fluids weekly. Results must be recorded and maintained at the facility for OCD review. If fluids are present they must be removed and properly disposed of or recycled and the primary containment checked for leaks and repaired or replaced. Records of inspections and repairs must be made available to the OCD upon request.
 12. Below-grade pipelines associated with the treating plant must be pressure tested annually. Results must be recorded and maintained at the facility for OCD review. If pipeline integrity has failed the OCD must be notified within 48 hours of discovery and the line must be repaired or replaced. Contaminated soil must be removed and disposed of at an OCD-approved facility. Soil remediation must follow OCD surface impoundment closure guidelines. The permittee must submit a report to the OCD Santa Fe and appropriate District offices that describes the investigation and remedial actions taken.
 13. Liquid and solid waste generated at the treating plant must be disposed of at an OCD-approved disposal facility.
 14. To protect migratory birds, all tanks exceeding 16 feet in diameter and exposed pits and ponds shall be screened, netted or covered.
 15. Within 24 hours of receiving notification from the OCD that an objectionable odor has been detected or reported, the facility must implement the following response procedure:
 - a. log date and approximate time of notice that an odor exists;
 - b. log investigative steps taken, including date and time, and conclusions reached; and
 - c. log actions taken to alleviate the odor, which may include adjusting chemical treatment, air sparging, solidification, landfarming, or other similar responses.

A copy of the log, signed and dated by the facility manager, must be maintained for OCD review.

H₂S PREVENTION & CONTINGENCY PLAN

1. Gandy must develop a prevention and contingency plan for ambient H₂S levels to protect public health. **The H₂S prevention and contingency plan must be submitted to the OCD Santa Fe and Hobbs offices for approval by June 11, 2001.** The plan must address how Gandy will monitor for H₂S to ensure the following:
 - a. If H₂S of 1.0 ppm or greater leaves the property:
 - i. the operator must notify the Hobbs office of the OCD immediately; and
 - ii. the operator must begin operations or treatment that will mitigate the source.
 - b. If H₂S of 10.0 ppm or greater leaves the property:
 - i. the operator must immediately notify the Hobbs office of the OCD and the following public safety agencies:

New Mexico State Police;
Lea County Sheriff; and
Lea County Fire Marshall;
 - ii. the operator must notify all persons residing within one-half (½) mile of the fence line and assist public safety officials with evacuation as requested; and
 - iii. the operator must begin operations or treatment that will mitigate the source.

LANDFARM OPERATION

1. Only soils generated exclusively from pit closure operations at the Gandy Corporation surface waste management facility may be landfarmed at the Gandy Corporation facility landfarm.
2. Contaminated soil must be spread on the surface in lifts of six inches or less.
3. Soils must be disked a minimum of one time every two weeks (biweekly) to enhance biodegradation of contaminants.
4. Moisture may be added as necessary to enhance bioremediation and to control blowing dust. There may be no ponding, pooling or run-off of water allowed. Any ponding of precipitation must be removed within twenty-four (24) hours of discovery.

5. Authorization from the OCD must be obtained prior to removal of the remediated soils.
6. Enhanced bio-remediation through the application of microbes (bugs) and/or fertilizers requires prior approval from the OCD. Requests for application of microbes or fertilizers must include the location of the area designated for the program, the composition of additives, and the method, amount and frequency of application.
7. Any design changes to the landfarm facility must be submitted to the OCD Santa Fe office for approval and a copy must be sent to the Hobbs District office.
8. Landfarm inspection and maintenance must be conducted on at least a biweekly basis and immediately following each consequential rainstorm or windstorm. The OCD Santa Fe and Hobbs offices must be notified within 24 hours if any defect is noted. Repairs must be made as soon as possible.

TREATMENT ZONE MONITORING

1. A treatment zone not to exceed three (3) feet beneath the landfarm native ground surface must be monitored. A minimum of one random soil sample must be taken from each individual cell quarterly, with no cell being larger than five (5) acres. The sample must be taken at two (2) to three (3) feet below the native ground surface.
2. The soil samples must be analyzed using EPA-approved methods for total petroleum hydrocarbons (TPH) and volatile aromatic organics (BTEX) quarterly and for major cations/anions and Water Quality Control Commission (WQCC) metals annually.
3. After soil samples are obtained, the boreholes must be filled with an impermeable material such as cement or bentonite.

WASTE ACCEPTANCE CRITERIA

1. The facility is authorized to accept only:
 - a. Oilfield wastes that are exempt from RCRA Subtitle C regulations and that do not contain Naturally Occurring Radioactive Material regulated pursuant to 20 NMAC 3.1 Subpart 1403 (NORM). All loads of these wastes other than wastes returned from the well bore in the normal course of well operations such as produced water and spent treating fluids received at the facility shall be accompanied by a "Generator Certificate of Waste Status" signed by the generator.

- b. "Non-hazardous" non-exempt oilfield wastes that do not contain NORM. These wastes may be accepted on a case-by-case basis after a hazardous waste determination is made. Samples, if required, must be obtained from the wastes prior to removal from the generator's facility and without dilution in accordance with EPA SW-846 sampling procedures. All "non-hazardous" non-exempt wastes received at the facility must be accompanied by:
 - i. An approved OCD Form C-138 "Request For Approval To Accept Solid Waste."
 - ii. A "Generator Certificate of Waste Status" signed by the generator.
 - iii. A verification of waste status issued by the appropriate agency, for wastes generated outside OCD jurisdiction. The agency verification is based on specific information on the subject waste submitted by the generator and demonstrating the exempt or non-hazardous classification of the waste.
 - c. Non-oilfield wastes that are non-hazardous if ordered by the Department of Public Safety in a public health emergency. OCD approval must be obtained prior to accepting the wastes.
2. At no time may any OCD-permitted surface waste management facility accept wastes that are hazardous by either listing or characteristic testing.
 3. The transporter of any wastes to the facility must supply a certification that wastes delivered are those wastes received from the generator and that no additional materials have been added.
 4. No waste will be accepted at the treating plant unless it is accompanied by an approved Form C-117-A.
 5. No produced water may be received at the facility unless the transporter has a valid Form C-133, Authorization to Move Produced Water, on file with the Division.

REPORTING

1. The Treating Plant Operator's Monthly Report (Form C-118 sheet 1 and 1-A), which details the oil recovered and sold during the preceding month, must be submitted to the OCD Hobbs office monthly.
2. The Tank Cleaning, Sediment Oil Removal, Transportation of Miscellaneous Hydrocarbons and Disposal Permit (Form C-117) must be submitted to the OCD Hobbs office according to form directions.

3. Records of treating plant and landfarm inspections and maintenance and of pipeline testing and maintenance must be kept and maintained for OCD review.
4. Gandy must notify the **OCD Santa Fe and Hobbs offices within 24 hours** of any fire, break, leak, spill, blow out or any other circumstance that could constitute a hazard or contamination in accordance with OCD Rule 116.
5. Comprehensive records of all material disposed of at the facility must be maintained. The records for each load must include: 1) generator; 2) origin; 3) date received; 4) quantity; 5) certification of waste status as exempt; 6) NORM status declaration; and 7) transporter.
6. Analytical results from the treatment zone monitoring must be submitted to the OCD Santa Fe office **within thirty (30) days** of receipt from the laboratory.
7. The OCD must be notified prior to the installation of any pipelines or wells or other construction within the boundaries of the facility.

FINANCIAL ASSURANCE

1. Financial assurance in the amount of **\$98,855** in the form of a surety or cash bond or a letter of credit, which is approved by the Division, is required from Gandy Corporation for the commercial surface waste management facility. A bond in the amount of \$25, 000 is already on file with the Division.

By May 11, 2001 Gandy Corporation must submit 50% of the financial assurance in the amount of **\$49,427**.

By May 11, 2002 Gandy Corporation must submit 75% of the financial assurance in the amount of **\$74,140**.

By May 11, 2003 Gandy Corporation must submit 100% of the financial assurance in the amount of **\$98,855**.

2. The facility is subject to periodic inspections by the OCD. The conditions of this permit and the facility will be reviewed no later than five (5) years from the date of this approval. In addition, the closure cost estimate will be reviewed according to prices and remedial work estimates at the time of review. The financial assurance may be adjusted to incorporate any closure cost changes.

CLOSURE

1. The OCD Santa Fe and Hobbs offices must be notified when operation of the facility is to be discontinued for a period in excess of six (6) months or when the facility is to be dismantled. Within six (6) months after discontinuing use or within 30 days of deciding to dismantle the facility a closure plan must be submitted to the OCD Santa Fe office for approval. The operator must complete cleanup of constructed facilities and restoration of the facility site within six (6) months of receiving the closure plan approval, unless an extension of time is granted by the Director.
2. The closure plan to be submitted must include the following procedures:
 - a. When the facility is to be closed no new material may be accepted.
 - b. All tanks must be emptied and any waste and recyclable material must be hauled to an OCD-approved facility. The empty tanks and equipment must be removed.
 - c. Contaminated soils exceeding OCD closure standards for the site must be removed or remediated.
 - d. The area must be contoured, seeded with native grasses and allowed to return to its natural state. If the landowner desires to keep existing structures, berms, or fences for future alternative uses, the structures, berms, or fences may be left in place.
 - e. Closure must be pursuant to all OCD requirements in effect at the time of closure, and any other applicable local, state and/or federal regulations.

CERTIFICATION

Gandy Corporation, by the officer whose signature appears below, accepts this permit and agrees to comply with all terms and conditions contained herein. Gandy Corporation further acknowledges that these conditions and requirements of this permit may be changed administratively by the Division for good cause shown as necessary to protect fresh water, public health and the environment.

Accepted:

GANDY CORPORATION

Signature _____ Title _____ Date _____

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE NO. 5012
Order No. R-4594

APPLICATION OF GANDY CONSTRUCTION
FOR AN OIL TREATING PLANT PERMIT,
LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on June 27, 1973,
at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 23rd day of July, 1973, the Commission, a
quorum being present, having considered the testimony, the
record, and the recommendations of the Examiner, and being fully
advised in the premises,

FINDS:

- (1) That due public notice having been given as required
by law, the Commission has jurisdiction of this cause and the
subject matter thereof.
- (2) That the applicant, Gandy Construction, seeks authority
to install and operate an oil treating plant, utilizing heat,
solvents, and chemicals, in the SE/4 of Section 11, Township 10
South, Range 35 East, NMPM, Lea County, New Mexico, for the
reclamation of sediment oil to be obtained from tank bottoms and
waste pits.
- (3) That the proposed plant and method of processing will
efficiently process, treat, and reclaim the aforementioned waste
oil, thereby salvaging oil which would otherwise be wasted.
- (4) That the subject application should be approved as
being in the best interest of conservation.

IT IS THEREFORE ORDERED:

- (1) That the applicant, Gandy Construction, is hereby
authorized to install and operate an oil treating plant,
utilizing heat, solvents, and chemicals, in the SE/4 of Section 11,
Township 10 South, Range 35 East, NMPM, Lea County, New Mexico,
for the purpose of treating and reclaiming sediment oil to be
obtained from tank bottoms and waste pits;

PROVIDED HOWEVER, that the continuation of the authorization granted by this order shall be conditioned upon compliance with the laws of the State of New Mexico and the rules and regulations of the New Mexico Oil Conservation Commission;

PROVIDED FURTHER, that prior to commencing operation of said plant, the applicant shall file with the Commission a performance bond in the amount of \$10,000.00 conditioned upon substantial compliance with applicable statutes of the State of New Mexico and all rules, regulations, and orders of the Oil Conservation Commission.

(2) That the operator of the above-described oil treating plant shall clear and maintain in a condition clear of all debris and vegetation a fireline at least 15 feet in width and encircling the tract upon which the plant is located.

(3) That the disposal of waste water accumulated in conjunction with the operation of the above-described plant on the surface of the ground, or in any pit, pond, lake, depression, draw, streambed, or arroyo, or in any watercourse, or in any other place or in any manner which will constitute a hazard to any fresh water supplies is hereby prohibited.

(4) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

I. R. TRUJILLO, Chairman

ALEX J. ARMIJO, Member

A. L. PORTER, Jr., Member & Secretary

S E A L

dr/

ATTACHMENT 1
OCD Environmental Bureau Closure Cost Estimate
For
Gandy Corporation
20 acre surface waste management facility
March 27, 2001

Items and rates taken from closure cost estimates submitted August 8, 1997 and March 2001.

Known: 33 tanks located at the facility

12 - 210 bbl oil storage tanks	2 - 436 bbl waste water tanks	2 - 500 bbl waste fluid tanks
4 - 300 bbl oil storage tanks	4 - 500 bbl waste water tanks	1 - 750 bbl waste fluid tank
1 - 350 bbl oil storage tank		
1 - 436 bbl oil storage tank		
2 - 500 bbl oil storage tanks		
4 - 750 bbl oil storage tanks		
1 - 1000 bbl oil storage tank		

Job Foreman/Coordinator:

18 days @ \$250 per day

\$4500.00 Total

NORM Survey

Certified NORM tech. \$ 55.00 hr 24 hours

\$1320.00 Total

Remove Fluids From All Tanks.

130 bbl transport truck & driver \$70.00/hour

2 hours per trip

\$0.35 bbl produced water disposal cost (quotes from other 711 facilities)

\$3.75 bbl non-exempt waste disposal cost (quotes from other 711 facilities)

\$3.25 bbl tank bottom BS&W (quotes from other 711 facilities)

Oil sale tanks removed any oil for sale = Total 9506 bbl

Waste water tanks dispose of fluid as produced water = Total 2872 bbl

Waste fluid tanks dispose of waste as exempt tank bottom /BS&W = 1750 bbl

Waste water 2872 bbl * \$0.35 bbl = \$ 1005.00

Waste fluid 1750 bbl * \$3.25 bbl = \$ 5688.00

Transport of 2872 bbls to injection well

23 trips, 1 hour round trip = 32 hours * \$70.00/hour \$ 2,240.00

Transport of 1750 bbls to treating plant

14 trips, 2.5 hours round trip = 35 hours * \$70.00/hour \$ 2,450.00

= \$ 11,383 total tank fluid transport and disposal

Tank Cleaning

Tank Cleaning: Jet truck, vacuum truck	\$ 7,920.00
Jet water: 1000 bbl fresh water	\$ 200.00
Jet water disposal: 1100 bbl \$3.25 /bbl	\$ 3,575.00
Hauling 130 bbl per load * 2.5 hours round trip mi. * \$65.00 hr	\$ 1,463.00
	<u>\$13,158.00</u> Tank Cleaning

Remove Tanks, Piping and Equipment:

Removal of tanks and residual equipment: To include trucking, heavy equipment and operators, recycling. Estimate from other 711 facility closure costs

Roustabout crew/truck \$60 hr * 140 hr	\$8400.00
Operator tandem winch/trailer \$85 hr * 140 hr	<u>\$11,900.00</u>
	\$20,300.00 Tank and Equipment Disposal

To include trucking, disposal, heavy equipment and operators
Estimate from other 711 facility closure costs

Quarterly Analytical Analysis for 15 acres two years on three (3), cells

State Contract Laboratory Prices per analysis:

BTEX \$ 40.00 x 8 quarters x 3 cells	= \$960.00
TPH \$ 50.00 x 8 quarters x 3 cells	= \$1,200.00
Metals \$200.00 x 2 years x 3 cells	= <u>\$1,200.00</u>
	\$3,360.00 Analytical

Quarterly Sampling Time and Labor for 3 Cells

Labor \$55.00/hour
Sample 30 min per cell
Travel 2 hour
Delivery & Paperwork 1 hour

Total Time = (30min/cell x 3 cells) + 2 hours + 1 hours = 4.5 hours

4.5 hours * \$55.00/hour = \$248.00/sampling event

\$248.00/sampling event * 8 quarters = **\$ 1,984.00 Labor**

Disking/Tilling for Two Years Every Two Weeks for 15 acres

Price and Time Quotes from Equipment Operators and Landfarm Operators:

Small Tractor and Operator \$50.00 /hour

5 acres per hour = 12 min per acre

$$\begin{array}{rclcl} 15 \text{ acres} & * & 12 \text{ min} & \times & 52 \text{ weeks} & = & 156 \text{ hours} \\ 156 \text{ hours} & * & \$50.00/\text{hour} & & & = & \$ 7,800.00 \text{ Disking/Tilling} \end{array}$$

Water for Bioremediation

Price Quotes from Equipment Operators

Water Truck \$120.00/load

$$\$120.00/\text{load} * 3 \text{ loads} \times 12 \text{ Events in Two Years} = \$4,320.00 \text{ Water}$$

Level Landfarm

Price and Time Quotes from Equipment Operators

D-6 Dozer and Operator \$90.00/hour

$$\$90.00/\text{hour} \times 30 \text{ min/acre} \times 15 \text{ acres} = \$675.00 \text{ Level Landfarm}$$

Revegetation for 15 acre site

Equipment and labor cost

$$\text{Tractor and seed drill } \$50.00/\text{hour} @ 15 \text{ min/acre for 15 acres} = \$188.00$$

Materials Cost

$$\begin{array}{rclcl} \text{Native Seed mix } \$10.00/\text{lb} @ 5 \text{ lb/acre for 15 acres} & = & & \underline{\$750.00} \\ & & & \mathbf{\$938.00 \text{ Revegetation}} \end{array}$$

Analytical Analysis for site characterization

33 confirmatory samples taken beneath tanks.

State Contract Laboratory Prices per analysis:

BTEX	\$ 40.00	* 33 samples	=	\$ 1,320.00
TPH	\$ 50.00	* 33 samples	=	\$ 1,650.00
Metals	\$200.00	* 33 samples	=	\$ 6,600.00
Radium 226	\$110.00	* 33 samples	=	\$ 3,630.00
				<u>\$13,200.00</u> Analytical

Confirmatory Soil Sampling Time and Labor for 33 samples

Labor 2 personnel \$55.00/hour

Sample 30 min per sample

Travel 1 hour

Delivery & Paperwork 2 hours

Total Time = (30 min/sample * 33 samples) + 1 hour + 2 hours = 19.5 hours

19.5 hours * \$55.00/hour * 2 persons = **\$2,145.00 Sampling Event**

%10 Contingency = \$8,508.00

Total Closure and Vegetation Cost for Treating Plant and Landfarm facility

\$ 93,591.00 Subtotal

\$ 5,264.00 NMGR .05625

\$ 98,855.00 Total Financial Assurance

Existing Commercial Facilities financial assurance may be no less than \$25,000 no more than \$250,000.

**OCD Environmental Bureau Closure Cost Estimate
For
Gandy Corporation
20 acre surface waste management facility
March 27, 2001**

Items and rates taken from closure cost estimates submitted August 8, 1997 and March 2001.

Known: 33 tanks located at the facility

12 - 210 bbl oil storage tanks	2 - 436 bbl waste water tanks	2 - 500 bbl waste fluid tanks
4 - 300 bbl oil storage tanks	4 - 500 bbl waste water tanks	1 - 750 bbl waste fluid tank
1 - 350 bbl oil storage tank		
1 - 436 bbl oil storage tank		
2 - 500 bbl oil storage tanks		
4 - 750 bbl oil storage tanks		
1 - 1000 bbl oil storage tank		

Job Foreman/Coordinator:

18 days @ \$250 per day

\$4500.00 Total

Remove Fluids From All Tanks.

130 bbl transport truck & driver \$65.00/hour

2 hours per trip

\$0.35 bbl produced water disposal cost (quotes from other 711 facilities)

\$3.75 bbl non-exempt waste disposal cost (quotes from other 711 facilities)

\$3.25 bbl tank bottom BS&W (quotes from other 711 facilities)

Oil sale tanks removed any oil for sale = Total 9506 bbl

Waste water tanks dispose of fluid as produced water = Total 2872 bbl

Waste fluid tanks dispose of waste as exempt tank bottom /BS&W = 1750 bbl

Waste water 2872 bbl * \$0.35 bbl = \$ 1005.00

Waste fluid 1750 bbl * \$3.25 bbl = \$ 5688.00

Transport of 2872 bbls to injection well

23 trips, 1 hour round trip = 32 hours * \$65.00/hour \$ 1495.00

Transport of 1750 bbls to treating plant

14 trips, 2.5 hours round trip = 35 hours * \$65.00/hour \$ 2275.00

= \$ 10,463 total tank fluid transport and disposal

Tank Cleaning

Tank Cleaning: Jet truck, vacuum truck	\$ 7,920.00
Jet water: 1000 bbl fresh water	\$ 200.00
Jet water disposal: 1100 bbl \$3.25 /bbl	\$ 3,575.00
Hauling 130 bbl per load * 2.5 hours round trip mi. * \$65.00 hr	\$ 1,463.00
	\$13,158.00 Tank Cleaning

Remove Tanks, Piping and Equipment:

Removal of tanks and residual equipment: To include trucking, heavy equipment and operators, recycling. Estimate from other 711 facility closure costs

Roustabout crew/truck \$60 hr * 140 hr	\$8400.00
Operator tandem winch/trailer \$85 hr * 140 hr	\$11,900.00
	\$20,300.00 Tank and Equipment Disposal

To include trucking, disposal, heavy equipment and operators
Estimate from other 711 facility closure costs

Quarterly Analytical Analysis for 15 acres two years on three (3), cells

State Contract Laboratory Prices per analysis:

BTEX \$ 40.00 x 8 quarters x 3 cells	= \$960.00
TPH \$ 50.00 x 8 quarters x 3 cells	= \$1,200.00
Metals \$200.00 x 2 years x 3 cells	= \$1,200.00
	\$3,360.00 Analytical

Quarterly Sampling Time and Labor for 3 Cells

Labor \$55.00/hour
Sample 30 min per cell
Travel 2 hour
Delivery & Paperwork 1 hour

Total Time = (30min/cell x 3 cells) + 2 hours + 1 hours = 4.5 hours

4.5 hours * \$55.00/hour = \$248.00/sampling event

\$248.00/sampling event * 8 quarters = **\$ 1,984.00 Labor**

Disking/Tilling for Two Years Every Two Weeks for 15 acres
Price and Time Quotes from Equipment Operators and Landfarm Operators:

Small Tractor and Operator \$30.00 /hour
5 acres per hour = 12 min per acre

15 acres * 12 min x 52 weeks = 156 hours
156 hours * \$30.00/hour = **\$ 4,680.00 Disking/Tilling**

Water for Bioremediation
Price Quotes from Equipment Operators

Water Truck \$120.00/load

\$120.00/load * 3 loads x 12 Events in Two Years = **\$4,320.00 Water**

Level Landfarm
Price and Time Quotes from Equipment Operators

D-6 Dozer and Operator \$90.00/hour

\$90.00/hour x 30 min/acre x 15 acres = **\$675.00 Level Landfarm**

Revegetation for 15 acre site

Equipment and labor cost

Tractor and seed drill \$50.00/hour @ 15 min/acre for 15 acres = \$188.00

Materials Cost

Native Seed mix \$10.00/lb @ 5 lb/acre for 15 acres = \$750.00
\$938.00 Revegetation

Analytical Analysis for site characterization

33 confirmatory samples taken beneath tanks.

State Contract Laboratory Prices per analysis:

BTEX \$ 40.00 * 33 samples = \$1,320.00

TPH \$ 50.00 * 33 samples = \$1,650.00

Metals \$200.00 * 33 samples = \$6,600.00

\$9,570.00 Analytical

Confirmatory Soil Sampling Time and Labor for 33 samples

Labor 2 personnel \$55.00/hour
Sample 30 min per sample
Travel 1 hour
Delivery & Paperwork 2 hours

Total Time = (30 min/sample * 33 samples) + 1 hour + 2 hours = 19.5 hours

19.5 hours * \$55.00/hour * 2 persons = **\$2,145.00 Sampling Event**

Total Closure and Vegetation Cost for Treating Plant and Landfarm facility

\$ 76,093.00	Subtotal
\$ 4,280.00	NMGRT .05625
\$ 80,373.00	Total Financial Assurance

Existing Commercial Facilities financial assurance may be no less than \$25,000 no more than \$250,000.



Photo 1 04-11-00
Process area, boiler, fuel oil and propane tanks.



Photo 4 04-11-00
Process area and storage shed.

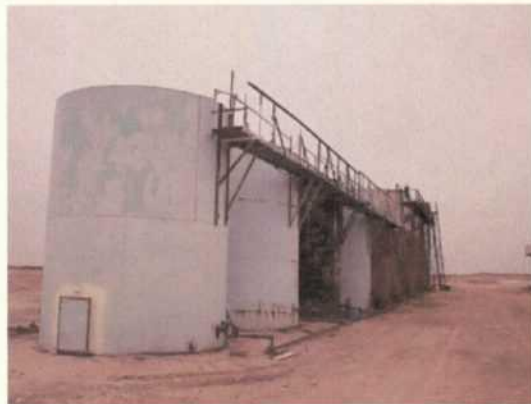


Photo 2 04-11-00
Sale oil and process tanks.



Photo 5 04-11-00
Leaking tank to be cleaned and removed.



Photo 3 04-11-00
Sale oil tanks.



Photo 6 04-11-00
Bolted tank to be cleaned and removed.



Photo 7 04-11-00
Bolted tank to be cleaned and removed



Photo 10 04-11-00
Process tanks.



Photo 8 04-11-00
Bolted tanks to be cleaned and removed



Photo 11 04-11-00
Leaking valve and sumps with oil and water.



Photo 9 04-11-00
Temporary oil storage tanks



Photo 12 04-11-00
Leaking valve or pipe.



Photo 13 04-11-00
Sale oil.



Photo 14 04-11-00
Leaking valve or pipe

District I
1625 N. French Dr., Hobbs, NM 88240
District II
811 South First, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

Oil Conservation Division
2040 South Pacheco
Santa Fe, NM 87505

RECEIVED

MAR 21 2001

Environmental Bureau
Oil Conservation Division

Form C-137
Revised March 17, 1999

Submit Original Plus 1
Copy to Santa Fe
1 Copy Appropriate
District Office

APPLICATION FOR WASTE MANAGEMENT FACILITY

(Refer to the OCD Guidelines for assistance in completing the application)

☒

Commercial

☐

Centralized

1. Type: ☐ Evaporation ☐ Injection ☐ Other
☐ Solids/Landfarm ☒ Treating Plant

2. Operator: GANDY Corporation

Address: P.O. BOX 827, TATUM, NM 88267

Contact Person: Larry Gandy Phone: (505) 398-4960

3. Location: /4 SE /4 Section 11 Township 10 S Range 35 E

Submit large scale topographic map showing exact location

4. Is this a modification of an existing facility? ☐ Yes ☒ No
5. Attach the name and address of the landowner of the facility site and landowners of record within one mile of the site.
6. Attach description of the facility with a diagram indicating location of fences, pits, dikes, and tanks on the facility.
7. Attach designs prepared in accordance with Division guidelines for the construction/installation of the following: pits or ponds, leak-detection systems, aerations systems, enhanced evaporation (spray) systems, waste treating systems, security systems, and landfarm facilities.
8. Attach a contingency plan for reporting and clean-up for spills or releases.
9. Attach a routine inspection and maintenance plan to ensure permit compliance.
10. Attach a closure plan.
11. Attach geological/hydrological evidence demonstrating that disposal of oil field wastes will not adversely impact groundwater. Depth to and quality of ground water must be included.
12. Attach proof that the notice requirements of OCD Rule 711 have been met.
13. Attach a contingency plan in the event of a release of H₂S.
14. Attach such other information as necessary to demonstrate compliance with any other OCD rules, regulations and orders.

15. CERTIFICATION

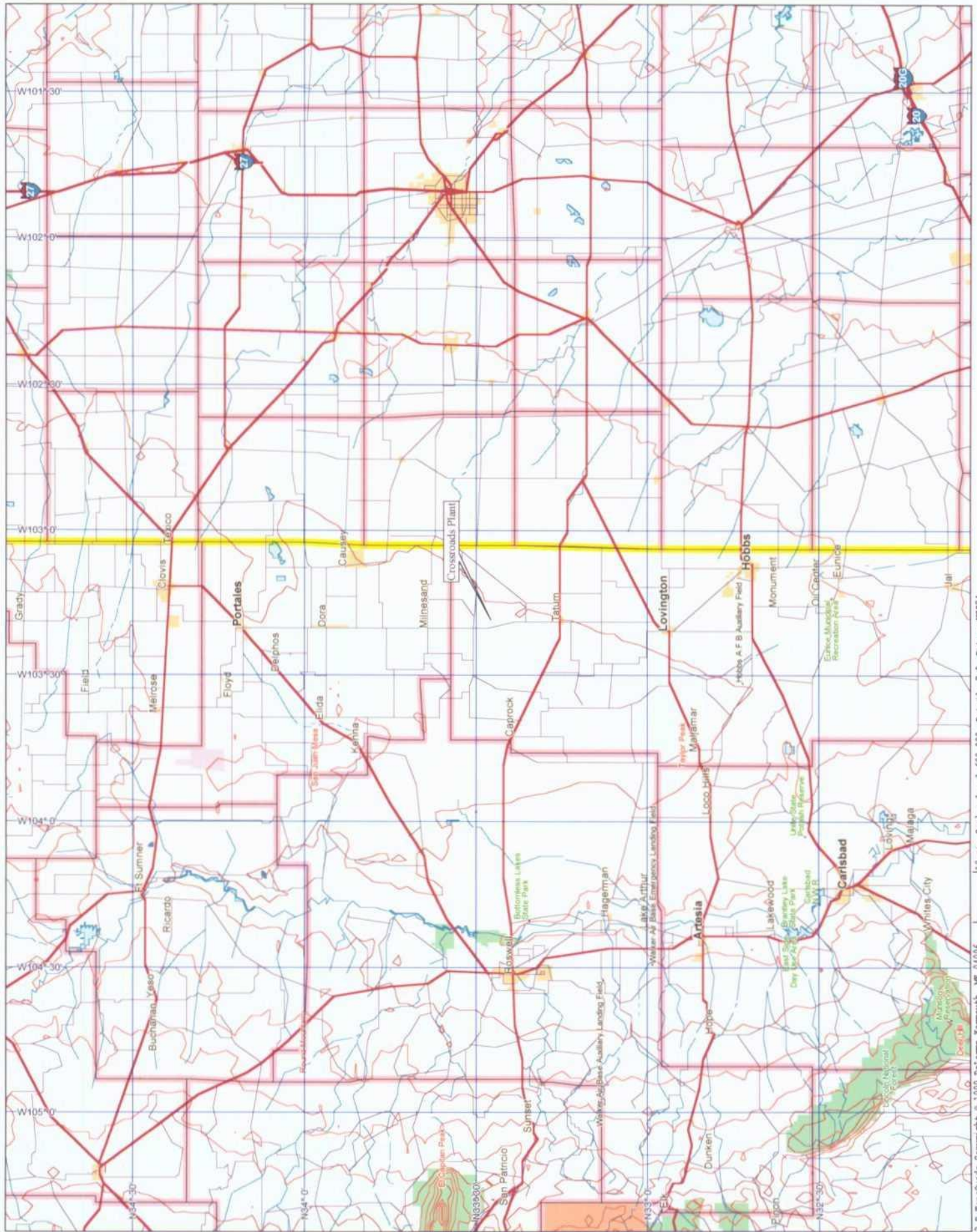
I hereby certify that the information submitted with this application is true and correct to the best of my knowledge and belief.

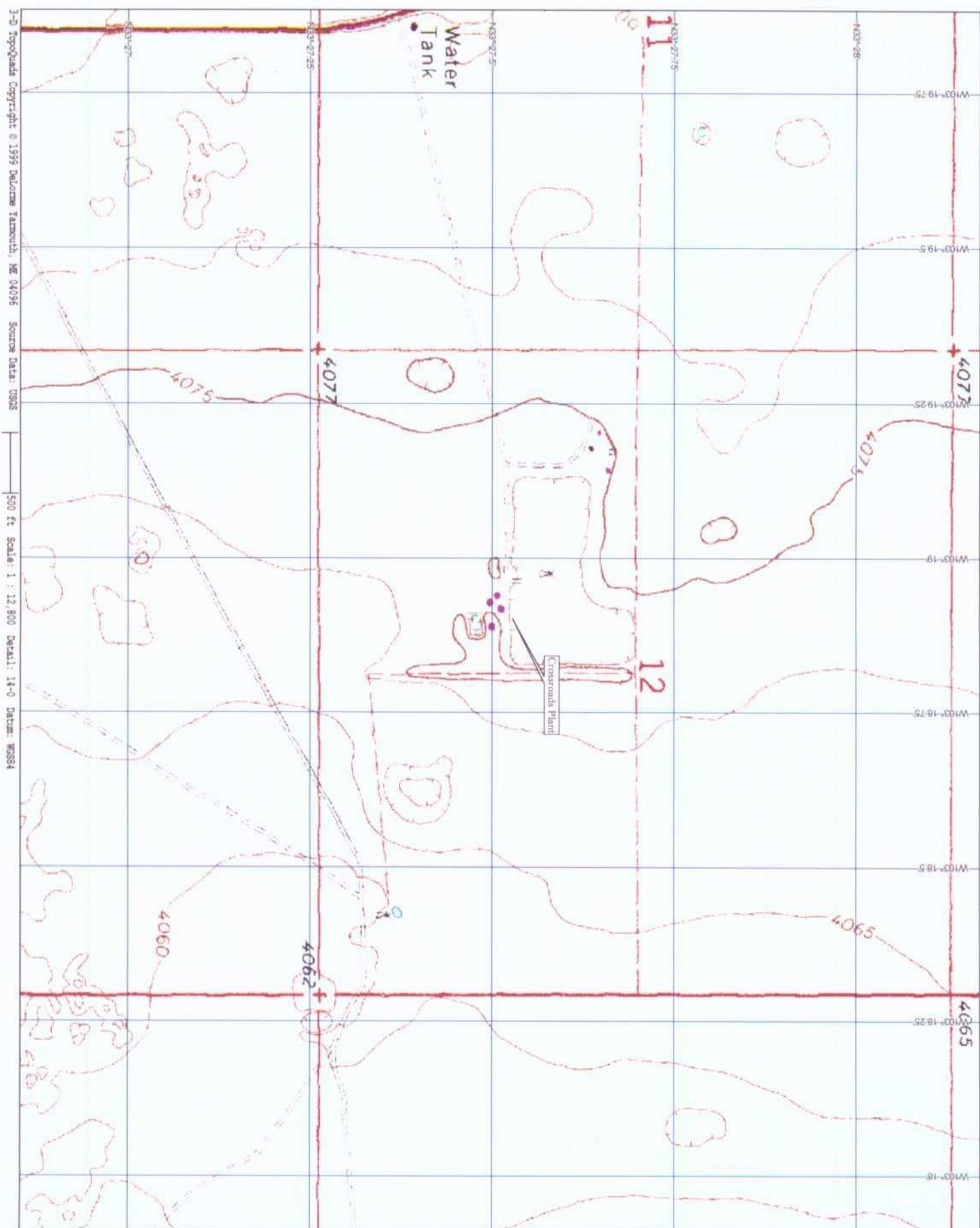
Name: Larry Gandy

Title: Vice-President

Signature: Larry Gandy

Date: 03/06/01





V. Attach the name, telephone number and address of the landowner of the facility site and land owner of record with one mile of the site.

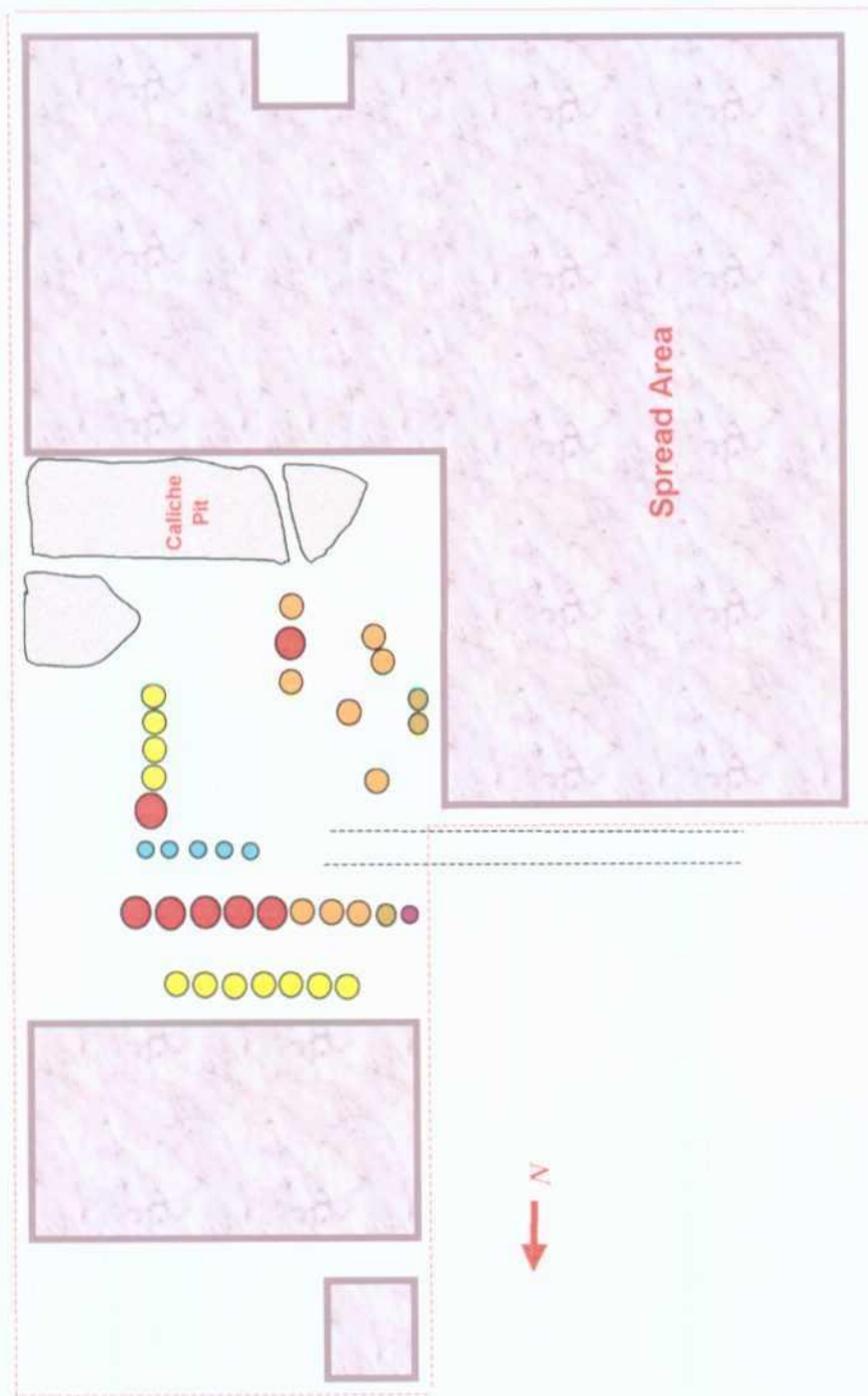
Response: Landowner of facility is Gandy Corporation, P.O. Box 827, Tatum NM, 88267.

Landowner within one mile of facility is: Kenneth Kinsolving, Crossroads, NM and Tommy Price, Tatum, NM 88267.

VI. Attach description of the facility with a diagram indicating the location of fences, pits, dikes and tanks on the facility.

Response: Enclosed are Exhibits 1, 2, 3 and 4 providing a schematic of the facility, location of flow lines, and a process description.

Gandy Corporation
Crossroads Plant
Overall View
Exhibit 1



**Gandy Corporation
Crossroads Plant
Process Schematic
Exhibit 2**

Tank Capacity Legend	
1	210 bbl.
2	300 bbl.
3	350 bbl.
4	436 bbl.
5	480 bbl.
6	500 bbl.
7	750 bbl.
8	1,000 bbl.

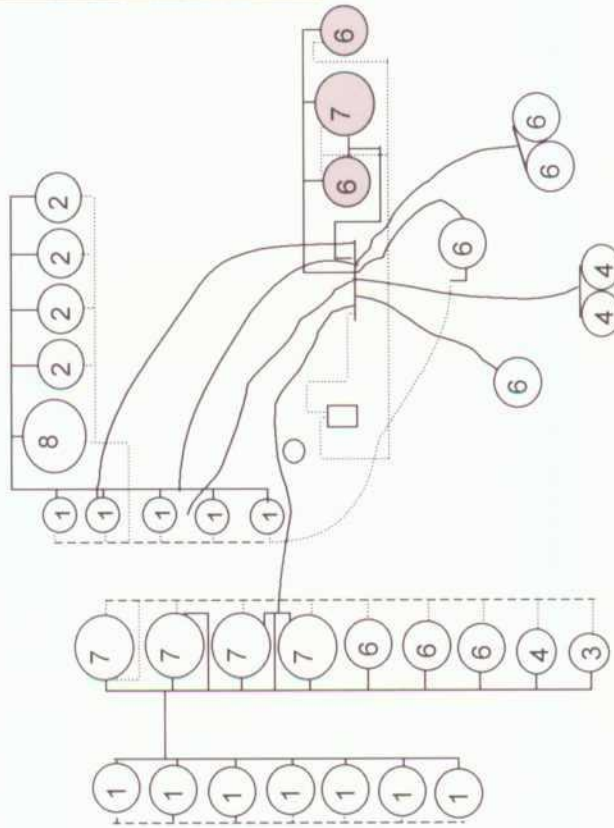
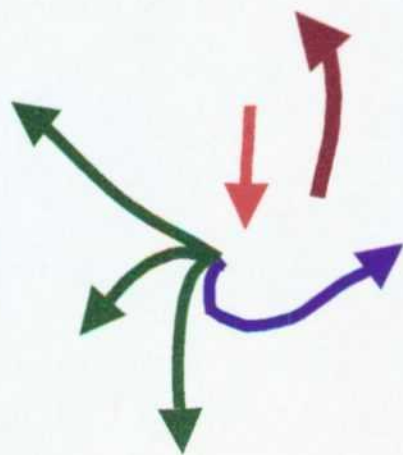


Exhibit 3



A	
B	
C	
D	

Process Flow Description
Exhibit 4

- A. Waste fluid enters the facility and is temporarily stored within three receiving tanks. **(Brown Arrow)**
- B. The waste fluid is sent through a manifold to a heater unit **(Orange Arrow)**
- C. Waste water is diverted to holding tanks prior to disposal. **(Blue Arrow)**
- D. Oil is diverted to storage tanks for later sale. **(Green Arrow)**

VII. Attach designs prepared in accordance with Division guidelines for the construction / installation of the following: pits or ponds, leak-detection systems, aeration systems, enhanced evaporation (spray) systems, waste treating systems, security systems, and landfarm facilities.

Response: N/A

VIII. Attach a contingency plan for reporting and clean up of spills or releases.

Response: Gandy Corporation owns and operates backhoes, vacuum trucks and other construction equipment commonly employed on spill clean-ups. In the event of any unplanned release of oil or brine water exceeding the threshold quantities specified within the NMOCD guidelines, Gandy will immediately notify the Hobbs office of the NMOCD and remove all free liquids. Such removed liquids will be sent to commercial disposal.

All impacted soils will be delineated as to both vertical and lateral extent and all affected soils removed to commercial disposal. Replacement soils will be re-deposited within the excavated area and compacted to match the surrounding topographical elevations.

IX. Attach a routine inspection and maintenance plan to insure permit compliance.

Response: The facility will be inspected on a weekly basis and after each heavy rainfall event. The inspection will look for any leaks, breaks, or spills. All pumps and flowlines will be inspected for obvious wear or damage.

X. Attach a closure plan.

Response: Attached Exhibit 5 outlines the requirements of a dismantlement and remediation plan based on the following parameters:

- A. The plan calls for the testing and remediation of exempt waste.
- B. No additional land-spread of materials will be conducted after January 1, 2001.
- C. All routine leaks and spills occurring between January 1, 2001 and the time of dismantlement will be addressed by Gandy Corporation in accordance with response 8, (eight) of this application.

The cost for this dismantlement and remediation program is specified within Exhibit 5A.



**Site Remediation Plan
Gandy Corporation
Crossroads Facility**

1.0 Purpose

This plan is to be used to dismantle all fixed structures and remediate all contaminated soils within the Gandy Crossroads facility.

2.0 Scope

This plan is site specific for the Crossroads facility.

3.0 Preliminary

Prior to any field operations, Whole Earth Environmental shall conduct the following activities:

3.1 Client Review

3.1.1 Whole Earth shall meet with cognizant personnel within the NMOCD to review this protocol and make any requested modifications or alterations.

3.1.2 Changes to this protocol will be documented and submitted for final review by NMOCD prior to the initiation of actual field work.

4.0 Safety

4.1 Prior to work on the site, Whole Earth shall obtain the location and phone numbers of the nearest emergency medical treatment facility. We will review all safety related issues with the appropriate Client personnel, sub-contractors and exchange phone numbers.

4.2 A tailgate safety meeting shall be held and documented each day. All sub-contractors must attend and sign the daily log-in sheet.

4.3 Anyone allowed on to location must be wearing sleeved shirts, steel toed boots, and long pants. Each vehicle must be equipped with two way communication capabilities.

4.4 Prior to any excavation, New Mexico One Call will be notified. The One Call notification number will be included within the closure report. If lines are discovered within the area to be excavated they shall be marked with pin flags on either side of the line at maximum five foot intervals.

5.0 Surface Facilities

5.1 All tanks shall be disconnected from connecting piping and drained to allow transport to Tatum, New Mexico for final sale.

5.2 All lines shall be drained and the liquids contained within them disposed of at an approved facility. The lines, connections and ancillary equipment shall be evaluated for serviceability and sold on the commercial market.

5.3 All stained areas beneath tanks and lines shall be sampled for the presence and concentrations of TPH, BTEX and chlorides.

6.0 Soil Sampling

6.1 All existing spread zones and all present stain areas shall be sampled in accordance with WEQP-77. The vertical and lateral extent of all contamination exceeding NMOCD guidelines will be delineated.

7.0 Soil Analysis

7.1 The soil samples obtained under 6.1 of this plan will be transported to a laboratory and tested for the presence of DRO-GRO TPH, BTEX and chlorides.

8.0 Soil Remediation

8.1 All contaminated soils will be mixed and blended with sub-strait materials to achieve criteria contaminant concentrations in accordance with NMOCD guidelines.

9.0 Investigation Report

9.1 Whole Earth will provide an investigation report containing the following minimum information:

- Photographs of the location prior to dismantlement and remediation
- Copies of this protocol and all testing procedures
- Independent laboratory analyses and associated chains of custody
- Disposal manifests of all materials sent to commercial disposal



**Quotation
Gandy Corporation
Crossroads Facility**

Dismantlement of all surface equipment	Salvage Value
Remediation of all spread zones	\$ 30,000.00
Remediation of tank area	\$ 5,000.00
Total:	\$ 35,000.00

This quotation is in accordance with WEPR-72 and is valid for a period of four years form January 01, 2001. Terms are in accordance with C-137 submittal Response 10.

**Whole Earth Environmental
19606 San Gabriel
Houston, Tx. 77084**

XI. Attach geological / hydrological evidence demonstrating that disposal of oilfield wastes will not adversely impact groundwater. Depth and quality of groundwater must be included.

Response: See exhibit 7.

XII. Attach proof that the notice requirements of OCD Rule 711 have been met.

Response: Not applicable.

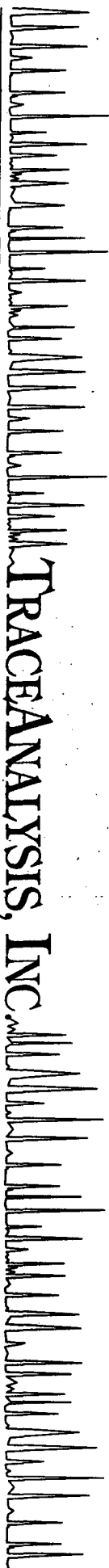
XIII. Attach a contingency plan in the event of a release of H₂S.

Response: Hydrogen Sulfide can be expected at the receiving tank and solidification unit. Appropriate signs will be placed and H₂S training will be provided to all personnel and all provisions set forth in OCD Rule 118 will be met.

XIV. Attach such other information as necessary to demonstrate compliance with any other OCD rules, regulations and orders.

Response: All regulatory requirements and OCD rules applicable to this facility will be fully complied with.

Exhibit 7 (see attachment)



TRACE ANALYSIS, INC.

6701 Aberdeen Avenue

Lubbock, Texas 79424

806•794•1296

FAX 806•794•1298

ANALYTICAL RESULTS FOR

GANDY CORP.

Attention: Larry Gandy

Box 827

Tatum, NM 88267

November 25, 1997

Receiving Date: 11/14/97

Sample Type: Water

Project No: GC 11-12

Project Location: Treating Plant

Prep Date: 11/17/97

Analysis Date: 11/17/97

Sampling Date: 11/12/97

Sample Condition: Intact & Cool

Sample Received by: NG

Project Name: NA

TA#	FIELD CODE	TDS (mg/L)	FLUORIDE (mg/L)	CHLORIDE (mg/L)	NITRATE-N (mg/L)	SULFATE (mg/L)	ALKALINITY (mg/L as CaCO3) HCO3 C03
-----	------------	---------------	--------------------	--------------------	---------------------	-------------------	---

T85302	Background from windmill	880	13	170	6.0	270	170
QC	Quality Control	—	5.8	26	10	25	<1.0

RPD	5	2	1	0	2	2
% Extraction Accuracy	—	110	101	104	101	—
% Instrument Accuracy	—	96	97	102	98	—

REPORTING LIMIT	—	1.0	10	1.0	10	1.0	1.0
-----------------	---	-----	----	-----	----	-----	-----

METHODS: EPA 160.1, 300.0, 310.1.
CHEMIST: TDS/ALKALINITY: JS FLUORIDE/CHLORIDE/NITRATE-N/SULFATE: RC
FLUORIDE SPIKE: 5.0 mg/L FLUORIDE.
CHLORIDE SPIKE: 25 mg/L CHLORIDE.
NITRATE-N SPIKE: 10 mg/L NITRATE-N.
SULFATE SPIKE: 25 mg/L SULFATE.

FLUORIDE QC: 3.8 mg/L FLUORIDE.
CHLORIDE QC: 23 mg/L CHLORIDE.
NITRATE-N QC: 9.9 mg/L NITRATE-N.
SULFATE QC: 24 mg/L SULFATE.

Director, Dr. Blair Leftwich

Date

11-25-97



TRACE ANALYSIS, INC.

6701 Aberdeen Avenue Lubbock, Texas 79424 806•794•1296 FAX 806•794•1298

November 25, 1997
Receiving Date: 11/14/97
Sample Type: Water
Project No: GC 11-12
Project Location: Treating Plant

ANALYTICAL RESULTS FOR
GANDY CORP.
Attention: Larry Gandy
Box 827
Tatum, NM 88267

Prep Date: 11/24/97
Analysis Date: 11/24/97
Sampling Date: 11/12/97
Sample Condition: Intact & Cool
Sample Received by: NG
Project Name: NA

TA#	Field Code	POTASSIUM (mg/L)	MAGNESIUM (mg/L)	CALCIUM (mg/L)	SODIUM (mg/L)
T85302	Background from windmill	3.6	32	120	94
QC	Quality Control	98	99	105	98

Reporting Limit 0.30 0.01 0.01 0.40

RPD 0 1 4 14
% Extraction Accuracy 94 100 119 110
% Instrument Accuracy 98 99 105 98

METHODS: EPA 200.7.
CHEMIST: RR
SPIKE: 100 mg/L POTASSIUM, MAGNESIUM, CALCIUM, SODIUM.
QC: 100 mg/L POTASSIUM, MAGNESIUM, CALCIUM, SODIUM.

Director, Dr. Blair Leftwich

11-25-97
Date



TRACE ANALYSIS, INC.

6701 Aberdeen Avenue
Lubbock, Texas 79424
ANALYTICAL RESULTS FOR 806•794•1296 FAX 806•794•1298

Date: Nov 17, 1997
Date Rec: 11/14/97
Project: GC 11-12
Proj Name: N/A
Proj Loc: Treating Plant
Lab Receiving #: 9711000212
Sampling Date: 11/12/97
Sample Condition: Intact and Cool
Sample Received By: NG

Gandy Marley
Attention Larry Gandy
PO BOX 1658
ROSWELL
NM 88202

TA#	Field Code	MATRIX	BENZENE (mg/L)	TOLUENE (mg/L)	ETHYL- BENZENE (mg/L)	M,P,O XYLENE (mg/L)	TOTAL BTX (mg/L)
T85302	Background From Windmill	Water	<0.001	<0.001	<0.001	<0.001	<0.001
Method Blank			<0.001	<0.001	<0.001	<0.001	
Reporting Limit			0.001	0.001	0.001	0.001	
QC			0.100	0.102	0.108	0.304	

RPD
% Extraction Accuracy
% Instrument Accuracy

2	1	1	1
101	104	107	103
100	102	108	101

TEST	PREP METHOD	PREP DATE	ANALYSIS METHOD	ANALYSIS COMPLETED	CHEMIST	QC: (mg/L)	SPIKE: (mg/L)
BTX	EPA 5030	11/14/97	EPA 8020	11/14/97	AG	0.100 ea	0.1 ea

AG

11-17-97

6701 Aberdeen Avenue
Lubbock, Texas 79424
806•794•1296
FAX 806•794•1298

ANALYTICAL RESULTS FOR
Gandy Marley
Attention: Larry Gandy
PO BOX 1658
ROSWELL NM 88202

Date: Nov 24, 1997
Date Rec: 11/14/97
Project: GC 11-12
Proj Name: N/A
Proj Loc: Treating Plant

Lab Receiving # : 9711000212
Sampling Date: 11/12/97
Sample Condition: Intact and Cool
Sample Received By: NG


PAH in Water (mg/L)	Reporting T85302		QC	RPD	%EA	%IA
	Limit	ackground From Windmil				
Naphthalene	0.001	ND	93	2	64	116
Acenaphthylene	0.001	ND	92	1	71	115
Acenaphthene	0.001	ND	94	3	77	118
Fluorene	0.001	ND	84	6	85	105
Phenanthrene	0.001	ND	90	4	74	113
Anthracene	0.001	ND	91	2	80	114
Fluoranthene	0.001	ND	91	3	78	114
Pyrene	0.001	ND	89	3	73	111
Benzo[a]anthracene	0.001	ND	94	12	62	118
Chrysene	0.001	ND	90	12	84	113
Benzo[b]fluoranthene	0.001	ND	87	5	60	109
Benzo[k]fluoranthene	0.001	ND	77	13	76	96
Benzo[a]pyrene	0.001	ND	86	13	64	108
Indeno[1,2,3-cd]pyrene	0.001	ND	77	14	69	96
Dibenz[a,h]anthracene	0.001	ND	80	11	79	100
Benzo[g,h,i]perylene	0.001	ND	75	14	68	94

ND = Not Detected

% RECOVERY

Nitrobenzene-d5 SURR	72
2-Fluorobiphenyl SURR	72
Terphenyl-d14 SURR	79

TEST	PREP METHOD	PREP DATE	ANALYSIS METHOD	ANALYSIS COMPLETED	CHEMIST	QC: (mg/L)	SPIKE: (mg/L)
PAH	EPA 3510	11/17/97	EPA 8270	11/19/97	RP/HW	80 ea	100 ea


Director, Dr. Blair Leftwich


Date

85302

Page ____ of ____

Trace Analysis, Inc.

6701 Aberdeen Avenue, Ste. 9 Lubbock, Texas 79424
 Tel (806) 794 1296 Fax (806) 794 1298
 1 (800) 378 1296

CHAIN-OF-CUSTODY RECORD AND ANALYSIS REQUEST

LAB Order ID # 212

Company Name:

Gandy Corp

Phone #:

505-398-4916

Address:

Box 827 Tatum nm 88267 Fax #: 505-398-1687

Contact Person:

Larry Gandy

Invoice to:
(if different from above)

Project #:

GC 11-12

Project Name:

Project Location:

1-feeding Plant

Sampler Signature:

[Signature]

LAB # (LAB USE ONLY)	FIELD CODE	# CONTAINERS	Volume/Amount	MATRIX				PRESERVATIVE METHOD				SAMPLING	
				WATER	SOIL	AIR	SLUDGE	HCL	HNO3	ICE	NONE	DATE	TIME

85302 Background from wind mill

11

1

8

11-12 2 pm

2

X

X

11-12

2

X

X

11-12

MTBE 8020/602

BTEX 8020/602

TPH

PAH 8270

Total Metals Ag As Ba Cd Cr Pb Hg Se

TCLP Metals Ag As Ba Cd Cr Pb Hg Se

TCLP Volatiles

TCLP Semi Volatiles

RCI

GC/MS Vol. 8240/8260/624

GC/MS Semi. Vol. 8270/625

PCB's 8080/608

Pest. 8080/608

BOD, TSS, PH

+ Antions
+ Cations
TDS

Turn Around Time if different from standard

Hold

ANALYSIS REQUEST
(Circle or Specify Method No.)

Relinquished by:

Date: Time:

Received by:

Date: Time:

Relinquished by:

Date: Time:

Received by:

Date: Time:

Relinquished by:

Date: Time:

Received at Laboratory by:

Date: Time:

Date: Time:

Received at Laboratory by: Date: Time: 11-14-97 11:00am

LAB USE ONLY

Intact ☒ Y ☐ NHeadspace ☐ Y ☐ NTemp ☐ 15 °Log-in Review ☐ B

REMARKS:

No ice in cooler
318 AR

GANDY CORPORATION

OILFIELD SERVICES

P.O. BOX 827

TATUM, NEW MEXICO 88267

(505) 398-4960

FAX -505-398-6887

To Our Valued Customers

Effective March 1, 2001 Gandy Corporation will increase its rates as per the attached schedule. We find that this increase is necessary to be able to raise Gandy Corporation employee's wages and benefits to be comparable to other industries, and to maintain safety thru qualified people and modern well maintained equipment to better serve our industry.

We appreciate your business and cooperation.

A handwritten signature in black ink, appearing to read "Dale Gandy". The signature is fluid and cursive, with a large initial "D" and "G".

Dale Gandy
President

GANDY CORPORATION
OILFIELD SERVICES
P.O. BOX 827
TATUM, NM 88267

TATUM, NEW MEXICO
Phone (505) 398-4960

LOVINGTON, NEW MEXICO
Phone (505) 396-4948

RATE SCHEDULE EFFECTIVE MARCH 01, 2001

THERE WILL A MINIMUM CHARGE OF 2 HOURS ON ALL LABOR AND EQUIPMENT

1. ROUSTABOUT EQUIPMENT AND LABOR:

A. 2 Ton Gang Truck w/tools without driver.....	\$23.00 per hr.
B. Gang Pusher.....	23.00 per hr.
C. Roustabouts and Helpers.....	19.00 per hr.
D. Pickup w/tools without driver.....	20.50 per hr.
E. Pipe Trailer.....	17.50 per hr.
F. Flat Bed Trailer.....	17.50 per hr.

2. HOT OIL UNITS:

TANDEM PACEMAKERS W/75 BARREL TANKS AND 2" COILS POWERED
WITH DIESEL ENGINES.

A. Hot Oil Unit w/operator	75.50 per hr.
----------------------------------	---------------

3. DIRT EQUIPMENT:

A. Backhoe w/front end loader, w/dump truck & operator.....	61.25 per hr.
B. D-6 Caterpillar Bulldozers w/operator.....	90.00 per hr.
C. Large Road grader.....	73.50 per hr.
D. Small Galion road grader.....	54.00 per hr.
E. Grid Roller.....	30.00 per hr.
F. Caterpillar 966 Rubber tire loader w/4 yard bucket.....	74.50 per hr.
G. 8 yard Dump Truck w/operator.....	48.50 per hr.
H. 12 and 14 yard Dump Truck w/operator.....	55.00 per hr.
I. Dump Truck w/20 yard belly dump and operator.....	65.00 per hr.
J. 210 Samsung Trackhoe w/22' boom and operator.....	125.00 per hr.

4. VACUUM AND TRANSPORT TRUCKS:

A. Vacuum Truck w/70 barrel tank and operator.....	63.00 per hr.
B. Vacuum Truck w/130 barrel tank and operator.....	70.00 per hr.
C. Transport Trucks w/130 barrel tank and operator.....	65.00 per hr.
D. Helper or additional labor.....	21.50 per hr.
E. Jet Out Fee.....	55.00 per hr.
F. Brine water hauled from Gandy Brine Station.....	.65 per bbl

GANDY CORPORATION
RATE SCHEDULE
PAGE 2

5. PUMP TRUCKS:

A. Kill Trucks w/130 barrel compartmented tanks, high pressure pumps and operators.....	\$74.50 per hr.
B. Barrel Counter.....	55.00 per day
C. 1000# single pin chart recorder.....	100.00 per day

6. PAINTER AND EQUIPMENT:

A. Paint Truck w/compressor and painter.....	61.00 per hr.
B. Painter helper.....	19.00 per hr.

7. OTHER EQUIPMENT:

A. Welding unit and welder.....	45.00 per hr.
B. Tractor w/shreader or blade w/operator.....	50.00 per hr.
C. Air compressor w/tools.....	47.50 per hr.
D. 1105 Massey Ferguson Tractor w/14" tandem Disc and Operator...	74.50 per hr.
E. Ditch Witch ditching machine.....	50.00 per hr.

8. FRESH AIR AND SAFETY EQUIPMENT:

We are equipped for confined entry into H2S areas with the following equipment:

A. Pickup w/fresh air system appliance and operator.....	37.50 per hr.
B. Pickup w/fresh air wagon and safety personnel.....	55.00 per hr.
C. Refilling of air bottles used on location.....	22.00 each
D. Monitor for monitoring four (4) gases.....	85.00 per day
E. Environmental suits used to clean tanks.....	10.00 per suit

9. Vacuum Truck with helper for HazWoper spill response.....	\$200.00 per hr.
Supervisor or Incident Commander for HazWoper spill response.....	100.00 per hr.

10. FRAC TANKS-4 DAY MINIMUM

500 Barrel Round Single Compartment.....	300.00
Additional days at request of customer.....	27.50 per day
Environmental Fee for cleaning of tanks.....	125.00

GANDY CORPORATION
RATE SCHEDULE
PAGE 3

TRANSPORTATION

Haul Truck and float to move tanks to and from location..... 62.00 per hr.

MISCELLANEOUS CHARGES

Cleaning charges will be assessed at the completion of Rental.

Disposal fees for solids accumulated from well activity will be passed to customer.

Damages to tanks and equipment will be charged to the customer

Charges for cleaning COATED TANKS that have been swabbed into will be a three hour minimum steaming fee @ \$75.50 per hour.

DISPOSAL CHARGES FOR CONTAMINATED MATERIALS:

A. OCD Exempt Contaminated Soils.....	\$14.00 per cubic yard
B. OCD Non-Exempt Contaminated Soils.....	18.00 per cubic yard
C. UST Contaminated Soils.....	22.00 per cubic yard
D. Drum Handling and Disposal.....	35.00 per drum
E. OCD Exempt Tank Bottoms & Sludges.....	5.00 per barrel
F. OCD Non-Exempt Tank Bottoms & Sludges.....	10.00 per barrel
G. UST Liquids & Sludges.....	.50 per gallon

NOTE:

1. Time charges on all equipment and labor will be charged from the time the equipment and labor leaves and returns to the yard.
2. Water prices or disposal charges will be recharged according to the rate charged by each water or disposal system. This includes cost of jetting out trucks hauling hazardous materials.
3. Prices will be subject to change without notice on labor only due to Workmen's Compensation rates in the State of New Mexico.

Public Regulation Commission**3/6/2000****GANDY CORPORATION****MAILING ADDRESS
P.O. BOX 827 TATUM NEW MEXICO 88267**

SCC Number: 0945717**Tax & Revenue Number: 01858243005****INCORPORATED ON DECEMBER 28, 1977, IN NEW MEXICO.****CORPORATION IS A DOMESTIC PROFIT****CORPORATION IS ACTIVE
GOOD STANDING THROUGH: 11/15/2001****PURPOSE OF THE CORPORATION
GENERAL OILFIELD CONTRACTING & MAINTENANCE****CORPORATION DATES
Taxable Year End Date: 08/31/99 Filing Date: 08/31/99
Corporate Existence Expiration Date:****SUPPLEMENTAL POST MARK DATES
Supplemental: Name Change: Purpose Change:****PRINCIPAL ADDRESS
1109 E. BROADWAY TATUM NEW MEXICO 88267****PRINCIPAL ADDRESS(Outside New Mexico)**

**REGISTERED AGENT
H.D. GANDY
1109 EAST BROADWAY TATUM NEW MEXICO 88267****Designation date: 08/31/99 Agent Post Mark Date: Resignation date:****COOP LICENSE INFORMATION
Number: Type: Expiration Year:****GANDY, DALE President
GANDY, LARRY Vice President
GANDY, ALTA Secretary**

GANDY, ALTA *Treasurer*

DIRECTORS

Date Election of Directors: 08/31/00

GANDY, DALE

1109 E. BROADWAY TATUM, NM 88267

New Search Inquiry Page



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

October 23, 1998

CERTIFIED MAIL
RETURN RECEIPT NO. P-326-936-469

Ms. Melissa Smith
6EN-HS
U.S. EPA Region 6
1445 Ross Avenue, Suite 1200
Dallas, TX 75202

RE: Information Requested Regarding Pit Surface Inspections.

Dear Ms. Smith:

I have enclosed the requested information on Controlled Recovery Inc., Gandy Corporation, Jenex Operation Company, and Sundance Services, Inc. Parabo facility. Please be advised that the information varies with the age of the facility.

If you have any questions please do not hesitate to contact me at (505) 827-7153.

Sincerely,

A handwritten signature in cursive script, appearing to read "Martyne J. Kieling".

Martyne J. Kieling
Environmental Geologist

Enclosure (s)



**NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT**

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

May 15, 1998

CERTIFIED MAIL
RETURN RECEIPT NO. P-326-936-437

Mr. Larry Gandy
Gandy Corporation
1109 East Broadway
P.O. Box 827
Tatum, NM 88267

**RE: Treating Plant Pit closure
Gandy Corporation
SE/4 of Section 11, Township 10 South, Range 35 East, NMPM
Lea County, New Mexico**

Dear Mr. Gandy:

The New Mexico Oil Conservation Division (OCD), has received Gandy Corporation (Gandy) letter dated November 28, 1997 regarding the treating plant pit closure at the above referenced location. A field inspection by Wayne Price on October 28, 1997 noted good progress on the pit remediation and landfarming of contaminated soils.

The OCD hereby grants a nine (9) month temporary work stoppage of the pit closure and remediation process. Remediation of the contaminated soils and pit closure shall commence again no later than August 28, 1998. The OCD requires notification of when the work has been re-initiated.

If you have any questions please do not hesitate to contact me at (505) 827-7153.

Sincerely,

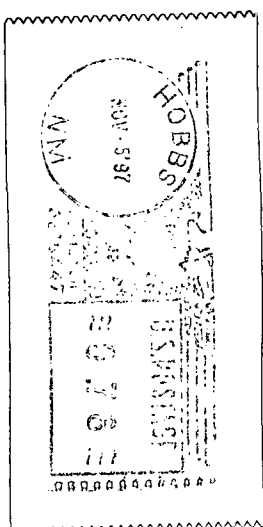
A handwritten signature in cursive script, appearing to read "Martyne J. Kielling".

Martyne J. Kielling
Environmental Geologist

xc: Hobbs OCD Office

OIL CONSERVATION DIVISION
P O BOX 1980
HOBBS NM 88241

Martyn Kieing
New Mexico Oil Conservation Div.
2040 South Pacheco
Santa Fe, NM 87505





CORPORATION

Oil Field Service
TREATING PLANT

SE 1/4 SEC 11 T10R3 E
AUTHORIZED PERSONNEL ONLY
NORTH CAMP # 30 STATION 30 1/2 MI

TATUM OFFICE (505) 396-4960

LOVINGTON OFFICE (505) 396-4948

HMOCID: ID#. 129975 By: WJ Price #12
Date/Time: 10/28/97 3PM
Site/Co. Gandy Treating Plant
Location: SE/4 Sec 11-Ts10s-R35e
Subject: Looking east, entrance sign.



NMOCB; ID#. 129975 By: W Price #1
Date/Time: 10/28/97 3PM
Site/Co. Gandy Treating Plant
Location: SE/4 Sec 11-Ts10s-R35e
Subject: Standing north of main pit
looking SW.



NMOCID: ID#, 129975 By: W Price #2
Date/Time: 10/28/97 3PM
Site/Co. Gandy Treating Plant
Location: SE/4 Sec 11-Ts10s-R35e
Subject: Standing north of main pit a
looking south.



NMOCB: ID#. 129975 By: W Price #4
Date/Time: 10/28/97 3PM
Site/Co. Gandy Treating Plant
Location: SE/4 Sec 11-Ts10s-R35e
Subject: Standing north of main pit
area looking east.



NMOCB: ID#, 129975 By: W Price #3

Date/Time: 10/28/97 3PM

Site/Co. Gandy Treating Plant

Location: SE/4 Sec 11-Ts10s-R35e

Subject: Standing north of main pit a
looking southeast.



NMOCB: ID#, 129975 By: W Price #5
Date/Time: 10/28/97 3PM
Site/Co. Gandy Treating Plant
Location: SE/4 Sec 11-Ts10s-R35e
Subject: Standing west of old east
pits looking east.



NMOCD: ID#, 129975 By: W Price #6
Date/Time: 10/28/97 3PM
Site/Co. Gandy Treating Plant
Location: SE/4 Sec 11-Ts10s-R35e
Subject: Northeast Pit area, Looking
NE.



NMDCO: ID#. 129975 By: W Price #7
Date/Time: 10/28/97 3PM
Site/Co. Gandy Treating Plant
Location: SE/4 Sec 11-Ts10s-R35e
Subject: North side old pit area &
bio-area.



NMOCB: ID#, 129975 By: W Price #8
Date/Time: 10/28/97 3PM
Site/Co. Gandy Treating Plant
Location: SE/4 Sec 11-Ts10s-R35e
Subject: North of plant. New bio-area
with berms.



NMOCID: ID#, 129975 By: W Price #9
Date/Time: 10/28/97 3PM
Site/Co. Gandy Treating Plant
Location: SE/4 Sec 11-Ts10s-R35e
Subject: North side of plant. New
bio-area looking NW.



NMOCID: ID#. 129975 By: W Price #10
Date/Time: 10/28/97 3PM
Site/Co. Gandy Treating Plant
Location: SE/4 Sec 11-Ts10s-R35e
Subject: Standing west of Plt. New
large Bio-area with berms.



129975
10/28/97
10/28/97
NMDCD: ID#, 129975 By: W Price #11
Date/Time: 10/28/97 3PM
Site/Co. Gandy Treating Plant
Location: SE/4 Sec 11-Ts10s-R35e
Subject: New bio-area west of Plt.
looking south from NW corner.

GANDY CORPORATION

OILFIELD SERVICES

P. O. BOX 827

TATUM, NEW MEXICO 88267

(505) 398-4960

RECEIVED

DEC 09 1997

Environmental Bureau
Oil Conservation Division

November 28, 1997

Mrs. Martyne Kieling
Environmental Geologist
New Mexico Energy, Minerals and Natural Resources Department
Oil Conservation Division
2040 S. Pacheco Street
Santa Fe, NM 87505

**RE: Gandy Corporation
Treating Plant Pit Closure**

Dear Mrs. Kieling:

We at Gandy Corporation are requesting permission to temporarily stop work on the pit closure for a period of at least 9 months. In October, Gandy requested an at site inspection from Wayne Price of the OCD. At that time all pits had been reclaimed and excavated to hard bottom and a bio-area has now been constructed to remediate the remaining soils.

At this time Gandy Corporation has spent in excess of \$100K in 1997 to close the permitted pits. Our banker and accountant have advised us to temporarily stop on this project to help recover from this large expenditure. This also will allow the excavated soil and pit bottom to aerate. When we resume work Gandy Corporation will contact you for proper closure procedures. This area is owned by Gandy Corporation and is all contained on site.

We understand that Wayne Price has sent a letter recommending that we be granted this temporary stoppage. We hope that you can see clear to grant this stoppage. If we need to file any other papers please contact us and let us know.

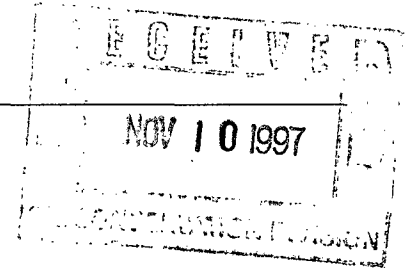
Sincerely,



Larry Gandy

Wayne Price

From: Wayne Price
Sent: Wednesday, November 05, 1997 3:05 PM
To: Martyne Kieling
Cc: Chris Williams
Subject: Gandy Treating Plant Pit Closure Progress Report.
Importance: High



Martyne,

Larry and Dale Gandy requested a site inspected for the treating plant concerning their pit closure activities. As of to date all of the on-site pits have been reclaimed. As you know they hired Sundance to reclaim the BS&W. This part of the project was very successful and is complete.

The pit remediation has begun and all of the pits has been excavated down to a very hard pan. There have been bio-areas set up to remediate these remaining soils. However due to budget restraints, they have temporarily stop moving the soils. According to Dale Gandy they have spent in excess of \$100K, their banker and accountant have advised them to stop so as they may recover from this large expenditure.

I have taken pictures of the pit area and bio-areas for your file. I will drop these in the mail today. Gandy is requesting permission to temporally stopping the project for at least 9 months so as they can recover. This time will also allow the excavated soil to continue to aerate. When they resume they will contact you for proper closure procedures. This area is owned by them and all is contained on-site.

I would like to make a recommendation that we allow this temporary stoppage in the project. They are doing a very good job on this project and are committed in obtaining a good clean closure.

cc: Gandy Corp.

MEMORANDUM OF MEETING OR CONVERSATION

☐ Telephone ☒ Personal

Time

1:15

Date

9/17/97

Originating Party

Larry Gandy Gandy Co.

Other Parties

Martynne Kieley

Subject

Testing Ground water at the treating plant
only testing the nearest well on Gandy Property

Discussion

General Chemistry (Major Cations & Anions
T.D.S., BTEX, And, PAH

Sending IR Response out today certified Mail

Also Sending out Land Form Treatment zone Monitoring Analysis.

Conclusions or Agreements

Distribution

Signed

Martynne J. Kieley

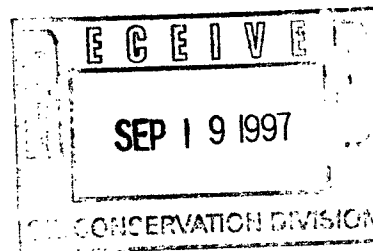
GANDY CORPORATION

OILFIELD SERVICES

P. O. BOX 827

TATUM, NEW MEXICO 88267

(505) 398-4960



September 17, 1997

Ms. Martyne J. Kieling
Environmental Geologist
New Mexico Energy, Minerals and Natural Resources Department
Oil Conservation Division
2040 So. Pacheco Street
Santa Fe, NM 87505

RE: Treating Plant Inspection
Gandy Corporation
SE/4 of Section 11, Township 10 South, Range 35 East, NMPM
Lea County, NM

Dear Ms. Kieling:

We are submitting the following responses to Attachment 1 concerning the inspection made on the above referenced plant.

Comments:

1. **Drum Storage:** All drums containing materials other than fresh water must be stored on an impermeable pad with curbing. All empty drums should be stored on their sides with the bungs in and lined up on a horizontal plane. Chemicals in other containers such as sacks or buckets should also be stored on an impermeable pad and curb type containment. All drums and chemical containers should be clearly labeled to identify their contents and other emergency information necessary if they were to rupture, spill or ignite.

All drums should be properly labeled and stored. If possible excess empty drums should be recycled or returned to the product manufacture (see pictures 4, 5, 7, 11 18, 22, 23 and 24).

Response:

All drums have been properly labeled and stored. Excess empty drums have been recycled or returned to the product manufacturer.

2. Process Area: All process and maintenance areas which show evidence that leaks and spills are reaching the ground surface must be either paved and curbed or have some type of spill collection device incorporated into the design.

There was evidence of leaks and/or spills around most of the above grade tanks (see pictures 1, 2, 3, 5, 8, 9, 10, 12, 16, 17, 18, 19, 20, 21, 22, 23, 24 and 25,) and below grade barrels/tanks (see pictures 6, 7, 8, 9, 16, 17, 20, 22 and 25).

Response:

The process and maintenance areas are being cleaned. Fiberglass containments will be going under pump and screening areas. All below grade barrels/tanks are being removed.

3. Above Ground Tanks: All above ground tanks which contain fluids other than fresh water must be bermed to contain a volume of one-third more than the total volume of the largest tank or of all interconnected tanks. All new facilities must place the tank on an impermeable type pad within the berm so that leaks can be identified.

All above ground tanks within the facility are lacking berms (see pictures 1, 2, 3, 5, 8, 9, 10, 12, 1, 17, 18, 19, 20, 21, 22, 23, 24, 25, 27 and 28).

Response:

All above ground tanks will receive a single berm encompassing the entire facility. Certain tank areas may receive separate berms. All will contain a volume of one-third more than the total volume of the largest tank or of all interconnected tanks.

4. Open Top Tanks and Pits: To protect migratory birds, all tanks exceeding 16 feet in diameter, and exposed pits and ponds shall be screened, netted or covered unless rendered non hazardous.

Unless the pit or pond is rendered non hazardous, all exposed pits and ponds will be screened, netted or covered (see pictures 4, 6, 7, 10, 11, 12, 13 and 14).

Response:

All open top tanks shall be screened, netted or covered. All pits are in the process of being cleaned and closed.

5. Above Ground Saddle Tanks: Above ground saddle tanks must have impermeable pad and curb type containment unless they contain fresh water or fluids that are gases at atmospheric temperature and pressure.

All saddle tanks should have proper leak containment (see pictures 5, 10, 18, 23, 24 and 25).

Response:

All above ground saddle tanks shall have proper leak containment.

6. Tank Labeling: All tanks, drums and containers should be clearly labeled to identify their contents and other emergency information necessary if the tank were to rupture, spill or ignite.

Most of the tanks, drums and containers are not labeled as to their contents and hazards (see pictures 1, 2, 3, 8, 9, 16, 17, 18, 19, 20, 21, 22, 23, 24 and 25).

Response:

All tanks, drums and containers shall be labeled as to their contents and hazards.

7. Below Grade Tanks/Sumps: All below grade tanks, sumps and pits must be approved by the OCD prior to installation or upon modification and must incorporate secondary containment and leak-detection into the design. All pre-existing sumps and below grade tanks must demonstrate integrity on an annual basis. Integrity tests include pressure testing and/or visual inspection of cleaned out tanks or sumps, or other OCD approved methods.

All pre-existing below grade tanks must demonstrate integrity on an annual basis (see pictures 5, 6, 7, 8 and 9). If these tanks are moved or modified Gandy must incorporate secondary containment and leak-detection into the design. Sumps and/or buried barrels below tank valves should be cleaned out and inspected on an annual basis (see pictures 16 17, 19, 20, 22, 24 and 25). Prior to installation of new sumps or upon modification Gandy must incorporate secondary containment and leak-detection into the design.

Response:

All below grade tanks, sumps and pits shall demonstrate integrity on an annual basis.

8. Evaporation Ponds and Pits: All evaporation ponds and pits shall not exceed the maximum fill of 1 ½ feet freeboard.

Many of the BS&W pit seem to be at their maximum fill height or have overflowed in the past (see pictures 6, 7, 10, 11 and 13).

Response:

All of the BS&W pits have been emptied and are in the process of being cleaned and closed.

9. Underground Process/Wastewater Lines: All underground process/wastewater pipelines must be tested to demonstrate their mechanical integrity at present and then every 5 years thereafter. Companies may propose various methods for testing such as pressure testing or other OCD approved methods.

Any underground process/wastewater lines must have mechanical integrity testing proposal.

Response:

All process and waste lines are above ground.

10. Housekeeping: All systems designed for spill collection/prevention should be inspected frequently to ensure proper operation and to prevent overtopping or system failure..

Oil recovery and remediation of pits is progressing (see pictures 7, 11 and 13). However, the facility needs additional spill collection/prevention systems. Berms are needed to ensure that any spills or overflows stay within the facility. Barrels and saddle tanks need impermeable pad and curb type containment and empty barrels, buckets and trash should be disposed of properly (see picture 18, 22 and 23). Many tanks have stains down the side and oil stained soils around the base that indicate tanks have been overtopped or have leaked (see pictures 1, 9, 16, 17, 18, 20 and 21).

Response:

Remediation of pits is in progress. Berms will be constructed around facility. The entire treating plant is receiving a good cleaning. All leaking tanks shall be repaired or removed.

11. Spill Reporting: All spills/releases shall be reported pursuant to OCD Rule 116.

At the time of inspection there were no spills evident at this facility.

Response:

All spills/releases shall be reported pursuant to OCD Rule 116.

12. Trash and Potentially Hazardous Materials: All trash and potentially hazardous materials should be properly disposed of.

The contaminated soil piles south and east of the pit area should be remediated on sight and/or removed to a disposal facility (see pictures 10, 11, 14 and 15).

Response:

All trash and potentially hazardous materials shall be properly disposed of. The contaminated soil piles south and east of the pit area have been leveled and spread for remediation.

13. Berming: An adequate berm will be constructed and maintained to prevent runoff and runoff for that portion of the facility containing contaminated soils.

Landfarm areas south of the pits and near the northeast corner of the facility need berms to prevent runoff and runoff (see photo 15). In addition, the pit areas need larger berms to prevent runoff and runoff.

Response:

Landfarm and plant facility area have been bermed to control runoff and runoff.

14. Soil Spreading, Disking and Lift Thickness: All contaminated soils to be landfarmed at the facility will be spread and disked with 72 hours. Soils will be spread on the surface in six inch lifts or less. Soils will be disked a minimum of one time every two weeks (biweekly) to enhance biodegradation of contaminants.

At the time of inspection, soils in the landfarm areas had been spread and disked accordingly (see picture 15). Additional soil piles south and east of the pit area need to be spread and disked to enhance biodegradation or removed to a permitted Waste Management Facility (see pictures 11 and 14). If Gandy wishes to continue landfarming at this location after pit remediation is complete the facility must be permitted for a landfarm by the OCD.

Response:

All contaminated soils from plant facility and pit remediation area will be spread and disked appropriately. Gandy will not apply for permit to continue landfarming after pit remediation is complete.

15. Free Liquids: No free liquids or soils with free liquids will be landfarmed at the facility.

Response:

No free liquids or soils with free liquids will be landfarmed at the facility.

16. Security: The facility shall be secured when no attendant is present, to prevent any unauthorized dumping. Securing the facility may include locks on tank valves, a perimeter fence and locked gate or other similar security measures.

Facility has a perimeter fence but requires a locking gate (see pictures 27 and 28).

Response:

Facility has locking chain gate at highway entrance.

17. Signs: The facility shall have a sign in a conspicuous place at the facility. The sign shall be maintained in legible condition and shall be legible from at least fifty (50) feet and contain the following information: a) name of facility, b) location by quarter-quarter section, township and range, and c) emergency phone number.

The facility is lacking a sign at the entrance gate (see pictures 27 and 28).

Response:

Gandy will replace sign at entrance and the sign will be maintained in legible condition, with appropriate name, location and phone number.

18. Application Requirements for Permit Under the New Rules: An application, Form C-137, for a permit renewal shall be filed in DUPLICATE with the Santa Fe Office of the Division and ONE COPY with the Hobbs OCD district office. The application shall comply with Division guidelines and shall include:

- (a) The names and addresses of the applicant and all principal officers of the business if different from the applicant;

Please submit with C-137 application.

- (b) A plat and topographic map showing the location of the facility in relation to governmental surveys (1/4 1/4 section, township, and range), highways or roads giving access to the facility site, watercourses, water sources, and dwellings within one (1) mile of the site;

Please submit with C-137 application.

- (c) The names and addresses of the surface owners of the real property on which the management facility is sited and surface owners of the real property of record within one mile of the site;

Please submit with C-137 application.

- (d) A description of the facility with a diagram indicating location of fences and cattle guards, and detailed construction/installation diagrams of any pits, liner, dikes, piping, sprayers, and tanks on the facility;

Please submit with C-137 application.

- (e) A plan for management of approved wastes;

Please submit with C-137 application.

- (f) A contingency plan for reporting a cleanup of spills or releases;

Please submit with C-137 application.

- (g) A routine inspection and maintenance plan to ensure permit compliance;

Please submit with C-137 application.

- (h) A Hydrogen Sulfide (H₂S) Prevention and Contingency Plan to protect public health;

Please submit with C-137 application.

- (i) A closure Plan including a cost estimate sufficient to close the facility to protect public health and the environment; said estimate to be based upon the use of equipment normally available to a third party contractor;

Please submit with C-137 application.

- (j) Geological/hydrological evidence, including depth to and quality of groundwater beneath the site, demonstrating that disposal of oil field wastes will not adversely impact fresh water;

Please submit with C-137 application.

- (l) Certification by an authorized representative of the applicant that information submitted in the application is true, accurate and complete to the best of the applicant's knowledge;

Please submit with C-137 application.

Response:

Application form C-137 for a permit renewal is in the process of being written and will be submitted to the OCD within 90 days.

19. Hearing Case File: The OCD case files have been misplaced. Please submit a copy of the July 11, 1973 and July 23, 1973 Examiner Hearing Transcripts if you have records.

Response:

The July 23, 1973 Examiner Hearing Transcript is attached.

Gandy is currently making corrections or have already made certain corrections. Gandy is in the process of removing the old leaking tank and replacing with new or reconditioned tanks. We estimate all corrections being made and all pits being cleaned out within 90 days and being in compliance in accordance with OCD Rule 711.

Sincerely,

A handwritten signature in cursive script that reads "Larry Gandy". The letters are fluid and connected, with a prominent "L" and "G".

Larry Gandy



**NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT**

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

July 16, 1997

CERTIFIED MAIL
RETURN RECEIPT NO. P-326-936-312

Mr. Larry Gandy
Gandy Corporation
1109 East Broadway
P.O. Box 827
Tatum, NM 88267

RE: Treating Plant Inspection
Gandy Corporation
SE/4 of Section 11, Township 10 South, Range 35 East, NMPM
Lea County, New Mexico

Dear Mr. Gandy:

The New Mexico Oil Conservation Division (OCD), inspected Gandy Corporation (Gandy) treating plant located in the SE/4 of Section 11, Township 10 South, Range 35 East, NMPM, Lea County, New Mexico, on April 3, 1997 and again on April 30, 1997.

Overall the OCD found Gandy to be making great strides towards reclaiming oil and remediating several large pits within the facility. The OCD inspection and current file review of Gandy indicates some permit deficiencies. Attachment 1 lists the permit deficiencies found at Gandy during the inspection and the new Rule 711 requirements that are not on file. Attachment 2 contains photographs taken during the inspection on April 3 and April 30, 1997. Gandy shall provide the OCD with a detailed description of how the corrections will be made and a time table of when each of the corrections will be completed. A response is required by Gandy to these deficiencies by September 17, 1997.

Pursuant to Order R-10411-B the OCD General Rule 711 has been revised. The OCD is currently in the process of re-permitting all surface waste management facilities under the new Rule 711. Gandy treating plant is included under the new Rule 711. A copy of Order R-10411-B along with the new bond forms are included with this report. A permit application, Form C-137 (attachment 3), shall be filed with the OCD according to the instructions in Attachment 1, Section 18.

Please be advised that the bonding requirements have changed under the new Rule 711. Gandy's

Mr. Larry Gandy

July 16, 1997

Page-2

current cash bond (bond No. U-684263) for \$25,000 will need to be replaced. The new bonded amount will be based upon the estimated closure costs that the State of New Mexico would incur if a third party contractor were to remediate the facility (see Rule 711.B.1.i). Gandy must have a new bond in place for the approved estimated closure amount prior to receiving a new waste management facility permit.

If you have any questions please do not hesitate to contact me at (505) 827-7153.

Sincerely,



Martyne J. Kieling
Environmental Geologist

Attachments:

xc: Hobbs OCD Office

**ATTACHMENT 1
INSPECTION REPORT
APRIL 3 and 30, 1997
GANDY CORPORATION
(SE/4 of Section 11, Township 10 South, Range 35 East, NMPM)
LEA COUNTY, NEW MEXICO**

1. **Drum Storage:** All drums containing materials other than fresh water must be stored on an impermeable pad with curbing. All empty drums should be stored on their sides with the bungs in and lined up on a horizontal plane. Chemicals in other containers such as sacks or buckets should also be stored on an impermeable pad and curb type containment. All drums and chemical containers should be clearly labeled to identify their contents and other emergency information necessary if they were to rupture, spill or ignite.

All drums should be properly labeled and stored. If possible excess empty drums should be recycled or returned to the product manufacture (see pictures 4, 5, 7, 11, 18, 22, 23, and 24) .

2. **Process Area:** All process and maintenance areas which show evidence that leaks and spills are reaching the ground surface must be either paved and curbed or have some type of spill collection device incorporated into the design.

There was evidence of leaks and/or spills around most of the above grade tanks (see pictures 1, 2, 3, 5, 8, 9, 10, 12, 16, 17, 18, 19, 20, 21, 22, 23, 24, and 25,) and below grade barrels/tanks (see pictures 6, 7, 8, 9, 16, 17, 20, 22 and 25,).

- 3: **Above Ground Tanks:** All above ground tanks which contain fluids other than fresh water must be bermed to contain a volume of one-third more than the total volume of the largest tank or of all interconnected tanks. All new facilities or modifications to existing facilities must place the tank on an impermeable type pad within the berm so that leaks can be identified.

All above ground tanks within the facility are lacking berms (see pictures 1, 2, 3, 5, 8, 9, 10, 12, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 27, and 28).

4. **Open Top Tanks and Pits:** To protect migratory birds, all tanks exceeding 16 feet in diameter, and exposed pits and ponds shall be screened, netted or covered unless rendered non hazardous.

Unless the pit or pond is rendered non hazardous, all exposed pits and ponds will be

screened, netted or covered (see pictures 4, 6, 7, 10, 11, 12, 13, and 14 .

5. **Above Ground Saddle Tanks:** Above ground saddle tanks must have impermeable pad and curb type containment unless they contain fresh water or fluids that are gases at atmospheric temperature and pressure.

All saddle tanks should have proper leak containment (see pictures 5, 10, 18, 23, 24 and 25,).

6. **Tank Labeling:** All tanks, drums and containers should be clearly labeled to identify their contents and other emergency information necessary if the tank were to rupture, spill or ignite.

Most of the tanks drums and container are not labeled as to their contents and hazards (see pictures 1, 2, 3, 8, 9, 16, 17, 18, 19, 20, 21, 22, 23, 24 and 25).

7. **Below Grade Tanks/Sumps:** All below grade tanks, sumps, and pits must be approved by the OCD prior to installation or upon modification and must incorporate secondary containment and leak-detection into the design. All pre-existing sumps and below grade tanks must demonstrate integrity on an annual basis. Integrity tests include pressure testing and/or visual inspection of cleaned out tanks or sumps, or other OCD approved methods.

All pre-existing below grade tanks must demonstrate integrity on an annual basis (see pictures 5, 6, 7, 8 and 9). If these tanks are moved or modified Gandy must incorporate secondary containment and leak-detection into the design. Sumps and/or buried barrels below tank valves should be cleaned out and inspected on an annual basis (see pictures 16, 17, 19, 20, 22, 24 and 25). Prior to installation of new sumps or upon modification Gandy must incorporate secondary containment and leak-detection into the design.

8. **Evaporation Ponds and Pits:** All evaporation ponds and pits shall not exceed the maximum fill of 1 ½ feet freeboard.

Many of the BS&W pits seem to be at their maximum fill height or have overflowed in the past (see pictures 6, 7, 10, 11 and 13).

9. **Underground Process/Wastewater Lines:** All underground process/wastewater pipelines must be tested to demonstrate their mechanical integrity at present and then every 5 years thereafter. Companies may propose various methods for testing such as pressure testing or other OCD approved methods.

Any underground process/wastewater lines must have a mechanical integrity testing

proposal.

10. Housekeeping: All systems designed for spill collection/prevention should be inspected frequently to ensure proper operation and to prevent overtopping or system failure.

Oil recovery and remediation of pits is progressing (see pictures 7, 11, and 13). However, the facility needs additional spill collection/prevention systems. Berms are needed to ensure that any spills or overflows stay within the facility. Barrels and saddle tanks need impermeable pad and curb type containment and empty barrels, buckets and trash should be disposed of properly (see picture 18, 22 and 23). Many tanks have stains down the side and oil stained soils around the base that indicate tanks have been overtopped or have leaked (see pictures 1, 9, 16, 17, 18, 20 and 21).

11. Spill Reporting: All spills/releases shall be reported pursuant to OCD Rule 116.

At the time of inspection there were no spills evident at this facility.

12. Trash and Potentially Hazardous Materials: All trash and potentially hazardous materials should be properly disposed of.

The contaminated soil piles south and east of the pit area should be remediated on sight and/or removed to a disposal facility (see picture 10, 11, 14 and 15).

13. Berming : An adequate berm will be constructed and maintained to prevent runoff and runon for that portion of the facility containing contaminated soils.

Landfarm areas south of the pits and near the northeast corner of the facility need berms to prevent runoff and runon (see photo 15). In addition, the pit areas need larger berms to prevent runon and runoff.

14. Soil Spreading, Disking and Lift Thickness: All contaminated soils to be landfarmed at the facility will be spread and disked within 72 hours. Soils will be spread on the surface in six inch lifts or less. Soils will be disked a minimum of one time every two weeks (biweekly) to enhance biodegradation of contaminants.

At the time of inspection, soils in the landfarm areas had been spread and disked accordingly (see picture 15). Additional soil piles south and east of the pit area need to be spread and disked to enhance biodegradation or removed to a permitted Waste Management Facility (see pictures 11 and 14). If Gandy wishes to continue landfarming at this location after pit remediation is complete the facility must be permitted for a landfarm by the OCD.

15. **Free Liquids** : No free liquids or soils with free liquids will be landfarmed at the facility.

16. **Security**: The facility shall be secured when no attendant is present, to prevent any unauthorized dumping. Securing the facility may included locks on tank valves, a perimeter fence and locked gate or other similar security measures.

Facility has a perimeter fence but requires a locking gate (see pictures 27 and 28).

17. **Signs**: The facility shall have a sign in a conspicuous place at the facility. The sign shall be maintained in legible condition and shall be legible from at least fifty (50) feet and contain the following information : a) name of facility, b) location by quarter-quarter section, township and range, and c) emergency phone number.

The facility is lacking a sign at the entrance gate (see pictures 27 and 28).

18. **Application Requirements for Permit Under the New Rule 711**: An application, Form C-137, for a permit renewal shall be filed in DUPLICATE with the Santa Fe Office of the Division and ONE COPY with the Hobbs OCD district office. The application shall comply with Division guidelines and shall include:

(a) The names and addresses of the applicant and all principal officers of the business if different from the applicant;

Please submit with C-137 application.

(b) A plat and topographic map showing the location of the facility in relation to governmental surveys (1/4 1/4 section , township, and range), highways or roads giving access to the facility site, watercourses, water sources, and dwellings within one (1) mile of the site;

Please submit with C-137 application.

(c) The names and addresses of the surface owners of the real property on which the management facility is sited and surface owners of the real property of record within one mile of the site;

Please submit with C-137 application.

(d) A description of the facility with a diagram indicating location of fences and cattle guards, and detailed construction/installation diagrams of any pits, liner, dikes, piping, sprayers, and tanks on the facility;

Please submit with C-137 application.

- (e) A plan for management of approved wastes;

Please submit with C-137 application.

- (f) A contingency plan for reporting a cleanup of spills or releases;

Please submit with C-137 application.

- (g) A routine inspection and maintenance plan to ensure permit compliance;

Please submit with C-137 application.

- (h) A Hydrogen Sulfide (H₂S) Prevention and Contingency Plan to protect public health;

Please submit with C-137 application.

- (i) A closure Plan including a cost estimate sufficient to close the facility to protect public health and the environment; said estimate to be based upon the use of equipment normally available to a third party contractor;

Please submit with C-137 application.

- (j) Geological/hydrological evidence, including depth to and quality of groundwater beneath the site, demonstrating that disposal of oil field wastes will not adversely impact fresh water;

Please submit with C-137 application.

- (l) Certification by an authorized representative of the applicant that information submitted in the application is true, accurate and complete to the best of the applicant's knowledge.

Please submit with C-137 application.

19. Hearing Case File The OCD case files have been misplaced. Please submit a copy of the July 11, 1973 and July 23, 1973 Examiner Hearing Transcripts if you have records.

GANDY COMPANY TREATING PLANT INSPECTION (PHOTOS BY OCD)

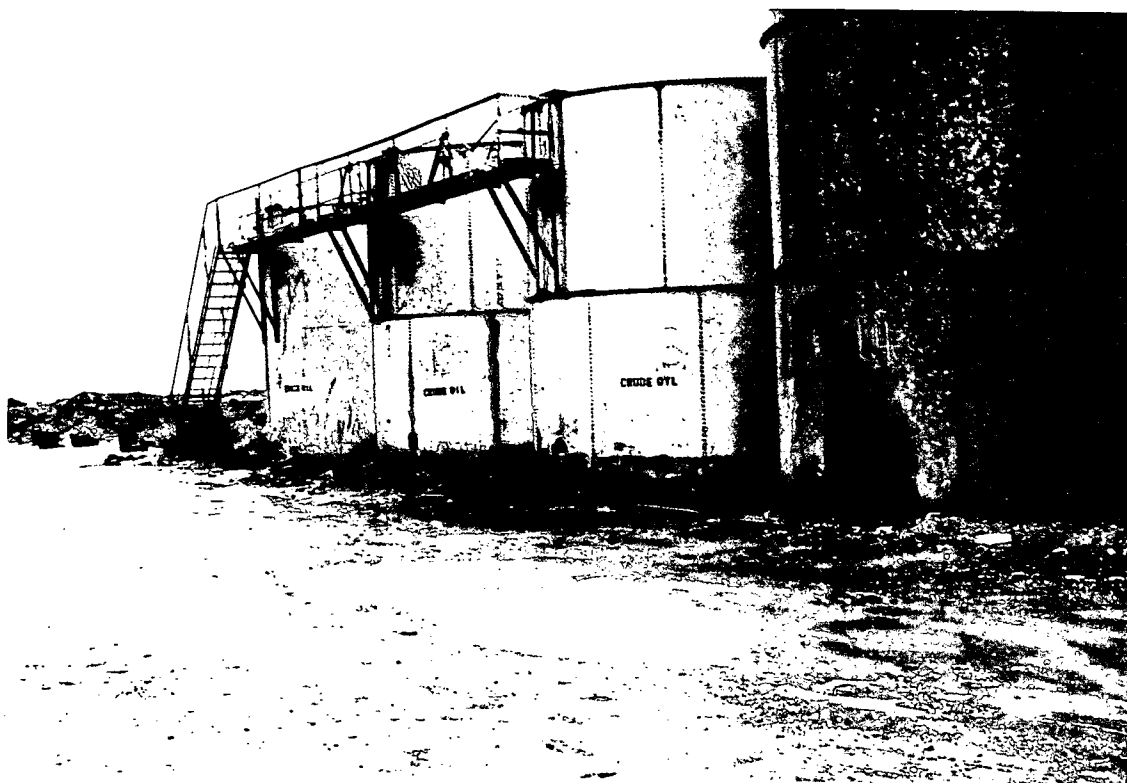


PHOTO NO. 1 DATE: 04/3/97



PHOTO NO. 2 DATE: 04/3/97

GANDY COMPANY TREATING PLANT INSPECTION (PHOTOS BY OCD)



PHOTO NO. 3

DATE: 04/3/97

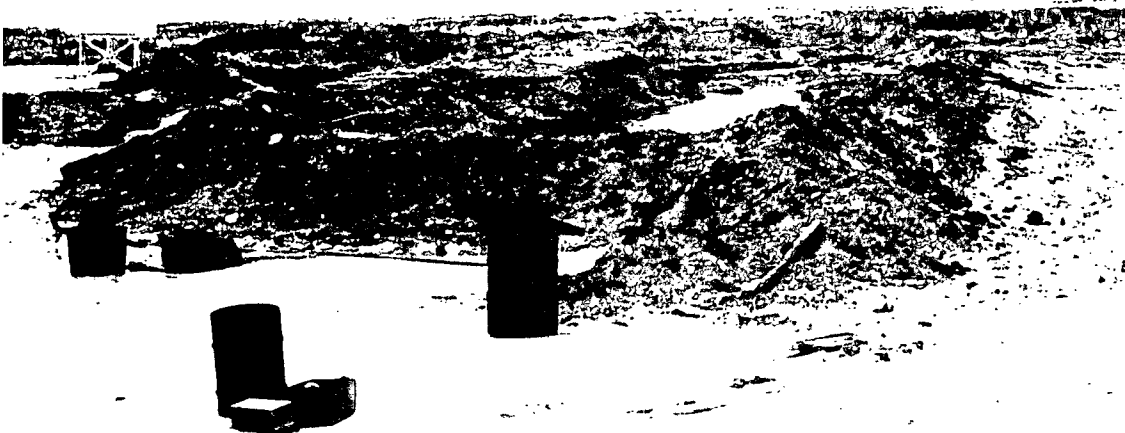


PHOTO NO. 4

DATE: 04/3/97

GANDY COMPANY TREATING PLANT INSPECTION (PHOTOS BY OCD)

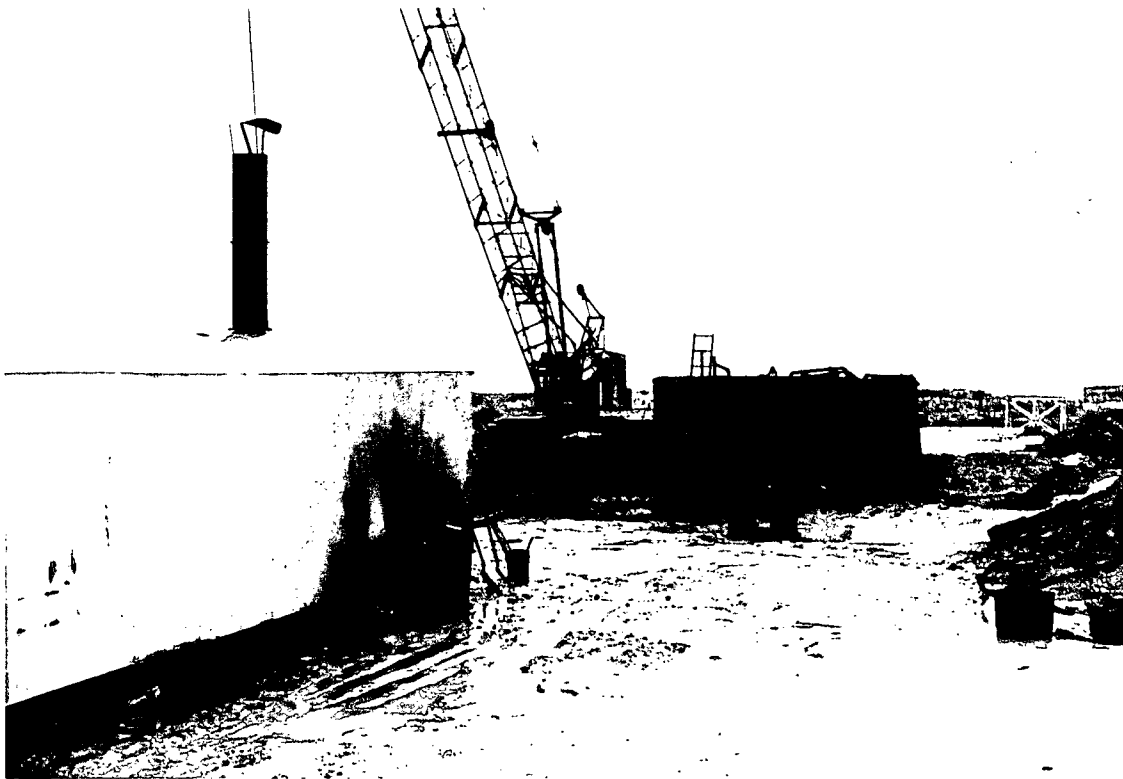


PHOTO NO. 5 DATE: 04/3/97

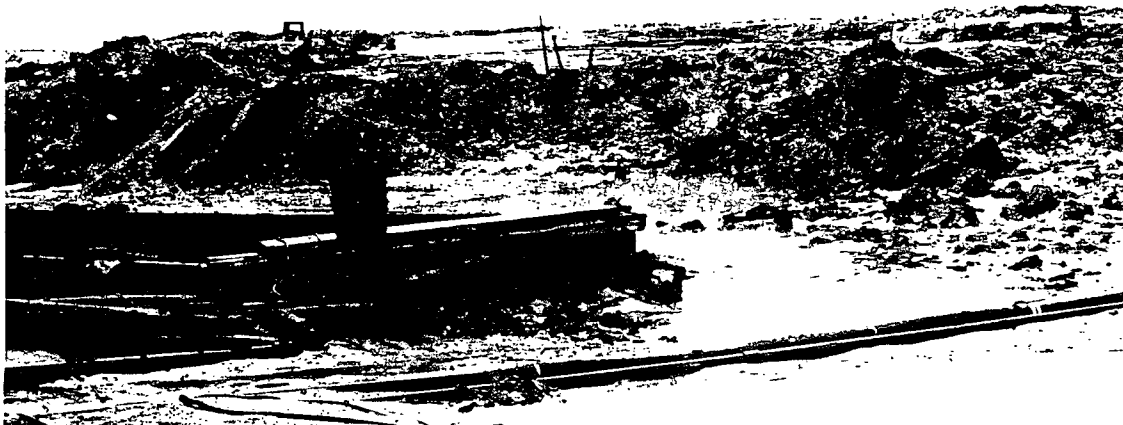


PHOTO NO. 6 DATE: 04/3/97

GANDY COMPANY TREATING PLANT INSPECTION (PHOTOS BY OCD)

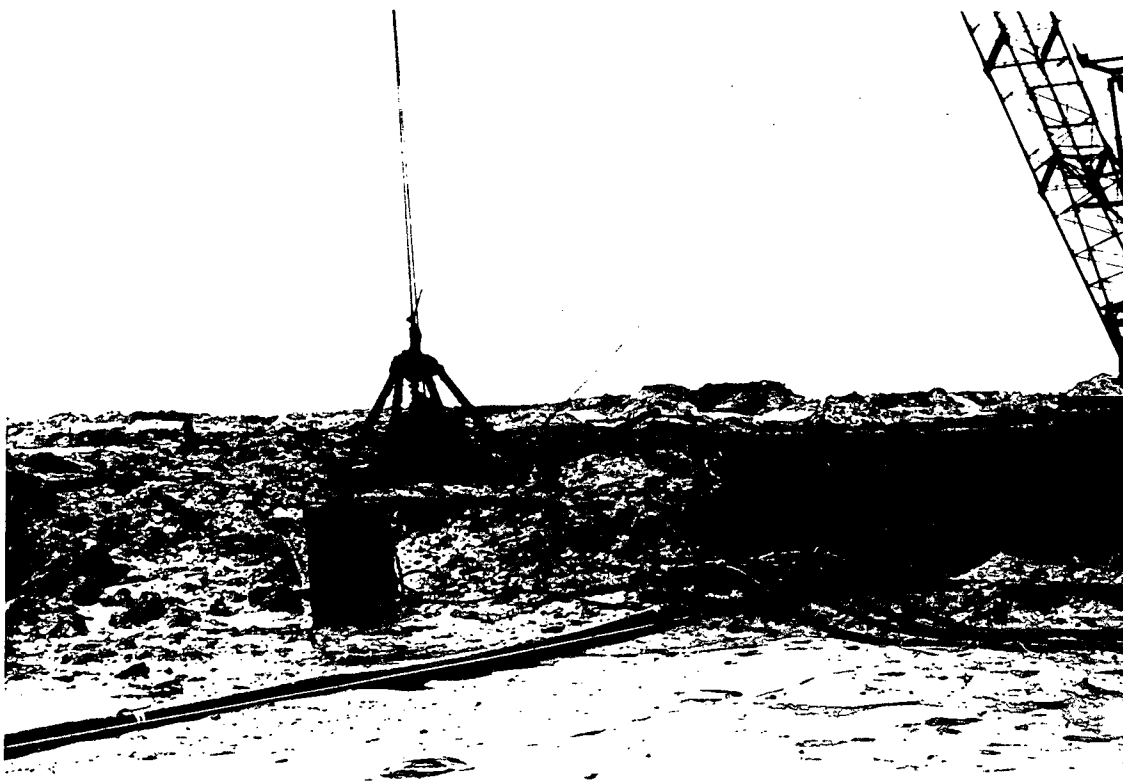


PHOTO NO. 7

DATE: 04/3/97

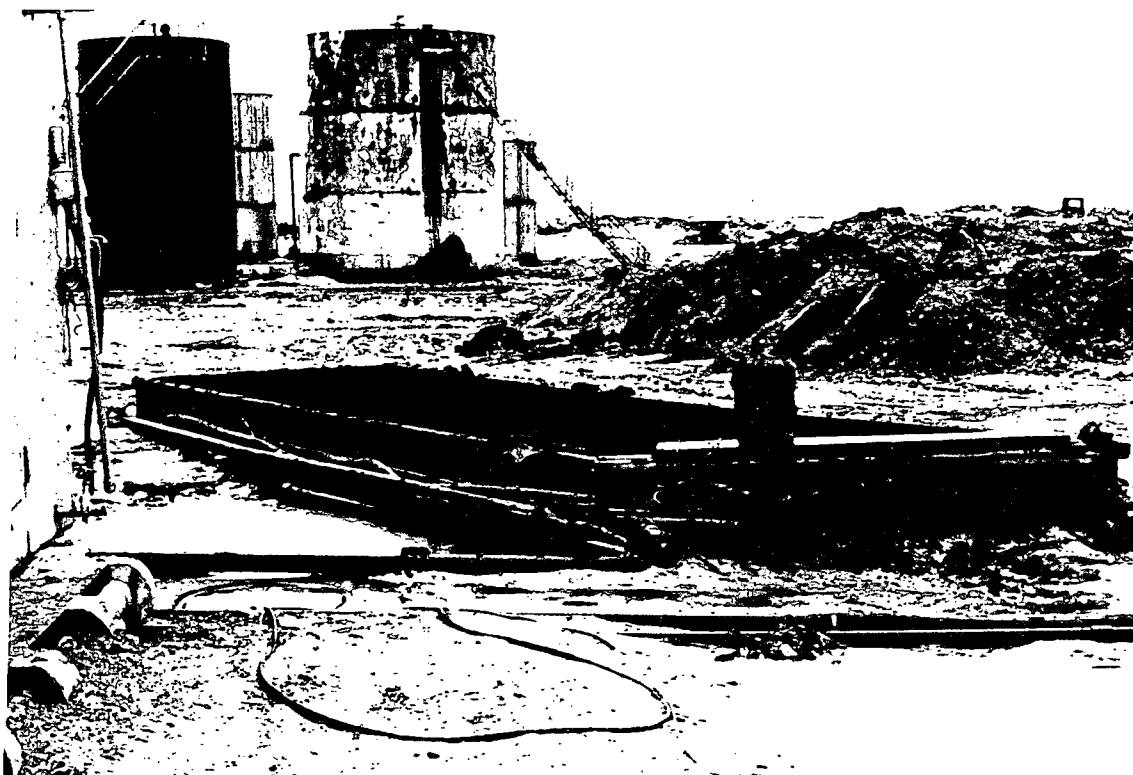


PHOTO NO. 8

DATE: 04/3/97

GANDY COMPANY TREATING PLANT INSPECTION (PHOTOS BY OCD)

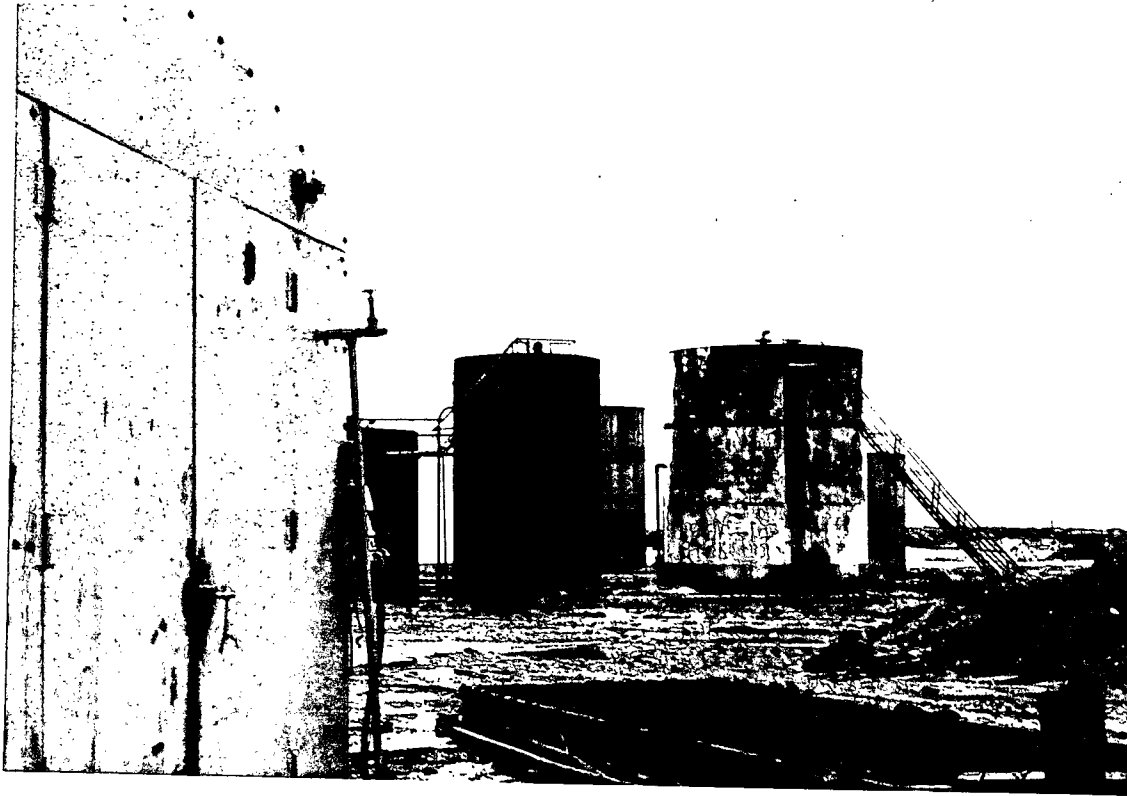


PHOTO NO. 9 DATE: 04/3/97

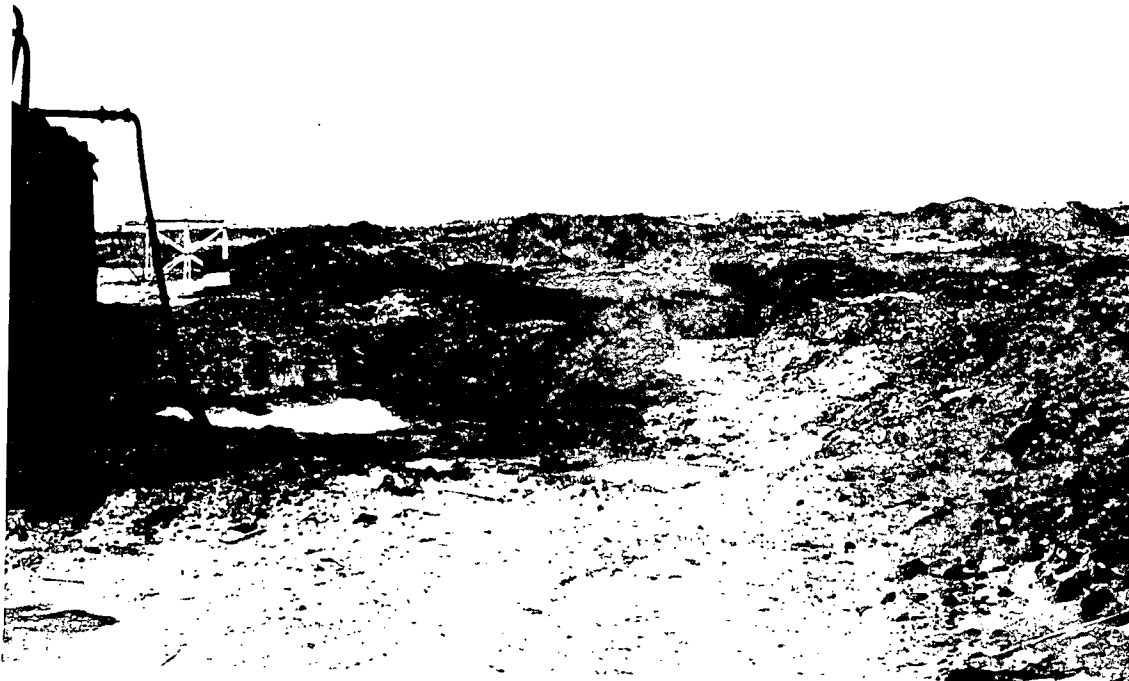


PHOTO NO. 10 DATE: 04/3/97

GANDY COMPANY TREATING PLANT INSPECTION (PHOTOS BY OCD)

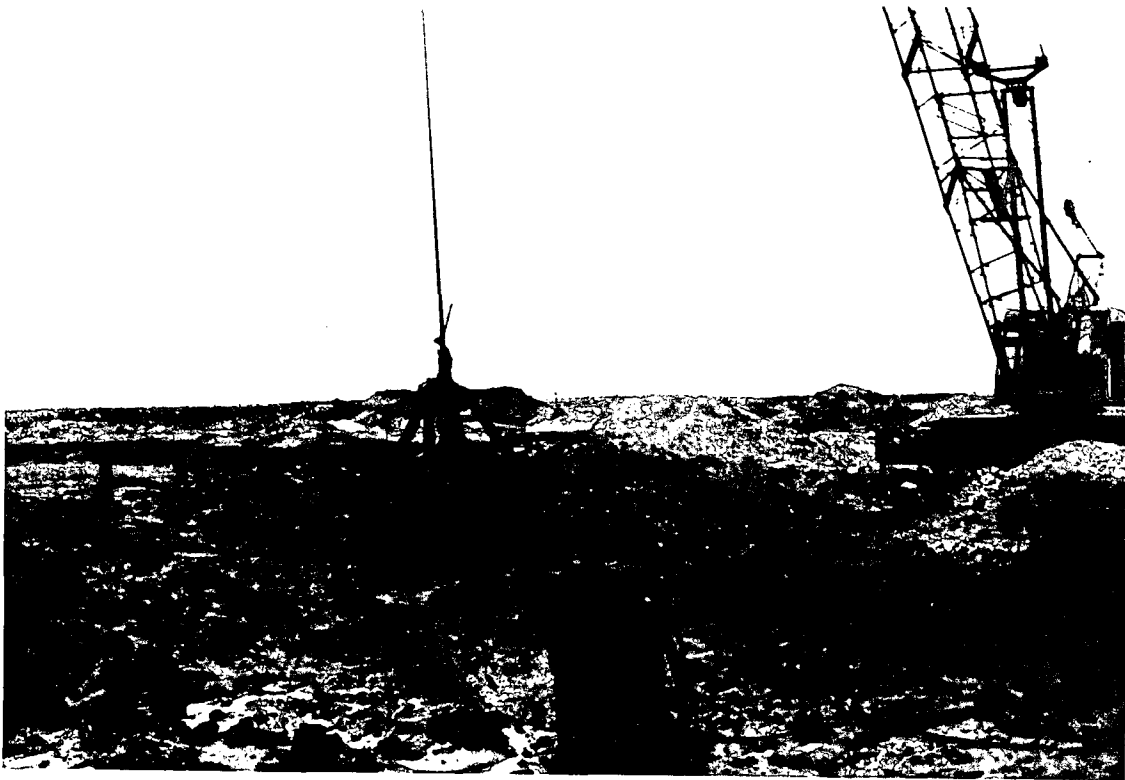


PHOTO NO. 11

DATE: 04/3/97

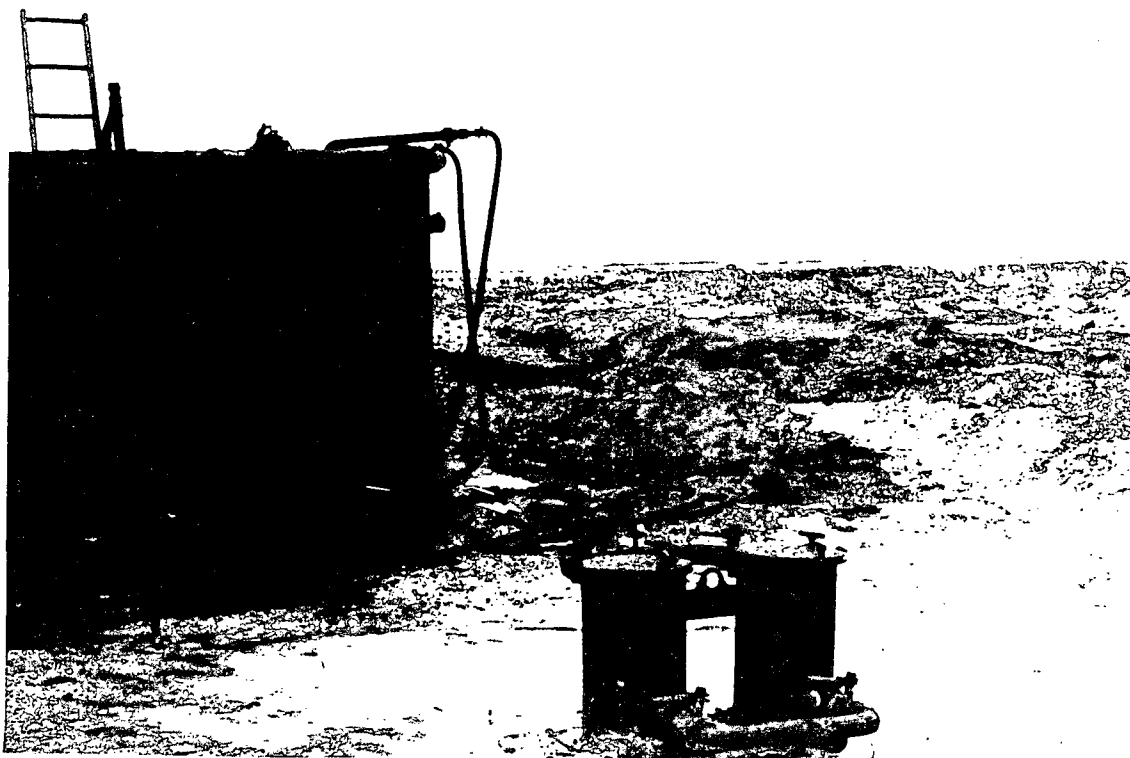


PHOTO NO. 12

DATE: 04/3/97

GANDY COMPANY TREATING PLANT INSPECTION (PHOTOS BY OCD)

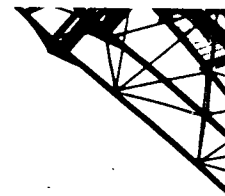


PHOTO NO. 13 DATE: 04/3/97



PHOTO NO. 14 DATE: 04/3/97

GANDY COMPANY TREATING PLANT INSPECTION (PHOTOS BY OCD)



PHOTO NO. 15

DATE: 04/3/97

GANDY COMPANY TREATING PLANT INSPECTION (PHOTOS BY OCD)



PHOTO NO. 16

DATE: 04/30/97

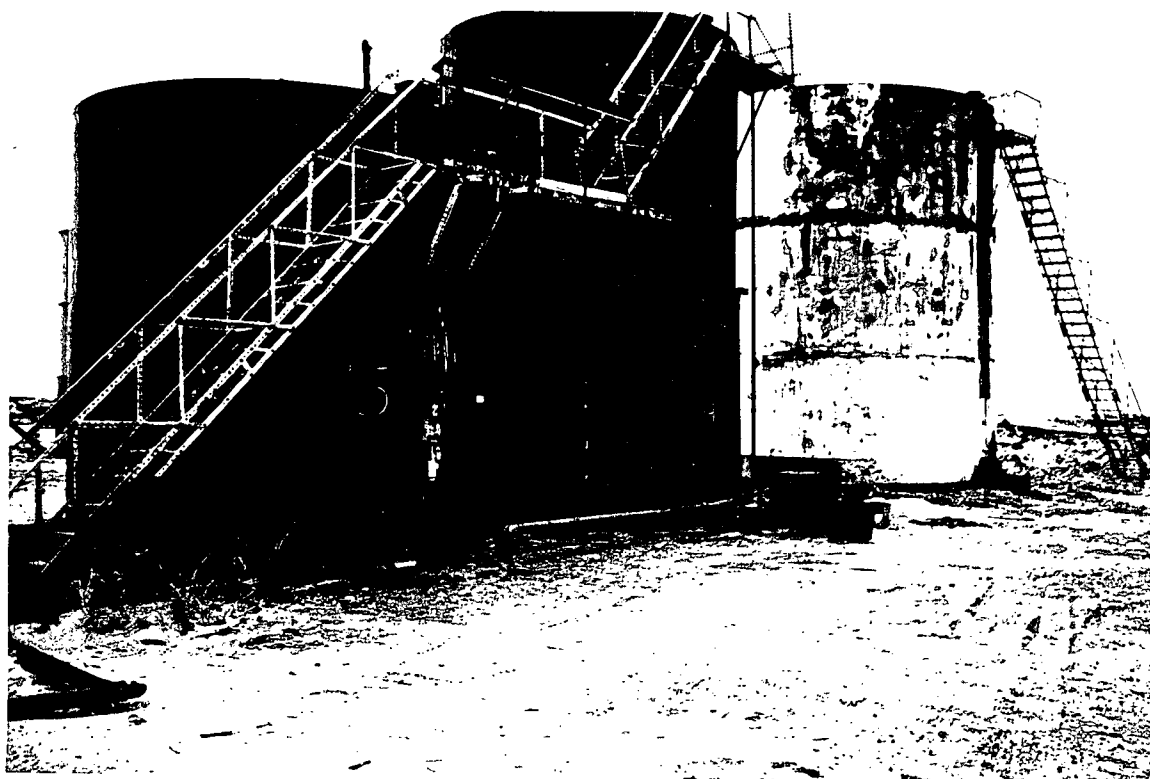


PHOTO NO. 17

DATE: 04/30/97

GANDY COMPANY TREATING PLANT INSPECTION (PHOTOS BY OCD)



PHOTO NO. 18

DATE:04/30/97

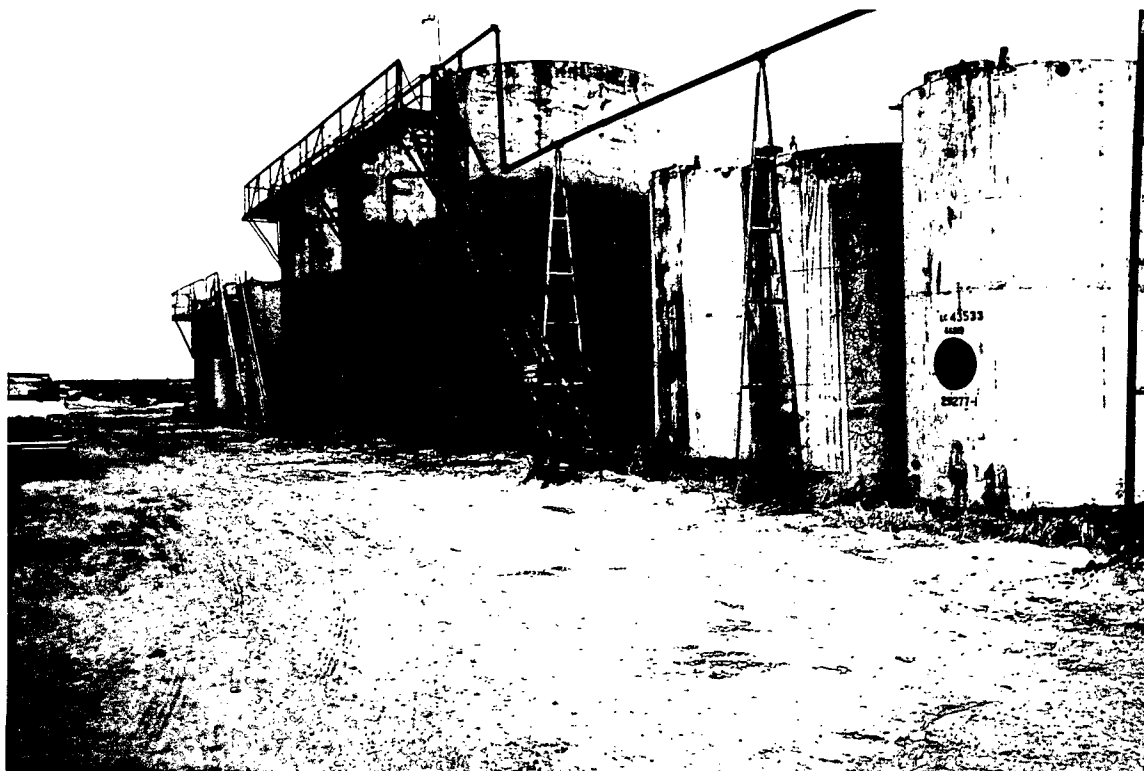


PHOTO NO. 19

DATE:04/30/97

GANDY COMPANY TREATING PLANT INSPECTION (PHOTOS BY OCD)



PHOTO NO. 20 DATE:04/30/97

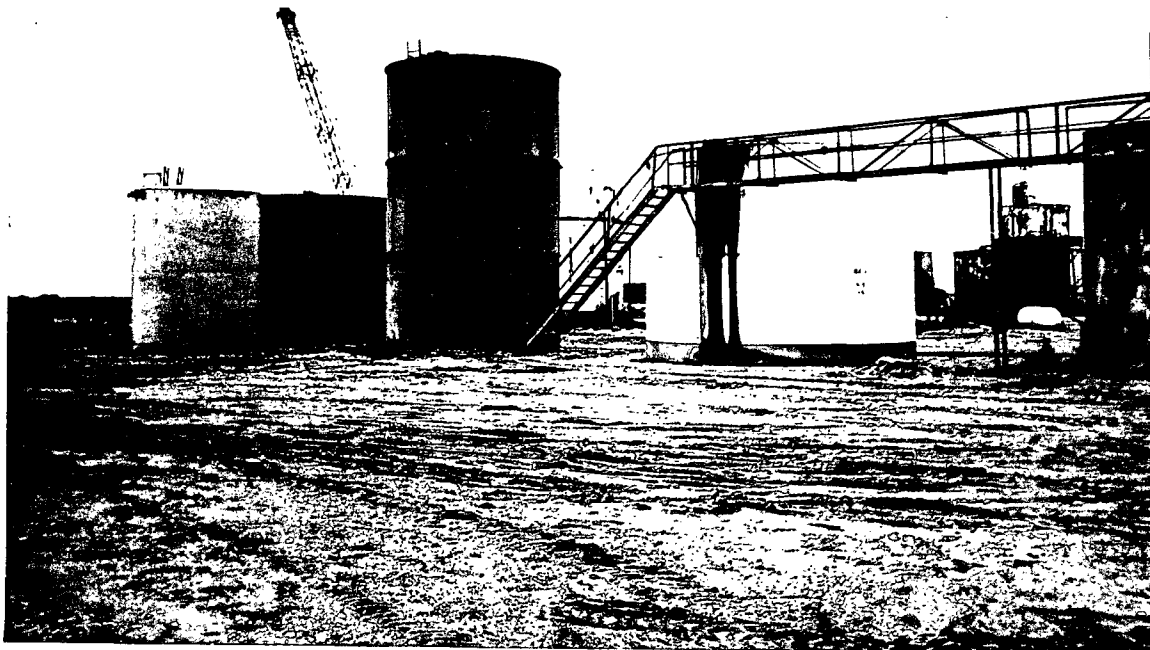


PHOTO NO. 21 DATE:04/30/97

GANDY COMPANY TREATING PLANT INSPECTION (PHOTOS BY OCD)



PHOTO NO. 22 DATE:04/30/97

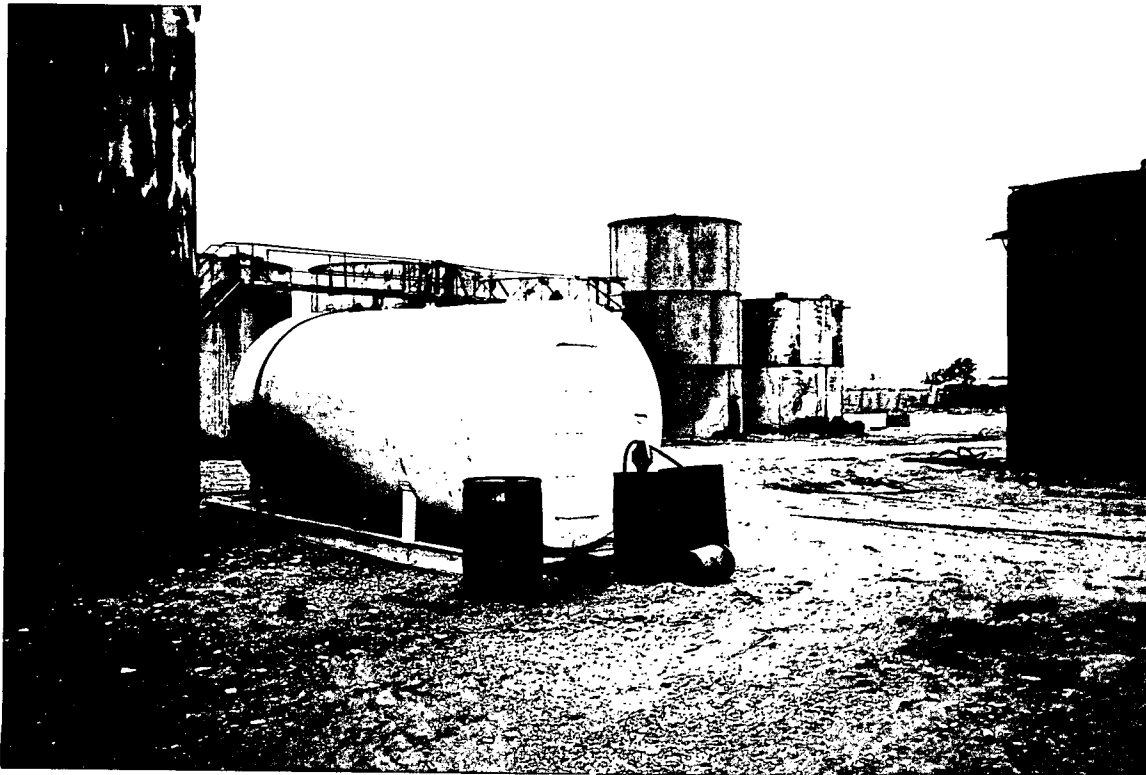


PHOTO NO. 23 DATE:04/30/97

GANDY COMPANY TREATING PLANT INSPECTION (PHOTOS BY OCD)

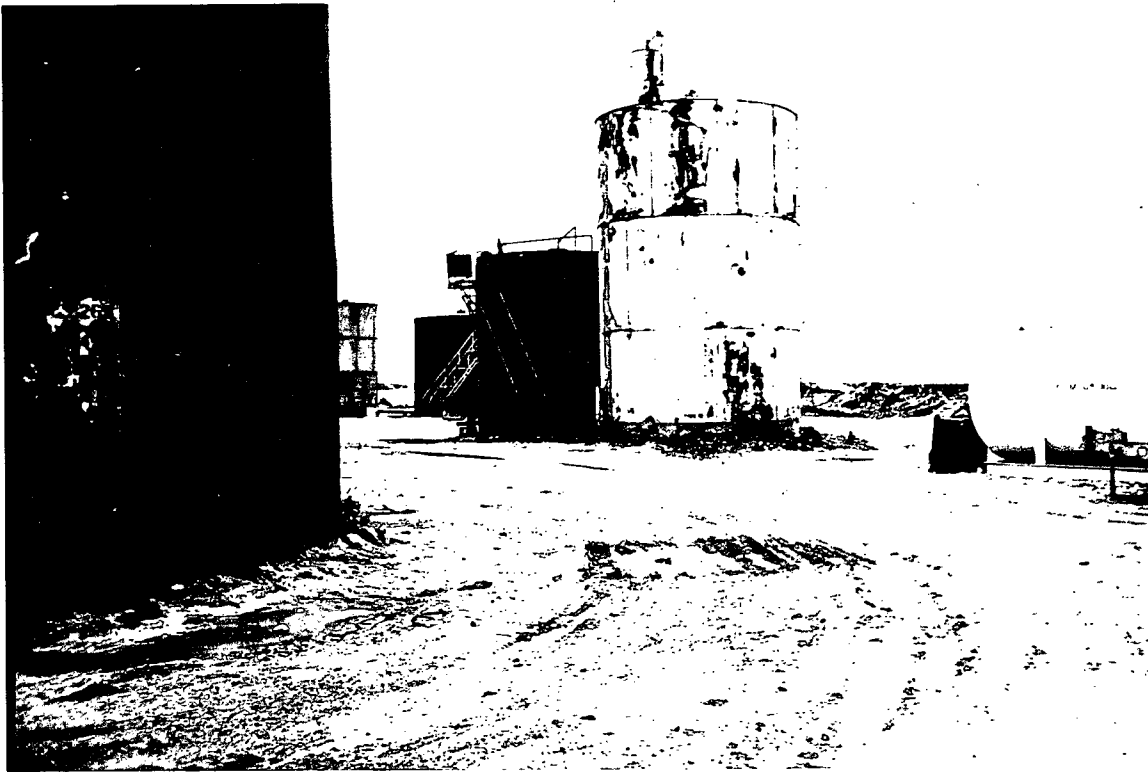


PHOTO NO. 24 DATE:04/30/97



PHOTO NO. 25 DATE:04/30/97

GANDY COMPANY TREATING PLANT INSPECTION (PHOTOS BY OCD)



PHOTO NO. 26 DATE:04/30/97



PHOTO NO. 27 DATE:04/30/97

GANDY CORPORATION

OILFIELD SERVICES

P. O. BOX 827

TATUM, NEW MEXICO 88267

(505) 398-4960

RECEIVED

JUN 28 1993

OIL CONSERVATION DIV.
SANTA FE

June 25, 1993

Oil Conservation Department
P.O. Box 1980
Hobbs, New Mexico 88240

Attention: Mr. Jerry Sexton
Ms. Kathy Brown

Dear Sirs:

Gandy Corporation plans to put together a joint venture with Allen Separation Technologies, for oil recovery and final cleanup of pits and location, for Plant 5012, Lea County, New Mexico.

Gandy Corporation plans to build a 70'X70'X3' evaporation pit, lined with standard oil field pit lining.

Gandy Corporation proposes to put free water into the evaporation pit.

Gandy Corporation will haul off all water that has not evaporated off this pit to an approved downhole disposal.

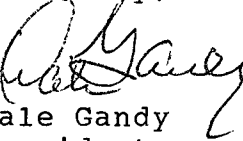
Gandy Corporation will land farm all solid by-produces and sludge materials from the reclamation process on site.

Gandy Corporation will process this material by land farming in a manner accepted by the Oil Conservation Department.

When reclamation process is finished, Gandy Corporation proposes to use the remediate soils as part of the materials to backfill pits. Gandy Corporation will make a total cleanup of location, with the removal of settlement and pit liner from evaporation pit to an approved facility.

If you have any questions, please do not hesitate to contact me at (505) 396-4948.

Sincerely,



Dale Gandy
President

attachments

RECLAMATION SERVICES AGREEMENT

93 JUL 7 AM 9 02

This Reclamation Service Agreement (hereinafter "Agreement") is entered into, effective June 11, 1993, by and between **GANDY CORPORATION**, a New Mexico corporation, ("GANDY") and **ALLEN SEPARATION TECHNOLOGIES**, a Pennsylvania corporation ("AST").

RECITALS

Whereas, AST is engaged in the business of providing reclamation services according to the work requirements represented to AST by GANDY. AST represents that it is capable of providing reclamation services which include, without limitation, reclamation of petroleum products and paraffins from oil field service pits, analysis of oil field service pits reasonably required to reclaim hydrocarbons and paraffins from oil field service pits in accordance with applicable rules, regulations and statutes; and

Whereas, GANDY desires to engage AST to perform reclamation services as specified in this Agreement; and

Whereas, AST represents that it is capable of performing those services as contemplated under this Agreement and as directed by GANDY in accordance with the terms and conditions of this Agreement.

PROVISIONS

Now, Therefore, for valuable consideration, the parties agree as follows:

Article I. *Scope of Work*

1.1 The work to be performed by AST under this Agreement (herein referred to as the "Work") is identified as follows:

1.1(a) AST shall undertake the extraction of hydrocarbons and paraffins from approximately 200,000 barrels of crude oil and crude oil tank bottoms currently located in unlined oil field service pits owned by GANDY;

1.1(b) Within fifteen (15) days of the completion of the 70' x 70' x 3' evaporation pit to be constructed by GANDY under this Agreement, AST shall provide the necessary labor and equipment to commence testing the transfer of freestanding water from the oil field service pits into either the evaporation pit or the 1,500 barrel and 500 barrel storage tanks already onsite. All freestanding water with $\leq 1,500$ ppm of "total suspended solids" ("TSS") shall be transferred directly to the evaporation pit. Any freestanding water with $\geq 1,500$ ppm of TSS shall be transferred into one of the aforementioned storage tanks in order to facilitate the settlement of TSS from the water $\leq 1,500$ ppm of TSS.

1.1(c) AST shall have fifteen (15) days from the time of the completion of the evaporation pit by GANDY to determine if AST can routinely transfer freestanding water with $\leq 1,500$ ppm of TSS to the evaporation pit, and to determine by testing whether AST can economically recover hydrocarbons and paraffins from the material in the oil field service pits. If within the fifteen (15) days provided for herein AST determines in its sole and exclusive discretion that it cannot obtain the results described herein, AST shall notify GANDY, in writing, that it is terminating its performance under this Agreement. If AST terminates this Agreement under the provisions of this subparagraph, AST's sole responsibility and liability to GANDY shall be the obligation to reimburse GANDY for one-half (1/2) of the cost to construct the evaporation pit, which reimbursement by AST shall not exceed \$4,000.00;

1.1(d) If within the time specified in subparagraph 1.1(c) above, AST determines that the project will advance to the next phase of work, AST shall mobilize its onsite equipment or the reclamation services of its subcontractor. Upon completion of onsite equipment mobilization, AST shall commence processing the crude oil and oil field service petroleum products through AST's processing equipment. AST shall have fifteen (15) days from the date AST's processing equipment is installed on location to determine if it is economically feasible to recover marketable products. If within this fifteen (15) day period, AST in its sole and exclusive discretion determines that it cannot economically recover marketable hydrocarbons and paraffins from the oil field service petroleum products, AST shall notify GANDY that it is terminating any further performance under this Agreement. Upon termination by AST under the provisions of this subparagraph, AST shall have no further liability or obligation to GANDY, except for the removal of equipment owned by AST from the project site. AST shall not be obligated to reimburse GANDY for any construction cost of the evaporation pit;

1.1(e) If after undertaking the initial reclamation activities specified in subparagraph 1.1(d) above, AST elects not to exercise its rights to terminate performance within the fifteen (15) day period specified in subparagraph 1.1(d), AST shall then commence full performance of the following activities under this Agreement:

- (1) AST shall transfer freestanding water with $\leq 1,500$ ppm of TSS directly to the evaporation pit for removal and disposal by GANDY as hereinafter specified. All freestanding water with $\geq 1,500$ ppm of TSS shall be transferred by AST into one of the existing storage tanks on location furnished at no charge to AST by GANDY. AST shall transfer all waters stored in the storage tanks containing $\leq 1,500$ ppm of TSS to the evaporation pit for removal disposal by GANDY as hereinafter specified. Any waters within the storage tanks which, after setting for a time satisfactory to AST, does not then contain $\leq 1,500$ ppm of TSS shall be processed by AST through a sand filter or flocculation process to reduce the TSS to $\leq 1,500$ ppm. When AST has accomplished the reduction of the TSS to $\leq 1,500$ ppm, AST shall transfer said waters to the evaporation pit

for removal and disposal by GANDY as hereinafter specified.

- (2) During the hydrocarbons and paraffins reclamation process performed by AST, any waters with $\leq 1,500$ ppm of TSS decanted during the reclamation process may be discharged directly into the evaporation pit for removal and disposal by GANDY. Any decanted water containing $\geq 1,500$ ppm of TSS shall be processed through a sand filter or flocculation process by AST to reduce the TSS content $\leq 1,500$ ppm.
- (3) AST shall remove oil field service products and sludge from the oil field service pits. Completion of removal efforts by AST shall be deemed satisfied upon the joint certification by AST and GANDY that the bottom of the oil field service pits are solid enough for standard heavy earth moving equipment to traverse the pits and remove any remaining oil field produced affected soils and, upon AST having removed freestanding water to a level of ≤ 6 " of water remaining in the pits.
- (4) For each barrel (42 U.S. gallons) of extracted hydrocarbons and/or paraffins reclaimed and sold by AST, GANDY shall be paid a royalty of \$3.00 per barrel as provided for in Article V. Compensation.
- (5) AST shall stockpile all solid byproducts and sludge materials from the reclamation process, and all soils not amenable to processing at an onsite staging site agreed upon by AST and GANDY. Upon deposit of the aforementioned material at the staging site by AST, GANDY shall then undertake its obligation to remove and land farm the same.
- (6) Notwithstanding anything herein contained to the contrary, GANDY shall not be responsible for removing any waters, products or solid wastes from the aforementioned storage tanks, nor shall GANDY be obligated to accept, remove or dispose of any fluids that cannot be lawfully disposed of by deep well injection as of the date of execution of this Agreement by both parties.

1.2 AST directly or through approved subcontractors, at its expense, agrees to furnish all labor, materials, tools, equipment, unloading, hauling, and other requirements to perform the Work in accordance with the terms of this Agreement.

1.3 As used herein, the term "Project Site" shall mean the location, at which the Work is performed, whether or not such location is owned by GANDY and the location where the Work is to be performed is as follows:

Legal Description attached as Exhibit A.

Article II. *GANDY's Responsibilities*

2.1 Within fourteen (14) days of execution of this Agreement by both parties, GANDY shall undertake and shall diligently pursue completion of obtaining the permitting (if necessary under the laws and regulations of New Mexico) for the construction of a 70' x 70' x 3' evaporation pit at a site upon the Project Site to be agreed upon by AST and GANDY. Within five (5) days after any necessary permitting has been prosecuted to final completion, including all permitting for the purpose of construction of the aforementioned evaporation pit and for the purpose of GANDY conducting the aforementioned land farm, GANDY shall commence construction of the aforementioned 70' x 70' x 3' evaporation pit and shall diligently pursue construction to completion. GANDY shall notify AST, in writing, when construction is completed by GANDY.

2.2 GANDY shall be solely responsible for obtaining any and all permits from any Federal and/or State environmental or oil and gas regulatory agencies deemed necessary for GANDY to land farm the petroleum impacted soils and by-products produced during the reclamation process. Written copies of all such permits shall be furnished to AST prior to the commencement of AST's obligation to commence performance under the terms of this Agreement.

2.3 GANDY shall be solely responsible for all land farming activities that will be conducted on the project site. The location of the mutually agreed upon staging site shall be provided to AST, in writing, within five (5) days after GANDY has obtained issuance of all permitting, including any permits for construction of the aforementioned evaporation pit and for the aforementioned land farm.

2.4 GANDY agrees to make available to AST, at no cost, the existing 1,500 barrel storage tank and the open-top 500 barrel storage tank presently located upon the Project Site. AST may request GANDY to make available to it, from time to time, various heavy earth moving equipment owned by GANDY. AST recognizes that GANDY's equipment is being utilized by GANDY to conduct its business and may not be available at the time AST makes its request to GANDY. At the time of each request by AST to GANDY for an item of equipment, GANDY will make a determination with respect to whether the equipment is available to meet the request of AST and, if it is available, GANDY agrees that the rates to be charged to AST for the use of the requested equipment will be 10% below its established hourly rate for such item of equipment, as of the date of execution of this Agreement by both parties. GANDY is not in a position to and therefore does not make any guarantee to AST that any heavy earth moving equipment owned by GANDY will be available to AST at the time AST makes its request.

2.5 Subject to the terms of this Agreement, disposal of all waters shall be by either evaporation from the aforementioned evaporation pit or by deep well injection in

an injection well permitted by the State of New Mexico to accept the waters generated during the reclamation process. GANDY shall be solely responsible for obtaining any and all permits and approvals by all Federal and State environmental or oil and gas regulatory agencies to enable GANDY to dispose of the waters generated in accordance with the terms of this Agreement.

2.6 GANDY shall timely remove all waters containing $\leq 1,500$ ppm of TSS from the aforementioned evaporation pit so as not to hinder the reclamation project undertaken by AST. AST shall not transfer water containing $\geq 1,500$ ppm of TSS into the aforementioned evaporation pit. In reference to the respective obligations of GANDY and AST under the provisions of this subparagraph, "Time of the Essence".

2.7 GANDY will take all solids and sludge from the flocculation process and the hydrocarbon reclamation process and dispose of these materials, provided however, AST will be solely responsible for safely removing and disposing of any liquid waste or solid waste which, as a result of the process used by AST, are not capable of being safely landfarmed. Further, AST shall furnish adequate information that the end results of any of their processes are not hazardous waste.

Article III. *Site Requirements.*

3.1 If requested by GANDY, AST shall prepare and submit to GANDY and estimated progress schedule for the Work. This schedule is only for informational purposes and its contents shall not be deemed to control the performance of Work by AST or its subcontractor.

3.2 AST shall at all times keep the Project Site free from the accumulation of debris and rubbish that may hinder the performance of the Work by either AST or GANDY. At the completion of the Work, AST shall remove, at its expense, all of its tools, vehicles, equipment, machinery, surplus materials, debris and rubbish from and around the Project Site within twenty (20) days, provided however, AST shall not be entitled to remove its tools, vehicles equipment, machinery and surplus materials until GANDY has been paid in full for all compensation to which it is entitled under this Agreement, and provisions of subparagraph 1.1(e)(3) above have been satisfied. AST shall be solely responsible for selecting equipment to meet the provisions of subparagraph 1.1(e)(3) and only this equipment shall be covered by this paragraph.

3.3 AST shall take necessary precautions for the safety of its employees, and shall comply with all applicable provisions of Federal, State and local safety laws. AST shall erect and properly maintain, as required by the conditions and progress of the Work, necessary safeguards for the protection of its employees. However, AST shall have no responsibility for the elimination or abatement of safety hazards created or otherwise resulting from Work at the Project Site carried on by other persons or firms directly employed by GANDY as separate contractors or by GANDY's employees and agents, but AST shall be obligated to notify GANDY of any such safety hazards immediately after AST becomes aware of any such hazards. GANDY agrees to cause any such separate contractors, employees and/or agents to abide by and fully adhere to all applicable provisions of Federal, State, local safety and environmental laws and regulations and to comply with all reasonable requests and directions of AST for the elimination or

abatement of any such safety hazard at the Project Site. AST agrees to fully cooperate with GANDY in connection with GANDY's efforts to eliminate or abate any such safety hazard at the Project Site.

3.4 AST shall keep such full and detailed records as may be necessary to reflect:

- (a) proper financial management under this Agreement; and,
- (b) the Work performed at the Project Site by AST. All such records will be subject to review by GANDY during normal business hours at GANDY's expense on the condition that GANDY identifies, in writing, those documents requested within three (3) years after the work has been completed.

3.5 AST may take samples in connection with the Work and AST will maintain all samples for thirty (30) calendar days from the date the analysis is performed. After thirty (30) days, unless GANDY requests otherwise, AST will cause such samples to be properly disposed of at AST expense. In no case will AST be required to keep samples for longer than sixty (60) days from the date of analysis.

Article IV. *GANDY's Responsibilities*

4.1 GANDY shall provide full and complete information regarding its requirements for the Work and shall immediately transmit to AST any new information which becomes available or any change in plans subsequent to any such providing of information.

4.2 GANDY agrees to furnish, at no cost of AST, upon its request, any existing information in the possession of GANDY on the Project Site describing: physical characteristics, soil reports and subsurface investigations; however, GANDY shall have no obligation to incur any expense or to furnish any such information requested by AST which is not in its possession at the time of execution of this agreement, and before the Work has been completed.

4.3 GANDY shall be responsible for providing to AST detailed location information of any installation and underground utilities known to GANDY.

4.4 GANDY shall designate to AST, prior to the commencement of the Work, in writing, a representative who shall be fully acquainted with the Work, and has authority on behalf of GANDY to approve changes in the Work, render decisions promptly, and furnish information expeditiously and in time to meet estimated time schedules for completion of the Work.

4.5 GANDY will furnish ingress to and egress from and upon the Project Site as described in Article I, subparagraph 1.3 above at no cost to AST.

4.6 GANDY warrants and represents to AST that it holds free, clear, and unencumbered marketable title to all hydrocarbons and paraffins in the oil field service

with the collection of such delinquent invoices, including, but not limited to, collection agency costs, attorney fees and court costs.

c. In addition, AST will deliver to GANDY a copy of all shipping documents incident to the removal and shipment from the Project Site of such hydrocarbons and paraffins recovered by AST within seven (7) calendar days from date of each such shipment. Such shipping documents shall reflect the number of barrels (42 U.S. Gallons) of extracted hydrocarbons and/or paraffins reclaimed by AST; shall show the destinations of such shipment; and the name, address and telephone number of the recipient of recipients if other than AST.

d. GANDY shall have and retain a lien upon all extracted hydrocarbons and/or paraffins reclaimed by AST to the extent of all royalty owing to GANDY under subparagraph 1.1(e)(4) above and all finance charges and costs associated with collection under subparagraph 5.2(b) above.

e. AST shall send payment to GANDY at the following address:

Gandy Corporation
P. O. Box 827
Tatum, New Mexico 88267

Attention: Dale Gandy

5.3 T. Alta Gandy has the authority on behalf of GANDY to approve all royalty accounting statements. GANDY shall, within fifteen (15) days of receipt of same, communicate in writing to AST any apparent errors, discrepancies or disputes. If such communication is not made within this 15-day period, the royalty accounting statement will be deemed to be approved (subject to subsequent correction for any errors, discrepancies or disputes that were not apparent from the face of the statement). If an error, discrepancy or dispute is identified, then the parties will endeavor to resolve it within fifteen (15) days after receipt of the communication identifying the error, dispute or discrepancy. If no resolution is made within this time, the disputed amount will be resolved by arbitration as provided for in subparagraph 5.4 below. The balance of the statement shall be deemed approved.

5.4 If an error, dispute or discrepancy is identified pursuant to Section 5.3, and the parties are unable to resolve the error, dispute or discrepancy to the mutual satisfaction of both parties within the time frame set forth in Section 5.3, then the matter will be submitted to binding arbitration in the State of New Mexico. Any arbitration conducted pursuant to this section shall be governed by the Commercial Arbitration rules promulgated by the American Arbitration Association.

Article VI *Changes in the Work*

6.1 GANDY and AST, without invalidating this Agreement, may order or request, respectively, changes in the Work within the general scope of this Agreement. All such changes in the Work shall not be enforceable or modify the terms of this

Agreement until reduced to writing and formally executed by representatives of GANDY and AST.

Article VII. Insurance

7.1 AST shall carry, at its expense during the term of this Agreement, the insurance coverages specified in Exhibit B attached hereto.

7.2 General Liability Insurance shall include coverage for completed operations, contractual liability, and independent contractor coverage under this Agreement. AST agrees to furnish to GANDY, upon GANDY's request, insurance certificate(s) reflecting AST's compliance with the requirements of this Article.

Article VIII. Indemnification

8.1 AST agrees to indemnify and save harmless GANDY its directors, officers, employees, agents and subcontractors from and against any and all liabilities, claims, demands and causes of action for bodily injury to or death of any person or destruction of or damage to any property, including reasonable attorney fees, costs and expenses, to the extent that occurred as a result of the negligence or intentional acts of AST, its agents, employees or subcontractors in the performance of the Work. This indemnity does not apply to the extent such liabilities, claims, demands and causes of action occurred as a result of GANDY's failure to comply with and fulfill its obligations under this Agreement, or as a result of the negligence or intentional acts of GANDY, or of GANDY's other contractors or any other third party.

8.2 GANDY agrees to indemnify and save harmless AST, its directors officers, employees, agents and subcontractors from and against any and all liabilities, claims, demands and causes of action for bodily injury to or death of any person or destruction of or damage to any property, including reasonable attorney fees, costs and expenses, to the extent that occurred as a result of the negligence or intentional acts of GANDY, its agents, employees or subcontractors in the performance of the Work. This indemnity does not apply to the extent such liabilities, claims, demands and causes of action occurred as a result of AST's failure to comply with and fulfill its obligations under this Agreement, or as a result of negligence or intentional acts of AST, or of AST's other contractors or any other third party.

8.3 GANDY shall indemnify and hold harmless AST, its directors, officers, employees, agents and subcontractors against any and all liability, costs, or expenses, including reasonable attorney's fees, for claims, demands and/or causes of action asserted and/or filed by third persons not parties to this Agreement, arising out of or as a result of, any oral or written brokerage agreement or contractual agreement between GANDY and said third party.

Article IX. Confidentiality

9.1 AST and GANDY (including both parties' employees, officers, agents and directors) shall treat as confidential and proprietary and not disclose to others during or for a period of three (3) years after the term of this Agreement, except as is necessary to

perform Work, under this Agreement (and then only on a confidential basis satisfactory to both parties), any information whether verbal or written, of any description whatsoever, (including any technical information, experience or data) regarding either party's plans, programs, plants, processes, products, costs, equipment, operations or customers which may come within the knowledge of the parties, their officers or their employees in the performance of this Agreement, and which is designated in writing as "confidential", without in each instance securing the prior written consent of the other party. AST shall be able to use the Gandy Project in its marketing and sales program using mutually agreed upon information.

9.2 Neither GANDY nor AST shall release, or cause or allow the release of, information concerning the existence of the terms of this Agreement and its Exhibits without securing the prior written consent of the other party.

9.3 Nothing contained within this Article shall prevent either AST or GANDY from disclosing to others or using in any manner information which either party can show:

- a. has been published and has become part of the public domain other than by acts, omissions or fault of AST or GANDY or their employees;
- b. has been furnished or made known to AST or GANDY by third parties (other than those active directly or indirectly for or on behalf of AST or GANDY) as a matter of legal right without restrictions on its disclosure; and,
- c. was in either party's possession prior to the disclosure thereof by GANDY or AST to each other.

9.4 In the event that either party shall be required by subpoena, court of administrative order (hereinafter "The Order") to disclose any of the information deemed by this Agreement to be confidential and/or proprietary, that party shall give immediate written notice to the other party. Upon receipt of same, the party whose information may be the subject of the The Order expressly reserves the right to interpose all objections it may have to the disclosure of its information. The foregoing obligation shall survive the termination or expiration of this Agreement and shall continue until a specific written release is given by either party.

9.5 For purposes of this Article, information means any verbal, handwritten, typewritten, printed, recorded or graphic matter, including computer-generated mediums, however reproduced and regardless of whether created by AST, GANDY or some other entity.

Article X. *Work on Project Site*

10.1 While AST employees or subcontractors are on the Project Site, AST will maintain work discipline and effect performance of the Work in compliance with governmental laws or regulations pertaining to occupational safety and health and

environmental laws and regulations and shall cause its written safety procedures to be complied with.

Article XI. *Inspections*

11.1 AST shall have the right to inspect and obtain copies of all applicable written licenses, permits or approvals issued by any governmental entity or agency to GANDY.

Article XII. *Excuse of Performance*

12.1 The performance of this Agreement, except for the payment of money for already reclaimed hydrocarbon and paraffin, may be suspended by either party in the event performance of this Agreement is prevented by a cause or causes beyond the reasonable control of either party. Such causes shall include, but not be limited to: acts of God; acts of war; riot; fire; explosion; accident; flood; or sabotage; lack of adequate fuel; power; raw materials; labor or transportation facilities; governmental laws; regulations; requirements; orders or actions; breakage or failure of machinery or apparatus; national defense requirements; injunctions or restraining orders; labor trouble, strike, lockout or injunction (provided that neither party shall be required to settle a labor dispute against its own best judgment).

12.2 The party asserting a right to suspend performance under this Agreement must, within a reasonable time after it has knowledge of the effective cause notify the other party of the cause for suspension, the performance suspended, and the anticipated duration of suspension.

12.3 Upon receipt of notice as set forth in Section 19.5 advising the other party of a suspension of performance, the parties shall mutually agree on one of the following:

- a. termination of all or any part of the Work affected;
- b. demobilization of affected personnel and equipment from the Project Site with remobilization to the Project Site occurring at a mutually agreeable time after the end of the suspending event; or
- c. placement of affected personnel and equipment in a standby mode until the end of the suspending event.

If the parties agree to any of the options above, upon such agreement, AST shall pay GANDY any outstanding royalty payments for already reclaimed hydrocarbons and paraffins. If the parties agree to either option (b) or (c) above, the parties shall also mutually agree upon appropriate schedule adjustments.

12.4 The party asserting a right to suspend performance hereunder shall advise the other party when the suspending event was ended, at which time the parties shall agree to a date when performance shall be resumed.

Article XVI. *Independent Contractor*

16.1 The provisions of this Agreement shall not be construed as authorizing or reserving to GANDY, any right to exercise any control or direction over the employees of agents of AST in connection with this Agreement. Neither party to this Agreement shall have any authority to employ any person as agent or employee for or on behalf of the other party to this Agreement for any purpose. GANDY shall not have any right or authority to make any representations, or to assume or create any obligation, express or implied on behalf of AST. AST shall not have any right or authority to make any representations, or to assume or create any obligation, express or implied on behalf of GANDY.

Article XVII. *RCRA Compliance*

17.1 Nothing contained within this Agreement shall be construed or interpreted as requiring AST to assume the status of a generator, storer, treater or disposal facility, or arranger of any such treatment, storage or disposal, as those terms appear within the Resource Conservation and Recovery Act, 42 USCA, Section 6901, et seq., as amended (hereinafter "RCRA"), Comprehensive Environmental Response Compensation and Liability Act, 42 USCA, Section 9601, et seq., as amended (hereinafter "CERCLA"), or within any state statute governing the treatment, storage and disposal of solid or hazardous waste (herein collectively referred to as "Regulations").

17.2 GANDY (as between itself and AST) shall assume the responsibility for compliance with the provisions of such Regulations governing the treatment, storage and disposal of solid or hazardous waste. However, GANDY shall not assume the responsibility for being out of compliance with such Regulations if such non-compliance is the result of negligence or intentional acts by AST.

17.3 In the event GANDY requests AST assistance in meeting its obligations, as set forth within this Article, then AST, as requested by GANDY, will provide the following:

- a. perform analytical testing to assist GANDY in the proper characterization of the waste for manifest preparation;
- b. identify potential transporters and disposal facilities which may be used in the transportation and disposal of wastes collected;
- c. enter into subcontract or purchase order arrangements with transporters and/or disposal facilities selected by GANDY;
- d. prepare manifests for GANDY's execution; and,
- e. AST agrees that the rates to be charged to GANDY for such assistance will be ten (10%) percent below its established hourly rate and costs for such assistance as of the date of the execution of this Agreement by both parties.

12.5 Notwithstanding anything contained herein to the contrary, AST shall have the sole option to terminate this Agreement as provided in subparagraphs 1.1(c) and 1.1(d) above.

Article XIII. Differing Site Conditions

13.1 AST shall promptly, within a reasonable time after it has knowledge of the following conditions, notify GANDY of:

- a. physical, structural, subsurface, soil or other conditions uncovered, revealed or discovered, at the site differing from those indicated, reflected or referred to in this Agreement or which were provided under the terms of this Agreement of AST; or,
- b. physical, structural, subsurfaces, soil or other conditions at the site differing from those ordinarily encountered and generally recognized as inherent in Work of the character provided for in this Agreement.

Article XIV. Termination

14.1 Terminations, as provided, or as allowed under Article XIV. Excuse of Performance, shall be by notice in conformance with Article 19.5. Notice, from the terminating party to the other party, shall specify the reason(s) therefor and the effective date thereof.

14.2 This Agreement, or Work being performed under this Agreement, may be terminated by either party upon forty-eight (48) hours written notice should the other party fail substantially to perform in accordance with the terms of this Agreement through no fault of the party initiating the termination, provided the party initiating the termination notice has given the other party notice of the deficiency and allowed that party a reasonable period of time to cure same before notice of termination is issued. For purposes of this Article XIV, notice of deficiency for ten (10) days for non-payment of the aforementioned royalty when due shall be deemed to be a reasonable period of time to cure such non-payment before notice of termination is issued. For any other notice of deficiency thirty (30) days shall be deemed a reasonable period of time to cure such deficiency before notice of termination is issued.

Article XV. Delegation and Assignment

15.1 AST may subcontract or otherwise delegate the performance of the Work, or any portion thereof, without the advance written consent of GANDY, provided any such delegation shall not operate to relieve AST of its responsibilities hereunder and, notwithstanding any such delegation, AST shall remain obligated to GANDY for the Work.

17.4 GANDY shall defend, indemnify and hold harmless AST, its directors, officers, employees, agents and subcontractors, from and against any and all claims arising under Section 107 of the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), or any comparable state law (including cost of defense, settlement and reasonable attorney fees) arising from environmental conditions existing before the date on which AST begins work.

Article XVIII. Remedies

18.1 In addition to any remedies the parties may have at law, equity or otherwise, the parties may, by mutual agreement, choose to resolve any dispute arising under this Agreement through alternative dispute resolution procedures, or through arbitration per the Commercial Arbitration Rules of the American Arbitration Association.

18.2 Notwithstanding the foregoing, the parties agree that neither party shall be liable to the other for any indirect or consequential damages of any kind, including, but not limited to, lost profits or loss of use.

Article XIX. Additional General Provisions

19.1 *Waiver* - Any waiver by either party of any provision or condition of the Agreement shall not be construed or deemed to be a waiver of any other provision or condition to this Agreement, nor a waiver of a subsequent breach of the same provision or condition, unless such waiver be so expressed in writing and signed by the party to be bound.

19.2 *Construction* - The validity, and interpretation of this Agreement shall be governed and construed in accordance with the laws of the State of New Mexico. All paragraph headings herein are for convenience only and are in no way to be construed as part of this Agreement or as a limitation of the scope of the particular internal sections to which they may refer.

19.3 *Separability* - If any section, subsection, sentence or clause of this Agreement shall be adjudged illegal, invalid or unenforceable, such illegality, invalidity or unenforceability shall not affect the legality, validity or enforceability of this Agreement as a whole or of any section, subsection, sentence or clause hereof not so adjudged.

19.4 *Successors and Assigns* - The covenants and agreements contained in this Agreement shall apply to, inure to the benefit of, and be binding upon the parties hereto and upon their respective successors and assigns.

19.5 *Notice* - Any notice, communication or statement required or permitted to be given hereunder shall be in writing and deemed to have been sufficiently given when delivered in person or by registered or certified mail, postage prepaid, return receipt requested, or by overnight carrier service to the address of the other party below, or be confirmed telecopier transmission to the FAX number of the other party below. Any oral

notice may be confirmed not later than the net day by confirmed telecopier transmission to the FAX number of the other party listed below:

Gandy: Gandy Corporation
P. O. Box 827
Tatum, New Mexico 88267
Attention: Dale Gandy
FAX No.

AST: Allen Separation Technologies
625 Liberty Avenue Suite 3100
Pittsburgh, Pennsylvania 15222-3124
Attention: Victor Fishman
FAX No. (412) 562-0222

Either party may, by notice to the other, change the addresses and names given above.

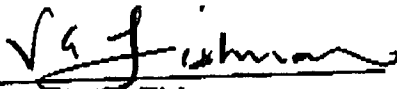
19.6 *Entire Agreement* - This Agreement and its Exhibits represent the entire understanding and agreement between the parties hereto and supersedes any and all prior agreements, whether written or oral, that may exist between the parties regarding same. This Agreement consists of (i) this Agreement and its Exhibits and (ii) amendments or modifications approved by the parties after the execution of the Agreement. The Agreement documents do not include any other documents unless specifically enumerated in this Agreement or through an amendment hereto.

19.7 *Amendments* - This Agreement may be amended or modified only by a written amendment to the Agreement signed by both parties. Additional or different terms, or any attempt by either party hereto through a Purchase Order or other document or vary in any degree any of the terms of this Agreement, shall be deemed material and shall be rejected, unless this provision is expressly waived in writing, by the party which did not submit the proposed modification of this Agreement.

19.8 *No Third Party Beneficiaries* - Nothing contained in this Agreement shall entitle any party other than AST or GANDY to any claim, cause of action, remedy or right of any kind.

Signed this 11 day of June 1993, by:

Allen Separation Technologies

By: 
Victor A. Fishman
President

Gandy Corporation

By: _____
Dale Gandy
President



MEMORANDUM OF MEETING OR CONVERSATION

☒ Telephone ☐ Personal

Time

Date

6/21/93

Originating Party

Other Parties

K.M. Brown

Dale Gandy

- OGD Environmental

396-4948

Subject

Gandy Treating Plant

- Reclamation of O.I. from Old BSW Pits

- Need Modification to Permit (Order R-4594)

Discussion

Need a formal modification request to administratively modify the treating plant. After evaluation of the request Bob Stoval (General Counsel OGD) will determine if it can be administratively approved or if it needs to go to hearing.

Conclusions or Agreements

Distribution

Signed



MEMORANDUM OF MEETING OR CONVERSATION

☒ Telephone ☐ PersonalTime
1:30 P.m.Date
6/21/93Originating Party

K.M. Brown - OCI

Other PartiesJim Moody - Safe-Way/Alten Div.
865-0180 (Los Lunas)Subject

Gandy Treating Plant

Oil Reclamation of Unlined Pits.

Discussion

Let Jim know they have to request a modification of the Rule 312 permit which was issued pursuant to Order R-4594. Found out the pit would be lined for water evaporation. Also, this will be a 2 step process with Safe-Way doing the oil reclamation and Gandy later closing out the pit.

Gave them verbal approval to test their equipment to see how well it was set up for the pit contents. Jim assured me that no wastes would be generated and disposed of onto the ground during the testing period.

Conclusions or Agreements

Need request for permit modification.

Disposition

xc: File

Signed

K. Brown

**ALLEN**

SEPARATION TECHNOLOGIES, INC.

19 Fernglan Drive
The Woodlands, Texas 77380

June 18, 1993

Mr. Jerry Sexton
Oil Conservation Department
P. O. Box 1980
1000 West Broadway
Hobbs, New Mexico 88240

Dear Mr. Sexton:

The information below describes Allen Separation Technologies (AST) approach to the reclamation of hydrocarbons from oil field service pits belonging to Gandy Corporation (Gandy), and located in Tatum, New Mexico.

Under a Reclamation Services Agreement just signed, between Gandy and AST, AST's operational responsibilities include:

- Reclamation of petroleum products and paraffins from Gandy's oil field service pits
- Transfer of free-standing water with less than or equal to 1,500 parts per million (ppm) of total suspended solids (TSS) from the oil field service pits to an evaporation pit constructed by Gandy
- Treatment of all oil field service pit water containing greater than 1,500 ppm TSS by sand filter or flocculation process to reduce TSS to less than 1,500 ppm TSS
- Stockpiling all solid byproducts and sludge materials from the reclamation process at an on-site staging site for removal and land farming by Gandy
- AST will be solely responsible for safely removing and disposing of any liquid or solid waste which as a result of the process used by AST are not capable of being safely landfilled

In the early stages of the project, AST will reclaim hydrocarbons from the oil field service pits and send the separated water back to the pit. The hot water sent back to the pit will assist hydrocarbon reclamation by helping to melt the hydrocarbon material and causing the hydrocarbon to float to the surface, for easier reclamation.

Once the evaporation pit constructed by Gandy is completed, AST will transfer water from the oil field service pit that has less than or equal to 1,500 ppm TSS directly to the

June 18, 1993

Page 2

evaporation pit, for disposal by Gandy. Water from the oil field service pits that have TSS greater than 1,500 ppm TSS will be transferred to the 1,500 barrel and 500 barrel storage tanks already on site. This water will be processed through a sand filter or flocculation process by AST to reduce the TSS to less than or equal to 1,500 ppm TSS.

Gandy will dispose of all water, solids and sludge from the reclamation and/or flocculation process.

The attached statement of qualifications will give you more information on the technology used by AST and some project performance history.

We look forward to working with you to complete this project. Please do not hesitate to call should you have any questions.

Sincerely,



Victor A. Fishman, Ph.D.
President

cc: Dale Gandy, President
Gandy Corporation

Jim Moody

C. GENE SAMBERSON
MICHAEL T. NEWELL

LEWIS C. COX, III

LAW OFFICES
HEIDEL, SAMBERSON & NEWELL

311 NORTH FIRST STREET
POST OFFICE DRAWER 1599
LOVINGTON, NEW MEXICO 88260
TELEPHONE (505) 396-5303
FAX (505) 396-5305

OIL CONSERVATION DIVISION
RECEIVED

'91 NOV 14 AM 8 49
F.L. HEIDEL
(505) 396-5303

November 11, 1991

Mr. Roger Anderson
State of New Mexico
OIL CONSERVATION DIVISION
Post Office Box 2088
Santa Fe, New Mexico 87504

Dear Mr. Anderson:

This letter is to confirm our telephone conversation of November 8, 1991, in which Dale Gandy and Cal Kessler advised you about certain procedures which are planned on cleaning of oil pits near Tatum, New Mexico. As long as Mr. Kessler's company is employed as a subcontractor of Gandy's treating plant then it may treat the product in the Gandy pits under the Gandy permit. Additionally all material produced in conjunction with the treating process employed by Mr. Kessler's organization will be treated as exempt material and will not fall into the category of hazardous waste.

You also advised that the microbe (land farm) treatment to be used by Gandy following those measures taken by the Kessler organization will need additional permits before proceeding. You mentioned this might be accomplished by an amendment to the treating plant permit already owned by Gandy.

Gandy is proceeding in a manner consistent with the advice set forth above. Should you wish to clarify something or if there exists some misunderstanding as to what was discussed please advise immediately.

Should you have any questions, please do not hesitate to call.

Sincerely,

HEIDEL, SAMBERSON & NEWELL

By: 
Michael Newell

MTN/cf
pc: Dale Gandy
Cal Kessler

3/4/91

NOTE TO THE FILE

THE ORDER FOR THIS CASE (R-4594) INDICATES

THAT THIS CASE WAS HEARD ON JUNE 27, 1973.

TESTIMONY FOR THIS CASE ON THAT DAY INDICATES

THAT THE HEARING WAS POSTPONED (CONTINUED) UNTIL

JULY 11. NO COPY OF THE JULY 11 ~~HEARING~~ HEARING

WAS FOUND ON MICROFICHE IN THIS CASE FILE. THE

HARD COPY OF THIS HEARING HAS BEEN MOVED TO

BUREAU OF MINES IN SOCORRO ACCORDING

TO FIORENE



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

GARREY CARRUTHERS
GOVERNOR

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

September 19, 1990

CERTIFIED MAIL
RETURN RECEIPT NO. P-918-402-405

Gandy Corporation
P. O. Box 827
Tatum, New Mexico 88267

RE: Regulatory Notification, New Federal Requirements for Oil Reclamation Facilities

Dear Sir:

This letter is to advise you of a forthcoming federal requirement that may affect operation of your facility.

As you know, only the New Mexico Oil Conservation Division (OCD) currently regulates your facility. However, on September 25, 1990, a US Environmental Protection Agency (EPA) regulation directing use of the Toxicity Characteristic Leaching Procedure (TCLP) and adding toxicity constituent regulatory levels becomes effective. On that date waste material containing benzene, a natural component of crude oil, will be regulated as federal "hazardous waste" if benzene levels exceed the promulgated level of 500 parts per billion (ppb). Certain waste materials are excluded from this regulation including wastes from crude oil and natural gas exploration and production activities. However, liquid and solid wastes and sludges generated by crude oil and tank bottom reclaimers may not be exempted. Permitting under OCD rules does not necessarily mean your facility is EPA exempt.

If the waste stream from treating crude oil and tank bottoms by your facility contains benzene concentrations of greater than 500 ppb and if that waste is not exempted under EPA interpretation of the oil and gas exclusion, EPA will require that the waste stream be permitted and handled as hazardous waste. Additionally, if any portion of a common facility handling exempt exploration and production wastes is also considered to be treating, storing, or disposing of hazardous waste, then the entire common facility may be subject to EPA regulations which include provisions for substantial hydrogeologic investigations, corrective actions, and post-closure monitoring. There are civil and criminal penalties for failure to comply with "hazardous waste" regulations.

Therefore the OCD strongly recommends that you contact and review your operations with a private consultant or attorney familiar with this new federal rule prior to September 25 to determine the impact of the new regulation at your facility, and for advice as to technical permitting requirements and your potential liability.

Currently, the State of New Mexico is taking action to notify President Bush, the USEPA, and the Department of Energy of the impact of this new rule, and is requesting implementation be delayed for at least six months while the issue is reexamined. However, the outcome of this appeal is far from certain. Enclosed with this letter is a copy of the letter to President Bush. You may also wish to contact members of the New Mexico Congressional delegation regarding this important matter.

If you have any questions you are urged to contact either myself at (505) 827-5812 or Roger Anderson of this office at 827-5884.

Sincerely,

A handwritten signature in cursive script, appearing to read "David G. Boyer".

David G. Boyer, Hydrogeologist
Environmental Bureau Chief

DGB/sl

Enclosure

cc: NMOCD District Office



OIL CONSERVATION DIVISION
RECEIVED

STATE OF NEW MEXICO 89 OCT 31 AM 9 40

STATE ENGINEER OFFICE

S. E. REYNOLDS
STATE ENGINEER

ROS WELL

DISTRICT II
909 E. 2ND STREET
P.O. BOX 1717
ROS WELL, NEW MEXICO 88202

October 30. 1989

Mr. Jerry Sexton
Supervisor, District I
Energy & Mineral Department
Oil Conservation Division
P. O. Box 1980
Hobbs, New Mexico 88241-1980

Dear Mr. Sexton:

I received your letter dated October 16, 1989 in reference to the water well contamination in Section 12, TWP 10-S, Rge 35E, N.M.P.M.

It is my understanding that the pits belonging to Gandy have been and are presently being used for disposal of sludge and waste from the bottom of oil tanks. I have no knowledge of them being used for salt water disposal. However, I can only assume that there is some water, (possibly salt water), in the waste that is dumped in the pits.

I also assume that a hydrological study and a hearing was conducted on these pits and it was determined that the pits would not create a problem with fresh water.

I would be interested in data from tests or studies that have been conducted to determine that the bottom of the pits are now sealed and if so, what happens to the water accumulated from precipitation.

Your thought of a big pit lined with plastic to be used for the evaporation of the water and then picking up the plastic and any accumulation of salt and taking it to an approved disposal site would possibly be feasible, however, the earth in the bottom and sides of the pit should be treated with some impervious material to prevent any seepage of contaminated water into the ground.

Page 2
Jerry Sexton

I believe that we are obligated to formulate some plan to stop the existing contamination by relieving the source, and curtailing any additional contamination to the groundwater.

Yours truly,


J. C. Groseclose
Water Resource Spec.II

JCG/lc
cc: EID-Hobbs
Tommy Price-Tatum
Dave Boyer-OCD-Santa Fe
Glenn W. Brim
Art B. Mason



GARREY CARRUTHERS
GOVERNOR

STATE OF NEW MEXICO

ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION
RECEIVED

HOBBS DISTRICT OFFICE

'89 OCT 19 AM 9 01
October 16, 1989

POST OFFICE BOX 1980
HOBBS, NEW MEXICO 88241-1980
(505) 393-6161

Mr. J. C. Groseclose
State Engineers Office
P.O. Box 1717
Roswell, NM 88202

Dear Mr. Groseclose:

I have read your data on the windmill in Section 12, T10S, R35E, and you may be right on the assumption that contamination could have come from the Gandy pits.

Approval for these pits was apparently given back before our No-Pit Rule, but the pits have not been used for SWD purposes for 15 years that I have been here. Soon after I got here I discontinued any dumping into open pits that had not had hydrological studies done and a hearing showing they would not create a problem with fresh water.

Over the past 10 years several companies have tried to reclaim the oil from these pits with only limited success.

Dale Gandy was in several months ago and inquired what could be allowed to cover these pits. What seems to be happening is that when it rains the water stands on these pits and then eventually because of the gravity difference of water and BS the water drops on through and then because of no evaporation due to the heavy oil the pits continue to fill up. The attempts to reclaim the oil apparently uphold this theory as there seems to be large pockets of water at different levels of the pit.

I feel like the bottom of the pits are now sealed or the pit level would have decreased over the past several years.

To date while wanting to fill the pits in I have not made up my mind if upon separating the water from the oil additional problems might not be caused.

I have thought about giving permission for a big pit lined with plastic to be used for evaporation of the water and then picking the plastic and any accumulation of salt and taking this to an approved disposal site and would like your idea of this proposal.

Since the pits have not been used for numerous years I do not feel the problem from the pits will be expanded, but that normal movement of the water could certainly be a problem.

Page 2

Mr. J. C. Groseclose

We now have a hydrologist working for the Oil Conservation Division and will send a copy of this letter along with your data to him for his input.

NOTE: Sec. 12, T10S, R35E, is some distance from any injection well or disposal well so I do not think any problems encountered would be from this source.

Very truly yours,

OIL CONSERVATION DIVISION

Jerry Sexton
Supervisor, District I

JS/ed

cc: E.I.D., Hobbs
Tommy Price, Tatum
✓ Dave Boyer, Hydrologist OCD Santa Fe



STATE OF NEW MEXICO

STATE ENGINEER OFFICE

ROSWELL

S. E. REYNOLDS
STATE ENGINEER

DISTRICT II
909 E. 2ND STREET
P.O. BOX 1717
ROSWELL, NEW MEXICO 88202

October 13, 1989

Jerry Sexton
Oil Conservation Division
P. O. Box 1980
1000 W. Broadway
Hobbs, New Mexico 88240

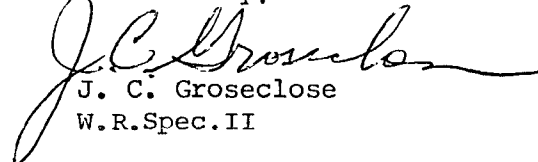
Dear Jerry,

Enclosed is a memo regarding field check made by this office at the request of Tommy Price and Lee Duncan due to the deterioration of the water from the windmill located at T.10S, Rge.35E, Sec.12, 44411 on land owned by Mattie Price.

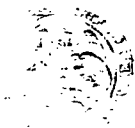
The chlorides and specific conductivity values are shown on the accompanying map and also xerox copies of photos taken of the pits.

If we can be of any further assistance in this matter, feel free to call on us.

Yours truly,


J. C. Groseclose
W.R.Spec.II

JCG/lc
encs.
cc: E.I.D., Hobbs
Tommy Price, Tatum



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

*Gandy Treating Plant
File*

GARREY CARRUTHERS
GOVERNOR

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

October 4, 1989

Mr. Dale Gandy
GANDY CORPORATION
P. O. Box 827
Tatum, New Mexico 88267

Dear Mr. Gandy:

Attached is a copy of Oil Conservation Division (OCD) Rule 711 and our guidelines for permit application for the surface disposal of oilfield wastes. If you are disposing of only solids at the site, you need to address only those items in the 8/88 Guidelines highlighted in yellow and listed below:

- I. A through F
- II. A (1, 2b, 2c) B, C
- III. A, B, C
- V. A, F, H

Please note that you must submit proof of notification to adjacent landowners with your application (Rule 711.A.9 and 711.B).

The \$25,000 treating plant bond currently in effect is adequate and applicable to the disposal activities you have planned.

If you have any questions, please contact Roger Anderson at 827-5884 or myself at 827-5812.

Sincerely,

David G. Boyer, Hydrogeologist
Environmental Bureau Chief

DGB/sl

Enclosure

cc: OCD Hobbs Office

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

11-2-
11-2-230
11-2-230

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE NO. 5012
Order No. R-4594

APPLICATION OF GANDY CONSTRUCTION
FOR AN OIL TREATING PLANT PERMIT,
LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on June 27, 1973,
at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 23rd day of July, 1973, the Commission, a
quorum being present, having considered the testimony, the
record, and the recommendations of the Examiner, and being fully
advised in the premises,

FINDS:

(1) That due public notice having been given as required
by law, the Commission has jurisdiction of this cause and the
subject matter thereof.

(2) That the applicant, Gandy Construction, seeks authority
to install and operate an oil treating plant, utilizing heat,
solvents, and chemicals, in the SE/4 of Section 11, Township 10
South, Range 35 East, NMPM, Lea County, New Mexico, for the
reclamation of sediment oil to be obtained from tank bottoms and
waste pits.

(3) That the proposed plant and method of processing will
efficiently process, treat, and reclaim the aforementioned waste
oil, thereby salvaging oil which would otherwise be wasted.

(4) That the subject application should be approved as
being in the best interest of conservation.

IT IS THEREFORE ORDERED:

(1) That the applicant, Gandy Construction, is hereby
authorized to install and operate an oil treating plant,
utilizing heat, solvents, and chemicals, in the SE/4 of Section 11,
Township 10 South, Range 35 East, NMPM, Lea County, New Mexico,
for the purpose of treating and reclaiming sediment oil to be
obtained from tank bottoms and waste pits;

PROVIDED HOWEVER, that the continuation of the authorization granted by this order shall be conditioned upon compliance with the laws of the State of New Mexico and the rules and regulations of the New Mexico Oil Conservation Commission;

PROVIDED FURTHER, that prior to commencing operation of said plant, the applicant shall file with the Commission a performance bond in the amount of \$10,000.00 conditioned upon substantial compliance with applicable statutes of the State of New Mexico and all rules, regulations, and orders of the Oil Conservation Commission.

(2) That the operator of the above-described oil treating plant shall clear and maintain in a condition clear of all debris and vegetation a fireline at least 15 feet in width and encircling the tract upon which the plant is located.

(3) That the disposal of waste water accumulated in conjunction with the operation of the above-described plant on the surface of the ground, or in any pit, pond, lake, depression, draw, streambed, or arroyo, or in any watercourse, or in any other place or in any manner which will constitute a hazard to any fresh water supplies is hereby prohibited.

(4) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

I. R. TRUJILLO, Chairman

ALEX J. ARMIJO, Member

A. L. PORTER, Jr., Member & Secretary

S E A L

dr/

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
CONFERENCE ROOM, STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO
June 27, 1973

EXAMINER HEARING

IN THE MATTER OF:

Case No. 3012

Application of Gandy Construction
for an oil treating plant permit,
Lea County, New Mexico.

BEFORE: ELVIS A. UTZ,
Examiner.

TRANSCRIPT OF HEARING

Gandy, Meier & Associates

ALL INFORMATION CONTAINED HEREIN IS UNCLASSIFIED
DATE 01-10-2001 BY 60322 UCBAW/STP/STP

page 3

1 MR. UTZ: We have another continuation, Case 5012.

2 MR. CARR: Case 5012, Application of Gandy
3 Construction for an oil treating plant permit, Lea County,
4 New Mexico.

5 MR. MORRIS: Mr. Examiner, I am Dick Morris of
6 Montgomery, Federici, Andrews, Hannahs & Morris, Santa
7 Fe, appearing on behalf of the applicant in this case.
8 We would move that this case be continued to the next
9 examiner hearing, which I understand is July 11.

10 MR. UTZ: Correct. Case 5012 will be continued
11 to the July 11 examiner hearing.

12 Does anyone else have anything they'd like to discuss
13 or continue?

14 (No response.)

15 STATE OF NEW MEXICO }
16 COUNTY OF BERNALILLO } ss.

17 I, JOHN DE LA ROSA, a Court Reporter, in and for the
18 County of Bernalillo, State of New Mexico, do hereby
19 certify that the foregoing and attached Transcript of
20 Hearing before the New Mexico Oil Conservation Commission
21 was reported by me; and that the same is a true and
22 correct record of the said proceedings to the best of
23 my knowledge, skill and ability.

24 John De La Rosa
25 COURT REPORTER

26
27
28
29
30
31
32
33
34
35

Examiner Hearing - Wednesday - June 27, 1973

Recket No. 17-73

-7-

CASE 5010: Application of Yates Petroleum Corporation for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests down to and including the Pennsylvanian formation underlying the N/2 of Section 18, Township 18 South, Range 26 East adjacent to the West Atoka Morrow Gas Pool, Eddy County, New Mexico, to be dedicated to a well to be drilled 1850 feet from the North line and 660 feet from the West line of said Section 18, the unorthodox location of which was previously approved by Commission Order No. B-4508. Also to be considered will be the cost of drilling and completing said well, and the allocation of such costs as well as actual operating costs and charges for supervision. Also to be considered is the designation of applicant as operator of the well and up to 250 percent charge for risk involved in drilling said well.

CASE 5011: Application of El Paso Natural Gas Company for extension of Order No. B-4342, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks the extension of the provisions of Order No. B-4342, which order authorized the applicant to produce certain non-marginal wells in the San Juan 32-9 Unit Area, Blance Monoverde Pool, San Juan County, New Mexico, at full capacity while conducting tests, making up said overproduction by underproducing other non-marginal wells within the participating area.

CASE 5012: Application of Gandy Construction for an oil treating plant permit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority for the construction and operation of an oil treating plant for the purpose of treating and reclaiming sediment oil at a site in the SE/4 of Section 11, or the SW/4 of Section 12, Township 10 South, Range 35 East, Lea County, New Mexico.

CASE 5013: Application of Phillips Petroleum Company for a waterflood project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project by the injection of water into the Grayburg-San Andres formation through its Lea Wells Nos. 4 and 6 located in Units I and O, respectively, of Section 28, Township 17 South, Range 34 East, Vacuum Grayburg-San Andres Pool, Lea County, New Mexico.

Applicant further seeks an administrative procedure for the drilling of additional injection and producing wells at orthodox and unorthodox locations without further notice and hearing.

CASE 5014: Application of Cities Service Oil Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests underlying the N/2 of Section 26, Township 25 South, Range 24 East, adjacent to the Washington Ranch-Morrow Gas Pool, Eddy County, New Mexico, to be dedicated to a well to be drilled at an orthodox location for said unit.

Examiner Hearing - Wednesday - July 11, 1973

Docket No. 19-73
-3-

CASE 3027: Application of Dalport Oil Corporation for the amendment of Order No. R-4553, Chavez County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-4553 to provide that the well to be drilled on the proration unit pooled by said order shall be located in Unit C of Section 17, Township 12 South, Range 31 East, Chavez County, New Mexico, rather than Unit J of said Section 17. In the absence of objection, Order No. R-4553 will be amended as above.

CASE 3015: (Continued and Readvertised)

Application of Michael P. Grace II and Corinne Grace for compulsory pooling, Eddy County, New Mexico. Applicants, in the above-styled cause, seek an order pooling all mineral interests down to and including the Pennsylvanian formation underlying Section 16, Township 24 South, Range 26 East, adjacent to the White City-Pennsylvanian Gas Pool, Eddy County, New Mexico, to form a standard 640-acre unit for said pool, to be dedicated to a well to be drilled at an orthodox location for said unit. Also to be considered will be the cost of drilling and completing said well and the allocation of such costs, as well as actual operating costs and charges for supervision. Also to be considered is the designation of applicant as operator of the well and up to 200 percent charge for risk involved in drilling said well.

CASE 3010: (Continued from the June 27, 1973, Examiner Hearing)

Application of Yates Petroleum Corporation for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests down to and including the Pennsylvanian formation underlying the N/2 of Section 18, Township 18 South, Range 26 East adjacent to the West Acha Marrow Gas Pool, Eddy County, New Mexico, to be dedicated to a well to be drilled 1630 feet from the North line and 640 feet from the West line of said Section 18, the unorthodox location of which was previously approved by Commission Order No. R-4508. Also to be considered will be the cost of drilling and completing said well and the allocation of such costs as well as actual operating costs and charges for supervision. Also to be considered is the designation of applicant as operator of the well and up to 200 percent charge for risk involved in drilling said well.

CASE 3012: (Continued from the June 27, 1973, Examiner Hearing)

Application of Gandy Construction for an oil treating plant permit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority for the construction and operation of an oil treating plant for the purpose of treating and reclaiming sediment oil at a site in the SE/4 of Section 11, or the SW/4 of Section 12, Township 10 South, Range 35 East, Lea County, New Mexico.



STATE OF NEW MEXICO

STATE ENGINEER OFFICE

ROSWELL

S. E. REYNOLDS
STATE ENGINEER

October 12, 1989

DISTRICT II
909 E. 2ND STREET
P.O. BOX 1717
ROSWELL, NEW MEXICO 88202

M E M O R A N D U M

TO: J. C. Groschlose, Water Resource Spec. II

FROM: W. A. Priest, Jr., and Jack McCaw

SUBJECT: Gandy Oil Plant

On October 11, 1989, Jack McCaw and W. A. Priest, Jr. visited the Gandy Oil Plant north of Tatum. This plant is located in Section 12 of Township 10S and Range 35E.

We observed and took pictures of three pits which were full of oil waste. All three pits were unlined. The employee at this plant stated that all of the pits had overflowed during heavy rains.

All three pits consisted of several smaller pits which had overflowed and been diked up around to prevent from flowing on range land around this plant.

The employee at this plant was very cooperative and helpful in answering questions. He gave us all the information he had concerning the depth and size of these pits. Pit #1, the west pit, is approximately 150' x 225'. Pit #2, the center pit, is approximately 200' x 300'. The employee stated that the north side of this pit was an old caliche pit approximately 18' deep. Pit #3, the east pit, is approximately 120' x 170'.

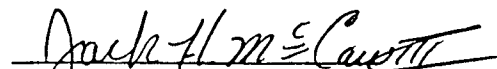
We took water samples from six windmills in the area:

- #1 Mac Gandy 10.35.12.323221
This well is NW of plant approximately 1/4 mile.
- #2 Mattie Price 10.35.12.44411
This well is approximately 1/2 mile East SE of plant.

- #3 Mattie Price 10.36.18.44314
This well is approximately 1½ miles SE of plant.
- #4 Harding Burris 10.36.17.344243
This well is approximately ¾ mile East of well #3.
- #5 Mattie Price 10.35.25.43330
This well is approximately ¾ miles South of plant.
- #6 New Windmill 10.36.30.242331
This well is approximately ¾ miles SE of plant

All pictures and results of chloride tests will be attached.


W. A. Priest, Jr.


Jack McCaw

WAP/JM/lc
cc: Glenn W. Brim
Art Mason



#1 Pit (West Pit)
Looking East

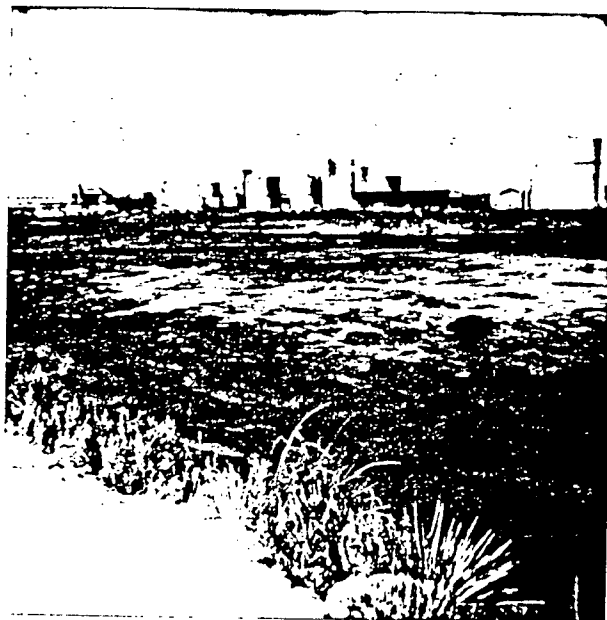
W pit (looking E.)

#1 Pit (West Pit)
Looking North

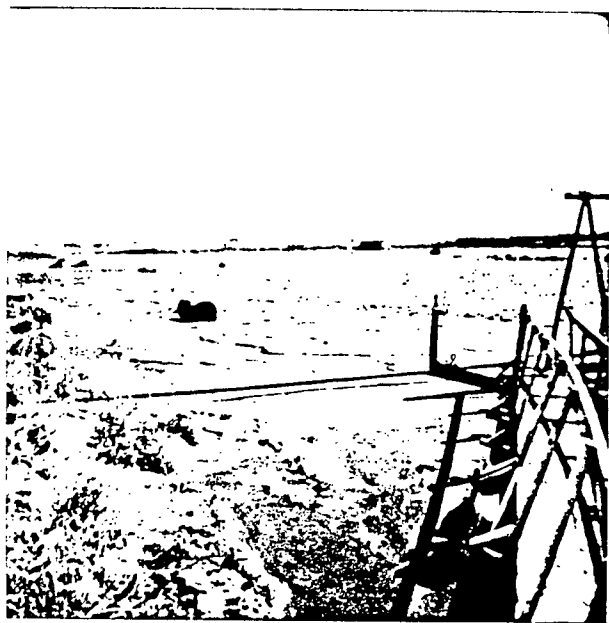


W pit (looking N)

#2 Pit (Center Pit)
Looking Northwest

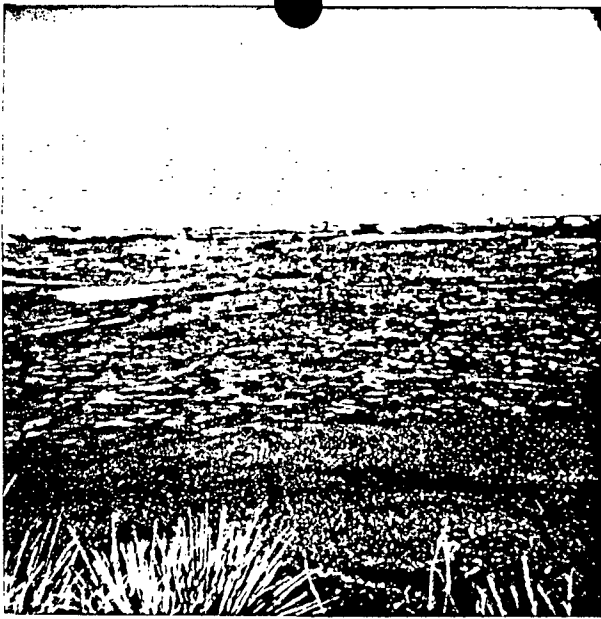


Middle pit (Looking NW.)



#2 (Center Pit)
Looking Southeast

Middle pit (Looking SE)



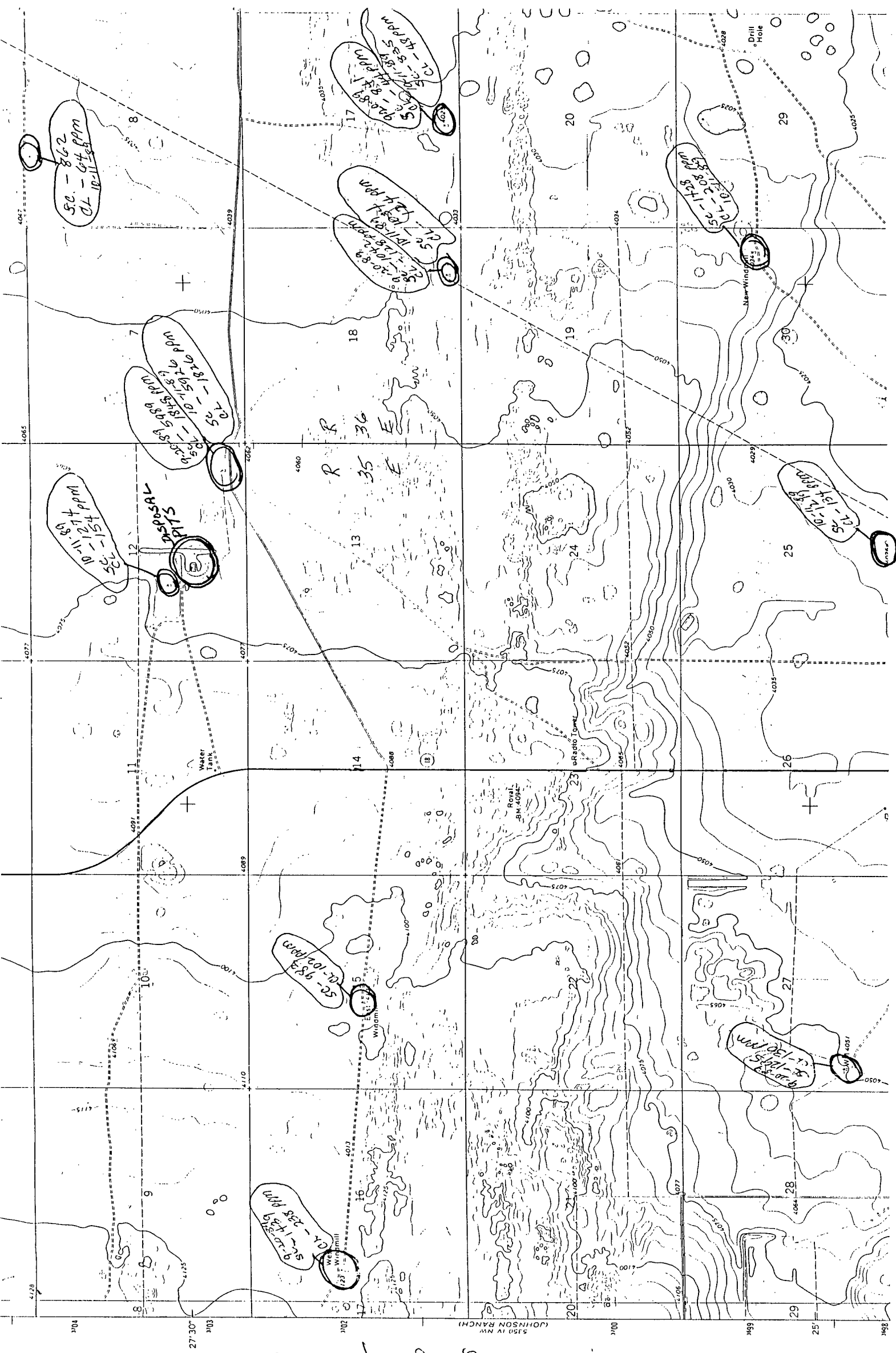
#2 Pit (Center Pit)
Looking East

middle pit (Looking E)



#3 Pit (East Pit)
Looking North

E. pit (Looking N)

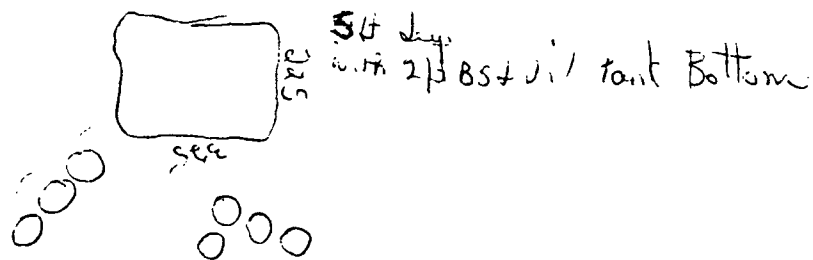


10/16/78

Gandy Treating Plant #5012
SE $\frac{1}{4}$ 11-10-35

⊗ $\frac{1}{2}$ mile
NW

S



Harding Bros
Oil & Gas Co.

1

3

- (1) Pit is caliche
- (2) 225 x 325 x 0.5
- (3) location in fair condition
no spills are apparent
- (4) SE $\frac{1}{4}$ 11-10-35

⊗ NW
 $\frac{1}{4}$ mile

Actual
Pit

11-10-35

N