

NM1 - 36

**PERMITS,
RENEWALS, &
MODS**



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

Betty Rivera
Cabinet Secretary

March 18, 2002

Lori Wrotenbery

Director

Oil Conservation Division

CERTIFIED MAIL

RETURN RECEIPT NO. 7099-3220-0000-5051-2627

Mr. Randy Kinnibrugh
OK Hot Oil Services, Inc.
P.O. Box 146
Loco Hills, New Mexico, 88255

**RE: OCD Rule 711 Permit Approval NM-01-0036
 OK Hot Oil Services, Inc.
 SW/4 SE/4 Section 14, Township 17 South, Range 28 East, NMPM,
 Eddy County, New Mexico**

Dear Mr. Kinnibrugh:

The permit application for the OK Hot Oil Services, Inc. (OK Hot Oil) commercial surface waste management facility located in SW/4 SE/4 Section 14, Township 17 South, Range 28 East, NMPM, Eddy 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 \$28,675.** Financial assurance in the amount of \$28,675 is required within 30 days of the date of this permit approval letter. The application consists of the permit application Form C-137 dated August 16, 2000, supplemental materials received December 03, 2001 and public notice dated January 16, 2002.

The operation, monitoring and reporting shall be as proposed in the C-137 application and supplemental material and as specified in the enclosed attachment. All modifications and alternatives to the approved treating plant must receive prior OCD approval. OK Hot Oil 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 that approval of this permit does not relieve the OK Hot Oil of responsibility should operations result in pollution of surface water, ground water or the environment. Nor does it relieve the OK Hot Oil of its responsibility to comply with any other governmental authority's rules and regulations.

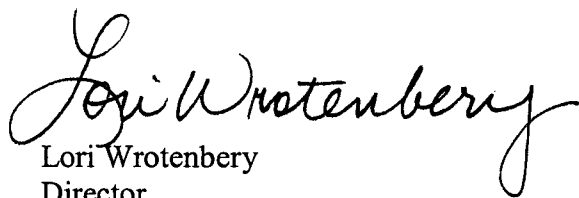
Please be advised that all tanks exceeding 16 feet in diameter and exposed pits, ponds or lagoons must be screened, netted or otherwise rendered non-hazardous to migratory birds. In addition, OCD Rule 310 prohibits oil from being stored or retained in earthen reservoirs or open receptacles.

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 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-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. Kieling at (505) 476-3488.

Sincerely,



Lori Wrotenbery
Director

LW/mjk

xc with attachments:
Artesia OCD Office

ATTACHMENT TO OCD 711 PERMIT APPROVAL
PERMIT NM-01-0026
OK HOT OIL SERVICES, INC.
SW/4 SE/4 Section 14, Township 17 South, Range 28 East, NMPM,
Eddy County, New Mexico
(March 18, 2002)

TREATING PLANT CONSTRUCTION

1. Construction must commence on the facility within one (1) year of the permit approval date. If construction does not commence within one (1) year of the permit approval date, this permit will be of no effect.
2. 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 by latitude and longitude; and d) emergency phone number.
3. The facility must be constructed such that there will be no storm water runoff beyond the boundaries of the facility.
4. All above-ground tanks located at the facility and containing materials other than fresh water must be placed on an impermeable pad with an impermeable berm so that the area will contain one and one-third the volume of the largest tank or all interconnected tanks, whichever is greater.
5. The tank containment pad and berm must be constructed to protect the impermeable plastic liner from sharp objects both above and below the liner. A layer of sand or other such "soft" material must be placed both above and below the liner.
6. 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 place and lined up on a horizontal plane. Chemicals in other containers such as sacks or buckets must also be stored on an impermeable pad with curbing.
7. All 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.
8. All tanks, drums, and other containers must be clearly labeled to identify their contents and other emergency information necessary if the tank were to rupture, spill, or ignite.

TREATING PLANT OPERATION

1. The treating plant may only receive material when an attendant is on duty. The facility must be secured when no attendant is present.
2. The facility must be maintained such that there will be no storm water runoff beyond the boundaries of the facility.
3. The berm enclosing the tanks may not contain any free liquid. Any ponding of precipitation or other fluids must be removed within 24 hours of discovery.
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 Artesia District office.
5. Facility inspection and maintenance must be conducted on at least a daily basis and immediately following each consequential rainstorm or windstorm. The OCD Santa Fe and Artesia 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), the affected tank(s) must be emptied and additional material may not be placed into the affected tank(s) until repairs have been completed.
6. All process and maintenance areas that 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.
7. Liquid waste generated at the treating plant will be disposed of at the Mack Energy Corporation saltwater disposal plant. Solid waste generated at the treating plant must be disposed of at an OCD-approved disposal facility.
8. 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.

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

H₂S PREVENTION & CONTINGENCY PLAN

1. OK Hot Oil Services, Inc. has developed a prevention and contingency plan for ambient H₂S levels to protect public health. This plan includes a requirement that personnel wear personal audible and visual alarms as well as installation of a permanent facility H₂S alarm that is both visual and audible. The H₂S prevention and contingency plan submitted with the application Form C-137 dated August 16, 2000 is approved with the following conditions:
 - a. If H₂S of 1.0 ppm or greater leaves the property:
 - i. the operator must notify the Artesia 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 Artesia office of the OCD and the following public safety agencies:

New Mexico State Police;
Eddy County Sheriff; and
Eddy County Fire Marshall;
 - ii. the operator must notify all persons residing within one-half (1/2) 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.

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 wastes 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 on a case-by-case basis after conducting a hazardous waste characterization including corrosivity, reactivity, ignitability, and toxic constituents. The samples for these analyses must be

obtained from the wastes prior to removal from the point of origin and without dilution in accordance with EPA SW-846 sampling procedures. The test for hazardous characteristics for a particular waste may be effective for an extended period of time from the date of analysis if approved by the OCD. In addition the generator must certify that this waste does not contain Naturally Occurring Radioactive Material (NORM) regulated pursuant to 20 NMAC 3.1 Subpart 1403.

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 may be accepted at the treating plant unless it is accompanied by an approved Form C-117-A.

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 according to form directions.
2. The Tank Cleaning, Sediment Oil Removal, Transportation of Miscellaneous Hydrocarbons and Disposal Permit (Form C-117) must be submitted to the OCD according to form directions.
3. Records of treating plant and pipeline testing and maintenance must be kept and maintained for OCD review.
4. OK Hot Oil Services, Inc. must notify the **OCD Santa Fe and Artesia 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 received and treated 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 if applicable; and 7) transporter.
6. 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 **\$28,675** in the form of a surety or cash bond or a letter of credit, which is approved by the Division, is required from OK Hot Oil Services, Inc. for the commercial surface waste management facility.

By April 18, 2002 OK Hot Oil Services, Inc. must submit 100% of the financial assurance in the amount of **\$ 28,675**.

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 Artesia 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 guidelines for the site must be removed or remediated unless it can be demonstrated that levels exceeding the guidelines are protective of public health and the environment
 - d. The area must be contoured, seeded with native grasses and allowed to return to its natural state. At the request of the landowner and approval of the OCD, existing, structures, berms, or fences may be left in place for future alternative uses.
 - 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

OK Hot Oil Services, Inc., by the officer whose signature appears below, accepts this permit and agrees to comply with all terms and conditions contained herein. OK Hot Oil Services, Inc. further acknowledges that the 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:

OK HOT OIL SERVICES, INC.

Signature _____ Title _____ Date _____

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Accepted:

OK HOT OIL SERVICES, INC.

Signature Randy Kinniburgh Title Secretary Date 3-22-02