

BW - 4

**PERMITS,
RENEWALS,
& MODS**

ACKNOWLEDGEMENT OF RECEIPT
OF CHECK/CASH

I hereby acknowledge receipt of check No. dated 3/10/08

or cash received on in the amount of \$ 1700⁰⁰

from Gandy Corporation

for BW-004

Submitted by: Lawrence Ponce Date: 3/18/08

Submitted to ASD by: Lawrence Ponce Date: 3/18/08

Received in ASD by: Date:

Filing Fee New Facility Renewal

Modification Other

Organization Code 521.07 Applicable FY 2004

To be deposited in the Water Quality Management Fund.

Full Payment or Annual Increment



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

Mark E. Fesmire, P.E.
Director
Oil Conservation Division

January 24, 2008

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

Re: **Discharge Permit Wasserhund Eidson State Well No. 1 Brine Well (BW-004) Renewal**

Dear Mr. Gandy:

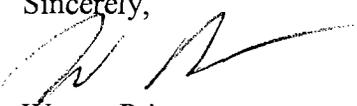
Pursuant to all applicable parts of the Water Quality Control Commission (WQCC) Regulations 20.6.2 NMAC and more specifically 20.6.2.3104 - 20.6.2.3999 discharge permit, and 20.6.2.5000-.5299 Underground Injection Control, the Oil Conservation Division (OCD) hereby approves the discharge permit and authorizes the operation and injection for the Wasserhund Eidson (**Owner/Operator**) brine well BW 004 (API# 30-025-26883) located in the SW/4, SW/4 of Section 31, Township 16 South, and Range 35 East, NMPM, Lea County, New Mexico, under the conditions specified in the enclosed **Attachment To The Discharge Permit**.

Enclosed are two copies of the conditions of approval. **Please sign and return one copy to the New Mexico Oil Conservation Division (OCD) Santa Fe Office within 30 working days of receipt of this Letter including permit fees.**

Please be advised that approval of this permit does not relieve the owner/operator of responsibility should operations result in pollution of surface water, ground water or the environment. Nor does approval of the permit relieve the owner/operator of its responsibility to comply with any other applicable governmental authority's rules and regulations.

If you have any questions, please contact Carl Chavez of my staff at (505-476-3491) or E-mail carlj.chavez@state.nm.us. On behalf of the staff of the OCD, I wish to thank you and your staff for your cooperation during this discharge permit review.

Sincerely,


Wayne Price
Environmental Bureau Chief

LWP/cc
Attachments-1
xc: OCD District Office

RECEIVED
2008 MAR 12 PM 12:44



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

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Sincerely,

Wayne Price
Environmental Bureau Chief

LWP/cc
Attachments-1
xc: OCD District Office

RECEIVED
2008 MAR 12 PM 12:44

**ATTACHMENT TO THE DISCHARGE PERMIT
Wasserhund Eidson Brine Well (BW-004)
DISCHARGE PERMIT APPROVAL CONDITIONS**

January 24, 2008

Please remit a check for \$1700.00 made payable to Water Quality Management Fund:

**Water Quality Management Fund
C/o: Oil Conservation Division
1220 S. Saint Francis Drive
Santa Fe, New Mexico 87505**

- 1. Payment of Discharge Plan Fees:** All discharge permits are subject to WQCC Regulations. Every billable facility that submits a discharge permit application will be assessed a filing fee of \$100.00, plus a renewal flat fee (*see* WQCC Regulation 20.6.2.3114 NMAC). The Oil Conservation Division (“OCD”) has received the required \$100.00 filing fee. However, the owner/operator still owes the required \$1700.00 permit fee for a Class III Brine Well.
- 2. Permit Expiration and Renewal:** Pursuant to WQCC Regulation 20.6.2.3109.H.4 NMAC, this permit is valid for a period of five years. **The permit will expire on June 11, 2011** and an application for renewal should be submitted no later than 120 days before that expiration date. Pursuant to WQCC Regulation 20.6.2.3106.F NMAC, if a discharger submits a discharge permit renewal application at least 120 days before the discharge permit expires and is in compliance with the approved permit, then the existing discharge permit will not expire until the application for renewal has been approved or disapproved. *Expired permits are a violation of the Water Quality Act {Chapter 74, Article 6, NMSA1978} and civil penalties may be assessed accordingly.*
- 3. Permit Terms and Conditions:** Pursuant to WQCC Regulation 20.6.2.3104 NMAC, when a permit has been issued, the owner/operator must ensure that all discharges shall be consistent with the terms and conditions of the permit. In addition, all facilities shall abide by the applicable rules and regulations administered by the OCD pursuant to the Oil and Gas Act, NMSA 1978, Sections 70-2-1 through 70-2-38.
- 4. Owner/Operator Commitments:** The owner/operator shall abide by all commitments submitted in its August 2, 2006 discharge permit application, including attachments and subsequent amendments and these conditions for approval. Permit applications that reference previously approved plans on file with the division shall be incorporated in this permit and the owner/operator shall abide by all previous commitments of such plans and these conditions for approval.
- 5. Modifications:** WQCC Regulation 20.6.2.3107.C, 20.6.2.3109 and 20.6.2.5101.I NMAC addresses possible future modifications of a permit. The owner/operator (discharger) shall notify

the OCD of any facility expansion, production increase or process modification that would result in any significant modification in the discharge of water contaminants. The Division Director may require a permit modification if any water quality standard specified at 20.6.2.3103 NMAC is being or will be exceeded, or if a toxic pollutant as defined in WQCC Regulation 20.6.2.7 NMAC is present in ground water at any place of withdrawal for present or reasonably foreseeable future use, or that the Water Quality Standards for Interstate and Intrastate streams as specified in 20.6.4 NMAC are being or may be violated in surface water in New Mexico.

6. Waste Disposal and Storage: The owner/operator shall dispose of all wastes at an OCD-approved facility. Only oil field RCRA-exempt wastes may be disposed of by injection in a Class II well. RCRA non-hazardous, non-exempt oil field wastes may be disposed of at an OCD-approved facility upon proper waste determination pursuant to 40 CFR Part 261. Any waste stream that is not listed in the discharge permit application must be approved by the OCD on a case-by-case basis.

A. OCD Rule 712 Waste: Pursuant to OCD Rule 712 (19.15.9.712 NMAC) disposal of certain non-domestic waste without notification to the OCD is allowed at NMED permitted solid waste facilities if the waste stream has been identified in the discharge permit and existing process knowledge of the waste stream does not change.

B. Waste Storage: The owner/operator shall store all waste in an impermeable bermed area, except waste generated during emergency response operations for up to 72 hours. All waste storage areas shall be identified in the discharge permit application. Any waste storage area not identified in the permit shall be approved on a case-by-case basis only. The owner/operator shall not store oil field waste on-site for more than 180 days unless approved by the OCD.

7. Drum Storage: The owner/operator must store all drums, including empty drums, containing materials other than fresh water on an impermeable pad with curbing. The owner/operator must store empty drums on their sides with the bungs in place and lined up on a horizontal plane. The owner/operator must store chemicals in other containers, such as tote tanks, sacks, or buckets on an impermeable pad with curbing.

8. Process, Maintenance and Yard Areas: The owner/operator shall either pave and curb or have some type of spill collection device incorporated into the design at all process, maintenance, and yard areas which show evidence that water contaminants from releases, leaks and spills have reached the ground surface.

9. Above Ground Tanks: The owner/operator shall ensure that all aboveground tanks have impermeable secondary containment (e.g., liners and berms), which will contain a volume of at least one-third greater than the total volume of the largest tank or all interconnected tanks. The owner/operator shall retrofit all existing tanks before discharge permit renewal. Tanks that contain fresh water or fluids that are gases at atmospheric temperature and pressure are exempt from this condition.

10. Labeling: The owner/operator shall clearly label all tanks, drums, and containers to identify their contents and other emergency notification information. The owner/operator may use a tank code numbering system, which is incorporated into their emergency response plans.

11. Below-Grade Tanks/Sumps and Pits/Ponds.

A. All below-grade tanks and sumps must be approved by the OCD prior to installation and must incorporate secondary containment with leak detection into the design. The owner/operator shall retrofit all existing systems without secondary containment and leak detection before discharge permit renewal. All existing below-grade tanks and sumps without secondary containment and leak detection must be tested annually or as specified herein. Systems that have secondary containment with leak detection shall have a monthly inspection of the leak detection system to determine if the primary containment is leaking. Small sumps or depressions in secondary containment systems used to facilitate fluid removal are exempt from these requirements if fluids are removed within 72 hours.

B. All pits and ponds, including modifications and retrofits, shall be designed by a certified registered professional engineer and approved by the OCD prior to installation. In general, all pits or ponds shall have approved hydrologic and geologic reports, location, foundation, liners, and secondary containment with leak detection, monitoring and closure plans. All pits or ponds shall be designed, constructed and operated so as to contain liquids and solids in a manner that will protect fresh water, public health, safety and the environment for the foreseeable future. The owner/operator shall retrofit all existing systems without secondary containment and leak detection before discharge permit renewal.

C. The owner/operator shall ensure that all exposed pits, including lined pits and open top tanks (8 feet in diameter or larger) shall be fenced, screened, netted, or otherwise rendered non-hazardous to wildlife, including migratory birds.

D. The owner/operator shall maintain the results of tests and inspections at the facility covered by this discharge permit and available for OCD inspection. The owner/operator shall report the discovery of any system which is found to be leaking or has lost integrity to the OCD within 15 days. The owner/operator may propose various methods for testing such as pressure testing to 3 pounds per square inch greater than normal operating pressure and/or visual inspection of cleaned tanks and/or sumps, or other OCD-approved methods. The owner/operator shall notify the OCD at least 72 hours prior to all testing.

12. Underground Process/Wastewater Lines:

A. The owner/operator shall test all underground process/wastewater pipelines at least once every five (5) years to demonstrate their mechanical integrity, except lines containing fresh water or fluids that are gases at atmospheric temperature and pressure. Pressure rated pipe shall be tested by pressuring up to one and one-half times the normal operating pressure, if possible, or for

atmospheric drain systems, to 3 pounds per square inch greater than normal operating pressure, and pressure held for a minimum of 30 minutes with no more than a 1% loss/gain in pressure. The owner/operator may use other methods for testing if approved by the OCD.

B. The owner/operator shall maintain underground process and wastewater pipeline schematic diagrams or plans showing all drains, vents, risers, valves, underground piping, pipe type, rating, size, and approximate location. All new underground piping must be approved by the OCD prior to installation. The owner/operator shall report any leaks or loss of integrity to the OCD within 15 days of discovery. The owner/operator shall maintain the results of all tests at the facility covered by this discharge permit and they shall be available for OCD inspection. The owner/operator shall notify the OCD at least 72 hours prior to all testing.

13. Class V Wells: The owner/operator shall close all Class V wells (e.g., septic systems, leach fields, dry wells, etc.) that inject non-hazardous industrial wastes or a mixture of industrial wastes and domestic wastes unless it can be demonstrated that ground water will not be impacted in the reasonably foreseeable future. Leach fields and other wastewater disposal systems at OCD-regulated facilities that inject non-hazardous fluid into or above an underground source of drinking water are considered Class V injection wells under the EPA UIC program. Class V wells that inject domestic waste only, must be permitted by the New Mexico Environment Department (NMED).

14. Housekeeping: The owner/operator shall inspect all systems designed for spill collection/prevention and leak detection at least monthly to ensure proper operation and to prevent over topping or system failure. All spill collection and/or secondary containment devices shall be emptied of fluids within 72 hours of discovery. The owner/operator shall maintain all records at the facility and available for OCD inspection.

15. Spill Reporting: The owner/operator shall report all unauthorized discharges, spills, leaks and releases and conduct corrective action pursuant to WQCC Regulation 20.5.12.1203 NMAC and OCD Rule 116 (19.15.3.116 NMAC). The owner/operator shall notify both the OCD District Office and the Santa Fe Office within 24 hours and file a written report within 15 days.

16. OCD Inspections: The OCD may place additional requirements on the facility and modify the permit conditions based on OCD inspections.

17. Storm Water: The owner/operator shall implement and maintain run-on and runoff plans and controls. The owner/operator shall not discharge any water contaminant that exceeds the WQCC standards specified in 20.6.2.3101 NMAC or 20.6.4 NMAC (Water Quality Standards for Interstate and Intrastate Streams) including any oil sheen in any storm water run-off. The owner/operator shall notify the OCD within 24 hours of discovery of any releases and shall take immediate corrective action(s) to stop the discharge.

18. Unauthorized Discharges: The owner/operator shall not allow or cause water pollution, discharge or release of any water contaminant that exceeds the WQCC standards listed in

20.6.2.3101 NMAC or 20.6.4 NMAC (Water Quality Standards for Interstate and Intrastate Streams) unless specifically listed in the permit application and approved herein. **An unauthorized discharge is a violation of this permit.**

19. Vadose Zone and Water Pollution: The owner/operator shall address any contamination through the discharge permit process or pursuant to WQCC 20.6.2.4000-.4116 NMAC (Prevention and Abatement of Water Pollution). The OCD may require the owner/operator to modify its permit for investigation, remediation, abatement, and monitoring requirements for any vadose zone or water pollution. Failure to perform any required investigation, remediation, abatement and submit subsequent reports will be a violation of the permit.

20. Additional Site Specific Conditions: N/A

21. Brine Well(s) Identification, Operation, Monitoring, Bonding and Reporting.

A. Well Identification: API # 30-025-26883

B. Well Work Over Operations: OCD approval will be obtained prior to performing remedial work, pressure test or any other work. Approval will be requested on OCD Form C-103 "Sundry Notices and Reports on Wells" (OCD Rule 1103.A.) with appropriate copies sent to the OCD Environmental Bureau and District Office.

C. Production Method: Fresh water will be injected down the casing and brine shall be recovered up the tubing. Reverse flow will be allowed only once a month for up to 24 hours for clean out. Operators may request long term reverse operation if they can demonstrate that additional casing and monitoring systems are installed and approved by OCD. Operating in the reverse mode for more than 24 hours unless approved otherwise is a violation of this permit.

D. Well Pressure Limits: **The maximum operating surface injection and/or test pressure measured at the wellhead shall not exceed 375 psig unless otherwise approved by the OCD.** The operator shall have a working pressure limiting device or controls to prevent overpressure. Any pressure that causes new fractures or propagate existing fractures or causes damage to the system shall be reported to OCD within 24 hours of discovery.

E. Mechanical Integrity Testing: Conduct an annual open to formation pressure test by pressuring up the formation with approved fluids or gas to a minimum of 300 psig measured on the surface casing for four hours. However, no operator may exceed test pressures that may cause formation fracturing (see item 21.D above) or system failures. Systems requiring test pressures less than 300 psig must be approved by OCD prior to testing. At least once every five years and during well work-overs the salt cavern formation will be isolated from the casing/tubing annuals and the casing

pressure tested at 300 psig for 30 minutes. All pressure tests must be performed per the scheduled shown below and witnessed by OCD unless otherwise approved.

Testing Schedule:

2007- 30 minute @ 300 psig casing test only (set packer to isolate formation)
2008- 4 hour @ 300 psig casing open to formation test
2009- 4 hour @ 300 psig casing open to formation test
2010- 4 hour @ 300 psig casing open to formation test
2011- 4 hour @ 300 psig casing open to formation test

- F. Capacity/ Cavity Configuration and Subsidence Survey: The operator shall provide information on the size and extent of the solution cavern and geologic/engineering data demonstrating that continued brine extraction will not cause surface subsidence, collapse or damage to property, or become a threat to public health and the environment. This information shall be supplied in each annual report. OCD may require the operator to perform additional well surveys, test, and install subsidence monitoring in order to demonstrate the integrity of the system. If the operator cannot demonstrate the integrity of the system to the satisfaction of the Division then the operator may be required to shut-down, close the site and properly plug and abandoned the well.

Any subsidence must be reported within 24 hours of discovery:

- G. Production/Injection Volumes: The volumes of fluids injected (fresh water) and produced (brine) will be recorded monthly and submitted to the OCD Santa Fe Office in the annual report.
- H. Analysis of Injection Fluid and Brine: Provide an analysis of the injection fluid and brine with each annual report. Analysis will be for General Chemistry (method 40 CFR 136.3) using EPA methods.
- I. Area of Review (AOR): The operator shall report within 24 hours of discovery of any new wells, conduits, or any other device that penetrates or may penetrate the injection zone within ¼ mile from the brine well.
- J. Loss of Mechanical Integrity: The operator shall report within 24 hours of discovery of any failure of the casing, tubing or packer, or movement of fluids outside of the injection zone. The operator shall cease operations until proper repairs are made and the operator receives OCD approval to re-start injection operations.
- K. Bonding or Financial Assurance: The operator shall maintain at a minimum, a one well plugging bond in the amount of \$50,000.00 to restore the site, plug and abandon

the well by January 1, 2008, pursuant to OCD rules and regulations. If warranted, OCD may require additional financial assurance.

L. Annual Report: All operators shall submit an annual report due on January 31 of each year. The report shall include the following information:

1. Cover sheet marked as "Annual Brine Well Report, name of operator, BW permit #, API# of well(s), date of report, and person submitting report.
2. Brief summary of brine wells operations including description and reason for any remedial or major work on the well. Copy of C-103.
3. Production volumes as required above in 21.G. including a running total should be carried over to each year. The maximum and average injection pressure.
4. A copy of the chemical analysis as required above in 21.H.
5. A copy of any mechanical integrity test chart, including the type of test, i.e. open to formation or casing test.
6. Brief explanation describing deviations from normal production methods.
7. A copy of any leaks and spills reports.
8. If applicable, results of any groundwater monitoring.
9. Information required from cavity/subsidence 21.F. above.
10. An Area of Review (AOR) summary.
11. Sign-off requirements pursuant to WQCC Subsection G 20.6.2.5101.

22. Transfer of Discharge Permit: Pursuant to WQCC 20.6.2.5101.H the owner/operator and new owner/operator shall provide written notice of any transfer of the permit. Both parties shall sign the notice 30 days prior to any transfer of ownership, control or possession of a facility with an approved discharge permit. In addition, the purchaser shall include a written commitment to comply with the terms and conditions of the previously approved discharge permit. OCD will not transfer brine well operations until proper bonding or financial assurance is in place and approved by the division. OCD reserves the right to require a modification of the permit during transfer.

23. Closure: The owner/operator shall notify the OCD when operations of the facility are to be discontinued for a period in excess of six months. Prior to closure of the facility, the operator shall submit for OCD approval, a closure plan including a completed C-103 form for plugging and abandonment of the well(s). Closure and waste disposal shall be in accordance with the statutes, rules and regulations in effect at the time of closure.

24. Certification: Gandy Corporation (Owner/Operator), by the officer whose signature appears below, accepts this permit and agrees to comply with all submitted commitments, including these terms and conditions contained here. **Owner/Operator** further acknowledges that the OCD may, for good cause shown, as necessary to protect fresh water, public health, safety, and the environment, change the conditions and requirements of this permit administratively.

Mr. Larry Gandy
Eidson State Well No. 1 (BW-004)
January 24, 2008
Page 9 of 9

Conditions accepted by: "I certify under penalty of law that I have personally examined and am familiar with the information submitted in this document and all attachments and that, based on my inquiry of those individuals immediately responsible for obtaining the information, I believe that the information is true, accurate, and complete. I am aware that there are significant penalties for submitting false information including the possibility of fine and imprisonment."

Gandy Corporation
Company Name-print name above

Larry Gandy
Company Representative- print name

Larry Gandy
Company Representative- signature

Title Sec/Treas

Date: 2-18-08

GANDY CORPORATION

ACCOUNT NO.	VENDOR 9167	WATER QUALITY MANAGEMENT	CHECK NO. [REDACTED]	CHECK DATE 3/10/08		
VOUCHER INVOICE NUMBER	INV. DATE	REFERENCE	INVOICE AMOUNT	AMOUNT PAID	DISCOUNT TAKEN	NET AMOUNT
34019 BW-004	3/10/08		1,700.00	1,700.00	.00	1,700.00

CHECK-TOTAL 1,700.00



GANDY CORPORATION
P.O. BOX 2140, PH. (575) 396-0522
LOVINGTON, NM 88260-2140

WELLS FARGO BANK NEW MEXICO, N.A.
LOVINGTON, NM 88260

95-219/1070

03/10/08



DATE

AMOUNT

ONE THOUSAND SEVEN HUNDRED AND 00/100 DOLLARS*****

\$*****1,700.00

PAY
TO THE
ORDER
OF

WATER QUALITY MANAGEMENT
C/O OIL CONSERVATION DIVISION
1220 S. SAINT FRANCIS DRIVE
SANTA FE NM 87505

VOID AFTER 90 DAYS

AUTHORIZED SIGNATURE

Security features. Details on back.



Advertising Receipt

Hobbs Daily News-Sun

201 N Thorp
P O Box 850
Hobbs, NM 88241-0850
Phone: (505) 393-2123
Fax: (505) 397-0610

CARL CHAVEZ
NEW MEXICO ENERGY, MINERALS AND
NATURAL RESOURCES DEPARTMENT
1220 SOUTH ST. FRANCIS DR.
SANTA FE, NM 87505

Cust#: 01106077-000
Ad#: 02595409
Phone: (505)476-3200
Date: 08/09/07

Ad taker: C2 Salesperson: 08 Classification: 673

Description	Start	Stop	Ins.	Cost/Day	Surcharges	Total
07 07 Daily News-Sun	08/10/07	08/10/07	1	178.08		178.08
Bold						1.00
Affidavit for legals						3.00

Payment Reference:

LEGAL NOTICE
August 10, 2007

NOTICE OF PUBLICATION

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

Notice is hereby given that pursuant to New Mexico Water Quality Control Commission Regulations (20.6.2.3106 NMAC), the following discharge permit application(s) has been submitted to the Director of the New Mexico Oil Conservation Division ("NMOCD"), 1220 S. Saint Francis Drive, Santa Fe, New Mexico 87505, Telephone (505) 476-3440:

(BW-002) Basic Energy Services LLC, Mr. Steve Prather, P.O. Box 7169, Eunice, New Mexico 88231, has submitted an application for the renewal of a discharge plan for the brine well "Eunice

Total: 182.08
Tax: 0.00
Net: 182.08
Prepaid: 0.00

Total Due 182.08

*etc. to pay
back etc.
8/29/07*

AFFIDAVIT OF PUBLICATION

State of New Mexico,
County of Lea.

I, KATHI BEARDEN

Publisher

of the Hobbs News-Sun, a newspaper published at Hobbs, New Mexico, do solemnly swear that the clipping attached hereto was published once a week in the regular and entire issue of said paper, and not a supplement thereof for a period

of _____
_____ weeks.

Beginning with the issue dated
August 10 2007

and ending with the issue dated
August 10 2007

Kathi Bearden

Publisher

Sworn and subscribed to before

me this 10th day of

August 2007
Dora Montz

Notary Public.

My Commission expires
February 07, 2009

(Seal)



OFFICIAL SEAL
DORA MONTZ
NOTARY PUBLIC
STATE OF NEW MEXICO

My Commission Expires: _____

This newspaper is duly qualified to publish legal notices or advertisements within the meaning of Section 3, Chapter 167, Laws of 1937, and payment of fees for said publication has been made.

LEGAL NOTICE
August 10, 2007

NOTICE OF PUBLICATION

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

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(BW-002) Basic Energy Services LLC, Mr. Steve Prather, P.O. Box 7169, Eunice, New Mexico 88231, has submitted an application for the renewal of a discharge plan for the brine well "Eunice No. 1" (API# 30-025-26884) located in the SW4, SE4 of Section 34, Township 21, South, Range 37 East, NMPM, Lea County, New Mexico. The brine extraction well is located approximately 1 mile east on Texas Street and 1 mile south on Fourth Street from the town of Eunice, New Mexico. An average of 600 barrels per day of brine water with a total dissolved solids (TDS) concentration of approximately 320,000 mg/L is produced for use in the oil industry. Groundwater most likely to be affected by a spill, leak, or accidental discharge to the surface is at a depth of approximately 55 feet with a TDS of approximately 430 mg/L. The discharge plan addresses well construction, operation, monitoring of the well, associated surface facilities, and provides a contingency plan in the event of accidental spills, leaks and other accidental discharges in order to protect fresh water.

Fresh water will be injected through the outer casing into the Salado Formation at an injection depth of 1489 ft. below ground surface at a maximum allowable injection pressure of 1115 psig. Brine water will be extracted upward through the tubing at about 600 barrels per day.

(BW-004) Gandy Corporation, Mr. Larry Gandy, P.O. Box 827, Tatum, New Mexico 88267, has submitted an application for the renewal of a discharge plan for the brine well "Edison State No. 1" (API# 30-025-26883) located in the SW4, SW4 of Section 31, Township 16 South, Range 35 East, NMPM, Lea County, New Mexico. The brine extraction well is located approximately 2 miles east of Tower Road (CR 172) on Priscilla Road (CR 157) near the intersection of CRs 157 and 159. An average of 475 barrels per day of brine water with a total dissolved solids (TDS) concentration of approximately 333,600 mg/L is produced for use in the oil industry. Groundwater most likely to be affected by a spill, leak, or accidental discharge to the surface is at a depth of approximately 75 feet with a TDS of approximately 445 mg/L. The discharge plan addresses well construction, operation, monitoring of the well, associated surface facilities, and provides a contingency plan in the event of accidental spills, leaks and other accidental discharges in order to protect fresh water.

Fresh water will be injected through the outer casing into the Salado Formation at a maximum injection depth of 1895 ft. below ground surface at a maximum allowable injection pressure of 1420 psig. Brine water will be extracted upward through the tubing at a depth of 2461 ft. below ground surface.

(GW-119) ConocoPhillips Company, Mr. Kenneth N. Andersen, Environmental Specialist, 3300 North "A" Street, 6-129, Midland, Texas 79705-5490, has submitted a renewal application for a discharge plan for the East Vacuum Liquid Recovery Gas Plant located in the NE4 Section 33 Township 17, South, Range 35, East, NMPM, Lea County, New Mexico (approximately 3.5 miles east of the intersection of CR-238 and CR-50 off of CR-50). The facility separates hydrocarbon liquids from a natural gas liquid stream into propane, C5+ liquids are removed from the gas stream and sold and the CO2 enriched gas is compressed and re-injected into a CO2 flood. Approximately 304,166 gallons per month of waste water is discharged onsite into the Free Water Knock Outs located at the East Vacuum Grayburg San Andres Unit Central Tank Battery, where it is used as feedstock in the production stream. Other wastes generated will be temporarily stored in tanks or containers and shipped offsite for disposal or recycling at an OCD approved site. Groundwater most likely to be affected by a spill, leak or accidental discharge is at a depth of approximately 90 feet below the ground surface, with a total dissolved solids concentration of approximately 300-500 mg/L. The discharge plan addresses how oilfield products and waste will be properly handled, stored, and disposed of, including how spills, leaks, and other accidental discharges to the surface will be managed in order to protect fresh water.

The NMOCD has determined that the applications listed above are administratively complete and has prepared draft permits. The NMOCD will accept comments and statements of interest regarding this application and will create a facility-specific mailing list for persons who wish to receive future notices. Persons interested in obtaining further information, submitting comments or requesting to be on a facility-specific mailing list for future notices may contact the Environmental Bureau Chief of the Oil Conservation Division at the address given above. The administrative completeness determination and draft permit may be viewed at the above address between 8:00 a.m. and 4:00 p.m., Monday through Friday, or may also be viewed at the NMOCD web site: <http://www.emrd.state.nm.us/ocd/>. Persons interested in obtaining a copy of the application and draft permit may contact the NMOCD at the address given above. Prior to ruling on any proposed discharge permit or major modification, the Director shall allow a period of at least thirty (30) days after the date of publication of this notice, during which interested persons may submit comments or request that NMOCD hold a public hearing. Requests for a public hearing shall set forth the reasons why a hearing should be held. A hearing will be held if the Director determines that there is significant public interest.

If no public hearing is held, the Director will approve or disapprove the proposed permit based on information available, including all comments received. If a public hearing is held, the director will approve or disapprove the proposed permit based on information in the permit application and information submitted at the hearing.

THE SANTA FE
NEW MEXICAN
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2007 AUG 20 PM 2 17

NM Energy Mineral Natural
ATTN: Carl Chavez
1220 S St Francis Dr
Santa Fe, NM 87505

ALTERNATE ACCOUNT: 56673
AD NUMBER: 00226445 ACCOUNT: 00002202
LEGAL NO: 81442 P.O. #: 52100-00000075
650 LINES 1 TIME(S) 364.00
AFFIDAVIT: 6.00
TAX: 29.14
TOTAL: 399.14

Handwritten notes:
OK to print
and file
8/29/07

AFFIDAVIT OF PUBLICATION

STATE OF NEW MEXICO
COUNTY OF SANTA FE

I, T. Valencia, being first duly sworn declare and say that I am Legal Advertising Representative of THE SANTA FE NEW MEXICAN, a daily newspaper published in the English language, and having a general circulation in the Counties of Santa Fe and Los Alamos, State of New Mexico and being a newspaper duly qualified to publish legal notices and advertisements under the provisions of Chapter 167 on Session Laws of 1937; that the publication # 81442 a copy of which is hereto attached was published in said newspaper 1 day(s) between 08/14/2007 and 08/14/2007 and that the notice was published in the newspaper proper and not in any supplement; the first date of publication being on the 14th day of August, 2007 and that the undersigned has personal knowledge of the matter and things set forth in this affidavit.

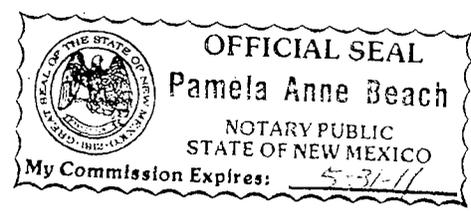
[Signature]

/S/ LEGAL ADVERTISEMENT REPRESENTATIVE

Subscribed and sworn to before me on this 14th day of August, 2007

Notary *Pamela Anne Beach*

Commission Expires: *May 31, 2011*



NOTICE OF PUBLICATION

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

Notice is hereby given that pursuant to New Mexico Water Quality Control Commission Regulations (20.6.2.3106 NMAC), the following discharge permit application(s) has been submitted to the Director of the New Mexico Oil Conservation Division ("NMOCD"), 1220 S. Saint Francis Drive, Santa Fe, New Mexico 87505. Telephone (505) 476-3440:

(BW-002) Basic Energy Services LLC, Mr. Steve Prather, P.O. Box 7169, Eunice, New Mexico 88231, has submitted an application for the renewal of a discharge plan for the brine well "Eunice No. 1," (API# 30-025-26884) located in the SW/4, SE/4 of Section 34, Township 21 South, Range 37 East, NMPM, Lea County, New Mexico. The brine extraction well is located approximately one mile east on Texas Street and one mile south on Fourth Street from the town of Eunice, New Mexico. An average

of 600 barrels per day of brine water with a total dissolved solids (TDS) concentration of approximately 320,000 mg/L is produced for use in the oil industry. Groundwater most likely to be affected by a spill, leak, or accidental discharge to the surface is at a depth of approximately 55 feet with a TDS of approximately 430 mg/L. The discharge plan addresses well construction, operation, monitoring of the well, associated surface facilities, and provides a contingency plan in the event of accidental spills, leaks and other accidental discharges in order to protect fresh water.

Fresh water will be injected through the outer casing into the Salado Formation at an injection depth of 1489 ft. below ground surface at a maximum allowable injection pressure of 1115 psig. Brine water will be extracted upward through the tubing at about 600 barrels per day.

(BW-004) Gandy Corporation, Mr. Larry Gandy, P.O. Box 827, Tatum, New Mexico 88267, has submitted an application for the renewal of a discharge plan for the brine well "Eidson State No. 1," (API#

30-025-26883) located in the SW/4, SW/4 of Section 31, Township 16 South, Range 35 East, NMPM, Lea County, New Mexico. The brine extraction well is located approximately 2 miles east of Tower Road (CR. 172) on Priscilla Road (CR. 157) near the intersection of CRs 157 and 159. An average of 475 barrels per day of brine water with a total dissolved solids (TDS) concentration of approximately 333,600 mg/L is produced for use in the oil industry. Groundwater most likely to be affected by a spill, leak, or accidental discharge to the surface is at a depth of approximately 75 feet with a TDS of approximately 445 mg/L. The discharge plan addresses well construction, operation, monitoring of the well, associated surface facilities, and provides a contingency plan in the event of accidental spills, leaks and other accidental discharges in order to protect fresh water.

Fresh water will be injected through the outer casing into the Salado Formation at a maximum injection depth of 1895 ft. below ground surface at a maximum allowable injection pressure of

1420 psig. Brine water will be extracted upward through the tubing at a depth of 2461 ft. below ground surface.

(BW-006) I & W Inc., Mr. Kevin Wilson, P.O. Box 98, Loco Hills, New Mexico 88255, has submitted an application for the renewal of a discharge plan for the brine well "Eugenie Well No. 1," (API# 30-015-22574) located in the SW/4, SW/4 of Section 17, Township 22 South, Range 27 East, NMPM, Eddy County, New Mexico. The brine extraction well is located just south of U.S. Hwy. 285 near the intersection of Hwy. 285 and Canal Street in Carlsbad. An average of 200 barrels per day of brine water with a total dissolved solids (TDS) concentration of approximately 463,000 mg/L is produced for use in the oil industry. Groundwater most likely to be affected by a spill, leak, or accidental discharge to the surface is at a depth of approximately 45 feet with a TDS of approximately 200 mg/L. The discharge plan addresses well construction, operation, monitoring of the well, associated surface facilities, and provides a contingency plan in the event of accidental spills, leaks and other

accidental discharges in order to protect fresh water.

Fresh water will be injected through the outer casing into the Salado Formation at an injection depth of 456 ft. below ground surface at a maximum allowable injection pressure of 238 psig. Brine water will be extracted upward through the tubing at a depth of 601 ft. below ground surface.

(GW-119) ConocoPhillips Company, Mr. Kenneth N. Andersen, Environmental Specialist, 3300 North "A" Street, 6-129, Midland, Texas 79705-5490, has submitted a renewal application for a discharge plan for the East Vacuum Liquid Recovery Gas Plant located in the NE/4 Section 33 Township 17 South, Range 35 East, NMPM, Lea County, New Mexico (approximately 3.5 miles east of the intersection of CR-238 and CR-50 off of CR-50). The facility separates hydrocarbon liquids from a natural gas liquid stream into propane, C5+ liquids are removed from the gas stream and sold and the CO2 enriched gas is compressed and re-injected into a CO2 flood. Approximately 304,166 gallons per month of waste water is discharged onsite into the Free Water

Knock Outs located at the East Vacuum Grayburg San Andres Unit Central Tank Battery, where it is used as feedstock in the production stream. Other wastes generated will be temporarily stored in tanks or containers and shipped offsite for disposal or recycling at an OCD approved site. Groundwater most likely to be affected by a spill, leak or accidental discharge is at a depth of approximately 90 feet below the ground surface, with a total dissolved solids concentration of approximately 300-500 mg/L. The discharge plan addresses how oil-field products and waste will be properly handled, stored, and disposed of, including how spills, leaks, and other accidental discharges to the surface will be managed in order to protect fresh water.

The NMOCD has determined that the applications listed above are administratively complete and has prepared draft permits. The NMOCD will accept comments and statements of interest regarding this application and will create a facility-specific mailing list for persons who wish to receive future notices. Persons inter-

ested in obtaining further information, submitting comments or requesting to be on a facility-specific mailing list for future notices may contact the Environmental Bureau Chief of the Oil Conservation Division at the address given above. The administrative completeness determination and draft permit may be viewed at the above address between 8:00 a.m. and 4:00 p.m., Monday through Friday, or may also be viewed at the NMOCD web site <http://www.emnrd.state.nm.us/ocd/>. Persons interested in obtaining a copy of the application and draft permit may contact the NMOCD at the address given above. Prior to ruling on any proposed discharge permit or major modification, the Director shall allow a period of at least thirty (30) days after the date of publication of this notice, during which interested persons may submit comments or request that NMOCD hold a public hearing. Requests for a public hearing shall set forth the reasons why a hearing should be held. A hearing will be held if the Director determines that there is significant public interest.

If no public hearing is held, the Director will

11

approve or disapprove the proposed permit based on information available, including all comments received. If a public hearing is held, the director will approve or disapprove the proposed permit based on information in the permit application and information submitted at the hearing.

Para obtener más información sobre esta solicitud en español, sírvase comunicarse por favor: New Mexico Energy, Minerals and Natural Resources Department (Depto. Del Energía, Minerals y Recursos Naturales de Nuevo México), Oil Conservation Division (Depto. Conservación Del Petróleo), 1220 South St. Francis Drive, Santa Fe, New Mexico (Contacto: Dorothy Phillips, 505-476-3461).

GIVEN under the Seal of New Mexico Oil Conservation Commission at Santa Fe, New Mexico, on this 8th day of August 2007.

STATE OF
NEW MEXICO
OIL
CONSERVATION
DIVISION

S E A L

Mark Fesmire,
Director

Legal#81442
Pub. August 15, 2007



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

August 8, 2007

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

**Re: Discharge Plan Renewal of Permit (BW-004)
Gandy Corporation
Class III Brine Well
Eidson State Well No. 001, API No. 30-025-26883
567 FSL and 162 FWL UL: M Section 31, T 16 S, R 35 E
Lea County, New Mexico**

Dear Mr. Gandy:

The New Mexico Oil Conservation Division (NMOCD) has received Gandy Corporation's renewal application for the "Eugenie Well No. 1" brine well to inject fresh water and extract 10 pound brine water from the Salado Formation at a daily rate of 200 barrels per day and at a maximum injection pressure of 238 psig. The Class III brine well is located approximately 6 miles southwest of Aztec, at the intersection of CR-350 and CR-3773. The initial and subsequent submittals provided the required information in order to deem the renewal application "administratively" complete.

Therefore, the New Mexico Water Quality Control Commission regulations (WQCC) notice requirements of 20.6.2.3108 NMAC must be satisfied and demonstrated to the NMOCD. NMOCD will provide public notice pursuant to the WQCC notice requirements of 20.6.2.3108 NMAC to determine if there is any public interest.

Please contact me at (505) 476-3491 or carlj.chavez@state.nm.us if you have questions. Thank you for your cooperation during this discharge permit review.

Sincerely,

Carl J. Chavez
Environmental Engineer

CJC/cjc

xc: OCD District Office

Gentlemen:

Class III Discharge Plan Renewals related to the prior msg. I sent you yesterday.

BW-6 Eugenie Well No. ! (I&W Inc.)

BW-4 Eidson Brine Station (Gandy Corporation)

BW-2 Basic Energy Services, LLC (formerly P & S Brine Sales)

Please consider your applications mailed in August of 2006 to be administratively incomplete, until I receive the WQCC Public Notice items (admin. complete requirements) required with your applications to deem them "administratively complete." Please contact me if you have questions. Thank you.

Carl J. Chavez, CHMM
New Mexico Energy, Minerals & Natural Resources Dept.
Oil Conservation Division, Environmental Bureau
1220 South St. Francis Dr., Santa Fe, New Mexico 87505
Office: (505) 476-3491
Fax: (505) 476-3462
E-mail: CarlJ.Chavez@state.nm.us
Website: <http://www.emnrd.state.nm.us/ocd/index.htm>
(Pollution Prevention Guidance is under "Publications")

From: Chavez, Carl J, EMNRD
Sent: Thursday, July 05, 2007 4:49 PM
To: 'IWCARLSBAD@PLATEAUTEL.NET'; 'seay04@leaco.net'; 'Steve.Prather@basicenergyservices.com'
Subject: Class III Brine Well Renewal Applications

Gentlemen:

Please find attached the WQCC public notice provisions that need to be provided to me before I can deem your applications administratively complete. Please contact me if you have questions. Once I receive the 20.6.2.3108 "administrative complete" sections, we may move forward. Thank you.

Carl J. Chavez, CHMM
New Mexico Energy, Minerals & Natural Resources Dept.
Oil Conservation Division, Environmental Bureau
1220 South St. Francis Dr., Santa Fe, New Mexico 87505
Office: (505) 476-3491
Fax: (505) 476-3462
E-mail: CarlJ.Chavez@state.nm.us
Website: <http://www.emnrd.state.nm.us/ocd/index.htm>
(Pollution Prevention Guidance is under "Publications")

7/6/2007

RECEIVED
2007 JUL 13 PM 12:19

July 10, 2007

NMOCD
ATTN: Carl J. Chavez
1220 S. Saint Francis Drive
Santa Fe, NM 87504

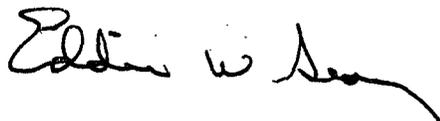
RE: BW-4 Eidson Brine Station
Lea Co., NM

Mr. Chavez:

Find examples of the notice for the above listed facility. We will run notice in the Lovington Leader, the nearest paper with general circulation. I will also notice the landowner as required.

If this meets your approval, please let me know.

Sincerely,



Eddie W. Seay, Agent
Eddie Seay Consulting
601 W. Illinois
Hobbs, NM 88242
(505)392-2236
seay04@leaco.net

PUBLIC NOTICE

Notice is hereby given that pursuant to New Mexico Oil Conservation Division Regulations, the following proposed discharge plan renewal has been submitted for approval to the Oil Conservation Division, Energy, Minerals & Natural Resources Dept., 1220 South St. Francis Dr., Santa Fe, New Mexico 87505. Telephone (505) 476-3440 or (505) 476-3487.

Gandy Corporation, PO Box 827, Tatum, New Mexico 88267, has submitted a discharge plan renewal application for brine supply well, located on State Road 238 and approximately 7 miles west and 5 miles south of Lovington, New Mexico. The facility is located in the SW/4 of SW/4 of Section 31 of Township 16 South, Range 35 East, NMPM, Lea County, New Mexico. This facility will temporarily store for sale brine water and fresh water. No other fluids will be stored at this facility. The fresh water will be stored in a 500 barrel fresh water storage tank. Fresh water will be sold and/or diverted down the annulus of the brine well and brine water flows back up the tubing and stored in three 750 barrel brine storage tanks. The ground water likely to be affected by discharges occur at a depth of 75 feet in the Ogallala Formation.

Any interested person may obtain further information from the Oil Conservation Division and may submit comments and statements to Carl Chavez, New Mexico Energy, Minerals & Natural Resources Dept., Oil Conservation Division, 1220 South St. Francis Dr., Santa Fe, New Mexico 87505, E-mail carlj.chavez@state.nm.us, Telephone (505) 476-3460 or (505) 476-3491. Also any interested person may request to be placed on a mailing list for future notices regarding this application.

NOTA PUBLICA

Advierta por la presente es dado que según de los Regulaciones de División de Conservación de Petróleo de Nuevo México, la renovación del siguiente propuso la descarga se han sometido para la aprobación a la División de la Conservación del Petróleo, Departamento Energía, Minerales y Recursos Naturales, 1220 S. St. Francis Dr., Santa Fe, Nuevo México 87505. Telefonos (505) 476-3440 o (505) 476-3487

La Corporación de Gandy, PO Box 827, Tatum, Nuevo México 88267, se han sometido una aplicación de renovación del plan de la descarga para el pozo de salmuera, localizó en el Camino del Estado 238 y aproximadamente 7 millas al oeste y 5 millas al sur de Lovington, Nuevo México. La facilidad se localiza en el SW/4 de SW/4 de la Sección 31 de Municipio 16 al sur, la Gama 35 al este, NMPM, Condado de Lea, Nuevo México. Esta facilidad almacenará temporalmente agua de salmuera y agua dulce para vender. Ningún otro líquido se almacenará en esta facilidad. El agua dulce se almacenará en un tanque almacenaje de 500 barriles para solamente agua dulce. El agua dulce se vendrá y/o desviado en el annulus del pozo Salmuera. El flujo de agua de salmuera retrocederá en la tubería y se almacenadara en tres tanques de almacenaje de 750 barriles. El agua del suelo probablemente estará afectada por descargas ocurre en una profundidad de 75 pies en la Formación de Ogallala.

Alguna persona interesada puede obtener información adicional de la División de la Conservación del Petróleo y puede someterse los comentarios y las declaraciones a Carl Chavez, Departamento de Energía, Minerales y Recursos Naturales, la División de la Conservación del Petróleo, 1220 S. St. Francis Dr., Santa Fe, Nuevo México 87505, MANDAN CORREO ELECTRONICO carlj.chavez@state.nm.us. Telefonos (505) 476-3440 o (505) 476-3487. También alguna persona interesada puede solicitar para ser colocada en una lista de envío para notas futuras con respecto a esta aplicación.

Gandy Corp (BW-4)

Question 1) The application states that the SWL in the Ogallala Fm. is at 205 ft., but your draft public notice states 75 ft. in the Ogallala Fm. Please clarify.

Answer 1) The depth of the base of the Ogallala is at 205 ft. and the top of the saturated water zone is at 75 ft.

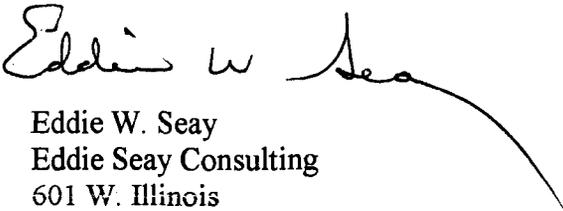
Question 2) Volume of discharge

Answer 2) Volume of discharge is 475 barrels per day into the brine tanks.

Question 3) Also in your public notice you need to provide the API # and name of the well with max. injection pressure of the fresh water.

Answer 3) API # 30-025-26883 Well Name: Eidson State # 1 Located: Unit/Letter: M Section 31, Township 16 South, Range 35 East 567 FSL and 162 FWL.
Maximum injection pressure 700 lbs. Minimum pump pressure 390 lbs.
Depth 1489

If this information is satisfactory and no additional information is needed, let me know and I will revise the public notices.



Eddie W. Seay
Eddie Seay Consulting
601 W. Illinois
Hobbs, NM 88242
(505)392-2236
seay04@leaco.net

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Revised June 10, 2003

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

2006 AUG 3 PM 2:32
Submit Original
Plus 1 Copy
to Santa Fe
Appropriate
District Office

DISCHARGE PLAN APPLICATION FOR BRINE EXTRACTION FACILITIES

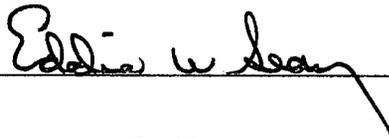
(Refer to the OCD Guidelines for assistance in completing the application)

New Renewal

- I. Facility Name: Eidson Brine Station
- II. Operator: Gandy Corporation
Address: P.O. Box 827 Tatum, NM 88267
Contact Person: Larry Gandy Phone: 505-398-4960
- III. Location: SW /4 SW /4 Section 31 Township 16 S. Range 35 E.
Submit large scale topographic map showing exact location.
- IV. Attach the name and address of the landowner of the facility site.
- V. Attach a description of the types and quantities of fluids at the facility.
- VI. Attach a description of all fluid transfer and storage and fluid and solid disposal facilities.
- VII. Attach a description of underground facilities (i.e. brine extraction well).
- VIII. Attach a contingency plan for reporting and clean-up of spills or releases.
- IX. Attach geological/hydrological evidence demonstrating that brine extraction operations will not adversely impact fresh water.
- X. Attach such other information as is necessary to demonstrate compliance with any other OCD rules, regulations and/or orders.
- XI. CERTIFICATION:

I hereby certify under penalty of law that I have personally examined and am familiar with the information submitted in this document and all attachments and that, based on my inquiry of those individuals immediately responsible for obtaining the information, I believe that the information is true, accurate and complete. I am aware that there are significant penalties for submitting false information including the possibility of fine and imprisonment.

Name: Eddie W. Seay Title: Agent

Signature:  Date: 8-1-06

E-mail Address: seay04@leaco.net

Eidson Brine BW-004

- IV. Landowner of the facility:
State of New Mexico
P.O. Box 1148
Santa Fe, NM 87504-1148
- V. Types and quantities of fluids:
There are 3-750 bl. poly brine tanks bermed and on plastic liners.
There is 1-500 bl. fresh water tank.
There is one surface pit lined with a leak detection system. The pit contains brine water and has a capacity of 11,000 bls.
RE: The leak detection monitor is checked on a regular basis and has been free of fluid.
- VI. All fluid transfer lines are above ground so if any leak were to occur, it would be readily detected.
Trucks load from the east side of brine tank through individual load lines, each having a catch basin to collect what brine may leak from hoses or trucks. The catch basins are emptied regularly at an approved OCD SWD.
- VII. The brine well is constructed:
35.8' of 13 3/8" surface casing - cemented circulated.
1895' of 7" casing; cement circulated to surface.
Run 2 7/8" tubing.
Pump fresh water down 7" casing, produce brine out the 2 7/8" tubing.
(See attached schematic)
- VIII. Attach a contingency plan for reporting and clean up of spills; Gandy Corporation owners and operated backhoes, vacuum trucks and other construction equipment. In the event of a release of brine, Gandy will adhere to OCD Rule 116, will notify the OCD in Hobbs by phone, immediately begin removal of free liquids and stop source of leak.

Gandy will file work plan with OCD, and begin delineation as soon as possible. All areas will be remediated to OCD guidelines and file all appropriate reports.

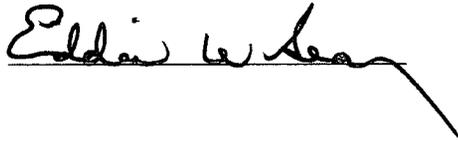
IX. Geology and Hydrology:

The base of the Ogallala is at 205 ft. Gandy periodically runs pressure tests on the brine well to insure integrity of the casing to prevent contamination. We are scheduled to test well soon. (See attached brine and fresh water analytical)

X. Gandy does regular inspections and maintenance of the facility to ensure integrity and to make sure all is in compliance.

XI. Certification:

Eddie W. Seay, Agent

A handwritten signature in black ink that reads "Eddie W. Seay". The signature is written in a cursive style and is positioned above a horizontal line.

\$100.00 Application Fee sent to Water Quality Management Fund.



PHONE (325) 673-7001 • 2111 BEECHWOOD • ABILENE, TX 79603

PHONE (505) 393-2326 • 101 E. MARLAND • HOBBS, NM 88240

ANALYTICAL RESULTS FOR
 EDDIE SEAY CONSULTING
 ATTN: EDDIE SEAY
 601 W. ILLINOIS
 HOBBS, NM 88242
 FAX TO: (505) 392-6949

Receiving Date: 07/25/06
 Reporting Date: 07/28/06
 Project Owner: D. GANDY
 Project Name: GANDY, EIDSON BRINE ST.
 Project Location: NOT GIVEN

Sampling Date: 07/25/06
 Sample Type: W.WATER,G.WATER
 Sample Condition: COOL & INTACT
 Sample Received By: BC
 Analyzed By: AB/HM

LAB NUMBER	SAMPLE ID	Na (mg/L)	Ca (mg/L)	Mg (mg/L)	K (mg/L)	Conductivity (μ S/cm)	T-Alkalinity (mgCaCO ₃ /L)
ANALYSIS DATE:		07/28/06	07/28/06	07/28/06	07/28/06	07/25/06	07/28/06
H11385-1	EIDSON #1	139700	705	593	2960	169500	160
H11385-2	EIDSON #2	6	64.1	38.9	2.45	599	160
Quality Control		NR	48.0	48.6	2.17	1428	NR
True Value QC		NR	50.0	50.0	2.00	1413	NR
% Recovery		NR	96	97.0	109	101	NR
Relative Percent Difference		NR	0.0	0.0	21	0.1	NR

METHODS:	SM3500-Ca-D	3500-Mg E	8049	120.1	310.1
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	Cl ⁻ (mg/L)	SO ₄ (mg/L)	CO ₃ (mg/L)	HCO ₃ (mg/L)	pH (s.u.)	TDS (mg/L)	
ANALYSIS DATE:		07/26/06	07/27/06	07/28/06	07/28/06	07/25/06	07/26/06
H11385-1	EIDSON #1	214933	8450	0	195	6.96	333601
H11385-2	EIDSON #2	52	98.9	0	195	7.53	444
Quality Control		990	24.2	NR	976	6.95	NR
True Value QC		1000	25.0	NR	1000	7.00	NR
% Recovery		99	97	NR	98	0.4	NR
Relative Percent Difference		1	6.4	NR	0		

METHODS:	SM4500-Cl-B	375.4	310.1	310.1	150.1	160.1
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 Chemist

07-28-06
 Date

PLEASE NOTE: **Liability and Damages.** Cardinal's liability and client's exclusive remedy for any claim arising, whether based in contract or tort, shall be limited to the amount paid by client for analyses. All claims, including those for negligence and any other cause whatsoever shall be deemed waived unless made in writing and received by Cardinal within thirty (30) days after completion of the applicable service. In no event shall Cardinal be liable for incidental or consequential damages, including, without limitation, business interruptions, loss of use, or loss of profits incurred by client, its subsidiaries, affiliates or processors arising out of or related to the performance of services hereunder by Cardinal, regardless of whether such claim is based upon any of the above-stated reasons or otherwise.



CARDINAL LABORATORIES, INC.

2111 Beechwood, Abilene, TX 79603 101 East Marland, Hobbs, NM 88240
 (915) 673-7001 Fax (915) 673-7020 (505) 393-2326 Fax (505) 393-2476

CHAIN-OF-CUSTODY AND ANALYSIS REQUEST

Page ____ of ____

Company Name: <u>Eddie Sany Consulting</u>		BILL TO		PO #:							
Project Manager: <u>Eddie W. Sany</u>		Company:									
Address: <u>601 W Illinois</u>		Attn:									
City: <u>Halls</u> State: <u>NM</u> Zip: <u>87422</u>		Address:									
Phone #: <u>7-2234</u>		City:									
Fax #: <u>2-6949</u>		State:		Zip:							
Project #: <u>Gandy</u> Project Owner: <u>D. Gandy</u>		Phone #:									
Project Name: <u>Gandy, Edson Brine St.</u>		Fax #:									
Project Location:		ANALYSIS REQUEST General Chemistry									
FOR LAB USE ONLY											
LAB I.D.	Sample I.D.					(GRAB OR COMP.)	# CONTAINERS	MATRIX	PRES.	SAMPLING	
						GROUNDWATER	WASTEWATER	SOIL	OIL	SLUDGE	
						OTHER:	ACID:	ICE / COOL	OTHER:	DATE	
										TIME	
<u>11/385-1</u>	<u>Edson #1</u>					<input checked="" type="checkbox"/>	<u>1</u>				<u>7/25</u>
<u>2</u>	<u>Edson #2</u>					<input checked="" type="checkbox"/>	<u>1</u>				<u>7/25</u>

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Terms and Conditions: Interest will be charged on all accounts more than 30 days past due at the rate of 24% per annum from the original date of invoice, and all costs of collections, including attorney's fees.

Sampler Relinquished:	Date: <u>7/25</u>	Received By:	Phone Result <input type="checkbox"/> Yes <input type="checkbox"/> No	Additional Fax #:
<u>Eddie W. Sany</u>	Time: <u>3:00</u>		Fax Result: <input type="checkbox"/> Yes <input type="checkbox"/> No	
Relinquished By:	Date:	Received By: (Lab Staff)	REMARKS:	
	Time:	<u>Bryant J. Cooke</u>	<u>Edson #1 - Brine</u>	
Delivered By: (Circle One)		CHECKED BY: (Initials)	<u>Edson #2 - Fresh</u>	
Sampler - UPS - Bus - Other:		Sample Condition		
		Cool <input type="checkbox"/> Infect <input type="checkbox"/>		
		<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		
		<input type="checkbox"/> No <input type="checkbox"/> No		

† Cardinal cannot accept verbal changes. Please fax written changes to 915-673-7020.

New Mexico Office of the State Engineer
 POD Reports and Downloads

Township: Range: Sections:

NAD27 X: Y: Zone: Search Radius:

County: Basin: Number: Suffix:

Owner Name: (First) (Last) Non-Domestic Domestic All

AVERAGE DEPTH OF WATER REPORT 07/25/2006

Bsn	Tws	Rng	Sec	Zone	X	Y	Wells	(Depth Water in Feet)		
								Min	Max	Avg
L	16S	35E	01				22	40	80	60
L	16S	35E	02				8	50	70	62
L	16S	35E	03				14	40	65	58
L	16S	35E	04				6	58	62	60
L	16S	35E	05				1	60	60	60
L	16S	35E	06				6	38	65	59
L	16S	35E	07				3	60	68	65
L	16S	35E	08				10	50	65	57
L	16S	35E	09				11	50	72	56
L	16S	35E	10				8	50	60	58
L	16S	35E	11				13	45	70	55
L	16S	35E	12				3	45	48	47
L	16S	35E	13				4	44	53	49
L	16S	35E	15				7	49	60	56
L	16S	35E	16				2	60	60	60
L	16S	35E	17				4	62	105	84
L	16S	35E	18				2	78	78	78
L	16S	35E	20				1	60	60	60
L	16S	35E	22				1	65	65	65
L	16S	35E	24				10	34	130	57
L	16S	35E	25				6	42	84	54
L	16S	35E	26				7	33	70	55
L	16S	35E	28				1	60	60	60
L	16S	35E	30				1	70	70	70
L	16S	35E	31				2	70	75	73
L	16S	35E	32				1	71	71	71
L	16S	35E	35				2	45	45	45
L	16S	35E	36				2	50	55	53

Record Count: 158

SALT WELL CROSS SECTION

VII

BRINE TO APPROVED LINED OPEN PIT

WELLHEAD

FRESH WATER TO SALT FORMATION

GL

35.80" 13-3/8" SURFACE CASING

CEMENT CIRCULATED FROM BOTTOM TO SURFACE

7" CASING

205' OGALLALA FORMATION

2-7/8" TUBING

9-7/8" HOLE

5 1/2" OPEN HOLE DRILLED

1690' TRIASSIC (RED BEDS)

40' RUSTLER FORMATION

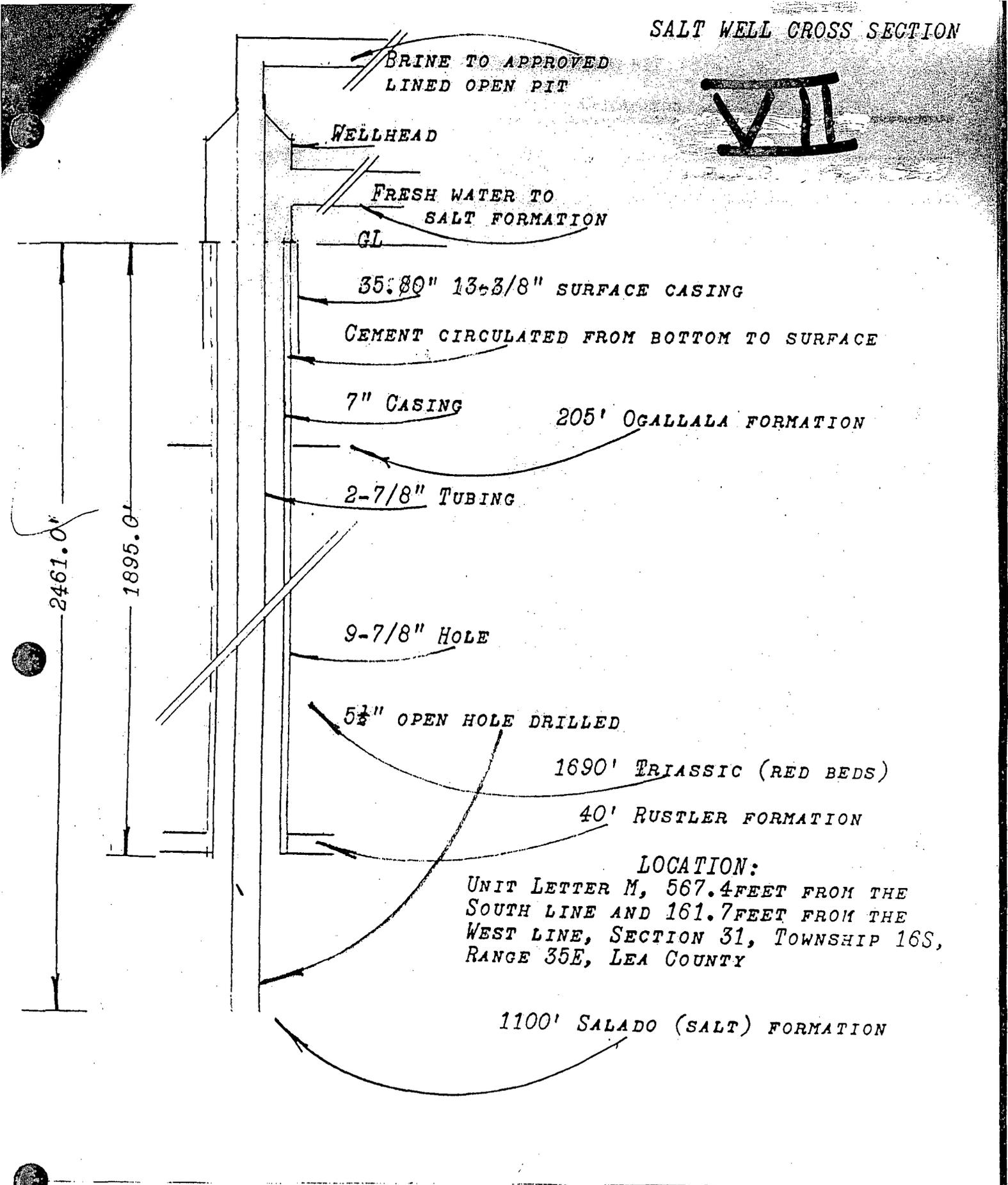
LOCATION:

UNIT LETTER M, 567.4 FEET FROM THE SOUTH LINE AND 161.7 FEET FROM THE WEST LINE, SECTION 31, TOWNSHIP 16S, RANGE 35E, LEA COUNTY

1100' SALADO (SALT) FORMATION

2461.0'

1895.0'



Description	FUND	CES	DFA ORG	DFA ACCT	ED ORG	ED ACCT	AMOUNT	
1 CY Reimbursement Project Tax	064	01		2329	900000	2329134		1
6 Gross Receipt Tax	084	01		1896	900000	4169134		2
3 Air Quality Title V	092	13	1300	9696	900000	4989014		3
4 PRP Prepayments	248	14	1400	9696	900000	4989016		4
2 Climax Chemical Co.	248	14	1400	9696	900000	4989248		5
8 Circle K Reimbursements	248	14	1400	1696	900000	4169027		6
7 Hazardous Waste Permits	339	27	2700	1696	900000	4169339		7
8 Hazardous Waste Annual Generator Fees	339	27	2700	1696	900000	4169339		8
10 Water Quality - Oil Conservation Division	341	29		2329	900000	2329029	100.00	10
11 Water Quality - GW Discharge Permit	341	29	2900	1696	900000	4169029		11
12 Air Quality Permits	631	31	2500	1696	900000	4169031		12
13 Payments under Protest	851	33		2919	900000	2919033		13
14 Xerox Copies	652	34		2349	900000	2349001		*14
15 Ground Water Penalties	652	34		2349	900000	2349002		15
16 Witness Fees	652	34		2349	900000	2349003		16
17 Air Quality Penalties	652	34		2349	900000	2349004		17
18 OSHA Penalties	652	34		2349	900000	2349005		18
19 Prior Year Reimbursement	652	34		2349	900000	2349006		19
20 Surface Water Quality Certification	652	34		2349	900000	2349009		20
21 Jury Duty	652	34		2349	900000	2349012		21
22 CY Reimbursements (i.e. telephone)	652	34		2349	900000	2349014		22
23 UST Owner's List	783	24	2500	9696	900000	4989201		*23
24 Hazardous Waste Notifiers List	783	24	2500	9696	900000	4989202		*24
25 UST Maps	783	24	2500	9696	900000	4989203		*25
26 UST Owner's Update	783	24	2500	9696	900000	4989205		*26
28 Hazardous Waste Regulations	783	24	2500	9696	900000	4989207		*28
29 Radiologic Tech. Regulations	783	24	2500	9696	900000	4989208		*29
30 Superfund CERLIS List	783	24	2500	9696	900000	4989211		*30
31 Solid Waste Permit Fees	783	24	2500	9696	900000	4989213		31
32 Smoking School	783	24	2500	9696	900000	4989214		32
33 SWQB - NPS Publications	783	24	2500	9696	900000	4989222		*33
34 Radiation Licensing Regulation	783	24	2500	9696	900000	4989228		*34
35 Sale of Equipment	783	24	2500	9696	900000	4989301		*35
36 Sale of Automobile	783	24	2500	9696	900000	4989302		*36
37 Lost Recoveries	783	24	2500	9696	900000	4989814		**37
38 Lost Repayments	783	24	2500	9696	900000	4989815		**38
39 Surface Water Publication	783	24	2500	9696	900000	4989801		39
40 Exxon Reese Drive Ruidoso - CAF	783	24	2500	9696	900000	4989242		40
41 Emerg. Hazardous Waste Penalties NOV	957	32	9600	1696	900000	4164032		41
42 Radiologic Tech. Certification	987	05	0500	1696	900000	4169005		42
44 Ust Permit Fees	989	20	3100	1696	900000	4169020		44
45 UST Tank Installers Fees	989	20	3100	1696	900000	4168021		45
46 Food Permit Fees	991	28	2600	1696	900000	4169026		46
43 Other								43

Gross Receipt Tax Required

Site Name & Project Code Required

TOTAL

100.00

Contact Person:

Wayne Price

Phone:

476-3490

Date:

8/4/06

Received in ASD By:

Date:

RT #:

ST #:

ACKNOWLEDGEMENT OF RECEIPT
OF CHECK/CASH

I hereby acknowledge receipt of check No. [redacted] dated 8/1/06

in cash for the sum of \$ 100⁰⁰

to Grandy Corp

or BW-04

submitted by Lawrence Romero Date 8/4/06

submitted on ASD by Lawrence Romero Date 8/4/06

Received in ASD by _____ Date _____

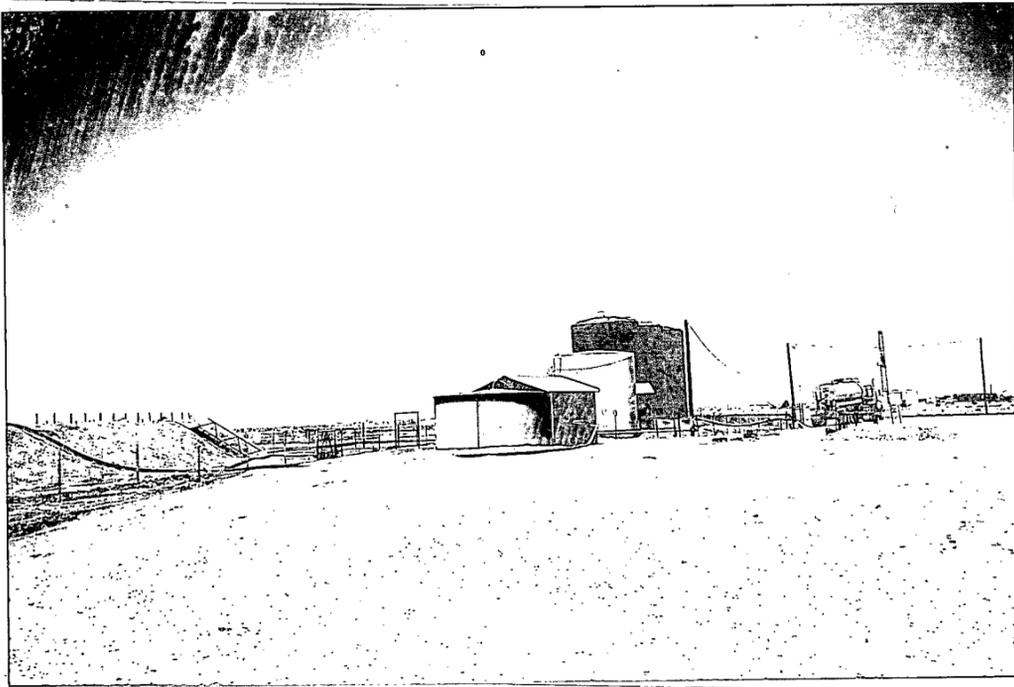
Filing Fee New Filing _____ Renewal _____
Modification _____ Other _____

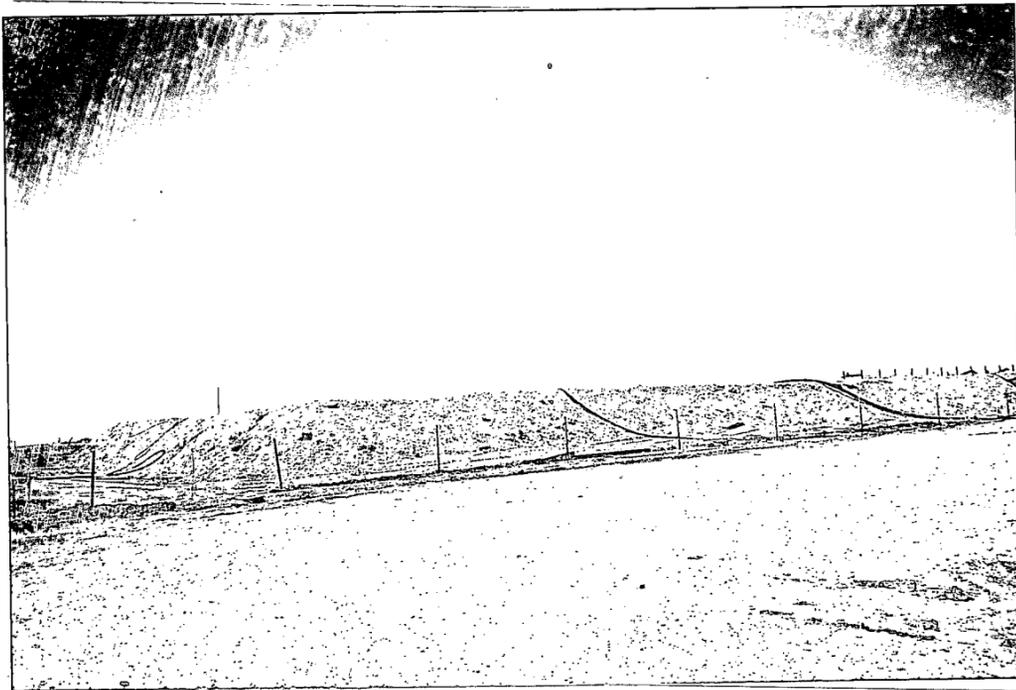
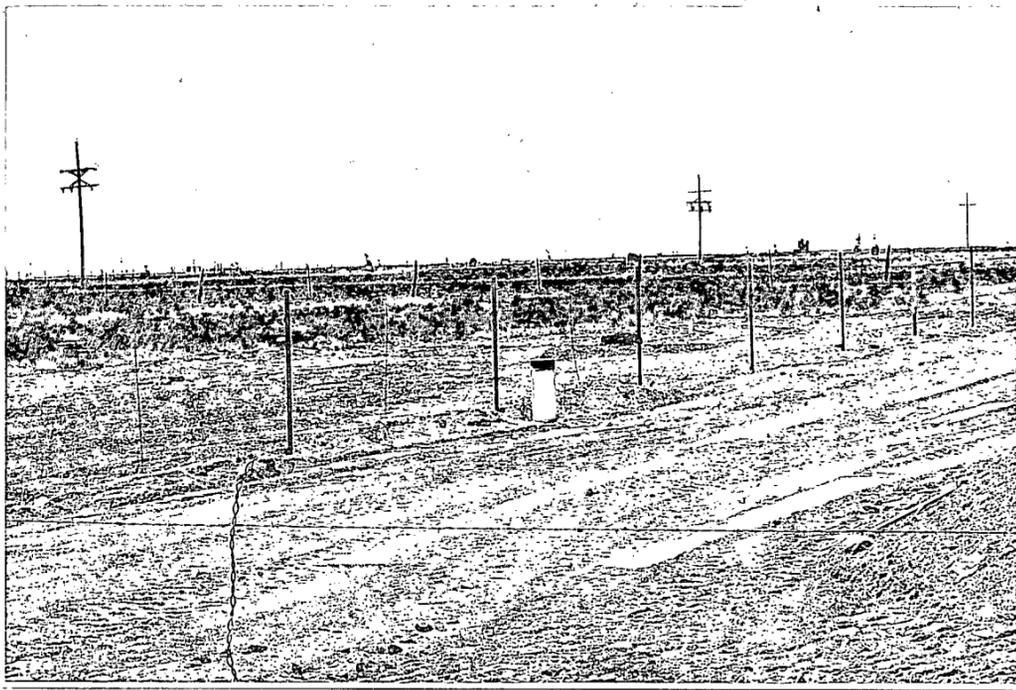
Organization Code 321.07 Applicable FY 2004

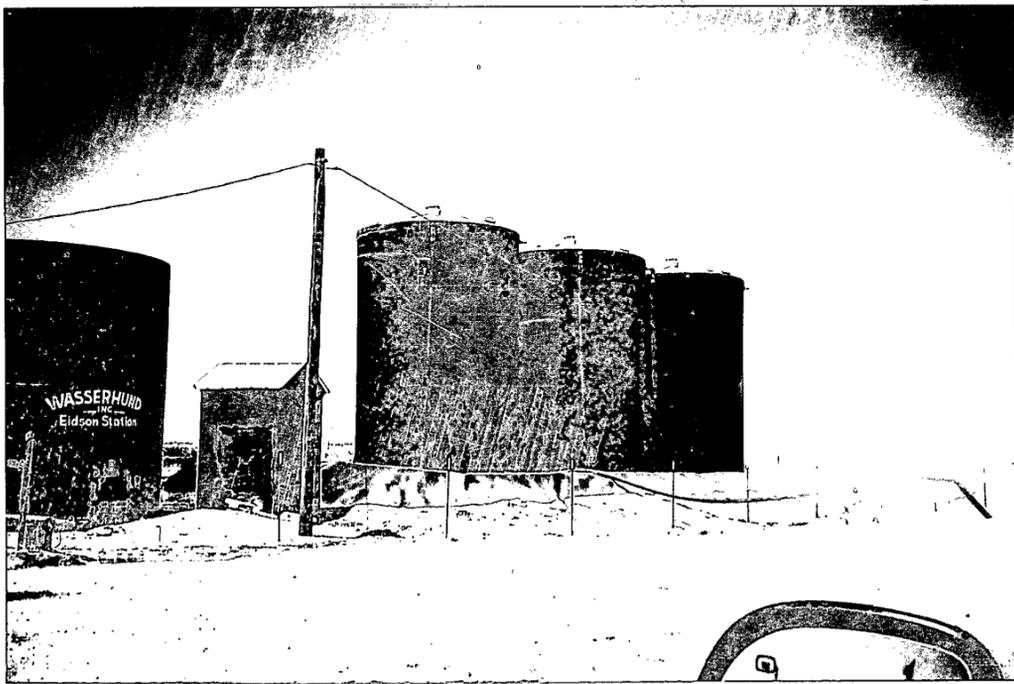
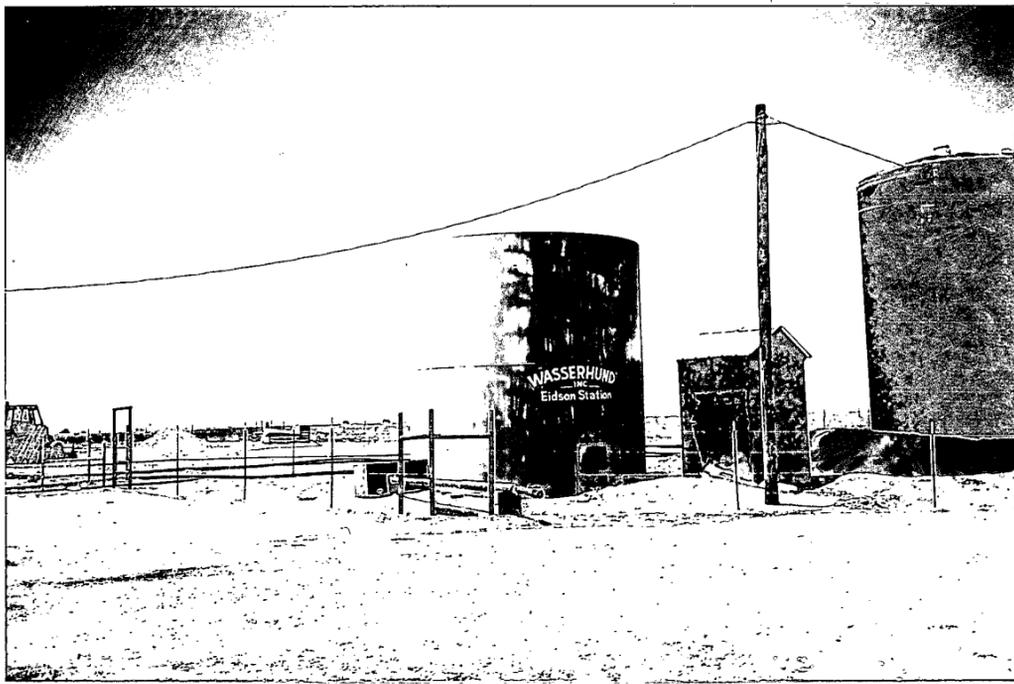
To be deposited in the Water Quality Management Fund.

Full Payment _____ or Annual Increment _____

EDDIE SEAY CONSULTING 601 W. ILLINOIS PH. (505) 392-2236 HOBBS, NM 88240		[redacted]
DATE <u>8-1-06</u>		95-219/1070 616 1100154253
PAY TO THE ORDER OF <u>Water Quality Management Fund</u> \$ <u>100.00</u>		
<u>One hundred and 00/100</u> DOLLARS 		
	Wells Fargo Bank, N.A. New Mexico wellsfargo.com	
FOR <u>Edson Brine BW-04</u>	<u>Eddie W Seay</u>	R/P







District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Revised June 10, 2003

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

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

2006 NOV 9 PM 2 31

DISCHARGE PLAN APPLICATION FOR BRINE EXTRACTION FACILITIES

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

New Renewal

BW-09

I. Facility Name: Eidson Brine Station

II. Operator: Gandy Corporation

Address: P.O. Box 827 Tatum, NM 88267

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

III. Location: SW /4 SW /4 Section 31 Township 16 S. Range 35 E.
Submit large scale topographic map showing exact location.

IV. Attach the name and address of the landowner of the facility site.

V. Attach a description of the types and quantities of fluids at the facility.

VI. Attach a description of all fluid transfer and storage and fluid and solid disposal facilities.

VII. Attach a description of underground facilities (i.e. brine extraction well).

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

IX. Attach geological/hydrological evidence demonstrating that brine extraction operations will not adversely impact fresh water.

X. Attach such other information as is necessary to demonstrate compliance with any other OCD rules, regulations and/or orders.

XI. CERTIFICATION:

I hereby certify under penalty of law that I have personally examined and am familiar with the information submitted in this document and all attachments and that, based on my inquiry of those individuals immediately responsible for obtaining the information, I believe that the information is true, accurate and complete. I am aware that there are significant penalties for submitting false information including the possibility of fine and imprisonment.

Name: Eddie W. Seay

Title: Agent

Signature: Eddie W Seay

Date: 8-1-06

E-mail Address: seay04@leaco.net

Eidson Brine BW-004

- IV. Landowner of the facility:
State of New Mexico
P.O. Box 1148
Santa Fe, NM 87504-1148
- V. Types and quantities of fluids:
There are 3-750 bl. poly brine tanks bermed and on plastic liners.
There is 1-500 bl. fresh water tank.
There is one surface pit lined with a leak detection system. The pit contains brine water and has a capacity of 11,000 bls.
RE: The leak detection monitor is checked on a regular basis and has been free of fluid.
- VI. All fluid transfer lines are above ground so if any leak were to occur, it would be readily detected.
Trucks load from the east side of brine tank through individual load lines, each having a catch basin to collect what brine may leak from hoses or trucks. The catch basins are emptied regularly at an approved OCD SWD.
- VII. The brine well is constructed:
35.8' of 13 3/8" surface casing - cemented circulated.
1895' of 7" casing; cement circulated to surface.
Run 2 7/8" tubing.
Pump fresh water down 7" casing, produce brine out the 2 7/8" tubing.
(See attached schematic)
- VIII. Attach a contingency plan for reporting and clean up of spills; Gandy Corporation owners and operated backhoes, vacuum trucks and other construction equipment. In the event of a release of brine, Gandy will adhere to OCD Rule 116, will notify the OCD in Hobbs by phone, immediately begin removal of free liquids and stop source of leak.

Gandy will file work plan with OCD, and begin delineation as soon as possible. All areas will be remediated to OCD guidelines and file all appropriate reports.

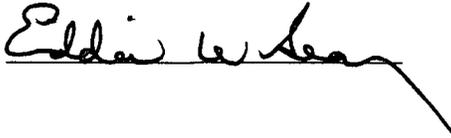
IX. Geology and Hydrology:

The base of the Ogallala is at 205 ft. Gandy periodically runs pressure tests on the brine well to insure integrity of the casing to prevent contamination. We are scheduled to test well soon. (See attached brine and fresh water analytical)

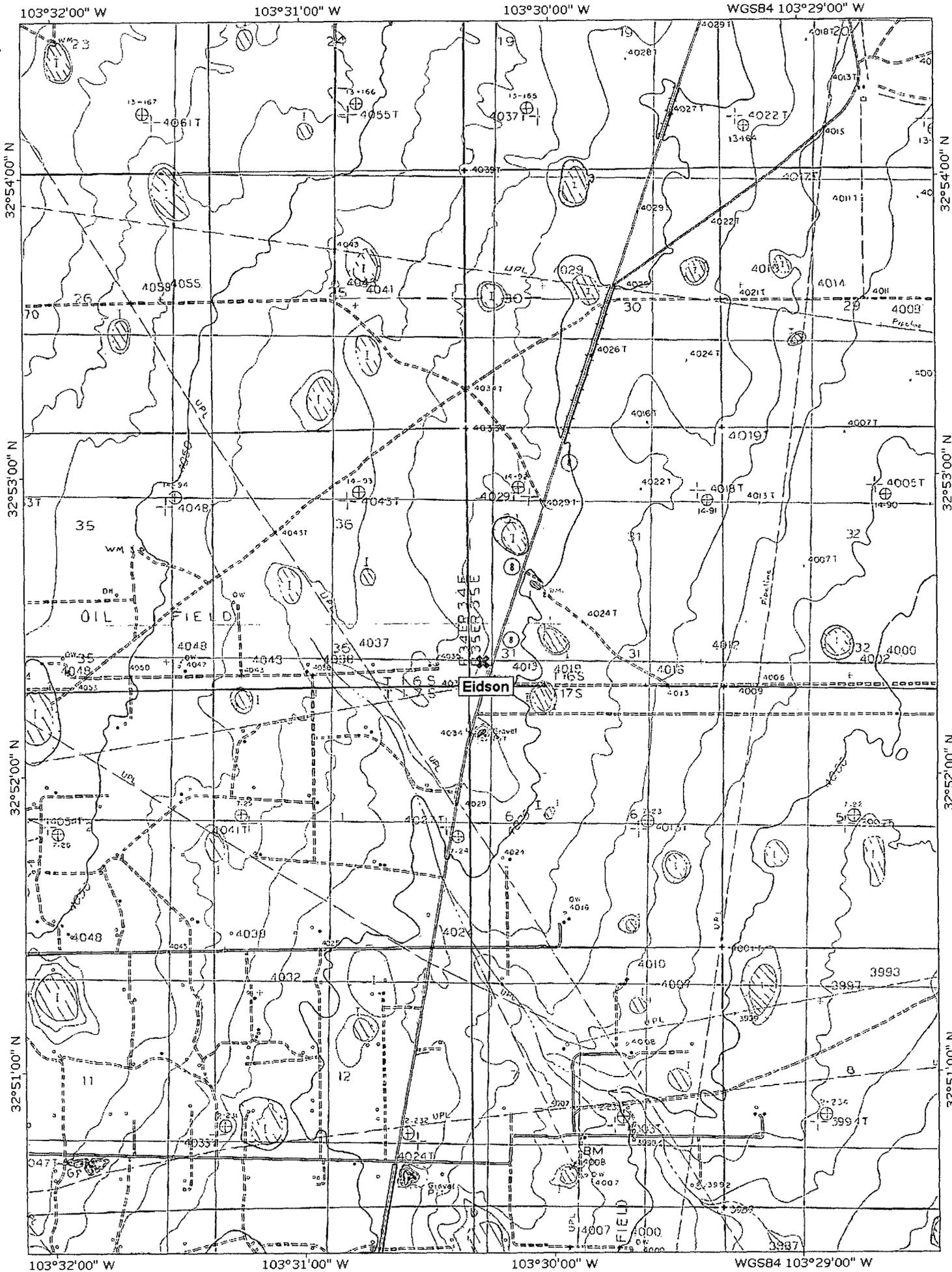
X. Gandy does regular inspections and maintenance of the facility to ensure integrity and to make sure all is in compliance.

XI. Certification:

Eddie W. Seay, Agent

A handwritten signature in black ink that reads "Eddie W. Seay". The signature is written in a cursive style and is underlined.

\$100.00 Application Fee sent to Water Quality Management Fund.



TN MN
84°

0 5 1 MILE
0 1000 FEET 0 500 1000 METERS



PHONE (325) 673-7001 • 2111 BEECHWOOD • ABILENE, TX 79603

PHONE (505) 393-2326 • 101 E. MARLAND • HOBBS, NM 88240

ANALYTICAL RESULTS FOR
 EDDIE SEAY CONSULTING
 ATTN: EDDIE SEAY
 601 W. ILLINOIS
 HOBBS, NM 88242
 FAX TO: (505) 392-6949

Receiving Date: 07/25/06
 Reporting Date: 07/28/06
 Project Owner: D. GANDY
 Project Name: GANDY, EIDSON BRINE ST.
 Project Location: NOT GIVEN

Sampling Date: 07/25/06
 Sample Type: W.WATER,G.WATER
 Sample Condition: COOL & INTACT
 Sample Received By: BC
 Analyzed By: AB/HM

LAB NUMBER	SAMPLE ID	Na (mg/L)	Ca (mg/L)	Mg (mg/L)	K (mg/L)	Conductivity (μ S/cm)	T-Alkalinity (mgCaCO ₃ /L)
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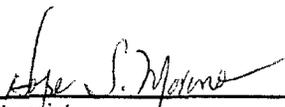
ANALYSIS DATE:	07/28/06	07/28/06	07/28/06	07/28/06	07/25/06	07/28/06
H11385-1 EIDSON #1	139700	705	593	2960	169500	160
H11385-2 EIDSON #2	6	64.1	38.9	2.45	599	160
Quality Control	NR	48.0	48.6	2.17	1428	NR
True Value QC	NR	50.0	50.0	2.00	1413	NR
% Recovery	NR	96	97.0	109	101	NR
Relative Percent Difference	NR	0.0	0.0	21	0.1	NR

METHODS:	SM3500-Ca-D	3500-Mg E	8049	120.1	310.1
----------	-------------	-----------	------	-------	-------

Cl ⁻ (mg/L)	SO ₄ (mg/L)	CO ₃ (mg/L)	HCO ₃ (mg/L)	pH (s.u.)	TDS (mg/L)
---------------------------	---------------------------	---------------------------	----------------------------	--------------	---------------

ANALYSIS DATE:	07/26/06	07/27/06	07/28/06	07/28/06	07/25/06	07/26/06
H11385-1 EIDSON #1	214933	8450	0	195	6.96	333601
H11385-2 EIDSON #2	52	98.9	0	195	7.53	444
Quality Control	990	24.2	NR	976	6.95	NR
True Value QC	1000	25.0	NR	1000	7.00	NR
% Recovery	99	97	NR	98	0.4	NR
Relative Percent Difference	1	6.4	NR	0		

METHODS:	SM4500-Cl-B	375.4	310.1	310.1	150.1	160.1
----------	-------------	-------	-------	-------	-------	-------


 Chemist

07-28-06
 Date

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CARDINAL LABORATORIES, INC.

2111 Beechwood, Abilene, TX 79603 101 East Marland, Hobbs, NM 88240
(915) 673-7001 Fax (915) 673-7020 (505) 393-2326 Fax (505) 393-2476

CHAIN-OF-CUSTODY AND ANALYSIS REQUEST

Page ____ of ____

Company Name: <u>Eddie Sam Consulting</u>		BILL TO		PO #:
Project Manager: <u>Eddie W. Sam</u>		Company:		
Address: <u>601 W Illinois</u>		Attn:		
City: <u>Walls</u>	State: <u>NM</u>	Zip: <u>88242</u>	Address:	
Phone #: <u>7-2234</u>	City:			
Fax #: <u>2-6949</u>	Project #: <u>Gandy</u>		Project Owner: <u>D. Gandy</u>	
Project Name: <u>Gandy, Edson Brine St.</u>		State: _____ Zip: _____		
Project Location:		Phone #: _____		
		Fax #: _____		

ANALYSIS REQUEST

FOR LAB USE ONLY		GROSS OR (C)OMP.	# CONTAINERS	MATRIX					PRES.		SAMPLING		DATE	TIME	
LAB I.D.	Sample I.D.			GROUNDWATER	WASTEWATER	SOIL	OIL	SLUDGE	OTHER:	ACID:	ICE / COOL	OTHER:			
<u>W11885-1</u>	<u>Edson #1</u>	<input checked="" type="checkbox"/>	<u>1</u>	<input checked="" type="checkbox"/>						<input checked="" type="checkbox"/>		<u>7/25</u>	<u>1:15</u>	<input checked="" type="checkbox"/>	
<u>2</u>	<u>Edson #2</u>	<input checked="" type="checkbox"/>	<u>1</u>	<input checked="" type="checkbox"/>						<input checked="" type="checkbox"/>		<u>7/25</u>	<u>1:25</u>	<input checked="" type="checkbox"/>	

General Chemistry

PLEASE NOTE: Liability and Damages. Cardinal's liability and client's exclusive remedy for any claim arising whether based in contract or tort, shall be limited to the amount paid by the client for the analyses. All claims including those for negligence and any other cause whatsoever shall be deemed waived unless made in writing and received by Cardinal within 30 days after completion of the applicable service. In no event shall Cardinal be liable for incidental or consequential damages, including without limitation, business interruptions, loss of use, or loss of profits incurred by client, its subsidiaries, affiliates or successors arising out of or related to the performance of services hereunder by Cardinal, regardless of whether such claim is based upon any of the above stated reasons or otherwise.

Terms and Conditions: Interest will be charged on all accounts more than 30 days past due at the rate of 24% per annum from the original date of invoice, and all costs of collections, including attorney's fees.

Sampler Relinquished:	Date: <u>7/25</u>	Received By:	Phone Result <input type="checkbox"/> Yes <input type="checkbox"/> No	Additional Fax #:
<u>Eddie W. Sam</u>	Time: <u>3:00</u>		Fax Result: <input type="checkbox"/> Yes <input type="checkbox"/> No	
Relinquished By:	Date:	Received By: (Lab Staff)	REMARKS:	
	Time:	<u>Burnett</u>	<u>Edson #1 - Brine</u>	
Delivered By: (Circle One)	Sample Condition	CHECKED BY:	<u>Edson #2 - Fresh</u>	
Sampler - UPS - Bus - Other:	Cool <input type="checkbox"/> Intact <input type="checkbox"/>	(Initials)		
	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No			
	<input type="checkbox"/> No <input type="checkbox"/> No			

† Cardinal cannot accept verbal changes. Please fax written changes to 915-673-7020.

New Mexico Office of the State Engineer
 POD Reports and Downloads

Township: Range: Sections:

NAD27 X: Y: Zone: Search Radius:

County: Basin: Number: Suffix:

Owner Name: (First) (Last) Non-Domestic Domestic All

AVERAGE DEPTH OF WATER REPORT 07/25/2006

Bsn	Tws	Rng	Sec	Zone	X	Y	Wells	(Depth Water in Feet)		
								Min	Max	Avg
L	16S	35E	01				22	40	80	60
L	16S	35E	02				8	50	70	62
L	16S	35E	03				14	40	65	58
L	16S	35E	04				6	58	62	60
L	16S	35E	05				1	60	60	60
L	16S	35E	06				6	38	65	59
L	16S	35E	07				3	60	68	65
L	16S	35E	08				10	50	65	57
L	16S	35E	09				11	50	72	56
L	16S	35E	10				8	50	60	58
L	16S	35E	11				13	45	70	55
L	16S	35E	12				3	45	48	47
L	16S	35E	13				4	44	53	49
L	16S	35E	15				7	49	60	56
L	16S	35E	16				2	60	60	60
L	16S	35E	17				4	62	105	84
L	16S	35E	18				2	78	78	78
L	16S	35E	20				1	60	60	60
L	16S	35E	22				1	65	65	65
L	16S	35E	24				10	34	130	57
L	16S	35E	25				6	42	84	54
L	16S	35E	26				7	33	70	55
L	16S	35E	28				1	60	60	60
L	16S	35E	30				1	70	70	70
L	16S	35E	31				2	70	75	73
L	16S	35E	32				1	71	71	71
L	16S	35E	35				2	45	45	45
L	16S	35E	36				2	50	55	53

Record Count: 158

SALT WELL CROSS SECTION

BRINE TO APPROVED
LINED OPEN PIT



WELLHEAD

FRESH WATER TO
SALT FORMATION

GL

35.80" 13 3/8" SURFACE CASING

CEMENT CIRCULATED FROM BOTTOM TO SURFACE

7" CASING

205' OGALLALA FORMATION

2-7/8" TUBING

9-7/8" HOLE

5 1/2" OPEN HOLE DRILLED

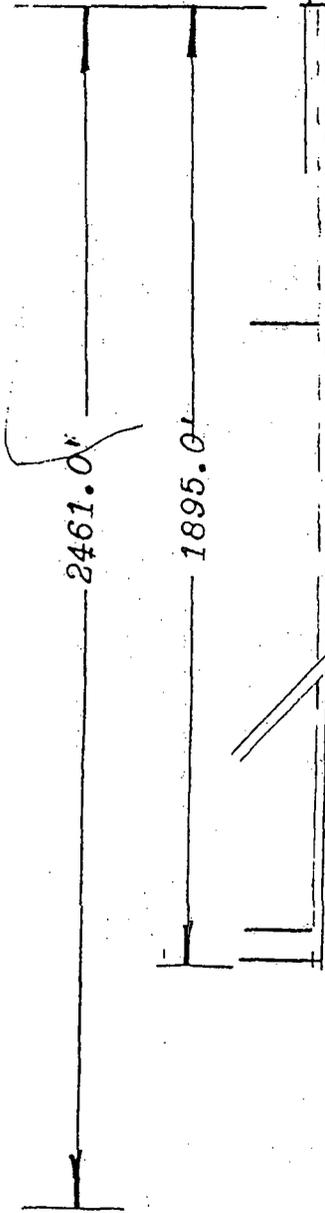
1690' TRIASSIC (RED BEDS)

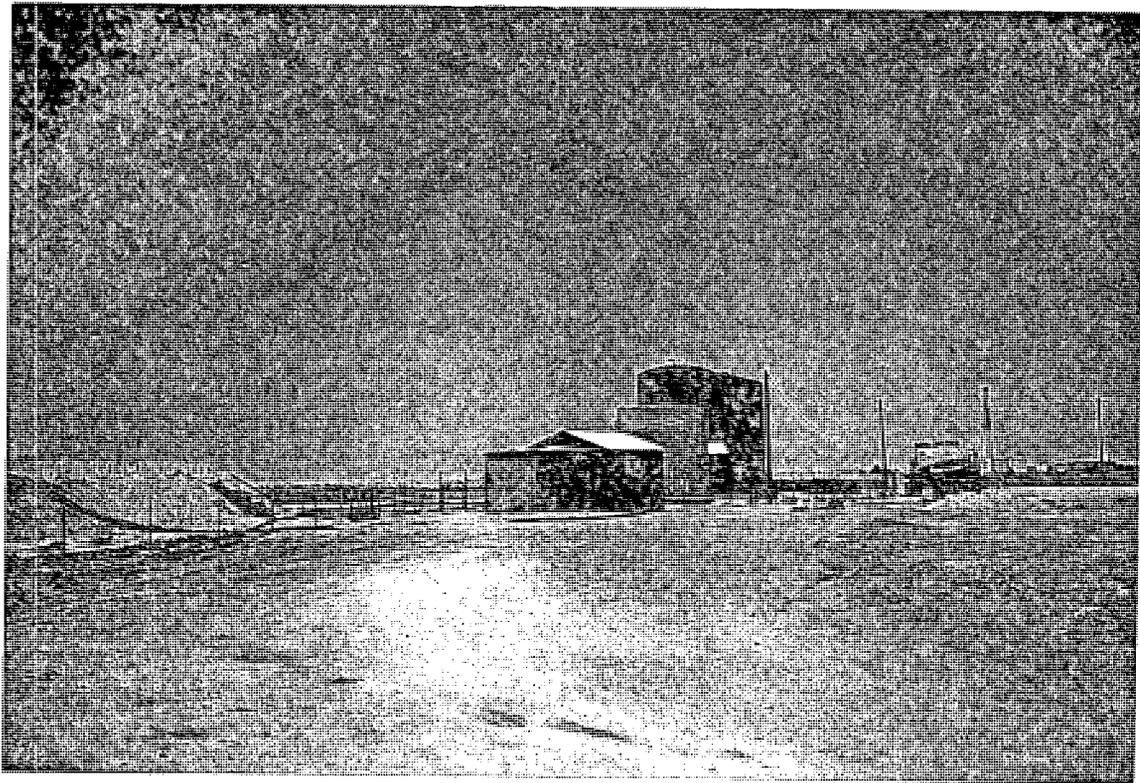
40' RUSTLER FORMATION

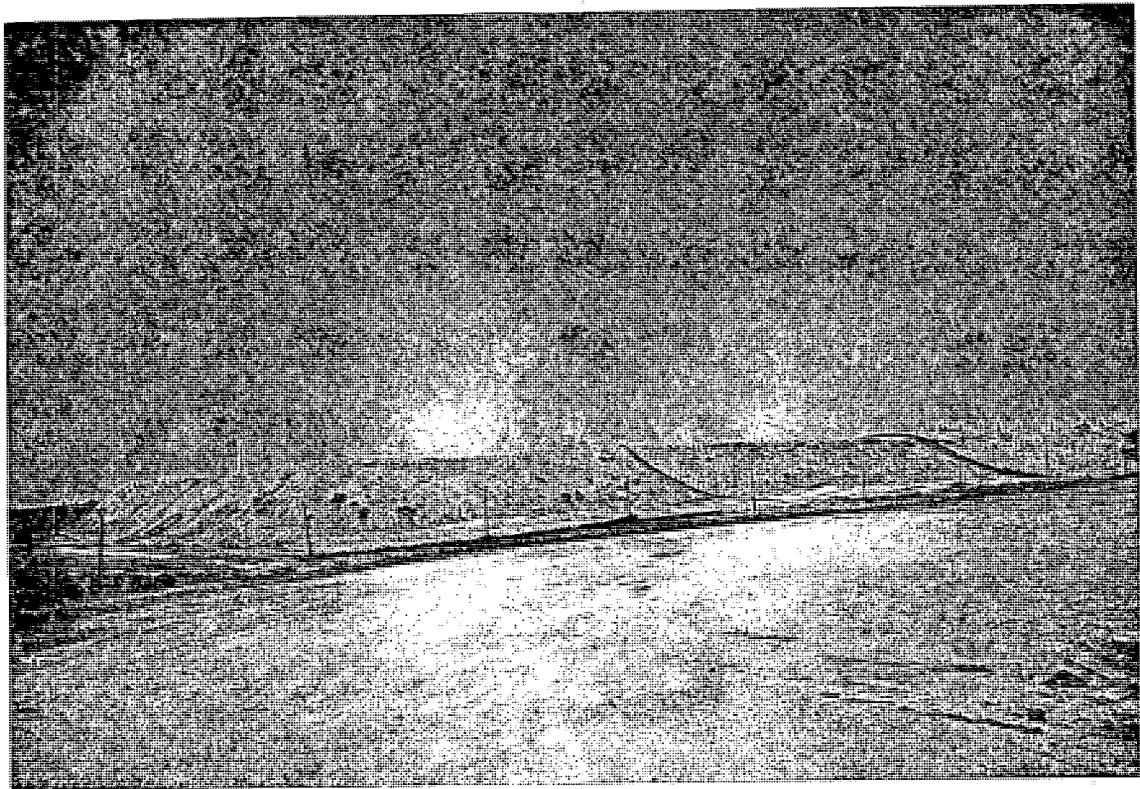
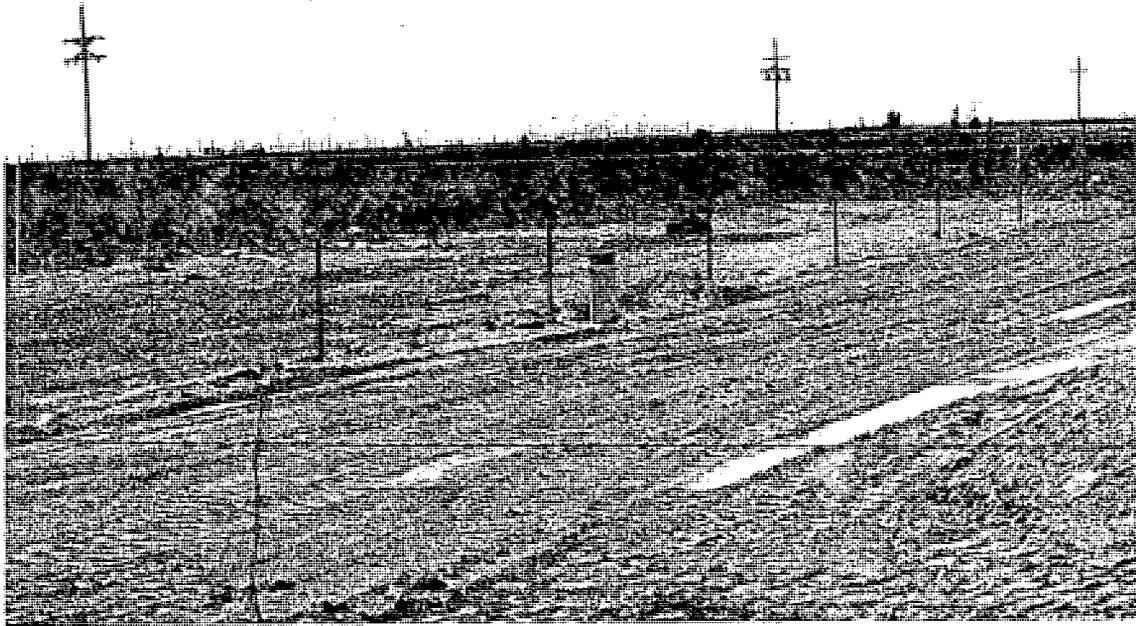
LOCATION:

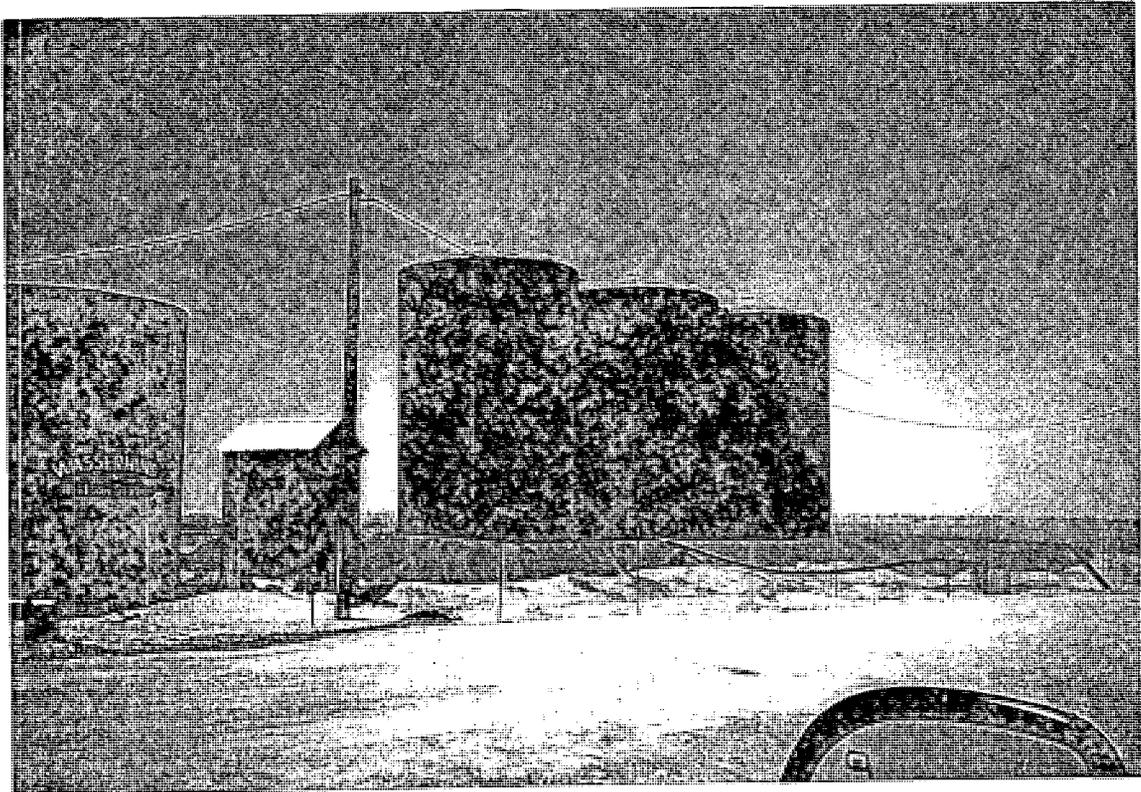
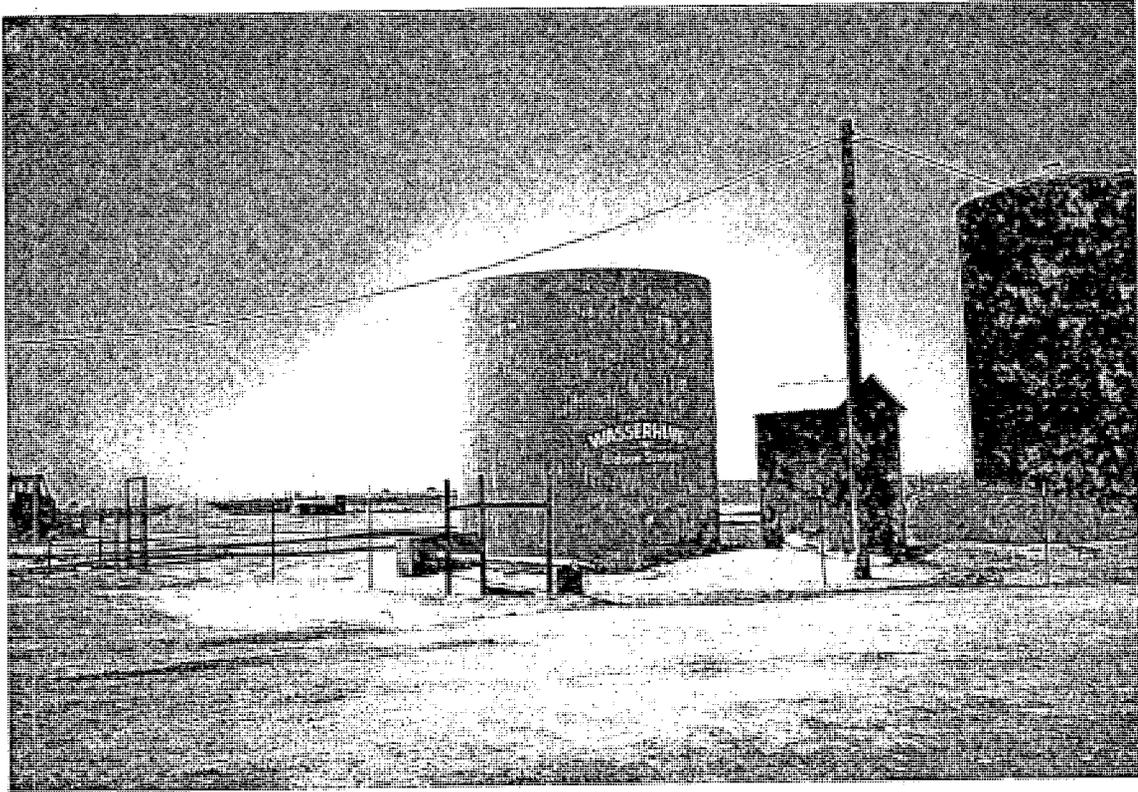
UNIT LETTER M, 567.4 FEET FROM THE
SOUTH LINE AND 161.7 FEET FROM THE
WEST LINE, SECTION 31, TOWNSHIP 16S,
RANGE 35E, LEA COUNTY

1100' SALADO (SALT) FORMATION









RECEIVED

2007 AUG 31 PM 2 13

August 29, 2007

NMOCD Environmental
ATTN: Carl J. Chavez
1220 South St. Francis Dr.
Santa Fe, NM 87505

RE: Gandy Corporation
Eidson State #1 Brine BW-004
Discharge Plan Information

Mr. Chavez:

Enclosed are the notices for advertisement and postal certified receipt.

If you should need additional information, please call.

Sincerely,



Eddie W. Seay, Agent
Eddie Seay Consulting
601 W. Illinois
Hobbs, NM 88242
(505)392-2236
seay04@leaco.net

cc: Gandy Corp.

UNITED STATES POSTAL SERVICE



First-Class Mail
Postage & Fees Paid
USPS
Permit No. G-10

- Sender: Please print your name, address, and ZIP+4 in this box •

EDDIE SEAY CONSULTING
601 W. Illinois
Hobbs, N.M. 88242



SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

State of N.M
 Land Office
 P.O. Box 1148
 Santa Fe, NM 87504-
 1148

2. Article Number

(Transfer from service label)

7005 1820 0004 7482 8046

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X *GF* Agent Addressee

B. Received by (Printed Name)

C. Date of Delivery

D. Is delivery address different from item 1? YesIf YES, enter delivery address below: No

AUG 22 2007

3. Service Type

 Certified Mail Express Mail Registered Return Receipt for Merchandise Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee)

 Yes

Affidavit of Publication

STATE OF NEW MEXICO)
) ss.
COUNTY OF LEA)

Joyce Clemens, being first duly sworn on oath deposes and says that she is Advertising Director of **THE LOVINGTON LEADER**, a daily newspaper of general paid circulation published in the English language at Lovington, Lea County, New Mexico; that said newspaper has been so published in such county continuously and uninterruptedly for a period in excess of Twenty-six (26) consecutive weeks next prior to the first publication of the notice hereto attached as hereinafter shown; and that said newspaper is in all things duly qualified to publish legal notices within the meaning of Chapter 167 of the 1937 Session Laws of the State of New Mexico.

That the notice which is hereto attached, entitled

Nota Publica

was published in a regular and entire issue of **THE LOVINGTON LEADER** and not in any supplement thereof, for one (1) day, beginning with the issue of August 18, 2007 and ending with the issue of August 18, 2007.

And that the cost of publishing said notice is the sum of \$111.96 which sum has been (Paid) as Court Costs.

Gina Fort for Joyce Clemens

Subscribed and sworn to before me this 22nd day of August 2007

Debbie Schilling

Debbie Schilling

Notary Public, Lea County, New Mexico

My Commission Expires June 22, 2010

NOTA PUBLICA

Advierta por la presente es dado que según de los Regulaciones de División de Conservación de Petróleo de Nuevo México, la renovación del siguiente propuso la descarga se han sometido para la aprobación a la División de la Conservación del Petróleo, Departamento Energía, Minerales y Recursos Naturales, 1220 S.St. Francis Dr., Santa Fe, Nuevo México 87505. Telefonos (505) 476-3440 o (505) 476-3487.

La Corporación de Gandy, PO Box 827, Tatum, Nuevo México 88267, se han sometido una aplicación de renovación del plan de la descarga para el pozo de salmuera "Eidson State #1 (API# 30-025-26883), localizó en el Camino del Estado 238 y aproximadamente 7 millas al oeste y 5 millas al sur de Lovington, Nuevo México. La facilidad se localiza en el SW/4 de SW/4 de la Sección 31 de Municipio 16 al sur, la Gama 35 al este, NMPM, Condado de Lea, Nuevo México. Esta facilidad almacenará temporalmente agua de salmuera y agua dulce para vender. Ningún otro líquido se almacenará en esta facilidad. El agua dulce se almacenará en un tanque almacenaje de 500 barriles para solamente agua dulce. El agua dulce se vendrá y/o desviado en el annulus del pozo Salmuera. El flujo de agua de salmuera retrocederá en la tubería y se almacenadara en tres tanques de almacenaje de 750 barriles. Un medios 475 barriles por día de agua de salmuera con un suma se disolvieron las concentración de sólidos de aproximadamente 333.600 mg/l es producida. El agua del suelo probablemente estará afectada por descargas ocurre en una profundidad de 75 pies en la Formacion de Ogallala.

Alguna persona interesada puede obtener información adicional de la División de la Conservación del Petróleo y puede someterse los comentaron y las declaraciones a Carl Chavez, Departamento de Energía, Minerales y Recursos Naturales, la División de la Conservación del Petróleo, 1220 S. St. Francis Dr., Santa Fe, Nuevo México 87505, MANDAN CORREO ELECTRONICO carlj.chavez@state.nm.us. Telefonos (505) 476-6440 o (505) 476-3487. También alguana persona interesada puede solicitar para ser colocada en una lista de envío para notas futuras con respecto a esta aplicación.

Published in the Lovington Leader August 18, 2007.

Journal of Publication

STATE OF NEW MEXICO)
) ss.
COUNTY OF LEA)

Joyce Clemens being first duly sworn on oath deposes and says that she is Advertising Director of **THE LOVINGTON LEADER**, a daily newspaper of general paid circulation published in the English language at Lovington, Lea County, New Mexico; that said newspaper has been so published in such county continuously and uninterruptedly for a period in excess of Twenty-six (26) consecutive weeks next prior to the first publication of the notice hereto attached as hereinafter shown; and that said newspaper is in all things duly qualified to publish legal notices within the meaning of Chapter 167 of the 1937 Session Laws of the State of New Mexico.

That the notice which is hereto attached, entitled

Public Notice

was published in a regular and entire issue of **THE LOVINGTON LEADER** and not in any supplement thereof, for one (1) day, beginning with the issue of August 18, 2007 and ending with the issue of August 18, 2007.

And that the cost of publishing said notice is the sum of \$ 111.96 which sum has been (Paid) as Court Costs.

Lina Fort for Joyce Clemens

Subscribed and sworn to before me this 22nd day of August 2007

Debbie Schilling
Debbie Schilling

Notary Public, Lea County, New Mexico

My Commission Expires June 22, 2010

PUBLIC NOTICE

Notice is hereby given that pursuant to New Mexico Oil Conservation Division Regulations, the following proposed discharge plan renewal has been submitted for approval to the Oil Conservation Division, Energy, Minerals & Natural Resources Dept., 1220 South St. Francis Dr., Santa Fe, New Mexico 87505. Telephone (505) 476-3440 or (505) 476-3487.

Gandy Corporation, PO Box 827, Tatum, New Mexico 88267, has submitted a discharge plan renewal application for brine supply well "Eidson State #1 (API# 30-025-26883), located on State Road 238 and approximately 7 miles west and 5 miles south of Lovington, New Mexico. The facility is located in the SW/4 of SW/4 of Section 31 of Township 16 South, Range 35 East, NMPM, Lea County, New Mexico. This facility will temporarily store for sale brine water and fresh water. No other fluids will be stored at this facility. The fresh water will be stored in a 500 barrel fresh water storage tank. Fresh water will be sold and/or diverted down the annulus of the brine well and brine water flows back up the tubing and stored in three 750 barrel brine storage tanks. An average of 475 barrels per day of brine water with a total dissolved solids (TDS) concentration of approximately 333,600 mg/l is produced. The ground water likely to be affected by discharges occur at a depth of 75 feet in the Ogallala Formation.

Any interested person may obtain further information from the Oil Conservation Division and may submit comments and statements to Carl Chavez, New Mexico Energy, Minerals & Natural Resources Dept., Oil Conservation Division, 1220 South St. Francis Dr., Santa Fe, New Mexico 87505, E-mail carlj.chavez@state.nm.us, Telephone (505) 476-3460 or (505) 476-3491. Also any interested person may request to be placed on a mailing list for future notices regarding this application.

Published in the Lovington Leader August 18, 2007.

RECEIVED

2007 SEP 6 AM 11 58

August 29, 2007

NMOCD Environmental
ATTN: Carl J. Chavez
1220 South St. Francis Dr.
Santa Fe, NM 87505

RE: Gandy Corporation
Eidson State #1 Brine BW-004
Discharge Plan Information

Mr. Chavez:

Enclosed are the notices for advertisement and postal certified receipt.

If you should need additional information, please call.

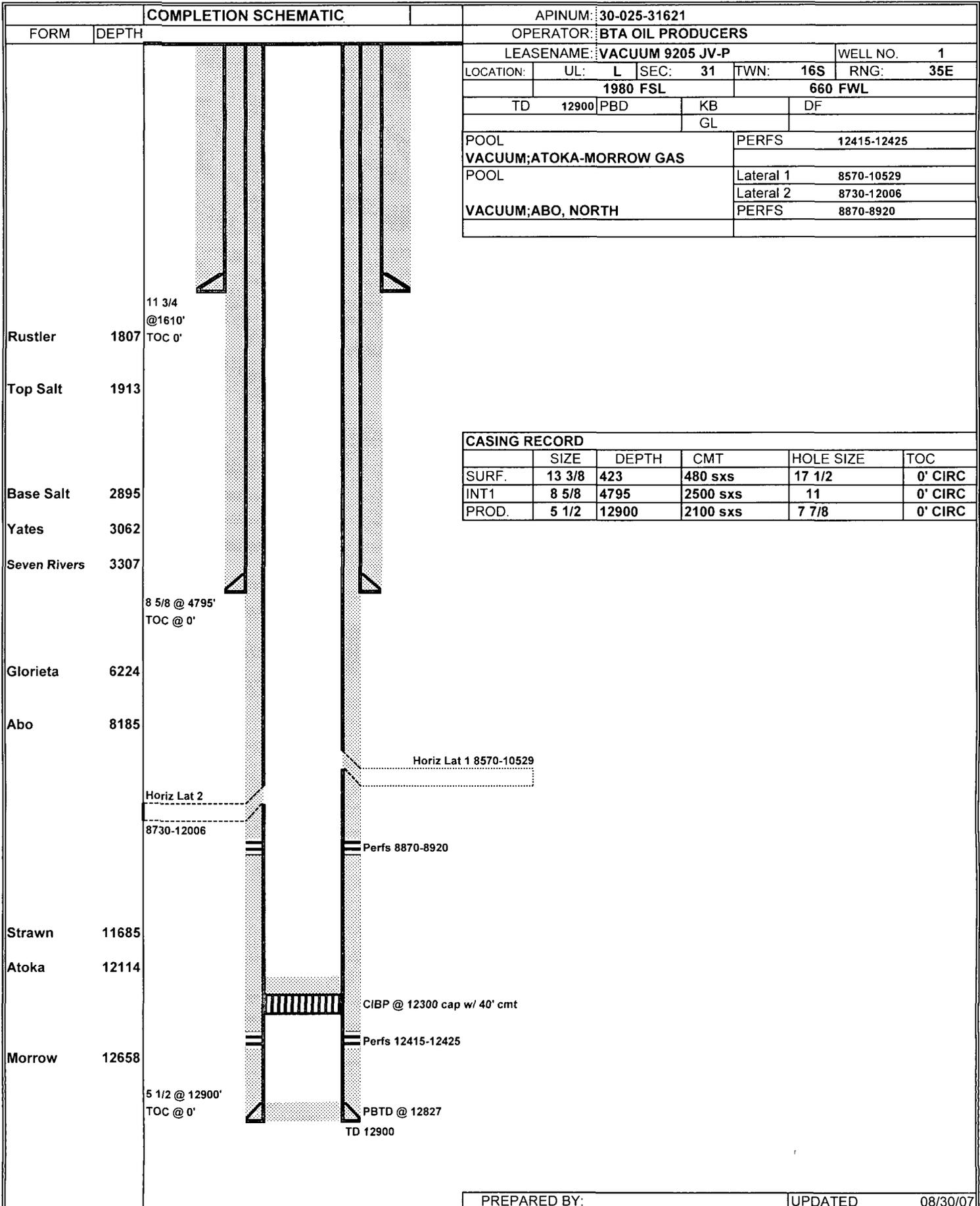
Sincerely,



Eddie W. Seay, Agent
Eddie Seay Consulting
601 W. Illinois
Hobbs, NM 88242
(505)392-2236
seay04@leaco.net

cc: Gandy Corp.

WELLBORE SCHEMATIC AND HISTORY



WELLBORE SCHEMATIC AND HISTORY

COMPLETION SCHEMATIC		APINUM: 30-025-37018																																																														
FORM	DEPTH	OPERATOR: SAGE ENERGY COMPANY																																																														
<div style="display: flex; flex-direction: column; align-items: center;"> <div style="margin-bottom: 20px;"> <p>13 3/8 @450' TOC 0'</p> </div> <div style="margin-bottom: 20px;"> <p>Rustler 1764</p> </div> <div style="margin-bottom: 20px;"> <p>Top Salt 1916</p> </div> <div style="margin-bottom: 20px;"> <p>Base Salt 2850</p> </div> <div style="margin-bottom: 20px;"> <p>Yates 3015</p> </div> <div style="margin-bottom: 20px;"> <p>Tubb 7505</p> </div> <div style="margin-bottom: 20px;"> <p>Drinkard 7595</p> </div> <div style="margin-bottom: 20px;"> <p>Abo 8518</p> </div> </div>	<p>8 5/8 @ 4063' TOC @ 0'</p>		<p>TOC 5 1/2 @ 4178 calc</p>																																																													
	<p>5 1/2 @ 8748' TOC @ 4178'</p>		<p>Horiz Lat 2 8721-10159</p>																																																													
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	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th colspan="6" style="text-align: left;">LEASENAME: NORTH VACUUM ABO NORTH UT</th> <th style="text-align: left;">WELL NO. 123</th> </tr> <tr> <td style="width: 15%;">LOCATION:</td> <td style="width: 10%;">UL: 0</td> <td style="width: 10%;">SEC: 36</td> <td style="width: 10%;">TWN: 16S</td> <td colspan="2" style="width: 10%;">RNG: 34E</td> </tr> <tr> <td colspan="3" style="text-align: center;">608 FSL</td> <td colspan="3" style="text-align: center;">1777 FEL</td> </tr> <tr> <td style="width: 15%;">TD</td> <td style="width: 10%;">8883</td> <td style="width: 10%;">PBD</td> <td style="width: 10%;">KB</td> <td colspan="2" style="width: 10%;">DF</td> </tr> <tr> <td colspan="3"></td> <td colspan="3" style="text-align: center;">GL</td> </tr> <tr> <td colspan="4" style="padding: 2px;">POOL</td> <td colspan="2" style="padding: 2px;">Lateral 1</td> <td style="padding: 2px;">8980-10502</td> </tr> <tr> <td colspan="4" style="padding: 2px;">VACUUM; ABO, NORTH</td> <td colspan="2" style="padding: 2px;">Lateral 2</td> <td style="padding: 2px;">8721-10159</td> </tr> <tr> <td colspan="4" style="padding: 2px;">POOL</td> <td colspan="2" style="padding: 2px;">PERFS</td> <td></td> </tr> <tr> <td colspan="4" style="padding: 2px;">POOL</td> <td colspan="2" style="padding: 2px;">PERFS</td> <td></td> </tr> </table>					LEASENAME: NORTH VACUUM ABO NORTH UT						WELL NO. 123	LOCATION:	UL: 0	SEC: 36	TWN: 16S	RNG: 34E		608 FSL			1777 FEL			TD	8883	PBD	KB	DF					GL			POOL				Lateral 1		8980-10502	VACUUM; ABO, NORTH				Lateral 2		8721-10159	POOL				PERFS			POOL				PERFS		
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<table style="width: 100%;"> <tr> <td style="width: 70%;">PREPARED BY:</td> <td style="width: 30%;">UPDATED</td> </tr> <tr> <td></td> <td style="text-align: right;">08/30/07</td> </tr> </table>					PREPARED BY:	UPDATED		08/30/07																																																								
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	08/30/07																																																															

WELLBORE SCHEMATIC AND HISTORY

COMPLETION SCHEMATIC		APINUM: 30-025-25146				
FORM	DEPTH	OPERATOR: SAGE ENERGY COMPANY				
		LEASENAME: NORTH VACUUM ABO NORTH UT		WELL NO. 1		
		LOCATION:	UL: P	SEC: 36	TWN: 16S	RNG: 34E
		460 FSL		660 FEL		
		TD 8980	PBD	KB	DF	
				GL		
		POOL VACUUM; ABO, NORTH		PERFS 8847-8898		
		POOL		PERFS		
		POOL		PERFS		
Rustler	1776	8 5/8 @ 1680' TOC 0'				
Top Salt	1900					
Base Salt	2840					
Yates	3027					
Seven Rivers	3314					
		Hole in csng @ 4920-4950 sqz w/ 150 sxs				
Glorieta	6218	TOC 4 1/2 @ 5252 calc				
Abo	8847	Perfs 8847-8898				
		4 1/2 @ 8980' TOC @ 5495'				
		TD 8980				

CASING RECORD					
	SIZE	DEPTH	CMT	HOLE SIZE	TOC
SURF.	8 5/8	1680	760 sxs	12 1/4	0' CIRC
PROD.	4 1/2	8980	800 sxs	7 7/8	5252 calc

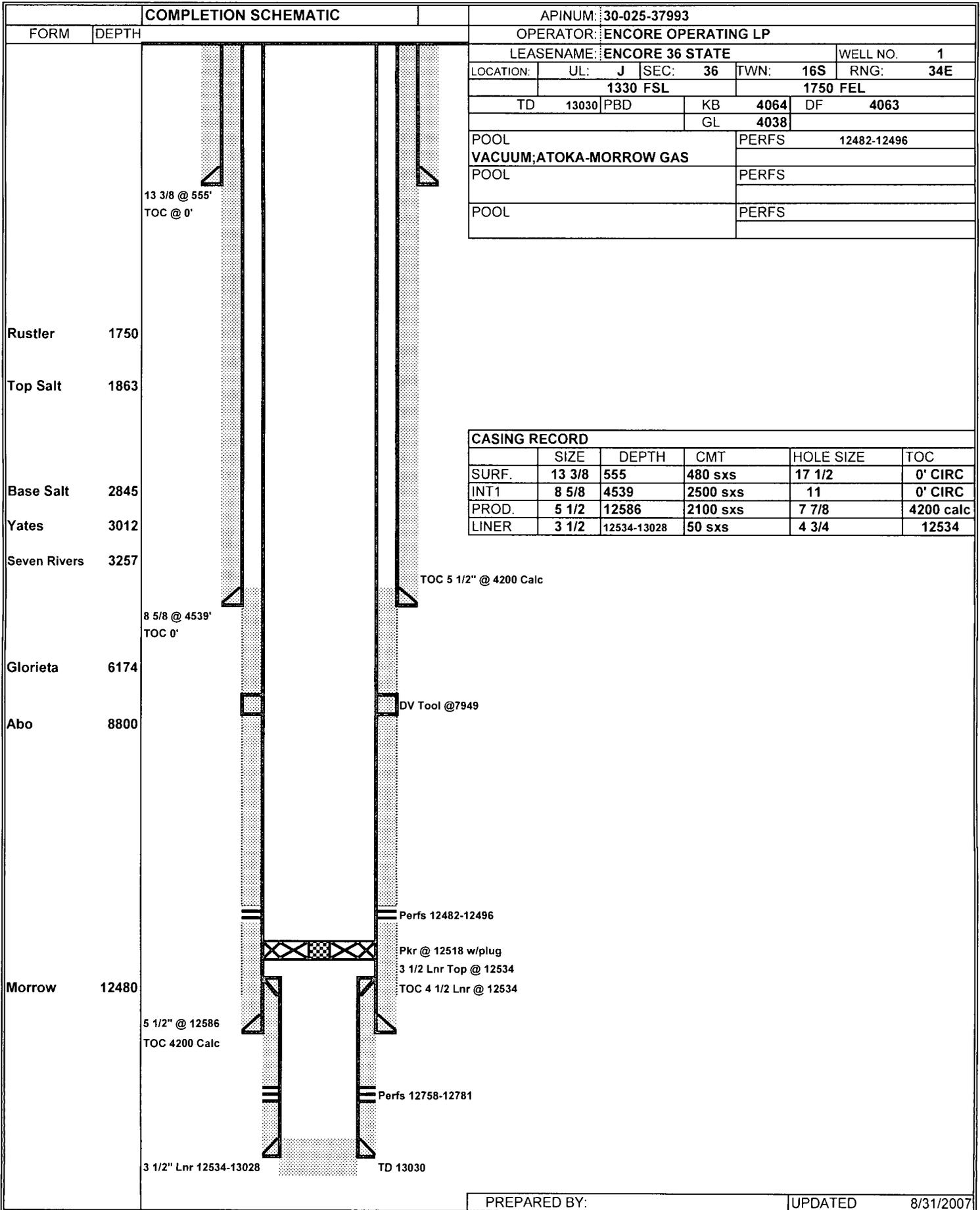
WELLBORE SCHEMATIC AND HISTORY

COMPLETION SCHEMATIC		APINUM: 30-025-25170				
FORM	DEPTH	OPERATOR: SAGE ENERGY COMPANY				
		LEASENAME: NORTH VACUUM ABO NORTH UT		WELL NO. 2		
		LOCATION:	UL: 0	SEC: 36	TWN: 16S	RNG: 34E
		460 FSL			1980 FEL	
		TD 8950	PBD	KB	DF	
			GL			
		POOL VACUUM; ABO, NORTH			PERFS 8818-8867	
		POOL			PERFS	
		POOL			PERFS	

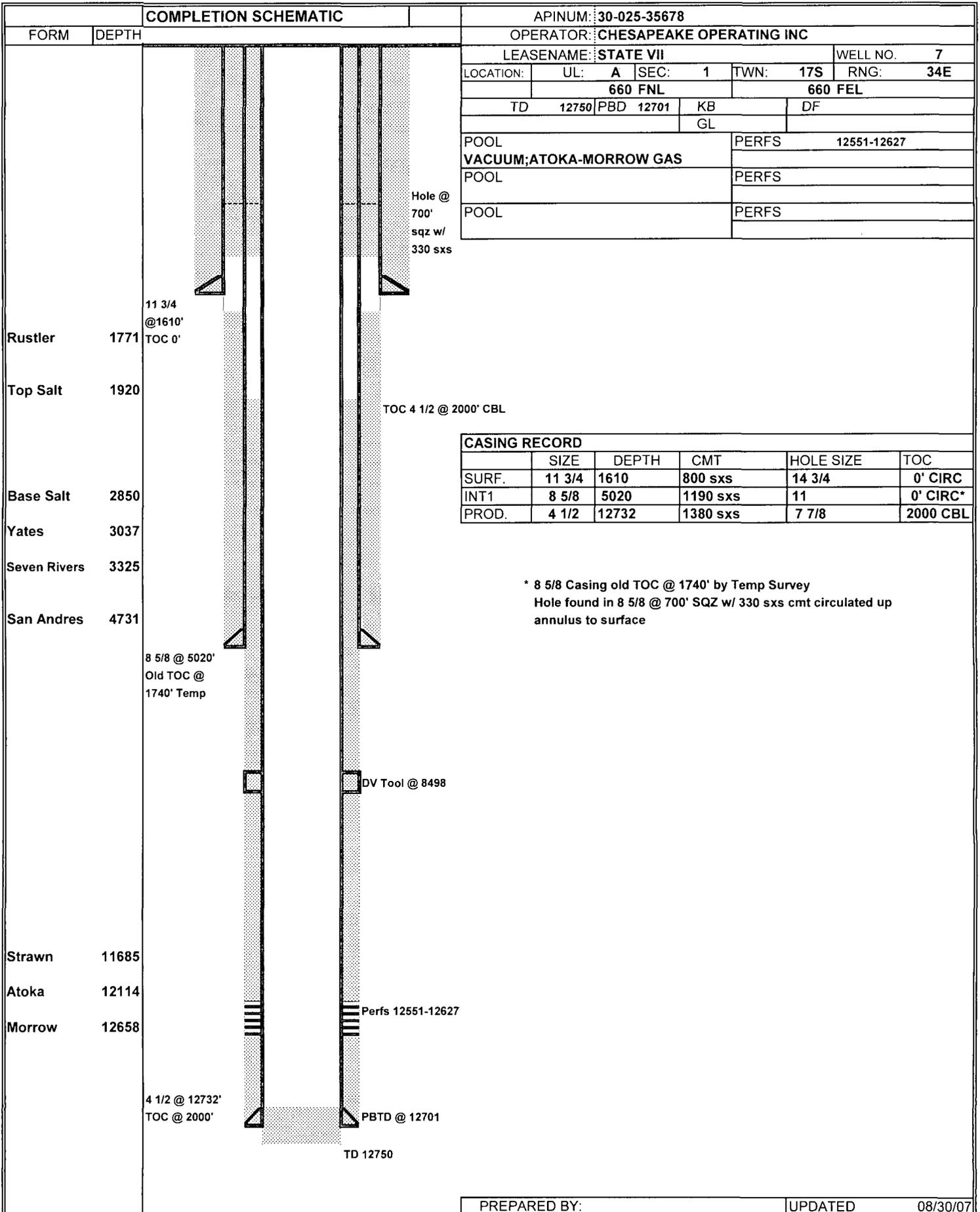
CASING RECORD					
	SIZE	DEPTH	CMT	HOLE SIZE	TOC
SURF.	8 5/8	1680	685 sxs	12 1/4	0' CIRC
PROD.	4 1/2	8950	750 sxs	7 7/8	3575 calc

FORMATION	DEPTH	TOC	PERFS
Rustler	1757	8 5/8 @ 1672' TOC 0'	
Top Salt	1880		
Base Salt	2820		
Yates	3010		
Seven Rivers	3297		
Glorieta	6198	TOC 4 1/2 @ 3575 calc	
Abo	8818		Perfs 8818-8867
		4 1/2 @ 8950' TOC @ 5879'	
			TD 8950

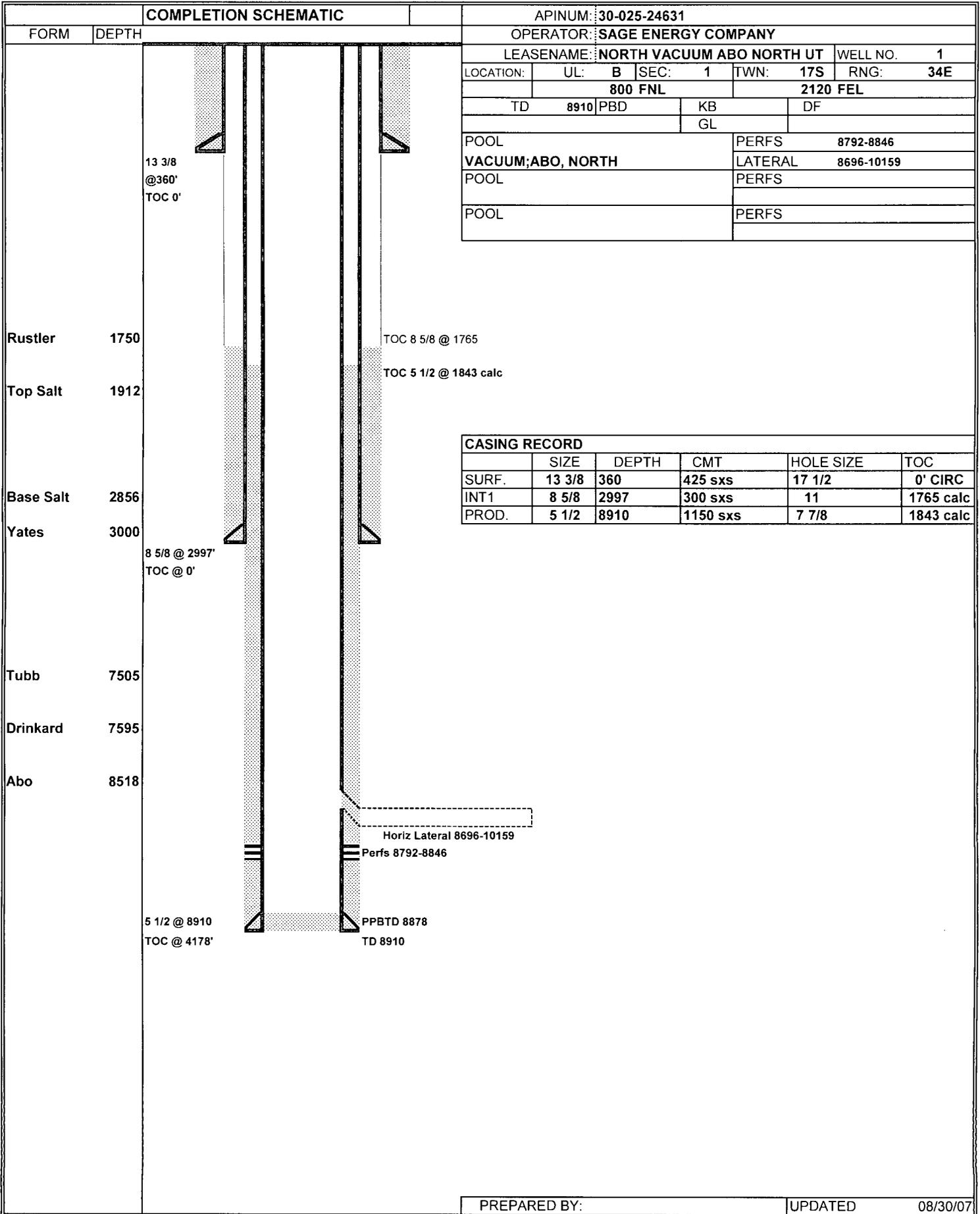
PROPOSED WELLBORE SCHEMATIC AND HISTORY



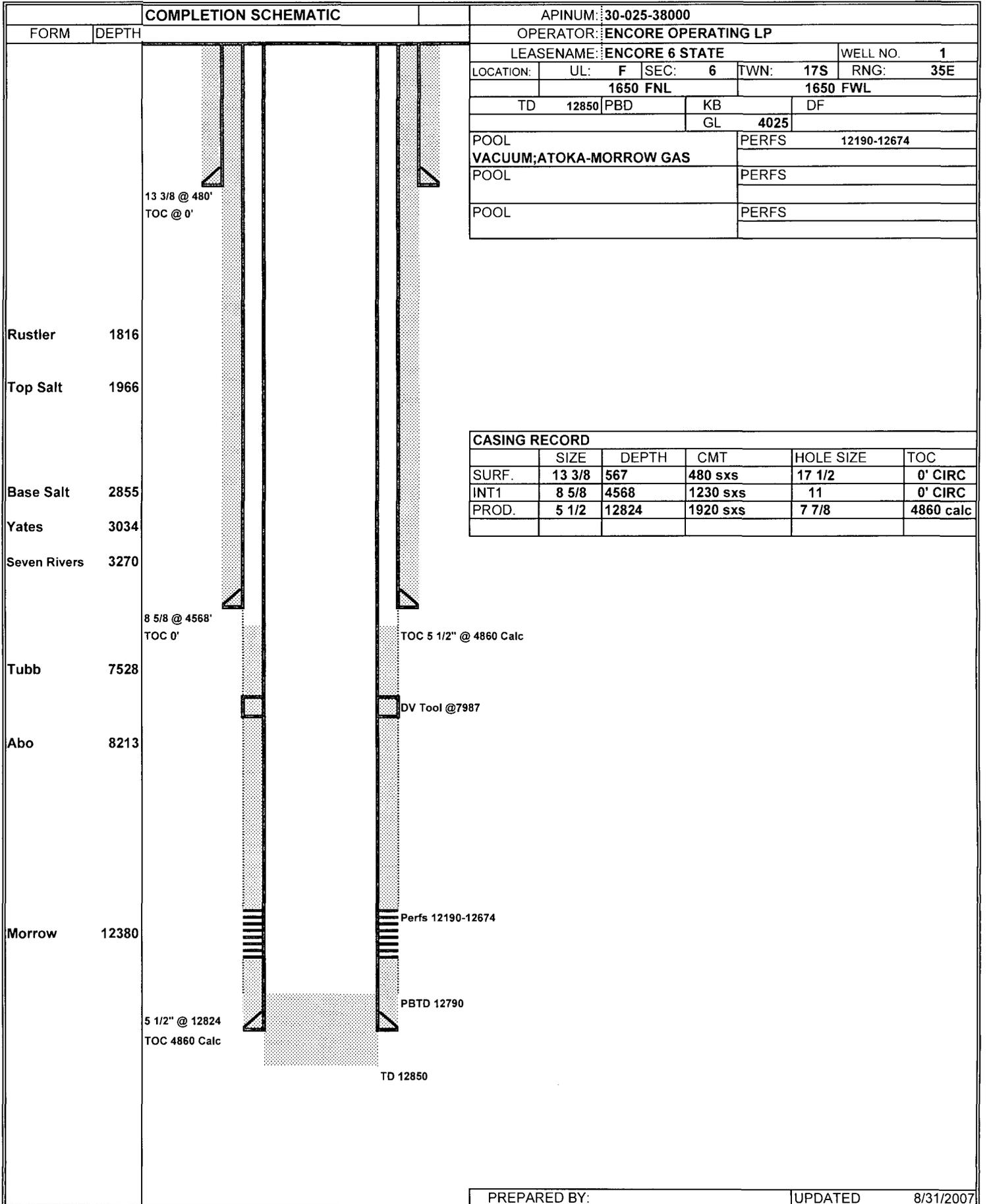
WELLBORE SCHEMATIC AND HISTORY



WELLBORE SCHEMATIC AND HISTORY



PROPOSED WELLBORE SCHEMATIC AND HISTORY



COMPLETION SCHEMATIC

FORM		DEPTH		APINUM: 30-025-38000	
				OPERATOR: ENCORE OPERATING LP	
				LEASENAME: ENCORE 6 STATE	
				WELL NO. 1	
LOCATION:		UL: F	SEC: 6	TWN: 17S	RNG: 35E
		1650 FNL		1650 FWL	
TD 12850		PBD	KB	DF	
		GL 4025			
POOL		VACUUM;ATOKA-MORROW GAS		PERFS	12190-12674
POOL				PERFS	
POOL				PERFS	

	SIZE	DEPTH	CMT	HOLE SIZE	TOC
SURF.	13 3/8	567	480 sxs	17 1/2	0' CIRC
INT1	8 5/8	4568	1230 sxs	11	0' CIRC
PROD.	5 1/2	12824	1920 sxs	7 7/8	4860 calc

Rustler 1816

Top Salt 1966

Base Salt 2855

Yates 3034

Seven Rivers 3270

Tubb 7528

Abo 8213

Morrow 12380

13 3/8 @ 480'
TOC @ 0'

8 5/8 @ 4568'
TOC 0'

5 1/2" @ 12824
TOC 4860 Calc

TOC 5 1/2" @ 4860 Calc

DV Tool @ 7987

Perfs 12190-12674

PBD 12790

TD 12850



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

January 24, 2008

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

Re: Discharge Permit Wasserhund Eidson State Well No. 1 Brine Well (BW-004) Renewal

Dear Mr. Gandy:

Pursuant to all applicable parts of the Water Quality Control Commission (WQCC) Regulations 20.6.2 NMAC and more specifically 20.6.2.3104 - 20.6.2.3999 discharge permit, and 20.6.2.5000-.5299 Underground Injection Control, the Oil Conservation Division (OCD) hereby approves the discharge permit and authorizes the operation and injection for the Wasserhund Eidson (**Owner/Operator**) brine well BW 004 (API# 30-025-26883) located in the SW/4, SW/4 of Section 31, Township 16 South, and Range 35 East, NMPM, Lea County, New Mexico, under the conditions specified in the enclosed **Attachment To The Discharge Permit**.

Enclosed are two copies of the conditions of approval. **Please sign and return one copy to the New Mexico Oil Conservation Division (OCD) Santa Fe Office within 30 working days of receipt of this Letter including permit fees.**

Please be advised that approval of this permit does not relieve the owner/operator of responsibility should operations result in pollution of surface water, ground water or the environment. Nor does approval of the permit relieve the owner/operator of its responsibility to comply with any other applicable governmental authority's rules and regulations.

If you have any questions, please contact Carl Chavez of my staff at (505-476-3491) or E-mail carlj.chavez@state.nm.us. On behalf of the staff of the OCD, I wish to thank you and your staff for your cooperation during this discharge permit review.

Sincerely,

Wayne Price
Environmental Bureau Chief

LWP/cc

Attachments-1

xc: OCD District Office

**ATTACHMENT TO THE DISCHARGE PERMIT
Wasserhund Eidson Brine Well (BW-004)
DISCHARGE PERMIT APPROVAL CONDITIONS**

January 24, 2008

Please remit a check for \$1700.00 made payable to Water Quality Management Fund:

**Water Quality Management Fund
C/o: Oil Conservation Division
1220 S. Saint Francis Drive
Santa Fe, New Mexico 87505**

- 1. Payment of Discharge Plan Fees:** All discharge permits are subject to WQCC Regulations. Every billable facility that submits a discharge permit application will be assessed a filing fee of \$100.00, plus a renewal flat fee (*see* WQCC Regulation 20.6.2.3114 NMAC). The Oil Conservation Division (“OCD”) has received the required \$100.00 filing fee. However, the owner/operator still owes the required \$1700.00 permit fee for a Class III Brine Well.
- 2. Permit Expiration and Renewal:** Pursuant to WQCC Regulation 20.6.2.3109.H.4 NMAC, this permit is valid for a period of five years. **The permit will expire on June 11, 2011** and an application for renewal should be submitted no later than 120 days before that expiration date. Pursuant to WQCC Regulation 20.6.2.3106.F NMAC, if a discharger submits a discharge permit renewal application at least 120 days before the discharge permit expires and is in compliance with the approved permit, then the existing discharge permit will not expire until the application for renewal has been approved or disapproved. *Expired permits are a violation of the Water Quality Act {Chapter 74, Article 6, NMSA1978} and civil penalties may be assessed accordingly.*
- 3. Permit Terms and Conditions:** Pursuant to WQCC Regulation 20.6.2.3104 NMAC, when a permit has been issued, the owner/operator must ensure that all discharges shall be consistent with the terms and conditions of the permit. In addition, all facilities shall abide by the applicable rules and regulations administered by the OCD pursuant to the Oil and Gas Act, NMSA 1978, Sections 70-2-1 through 70-2-38.
- 4. Owner/Operator Commitments:** The owner/operator shall abide by all commitments submitted in its August 2, 2006 discharge permit application, including attachments and subsequent amendments and these conditions for approval. Permit applications that reference previously approved plans on file with the division shall be incorporated in this permit and the owner/operator shall abide by all previous commitments of such plans and these conditions for approval.
- 5. Modifications:** WQCC Regulation 20.6.2.3107.C, 20.6.2.3109 and 20.6.2.5101.I NMAC addresses possible future modifications of a permit. The owner/operator (discharger) shall notify

the OCD of any facility expansion, production increase or process modification that would result in any significant modification in the discharge of water contaminants. The Division Director may require a permit modification if any water quality standard specified at 20.6.2.3103 NMAC is being or will be exceeded, or if a toxic pollutant as defined in WQCC Regulation 20.6.2.7 NMAC is present in ground water at any place of withdrawal for present or reasonably foreseeable future use, or that the Water Quality Standards for Interstate and Intrastate streams as specified in 20.6.4 NMAC are being or may be violated in surface water in New Mexico.

6. Waste Disposal and Storage: The owner/operator shall dispose of all wastes at an OCD-approved facility. Only oil field RCRA-exempt wastes may be disposed of by injection in a Class II well. RCRA non-hazardous, non-exempt oil field wastes may be disposed of at an OCD-approved facility upon proper waste determination pursuant to 40 CFR Part 261. Any waste stream that is not listed in the discharge permit application must be approved by the OCD on a case-by-case basis.

A. OCD Rule 712 Waste: Pursuant to OCD Rule 712 (19.15.9.712 NMAC) disposal of certain non-domestic waste without notification to the OCD is allowed at NMED permitted solid waste facilities if the waste stream has been identified in the discharge permit and existing process knowledge of the waste stream does not change.

B. Waste Storage: The owner/operator shall store all waste in an impermeable bermed area, except waste generated during emergency response operations for up to 72 hours. All waste storage areas shall be identified in the discharge permit application. Any waste storage area not identified in the permit shall be approved on a case-by-case basis only. The owner/operator shall not store oil field waste on-site for more than 180 days unless approved by the OCD.

7. Drum Storage: The owner/operator must store all drums, including empty drums, containing materials other than fresh water on an impermeable pad with curbing. The owner/operator must store empty drums on their sides with the bungs in place and lined up on a horizontal plane. The owner/operator must store chemicals in other containers, such as tote tanks, sacks, or buckets on an impermeable pad with curbing.

8. Process, Maintenance and Yard Areas: The owner/operator shall either pave and curb or have some type of spill collection device incorporated into the design at all process, maintenance, and yard areas which show evidence that water contaminants from releases, leaks and spills have reached the ground surface.

9. Above Ground Tanks: The owner/operator shall ensure that all aboveground tanks have impermeable secondary containment (e.g., liners and berms), which will contain a volume of at least one-third greater than the total volume of the largest tank or all interconnected tanks. The owner/operator shall retrofit all existing tanks before discharge permit renewal. Tanks that contain fresh water or fluids that are gases at atmospheric temperature and pressure are exempt from this condition.

10. Labeling: The owner/operator shall clearly label all tanks, drums, and containers to identify their contents and other emergency notification information. The owner/operator may use a tank code numbering system, which is incorporated into their emergency response plans.

11. Below-Grade Tanks/Sumps and Pits/Ponds.

A. All below-grade tanks and sumps must be approved by the OCD prior to installation and must incorporate secondary containment with leak detection into the design. The owner/operator shall retrofit all existing systems without secondary containment and leak detection before discharge permit renewal. All existing below-grade tanks and sumps without secondary containment and leak detection must be tested annually or as specified herein. Systems that have secondary containment with leak detection shall have a monthly inspection of the leak detection system to determine if the primary containment is leaking. Small sumps or depressions in secondary containment systems used to facilitate fluid removal are exempt from these requirements if fluids are removed within 72 hours.

B. All pits and ponds, including modifications and retrofits, shall be designed by a certified registered professional engineer and approved by the OCD prior to installation. In general, all pits or ponds shall have approved hydrologic and geologic reports, location, foundation, liners, and secondary containment with leak detection, monitoring and closure plans. All pits or ponds shall be designed, constructed and operated so as to contain liquids and solids in a manner that will protect fresh water, public health, safety and the environment for the foreseeable future. The owner/operator shall retrofit all existing systems without secondary containment and leak detection before discharge permit renewal.

C. The owner/operator shall ensure that all exposed pits, including lined pits and open top tanks (8 feet in diameter or larger) shall be fenced, screened, netted, or otherwise rendered non-hazardous to wildlife, including migratory birds.

D. The owner/operator shall maintain the results of tests and inspections at the facility covered by this discharge permit and available for OCD inspection. The owner/operator shall report the discovery of any system which is found to be leaking or has lost integrity to the OCD within 15 days. The owner/operator may propose various methods for testing such as pressure testing to 3 pounds per square inch greater than normal operating pressure and/or visual inspection of cleaned tanks and/or sumps, or other OCD-approved methods. The owner/operator shall notify the OCD at least 72 hours prior to all testing.

12. Underground Process/Wastewater Lines:

A. The owner/operator shall test all underground process/wastewater pipelines at least once every five (5) years to demonstrate their mechanical integrity, except lines containing fresh water or fluids that are gases at atmospheric temperature and pressure. Pressure rated pipe shall be tested by pressuring up to one and one-half times the normal operating pressure, if possible, or for

atmospheric drain systems, to 3 pounds per square inch greater than normal operating pressure, and pressure held for a minimum of 30 minutes with no more than a 1% loss/gain in pressure. The owner/operator may use other methods for testing if approved by the OCD.

B. The owner/operator shall maintain underground process and wastewater pipeline schematic diagrams or plans showing all drains, vents, risers, valves, underground piping, pipe type, rating, size, and approximate location. All new underground piping must be approved by the OCD prior to installation. The owner/operator shall report any leaks or loss of integrity to the OCD within 15 days of discovery. The owner/operator shall maintain the results of all tests at the facility covered by this discharge permit and they shall be available for OCD inspection. The owner/operator shall notify the OCD at least 72 hours prior to all testing.

13. Class V Wells: The owner/operator shall close all Class V wells (e.g., septic systems, leach fields, dry wells, etc.) that inject non-hazardous industrial wastes or a mixture of industrial wastes and domestic wastes unless it can be demonstrated that ground water will not be impacted in the reasonably foreseeable future. Leach fields and other wastewater disposal systems at OCD-regulated facilities that inject non-hazardous fluid into or above an underground source of drinking water are considered Class V injection wells under the EPA UIC program. Class V wells that inject domestic waste only, must be permitted by the New Mexico Environment Department (NMED).

14. Housekeeping: The owner/operator shall inspect all systems designed for spill collection/prevention and leak detection at least monthly to ensure proper operation and to prevent over topping or system failure. All spill collection and/or secondary containment devices shall be emptied of fluids within 72 hours of discovery. The owner/operator shall maintain all records at the facility and available for OCD inspection.

15. Spill Reporting: The owner/operator shall report all unauthorized discharges, spills, leaks and releases and conduct corrective action pursuant to WQCC Regulation 20.5.12.1203 NMAC and OCD Rule 116 (19.15.3.116 NMAC). The owner/operator shall notify both the OCD District Office and the Santa Fe Office within 24 hours and file a written report within 15 days.

16. OCD Inspections: The OCD may place additional requirements on the facility and modify the permit conditions based on OCD inspections.

17. Storm Water: The owner/operator shall implement and maintain run-on and runoff plans and controls. The owner/operator shall not discharge any water contaminant that exceeds the WQCC standards specified in 20.6.2.3101 NMAC or 20.6.4 NMAC (Water Quality Standards for Interstate and Intrastate Streams) including any oil sheen in any storm water run-off. The owner/operator shall notify the OCD within 24 hours of discovery of any releases and shall take immediate corrective action(s) to stop the discharge.

18. Unauthorized Discharges: The owner/operator shall not allow or cause water pollution, discharge or release of any water contaminant that exceeds the WQCC standards listed in

20.6.2.3101 NMAC or 20.6.4 NMAC (Water Quality Standards for Interstate and Intrastate Streams) unless specifically listed in the permit application and approved herein. **An unauthorized discharge is a violation of this permit.**

19. **Vadose Zone and Water Pollution:** The owner/operator shall address any contamination through the discharge permit process or pursuant to WQCC 20.6.2.4000-.4116 NMAC (Prevention and Abatement of Water Pollution). The OCD may require the owner/operator to modify its permit for investigation, remediation, abatement, and monitoring requirements for any vadose zone or water pollution. Failure to perform any required investigation, remediation, abatement and submit subsequent reports will be a violation of the permit.

20. **Additional Site Specific Conditions:** N/A

21. **Brine Well(s) Identification, Operation, Monitoring, Bonding and Reporting.**

A. Well Identification: API # 30-025-26883

B. Well Work Over Operations: OCD approval will be obtained prior to performing remedial work, pressure test or any other work. Approval will be requested on OCD Form C-103 "Sundry Notices and Reports on Wells" (OCD Rule 1103.A.) with appropriate copies sent to the OCD Environmental Bureau and District Office.

C. Production Method: Fresh water will be injected down the casing and brine shall be recovered up the tubing. Reverse flow will be allowed only once a month for up to 24 hours for clean out. Operators may request long term reverse operation if they can demonstrate that additional casing and monitoring systems are installed and approved by OCD. Operating in the reverse mode for more than 24 hours unless approved otherwise is a violation of this permit.

D. Well Pressure Limits: **The maximum operating surface injection and/or test pressure measured at the wellhead shall not exceed 375 psig unless otherwise approved by the OCD.** The operator shall have a working pressure limiting device or controls to prevent overpressure. Any pressure that causes new fractures or propagate existing fractures or causes damage to the system shall be reported to OCD within 24 hours of discovery.

E. Mechanical Integrity Testing: Conduct an annual open to formation pressure test by pressuring up the formation with approved fluids or gas to a minimum of 300 psig measured on the surface casing for four hours. However, no operator may exceed test pressures that may cause formation fracturing (see item 21.D above) or system failures. Systems requiring test pressures less than 300 psig must be approved by OCD prior to testing. At least once every five years and during well work-overs the salt cavern formation will be isolated from the casing/tubing annuals and the casing

pressure tested at 300 psig for 30 minutes. All pressure tests must be performed per the scheduled shown below and witnessed by OCD unless otherwise approved.

Testing Schedule:

2007- 30 minute @ 300 psig casing test only (set packer to isolate formation)
2008- 4 hour @ 300 psig casing open to formation test
2009- 4 hour @ 300 psig casing open to formation test
2010- 4 hour @ 300 psig casing open to formation test
2011- 4 hour @ 300 psig casing open to formation test

- F. Capacity/ Cavity Configuration and Subsidence Survey: The operator shall provide information on the size and extent of the solution cavern and geologic/engineering data demonstrating that continued brine extraction will not cause surface subsidence, collapse or damage to property, or become a threat to public health and the environment. This information shall be supplied in each annual report. OCD may require the operator to perform additional well surveys, test, and install subsidence monitoring in order to demonstrate the integrity of the system. If the operator cannot demonstrate the integrity of the system to the satisfaction of the Division then the operator may be required to shut-down, close the site and properly plug and abandoned the well.

Any subsidence must be reported within 24 hours of discovery.

- G. Production/Injection Volumes: The volumes of fluids injected (fresh water) and produced (brine) will be recorded monthly and submitted to the OCD Santa Fe Office in the annual report.
- H. Analysis of Injection Fluid and Brine: Provide an analysis of the injection fluid and brine with each annual report. Analysis will be for General Chemistry (method 40 CFR 136.3) using EPA methods.
- I. Area of Review (AOR): The operator shall report within 24 hours of discovery of any new wells, conduits, or any other device that penetrates or may penetrate the injection zone within ¼ mile from the brine well.
- J. Loss of Mechanical Integrity: The operator shall report within 24 hours of discovery of any failure of the casing, tubing or packer, or movement of fluids outside of the injection zone. The operator shall cease operations until proper repairs are made and the operator receives OCD approval to re-start injection operations.
- K. Bonding or Financial Assurance: The operator shall maintain at a minimum, a one well plugging bond in the amount of \$50,000.00 to restore the site, plug and abandon

the well by January 1, 2008, pursuant to OCD rules and regulations. If warranted, OCD may require additional financial assurance.

L. Annual Report: All operators shall submit an annual report due on January 31 of each year. The report shall include the following information:

1. Cover sheet marked as "Annual Brine Well Report, name of operator, BW permit #, API# of well(s), date of report, and person submitting report.
2. Brief summary of brine wells operations including description and reason for any remedial or major work on the well. Copy of C-103.
3. Production volumes as required above in 21.G. including a running total should be carried over to each year. The maximum and average injection pressure.
4. A copy of the chemical analysis as required above in 21.H.
5. A copy of any mechanical integrity test chart, including the type of test, i.e. open to formation or casing test.
6. Brief explanation describing deviations from normal production methods.
7. A copy of any leaks and spills reports.
8. If applicable, results of any groundwater monitoring.
9. Information required from cavity/subsidence 21.F. above.
10. An Area of Review (AOR) summary.
11. Sign-off requirements pursuant to WQCC Subsection G 20.6.2.5101.

22. Transfer of Discharge Permit: Pursuant to WQCC 20.6.2.5101.H the owner/operator and new owner/operator shall provide written notice of any transfer of the permit. Both parties shall sign the notice 30 days prior to any transfer of ownership, control or possession of a facility with an approved discharge permit. In addition, the purchaser shall include a written commitment to comply with the terms and conditions of the previously approved discharge permit. OCD will not transfer brine well operations until proper bonding or financial assurance is in place and approved by the division. OCD reserves the right to require a modification of the permit during transfer.

23. Closure: The owner/operator shall notify the OCD when operations of the facility are to be discontinued for a period in excess of six months. Prior to closure of the facility, the operator shall submit for OCD approval, a closure plan including a completed C-103 form for plugging and abandonment of the well(s). Closure and waste disposal shall be in accordance with the statutes, rules and regulations in effect at the time of closure.

24. Certification: Gandy Corporation (Owner/Operator), by the officer whose signature appears below, accepts this permit and agrees to comply with all submitted commitments, including these terms and conditions contained here. **Owner/Operator** further acknowledges that the OCD may, for good cause shown, as necessary to protect fresh water, public health, safety, and the environment, change the conditions and requirements of this permit administratively.

Mr. Larry Gandy
Eidson State Well No. 1 (BW-004)
January 24, 2008
Page 9 of 9

Conditions accepted by: "I certify under penalty of law that I have personally examined and am familiar with the information submitted in this document and all attachments and that, based on my inquiry of those individuals immediately responsible for obtaining the information, I believe that the information is true, accurate, and complete. I am aware that there are significant penalties for submitting false information including the possibility of fine and imprisonment."

Company Name-print name above

Company Representative- print name

Company Representative- signature

Title _____

Date: _____



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

August 8, 2007

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

**Re: Discharge Plan Renewal of Permit (BW-004)
Gandy Corporation
Class III Brine Well
Eidson State Well No. 001, API No. 30-025-26883
567 FSL and 162 FWL UL: M Section 31, T 16 S, R 35 E
Lea County, New Mexico**

Dear Mr. Gandy:

The New Mexico Oil Conservation Division (NMOCD) has received Gandy Corporation's renewal application for the "Eugenie Well No. 1" brine well to inject fresh water and extract 10 pound brine water from the Salado Formation at a daily rate of 200 barrels per day and at a maximum injection pressure of 238 psig. The Class III brine well is located approximately 2 miles southeast of Tower Road (CR-172) on Priscilla Road (CR-157) near the intersection of CR-157 and CR-159. The initial and subsequent submittals provided the required information in order to deem the renewal application "administratively" complete.

Therefore, the New Mexico Water Quality Control Commission regulations (WQCC) notice requirements of 20.6.2.3108 NMAC must be satisfied and demonstrated to the NMOCD. NMOCD will provide public notice pursuant to the WQCC notice requirements of 20.6.2.3108 NMAC to determine if there is any public interest.

Please contact me at (505) 476-3491 or carlj.chavez@state.nm.us if you have questions. Thank you for your cooperation during this discharge permit review.

Sincerely,

A handwritten signature in cursive script, appearing to read "Carl J. Chavez".

Carl J. Chavez
Environmental Engineer

CJC/cjc

xc: OCD District Office

NOTICE OF PUBLICATION

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

Notice is hereby given that pursuant to New Mexico Water Quality Control Commission Regulations (20.6.2.3106 NMAC), the following discharge permit application(s) has been submitted to the Director of the New Mexico Oil Conservation Division ("NMOCD"), 1220 S. Saint Francis Drive, Santa Fe, New Mexico 87505, Telephone (505) 476-3440:

(BW-004) Gandy Corporation Mr. Larry Gandy, P.O. Box 827, Tatum, New Mexico 88267, has submitted an application for the renewal of a discharge plan for the brine well "Eidson State No. 1," (API# 30-025-26883) located in the SW/4, SW/4 of Section 31, Township 16 South, Range 35 East, NMPM, Lea County, New Mexico. The brine extraction well is located approximately 2 miles east of Tower Road (CR. 172) on Priscilla Road (CR. 157) near the intersection of CRs 157 and 159. An average of 475 barrels per day of brine water with a total dissolved solids (TDS) concentration of approximately 333,600 mg/L is produced for use in the oil industry. Groundwater most likely to be affected by a spill, leak, or accidental discharge to the surface is at a depth of approximately 75 feet with a TDS of approximately 445 mg/L. The discharge plan addresses well construction, operation, monitoring of the well, associated surface facilities, and provides a contingency plan in the event of accidental spills, leaks and other accidental discharges in order to protect fresh water.

Fresh water will be injected through the outer casing into the Salado Formation at a maximum injection depth of 1895 ft. below ground surface at a maximum allowable injection pressure of 1420 psig. Brine water will be extracted upward through the tubing at a depth of 2461 ft. below ground surface.

The NMOCD has determined that the application is administratively complete and has prepared a draft permit. The NMOCD will accept comments and statements of interest regarding this application and will create a facility-specific mailing list for persons who wish to receive future notices. Persons interested in obtaining further information, submitting comments or requesting to be on a facility-specific mailing list for future notices may contact the Environmental Bureau Chief of the Oil Conservation Division at the address given above. The administrative completeness determination and draft permit may be viewed at the above address between 8:00 a.m. and 4:00 p.m., Monday through Friday, or may also be viewed at the NMOCD web site <http://www.emnrd.state.nm.us/ocd/>. Persons interested in obtaining a copy of the application and draft permit may contact the NMOCD at the address given above. Prior to ruling on any proposed discharge permit or major modification, the Director shall allow a period of at least thirty (30) days after the date of publication of this notice, during which interested persons may submit comments or request that NMOCD hold a public hearing. Requests for a public hearing shall set forth the reasons why a hearing should be held. A hearing will be held if the Director determines that there is significant public interest.

If no public hearing is held, the Director will approve or disapprove the proposed permit based on information available, including all comments received. If a public hearing is held, the director will approve or disapprove the proposed permit based on information in the permit application and information submitted at the hearing.

Para obtener más información sobre esta solicitud en español, sírvase comunicarse por favor: New Mexico Energy, Minerals and Natural Resources Department (Depto. Del Energia, Minerals y Recursos Naturales de Nuevo México), Oil Conservation Division (Depto. Conservación Del Petróleo), 1220 South St. Francis Drive,

Santa Fe, New México (Contacto: Dorothy Phillips, 505-476-3461)

GIVEN under the Seal of New Mexico Oil Conservation Commission at Santa Fe, New Mexico, on this 8th day of August 2007.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

S E A L

Mark Fesmire, Director

Price, Wayne

From: Price, Wayne
Sent: Tuesday, October 26, 2004 4:24 PM
To: Larry Gandy (E-mail); Mike Griffin (E-mail)
Cc: Sheeley, Paul
Subject: Edison Brine Station BW-04

The OCD is in receipt of the October 20, 2004 letter requesting approval of the minor modification to replace the brine pond with tanks and addressing the spill areas. OCD hereby approves of the request with the following conditions:

1. The new brine storage tanks shall be placed on an impermeable pad and bermed.
2. All new Loading areas will be on an impermeable pad and curb.
3. A pond closure plan shall be submitted by January 15, 2005 to include a plan to monitor groundwater at the site.

Please be advised that NMOCD approval of this plan does not relieve (Gandy Corp.) of liability should their operations fail to adequately investigate and remediate contamination that pose a threat to ground water, surface water, human health or the environment. In addition, NMOCD approval does not relieve (Gandy Corp.) of responsibility for compliance with any other federal, state, or local laws and/or regulations.

Sincerely:

Wayne Price
New Mexico Oil Conservation Division
1220 S. Saint Francis Drive
Santa Fe, NM 87505
505-476-3487
fax: 505-476-3462
E-mail: WPRICE@state.nm.us

Larry Gandy
July 16, 2001
Page 7

RECEIVED
AUG 29 2001
Environmental Bureau
Oil Conservation Division

26. 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, human health and the environment.

Conditions accepted by: **Gandy Corporation**

Larry Gandy
Company Representative- print name

Larry Gandy Date 8/22/01
Company Representative- Sign

Title Vice-President

PERMIT FOR EIDSON BRINE STATION WELL BW-004



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

Jennifer A. Salisbury

Cabinet Secretary

July 16, 2001

Lori Wrotenbery

Director

Oil Conservation Division

CERTIFIED MAIL

RETURN RECEIPT NO. 5357 7706

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

Re: Eidson Brine Station BW-004
SW/4 SW/4 Sec 31-Ts16S-R35E
Lea County, New Mexico

Dear Mr. Gandy:

The groundwater discharge plan renewal for the Eidson Brine Station Well BW-004 operated by Gandy Corporation located in SW/4 SW/4 of Section 31, Township 16 South, Range 35 East, NMPM, Lea County, New Mexico is **hereby approved** under the conditions contained in the enclosed attachment. Enclosed are two copies of the conditions of approval. **Please sign and return one copy to the New Mexico Oil Conservation Division (OCD) Santa Fe Office within 30 working days of receipt of this letter.**

The original discharge plan was approved on December 18, 1982 by the OCD with an expiration date of December 18, 1987. Subsequent to renewal, administration of the brine program was transferred to the Environmental Improvement Division and then returned to OCD in 1989. The discharge plan has subsequently been renewed by OCD on June 11, 1991 and June 17, 1996 with an expiration date of June 11, 2001. The discharge plan renewal application dated February 19, 2001 including attachments, submitted pursuant to Section 5101.B.3. of the New Mexico Water Quality Control Commission (WQCC) Regulations also includes all earlier applications and all conditions later placed on those approvals. The discharge plan renewal application was submitted pursuant to Section 5101.B.3. of the New Mexico Water Quality Control Commission (WQCC) Regulations. The discharge plan is renewed pursuant to Section 5101.A. and 3109.C. Please note Section 3109.G., which provides for possible future amendment of the plan. Please be advised that approval of this plan does not relieve Gandy Corporation of liability should operations result in pollution of surface or ground waters, or the environment.

Please be advised that all exposed pits, including lined pits and open top tanks (exceeding 16 feet in diameter) shall be screened, netted, or otherwise rendered nonhazardous to wildlife including migratory birds.

Larry Gandy
July 16, 2001
Page 2

Please note that Section 3104. of the regulations requires that "when a plan has been approved, discharges must be consistent with the terms and conditions of the plan." Pursuant to Section 3107.C., Gandy Corporation is required to notify the Director of any facility expansion, production increase, or process modification that would result in any change in the discharge of water quality or volume.

Pursuant to Section 3109.H.4., this approval is for a period of five years. **This approval will expire June 11, 2006** and an application for renewal should be submitted in ample time before that date. Pursuant to Section 5101.F. of the regulations, if a discharger submits a discharge plan renewal application at least 120 days before the discharge plan expires and is in compliance with the approved plan, then the existing discharge plan will not expire until the application for renewal has been approved or disapproved.

The discharge plan application for the Gandy Corporation is subject to the WQCC Regulation 3114. Every billable facility submitting a discharge plan will be assessed a fee equal to the filing fee of \$100.00 plus a flat fee of \$1700.00 for brine stations. The OCD has not received the \$1700.00 flat fee. The flat fee may be paid in a single payment due on the date of the discharge plan approval or in five equal installments over the expected duration of the discharge plan. Installment payments shall be remitted yearly, with the first installment due on the date of the discharge plan approval and subsequent installments due on this date of each calendar year.

**Please make all checks payable to: Water Quality Management Fund
C/o: Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505.**

If you have any questions, please contact Wayne Price of my staff at (505-476-3487). On behalf of the staff of the OCD, I wish to thank you and your staff for your cooperation during this discharge plan review.

Sincerely,



Roger C. Anderson
Environmental Bureau Chief
RCA/lwp

Attachment-1

xc: OCD Hobbs Office

**ATTACHMENT TO THE DISCHARGE PLAN BW-004 APPROVAL
Gandy Corporation Eidson Brine Station (BW-004)
DISCHARGE PLAN APPROVAL CONDITIONS
July 16, 2001**

1. Payment of Discharge Plan Fees: The \$100.00 filing fee has been received by OCD. The \$1700.00 flat fee shall be submitted upon receipt of this approval. The required flat fee may be paid in a single payment due at the time of approval, or in equal annual installments over the duration of the plan, with the first payment due upon receipt of this approval.
2. Commitments: Gandy Corporation will abide by all commitments submitted in the discharge plan renewal application dated February 19, 2001 and these conditions for approval.
3. Production Method: Fresh water will be injected down the casing and brine shall be recovered up the tubing. Reverse flow will be allowed only once a month for up to 24 hours for clean out.
4. Maximum Injection Pressure: The maximum operating injection and/or test pressure at the well head will be such that the fracture pressure of the injection formation will not be exceeded. Please provide to OCD by January 31, 2002 (first annual report) the system fracture pressure calculated at the bottom casing shoe, fracture pressure gradient (psi/ft) for the system, and the maximum surface injection pressure that will not cause new fractures or propagate existing fractures.
5. Mechanical Integrity Testing: Gandy Corporation will conduct an annual open to formation pressure test by pressuring up the formation with fluids to one and one-half times the normal operating pressure or 300 psig whichever is greater for four hours. However, no operator may exceed surface injection or test pressures that may cause formation fracturing or system failures. Systems requiring test pressures less than 300 psig or methods that use testing media other than fluids, i.e. gas, must be approved by OCD prior to testing. Brine supply wells operating with isolation packers will have to pressure test both the cavern formation and casing/tubing annually.

At least once every five years and during well work-overs the cavern formation will be isolated from the casing/tubing annually and the casing pressure tested at 300 psig for 30 minutes. All pressure test must be witnessed by OCD.

6. Capacity and Cavity Configuration: The capacity and configuration of the salt cavern will be determined by sonar survey or an alternate method approved by the OCD before June 11, 2006. All testing will be witnessed by OCD.
7. Production/Injection Volumes/Annual Report: The volumes of fluids injected (fresh water) and produced (brine) will be recorded monthly and submitted to the OCD Santa Fe Office in an annual report due on the thirty-first (31) day of January of each year.
8. Analysis of Injection Fluid and Brine: Provide an analysis of the injection fluid and brine with each annual report. Analysis will be for General Chemistry (Method 40 CFR 136.3) using EPA methods.
9. 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 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.
10. Process Areas: 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.
11. 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.
12. 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.
13. Labeling: All tanks, drums, and other containers should be clearly labeled to identify their contents and other emergency information necessary if the tank were to rupture, spill, or ignite.
14. 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 be tested to demonstrate their mechanical integrity no later than December 31, 2001 and every year from tested date, thereafter. Permittees may propose various methods for testing such as pressure testing to 3 pounds per square inch above normal operating

- pressure and/or visual inspection of cleaned out tanks and/or sumps, or other OCD approved methods. The OCD will be notified at least 72 hours prior to all testing. The test results will be submitted to OCD in the annual report.
15. Underground Process/Wastewater Lines: All underground process/wastewater pipelines must be tested to demonstrate their mechanical integrity no later than December 31, 2001 and every 5 years, from tested date, thereafter. Permittees may propose various methods for testing such as pressure testing to 3 pounds per square inch above normal operating pressure or other means acceptable to the OCD. The OCD will be notified at least 72 hours prior to all testing. The test results will be submitted to OCD in the first annual report.
 16. Class V Wells: No Class V wells that inject non-hazardous industrial wastes or a mixture of industrial wastes and domestic wastes will be approved for construction and/or operation unless it can be demonstrated that groundwater will not be impacted in the reasonably foreseeable future. Leach fields and other wastewater disposal systems at OCD regulated facilities which inject non-hazardous fluid into or above an underground source of drinking water are considered Class V injection wells under the EPA UIC program. Class V wells that inject domestic waste only must be permitted by the New Mexico Environment Department.
 17. Well Work Over Operations: OCD approval will be obtained from the Director prior to performing remedial work, pressure test or any other Work over. Approval will be requested on OCD Form C-103 "Sundry Notices and Reports on Wells" (OCD Rule 1103.A.) with appropriate copies sent to the OCD Hobbs District Office.
 18. Housekeeping: All systems designed for spill collection/prevention, and leak detection will be inspected daily to ensure proper operation and to prevent overtopping or system failure. All spill collection and/or secondary containment devices will be emptied of fluids within 48 hours of discovery. A record of inspections will be retained on site for a period of five years.
 19. Spill Reporting: All spills/releases shall be reported pursuant to OCD Rule 116. and WQCC 1203. to the OCD Hobbs District Office.
 20. Waste Disposal: All wastes will be disposed of at an OCD approved facility. Only oilfield exempt wastes shall be disposed of down Class II injection wells. Non-exempt oilfield wastes that are non-hazardous may be disposed of at an OCD approved facility upon proper waste determination per 40 CFR Part 261. Any waste stream that is not listed in the discharge plan will be approved by OCD on a case-by-case basis.

21. Brine Storage Pond Inspection: Leaks shall be reported pursuant to Item 19. (Spill Reporting) of these conditions. A minimum freeboard will be maintained in the pond so that no over topping of brine occurs. Any repairs or modifications to the pond liner must receive prior OCD approval.

Leak Detection Monitor Well: The leak detection monitor well for the brine storage pond must be inspected for fluids monthly. Records will be maintained to include quantity of fluid measured, conductivity and chlorides of fluid, date of inspection, and name of inspector. Records shall be submitted in the annual report. Any fluids found must be reported to the NMOCD Santa Fe office and the appropriate District office within 48 hours of discovery.

22. Transfer of Discharge Plan: The OCD will be notified prior to any transfer of ownership, control, or possession of a facility with an approved discharge plan. A written commitment to comply with the terms and conditions of the previously approved discharge plan must be submitted by the purchaser and approved by the OCD prior to transfer.
23. Closure: The OCD will be notified when operations of the facility are discontinued for a period in excess of six months. Prior to closure of the facility a closure plan will be submitted for approval by the Director. Closure and waste disposal will be in accordance with the statutes, rules and regulations in effect at the time of closure.
24. OCD Inspections: Additional requirements may be placed on the facility based upon results from OCD inspections.
25. Storm Water Plan: Gandy Corporation will submit a storm water run-off plan for OCD approval by December 31, 2001.

Larry Gandy
July 16, 2001
Page 7

26. 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, human health and the environment.

Conditions accepted by: **Gandy Corporation**

Company Representative- print name

Date
Company Representative- Sign

Title _____

Mr. J.E. Haseloff
June 17, 1996
Page 3

ATTACHMENT TO THE DISCHARGE PLAN BW-004 RENEWAL
WASSERHUND INCORPORATED
EIDSON BRINE STATION
DISCHARGE PLAN REQUIREMENTS
(June 17, 1996)

1. Payment of Discharge Plan Fees: The \$690 flat fee shall be submitted upon receipt of this approval. The required flat fee may be paid in a single payment due at the time of approval, or in equal annual installments over the duration of the plan, with the first payment due upon receipt of this approval.
2. Wasserhund Commitments: Wasserhund will abide by all commitments submitted in the renewal application dated November 21, 1995.
3. Production Method: Fresh water will be injected down the casing and brine shall be recovered up the tubing. Reverse flow will be allowed only once a month for up to 24 hours for clean out.
4. Maximum Injection Pressure: The maximum operating injection pressure at the well head will be such that the fracture pressure of the injection formation will not be exceeded. Wasserhund shall supply and obtain approval for any changes to the approval for the maximum and average injection pressures and injection volumes.
5. Mechanical Integrity Testing: The OCD requires an annual open hole pressure test equal to one and one-half of the normal operating pressure for four hours with ten percent bleed-off allowed. At least once every five years the OCD requires the above mentioned open hole test with zero bleed-off allowed. If zero bleed-off cannot be achieved, the casing will be isolated from the formation and tested to 300 psi for 30 minutes. During well work over, the OCD requires the casing to be isolated from the casing and tested to 300 psi for 30 minutes. The OCD will be notified at least 72 hours prior to all testing so that an OCD representative may witness the test.

A mechanical integrity test equal to 300 psi for 30 minutes with zero bleed-off will be conducted on the well by December 31, 1996. All testing will be scheduled and witnessed by the OCD.

Mr. J.E. Haseloff
June 17, 1996
Page 4

6. **Capacity and Cavity Configuration:** The capacity and configuration of the salt cavern will be determined by December 31, 1996 by sonar survey or an alternate method approved by the OCD. All testing will be scheduled and witnessed by the OCD.
7. **Production/Injection Volumes:** The volumes of fluids injected (fresh water) and produced (brine) will be recorded monthly and submitted to the OCD Santa Fe Office quarterly.
8. **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 place and lined up on a horizontal plane. Chemicals in other containers such as sacks or buckets should also be stored on an impermeable pad with curbing.
9. **Process Areas:** 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.
10. **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.
11. **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.
12. **Tank Labeling:** All tanks should be clearly labeled to identify their contents and other emergency information necessary if the tank were to rupture, spill, or ignite.
13. **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 to 3 pounds per square inch above normal operating pressure and/or visual inspection of cleaned out tanks /or sumps.

Integrity testing for 1996 must be completed by December 31, 1996. All testing will be scheduled and witnessed by the OCD.



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

2040 S. PACHECO
SANTA FE, NEW MEXICO 87505
(505) 827-7131

June 17, 1996

CERTIFIED MAIL
RETURN RECEIPT NO. Z-765-962-952

Mr. J. E. Haseloff
Wasserhund Incorporated
10135 Love Street
Lovington, New Mexico 88260

RE: Discharge Plan BW-004
Wasserhund Incorporated
Eidson Brine Station
Lea County, New Mexico

Dear Mr. Haseloff:

The groundwater discharge plan renewal, BW-004, for the Wasserhund Incorporated Eidson Brine Station located in SW/4 SW/4 of Section 31, Township 16 South, Range 35 East, NMPM, Lea County, New Mexico, is hereby approved under the conditions contained in the enclosed attachment. The renewal application consists of the original discharge plan as approved December 18, 1982; the renewal application dated April 30, 1987; and the materials dated March 28, 1988, September 29, 1988, and April 7, 1991; the discharge plan renewal as approved June 11, 1991; and the discharge plan renewal application dated November 21, 1995. Enclosed are two copies of the conditions of approval. Please sign and return one copy to the New Mexico Oil Conservation Division (OCD) Santa Fe Office within five working days of receipt of this letter.

The discharge plan renewal application was submitted pursuant to Section 5101.B.3. of the New Mexico Water Quality Control Commission (WQCC) Regulations. It is approved pursuant to Section 5101.A. and 3109.C. Please note Section 3109.F., which provides for possible future amendment of the plan. Please be advised that approval of this plan does not relieve Wasserhund of liability should operations result in pollution of surface or ground waters, or the environment.

Please be advised that all exposed pits, including lined pits and open top tanks (exceeding 16 feet in diameter) shall be screened, netted, or otherwise rendered nonhazardous to wildlife including migratory birds.

Mr. J.E. Haseloff
June 17, 1996
Page 2

Please note that Section 3104. of the regulations requires that "when a plan has been approved, discharges must be consistent with the terms and conditions of the plan." Pursuant to Section 3107.C., Wasserhund is required to notify the Director of any facility expansion, production increase, or process modification that would result in any change in the discharge of water quality or volume.

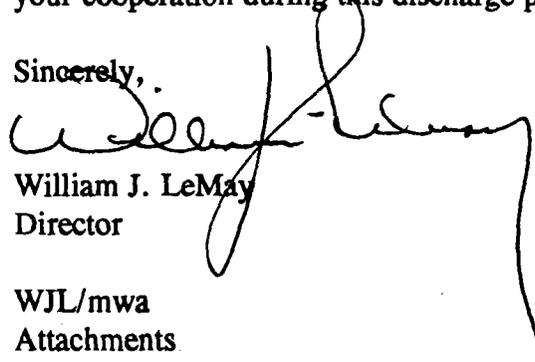
Pursuant to Section 3109.G.4., this approval is for a period of five years. This approval will expire June 11, 2001, and an application for renewal should be submitted in ample time before that date. Note that under Section 5101.G. of the regulations, if a discharger submits a discharge plan renewal application at least 180 days before the discharge plan expires and is in compliance with the approved plan, then the existing discharge plan will not expire until the application for renewal has been approved or disapproved. It should be noted that all discharge plan facilities will be required to submit plans for, or the results of, an underground drainage testing program as a requirement for discharge plan renewal.

The discharge plan renewal application for the Wasserhund Incorporated Eidson Brine Station is subject to the WQCC Regulation 3114. Every billable facility submitting a discharge plan will be assessed a fee equal to the filing fee of \$50 plus one half of the flat fee or \$690 for brine stations. The \$50 filing fee was received by the OCD on December 15, 1995. The OCD has not received the flat fee of \$690, which may be paid in a single payment due on the date of the discharge plan approval or in five equal installments over the expected duration of the discharge plan. Installment payments shall be remitted yearly, with the first installment due on the date of the discharge plan approval and subsequent installments due on this date of each calendar year.

Please make all checks payable to: **NMED-Water Quality Management** and addressed to the OCD Santa Fe Office.

On behalf of the staff of the Oil Conservation Division, I wish to thank you and your staff for your cooperation during this discharge plan review.

Sincerely,


William J. LeMay
Director

WJL/mwa
Attachments

xc: OCD Hobbs Office

ATTACHMENT TO THE DISCHARGE PLAN BW-004 RENEWAL
WASSERHUND INCORPORATED
EIDSON BRINE STATION
DISCHARGE PLAN REQUIREMENTS
(June 17, 1996)

1. **Payment of Discharge Plan Fees:** The \$690 flat fee shall be submitted upon receipt of this approval. The required flat fee may be paid in a single payment due at the time of approval, or in equal annual installments over the duration of the plan, with the first payment due upon receipt of this approval.
2. **Wasserhund Commitments:** Wasserhund will abide by all commitments submitted in the renewal application dated November 21, 1995.
3. **Production Method:** Fresh water will be injected down the casing and brine shall be recovered up the tubing. Reverse flow will be allowed only once a month for up to 24 hours for clean out.
4. **Maximum Injection Pressure:** The maximum operating injection pressure at the well head will be such that the fracture pressure of the injection formation will not be exceeded. Wasserhund shall supply and obtain approval for any changes to the approval for the maximum and average injection pressures and injection volumes.
5. **Mechanical Integrity Testing:** The OCD requires an annual open hole pressure test equal to one and one-half of the normal operating pressure for four hours with ten percent bleed-off allowed. At least once every five years the OCD requires the above mentioned open hole test with zero bleed-off allowed. If zero bleed-off cannot be achieved, the casing will be isolated from the formation and tested to 300 psi for 30 minutes. During well work over, the OCD requires the casing to be isolated from the casing and tested to 300 psi for 30 minutes. The OCD will be notified at least 72 hours prior to all testing so that an OCD representative may witness the test.

A mechanical integrity test equal to 300 psi for 30 minutes with zero bleed-off will be conducted on the well by December 31, 1996. All testing will be scheduled and witnessed by the OCD.

Mr. J.E. Haseloff

June 17, 1996

Page 4

6. **Capacity and Cavity Configuration:** The capacity and configuration of the salt cavern will be determined by December 31, 1996 by sonar survey or an alternate method approved by the OCD. All testing will be scheduled and witnessed by the OCD.
7. **Production/Injection Volumes:** The volumes of fluids injected (fresh water) and produced (brine) will be recorded monthly and submitted to the OCD Santa Fe Office quarterly.
8. **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 place and lined up on a horizontal plane. Chemicals in other containers such as sacks or buckets should also be stored on an impermeable pad with curbing.
9. **Process Areas:** 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.
10. **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.
11. **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.
12. **Tank Labeling:** All tanks should be clearly labeled to identify their contents and other emergency information necessary if the tank were to rupture, spill, or ignite.
13. **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 to 3 pounds per square inch above normal operating pressure and/or visual inspection of cleaned out tanks /or sumps.

Integrity testing for 1996 must be completed by December 31, 1996. All testing will be scheduled and witnessed by the OCD.

Z 765 962 952



Receipt for Certified Mail

No Insurance Coverage Provided
Do not use for International Mail
(See Reverse)

PS Form 3800, March 1993

Sent to	
Street and No.	
P.O., State and ZIP Code	
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, and Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	

14. Underground Process/Wastewater Lines: All underground process/wastewater, and brine transfer pipelines must be tested to demonstrate their mechanical integrity at present and then every 5 years there after. Permittees may propose various methods for testing such as pressure testing to 3 pounds per square inch above normal operating pressure or other means acceptable to the OCD.

Integrity testing for 1996 must be completed by December 31, 1996. All testing will be scheduled and witnessed by the OCD.

15. Well Workover Operations: OCD approval will be obtained from the Director prior to performing remedial work or any other workover. Approval will be requested on OCD Form C-103 "Sundry Notices and Reports on Wells" (OCD Rule 1103.A.) with appropriate copies sent to the OCD Hobbs District Office.
16. Housekeeping: All systems designed for spill collection/prevention, and leak detection will be inspected daily to ensure proper operation and to prevent overtopping or system failure.
17. Spill Reporting: All spills/releases shall be reported pursuant to OCD Rule 116. and WQCC 1203. to the OCD Hobbs District Office.
18. Transfer of Discharge Plan: The OCD will be notified prior to any transfer of ownership, control, or possession of a facility with an approved discharge plan. A written commitment to comply with the terms and conditions of the previously approved discharge plan must be submitted by the purchaser and approved by the OCD prior to transfer.
19. Closure: The OCD will be notified when operations of the facility are discontinued for a period in excess of six months. Prior to closure of the facility a closure plan will be submitted for approval by the Director. Closure and waste disposal will be in accordance with the statutes, rules and regulations in effect at the time of closure.
20. OCD Inspections: Additional requirements may be placed on the facility based upon results from OCD inspections.
21. Conditions accepted by:

Company Representative

Date

Title

ACKNOWLEDGEMENT OF RECEIPT
OF CHECK/CASH

I hereby acknowledge receipt of check No. [redacted] dated 6/22/96
or cash received on _____ in the amount of \$ 690.00

from Wasserhund

for EDSON Brune BW-004

Submitted by: _____ Date: _____
(Facility Name) (DP No.)

Submitted to ASD by: R. Anderson Date: 7/2/96

Received in ASD by: Dianne Salazar Date: 7-2-96

Filing Fee _____ New Facility _____ Renewal

Modification _____ Other _____
(specify)

Organization Code 521.07 Applicable FY 96

To be deposited in the Water Quality Management Fund.

Full Payment or Annual Increment _____

WASSERHUND INC.
P. O. BOX 249 396-3128
LOVINGTON, NM 88260

6-22-96 19__

95-108/1122
6

PAY TO THE ORDER OF NMED-Water Quality Management \$ 690.00

Six Hundred Ninety and No/100-----DOLLARS

THIS CHECK IS DELIVERED IN CONNECTION WITH THE FOLLOWING ACCOUNTS.

Discharge Plan BW-004			

[Signature]

GUARDIAN SAFETY
WESTERN AMERICAN BK
Western
Commerce
Bank
Louisville, Ark

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

DIL CONSERVATION DIVISION

June 11, 1991



BRUCE KING
GOVERNOR

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

CERTIFIED MAIL
RETURN RECEIPT NO. P-327-278-155

Mr. J. E. Haseloff
Wasserhund Incorporated
10135 Love Street
Lovington, New Mexico 88260

RE: Approval of Discharge Plan BW-4 (formerly DP-321)
Wasserhund Eidson Brine Station

Dear Mr. Haseloff:

The discharge plan renewal (BW-4) for the Wasserhund Eidson Brine Station located in the SW/4 SW/4 of Section 31, Township 16 South, Range 35 East, NMPM, Lea County, New Mexico, is hereby approved. The renewal application consists of the original discharge plan as approved December 18, 1982; the renewal application dated April 30, 1987; and the materials dated March 28, 1988, September 29, 1988, and April 7, 1991, submitted as supplements to the application. Please note the new discharge plan number (BW-4), formerly DP-321, which will be the permanent designation used in all future correspondence.

The discharge plan renewal was submitted pursuant to Section 5-101.B.3 of the New Mexico Water Quality Control Commission Regulations. It is approved pursuant to Sections 5-101.A and 3-109.C. Please note Sections 3-109.E and 3-109.F which provide for possible future amendments or modifications of the plan. Please be advised that the approval of this plan does not relieve you of liability should your operation result in actual pollution of surface water, ground water, or the environment which may be actionable under other laws and/or regulations.

The monitoring and reporting shall be as specified in the above referenced materials. Please note that Section 3-104 of the regulations requires that "When a plan has been approved, discharges must be consistent with the terms and conditions of the plan." Pursuant to Section 3-107.C. you are required to notify the Director of any facility expansion, production increase, or process modification that would result in any change in the discharge of water quality or volume.

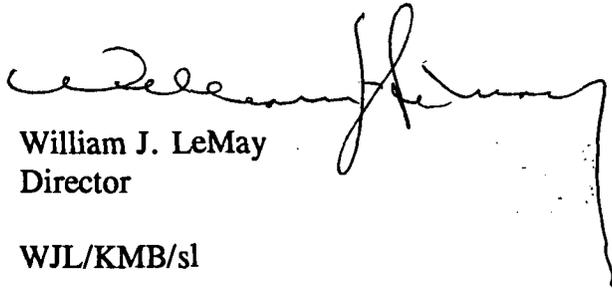
Before performing remedial work, altering or pulling casing, plugging or abandonment, or any other workover, approval of the OCD must be obtained. Approval should be requested on the OCD Form C-103 "Sundry Notices and Reports on Wells" (OCD Rule 1103-A). Submit the

original form to the appropriate district office and a copy of the form to the Environmental Bureau in the Santa Fe Office.

Pursuant to Section 3-109.G.4., this plan is for a period of five (5) years. This approval will expire June 11, 1996 and you should submit an application for renewal in ample time before this date. Note that under Section 5-101.G. of the regulations, if a discharger submits a discharge plan renewal application at least 180 days before the discharge plan expires and is in compliance with the approved plan, then the existing discharge plan will not expire until the application for renewal has been approved or disapproved.

On behalf of the staff of the Oil Conservation Division, I wish to thank you and your staff for your cooperation during this discharge plan review,

Sincerely,

A handwritten signature in cursive script, appearing to read "William J. LeMay". The signature is written in black ink and is positioned to the right of the typed name and title.

William J. LeMay
Director

WJL/KMB/sl

cc: OCD Hobbs Office

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION



BRUCE KING
GOVERNOR

March 18, 1991

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

CERTIFIED MAIL
RETURN RECEIPT NO. P-327-278-079

J. E. Haseloff
Wasserhund, Incorporated
10135 Love Street
Lovington, New Mexico 88260

RE: Discharge Plan DP-321
Wasserhund, Inc. Eidson Station
Lea County, New Mexico

Dear Mr. Haseloff:

On December 18, 1982, the ground water discharge plan, DP-321 for the Wasserhund, Incorporated, Eidson Station located in SW/4, SW/4, Section 31, Township 16 South, Range 35 East, NMPM, Lea County, New Mexico, was approved by the Director of the Oil Conservation Division (OCD). This discharge plan was required and submitted pursuant to Water Quality Control Commission (WQCC) regulations and was approved for a period of five years. The approval expired on December 18, 1987. Subsequent to approval, administration of the brine program was transferred to the Environmental Improvement Division. Authority to administer the program was returned to OCD in 1989 with staffing approved in 1990.

If your facility continues to have effluent or leachate discharges and you wish to continue discharging, you must renew your discharge plan. Since your discharge plan has expired, please submit your application for renewal of plan approval within sixty days of receipt of this letter. Please indicate whether you have made, or intend to make, any changes in your discharge system, and if so, please include these modifications in your application for renewal. To assist you in preparation of your renewal application, I have enclosed a copy of the OCD's guidelines for preparation of ground water discharge plans at brine extraction facilities, revised February 19, 1991, and a copy of the Water Quality Control Commission Regulations.

The OCD visited your unmanned operation on February 8, 1991, as part of an extensive multi-facility inspection trip that week. Because of scheduling problems, and the numerous facilities visited, we were unable to notify you of the date and time of arrival in advance. Although not required, our agency generally notifies operators in advance whenever possible giving time of arrival; in this instance it was not possible to do so.

The following comments are based on observations during the OCD site visit on February 8, 1991, and on additional requirements detailed in the guidelines. Please address these comments in your discharge plan renewal application.

1. Monitor Well:

- A. Wasserhund has committed to immediate repair of underground or other leaks (Item 9, March 28, 1988 letter to EID). Fluids were observed in your brine pit monitor well (sump) by OCD representatives on both November 29, 1989 and February 8, 1991. OCD requires that you pump the well dry to determine the extent of fluid discharge to the sump. An OCD representative must be on site when pumping the well dry. If fluids continue to discharge to the sump after completion of pumping and after drainage of leak detection lines have ceased, the pond has a leak and must be repaired. If leaking, OCD must be notified; and the pond lowered to below the level of the leak. Repair plans must be submitted to OCD within 14 days of leak notification and repairs completed within 30-days following OCD approval.
- B. The monitor well(sump) will be required to be visually inspected on a weekly basis. Record in a log, to be kept on site, the date and status of inspection, inspectors name and initials. Notify OCD within 24 hours of any leaks. The procedure outlined in 1.A. above must be followed in the event of future leaks.

2. Brine Storage Pit:

Your single-lined brine storage pit meets the old OCD specifications, but will not be required to be retrofitted at this time. However, based on an OCD evaluation of the above monitoring results and on the ability to adequately repair the leak, replacement of the liner may be necessary. If a new liner is required, a double liner shall be installed in accordance with the engineering design guidelines for construction of waste storage/disposal ponds (enclosed). Plans and specifications for a replacement liner must be approved by OCD prior to installation.

3. Mechanical Integrity Testing

Pursuant to revised OCD guidelines for discharge plans at brine facilities, all wells must be pressure tested (open-hole) to 500 psi for 4 hours on an annual basis. A pressure test isolating the casing from the formation using either a bridge plug or packer must be conducted at least once every 5 years or during well workovers. Submit a proposal for testing and ensuring the mechanical integrity of the well. The results from a current pressure test will be required prior to the approval of any brine facility discharge plan application or renewal. Note that an OCD representative must be on site to witness all pressure tests. Also, submit information on any buried brine pipeline including age and material of the lines. Propose a plan to ensure the mechanical integrity of all underground brine pipelines.

4. Maximum Injection Pressure

Pursuant to WQCC Regulation Section 5-206, the maximum injection pressure at the wellhead shall not initiate new fractures or propagate existing fractures in the confining zone. Submit a proposed maximum injection pressure, a measured and/or calculated fracture pressure for the zone being injected into, and a plan to ensure the fracture pressure value will not be exceeded.

5. Transfer of Commitment

Notwithstanding the transfer of jurisdiction of brine wells to OCD, all prior commitments to EID concerning reporting and notification remain in effect. However, please note that all unauthorized discharges (i.e. major leaks and spills), need to be reported to OCD within 24 hours of the event (WQCC Rule 5-208), not within 48 hours as stated in your correspondence dated March 28, 1988.

6. Closure Plan

The revised OCD guidelines for discharge plans at brine facilities require a general closure plan for actions to be taken when the facility is inactive. Submit a proposal for closure which includes those actions in the guidelines, Section VI.F.5.

Addressing the above items in your application for renewal of your discharge plan will accelerate the review and response time of your application.

J. E. Haseloff
March 18, 1991
Page -4-

If you no longer have such discharges a discharge plan renewal is not needed, please notify this office. If you have any questions, please do not hesitate to contact Kathy Brown at (505) 827-5824.

Sincerely,


David G. Boyer, Hydrogeologist
Environmental Bureau Chief

DGB/KMB/sl

Enclosures

cc: OCD Hobbs Office