

BW - 18

**PERMITS,
RENEWALS,
& MODS**

INACTIVE



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

March 12, 2007

Mr. W.A. Baker II
Key Energy Services, LLC
6 Desta Drive, Suite 4400
Midland, Texas 79705

Re: Key Energy Services, LLC Discharge Plan (BW-18)
Key Hobbs Truckers #2 (API# 30-025-07551)
UL:K 33-18S-38E, Lea County

Dear Mr. Baker II:

The New Mexico Oil Conservation Division (OCD), Environmental Bureau inspected the above brine well discharge plan facility on December 19, 2006.

Based on our inspection and file records, the OCD was aware that the site was scheduled for closure under the provisions of the discharge plan; however, the OCD has yet to receive a closure report with plugging and abandonment confirmation for the well and the entire facility including the brine pond.

Consequently, the OCD is requesting a Form C-103 [Sundry Notices and Reports on Well (Spud Notice, Cement/Casing and Perfs/Formation Tops/Tubing available on OCD Online)] for the well and closure report for this facility by April 13, 2007. Please provide me with a schedule for construction activities so I may be present to witness the closure activity.

Please contact me at (505-476-3491) or E-mail carlj.chavez@state.nm.us if you have questions. Thank you.

Sincerely,

Mr. Carl J. Chavez
Environmental Engineer

xc: OCD District Office

ACKNOWLEDGEMENT OF RECEIPT
OF CHECK/CASH

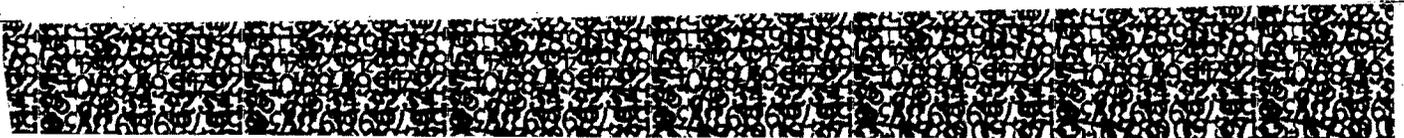
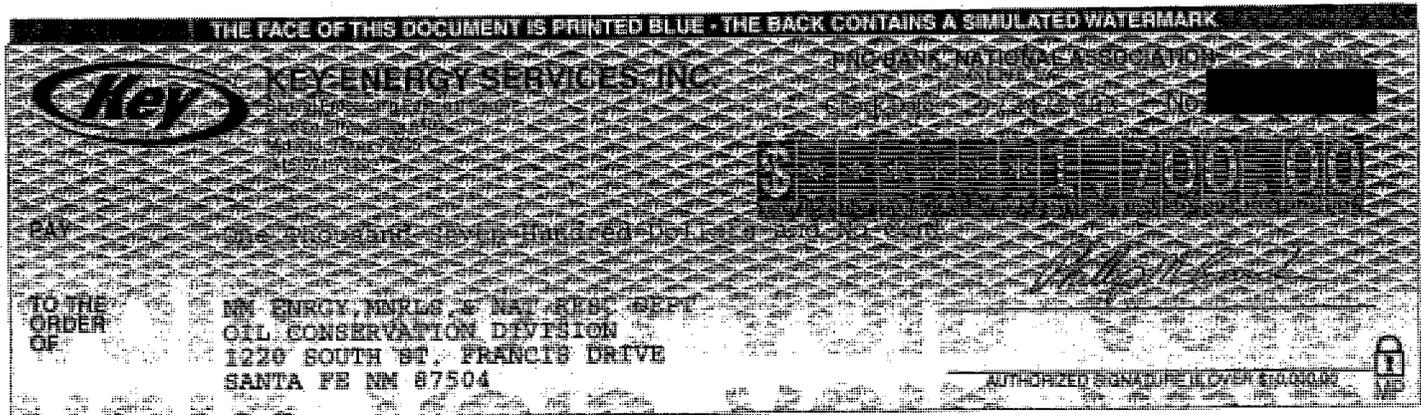
I hereby acknowledge receipt of check No. [REDACTED] dated 9/24/03,
or cash received on 10/27/03 in the amount of \$ 1700.00
from KEY ENERGY SERVICES
for BW-018

Submitted by: _____ Date: _____
Submitted to ASD by: Ed Martin Date: 10/27/03
Received in ASD by: _____ Date: _____

Filing Fee _____ New Facility _____ Renewal
Modification _____ Other _____

Organization Code 521.07 Applicable FY 2001

To be deposited in the Water Quality Management Fund.
Full Payment or Annual Increment _____



Company : **KEY ENERGY SERVICES, INC.**

CHECK NO. [REDACTED]

INVOICE NO.	INVOICE DATE	GROSS	DISCOUNT	NET AMOUNT
407 DISCHARGE PLAN Message : DISCHARGE PLAN RENEWAL	9/24/2018	1,700.00 EW018 YAD 412	.00	1,700.00
TOTALS		1,700.00	.00	1,700.00

REMOVE DOCUMENT ALONG THIS PERFORATION



KEY ENERGY SERVICES, INC.

Central Processing Payment Center
6 Desta Drive, Suite 4400
Midland, Texas 79705

407

NM ENRGY, MNRLS, & NAT RESC DEPT
OIL CONSERVATION DIVISION
1220 SOUTH ST. FRANCIS DRIVE
SANTA FE NM 87504

RECEIVED

Mr. Bob Patterson
August 15, 2003
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SEP 29 2003

**OIL CONSERVATION
DIVISION**

**ATTACHMENT TO THE DISCHARGE PERMIT BW-018 APPROVAL
Key Energy Services, Inc. Truckers #2 Brine Station(BW-018)
DISCHARGE PERMIT APPROVAL CONDITIONS
August 15, 2003**

1. Payment of Discharge Permit 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 permit, with the first payment due upon receipt of this approval.
2. Commitments: Key Energy Services, Inc. will abide by all commitments submitted in the discharge permit application, subsequent information supplied 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 and will not cause new fractures or propagate existing fractures or cause damage to the system.
5. Mechanical Integrity Testing: 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 (see item 4 above) 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 annuals.

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

6. 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.
7. 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.
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 must 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. 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.
13. Below Grade Ponds/Pits/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 below grade tanks, sumps and pits must be tested annually, except systems that have secondary containment with leak detection. These systems with leak detection shall have a monthly inspection of the leak detection to determine if the primary containment is leaking. Results of tests and inspections shall be maintained at the facility covered by this discharge plan and available for NMOCD inspection. Any system found to be leaking shall be reported pursuant to Item #

Mr. Bob Patterson

August 15, 2003

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18. Permit holders 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.
14. Underground Process/Wastewater Lines: All underground process/wastewater pipelines must be approved by the OCD prior to installation and must be tested to demonstrate their mechanical integrity every five (5) years. Results of such tests shall be maintained at the facility covered by this discharge plan and available for NMOCD inspection. Permit holders 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.
15. 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.
16. 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.
17. 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.
18. Spill Reporting: All spills/releases shall be reported pursuant to OCD Rule 116. and WQCC 1203. to the OCD Hobbs District Office.
19. 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 permit will be approved by OCD on a case-by-case basis.

Rule 712 Waste: Pursuant to Rule 712, disposal of certain non-domestic waste is allowed at solid waste facilities permitted by the New Mexico Environment Department as long as the waste

Mr. Bob Patterson

August 15, 2003

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stream is identified in the discharge permit, and existing process knowledge of the waste stream does not change without notification to the Oil Conservation Division.

20. Transfer of Discharge Permit: The OCD will be notified prior to any transfer of ownership, control, or possession of a facility with an approved discharge permit. A written commitment to comply with the terms and conditions of the previously approved discharge permit must be submitted by the purchaser and approved by the OCD prior to transfer.
21. 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 permit 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.
22. OCD Inspections: Additional requirements may be placed on the facility based upon results from OCD inspections.
23. Storm Water : Stormwater runoff controls shall be maintained. As a result of operations, if any water contaminant that exceeds the WQCC standards listed in 20 NMAC 6.2.3101 is discharged in any stormwater run-off, then immediate actions shall be taken to mitigate the effects of the run-off, notify the OCD within 24 hours, and modify the discharge permit to include a formal stormwater run-off containment permit and submit for OCD approval within 15 days.
24. 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.
25. Groundwater Monitor Well Installation: A monitor well shall be installed and located along the local groundwater flow direction and directly down-gradient of the brine well and storage pond. The well shall be constructed, developed, purged and samples analyzed pursuant to approved EPA methods. The monitor well shall be sampled and analyzed for general chemistry twice a year with the results submitted in the annual report. Discovery of groundwater contamination shall be reported pursuant to Item #18 above.

26. Brine Storage Pond: A minimum freeboard of three feet will be maintained in the pond so that no overtopping of brine occurs. Any repairs or modifications to the pond liner must receive prior OCD approval. In the future, if pond liner is replaced or a new pond is constructed, then a double synthetic liner with leak detection will be incorporated into the design.

Brine Pond Leak Detection: The leak detection monitor well for the single-lined brine storage pond will be inspected monthly. Records will be maintained to include quantity of fluid, conductivity and chlorides of fluid, date of inspection, and name of inspector. Leaks shall be reported pursuant to Item 18. (Spill Reporting) of these conditions.

27. Well Workover Operations: OCD approval will be obtained prior to performing remedial work, pressure test 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.
28. Certification: **Key Energy Services, Inc.** by the officer whose signature appears below, accepts this permit and agrees to comply with all terms and conditions contained herein. **Key Energy Services, Inc.** 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:

Key Energy Services, Inc.

Bob Patterson

Company Representative- print name

Bob Patterson

Date 9-15-03

Company Representative- Sign

Title Operations Manager



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop
Cabinet Secretary

August 15, 2003

Lori Wrotenbery

Director

Oil Conservation Division

CERTIFIED MAIL
RETURN RECEIPT NO.

ORIGINAL

Mr. Bob Patterson
Key Energy Services, Inc.
P.O. Box 99
Eunice, New Mexico 88231

Re: Discharge Permit Renewal Application
Key Energy Services, Inc.
Truckers #2 Brine Station BW-018
Lea County, New Mexico

Dear Mr. Patterson:

The groundwater discharge renewal permit for the Truckers #2 Brine Station BW-018 operated by Key Energy Services, Inc. located in NE/4 SW/4 of Section 33, Township 18 South, Range 38 East, NMPM, Lea County, New Mexico **is hereby approved to operate** 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 discharge permit renewal application was submitted on June 30, 2003 pursuant to Section 20.6.2.5101 of the New Mexico Water Quality Control Commission (WQCC) Regulations. The discharge permit is issued pursuant to Section 5101 and 3109.C. Please note Section 3109.G., which provides for possible future amendment of the permit. Please be advised that approval of this permit does not relieve Key Energy Services, Inc. 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.

Please note that Section 3104 of the regulations requires that "when a permit has been approved, discharges must be consistent with the terms and conditions of the permit." Pursuant to Section 3107.C., Key Energy Services, Inc. is required to notify the Director of any facility expansion,

● ORIGINAL

Mr. Bob Patterson

August 15, 2003

Page 2

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 July 18, 2008** 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 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.

The discharge permit application for the Key Energy Services, Inc. Truckers #2 Brine Station is subject to the WQCC Regulation 3114. Every billable facility submitting a discharge permit will be assessed a fee equal to the filing fee of \$100.00 plus a flat fee of \$1700.00 for brine stations.

Please make all checks payable to	Water Quality Management Board City of Albuquerque Division 1200 South Santa Fe Avenue Drive Santa Fe, New Mexico 87505
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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 permit review.

Sincerely,

RCA BY Wayne Price

Roger C. Anderson
Environmental Bureau Chief

RCA/lwp

xc: OCD Hobbs Office

ORIGINAL

ATTACHMENT TO THE DISCHARGE PERMIT BW-018 APPROVAL
Key Energy Services, Inc. Truckers #2 Brine Station(BW-018)
DISCHARGE PERMIT APPROVAL CONDITIONS
August 15, 2003

1. Payment of Discharge Permit 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 permit, with the first payment due upon receipt of this approval.
2. Commitments: Key Energy Services, Inc. will abide by all commitments submitted in the discharge permit application, subsequent information supplied 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 and will not cause new fractures or propagate existing fractures or cause damage to the system.
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ORIGINAL

6. 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.
7. 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.
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Mr. Bob Patterson
August 15, 2003
Page 5

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Rule 712 Waste: Pursuant to Rule 712, disposal of certain non-domestic waste is allowed at solid waste facilities permitted by the New Mexico Environment Department as long as the waste

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Mr. Bob Patterson

August 15, 2003

Page 6

stream is identified in the discharge permit, and existing process knowledge of the waste stream does not change without notification to the Oil Conservation Division.

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21. 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 permit 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.
22. OCD Inspections: Additional requirements may be placed on the facility based upon results from OCD inspections.
23. Storm Water: Stormwater runoff controls shall be maintained. As a result of operations, if any water contaminant that exceeds the WQCC standards listed in 20 NMAC 6.2.3101 is discharged in any stormwater run-off, then immediate actions shall be taken to mitigate the effects of the run-off, notify the OCD within 24 hours, and modify the discharge permit to include a formal stormwater run-off containment permit and submit for OCD approval within 15 days.
24. 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.
25. Groundwater Monitor Well Installation: A monitor well shall be installed and located along the local groundwater flow direction and directly down-gradient of the brine well and storage pond. The well shall be constructed, developed, purged and samples analyzed pursuant to approved EPA methods. The monitor well shall be sampled and analyzed for general chemistry twice a year with the results submitted in the annual report. Discovery of groundwater contamination shall be reported pursuant to Item #18 above.

ORIGINAL

26. **Brine Storage Pond:** A minimum freeboard of three feet will be maintained in the pond so that no overtopping of brine occurs. Any repairs or modifications to the pond liner must receive prior OCD approval. In the future, if pond liner is replaced or a new pond is constructed, then a double synthetic liner with leak detection will be incorporated into the design.

Brine Pond Leak Detection: The leak detection monitor well for the single-lined brine storage pond will be inspected monthly. Records will be maintained to include quantity of fluid, conductivity and chlorides of fluid, date of inspection, and name of inspector. Leaks shall be reported pursuant to Item 18. (Spill Reporting) of these conditions.

27. **Well Workover Operations:** OCD approval will be obtained prior to performing remedial work, pressure test 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.
28. **Certification: Key Energy Services, Inc.** by the officer whose signature appears below, accepts this permit and agrees to comply with all terms and conditions contained herein. **Key Energy Services, Inc.** 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: **Key Energy Services, Inc.**

Company Representative- print name

Date _____
Company Representative- Sign

Title _____

NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

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

November 30, 1999

CERTIFIED MAIL
RETURN RECEIPT NO. Z 274 520 732

Mr. Ray Ramsey
Division Manager
Key Energy Services, Inc.
P.O. Box 2040
Hobbs, New Mexico 88240

RECEIVED
JAN 10 2000
Environmental Bureau
Oil Conservation Division

Re: Truckers No. 2 Brine Station Discharge Plan BW-018

Subject: Discharge Plan Approval Conditions Revision

On September 20, 1999 the New Mexico Oil Conservation Division (NMOCD) approved the groundwater discharge plan application for the Key Energy Services DBA Rowland Trucking Co. Truckers No. 2 Brine Station Discharge Plan BW-018. On November 17, 1999, NMOCD received correspondence from Mr. Pete Turner notifying NMOCD that the company name is now Yale E. Key Inc. dba Key Energy Services, Inc.

As of this date, the NMOCD has not received the required discharge plan fee of \$690.00 nor have we received a signed copy of the conditions of approval for the approved discharge plan. Please note there have been some technical and format changes in these conditions of approval, and the name change per your request. Please void the approval conditions dated September 20, 1999. Please find enclosed two copies of the revised conditions of approval dated November 30, 1999 that reflect these changes. **Please sign and return one copy to the New Mexico Oil Conservation Division (OCD) Santa Fe Office within ten working days of receipt of this letter and submit the required \$690.00 fee.**

If you require any further information or assistance please do not hesitate to write or call me at (505-827-7155).

Sincerely Yours,



Wayne Price-Pet. Engr. Spec.
Environmental Bureau

cc: OCD Hobbs Office
attachments-1

Mr. Ray Ramsey
November 30, 1999
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RECEIVED
JAN 10 2000
Environmental Bureau
Oil Conservation Division

ATTACHMENT TO THE DISCHARGE PLAN BW-018 APPROVAL
Yale E. Key Inc. dba Key Energy Services, Inc.
Truckers No. 2 Brine Station (BW-018)
DISCHARGE PLAN APPROVAL CONDITIONS (revised 11/30/99)
November 30, 1999

1. Payment of Discharge Plan Fees: The \$50.00 filing fee has been received by OCD. The \$690.00 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: Yale E. Key Inc. dba Key Energy Services, Inc. will abide by all commitments submitted in the discharge plan application dated April 15, 1998 and these conditions for approval.
3. Monitor Well Inspection: The leak detection monitor well for the single-lined 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. Any fluids found must be reported to the NMOCD Santa Fe office and the appropriate District office within 48 hours of discovery. Copy of the records must be submitted to the OCD Santa Fe Office in an annual report due on the first day of April of each year.
4. Brine Storage Pond: A minimum freeboard will be maintained in the pond so that no overtopping of brine occurs. Any repairs or modifications to the pond liner must receive prior OCD approval. In the future, if pond liner is replaced or a new pond is constructed, then a double synthetic liner with leak detection will be incorporated into the design.
5. 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.
6. 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.

Mr. Ray Ramsey
November 30, 1999
Page 3

RECEIVED
JAN 10 2000
Environmental Bureau
Oil Conservation Division

7. Mechanical Integrity Testing: Yale E. Key Inc. dba Key Energy Services, Inc. will conduct an annual open hole cavern pressure test equal to one and one-half times the normal operating pressure (not to exceed formation fracture pressure) or 300 psi, whichever is greater, for four hours. At least once every five years and during well work overs the cavern formation will be isolated from the casing/tubing annulars and the casing pressure tested at 300 psig for 30 minutes. Please note, any variance in the above procedure must be pre-approved by OCD and all pressure test must be witnessed by OCD.

8. Capacity and Cavity Configuration: A test will be conducted to determine the size and configuration of the mined cavity prior to discharge plan renewal (July 18, 2003). The method and time of testing will be approved by the OCD prior to performing the test.

Yale E. Key Inc. dba Key Energy Services, Inc. will provide to the OCD the calculated size of the cavity and demonstrate the stability of the salt formation cavity from collapse and/or subsidence. Please include this information in the first annual report due on April 01, 2000.

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10. 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.

11. 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.

12. 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.

13. 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.

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14. 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.
15. 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.
16. 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 February 28, 2000 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 due on April 01, of each year.
17. Underground Process/Wastewater Lines: All underground process/wastewater pipelines must be tested to demonstrate their mechanical integrity no later than February 28, 2000 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 due on April 01, 2000.
18. 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.
19. Well Workover Operations: OCD approval will be obtained from the Director prior to performing remedial work, pressure test 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.

Mr. Ray Ramsey
November 30, 1999
Page 5

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20. 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.
21. Spill Reporting: All spills/releases shall be reported pursuant to OCD Rule 116. and WQCC 1203. to the OCD Hobbs District Office.
22. 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 characterization per 40 CFR Part 261.
23. 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.
24. 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.
25. OCD Inspections: Additional requirements may be placed on the facility based upon results from OCD inspections.
26. Surety Bond/ Change of Ownership Form C-104: Provide a well plugging bond and submit a C-104 "Change of Ownership" pursuant to 19 NMAC 15.C.101 (OCD Rule 101) to the NMOCD Environmental Bureau by December 30, 1999.
27. Conditions accepted by:

Yale E. Key Inc. dba Key Energy Services, Inc.

Print Name: STEVE CHAMBERS

Signature: Steve Chambers

Title: Sp. Trucking Mgr. S.E.N.M.

Date: 1/3/99



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

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

November 30, 1999

CERTIFIED MAIL
RETURN RECEIPT NO. Z 274 520 732

Mr. Ray Ramsey
Division Manager
Key Energy Services, Inc.
P.O. Box 2040
Hobbs, New Mexico 88240

Re: Truckers No. 2 Brine Station Discharge Plan BW-018

Subject: Discharge Plan Approval Conditions Revision

On September 20, 1999 the New Mexico Oil Conservation Division (NMOCD) approved the groundwater discharge plan application for the Key Energy Services DBA Rowland Trucking Co. Truckers No. 2 Brine Station Discharge Plan BW-018. On November 17, 1999, NMOCD received correspondence from Mr. Pete Turner notifying NMOCD that the company name is now Yale E. Key Inc. dba Key Energy Services, Inc.

As of this date, the NMOCD has not received the required discharge plan fee of \$690.00 nor have we received a signed copy of the conditions of approval for the approved discharge plan. Please note there have been some technical and format changes in these conditions of approval, and the name change per your request. Please void the approval conditions dated September 20, 1999. Please find enclosed two copies of the revised conditions of approval dated November 30, 1999 that reflect these changes. **Please sign and return one copy to the New Mexico Oil Conservation Division (OCD) Santa Fe Office within ten working days of receipt of this letter and submit the required \$690.00 fee.**

If you require any further information or assistance please do not hesitate to write or call me at (505-827-7155).

Sincerely Yours,

A handwritten signature in cursive script that reads "Wayne Price".

Wayne Price-Pet. Engr. Spec.
Environmental Bureau

cc: OCD Hobbs Office
attachments-1

Mr. Ray Ramsey
November 30, 1999
Page 2

ATTACHMENT TO THE DISCHARGE PLAN BW-018 APPROVAL
Yale E. Key Inc. dba Key Energy Services, Inc.
Truckers No. 2 Brine Station (BW-018)
DISCHARGE PLAN APPROVAL CONDITIONS (revised 11/30/99)
November 30, 1999

1. **Payment of Discharge Plan Fees:** The \$50.00 filing fee has been received by OCD. The \$690.00 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:** Yale E. Key Inc. dba Key Energy Services, Inc. will abide by all commitments submitted in the discharge plan application dated April 15, 1998 and these conditions for approval.
3. **Monitor Well Inspection:** The leak detection monitor well for the single-lined 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. Any fluids found must be reported to the NMOCD Santa Fe office and the appropriate District office within 48 hours of discovery. Copy of the records must be submitted to the OCD Santa Fe Office in an annual report due on the first day of April of each year.
4. **Brine Storage Pond:** A minimum freeboard will be maintained in the pond so that no overtopping of brine occurs. Any repairs or modifications to the pond liner must receive prior OCD approval. In the future, if pond liner is replaced or a new pond is constructed, then a double synthetic liner with leak detection will be incorporated into the design.
5. **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.
6. **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.

7. **Mechanical Integrity Testing:** Yale E. Key Inc. dba Key Energy Services, Inc. will conduct an annual open hole cavern pressure test equal to one and one-half times the normal operating pressure (not to exceed formation fracture pressure) or 300 psi, whichever is greater, for four hours. At least once every five years and during well work overs the cavern formation will be isolated from the casing/tubing annulars and the casing pressure tested at 300 psig for 30 minutes. Please note, any variance in the above procedure must be pre-approved by OCD and all pressure test must be witnessed by OCD.

8. **Capacity and Cavity Configuration:** A test will be conducted to determine the size and configuration of the mined cavity prior to discharge plan renewal (July 18, 2003). The method and time of testing will be approved by the OCD prior to performing the test.

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27. Conditions accepted by:

Yale E. Key Inc. dba Key Energy Services, Inc.

Print Name: _____

Signature: _____

Title: _____

Date: _____

ACKNOWLEDGEMENT OF RECEIPT
OF CHECK/CASH

I hereby acknowledge receipt of check No. [redacted] dated 2/11/00
or cash received on _____ in the amount of \$ 690⁰⁰
from KEY ENERGY SERVICES

for HOBBS TRUCKERS #2 BRINE ST BW-018

Submitted by: WAYNE PRICE Date: 2/18/00

Submitted to ASD by: [Signature] Date: "

Received in ASD by: _____ Date: _____

Filing Fee _____ New Facility _____ Renewal
Modification _____ Other _____

Organization Code 521.07 Applicable FY 2000

To be deposited in the Water Quality Management Fund.

Full Payment or Annual Increment _____

KEY ENERGY SERVICES, INC.
EASTERN NM DIVISION
P.O. BOX 2040 505-393-9171
HOBBS, NM 88240

95-219/1070

DATE Feb 11

PAY TO THE ORDER OF N Mexico Oil Conservation \$ 690⁰⁰/100
Six hundred & ninety DOLLARS



Norwest Bank New Mexico, N.A. 0320
P.O. Box 1290
Hobbs, NM 88241

FOR HOBBS TRUCKERS #2 BW-018

[Signature]