

BW - 25

**PERMITS,
RENEWALS,
& MODS**

Affidavit of Publication

State of New Mexico,
County of Lea.

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

of 1 issue(s).
Beginning with the issue dated
October 11, 2009
and ending with the issue dated
October 11, 2009

Kenneth Norris
GENERAL MANAGER

Sworn and subscribed to before me
this 12th day of
October, 2009

Linda M. Jones
Notary Public

My commission expires

June 16, 2013

(Seal)



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 OCTOBER 11, 2009 NOTICE OF PUBLICATION

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

Notice is hereby given pursuant to New Mexico Water Quality Control Commission Regulations (20.6.2.3.106 NMAC), the following discharge permit applications have been submitted to the Director of the New Mexico Oil Conservation Division (OCD), 1220 S. Saint Francis Drive, Santa Fe, New Mexico 87505. Telephone (505) 476-3440.

(BW-8) Salty Dog, Inc., PO Box 2724, Lubbock Texas 79408 has submitted an application for renewal of the discharge plan for their brine station located in Section 5, Township 19 South, Range 36 East, NMPM, Lea County, NM. Groundwater pumped from the regional aquifer is injected into the subsurface at a depth of approximately 1,871 feet thereby solution mining salt. The extracted brine has an approximate dissolved solids concentration of 350,000 mg/l. The brine is stored in above-ground tanks for use by the oil and gas industry. Groundwater most likely to be affected by a spill or leak is at a depth of approximately 70 feet with a total dissolved solids concentration of 400 mg/l. The plan addresses how spills and leaks will be managed in order to protect fresh water.

(BW-25) Basic Energy Services, LP, PO Box 10460, Midland, Texas 79702 has submitted an application for renewal of the discharge plan for the brine station located in Section 20, Township 25 South, Range 37 East, NMPM, Lea County, east of Jal, NM. Fresh water from the city is injected into the subsurface at a depth of approximately 1,100 feet thereby solution mining salt. The extracted brine has an approximate dissolved solids concentration of 350,000 mg/l. The brine is stored in above-ground tanks for use by the oil and gas industry. Groundwater most likely to be affected by a spill or leak is at a depth of approximately 40 feet with a total dissolved solids concentration of 875 mg/l. The plan addresses how spills and leaks will be managed in order to protect fresh water.

The OCD has determined that the applications are administratively complete and is preparing draft permits. The OCD will accept comments and statements of interest regarding these applications and create facility-specific mailing lists 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 of the Oil Conservation Division at the address given above. The applications may be viewed at the above address between 8:00 a.m. and 4:00 p.m., Monday through Friday, or at the OCD web site: <http://www.emnrd.state.nm.us/oed/>. Persons interested in obtaining a copy of either application may contact the OCD at the address 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 the OCD 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 hearings are held, the Director will approve or disapprove the proposed permits based on information available including all comments received. If public hearings are held, the director will approve or disapprove the proposed permits based on information in each application and information submitted at the hearings.

Para obtener más información sobre esta solicitud en español, sírvase comunicarse por favor: New Mexico Energy, Minerals and Natural Resources Department (Depto. Del Energía, Minerales 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 7th day of October, 2009.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

SEAL
#25303

Mark Fesmire, Director

67105100 00040284
LEONARD LOWE
OIL CONSERVATION
1220 S. ST. FRANCIS DR.
SANTA FE, NM 87505

LEGAL NOTICE
OCTOBER 11, 2009
NOTICE OF PUBLICATION

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

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

(BW-8) Salty Dog, Inc., PO Box 2724, Lubbock Texas 79408 has submitted an application for renewal of the discharge plan for their brine station located in Section 5, Township 19 South, Range 36 East, NMPM, Lea County, NM. Groundwater pumped from the regional aquifer is injected into the subsurface at a depth of approximately 1,871 feet thereby solution mining salt. The extracted brine has an approximate dissolved solids concentration of 350,000 mg/l. The brine is stored in above-ground tanks for use by the oil and gas industry. Groundwater most likely to be affected by a spill or leak is at a depth of approximately 70 feet with a total dissolved solids concentration of 400 mg/l. The plan addresses how spills and leaks will be managed in order to protect fresh water.

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GIVEN under the Seal of New Mexico Oil Conservation Commission at Santa Fe, New Mexico, on this 7th day of October, 2009.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

SEAL
#25303

Mark Fesmire, Director

Advertising Receipt

Hobbs Daily News-Sun

201 N Thorp
P. O. Box 936
Hobbs, NM 88241

Phone: 575-393-2123

Fax: 575-397-0610

OIL CONSERVATION
LEONARD LOWE
1220 S. ST. FRANCIS DR.
SANTA FE , NM 87505

Cust #: 67105100

Ad #: 00040284

Phone: (505)476-3492

Date: 10/09/2009

Ad taker: C2 **Salesperson:**

Sort Line: #25303

Classification 673

Description	Start	Stop	Ins.	Cost/Day	Total
07 07 Daily News-Sun	10/11/2009	10/11/2009	1	130.41	130.41

Ad Text:

LEGAL NOTICE
OCTOBER 11, 2009
NOTICE OF PUBLICATION

Payment Reference:

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

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Total: 130.41

Tax: 8.72

Net: 139.13

Prepaid: 0.00

Total Due: 139.13



New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson

Governor
Joanna Prukop
Cabinet Secretary

Mark Fesmire
Director
Oil Conservation Division



October 7, 2009

Mr. Steve Prather
Basic Energy Services, LP
PO Box 10460
Midland, Texas 79702

**Re: Discharge Plan Renewal Associated with a Brine Well (BW-25)
Salado Brine No. 2 (API 30-025-32394)
Unit A, Section 20, Township 25 South, Range 37 East
Jal, New Mexico**

Mr. Prather:

The Oil Conservation Division (OCD) has received Basic Energy Services' request and initial fee to renew BW-25 for the brine facility located in the NE/4 of the NE/4 of Section 20, Township 25 South, Range 37 East NMPM, east of Jal, New Mexico in Lea County. The initial submittal provided the required information in order for OCD to deem the application "administratively" complete.

Therefore, the Water Quality Control Commission (WQCC) regulation's public notice requirements of 20.6.2.3108 NMAC must be satisfied and demonstrated to the OCD. I have reviewed the draft public notice provided as part of the renewal application. The fourth sentence in this draft notice reads *"The facility produces and sells approximately 875 bbls of brine per day from an approved brine extraction well."* The word "...approved..." should be removed from the notice. In addition, before publication the following statement should be added: *"Fresh water is introduced through the well into the underlying Salado Formation at a minimum depth of 1,220 feet where salt is solution mined resulting in the formation of a subsurface cavern."* The OCD contact information contained in the draft notice should be changed from Carl Chavez to Jim Griswold with an email address of jim.griswold@state.nm.us and a telephone number of (505) 476-3465. Proof of publication from a regional newspaper along with photographs demonstrating the size and location signage in both English and Spanish as required by 20.6.2.3108B NMAC should be forwarded to my attention. OCD will provide independent public notice pursuant to the WQCC notice requirements of 20.6.2.3108 NMAC to determine if there is any public interest.

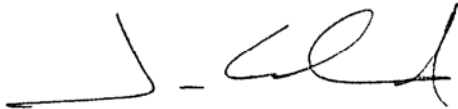
OCD information indicates the Salado Brine #2 well first entered production in September 1993. It has been a condition for all brine well permits that monthly injection and production be reported to the OCD. OCD only has injection and brine production information from this well for three quarters during 1997 and for nine months in 2008. No other data exists in our files.



This should not have been a difficult requirement as these figures would normally be compiled as part of business operations. Many brine well operators have been lax in reporting injection and production information and OCD has not compelled operators when such data has not been provided. This will no longer be the case. OCD requires Basic Energy Services to provide OCD with water injection and brine production data for the entire life of the Salado Brine #2 well before November 20, 2009 including those periods of time when another firm was operating the well. Basic Energy Services must also explain how it obtained this information. Failure to provide this information will result in an immediate determination of non-compliance, disapproval of the renewal application, possible suspension of all permits for this and other operations, and termination of brine production from this facility until the required information is received. In the future, Basic Energy Services shall submit monthly injection and production data to the OCD on a quarterly basis without exception.

If there are any questions regarding this matter, please do not hesitate to contact me. Please refer to permit BW-25 in all future communication. On behalf of the OCD, I wish to thank you and your staff for your continued cooperation during the review process.

Respectfully,

A handwritten signature in black ink, appearing to read 'J. Griswold', with a stylized flourish at the end.

Jim Griswold
Senior Hydrologist

JG/jg
cc: OCD District I Office, Hobbs

ACKNOWLEDGEMENT OF RECEIPT
OF CHECK/CASH

I hereby acknowledge receipt of check No. _____ dated 7/3/08

or cash received on _____ in the amount of \$ 100⁰⁰

from BASIC Energy Services

for BW-025

Submitted by: LAWRENCE RORRERO Date: 7/9/08

Submitted to ASD by: LAWRENCE RORRERO Date: 7/9/08

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 _____

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

RECEIVED

2008 JUL 8 PM 1:43

State of New Mexico
Energy, Minerals and Natural Resources
Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

For State Use Only

Form C-137
Revised March 1, 2007

Submit 1 Copy to Santa Fe Office

APPLICATION FOR SURFACE WASTE MANAGEMENT FACILITY

A meeting should be scheduled with the Division's Santa Fe office Environmental Bureau prior to pursuing an application for a surface waste management facility in order to determine if the proposed location is capable of satisfying the siting requirements of Subsections A and B of 19.15.36.13 NMAC for consideration of an application submittal.

1. Application: ☐ New ☐ Modification ☒ Renewal
2. Type: ☐ Evaporation ☐ Injection ☐ Treating Plant ☐ Landfill ☐ Landfarm ☒ Other
3. Facility Status: ☒ Commercial ☐ Centralized
4. Operator: **BASIC ENERGY SERVICES, L.P.**
Address: **PO BOX 10460, MIDLAND TX 79702**
Contact Person: **Steve Prather** Phone: **575-390-1435**
5. Location: **NE** /4 **NE** /4 Section **20** Township **25 S** Range **37 E**
6. Is this an existing facility? ☒ Yes ☐ No If yes, provide permit number **BW-25**
7. Attach the names and addresses of the applicant and principal officers and owners of 25 percent or more of the applicant. Specify the office held by each officer and identify the individual(s) primary responsible for overseeing management of the facility.
8. Attach a plat and topographic map showing the surface waste management facility's location in relation to governmental surveys (quarter-quarter section, township and range); highways or roads giving access to the surface waste management facility site; watercourses; fresh water sources, including wells and springs; and inhabited buildings within one mile of the site's perimeter.
9. Attach the names and addresses of the surface owners of the real property on which the surface waste management facility is sited and surface owners of the real property within one mile of the site's perimeter.
10. Attach a description of the surface waste management facility with a diagram indicating the location of fences and cattle guards, and detailed construction/installation diagrams of pits, liners, dikes, piping, sprayers, tanks, roads, fences, gates, berms, pipelines crossing the surface waste management facility, buildings and chemical storage areas.
11. Attach engineering designs, certified by a registered professional engineer, including technical data on the design elements of each applicable treatment, remediation and disposal method and detailed designs of surface impoundments.
12. Attach a plan for management of approved oil field wastes that complies with the applicable requirements contained in 19.15.36.13, 19.15.36.14, 19.15.36.15 and 19.15.36.17 NMAC.
13. Attach an inspection and maintenance plan that complies with the requirements contained in Subsection L of 19.15.36.13 NMAC.
14. Attach a hydrogen sulfide prevention and contingency plan that complies with those provisions of 19.15.3.118 NMAC that apply to surface waste management facilities.

15. Attach a closure and post closure plan, including a responsible third party contractor's cost estimate, sufficient to close the surface waste management facility in a manner that will protect fresh water, public health, safety and the environment (the closure and post closure plan shall comply with the requirements contained in Subsection D of 19.15.36.18 NMAC).

16. Attach a contingency plan that complies with the requirements of Subsection N of 19.15.36.13 NMAC and with NMSA 1978, Sections 12-12-1 through 12-12-30, as amended (the Emergency Management Act).

17. Attach a plan to control run-on water onto the site and run-off water from the site that complies with the requirements of Subsection M of 19.15.36.13 NMAC.

18. In the case of an application to permit a new or expanded landfill, attach a leachate management plan that describes the anticipated amount of leachate that will be generated and the leachate's handling, storage, treatment and disposal, including final post closure options.

19. In the case of an application to permit a new or expanded landfill, attach a gas safety management plan that complies with the requirements of Subsection O of 19.15.36.13 NMAC.

20. Attach a best management practice plan to ensure protection of fresh water, public health, safety and the environment.

21. Attach a demonstration of compliance with the siting requirements of Subsections A and B of 19.15.36.13 NMAC.

22. Attach geological/hydrological data including:

- (a) a map showing names and location of streams, springs or other watercourses, and water wells within one mile of the site;
- (b) laboratory analyses, performed by an independent commercial laboratory, for major cations and anions; benzene, toluene, ethyl benzene and xylenes (BTEX), RCRA metals, and total dissolved solids (TDS) of ground water samples of the shallowest fresh water aquifer beneath the proposed site;
- (c) depth to, formation name, type and thickness of the shallowest fresh water aquifer;
- (d) soil types beneath the proposed surface waste management facility, including a lithologic description of soil and rock members from ground surface down to the top of the shallowest fresh water aquifer;
- (e) geologic cross-sections;
- (f) potentiometric maps for the shallowest fresh water aquifer; and
- (g) porosity, permeability, conductivity, compaction ratios and swelling characteristics for the sediments on which the contaminated soils will be placed.

23. In the case of an existing surface waste management facility applying for a minor modification, describe the proposed change and identify information that has changed from the last C-137 filing.

24. The division may require additional information to demonstrate that the surface waste management facility's operation will not adversely impact fresh water, public health, safety or the environment and that the surface waste management facility will comply with division rules and orders.

25. CERTIFICATION

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

Name: Eddie W. Seay

Title: AGENT

Signature: Eddie W. Seay

Date: 6-26-08

E-mail Address: seay04@leaco.net

F
CHAPARRAL SERVICE, INC.

01-15-04 Salado Brine Well #2 Discharge Permit BW-025 Renewal
Expires September 01, 2008

\$1,700.00

RECEIVED

JAN 22 2004

**OIL CONSERVATION
DIVISION**

ACKNOWLEDGEMENT OF RECEIPT
OF CHECK/CASH

I hereby acknowledge receipt of check No. [REDACTED] dated 1-15-0
or cash received on _____ in the amount of \$ 1700⁰⁰
from CHAPARRAL SERVICE INC.
for SALADO BRINE ST BW-025
Submitted by: DCD - PRICE (DP No.) 2/3/04
Submitted to ASD by: [Signature] Date: "
Received in ASD by: _____ Date: _____
Filing Fee _____ New Facility _____ Renewal ☒
Modification _____ Other _____ (Optional)
Organization Code 521.07 Applicable FY 2004
To be deposited in the Water Quality Management Fund.
Full Payment ☒ or Annual Increment _____

CHAPARRAL SERVICE, INC.

P.O. DRAWER 1769
EUNICE, NM 88231

LEA COUNTY STATE BANK
HOBBS, NEW MEXICO 88241
95-183-1122

One Thousand Seven Hundred Dollars and 00 Cents

PAY
TO THE
ORDER
OF

Water Quality Management Fund
C/o: Oil Conservation Division
1220 S St Francis Dr
Santa Fe NM 87505

DATE
01-15-04

AMOUNT
\$1,700.00

GT-P

MP

January 13, 2004

CERTIFIED MAIL
RETURN RECEIPT NO. 3929 9925

Mr. Paul Prather
Chaparral Service, Inc. dba Salado Brine Well #2
P.O. Box 7169
Eunice, NM 88231

Re: Discharge Permit BW-025 Renewal
Salado Brine Sales No. 2 Brine Station
NE/4 NE/4 Section 20-Ts25S-R37E
Lea County, New Mexico

Dear Mr. Prather:

The groundwater discharge permit renewal application for the Chaparral Service, Inc. (CSI) dba Salado Brine Well #2 Brine Station BW-025 operated by CSI located in NE/4 NE/4 of Section 20, Township 25 South, Range 37 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 ten working days of receipt of this letter.**

The original discharge permit was approved on September 01, 1993 and subsequently modified on March 07, 1994 with an expiration date of September 01, 1998. The discharge permit renewal application, including attachments, dated July 2003 submitted pursuant to Section 20.6.2.5101 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 permit renewal application was submitted pursuant to Section 5101 of the New Mexico Water Quality Control Commission (WQCC) Regulations. The discharge permit is renewed 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 CSI 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.,

CSI 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 September 01, 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. It should be noted that all discharge permit facilities will be required to submit permits for, or the results of, an underground drainage testing program as a requirement for discharge permit renewal.

The discharge permit application for the CSI 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 plus a flat fee of \$1700.00 for brine stations.

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 permit review.

Sincerely,

Roger C. Anderson
Environmental Bureau Chief
RCA/lwp
xc: OCD Hobbs Office

ATTACHMENT TO THE DISCHARGE PERMIT BW-025 APPROVAL
CSI Brine Station Salado #2 (BW-025)
DISCHARGE PERMIT APPROVAL CONDITIONS
January 13, 2004

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: Chaparral 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 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 tests 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 # 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 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. Recent pressure tests, witnessed by OCD, showed that the brine well has a very small leak. This leak is less than 10% and its location has not been determined by the operator using standard testing practices. Therefore, OCD will require that a groundwater monitoring well be installed as specified in item # 25 below.
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 Required OCD will require that a groundwater

monitoring well be installed and located in close proximity to and along the local groundwater flow direction and directly down gradient of the brine well and washout pit. This monitor well shall be constructed, developed, purged and samples analyzed pursuant to approved EPA methods. The monitor well shall be sampled and analyzed for BTEX and general chemistry twice a year with the results submitted in the annual report. This well shall be completed within 30 days of this approval. Discovery of any groundwater contamination shall be reported pursuant to Item #18 above.

26. **Wash-out Pit:** A minimum freeboard of one foot will be maintained in the pit so that no overtopping of occurs. Any repairs or modifications to the pit must receive prior OCD approval.

Washout Pit Leak Detection: The leak detection monitor well for the washout pit will be inspected monthly. Records will be maintained to include quantity of fluids, conductivity and chlorides of fluid, any oil sheen present, date of inspection, and name of inspector. Leaks shall be reported pursuant to Item 18. (Spill Reporting) of these conditions.

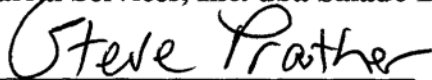
Note: During the last last two inspections OCD noted that the leak detection was in need of repair and there was standing fluid noted in the well. Please remove all liquids form the well and start the monitoring program as noted above. Please repair and notify OCD within 30 days of this approval of the status of this system.

27. **Well Work over Operations:** OCD approval will be obtained 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.

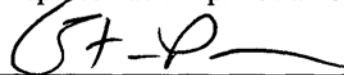
28. **Certification:** Chaparral Services, Inc. dba Salado Brine Well #2 by the officer whose signature appears below, accepts this permit and agrees to comply with all terms and conditions contained herein. Chaparral Services, Inc. dba Salado Brine Well #2 further acknowledges that these conditions 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:

Chaparral Services, Inc. dba Salado Brine Well #2



Company Representative- print name

 Date 1-15-04

Company Representative- Sign

Title V.P.

Price, Wayne

From: Price, Wayne
Sent: Wednesday, January 14, 2004 12:21 PM
To: Eddie Seay (E-mail)
Cc: Paul Prather (E-mail)
Subject: Salado #2 BW-025

Dear Eddie:

Please note the new expiration date for BW--25 is September 01, 2008. Please replace this page with the one attached and give to Dink:

Please send in sign-off sheets and fees.



BW25APP final
1_13_04.DOC

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



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop
Cabinet Secretary

January 13, 2004

Lori Wrotenbery

Director

Oil Conservation Division

CERTIFIED MAIL

RETURN RECEIPT NO. 3929 9925

Mr. Paul Prather
Chaparral Service, Inc. dba Salado Brine Well #2
P.O. Box 7169
Eunice, NM 88231

Re: Discharge Permit BW-025 Renewal
Salado Brine Sales No. 2 Brine Station
NE/4 NE/4 Section 20-Ts25S-R37E
Lea County, New Mexico

Dear Mr. Prather:

The groundwater discharge permit renewal application for the Chaparral Service, Inc. (CSI) dba Salado Brine Well #2 Brine Station BW-025 operated by CSI located in NE/4 NE/4 of Section 20, Township 25 South, Range 37 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 ten working days of receipt of this letter.**

The original discharge permit was approved on September 01, 1993 and subsequently modified on March 07, 1994 with an expiration date of September 01, 1998. The discharge permit renewal application, including attachments, dated July 2003 submitted pursuant to Section 20.6.2.5101 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 permit renewal application was submitted pursuant to Section 5101 of the New Mexico Water Quality Control Commission (WQCC) Regulations. The discharge permit is renewed 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 CSI 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.

ATTACHMENT TO THE DISCHARGE PERMIT BW-025 APPROVAL
CSI Brine Station Salado #2 (BW-025)
DISCHARGE PERMIT APPROVAL CONDITIONS
January 13, 2004

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: Chaparral 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 tests 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 # 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 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. Recent pressure tests, witnessed by OCD, showed that the brine well has a very small leak. This leak is less than 10% and its location has not been determined by the operator using standard testing practices. Therefore, OCD will require that a groundwater monitoring well be installed as specified in item # 25 below.
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 Required OCD will require that a groundwater monitoring well be installed and located in close proximity to and along the local groundwater flow direction and directly down gradient of the brine well and washout pit. This monitor well shall be constructed, developed, purged and samples analyzed pursuant to approved EPA methods. The monitor well shall be sampled and analyzed for BTEX and general chemistry twice a year with the results submitted in the annual report. This well shall be completed within 30 days of this approval. Discovery of any groundwater contamination shall be reported pursuant to Item #18 above.
26. Wash-out Pit: A minimum freeboard of one foot will be maintained in the pit so that no overtopping of occurs. Any repairs or modifications to the pit must receive prior OCD approval.

Washout Pit Leak Detection: The leak detection monitor well for the washout pit will be inspected monthly. Records will be maintained to include quantity of fluids, conductivity and chlorides of fluid, any oil sheen present, date of inspection, and name of inspector. Leaks shall be reported pursuant to Item 18. (Spill Reporting) of these conditions.

Note: During the last last two inspections OCD noted that the leak detection was in need of repair and there was standing fluid noted in the well. Please remove all liquids form the well and start the monitoring program as noted above. Please repair and notify OCD within 30 days of this approval of the status of this system.

27. Well Work over Operations: OCD approval will be obtained 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.

Mr. Paul Prather
January 13, 2004
Page 8

28. Certification: **Chaparral Services, Inc. dba Salado Brine Well #2** by the officer whose signature appears below, accepts this permit and agrees to comply with all terms and conditions contained herein. **Chaparral Services, Inc. dba Salado Brine Well #2** 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: **Chaparral Services, Inc. dba Salado Brine Well #2**

Company Representative- print name

Date _____
Company Representative- Sign

Title _____

Mr. Paul Prather
January 13, 2004
Page 2

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. CSI 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.

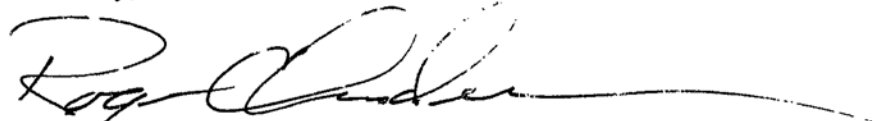
2008 JP
Pursuant to Section 3109.H.4., this approval is for a period of five years. **This approval will expire September 01, 2007** and an application for renewal should be submitted in ample time before that date. Pursuant to Section 5101.F. of the regulations, if a discharger submits a discharge permit 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. It should be noted that all discharge permit facilities will be required to submit permits for, or the results of, an underground drainage testing program as a requirement for discharge permit renewal.

The discharge permit application for the CS 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 plus a flat fee of \$1700.00 for brine stations.

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 Fries of my staff at (505) 476-1487. 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,



Roger C. Anderson
Environmental Bureau Chief
RCA/lwp
xc: OCD Hobbs Office

Mr. Paul Prather
Feb 22, 2000
Page 3

RECEIVED
MAR 02 2000
Environmental Bureau
Oil Conservation Division

ATTACHMENT TO THE DISCHARGE PLAN BW-025 APPROVAL
CSI Brine Station Salado #2 (BW-025)
DISCHARGE PLAN APPROVAL CONDITIONS
February 22, 2000

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: CSI will abide by all commitments submitted in the discharge plan renewal application dated July 13, 1999, and supplemental information received on December 06, 2000 and these conditions for approval.
3. Washout Pit Inspection: Leaks & Spills shall be reported pursuant to Item 21. (Spill Reporting) of these conditions.
4. Washout Pit : A minimum freeboard will be maintained in the concrete pit so that no overtopping of waste occurs. Any repairs or modifications to the washout pit, piping, solids pad or leak detector must receive prior OCD approval.

Leak Detection Monitor Well: The leak detection monitor well for the washout pit must be inspected for fluids monthly. Records will be maintained to include quantity of fluid measured, hydrocarbons present, conductivity and chlorides of fluid, date of inspection, and name of inspector. Any fluids found must be reported to the NMOCDSanta Fe office and the appropriate District office within 48 hours of discovery.

Waste Classification: The washout pit will only receive waste that is exempt from federal RCRA Subtitle C (hazardous waste) regulations. Please Note: If the washout pit inadvertently receives any non-exempt waste, then the entire contents may be subject to a EPA RCRA 40 CFR part 261 hazardous waste determination.

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: CSI 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 annulus and the casing pressure tested at 300 psig for 30 minutes. 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 (**September 01, 2002**). The method and time of testing will be approved by the OCD prior to performing the test.

CSI 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 May 15, 2000.

9. 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 an **annual report due on May 15th of each year.**
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.

Mr. Paul Prather

Feb 22, 2000

Page 5

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 **April 01, 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 May 15th, of each year.
17. Underground Process/Wastewater Lines: All underground process/wastewater pipelines must be tested to demonstrate their mechanical integrity no later than **April 01, 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 annual report due on May 15, 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 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.

Mr. Paul Prather

Feb 22, 2000

Page 6

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 determination 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. Certification: CSI by the officer whose signature appears below, accepts this permit and agrees to comply with all terms and conditions contained herein. CSI 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: CSI

Paul D. Prather
Company Representative- print name

Paul D. Prather Date 2/25/00
Company Representative- Sign

Title President



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

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

February 22, 2000

CERTIFIED MAIL

RETURN RECEIPT NO. Z 142 564 944

Mr. Paul Prather
Chaparral Service, Inc. dba Salado Brine Well #2
P.O. Box 7169
Eunice, NM 88231

Re: Discharge Plan BW-025 Renewal
Salado Brine Sales No. 2 Brine Station
NE/4 NE/4 Section 20-Ts25S-R37E
Lea County, New Mexico

Dear Mr. Prather:

The groundwater discharge plan renewal application for the Chaparral Service, Inc. (CSI) dba Salado Brine Well #2 Brine Station BW-025 operated by CSI located in NE/4 NE/4 of Section 20, Township 25 South, Range 37 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 ten working days of receipt of this letter.**

The original discharge plan was approved on September 01, 1993 and subsequently modified on March 07, 1994 with an expiration date of September 01, 1998. The discharge plan renewal application, including attachments, dated July 13, 1999, and supplemental information received on December 06, 2000 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 CSI 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. Paul Prather
Feb 22, 2000
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., CSI 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 ²⁰⁰³4., this approval is for a period of five years. **This approval will expire September 01, 2002** 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. 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 application for the CSI 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 a renewal fee of \$690.00 for brine stations. The OCD has not received the \$690.00 flat fee. The flat fee of \$690.00 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.

If you have any questions, please contact Wayne Price of my staff at (505-827-7155). 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-025 APPROVAL
CSI Brine Station Salado #2 (BW-025)
DISCHARGE PLAN APPROVAL CONDITIONS
February 22, 2000

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: CSI will abide by all commitments submitted in the discharge plan renewal application dated July 13, 1999, and supplemental information received on December 06, 2000 and these conditions for approval.
3. Washout Pit Inspection: Leaks & Spills shall be reported pursuant to Item 21. (Spill Reporting) of these conditions.
4. Washout Pit : A minimum freeboard will be maintained in the concrete pit so that no overtopping of waste occurs. Any repairs or modifications to the washout pit, piping, solids pad or leak detector must receive prior OCD approval.

Leak Detection Monitor Well: The leak detection monitor well for the washout pit must be inspected for fluids monthly. Records will be maintained to include quantity of fluid measured, hydrocarbons present, 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.

Waste Classification: The washout pit will only receive waste that is exempt from federal RCRA Subtitle C (hazardous waste) regulations. Please Note: If the washout pit inadvertently receives any non-exempt waste, then the entire contents may be subject to a EPA RCRA 40 CFR part 261 hazardous waste determination.

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: CSI 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 annulus and the casing pressure tested at 300 psig for 30 minutes. 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 (**September 01, 2002**). The method and time of testing will be approved by the OCD prior to performing the test.

CSI 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 May 15, 2000.

9. 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 an **annual report due on May 15th of each year.**
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.

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 **April 01, 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 May 15th, of each year.
17. Underground Process/Wastewater Lines: All underground process/wastewater pipelines must be tested to demonstrate their mechanical integrity no later than **April 01, 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 annual report due on May 15, 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 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.

Mr. Paul Prather

Feb 22, 2000

Page 6

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 determination 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. Certification: CSI by the officer whose signature appears below, accepts this permit and agrees to comply with all terms and conditions contained herein. CSI 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: CSI

Company Representative- print name

Date _____
Company Representative- Sign

Title _____



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



BRUCE KING
GOVERNOR

ANITA LOCKWOOD
CABINET SECRETARY

September 1, 1993

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

CERTIFIED MAIL
RETURN RECEIPT NO. P-667-242-011

Mr. William H. Brininstool
Salado Brine Sales
P.O. Drawer A
Jal, New Mexico 88252

**RE: Approval of Discharge Plan BW-25
Salado Brine Sales No. 2 Brine Station
Lea County, New Mexico**

Dear Mr. Brininstool:

The discharge plan BW-25 for the Salado Brine Sales No. 2 Brine Station located in the NE/4 NE/4, Section 20, Township 25 South, Range 37 East, NMPM, Lea County, New Mexico, is hereby approved under the conditions contained in the enclosed attachment. The approved discharge plan consists of the discharge plan dated May 10, 1993, and the materials dated May 19, 1993, submitted as supplements to the application.

The discharge plan renewal was submitted pursuant to Section 5-101.B.3 of the New Mexico Water Quality Control Commission (WQCC) 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. In addition, the OCD approval does not relieve you of liability for compliance with any 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

Mr. William Brininstool
September 1, 1993
Page 2

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.

Pursuant to Section 3-109.G.4, this plan is for a period of five (5) years. This approval will expire September 1, 1998, 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.

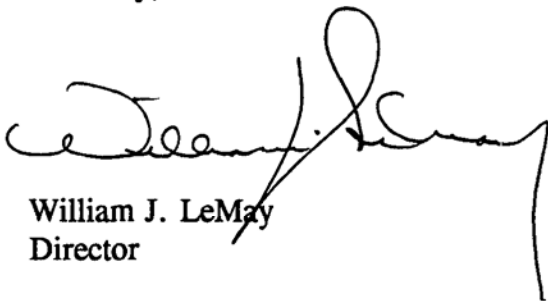
The discharge plan application for the Salado Brine Sales No. 2 Brine Facility is subject to the WQCC Regulation 3-114 discharge plan fee. Every billable facility submitting a discharge plan will be assessed a fee equal to the filing fee of fifty (50) dollars plus the flat fee of one-thousand, three-hundred and eighty (1380) dollars for brine extraction facilities.

The OCD has not received your \$50 filing fee or \$1380 flat fee (total fee \$1430). The filing fee is due upon receipt of this letter. The flat fee for an approved discharge plan may be paid in a single payment due at the time of approval, or in equal annual installments over the duration of the discharge plan, with the first payment due upon receipt of this approval.

Please make all checks out 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/kmb

Attachment

xc: Jerry Sexton, OCD Hobbs Office

ATTACHMENT TO DISCHARGE PLAN BW-25 APPROVAL
SALADO BRINE SALES NO. 2 BRINE FACILITY
DISCHARGE PLAN REQUIREMENTS
(September 1, 1993)

1. Brine Transfer Lines: All below-grade brine transfer lines will be tested for integrity once every five years with the first test conducted prior to the discharge plan renewal (September 1, 1998). Prior to conducting the integrity test the OCD will be notified of the exact method and date.
2. Sump Construction: All sumps and below-grade tanks will be approved by the OCD prior to installation and will incorporate secondary synthetic containment and leak detection in their designs. All leak detection systems will be inspected weekly and the OCD Santa Fe Office will be notified immediately upon discovery of fluids in any leak detection system.
3. Drum Storage: All drums will be stored on pad and curb type containment.
4. Tank Berming: All tanks that contain materials other than fresh water will be bermed to contain one and one-third times the capacity of the tank.
5. Spill Containment: All brine storage and transfer will be managed in such a manner to keep brine off of the ground surface. Any brine spilled onto the ground surface will be cleaned-up upon discovery.
6. Spill Reporting: All spills and/or leaks will be reported to the OCD Hobbs District Office pursuant to WQCC Rule 1-203 and OCD Rule 116.
7. Production Method: Fresh water will be injected down the annulus and brine will be recovered up the tubing. Reverse flow will be allowed once a month for a maximum of 24 hours for clean out.
8. Maximum Injection Pressure: The maximum operating injection pressure at the well head will be such that the fracture pressure of the injection formation (Salado) will not be exceeded.
9. Mechanical Integrity Testing: A mechanical integrity test will be conducted on the well annually. A pressure equal to one and one-half of the normal operating pressure will be maintained for four hours. The OCD will be notified prior to the test so that they may witness the test.
10. Cavity Configuration: A test will be conducted to determine the size and configuration of the mined cavity prior to discharge plan renewal (September 1, 1993). The method and time of testing will be approved by the OCD prior performing the test.

11. 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.
12. Well Workovers Operations: OCD approval will be obtained prior to performing remedial work or any other workover. Approval will be requested at the OCD Hobbs District Office on OCD Form C-103 "Sundry Notices and Reports on Wells" (OCD Rule 1103-A).
13. Closure: The OCD will be notified when operations of the facility is discontinued for a period in excess of six months. Prior to closure of the facility a closure plan will be submitted for OCD approval. Closure and waste disposal will be in accordance with the statues, rules and regulations in effect at the time of closure.

Price, Wayne

From: Price, Wayne
Sent: Thursday, May 09, 2002 3:48 PM
To: 'seay04@leaco.net'
Subject: Chaparral Service Salado Brine #2 BW-025

Contacts: Eddie Seay

Dear Mr. Seay:

The OCD is in receipt of the groundwater monitoring plan dated February 7, 2002. The plan is hereby approved.

Please be advised that NMOCD approval of this plan does not relieve Chaparral Service, Salado Brine #2 of liability should their operations pose a threat to ground water, surface water, human health or the environment. In addition, NMOCD approval does not relieve Chaparral Service, Salado Brine #2 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