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APPROVALS

YEAR(S):

1998



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
DISTRICT I HOBBS
PO BOX 1980, Hobbs, NM 88241
(505) 393-6161
FAX (505) 393-0720

Jennifer A. Salisbury
CABINET SECRETARY

January 23, 1998

Mr. J. Charles Farmer
Saga Petroleum Corp.
415 W. Wall, Ste. 835
Midland, Tx 79701

Re: Recent Spill Event; at Saga Pet. Aztec St. #6 Tk Batt UL E-Sec 8-Ts17s-R33e. And Playa Lake in UL F.

Subject: Memorandum of Understanding.

Dear Mr. Farmer,

New Mexico Oil Conservation Division (NMOCD) District I office has agreed with Saga Petroleum Corp. on the following action items concerning the above referenced spill.

1. Saga will clean-up the affected playa lake area pursuant to the NMOCD Guidelines.
2. Saga will submit a C-141 subsequent report no later than January 30, 1998.
3. Saga personnel will participate in environmental training performed by a third party contractor. This training will include reporting leaks & spills and performing corrective actions pursuant to NMOCD rules and regulations. The NMOCD understands this training will be held in Hobbs, NM on February 12, 1998.

If Saga agrees to the above action items please sign this "Memorandum of Understanding" in the designated area below and return within 10 days receipt of this letter.

I, (print name) _____, (signature) _____,
certify I am a personal representative for the Saga Petroleum Corp. and hereby agree to the action items 1-3 listed above. I understand failure to agree with the above mentioned negotiated terms may result in NMOCD District I issuing a "NOTICE of VIOLATION" for violations of the New Mexico Oil & Gas Act for the related incident for the above referenced location.

The NMOCD District I office will not issue a "NOTICE of VIOLATION" and will defer any recommendations for civil and/or criminal penalties as allowed under the Oil & Gas Act of New Mexico for this related incident. Please note the NMOCD District I office cannot guarantee to Saga Petroleum Corp. that it will not be liable under other Federal, State, and/or local laws, rules and regulations including issues pertaining to NMOCD Environmental Bureau rules & regulations.

If you require any further information or assistance please do not hesitate to call (505-393-6161) or write this office.

Sincerely Yours,

Wayne Price-Environmental Engineer

cc: Chris Williams-NMOCD District I Supervisor
Roger Anderson-Environmental Bureau Chief, Santa Fe, NM
Rand Carroll-NMOCD Legal Bureau - Santa Fe, NM



Bill Olson

From: Price, Wayne
Sent: Saturday, January 10, 1998 4:51 PM
To: Roger Anderson; Price, Wayne
Cc: Bill Olson; Chris Williams
Subject: RE: Saga Pet. Co. Release to Playa lake

Sorry, the first one did not have my attachments!



Saga.wpd



Saga1.wpd

From: Price, Wayne
Sent: Saturday, January 10, 1998 4:48 PM
To: Roger Anderson
Cc: Bill Olson; Chris Williams
Subject: Saga Pet. Co. Release to Playa lake

Dear Roger,

Please find attached my field notes for the above site. Please note Saga failed to report this to our office.

Please note the impact was significant from a clean-up standpoint, however there was very little fresh water impacted.

I recommend that the NMOCD District I handle the clean-up.

Thank You.

NMOCD INTER-OFFICE CORRESPONDENCE

TO: File of Saga Pet.

From: Wayne Price-Environmental Engineer

Date: January 10, 1998 4 pm MST

Reference: Saga Pet. Aztec St. #6 Tk Batt UL E-Sec 8-Ts17s-R33e. And Playa Lake in UL F

Subject: Memorandum of telephone conversation

Comments:

Informed Mr. Don Tally to have Saga notify the NMOCD Bureau chief for the release that occurred for the above referenced spill.

cc: Chris Williams-NMOCD District I Supervisor
Roger Anderson-Environmental Bureau Chief, Santa Fe, NM

attachments-

NMOCD INTER-OFFICE CORRESPONDENCE

TO: To File of Saga Petroleum.
From: Wayne Price-Environmental Engineer
Date: January 8, 1998 2 pm
Reference: Saga Pet. Aztec St. #6 Tk Batt UL E-Sec 8-Ts17s-
R33e. And Playa Lake in UL F.
Subject: Field Trip Inspection

Comments & Findings:

NMOCD District I office received a complaint call on Jan 07, 1998 from landowner Mr. Ross Caviness concerning a crude oil leak from the above referenced Battery. Mr. Caviness reported oil had flowed into a playa lake (Buffalo Wallow).

On-site Personnel: Ross Caviness-Landowner, Saga clean-up crews.

Met with Saga Rep's: Chuck Farmer & Joe Clements.
Toured spill site and took pictures.

According to Saga personnel this spill occurred on Jan 04, 1998. Saga responded with clean-up crews and put up a fence around the bottom of the playa lake where the oil had flowed. Leak was a result of mis-valving or improper piping. The Inj. Pump rate decreased and cause the water tank which was equalized with the oil tanks to flow oil onto the ground and flow into the nearby playa lake located just NE of this location.

The landowner indicated the playa lake had a small amount of snow water in the bottom. This playa is an active fresh water catch basin during rain & snow events. There is cattle and antelope in the area.

This battery did not have any dikes/berms etc. to catch the oil run-off.

NMOCD was not notified at the time of the spill.

Closing meeting at site: Discussed various clean-up scernios acceptable to NMOCD. Saga to provide C-141 within 15 days from Jan 08, 1998. Saga will continue to remove all contaminated soil from the playa and drainage pathways. Saga will sample and test pursuant to NMOCD guidlines to verify clean-up. Clean-up standard in the Playa and drainage pathways will be the most stringent for the protection of the environment.

NMOCD agreed to allow Saga to segregate battery from emergency response at this time so as Saga can concentrate on cleaning up the playa lake which is the immediate environmental threat.

NMOCD recommended to Saga to notify other pertinent agencies. Price to issue "Notice of Violation" and/or a memorandum of understanding. Price will coordinate with NMOCD Environmental Bureau.

Left site 3:08 pm.

4 pm; Meeting in NMOCD Office with C. Farmer & J. Clements.

NMOCD gave Saga the NRC Hotline #.

Discussed possible Notice of Violation` (NOV's), Memorandum of

understanding (Training issues by third party etc), NM rules & regs., berming, on-site remediation etc.

cc: Chris Williams-NMOCD District I Supervisor
Roger Anderson-Environmental Bureau Chief, Santa Fe, NM

attachments-pictures.

