

EPWM - 8

**TEMPORARY
APPROVALS,
PERMITS,
RENEWALS, &
MODS**



New Mexico Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

Harrison H. Schmitt
Cabinet Secretary-Designate

Daniel Sanchez
Acting Division Director
Oil Conservation Division



February 3, 2011

Mr. John Q. Barnidge
Controlled Recovery, Inc.
P.O. Box 388
4507 W. Carlsbad Hwy
Hobbs, New Mexico 88240

**RE: Request for Temporary Approval to Store and Treat Produced Water for R&D of Treatment Technology
Controlled Recovery, Inc. (CRI)
EPWM - 008
Location: Units E, F, G, and H of Section 27, Township 20 South, Range 32 East,
NMPM, Lea County, New Mexico**

Dear Mr. Barnidge:

The Oil Conservation Division (OCD) has reviewed Controlled Recovery, Inc.'s (CRI) request dated January 31, 2011, to perform a research and development demonstration by temporarily running test trails on a treatment technology for produced water. The proposed produced water treatment unit will be setup within CRI's Halfway Disposal Facility boundary, surface waste management facility permit NM-1-006, located in Units E, F, G, and H of Section 27, Township 20 South, Range 32 East NMPM, Lea County, New Mexico. OCD understands that produced water will be treated for research and development considerations of future and/or continued use of a new proposed treatment technology. CRI does not propose to resale or use the produced water (treated or untreated) for any alternative use.

CRI's request is hereby approved pursuant to Subsection B of 19.15.34.12 NMAC with the following conditions:

1. CRI shall comply with all of the applicable requirements of the Produced Water Rule (19.15.34 NMAC), the Oil and Gas Act (Chapter 70, Article 2 NMSA 1978), and all of the conditions specified in this temporary approval.
2. CRI shall store, treat, test, and store produced water only as proposed in its January 31, 2011 request.

Oil Conservation Division
1220 South St. Francis Drive • Santa Fe, New Mexico 87505
Phone (505) 476-3440 • Fax (505) 476-3462 • www.emnrd.state.nm.us/OCD



3. CRI shall store and treat produced water on a bermed, lined containment area using a 20-mil welded polyethylene geomembrane liner material to prevent and contain unauthorized releases.
4. CRI shall store all produced water (treated and untreated) in above ground tanks within the bermed, lined containment area for the purpose of this temporary approval.
5. CRI shall process any reclaimed hydrocarbons generated from the treatment of produced water at their Oil Reclamation Plant and pursuant to the conditions and operational requirements of their surface waste management facility permit NM-1-006.
6. CRI shall dispose of all treated and untreated produced water addressed under this temporary approval pursuant to the conditions and operational requirements of their surface waste management facility permit NM-1-006.
7. CRI shall manage and dispose of any oilfield waste generated from the treatment of produced water pursuant to the conditions and operational requirements of their surface waste management facility permit NM-1-006.
8. CRI shall not discharge any treated or untreated produced water on the ground, to ground water, or into any surface water body without prior written authorization from the OCD's Environmental Bureau.
9. CRI shall report all unauthorized discharges, spills, leaks, and releases of produced water and conduct corrective action pursuant to 19.15.29 NMAC and 19.15.30 NMAC, as appropriate.
10. CRI shall ensure all oilfield waste is transported by a hauler that has a form C-133, Authorization to Move Produced Water, approved by OCD.
11. CRI shall test the produced water influent prior to treatment and the effluent after treatment, for the constituents identified in Subsections A, B, and C of 20.6.2.3103 NMAC. The laboratory reportable limits shall not exceed the standards specified in Subsections A, B, and C of 20.6.2.3103 NMAC.
12. CRI shall dismantle the R&D trial site at the conclusion of the approved activities by removing the produced water treatment unit, deconstructing the bermed containment area, removing the geomembrane, and addressing the removal and clean-up contaminated soils associated with the operation of the trial site.
13. CRI shall submit a report to OCD Environmental Bureau within 30 days of the conclusion of its approved activities. The report shall include the following:

Mr. Barnidge
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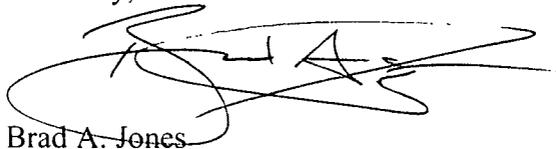
- copies of produced water laboratory analytical results (pre and post treatment);
- the total volume of produced water treated; and
- documentation and photos of the trial site cleanup and closure.

This temporary approval is valid for a period of six (6) months. **This temporary approval will begin February 15, 2011 and will expire September 16, 2011.** Renewal requests for temporary approvals shall be submitted 45 days prior to the expiration date. Temporary approval may be revoked or suspended for violation of any applicable provisions and/or conditions. OCD may administratively modify this temporary approval at any time, by incorporating additional conditions, if it determines that such conditions are necessary and proper for the protection of fresh water, public health, and the environment.

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

If there are any questions regarding this matter, please do not hesitate to contact me at (505) 476-3487 or brad.a.jones@state.nm.us.

Sincerely,



Brad A. Jones
Environmental Engineer

BAJ/baj

cc: OCD District I Office, Hobbs