



CEHMM

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James Griswold
Bureau Chief
Oil Conservation Division
Environmental Bureau
1220 S. St. Francis Drive,
Santa Fe, NM 87505

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Dear Mr. Griswold:

Per your request, I am providing a brief chronology regarding the pond located at the CEHMM algal facility on 157 North Lake Road near Atoka New Mexico. In 2010, CEHMM received a grant from the State of New Mexico to investigate the use of treated produced water from oil and gas operations in the cultivation of algae used in the production of biofuels. CEHMM entered into a contract with CAS Water based in Roswell, New Mexico, who advertised and touted their ability to treat produced water from oilfield operations to potable standards. The owner of CAS, at the time, was Mr. Tim Coakley. After much discussion and negotiation with OCD, CAS was issued a permit from OCD to build a bermed equipment staging area with a multiple liner containment system in accordance with OCD requirements for confining produced water. The pond was constructed by Ag Services from Roswell New Mexico. Ag Services is well respected and experienced in building containment systems of this nature for industrial and agricultural applications.

In March of 2011, the CAS contract was terminated for non-performance due, in part, for the failure of CAS to secure a source for produced water. Inasmuch as I have been involved in the CEHMM algae project since 2005 as Executive Director I can state unequivocally that no produced water was ever received on site, and to my knowledge, neither were there even any small samples on site at any time. When CAS was escorted off site, the pond was inspected by then CEHMM Operations Manager, Mr. Lupe Carrasco and his staff and determined to be in excellent condition with no visible spills, breaches of containment, or other damage.

In conclusion, I can confidently affirm that no produced water ever came on site during the year CAS occupied the location.

Sincerely,

Douglas C. Lynn
Executive Director

cc: Kellie Jones
Environmental Scientist
New Mexico Environment Department
Groundwater Quality Bureau