

UIC-1 - 005

**TRANSFER OF
OWNERSHIP**

District I
1625 N. French Dr., Hobbs, NM 88240
Phone: (575) 393-6161 Fax: (575) 393-0720
District II
811 S. First St., Artesia, NM 88210
Phone: (575) 748-1283 Fax: (575) 748-9720
District III
1000 Rio Brazos Rd., Aztec, NM 87410
Phone: (505) 334-6178 Fax: (505) 334-6170
District IV
1220 S. St Francis Dr., Santa Fe, NM 87505
Phone: (505) 476-3470 Fax: (505) 476-3462

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

Form C-145
August 1, 2011
Permit 141815

Change of Operator

Previous Operator Information

OGRID: 19797
Name: KEY ENERGY SERVICES, LLC
Address: 6 DESTA DRIVE
SUITE 4400
City, State, Zip: MIDLAND, TX 79705

New Operator Information

Effective Date: Effective on the date of approval by the OCD
OGRID: 247130
Name: AGUA MOSS, LLC
Address: PO Box 600
City, State, Zip: Farmington, NM 87499

I hereby certify that the rules of the Oil Conservation Division have been complied with and that the information on this form and the certified list of wells is true to the best of my knowledge and belief.

Additionally, by signing below, AGUA MOSS, LLC certifies that it has read and understands the following synopsis of applicable rules.

PREVIOUS OPERATOR certifies that all below-grade tanks constructed and installed prior to June 16, 2008 associated with the selected wells being transferred are either (1) in compliance with 19.15.17 NMAC, (2) have been closed pursuant to 19.15.17.13 NMAC or (3) have been retrofitted to comply with Paragraphs 1 through 4 of 19.15.17.11(I) NMAC.

AGUA MOSS, LLC understands that the OCD's approval of this operator change:

1. constitutes approval of the transfer of the permit for any permitted pit, below-grade tank or closed-loop system associated with the selected wells; and
2. constitutes approval of the transfer of any below-grade tanks constructed and installed prior to June 16, 2008 associated with the selected wells, regardless of whether the transferor has disclosed the existence of those below-grade tanks to the transferee or to the OCD, and regardless of whether the below-grade tanks are in compliance with 19.15.17 NMAC.

As the operator of record of wells in New Mexico, AGUA MOSS, LLC agrees to the following statements:

1. I am responsible for ensuring that the wells and related facilities comply with applicable statutes and rules, and am responsible for all regulatory filings with the OCD. I am responsible for knowing all applicable statutes and rules, not just the rules referenced in this list. I understand that the OCD's rules are available on the OCD website under "Rules," and that the Water Quality Control Commission rules are available on the OCD website on the "Publications" page.
2. I understand that if I acquire wells from another operator, the OCD must approve the operator change before I begin operating those wells. See 19.15.9.9.B NMAC. I understand that if I acquire wells or facilities subject to a compliance order addressing inactive wells or environmental cleanup, before the OCD will approve the operator change it may require me to enter into an enforceable agreement to return those wells to compliance. See 19.15.9.9.C(2) NMAC.
3. I must file a monthly C-115 report showing production for each non-plugged well completion for which the OCD has approved an allowable and authorization to transport, and injection for each injection well. See 19.15.7.24 NMAC. I understand that the OCD may cancel my authority to transport from or inject into all the wells I operate if I fail to file C-115 reports. See 19.15.7.24.C NMAC.
4. I understand that New Mexico requires wells that have been inactive for certain time periods to be plugged or placed on approved temporary abandonment. See 19.15.25.8 NMAC. I understand the requirements for plugging and approved temporary abandonment in 19.15.25 NMAC. I understand that I can check my compliance with the basic requirements of 19.15.25.8 NMAC by using the "Inactive Well List" on OCD's website.
5. I must keep current with financial assurances for well plugging. I understand that New Mexico requires each state or fee well that has been inactive for more than two years and has not been plugged and released to be covered by a single-well financial assurance, even if the well is also covered by a blanket financial assurance and even if the well is on approved temporary abandonment status. See 19.15.8.9.C NMAC. I understand that I can check my compliance with the single-well financial assurance requirement by using the "Inactive Well Additional Financial Assurance Report" on the OCD's website.
6. I am responsible for reporting releases as defined by 19.15.29 NMAC. I understand the OCD will look to me as the operator of record to take corrective action for releases at my wells and related facilities, including releases that occurred before I became operator of record.
7. I have read 19.15.5.9 NMAC, commonly known as "Part 5.9," and understand that to be in compliance with its requirements I must have the appropriate financial assurances in place, comply with orders requiring corrective action, pay penalties assessed by the courts or agreed to by me in a settlement agreement, and not have too many wells out of compliance with the inactive well rule (19.15.25.8 NMAC). If I am in violation of Part 5.9, I may not be allowed to drill, acquire or produce any additional wells, and will not be able to obtain any new injection permits. See 19.15.16.19 NMAC, 19.15.26.8 NMAC, 19.15.9.9 NMAC and 19.15.14.10 NMAC. If I am in violation of Part 5.9 the OCD may, after notice and hearing, revoke my existing injection permits. See 19.15.26.8 NMAC.
8. For injection wells, I understand that I must report injection on my monthly C-115 report and must operate my wells in compliance with 19.15.26 NMAC and the terms of my injection permit. I understand that I must conduct mechanical integrity tests on my injection wells at least once every five years. See 19.15.26.11 NMAC. I understand that when there is a continuous one-year period of non-injection into all wells in an injection or storage project or into a saltwater disposal well or special purpose injection well, authority for that injection automatically terminates. See 19.15.26.12 NMAC. I understand that if I transfer operation of an injection well to another operator, the OCD must approve the transfer of authority to inject, and the OCD may require me to demonstrate the well's mechanical integrity prior to approving that transfer. See 19.15.26.15 NMAC.
9. I am responsible for providing the OCD with my current address of record and emergency contact information, and I am responsible for updating that information when it changes. See 19.15.9.8.C NMAC. I understand that I can update that information on the OCD's website under "Electronic Permitting."
10. If I transfer well operations to another operator, the OCD must approve the change before the new operator can begin operations. See 19.15.9.9.B NMAC. I remain responsible for the wells and related facilities and all related regulatory filings until the OCD approves the operator change. I understand

that the transfer will not relieve me of responsibility or liability for any act or omission which occurred while I operated the wells and related facilities.

Previous Operator

Signature: Daniel K. Gibson

Printed Name: Daniel K. Gibson

Title: Corp. Environmental Director

Date: 01/03/2012 Phone: 432 571 7536

New Operator

Signature: Philana Thompson

Printed Name: Philana Thompson

Title: Regulatory Compliance Spec.

Date: 1-3-12 Phone: 505 486 1171

Chavez, Carl J, EMNRD

From: VonGonten, Glenn, EMNRD
Sent: Tuesday, January 31, 2012 2:49 PM
To: Philana Thompson; Chavez, Carl J, EMNRD; Sanchez, Daniel J., EMNRD; Jones, Brad A., EMNRD
Cc: Bailey, Jami, EMNRD
Subject: RE: Sunco Disposal #1

Philana,

OCD hereby approves your request for additional time to submit the permit renewal/permit transfer documents until February 8, 2012. Please call me at 505-476-3488 if you have any questions.

Glenn

From: Philana Thompson [<mailto:pthompson@merrion.bz>]
Sent: Tuesday, January 31, 2012 12:17 PM
To: VonGonten, Glenn, EMNRD; Chavez, Carl J, EMNRD
Subject: Sunco Disposal #1

Glenn and Carl,

It seems as though i will need an extension on the filing of the renewal permit. I am currently waiting on some data from Envirotech. Please advise on what i need to file to obtain the extension. I would like to request one more week so that we can finalize the permit.

Thank you, Philana

--
Philana Thompson
Regulatory Compliance
Merrion Oil & Gas Corp
cell 505-486-1171
office 505-324-5336



Chavez, Carl J, EMNRD

From: Chavez, Carl J, EMNRD
Sent: Thursday, January 26, 2012 7:28 AM
To: 'Philana Thompson'
Cc: Brooks, David K., EMNRD; Jones, Brad A., EMNRD; Gerholt, Gabrielle, EMNRD
Subject: Bonding and required "Transfer of Ownership" Documents for the Sunco Disposal Well #1, OCD Discharge Permit (UICI-005), and Surface Waste Management Facility

Philana:

Good morning.

Mr. David Brooks (OCD Attorney) has informed me after review of your Well Bond "WQCC-1" that the Agua Moss, LLC Signature (lower left hand signature block) must be either from a "Member" or "Manager" of the company. This would also seem to apply to the Signature on the "Acknowledgment Form For Individual" under the "Acknowledgment Form For Partnership, Corporation, or Limited Liability Company". Finally, you are aware that the OCD must receive an Original or Duplicate Original of the well bond. You may now submit the bond with the above conditions for approving and processing the well transfer and discharge permit (UICI-005) aspects of the transfer of ownership.

FYI, Mr. Brad Jones (OCD Environmental Bureau) is working with Ms. Gabrielle Gerholt (OCD Attorney) on the review of the Surface Waste Management Facility (19.15.36 et seq. NMAC) Financial Assurance and should provide you with any feedback on your submitted electronic bond, etc. to assist you with a final submittal to Mr. Jones.

Please contact me if you have questions on the well and Discharge Permit (UICI-005). Please contact Mr. Jones at (505) 476-3487 on the Surface Waste Management Facility aspects of the transfer of ownership.

Thank you.

Carl J. Chavez, CHMM
New Mexico Energy, Minerals & Natural Resources Dept.
Oil Conservation Division, Environmental Bureau
1220 South St. Francis Dr., Santa Fe, New Mexico 87505
Office: (505) 476-3490
Fax: (505) 476-3462
E-mail: CarlJ.Chavez@state.nm.us

Website: <http://www.emnrd.state.nm.us/ocd/>

"Why not Prevent Pollution; Minimize Waste; Reduce the Cost of Operations; & Move Forward with the Rest of the Nation?" To see how, go to "Pollution Prevention & Waste Minimization" at: <http://www.emnrd.state.nm.us/ocd/environmental.htm#environmental>)

From: Chavez, Carl J, EMNRD
Sent: Tuesday, January 24, 2012 4:52 PM
To: 'Philana Thompson'
Subject: RE: Bonding and required documents

Please hold off and let us look over what you are planning to send that way we may avoid having to send them back. However, if you wish to send them and let the chips fall where they may, that is fine too. Thanks:

Carl J. Chavez, CHMM
New Mexico Energy, Minerals & Natural Resources Dept.
Oil Conservation Division, Environmental Bureau
1220 South St. Francis Dr., Santa Fe, New Mexico 87505
Office: (505) 476-3490
Fax: (505) 476-3462
E-mail: CarlJ.Chavez@state.nm.us
Website: <http://www.emnrd.state.nm.us/ocd/>

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<http://www.emnrd.state.nm.us/ocd/environmental.htm#environmental>)

From: Philana Thompson [mailto:pthompson@merrion.bz]
Sent: Tuesday, January 24, 2012 4:42 PM
To: Chavez, Carl J, EMNRD; Phillips, Dorothy, EMNRD; Jones, Brad A., EMNRD
Cc: VonGonten, Glenn, EMNRD
Subject: RE: Bonding and required documents

I will put the original bonds in the mail tomorrow ☺

Philana Thompson
Merrion Oil & Gas Corporation
Regulatory Compliance Specialist
505-324-5336 office
505-486-1171 cell
505-324-5350 fax

From: Chavez, Carl J, EMNRD [mailto:CarlJ.Chavez@state.nm.us]
Sent: Tuesday, January 24, 2012 4:42 PM
To: Philana Thompson; Phillips, Dorothy, EMNRD; Jones, Brad A., EMNRD
Cc: VonGonten, Glenn, EMNRD; Phillips, Dorothy, EMNRD
Subject: RE: Bonding and required documents

Philana:

Good afternoon. The OCD will review the documents and bonds (especially the bonds) to make sure they are acceptable before receipt of the originals (see below).

However, the OCD will need the original bonds or original bond duplicates of the financial documents in order to store them in our files and process them for approval.

The OCD will respond soon on whether the scanned bonds, documents are acceptable.

Thank you.

Carl J. Chavez, CHMM
New Mexico Energy, Minerals & Natural Resources Dept.
Oil Conservation Division, Environmental Bureau
1220 South St. Francis Dr., Santa Fe, New Mexico 87505
Office: (505) 476-3490
Fax: (505) 476-3462
E-mail: CarlJ.Chavez@state.nm.us
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<http://www.emnrd.state.nm.us/ocd/environmental.htm#environmental>)

From: Philana Thompson [mailto:pthompson@merrion.bz]
Sent: Tuesday, January 24, 2012 2:12 PM
To: Phillips, Dorothy, EMNRD; Jones, Brad A., EMNRD
Cc: Chavez, Carl J, EMNRD; VonGonten, Glenn, EMNRD

Subject: Bonding and required documents

Importance: High

Please let me know if you need anything else from me. Thank you for your patience

Philana

Philana Thompson
Merrion Oil & Gas Corporation
Regulatory Compliance Specialist
505-324-5336 office
505-486-1171 cell
505-324-5350 fax

Chavez, Carl J, EMNRD

From: Phillips, Dorothy, EMNRD
Sent: Thursday, January 12, 2012 2:40 PM
To: Chavez, Carl J, EMNRD
Subject: FW: SKMBT_C35312010311310.pdf - Adobe Acrobat Professional

From: Phillips, Dorothy, EMNRD
Sent: Thursday, January 05, 2012 11:17 AM
To: 'Philana Thompson'
Subject: RE: SKMBT_C35312010311310.pdf - Adobe Acrobat Professional

Yes, it was rejected as I do not have bonding for the well being transferred. I was told that because this is a disposal well you have to go through our Environmental Bureau. Please contact Glen Von Gonten at 505-476-3488 or by email at Glenn.VonGonten@state.nm.us. Thank you.

From: Philana Thompson [<mailto:pthompson@merrion.bz>]
Sent: Thursday, January 05, 2012 11:08 AM
To: Phillips, Dorothy, EMNRD
Subject: SKMBT_C35312010311310.pdf - Adobe Acrobat Professional

Change of operator form for the Sunco Disposal Well...

Question when I look online it shows it as rejected??

Philana:

Philana Thompson
Merrion Oil & Gas Corporation
Regulatory Compliance Specialist
505-324-5336 office
505-486-1171 cell
505-324-5350 fax

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Sent: Thursday, January 05, 2012 11:08 AM
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Change of operator form for the Sunco Disposal Well...

Question when I look online it shows it as rejected??

Philana

Philana Thompson
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505-324-5336 office
505-486-1171 cell
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TRANSFER OF PERMIT

Pursuant to 19.15.36.12E NMAC, "Transfer of a permit. The operator shall not transfer a permit without the division's prior written approval. A request for transfer of a permit shall identify officers, directors and owners of 25 percent or greater in the transferee. Unless the director otherwise orders, public notice or hearing are not required for the transfer request's approval. If the division denies the transfer request, it shall notify the operator and the proposed transferee of the denial by certified mail, return receipt requested, and either the operator or the proposed transferee may request a hearing with 10 days after receipt of the notice. Until the division approves the transfer and the required financial assurance is in place, the division shall not release the transferor's financial assurance."

FACILITY INFORMATION:

Surface Waste Management Facility Permit(s): NM-01-009

Legal Description: SW/4 NW/4 Section 2, Township 29 North, Range 12 West, NMPM,

Location: San Juan County, New Mexico

From: Company Name: Key Energy Services, LLC
Company Address: 1301 McKinney, Suite 1301
Houston, Texas 77010

To: Company Name: Agua Moss, LLC
Company Address: PO Box 600
Farmington, NM 87499

CERTIFICATION:

Agua Moss, LLC, by the officer whose signature appears below, accepts this permit and agrees to comply with all terms and conditions contained herein. Agua Moss, LLC further acknowledges that the Division for good cause shown as necessary to protect fresh water, human health, and the environment may change such terms and conditions administratively. The undersigned also attests to the fact that he or she understands 19.15.5.11 NMAC which states "Any person who conducts any activity pursuant to a permit, administrative order or other written authorization or approval from the division shall comply with every term, condition and provision of such permit, administrative order, authorization or approval."

Accepted:

Agua Moss, LLC

Print Name: Philana Thompson Permit #: NM-01-009

Signature:  Date: 12/20/11

Title: Regulatory Compliance Specialist

Mailing Address: PO Box 600 Farmington, NM 87499

Contact Telephone Number: 505-486-1171

To whom it may concern:

This letter is to inform you of the sale from Key Energy Services, LLC ("Key") to Agua Moss, LLC ("Agua Moss"), of a Key facility in Farmington, New Mexico. The facility includes the following disposal well:

Key (SUNCO) Disposal Well #1, API No. 30-045-28653
Location: 1595 from the North line and 1005 feet from the West line
Unit Letter: E Section 2, T. 29 N., R. 12 W.
San Juan County, New Mexico

Key wishes to transfer the following to Agua Moss:

1. OCD Permit NM-01-0009 (for Commercial Surface Waste Management Facility, including landfarm and evaporation pond)
2. Class 1 Injection Well Discharge Permit for SUNCO Disposal Well #1 UIC-CL1-005; Class 1 Non-Hazardous Oil Field Waste Disposal Well
3. Administrative Order SWD Permit 457 for SUNCO Disposal Well #1

The sale was effective December 9, 2011.

Key is 100% owned by Key Energy Services, Inc. No officer, director, or owner of Key has a 25 percent or greater interest in Key. The following individuals own a 25 percent or greater interest in Agua Moss:

Jakie Moss 25%
Merrion Oil & Gas Corporation 29.2%

Agua Moss will operate the facility in compliance with the discharge permit currently in place. Agua Moss is aware that the Well Discharge Permit expires on June 1, 2012, and that an application for renewal must be submitted to OCD 120 days before the permit expires.

Regards,


Dennis Douglas
Senior Vice President
Key Energy Services, LLC


Philana Thompson
Regulatory Compliance Specialist
Agua Moss, LLC

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1625 N. French Dr., Hobbs, NM 88240
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State of New Mexico
Energy, Minerals and Natural
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Oil Conservation Division
1220 S. St Francis Dr.
Santa Fe, NM 87505

Form C-145
August 1, 2011
Permit 141815

Change of Operator

Previous Operator Information

OGRID: 19797
Name: KEY ENERGY SERVICES, LLC
Address: 6 DESTA DRIVE
SUITE 4400
City, State, Zip: MIDLAND, TX 79705

New Operator Information

Effective Date: Effective on the date of approval by the OCD
OGRID: 247130
Name: AGUA MOSS, LLC
Address: PO Box 600
City, State, Zip: Farmington, NM 87499

I hereby certify that the rules of the Oil Conservation Division have been complied with and that the information on this form and the certified list of wells is true to the best of my knowledge and belief.

Additionally, by signing below, AGUA MOSS, LLC certifies that it has read and understands the following synopsis of applicable rules.

PREVIOUS OPERATOR certifies that all below-grade tanks constructed and installed prior to June 16, 2008 associated with the selected wells being transferred are either (1) in compliance with 19.15.17 NMAC, (2) have been closed pursuant to 19.15.17.13 NMAC or (3) have been retrofitted to comply with Paragraphs 1 through 4 of 19.15.17.11(I) NMAC.

AGUA MOSS, LLC understands that the OCD's approval of this operator change:

1. constitutes approval of the transfer of the permit for any permitted pit, below-grade tank or closed-loop system associated with the selected wells; and
2. constitutes approval of the transfer of any below-grade tanks constructed and installed prior to June 16, 2008 associated with the selected wells, regardless of whether the transferor has disclosed the existence of those below-grade tanks to the transferee or to the OCD, and regardless of whether the below-grade tanks are in compliance with 19.15.17 NMAC.

As the operator of record of wells in New Mexico, AGUA MOSS, LLC agrees to the following statements:

1. I am responsible for ensuring that the wells and related facilities comply with applicable statutes and rules, and am responsible for all regulatory filings with the OCD. I am responsible for knowing all applicable statutes and rules, not just the rules referenced in this list. I understand that the OCD's rules are available on the OCD website under "Rules," and that the Water Quality Control Commission rules are available on the OCD website on the "Publications" page.
2. I understand that if I acquire wells from another operator, the OCD must approve the operator change before I begin operating those wells. See 19.15.9.9.B NMAC. I understand that if I acquire wells or facilities subject to a compliance order addressing inactive wells or environmental cleanup, before the OCD will approve the operator change it may require me to enter into an enforceable agreement to return those wells to compliance. See 19.15.9.9.C(2) NMAC.
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Previous Operator

Signature: *Daniel K. Gibson*
Printed Name: Daniel K. Gibson
Title: Corp. Environmental Director
Date: 01/03/2012 Phone: 432 571 7536

New Operator

Signature: *Philana Thompson*
Printed Name: Philana Thompson
Title: Regulatory Compliance Spec.
Date: 1-3-12 Phone: 505 486 1171

Chavez, Carl J, EMNRD

From: Chavez, Carl J, EMNRD
Sent: Friday, December 16, 2011 3:46 PM
To: 'pthompson@merrion.bz'
Cc: Jones, Brad A., EMNRD; VonGonten, Glenn, EMNRD
Subject: Key Energy Services, LLC Transfer of Ownership and Financial Assurance Questoins for SWMF Bond UIC Class I (NH) Disposal Well Bond, etc.
Attachments: Transfer of Ownership 12-16-2011.pdf

Philana:

Good afternoon.

It was a pleasure talking with you today about financial assurance related to a transfer of ownership of the above oil and gas facility under a Rule 36 (Surface Waste Management Facility) and Injection Well under WQCC 20.6.2.5000 – 5299, et seq. NMAC. You may perform key word searches, i.e., “financial assurance, bond, release, etc.” at the associated links provided above.

OCD Bond Forms (click [here](#)).

OCD “How to become a new operator” and “Financial Assurance” and “Bond” Information (click [here](#)) and go to “Hot Topics”.

For questions about the bond forms and interactions between the financial institutions and the OCD, please contact David Brooks (OCD) at (505) 476-3450.

For questions about the Rule 36 Financial Assurance and amount, please contact Brad Jones (OCD) at (505) 476-3487.

For questions about the WQCC Regulations for the injection well, please contact Carl Chavez at (505) 476-3490. The UIC Class I (NH) Injection Well Bond amount is \$95,000.00. For questions about the Transfer of well and discharge permit (UIC1-005) click [here](#).or see attachment.

Thank you for contacting the New Mexico Oil Conservation Division.

Carl J. Chavez, CHMM
New Mexico Energy, Minerals & Natural Resources Dept.
Oil Conservation Division, Environmental Bureau
1220 South St. Francis Dr., Santa Fe, New Mexico 87505
Office: (505) 476-3490
Fax: (505) 476-3462
E-mail: CarlJ.Chavez@state.nm.us
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**Key Energy Services, LLC
UICI-005 Transfer of Ownership Process
NM OCD Discharge Permit (UICI-005):**

A description of the transfer needs to be provided to OCD Attorney David Brooks for a determination of transfer and process going forward for new owner to obtain OGRID for well in RBDMS (Dorothy Phillips), new company name in RBDMS, etc.

If it is a transfer of ownership, there is a 2-step process: 1) Transfer of the DP and the terms and conditions; and 2) Well Transfer.

1) Discharge Permit Well Transfer Provision:

23. Transfer of Discharge Permit (UICI-005): Pursuant to WQCC 20.6.2.5101.H Key Energy Services, LLC. and any new owner/operator shall provide written notice of any transfer of the permit in accordance with WQCC 20.6.2.3104 (Discharge Permit Required), 20.6.2.3111 (Transfer of Discharge Permit), 20.6.2.5101 (Discharge Permit and Other Requirements for Class I Non-Hazardous Waste Disposal Wells, and Class III Wells). Both parties shall sign the notice 30 days prior to any transfer of ownership, control or possession of a Class I Well with an approved discharge permit. In addition, the purchaser shall include a written commitment to comply with the terms and conditions of the previously approved discharge permit. OCD will not transfer Class I Well operations until: correspondence between the transferor and transferee is submitted along with a signed certification of acceptance by the transferee, and proper bonding or financial assurance is in place and approved by the division. OCD reserves the right to require a major modification of the permit during the transfer process.

Example **Written Notice:** (signed by seller and new owner) 20.6.2.3104 NMAC; 20.6.2.3111 NMAC and 20.6.2.5101 NMAC.

20.6.2.3104 DISCHARGE PERMIT REQUIRED: Unless otherwise provided by this Part, no person shall cause or allow effluent or leachate to discharge so that it may move directly or indirectly into ground water unless he is discharging pursuant to a discharge permit issued by the secretary. When a permit has been issued, discharges must be consistent with the terms and conditions of the permit. In the event of a transfer of the ownership, control, or possession of a facility for which a discharge permit is in effect, the transferee shall have authority to discharge under such permit, provided that the transferee has complied with Section 20.6.2.3111 NMAC, regarding transfers.

[2-18-77, 12-24-87, 12-1-95; Rn & A, 20.6.2.3104 NMAC - 20 NMAC 6.2.III.3104, 1-15-01; A, 12-1-01]

20.6.2.3111 TRANSFER OF DISCHARGE PERMIT: No purported transfer of any discharge permit shall be effective to create, alter or extinguish any right or responsibility of any person subject to this Part, unless the following transfer requirements are met:

A. Prior to any transfer of ownership, control, or possession (whether by lease, conveyance or otherwise) of a facility with a discharge permit, the transferor shall notify the transferee in writing of the existence of the discharge permit, and shall deliver or send by certified mail to the department a copy of such written notification, together with a certification or other proof that such notification has in fact been received by the transferee.

B. Upon receipt of such notification, the transferee shall have the duty to inquire into all of the provisions and requirements contained in such discharge permit, and the transferee shall be charged with notice of all such provisions and requirements as they appear of record in the department's file or files concerning such discharge permit.

C. Until both ownership and possession of the facility have been transferred to the transferee, the transferor shall continue to be responsible for any discharge from the facility.

D. Upon assuming either ownership or possession of the facility, the transferee shall have the same rights and responsibilities under the discharge permit as were applicable to the transferor.

E. Nothing in this section or in this part shall be construed to relieve any person of responsibility or liability for any act or omission which occurred while that person owned, controlled or was in possession of the facility.

[2-18-77, 12-24-87, 12-1-95, 11-15-96; 20.6.2.3111 NMAC - Rn, 20 NMAC 6.2.III.3111, 1-15-01; A, 12-1-01]

Written Commitment (comply with the terms and conditions of the previously approved discharge permit):

2) UIC Class I (NH) Injection Well:

New operator OGRID and Bonding must be received and approved by the OCD from the new owner in the amount of the existing bond held by Key before the OCD can complete the well transfer process. OCD may want to consider requiring the new owner to provide a new cost estimate for well plug and abandonment and a new bond amount for OCD approval?

Existing Well Bond Info. (Total: \$76,000.00):

Key- SUNCO TRUCKIN G COMPAN Y Well #1 CLASS I (GW-235)	30- 045- 28653	San Juan	\$58,200.00 and \$ 17,800.00	RLI Insurance Company & United Pacific Insurance Company	BO RL00044 86 & U2723755	Received bond for \$58,200 April 2007 & for \$17,800 Feb. 2007
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Example Certification of Acceptance:

OCD EXAMPLE CERTIFICATION

New Owner (? Company) hereby accepts the terms and conditions of the attached Key-SUNCO TRUCKING COMPANY Disposal Well #1 (API# 30-045-28653) discharge plan permit (UICI-005) and agrees to comply with the terms and conditions. ? Company acknowledges that the Oil Conservation Division (OCD) may change the terms and conditions for good cause shown as necessary to protect fresh water, human health, and the environment. The undersigned also attests to the fact that he or she understands 19.15.5.11 NMAC which states "Any person who conducts any activity pursuant to a permit, administrative order or other written authorization or approval from the division shall comply with every term, condition and provision of such permit, administrative order, authorization or approval."

Accepted.

New Owner

Address

City, State, Zip Code

Signature _____ Title _____ Date _____

20.6.2.5101 DISCHARGE PERMIT AND OTHER REQUIREMENTS FOR CLASS I NON-HAZARDOUS WASTE INJECTION WELLS AND CLASS III WELLS:

H. Transfer of Class I non-hazardous waste injection well and Class III well Discharge Permits.

(1) The transfer provisions of Section 20.6.2.3111 NMAC do not apply to a discharge permit for a Class I non-hazardous waste injection well or Class III well.

(2) A Class I non-hazardous waste injection well or Class III well discharge permit may be transferred if:

(a) The secretary receives written notice 30 days prior to the transfer date; and

(b) The secretary does not object prior to the proposed transfer date. The secretary may require modification of the discharge permit as a condition of transfer, and may require demonstration of adequate financial responsibility.

(3) The written notice required by Subparagraph (b) of Paragraph (2) of Subsection I above shall:

(a) Have been signed by the discharger and the succeeding discharger, including an acknowledgement that the succeeding discharger shall be responsible for compliance with the discharge permit upon taking possession of the facility; and

(b) Set a specific date for transfer of discharge permit responsibility, coverage and liability; and

(c) Include information relating to the succeeding discharger's financial responsibility required by Paragraph (17) of Subsection B of Section 20.6.2.5210 NMAC.

Chavez, Carl J, EMNRD

From: wayne price [wayneprice77@earthlink.net]
Sent: Tuesday, December 13, 2011 10:36 AM
To: Chavez, Carl J, EMNRD
Cc: Sanchez, Daniel J., EMNRD; VonGonten, Glenn, EMNRD; Jones, Brad A., EMNRD
Subject: Fwd: Key Energy Farmington

FYI-

Begin forwarded message:

From: wayne price <wayneprice77@earthlink.net>
Date: December 13, 2011 9:56:38 AM MST
To: Perrin Perrin <charlie.perrin@state.nm.us>
Subject: Key Energy Farmington

Good Morning Charlie,

It looks like Aqua Moss LLC will become the new owner of Key's UIC-5 Injection well and the Surface Waste Management Facility NM1-9. I am sure you will be seeing a C-145 come thru for change of ownership and we will be working with Environmental Bureau to get the permits transferred. If there is anything in particular you would like to see happen please let me know!

Thanks!

Chavez, Carl J, EMNRD

From: wayne price [wayneprice77@earthlink.net]
Sent: Tuesday, December 06, 2011 9:51 AM
To: Bemis, John, EMNRD; Bailey, Jami, EMNRD; Gerholt, Gabrielle, EMNRD
Cc: Sanchez, Daniel J., EMNRD; Perrin, Charlie, EMNRD; VonGonten, Glenn, EMNRD; Jones, Brad A., EMNRD; Chavez, Carl J, EMNRD
Subject: Unofficial Notice of Transfer-Key Energy Farmington Facility Permits NM1-9 and UIC-5

Good Morning Everybody,

This is to inform you that Key Energy "may be" in the process of transferring the facility to a new operator which "unofficially" may be M&R trucking out of Farmington, NM. I am advising Key Energy on the procedure for transfer pursuant to the permit conditions and rules and regulations.

Sincerely,