GW – 392

PERMITS, RENEWALS, & MODS Application

ACKNOWLEDGEMENT OF RECEIPT
OF CHECK/CASH

I hereby acknowledge receipt of check No. _____ dated 10/13/09

or cash received on _____ in the amount of $ 1700 00

from Beeline Gas Systems

for GW-392

Submitted by: Lawrence Romero Date: 11/9/09

Submitted to ASD by: Lawrence Romero Date: 11/9/09

Received in ASD by: _____ Date: _____

Filing Fee _____ New Facility _____ Renewal _____

Modification _____ Other Facility Fee

Organization Code 521.07 Applicable FY 2004

To be deposited in the Water Quality Management Fund.

Full Payment _____ or Annual Increment _____

Bill Richardson
Governor
Joanna Prukop
Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division

October 1, 2009

Allen Lain
2001 E. Blanco Blvd.
P.O. Box 1280
Bloomfield, N.M. 87413

Re: New Discharge Permit, GW-392
Marcus Compressor Station
Elm Ridge Exploration, LLC DBA Beeline Gas Systems
NE/4 NE/4 of Section 11, Township 23 North, Range 7 West, NMPM,
Rio Arriba County, New Mexico

Dear Mr. Lain:

Pursuant to Water Quality Control Commission (WQCC) Regulations 20.6.2.3104 - 20.6.2.3114 NMAC, the Oil Conservation Division (OCD) hereby approves **Elm Ridge Exploration, LLC DBA Beeline Gas Systems** discharge permit for the above referenced site contingent upon the conditions specified in the enclosed **Attachment to the Discharge Permit**. 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 30 days of receipt of this letter including permit fees.**

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

If you have any questions, please contact Leonard Lowe of my staff at (505-476-3492) or E-mail leonard.lowe@state.nm.us. 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,

Glenn von Gonten
Acting Environmental Bureau Chief

Attachments-1
xc: OCD District Office

ATTACHMENT

DISCHARGE PERMIT

APPROVAL CONDITIONS

1. **Payment of Discharge Plan Fees:** All discharge permits are subject to WQCC Regulations. Every billable facility that submits a discharge permit application will be assessed a filing fee of $100.00, plus a flat fee (*see* WQCC Regulation 20.6.2.3114 NMAC). The Oil Conservation Division ("OCD") has received the required $100.00 filing fee. The facility fee for compressor station with a horsepower greater than 1001 HP is $1700.00. Please submit this amount with a signed copy of the permit and return to the OCD within 30 days. Checks should be made out to the New Mexico Water Quality Management Fund.

2. **Permit Expiration, Renewal Conditions and Penalties:** Pursuant to WQCC Regulation 20.6.2.3109.H.4 NMAC, this permit is valid for a period of five years. **The permit will expire on October 15, 2014** and an application for renewal should be submitted no later than 120 days before that expiration date. Pursuant to WQCC Regulation 20.6.2.3106.F NMAC, 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. ***Expired permits are a violation of the Water Quality Act {Chapter 74, Article 6, NMSA 1978} and civil penalties may be assessed accordingly.***

3. **Permit Terms and Conditions:** Pursuant to WQCC Regulation 20.6.2.3104 NMAC, when a permit has been issued, the owner/operator must ensure that all discharges shall be consistent with the terms and conditions of the permit. In addition, all facilities shall abide by the applicable rules and regulations administered by the OCD pursuant to the Oil and Gas Act, NMSA 1978, Sections 70-2-1 through 70-2-38.

4. **Owner/Operator Commitments:** The owner/operator shall abide by all commitments submitted in its March 2009 discharge plan application, including attachments and subsequent amendments and these conditions for approval. Permit applications that reference previously approved plans on file with the division shall be incorporated in this permit and the owner/operator shall abide by all previous commitments of such plans and these conditions for approval.

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6. **Waste Disposal and Storage:** The owner/operator shall dispose of all wastes at an OCD-approved facility. Only oil field RCRA-exempt wastes may be disposed of by injection in a Class

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secondary containment systems used to facilitate fluid removal are exempt from these requirements if fluids are removed within 72 hours.

B. All pits and ponds, including modifications and retrofits, shall be designed by a certified registered professional engineer and approved by the OCD prior to installation. In general, all pits or ponds shall have approved hydrologic and geologic reports, location, foundation, liners, and secondary containment with leak detection, monitoring and closure plans. All pits or ponds shall be designed, constructed and operated so as to contain liquids and solids in a manner that will protect fresh water, public health, safety and the environment for the foreseeable future. The owner/operator shall retrofit all existing systems without secondary containment and leak detection before discharge permit renewal.

C. The owner/operator shall ensure that all exposed pits, including lined pits and open top tanks (8 feet in diameter or larger) shall be fenced, screened, netted, or otherwise rendered non-hazardous to wildlife, including migratory birds.

D. The owner/operator shall maintain the results of tests and inspections at the facility covered by this discharge permit and available for OCD inspection. The owner/operator shall report the discovery of any system which is found to be leaking or has lost integrity to the OCD within 15 days. The owner/operator may propose various methods for testing such as pressure testing to 3 pounds per square inch greater than normal operating pressure and/or visual inspection of cleaned tanks and/or sumps, or other OCD-approved methods. The owner/operator shall notify the OCD at least 72 hours prior to all testing.

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A. The owner/operator shall test all underground process/wastewater pipelines at least once every five (5) years to demonstrate their mechanical integrity, except lines containing fresh water or fluids that are gases at atmospheric temperature and pressure. Pressure rated pipe shall be tested by pressuring up to one and one-half times the normal operating pressure, if possible, or for atmospheric drain systems, to 3 pounds per square inch greater than normal operating pressure, and pressure held for a minimum of 30 minutes with no more than a 1% loss/gain in pressure. The owner/operator may use other methods for testing if approved by the OCD.

Owner/operator shall submit to the OCD a work plan on their testing protocol and shall include:

- Test procedure and time frame
- Source and volume of test water
- Final disposition of test water
- A schematic of the facility and identified tested lines

OCD shall review protocol prior to owner/operator testing lines.

B. The owner/operator shall maintain underground process and wastewater pipeline schematic diagrams or plans showing all drains, vents, risers, valves, underground piping, pipe type, rating, size, and approximate location. All new underground piping must be approved by the OCD prior to installation. The owner/operator shall report any leaks or loss of integrity to the OCD within 15

days of discovery. The owner/operator shall maintain the results of all tests at the facility covered by this discharge permit and they shall be available for OCD inspection. The owner/operator shall notify the OCD at least 72 hours prior to all testing.

13. Class V Wells: The owner/operator shall close all Class V wells (e.g., septic systems, leach fields, dry wells, etc.) that inject non-hazardous industrial wastes or a mixture of industrial wastes and domestic wastes unless it can be demonstrated that ground water will not be impacted in the reasonably foreseeable future. Leach fields and other wastewater disposal systems at OCD-regulated facilities that 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 (NMED).

14. Housekeeping: The owner/operator shall inspect all systems designed for spill collection/prevention and leak detection at least monthly to ensure proper operation and to prevent over topping or system failure. All spill collection and/or secondary containment devices shall be emptied of fluids within 72 hours of discovery. The owner/operator shall maintain all records at the facility and available for OCD inspection.

15. Spill Reporting: The owner/operator shall report all unauthorized discharges, spills, leaks and releases and conduct corrective action pursuant to WQCC Regulation 20.6.2.1203 NMAC and OCD Part 29 (19.15.29 NMAC). The owner/operator shall notify both the OCD District Office and the Santa Fe Office within 24 hours and file a written report within 15 days. The OCD does not consider covering contaminated areas a remediation of the spill/release.

16. OCD Inspections: The OCD performed an inspection of this facility on November 18, 2008. Mr. Cory Smith and Mr. Allen Lain witnessed the inspection. Photographs taken during the inspection and are attached to this permit.

The Owner/Operator shall properly address the areas of concerned identified in the attached photographs in accordance with the permit conditions within 90 days and shall submit a report documenting actions taken by January 29, 2009.

The Owner/Operator shall submit a work plan to retrofit its below-grade tanks in accordance with Permit Condition 11.

17. Storm Water: The owner/operator shall implement and maintain run-on and runoff plans and controls. The owner/operator shall not discharge any water contaminant that exceeds the WQCC standards specified in 20.6.2.3101 NMAC or 20.6.4 NMAC (Water Quality Standards for Interstate and Intrastate Streams) including any oil sheen in any stormwater run-off. The owner/operator shall notify the OCD within 24 hours of discovery of any releases and shall take immediate corrective action(s) to stop the discharge.

18. Unauthorized Discharges: The owner/operator shall not allow or cause water pollution, discharge or release of any water contaminant that exceeds the WQCC standards listed in 20.6.2.3101 NMAC or 20.6.4 NMAC (Water Quality Standards for Interstate and Intrastate

Streams) unless specifically listed in the permit application and approved herein. ***An unauthorized discharge is a violation of this permit.***

19. Vadose Zone and Water Pollution: The owner/operator shall address any contamination through the discharge permit process or pursuant to WQCC 20.6.2.4000-.4116 NMAC (Prevention and Abatement of Water Pollution). The OCD may require the owner/operator to modify its permit for investigation, remediation, abatement, and monitoring requirements for any vadose zone or water pollution. Failure to perform any required investigation, remediation, abatement and submit subsequent reports will be a violation of the permit.

20. Additional Site Specific Conditions: Newly Permitted Facility:

A. A copy of the discharge permit shall be kept on site at all time, if not possible then a copy should be made available at the Owner/Operators central location.
B. Owner/operator management shall present the discharge permit conditions to all its employees. Employees shall be informed of permit location if not located at the site.
C. The OCD has an Aztec office. Brandon Powell is the Environmental Specialist at this location and he can be reached at 505-320-0200. Any spills shall be reported to Mr. Powell.
D. Owner/operator shall submit information about the facility to verify if it meets the NMAC PART 11 (19.15.11, HYDROGEN SULFIDE GAS) requirements. This information shall be submitted with the work plan referenced in Condition 16

21. Transfer of Discharge Permit (WQCC 20.6.2.3111) 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.

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. The transferee (new owner/operator) shall sign and return an original copy of these permit conditions and provide a written commitment to comply with the terms and conditions of the previously approved discharge permit.

22. Closure Plan and Financial Assurance: Pursuant to 20.6.2.3107 NMAC an owner/operator shall notify the OCD when any operations of the facility are to be discontinued for a period in excess of six months. Prior to closure, or as a condition of this permit, or request from the OCD, the operator will submit an approved closure plan, modified plan, and/or provide adequate financial assurance.

23. Certification: (Owner/Operator), by the officer whose signature appears below, accepts this permit and agrees to comply with all submitted commitments, including these terms and conditions contained here. **Owner/Operator** further acknowledges that the OCD may, for good

cause shown, as necessary to protect fresh water, public health, safety, and the environment, change the conditions and requirements of this permit administratively

Conditions accepted by: "I certify under penalty of law that I have personally examined and am familiar with the information submitted in this document and all attachments and that, based on my inquiry of those individuals immediately responsible for obtaining the information, I believe that the information is true, accurate, and complete. I am aware that there are significant penalties for submitting false information including the possibility of fine and imprisonment."

Elm Ridge Exploration Co., LLC d.b.a. Beeline Gas Systems
Company Name-print name above

Allen Lain
Company Representative- print name

Allen Lain
Company Representative- Signature

Title Operations Manager

Date: 10/9/09

OCD Inspection: Beeline Gas System, Marcus CS, GW - 392

Inspector(s): Brandon Powell and Leonard Lowe

Company Rep: Allen Lain and Cory Smith

Date: 11.18.08 Time: 12:17 – 12:50

Photo 1: Unidentified saddle tank.

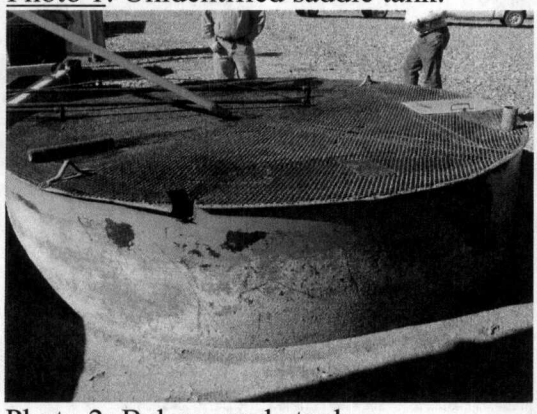

Photo 2: Below-grade tank

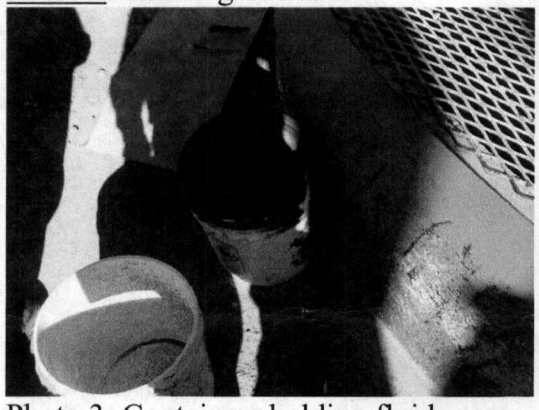

Photo 3: Containers holding fluids near BGT.

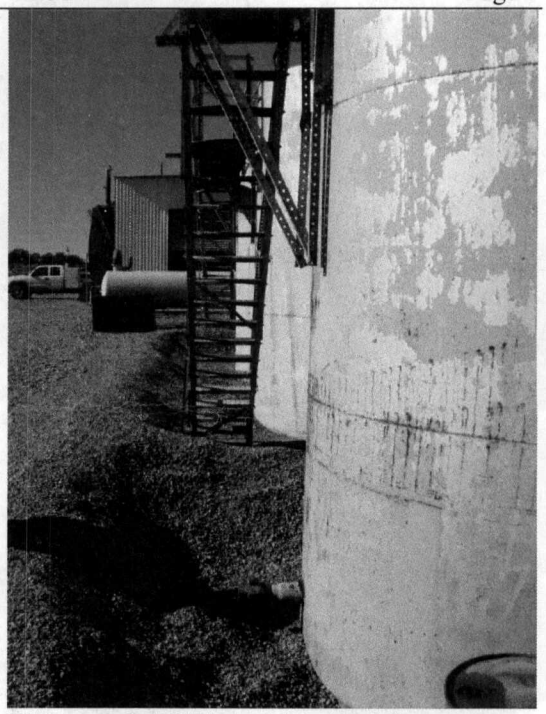

Photo 4: 3 AST's with gravel berms.

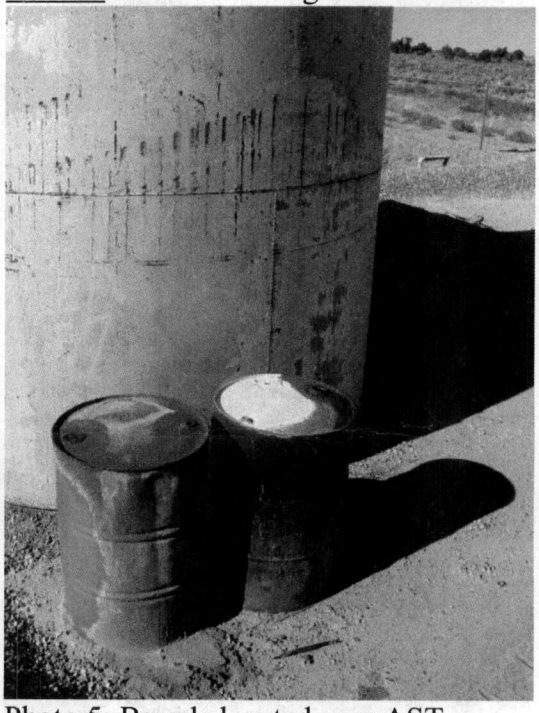

Photo 5: Barrels located near AST within earthen bermed area.

Photo 6: BGT without complete visible side walls.

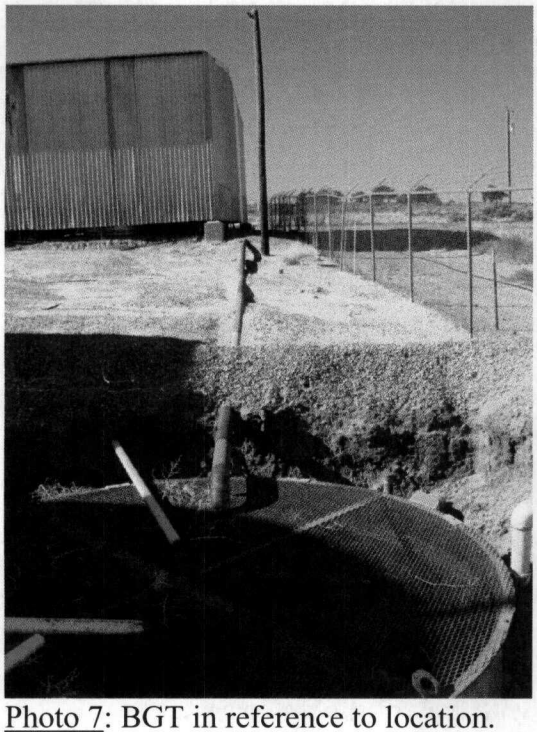

Photo 7: BGT in reference to location.

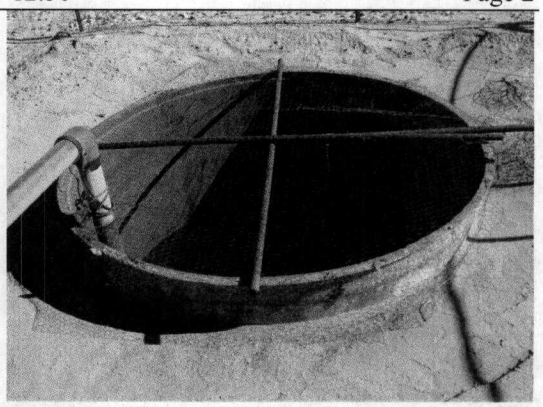

Photo 8: Single wall BGT.

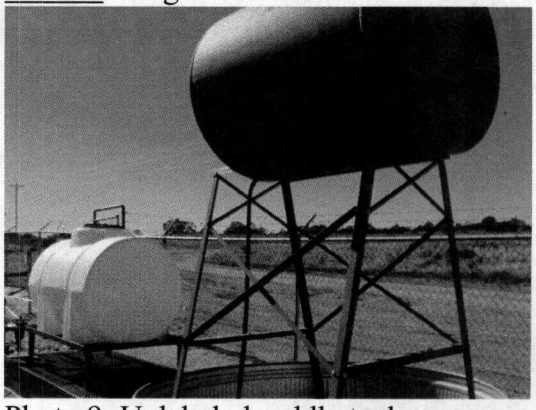

Photo 9: Unlabeled saddle tank.

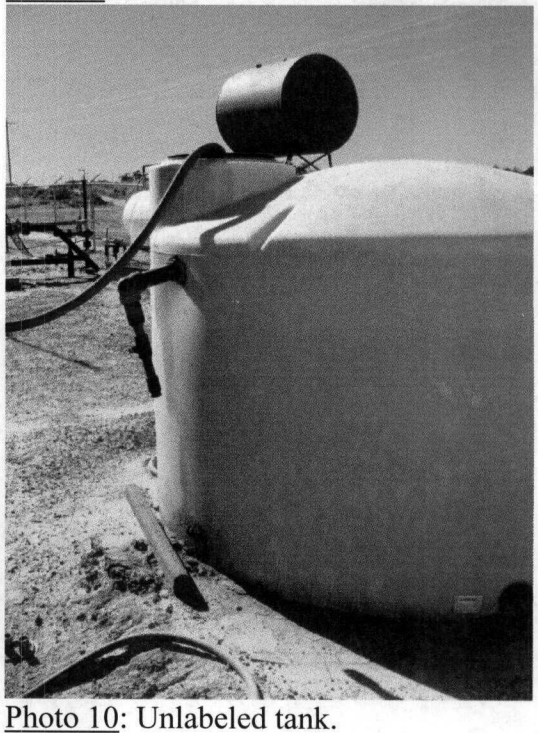

Photo 10: Unlabeled tank.

Photo 11: Discharge behind compressor building.

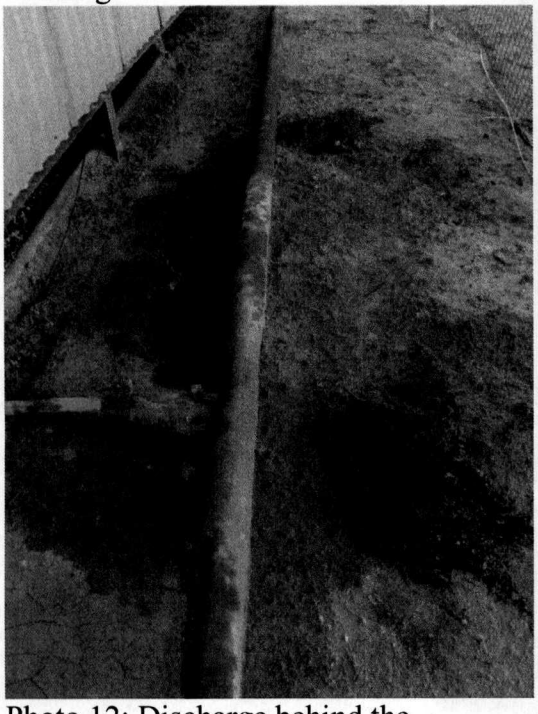

Photo 12: Discharge behind the compressor building.

Photo 13: Fluid being held under tanks near compressor.

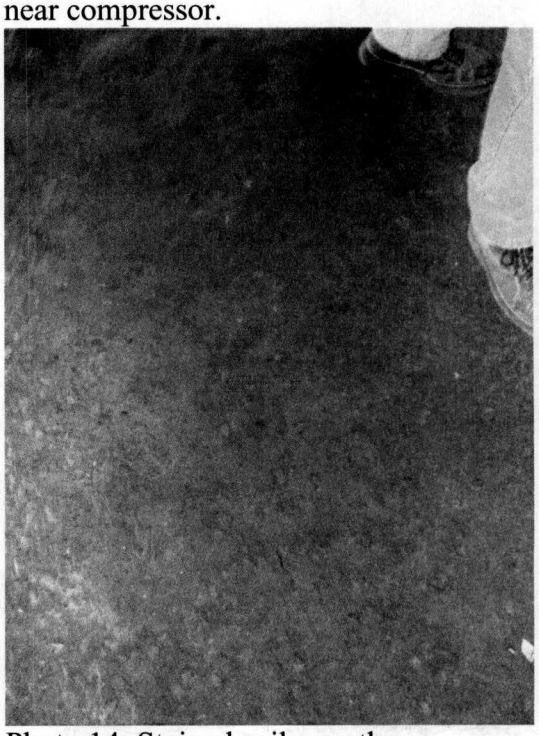

Photo 14: Stained soil near the compressor area.

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- A schematic of the facility and identified tested lines

OCD shall review protocol prior to owner/operator testing lines.

B. The owner/operator shall maintain underground process and wastewater pipeline schematic diagrams or plans showing all drains, vents, risers, valves, underground piping, pipe type, rating, size, and approximate location. All new underground piping must be approved by the OCD prior to installation. The owner/operator shall report any leaks or loss of integrity to the OCD within 15

days of discovery. The owner/operator shall maintain the results of all tests at the facility covered by this discharge permit and they shall be available for OCD inspection. The owner/operator shall notify the OCD at least 72 hours prior to all testing.

13. Class V Wells: The owner/operator shall close all Class V wells (e.g., septic systems, leach fields, dry wells, etc.) that inject non-hazardous industrial wastes or a mixture of industrial wastes and domestic wastes unless it can be demonstrated that ground water will not be impacted in the reasonably foreseeable future. Leach fields and other wastewater disposal systems at OCD-regulated facilities that 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 (NMED).

14. Housekeeping: The owner/operator shall inspect all systems designed for spill collection/prevention and leak detection at least monthly to ensure proper operation and to prevent over topping or system failure. All spill collection and/or secondary containment devices shall be emptied of fluids within 72 hours of discovery. The owner/operator shall maintain all records at the facility and available for OCD inspection.

15. Spill Reporting: The owner/operator shall report all unauthorized discharges, spills, leaks and releases and conduct corrective action pursuant to WQCC Regulation 20.6.2.1203 NMAC and OCD Part 29 (19.15.29 NMAC). The owner/operator shall notify both the OCD District Office and the Santa Fe Office within 24 hours and file a written report within 15 days. The OCD does not consider covering contaminated areas a remediation of the spill/release.

16. OCD Inspections: The OCD performed an inspection of this facility on November 18, 2008. Mr. Cory Smith and Mr. Allen Lain witnessed the inspection. Photographs taken during the inspection and are attached to this permit.

The Owner/Operator shall properly address the areas of concerned identified in the attached photographs in accordance with the permit conditions within 90 days and shall submit a report documenting actions taken by January 29, 2009.

The Owner/Operator shall submit a work plan to retrofit its below-grade tanks in accordance with Permit Condition 11.

17. Storm Water: The owner/operator shall implement and maintain run-on and runoff plans and controls. The owner/operator shall not discharge any water contaminant that exceeds the WQCC standards specified in 20.6.2.3101 NMAC or 20.6.4 NMAC (Water Quality Standards for Interstate and Intrastate Streams) including any oil sheen in any stormwater run-off. The owner/operator shall notify the OCD within 24 hours of discovery of any releases and shall take immediate corrective action(s) to stop the discharge.

18. Unauthorized Discharges: The owner/operator shall not allow or cause water pollution, discharge or release of any water contaminant that exceeds the WQCC standards listed in 20.6.2.3101 NMAC or 20.6.4 NMAC (Water Quality Standards for Interstate and Intrastate

Streams) unless specifically listed in the permit application and approved herein. ***An unauthorized discharge is a violation of this permit.***

19. Vadose Zone and Water Pollution: The owner/operator shall address any contamination through the discharge permit process or pursuant to WQCC 20.6.2.4000-.4116 NMAC (Prevention and Abatement of Water Pollution). The OCD may require the owner/operator to modify its permit for investigation, remediation, abatement, and monitoring requirements for any vadose zone or water pollution. Failure to perform any required investigation, remediation, abatement and submit subsequent reports will be a violation of the permit.

20. Additional Site Specific Conditions: Newly Permitted Facility:

A. A copy of the discharge permit shall be kept on site at all time, if not possible then a copy should be made available at the Owner/Operators central location.
B. Owner/operator management shall present the discharge permit conditions to all its employees. Employees shall be informed of permit location if not located at the site.
C. The OCD has an Aztec office. Brandon Powell is the Environmental Specialist at this location and he can be reached at 505-320-0200. Any spills shall be reported to Mr. Powell.
D. Owner/operator shall submit information about the facility to verify if it meets the NMAC PART 11 (19.15.11, HYDROGEN SULFIDE GAS) requirements. This information shall be submitted with the work plan referenced in Condition 16

21. Transfer of Discharge Permit (WQCC 20.6.2.3111) 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.

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. The transferee (new owner/operator) shall sign and return an original copy of these permit conditions and provide a written commitment to comply with the terms and conditions of the previously approved discharge permit.

22. Closure Plan and Financial Assurance: Pursuant to 20.6.2.3107 NMAC an owner/operator shall notify the OCD when any operations of the facility are to be discontinued for a period in excess of six months. Prior to closure, or as a condition of this permit, or request from the OCD, the operator will submit an approved closure plan, modified plan, and/or provide adequate financial assurance.

23. Certification: (Owner/Operator), by the officer whose signature appears below, accepts this permit and agrees to comply with all submitted commitments, including these terms and conditions contained here. **Owner/Operator** further acknowledges that the OCD may, for good

cause shown, as necessary to protect fresh water, public health, safety, and the environment, change the conditions and requirements of this permit administratively

Conditions accepted by: "I certify under penalty of law that I have personally examined and am familiar with the information submitted in this document and all attachments and that, based on my inquiry of those individuals immediately responsible for obtaining the information, I believe that the information is true, accurate, and complete. I am aware that there are significant penalties for submitting false information including the possibility of fine and imprisonment."

_____
Company Name-print name above

_____
Company Representative- print name

_____
Company Representative- Signature

Title_____

Date:_____

OCD Inspection: Beeline Gas System, Marcus CS, GW - 392

Inspector(s): Brandon Powell and Leonard Lowe

Company Rep: Allen Lain and Cory Smith

Date: 11.18.08 Time: 12:17 – 12:50

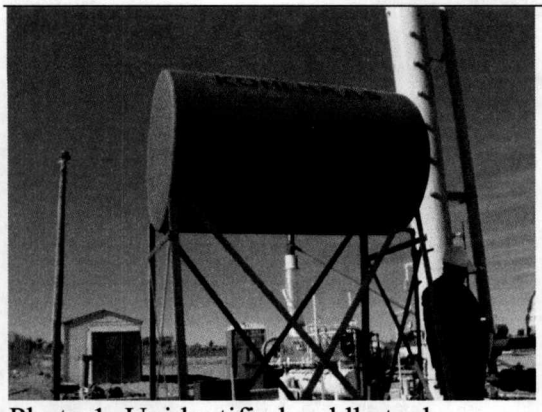


Photo 1: Unidentified saddle tank.

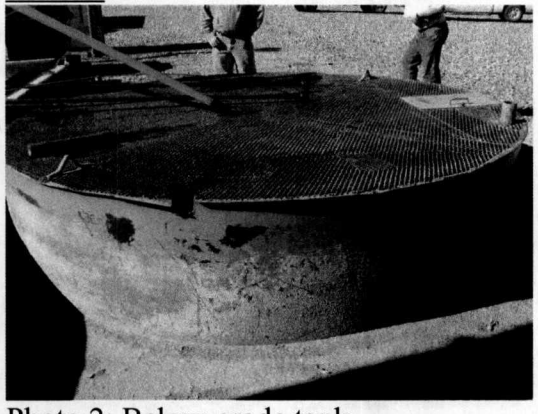


Photo 2: Below-grade tank

Photo 3: Containers holding fluids near BGT.

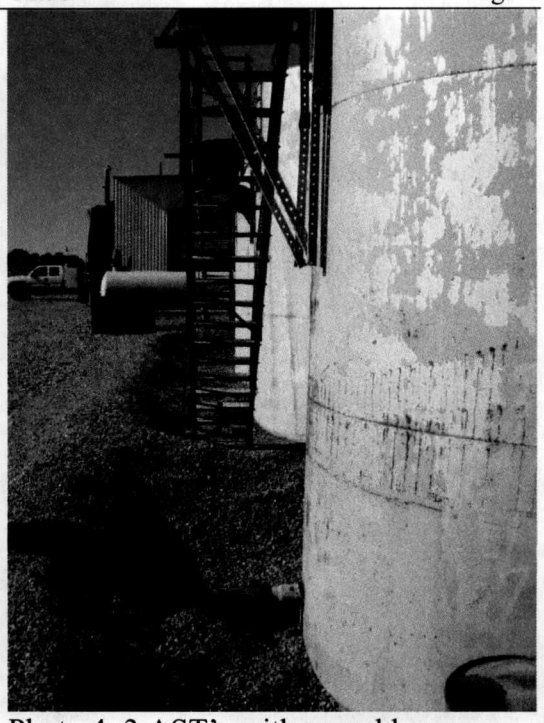


Photo 4: 3 AST's with gravel berms.

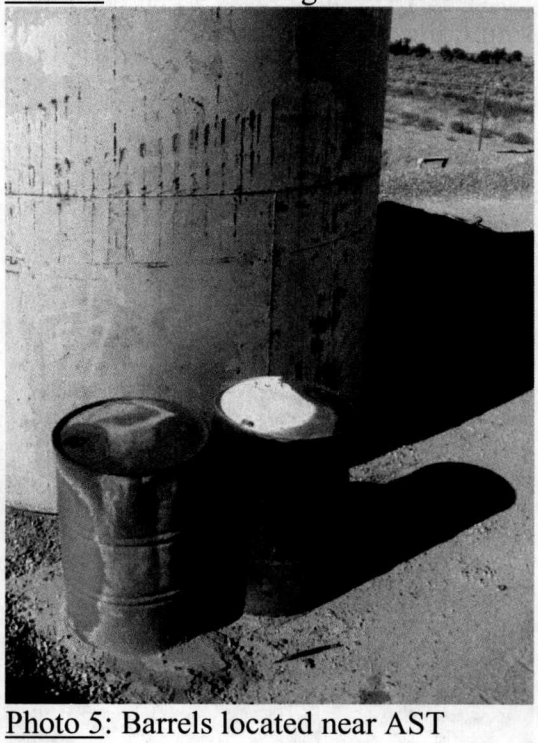


Photo 5: Barrels located near AST within earthen bermed area.

Photo 6: BGT without complete visible side walls.

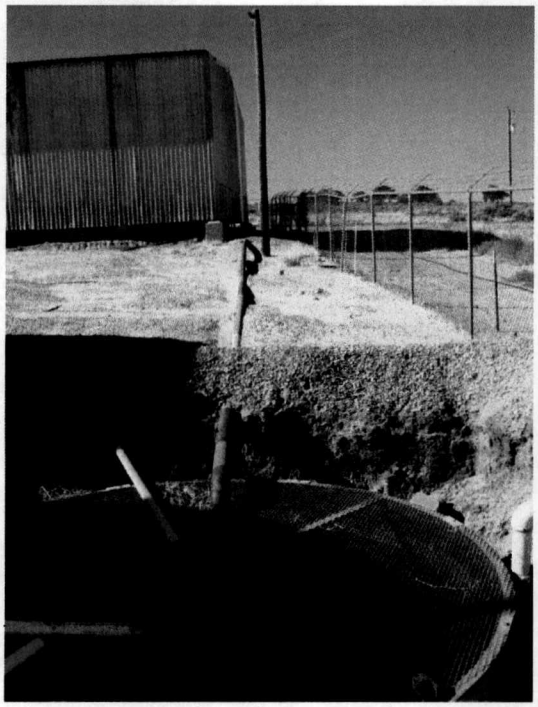


Photo 7: BGT in reference to location.

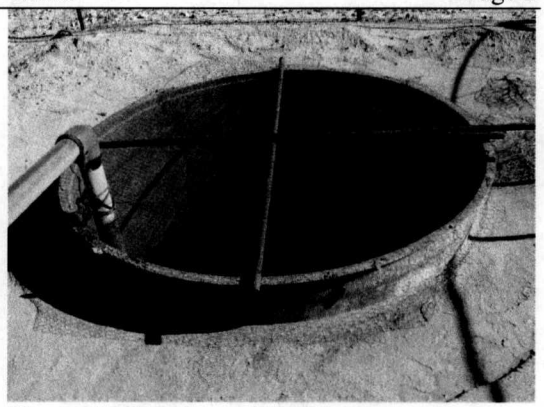


Photo 8: Single wall BGT.

Photo 9: Unlabeled saddle tank.

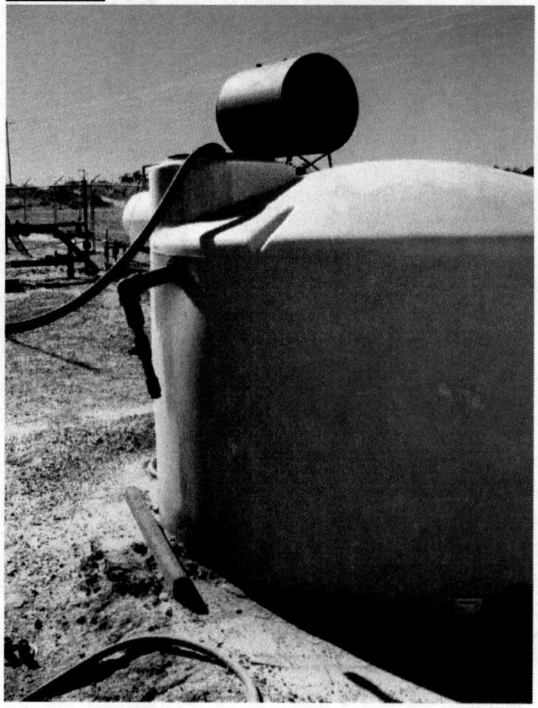


Photo 10: Unlabeled tank.

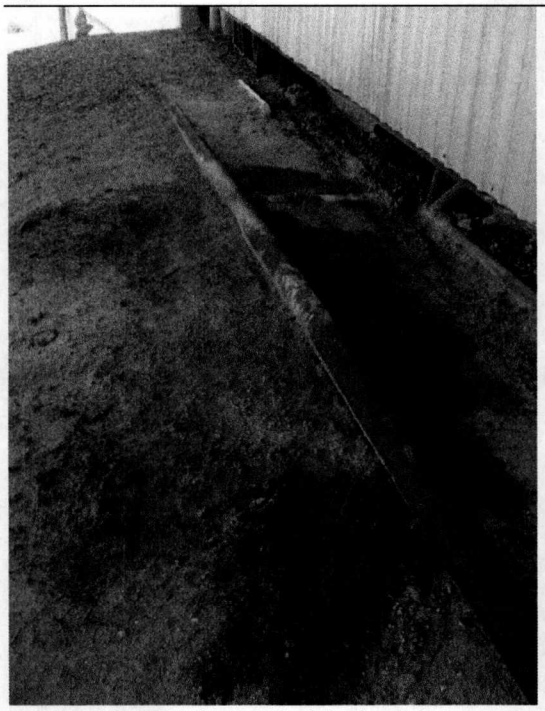


Photo 11: Discharge behind compressor building.

Photo 12: Discharge behind the compressor building.

Photo 13: Fluid being held under tanks near compressor.

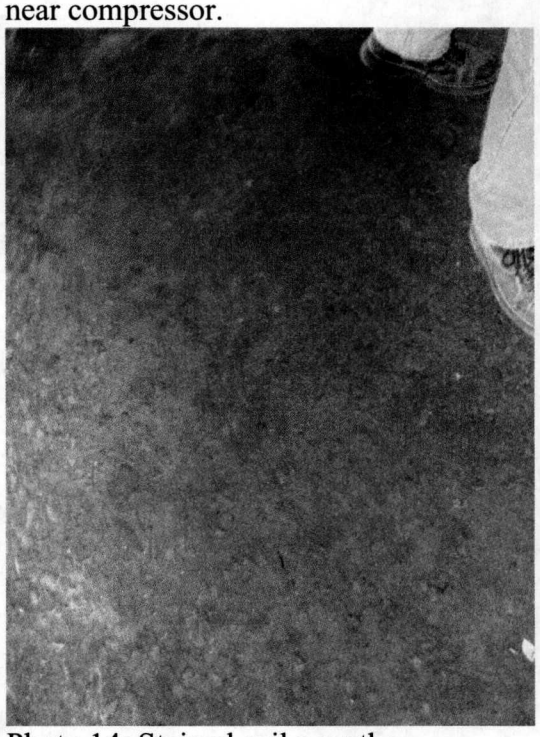


Photo 14: Stained soil near the compressor area.

AFFIDAVIT OF PUBLICATION

Ad No. 61428

STATE OF NEW MEXICO
County of San Juan:

BOB WALLER, being duly sworn says: That he is the CLASSIFIED MANAGER of THE DAILY TIMES, a daily newspaper of general circulation published in English at Farmington, said county and state, and that the hereto attached Legal Notice was published in a regular and entire issue of the said DAILY TIMES, a daily newspaper duly qualified for the purpose within the meaning of Chapter 167 of the 1937 Session Laws of the State of New Mexico for publication and appeared in the Internet at The Daily Times web site on the following day(s):

Thursday, April 09, 2009

And the cost of the publication is $513.07

ON 4/10/09 BOB WALLER appeared before me, whom I know personally to be the person who signed the above document.

Christine Dellen

My Commission Expires November 05, 2011

COPY OF PUBLICATION

NOTICE OF PUBLICATION

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

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

Elm Ridge Exploration LLC DBA, 6501 2001 E. Blanco BLVD, Bloomfield, New Mexico has submitted discharge plan applications for the following:

(GW-386) Bisti Compressor Station facility located in the SW/4 of the NE/4 of Section 14, Township 25 North, Range 12 West; NMPM, San Juan County, New Mexico, approximately 25 miles south of Bloomfield, New Mexico. The Bisti Compressor Station is the central facility for the collection of natural gas from the Bisti gas field. The compressor station is site rated for 637 HP. Processes at the compressor station include inlet separation; gas compression; used engine slop oil collection and gas volume measurement. Engine lube oil, triethylene glycol, and ethylene glycol are stored in above ground tanks. The compressed gas is then sent via pipeline to a gas plant. Approximately 2000 gallons/year/engine of engine oil will be stored onsite in a closed top steel tank within a bermed area. Approximately 13,650 gallons of liquids will be stored on site and in secondary containment, those materials are: 12,600 gallons of produced water; 500 gallons of 'jacket water' (50% ethylene glycol and water); 550 gallons of skid drain pit liquids (used motor oil, jacket water, soap, and rain water). Groundwater most likely to be affected by a spill, leak or accidental discharge is at a depth of approximately 20 feet, with a total dissolved solids concentration of approximately 2100 mg/l.

(GW-387) Buena Suerte Compressor Station facility located in the NW/4 of the SE/4 of Section 32, Township 26 North, Range 11 West, NMPM, San Juan County, New Mexico, approximately 20 miles south of Bloomfield, New Mexico. The Buena Suerte Compressor Station is the central facility for the collection of natural gas from the Buena Suerte gas field. The compressor station is site rated for 2019 HP. Processes at the compressor station include inlet separation; gas compression; used engine slop oil collection and gas volume measurement. Engine lube oil, triethylene glycol, and ethylene glycol are stored in above ground tanks. The compressed gas is then sent via pipeline to a gas plant. Approximately 3000 gallons/year/engine of engine oil will be stored onsite in a closed top steel tank within a bermed area. Approximately 8650 gallons of liquids will be stored on site and in secondary containment, those materials are: 7150 gallons of produced water; 1000 gallons of 'jacket water' (50% ethylene glycol and water); 500 gallons of TEG (triethylene glycol). Groundwater most likely to be affected by a spill, leak or accidental discharge is at a depth of approximately 100 feet or greater, with a total dissolved solids concentration of approximately 1400 mg/l.

(GW-390) Huerfano Mountain Gas Plant facility located in the SE/4 of the NE/4 of Section 5, Township 25 North, Range 10 West, NMPM, San Juan County, New Mexico, approximately 22 miles south of Bloomfield, New Mexico. The Huerfano Mountain Gas Plant facility is a refrigerated J-T natural gas plant that separates natural gas liquids from raw "wet" gas and then compresses "dry" residue gas back into the pipeline. The gas plant has four (4) compressors and two (2) generators site rated for a total of 3098 HP. Processes at the compressor station include inlet separation; gas compression; used engine slop oil collection and gas volume measurement; liquid volume measurement; gas dehydration; and methanol injection. Approximately 56,540 gallons/year/engine of engine oil will be stored onsite in a closed top steel tank within a bermed area. Approximately 9315 gallons of liquids will be stored on site and in secondary containment, those materials are: 375 gallons of produced water; 2000 gallons of 'jacket water' (50% ethylene glycol and water); 1500 gallons of methanol; 500 gallons of ethylene glycol (80% ethylene glycol & water); 500 gallons of soap; and 240 gallons of glycol and water. Groundwater most likely to be affected by a spill, leak or accidental discharge is at a depth of approximately 100 feet or greater, with a total dissolved solids concentration of approximately 2500 mg/l.

(GW-391) Kenny Compressor Station facility located in the NE/4 of the SE/4 of Section 23, Township 24 North, Range 7 West, NMPM, Rio Arriba County, New Mexico, approximately 38 miles south of Bloomfield, New Mexico. The Kenny Compressor Station is the central facility for the collection of natural gas from the area compressors. The compressor station is site rated for 350 HP. Processes at the compressor station include inlet separation; gas compression; used engine slop oil collection and gas volume measurement. Engine lube oil, triethylene glycol, and ethylene glycol are stored in above ground tanks. The compressed gas is then sent via pipeline to a gas plant. Approximately 15,550 gallons/year/engine of engine oil will be stored onsite in a closed top steel tank within a bermed area. Approximately 12,600 gallons of produced liquid will be stored in a condensate tank. Approximately 5570 gallons of liquids will be stored on site and in secondary containment, those materials are: 3570 gallons of produced liquids stored in a below grade tank; 500 gallons of 'jacket water' (50% ethylene glycol and water); 500 gallons of glycol; 500 gallons of methanol into two (2) tanks for a total of 1000 gallons. Groundwater most likely to be affected by a spill, leak or accidental discharge is at a depth of approximately 100 feet or greater, with a total dissolved solids concentration of approximately 1078 mg/l.

(GW-392) Marcus Compressor Station facility located in the NE/4 of the NE/4 of Section 11, Township 23 North, Range 7 West, NMPM, Rio Arriba County, New Mexico, approximately 45 miles south of Bloomfield, New Mexico. The Marcus Compressor Station is the central facility for the collection of natural gas from the Marcus Gathering gas field. The compressor station is site rated for 2275 HP. Processes at the compressor station include inlet separation; gas compression; used engine slop oil collection and gas volume measurement. Engine lube oil, triethylene glycol, and ethylene glycol are stored in above ground tanks. The compressed gas is then sent via pipeline to a gas plant. Approximately 2650 gallons/year/engine of engine oil will be stored onsite in a secondary containment system. Approximately 26,400 gallons of produced liquid will be stored in condensate tanks. Approximately 25,810 gallons of liquids will be stored on site and in secondary containment systems, those materials are: 6030 gallons of produced liquids stored onsite; 550 gallons of 'jacket water' (50% ethylene glycol and water); 500 gallons of TEG (triethylene glycol); 18605 gallons of methanol into five (5) tanks. Groundwater most likely to be affected by a spill, leak or accidental discharge is at a depth of approximately 100 feet or greater, with a total dissolved solids concentration of approximately 1078 mg/l.

(GW-393) Otero Compressor Station facility located in the SE/4 of the SE/4 of Section 13, Township 24 North, Range 6 West, NMPM, Rio Arriba County, New Mexico, approximately 64 miles south of Bloomfield, New Mexico. The Otero Compressor Station is the central facility for the collection of natural gas from the Jicarilla gas field. The compressor station is site rated for 1274 HP. Processes at the compressor station include inlet separation; gas compression; used engine slop oil collection and gas volume measurement. Engine lube oil, triethylene glycol, and ethylene glycol are stored in above ground tanks. The compressed gas is then sent via pipeline to a gas plant. Approximately 10,145 gallons/year/engine of engine oil will be stored onsite in secondary containment systems. Approximately 8200 gallons of liquids will be stored on site and in secondary containment, those materials are: 6700 gallons of produced water; 500 gallons of 'jacket water' (50% ethylene glycol and water); 500 gallons of TEG (triethylene glycol); and 500 gallons of methanol. Groundwater most likely to be affected by a spill, leak or accidental discharge is at a depth of approximately 100 feet or greater, with a total dissolved solids concentration of approximately 1430 mg/l.

(GW-394) South Lybrook Compressor Station facility located in the SW/4 of the SE/4 of Section 14, Township 23 North, Range 7 West, NMPM, Rio Arriba County, New Mexico, approximately 45 miles south of Bloomfield, New Mexico. The South Lybrook Compressor Station is the central facility for the collection of natural gas from the South Lybrook gas field. The compressor station is site rated for 65 HP. Processes at the compressor station include inlet separation; gas compression; used engine slop oil collection and gas volume measurement. Engine lube oil, triethylene glycol, and ethylene glycol are stored in above ground tanks. The compressed gas is then sent via pipeline to a gas plant. Approximately 725 gallons/year/engine of engine oil will be stored onsite in secondary containment systems. Approximately 3360 gallons of liquids will be stored on site and in secondary containment, that material is produced water. Groundwater most likely to be affected by a spill, leak or accidental discharge is at a depth of approximately 100 feet or greater, with a total dissolved solids concentration of approximately 3500 mg/l. The discharge plan addresses how oilfield products and waste will be properly handled, stored, and disposed of, including how spills, leaks, and other accidental discharges to the surface will be managed in order to protect fresh water.

The NMOCD has determined that the application is administratively complete and has prepared a draft permit. The NMOCD will accept comments and statements of interest regarding this application and will create a facility-specific mailing list 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 Chief of the Oil Conservation Division at the address given above. The administrative completeness determination and draft permit may be viewed at the above address between 8:00 a.m. and 4:00 p.m., Monday through Friday, or may also be viewed at the NMOCD web site http://www.emnrd.state.nm.us/ocd/. Persons interested in obtaining a copy of the application and draft permit may contact the NMOCD at the address given 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 that NMOCD 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 hearing is held, the Director will approve or disapprove the proposed permit based on information available, including all comments received. If a public hearing is held, the director will approve or disapprove the proposed permit based on information in the permit application and information submitted at the hearing.

Para obtener más información sobre esta solicitud en espan?ol, sirvase comunicarse por favor: New Mexico Energy, Minerals and Natural Resources Department (Depto. Del Energia, Minerals y Recursos Naturales de Nuevo México), Oil Conservation Division, (Depto. Conservacion Del Petróleo), 1220 South St. Francis Drive, Santa Fe, New México (Contacto: Dorothy Phillips, 505-476-3461)

GIVEN under the Seal of New Mexico Oil Conservation Commission at Santa Fe, New Mexico, on this 3rd day of April, 2009.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

SEAL

Mark Fesmire, Director

Legal No. 61428 published in The Daily Times. Farmington, New Mexico on Thursday, April 09, 2009

Elm Ridge Exploration Co., LLC d.b.a.

Beeline Gas Systems

2001 E. Blanco Blvd.
P. O. Box 1280
Bloomfield, NM 87413
(505) 634-1144

April 8, 2009

New Mexico Oil Conservation Division
Attn: Leonard Lowe, Jim Snyder
1220 S. ST. Francis Drive
Santa Fe, New Mexico 87505

Subject: Beeline Gas Systems Discharge Permit Typographical Error

Dear Mr. Lowe and Mr. Snyder

It was brought to my attention by Mr. Lowe per our phone conversation on April 6, 2009 that I have identified some operation fluids as hazardous materials in error on our discharge applications. The typographical errors in section 2.3 Facility Storage at the top and bottom on the second table should read "The following operation fluids are stored at the facility:" and "Maximum operation fluids storage on site:" at the bottom of section 2.4 Sources and Dispositions should read "All hydrocarbon fluid and operation fluids storage…" and in section 2.8 Spill Prevention Transfer Operations should read "Transfer operations of hydrocarbon and operation fluids to…". The above changes apply for all of the following permit numbers.

Bisti Compressor Station	GW-386
Buena Suerta Compressor Station	GW-387
Huerfano Mountain Gas Plant	GW-390
Kenny Compressor Station	GW-391
Marcus Compressor Station	GW-392
Otero Compressor Station	GW-393
South Lybrook Compressor Station	GW-394

If you have any questions please feel free to call me at the above listed phone number or send me an email at csmith@elmridge.net.

Sincerely,

Cory Smith
Instrumentation/Regulatory Compliance

Snyder, Jim, EMNRD

From: Snyder, Jim, EMNRD
Sent: Friday, April 03, 2009 9:55 AM
To: 'csmith@elmridge.net'
Subject: GW-392, Beeline Gas Systems Admin. Complete
Attachments: GW_Beeline_ALL NOTICES_JNS.pdf; GW-392 Admin Complete Letter.pdf; GW-392 Draft Permit.pdf

Importance: High

Mr. Cory Smith,

The OCD has determined your submitted discharge plan application to be **administratively complete**.

Attached are the **admin complete letter**, a **draft permit** and the **OCD public notice**.

Your public notice was previously approved for publication. Once published please submit the proof of publication affidavit to our office. Beeline Gas Systems can scan and e-mail the affidavit.

Beeline Gas Systems shall now submit to the OCD the locations for all additional posting of the approved notice.

A technical review of your application will commence while we are in the 30 day notice period.

The WQCC requirements for this action can and should be reviewed at http://www.emnrd.state.nm.us/ocd/documents/NMAC_20_6_2-1.pdf.

If you have any questions please submit them to me.

Jim Snyder

Hydrologist
Environmental Bureau
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505
505-476-3484
fax -476-3462
jim.snyder@state.nm.us

Tracking:

New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor
Joanna Prukop
Cabinet Secretary
Reese Fullerton
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division

March 24, 2009

Dear Mr. Smith:

Re: Discharge Plan Permit GW-392
Beeline Gas Systems
Marcus Compressor Station
Rio Arriba County, New Mexico

The New Mexico Oil Conservation Division (NMOCD) has received Beeline Gas System's request and processing fee, dated May 23, 2009, to permit GW-392 for their Marcus Compressor Station located in the NE/4 of the NE/4 of Section 11, Township 23 North, Range 7 West, NMPM, Rio Arriba County, New Mexico. The initial submittal provided the required information in order to deem the application "administratively" complete.

The New Mexico Water Quality Control Commission regulations (WQCC) notice requirements of 20.6.2.3108 NMAC were satisfied and demonstrated to the NMOCD. Beeline Gas Systems shall provide an affidavit proving compliance. NMOCD will provide public notice pursuant to the WQCC notice requirements of 20.6.2.3108 NMAC to determine if there is any public interest.

If there are any questions regarding this matter, please do not hesitate to contact me at (505) 476-3484 or jim.snyder@state.nm.us. Please change the draft notice to show Jim Snyder as the OCD point of contact. On behalf of the staff of the NMOCD, I wish to thank you and your staff for your cooperation during this review for a discharge permit.

Sincerely,

Jim N Snyder
Hydrologist

JNS/jns

xc: OCD District III Office, Aztec

New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor
Joanna Prukop
Cabinet Secretary
Reese Fullerton
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division

March 31, 2009

Mr. Cory Smith
Elm Ridge Exploration Co., LLC DBA Beeline Gas Systems
P.O. Box 1280
Bloomfield, N.M. 87413

Re: Discharge Permit
Marcus Compressor Station (GW-392)
NE/4 NE/4 Section 11, Township 23 North, Range 7 West, NMPM,
Rio Arriba County, New Mexico

Dear Mr. Smith:

Pursuant to Water Quality Control Commission (WQCC) Regulations 20.6.2.3104 - 20.6.2.3114 NMAC, the Oil Conservation Division (OCD) hereby approves the discharge permit for the **Elm Ridge Exploration LLC DBA Beeline Gas Systems.,** (owner/operator) for the above referenced site contingent upon the conditions specified in the enclosed **Attachment to the Discharge Permit**. 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 45 days of receipt of this letter including permit fees.**

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

If you have any questions, please contact Jim Snyder of my staff at (505-476-3484) or E-mail jim.snyder@state.nm.us. 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,

Glenn von Gonten
Acting Environmental Bureau Chief

Attachments-1
xc: OCD District Office

ATTACHMENT- DISCHARGE PERMIT APPROVAL CONDITIONS

1. **Payment of Discharge Plan Fees:** All discharge permits are subject to WQCC Regulations. Every billable facility that submits a discharge permit application will be assessed a filing fee of $100.00, plus a facility fee (*see* WQCC Regulation 20.6.2.3114 NMAC). The Oil Conservation Division ("OCD") has received the required $100.00 filing fee. The fee for a gas compressor station with 2275 HP is $1700.00. Please submit this amount along with the signed permit conditions. Checks should be made out to the New Mexico Water Quality Management Fund.

2. **Permit Expiration, Renewal Conditions and Penalties:** Pursuant to WQCC Regulation 20.6.2.3109.H.4 NMAC, this permit is valid for a period of five years. **The permit will expire on March 31, 2014** and an application for renewal should be submitted no later than 120 days before that expiration date. Pursuant to WQCC Regulation 20.6.2.3106.F NMAC, 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. ***Expired permits are a violation of the Water Quality Act {Chapter 74, Article 6, NMSA 1978} and civil penalties may be assessed accordingly.***

3. **Permit Terms and Conditions:** Pursuant to WQCC Regulation 20.6.2.3104 NMAC, when a permit has been issued, the owner/operator must ensure that all discharges shall be consistent with the terms and conditions of the permit. In addition, all facilities shall abide by the applicable rules and regulations administered by the OCD pursuant to the Oil and Gas Act, NMSA 1978, Sections 70-2-1 through 70-2-38.

4. **Owner/Operator Commitments:** The owner/operator shall abide by all commitments submitted in its March 2009 discharge plan application, including attachments and subsequent amendments and these conditions for approval. Permit applications that reference previously approved plans on file with the division shall be incorporated in this permit and the owner/operator shall abide by all previous commitments of such plans and these conditions for approval.

5. **Modifications:** WQCC Regulation 20.6.2.3107.C and 20.6.2.3109 NMAC addresses possible future modifications of a permit. The owner/operator (discharger) shall notify the OCD of any facility expansion, production increase or process modification that would result in any significant modification in the discharge of water contaminants. The Division Director may require a permit modification if any water quality standard specified at 20.6.2.3103 NMAC is being or will be exceeded, or if a toxic pollutant as defined in WQCC Regulation 20.6.2.7 NMAC is present in ground water at any place of withdrawal for present or reasonably foreseeable future use, or that the Water Quality Standards for Interstate and Intrastate streams as specified in 20.6.4 NMAC are being or may be violated in surface water in New Mexico.

6. **Waste Disposal and Storage:** The owner/operator shall dispose of all wastes at an OCD-approved facility. Only oil field RCRA-exempt wastes may be disposed of by injection in a Class II well. RCRA non-hazardous, non-exempt oil field wastes may be disposed of at an OCD-approved facility upon proper waste determination pursuant to 40 CFR Part 261. Any waste

stream that is not listed in the discharge permit application must be approved by the OCD on a case-by-case basis.

A. OCD Part 35 Waste: Pursuant to OCD Part 35 (19.15.35.8 NMAC) disposal of certain non-domestic waste without notification to the OCD is allowed at NMED permitted solid waste facilities if the waste stream has been identified in the discharge permit and existing process knowledge of the waste stream does not change.

B. Waste Storage: The owner/operator shall store all waste in an impermeable bermed area, except waste generated during emergency response operations for up to 72 hours. All waste storage areas shall be identified in the discharge permit application. Any waste storage area not identified in the permit shall be approved on a case-by-case basis only. The owner/operator shall not store oil field waste on-site for more than 180 days unless approved by the OCD.

7. Drum Storage: The owner/operator must store all drums, including empty drums, containing materials other than fresh water on an impermeable pad with curbing. The owner/operator must store empty drums on their sides with the bungs in place and lined up on a horizontal plane. The owner/operator must store chemicals in other containers, such as tote tanks, sacks, or buckets on an impermeable pad with curbing.

8. Process, Maintenance and Yard Areas: The owner/operator shall either pave and curb or have some type of spill collection device incorporated into the design at all process, maintenance, and yard areas which show evidence that water contaminants from releases, leaks and spills have reached the ground surface.

9. Above Ground Tanks: The owner/operator shall ensure that all aboveground tanks have impermeable secondary containment (e.g., liners and berms), which will contain a volume of at least one-third greater than the total volume of the largest tank or all interconnected tanks. The owner/operator shall retrofit all existing tanks before discharge permit renewal. Tanks that contain fresh water or fluids that are gases at atmospheric temperature and pressure are exempt from this condition.

10. Labeling: The owner/operator shall clearly label all tanks, drums, and containers to identify their contents and other emergency notification information. The owner/operator may use a tank code numbering system, which is incorporated into their emergency response plans.

11. Below-Grade Tanks/Sumps and Pits/Ponds.

A. All below-grade tanks and sumps must be approved by the OCD prior to installation and must incorporate secondary containment with leak detection into the design. The owner/operator shall retrofit all existing systems without secondary containment and leak detection before discharge permit renewal. All existing below-grade tanks and sumps without secondary containment and leak detection must be tested annually or as specified herein. Systems that have secondary containment with leak detection shall have a monthly inspection of the leak detection system to determine if the primary containment is leaking. Small sumps or depressions in secondary containment systems used to facilitate fluid removal are exempt from these requirements if fluids are removed within 72 hours.

B. All pits and ponds, including modifications and retrofits, shall be designed by a certified registered professional engineer and approved by the OCD prior to installation. In general, all pits or ponds shall have approved hydrologic and geologic reports, location, foundation, liners, and secondary containment with leak detection, monitoring and closure plans. All pits or ponds shall be designed, constructed and operated so as to contain liquids and solids in a manner that will protect fresh water, public health, safety and the environment for the foreseeable future. The owner/operator shall retrofit all existing systems without secondary containment and leak detection before discharge permit renewal.

C. The owner/operator shall ensure that all exposed pits, including lined pits and open top tanks (8 feet in diameter or larger) shall be fenced, screened, netted, or otherwise rendered non-hazardous to wildlife, including migratory birds.

D. The owner/operator shall maintain the results of tests and inspections at the facility covered by this discharge permit and available for OCD inspection. The owner/operator shall report the discovery of any system which is found to be leaking or has lost integrity to the OCD within 15 days. The owner/operator may propose various methods for testing such as pressure testing to 3 pounds per square inch greater than normal operating pressure and/or visual inspection of cleaned tanks and/or sumps, or other OCD-approved methods. The owner/operator shall notify the OCD at least 72 hours prior to all testing.

12. Underground Process/Wastewater Lines:

A. The owner/operator shall test all underground process/wastewater pipelines at least once every five (5) years to demonstrate their mechanical integrity, except lines containing fresh water or fluids that are gases at atmospheric temperature and pressure. Pressure rated pipe shall be tested by pressuring up to one and one-half times the normal operating pressure, if possible, or for atmospheric drain systems, to 3 pounds per square inch greater than normal operating pressure, and pressure held for a minimum of 30 minutes with no more than a 1% loss/gain in pressure. The owner/operator may use other methods for testing if approved by the OCD.

B. The owner/operator shall maintain underground process and wastewater pipeline schematic diagrams or plans showing all drains, vents, risers, valves, underground piping, pipe type, rating, size, and approximate location. All new underground piping must be approved by the OCD prior to installation. The owner/operator shall report any leaks or loss of integrity to the OCD within 15 days of discovery. The owner/operator shall maintain the results of all tests at the facility covered by this discharge permit and they shall be available for OCD inspection. The owner/operator shall notify the OCD at least 72 hours prior to all testing.

13. Class V Wells: The owner/operator shall close all Class V wells (e.g., septic systems, leach fields, dry wells, etc.) that inject non-hazardous industrial wastes or a mixture of industrial wastes and domestic wastes unless it can be demonstrated that ground water will not be impacted in the reasonably foreseeable future. Leach fields and other wastewater disposal systems at OCD-regulated facilities that 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 (NMED).

14. Housekeeping: The owner/operator shall inspect all systems designed for spill collection/prevention and leak detection at least monthly to ensure proper operation and to prevent over topping or system failure. All spill collection and/or secondary containment devices shall be emptied of fluids within 72 hours of discovery. The owner/operator shall maintain all records at the facility and available for OCD inspection.

15. Spill Reporting: The owner/operator shall report all unauthorized discharges, spills, leaks and releases and conduct corrective action pursuant to WQCC Regulation 20.6.2.1203 NMAC and OCD Part 29 (19.15.29 NMAC). The owner/operator shall notify both the OCD District Office and the Santa Fe Office within 24 hours and file a written report within 15 days.

16. OCD Inspections: The OCD performed an inspection of this facility on November 18th, 2008. Cory Smith, Leonard Lowe, Allen Lain, and Brandon Powell were in attendance. All photographs referenced below are referenced in the attachment of this permit.

17. Storm Water: The owner/operator shall implement and maintain run-on and runoff plans and controls. The owner/operator shall not discharge any water contaminant that exceeds the WQCC standards specified in 20.6.2.3101 NMAC or 20.6.4 NMAC (Water Quality Standards for Interstate and Intrastate Streams) including any oil sheen in any stormwater run-off. The owner/operator shall notify the OCD within 24 hours of discovery of any releases and shall take immediate corrective action(s) to stop the discharge.

18. Unauthorized Discharges: The owner/operator shall not allow or cause water pollution, discharge or release of any water contaminant that exceeds the WQCC standards listed in 20.6.2.3101 NMAC or 20.6.4 NMAC (Water Quality Standards for Interstate and Intrastate Streams) unless specifically listed in the permit application and approved herein. ***An unauthorized discharge is a violation of this permit.***

19. Vadose Zone and Water Pollution: The owner/operator shall address any contamination through the discharge permit process or pursuant to WQCC 20.6.2.4000-.4116 NMAC (Prevention and Abatement of Water Pollution). The OCD may require the owner/operator to modify its permit for investigation, remediation, abatement, and monitoring requirements for any vadose zone or water pollution. Failure to perform any required investigation, remediation, abatement and submit subsequent reports will be a violation of the permit.

20. Additional Site Specific Conditions: N/A

21. Transfer of Discharge Permit (WQCC 20.6.2.3111) 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.

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. The transferee (new owner/operator) shall sign and return an original copy of these permit conditions and provide a written commitment to comply with the terms and conditions of the previously approved discharge permit.

22. **Closure Plan and Financial Assurance:** Pursuant to 20.6.2.3107 NMAC an owner/operator shall notify the OCD when any operations of the facility are to be discontinued for a period in excess of six months. Prior to closure, or as a condition of this permit, or request from the OCD, the operator will submit an approved closure plan, modified plan, and/or provide adequate financial assurance.

23. **Certification: (Owner/Operator)**, by the officer whose signature appears below, accepts this permit and agrees to comply with all submitted commitments, including these terms and conditions contained here. **Owner/Operator** further acknowledges that the OCD may, for good cause shown, as necessary to protect fresh water, public health, safety, and the environment, change the conditions and requirements of this permit administratively

Conditions accepted by: "I certify under penalty of law that I have personally examined and am familiar with the information submitted in this document and all attachments and that, based on my inquiry of those individuals immediately responsible for obtaining the information, I believe that the information is true, accurate, and complete. I am aware that there are significant penalties for submitting false information including the possibility of fine and imprisonment."

_____
Company Name-print name above

_____
Company Representative- print name

_____
Company Representative- Signature

Title _____

Date: _____

NOTICE OF PUBLICATION

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

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

Elm Ridge Exploration LLC DBA, 6501 2001 E. Blanco BLVD, Bloomfield, New Mexico has submitted discharge plan applications for the following:

(GW-386) Bisti Compressor Station facility located in the SW/4 of the NE/4 of Section 14, Township 25 North, Range 12 West, NMPM, San Juan County, New Mexico, approximately 25 miles south of Bloomfield, New Mexico. The Bisti Compressor Station is the central facility for the collection of natural gas from the Bisti gas field. The compressor station is site rated for 637 HP. Processes at the compressor station include inlet separation; gas compression; used engine slop oil collection and gas volume measurement. Engine lube oil, triethylene glycol, and ethylene glycol are stored in above ground tanks. The compressed gas is then sent via pipeline to a gas plant. Approximately 2000 gallons/year/engine of engine oil will be stored onsite in a closed top steel tank within a bermed area. Approximately 13,650 gallons of liquids will be stored on site and in secondary containment, those materials are: 12,600 gallons of produced water; 500 gallons of 'jacket water' (50% ethylene glycol and water); 550 gallons of skid drain pit liquids (used motor oil, jacket water, soap, and rain water). Groundwater most likely to be affected by a spill, leak or accidental discharge is at a depth of approximately 20 feet, with a total dissolved solids concentration of approximately 2100 mg/l.

(GW-387) Buena Suerte Compressor Station facility located in the NW/4 of the SE/4 of Section 32, Township 26 North, Range 11 West, NMPM, San Juan County, New Mexico, approximately 20 miles south of Bloomfield, New Mexico. The Buena Suerte Compressor Station is the central facility for the collection of natural gas from the Buena Suerte gas field. The compressor station is site rated for 2019 HP. Processes at the compressor station include inlet separation; gas compression; used engine slop oil collection and gas volume measurement. Engine lube oil, triethylene glycol, and ethylene glycol are stored in above ground tanks. The compressed gas is then sent via pipeline to a gas plant. Approximately 3000 gallons/year/engine of engine oil will be stored onsite in a closed top steel tank within a bermed area. Approximately 8650 gallons of liquids will be stored on site and in secondary containment, those materials are: 7150 gallons of produced water; 1000 gallons of 'jacket water' (50% ethylene glycol and water); 500 gallons of TEG (triethylene glycol). Groundwater most likely to be affected by a spill, leak or accidental discharge is at a depth of approximately 100 feet or greater, with a total dissolved solids concentration of approximately 1400 mg/l.

(GW-390) Huerfano Mountain Gas Plant facility located in the SE/4 of the NE/4 of Section 5, Township 25 North, Range 10 West, NMPM, San Juan County, New Mexico, approximately 22 miles south of Bloomfield, New Mexico. The Huerfano Mountain Gas Plant facility is a refrigerated J-T natural gas plant that separates natural gas liquids from raw "wet" gas and then compresses "dry" residue gas back into the pipeline. The gas plant has four (4) compressors and two (2) generators site rated for a total of 3098 HP. Processes at the compressor station include inlet separation; gas

compression; used engine slop oil collection and gas volume measurement; liquid volume measurement; gas dehydration; and methanol injection. Approximately 56,540 gallons/year/engine of engine oil will be stored onsite in a closed top steel tank within a bermed area. Approximately 9315 gallons of liquids will be stored on site and in secondary containment, those materials are: 375 gallons of produced water; 2000 gallons of 'jacket water' (50% ethylene glycol and water); 1500 gallons of methanol; 500 gallons of ethylene glycol (80% ethylene glycol & water); 500 gallons of soap; and 240 gallons of glycol and water. Groundwater most likely to be affected by a spill, leak or accidental discharge is at a depth of approximately 100 feet or greater, with a total dissolved solids concentration of approximately 2500 mg/l.

(GW-391) Kenny Compressor Station facility located in the NE/4 of the SE/4 of Section 23, Township 24 North, Range 7 West, NMPM, Rio Arriba County, New Mexico, approximately 38 miles south of Bloomfield, New Mexico. The Kenny Compressor Station is the central facility for the collection of natural gas from the area compressors. The compressor station is site rated for 350 HP. Processes at the compressor station include inlet separation; gas compression; used engine slop oil collection and gas volume measurement. Engine lube oil, triethylene glycol, and ethylene glycol are stored in above ground tanks. The compressed gas is then sent via pipeline to a gas plant. Approximately 15,550 gallons/year/engine of engine oil will be stored onsite in a closed top steel tank within a bermed area. Approximately 12,600 gallons of produced liquid will be stored in a condensate tank. Approximately 5570 gallons of liquids will be stored on site and in secondary containment, those materials are: 3570 gallons of produced liquids stored in a below grade tank; 500 gallons of 'jacket water' (50% ethylene glycol and water); 500 gallons of glycol; 500 gallons of methanol into two (2) tanks for a total of 1000 gallons. Groundwater most likely to be affected by a spill, leak or accidental discharge is at a depth of approximately 100 feet or greater, with a total dissolved solids concentration of approximately 1078 mg/l.

(GW-392) Marcus Compressor Station facility located in the NE/4 of the NE/4 of Section 11, Township 23 North, Range 7 West, NMPM, Rio Arriba County, New Mexico, approximately 45 miles south of Bloomfield, New Mexico. The Marcus Compressor Station is the central facility for the collection of natural gas from the Marcus Gathering gas field. The compressor station is site rated for 2275 HP. Processes at the compressor station include inlet separation; gas compression; used engine slop oil collection and gas volume measurement. Engine lube oil, triethylene glycol, and ethylene glycol are stored in above ground tanks. The compressed gas is then sent via pipeline to a gas plant. Approximately 2650 gallons/year/engine of engine oil will be stored onsite in a secondary containment system. Approximately 26,400 gallons of produced liquid will be stored in condensate tanks. Approximately 25,810 gallons of liquids will be stored on site and in secondary containment systems, those materials are: 6030 gallons of produced liquids stored onsite; 550 gallons of 'jacket water' (50% ethylene glycol and water); 500 gallons of TEG (triethylene glycol); 18605 gallons of methanol into five (5) tanks. Groundwater most likely to be affected by a spill, leak or accidental discharge is at a depth of approximately 100 feet or greater, with a total dissolved solids concentration of approximately 1078 mg/l.

(GW-393) Otero Compressor Station facility located in the SE/4 of the SE/4 of Section 13, Township 24 North, Range 6 West, NMPM, Rio Arriba County, New Mexico, approximately 64 miles south of Bloomfield, New Mexico. The Otero Compressor Station is the central facility for the collection of natural gas from the Jicarilla gas field. The compressor station is site rated for 1274 HP. Processes at the compressor station include inlet separation; gas compression; used engine slop oil collection and gas volume measurement. Engine lube oil, triethylene glycol, and ethylene glycol are stored in above ground tanks. The compressed gas is then sent via pipeline to a gas plant. Approximately 10,145 gallons/year/engine of engine oil will be stored onsite in secondary containment systems.

Approximately 8200 gallons of liquids will be stored on site and in secondary containment, those materials are: 6700 gallons of produced water; 500 gallons of 'jacket water' (50% ethylene glycol and water); 500 gallons of TEG (triethylene glycol); and 500 gallons of methanol. Groundwater most likely to be affected by a spill, leak or accidental discharge is at a depth of approximately 100 feet or greater, with a total dissolved solids concentration of approximately 1430 mg/l.

(GW-394) South Lybrook Compressor Station facility located in the SW/4 of the SE/4 of Section 14, Township 23 North, Range 7 West, NMPM, Rio Arriba County, New Mexico, approximately 45 miles south of Bloomfield, New Mexico. The South Lybrook Compressor Station is the central facility for the collection of natural gas from the South Lybrook gas field. The compressor station is site rated for 65 HP. Processes at the compressor station include inlet separation; gas compression; used engine slop oil collection and gas volume measurement. Engine lube oil, triethylene glycol, and ethylene glycol are stored in above ground tanks. The compressed gas is then sent via pipeline to a gas plant. Approximately 725 gallons/year/engine of engine oil will be stored onsite in secondary containment systems. Approximately 3360 gallons of liquids will be stored on site and in secondary containment, that material is produced water. Groundwater most likely to be affected by a spill, leak or accidental discharge is at a depth of approximately 100 feet or greater, with a total dissolved solids concentration of approximately 3500 mg/l. The discharge plan addresses how oilfield products and waste will be properly handled, stored, and disposed of, including how spills, leaks, and other accidental discharges to the surface will be managed in order to protect fresh water.

The NMOCD has determined that the application is administratively complete and has prepared a draft permit. The NMOCD will accept comments and statements of interest regarding this application and will create a facility-specific mailing list 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 Chief of the Oil Conservation Division at the address given above. The administrative completeness determination and draft permit may be viewed at the above address between 8:00 a.m. and 4:00 p.m., Monday through Friday, or may also be viewed at the NMOCD web site http://www.emnrd.state.nm.us/ocd/. Persons interested in obtaining a copy of the application and draft permit may contact the NMOCD at the address given 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 that NMOCD 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 hearing is held, the Director will approve or disapprove the proposed permit based on information available, including all comments received. If a public hearing is held, the director will approve or disapprove the proposed permit based on information in the permit application and information submitted at the hearing.

Para obtener más información sobre esta solicitud en español, sirvase comunicarse por favor: New Mexico Energy, Minerals and Natural Resources Department (Depto. Del Energia, Minerals y Recursos Naturales de Nuevo México), Oil Conservation Division (Depto. Conservacio´n Del Petróleo), 1220 South St. Francis Drive, Santa Fe, New México (Contacto: Dorothy Phillips, 505-476-3461)

GIVEN under the Seal of New Mexico Oil Conservation Commission at Santa Fe, New Mexico, on this 19th day of February, 2008.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

S E A L

Mark Fesmire, Director

ACKNOWLEDGEMENT OF RECEIPT
OF CHECK/CASH

I hereby acknowledge receipt of check No _____ dated 3/11/09

or cash received on _____ in the amount of $ 100.00

from Beeline Gas Systems

for GW-392

Submitted by: Laurie Romero Date: 3/19/09

Submitted to ASD by: Laurie Romero Date: 3/19/09

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 _____

Elm Ridge Exploration Co., LLC d.b.a.

Beeline Gas Systems

2001 E. Blanco Blvd.
P. O. Box 1280
Bloomfield, NM 87413
(505) 634-1144

March 16, 2009

New Mexico Oil Conservation Division
Attn: Leonard Lowe
1220 S. St. Francis Drive
Santa Fe, New Mexico 87505

Subject: Beeline Gas Systems Discharge Application Fee

Dear Mr. Lowe:

The Enclosed check for $700.00 is for the following Elm Ridge Exploration Co., LLC doing business as Beeline Gas Systems application fee for submittal of its new discharge permits.

Bisti Compressor Station	GW-386
Buena Suerte Compressor Station	GW-387
Huerfano Mountain Gas Plant	GW-390
Kenny Compressor Station	GW-391
Marcus Compressor Station	GW-392
Otero Compressor Station	GW-393
South Lybrook Compressor Station	GW-394

If you have any questions I may be reached at the number listed above, on my cell at 505-486-5955, or by e-mail at csmith@elmridge.net thank you.

Sincerely,

Cory Smith
Instrumentation/Regulatory Compliance

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

State of New Mexico
Energy Minerals and Natural Resources

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

RECEIVED
2009 MAR 18 PM 1 20

Revised June 10, 2003

Submit Original
Plus 1 Copy
to Santa Fe
1 Copy to Appropriate
District Office

DISCHARGE PLAN APPLICATION FOR SERVICE COMPANIES, GAS PLANTS, REFINERIES, COMPRESSOR, GEOTHERMAL FACILITIES AND CRUDE OIL PUMP STATIONS

(Refer to OCD Guidelines for assistance in completing the application)

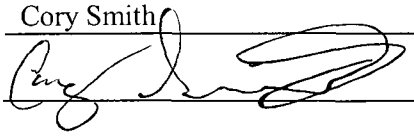
☒ New ☐ Renewal ☐ Modification GW-392

1. Type: Natural Gas Compressor Station Site Rated at 2275 HP
2. Operator: Elm Ridge Exploration Co., LLC DBA Beeline Gas Systems

   Address: 2001 E. Blanco Blvd. P.O Box 1280 Bloomfield NM, 87413

   Contact Person: Cory Smith Phone: (505)-634-1144
3. Location: NE/4 NE/4 Section 11 Township 23 N Range 07 W
4. Attach the name, telephone number and address of the landowner of the facility site.
5. Attach the description of the facility with a diagram indicating location of fences, pits, dikes and tanks on the facility.
6. Attach a description of all materials stored or used at the facility.
7. Attach a description of present sources of effluent and waste solids. Average daily quality and daily volume of waste water must be included.
8. Attach a description of current liquid waste and solid waste collection/treatment/disposal systems.
9. Attach a description of proposed modifications to existing collection/treatment/disposal systems.
10. Attach a routine inspection and maintenance plan to ensure permit compliance.
11. Attach a contingency plan for reporting and clean-up of spills or releases.
12. Attach geological/hydrological information for the facility. Depth to and quality of ground water must be included.
13. Attach a facility closure plan, and other information as is necessary to demonstrate compliance with any other rules, regulations, and/or orders.
14. CERTIFICATION I hereby certify that the information submitted with this application is true and correct to the best of my knowledge and belief.

NAME: Cory Smith Title: Instrumentation/Regulatory Compliance

Signature:  Date: 3-17-09

E-Mail Address: csmith@elmridge.net

DISCHARGE PLAN

FOR THE:

MARCUS COMPRESSOR STATION
(GW-392)

ELM RIDGE EXPLORATION CO., LLC DBA BEELINE GAS SYSTEMS
2001 E. BLANCO BLVD
P.O BOX 1280
BLOOMFIELD NM, 87413

CONTACT: CORY SMITH, REGULATORY COMPLIANCE
TELEPHONE (505) 634-1144

TABLE OF CONTENTS

APPENDICES:

1.0 FACILITY OWNER AND OPERATOR

1.1 Site Information

Name of the Facility:	Marcus Compressor Station
Type:	Natural Gas Compressor Station Site Rated at 2275 HP
Date of Initial Operation:	March 15, 2006
Location:	NE/4 of NE/4 of Sec 11, Township 23 North, Range 7 West, Rio Arriba, NM. Approximately 45 miles south of Bloomfield, NM
Owner of the Facility:	Elm Ridge Exploration LLC DBA Beeline Gas Systems 2001 E. Blanco Blvd. P.O Box 1280 Bloomfield NM, 87413
Manager of the Facility:	Allen Lain Operations Manager 2001 E. Blanco Blvd. P.O. Box 1280 Bloomfield, NM 87413 Phone: (505) 634-1144
Landowner Information	Bureau of Land Management Farmington Field Office 1235 La Plata Highway, Suite A Farmington, New Mexico 87401

1.2 Contact Information

The following personnel are the initial contacts in the event of a facility spill or emergency.

Name	Title	Telephone	Address
Tony Ferrari	Pipeline Operations Foreman Beeline Gas Systems	(505) 486-2878	2001 E. Blanco Blvd. Bloomfield, NM 87413
Mark Perry	Measurement & Corrosion Specialist Beeline Gas Systems	(505) 330-6476	2001 E. Blanco Blvd. Bloomfield, NM 87413
Allen Lain	Operations Manager Beeline Gas Systems	(505) 486-0260	2001 E. Blanco Blvd. Bloomfield, NM 87413

The Bloomfield Office (24 hour number with answering service): (877) 634-1144

2.0 GENERAL FACILITY INFORMATION

2.1 Facility Layout Diagram

Appendix A is a location map for the facility relative to roads, and inhabited areas. Appendix B is a copy of the USGS topographic map showing the site topography. Appendix C includes a facility diagram that shows the compressors, drainage direction, and storage containers. The diagram shows the relative location, capacity, and contents of storage containers.

2.2 Facility Location and Operations

Beeline Gas Systems owns and operates the Marcus Compressor Station, which is located approximately 45 miles south of Bloomfield, New Mexico, in a remote and rural area of Rio Arriba County New Mexico. The facility is unmanned and secured with a 6-foot tall Chain link fence and a locked gate.

The Marcus Compressor Station is the central facility for the collection of natural gas from the Marcus Gathering Gas Field. The compressor station is site rated for 2275 HP. Processes at the compressor station include gas dehydration; inlet separation; gas compression; used engine slop oil collection and gas volume measurement. Small volumes of engine lube oil, triethylene glycol, and ethylene glycol are stored in above ground tanks. Contract services are used to deliver lube oil and to remove used oil from the facility, using conventional transport trucks.

The compressor station is constructed on a 4.2-acre tract in Rio Arriba County, New Mexico, approximately 45 miles south of Bloomfield, New Mexico. Access to the site from US550 is via 1.8 miles of dirt/gravel oil and gas field roads. The approximate Lat/Long coordinates of the site are 36.14724 N 107.32254 W. The station is found at an elevation of approximately 7075 feet above mean sea level in an area vegetated with desert scrub. The Lat/Long coordinates and the elevation were determined using a hand held GPS unit

2.3 Facility Storage

The following liquid hydrocarbon materials are stored at the facility:

Container	Volume	Contents	State
Lube Oil Tank	550 gallons	New Lube Oil	Liquid
Lube Oil Tank	550 gallons	New Lube Oil	Liquid
Condensate	8800 gallons (200 BBL)	Condensate	Liquid
Condensate	8800 gallons (200 BBL)	Condensate	Liquid
Oil / Water	8800 gallons (200 BBL)	Oil &Produced Water	Liquid
Waste Oil Tank	1550 gallons (35 BBL)	Used Lube Oil	Liquid

Maximum Hydrocarbon Fluid Storage on Site: 29,050 gallons

The following hazardous materials are stored at the facility:

Container	Volume	Contents	State
Methanol Tank	550 gallons	Methanol	Liquid
Methanol Tank	55 gallons	Methanol	Liquid
Methanol Tank	500 gallons	Methanol	Liquid
Methanol Tank	17000 gallons (400 BBL)	Methanol	Liquid
Methanol Tank	500 gallons	Methanol	Liquid
TEG Tank	500 gallons	Triethylene Glycol	Liquid
Jacket Water Tank (JW)	550 gallons	Jacket Water	Liquid
Corrosion Inhibitor	125 gallons	Corrosion Inhibitor	Liquid
Produced Water	2940 gallons (70 BBL)	Produced Water	Liquid
Produced Water	590 gallons (14 BBL)	Produced Water	Liquid
Produced Water	2500 gallons (60 BBL)	Produced Water	Liquid

Maximum Hazardous Material Storage on Site: 25,810 gallons.

2.4 Source and Disposition of Fluids

Source	Disposition	Quantity/Month	Quality Type	Additives
Compressor Engines	Waste Oil Tank	50 Gallons	Used Motor Oil	None
Compressor Engines	Jacket Water Tank (EG)	5 gallons	Jacket Water	Ethylene Glycol
Compressor Engines	Filter bin	5 filters	Used Filters	None
Dehydrator	Produced Water	10 Gallons	Produced Water	Triethylene Glycol
Wash down Water	Produced Water Tank	Variable	Used Motor Oil, Triethylene Glycol, Jacket Water	Soap
Separator(s)	Condensate & Produced Water Tanks	400 BBL	Produced Water & Condensate	None

All hydrocarbon fluid and hazardous material storage containers are placed in secondary containment control.

2.5 Spill Prevention – Storage Tanks

In general, the capacity of secondary containment area for bulk storage containers will be at least 110% of the capacity of the largest single container within that secondary containment area. This method of establishing sufficient secondary containment capacity is in accordance with 20.5.1 NMAC.

2.6 Spill Prevention – Process Equipment

Process equipment is either placed inside of secondary containment or operated in a manner to minimize the potential for leaks or spills. Equipment integrity assurance procedures and equipment inspections are key parts of these prevention efforts.

2.7 Spill Prevention – Below Grade Tanks

Below Grade tanks are placed inside of secondary containment with visible side walls. Except the western below grade tank which is direct buried Disposal of such materials will be in accordance with applicable federal, state and local requirements

2.8 Spill Prevention – Transfer Operations

Transfer operations of hydrocarbon and hazardous liquids to and from the compressors and the dehydration unit are piped either by a pump or gravity-feed. There are both above ground and buried piping used at the facility. All above ground valves and piping are examined routinely by the field operator and during the annual facility inspection.

2.9 Spill Prevention – Truck Loading/Unloading Operations

Contract haulers provide tank-refilling operations. The transport vehicle used in loading/unloading operations is not located within a secondary containment structure. In the event of an accidental release that does or may leave the compressor station site, an emergency response will be initiated to minimize environmental impacts. Any impacted soils will be excavated and delivered to an approved facility for remediation.

2.10 Disposal

Field personnel will coordinate the proper disposal of any waste materials as a result of a spill with management and contractors available as needed. Management and disposal of such materials will be in accordance with applicable federal, state and local requirements.

2.11 Inspection and Maintenance

The field operator conducts informal inspections regularly during normal daily activities. Operators visit the facility at least once a day, five days a week to record production rates and ensure the proper functioning of the compressor engines and separators, storage tanks, and storage containers. This includes performing equipment inspections and maintenance as needed.

Formal inspections will be as follows:

1) Annual Inspections
   a) Inspections of above ground facilities.
   b) Conditions at the time of the inspection are recorded on an inspection sheet (Appendix D) and kept at the facility office.
   c) The following checks are performed:
      i. Condition of all secondary containment structures.
      ii. Equipment, tanks, valves, fittings, hoses and barrels for visible deterioration.
2) Recommendations made during an inspection are acted on as soon as practical.

2.12 Spill Contingency Plan

All storage tanks at the site are placed within secondary containment structures designed to hold a catastrophic failure of the largest tank within the structure. Transfer vehicles used during the tank filling/emptying operations are not within secondary containment. In the event that a spill occurs that is not controlled by secondary containment structures, all resources necessary will be employed to minimize environmental impacts and protect watercourses. The following procedures would be used to mitigate a spill:

a) Upon initial spill discovery, site personnel will determine if taking immediate actions will result in minimizing environmental impacts. Those actions, if any, will be implemented safely.
b) Site personnel will make emergency contacts to the appropriate management personnel listed in this document.
c) Beeline Gas Systems management will notify appropriate regulatory authority as listed in WQCC Section 1203.
d) A spill specific remedial action plan will be developed.
e) Company and contract help will be mobilized to implement the spill specific remedial action plan.

3.0 HYDROGEOLOGICAL REPORT

3.1 Referenced Well Location

The referenced site is located on Bureau of Land Management land within Farmington Field Office (FFO) management jurisdiction in Rio Arriba County, New Mexico. This site is positioned in the central portion of the San Juan Basin, an asymetrical syncline that extends from northwestern New Mexico into southwestern Colorado (Carson National Forest DEIS, 2007). The project area is located approximately 50 miles south of Bloomfield, New Mexico.

3.2 General Regional Groundwater Description:

As a portion of the San Juan Basin, the FFO region is underlain by sandstone aquifers of the Colorado Plateau. The primary aquifer of potential concern at this location is the Unita-Animas Aquifer, composed primarily of Lower Tertiary rocks in the San Juan Basin. The aquifer consists of the San Jose Formation; the underlying Animas formation and its lateral equivalent, the Nacimiento formation; and the Ojo Alamo Sandstone. The thickness of the Unita-Animas aquifer generally increases toward the central part of the basin. In the northeastern part of the San Juan Basin , the maximum thickness of the aquifer is approximately 3500 feet (USGS, 2001). This aquifer contains fresh to moderately saline water TDS is approximated at 1078 mg/liter.

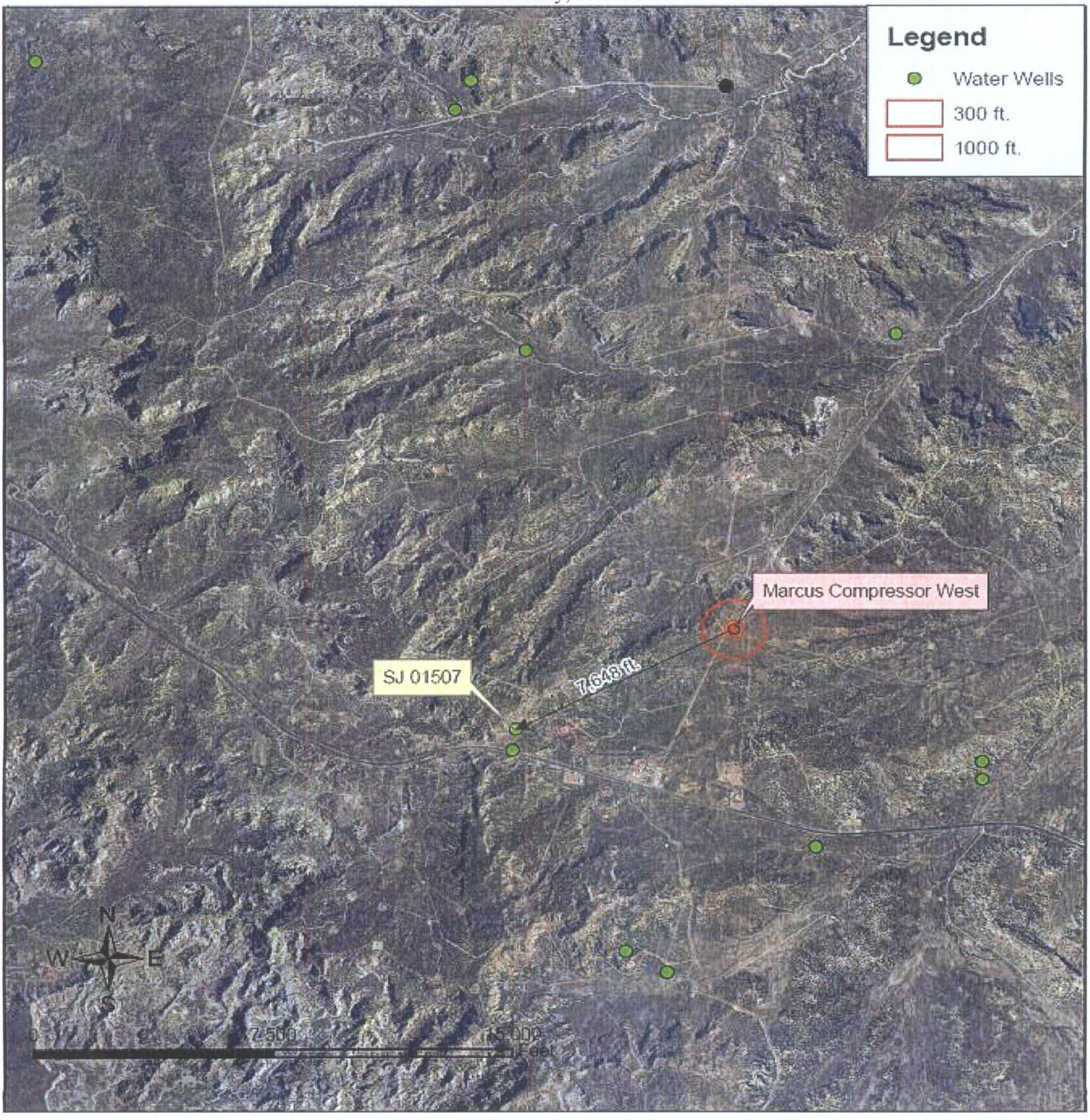
Groundwater generally flows toward the San Juan River and it tributaries, where it becomes alluvial groundwater or is discharged to stream flow. Additional information regarding the Hydrogeologic setting can be found in the provided references.

3.3 Site Specific Information

Surface Hydrology:	The site is located in the mid to upper elevations of an eastern slope overlooking an ephemeral drainage. The nearest drainage is located more than 300 feet from the site.
1st Water Bearing Formation:	San Jose, Tertiary
Formation Thickness:	Approximately 600 feet
Underlying Formation:	Nacimiento, Tertiary
Depth to Groundwater:	Depth to groundwater is estimated at greater than 100 feet bgs. The nearest iWATERS water well for which water depth data is recorded (SJ-01507, over 7500 feet to the southwest) shows water depth at 900 feet

3.4 Water Well Locations

Existing Water Wells
Marcus Compressor Station
T23N, R07W, Section 11
Rio Arriba County, New Mexico



3.5 SJ 00221 IWaters Data Base Info

New Mexico Office of the State Engineer
POD Reports and Downloads

Township: 23N Range: 07W Sections:

NAD27 X: Y: Zone: Search Radius:

County: Basin: Number:

Suffix:

Owner Name: (First) (Last) Non-Domestic

Domestic All

POD / Surface Data ReportAvg Depth to Water ReportWater Column Report

WATER COLUMN REPORT 08/18/2008

(quarters are 1=NW 2=NE 3=SW 4=SE)
(quarters are biggest to smallest)

(in feet) POD Number	Tws	Rng	Sec	q	q	q	Zone	X	Y	Depth Well	Depth Water	Water Column
SJ 01507	23N	07W	10	4	3	3				1709	900	809
SJ 02233	23N	07W	15	2	1	1				1100		
SJ 02233 CLW223636	23N	07W	15	2	1	1				1100		

Record Count: 3

4.0 CLOSURE PLAN

The following information describes the closure requirements for a facility on Elm Ridge Exploration LLC DBA Beeline Gas Systems (BGS) locations. This is BGS's standard outline for closing facilities. A separate plan will be submitted for any facility that does not conform to this plan.

General Plan:

1. BGS shall close a facility with in a reasonable time period after the cessation of operations.

2. BGS shall remove liquids from any storage tank prior to implementing a closure method and shall dispose of the liquids in a Division approved facility.

3. BGS shall remove all equipment and dispose of it in a division approved facility or recycle, or reuse it in a manner that the appropriate Division District Office approves.

4. BGS will survey the location for any signs of discharge. If contamination is confirmed by the survey, BGS will follow applicable regulations for remediation.

5. If the site survey demonstrates that a release has not occurred, then BGS shall backfill the excavation as needed with compacted, non waste containing, earth material; construct a Division prescribed soil cover re-contour, and re-vegetate the site.

6. Notice of Closure will be given to the Aztec Division office between 72 hours and one week of closure via email, or verbally. The notification of closure will include the following:
    - Operators Name
    - Location by Unit letter, Section, Township, Range, Location Name

7. Re-contouring of location will match fit, shape, line, form and texture of the surrounding. Re-shaping will include drainage control, prevent ponding, and prevent erosion. Natural drainages will be unimpeded and water bars and/or silt traps will be placed in areas where needed to prevent erosion on a large scale. Final re-contour shall have a uniform appearance with smooth surface, fitting the natural landscape.

8. BGS shall seed the disturbed areas the first growing season after the operator closes the facility. Seeding will be accomplished via drilling on the contour whenever practical or by other Division approved methods.

4.1 References

Allen, Erin. Undated. Colorado Plateau Aquifers. http://academic.emporia.edu/schulmem/hydro/TERM%20PROJECTS/2007/Allen/Aquifer.html.

New Mexico Energy, Minerals and Natural Resources Department, Division of Mining and Minerals. Database. 2008. Internet accessed August 2008.

New Mexico Office of the State Engineer. August 2008. iWaters database. Internet accessed August 2008.

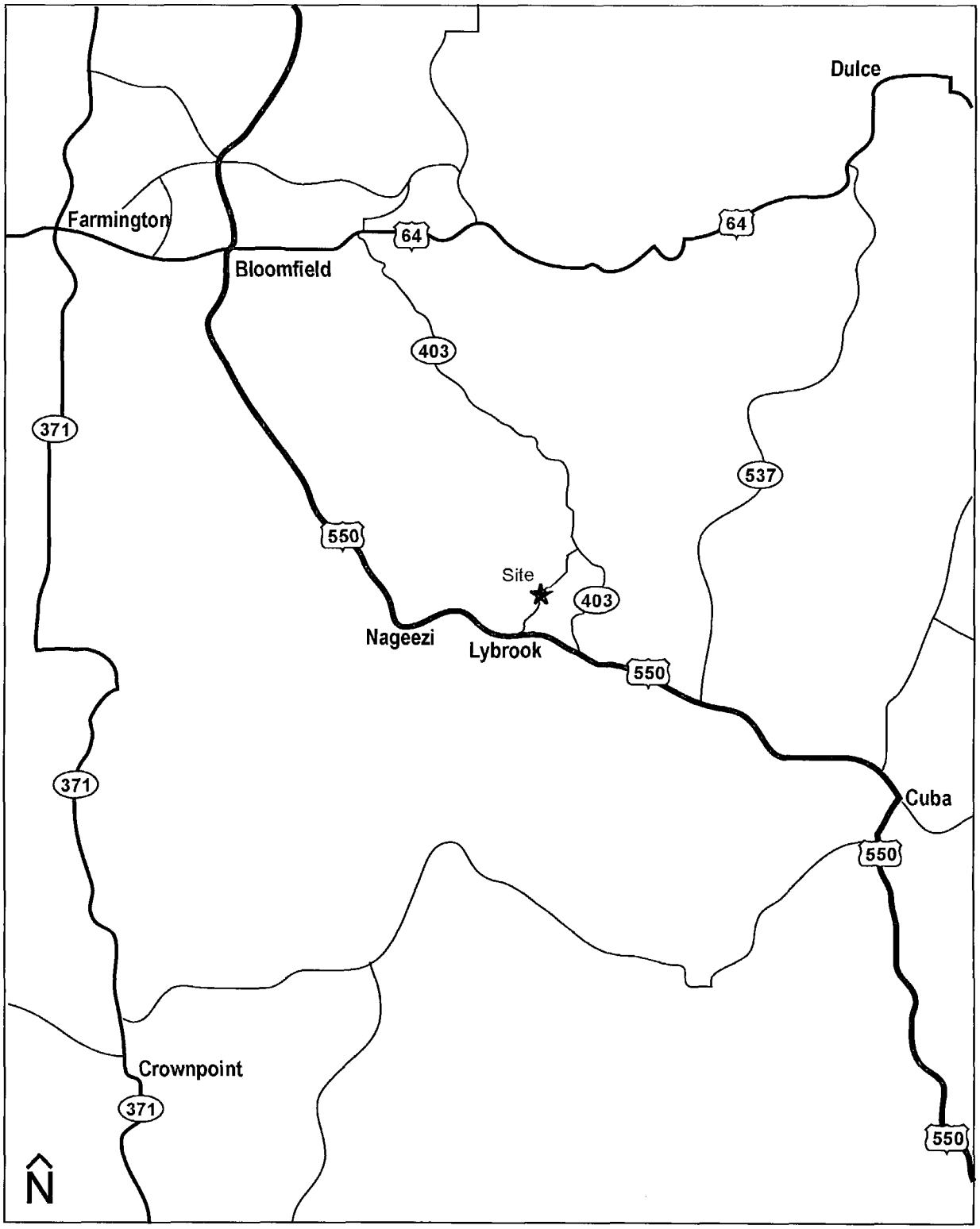
New Mexico WQCC. 2005. State of New Mexico Water Quality Act and the Water Control Commission Regulations.

United States Department of Agriculture, Forest Service. 2007. Draft Environmental Impact Statement for Surface Management of Gas Leasing and Development. Jicarilla Ranger District, Carson National Forest, Rio Arriba County, New Mexico.

United States Department of the Interior. Bureau of Land Management. 2003. Final Farmington Resource Management Plan and Final Environmental Impact Statement. Farmington Field Office, Farmington, New Mexico.

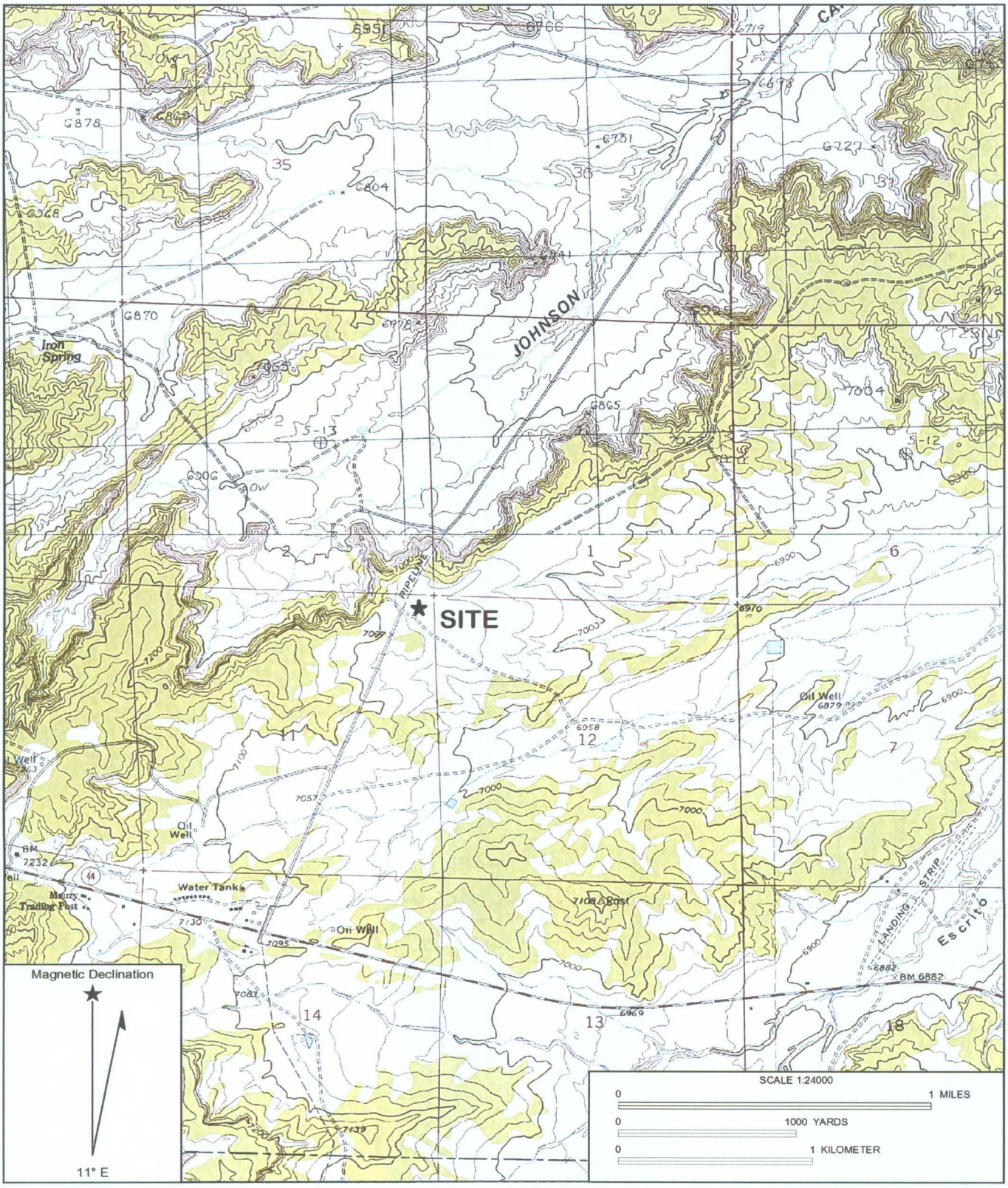
United States Geological Survey. 2001. Groundwater Atlas of the United States: Arizona, Colorado, New Mexico and Utah. USGS Publication HA 730-C; http://capp.water.usgs.gov.

APPENDIX A

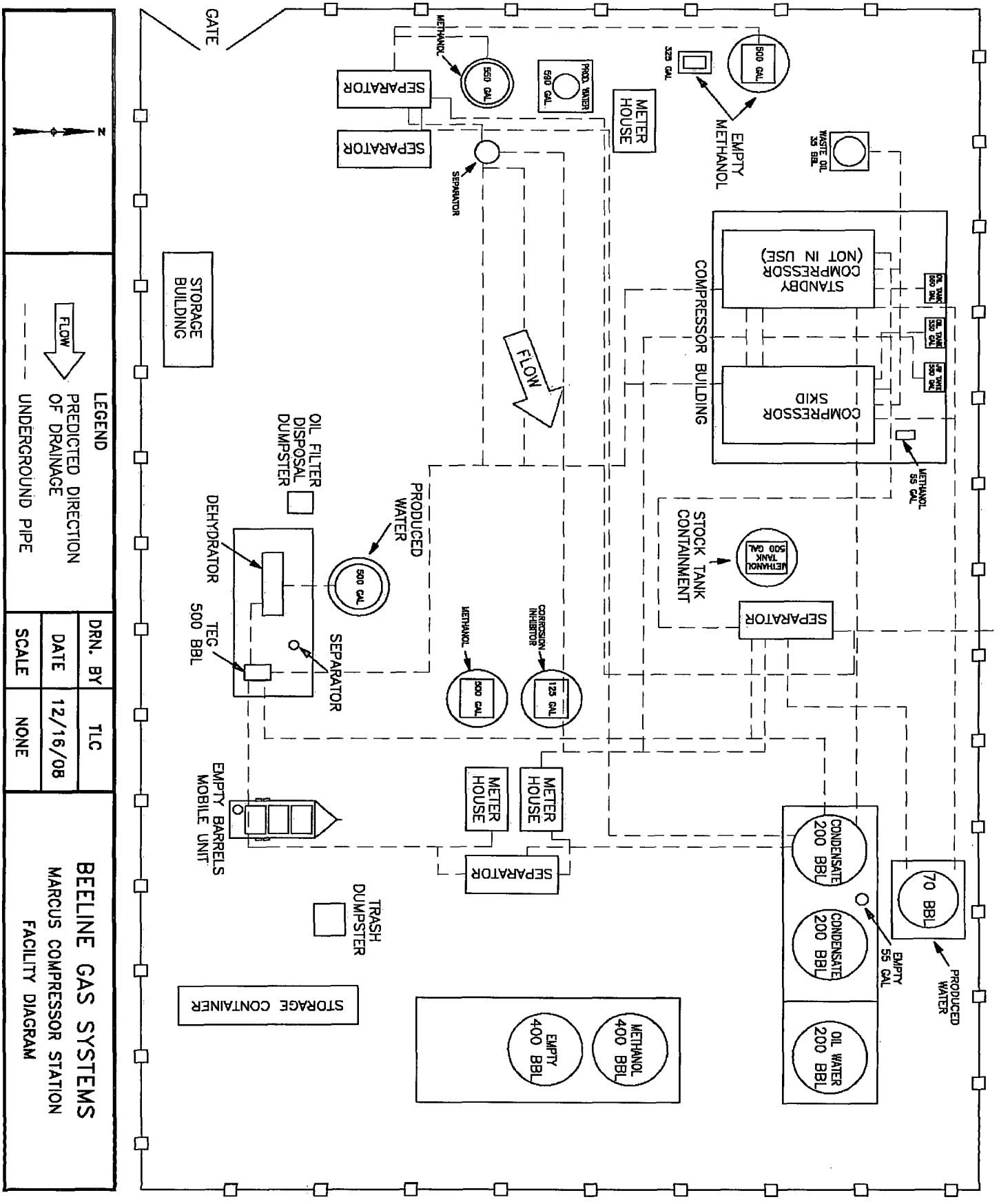


Beeline Gas Systems Marcus Compressor Station
Approximately 2 miles north of Lybrook NM Rio Arriba County

APPENDIX B


SITE
JOHNSON
Iron Spring
Oil Well
Water Tanks
Marcy Trading Post
BM 7232
BM 6882
PIPE LINE
Magnetic Declination
11° E
SCALE 1:24000
0 1 MILES
0 1000 YARDS
0 1 KILOMETER

APPENDIX C


GATE
METHANOL
550 GAL
PROD. WATER
500 GAL
SEPARATOR
SEPARATOR
METER HOUSE
329 GAL
500 GAL
EMPTY METHANOL
WASTE OIL 35 BBL
SEPARATOR
STORAGE BUILDING
STANDBY COMPRESSOR (NOT IN USE)
COMPRESSOR SKID
COMPRESSOR BUILDING
OIL TANK 550 GAL
OIL TANK 550 GAL
JW TANK 500 GAL
METHANOL 55 GAL
FLOW
OIL FILTER DISPOSAL DUMPSTER
PRODUCED WATER
500 GAL
DEHYDRATOR
TEG 500 BBL
SEPARATOR
METHANOL TANK 500 GAL
STOCK TANK CONTAINMENT
SEPARATOR
METHANOL
500 GAL
CORROSION INHIBITOR
125 GAL
METER HOUSE
METER HOUSE
EMPTY BARRELS MOBILE UNIT
SEPARATOR
TRASH DUMPSTER
CONDENSATE 200 BBL
CONDENSATE 200 BBL
70 BBL
EMPTY 55 GAL
PRODUCED WATER
STORAGE CONTAINER
EMPTY 400 BBL
METHANOL 400 BBL
OIL WATER 200 BBL
N
LEGEND
FLOW
PREDICTED DIRECTION OF DRAINAGE
UNDERGROUND PIPE
DRN. BY
TLC
DATE
12/16/08
SCALE
NONE
BEELINE GAS SYSTEMS
MARCUS COMPRESSOR STATION
FACILITY DIAGRAM

APPENDIX D

ANNUAL FACILITY INSPECTION REPORT CHECKLIST

Date:_____ Time:_____ Inspector:_____

X = Satisfactory
0 = Repair or adjustment necessary
C = See Comments
NA = Not applicable

Drainage & Secondary Containment

_____ No oil sheen or run-of from containment

_____ No oil sheen in containment area

_____ Berm walls intact and at design height

_____ No standing water in containment area

Tanks and Containers

_____ Tanks and drums inspected for leaks

_____ Tanks and drums inspected for corrosion

_____ Hoses, fittings and valves inspected for leaks

Security

_____ Entrance gate locked and secure

_____ Tank outlets secure

Remarks/Comments:_____

_____

_____

_____

_____

_____

Public Notice

Elm Ridge Exploration Co., LLC, doing business as Beeline Gas Systems 2001 E. Blanco Blvd. Bloomfield, NM 87413 has submitted an application to the New Mexico Energy, Minerals and Natural Resources Department, Oil Conservation Division (OCD) for a new discharge plan permit (GW-392) for their Marcus Compressor Station located in the Northeast quarter of the Northeast quarter of Section 11, Township 23 North, Range 7 West in Rio Arriba County, New Mexico. The facility is located approximately 45 miles south of Bloomfield, New Mexico and 2 miles North of Lybrook, New Mexico.

The Facility provides compression, and storage of oil and gas related material. Materials generated or used at the facility include pipeline condensate, new and used compressor lubrication oil, methanol, corrosion inhibitor, and produced water. Approximately 30 gallons of used motor oil and 400 barrels of condensate and produced water are generated at the facility every month. The aquifer most likely to be affected is approximately 900 feet deep, and the total dissolved solids concentration of this aquifer is approximately 1,078 mg/l

Any interested person or persons may obtain information; submit comments or request to be placed on a facility-specific mailing list for future notices by contacting Leonard Lowe at the New Mexico OCD at 1220 South St. Francis Drive, Santa Fe, New Mexico 87505 Telephone (505) 476-3492. The OCD will accept comments and statements of interest regarding the renewal and will create a facility-specific mailing list for persons who wish to receive future notices.

Aviso al Público

Elm Ridge Exploration Co., LLC, que opera bajo el nombre de Beeline Gas Systems 2001 E. Blanco Blvd. Bloomfield, NM 87413 ha presentado una solicitud al Departamento de Energía, Minerales y Recursos Naturales de Nuevo México, División de Conservación de Petróleo (OCD por sus siglas en inglés) para un nuevo permiso para un plan de descarga (GW-392) para su Estación Compresora Marcus ubicada en el cuarto noreste del cuarto noreste de la Sección 11, Township 23 Norte, Range 7 Oeste en el Condado Rio Arriba, New Mexico. La instalación se ubica aproximadamente 45 millas al sur de Bloomfield y 2 millas al norte de de Lybrook, New Mexico.

La instalación provee compresión, y almacenamiento de materiales relacionados con el petróleo y el gas. Materiales que se generan o se usan en la instalación incluyen condensado de ducto, aceite lubricante nuevo y usado para compresores, metanol, inhibidor de corrosión y agua producida. Cada mes se generan en esta instalación aproximadamente 30 galones usados de aceite para motores y 400 barriles de condensado y agua producida. El acuífero que más probablemente sea afectado tiene aproximadamente 900 pies de profundidad, y el total de concentración de sólidos disueltos de este acuífero es aproximadamente 1078 mg/l.

Cualquier persona o personas interesadas pueden obtener información, presentar comentarios o pedir que se pongan en una lista de correo designada para cierta instalación para avisos futuros al ponerse en contacto con Leonard Lowe en el OCD de Nuevo México al 1220 South St. Francis Drive, Santa Fe, New Mexico 87505; teléfono (505) 476-3492. El OCD aceptará comentarios y declaraciones de interés respecto a la renovación y creará una lista de correo designada para cierta instalación para las personas que desean recibir avisos futuros.

Elm Ridge Exploration Co., LLC d.b.a.

Beeline Gas Systems

2001 E. Blanco Blvd.
P. O. Box 1280
Bloomfield, NM 87413
(505) 634-1144

September 15, 2008

New Mexico Oil Conservation Division
Attn: Leonard Lowe
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Subject: WQCC Discharge Plans for Beeline Gas Systems Facilities

Dear Mr. Lowe,

During the process of collecting information for submitting permit applications to the New Mexico Oil Conservation Division (NMOCD) in compliance with the recent change in the pit rules, we learned that our compressor stations and gas processing plant should be permitted under a WQCC Discharge Plan rather than the pit rules.

We are now preparing a Discharge Plan Application for each of our facilities. As these applications are completed, we will forward them to the Santa Fe and the Aztec offices.

Our employee, Cory Smith, is in charge of preparing these applications. If you have any questions, he can be reached at the number listed above, on his cell at 505-486-5955, or by e-mail at csmith@elmridge.net.

Sincerely,

Allen Lain
Operations Manager

Cc: Brandon Powell – NMOCD District III Office
Neil Rensvold
Cory Smith