

**BW - \_\_\_\_\_ 030 \_\_\_\_\_**

**TRANSFER OF  
DISCHARGE  
PERMIT**

**2010**

BW-030

HOBBS STATE NO. 10  
UIC CLASS III WELL

LIQUID RESOURCES, LLC  
TRANSFERRED WELL & DISCHARGE  
PERMIT (BW-030) TO  
MESQUITE SWD, INC. ON 03/17/2010

## Chavez, Carl J, EMNRD

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**From:** Chavez, Carl J, EMNRD  
**Sent:** Wednesday, March 17, 2010 12:48 PM  
**To:** 'David Pyeatt'  
**Cc:** Phillips, Dorothy, EMNRD  
**Subject:** RE: Hobbs State #10 (API# 30-025-35915) (Bw-30) Discharge Permit & Well Transfer

David:

Re: Hobbs State No. 10 (Class III Brine Well) Bonds

Bond No. OCD815 (\$7,000.00)  
Bond No. RLB0011112 (\$50,000.00)

The above listed bonds along with the bond(s) from the Hobbs State No. 3 (Class II SWD) will be mailed to you today or tomorrow.

Thank you.

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

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**From:** David Pyeatt [mailto:[david@ewtitle.com](mailto:david@ewtitle.com)]  
**Sent:** Wednesday, March 17, 2010 10:31 AM  
**To:** Chavez, Carl J, EMNRD  
**Cc:** Phillips, Dorothy, EMNRD  
**Subject:** Re: Hobbs State #10 (API# 30-025-35915) (Bw-30) Discharge Permit & Well Transfer

Great, thanks Carl

Please accept this email as a request to OCD to releases the bonds currently being held for Liquid Resources on Hobbs State #3 and Hobbs State #10

David A. Pyeatt  
President  
Elliott & Waldron Title & Abstract Co., Inc.  
1819 N. Turner Suite B  
Hobbs, New Mexico 88240  
575-393-7706  
575-393-7725 Fax

Chavez, Carl J, EMNRD wrote:

David:

All you do now is simply request a release of your bonds from OCD. Upon receipt of your request, I will mail you your bond from the Class III Well (Hobbs State #10) and I can coordinate with Dorothy of the release of your Class II Bond (Hobbs State #3). Thank you.

Carl J. Chavez, CHMM

New Mexico Energy, Minerals & Natural Resources Dept.  
Oil Conservation Division, Environmental Bureau  
1220 South St. Francis Dr., Santa Fe, New Mexico 87505  
Office: (505) 476-3490  
Fax: (505) 476-3462  
E-mail: [CarlJ.Chavez@state.nm.us](mailto:CarlJ.Chavez@state.nm.us)  
Website: <http://www.emnrd.state.nm.us/ocd/index.htm>  
(Pollution Prevention Guidance is under "Publications")

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**From:** David Pyeatt [<mailto:david@ewtitle.com>]  
**Sent:** Wednesday, March 17, 2010 10:03 AM  
**To:** Chavez, Carl J, EMNRD  
**Subject:** Re: Hobbs State #10 (API# 30-025-35915) (Bw-30) Discharge Permit & Well Transfer

Carl,  
With approval of the Change of Operator, will you be sending me a letter to release the bonds on our only two wells being Hobbs State #3(SWD) and Hobbs State #10 (Brine). We currently have a cash bond on one well and a surety bond on the other  
Please advise.

David A. Pyeatt  
President  
Elliott & Waldron Title & Abstract Co., Inc.  
1819 N. Turner Suite B  
Hobbs, New Mexico 88240  
575-393-7706  
575-393-7725 Fax

Chavez, Carl J, EMNRD wrote:

Mr. Wilson, et al.:

This e-mail communiqué is to inform you that Mesquite SWD, Inc.'s recent well transfer and associated discharge permit (BW-030) by receipt of certificate (signed January 28, 2010) have been approved.

The bond approval letter has been placed in the mail with a copy to your bond agent. Liquid Resource Services, LLC may now request a release of its bond.

Please contact me if you have questions. Thank you.

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

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## Chavez, Carl J, EMNRD

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**From:** Chavez, Carl J, EMNRD  
**Sent:** Wednesday, March 17, 2010 9:56 AM  
**To:** Clay Wilson  
**Cc:** 'David Pyeatt'  
**Subject:** Hobbs State #10 (API# 30-025-35915) (Bw-30) Discharge Permit & Well Transfer

Mr. Wilson, et al.:

This e-mail communiqué is to inform you that Mesquite SWD, Inc.'s recent well transfer and associated discharge permit (BW-030) by receipt of certificate (signed January 28, 2010) have been approved.

The bond approval letter has been placed in the mail with a copy to your bond agent. Liquid Resource Services, LLC may now request a release of its bond.

Please contact me if you have questions. Thank you.

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

**OCD CERTIFICATION**

Mesquite SWD, Inc. (MES) hereby accepts the terms and conditions of the attached Liquid Resource Services, LLC discharge plan permit (BW-030) and agrees to comply with the terms and conditions. MES acknowledges that the Oil Conservation Division (OCD) may change the terms and conditions for good cause shown as necessary to protect fresh water, human health, and the environment. The undersigned also attests to the fact that he or she understands 19.15.1.41 NMAC which states "Any person who conducts any activity pursuant to a permit, administrative order or other written authorization or approval from the division shall comply with every term, condition and provision of such permit, administrative order, authorization or approval."

Accepted.

Mesquite SWD, Inc.  
PO Box 1479  
Carlsbad, NM 88221

Signature Chris Wilson Title President Date 1-28-10

## Chavez, Carl J, EMNRD

---

**From:** Chavez, Carl J, EMNRD  
**Sent:** Wednesday, March 10, 2010 4:35 PM  
**To:** 'David Pyeatt'  
**Cc:** Clay Wilson; Brooks, David K., EMNRD  
**Subject:** RE: Hobbs State No. 10 (BW-030) API 30-025-35915

David:

Yes and no, based on your reply msg. below. Liquid Resource appears to be expecting a release of its bond. Based on Mesquite's recent bond rider submittal, OCD Attorney David Brooks (505) 476-3450 has questions about the bond that OCD sent back to Mesquite for signature today. Mesquite's financial agent who issued the bond should contact Mr. Brooks to discuss the bond in more detail.

The OCD will typically receive a new bond from the purchaser, which would allow the seller to request a release of its bond; however, this "Bond Rider to Assume Liability" seemed to keep the seller's bond in place so that the seller's bond may never be released.

By receipt of this e-mail, Clay Wilson needs to have his bond agent contact Mr. Brooks to determine just what Mesquite is attempting to do with its Rider. And also, the original bond must be signed by the Principal (Clay Wilson) before sending it back to me. Thank you.

Carl J. Chavez, CHMM  
New Mexico Energy, Minerals & Natural Resources Dept.  
Oil Conservation Division, Environmental Bureau  
1220 South St. Francis Dr., Santa Fe, New Mexico 87505  
Office: (505) 476-3490  
Fax: (505) 476-3462  
E-mail: [CarlJ.Chavez@state.nm.us](mailto:CarlJ.Chavez@state.nm.us)  
Website: <http://www.emnrd.state.nm.us/oed/index.htm>  
(Pollution Prevention Guidance is under "Publications")

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**From:** David Pyeatt [<mailto:david@ewtitle.com>]  
**Sent:** Wednesday, March 10, 2010 4:15 PM  
**To:** Chavez, Carl J, EMNRD  
**Cc:** Clay Wilson  
**Subject:** Re: Hobbs State No. 10 (BW-030) API 30-025-35915

Carl  
Is this the only thing you are lacking in order to proceed with approving the Change of Operator and the release of Liquid Resources's bond?

David A. Pyeatt  
President  
Elliott & Waldron Title & Abstract Co., Inc.  
1819 N. Turner Suite B  
Hobbs, New Mexico 88240  
575-393-7706  
575-393-7725 Fax

Chavez, Carl J, EMNRD wrote:  
Clay:

The OCD is in receipt of your "Bond Rider to Assume Liability."

Unfortunately, you did not sign the first page on the lower left hand side. Therefore, I am mailing it back to you to sign and resend to me.

Please contact me if you have questions. Thank you.

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

---

**From:** Clay Wilson [<mailto:claywilson@pccnm.com>]  
**Sent:** Saturday, February 13, 2010 6:52 AM  
**To:** David Pyeatt  
**Cc:** Chavez, Carl J, EMNRD  
**Subject:** Re: Hobbs State No. 10 (BW-030) API 30-025-35915

David, Carl  
Mesquite SWD Inc is the operator.  
The wells are bonded under Mesquite SWD Inc.

Thanks  
Clay

----- Original Message -----

**From:** David Pyeatt  
**To:** Chavez, Carl J, EMNRD  
**Cc:** Lucky Services ; Clay Wilson ; George Parchman  
**Sent:** Saturday, February 13, 2010 7:24 PM  
**Subject:** Re: Hobbs State No. 10 (BW-030) API 30-025-35915

Carl,

In response to your email please note the following;

I have attached the Lab tests on the city water that is injected into the brine well.

I have attached a schedule of injection and production volumes that corrects the injections during Liquid Resources ownership and also includes the cumulative data that we obtained from the previous operator, Mr Gary Schubert with HRC.

We sold the operation to Lea County Disposal, LLC, Mr. Clay Wilson on January 28, 2010 and I have been advised that since the sale took place, daily totals have been taken of fresh water injected and brine produced and the percentage of fresh water that it takes to produce the brine is calculated to be approximately 1.09% of fresh water to brine.

As stated above, Liquid Resource sold the wells and operations to Lea County Disposal, LLC, Mr. Clay Wilson, and I have copied your email to him so that he is aware of your notation for a sonar test in 2012.

Please note that Mr. Wilson assumed all obligations and responsibilities of the wells as of January

28, 2010 but as a courtesy to him due to the annual report being so close to its deadline, I submitted the report and I have agreed to assist Mr. Wilson with any information or data that may be in our possession.

Sincerely,  
David Pyeatt

Chavez, Carl J, EMNRD wrote:

Mr. Pyeatt:

The annual report for BW-030 Section 21 (Brine Well Identification, Operation, Monitoring, Bonding and Reporting) requires:

- F. Capacity/ Cavity Configuration and Subsidence Survey:** The operator shall provide information on the size and extent of the solution cavern and geologic/engineering data demonstrating that continued brine extraction will not cause surface subsidence, collapse or damage to property, or become a threat to public health and the environment. This information shall be supplied in each annual report. OCD may require the operator to perform additional well surveys, test, and install subsidence monitoring in order to demonstrate the integrity of the system. If the operator cannot demonstrate the integrity of the system to the satisfaction of the Division then the operator may be required to shut-down, close the site and properly plug and abandoned the well.
- G. Production/Injection Volumes:** The volumes of fluids injected (fresh water) and produced (brine) will be recorded monthly and submitted to the OCD Santa Fe Office in the annual report.
- H. Analysis of Injection Fluid and Brine:** Provide an analysis of the injection fluid and brine with each annual report. Analysis will be for General Chemistry (method 40 CFR 136.3) using EPA methods.
- L. Annual Report:** All operators shall submit an annual report due on January 31 of each year. The report shall include the following information:
1. Cover sheet marked as "Annual Brine Well Report, name of operator, BW permit #, API# of well(s), date of report, and person submitting report.
  2. Brief summary of brine wells operations including description and reason for any remedial or major work on the well. Copy of C-103.
  3. Production volumes as required above in 21.G. including a running total should be carried over to each year. The maximum and average injection pressure.
  4. A copy of the chemical analysis as required above in 21.H.
  5. A copy of any mechanical integrity test chart, including the type of test, i.e. open to formation or casing test.
  6. Brief explanation describing deviations from normal production methods.
  7. A copy of any leaks and spills reports.
  8. If applicable, results of any groundwater monitoring.
  9. Information required from cavity/subsidence 21.F. above.
  10. An Area of Review (AOR) summary.
  11. Sign-off requirements pursuant to WQCC Subsection G 20.6.2.5101.

In Item F above, on December 4, 2008, OCD did not require you to run a sonar test on your well due to the relatively short operating life of the well (began production in 2002). The OCD hereby requires you to run a sonar test on the well on or before the end of 2012 near the 10 year anniversary of the start of production.

In Item G above, you did not submit all of your injection and production for the year and cumulative data. You reported a total volume of fresh water to produced brine fluid of 895,016 and 647,138 barrels, respectively. Please provide an explanation for the significant difference in injection vs. production as the data may suggest a down well leak problem. You did not submit the cumulative data. Please submit this information to the OCD by 30 days from today's date, or March 1, 2010.

In Item H above, you did not submit general chemistry data for the injected fresh water. Please note that any analytical data should include the QA/QC section from the laboratory. Please submit this information by March 1, 2010.

In Item L3 above, the Item G requirement above applies to this line item too.

In Item L4 above, the Item H requirement above applies to this line item too.

In Item L8 above, the Item H requirement above applies to this line item too.

In Item L9 above, the Item F requirement above applies to this line item too.

Please contact me if you have questions. Thank you.

Carl J. Chavez, CHMM

New Mexico Energy, Minerals & Natural Resources Dept.

Oil Conservation Division, Environmental Bureau

1220 South St. Francis Dr., Santa Fe, New Mexico 87505

Office: (505) 476-3490

Fax: (505) 476-3462

E-mail: [CarlJ.Chavez@state.nm.us](mailto:CarlJ.Chavez@state.nm.us)

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

(Pollution Prevention Guidance is under "Publications")

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**From:** David Pyeatt [<mailto:david@ewtitle.com>]

**Sent:** Friday, January 29, 2010 12:57 PM

**To:** Chavez, Carl J, EMNRD

**Cc:** Lucky Services; Clay Wilson

**Subject:** Re: API 30-02535915

Carl

I have attached the annual report due January 31st for Brine Well, Hobbs State #10, BW-030. The original will follow via regular mail.

David A. Pyeatt

President

Elliott & Waldron Title & Abstract Co., Inc.

1819 N. Turner Suite B

Hobbs, New Mexico 88240

575-393-7706

575-393-7725 Fax

Chavez, Carl J, EMNRD wrote:

Gentlemen:

Good morning. You may recall an e-mail message from me this past Summer alerting you to the reporting provision of your current discharge permit (permit) and how the New Mexico Oil Conservation Division (OCD) is stepping up its efforts to track reporting under issued permits.

Please find attached a spreadsheet listing the dates that OCD expects to receive your Annual Reports and/or any reporting requirements from your permit. If you are an operator with limited reporting requirements based on your permit, you are welcome to follow the format and content required from more recent permit renewals issued by the OCD, which are more comprehensive and constitute a report. Any renewed permits will likely require similar content anyway.

Please plan on meeting the Annual Report submittal dates in January of 2010 as failure to submit the report will constitute a violation under the Federal Underground Injection Control (UIC) Program and reporting to the United States Environmental Protection Agency, which could result in the shut-in and/or plug and abandonment of your brine production well.

Please contact me if you have questions. Thank you in advance for your cooperation in this matter.

Carl J. Chavez, CHMM  
New Mexico Energy, Minerals & Natural Resources Dept.  
Oil Conservation Division, Environmental Bureau  
1220 South St. Francis Dr., Santa Fe, New Mexico 87505  
Office: (505) 476-3490  
Fax: (505) 476-3462  
E-mail: [CarlJ.Chavez@state.nm.us](mailto:CarlJ.Chavez@state.nm.us)  
Website: <http://www.emnrd.state.nm.us/ocd/index.htm>  
(Pollution Prevention Guidance is under "Publications")  
CC: Brine Well File "Annual Reporting"

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## Chavez, Carl J, EMNRD

---

**From:** Chavez, Carl J, EMNRD  
**Sent:** Wednesday, February 17, 2010 2:18 PM  
**To:** 'Clay Wilson'  
**Cc:** Phillips, Dorothy, EMNRD; Griswold, Jim, EMNRD; Jones, William V., EMNRD  
**Subject:** RE: Hobbs State # 10 Brine Well

The Certificate is good. I will file it under "BW-030" under the "Well Transfer" thumbnail. Now all I need is the original bond for the Hobbs State #10 in the amount of \$50K in order to send out an approval communiqué to the seller (Liquid Resources) and buyer Mesquite.

The OCD well transfer form for the Hobbs State No. 3 and No. 10 is good according to Dorothy Phillips in tracking wells and you indicated that this recently mailed. Ok.

The only hold-up right now is the online well transfer process for the aforementioned wells. Dorothy cannot approve the online transfer until I receive the WQCC bond for the Hobbs State No. 10 that may be approved by the OCD; and she is checking with the OCD- Engineering Bureau on the Hobbs State No. 3 SWD Well to determine if there are any remaining issues that would prevent its well transfer. I've been informed that the Blanket Oil and Gas Bond held by Mesquite should cover the Hobbs State No. 3 well in the event the online well transfer is approved by the OCD.

OCD will contact you at (575) 706-1840 and/or e-mail or US Mail on the online process.

Please contact me if you have questions. Thank you for your cooperation in this matter.

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

---

**From:** Clay Wilson [mailto:[claywilson@pccnm.com](mailto:claywilson@pccnm.com)]  
**Sent:** Thursday, February 18, 2010 5:50 AM  
**To:** Chavez, Carl J, EMNRD  
**Subject:** Hobbs State # 10 Brine Well

Carl,  
Look over let know what else you may need, I'm not sure what the WQCC is.  
I'm working on the 50K bond should have in place the next day or so.

Thanks

Clay

---

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## Chavez, Carl J, EMNRD

---

**From:** Clay Wilson [claywilson@pccnm.com]  
**Sent:** Thursday, February 18, 2010 5:59 AM  
**To:** Griswold, Jim, EMNRD  
**Cc:** Chavez, Carl J, EMNRD  
**Subject:** Re: Liquid Resource Brine Well (BW-30) in Hobbs

Jim,

Its the owners

Mesquite SWD Inc. is the operator, we did the change of operator all under Mesquite name.

Mesquite will be responsible for all the paper work, Mesquite has a blanket bond with the state of New Mexico for the bonding, Carl said we need a extra 50K bond witch I am working on.

If I can be of any further help please let me know.

Thanks  
Clay

----- Original Message -----

**From:** Griswold, Jim, EMNRD  
**To:** Clay Wilson  
**Sent:** Wednesday, February 17, 2010 4:11 PM  
**Subject:** Liquid Resource Brine Well (BW-30) in Hobbs

Clay,

It appears you bought the brine well in Hobbs. Who, or what, is Lea County Disposal?

Jim Griswold  
Senior Hydrologist  
*Environmental Bureau*  
*ENMRD/Oil Conservation Division*  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

*direct: 505.476.3465*  
*email: [jim.griswold@state.nm.us](mailto:jim.griswold@state.nm.us)*

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## Chavez, Carl J, EMNRD

---

**From:** Clay Wilson [claywilson@pccnm.com]  
**Sent:** Thursday, February 18, 2010 5:50 AM  
**To:** Chavez, Carl J, EMNRD  
**Subject:** Hobbs State # 10 Brine Well  
**Attachments:** ~OT89EP000F.PDF

Carl,  
Look over let know what else you may need, I'm not sure what the WQCC is.  
I'm working on the 50K bond should have in place the next day or so.

Thanks

Clay

---

This inbound email has been scanned for malicious software and transmitted safely to you using Webroot Email Security.

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**OCD CERTIFICATION**

Mesquite SWD, Inc. (MES) hereby accepts the terms and conditions of the attached Liquid Resource Services, LLC discharge plan permit (BW-030) and agrees to comply with the terms and conditions. MES acknowledges that the Oil Conservation Division (OCD) may change the terms and conditions for good cause shown as necessary to protect fresh water, human health, and the environment. The undersigned also attests to the fact that he or she understands 19.15.1.41 NMAC which states "Any person who conducts any activity pursuant to a permit, administrative order or other written authorization or approval from the division shall comply with every term, condition and provision of such permit, administrative order, authorization or approval."

Accepted.

Mesquite SWD, Inc.  
PO Box 1479  
Carlsbad, NM 88221

Signature Cheryl Nelson Title President Date 1-28-10

## Chavez, Carl J, EMNRD

---

**From:** Chavez, Carl J, EMNRD  
**Sent:** Wednesday, February 17, 2010 12:46 PM  
**To:** 'Clay Wilson'  
**Cc:** Phillips, Dorothy, EMNRD  
**Subject:** FW: Change of Operator

Clay:

Please give me a call to discuss. The rationale for the hold up is provided below and we should be able to discuss and resolve this going forward. Thanks.

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

---

**From:** Chavez, Carl J, EMNRD  
**Sent:** Wednesday, February 17, 2010 12:42 PM  
**To:** Phillips, Dorothy, EMNRD  
**Subject:** RE: Change of Operator

Dorothy:

There are 2 wells that Mesquite is trying to transfer. The Hobbs State #003 is either an oil, gas or UIC Class II SWD Well handled by the District (Will Jones can help on these wells too) under OCD Injection Regulations, bonding, etc. The Hobbs State #10 is a WQCC UIC Class III Brine Production Well, which is dealt with under WQCC Regulations for financial assurance, bonding, permitting, etc. This is why it cannot be approved for transfer under the standard oil and gas bonding that Mesquite claims it has in place and I think that you have verified. WQCC UIC Well have a financial assurance and bonding requirement that is separate from OCD Oil and Gas Regulations.

This is what needs to be done.

Step 1: Inform Mesquite that OCD is rejecting the transfer for 2 wells.

Step 2: Inform Mesquite that OCD could approve the transfer of the Hobbs State #003 (API# 30-025-23621, since it is an oil and gas or SWM Class II Well under Oil and Gas injection regulations as long as the bonding is ok (I presume OCD accepts blanket bonds on Class II Wells (check w/ Will Jones) for transfers. If the well is a Class II SWD Well?

Step 3: Inform Mesquite that Carl Chavez (OCD-EB UIC Program) has sent an e-mail to Clay Wilson specifying what is needed in order to transfer the Class III Brine Production Well that is under WQCC Regulations (20.6.2 NMAC) and the OCD UIC Program. In summary, Carl needs to receive an original bond or original bond duplicate in the amount of \$50K from the operator's financial institution referencing the brine well name and API#. This is the OCD financial requirement for UIC Class III Wells in NM. In addition, OCD requires a certificate (Carl sent this to Clay Wilson yesterday) signed by both seller and buyer acknowledging the buyer accepts full responsibility for the discharge permit, etc. going forward. Note that this certificate is different than the OCD well transfer form. Under WQCC, the bond amount is to cover PA of well and for site restoration.

Step 4: If OCD receives the requirements in Step 3, a bond approval letter will be mailed to the buyer (Mesquite? Note that bond should reference company name of the operator- Lea County Disposal? And I would ask whether Clay Wilson needs to apply for an OGRID# under this name that appears to apply to the brine well and not the name of Mesquite?) with copy to seller and the transfer may be approved. If not, Liquid Resources remains the owner of the well.

I'll be in a meeting at 1:30 today, so if you have questions, either before then or at about 2:15 I'll come by to make sure we are communicating. Thanks.

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

---

**From:** Phillips, Dorothy, EMNRD  
**Sent:** Wednesday, February 17, 2010 11:11 AM  
**To:** Chavez, Carl J, EMNRD  
**Subject:** RE: Change of Operator

Should I reject the transfer and if so what would you like me to put in the comments box as to why I cannot approve it. Mesquite has a blanket bond in place and they are okay on their financial assurance report and are not in violation under rule 5.9 which is what I check for in approving a transfer. Since you had spoken with me on the other well I thought I should check with you on this one because Liquid Resource Services was involved.

---

**From:** Chavez, Carl J, EMNRD  
**Sent:** Wednesday, February 17, 2010 11:04 AM  
**To:** Phillips, Dorothy, EMNRD  
**Subject:** RE: Change of Operator

No, in this instance, the operator's name bears a disposal and since we are dealing w/ a brine well, not sure what he is planning to inject into it, but OCD requires fresh water in brine wells and not disposed or produced water. OCD-EB will clarify that disposal in the brine well is not the intent of the operator. This is just one question that comes up based on the name of the operator and apparently the brine well.

I see that there is more than one well here in the well transfer besides the brine well....

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

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**From:** Phillips, Dorothy, EMNRD  
**Sent:** Wednesday, February 17, 2010 10:59 AM  
**To:** Chavez, Carl J, EMNRD  
**Subject:** RE: Change of Operator

So any time I see the SWD or word Disposal, I should check with you on a transfer?

---

**From:** Chavez, Carl J, EMNRD  
**Sent:** Wednesday, February 17, 2010 9:31 AM  
**To:** Phillips, Dorothy, EMNRD

**Cc:** Clay Wilson  
**Subject:** RE: Change of Operator

Dorothy:

No. Please hold off until I receive the signed WQCC and well transfer certificate along with the \$50K bond from the prospective purchaser. A bond approval letter will be issued. Currently, the well still belongs to Liquid Resources until all of this is taken care of.

There is some concern that the prospective purchaser may be purchasing the well to dispose of produced water (notice the name of the new operator with have a "Disposal" designation, which is not acceptable to the OCD. Fresh water is what must be injected in order to produce brine.

Once OCD approves the transfer, I will let you know so you can change the operator and I may change the name and OGRID in RBDMS for the new owner. ,

Thank you.

Carl J. Chavez, CHMM  
New Mexico Energy, Minerals & Natural Resources Dept.  
Oil Conservation Division, Environmental Bureau  
1220 South St. Francis Dr., Santa Fe, New Mexico 87505  
Office: (505) 476-3490  
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E-mail: [CarlJ.Chavez@state.nm.us](mailto:CarlJ.Chavez@state.nm.us)  
Website: <http://www.emnrd.state.nm.us/ocd/index.htm>  
(Pollution Prevention Guidance is under "Publications")

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**From:** Phillips, Dorothy, EMNRD  
**Sent:** Wednesday, February 17, 2010 8:57 AM  
**To:** Chavez, Carl J, EMNRD  
**Subject:** Change of Operator

Carl, may I approve this change of operator?

From Operator LIQUID RESOURCE SERVICES, LLC OGRID 243571  
To Operator MESQUITE SWD, INC OGRID 161968  
Wells Selected for Transfer, Permit 108671  
Permit Status: REVIEW

OCD District Hobbs		Lease	ULSTR	OCD	API	Well	Pool	Pool Name	Last	Additional
Property	Well	Type		Unit		Type	ID		Prod/Inj	Bonding
303086	HOBBS STATE #003	S	B-29-18S-38E	B	30-025-23621	S	96121	SWD:SAN ANDRES	12/09	0
	HOBBS STATE #010	S	F-29-18S-38E	F	30-025-35915	M	96173	BSW:SALADO		0
<b>Total Additional bond</b>										<b>0</b>

## Chavez, Carl J, EMNRD

---

**From:** Chavez, Carl J, EMNRD  
**Sent:** Tuesday, February 16, 2010 12:03 PM  
**To:** 'David Pyeatt'; 'Clay Wilson'  
**Subject:** FW: Change of Operator

FYI.

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

-----Original Message-----

From: Phillips, Dorothy, EMNRD  
Sent: Tuesday, February 16, 2010 12:01 PM  
To: Chavez, Carl J, EMNRD  
Subject: FW: Change of Operator

Carl, they have yet to submit the change to me for approval. I helped Mr. Pyeatt do his part. The other operator has to sign and certify it before it will come to me for approval. I will hold it until you say I can approve it and until bonding is received.

-----Original Message-----

From: Chavez, Carl J, EMNRD  
Sent: Tuesday, February 16, 2010 11:57 AM  
To: Chavez, Carl J, EMNRD; David Pyeatt; Clay Wilson  
Cc: Phillips, Dorothy, EMNRD  
Subject: RE: Change of Operator

Once OCD receives a well bond in the amount of \$50K from Clay referencing the well name and API# of the well, the OCD issue an approval of the transfer and you may request a release of your well bond.

Please contact me if you have questions. Thank you.

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

-----Original Message-----

From: Chavez, Carl J, EMNRD  
Sent: Tuesday, February 16, 2010 11:55 AM  
To: 'David Pyeatt'; Clay Wilson  
Cc: Phillips, Dorothy, EMNRD  
Subject: RE: Change of Operator

David:

Please complete the other certificate (sent you an example certificate this morning) and have clay sign it and send it to me to satisfy the WQCC Regulations on transfers of discharge permits too. You can modify it to meet your needs. Thank you.

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

-----Original Message-----

From: David Pyeatt [mailto:[david@ewtitle.com](mailto:david@ewtitle.com)]  
Sent: Tuesday, February 16, 2010 11:08 AM  
To: Clay Wilson  
Cc: Phillips, Dorothy, EMNRD; Chavez, Carl J, EMNRD  
Subject: Change of Operator

Clay,  
Please sign the attached Change of Operator and fax it to Donna at 575-393-0720. Additionally please send Dorothy and Carl the Certification that we signed and I gave you the original.  
Thanks  
David Pyeatt  
Liquid Resource Services

---

This inbound email has been scanned for malicious software and transmitted safely to you using Webroot Email Security.

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## Chavez, Carl J, EMNRD

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**From:** Chavez, Carl J, EMNRD  
**Sent:** Tuesday, February 16, 2010 11:57 AM  
**To:** Chavez, Carl J, EMNRD; 'David Pyeatt'; 'Clay Wilson'  
**Cc:** Phillips, Dorothy, EMNRD  
**Subject:** RE: Change of Operator

Once OCD receives a well bond in the amount of \$50K from Clay referencing the well name and API# of the well, the OCD issue an approval of the transfer and you may request a release of your well bond.

Please contact me if you have questions. Thank you.

Carl J. Chavez, CHMM  
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Office: (505) 476-3490  
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E-mail: [CarlJ.Chavez@state.nm.us](mailto:CarlJ.Chavez@state.nm.us)  
Website: <http://www.emnrd.state.nm.us/o cd/index.htm>  
(Pollution Prevention Guidance is under "Publications")

-----Original Message-----

From: Chavez, Carl J, EMNRD  
Sent: Tuesday, February 16, 2010 11:55 AM  
To: 'David Pyeatt'; Clay Wilson  
Cc: Phillips, Dorothy, EMNRD  
Subject: RE: Change of Operator

David:

Please complete the other certificate (sent you an example certificate this morning) and have clay sign it and send it to me to satisfy the WQCC Regulations on transfers of discharge permits too. You can modify it to meet your needs. Thank you.

Carl J. Chavez, CHMM  
New Mexico Energy, Minerals & Natural Resources Dept.  
Oil Conservation Division, Environmental Bureau 1220 South St. Francis Dr., Santa Fe, New Mexico 87505  
Office: (505) 476-3490  
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Website: <http://www.emnrd.state.nm.us/o cd/index.htm>  
(Pollution Prevention Guidance is under "Publications")

-----Original Message-----

From: David Pyeatt [mailto:[david@ewtitle.com](mailto:david@ewtitle.com)]  
Sent: Tuesday, February 16, 2010 11:08 AM  
To: Clay Wilson  
Cc: Phillips, Dorothy, EMNRD; Chavez, Carl J, EMNRD  
Subject: Change of Operator

Clay,  
Please sign the attached Change of Operator and fax it to Donna at 575-393-0720. Additionally please send Dorothy and Carl the Certification that we signed and I gave you the original.

Thanks

David Pyeatt

Liquid Resource Services

---

This inbound email has been scanned for malicious software and transmitted safely to you using Webroot Email Security.

---

## Chavez, Carl J, EMNRD

---

**From:** David Pyeatt [david@ewtitle.com]  
**Sent:** Tuesday, February 16, 2010 11:08 AM  
**To:** Clay Wilson  
**Cc:** Phillips, Dorothy, EMNRD; Chavez, Carl J, EMNRD  
**Subject:** Change of Operator  
**Attachments:** ChangeOP.pdf

Clay,  
Please sign the attached Change of Operator and fax it to Donna at 575-393-0720. Additionally please send Dorothy and Carl the Certification that we signed and I gave you the original.

Thanks  
David Pyeatt  
Liquid Resource Services

---

This inbound email has been scanned for malicious software and transmitted safely to you using Webroot Email Security.

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District I  
1625 N. French Dr., Hobbs, NM 88240  
Phone: (575) 393-6161 Fax: (575) 393-0720

State of New Mexico  
Energy, Minerals and Natural  
Resources

Form C-145  
Permit 108671

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

### Change of Operator

Previous Operator Information

New Operator Information

OGRID:	<u>243571</u>	OGRID:	<u>161968</u>
Name:	<u>LIQUID RESOURCE SERVICES, LLC</u>	Name:	<u>MESQUITE SWD, INC</u>
Address:	<u>1819 N. TURNER, SUITE B</u>	Address:	<u>PO BOX 1479</u>
City, State, Zip:	<u>HOBBS, NM 88240</u>	City, State, Zip:	<u>CARLSBAD, NM 88221</u>

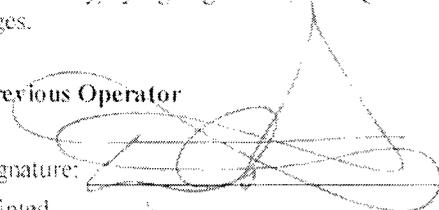
Effective Date: Effective on the date of approval by the OCD

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

Additionally, by signing below, MESQUITE SWD, INC certifies agreement with all statements on the following pages.

Previous Operator

New Operator

Signature: 

Printed Name: DAVID A. PYEATT

Title: Manager

Date: 1-28-10 Phone: 575-393-7706

Signature: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_ Phone: \_\_\_\_\_

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

MESQUITE SWD, INC understands that the OCD's approval of this operator change:

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

As the operator of record of wells in New Mexico, MESQUITE SWD, INC agrees to the following statements:

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

authority for that injection automatically terminates. See 19.15.26.12 NMAC. I understand that if I transfer operation of an injection well to another operator, the OCD must approve the transfer of authority to inject, and the OCD may require me to demonstrate the well's mechanical integrity prior to approving that transfer. See 19.15.26.15 NMAC.

9. I am responsible for providing the OCD with my current address of record and emergency contact information, and I am responsible for updating that information when it changes. See 19.15.9.8.C NMAC. I understand that I can update that information on the OCD's website under "Electronic Permitting."
10. If I transfer well operations to another operator, the OCD must approve the change before the new operator can begin operations. See 19.15.9.9.B NMAC. I remain responsible for the wells and related facilities and all related regulatory filings until the OCD approves the operator change. I understand that the transfer will not relieve me of responsibility or liability for any act or omission which occurred while I operated the wells and related facilities.

## Chavez, Carl J, EMNRD

---

**From:** Chavez, Carl J, EMNRD  
**Sent:** Tuesday, February 16, 2010 9:14 AM  
**To:** 'Clay Wilson'  
**Cc:** Griswold, Jim, EMNRD  
**Subject:** RE: Hobbs State No. 10 (BW-030) API 30-025-35915

Clay:

This is the most current info. OCD has on the BW-30 bond.

OGRID# 243571	Bond No. RLB0011112	Bond Amt. \$50,000.00	12/28/07	RLI Insurance Company	Bond transferred from HRC Inc. to Liquid Resources LLC 8/23/06.	Rcvd. permit renewal 9/17/07 w \$100 filing fee.
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Mr. David A. Pyeatt  
Liquid Resource Services, LLC.  
1819 N. Turner, Suite B  
Hobbs, New Mexico 88240 E-mail:  
[david@ewtitle.com](mailto:david@ewtitle.com) (575) 393-7706

Call me. Thanks.

Carl J. Chavez, CHMM  
New Mexico Energy, Minerals & Natural Resources Dept.  
Oil Conservation Division, Environmental Bureau  
1220 South St. Francis Dr., Santa Fe, New Mexico 87505  
Office: (505) 476-3490  
Fax: (505) 476-3462  
E-mail: [CarlJ.Chavez@state.nm.us](mailto:CarlJ.Chavez@state.nm.us)  
Website: <http://www.emnrd.state.nm.us/oed/index.htm>  
(Pollution Prevention Guidance is under "Publications")

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**From:** Clay Wilson [mailto:[claywilson@pccnm.com](mailto:claywilson@pccnm.com)]  
**Sent:** Saturday, February 13, 2010 6:52 AM  
**To:** David Pyeatt  
**Cc:** Chavez, Carl J, EMNRD  
**Subject:** Re: Hobbs State No. 10 (BW-030) API 30-025-35915

David, Carl  
Mesquite SWD Inc is the operator.  
The wells are bonded under Mesquite SWD Inc.

Thanks  
Clay

----- Original Message -----

**From:** [David Pyeatt](mailto:David.Pyeatt)  
**To:** [Chavez, Carl J, EMNRD](mailto:Chavez, Carl J, EMNRD)  
**Cc:** [Lucky Services](mailto:Lucky Services) ; [Clay Wilson](mailto:Clay Wilson) ; [George Parchman](mailto:George Parchman)  
**Sent:** Saturday, February 13, 2010 7:24 PM  
**Subject:** Re: Hobbs State No. 10 (BW-030) API 30-025-35915

Carl,

In response to your email please note the following;

I have attached the Lab tests on the city water that is injected into the brine well.

I have attached a schedule of injection and production volumes that corrects the injections during Liquid Resources ownership and also includes the cumulative data that we obtained from the previous operator, Mr Gary Schubert with HRC.

We sold the operation to Lea County Disposal, LLC, Mr. Clay Wilson on January 28, 2010 and I have been advised that since the sale took place, daily totals have been taken of fresh water injected and brine produced and the percentage of fresh water that it takes to produce the brine is calculated to be approximately 1.09% of fresh water to brine.

As stated above, Liquid Resource sold the wells and operations to Lea County Disposal, LLC, Mr. Clay Wilson, and I have copied your email to him so that he is aware of your notation for a sonar test in 2012.

Please note that Mr. Wilson assumed all obligations and responsibilities of the wells as of January 28, 2010 but as a courtesy to him due to the annual report being so close to its deadline, I submitted the report and I have agreed to assist Mr. Wilson with any information or data that may be in our possession.

Sincerely,  
David Pyeatt

Chavez, Carl J, EMNRD wrote:

Mr. Pyeatt:

The annual report for BW-030 Section 21 (Brine Well Identification, Operation, Monitoring, Bonding and Reporting) requires:

- F. Capacity/ Cavity Configuration and Subsidence Survey:** The operator shall provide information on the size and extent of the solution cavern and geologic/engineering data demonstrating that continued brine extraction will not cause surface subsidence, collapse or damage to property, or become a threat to public health and the environment. This information shall be supplied in each annual report. OCD may require the operator to perform additional well surveys, test, and install subsidence monitoring in order to demonstrate the integrity of the system. If the operator cannot demonstrate the integrity of the system to the satisfaction of the Division then the operator may be required to shut-down, close the site and properly plug and abandoned the well.
- G. Production/Injection Volumes:** The volumes of fluids injected (fresh water) and produced (brine) will be recorded monthly and submitted to the OCD Santa Fe Office in the annual report.
- H. Analysis of Injection Fluid and Brine:** Provide an analysis of the injection fluid and brine with each annual report. Analysis will be for General Chemistry (method 40 CFR 136.3) using EPA methods.

L. Annual Report: All operators shall submit an annual report due on January 31 of each year. The report shall include the following information:

1. Cover sheet marked as "Annual Brine Well Report, name of operator, BW permit #, API# of well(s), date of report, and person submitting report.
2. Brief summary of brine wells operations including description and reason for any remedial or major work on the well. Copy of C-103.
3. Production volumes as required above in 21.G. including a running total should be carried over to each year. The maximum and average injection pressure.
4. A copy of the chemical analysis as required above in 21.H.
5. A copy of any mechanical integrity test chart, including the type of test, i.e. open to formation or casing test.
6. Brief explanation describing deviations from normal production methods.
7. A copy of any leaks and spills reports.
8. If applicable, results of any groundwater monitoring.
9. Information required from cavity/subsidence 21.F. above.
10. An Area of Review (AOR) summary.
11. Sign-off requirements pursuant to WQCC Subsection G 20.6.2.5101.

In Item F above, on December 4, 2008, OCD did not require you to run a sonar test on your well due to the relatively short operating life of the well (began production in 2002). The OCD hereby requires you to run a sonar test on the well on or before the end of 2012 near the 10 year anniversary of the start of production.

In Item G above, you did not submit all of your injection and production for the year and cumulative data. You reported a total volume of fresh water to produced brine fluid of 895,016 and 647,138 barrels, respectively. Please provide an explanation for the significant difference in injection vs. production as the data may suggest a down well leak problem. You did not submit the cumulative data. Please submit this information to the OCD by 30 days from today's date, or March 1, 2010.

In Item H above, you did not submit general chemistry data for the injected fresh water. Please note that any analytical data should include the QA/QC section from the laboratory. Please submit this information by March 1, 2010.

In Item L3 above, the Item G requirement above applies to this line item too.

In Item L4 above, the Item H requirement above applies to this line item too.

In Item L8 above, the Item H requirement above applies to this line item too.

In Item L9 above, the Item F requirement above applies to this line item too.

Please contact me if you have questions. Thank you.

Carl J. Chavez, CHMM

New Mexico Energy, Minerals & Natural Resources Dept.

Oil Conservation Division, Environmental Bureau

1220 South St. Francis Dr., Santa Fe, New Mexico 87505

Office: (505) 476-3490

Fax: (505) 476-3462

E-mail: [CarlJ.Chavez@state.nm.us](mailto:CarlJ.Chavez@state.nm.us)

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

(Pollution Prevention Guidance is under "Publications")

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**From:** David Pyeatt [<mailto:david@ewtitle.com>]

**Sent:** Friday, January 29, 2010 12:57 PM

**To:** Chavez, Carl J, EMNRD

**Cc:** Lucky Services; Clay Wilson

**Subject:** Re: API 30-02535915

Carl

I have attached the annual report due January 31st for Brine Well, Hobbs State #10, BW-030. The original will follow via regular mail.

David A. Pyeatt  
President

Elliott & Waldron Title & Abstract Co., Inc.  
1819 N. Turner Suite B  
Hobbs, New Mexico 88240  
575-393-7706  
575-393-7725 Fax

Chavez, Carl J, EMNRD wrote:

Gentlemen:

Good morning. You may recall an e-mail message from me this past Summer alerting you to the reporting provision of your current discharge permit (permit) and how the New Mexico Oil Conservation Division (OCD) is stepping up its efforts to track reporting under issued permits.

Please find attached a spreadsheet listing the dates that OCD expects to receive your Annual Reports and/or any reporting requirements from your permit. If you are an operator with limited reporting requirements based on your permit, you are welcome to follow the format and content required from more recent permit renewals issued by the OCD, which are more comprehensive and constitute a report. Any renewed permits will likely require similar content anyway. Please plan on meeting the Annual Report submittal dates in January of 2010 as failure to submit the report will constitute a violation under the Federal Underground Injection Control (UIC) Program and reporting to the United States Environmental Protection Agency, which could result in the shut-in and/or plug and abandonment of your brine production well.

Please contact me if you have questions. Thank you in advance for your cooperation in this matter.

Carl J. Chavez, CHMM  
New Mexico Energy, Minerals & Natural Resources Dept.  
Oil Conservation Division, Environmental Bureau  
1220 South St. Francis Dr., Santa Fe, New Mexico 87505  
Office: (505) 476-3490  
Fax: (505) 476-3462  
E-mail: [CarlJ.Chavez@state.nm.us](mailto:CarlJ.Chavez@state.nm.us)  
Website: <http://www.emnrd.state.nm.us/ocd/index.htm>  
(Pollution Prevention Guidance is under "Publications")  
CC: Brine Well File "Annual Reporting"

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2004

HRC → Liquid

Atty's Fish #30

## Chavez, Carl J, EMNRD

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**From:** Chavez, Carl J, EMNRD  
**Sent:** Tuesday, February 16, 2010 8:54 AM  
**To:** 'Clay Wilson'; David Pyeatt  
**Cc:** Phillips, Dorothy, EMNRD; VonGonten, Glenn, EMNRD; Griswold, Jim, EMNRD  
**Subject:** RE: Hobbs State No. 10 (BW-030) API 30-025-35915  
**Attachments:** Basic Energy Services Certificate Chaparral Example.doc; WQCC Transfer of Ownership 2-16-2010.doc; Basic Energy Services Certificate Example.doc

Gentlemen:

There is a well transfer procedure that must be followed before OCD can approve a well transfer. In addition, in order for the OCD to approve a well transfer and update our RBDMS well records, OGRID#, etc., the new owner is required to submit an original bond or original bond duplicate in the amount of \$50K. Upon receipt of the new well bond, the existing bond may be released to the seller upon request of release.

### WQCC Transfer of Discharge Permit Regulations

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

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

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

- A.** Prior to any transfer of ownership, control, or possession (whether by lease, conveyance or otherwise) of a facility with a discharge permit, the transferrer shall notify the transferee in writing of the existence of the discharge permit, and shall deliver or send by certified mail to the department a copy of such written notification, together with a certification or other proof that such notification has in fact been received by the transferee.
- B.** Upon receipt of such notification, the transferee shall have the duty to inquire into all of the provisions and requirements contained in such discharge permit, and the transferee shall be charged with notice of all such provisions and requirements as they appear of record in the department's file or files concerning such discharge permit.
- C.** Until both ownership and possession of the facility have been transferred to the transferee, the transferor shall continue to be responsible for any discharge from the facility.
- D.** Upon assuming either ownership or possession of the facility, the transferee shall have the same rights and responsibilities under the discharge permit as were applicable to the transferor.
- E.** Nothing in this section or in this part shall be construed to relieve any person of responsibility or liability for any act or omission which occurred while that person owned, controlled or was in possession of the facility.

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

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

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

- (2) A Class I non-hazardous waste injection well or Class III well discharge permit may be transferred if:
- (a) The secretary receives written notice 30 days prior to the transfer date; and
  - (b) The secretary does not object prior to the proposed transfer date. The secretary may require modification of the discharge permit as a condition of transfer, and may require demonstration of adequate financial responsibility.
- (3) The written notice required by Subparagraph (b) of Paragraph (2) of Subsection I above shall:
- (a) Have been signed by the discharger and the succeeding discharger, including an acknowledgement that the succeeding discharger shall be responsible for compliance with the discharge permit upon taking possession of the facility; and
  - (b) Set a specific date for transfer of discharge permit responsibility, coverage and liability; and
  - (c) Include information relating to the succeeding discharger's financial responsibility required by Paragraph (17) of Subsection B of Section 20.6.2.5210 NMAC.

Currently, the well is under the following well operator. I have also attached some examples of certificates that must be signed by seller and buyer and submitted to OCD for its records. The well doesn't transfer until the bonding is in place and OCD sends an approval letter and the OGRID# is changed (this can be done online w/ Dorothy Phillips 505-476-3461) once the bonding has been approved.

30	LIQUID RESOURCE SERVICES, LLC	HOBBS STATE #10	BW-30	30-025-35915	N 32.7186187515337 W - 103.171627900737	(UL-F)29-18S-38E	Lea	A	243571	RLB0011112	\$
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Please contact me if you have questions. Thank you.

Carl J. Chavez, CHMM  
 New Mexico Energy, Minerals & Natural Resources Dept.  
 Oil Conservation Division, Environmental Bureau  
 1220 South St. Francis Dr., Santa Fe, New Mexico 87505  
 Office: (505) 476-3490

Fax: (505) 476-3462  
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Website: <http://www.emnrd.state.nm.us/ocd/index.htm>  
(Pollution Prevention Guidance is under "Publications")

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**From:** Clay Wilson [mailto:claywilson@pccnm.com]  
**Sent:** Saturday, February 13, 2010 6:52 AM  
**To:** David Pyeatt  
**Cc:** Chavez, Carl J, EMNRD  
**Subject:** Re: Hobbs State No. 10 (BW-030) API 30-025-35915

David,Carl  
Mesquite SWD Inc is the operator.  
The wells are bonded under Mesquite SWD Inc.

Thanks  
Clay

----- Original Message -----

**From:** David Pyeatt  
**To:** Chavez, Carl J, EMNRD  
**Cc:** Lucky Services ; Clay Wilson ; George Parchman  
**Sent:** Saturday, February 13, 2010 7:24 PM  
**Subject:** Re: Hobbs State No. 10 (BW-030) API 30-025-35915

Carl,

In response to your email please note the following;

I have attached the Lab tests on the city water that is injected into the brine well.

I have attached a schedule of injection and production volumes that corrects the injections during Liquid Resources ownership and also includes the cumulative data that we obtained from the previous operator, Mr Gary Schubert with HRC.

We sold the operation to Lea County Disposal, LLC, Mr. Clay Wilson on January 28, 2010 and I have been advised that since the sale took place, daily totals have been taken of fresh water injected and brine produced and the percentage of fresh water that it takes to produce the brine is calculated to be approximately 1.09% of fresh water to brine.

As stated above, Liquid Resource sold the wells and operations to Lea County Disposal, LLC, Mr. Clay Wilson, and I have copied your email to him so that he is aware of your notation for a sonar test in 2012.

Please note that Mr. Wilson assumed all obligations and responsibilities of the wells as of January 28, 2010 but as a courtesy to him due to the annual report being so close to its deadline, I submitted the report and I have agreed to assist Mr. Wilson with any information or data that may be in our possession.

Sincerely,  
David Pyeatt

Chavez, Carl J, EMNRD wrote:  
Mr. Pyeatt:

The annual report for BW-030 Section 21 (Brine Well Identification, Operation, Monitoring, Bonding and Reporting) requires:

- F. Capacity/ Cavity Configuration and Subsidence Survey:** The operator shall provide information on the size and extent of the solution cavern and geologic/engineering data demonstrating that continued brine extraction will not cause surface subsidence, collapse or damage to property, or become a threat to public health and the environment. This information shall be supplied in each annual report. OCD may require the operator to perform additional well surveys, test, and install subsidence monitoring in order to demonstrate the integrity of the system. If the operator cannot demonstrate the integrity of the system to the satisfaction of the Division then the operator may be required to shut-down, close the site and properly plug and abandoned the well.
- G. Production/Injection Volumes:** The volumes of fluids injected (fresh water) and produced (brine) will be recorded monthly and submitted to the OCD Santa Fe Office in the annual report.
- H. Analysis of Injection Fluid and Brine:** Provide an analysis of the injection fluid and brine with each annual report. Analysis will be for General Chemistry (method 40 CFR 136.3) using EPA methods.
- L. Annual Report:** All operators shall submit an annual report due on January 31 of each year. The report shall include the following information:
1. Cover sheet marked as "Annual Brine Well Report, name of operator, BW permit #, API# of well(s), date of report, and person submitting report.
  2. Brief summary of brine wells operations including description and reason for any remedial or major work on the well. Copy of C-103.
  3. Production volumes as required above in 21.G. including a running total should be carried over to each year. The maximum and average injection pressure.
  4. A copy of the chemical analysis as required above in 21.H.
  5. A copy of any mechanical integrity test chart, including the type of test, i.e. open to formation or casing test.
  6. Brief explanation describing deviations from normal production methods.
  7. A copy of any leaks and spills reports.
  8. If applicable, results of any groundwater monitoring.
  9. Information required from cavity/subsidence 21.F. above.
  10. An Area of Review (AOR) summary.
  11. Sign-off requirements pursuant to WQCC Subsection G 20.6.2.5101.

In Item F above, on December 4, 2008, OCD did not require you to run a sonar test on your well due to the relatively short operating life of the well (began production in 2002). The OCD hereby requires you to run a sonar test on the well on or before the end of 2012 near the 10 year anniversary of the start of production.

In Item G above, you did not submit all of your injection and production for the year and cumulative data. You reported a total volume of fresh water to produced brine fluid of 895,016 and 647,138 barrels, respectively. Please provide an explanation for the significant difference in injection vs. production as the data may suggest a down well leak problem. You did not submit the cumulative data. Please submit this information to the OCD by 30 days from today's date, or March 1, 2010.

In Item H above, you did not submit general chemistry data for the injected fresh water. Please note that any analytical data should include the QA/QC section from the laboratory. Please submit this information by March 1, 2010.

In Item L3 above, the Item G requirement above applies to this line item too.

In Item L4 above, the Item H requirement above applies to this line item too.

In Item L8 above, the Item H requirement above applies to this line item too.

In Item L9 above, the Item F requirement above applies to this line item too.

Please contact me if you have questions. Thank you.

Carl J. Chavez, CHMM

New Mexico Energy, Minerals & Natural Resources Dept.

Oil Conservation Division, Environmental Bureau

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Office: (505) 476-3490

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

(Pollution Prevention Guidance is under "Publications")

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**From:** David Pyeatt [<mailto:david@ewtitle.com>]

**Sent:** Friday, January 29, 2010 12:57 PM

**To:** Chavez, Carl J, EMNRD

**Cc:** Lucky Services; Clay Wilson

**Subject:** Re: API 30-02535915

Carl

I have attached the annual report due January 31st for Brine Well, Hobbs State #10, BW-030. The original will follow via regular mail.

David A. Pyeatt

President

Elliott & Waldron Title & Abstract Co., Inc.

1819 N. Turner Suite B

Hobbs, New Mexico 88240

575-393-7706

575-393-7725 Fax

Chavez, Carl J, EMNRD wrote:

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CC: Brine Well File "Annual Reporting"

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**OCD CERTIFICATION**

Basic Energy Services (BES) hereby accepts the terms and conditions of the attached Chaparral SWD discharge plan permit (BW-025) and agrees to comply with the terms and conditions. BES acknowledges that the Oil Conservation Division (OCD) may change the terms and conditions for good cause shown as necessary to protect fresh water, human health, and the environment. The undersigned also attests to the fact that he or she understands 19.15.1.41 NMAC which states "Any person who conducts any activity pursuant to a permit, administrative order or other written authorization or approval from the division shall comply with every term, condition and provision of such permit, administrative order, authorization or approval."

Accepted.

Basic Energy Services  
Address  
City, State, Zip Code

Signature \_\_\_\_\_ Title \_\_\_\_\_ Date \_\_\_\_\_

**OCD CERTIFICATION**

Basic Energy Services (BES) hereby accepts the terms and conditions of the attached P & S Brine Sales discharge plan permit (BW-002) and agrees to comply with the terms and conditions. BES acknowledges that the Oil Conservation Division (OCD) may change the terms and conditions for good cause shown as necessary to protect fresh water, human health, and the environment. The undersigned also attests to the fact that he or she understands 19.15.1.41 NMAC which states "Any person who conducts any activity pursuant to a permit, administrative order or other written authorization or approval from the division shall comply with every term, condition and provision of such permit, administrative order, authorization or approval."

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Address  
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Signature \_\_\_\_\_ Title \_\_\_\_\_ Date \_\_\_\_\_

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

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

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