

NM1 - 24

**PERMITS,
RENEWALS, &
MODS**

RECEIVED

CHANGE OF OWNERSHIP

FEB 13 2007

FACILITY INFORMATION:

Per. SA

Surface Waste Management Facility Permit: WM-1-024 Chaparral Treating Plant
Legal Description: NW/4 NE/4, Section 17, Township 23 South, Range 37 East, NMPM
Location: Lea County, New Mexico

From: Mr. Paul D. Prather
Chaparral Services Inc.
P.O. Drawer 1769
Eunice, NM 88231

To: Basic Energy Services, L.P.

CERTIFICATION:

Basic Energy Services, L.P., by the officer whose signature appears below, accepts this permit and agrees to comply with all terms and conditions contained herein. Basic Energy Services, L.P. further acknowledges that the Division for good cause shown as necessary to protect fresh water, human health, and the environment may change such terms and conditions administratively. The undersigned also attests to the fact that he or she understands 19.15.1.41 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, L.P.

Signature: _____

Title: President & CEO

Mailing Address: P.O. Box 10460 midland, TX 79702

Contact Telephone Number: (432) 620-5528

Date: _____

Permit #: WM-1-024

**ATTACHMENT TO OCD 711 PERMIT APPROVAL
PERMIT WM-1-024
CHAPARRAL TREATING PLANT
NW/4 NE/4 of Section 17, Township 23 South, Range 37 East, NMPM,
Lea County, New Mexico
(February 2, 2001)**

TREATING PLANT OPERATION

1. The facility must be fenced and have a sign at the entrance. The sign must be legible from at least fifty (50) feet and contain the following information: a) name of the facility; b) location by section, township and range; and c) emergency phone number.
2. Disposal may occur only when an attendant is on duty. The facility must be secured when no attendant is present.
3. The facility must be maintained such that there will be no storm water runoff beyond the boundaries of the facility.
4. Any design changes to the treating plant must be submitted to the OCD Santa Fe office for approval and a copy must be sent to the Hobbs District office.
5. Facility inspection and maintenance must be conducted on at least a weekly basis and immediately following each consequential rainstorm or windstorm. The OCD Santa Fe and Hobbs offices must be notified within 24 hours if any defect is noted. Repairs must be made as soon as possible. If the defect will jeopardize the integrity of the tank(s), additional wastes may not be placed into the affected tank(s) until repairs have been completed.
6. All saddle tanks or drums located at the facility and containing materials other than fresh water must be placed on an impermeable pad with curb containment. The pad and curb containment must be able to hold one and one-third the volume of the largest tank or all interconnected tanks. The tanks and containers must be labeled as to contents and hazards.
7. All existing above-ground tanks located at the facility and containing materials other than fresh water must be bermed so that the area will contain one and one-third the volume of the largest tank or all interconnected tanks, whichever is greater. All above-ground tanks must be labeled as to contents and hazards.
8. All new or replacement above-ground tanks containing materials other than fresh water must be placed on an impermeable pad and be bermed so that the area will hold one and one-third the volume of the largest tank or all interconnected tanks, whichever is greater.
9. Below-grade sumps and below-grade tanks must be cleaned and visually inspected annually. Results must be recorded and maintained at the facility for OCD review. If sump/tank integrity has failed the OCD must be notified within 48 hours of discovery and

and the sump contents and contaminated soil must be removed and disposed of at an OCD-approved facility. Soil remediation must follow OCD surface impoundment closure guidelines. The permittee must submit a report to the OCD Santa Fe and appropriate District offices that describes the investigation and remedial actions taken.

10. All new or replacement below-grade sumps and below-grade tanks at the facility must have secondary impermeable containment with a leak detection system. The leak detection system must be inspected for fluids weekly. Results must be recorded and maintained for OCD review. If fluids are present they must be removed and properly disposed of or recycled and the primary containment checked for leaks and repaired or replaced. Records of inspections and repairs must be made available to the OCD upon request.
11. Below-grade pipelines associated with the treating plant must be pressure tested annually. Results must be recorded and maintained at the facility for OCD review. If pipeline integrity has failed the OCD must be notified within 48 hours of discovery and the line must be repaired or replaced. Contaminated soil must be removed and disposed of at an OCD-approved facility. Soil remediation must follow OCD surface impoundment closure guidelines. The permittee must submit a report to the OCD Santa Fe and appropriate District offices that describes the investigation and remedial actions taken.
12. Liquid and solid waste generated at the treating plant must be disposed of at an OCD-approved disposal facility.
13. To protect migratory birds, all tanks exceeding 16 feet in diameter and exposed pits and ponds shall be screened, netted or covered.
14. Within 24 hours of receiving notification from the OCD that an objectionable odor has been detected or reported, the facility must implement the following response procedure:
 - a. log date and approximate time of notice that an odor exists;
 - b. log investigative steps taken, including date and time, and conclusions reached; and
 - c. log actions taken to alleviate the odor, which may include adjusting chemical treatment, vapor recovery system, air sparging, solidification, landfarming, or other similar responses.

A copy of the log, signed and dated by the facility manager, must be maintained for OCD review.

H₂S PREVENTION & CONTINGENCY PLAN

1. Chaparral must develop a prevention and contingency plan for ambient H₂S levels to protect public health. **The H₂S prevention and contingency plan must be submitted to the OCD Santa Fe and Hobbs offices for approval by April 2, 2001.** The plan must address how Chaparral will monitor for H₂S to ensure the following:
 - a. If H₂S of 1.0 ppm or greater leaves the property;
 - i. the operator must notify the Hobbs office of the OCD immediately; and
 - ii. the operator must begin operations or treatment that will mitigate the source.
 - b. If H₂S of 10.0 ppm or greater leaves the property:
 - i. the operator must immediately notify the Hobbs office of the OCD and the following public safety agencies:

New Mexico State Police;
Lea County Sheriff; and
Lea County Fire Marshall;
 - ii. the operator must notify all persons residing within one-half (½) mile of the fence line and assist public safety officials with evacuation as requested; and
 - iii. the operator must begin operations or treatment that will mitigate the source.

WASTE ACCEPTANCE CRITERIA

1. The facility is authorized to accept only oilfield wastes that are exempt from RCRA Subtitle C regulations and that do not contain Naturally Occurring Radioactive Material regulated pursuant to 20 NMAC 3.1 Subpart 1403 (NORM). All loads of these wastes received at the facility other than wastes returned from the well bore in the normal course of well operations, such as produced water and spent treating fluids, shall be accompanied by a "Generator Certificate of Waste Status" signed by the generator.
2. At no time may any OCD-permitted surface waste management facility accept wastes that are hazardous by either listing or characteristic testing.

3. No waste will be accepted at the treating plant unless it is accompanied by an approved Form C-117-A.
4. No produced water may be received at the facility unless the transporter has a valid Form C-133, Authorization to Move Produced Water, on file with the Division.
5. The transporter of any wastes to the facility must supply a certification that wastes delivered are those wastes received from the generator and that no additional materials have been added.

REPORTING

1. The Treating Plant Operator's Monthly Report (Form C-118 sheet 1 and 1-A), which details the oil recovered and sold during the preceding month, must be submitted to the OCD Hobbs office according to the form directions.
2. The Tank Cleaning, Sediment Oil Removal, Transportation of Miscellaneous Hydrocarbons and Disposal Permit (Form C-117) must be submitted to the OCD Hobbs Office according to the form directions.
3. Records of treating plant inspections and maintenance must be kept and maintained for OCD review.
4. Chaparral must notify the **OCD Santa Fe and Hobbs offices within 24 hours** of any fire, break, leak, spill, blow out or any other circumstance that could constitute a hazard or contamination in accordance with OCD Rule 116.
5. Comprehensive records of all material disposed of at the facility must be maintained. The records for each load must include: 1) generator; 2) origin; 3) date received; 4) quantity; 5) certification of waste status as exempt; 6) NORM status declaration; and 7) transporter.
6. The OCD must be notified prior to any design changes to the treating plant facility. The facility must submit for approval any design changes to the facility to the OCD Santa Fe office and Hobbs District office.
7. The OCD must be notified prior to the installation of any pipelines or wells or other construction within the boundaries of the facility.

FINANCIAL ASSURANCE

1. Financial assurance in the amount of **\$25,000** (the estimated cost of closure) in the form of a surety or cash bond or a letter of credit, which is approved by the Division, is required from Chaparral Treating Plant for the commercial surface waste management facility.
2. The facility is subject to periodic inspections by the OCD. The conditions of this permit and the facility will be reviewed no later than five (5) years from the date of this approval. In addition, the closure cost estimate will be reviewed according to prices and remedial work estimates at the time of review. The financial assurance may be adjusted to incorporate any closure cost changes.

CLOSURE

1. The OCD Santa Fe and Hobbs offices must be notified when operation of the facility is to be discontinued for a period in excess of six (6) months or when the facility is to be dismantled. Within six (6) months after discontinuing use or within 30 days of deciding to dismantle the facility, a closure plan must be submitted to the OCD Santa Fe office for approval. The operator must complete cleanup of constructed facilities and restoration of the facility site within six (6) months of receiving the closure plan approval, unless an extension of time is granted by the Director.
2. The closure plan to be submitted must include the following procedures:
 - a. When the facility is to be closed no new material may be accepted.
 - b. All tanks must be emptied and any waste and recyclable material must be hauled to an OCD-approved facility. The empty tanks and equipment must be removed.
 - c. Contaminated soils exceeding OCD closure standards for the site must be removed or remediated.
 - d. The area must be contoured, seeded with native grasses and allowed to return to its natural state. If the landowner desires to keep existing structures, berms, or fences for future alternative uses, the structures, berms, or fences may be left in place.
 - e. Closure must be pursuant to all OCD requirements in effect at the time of closure, and any other applicable local, state and/or federal regulations.



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

February 2, 2001

Lori Wrotenbery
Director
Oil Conservation Division

CERTIFIED MAIL
RETURN RECEIPT NO. 7099-3220-0000-5051-1873

Mr. Paul D. Prather
Chaparral Treating Plant
P.O. Box 1769
Eunice, NM 88231

RE: OCD Rule 711 Permit Approval WM-1-024
Chaparral Treating Plant
NW/4 NE/4, Section 17, Township 23 South, Range 37 East, NMPM
Lea County, New Mexico

Dear Mr. Prather:

The permit application for the Chaparral Treating Plant (Chaparral) commercial surface waste management facility located in NW/4 NE/4, Section 17, Township 23 South, Range 37 East, NMPM, Lea County, New Mexico is hereby approved in accordance with New Mexico Oil Conservation Division (OCD) Rule 711 under the conditions contained in the enclosed attachment. In addition, a \$25,000 surety bond (No. B05260) has been submitted by Chaparral and approved by the Director. The application consists of the permit application Form C-137 dated September 25, 1997.

The operation, monitoring and reporting shall be as specified in the enclosed attachment. All modifications and alternatives to the approved treating plant methods must receive prior OCD approval. Chaparral is required to notify the Director of any facility expansion or process modification and to file the appropriate materials with the Division.

Please be advised approval of this facility permit does not relieve Chaparral of liability should your operation result in pollution of surface water, ground water, or the environment. In addition, OCD approval does not relieve Chaparral of responsibility for compliance with other federal, state or local laws and/or regulations.

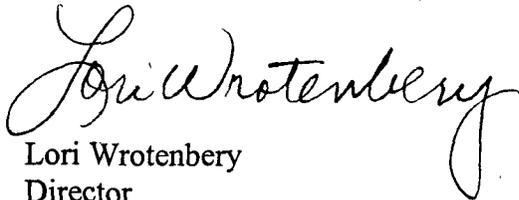
Please be advised that all tanks exceeding 16 feet in diameter and exposed pits, ponds or lagoons must be screened, netted or otherwise rendered non-hazardous to migratory birds. In addition, OCD Rule 310 prohibits oil from being stored or retained in earthen reservoirs or open receptacles.

The facility is subject to periodic inspections by the OCD. The conditions of this permit will be reviewed by the OCD no later than five (5) years from the date of this approval and the facility will be inspected at least once a year. In addition, the closure cost estimate will be reviewed according to prices and remedial work estimates at the time of the five (5) year review. The financial assurance may be adjusted to incorporate any closure cost changes.

Enclosed are two copies of the conditions of approval. **Please sign and return one copy to the OCD Santa Fe Office within five working days of receipt of this letter.**

If you have any questions please do not hesitate to contact Martyne J. Kieling at (505) 827-7153.

Sincerely,



Lori Wrotenbery
Director

LW/mjk

xc with attachments:
Hobbs OCD Office

**ATTACHMENT TO OCD 711 PERMIT APPROVAL
PERMIT WM-1-024
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Chaparral Treating Plant
711 Permit WM-1-024
February 2, 2001
Page 6

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Accepted:

CHAPARRAL TREATING PLANT

Signature _____ Title _____ Date _____



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

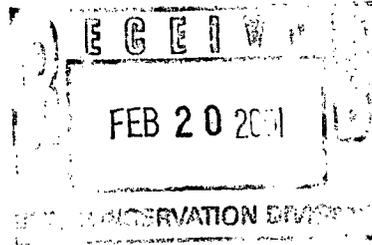
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Director
Oil Conservation Division

CERTIFIED MAIL
RETURN RECEIPT NO. 7099-3220-0000-5051-1873

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Chaparral Treating Plant
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Eunice, NM 88231



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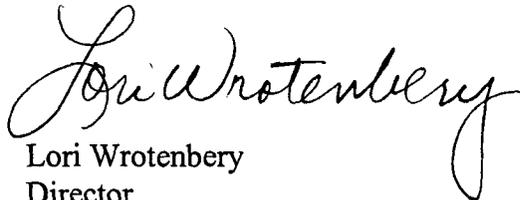
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 - iii. the operator must begin operations or treatment that will mitigate the source.

WASTE ACCEPTANCE CRITERIA

1. The facility is authorized to accept only oilfield wastes that are exempt from RCRA Subtitle C regulations and that do not contain Naturally Occurring Radioactive Material regulated pursuant to 20 NMAC 3.1 Subpart 1403 (NORM). All loads of these wastes received at the facility other than wastes returned from the well bore in the normal course of well operations, such as produced water and spent treating fluids, shall be accompanied by a "Generator Certificate of Waste Status" signed by the generator.
2. At no time may any OCD-permitted surface waste management facility accept wastes that are hazardous by either listing or characteristic testing.

3. No waste will be accepted at the treating plant unless it is accompanied by an approved Form C-117-A.
4. No produced water may be received at the facility unless the transporter has a valid Form C-133, Authorization to Move Produced Water, on file with the Division.
5. The transporter of any wastes to the facility must supply a certification that wastes delivered are those wastes received from the generator and that no additional materials have been added.

REPORTING

1. The Treating Plant Operator's Monthly Report (Form C-118 sheet 1 and 1-A), which details the oil recovered and sold during the preceding month, must be submitted to the OCD Hobbs office according to the form directions.
2. The Tank Cleaning, Sediment Oil Removal, Transportation of Miscellaneous Hydrocarbons and Disposal Permit (Form C-117) must be submitted to the OCD Hobbs Office according to the form directions.
3. Records of treating plant inspections and maintenance must be kept and maintained for OCD review.
4. Chaparral must notify the **OCD Santa Fe and Hobbs offices within 24 hours** of any fire, break, leak, spill, blow out or any other circumstance that could constitute a hazard or contamination in accordance with OCD Rule 116.
5. Comprehensive records of all material disposed of at the facility must be maintained. The records for each load must include: 1) generator; 2) origin; 3) date received; 4) quantity; 5) certification of waste status as exempt; 6) NORM status declaration; and 7) transporter.
6. The OCD must be notified prior to any design changes to the treating plant facility. The facility must submit for approval any design changes to the facility to the OCD Santa Fe office and Hobbs District office.
7. The OCD must be notified prior to the installation of any pipelines or wells or other construction within the boundaries of the facility.

FINANCIAL ASSURANCE

1. Financial assurance in the amount of **\$25,000** (the estimated cost of closure) in the form of a surety or cash bond or a letter of credit, which is approved by the Division, is required from Chaparral Treating Plant for the commercial surface waste management facility.
2. The facility is subject to periodic inspections by the OCD. The conditions of this permit and the facility will be reviewed no later than five (5) years from the date of this approval. In addition, the closure cost estimate will be reviewed according to prices and remedial work estimates at the time of review. The financial assurance may be adjusted to incorporate any closure cost changes.

CLOSURE

1. The OCD Santa Fe and Hobbs offices must be notified when operation of the facility is to be discontinued for a period in excess of six (6) months or when the facility is to be dismantled. Within six (6) months after discontinuing use or within 30 days of deciding to dismantle the facility, a closure plan must be submitted to the OCD Santa Fe office for approval. The operator must complete cleanup of constructed facilities and restoration of the facility site within six (6) months of receiving the closure plan approval, unless an extension of time is granted by the Director.
2. The closure plan to be submitted must include the following procedures:
 - a. When the facility is to be closed no new material may be accepted.
 - b. All tanks must be emptied and any waste and recyclable material must be hauled to an OCD-approved facility. The empty tanks and equipment must be removed.
 - c. Contaminated soils exceeding OCD closure standards for the site must be removed or remediated.
 - d. The area must be contoured, seeded with native grasses and allowed to return to its natural state. If the landowner desires to keep existing structures, berms, or fences for future alternative uses, the structures, berms, or fences may be left in place.
 - e. Closure must be pursuant to all OCD requirements in effect at the time of closure, and any other applicable local, state and/or federal regulations.

CERTIFICATION

Chaparral Treating Plant, by the officer whose signature appears below, accepts this permit and agrees to comply with all terms and conditions contained herein. Chaparral Treating Plant further acknowledges that these conditions and requirements of this permit may be changed administratively by the Division for good cause shown as necessary to protect fresh water, public health and the environment.

Accepted:

CHAPARRAL TREATING PLANT

Signature *Tamara P. Smith* Title *President* Date *2-15-01*



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 S. PACHECO
SANTA FE, NEW MEXICO 87505
(505) 827-7131

April 27, 1995

CERTIFIED MAIL
RETURN RECEIPT NO. Z-765-962-667

Mr. Paul D. Prather
Owner/operator Chaparral service
P.O. Box 1769
Eunice, NM 88231

RE: Chaparral Treating Plant
Treating Plant Application
NMOCD Rule 312 Permit Approval
Lea County, NM Facility
Unit B, Sec. 17, T 23 S, R 37 E,

Dear Mr. Prather:

The Permit Application for the "Chaparral Treating Plant" located in NW/4, NE/4, Section 17, Township 23 South, Range 37 East, NMPM, Lea County, New Mexico, is hereby approved in accordance with NMOCD Rule 312 under the conditions contained in the enclosed attachment. The application consists of the original application dated January 31, 1995, and the materials dated March 15, 1995 and April 6, 1995, submitted as supplements to the application.

The operation, monitoring and reporting shall be as specified in the enclosed attachment. All modifications and alternatives to the approved waste oil processing methods must receive prior NMOCD approval. Chaparral Treating shall be required to notify the Director of any facility expansion or process modification and to file the appropriate materials with the Division.

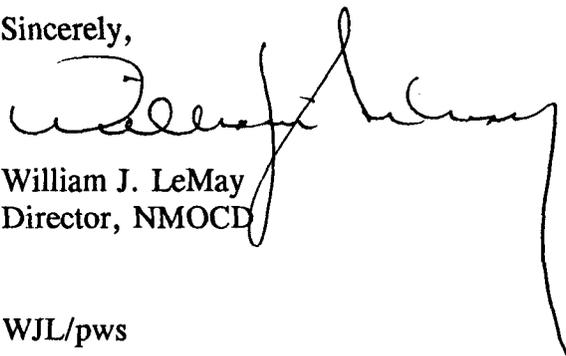
Please be advised approval of this permit does not relieve you of liability should Chaparral Treating operations result in pollution of surface or ground waters or the environment.

Mr. Paul D. Prather
April 27, 1995
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Please also be advised that all tanks exceeding 16 feet in diameter and exposed pits, ponds or lagoons must be screened, netted or otherwise rendered nonhazardous to migratory birds.

If Chaparral Treating has any questions, please do not hesitate to contact Roger Anderson at (505) 827-7152 or Patricio Sanchez at (505) 827-7156.

Sincerely,

A handwritten signature in black ink, appearing to read "William J. LeMay". The signature is written in a cursive style with a long, vertical tail stroke extending downwards.

William J. LeMay
Director, NMOCD

WJL/pws

Attachment

xc: Mr. Wayne Price - Environmental Engineer, District I

**ATTACHMENT TO NMOCD 312 PERMIT APPROVAL
CHAPARRAL TREATING**

WASTE OIL PROCESSING OPERATIONS

1. No chemicals (i.e. chlorinated solvents) will be used in the waste oil processing operation without obtaining prior OCD approval. At no time will OCD approve the use of chemicals which are listed as hazardous waste or chemicals which result in the creation of a hazardous waste as listed in the 40 CFR, Part 261, Subparts C and D.
2. Only oil field wastes which are exempt from RCRA Subtitle C (Hazardous Waste) regulations or are Non-Hazardous by characteristic testing analysis will be accepted at the treating plant. To accept wastes from operations not exempt under RCRA Subtitle C or mixed exempt/non exempt wastes, test results must be submitted to the OCD along with a request to receive the non-exempt waste, and a written OCD approval must be obtained prior to disposal. Any non-oilfield wastes which are RCRA Subtitle C Exempt or are non-hazardous by characteristic testing will only be accepted on a case by case basis and with prior OCD approval.
3. No wastes will be accepted at the treating plant unless it is accompanied by an approved Form C-117-A.
4. Unmerchantable solids and liquids will be disposed of at an OCD approved disposal facility. Waste will be disposed of on a case by case basis after receiving OCD approval.
5. All drips, leaks and spills shall be contained within drip pans and disposed of periodically to prevent overflow. Additional containment will be installed in areas where repeated leaks, spills, overflows, and etc. could reach the ground surface.
6. Berms shall be constructed that can contain 1 1/3 times the volume of the largest tank or 1 1/3 times the volume of all interconnected tanks.
7. Chaparral will submit a work plan for determination of the extent of any contamination related to the use of the former pit at the site. The work plan will be submitted to the OCD by July 31, 1995 in triplicate-two copies to the Santa Fe Environmental bureau, and one to the District I field office.

Mr. Paul D. Prather
April 27, 1995
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REPORTING

1. The OCD will be notified of any break , spill, blow out, or fire or any other circumstance that could constitute a hazard or contamination in accordance with OCD Rule 116. (see enclosed.)
2. Chaparral will file a monthly report (Form C-118) which details the net oil recovered and sold during the preceding month.

BOND

Before Commencing operation of the NMOCD Rule 312 Facility, Chaparral shall have a bond in the amount of \$25,000 (Dollars-USA) in a form approved by the Division. Further, before commencing operation Chaparral will submit a detailed closure plan with a cost estimate that includes the following minimum requirements.

1. Remediation of any contaminated soils to the OCD standards in affect at the time of closure.
2. Removal of all piping, liners, surface equipment and all other equipment.
3. Reclamation of the surface to an extent that is protective of public health and the environment and which is consistent with post-closure land use as may be approved by the Director.

CLOSURE

When the facility is to be closed no new material will be accepted. All tanks will be opened up and cleaned out. All wastes (tank cleaning waste, any contaminated soils, etc.) will be disposed of at an OCD approved disposal facility or remediated to OCD standards in effect at the time of closure. The dikes/berms will be leveled and the location graded to its original state. The area will then be reseeded with natural grasses and allowed to return to its natural state. Closure will pursuant to all OCD requirements and standards in effect at the time of closure.