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**PERMITS,
RENEWALS,
& MODS**



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

October 30, 2001

Lori Wrotenbery
Director
Oil Conservation Division

CERTIFIED MAIL
RETURN RECEIPT NO. 7099-3220-0000-5051-2542

Ms. Carol Bailey
HEC Petroleum, Inc.
500 West Illinois
Midland, TX 79701

**RE: Transfer of Permit WM-2-006 from Hallwood Petroleum, Inc.
to HEC Petroleum, Inc.
Sec. 25, T 32 N, R 13 W, NMPM, San Juan County, New Mexico**

Dear Ms. Bailey:

The New Mexico Oil Conservation Division (OCD) has received a request from HEC Petroleum, Inc. dated August 29, 2001 to change the name of the Centralized Surfaced Waste Management Facility, Permit WM-2-006, from Hallwood Petroleum, Inc., to HEC Petroleum, Inc. The facility is located in Sec. 25, T 32 N, R 13 W, NMPM, San Juan County, New Mexico. The OCD has received financial assurance, Bond No. RLB0003744, for twenty five thousand dollars (\$25,000) for the above-referenced facility. The request for transfer is hereby approved in accordance with OCD Rule 711.

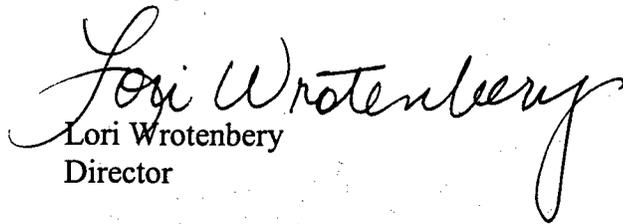
All modifications and alternatives to the approved disposal methods must receive prior OCD approval. HEC Petroleum, Inc. is required to notify the director of any facility expansion or process modification and to file the appropriate materials with the Division.

Please be advised approval of this transfer does not relieve HEC Petroleum, Inc. of liability should their operation result in pollution of surface waters, ground water or the environment.

Please be advised that Hallwood Petroleum, Inc. has applied for and received an exception to Division Order No. R-8952 for protection of migratory birds. In addition, OCD Rule 310 prohibits oil from being stored or retained in earthen reservoirs, or in open receptacles.

If there are any questions, please contact Martyne Kieling at (505) 476-3488.

Sincerely,


Lori Wrotenberg
Director

LW/mjk

xc:

Aztec OCD Office

Jim Bonaventura, HEC Petroleum, Inc., 463 Turner Drive #101, Durango, Colorado 81301



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Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

September 18, 2000

CERTIFIED MAIL

RETURN RECEIPT NO. 7099-3220-0000-5051-1026

Mr. Chris Williams
Hallwood Petroleum, Inc.
P.O. Box 378111
Denver, CO 80237

**RE: OCD Rule 711 Permit Approval NM-02-0006
Hallwood Petroleum, Inc.
Centralized Surface Waste Management Facility
NW/4 SE/4 of Section 25, Township 32 North, Range 13 West, NMPM,
San Juan County, New Mexico.**

Dear Mr. Williams:

The permit application for the Hallwood Petroleum, Inc (Hallwood) centralized surface waste management facility located in NW/4 SE/4 of Section 25, Township 32 North, Range 13 West, NMPM, San Juan 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. A \$25,000 blanket bond, No. B2772099, has been submitted by Hallwood and approved by the Director. The application consists of the permit application Form C-137 dated April 3, 1998, inspection report response letter dated April 3, 1998, supplemental materials dated May 4, 1998, original permit application dated August 27, 1990, and original permit approval letter dated October 17, 1990.

The operation, monitoring and reporting shall be as specified in the enclosed attachment. All modifications and alternatives to the approved evaporation methods must receive prior OCD approval. Hallwood 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 Hallwood of liability should your operation result in actual pollution of surface water, ground water, or the environment. In addition, OCD approval does not relieve Hallwood of responsibility for compliance with other federal, state or local laws and/or regulations.

Mr. Chris Willaims
September 18, 2000
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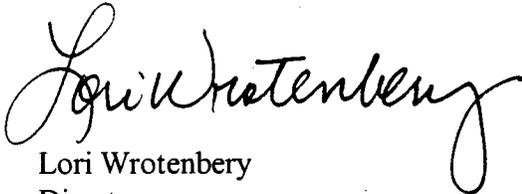
Please be advised that all tanks exceeding 16 feet in diameter and exposed pits, ponds or lagoons must be screened, netted or otherwise rendered non-hazardous to migratory birds. In addition, OCD Rule 310 prohibits oil from being stored or retained in earthen reservoirs or open receptacles.

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.

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 Wrottenbery
Director

LW/mjk

xc with attachments:

Aztec OCD Office
Jim Bonaventura, Hallwood Petroleum, Inc.

**ATTACHMENT TO OCD 711 PERMIT APPROVAL
PERMIT NM-02-0006
HALLWOOD PETROLEUM, INC.
CENTRALIZED WASTE MANAGEMENT FACILITY
NW/4 SE/4 of Section 25, Township 32 North, Range 13 West, NMPM,
San Juan County, New Mexico.
(September 18, 2000)**

EVAPORATION POND 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. The pond must have a minimum freeboard of one and a half feet (1.5'). A device must be installed in the pond to accurately measure freeboard.
3. Pond inspection and maintenance must be conducted on a weekly basis or immediately following a consequential rainstorm or windstorm. If any defect is noted repairs must be made as soon as possible. If the defect will jeopardize the integrity of the pond additional wastes may not be placed into the pond until repairs have been completed. Records of such inspections must be made available to the OCD upon request.
4. The leak detection system must be inspected monthly and if fluid is present samples of the fluid must be compared with the fluids in the pond. Results must be recorded and maintained for OCD review. If analyses of pond and leak detection fluids are similar the OCD Santa Fe office must be notified within 48 hours. Within 72 hours of discovery Hallwood must submit a plan to the OCD Santa Fe and Aztec offices that describes what procedures will be taken to investigate and repair the leak.
5. Sludge thickness in the base of the pond must be measured annually. Any sludge build-up in the bottom of the pond in excess of twelve inches (12") must be removed and disposed of at an OCD-approved waste management facility.
6. All new or replacement above ground tanks located at the facility and containing materials other than fresh water must be placed on an impermeable pad and be bermed so that the containment area will hold one and one-third the volume of the largest tank or all interconnected tanks whichever is greater. All existing tanks must be labeled as to contents and hazards and must be bermed to contain one and one-third the volume of the largest tank or all interconnected tanks whichever is greater.

7. Below grade sumps must be cleaned and visually inspected annually. Results must be recorded and maintained for OCD review. If sump integrity has failed the OCD must be notified within 48 hours of discovery and the sump and contaminated soils must be removed and disposed of at an OCD-approved waste management facility. Soil remediation must follow OCD surface impoundment closure guidelines. Hallwood must submit a report to the OCD Santa Fe and Aztec offices that describes the investigation and remedial actions taken.
8. The produced water receiving and treatment area must be inspected weekly for tank, piping and berm integrity.
9. To protect migratory birds, all tanks exceeding 16 feet in diameter and exposed pits, ponds or lagoons must be screened, netted, covered or otherwise rendered nonhazardous to migratory birds.
10. Liquid reduction technologies that may be used to eliminate pond waters include evaporation and injection.
11. Tests of ambient H₂S levels must be conducted on a weekly basis. Test results must be recorded and retained. The tests must be conducted at four (4) locations around the pond at the top of the berm. The wind speed and direction must be recorded in conjunction with each test.
 - a. If an H₂S reading of 1.0 ppm or greater is obtained:
 - i. a second reading must be taken on the downwind berm within one hour;
 - ii. the dissolved oxygen and dissolved sulfide levels of the pond must be tested immediately and the need for immediate treatment determined; and
 - iii. tests for H₂S levels must be made at the fence line down wind from the problem pond.
 - b. If two (2) consecutive H₂S readings of 1.0 ppm or greater are obtained:
 - i. the operator must notify the Aztec office of the OCD immediately;
 - ii. the operator must commence hourly monitoring on a 24-hour basis; and
 - iii. the operator must obtain a daily analysis of dissolved sulfides in the pond.
 - c. If an H₂S reading of 10.0 ppm or greater at the facility fence line is obtained:

- i. the operator must immediately notify the Aztec office of the OCD and the following public safety agencies:

New Mexico State Police
San Juan County Sheriff
San Juan County Fire Marshall; and

- ii. the operator must initiate notification of all persons residing within one-half (½) mile of the fence line and assist public safety officials with evacuation as requested.

WASTE ACCEPTANCE CRITERIA

1. The facility is authorized to accept only produced waters that are generated in the State of New Mexico by Hallwood Petroleum, Inc.
2. The facility is authorized to accept only produced waters that are exempt from RCRA Subtitle C regulations and that do not contain Naturally Occurring Radioactive Material (NORM) regulated pursuant to 20 NMAC 3.1 Subpart 1403.
3. At no time may any OCD-permitted surface waste management facility accept wastes that are determined to be RCRA Subtitle C hazardous wastes by either listing or characteristic testing.
4. 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.
5. No produced water may be received at the facility from motor vehicles unless the transporter has a valid Form C-133, "Authorization to Move Produced Water," on file with the Division.
6. Comprehensive records of all material disposed of at the surface waste management facility must be maintained by the permit holder.

REPORTING AND RECORD KEEPING

1. Results of the weekly inspections of the pond and the produce water receiving and treatment area and monthly testing of the leak detection system must be recorded and maintained for OCD review.

2. Results of weekly testing of the evaporation pond for H₂S and additional testing for dissolved sulfides and dissolved oxygen must be recorded and maintained for OCD review.
3. Results of annual maintenance on below grade sumps and annual measurements of sludge thickness in the pond must be recorded and maintained for OCD review.
4. The applicant must notify the **OCD Aztec office 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. All records of testing and monitoring must be retained for a period of five (5) years.
6. The OCD must be notified prior to the installation of any pipelines or wells or other structures within the boundaries of the facility.

FINANCIAL ASSURANCE

1. Pursuant to OCD Rule 711.B.3.a., financial assurance in a form approved by the Director is required from Hallwood Petroleum, Inc. in the amount of **\$25,000** for this facility
2. Financial assurance must be submitted within thirty (30) days of this permit approval or on **October 18, 2000**.
3. The facility is subject to periodic inspections by the OCD. The conditions of this permit and the facility may be reviewed by the OCD no later than five (5) years from the date of this approval.

CLOSURE

1. The OCD Santa Fe and Aztec 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 will be accepted.
 - b. The soils beneath the evaporation pond and liquids receiving and treatment area will be characterized as to total petroleum hydrocarbons (TPH) and volatile aromatic organics (BTEX) content to determine potential migration of contamination.
 - c. Contaminated soils exceeding OCD closure standards for the site will be removed or remediated.
 - d. The area will be contoured, seeded with native grasses and allowed to return to its natural state. If the landowner desires to keep existing structures, berms, and fences for future alternative uses the structures may be left in place.
 - e. Closure will be pursuant to all OCD requirements in effect at the time of closure, and any other applicable local, state and/or federal regulations.

CERTIFICATION

Hallwood Petroleum, Inc., by the officer whose signature appears below, accepts this permit and agrees to comply with all terms and conditions contained herein. Hallwood Petroleum, Inc. 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 ground water, surface water, human health and the environment.

Accepted:

HALLWOOD PETROLEUM, INC.

Signature _____ Title _____ Date _____