

**NM2 - 20**

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**PERMITS,  
RENEWALS,  
& MODS**



# NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

**GARY E. JOHNSON**  
Governor  
**Betty Rivera**  
Cabinet Secretary

November 25, 2002

**Lori Wrotenbery**  
Director  
Oil Conservation Division

**CERTIFIED MAIL**  
**RETURN RECEIPT NO. 70001-1940-0004-3929-8157**

Jerry D. Fanning, Jr.  
Yates Petroleum Corporation  
105 South Fourth St.  
Artesia, New Mexico 88210

**RE: OCD Rule 711 Permit Approval NM-02-020**  
**Yates Petroleum Corporation**  
**Centralized Surface Waste Management Facility Application Review**  
**SE/4 SE/4 Section 7, Township 19 South, Range 25 East, and**  
**Sections 14, 15 and 16, Township 18 South, Range 25 East, N.M.P.M.,**  
**Eddy County, New Mexico**

Dear Mr. Fanning:

The permit application for the Yates Petroleum Corporation (Yates) centralized surface waste management facility located in SE/4 SE/4 Section 7, Township 19 South, Range 25 East, and Sections 14, 15 and 16, Township 18 South, Range 25 East, N.M.P.M., Eddy 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. **This permit approval is conditional upon the receipt and approval by the Director of financial assurance in the amount of \$25,000.** Financial assurance in the amount of \$25,000 is required within 30 days of the date of this permit approval letter. The application consists of the permit application Form C-137 dated June 26, 2002, supplemental materials received May 28, 1998, September 4, 2002, October 4, 2002, October 14, 2002, and October 31, 2002, and public notice dated August 2, 2002.

The construction, operation, monitoring and reporting shall be as proposed in the C-137 application and supplemental materials and as specified in the enclosed attachment. All modifications and alternatives to the approved produced water treatment and land application facility must receive prior OCD approval. Yates 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 that approval of this permit does not relieve the Yates of responsibility should operations result in pollution of surface water, ground water or the environment. Nor does it relieve Yates of its responsibility to comply with any other governmental authority's rules and regulations.

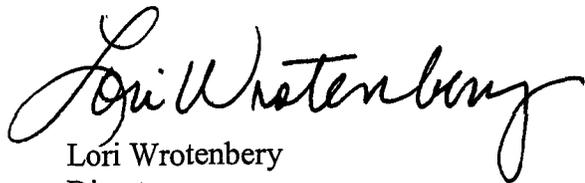
Please be advised that all tanks exceeding 16 feet in diameter and exposed pits, ponds or lagoons must be screened, netted or otherwise rendered non-hazardous to migratory birds. In addition, OCD Rule 310 prohibits oil from being stored or retained in earthen reservoirs or open receptacles.

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 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) 476-3488.

Sincerely,



Lori Wrotenbery  
Director

LW/mjk

xc with attachments:  
Artesia OCD Office

**ATTACHMENT TO OCD 711 PERMIT APPROVAL  
PERMIT NM-02-020  
YATES PETROLEUM CORPORATION  
SE/4 SE/4 Section 7, Township 19 South, Range 25 East, and  
Sections 14, 15 and 16, Township 18 South, Range 25 East, N.M.P.M.,  
Eddy County, New Mexico  
(November 25, 2002)**

**PRODUCED WATER TREATMENT AND DISPOSAL FACILITY CONSTRUCTION**

1. Construction must commence on the facility within one (1) year of the permit approval date. If construction does not commence within one (1) year of the permit approval date, this permit will be of no effect.
2. The treatment facility must be fenced with a locking gate and have a sign at the entrance. The sign must be legible from at least 50 feet and contain the following information: a) name of the facility; b) Oil Conservation Division permit number; c) location by section, township and range and by latitude and longitude; and d) emergency phone number.
3. The land application area must have a sign on the main entrance road that is legible from at least 50 feet and contains the following information: a) name of the facility; b) Oil Conservation Division permit number; c) location by section, township and range and by latitude and longitude; and d) emergency phone number
4. The treatment facility must be constructed such that there will be no storm water runoff beyond the boundaries of the facility.
5. All above-ground flat-bottom tanks located at the facility and containing materials other than fresh water or treated water must be placed on a gravel ring within a berm so that the area will contain one and one-third the volume of the largest tank or all interconnected tanks, whichever is greater.
6. All above-ground cone or double-bottom tanks located at the facility and containing materials other than fresh water or treated water must be within a berm so that the area will contain one and one-third the volume of the largest tank or all interconnected tanks, whichever is greater.
7. All drums or chemical containers containing materials other than fresh water must be stored on an impermeable pad with curbing. All empty drums should be stored on their sides with the bungs in place and lined up on a horizontal plane. Chemicals in other containers such as sacks or buckets must also be stored on an impermeable pad with curbing.

8. All above-ground saddle tanks must be set on an impermeable pad with curbing unless they contain fresh water or fluids that are gases at atmospheric temperature and pressure.
9. All tanks, drums, and other containers must be clearly labeled to identify their contents and other emergency information necessary if the tank were to rupture, spill, or ignite.
10. All below-grade sumps and below-grade tanks at the facility must have secondary impermeable containment with a leak detection monitoring system. Monitoring of the secondary containment system must be performed weekly and maintenance repairs must be made as needed. If fluids are present within the secondary containment they must be removed. Monitoring and maintenance results must be recorded and maintained for OCD review.

### **PRODUCED WATER TREATMENT AND DISPOSAL FACILITY OPERATION**

1. Disposal at the treatment facility shall occur only when an attendant is on duty unless fluids can be monitored or otherwise isolated for inspection before disposal. The treatment facility shall be secured to prevent unauthorized disposal when no attendant is present.
2. The facility must be maintained such that there will be no storm water runoff beyond the boundaries of the facility.
3. The berms enclosing the tanks may not contain any free liquid. Any ponding of precipitation or other fluids must be removed within 24 hours of discovery to prevent a hydrostatic head that could push potential contamination toward the ground water.
4. All samples collected for OCD reporting purposes will be analyzed at an approved lab using appropriate EPA Test Methods.
5. The produced water treatment and disposal process at this facility will begin as a field test and will be comprised of three phases. At the completion of each phase Yates Petroleum Corporation will prepare a report compiling all analytical tests and operational results to the OCD Santa Fe and Artesia offices for review and approval. As each phase is reviewed and approved the field test will progress to the subsequent phase.

PHASE I: The initial field trial of the produced water treatment system will include monitoring and testing of the treated water. Water will be stored and disposed of at the existing produced water disposal well during this initial system trial. The treatment system must be operational for a minimum of 30 days and must demonstrate consistency in operation in removing total organic carbon (TOC), total carbon (TC), and volatile organic compounds (VOC) to a level of 5 milligrams per liter (mg/l) or less and producing water that contains 2000 mg/l or less of total dissolved solids (TDS). Over the trial period the treated water must be tested for the constituents listed in Water Quality Control Commission

Regulations (WQCC) NMAC 20.6.2.3103 at a frequency appropriate to demonstrate the performance of the equipment and treatment method. The treated water must also be tested for the toxic pollutants as listed in NMAC 20.6.2.7.VV, benzene, toluene, ethyl benzene, and xylene (BTEX) and total petroleum hydrocarbons (TPH).

Upon completion of the Phase I field trial, a report must be submitted for review and approval along with a request to proceed to Phase II. At a minimum the report must include operational results and laboratory analyses performed during the duration of the trial period for TOC, TC, VOC, TDS, BTEX, TPH and the constituents listed in Water Quality Control Commission Regulations (WQCC) NMAC 20.6.2.3103 and NMAC 20.6.2.7.VV.

PHASE II: The treated produced water will be stored in a series of tanks located at the treatment facility and transferred via pipeline to another set of storage tanks or other OCD-approved storage containment located at the 4-Dinkus Ranch land application area. Surface application of the treated water will be performed with a gun or irrigation type sprinkler that will be repositioned as needed around the area. Phase II will last for a minimum of one (1) year.

Prior to the first land application the treated water must be tested for the constituents listed in WQCC NMAC 20.6.2.3103. Testing for the WQCC constituents must then occur monthly for the first six (6) months of operation and then quarterly for the remainder of Phase II.

To establish background constituent levels, soil cores will be taken prior to the first land application and then at six (6) month intervals during Phase II. A minimum of three (3) random soil core samples must be taken from each individual disposal unit, with no unit being larger than 50 acres. The samples must be taken at three (3) feet below ground surface. After soil samples are obtained, the boreholes must be filled and compacted with the removed soil material and adjacent native soil. The soil cores must be tested to evaluate the predictions made in the report prepared by the Natural Resource Conservation Service for this facility. The core samples must be analyzed for TPH, BTEX, major cations/anions and WQCC NMAC 20.6.2.3103 metals.

The existing five (5) ground water monitor wells (MW-1, MW-2, MW-3, MW-4 and MW-5) must be monitored prior to beginning the land application and tested for the constituents listed in WQCC NMAC 20.6.2.3103 to establish background levels. Monitoring and testing must then be performed quarterly during Phase II. The ground water must be analyzed for the constituents listed in WQCC NMAC 20.6.2.3103. The monitor wells must be purged, sampled and analyzed using EPA-approved methods and quality assurance/quality control (QA/QC) procedures.

Solid waste generated at the treatment facility must be characterized for naturally

occurring radioactive materials (NORM) prior to disposal.

Upon completion of the Phase II field trial, a report must be submitted for review and approval along with a request to proceed to Phase III. At a minimum the report must include operational results at the treatment plant, the laboratory analytical results for the constituents listed in WQCC NMAC 20.6.2.3103 for the treated water and ground water and all of the soil profile results.

PHASE III: Phase III is a continuation of Phase II with the respect to general operation, media sampling, and analysis of constituents. However, sampling and analysis of the treated water must be performed quarterly and ground water and soil cores must be sampled and analyzed annually.

Reporting of all data will be yearly. Yates will supply the OCD Santa Fe and Artesia offices with an annual report. If there are any ground water analytical results that show WQCC constituents elevated above WQCC standards the OCD Santa Fe and Artesia office must be notified in writing within 30 days from the receipt of the laboratory report. The data will be reviewed by the OCD Santa Fe office and if needed additional steps may be imposed by the OCD to ensure the protection of fresh water and the environment.

6. The operator must maintain the treatment facility such that the treated water for land application contains 2000 mg/l or less of TDS and does not contain any toxic pollutant as listed in WQCC NMAC 20.6.2.7.VV and does not contain in excess of 10 mg/l benzene, 50 mg/l BTEX and 100 mg/l TPH.
7. The operator must monitor the application rate of the treated water so that no more than 350 gallons per minute is applied to an area 360 feet in diameter or 2.4 acres. Yates must ensure that there will be no ponding, pooling or runoff of the applied treated water.
8. Any design changes that may influence the quality of the discharge stream, increase the storage capacity of the treatment system by 50 % or more or increase the size or location of the disposal area must be submitted to the OCD Santa Fe office for approval and a copy must be sent to the Artesia District Office.
9. Inspection of the treatment facility must be conducted on at least a daily basis and immediately following each consequential rainstorm or windstorm. Inspection of the land application area must be conducted at least daily while water is being applied. Maintenance and repairs must be made as soon as possible. If the defect will jeopardize the integrity of the tank(s), the affected tank(s) must be emptied and additional material may not be placed into the affected tank(s) until repairs have been completed.
10. Any process, maintenance, or waste storage area that shows evidence that leaks and spills are reaching the ground surface must be either paved/lined and curbed or have some type of spill collection device incorporated into the design.
11. Below-grade pipelines associated with the produced water treatment facility must be

pressure tested annually. Results must be reported in the annual report to the OCD. 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 or remediated on site in accordance with OCD approved methods. Soil remediation must follow OCD surface impoundment closure guidelines. Yates must submit a report to the OCD Santa Fe and Artesia District offices that describes the investigation and remedial actions taken.

12. Solid waste generated at the produced water treatment facility must be disposed of in OCD-approved manner.
13. 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.

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

### **H<sub>2</sub>S PREVENTION & CONTINGENCY PLAN**

1. Yates Petroleum Corporation has developed a prevention and contingency plan for ambient H<sub>2</sub>S levels to protect public health. This plan includes training of personnel employed at the treatment facility and installation and maintenance of H<sub>2</sub>S safety equipment, wind indicators, flashing lights and audible alarms. The amended H<sub>2</sub>S prevention and contingency plan submitted September 16, 2002 is hereby approved. In accordance with the H<sub>2</sub>S prevention and contingency plan, Yates must meet the following permit conditions in the order that is most appropriate for the situation.
  - a. If H<sub>2</sub>S of 1.0 ppm or greater leaves the property:
    - i. the operator must notify the Artesia office of the OCD immediately; and
    - ii. the operator must begin operations or treatment that will mitigate the source.
  - b. If H<sub>2</sub>S of 10.0 ppm or greater leaves the property:
    - i. the operator must immediately notify the Artesia office of the OCD and the following public safety agencies:

New Mexico State Police;  
Eddy County Sheriff; and  
Eddy 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 exempt oilfield wastes that are generated in the State of New Mexico by Yates Petroleum Corporation.
2. 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 20.3.14.1403 NMAC.
3. At no time may any OCD-permitted surface waste management facility accept wastes that are hazardous 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 shall 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.

### **REPORTING**

1. A report detailing operational and monitoring results must be submitted upon completion of the Phase I and Phase II field trials.
2. A yearly report detailing operational, monitoring and analytical results must be submitted to the OCD Santa Fe and Artesia offices for the Phase III operation of the facility.
3. Records of treatment and disposal facility inspections and pipeline testing and maintenance must be kept and maintained for OCD review.

4. The operator must notify the **OCD Santa Fe and Artesia 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 waste received and treated 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 if applicable; and 7) transporter.
6. 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** in the form of a surety or cash bond or a letter of credit, which is approved by the Division, is required from Yates Petroleum Corporation for the centralized surface waste management facility.
2. Financial assurance must be submitted by **December 27, 2002**.

### CLOSURE

1. The OCD Santa Fe and Artesia 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, the operator must submit a closure plan 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 guidelines for the site must be removed or remediated unless it can be demonstrated that levels exceeding the guidelines are protective of public health and the environment
  - d. The area must be contoured, seeded with native grasses and allowed to return to its natural state. At the request of the landowner and approval of the OCD, existing structures, berms, or fences may be left in place for future alternative

uses.

- 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**

Yates Petroleum Corporation, by the officer whose signature appears below, accepts this permit and agrees to comply with all terms and conditions contained herein. Yates Petroleum Corporation further acknowledges that the 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:

YATES PETROLEUM CORPORATION

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

**ATTACHMENT TO OCD 711 PERMIT APPROVAL**  
**PERMIT NM-02-020**  
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Eddy County Sheriff; and  
Eddy County Fire Marshall;

- ii. the operator must notify all persons residing within one-half (1/2) mile of the fence line and assist public safety officials with evacuation as requested; and
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1. A report detailing operational and monitoring results must be submitted upon completion of the Phase I and Phase II field trials.
2. A yearly report detailing operational, monitoring and analytical results must be submitted to the OCD Santa Fe and Artesia offices for the Phase III operation of the facility.
3. Records of treatment and disposal facility inspections and pipeline testing and maintenance must be kept and maintained for OCD review.

4. The operator must notify the **OCD Santa Fe and Artesia 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 waste received and treated 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 if applicable; and 7) transporter.
6. 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** in the form of a surety or cash bond or a letter of credit, which is approved by the Division, is required from Yates Petroleum Corporation for the centralized surface waste management facility.
2. Financial assurance must be submitted by **December 27, 2002**.

### **CLOSURE**

1. The OCD Santa Fe and Artesia 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, the operator must submit a closure plan 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 guidelines for the site must be removed or remediated unless it can be demonstrated that levels exceeding the guidelines are protective of public health and the environment
  - d. The area must be contoured, seeded with native grasses and allowed to return to its natural state. At the request of the landowner and approval of the OCD, existing structures, berms, or fences may be left in place for future alternative

uses.

- 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**

Yates Petroleum Corporation, by the officer whose signature appears below, accepts this permit and agrees to comply with all terms and conditions contained herein. Yates Petroleum Corporation further acknowledges that the 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:

YATES PETROLEUM CORPORATION

Signature



Title

Vice President

Date

12-11-02