

BW - 6

**PERMITS,
RENEWALS,
& MODS**

Chavez, Carl J, EMNRD

From: Price, Wayne, EMNRD
Sent: Friday, July 25, 2008 1:48 PM
To: rharrisnm@aim.com
Cc: Fesmire, Mark, EMNRD; Sanchez, Daniel J., EMNRD; Chavez, Carl J, EMNRD; Gum, Tim, EMNRD; Jones, Brad A., EMNRD; Griswold, Jim, EMNRD; Hansen, Edward J., EMNRD; Lowe, Leonard, EMNRD; VonGonten, Glenn, EMNRD
Subject: RE: I & W Brine

Absolutely denied!

From: rharrisnm@aim.com [mailto:rharrisnm@aim.com]
Sent: Friday, July 25, 2008 11:14 AM
To: Price, Wayne, EMNRD
Subject: I & W Brine

Wayne,

Notice of intent to plug the I&W Brine well, sent to you and the Artesia office today.

I have reviewed the history of the I&W Brine well and I am not quite sure why the State is so adamant about shutting them down. Let me review, the Jims Brine well had casing run to 416' with only **50 sxs cement**. The I&W well has 9 5/8" set at 349' with **circulated cement** and 7" set at 456' with **cement circulated**. The well has never failed to hold pressure or given any other reason for concern. The sonar of the cavity ran in 2007 showed no abnormalities.

In addition the economic loss while going through the permitting process for a new brine well not to mention the cost of the new facility.

I would like to suggest that the OCD review the information on the I&W well and perhaps allow them to continue until a new facility is approved.

Randall Harris

The Famous, the Infamous, the Lame - in your browser. [Get the TMZ Toolbar Now!](#)

This inbound email has been scanned by the MessageLabs Email Security System.

7/25/2008

Chavez, Carl J, EMNRD

From: Price, Wayne, EMNRD
Sent: Tuesday, July 22, 2008 4:19 PM
To: lisa@iandwinc.com
Cc: lowells@pvtnetworks.net; Chavez, Carl J, EMNRD; Macquesten, Gail, EMNRD; Altomare, Mikal, EMNRD; Gum, Tim, EMNRD; Sanchez, Daniel J., EMNRD; Fesmire, Mark, EMNRD
Subject: FW: Eugenie #1 (bw-006)

Attention I&W: In addition, please make sure any make-up water added is brine water (not fresh water). Monitor volumes released or added and record pressure weekly. OCD would like to see 50 psig, plus and minus 10 psig, maintained at the well head monitored on the casing. Please note we have recommended a changed from 100 psig to 50 psig. The reason is to make sure the formation frac gradient is not exceeded if you experience salt creep and a pressure build-up. Please notify OCD immediately of any surface cracks, subsidence, or any anomaly in the system.

Please confirm you, Kevin Foster and the owners have received this E-mail and shall be made part of your existing permit and attached thereto.

From: Lisa Rice [mailto:lisa@iandwinc.com]
Sent: Tuesday, July 22, 2008 3:30 PM
To: Price, Wayne, EMNRD
Subject: Eugenie #1 (bw-006)

New Mexico state Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

July 22, 2008

Attn: Mr. Wayne Price
Environmental Bureau Chief

This Letter is solely to inform you and the oil conservation division that I & W, Inc. has voluntarily and permanently shut in our Eugenie #1 Brine well (BW-006).

We will continue to monitor the pressure on the well on a daily basis not allowing the pressure to drop below 100 lbs. In the event of any unforeseen problems I & W, Inc. will immediately contact your office.

Sincerely,

Kevin Wilson
Operations Manager I & W, Inc.

This inbound email has been scanned by the MessageLabs Email Security System.

7/22/2008

Chavez, Carl J, EMNRD

From: Price, Wayne, EMNRD
Sent: Tuesday, July 22, 2008 3:58 PM
To: Lisa Rice
Cc: Chavez, Carl J, EMNRD
Subject: RE: Eugenie #1 (bw-006)

Please correct the maintained pressure to 50 psig at the surface. Please respond and acknowledge.

From: Lisa Rice [mailto:lisa@iandwinc.com]
Sent: Tuesday, July 22, 2008 3:30 PM
To: Price, Wayne, EMNRD
Subject: Eugenie #1 (bw-006)

New Mexico state Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

July 22, 2008

Attn: Mr. Wayne Price
Environmental Bureau Chief

This Letter is solely to inform you and the oil conservation division that I & W, Inc. has voluntarily and permanently shut in our Eugenie #1 Brine well (BW-006).

We will continue to monitor the pressure on the well on a daily basis not allowing the pressure to drop below 100 lbs. In the event of any unforeseen problems I & W, Inc. will immediately contact your office.

Sincerely,

Kevin Wilson
Operations Manager I & W, Inc.

This inbound email has been scanned by the MessageLabs Email Security System.

7/22/2008

Description		FUND	CES	DFA ORG	DFA ACCT	ED ORG	ED ACCT	AMOUNT	
1	CY Reimbursement Project Tax	064	01						1
5	Gross Receipt Tax	084	01		2328	900000	2328134		2
3	Air Quality Title V	092	13	1300	1896	900000	4168134		3
4	PRP Prepayments	248	14	1400	9696	900000	4989014		4
2	Climax Chemical Co.	248	14	1400	9696	900000	4989015		5
6	Circle K Reimbursements	248	14	1400	9696	900000	4969248		6
7	Hazardous Waste Permits	339	27	2700	1686	900000	4169027		7
8	Hazardous Waste Annual Generator Fees	339	27	2700	1686	900000	4169338		8
10	Water Quality - Oil Conservation Division	341	29		2329	900000	2328029	100.00	10
11	Water Quality - GW Discharge Permit	341	29	2900	1696	900000	4169029		11
12	Air Quality Permits	631	31	2500	1696	900000	4169031		12
13	Payments under Protest	851	33		2919	900000	2919033		13
14	Xerox Copies	652	34		2349	900000	2348001		*14
15	Ground Water Penalties	652	34		2349	900000	2348002		15
16	Witness Fees	652	34		2349	900000	2439003		16
17	Air Quality Penalties	652	34		2349	900000	2349004		17
18	OSHA Penalties	652	34		2349	900000	2349005		18
19	Prior Year Reimbursement	652	34		2349	900000	2349006		19
20	Surface Water Quality Certification	652	34		2349	900000	2349009		20
21	Jury Duty	652	34		2349	900000	2349012		21
22	CY Reimbursements (i.e. telephone)	652	34		2349	900000	2349014		22
23	UST Owner's List	783	24	2500	9696	900000	4969201		*23
24	Hazardous Waste Notifiers List	783	24	2500	9696	900000	4969202		*24
25	UST Maps	783	24	2500	9696	900000	4969203		*25
26	UST Owner's Update	783	24	2500	9696	900000	4969205		*26
28	Hazardous Waste Regulations	783	24	2500	9696	900000	4969207		*28
29	Radiologic Tech. Regulations	783	24	2500	9696	900000	4969208		*29
30	Superfund CERLIS List	783	24	2500	9696	900000	4969211		*30
31	Solid Waste Permit Fees	783	24	2500	9696	900000	4969213		31
32	Smoking School	783	24	2500	9696	900000	4969214		32
33	SWQB - NPS Publications	783	24	2500	9696	900000	4969222		*33
34	Radiation Licensing Regulation	783	24	2500	9696	900000	4969228		*34
35	Sale of Equipment	783	24	2500	9696	900000	4969301		*35
36	Sale of Automobile	783	24	2500	9696	900000	4969302		*36
37	Lust Recoveries	783	24	2500	9696	900000	4969814		**37
38	Lust Repayments	783	24	2500	9696	900000	4969815		**38
39	Surface Water Publication	783	24	2500	9696	900000	4969801		39
40	Exxon Reese Drive Ruidoso - CAF	783	24	2500	9696	900000	4969242		40
41	Emerg. Hazardous Waste Penalties NOV	957	32	9600	1696	900000	4164032		41
42	Radiologic Tech. Certification	987	05	0500	1696	900000	4169005		42
44	Ust Permit Fees	989	20	3100	1696	900000	4169020		44
45	UST Tank Installers Fees	989	20	3100	1696	900000	4169021		45
46	Food Permit Fees	991	26	2600	1696	900000	4169026		46
43	Other								43

Gross Receipt Tax Required

Site Name & Project Code Required

TOTAL

100.00

Contact Person:

Wayne Price

Phone:

476-3490

Date:

8/2/06

Received in ASD By:

Date:

RT #:

ST #:

ACKNOWLEDGEMENT OF RECEIPT
OF CHECK/CASH

I hereby acknowledge receipt of check No. [REDACTED] dated 7/31/06

in cash received on _____ in the amount of \$ 100.00

from I & W, Inc

for BW-006

submitted by Lawrence Romero Date 8/2/06

submitted to ASD by Veronica Romero Date 8/2/06

Received in ASD by _____ Date _____


Filing Fee ☒ New Facility _____ Renewal _____

Modification _____ Other _____

Organization Code 521.07 Applicable FY 2004

To be deposited in the Water Quality Management Fund.

Full Payment _____ or Annual Increment _____

 Western Bank ARTESIA, NEW MEXICO 88210	I & W, INC. P.O. BOX 98 PH. 505-677-2111 LOCO HILLS, NM 88255		DATE <u>7/31/06</u>		95-198/1122																
	PAY TO THE ORDER OF <u>Air Conservation Division</u>				\$ <u>100.00</u>																
	<u>One hundred and 00/100</u>				DOLLARS <input checked="" type="checkbox"/>																
	<table border="1"><tr><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td></td></tr></table>																				
THIS CHECK IS DELIVERED FOR PAYMENT ON THE ACCOUNTS LISTED				<u>Baylen E. Sig</u>																	



P.O. BOX 98
LOCO HILLS, NEW MEXICO 88255

2006 AUG 2 PM 2 14

July 28, 2006

Mr. Wayne Price
Oil Conservation Division
1220 S. St. Francis Dr.
Santa Fe, New Mexico 875015

Re: Eugenie Brine Extraction Facility
Discharge Plan application
Discharge Plan BW-006
SW/4 SW/4 Section 17-T22S-R27E

Dear Mr. Price

Enclosed please find our Discharge Plan Application and a copy of the existing plot location. We would appreciate it if you would look this over and let us know if there is any additional information needed.

Please contact me at (505)677-2111 or (505)885-6663 if there is any additional information needed to complete our application. Thank you for your time in regards to this matter and we will be waiting to hear from you or your office.

Sincerely,

Kevin Wilson
Operation Manager

ARTESIA
(505) 746-4214
1 (800) 748-1972

CARLSBAD
(505) 885-6663
1 (800) 858-2739

LOCO HILLS
(505) 677-2111
1 (800) 748-1972

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department
Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Revised June 10, 2003

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

DISCHARGE PLAN APPLICATION FOR BRINE EXTRACTION FACILITIES

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

☐ New ☒ Renewal Permit # _____

995 FSL 641 FWL

- I. Facility Name: EUGENIE BRINE EXTRACTION FACILITY
- II. Operator: I & W, INC.
Address: P.O. BOX 98 LOCO HILLS, NEW MEXICO 88255
Contact Person: KEVIN WILSON / LISA RICE PHONE: (505)677-2111 OR (505)885-6663
- III. Location: SW /4 SW /4 Section 17 Township 22 Range 27
Submit large scale topographic map showing exact location.
- IV. Attach the name and address of the landowner of the facility site.
- V. Attach a description of the types and quantities of fluids at the facility.
- VI. Attach a description of all fluid transfer and storage and fluid and solid disposal facilities.
- VII. Attach a description of underground facilities (i.e. brine extraction well).
- VIII. Attach a contingency plan for reporting and clean-up of spills or releases.
- IX. Attach geological/hydrological evidence demonstrating that brine extraction operations will not adversely impact fresh water.
- X. Attach such other information as is necessary to demonstrate compliance with any other OCD rules, regulations and/or orders.
- XI. CERTIFICATION:

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

Name: KEVIN WILSON

Title: OPERATION MANAGER

Signature: Kevin Wilson

Date: July 28, 2006

E-mail

Address: IWCARLSBAD@PLATEAUTEL.NET

QUANTITIES

SOURCE: EUGENIE #1 EXTRACTION FACILITY

AVERAGE DAILY VOLUME PRODUCED: 200 BBLs/DAY

ESTIMATED VOLUME STORED: 4000 BBLs

TYPE OF CONTAINERS: 4 X 1000 BBL-STEEL TANKS



PHONE (325) 673-7001 • 2111 BEECHWOOD • ABILENE, TX 79603

PHONE (505) 393-2326 • 101 E. MARLAND • HOBBS, NM 88240

ANALYTICAL RESULTS FOR

I & W, INC.

ATTN: LISA RICE

3005 S. CANAL

CARLSBAD, NM 88220

FAX TO: (505) 885-8477

Receiving Date: 01/31/06
Reporting Date: 02/03/06
Project Number: NOT GIVEN
Project Name: NOT GIVEN
Project Location: NOT GIVEN

Sampling Date: 01/25/06
Sample Type: BRINE WATER
Sample Condition: COOL & INTACT
Sample Received By: BC
Analyzed By: HM

LAB NUMBER	SAMPLE ID	Na (mg/L)	Ca (mg/L)	Mg (mg/L)	K (mg/L)	Conductivity (μ S/cm)	T-Alkalinity (mgCaCO ₃ /L)
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ANALYSIS DATE:	02/01/06	02/01/06	02/01/06	02/01/06	02/02/06	02/01/06
H10685-1 10 LB. BRINE WATER	124954	1523	194	10.7	113500	144
Quality Control	NR	48	49	2.67	1412	NR
True Value QC	NR	50	50	3.00	1413	NR
% Recovery	NR	96.2	97	89	99.9	NR
Relative Percent Difference	NR	12	1	0.3	0.8	NR

METHODS:	SM3500-Ca-D	3500-Mg E	8049	120.1	310.1
----------	-------------	-----------	------	-------	-------

	Cl ⁻ (mg/L)	SO ₄ (mg/L)	CO ₃ (mg/L)	HCO ₃ (mg/L)	pH (s.u.)	TDS (mg/L)
ANALYSIS DATE:	02/01/06	02/02/06	02/01/06	02/01/06	02/02/06	02/01/06
H10685-1 10 LB. BRINE WATER	192940	4193	0	176	6.23	319676
Quality Control	460	22.59	NR	915	7.03	NR
True Value QC	500	25.00	NR	1000	7	NR
% Recovery	92	90.4	NR	91.5	100	NR
Relative Percent Difference	6	4.4	NR	2.5	0	

METHODS:	SM4500-Cl-B	375.4	310.1	310.1	150.1	160.1
----------	-------------	-------	-------	-------	-------	-------

Chemist

Date

PLEASE NOTE: Liability and Damages. Cardinal's liability and client's exclusive remedy for any claim arising, whether based in contract or tort, shall be limited to the amount paid by client for analyses. All claims, including those for negligence and any other cause whatsoever shall be deemed waived unless made in writing and received by Cardinal within thirty (30) days after completion of the applicable service. H10685-1 Cardinal be liable for incidental or consequential damages, including, without limitation, business interruptions, loss of use, or loss of profits incurred by client, its subsidiaries, affiliates or successors arising out of or related to the performance of services hereunder by Cardinal, regardless of whether such claim is based upon any of the above-stated reasons or otherwise.



PHONE (325) 673-7001 • 2111 BEECHWOOD • ABILENE, TX 79603

PHONE (505) 393-2326 • 101 E. MARLAND • HOBBS, NM 88240

ANALYTICAL RESULTS FOR

I & W, INC.

ATTN: LISA RICE

3005 S. CANAL

CARLSBAD, NM 88220

FAX TO: (505) 885-8477

Receiving Date: 01/31/06

Reporting Date: 02/03/06

Project Number: NOT GIVEN

Project Name: NOT GIVEN

Project Location: NOT GIVEN

Analysis Date: 02/03/06

Sampling Date: 01/25/06

Sample Type: BRINE WATER

Sample Condition: COOL & INTACT

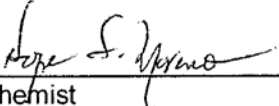
Sample Received By: BC

Analyzed By: HM

LAB NUMBER	SAMPLE ID	Fe (ppm)
H1685-1	10 LB. BRINE WATER	< 0.1
Quality Control		1.019
True Value QC		1.000
% Recovery		102
Relative Percent Difference		0.8

METHOD: EPA 600/4-79-020

236.1


Chemist

02-03-06
Date

PLEASE NOTE: Liability and Damages. Cardinal's liability and client's exclusive remedy for any claim arising, whether based in contract or tort, shall be limited to the amount paid by client for analyses. All claims, including those for negligence and any other cause whatsoever shall be deemed waived unless made in writing and received by Cardinal within thirty (30) days after completion of the applicable service. In the event of a claim, Cardinal be liable for incidental or consequential damages, including, without limitation, business interruptions, loss of use, or loss of profits incurred by client, its subsidiaries, affiliates or successors arising out of or related to the performance of services hereunder by Cardinal, regardless of whether such claim is based upon any of the above-stated reasons or otherwise.



ARDINAL LABORATORIES, INC.

2111 Beechwood, Abilene, TX 79603 101 East Marland, Hobbs, NM 88240

(325) 673-7001 Fax (325) 673-7020 (505) 393-2326 Fax (505) 393-2476

CHAIN-OF-CUSTODY AND ANALYSIS REQUEST

Page ____ of ____

Company Name: <u>I & W Inc.</u>				BILL TO				ANALYSIS REQUEST												
Project Manager: <u>Lisa Rice</u>				P.O. #:				<div style="writing-mode: vertical-rl; transform: rotate(180deg);">Cat / Anion / Fe</div>												
Address: <u>3005 S. CANAL</u>				Company:																
City: <u>CARLSBAD</u> State: <u>NM</u> Zip: <u>88220</u>				Attn:																
Phone #: <u>505-885-6663</u> Fax #: <u>505-885-8477</u>				Address:																
Project #: _____ Project Owner: _____				City:																
Project Name:				State: _____ Zip: _____																
Project Location:				Phone #:																
Sampler Name:				Fax #:																
FOR LAB USE ONLY				MATRIX		PRESERV.		SAMPLING												
Lab I.D.	Sample I.D.	(GRAB OR C/COMP.)	# CONTAINERS	GROUNDWATER	WASTEWATER	SOIL	OIL	SLUDGE	OTHER	ACID/BASE:	ICE / COOL	OTHER:	DATE	TIME						
<u>1110685-1</u>	<u>10 Lb Brine Water</u>								<u>X</u>				<u>1/25/06</u>		<u>X</u>					

PLEASE NOTE: Liability and Damages, Cardinal's liability and client's exclusive remedy for any claim arising whether based in contract or tort, shall be limited to the amount paid by the client for the analyses. All claims, including those for negligence and any other cause whatsoever, shall be deemed waived unless made in writing and received by Cardinal within 30 days of completion of the applicable service. In no event shall Cardinal be liable for incidental or consequential damages, including without limitation, business interruption, loss of use, or loss of profits, arising out of the use of the services of Cardinal or its affiliates or successors arising out of or related to the performance of services rendered by Cardinal, regardless of whether such claim is based upon any of the above stated reasons or otherwise.

Terms and Conditions of Interest: All accounts are subject to a 30 day past due penalty rate of 2.5% per annum from the original date of invoice, and all costs are collected on a non-refundable basis.

Sampler Relinquished:		Date:	Received By:	Phone Result:	<input type="checkbox"/> Yes <input type="checkbox"/> No
		Time:		Fax Result:	<input type="checkbox"/> Yes <input type="checkbox"/> No
Relinquished By:		Date:	Received By: (Lab Staff)	REMARKS:	
<u>Renee Soto</u>		<u>1/31/06</u>	<u>Burton D. Cook</u>		
Delivered By: (Circle One)		Time:	Sample Condition	Checked By:	
Sampler - UPS - Bus - Other:		<u>11:40</u>	Temp. °C Intact?	(Initials)	
			<u>Cool</u> <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		

† Cardinal cannot accept verbal changes. Please fax written changes to (325) 673-7020.

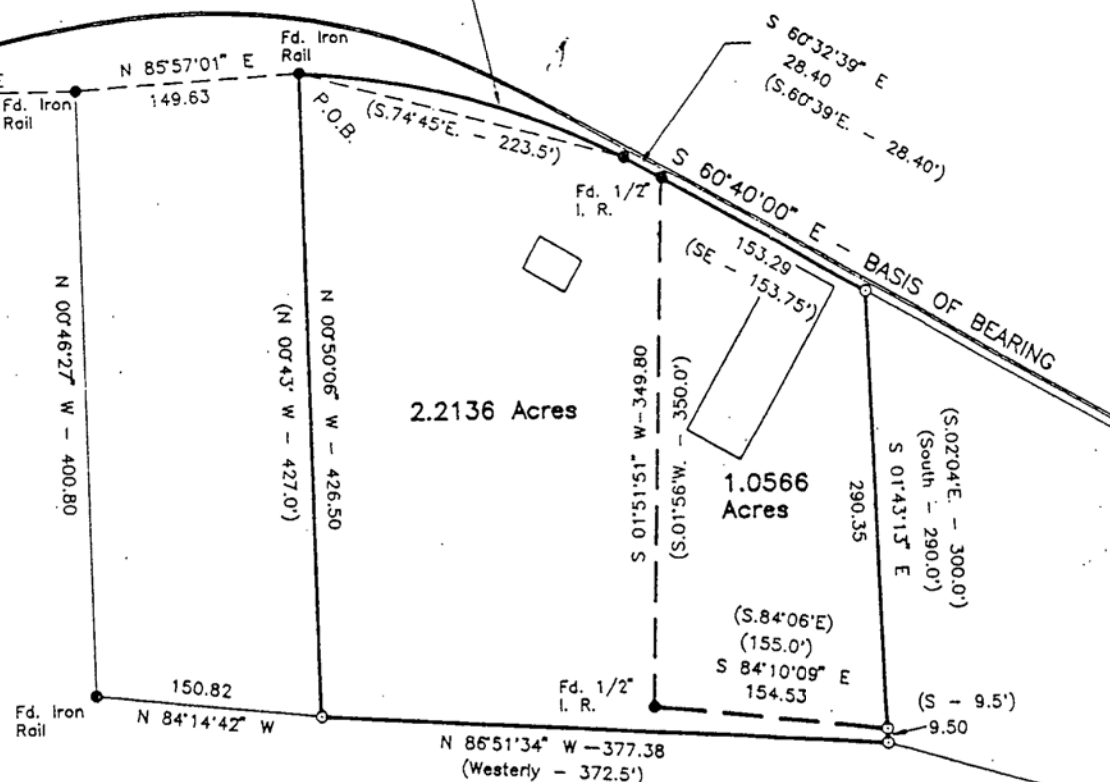
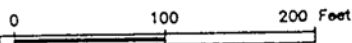
1/16 Cor.
Found
1/2" Rebar

Section 17
Section 18

T=114.35
LC=223.42
CB=S 74°51'34" E



SCALE: 1"=100'



LEGAL DESCRIPTION:

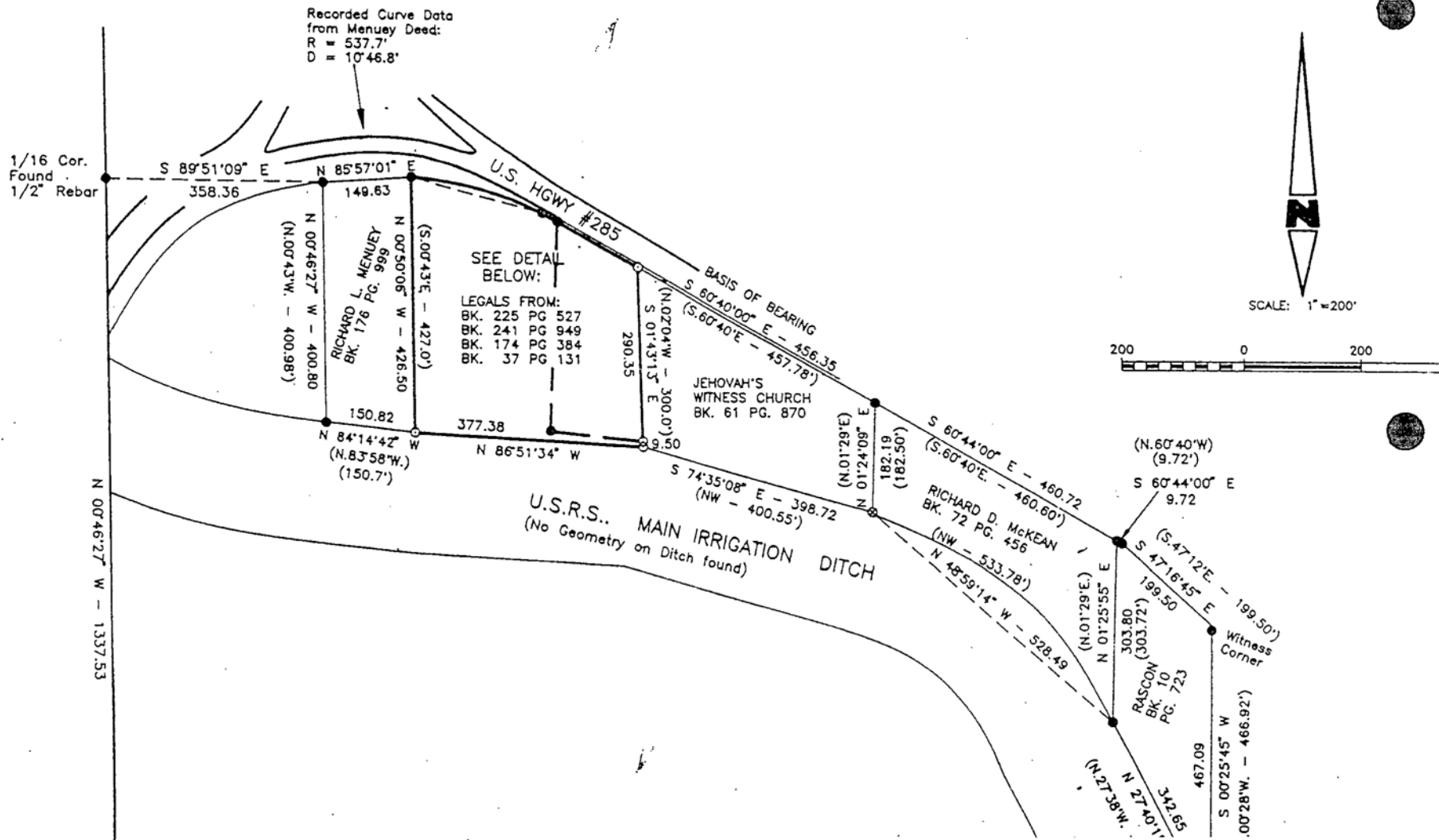
A tract of land located in the Southwest quarter of the Southwest quarter of Section 17, Township 22 South, Range 27 East, NMPM, Eddy County, New Mexico and being more particularly described as follows:

Beginning at the Northwest corner of this tract, a point being on the South Right of Way line of State Highway No. 285 and a point being S.89°51'09"E., 358.36 feet and N.85°57'01"E., 149.63 feet from a half inch rebar accepted as the Northwest corner of

LEGEND:

- ⊗ Calculated Corner (Not found or set)
- Found Corner

SECTION 17, TOWNSHIP 22 SOUTH, RANGE 27 EAST, N.M.P.M.,
EDDY COUNTY, NEW MEXICO



887-3991

4-1000 BBL BRINE
STORAGE TANKS

EUGENIE #1

DISCHARGE BRINE
TO STORAGE TANKS

GROUND SURFACE

1 well
Injection
↓
EXTRACTION

8 3/8" CASING

220'

5 1/2" CASING

2 7/8" TUBING

456'

Top of SALT

SALT FORMATION

601'

Plugged?
~~ABANDON~~

EUGENIE #2

F/W Injection
Down Hole

Centered
Top to Bottom

5 1/2" CASING

285'

2 7/8" TUBING

456'

601'

663'

Depth, Diameter
Casing & Tubing
Specs
Map B

SUB-SURFACE SCHEMATIC DRAWING
of EUGENIE #1 &

SOUTH Y CARLSBAD N.M. 88220

DATE

1/30/00

I & W, Inc

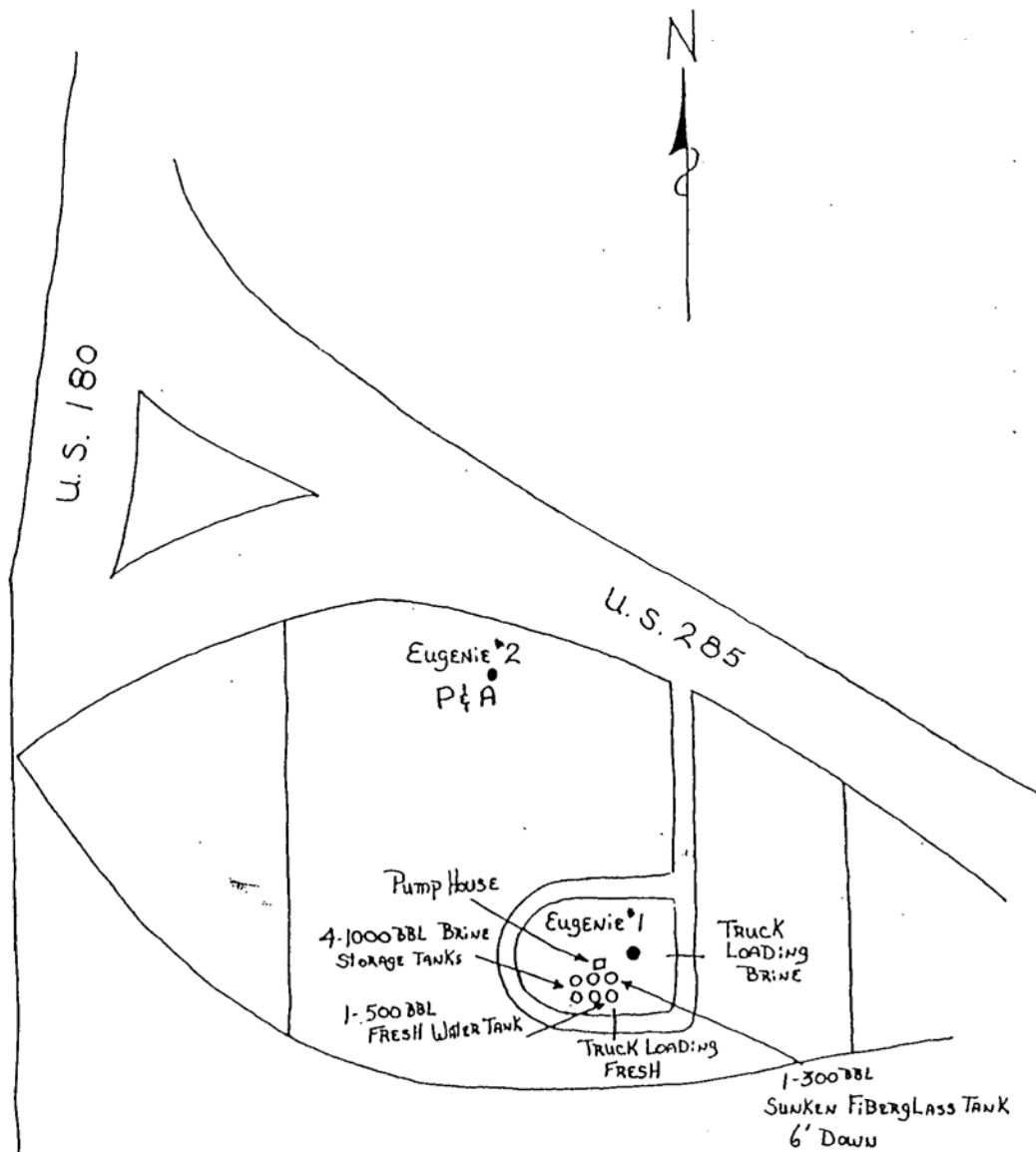
7 MAY (CID)



377.38

New
Existing
Plot

N



Facility Plot Plan
Map A

IEW INC.		
EUGENIE #1 - EUGENIE #2 BRINE STATION		
SW/4 - SW/4 SEC. 17 RGE. 27E TWP. 22S		
DATE 1/29/01	GENE PRUITT	REVISED DRAWING #2

NOTICE OF PUBLICATION

encl. notes

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

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

(BW-006) I & W Inc. Mr. Kevin Wilson, P.O. Box 98, Loco Hills, New Mexico 88255, has submitted an application for the renewal of a discharge plan for the brine well "Eugenie Well No. 1," located in the SW/4, SW/4 of Section 17, Township 22 South, Range 27 East, NMPM, Eddy County, New Mexico. The brine extraction well is located just south of U.S. Hwy. 285 near the intersection of Hwy. 285 and Canal Street in Carlsbad. An average of 200 barrels per day of brine water with a total dissolved solids (TDS) concentration of approximately 463,000 mg/L is produced for use in the oil industry. Groundwater most likely to be affected by a spill, leak, or accidental discharge to the surface is at a depth of approximately 45 feet with a TDS of approximately 200 mg/L. The discharge plan addresses well construction, operation, monitoring of the well, associated surface facilities, and provides a contingency plan in the event of accidental spills, leaks and other accidental discharges in order to protect fresh water.

Fresh water will be injected through the outer casing into the Salado Formation at an injection depth of 456 ft. below ground surface at a daily rate of 200 barrels per day and at a maximum injection pressure of 238 psig. Brine water will be extracted upward through the tubing at a depth of 601 ft. below ground surface at about the same rate. Groundwater most likely to be affected by a spill, leak or accidental discharge is at a depth of about 40 ft. below ground surface, with a total dissolved solids concentration of 210 mg/L.

The NMOCD has determined that the application is administratively complete and has prepared a draft permit. The NMOCD will accept comments and statements of interest regarding this application and will create a facility-specific mailing list for persons who wish to receive future notices. Persons interested in obtaining further information, submitting comments or requesting to be on a facility-specific mailing list for future notices may contact the Environmental Bureau Chief of the Oil Conservation Division at the address given above. The administrative completeness determination and draft permit may be viewed at the above address between 8:00 a.m. and 4:00 p.m., Monday through Friday, or may also be viewed at the NMOCD web site <http://www.emnrd.state.nm.us/ocd/>. Persons interested in obtaining a copy of the application and draft permit may contact the NMOCD at the address given above. Prior to ruling on any proposed discharge permit or major modification, the Director shall allow a period of at least thirty (30) days after the date of publication of this notice, during which interested persons may submit comments or request that NMOCD hold a public hearing. Requests for a public hearing shall set forth the reasons why a hearing should be held. A hearing will be held if the Director determines that there is significant public interest.

If no public hearing is held, the Director will approve or disapprove the proposed permit based on information available, including all comments received. If a public hearing is held, the director will approve or disapprove the proposed permit based on information in the permit application and information submitted at the hearing.

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

GIVEN under the Seal of New Mexico Oil Conservation Commission at Santa Fe, New Mexico, on this 9th day of July 2007.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

S E A L

Mark Fesmire, Director



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

June 28, 2007

Mr. Kevin Wilson
I & W Inc.
P.O. Box 98
Loco Hills, New Mexico 88255

Re: Discharge Plan Renewal of Permit (BW-006)
I & W Inc.
Class III Brine Well
Eugenie Well No. 001, API No. 30-015-22574
995 FSL and 641 FWL UL: M Section 17, T 22 S, R 27
Eddy County, New Mexico

Dear Mr. Wilson:

The New Mexico Oil Conservation Division (NMOCD) has received I & W Inc.'s renewal application for the "Eugenie Well No. 1" brine well to inject fresh water and extract 10 pound brine water from the Salado Formation at a daily rate of 200 barrels per day and at a maximum injection pressure of 238 psig. The Class III brine well is located approximately 6 miles southwest of Aztec, at the intersection of CR-350 and CR-3773. The initial and subsequent submittals provided the required information in order to deem the renewal application "administratively" complete.

Therefore, the New Mexico Water Quality Control Commission regulations (WQCC) notice requirements of 20.6.2.3108 NMAC must be satisfied and demonstrated to the NMOCD. NMOCD will provide public notice pursuant to the WQCC notice requirements of 20.6.2.3108 NMAC to determine if there is any public interest.

Please contact me at (505) 476-3491 or carlj.chavez@state.nm.us if you have questions. Thank you for your cooperation during this discharge permit review.

Sincerely,

Carl J. Chavez
Environmental Engineer

CJC/cjc

xc: OCD District Office



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

July 6, 2007

Mr. Kevin Wilson
I&W Inc.
P.O. Box 98
Loco Hills, New Mexico 88255

Re: Discharge Permit "Eugenie Well No. 001" (BW-006) Class III Renewal

Dear Mr. Wilson:

Pursuant to all applicable parts of the Water Quality Control Commission (WQCC) Regulations 20.6.2 NMAC and more specifically 20.6.2.3104 - 20.6.2.3999 discharge permit, and 20.6.2.5000-.5299 Underground Injection Control, the Oil Conservation Division (OCD) hereby approves the discharge permit and authorizes the operation and injection for the I & W Inc. (**Owner/Operator**) brine well BW 006 located in the SW/4, SW/4 of Section 17, Township 22 South, and Range 27 East, NMPM, Lea County, New Mexico, under the conditions specified in the enclosed **Attachment To The Discharge Permit**.

Enclosed are two copies of the conditions of approval. **Please sign and return one copy to the New Mexico Oil Conservation Division (OCD) Santa Fe Office within 30 working days of receipt of this Letter including permit fees.**

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

If you have any questions, please contact Carl Chavez of my staff at (505-476-3491) or E-mail carlj.chavez@state.nm.us. On behalf of the staff of the OCD, I wish to thank you and your staff for your cooperation during this discharge permit review.

Sincerely,

Wayne Price
Environmental Bureau Chief

LWP/cc
Attachments-1
xc: OCD District Office

**ATTACHMENT TO THE DISCHARGE PERMIT
I & W Inc. Brine Well (BW-006)
DISCHARGE PERMIT APPROVAL CONDITIONS**

July 6, 2007

Please remit a check for \$1700.00 made payable to Water Quality Management Fund:

**Water Quality Management Fund
C/o: Oil Conservation Division
1220 S. Saint Francis Drive
Santa Fe, New Mexico 87505**

- 1. Payment of Discharge Plan Fees:** All discharge permits are subject to WQCC Regulations. Every billable facility that submits a discharge permit application will be assessed a filing fee of \$100.00, plus a renewal flat fee (*see* WQCC Regulation 20.6.2.3114 NMAC). The Oil Conservation Division ("OCD") has received the required \$100.00 filing fee. However, the owner/operator still owes the required \$1700.00 permit fee for a Class III Brine Well.
- 2. Permit Expiration and Renewal:** Pursuant to WQCC Regulation 20.6.2.3109.H.4 NMAC, this permit is valid for a period of five years. **The permit will expire on January 6, 2014** and an application for renewal should be submitted no later than 120 days before that expiration date. Pursuant to WQCC Regulation 20.6.2.3106.F NMAC, if a discharger submits a discharge permit renewal application at least 120 days before the discharge permit expires and is in compliance with the approved permit, then the existing discharge permit will not expire until the application for renewal has been approved or disapproved. *Expired permits are a violation of the Water Quality Act {Chapter 74, Article 6, NMSA1978} and civil penalties may be assessed accordingly.*
- 3. Permit Terms and Conditions:** Pursuant to WQCC Regulation 20.6.2.3104 NMAC, when a permit has been issued, the owner/operator must ensure that all discharges shall be consistent with the terms and conditions of the permit. In addition, all facilities shall abide by the applicable rules and regulations administered by the OCD pursuant to the Oil and Gas Act, NMSA 1978, Sections 70-2-1 through 70-2-38.
- 4. Owner/Operator Commitments:** The owner/operator shall abide by all commitments submitted in its August 2, 2006 discharge permit application, including attachments and subsequent amendments and these conditions for approval. Permit applications that reference previously approved plans on file with the division shall be incorporated in this permit and the owner/operator shall abide by all previous commitments of such plans and these conditions for approval.
- 5. Modifications:** WQCC Regulation 20.6.2.3107.C, 20.6.2.3109 and 20.6.2.5101.I NMAC addresses possible future modifications of a permit. The owner/operator (discharger) shall notify

the OCD of any facility expansion, production increase or process modification that would result in any significant modification in the discharge of water contaminants. The Division Director may require a permit modification if any water quality standard specified at 20.6.2.3103 NMAC is being or will be exceeded, or if a toxic pollutant as defined in WQCC Regulation 20.6.2.7 NMAC is present in ground water at any place of withdrawal for present or reasonably foreseeable future use, or that the Water Quality Standards for Interstate and Intrastate streams as specified in 20.6.4 NMAC are being or may be violated in surface water in New Mexico.

6. Waste Disposal and Storage: The owner/operator shall dispose of all wastes at an OCD-approved facility. Only oil field RCRA-exempt wastes may be disposed of by injection in a Class II well. RCRA non-hazardous, non-exempt oil field wastes may be disposed of at an OCD-approved facility upon proper waste determination pursuant to 40 CFR Part 261. Any waste stream that is not listed in the discharge permit application must be approved by the OCD on a case-by-case basis.

A. OCD Rule 712 Waste: Pursuant to OCD Rule 712 (19.15.9.712 NMAC) disposal of certain non-domestic waste without notification to the OCD is allowed at NMED permitted solid waste facilities if the waste stream has been identified in the discharge permit and existing process knowledge of the waste stream does not change.

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

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

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

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

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

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

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

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

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

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

12. Underground Process/Wastewater Lines:

A. The owner/operator shall test all underground process/wastewater pipelines at least once every five (5) years to demonstrate their mechanical integrity, except lines containing fresh water or fluids that are gases at atmospheric temperature and pressure. Pressure rated pipe shall be tested by pressuring up to one and one-half times the normal operating pressure, if possible, or for

atmospheric drain systems, to 3 pounds per square inch greater than normal operating pressure, and pressure held for a minimum of 30 minutes with no more than a 1% loss/gain in pressure. The owner/operator may use other methods for testing if approved by the OCD.

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

13. Class V Wells: The owner/operator shall close all Class V wells (e.g., septic systems, leach fields, dry wells, etc.) that inject non-hazardous industrial wastes or a mixture of industrial wastes and domestic wastes unless it can be demonstrated that ground water will not be impacted in the reasonably foreseeable future. Leach fields and other wastewater disposal systems at OCD-regulated facilities that inject non-hazardous fluid into or above an underground source of drinking water are considered Class V injection wells under the EPA UIC program. Class V wells that inject domestic waste only, must be permitted by the New Mexico Environment Department (NMED).

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

15. Spill Reporting: The owner/operator shall report all unauthorized discharges, spills, leaks and releases and conduct corrective action pursuant to WQCC Regulation 20.5.12.1203 NMAC and OCD Rule 116 (19.15.3.116 NMAC). The owner/operator shall notify both the OCD District Office and the Santa Fe Office within 24 hours and file a written report within 15 days.

16. OCD Inspections: The OCD may place additional requirements on the facility and modify the permit conditions based on OCD inspections.

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

18. Unauthorized Discharges: The owner/operator shall not allow or cause water pollution, discharge or release of any water contaminant that exceeds the WQCC standards listed in

20.6.2.3101 NMAC or 20.6.4 NMAC (Water Quality Standards for Interstate and Intrastate Streams) unless specifically listed in the permit application and approved herein. **An unauthorized discharge is a violation of this permit.**

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

20. Additional Site Specific Conditions:

A. Groundwater Monitoring Program: The owner/operator shall maintain a groundwater monitoring program to provide detection for any excursion of formation fluids outside of the extraction area. The following is required:

1. Collect annual groundwater samples from the two on-site monitor wells. These wells shall be purged, sampled, and analyzed for general chemistry, total dissolved solids, pH, (EPA Method 40 CFR 136.3) and New Mexico Water Quality Control Commission (WQCC) metals, all using EPA approved analytical methods and quality assurance/quality control (QA/QC) procedures. Submit the analytical results in the annual report.

21. Brine Well(s) Identification, Operation, Monitoring, Bonding and Reporting.

A. Well Identification: API # 30-015-22574

B. Well Work Over Operations: OCD approval will be obtained prior to performing remedial work, pressure test or any other work. Approval will be requested on OCD Form C-103 "Sundry Notices and Reports on Wells" (OCD Rule 1103.A.) with appropriate copies sent to the OCD Environmental Bureau and District Office.

C. Production Method: Fresh water will be injected down the casing and brine shall be recovered up the tubing. Reverse flow will be allowed only once a month for up to 24 hours for clean out. Operators may request long term reverse operation if they can demonstrate that additional casing and monitoring systems are installed and approved by OCD. Operating in the reverse mode for more than 24 hours unless approved otherwise is a violation of this permit.

D. Well Pressure Limits: **The maximum operating surface injection and/or test pressure measured at the wellhead shall not exceed 238 psig unless otherwise approved by the OCD.** The operator shall have a working pressure limiting device or controls to prevent overpressure. Any pressure that causes new fractures or propagate existing

fractures or causes damage to the system shall be reported to OCD within 24 hours of discovery.

- E. Mechanical Integrity Testing: Conduct an annual open to formation pressure test by pressuring up the formation with approved fluids or gas to a minimum of 300 psig measured on the surface casing for four hours. However, no operator may exceed test pressures that may cause formation fracturing (see item 21.D above) or system failures. Systems requiring test pressures less than 300 psig must be approved by OCD prior to testing. At least once every five years and during well work-overs the salt cavern formation will be isolated from the casing/tubing annulars and the casing pressure tested at 300 psig for 30 minutes. All pressure tests must be performed per the scheduled shown below and witnessed by OCD unless otherwise approved.

Testing Schedule:

2006- 30 minute @ 300 psig casing test only (set packer to isolate formation)
2007- 4 hour @ 300 psig casing open to formation test
2008- 4 hour @ 300 psig casing open to formation test
2009- 4 hour @ 300 psig casing open to formation test
2010- 4 hour @ 300 psig casing open to formation test
2011- 30 minute @ 300 psig casing test only (set packer to isolate formation)
2012- 4 hour @ 300 psig casing open to formation test
2013- 4 hour @ 300 psig casing open to formation test
2014- 4 hour @ 300 psig casing open to formation test

- 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.

Any subsidence must be reported within 24 hours of discovery.

- 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.

- I. Area of Review (AOR): The operator shall report within 24 hours of discovery of any new wells, conduits, or any other device that penetrates or may penetrate the injection zone within $\frac{1}{4}$ mile from the brine well.
 - J. Loss of Mechanical Integrity: The operator shall report within 24 hours of discovery of any failure of the casing, tubing or packer, or movement of fluids outside of the injection zone. The operator shall cease operations until proper repairs are made and the operator receives OCD approval to re-start injection operations.
 - K. Bonding or Financial Assurance: The operator shall maintain at a minimum, a one well plugging bond pursuant to OCD rules and regulations. If warranted, OCD may require additional financial assurance.
 - 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.
- 22. Transfer of Discharge Permit:** Pursuant to WQCC 20.6.2.5101.H the owner/operator and new owner/operator shall provide written notice of any transfer of the permit. Both parties shall sign the notice 30 days prior to any transfer of ownership, control or possession of a facility with an approved discharge permit. In addition, the purchaser shall include a written commitment to comply with the terms and conditions of the previously approved discharge permit. OCD will not transfer brine well operations until proper bonding or financial assurance is in place and approved by the division. OCD reserves the right to require a modification of the permit during transfer.
- 23. Closure Plan and Financial Assurance:** Pursuant to 20.6.2.3107 NMAC an owner/operator shall notify the OCD when any operations of the facility are to be discontinued for a period in excess of six

months. Prior to closure, or as a condition of this permit, or request from the OCD, the operator will submit an approved closure plan, modified plan, and/or provide adequate financial assurance.

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

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

Company Name-print name above

Company Representative- print name

Company Representative- signature

Title _____

Date: _____

NOTICE OF PUBLICATION

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

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

(BW-02) - P&S Brine Sales, Paul Prather, P.O. Box 7169, Eunice, New Mexico 88231, has submitted an application for the renewal of a discharge plan for the P&S Brine Sales Station, located in the SW/4 SE/4 of Section 34, Township 21 South, Range 37 East, NMPM, Lea County, New Mexico. An average of 250 barrels per day of brine water with a TDS of approximately 300,000 mg/l is produced for use in the oil industry. Groundwater most likely to be affected by a spill, leak, or accidental discharge to the surface is at a depth of approximately 45 feet with a total dissolved solids concentration of approximately 1400 mg/l. The discharge plan addresses how spills, leaks, and other accidental discharges to the surface will be managed.

Any interested person may obtain further information from the Oil Conservation Division and may submit written comments to the Director of the Oil Conservation Division at the address given above. The discharge permit application and draft discharge permit may be viewed at the above address between 8:00 a.m. and 4:00 p.m., Monday through Friday. The draft discharge permit may also be viewed at OCD's web site <<http://www.emnrd.state.nm.us/ocd/>>. Prior to ruling on any proposed discharge permit or its modification, the Director of the Oil Conservation Division shall allow at least thirty (30) days after the date of publication of this notice during which comments may be submitted and a public hearing may be requested by any interested person. Requests for a public hearing shall set forth the reasons why a hearing should be held. A hearing will be held if the Director determines there is significant public interest.

If no public hearing is held, the Director will approve or disapprove the proposed permit based on information available. If a public hearing is held, the director will approve or disapprove the proposed permit based on information in the permit and information submitted at the hearing.

GIVEN under the Seal of New Mexico Oil Conservation Commission at Santa Fe, New Mexico, on this 28th day of January 2004.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

SEAL

LORI WROTENBERY, Director

Pursuant to Section 3109.H.4., this approval is for a period of five years. **This approval will expire January 06, 2009** and an application for renewal should be submitted in ample time before that date. Pursuant to Section 5101.F. of the regulations, if a discharger submits a discharge permit renewal application at least 120 days before the discharge permit expires and is in compliance with the approved permit, then the existing discharge permit will not expire until the application for renewal has been approved or disapproved.

The discharge permit application for the P&S Brine Sales Eunice Brine Station is subject to the WQCC Regulation 3114. Every billable facility submitting a discharge permit will be assessed a fee equal to the filing fee of \$100.00 plus a flat fee of \$1700.00 for brine stations.

Please make all checks payable to: **Water Quality Management Fund** C/o:
Oil Conservation Division 1220 South Saint Francis Drive
Santa Fe, New Mexico 87505.

If you have any questions, please contact Wayne Price of my staff at (505-476-3487). On behalf of the staff of the OCD, I wish to thank you and your staff for your cooperation during this discharge permit review.

Sincerely,

Roger C. Anderson
Environmental Bureau Chief
RCA/lvp
xc: OCD Hobbs Office

ATTACHMENT TO THE DISCHARGE PERMIT BW-002 APPROVAL
P&S Brine Sales Eunice Brine Station
DISCHARGE PERMIT APPROVAL CONDITIONS
January 28, 2004

1. Payment of Discharge Permit Fees: The \$100.00 filing fee has not been received by OCD. The \$1700.00 flat fee shall be submitted upon receipt of this approval. The required flat fee may be paid in a single payment due at the time of approval, or in equal annual installments over the duration of the permit, with the first payment due upon receipt of this approval.
2. Commitments: P&S Brine Sales will abide by all commitments submitted in the discharge permit



NEW MEXICO ENERGY, MINERALS and
NATURAL RESOURCES DEPARTMENT
RECEIVED

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

2008 FEB 15 PM 12 27

January 24, 2008

RECEIVED Mark E. Fesmire, P.E.
Director
Oil Conservation Division
JAN 28 2008
BY: [Signature]

Mr. Kevin Wilson
I&W Inc.
P.O. Box 98
Loco Hills, New Mexico 88255

Re: Discharge Permit "Eugenie Well No. 001" (BW-006) Class III Renewal

Dear Mr. Wilson:

Pursuant to all applicable parts of the Water Quality Control Commission (WQCC) Regulations 20.6.2 NMAC and more specifically 20.6.2.3104 - 20.6.2.3999 discharge permit, and 20.6.2.5000-.5299 Underground Injection Control, the Oil Conservation Division (OCD) hereby approves the discharge permit and authorizes the operation and injection for the I & W Inc. (**Owner/Operator**) brine well BW 006 (API# 30-015-22574) located in the SW/4, SW/4 of Section 17, Township 22 South, and Range 27 East, NMPM, Eddy County, New Mexico, under the conditions specified in the enclosed **Attachment To The Discharge Permit**.

Enclosed are two copies of the conditions of approval. **Please sign and return one copy to the New Mexico Oil Conservation Division (OCD) Santa Fe Office within 30 working days of receipt of this Letter including permit fees.**

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

If you have any questions, please contact Carl Chavez of my staff at (505-476-3491) or E-mail carlj.chavez@state.nm.us. On behalf of the staff of the OCD, I wish to thank you and your staff for your cooperation during this discharge permit review.

Sincerely,

Wayne Price
Environmental Bureau Chief

LWP/cc
Attachments-1
xc: OCD District Office

**ATTACHMENT TO THE DISCHARGE PERMIT
I & W Inc. Brine Well (BW-006)
DISCHARGE PERMIT APPROVAL CONDITIONS**

January 24, 2008

Please remit a check for \$1700.00 made payable to Water Quality Management Fund:

**Water Quality Management Fund
C/o: Oil Conservation Division
1220 S. Saint Francis Drive
Santa Fe, New Mexico 87505**

- 1. Payment of Discharge Plan Fees:** All discharge permits are subject to WQCC Regulations. Every billable facility that submits a discharge permit application will be assessed a filing fee of \$100.00, plus a renewal flat fee (*see* WQCC Regulation 20.6.2.3114 NMAC). The Oil Conservation Division ("OCD") has received the required \$100.00 filing fee. However, the owner/operator still owes the required \$1700.00 permit fee for a Class III Brine Well.
- 2. Permit Expiration and Renewal:** Pursuant to WQCC Regulation 20.6.2.3109.H.4 NMAC, this permit is valid for a period of five years. **The permit will expire on January 6, 2014** and an application for renewal should be submitted no later than 120 days before that expiration date. Pursuant to WQCC Regulation 20.6.2.3106.F NMAC, if a discharger submits a discharge permit renewal application at least 120 days before the discharge permit expires and is in compliance with the approved permit, then the existing discharge permit will not expire until the application for renewal has been approved or disapproved. *Expired permits are a violation of the Water Quality Act {Chapter 74, Article 6, NMSA1978} and civil penalties may be assessed accordingly.*
- 3. Permit Terms and Conditions:** Pursuant to WQCC Regulation 20.6.2.3104 NMAC, when a permit has been issued, the owner/operator must ensure that all discharges shall be consistent with the terms and conditions of the permit. In addition, all facilities shall abide by the applicable rules and regulations administered by the OCD pursuant to the Oil and Gas Act, NMSA 1978, Sections 70-2-1 through 70-2-38.
- 4. Owner/Operator Commitments:** The owner/operator shall abide by all commitments submitted in its August 2, 2006 discharge permit application, including attachments and subsequent amendments and these conditions for approval. Permit applications that reference previously approved plans on file with the division shall be incorporated in this permit and the owner/operator shall abide by all previous commitments of such plans and these conditions for approval.
- 5. Modifications:** WQCC Regulation 20.6.2.3107.C, 20.6.2.3109 and 20.6.2.5101.I NMAC addresses possible future modifications of a permit. The owner/operator (discharger) shall notify

the OCD of any facility expansion, production increase or process modification that would result in any significant modification in the discharge of water contaminants. The Division Director may require a permit modification if any water quality standard specified at 20.6.2.3103 NMAC is being or will be exceeded, or if a toxic pollutant as defined in WQCC Regulation 20.6.2.7 NMAC is present in ground water at any place of withdrawal for present or reasonably foreseeable future use, or that the Water Quality Standards for Interstate and Intrastate streams as specified in 20.6.4 NMAC are being or may be violated in surface water in New Mexico.

6. Waste Disposal and Storage: The owner/operator shall dispose of all wastes at an OCD-approved facility. Only oil field RCRA-exempt wastes may be disposed of by injection in a Class II well. RCRA non-hazardous, non-exempt oil field wastes may be disposed of at an OCD-approved facility upon proper waste determination pursuant to 40 CFR Part 261. Any waste stream that is not listed in the discharge permit application must be approved by the OCD on a case-by-case basis.

A. OCD Rule 712 Waste: Pursuant to OCD Rule 712 (19.15.9.712 NMAC) disposal of certain non-domestic waste without notification to the OCD is allowed at NMED permitted solid waste facilities if the waste stream has been identified in the discharge permit and existing process knowledge of the waste stream does not change.

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

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

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

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

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

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

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

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

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

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

12. Underground Process/Wastewater Lines:

A. The owner/operator shall test all underground process/wastewater pipelines at least once every five (5) years to demonstrate their mechanical integrity, except lines containing fresh water or fluids that are gases at atmospheric temperature and pressure. Pressure rated pipe shall be tested by pressuring up to one and one-half times the normal operating pressure, if possible, or for

atmospheric drain systems, to 3 pounds per square inch greater than normal operating pressure, and pressure held for a minimum of 30 minutes with no more than a 1% loss/gain in pressure. The owner/operator may use other methods for testing if approved by the OCD.

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

13. Class V Wells: The owner/operator shall close all Class V wells (e.g., septic systems, leach fields, dry wells, etc.) that inject non-hazardous industrial wastes or a mixture of industrial wastes and domestic wastes unless it can be demonstrated that ground water will not be impacted in the reasonably foreseeable future. Leach fields and other wastewater disposal systems at OCD-regulated facilities that inject non-hazardous fluid into or above an underground source of drinking water are considered Class V injection wells under the EPA UIC program. Class V wells that inject domestic waste only, must be permitted by the New Mexico Environment Department (NMED).

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

15. Spill Reporting: The owner/operator shall report all unauthorized discharges, spills, leaks and releases and conduct corrective action pursuant to WQCC Regulation 20.5.12.1203 NMAC and OCD Rule 116 (19.15.3.116 NMAC). The owner/operator shall notify both the OCD District Office and the Santa Fe Office within 24 hours and file a written report within 15 days.

16. OCD Inspections: The OCD may place additional requirements on the facility and modify the permit conditions based on OCD inspections.

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

18. Unauthorized Discharges: The owner/operator shall not allow or cause water pollution, discharge or release of any water contaminant that exceeds the WQCC standards listed in

20.6.2.3101 NMAC or 20.6.4 NMAC (Water Quality Standards for Interstate and Intrastate Streams) unless specifically listed in the permit application and approved herein. **An unauthorized discharge is a violation of this permit.**

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

20. Additional Site Specific Conditions:

A. Groundwater Monitoring Program: The owner/operator shall maintain a groundwater monitoring program to provide detection for any excursion of formation fluids outside of the extraction area. The following is required:

1. Collect annual groundwater samples from the two on-site monitor wells. These wells shall be purged, sampled, and analyzed for general chemistry, total dissolved solids, pH, (EPA Method 40 CFR 136.3) and New Mexico Water Quality Control Commission (WQCC) metals, all using EPA approved analytical methods and quality assurance/quality control (QA/QC) procedures. Submit the analytical results in the annual report.

B. Subsidence Monitoring System: I&W, Inc. shall submit for long-term subsidence, a report displaying all subsidence monitoring stations and monitoring completed to date to address the requirements of the prior discharge plan by June 30, 2008. The report shall summarize and include subsidence tables and graphs to 0.01 ft. A map shall depict the facility and monitoring points to scale with verification of certified surveyor geodetic datums or elevations are properly recorded. The report shall propose a schedule for long-term surveying to ensure public safety subsidence/collapse issues are addressed due to the shallow nature of the brine cavity. The report shall also include: a health and safety plan for alerting the proper authorities, ensuring prompt evacuation of the community, and protection health and safety of the general public.

21. Brine Well(s) Identification, Operation, Monitoring, Bonding and Reporting.

A. Well Identification: API # 30-015-22574

B. Well Work Over Operations: OCD approval will be obtained prior to performing remedial work, pressure test or any other work. Approval will be requested on OCD Form C-103 "Sundry Notices and Reports on Wells" (OCD Rule 1103.A.) with appropriate copies sent to the OCD Environmental Bureau and District Office.

- C. Production Method: Fresh water will be injected down the casing and brine shall be recovered up the tubing. Reverse flow will be allowed only once a month for up to 24 hours for clean out. Operators may request long term reverse operation if they can demonstrate that additional casing and monitoring systems are installed and approved by OCD. Operating in the reverse mode for more than 24 hours unless approved otherwise is a violation of this permit.
- D. Well Pressure Limits: **The maximum operating surface injection and/or test pressure measured at the wellhead shall not exceed 238 psig unless otherwise approved by the OCD.** The operator shall have a working pressure limiting device or controls to prevent overpressure. Any pressure that causes new fractures or propagate existing fractures or causes damage to the system shall be reported to OCD within 24 hours of discovery.
- E. Mechanical Integrity Testing: Conduct an annual open to formation pressure test by pressuring up the formation with approved fluids or gas to a minimum of 300 psig measured on the surface casing for four hours. However, no operator may exceed test pressures that may cause formation fracturing (see item 21.D above) or system failures. Systems requiring test pressures less than 300 psig must be approved by OCD prior to testing. At least once every five years and during well work-overs the salt cavern formation will be isolated from the casing/tubing annulars and the casing pressure tested at 300 psig for 30 minutes. All pressure tests must be performed per the scheduled shown below and witnessed by OCD unless otherwise approved.

Testing Schedule:

2007-	4 hour	@ 238 psig casing open to formation test
2008-	4 hour	@ 238 psig casing open to formation test
2009-	4 hour	@ 238 psig casing open to formation test
2010-	4 hour	@ 238 psig casing open to formation test
2011-	30 minute	@ 300 psig casing test only (set packer to isolate formation)
2012-	4 hour	@ 238 psig casing open to formation test
2013-	4 hour	@ 238 psig casing open to formation test
2014-	4 hour	@ 238 psig casing open to formation test

- 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.

Any subsidence must be reported within 24 hours of discovery.

- 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.
- I. Area of Review (AOR):** The operator shall report within 24 hours of discovery of any new wells, conduits, or any other device that penetrates or may penetrate the injection zone within $\frac{1}{4}$ mile from the brine well.
- J. Loss of Mechanical Integrity:** The operator shall report within 24 hours of discovery of any failure of the casing, tubing or packer, or movement of fluids outside of the injection zone. The operator shall cease operations until proper repairs are made and the operator receives OCD approval to re-start injection operations.
- K. Bonding or Financial Assurance:** The operator shall maintain at a minimum, a one well plugging bond in the amount of \$50,000.00 to restore the site, plug and abandon the well by January 1, 2008, pursuant to OCD rules and regulations. If warranted, OCD may require additional financial assurance.
- 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.

22. Transfer of Discharge Permit: Pursuant to WQCC 20.6.2.5101.H the owner/operator and new owner/operator shall provide written notice of any transfer of the permit. Both parties shall sign the notice 30 days prior to any transfer of ownership, control or possession of a facility with an approved discharge permit. In addition, the purchaser shall include a written commitment to comply with the terms and conditions of the previously approved discharge permit. OCD will not transfer brine well operations until proper bonding or financial assurance is in place and approved by the division. OCD reserves the right to require a modification of the permit during transfer.

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

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

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

I & W INC.
Company Name-print name above

Kevin Wilson
Company Representative- print name

Kevin Wilson
Company Representative- signature

Title Operations Manager

Date: 2/5/08



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

August 8, 2007

Mr. Kevin Wilson
I & W Inc.
P.O. Box 98
Loco Hills, New Mexico 88255

Re: Discharge Plan Renewal of Permit (BW-006)
I & W Inc.
Class III Brine Well
Eugenie Well No. 001, API No. 30-015-22574
995 FSL and 641 FWL UL: M Section 17, T 22 S, R 27
Eddy County, New Mexico

Dear Mr. Wilson:

The New Mexico Oil Conservation Division (NMOCD) has received I & W Inc.'s renewal application for the "Eugenie Well No. 1" brine well to inject fresh water and extract 10 pound brine water from the Salado Formation at a daily rate of 200 barrels per day and at a maximum injection pressure of 238 psig. The Class III brine well is located approximately 6 miles southwest of Aztec, at the intersection of CR-350 and CR-3773. The initial and subsequent submittals provided the required information in order to deem the renewal application "administratively" complete.

Therefore, the New Mexico Water Quality Control Commission regulations (WQCC) notice requirements of 20.6.2.3108 NMAC must be satisfied and demonstrated to the NMOCD. NMOCD will provide public notice pursuant to the WQCC notice requirements of 20.6.2.3108 NMAC to determine if there is any public interest.

Please contact me at (505) 476-3491 or carlj.chavez@state.nm.us if you have questions. Thank you for your cooperation during this discharge permit review.

Sincerely,

Carl J. Chávez
Environmental Engineer

CJC/cjc

xc: OCD District Office

I & W, Inc.

ACCOUNT NO.		VENDOR	OCD OIL CONSERVATION DIVISION	CHECK NO.		CHECK DATE	2/11/08
VOUCHER	INVOICE NUMBER	INV. DATE	REFERENCE	INVOICE AMOUNT	AMOUNT PAID	DISCOUNT TAKEN	NET CHECK AMOUNT
94687	021108	2/11/08		1,800.00	1,800.00	.00	1,800.00
						CHECK TOTAL	1,800.00

RECEIVED
2008 FEB 15 PM 12 27



I & W, Inc.
P.O. Box 98
Loco Hills, NM 88255
(505) 677-2111



95,196/1122

CHECK NO.	CHECK DATE	VENDOR NO.
	02/11/08	OCD

PAY ONE THOUSAND EIGHT HUNDRED AND 00/100 DOLLARS*****

CHECK AMOUNT
\$*****1,800.00

TO THE
ORDER
OF

OIL CONSERVATION DIVISION
1220 S. ST. FRANCIS DRIVE

SANTA FE NM 87504
USA

Baylen E. Ly

ACKNOWLEDGEMENT OF RECEIPT
OF CHECK/CASH

I hereby acknowledge receipt of check No. dated 2/11/08

or cash received on in the amount of \$ 1800⁰⁰

from I & W Inc

for BW-006

Submitted by: Lawrence Romero Date: 2/18/08

Submitted to ASD by: Lawrence Romero Date: 2/18/08

Received in ASD by: Date:

Filing Fee New Facility Renewal

Modification Other

Organization Code 521.07 Applicable FY 2004

To be deposited in the Water Quality Management Fund.

Full Payment or Annual Increment



NEW MEXICO ENERGY, MINERALS and
NATURAL RESOURCES DEPARTMENT
RECEIVED

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

2008 FEB 15 PM 12 27

January 24, 2008

RECEIVED
JAN 28 2008
BY: [Signature]
Mark E. Fesmire, P.E.
Director
Oil Conservation Division

Mr. Kevin Wilson
I&W Inc.
P.O. Box 98
Loco Hills, New Mexico 88255

Re: Discharge Permit "Eugenie Well No. 001" (BW-006) Class III Renewal

Dear Mr. Wilson:

Pursuant to all applicable parts of the Water Quality Control Commission (WQCC) Regulations 20.6.2 NMAC and more specifically 20.6.2.3104 - 20.6.2.3999 discharge permit, and 20.6.2.5000-.5299 Underground Injection Control, the Oil Conservation Division (OCD) hereby approves the discharge permit and authorizes the operation and injection for the I & W Inc. (**Owner/Operator**) brine well BW 006 (API# 30-015-22574) located in the SW/4, SW/4 of Section 17, Township 22 South, and Range 27 East, NMPM, Eddy County, New Mexico, under the conditions specified in the enclosed **Attachment To The Discharge Permit**.

Enclosed are two copies of the conditions of approval. **Please sign and return one copy to the New Mexico Oil Conservation Division (OCD) Santa Fe Office within 30 working days of receipt of this Letter including permit fees.**

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

If you have any questions, please contact Carl Chavez of my staff at (505-476-3491) or E-mail carlj.chavez@state.nm.us. On behalf of the staff of the OCD, I wish to thank you and your staff for your cooperation during this discharge permit review.

Sincerely,

Wayne Price

Environmental Bureau Chief

LWP/cc

Attachments-1

xc: OCD District Office



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

August 8, 2007

Mr. Kevin Wilson
I & W Inc.
P.O. Box 98
Loco Hills, New Mexico 88255

Re: Discharge Plan Renewal of Permit (BW-006)
I & W Inc.
Class III Brine Well
Eugenie Well No. 001, API No. 30-015-22574
995 FSL and 641 FWL UL: M Section 17, T 22 S, R 27
Eddy County, New Mexico

Dear Mr. Wilson:

The New Mexico Oil Conservation Division (NMOCD) has received I & W Inc.'s renewal application for the "Eugenie Well No. 1" brine well to inject fresh water and extract 10 pound brine water from the Salado Formation at a daily rate of 200 barrels per day and at a maximum injection pressure of 238 psig. The Class III brine well is located approximately 6 miles southwest of Aztec, at the intersection of CR-350 and CR-3773. The initial and subsequent submittals provided the required information in order to deem the renewal application "administratively" complete.

Therefore, the New Mexico Water Quality Control Commission regulations (WQCC) notice requirements of 20.6.2.3108 NMAC must be satisfied and demonstrated to the NMOCD. NMOCD will provide public notice pursuant to the WQCC notice requirements of 20.6.2.3108 NMAC to determine if there is any public interest.

Please contact me at (505) 476-3491 or carlj.chavez@state.nm.us if you have questions. Thank you for your cooperation during this discharge permit review.

Sincerely,

Carl J. Chavez
Environmental Engineer

CJC/cjc

xc: OCD District Office

NOTICE OF PUBLICATION

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

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

(BW-006) I & W Inc. Mr. Kevin Wilson, P.O. Box 98, Loco Hills, New Mexico 88255, has submitted an application for the renewal of a discharge plan for the brine well "Eugenie Well No. 1," (API# 30-015-22574) located in the SW/4, SW/4 of Section 17, Township 22 South, Range 27 East, NMPM, Eddy County, New Mexico. The brine extraction well is located just south of U.S. Hwy. 285 near the intersection of Hwy. 285 and Canal Street in Carlsbad. An average of 200 barrels per day of brine water with a total dissolved solids (TDS) concentration of approximately 463,000 mg/L is produced for use in the oil industry. Groundwater most likely to be affected by a spill, leak, or accidental discharge to the surface is at a depth of approximately 45 feet with a TDS of approximately 200 mg/L. The discharge plan addresses well construction, operation, monitoring of the well, associated surface facilities, and provides a contingency plan in the event of accidental spills, leaks and other accidental discharges in order to protect fresh water.

Fresh water will be injected through the outer casing into the Salado Formation at an injection depth of 456 ft. below ground surface at a maximum allowable injection pressure of 238 psig. Brine water will be extracted upward through the tubing at a depth of 601 ft. below ground surface.

The NMOCD has determined that the application is administratively complete and has prepared a draft permit. The NMOCD will accept comments and statements of interest regarding this application and will create a facility-specific mailing list for persons who wish to receive future notices. Persons interested in obtaining further information, submitting comments or requesting to be on a facility-specific mailing list for future notices may contact the Environmental Bureau Chief of the Oil Conservation Division at the address given above. The administrative completeness determination and draft permit may be viewed at the above address between 8:00 a.m. and 4:00 p.m., Monday through Friday, or may also be viewed at the NMOCD web site <http://www.emnrd.state.nm.us/ocd/>. Persons interested in obtaining a copy of the application and draft permit may contact the NMOCD at the address given above. Prior to ruling on any proposed discharge permit or major modification, the Director shall allow a period of at least thirty (30) days after the date of publication of this notice, during which interested persons may submit comments or request that NMOCD hold a public hearing. Requests for a public hearing shall set forth the reasons why a hearing should be held. A hearing will be held if the Director determines that there is significant public interest.

If no public hearing is held, the Director will approve or disapprove the proposed permit based on information available, including all comments received. If a public hearing is held, the director will approve or disapprove the proposed permit based on information in the permit application and information submitted at the hearing.

Para obtener más información sobre esta solicitud en español, sírvase comunicarse por favor: New Mexico Energy, Minerals and Natural Resources Department (Depto. Del Energia, Minerals y Recursos Naturales de Nuevo México), Oil Conservation Division (Depto. Conservación Del Petróleo), 1220 South St. Francis Drive,

Santa Fe, New México (Contacto: Dorothy Phillips, 505-476-3461)

GIVEN under the Seal of New Mexico Oil Conservation Commission at Santa Fe, New Mexico, on this 8th day of August 2007.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

S E A L

Mark Fesmire, Director



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

January 24, 2008

Mr. Kevin Wilson
I&W Inc.
P.O. Box 98
Loco Hills, New Mexico 88255

Re: Discharge Permit "Eugenie Well No. 001" (BW-006) Class III Renewal

Dear Mr. Wilson:

Pursuant to all applicable parts of the Water Quality Control Commission (WQCC) Regulations 20.6.2 NMAC and more specifically 20.6.2.3104 - 20.6.2.3999 discharge permit, and 20.6.2.5000-.5299 Underground Injection Control, the Oil Conservation Division (OCD) hereby approves the discharge permit and authorizes the operation and injection for the I & W Inc. (**Owner/Operator**) brine well BW 006 (API# 30-015-22574) located in the SW/4, SW/4 of Section 17, Township 22 South, and Range 27 East, NMPM, Eddy County, New Mexico, under the conditions specified in the enclosed **Attachment To The Discharge Permit**.

Enclosed are two copies of the conditions of approval. **Please sign and return one copy to the New Mexico Oil Conservation Division (OCD) Santa Fe Office within 30 working days of receipt of this Letter including permit fees.**

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

If you have any questions, please contact Carl Chavez of my staff at (505-476-3491) or E-mail carlj.chavez@state.nm.us. On behalf of the staff of the OCD, I wish to thank you and your staff for your cooperation during this discharge permit review.

Sincerely,

Wayne Price

Environmental Bureau Chief

LWP/cc

Attachments-1

xc: OCD District Office

**ATTACHMENT TO THE DISCHARGE PERMIT
I & W Inc. Brine Well (BW-006)
DISCHARGE PERMIT APPROVAL CONDITIONS**

January 24, 2008

Please remit a check for \$1700.00 made payable to Water Quality Management Fund:

Water Quality Management Fund
C/o: Oil Conservation Division
1220 S. Saint Francis Drive
Santa Fe, New Mexico 87505

1. **Payment of Discharge Plan Fees:** All discharge permits are subject to WQCC Regulations. Every billable facility that submits a discharge permit application will be assessed a filing fee of \$100.00, plus a renewal flat fee (*see* WQCC Regulation 20.6.2.3114 NMAC). The Oil Conservation Division ("OCD") has received the required \$100.00 filing fee. However, the owner/operator still owes the required \$1700.00 permit fee for a Class III Brine Well.
2. **Permit Expiration and Renewal:** Pursuant to WQCC Regulation 20.6.2.3109.H.4 NMAC, this permit is valid for a period of five years. **The permit will expire on January 6, 2014** and an application for renewal should be submitted no later than 120 days before that expiration date. Pursuant to WQCC Regulation 20.6.2.3106.F NMAC, if a discharger submits a discharge permit renewal application at least 120 days before the discharge permit expires and is in compliance with the approved permit, then the existing discharge permit will not expire until the application for renewal has been approved or disapproved. *Expired permits are a violation of the Water Quality Act {Chapter 74, Article 6, NMSA1978} and civil penalties may be assessed accordingly.*
3. **Permit Terms and Conditions:** Pursuant to WQCC Regulation 20.6.2.3104 NMAC, when a permit has been issued, the owner/operator must ensure that all discharges shall be consistent with the terms and conditions of the permit. In addition, all facilities shall abide by the applicable rules and regulations administered by the OCD pursuant to the Oil and Gas Act, NMSA 1978, Sections 70-2-1 through 70-2-38.
4. **Owner/Operator Commitments:** The owner/operator shall abide by all commitments submitted in its August 2, 2006 discharge permit application, including attachments and subsequent amendments and these conditions for approval. Permit applications that reference previously approved plans on file with the division shall be incorporated in this permit and the owner/operator shall abide by all previous commitments of such plans and these conditions for approval.
5. **Modifications:** WQCC Regulation 20.6.2.3107.C, 20.6.2.3109 and 20.6.2.5101.I NMAC addresses possible future modifications of a permit. The owner/operator (discharger) shall notify

the OCD of any facility expansion, production increase or process modification that would result in any significant modification in the discharge of water contaminants. The Division Director may require a permit modification if any water quality standard specified at 20.6.2.3103 NMAC is being or will be exceeded, or if a toxic pollutant as defined in WQCC Regulation 20.6.2.7 NMAC is present in ground water at any place of withdrawal for present or reasonably foreseeable future use, or that the Water Quality Standards for Interstate and Intrastate streams as specified in 20.6.4 NMAC are being or may be violated in surface water in New Mexico.

6. Waste Disposal and Storage: The owner/operator shall dispose of all wastes at an OCD-approved facility. Only oil field RCRA-exempt wastes may be disposed of by injection in a Class II well. RCRA non-hazardous, non-exempt oil field wastes may be disposed of at an OCD-approved facility upon proper waste determination pursuant to 40 CFR Part 261. Any waste stream that is not listed in the discharge permit application must be approved by the OCD on a case-by-case basis.

A. OCD Rule 712 Waste: Pursuant to OCD Rule 712 (19.15.9.712 NMAC) disposal of certain non-domestic waste without notification to the OCD is allowed at NMED permitted solid waste facilities if the waste stream has been identified in the discharge permit and existing process knowledge of the waste stream does not change.

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

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

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

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

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

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

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

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

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

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

12. Underground Process/Wastewater Lines:

A. The owner/operator shall test all underground process/wastewater pipelines at least once every five (5) years to demonstrate their mechanical integrity, except lines containing fresh water or fluids that are gases at atmospheric temperature and pressure. Pressure rated pipe shall be tested by pressuring up to one and one-half times the normal operating pressure, if possible, or for

atmospheric drain systems, to 3 pounds per square inch greater than normal operating pressure, and pressure held for a minimum of 30 minutes with no more than a 1% loss/gain in pressure. The owner/operator may use other methods for testing if approved by the OCD.

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

13. Class V Wells: The owner/operator shall close all Class V wells (e.g., septic systems, leach fields, dry wells, etc.) that inject non-hazardous industrial wastes or a mixture of industrial wastes and domestic wastes unless it can be demonstrated that ground water will not be impacted in the reasonably foreseeable future. Leach fields and other wastewater disposal systems at OCD-regulated facilities that inject non-hazardous fluid into or above an underground source of drinking water are considered Class V injection wells under the EPA UIC program. Class V wells that inject domestic waste only, must be permitted by the New Mexico Environment Department (NMED).

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

15. Spill Reporting: The owner/operator shall report all unauthorized discharges, spills, leaks and releases and conduct corrective action pursuant to WQCC Regulation 20.5.12.1203 NMAC and OCD Rule 116 (19.15.3.116 NMAC). The owner/operator shall notify both the OCD District Office and the Santa Fe Office within 24 hours and file a written report within 15 days.

16. OCD Inspections: The OCD may place additional requirements on the facility and modify the permit conditions based on OCD inspections.

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

18. Unauthorized Discharges: The owner/operator shall not allow or cause water pollution, discharge or release of any water contaminant that exceeds the WQCC standards listed in

20.6.2.3101 NMAC or 20.6.4 NMAC (Water Quality Standards for Interstate and Intrastate Streams) unless specifically listed in the permit application and approved herein. An unauthorized discharge is a violation of this permit.

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

20. Additional Site Specific Conditions:

A. Groundwater Monitoring Program: The owner/operator shall maintain a groundwater monitoring program to provide detection for any excursion of formation fluids outside of the extraction area. The following is required:

1. Collect annual groundwater samples from the two on-site monitor wells. These wells shall be purged, sampled, and analyzed for general chemistry, total dissolved solids, pH, (EPA Method 40 CFR 136.3) and New Mexico Water Quality Control Commission (WQCC) metals, all using EPA approved analytical methods and quality assurance/quality control (QA/QC) procedures. Submit the analytical results in the annual report.

B. Subsidence Monitoring System: I&W, Inc. shall submit for long-term subsidence, a report displaying all subsidence monitoring stations and monitoring completed to date to address the requirements of the prior discharge plan by June 30, 2008. The report shall summarize and include subsidence tables and graphs to 0.01 ft. A map shall depict the facility and monitoring points to scale with verification of certified surveyor geodetic datums or elevations are properly recorded. The report shall propose a schedule for long-term surveying to ensure public safety subsidence/collapse issues are addressed due to the shallow nature of the brine cavity. The report shall also include: a health and safety plan for alerting the proper authorities, ensuring prompt evacuation of the community, and protection health and safety of the general public.

21. Brine Well(s) Identification, Operation, Monitoring, Bonding and Reporting.

A. Well Identification: API # 30-015-22574

B. Well Work Over Operations: OCD approval will be obtained prior to performing remedial work, pressure test or any other work. Approval will be requested on OCD Form C-103 "Sundry Notices and Reports on Wells" (OCD Rule 1103.A.) with appropriate copies sent to the OCD Environmental Bureau and District Office.

- C. Production Method: Fresh water will be injected down the casing and brine shall be recovered up the tubing. Reverse flow will be allowed only once a month for up to 24 hours for clean out. Operators may request long term reverse operation if they can demonstrate that additional casing and monitoring systems are installed and approved by OCD. Operating in the reverse mode for more than 24 hours unless approved otherwise is a violation of this permit.
- D. Well Pressure Limits: **The maximum operating surface injection and/or test pressure measured at the wellhead shall not exceed 238 psig unless otherwise approved by the OCD.** The operator shall have a working pressure limiting device or controls to prevent overpressure. Any pressure that causes new fractures or propagate existing fractures or causes damage to the system shall be reported to OCD within 24 hours of discovery.
- E. Mechanical Integrity Testing: Conduct an annual open to formation pressure test by pressuring up the formation with approved fluids or gas to a minimum of 300 psig measured on the surface casing for four hours. However, no operator may exceed test pressures that may cause formation fracturing (see item 21.D above) or system failures. Systems requiring test pressures less than 300 psig must be approved by OCD prior to testing. At least once every five years and during well work-overs the salt cavern formation will be isolated from the casing/tubing annulus and the casing pressure tested at 300 psig for 30 minutes. All pressure tests must be performed per the schedule shown below and witnessed by OCD unless otherwise approved.

Testing Schedule:

2007-	4 hour	@ 238 psig casing open to formation test
2008-	4 hour	@ 238 psig casing open to formation test
2009-	4 hour	@ 238 psig casing open to formation test
2010-	4 hour	@ 238 psig casing open to formation test
2011-	30 minute	@ 300 psig casing test only (set packer to isolate formation)
2012-	4 hour	@ 238 psig casing open to formation test
2013-	4 hour	@ 238 psig casing open to formation test
2014-	4 hour	@ 238 psig casing open to formation test

- 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.

Any subsidence must be reported within 24 hours of discovery.

- 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.
- I. Area of Review (AOR): The operator shall report within 24 hours of discovery of any new wells, conduits, or any other device that penetrates or may penetrate the injection zone within $\frac{1}{4}$ mile from the brine well.
- J. Loss of Mechanical Integrity: The operator shall report within 24 hours of discovery of any failure of the casing, tubing or packer, or movement of fluids outside of the injection zone. The operator shall cease operations until proper repairs are made and the operator receives OCD approval to re-start injection operations.
- K. Bonding or Financial Assurance: The operator shall maintain at a minimum, a one well plugging bond in the amount of \$50,000.00 to restore the site, plug and abandon the well by January 1, 2008, pursuant to OCD rules and regulations. If warranted, OCD may require additional financial assurance.
- 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.

22. Transfer of Discharge Permit: Pursuant to WQCC 20.6.2.5101.H the owner/operator and new owner/operator shall provide written notice of any transfer of the permit. Both parties shall sign the notice 30 days prior to any transfer of ownership, control or possession of a facility with an approved discharge permit. In addition, the purchaser shall include a written commitment to comply with the terms and conditions of the previously approved discharge permit. OCD will not transfer brine well operations until proper bonding or financial assurance is in place and approved by the division. OCD reserves the right to require a modification of the permit during transfer.

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

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

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

Company Name-print name above

Company Representative- print name

Company Representative- signature

Title _____

Date: _____

OIL CONSERVATION DIV.
01 JUL 25 PM 12:57

**ATTACHMENT TO THE DISCHARGE PLAN BW-006 APPROVAL
I&W, Inc. Carlsbad Eugenie Brine Extraction Facility (BW-006)
DISCHARGE PLAN APPROVAL CONDITIONS
July 16, 2001**

1. Payment of Discharge Plan Fees: The \$100.00 filing fee has been received by OCD. The \$1700.00 flat fee shall be submitted upon receipt of this approval. The required flat fee may be paid in a single payment due at the time of approval, or in equal annual installments over the duration of the plan, with the first payment due upon receipt of this approval.
2. Commitments: I&W, Inc. will abide by all commitments submitted in the discharge plan renewal application dated January 29, 2001 and these conditions for approval.
3. Production Method: Fresh water will be injected down the casing and brine shall be recovered up the tubing. Reverse flow will be allowed only once a month for up to 24 hours for clean out.
4. Maximum Injection Pressure: The maximum operating injection and/or test pressure at the well head will be such that the fracture pressure of the injection formation will not be exceeded. Please provide to OCD by January 31, 2002 (first annual report) the system fracture pressure calculated at the bottom casing shoe, fracture pressure gradient (psi/ft) for the system, and the maximum surface injection pressure that will not cause new fractures or propagate existing fractures.

Pursuant to OCD Letter dated June 22, 2000 the maximum operating pressure shall not exceed 238 psig.

5. Mechanical Integrity Testing: I&W, Inc. will conduct an annual open to formation pressure test by pressuring up the formation with fluids to one and one-half times the normal operating pressure or 300 psig whichever is greater for four hours. However, no operator may exceed surface injection or test pressures that may cause formation fracturing (**see item 4 above**) or system failures. Systems requiring test pressures less than 300 psig or methods that use testing media other than fluids, i.e. gas, must be approved by OCD prior to testing. Brine supply wells operating with isolation packers will have to pressure test both the cavern formation and casing/tubing annually.

At least once every five years and during well work-overs the cavern formation will be isolated from the casing/tubing annulars and the casing pressure tested at 300 psig for 30 minutes. All pressure test must be witnessed by OCD.

6. Production/Injection Volumes/Annual Report: The volumes of fluids injected (fresh water) and produced (brine) will be recorded monthly and submitted to the OCD Santa Fe Office in an annual report due on the thirty-first (31) day of January of each year.
7. 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.
8. Groundwater Monitoring Program: OCD requires I&W Inc. to maintain a groundwater monitoring program to provide detection for any excursion of formation fluids outside of the extraction area. The following will be initially required:
 - A. Collect annual water samples from the two on-site monitor wells. These wells shall be purged, sampled and analyzed for General chemistry, total dissolved solids, pH (EPA method CFR 40 136.3) and New Mexico Water Quality Control Commission (WQCC) metals, all using EPA approved methods and quality assurance/quality control (QA/QC) procedures. Submit the analytical results in the annual report. All sampling shall be witnessed by OCD.
 - B. Provide a local city map showing the location of the water wells that samples were collected on August 22, 2000. Please provide this information by August 15, 2001.
9. Drum Storage: All drums 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.
10. Process Areas: All process and maintenance areas which show evidence that leaks and spills are reaching the ground surface must be either paved and curbed or have some type of spill collection device incorporated into the design.
11. Above Ground Tanks: All above ground tanks which contain fluids other than fresh water must be bermed to contain a volume of one-third more than the total volume of the largest tank or of all interconnected tanks. All new facilities or modifications to existing facilities must place the tank on an impermeable type pad within the berm.

12. Above Ground Saddle Tanks: Above ground saddle tanks must have impermeable pad and curb type containment unless they contain fresh water or fluids that are gases at atmospheric temperature and pressure.
13. Labeling: All tanks, drums, and other containers should be clearly labeled to identify their contents and other emergency information necessary if the tank were to rupture, spill, or ignite.
14. Below Grade Tanks/Sumps: All below grade tanks, sumps, and pits must be approved by the OCD prior to installation or upon modification and must incorporate secondary containment and leak-detection into the design. All pre-existing sumps and below-grade tanks must be tested to demonstrate their mechanical integrity no later than December 31, 2001 and every year from tested date, thereafter. Permittees may propose various methods for testing such as pressure testing to 3 pounds per square inch above normal operating pressure and/or visual inspection of cleaned out tanks and/or sumps, or other OCD approved methods. The OCD will be notified at least 72 hours prior to all testing. The test results will be submitted to OCD in the annual report.
15. Underground Process/Wastewater Lines: All underground process/wastewater pipelines must be tested to demonstrate their mechanical integrity no later than December 31, 2001 and every 5 years, from tested date, thereafter. Permittees may propose various methods for testing such as pressure testing to 3 pounds per square inch above normal operating pressure or other means acceptable to the OCD. The OCD will be notified at least 72 hours prior to all testing. The test results will be submitted to OCD in the first annual report.
16. Class V Wells: No Class V wells that inject non-hazardous industrial wastes or a mixture of industrial wastes and domestic wastes will be approved for construction and/or operation unless it can be demonstrated that groundwater will not be impacted in the reasonably foreseeable future. Leach fields and other wastewater disposal systems at OCD regulated facilities which inject non-hazardous fluid into or above an underground source of drinking water are considered Class V injection wells under the EPA UIC program. Class V wells that inject domestic waste only must be permitted by the New Mexico Environment Department.
17. Well Work Over Operations: OCD approval will be obtained from the Director prior to performing remedial work, pressure test or any other Work over. Approval will be requested on OCD Form C-103 "Sundry Notices and Reports on Wells" (OCD Rule 1103.A.) with appropriate copies sent to the OCD Artesia District Office.

18. Housekeeping: All systems designed for spill collection/prevention, and leak detection will be inspected daily to ensure proper operation and to prevent overtopping or system failure. All spill collection and/or secondary containment devices will be emptied of fluids within 48 hours of discovery. A record of inspections will be retained on site for a period of five years.
19. Spill Reporting: All spills/releases shall be reported pursuant to OCD Rule 116. and WQCC 1203. to the OCD Artesia District Office.
20. Waste Disposal: All wastes will be disposed of at an OCD approved facility. Only oilfield exempt wastes shall be disposed of down Class II injection wells. Non-exempt oilfield wastes that are non-hazardous may be disposed of at an OCD approved facility upon proper waste determination per 40 CFR Part 261. Any waste stream that is not listed in the discharge plan will be approved by OCD on a case-by-case basis.
21. Transfer of Discharge Plan: The OCD will be notified prior to any transfer of ownership, control, or possession of a facility with an approved discharge plan. A written commitment to comply with the terms and conditions of the previously approved discharge plan must be submitted by the purchaser and approved by the OCD prior to transfer.
22. Closure: The OCD will be notified when operations of the facility are discontinued for a period in excess of six months. Prior to closure of the facility a closure plan will be submitted for approval by the Director. Closure and waste disposal will be in accordance with the statutes, rules and regulations in effect at the time of closure.
23. OCD Inspections: Additional requirements may be placed on the facility based upon results from OCD inspections.
24. Storm Water Plan: I&W, Inc. will submit a storm water run-off plan for OCD approval by December 31, 2001.
25. Capacity and Cavity Configuration: The OCD is in receipt of the Sonar Survey dated October 19, 1996 showing the configuration and size of the mined cavity. I&W, Inc. shall submit for OCD approval a method to detect long-term subsidence. Please submit the plan by August 15, 2001.

George Parchman
July 16, 2001
Page 7

26. Certification: **I&W, Inc.** by the officer whose signature appears below, accepts this permit and agrees to comply with all terms and conditions contained herein. **I&W, 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 fresh water, human health and the environment.

Conditions accepted by: **I&W, Inc.**

GEORGE PARCHMAN
Company Representative- print name

George Parchman Date 7/23/01
Company Representative- Sign

Title MANAGER



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

Jennifer A. Salisbury

Cabinet Secretary

July 16, 2001

Lori Wrotenbery

Director

Oil Conservation Division

CERTIFIED MAIL

RETURN RECEIPT NO. 5357 7690

George Parchman
I&W, Inc.
P.O. Box 98
Loco Hills, New Mexico, 88255

Re: Discharge Plan Renewal
Carlsbad Eugenie Brine Extraction Facility BW-006
Eddy County, New Mexico

Dear Mr. Parchman:

The groundwater discharge plan renewal for the Carlsbad Eugenie Brine Extraction Facility Well BW-006 operated by I&W, Inc. located in SW/4 SW/4 of Section 17, Township 22 South, Range 27 East, NMPM, Eddy County, New Mexico is **hereby approved** under the conditions contained in the enclosed attachment. Enclosed are two copies of the conditions of approval. **Please sign and return one copy to the New Mexico Oil Conservation Division (OCD) Santa Fe Office within 30 working days of receipt of this letter.**

The original discharge plan was approved on December 18, 1982 by the OCD with an expiration date of December 18, 1987. Subsequent to renewal, administration of the brine program was transferred to the Environmental Improvement Division and then returned to OCD in 1989. The discharge plan has subsequently been renewed by OCD on June 19, 1991 and April 15, 1996 with an expiration date of June 19, 2001. The discharge plan renewal application dated January 29, 2001 including attachments, submitted pursuant to Section 5101.B.3. of the New Mexico Water Quality Control Commission (WQCC) Regulations also includes all earlier applications and all conditions later placed on those approvals. The discharge plan renewal application was submitted pursuant to Section 5101.B.3. of the New Mexico Water Quality Control Commission (WQCC) Regulations. The discharge plan is renewed pursuant to Section 5101.A. and 3109.C. Please note Section 3109.G., which provides for possible future amendment of the plan. Please be advised that approval of this plan does not relieve I&W, Inc. of liability should operations result in pollution of surface or ground waters, or the environment.

Please be advised that all exposed pits, including lined pits and open top tanks (exceeding 16 feet in diameter) shall be screened, netted, or otherwise rendered nonhazardous to wildlife including migratory birds.

George Parchman

July 16, 2001

Page 2

Please note that Section 3104. of the regulations requires that "when a plan has been approved, discharges must be consistent with the terms and conditions of the plan." Pursuant to Section 3107.C., I&W, Inc. is required to notify the Director of any facility expansion, production increase, or process modification that would result in any change in the discharge of water quality or volume.

Pursuant to Section 3109.H.4., this approval is for a period of five years. **This approval will expire June 19, 2006** and an application for renewal should be submitted in ample time before that date. Pursuant to Section 5101.F. of the regulations, if a discharger submits a discharge plan renewal application at least 120 days before the discharge plan expires and is in compliance with the approved plan, then the existing discharge plan will not expire until the application for renewal has been approved or disapproved.

The discharge plan application for the I&W, Inc. Carlsbad Eugenie Brine Extraction Facility is subject to the WQCC Regulation 3114. Every billable facility submitting a discharge plan will be assessed a fee equal to the filing fee of \$100.00 plus a flat fee of \$1700.00 for brine stations. The OCD has not received the \$1700.00 flat fee. The flat fee may be paid in a single payment due on the date of the discharge plan approval or in five equal installments over the expected duration of the discharge plan. Installment payments shall be remitted yearly, with the first installment due on the date of the discharge plan approval and subsequent installments due on this date of each calendar year.

**Please make all checks payable to: Water Quality Management Fund
C/o: Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505.**

If you have any questions, please contact Wayne Price of my staff at (505-476-3487). On behalf of the staff of the OCD, I wish to thank you and your staff for your cooperation during this discharge plan review.

Sincerely,



Roger C. Anderson
Environmental Bureau Chief
RCA/lwp

Attachment-1

xc: OCD Artesia Office

ATTACHMENT TO THE DISCHARGE PLAN BW-006 APPROVAL
I&W, Inc. Carlsbad Eugenie Brine Extraction Facility (BW-006)
DISCHARGE PLAN APPROVAL CONDITIONS
July 16, 2001

1. Payment of Discharge Plan Fees: The \$100.00 filing fee has been received by OCD. The \$1700.00 flat fee shall be submitted upon receipt of this approval. The required flat fee may be paid in a single payment due at the time of approval, or in equal annual installments over the duration of the plan, with the first payment due upon receipt of this approval.
2. Commitments: I&W, Inc. will abide by all commitments submitted in the discharge plan renewal application dated January 29, 2001 and these conditions for approval.
3. Production Method: Fresh water will be injected down the casing and brine shall be recovered up the tubing. Reverse flow will be allowed only once a month for up to 24 hours for clean out.
4. Maximum Injection Pressure: The maximum operating injection and/or test pressure at the well head will be such that the fracture pressure of the injection formation will not be exceeded. Please provide to OCD by January 31, 2002 (first annual report) the system fracture pressure calculated at the bottom casing shoe, fracture pressure gradient (psi/ft) for the system, and the maximum surface injection pressure that will not cause new fractures or propagate existing fractures.

Pursuant to OCD Letter dated June 22, 2000 the maximum operating pressure shall not exceed 238 psig.

5. Mechanical Integrity Testing: I&W, Inc. will conduct an annual open to formation pressure test by pressuring up the formation with fluids to one and one-half times the normal operating pressure or 300 psig whichever is greater for four hours. However, no operator may exceed surface injection or test pressures that may cause formation fracturing (**see item 4 above**) or system failures. Systems requiring test pressures less than 300 psig or methods that use testing media other than fluids, i.e. gas, must be approved by OCD prior to testing. Brine supply wells operating with isolation packers will have to pressure test both the cavern formation and casing/tubing annually.

At least once every five years and during well work-overs the cavern formation will be isolated from the casing/tubing annulars and the casing pressure tested at 300 psig for 30 minutes. All pressure test must be witnessed by OCD.

6. Production/Injection Volumes/Annual Report: The volumes of fluids injected (fresh water) and produced (brine) will be recorded monthly and submitted to the OCD Santa Fe Office in an annual report due on the thirty-first (31) day of January of each year.
7. 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.
8. Groundwater Monitoring Program: OCD requires I&W Inc. to maintain a groundwater monitoring program to provide detection for any excursion of formation fluids outside of the extraction area. The following will be initially required:
 - A. Collect annual water samples from the two on-site monitor wells. These wells shall be purged, sampled and analyzed for General chemistry, total dissolved solids, pH (EPA method CFR 40 136.3) and New Mexico Water Quality Control Commission (WQCC) metals, all using EPA approved methods and quality assurance/quality control (QA/QC) procedures. Submit the analytical results in the annual report. All sampling shall be witnessed by OCD.
 - B. Provide a local city map showing the location of the water wells that samples were collected on August 22, 2000. Please provide this information by August 15, 2001.
9. Drum Storage: All drums 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.
10. Process Areas: All process and maintenance areas which show evidence that leaks and spills are reaching the ground surface must be either paved and curbed or have some type of spill collection device incorporated into the design.
11. Above Ground Tanks: All above ground tanks which contain fluids other than fresh water must be bermed to contain a volume of one-third more than the total volume of the largest tank or of all interconnected tanks. All new facilities or modifications to existing facilities must place the tank on an impermeable type pad within the berm.

12. Above Ground Saddle Tanks: Above ground saddle tanks must have impermeable pad and curb type containment unless they contain fresh water or fluids that are gases at atmospheric temperature and pressure.
13. Labeling: All tanks, drums, and other containers should be clearly labeled to identify their contents and other emergency information necessary if the tank were to rupture, spill, or ignite.
14. Below Grade Tanks/Sumps: All below grade tanks, sumps, and pits must be approved by the OCD prior to installation or upon modification and must incorporate secondary containment and leak-detection into the design. All pre-existing sumps and below-grade tanks must be tested to demonstrate their mechanical integrity no later than December 31, 2001 and every year from tested date, thereafter. Permittees may propose various methods for testing such as pressure testing to 3 pounds per square inch above normal operating pressure and/or visual inspection of cleaned out tanks and/or sumps, or other OCD approved methods. The OCD will be notified at least 72 hours prior to all testing. The test results will be submitted to OCD in the annual report.
15. Underground Process/Wastewater Lines: All underground process/wastewater pipelines must be tested to demonstrate their mechanical integrity no later than December 31, 2001 and every 5 years, from tested date, thereafter. Permittees may propose various methods for testing such as pressure testing to 3 pounds per square inch above normal operating pressure or other means acceptable to the OCD. The OCD will be notified at least 72 hours prior to all testing. The test results will be submitted to OCD in the first annual report.
16. Class V Wells: No Class V wells that inject non-hazardous industrial wastes or a mixture of industrial wastes and domestic wastes will be approved for construction and/or operation unless it can be demonstrated that groundwater will not be impacted in the reasonably foreseeable future. Leach fields and other wastewater disposal systems at OCD regulated facilities which inject non-hazardous fluid into or above an underground source of drinking water are considered Class V injection wells under the EPA UIC program. Class V wells that inject domestic waste only must be permitted by the New Mexico Environment Department.
17. Well Work Over Operations: OCD approval will be obtained from the Director prior to performing remedial work, pressure test or any other Work over. Approval will be requested on OCD Form C-103 "Sundry Notices and Reports on Wells" (OCD Rule 1103.A.) with appropriate copies sent to the OCD Artesia District Office.

18. Housekeeping: All systems designed for spill collection/prevention, and leak detection will be inspected daily to ensure proper operation and to prevent overtopping or system failure. All spill collection and/or secondary containment devices will be emptied of fluids within 48 hours of discovery. A record of inspections will be retained on site for a period of five years.
19. Spill Reporting: All spills/releases shall be reported pursuant to OCD Rule 116. and WQCC 1203. to the OCD Artesia District Office.
20. Waste Disposal: All wastes will be disposed of at an OCD approved facility. Only oilfield exempt wastes shall be disposed of down Class II injection wells. Non-exempt oilfield wastes that are non-hazardous may be disposed of at an OCD approved facility upon proper waste determination per 40 CFR Part 261. Any waste stream that is not listed in the discharge plan will be approved by OCD on a case-by-case basis.
21. Transfer of Discharge Plan: The OCD will be notified prior to any transfer of ownership, control, or possession of a facility with an approved discharge plan. A written commitment to comply with the terms and conditions of the previously approved discharge plan must be submitted by the purchaser and approved by the OCD prior to transfer.
22. Closure: The OCD will be notified when operations of the facility are discontinued for a period in excess of six months. Prior to closure of the facility a closure plan will be submitted for approval by the Director. Closure and waste disposal will be in accordance with the statutes, rules and regulations in effect at the time of closure.
23. OCD Inspections: Additional requirements may be placed on the facility based upon results from OCD inspections.
24. Storm Water Plan: I&W, Inc. will submit a storm water run-off plan for OCD approval by December 31, 2001.
25. Capacity and Cavity Configuration: The OCD is in receipt of the Sonar Survey dated October 19, 1996 showing the configuration and size of the mined cavity. I&W, Inc. shall submit for OCD approval a method to detect long-term subsidence. Please submit the plan by August 15, 2001.

26. Certification: **I&W, Inc.** by the officer whose signature appears below, accepts this permit and agrees to comply with all terms and conditions contained herein. **I&W, 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 fresh water, human health and the environment.

Conditions accepted by: **I&W, Inc.**

Company Representative- print name

Date _____
Company Representative- Sign

Title _____



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 15, 1996

CERTIFIED MAIL
RETURN RECEIPT NO. Z-765-962-944

Mr. George Parchman
I & W, Inc.
P.O. Box 727
Carlsbad, New Mexico 88220

**RE: Discharge Plan BW-006 Renewal
Eugenie Brine Extraction Facility
Eddy County, New Mexico**

Dear Mr. Parchman:

The groundwater discharge plan renewal, BW-006, for the I & W, Inc. Eugenie Brine Extraction Facility, located in the SW/4 SW/4 Section 17, Township 22 South, Range 27 East, NMPM, Eddy County, New Mexico, **is hereby approved** under the conditions contained in the enclosed attachment. The renewal application consists of the original discharge plan as approved December 18, 1982; the renewal application dated May 28, 1987; and the materials dated June 10, 1988, October 11, 1988, November 10, 1988, May 1, 1991, and June 14, 1991; the discharge plan renewal as approved June 19, 1991; and the discharge plan renewal application dated August 2, 1995. Enclosed are two copies of the conditions of approval. **Please sign and return one copy to the New Mexico Oil Conservation Division (OCD) Santa Fe Office within five working days of receipt of this letter.**

The discharge plan renewal application was submitted pursuant to Section 5101.B.3. of the New Mexico Water Quality Control Commission (WQCC) Regulations. It is approved pursuant to Section 5101.A. and 3109.C. Please note Section 3109.F., which provides for possible future amendment of the plan. Please be advised that approval of this plan does not relieve I & W, Inc. of liability should their operation result in pollution of surface or ground waters, or the environment.

Mr. George Parchman
April 15, 1996
Page 2

Please be advised that all exposed pits, including lined pits and open top tanks (exceeding 16 feet in diameter) shall be screened, netted, or otherwise rendered nonhazardous to wildlife including migratory birds.

Please note that Section 3104. of the regulations requires that "when a plan has been approved, discharges must be consistent with the terms and conditions of the plan." Pursuant to Section 3107.C., I & W, Inc. is required to notify the Director of any facility expansion, production increase, or process modification that would result in any change in the discharge of water quality or volume.

19

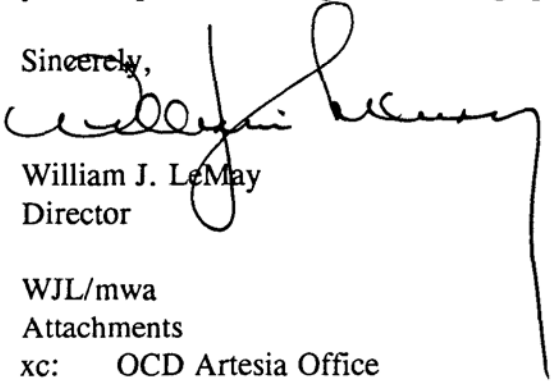
Pursuant to Section 3109.G.4., this approval is for a period of five years. This approval will expire June 16, 2001, and an application for renewal should be submitted in ample time before that date. It should be noted that all discharge plan facilities will be required to submit plans for, or the results of, an underground drainage testing program as a requirement for discharge plan renewal.

The discharge plan renewal application for the I & W, Inc. Eugenie Brine Extraction Facility is subject to the WQCC Regulation 3114. Every billable facility submitting a discharge plan will be assessed a fee equal to the filing fee of \$50 plus one half of the flat fee or \$690 for brine stations. The \$50 filing fee was received by the OCD on August 18, 1995. The OCD has not received the flat fee of \$690, which may be paid in a single payment due on the date of the discharge plan approval or in five equal installments over the expected duration of the discharge plan. Installment payments shall be remitted yearly, with the first installment due on the date of the discharge plan approval and subsequent installments due on this date of each calendar year.

Please make all checks payable to: **NMED-Water Quality Management** and addressed to the OCD Santa Fe Office.

On behalf of the staff of the Oil Conservation Division, I wish to thank you and your staff for your cooperation during this discharge plan review.

Sincerely,


William J. LeMay
Director

WJL/mwa
Attachments
xc: OCD Artesia Office

ATTACHMENT TO THE DISCHARGE PLAN BW-006 RENEWAL
I & W, INC.
EUGENIE BRINE EXTRACTION FACILITY
DISCHARGE PLAN REQUIREMENTS
(April 15, 1996)

1. Payment of Discharge Plan Fees: The \$690 flat fee shall be submitted upon receipt of this approval. The required flat fee may be paid in a single payment due at the time of approval, or in equal annual installments over the duration of the plan, with the first payment due upon receipt of this approval.
2. I & W, Inc. Commitments: I & W, Inc. will abide by all commitments submitted in the renewal application dated August 2, 1995.
3. Production Method: Fresh water will be injected down the tubing of the No. 1 well and brine shall be recovered up the tubing of the No. 2 well. Reverse flow will be allowed only once a month for up to 24 hours for clean out.
4. Maximum Injection Pressure: The maximum operating injection pressure at the well head will be such that the fracture pressure of the injection formation will not be exceeded. I & W, Inc. Eugenie Brine Extraction Facility shall supply and obtain approval for any changes to the approval for the maximum and average injection pressures and injection volumes.
5. Mechanical Integrity Testing: The OCD requires an annual open hole pressure test equal to one and one-half of the normal operating pressure for four hours with ten percent bleed-off allowed. At least once every five years the OCD requires the above mentioned open hole test with zero bleed-off allowed. If zero bleed-off cannot be achieved, the casing will be isolated from the formation and tested to 300 psi for 30 minutes. During well work over, the OCD requires the casing to be isolated from the casing and tested to 300 psi for 30 minutes. The OCD will be notified at least 72 hours prior to all testing so that an OCD representative may witness the test.

A mechanical integrity test equal to 300 psi for 30 minutes with zero bleed-off will be conducted on the wells by December 31, 1996. The OCD will be notified at least 72 hours prior to the test so that the OCD may witness the test.

6. Capacity and Cavity Configuration: The capacity and configuration of the salt cavern will be determined by December 31, 1996 by sonar survey or an alternate method approved by the OCD. The OCD will be notified at least 72 hours prior to all testing so that an OCD representative may witness the testing.
7. Subsidence Survey: I & W will design and install a series of survey points over the area of the facility and the salt cavern by December 31, 1996 to monitor any future surface subsidence. The OCD will be notified at least 72 hours prior to all testing so that an OCD representative may witness the testing.
8. 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 quarterly.
9. Drum Storage: All drums 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 should also be stored on an impermeable pad with curbing.
10. Process Areas: All process and maintenance areas which show evidence that leaks and spills are reaching the ground surface must be either paved and curbed or have some type of spill collection device incorporated into the design.

The fluid loading pads show evidence of fluids reaching the ground surface. All process and maintenance areas which show evidence that leaks and spills are reaching the ground surface must be either paved and curbed or have some type of spill collection device incorporated into the design.

11. Above Ground Tanks: All above ground tanks which contain fluids other than fresh water must be bermed to contain a volume of one-third more than the total volume of the largest tank or of all interconnected tanks. All new facilities or modifications to existing facilities must place the tank on an impermeable type pad within the berm.

Currently the four 1,000 barrel brine storage tanks do not have any containment. Please submit a plan to the OCD by May 20, 1996 for containment of the storage tanks.

The existing concrete containment around the truck washout collection tank appears to have run over. Please submit a plan to the OCD by May 20, 1996 for containment of future overflows.

12. Above Ground Saddle Tanks: Above ground saddle tanks must have impermeable pad and curb type containment unless they contain fresh water or fluids that are gases at atmospheric temperature and pressure.
13. Tank Labeling: All tanks should be clearly labeled to identify their contents and other emergency information necessary if the tank were to rupture, spill, or ignite.
14. Below Grade Tanks/Sumps: All below grade tanks, sumps, and pits must be approved by the OCD prior to installation or upon modification and must incorporate secondary containment and leak-detection into the design. All pre-existing sumps and below-grade tanks must demonstrate integrity on an annual basis. Integrity tests include pressure testing to 3 pounds per square inch above normal operating pressure and/or visual inspection of cleaned out tanks /or sumps.

Integrity testing for 1996 must be completed by December 31, 1996. The OCD will be notified at least 72 hours prior to all testing so that an OCD representative may witness the testing.

15. Underground Process/Wastewater Lines: All underground process/wastewater, and brine transfer pipelines must be tested to demonstrate their mechanical integrity at present and then every 5 years there after. Permittees may propose various methods for testing such as pressure testing to 3 pounds per square inch above normal operating pressure or other means acceptable to the OCD.

Integrity testing for 1996 must be completed by December 31, 1996. The OCD will be notified at least 72 hours prior to all testing so that an OCD representative may witness the testing.

16. Truck Wash Pad: The truck wash pad shows evidence of wash water overflows on to the ground surface. Please submit a plan to the OCD by May 20, 1996 for containment of future overflows.

The fluids generated from the wash pad are non-exempt wastes and cannot be disposed of in a class II well. Please sample and test using EPA approved methods for metals, Polynuclear Aromatic Hydrocarbons, Halogenated and Aromatic Organics, and major Cations and Anions by May 20, 1996. Please send the results to the OCD.

17. Well Workover Operations: OCD approval will be obtained from the Director prior to performing remedial work or any other workover. Approval will be requested on OCD Form C-103 "Sundry Notices and Reports on Wells" (OCD Rule 1103.A.) with

Mr. George Parchman
April 15, 1996
Page 6

appropriate copies sent to the OCD Artesia District Office.

18. Housekeeping: All systems designed for spill collection/prevention, and leak detection will be inspected daily to ensure proper operation and to prevent overtopping or system failure.
19. Spill Reporting: All spills/releases shall be reported pursuant to OCD Rule 116. and WQCC 1203. to the OCD Artesia District Office.
20. Transfer of Discharge Plan: The OCD will be notified prior to any transfer of ownership, control, or possession of a facility with an approved discharge plan. A written commitment to comply with the terms and conditions of the previously approved discharge plan must be submitted by the purchaser and approved by the OCD prior to transfer.
21. Closure: The OCD will be notified when operations of the facility are discontinued for a period in excess of six months. Prior to closure of the facility a closure plan will be submitted for approval by the Director. Closure and waste disposal will be in accordance with the statutes, rules and regulations in effect at the time of closure.
22. OCD Inspections: Additional requirements may be placed on the facility based upon results from OCD inspections.
23. Conditions accepted by:

Company Representative

Date

Title