

BW - 12

**PERMITS,
RENEWALS,
& MODS**



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

October 15, 2004

CERTIFIED MAIL

RETURN RECEIPT NO. 3929 8478

Mr. Richard Lentz
Plains Marketing, L.P.
3514 Lovington HWY
Hobbs, New Mexico 88240

Re: Discharge BW-012
Hobbs Brine Production
Lea County, New Mexico

Dear Mr. Lentz:

The groundwater discharge renewal application for the Plains Marketing, L.P. Hobbs Brine Production BW-012 operated by Plains Marketing, L.P. located in the SW/4, SW/4 of Section 36, Township 18 South, Range 37 East, NMPM, Lea 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 DP-354 was issued by the Environmental Improvement Division (EID) and was renewed by the Oil Conservation Division on July 18, 1994 and November 30, 1999 with an expiration date of July 18, 2004. The discharge plan renewal application, including attachments, dated July 14, 2004 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 permit renewal application was submitted pursuant to Section 20.6.2.5101 of the New Mexico Water Quality Control Commission (WQCC) Regulations. The discharge permit is issued pursuant to Section 5101 and 3109.C. Please note Section 3109.G., which provides for possible future amendment of the permit. Please be advised that approval of this permit does not relieve Plains Marketing, L.P. 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 non-hazardous to wildlife including migratory birds.

Mr. Richard Lentz
October 15, 2004
Page 2

Please note that Section 3104 of the regulations requires that "when a permit has been approved, discharges must be consistent with the terms and conditions of the permit. Pursuant to Section 3107.C., operators are 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 July 18, 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 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 \$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 permit, with the first payment due upon receipt of this approval.

Please make all checks payable to: Water Quality Management Fund
c/o Oil Conservation Division
1220 South Santa Fe Avenue
Santa Fe, New Mexico 87505.

If you have any questions, please contact Wayne Price of my staff at (505-476-3487) or E-mail wprice@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 plan review.

Sincerely,



Roger C. Anderson
Environmental Bureau Chief
RCA/lwp

Attachment-1

xc: OCD Hobbs Office

**ATTACHMENT TO THE DISCHARGE Permit BW-012 APPROVAL
Plains Marketing, L.P. Hobbs Brine Production (BW-012)
DISCHARGE PERMIT APPROVAL CONDITIONS
October 15, 2004**

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 permit, with the first payment due upon receipt of this approval.
2. Commitments: Plains Marketing, L.P. will abide by all commitments submitted in the discharge permit renewal application dated July 14, 2004 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 and will not cause new fractures or propagate existing fractures or cause damage to the system.
5. Mechanical Integrity Testing: 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 5 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 annuals.

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

6. 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.

7. 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 an annual report due on the first day of September 01 of each year.
8. 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.
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 Ponds/Pits/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 below grade tanks, sumps and pits must be tested annually, except systems that have secondary containment with leak detection. These systems with leak detection shall have a monthly inspection of the leak

detection to determine if the primary containment is leaking. Results of tests and inspections shall be maintained at the facility covered by this discharge permit and available for NMOCD inspection. Any system found to be leaking shall be reported pursuant to Item # 19. Permit holders 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.

15. Underground Process/Wastewater Lines: All underground process/wastewater pipelines must be approved by the OCD prior to installation and must be tested to demonstrate their mechanical integrity every five (5) years. Results of such tests shall be maintained at the facility covered by this discharge plan and available for NMOCD inspection. Permit holders 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.
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 Environmental Bureau and 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.
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 will be approved by OCD on a case-by-case basis.

Rule 712 Waste: Pursuant to Rule 712, disposal of certain non-domestic waste is allowed at solid waste facilities permitted by the New Mexico Environment Department as long as the waste stream is identified in the discharge, and existing process knowledge of the waste stream does not change without notification to the Oil Conservation Division.

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. Vadose Zone and Water Pollution: The previously submitted investigation(s) and remediation plans were submitted pursuant to the discharge permit and all future discoveries of contamination will be addressed through the discharge permit.

Groundwater monitoring plan: The two monitor wells on-site (MW-1 and MW-2) and the source well shall be sampled annually for general chemistry using EPA approved methods. The analysis results shall be included in the annual report. Any constituents that exceed the New Mexico groundwater standards shall be reported within 48 hours of discovery.

25. Storm Water: Stormwater runoff controls shall be maintained. As a result of operations, if any water contaminant that exceeds the WQCC standards listed in 20 NMAC 6.2.3101 is discharged in any storm water run-off, then immediate actions shall be taken to mitigate the effects of the run-off, notify the OCD within 24 hours, and modify the discharge to include a formal storm water run-off containment and submit for OCD approval within 15 days.

Mr. Richard Lentz
October 15, 2004
Page 7

26. Certification: Plains Marketing, L.P. by the officer whose signature appears below, accepts this and agrees to comply with all terms and conditions contained herein. Plains Marketing, L.P. further acknowledges that these conditions and requirements of this may be changed administratively by the Division for good cause shown as necessary to protect fresh water, human health and the environment.

Plains Marketing, L.P.

Print Name: _____

Signature: _____

Title: _____

Date: _____

DRAFT

August 16, 2004

CERTIFIED MAIL
RETURN RECEIPT NO.

Mr. Richard Lentz
Plains Marketing, L.P.
3514 Lovington HWY
Hobbs, New Mexico 88240

RON DEVORE
505-441-6601
@ 505-393-9400

Re: Discharge BW-012
Hobbs Brine Production
Lea County, New Mexico

Dear Mr. Lentz:

The groundwater discharge renewal application for the Plains Marketing, L.P. Hobbs Brine Production BW-012 operated by Plains Marketing, L.P. located in the SW/4, SW/4 of Section 36, Township 18 South, Range 37 East, NMPM, Lea 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.**

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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 non-hazardous to wildlife including migratory birds.

Mr. Richard Lentz
August 16, 2004
Page 2

DRAFT

Please note that Section 3104 of the regulations requires that "when a permit has been approved, discharges must be consistent with the terms and conditions of the permit. Pursuant to Section 3107.C., operators are 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 July 18, 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 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 \$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 permit, with the first payment due upon receipt of this approval.

**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) or E-mail wprice@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 plan review.

Sincerely,

Roger C. Anderson
Environmental Bureau Chief
RCA/lwp

Attachment-1
xc: OCD Hobbs Office

**ATTACHMENT TO THE DISCHARGE Permit BW-012 APPROVAL
Plains Marketing, L.P. Hobbs Brine Production (BW-012)
DISCHARGE PERMIT APPROVAL CONDITIONS
August 16, 2004**

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 permit, with the first payment due upon receipt of this approval.
2. Commitments: Plains Marketing, L.P. will abide by all commitments submitted in the discharge permit renewal application dated July 14, 2004 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 and will not cause new fractures or propagate existing fractures or cause damage to the system.
5. Mechanical Integrity Testing: 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 5 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 annuals.

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

6. 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.
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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 Ponds/Pits/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 below grade tanks, sumps and pits must be tested annually, except systems that have secondary containment with leak detection. These systems with leak detection shall have a monthly inspection of the leak detection to determine if the primary containment is leaking. Results of tests and inspections shall be maintained at the facility covered by this discharge permit and available for NMOCD inspection. Any system found to be leaking shall be reported pursuant to Item # 19. Permit holders 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.
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19. Spill Reporting: All spills/releases shall be reported pursuant to OCD Rule 116. and WQCC 1203.

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 will be approved by OCD on a case-by-case basis.

Rule 712 Waste: Pursuant to Rule 712, disposal of certain non-domestic waste is allowed at solid waste facilities permitted by the New Mexico Environment Department as long as the waste stream is identified in the discharge, and existing process knowledge of the waste stream does not change without notification to the Oil Conservation Division.

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. Vadose Zone and Water Pollution: The previously submitted investigation(s) and remediation plans were submitted pursuant to the discharge permit and all future discoveries of contamination will be addressed through the discharge permit.

Groundwater monitoring plan: The two monitor wells on-site (MW-1 and MW-2) and the source well shall be sampled annually for general chemistry using EPA approved methods. The analysis results shall be included in the annual report. Any constituents that exceed the New Mexico groundwater standards shall be reported within 48 hours of discovery.

25. Storm Water: Stormwater runoff controls shall be maintained. As a result of operations, if any water contaminant that exceeds the WQCC standards listed in 20 NMAC 6.2.3101 is discharged in any storm water run-off, then immediate actions shall be taken to mitigate the effects of the run-off, notify the OCD within 24 hours, and modify the discharge to include a formal storm water run-off containment and submit for OCD approval within 15 days.

Mr. Richard Lentz
August 16, 2004
Page 7

26. Certification: Plains Marketing, L.P. by the officer whose signature appears below, accepts this and agrees to comply with all terms and conditions contained herein. PlainsMarketing, L.P. further acknowledges that these conditions and requirements of this may be changed administratively by the Division for good cause shown as necessary to protect fresh water, human health and the environment.

Plains Marketing, L.P.

Print Name: _____

Signature: _____

Title: _____

Date: _____

ACKNOWLEDGEMENT OF RECEIPT
OF CHECK/CASH

I hereby acknowledge receipt of check No. [REDACTED] dated 6/29/04,

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

from Plains Marketing

for Hobbs Brine Well Facility BW-17

Submitted by: [Signature] Date: 7-28-04

Submitted to ASD by: _____ Date: _____

Received in ASD by: _____ Date: _____

Filing Fee New Facility _____ Renewal

Modification _____ Other _____
(specify)

Organization Code 521.07 Applicable FY 2001

To be deposited in the Water Quality Management Fund.

Full Payment or Annual Increment _____

PLAINS MARKETING, L.P.
P.O. BOX 4538
HOUSTON, TX 77210-4538

NEW MEXICO OIL & GAS COMMISSION
NEW MEXICO OIL CONSERVATION DIVISION
2220 S. SAINT FRANCIS DRIVE
SANTA FE, NM 87505

CHECK DATE: 29 JUN 04
CHECK NUMBER: 0557195

PAY: One Hundred and NO/100 Dollars

TO THE ORDER OF: NEW MEXICO OIL & GAS COMMISSION

No. [REDACTED]

*****100.00

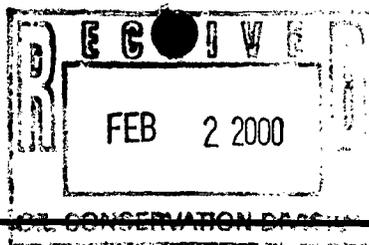
VOID After 180 Days

[Signature]

[Signature]



333 Clay
P.O. Box 4648
Houston, Texas 77210-4648



(713) 646-4100

January 27, 2000

Mr. Roger Anderson
Environmental Bureau Chief
New Mexico Energy, Minerals & Natural Resources Dept.
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

**RE: Discharge Plan BW-027
Carlsbad Brine Production
Eddy County, NM**

**Discharge Plan BW-012
Hobbs Brine Production
Lea County, NM**

Dear Mr. Anderson:

Attached are the signed New Mexico Oil Conservation Division's (OCD) conditions of approval forms and a \$1,380 check for the renewal fee for Scurlock Permian Corporation's Hobbs and Carlsbad brine production facilities.

If you have any questions, please feel free to call me directly at (918) 223-0207 or via email at kebrown@paalp.com

Sincerely,

Kevin E. Brown
Director
Environmental & Regulatory Affairs

CC: Carlsbad Water File
Hobbs Water File
Memo File

James C. Ephraim II P.E.

November 30, 1999

Page 3

ATTACHMENT TO THE DISCHARGE PLAN BW-012 APPROVAL
Scurlock Permian Corporation Hobbs Brine Production Facility (BW-012)
DISCHARGE PLAN APPROVAL CONDITIONS
November 30, 1999

1. Payment of Discharge Plan Fees: The \$50.00 filing fee has been received by OCD. The \$690.00 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: Scurlock Permian Corporation will abide by all commitments submitted in the discharge plan renewal application dated August 24, 1999 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.
5. Mechanical Integrity Testing: Scurlock Permian Corporation will conduct an annual open hole cavern pressure test equal to one and one-half times the normal operating pressure (not to exceed formation fracture pressure) or 300 psi, whichever is greater, for four hours. 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. Please note, any variance in the above procedure must be pre-approved by OCD and all pressure test must be witnessed by OCD.

James C. Ephraim II P.E.

November 30, 1999

Page 4

6. Capacity and Cavity Configuration: A test will be conducted to determine the size and configuration of the mined cavity prior to discharge plan renewal (July 18, 2004). The method and time of testing will be approved by the OCD prior to performing the test.

Scurlock Permian Corporation will provide to the OCD the calculated size of the cavity and demonstrate the stability of the salt formation cavity from collapse and/or subsidence. Please include this information in the first annual report due on April 01, 2000.

7. 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 an annual report due on the first day of April of each year.
8. 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.
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.
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James C. Ephraim II P.E.

November 30, 1999

Page 5

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 February 28, 2000 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 due on April 01, of each year.
15. Underground Process/Wastewater Lines: All underground process/wastewater pipelines must be tested to demonstrate their mechanical integrity no later than February 28, 2000 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 due on April 01, 2000.
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 Hobbs 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 Hobbs 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 characterization per 40 CFR Part 261.
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. Groundwater Sampling: Sample annually the monitor well(s) on site and analyze for General Chemistry (method 40 CFR 136.3) using EPA methods. The test results will be submitted to OCD in the annual report due on April 01, of each year.
23. 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.
24. OCD Inspections: Additional requirements may be placed on the facility based upon results from OCD inspections.
25. Conditions accepted by:

Scurlock Permian Corporation

Print Name: KEVIN E. BROWN

Signature: KEVIN E. BROWN

Title: DIRECTOR OF ENVIRONMENTAL

Date: 1-27-00

ACKNOWLEDGEMENT OF RECEIPT
OF CHECK/CASH

I hereby acknowledge receipt of check No. [REDACTED] dated 12/29/99,
or cash received on _____ in the amount of \$ 1380⁰⁰
from SCURLOCK PERMIAN LLC
for HOBBS + CARLSBAD BRINE STATIONS BW-012 + BW-027

Submitted by: ^(Facility Name) WAYNE PRICE Date: ^(DP No.) 2/7/2000
Submitted to ASD by: [Signature] Date: "
Received in ASD by: _____ Date: _____

Filing Fee _____ New Facility _____ Renewals
Modification _____ Other _____
(optional)

Organization Code 521.07 Applicable FY 2000

To be deposited in the Water Quality Management Fund.

Full Payment or Annual Increment _____

THIS CHECK IS VOID IF BROWN COLORED BACKGROUND IS ABSENT

FORM 2501 REV. 5-95

70-2382/719

ACCOUNTS PAYABLE CHECK

Scurlock Permian LLC

P.O. Box 4648
Houston, Texas 77210

CHECK DATE 12/29/99 CHECK NUMBER [REDACTED]

PAY TO THE ORDER OF:

NMED WATER QUALITY MANAGEMENT
OIL CONSERVATION DIVISION
2040 S PACHECI ST
SANTA FE NM 87505

U.S. Funds

MATCH AMOUNT IN
WORDS WITH NUMBERS
*****\$1,380.00
VOID AFTER 180 DAYS

One Thousand Three Hundred Eighty and 00/100
U.S. Dollars

Scurlock Permian LLC

The Northern Trust Company
Payable Through
Northern Trust Bank/DuPage
Oakbrook Terrace, IL

BW-027
BW-012

By: Michael J. Latiolais
Authorized Representative

THE BACK OF THIS DOCUMENT CONTAINS AN ARTIFICIAL WATERMARK HOLD AT AN ANGLE TO VIEW



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

November 30, 1999

CERTIFIED MAIL
RETURN RECEIPT NO. P 410 425 214

James C. Ephraim II P.E.
Scurlock Permian Corporation
333 Clay
P.O. Box 4648
Houston, Texas 77210-4648

Re: Discharge Plan BW-012
Hobbs Brine Production Facility
Lea County, New Mexico

Dear Mr. Ephraim:

The groundwater discharge plan renewal application for the Hobbs Brine Production Facility BW-012 operated by Scurlock Permian Corporation located in the SW/4, SW/4 of Section 36, Township 18 South, Range 37 East, NMPM, Lea 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 ten working days of receipt of this letter.**

The original discharge plan DP-354 was issued by the Environmental Improvement Division (EID) and was renewed by the Oil Conservation Division on July 18, 1994. The discharge plan renewal application, including attachments, dated August 24, 1999 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 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 Scurlock Permian Corporation 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.

James C. Ephraim II P.E.

November 30, 1999

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., Scurlock Permian Corporation 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 July 18, 2004** 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. 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 application for the Scurlock Permian Corporation Hobbs Brine Production 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 a renewal fee of \$690.00 for brine stations. The OCD has not received the \$690.00 flat fee. The flat fee of \$690.00 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.

If you have any questions, please contact Wayne Price of my staff at (505-827-7155). 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 Anderson
Environmental Bureau Chief
RCA/lwp

Attachment-1

xc: OCD Hobbs Office

**ATTACHMENT TO THE DISCHARGE PLAN BW-012 APPROVAL
Scurlock Permian Corporation Hobbs Brine Production Facility (BW-012)
DISCHARGE PLAN APPROVAL CONDITIONS
November 30, 1999**

1. **Payment of Discharge Plan Fees:** The \$50.00 filing fee has been received by OCD. The \$690.00 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:** Scurlock Permian Corporation will abide by all commitments submitted in the discharge plan renewal application dated August 24, 1999 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.
5. **Mechanical Integrity Testing:** Scurlock Permian Corporation will conduct an annual open hole cavern pressure test equal to one and one-half times the normal operating pressure (not to exceed formation fracture pressure) or 300 psi, whichever is greater, for four hours. 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. Please note, any variance in the above procedure must be pre-approved by OCD and all pressure test must be witnessed by OCD.

James C. Ephraim II P.E.

November 30, 1999

Page 4

6. Capacity and Cavity Configuration: A test will be conducted to determine the size and configuration of the mined cavity prior to discharge plan renewal (July 18, 2004). The method and time of testing will be approved by the OCD prior to performing the test.

Scurlock Permian Corporation will provide to the OCD the calculated size of the cavity and demonstrate the stability of the salt formation cavity from collapse and/or subsidence. Please include this information in the first annual report due on April 01, 2000.

7. 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 an annual report due on the first day of April of each year.
8. 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.
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.

VENDOR NO. 0893240	SCURLOCK PERMIAN CORPORATION 573			CHECK NO. 1145294
REFERENCE NO.	DESCRIPTION	INVOICE AMOUNT	DISCOUNT DEDUCTION	NET AMOUNT
SCURLOCK PERMIAN CORPORATION 072294	S477828	740.00	0.00	740.00
REMITTANCE STATEMENT LAST PAGE	TOTALS THIS PAGE TOTALS ALL PAGES	740.00 740.00	0.00 0.00	740.00 740.00

Mr. Owen H. Mobley
July 18, 1994
Page 2

107.C. you are 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.

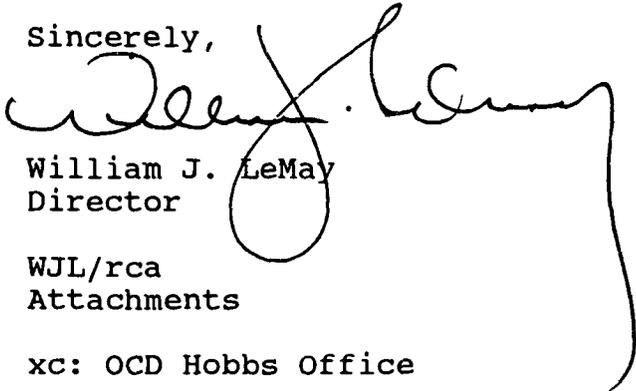
Pursuant to Section 3-109.G.4., this approval is for a period of five years. This approval will expire July 18, 1999, and an application for renewal should be submitted in ample time before that date.

The discharge plan application for the Scurlock Permian Corporation Saline No. 1 Brine Station is subject to the WQCC Regulation 3-114 discharge plan fee. Every billable facility submitting a discharge plan will be assessed a fee equal to the filing fee of fifty (50) dollars plus the flat rate of ~~seven~~⁵⁴⁵ hundred ninety dollars (\$690.00) for brine station discharge plan renewal. The fifty (50) dollar filing fee and the ~~seven~~⁵⁴⁵ hundred ninety dollar (~~\$790.00~~ ^{690.00}) flat fee have not been received by the Oil Conservation Division, and shall be submitted on receipt of this approval. The required flat fee may be paid in a single payment 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.

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/rca
Attachments

xc: OCD Hobbs Office

Fee should be.
\$690.00 plus \$50.00
filing.

Roger C. Anderson
Environ Bureau Chief

J. Amice

FAX 139
713-646-4313

713 646-4392

ATTACHMENT TO THE DISCHARGE PLAN BW-012 APPROVAL
SCURLOCK PERMIAN CORPORATION
SALINE NO 1 BRINE STATION
DISCHARGE PLAN REQUIREMENTS
(July 18, 1994)

1. The fifty (50) dollar filing fee and the seven hundred ninety dollar (\$790.00) flat fee shall be submitted on receipt of this approval. The required flat fee may be paid in a single payment or in 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.
2. Brine Transfer Lines: All Below-grade brine transfer lines will be tested for integrity once every five years.
3. Sump Construction: All new or rebuilt sumps and below-grade tanks will be approved by the OCD prior to installation and will incorporate secondary synthetic containment and leak detection in their designs. All leak detection systems will be inspected weekly and the OCD will be notified immediately upon discovery of fluids in any leak detection system.
4. Drum Storage: All chemical and lubrication drums shall be stored on pad and curb type containment.
5. Tank Berming: All tanks that contain materials other than fresh water will be bermed to contain one and one-third times the capacity of the tank.
6. Spill Containment: All brine storage and transfer will be managed in such a manner to keep brine off of the ground surface. Any brine spilled onto the ground surface will be cleaned up upon discovery.
7. Spill Reporting: All spills and/or leaks shall be reported to the OCD Hobbs District office pursuant to WQCC Rule 1-203 and OCD Rule 116.
8. Production Method: Fresh water shall be injected down the annulus and brine shall be recovered up the tubing. Reverse flow will be allowed once a month for up to 24 hours for clean out.
9. Maximum Injection Pressure: The maximum operating pressure at the well head will be such that the fracture pressure of the formation will not be exceeded.
10. Mechanical Integrity Testing: A mechanical integrity test

will be conducted on the well annually. A pressure equal to one and one-half of the normal operating pressure will be maintained for four hours. The OCD will be notified prior to the test so that the may witness the test.

11. Cavity Configuration: A test will be conducted to determine the size and configuration of the mined cavity prior to discharge plan renewal (July 18, 1999). The method and time of testing will be approved by the OCD prior to performing the test.
12. 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.
13. Well Workover Operations: OCD approval will be obtained prior to performing remedial work or any other workover. Approval will be requested at the OCD Hobbs District office on OCD Form C-103 "Sundry Notices and Reports on Wells" (OCD Rule 1103-A).
14. Closure: The OCD will be notified when operations of the facility is discontinued for a period in excess of six months. Prior to closure of the facility a closure plan will be submitted for OCD approval. Closure and waste disposal will be in accordance with the statutes, rules and regulations in effect at the time of closure.