GW - 132

INSPECTIONS & DATA

Randy Fox
Environmental Engineer
E-mail rfox@bhenergy.com

350 Indiana St., Suite 400
Golden, Colorado 80401
P (720) 210-1334
F (303) 568-3261

June 27, 2008

Leonard Lowe
Environmental Engineer
Oil Conservation Division/EMNRD
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

RECEIVED
2008 JUN 30 PM 1 27

RE: Renewal of Groundwater Discharge Permit
Gavilan Natural Gas Compressor Station
Black Hills Gas Resources, Inc. (a subsidiary of Black Hills Exploration and Production, Inc.)

Dear Mr. Lowe:

The Oil Conservation Division (OCD) performed an onsite inspection of the Gavilan Compressor Station (Gavilan Station) located in Section 11, Township 25 North, Range 2 West, NMPM, Rio Arriba County, New Mexico on Tuesday, April 22, 2008. The Gavilan Station is operated by Black Hills Gas Resources, Inc. (Black Hills).

This letter addresses the following issues that you identified in your May 7, 2008 letter regarding this inspection of the Gavilan Station operated by Black Hills Gas Resources (Black Hills).

1. Issue: "The liner under this tank is not properly engineered at the conduit interface.Liquids are likely to seep to the ground at this location."

   Response: **Containment liner has been sealed. See Attachment A for photographs.**

2. Issue: "Soil staining appears to be present within the entire engine building. Properly remediate all contaminated soils within the building. This was noted in a July, 2004 site inspection with contamination in and outside the building. Blackhills needs to ensure that there are no unauthorized releases to the ground. Doing so is a direct violation of their discharge permit. All contaminated soils on site need to be addressed."

   Response: **Contaminated soils were remediated. See Attachment B for photographs and report. Black Hills has not had any unauthorized releases since taking ownership of the facility in 2003.**

3. Issue: "Liquids in containers are located directly on the ground. All liquids other than clean water need to have secondary containment. This was noted in the 2004 site inspection."

   Response: **Containers in the compressor building were removed. See Attachment B.**

4. Issue: "The facility schematic was not up-to-date. The facility schematic is not up to date; please resubmit an updated schematic to our office."

   Response: **See Attachment D for updated map.**

5. Issue: "The facility had recently removed an 8 foot diameter tank, during its removal soils samples were taken, please submit the results of those samples to the OCD. Details of this task shall also be submitted.

   Response: **See Attachment E with the soil analysis and description of the soil removal.**

6. Issue: Hydrostatic pressure test all the underground lines located on this facility and submit results to the OCD office.

   Response: **See Attachment F with results of hydrostatic test.**

This report has been submitted with 60 days of your May 7, 2008 letter as required.

If you have any questions, please contact me at 720-210-1334.

Sincerely,

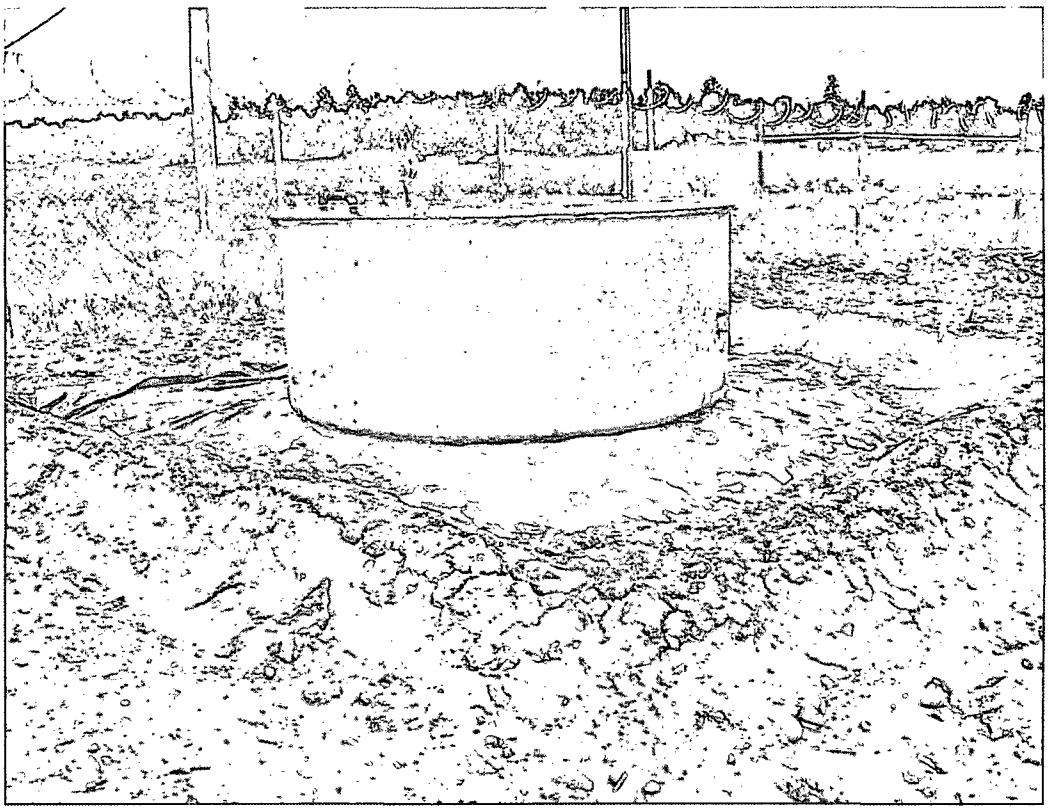
Randy Fox
Black Hills

Cc: Wayne Price, OCD
Brandon Powell, OCD

ATTACHMENT A

Issue: "The liner under this tank is not properly engineered at the conduit interface. Liquids are likely to seep to the ground at this location."

Response: Containment liner has been sealed. See attached photographs.



Containment berm site.
Gavilan Compressor Station - May 5, 2008

Close-up of berm liner just prior to repairs.
Gavilan Compressor Station – May 5, 2008

Close-up of berm liner after repairs were made.
Gavilan Compressor Station – May 5, 2008

ATTACHMENT B

Issue: "Soil staining appears to be present within the entire engine building. Properly remediate all contaminated soils within the building. This was noted in a July, 2004 site inspection with contamination in and outside the building. Blackhills needs to ensure that there are no unauthorized releases to the ground. Doing so is a direct violation of their discharge permit. All contaminated soils on site need to be addressed."

Response: Contaminated soils were remediated. See attached photographs and report. Black Hills has not had any unauthorized releases since taking ownership of the facility in 2003.

Interior West Consulting

PO Box 1331
Mancos, CO 81328
Phone: 970-882-1542
Fax: 970-882-1505

June 9, 2008

Lynn Benally
Regulatory Specialist
Black Hills Gas Resources
3200 N. 1st St.
PO Box 249
Bloomfield, NM 87431
Phone: 505-634-1111

RE: Gavilan Plant compressor facility

Mr. Benally,

As requested by Black Hills Gas Resources (Black Hills), Interior West Consulting conducted soil sampling at the Gavilan Plant compressor facility (Plant) in Rio Arriba County, New Mexico. The Plant is located on privately owned land, and is accessed along a private road (with locked gate) originating from County Road (CR) 595. Specifically, it is located in the northeast quarter of Section 11 of Township 25 North, Range 2 West, and is depicted on the Lindrith, NM (1963) USGS 7.5' topographic quadrangle map (Gavilan System Map). The Santa Fe National Forest boundary is 1.5 miles east.

The Gavilan Plant is located on a south-facing hill slope at the head of Gavilan Canyon near the confluence of several un-named tributary drainage valleys. The site is more than 1000 horizontal feet from any surface water body, more than 200 horizontal feet from any private domestic water source, and ground water in the area is more than 100 vertical feet below the ground surface. The Continental Divide is a little over 1.0 mile to the north and east, and Gavilan Canyon flows southwest away from the general area. The community of Gavilan is about 1.5 miles to the southwest and the community of Lindrith is located about 7.0 miles to the south-southwest, both along CR 595. The site is set among rolling hills and broad shallow valleys. Sagebrush and grasses cover valley floors where deeper, fine-textured soils occur; while piñon-juniper woodlands occupy shallower soils on hills, ridges, and slopes.

Sediments within the immediate area consist of light brown loamy sand overlying friable gray sandstone, as observed in the pit exposures and areas surrounding the facility. The sandy sediments appear to range from approximately 20 to 100 cm in depth and are generally unconsolidated. No soil development was observed on the exposed sediments within the excavated area, but the area was previously stripped and graded for the construction of the facilities. Bedrock outcrops are visible on the slope outside of the facility fence.

Construction activities included the removal of the building that housed the compressor (Figure 1), as well as clean-up and removal of stained soils within the building footprint (Figures 2, 5, 6, and 7; Gavilan Compressor Site Map). All associated equipment, machinery, and operating

materials were removed from the building prior to demolition, and will be re-installed within a new facility after the clean-up effort is completed. Prior to the commencement of construction activities, the Plant was visited on April 22, 2008 by personnel from the New Mexico Oil Conservation Division (NMOCD) and from Black Hills to determine specific clean-up requirements. Clean-up guidelines specified in a letter following the on-site meeting included removal of visibly stained soil from within the compressor building no later than June 16, 2008. Clean-up required the excavation of a large L-shaped backhoe pit where stained soil was observed within the building footprint and in the general vicinity of the compressor. The pit measured approximately 14 x 12 x 1.5 meters (45 x 40 x 5 feet) and was excavated until bedrock was exposed throughout the bottom of the pit. Approximately 140 cubic meters of soil was removed from the pit and then trucked to the T.N.T land farm facility near Ojito, New Mexico. In addition to the clean-up requirements specified by NMOCD, Black Hills implemented a soil sampling and testing program within the pit area to determine the presence and relative amount of contaminants in the remaining soil.

On May 31, 2008, Jeff Adams of Interior West Consulting collected two 226-gram (4-ounce) composite samples (5 sub-samples each) within a pit measuring approximately 14 x 12 x 1.5 meters (Soil Sampling Map). Each of the 10 sub-samples consisted of approximately 1 liter of sediments collected with a trowel and placed in a 1 gallon zip-lock bag. The bags were closed after filling and left in the sun so that vapors from any potential contaminants could accumulate in the bags and be detected and measured with a Photo-Ionization Detector (PID). Composite Sample #1 was collected from an area lying directly below the compressor equipment and machinery contained within the building (Figure 3). Composite Sample #2 was collected from an area immediately adjacent to the compressor that was underlying storage of barrels containing industrial materials, such as motor oil, hydraulic fluid, gasoline, diesel, glycol, etc. (Figure 4). Each sub-sample was plotted on a hand-drawn sketch map of the pit and composite sample areas (Soil Sampling Map). Table 1 lists information about individual sub-samples and corresponding in-field PID results.

Table 1. Sampling program and in-field PID results.

COMPOSITE SAMPLE #1			
Sub-Sample	**PID Results**	**Location**	**Description**
1-A	36.8 ppm	Pit wall	Intact soil without visible staining
1-B	51.5 ppm	Pit floor	Mixed soil/bedrock without visible staining
1-C	52.3 ppm	Pit wall	Intact soil with visible light staining
1-D	113.0 ppm	Pit floor	Mixed soil/bedrock without visible staining
1-E	14.8 ppm	Pit wall	Intact soil without visible staining
COMPOSITE SAMPLE #2			
Sub-Sample	**PID Results**	**Location**	**Description**
2-A	27.0 ppm	Pit wall	Mixed soil without visible staining
2-B	31.2 ppm	Pit floor	Mixed soil/bedrock with visible light staining
2-C	19.1 ppm	Pit floor	Mixed soil/bedrock with visible light staining
2-D	12.9 ppm	Pit wall	Intact soil without visible staining
2-E	95.9 ppm	Pit wall	Intact soil with visible dark staining

After completing the PID tests on the bagged 1 liter samples, an equal amount of each sub-sample (approximately 45 grams) was removed from the 1 liter sample bags and combined into the two composite samples and placed in air-tight glass sampling jars (4 ounce; 113 grams). Each composite sample consisted of two sampling jars full of soil, for a total of 226 grams (8 ounces) each. The jars were filled and packed tightly to remove as much air as possible from the jars. Inclusions such as sandstone bedrock or gravels were not included with the samples. Upon completion of the sample preparation, the soil remaining in the sample bags was dumped out in the open pit and the bags discarded. Prepared soil samples were submitted to Inter-Mountain Laboratories (IML) of Sheridan, Wyoming for further analysis, including determinations for benzene, toluene, ethylbenzene, xylenes (BTEX group), gasoline range organics (GRO), and diesel range organics (DRO). The results of the IML laboratory determinations for the twp samples indicate that BTEX (not detected), GRO (not detected to 15 mg/Kg), and DRO (100 to 2000 mg/Kg) levels are well below the NMOCD guidelines of less than 5000 ppm for unsaturated soils. The results and report of the IML analysis are attached. The pit was subsequently backfilled and recontoured, and the compressor reassembled (Figures 8 and 9).

Please do not hesitate to contact me if you need additional information or have questions.

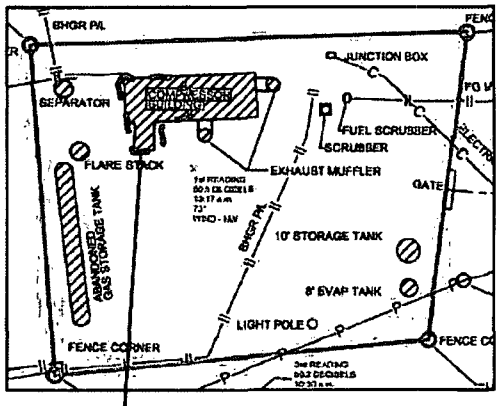
Sincerely,

Jeffrey A. Adams
Managing Principal
970-290-0257 (cell)
jadams_co@yahoo.com

cc –

Attached – Sampling Map, Gavilan System Map, Plant Diagram, IML Report, Photos

GAVILAN PLANT COMPRESSOR
Soil Sampling Map
J. Adams, 5-31-08



N

2 meters
(1 in. = 2 m)

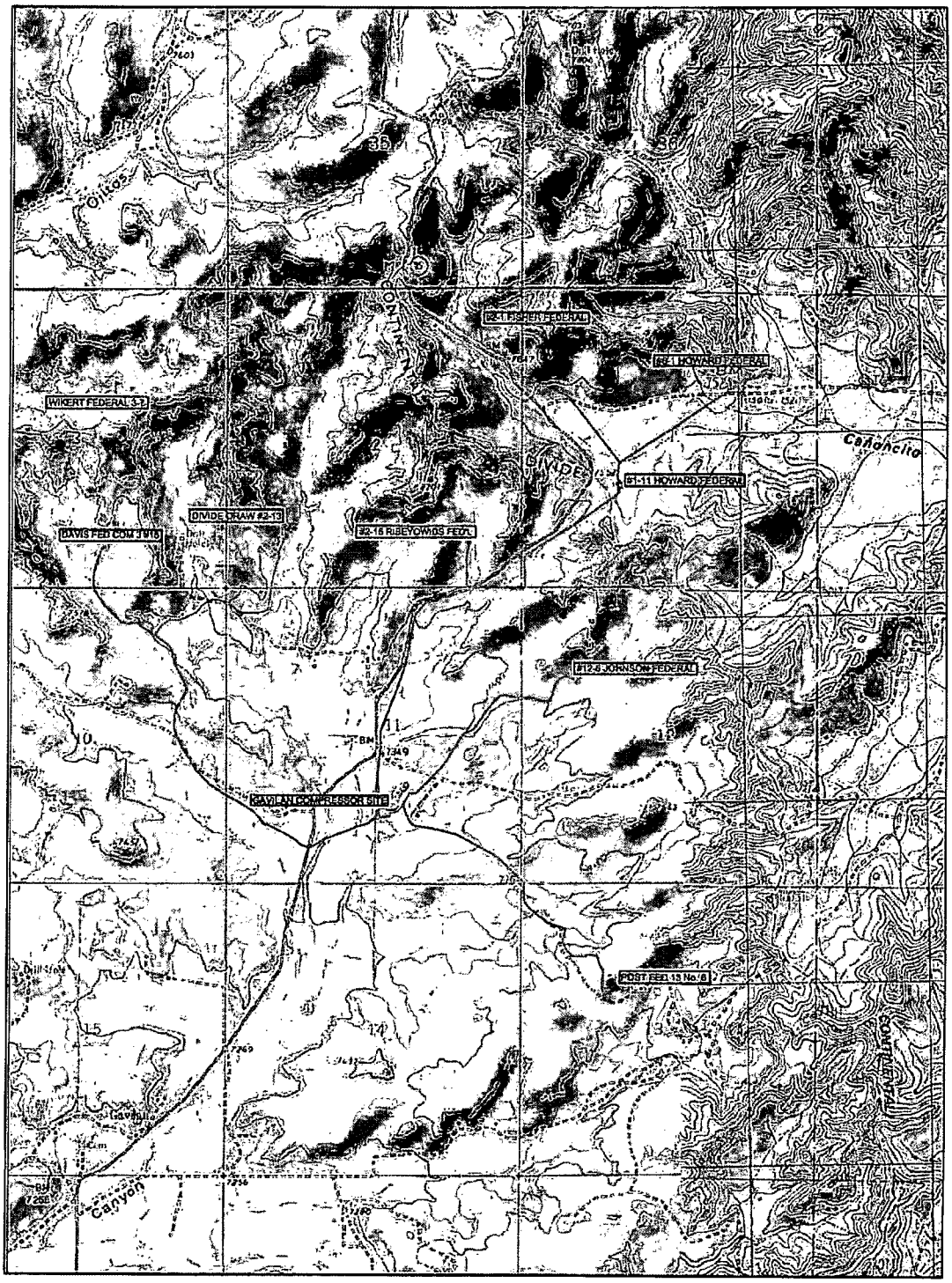
2-D
2-E
1-C
COMPOSITE SAMPLE #1
1-E
1-B
1-D
2-C
1-A
2-B
UTM ZONE 12
N.4031184
E.318940
COMPOSITE SAMPLE #2
2-A

LEGEND

- Composite #1 Sub-Sample
- Composite #2 Sub-Sample
- Pit Boundaries
- Stained Soils
- Remaining Pipes and Valves
- Photo Point and Direction

BLACK HILLS GAS RESOURCES

GAVILAN SYSTEM



LEGEND

- ACCESS ONLY
- PROPOSED PIPELINE & ACCESS
- AS BUILT PIPELINE & ACCESS

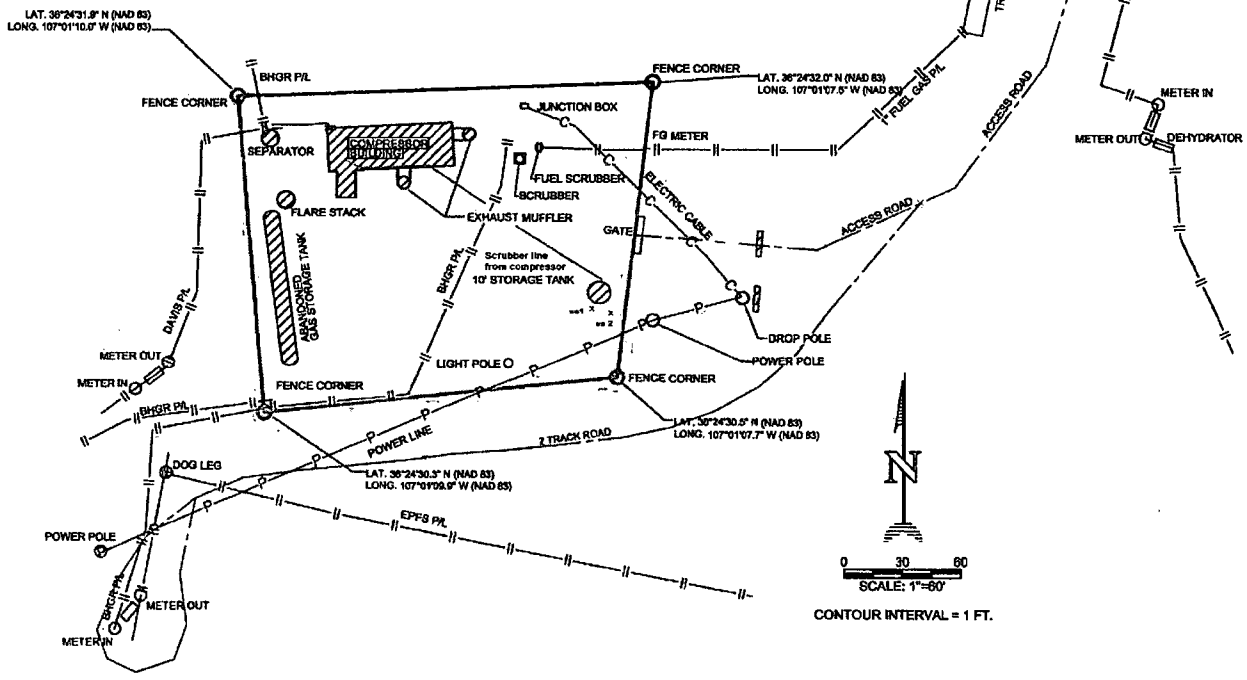
Daggett Enterprises, Inc.
Surveying and Oil Field Services
P. O. Box 15068 Farmington, NM 87401
Phone (505) 326-1772 Fax (505) 326-6019

CADFILE	DRAWN BY:	DATE:
GAVSYSMAP	B. LEIDY	11/29/05

A TOPOGRAPHIC MAP FOR

BLACK HILLS GAS RESOURCES
GAVILAN COMPRESSOR SITE

SEC. 11, TOWNSHIP 25 NORTH, RANGE 2 WEST, N.M.P.M.
LOCATED NORTH OF LINDRITH,
RIO ARRIBA COUNTY, NEW MEXICO



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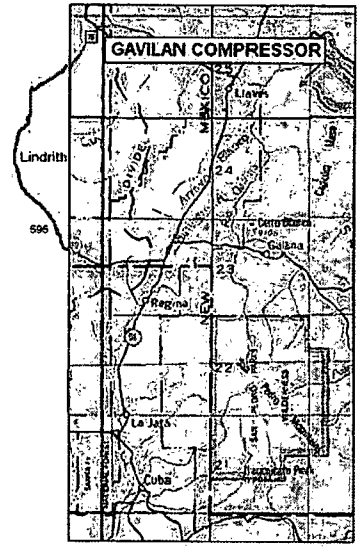

NOT TO SCALE

REVISION	REV. BY	DATE

Daggett Enterprises, Inc.
Surveying and Oil Field Services
P. O. Box 15068 Farmington, NM 87401
Phone (505) 326-1772 Fax (505) 326-6019
REGISTERED LAND SURVEYOR

SHEET 1 OF 1	CADFILE: MN374T01
DRAWN BY: B.L.	ROW#: MN374 \ DATE: 01/24/05

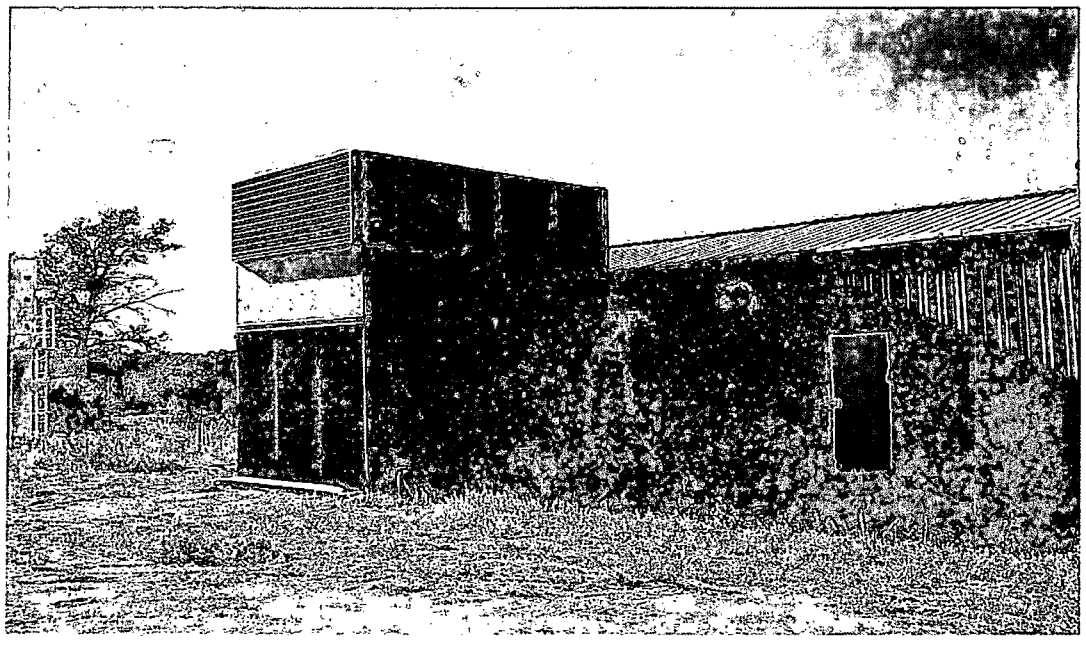

Figure 1 Compressor building before excavation

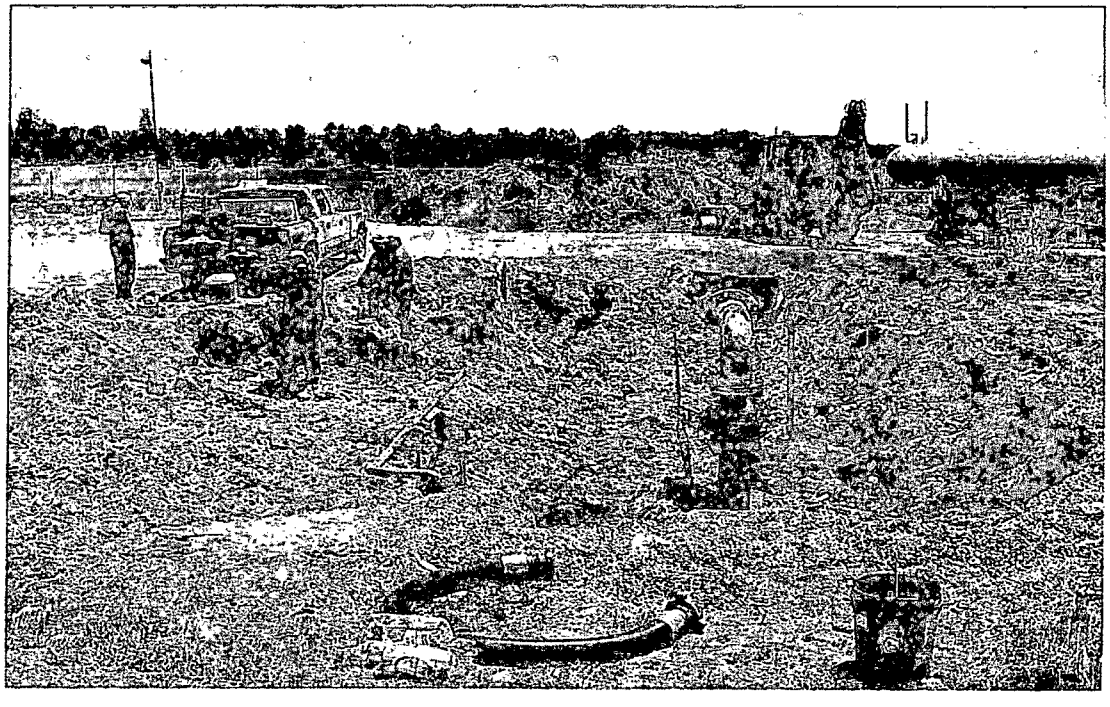

Figure 2 Compressor building during excavation

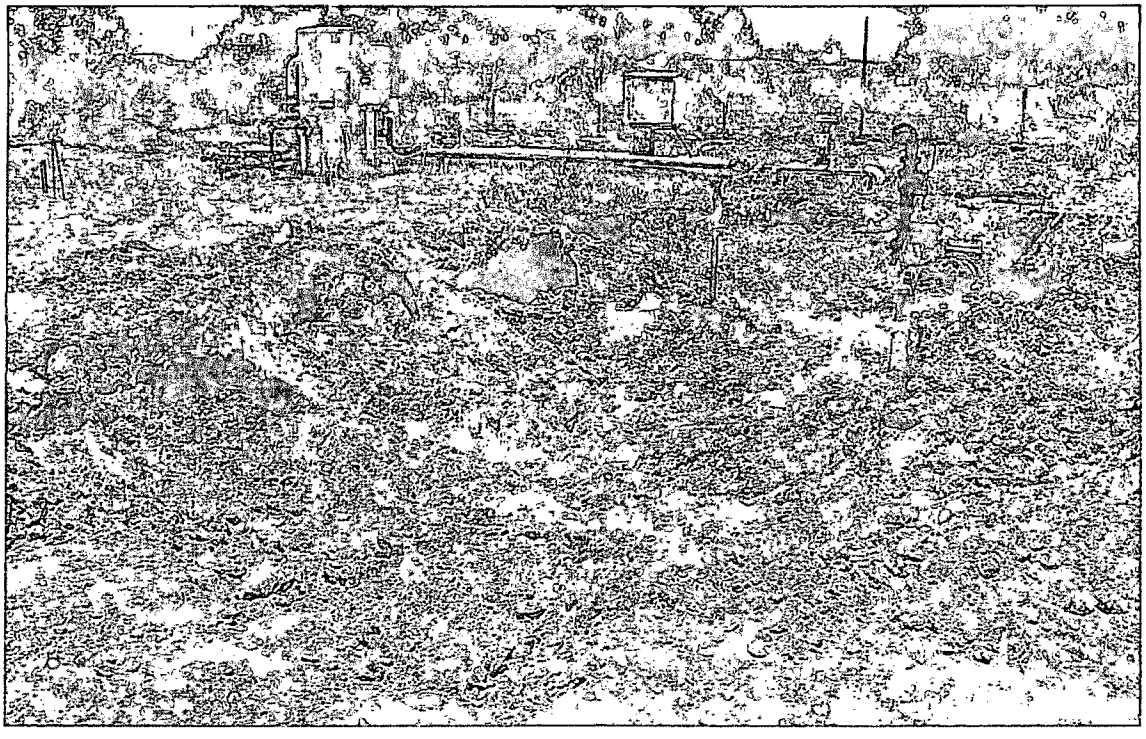

Figure 3 Excavation under compressor

Figure 4 Area inside compressor building

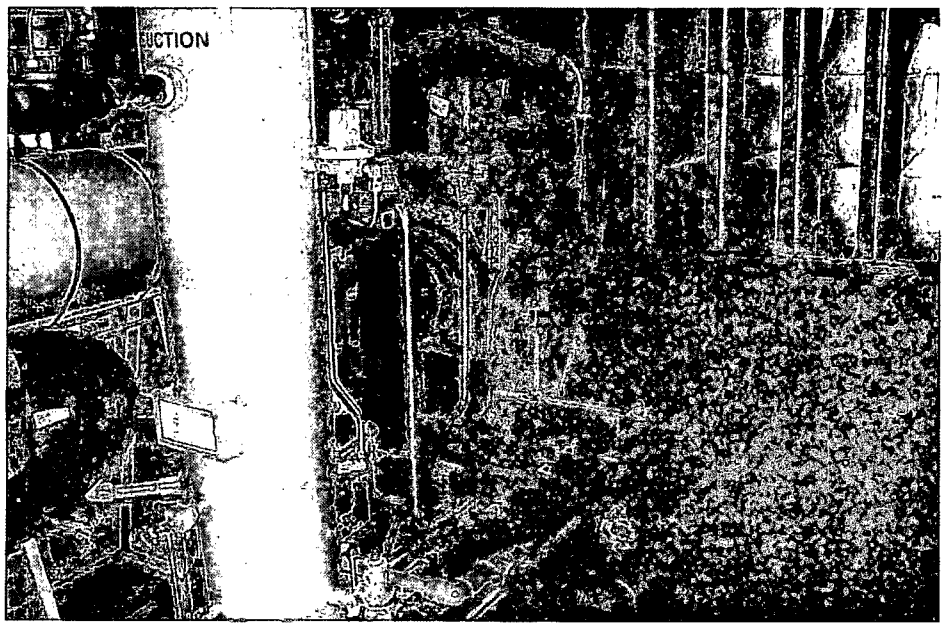

Figure 5 Compressor

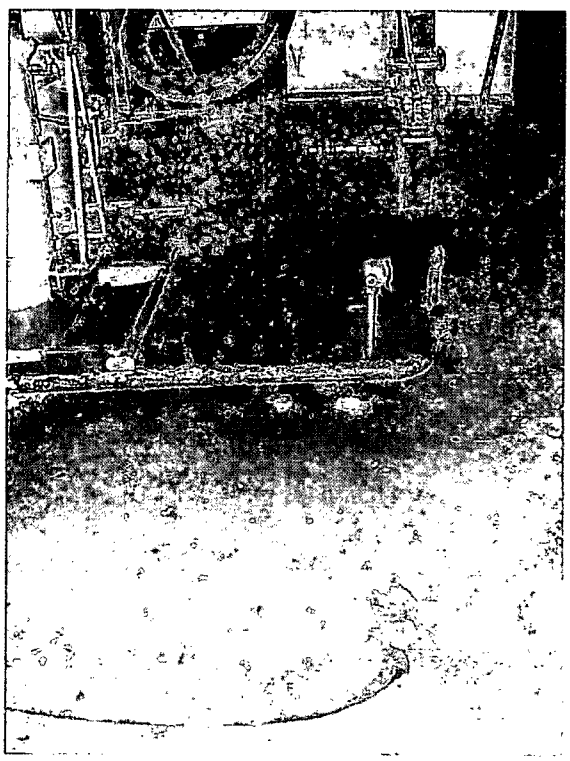

Figure 6 Soil staining

Figure 7 Soil staining

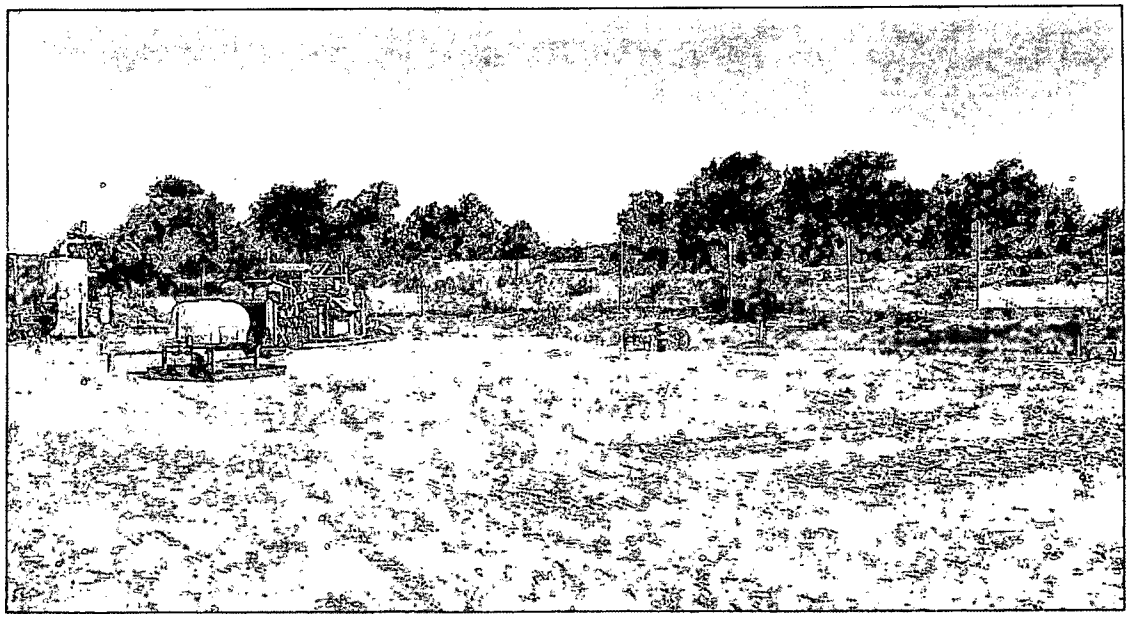

Figure 8 Compressor building after excavation and backfill

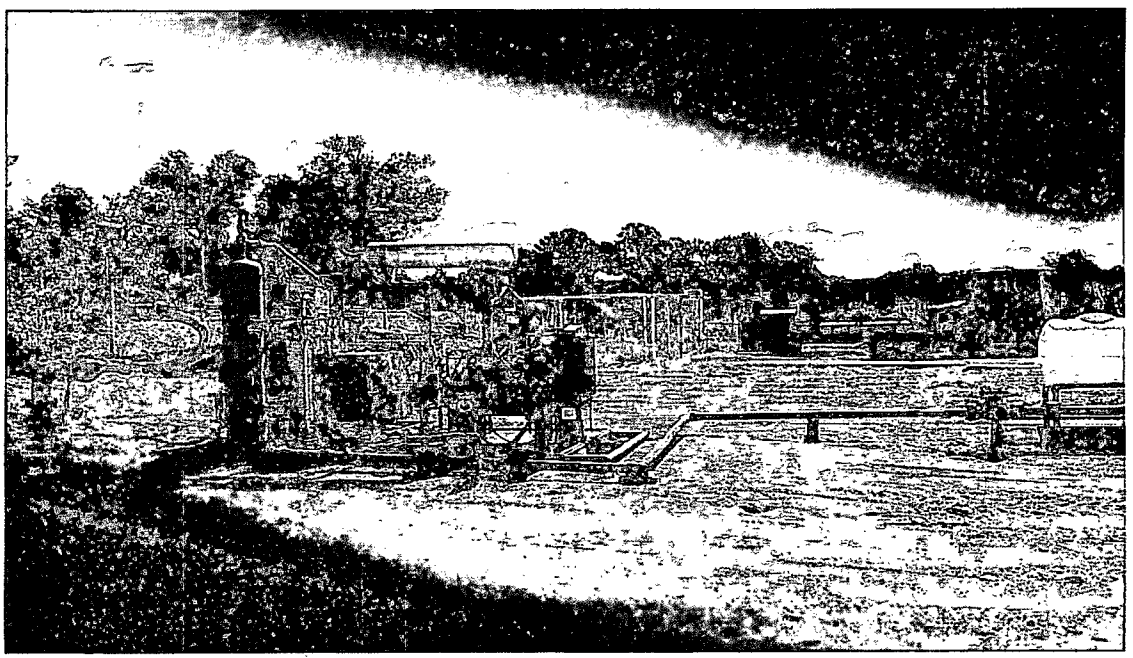

Figure 9 Compressor building after excavation and backfill

Inter-Mountain Laboratories, Inc
555 Absaraka Street, Sheridan, Wyoming 82801
(307) 674-7506

Sample Analysis Report

CLIENT: Interior West Cons.
P.O. Box 1331
Mancos, CO 81328

Date Reported: 6/5/2008
Report ID: O0806002001

Project: Gavilan Plant Closure
Lab ID: O0806002-001
Client Sample ID: Composite 1
Matrix: Soil

Work Order: O0806002
Collection Date: 5/31/2008 11:40:00 AM
Date Received: 6/3/2008 10:15:00 AM
COC: 116524

Analyses	Result	PQL	Limits	Qual	Units	Date Analyzed/Init	
8021B MBTEXN-Soil						**Prep Date: 6/3/2008**	
Benzene	ND	0.50			mg/Kg	06/04/2008	MAB
Toluene	ND	0.50			mg/Kg	06/04/2008	MAB
Ethylbenzene	ND	0.50			mg/Kg	06/04/2008	MAB
m,p-Xylenes	ND	1.0			mg/Kg	06/04/2008	MAB
o-Xylene	ND	0.50			mg/Kg	06/04/2008	MAB
Surr: 4-Bromofluorobenzene	99.5		80-138		%REC	06/04/2008	MAB
8015B Gasoline Range Organics-Soil						**Prep Date: 6/3/2008**	
Gasoline Range Organics (nC6-nC10)	15	10			mg/Kg	06/04/2008	MAB
Surr: 4-Bromofluorobenzene	93.3		65-141		%REC	06/04/2008	MAB
8015B Diesel Range Organics-Soil						**Prep Date: 6/3/2008**	
Diesel Range Organics (nC10-nC32)	100	20			mg/Kg	06/03/2008	JT
Surr: o-Terphenyl	84.1		62-112		%REC	06/03/2008	JT

These results apply only to the samples tested.

Qualifiers:

*	Value exceeds Maximum Contaminant Level	B	Analyte detected in the associated Method Blank
D	Diluted out of recovery limit	E	Value above quantitation range
H	Holding times for preparation or analysis exceeded	J	Analyte detected below quantitation limits
M	Matrix Effect	ND	Not Detected at the Reporting Limit
S	Spike Recovery outside accepted recovery limits		

Reviewed by: Ed Scruton
Ed Scruton, Analytical Chemist

Inter-Mountain Laboratories, Inc
555 Absaraka Street, Sheridan, Wyoming 82801
(307) 674-7506

Sample Analysis Report

CLIENT: Interior West Cons.
P.O. Box 1331
Mancos, CO 81328

Date Reported: 6/5/2008
Report ID: O0806002001

Project: Gavilan Plant Closure
Lab ID: O0806002-002
Client Sample ID: Composite 2
Matrix: Soil

Work Order: O0806002
Collection Date: 5/31/2008 12:05:00 PM
Date Received: 6/3/2008 10:15:00 AM
COC: 116524

Analyses	Result	PQL	Limits	Qual	Units	Date Analyzed/Init	
8021B MBTEXN-Soil						**Prep Date: 6/3/2008**	
Benzene	ND	0.50			mg/Kg	06/04/2008	MAB
Toluene	ND	0.50			mg/Kg	06/04/2008	MAB
Ethylbenzene	ND	0.50			mg/Kg	06/04/2008	MAB
m,p-Xylenes	ND	1.0			mg/Kg	06/04/2008	MAB
o-Xylene	ND	0.50			mg/Kg	06/04/2008	MAB
Surr: 4-Bromofluorobenzene	88.6		80-138		%REC	06/04/2008	MAB
8015B Gasoline Range Organics-Soil						**Prep Date: 6/3/2008**	
Gasoline Range Organics (nC6-nC10)	ND	10			mg/Kg	06/04/2008	MAB
Surr: 4-Bromofluorobenzene	89.9		65-141		%REC	06/04/2008	MAB
8015B Diesel Range Organics-Soil						**Prep Date: 6/3/2008**	
Diesel Range Organics (nC10-nC32)	2000	160			mg/Kg	06/04/2008	JT
Surr: o-Terphenyl	89.4		62-112		%REC	06/04/2008	JT

These results apply only to the samples tested.

Qualifiers:

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D	Diluted out of recovery limit	E	Value above quantitation range
H	Holding times for preparation or analysis exceeded	J	Analyte detected below quantitation limits
M	Matrix Effect	ND	Not Detected at the Reporting Limit
S	Spike Recovery outside accepted recovery limits		

Reviewed by: Ed Scruton
Ed Scruton, Analytical Chemist

ATTACHMENT C

Issue: "Liquids in containers are located directly on the ground. All liquids other than clean water need to have secondary containment. This was noted in the 2004 site inspection."

Response: Containers in the compressor building were removed. See Attachment B.

ATTACHMENT D

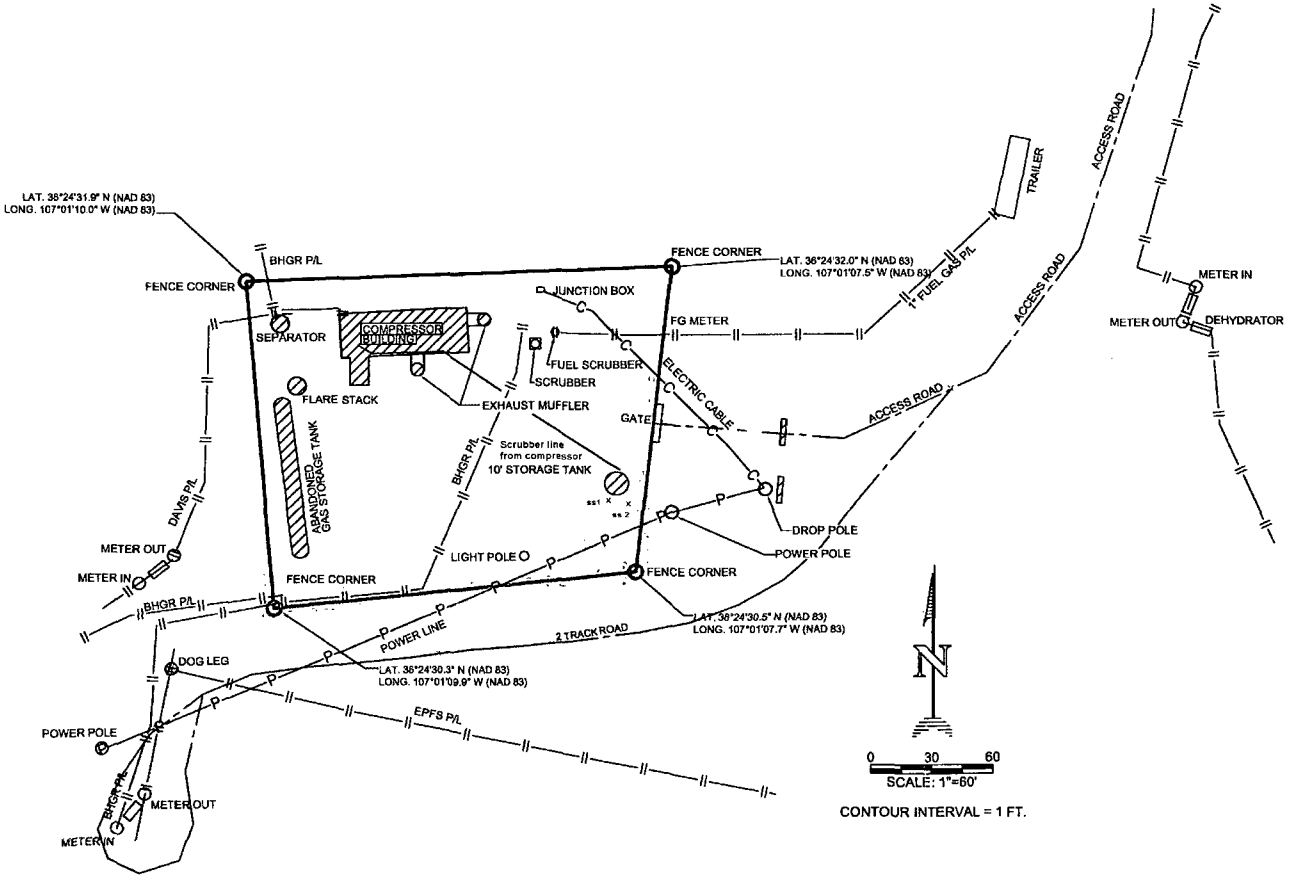
Issue: "The facility schematic was not up-to-date. The facility schematic is not up to date; please resubmit an updated schematic to our office."

Response: See attached, updated map.

A TOPOGRAPHIC MAP FOR

BLACK HILLS GAS RESOURCES
GAVILAN COMPRESSOR SITE

SEC. 11, TOWNSHIP 25 NORTH, RANGE 2 WEST, N.M.P.M.
LOCATED NORTH OF LINDRITH,
RIO ARRIBA COUNTY, NEW MEXICO



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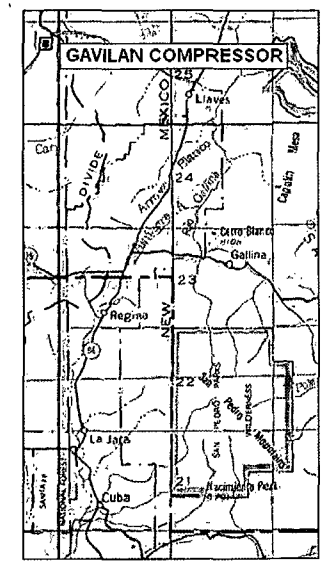


NOT TO SCALE

REVISION	REV. BY:	DATE

Daggett Enterprises, Inc.
Surveying and Oil Field Services
P. O. Box 15068 Farmington, NM 87401
Phone (505) 326-1772 Fax (505) 326-6019
REGISTERED LAND SURVEYOR

SHEET 1 OF 1	CADFILE: MN374T01	
DRAWN BY: B.L.	ROW#: MN374	DATE: 01/24/05

ATTACHMENT E

Issue: "The facility had recently removed an 8 foot diameter tank, during its removal soils samples were taken, please submit the results of those samples to the OCD. Details of this task shall also be submitted.

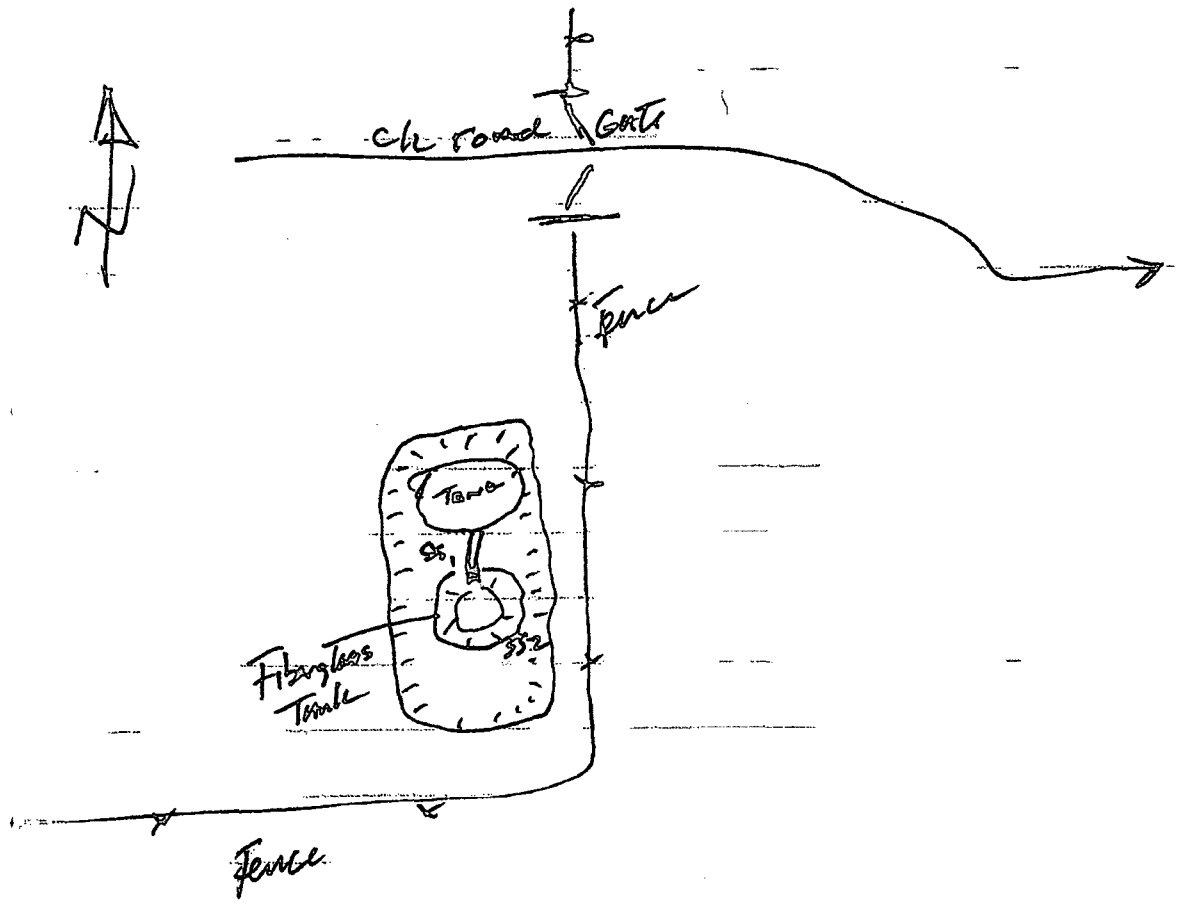
Response: See attached soil analysis and description of the soil removal.

Description of Tank Removal

The tank removal included housekeeping such as removal of excess equipment, trash and the removal of the 210 barrel steel tank located inside the berm, the work was performed by Lindrith Backhoe and Oilfield Services, Inc. The 210 barrel steel tank was taken to Water Station 5 on the East Blanco Field. The berm was re-contoured and the remaining 85 barrel fiberglass tank was set inside the berm and plumbed into the system. All the work was done and completed on January 14, 2008. Analytical services were provided by IML in Sheridan Wyoming (see attached.)

Gravikon 1-11-06

551 16:35 552 16:55



Sample Analysis Report

CLIENT: Black Hills Gas Resources
3200 North 1st Street
PO Box 249
Bloomfield, NM 87413

Date Reported: 1/19/06
Report ID: O0601008001

Project: Gaviland Plant
Lab ID: O0601008-001
Client Sample ID: Gavilin SS 1
Matrix: Soil

Work Order: O0601008
Collection Date: 1/11/06 4:35:00 PM
Date Received: 1/13/06 10:30:00 AM

Analyses	Result	PQL	Limits	Qual	Units	Date Analyzed/Init	
8021B MBTEXN-Soil						**Prep Date: 1/16/06**	
Benzene	ND	0.50			mg/Kg	01/16/2006	MAB
Toluene	ND	0.50			mg/Kg	01/16/2006	MAB
Ethylbenzene	ND	0.50			mg/Kg	01/16/2006	MAB
m,p-Xylenes	ND	1.0			mg/Kg	01/16/2006	MAB
o-Xylene	ND	0.50			mg/Kg	01/16/2006	MAB
Surr: 4-Bromofluorobenzene	87.9		71-130		%REC	01/16/2006	MAB
8015B Gasoline Range Organics-Soil						**Prep Date: 1/16/06**	
Gasoline Range Organics (nC6-nC10)	ND	10			mg/Kg	01/16/2006	MAB
Surr: 4-Bromofluorobenzene	91.3		78-132		%REC	01/16/2006	MAB
8015B Diesel Range Organics-Soil						**Prep Date: 1/16/06**	
Diesel Range Organics (nC10-nC32)	ND	20			mg/Kg	01/18/2006	ECS
Surr: o-Terphenyl	58.6		49-115		%REC	01/18/2006	ECS

These results apply only to the samples tested.

Qualifiers:

*	Value exceeds Maximum Contaminant Level	B	Analyte detected in the associated Method Blank
D	Diluted out of recovery limit	E	Value above quantitation range
H	Holding times for preparation or analysis exceeded	J	Analyte detected below quantitation limits
M	Matrix Effect	ND	Not Detected at the Reporting Limit
S	Spike Recovery outside accepted recovery limits		

Reviewed by: _____
Jean Lynch, Organics Laboratory Supervisor

Sample Analysis Report

CLIENT: Black Hills Gas Resources
3200 North 1st Street
PO Box 249
Bloomfield, NM 87413

Date Reported: 1/19/06

Report ID: O0601008001

Project: Gaviland Plant
Lab ID: O0601008-002
Client Sample ID: Gavilan SS 2
Matrix: Soil

Work Order: O0601008
Collection Date: 1/11/06 4:55:00 PM
Date Received: 1/13/06 10:30:00 AM

Analyses	Result	PQL	Limits	Qual	Units	Date Analyzed/Init	
8021B MBTEXN-Soil						**Prep Date: 1/16/06**	
Benzene	ND	0.50			mg/Kg	01/16/2006	MAB
Toluene	ND	0.50			mg/Kg	01/16/2006	MAB
Ethylbenzene	ND	0.50			mg/Kg	01/16/2006	MAB
m,p-Xylenes	ND	1.0			mg/Kg	01/16/2006	MAB
o-Xylene	ND	0.50			mg/Kg	01/16/2006	MAB
Surr: 4-Bromofluorobenzene	89.3		71-130		%REC	01/16/2006	MAB
8015B Gasoline Range Organics-Soil						**Prep Date: 1/16/06**	
Gasoline Range Organics (nC6-nC10)	ND	10			mg/Kg	01/16/2006	MAB
Surr: 4-Bromofluorobenzene	92.5		78-132		%REC	01/16/2006	MAB
8015B Diesel Range Organics-Soil						**Prep Date: 1/16/06**	
Diesel Range Organics (nC10-nC32)	ND	20			mg/Kg	01/18/2006	ECS
Surr: o-Terphenyl	58.3		49-115		%REC	01/18/2006	ECS

These results apply only to the samples tested.

Qualifiers:

*	Value exceeds Maximum Contaminant Level	B	Analyte detected in the associated Method Blank
D	Diluted out of recovery limit	E	Value above quantitation range
H	Holding times for preparation or analysis exceeded	J	Analyte detected below quantitation limits
M	Matrix Effect	ND	Not Detected at the Reporting Limit
S	Spike Recovery outside accepted recovery limits		

Reviewed by: _____
Jean Lynch, Organics Laboratory Supervisor

ATTACHMENT F

Issue: Hydrostatic pressure test all the underground lines located on this facility and submit results to the OCD office.

Response: See attached results of hydrostatic test.

Lindrith Backhoe & Oilfield Service, Inc. PO Box 114 Lindrith, NM 87029

January 20, 2008

Black Hills Production
PO Box 249
Bloomfield, NM 87413

Attn: Gary

On January 14, 2008, we replaced a 210 barrel steel tank with a fiberglass pit at the Gavilan plant. My crew and I then pressure tested the dump line from the separator to the pit. It held 50 psi for 30 minutes.

If you have any questions, give me a call (505)774-6511.

Sincerely,

Doyle Post
Lindrith Backhoe & Oilfield Service, Inc.

Lee Ingram
Lindrith Backhoe & Oilfield Service, Inc.

Danny Augustine
Lindrith Backhoe & Oilfield Service, Inc.

Lowe, Leonard, EMNRD

From: rfox@bhgen.com
Sent: Friday, May 09, 2008 11:22 AM
To: Lowe, Leonard, EMNRD
Cc: Powell, Brandon, EMNRD; dzentz@bhep.com; Price, Wayne, EMNRD; fcarl@bh-corp.com; dnewlin@bhep.com; gstripling@bhep.com; lbenally@bhep.com; dmanus@bhep.com
Subject: Re: GW-132, Black Hills Gavilan C.S. Inspection Report
Attachments: GW-132, Inspection Letter.doc; GW-132, Photo Rprt.doc

Mr. Lowe,

Thank you for your inspection report. Black Hills will address the inspection issues within the allowable time period.

Sincerely,

Randy Fox
Black Hills Energy
350 Indiana Street, Suite 400
Golden, Colorado 80401
720-210-1334 (direct)
303-909-9589 (cell)
303-476-5947 (e-fax)
rfox@bhenergy.com

"Lowe, Leonard, EMNRD" <Leonard.Lowe@state.nm.us>

05/07/2008 03:25 PM

To <rfox@bhgen.com>, <dzentz@bhep.com>
cc "Powell, Brandon, EMNRD" <Brandon.Powell@state.nm.us>, "Price, Wayne, EMNRD" <wayne.price@state.nm.us>
Subject GW-132, Blackhills Gavilan C.S. Inspection Report

Mr. Randy Fox,

Here is my inspection report.

Please read through your discharge permit condition for this facility to ensure all is in compliance.

NOTE: It was noted that concerns from a previous inspection in 2004 were not addressed or have reoccurred.

Thank you again for providing the time for the OCD to view this facility.

llowe

Leonard Lowe
Environmental Engineer
Oil Conservation Division/EMNRD
1220 S. St. Francis Drive
Santa Fe, N.M. 87505
Office: 505-476-3492
Fax: 505-476-3462
E-mail: leonard.lowe@state.nm.us
Website: http://www.emnrd.state.nm.us/ocd/

Lowe, Leonard, EMNRD

From: Lowe, Leonard, EMNRD
Sent: Wednesday, May 07, 2008 3:27 PM
To: 'rfox@bhgen.com'; dzentz@bhep.com
Cc: Powell, Brandon, EMNRD; Price, Wayne, EMNRD
Subject: GW-132, Blackhills Gavilan C.S. Inspection Report
Attachments: GW-132, Inspection Letter.doc; GW-132, Photo Rprt.doc

Mr. Randy Fox,

Here is my inspection report.

Please read through your discharge permit condition for this facility to ensure all is in compliance.

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Thank you again for providing the time for the OCD to view this facility.

llowe

Leonard Lowe
Environmental Engineer
Oil Conservation Division/EMNRD
1220 S. St. Francis Drive
Santa Fe, N.M. 87505
Office: 505-476-3492
Fax: 505-476-3462
E-mail: leonard.lowe@state.nm.us
Website: http://www.emnrd.state.nm.us/ocd/

New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor
Joanna Prukop
Cabinet Secretary
Reese Fullerton
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division

May 7th, 2008

Mr. Randy Fox

Re: Inspection Report, GW-132
Blackhills Gavilan Compressor Station
Rio Arriba County, New Mexico

Dear Mr. Fox:

The Oil Conservation Division (OCD) performed an onsite inspection of Blackhills Gavilan compressor station located in Section 11, Township 25 North, Range 2 West, NMPM, Rio Arriba County, New Mexico on Tuesday, April 22, 2008.

Blackhills shall address the following concerns, reference photos in attachment:

1. Photo 1,2,3: The liner under this tank is not properly engineered at the conduit interface. Liquids are likely to seep to the ground at this location.
2. Photo 4,5,6: Soil staining appears to be present within the entire engine building. Properly remediate all contaminated soils within the building. **This was noted in a July, 2004 site inspection with contamination in and outside the building. Blackhills needs to ensure that there are no unauthorized releases to the ground. Doing so is a direct violation of their discharge permit. All contaminated soils on site need to be addressed.**
3. Photo 7: Liquids in containers are located directly on the ground. All liquids other than clean water need to have secondary containment. **This was noted in the 2004 site inspection.**
4. No photo: The facility schematic is not up to date; please resubmit an updated schematic to our office.
5. No photo: The facility had recently removed an 8 foot diameter tank, during its removal soils samples were taken, please submit the results of those samples to the OCD. Details of this task shall also be submitted.
6. No photo: Hydrostatic pressure test all the underground lines located on this facility and submit results to the OCD office.

Blackhills has 60 days from the date of this letter to resolve these issues. Blackhills shall then submit to the OCD a report with photographs, where applicable, for each of these findings. If there are any questions regarding this matter, please do not hesitate to contact me at (505) 476-3492 or leonard.lowe@state.nm.us.

Sincerely,

Leonard Lowe
Environmental Engineer

xc: OCD District III Office, Aztec

OCD Inspection Blackhills Gavilan C.S., GW - 132

Inspectors: Brandon Powell and Leonard Lowe

Company Rep: Randy Fox and Doug Zentz

Date: 04.22.08 Time: 10:35 – 11:20

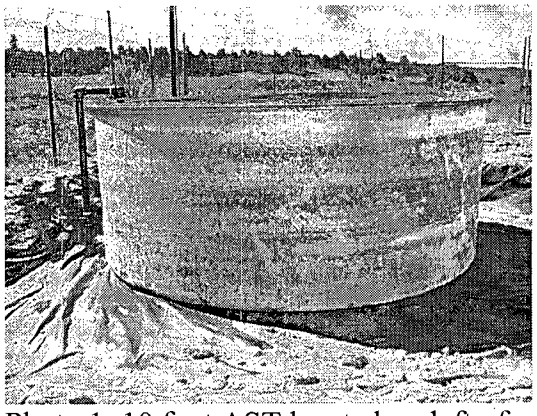

Photo 1: 10 foot AST located on left of facility entrance. Shows a liner.

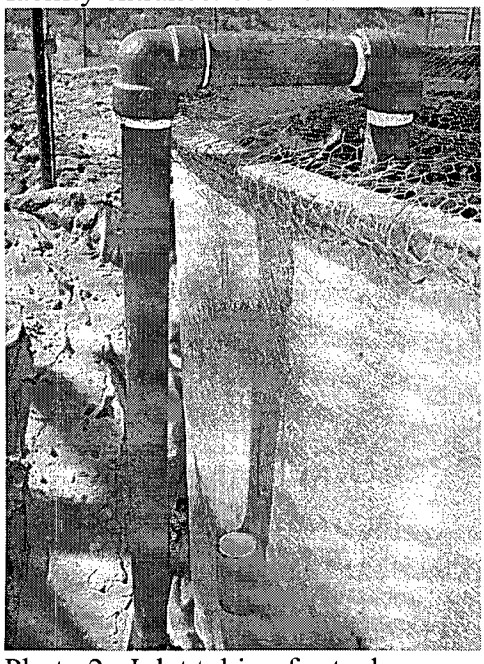

Photo 2: Inlet tubing for tank.

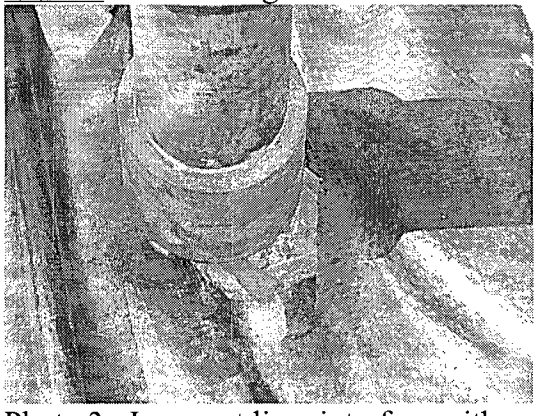

Photo 3: Incorrect liner interface with inlet tubing for tank.

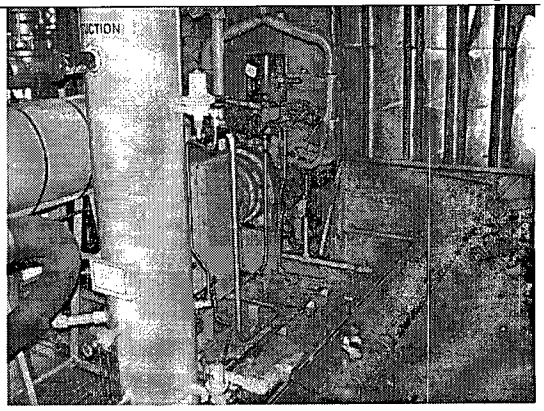

Photo 4: One operating engine within building. Soil staining.

Photo 5: Engine appears to have a form of lining underneath.

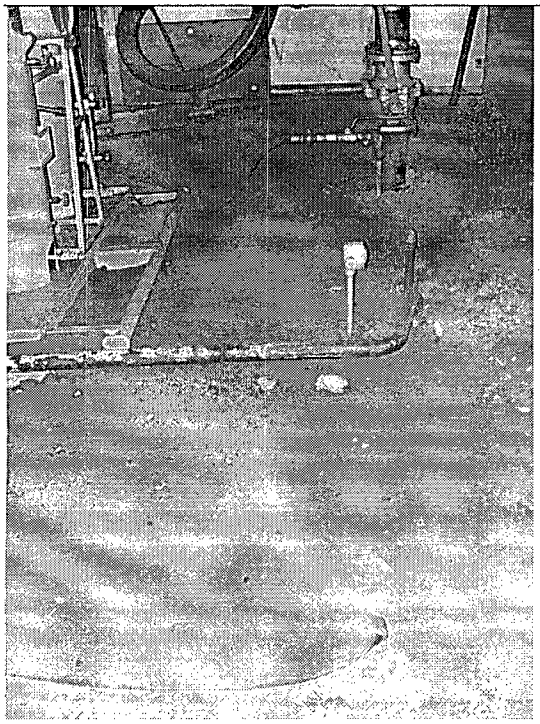

Photo 6: Soil contamination around engine.

Photo 7: Liquids in containers located directly on ground with secondary containment.

OCD ENVIRONMENTAL BUREAU

SITE INSPECTION SHEET

DATE: 10/15/02 Time: _____

Type of Facility: Refinery ☐ Gas Plant ☐ Compressor St. ☑ Brine St. ☐ Oilfield Service Co. ☐
Surface Waste Mgt. Facility ☐ E&P Site ☐ Crude Oil Pump Station ☐
Other ☐ _____

Discharge Plan: No ☐ Yes ☑ DP# GW-132

FACILITY NAME: GAVILAN COMP ST 1-HP 342-QAt

PHYSICAL LOCATION: _____

Legal: QTR___QTR____ Sec 11 TS 25N R 2W County RIO ARRIBA

OWNER/OPERATOR (NAME) MALLON OIL CO.

Contact Person: BOB BLAYLOCK Tele:# CELL 505-330-6201

MAILING ADDRESS: RBLAYLOCK@FRONTIER.NET State____ ZIP____

Owner/Operator Rep's: BUCK PRUITT - cell 486-0316

OCD INSPECTORS: W PRICE, J FORD, R MYERS

1. **Drum Storage:** All drums containing materials other than fresh water must be stored on an impermeable pad with curbing. All empty drums will be stored on their sides with the bungs in and lined up on a horizontal plane. Chemicals in other containers such as sacks or buckets will also be stored on an impermeable pad and curb type containment.

NEED'S CONTAINMENT

2. **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.

OIL DISCHARGED TO GROUND AROUND COMPRESSOR INLET

3. **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 tanks or existing tanks that undergo a major modification, as determined by the Division, must be placed within an impermeable bermed enclosure.

FG OPEN TOP TANK HAS OIL IN it — NO WET TANK IS LEAKING OIL & WATER ONTO GROUND.

4. 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.

5. Labeling: All tanks, drums and containers will be clearly labeled to identify their contents and other emergency notification information.

6. 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 and/or sumps, or other OCD approved methods. The OCD will be notified at least 72 hours prior to all testing.

7. Underground Process/Wastewater Lines: All underground process/wastewater pipelines must be tested to demonstrate their mechanical integrity at present and then every 5 years thereafter, or prior to discharge plan renewal. The permittee 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.

8. Onsite/Offsite Waste Disposal and Storage Practices: Are all wastes properly characterized and disposed of correctly? Does the facility have an EPA hazardous waste number? _____ Yes _____ No

ARE ALL WASTE CHARACTERIZED AND DISPOSED OF PROPERLY? YES ☐ NO ☐ IF NO DETAIL BELOW.

9. Class V Wells: 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. All Class V wells that inject non-hazardous industrial wastes or a mixture of industrial wastes and domestic wastes will be closed unless it can be demonstrated that groundwater will not be impacted in the reasonably foreseeable future. Closure of Class V wells must be in accordance with a plan approved by the Division's Santa Fe Office. The OCD allows industry to submit closure plans which are protective of human health, the environment and groundwater as defined by the WQCC, and are cost effective. Class V wells that inject domestic waste only must be permitted by the New Mexico Environment Department.

ANY CLASS V WELLS NO ☑ YES ☐ IF YES DESCRIBE BELOW ! Undetermined ☐

10. Housekeeping: All systems designed for spill collection/prevention will be inspected weekly and after each storm event to ensure proper operation and to prevent overtopping or system failure. A record of inspections will be retained on site for a period of five years.

NEEDS ATTENTION

11. Spill Reporting: All spills/releases will be reported pursuant to OCD Rule 116 and WQCC 1203 to the proper OCD District Office.

12. Does the facility have any other potential environmental concerns/issues?

13. Does the facility have any other environmental permits - i.e. SPCC, Stormwater Plan, etc.?

NONE

14. ANY WATER WELLS ON SITE ? NO ☑ YES ☐ IF YES, HOW IS IT BEING USED ?

Miscellaneous Comments:

Number of Photos taken at this site: _____
attachments-

Price, Wayne

From: Price, Wayne
Sent: Friday, October 18, 2002 2:56 PM
To: 'rblaylock@frontier.net'
Subject: Gavilan Compressor St.

Dear Bob:

Thank you for the site tour and please find enclosed a copy of the inspection report with photos. Pursuant to our conversation on site, Mallon will be required to renew the discharge plan permit GW-132. Please submit an application within 30 days and a $100 filing fee so OCD may begin processing your application.


Inspection notes.doc


Inspection GW-132 10_15_02.do...

Sincerely:

Wayne Price
New Mexico Oil Conservation Division
1220 S. Saint Francis Drive
Santa Fe, NM 87505
505-476-3487
fax: 505-476-3462
E-mail: WPRICE@state.nm.us

OCD ENVIRONMENTAL BUREAU

FACILITY INSPECTION SHEET

Date: 10/15/02 Time In: Time Out:

Type of Facility: Refinery ☐ Gas Plant ☐ Compressor St. XXXX ☐ Brine St. ☐ Oilfield Service Co. ☐
Surface Waste Mgt. Facility ☐ E&P Site ☐ Crude Oil Pump Station ☐
Other ☐ Description:

Discharge Plan GW# 132
Facility Name: Gavilan Compr St.
Owner/Operator: Mallon Oil Co.
Contact Person: Bob Blaylock Telephone# 505-330-6201
Inspector(s): W Price, J Ford, R Bayliss

Drum Storage: All drums containing materials other than fresh water must be stored on an impermeable pad with curbing. All empty drums will be stored on their sides with the bungs in and lined up on a horizontal plane. Chemicals in other containers such as sacks or buckets will also be stored on an impermeable pad and curb type containment.
Comments: ***Drums needs containment***

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.
Comments: ***Oil being discharged to ground around compressor air Inlet***

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 tanks or existing tanks that undergo a major modification, as determined by the Division, must be placed within an impermeable bermed enclosure.
Comments: *Fiberglass open top tank has waste oil and water being stored. Tank is leaking waste onto ground.*

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.
Comments:

Labeling: All tanks, drums and containers will be clearly labeled to identify their contents and other emergency notification information.
Comments:

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 and/or sumps, or other OCD approved methods. The OCD will be notified at least 72 hours prior to all testing.
Comments:

Underground Process/Wastewater Lines: All underground process/wastewater pipelines must be tested to demonstrate their mechanical integrity at present and then every 5 years thereafter, or prior to discharge plan renewal. The permittee 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.
Comments:

Does the facility have an EPA hazardous waste number? Number

Are all wastes characterized and disposed of properly? *NO!!*
Comments: ***Contaminated soil and waste in fiberglass tanks needs to be characterized and disposed of properly.***

Class V Wells: 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. All Class V wells that inject non-hazardous industrial wastes or a mixture of industrial wastes and domestic wastes will be closed unless it can be demonstrated that groundwater will not be impacted in the reasonably foreseeable future. Closure of Class V wells must be in accordance with a plan approved by the Division's Santa Fe Office. The OCD allows industry to submit closure plans which are protective of human health, the environment and groundwater as defined by the WQCC, and are cost effective. Class V wells that inject domestic waste only must be permitted by the New Mexico Environment Department.

Class V wells on site? *None noted.*
Comments:

Housekeeping: All systems designed for spill collection/prevention will be inspected weekly and after each storm event to ensure proper operation and to prevent overtopping or system failure. A record of inspections will be retained on site for a period of five years.
Comments: ***Needs attention.***

Spill Reporting: All spills/releases will be reported pursuant to OCD Rule 116 and WQCC 1203 to the proper OCD District Office.
Comments:

Does the facility have any other potential environmental concerns/issues?

Comments:

Does the facility have any other environmental permits - i.e. SPCC, storm water plan, etc.?

Water wells on site*? No.*

Comments:

Documents reviewed:

Number of photos taken at this site: 8

Miscellaneous Comments*: **Mallon will be required to renew Discharge Plan.***

1. Compressor station entrance.

2. Oil discharged to ground near compressor air inlet.

3. Same as #2 above except on other side.

4. Compressor building- 1- 342 HP cat compressor building has no floor.

5. Lube oil drums

6. Empty drums- one drum collecting rainwater has no top.

7. Fiberglass open top tank has oil and water in it. Tank is leaking waste onto ground.

8. Oily sludge and water.