



NEW MEXICO ENERGY, MINERALS  
& NATURAL RESOURCES DEPARTMENT

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

March 20, 1997

**CERTIFIED MAIL**  
**RETURN RECEIPT NO. P-288-258-881**

RECEIVED  
MAR 23 1997

Mr. George Coleman  
Coleman Oil and Gas, Inc.  
P.O. Box 443  
Farmington, New Mexico 87499

OIL CONSERV. DIV.  
BUREAU

RE:  
**Permit Condition Clarification  
Coleman Oil and Gas, Inc.  
Class I Disposal Well and  
Sunco Trucking Water Disposal Company  
San Juan County, New Mexico**

Dear Mr. Coleman:

The New Mexico Oil Conservation Division (OCD) has completed reviewed of the letter dated December 23, 1996 from Curtis & Dean on behalf of Coleman Oil and Gas, Inc. (Coleman). The letter requested to modify the terms and conditions of the permits for the disposal pond and the injection well. Determinations by the OCD are provided below. Paragraph numbering corresponds to the December 23, 1996 letter.

The injection well:

1. Section 3109.G.4 of the Water Quality Control Commission (WQCC) states that a discharge plan shall not be approved for a period longer than five years. Therefore, the approval period will not be extended beyond five years.
2. The monitoring requirements of Section 5207.B.2 state that continuous monitoring devices shall be used to record injection pressure, flow rate, flow volume, and annulus pressure. Therefore, the requirements of the August 26, 1996 approval will continue to be used.

Mr George Coleman

March 20, 1997

Page 2

3. The monitoring requirements of Section 5207.B.1 state that the discharger shall provide analysis of the injection fluids at least quarterly. Therefore, the request to change to annual testing will not be allowed.
4. The OCD guidelines for berming require containment of one-third more that the total volume of the largest tank or all interconnected tanks. Even though Coleman's interconnected pits\tanks are compartmentalized, containment of one-third more that the total volume of all interconnected tanks is still required. Required berming may include berming of the entire facility.
5. The policy of the OCD is to always solicits input from operators regarding additional facility requirements.
6. Coleman submitted a request, dated November 18, 1996, to the OCD to install a casing differential tank on the back side of the well to monitor for leaks instead of the one hundred psi minimum required in the August 26, 1996 approval. Coleman's request will be allowed and is addressed in a separate letter.

The disposal pond:

7. Section IX.B.2 of Order Number 9485-A states that no oil shall be allowed in the pond(s). Incidental oil associated with produced water will be removed as soon as possible from the pond(s).
8. Testing under number eight of Landfarm Operation of Order Number R-10756 will meet testing requirements required under number nine of the August 26, 1996 approval.
9. If systems become inoperative and cannot be returned to operation within 24 hours, the OCD Aztec District Office will be notified immediately.
10. Berming requirements at the disposal facility are the same as the injection well (see number four above).
11. The OCD policy is the same for disposal facilities (see number five above).
12. Section XII.B.1.&2 of OCD Order Number R-9485-A states that the listed requirements for hydrogen sulfide concentrations are needed to prevent harm by hydrogen sulfide gas. Therefore, the required concentrations levels will be adhered to.

Mr George Coleman

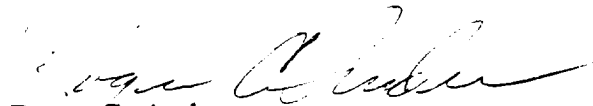
March 20, 1997

Page 3

13. During the location of a leak in the primary liner, no new fluids will be introduced to the pond. Sump fluids may be pumped back into the pond as part of the leak location process. The introduction of new fluids may proceed only after the leak has been located and repaired.

If have any questions, please call me at (505) 827-7152.

Sincerely,



Roger C. Anderson  
Environmental Bureau Chief

RCA/mwa

xc: OCD Aztec Office