

EPWM - 3

**PERMITS,
RENEWALS, &
MODS**



New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Joanna Prukop
Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



August 14, 2009

Ms. Doris K. Ney
Maralex Disposal, LLC
210 Goddard Avenue
Ignacio, Colorado 81137

**RE: Temporary Approval to Treat and Use Produced Water: Permit EPWM - 003
Maralex Disposal, LLC
Center Point SWD #1: API# 30-045-33464
Location: SE/4, SE/4 Section 24, Township 31 North, Range 11 West, NMPM
San Juan County, New Mexico**

Dear Ms. Ney:

The Oil Conservation Division (OCD) has reviewed Maralex Disposal, LLC's (Maralex) renewal request, dated July 16, 2009, to treat produced water utilizing a combination of nano-filtration and reverse osmosis and reuse the treated produced water for drilling and frac operations. This request is hereby approved with the following understandings and conditions:

1. Maralex shall only accept produced water for treatment from the Fruitland Coal Formation.
2. Maralex shall store all produced water (treated and untreated) in above ground tanks. Maralex shall not manage any oilfield wastes at the proposed treatment and injection facility site on the ground in pits, ponds, below-grade tanks or land application units without an OCD approved permit.
3. Maralex shall only use the treated or untreated produced water for conventional drilling and frac operations.
4. Maralex shall verify that other generators of produce water or operators that wish to obtain treated or untreated produced water for reuse have OCD approval for such reuse prior to the release of any produced water. OCD requires individual generators of produce water or operators to obtain their own approval, separate from Maralex's approval, for reuse or disposition of treated or untreated produced water.
5. Maralex shall obtain a permit in accordance with the provisions of 19.15.17 NMAC to temporary store treated and untreated produced water off-site for reuse.
6. Maralex shall not discharge any treated or untreated produced water on the ground, to ground water, or into any surface water body without prior written authorization from the OCD Environmental Bureau in the Division's Santa Fe office.



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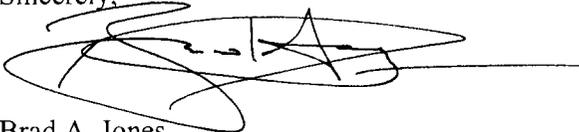
7. Maralex shall bring the existing 350 bbl below-grade tank into compliance with the permitting, siting, design and construction, operational, closure, and transitional provisions of 19.15.17 NMAC.
8. Maralex shall properly dispose of the liquid waste streams, such as concentrate from the nano filtration and reverse osmosis systems, by injection into Center Point SWD #1 (API# 30-045-33464) or at another injection well permitted by OCD for the disposal of RCRA exempt waste material.
9. Maralex shall properly dispose of the of produced water treatment cartridge filters and membranes at an OCD permitted landfill or comply with the authorization request provisions and specified testing protocols of 19.15.35.8 NMAC for the disposal of produced water treatment cartridge filters and membranes, if applicable.
10. Maralex shall submit quarterly reports, providing the volume of produced water treated, to the OCD within and no later than 7 days of the end of each period identified below:
 - January – March
 - April – June
 - July – September
 - October – December
11. Maralex shall report all unauthorized discharges, spills, leaks and releases of produced water and conduct corrective action pursuant to WQCC Regulation 20.6.2.1203 NMAC and OCD Rule 19.15.29 NMAC.

This authorization is approved for a period of one (1) year. **This temporary approval will expire August 19, 2010.** Renewal requests for temporary approvals shall be submitted 45 days prior to the expiration date. The OCD may revoke, suspend or impose additional operating conditions or limitations on a temporary approval at any time, if the OCD determines that the operator or the facility is in material breach of any applicable statutes or rules, or that such action is necessary for the protection of fresh water, public health or the environment.

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

If there are any questions regarding this matter, please do not hesitate to contact me at (505) 476-3487 or brad.a.jones@state.nm.us.

Sincerely,



Brad A. Jones,
Environmental Engineer

BAJ/baj

cc: OCD District III Office, Aztec