

EPWM - 6

PERMITS,
RENEWALS, &
MODS



New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson

Governor

Jim Noel

Cabinet Secretary

Karen W. Garcia

Deputy Cabinet Secretary

Mark Fesmire

Division Director

Oil Conservation Division

**DECEMBER 8, 2010**

Mr. Douglas C. Lynn
Center of Excellence for Hazardous Materials Management
505 North Main Street
Carlsbad, New Mexico 88220

RE: Request for a Produced Water Use Permit
Center of Excellence for Hazardous Materials Management (CEHMM)
EPWM - 006
Facility Address: 67 East Four Dinkus Road, Artesia, New Mexico 88210
Facility Location: Section 16, Township 18 South, Range 26 East,
NMPM, Eddy County, New Mexico

Dear Mr. Lynn:

The Oil Conservation Division (OCD) has received and reviewed the Center of Excellence for Hazardous Materials Management's (CEHMM) request, dated November 30, 2010, for a produced water use permit pursuant to Subsection B of 19.15.34.12 NMAC. CEHMM requests approval to use treated produced water as a source of makeup water in one of their experimental algae propagation ponds for research and development at CEHMM's algae propagation - bio-fuel project facility on the grounds of the Agricultural Science Center of New Mexico State University. OCD understands that Controlled Aqua Systems (CAS) will treat produced water and will provide treated produced water to CEHMM pursuant to the terms and conditions specified within CAS's OCD issued permit EPWM -005.

CEHMM's request is hereby approved with the following understandings and conditions:

1. CEHMM shall comply with all applicable requirements of the Produced Water Rule (19.15.34 NMAC), the Oil and Gas Act (Chapter 70, Article 2 NMSA 1978), and all conditions specified in this annual permit.
2. CHEMM shall use treated produced water, only as proposed in their November 30, 2010 request or otherwise approved by OCD, as a source of makeup water in one of their experimental algae propagation ponds for research and development at CEHMM's algae propagation - bio-fuel project facility located at 67 E. Four Dinkus Road, Artesia, New Mexico 88210.
3. CEHMM shall submit a modification request and obtain OCD's Environmental Bureau approval prior to initiating any changes in the use of the produced water.



Mr. Lynn
Center of Excellence for Hazardous Materials Management
Permit EPWM - 006
December 8, 2010
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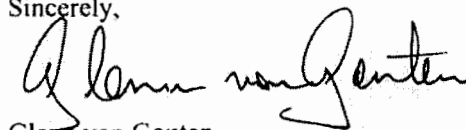
4. CEHMM shall notify OCD in writing 30 days prior to the discontinued use of produced water at CEHMM's algae propagation – bio-fuel project facility, located at 67 E. Four Dinkus Road, Artesia, New Mexico 88210.
5. CEHMM shall submit a proposal to OCD regarding the final disposition of any remaining produced water (treated, untreated, or comingled with other liquids) within the facility boundary after CEHMM determines that it will no longer use the produced water as proposed in the November 30, 2010 request or approved by OCD. CEHMM must obtain approval from OCD prior to any transport or disposal of produced water covered under this use permit.
6. CEHMM shall not accept any produced water (treated or untreated) under this use permit for the collection, evaporation, storage, or use, upon revocation, suspension, or termination of the New Mexico Environment Department Ground Water Quality Bureau's discharge permit DP-1634.
7. CEHMM shall comply with the appropriate hydrogen sulfide gas provisions of 19.15.11 NMAC.
8. CEHMM shall report all unauthorized discharges, spills, leaks, and releases of produced water pursuant to 19.15.29 NMAC.

This permit is approved for a period of one (1) year. **This use permit will expire December 7, 2011.** Renewal requests for annual permits shall be submitted 45 days prior to the expiration date. Permits may be revoked or suspended for violation of any applicable provisions and/or conditions. OCD may administratively modify this use permit at any time, by incorporating additional conditions, if it determines that such conditions are necessary and proper for the protection of fresh water, public health, and the environment.

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

If there are any questions regarding this matter, please contact Brad Jones at (505) 476-3487 or brad.a.jones@state.nm.us.

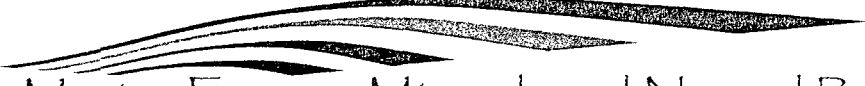
Sincerely,



Glenn von Gonten
Acting Environmental Bureau Chief

GvG/baj

cc: OCD District II Office, Artesia



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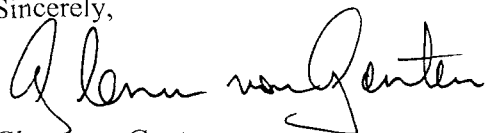
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