July 5, 1994

Mr. Chris Eustice
State of New Mexico
Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87504-2088

RE: RMI Middle Mesa Evaporation Facility Permit Application

Dear Chris,

Subsequent to our conversation earlier today, Pat and I were fortunate enough to set up an appointment with Mr. Frank Chavez and Mr. Denny Foust at the District NMOCD office in Aztec. At our meeting, we had the opportunity to discuss in detail the OCD's concerns as relate to RMI's proposed disposal facility referenced above. Our discussions evaluated some of RMI's current contingency plans and explored alternative remediation and/or preventative measures to minimize future problems if they occur.

In response to our recent discussions, and at the request of Mr. Chavez, Mr. Foust, and yourself, RMI would herein amend our permit application to include the following provisions.

1) In order to prevent the occurrence of H2S and the development of an anaerobic zone in the bottom of the ponds, RMI will construct the inlet feed flow system into the ponds according to the attached diagram.

   This design will provide isothermal de-stabilization, enhanced circulation, and continuous oxygenation from the pond bottom to the water surface. The warm water temperature will prevent cold isothermal zones from forming which result in seasonal stagnation of impounded waters. The system will create circulation currents and the dissolved oxygen levels of the inlet water will introduce 02 into the bottom of the pond. Also, in the unlikely event that H2S does occur, a dissolved oxygen injection cell can be added to the inlet flow system to remediate the problem.

2) As added assurance that RMI will be able to handle the proposed water volumes in the event of a leak and/or another compliance shut-down problem, RMI will also construct the adjacent four-acre impoundment as the proposed expansion addressed in the original application.

RMI Environmental Services
P. O. Box 2522
Farmington, NM 87499
Fax: 505-327-5988
2080 Afton Place, Suite A
Farmington, NM 87401
505-327-5966

The dirt work will be completed in conjunction with the construction of the first pond and will be completed according to NMOCD specifications. This will alleviate any conflicts of weather and/or frozen soils which would prohibit the construction of the earthen berms during the winter season. The second pond will be ready for the final installation of the required liners and associated leak detection system, and if utilized, will be completed according to all of the specifications and guidelines outlined in our original applications and any amendments thereto, including those submitted herein. This will allow RMI some additional flexibility to transfer water and double the facility evaporative capacity in the unlikely event that a leak is detected and/or additional storage capacity is required.

3) In order to address and guarantee the financial responsibility necessary to adequately close the facility upon the completion of the project, RMI herein submits a tentative six-year business plan and fill rate/pit level projection for the expected life of the project.

This plan is only intended to demonstrate the overall stability of this project and RMI's guarantee to see it to completion, including the safe remediation and final closure of the ponds. Projected fill rates/pit levels are estimated based upon potential production rates as provided by the CBM producers and cannot be guaranteed.

Time Frame	Fill Rate	Pond Level
9/94 - 4/95	1000 BWPD	0' - 7.5'
5/95 - 10/95	1000 BWPD	7.5' - 4.0'
11/95 - 4/96	1000 BWPD	4.0' - 9.0'
5/96 - 10/96	1200 BWPD	9.0' - 7.0'
Utilization of Second Pond Winter/1996		Common Pond Level
11/96 - 4/97	1200 BWPD	7.0' - 6.5'
5/97 - 10/97	1200 BWPD	6.5' - 2.0'
11/97 - 4/98	1200 BWPD	2.0' - 5.0'
5/98 - 10/98	1200 BWPD	5.0' - 2.0'
11/98 - 4/99	1200 BWPD	2.0' - 5.0'
5/99 - 10/99	1200 BWPD	5.0' - 2.0'
11/99 - 4/2000	1200 BWPD	2.0' - 5.0'
5/2000 - 10/2000	1200 BWPD	5.0' - 0.0'

Upon completion of the term of the current contract, both ponds should be empty of any remaining water. The estimated cost to remove the solids, liner materials, and close the ponds is $35,000.00. During the last four years of the contract, RMI will set aside $25,000.00, in addition to the required $25,000.00 bond, for the closure of the pond. Other funds will be readily available as cash assets and/or bank lines of credit, in the event that closure costs exceed these estimates.

4) RMI herein submits the following response to concerns raised by BLM in their letter dated 6/17/94.

   a. As stated by BLM they view this concern as a compliance problem, not a permitting issue. RMI believes that with the inclusion of an anemometer with total shut-down capabilities, over spray will not be an issue.

   b. RMI will utilize vacuum trucks to empty the pond if atmospheric conditions will not permit enhanced evaporation in the event of an emergency, however, with the additional available capacity at the second pond, hauling would not be necessary.

   c. As stated, water will be delivered to the pond via pipeline, not trucked. In the winter months, with no evaporation system operational, site activity is expected to be no more than one vehicle per day. This will allow the operator to check the leak detection sumps and make sure that all fences and gates are kept secure.

   d. RMI has willingly agreed to limit spring use as much as possible. We are working closely with the surface owner and have discussed how the facility can be operated with minimal impacts on the local wildlife populations.

   e. RMI agrees to use water during the construction activities to minimize the possible increased sediment load to existing downstream ponds.

5) Please make the following amendments to the original permit application as relate to the associated terms under "FACILITY OPERATIONS":

   -Number 1 should read - the facility will be inspected a minimum of one time per DAY.
   -Number 6 should read - the leak detection system will be inspected at least once per DAY.

6) In consideration of the issues raised concerning evaporation rates and the remaining water volumes in the ponds at the end of the project, RMI has increased the pond capacity and surface area to help minimize the water levels and increase the freeboard. Attached is a new pond dimension diagram with the revised figures/numbers.

7) Also, enclosed herein is a new diagram depicting the revised leak detection design as discussed in our meetings. This design will provide valuable information and expedite RMI's remediation process in the unlikely event of a primary liner leak. The highly permeable PN-3000 geonet will be utilized in combination with the three cell layout resulting in a more immediate detection, and response, to any liner leaks.

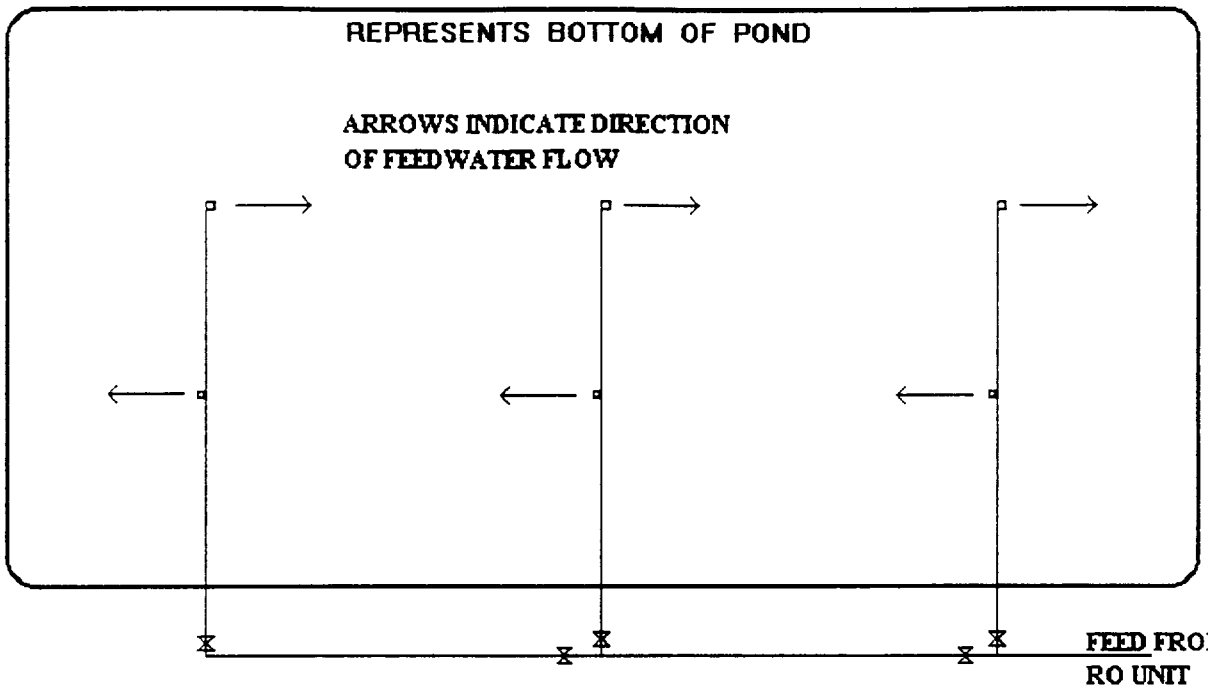
Again, RMI would like to restate our willingness to cooperate and work closely with the NMOCD. We believe the issues brought forth subsequent to our initial application are valid, and as outlined above we are willing to and have addressed each one.

If you have any questions, or require any additional information, please do not hesitate to contact myself, or Mr. Brad Simmons, in Farmington at 505/327-5966.

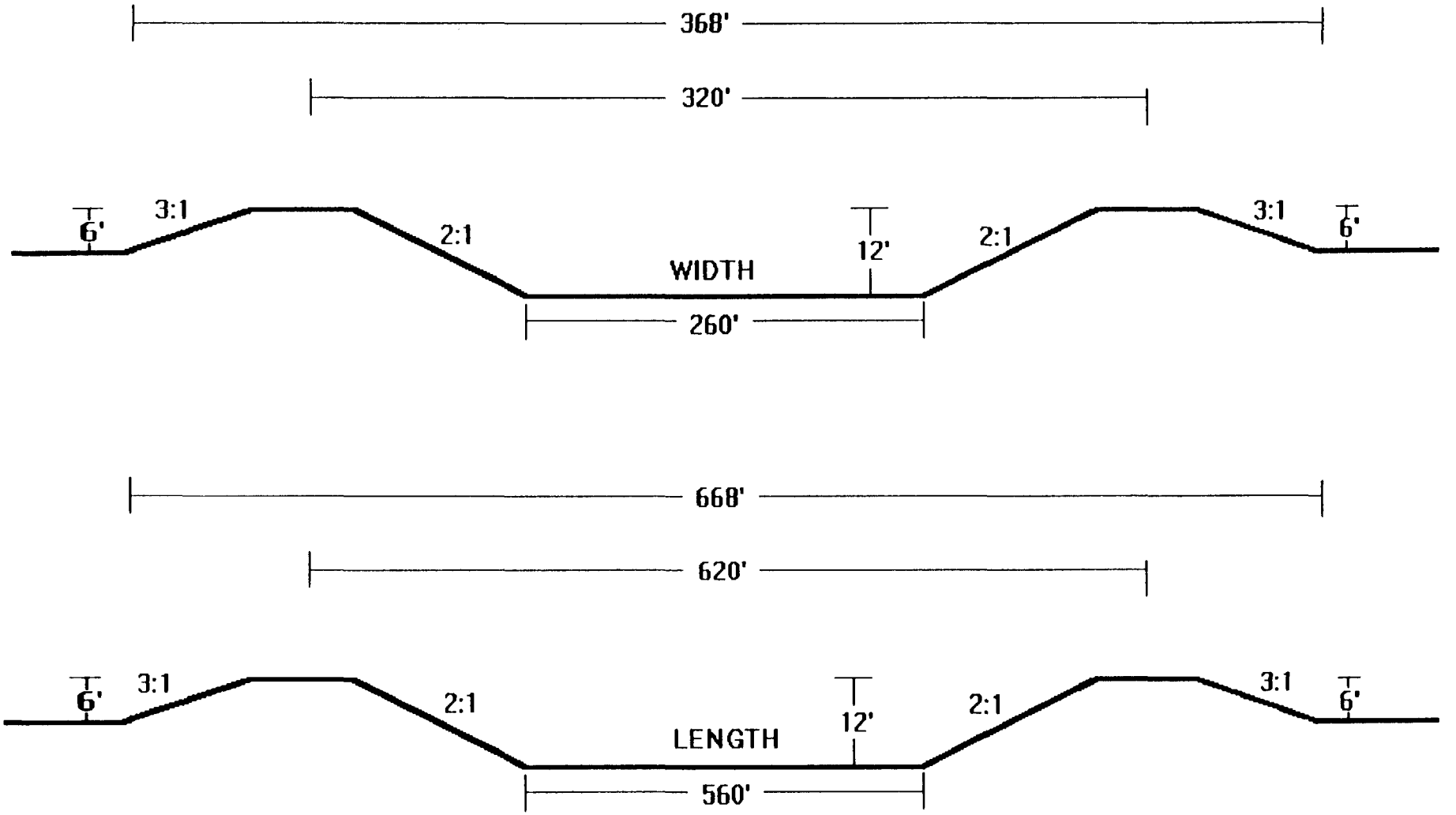
Sincerely,
RMI ENVIRONMENTAL SERVICES, INC.

Patrick M. Steenburg
Project Manager

cc: Mr. Frank Chavez, Mr. Denny Foust, NMOCD-Aztec, NM



WATER CAN BE INLET TO THE POND
IN THIS METHOD TO HELP INDUCE
SWIRLING CURRENTS IN THE BOTTOM
OF THE POND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320'
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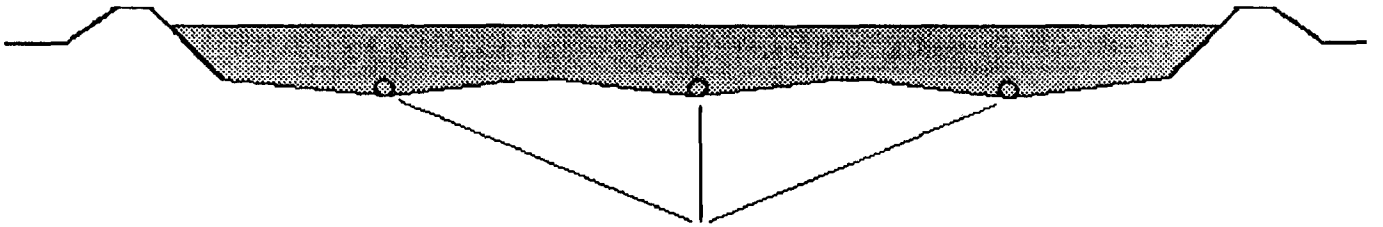

LEAK DETECTION SYSTEM COLLECTION HEADERS
1% SLOPE TO HEADERS