

NM1 - 4

**GENERAL
CORRESPONDENCE**

YEAR(S):

2005 - 2006

12/15/2005

LOCO HILLS WATER DISPOSAL, CO.

9:05 AM

NM-1-004

ANNUAL REPORT
QUARTERLY MONITORING
WELL SAMPLING

RECEIVED
DEC 19 2005
OIL CONSERVATION
DIVISION

QUARTER	WATER LEVEL	CONDUCTIVITY
<u>1ST QTR</u> <u>03/01/05</u>		
<u>JAN</u>	<u>ALL WELL DRY</u>	
<u>FEB</u>	<u>ALL WELL DRY</u>	
<u>MAR</u>	<u>ALLWELL DRY</u>	

QUARTER	WATER LEVEL	CONDUCTIVITY
<u>2ND QTR</u> <u>06/01/05</u>		
<u>APR</u>	<u>ALL WELL DRY</u>	
<u>MAY</u>	<u>ALL WELL DRY</u>	
<u>JUN</u>	<u>ALL WELL DRY</u>	

QUARTER	WATER LEVEL	CONDUCTIVITY
<u>3RD QTR</u> <u>09/01/05</u>		
<u>JUL</u>	<u>ALL WELL DRY</u>	
<u>AUG</u>	<u>ALL WELL DRY</u>	
<u>SEP</u>	<u>ALL WELL DRY</u>	

QUARTER	WATER LEVEL	CONDUCTIVITY
<u>4TH QTR</u> <u>12/01/05</u>		
<u>OCT</u>	<u>ALL WELL DRY</u>	
<u>NOV</u>	<u>ALLWELL DRY</u>	
<u>DEC</u>	<u>ALL WELL DRY</u>	



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor

September 17, 2004

Mark E. Fesmire, P.E.
Director

Joanna Prukop
Cabinet Secretary

Oil Conservation Division

Mr. James R. Maloney
Loco Hills Water Disposal Co.
P.O. Box 68
Loco Hills, NM 87255

Dear Mr. Maloney:

Since the New Mexico Oil Conservation Division (NMOCD) promulgated Rule 50 covering pits and below-grade tanks, there has arisen a need, in certain circumstances, for operators to transport their drill cuttings off-site and dispose of them.

NMOCD Rule 711, as it pertains to landfarms, does not specifically address the issue of exempt oilfield wastes that may be contaminated with salts. Your landfarm application and permit were written with only hydrocarbon-contaminated soils in mind. Salt-contaminated wastes cause the following problems:

1. Lessening the effectiveness of the biodegradation capacity of your landfarm
2. Rapid leachability causing adverse effects on groundwater

If you want to accept salt-contaminated cuttings or any other salt-contaminated wastes, your 711 permit must be modified to ensure that your acceptance of those wastes will not adversely affect public health or the environment.

Please check one of the following:

I have accepted or intend to accept salt-contaminated wastes in my landfarm. An OCD form C-137, applying for a modification to my 711 permit is attached. Included, as an attachment, is a demonstration that the accepted salt-contaminated soils will not adversely affect groundwater in the foreseeable future. (Closure requirements will also require modification to ensure the protection of groundwater. Should your acceptance of salt-contaminated wastes prove detrimental to groundwater, future liability for such damage rests with the landfarm operator).

I do not intend to accept salt-contaminated wastes in my landfarm. Should this condition change, I will submit an OCD Form C-137 for a modification to my 711 permit at that time.

New Mexico Oil Conservation Division
Attn: Ed Martin
1220 S. St. Francis
Santa Fe, NM 87505

This letter must be returned to the above address no later than October 31, 2004. An extension of time may be granted if you contact this office no later than that date.

If you have any questions, contact Ed Martin (505) 476-3492 or emartin@state.nm.us

Signed

Date

9/11/2002

LOCO HILLS WATER DISPOSAL, INC.

8:22 AM

ANNUAL REPORT QUARTERLY MONITORING WELL SAMPLING

QUARTER	WATER LEVEL	CONDUCTIVITY
<u>1ST QTR</u> <u>03/31/02</u>		
<u>JAN</u>	<u>ALL WELL DRY</u>	
<u>FEB</u>	<u>ALL WELL DRY</u>	
<u>MAR</u>	<u>ALLWELL DRY</u>	

QUARTER	WATER LEVEL	CONDUCTIVITY
<u>2ND QTR</u> <u>06/30/02</u>		
<u>APR</u>	<u>ALL WELL DRY</u>	
<u>MAY</u>	<u>ALL WELL DRY</u>	
<u>JUN</u>	<u>ALL WELL DRY</u>	

QUARTER	WATER LEVEL	CONDUCTIVITY
<u>3RD QTR</u> <u>09/30/02</u>		
<u>JUL</u>	<u>ALL WELL DRY</u>	
<u>AUG</u>	<u>ALL WELL DRY</u>	
<u>SEP</u>	<u>ALL WELL DRY</u>	

QUARTER	WATER LEVEL	CONDUCTIVITY
<u>4TH QTR</u> <u>12/01/01</u>		
<u>OCT</u>	<u>ALL WELL DRY</u>	
<u>NOV</u>	<u>ALLWELL DRY</u>	
<u>DEC</u>	<u>ALL WELL DRY</u>	

7-18-02
MJH



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Betty Rivera
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

November 8, 2002

CERTIFIED MAIL
RETURN RECEIPT NO. 7001-1940-0004-3929-8195

Mr. James R. Maloney
Loco Hills Water Disposal Company
P.O. Box 68
Loco Hills, NM 87255

RE: Notification of Process Change
Loco Hills Water Disposal Company NMOCD Permit (NM-01-0004)
SW/4 SW/4 Section 16, Township 17 South, Range 30 East, NMPM
Eddy County, New Mexico

Dear Mr. Maloney:

The New Mexico Oil Conservation Division (OCD) received the Loco Hills Water Disposal Company (LHWD) application to modify the above referenced permit dated May 22, 2002 regarding a minor process change. The process change that LHWD has proposed includes decreasing the area of the landfarm and adding an additional evaporation pond. All of these modifications are within the existing permitted area. The OCD has reviewed the facility map and the current permit dated May 26, 2000. The OCD has determined that the measures that are proposed do not require a permit modification. LHWD must continue to follow all permit conditions.

A current file review has found that the OCD has a cash bonds for \$116,327 on file and according to the schedule outlined in the financial assurance section of the permit conditions dated May 26, 2000 the final amount of \$188,436 was due October 7, 2002.

Please be advised approval of this process change does not relieve LHWD of liability should your operation result in actual pollution of fresh water, or the environment. In addition, OCD approval does not relieve LHWD of responsibility for compliance with other federal, state or local laws and/or regulations. In addition, LHWD is required to notify the Director of any facility expansion or process modification and to file the appropriate materials with the Division.

If you have any questions please do not hesitate to contact me at (505) 476-3488.

Mr. James R. Maloney
November 8, 2002
Page 2

Sincerely,

A handwritten signature in black ink, appearing to read "Martyne J. Kieling". The signature is written in a cursive style with a large initial "M".

Martyne J. Kieling
Environmental Geologist

xc: Artesia OCD Office

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

RECEIVED

JUN 04 2002

Form C-137
Revised March 17, 1999

Submit Original Plus 1
Copy to Santa Fe
Copy Appropriate
District Office

APPLICATION FOR WASTE MANAGEMENT FACILITY

(Refer to the OCD Guidelines for assistance in completing the application)

Commercial Centralized

1. Type: Evaporation Injection Other
 Solids/Landfarm Treating Plant

2. Operator: LOCO HILLS WATER DISPOSAL CO.

Address: P.O. BOX 68, LOCO HILLS, NM 88255

Contact Person: JAMES R. MALONEY Phone: 505-677-2118

3. Location: SE /4 SW /4 Section 16 Township 17S Range 30E
Submit large scale topographic map showing exact location

4. Is this a modification of an existing facility? Yes No

5. Attach the name and address of the landowner of the facility site and landowners of record within one mile of the site.

6. Attach description of the facility with a diagram indicating location of fences, pits, dikes, and tanks on the facility.
Reference Item 10 on attached diagram

7. Attach designs prepared in accordance with Division guidelines for the construction/installation of the following: pits or ponds, leak-detection systems, aerations systems, enhanced evaporation (spray) systems, waste treating systems, security systems, and landfarm facilities.

8. Attach a contingency plan for reporting and clean-up for spills or releases.

9. Attach a routine inspection and maintenance plan to ensure permit compliance.

10. Attach a closure plan.

11. Attach geological/hydrological evidence demonstrating that disposal of oil field wastes will not adversely impact groundwater. Depth to and quality of ground water must be included.

12. Attach proof that the notice requirements of OCD Rule 711 have been met.

13. Attach a contingency plan in the event of a release of H₂S.

14. Attach such other information as necessary to demonstrate compliance with any other OCD rules, regulations and orders.

15. CERTIFICATION

I hereby certify that the information submitted with this application is true and correct to the best of my knowledge and belief.

Name: JAMES R. MALONEY

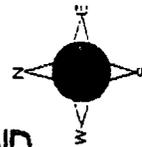
Title: VICE-PRESIDENT

Signature: *James R. Maloney*

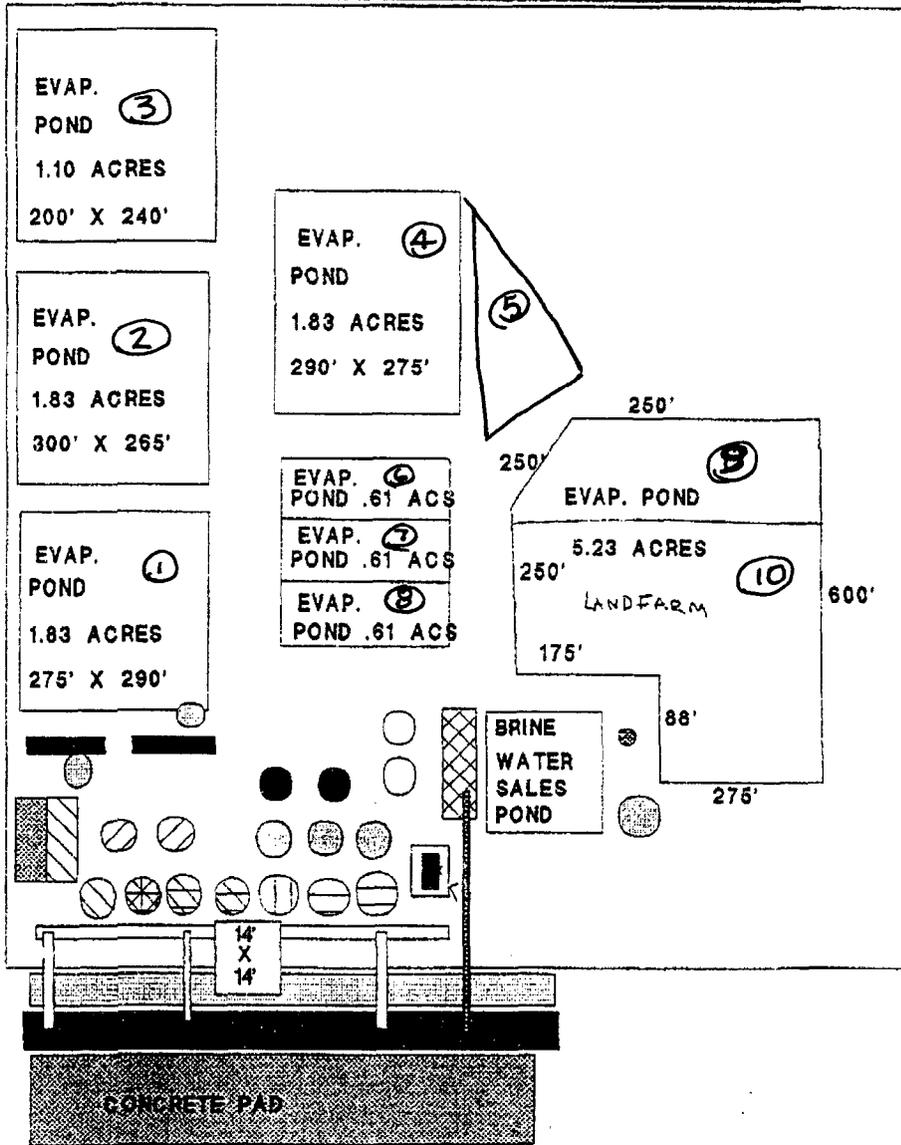
Date: 05/22/02

LOGG HILLS WATER DISPOSAL CO. INC.
 BUSINESS LEASING
 PART OF LOGG HILLS WATER DISPOSAL CO. INC.
 1000 HILLS WATER DISPOSAL CO. INC.

JC-1279



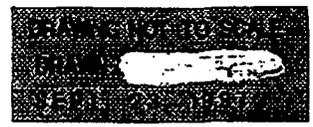
FACILITY PLAT



LEGEND

- 1,000 bbl. (new) OIL TREATMENT TANKS
- ▬ BOILER & BLDG. 15' x 20'
- ▨ 20' x 34' STORAGE BUILDING
- ⊙ 300 BBL. OIL TANK
- ⊗ 500BBL. SKIM TANK
- ⊘ 750 BBL. SKIM TANK
- ⊙ 300 BBL. SKIM TANK
- ⊙ 500 BBL. OIL TANK
- 1000 BBL OIL TANK
- ⊙ 500 BBL SALE TANK
- ⊙ 250 BBL. OPEN TOP
- ▬ OIL SKIM PONDS
- ▨ OFFICE & SHOP
- ▬ DRAINAGE DITCH
- ▨ CATCH POND FOR UNLOADING DITCH (BURNED)
- ▬ STEAM BOILER
- BRINE WATER WELL
- ⊙ BRINE WATER TANK
- ▬ UNLOADING BUILDING & INSTRUMENT ROOM
- ▬ UNLOADING PIPING, AND NEW ELECTRICAL TO UNLOADING VALVES
- ▬ SLOPED CONCRETE BERM 1 1/2' TO 0 IN 8'
- x— CHAINLINK FENCING
- PHOTO LOCATIONS

CR-217



LOCO HILLS WATER DISPOSAL CO.

P. O. Box 68
Loco Hills, NM 88255

January 25, 2002

Mr. David K. Brooks
New Mexico Energy, Minerals and
Natural Resources Department
1220 South St. Frances Drive
Santa Fe, New Mexico 87505

Re: Loco Hills Water Disposal Company, Permit NM-01-0004
SE/4 SW/4 Section 16, Township 17 South, Range 30 East, NMPM
Eddy County, New Mexico

Dear Mr. Brooks,

Loco Hills Water Disposal Company is the entity operating the above referenced facility and there has been, in fact, no name change for the company. Because we incorporated, the "Inc." was added at our discretion. The referenced name is the correct name.

I am in the process of changing the name on the two existing Division assigned Certificates of Deposit to reflect the name Loco Hills Water Disposal Company.

The requested bank confirmations for the transactions stated in your letter of November 27, 2001, is enclosed.

Please feel free to call me at 505-677-2118 for any additional information needed. Or you may fax to 505-677-2128.

Sincerely,
LOCO HILLS WATER DISPOSAL COMPANY



James R. Maloney
Vice-President

JRM:jb

ANNUAL REPORT
 QUARTERLY MONITORING
 WELL SAMPLING

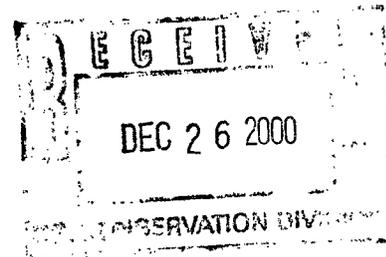
QUARTER	WATER LEVEL	CONDUCTIVITY
<u>1ST QTR</u> <u>03/31/01</u>		
<u>JAN</u>	<u>ALL WELL DRY</u>	
<u>FEB</u>	<u>ALLWELL DRY</u>	
<u>MAR</u>	<u>ALL WELL DRY</u>	

QUARTER	WATER LEVEL	CONDUCTIVITY
<u>2ND QTR</u> <u>06/30/01</u>		
<u>APR</u>	<u>ALL WELL DRY</u>	
<u>MAY</u>	<u>ALL WELL DRY</u>	
<u>JUN</u>	<u>ALL WELL DRY</u>	

QUARTER	WATER LEVEL	CONDUCTIVITY
<u>3RD QTR</u> <u>09/30/01</u>		
<u>JUL</u>	<u>ALL WELL DRY</u>	
<u>AUG</u>	<u>ALL WELL DRY</u>	
<u>09/01/00</u>	<u>ALL WELL DRY</u>	

QUARTER	WATER LEVEL	CONDUCTIVITY
<u>4TH QTR</u> <u>12/31/00</u>		
<u>OCT</u>	<u>ALL WELL DRY</u>	
<u>NOV</u>	<u>ALL WELL DRY</u>	
<u>DEC</u>	<u>ALL WELL DRY</u>	

LOCO HILLS WATER DISPOSAL CO.
P. O. Box 68
Loco Hills, NM 88255



December 22, 2000

Ms. Martyne J. Kieling
NEW MEXICO ENERGY, MINERALS, and
NATURAL RESOURCES DEPARTMENT
2040 S. Pacheco Street
Santa Fe, New Mexico 87505

RE: Land Farm

Dear Ms. Kieling,

We were unaware that we could not move land set as Land Farm back to active disposal land.

We would like, at this time, to change the acreage currently set as Land Farm to active disposal acreage.

Also, we are trying to acquire additional land to the North of our current location and this land will be set as Land Farm.

If you need additional information, please call me at 505-677-2118.

Sincerely,

LOCO HILLS WATER DISPOSAL, INC.

A handwritten signature in cursive script that reads "James R. Maloney".

James R. Maloney
Vice President

JRM:jb



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

December 19, 2000

Lori Wrotenbery
Director
Oil Conservation Division

CERTIFIED MAIL
RETURN RECEIPT NO. 7099-3220-000-5051-1811

Mr. James R. Maloney
Loco Hills Water Disposal, Inc.
P.O. Box 68
Loco Hills, NM 87255

RE: NOTICE OF VIOLATION
Loco Hills Water Disposal, Inc. Permit NM-01-0004
Commercial Surface Waste Management Facility
SW/4 SW/4 Section 16, Township 17 South, Range 30 East, NMPM
Eddy County, New Mexico

Dear Mr. Maloney:

The New Mexico Oil Conservation Division (OCD) inspected the Loco Hills Water Disposal, Inc. (LHWD) commercial surface waste management facility at the above location on December 13, 2000.

The OCD inspection of LHWD indicates that is in violation of Permit NM-01-0004. According to item seven (7) under Landfarm Operation in Permit NM-01-0004:

Moisture must be added as necessary to enhance bioremediation and to control blowing dust. There may be no ponding, pooling or run-off of water allowed. Any ponding of precipitation must be removed within twenty-four (24) hours of discovery.

The Landfarm cell contained ponded water. Produced water was observed to be flowing into the landfarm at the north side. **LHWD must stop all discharge of fluids into the landfarm and remove all fluids within 24 hours.**

Attachment 1 contains a photograph taken during the inspection. LHWD must provide the OCD with a detailed description of how future ponding will be prevented. LHWD must respond in writing to the permit deficiencies and Notice of Violation by December 29, 2000.

Failure to submit the requested information and respond to the Notice of Violation by December 29, 2000 may result in the assessment of civil penalties pursuant to Section 70-2-31 NMSA 1978 as amended.

If you have any questions please contact Martyne Kieling at (505) 827-7153.

Sincerely,

A handwritten signature in black ink, appearing to read "Roger C. Anderson", with a long horizontal flourish extending to the right.

Roger C. Anderson
Environmental Bureau Chief

Attachments

xc: Artesia OCD Office

Attachment: 1
Loco Hills Water Disposal Inc.
NM-01-0004



12/13/00

Landfarm containing produced water.

OCD personal observed a flow of water being discharged into the pond on the north side.

STATE OF NEW MEXICO
ENERGY MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

MEMORANDUM OF MEETING OR CONVERSATION

Telephone _____ Personal _____ Time 9:30 Date _____

Originating Party

Other Parties

Subject Levo Hills Complaint. Chemical Company in Hobbs.
Consignment Basis.

Purchase - Direction \$1000.00
Air Velocity...

Discussion \$47.000 26th and then Next Quarter
by September

I told Him He would have to take it to the ~~Committee~~ Division
Hearing

Conclusions or Agreements

Distribution

Signed

Walter J. Kelly



Ray Westall Operating, Inc.

Independent Oil Producer
Post Office Box 4
Loco Hills, New Mexico 88255
PH. 505-677-2370 • FAX 505-677-2361

FAX COVER SHEET

FAX NO: 1 DATE: 6-26-00

TO: OCD

ATTN: Roger Anderson

SUBJECT: LHW D

SENDER: Ray Westall

NUMBER OF PAGES: COVER SHEET + 3 = 4 PAGES

PLEASE CALL (505) 677-2370 IF YOU HAVE PROBLEMS
RECEIVING THIS DOCUMENT.

Roger Anderson

Please review page 3 of
OCD proposal for Low Hills Water
Disposal + The Letter from
Compliance Services. The way Page 3
reads it may be impossible
As the metering machines do not
read this low. Do you meet 18.
We are also sending the book
today.

Ray Westall

505-677-2370



Compliance Services

PO Box 2134 1820 N. Gilman Hobbs, NM 88240
Ph # 505-728-7777 Fax # 505-738-4444 Cell # 370-8026

To: Dick Maloney/Loco Hills SWD
From: Wade Rohloff
Date: 6/23/00
RE: OCD Guidelines

Dick,

As per our conversation this morning I wanted to reiterate my findings and therefore create a record for future reference.

H₂S Prevention & Contingency Plan

The specific guidelines that Martyne Kieling had sent to you were not found in OCD Rule 711 as downloadable from their web site. Neither was it found in the 7/97 Revision of that rule referred to me by Ms. Kieling. It was apparent that during my conversation with her that she was not clear as to where, in fact, that these specific guidelines were derived but she gave me the order number (R10411B). She referenced the rule 711 and the revised 711 (section 13). Both of those rules require H₂S Contingency planning and monitoring but are not specific as to how the monitoring is to be performed and at what levels are actions required.

It was Ms. Kielings understanding that this order applies and should be implimented immediately. As I could not find the order after searching their entire web site, I still have some question as to whether these requirements apply to an existing facility (such as yours), a new facility, or as part of a closure plan. I did notify her that it was not on their web site and she said she would seek to get it updated.

Specifics

The guidelines show that tests must be conducted weekly at four locations on top of the berms. The guidelines do not say at what height you should perform the sampling. As you and I discussed, the results can be radically different depending on height of sampling media.

The action level contrived for sampling is 1.0 ppm H₂S. That level in my opinion is excessively low. I base my opinion on over 10 years of experience with H₂S while conducting air monitoring, lab sampling, Radii of Exposure calculations and contingency planning. These are the lowest regulatory levels I have ever encountered. The average working level for H₂S in Industry is 10 ppm while the actual OSHA limit is 20 ppm for worker 8-hour exposure. This level is considered safe especially as H₂S is not considered

Public Regulation Commission

3/7/2000

LOCO HILLS WATER DISPOSAL COMPANY**MAILING ADDRESS
PO BOX 68 LOCO HILLS NEW MEXICO 88255**

SCC Number: 1095892**Tax & Revenue Number: 01147484000****INCORPORATED ON APRIL 21, 1981 , IN NEW MEXICO.****CORPORATION IS A DOMESTIC PROFIT****CORPORATION IS ACTIVE
GOOD STANDING THROUGH: 3/15/2001****PURPOSE OF THE CORPORATION
DISPOSAL****CORPORATION DATES****Taxable Year End Date: 12/31/98 Filing Date: 02/24/99
Corporate Existence Expiration Date:****SUPPLEMENTAL POST MARK DATES****Supplemental: Name Change: Purpose Change:****PRINCIPAL ADDRESS****US HWY 82 LOCO HILLS NEW MEXICO 88255****PRINCIPAL ADDRESS(Outside New Mexico)**

REGISTERED AGENT**RAY WESTALL
US HWY 82 LOCO HILLS NEW MEXICO 88255****Designation date: 02/24/99 Agent Post Mark Date: Resignation date:****COOP LICENSE INFORMATION****Number: Type: Expiration Year:****WESTALL, RAY *President*
NONE LISTED *Vice President*
MALONEY, JAMES R. *Secretary***

NONE LISTED *Treasurer*

DIRECTORS

Date Election of Directors: 01/01/99

MALONEY, JAMES R

US HWY. 82 LOCO HILLS, NM 88255

New Search Inquiry Page

STATE OF NEW MEXICO
ENERGY MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

MEMORANDUM OF MEETING OR CONVERSATION

Telephone _____ Personal _____ Time _____ Date 5-24-00

Note to File

Originating Party

Other Parties

Marlyne Kielig

Subject Loco Hills closer Cost Estimate. ~~After~~

Discussion It was Determined by Lori that No ^{OLD} Oversight Fees were needed.

The Cost Estimate is at a Dead end without Assessing each cost over again and Having a true 3rd Party Estimate Done.

Conclusions or Agreements We are going ahead with Permit Modification to Include $9,188,436$ Bond Amount. Even though it is most likely to cost more than $\$250,000$ if the State were to Clean this Facility (Example SWWD)

Distribution

Signed

Marlyne Kielig

Q

OCD oversight
District 2 hr/wk @ 47.14

SF 1/8 2 days
65.00 PD
10 hr @ 47.14

Dist - 20,590

9,011

29,601

5-23-00

Roger

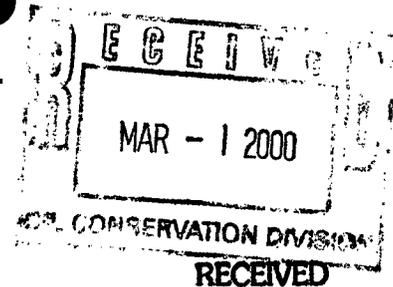
This Cost Estimate Needs to Be Reviewed.

Please Advise me How to Proceed.

Matye

LOCO HILLS WATER DISPOSAL CO.

P. O. Box 68
Loco Hills, NM 88255



February 28, 2000

Mr. Roger C. Anderson
New Mexico Energy, Minerals
& Natural Resources Department
Oil Conservation Division
2040 S. Pacheco Street
Santa Fe, New Mexico 87505

MAR 01 2000
Environmental Bureau
Oil Conservation Division

Re: Permit, Loco Hills Water Disposal, Inc. - Commercial Surface Waste Management
Facility - SW/4 SW/4 Section 16, Township 17 South, Range 30 East, NMPM
Eddy County, New Mexico

Dear Mr. Anderson,

Please reference all letters regarding the closing cost for this facility.

The following is in response to your letter dated February 14, 2000. The items are as follows:

1. Removal of tank, pipe and equipment:
Attached quote from Hughes Services, Inc:
Salvage of all of the above equipment plus \$5000.00
2. Norms Survey of facility:
Attached quote from Indian Fire and Safety:
\$700.00
3. Additional Land farming & Analytical of pond sediment:
Please refer to letter dated 07/24/99 from Ms. Keiling and was addressed in our response dated 12/06/99. Discing & tilling, \$3900.00; additional analysis, \$16,000.00. These two amounts are directly from Ms. Keiling's estimated cost.
4. Daily Inspections:
Attached quote from Ray Westall Operating, Inc:
Pumping Personnel will inspect five days per week for two years @ \$25.00 per day, total cost \$13000.00.
5. Facility Fencing:
The facility is currently fenced and will remain fenced:
No additional cost.

RECEIVED

MAR 01 2000

Environmental Bureau
Oil Conservation Division

Mr. Roger C. Anderson,
New Mexico Energy, Minerals
& Natural Resources Department

Page 2

Adding the cost of the above items to our December 06, 1999 estimated cost of \$136,201.00, the new estimated closure cost is within \$155,000.00.

Please advise if additional information is required.

Sincerely,

LOCO HILLS WATER DISPOSAL, INC.



James R. Maloney
Vice President

JRM:jb



RECEIVED

MAR 01 2000

Environmental Bureau
Oil Conservation Division

Hughes Services, Inc.

Oil Field Services

Post Office Box 68

Loco Hills, New Mexico 88255

PH. 505-677-3113 • FAX 505-677-2361

February 21, 2000

Mr. James R. Maloney
Loco Hills Water Disposal, Inc.
P.O. Box 68
Loco Hills, New Mexico 88255

Dear Mr. Maloney,

Hughes Services, Inc. would like to submit the following for your consideration.

For the salvage of all equipment and \$5,000.00, Hughes Services, Inc. will remove all tanks and connecting plumbing, and all equipment located at the Commercial Surface Waste Management Facility, SW/4 SW/4 Section 16, Township 17 South, Range 30 East, NMPM, Eddy County, New Mexico.

Sincerely,

HUGHES SERVICES, INC.

Ray Westall
President

RW:jb

RECEIVED

MAR 01 2000

Environmental Bureau
Oil Conservation Division



INDIAN fire and safety, inc.

February 25, 2000

TELEPHONE (505) 393-3093 or (505) 397-3884 — 1-800-530-8693
3317 WEST COUNTY ROAD • P.O. BOX 1306
HOBBS, N.M. 88241-1306

Mr. Dick Maloney
LOCO HILLS WATER DISPOSAL
P.O. Box 68
Loco Hills, NM 88255

RE: Commercial Water Disposal - Section 16, T17S, R30E in Eddy County, NM

Dear Mr. Maloney,

INDIAN FIRE & SAFETY, INC. would like to express our gratitude for the opportunity to submit the following bid/quote for your company.

To provide a Norm Survey in the most likely norm area in approximately a five-acre area it would require 5 hours/5 acres @ \$ 35.00 hr. for a total of \$ 175.00 X 3-5 acre sections for a grand total of \$ 525.00. The meter would run \$ 75.00 per day @ one day. There would also be a .68 per mile charge @ 110 miles for a total of \$ 74.80.

Thank you again for the opportunity to submit our bid for your company. If there, are any questions please fell free to call our office at 393-3093.

Summary:	Norm Survey for 15 acres -	\$ 525.00
	Norm meter	- \$ 75.00
	Mileage	- \$ 74.80
	Estimated Total	\$ 674.80

Thank you,

Scott Dudenhoeffer
INDIAN FIRE & SAFETY, INC.



Westall Oil & Gas, Inc.

RECEIVED

MAR 01 2000

Environmental Bureau
Oil Conservation Division

Independent Oil Producer
Post Office Box 4
Loco Hills, New Mexico 88255
PH. 505-677-2370 • FAX 505-677-2361

February 25, 2000

Mr. James R. Maloney
Loco Hills Water Disposal, Inc.
P.O. Box 68
Loco Hills, New Mexico 88255

Dear Mr. Maloney,

For the price of \$25.00 per day, five days per week, Westall Operating, Inc will furnish personnel to perform daily inspection of the pond sediment at your facility located at SW/4 SW/4 Section 16, Township 17 South, Range 30 East, NMPM Eddy County, New Mexico.

If additional services are required, please feel free to contact me.

RAY WESTALL OPERATING, INC.

Ray Westall
President

RW:jb

MEMORANDUM OF MEETING OR CONVERSATION

<input checked="" type="checkbox"/> Telephone <input type="checkbox"/> Personal	Time 10:20	Date 2-23-00
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<u>Originating Party</u>	<u>Other Parties</u>
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James R. Maloney	Roger Anderson
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	Martynne Kieling
--	------------------

Subject

Requesting Some Clarification on Letter Dated Feb 14, 2000

Discussion

Conclusions or Agreements

LHWB - Will Have Response by Feb. 29, 2000

Distribution

Signed

Martynne Kieling



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

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

February 14, 2000

CERTIFIED MAIL
RETURN RECEIPT NO. Z-559-573-270

Mr. James R. Maloney
Loco Hills Water Disposal, Inc.
P.O. Box 68
Loco Hills, NM 87255

RE: Loco Hills Water Disposal, Inc.
Commercial Surface Waste Management Facility
SW/4 SW/4 Section 16, Township 17 South, Range 30 East, NMPM
Eddy County, New Mexico

Dear Mr. Maloney:

The New Mexico Oil Conservation Division (OCD) has received the Loco Hills Water Disposal (LHWD) letter dated December 6, 1999 regarding a third-party estimate of closure costs at the LHWD surface waste management facility.

The estimate does not appear to be a third-party estimate. Please submit to the OCD an estimate on the original letter head from the third-party company that was contacted.

The estimate must address all items that were outlined in the OCD closure cost estimate. The estimate must include all aspects of evaporation and landfarming of wastes on site with a comparative level of detail to that of the OCD closure cost estimate. During the evaporation of liquids the facility must be inspected and monitored daily by contract personnel. In addition, the facility must be secured by fencing to prohibit unauthorized dumping until final closure is reached. The above referenced letter received from LHWD does not address the following items with a comparative level of detail:

1. Removal of tanks, pipe and equipment,
2. Norms survey of facility,
3. Additional landfarming and analytical of pond sediment,
4. Daily inspections by contract personnel, and
5. Fencing of facility.

Mr. James R. Maloney
February 14, 2000
Page 2

The third-party estimate addressing the above items must be received by the OCD for consideration by February 29, 2000 or LHWD must sign the September 7, 1999 NM-01-0004 permit approval conditions. Failure to submit the requested information by February 29, 2000 may result in compliance action pursuant to 19 NMAC 15.I.711.

If you have any questions please do not hesitate to contact me at (505) 827-7152.

Sincerely,



Roger C. Anderson
Environmental Bureau Chief

RCA/mjk

xc: Artesia OCD Office
Hobbs OCD Office

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

LOCO HILLS WATER
DISP

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 8855
Order No. R-6811-C

APPLICATION OF LOCO HILLS WATER DISPOSAL
COMPANY FOR AN OIL TREATING PLANT PERMIT,
EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on April 2, 1986, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 12th day of May, 1986, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

- (1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.
- (2) The applicant, Loco Hills Water Disposal Company, seeks authority to construct and operate an oil treating plant for the purpose of treating produced water at its salt water disposal facility authorized by Division Order No. R-6811-A, as amended, located in the SW/4 of Section 16, Township 17 South, Range 30 East, NMPM, Eddy County, New Mexico.
- (3) Dikes, dams and/or emergency pits should be constructed around the treating plant capable of holding the entire capacity of all tanks and vessels at the plant location in order that sediment oil, reclaimed oil, or waste oil cannot escape from the immediate vicinity of such plant or into the salt water disposal facility.
- (4) The proposed treating plant will have a 3,500 barrel capacity and will use chemicals, fresh water and heat for the processing of the materials received.

(5) The proposed treating plant and method of processing will efficiently process, treat, and reclaim the aforementioned waste oil, thereby salvaging oil which would otherwise be wasted.

(6) The Director of the Division should be authorized to administratively grant approval for the expansion or modification of said plant.

(7) The subject application should be approved as being in the best interests of conservation.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Loco Hills Water Disposal Company, is hereby authorized to install and operate a chemical, freshwater, and heat-treatment type oil treating plant at its salt water disposal site in the SW/4 of Section 16, Township 17 South, Range 30 East, NMPM, Eddy County, New Mexico, for the purpose of treating produced water being delivered to their salt water disposal facility authorized by Division Order No. R-6811-A, as amended.

PROVIDED HOWEVER THAT, the continuation of the authorization granted by this order shall be conditioned upon compliance with the laws of the State of New Mexico and the rules and regulations of the New Mexico Oil Conservation Division;

PROVIDED FURTHER THAT, prior to commencing operation of said plant, the applicant shall file with the Division and obtain approval of a performance bond in the amount of \$10,000.00 conditioned upon substantial compliance with applicable statutes of the State of New Mexico and all rules, regulations and orders of the Oil Conservation Division.

(2) The operator of the above-described oil treating plant shall clear and maintain in a condition clear of all debris and vegetation a fireline at least 15 feet in width and encircling the site upon which the treating plant is located.

(3) Dikes, dams and/or emergency pits capable of holding the entire capacity of all tanks and vessels at the plant location and capable of preventing the escape of any sediment oil, reclaimed oil, or waste oil from the immediate vicinity of said plant shall be constructed and maintained around the treating plant.

(4) The disposal of waste water accumulated in conjunction with the operation of the above-described plant on

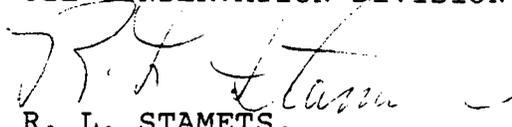
the surface of the ground, or in any pit, pond, lake, depression, draw, streambed, or arroyo, or in any watercourse, or in any other place or in any manner which will constitute a hazard to any fresh water supplies is hereby prohibited.

(5) The Director of the Division may administratively grant authority for the expansion or modification of said plant upon request and a demonstration that such expansion or modification is upon contiguous acreage and is otherwise consistent with this order and Division Rules and Regulations.

(6) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


R. L. STAMETS,
Director

S E A L

MEMORANDUM OF MEETING OR CONVERSATION

<input type="checkbox"/> Telephone	<input type="checkbox"/> Personal	Time 8:27 left message	Date 8-21-97
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<u>Originating Party</u>	<u>Other Parties</u>
* James Maloney 1505-677-2118	Marlyne Kiehl

Subject 8:00 wed. -- 27th ←

Discussion will meet at Loco Hills For the Inspection on wed 27th
August at 8:00 AM

Conclusions or Agreements

Distribution

Signed *Marlyne Kiehl*



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

GARREY CARRUTHERS
GOVERNOR

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

September 19, 1990

CERTIFIED MAIL
RETURN RECEIPT NO. P-918-402-410

Loco Hills Water Disposal Co.
P. O. Box 68
Loco Hills, New Mexico 88255

RE: Regulatory Notification, New Federal Requirements for Oil Reclamation Facilities

Dear Sir:

This letter is to advise you of a forthcoming federal requirement that may affect operation of your facility.

As you know, only the New Mexico Oil Conservation Division (OCD) currently regulates your facility. However, on September 25, 1990, a US Environmental Protection Agency (EPA) regulation directing use of the Toxicity Characteristic Leaching Procedure (TCLP) and adding toxicity constituent regulatory levels becomes effective. On that date waste material containing benzene, a natural component of crude oil, will be regulated as federal "hazardous waste" if benzene levels exceed the promulgated level of 500 parts per billion (ppb). Certain waste materials are excluded from this regulation including wastes from crude oil and natural gas exploration and production activities. However, liquid and solid wastes and sludges generated by crude oil and tank bottom reclaimers may not be exempted. Permitting under OCD rules does not necessarily mean your facility is EPA exempt.

If the waste stream from treating crude oil and tank bottoms by your facility contains benzene concentrations of greater than 500 ppb and if that waste is not exempted under EPA interpretation of the oil and gas exclusion, EPA will require that the waste stream be permitted and handled as hazardous waste. Additionally, if any portion of a common facility handling exempt exploration and production wastes is also considered to be treating, storing, or disposing of hazardous waste, then the entire common facility may be subject to EPA regulations which include provisions for substantial hydrogeologic investigations, corrective actions, and post-closure monitoring. There are civil and criminal penalties for failure to comply with "hazardous waste" regulations.

Loco Hills Water Disposal Co.
September 19, 1990
Page -2-

Therefore the OCD strongly recommends that you contact and review your operations with a private consultant or attorney familiar with this new federal rule prior to September 25 to determine the impact of the new regulation at your facility, and for advice as to technical permitting requirements and your potential liability.

Currently, the State of New Mexico is taking action to notify President Bush, the USEPA, and the Department of Energy of the impact of this new rule, and is requesting implementation be delayed for at least six months while the issue is reexamined. However, the outcome of this appeal is far from certain. Enclosed with this letter is a copy of the letter to President Bush. You may also wish to contact members of the New Mexico Congressional delegation regarding this important matter.

If you have any questions you are urged to contact either myself at (505) 827-5812 or Roger Anderson of this office at 827-5884.

Sincerely,



David G. Boyer, Hydrogeologist
Environmental Bureau Chief

DGB/sl

Enclosure

cc: NMOCD District Office