

BW - 22

**PERMITS,
RENEWALS,
& MODS**

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 Department

Revised June 10, 2003

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

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

DISCHARGE PLAN APPLICATION FOR BRINE EXTRACTION FACILITIES

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

☐ New ☒ XX Renewal

I. Facility Name: Tatum Brine Station-BW-22
II. Operator: Wasserhund Inc.
Address: P.O. Box 827 Tatum, NM 88267
Contact Person: Larry Gandy Phone: 505-398-4940

Request, Commitments and Attachments:

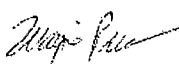
Pursuant to WQCC 20.6.2.5003.A NMAC "Existing Facilities" and per WQCC 20.6.2.5003.B; Wasserhund Inc. is requesting that the previously submitted information be referenced for this permit renewal application and Wasserhund Inc. hereby commits to continue and operate pursuant to the existing permit on-file with OCD until renewed by OCD. **Required \$100.00 filing fee is attached hereto.**

- III. Location: SW/4 SW/4 Section 20 Township 12S Range 36E
Submit large scale topographic map showing exact location.- **ON File with OCD**
- IV. Attach the name and address of the landowner of the facility site.-**ON File with OCD**
- V. Attach a description of the types and quantities of fluids at the facility.-**ON File with OCD**
- VI. Attach a description of all fluid transfer and storage and fluid and solid disposal facilities.-**ON File with OCD**
- VII. Attach a description of underground facilities (i.e. brine extraction well).-**ON File with OCD**
- VIII. Attach a contingency plan for reporting and clean-up of spills or releases.-**ON File with OCD**
- IX. Attach geological/hydrological evidence demonstrating that brine extraction operations will not adversely impact fresh water.-**ON File with OCD**
- X. Attach such other information as is necessary to demonstrate compliance with any other OCD rules, regulations and/or orders.-**ON File with OCD**
- XI. CERTIFICATION:

I hereby certify under penalty of law that I have personally examined and am familiar with the information submitted in this document and all attachments and that, based on my inquiry of those individuals immediately responsible for obtaining the information, I believe that the information is true, accurate and complete. I am aware that there are significant penalties for submitting false information including the possibility of fine and imprisonment.

Name: Wayne Price-Price LLC

Title: Agent for Wasserhund Inc.

Signature: 

Date: October 27, 2011

E-mailAddress: wayneprice77@earthlink.net

ACKNOWLEDGEMENT OF RECEIPT
OF CHECK/CASH

I hereby acknowledge receipt of check No. 104420306056 dated 10/23/11

or cash received on _____ in the amount of \$ 100⁰⁰

from Wasserkund Inc

for BCU-22

Submitted by: Laverne Romero Date: 11/3/11

Submitted to ASD by: Dawn Romero Date: 11/3/11

Received in ASD by: _____ Date: _____

Filing Fee ☒ New Facility _____ Renewal ☒

Modification _____ Other _____

Organization Code 521.07 Applicable FY 2011

To be deposited in the Water Quality Management Fund.

Full Payment _____ or Annual Increment _____



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

March 28, 2007

Mr. Larry Gandy
Gandy Corporation
PO Box 827
Tatum, New Mexico 88267

Re: Discharge Permit BW-022 Renewal

Dear Mr. Gandy:

Pursuant to all applicable parts of the Water Quality Control Commission (WQCC) Regulations 20.6.2.3104 - 20.6.2.3999 discharge permit, and 20.6.2.5000-.5299 Underground Injection Control, the Oil Conservation Division (OCD) hereby approves the discharge permit and authorizes the operation and injection for Gandy Corporation's Tatum Brine Station (**Owner/operator**) brine well BW-022 located in the SW/4, SW/4 of Section 20, Township 12 South, Range 36 East, NMPM, Lea County, New Mexico, under the conditions specified in the enclosed **Attachment To The Discharge Permit**.

Enclosed are two copies of the conditions of approval. **Please sign and return one copy to the New Mexico Oil Conservation Division (OCD) Santa Fe Office within 30 working days of receipt of this Letter including permit fees.**

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

If you have any questions, please contact Brad A. Jones of my staff at (505) 476-3487 or E-mail brad.a.jones@state.nm.us. On behalf of the staff of the OCD, I wish to thank you and your staff for your cooperation during this discharge permit review.

Sincerely,

Wayne Price

Environmental Bureau Chief

LWP/baj

Attachments-1

xc: OCD District Office

2007 SEP 28 AM 11:20
RECEIVED

**ATTACHMENT TO THE DISCHARGE PERMIT
GANDY CORPORATION'S TATUM BRINE STATION BRINE WELL (BW-022)
DISCHARGE PERMIT APPROVAL CONDITIONS
MARCH 28, 2007**

Please remit a check for \$1700.00 made payable to Water Quality Management Fund:

**Water Quality Management Fund
C/o: Oil Conservation Division
1220 S. Saint Francis Drive
Santa Fe, New Mexico 87505**

- 1. Payment of Discharge Plan Fees:** All discharge permits are subject to WQCC Regulations. Every billable facility that submits a discharge permit application will be assessed a filing fee of \$100.00, plus a renewal flat fee (*see* WQCC Regulation 20.6.2.3114 NMAC). The Oil Conservation Division ("OCD") has received the required \$100.00 filing fee. However, the owner/operator still owes the required \$1700.00 permit fee for a Class III Brine Well.
- 2. Permit Expiration and Renewal:** Pursuant to WQCC Regulation 20.6.2.3109.H.4 NMAC, this permit is valid for a period of five years. **The permit will expire on March 11, 2012** and an application for renewal should be submitted no later than 120 days before that expiration date. Pursuant to WQCC Regulation 20.6.2.3106.F NMAC, if a discharger submits a discharge permit renewal application at least 120 days before the discharge permit expires and is in compliance with the approved permit, then the existing discharge permit will not expire until the application for renewal has been approved or disapproved.
- 3. Permit Terms and Conditions:** Pursuant to WQCC Regulation 20.6.2.3104 NMAC, when a permit has been issued, the owner/operator must ensure that all discharges shall be consistent with the terms and conditions of the permit. In addition, all facilities shall abide by the applicable rules and regulations administered by the OCD pursuant to the Oil and Gas Act, NMSA 1978, Sections 70-2-1 through 70-2-38.
- 4. Owner/Operator Commitments:** The owner/operator shall abide by all commitments submitted in its February 9, 2007 discharge permit renewal application, including attachments and subsequent amendments and these conditions for approval. Permit applications that reference previously approved plans on file with the division shall be incorporated in this permit and the owner/operator shall abide by all previous commitments of such plans and these conditions for approval.
- 5. Modifications:** WQCC Regulation 20.6.2.3107.C, 20.6.2.3109 and 20.6.2.5101.I NMAC addresses possible future modifications of a permit. The owner/operator (discharger) shall notify the OCD of any facility expansion, production increase or process modification that would result in any significant modification in the discharge of water contaminants. The Division Director may require a permit modification if any water quality standard specified at 20.6.2.3103 NMAC

is being or will be exceeded, or if a toxic pollutant as defined in WQCC Regulation 20.6.2.7 NMAC is present in ground water at any place of withdrawal for present or reasonably foreseeable future use, or that the Water Quality Standards for Interstate and Intrastate streams as specified in 20.6.4 NMAC are being or may be violated in surface water in New Mexico.

6. Waste Disposal and Storage: The owner/operator shall dispose of all wastes at an OCD-approved facility. Only oil field RCRA-exempt wastes may be disposed of by injection in a Class II well. RCRA non-hazardous, non-exempt oil field wastes may be disposed of at an OCD-approved facility upon proper waste determination pursuant to 40 CFR Part 261. Any waste stream that is not listed in the discharge permit application must be approved by the OCD on a case-by-case basis.

A. OCD Rule 712 Waste: Pursuant to OCD Rule 712 (19.15.9.712 NMAC) disposal of certain non-domestic waste without notification to the OCD is allowed at NMED permitted solid waste facilities if the waste stream has been identified in the discharge permit and existing process knowledge of the waste stream does not change.

B. Waste Storage: The owner/operator shall store all waste in an impermeable bermed area, except waste generated during emergency response operations for up to 72 hours. All waste storage areas shall be identified in the discharge permit application. Any waste storage area not identified in the permit shall be approved on a case-by-case basis only. The owner/operator shall not store oil field waste on-site for more than 180 days unless approved by the OCD.

7. Drum Storage: The owner/operator must store all drums, including empty drums, containing materials other than fresh water on an impermeable pad with curbing. The owner/operator must store empty drums on their sides with the bungs in place and lined up on a horizontal plane. The owner/operator must store chemicals in other containers, such as tote tanks, sacks, or buckets on an impermeable pad with curbing.

8. Process, Maintenance and Yard Areas: The owner/operator shall either pave and curb or have some type of spill collection device incorporated into the design at all process, maintenance, and yard areas which show evidence that water contaminants from releases, leaks and spills have reached the ground surface.

9. Above Ground Tanks: The owner/operator shall ensure that all aboveground tanks have impermeable secondary containment (e.g., liners and berms), which will contain a volume of at least one-third greater than the total volume of the largest tank or all interconnected tanks. The owner/operator shall retrofit all existing tanks before discharge permit renewal. Tanks that contain fresh water or fluids that are gases at atmospheric temperature and pressure are exempt from this condition.

10. Labeling: The owner/operator shall clearly label all tanks, drums, and containers to identify their contents and other emergency notification information. The owner/operator may use a tank code numbering system, which is incorporated into their emergency response plans.

11. Below-Grade Tanks/Sumps and Pits/Ponds.

A. All below-grade tanks and sumps must be approved by the OCD prior to installation and must incorporate secondary containment with leak detection into the design. The owner/operator shall retrofit all existing systems without secondary containment and leak detection before discharge permit renewal. All existing below-grade tanks and sumps without secondary containment and leak detection must be tested annually or as specified herein. Systems that have secondary containment with leak detection shall have a monthly inspection of the leak detection system to determine if the primary containment is leaking. Small sumps or depressions in secondary containment systems used to facilitate fluid removal are exempt from these requirements if fluids are removed within 72 hours.

B. All pits and ponds, including modifications and retrofits, shall be designed by a certified registered professional engineer and approved by the OCD prior to installation. In general, all pits or ponds shall have approved hydrologic and geologic reports, location, foundation, liners, and secondary containment with leak detection, monitoring and closure plans. All pits or ponds shall be designed, constructed and operated so as to contain liquids and solids in a manner that will protect fresh water, public health, safety and the environment for the foreseeable future. The owner/operator shall retrofit all existing systems without secondary containment and leak detection before discharge permit renewal.

C. The owner/operator shall ensure that all exposed pits, including lined pits and open top tanks (8 feet in diameter or larger) shall be fenced, screened, netted, or otherwise rendered non-hazardous to wildlife, including migratory birds.

D. The owner/operator shall maintain the results of tests and inspections at the facility covered by this discharge permit and available for OCD inspection. The owner/operator shall report the discovery of any system which is found to be leaking or has lost integrity to the OCD within 15 days. The owner/operator may propose various methods for testing such as pressure testing to 3 pounds per square inch greater than normal operating pressure and/or visual inspection of cleaned tanks and/or sumps, or other OCD-approved methods. The owner/operator shall notify the OCD at least 72 hours prior to all testing.

12. Underground Process/Wastewater Lines:

A. The owner/operator shall test all underground process/wastewater pipelines at least once every five (5) years to demonstrate their mechanical integrity, except lines containing fresh water or fluids that are gases at atmospheric temperature and pressure. Pressure rated pipe shall be tested by pressuring up to one and one-half times the normal operating pressure, if possible, or for atmospheric drain systems, to 3 pounds per square inch greater than normal operating pressure, and pressure held for a minimum of 30 minutes with no more than a 1% loss/gain in pressure. The owner/operator may use other methods for testing if approved by the OCD.

B. The owner/operator shall maintain underground process and wastewater pipeline schematic diagrams or plans showing all drains, vents, risers, valves, underground piping, pipe type, rating, size, and approximate location. All new underground piping must be approved by the OCD prior to installation. The owner/operator shall report any leaks or loss of integrity to the OCD within 15 days of discovery. The owner/operator shall maintain the results of all tests at the facility covered by this discharge permit and they shall be available for OCD inspection. The owner/operator shall notify the OCD at least 72 hours prior to all testing.

13. Class V Wells: The owner/operator shall close all Class V wells (e.g., septic systems, leach fields, dry wells, etc.) that inject non-hazardous industrial wastes or a mixture of industrial wastes and domestic wastes unless it can be demonstrated that ground water will not be impacted in the reasonably foreseeable future. Leach fields and other wastewater disposal systems at OCD-regulated facilities that inject non-hazardous fluid into or above an underground source of drinking water are considered Class V injection wells under the EPA UIC program. Class V wells that inject domestic waste only, must be permitted by the New Mexico Environment Department (NMED).

14. Housekeeping: The owner/operator shall inspect all systems designed for spill collection/prevention and leak detection at least monthly to ensure proper operation and to prevent over topping or system failure. All spill collection and/or secondary containment devices shall be emptied of fluids within 72 hours of discovery. The owner/operator shall maintain all records at the facility and available for OCD inspection.

15. Spill Reporting: The owner/operator shall report all unauthorized discharges, spills, leaks and releases and conduct corrective action pursuant to WQCC Regulation 20.5.12.1203 NMAC and OCD Rule 116 (19.15.3.116 NMAC). The owner/operator shall notify both the OCD District Office and the Santa Fe Office within 24 hours and file a written report within 15 days.

16. OCD Inspections: The OCD may place additional requirements on the facility and modify the permit conditions based on OCD inspections.

17. Storm Water: The owner/operator shall implement and maintain run-on and runoff plans and controls. The owner/operator shall not discharge any water contaminant that exceeds the WQCC standards specified in 20.6.2.3101 NMAC or 20.6.4 NMAC (Water Quality Standards for Interstate and Intrastate Streams) including any oil sheen in any stormwater run-off. The owner/operator shall notify the OCD within 24 hours of discovery of any releases and shall take immediate corrective action(s) to stop the discharge.

18. Unauthorized Discharges: The owner/operator shall not allow or cause water pollution, discharge or release of any water contaminant that exceeds the WQCC standards listed in 20.6.2.3101 NMAC or 20.6.4 NMAC (Water Quality Standards for Interstate and Intrastate Streams) unless specifically listed in the permit application and approved herein. **An unauthorized discharge is a violation of this permit.**

19. Vadose Zone and Water Pollution: The owner/operator shall address any contamination through the discharge permit process or pursuant to WQCC 20.6.2.4000-.4116 NMAC (Prevention and Abatement

of Water Pollution). The OCD may require the owner/operator to modify its permit for investigation, remediation, abatement, and monitoring requirements for any vadose zone or water pollution. Failure to perform any required investigation, remediation, abatement and submit subsequent reports will be a violation of the permit.

20. Additional Site Specific Conditions: N/A

21. Brine Well(s) Identification, Operation, Monitoring, Bonding and Reporting.

- A. Well Identification: **API # 30-025-28162** Quality Brine Watson #1
- B. Well Work Over Operations: OCD approval will be obtained prior to performing remedial work, pressure test or any other work. Approval will be requested on OCD Form C-103 "Sundry Notices and Reports on Wells" (OCD Rule 1103.A.) with appropriate copies sent to the OCD Environmental Bureau and District Office.
- C. Production Method: Fresh water will be injected down the casing and brine shall be recovered up the tubing. Reverse flow will be allowed only once a month for up to 24 hours for clean out. Operators may request long term reverse operation if they can demonstrate that additional casing and monitoring systems are installed and approved by OCD. Operating in the reverse mode for more than 24 hours unless approved otherwise is a violation of this permit.
- D. Well Pressure Limits: The maximum operating surface injection and/or test pressure measured at the wellhead shall not exceed 450 psig unless otherwise approved. The operator shall have a working pressure limiting device or controls to prevent overpressure. Any pressure that causes new fractures or propagate existing fractures or causes damage to the system shall be reported to OCD within 24 hours of discovery.
- E. Mechanical Integrity Testing: Conduct an annual open to formation pressure test by pressuring up the formation with approved fluids or gas to a minimum of 300 psig measured on the surface casing for four hours. However, no operator may exceed test pressures that may cause formation fracturing (see item 21.D above) or system failures. Systems requiring test pressures less than 300 psig must be approved by OCD prior to testing. At least once every five years and during well work-overs the salt cavern formation will be isolated from the casing/tubing annulus and the casing pressure tested at 300 psig for 30 minutes. All pressure tests must be performed per the schedule shown below and witnessed by OCD unless otherwise approved.

Testing Schedule:

2006- 30 minute @ 300 psig casing test only (set packer to isolate formation)
2007- 4 hour @ 300 psig casing open to formation test
2008- 4 hour @ 300 psig casing open to formation test
2009- 4 hour @ 300 psig casing open to formation test
2010- 4 hour @ 300 psig casing open to formation test

- F. Capacity/ Cavity Configuration and Subsidence Survey: The operator shall provide information on the size and extent of the solution cavern and geologic/engineering data demonstrating that continued brine extraction will not cause surface subsidence, collapse or damage to property, or become a threat to public health and the environment. This information shall be supplied in each annual report. OCD may require the operator to perform additional well surveys, test, and install subsidence monitoring in order to demonstrate the integrity of the system. If the operator cannot demonstrate the integrity of the system to the satisfaction of the Division then the operator may be required to shut-down, close the site and properly plug and abandoned the well.

Any subsidence must be reported within 24 hours of discovery.

- G. Production/Injection Volumes: The volumes of fluids injected (fresh water) and produced (brine) will be recorded monthly and submitted to the OCD Santa Fe Office in the annual report.
- H. Analysis of Injection Fluid and Brine: Provide an analysis of the injection fluid and brine with each annual report. Analysis will be for General Chemistry (method 40 CFR 136.3) using EPA methods.
- I. Area of Review (AOR): The operator shall report within 24 hours of discovery of any new wells, conduits, or any other device that penetrates or may penetrate the injection zone within ¼ mile from the brine well.
- J. Loss of Mechanical Integrity: The operator shall report within 24 hours of discovery of any failure of the casing, tubing or packer, or movement of fluids outside of the injection zone.
The operator shall cease operations until proper repairs are made and receive OCD approval to re-start injection operations.
- K. Bonding or Financial Assurance: The operator shall maintain at a minimum, a one well plugging bond pursuant to OCD rules and regulations. If warranted, OCD may require additional financial assurance.

L. Annual Report: All operators shall submit an annual report due on January 31 of each year. The report shall include the following information:

1. Cover sheet marked as "Annual Brine Well Report, name of operator, BW permit #, API# of well(s), date of report, and person submitting report.
2. Brief summary of brine wells operations including description and reason for any remedial or major work on the well. Copy of C-103.
3. Production volumes as required above in 21.G. including a running total should be carried over to each year. The maximum and average injection pressure.
4. A copy of the chemical analysis as required above in 21.H.
5. A copy of any mechanical integrity test chart, including the type of test, i.e. open to formation or casing test.
6. Brief explanation describing deviations from normal production methods.
7. A copy of any leaks and spills reports.
8. If applicable, results of any groundwater monitoring.
9. Information required from cavity/subsidence 21.F. above.
10. An Area of Review (AOR) summary.
11. Sign-off requirements pursuant to WQCC Subsection G 20.6.2.5101.

22. Transfer of Discharge Permit: Pursuant to WQCC 20.6.2.5101.H the owner/operator and new owner/operator shall provide written notice of any transfer of the permit. Both parties shall sign the notice 30 days prior to any transfer of ownership, control or possession of a facility with an approved discharge permit. In addition, the purchaser shall include a written commitment to comply with the terms and conditions of the previously approved discharge permit. OCD will not transfer brine well operations until proper bonding or financial assurance is in place and approved by the division. OCD reserves the right to require a modification of the permit during transfer.

23. Closure: The owner/operator shall notify the OCD when operations of the facility are to be discontinued for a period in excess of six months. Prior to closure of the facility, the operator shall submit for OCD approval, a closure plan including a completed C-103 form for plugging and abandonment of the well(s). Closure and waste disposal shall be in accordance with the statutes, rules and regulations in effect at the time of closure.

24. Certification: Gandy Corporation (Owner/Operator), by the officer whose signature appears below, accepts this permit and agrees to comply with all submitted commitments, including these terms and conditions contained here. **Owner/Operator** further acknowledges that the OCD may, for good cause shown, as necessary to protect fresh water, public health, safety, and the environment, change the conditions and requirements of this permit administratively.

Mr. Larry Gandy
BW-022
March 28, 2007
Page 9 of 9

Conditions accepted by: "I certify under penalty of law that I have personally examined and am familiar with the information submitted in this document and all attachments and that, based on my inquiry of those individuals immediately responsible for obtaining the information, I believe that the information is true, accurate, and complete. I am aware that there are significant penalties for submitting false information including the possibility of fine and imprisonment."

Gandy Corporation
Company Name-print name above

Larry Gandy
Company Representative-print name

Larry Gandy
Company Representative- signature

Title Sec/treas.

Date: 9-24-07



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

June 13, 2007

Mr. Larry Gandy
Gandy Corporation
PO Box 827
Tatum, New Mexico 88267

Re: Discharge Permit BW-022 Renewal

Dear Mr. Gandy:

Pursuant to all applicable parts of the Water Quality Control Commission (WQCC) Regulations 20.6.2. NMAC and more specifically 20.6.2.3104 - 20.6.2.3999 discharge permit, and 20.6.2.5000-.5299 Underground Injection Control, the Oil Conservation Division (OCD) hereby approves the discharge permit and authorizes the operation and injection for Gandy Corporation's Tatum Brine Station (**Owner/operator**) brine well BW-022 located in the SW/4, SW/4 of Section 20, Township 12 South, Range 36 East, NMPM, Lea County, New Mexico, under the conditions specified in the enclosed **attachment to the discharge permit**.

Enclosed are two copies of the conditions of approval. **Please sign and return one copy to the New Mexico Oil Conservation Division (OCD) Santa Fe Office within 30 working days of receipt of this letter, including permit fees.**

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

If you have any questions, please contact Brad A. Jones of my staff at (505) 476-3487 or E-mail brad.a.jones@state.nm.us. On behalf of the staff of the OCD, I wish to thank you and your staff for your cooperation during this discharge permit review.

Sincerely,

Wayne Price

Environmental Bureau Chief

LWP/baj

Attachments-1

xc: OCD District Office

RECEIVED
2007 AUG 20 AM 11:39

**ATTACHMENT TO THE DISCHARGE PERMIT
GANDY CORPORATION'S TATUM BRINE STATION BRINE WELL (BW-022)
DISCHARGE PERMIT APPROVAL CONDITIONS
JUNE 13, 2007**

Please remit a check for \$1700.00 made payable to Water Quality Management Fund:

**Water Quality Management Fund
C/o: Oil Conservation Division
1220 S. Saint Francis Drive
Santa Fe, New Mexico 87505**

- 1. Payment of Discharge Plan Fees:** All discharge permits are subject to WQCC Regulations. Every billable facility that submits a discharge permit application will be assessed a filing fee of \$100.00, plus a renewal flat fee (*see* WQCC Regulation 20.6.2.3114 NMAC). The Oil Conservation Division ("OCD") has received the required \$100.00 filing fee. However, the owner/operator still owes the required \$1700.00 permit fee for a Class III Brine Well.
- 2. Permit Expiration and Renewal:** Pursuant to WQCC Regulation 20.6.2.3109.H.4 NMAC, this permit is valid for a period of five years. **The permit will expire on March 11, 2012** and an application for renewal should be submitted no later than 120 days before that expiration date. Pursuant to WQCC Regulation 20.6.2.3106.F NMAC, if a discharger submits a discharge permit renewal application at least 120 days before the discharge permit expires and is in compliance with the approved permit, then the existing discharge permit will not expire until the application for renewal has been approved or disapproved.
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- 4. Owner/Operator Commitments:** The owner/operator shall abide by all commitments submitted in its February 9, 2007 discharge permit renewal application, including attachments and subsequent amendments and these conditions for approval. Permit applications that reference previously approved plans on file with the division shall be incorporated in this permit and the owner/operator shall abide by all previous commitments of such plans and these conditions for approval.
- 5. Modifications:** WQCC Regulation 20.6.2.3107.C, 20.6.2.3109 and 20.6.2.5101.I NMAC addresses possible future modifications of a permit. The owner/operator (discharger) shall notify the OCD of any facility expansion, production increase or process modification that would result in any significant modification in the discharge of water contaminants. The Division Director may require a permit modification if any water quality standard specified at 20.6.2.3103 NMAC is being or will be exceeded, or if a toxic pollutant as defined in WQCC Regulation 20.6.2.7 NMAC is present in ground

water at any place of withdrawal for present or reasonably foreseeable future use, or that the Water Quality Standards for Interstate and Intrastate streams as specified in 20.6.4 NMAC are being or may be violated in surface water in New Mexico.

6. Waste Disposal and Storage: The owner/operator shall dispose of all wastes at an OCD-approved facility. Only oil field RCRA-exempt wastes may be disposed of by injection in a Class II well. RCRA non-hazardous, non-exempt oil field wastes may be disposed of at an OCD-approved facility upon proper waste determination pursuant to 40 CFR Part 261. Any waste stream that is not listed in the discharge permit application must be approved by the OCD on a case-by-case basis.

A. OCD Rule 712 Waste: Pursuant to OCD Rule 712 (19.15.9.712 NMAC) disposal of certain non-domestic waste without notification to the OCD is allowed at NMED permitted solid waste facilities if the waste stream has been identified in the discharge permit and existing process knowledge of the waste stream does not change.

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B. All pits and ponds, including modifications and retrofits, shall be designed by a certified registered professional engineer and approved by the OCD prior to installation. In general, all pits or ponds shall have approved hydrologic and geologic reports, location, foundation, liners, and secondary containment with leak detection, monitoring and closure plans. All pits or ponds shall be designed, constructed and operated so as to contain liquids and solids in a manner that will protect fresh water, public health, safety and the environment for the foreseeable future. The owner/operator shall retrofit all existing systems without secondary containment and leak detection before discharge permit renewal.

C. The owner/operator shall ensure that all exposed pits, including lined pits and open top tanks (8 feet in diameter or larger) shall be fenced, screened, netted, or otherwise rendered non-hazardous to wildlife, including migratory birds.

D. The owner/operator shall maintain the results of tests and inspections at the facility covered by this discharge permit and available for OCD inspection. The owner/operator shall report the discovery of any system which is found to be leaking or has lost integrity to the OCD within 15 days. The owner/operator may propose various methods for testing such as pressure testing to 3 pounds per square inch greater than normal operating pressure and/or visual inspection of cleaned tanks and/or sumps, or other OCD-approved methods. The owner/operator shall notify the OCD at least 72 hours prior to all testing.

12. Underground Process/Wastewater Lines:

A. The owner/operator shall test all underground process/wastewater pipelines at least once every five (5) years to demonstrate their mechanical integrity, except lines containing fresh water or fluids that are gases at atmospheric temperature and pressure. Pressure rated pipe shall be tested by pressuring up to one and one-half times the normal operating pressure, if possible, or for atmospheric drain systems, to 3 pounds per square inch greater than normal operating pressure, and pressure held for a minimum of 30 minutes with no more than a 1% loss/gain in pressure. The owner/operator may use other methods for testing if approved by the OCD.

B. The owner/operator shall maintain underground process and wastewater pipeline schematic diagrams or plans showing all drains, vents, risers, valves, underground piping, pipe type, rating, size, and approximate location. All new underground piping must be approved by the OCD prior to installation. The owner/operator shall report any leaks or loss of integrity to the OCD within 15 days of discovery. The owner/operator shall maintain the results of all tests at the facility covered by this discharge permit and they shall be available for OCD inspection. The owner/operator shall notify the OCD at least 72 hours prior to all testing.

13. Class V Wells: The owner/operator shall close all Class V wells (e.g., septic systems, leach fields, dry wells, etc.) that inject non-hazardous industrial wastes or a mixture of industrial wastes and domestic wastes unless it can be demonstrated that ground water will not be impacted in the reasonably foreseeable future. Leach fields and other wastewater disposal systems at OCD-regulated facilities that inject non-hazardous fluid into or above an underground source of drinking water are considered Class V injection wells under the EPA UIC program. Class V wells that inject domestic waste only, must be permitted by the New Mexico Environment Department (NMED).

14. Housekeeping: The owner/operator shall inspect all systems designed for spill collection/prevention and leak detection at least monthly to ensure proper operation and to prevent over topping or system failure. All spill collection and/or secondary containment devices shall be emptied of fluids within 72 hours of discovery. The owner/operator shall maintain all records at the facility and available for OCD inspection.

15. Spill Reporting: The owner/operator shall report all unauthorized discharges, spills, leaks and releases and conduct corrective action pursuant to WQCC Regulation 20.5.12.1203 NMAC and OCD Rule 116 (19.15.3.116 NMAC). The owner/operator shall notify both the OCD District Office and the Santa Fe Office within 24 hours and file a written report within 15 days.

16. OCD Inspections: The OCD may place additional requirements on the facility and modify the permit conditions based on OCD inspections.

17. Storm Water: The owner/operator shall implement and maintain run-on and runoff plans and controls. The owner/operator shall not discharge any water contaminant that exceeds the WQCC standards specified in 20.6.2.3101 NMAC or 20.6.4 NMAC (Water Quality Standards for Interstate and Intrastate Streams) including any oil sheen in any stormwater run-off. The owner/operator shall notify the OCD within 24 hours of discovery of any releases and shall take immediate corrective action(s) to stop the discharge.

18. Unauthorized Discharges: The owner/operator shall not allow or cause water pollution, discharge or release of any water contaminant that exceeds the WQCC standards listed in 20.6.2.3101 NMAC or 20.6.4 NMAC (Water Quality Standards for Interstate and Intrastate Streams) unless specifically listed in the permit application and approved herein. *An unauthorized discharge is a violation of this permit.*

19. Vadose Zone and Water Pollution: The owner/operator shall address any contamination through the discharge permit process or pursuant to WQCC 20.6.2.4000-.4116 NMAC (Prevention and Abatement of Water Pollution). The OCD may require the owner/operator to modify its permit for investigation, remediation, abatement, and monitoring requirements for any vadose zone or water pollution. Failure to perform any required investigation, remediation, abatement and submit subsequent reports will be a violation of the permit.

20. Additional Site Specific Conditions: N/A

21. Brine Well(s) Identification, Operation, Monitoring, Bonding and Reporting.

- A. Well Identification: **API # 30-025-28162** Quality Brine Watson #1
- B. Well Work Over Operations: OCD approval will be obtained prior to performing remedial work, pressure test or any other work. Approval will be requested on OCD Form C-103 "Sundry Notices and Reports on Wells" (OCD Rule 1103.A.) with appropriate copies sent to the OCD Environmental Bureau and District Office.
- C. Production Method: Fresh water will be injected down the casing and brine shall be recovered up the tubing. Reverse flow will be allowed only once a month for up to 24 hours for clean out. Operators may request long term reverse operation if they can demonstrate that additional casing and monitoring systems are installed and approved by OCD. Operating in the reverse mode for more than 24 hours unless approved otherwise is a violation of this permit.
- D. Well Pressure Limits: The maximum operating surface injection and/or test pressure measured at the wellhead shall not exceed 450 psig unless otherwise approved. The operator shall have a working pressure limiting device or controls to prevent overpressure. Any pressure that causes new fractures or propagate existing fractures or causes damage to the system shall be reported to OCD within 24 hours of discovery.
- E. Mechanical Integrity Testing: Conduct an annual open to formation pressure test by pressuring up the formation with approved fluids or gas to a minimum of 300 psig measured on the surface casing for four hours. However, no operator may exceed test pressures that may cause formation fracturing (see item 21.D above) or system failures. Systems requiring test pressures less than 300 psig must be approved by OCD prior to testing. At least once every five years and during well work-overs the salt cavern formation will be isolated from the casing/tubing annulus and the casing pressure tested at 300 psig for 30 minutes. All pressure tests must be performed per the scheduled shown below and witnessed by OCD unless otherwise approved.

Testing Schedule:

2006- 30 minute @ 300 psig casing test only (set packer to isolate formation)
2007- 4 hour @ 300 psig casing open to formation test
2008- 4 hour @ 300 psig casing open to formation test
2009- 4 hour @ 300 psig casing open to formation test
2010- 4 hour @ 300 psig casing open to formation test

- F. Capacity/ Cavity Configuration and Subsidence Survey: The operator shall provide information on the size and extent of the solution cavern and geologic/engineering data demonstrating that continued brine extraction will not cause surface subsidence, collapse or damage to property, or become a threat to public health and the environment. This information shall be supplied in each annual report. OCD may require the operator to perform additional well surveys, test, and install subsidence monitoring in order to demonstrate the integrity of the system. If the operator cannot demonstrate the integrity of the system to the satisfaction of the Division then the operator may be required to shut-down, close the site and properly plug and abandoned the well.

Any subsidence must be reported within 24 hours of discovery.

- G. Production/Injection Volumes: The volumes of fluids injected (fresh water) and produced (brine) will be recorded monthly and submitted to the OCD Santa Fe Office in the annual report.
- H. Analysis of Injection Fluid and Brine: Provide an analysis of the injection fluid and brine with each annual report. Analysis will be for General Chemistry (method 40 CFR 136.3) using EPA methods.
- I. Area of Review (AOR): The operator shall report within 24 hours of discovery of any new wells, conduits, or any other device that penetrates or may penetrate the injection zone within ¼ mile from the brine well.
- J. Loss of Mechanical Integrity: The operator shall report within 24 hours of discovery of any failure of the casing, tubing or packer, or movement of fluids outside of the injection zone. The operator shall cease operations until proper repairs are made and receive OCD approval to re-start injection operations.
- K. Bonding or Financial Assurance: The operator shall maintain at a minimum, a one well plugging bond pursuant to OCD rules and regulations. If warranted, OCD may require additional financial assurance.

L. Annual Report: All operators shall submit an annual report due on January 31 of each year. The report shall include the following information:

1. Cover sheet marked as "Annual Brine Well Report, name of operator, BW permit #, API# of well(s), date of report, and person submitting report.
2. Brief summary of brine wells operations including description and reason for any remedial or major work on the well. Copy of C-103.
3. Production volumes as required above in 21.G. including a running total should be carried over to each year. The maximum and average injection pressure.
4. A copy of the chemical analysis as required above in 21.H.
5. A copy of any mechanical integrity test chart, including the type of test, i.e. open to formation or casing test.
6. Brief explanation describing deviations from normal production methods.
7. A copy of any leaks and spills reports.
8. If applicable, results of any groundwater monitoring.
9. Information required from cavity/subsidence 21.F. above.
10. An Area of Review (AOR) summary.
11. Sign-off requirements pursuant to WQCC Subsection G 20.6.2.5101.

22. Transfer of Discharge Permit: Pursuant to WQCC 20.6.2.5101.H the owner/operator and new owner/operator shall provide written notice of any transfer of the permit. Both parties shall sign the notice 30 days prior to any transfer of ownership, control or possession of a facility with an approved discharge permit. In addition, the purchaser shall include a written commitment to comply with the terms and conditions of the previously approved discharge permit. OCD will not transfer brine well operations until proper bonding or financial assurance is in place and approved by the division. OCD reserves the right to require a modification of the permit during transfer.

23. Closure: The owner/operator shall notify the OCD when operations of the facility are to be discontinued for a period in excess of six months. Prior to closure of the facility, the operator shall submit for OCD approval, a closure plan including a completed C-103 form for plugging and abandonment of the well(s). Closure and waste disposal shall be in accordance with the statutes, rules and regulations in effect at the time of closure.

24. **Certification: Gandy Corporation (Owner/Operator)**, by the officer whose signature appears below, accepts this permit and agrees to comply with all submitted commitments, including these terms and conditions contained here. **Owner/Operator** further acknowledges that the OCD may, for good cause shown, as necessary to protect fresh water, public health, safety, and the environment, change the conditions and requirements of this permit administratively.


Conditions accepted by: "I certify under penalty of law that I have personally examined and am familiar with the information submitted in this document and all attachments and that, based on my inquiry of those individuals immediately responsible for obtaining the information, I believe that the information is true, accurate, and complete. I am aware that there are significant penalties for submitting false information including the possibility of fine and imprisonment."

GANDY CORPORATION

Company Name-print name above

LARRY GANDY

Company Representative- print name



Company Representative- signature

Title Secretary/Treasurer

Date: 8/16/2007

ACKNOWLEDGEMENT OF RECEIPT
OF CHECK/CASH

I hereby acknowledge receipt of check No. dated 8/16/07

or cash received on in the amount of \$ 1700⁰⁰

from Gandy Corporation

for BW-022

Submitted by: Lawrence Romero Date: 11/26/07

Submitted to ASD by: Lawrence Romero Date: 11/26/07

Received in ASD by: Date:

Filing Fee New Facility Renewal

Modification Other

Organization Code 521.07 Applicable FY 2004

To be deposited in the Water Quality Management Fund.

Full Payment ✓ or Annual Increment

7005 0390 0000 0600 5000 0500 3241

U.S. Postal Service	
CERTIFIED MAIL RECEIPT	
(Domestic Mail Only, No Insurance Coverage Provided)	
For delivery information visit our website at www.usps.com	
OFFICIAL USE	
Postage	\$ 1.14.14
Certified Fee	2.65
Return Receipt Fee (Endorsement Required)	2.7515
Restricted Delivery Fee (Endorsement Required)	\$0.00
Total Postage & Fees	\$ 5.9414

0660
01
AUG 17 2007
Postmark
here
09288
8260
OVINGTON, NM

08/17/2007

Sent To	
WATER QUALITY Management Fund	
Street, Apt. No., or PO Box No. 1220 S. Saint Francis Dr.	
City, State, ZIP+4 Santa Fe, NM 87505	

PS Form 3800, June 2002 See Reverse for Instructions

ACKNOWLEDGEMENT OF RECEIPT
OF CHECK/CASH

I hereby acknowledge receipt of check No. _____ dated 2/9/07

or cash received on _____ in the amount of \$ 100⁰⁰

from Eddie Seay Consulting

for BW-022

Submitted by: LAWRENCE ROMERO Date: 3/2/07

Submitted to ASD by: LAWRENCE ROMERO Date: 3/2/07

Received in ASD by: _____ Date: _____

Filing Fee ☒ New Facility _____ Renewal ☒

Modification _____ Other _____

Organization Code 521.07 Applicable FY 2004

To be deposited in the Water Quality Management Fund.

Full Payment _____ or Annual Increment _____

NOTICE OF PUBLICATION

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

Notice is hereby given that pursuant to New Mexico Water Quality Control Commission Regulations (20.6.2.3106 NMAC), the following discharge permit application(s) has been submitted to the Director of the New Mexico Oil Conservation Division ("NMOCD"), 1220 S. Saint Francis Drive, Santa Fe, New Mexico 87505, Telephone (505) 476-3440:

(BW-022) Gandy Corporation, Larry Gandy, PO Box 827, Tatum, New Mexico 88267, has submitted a renewal application for the previously approved discharge plan for their Tatum Brine Station located in the SW/4, SW/4 of Section 20, Township 12 South, Range 36 East, NMPM, Lea County, New Mexico, approximately one miles west on Highway 380 from the intersection of Hwy 18 and Hwy 380. Fresh water is injected to an approximate depth of 2300 feet in the Quality Brine Watson Well #1 (API# 30-025-28162-00-00) and brine water is extracted with an average total dissolved solids concentration of 350,000 mg/L. Groundwater most likely to be affected by a spill, leak or accidental discharge is at a depth of approximately 30 feet with a total dissolved solids concentration of approximately 700 mg/l. The discharge plan addresses how oilfield products and waste will be properly handled, stored, and disposed of, including how spills, leaks, and other accidental discharges to the surface will be managed in order to protect fresh water.

The NMOCD has determined that the application is administratively complete and has prepared a draft permit. The NMOCD will accept comments and statements of interest regarding this application and will create a facility-specific mailing list for persons who wish to receive future notices. Persons interested in obtaining further information, submitting comments or requesting to be on a facility-specific mailing list for future notices may contact the Environmental Bureau Chief of the Oil Conservation Division at the address given above. The administrative completeness determination and draft permit may be viewed at the above address between 8:00 a.m. and 4:00 p.m., Monday through Friday, or may also be viewed at the NMOCD web site <http://www.emnrd.state.nm.us/ocd/>. Persons interested in obtaining a copy of the application and draft permit may contact the NMOCD at the address given above. Prior to ruling on any proposed discharge permit or major modification, the Director shall allow a period of at least thirty (30) days after the date of publication of this notice, during which interested persons may submit comments or request that NMOCD hold a public hearing. Requests for a public hearing shall set forth the reasons why a hearing should be held. A hearing will be held if the Director determines that there is significant public interest.

If no public hearing is held, the Director will approve or disapprove the proposed permit based on information available, including all comments received. If a public hearing is held, the director will approve or disapprove the proposed permit based on information in the permit application and information submitted at the hearing.

Para obtener más información sobre esta solicitud en español, sirvase comunicarse por favor: New Mexico Energy, Minerals and Natural Resources Department (Depto. Del Energia, Minerals y Recursos Naturales de Nuevo México), Oil Conservation Division (Depto. Conservación Del Petróleo), 1220 South St. Francis Drive, Santa Fe, New México (Contacto: Dorothy Phillips, 505-476-3461)

GIVEN under the Seal of New Mexico Oil Conservation Commission at Santa Fe, New Mexico, on this 28th day of March 2007.

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

Revised June 10, 2003

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

DISCHARGE PLAN APPLICATION FOR BRINE EXTRACTION FACILITIES

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

☐ New ☒ Renewal

- I. Facility Name: Tatum Brine Station BW-022
- II. Operator: Gandy Corporation
Address: Box 827, Tatum, NM 88267
Contact Person: Larry Gandy Phone: (505)398-4960
- III. Location: SW /4 SW /4 Section 20 Township 12S Range 36E
Submit large scale topographic map showing exact location.
- IV. Attach the name and address of the landowner of the facility site.
- V. Attach a description of the types and quantities of fluids at the facility.
- VI. Attach a description of all fluid transfer and storage and fluid and solid disposal facilities.
- VII. Attach a description of underground facilities (i.e. brine extraction well).
- VIII. Attach a contingency plan for reporting and clean-up of spills or releases.
- IX. Attach geological/hydrological evidence demonstrating that brine extraction operations will not adversely impact fresh water.
- X. Attach such other information as is necessary to demonstrate compliance with any other OCD rules, regulations and/or orders.
- XI. CERTIFICATION:

I hereby certify under penalty of law that I have personally examined and am familiar with the information submitted in this document and all attachments and that, based on my inquiry of those individuals immediately responsible for obtaining the information, I believe that the information is true, accurate and complete. I am aware that there are significant penalties for submitting false information including the possibility of fine and imprisonment.

Name: Eddie W Seay Title: Agent

Signature: Eddie W Seay Date: 2/9/2007

E-mail Address: seay 04 @ leaco . net

Item IV. Name and address of the land owner

Gandy Corporation
PO Box 827
Tatum, NM 88267

Phone: (505) 398-4960

Item V. Types and quantities of fluids at facility

This facility will temporarily store for sale brine water and fresh water.
No other fluids will be stored at this facility.

Item VI. Description of fluid transfer and storage

Please refer to the Site Facility Schematic and the Wellbore Schematic for the Brine Well for the following steps in fluid transfer and storage:

- 1) Fresh water is pumped from the fresh water well to the pump house.
- 2) The fresh water is transferred from the pump house into a 1000 barrel fresh water storage tank.
- 3) Fresh water is transferred to
 - a) The fresh water may be pumped directly into a truck loading system.
 - b) Fresh water may also be diverted into the annulus of the brine well.
- 4) Fresh water flows down the annulus of the brine well and brine water flows
Back up the tubing and is directed back into the pump house.
- 5) The brine fluid is pumped into one of two 1000 barrel storage tanks.
- 6) The brine fluid is finally removed from the storage tanks into truck loading outlets.

Tank trucks are loaded in a plastic lined dike loading area to retain fluids in event an accidental discharge or spill.

Item VII. Description of Underground Facility

The only underground facilities will be the brine well and its piping construction. Enclosed is the schematic of the existing and proposed wellbore.

The well bore construction is as follows:

8 5/8" surface casing set at 53' with cement circulated to surface.
5 1/2" production casing from surface to 2249 with cement circulated to surface
2 3/8' plastic lined tubing set at approximately 2800'.

Item VIII. Contingency Plan for reporting and clean-up spills or releases

All above ground piping, pumps and tanks will be visually inspected for leaks by company personnel on a weekly basis and after each heavy rain. Any problems such as leaks, spills or well abnormality will be taken to the attention of Gandy Corporation supervisor immediately. Supervisor will assess the problem and proceed with proper notification and repairs as OCD Rule 116 requires. Gandy Corporation owns and operates vacuum trucks and construction equipment commonly employed on spill clean-ups. In the event of an unplanned release of brine water, Gandy will immediately notify the Hobbs office of the NMOCD and remove all free liquids and transport to an approved disposal facility.

All impacted soils will be delineated as to both vertical and lateral extent and all affected soils removed to an approved disposal facility. Were soils have been removed new soil will be added to the excavated area and leveled to match the surrounding topography.

Item IX. Geology

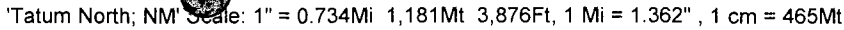
Hydrology:

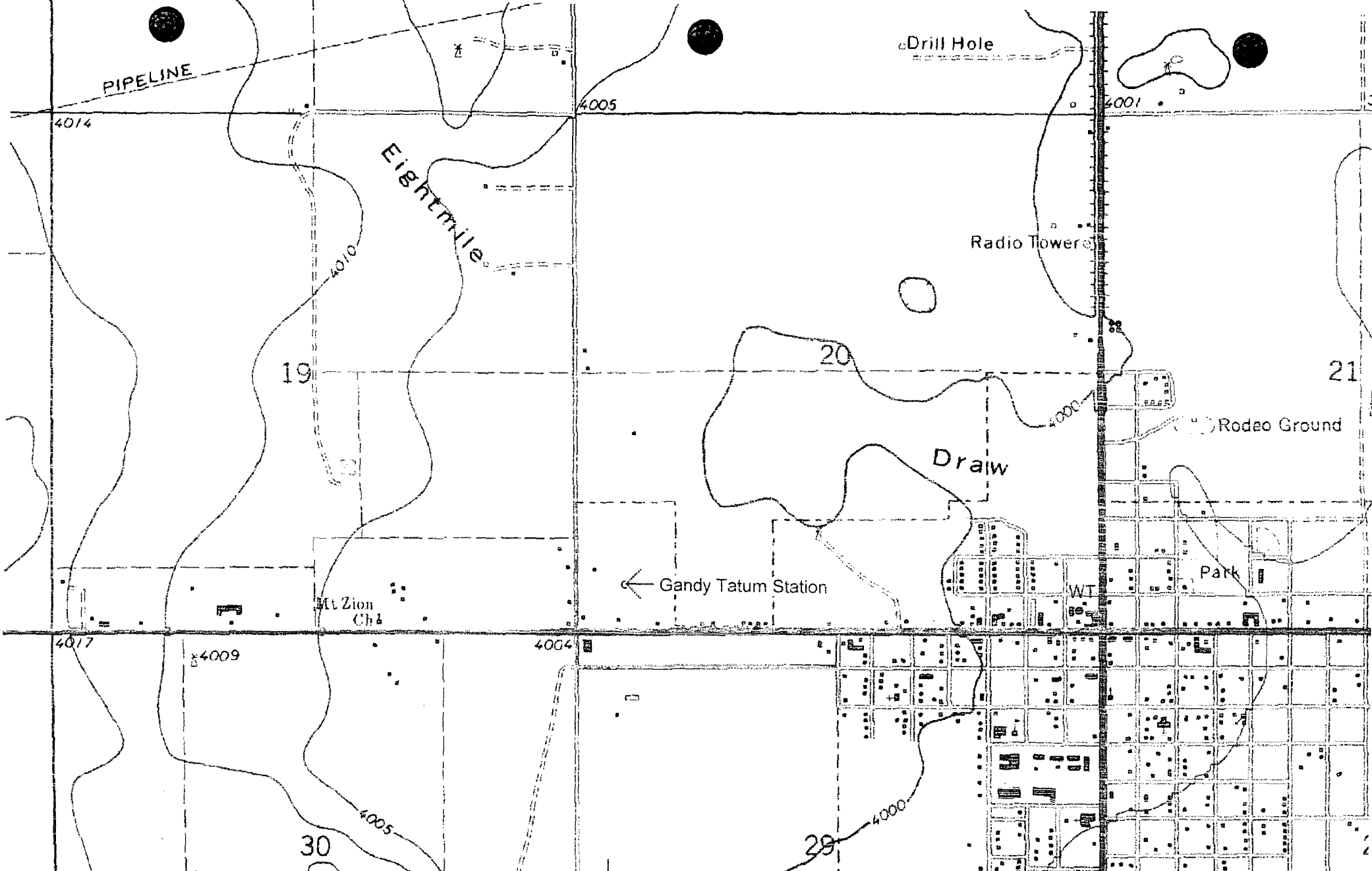
Ground water in the Tatum area is confined to the Ogallala Formation. The depth to ground water in the Ogallala Formation is approximately 32'. The movement of ground water in the Ogallala is generally towards the southeast. (See the attached water analysis for the quality of water in the Ogallala Formation)

Beneath the Ogallala Formation at a depth of approximately 250' is the undifferentiated redbeds of the Dockum Group. The redbeds are relatively impermeable and act as a barrier to downward or upward movement of ground water.

Item X.

Gandy Corporation will comply with any rule regulation or order which the OCD or WQCC currently has or any new rule and regulation that pertains to this type of facility that the OCD or WQCC may initiate in the future.



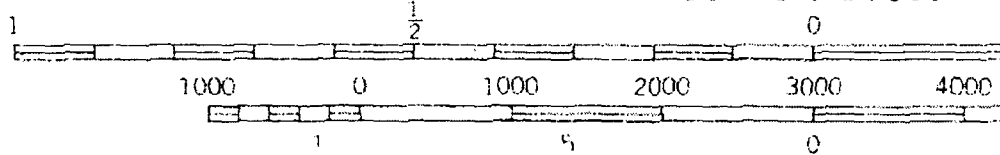


800 000 FEET R. 36 E.

655 20'

MC DONALD 8 MI. (18) (TATUM SOUTH)
LOVINGTON (VIA U.S. 82) 22 MI. 5350 III NE

SCALE 1:24 000

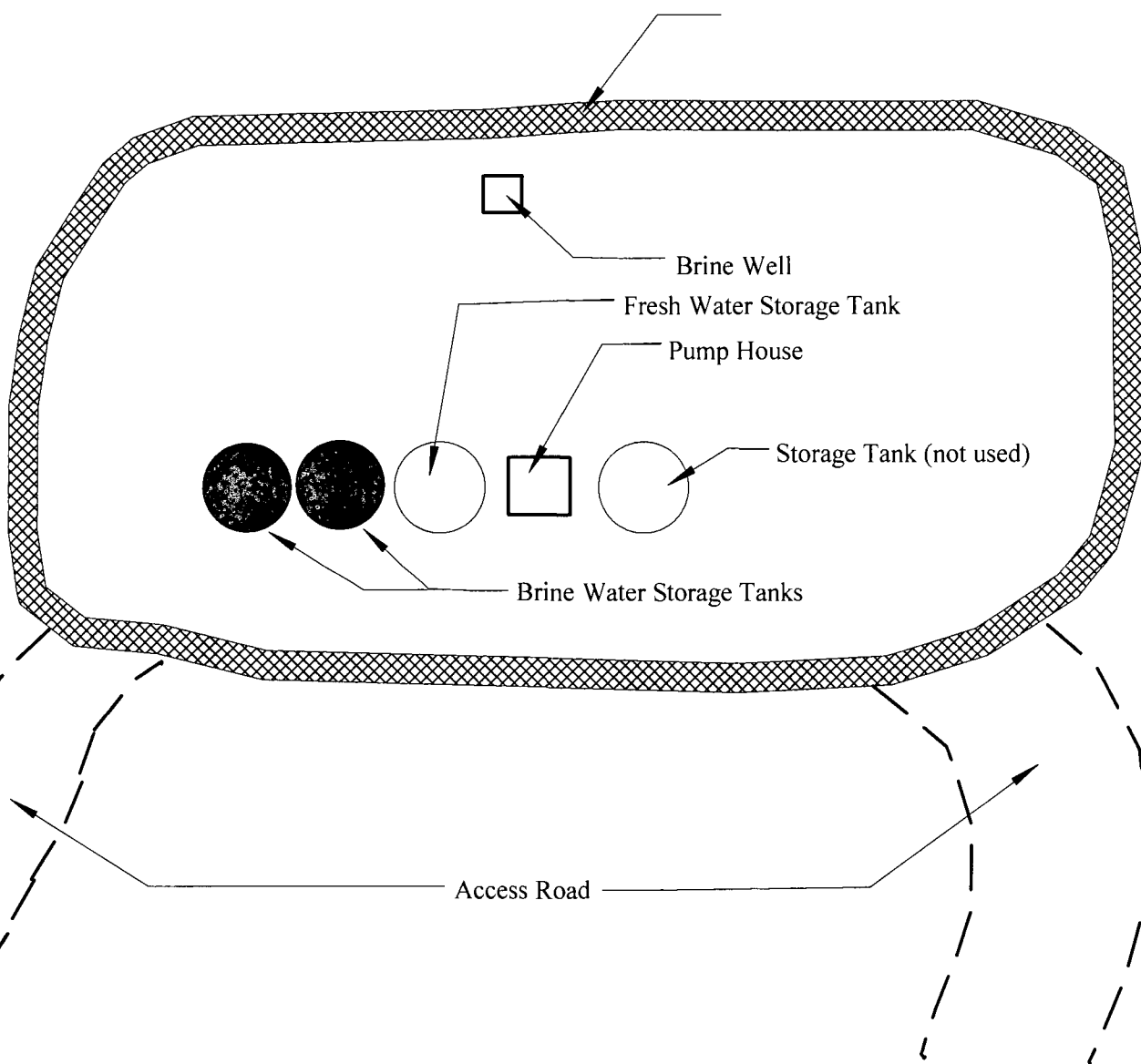
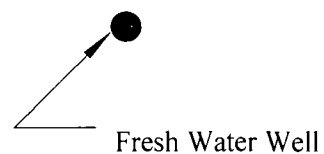


★ MN
Tatum North; NM Scale: 1" = 0.245Mi 394Mt 1,292Ft, 1 Mi = 4.086", 1 cm = 155Mt

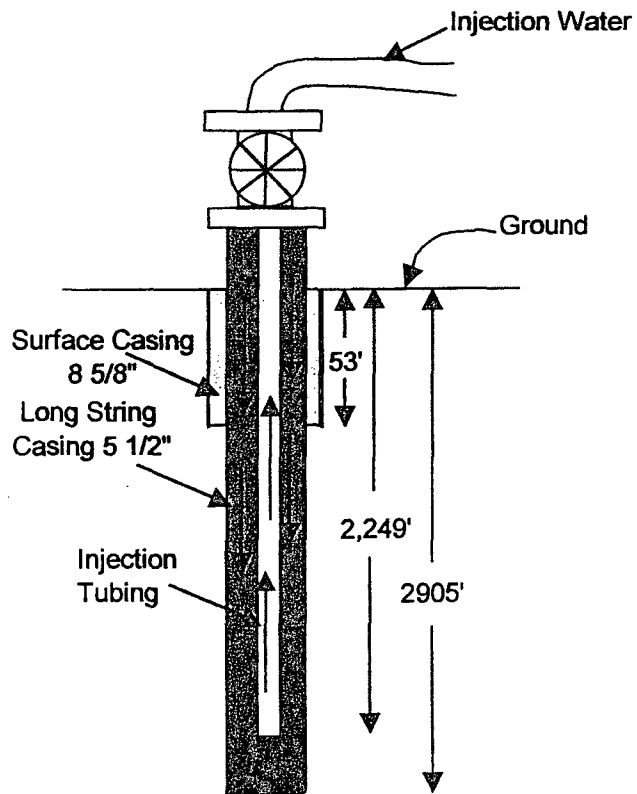
Gandy Corporation

Tatum Brine Station

Site Schematic



**Gandy Corporation
Tatum Brine Station
Exhibit 5
Brine Well Schematic**





PHONE (915) 673-7001 • 2111 BEECHWOOD • ABILENE, TX 79603

PHONE (505) 393-2326 • 101 E. MARLAND • HOBBS, NM 88240

ANALYTICAL RESULTS FOR
EDDIE SEAY CONSULTING
ATTN: EDDIE SEAY
601 W. ILLINOIS
HOBBS, NM 88242
FAX TO: (505) 392-6949

Receiving Date: 02/05/07
Reporting Date: 02/07/07
Project Owner: GANDY CORP.
Project Name: TATUM BRINE FACILITY
Project Location: TATUM, NM

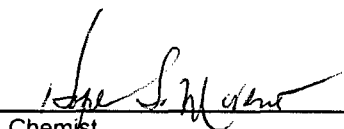
Sampling Date: 02/02/07
Sample Type: WATER
Sample Condition: COOL & INTACT
Sample Received By: HM
Analyzed By: HM

LAB NUMBER	SAMPLE ID	Na (mg/L)	Ca (mg/L)	Mg (mg/L)	K (mg/L)	Conductivity (μ S/cm)	T-Alkalinity (mgCaCO ₃ /L)
ANALYSIS DATE:		02/06/07	02/06/07	02/06/07	02/06/07	02/05/07	02/06/07
H12143-1	BRINE WATER #1	#VALUE!	1164	3923	6900	277600	68
H12143-2	FRESH WATER #2	147	92	15	1.87	1154	144
Quality Control		NR	53.2	51.6	1.94	1380	NR
True Value QC		NR	50.0	50.0	2.00	1413	NR
% Recovery		NR	106	103	97	98	NR
Relative Percent Difference		NR	7.8	1.6	4.2	0.3	NR

METHODS:	SM3500-Ca-D	3500-Mg E	8049	120.1	310.1
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	Cl ⁻ (mg/L)	SO ₄ (mg/L)	CO ₃ (mg/L)	HCO ₃ (mg/L)	pH (s.u.)	TDS (mg/L)
ANALYSIS DATE:	02/05/07	02/06/07	02/06/07	02/06/07	02/05/07	02/06/07
H12143-1	138957	13665	0		6.91	239980
H12143-2	208	169	0	176	7.57	693
Quality Control	510	20.8	NR	915	6.88	NR
True Value QC	500	20.0	NR	1000	7.00	NR
% Recovery	102	104	NR	92	98	NR
Relative Percent Difference	1	4.4	NR	2.7	0.7	NR

METHODS:	SM4500-Cl-B	375.4	310.1	310.1	150.1	160.1
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Chemist

02-07-07
Date

PLEASE NOTE: Liability and Damages. Cardinal's liability and client's exclusive remedy for any claim arising, whether based in contract or tort, shall be limited to the amount paid by client for analyses. All claims, including those for negligence and any other cause whatsoever shall be deemed waived unless made in writing and received by Cardinal within thirty (30) days after completion of the applicable service. Cardinal shall be liable for incidental or consequential damages, including, without limitation, business interruptions, loss of use, or loss of profits incurred by client, its subsidiaries, affiliates or successors arising out of or related to the performance of services hereunder by Cardinal, regardless of whether such claim is based upon any of the above-stated reasons or otherwise.



CARDINAL LABORATORIES, INC.

2111 Beechwood, Abilene, TX 79603 101 East Marland, Hobbs, NM 88240

(915) 673-7001 Fax (915) 673-7020 (505) 393-2326 Fax (505) 393-2476

CHAIN-OF-CUSTODY AND ANALYSIS REQUEST

Page ____ of ____

Company Name: <u>Eddie Saay Consulting</u>		BILL TO		ANALYSIS REQUEST																						
Project Manager: <u>Eddie Saay</u>		P.O. #:																								
Address: <u>601 W Illinois</u>		Company:																								
City: <u>Hobbs</u> State: <u>NM</u> Zip: <u>88242</u>		Attn:																								
Phone #: <u>2-2236</u> Fax #: <u>2-6949</u>		Address:																								
Project #: <u>Tatum Brine</u> Project Owner: <u>Gandy Corp</u>		City:																								
Project Name: <u>Tatum Brine Facility</u>		State: Zip:																								
Project Location: <u>Tatum</u>		Phone #:																								
Sampler Name: <u>Eddie Saay</u>		Fax #:																								
FOR LAB USE ONLY		MATRIX		PRESERV.		SAMPLING		Cations Anions																		
Lab I.D.	Sample I.D.	(GRAB) OR (COMP.)	# CONTAINERS	GROUNDWATER	WASTEWATER	SOIL	CRUDE OIL													SLUDGE	OTHER:	ACID/BASE:	ICE / COOL	OTHER:	DATE	TIME
<u>H12143-1</u>	<u>Brine Water #1</u>	<input checked="" type="checkbox"/>	<u>1</u>	<input checked="" type="checkbox"/>																					<u>2/2</u>	<u>2:15</u>
<u>-2</u>	<u>Fresh Water #2</u>	<input checked="" type="checkbox"/>	<u>1</u>	<input checked="" type="checkbox"/>																					<u>2/2</u>	<u>2:30</u>

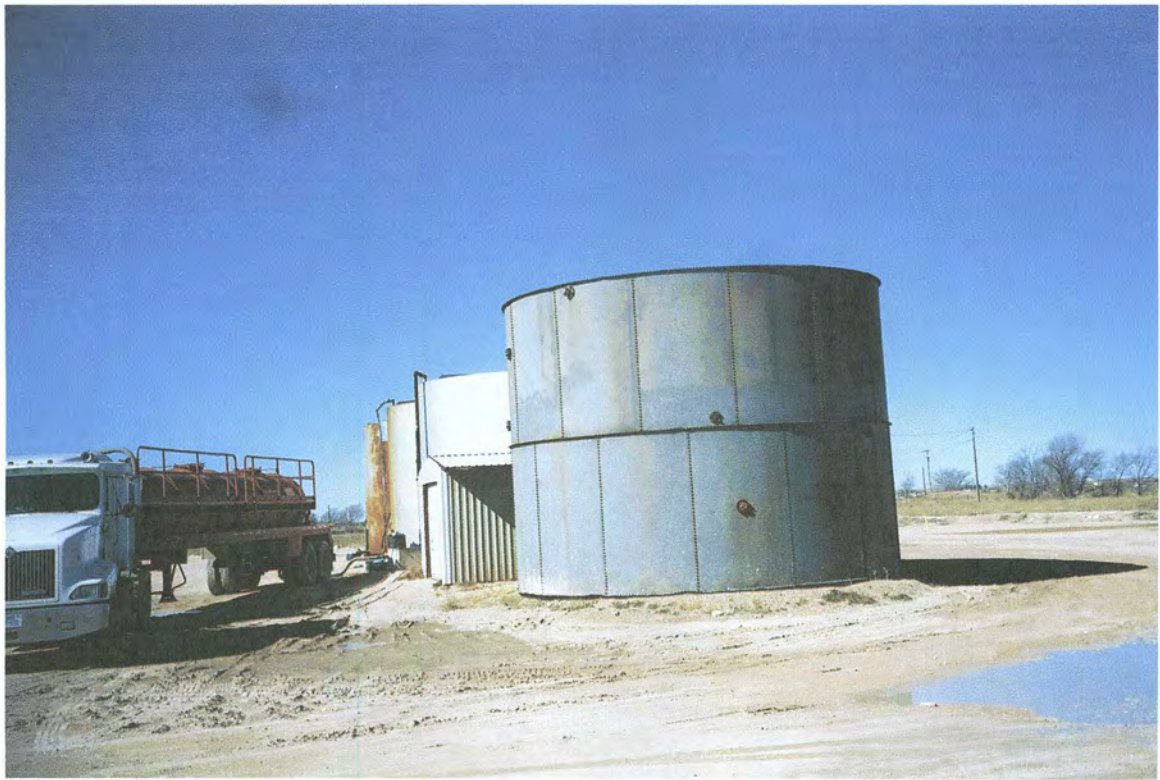
PLEASE NOTE: Liability and Damages. Cardinal's liability and client's exclusive remedy for any claim arising whether based in contract or tort, shall be limited to the amount paid by the client for the analyses. All claims, including those for negligence and any other cause whatsoever shall be deemed waived unless made in writing and received by Cardinal within 30 days after completion of the applicable service. In no event shall Cardinal be liable for incidental or consequential damages, including without limitation, business interruptions, loss of use, or loss of profits incurred by client, its subsidiaries, affiliates or successors arising out of or related to the performance of services hereunder by Cardinal, regardless of whether such claim is based upon any of the above stated reasons or otherwise.

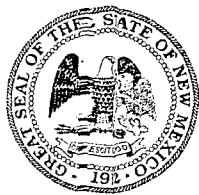
Terms and Conditions: Interest will be charged on all accounts more than 30 days past due at the rate of 24% per annum from the original date of invoice, and all costs of collections, including attorney's fees.

Sampler Relinquished: <u>Eddie W Saay</u>		Date: <u>2/5</u>	Received By:	Phone Result: <input type="checkbox"/> Yes <input type="checkbox"/> No	Add'l Phone #:
Relinquished By:		Time: <u>8:40</u>		Fax Result: <input type="checkbox"/> Yes <input type="checkbox"/> No	Add'l Fax #:
Delivered By: (Circle One)		Date: <u>2/2/05/07</u>	Received By: (Lab Staff)	REMARKS:	
Sampler - UPS - Bus - Other:		Time: <u>8:40</u>		<u>ASAP</u> <u>Thanks Eddie</u>	
			Sample Condition	CHECKED BY:	
			Cool <input type="checkbox"/> Intact <input type="checkbox"/>	(Initials)	
			<input type="checkbox"/> Yes <input type="checkbox"/> No		

† Cardinal cannot accept verbal changes. Please fax written changes to 505-393-2476.







NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

June 13, 2007

Mr. Larry Gandy
Gandy Corporation
PO Box 827
Tatum, New Mexico 88267

Re: Discharge Permit BW-022 Renewal

Dear Mr. Gandy:

Pursuant to all applicable parts of the Water Quality Control Commission (WQCC) Regulations 20.6.2 NMAC and more specifically 20.6.2.3104 - 20.6.2.3999 discharge permit, and 20.6.2.5000-.5299 Underground Injection Control, the Oil Conservation Division (OCD) hereby approves the discharge permit and authorizes the operation and injection for Gandy Corporation's Tatum Brine Station (**Owner/operator**) brine well BW-022 located in the SW/4, SW/4 of Section 20, Township 12 South, Range 36 East, NMPM, Lea County, New Mexico, under the conditions specified in the enclosed **attachment to the discharge permit**.

Enclosed are two copies of the conditions of approval. **Please sign and return one copy to the New Mexico Oil Conservation Division (OCD) Santa Fe Office within 30 working days of receipt of this letter, including permit fees.**

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

If you have any questions, please contact Brad A. Jones of my staff at (505) 476-3487 or E-mail brad.a.jones@state.nm.us. On behalf of the staff of the OCD, I wish to thank you and your staff for your cooperation during this discharge permit review.

Sincerely,

Wayne Price

Environmental Bureau Chief

LWP/baj

Attachments-1

xc: OCD District Office

**ATTACHMENT TO THE DISCHARGE PERMIT
GANDY CORPORATION'S TATUM BRINE STATION BRINE WELL (BW-022)
DISCHARGE PERMIT APPROVAL CONDITIONS
JUNE 13, 2007**

Please remit a check for \$1700.00 made payable to Water Quality Management Fund:

**Water Quality Management Fund
C/o: Oil Conservation Division
1220 S. Saint Francis Drive
Santa Fe, New Mexico 87505**

- 1. Payment of Discharge Plan Fees:** All discharge permits are subject to WQCC Regulations. Every billable facility that submits a discharge permit application will be assessed a filing fee of \$100.00, plus a renewal flat fee (*see* WQCC Regulation 20.6.2.3114 NMAC). The Oil Conservation Division ("OCD") has received the required \$100.00 filing fee. However, the owner/operator still owes the required \$1700.00 permit fee for a Class III Brine Well.
- 2. Permit Expiration and Renewal:** Pursuant to WQCC Regulation 20.6.2.3109.H.4 NMAC, this permit is valid for a period of five years. **The permit will expire on March 11, 2012** and an application for renewal should be submitted no later than 120 days before that expiration date. Pursuant to WQCC Regulation 20.6.2.3106.F NMAC, if a discharger submits a discharge permit renewal application at least 120 days before the discharge permit expires and is in compliance with the approved permit, then the existing discharge permit will not expire until the application for renewal has been approved or disapproved.
- 3. Permit Terms and Conditions:** Pursuant to WQCC Regulation 20.6.2.3104 NMAC, when a permit has been issued, the owner/operator must ensure that all discharges shall be consistent with the terms and conditions of the permit. In addition, all facilities shall abide by the applicable rules and regulations administered by the OCD pursuant to the Oil and Gas Act, NMSA 1978, Sections 70-2-1 through 70-2-38.
- 4. Owner/Operator Commitments:** The owner/operator shall abide by all commitments submitted in its February 9, 2007 discharge permit renewal application, including attachments and subsequent amendments and these conditions for approval. Permit applications that reference previously approved plans on file with the division shall be incorporated in this permit and the owner/operator shall abide by all previous commitments of such plans and these conditions for approval.
- 5. Modifications:** WQCC Regulation 20.6.2.3107.C, 20.6.2.3109 and 20.6.2.5101.I NMAC addresses possible future modifications of a permit. The owner/operator (discharger) shall notify the OCD of any facility expansion, production increase or process modification that would result in any significant modification in the discharge of water contaminants. The Division Director may require a permit modification if any water quality standard specified at 20.6.2.3103 NMAC is being or will be exceeded, or if a toxic pollutant as defined in WQCC Regulation 20.6.2.7 NMAC is present in ground

water at any place of withdrawal for present or reasonably foreseeable future use, or that the Water Quality Standards for Interstate and Intrastate streams as specified in 20.6.4 NMAC are being or may be violated in surface water in New Mexico.

6. Waste Disposal and Storage: The owner/operator shall dispose of all wastes at an OCD-approved facility. Only oil field RCRA-exempt wastes may be disposed of by injection in a Class II well. RCRA non-hazardous, non-exempt oil field wastes may be disposed of at an OCD-approved facility upon proper waste determination pursuant to 40 CFR Part 261. Any waste stream that is not listed in the discharge permit application must be approved by the OCD on a case-by-case basis.

A. OCD Rule 712 Waste: Pursuant to OCD Rule 712 (19.15.9.712 NMAC) disposal of certain non-domestic waste without notification to the OCD is allowed at NMED permitted solid waste facilities if the waste stream has been identified in the discharge permit and existing process knowledge of the waste stream does not change.

B. Waste Storage: The owner/operator shall store all waste in an impermeable bermed area, except waste generated during emergency response operations for up to 72 hours. All waste storage areas shall be identified in the discharge permit application. Any waste storage area not identified in the permit shall be approved on a case-by-case basis only. The owner/operator shall not store oil field waste on-site for more than 180 days unless approved by the OCD.

7. Drum Storage: The owner/operator must store all drums, including empty drums, containing materials other than fresh water on an impermeable pad with curbing. The owner/operator must store empty drums on their sides with the bungs in place and lined up on a horizontal plane. The owner/operator must store chemicals in other containers, such as tote tanks, sacks, or buckets on an impermeable pad with curbing.

8. Process, Maintenance and Yard Areas: The owner/operator shall either pave and curb or have some type of spill collection device incorporated into the design at all process, maintenance, and yard areas which show evidence that water contaminants from releases, leaks and spills have reached the ground surface.

9. Above Ground Tanks: The owner/operator shall ensure that all aboveground tanks have impermeable secondary containment (e.g., liners and berms), which will contain a volume of at least one-third greater than the total volume of the largest tank or all interconnected tanks. The owner/operator shall retrofit all existing tanks before discharge permit renewal. Tanks that contain fresh water or fluids that are gases at atmospheric temperature and pressure are exempt from this condition.

10. Labeling: The owner/operator shall clearly label all tanks, drums, and containers to identify their contents and other emergency notification information. The owner/operator may use a tank code numbering system, which is incorporated into their emergency response plans.

11. Below-Grade Tanks/Sumps and Pits/Ponds.

A. All below-grade tanks and sumps must be approved by the OCD prior to installation and must incorporate secondary containment with leak detection into the design. The owner/operator shall retrofit all existing systems without secondary containment and leak detection before discharge permit renewal. All existing below-grade tanks and sumps without secondary containment and leak detection must be tested annually or as specified herein. Systems that have secondary containment with leak detection shall have a monthly inspection of the leak detection system to determine if the primary containment is leaking. Small sumps or depressions in secondary containment systems used to facilitate fluid removal are exempt from these requirements if fluids are removed within 72 hours.

B. All pits and ponds, including modifications and retrofits, shall be designed by a certified registered professional engineer and approved by the OCD prior to installation. In general, all pits or ponds shall have approved hydrologic and geologic reports, location, foundation, liners, and secondary containment with leak detection, monitoring and closure plans. All pits or ponds shall be designed, constructed and operated so as to contain liquids and solids in a manner that will protect fresh water, public health, safety and the environment for the foreseeable future. The owner/operator shall retrofit all existing systems without secondary containment and leak detection before discharge permit renewal.

C. The owner/operator shall ensure that all exposed pits, including lined pits and open top tanks (8 feet in diameter or larger) shall be fenced, screened, netted, or otherwise rendered non-hazardous to wildlife, including migratory birds.

D. The owner/operator shall maintain the results of tests and inspections at the facility covered by this discharge permit and available for OCD inspection. The owner/operator shall report the discovery of any system which is found to be leaking or has lost integrity to the OCD within 15 days. The owner/operator may propose various methods for testing such as pressure testing to 3 pounds per square inch greater than normal operating pressure and/or visual inspection of cleaned tanks and/or sumps, or other OCD-approved methods. The owner/operator shall notify the OCD at least 72 hours prior to all testing.

12. Underground Process/Wastewater Lines:

A. The owner/operator shall test all underground process/wastewater pipelines at least once every five (5) years to demonstrate their mechanical integrity, except lines containing fresh water or fluids that are gases at atmospheric temperature and pressure. Pressure rated pipe shall be tested by pressuring up to one and one-half times the normal operating pressure, if possible, or for atmospheric drain systems, to 3 pounds per square inch greater than normal operating pressure, and pressure held for a minimum of 30 minutes with no more than a 1% loss/gain in pressure. The owner/operator may use other methods for testing if approved by the OCD.

B. The owner/operator shall maintain underground process and wastewater pipeline schematic diagrams or plans showing all drains, vents, risers, valves, underground piping, pipe type, rating, size, and approximate location. All new underground piping must be approved by the OCD prior to installation. The owner/operator shall report any leaks or loss of integrity to the OCD within 15 days of discovery. The owner/operator shall maintain the results of all tests at the facility covered by this discharge permit and they shall be available for OCD inspection. The owner/operator shall notify the OCD at least 72 hours prior to all testing.

13. **Class V Wells:** The owner/operator shall close all Class V wells (e.g., septic systems, leach fields, dry wells, etc.) that inject non-hazardous industrial wastes or a mixture of industrial wastes and domestic wastes unless it can be demonstrated that ground water will not be impacted in the reasonably foreseeable future. Leach fields and other wastewater disposal systems at OCD-regulated facilities that inject non-hazardous fluid into or above an underground source of drinking water are considered Class V injection wells under the EPA UIC program. Class V wells that inject domestic waste only, must be permitted by the New Mexico Environment Department (NMED).

14. **Housekeeping:** The owner/operator shall inspect all systems designed for spill collection/prevention and leak detection at least monthly to ensure proper operation and to prevent over topping or system failure. All spill collection and/or secondary containment devices shall be emptied of fluids within 72 hours of discovery. The owner/operator shall maintain all records at the facility and available for OCD inspection.

15. **Spill Reporting:** The owner/operator shall report all unauthorized discharges, spills, leaks and releases and conduct corrective action pursuant to WQCC Regulation 20.5.12.1203 NMAC and OCD Rule 116 (19.15.3.116 NMAC). The owner/operator shall notify both the OCD District Office and the Santa Fe Office within 24 hours and file a written report within 15 days.

16. **OCD Inspections:** The OCD may place additional requirements on the facility and modify the permit conditions based on OCD inspections.

17. **Storm Water:** The owner/operator shall implement and maintain run-on and runoff plans and controls. The owner/operator shall not discharge any water contaminant that exceeds the WQCC standards specified in 20.6.2.3101 NMAC or 20.6.4 NMAC (Water Quality Standards for Interstate and Intrastate Streams) including any oil sheen in any stormwater run-off. The owner/operator shall notify the OCD within 24 hours of discovery of any releases and shall take immediate corrective action(s) to stop the discharge.

18. **Unauthorized Discharges:** The owner/operator shall not allow or cause water pollution, discharge or release of any water contaminant that exceeds the WQCC standards listed in 20.6.2.3101 NMAC or 20.6.4 NMAC (Water Quality Standards for Interstate and Intrastate Streams) unless specifically listed in the permit application and approved herein. *An unauthorized discharge is a violation of this permit.*

19. Vadose Zone and Water Pollution: The owner/operator shall address any contamination through the discharge permit process or pursuant to WQCC 20.6.2.4000-.4116 NMAC (Prevention and Abatement of Water Pollution). The OCD may require the owner/operator to modify its permit for investigation, remediation, abatement, and monitoring requirements for any vadose zone or water pollution. Failure to perform any required investigation, remediation, abatement and submit subsequent reports will be a violation of the permit.

20. Additional Site Specific Conditions: N/A

21. Brine Well(s) Identification, Operation, Monitoring, Bonding and Reporting.

- A. Well Identification: **API # 30-025-28162** Quality Brine Watson #1
- B. Well Work Over Operations: OCD approval will be obtained prior to performing remedial work, pressure test or any other work. Approval will be requested on OCD Form C-103 "Sundry Notices and Reports on Wells" (OCD Rule 1103.A.) with appropriate copies sent to the OCD Environmental Bureau and District Office.
- C. Production Method: Fresh water will be injected down the casing and brine shall be recovered up the tubing. Reverse flow will be allowed only once a month for up to 24 hours for clean out. Operators may request long term reverse operation if they can demonstrate that additional casing and monitoring systems are installed and approved by OCD. Operating in the reverse mode for more than 24 hours unless approved otherwise is a violation of this permit.
- D. Well Pressure Limits: The maximum operating surface injection and/or test pressure measured at the wellhead shall not exceed 450 psig unless otherwise approved. The operator shall have a working pressure limiting device or controls to prevent overpressure. Any pressure that causes new fractures or propagate existing fractures or causes damage to the system shall be reported to OCD within 24 hours of discovery.
- E. Mechanical Integrity Testing: Conduct an annual open to formation pressure test by pressuring up the formation with approved fluids or gas to a minimum of 300 psig measured on the surface casing for four hours. However, no operator may exceed test pressures that may cause formation fracturing (see item 21.D above) or system failures. Systems requiring test pressures less than 300 psig must be approved by OCD prior to testing. At least once every five years and during well work-overs the salt cavern formation will be isolated from the casing/tubing annulars and the casing pressure tested at 300 psig for 30 minutes. All pressure tests must be performed per the scheduled shown below and witnessed by OCD unless otherwise approved.

Testing Schedule:

2006- 30 minute @ 300 psig casing test only (set packer to isolate formation)
2007- 4 hour @ 300 psig casing open to formation test
2008- 4 hour @ 300 psig casing open to formation test
2009- 4 hour @ 300 psig casing open to formation test
2010- 4 hour @ 300 psig casing open to formation test

- F. Capacity/ Cavity Configuration and Subsidence Survey: The operator shall provide information on the size and extent of the solution cavern and geologic/engineering data demonstrating that continued brine extraction will not cause surface subsidence, collapse or damage to property, or become a threat to public health and the environment. This information shall be supplied in each annual report. OCD may require the operator to perform additional well surveys, test, and install subsidence monitoring in order to demonstrate the integrity of the system. If the operator cannot demonstrate the integrity of the system to the satisfaction of the Division then the operator may be required to shut-down, close the site and properly plug and abandoned the well.

Any subsidence must be reported within 24 hours of discovery.

- G. Production/Injection Volumes: The volumes of fluids injected (fresh water) and produced (brine) will be recorded monthly and submitted to the OCD Santa Fe Office in the annual report.
- H. Analysis of Injection Fluid and Brine: Provide an analysis of the injection fluid and brine with each annual report. Analysis will be for General Chemistry (method 40 CFR 136.3) using EPA methods.
- I. Area of Review (AOR): The operator shall report within 24 hours of discovery of any new wells, conduits, or any other device that penetrates or may penetrate the injection zone within ¼ mile from the brine well.
- J. Loss of Mechanical Integrity: The operator shall report within 24 hours of discovery of any failure of the casing, tubing or packer, or movement of fluids outside of the injection zone. The operator shall cease operations until proper repairs are made and receive OCD approval to re-start injection operations.
- K. Bonding or Financial Assurance: The operator shall maintain at a minimum, a one well plugging bond pursuant to OCD rules and regulations. If warranted, OCD may require additional financial assurance.

L. Annual Report: All operators shall submit an annual report due on January 31 of each year. The report shall include the following information:

1. Cover sheet marked as "Annual Brine Well Report, name of operator, BW permit #, API# of well(s), date of report, and person submitting report.
2. Brief summary of brine wells operations including description and reason for any remedial or major work on the well. Copy of C-103.
3. Production volumes as required above in 21.G. including a running total should be carried over to each year. The maximum and average injection pressure.
4. A copy of the chemical analysis as required above in 21.H.
5. A copy of any mechanical integrity test chart, including the type of test, i.e. open to formation or casing test.
6. Brief explanation describing deviations from normal production methods.
7. A copy of any leaks and spills reports.
8. If applicable, results of any groundwater monitoring.
9. Information required from cavity/subsidence 21.F. above.
10. An Area of Review (AOR) summary.
11. Sign-off requirements pursuant to WQCC Subsection G 20.6.2.5101.

22. Transfer of Discharge Permit: Pursuant to WQCC 20.6.2.5101.H the owner/operator and new owner/operator shall provide written notice of any transfer of the permit. Both parties shall sign the notice 30 days prior to any transfer of ownership, control or possession of a facility with an approved discharge permit. In addition, the purchaser shall include a written commitment to comply with the terms and conditions of the previously approved discharge permit. OCD will not transfer brine well operations until proper bonding or financial assurance is in place and approved by the division. OCD reserves the right to require a modification of the permit during transfer.

23. Closure: The owner/operator shall notify the OCD when operations of the facility are to be discontinued for a period in excess of six months. Prior to closure of the facility, the operator shall submit for OCD approval, a closure plan including a completed C-103 form for plugging and abandonment of the well(s). Closure and waste disposal shall be in accordance with the statutes, rules and regulations in effect at the time of closure.

24. Certification: Gandy Corporation (Owner/Operator), by the officer whose signature appears below, accepts this permit and agrees to comply with all submitted commitments, including these terms and conditions contained here. **Owner/Operator** further acknowledges that the OCD may, for good cause shown, as necessary to protect fresh water, public health, safety, and the environment, change the conditions and requirements of this permit administratively.

Conditions accepted by: "I certify under penalty of law that I have personally examined and am familiar with the information submitted in this document and all attachments and that, based on my inquiry of those individuals immediately responsible for obtaining the information, I believe that the information is true, accurate, and complete. I am aware that there are significant penalties for submitting false information including the possibility of fine and imprisonment."

Company Name-print name above

Company Representative- print name

Company Representative- signature

Title_____

Date:_____

RECEIVED

April 27, 2007

MAY 04 2007

Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

NMOCD Environmental
ATTN: Brad Jones
1220 S. Saint Francis Drive
Santa Fe, NM 87504

RE: Gandy Corp. Brine Facility BW-022
Advertisement for Application Renewal

Mr. Jones:

Find within the certified copies of the Public Notice as was approved. Gandy is the owner of the property so no notice was required.

This should fulfill the notice requirement for this permit.

If you have any questions, please call.

Sincerely,

Eddie W Seay

Eddie W. Seay, Agent
Eddie Seay Consulting
601 W. Illinois
Hobbs, NM 88242
(505)392-2236
seay04@leaco.net

cc: Gandy Corp.

BW-22

Affidavit of Publication

STATE OF NEW MEXICO)

) ss.

COUNTY OF LEA)

Joyce Clemens being first duly sworn on oath deposes and says that she is Advertising Director of THE LOVINGTON

LEADER, a daily newspaper of general publication published in the English

language in the State of

New Mexico; that

such county contains

an area of Twenty

square miles; that

the first publication

thereof was made

on the first day of

the month of

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That the notice was

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LOVINGTON LEADER

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the year

2007.

And that the cost of

publication

was

\$111.96

Court Costs.

Subscribed and sworn to before me this

day of

the month of

the year

2007.

Debbie Schilling

Notary Public, Lea County, New Mexico

My Commission Expires June 22, 2010

PUBLIC NOTICE

Notice is hereby given that pursuant to New Mexico Oil Conservation Division Regulations, the following proposed discharge plan renewal has been submitted for approval to the Oil Conservation Division, Energy, Minerals & Natural Resources Dept., 1220 South St. Francis Dr., Santa Fe, New Mexico 87505. Telephone (505) 476-3440 or (505) 476-3487.

Gandy Corporation, PO Box 827, Tatum, New Mexico 88267, has submitted a discharge plan renewal application for brine supply well, located 600 feet north of US Highway 380 and approximately 0.9 mile west of Tatum, New Mexico. The facility is located in the SW/4 of SW/4 of Section 20 of Township 12 South, Range 36 East NMPM, Lea County, New Mexico. This facility will temporarily store for sale brine water and fresh water. No other fluids will be stored at this facility. The fresh water will be stored in a 1000 barrel fresh water storage tank. Fresh water will be sold and/or diverted down the annulus of the brine well and brine water flows back up the tubing and stored in a 1000 barrel brine storage tank. The ground water likely to be affected by discharges occur at a depth of 32 feet in the Ogallala Formation.

Any interested person may obtain further information from the Oil Conservation Division and may submit comments and statements to Brad Jones, New Mexico Energy, Minerals & Natural Resources Dept., Oil Conservation Division, 1220 South St. Francis Dr., Santa Fe, New Mexico 87505, E-mail brad.a.jones@state.nm.us, Telephone (505) 476-3460 or (505) 476-3487. Also any interested person may request to be placed on a mailing list for future notices regarding this application.
Published in the Lovington Leader April 21, 2007.

Affidavit of Publication

STATE OF NEW MEXICO)

) ss.

COUNTY OF LEA)

Joyce Clemens being first duly sworn on oath deposes and says that she is Advertising Director of **THE LOVINGTON**

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Court Costs.

Joyce Clemens

Subscribed and sworn to before me this *23rd* day of

April 2007

Debbie Schilling

Debbie Schilling

Notary Public, Lea County, New Mexico

My Commission Expires June 22, 2010

NOTA PUBLICA

Advierta por la presente es dado que según Regulaciones de Division de Conservación de Petróleo de nuevo méxico, el siguiente propuso la descarga la renovación del plan se ha sometido para la aprobación a la División de la Conservación del Petróleo, la Energía, los Minerales & el Departamento Natural de Recursos, 1220 S. del sur. Francis Dr., Santa Fe, Nuevo México 87505. Telefonos (505) 476-3440 o (505) 476-3487.

La Corporación de Gandy, el Apartado de correos 827, Tatum, Nuevo México 88267, se han sometido una aplicación de la renovación del plan de la descarga para el suministro de salmuera bien, localizó 600 pies a norte de Carretera de EEUU 380 y aproximadamente 0,9 oeste de millas de Tatum, Nuevo México. La facilidad se localiza en el SW/4 de SW/4 de la Sección 20 de Municipio 12 al sur, la Gama 36 NMPM Oriental, Condado de Lea, Nuevo México. Esta facilidad almacenará temporalmente agua en venta de salmuera y agua dulce. Ningun otro liquido se almacenará en esta facilidad. El agua dulce se almacenara en un 1000 tanque de almacenaje de agua dulce de barril. El agua dulce se venderá y/o desviado abajo el annulus de la salmuera bien y los flujos de agua de salmuera retroceden la tubería y almacenados en un 1000 tanque de almacenaje de salmuera de barril. El agua del suelo probable de ser afectada por descargas ocurre en una profundidad de 32 pies en la Formación de Ogallala.

Alguna persona interesada puede obtener información adicional de la División de la Conservación del Petróleo y puede someterse los comentarios y las declaraciones a la Puntilla Jones, Energía de Nuevo México, los Minerales & el Departamento Natural del Recurso, la División de la Conservación del Petróleo, 1220 S. del sur, Francis Dr., Santa Fe, Nuevo México 87505, MANDAN CORREO ELECTRONICO brad.a.jones@state.nm.us. Telefonos (505) 476-3460 o (505) 476-3487. También alguna persona interesada puede solicitar para ser colocada en una lista de envío para notas futuras con respecto a esta aplicación.

Published in the Lovington Leader April 21, 2007.

Jones, Brad A., EMNRD

From: Jones, Brad A., EMNRD
Sent: Thursday, April 12, 2007 7:45 AM
To: Eddie Seay (seay04@leaco.net)
Subject: GW-22 Gandy Corporation Tatum Brine Station Public Notice

Dear Mr. Seay,

The OCD has reviewed your proposed public notice for the permit renewal of the Gandy Corporation Tatum Brine Station (GW-22). The OCD accepts the Lovington Leader as an appropriate newspaper to published the display ad public notice. The only recommendation to the proposed wording in the public notice is to provide my contact information, instead of Mark Fesmire, as the OCD contact person for the submittal of comments and statements and for placement on a mailing list. My contact information is provided below. The resubmittal of the proposed public notice with the recommended revisions is not required. If you have an questions regarding this matter, please do not hesitate to contact me.

Brad

Brad A. Jones
Environmental Engineer
Environmental Bureau
NM Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, New Mexico 87505
E-mail: brad.a.jones@state.nm.us
Office: (505) 476-3487
Fax: (505) 476-3462

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Statement of Account For

Brad A. Jones
Environmental Engineer/Environmental Bureau
NM Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

Month of _____ 20____

DISPLAY ADVERTISING:

_____ inches @ _____

CLASSIFIED ADVERTISING:

_____ words @ _____

_____ inches @ _____

OTHER CHARGES:

Legal Notice
BW-022 Gandy Corporation
PO # 52100-0000001986

Ran March 31, 2007

DFA Vendor Number:
850323778

TOTAL

TAX

Total This Month

Previous Balance

PLEASE PAY THIS AMOUNT

95	76
95	76

RESOURCES DEPARTMENT OIL CONSERVATION DIVISION

Notice is hereby given that pursuant to New Mexico Water Quality Control Commission Regulations (20.6.2.3106 NMAC), the following discharge permit application(s) has been submitted to the Director of the New Mexico Oil Conservation Division ("NMOCD"), 1220 S. Saint Francis Drive, Santa Fe, New Mexico 87505, Telephone (505) 476-3440.

(BW-022) Gandy Corporation, Larry Gandy, PO Box 827, Tatum, New Mexico 88267, has submitted a renewal application for the previously approved discharge plan for their Tatum Brine Station located in the SW/4 SW/4 of Section 20, Township 12 South, Range 36 East, NMPM, Lea County, New Mexico, approximately one mile west on Highway 380 from the intersection of Hwy 18 and Hwy 380. Fresh water is injected to an approximate depth of 2300 feet in the Quality Brine Watson Well #1 (API# 30-025-28162-00-00) and brine water is extracted with an average total dissolved solids concentration of 350,000 mg/L. Groundwater most likely to be affected by a

LS

Debbie Schilling
Debbie Schilling

Notary Public, Lea County, New Mexico

My Commission Expires June 22, 2010

BW-22

RESOURCES
DEPARTMENT
OIL CONSERVATION
DIVISION

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spill, leak or accidental discharge is at a depth of approximately 30 feet with a total dissolved solids concentration of approximately 700 mg/l. The discharge plan addresses how oilfield products and waste will be properly handled, stored, and disposed of, including how spills, leaks, and other accidental discharges to the surface will be managed in order to protect fresh water.

The NMOCD has determined that the application is administratively complete and has prepared a draft permit. The NMOCD will accept comments and statements of interest regarding this application and will create a facility-specific mailing list for persons who wish to receive future notices. Persons interested in obtaining further information, submitting comments or requesting to be on a facility-specific mailing list for future notices may contact the Environmental Bureau Chief of the Oil Conservation Division at the address given above. The administrative completeness determination and draft permit may be viewed at the above address between 8:00 a.m. and 4:00 p.m. Monday through Friday, or may also be viewed at the NMOCD web site <http://www.emnrd.state.nm.us/ocd/>. Persons inter-

ested in obtaining a copy of the application and draft permit may contact the NMOCD at the address given above. Prior to ruling on any proposed discharge permit or major modification, the Director shall allow a period of at least thirty (30) days after the date of publication of this notice during which interested persons may submit comments or request that NMOCD hold a public hearing. Requests for a public hearing shall set forth the reasons why a hearing should be held. A hearing will be held if the Director determines that there is significant public interest.

If no public hearing is held, the Director will approve or disapprove the proposed permit based on information available, including all comments received. If a public hearing is held, the director will approve or disapprove the proposed permit based on information in the permit application and information submitted at the hearing.

Para obtener mas informacion sobre esta solicitud en espanol, sirvase comunicarse por favor New Mexico Energy, Minerals and Natural Resources Department (Depto. Del Energia, Minerals y Recursos

Naturales de Nuevo México), Oil Conservation Division (Depto. Conservación Del Petróleo), 1220 South St. Francis Drive, Santa Fe, New Mexico (Contacto: Dorothy Phillips, 505-476-3461).

GIVEN under the Seal of New Mexico Oil Conservation Commission at Santa Fe, New Mexico, on this 28th day of March 2007.

STATE OF NEW MEXICO
OIL CONSERVATION
DIVISION

SEAL
Mark Fesmire, Director
Published in the Lovington
Leader March 31, 2007.

LEGAL NOTICE

NOTICE OF
PUBLICATION

STATE OF
NEW MEXICO
ENERGY, MINERALS
AND NATURAL

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Affidavit of Publication

STATE OF NEW MEXICO)

) ss.

COUNTY OF LEA)

Joyce Clemens being first duly sworn on oath deposes and says that she is Advertising Director of **THE LOVINGTON LEADER**, a daily newspaper of general paid circulation published in the English language at Lovington, Lea County, New Mexico; that said newspaper has been so published in such county continuously and uninterruptedly for a period in excess of Twenty-six (26) consecutive weeks next prior to the first publication of the notice hereto attached as hereinafter shown; and that said newspaper is in all things duly qualified to publish legal notices within the meaning of Chapter 167 of the 1937 Session Laws of the State of New Mexico.

That the notice which is hereto attached, entitled

Legal Notice

was published in a regular and entire issue of **THE LOVINGTON LEADER** and not in any supplement thereof, for one (1) day, beginning with the issue of March 31, 2007 and ending with the issue of March 31, 2007.

And that the cost of publishing said notice is the sum of \$ 95.76 which sum has been (Paid) as Court Costs.

Joyce Clemens

Subscribed and sworn to before me this 4th day of April 2007

Debbie Schilling

Debbie Schilling

Notary Public, Lea County, New Mexico

My Commission Expires June 22, 2010

RESOURCES DEPARTMENT OIL CONSERVATION DIVISION

Notice is hereby given that pursuant to New Mexico Water Quality Control Commission Regulations (20.6.2.3106 NMAC), the following discharge permit application(s) has been submitted to the Director of the New Mexico Oil Conservation Division ("NMOCD") 1220 S. Saint Francis Drive, Santa Fe, New Mexico 87505, Telephone (505) 476-3440:

(BW-022) Gandy Corporation, Larry Gandy, PO Box 827, Tatum, New Mexico 88267, has submitted a renewal application for the previously approved discharge plan for their Tatum Brine Station located in the SW/4, SW/4 of Section 20, Township 12 South, Range 36 East, NMPM, Lea County, New Mexico, approximately one mile west on Highway 380 from the intersection of Hwy 18 and Hwy 380. Fresh water is injected to an approximate depth of 2300 feet in the Quality Brine Watson Well #1 (API# 30-025-28162-00-00) and brine water is extracted with an average total dissolved solids concentration of 350,000 mg/L. Groundwater most likely to be affected by a

spill, leak, or accidental discharge is at a concentration of approximately 30 mg/L. The discharge plan and how oilfield produced water will be handled, stored, and disposed of, including spills, leaks, and an accidental discharge to the surface will be filed in order to protect fresh water.

The NMOCD has determined that the application is administratively complete and has pre-draft permit. The I will accept comments of statements of regarding this application and will create a specific mailing list of persons who wish to receive future notices. If interested in obtaining their information, including comments or information to be on a specific mailing list for notices may contact the Chief of the Conservation Division at the address given. The administrative completeness determination and draft permit will be viewed at the address between 9 a.m. and 4:00 p.m. Monday through Friday. It may also be viewed on the NMOCD web site at <http://www.emnrd.org>.

LEGAL NOTICE

NOTICE OF PUBLICATION

STATE OF
NEW MEXICO
ENERGY, MINERALS
AND NATURAL

THE SANTA FE
NEW MEXICAN RECEIVED
Founded 1849

APR 09 2007

NM EMNRD OIL CONSERV

ATTN: *Blad Jones*
1220 S ST FRANCIS DR
SANTA FE NM 87505

ALTERNATE ACCOUNT: 56689

AD NUMBER: 00208780 ACCOUNT: 00002212

LEGAL NO: 80680 P.O. #: 52100-3956

309 LINES 1 TIME(S) 173.04

AFFIDAVIT: 6.00

TAX: 13.65

TOTAL: 192.69

Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

AFFIDAVIT OF PUBLICATION

STATE OF NEW MEXICO
COUNTY OF SANTA FE

I, R. Lara, being first duly sworn declare and say that I am Legal Advertising Representative of THE SANTA FE NEW MEXICAN, a daily newspaper published in the English language, and having a general circulation in the Counties of Santa Fe and Los Alamos, State of New Mexico and being a newspaper duly qualified to publish legal notices and advertisements under the provisions of Chapter 167 on Session Laws of 1937; that the publication # 80680 a copy of which is hereto attached was published in said newspaper 1 day(s) between 04/04/2007 and 04/04/2007 and that the notice was published in the newspaper proper and not in any supplement; the first date of publication being on the 4th day of April, 2007 and that the undersigned has personal knowledge of the matter and things set forth in this affidavit.

/S/

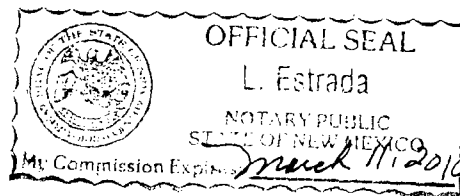
R. Lara
LEGAL ADVERTISEMENT REPRESENTATIVE

Subscribed and sworn to before me on this 4th day of April, 2007

Notary

Commission Expires:

March 11, 2010



EW-22

Control Commission Regulations (20.6.2.3106 NMAC), the following discharge permit application(s) has been submitted to the Director of the New Mexico Oil Conservation Division ("NMOCD"), 1220 S. Saint Francis Drive, Santa Fe, New Mexico 87505, Telephone (505) 476-3440:

(BW-022) Gandy Corporation, Larry Gandy, PO Box 827, Tatum, New Mexico 88267, has submitted a renewal application for the previously approved discharge plan for their Tatum Brine Station located in the SW/4, SW/4 of Section 20, Township 12 South, Range 36 East, NMPPM, Lea County, New Mexico, approximately one miles west on Highway 380 from the intersection of Hwy 18 and Hwy 380. Fresh water is injected to an approximate depth of 2300 feet in the Quality Brine Watson Well #1 (API# 30-025-28162-00-00) and brine water is extracted with an average total dissolved solids concentration of 350,000 mg/L. Groundwater most likely to be affected by a spill, leak or accidental discharge is at a depth of approximately 30 feet with a total dissolved solids concentration of approximately 700 mg/l. The discharge plan addresses how oil-field products and waste will be properly handled, stored, and disposed of, including how spills, leaks, and other accidental discharges to the surface will be managed in order to protect fresh water.

The NMOCD has determined that the application is administratively complete

and has prepared a draft permit. The NMOCD will accept comments and statements of interest regarding this application and will create a facility-specific mailing list for persons who wish to receive future notices. Persons interested in obtaining further information, submitting comments or requesting to be on a facility-specific mailing list for future notices may contact the Environmental Bureau Chief of the Oil Conservation Division at the address given above. The administrative completeness determination and draft permit may be viewed at the above address between 8:00 a.m. and 4:00 p.m., Monday through Friday, or may also be viewed at the NMOCD web site <http://www.emnrd.state.nm.us/ocd/>. Persons interested in obtaining a copy of the application and draft permit may contact the NMOCD at the address given above. Prior to ruling on any proposed discharge permit or major modification, the Director shall allow a period of at least thirty (30) days after the date of publication of this notice, during which interested persons may submit comments or request that NMOCD hold a public hearing. Requests for a public hearing shall set forth the reasons why a hearing should be held. A hearing will be held if the Director determines that there is significant public interest.

If no public hearing is held, the Director will approve or disapprove the proposed permit based on information available, including all comments received. If a public hearing is held, the director will approve or disapprove

the proposed permit based on information in the permit application and information submitted at the hearing.

Para obtener más información sobre esta solicitud en español, sírvase comunicarse por favor: New Mexico Energy, Minerals and Natural Resources Department (Depto. Del Energia, Minerales y Recursos Naturales de Nuevo México), Oil Conservation Division (Depto. Conservación Del Petróleo), 1220 South St. Francis Drive, Santa Fe, New Mexico (Contacto: Dorothy Phillips, 505-476-3461)

GIVEN under the Seal of New Mexico Oil Conservation Commission at Santa Fe, New Mexico, on this 28th day of March 2007.

STATE OF
NEW MEXICO
OIL CONSERVATION
DIVISION

SEAL
Mark Fesmire,
Director
Legal #80680
Pub. Apr. 4, 2007

NOTICE OF PUBLICATION

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

Notice is hereby given that pursuant to New Mexico Water Quality

April 3, 2007

2007 APR 6 AM 12 08

NMOCD Environmental
ATTN: Brad Jones
1220 S. Saint Francis Drive
Santa Fe, NM 87504

RE: Gandy Corporation BW-022
Permit Renewal

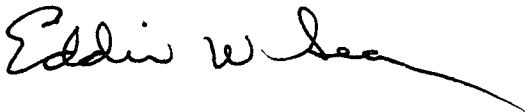
Mr. Jones:

As requested, a copy of the proposed notice for Gandy Corporation, BW-022, is enclosed for your review and approval. If this is approved, it will be published in the Lovington Leader in both Spanish and English.

Gandy is the owner so no certified will be necessary.

Let me know if this meets with your approval.

Sincerely,



Eddie W. Seay, Agent
601 W. Illinois
Hobbs, NM 88242
(505)392-2236
seay04@leaco.net

cc: Gandy Corporation

PUBLIC NOTICE

Notice is hereby given that pursuant to New Mexico Oil Conservation Division Regulations, the following proposed discharge plan renewal has been submitted for approval to the Director of the Oil Conservation Division, Energy, Minerals & Natural Resources Dept., 1220 South St. Francis Dr., Santa Fe, New Mexico 87505. Telephone (505) 476-3440.

Gandy Corporation, PO Box 827, Tatum, New Mexico 88267, has submitted a discharge plan renewal application for brine supply well, located 600 feet north of US Highway 380 and approximately 0.9 mile west of Tatum, New Mexico. The facility is located in the SW/4 of SW/4 of Section 20 of Township 12 South, Range 36 East NMPM, Lea County, New Mexico. This facility will temporarily store for sale brine water and fresh water. No other fluids will be stored at this facility. The fresh water will be stored in a 1000 barrel fresh water storage tank. Fresh water will be sold and/or diverted down the annulus of the brine well and brine water flows back up the tubing and stored in a 1000 barrel brine storage tank. The ground water likely to be affected by discharges occur at a depth of 32 feet in the Ogallala Formation.

Any interested person may obtain further information from the Oil Conservation Division and may submit comments and statements to Director Mark E Fesmire, P.E., New Mexico Energy, Minerals & Natural Resources Dept., Oil Conservation Division, 1220 South St. Francis Dr., Santa Fe, New Mexico 87505, Telephone (505) 476-3460. Also any interested person may request to be placed on a mailing list for future notices regarding this application.

Mr. Gandy
July 23, 2002
Page 3

RECEIVED
AUG 04 2002
Environmental Bureau
Oil Conservation Division

ATTACHMENT TO THE DISCHARGE PLAN BW-022 APPROVAL
Gandy Corporation Tatum Brine Station (BW-022)
DISCHARGE PLAN APPROVAL CONDITIONS
July 23, 2002

1. Payment of Discharge Plan Fees: The \$100.00 filing fee has been received by OCD. The \$1700.00 flat fee shall be submitted upon receipt of this approval. The required flat fee may be paid in a single payment due at the time of approval, or in equal annual installments over the duration of the plan, with the first payment due upon receipt of this approval.
2. Commitments: Gandy Corporation will abide by all commitments submitted in the discharge plan renewal application dated February 13, 2001, and these conditions for approval.
3. Production Method: Fresh water will be injected down the casing and brine shall be recovered up the tubing. Reverse flow will be allowed only once a month for up to 24 hours for clean out.
4. Maximum Injection/Test Pressure: The maximum operating injection and/or test pressure at the well head will be such that the fracture pressure of the injection formation will not be exceeded. Please provide to OCD by September 30, 2002 the system fracture pressure calculated at the bottom casing shoe, fracture pressure gradient (psi/ft) for the system, and the maximum surface injection and test pressure that will not cause new fractures or propagate existing fractures.
5. Mechanical Integrity Testing: Gandy Corporation will conduct an annual open to formation pressure test by pressuring up the formation with fluids to one and one-half times the normal operating pressure or 300 psig whichever is greater for four hours. However, no operator may exceed surface injection or test pressures that may cause formation fracturing (see item 4 above) or system failures. Systems requiring test pressures less than 300 psig or methods that use testing media other than fluids, i.e. gas, must be approved by OCD prior to testing. Brine supply wells operating with isolation packers will have to pressure test both the cavern formation and casing/tubing annulars. At least once every five years and during well work-overs the cavern formation will be isolated from the casing/tubing annulars and the casing pressure tested at 300 psig for 30 minutes. All pressure test must be witnessed by OCD.
6. Production/Injection Volumes/Annual Report: The volumes of fluids injected (fresh water) and produced (brine) will be recorded monthly and submitted to the OCD Santa Fe Office in an annual report due on the thirty-first (31) day of January of each year.

7. Analysis of Injection Fluid and Brine: Provide an analysis of the injection fluid and brine with each annual report. Analysis will be for General Chemistry (Method 40 CFR 136.3) using EPA methods.
8. Drum Storage: All drums containing materials other than fresh water must be stored on an impermeable pad with curbing. All empty drums should be stored on their sides with the bungs in place and lined up on a horizontal plane. Chemicals in other containers such as sacks or buckets must also be stored on an impermeable pad with curbing.
9. Process Areas: All process and maintenance areas which show evidence that leaks and spills are reaching the ground surface must be either paved and curbed or have some type of spill collection device incorporated into the design.
10. Above Ground Tanks: All above ground tanks which contain fluids other than fresh water must be bermed to contain a volume of one-third more than the total volume of the largest tank or of all interconnected tanks. All new facilities or modifications to existing facilities must place the tank on an impermeable type pad within the berm.
11. Above Ground Saddle Tanks: Above ground saddle tanks must have impermeable pad and curb type containment unless they contain fresh water or fluids that are gases at atmospheric temperature and pressure.
12. Labeling: All tanks, drums, and other containers should be clearly labeled to identify their contents and other emergency information necessary if the tank were to rupture, spill, or ignite.
13. Below Grade Tanks/Sumps: All below grade tanks, sumps, and pits must be approved by the OCD prior to installation or upon modification and must incorporate secondary containment and leak-detection into the design. All pre-existing sumps and below-grade tanks must be tested to demonstrate their mechanical integrity no later than December 31, 2002 and every year from tested date, thereafter. Permittees may propose various methods for testing such as pressure testing to 3 pounds per square inch above normal operating pressure and/or visual inspection of cleaned out tanks and/or sumps, or other OCD approved methods. The OCD will be notified at least 72 hours prior to all testing. The test results will be submitted to OCD in the annual report.

14. Underground Process/Wastewater Lines: All underground process/wastewater pipelines must be tested to demonstrate their mechanical integrity no later than December 31, 2002 and every 5 years, from tested date, thereafter. Permittees may propose various methods for testing such as pressure testing to 3 pounds per square inch above normal operating pressure or other means acceptable to the OCD. The OCD will be notified at least 72 hours prior to all testing. The test results will be submitted to OCD in the first annual report.
15. Class V Wells: No Class V wells that inject non-hazardous industrial wastes or a mixture of industrial wastes and domestic wastes will be approved for construction and/or operation unless it can be demonstrated that groundwater will not be impacted in the reasonably foreseeable future. Leach fields and other wastewater disposal systems at OCD regulated facilities which inject non-hazardous fluid into or above an underground source of drinking water are considered Class V injection wells under the EPA UIC program. Class V wells that inject domestic waste only must be permitted by the New Mexico Environment Department.
16. Well Work Over Operations: OCD approval will be obtained from the Director prior to performing remedial work, pressure test or any other Work over. Approval will be requested on OCD Form C-103 "Sundry Notices and Reports on Wells" (OCD Rule 1103.A.) with appropriate copies sent to the OCD Hobbs District Office.
17. Housekeeping: All systems designed for spill collection/prevention, and leak detection will be inspected daily to ensure proper operation and to prevent overtopping or system failure. All spill collection and/or secondary containment devices will be emptied of fluids within 48 hours of discovery. A record of inspections will be retained on site for a period of five years.
18. Spill Reporting: All spills/releases shall be reported pursuant to OCD Rule 116. and WQCC 1203. to the OCD Hobbs District Office.
19. Waste Disposal: All wastes will be disposed of at an OCD approved facility. Only oilfield exempt wastes shall be disposed of down Class II injection wells. Non-exempt oilfield wastes that are non-hazardous may be disposed of at an OCD approved facility upon proper waste determination per 40 CFR Part 261. Any waste stream that is not listed in the discharge plan will be approved by OCD on a case-by-case basis.

Rule 712 Waste: Pursuant to Rule 712, disposal of certain non-domestic waste is allowed at solid waste facilities permitted by the New Mexico Environment Department as long as the waste stream is identified in the discharge plan, and existing process knowledge of the waste stream does not change without notification to the Oil Conservation Division.

20. Transfer of Discharge Plan: The OCD will be notified prior to any transfer of ownership, control, or possession of a facility with an approved discharge plan. A written commitment to comply with the terms and conditions of the previously approved discharge plan must be submitted by the purchaser and approved by the OCD prior to transfer.
21. Closure: The OCD will be notified when operations of the facility are discontinued for a period in excess of six months. Prior to closure of the facility a closure plan will be submitted for approval by the Director. Closure and waste disposal will be in accordance with the statutes, rules and regulations in effect at the time of closure.
22. OCD Inspections: Additional requirements may be placed on the facility based upon results from OCD inspections.
23. Storm Water Plan: Stormwater runoff controls shall be maintained. As a result of operations, if any water contaminant that exceeds the WQCC standards listed in 20 NMAC 6.2.3101 is discharged in any stormwater run-off, then immediate actions shall be taken to mitigate the effects of the run-off, notify the OCD within 24 hours, and modify the discharge plan to include a formal stormwater run-off containment plan and submit for OCD approval within 15 days.
24. Capacity/ Cavity Configuration and Subsidence Survey: A test or method will be conducted to determine the size and configuration of the mined cavity and a method to detect long-term subsidence. Plans or methods shall be submitted with first annual report for OCD approval.
25. Certification: **Gandy Corporation** by the officer whose signature appears below, accepts this permit and agrees to comply with all terms and conditions contained herein. **Gandy Corporation** further acknowledges that these conditions and requirements of this permit may be changed administratively by the Division for good cause shown as necessary to protect fresh water, human health and the environment.

Conditions accepted by:

Gandy Corporation

Larry Gandy

Company Representative- print name

Larry Gandy

Date 7-29-02

Company Representative- Sign

Title

V-Pres.

ACKNOWLEDGEMENT OF RECEIPT
OF CHECK/CASH

I hereby acknowledge receipt of check No. dated 7-30-02
or cash received on 8-13-02 in the amount of \$ 1700.00
from Gandy Corporation
for Discharge Plan Renewal Tatum Brine Station BW-022
Submitted by: Martyn Kiehl Date: 8-13-02
Submitted to ASD by: Martyn J. Kiehl Date: 8-13-02
Received in ASD by: Date:
Filing Fee New Facility Renewal ☒
Modification Other
Organization Code 521.07 Applicable FY 2002
To be deposited in the Water Quality Management Fund.
Full Payment ☒ or Annual Increment



GANDY CORPORATION
P. O. BOX 827 PH. 398-4960
TATUM, NM 88267

DATE 7-30-02

95-219-1070

PAY
TO THE ORDER
OF

\$1,700.00

DOLLARS \$ *1700.00

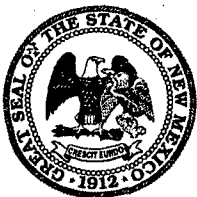
Water Quality Management Fund
C/o; Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Discharge Plan Renewal
Tatum Brine Station BW-022
Lea County, New Mexico
VOID AFTER 90 DAYS

Alta Gandy

Wells Fargo Bank New Mexico, N.A.
601 South Main Ave.
Lovington, NM 88260
www.wellsfargo.com

WELLS
FARGO



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Betty Rivera
Cabinet Secretary

July 23, 2002

Lori Wrotenbery
Director
Oil Conservation Division

CERTIFIED MAIL
RETURN RECEIPT NO. 3929 8911

Mr. Larry Gandy
Gandy Corporation
P.O. Box 827
Tatum, New Mexico 88267

Re: Discharge Plan Renewal
Tatum Brine Station BW-022
Lea County, New Mexico

Dear Mr. Gandy:

The groundwater discharge plan renewal for the Tatum Brine Station Well BW-022 operated by Gandy Corporation (GC) located in SW/4 SW/4 of Section 20, Township 12 South, Range 36 East, NMPM, Lea County, New Mexico **is hereby approved** under the conditions contained in the enclosed attachment. Enclosed are two copies of the conditions of approval. **Please sign and return one copy to the New Mexico Oil Conservation Division (OCD) Santa Fe Office within 30 working days of receipt of this letter.**

The original discharge plan was approved on October 09, 1985 by the OCD. The discharge plan renewal application dated February 13, 2001 including attachments, submitted pursuant to Section 5101.B.3. of the New Mexico Water Quality Control Commission (WQCC) Regulations also includes all earlier applications and all conditions later placed on those approvals. The discharge plan renewal application was submitted pursuant to Section 5101.B.3. of the New Mexico Water Quality Control Commission (WQCC) Regulations. The discharge plan is renewed pursuant to Section 5101.A. and 3109.C. Please note Section 3109.G., which provides for possible future amendment of the plan. Please be advised that approval of this plan does not relieve Gandy Corporation of liability should operations result in pollution of surface or ground waters, or the environment.

Please be advised that all exposed pits, including lined pits and open top tanks (exceeding 16 feet in diameter) shall be screened, netted, or otherwise rendered nonhazardous to wildlife including migratory birds.

Please note that Section 3104. of the regulations requires that "when a plan has been approved, discharges must be consistent with the terms and conditions of the plan." Pursuant to Section

Mr. Gandy
July 23, 2002
Page 2

3107.C., Gandy Corporation is required to notify the Director of any facility expansion, production increase, or process modification that would result in any change in the discharge of water quality or volume.

Pursuant to Section 3109.H.4., this approval is for a period of five years. **This approval will expire March 11, 2007** and an application for renewal should be submitted in ample time before that date. Pursuant to Section 5101.F. of the regulations, if a discharger submits a discharge plan renewal application at least 120 days before the discharge plan expires and is in compliance with the approved plan, then the existing discharge plan will not expire until the application for renewal has been approved or disapproved.

The discharge plan application for the Gandy Corporation Tatum Brine Station is subject to the WQCC Regulation 3114. Every billable facility submitting a discharge plan will be assessed a fee equal to the filing fee of \$100.00 plus a flat fee of \$1700.00 for brine stations. The OCD has not received the \$1700.00 flat fee. The flat fee may be paid in a single payment due on the date of the discharge plan approval or in five equal installments over the expected duration of the discharge plan. Installment payments shall be remitted yearly, with the first installment due on the date of the discharge plan approval and subsequent installments due on this date of each calendar year.

**Please make all checks payable to: Water Quality Management Fund
C/o: Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505.**

If you have any questions, please contact Wayne Price of my staff at (505-476-3487). On behalf of the staff of the OCD, I wish to thank you and your staff for your cooperation during this discharge plan review.

Sincerely,



Roger C. Anderson
Environmental Bureau Chief
RCA/lwp

Attachment-1

xc: OCD Hobbs Office

ATTACHMENT TO THE DISCHARGE PLAN BW-022 APPROVAL
Gandy Corporation Tatum Brine Station (BW-022)
DISCHARGE PLAN APPROVAL CONDITIONS
July 23, 2002

1. Payment of Discharge Plan Fees: The \$100.00 filing fee has been received by OCD. The \$1700.00 flat fee shall be submitted upon receipt of this approval. The required flat fee may be paid in a single payment due at the time of approval, or in equal annual installments over the duration of the plan, with the first payment due upon receipt of this approval.
2. Commitments: Gandy Corporation will abide by all commitments submitted in the discharge plan renewal application dated February 13, 2001, and these conditions for approval.
3. Production Method: Fresh water will be injected down the casing and brine shall be recovered up the tubing. Reverse flow will be allowed only once a month for up to 24 hours for clean out.
4. Maximum Injection/Test Pressure: The maximum operating injection and/or test pressure at the well head will be such that the fracture pressure of the injection formation will not be exceeded. Please provide to OCD by September 30, 2002 the system fracture pressure calculated at the bottom casing shoe, fracture pressure gradient (psi/ft) for the system, and the maximum surface injection and test pressure that will not cause new fractures or propagate existing fractures.
5. Mechanical Integrity Testing: Gandy Corporation will conduct an annual open to formation pressure test by pressuring up the formation with fluids to one and one-half times the normal operating pressure or 300 psig whichever is greater for four hours. However, no operator may exceed surface injection or test pressures that may cause formation fracturing (see item 4 above) or system failures. Systems requiring test pressures less than 300 psig or methods that use testing media other than fluids, i.e. gas, must be approved by OCD prior to testing. Brine supply wells operating with isolation packers will have to pressure test both the cavern formation and casing/tubing annually. At least once every five years and during well work-overs the cavern formation will be isolated from the casing/tubing annually and the casing pressure tested at 300 psig for 30 minutes. All pressure test must be witnessed by OCD.
6. Production/Injection Volumes/Annual Report: The volumes of fluids injected (fresh water) and produced (brine) will be recorded monthly and submitted to the OCD Santa Fe Office in an annual report due on the thirty-first (31) day of January of each year.

7. Analysis of Injection Fluid and Brine: Provide an analysis of the injection fluid and brine with each annual report. Analysis will be for General Chemistry (Method 40 CFR 136.3) using EPA methods.
8. Drum Storage: All drums containing materials other than fresh water must be stored on an impermeable pad with curbing. All empty drums should be stored on their sides with the bungs in place and lined up on a horizontal plane. Chemicals in other containers such as sacks or buckets must also be stored on an impermeable pad with curbing.
9. Process Areas: All process and maintenance areas which show evidence that leaks and spills are reaching the ground surface must be either paved and curbed or have some type of spill collection device incorporated into the design.
10. Above Ground Tanks: All above ground tanks which contain fluids other than fresh water must be bermed to contain a volume of one-third more than the total volume of the largest tank or of all interconnected tanks. All new facilities or modifications to existing facilities must place the tank on an impermeable type pad within the berm.
11. Above Ground Saddle Tanks: Above ground saddle tanks must have impermeable pad and curb type containment unless they contain fresh water or fluids that are gases at atmospheric temperature and pressure.
12. Labeling: All tanks, drums, and other containers should be clearly labeled to identify their contents and other emergency information necessary if the tank were to rupture, spill, or ignite.
13. Below Grade Tanks/Sumps: All below grade tanks, sumps, and pits must be approved by the OCD prior to installation or upon modification and must incorporate secondary containment and leak-detection into the design. All pre-existing sumps and below-grade tanks must be tested to demonstrate their mechanical integrity no later than December 31, 2002 and every year from tested date, thereafter. Permittees may propose various methods for testing such as pressure testing to 3 pounds per square inch above normal operating pressure and/or visual inspection of cleaned out tanks and/or sumps, or other OCD approved methods. The OCD will be notified at least 72 hours prior to all testing. The test results will be submitted to OCD in the annual report.

14. Underground Process/Wastewater Lines: All underground process/wastewater pipelines must be tested to demonstrate their mechanical integrity no later than December 31, 2002 and every 5 years, from tested date, thereafter. Permittees may propose various methods for testing such as pressure testing to 3 pounds per square inch above normal operating pressure or other means acceptable to the OCD. The OCD will be notified at least 72 hours prior to all testing. The test results will be submitted to OCD in the first annual report.
15. Class V Wells: No Class V wells that inject non-hazardous industrial wastes or a mixture of industrial wastes and domestic wastes will be approved for construction and/or operation unless it can be demonstrated that groundwater will not be impacted in the reasonably foreseeable future. Leach fields and other wastewater disposal systems at OCD regulated facilities which inject non-hazardous fluid into or above an underground source of drinking water are considered Class V injection wells under the EPA UIC program. Class V wells that inject domestic waste only must be permitted by the New Mexico Environment Department.
16. Well Work Over Operations: OCD approval will be obtained from the Director prior to performing remedial work, pressure test or any other Work over. Approval will be requested on OCD Form C-103 "Sundry Notices and Reports on Wells" (OCD Rule 1103.A.) with appropriate copies sent to the OCD Hobbs District Office.
17. Housekeeping: All systems designed for spill collection/prevention, and leak detection will be inspected daily to ensure proper operation and to prevent overtopping or system failure. All spill collection and/or secondary containment devices will be emptied of fluids within 48 hours of discovery. A record of inspections will be retained on site for a period of five years.
18. Spill Reporting: All spills/releases shall be reported pursuant to OCD Rule 116. and WQCC 1203. to the OCD Hobbs District Office.
19. Waste Disposal: All wastes will be disposed of at an OCD approved facility. Only oilfield exempt wastes shall be disposed of down Class II injection wells. Non-exempt oilfield wastes that are non-hazardous may be disposed of at an OCD approved facility upon proper waste determination per 40 CFR Part 261. Any waste stream that is not listed in the discharge plan will be approved by OCD on a case-by-case basis.

Rule 712 Waste: Pursuant to Rule 712, disposal of certain non-domestic waste is allowed at solid waste facilities permitted by the New Mexico Environment Department as long as the waste stream is identified in the discharge plan, and existing process knowledge of the waste stream does not change without notification to the Oil Conservation Division.

20. Transfer of Discharge Plan: The OCD will be notified prior to any transfer of ownership, control, or possession of a facility with an approved discharge plan. A written commitment to comply with the terms and conditions of the previously approved discharge plan must be submitted by the purchaser and approved by the OCD prior to transfer.
21. Closure: The OCD will be notified when operations of the facility are discontinued for a period in excess of six months. Prior to closure of the facility a closure plan will be submitted for approval by the Director. Closure and waste disposal will be in accordance with the statutes, rules and regulations in effect at the time of closure.
22. OCD Inspections: Additional requirements may be placed on the facility based upon results from OCD inspections.
23. Storm Water Plan: Stormwater runoff controls shall be maintained. As a result of operations, if any water contaminant that exceeds the WQCC standards listed in 20 NMAC 6.2.3101 is discharged in any stormwater run-off, then immediate actions shall be taken to mitigate the effects of the run-off, notify the OCD within 24 hours, and modify the discharge plan to include a formal stormwater run-off containment plan and submit for OCD approval within 15 days.
24. Capacity/ Cavity Configuration and Subsidence Survey: A test or method will be conducted to determine the size and configuration of the mined cavity and a method to detect long-term subsidence. Plans or methods shall be submitted with first annual report for OCD approval.
25. Certification: **Gandy Corporation** by the officer whose signature appears below, accepts this permit and agrees to comply with all terms and conditions contained herein. **Gandy Corporation** further acknowledges that these conditions and requirements of this permit may be changed administratively by the Division for good cause shown as necessary to protect fresh water, human health and the environment.

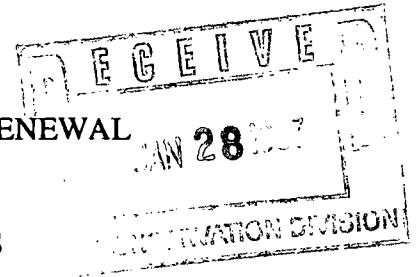
Conditions accepted by: **Gandy Corporation**

Company Representative- print name

Company Representative- Sign

Title

ATTACHMENT TO THE DISCHARGE PLAN BW-022 RENEWAL
QUALITY BRINE, INC.
TATUM BRINE STATION
DISCHARGE PLAN APPROVAL CONDITIONS
(December 23, 1996)



1. Payment of Discharge Plan Fees: The \$690 flat fee shall be submitted upon receipt of this approval. The required flat fee may be paid in a single payment due at the time of approval, or in equal annual installments over the duration of the plan, with the first payment due upon receipt of this approval.
2. Quality Commitments: Quality will abide by all commitments submitted in the discharge plan renewal application dated September 19, 1996.
3. Production Method: Fresh water will be injected down the casing and brine shall be recovered up the tubing. Reverse flow will be allowed only once a month for up to 24 hours for clean out.
4. Maximum Injection Pressure: The maximum operating injection pressure at the well head will be such that the fracture pressure of the injection formation will not be exceeded. Rowland shall supply and obtain approval for any changes to the approval for the maximum and average injection pressures and injection volumes.
5. Mechanical Integrity Testing: The OCD requires an annual open hole pressure test equal to one and one-half of the normal operating pressure for four hours with ten percent bleed-off allowed. At least once every five years the OCD requires the above mentioned open hole test with zero bleed-off allowed. If zero bleed-off cannot be achieved, the casing will be isolated from the formation and tested to 300 psi for 30 minutes. Prior to commencement of operations and during well workovers, the OCD requires the casing to be isolated from the formation and tested to 300 psi for 30 minutes. The OCD will be notified at least 72 hours prior to all testing.
6. Capacity and Cavity Configuration: A test will be conducted to determine the size and configuration of the salt cavern by December 31, 1997. The method and time of testing will be approved by the OCD prior to performing the test. The OCD will be notified at least 72 hours prior to all testing.
7. Subsidence Survey: Rowland will design and install a series of survey points over the area of the facility and the salt cavern by December 31, 1997 to monitor any future surface subsidence. The location and number of survey points will be approved by the OCD prior to installation. The elevation of all survey points will be monitored annually thereafter. The OCD will be notified at least 72 hours prior to all monitoring.

8. Production/Injection Volumes: The volumes of fluids injected (fresh water) and produced (brine) will be recorded monthly and submitted to the OCD Santa Fe Office quarterly.

The OCD has not received a quarterly report since the facility was approved on October 9, 1985. Please update all delinquent quarterly reports by March 11, 1997.

9. Analysis of Injection Fluid and Brine: Provide an analysis of the injection fluid and brine by March 11, 1997. Analysis will be for concentrations of Total Dissolved Solids, Sodium, Calcium, Potassium, Magnesium, Bromide, Carbonate/Bicarbonate, Chloride and Sulfate. Include location and method of sampling.
10. Drum Storage: All drums containing materials other than fresh water must be stored on an impermeable pad with curbing. All empty drums should be stored on their sides with the bungs in place and lined up on a horizontal plane. Chemicals in other containers such as sacks or buckets must also be stored on an impermeable pad with curbing.
11. Process Areas: All process and maintenance areas which show evidence that leaks and spills are reaching the ground surface must be either paved and curbed or have some type of spill collection device incorporated into the design.
12. Above Ground Tanks: All above ground tanks which contain fluids other than fresh water must be bermed to contain a volume of one-third more than the total volume of the largest tank or of all interconnected tanks. All new facilities or modifications to existing facilities must place the tank on an impermeable type pad within the berm.
13. Above Ground Saddle Tanks: Above ground saddle tanks must have impermeable pad and curb type containment unless they contain fresh water or fluids that are gases at atmospheric temperature and pressure.
14. Labeling: All tanks, drums, and other containers should be clearly labeled to identify their contents and other emergency information necessary if the tank were to rupture, spill, or ignite.
15. Below Grade Tanks/Sumps: All below grade tanks, sumps, and pits must be approved by the OCD prior to installation or upon modification and must incorporate secondary containment and leak-detection into the design. All pre-existing sumps and below-grade tanks must demonstrate integrity on an annual basis. Integrity tests include pressure testing to 3 pounds per square inch above normal operating pressure and/or visual inspection of cleaned out tanks and/or sumps, or other OCD approved methods. The OCD will be notified at least 72 hours prior to all testing.
16. Underground Process/Wastewater Lines: All underground process/wastewater, and brine transfer pipelines must be tested to demonstrate their mechanical integrity at present and

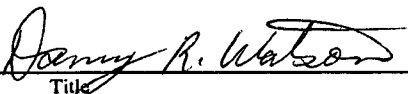
then every 5 years thereafter, or prior to discharge plan renewal. Permittees may propose various methods for testing such as pressure testing to 3 pounds per square inch above normal operating pressure or other OCD approved methods. The OCD will be notified at least 72 hours prior to all testing.

17. Well Workover Operations: OCD approval will be obtained from the Director prior to performing remedial work or any other workover. Approval will be requested on OCD Form C-103 "Sundry Notices and Reports on Wells" (OCD Rule 1103.A.) with appropriate copies sent to the OCD Hobbs District Office.
18. Housekeeping: All systems designed for spill collection/prevention, and leak detection will be inspected daily to ensure proper operation and to prevent overtopping or system failure.

Any non-exempt contaminated wastes that are collected at the facility will be tested for hazardous constituents, and after receiving OCD approval, will be disposed of at an OCD approved site.
19. Spill Reporting: All spills/releases shall be reported pursuant to OCD Rule 116. and WQCC 1203. to the OCD Hobbs District Office.
20. Transfer of Discharge Plan: The OCD will be notified prior to any transfer of ownership, control, or possession of a facility with an approved discharge plan. A written commitment to comply with the terms and conditions of the previously approved discharge plan must be submitted by the purchaser and approved by the OCD prior to transfer.
21. Closure: The OCD will be notified when operations of the facility are discontinued for a period in excess of six months. Prior to closure of the facility a closure plan will be submitted for approval by the Director. Closure and waste disposal will be in accordance with the statutes, rules and regulations in effect at the time of closure.
22. Certification: Quality, by the officer whose signature appears below, accepts this permit and agrees to comply with all terms and conditions contained herein. Quality further acknowledges that these conditions and requirements of this permit may be changed administratively by the Division for good cause shown as necessary to protect fresh water, human health and the environment.

Accepted:

QUALITY BRINE, INC.

by 
Title

ACKNOWLEDGEMENT OF RECEIPT
OF CHECK/CASH

I hereby acknowledge receipt of check No. [REDACTED] dated 1/22/97,
or cash received on _____ in the amount of \$ 690.00

from Dannys Hot Oil
for Quality - Tatum Basin BW-022

Submitted by: _____ Date: _____
(Filing Name) (DP No.)

Submitted to ASD by: R. Anderson Date: 3/19/97

Received in ASD by: _____ Date: _____

Filing Fee _____ New Facility _____ Renewal X

Modification _____ Other _____
(Agency)

Organization Code 521.07 Applicable FY 97

To be deposited in the Water Quality Management Fund.

Full Payment X or Annual Increment _____


DANNY'S HOT OIL SERVICE INC.

9-94

P. O. BOX 682 505-398-3490
TATUM, NM 88267

95-108/1122
7

PAY TO THE ORDER OF Oil Conservation Division - \$ 690.00

Six hundred ninety + 00/100 DOLLARS 

Western
Commerce
Bank
Hobbs, NM

7	7	0	0

\$ 690.00
\$ _____

FOR Discharge Plan Fee BW-022

Doris Dean

NP



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

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

February 7, 1997

CERTIFIED MAIL
RETURN RECEIPT NO. P-288-258-899

Mr. Danny Watson
Quality Brine, Inc.
P.O. Box 682
Tatum, NM 88267

RE: Discharge Plan Fees BW-022
Tatum Brine Station
Lea County, New Mexico

Dear Mr. Watson:

On December 23, 1996, Quality Brine, Inc. received, via certified mail, a letter from the New Mexico Oil Conservation Division (OCD) stating that the discharge plan BW-022 for the Tatum Brine Station located in the SW/4 SW/4, of Section 20, Township 12 South, Range 36 East, NMPM, Lea County, New Mexico was approved. In that letter it was also stated that, in accordance with Water Quality Control Commission Regulation 3114, a \$50 filing fee and a \$690 flat fee were required upon receipt of the approval letter. The \$50 filing fee was received by the OCD on September 23, 1996. As of this date, the OCD has not received the \$690 flat fee. Please submit the required flat fee by March 7, 1997.

Please make all checks payable to: **NMED-Water Quality Management** and addressed to the OCD Santa Fe Office.

If you have any questions regarding this matter, please contact me at (505) 827-7152.

Sincerely,

Roger Anderson
Environmental Bureau Chief

PS Form 3800, April 1995

US Postal Service	
Receipt for Certified Mail	
No Insurance Coverage Provided.	
Do not use for International Mail (See reverse)	
Sent to	
Street & Number	
Post Office, State, & ZIP Code	
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	

P 288 258 899

P 288 258 885

US Postal Service

Receipt for Certified Mail

No Insurance Coverage Provided.

Do not use for International Mail (*See reverse*)

Sent to	
Street & Number	
Post Office, State, & ZIP Code	
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	

PS Form 3800, April 1995



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION
2040 S. PACHECO
SANTA FE, NEW MEXICO 87505
(505) 827-7131

December 23, 1996

CERTIFIED MAIL
RETURN RECEIPT NO. P-288-258-885

Mr. Danny Watson
Quality Brine, Inc.
P.O. Box 682
Tatum, NM 88267

**RE: Discharge Plan BW-022
Tatum Brine Station
Lea County, New Mexico**

Dear Mr. Watson:

The groundwater discharge plan renewal BW-022, for the Quality Brine, Inc. (Quality) Tatum Brine Station located in the SW/4 SW/4, of Section 20, Township 12 South, Range 36 East, NMPM, Lea County, New Mexico, is **hereby approved** under the conditions contained in the enclosed attachment. The application consists of the original discharge plan as approved October 9, 1985, the renewal as approved March 12, 1992, and the renewal application dated September 19, 1996. Enclosed are two copies of the conditions of approval. **Please sign and return one copy to the New Mexico Oil Conservation Division (OCD) Santa Fe Office within 10 working days of receipt of this letter.**

The discharge plan application was submitted pursuant to Section 5101.B.3. of the New Mexico Water Quality Control Commission (WQCC) Regulations. It is approved pursuant to Section 5101.A. and 3109.C. Please note Section 3109.F., which provides for possible future amendment of the plan. Please be advised that approval of this plan does not relieve Quality of liability should operations result in pollution of surface or ground waters, or the environment.

Please be advised that all exposed pits, including lined pits and open top tanks (exceeding 16 feet in diameter) shall be screened, netted, or otherwise rendered nonhazardous to wildlife including migratory birds.

Mr. Danny Watson
December 23, 1996
Page 2

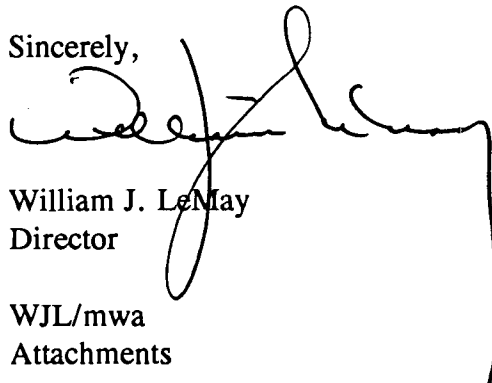
Please note that Section 3104. of the regulations requires that "when a plan has been approved, discharges must be consistent with the terms and conditions of the plan." Pursuant to Section 3107.C., Quality is required to notify the Director of any facility expansion, production increase, or process modification that would result in any change in the discharge of water quality or volume.

Pursuant to Section 3109.G.4., this approval is for a period of five years. This approval will expire March 11, 2002, and an application for renewal should be submitted in ample time before that date. Note that under Section 5101.G. of the regulations, if a discharger submits a discharge plan renewal application at least 180 days before the discharge plan expires and is in compliance with the approved plan, then the existing discharge plan will not expire until the application for renewal has been approved or disapproved. It should be noted that all discharge plan facilities will be required to submit plans for, or the results of, an underground drainage testing program as a requirement for discharge plan renewal.

The discharge plan application for the Quality Brine, Inc. Tatum Brine Station is subject to the WQCC Regulation 3114. Every billable facility submitting a discharge plan will be assessed a fee equal to the filing fee of \$50 plus a flat fee of \$690 for brine stations. The OCD received the \$50 filing fee on September 23, 1996. The OCD has not received the \$690 flat fee. The flat fee may be paid in a single payment due on the date of the discharge plan approval or in five equal installments over the expected duration of the discharge plan. Installment payments shall be remitted yearly, with the first installment due on the date of the discharge plan approval and subsequent installments due on this date of each calendar year.

On behalf of the staff of the New Mexico Oil Conservation Division, I wish to thank you and your staff for your cooperation during this discharge plan review.

Sincerely,



William J. LeMay
Director

WJL/mwa
Attachments

xc: OCD Hobbs Office

ATTACHMENT TO THE DISCHARGE PLAN BW-022 RENEWAL
QUALITY BRINE, INC.
TATUM BRINE STATION
DISCHARGE PLAN APPROVAL CONDITIONS
(December 23, 1996)

1. Payment of Discharge Plan Fees: The \$690 flat fee shall be submitted upon receipt of this approval. The required flat fee may be paid in a single payment due at the time of approval, or in equal annual installments over the duration of the plan, with the first payment due upon receipt of this approval.
2. Quality Commitments: Quality will abide by all commitments submitted in the discharge plan renewal application dated September 19, 1996.
3. Production Method: Fresh water will be injected down the casing and brine shall be recovered up the tubing. Reverse flow will be allowed only once a month for up to 24 hours for clean out.
4. Maximum Injection Pressure: The maximum operating injection pressure at the well head will be such that the fracture pressure of the injection formation will not be exceeded. Rowland shall supply and obtain approval for any changes to the approval for the maximum and average injection pressures and injection volumes.
5. Mechanical Integrity Testing: The OCD requires an annual open hole pressure test equal to one and one-half of the normal operating pressure for four hours with ten percent bleed-off allowed. At least once every five years the OCD requires the above mentioned open hole test with zero bleed-off allowed. If zero bleed-off cannot be achieved, the casing will be isolated from the formation and tested to 300 psi for 30 minutes. Prior to commencement of operations and during well workovers, the OCD requires the casing to be isolated from the formation and tested to 300 psi for 30 minutes. The OCD will be notified at least 72 hours prior to all testing.
6. Capacity and Cavity Configuration: A test will be conducted to determine the size and configuration of the salt cavern by December 31, 1997. The method and time of testing will be approved by the OCD prior to performing the test. The OCD will be notified at least 72 hours prior to all testing.
7. Subsidence Survey: Rowland will design and install a series of survey points over the area of the facility and the salt cavern by December 31, 1997 to monitor any future surface subsidence. The location and number of survey points will be approved by the OCD prior to installation. The elevation of all survey points will be monitored annually thereafter. The OCD will be notified at least 72 hours prior to all monitoring.

8. Production/Injection Volumes: The volumes of fluids injected (fresh water) and produced (brine) will be recorded monthly and submitted to the OCD Santa Fe Office quarterly.

The OCD has not received a quarterly report since the facility was approved on October 9, 1985. Please update all delinquent quarterly reports by March 11, 1997.

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then every 5 years thereafter, or prior to discharge plan renewal. Permittees may propose various methods for testing such as pressure testing to 3 pounds per square inch above normal operating pressure or other OCD approved methods. The OCD will be notified at least 72 hours prior to all testing.

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22. Certification: Quality, by the officer whose signature appears below, accepts this permit and agrees to comply with all terms and conditions contained herein. Quality further acknowledges that these conditions and requirements of this permit may be changed administratively by the Division for good cause shown as necessary to protect fresh water, human health and the environment.

Accepted:

QUALITY BRINE, INC.

by _____
Title