

BW - 9

**PERMITS,
RENEWALS,
& MODS**

ACKNOWLEDGEMENT OF RECEIPT
OF CHECK/CASH

I hereby acknowledge receipt of check No. [REDACTED] dated 4-1-05,
or cash received on 5-31-05 in the amount of \$ 1,700.00
from KEY ENERGY SERVICES, INC.
for BW-009

Submitted by: ^(Facility Name) ED MARTIN Date: ^(DP No.) 5-31-05

Submitted to ASD by: _____ Date: _____

Received in ASD by: _____ Date: _____

Filing Fee ☒ New Facility _____ Renewal _____


Modification _____ Other _____
(Specify)

Organization Code 521.07 Applicable FY 2001

To be deposited in the Water Quality Management Fund.

Full Payment ☒ or Annual Increment _____

THE FACE OF THIS DOCUMENT IS PRINTED BLUE - THE BACK CONTAINS A SIMULATED WATERMARK

 **KEY ENERGY SERVICES, INC.**
1000 GARDEN STREET
SANTA ANA, CA 92705

PNC BANK NATIONAL ASSOCIATION
Check Date: 4/01/2005 No. [REDACTED]

\$1,700.00

PAY TO THE ORDER OF: ED MARTIN
ONE THOUSAND SEVEN HUNDRED DOLLARS AND NO CENTS

TO THE ORDER OF: ED MARTIN
WATER QUALITY MANAGEMENT FUND
1000 GARDEN STREET
SANTA ANA, CA 92705

Philip M. Smith
AUTHORIZED SIGNATURE - OVERSIGHT DIVISION

DRAFT

July 02, 2004

CERTIFIED MAIL
RETURN RECEIPT NO.

Mr. Bob Patterson
Key Energy Services, Inc.
P.O. Box 99
Eunice, New Mexico 88231

Re: Discharge BW-009
Sims #2 Eunice Brine Station
Lea County, New Mexico

Dear Mr. Patterson:

The groundwater discharge renewal application for the Key Energy Services, Inc. Sims #2 Eunice Brine Station BW-009 operated by Key Energy Services, Inc. located in the NE/4, NE/4 of Section 32, Township 21 South, Range 37 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 December 18, 1982 and subsequently renewed as DP-326 by the Environmental Improvement Division (EID) on April 07, 1989, and renewed by the Oil Conservation Division on April 04, 1995 and January 21, 2000 with an expiration date of April 06, 2004. The discharge permit renewal consists of the renewal application dated May 20, 2004 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 renewal application was submitted pursuant to Section 20.6.2.5101 of the New Mexico Water Quality Control Commission (WQCC) Regulations. The discharge is issued pursuant to Section 5101 and 3109.C. Please note Section 3109.G., which provides for possible future amendment of the permit. Please be advised that approval of this permit does not relieve Key Energy Services, Inc. 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. Bob Patterson
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Please note that Section 3104 of the regulations requires that "when a permit has been approved, discharges must be consistent with the terms and conditions of the permit. Pursuant to Section 3107.C., operators are 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 April 06, 2009** 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 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.

**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) or E-mail wprice@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 plan review.

Sincerely,

Roger C. Anderson
Environmental Bureau Chief
RCA/lwp

Attachment-1
xc: OCD Hobbs Office

ATTACHMENT TO THE DISCHARGE Permit BW-009 APPROVAL
Key Energy Services, Inc. Sims #2 Eunice Brine Station (BW-009)
DISCHARGE PERMIT APPROVAL CONDITIONS
July 02, 2004

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 permit, with the first payment due upon receipt of this approval.
2. Commitments: Key Energy Services, Inc. will abide by all commitments submitted in the discharge permit renewal application dated May 20, 2004 and these conditions for approval.
3. Brine Storage Pond Inspection: Leaks shall be reported pursuant to Item 20. (Spill Reporting) of these conditions. A minimum freeboard of three feet will be maintained in the pond so that no overtopping of brine occurs. Any repairs or modifications to the pond liner must receive prior OCD approval.

Leak Detection Monitor Well: The leak detection monitor well for the brine storage pond must be inspected for fluids monthly. Records will be maintained to include quantity of fluid measured, conductivity and chlorides of fluid, date of inspection, and name of inspector. Any fluids found must be reported to the NMOCD Santa Fe office and the appropriate District office within 48 hours of discovery.

4. 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.
5. Maximum Injection 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 and will not cause new fractures or propagate existing fractures or cause damage to the system.
6. Mechanical Integrity Testing: 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 5 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 tests must be witnessed by OCD.

7. 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 abandon the well.
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 in an annual report due on the first day of April 06 of each year.
9. 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.
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 Ponds/Pits/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 below grade tanks, sumps and pits must be tested annually, except systems that have secondary containment with leak detection. These systems with leak detection shall have a monthly inspection of the leak detection to determine if the primary containment is leaking. Results of tests and inspections shall be maintained at the facility covered by this discharge permit and available for NMOCD inspection. Any system found to be leaking shall be reported pursuant to Item # 20. Permit holders 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.
16. Underground Process/Wastewater Lines: All underground process/wastewater pipelines must be approved by the OCD prior to installation and must be tested to demonstrate their mechanical integrity every five (5) years. Results of such tests shall be maintained at the facility covered by this discharge plan and available for NMOCD inspection. Permit holders 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.
17. 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 approved by the New Mexico Environment Department.
18. 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 Environmental Bureau and District Office.

Mr. Bob Patterson

July 02, 2004

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19. 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.
20. Spill Reporting: All spills/releases shall be reported pursuant to OCD Rule 116. and WQCC 1203. to the OCD Hobbs District Office.
21. 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 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 , and existing process knowledge of the waste stream does not change without notification to the Oil Conservation Division.

22. 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.
23. 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.
24. OCD Inspections: Additional requirements may be placed on the facility based upon results from OCD inspections.
25. Vadose Zone and Water Pollution: The previously submitted investigation(s) and remediation plans were submitted pursuant to the discharge permit and all future discoveries of contamination will be addressed through the discharge permit.

Additional Requirement: Key Energy shall submit for OCD approval by September 01, 2004 a groundwater monitoring plan for the site. The plan shall propose installing monitoring wells in the following general areas and a proposed sampling plan.

- Near the Brine Pond.
- On the North side of the site in the area of the old wooden storage tanks.
- On the west side of the facility west of the current storage tanks.

Mr. Bob Patterson
July 02, 2004
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26. Storm Water: 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 to include a formal stormwater run-off containment and submit for OCD approval within 15 days.
27. Certification: Key Energy Services, Inc. by the officer whose signature appears below, accepts this and agrees to comply with all terms and conditions contained herein. Key Energy Services, Inc. further acknowledges that these conditions and requirements of this may be changed administratively by the Division for good cause shown as necessary to protect fresh water, human health and the environment.

Key Energy Services, Inc.

Print Name: _____

Signature: _____

Title: _____

Date: _____

August 13, 2004

CERTIFIED MAIL
RETURN RECEIPT NO. 3929 8416

Mr. Bob Patterson
Key Energy Services, Inc.
P.O. Box 99
Eunice, New Mexico 88231

Re: Discharge BW-009
Sims #2 Eunice Brine Station
Lea County, New Mexico

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Key Energy Services, Inc.

Print Name: Bob Patterson

Signature: 

Title: Area Manager

Date: 4-5-5



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

August 13, 2004

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

CERTIFIED MAIL

RETURN RECEIPT NO. 3929 8416

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Sincerely,

Handwritten signature of Roger C. Anderson.

Roger C. Anderson
Environmental Bureau Chief
RCA/lwp

Attachment-1

xc: OCD Hobbs Office

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7. 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.
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 in an annual report due on the first day of April 06 of each year.
9. 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.
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.

Mr. Bob Patterson

August 13, 2004

Page 5

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 Ponds/Pits/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 below grade tanks, sumps and pits must be tested annually, except systems that have secondary containment with leak detection. These systems with leak detection shall have a monthly inspection of the leak detection to determine if the primary containment is leaking. Results of tests and inspections shall be maintained at the facility covered by this discharge permit and available for NMOCD inspection. Any system found to be leaking shall be reported pursuant to Item # 20. Permit holders 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.
16. Underground Process/Wastewater Lines: All underground process/wastewater pipelines must be approved by the OCD prior to installation and must be tested to demonstrate their mechanical integrity every five (5) years. Results of such tests shall be maintained at the facility covered by this discharge plan and available for NMOCD inspection. Permit holders 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.
17. 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 tested by the New Mexico Environment Department.
18. 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 Environmental Bureau and District Office.

19. 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.
20. Spill Reporting: All spills/releases shall be reported pursuant to OCD Rule 116. and WQCC 1203. to the OCD Hobbs District Office.
21. 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 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, and existing process knowledge of the waste stream does not change without notification to the Oil Conservation Division.

22. 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.
23. 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.
24. OCD Inspections: Additional requirements may be placed on the facility based upon results from OCD inspections.
25. Vadose Zone and Water Pollution: The previously submitted investigation(s) and remediation plans were submitted pursuant to the discharge permit and all future discoveries of contamination will be addressed through the discharge permit.

Additional Requirement: Key Energy shall submit for OCD approval by September 01, 2004 a groundwater monitoring plan for the site. The plan shall propose installing monitoring wells in the following general areas and a proposed sampling plan.

- Near the Brine Pond.
- On the North side of the site in the area of the old wooden storage tanks.
- On the west side of the facility west of the current storage tanks.

Mr. Bob Patterson
August 13, 2004
Page 7

26. Storm Water: 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 to include a formal stormwater run-off containment and submit for OCD approval within 15 days.
27. Certification: Key Energy Services, Inc. by the officer whose signature appears below, accepts this and agrees to comply with all terms and conditions contained herein. Key Energy Services, Inc. further acknowledges that these conditions and requirements of this may be changed administratively by the Division for good cause shown as necessary to protect fresh water, human health and the environment.

Key Energy Services, Inc.

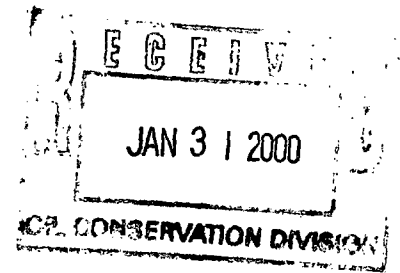
Print Name: _____

Signature: _____

Title: _____

Date: _____

Mr. Bob Patterson
January 21, 2000
Page 3



ATTACHMENT TO THE DISCHARGE PLAN BW-009 APPROVAL
Sims-McCasland Water Sales Eunice Brine Station (BW-009)
DISCHARGE PLAN APPROVAL CONDITIONS
January 21, 2000

1. Payment of Discharge Plan Fees: The \$50.00 filing fee has been received by OCD. The \$690.00 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: Sims-McCasland Water Sales will abide by all commitments submitted in the discharge plan renewal application dated August 27, 1999 with attachments, subsequent information dated December 13, 1999 and these conditions for approval.
3. Brine Storage Pond Inspection: Leaks shall be reported pursuant to Item 21. (Spill Reporting) of these conditions. A minimum freeboard will be maintained in the pond so that no overtopping of brine occurs. Any repairs or modifications to the pond liner must receive prior OCD approval.

Leak Detection Monitor Well: The leak detection monitor well for the brine storage pond must be inspected for fluids monthly. Records will be maintained to include quantity of fluid measured, conductivity and chlorides of fluid, date of inspection, and name of inspector. Any fluids found must be reported to the NMOCD Santa Fe office and the appropriate District office within 48 hours of discovery.

4. 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.
5. Maximum Injection 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.

6. Mechanical Integrity Testing: Sims-McCasland Water Sales will conduct an annual open hole cavern pressure test equal to one and one-half times the normal operating pressure (not to exceed formation fracture pressure) or 300 psi, whichever is greater, for four hours. At least once every five years and during well work overs the cavern formation will be isolated from the casing/tubing annulus and the casing pressure tested at 300 psig for 30 minutes. All pressure test must be witnessed by OCD.
7. Capacity and Cavity Configuration: A test will be conducted to determine the size and configuration of the mined cavity prior to discharge plan renewal (**April 06, 2004**). The method and time of testing will be approved by the OCD prior to performing the test.

Sims-McCasland Water Sales will provide to the NMOCD by March 28, 2000, the calculated size of the cavity and demonstrate the stability of the salt formation cavity from collapse and/or subsidence.

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 in an annual report due on the first day of April of each year.
9. 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.
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.

Mr. Bob Patterson

January 21, 2000

Page 5

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 be tested to demonstrate their mechanical integrity no later than March 28, 2000 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 30 days after test has been conducted.
16. Underground Process/Wastewater Lines: All underground process/wastewater pipelines must be tested to demonstrate their mechanical integrity no later than March 28, 2000 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 30 days after test has been conducted.
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18. 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.
19. 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.
20. Spill Reporting: All spills/releases shall be reported pursuant to OCD Rule 116. and WQCC 1203. to the OCD Hobbs District Office.

21. 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 characterization per 40 CFR Part 261.
22. 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.
23. 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.
24. OCD Inspections: Additional requirements may be placed on the facility based upon results from OCD inspections.
25. Groundwater Contamination: Sims-McCasland Water Sales shall submit for NMOCD approval a site investigation plan pursuant to 20 NMAC 6.2.4105.6 to investigate possible ground water contamination pursuant to NMOCD's letter dated April 28, 1998 (Ashley to Patterson). This plan shall be submitted by March 28, 2000.
26. Certification: Sims-McCasland Water Sales by the officer whose signature appears below, accepts this permit and agrees to comply with all terms and conditions contained herein. Sims-McCasland Water Sales 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.

Sims-McCasland Water Sales

Print Name: Bob Patterson

Signature: Bob Patterson

Title: Supervisor

Date: 1-28-00



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

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

January 21, 2000

CERTIFIED MAIL
RETURN RECEIPT NO. P 410425 212

Mr. Bob Patterson
Sims-McCasland Water Sales
P.O. Box 99
Eunice, New Mexico 88231

Re: Discharge Plan BW-009
Sims-McCasland Brine Station
Lea County, New Mexico

Dear Mr. Patterson:

The groundwater discharge plan renewal application for the Sims-McCasland Water Sales Eunice Brine Station BW-009 operated by Sims-McCasland Water Sales located in the NE/4, NE/4 of Section 32, Township 21 South, Range 37 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 ten working days of receipt of this letter.**

The original discharge plan was approved on December 18, 1982 and subsequently renewed as DP-326 by the Environmental Improvement Division (EID) on April 07, 1989, and renewed by the Oil Conservation Division on April 04, 1995. The discharge plan renewal consists of the renewal application dated August 27, 1999 with attachments and subsequent information dated December 13, 1999 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 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 Sims-McCasland Water Sales 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. Bob Patterson
January 21, 2000
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., Sims-McCasland Water Sales 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 April 06, 2004** 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. 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 Sims-McCasland Water Sales Eunice 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 renewal fee of \$690.00 for brine stations. The OCD has not received the \$690.00 flat fee. The flat fee of \$690.00 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: **NMED-Water Quality Management** and addressed to the OCD Santa Fe Office.

If you have any questions, please contact Wayne Price of my staff at (505-827-7155). 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 Anderson
Environmental Bureau Chief

RCA/lwp
Attachment-1
xc: OCD Hobbs Office

**ATTACHMENT TO THE DISCHARGE PLAN BW-009 APPROVAL
Sims-McCasland Water Sales Eunice Brine Station (BW-009)
DISCHARGE PLAN APPROVAL CONDITIONS
January 21, 2000**

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4. 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.
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Mr. Bob Patterson

January 21, 2000

Page 4

6. Mechanical Integrity Testing: Sims-McCasland Water Sales will conduct an annual open hole cavern pressure test equal to one and one-half times the normal operating pressure (not to exceed formation fracture pressure) or 300 psi, whichever is greater, for four hours. At least once every five years and during well work overs the cavern formation will be isolated from the casing/tubing annulus and the casing pressure tested at 300 psig for 30 minutes. All pressure test must be witnessed by OCD.

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26. Certification: Sims-McCasland Water Sales by the officer whose signature appears below, accepts this permit and agrees to comply with all terms and conditions contained herein. Sims-McCasland Water Sales 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.

Sims-McCasland Water Sales

Print Name: _____

Signature: _____

Title: _____

Date: _____

ACKNOWLEDGEMENT OF RECEIPT
OF CHECK/CASH

I hereby acknowledge receipt of check No. dated 1/28/2000,
or cash received on in the amount of \$ 690⁰⁰
from McCASLAND AND SIMS WATER SALES
for EUNICE PRIME 56 BW-009
Submitted by: WAYNE PRICE (Facility Name) Date: 2/1/2000 (DP No.)
Submitted to ASD by: [Signature] Date: 11
Received in ASD by: Date:
Filing Fee New Facility Renewal ✓
Modification Other (specify)
Organization Code 521.07 Applicable FY 2000

To be deposited in the Water Quality Management Fund.
Full Payment ✓ or Annual Increment

McCASLAND AND SIMS WATER SALES P. O. BOX 99 EUNICE, NM 88231		JANUARY 28, 19 <u>2000</u> <small>95-199/1122</small>	
PAY TO THE ORDER OF	NMED-WATER QUALITY MANAGEMENT	\$	690.00
SIX HUNDRED NINETY & NO/100*****		DOLLARS	
FOR <u>DISCHARGE PLAN</u>		<u>[Signature]</u>	
UNITED NEW MEXICO BANK Post Office Box 1177 Eunice, New Mexico 88231		0704	
BW-009			

1-19-98 TUE 2:45 PM



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2640 South Pacheco Street
Santa Fe, New Mexico 87525
(505) 827-7131

January 30, 1998

RECEIVED
JAN 31 2000
Environmental Bureau
Oil Conservation Division

Mr Bob Patterson
Sims-McCasland Water Sales
P.O. Box 98
Eunice, New Mexico 88231

Bond B 2069

Re: \$5,000 One-Well Plugging Bond
Sims-McCasland Water Sales, Operator
Underwriters Indemnity Company, Surety
250' FNL and 200' FEL of Section 32,
Township 21 South, Range 37 East,
Lea County, New Mexico

Dear Mr. Patterson:

The New Mexico Oil Conservation Division hereby approves the cancellation of the above-referenced one-well plugging bond and releases Underwriters Indemnity Company of any liability.

Sincerely,

KATHY GARLAND
Acting Director

KG:dp

cc: Oil Conservation Division - Hobbs, New Mexico

Underwriters Indemnity Company
8 Greenway Plaza, Suite 400
Houston, TX 77046



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

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

January 21, 2000

CERTIFIED MAIL
RETURN RECEIPT NO. Z 142 564 937

Leavell/Danford Ins Agency inc.
P.O. Box 1889
Eunice, NM 88231

COPY

Re: \$ 5,00.00 One-Well Plugging Bond
McCasland Services, Inc., Principal
Underwriters Indemnity Co., Surety
420' FNL and 210' FEL of Sec 32,
Ts-21s, R 37e, Lea County
Bond No. BO 2070

The New Mexico Oil Conservation Division hereby approves of the Bond Rider No. 1 (copy attached) changing the name and address of the principal to Sims-McCasland Water Sales. P.O. Box 98, Eunice, New Mexico for the above-captioned Bond.

Sincerely,

RAND CARROLL,
Legal Counsel

RC/wp

cc: OCD Hobbs Office
Underwriters Indemnity
Sims-McCasland Water Sales

GENERAL POWER OF ATTORNEY
CERTIFIED COPY

ORIGINAL
COPY

KNOW ALL MEN BY THESE PRESENTS: That UNDERWRITERS INDEMNITY COMPANY, a corporation organized and existing under the laws of the State of Texas, and having its principal office in the City of Houston, Texas, does hereby constitute and appoint:

ROY C. DIE

its true and lawful attorney-in-fact to execute, seal and deliver for and on its behalf as surety, any and all bonds and undertakings, recognizances, contracts of indemnity and other writings obligatory in the nature thereof, which are or may be allowed, required or permitted by law, statute, rule, regulation, contract or otherwise, in an amount not to exceed:

*****FIFTY THOUSAND AND NO/100 DOLLARS*****
and the execution of all such instrument(s) in pursuance of these presents, shall be binding upon said UNDERWRITERS INDEMNITY COMPANY as fully and amply, to all intents and purposes, as if the same had been duly executed and acknowledged by its regularly elected officers at its principal office.

This Power of Attorney is executed, and may be certified to and may be revoked, pursuant to and by authority of Article V, Section 6(C) of the By-Laws adopted by the Board of Directors of UNDERWRITERS INDEMNITY COMPANY, at a meeting called and held on the 23rd day of January 1985, of which the following is a true transcript of said Section 6(C):

- "The President or any Vice President, Assistant Vice President, Secretary or Resident Secretary shall have power and authority
- (1) To appoint Attorneys-in-fact, and to authorize them to execute on behalf of the Company, and attach the Seal of the Company thereto, bonds and undertakings, recognizances, contracts of indemnity and other writings obligatory in the nature thereof, and
 - (2) to appoint special Attorneys-in-fact, who are hereby authorized to certify to copies of any power-of-attorney issued in pursuance of this section and/or any of the By-laws of the Company, and
 - (3) to remove, at any time, any such Attorney-in-fact or Special Attorney-in-fact and revoke the authority given to him."

Further, this Power of Attorney is signed and sealed by facsimile pursuant to resolution of the Board of Directors of said Company adopted at a meeting duly called and held on the 23rd day of January, 1985, of which the following is a true excerpt:

"Now therefore the signatures of such officers and the seal of the Company may be affixed to any such power of attorney or any certificate relating thereto by facsimile, and any such power of attorney or certificate bearing such facsimile signatures or facsimile seal shall be valid and binding upon the Company and any such power so executed and certified by facsimile signatures and facsimile seal shall be valid and binding upon the Company in the future with respect to any bond or undertaking to which it is attached."

IN TESTIMONY WHEREOF, UNDERWRITERS INDEMNITY COMPANY has caused this instrument to be signed and its corporate seal to be affixed by its authorized officer, E.H. Frank, III, on this the third day of September, 1991.



E.H. Frank III President

STATE OF TEXAS
COUNTY OF HARRIS

On this the 3rd day of September, 1991, before me came the individual who executed the preceding instrument, to me personally known, and, being duly sworn, said that he is the therein described and authorized officer of UNDERWRITERS INDEMNITY COMPANY; that the seal affixed to said instrument is the Corporate Seal of said Company; that the said Corporate Seal and his signature were duly affixed by order of the Board of Directors of said Company.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my Official Seal, at the City of Houston, Texas, the day and year first above written.



Mary Williams NOTARY PUBLIC, Harris County, Texas

CERTIFICATION

I, the undersigned officer of UNDERWRITERS INDEMNITY COMPANY, do hereby certify that I have compared the foregoing copy of the Power of Attorney and affidavit, and the copy of the Section of the By-Laws of said Company as set forth in said Power of Attorney, and that the same are correct transcripts thereof, and of the whole of the said originals, and that the said Power of Attorney has not been revoked and is now in full force and effect.

IN TESTIMONY WHEREOF, I have hereunto set my hand this 19th day of July, 19 96



Greg E. Chilson Assistant Secretary
Greg E. Chilson

Only a certified copy of Power of Attorney bearing the Certificate of Authority No. printed in red on the upper right corner is binding. Photocopies, carbon copies or other reproductions of this document are invalid and not binding upon the Company.
ANY INSTRUMENT ISSUED IN EXCESS OF THE PENALTY AMOUNT STATED ABOVE IS TOTALLY VOID AND WITHOUT VALIDITY.



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 S. PACHECO
SANTA FE, NEW MEXICO 87505
(505) 827-7131

April 4, 1995

CERTIFIED MAIL
RETURN RECEIPT NO. Z-765-962-831

Mr. Bob Patterson
Sims-McCasland Water Sales
P.O. Box 99
Eunice, NM 88231

Re: Discharge Plan BW-009
Sims-McCasland Brine Station
Lea County, New Mexico

Dear Mr. Patterson:

The groundwater discharge plan, BW-009, for the Sims-McCasland Water Sales Sims-McCasland Brine Station, located in the NE/4 NE/4, Section 32, Township 21 South, Range 37 East, NMPM, Lea County, New Mexico, and the evaporation pit **is hereby approved** under the conditions contained in the enclosed attachment. The discharge plan consists of the application dated May 25, 1994 and the additional information received April 3, 1995.

The discharge plan was submitted pursuant to section 3-106 of the Water Quality Control Commission Regulations. It is approved pursuant to section 3-109.A. Please note Section 3-109.F., which provides for possible future amendment of the plan. Please be advised that approval of this plan does not relieve you of your liability should your operation result in actual pollution of surface or ground waters or the environment which may be actionable under other laws and/or regulations.

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 3-104 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. Bob Patterson
April 4, 1995
Page 2

3-107.C. you are 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.

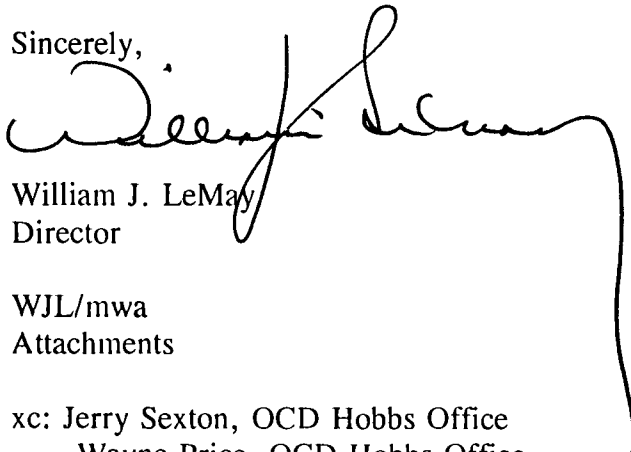
Pursuant to Section 3-109.G.4., this approval is for a period of five years. This approval will expire April 6, 1999, and an application for renewal should be submitted in ample time before that date.

The discharge plan application for the Sims-McCasland Water Sales Sims-McCasland Brine Station is subject to the WQCC Regulation 3-114 discharge plan fee. Every billable facility submitting a discharge plan will be assessed a fee equal to the filing fee of fifty (50) dollars plus one half of the flat rate or six hundred and ninety dollars (\$690.00) for brine station discharge plans. The fifty (50) dollar filing fee and the six hundred and ninety dollar (\$690.00) flat fee have not been received by the Oil Conservation Division, and shall be submitted on receipt of this approval. The required flat fee may be paid in a single payment 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.

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

On behalf of the staff of the 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: Jerry Sexton, OCD Hobbs Office
Wayne Price, OCD Hobbs Office

ATTACHMENT TO THE DISCHARGE PLAN BW-009 APPROVAL
SIMS-MCCASLAND WATER SALES
SIMS-MCCASLAND BRINE STATION
DISCHARGE PLAN REQUIREMENTS
(April 4, 1995)

1. The fifty (50) dollar filing fee and the six hundred and ninety dollar (\$690.00) flat fee shall be submitted on receipt of this approval. The required flat fee may be paid in a single payment or in 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.
2. Brine Transfer Lines: All Below-grade brine transfer lines will be tested for integrity once every five years.
3. Sump Construction: All new or rebuilt sumps and below-grade tanks will be approved by the OCD prior to installation and will incorporate secondary synthetic containment and leak detection in their designs. All leak detection systems will be inspected weekly and the OCD Santa Fe office will be notified immediately upon discovery of fluids in any leak detection system.
4. Drum Storage: All chemical and lubrication drums shall be stored on pad and curb type containment.
5. Tank Berming: All tanks that contain materials other than fresh water will be bermed to contain one and one-third times the capacity of the tank.
6. Spill Containment: All brine storage and transfer will be managed in such a manner to keep brine off of the ground surface. Any brine spilled onto the ground surface will be cleaned up upon discovery.
7. Spill Reporting: All spills and/or leaks shall be reported to the OCD Santa Fe and Hobbs offices pursuant to WQCC Rule 1-203 and OCD Rule 116.
8. Production Method: Fresh water shall be injected down the tubing of the injection well and brine shall be recovered up the tubing of the recovery well. Reverse flow will be allowed once a month for up to 24 hours for clean out.
9. Maximum Injection Pressure: The maximum operating injection pressure at the well head will be such that the fracture pressure of the injection formation (Salado) will not be exceeded. Prior to initiating injection Sims-McCasland Water Sales shall supply and obtain approval for the maximum and average injection pressures and injection volumes.

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10. Mechanical Integrity Testing: A mechanical integrity test will be conducted on the well annually. A pressure equal to one and one-half of the normal operating pressure will be maintained for four hours. The OCD will be notified at least 72 hours prior to the test so that the OCD may witness the test.
11. Cavity Configuration: A test will be conducted to determine the size and configuration of the mined cavity prior to discharge plan renewal (September 21, 1999). The method and time of testing will be approved by the OCD prior to performing the test.
12. 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.
13. 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.
14. Closure: The OCD will be notified when operations of the facility is 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.

Z 765 962 831



**Receipt for
Certified Mail**

No Insurance Coverage Provided
Do not use for International Mail
(See Reverse)

PS Form 3800, March 1993

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Return Receipt Showing to Whom, Date, and Addressee's Address	
TOTAL Postage & Fees	\$
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