

NM1 - 6

**PERMITS,
RENEWALS, &
MODS**

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

John Bemis
Cabinet Secretary

Brett F. Woods, Ph.D.
Deputy Cabinet Secretary

Jami Bailey
Division Director
Oil Conservation Division



May 7, 2012

Mr. Frank Schageman
Executive Vice President Chief Financial Officer
R360 Permian Basin, LLC
16945 Northchase Drive
Suite 2200
Houston, TX 77060

Re: Request for Permit Transfer and Financial Assurance Approval
New Operator: R360 Permian Basin, LLC.
Permit: NM-1-006/Order R-9166
Argonaut Insurance Company Bond No.: SUR0018079 (\$56,000.00)
Facility Location: S/2, N/2 and the N/2 S/2 Section 27, Township 20 South,
Range 32 East, NMPM, Lea County, New Mexico

Dear Mr. Schageman:

The Oil Conservation Division (OCD) has reviewed R360 Permian Basin, L.L.C.'s request to transfer a permit, dated April 11, 2012, and the replacement financial assurance, dated April 12, 2012 to demonstrate compliance to Subsection E of 19.15.36.12 NMAC. OCD hereby approves the above-referenced financial assurance and transfer of the surface waste management facility permit NM-1-006/Order R-9166 to R360 Permian Basin, L.L.C.

Please be advised that should operations result in pollution of surface water, ground water or the environment, approval of this request does not relieve R360 Permian Basin, L.L.C of liability. In addition, approval of this request requires R360 Permian Basin, L.L.C to comply with all applicable governmental authority's rules and regulations.

If there are any questions regarding this matter, please do not hesitate to contact Mr. Brad A. Jones of the OCD staff at (505) 476-3487 or brad.a.jones@state.nm.us.

Sincerely,

A handwritten signature in black ink, appearing to read "Gabrielle A. Gerholt".

Gabrielle A. Gerholt
Assistant General Counsel

GG/baj

Enclosure: Copy of Surety Bond # SUR0018079 (total amount \$56,000.00)

cc: OCD District I Office, Hobbs



April 13, 2012

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

VIA FED EX

Re: Transfer of Permit for R360 Permian Basin, LLC Re: Replacement Bond
for Controlled Recovery, Inc. and Bond No. SUR0018073

Dear Brad:

I have enclosed the following documents for review by your General Counsel:

***Transfer of Permit for R360 Permian, Basin, LLC;**

From the NMPRC:

***Certificate of Organization By Conversion of R360 Permian Basin, LLC
converted from Controlled Recovery, Inc. filed 1/19/12**

***Articles of Organization filed 1/19/12**

***Limited Liability Company Agreement**

and

***Bond Number SUR0018079 on behalf of R360 Permian Basin, LLC**

The Bond is executed through Argonaut Insurance Company. The enclosed bond is replacing bond number SUR0018073 in the name of Controlled Recovery, Inc. that is presently on record with the New Mexico Energy, Minerals and Natural Resources Department.

Once the replacement bond is reviewed and approved, please return the original bond for Controlled Recovery, Inc. (Bond No. SUR0018073) addressed to my attention at this address:
16945 Northchase Drive, Suite 2200, Houston, TX 77060

I

Please let me know if there is anything further you need to complete this filing. My direct line is 281-873-3221, and email is bcarney@R360es.com.

Sincerely,

A handwritten signature in black ink that reads "Barbara Carney". The script is fluid and cursive, with the first name and last name clearly distinguishable.

Barbara Carney
Corporate Paralegal

Attachments



NEW MEXICO PUBLIC REGULATION COMMISSION

Certificate Of Organization By Conversion

OF

R360 PERMIAN BASIN, LLC

1466515

CONVERTED FROM

Controlled Recovery, Inc.

The Public Regulation Commission certifies that the statement of conversion and Articles of Organization, duly signed and verified pursuant to the provisions of the Limited Liability Company Act (53-19-1 To 53-19-74 NMSA 1978) have been received by it and are found to conform to law.

Accordingly, by virtue of the authority vested in it by law, the Public Regulation Commission issues this Certificate Of Organization by Conversion and attaches hereto, a duplicate of The Statement of Organization.

Dated : **January 19, 2012**

In testimony whereof, the Public Regulation of the State of New Mexico has caused this certificate to be signed by its Chairman and the seal of said Commission to affixed at the city of Santa Fe.

Stacy Starr-Garcia

Bureau Chief

Patrick H. Lyons

Chairman

TRANSFER OF PERMIT

Pursuant to 19.15.36.12E NMAC, "Transfer of a permit. The operator shall not transfer a permit without the division's prior written approval. A request for transfer of a permit shall identify officers, directors and owners of 25 percent or greater in the transferee. Unless the director otherwise orders, public notice or hearing are not required for the transfer request's approval. If the division denies the transfer request, it shall notify the operator and the proposed transferee of the denial by certified mail, return receipt requested, and either the operator or the proposed transferee may request a hearing with 10 days after receipt of the notice. Until the division approves the transfer and the required financial assurance is in place, the division shall not release the transferor's financial assurance."

FACILITY INFORMATION:

Surface Waste Management Facility Permit(s): NM-1-006/Order R-9166

Legal Description: S/2, N/2 and the N/2 S/2 Section 27, Township 20 South, Range 32 East, NMPM

Location: Lea County, New Mexico

From: Company Name: Controlled Recovery, Inc.
Company Address: 4507 Carlsbad Hwy
Hobbs, NM 88240

To: Company Name: R360 Permian Basin, LLC
Company Address: 4507 Carlsbad Hwy
Hobbs, NM 88240

CERTIFICATION:


R360 PERMIAN BASIN, LLC, by the officer whose signature appears below, accepts this permit and agrees to comply with all terms and conditions contained herein. R360 PERMIAN BASIN, LLC further acknowledges that the Division for good cause shown as necessary to protect fresh water, human health, and the environment may change such terms and conditions administratively. The undersigned also attests to the fact that he or she understands 19.15.5.11 NMAC which states "Any person who conducts any activity pursuant to a permit, administrative order or other written authorization or approval from the division shall comply with every term, condition and provision of such permit, administrative order, authorization or approval."

Accepted:

R360 PERMIAN BASIN, LLC

Print Name: Frank W. Schageman

Permit #: NM-1-006/Order R-9166

Signature: 

Date: 9/11/12

Title: Executive Vice President and Chief Financial Officer

Mailing Address: 16945 Northchase Drive, Suite 2200, Houston, TX 77060

Contact Telephone Number: (281) 873-3210

ATTACHMENT "A"

*****PLEASE NOTE*****

**THIS REASON FOR THIS TRANSFER IS FOR A CORPORATE
ORGANIZATION CHANGE ONLY—**

THE OPERATOR WILL REMAIN THE SAME

Due to corporate reorganization, the company holding the permit Controlled Recovery, Inc. changed its name and its form with the New Mexico Corporations Division from a corporation to a limited liability company to:

R360 Permian Basin, LLC

OFFICERS

John Q. Barnidge, President
16945 Northchase Drive, Suite 2200, Houston, TX 77060

Frank W. Schageman, Executive Vice President and Chief Financial Officer
16945 Northchase Drive, Suite 2200, Houston, TX 77060

THE SOLE MEMBER OF THE LLC

R360 Operating Partners, LP
16945 Northchase Drive, Suite 2200, Houston, TX 77060

**Limited Liability Company
ARTICLES OF ORGANIZATION**

The undersigned, acting as the organizer of a limited liability company pursuant to the New Mexico Limited Liability Company Act, adopts the following Articles of Organization:

ARTICLE ONE: The name of the limited liability company is: **R360 Permian Basin, LLC.**

ARTICLE TWO: The period of duration is perpetual.

ARTICLE THREE:

(1) The New Mexico street address of the company's initial registered office is: 1819 North Turner, Suite G, Hobbs, NM 88240.

(2) The name of the initial registered agent at that address is: Gary Don Reagan.

(3) The street address of the company's principal place of business, if different from its registered office, is: 4507 W. Carlsbad Hwy., Hobbs, NM 88240.

ARTICLE FOUR: The management of the business and affairs of the company is vested in a manager.

ARTICLE FIVE: The limited liability company is a single member limited liability company.

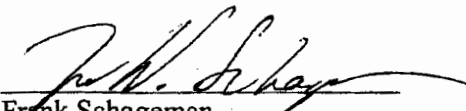
ARTICLE SIX: These Articles of Organization are to be effective upon filing with the New Mexico Public Regulation Commission.

[Signature page follows]

RECEIVED
NMPRC
Corporation Bureau JAN 19 2012

RECEIVED
NMPRC
Corporation Bureau JAN 17 2012

Dated: January 12, 2012

By: 
Frank Schageman
Authorized Person

RECEIVED
NMPRC
Corporation Bureau JAN 19 2012

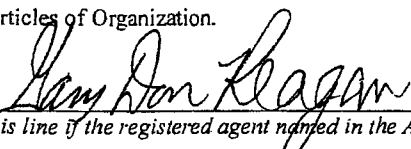
RECEIVED
NMPRC
Corporation Bureau JAN 17 2012

[Signature page to Articles of Organization of R360 Permian Basin, LLC]

STATEMENT OF ACCEPTANCE OF APPOINTMENT
BY DESIGNATED INITIAL REGISTERED AGENT

I, Gary Don Reagan

hereby acknowledge that the undersigned individual or corporation accepts the appointment as Initial Registered Agent of **R360 Permian Basin, LLC**, the limited liability company which is named in the annexed Articles of Organization.


(Sign on this line if the registered agent named in the Articles of Organization is an individual.
If this line is signed, the two lines below do not apply and must be left blank.)

CORPORATION ACTING AS A REGISTERED AGENT ONLY

(If the following lines are used, the signature line above does not apply and must be left blank)

(If the registered agent named in the Articles of Organization is a corporation, limited liability company, or partnership, type or print the name of that entity here.)

By _____
(An authorized person of the entity being appointed as registered agent must sign here)

[Signature page to Articles of Organization of R360 Permian Basin, LLC]

RECEIVED
NMPRC
Corporation Bureau JAN 19 2012

RECEIVED
Corporation Bureau JAN 17 2012

LIMITED LIABILITY COMPANY AGREEMENT
OF
R360 PERMIAN BASIN, LLC

This LIMITED LIABILITY COMPANY AGREEMENT (this "Agreement") of R360 Permian Basin, LLC (the "Company") is effective as of January 19, 2012.

1. Formation of Limited Liability Company. The Member (as defined below) hereby agrees to form the Company as a limited liability company pursuant to the provisions of the New Mexico Limited Liability Company Act, as it may be amended from time to time, and any successor to such statute (the "Act"), simultaneously with the filing of a Statement of Conversion by Controlled Recovery, Inc., a New Mexico corporation, to convert from a New Mexico corporation to the Company pursuant to the provisions of §53-19-60 of the Act. The rights and obligations of the Member and the administration and termination of the Company shall be governed by this Agreement and the Act. This Agreement shall be considered the "Limited Liability Company Agreement" of the Company within the meaning of the Act. To the extent this Agreement is inconsistent in any respect with the Act, to the extent permitted by law, this Agreement shall control.

2. Members. The identity and address of the member of the Company (the "Member") and its percentage of Membership Interests (as defined below) is set forth on Schedule I attached hereto, which Schedule may be amended from time to time by the Member to reflect the substitution of the Member and the address of such substituted Member effected in accordance with the terms of this Agreement. The Member is the sole and managing member of the Company.

3. Purpose. The purpose of the Company is to engage in any and all businesses or activities in which a limited liability company may be engaged under applicable law (including, without limitation, the Act).

4. Name. The name of the Company shall be "R360 Permian Basin, LLC".

5. Registered Agent and Principal Office. The registered office and registered agent of the Company in the State of New Mexico shall be as the Member may designate from time to time. The Company may have such other offices as the Member may designate from time to time.

6. Term of Company. The Company shall commence on the date a Certificate of Formation first is properly filed with the Secretary of State of the State of New Mexico and shall continue in existence in perpetuity unless its business and affairs are earlier wound up following dissolution at such time as this Agreement or the Act may specify.

7. Authorized Person. Frank Schageman is hereby designated as an authorized person within the meaning of the Act, and shall have the power and authority to execute, deliver and file the Certificate of Formation of the Company with the Secretary of State of the State of New Mexico. Upon the filing of the Certificate of Formation his powers as

authorized person shall cease, and the Member thereupon shall become the designated authorized person and shall continue as the designated authorized person within the meaning of the Act.

8. Management of Company. All decisions relating to the business, affairs and properties of the Company shall be made by the Member in its capacity as the managing member. Notwithstanding any other provisions of this Agreement, the Member, acting alone, is authorized to execute and deliver any document on behalf of the Company without any vote or consent of any other person.

9. Liability of the Member. The Member shall not have any personal liability whatsoever to the Company on account of the Member's status as managing member or by reason of the Member's acts or omissions in connection with the conduct of the business of the Company; provided, however, that nothing contained herein shall protect the Member against any liability to the Company to which the Member would otherwise be subject by reason of (i) any act or omission of the Member that involves actual fraud or willful misconduct or (ii) any transaction from which the Member derived improper personal benefit. The foregoing shall not apply to any responsibility or liability under a criminal statute or liability for the payment of taxes under federal, state, or local law.

10. Other Activities of the Member. The Member and any affiliate of the Member may engage in or possess an interest in other profit-seeking or business ventures of any kind, nature or description, independently or with others, similar or dissimilar to the business of the Company, whether now existing or hereafter acquired or initiated, whether or not such ventures are competitive with the Company, and the doctrine of corporate opportunity, or any analogous doctrine, shall not apply to the Member. The Member, upon acquisition of knowledge of a potential transaction, agreement, arrangement or other matter that may be an opportunity for the Company, shall not have any duty to communicate or offer such opportunity to the Company, and the Member shall not be liable to the Company for breach of any fiduciary or other duty existing at law, in equity or otherwise by reason of the fact that the Member pursues or acquires for, or directs such opportunity to another person or does not communicate such opportunity or information to the Company. Neither the Company nor the Member shall have any rights or obligations by virtue of this Agreement or the relationship created hereby in or to such independent ventures or the income or profits or losses derived therefrom, and the pursuit of such ventures, even if competitive with the activities of the Company, shall not be deemed wrongful, improper or the breach of any duty to the Company or the Member existing at law, in equity or otherwise.

11. Distributions and Allocations. Each distribution of cash or other property by the Company shall be made 100% to the Member. Each item of income, gain, loss, deduction and credit of the Company shall be allocated 100% to the Member.

12. Capital Accounts. At all times during a No Tax Entity Period (as defined in Section 13 below), the Company shall not be required to establish or maintain capital accounts. At all other times, as necessary, a capital account shall be maintained for the Member in accordance with Treasury Regulations Sections 1.704-1(b)(2)(iv) and 1.704-2.

13. Tax Status. For United States federal income tax purposes, at all times that the Member owns 100% of the Membership Interests (as defined in Section 14 below) in the Company (a "No Tax Entity Period"), the Company and the Member desire and intend that the Company be disregarded as an entity separate from the Member pursuant to Treasury Regulations Section 301.7701-3. Accordingly, no election will be made to treat the Company as a corporation for income tax purposes.

14. Certificates. Upon the determination of the Member, a certificate, or certificates, may be issued to represent the percentage membership interest of the Member in the Company ("Membership Interest"). Each such certificate shall bear the following legend:

THE MEMBERSHIP INTERESTS EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY OTHER APPLICABLE SECURITIES LAWS AND HAVE BEEN ISSUED IN RELIANCE UPON AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND SUCH OTHER SECURITIES LAWS. NEITHER THE MEMBERSHIP INTERESTS EVIDENCED BY THIS CERTIFICATE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED, HYPOTHECATED OR OTHERWISE DISPOSED OF, EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO A TRANSACTION WHICH IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS, AND IN THE CASE OF A TRANSACTION EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION, UNLESS THE COMPANY HAS RECEIVED UPON REQUEST AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO IT THAT SUCH TRANSACTION DOES NOT REQUIRE REGISTRATION UNDER THE SECURITIES ACT AND SUCH OTHER APPLICABLE LAWS.

15. Transfer of Membership Interests. The Member may transfer its Membership Interests in the Company. The Member shall be authorized to provide such revisions or amendments to Schedule I as may be necessary from time to time to reflect changes effected in accordance with this Agreement in the membership of the Company. By acceptance of the transfer of the Membership Interests, the transferee of the Membership Interests (i) shall be admitted to the Company as the Member and shall replace the Member in its capacity as sole and managing member of the Company when any such transfer is reflected in the books and records of the Company, with or without execution of this Agreement, (ii) shall be deemed to agree to be bound by the terms of, and shall be deemed to have executed, this Agreement, (iii) shall become the record holder of the Membership Interests so transferred, (iv) represents that the transferee has the capacity, power and authority to enter into this Agreement and (v) makes the consents and waivers contained in this Agreement.

16. Dissolution and Winding Up. The Company shall dissolve and its business and affairs shall be wound up pursuant to a written instrument executed by the Member.

17. Amendments. This Agreement may be amended or modified from time to time only by a written instrument executed by the Member.

18. Governing Law. The validity and enforceability of this Agreement shall be governed by and construed in accordance with the laws of the State of New Mexico without regard to otherwise governing principles of conflicts of law.

[Signature Page Follows]

IN WITNESS WHEREOF, the Member has duly executed this Agreement as of the date first written above.

NEW CRI, INC.,
a Delaware corporation

By: John Barnidge
Name: John Barnidge
Title: President

Schedule I

(As of January 19, 2012)

THE MEMBER

Name and Address of the Member	Percentage of Membership Interests
R360 Operating Partners, LP Greenspoint Plaza 4 16945 Northchase Dr., Suite 2200 Houston, TX 77060	100.00%

Schedule I

(At the time of formation of the Company)

THE MEMBER

Name and Address of the Member	Percentage of Membership Interests
New CRI, Inc. 4507 W. Carlsbad Hwy Hobbs, NM 88240	100.00%



New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Joanna Prukop
Cabinet Secretary
Reese Fullerton
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



October 20, 2008

Mr. John Q. Barnidge
Controlled Recovery, Inc.
P.O. Box 388
Hobbs, New Mexico 88241

**RE: Minor Modification Request – Upgrade Existing 2-Station Jet Wash Facility
Controlled Recovery, Inc
Commercial Surface Waste Management Facility: Permit NM-1-006/Order R-9166
Location: S/2 N/2 and the N/2 S/2 Section 27, Township 20 South, Range 32 East, NMPM
Lea County, New Mexico**

Dear Mr. Barnidge:

The New Mexico Oil Conservation Division (OCD) has received and reviewed Controlled Recovery, Inc.'s (CRI) revised request, dated September 19, 2008, to upgrade an existing 2-station jet wash facility at CRI's Commercial Surface Waste Management Facility: Permit NM-1-006/Order R-9166. This minor modification request is hereby approved under the following conditions and understandings:

Minor Modification, Existing Jet Wash Facility:

1. CRI shall upgrade the existing jet wash facility within the area of the facility illustrated in Figure 1 of the September 19, 2008 request.
2. CRI shall construct the jet wash stations based upon the construction schematics, the two-bay pump and tank configuration with leak detection, as illustrated on Figure 2 of the September 19, 2008 request.
3. CRI shall divert all wastewater generated and accumulated from the jet wash facility activity into the existing evaporation pond system for disposal. CRI shall remove any visible or measureable oil from the wastewater prior to disposition into the evaporation pond.
4. CRI shall routinely remove any non-hazardous solid and semi-solid residual waste material from the bottom of the containment tanks of the jet wash facility. The non-hazardous solid and semi-solid residual waste material shall be solidified or stabilized prior to placement in the landfill cell for disposal.
5. CRI shall routinely inspect the leak detection system of the jet wash facility and report the discovery of any liquids in the leak detection system to the OCD within 24 hours.
6. Upon cessation of use and notification of closure, CRI shall initiate closure by dismantling the jet wash facility. CRI shall clean the tanks for re-use or scrap metal, as proposed in the



September 19, 2008 proposal. The leak detection system, including the liner, shall be removed and placed in a landfill cell for disposal. If evidence of contamination is observed in the soils beneath the lined area, the contamination shall be exhumed and placed in a landfill cell for disposal. CRI shall backfill the impacted area and contour to promote drainage. CRI shall restore and re-vegetate the impacted area to prevent erosion.

7. CRI will operate such modification under all of the terms and conditions placed on the facility by Permit NM-1-006/Order R-9166.

Please be advised that OCD approval does not relieve the CRI of responsibility should their operations fail to adequately investigate and remediate contamination that pose a threat to ground water, surface water, human health or the environment. In addition, OCD approval does not relieve the CRI of responsibility for compliance with any other federal, state, or local laws and/or regulations

If you have any questions regarding this matter, please contact Brad A Jones of my staff at (505) 476-3487 or brad.a.jones@state.nm.us.

Sincerely,



Wayne Price
Environmental Bureau Chief

LWP/baj

cc: OCD District I Office, Hobbs

CRI
CONTROLLED RECOVERY

RECEIVED
INC.
2008 OCT 6 PM 3 36

4507 W. CARLSBAD HWY. • HOBBS, NM 88240
P.O. BOX 388, HOBBS, NM 88241
(575) 393-1079 • FAX (575) 393-3615

September 19, 2008

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

Re: Controlled Recovery, Inc [139.02.02/05]
Proposed Facility Upgrades

Dear Mr. Brad:

Controlled Recovery, Inc. (CRI) is submitting this summary of proposed upgrades to facility design and operations specific to its initial 2-station jet wash facility. Now that the new 8-station jet wash is operational, CRI would like to significantly upgrade and refurbish the old facility, which we believe would be a minor modification.

Specifically, CRI proposes to utilize the exact same construction schematic, materials and process that we used for the 8-station jet wash facility, as follows:

Figure 2 shows the construction schematic for a two-bay pump and tank configuration with leak detection for the 2-station jet wash facility at CRI. The following is a summary of the daily operating procedures and processes that CRI plans to adopt or perpetuate for the upgraded 2-station jet wash facility at its Halfway site.

- Supervision/Oversight:

In keeping with our current policy, a CRI employee will be present at the jet wash facility at all times. This employee will be under the direct supervision of CRI's Plant Manager. All of the Halfway employees have a current H2S certification card. They attend safety meetings each month given by an independent safety and environmental consultant. They are trained in the use of escape air packs and self-contained breathing apparatus (SCBA) which are on site.

- Water Source:

The primary water source for the wash-out station is CRI's main water line coming in from the south side of Halfway.

- Daily Use & Maintenance:

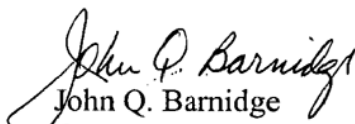
Accumulated water from daily use will be pumped into CRI's existing evaporation pond system, referred to internally as Pits AA, A, B, C and D. Every two days (or more often, as needed) CRI's back hoe operator will clean out the non-hazardous residual waste at the bottom of the receiving tanks using a smooth-bladed bucket. The construction plans allow for more space for the back-hoe operations on the side of the receiving tanks opposite the trucks' wash-out side than current exists. The receiving bin has been specially designed to have slightly rounded bottom with no 90 degree corners (see Cross Section, **Figure 2**). This allows the back-hoe operator to remove the residual waste much more easily and reduces the amount of manual labor inside the open-top tanks, which is required periodically. The current facility uses squared receiving tanks, and residual waste tends to get trapped in the 90 degree corners because the bucket cannot get into those tight angles. The non-hazardous residual waste will be transferred to a solidification pit (just as CRI does today), mixed with soil and disposed of in the OCD landfill cells located at the east end of the site.

- Closure:

Closure of the refurbished 2-station jet wash facility will consist of dismantling the above grade installations for recycling (of clean elements) or on-site disposal. The tanks will be cleaned for re-use or metal scrap, and the leak detection zone will be examined for contamination. If evidence of contamination is present, the gravel from the leak detection zone will be exhumed and disposed of on-site. If no contamination is present, the lined units will be backfilled with native clean soil, and crowned to promote drainage.

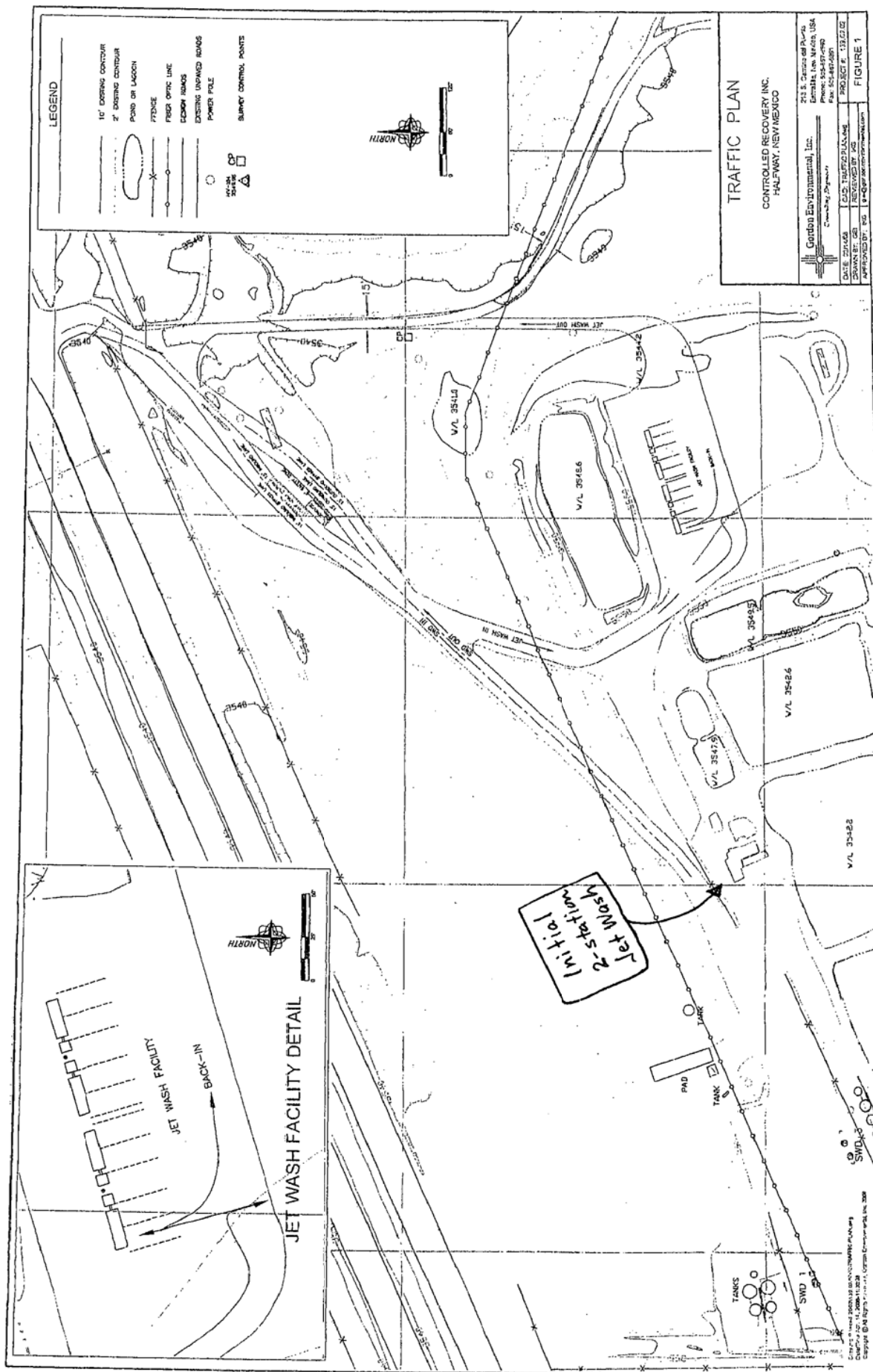
We appreciate your ongoing review and input regarding planned upgrades at CRI. Please contact us with any questions or comments. Should this transmittal meet with your approval, we would appreciate a response to that effect.

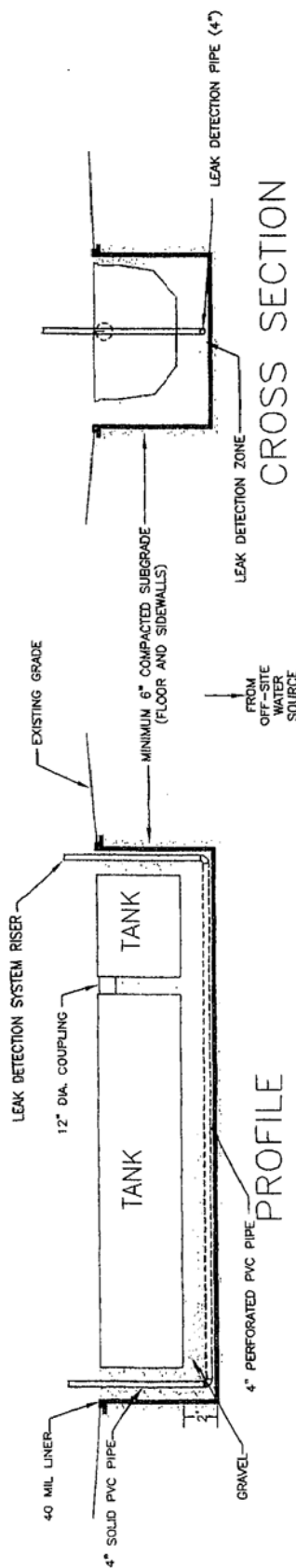
Very truly yours,


John Q. Barnidge
C.E.O

Attachment:

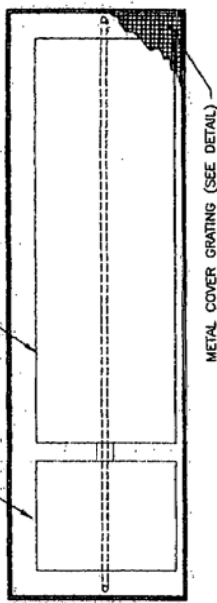
Figure 1	Site Location of Initial 2-station Jet Wash
Figure 2	Jet Wash Tank and Leak Detection System Schematic





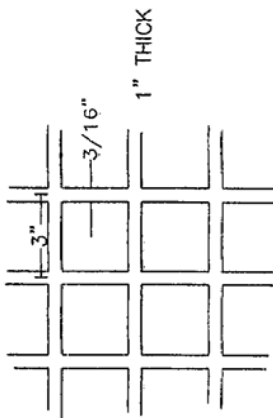
CROSS SECTION

6 CY METAL ROLL-OFF BOX 22 CY METAL ROLL-OFF BOX



METAL COVER GRATING (SEE DETAIL)

METAL COVER GRATING DETAIL



PLAN VIEW

JET WASH TANK AND LEAK DETECTION SYSTEM SCHEMATIC

CRI
HALFWAY, NEW MEXICO

Gordon Environmental, Inc.
213 S. Camino del Pueblo
Bernalillo, New Mexico, USA
Phone: 505-867-8990
Fax: 505-867-6991

DATE: 02/25/08
DRAWN BY: MLH
APPROVED BY: KIG
CAD: JETWASH TANK SCHEMATIC.dwg
REVIEWED BY: KIG
get@gordonenvironmental.com
PROJECT #: 139.02.02

Drawing: P:\acad 2003\139.02.02\02JETWASH TANK SCHEMATIC.dwg
Date/Time: Mar. 25, 2008-10:23:21
Copyright © All Rights Reserved, Gordon Environmental, Inc. 2008

FIGURE 2



New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Joanna Prukop
Cabinet Secretary
Reese Fullerton
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



May 14, 2008

Mr. John Q. Barnidge
Controlled Recovery, Inc.
P.O. Box 388
Hobbs, New Mexico 88241

**RE: Minor Modification Request
Controlled Recovery, Inc
Commercial Surface Waste Management Facility: Permit NM-1-006/Order R-9166
Location: S/2 N/2 and the N/2 S/2 Section 27, Township 20 South, Range 32 East, NMPM
Lea County, New Mexico**

Dear Mr. Barnidge:

The New Mexico Oil Conservation Division (OCD) has received and reviewed Controlled Recovery, Inc.'s (CRI) revised request, dated April 17, 2008, to construct and operate three dedicated stabilization units for the stabilization and solidification of limited waste streams produced by the Navajo Lea Refinery (Minor Modification 1) and the construction, and installation of a jet wash facility (Minor Modification 2). This minor modification request is hereby approved under the following conditions and understandings:

Minor Modification 1, Dedicated Stabilization Units:

1. CRI shall construct only three dedicated stabilization units within the area of the facility illustrated in Figure 3 of the April 17, 2008 request.
2. CRI shall construct the dedicated stabilization units in a manner to prevent the collection of stormwater run-on, as illustrated on Figure 2 of the April 17, 2008 request.
3. CRI shall utilize the dedicated stabilization units only for the stabilization and solidification of limited waste streams produced by the Navajo Lea Refinery (Navajo), in order to prevent the comingling of waste from other generators.
4. As the footprint of the Navajo landfill cell expands and encroaches upon the stabilization units, CRI shall dismantle the stabilization units and place any remaining waste and contaminated soils discovered within the stabilization unit area into Navajo's dedicated landfill cell.
5. CRI shall submit a request and obtain OCD approval prior to construction of any additional stabilization units or the replacement of any previously approved stabilization units.
6. CRI will operate such modification under all of the terms and conditions placed on the facility by Permit NM-1-006/Order R-9166.




Minor Modification 2, Jet Wash Facility:

1. CRI shall construct the jet wash facility within the area of the facility illustrated in Figure 1 of the April 17, 2008 request.
2. CRI shall construct the jet wash stations based upon the construction schematics, the two-bay pump and tank configuration with leak detection, as illustrated on Figure 4 of the April 17, 2008 request.
3. CRI shall divert all wastewater generated and accumulated from the jet wash facility activity into the existing evaporation pond system for disposal. CRI shall remove any visible or measureable oil from the wastewater prior to disposition into the evaporation pond.
4. CRI shall routinely remove any non-hazardous solid and semi-solid residual waste material from the bottom of the containment tanks of the jet wash facility. The non-hazardous solid and semi-solid residual waste material shall be solidified or stabilized prior to placement in the landfill cell for disposal.
5. CRI shall routinely inspect the leak detection system of the jet wash facility and report the discovery of any liquids in the leak detection system to the OCD within 24 hours.
6. Upon cessation of use and notification of closure, CRI shall initiate closure by dismantling the jet wash facility. CRI shall clean the tanks for re-use or scrap metal, as proposed in the April 17, 2008 proposal. The leak detection system, including the liner, shall be removed and placed in a landfill cell for disposal. If evidence of contamination is observed in the soils beneath the lined area, the contamination shall be exhumed and placed in a landfill cell for disposal. CRI shall backfill the impacted area and contour to promote drainage. CRI shall restore and re-vegetate the impacted area to prevent erosion.
7. CRI will operate such modification under all of the terms and conditions placed on the facility by Permit NM-1-006/Order R-9166.

Please be advised that OCD approval does not relieve the CRI of responsibility should their operations fail to adequately investigate and remediate contamination that pose a threat to ground water, surface water, human health or the environment. In addition, OCD approval does not relieve the CRI of responsibility for compliance with any other federal, state, or local laws and/or regulations

If you have any questions regarding this matter, please contact Brad A Jones of my staff at (505) 476-3487 or brad.a.jones@state.nm.us.

Sincerely,



Wayne Price
Environmental Bureau Chief

LWP/baj

cc: OCD District I Office, Hobbs



April 17, 2008

2008 APR 21 PM 3 52

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

Re: Controlled Recovery, Inc. [139.02.02/05]
Proposed Facility Upgrades

Dear Mr. Jones;

On behalf of our client, Controlled Recovery, Inc. (CRI), we are submitting this summary of proposed upgrades to facility design and operations specific to the "Dedicated Stabilization Units" and "Jet Wash Facility". Details regarding these upgrades have been the topic of previous submittals to, and discussions with, the Oil Conservation Division (OCD). Per your request, we have consolidated the submittals into this transmittal, which incorporates OCD input and comments. We appreciate OCD's feedback, and we believe that this update addresses each of the comments to-date.

1.0 Traffic Plan

Figure 1 shows planned improvements to the overall traffic plan for the CRI Facility in Halfway, NM; including waste receiving and the proposed Jet Wash Facility (Section 3.0). All delivery vehicles are required to check in at the waste receiving area to obtain directions from CRI personnel. The traffic plan update is designed to provide safe and more efficient traffic flow, with enhanced access control for both inbound and outbound vehicles.

2.0 Dedicated Stabilization Units

Figure 2 shows the three proposed dedicated stabilization units that would be used by CRI for the stabilization and solidification of the limited waste stream being produced by the Navajo Lea Refinery. The processed waste stream, along with any contaminated surface soil resulting from this process, will be removed and placed in Navajo's dedicated cell.

CRI is currently using this approved method for other waste streams. We feel that it is consistent with best management practices and will conform with Navajo's concerns for segregation of its generated waste. As the Units are positioned on the future landfill footprint (**Figure 2**), closure will be conducted consistent with approved landfill closure procedures.

3.0 Jet Wash Area

Figure 4 shows the construction schematic for a two-bay pump and tank configuration with leak detection for the Jet Wash Facility at CRI. As shown on **Figure 1**, up to four of these installations are planned in a new Facility footprint. Following is a summary of the daily operating procedures and processes that CRI plans to adopt for the upgraded Jet Wash Facility at its Halfway site.

- Supervision/Oversight:

A CRI employee will be present at the Jet Wash Facility at all times, as is the case with the current 2-bay station. This employee will be under the direct supervision of CRI's Plant Manager. All of the Halfway employees have current H2S certification cards. They attend safety meetings each month given by Callaway Consulting. They are trained in the use of escape air packs and self-contained breathing apparatus (SCBA) which are on site.

- Water Source:

The primary water source for the wash-out station is CRI's main water line coming in from the south side of Halfway. An integral part of CRI's construction plan is to install two 500 bbl water tanks with pumps along the east side of the proposed construction site. The water pumped from these storage tanks to the wash-out station would insure an adequate supply of potable water for use at the wash-out station during peak usage hours.

- Daily Use & Maintenance:

Accumulated water from daily use will be pumped into CRI's existing evaporation pond system, referred to internally as Pits AA, A, B,C and D. Every two days (or more often, as needed) CRI's back-hoe operator will clean out the non-hazardous residual waste at the bottom of the four receiving tanks using a smooth-bladed bucket. The construction plans allow for more space for the back-hoe operations on the side of the receiving tanks opposite the trucks' wash-out side than the current two-bay configuration.

The receiving bins have been specially designed to have a slightly rounded bottom with no 90 degree corners (see Cross Section, **Figure 4**). This allows the back-hoe operator to remove the residual waste much more easily and reduces the amount of manual labor inside the open-top tanks, which is required periodically. The current Facility uses squared receiving tanks, and residual waste tends to get trapped in the 90 degree corners because the bucket cannot get into those tight angles. The non-hazardous residual waste will be transferred to a solidification pit (just as CRI does today), mixed with soil and disposed of in the OCD landfill cells located at the east end of the site.

- Closure

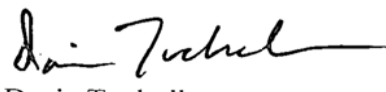
Closure of the new Jet Wash Facility will consist of dismantling the above grade installations for recycling (of clean elements) or on-site disposal. The tanks will be cleaned for re-use or metal scrap, and the leak detection zone will be examined for contamination. If evidence of contamination is present, the gravel from the leak detection zone will be exhumed and disposed of on-site. If no contamination is present, the lined units will be backfilled with native clean soil, and crowned to promote drainage.

We appreciate your ongoing review and input regarding planned upgrades at CRI. Please contact us with any questions or comments. Should this transmittal meet with your approval, we would appreciate a (brief) response to that effect.

Very truly yours,
Gordon Environmental, Inc.



I. Keith Gordon, P.E.
Principal



Dacia Tucholke
Project Manager

Attachments:

Figure 1	Traffic Plan
Figure 2	Dedicated Stabilization Units
Figure 3	Site Location Dedicated Stabilization Units
Figure 4	Jet Wash Tank and Leak Detection System Schematic

Cc: John Barnidge; CEO CRI

- LEGEND**
- 10' EXISTING CONTOUR
 - 2' EXISTING CONTOUR
 - POND OR LAGOON
 - FENCE
 - FIBER OPTIC LINE
 - DESIGN ROADS
 - EXISTING UNPAVED
 - POWER POLE
 - SURVEY CONTROL



TRAFFIC PLAN

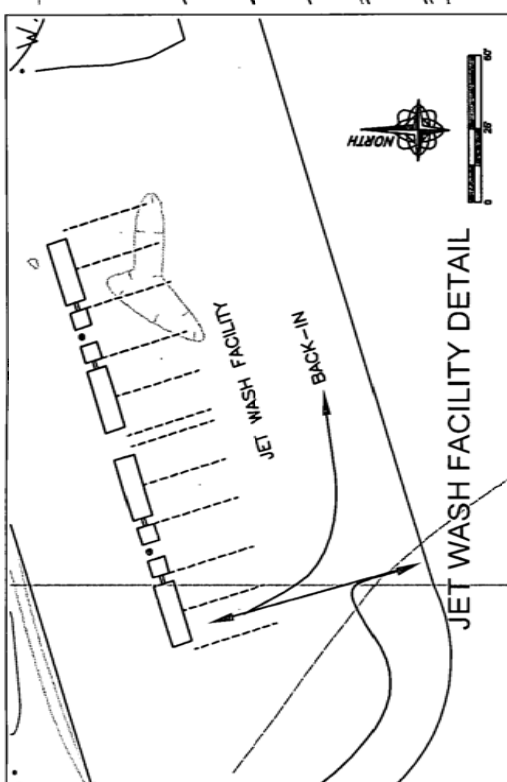
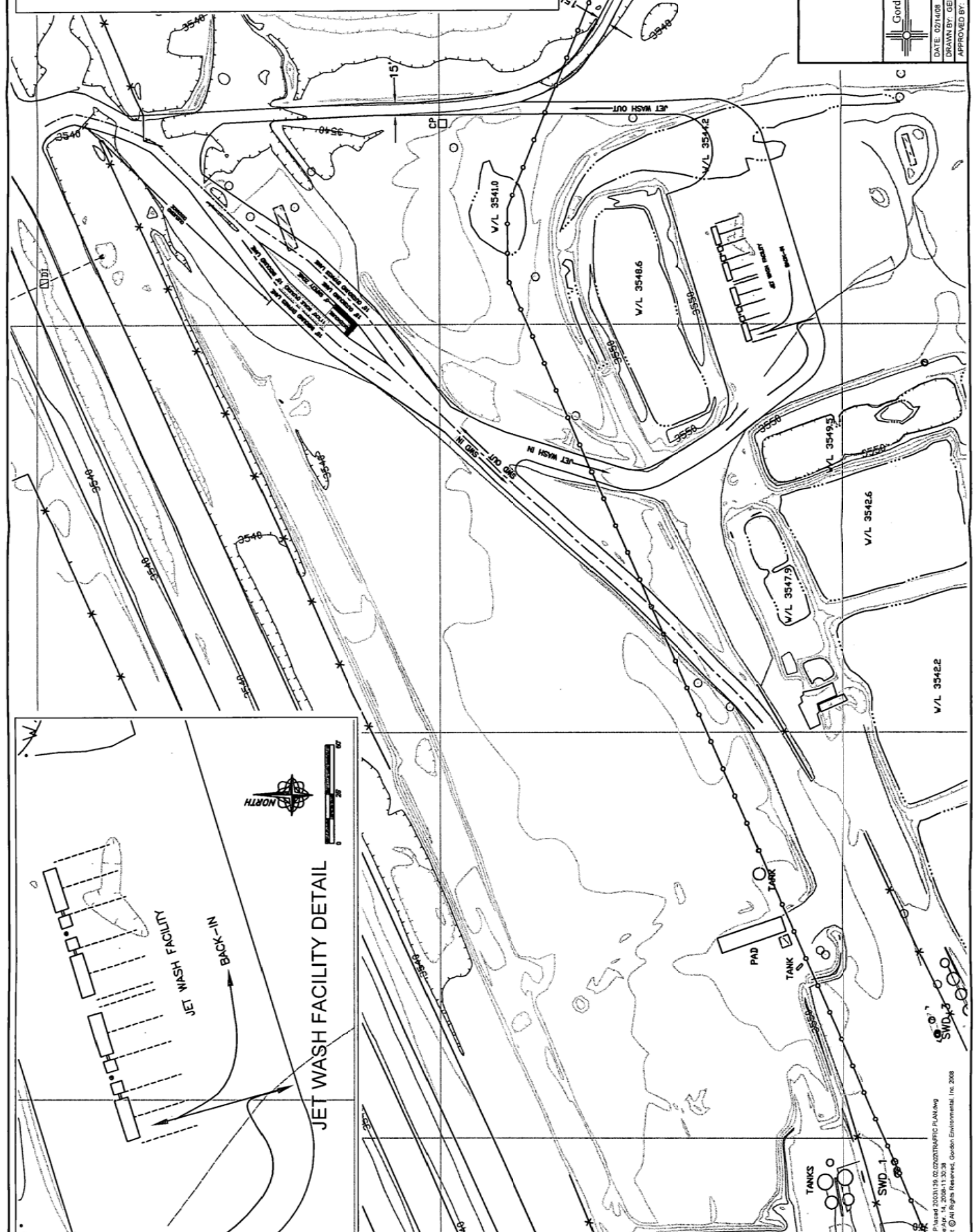
CONTROLLED RECOVERY INC.
HALFWAY, NEW MEXICO

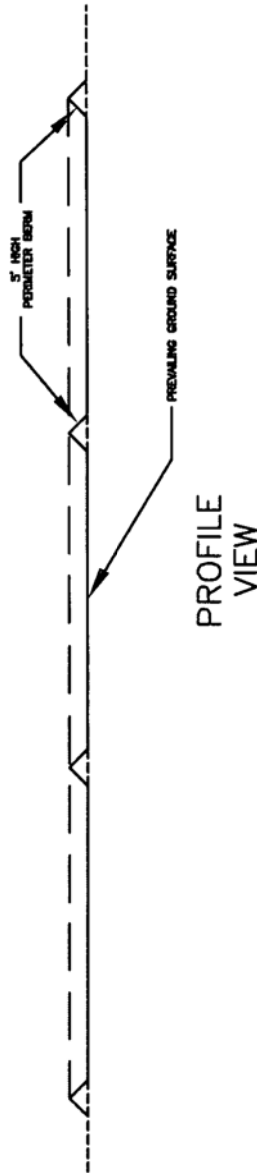
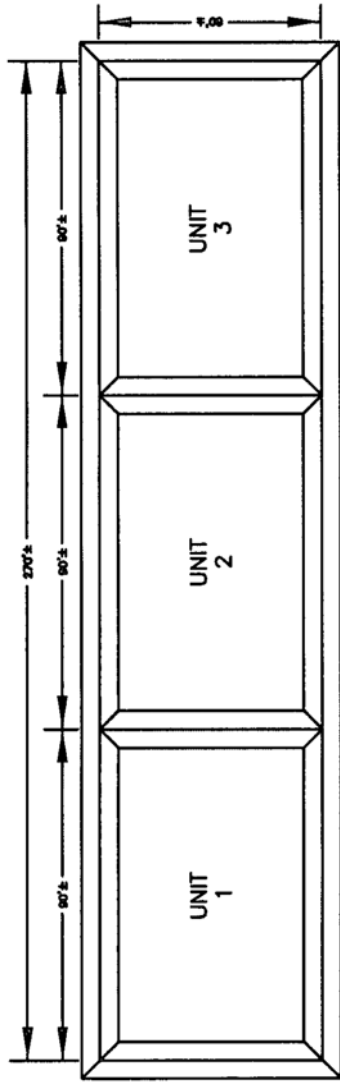
Gordon Environmental, Inc.
Consulting Engineers

213 S. Camino
Bernalillo, NM
Phone: 505-877-
Fax: 505-877-
PROJECT
CAD: TRAFFIC PLAN.dwg
REVIEWED BY: JRG
APPROVED BY: JRG

DATE: 02/14/08
DRAWN BY: GEI
APPROVED BY: JRG

FIG. 1





DEDICATED STABILIZATION UNITS

CONTROLLED RECOVERY INC.
HALFWAY, NEW MEXICO

Gordon Environmental, Inc.
Consulting Engineers
213 S. Camino del Pueblo
Bernalillo, New Mexico, USA
Phone: 505-867-6990
Fax: 505-867-6991

DATE: 04/14/08	CAD: STABILIZATION UNITS.dwg	PROJECT #: 139.02.02
DRAWN BY: MLH	REVIEWED BY: IKG	
APPROVED BY: IKG	94@gordonenvironmental.com	FIGURE 2



SITE LOCATION DEDICATED STABILIZATION UNITS

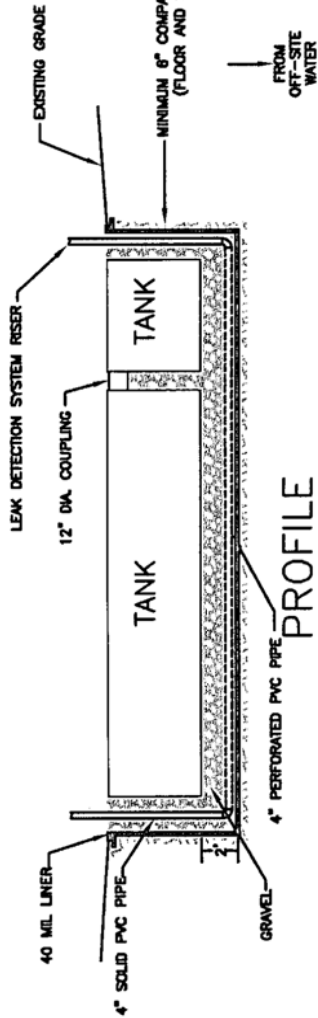
CONTROLLED RECOVERY INC.
HALFWAY, NEW MEXICO

Gordon Environmental, Inc.
213 S. Camino del Pueblo
Bernalillo, New Mexico, USA
Phone: 505-867-6990
Fax: 505-867-6991
Consulting Engineers

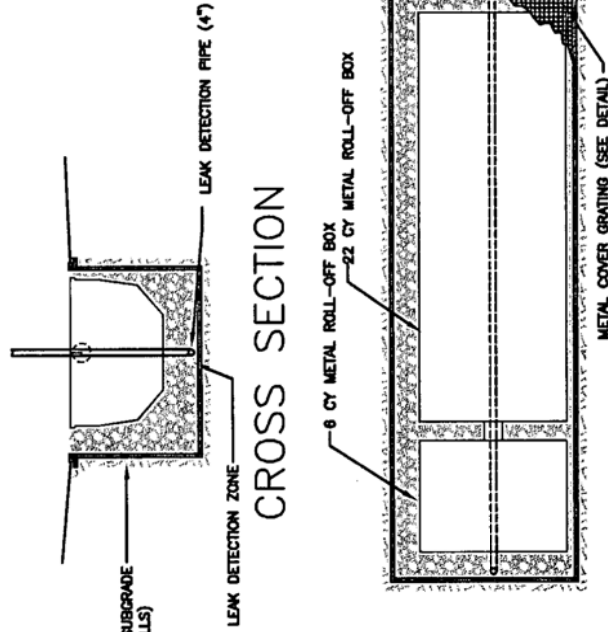
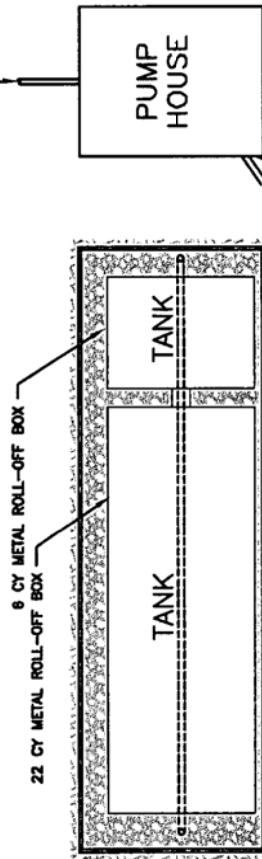
DATE: 04/14/08	CAD: STABILIZATION AND AERIAL.dwg	PROJECT #: 139.02.02
DRAWN BY: MLH	REVIEWED BY: IKG	
APPROVED BY: IKG	gk@gordonenvironmental.com	FIGURE 3



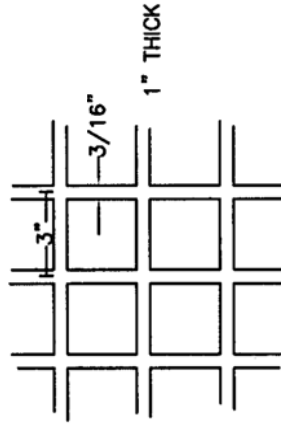
Drawing: P:\acad 2003\139.02.02\02\STABILIZATION TOPO AND AERIAL.dwg
Date/Time: Apr. 14, 2008 - 11:43:44
Copyright © All Rights Reserved, Gordon Environmental, Inc. 2008



FROM
OFF-SITE
WATER
SOURCE



METAL COVER GRATING DETAIL



JET WASH TANK AND LEAK DETECTION SYSTEM SCHEMATIC

CRI
HALFWAY, NEW MEXICO

Gordon Environmental, Inc.
213 S. Camino del Pueblo
Bernalillo, New Mexico, USA
Phone: 505-867-6990
Fax: 505-867-6991
Consulting Engineers

DATE: 03/25/08	CAD: JETWASH TANK SCHEMATIC.dwg	PROJECT #: 139.02.02
DRAWN BY: MLH	REVIEWED BY: IKG	FIGURE 4
APPROVED BY: IKG	get@gordonenvironmental.com	



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

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

CASE NO. 9882
Order No. R-9166

APPLICATION OF CONTROLLED RECOVERY INC.
FOR AN OIL TREATING PLANT PERMIT, SURFACE
WASTE DISPOSAL AND AN EXCEPTION TO ORDER
NO. R-3221, LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on April 4, 1990, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 27th day of April, 1990, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) Decretory Paragraph No. (3) of Division Order No. R-3221, as amended, prohibits in that area encompassed by Lea, Eddy, Chaves, and Roosevelt Counties, New Mexico, the disposal, subject to minor exceptions, of water produced in conjunction with the production of oil or gas, or both, on the surface of the ground, or in any pit, pond, lake, depression, draw, streambed, or arroyo, or in any water course, or in any other place or in any manner which would constitute a hazard to any fresh water supplies.

(3) The aforesaid Order No. R-3221 was issued in order to afford reasonable protection against contamination of fresh water supplies designated by the State Engineer through disposal of water produced in conjunction with the production of oil or gas, or both, in unlined surface pits.

CASE NO. 9882
Order No. R-9166
Page -2-

(4) The State Engineer has designated all underground water in the State of New Mexico containing 10,000 parts per million or less of dissolved solids as fresh water supplies to be afforded reasonable protection against contamination; except that said designation does not include any water for which there is no present or reasonably foreseeable beneficial use that would be impaired by contamination.

(5) The applicant, Controlled Recovery Inc., seeks authority to construct and operate a surface waste disposal facility and an oil treating plant for the purpose of treating and reclaiming sediment oil and for the collection, disposal, evaporation, or storage of produced water, drilling fluids, drill cuttings, completion fluids and other non-hazardous oilfield related waste in unlined surface pits at a site in the S/2 N/2 and the N/2 S/2 of Section 27, Township 20 South, Range 32 East, NMPM, Lea County, New Mexico.

(6) The applicant proposes to install and operate an effective system, consisting of separating tanks, a water disposal pit, a solids disposal pit, and associated skimming, heat, and/or chemical separating equipment for the removal and reclamation of oil and basic sediments from the produced water to be disposed of, and a settling area to separate other solid waste.

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

(8) No interested party appeared at the hearing in opposition to the application.

(9) A naturally occurring salt lake (Laguna Toston) is located in the S/2 of Section 21 and the N/2 of Section 28, Township 20 South, Range 32 East, NMPM, Lea County, New Mexico, and is approximately three-quarters of a mile from the proposed disposal area.

(10) The hydrogeologic evidence presented in this case establishes that:

- a) Triassic redbeds, comprised of the Chinle Shale, Santa Rosa sandstone, and the Dewey Lake formation, underlies both Laguna Toston and the proposed water disposal site;

CASE NO. 9882
Order No. R-9166
Page -3-

- b) Shales within the Triassic redbeds underlying the proposed waste disposal site and Laguna Toston are virtually impermeable and therefore prevent vertical seepage of the waters from the site and Laguna Toston into sand stringers within the redbeds which may contain fresh water;
- c) The surface of the Triassic redbeds is depressed in the vicinity of the waste disposal site and Laguna Toston thus creating a "collapse feature";
- d) The major flow of surface and subsurface water within the boundaries of the "collapse feature" is toward Laguna Toston;
- e) Seepage from the impoundments at the proposed waste disposal site will infiltrate into the subsurface and migrate toward Laguna Toston;
- f) After the seepage reaches Laguna Toston, practically all of the seepage will evaporate;
- g) There is no present or reasonably foreseeable beneficial use of the waters of Laguna Toston;
- h) There are no known sources of potable groundwater in sediments underlying the Triassic redbeds at Laguna Toston;
- i) The utilization of the proposed disposal site adjacent to Laguna Toston for the disposal of water produced in conjunction with the production of oil or gas, or both, and other non-hazardous oilfield waste products, including drill cuttings and drilling muds should not constitute a hazard to any fresh water supplies.

(11) The applicant should be authorized to utilize the unlined pits described in Finding Paragraph Nos. (5) and (6) above, for the disposal of water produced in conjunction with the production of oil or gas, or both, and other non-hazardous oilfield waste products, including drill cuttings and drilling muds.

(12) The maximum fill level in both of the above-described pits should be limited to a plane below the crest of the dikes surrounding the pits in order to preclude over-tapping of the dikes.

CASE NO. 9882
Order No. R-9166
Page -4-

(13) The proposed oil treating plant and disposal facility should be constructed in accordance with the engineering plat and topographic map presented as evidence in this case and in accordance with such additional conditions and requirements as may be directed by the Division Director, and should be operated and maintained in such a manner as to preclude spills and fires, and protect persons and livestock.

(14) Prior to initiating operations, the facility should be inspected by a representative of the Hobbs district office of the Division in order to determine the adequacy of fences, gates and cattleguards necessary to preclude livestock and unauthorized persons from entering and/or utilizing said facility, and also to determine the adequacy of dikes and berms needed to assure safe plant operation.

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

(16) Authority for operation of the treating plant and disposal facility should be suspended or rescinded whenever such suspension or rescission should appear necessary to protect human health or property, to protect fresh water supplies from contamination, to prevent waste, or for non-compliance with the terms and conditions of this order or Division Rules and Regulations.

(17) Prior to constructing said facility, the applicant should be required to submit to the Santa Fe office of the Division a surety or cash bond in the amount of \$25,000 in a form approved by the Division.

(18) Authority for operation of the treating plant and disposal facility should be transferrable only upon written application and approval by the Division Director.

(19) The granting of this application should not endanger designated fresh water supplies, and will prevent waste by allowing the recovery of otherwise unrecoverable oil.

CASE NO. 9882
Order No. R-9166
Page -5-

IT IS THEREFORE ORDERED THAT:

✓ (1) The applicant, Controlled Recovery Inc., is hereby authorized to construct and operate a surface waste disposal facility complete with unlined surface pits and an oil treating plant at a site in the S/2 N/2 and the N/2 S/2 of Section 27, Township 20 South, Range 32 East, NMPM, Lea County, New Mexico, for the purpose of treating and reclaiming sediment oil and for the collection, disposal, evaporation, or storage of produced water, drilling fluids, drill cuttings, completion fluids and other non-hazardous oilfield related waste.

PROVIDED HOWEVER THAT, the proposed oil treating plant and disposal facility shall be constructed in accordance with the engineering plat and topographic map presented as evidence in this case and in accordance with such additional conditions and requirements as may be directed by the Division Director, and shall be operated and maintained in such a manner as to preclude spills and fires, and protect persons and livestock.

PROVIDED FURTHER THAT, prior to initiating operations, the facility shall be inspected by a representative of the Hobbs district office of the Division in order to determine the adequacy of fences, gates and cattleguards necessary to preclude livestock and unauthorized persons from entering and/or utilizing said facility, and also to determine the adequacy of dikes and berms needed to assure safe plant operation.

(2) The maximum fill level in both of the proposed unlined surface pits shall be limited to a plane below the crest of the dikes surrounding the pits in order to preclude over-tapping of the dikes.

✓ (3) The Director of the Division shall be authorized to administratively grant approval for the expansion or modification of the proposed treating plant.

(4) Authority for operation of the treating plant and disposal facility shall be suspended or rescinded whenever such suspension or rescission should appear necessary to protect human health or property, to protect fresh water supplies from contamination, to prevent waste, or for non-compliance with the terms and conditions of this order or Division Rules and Regulations.

(5) Prior to constructing said facility, the applicant shall submit, to the Santa Fe office of the Division, a surety or cash bond in the amount of \$25,000 in a form approved by the Division.

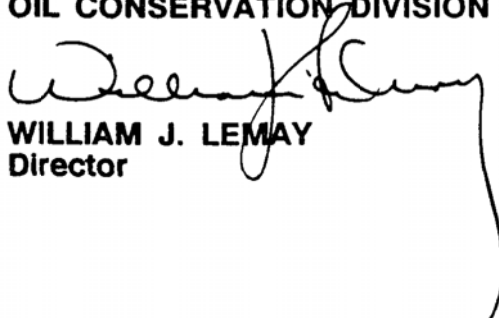
CASE NO. 9882
Order No. R-9166
Page -6-

(6) Authority for operation of the treating plant and disposal facility shall be transferrable only upon written application and approval by the Division Director.

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

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director

S E A L



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

July 6, 2001

CERTIFIED MAIL
RETURN RECEIPT NO. 7000-1670-0012-5357-7720

Mr. Ken Marsh
Controlled Recovery, Inc.
P.O. Box 388
Hobbs, NM 88241-0388

**RE: Controlled Recovery, Inc. Permit NM-01-0006, as amended herein
S/2 N/2 and the N/2 S/2 Section 27, Township 20 South, Range 32 East, NMPM
Lea County, New Mexico**

Dear Mr. Marsh:

As you recall, the Oil Conservation Division (OCD) issued Controlled Recovery Inc. (CRI) a permit (NM-01-0006) on July 3, 2000 for operation of a commercial surface waste management facility in Lea County, New Mexico. Since the issuance of the permit, CRI expressed concerns about some of its provisions and met with OCD staff on August 8, 2000. OCD has continued to study the issue, and now issues an amended permit NM-01-0006, subject to the conditions set forth on the attachment hereto.

In preparing the amended attachment with its revised conditions of operation, OCD staff took into consideration the matters you raised on August 8, 2000, CRI's file, the Oil and Gas Act, the rules and regulations, Case Nos. 9882, 11143 and 11216, and public health and the environment. We believe the conditions set forth in the attachment hereto are amply justified by the foregoing.

CRI may request a hearing concerning the revised conditions to the OCD in writing within thirty (30) days of receipt of this permit pursuant to OCD Rule 1203 (19 NMAC 15.N.1203). The procedures in Rules 1201 to 1223 (19 NMAC 15.N.1201 to 1203) will govern hearing and pre-hearing procedures.

If you have any questions please do not hesitate to contact Roger Anderson at (505) 476-3490.

Sincerely,


Lori Wrotenbery
Director

LW/mjk

xc with attachments:

Hobbs OCD Office

Michael Feldewert, Holland & Hart LLP and Campbell, Carr, P.A.

ATTACHMENT TO OCD 711 PERMIT APPROVAL
PERMIT NM-01-0006
CONTROLLED RECOVERY, INC.
SURFACE WASTE MANAGEMENT FACILITY
S/2 N/2 and the N/2 S/2 Section 27, Township 20 South, Range 32 East, NMPM
Lea County, New Mexico
(July 6, 2001)

IN GENERAL

The facility must conform to all of the requirements set forth herein and in NMAC 19.15.9.711, the New Mexico Oil and Gas Act, and all other applicable state and federal laws and regulations.

OVERALL FACILITY OPERATION

1. The facility must be fenced and have a sign at the entrance. The sign must be legible from at least fifty (50) feet and contain the following information: a) name of the facility; b) location by section, township and range; and c) emergency phone number.
2. Disposal may occur only when an attendant is on duty unless loads can be monitored or otherwise isolated for inspection before disposal. The facility must be secured to prevent unauthorized disposal when no attendant is present.
3. The facility must be maintained such that there will be no storm water runoff beyond the boundaries of the facility.
4. To prevent migration of contaminants along preferred pathways, contaminated soils may not be placed within twenty (20) feet of any pipeline crossing the facility.
5. The portion of the facility containing contaminated solids and liquids must be bermed to prevent runoff and runon.
6. All above-ground tanks located at the facility and containing materials other than fresh water must be bermed to contain one and one-third the volume of the largest tank or all interconnected tanks, whichever is greater. All above-ground tanks must be labeled as to contents and hazards.
7. Below-grade sumps and below-grade tanks must be inspected weekly and fluid must be removed to prevent overflow.
8. Below-grade sumps and below-grade tanks must be cleaned and visually inspected annually. Results of the inspection must be recorded and maintained at the facility for OCD review. If sump/tank integrity has failed, OCD must be notified within 48 hours of discovery and the sump/tank must be replaced.

9. All saddle tanks and drums located at the facility and containing materials other than fresh water must be placed on an impermeable pad with curb-type containment. The containers must be labeled as to contents and hazards.
10. All empty drums must be stored on their side with the bungs horizontal.
11. Any major design changes to the surface waste management facility must be submitted to the OCD Santa Fe office for approval.
12. To protect migratory birds, all tanks exceeding 16 feet in diameter and exposed pits and ponds shall be screened, netted or covered. An exception to this condition may only be granted upon good cause shown through a written application that an alternative method will protect migratory birds or that the facility is not hazardous to migratory birds.
13. Within 24 hours of receiving notification from the OCD that an objectionable odor has been detected or reported, the facility must implement the following response procedure:
 - a. log date and approximate time of notice that an odor exists;
 - b. investigate source of odor and cause thereof;
 - c. log investigative steps taken, including date and time, and conclusions reached;
 - d. take action to alleviate the odor, including but not limited to chemical treatment, air sparging, solidification, landfarming, or other similar responses; and
 - e. log actions taken to alleviate the odor.

A copy of the log, signed and dated by the facility manager, must be maintained for OCD review.

14. The OCD must be notified prior to the installation of any pipelines or wells or other construction within the boundaries of the facility.

POND AND PIT OPERATION

1. No produced water may be received at the facility unless the transporter has a valid Form C-133, Authorization to Move Produced Water, on file with the Division.
2. All produced water must be unloaded into tanks. The produced water must reside in the tank and skim pit system long enough to allow for oil separation. Oil recovered must be stored in above-ground storage tanks.

3. All pits and ponds that contain liquids, including the evaporation pond, skim pits, and solid/liquid drying and storage pits, must have a minimum freeboard of one and a half (1 1/2) feet to prevent overtopping. A device must be installed in the ponds and pits to accurately measure freeboard and detect that capacity has been reached.
4. Free oil within the ponds and pits must be removed daily. Per Division Rule 310, oil shall not be stored or retained in earthen reservoirs or in open receptacles.
5. Pond and pit inspection and maintenance must be conducted on a daily basis or immediately following a consequential rainstorm or windstorm. If any defect is noted, repairs must be made as soon as possible. If the defect will jeopardize the integrity of the pond or pit, the OCD Santa Fe and Hobbs office must be notified within 24 hours and additional wastes may not be placed into the pond or pit until repairs have been completed. Records of such inspections must be made available to the OCD upon request.
6. Within sixty (60) days of receipt of this amended attachment, the permittee shall submit an accurate plat or map to OCD that accurately depicts the location of each all pond and pit on the premises and the contents thereof.
7. A sign or other such marker with the pit/pond number must be clearly posted at each pit/pond location.

H₂S PREVENTION & CONTINGENCY PLAN

1. In order to prevent development of harmful or dangerous concentrations of H₂S, at least 1000 gallons of an H₂S treatment chemical or an equivalent amount of chemical in concentrate form must be stored on-site at all times. H₂S treatment chemicals must be replaced periodically in accordance with the manufacturer's stated shelf life. Expired H₂S treatment chemicals may be disposed of in the evaporation ponds.
2. CRI must develop a prevention and contingency plan for ambient H₂S levels to protect public health. The H₂S prevention and contingency plan must be submitted to the OCD Santa Fe and Hobbs offices for approval within sixty (60) days of receipt of this amended attachment. The plan must contain the following elements, at a minimum:
 - a. The plan must provide for ambient air monitoring of levels of H₂S at the facility in such a manner as to verify whether H₂S in concentrations of 1.0 ppm or greater leave the property.
 - b. The plan must provide that if H₂S of 1.0 ppm or greater leaves the property;
 - i. the operator must notify the Hobbs office of the OCD immediately;

- ii. the operator must begin operations or treatment that will mitigate the source.
- c. The plan must provide that if H₂S of 10.0 ppm or greater leaves the property:
 - i. the operator must immediately notify the Hobbs office of the OCD and the following public safety agencies:

New Mexico State Police;
Lea County Sheriff; and
Lea County Fire Marshall;
 - ii. the operator must notify all persons residing within one-half (1/2) mile of the fence line and assist public safety officials with evacuation as requested; and
 - iii. the operator must begin operations or treatment that will mitigate the source.

GROUND WATER MONITORING

1. The following ground water wells and bore-holes must be maintained and made available for periodic sampling by the OCD:

<u>Well</u>	<u>Location Number</u>
#1	20.32.27.424443
#2	20.32.27.422221
#3	20.32.27.234210
#4	20.32.27.412333
former stock	20.32.27.322331
#5	20.32.27.144133
#6	20.32.27.132121
#7	20.32.27.314122
#1a	20.32.28.222224
#3a	20.32.28.243123

(wells identified in CRI's permit proposal dated February 1990)

TREATING PLANT OPERATION

1. The treating plant area must be inspected daily for tank, piping, sump, and berm integrity. If any defect is noted, repairs must be made as soon as possible. If the defect will jeopardize the integrity of the treating plant, the OCD Hobbs office must be notified within 24 hours and the treating plant may not be operated until repairs have been completed. Records of such inspections must be made available to the OCD upon request.

2. The treating plant may use diesel and gasoline from underground storage tanks that are to be pulled, repaired or replaced. This material may only be used in the treating plant as a product to aid in the chemical treatment and blending of crude oil. A Form C-117 must be filed and a permit received for each load.
3. Within sixty (60) days of receipt of this amended attachment, the permittee shall submit an accurate functional diagram or engineering schematic to OCD that depicts the functioning of the treating plant as a whole and each element thereof.

LANDFILL OPERATION

1. The solid waste disposal pit may only be filled to within one and a half (1 1/2) feet of the original pit rim. When the pit has been filled to this level CRI must submit a closure plan to the OCD Santa Fe and Hobbs offices for review and approval. The closure plan must include the cap design and construction plan and post closure care plan for the landfill.
2. The solid waste disposal pit may not contain any free liquid. Any ponding of precipitation must be removed within 24 hours of discovery.
3. Any trash accepted into the facility containing paper, paper bags or other trash that has the potential for blowing away or being transported by other vectors must be covered with soil on the day of delivery and disposal.
4. The facility must be inspected on a regular basis for litter that may have blown out of the landfill. Stray litter including trapped litter in vegetation or fencing must be picked up and returned to the landfill cell.
5. Landfill inspection and maintenance must be conducted on at least a daily basis and immediately following each consequential rainstorm or windstorm. If any defect is noted, repairs must be made as soon as possible. If the defect will jeopardize the integrity of the landfill, the OCD Hobbs office must be notified within 24 hours and the landfill may not be operated until repairs have been completed. Records of such inspections must be made available to the OCD upon request.
6. Within sixty (60) day of receipt of this amended attachment, a plat for the landfill must be submitted to the OCD Santa Fe and Hobbs offices that shows all current and past burial operations at the facility. CRI must submit an updated plat for approval prior to excavation of a new disposal cell or when planning on expanding the dimensions of a disposal cell. This update must be submitted to the OCD prior to commencing disposal cell excavations or enlargements.

WASTE ACCEPTANCE CRITERIA

1. The facility is authorized to accept only:
 - a. Oilfield wastes that are exempt from RCRA Subtitle C regulations and that do not contain Naturally Occurring Radioactive Material regulated pursuant to 20 NMAC 3.1 Subpart 1403 (NORM). All loads of these wastes other than wastes returned from the well bore in the normal course of well operations such as produced water and spent treating fluids received at the facility shall be accompanied by a "Generator Certificate of Waste Status" signed by the generator.
 - b. Non-hazardous non-exempt oilfield wastes that do not contain NORM. These wastes may be accepted on a case-by-case basis after a hazardous waste determination is made. Samples, if required, must be obtained from the wastes prior to removal from the generator's facility and without dilution in accordance with EPA SW-846 sampling procedures. All "non-hazardous" non-exempt wastes received at the facility must be accompanied by:
 - i. An approved OCD Form C-138 "Request For Approval To Accept Solid Waste."
 - ii. A "Generator Certificate of Waste Status" signed by the generator.
 - iii. A verification of waste status issued by the appropriate agency, for wastes generated outside OCD jurisdiction. The agency verification is based on specific information on the subject waste submitted by the generator and demonstrating the exempt or non-hazardous classification of the waste.
 - c. Non-oilfield wastes that are non-hazardous if ordered by the Department of Public Safety in a public health emergency. OCD approval must be obtained prior to accepting the wastes.
2. At no time may any OCD-permitted surface waste management facility accept wastes that are hazardous by either listing or characteristic testing.
3. Waste containing mercaptans (Thiols) must be treated to eliminate odor prior to receipt into the facility.
4. No free liquids or waste with free liquids may be accepted into the landfill portion of the facility. Materials that may be accepted into the landfill facility must pass a paint filter test by EPA Method 9095A prior to disposal.

5. The transporter of any wastes to the facility must supply a certification that wastes delivered are those wastes received from the generator and that no additional materials have been added.
6. No waste will be accepted at the treating plant unless it is accompanied by an approved Form C-117-A.
7. No produced water may be received at the facility unless the transporter has a valid Form C-133, Authorization to Move Produced Water, on file with the Division.

REPORTING AND RECORD KEEPING

1. The Treating Plant Operator's Monthly Report (Form C-118 sheet 1 and 1-A), which details the oil recovered and sold during the preceding month, must be submitted to the OCD Hobbs office according to the directions contained on Form 118.
2. The Tank Cleaning, Sediment Oil Removal, Transportation of Miscellaneous Hydrocarbons and Disposal Permit (Form C-117) must be submitted to the OCD Hobbs office according to form directions.
3. The Monthly Water Disposal Report (Form C-120), which details the water disposed during the preceding month, must be submitted to the according to form directions.
4. CRI must notify the **OCD Santa Fe and Hobbs offices within 24 hours** of any fire, break, leak, spill, blowout or any other circumstance that could constitute a hazard or contamination in accordance with OCD Rule 116.
5. Records of facility inspections and records of any maintenance must be kept and maintained for OCD review.
6. Records of H₂S and wind direction measurements must be kept and maintained for OCD review.
7. Comprehensive records of all material disposed of at the facility must be maintained at the facility. The records for each load will include: 1) generator; 2) origin; 3) date received; 4) quantity; 5) certification of waste status as exempt or non-exempt with any necessary supporting documentation to certify non-hazardous status for non-exempt waste; 6) NORM status declaration; 7) transporter; 8) cell/pit number where the waste was received; and 9) any additions to the waste such as H₂S treatment chemicals *etc.*

FINANCIAL ASSURANCE

1. Financial assurance in the amount of **\$250,000** must be deposited with the OCD in the form of a surety or cash bond or a letter of credit (in form approved by OCD) to assure closure of the commercial surface waste management facility. The financial assurance shall be deposited according to the following schedule:

By August 5, 2001 Controlled Recovery, Inc. must submit 50% of the financial assurance in the amount of **\$125,000**.

By August 5, 2002 Controlled Recovery, Inc. must submit 75% of the financial assurance in the amount of **\$187,500**.

By August 5, 2003 Controlled Recovery, Inc. must submit 100% of the financial assurance in the amount of **\$250,000**.

2. The facility is subject to periodic inspections by the OCD. The conditions of this permit and the facility will be reviewed no later than five (5) years from the date of this approval. In addition, the closure cost estimate will be reviewed according to prices and remedial work estimates at the time of review. The financial assurance may be adjusted to incorporate any closure cost changes.

CLOSURE

1. The OCD Santa Fe and Hobbs offices must be notified when operation of the facility is to be discontinued for a period in excess of six (6) months or when the facility is to be dismantled. Within six (6) months after discontinuing use or within 30 days of deciding to dismantle the facility, the operator must submit a closure plan to the OCD Santa Fe office for approval. The operator must complete cleanup of constructed facilities and restoration of the facility site within six (6) months of receiving the closure plan approval, unless an extension of time is granted by the Director.
2. The closure plan to be submitted must include the following procedures:
 - a. When the facility is to be closed no new material may be accepted.
 - b. The evaporation ponds must be allowed to evaporate. Any water not evaporated must be hauled to an OCD-approved facility.
 - c. The ponds and pits must be surveyed for NORM.
 - d. All solid/liquid drying pits must be allowed to dry and must be closed according to an approved closure plan.
 - e. The landfill pit must be closed according to an approved closure plan that includes a post-closure care period.

- f. Contaminated soils exceeding OCD closure standards for the site must be disposed of in the facility landfill or removed to an OCD-approved facility or remediated.
- g. All above and below grade tanks and steel pits must be emptied and any recyclable material must be hauled to an OCD-approved facility. The empty tanks/steel pits must be removed.
- h. The area must be contoured, seeded with a native seed mix and allowed to return to its natural state. If the landowner desires to keep existing structures, berms, and fences for future alternative uses the structures may be left in place.
- i. Closure must be pursuant to all OCD requirements in effect at the time of closure, and any other applicable local, state and/or federal regulations.

CERTIFICATION

Controlled Recovery, Inc., by the officer whose signature appears below, accepts this permit and agrees to comply with all terms and conditions contained herein. Controlled Recovery, Inc. 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, public health and the environment.

Accepted:

CONTROLLED RECOVERY, INC.

Signature _____ Title _____ Date _____



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

Jennifer A. Salisbury

Cabinet Secretary

Lori Wrotenbery

Director

Oil Conservation Division

July 3, 2000

CERTIFIED MAIL

RETURN RECEIPT NO. P-326-936-568

Mr. Ken Marsh
Controlled Recovery, Inc.
P.O. Box 388
Hobbs, NM 88241-0388

**RE: OCD Rule 711 Permit Approval (NM-01-0006)
Controlled Recovery, Inc.
Commercial Surface Waste Management Facility
S/2 N/2 and the N/2 S/2 Section 27, Township 20 South, Range 32 East, NMPM
Lea County, New Mexico**

Dear Mr. Marsh:

The new permit for the Controlled Recovery, Inc. (CRI) commercial surface waste management facility located in the S/2 N/2 and the N/2 S/2 Section 27, Township 20 South, Range 32 East, NMPM, Lea County, New Mexico **is hereby issued** in accordance with New Mexico Oil Conservation Division (OCD) Rule 711 under the conditions contained in the enclosed attachment. **This permit is conditional upon the receipt and approval by the Director of financial assurance in the amount of \$250,000.** According to the schedule outlined in the financial assurance section of the conditions of approval enclosed herein, 25% of the \$250,000 bond (\$62,500) is required within thirty (30) days of the date of this letter. Failure to submit the required financial assurance or otherwise comply with the permit is a violation of the Oil and Gas Act NMSA 1978, Sections 70-2-1 through 70-2-38. Please see NMSA 1978, section 70-2-31, a copy of which is enclosed.

The application consists of the permit application information letter dated August 22, 1997; inspection report response letter dated August 22, 1997; supplemental material dated February 5, 1998, September 17, 1999, November 2, 1999, November 18, 1999 and December 7, 1999; materials from the hearing file related to Order No. R-9166 dated April 27, 1990; and administrative approval letters dated September 13, 1990, August 6, 1991, August 16, 1993 and February 22, 1995.

The construction, operation, monitoring and reporting shall be as specified in the enclosed conditions of approval. All modifications and alternatives to the approved treatment, evaporation and landfill methods

must receive prior written OCD approval. CRI is required to notify the Director of any facility expansion or process modification and to file the appropriate materials with the Division.

The CRI surface waste management facility permit does not include landfarming. If CRI wishes to establish a landfarm, a Form C-137 must be filed requesting a permit modification.

Authority for operation of the treating plant and disposal facility shall be suspended or rescinded whenever such suspension or rescission appears necessary to protect human health or property, to protect fresh water supplies from contamination, to prevent waste, or for non-compliance with Division rules. Upon showing of good cause, the Director may order immediate cessation of operations of the facility when it appears that such cessation is necessary to protect public health or the environment or to assure compliance with Division rules and orders.

Please be advised approval of this facility permit does not relieve CRI of liability should your operation result in actual pollution of surface water, ground water, or the environment. In addition, OCD approval does not relieve CRI of responsibility for compliance with other federal, state or local laws.

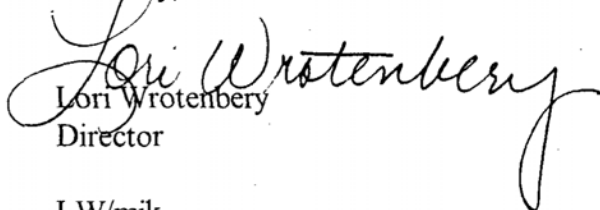
Please be advised that the conditions of approval requires all tanks exceeding 16 feet in diameter and exposed pits and ponds of any size to be screened, netted or covered. CRI must screen, net or cover all pits, ponds and tanks within 90 days of the date of this letter. CRI may apply for individual exceptions for each pit, pond, or tank within 60 days of the date of this letter. In addition, OCD Rule 310 prohibits oil from being stored or retained in earthen reservoirs or open receptacles.

The CRI Commercial Surface Waste Management Facility Permit NM-01-0006 will be reviewed at least once every five (5) years from the date of this letter. The facility is subject to periodic inspections by the OCD.

Enclosed are two copies of the conditions of approval. **Please sign and return one copy of the conditions of approval to the OCD Santa Fe Office within five working days of receipt of this letter.**

If you have any questions please do not hesitate to contact Martyne J. Kielling at (505) 827-7153.

Sincerely,


Lori Wrotenberg
Director

LW/mjk

xc with attachments:
Hobbs OCD Office

ATTACHMENT TO OCD 711 PERMIT APPROVAL
PERMIT NM-01-0006
CONTROLLED RECOVERY, INC.
SURFACE WASTE MANAGEMENT FACILITY
S/2 N/2 and the N/2 S/2 Section 27, Township 20 South, Range 32 East, NMPM
Lea County, New Mexico
(July 3, 2000)

OVERALL FACILITY OPERATION

1. The facility must be fenced and have a sign at the entrance. The sign must be legible from at least fifty (50) feet and contain the following information: a) name of the facility; b) location by section, township and range; and c) emergency phone number.
2. Disposal may occur only when an attendant is on duty. The facility must be secured when no attendant is present.
3. The facility must be maintained such that there will be no storm water runoff beyond the boundaries of the facility.
4. Contaminated soils may not be placed within one hundred (100) feet of any boundary of the facility.
5. Contaminated soils may not be placed within twenty (20) feet of any pipeline crossing the facility. In addition, no equipment may be operated within ten (10) feet of a pipeline. All pipelines crossing the facility must have surface markers identifying the location of the pipelines.
6. The portion of the facility containing contaminated solids and liquids must be bermed to prevent runoff and runoff.
7. All existing above-ground tanks located at the facility and containing materials other than fresh water must be bermed to contain one and one-third the volume of the largest tank or all interconnected tanks, whichever is greater. All above-ground tanks must be labeled as to contents and hazards.
8. All new or replacement above-ground tanks containing materials other than fresh water must be placed on an impermeable pad and be bermed so that the area will hold one and one-third the volume of the largest tank or all interconnected tanks, whichever is greater.
9. Below-grade sumps and below-grade tanks must be inspected on a daily basis and any liquid or free oil must be removed. Below-grade sumps and below-grade tanks must be cleaned and

visually inspected annually. Results must be recorded and maintained at the facility for OCD review. If sump/tank integrity has failed the OCD must be notified within 48 hours of discovery and the sump/tank must be replaced.

10. All new or replacement below-grade sumps and below-grade tanks at the facility must have secondary impermeable containment with a leak detection system. The leak detection system must be inspected for fluids weekly. Results must be recorded and maintained at the facility for OCD review. If fluids are present they must be removed and properly disposed of or recycled and the primary containment checked for leaks and repaired or replaced. Records of inspections and repairs must be made available to the OCD upon request.
11. All saddle tanks and drums located at the facility and containing materials other than fresh water must be placed on an impermeable pad with curb-type containment. The containers must be labeled as to contents and hazards.
12. All empty drums must be stored on their side with the bungs horizontal.
13. Any design changes to the surface waste management facility must be submitted to the OCD Santa Fe office for approval.
14. To protect migratory birds, all tanks exceeding 16 feet in diameter and exposed pits and ponds shall be screened, netted or covered.
15. Within 24 hours of receiving notification from the OCD that an objectionable odor has been detected or reported, the facility must implement the following response procedure:
 - a. log date and approximate time of notice that an odor exists;
 - b. log investigative steps taken, including date and time, and conclusions reached; and
 - c. log actions taken to alleviate the odor, which may include adjusting chemical treatment, air sparging, solidification, landfarming, or other similar responses.

A copy of the log, signed and dated by the facility manager, must be maintained for OCD review.

16. The OCD must be notified prior to the installation of any pipelines or wells or other construction within the boundaries of the facility.

POND AND PIT OPERATION

1. No produced water may be received at the facility unless the transporter has a valid Form C-133, Authorization to Move Produced Water, on file with the Division.
2. All produced water must be unloaded into tanks. Produced water may be received and processed in three (3) 500 bbl tanks located north of the evaporation pond. The produced water must reside in the tank and skim pit system long enough to allow for oil separation. Oil recovered must be stored in above-ground storage tanks.
3. All pits and ponds that contain liquids, including the evaporation pond, skim pits, and solid/liquid drying and storage pits, must have a minimum freeboard of one and a half (1½) feet. A device must be installed in the ponds and pits to accurately measure freeboard.
4. Free oil within the ponds and pits must be removed daily. Per Division Rule 310, oil shall not be stored or retained in earthen reservoirs or in open receptacles.
5. Pond and pit inspection and maintenance must be conducted on a daily basis or immediately following a consequential rainstorm or windstorm. If any defect is noted, repairs must be made as soon as possible. If the defect will jeopardize the integrity of the pond or pit, the OCD Santa Fe and Hobbs office must be notified within 24 hours and additional wastes may not be placed into the pond or pit until repairs have been completed. Records of such inspections must be made available to the OCD upon request.
6. Liquid reduction technologies that may be used to eliminate pond waters include evaporation.
7. Unlined Pits #1a and 1b are designated as skim pits for the salt water disposal system (all numbered features are taken from the CRI map dated February 5, 1998 modified by the OCD from information gathered on the OCD facility inspection on May 31, 2000). Oil must be removed from the skim pits on a daily basis. These pits must be screened, netted or covered to protect migratory birds.
8. Pits #2a and 2b, below-grade steel tanks, are designated as jet-out pits for truck and frac tank washout. The pits must be screened, netted or covered to protect migratory birds.
9. The jet-out area contains one (1) 250 bbl water tank that must be labeled as to its contents and hazards.
10. Ponds #3a, 3b, 3c and 3d, unlined ponds, are designated as evaporation ponds for liquids from the salt water disposal system. The evaporation ponds may not contain any free oil.

11. Pits #A, B, C, 4, 5, 6, 7, 8, 9, and 10, unlined pits, are designated as drying pits for exempt solid and liquid material. Drying pits that may contain free liquid must be screened, netted or covered until the free liquid is removed. The pits may not contain any free oil. Free oil must be removed on a daily basis.
12. Pits #11 and 12, unlined pits, are designated as drying pits for non-exempt solid and liquid material. Drying pits that may contain free liquid must be screened, netted or covered until the free liquid is removed. The pits may not contain any free oil. Free oil must be removed on a daily basis.
13. Pit #13, a lined and netted pit, is designated as a storage pit that holds tank bottoms and BS&W prior to processing through the treating plant. The storage pit must continue to be screened, netted or covered to protect migratory birds. The pit may not contain any free oil. Free oil must be removed on a daily basis.
14. Pits #16a, 16b, 16c and 17, lined pits, are designated as storage pits that hold solid material prior to processing. The storage pits that contain free liquid must be screened, netted or covered until the free liquid is removed. The pits may not contain any free oil. Free oil must be removed on a daily basis.
15. A sign with the pit/pond number must be clearly posted at each pit/pond location.

H₂S PREVENTION & CONTINGENCY PLAN

1. In order to prevent development of harmful concentrations of H₂S, at least 1000 gallons of an H₂S treatment chemical or an equivalent amount of chemical in concentrate form must be stored on-site at all times. H₂S treatment chemicals must be replaced periodically in accordance with the manufacturer's stated shelf life. Expired H₂S treatment chemicals may be disposed of in the evaporation ponds.
2. Tests of ambient H₂S levels must be conducted daily. Test results must be recorded and retained. The tests must be conducted at four (4) locations at the top of the berm around each of the evaporation ponds and the skim pits. The wind speed and direction must be recorded in conjunction with each test.
 - a. If an H₂S reading of 1.0 ppm or greater is obtained:
 - i. a second reading must be taken on the downwind berm within one hour;
 - ii. the dissolved oxygen and dissolved sulfide levels of the pond must be tested immediately and the need for treatment determined; and

- iii. tests for H₂S levels must be made at the fence line down wind from the pond.
- b. If two (2) consecutive H₂S readings of 1.0 ppm or greater are obtained:
 - i. the operator must notify the Hobbs office of the OCD immediately;
 - ii. the operator must commence hourly monitoring on a 24-hour basis; and
 - iii. the operator must obtain daily analyses of dissolved sulfides in the pond.
- c. If an H₂S reading of 10.0 ppm or greater at the facility fence line is obtained:
 - i. the operator must immediately notify the Hobbs office of the OCD and the following public safety agencies:

New Mexico State Police;
Lea County Sheriff, and
Lea County Fire Marshall; and
 - ii. the operator must notify all persons residing within one-half (½) mile of the fence line and assist public safety officials with evacuation as requested.

GROUND WATER MONITORING

- 1 Ground water monitoring of the Quaternary alluvium wells listed below must be performed annually and records of the date, inspector, depth to ground water, analysis, and status of the monitor well must be maintained. If fluid is present in the Quaternary alluvium wells, the wells must be sampled pursuant to EPA-approved sampling procedures.

<u>Well</u>	<u>Location Number</u>
#1	20.32.27.424443
#2	20.32.27.422221
#3	20.32.27.234210
#4	20.32.27.412333
former stock	20.32.27.322331
#5	20.32.27.144133
#6	20.32.27.132121
#7	20.32.27.314122
#1a	20.32.28.222224
#3a	20.32.28.243123

(wells identified in CRI's permit proposal dated February 1990)

2. The ground water samples from the wells listed above must be analyzed using EPA-approved methods for total petroleum hydrocarbons (TPH), volatile aromatic organics (BTEX), total dissolved solids (TDS), pH, conductivity, and major cations/anions annually.
3. Within 60 days of sampling a report covering the annual monitor well sampling and analysis results must be furnished to the OCD Santa Fe and Hobbs offices. The report must include well data in a table/database format and must include a graphical plot showing the water level in each well for all preceding years.
4. If TPH or BTEX is detected in the ground water, CRI must submit a plan to the OCD Santa Fe and Hobbs offices for review and approval that describes what procedures will be taken to investigate the lateral extent of the wastewater plume.

TREATING PLANT OPERATION

1. Location #14, the treating plant, is designated on the CRI map dated February 5, 1998. The treating plant consists of two (2) 500 bbl open-top steel receiving tanks, six (6) 500 bbl treating tanks, two (2) 500 bbl and one (1) 750 bbl sale tanks, and one (3) 500 bbl water tanks. The plant has a fuel oil tank, boiler, heat exchanger, centrifuge system and associated piping for raw material, sale material, water and steam.
2. The treating plant area must be inspected daily for tank, piping, sump, and berm integrity. If any defect is noted, repairs must be made as soon as possible. If the defect will jeopardize the integrity of the treating plant, the OCD Hobbs office must be notified within 24 hours and the treating plant may not be operated until repairs have been completed. Records of such inspections must be made available to the OCD upon request.
3. The open-top steel receiving tanks must be screened, netted or covered to protect migratory birds.
4. The treating plant may use diesel and gasoline from underground storage tanks that are to be pulled, repaired or replaced. This material may only be used in the treating plant as a product to aid in the chemical treatment and blending of crude oil. A Form C-117 must be filed and a permit received for each load.

LANDFILL OPERATION

1. Pit #15, an unlined pit, is designated as a solid waste disposal pit. Materials that may be accepted into the solid waste disposal pit must pass a paint filter test by EPA Method 9095A

prior to disposal.

2. The solid waste disposal pit may only be filled to within one and a half (1½) feet of the original pit rim. When the pit has been filled to this level CRI must submit a closure plan to the OCD Santa Fe and Hobbs offices for review and approval. The closure plan must include the cap design and construction plan and post closure care plan for the landfill.
3. The solid waste disposal pit may not contain any free liquid. Any ponding of precipitation must be removed within 24 hours of discovery.
4. Landfill inspection and maintenance must be conducted on at least a daily basis and immediately following each consequential rainstorm or windstorm. If any defect is noted, repairs must be made as soon as possible. If the defect will jeopardize the integrity of the landfill, the OCD Hobbs office must be notified within 24 hours and the landfill may not be operated until repairs have been completed. Records of such inspections must be made available to the OCD upon request.
5. A plat for the landfill must be submitted to the OCD Santa Fe and Hobbs offices that shows all current and past burial operations at the facility. CRI must submit an updated plat for approval prior to excavation of a new disposal cell or when planning on expanding the dimensions of a disposal cell. This update must be submitted to the OCD prior to commencing disposal cell excavations or enlargements.

REPORTING AND RECORD KEEPING

1. Analytical results from the ground water monitoring must be submitted to the OCD Santa Fe office **within 60 days** of the sampling event.
2. The Landfill plat must be submitted to the OCD Santa Fe office and Hobbs District office **by September 3, 2000**.
3. CRI must notify the **OCD Santa Fe and Hobbs offices within 24 hours** of any fire, break, leak, spill, blowout or any other circumstance that could constitute a hazard or contamination in accordance with OCD Rule 116.
4. Records of daily facility inspection and any maintenance must be kept and maintained for OCD review.
5. Records of daily H₂S and wind direction measurements must be kept and maintained for OCD review.

6. Comprehensive records of all material disposed of at the facility must be maintained at the facility. The records for each load will include: 1) generator; 2) origin; 3) date received; 4) quantity; 5) certification of waste status as exempt or non-exempt with any necessary supporting documentation to certify non-hazardous status for non-exempt waste; 6) NORM status declaration; 7) transporter; 8) cell/pit number the waste was recieved; 9) final disposal location; and 10) any additions to the waste such as H₂S treatment chemicals *etc.*

WASTE ACCEPTANCE CRITERIA

1. The facility is authorized to accept only:
 - a. Oilfield wastes that are exempt from RCRA Subtitle C regulations and that do not contain Naturally Occurring Radioactive Material regulated pursuant to 20 NMAC 3.1 Subpart 1403 (NORM). All loads of these wastes other than wastes returned from the well bore in the normal course of well operations such as produced water and spent treating fluids received at the facility shall be accompanied by a "Generator Certificate of Waste Status" signed by the generator.
 - b. "Non-hazardous" non-exempt oilfield wastes that do not contain NORM. These wastes may be accepted on a case-by-case basis after a hazardous waste determination is made. Samples, if required, must be obtained from the wastes prior to removal from the generator's facility and without dilution in accordance with EPA SW-846 sampling procedures. All "non-hazardous" non-exempt wastes received at the facility must be accompanied by:
 - i. An approved OCD Form C-138 "Request For Approval To Accept Solid Waste."
 - ii. A "Generator Certificate of Waste Status" signed by the generator.
 - iii. A verification of waste status issued by the appropriate agency, for wastes generated outside OCD jurisdiction. The agency verification is based on specific information on the subject waste submitted by the generator and demonstrating the exempt or non-hazardous classification of the waste.
 - c. Non-oilfield wastes that are non-hazardous if ordered by the Department of Public Safety in a public health emergency. OCD approval must be obtained prior to accepting the wastes.
2. At no time may any OCD-permitted surface waste management facility accept wastes that

are hazardous by either listing or characteristic testing.

3. Waste containing mercaptan must be treated to eliminate odor prior to receipt into the facility.
4. No free liquids or waste with free liquids may be accepted into the landfill portion of the facility. Materials that may be accepted into the landfill facility must pass a paint filter test by EPA Method 9095A prior to disposal.
5. The transporter of any wastes to the facility must supply a certification that wastes delivered are those wastes received from the generator and that no additional materials have been added.

FINANCIAL ASSURANCE

1. Financial assurance in the amount of **\$250,000** in the form of a surety or cash bond or a letter of credit, which is approved by the Division, is required from Controlled Recovery, Inc. for the commercial surface waste management facility.

By August 3, 2000 Controlled Recovery, Inc. must submit 25% of the financial assurance in the amount of **\$ 62,500.**

By August 3, 2002 Controlled Recovery, Inc. must submit 50% of the financial assurance in the amount of **\$125,000.**

By August 3, 2002 Controlled Recovery, Inc. must submit 75% of the financial assurance in the amount of **\$187,500.**

By August 3, 2003 Controlled Recovery, Inc. must submit 100% of the financial assurance in the amount of **\$250,000.**

2. The facility is subject to periodic inspections by the OCD. The conditions of this permit and the facility will be reviewed no later than five (5) years from the date of this approval. In addition, the closure cost estimate will be reviewed according to prices and remedial work estimates at the time of review. The financial assurance may be adjusted to incorporate any closure cost changes.

CLOSURE

1. The OCD Santa Fe and Aztec offices must be notified when operation of the facility is to be discontinued for a period in excess of six (6) months or when the facility is to be dismantled. Within six (6) months after discontinuing use or within 30 days of deciding to dismantle the facility, the operator must submit a closure plan to the OCD Santa Fe office for approval. The operator must complete cleanup of constructed facilities and restoration of the facility site within six (6) months of receiving the closure plan approval, unless an extension of time is granted by the Director.
2. The closure plan to be submitted must include the following procedures:
 - a. When the facility is to be closed no new material may be accepted.
 - b. The evaporation ponds must be allowed to evaporate. Any water not evaporated will be hauled to an OCD-approved facility.
 - c. The ponds and pits must be surveyed for NORM.
 - d. All solid/liquid drying pits must be allowed to dry and must be closed according to an approved closure plan.
 - e. The landfill pit must be closed according to an approved closure plan that includes a post closure care period.
 - f. Contaminated soils exceeding OCD closure standards for the site must be disposed of in the facility landfill or removed to an OCD-approved facility or remediated.
 - g. All above and below grade tanks and steel pits must be emptied and any recyclable material must be hauled to an OCD-approved facility. The empty tanks/steel pits must be removed.
 - h. The area must be contoured, seeded with a native seed mix and allowed to return to its natural state. If the landowner desires to keep existing structures, berms, and fences for future alternative uses the structures may be left in place.
 - i. Closure must be pursuant to all OCD requirements in effect at the time of closure, and any other applicable local, state and/or federal regulations.

Controlled Recovery, Inc.
711 Permit NM-01-0006
July 3, 2000
Page 11

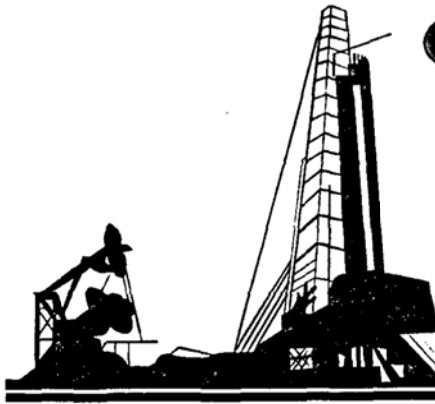
CERTIFICATION

Controlled Recovery, Inc., by the officer whose signature appears below, accepts this permit and agrees to comply with all terms and conditions contained herein. Controlled Recovery, Inc., 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, public health and the environment.

Accepted:

CONTROLLED RECOVERY, INC.

Signature _____ Title _____ Date _____



TRANSMITTAL COVER SHEET

OIL CONSERVATION DIVISION
1220 S. ST. FRANCIS DRIVE
SANTA FE, NM 87505
(505) 476-3440
(505)476-3462 (Fax)

PLEASE DELIVER THIS FAX:

TO:

Ken Bingham

FROM:

Roger Anderson

DATE:

8/21/01

PAGES:

11

SUBJECT:

IF YOU HAVE TROUBLE RECEIVING THIS FAX, PLEASE CALL THE OFFICE
NUMBER ABOVE.



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

July 6, 2001

CERTIFIED MAIL

RETURN RECEIPT NO. 7000-1670-0012-5357-7720

Mr. Ken Marsh
Controlled Recovery, Inc.
P.O. Box 388
Hobbs, NM 88241-0388

**RE: Controlled Recovery, Inc. Permit NM-01-0006, as amended herein
S/2 N/2 and the N/2 S/2 Section 27, Township 20 South, Range 32 East, NMPM
Lea County, New Mexico**

Dear Mr. Marsh:

As you recall, the Oil Conservation Division (OCD) issued Controlled Recovery Inc. (CRI) a permit (NM-01-0006) on July 3, 2000 for operation of a commercial surface waste management facility in Lea County, New Mexico. Since the issuance of the permit, CRI expressed concerns about some of its provisions and met with OCD staff on August 8, 2000. OCD has continued to study the issue, and now issues an amended permit NM-01-0006, subject to the conditions set forth on the attachment hereto.

In preparing the amended attachment with its revised conditions of operation, OCD staff took into consideration the matters you raised on August 8, 2000, CRI's file, the Oil and Gas Act, the rules and regulations, Case Nos. 9882, 11143 and 11216, and public health and the environment. We believe the conditions set forth in the attachment hereto are amply justified by the foregoing.

CRI may request a hearing concerning the revised conditions to the OCD in writing within thirty (30) days of receipt of this permit pursuant to OCD Rule 1203 (19 NMAC 15.N.1203). The procedures in Rules 1201 to 1223 (19 NMAC 15.N.1201 to 1203) will govern hearing and pre-hearing procedures.

If you have any questions please do not hesitate to contact Roger Anderson at (505) 476-3490.

Sincerely,


Lori Wrotenbery
Director

LW/mjk

xc with attachments:

Hobbs OCD Office

Michael Feldewert, Holland & Hart LLP and Campbell, Carr, P.A.

ATTACHMENT TO OCD 711 PERMIT APPROVAL
PERMIT NM-01-0006
CONTROLLED RECOVERY, INC.
SURFACE WASTE MANAGEMENT FACILITY
S/2 N/2 and the N/2 S/2 Section 27, Township 20 South, Range 32 East, NMPM
Lea County, New Mexico
(July 6, 2001)

IN GENERAL

The facility must conform to all of the requirements set forth herein and in NMAC 19.15.9.711, the New Mexico Oil and Gas Act, and all other applicable state and federal laws and regulations.

OVERALL FACILITY OPERATION

1. The facility must be fenced and have a sign at the entrance. The sign must be legible from at least fifty (50) feet and contain the following information: a) name of the facility; b) location by section, township and range; and c) emergency phone number.
2. Disposal may occur only when an attendant is on duty unless loads can be monitored or otherwise isolated for inspection before disposal. The facility must be secured to prevent unauthorized disposal when no attendant is present.
3. The facility must be maintained such that there will be no storm water runoff beyond the boundaries of the facility.
4. To prevent migration of contaminants along preferred pathways, contaminated soils may not be placed within twenty (20) feet of any pipeline crossing the facility.
5. The portion of the facility containing contaminated solids and liquids must be bermed to prevent runoff and runoff.
6. All above-ground tanks located at the facility and containing materials other than fresh water must be bermed to contain one and one-third the volume of the largest tank or all interconnected tanks, whichever is greater. All above-ground tanks must be labeled as to contents and hazards.
7. Below-grade sumps and below-grade tanks must be inspected weekly and fluid must be removed to prevent overflow.
8. Below-grade sumps and below-grade tanks must be cleaned and visually inspected annually. Results of the inspection must be recorded and maintained at the facility for OCD review. If sump/tank integrity has failed, OCD must be notified within 48 hours of discovery and the sump/tank must be replaced.

9. All saddle tanks and drums located at the facility and containing materials other than fresh water must be placed on an impermeable pad with curb-type containment. The containers must be labeled as to contents and hazards.
10. All empty drums must be stored on their side with the bungs horizontal.
11. Any major design changes to the surface waste management facility must be submitted to the OCD Santa Fe office for approval.
12. To protect migratory birds, all tanks exceeding 16 feet in diameter and exposed pits and ponds shall be screened, netted or covered. An exception to this condition may only be granted upon good cause shown through a written application that an alternative method will protect migratory birds or that the facility is not hazardous to migratory birds.
13. Within 24 hours of receiving notification from the OCD that an objectionable odor has been detected or reported, the facility must implement the following response procedure:
 - a. log date and approximate time of notice that an odor exists;
 - b. investigate source of odor and cause thereof;
 - c. log investigative steps taken, including date and time, and conclusions reached;
 - d. take action to alleviate the odor, including but not limited to chemical treatment, air sparging, solidification, landfarming, or other similar responses; and
 - e. log actions taken to alleviate the odor.

A copy of the log, signed and dated by the facility manager, must be maintained for OCD review.
14. The OCD must be notified prior to the installation of any pipelines or wells or other construction within the boundaries of the facility.

POND AND PIT OPERATION

1. No produced water may be received at the facility unless the transporter has a valid Form C-133, Authorization to Move Produced Water, on file with the Division.
2. All produced water must be unloaded into tanks. The produced water must reside in the tank and skim pit system long enough to allow for oil separation. Oil recovered must be stored in above-ground storage tanks.

3. All pits and ponds that contain liquids, including the evaporation pond, skim pits, and solid/liquid drying and storage pits, must have a minimum freeboard of one and a half (1 1/2) feet to prevent overtopping. A device must be installed in the ponds and pits to accurately measure freeboard and detect that capacity has been reached.
4. Free oil within the ponds and pits must be removed daily. Per Division Rule 310, oil shall not be stored or retained in earthen reservoirs or in open receptacles.
5. Pond and pit inspection and maintenance must be conducted on a daily basis or immediately following a consequential rainstorm or windstorm. If any defect is noted, repairs must be made as soon as possible. If the defect will jeopardize the integrity of the pond or pit, the OCD Santa Fe and Hobbs office must be notified within 24 hours and additional wastes may not be placed into the pond or pit until repairs have been completed. Records of such inspections must be made available to the OCD upon request.
6. Within sixty (60) days of receipt of this amended attachment, the permittee shall submit an accurate plat or map to OCD that accurately depicts the location of each all pond and pit on the premises and the contents thereof.
7. A sign or other such marker with the pit/pond number must be clearly posted at each pit/pond location.

H₂S PREVENTION & CONTINGENCY PLAN

1. In order to prevent development of harmful or dangerous concentrations of H₂S, at least 1000 gallons of an H₂S treatment chemical or an equivalent amount of chemical in concentrate form must be stored on-site at all times. H₂S treatment chemicals must be replaced periodically in accordance with the manufacturer's stated shelf life. Expired H₂S treatment chemicals may be disposed of in the evaporation ponds.
2. CRI must develop a prevention and contingency plan for ambient H₂S levels to protect public health. The H₂S prevention and contingency plan must be submitted to the OCD Santa Fe and Hobbs offices for approval within sixty (60) days of receipt of this amended attachment. The plan must contain the following elements, at a minimum:
 - a. The plan must provide for ambient air monitoring of levels of H₂S at the facility in such a manner as to verify whether H₂S in concentrations of 1.0 ppm or greater leave the property.
 - b. The plan must provide that if H₂S of 1.0 ppm or greater leaves the property;
 - i. the operator must notify the Hobbs office of the OCD immediately;

- ii. the operator must begin operations or treatment that will mitigate the source.
- c. The plan must provide that if H₂S of 10.0 ppm or greater leaves the property:
 - i. the operator must immediately notify the Hobbs office of the OCD and the following public safety agencies:

New Mexico State Police;
Lea County Sheriff; and
Lea County Fire Marshall;
 - ii. the operator must notify all persons residing within one-half (1/2) mile of the fence line and assist public safety officials with evacuation as requested; and
 - iii. the operator must begin operations or treatment that will mitigate the source.

GROUND WATER MONITORING

1. The following ground water wells and bore-holes must be maintained and made available for periodic sampling by the OCD:

<u>Well</u>	<u>Location Number</u>
#1	20.32.27.424443
#2	20.32.27.422221
#3	20.32.27.234210
#4	20.32.27.412333
former stock	20.32.27.322331
#5	20.32.27.144133
#6	20.32.27.132121
#7	20.32.27.314122
#1a	20.32.28.222224
#3a	20.32.28.243123

(wells identified in CRI's permit proposal dated February 1990)

TREATING PLANT OPERATION

1. The treating plant area must be inspected daily for tank, piping, sump, and berm integrity. If any defect is noted, repairs must be made as soon as possible. If the defect will jeopardize the integrity of the treating plant, the OCD Hobbs office must be notified within 24 hours and the treating plant may not be operated until repairs have been completed. Records of such inspections must be made available to the OCD upon request.

2. The treating plant may use diesel and gasoline from underground storage tanks that are to be pulled, repaired or replaced. This material may only be used in the treating plant as a product to aid in the chemical treatment and blending of crude oil. A Form C-117 must be filed and a permit received for each load.
3. Within sixty (60) days of receipt of this amended attachment, the permittee shall submit an accurate functional diagram or engineering schematic to OCD that depicts the functioning of the treating plant as a whole and each element thereof.

LANDFILL OPERATION

1. The solid waste disposal pit may only be filled to within one and a half (1 1/2) feet of the original pit rim. When the pit has been filled to this level CRI must submit a closure plan to the OCD Santa Fe and Hobbs offices for review and approval. The closure plan must include the cap design and construction plan and post closure care plan for the landfill.
2. The solid waste disposal pit may not contain any free liquid. Any ponding of precipitation must be removed within 24 hours of discovery.
3. Any trash accepted into the facility containing paper, paper bags or other trash that has the potential for blowing away or being transported by other vectors must be covered with soil on the day of delivery and disposal.
4. The facility must be inspected on a regular basis for litter that may have blown out of the landfill. Stray litter including trapped litter in vegetation or fencing must be picked up and returned to the landfill cell.
5. Landfill inspection and maintenance must be conducted on at least a daily basis and immediately following each consequential rainstorm or windstorm. If any defect is noted, repairs must be made as soon as possible. If the defect will jeopardize the integrity of the landfill, the OCD Hobbs office must be notified within 24 hours and the landfill may not be operated until repairs have been completed. Records of such inspections must be made available to the OCD upon request.
6. Within sixty (60) day of receipt of this amended attachment, a plat for the landfill must be submitted to the OCD Santa Fe and Hobbs offices that shows all current and past burial operations at the facility. CRI must submit an updated plat for approval prior to excavation of a new disposal cell or when planning on expanding the dimensions of a disposal cell. This update must be submitted to the OCD prior to commencing disposal cell excavations or enlargements.

WASTE ACCEPTANCE CRITERIA

1. The facility is authorized to accept only:
 - a. Oilfield wastes that are exempt from RCRA Subtitle C regulations and that do not contain Naturally Occurring Radioactive Material regulated pursuant to 20 NMAC 3.1 Subpart 1403 (NORM). All loads of these wastes other than wastes returned from the well bore in the normal course of well operations such as produced water and spent treating fluids received at the facility shall be accompanied by a "Generator Certificate of Waste Status" signed by the generator.
 - b. Non-hazardous non-exempt oilfield wastes that do not contain NORM. These wastes may be accepted on a case-by-case basis after a hazardous waste determination is made. Samples, if required, must be obtained from the wastes prior to removal from the generator's facility and without dilution in accordance with EPA SW-846 sampling procedures. All "non-hazardous" non-exempt wastes received at the facility must be accompanied by:
 - i. An approved OCD Form C-138 "Request For Approval To Accept Solid Waste."
 - ii. A "Generator Certificate of Waste Status" signed by the generator.
 - iii. A verification of waste status issued by the appropriate agency, for wastes generated outside OCD jurisdiction. The agency verification is based on specific information on the subject waste submitted by the generator and demonstrating the exempt or non-hazardous classification of the waste.
 - c. Non-oilfield wastes that are non-hazardous if ordered by the Department of Public Safety in a public health emergency. OCD approval must be obtained prior to accepting the wastes.
2. At no time may any OCD-permitted surface waste management facility accept wastes that are hazardous by either listing or characteristic testing.
3. Waste containing mercaptans (Thiols) must be treated to eliminate odor prior to receipt into the facility.
4. No free liquids or waste with free liquids may be accepted into the landfill portion of the facility. Materials that may be accepted into the landfill facility must pass a paint filter test by EPA Method 9095A prior to disposal.

5. The transporter of any wastes to the facility must supply a certification that wastes delivered are those wastes received from the generator and that no additional materials have been added.
6. No waste will be accepted at the treating plant unless it is accompanied by an approved Form C-117-A.
7. No produced water may be received at the facility unless the transporter has a valid Form C-133, Authorization to Move Produced Water, on file with the Division.

REPORTING AND RECORD KEEPING

1. The Treating Plant Operator's Monthly Report (Form C-118 sheet 1 and 1-A), which details the oil recovered and sold during the preceding month, must be submitted to the OCD Hobbs office according to the directions contained on Form 118.
2. The Tank Cleaning, Sediment Oil Removal, Transportation of Miscellaneous Hydrocarbons and Disposal Permit (Form C-117) must be submitted to the OCD Hobbs office according to form directions.
3. The Monthly Water Disposal Report (Form C-120), which details the water disposed during the preceding month, must be submitted to the according to form directions.
4. CRI must notify the **OCD Santa Fe and Hobbs offices within 24 hours** of any fire, break, leak, spill, blowout or any other circumstance that could constitute a hazard or contamination in accordance with OCD Rule 116.
5. Records of facility inspections and records of any maintenance must be kept and maintained for OCD review.
6. Records of H₂S and wind direction measurements must be kept and maintained for OCD review.
7. Comprehensive records of all material disposed of at the facility must be maintained at the facility. The records for each load will include: 1) generator; 2) origin; 3) date received; 4) quantity; 5) certification of waste status as exempt or non-exempt with any necessary supporting documentation to certify non-hazardous status for non-exempt waste; 6) NORM status declaration; 7) transporter; 8) cell/pit number where the waste was received; and 9) any additions to the waste such as H₂S treatment chemicals *etc.*

FINANCIAL ASSURANCE

1. Financial assurance in the amount of **\$250,000** must be deposited with the OCD in the form of a surety or cash bond or a letter of credit (in form approved by OCD) to assure closure of the commercial surface waste management facility. The financial assurance shall be deposited according to the following schedule:

By August 5, 2001 Controlled Recovery, Inc. must submit 50% of the financial assurance in the amount of **\$125,000**.

By August 5, 2002 Controlled Recovery, Inc. must submit 75% of the financial assurance in the amount of **\$187,500**.

By August 5, 2003 Controlled Recovery, Inc. must submit 100% of the financial assurance in the amount of **\$250,000**.

2. The facility is subject to periodic inspections by the OCD. The conditions of this permit and the facility will be reviewed no later than five (5) years from the date of this approval. In addition, the closure cost estimate will be reviewed according to prices and remedial work estimates at the time of review. The financial assurance may be adjusted to incorporate any closure cost changes.

CLOSURE

1. The OCD Santa Fe and Hobbs offices must be notified when operation of the facility is to be discontinued for a period in excess of six (6) months or when the facility is to be dismantled. Within six (6) months after discontinuing use or within 30 days of deciding to dismantle the facility, the operator must submit a closure plan to the OCD Santa Fe office for approval. The operator must complete cleanup of constructed facilities and restoration of the facility site within six (6) months of receiving the closure plan approval, unless an extension of time is granted by the Director.
2. The closure plan to be submitted must include the following procedures:
 - a. When the facility is to be closed no new material may be accepted.
 - b. The evaporation ponds must be allowed to evaporate. Any water not evaporated must be hauled to an OCD-approved facility.
 - c. The ponds and pits must be surveyed for NORM.
 - d. All solid/liquid drying pits must be allowed to dry and must be closed according to an approved closure plan.
 - e. The landfill pit must be closed according to an approved closure plan that includes a post-closure care period.

- f. Contaminated soils exceeding OCD closure standards for the site must be disposed of in the facility landfill or removed to an OCD-approved facility or remediated.
- g. All above and below grade tanks and steel pits must be emptied and any recyclable material must be hauled to an OCD-approved facility. The empty tanks/steel pits must be removed.
- h. The area must be contoured, seeded with a native seed mix and allowed to return to its natural state. If the landowner desires to keep existing structures, berms, and fences for future alternative uses the structures may be left in place.
- i. Closure must be pursuant to all OCD requirements in effect at the time of closure, and any other applicable local, state and/or federal regulations.

CERTIFICATION

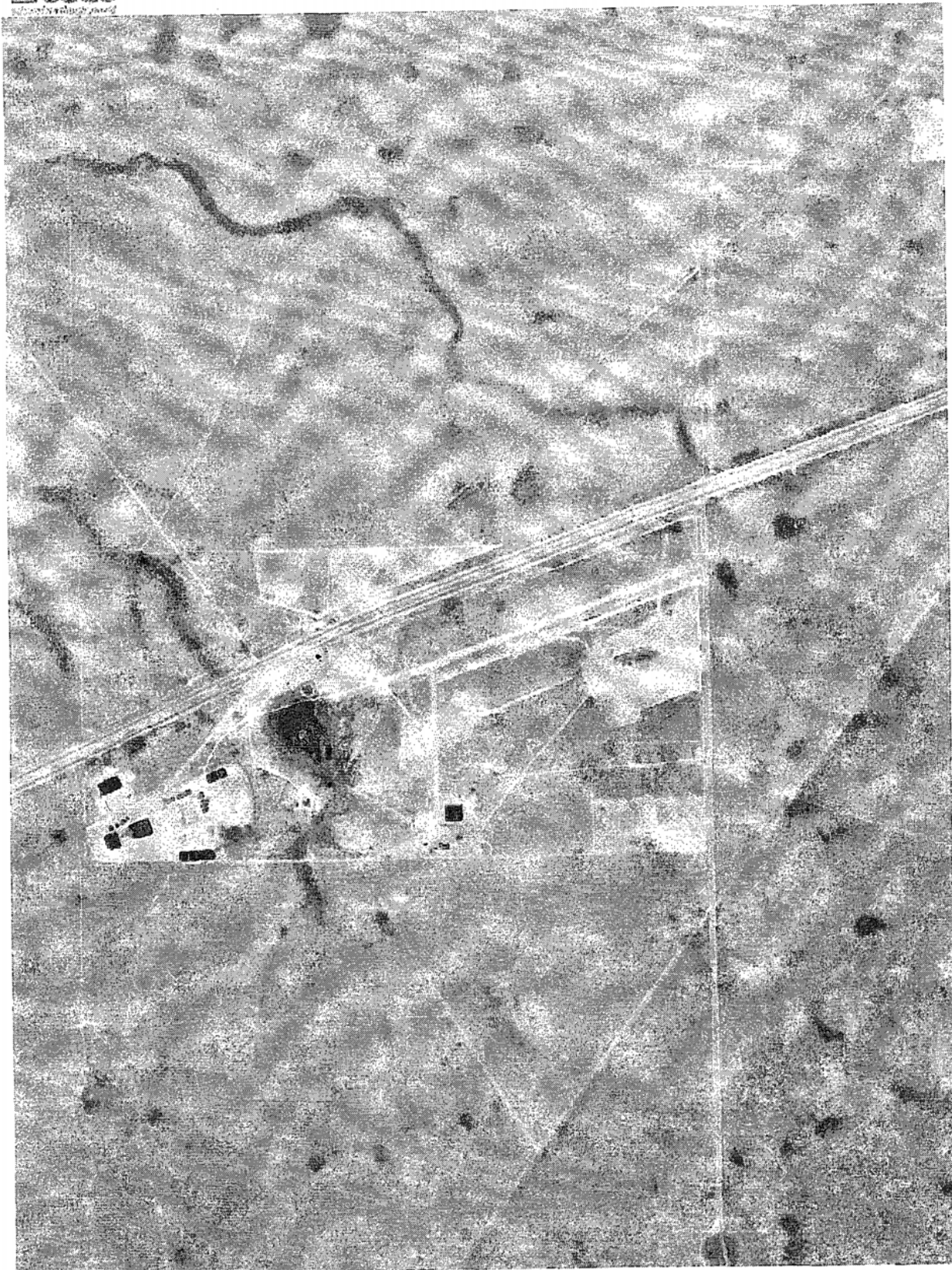
Controlled Recovery, Inc., by the officer whose signature appears below, accepts this permit and agrees to comply with all terms and conditions contained herein. Controlled Recovery, Inc. further acknowledges that these conditions and requirements of this permit may be changed administratively by the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

Accepted:

CONTROLLED RECOVERY, INC.

Signature _____ Title _____ Date _____

47 km E of Carlsbad, New Mexico, United States 22 Oct 1996



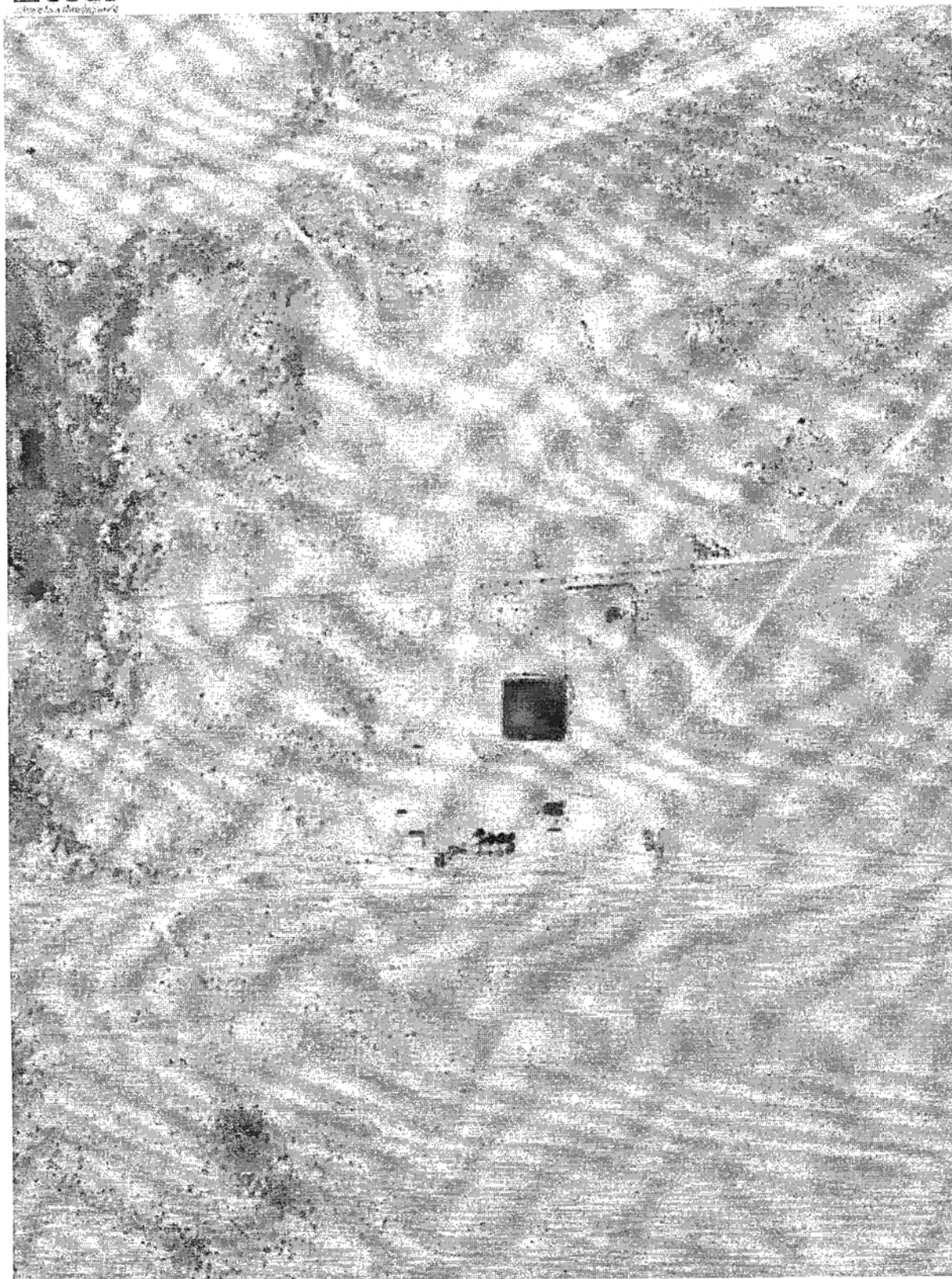
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plant of any kind, shall be sufficient ground for the appointment of a receiver with power to conduct operations in accordance with the order of the court.

History: Laws 1935, ch. 72, § 21; 1941 Comp., § 69-227; Laws 1949, ch. 168, § 23; 1953 Comp., § 65-3-26.

Cross references. — For appointment of receivers, see Rules 1-065 and 1-066 SCRA 1986.

70-2-31. Violations of the Oil and Gas Act; penalties.

A. Any person who knowingly and willfully violates any provision of the Oil and Gas Act [this article] or any provision of any rule or order issued pursuant to that act shall be subject to a civil penalty of not more than one thousand dollars (\$1,000) for each violation. For purposes of this subsection, in the case of a continuing violation, each day of violation shall constitute a separate violation. The penalties provided in this subsection shall be recoverable by a civil suit filed by the attorney general in the name and on behalf of the commission or the division in the district court of the county in which the defendant resides or in which any defendant resides if there be more than one defendant or in the district court of any county in which the violation occurred. The payment of such penalty shall not operate to legalize any illegal oil, illegal gas or illegal product involved in the violation for which the penalty is imposed or relieve a person on whom the penalty is imposed from liability to any other person for damages arising out of such violation.

B. It is unlawful, subject to a criminal penalty of a fine of not more than five thousand dollars (\$5,000) or imprisonment for a term not exceeding three years or both such fine and imprisonment, for any person to knowingly and willfully:

(1) violate any provision of the Oil and Gas Act or any rule, regulation or order of the commission or the division issued pursuant to that act; or

(2) do any of the following for the purpose of evading or violating the Oil and Gas Act or any rule, regulation or order of the commission or the division issued pursuant to that act:

(a) make any false entry or statement in a report required by the Oil and Gas Act or by any rule, regulation or order of the commission or division issued pursuant to that act;

(b) make or cause to be made any false entry in any record, account or memorandum required by the Oil and Gas Act or by any rule, regulation or order of the commission or division issued pursuant to that act;

(c) omit or cause to be omitted from any such record, account or memorandum full, true and correct entries; or

(d) remove from this state or destroy, mutilate, alter or falsify any such record, account or memorandum.

C. For the purposes of Subsection B of this section, each day of violation shall constitute a separate offense.

D. Any person who knowingly and willfully procures, counsels, aids or abets the commission of any act described in Subsection A or B of this section shall be subject to the same penalties as are prescribed therein.

History: 1978 Comp., § 70-2-31, enacted by Laws 1981, ch. 362, § 1.

Cross references. — For disposition of fines and forfeitures under general laws, N.M. Const., art. XII, § 4.

Repeals and reenactments. — Laws 1981, ch.

362, § 1, repeals former 70-2-31 NMSA 1978 and enacts the above section, relating to the same subject matter.

Am. Jur. 2d, A.L.R. and C.J.S. references. — 58 C.J.S. Mines and Minerals § 241.

70-2-32. Seizure and sale of illegal oil or gas or products; procedure.

A. Apart from, and in addition to, any other remedy or procedure which may be available to the commission or the division, or any penalty which may be sought against or imposed upon any person, with respect to violations relating to illegal oil or illegal gas or illegal products thereof, all such oil or gas or products thereof shall, except under such circumstances as are stated herein, be contraband and shall be seized and sold, and the proceeds applied as herein provided. The sale shall not take place unless the court finds in the

contains 193.808 acres, more or less.
South 30 feet being reserved as a utility

U.S.A.

TRACT I

U.S. HIGHWAY 62-180

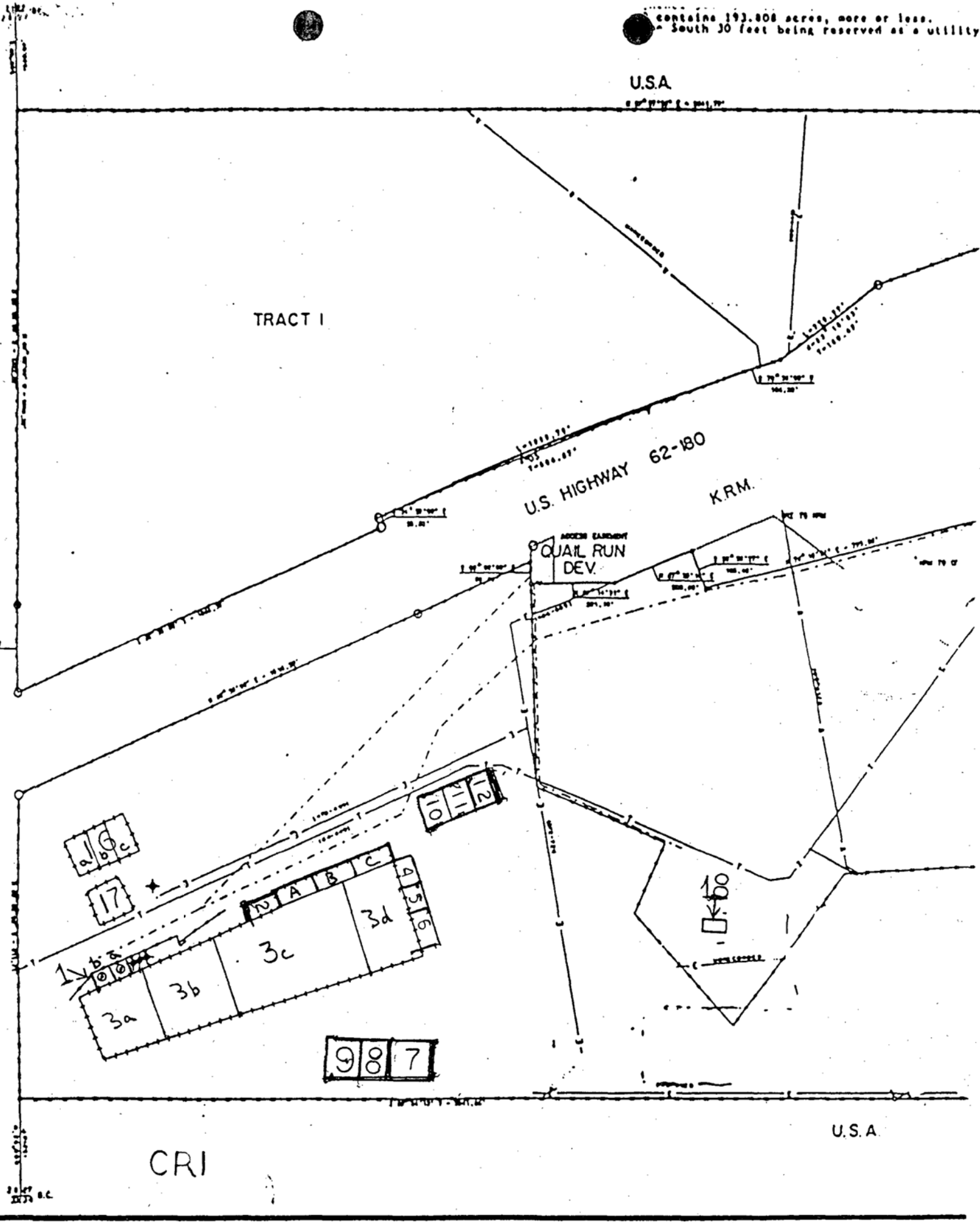
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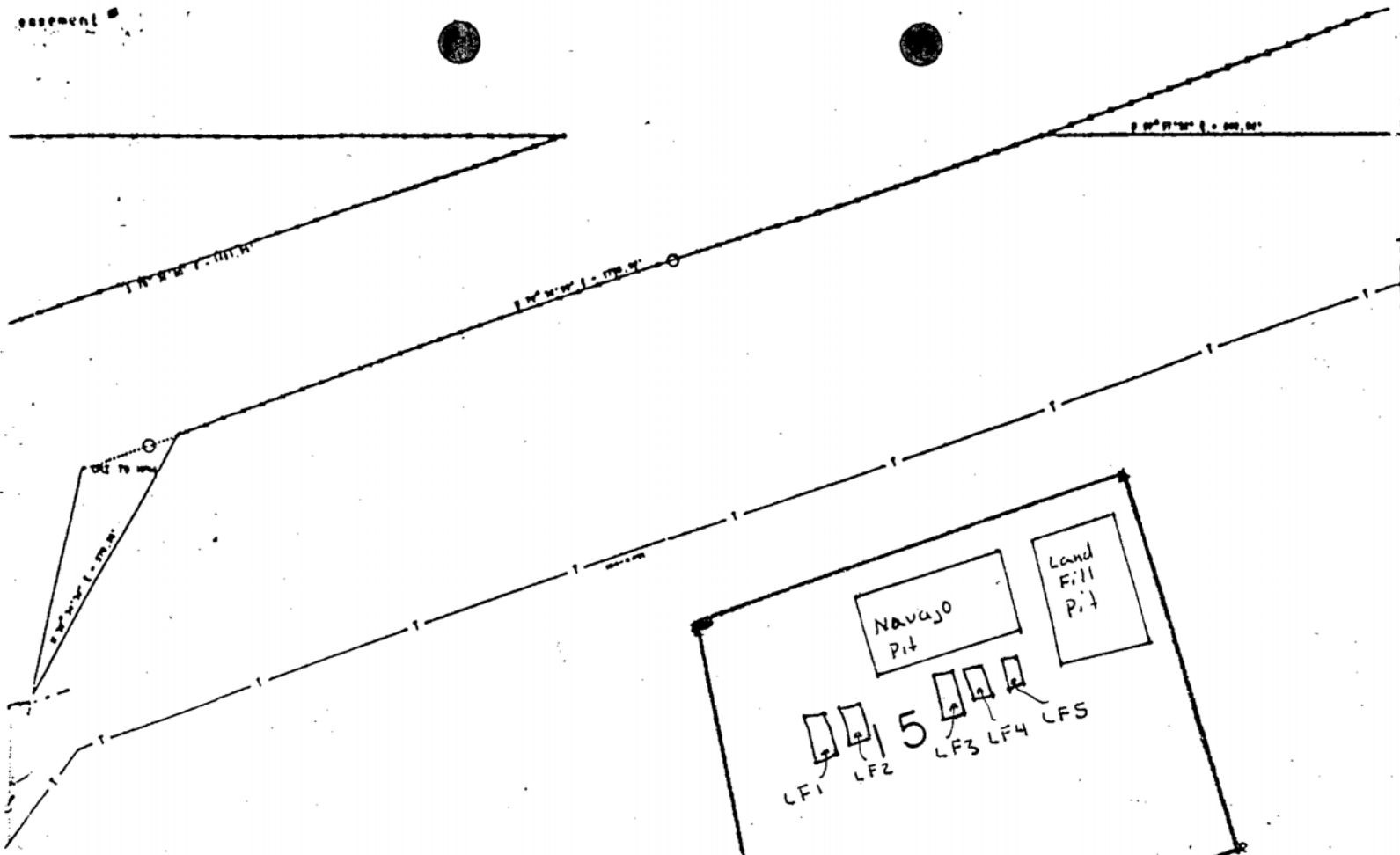
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DEV.

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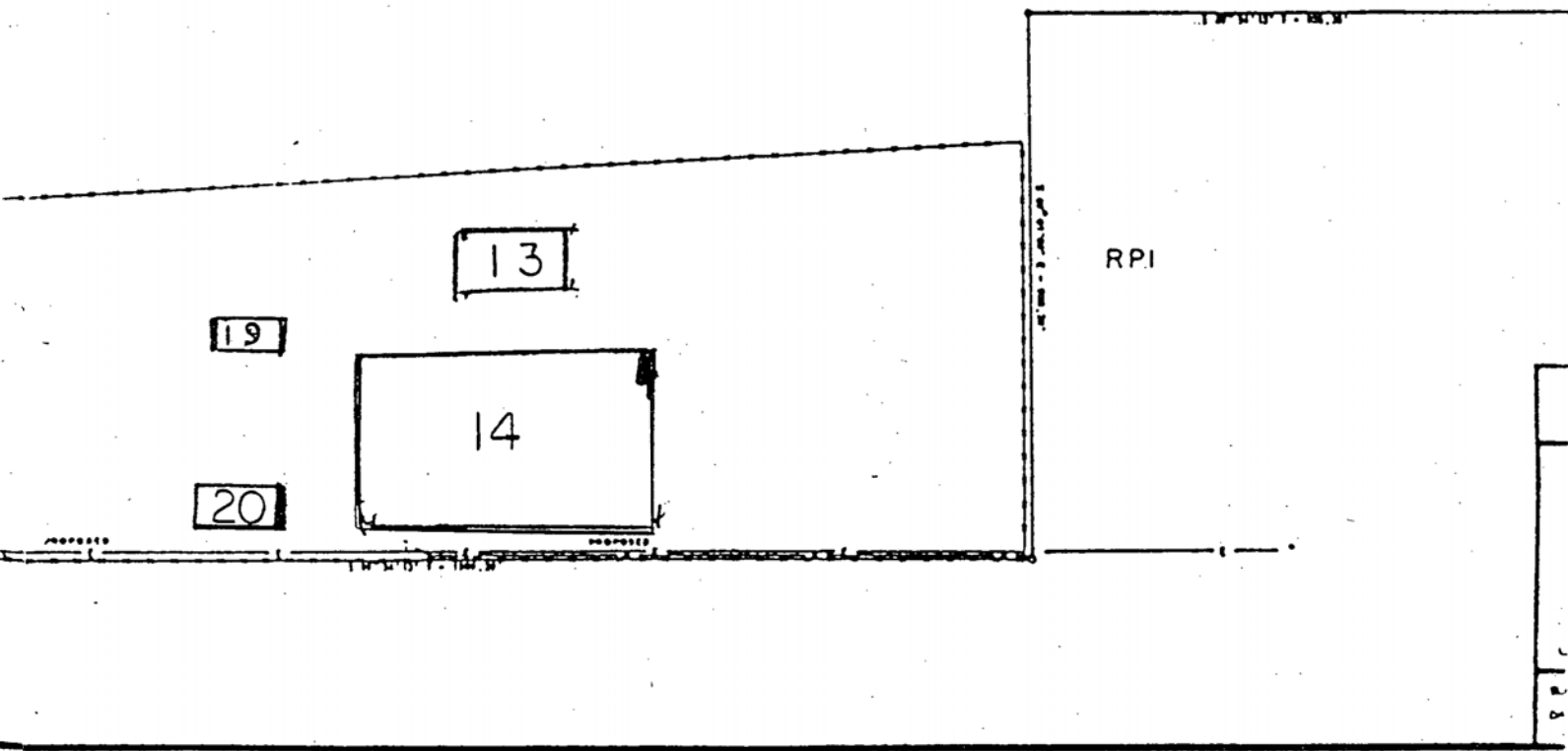
CRI

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B.C.





TRACT 2



ATTACHMENT 1
OCD Environmental Bureau Closure Cost Estimate
For
Controlled Recovery, Inc.,
320 acre surface waste management facility
June 14, 2000

KNOWN

336,000 bbl = Volume of Evaporation pit from February 1990 proposal.
(now divided into 3a, 3b, 3c, and 3d)
213,750 ft² = Total surface area 225 ft x 950 ft
4.9 acres = Estimate from map in February 1990 proposal
9 ft = Pit depth estimated from map elevations in February 1990 proposal
1,603,125 ft³ = Total volume at CRI
9 inches/year = Annual mean rainfall

CONVERSIONS

1 acre = 43,560 ft.
1 acre ft = 325,851 gal.
1 acre ft = 43,560 cubic ft.
1 ft³ = 7.481 gal
42 gal = 1 bbl

336,000 bbl * $\frac{42 \text{ gal}}{1 \text{ bbl}}$ = **14,112,000 gal Total volume of produced water at CRI to be evaporated.**

Evaporation

2000 bbl/month/acre = Estimated evaporation
from Examiner Hearing Case 7329, August 26, 1981, Page 33-34
(Loco Hills Water Disposal)

2000 bbl/month/acre * $\frac{12 \text{ months}}{1 \text{ year}}$ * $\frac{1 \text{ year}}{365 \text{ days}}$ * $\frac{42 \text{ gal}}{1 \text{ bb}}$ = 2762 gal/day/acre

2762 gal/day/acre * 4.9 acre = **13,533 gal/day Total Evaporation at CRI**

$\frac{14,112,000 \text{ gal}}{13,533 \text{ gal/day}}$ = 1042 days * $\frac{1 \text{ year}}{365 \text{ days}}$ = 2.8 years Evaporation only

Infiltration

321.3 bbl/day
to = Estimated Infiltration from Examiner Hearing Case 7329, August 26, 1981,
3.7 bbl/day for 7.81 acres

7.81 acres * 4.9 acres = 201 bbl/day estimated infiltration for CRI
3.21.3 bbl/day

201 bbl/day * $\frac{42 \text{ gal}}{1 \text{ bbl}}$ = **8,442 gal/day Total Infiltration at LHWD**

RainFall

9inch/year * $\frac{1 \text{ ft}}{12 \text{ inches}}$ * $\frac{1 \text{ year}}{365 \text{ days}}$ = 0.002 ft/day

213,750 ft² * 0.002 ft/day = 427 ft³/day

427 ft³/day * $\frac{7.481 \text{ gal}}{1 \text{ ft}^3}$ = **3,194 gal/day Total Rain at LHWD**

13,533 gal/day Total Evaporation at CRI
8,442 gal/day Total Infiltration at CRI
+ -3,194 gal/day Total Rain at CRI
18,781 gal/day Total Loss at CRI

14,112,000 gal = 751 days = **2 years and 21 days to dry the evaporation pond**
18,781 gal/day

Evaporate pond for 2 years contractor will check on facility daily and monitor H₂S.

Contract personnel \$19.00 hour 2 hours per day 7 days a week for 2 years

\$28,538. Daily Facility Checks

Remove Fluids From All Tanks.

100 bbl water truck & driver \$65.00/hour

2 hours per trip

\$0.35 bbl produced water disposal cost (quotes from other 711 facilities)

\$3.75 bbl non-exempt waste disposal cost (quotes from other 711 facilities)

\$3.25 bbl tankbottom BS&W (quotes from other 711 facilities)

Confirmatory Soil Sampling Time and Labor for 40 samples

Labor 2 personnel \$55.00/hour
Sample 30 min per sample
Travel 2 hour
Delivery & Paperwork 2 hours

Total Time = (30 min/sample * 40 samples) + 2 hour + 2 hours = 24 hours

24 hours * \$55.00/hour * 2 persons = **\$2,640.00 Sampling Event**

Empty Two 30' x 30' x 5' Skim Pits (pits 1a & 1b)

One skim pit to be disposed of as produced water.
One skim pit to be evaporated on site.

4500 cubic feet = 33,664gal = 801 bbl
100 bbl water truck & driver \$65.00/hour
2 hours per trip
\$.35 /bbl produced water disposal

$\frac{801 \text{ bbl}}{100 \text{ bbl}} * 2 \text{ hours} * \$65.00/\text{hour} = \$1,040 \text{ transport cost}$

$\$.35 \text{ bbl} * 801 \text{ bbl} = \$280.00 \text{ disposal cost}$

\$1,320.00 Skim Pit Fluid Disposal

Empty Exempt Solid/Liquid Drying Pits # A, B, C, 4, 5, 6, 7, 8, 9 and 10. Empty Non-exempt Solid/Liquid Drying Pits #11 and 12.

Allow pits to dry out and then truck solids to onsite landfill for disposal.

Trucking \$65.00/hour running 3 trucks
Front end loader \$85.00/hour 1 loader

pits #A, B, C	4x150x30	=	18,000 ft ³	=	666 yd ³
pits # 4,5,6	4x225x30	=	15,600 ft ³	=	577 yd ³
pits #7,8,9	4x250x75	=	24,000 ft ³	=	888 yd ³
pits #10,11,12	3x250x75	=	22,500 ft ³	=	833 yd ³

20 min per trip

$\frac{2,964 \text{ yd}^3}{12 \text{ yd}^3 \text{ per truck}} * 20 \text{ min/trip} * \$65.00/\text{hour} = \$5,352.00 \text{ transport cost}$

28 hours * \$85.00/hour = \$ 2380.00 Front end loader and operator

\$7,732.00 Total Solid/Liquid Drying Pit Disposal

Empty Non-Exempt Storage pits #13, 16a, 16b, 16c and 17 that contain BS&W, tank bottoms and other solid material

Truck solids to and OCD-approved facility for treatment and processing.

Trucking \$65.00/hour run 10 trucks

1Track hoe \$97.00/hour

1Front end loader \$85.00/hour

13 4x100x75 = 30,000 ft³ = 1111 yd³

#16 4x100x100 = 40,000 ft³ = 1481 yd³

#17 4x100x100 = 40,000 ft³ = 1481 yd³

2 hours per trip

\$16.00/yd³ offsite treatment and disposal

$\frac{4073 \text{ yd}^3}{12 \text{ yd}^3 \text{ per truck}} * 2 \text{ hours/trip} * \$65.00/\text{hour} = \$44,124.00 \text{ transport cost}$

67 hours * \$97.00/hour = \$6,499.00 Track hoe and operator

67 hours * \$85.00/hour = \$5,695.00 Front end loader and operator

\$56,318.00 Total Non-Exempt Storage pits Disposal

Ground Water Monitoring of 10 wells annually for 2 years

State Contract Laboratory Prices per Analysis:

BTEX \$ 40.00 x 20 samples = \$ 800.00

TPH \$ 50.00 x 20 samples = \$ 1,000.00

Cations, Anions, TDS

Ph, and Conductivity \$120.00 x 20 samples = \$ 2,400.00

\$ 4,200.00 Analytical

Sampling Time and Labor for 10 Wells for 2 Years

Labor 2 personnel \$55.00/hour
Sample time 20 hours
Travel 2 hour
Delivery & Paperwork 3 hours

Total Time = 20 hours + 2 hours + 3 hours = 25 hours

25 hours x \$55.00/hour x 2 persons x 2 sample times = \$5,500.00 Sampling

\$9,700.00 Ground Water Monitoring

Plug and Abandon 10 Monitoring Wells Bottom to Top (approximatly 576 feet total length)

Labor 2 personnel \$55.00/hour
Time 90 min per well
3/8" hole plug \$10.23 per bag
30 bags to plug 576ft

10 wells * 90min * \$55.00/hour * 2 personnel = \$1,650.00

30 bags * \$10.23/bag = \$307.00

\$1,957.00 Plug Wells

NORM Survey

Survey \$35.00/hour
Area 15 acres
5 hours/5 acres
Meter Rental \$75.00
Mileage = 70 mile * \$ 0.68/mile = \$48.00

\$35.00 / hour * 15 hours = \$525.00

\$525.00 + \$75.00 + \$48.00 = **\$648.00 NORM Survey**

Remove Sludge From Evaproatation Pit 3a, 3b, 3c, and 3d Bottom

225 x 950 = 213,750 ft² = 4.9 acres of area

0.5 foot estimated sludge thickness

20 min per trip

Trucking \$65.00/hour 3 trucks

1 Front end loader \$85.00/hour

$$213,750 \text{ ft}^2 * 0.5 \text{ ft} * \frac{1 \text{ cubic yard}}{27 \text{ ft}^3} = 3958 \text{ yd}^3$$

$$\frac{3958 \text{ yd}^3}{12 \text{ yd}^3 \text{ per truck}} * 20 \text{ min/trip} * \$65.00/\text{hour} = \$7,146.00 \text{ transport cost}$$

$$36 \text{ hours} * \$85.00/\text{hour} = \$3060.00 \text{ Front end loader and operator}$$

\$10,206 Pond Sludge Removal

Level the Berms and Contour Pits #1a, 1b, 2, 3a, 3b, 3c, 3d, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 16a, 16b, 16c and 17

estimate from other closure bids and estimates.

\$85,947.00 level and contour

Design and Construct a Landfill Cap for Pit # 15.

The pit will be filled and compacted with clean soil and then covered, compacted and domed so that the pit location will allow for drainage of precipitation. The cap will consist of a 12 inch intermediate cover material, 18 inch clay cap, and 6 inches of topsoil. Clean material to construct the cap may be removed from on site. The cap will be seeded with a native seed mix appropriate for the soil type and climate.

the pit is 540x300	=	162,000 ft ³
top soil 6"	=	3000 yd ³
clay cap 18"	=	9000 yd ³
intermediate cover 12"	=	6000 yd ³
fill in pit 18"	=	9000 yd ³

Total 27,000 yd³

Scraper \$95.00/hour

Sheepfoot roller or other compactor \$65.00/hour
20 min per trip

500 hours \$95.00/hour = \$47,500.00 scraper

250 hours \$65.00/hour = \$16,250.00 compacting

\$63,750.00

Revegetation for 20 acres

Equipment and labor cost

tractor and seed drill \$30.00/hour @ 30 min/acre for 20 acres = \$300.00

Materials cost

Seed \$ 10.00 /lb @ 5 lb/acre for 20 acres = \$1,000.00

\$300.00 + \$1,000.00

=

\$1,300.00 Revegetation

Landfill Post Closure Care: Ground Water Monitoring of 4 wells annually for 30 years and Biannual Inspection of Landfill Cap.

State Contract Laboratory Prices per Analysis:

BTEX	\$ 40.00	x 120 samples	=	\$ 4,800.00
TPH	\$ 50.00	x 120 samples	=	\$ 6,000.00
Cations, Anions, TDS				
Ph, and Conductivity	\$120.00	x 120 samples	=	<u>\$ 14,400.00</u>
				\$ 25,200.00 Analytical

Sampling Time and Labor for 4 Wells for 30 Years

Labor 2 personnel \$55.00/hour

Sample time 8 hours

Travel 1 hour

Delivery & Paperwork 2 hours

Total Time = 8 hours + 1 hours + 2 hours = 11 hours

11 hours x \$55.00/hour x 2 persons x 30 sample times = \$36,300.00 Sampling

Biannual Inspection of Landfill Cap

Labor 1 personnel \$55.00/hour
Inspection and report time 2 hours

2 hours * 60 times * \$55.00/hour = \$ 6,600.00

\$68,100.00 Post Closure Care

Total Closure, Vegetation, and Post Closure Care Cost for Controlled Recovery, Inc.

\$ 400,923.00 SubTotal

\$ 22,551.00 NMGRT .05625

\$ 423,474.00 Total Financial Assurance

Existing Commercial Facilities financial assurance may be no more than \$250,000.00



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

Jennifer A. Salisbury

Cabinet Secretary

May 10, 2001

Lori Wrotenbery

Director

Oil Conservation Division

CERTIFIED MAIL

RETURN RECEIPT NO. 7099-3220-0000-5051-2337

Mr. Ken Marsh
Controlled Recovery, Inc.
P.O. Box 388
Hobbs, NM 88241-0388

**RE: Controlled Recovery, Inc. Permit NM-01-0006
S/2 N/2 and the N/2 S/2 Section 27, Township 20 South, Range 32 East, NMPM
Lea County, New Mexico**

Dear Mr. Marsh:

The New Mexico Oil Conservation Division (OCD) has received the Controlled Recovery Inc's (CRI) "Request for Approval to Accept Solid Waste" Form C-138, CRI tracking No. 04-004, regarding oilfield solid waste containing mud sacks, non-hazardous and household trash. The OCD hereby approves that this waste stream may be disposed of at CRI pursuant to Permit NM-01-0006 with the following permit condition:

- (a) Any trash accepted into the facility containing paper, paper bags or other trash that has the potential for blowing away or being transported by other vectors must be covered with soil upon the day of delivery and disposal into the solid waste pit.

Please be advised that approval to accept these wastes does not relieve CRI of liability should your operation result in pollution of surface water, ground water, or the environment. In addition, OCD approval does not relieve CRI of responsibility for compliance with other federal, state or local laws and/or regulations.

If you have any questions please do not hesitate to contact me at (505) 476-3490.

Sincerely,

Roger C. Anderson
Environmental Bureau Chief

RCA/mjk

xc with attachments:
Hobbs OCD Office



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

May 9, 2001

Lori Wrotenbery
Director
Oil Conservation Division

CERTIFIED MAIL
RETURN RECEIPT NO. 7099-3220-0000-5051-2221

Mr. Ken Marsh
Controlled Recovery, Inc.
P.O. Box 388
Hobbs, NM 88241-0388

RE: Controlled Recovery, Inc. Permit NM-01-0006
S/2 N/2 and the N/2 S/2 Section 27, Township 20 South, Range 32 East, NMPM
Lea County, New Mexico

Dear Mr. Marsh:

The New Mexico Oil Conservation Division (OCD) has determined that the following listed waste streams may be disposed of at Controlled Recovery, Inc. (CRI) pursuant to Permit NM-01-0006 without the necessity of prior written authorization of the Division:

- (a) Barrels, drums, 5-gallon buckets, 1-gallon containers so long as empty and EPA-clean.
- (b) Uncontaminated brush and vegetation arising from clearing operations.
- (c) Uncontaminated concrete.
- (d) Uncontaminated construction debris.
- (e) Detergent buckets, so long as completely empty.
- (f) Fiberglass tanks so long as the tank is empty, cut up or shredded, and EPA clean.
- (g) Grease buckets, so long as empty and EPA clean.
- (h) Uncontaminated ferrous sulfate or elemental sulfur so long as recovery and sale as a raw material is not possible.
- (i) Metal plate and metal cable.
- (j) Paper and paper bags, so long as empty (paper bags).
- (k) Plastic pit liners, so long as cleaned well.
- (l) Soiled rags or gloves. If wet, must pass Paint Filter Test prior to disposal.
- (m) Uncontaminated wood pallets.

Please be advised that approval to accept these wastes does not relieve CRI of liability should your operation result in pollution of surface water, ground water, or the environment. In addition, OCD approval does not relieve CRI of responsibility for compliance with other federal, state or local laws and/or regulations.

If you have any questions please do not hesitate to contact Roger Anderson at (505) 476-3490.

Sincerely,


Lori Wrotenbery
Director

LW/mjk

xc with attachments:

Hobbs OCD Office

Michael Feldewert, Holland & Hart LLP and Cambell, Carr, P.A.