

GW - 200

**PERMITS,
RENEWALS,
& MODS
Application**



Key Energy Services
6 Desta Drive
Suite 4300
Midland, Texas 79705

Telephone: 432.620.0300
Facsimile: 432.571.7173
www.keyenergy.com

**SEE 08.26.10 Correspondence, Full Application,
rec'd.*

February 9, 2011

State of New Mexico
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505

Re: Key Energy Services – Hobbs Yard
GW-200 – Renewal

Dear Leonard:

Enclosed you will find an original plus one copy of the Renewal Discharge Plan for Key's Hobbs yard located at 418 South Grimes.

If you have any questions, please call me at 432 571-7116.

Sincerely,

A handwritten signature in cursive script that reads "Robyn Miller".

Robyn Miller, CLA and SWD Compliance Coordinator

Enclosures

cc: State of New Mexico
Oil Conservation Division
District 1 Office
1625 N. French Dr.
Hobbs, NM 88240

Mr. Bob Patterson

RECEIVED OGD
2011 FEB 11 2 1:30

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

State of New Mexico
Energy Minerals and Natural Resources
Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Revised June 10, 2003

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

**DISCHARGE PLAN APPLICATION FOR SERVICE COMPANIES, GAS PLANTS,
REFINERIES, COMPRESSOR, GEOTHERMAL FACILITIES
AND CRUDE OIL PUMP STATIONS**

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

New Renewal Modification

1. Type: Oil & Gas Service Company

GW-2004

2. Operator: Key Energy Services, Inc.

Address: 418 South Grimes Hobbs, NM 88240

Mailing Address: 6 Desta Drive, Suite 4400 Midland, TX 79705

Contact Person: Bob Patterson, Area Manager

Phone: 575-394-2581 Office
575-631-7595 Cell

Alternate Contact: Dan Gibson, Corporate Environmental Dir.

Phone: 432-571-7536 Office

Location: NW /4 NW/4 Section 3, Township 19 South, Range 38 East
Lea County New Mexico within Hobbs, New Mexico city limits.

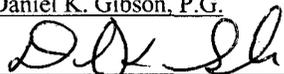
Submit large scale topographic map showing exact location: See Figure 1

4. Attach the name, telephone number and address of the landowner of the facility site.
5. Attach the description of the facility with a diagram indicating location of fences, pits, dikes and tanks on the facility.
6. Attach a description of all materials stored or used at the facility.
7. Attach a description of present sources of effluent and waste solids. Average quality and daily volume of waste water must be included.
8. Attach a description of current liquid and solid waste collection/treatment/disposal procedures.
9. Attach a description of proposed modifications to existing collection/treatment/disposal systems.
10. Attach a routine inspection and maintenance plan to ensure permit compliance.
11. Attach a contingency plan for reporting and clean-up of spills or releases.
12. Attach geological/hydrological information for the facility. Depth to and quality of ground water must be included.
13. Attach a facility closure plan, and other information as is necessary to demonstrate compliance with any other OCD rules, regulations and/or orders.

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

Name: Daniel K. Gibson, P.G.

Title: Corporate Environmental Director

Signature: 

Date: 02/09/2011

E-mail Address: dgibson@keyenergy

Attachments for Discharge Plan Application
Renewal of GW-200

Key Energy Services, Inc.
418 South Grimes Street
Hobbs, NM 88240

3. Location

The site is located within the northwest quarter of the northwest quarter of Section 3 in Township 19 South, Range 38 East in Lea County, New Mexico. The facility is located just south of Highway 62 on Grimes Street. Figure 1 shows the exact location of the facility.

4. Landowner

Key Energy Services Inc.
#6 Desta Drive, Suite 4400
Midland, TX 79705
Phone: 432-620-0300

5. Facility Description and Diagram

The facility transports fluids used for, or in conjunction with, the discovery, development, production, refining, processing and/or storage of natural gas and petroleum, and its products and by-products. Frac tanks are also provided to the oil and gas industry from the facility. See Figure 2 for facility diagram. All chemical tanks and drums are stored on concrete and have secondary containment (i.e. concrete, plastic, fiberglass or metal bins).

6. Description of Stored and Used Materials

- a. Drilling Fluids: None
- b. Brine: KCL water mixed at freshwater rack. Appendix A lists types of KCL on premises (5 gallons of liquid in buckets, 50# paper sacks)
- c. Acids/Caustics: None
- d. Surfactants: Appendix A lists four types of surfactants
- e. Solvents/Degreasers: one paraffin solvent listed in Appendix A
- f. Paraffin Treatment/Emulsion Breakers: Appendix A lists one paraffin solvent
- g. Biocides: Appendix A lists one biocide
- h. Other: See Appendix A
 - 1. Engine Oil stored in shop
 - 2. Gear Oil stored in shop
 - 3. Grease stored in shop
 - 4. Diesel Additive stored in shop

5. Used Oil stored in 275 gallon tote in containment outside shop
6. Antifreeze, new and used, stored in shop

Material Safety Data Sheets (MSDS) are readily available on file at the facility office with a copy of the notification and the release response plan shown in Appendix D and E.

7. Sources and Estimated Quantities of Effluent and Waste Solids

- a. Truck Waste: All fluids hauled from this terminal are off loaded at customers' locations or work facilities. No waste is generated.
- b. Truck Washing: Key Energy washes only the exterior of vehicles at this facility to remove dirt and road grime using a pressure washer, scrub brushes and soap. Approximately 3000 gallons of waste water are generated. Cleaning solvents are not used for vehicle washing procedures. Key Energy **does not rinse out** tanks or product barrels at this facility.
- c. Key Energy contracts Safety Kleen to service parts washing units and recycle solvents used in the shop. No other solvents are used.
- d. Solvent filters are changed approximately four (4) times per year in the parts washing units serviced by Safety Kleen under contract to Key Energy.
- e. Spent acids, caustics or completion fluids waste is not generated at this facility.
- f. Used Motor Oil and Lubricants: Engine oils that are drained during vehicle maintenance activities total approximately 170 gallons per month and are placed into a 275 gallon tote labeled **USED MOTOR OIL ONLY** (see Figure 2). The tote is stored within a concrete containment pending pick-up for recycling.
- g. Filters: Approximately 25 truck oil filters are generated per month. The used oil filters are placed in a dedicated small dumpster labeled **USED OIL FILTERS ONLY** (see Figure 2). The dumpster is located on a concrete pad. Key Energy contracts Safety Kleen to pick-up and dispose of the filters.
- h. Aerosol cans are stored in a fire resistant cabinet and are punctured before being placed in normal waste dumpster.
- i. Tank Solids and Sludge: Wastes from tanks are not generated at this facility.
- j. Painting Wastes: As painting is no longer performed at this facility, paint wastes are not generated.
- k. Sewage: Domestic sanitary sewage from the building toilets is discharged to the City of Hobbs sanitary sewer system. Approximately 3,000 gallons per month of water from the vehicle wash bay are generated and discharged into the City sanitary sewer. The wash bay is used to wash off road dirt and grime. No degreasers or solvents are used in the washing operations.
- l. Other Waste Liquids are not generated.
- m. Other Waste Solids are comprised of sediments from the wash bay sediment trap, less than 4 cubic yards per year, and empty product drums and pails.

Approximately 12 empty drums accumulate prior to each pickup by the companies that supply those products to Key Energy.

8. Description of Liquid and Solid Waste Collection and Disposal

- a. No Truck Waste is generated.
- b. Truck washing: Only the exterior of tractor/trailer vehicles are washed at this facility. All wash waste water drains into a 1 ½" floor drain and directly to a concrete sediment trap, dropping out heavier sediments. Water then passes through a 3" siphon into another section of the partitioned sump for more settling time and trapping of sediments. Waters then pass into the City of Hobbs sanitary sewer system. When the sump is periodically cleaned, the sediments collected in the trap are placed in plastic lined pits and tested for disposal. Disposal is at an approved facility with written approval from the NMOCD Environmental Bureau. Tanks and drums are not rinsed out at this facility.
- c. Solvents/degreasers are not used for any vehicle cleaning. Parts cleaners in the shop use solvents periodically serviced and recycled by Safety Kleen.
- d. Used Solvent Filters: These filters are also picked up and transported by Safety Kleen for disposal.
- e. Used Motor Oil and Lubricants: Used oil is stored in a 275 gallon tote to be labeled "Used Motor Oil Only". The tote is located in a concrete containment (Figure 2). This oil is periodically picked up by Safety Kleen for recycling. All pick-ups are documented on a manifest to Key Energy prior to removal.
- f. Used Oil Filters: When the closed-top "Used Oil Filters Only" drum located on a concrete pad is filled, it is picked up and transported by Safety Kleen for recycling.
- g. Sewage: All domestic sanitary wastes and wash bay fluids flow into the City of Hobbs sanitary sewer system.
- h. Aerosol cans are punctured and added to the trash dumpster.
- i. No other liquid waste is generated at the facility.
- j. Other Waste Solids: Sediments removed from the wash bay sediment trap are stored on plastic in above ground impoundment pits until written approval for disposal is received from the NMOCD Environmental Bureau.
- k. Other Waste: Empty product drums and pails are collected for recycling on a regular basis by the companies that supply those products to Key Energy. Approximately 12 empty drums accumulate prior to each pickup.

9. Proposed Modifications:

At this time, there are no proposed modifications to the existing collection/treatment/disposal systems. The wash bay sump will be emptied and new lids installed by March 1, 2011. Annual inspections will be established for the sump and records kept with the discharge plan. Used oil and used oil filter

storage will have corrected up-dated labeling by March 1, 2011. Empty and out of service tanks, totes and propane tanks will be properly labeled, locked-out/tagged out, or removed by March 1, 2011. Mixing of KCI water at the fresh water dock may require additional vertical containment if operational adjustments do not keep KCL off the ground surface. Such considerations will be reevaluated by March 1, 2011 and, if necessary, corrective actions taken by May1, 2011.

10. Routine Inspection and Maintenance Plan

Visual checks are made daily by drivers and supervisory personnel. A facility "Internal Environmental Audit Summary Report" is made on a quarterly basis and is kept on file. A copy of the most recent report is included as Appendix B.

When the wash bay sump is emptied and cleaned a visual documented inspection will be made. The NMOCD District I office will receive a notification 24 hours prior to the inspection. All lines are plugged and the sand trap is filled with water and left in place 24 hours to test for leaks. These tests shall occur at a maximum of 12 months apart.

11. Contingency Plan for Reporting and Clean-Up of Spills

A copy of the "Key Energy Services, Inc. Spill Release Notification and Corrective Action" form is included as Appendix C. A copy of local response personnel and emergency phone numbers is provided as Appendix D. An outline of response procedures is presented in Appendix E.

12. Geological/Hydrological Information

- a. Physical Setting (Topography): The topographic map shows the Key Energy Property to be located in the western half of Hobbs, New Mexico. The topography of the property and the lands in the vicinity slope gently to the south-southeast with an approximate maximum elevation of 3,620 feet above sea level. Drainage in the area generally follows the topography trending toward the south-southeast. A portion of the topographic map showing the Key Energy facility is included in Figure1.
- b. Flood Plain Status: Personnel at the Hobbs City Engineer's office provided access to FEMA flood plain maps for the Hobbs area. According to the FEMA flood plain maps, the Key Energy facility is located outside the defined 500 year flood plain.
- c. Hydrology: The Ogallala Formation of late Miocene to early Pliocene age is the primary water bearing unit in the area. The Ogallala Formation aquifer consists of heterogeneous sequences of clay, silt, sand and gravel. A resistant layer of calcium carbonate cemented caliche known as the "cap rock" occurs near the surface over much of the area.

Water level in the Ogallala aquifer is primarily influenced by the rate of recharge and discharge. Recharge to the aquifer which is generally lower

than water table conditions, occurs primarily by infiltration of precipitation on the surface. To a lesser extent, recharge may occur by upward migration of water from Cretaceous units that in places have a higher potentiometric surface than the Ogallala aquifer.

Groundwater movement in the Ogallala aquifer is generally from northwest to southeast. Velocities of less than one foot per day are typical, but higher velocities may occur along filled erosional valleys where coarser grained deposits often have greater permeability. "The approximate altitude of the water table in the Hobbs, New Mexico area is from 3,550 feet to 3,575 feet above sea level. The saturated thickness of the Ogallala aquifer in the area is 80 feet" (Material from the 2000 approved Discharge Plan).

d. Top soil and bedrock are approximately as follows:

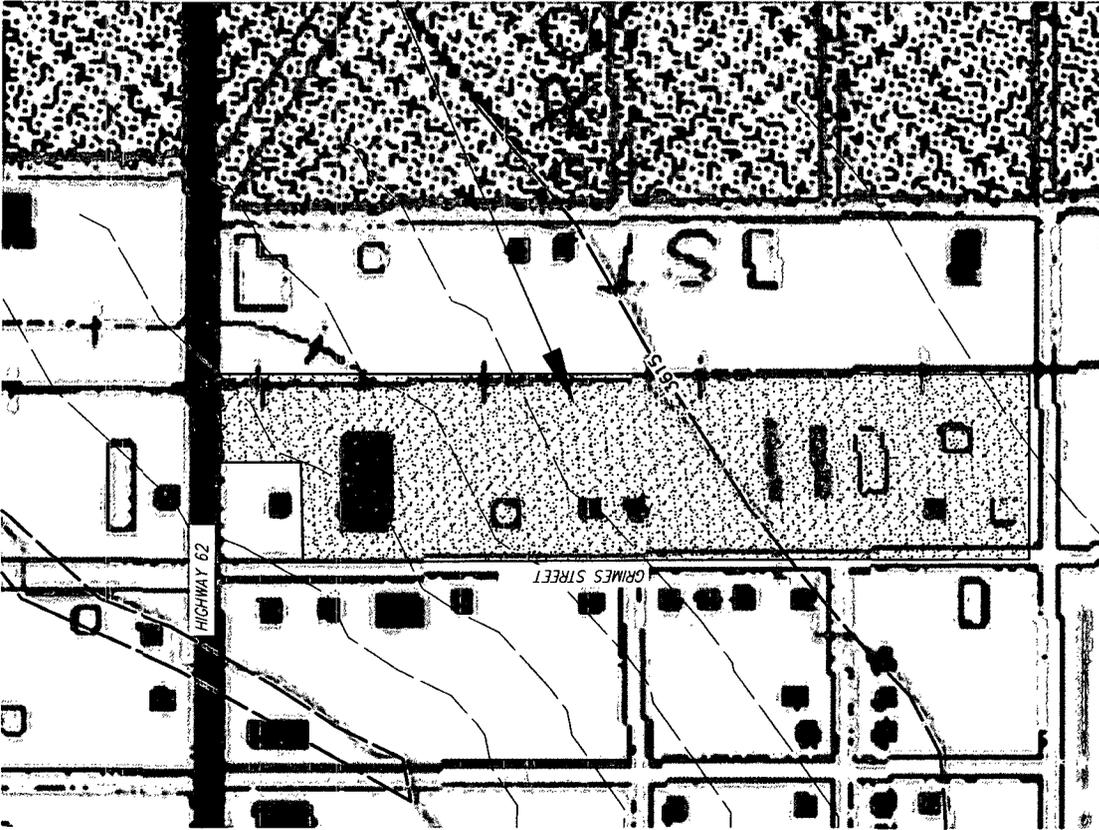
Top soil (Lea Loam) 0-5'	Caliche 5-40'
Sand and shale 40-50'	Sandstone aquifer 50-150'
Red Beds 150-1650'	Anhydrite and limestone 1650'-1800'

(Source - Paul Kautz, NMOCD, personal communication)

13. Other Compliance Information

When the facility is to be closed, Key Energy Services will remove equipment, assess the site, and perform any necessary cleanup pursuant to a workplan approved by New Mexico Oil Conservation Division.

Figure 1
Key Energy Hobbs Truck Yard
Vicinity Map



SUBJECT PROPERTY



CONTOUR INTERVAL 1'



SOUDEK MILLER & ASSOCIATES, 2101 SAN JUAN BLVD,
PARMINGTON, NEW MEXICO 87401 TELE: 505-325-7535
Albuquerque - Las Cruces - Santa Fe, NM
Cortez, CO - Monticello, UT

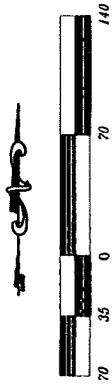


VICINITY MAP
418 S. GRIMES, HOBBS, NM
FIGURE 1 1"=200' DATE: 11/07/2010

Figure 2

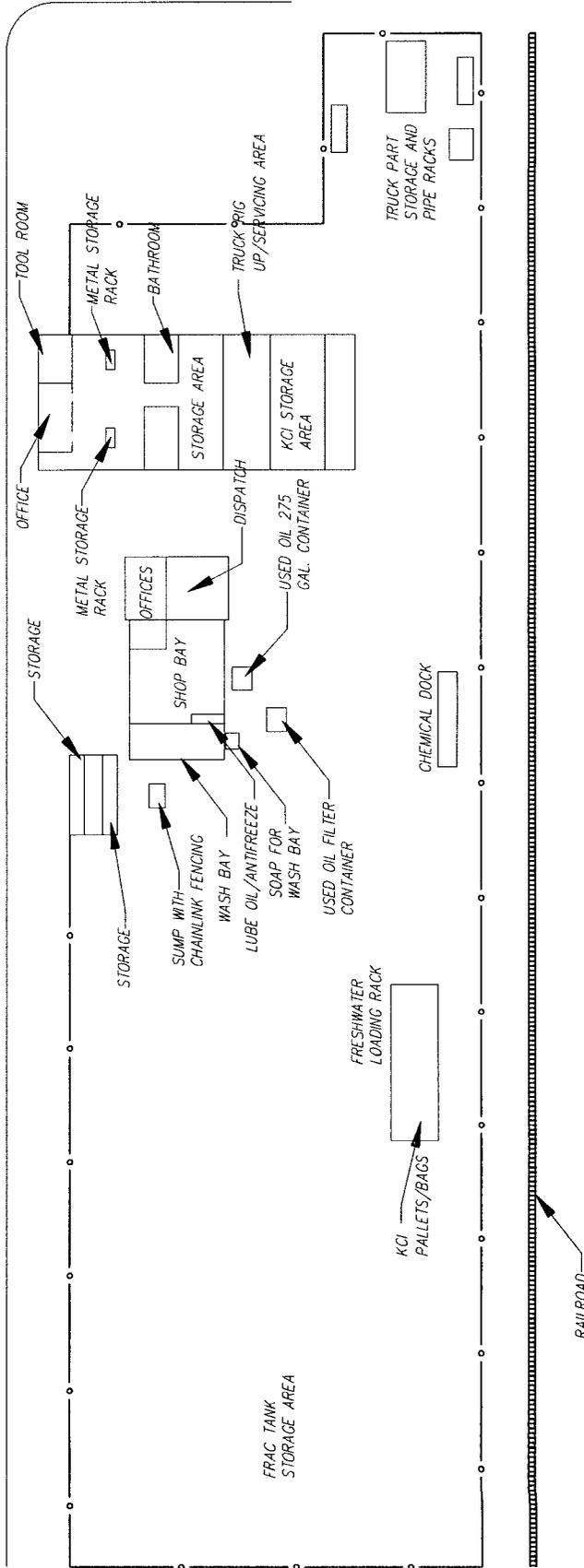
Key Energy Hobbs Truck Yard

Site Layout Sketch



HIGHWAY 62

GRIMES STREET



KEY ENERGY TRUCKING YARD SITE LAYOUT
 HOBBS, NEW MEXICO
 FIGURE 2 SCALE 1"=70' DATE: 11/01/2010

SOUDER, MILLER & ASSOCIATES, 2101 SAN JUAN BLVD,
 FARMINGTON, NEW MEXICO 87401 TELE: 505-325-7535
 Albuquerque - Las Cruces - Santa Fe, NM
 Cortez, CO - Monticello, UT



Appendix A
Key Energy Hobbs Truck Yard
Chemical Inventory

Chemical Inventory

F

Facility Name: PBT-412	Division: 100	Key Energy Environmental HS&E	Building Name: chemical dock
Inventory Supervisor: Castleman	Phone #505-397-4994	Hazard Communications	Location Code:
Address: 418 s.Grimes Hobbs,NM	Fax #505-390-9023	Chemical Inventory	Date of Inventory: 9/20/2010

Act	Max Amt	Chemical Name	Common Name	Size	Type	PS	CAS Number	Manufacturer	N.F.P.A. Rating			Location	MS Yes
									H	F	R		
2	55	Technihib-756	surfactant	55	PD	L		BJ CHEMICAL	2	3	0	chem. Dock	x
1	1	Technispense-270	paraffin solvent	55	SD	L		BJ Chemical	2	3	0	chem. Dock	X
4	220	crv-9058	surfactant	55	SD	L		Baker	2	3	0	chem. Dock	X
5	275	snv-196	surfactant	55	PD	L		BJ Chemical	2	3	0	chem. Dock	X
3	15	dfo-3043	Defomer	5	pp	L		Baker	3	3	0	chem dock	x
1	1	Backtron K-31	blockade	55	PD	L		Champion	3	0	0	chem. Dock	X
12	60	teart wet 4388	liquid kcl	5	pp	L		Baker	3	3	0	chem. Dock	x

1	55	WAW 3037	surfactant	55	PD	L		Baker Hughes	3	3	0	chem. Dock	X
---	----	----------	------------	----	----	---	--	--------------	---	---	---	------------	---

Appendix B

Key Energy Hobbs Truck Yard

Internal Environmental Audit Summary Report

3RD QTR
2010



Internal Audit Checklist Form
4.10 (rev 5/15/07)

QUARTERLY ENVIRONMENTAL AUDIT

Division 200
Yard 412
Audit Team Members
Larry Castleman
Jose Sandoval

Date 9/28/10
Manager Pete Turner
Position
Supervisor
HSE

I. Facility Inspection

A. Housekeeping

Inspect each of the following areas for housekeeping practices. Rate each area as Acceptable (A), Needs Improvement (N) or Not Applicable (N/A). Comment on any problem areas.

1. Shop A N N/A
Comments _____

2. Parts Storage Room A N N/A
Comments _____

3. Used Parts A N N/A
Comments _____

4. Wash Rack A N N/A
Comments _____

5. Fuel Island A N N/A Eddins- Walcher
Comments _____

6. Waste Comments A N N/A
Comments _____

7. Rig A N N/A
Comments _____

8. Equipment A N N/A
Comments _____

9. SWD Well A N N/A
Comments _____

Yard:	
Date:	

Internal Audit Checklist
Form 4.10 (rev 3/6/07)

10. SWD A N N/A
Comments _____

11. Other Comments or Notes _____

B. Fuel Storage Not applicable for this facility

1. Describe any bulk fuel storage containers present at the facility. Note the product (gasoline, diesel, etc.), capacity, type of tank (above ground or underground) and the physical condition.

Product	Capacity (Gal.)	Type of Tank	Physical Condition
_____	_____	<input type="checkbox"/> AST <input type="checkbox"/> UST	_____
_____	_____	<input type="checkbox"/> AST <input type="checkbox"/> UST	_____
_____	_____	<input type="checkbox"/> AST <input type="checkbox"/> UST	_____
_____	_____	<input type="checkbox"/> AST <input type="checkbox"/> UST	_____

2. Are fuel tanks equipped with Stage II and/or Stage III vapor recovery equipment?
 None Stage II Stage III N/A

3. Are all fuel containers clearly labeled with the following signs?
 a. Content labels Yes No
 b. NFPA Hazard Yes No
 c. "No Smoking" Yes No

4. Are fuel tanks equipped with locking filler caps? Yes No
 If no, are the fuel pumps equipped with any other means of securing access? Yes No
 If yes, describe _____

5. Are the fuel pumps equipped with a remotely located emergency shutoff switch? Yes No
 If yes, where is this located? _____

6. Are the fuel hoses equipped with quick release couplings? Yes No

7. Are bulk fuel tanks located within secondary containment structures large enough to contain 110% of the largest tank? Yes No N/A

8. How is rainwater removed from secondary containment areas? _____
 If valves are used, are they locked in the closed position? Yes No N/A

9. Inspect the tanks, pumps, lines, hoses, and secondary containment for signs of wear and/or deterioration.
 Comments _____

10. Is there evidence of spills and/or leaks around the fuel storage area?

Yard:	
Date:	

Internal Audit Checklist
Form 4.10 (rev 3/6/07)

Yes No

If yes, what is the probable cause of the release? Has the problem been corrected?
How? Describe the impacted area (location, size, etc.) _____

11. Are fire extinguishers located within 50 feet of all fuel storage areas? Yes No
Comments _____

12. Other Comments or Notes _____

C. Oil Storage Not applicable for this facility

1. How are motor oil, hydraulic fluid, skim oil, and other petroleum liquids stored?
Check all that apply.

Qt./Gal./5 Gal. Containers 55 Gal. Drums Bulk Tanks Other _____

2. Are oil containers clearly labeled with the following signs?

a. Drums

- (1) Contents label Yes No N/A
- (2) NFPA Hazard Identification Yes No N/A
- (3) "No Smoking" Yes No N/A

b. Bulk Tanks

- (1) Contents label Yes No N/A
- (2) NFPA Hazard Identification Yes No N/A
- (3) "No Smoking" Yes No N/A

c. Skim Oil Storage Tanks

- (1) Contents label Yes No N/A
- (2) NFPA Hazard Identification Yes No N/A
- (3) "No Smoking" Yes No N/A

3. Are oil containers located within secondary containment structures large enough to contain 110% of the largest container?

a. Drums Yes No N/A

b. Bulk Tanks Yes No N/A

c. Skim oil Tanks Yes No N/A

4. How is rainwater removed from secondary containment areas? shop
If valves are used are they locked in the closed position?

Yes No N/A

5. Inspect the tanks, drums, lines, hoses, and secondary containment for signs of wear and/or deterioration.

Comments none

6. Is there evidence of spills and/or leaks around oil storage areas? Yes No

If yes, what is the probable cause of the release? Has the problem been corrected?
How? Describe the impacted area (location, size, etc.) _____

7. Other Comments or Notes _____

Yard:	
Date:	

Internal Audit Checklist
Form 4.10 (rev 3/6/07)

D. Painting Not applicable for this facility

1. Is painting of equipment conducted at the yard? Yes No
 If yes how often? _____
 If yes, what type of equipment is painted? _____
 How is paint applied (spray, brush, etc.) _____

2. Is painting of equipment conducted off site? Yes No
 If yes, what type of equipment is painted? Where is the work performed?
 By whom? _____

3. Is paint and/or solvent stored on the premises? Yes No
 If yes, is the paint/solvent stored in a well ventilated, fire resistant building separate
 from other structures? Yes No N/A
 Describe the paint storage area _____

4. Is the paint inventory kept to a minimum considering the painting workload? Yes No

5. Is painting conducted in a designated area? Yes No
 a. Describe the areas used for painting _____
 b. What BMPs are used to control overspray? _____

6. Can overspray from the painting operation leave the specified area? Yes No N/A

7. Is the washrack used as a painting area? Yes No N/A

8. Other Comments or Notes _____

E. Sandblasting Not applicable for this facility

1. Is sandblasting of equipment conducted at the yard? Yes No
 If yes how often? _____
 If yes, what type of equipment is sandblasted? _____

2. Is sandblasting of equipment conducted off site? Yes No
 If yes, what type of equipment is sandblasted? Where is the work performed?
 By whom? _____

3. Is sandblasting conducted in a designated area? Yes No N/A
 a. Describe the areas used for sandblasting _____
 b. What BMPs are used to control sandblast media and waste? _____

4. Can overspray from the sandblasting operation leave the specified area? Yes No N/A

5. How is spent sandblast grit handled? _____

Yard:	
Date:	

Internal Audit Checklist
Form 4.10 (rev 3/6/07)

6. Other Comments or Notes _____

F. Chemicals Not applicable for this facility

1. Prepare a list of the chemicals being stored at the facility (ex. antifreeze, methanol, solvents, paints, soaps), an estimate of the volume in storage, the type of storage container used (drums, 5 gal, cans, etc.), and the location of each chemical. Use additional sheets if necessary. Check here if the updated list is available in the site SWPP plan

Chemical	Estimated Volume	Container	Location

2. Are all chemicals stored in a secure area? Yes No
Comments _____
3. Are bulk chemicals (drums and tanks) stored in secondary containment areas? Yes No
Comments _____
4. Is there evidence of spills and/or leaks around chemical storage areas? Yes No
If yes, what is the probable cause of the release? Has the problem been corrected? How? Describe the impacted area (location, size, etc.) _____
5. Inspect chemical containers and secondary containment for signs of wear and/or deterioration.
Comments *ok*
6. Other Comments or Notes _____

G. Equipment Maintenance and Cleaning Not applicable for this facility

1. Where is maintenance performed on rigs, pumps, trucks, etc.? *shop*
2. Is the maintenance area equipped with an impervious surface that will prevent machine fluids from impacting the soil? Yes No
Comments _____
3. What measures are taken to protect soil and water during equipment maintenance? _____
4. Is the facility equipped with a wash rack? Yes No
If no, where are rigs, trucks, and other equipment cleaned? _____
5. Is the washrack equipped with an impervious surface that fully contains all cleaning fluids and other pollutants? Yes No N/A
6. Is the washrack used as a painting or maintenance area? Yes No N/A
7. How is wash water disposed of?

Yard	
Date	

Internal Audit Checklist
Form 4.10 (rev 3/6/07)

- Recycled through a closed loop system
- Discharged to a public sewer system
- Collected in tanks and transported to an approved disposal facility
- Discharged to surface
- Other _____

8. Is the washrack designed so as to prevent overspray of wash fluids and other pollutants from impacting the surrounding soil? Yes No N/A
Comments _____
9. Inspect the wash rack and fluid containment structures for signs of wear and/or deterioration.
Comments *ok*
10. Is the soil around the wash rack stained from runoff and/or overspray? Yes No N/A
If yes, has the problem been corrected? How? Describe the impacted area (location, size, etc.) _____
11. Other Comments or Notes _____

H. Equipment Storage Not applicable for this facility

1. Are rigs and/or other equipment located in the yard for long term storage? Yes No
2. Is there a designated area in the yard for long term storage of this equipment? Yes No
3. Will the surface grade around stored equipment prevent spills and/or leaks from running off site? Yes No
4. What measures have been taken to prevent contaminants from running off site? (ex. dikes, berms, trenches) _____
5. Is there evidence of spills and/or leaks around equipment storage areas? Yes No
If yes, what is the probable cause of the release? Has the problem been corrected? How? Describe the impacted area (location, size, etc.) _____
6. Is the stored equipment cleaned sufficiently to prevent contaminants from being washed onto the surrounding soil? Yes No
Comments _____
7. Have the following procedures been completed for the stored equipment?
- a. Drain fuel, oil, hydraulic fluid, etc. Yes No
 - b. Remove the batteries. Yes No
 - c. Lock out / tag out starters. Yes No
 - d. Comments _____

Yard:	
Date:	

Internal Audit Checklist
Form 4.10 (rev 3/6/07)

8. Other Comments or Notes _____

I. **Waste Management** Not applicable for this facility

1. Aerosol Cans
a. Are aerosol cans recycled? Yes No N/A

b. If not, how are they disposed of? _____

c. Are aerosol cans punctured prior to disposal/recycling? Yes No N/A

d. Comments _____

2. Antifreeze
a. Is used antifreeze recycled? Yes No N/A

b. Name of recycling company untied

c. If not recycled, how is it disposed of? _____

d. How is used antifreeze stored prior to recycling/disposal? drums

e. Are used antifreeze containers labeled? Yes No N/A

f. Is used antifreeze stored in secondary containment areas? Yes No N/A

g. Comments _____

3. Asbestos Materials
a. Are used asbestos brake blocks present in the yard? Yes No N/A

b. If yes how are they disposed of? _____

c. If yes, are they protected from weather? Yes No N/A

d. Are asbestos brake blocks placed in plastic bags prior to disposal? Yes No N/A

e. Are there any other sources of asbestos materials at this facility?
If yes, describe _____ Yes No

f. Comments _____

4. Batteries
a. Are used batteries returned to the vendor for recycling? Yes No

b. If not, how are they disposed of? _____

c. Are used batteries stored in a covered well-ventilated area with containment? Yes No

d. Comments _____

5. Buckets

Yard:	
Date:	

Internal Audit Checklist
Form 4.10 (rev 3/6/07)

- a. Are used buckets recycled? Yes No N/A
- b. If not recycled, how are they disposed of? trash
- c. Comments _____

6. Filters

- a. Are used oil filters and fuel filters recycled? Yes No N/A
- b. If not recycled, how are they disposed of? _____
- c. How are used filters stored prior to recycling/disposal? bulk
- d. Number of drums of used oil filters on site? bulk
- e. Are used filter containers covered & labeled? Yes No
- f. Are used filters stored in secondary containment areas? Yes No
- g. Is there evidence of spills and/or leaks around used filter storage areas? Yes No
- h. If yes, what is the probable cause of the release? Has the problem been corrected?
How? Describe the impacted area (location, size, etc.) _____
- i. Inspect used filter containers and secondary containment for signs or wear and/or deterioration. Comments none
- j. Comments _____

7. Oil

- a. Is used oil generated at this facility recycled? Yes No N/A
- b. How is the used oil stored? tank (275 gal.) drums other _____
- c. Are used oil storage containers in good condition? Yes No
- d. Are all used oil containers properly labeled?
 - 1. Contents Yes No
 - 2. "No Smoking" Yes No
- e. Are there open containers of used oil in the yard? Yes No
- f. Is used oil stored in a secondary containment area? Yes No
- g. Is there evidence of spills and/or leaks around used oil storage areas? Yes No
- h. If yes, what is the probable cause of the release? Has the problem been corrected?
How? Describe the impacted area (location, size, etc.) _____
- i. Inspect used oil containers and secondary containment for signs or wear and/or deterioration. Comments ok

Yard:	
Date:	

Internal Audit Checklist
Form 4.10 (rev 3/6/07)

- j. Comments _____
8. Rags/Sorbents
- a. Are used rags and sorbent material recycled? Yes No N/A
- b. If not recycled, how are they disposed of? Metal can with lid
- c. Comments _____
9. Rubber Goods
- a. Are rubber goods (other than tires) recycled? Yes No N/A
- b. If not recycled, how are they disposed of? Trash cut in 3' length
- c. Comments _____
10. Soil (contaminated)
- a. Are there areas of petroleum contaminated soil at this facility that require remediation? Yes No
If yes, describe _____
- b. Are there areas of saltwater contaminated soil at this facility that require remediation? Yes No N/A
If yes, describe _____
- c. Is any contaminated soil currently being remediated on-site? Yes No
If yes, describe _____
- Does the remediation project present a further pollution hazard? Yes No
- d. Comments _____
11. Tires
- a. Are used tires returned to the vendor for recycling? Yes No N/A
- b. If not, how are they disposed of? _____
- c. Are used tires stored in a designated area? Yes No N/A
- d. Comments _____
12. Trash
- a. Are trash collection bins designed to protect contents from wind and rain? Yes No
- b. Are there sufficient numbers of trash cans and collection bins in the yard? Yes No
- c. Comments _____
13. Wire Rope
- a. Is all wire rope either returned to the vendor or sold for scrap? Yes No N/A

Yard:	
Date:	

Internal Audit Checklist
Form 4.10 (rev 3/6/07)

b. If not, how is it disposed of? _____

c. Comments _____

14. Paint Waste

a. Is paint waste stored on site?

Yes No N/A

b. How is this material disposed? _____

15. Blasting Grit

a. Is spent blasting grit stored on site?

Yes No N/A

b. How is this material disposed? _____

16. Other

Is other waste generated at this facility that does not fall into the above categories? Yes No
If yes, describe the waste. _____ How is it disposed of? _____

17. Other Comments and Notes _____

J. Naturally Occurring Radioactive Material (NORM) Not applicable for this facility

1. Does this yard service wells known to produce NORM? Yes No

If yes, what precautions are used to prevent NORM contamination of equipment and property _____

2. Is liquid and solid residue removed from mud tanks before they are transported to the yard? Yes No

3. Are mud tanks cleaned at the yard? Yes No

If yes, where? _____

4. Is used production equipment or tubing stored at the yard? Yes No

5. Has this equipment been surveyed for NORM? Yes No

If so, have NORM labels been applied as required? Yes No

6. Other Comments and Notes _____

K. Drums Not applicable for this facility

1. Are empty drums returned to the vendors for recycling? Yes No

If not, how are they disposed of? _____

2. Are all drums stored in a containment area? Yes No

3. Other Comments and Notes _____

L. Parts Washers Not applicable for this facility

1. Are all solvents recycled? Yes No

Yard:	
Date:	

Internal Audit Checklist
Form 4.10 (rev 3/6/07)

If not, how are they disposed of? _____

2. Are parts washers clearly labeled with the following signs?

(1) Contents label

Yes No

(2) Hazard Identification

Yes No

(3) "No Smoking"

Yes No

3. Other Comments and Notes _____

2. Environmental Records and Procedures Not applicable for this facility

A. Environmental Files

1. Does this facility maintain an organized system of filing environmental records and documents?

Yes No

2. Other Comments and Notes _____

Yard:	
Date:	

Internal Audit Checklist
Form 4.10 (rev 3/6/07)

B. Training

1. Do newly hired employees receive training in the following areas?
- a. HAZCOM Program Yes No
 - b. Spill Prevention Control and Countermeasure Plan Yes No
 - c. Storm Water Pollution Prevention Plan Yes No
 - d. Key Energy's Environmental Policy and Procedures Yes No
- c. NORM Yes No
2. Have all employees received environmental training in the last year? Yes No
3. Are environmental training records maintained in the yard/office? Yes No
4. Are environmental subjects discussed during monthly and/or quarterly safety meetings? Yes No
5. Other Comments and Notes _____

C. Permits and Registration

1. Does this facility have an NPDES or state Storm Water Permit? Yes No
2. Is this facility registered with the EPA as a hazardous waste generator?
If yes, EPA # _____ Yes No
3. Are all non-SWD above ground petroleum storage tanks registered with appropriate regulatory agencies?
Name of agency, if applicable _____ Yes No N/A
4. Is a SWD present at this facility?
Is there a permit for this SWD? Yes No No N/A
5. Are other permits and/or registrations required at this facility?
If yes, describe. _____ Yes No
6. Does this facility have a pit?
If there is a pit, when was the pit last emptied and inspected? _____ Yes No
7. Is this facility in compliance with permit and registration requirements? Yes No
8. Other Comments and Notes _____

D. Spill Prevention Control and Countermeasure Plan (SPCC)

1. A SPCC plan is required at any facility that stores a total of 1320 gal. of petroleum in any container of 55 gallon or greater including tanks. Is a SPCC plan required for this facility? Yes No

Yard:	
Date:	

Internal Audit Checklist
Form 4.10 (rev 3/6/07)

- 2. Is the SPCC plan for this facility readily accessible? Yes No
- 3. Is the SPCC plan up to date? Yes No
- 4. Do yard and shop workers have a good working knowledge of the SPCC plan? Yes No
- 5. Is the facility inspected at least quarterly as specified in the SPCC plan? Yes No
- 6. Are facility inspections documented? Yes No
- 7. Other Comments and Notes _____

E. Storm Water Pollution Prevention Plan (SWPPP)

- 1. Is the SWPPP for this facility readily accessible? Yes No
- 2. Is the SWPPP up to date? Yes No
- 3. Does the pollution prevention team have a good working knowledge of the SWPPP? Yes No
- 4. Is the facility inspected as specified in the SWPPP at least quarterly? Yes No
- 5. Are facility inspections documented in the SWPPP? Yes No
- 6. Is storm water sampling and analysis required at this facility?
If yes, has the facility complied with the sampling requirements? Yes No
- 7. Inspect drainage areas and outfalls. Is there evidence of pollutants entering the drainage system? Yes No
- 8. Are the management practices in place effectively controlling exposure of pollutants to storm water? Yes No
- 9. Note any problems with storm water pollution or controls. _____
- 10. Is the facility SWP/SW3P compliant? Yes No
- 11. Other Comments and Notes _____

F. HAZCOM Plan

- 1. Is the HAZCOM plan for this facility readily accessible? Yes No
- 2. Does the plan contain material safety data sheets (MSDS) for all the chemicals noted in the facility inspection? Yes No
- 3. Other Comments and Notes _____

G. Waste Shipments

Yard:	
Date:	

Internal Audit Checklist
Form 4.10 (rev 3/6/07)

1. Is hazardous waste generated at this facility? Yes No
(Note: Do not include recycled materials, batteries, used oil, antifreeze)

2. If yes, list the type of waste and estimated monthly quantity generated below:

Hazardous Waste	Monthly Quantity Generated

3. Are copies of the following waste shipment manifests on file?
If yes, for what period of time?
- a. Used oil Yes, since 09 No
 - b. Used filters Yes, since 09 No
 - c. Solvents Yes, since 09 No
 - d. Other _____ Yes, since _____ No
 - e. Other _____ Yes, since _____ No
 - f. Other _____ Yes, since _____ No

4. Other Comments and Notes _____

H. Lab Testing Not applicable for this facility

1. Sandblasting and Painting Not applicable for this facility
- a. If equipment is sandblasted at this facility, are samples of paint collected from the equipment and analyzed for hazardous constituents prior to sandblasting? Yes No
 - b. Are copies of the lab reports from the above samples on file? Yes No
 - c. If equipment is painted and/or sandblasted at this facility, are soil samples collected annually and tested for contamination? Yes No
 - d. Are copies of the lab reports from the above samples on file? Yes No
 - e. Do the lab reports indicate elevated levels of hazardous materials? Yes No
 - f. Are samples of grit analyzed for inertness? Yes No
 - g. Other Comments and Notes _____
2. Soil Remediation Not applicable for this facility
- a. If soil remediation is conducted on site, were samples of the soil collected and analyzed for appropriate constituents? Yes No
 - b. Are copies of the lab reports from the above samples on file? Yes No

Yard:	
Date:	

Internal Audit Checklist
Form 4.10 (rev 3/6/07)

c. Other Comments and Notes _____

I. Contractors

- 1. Are waste transportation, disposal, and recycling contractors properly licensed and permitted for the type of waste they handle? Yes No
- 2. Is proof of insurance available for all environmental contractors? Yes No
- 3. If an off site wash rack is used for cleaning rigs and other equipment, is the facility properly permitted? Yes No
Does the wash rack facility use sound waste management practices? Yes No
- 4. Other Comments and Notes _____

3. SWD Inspection Not applicable for this facility

A. Well Site

- 1. Are required signs posted (well name, RRC#, authorized personnel only, etc.)? Yes No
- 2. Are piping and valves free of damage and leaks? Yes No
- 3. Are all thief hatches closed and secured? Yes No
- 4. Are fire extinguishers mounted within 50 feet of any point and do they have current inspection tags and seals? Yes No

Yard:	
Date:	

Internal Audit Checklist
Form 4.10 (rev 3/6/07)

- 5. Is the tank level gauge working properly? Yes No
- 6. Are all walkway, stairs, and ladders free of damage and are proper railings in place? Yes No N/A
- 7. Are all pressure gauges working properly? Yes No
- 8. Are electrical wiring and switches in proper condition? Yes No
- 9. Are the sumps free of standing water? Yes No N/A
- 10. Are slip/trip hazards present? Yes No
- 11. Is adequate lighting available for night work? Yes No N/A
- 12. When was the pit last cleaned out and inspected? _____
- 13. Is documentation related to cleaning/inspecting the pit available? Yes No N/A
Comments _____
- 14. Other Comments and Notes: _____

If any actions recommended for deficiencies that could impact releases to storm water, a corrective actions form must be completed and attached to this checklist.

AUDIT APPROVED BY:

NAME: Larry Castleman
TITLE: Truck Supervisor
DATE: 9/26/10

Appendix B

Key Energy Hobbs Truck Yard

Spill or Release Notification and Corrective Action Form

**KEY ENERGY SERVICES, INC.
SPILL, RELEASE NOTIFICATION AND CORRECTIVE ACTION KE-1**

Initial Report Final Report

Case Number:	Division: PB Trucking
Employee:	Yard Location/Code:
Date of Hire:	Yard Manager:
Type of Equipment:	Supervisor:
Reported By:	Equipment #:
Date Reported:	Telephone #:

Surface Owner:	Mineral Owner:	Customer Rep:
Customer:	Lease:	Well Number:

LOCATION OF RELEASE

Unit Letter	Section	Township	Range	Feet from the	North/South Line	Feet from the	East/West Line	County
Latitude:					Longitude:			
Address:					City:		Zip Code:	

NATURE OF RELEASE

Type of Release:	Volume of Release:	Volume Recovered:
	Date & Hour of Occurrence:	Date & Hour of Discovery:
Was Immediate Notice Given? Yes <input type="checkbox"/> No <input type="checkbox"/> Not Required <input type="checkbox"/>	If YES to Whom?	
By Whom?	Date & Hour:	
Was Surface Water Reached? Yes <input type="checkbox"/> No <input type="checkbox"/>	If YES, Volume Impacting the Surface Water:	

If Surface Water was Impacted, Describe the Water Body and the Impact Involved:

Describe Cause of Problem and Area Affected:

Describe Cleanup Action Taken:

Attach a detailed map of the area and all roads and surface water:

Total Cost of Cleanup:	Amount of Solids Removed:
Reports filed:	Disposal Facility Information (Name, Address & Phone):
Reported to Carrier: <input type="checkbox"/> Yes <input type="checkbox"/> No	Key Energy Corporate Approved by Environmental Manager:
Division HSE Manager:	
Approval Date:	Approval Date: <input type="checkbox"/> Project Date: <input type="checkbox"/>
Date Completed:	Conditions of Approval: <input type="checkbox"/> Attached: <input type="checkbox"/>
Comments:	

*Attach Additional Sheets if Necessary

**Appendix D
Emergency Contact Information
After a Release**

Mandatory and as Needed Numbers Contact Numbers Listed Below

Key Energy Services, LLC

Local Notifications

Bob Patterson, Area Manager	575-394-2586 Off (mandatory notification) 575-631-7597 Cell
Pete Turner, Facility Manager	575-397-4994 Off (alternate notification) 575-631-8995 Cell
Larry Castleman, Truck Supervisor	575-397-4994 Off (alternate notification) 575-631-7402 Cell

Environmental Group Notifications

Dan Gibson, Corp. Environmental Dir.	432-571-7536 Off (mandatory notification)
Robyn Miller, CLA Environmental	432-571-7116 Off (alternate notification)

City of Hobbs

Emergency Fire and Medical	911
Hobbs Fire Department	575-397-9308
Hobbs Police Department	575-397-9265
Hobbs Emergency Management	575-397-9231

State of New Mexico

New Mexico State Police	575-392-5588
New Mexico Oil Conservation Division, Hobbs, New Mexico	575-393-6161 (mandatory notification)
NMOCD, Santa Fe	505-476-3440 (mandatory notification)
Environmental Department, Santa Fe	
Hazardous Waste Bureau	505-476-6000

Federal

National Response Center	800-424-8802
Poison Information Center	800-424-8802
EPA Reg. 6 Emergency Response Center	214-665-2222
Chemtrec	800-424-9300

MSDS sheets for the chemical inventory to be on file with this document.

Appendix E Emergency Procedures

This contingency plan was developed to address the general procedures to be followed in the event a release is discovered.

MSDS sheets for the chemical inventory to be on file with this document.

A. Procedures to be followed in case of a release:

1. The first employee to discover a release will evaluate the situation and undertake the following steps in the order deemed most appropriate.
 - a. Shut off the source if possible without endangering the employee.
 - b. Contain spill as much as possible.
 - c. Notify the on call supervisor and describe the situation accurately.
 - d. If supervisor is unavailable, continue to contact additional Key personnel listed on the notification list in Appendix D.
 - e. Continue operations as directed.
2. The supervisor will initiate action according to report received from the operating employee. The supervisor will make a personal assessment of the problem and take additional steps deemed necessary.
3. The supervisor will notify the appropriate Key personnel and regulatory agencies from the list in Appendix D.
4. Continue containment operations. Clean up operations may continue with authorization from NMOCD or other emergency response agencies.

B. Containment after source is under control:

1. Additional containment basins, dikes or diversionary structures will be constructed as needed.
2. Equipment and personnel from outside sources will be retained as required.
3. Expedient use of vacuum trucks and other removal methods may be utilized.

C. Clean up

1. Procedures will be designed to meet the requirements of the applicable federal, state and local agencies.

Appendix F: Proposed Public Notification

(GW-200) – Key Energy Services, Inc., Bob Patterson, Key Energy District Manager telephone #575-394-2581, has submitted a renewal application for its discharge plan at the Hobbs Trucking Yard located at 418 S. Grimes, Hobbs, New Mexico 88240. The Key Energy Services Hobbs Trucking yard is in the NW/4, NW/4 of Section 3, Township 19 South, Range 38 East, NMPM, Lea County, New Mexico. Primary business activity is transportation of oilfield fluids and rental of frac tanks to the oil and gas industry. Groundwater most likely to be affected by these operations is at a depth of approximately 50-60 feet with a total dissolved solids concentration of 500 mg/l. The discharge plan addresses how oilfield materials and waste will be properly handled, stored, and disposed of, including the planned response to releases, leaks, and other accidental discharges to the surface designed for the protection of fresh water.

Appendix G

Key Energy Hobbs Truck Yard

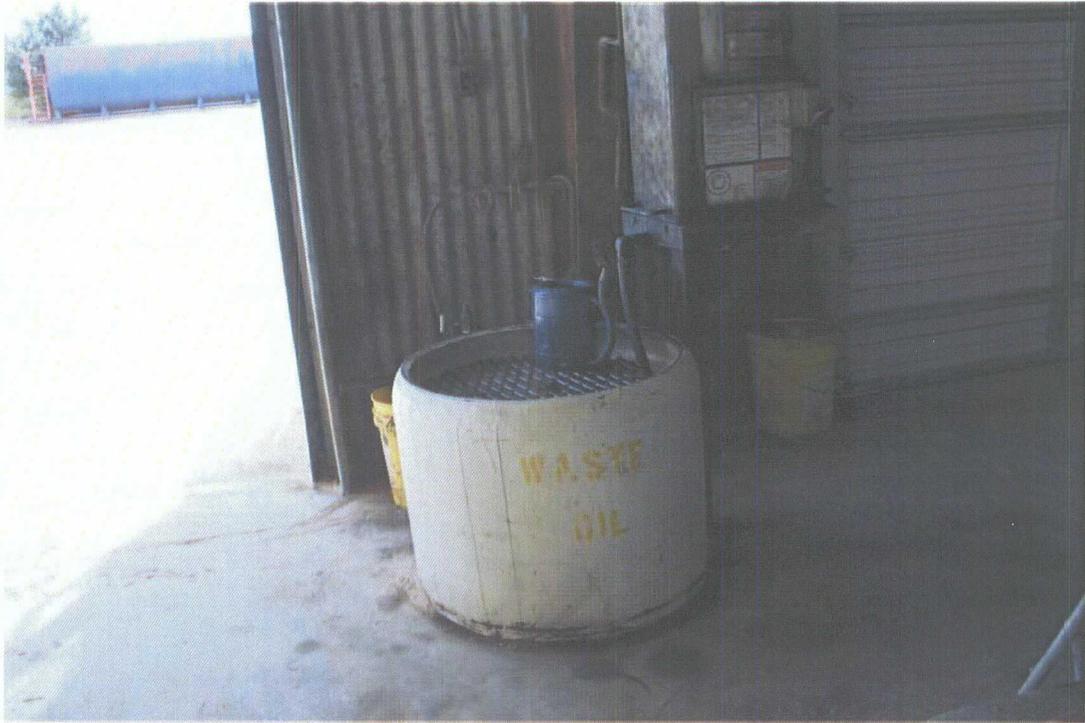
Discharge Plan Photographs



Shop Containment next to Wash Bay 1



Grease can in shop



Used oil collection point in shop, see Section 9 for proposed modifications



Used oil tank & Used oil filter storage, see Section 9 for proposed modifications



Chemical Dock from the North



Chemical Dock West side.



City Water Meter Pit and Main Shut-off



Freshwater Dock and KCL Mixing Area 1, see Section 9 for proposed modifications



Freshwater Dock and KCL Mixing Area 2, see Section 9 for proposed modifications



Frac Tank Storage 1



Frac Tank Storage 2



Wash Bay Sump 1, see Section 9 for proposed modifications



Wash Bay Sump 2, see Section 9 for proposed modifications

#1700 revl 7/2/07 - given to Laramie
C. J.

Mr. Patterson
GW-200
January 29, 2007
Page 2 of 7

**ATTACHMENT TO THE DISCHARGE PERMIT
KEY ENERGY SERVICES, HOBBS SERVICE YARD (GW-200)
DISCHARGE PERMIT APPROVAL CONDITIONS
January 29, 2007**

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

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

- 1. Payment of Discharge Plan Fees:** All discharge permits are subject to WQCC Regulations. Every billable facility that submits a discharge permit application will be assessed a filing fee of \$100.00, plus a renewal flat fee (*see* WQCC Regulation 20.6.2.3114 NMAC). The Oil Conservation Division ("OCD") has received the required \$100.00 filing fee. However, the owner/operator still owes the required \$1700.00 renewal permit fee for an oilfield service company.
- 2. Permit Expiration and Renewal:** Pursuant to WQCC Regulation 20.6.2.3109.H.4 NMAC, this permit is valid for a period of five years. **The permit will expire on September 25, 2010** and an application for renewal should be submitted no later than 120 days before that expiration date. Pursuant to WQCC Regulation 20.6.2.3106.F NMAC, if a discharger submits a discharge permit renewal application at least 120 days before the discharge permit expires and is in compliance with the approved permit, then the existing discharge permit will not expire until the application for renewal has been approved or disapproved.
- 3. Permit Terms and Conditions:** Pursuant to WQCC Regulation 20.6.2.3104 NMAC, when a permit has been issued, the owner/operator must ensure that all discharges shall be consistent with the terms and conditions of the permit. In addition, all facilities shall abide by the applicable rules and regulations administered by the OCD pursuant to the Oil and Gas Act, NMSA 1978, Sections 70-2-1 through 70-2-38.
- 4. Owner/Operator Commitments:** The owner/operator shall abide by all commitments submitted in its July 29, 2005 discharge plan renewal application, including attachments and subsequent amendments and these conditions for approval. Permit applications that reference previously approved plans on file with the division shall be incorporated in this permit and the owner/operator shall abide by all previous commitments of such plans and these conditions for approval.

5. Modifications: WQCC Regulation 20.6.2.3107.C, and 20.6.2.3109 NMAC addresses possible future modifications of a permit. The owner/operator (discharger) shall notify the OCD of any facility expansion, production increase or process modification that would result in any significant modification in the discharge of water contaminants. The Division Director may require a permit modification if any water quality standard specified at 20.6.2.3103 NMAC is being or will be exceeded, or if a toxic pollutant as defined in WQCC Regulation 20.6.2.7 NMAC is present in ground water at any place of withdrawal for present or reasonably foreseeable future use, or that the Water Quality Standards for Interstate and Intrastate streams as specified in 20.6.4 NMAC are being or may be violated in surface water in New Mexico.

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

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

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

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

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

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

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

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

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

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

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

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

12. Underground Process/Wastewater Lines:

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

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

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

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

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

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

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

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

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

20. Additional Site Specific Conditions: N/A

21. Transfer of Discharge Permit (WQCC 20.6.2.3111) Prior to any transfer of ownership, control, or possession (whether by lease, conveyance or otherwise) of a facility with a discharge permit, the transferor shall notify the transferee in writing of the existence of the discharge permit, and shall deliver or send by certified mail to the department a copy of such written notification, together with a certification or other proof that such notification has in fact been received by the transferee. Upon receipt of such notification, the transferee shall have the duty to inquire into all of the provisions and requirements contained in such discharge permit, and the transferee shall be charged with notice of all such provisions and requirements as they appear of record in the department's file or files concerning such discharge permit. The transferee (new owner/operator) shall sign and return an original copy of these permit conditions and provide a written commitment to comply with the terms and conditions of the previously approved discharge permit.

22. Closure: The owner/operator shall notify the OCD when operations of the facility are to be discontinued for a period in excess of six months. Prior to closure of the facility, the operator shall submit a closure plan for approval. Closure and waste disposal shall be in accordance with the statutes, rules and regulations in effect at the time of closure.

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

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

Key Energy L.L.C.
Company Name-print name above

Bob Patterson
Company Representative- print name

Bob Patterson
Company Representative- signature

Title Area Manager

Date: 6-27-7

AFFIDAVIT OF PUBLICATION

State of New Mexico,
County of Lea.

I, KATHI BEARDEN

Publisher

of the Hobbs News-Sun, a newspaper published at Hobbs, New Mexico, do solemnly swear that the clipping attached hereto was published once a week in the regular and entire issue of said paper, and not a supplement thereof for a period.

of _____
_____ weeks.
Beginning with the issue dated

May 19 2007

and ending with the issue dated

May 19 2007

Kathi Bearden

Publisher

Sworn and subscribed to before

me this 21st day of

May 2007

Una Montz

Notary Public.

My Commission expires
February 07, 2009
(Seal)



OFFICIAL SEAL
DORA MONTZ
NOTARY PUBLIC
STATE OF NEW MEXICO

My Commission Expires: _____

This newspaper is duly qualified to publish legal notices or advertisements within the meaning of Section 3, Chapter 167, Laws of 1937, and payment of fees for said publication has been made.

LEGAL NOTICE
May 19, 2007

NOTICE OF PUBLICATION

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

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

(GW-200) - Key Energy Services, Inc., Bob Patterson, Area Manager, 418 S. Grimes, Hobbs, New Mexico 88240, telephone #505-394-2581, has submitted a renewal application for its discharge plan at the Hobbs service company yard, located at 418 S. Grimes in NW/4NW/4 of Section 3, Township 19 South, Range 38 East, NMPM, Lea County, New Mexico. Primary business activity is transportation of oilfield fluids. Groundwater most likely to be affected by these operations is at a depth of approximately 40-60 feet with a total dissolved solids concentration of 500 mg/l. The discharge plan addresses how oilfield materials and waste will be properly handled, stored, and disposed of, including how spills, leaks, and other accidental discharges to the surface will be managed in order to protect fresh water.

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

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

Para obtener mas informacion sobre esta solicitud en espanol, sirvase comunicarse por favor: New Mexico Energy, Minerals and Natural Resources Department (Depto. Del Energia, Minerals y Recursos Naturales de Nuevo Mexico), Oil Conservation Division (Depto. Conservacion Del Petroleo), 1220 Scuth St. Francis Drive, Santa Fe, New Mexico (Contacto: Dorothy Phillips, 505-476-3461)

Given under the Seal of New Mexico Oil Conservation Commission at Santa Fe, New Mexico, on this 15th day of May, 2007

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

SEAL

#23267

Mark Fesmire, Director

a0102687000 67543996
KEY ENERGY SERVICES
418 S. GRIMES
YARD 412
HOBBS, NMbb 88240

ACKNOWLEDGEMENT OF RECEIPT
OF CHECK/CASH

I hereby acknowledge receipt of check No. dated 2/09/07

or cash received on _____ in the amount of \$ 1700⁰⁰

from Key Energy Service Inc

for GW-200

Submitted by: Lawrence Foxwood Date: 2/15/07

Submitted to ASD by: Lawrence Foxwood Date: 2/15/07

Received in ASD by: _____ Date: _____

Filing Fee _____ New Facility _____ Renewal _____

Modification _____ Other _____

Organization Code 521.07 Applicable FY 2004

To be deposited in the Water Quality Management Fund.

Full Payment or Annual Increment _____

**ATTACHMENT TO THE DISCHARGE PLAN GW-200 APPROVAL
Key Energy Services, Inc., Hobbs Service Yard
DISCHARGE PLAN APPROVAL CONDITIONS
September 25, 2000**

1. Payment of Discharge Plan Fees: . The \$50.00 filing fee has been received by the OCD. There is a required flat fee equal to one-half of the original flat fee for Oilfield service companies. The renewal flat fee required for this facility is \$690.00 which may be paid in a single payment due at the time of approval, or in equal annual installments over the duration of the discharge plan, with the first payment due upon receipt of this approval. The filing fee is payable at the time of application and is due upon receipt of this approval.
2. Commitments: Key Energy Services, Inc. will abide by all commitments submitted in the discharge plan renewal application dated June 18, 2000 including attachments, and these conditions for approval.
3. Drum Storage: All drums containing materials other than fresh water must be stored on an impermeable pad with curbing. All empty drums should be stored on their sides with the bungs in place and lined up on a horizontal plane. Chemicals in other containers such as sacks or buckets must also be stored on an impermeable pad with curbing.
4. Process Areas: All process and maintenance areas which show evidence that leaks and spills are reaching the ground surface must be either paved and curbed or have some type of spill collection device incorporated into the design.
5. Above Ground Tanks: All above ground tanks which contain fluids other than fresh water must be bermed to contain a volume of one-third more than the total volume of the largest tank or of all interconnected tanks. All new facilities or modifications to existing facilities must place the tank on an impermeable type pad within the berm.
6. Above Ground Saddle Tanks: Above ground saddle tanks must have impermeable pad and curb type containment unless they contain fresh water or fluids that are gases at atmospheric temperature and pressure.
7. Labeling: All tanks, drums, and other containers should be clearly labeled to identify their contents and other emergency information necessary if the tank were to rupture, spill, or ignite.

8. Below Grade Tanks/Sumps: All below grade tanks, sumps, and pits must be approved by the OCD prior to installation or upon modification and must incorporate secondary containment and leak-detection into the design. All pre-existing sumps and below-grade tanks must be tested to demonstrate their mechanical integrity no later than December 15, 2000 and every year from tested date, thereafter. Permittees may propose various methods for testing such as pressure testing to 3 pounds per square inch above normal operating pressure and/or visual inspection of cleaned out tanks and/or sumps, or other OCD approved methods. The OCD will be notified at least 72 hours prior to all testing. The test results will be submitted to OCD by December 31, 2000.
9. Underground Process/Wastewater Lines: All underground process/wastewater pipelines must be tested to demonstrate their mechanical integrity no later than December 15, 2000 and every 5 years, from tested date, thereafter. Permittees may propose various methods for testing such as pressure testing to 3 pounds per square inch above normal operating pressure or other means acceptable to the OCD. The OCD will be notified at least 72 hours prior to all testing. The test results will be submitted to OCD by December 31, 2000.
10. Class V Wells: No Class V wells that inject non-hazardous industrial wastes or a mixture of industrial wastes and domestic wastes will be approved for construction and/or operation unless it can be demonstrated that groundwater will not be impacted in the reasonably foreseeable future. Leach fields and other wastewater disposal systems at OCD regulated facilities which inject non-hazardous fluid into or above an underground source of drinking water are considered Class V injection wells under the EPA UIC program. Class V wells that inject domestic waste only must be permitted by the New Mexico Environment Department.
11. Housekeeping: All systems designed for spill collection/prevention, and leak detection will be inspected daily to ensure proper operation and to prevent over topping or system failure. All spill collection and/or secondary containment devices will be emptied of fluids within 48 hours of discovery.
12. Spill Reporting: All spills/releases shall be reported pursuant to OCD Rule 116. and WQCC 1203. to the OCD Hobbs District Office.
13. Waste Disposal: All wastes will be disposed of at an OCD approved facility. Only oilfield exempt wastes shall be disposed of down Class II injection wells. Non-exempt oilfield wastes that are non-hazardous may be disposed of at an OCD approved facility upon proper waste determination per 40 CFR Part 261. Any waste stream that is not listed in the discharge plan will be approved by OCD on a case-by-case basis.

14. OCD Inspections: Additional requirements may be placed on the facility based upon results from OCD inspections. As a result of an inspection conducted by OCD on May 11, 2000, (copy enclosed) Key Energy Services Inc. will be required to perform the following action items:
- A. The sand trap solid waste impoundment does not have proper containment. (see picture #2 OCD inspection report dated May 11, 2000). Please submit a closure plan for OCD approval for this area by December 31, 2000. If Key Energy Services Inc. wishes to continue using surface impoundments, then you must submit design plans for OCD approval. Please find enclosed guidelines to assist you in this matter.
 - B. The used oil tanks and filter collection areas is not properly contained. (see picture #4 and #6 OCD inspection report dated May 11, 2000.) Please submit a plan for OCD approval to address this issue by December 31, 2000.
15. Storm Water Plan: Key Energy Services Inc. will submit a storm water run-off plan for OCD approval by December 31, 2000.
16. Transfer of Discharge Plan: The OCD will be notified prior to any transfer of ownership, control, or possession of a facility with an approved discharge plan. A written commitment to comply with the terms and conditions of the previously approved discharge plan must be submitted by the purchaser and approved by the OCD prior to transfer.
17. Closure: The OCD will be notified when operations of the facility are discontinued for a period in excess of six months. Prior to closure of the facility a closure plan will be submitted for approval by the Director. Closure and waste disposal will be in accordance with the statutes, rules and regulations in effect at the time of closure.
18. Certification: **Key Energy Services, Inc.** by the officer whose signature appears below, accepts this permit and agrees to comply with all terms and conditions contained herein. **Key Energy Services, 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, human health and the environment.

Conditions accepted by:

Key Energy Services, Inc.

Bob Patterson
Company Representative- print name

Bob Patterson Date 10-17-00
Company Representative- Sign

Title Sr. Area Manager



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

September 25, 2000

Lori Wrotenbery
Director
Oil Conservation Division

CERTIFIED MAIL
RETURN RECEIPT NO. 5051 5130

Mr. Pete Turner
Key Energy Services Inc.
418 S. Grimes
Hobbs, NM 88240

**RE: Discharge Plan GW-200 Renewal
Hobbs, New Mexico Facility
Lea County, New Mexico**

Dear Mr. Turner:

The groundwater discharge plan application GW-200 for the Key Energy Services, Inc. Hobbs Service Yard located at 418 S. Grimes in the NW/4 NW/4 of Section 3, Township 19 South, Range 38 East, NMPM, Lea County, New Mexico, **is hereby approved** under the conditions contained in the enclosed attachment. Enclosed are two copies of the conditions of approval. **Please sign and return one copy to the New Mexico Oil Conservation Division (OCD) Santa Fe Office within 10 working days of receipt of this letter.**

The original discharge plan application was submitted on May 12, 1995 and approved on July 26, 1995 with an expiration date of July 26, 2000. The discharge plan renewal application dated June 18, 2000 including attachments, submitted pursuant to Section 3106 of the New Mexico Water Quality Control Commission (WQCC) Regulations also includes all earlier applications and all conditions later placed on those approvals.

The discharge plan is submitted pursuant to Section 3109.C. Please note Section 3109.G., which provides for possible future amendment of the plan. Please be advised that approval of this plan does not relieve Key Energy Services, Inc. of liability should operations result in pollution of surface or ground waters, or the environment. Please be advised that all exposed pits, including lined pits and open top tanks (exceeding 16 feet in diameter) shall be screened, netted, or otherwise rendered nonhazardous to wildlife including migratory birds.

Mr. Pete Turner

09/25/00

Page 2

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

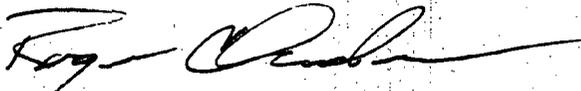
Pursuant to Section 3109.H.4., this approval is for a period of five years. **This approval will expire July 26, 2005** and an application for renewal should be submitted in ample time before that date. Pursuant to Section 3106.F. of the regulations, if a discharger submits a discharge plan renewal application at least 120 days before the discharge plan expires and is in compliance with the approved plan, then the existing discharge plan will not expire until the application for renewal has been approved or disapproved. It should be noted that all discharge plan facilities will be required to submit plans for, or the results of, an underground drainage testing program as a requirement for discharge plan renewal.

The discharge plan application for the Key Energy Services, Inc., Hobbs Service Yard is subject to the WQCC Regulation 3114. Every billable facility submitting a discharge plan will be assessed a fee equal to the filing fee of \$50 plus a flat fee of \$690.00 for Oilfield Service Company facilities. The OCD has not received the \$690.00 flat fee. The flat fee of \$690.00 may be paid in a single payment due on the date of the discharge plan approval or in five equal installments over the expected duration of the discharge plan. Installment payments shall be remitted yearly, with the first installment due on the date of the discharge plan approval and subsequent installments due on this date of each calendar year.

Please make all checks payable to: Water Quality Management Fund
C/o: Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

If you have any questions, please contact Wayne Price of my staff at (505-827-7155). On behalf of the staff of the OCD, I wish to thank you and your staff for your cooperation during this discharge plan review.

Sincerely,



Roger C. Anderson
Environmental Bureau Chief

RCA/lwp

Attachment-3

xc: OCD Hobbs Office

ATTACHMENT TO THE DISCHARGE PLAN GW-200 APPROVAL
Key Energy Services, Inc., Hobbs Service Yard
DISCHARGE PLAN APPROVAL CONDITIONS
September 25, 2000

1. Payment of Discharge Plan Fees: . The \$50.00 filing fee has been received by the OCD. There is a required flat fee equal to one-half of the original flat fee for Oilfield service companies. The renewal flat fee required for this facility is \$690.00 which may be paid in a single payment due at the time of approval, or in equal annual installments over the duration of the discharge plan, with the first payment due upon receipt of this approval. The filing fee is payable at the time of application and is due upon receipt of this approval.
2. Commitments: Key Energy Services, Inc. will abide by all commitments submitted in the discharge plan renewal application dated June 18, 2000 including attachments, and these conditions for approval.
3. Drum Storage: All drums containing materials other than fresh water must be stored on an impermeable pad with curbing. All empty drums should be stored on their sides with the bungs in place and lined up on a horizontal plane. Chemicals in other containers such as sacks or buckets must also be stored on an impermeable pad with curbing.
4. Process Areas: All process and maintenance areas which show evidence that leaks and spills are reaching the ground surface must be either paved and curbed or have some type of spill collection device incorporated into the design.
5. Above Ground Tanks: All above ground tanks which contain fluids other than fresh water must be bermed to contain a volume of one-third more than the total volume of the largest tank or of all interconnected tanks. All new facilities or modifications to existing facilities must place the tank on an impermeable type pad within the berm.
6. Above Ground Saddle Tanks: Above ground saddle tanks must have impermeable pad and curb type containment unless they contain fresh water or fluids that are gases at atmospheric temperature and pressure.
7. Labeling: All tanks, drums, and other containers should be clearly labeled to identify their contents and other emergency information necessary if the tank were to rupture, spill, or ignite.

8. Below Grade Tanks/Sumps: All below grade tanks, sumps, and pits must be approved by the OCD prior to installation or upon modification and must incorporate secondary containment and leak-detection into the design. All pre-existing sumps and below-grade tanks must be tested to demonstrate their mechanical integrity no later than December 15, 2000 and every year from tested date, thereafter. Permittees may propose various methods for testing such as pressure testing to 3 pounds per square inch above normal operating pressure and/or visual inspection of cleaned out tanks and/or sumps, or other OCD approved methods. The OCD will be notified at least 72 hours prior to all testing. The test results will be submitted to OCD by December 31, 2000.
9. Underground Process/Wastewater Lines: All underground process/wastewater pipelines must be tested to demonstrate their mechanical integrity no later than December 15, 2000 and every 5 years, from tested date, thereafter. Permittees may propose various methods for testing such as pressure testing to 3 pounds per square inch above normal operating pressure or other means acceptable to the OCD. The OCD will be notified at least 72 hours prior to all testing. The test results will be submitted to OCD by December 31, 2000.
10. Class V Wells: No Class V wells that inject non-hazardous industrial wastes or a mixture of industrial wastes and domestic wastes will be approved for construction and/or operation unless it can be demonstrated that groundwater will not be impacted in the reasonably foreseeable future. Leach fields and other wastewater disposal systems at OCD regulated facilities which inject non-hazardous fluid into or above an underground source of drinking water are considered Class V injection wells under the EPA UIC program. Class V wells that inject domestic waste only must be permitted by the New Mexico Environment Department.
11. Housekeeping: All systems designed for spill collection/prevention, and leak detection will be inspected daily to ensure proper operation and to prevent over topping or system failure. All spill collection and/or secondary containment devices will be emptied of fluids within 48 hours of discovery.
12. Spill Reporting: All spills/releases shall be reported pursuant to OCD Rule 116. and WQCC 1203. to the OCD Hobbs District Office.
13. Waste Disposal: All wastes will be disposed of at an OCD approved facility. Only oilfield exempt wastes shall be disposed of down Class II injection wells. Non-exempt oilfield wastes that are non-hazardous may be disposed of at an OCD approved facility upon proper waste determination per 40 CFR Part 261. Any waste stream that is not listed in the discharge plan will be approved by OCD on a case-by-case basis.

14. **OCD Inspections:** Additional requirements may be placed on the facility based upon results from OCD inspections. As a result of an inspection conducted by OCD on May 11, 2000, (copy enclosed) Key Energy Services Inc. will be required to perform the following action items:
- A. The sand trap solid waste impoundment does not have proper containment. (see picture #2 OCD inspection report dated May 11, 2000). Please submit a closure plan for OCD approval for this area by December 31, 2000. If Key Energy Services Inc. wishes to continue using surface impoundments, then you must submit design plans for OCD approval. Please find enclosed guidelines to assist you in this matter.
 - B. The used oil tanks and filter collection areas is not properly contained. (see picture #4 and #6 OCD inspection report dated May 11, 2000.) Please submit a plan for OCD approval to address this issue by December 31, 2000.
15. **Storm Water Plan:** Key Energy Services Inc. will submit a storm water run-off plan for OCD approval by December 31, 2000.
16. **Transfer of Discharge Plan:** The OCD will be notified prior to any transfer of ownership, control, or possession of a facility with an approved discharge plan. A written commitment to comply with the terms and conditions of the previously approved discharge plan must be submitted by the purchaser and approved by the OCD prior to transfer.
17. **Closure:** The OCD will be notified when operations of the facility are discontinued for a period in excess of six months. Prior to closure of the facility a closure plan will be submitted for approval by the Director. Closure and waste disposal will be in accordance with the statutes, rules and regulations in effect at the time of closure.
18. **Certification:** Key Energy Services, Inc. by the officer whose signature appears below, accepts this permit and agrees to comply with all terms and conditions contained herein. Key Energy Services, 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, human health and the environment.

Conditions accepted by:

Key Energy Services, Inc.

Company Representative- print name

Date

Company Representative- Sign

Title