AP - 053

STAGE 1 REPORT

12/16/2005

COPY

NMSWD

(New Mexico Sale Marte Librard) 2 19

P. O. Box 1518
Roswell, New Mexico 88201
505/622-3770

December 16, 2005

Ms. Cheryl O'Conner Oil Conservation Division 1220 South St. Francis Drive Santa Fe, New Mexico 87505

Re: NMSWD Company - Vada Jenkins System

Report on Infrastructure and Operating Guidelines

Dear Ms. O'Connor:

In accordance with the Notice of Violation issued to New Mexico Salt Water Disposal Company on September 16, 2005, I am enclosing the following for your review.

- 1.) Report on current infrastructure/future operations and system enhancementsA.) Vada Jenkins Challenge Log(recent capital expenditures)
- 2.) Operational and Emergency Policy B.) NMSWD Spill/Leak Policy

Please review the materials and in the event I can supply you with any additional information, please do not hesitate to call.

Very truly yours,

Charles B. Read

CBR/jbr

Cc: OCD

1625 N. French Drive

Hobbs, NM 88240

Enclosures: Current Infrastructure/Future Operations, Vada Jenkins Challenge Log, Operational and Emergency Policy

NMSWD

(New Mexico Salt Water Disposal)
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Infrastructure and Operations Procedures/Future Enhancements to System

History

NMSWD Company (Vada Jenkins Disposal System) has been in operations for the past 55 years. We have provided a much needed system and service for the oil and gas industry and the production of oil and gas properties. We have provided a service which has afforded the State of New Mexico millions of dollars of royalty revenue by disposing of the salt water from oil and gas wells in this area of New Mexico.

Current Enhancements to System

Over the past 3 years we have recognized a renewed need to upgrade and rehabilitate our system for operation.

Since June of 2003 we have made capital improvements in the amount of \$ 246,588. Our policy is to replace the pipeline system, where needed, with high grade poly pipe instead of traditional PVC. We have replaced old tanks with new fiberglass tanks and are replacing any old steel valves with stainless steel valves.

We maintain a Boy Scout "campsite" policy and have cleaned up unsightly materials and equipment not necessary in our operation as well as maintain roads and existing equipment on our current operational locations. We will keep the land around our operation in its original condition the way we entered the property 55 years ago. Our objective and goal is to be 100% maintenance and environmentally safe in our operation.

Future Operations and Plans

We plan to continue with our operations and totally upgrade our system. We plan to do the following:

- Upon approval of our Stage 1 Abatement plan, fulfill the required work needed by the OCD and receive approval to rebuild pump station 11.
- 2) Rebuild pump station 11.
- 3) Replace and add necessary accessory items to upgrade to today's standards to maintain an

environmentally safe operation.

- 4) Install electronic digital alarms at Pumping Station 8, Pumping Station 11 and North Dump Station to notify of any potential overload on the system. Place shut off valve at the North Dump Station to stop inflow of water upon an alarm of overload on system. This will control water coming in from main dump station.
- 5) Operate system to the operational and emergency policy placed in this report to OCD.

		NEW M Vada Jenkin	IEXICO SALT WATER DISPOSAL	Ϋ́	December 16, 2005)		
Date	Site	Location	Description and Solution	18	Vendors	Other Costs	Status
June 1, 2003	Station 11 Over Flow Tank	Station 11 T105,R34E Sec.21	New tanks. Submit spill report to state	\$76,907.38	Permian Tank	None	Three(3 new 1500 bbl tanks
Nov.2003	Station 1	North of Station 1	Remove soil and haul off, repair line,	\$2,892.29	Gilbert's Lease	\$300.00	Carl Johnson payment to grazing tenant
		T10S, R33E, Sec 26: NE/4	replace soil and renew surface. Submit report to state.				1/2 acre. Paid Ck#28375 7/28/05
Jan-Mar. 2004	Jan-Mar. 2004 Warehouse rework: Remove old steel tank, transfer (1) fiberolass from Station 16 and	Station #8 (warehouse) T10S, R34E, Sec #8	Rebuild location and upgrade fence. New burm around tanks. Haul tunk to Hobbs to tunk vard. Patch	\$215.43	Gilbert's Lease	None	None
	Station 17 to warehouse.		roof on warehouse.				
July 1, 2004	Replace Pipeline north	North of Station 11	Replaced 10,137' of 8" PVC w/4" poly.	\$702.97	Onda-Lay - Pipe	\$300.00	Justin Johnson payment to grazing tentant
	of Station 11.	T10S, R33E, Sec. 24	Remove soil; repaired line & new top soil.				1/2 acre Paid Ck #28180
Feb.18, 2005		Station #8 (Warehouse)	Small leak in road. Remove, repair and	\$15,867.48	Onda-Lay - Pipe	\$300.00	Justin Johnson payment to grazing tenant 1/2 acre.
	wharehouse. Replace	T10S, R34E	replace soil. Replace pipe w/ 4" poly			4075 00	New pipeline on existing row.
	east to center of hill.	Se adjacent to warehouse	east to top of mil. Ditch beside old line. Replaced 2800' of 6"PVC w/4" SDR7 Polypipe	ē		\$973.00	zoud ditched pipeline. Paid Ck #28375 07/28/05
Feb.22, 2005	Feb.22, 2005 Replace line north of Stn.#1. 2800' ditches	Station #1 T10S, R33E, Sec 26 : NE/4	Replace 2863' of 3"&4"PVC w/4"SDR7 Poly	\$16,196.58	Onda-Lay - Pipe	\$1,050.00	Carl Johnson payment to grazing tenant for new 2,800' pipeline.
Feb. 24, 2005	Feb. 24, 2005 Hook up J. Cleo Thompson	Station #17	Replaced 2000'of 3" PVC w/4"SDR11 Poly.	\$11,838.09	Onda-Lay - Pipe		Shannon Kiser payment to landowner for
٠	and replace transport line.	T9S-R34E, Sec 5:NW/4 SE/4	southwest connect to 4" poly that goes to station 17: Sec 9, T9S, R34E			\$975.00	pipeline. 2,600' Paid CK#28385 7/28/05
Mar. 1, 2005	Replace line with 4" poly inside		Replaced 10,137' of 8" PVC w/4" polypipe	\$44,042.48	Onda-Lay - Pipe	\$1,275.00	Justin Johnson payment to grazing tenanti
	PVC (1 1/8 mile).	Replace line north Stn.11 to section 9 to existing poly.	inside old PVC; connect to 4" poly.			\$2,227.00	Justin Johnson payment to grazing tenant replacing pipeline Pd.Ck#28376 7/28/05
Mar.10, 2005	Mar.10, 2005 Fix road and reset cattle guard from County road to R&S Abache 1		Patch road and level with cleache. Reset cattle guard. Purchase 60 yards cleache from Carl Johnson.	غ خ	Read & Stevens	\$120.00 \$90.00	Carl Johnson. Purchase cleache for\$120 Carl Johnson. Addit'l.purchase for \$90 Paid Ck#28389 7/28/05
Mar. 2005	Continental State	Acidizing well	Treat w/acid SWD Continental State & I-28 SWD	\$7,583.26	Crain Hot Oil	none	Date of Job
Nov.05	Replace old pipes Stn.9&10	Station #9 & #10		\$70,342.45	Onda-Lay Pipe		Invoice Pending Payment (Will pay 1/2 by Dec.9th 2005)
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		TOTAL		\$246,588.41		\$7,612.00	

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(New Mexico Salt Water Disposal)
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December 16, 2005

Operational and Emergency Policy

Operation Policy

- 1.) Maintain a 24/7 policy on operating and maintain system.
- 2.) Work under and guidelines of OCD and or State Land Office for operating a system of this type.
- 3.) Operate under a policy to strive to be 100% environmentally safe.
- 4.) Have a zero tolerance to anybody who sees different to the policy set by the State of New Mexico or OCD. This would include adversarial tenants who do not cooperate with and also conform to the rules set out for tenants on State lands.
- 5.) Uphold the rights of the State of New Mexico to use state lands and dispose of salt water produced from oil and gas wells in the State of New Mexico. This includes identifying any persons or tenants which are impeding the growth of the State of New Mexico, because of there resistance to energy development on state lands, and by impeding our process to depose of water properly.

Emergency Procedures

- 1.) Follow the OCD and State Guidelines for operating and reporting for a system of this caliber.
- 2.) Follow the attached spill/Leak policy as set out in our company.
- 3.) "Be prepared" to be 100% emergency and environmentally safe.
- 4.) Have emergency alert equipment, so we can respond prior to any potential threat to our system which does not comply with our policy or the State of New Mexico guidelines.
- 5.) Change our attitude and corporate culture to reflect the <u>personal responsibility</u> to abide by the enforcement regulation and environmental responsibility to leave a clean and safe environment for future generation. (This would include especially being subject to the attached Spill/Leak policy. (See Attachment).

Subject: Spill/Leak Policy (Attachment to Operational and Emergency Policy)

Effective immediately the following policy will apply for handling any produced oil or water spill or leak (spill). The intent of this policy is to protect fresh water, public health and the environment. Superintendent, will make sure all company and contract pumpers get a copy of this policy, and recognize the importance of implementing this policy as soon as any discovery of a produced oil or water spill is made.

Spill/Leak Policy

In the event of any produced oil or water spill or leak (spill) on any operated property, the pumper discovering the spill will immediately report the incident along with the estimated volume of each component (oil/water) of the spill to your superintendent. The total estimated volume will determine whether the spill is major or minor, which are defined below. Based upon whether a spill is major or minor, Will or Joe will then handle the incident as directed under the major or minor heading below.

<u>Definition:</u> A Minor Spill is an unauthorized release of a volume, greater than 5 barrels but not more than 25 barrels.

Definition: A Major Spill is:

- (a) a volume in excess of 25 barrels;
- (b) a spill of any volume which:
 - (i) results in a fire;
 - (ii) will reach a water course;
 - (iii) may with reasonable probability endanger public health; or
 - (iv) results in substantial damage to property or the environment;
- (d) a release of any volume which may with reasonable probability be detrimental to surface or ground water.

Major Spill:

- (1) NMSWD will give immediate verbal notification within twenty-four (24) hours of spill discovery to the OCD district office for the area within which the spill takes place, and to the NMSWD, Operation Manager. This notification shall provide the information required on the OCD Form C-141 (attached to this policy).
- (2) NMSWD will fill out the C-141 (written or typed) and submit to the OCD district office for the area within which the spill takes place within 10 days of the incident. The NMSWD Roswell Office will be copied, attn: engineering. The written notification shall verify the prior OCD verbal notification and provide any appropriate additions or corrections to the information contained in the prior OCD verbal notification.

(3) After attempting verbal notification, superintendent will immediately direct cleanup and remediation activities to pick up any free liquid and haul to an approved disposal site. The contaminated soils will then be removed and hauled to an approved land farm or disposal. The contaminated soils must then be replaced with like and kind uncontaminated soil, contouring to the lay of the land.

Minor Spill:

- (1) NMSWD will fill out the C-141 (written or typed) and submit to the OCD district office for the area within which the spill takes place within 10 days of the incident. The NMSWD Roswell Office will be copied, attn: engineering.
- (2) Upon notification of a Minor Spill, NMSWD will immediately direct cleanup and remediation activities to pick up any free liquid and haul to an approved disposal site. The contaminated soils will then be removed and hauled to an approved land farm or disposal. The contaminated soils must then be replaced with like and kind uncontaminated soil, contouring to the lay of the land.