

AP - 053

**STAGE 1
REPORT**

12/16/2005

COPY

NMSWD

(New Mexico Salt Water Disposal) 2005 DEC 16 PM 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 enhancements
 - A.) 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
by S M

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

December 16, 2005

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:

- 1) 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 MEXICO SALT WATER DISPOSAL	December 16, 2005
--------------------------------	-------------------

[illegible]

NMSWD

(New Mexico Salt Water Disposal)

P. O. Box 1518

Roswell, New Mexico 88201

505/622-3770

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 personal responsibility 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.

Definition: 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.