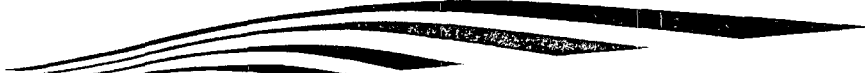


GW - 399

INSPECTION

(Drain-lines, Sump, BGT, Site, etc.)



New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson

Governor
Joanna Prukop
Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



August 17, 2009

Mr. Tony Serrano, Owner
13 Road 4904
Bloomfield, N.M. 87413

Re: Discharge Plan Submittal Request (Designated **GW-399**)
Serrano's Inc.
13 Road 4904
Bloomfield, N.M. 87413

Dear Mr. Serrano,

The Environmental Bureau of the New Mexico Oil Conservation Division (NMOCD) performed an inspection of the above stated facility on June 8, 2009, located in NW/4 SW/4 Section 13 & SW/4 Section 19, Township 29 North, Range 10 West, NMPM, San Juan County. The inspection concluded several areas of concern pertaining to the Oil and Gas aspect of the business. Serrano's Inc. has a C-133-160 to haul produced water for oil and gas business. This categorizes the business as an Oil and Gas Service company under WQCC regulation.

Mr. Brandon Powell, Aztec OCD Environmental Specialist, Mr. Norman Norvell NM Environment Department, and Leonard Lowe, Santa Fe Environmental Engineer conducted the inspection. Mr. Troy Serrano witnessed the inspection. As a result of this inspection the OCD has concluded the following (photos are located in the attached photo sheet):

1. **Photos 1 – 6:** Discharges of fluids were noted within the facility truck yard. Several staining and standing fluids noted at the time of inspection.
2. **Photos 7 – 10:** Several empty and full barrels were not properly contained and had discharged contents on to the ground. The majority of the barrels are located within 20 feet of a wetland area. A few empty barrels and containers were noted to be located within the wet land area.
3. **Photo 11 & 12:** The area for dispensing of product has no secondary or catch containment. Direct discharge on to the ground was witnessed.

Upon these conclusions the OCD is requesting that Serrano's Inc., submit a discharge plan application for their oil and gas Service Company. The OCD has identified a discharge plan number for this facility as **GW-399**. Please annotate this number to all OCD submittals that pertain to this facilities discharge plan permit or oil and gas operations.



Attached to this letter is documentation to process a discharge plan application, they are:

- Discharge plan application: A signed copy of this sheet shall accompany the entire application submittal. Items 1 through 14 needs to be addressed within the application.
- Guidelines for the preparation of discharge plans at oil field service facilities: Guidance in detailed information needed within an application.
- WQCC public notice and permitting flowchart: A visual representation of the entire permitting process for your reference. Note time frames. Failure to meet these time frames is a violation of WQCC regulation.
- Notice Requirements For New Discharge Permits and Modifications: WQCC regulation for public notice requirements. All fonts noted in red pertain to a New Permittee. Please reference when processing your public notice. OCD suggest that Serrano's Inc. initiate identification of all landowners within a 1/3 mile radius of the facility.
- Applicant Public Notice, Example: All areas highlighted in yellow shall reflect points 1 through 5 of 20.6.2.3108 (F). Points 6 and 7 are already noted in the last paragraph of the example. Reflect all areas highlighted in yellow to your facility. An applicant public notice can be attached to the application once submitted. OCD approval is needed prior to the applicant publishing and posting notices.

Due to the severity of Serrano's Inc. yard the OCD is requesting soil samples be taken and analyzed. Prior to conducting sampling coordinate with the Aztec OCD Environmental Specialist Brandon Powell for sampling protocol. He can be reached at 505-320-0200.

Soils shall be tested for:

TEST:

Full Cations and Anions

TPH 418.1

GRO/DRO 8015

Semi Volatiles

AREAS:

2 - 5 point samples in truck yard.

1 - 5 point sample near drum area.

1 - 5 point sample above wet land area.

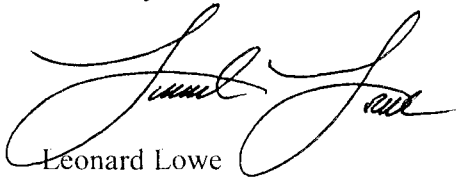
1 - 5 point sample of wetland adjacent to facility grounds.

The OCD Environmental Bureau is obligated by the New Mexico Water Quality Control Commission to protect the ground waters of the state of New Mexico. The OCD performs this task via a Discharge Plan Permit. Serrano's Inc shall submit their discharge plan application, GW-399 and soil sample results to the OCD office no later than September 25, 2009. Along with your application a \$100.00 filing fee shall be submitted and payable to the **New Mexico Water Quality Management Fund**.

If you have any questions pertaining to this process please call me at (505) 476-3492 or e-mail me at leonard.lowe@state.nm.us.

August 17, 2009
Page 3

Sincerely,

A handwritten signature in black ink, appearing to read 'Leonard Lowe', with a large, stylized flourish extending from the end of the signature.

Leonard Lowe
Environmental Engineer

xc: Brandon Powell, Environmental Specialist, OCD Aztec Office
 Charlie Perrin, District Supervisor, OCD Aztec Office
 Glenn von Gonten, Acting Bureau Chief, Santa Fe

OCD Inspection: Serrano's Inc.

Inspector(s): Brandon Powel, Leonard Lowe and Norman Norvell, NM Environment Dept.

Company Rep: Troy Serrano

Date: 06.08.09

Time: 7:30 – 8:30

Page 1



Photo 1: Fluid stained substance on the ground.

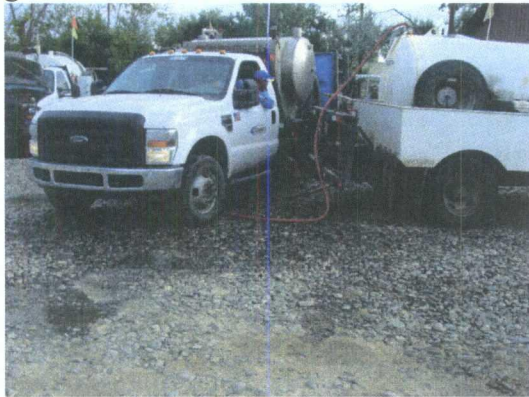


Photo 2: Fluid staining in yard near trucks



Photo 3: Standing fluids in truck yard.

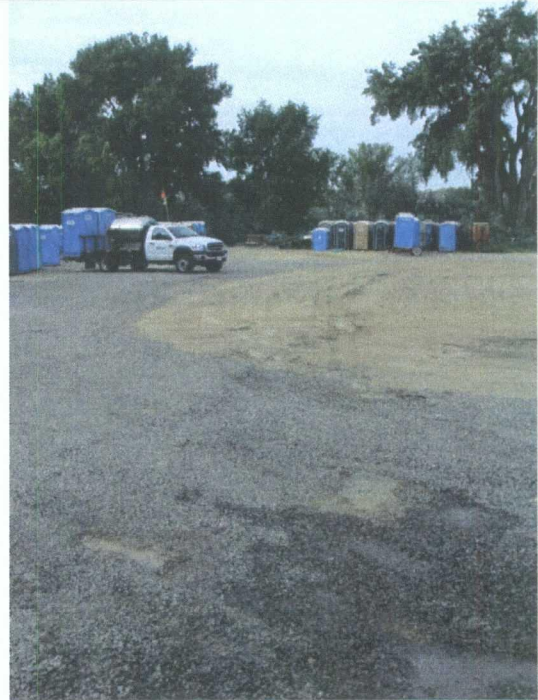


Photo 4: Drained fluids in yard.



Photo 5: Standing fluid substance.



Photo 6: Yard staining.

OCD Inspection: Serrano's Inc.

Inspector(s): Brandon Powel, Leonard Lowe and Norman Norvell, NM Environment Dept.

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Page 2



Photo 7: Barrel storage bin near edge of wet land.



Photo 10: Assumed empty barrels in wet land drainage.



Photo 8: Uncontained barrels.



Photo 11: Chemical dispensing area.



Photo 9: Hydrocarbon staining near barrels.



Photo 12: Discharge on ground near chemical dispensing area.