

BW - _____ 002 _____

**NOTICE OF
VIOLATIONS
(NOVs)**

Chavez, Carl J, EMNRD

From: Altomare, Mikal, EMNRD
Sent: Thursday, April 22, 2010 5:58 PM
To: david.alvarado@asicenergyservices.com; lyn.sockwell@basicenergyservices.com
Cc: Griswold, Jim, EMNRD; Chavez, Carl J, EMNRD; VonGonten, Glenn, EMNRD; Macquesten, Gail, EMNRD
Subject: Basic Energy Services follow up after NOV meeting - BW002/BW025
Importance: High

Mr. Alvarado and Mr. Sockwell -

Thank you for meeting with us today to discuss the outstanding issues regarding your Eunice Well No. 1 (API 30-025-26884, Permit BW-002) and Salado Well No. 2 (API 30-025-32394, Permit BW-025). We greatly appreciate your willingness to work to promptly come into compliance with your reporting obligations under the water quality act and your discharge permit conditions. I just wanted to confirm a couple of things that we discussed today, and I am copying Carl Chavez and Jim Griswold so that they can fill in any technical information that I might miss/gloss over too generally.

At today's meeting we went over the permit requirements for an annual report, and what is required to be submitted as part of that annual report (most clearly set out in the more recent permit BW-002 at condition 21(L). You have indicated that you understand what is required, and it is my impression that you understand to whom to direct any questions you might have if any should arise as you are putting together your report. You also indicated that you understand that you must have annual reports for EACH well – the BW002 permit and the BW025 permit- to the OCD (Jim Griswold) for review no later than June 30, 2010, and we discussed the consequences for missing that deadline, including that we will be obligated to report the noncompliance in our annual report to the EPA for the uIC program, and that we will pursue a compliance action by way of seeking an administrative compliance order which will seek penalties as provided under the Water Quality Act.

As you are aware, the BW-002 permit (now fully executed) is active, and the BW-025 is under review for renewal. As we discussed, the files for both wells are missing a great deal of data and reports, and the OCD has never actually received an annual report for either well as required under the WQA and permit conditions. In speaking with you today it is my understanding that you have been making an effort to locate whatever past records for these wells that you can so that when you do submit your annual reports, you will be able to provide both information for the past year as well as information for the missing years going back as far as you are able to locate data/records for. My understanding is that for the BW-002 well you have data/records for August of 2006 to the present. For the BW-025, my recollection is that you have stated that you have data starting in July of 2006 and running to the present. As we discussed, this data – as well as making sure your injection/production reporting is current- is critical for the OCD to make a determination regarding whether it is safe for these wells to continue producing brine. My impression after our meeting is that you both understood that once the OCD receives the data and reviews it, depending on what the reports reveal about the wells, the OCD still might determine that the well needs to be plugged and abandoned, and you have agreed that if the OCD makes this determination you understand that you will be required to plug and abandon the well(s). you have indicated that Kay Maxwell in your office is responsible for C115 reporting for Basic, and that you are going to confirm with her that the reports are current. If she has any questions regarding C115 submissions, she may contact Jane Prouty at (505) 476-3475 or jane.prouty@state.nm.us.

You also indicated to us that the two of you are the primary points of contact for the company, and we discussed how you go about making sure that your most current contact information is in the OCD system, as well as how to update your operator administrator on the OCD online system. I introduced you to Dorothy Phillips, whom you stated you would be calling to complete the operator administrator change and updated company contact information if you are not able to navigate the site to complete it on your own. We also discussed with Ms. Phillips the well that Basic recently obtained a TA renewal for – the Belco No. 002- 30-015-25433 for which Basic owes a single well financial assurance. It is my impression that you now understand that a bond is owed for this well and that you are going to work with Dorothy and make arrangements to post this bond promptly.

My general impression is that you both are working hard to get your files updated and your records and filings with the OCD completed and up to date. We appreciate your efforts and look forward to receiving the annual reports for the two permitted wells. We are more than willing to answer any questions that might arise as you work toward bringing your company into compliance. Please advise me immediately if I have incorrectly represented anything regarding today's meeting.

Again, it was a pleasure meeting you today.

Sincerely,
Mikal Altomare



Mikal M. Altomare

Assistant General Counsel
Oil Conservation Division
Energy, Minerals & Natural Resources Department
1220 South St. Francis Drive
Santa Fe, NM 87505
Tel 505.476.3480 ~ Fax 505.476.3462
mikal.altomare@state.nm.us

Chavez, Carl J, EMNRD

From: Chavez, Carl J, EMNRD
Sent: Thursday, April 08, 2010 8:12 AM
To: 'lyn.sockwell@basicenergyservices.com'
Cc: 'Alvarado, David'; Altomare, Mikal, EMNRD; VonGonten, Glenn, EMNRD; Griswold, Jim, EMNRD
Subject: Basic Energy Services Brine Well NOVs (BW's 2 and 25) & NOV Meeting Schedule

Lyn:

Per our telephone call this morning around 8:00 a.m. I am writing to remind you to contact me to schedule a meeting to discuss the recent NOV's on Basic Energy Services Brine Wells in New Mexico.

Please contact me by COB next Friday, 4/16/2010 to schedule a meeting with the OCD in Santa Fe, New Mexico.

Thank you.

Carl J. Chavez, CHMM
New Mexico Energy, Minerals & Natural Resources Dept.
Oil Conservation Division, Environmental Bureau
1220 South St. Francis Dr., Santa Fe, New Mexico 87505
Office: (505) 476-3490
Fax: (505) 476-3462
E-mail: CarlJ.Chavez@state.nm.us
Website: <http://www.emnrd.state.nm.us/oed/index.htm>
(Pollution Prevention Guidance is under "Publications")

New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Jon Goldstein
Cabinet Secretary

Jim Noel
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



NOTICE OF VIOLATION

April 1, 2010

Mr. Gaye Heard
Basic Energy Services
PO Box 10460
Midland, Texas 79702

VIA CERTIFIED MAIL

RETURN RECEIPT NO: 7001 1940 0004 7923 4894

**Re: Discharge Plan Permit Notice of Violation(s) (BW-002 & 25)
Basic Energy Services Class III Brine Production Wells
Eunice Well No. 1 (API No. 30-025-26884) 630 FSL and 2427 FEL UL: O Section 34 T21S,
R37E and Salado Well No. 2 (API# 30-025-32394) 1305 FNL and 60 FEL UL: A Section 20
T25S R37E, Respectively
Lea County, New Mexico**

Dear Mr. Heard:

The New Mexico Oil Conservation Division (OCD) has not received an Annual Report or any of the various, other reporting documentation required by the reporting provisions of the discharge permit for the Basic Energy Services, LLC (hereafter "BES") Eunice Well No. 1 (BW-002) and Salado Well No. 2 (BW-025). The discharge permit, issued under the New Mexico Underground Injection Control (UIC) Program, established a deadline of January 31, 2010 for BES to submit an annual report to the OCD. Because BES has failed to meet this deadline, the OCD has determined that BES is in violation of the OCD Discharge Permit (BW-028); Water Quality Control Commission (WQCC) Regulations 20.6.2.5208 NMAC, and Federal Underground Injection Control Regulations § 40 CFR 144 & 146, et seq.

New Mexico WQCC 20.6.2.1220 NMAC provides that, where an operator violates the terms of a discharge permit issued pursuant to the Water Quality Act, the operator may be subject to enforcement actions including but not limited to a compliance order, penalty assessment, and action filed in District Court. You were advised via e-mail correspondence dated September 25, 2009 from OCD Environmental Engineer Carl Chavez reminding BES of the submittal due-date for its Annual Reports for these sites. Mr. Chavez specifically informed BES at that time that OCD was implementing a better report tracking system to monitor reports received by brine operators.

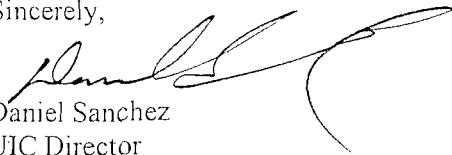


Mr. Heard
Basic Energy Services
April 1, 2010
Page 2

By this Notice, the OCD is hereby advising BES that is required to submit the delinquent Annual Reports and any other reporting required by the terms and conditions of discharge permits BW-002 and BW-025 to the OCD on or before June 30, 2010. The OCD is required to report the violation(s) to the EPA under the Federal Fiscal Year Quarter 2 (January –March) period. Failure to comply with the June 30, 2010 deadline referenced above will result in escalated enforcement under the Federal “Significant non-Compliance” designation. If BES does not satisfy the reporting requirements by the June 30, 2010 date, it shall immediately shut-in the referenced facility and shall be required to submit a C-103 to the OCD for plugging and abandoning the well no later than September 30, 2010.

Please contact Carl Chavez of my staff at (505) 476-3490 or carlj.chavez@state.nm.us within 14 days of receipt of this NOV to arrange for a compliance and enforcement meeting at the OCD office in Santa Fe, New Mexico. It is imperative that you promptly make arrangements to meet with us if you wish to not only resolve the compliance issue, but also wish to pursue the renewal of your discharge permit for this facility. If BES fails to contact the OCD within 14 days of receipt as indicated, the OCD will assume that BES no longer wishes to seek renewal of the discharge permits for the Eunice Well No. 1 and Salado Well No. 2, designated BW-002 and BW-025, respectively.

Sincerely,



Daniel Sanchez
UIC Director

DS/cc

xc: OCD District I Office, Hobbs
Mikal Altomare, Mikal.altomare@state.nm.us

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Mark Fesmire
Division Director
Oil Conservation Division



Sent To	Mr. Gaye Heard (Basic Energy Services)
Street, Apt. No., or PO Box No.	P.O. Box 10460
City, State, ZIP+4	Midland, TX 79702
PS Form 3800, January 2001 See Reverse for Instructions	

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Oil Conservation Division * 1220 South St. Francis Drive

* Santa Fe, New Mexico 87505

* Phone: (505) 476-3440 * Fax (505) 476-3462* <http://www.emnrd.state.nm.us>

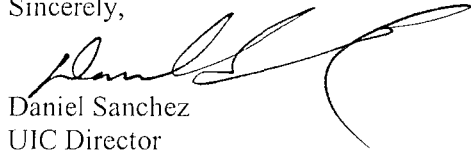


Mr. Heard
Basic Energy Services
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