

EPWM - 5

**PERMITS,
RENEWALS, &
MODS**



New Mexico Energy, Minerals and Natural Resources Department

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Division Director

Oil Conservation Division



September 9, 2010

Mr. Tim Coakley
Industry Standard Technology Corporation, d/b/a Controlled Aqua Systems
3801 West Country Club Road
Roswell, New Mexico 88201

**RE: Request for Annual Temporary Approval for a Produced Water Treatment Facility
Industry Standard Technology Corporation, d/b/a Controlled Aqua Systems (CAS)
EPWM - 005**

Facility Address: 157 Lake Road, Artesia, New Mexico 88210

**Facility Location: Units G and H of Section 16, Township 18 South, Range 26 East,
NMPM, Eddy County, New Mexico**

Dear Mr. Coakley:

The Oil Conservation Division (OCD) has reviewed Controlled Aqua Systems' (CAS) application dated July 12, 2010, and revisions and additions dated August 10, 2010 and August 20, 2010 for a produced water treatment facility located in Units G and H of Section 16, Township 18 South, Range 26 East NMPM, Eddy County, New Mexico. OCD understands that the treated produced water will be made available to the Center of Excellence for Hazardous Materials Management (CEHMM), located at 67 E. Four Dinkus Road, Artesia, New Mexico 88210, as a water source for use in their experimental algae propagation ponds – bio-fuel project, contingent upon a permit issued by OCD's Environmental Bureau pursuant to 20.6.2 NMAC.

This request is hereby approved with the following understandings and conditions:

1. CAS may initiate and complete the construction of the facility, but shall not receive any material at the facility for storage, processing, and treatment until an H2S contingency plan is approved by OCD's Environmental Bureau for the permitted produced water treatment facility.
2. CAS shall comply with all applicable requirements of the Produced Water Rule (19.15.34 NMAC), the Oil and Gas Act (Chapter 70, Article 2 NMSA 1978), and all conditions specified in this annual temporary approval, and shall construct, operate and



close the facility in accordance with the approved application of July 12, 2010, and revisions and additions dated August 10, 2010 and August 20, 2010.

3. CAS shall post an upright sign not less than 12 inches by 24 inches with lettering not less than two inches in height in a conspicuous place. The sign shall provide the following information: the operator's name; the location of the site by quarter-quarter or unit letter, section, township and range; and emergency telephone numbers.

4. At least five (5) business days prior to the start of the impoundment construction, CAS shall furnish OCD's Environmental Bureau with a major milestone schedule for the impoundment construction.

5. CAS shall submit to and obtain approval from the OCD's Environmental Bureau for a Liner Installation Report prior to use of the impoundment after the issuance of this annual temporary approval.

6. CAS shall obtain OCD's Environmental Bureau approval prior to any design changes to the produced water receiving, storage, and treatment areas.

7. CAS shall obtain OCD's Environmental Bureau approval prior to the installation of additional tanks or other structures within the boundaries of the facility.

8. The source of the produced water approved for treatment by CAS is Oxy USA, Inc.'s MOC-SWD #1 well (API# 30-015-21669) located within Unit K of Section 7, Township 20 South, Range 25 East, NMPM, Eddy County, New Mexico. CAS shall submit a modification request and obtain OCD's Environmental Bureau approval prior to switching to a new source of the produced water for treatment.

9. CAS shall ensure all oilfield waste is transported by a hauler that has a form C-133, Authorization to Move Produced Water, approved by OCD.

10. CAS shall not discharge any treated or untreated produced water on the ground, to ground water, or into any surface water body without prior written authorization from the OCD's Environmental Bureau.

11. CAS shall store all produced water (treated and untreated) in above ground tanks. CAS shall not manage any oilfield wastes at the produced water treatment facility site on the ground in pits, ponds, below-grade tanks or land application units without an OCD approved permit.

12. CAS shall test the produced water influent prior to treatment and the effluent after treatment, for the constituents identified in Subsections A, B, and C of 20.6.2.3103, NMAC, twice a year (a semi-annual basis) to demonstrate the efficacy of the treatment

process. CAS shall provide the OCD's Environmental Bureau a copy of the laboratory analytical results of each sampling event within 30 days of receipt of the analytical results from the lab. The laboratory reportable limits shall not exceed the standards specified in Subsections A, B, and C of 20.6.2.3103 NMAC.

13. CAS shall only provide treated produced water to the Center of Excellence for Hazardous Materials Management (CEHMM), located at 67 E. Four Dinkus Road, Artesia, New Mexico 88210, as a water source for use in its experimental algae propagation ponds – bio-fuel project, contingent upon a permit issued by OCD's Environmental Bureau pursuant to 20.6.2 NMAC.

14. CAS shall properly dispose of concentrated produced water from the treatment process (filtration and reverse osmosis systems) by injection into Mesquite SWD, Inc.'s Ann SWD #1 well (API# 30-015-23580) located within Unit G of Section 18, Township 19 South, Range 26 East, NMPM, Eddy County, New Mexico. CAS shall submit a modification request and obtain OCD's Environmental Bureau approval prior to switching to another injection well for the disposal of the concentrated produced water.

15. CAS shall properly dispose of the produced water treatment filters and membranes at Lea Land LLC Landfill (OCD Permit NM-1-035) for the disposal of produced water treatment filters and membranes, if applicable. CAS shall submit a modification request and obtain OCD's Environmental Bureau approval prior to switching to an alternative surface waste management facility for disposal of the produced water treatment filters and membranes.

16. CAS shall properly dispose of the precipitate, solid residual of the suspended particles, and BS&W (basic sediment and water) from the Dewatering System Unit at GMI – Gandy Marley Incorporated Surface Waste Management Facility (OCD Permit NM-1-019) for dewatering, evaporation of liquids, solidification, and disposal of the precipitate, solid residual of the suspended particles, and BS&W if applicable. CAS shall submit a modification request and obtain OCD's Environmental Bureau approval prior to switching to an alternative surface waste management facility for dewatering, evaporation of liquids, solidification, and disposal of the precipitate, solid residual of the suspended particles, and BS&W.

17. In addition to the closure plan provided in Attachment D of the approved application, CAS shall not accept any produced water for the collection, disposal, evaporation, remediation, reclamation, treatment, or storage, upon closure of the entire facility.

18. CAS shall report all unauthorized discharges, spills, leaks, and releases of produced water and conduct corrective action pursuant to 19.15.29 NMAC and 19.15.30 NMAC, as appropriate.

19. CAS shall report quarterly discharge volumes (produced water diverted) in gallons to the OCD's Environmental Bureau via email no later than and within **five (5) business days** of the end of each of the following quarters:

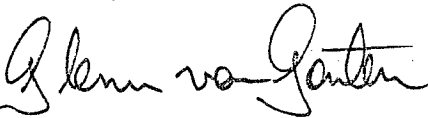
- January 1st through March 31st
- April 1st through June 30th
- July 1st through September 30th
- October 1st through December 31st

This authorization is approved for a period of one (1) year. **This temporary approval will expire September 10, 2011.** Renewal requests for temporary approvals shall be submitted 45 days prior to the expiration date. Temporary approval may be revoked or suspended for violation of any applicable provisions and/or conditions. The OCD may administratively modify this temporary approval at any time, by incorporating additional conditions, if it determines that such conditions are necessary and proper for the protection of fresh water, public health, and the environment.

Please be advised that approval of this request does not relieve CAS of liability should operations result in pollution of surface water, ground water or the environment. Nor does approval relieve CAS of its responsibility to comply with any other applicable governmental authority's rules and regulations.

If there are any questions regarding this matter, please do not hesitate to contact Brad Jones at (505) 476-3487 or brad.a.jones@state.nm.us.

Sincerely,



Glenn von Gonten
Acting Environmental Bureau Chief

GVG/BAJ

cc: OCD District II Office, Artesia