NM1 - 37

INSPECTIONS & DATA

February 28, 2003 MHMSA-120

TO: Dennis Garcia, Assistant Commissioner

THRU: Jerry King, Assistant Commissioner
Surface Resources

Jim Norwick, Assistant Director
Field Operations

FROM: Myra Meyers, District Resource Manager
Hobbs District

SUBJECT: Leaking Oil Storage Tanks

SYNOPSIS

On January 30, 2003, while visiting with Commissioner Lyons he commented that he had received a complaint from Mr. Red Byrd of Monument, NM concerning some leaking oil storage tanks located on State Trust lands. I commented to Commissioner Lyons that it was the Hobbs District Field office personnel's understanding that the tanks were not on State Trust Lands. I advised the Commissioner that we would go back out to the site and verify its location by obtaining a GPS reading of the location.

On February 13, 2003 Leon Anderson and myself conducted a field inspection of the site. During the field inspection a GPS reading was taken next to the southeast corner of the location were the tanks are located. Rod Martinez, Field Operations was contacted for assistance in mapping the GPS reading and determining if the site was located on State Trust Land.

Rod Martinez researched the patents issued for the properties in which the tanks are located. In Rod's research it was determined that there is a difference of possibly 40 feet between making a

definite decision on if the south portion of the tanks storage facility is on State Trust land or Patented Land without a Certified Survey being done on the property. I recommend that NMSLO have a Certified Survey performed on subject property in order to certain that the leaking oil storage tanks are not on State Trust land. Even if it is determined that the tanks are not on State Trust lands the oil that has leaked out of the tanks is a definite threat to the groundwater in the area and to State Trust lands located south of the tanks.

LEGAL DESCRIPTION

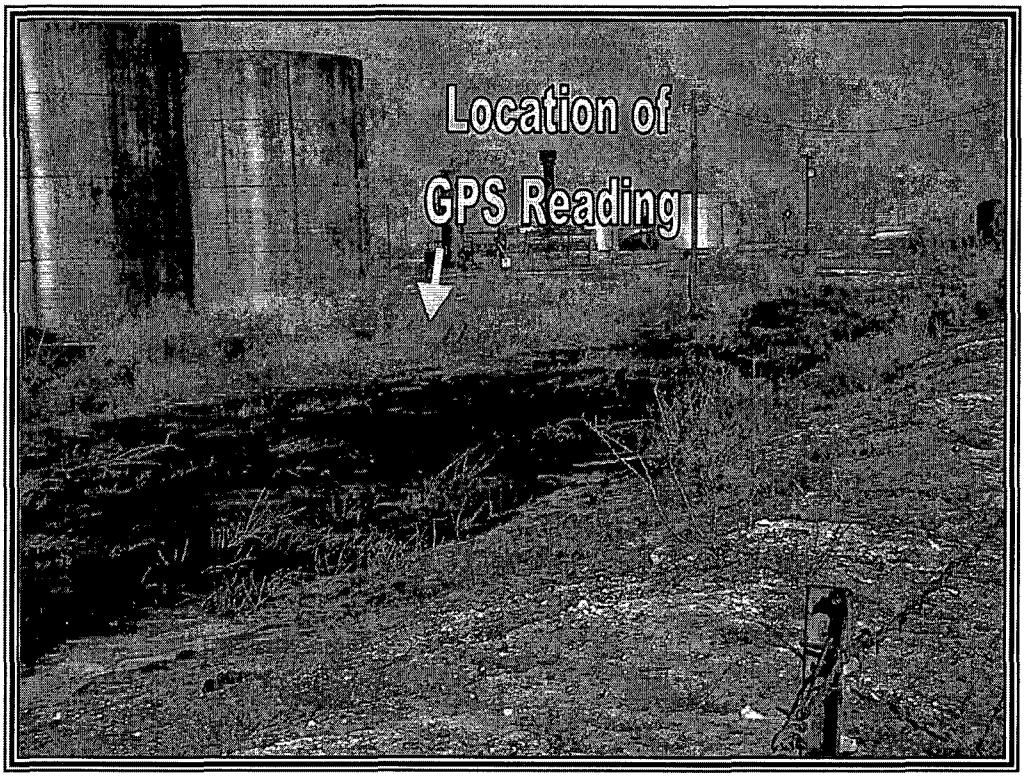
T20S, R36E		NMPM
SECTION: 01	NW4NW4	LEA COUNTY

LOCATION

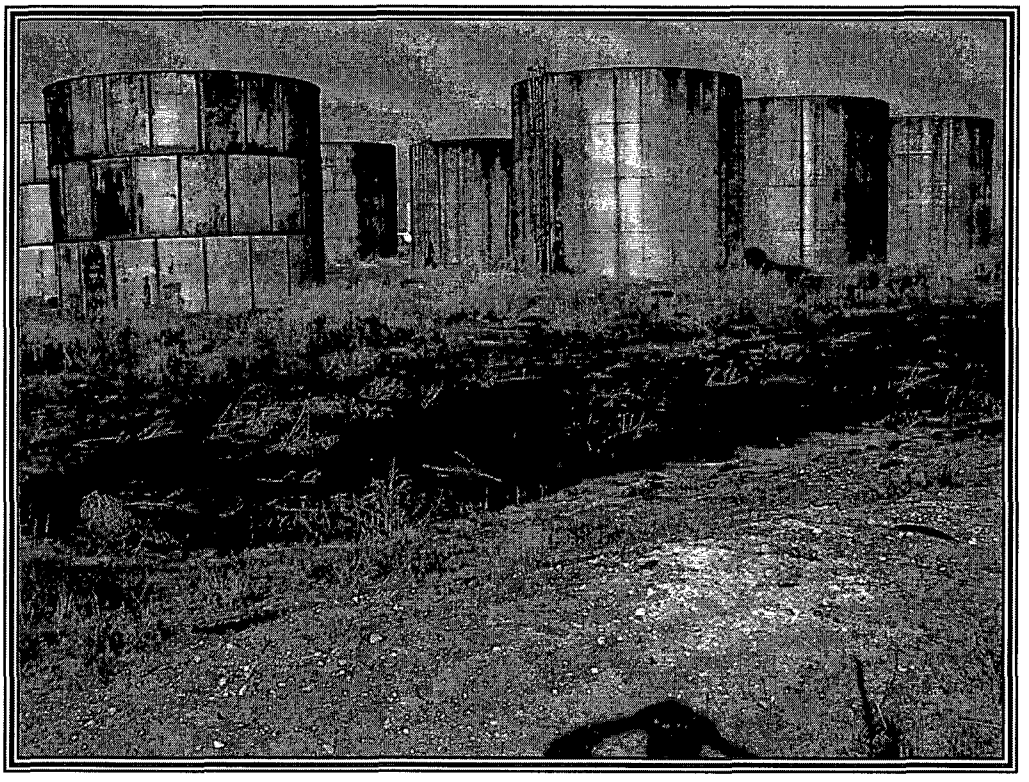
Subject site is located approximately 3.5 miles southwest of Monument, New Mexico. Access to the site can be gained via oilfield/ranch roads on the south side of State Hwy 322.
Site Description: The surrounding area is rural rangeland with heavy oilfield activity. Soil is a Berino-Cacique fine sandy loams association with 0 to 3 percent slopes. Vegetation includes, but is not limited to Grama Grasses, Threeawns, Snakeweed, and Mesquite.

HIGHEST AND BEST USE

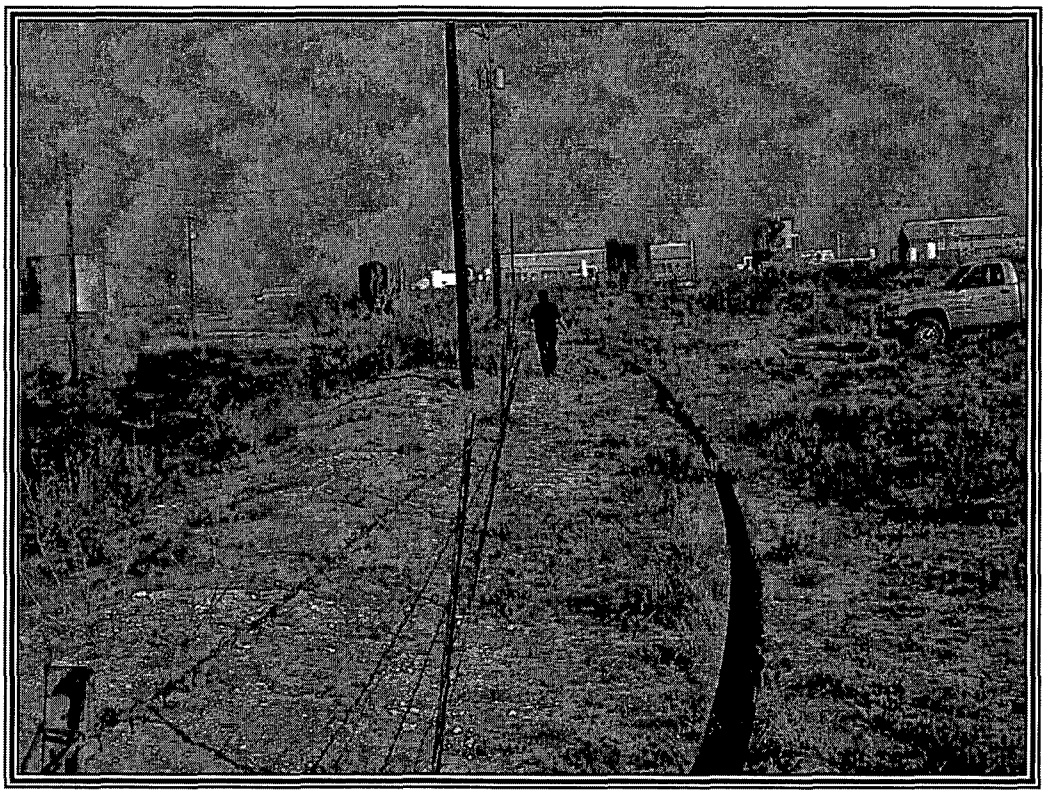
Current highest and best use of subject land is the production of oil and gas. This is intermixed with business leases, water easements, right-of-way easements, saltwater disposal wells, and the grazing of livestock. No other trends exist at this time.

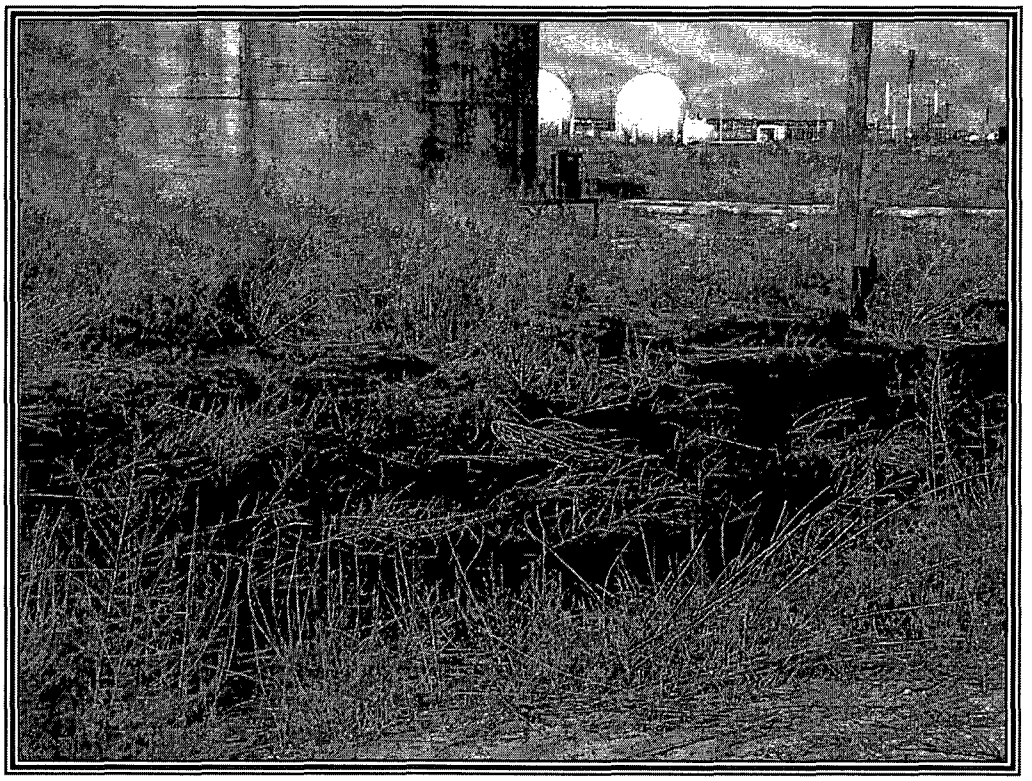


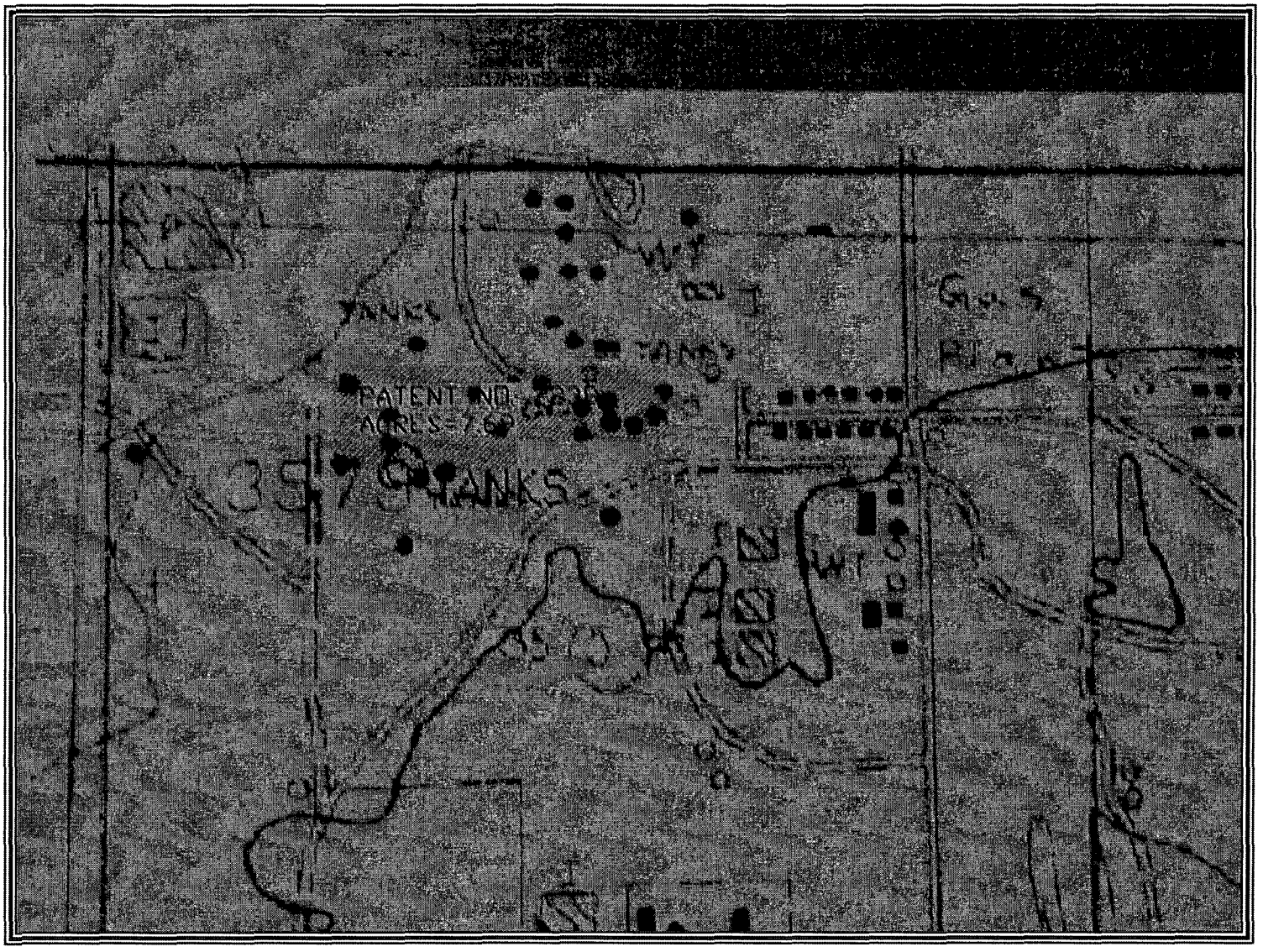
Looking at south side of tank yard location



Looking at south fence separating State Trust land and Patented Land







GPS location in question
NW4NW4 Section 1, T20S, R36E

NEW MEXICO ENERGY, MINERALS and
NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

March 10, 2003

Mr. T.G. Herring
Commercial Exchange, Inc.
P.O. Box 3236
Lubbock, TX 79452

RE: Enersource, Inc. Oil Treating Plant Permit Order R-8148
Re-permitting under Rule 711 and
Change of Operator to Commercial Exchange, Inc.
9.56 acres located in the NE/4 of Section. 1, Township 20 South, Range 36 East, NMPM, Lea County, New Mexico

Dear Mr. Herring:

The New Mexico Oil Conservation Division (OCD) inspected Enersource, Inc. (Enersource) 9.56 acres located in the NE/4 of Section 1, Township 20 South, Range 36 East, NMPM Lea County, New Mexico, on March 3, 2003. During our phone conversation on March 5, 2003 you indicated that you wanted to re-open the facility, re-permit under the current rules in affect and establish adequate financial assurance for the facility. The company name that you indicated that you wanted to use is Commercial Exchange, Inc. Currently the company Commercial Exchange, Inc. is not listed on the New Mexico Public Regulation Commissions (NMPRC) web site. I have enclosed contact information regarding the NMPRC. Prior to issuing a permit your company of choice must be authorized to do business in the state of New Mexico and the same company must obtain financial assurance that has been approved by the OCD.

The OCD inspection and subsequent file review indicates that there are some deficiencies. Attachment 1 lists the items that will need to be addressed and the Rule 711 items that are not on file. Enclosed please find photographs taken during the inspection on March 3, 2003. Enersource shall provide the OCD with a detailed description of how the corrections will be made and a timetable of when the corrections will be completed. A response is required by Enersource to these items by April 25, 2003.

For your use I have enclosed a copy of Rule 711, Form C-137, guidelines for permit application and three types of financial assurance forms. A permit application, Form C-137, shall be filed with the OCD according to the instructions in the upper right corner of the form.

Please be advised that the financial assurance requirements have changed under Rule 711. Enersource's current surety bond with United States Fidelity and Guaranty Company (No. 01-

0130-10315-86-5) for $10,000 must be replaced. The new financial assurance amount will be based upon the estimated closure costs that the State of New Mexico would incur if a third party contractor were to remediate the facility (see Rule 711.B.1.i). Enersource must have the appropriate financial assurance in place for the approved estimated closure amount prior to receiving a new waste management facility permit.

If you have any questions please do not hesitate to contact me at (505) 476-3488

Sincerely,

Martyne J. Kieling
Environmental Geologist

Attachments
xc: Hobbs OCD Office

ATTACHMENT 1
INSPECTION REPORT
ENERSOURCE, INC.
9.56 acres located in the NE/4 of Section. 1, Township 20 South, Range 36 East, NMPM,
Lea County, New Mexico
March 10, 2003

1. Process Area: All process and maintenance areas which show evidence that leaks and spills are reaching the ground surface must be either paved and curbed or have some type of spill collection device incorporated into the design. Contaminated soils from leaks and spills must be removed and either remediated on site or disposed of off sight at an OCD approved disposal facility. The vertical and horizontal extent of contamination must be defined.

There was evidence of leaks and/or spills around the above grade tanks (see photos 5, 6, 7, 8, 9 and 10). The contaminated soil must be either removed to an OCD approved disposal facility or remediated on site according to OCD remediation guidelines.

2: Above Ground Tanks: All above ground tanks which contain fluids other than fresh water must be bermed to contain a volume of one-third more than the total volume of the largest tank or of all interconnected tanks. All new facilities or modifications to existing facilities must place the tank on an impermeable type pad and berm so that leaks can be identified. Tanks containing materials and having identified leaks must be transferred to alternate tanks with viable integrity. If the tank is to be repaired and returned to service an integrity test including pressure testing and/or visual inspection of cleaned out tanks or other OCD approved methods must be performed.

There were no identifiable berms at the facility. The berms surrounding the above ground tanks need to be built or re-constructed to contain one-third more than the total volume of all interconnected tanks. There were several tanks with obvious leaks (see photos 5, 6, 7 and 8). The material in these tanks must be emptied into viable tanks as soon as possible. Based on the OCD inspection, the apparent age of the tanks and the condition of the tanks, the OCD requires that all tanks at the facility must be emptied and cleaned. If the operator wishes place any of the tanks back into operation the tanks must be emptied, cleaned, and then an OCD approved integrity test must be performed.

3. Open Top Tanks and Pits: To protect migratory birds, all tanks exceeding 16 feet in diameter, and exposed pits and ponds shall be screened, netted or covered unless rendered non hazardous.

There did not appear to be any open top tanks. The low depression/pit on the south side of the facility did contain oil and could potentially be a hazard to migratory

birds (see photo 10). This unlined depression/pit must be rendered non hazardous to migratory birds.

4. Above Ground Saddle Tanks: All new facilities or modifications to existing facilities must place the above ground saddle tanks above an impermeable pad and curb type containment unless they contain fresh water or fluids that are gases at atmospheric temperature and pressure.

   There was no berm or impermeable pad and curb containment below the existing above ground saddle tanks located at this facility (see photos 13, 14 and 15). All above ground tanks which contain fluids other than fresh water must be bermed to contain a volume of one-third more than the total volume of the largest tank or of all interconnected tanks.

5. Tank Labeling: All tanks, drums and containers should be clearly labeled to identify their contents and other emergency information necessary if the tank were to rupture, spill or ignite.

   The tanks and other vessels are not labeled as to their contents and hazards (see photos 2, 4, 5, 6, 8, 9, 10, 12, 13, 14 and 15).

6. Below Grade Tanks/Sumps: All below grade tanks, sumps, and pits must be approved by the OCD prior to installation or upon modification and must incorporate secondary containment and leak-detection into the design. All pre-existing sumps and below grade tanks must demonstrate integrity on an annual basis. Integrity tests include pressure testing and/or visual inspection of cleaned out tanks or sumps, or other OCD approved methods.

   It is unknown if there are below grade tanks or sumps located at this facility. There is one pit/depression on site (see photo 10). The contaminated soil within this unlined pit/depression must be either removed to an OCD approved disposal facility or remediated on site according to OCD remediation guidelines.

7. Underground Process/Wastewater Lines: All underground process/wastewater pipelines must be tested to demonstrate their mechanical integrity at present and then every 5 years thereafter. Companies may propose various methods for testing such as pressure testing or other OCD approved methods.

   Any underground process/wastewater lines must have a mechanical integrity testing proposal submitted for approval.

8. Housekeeping: All systems designed for spill collection/prevention should be inspected frequently to ensure proper operation and to prevent overtopping or system failure.

Adequate berms are needed to ensure that any spills or overflows stay within the facility. The contaminated soil around the base of the tanks indicate leaks or spills have been reaching the ground surface (see picture 5, 6, 7, 8, 9 and 10). Leaking valves, pumps, motors and other equipment should have secondary impermeable containment.

19. Spill Reporting: All spills/releases shall be reported pursuant to OCD Rule 116.

At the time of inspection there was evidence of several leaks.

10. Trash and Potentially Hazardous Materials: All trash and potentially hazardous materials should be properly disposed of.

The contaminated soil from leaking tanks must be removed. The material may be remediated on sight and/or removed to an OCD approved disposal facility (see photos 5, 6, 7, 8, 9 and 10).

11. Berming: An adequate berm must be constructed and maintained to prevent runoff and runon for that portion of the facility containing contaminated soils.

To prevent the offsite movement of contaminated storm water the facility must be bermed.

12. Security: The facility shall be secured when no attendant is present, to prevent any unauthorized dumping. Securing the facility must include a perimeter fence and locked gate or other similar security measures.

The facility is fenced with barbed wire and has a locking gate.

13. Signs: The facility shall have a sign in a conspicuous place at the facility. The sign shall be maintained in legible condition and shall be legible from at least fifty (50) feet and contain the following information: a) name of facility, b) the OCD permit number c) location by quarter-quarter section, township and range, and d) emergency phone number.

The facility sign will need to be updated.

14. Application Requirements for Permit Under Rule 711: An application, Form C-137, for a permit renewal shall be filed in DUPLICATE with the Santa Fe Office of the Division and ONE COPY with the Hobbs OCD district office. The application shall comply with Division guidelines and shall include:

    (a) The names and addresses of the applicant and all principal officers of the business if different from the applicant;

Please submit with C-137 application.

(b) A plat and topographic map showing the location of the facility in relation to governmental surveys (1/4 1/4 section, township, and range), highways or roads giving access to the facility site, watercourses, water sources, and dwellings within one (1) mile of the site;

Please submit with C-137 application.

(c) The names and addresses of the surface owners of the real property on which the management facility is sited and surface owners of the real property of record within one mile of the site;

Please submit with C-137 application.

(d) A description of the facility with a diagram indicating location of fences and cattle guards, and detailed construction/installation diagrams of any pits, liner, dikes, piping, sprayers, and tanks on the facility;

Please submit with C-137 application.

(e) A plan for management of approved wastes;

Please submit with C-137 application.

(f) A contingency plan for reporting a cleanup of spills or releases;

Please submit with C-137 application.

(g) A routine inspection and maintenance plan to ensure permit compliance;

Please submit with C-137 application.

(h) A Hydrogen Sulfide (H_2S) Prevention and Contingency Plan to protect public health;

Please submit with C-137 application.

(i) A closure Plan including a cost estimate sufficient to close the facility to protect public health and the environment; said estimate to be based upon the use of equipment normally available to a third party contractor;

Please submit with C-137 application.

(j) Geological/hydrological evidence, including depth to and quality of groundwater beneath the site, demonstrating that disposal of oil field wastes will not adversely impact fresh water;

Please submit with C-137 application.

(l) Certification by an authorized representative of the applicant that information submitted in the application is true, accurate and complete to the best of the applicant's knowledge.

Please submit with C-137 application.

Photo 1: Entrance Sign for Enersource, Inc.

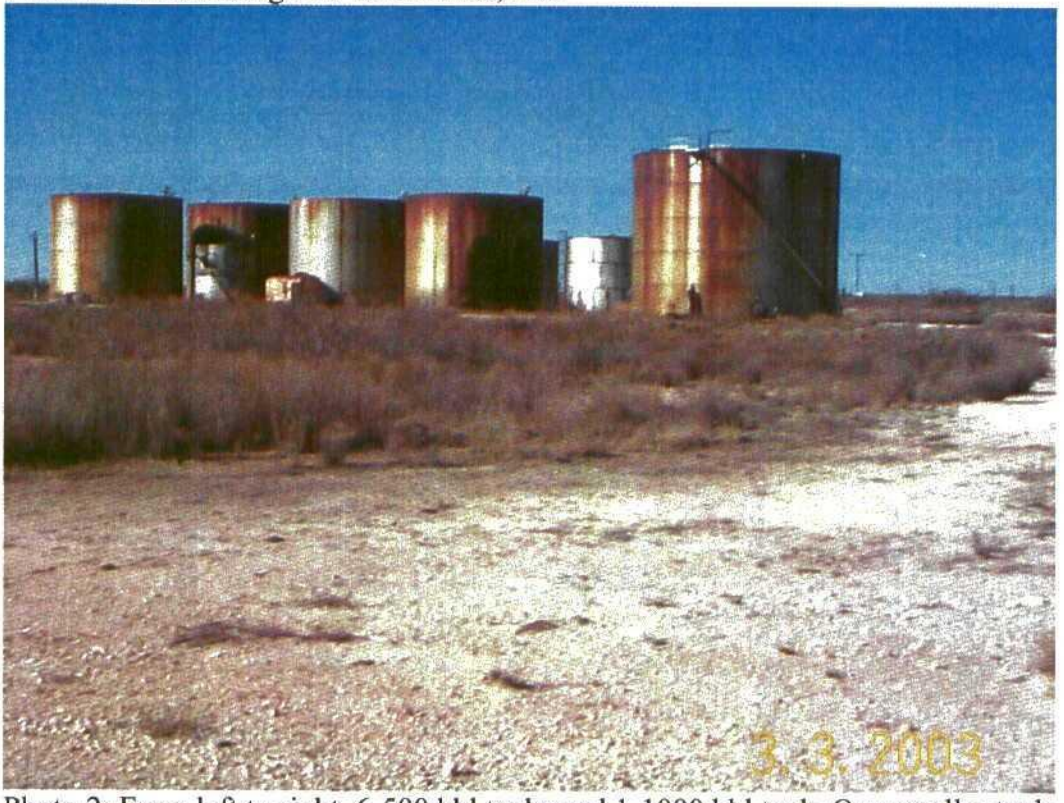


Photo 2: From left to right, 6-500 bbl tanks and 1-1000 bbl tank. One smaller tank and metal box container in front of 500bbl tanks. Looking southwest

Photo 3: From left to right, horizontal tanks and separator. 3-300 bbl tanks, 1-100 bbl tank, 3-100 bbl tanks and 1-10x16' vessel. Office building in the foreground. Looking east southeast.

Photo 4: From left to right, 3-1000 bbl tanks. Looking west southwest.

Photo 5: Leaking 500 bbl tanks and 1000 bbl tank. Looking south.

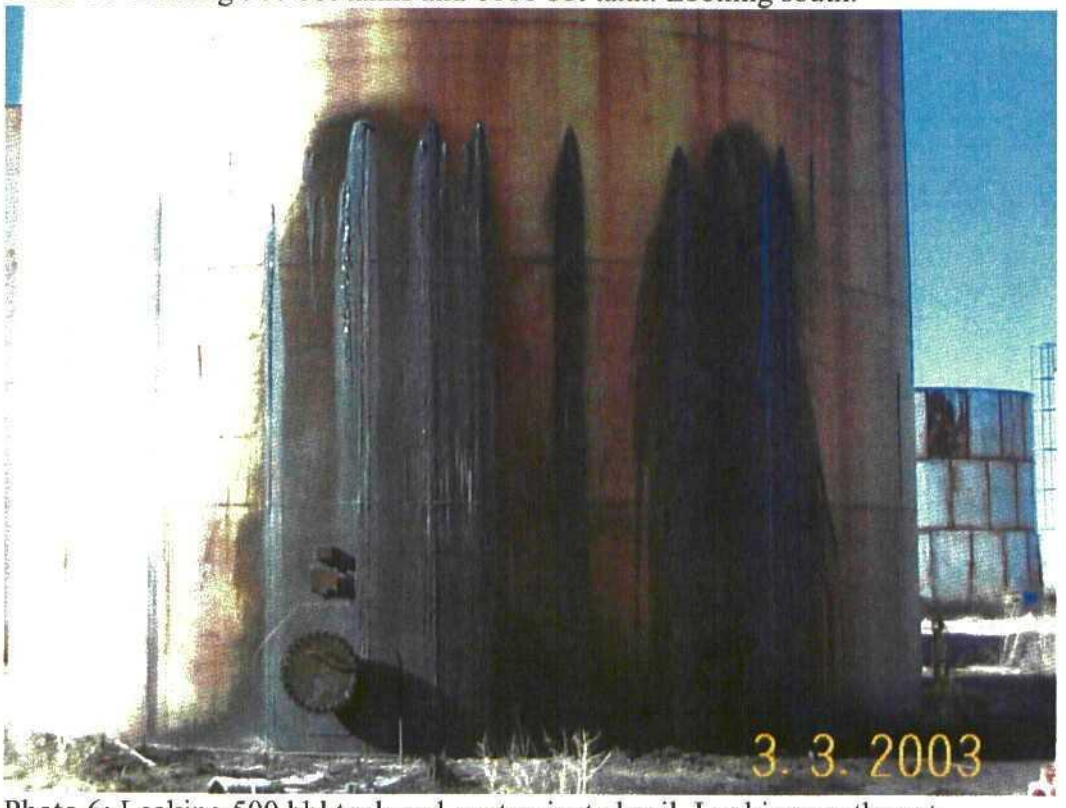


Photo 6: Leaking 500 bbl tank and contaminated soil. Looking southwest.

Photo 7: Contaminated soil surrounding the leaking 500 bbl tank.

Photo 8: Contaminated soils and 4-500 bbl tanks. Looking southwest.

Photo 9: Contaminated soil along south side of the row of 500 bbl tanks. Looking west.

Photo 10: Pit/depression containing oil along south side of the row of 500 bbl tanks. Looking west.

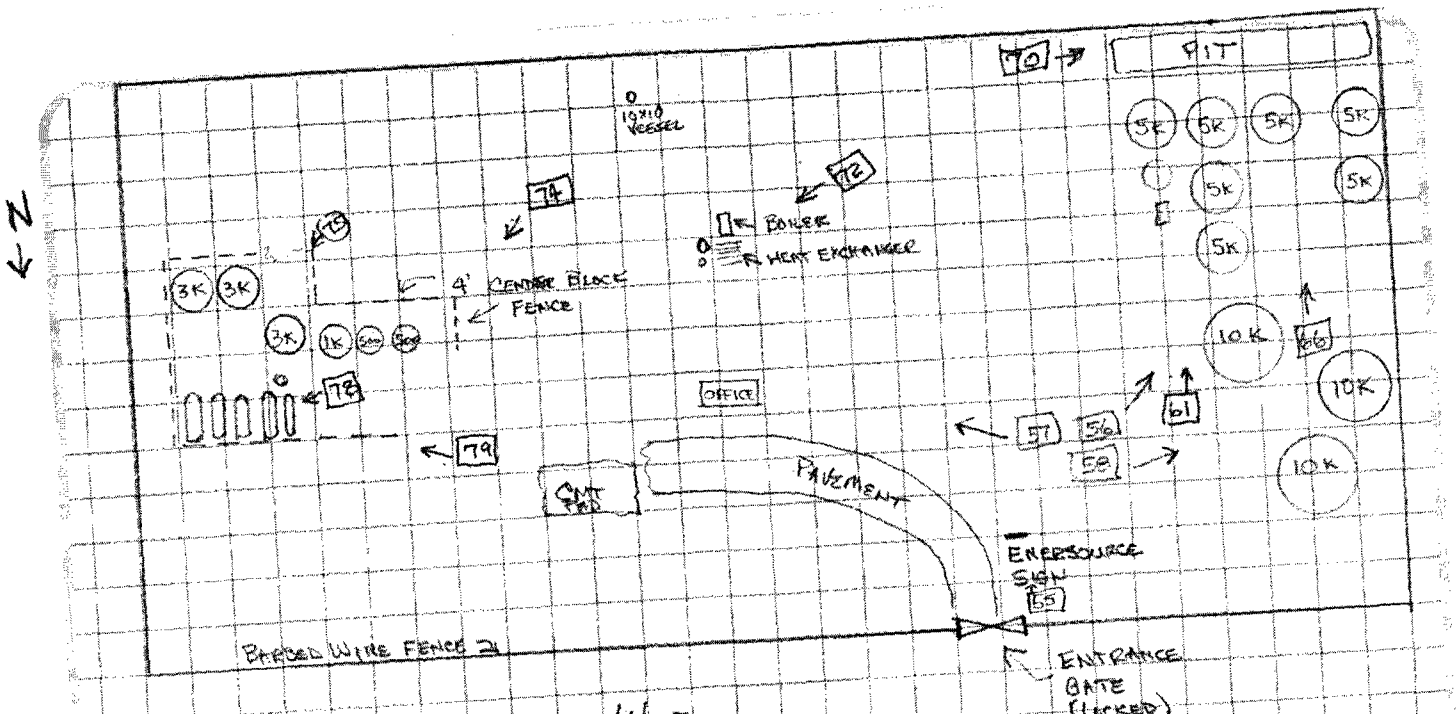
Photo 11: Heat exchanger and boiler. Looking northeast.

Photo 12: 10'x16' vessel. Looking south.

Photo 13: 2-3000 bbl tanks, 5-vertical tanks and 1-vertical tank/separator. Looking southeast inside broken cinder block wall.

Photo 14: From left to right, 5-horizontal tanks, 1-vertical tank/separator, and 3-3000 bbl tanks on the right. Looking east.

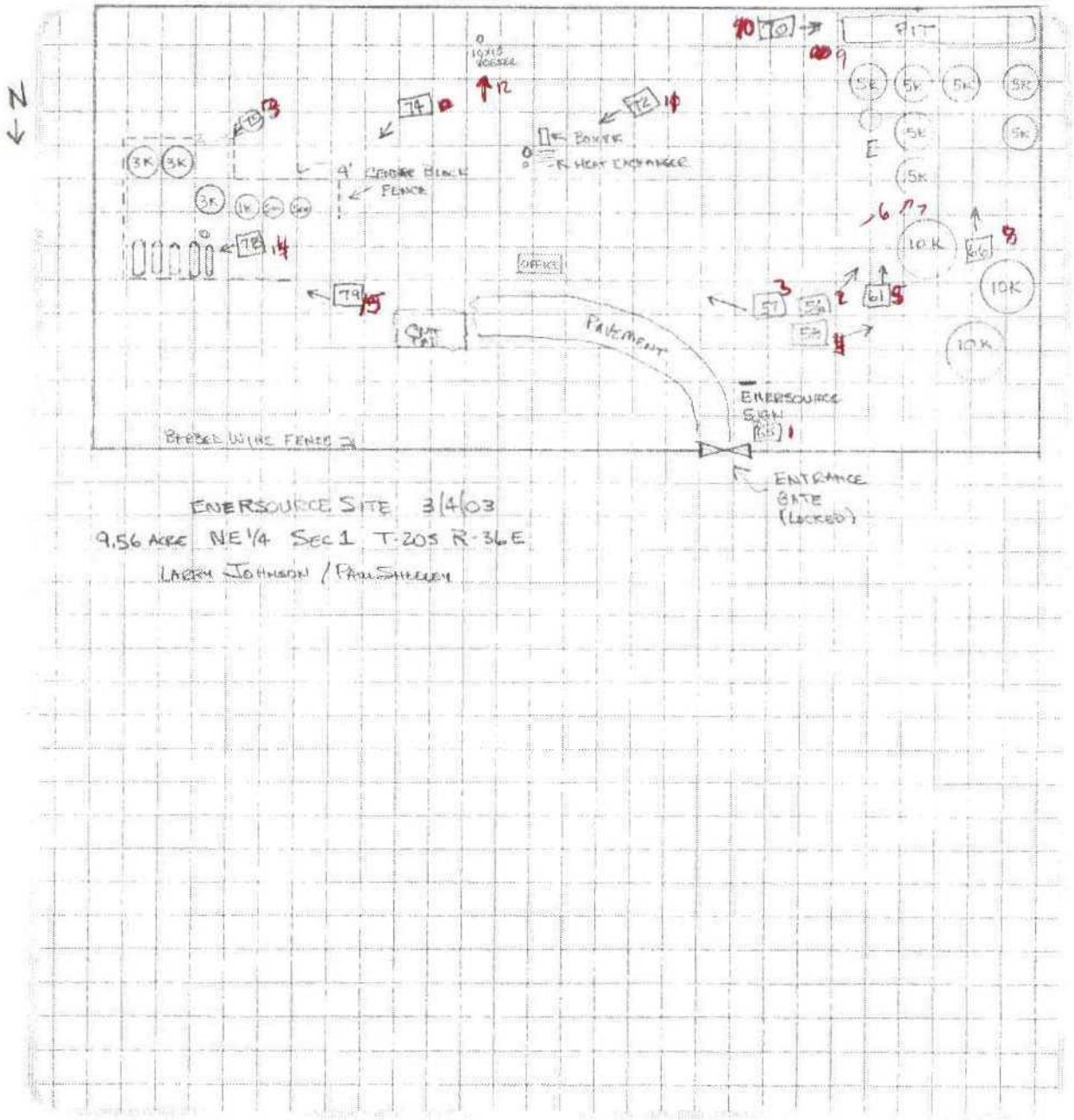
Photo 15: From left to right, 5 horizontal tanks, 1 vertical tank/separator, and two 3000 bbl tanks. Looking Southeast.



ENERSOURCE SITE 3/4/03

9.56 ACRE NE 1/4 SEC 1 T-20S R-3E

LARRY JOHNSON / PAUL SHEELEY



ENERSOURCE SITE 3/4/03

9.56 ACRE NE1/4 SEC 1 T-20S R-3E

LARRY JOHNSON / PAM SHEEHEN

63
64
69

74
55

Missing Pictures

C. Shuey

FIELD TRIP, MONUMENT AREA 4/20/91

FRAMES ~~9-15~~ (Y) 0-2 N(0-2) Shots of Climax Chemical Co. salt piles, H_2SO_4 plant, disposal pit

(Y3) → ~~12~~-center pivot irrigation sprinkler for Climax wastewater N3-5 (note vegetationless area under sprinkler; ~160 acres)

FRAMES ~~16-18~~ (N9-10, Y7-8) ATC tank; stores unseparated crude & water; RB says ATC recently acquired leases from Sun Oil (?) → evidence of leaks or spills w/in bermed area.

N6-8, Y4-6: 3 acid pits NW of Climax ~½ mi → 1 of 3 has fluids

FRAME ~~19~~ Y9, N11 Corroded tank @ Climax plant.

Frames ~~20-21~~ Y10 Climax wastewater pond discharging onto pasture lands leased by R. Byrd.

N12-15 ~~-22~~ Salt deposition of dirt road that receives drainage from the Climax wastewater pond; ~1/4 mile from pl.

Frames ~~23-29~~ N16-21 Y11-14 Fançais? Refinery (abandoned); @ least 7 storage tanks (gasoline & crude) on property; reclaiming plant (closed) on property. So. Union bought property & torn down refinery; then reclaimer came in; reclaimer operated as late as Summer '90; Byrd doesn't know name of reclaimer.

Reclaimer heater treater still on property

Just SW of the SW corner of the property →

ENERSOURCE
TAKEN by GARY WINK
8-2-99
1/4 MILE N.W. OF DYNEGY

ENERSOURCE
TAKEN by GARY WINK
8-2-99
1/4 MILE N.W. OF DYNEGY

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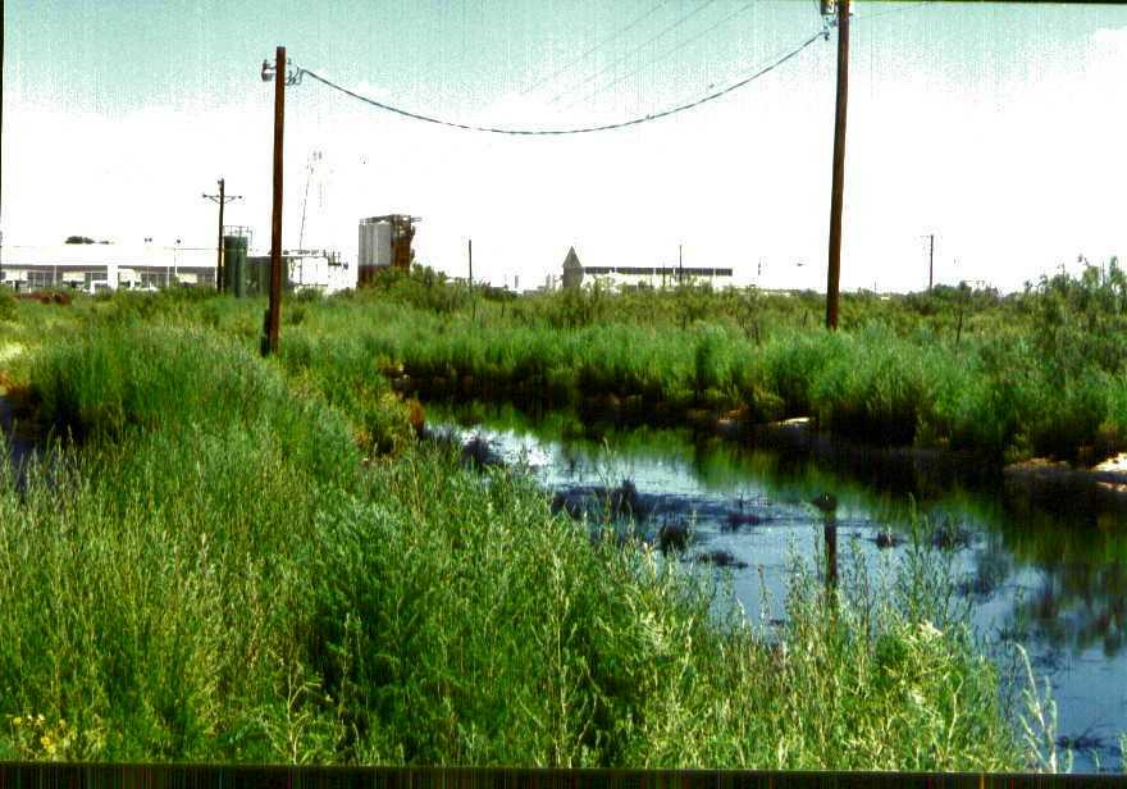

ENERSOURCE
TAKEN by GARY WINK
8-2-99
1/4 MILE N.W. OF DYNEGY

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TAKEN by GARY WINK
8-2-99
1/4 MILE N.W. OF DYNEGY

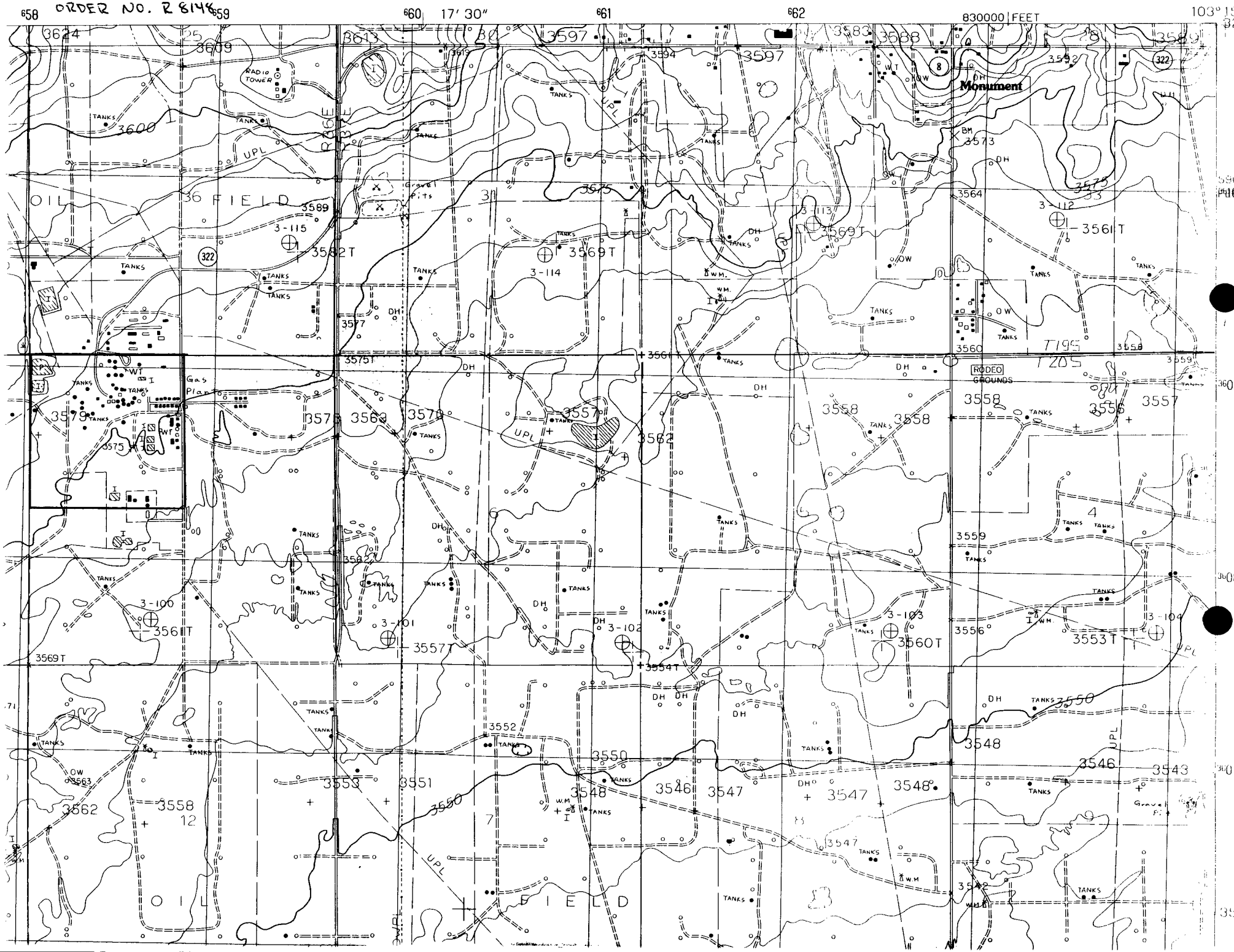
State of New Mexico
ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

1220 South Saint Francis Drive
P.O. Box 6429
Santa Fe, New Mexico 87505-5472

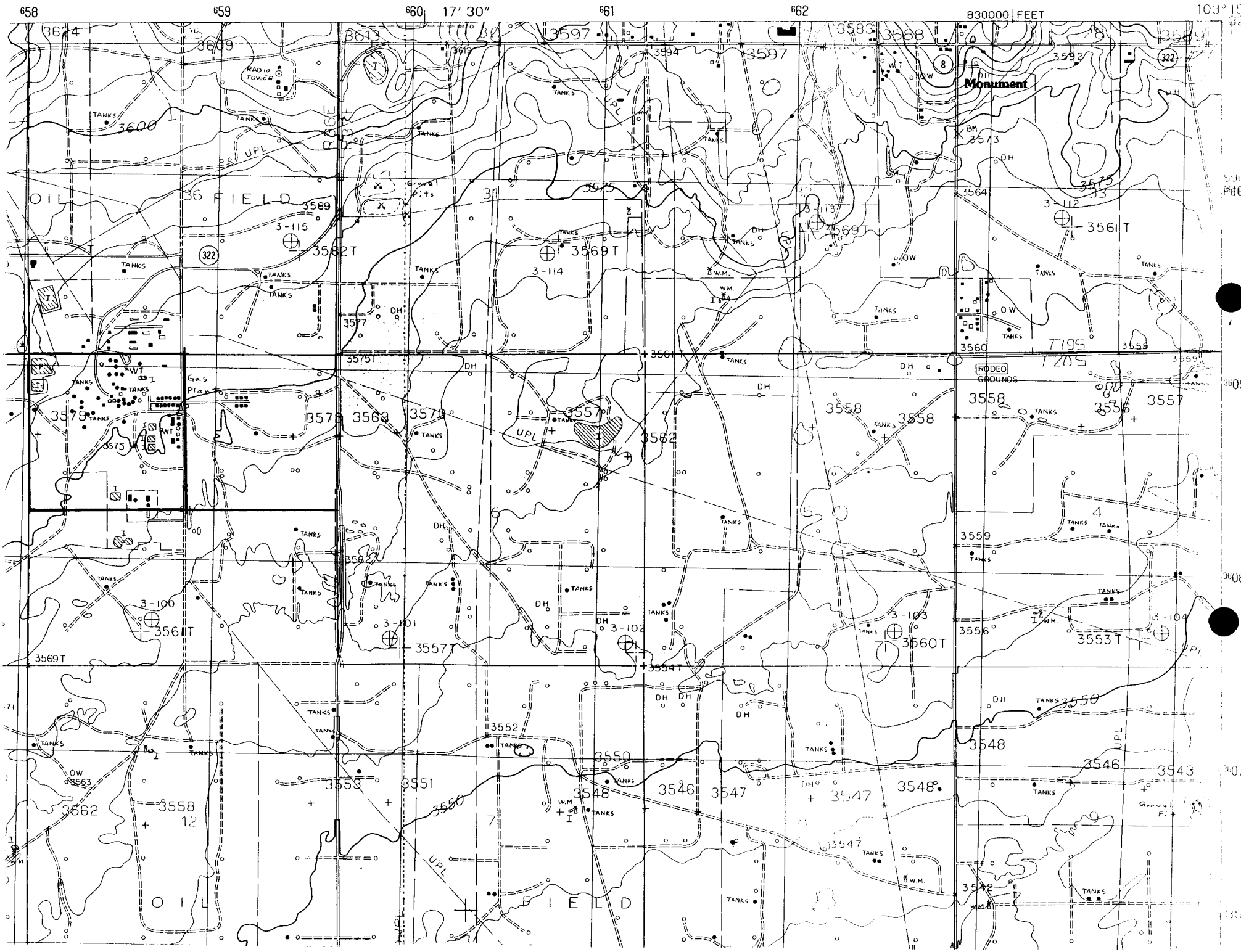
Enersource Inc. 9.56 Acres NW¼, SEC 1, T20S, R36E, NMPM, LEA CO.

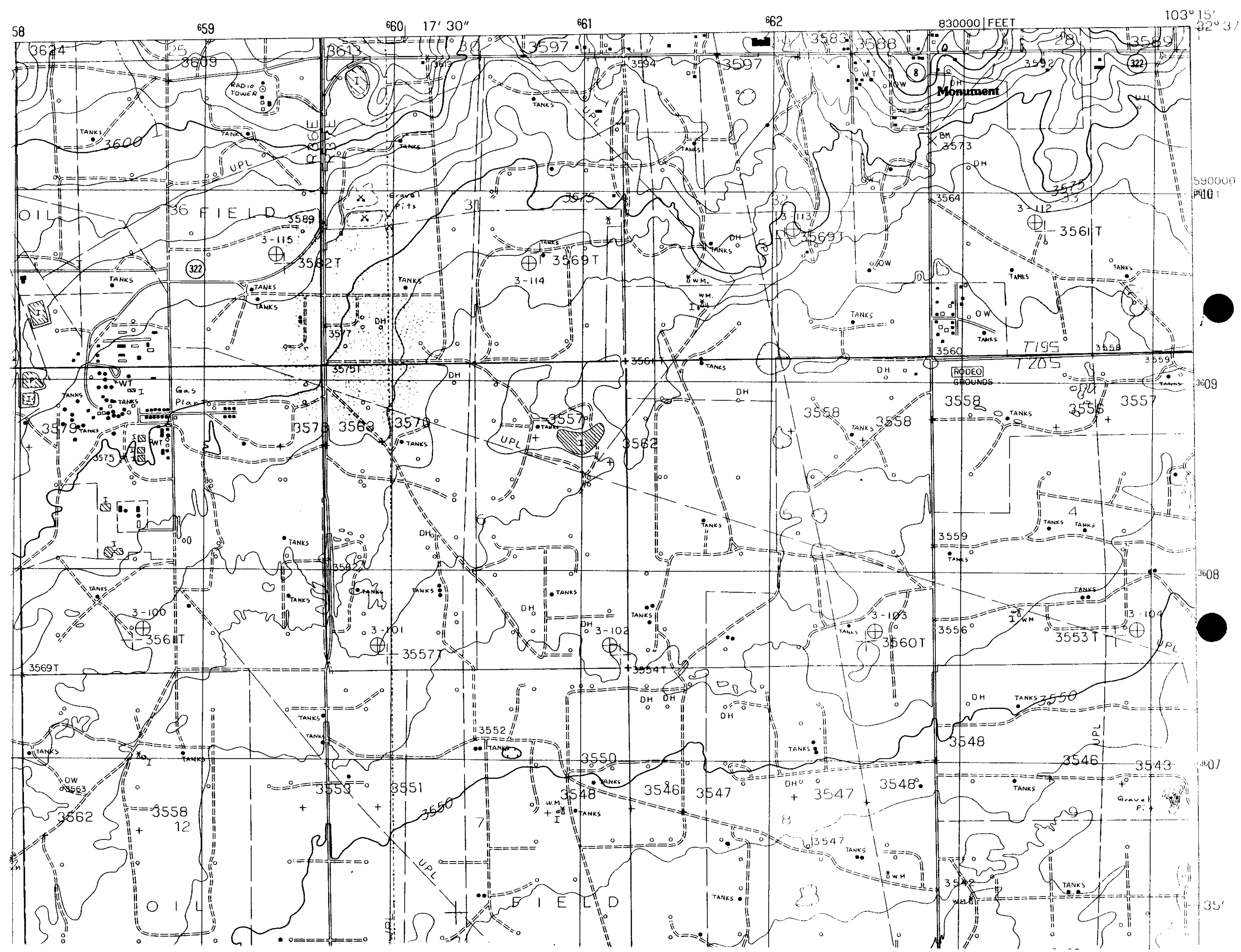
ORDER NO. R8148

7.5 MINUTE SERIES (TOPOGRAPHIC)



Enersource Inc. 9.56 Acres NW¼, SEC 1, T 20 S, R 36 E, NMPM LEA Co. 7.5 MINUTE SERIES (TOPOGRAPHIC)




7.5 MINUTE SERIES
103° 15′
32° 37′
17′ 30″
830000 FEET
Monument
RODEO GROUNDS
RADIO TOWER
Gas Plant
Gravel Pits
OIL FIELD
T19S
T20S
3-112
3561T
3-113
3569T
3-114
3-115
3562T
3-100
3-101
3557T
3-102
3554T
3-103
3560T
3-104
3553T

PREPARED BY

DATE

on state land leased by Byrd is an oily waste pond, congregated in a small, natural depression. Byrd says the oily pond was here in summer '93. It measures about 20 m². There are 2 oil flow lines (ATC 57) next to the oily waste, but the material looks like it was dumped; there is no evidence of direct leakage from these pipelines.

Frame 30
Y14

On a second look, one of the ATC flow lines (Byrd says the lines belong to Amerada Hess) is adjacent to a crude-stained & denuded (bare vegetation) area about 2 m². The line may have leaked crude into the depression. Byrd says the line has been repaired, but the waste hasn't been cleaned up.

Frame 31 Climax discharge water in dirt road
N22 ~ 1/2 mile downstream of plant

TIME SCHEDULE

SUNDAY		MONDAY		TUESDAY		WEDNESDAY		THURSDAY		FRIDAY		SATURDAY	
MONTH	DATE	MONTH	DATE	MONTH	DATE	MONTH	DATE	MONTH	DATE	MONTH	DATE	MONTH	DATE

Frames 32-34 So. side of old reclaimer / refining operation
N23-25 south of the Chevron / Warren gas
Y15 plant.

Executive

State of New Mexico
ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

2040 South Pacheco
P.O. Box 6429
Santa Fe, New Mexico 87505-5472

1991 Photos

Close-up of oily sludge on state land appx. 4 mi W/ Monument, NM in Lea County

11-20-91 C. Shuey

Oily sludge dumped/leaked into natural depression on state land in Lea County 4 mi. W of Monument. 2 Old crude/brine gathering lines near site. Contaminated area appx. 35-40 meters in diameter. 11-20-91 C. Shuey

J. R. "Red" Byrd, local cattleman + Hobbs Fire Dept. lieutenant, inspects oily sludge dumped on state land south of Warren Pet. Co. & Chmax Chemical Co. Monument plants. Facility in background is EPNG compressor station.
11-20-91 C. Shuey

Storage tanks at Warren Pet. Co. O&P
4 mi W of Monument, NM.

11-20-91 T Shuey

Warren / Famous Reality

11-20-91 C. Shuey

Tank, heater-treater at Warren/Fameris facility. Heater-treater did not appear to be operating; locals say this part of facility is abandoned.

11-20-91 C. Shuey

Oil storage tanks and heater treater at
S/ end of Warren Pet. Co. GP in Lea County,
~4 mi W/ Monument. Locals call this
facility "the old Famenis Refinery"

11-20-91 C. Shuey

Staining in low-lying
area near HC storage
tanks at sw corner
of Warren Pet. Co. GP
~3mi w/ Monument,
Lea County
11-20-91 C. Shuey