GW - 166

GENERAL CORRESPONDENCE

YEAR(S): 2005-1994

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

Mark E. Fesmire, P.E.
Director
Oil Conservation Division

January 19, 2005

Mr. Jeff Pickett
Pure Resources, Inc.
463 Turner Drive, Suite 101
Durango, Colorado 81303

RE: Discharge Plan Renewal GW-166
Pure Resources, Inc.
CDP #4 Compressor Station
San Juan County, New Mexico

Dear Mr. Pickett:

The ground water discharge plan renewal GW-166 for the Pure Resources, Inc. CDP #4 Compressor Station located in Letter I, NE/4 SE/4 of Section 1, Township 31 North, Range 13 West, NMPM, San Juan County, New Mexico, **is hereby approved** under the conditions contained in the enclosed attachment. The discharge plan consists of the original discharge plan application as approved June 6, 1994 and the renewal application dated September 30, 2004. Enclosed are two copies of the conditions of approval. **Please sign and return one copy to the New Mexico Oil Conservation Division (OCD) Santa Fe Office within 30 days of receipt of this letter.**

The discharge plan renewal application was submitted pursuant to 20 NMAC 3106 of the New Mexico Water Quality Control Commission (WQCC) Regulations. It is approved pursuant to 20 NMAC 3109.A. Please note 20 NMAC 3109.E and 20 NMAC 3109.F, which provide for possible future amendments or modifications of the plan. Please be advised that approval of this plan does not relieve Pure Resources, Inc. of liability should operations result in pollution of surface water, ground water, or the environment.

Please be advised that all exposed pits, including lined pits and open tanks (tanks exceeding 16 feet in diameter), shall be screened, netted, or otherwise rendered nonhazardous to wildlife including migratory birds.

Please note that 20 NMAC 3104 of the regulations provides: "When a plan has been approved, discharges must be consistent with the terms and conditions of the plan." Pursuant to 20 NMAC 3107.C., Pure Resources, Inc. is required to notify the Director of any facility expansion, production increase, or process modification that would result in any change in the discharge of water quality or volume.

Pursuant to 20 NMAC 3109.G.4., this renewal plan is for a period of five years. This renewal will expire on **June 6, 2009**, and Pure Resources, Inc. should submit an application in ample time before this date. Note that under 20 NMAC 3106.F. of the regulations, if a discharger submits a discharge plan renewal application at least 120 days before the discharge plan expires and is in compliance with the approved plan, then the existing discharge plan will not expire until the application for renewal has been approved or disapproved. It should be noted that all discharge plan facilities will be required to submit the results of an underground drainage testing program as a requirement for discharge plan .

The discharge plan renewal application for the Pure Resources, Inc. CDP #4 Compressor Station is subject to WQCC Regulation 3114. Every billable facility submitting a discharge plan application will be assessed a fee equal to the filing fee of $100. There is a renewal flat fee assessed for compressor station facilities with horsepower rating over 1001 horsepower equal to $1,700.00. The OCD has received the filing fee.

On behalf of the staff of the OCD, I wish to thank you and your staff for your cooperation during this discharge plan review.

Sincerely,

Roger C. Anderson
Chief, Environmental Bureau
Oil Conservation Division

RCA/wjf
Attachment

xc: OCD Aztec District Office

ATTACHMENT TO THE DISCHARGE PLAN RENEWAL GW-166
PURE RESOURCES, INC.
CDP #4 COMPRESSOR STATION
DISCHARGE PLAN APPROVAL CONDITIONS
(January 19, 2005)

1. Payment of Discharge Plan Fees: The $100.00 filing fee has been received by the OCD. There is a required flat fee equal to $1,700.00 for compressor station facilities with horsepower rating over 1001 horsepower. The renewal flat fee required for this facility may be paid in a single payment due at the time of approval, or in equal annual installments over the duration of the discharge plan, with the first payment due upon receipt of this approval.

2. Pure Resources, Inc. Commitments: Pure Resources, Inc. will abide by all commitments submitted in the discharge plan renewal application dated September 30, 2004 and these conditions for approval.

3. Waste Disposal: All wastes will be disposed of at an OCD approved facility. Only oilfield exempt wastes shall be disposed of down Class II injection wells. Non-exempt oilfield wastes that are non-hazardous may be disposed of at an OCD approved facility upon proper waste characterization per 40 CFR Part 261.

4. Drum Storage: All drums containing materials other than fresh water must be stored on an impermeable pad with curbing. All empty drums will be stored on their sides with the bungs in and lined up on a horizontal plane. Chemicals in other containers such as sacks or buckets will also be stored on an impermeable pad and curb type containment.

5. Process Areas: 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.

6. 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 tanks or existing tanks that undergo a major modification, as determined by the Division, must be placed within an impermeable bermed enclosure.

7. Above Ground Saddle Tanks: Above ground saddle tanks must have impermeable pad and curb type containment unless they contain fresh water or fluids that are gases at atmospheric temperature and pressure.

8. Labeling: All tanks, drums and containers will be clearly labeled to identify their contents and other emergency notification information.

9. Below Grade Tanks/Sumps: All below grade tanks, sumps, and pits must be approved by h 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 to 3 pounds per square inch above normal operating pressure and/or visual inspection of cleaned out tanks and/or sumps, or other OCD approved methods. The OCD will be notified at least 72 hours prior to all testing.

10. Underground Process/Wastewater Lines: All underground process/wastewater pipelines must be tested to demonstrate their mechanical integrity a minimum of every 5 years. The permittee may propose various methods for testing such as pressure testing to 3 pounds per square inch above normal operating pressure or other means acceptable to the OCD. The OCD will be notified at least 72 hours prior to all testing.

11. Class V Wells: Leach fields and other wastewater disposal systems at OCD regulated facilities which inject non-hazardous fluid into or above an underground source of drinking water are considered Class V injection wells under the EPA UIC program. All Class V wells that inject non-hazardous industrial wastes or a mixture of industrial wastes and domestic wastes will be closed unless it can be demonstrated that groundwater will not be impacted in the reasonably foreseeable future. Closure of Class V wells must be in accordance with a plan approved by the Division's Santa Fe Office. The OCD allows industry to submit closure plans which are protective of fresh waters, public health and the environment, and are cost effective. Class V wells that inject domestic waste only must be permitted by the New Mexico Environment Department.

12. Housekeeping: All systems designed for spill collection/prevention will be inspected weekly and after each storm event to ensure proper operation and to prevent overtopping or system failure. A record of inspections will be retained on site for a period of five years.

13. Spill Reporting: All spills/releases will be reported pursuant to OCD Rule 116 and WQCC 1203 to the OCD Aztec District Office.

14. Transfer of Discharge Plan: The OCD will be notified prior to any transfer of ownership, control, or possession of a facility with an approved discharge plan. A written commitment to comply with the terms and conditions of the previously approved discharge plan must be submitted by the purchaser and approved by the OCD prior to transfer.

15. Storm Water Permit: BP America Production Company shall maintain storm water runoff controls. As a result of BP America Production Company's operations any water contaminant that exceeds the WQCC standards listed in 20 NMAC 6.2.3101 is discharged in any storm water runoff then BP America Production Company shall notify the OCD within 24 hours, modify the permit within 15 days and submit for OCD approval. BP America Production Company shall also take immediate corrective actions pursuant to Item 12 of these conditions.

16. Closure: The OCD will be notified when operations of the CDP #4 Compressor Station are discontinued for a period in excess of six months. Prior to closure of the CDP #4 Compressor Station a closure plan will be submitted for approval by the Director. Closure and waste disposal will be in accordance with the statutes, rules and regulations in effect at the time of closure.

17. Certification: Pure Resources, Inc., by the officer whose signature appears below, accepts this permit and agrees to comply with all terms and conditions contained herein. Pure Resources, Inc. further acknowledges that these conditions and requirements of this permit may be changed administratively by the Division for good cause shown as necessary to protect fresh water, human health and the environment.

Accepted:

PURE RESOURCES, INC.

by_____

_____
Title

NOTICE OF PUBLICATION

STATE OF NEW MEXICO ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT OIL CONSERVATION DIVISION

Notice is hereby given that pursuant to the New Mexico Water Quality Control Commission Regulations, the following discharge permit application has been submitted to the Director of the Oil Conservation Division, 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505, Telephone (505) 476-3440:

GW-165) – Pure Resources, Jeff Picket, Production Foreman, 463 Turner Drive, Suite 101, Durango, Colorado, 81301, has submitted a discharge plan application for their CDP #2 Compressor Station located in the NE/4 SW/4 Section 25, Township 32 North, Range 13 West, NMPM, San Juan County, New Mexico. Approximately 52 gallons per day of process wastewater with total dissolved solids concentration of 1500 mg/l is stored in a closed top fiberglass tank prior to offsite disposal at an OCD approved disposal facility. Groundwater most likely to be affected in the event of an accidental discharge is at a depth of approximately 120 feet with a total dissolved solids concentration of approximately 900 mg/l. The discharge plan addresses how spills, leaks, and other accidental discharges to the surface will be managed.

(GW-166) - Hallwood Energy Companies, Jim Bonaventura, Area Superintendent, 463 Turner Drive, Suite 101, Durango, Colorado, 81301, has submitted a discharge plan application for their CDP #4 Compressor Station located in the NE/4 SE/4 Section 1, Township 31 North, Range 13 West, NMPM, San Juan County, New Mexico. Approximately 43 gallons per day of process wastewater with total dissolved solids concentration of 1500 mg/l is stored in a closed top fiberglass tank prior to offsite disposal at an OCD approved disposal facility. Groundwater most likely to be affected in the event of an accidental discharge is at a depth of approximately 80 feet with a total dissolved solids concentration of approximately 900 mg/l. The discharge plan addresses how spills, leaks, and other accidental discharges to the surface will be managed.

Any interested person may obtain further information from the Oil Conservation Division and may submit written comments to the Director of the Oil Conservation Division at the address given above. The discharge permit application may be viewed at the above address between 8:00 a.m. and 4:00 p.m., Monday thru Friday. Prior to ruling on any proposed discharge permit or its modification, the Director of the Oil Conservation Division shall allow at least thirty (30) days after the date of publication of this notice during which comments may be submitted to him and public hearing may be requested by any interested person. Request for public hearing shall set forth the reasons why a hearing shall be held. A hearing will be held if the director determines that there is significant public interest.

If no hearing is held, the Director will approve or disapprove the permit based on the information available. If a public hearing is held, the Director will approve the permit based on the information in the permit and information presented at the hearing.

GIVEN under the Seal of New Mexico Conservation Commission at Santa Fe, New Mexico, on this 19th day of January 2005.

STATE OF
NEW MEXICO
OIL CONSERVATION
DIVISION

Mark Feismire, P.E.,
Director

SEAL
Legal #76598
Pub. February 4, 2005

AFFIDAVIT OF PUBLICATION

Ad No. 51128

STATE OF NEW MEXICO
County of San Juan:

CONNIE PRUITT, being duly sworn says: That she is the CLASSIFIED MANAGER of THE DAILY TIMES, a daily newspaper of general circulation published in English at Farmington, said county and state, and that the hereto attached Legal Notice was published in a regular and entire issue of the said DAILY TIMES, a daily newspaper duly qualified for the purpose within the meaning of Chapter 167 of the 1937 Session Laws of the State of New Mexico for publication and appeared in the Internet at The Daily Times web site on the following day(s):

Friday, February 4, 2005.

And the cost of the publication is $76.57.

Connie Pruitt

ON 2/9/05 CONNIE PRUITT appeared before me, whom I know personally to be the person who signed the above document.

Wynell Corey

My Commission Expires November 17, 2008.

COPY OF PUBLICATION

916 Legals

NOTICE OF PUBLICATION

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

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If no hearing is held, the Director will approve or disapprove the permit based on the information available. If a public hearing is held, the Director will approve the permit based on the information in the permit and information presented at the hearing.

GIVEN under the Seal of New Mexico Conservation Commission at Santa Fe, New Mexico, on this 19th day of January 2005.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Mark Feismire, P.E., Director

SEAL

Legal No. 51128 published in The Daily Times, Farmington, New Mexico on Friday, February 4, 2005.

PURE RESOURCES

September 14, 2004

Mr. Jack Ford
Oil Conservation Division
New Mexico Energy and Minerals Department
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Re: Discharge Plan Renewal Application for the Pure Resources, CDP #4 Compressor Station, New Mexico Discharge Plan GW-166.

Dear Mr. Ford:

Please accept this Discharge Plan GW-166 renewal application for the CDP #4 Compressor Station on behalf of Pure Resources, Inc. The required $100 application fee check is included.

After reviewing GW-166 several items bear clarification. All references to HEC, Hallwood Energy and Hallwood Petroleum should be considered as equivalent to Pure Resources.

The fiberglass below ground tanks have been upgraded to steel, single wall, double bottom tanks. The tanks will be further upgraded to steel, double wall, double bottom tanks in the near future. The tanks have cathodic protection, and a product and leak detection system.

If you have any questions or require further information, please contact me at (970) 259-1374 or Dave Baker at (505) 294-9943. Thank you for your assistance.

Sincerely,

Jeff Pickett
Production Foreman

xc: David Baker, Baker Environmental Consulting, Albuquerque, NM

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Revised June 10, 2003

Submit Original
Plus 1 Copy
to Santa Fe
1 Copy to Appropriate
District Office

DISCHARGE PLAN APPLICATION FOR SERVICE COMPANIES,GAS PLANTS, REFINERIES, COMPRESSOR, GEOTHERMAL FACILITES AND CRUDE OIL PUMP STATIONS

(Refer to the OCD Guidelines for assistance in completing the application)

☐ New ☒ Renewal ☐ Modification GW-166

1. Type: NATURAL GAS COMPRESSOR STATION (CDP #4)
2. Operator: PURE RESOURCES, INC.
   Address: 463 TURNER DRIVE, SUITE 101, DURANGO, CO 81303
   Contact Person: DOUG ELWORTHY Phone: (970) 259-1374
3. Location: NE /4 SE /4 Section 1 Township 31N Range 13W
   Submit large scale topographic map showing exact location.
4. Attach the name, telephone number and address of the landowner of the facility site. NO CHANGE
5. Attach the description of the facility with a diagram indicating location of fences, pits, dikes and tanks on the facility. NO CHANGE
6. Attach a description of all materials stored or used at the facility. NO CHANGE
7. Attach a description of present sources of effluent and waste solids. Average quality and daily volume of waste water must be included. NO CHANGE
8. Attach a description of current liquid and solid waste collection/treatment/disposal procedures. NO CHANGE
9. Attach a description of proposed modifications to existing collection/treatment/disposal systems. NO CHANGE
10. Attach a routine inspection and maintenance plan to ensure permit compliance. NO CHANGE
11. Attach a contingency plan for reporting and clean-up of spills or releases. NO CHANGE
12. Attach geological/hydrological information for the facility. Depth to and quality of ground water must be included. NO CHANGE
13. Attach a facility closure plan, and other information as is necessary to demonstrate compliance with any other OCD rules, regulations and/or orders. NO CHANGE

14. CERTIFICATIONI hereby certify that the information submitted with this application is true and correct to the best of my knowledge and belief.

Name: DOUG ELWORTHY Title: ASST. PRODUCTION FOREMAN

Signature: David Shaw for DOUG ELWORTHY Date: 9-30-04

E-mail Address: delworthy@pureresources.com

PLEASE NOTE: SECTION 2. OPERATOR/ LEGALLY RESPONSIBLE PARTY AND LOCAL REPRESENTATIVE HAS BEEN UPDATED AND INCLUDED AS AN ATTACHMENT.

2. **Operator/Legally Responsible Party and Local Representative: (Updated September 14, 2004)**

Legally Responsible Party:

Mr. Pete Wilkinson
Pure Resources, Inc.
500 W. Illinois
Midland, TX 79701
(432) 498-8642

Local Representative:

Mr. Jeff Pickett
Pure Resources, Inc.
463 Turner Drive, Suite 101
Durango, CO 81301
(970) 259-1374

Compressor Operator:

Mr. Johnny Hayes
Compressor Systems, Inc.
P.O. Box 1886
Bloomfield, NM 87413
(505) 632-5501

Dehydrator Operator:

Mr. Doug Elworthy
Pure Resources, Inc.
463 Turner Drive, Suite 101
Durango, CO 81301
(970) 259-1374

HEC Petroleum

500 W ILLINOIS
Midland 79707

432-498-2641

PERDRENA WIGGINS

EVA KARDAS
303-850-6282

PO Box 378111
Denver
80237

Disconnected

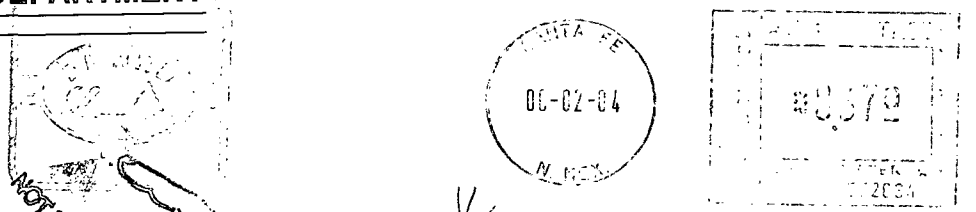
Pure Resources -

Pete Wilkerson -

Jeff Pickett → Talked w/ 6-24-04
Durango is "getting ball rolling"
970-259-1374

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



Jack

RECEIVED
JUN 23 2004
Environmental Bureau
Oil Conservation Division

Mr. Chris Williams
Hallwood Energy Companies
4582 South Ulster Street Parkway
Denver, Colorado 80237

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Environmental Bureau
Oil Conservation Division

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JUN 23 2004
Environmental Bureau
Oil Conservation Division

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NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

Mark Fesmire, P.E.
Director
Oil Conservation Division

June 2, 2004

Mr. Chris Williams
Hallwood Energy Companies
4582 South Ulster Street Parkway
Denver, Colorado 80237

RE: Discharge Permit GW-165 and GW-166 Renewal
Hallwood Energy Companies
San Juan County, New Mexico

Dear Mr. Williams:

On June 6, 1999, the groundwater discharge permits, GW-165 and GW-166, for the Hallwood Energy Companies Compressor Station CDP #2 and CDP #4 located in San Juan County, New Mexico, was approved by the Director of the New Mexico Oil Conservation Division (OCD). This discharge permits were required and submitted pursuant to Water Quality Control Commission (WQCC) regulations and were approved for a period of five years. **The approval will expire on June 6, 2004.**

If the facilities continue to have potential or actual effluent or leachate discharges and **Hallwood Energy Companies** wish to continue operation, the discharge permits must be renewed. **Pursuant to Section 3106.F., if an application for renewal is submitted at least 120 days before the discharge permit expires then the existing approved discharge permit for the same activity shall not expire until the application for renewal has been approved or disapproved. The deadline for the 120 days was on February 6, 2004.** Hallwood Energy Companies has failed to meet the 120-day deadline before discharge permit expiration and therefore your discharge permit will expire on June 6, 2004 unless you have received an approved renewal from OCD. The OCD review the discharge permits renewal submittals carefully and the review time can extend for several weeks to months. **To date the OCD has not received an application for renewal of GW-165 or GW-166.** Please indicate whether Hallwood Energy Companies intends to make, any changes in the system, and if so, please include these modifications in the application for renewal.

The discharge permit renewal application for the Hallwood Energy Companies Compressor Stations CDP #2 and CDP #4 **are** subject to WQCC Regulation 3114. Every billable facility submitting a discharge permit renewal will be assessed a filing fee of $100.00 plus a flat fee equal to $1,700.00 for compressor stations with horsepower rating greater than 1001 horsepower. The $100.00 filing fee is to be submitted with the discharge permit renewal application and is non-refundable.

Please make all checks payable to: **NMED-Water Quality Management** and addressed to the OCD Santa Fe Office. Please submit the original discharge permit renewal applications and one copy to the OCD Santa Fe Office and one copy to the OCD Aztec District Office. **Note that the completed and signed application form must be submitted with each of your discharge permit renewal requests.** A complete copy of the regulations is available on the New Mexico Energy, Minerals and Natural Resources Department, Oil Conservation Division website at **(www.emnrd.state.nm.us/ocd)**.

If the Hallwood Energy Companies Compressor Station CDP #2 or CDP #4 no longer have any actual or potential discharges and a discharge permit is not needed, please notify this office. If you have any questions please do not hesitate to contact W. Jack Ford at (505) 476-3489.

Sincerely,

W. Jack Ford, C.P.G.
Environmental Bureau
Oil Conservation Division

cc: OCD Aztec District Office

ACKNOWLEDGEMENT OF RECEIPT
OF CHECK/CASH

I hereby acknowledge receipt of check No. [redacted] dated 9/23/04,

or cash received on _____ in the amount of $ 200.00

from Pure Resources

for CDP#2 C.S. GW-165
CDP#4 C.S. GW-166
(Facility Name) (DP No.)

Submitted by: _____ Date: 9-28-04

Submitted to ASD by: _____ Date: _____

Received in ASD by: _____ Date: _____

Filing Fee ✓ New Facility ___ Renewal ✓

Modification ___ Other _____
(specify)

Organization Code 521.07 Applicable FY 2001

To be deposited in the Water Quality Management Fund.

Full Payment ✓ or Annual Increment ___

VENDOR # WAT0103 CHECK # 7085275 DATE 09/23/04 200.00

THIS CHECK IS VOID WITHOUT A BLUE & GRAY BACKGROUND AND AN ARTIFICIAL WATERMARK CERTIFICATION SEAL ON THE BACK - HOLD AT ANGLE TO VIEW SEAL

PURE RESOURCES

Pure Resources, L.P.
OPERATING ACCOUNT
500 W. Illinois
Midland, TX 79701

FORT WORTH

CHECK NO. [redacted] CHECK DATE 09/23/04 ***200.00

PAY THIS AMOUNT:
Two Hundred Dollars and No Cents

TO THE ORDER OF
WATER QUALITY MANAGEMENT FUND
C/O NEW MEXICO OIL
CONSERVATION DIV.
1220 S. ST FRANCES DR.
SANTA FE, NM 87505

[redacted]

PURE RESOURCES

RECEIVED

AUG 0 9 2004

OIL CONSERVATION DIVISION

August 3, 2004

Mr. Jack Ford
Oil Conservation Division
New Mexico Energy and Minerals Department
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Re: Discharge Plan Renewal and Change in Ownership for the Pure Resources, CDP #4 Compressor Station, New Mexico Discharge Plan GW-166.

Dear Mr. Ford:

In the course of your discussions with our consultant Dave Baker several issues regarding the CPD #4 Compressor Station have been identified. This letter is to formally notify the NM Oil Conservation Division (NMOCD) of a change in ownership at the facility and our agreement to continue operating under the expired GW-166 until a new discharge plan can be approved.

The CPD #4 facility was owned and operated by:
Hallwood Energy Company
4582 South Ulster Street Parkway
Denver, Colorado 80237

Please change this to:
Pure Resources
463 Turner Drive
Suite 101
Durango, Colorado 81303
Contact Person: Jeff Pickett

I have directed Dave Baker to prepare the required discharge plan renewal while working closely with your office. Pure Sources anticipates submitting the plan in the near future. If you have any questions or require further information, please contact me at (970) 259-1374 or Dave Baker at (505) 294-9943. Thank you for your assistance with this matter.

Sincerely,

Jeff Pickett
Production Foreman

xc: David Baker, Baker Environmental Consulting, Albuquerque, NM

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

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Mark Fesmire, P.E.
Director
Oil Conservation Division

June 2, 2004

Mr. Chris Williams
Hallwood Energy Companies
4582 South Ulster Street Parkway
Denver, Colorado 80237

RE: Discharge Permit GW-165 and GW-166 Renewal
Hallwood Energy Companies
San Juan County, New Mexico

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Sincerely,

W. Jack Ford, C.P.G.
Environmental Bureau
Oil Conservation Division

cc: OCD Aztec District Office

NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

July 14, 1999

CERTIFIED MAIL
RETURN RECEIPT NO. Z-274-520-513

Mr. Chris R. Williams
Hallwood Petroleum, Inc.
P.O. Box 378111
Denver, Colorado 80237

RE: Site Modifications Notification
GW-165, CDP #2 and GW-166, CDP #4
San Juan County, New Mexico

Dear Mr. Williams:

The OCD has received the site modification letter, dated June 25, 1999, with approriate diagrams, for the installation of new sump equipment from Hallwood Petroleum, Inc. for the CDP #2 and CDP #4 Compressor Stations GW-165 and GW-166 located in the NE/4 SW/4, Section 25, Township 32 North, Range 13 West, and the NE/4 SE/4, Section 1, Township 31 North, Range 13 West, NMPM, San Juan County, New Mexico, respectively. The requested modification is considered a minor modification to the above referenced discharge plans and public notice will not be issued. **The site modification is approved without modification to the discharge plans with the stipulation that all modifications comply with the respective discharge renewal plans approved April 27, 1999.**

Please note that Section 3104 of the regulations requires that **"When a plan has been approved, discharges must be consistent with the terms and conditions of the plan."** Pursuant to Section 3107.C Hallwood Petroleum, Inc. is required to notify the Director of any facility expansion, production increase, or process modification that would result in any change in the discharge of water quality or volume. Further, this approval does not relieve Hallwood Petroleum, Inc. from liability should operations result in contamination to the environment.

Sincerely,

Roger C. Anderson
Chief, Environmental Bureau
Oil Conservation Division

cc: Mr. Denny Foust - Aztec District Office

Hallwood Petroleum, Inc.

4610 S. Ulster St. Pkwy - Suite 200 - Metro Point II - P.O. Box 378111
Denver, Colorado 80237 - (303) 850-7373

June 18, 1999

Mr. W. Jack Ford
New Mexico Energy, Mineral,
& Natural Resources Department
Oil Conservation Department
2040 South Pacheco Street
Santa Fe, New Mexico 87505

RE: *Proposed Modification to Discharge Plan Permits GW-165 & GW-166*
Gas Compressors Stations
San Juan County, New Mexico

Dear Mr. Ford:

Hallwood Petroleum, Inc., in accordance with our discharge permits GW-165 & GW-166, has attempted to pressure test all of the effluent lines associated with these facilities. However, due to the configuration of the fiberglass sumps and the effluent lines at these facilities, we have no way of pressure testing the lines. As a result, Hallwood proposes to redesign the sumps and the effluent lines at each facility. The fiberglass sumps will be replaced with double bottom steel sumps with visual leak detection systems. These tanks will have cathodic protection and the outside of each tank will be wrapped with coal tar as added protection against corrosion. The tops of the sumps will be covered with steel-mesh screens to protect against entry by wildlife. The effluent lines will be equipped with ball valves and needle valves so that pressure tests may be conducted on the lines and the pressure test results recorded.

The sumps are currently under construction and should be ready for installation by the end of this month. I am awaiting fabrication drawings from the manufacturer and will forward a copy to you upon receipt. I will also notify you at least 72 hours prior to the installation of the sumps and the testing of the effluent lines associated with the facility.

If you have questions regarding this matter, you may contact me at (303) 850-6305.

Sincerely,

HALLWOOD PETROLEUM, INC.

Chris R. Williams
Environmental/Safety Manager

cc: Jim Bonaventura
Doug Elworthy
Mr. Roger C. Anderson OCD - Santa Fe
OCD - Aztec District Office

Hallwood Petroleum, Inc.

4582 S. Ulster St. Pkwy, Stanford Place III, Suite 1700
Post Office Box 378111, Denver, CO 80237 (303) 850-7373

FACSIMILE COVER SHEET

DATE: Friday, June 18, 1999		**TIME:** 9:27 AM	
TO: Mr. W. Jack Ford			
COMPANY: NMOCD Environmental Bureau			
FAX #: (505) 827-8177			
FROM: Chris R. Williams			
URGENT:	*FOR REVIEW:*	*PLEASE COMMENT:*	*PLEASE REPLY:*
COMMENTS: **Dear Jack:**			
Please see attached letter. Hard copy to follow by certified mail.			
Thanks,			
Chris			
NUMBER OF PAGES THIS TRANSMISSION:			
IF THERE IS A PROBLEM WITH THIS TRANSMITTED INFORMATION PLEASE CONTACT:			

Hallwood Petroleum, Inc.

4610 S. Ulster St. Pkwy · Suite 200 · Metro Point II P.O. Box 378111
Denver, Colorado 80237 (303) 850-7373

June 18, 1999

Mr. W. Jack Ford
New Mexico Energy, Mineral,
& Natural Resources Department
Oil Conservation Department
2040 South Pacheco Street
Santa Fe, New Mexico 87505

RE: Proposed Modification to Discharge Plan Permits GW-165 & GW-166
Gas Compressors Stations
San Juan County, New Mexico

Dear Mr. Ford:

Hallwood Petroleum, Inc., in accordance with our discharge permits GW-165 & GW-166, has attempted to pressure test all of the effluent lines associated with these facilities. However, due to the configuration of the fiberglass sumps and the effluent lines at these facilities, we have no way of pressure testing the lines. As a result, Hallwood proposes to redesign the sumps and the effluent lines at each facility. The fiberglass sumps will be replaced with double bottom steel sumps with visual leak detection systems. These tanks will have cathodic protection and the outside of each tank will be wrapped with coal tar as added protection against corrosion. The tops of the sumps will be covered with steel-mesh screens to protect against entry by wildlife. The effluent lines will be equipped with ball valves and needle valves so that pressure tests may be conducted on the lines and the pressure test results recorded.

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If you have questions regarding this matter, you may contact me at (303) 850-6305.

Sincerely,

HALLWOOD PETROLEUM, INC.

Chris R. Williams
Environmental/Safety Manager

cc: Jim Bonaventura
Doug Elworthy
Mr. Roger C. Anderson OCD - Santa Fe
OCD - Aztec District Office

Hallwood Petroleum, Inc.

4582 S. Ulster St. Pkwy Suite 1700 Stanford Place III P.O. Box 378111
Denver, Colorado 80237 (303) 850-7373

June 25, 1999

JUL - 1 1999

Mr. W. Jack Ford
New Mexico Energy, Mineral,
& Natural Resources Department
Oil Conservation Department
2040 South Pacheco Street
Santa Fe, New Mexico 87505

RE: *Schematic of new sump design for CDP #2 & #4.*
Discharge Plans GW-165 & GW-166
Gas Compressors Stations
San Juan County, New Mexico

Dear Mr. Ford:

Enclosed for you review is the schematic for the new sump design for the facilities referenced above. We anticipate that our contractor will begin installing these sumps on July 1, 1999. Once the sumps have been installed at both facilities, we will pressure test the effluent discharge lines. I have already called our field representative and have informed him that if the installation of the sumps does not begin as previously mentioned he is to contact you to reschedule a date for installation. He will also give Mr. Denny Faust of the OCD Aztec office a call prior to beginning any pressure testing of effluent discharge lines.

If you have any questions you may contact me at (303) 850-6305.

Sincerely,

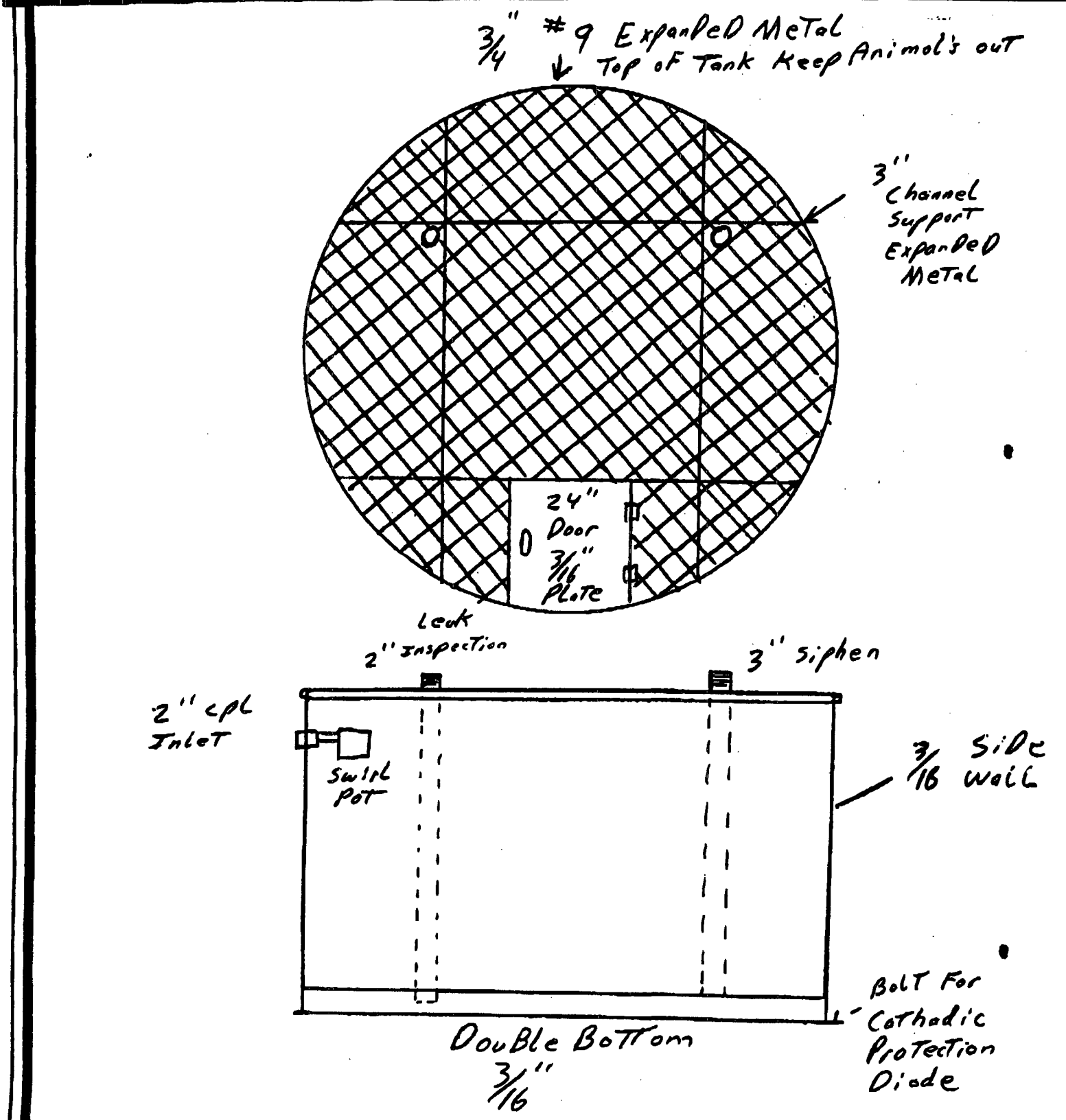
HALLWOOD PETROLEUM, INC.

Chris R. Williams
Environmental/Safety Manager

Enclosures

cc: Jim Bonaventura
OCD - Aztec District Office

EAGLE WELDING
[redacted] 56 US Hwy 64
Farmington, NM 87401
Office-FAX (505) 324-8462 • Shop (505) 324-6317



ACKNOWLEDGEMENT OF RECEIPT OF CHECK/CASH

I hereby acknowledge receipt of check No. [redacted] dated 5/11/99,

or cash received on _____ in the amount of $ 345.00

from Hallwood Petroleum, Inc.

for CDP#4 (Facility Name) GW-166 (DP No.)

Submitted by: _____ Date: 6-1-99

Submitted to ASD by: _____ Date: 6-1-99

Received in ASD by: _____ Date: _____

Filing Fee ___ New Facility ___ Renewal X

Modification ___ Other _____ (specify)

Organization Code 521.07 Applicable FY 99

To be deposited in the Water Quality Management Fund.

Full Payment X or Annual Increment ___

VOID VOID VOID

Hallwood Petroleum, Inc.
Post Office Box 378111 * (303) 850-7373
Denver, Colorado 80237

FIRST UNION NATIONAL BANK
OF NORTH CAROLINA
CHAPEL HILL, NC
56-156/531

[redacted]

Pay: Three Hundred Forty-five Dollars and No Cents

VOID VOID VOID

CHECK NUMBER	DATE	PAY EXACTLY
257674	05/11/1999	**********345.00

VOID VOID VOID

To The Order Of
NEW MEXICO OIL CONSERVATION
2040 SOUTH PACHECO
SANTA FE, NM 87505

T. J. Jung
Authorized Signature

Patricia Gast
Authorized Signature

THE BACK OF THIS DOCUMENT CONTAINS AN ARTIFICIAL WATERMARK—HOLD AT AN ANGLE TO VIEW

[redacted]

Hallwood Petroleum, Inc.

PAYEE	CHECK NUMBER	DATE
NEW MEXICO OIL CONSERVATION	17680 [redacted]	05/11/1999

VOUCHER	VENDOR INV #	INV DATE	TOTAL AMOUNT	PRIOR PAYMENTS	NET AMOUNT
05-10-65102	5/10/99	05/11/99	345.00		345.00
I CDP-4 DISCHARGE PLAN RENEWAL FEE					

GW-166

Hallwood Petroleum, Inc.

4582 S. Ulster St. Pkwy • Suite 1700 • Stanford Place III • P.O. Box 378111
Denver, Colorado 80237 • (303) 850-7373

May 21, 1999

Mr. Roger C. Anderson
Chief, Environmental Bureau
New Mexico Oil Conservation Division
2040 S. Pacheco
Santa Fe, New Mexico 87505

RE: Renewal Fee for GW-166, CDP #4 Compressor Station
San Juan County, New Mexico
Hallwood Petroleum, Inc.

Dear Mr. Anderson:

Enclosed please find a check for the amount of $345.00 for the renewal flat fee for GW-166. If you have any question please give me a call at (303) 850-6305.

Sincerely,

Chris R. Williams
Environmental/Safety Manager

Enclosure

NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

May 17, 1999

Mr. Chris R. Williams
Hallwood Energy Company
4582 South Ulster Street Parkway
Denver, Colorado 80237

RE: Discharge Plan Renewal GW-165 & GW-166
Hallwood Energy Company
San Juan County, New Mexico

Dear Mr. Williams:

I am returning herewith the original executed Part I of the discharge plan for the Hallwood Energy Company's CDP #2 and CDP #4 Compressor Stations (GW-165 and GW-166) located in San Juan County, New Mexico. Please be advised that these are an integral part of the renewal discharge plan. Please retain the enclosed signed letters for your files.

Thank you for prompt return of the executed conditions for approval. If you have any questions contact me at (505) 827-7156.

Sincerely,

W. Jack Ford, C.P.G.
Environmental Bureau
Oil Conservation Division

Hallwood Petroleum, Inc.

4582 S. Ulster St. Pkwy • Suite 1700 • Stanford Place III • P.O. Box 378111
Denver, Colorado 80237 • (303) 850-7373

May 12, 1999

Mr. Roger C. Anderson
Chief, Environmental Bureau
State of New Mexico Energy, Mineral
& Natural Resources Department
Oil Conservation Division
2040 S. Pacheco Street
Santa Fe, New Mexico 87505

RE: Discharge Plan Renewal GW-165 & GW-166

Dear Mr. Anderson:

Enclosed please find signed copies of GW-165 and GW-166 for two compressor stations in San Juan County, New Mexico. Please give me a call if you have any question.

Sincerely,

HALLWOOD PETROLEUM, INC.

Chris R. Williams
Environmental/Safety Manager

Enclosure

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION
2040 S. PACHECO
SANTA FE, NEW MEXICO 87505
(505) 827-7131

April 27, 1999

CERTIFIED MAIL
RETURN RECEIPT NO. Z-357-870-084

Mr. Chris R. Williams
Hallwood Energy Company
4582 South Ulster Street Parkway
Denver, Colorado 80237

RE: Discharge Plan Renewal GW-166
Hallwood Energy Company
CDP #4 Compressor Station
San Juan County, New Mexico

Dear Mr. Williams:

The ground water discharge plan renewal GW-166 for the Hallwood Energy Company CDP #4 Compressor Station located in Letter I, SW/4 of Section 1, Township 31 North, Range 13 West, NMPM, San Juan County, New Mexico, **is hereby approved** under the conditions contained in the enclosed attachment. Please be advised of the stipulation number 10, page 2 of the condition of approval, requiring the testing of underground effluent pipelines. The discharge plan consists of the discharge plan as approved June 6, 1994, the modification approval dated September 18, 1995, and the renewal application dated March 4, 1999 with supplemental information dated March 17, 1999. Enclosed are two copies of the conditions of approval. **Please sign and return one copy to the New Mexico Oil Conservation Division (OCD) Santa Fe Office within 10 working days of receipt of this letter.**

The discharge plan renewal application was submitted pursuant to Section 3106 of the New Mexico Water Quality Control Commission (WQCC) Regulations. It is approved pursuant to Section 3109.A. Please note Sections 3109.E and 3109.F, which provide for possible future amendments or modifications of the plan. Please be advised that approval of this plan does not relieve Hallwood Energy Company of liability should operations result in pollution of surface water, ground water, or the environment.

Please be advised that all exposed pits, including lined pits and open tanks (tanks exceeding 16 feet in diameter), shall be screened, netted, or otherwise rendered nonhazardous to wildlife including migratory birds.

Please note that Section 3104 of the regulations provides: "When a plan has been approved, discharges must be consistent with the terms and conditions of the plan." Pursuant to Section 3107.C., Hallwood Energy Company is required to notify the Director of any facility expansion, production increase, or process modification that would result in any change in the discharge of water quality or volume.

Pursuant to Section 3109.G.4., this renewal plan is for a period of five years. This renewal will expire on **June 6, 2004**, and Hallwood Energy Company should submit an application in ample time before this date. Note that under Section 3106.F. of the regulations, if a discharger submits a discharge plan renewal application at least 120 days before the discharge plan expires and is in compliance with the approved plan, then the existing discharge plan will not expire until the application for renewal has been approved or disapproved. It should be noted that all discharge plan facilities will be required to submit the results of an underground drainage testing program as a requirement for discharge plan .

The discharge plan renewal application for the Hallwood Energy Company CDP #4 Compressor Station is subject to WQCC Regulation 3114. Every billable facility submitting a discharge plan application will be assessed a fee equal to the filing fee of $50. There is a renewal flat fee assessed for compressor station facilities, with horsepower rating between 1001 and 3000 horsepower, equal to one-half of the original flat fee or $345.00. The OCD has received the filing fee.

On behalf of the staff of the OCD, I wish to thank you and your staff for your cooperation during this discharge plan review.

Sincerely,

Roger C. Anderson
Chief, Environmental Bureau
Oil Conservation Division

RCA/wjf
Attachment

xc: OCD Aztec Office

Z 357 870 084

US Postal Service
Receipt for Certified Mail
No Insurance Coverage Provided.
Do not use for International Mail. *(See reverse)*

Sent to Chris Williams	
Street & Number Hallwood	
Post Office, State, ~~& ZIP~~ Code Den	
Postage	$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	$
Postmark or Date GW-166	

PS Form 3800, April 1995

ATTACHMENT TO THE DISCHARGE PLAN RENEWAL GW-166
HALLWOOD ENERGY COMPANY
CDP #4 COMPRESSOR STATION
DISCHARGE PLAN APPROVAL CONDITIONS
(April 27, 1999)

1. Payment of Discharge Plan Fees: The $50.00 filing fee has been received by the OCD. There is a required flat fee equal to one-half of the original flat fee for compressor station facilities with horsepower rating between 1001 and 3000 horsepower. The renewal flat fee required for this facility is $345.00 which may be paid in a single payment due at the time of approval, or in equal annual installments over the duration of the discharge plan, with the first payment due upon receipt of this approval.

2. Hallwood Energy Company Commitments: Hallwood Energy Company will abide by all commitments submitted in the discharge plan renewal application dated March 3, 1999 and these conditions for approval.

3. Waste Disposal: All wastes will be disposed of at an OCD approved facility. Only oilfield exempt wastes shall be disposed of down Class II injection wells. Non-exempt oilfield wastes that are non-hazardous may be disposed of at an OCD approved facility upon proper waste characterization per 40 CFR Part 261.

4. Drum Storage: All drums containing materials other than fresh water must be stored on an impermeable pad with curbing. All empty drums will be stored on their sides with the bungs in and lined up on a horizontal plane. Chemicals in other containers such as sacks or buckets will also be stored on an impermeable pad and curb type containment.

5. Process Areas: 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.

6. 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 tanks or existing tanks that undergo a major modification, as determined by the Division, must be placed within an impermeable bermed enclosure.

7. Above Ground Saddle Tanks: Above ground saddle tanks must have impermeable pad and curb type containment unless they contain fresh water or fluids that are gases at atmospheric temperature and pressure.

8. Labeling: All tanks, drums and containers will be clearly labeled to identify their contents and other emergency notification information.

9. 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 to 3 pounds per square inch above normal operating pressure and/or visual inspection of cleaned out tanks and/or sumps, or other OCD approved methods. The OCD will be notified at least 72 hours prior to all testing.

10. Underground Process/Wastewater Lines: All underground process/wastewater pipelines must be tested to demonstrate their mechanical integrity a minimum of every 5 years. The permittee may propose various methods for testing such as pressure testing to 3 pounds per square inch above normal operating pressure or other means acceptable to the OCD. The OCD will be notified at least 72 hours prior to all testing.

11. Class V Wells: Leach fields and other wastewater disposal systems at OCD regulated facilities which inject non-hazardous fluid into or above an underground source of drinking water are considered Class V injection wells under the EPA UIC program. All Class V wells that inject non-hazardous industrial wastes or a mixture of industrial wastes and domestic wastes will be closed unless it can be demonstrated that groundwater will not be impacted in the reasonably foreseeable future. Closure of Class V wells must be in accordance with a plan approved by the Division's Santa Fe Office. The OCD allows industry to submit closure plans which are protective of fresh waters, public health and the environment, and are cost effective. Class V wells that inject domestic waste only must be permitted by the New Mexico Environment Department.

12. Housekeeping: All systems designed for spill collection/prevention will be inspected weekly and after each storm event to ensure proper operation and to prevent overtopping or system failure. A record of inspections will be retained on site for a period of five years.

13. Spill Reporting: All spills/releases will be reported pursuant to OCD Rule 116 and WQCC 1203 to the OCD Aztec District Office.

14. Transfer of Discharge Plan: The OCD will be notified prior to any transfer of ownership, control, or possession of a facility with an approved discharge plan. A written commitment to comply with the terms and conditions of the previously approved discharge plan must be submitted by the purchaser and approved by the OCD prior to transfer.

15. Closure: The OCD will be notified when operations of the CDP #4 Compressor Station are discontinued for a period in excess of six months. Prior to closure of the CDP #4 Compressor Station a closure plan will be submitted for approval by the Director. Closure and waste disposal will be in accordance with the statutes, rules and regulations in effect at the time of closure.

16. Certification: Hallwood Energy Company, by the officer whose signature appears below, accepts this permit and agrees to comply with all terms and conditions contained herein. Hallwood Energy Company further acknowledges that these conditions and requirements of this permit may be changed administratively by the Division for good cause shown as necessary to protect fresh water, human health and the environment.

Accepted:

HALLWOOD ENERGY COMPANY

by_____
Title

ACKNOWLEDGEMENT OF RECEIPT
OF CHECK/CASH

I hereby acknowledge receipt of check No. [redacted] dated 3-2-99,
or cash received on 3-15-99 in the amount of $ 50.00
from Hallwood Petroleum, Inc
for CDP#4 Compressor Station GW-166
(Facility Name) (DP No.)
Submitted by: [signature] Date: 3-15-99
Submitted to ASD by: _____ Date: _____
Received in ASD by: _____ Date: _____

Filing Fee X New Facility ___ Renewal X

Modification ___ Other _____
(specify)

Organization Code 521.07 Applicable FY 99

To be deposited in the Water Quality Management Fund.

Full Payment ___ or Annual Increment ___

Hallwood Petroleum, Inc.

PAYEE		CHECK NUMBER	DATE
NMED WATER QUALITY MANAGEMENT	50055	[redacted]	03/02/1999

VOUCHER	VENDOR INV #	INV DATE	TOTAL AMOUNT	PRIOR PAYMENTS	NET AMOUNT
03-10-65049	02/25/99	02/25/99	50.00		50.00
I DISCHARGE PLAN APPLICATION FEE FOR CDP #4					

Hallwood Petroleum, Inc.
Post Office Box 378111 * (303) 850-7373
Denver, Colorado 80237

FIRST UNION NATIONAL BANK
OF NORTH CAROLINA
CHAPEL HILL, NC
66-156/531

[redacted]

Pay: Fifty Dollars and No Cents

CHECK NUMBER	DATE	PAY EXACTLY
255147	03/02/1999	**********50.00

To The Order Of
NMED WATER QUALITY MANAGEMENT
2040 SOUTH PACHECO STREET
SANTA FE, NM 87505

T. J. Jung
Authorized Signature

Patricia Post
Authorized Signature

THE BACK OF THIS DOCUMENT CONTAINS AN ARTIFICIAL WATERMARK—HOLD AT AN ANGLE TO VIEW

[redacted]

Hallwood Petroleum, Inc.

PAYEE		CHECK NUMBER	DATE
NMED WATER QUALITY MANAGEMENT	50055	[redacted]	03/02/1999

VOUCHER	VENDOR INV #	INV DATE	TOTAL AMOUNT	PRIOR PAYMENTS	NET AMOUNT
03-10-65049	02/25/99	02/25/99	50.00		50.00
I DISCHARGE PLAN APPLICATION FEE FOR CDP #4					

ACKNOWLEDGEMENT OF RECEIPT OF CHECK/CASH

I hereby acknowledge receipt of check No. [redacted] dated 3-2-99,

or cash received on _____ in the amount of $ 50.00

from Hallwood Petroleum, Inc.

for CDP #4 Compressor Station (Facility Name) GW-166 (DP No.)

Submitted by: [signature] Date: 3-15-99

Submitted to ASD by: [signature] Date: 3-17-99

Received in ASD by: _____ Date: _____

Filing Fee X New Facility ___ Renewal X

Modification ___ Other _____ (specify)

Organization Code 521.07 Applicable FY 99

To be deposited in the Water Quality Management Fund.

Full Payment ___ or Annual Increment ___

Hallwood Petroleum, Inc.
Post Office Box 378111 * (303) 850-7373
Denver, Colorado 80237

FIRST UNION NATIONAL BANK
OF NORTH CAROLINA
CHAPEL HILL, NC
66-156/531

[redacted]

Pay: Fifty Dollars and No Cents

VOID

CHECK NUMBER	DATE	PAY EXACTLY
255147	03/02/1999	**********50.00

To The Order Of
NMED WATER QUALITY MANAGEMENT
2040 SOUTH PACHECO STREET
SANTA FE, NM 87505

VOID

T. J. Jung
Authorized Signature

Patricia Gost
Authorized Signature

THE BACK OF THIS DOCUMENT CONTAINS AN ARTIFICIAL WATERMARK—HOLD AT AN ANGLE TO VIEW

[redacted]

Hallwood Petroleum, Inc.

4582 S. Ulster St. Pkwy • Suite 1700 • Stanford Place III • P.O. Box 378111
Denver, Colorado 80237 • (303) 850-7373

March 4, 1999

Mr. W. Jack Ford
New Mexico Energy, Mineral,
& Natural Resources Department
Oil Conservation Department
2040 South Pacheco Street
Santa Fe, New Mexico 87505

RE: *Discharge Plan Renewal Applications for GW-165 & GW-166*
Gas Compressors Stations
San Juan County, New Mexico

Dear Mr. Ford:

Enclosed for review and approval are two copies of our Discharge Plan Renewal Applications for the gas compressor sites (GW-165 & GW-166) we operate in San Juan County, New Mexico. Also enclosed are two checks for the amount of $50.00 to cover the fees associated with these Renewal Applications.

Please forward any approval or return correspondence to the address referenced above. If you have any questions you may contact me at (303) 850-6305.

Sincerely,

HALLWOOD PETROLEUM, INC.

Chris R. Williams
Environmental/Safety Manager

Enclosures

cc: Jim Bonaventura
OCD - Aztec District Office

istrict I - (505) 393-6161
O. Box 1980
obbs, NM 88241-1980
istrict II - (505) 748-1283
11 S. First
:tesia, NM 88210
istrict III - (505) 334-6178
)00 Rio Brazos Road
:tec, NM 87410
istrict IV - (505) 827-7131

New Mexico
Energy, Minerals and Natural Resources Department
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

Revised 12/1/9

Submit Origin
Plus 1 Copi
to Santa F
1 Copy to appropria
District Offic

DISCHARGE PLAN APPLICATION FOR SERVICE COMPANIES, GAS PLANTS, REFINERIES, COMPRESSOR, AND CRUDE OIL PUMP STATIONS
(Refer to the OCD Guidelines for assistance in completing the application)

☐ New ☒ Renewal ☐ Modification

1. Type: Gas Compressor Facility
2. Operator: Hallwood Energy Company
   Address: 4582 South Ulster Street Parkway, Denver, CO 80237
   Contact Person: Chris R. Williams Phone: (303) 850-6305
3. Location: NE /4 SE /4 Section 1 Township 31N Range 13W
   Submit large scale topographic map showing exact location.
4. Attach the name, telephone number and address of the landowner of the facility site.
5. Attach the description of the facility with a diagram indicating location of fences, pits, dikes and tanks on the facility.
6. Attach a description of all materials stored or used at the facility.
7. Attach a description of present sources of effluent and waste solids. Average quality and daily volume of waste water must be included.
8. Attach a description of current liquid and solid waste collection/treatment/disposal procedures.
9. Attach a description of proposed modifications to existing collection/treatment/disposal systems.
10. Attach a routine inspection and maintenance plan to ensure permit compliance.
11. Attach a contingency plan for reporting and clean-up of spills or releases.
12. Attach geological/hydrological information for the facility. Depth to and quality of ground water must be included.
13. Attach a facility closure plan, and other information as is necessary to demonstrate compliance with any other OCD rules, regulations and/or orders.
14. CERTIFICATION

I herby certify that the information submitted with this application is true and correct to the best of my knowledge and belief.

NAME: Chris R. Williams Title: Environmental/Safety Manager

Signature: Chris R. Williams Date: 3-4-99

DISCHARGE PLAN
RENEWAL APPLICATION
FOR
GW-166

GAS COMPRESSOR SITE CDP #4

HALLWOOD ENERGY
COMPANIES

Submitted to:

State of New Mexico
Energy, Minerals and Natural Resources Department
OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa, Fe NM 87505

COMPRESSOR STATION, SITE CDP #4
DISCHARGE PLAN RENEWAL APPLICATION
FOR
GW-166

The Discharge Plan Renewal Application has been prepared in accordance with Oil Conservation "Division guidelines for the Preparation of Ground Water Discharge plans at Natural Gas Processing Plants".

1. Type of Operation

Hallwood Energy Company (HEC) operates a 1,085 Horsepower reciprocating engine and compressor at this facility. The compressor will compress approximately 2,200 MCF of natural gas from a low-pressure field line (70-psi) to a high-pressure line (220-psi). The site is located approximately 2.5 miles East of La Plata, New Mexico.

HEC is the owner of the facility. Compressor Systems, Inc (CSI) operates the compressor portion of the facility. The dehydration portion of the facility is operated by HEC.

Major Operational Components:

Field Compressor consisting of

- A 1,085 HP compressor,
- One outlet triethylene glycol (TEG) dehydrator with regeneration heater and a 70-gallon makeup TEG tank,
- One 300-bbl. water storage tank (associated with dehydrators),
- One three-phase inlet separators,
- One suction scrubbers,
- One fuel gas filters,
- One 300-gallon lubricating oil makeup tanks,
- One fin-fan coolers,
- One 50-bbl. waste oil fiberglass reinforced plastic tank,
- One 50-bbl. Fiberglass reinforced plastic dehydrator blowdown tank.

2. Operator/Legally Responsible Party and Local Representative

Legally Responsible Party:

Mr. Bill Guzzetti
Hallwood Energy Companies
3710 Rawlings, Suite 1500
Dallas, Texas 75219
(800) 225-0135

Local Representative:

Mr. Jim Bonaventura
Hallwood Energy Companies
463 Turner Drive, Suite 101
Durango, CO 81301
(970) 259-1374

Compressor Operator:

Mr. Johnny Hayes
Compressor Systems, Inc.
501 Airport Drive
Farmington, NM 87401
(505) 327-6943

Dehydrator Operator:

Mr. Doug Elworthy
Hallwood Energy Companies
463 Turner Drive, Suite 101
Durango, CO 81301
(970) 259-1374

3. Location of Facility

The facility is located in Letter I, SW/4, Section 1, Township 31N, Range 13W, San Juan County, New Mexico. A topographic map is provided in Appendix A. The facility site plan is provided in Appendix B.

From the intersection of Highway 170 and Highway 574 in La Plata, go approximately 2.5 miles east on Highway 574, then turn right at the Compressor Station sign and go approximately 700' on dirt road to the Compressor Station.

4. Landowner

Bureau of Land Management
1235 La Plata Highway
Farmington, NM 87401

5. Facility Description

A diagram indicating the location of fences, pits, berms and tanks associated with the facility is provided in Appendix B. This diagram depicts the location of storage facilities, disposal facilities, processing facilities, and other relevant areas. The facility boundary is shown on the diagram.

6. Materials Stored or Used at the Facility

The materials stored or used at this facility include triethylene glycol and compressor lubricating oil. The triethylene glycol is stored in one 70-gallon regeneration makeup tank and the lubricating oil is stored in one 300-gallon makeup tank.

7. Sources, Quantities, and Quality of Effluent

Inlet Separators

One 3-phase separator is utilized to separate the gas and liquids. A mixture of hydrocarbons and water discharges from the wells to the inlet of the separators/treaters. Approximately 30 barrels per month will be discharged into the separator/treater. The separator/treater is part of the outlet dehydrator system. The exact volume of liquids will vary depending on the quality of the gas.

Compressors

A 1,085 HP compressor is installed on this site. The compressor is mounted on an econo-skid consisting of built-in compressor pad with non-permeable trays around the compressor unit to contain spills. The econo-skid insures containment of drips, spills, and washdown from the unit.

The compressor was installed in such a manner to ensure containment of drips, spills and washdown waters. Any spills or washdown waters from cleaning operations are contained and discharged into a fiberglass tank.

A. Washdown Water

The compressor is washed every three- (3) months with seventy (70) gallons of water. The washdown water from the unit is discharged into the fiberglass tank mentioned above through the econo-skid drain line. A nontoxic, biodegradable cleaner is used to clean the compressor unit.

B. *Lubricating Oil, Waste Lubricating Oil and Used Engine Oil Filters*

CSI is responsible for maintenance of this compressor and for the removal of waste lube oils. Waste oil generated by the compressor is hauled from the site in accordance with OCD regulations and is recycled. CSI is responsible for hauling and D&D Recycled Oil is responsible for recycling the waste oil. Additional information is provided in the Effluent Disposal Section on Page 5. A copy of D&D Oil's EPA Form 8700-12A is provided in Appendix C.

Compressor oil filters and engine oil filters are replaced every month. The engine oil filters are allowed to drain completely prior to disposal with Genesis Environmental.

C. *Packing Vent Waste Oil*

Waste oil is generated at a rate of approximately fifty (50) gallons per month resulting from blowdown from the compressor packing vent drain. The packing vent drain discharges into a fiberglass pit.

D. *Engine Cooling Water*

A 70-gallon cooling water surge tank is located on the skid mounted compressor package. A mixture of propylene glycol and water is used as cooling water. When it is necessary to drain the cooling water system for maintenance or repair, the cooling water is drained into steel drums or a small tank mounted on a pickup truck. After maintenance and/or repairs, the cooling water is placed back into the cooling system.

E. *Suction and Interstage Scrubbers*

Suction and interstage scrubbers are on the skid mounted compressor package. These scrubbers remove natural gas liquids. The volume of liquid from the scrubber is very small. Approximately twenty (20) gallons per month of a mixture of hydrocarbons and water discharge from the compressor scrubbers to the inlet of the separator/treaters. The volume of liquids discharged from these scrubbers varies depending on the quality of the gas entering the system.

Outlet Dehydrator

The dehydration portion of the facility is operated by HEC. The dehydrator is skid mounted and located West of the compressor. The dehydrator consists of filter separators, separator/treater, absorber and a regenerator. The dehydration area is bermed.

8. Transfer and Storage of Process Fluids and Effluents

A. Summary Information

Source	Onsite Collection
Inlet Separators	Separator/Treaters
Compressor	
Washdown Water	Fiberglass Tank
Waste Lube Oil	Hauled Off-Site
Engine Oil Filters	Hauled Off-Site
Packing Vent Waste Oil	Fiberglass Tank
Engine Cooling Water	Fiberglass Tank
Suction & Interstage Scrubber	Fiberglass Tank
Outlet Dehydrator	
Separator/Treater (Water)	300-Barrel Storage Tank
Separator/Treater (Oil)	300-Barrel Storage Tank

B. Water and Wastewater Schematic

A schematic denoting the wastewater system is provided in Appendix B.

C. Specifications

Pipelines - All wastewater piping is non-pressurized. The wastewater is either drained into a fiberglass pit from the compressor econo-skid or flows via open-ended pipe from the separator to a steel tank.

D. Fluids Disposal and Storage Tanks

The hydrocarbons are recycled. The water fraction is separated and discharged into a fiberglass tank. It is disposed in a manner that meets OCD regulations. Additional information is provided in the Effluent Disposal Section below.

E. Prevention of Unintentional and Inadvertent Discharges

All storage tanks for fluids other than freshwater are bermed to contain a volume one/third more than the tank contents. All aboveground tanks are placed on a gravel pad and placed on an elevated stand so that any leaks that may occur can be visually detected.

There is no chemical or drum storage area. Drums utilized to contain engine cooling water or waste oil are removed from the site at the end of each workday.

F. Underground Pipelines

There are no underground wastewater pipelines associated with this facility. The wastewater piping carrying waste liquids to the collection tanks are open-ended non-pressurized lines, therefore, hydrostatic testing is unwarranted and has not been performed.

G. Effluent Disposal

Off-Site Disposal

All liquids from the site are handled in accordance with OCD and NMED regulations. All solid wastes are removed from the site by either CSI or Three Rivers Trucking.

CSI is responsible for disposal of waste oil and filters.

Waste Oil Hauling Agent:

Compressor Systems, Inc.
501 Airport Drive
Farmington, NM 87401

Waste Oil Final Disposal:

D&D Recycled Oil
10 Road 5044
Bloomfield, NM 87413

Waste Water Hauling:

Three River Trucking
603 E. Murray Drive
Farmington, NM 87402

Waste Water Final Disposal:

Basin Disposal, Inc.
6 County Road 5046
Bloomfield, NM 87413

Used Filter Hauling Agent:

Compressor Systems, Inc.
501 Airport Drive
Farmington, NM 87401

Used Filter Final Disposal:

Genesis Environmental
2220 Second Street
Albuquerque, NM

SPILL PREVENTION CONTROL & COUNTERMEASURE PLAN

OIL SPILL CONTINGENCY PLAN
RESPONSE PLAN

Name of Facility Various Oil and Gas Wells (SPG #1270)

Operator Hallwood Petroleum, Inc.

Response Plan (continued)

Notification procedures for fires, breaks, leaks spills and blowouts are described in *Rule 116* of the *New Mexico Oil Conservation Division (OCD) Rules and Regulations (revised February 1, 1996).*

Oil and water spills of varying quantities and situations require the following notifications to regulatory agencies:

(1) **Less than 5 barrels of oil or less than 25 barrels of salt water, not reaching a watercourse or entering a stream or lake:** No immediate or subsequent notification required. Spill must be remediated to OCD guidelines.
(2) **5-25 barrels of oil or 25-100 barrels of salt water, not reaching a watercourse or entering a steam of lake:** No immediate notification required. Spill must be remediated to OCD guidelines. Subsequent notification is required.
(3) **Greater than 25 barrels of oil or 100 barrels of salt water, not reaching a watercourse or entering a stream or lake:** Immediate notification is required. Spill must be remediated to OCD guidelines. Subsequent notification is required.
(4) **Any quantity reaching a watercourse or entering a stream or lake:** Same as (3) above.
(5) **Any spill involving a blowout or fire:** Same as (3) above.
(6) **Any spill which has a reasonable probability to endanger human health or result in damage to property:** Same as (3) above.

"Immediate Notification" shall be as soon as possible after discovery and shall be either in person or by telephone to the OCD District Office. The information to be conveyed during the immediate notification is similar to that described to Hallwood supervisors (see page 32). "Subsequent Notification" shall be a complete written report of the incident within ten days after discovery.

If a fire department or Hazardous Material Response Team responds to control a spill or fire then OSHA regulations prohibit further cleanup operations without the cleanup personnel being trained as hazardous waste site workers.

SPILL PREVENTION CONTROL & COUNTERMEASURE PLAN

OIL SPILL CONTINGENCY PLAN
RESPONSE PLAN

Name of Facility Various Oil and Gas Wells (SPG #1270)

Operator Hallwood Petroleum, Inc.

Response Plan (continued)

This SPCC plan must be kept at the Hallwood field offices where it is accessible to all Hallwood personnel. The SPCC plan must be submitted to the Environmental Protection Agency (EPA) whenever:

(1) A spill of 24 barrels or more occurs,
(2) Any two reportable events occur within a 12 month period, or
(3) EPA makes a specific request to see the plan.

A record of all reportable spills must be kept with this SPCC plan. Attachment #1 Record of Oil Spills has been provided for the purpose of spill recordkeeping.

Cleanup of Spills

Hallwood does not maintain the equipment or supplies necessary to contain or cleanup a large oil spill. A list of contractors and suppliers to be contacted in the event of a spill is included in this SPCC plan under the Cleanup Contractors section. More complete soil and ground water cleanup procedures are described in OCD's *Guidelines for Remediation of Leaks, Spills and Releases (August 13, 1993).*

Spills onto Soil

Mobile oil spills should be contained as soon as possible by the construction of earthen dams or by the placement of mechanical barriers. Free oil may be removed from the ground by the use of a vacuum truck. Remaining free oil may be removed from the ground by the use of oil-absorbent materials.

When all free oil has been removed the site should be assessed for severity of contamination and potential environmental and public health threats using a risk based ranking system. The depth to ground water, the distance to water wells or springs and the distance to surface water bodies should be determined. The lateral and vertical extent of soil contamination should be determined by physical observations and by sampling.

SPILL PREVENTION CONTROL & COUNTERMEASURE PLAN

OIL SPILL CONTINGENCY PLAN
RESPONSE PLAN

Name of Facility Various Oil and Gas Wells (SPG #1270)

Operator Hallwood Petroleum, Inc.

Cleanup of Spills (continued)

Spills onto Soil (continued)

If ground water is encountered during the soil sampling then a ground-water sample should be gathered. The soil and water remediation action level may be determined using the data gathered.

Soil exceeding the action level must be remediated by OCD approved methods. Contaminated soil may be excavated for treatment at the surface or treated in-situ. Excavated soil may be disposed of at an off-site OCD approved facility. Soil may be landfarmed if it does not contain free oil. In-situ treatment may be accomplished using vapor venting, bioremediation or other approved treatment system.

Ground water remediation activities will be reviewed and approved by OCD on a case-by-case basis prior to commencement of remedial activities.

Remedial actions must continue until the residual soil and ground water contaminant concentrations are below the previously determined action level.

Spills onto Water

Oil spills onto surface water of any quantity must be cleaned up to the satisfaction of landowners and the OCD. The spill should be contained as soon as possible by the use of floating booms or other mechanical barriers. Free oil may be removed from the water by the use of a vacuum truck or by the use of oil-skimming equipment. Remaining free oil may be removed from the water by the use of oil-absorbent materials. Oil-absorbent materials may also be used to remove oil which has accumulated on shoreline soils, rocks, and vegetation. Oil-contaminated shoreline materials may require removal to a suitable treatment site for cleanup, and may be cleaned as described in the Spills onto Soil section above.

RESPONSE PLAN
EMERGENCY CONTACTS

Name of Facility CDP #4

Operator Hallwood Petroleum, Inc.

Company, Emergency and Regulatory Contacts

Hallwood Supervisors

Jim Bonaventura - Area Superintendent
Durango, Colorado
Office: (970) 259-1374 Home: (970) 247-9662
Mobile: (970) 749-0571

Kevin O'Connell - Drilling/Production Manager
Denver, Colorado
Office: (303) 850-6305 Home: (303) 838-2191

Fire Departments (Hazardous Materials Response Teams)

Farmington, New Mexico 911 or (505) 325-3501

La Plata, New Mexico (505) 326-3505

New Mexico Oil Conservation Division

District III Office (505) 334-6178
Aztec, New Mexico

Local Emergency Planning Committee

San Juan County (505) 334-1180
Don Cooper
Aztec, New Mexico

State Emergency Planning Commission

Max Johnson (505) 827-9223
Chemical Safety Office
Department of Public Safety
Santa Fe, New Mexico

EPA National Response Center (800) 424-8802

RESPONSE PLAN
CLEANUP CONTRACTORS

Water Haulers

Dawn Trucking Co.
Farmington, NM
(505) 327-6314

Sunco Trucking Co.
Farmington, NM
(505) 327-0416

Three Rivers
Farmington, NM
(505) 325-8017

Dirt Contractors

Helmur Corp.
Durango, CO
(970) 247-4036

Ebberts Construction
Durango, CO
(970) 677-2476

Nickles Bros. Construction
Farmington, NM
(505) 325-4840

Roustabouts

Tane's Oilfield
Durango, CO
(303) 385-6881

L&L Oilfield Service
Farmington, NM
(505) 325-9381

Iron Horse
Farmington, NM
(505) 334-3121

Wayne Hare
Durango, CO
(970) 247-4511

Stover & Son
Farmington, NM
(505) 327-5818'

Suppliers and Environmental Consultants

ECCS
Farmington, NM
(505) 327-0041

On-Site
Farmington, NM
(505) 325-8786
(505) 327-7105

LEAK AND SPILL REPORTING

RULE 116 NMOCD

Notification: Operators must report all unauthorized releases per reporting requirements.

Reporting requirements:

Major Releases: Immediate verbal notification (within 24 hours) and written notification (within 15 days) on form C-141; for

* > 25 barrels (crude oil, condensate, salt water, etc);
* Any Volume which;
    + results in a fire;
    + will reach a water course;
    + may with reasonable probability endanger public health; or results in substantial damage to property or the environment.
* > 500 mcf Gas.
* Any Volume (Gas, Liquid, or solid);
    + Which may with reasonable probability be detrimental to water or cause an exceedance of the standards in 19 NMAC 15.A.19 (groundwater standards).

    Note: These requirements includes the vadose zone above groundwater, in addition any discovery of surface/ground water contamination must be reported to the NMOCD District office and the NMOCD Environmental Bureau in Santa Fe.

Minor Releases: Minor release shall be reported by written notification on form C-141 within 15 days; for

* > 5 but less than < 25 bbls (crude oil, condensate, salt water, etc).
* > 50 but less than < 500 mcf GAS.

CORRECTIVE ACTION:

The responsible person must complete Division approved corrective action for releases which endanger public health or the environment. Releases will be addressed in accordance with a remediation plan submitted to and approved by the Division or with an abatement plan submitted in accordance with Rule 19 (19NMAC 15.A.19).

Remediation Plan Definition: Rule 7

Shall mean a written description of a program to address unauthorized releases. The plan may include appropriate information, including assessment data, health risk demonstrations, and corrective actions(s). The plan may also include an alternative proposing no action beyond the submittal of a spill report.

Note: Operators are responsible for corrective actions for non-reportable releases.

Depth To Ground Water	Ranking Score
<50 feet	20
50 - 99	10
>100	0

Wellhead Protection Area

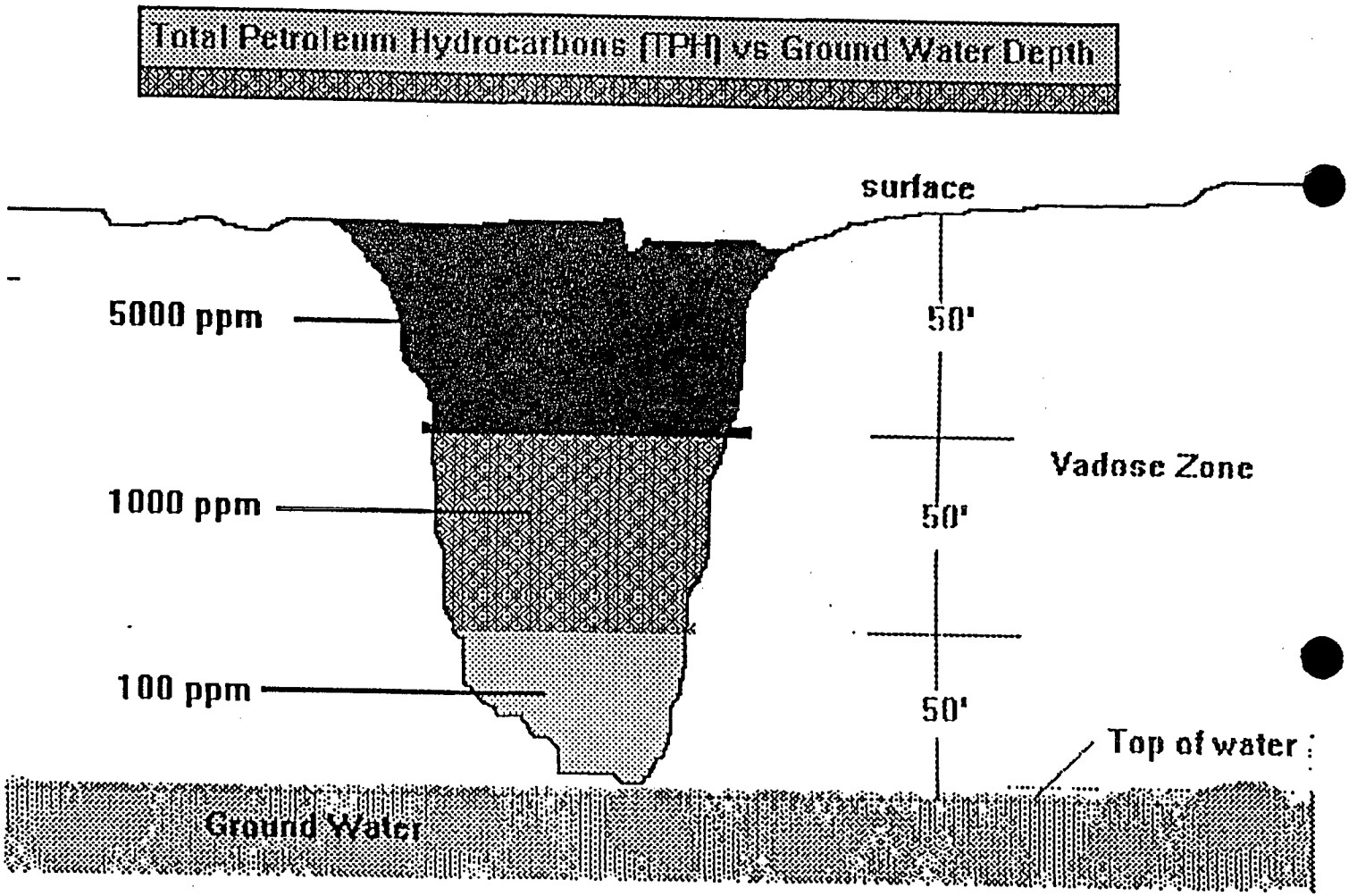
<1000 feet from a water source, or; <200 feet from private domestic water source	
Yes	20
No	0

Distance To Surface Water Body

<200 horizontal feet	20
200 --1000 horizontal feet	10
>1000 horizontal feet	0

	Total Ranking Score		
	>19	10 - 19	0 - 9
Benzene(ppm)*	10	10	10
BTEX(ppm)*	50	50	50
TPH(ppm)**	100	1000	5000

The depth to ground water is defined as the vertical distance from the lowermost contaminates to the seasonal high water elevation of the ground water.


Total Petroleum Hydrocarbons [TPH] vs Ground Water Depth
surface
5000 ppm
1000 ppm
100 ppm
50'
Vadose Zone
50'
50'
Top of water
Ground Water

REMEDIATION TECHNIQUES & TERMINATION

Vadose Zone Soil Remediation Techniques:

* **Excavation**
    * Excavate all soils that exceed guideline levels; or
    * Excavate soils or major sources of contamination to the maximum depth and horizontal extent practical. Determine if existing levels would be a future threat to public health, ground water, and/or the environment; by
        * Providing known and proven risk assessment methods to include;
            + leaching models, and/or;
            + leachability test, and/or,
            + long term monitoring.

* **Excavated Soils (how to handle)?**
    * Disposed of off-site at an NMOCD approved facility.
    * Landfarmed on site. **Note: In high risk areas special requirements will apply.**
    * Composting.
    * Shredding.
    * Thermo-treating
    * Soil Washing
    * Soil dilution, under certain circumstances.
    * Others

* **Insitu Treatment**
    * Bioremediation
    * Vapor Venting (SVE systems)

* **Stabilization/encapsulation**
    * cement, lime, gin trash, soil additions, etc
    * leachability test will probably be required.
* **Alternate Methods**

FINAL TERMINATION:

* Includes proper backfilling and contouring, and
* can include site vegetation, depending upon land status.

Special Note: All operators should be aware that certain NMOCD rules, regs, and guidelines may not in some instances supersede certain landowners rights.

APPENDIX E

Hydrologic Map

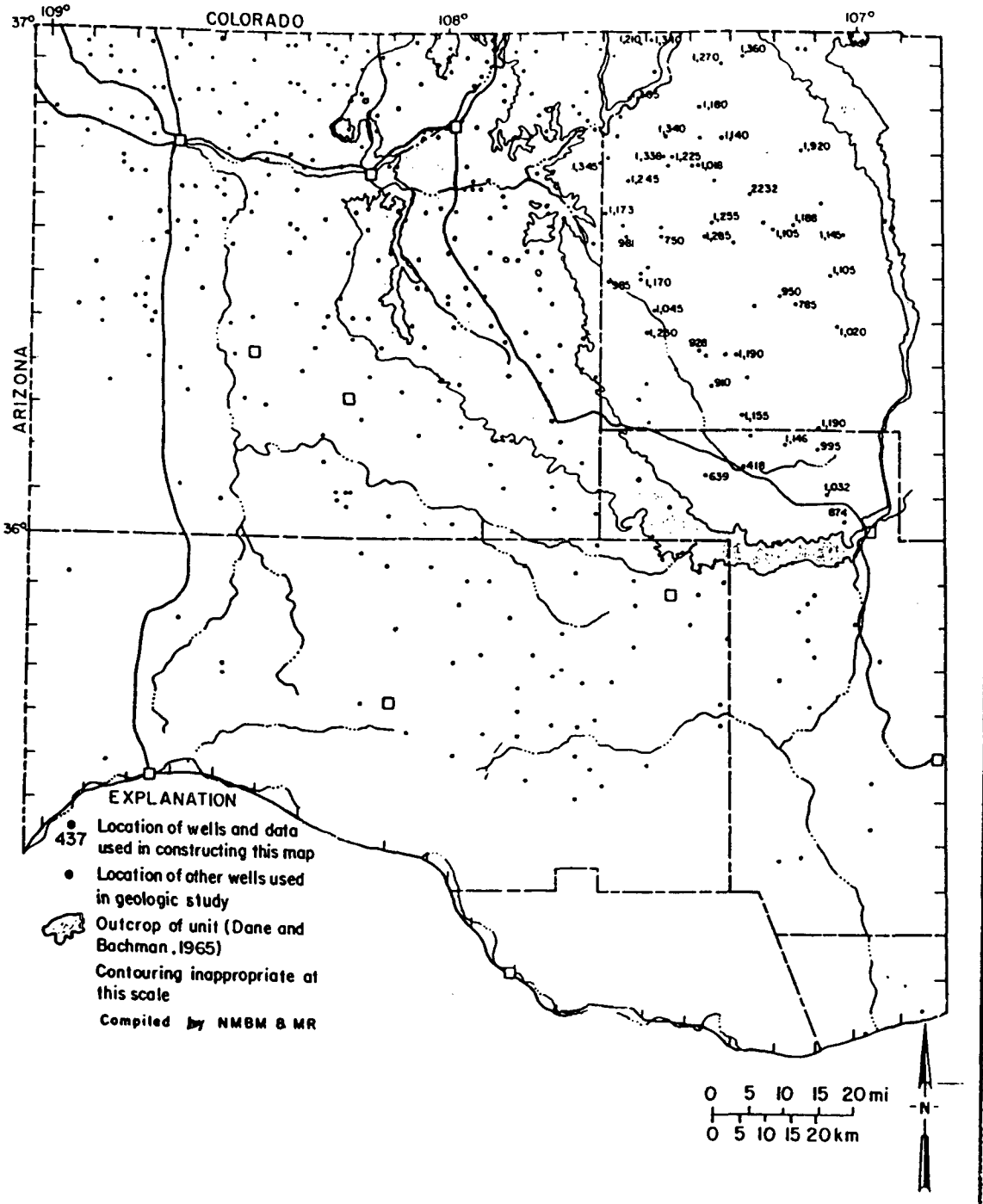


Figure 21—Thickness of Nacimiento/Animas Formations.

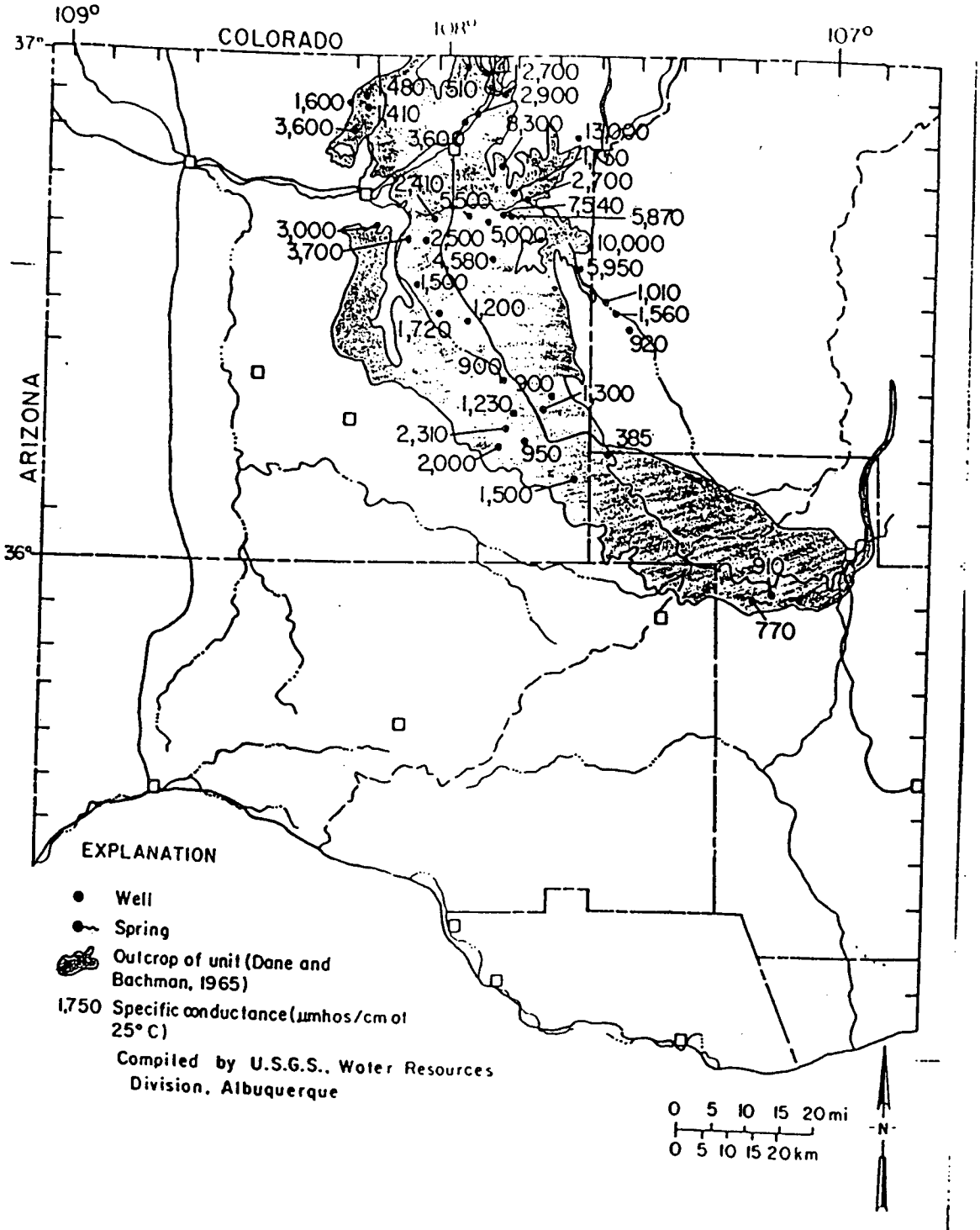


Figure 22—Specific conductance from selected wells and springs in Nacimiento/Animas Formations.

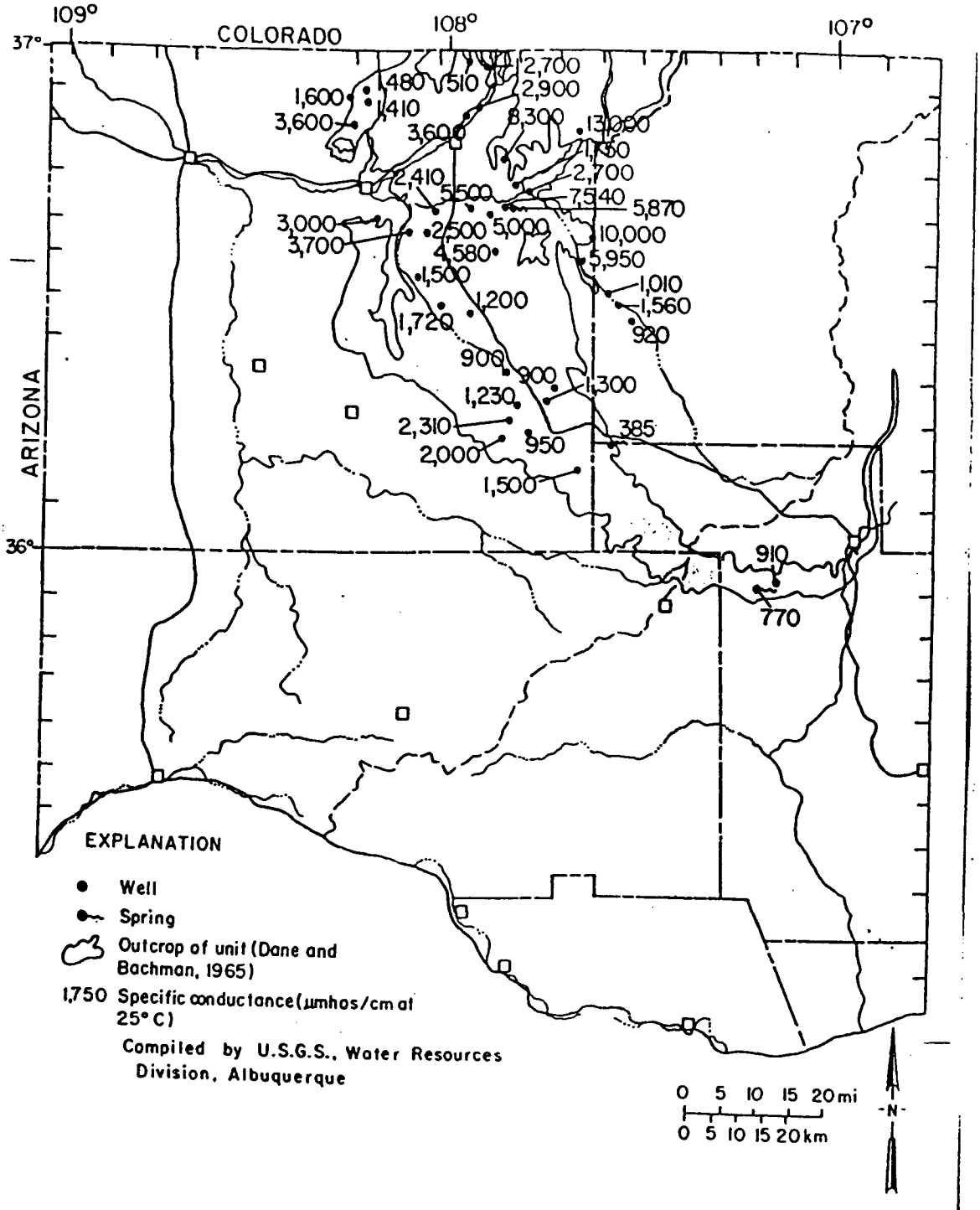
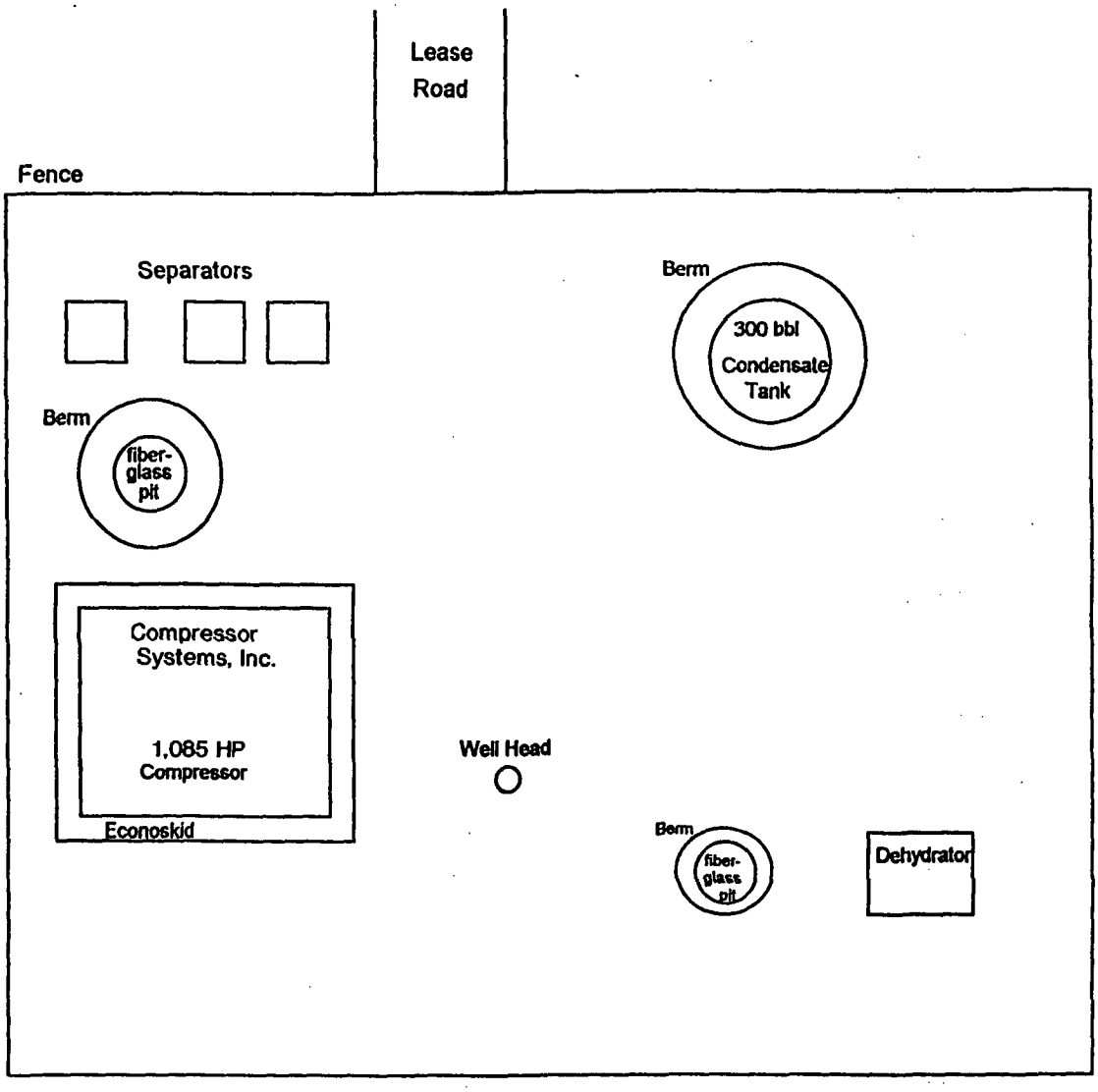


Figure 22—Specific conductance from selected wells and springs in Nacimiento/Animas Formations.

APPENDIX B

Facility Site Plan

CDP #4


Lease
Road
Fence
Separators
Berm
300 bbl
Condensate
Tank
Berm
fiber-
glass
pit
Compressor
Systems, Inc.
1,085 HP
Compressor
Econoskid
Well Head
Berm
fiber-
glass
pit
Dehydrator

APPENDIX C

EPA Form 8700-12A

EPA

ACKNOWLEDGEMENT OF NOTIFICATION OF REGULATED WASTE ACTIVITY

(VERIFICATION)

This is to acknowledge that you have filed a Notification of Regulated Waste Activity for the installation located at the address shown in the box below to comply with Section 3010 of the Resource Conservation and Recovery Act *(RCRA)*. Your EPA Identification Number for that installation appears in the box below. The EPA Identification Number must be included on all shipping manifests for transporting hazardous wastes; on all Annual Reports that generators of hazardous waste, and owners and operators of hazardous waste treatment, storage and disposal facilities must file with EPA; on all applications for a Federal Hazardous Waste Permit; and other hazardous waste management reports and documents required under Subtitle C of RCRA.

EPA I.D. NUMBER

NMD986682102

D AND D OIL
PO BOX 670
BLOOMFIELD, NM 87413
DIRK DAVIS OWNER

INSTALLATION ADDRESS

50[illegible] SP 20 COUNTY RD
BLOOMFIELD, NM 87413

EPA Form 8700-12A (6-90)

APPENDIX D

Response Plan

SPILL PREVENTION CONTROL & COUNTERMEASURE PLAN

OIL SPILL CONTINGENCY PLAN
RESPONSE PLAN

Name of Facility Various Oil and Gas Wells (SPG #1270)

Operator Hallwood Petroleum, Inc.

Response Plan

Company or contract personnel who discover an oil spill should: 1) close off the source of the spill, if safe to do so, and control the spill if possible, 2) notify Hallwood Supervisors, and 3) call for necessary equipment and contractors to control the spill. Personnel should directly notify emergency and regulatory agencies if the Hallwood Supervisors are not available and if there is an immediate danger to human health, property, or the environment.

Personnel should attempt to close off the source of the spill only if the situation is safe and if there is no danger of physical harm. Do not attempt to close off the source of a spill if fire is involved. Minor repairs to ring dikes and construction of spill barriers may be safely performed with shovels and other types of small earth-moving equipment.

Personnel should contact their Hallwood supervisors by telephone as soon as possible to report the incident. The Hallwood supervisors responsible for all spills in New Mexico, and the emergency and regulatory agencies are listed in this SPCC plan under the Company, Emergency and Regulatory Contacts section. The following information should be described to Hallwood Supervisors or to emergency and regulatory agencies:

(1) Date and time the spill was discovered,
(2) Location of spill by legal definitions and by distance and direction from the nearest town or landmark,
(3) Estimated quantity of the spill, area and depth of soil affected, distance spill traveled,
(4) General prevailing conditions in the area including precipitation, temperature, and soil conditions,
(5) Corrective actions taken, and
(6) Immediate or potential danger to human health or the environment.

Except in cases of extreme emergency, the authority to contact cleanup contractors and to begin cleanup operation must be obtained from a Hallwood Supervisor. Cleanup contractors are listed in this SPCC plan under the Cleanup Contractors section.

9. Proposed Modification to Collection/Treatment/Disposal System

There are currently no planned modifications to the existing collection, treatment, and disposal system in place at this facility.

10. Inspection, Maintenance, Reporting

CSI and HEC employees visit the site on a daily basis. Each day the compressor is inspected for any leaks. Daily log inspection and maintenance logs of the compressor are kept by CSI.

The site is visited regularly by HEC employees as well. HEC inspects the inlet separator, filter separator, separator/treater, absorber and regenerator for any leaks or spills.

11. Contingency Plan (Spill/Leak Prevention and Reporting)

The compressor site is graded and bermed so that precipitation and runoff do not cause water to enter or leave the process area.

The dehydrator process area is bermed so that precipitation and runoff do not cause water to leave the process area. The compressor is equipped with an econo-skid so that any leaks or spills are contained.

Since HEC personnel or its contractor visits the site on a daily basis, any leaks, spills, and/or drips will be quickly identified. Regularly scheduled maintenance procedures also help to assure that the equipment remains functional and thus the possibly of spills or leaks is further minimized.

Leaks, spills, and drips will be handled in accordance with OCD Rule 116 as follows:

- Small spills will be absorbed with soil and shoveled into drums for off-site disposal. If the soil is an "exempt" waste, the soil will be disposed at an OCD approved landfarm facility. If the soil is a "nonexempt" waste, the soil will be characterized and disposed according to the analytical profile.

- Large spills will be contained with temporary berms. Free liquids will be removed by use of a vacuum truck. Any hydrocarbon liquid will be recycled. Any contaminated soil will be disposed as discussed in the paragraph above.

- Cleanup standards of the impacted soils will be performed in accordance with the NMOCD Ranking Criteria, Ranking Score and Action Levels as provided in Rule 116

- Verbal and written notification of leaks or spills will be made to the OCD in accordance with Rule 116.

- All areas identified as susceptible to leaks or spills are bermed or otherwise contained to prevent the discharge of effluents.

A Response Plan to address possible spills or leaks from this facility is provided in Appendix D.

12.Site Geology/Hydrologic Information.

Site Geomorphology and Characteristics

Hallwood's compressor station identified as CDP #2 is located on the eastern side of the La Plata River in the northern portion of the San Juan Basin. The area surrounding the facility is characterized by high sagebrush plains with small arroyos and washes. The soil type beneath the site has been identified as the Doak-Aralon (USSCS, 1997). The site is located on gently sloping terrain at least 3/4 mile from McDermott Arroyo, the permanent drainage of the area. This Arroyo is fed by many smaller gullies and rills, and flows to the southwest until it converges upon the La Plata River.

CDP#4 is located in the SW/4 Section 1, T31N, R13W at an elevation of 5,780-feet above MSL. The compressor has a self-contained skid and was placed on a gravel pad.

Regional Geology

CDP #4 is located in the northwest portion of the San Juan Basin on Tertiary Nacimiento sediments. The area is adjacent to the Monocline, a structural feature of the Late Cretaceous or early Tertiary Period.

Nacimiento

The Nacimiento Formation is made up of medium to very coarse-grained arkosic sands interbedded with dark carbonaceous clays forming the unique rounded mounds and hills of the bad lands. The thickness of the Nacimiento Formation varies from 400' to 2,000'. Stratigraphically, the Nacimiento Formation is a local aquifer with interbedded sandstone lenses. The broad open surfaces of the shallow dipping limbs of the Nacimiento Formation in the San Juan Basin serve as recharge areas for ground water in the aquifer. A hydrologic map depicting specific conductance of specific wells and springs of the area is provided in Appendix E.

Flood Protection

CDP #2 is located in an area not associated with flooding. All drip tanks on location are fiberglass lined and are set with the edge of the tanks being above ground level. Berms have been placed around the pits with all pits being fenced.

All maps are from Hydrologic Report 6, New Mexico Bureau of Mines and Minerals, 1983.

13.Closure Plan

The closure plan for CDP #4 will be performed in accordance with applicable regulations. A description is provided below:

Inlet Separators

The inlet separator will be disconnected and transported from the site to be utilized at another location, placed into storage for future use or sold. Any liquids discovered in the separator during the disconnect will be drained into buckets and then transferred to the fiberglass tanks for temporary storage prior to final disposition. Any solids that may have accumulated in the bottom of the separator will be transferred to drums and temporarily stored prior to final disposition either by disposal at an OCD approved landfarm or on-site bioremediation.

Compressors

All fluids (i.e., all used lubricating oil, engine oil and coolants) will be drained from the compressor and placed in drums by CSI for recycling. All unused liquids will be removed by CSI for use at another facility. Upon removal of the compressor, the gravel pad and pad base will be inspected for unnoticed leaks and spills. Any leaks or spills observed during this inspection will be remediated in accordance with Rule 116 (See Section 11).

Fiberglass Pits

Prior to the closure of the fiberglass pits, liquid and solid samples will be collected from the pits for disposal characterization. Once this solid waste has been characterized, the waste will be removed from the pits by use of a vacuum truck or other similar method and transported to the appropriate disposal facility for disposal per RCRA regulations.

The fiberglass pits will then be removed and decontaminated prior to removal from the site. The washwater from this procedure will be placed in storage drums and characterized as described above prior to final disposition. The fiberglass pit will then either be disposed of at a construction debris landfill or transported to another site for reuse.

Any leaks discovered at the base of the pit during pit removal will be remediated as previously described.

Dehydrators

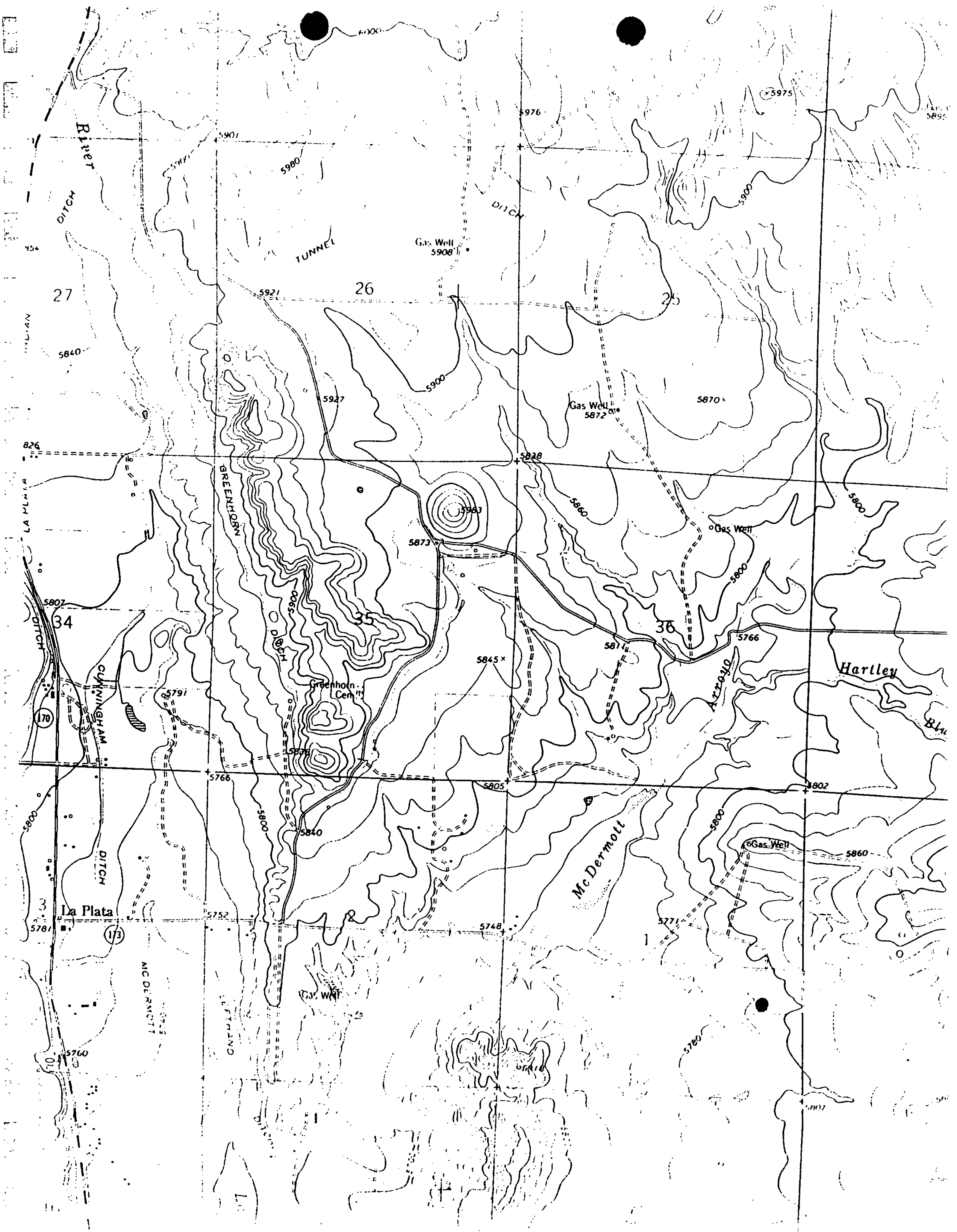
The dehydrator located at this facility will be removed and either transported to another location for reuse or placed in storage for future use. Used TEG will be directed to the fiberglass tanks, and the unused TEG will be removed by HEC for use at another facility.

Facility Piping

All piping associated with this facility will be removed upon abandonment and sold for salvage. No NORM has been detected at this facility.

APPENDIX A

Topographic Map



River
DITCH
TUNNEL
DITCH
Gas Well
5908
27
26
25
5921
5980
5901
5976
5975
5900
5840
5927
Gas Well
5872
5870
826
LA PLATA
GREENHORN
5838
5983
5860
Gas Well
5800
5873
5807
34
35
36
DITCH
CUNNINGHAM
5900
DITCH
5817
5766
Hartley
Arroyo
5845
5791
Greenhorn Cem
170
5766
5805
5802
5800
5800
5840
McDermott
Gas Well
5860
DITCH
3
La Plata
5781
173
5752
5748
5771
1
MC DERMOTT
Gas Well
5760
5780

AFFIDAVIT OF PUBLICATION

No. 41007

STATE OF NEW MEXICO
County of San Juan:

ALETHIA ROTHLISBERGER, being duly sworn says: That she is the Classified Manager of THE DAILY TIMES, a daily newspaper of general circulation published in English at Farmington, said county and state, and that the hereto attached Legal Notice was published in a regular and entire issue of the said DAILY TIMES, a daily newspaper duly qualified for the purpose within the meaning of Chapter 167 of the 1937 Session Laws of the State of New Mexico for publication on the following day(s):

Thursday, April 8, 1999

and the cost of publication is: $90.89

Alethia Rothlisberger

On 4-8-99 ALETHIA ROTHLISBERGER appeared before me, whom I know personally to be the person who signed the above document.

Jenny Beck

My Commission Expires April 2, 2000.

COPY OF PUBLICATION

Legals

NOTICE OF PUBLICATION

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

Notice is hereby given that pursuant to New Mexico Water Quality Control Commission Regulations, the following discharge plan application(s) have been submitted to the Director of the Oil Conservation Division, 2040 South Pacheco, Santa Fe, New Mexico 87505, Telephone (505) 827-7131:

(GW-165) - Hallwood Energy Company, Chris R. Williams-, (303) 850-6305, 4582 South Ulster Street Parkway, Denver, Colorado 80327, has submitted a discharge renewal application for the CDP #2 Compressor Station located in the NE/4 SW/4 of Section 25, Township 32 North, Range 13 West, NMPM, San Juan County, New Mexico. Approximately 40 gallons per month of process waste water with a total solids concentration of 1500 mg/l is collected in a 300 barrel fiberglass storage tank prior to offsite disposal at an OCD approved facility. Ground water most likely to be affected in the event of an accidental discharge is at a depth of approximately 120 feet with a total dissolved solids concentration of approximately 900 mg/l. The discharge plan addresses how spills, leaks, and other accidental discharges to the surface will be managed.

(GW-166) - Hallwood Energy Company, Chris R. Williams-, (303) 850-6305, 4582 South Ulster Street Parkway, Denver, Colorado 80237, has submitted a discharge renewal application for the CDP #4 Compressor Station located in the NE/4 SE/4 of Section 1, Township 31 North, Range 13 West, NMPM, San Juan County, New Mexico. Approximately 20 gallons per month of process waste water with total dissolved solids concentration of 1500 mg/l is collected in a 300 barrel fiberglass storage tank prior to disposal offsite at an OCD approved facility. Ground water most likely to be affected in the event of an accidental discharge is at a depth of approximately 80 feet with a total dissolved solids concentration of approximately 900 mg/l. The discharge plan addresses how spills, leaks, and other accidental discharges to the surface will be managed.

Any interested person may obtain further information from the Oil Conservation Division and may submit written comments to the Director of the Oil Conservation Division at the address given above. The discharge plan application(s) may be viewed at the above address between 8:00 a.m. and 4:00 p.m., Monday through Friday. Prior to ruling on any proposed discharge plan application(s), the Director of the Oil Conservation Division shall allow at least thirty (30) days after the date of publication of this notice during which comments may be submitted and a public hearing may be requested by any interested person. Requests for a public hearing shall set forth the reasons why a hearing should be held. A hearing will be held if the Director determines there is significant public interest.

If no public hearing is held, the Director will approve or disapprove the proposed plan(s) based on the information in the discharge plan application(s) and information submitted at the hearing.

GIVEN under the Seal of New Mexico Oil Conservation Commission at Santa Fe, New Mexico, on this 17th day of March, 1999.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

/s/ ROGER ANDERSON
Roger Anderson
for LORI WROTENBERY, Director

SEAL

Legal No. 41007, published in The Daily Times, Farmington, New Mexico, Thursday, April 8, 1999.

The Santa Fe New Mexican

Since 1849. We Read You.

NM OCD
ATTN: LUPE SHERMAN
2040 S. PACHECO ST.
SANTA FE, NM 87505

AD NUMBER: 75133 ACCOUNT: 56689
LEGAL NO: 65063 P.O.#: 99199000357
222 LINES 1 time(s) at $ 97.74
AFFIDAVITS: 5.25
TAX: 6.44
TOTAL: 109.43

AFFIDAVIT OF PUBLICATION

STATE OF NEW MEXICO
COUNTY OF SANTA FE

I, B Penner being first duly sworn declare and say that I am Legal Advertising Representative of THE SANTE FE NEW MEXICAN, a daily newspaper published in the English language, and having a general circulation in the Counties of Santa Fe and Los Alamos, State of New Mexico and being a Newspaper duly qualified to publish legal notices and advertisements under the provisions of Chapter 167 on Session Laws of 1937; that the publication #65063 a copy of which is hereto attached was published in said newspaper 1 day(s) between 03/23/1999 and 03/23/1999 and that the notice was published in the newspaper proper and not in any supplement; the first publication being on the 23 day of March, 1999 and that the undersigned has personal knowledge of the matter and things set forth in this affidavit.

/S/ Betsy Penner
LEGAL ADVERTISEMENT REPRESENTATIVE

Subscribed and sworn to before me on this
23 day of March A.D., 1999

Notary B Mathie

Commission Expires 3-13-2001

RECEIVED
MAR 25 1999
OIL CONSERVATION DIVISION

OFFICIAL SEAL
B MATHIE
NOTARY PUBLIC
STATE OF NEW MEXICO
My Commission Expires

NOTICE OF PUBLICATION

STATE OF NEW MEXICO ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT OIL CONSERVATION DIVISION

Notice is hereby given that pursuant to New Mexico Water Quality Control Commission Regulations, the following discharge plan application(s) have been submitted to the Director of the Oil Conservation Division, 2040 South Pacheco, Santa Fe, New Mexico 87505, Telephone (505) 827-7131:

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GIVEN under the Seal of New Mexico Oil Conservation Commission at Santa Fe, New Mexico, on this 17th day of March 1999.

STATE OF NEW MEXICO
OIL CONSERVATION
DIVISION

LORI WROTENBERY,
Director

Legal #65063
Pub. March 23, 1999

NOTICE OF PUBLICATION

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

Notice is hereby given that pursuant to New Mexico Water Quality Control Commission Regulations, the following discharge plan application(s) have been submitted to the Director of the Oil Conservation Division, 2040 South Pacheco, Santa Fe, New Mexico 87505, Telephone (505) 827-7131:

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If no public hearing is held, the Director will approve or disapprove the proposed plan(s) based on information available. If a public hearing is held, the Director will approve or disapprove the proposed plan(s) based on the information in the discharge plan application(s) and information submitted at the hearing.

GIVEN under the Seal of New Mexico Oil Conservation Commission at Santa Fe, New Mexico, on this 17th day of March, 1999.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Roger C. Anderson

for LORI WROTENBERY, Director

S E A L

NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

February 9, 1999

CERTIFIED MAIL
RETURN RECEIPT NO. Z-357-870-064

Mr. Jim Bonaventura
Hallwood Energy Companies
463 Turner Drive, Suite 101
Durango, Colorado 81301

RE: Discharge Plan GW-166 Renewal
Hallwood Energy Companies
San Juan County, New Mexico

Dear Mr. Bonaventura:

On June 6, 1994, the groundwater discharge plan, GW-166, for the Hallwood Energy Companies Compressor Station CDP #4 located in the NE/4 SE/4 of Section 1, Township 31 North, Range 13 West, NMPM, San Juan County, New Mexico, was approved by the Director of the New Mexico Oil Conservation Division (OCD). This discharge plan was required and submitted pursuant to Water Quality Control Commission (WQCC) regulations and was approved for a period of five years. **The approval will expire on June 6, 1999.**

If the facility continues to have potential or actual effluent or leachate discharges and wishes to continue operation, the discharge plan must be renewed. **Pursuant to Section 3106.F., if an application for renewal is submitted at least 120 days before the discharge plan expires then the existing approved discharge plan for the same activity shall not expire until the application for renewal has been approved or disapproved. The deadline for the 120 days was on February 6, 1999.** Hallwood Energy Companies has failed to meet the 120 day deadline before discharge plan expiration and therefore your discharge plan will expire on June 6, 1999 unless you have received an approved renewal from OCD. The OCD is reviewing the discharge plan submittal and renewal carefully and the review time can extend for several weeks to months. **To date the OCD has not received an application for renewal of GW-166.** Please indicate whether Hallwood Energy Companies has made or intends to make, any changes in the system, and if so, please include these modifications in the application for renewal.

The discharge plan renewal application for the Hallwood Energy Companies Compressor Station CDP #4 is subject to WQCC Regulation 3114. Every billable facility submitting a discharge plan renewal will be assessed a fee equal to the filing fee of $50.00 plus a flat fee equal to one-half of the original flat fee for compressor stations. The $50.00 filing fee is to be submitted with the discharge plan renewal application and is non-refundable.

Please make all checks payable to: **NMED-Water Quality Management** and addressed to the OCD Santa Fe Office. Please submit the original discharge plan renewal application and one copy to the OCD Santa Fe Office and one copy to the OCD Aztec District Office. **Note that the completed and signed application form must be submitted with your discharge plan renewal request.** Copies of the discharge plan application form and guidelines are enclosed to aid you in preparing the renewal application. A complete copy of the regulations is also available on the New Mexico Environment Department's website at **(www.nmenv.state.nm.us/)**.

If the Hallwood Energy Companies Compressor Station CDP #4 no longer has any actual or potential discharges and a discharge plan is not needed, please notify this office. If you have any questions please do not hesitate to contact W. Jack Ford at (505) 827-7156.

Sincerely,

Roger C. Anderson-Environmental Bureau Chief

RCA/wjf

Attachments: Discharge plan application form

cc: OCD Aztec District Office

Z 357 870 064

US Postal Service
Receipt for Certified Mail
No Insurance Coverage Provided.
Do not use for International Mail *(See reverse)*

Sent to Jim Bonaventura	
Street & Number Hallwood Engr.	
Post Office, State, & ZIP Code Drango	
Postage	$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	$
Postmark or Date GW-166	

PS Form 3800, April 1995

OIL CONSERVATION DIVISION

September 18, 1995

CERTIFIED MAIL
RETURN RECEIPT NO.Z-765-963-052

Mr. Kevin E. O'Connell
Drilling & Production Manager
Hallwood Energy Companies
P.O. Box 378111
Denver, CO 80237

RE: Minor Modification
Discharge Plan # GW-166 CDP # 4

Dear Mr. O'Connell:

The New Mexico Oil Conservation Division (OCD) has received Hallwood Energy Companies letter dated September 6, 1995 requesting the replacement of a 600 HP RECIP with a 980 HP RECIP. Your request is considered a minor modification to the above referenced discharge plan and public notice was not issued. **The requested minor modification is hereby approved.**

The Application for modification was submitted pursuant to Water Quality Control Commission (WQCC) Regulation 3-107.C and is approved pursuant to WQCC Regulation 3-109. Please note that "When a plan has been approved, discharges must be consistent with the terms and conditions of the plan". Pursuant to Section 3-107.C you are required to notify the Director of any facility expansion, production increase or process modification that would result in a significant modification in the discharge of potential ground water contaminants.

Note, that OCD approval does not relieve Hallwood Energy Companies of liability should your operation result in contamination of surface waters, ground waters or the environment.

If you have any questions please feel free to call Pat Sanchez at (505)-827-7156.

Sincerely,

William J. LeMay, Director

WJL/pws

XC: Mr. Denny Foust - Environmental Geologist

Z 765 963 052

Receipt for Certified Mail

No Insurance Coverage Provided
Do not use for International Mail
(See Reverse)

Sent to GW-166	
Street and No.	
P.O., State and ZIP Code	
Postage	$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, *and Addressee's Address*	
TOTAL Postage & Fees	$
Postmark or Date	

PS Form 3800, March 1993

Hallwood Energy Companies
4582 South Ulster Street Parkway ◦ Stanford Place III ◦ Suite 1700 ◦ Post Office Box 378111
Denver, Colorado 80237 ◦ (303) 850-7373

September 6, 1995 **OVERNIGHT MAIL**

P. W. Sanchez
Petroleum Engineer
State of New Mexico
Oil Conservation Division
2040 S. Pacheco
Santa Fe, New Mexico 87505

RE: Amended Discharge Plan
Hallwood Energy Companies
Gas Compressor Site - CDP #4
NE SE Section 1-T31N-R13W
San Juan County, New Mexico

Dear Mr. Sanchez:

This letter is in response to our previous telephone conversations concerning the approved discharge plan for the above referenced facility. Hallwood would like to request a minor modification to the discharge plan that will amend it for the installation of a larger compressor. The original discharge plan included a 600 HP compressor (slow-speed Ajax type) leased from Halliburton Resource Management (HRM).

Effective September 1, 1995, Hallwood has released the 600 HP HRM unit and leased a 980 HP caterpillar packaged Ariel JGK-4 compressor at this site (CDP #4). This increased compression need is now required due to increased production volumes.

Enclosed is a letter from CSI (Compressor Systems Inc.), the Lessor, which discusses the total effluents associated with operating this compressor. The incremental effluent volumes are as follows:

Washdown water:	83 gallons per month
Coolant capacity:	150 gallons capacity (charged every two years)
Lube oil capacity:	Estimated at 40 gallons incremental per month

All other volumes are consistent with the original discharge plan information.

Should you require any additional information, please contact me at (303) 850-6303.

Sincerely,

HALLWOOD PETROLEUM, INC.

Kevin E. O'Connell
Drilling & Production Manager
Rocky Mountain & Mid-Continent District

KEO/jea

Enclosures

cc: Jim Bonaventura
Facility File

KEO95.077

Compressor
Systems, Inc.

August 17, 1995

Hallwood Petroleum, Inc.
463 Turner Drive
Durango, CO 81301

Attn: Kevin O'Connell

CDP #4
Caterpillar G-3516TALE engine (980 h.p.) packaged with an Ariel JGK-4 compressor
lube oil capacity - 85 gallons (changed monthly - all used oil and filters are transported to our central disposal tank.)
coolant capacity - 220 gallons (changed when necessary - usually at least 2 years - transported to our central disposal tank.)
wash water - approximately 100 gallons/month (contained by ecology rails on skid and drained to a sump for disposal. All cleaning components used are approved biodegradable.)

All of our skids are manufactured with ecology rails to contain all fluids on skid to be drained to a sump. Our disposal tanks for waste oil are located at #11 County Road #5911 - Farmington, New Mexico 87401. D & D Oil Company is our disposal company. They keep all records on picked up waste.

If you should have any questions, please give me a call.

Sincerely,
COMPRESSOR SYSTEMS, INC.
Butch Fortenberry
Butch Fortenberry
Regional Sales Manager
505/327-6943

Hallwood Energy Companies
4582 South Ulster Street Parkway • Stanford Place III • Suite 1700 • Post Office Box 378111
Denver, Colorado 80237 • (303) 850-7373

May 19, 1994

State of New Mexico
Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87504-2088

Attn: Chris Eustice

RE: **Supplemental Information for Discharge Plan Application for Two Gas Compressor Sites San Juan County, New Mexico**

Dear Mr. Eustice:

As requested, Hallwood Petroleum, Inc. will dispose of any washdown water from the Gas Compressor Site CDP #2 and Gas Compressor Site CDP #4 at an OCD (Oil Conservation Division) approved evaporation pond or evaporation site.

Please forward any approval or return correspondence to the above address. If you have any questions you may contact me at (303) 850-7373.

Sincerely,

HALLWOOD PETROLEUM, INC.

Kevin E. O'Connell

Kevin E. O'Connell
Drilling & Production Manager
Rocky Mountain & Mid-Continent

cc: Jim Bonaventura - Durango

KEO\#214.pp

UNITED STATES
DEPARTMENT OF THE INTERIOR
FISH AND WILDLIFE SERVICE
Ecological Services
Suite D, 3530 Pan American Highway, NE
Albuquerque, New Mexico 87107

May 17, 1994

GW 94026

Mr. William J. Lemay
Director, State of New Mexico
Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87504-2088

Dear Mr. Lemay:

This responds to the notice of publication received by the U.S. Fish and Wildlife Service (Service) on April 18, 1994, regarding the Oil Conservation Division (OCD) discharge permits GW-165 and 166 effects on fish, shellfish, and wildlife resources in New Mexico.

The Service has determined there are no wetlands or other environmentally sensitive habitats, plants, or animals that will be adversely affected by the following discharges.

GW-165 Hallwood Energy Companies, CDP #2 Compressor Station located in section 25, T32N, R13W, San Juan County.

GW-166 Hallwood Energy Companies, CPD #4 Compressor Station located section 1, T31N, R13W, San Juan County, New Mexico.

Each station will store 43-52 gallons per day of process wastewater in a closed top fiberglass tank prior to offsite disposal at OCD approved disposal facilities. Tank capacities should be able to contain all the water produced during periods of inclement weather when it is not possible to drain the tank on a regular schedule. The tanks should also exhibit strong corrosion resistance to those fluids the tank will store. The tanks should be exposed entirely to visually detect leaks. If leaks are detected, surface soil monitoring and runoff prevention measures should be implemented.

If you have any questions concerning our comments, please contact Mary Orms at (505) 883-7877.

Sincerely,

for Jennifer Fowler-Propst
State Supervisor

cc:
Director, New Mexico Department of Game and Fish, Santa Fe, New Mexico
Regional Administrator, U.S. Environmental Protection Agency, Dallas, Texas

AFFIDAVIT OF PUBLICATION

No. 33164

STATE OF NEW MEXICO,
County of San Juan:

ROBERT LOVETT being duly sworn, says: "That he is the CLASSIFIED ADVERTISING MANAGER of The Farmington Daily Times, a daily newspaper of general circulation published in English in Farmington, said county and state, and that the hereto attached LEGAL NOTICE

was published in a regular and entire issue of the said Farmington Daily Times, a daily newspaper duly qualified for the purpose within the meaning of Chapter 167 of the 1937 Session Laws of the State of New Mexico for ONE consecutive (DAYS) (//////) on the same day as follows:

First Publication FRIDAY, APRIL 22, 1994

Second Publication

Third Publication

Fourth Publication

and the cost of publication was $ 61.78

Robert Lovett

On May 2, 1994 ROBERT LOVETT appeared before me, whom I know personally to be the person who signed the above document.

Mary M. Snead

Notary Public, San Juan County, New Mexico

My Comm expires: MARCH 21, 1998

COPY OF PUBLICATION

NOTICE OF PUBLICATION

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

Notice is hereby given that pursuant to the New Mexico Water Quality Control Commission Regulations, the following discharge plan applications have been submitted to the Director of the Oil Conservation Division, State Land Office Building, P.O. Box 2088, Santa Fe, New Mexico 87504-2088, Telephone (505) 827-5800:

(GW-185) - Hallwood Energy Companies, Jim Bonaventura, Area Superintendent, 463 Turner Drive, Suite 101, Durango, Colorado, 81301, has submitted a discharge plan application for their CDP #2 Compressor Station located in the NE/4 SW/4 Section 25, Township 32 North, Range 13 West, NMPM, San Juan County, New Mexico. Approximately 52 gallons per day of process wastewater with total dissolved solids concentration of 1500 mg/l is stored in a closed top fiberglass tank prior to off-site disposal at an OCD approved disposal facility. Groundwater most likely to be affected in the event of an accidental discharge is at a depth of approximately 120 feet with a total dissolved solids concentration of approximately 900 mg/l. The discharge plan addresses how spills, leaks, and other accidental discharges to the surface will be managed.

(GW-166) - Hallwood Energy Companies, Jim Bonaventura, Area Superintendent, 463 Turner Drive, Suite 101, Durango, Colorado, 81301, has submitted a discharge plan application for their CDP #4 Compressor Station located in the NE/4 SE/4 Section 1, Township 31 North, Range 13 West, NMPM, San Juan County, New Mexico. Approximately 43 gallons per day of process wastewater with total dissolved solids concentration of 1500 mg/l is stored in a closed top fiberglass tank prior to offsite disposal at an OCD approved disposal facility. Groundwater most likely to be affected in the event of an accidental discharge is at a depth of approximately 80 feet with a total dissolved solids concentration of approximately 900 mg/l. The discharge plan addresses how spills, leaks, and other accidental discharges to the surface will be managed.

Any interested person may obtain further information from the Oil Conservation Division and may submit written comments to the Director of the Oil Conservation Division at the address given above. The discharge plan application may be viewed at the above address between 8:00 a.m. and 4:00 p.m., Monday thru Friday. Prior to ruling on any proposed discharge plan or its modification, the Director of the Oil Conservation Division shall allow at least thirty (3) days after the date of publication of this notice during which comments may be submitted to him and public hearing may be requested by any interested person. Request for public hearing shall set forth the reasons why a hearing shall be held. A hearing will be held if the director determines that there is significant public interest.

If no hearing is held, the Director will approve or disapprove the plan based on the information available. If a public hearing is held, the Director will approve the plan based on the information in the plan and information presented at the hearing.

GIVEN under the Seal of New Mexico Oil Conservation Division at Santa Fe, New Mexico, on this 11th Day of April, 1994.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION
WILLIAM J. LEMAY, Director

Seal

Legal No. 33164 published in The Daily Times, Farmington, New Mexico on Friday, April 22, 1994.

ACKNOWLEDGEMENT OF RECEIPT
OF CHECK/CASH

I hereby acknowledge receipt of check No. [redacted] dated 04/05/94,
or cash received on April 19, 1994 in the amount of $ 790.00
from Hallwood Energy Companies
for EDP #2 Compressor Station GW-165 filing fee, flat fee
EDP #4 Compressor Station GW-166 filing fee
(Facility Name)
Submitted by: Robert Myers Date: 4/19/94 (DP No.)
Submitted to ASD by: _____ Date: _____
Received in ASD by: _____ Date: _____
Filing Fee X New Facility X Renewal ____
Modification ____ Other _____ (specify)
Organization Code 521.07 Applicable FY 94

To be deposited in the Water Quality Management Fund.
Full Payment X or Annual Increment ____

Hallwood Energy Companies
Post Office Box 378111 • (303) 850-7373
Denver, Colorado 80237

FIRST UNION NATIONAL BANK
OF NORTH CAROLINA
CHAPEL HILL, NC
66-156/531

[redacted]

PAY

SEVEN HUNDRED NINETY DOLLARS AND NO CENTS

CHECK NUMBER	DATE	PAY EXACTLY
[redacted]	04/05/94	******790.00

TO THE ORDER OF
STATE OF NEW MEXICO
ENERGY MINERALS NAT RESOURCES
OIL CONSERVATION DIVISION
1000 RIO BRAZOS ROAD
AZTEC, NM 87410

AUTHORIZED SIGNATURE

[redacted]

NOTICE OF PUBLICATION

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

Notice is hereby given that pursuant to the New Mexico Water Quality Control Commission Regulations, the following discharge plan applications have been submitted to the Director of the Oil Conservation Division, State Land Office Building, P.O. Box 2088, Santa Fe, New Mexico 87504-2088, Telephone (505) 827-5800:

(GW-165) - Hallwood Energy Companies, Jim Bonaventura, Area Superintendent, 463 Turner Drive, Suite 101, Durango, Colorado, 81301, has submitted a discharge plan application for their CDP #2 Compressor Station located in the NE/4 SW/4 Section 25, Township 32 North, Range 13 West, NMPM, San Juan County, New Mexico. Approximately 52 gallons per day of process wastewater with total dissolved solids concentration of 1500 mg/l is stored in a closed top fiberglass tank prior to offsite disposal at an OCD approved disposal facility. Groundwater most likely to be affected in the event of an accidental discharge is at a depth of approximately 120 feet with a total dissolved solids concentration of approximately 900 mg/l. The discharge plan addresses how spills, leaks, and other accidental discharges to the surface will be managed.

(GW-166) - Hallwood Energy Companies, Jim Bonaventura, Area Superintendent, 463 Turner Drive, Suite 101, Durango, Colorado, 81301, has submitted a discharge plan application for their CDP #4 Compressor Station located in the NE/4 SE/4 Section 1, Township 31 North, Range 13 West, NMPM, San Juan County, New Mexico. Approximately 43 gallons per day of process wastewater with total dissolved solids concentration of 1500 mg/l is stored in a closed top fiberglass tank prior to offsite disposal at an OCD approved disposal facility. Groundwater most likely to be affected in the event of an accidental discharge is at a depth of approximately 80 feet with a total dissolved solids concentration of approximately 900 mg/l. The discharge plan addresses how spills, leaks, and other accidental discharges to the surface will be managed.

Any interested person may obtain further information from the Oil Conservation Division and may submit written comments to the Director of the Oil Conservation Division at the address given above. The discharge plan application may be viewed at the above address between 8:00 a.m. and 4:00 p.m., Monday thru Friday. Prior to ruling on any proposed discharge plan or its modification, the Director of the Oil Conservation Division shall allow at least thirty (30) days after the date of publication of this notice during which comments may be submitted to him and public hearing may be requested by any interested person. Request for public hearing shall set forth the reasons why a hearing shall be held. A hearing will be held if the director determines that there is significant public interest.

If no hearing is held, the Director will approve or disapprove the plan based on the information available. If a public hearing is held, the Director will approve the plan based on the information in the plan and information presented at the hearing.

GIVEN under the Seal of New Mexico Oil Conservation Division at Santa Fe, New Mexico, on this 14th day of April, 1994.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

SEAL

WILLIAM J. LEMAY, Director

Memo

From
CHRIS E. EUSTICE
Geologist

To

Depth to Ground water was estimated by using topo map and figuring elev above McDermot Arroyo, then add 10'.

Quality of Ground water estim by using NMBM San Juan Hydrologic report. Take conductivity X .75 equalling T.D.S.

Hallwood Energy Companies

4582 South Ulster Street Parkway • Stanford Place III • Suite 1700 • Post Office Box 378111
Denver, Colorado 80237 • (303) 850-7373

April 7, 1994

State of New Mexico
Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87501

RE: **Discharge Plan Application**
for Two Gas Compressor Sites
San Juan County, New Mexico

Gentlemen:

Enclosed for your review and approval are two (2) Applications for Gas Compressor Sites we operate in San Juan County, New Mexico. Also enclosed ia a check for $790.00 to cover the fees associated with these Applications.

Please forward any approval or return correspondence to the above address. If you have any questions you may contact me at (303) 850-7373.

Sincerely,

HALLWOOD PETROLEUM, INC.

Kevin E. O'Connell
Drilling & Production Manager
Rocky Mountain & Mid-Continent

Enclosures

cc: Jim Bonaventura
OCD - Aztec Office

KEO\#209.pp

DISCHARGE PLAN APPLICATION FOR

HALLWOOD ENERGY COMPANIES

GAS COMPRESSOR SITE CDP #4

Submitted To:

State of New Mexico
Energy, Minerals and Natural Resources Department
OIL CONSERVATION DIVISION
P.O. Box 2088
Santa Fe, NM 87501

State of New Mexico
Energy, Minerals and Natural Resources Department
OIL CONSERVATION DIVISION
P.O. Box 2088
Santa Fe, NM 87501

DISCHARGE PLAN APPLICATION FOR NATURAL GAS PROCESSING PLANTS, OIL REFINERIES AND GAS COMPRESSOR STATIONS

(Refer to OCD Guidelines for assistance in completing the application.)

I. TYPE: Gas Compression

II. OPERATOR: Hallwood Energy Companies

ADDRESS: 463 Turner Dr.,Suite 101, Durango, CO 81301

CONTACT PERSON: Jim Bonaventura PHONE: 303-259-1374

III. LOCATION: NE /4 SE /4 Section 1 Township 31N Range 13W
Submit large scale topographic map showing exact location.

IV. Attach the name and address of the landowner(s) of the disposal facility site.

V. Attach description of the facility with a diagram indicating location of fences, pits, dikes, and tanks on the facility.

VI. Attach a description of sources, quantities and quality of effluent and waste solids.

VII. Attach a description of current liquid and solid waste transfer and storage procedures.

VIII. Attach a description of current liquid and solid waste disposal procedures.

IX. Attach a routine inspection and maintenance plan to ensure permit compliance.

X. Attach a contingency plan for reporting and clean-up of spills or releases.

XI. Attach geological/hydrological evidence demonstrating that disposal of oil field wastes will not adversely impact fresh water. Depth to and quality of ground water must be included.

XII. Attach such other information as is necessary to demonstrate compliance with any other OCD rules, regulations and/or orders.

XIII. CERTIFICATION

I hereby certify that the information submitted with this application is true and correct to the best of my knowledge and belief.

Name: Jim Bonaventura Title: Area Superintendent

Signature: Jim Bonaventura Date: 2/24/94

DISTRIBUTION: Original and one copy to Santa Fe with one copy to appropriate Division District Office.

FEDERAL 1-#1 COMPRESSOR STATION, SITE CDP #4
DISCHARGE PLAN

This Discharge Plan has been prepared in accordance with Oil Conservation "Division Guidelines for the Preparation of Ground Water Discharge Plans at Natural Gas Processing Plants".

I. Type of Operation

Hallwood Energy Company has installed a 600 Horsepower reciprocating engine and compressor. The compressor will compress approximately 3.2 MCF of natural gas from a low pressure field line (70 psi) to a high pressure line (220 psi). The site is located approximately 2.5 (two and one-half) miles East of La Plata, New Mexico.

Hallwood Energy Company (HEC) is the owner of the compressor facility. The compressor portion of the facility is operated by Halliburton Resource Management (HRM). The dehydration portion of the facility is operated by Hallwood Energy Co. (HEC).

Major Operational: Components

Field Compressor consisting of

- a 600 HP compressor
- one outlet triethylene glycol (TEG) dehydrator with regenerator heater and 70 gallon makeup TEG tank.
- one 500 barrel oil storage tank (associated with dehydrator)
- one three phase inlet separator
- one suction scrubber
- one fuel gas filter
- one 300 gallon lubricating oil makeup tank
- one fin fan cooler
- one 50 bbl waste oil fiberglass reinforced plastic tank with leak detector
- one 50 barrel fiberglass reinforced plastic dehydrator blowdown tank

II. Operator/Legally Responsible Party and Local Representative

Legally Responsible Party:

Bill Guzzetti
Hallwood Energy Companies
3710 Rawlins, Suite 1500
Dallas, Texas 75219
(800) 225-0135

Local Representative:

Jim Bonaventura
Hallwood Energy Companies
463 Turner Drive, Suite 101
Durango, CO 81301
(303) 259-1374

Compressor Operator:

Dana Arnold
Halliburton Resource Management (HRM)
1125 US Highway 550
Aztec, NM 87410
(505) 334-6713

Dehydrator Operator:

Doug Elworthy
Hallwood Energy Companies
463 Turner Drive, Suite 101
Durango, CO 81301
(303) 259-1374

III. Location of Facility

The facility is located in Letter I, SE/4, Section 1, Township 31N, Range 13W, San Juan County, New Mexico. A topographic map is under Tab 1. The facility site plan is under Tab 4. From the intersection of Highway 170 and Highway 574 in La Plata, go approximately 2.5 (two and one-half) miles East on Highway 574. Then, turn right at the Compressor Station sign and go approximately 700' on a dirt road to the Compressor Station.

IV. Landowner

Bureau of Land Management
1235 La Plata Highway
Farmington, NM 87401
Attn: Mr. Mike Pool

V. Facility Description

A diagram of the facility indicating location of fences, pits, berms, and tanks on the facility is under Tab 4. The diagram depicts the location storage facilities, disposal facilities, processing facilities, and other relevant areas. The facility boundary is shown on the diagram.

VI. Sources, Quantities, and Quality of Effluent

Inlet Separator

A three phase inlet separator separates the gas and liquids. A mixture of hydrocarbons and water discharges to the inlet of the separator/treater. Approximately 30 bbl per month will be discharged into the separator/treater. The separator/treater is part of the outlet dehydrator system. The exact volume of liquids will vary depending on the quality of the gas.

Compressor

A 600 HP compressor is installed on the site. The compressor is mounted on an econo-skid consisting of a built-in compressor pad with a non-permeable tray around the compressor unit to contain spills. The econo-skid insures containment of drips, spills, and washdown from the unit.

The compressor is installed in such a manner to ensure containment of drips, spills, and washdown water. Any spill or washdown water from cleaning operations is contained and discharged into a fiberglass tank.

A. Washdown Water

The compressor is washed every 3 (three) months with 50 (fifty) gallons of water. The washdown water is discharged into the fiberglass tank mentioned above through the econo-skid drain line. A nontoxic, biodegradable cleaner is used to clean the compressor unit.

B. Lubricating Oil, Waste Lubricating Oil and Used Engine Oil Filters

HRM is responsible for maintenance of its compressor. Waste oil generated by the compressor is hauled from the site in accordance with OCD regulations and will be recycled. D & D Recycled Oil is responsible for hauling and recycling the waste oil. Additional information is provided in the Effluent Disposal Section on Page 5.

Due to the mechanics of the ajax engine, no filters are needed.

C. Packing Vent Waste Oil

Waste oil is generated at a rate of approximately 30 (thirty) gallons per month through continuous blowdown from the compressor packing vent drain. The packing vent drain discharges into a fiberglass pit.

D. Engine cooling Water

A 70 (seventy) gallon cooling water surge tank is located on the skid mounted compressor package. A mixture of propylene glycol and water is used as cooling water. When it is necessary to drain the cooling water system for maintenance or repairs, the cooling water will be drained into steel drums or small tank mounted on a pickup truck. After maintenance and/or repairs, the cooling water is placed back into the cooling system.

E. Suction and Interstage Scrubber

A suction scrubber and interstage scrubber is on the skid mounted compressor package. Both scrubbers remove natural gas liquids. The volume of liquid from the scrubber is very small. Approximately 12 (twelve) gallons per month of a mixture of hydrocarbons and water discharges from the compressor scrubbers to the inlet of the three phase separator/treater (separator/treater is part of the dehydrator system). The volume of liquids vary depending on the quality of the gas.

Outlet Dehydrator

The dehydration portion of the facility is operated by HEC. The dehydrator is skid mounted and located SE of the compressor. The dehydrator consists of a filter separator, separator/treater, absorber, and regenerator. The dehydrator area is bermed.

VII. Transfer and Storage of Process Fluids and Effluents

A. Summary Information

Source	Onsite Collection
Inlet Separator	Separator/Treater
Compressor	
Washdown Water	Fiberglass Tank
Waste Lube Oil	Fiberglass Tank
Packing Vent Waste Oil	Fiberglass Tank
Engine Cooling Water	Fiberglass Tank
Suction and Interstage Scrubber	Fiberglass Tank
Outlet Dehydrator	
Separator/Treater (Water)	300 bbl Steel Tank
Separator/Treater (Oil)	300 bbl Steel Tank

B. Water and Wastewater Schematic

A drawing denoting the wastewater system is in the schematic under Tab 4.

C. Specifications

No pipelines are involved in respect to wastewater. All wastewater is either drained into a fiberglass pit from the econoskid on the compressor or flows via open end pipe from the separator to a steel tank.

D. Fluids Disposal and Storage Tanks

The hydrocarbons are recycled. The water fraction is separated and discharged into a fiberglass tank. It is disposed in a manner which meets OCD regulations. Additional information is provided in the Effluent Disposal Section below.

E. Prevention of Unintentional and Inadvertent Discharges

All storage tanks for fluids other than fresh water are bermed to contain a volume one-third more than the tank contents. All above ground tanks are placed on a gravel pad and placed on an elevated stand so that leaks can be visually detected.

There is no chemical or drum storage area. Drums utilized to contain engine cooling water, or waste oil are removed from the site at the end of each working day. A copy of the Material Safety Sheets for triethylene glycol, lubricating oil, and SuperAll cleanser is under Tab 2.

F. Underground Pipelines

There are no underground wastewater pipelines.

VIII. Effluent Disposal

Offsite Disposal

All liquids from this site are handled in accordance with OCD and NMED regulations. All liquids are removed from the site by D & D Recycled Oil or Three Rivers Trucking.

Waste Oil Hauling Agent: D & D Recycled Oil
10 Road 5044
Bloomfield, NM 87413

Waste Oil Final Disposal	D & D Oil Co. 10 Road 5044 Bloomfield, NM 87413
Waste Water Hauling Agent:	Three Rivers Trucking 603 E. Murray Drive Farmington, NM 87402
Waste Water Final Disposal:	Basin Disposal, Inc. 6 County Road 5046 Bloomfield, NM 87413

IX. Inspection, Maintenance and Reporting

The site is visited on a daily basis by HEC and HRM employees. Each day the compressor is inspected for any leaks.

The site is visited regularly by Hallwood Energy Company employees. HEC inspects the inlet separator, filter separator, separator/treater, absorber, and regenerator for any leaks or spills.

X. Spill/Leak Prevention and Reporting (Contingency Plans)

The compressor site is graded and bermed so that precipitation and runoff does not cause water to enter or leave the process areas.

The dehydrator process area is bermed so that precipitation and runoff does not cause water to leave the process area. The compressor area is equipped with a econo-skid so that any leaks or spills are contained.

Since the site is visited on a regular basis by Hallwood Energy Company and it's contractors, any leaks, spills, and/or drips will be identified. Regularly scheduled maintenance procedures also helps to assure that the equipment remains functional and thus the possibility of spills or leaks is further minimized.

Leaks, spills, and drips will be handled in accordance with OCD Rule 116 as follows:

- Small spills will be absorbed with soil and shoveled into drums for off-site disposal. If the soil is an "exempt" waste, the soil will be disposed at an OCD approved landfarm facility. If the soil is an "nonexempt" waste the soil will be characterized and disposed according to the analytical profile.

- Large spills will be contained with temporary berms. Free liquids will pumped out by a vacuum truck. Any hydrocarbon liquids will be recycled. Any contaminated soil will be disposed as discussed in the paragraph above.

- Verbal and written notification of leaks or spills will be made to OCD in accordance with Rule 116.

- All areas identified as susceptible to leaks or spills are bermed or otherwise contained to prevent the discharge of effluents.

Site Geomorphology and characteristics:

Hallwood's compressor is located on the east side of the La Plata River in the northern portion of the San Juan Basin. The area is characterized by high sagebrush plains with small arroyos and washes carving the landscape. Soil type for the CDP#4 is Huerfano-Muff-Uffens (USSCS, 1977). CDP#4 compressor is located at least 3/4 of a mile on gentle slopes from the permanent drainage in the area (McDermott Arroyo). The McDermott Arroyo fed by many smaller gullies and rills, flows to the southwest to meet the La Plata River determined by elevation.

Hallwood's CDP#4 is just south of New Mexico Highway 173 in the southeast of Section 1, T31N, R13W at an elevation of 5780. The compressor is on a self contained skids placed on gravel pads.

Regional Geology:

The compressor is located in the northwest portion of the basin on Tertiary Nacimiento sediments. The area is adjacent to the Monocline a structural feature of the Lale Cretaceous or early Tertiary Period.

Nacimiento:

The Nacimiento Formation is made up of medium to very coarse grained arkosic sands interbedded with dark carbonaceous clays forming the unique rounded mounds and hills of the bad lands. Thickness of the Nacimiento varies 400'-2000' in thickness. Strateographicly the Nacimiento extends north into Colorado and has far south as Cuba where the type section is located. The Nacimiento Formation with interbedded sandstone lense is a local aquifer. Broad open surfaces on the shallow dipping limbs of the San Juan Basin provide recharge of ground water into the aquifer.

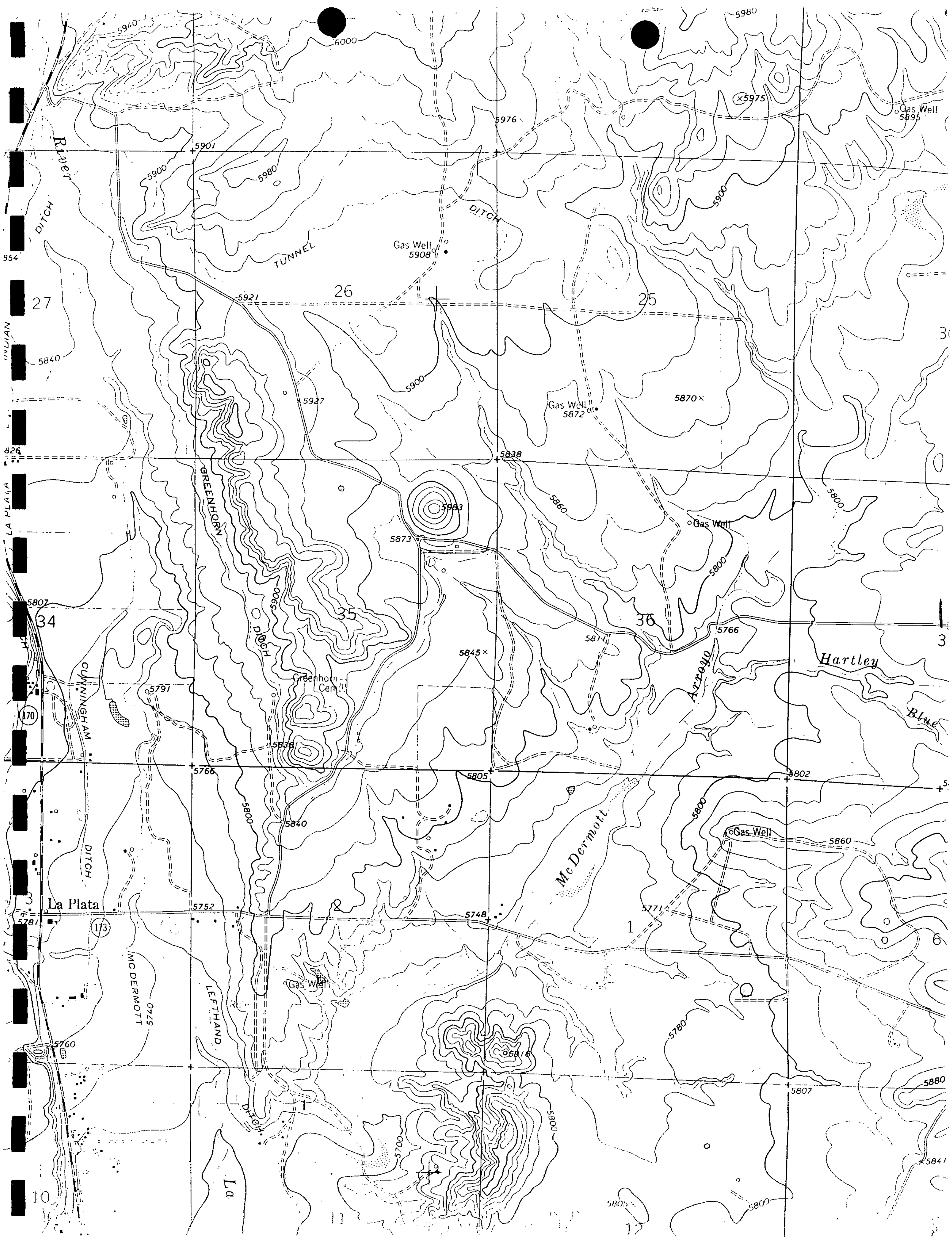
Flood Protection:

Hallwood's compressor CDP#4 is located in an area not associated with flooding. All drip tanks on locations are fiberglassed line and are set with the edge of tanks being above ground level. Berms have been placed around pits with all pits being fenced.

All maps are from Hydrologic Report 6 New Mexico Bureau of Mines and Minerals 1983.

TOPOGRAPHIC

MAP



La Plata
River
INDIAN DITCH
TUNNEL DITCH
GREENHORN DITCH
CUNNINGHAM DITCH
MCDERMOTT
LEFTHAND DITCH
Greenhorn Cem
McDermott Arroyo
Hartley
Blue
Gas Well
26
25
27
35
36
34
2
1
3
6
10
170
173
5940
6000
5980
5975
5895
5976
5901
5900
5908
5921
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5771
5781
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5916
5700
5880
5841

SPILL

PREVENTION

PLAN

POTENTIAL OIL SPILLS- DESCRIPTION OF FACILITIES

Facility Name Federal 1-1

Operator Hallwood Petroleum, Inc.

Location NE SE 1-T31N-R13W, San Juan County, New Mexico. Approximately 2 1/2 miles east of La Plata, New Mexico, on State Highway 173.

Description of Facility Producing gas well. Gas and associated oil produced from wellhead through buried flowline into separator. Separator separates gas from liquids. Gas flows through meter run into sales pipeline. Liquids flow into one 300 barrel stock tank. Produced water is drained from tank into unlined, fenced water pit. Oil stored in tank until sold.

Production As of February 1993: 250 MCFPD, <1 BCPD, <1 BWPD from two production zones.

Condition of Equipment All equipment in good, operational condition. Two non-operational meter runs and dehydration units stored at location. Stock tank constructed of welded steel, enclosed on top, API approved.

Tank Storage Approximate maximum 200 barrels oil.

Secondary Containment Earthen ring dike surrounding stock tank and loading lines, heavily eroded. Dimensions of ring dike: 45 feet by 66 feet by 8 inches. There are no provisions for drainage from the diked areas. Approximate capacity 300 barrels. No secondary containment around wellhead, buried flowlines, or production equipment.

Potential Spills

1) Tank or loading valve failure. Ring dike should contain maximum tank storage.
2) Tank overfill. Maximum spill rate less than 1 barrel per day. Ring dike should contain over 300 days of tank overfill.
3) Equipment failure at wellhead, buried flowlines, or production equipment.

Direction of Spill Possible spills from stock tank should be contained by ring dike. Possible spill escaping from ring dike would flow north by northwest towards dry gulch 400 feet away. No dwellings or surface water supplies located within 2 miles of path of possible spill.

SPILL PREVENTION CONTROL & COUNTERMEASURE PLAN

GENERAL INFORMATION
FACILITY, OWNER, ADDRESS,
RESPONSIBLE PERSONS

Name of Facility Various

Type of Facility Oil and Gas Wells

Location of Facility San Juan County, New Mexico

Name and address of owner or operator:

Hallwood Petroleum, Inc.
P.O. Box 378111
Denver, CO 80237

Persons accountable for oil spill prevention at facility:

Jim Bonaventura - Area Supervisor
Kevin O'Connell - District Drilling and Production Supervisor

Has facility experienced a reportable oil spill event during the twelve months prior to January 10, 1974 (effective date of 40 CFR, Part 112)?

YES [ ] NO [X]

See Attachment #1 for spill history

MANAGEMENT APPROVAL

This SPCC Plan will be implemented as described herein.

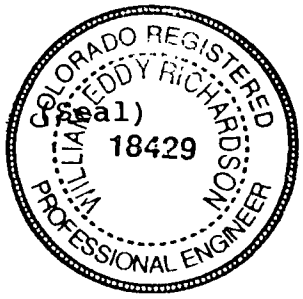
Kevin E O'Connell

Kevin O'Connell
District Drilling and
Production Supervisor

5/21/93
Date

CERTIFICATION

I hereby certify that I have examined the facility, and being familiar with the provisions of 40 CFR, Part 112, attest that this SPCC Plan has been prepared in accordance with good engineering practices.



W E Richardson

William E. Richardson
Registered Professional Engineer
State of Colorado
Registration No. 18429

4/19/93
Date

OIL SPILL CONTINGENCY PLAN
RESPONSE PLAN

Name of Facility Various Oil and Gas Wells
San Juan County, New Mexico

Operator Hallwood Petroleum, Inc.

Response Plan

Company or contract personnel who discover an oil spill should: 1) close off the source of the spill, if safe to do so, and control the spill if possible, 2) notify Hallwood Supervisors, and 3) call for necessary equipment and contractors to control the spill. Personnel should directly notify emergency and regulatory agencies if the Hallwood Supervisors are not available and if there is an immediate danger to human health, property, or the environment.

Personnel should attempt to close off the source of the spill only if the situation is safe and if there is no danger of physical harm. Do not attempt to close off the source of a spill if fire is involved. Minor repairs to ring dikes and construction of spill barriers may be safely performed with shovels and other types of small earth-moving equipment.

Personnel should contact their Hallwood supervisors by telephone as soon as possible to report the incident. The Hallwood supervisors responsible for all spills in San Juan County, New Mexico, and the emergency and regulatory agencies are listed in this SPCC plan under the Company, Emergency, and Regulatory Contacts section. The following information should be described to the Hallwood Supervisors or to emergency and regulatory agencies:

1. Date and time the spill was discovered,
2. Location of spill by legal definitions and by distance and direction from the nearest town or landmark,
3. Estimated quantity of the spill, distance spill traveled, status of containment,
4. General prevailing conditions in the area including precipitation, temperature, and soil conditions, and
5. Immediate or potential danger to human health or the environment.

OIL SPILL CONTINGENCY PLAN
RESPONSE PLAN

Name of Facility Various Oil and Gas Wells
San Juan County, New Mexico

Operator Hallwood Petroleum, Inc.

Response Plan (continued)

The following oil spill situations require notification to the State Oil Conservation Commission, the Local Emergency Planning Committee and the State Emergency Planning Commission:

1. A spill of 5 barrels or more onto the ground regardless of whether the spill is contained or not,
2. A spill of any quantity which reaches any surface water or watercourse,
3. A spill involving a well blowout or a fire.

Immediate notification to state regulatory agencies, either in person or by telephone, is required for blowouts or fires, for spills of any quantity which reach surface water or a watercourse, and for spills of 25 barrels or more onto the ground. Subsequent notification, consisting of a complete written report of the incident, must be submitted to the state agencies within 10 days of occurrence. Spills of between 5-25 barrels which do not reach surface water or a watercourse require subsequent notification only. Additional details regarding spill reporting may be found under Rule 116 of the New Mexico Oil Conservation Commission Rules and Regulations.

Except in cases of extreme emergency, the authority to contact cleanup contractors and to begin cleanup operation must be obtained from the Hallwood Supervisors listed in this SPCC Plan. Cleanup contractors are listed in this SPCC plan under the Cleanup Contractors section. Spill containment or cleanup plans may require coordination with the state regulatory agencies. If a fire department or Hazardous Material Response Team responds to control a spill or fire then OSHA regulations prohibit the resumption of cleanup operations without Hallwood personnel being trained as hazardous waste site workers.

OIL SPILL CONTINGENCY PLAN
RESPONSE PLAN

Name of Facility Various Oil and Gas Wells
San Juan County, New Mexico

Operator Hallwood Petroleum, Inc.

Response Plan (continued)

This SPCC plan must be kept at the Hallwood field offices where it is accessible to all Hallwood personnel. The SPCC plan may be required to be submitted to the EPA and state agencies whenever:

1. A spill of 24 barrels or more into surface water or a watercourse occurs,
2. Any two reportable events occur within a 12 month period, or
3. If EPA makes a specific request to see the plan.

A record of all reportable spills must be kept with this SPCC plan. Attachment #1 Record of Spills from These Facilities has been provided for the purpose of spill recordkeeping.

Cleanup of Oil Spills

Hallwood does not maintain the equipment or supplies necessary to contain or cleanup a large oil spill. A list of contractors and suppliers to be contacted in the event of a spill is included in this SPCC plan under the Cleanup Contractors section.

Spills onto Soil: Mobile oil spills should be contained as soon as possible by the construction of earthen dams or by the placement of mechanical barriers. Free oil may be removed from the ground by the use of a vacuum truck. Remaining free oil may be removed from the ground by the use of oil-absorbent materials. Oil-contaminated soil may be cleaned by the processes of volatilization and/or bioremediation. Volatilization is the natural process of allowing the light oil fractions to evaporate into the atmosphere. Bioremediation is the natural process of allowing oil-feeding microbes to consume the oil. Bioremediation may be enhanced by the addition of commercially available microbes and nutrients to the soil. Both volatilization and bioremediation may be enhanced by roto-tilling the contaminated soil. Depending on the severity of the spill and soil contamination, soil sampling and testing for oil content may be required to satisfy regulatory agencies.

OIL SPILL CONTINGENCY PLAN
RESPONSE PLAN

Name of Facility Various Oil and Gas Wells
San Juan County, New Mexico

Operator Hallwood Petroleum, Inc.

Cleanup of Oil Spills (continued)

Spills onto Water: Oil spills onto surface water of any quantity must be cleaned up to the satisfaction of landowners and regulatory agencies. The spill should be contained as soon as possible by the use of floating booms or other mechanical barriers. Free oil may be removed from the water by the use of a vacuum truck or by the use of oil-skimming equipment. Remaining free oil may be removed from the water by the use of oil-absorbent materials. Oil-absorbent materials may also be used to remove oil which has accumulated on shoreline soils, rocks, and vegetation. Oil-contaminated shoreline materials may require removal to a suitable treatment site for cleanup, and may be cleaned as described in the Spills onto Soil section above.

OIL SPILL CONTINGENCY PLAN
COMPANY, EMERGENCY, AND
REGULATORY CONTACTS

Name of Facility Various Oil and Gas Wells
San Juan County, New Mexico

Operator Hallwood Petroleum, Inc.

Company, Emergency, and Regulatory Contacts

Hallwood Supervisors

Jim Bonaventura - Area Superintendent
Durango, Colorado
Office (303)259-1374 Home (303)247-9662
Farmington mobile (505)599-1920
Durango mobile (303)247-4127 (OD 20120)

Kevin O'Connell - Drilling & Production Superintendent
Denver, Colorado
Office(303)850-6303 Home (303)838-2191

Fire Departments (Hazardous Material Response Teams)

Durango, Colorado	911 or (303)247-5622
Ignacio, Colorado	(303)563-9501
Farmington, New Mexico	911 or (505)325-3501
La Plata, New Mexico	(505)326-3505

New Mexico Oil Conservation Commission

District II Offices
Artesia, New Mexico (505)748-1283

Local Emergency Planning Committee

San Juan County
Niel Tribbett
Waterflow, New Mexico (505)598-7252

State Emergency Planning Commission

Max Johnson
Chemical Safety Office
Department of Public Safety
Santa Fe, New Mexico (505)827-9223

EPA National Response Center (800)424-8802

OIL SPILL CONTINGENCY PLAN
CLEANUP CONTRACTORS

Name of Facility Various Oil and Gas Wells
San Juan County, New Mexico

Operator Hallwood Petroleum, Inc.

Cleanup Contractors

Water Haulers

Dawn Trucking Co.
Farmington, NM
(505)327-6314

Sunco Trucking Co.
Farmington, NM
(505)327-0416

Three Rivers
Farmington, NM
(505)325-8017

Dirt Contractors

Helmur Corp.
Durango, CO
(303)247-4036

Ebberts Construction
Durango, CO
(303)677-2476

Nickles Bros. Construction
Farmington, NM
(505)325-4840

Roustabouts

Tane's Oilfield
Durango, CO
(303)385-6881

L&L Oilfield Service
Farmington, NM 87499
(505)325-9381

Iron Horse
Farmington, NM
(505)334-3121

Wayne Hare
Durango, CO
(303)247-4511

Stover & Son
Farmington, NM
(505)327-5818

Suppliers and Environmental Consultants

ECC
Farmington, NM
(505)327-0041

On Site
Farmington, NM
(505)325-8786
(505)327-7105

HYDROLOGIC

MAPS

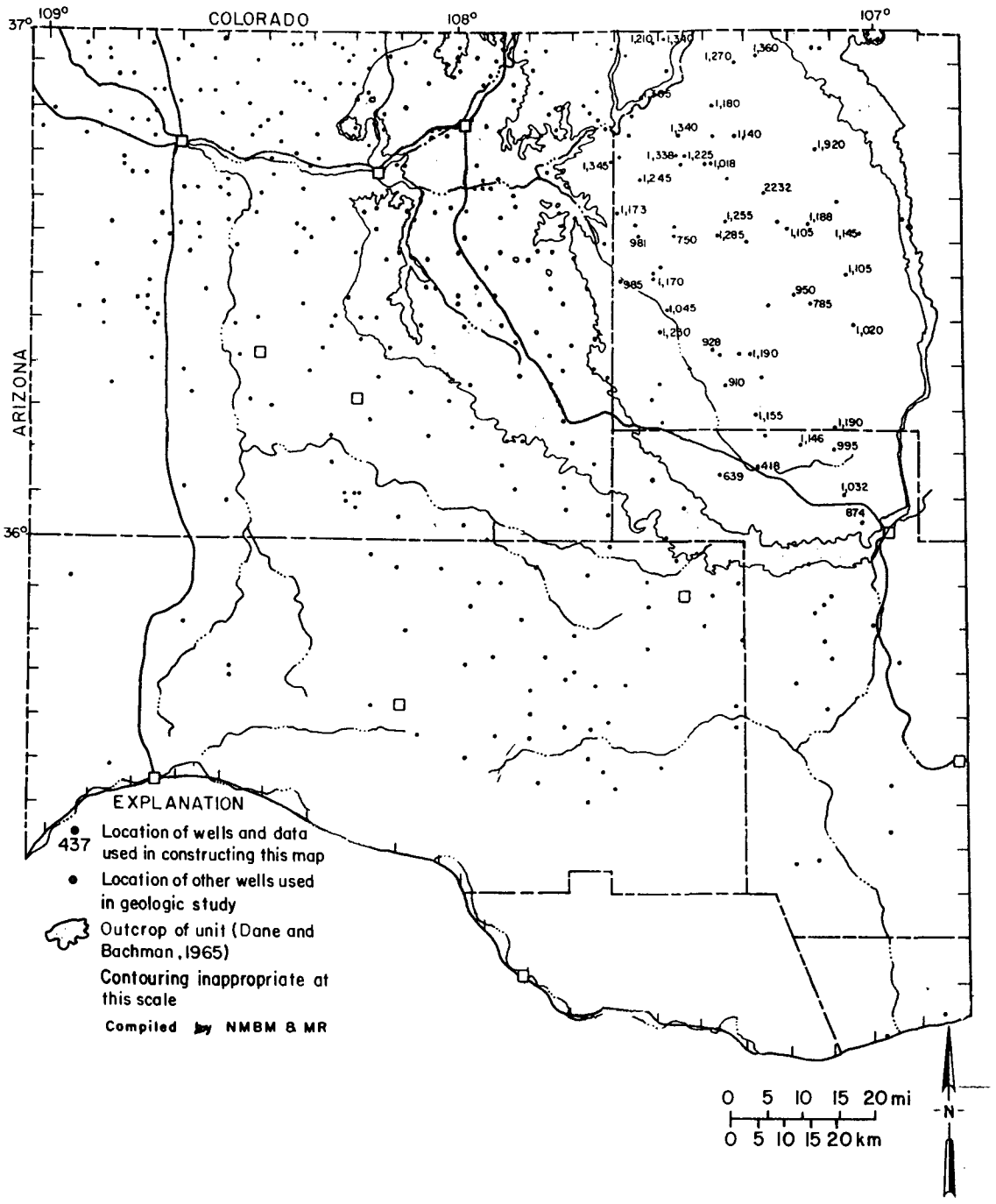


Figure 21—THICKNESS OF NACIMIENTO/ANIMAS FORMATIONS.

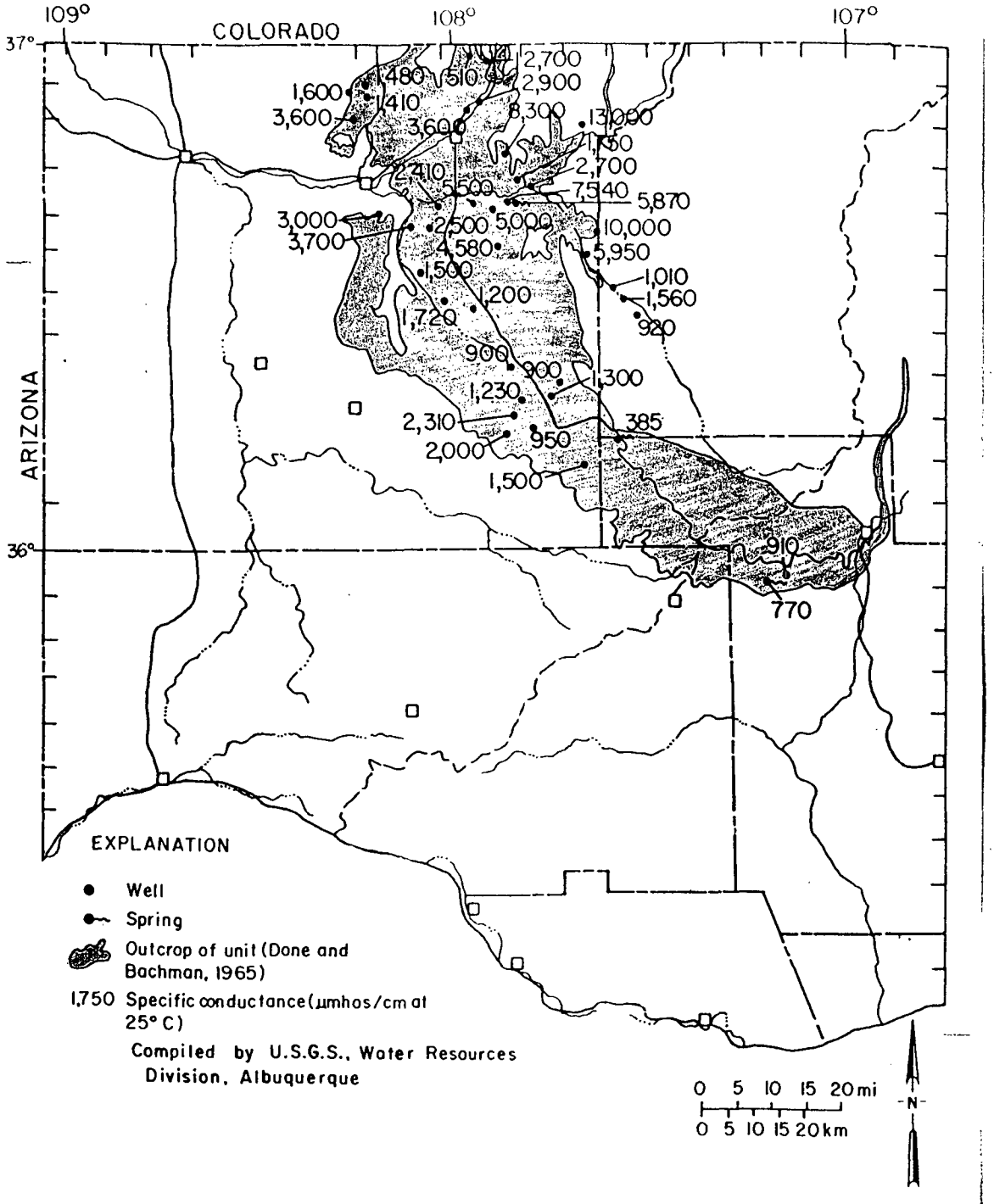


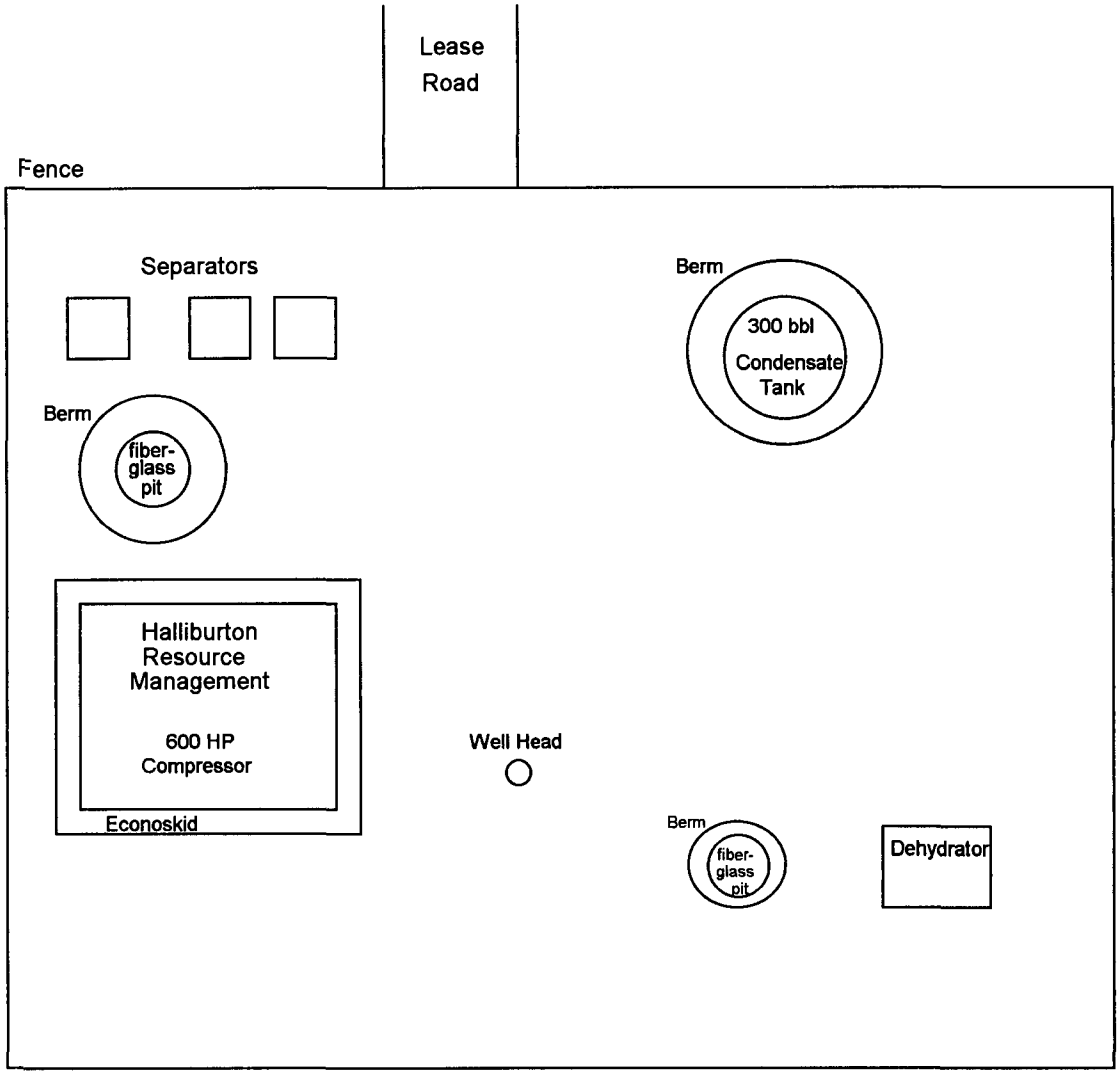
Figure 22—SPECIFIC CONDUCTANCE FROM SELECTED WELLS AND SPRINGS IN NACIMIENTO/ANIMAS FORMATIONS.

FACILITY

SITE

PLAN

CDP #4


Lease
Road
Fence
Separators
Berm
300 bbl
Condensate
Tank
Berm
fiber-
glass
pit
Halliburton
Resource
Management
600 HP
Compressor
Econoskid
Well Head
Berm
fiber-
glass
pit
Dehydrator

NTS

E P A

FORM 8700 - 12A

EPA

ACKNOWLEDGEMENT OF NOTIFICATION OF REGULATED WASTE ACTIVITY

(VERIFICATION)

This is to acknowledge that you have filed a Notification of Regulated Waste Activity for the installation located at the address shown in the box below to comply with Section 3010 of the Resource Conservation and Recovery Act *(RCRA)*. Your EPA Identification Number for that installation appears in the box below. The EPA Identification Number must be included on all shipping manifests for transporting hazardous wastes; on all Annual Reports that generators of hazardous waste, and owners and operators of hazardous waste treatment, storage and disposal facilities must file with EPA; on all applications for a Federal Hazardous Waste Permit; and other hazardous waste management reports and documents required under Subtitle C of RCRA.

EPA I.D. NUMBER

NMD986682102

INSTALLATION ADDRESS

[redacted]
SW SP 20 COUNTY RD
BLOOMFIELD ,NM 87413

EPA Form 8700-12A (6-90)