

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

IN RE PERMIAN WATER SOLUTIONS, LLC

NMOCD-ACO-201813

AGREED COMPLIANCE ORDER

Pursuant to the New Mexico Oil and Gas Act ("Act"), NMSA 1978, Section 70-2-1, *et seq.*, and 19.15.29.15 NMAC, the Director of the Oil Conservation Division ("OCD") and Permian Water Solutions, LLC ("PWS") enter into this Agreed Compliance Order ("Order").

I. FINDINGS OF FACT AND CONCLUSIONS OF LAW

1. OCD is charged with the administration and enforcement of the Act and the rules adopted thereunder, and has jurisdiction over Operator and its wells and sites in New Mexico.
2. PWS owns the wells identified in Exhibit A ("Wells").
3. On October 15, 2018, Cambrian Management, LTD and PWS submitted a Form C-145 application and requested OCD's approval to transfer the Wells.
4. PWS in the Form C-145 application certified that, as a condition of OCD's approval to transfer the Wells, it would be responsible to take corrective action for releases at the Wells, "including releases that occurred before I became operator of record."
5. On October 16, 2018, OCD approved the Form C-145 application to transfer the Wells.
6. Pursuant to 19.15.29.7(C) NMAC, PWS is the "responsible party" for the releases at the Wells.
7. Pursuant to 19.15.29 NMAC, PWS must characterize and remediate the releases at the Wells identified in Exhibit A ("Incidents").
8. PWS has initiated the characterization and remediation of the Incidents at the Kaiser Well.
9. OCD is authorized to impose sanctions for violations of the Oil and Gas Act and orders issued and rules promulgated pursuant to the Oil and Gas Act, including denial or revocation of registrations, applications, permits, authorizations and transfers, and the assessment of civil penalties. *See* 19.15.5.10 NMAC.
10. PWS requests this Order in order to avoid sanctions under the Oil and Gas Act and 19.15.29 NMAC for the Incidents and to provide PWS an opportunity to demonstrate its commitment to compliance with the Act and rules.

11. PWS admits the findings of fact and waives its right to appeal from this Order, provided however that PWS reserves the right to appeal OCD's interpretation or application of this Order.

II. ORDER

12. Kaiser Incidents. PWS shall complete the remediation of the Kaiser Incidents in accordance with the OCD-approved remediation plan.
13. Other Incidents.
 - A. PWS shall submit characterization and remediation work plans for the Incidents through the OCD fee portal no later than May 27, 2022.
 - B. If OCD does not approve a characterization or remediation work plan, OCD shall provide a written explanation of the deficiency, and no later than thirty (30) days after OCD provides such explanation, PWS shall submit a revised work plan addressing the deficiency. If OCD does not approve the revised work plan, OCD shall provide a written explanation of the deficiency, and no later than thirty (30) days after OCD provides such explanation, PWS shall submit a second revised work plan addressing the deficiency. If OCD does not approve the second revised work plan, PWS shall be in breach of the Order, and PWS shall pay a stipulated penalty and be subject to additional sanctions as provided below.
 - C. No later than the last deadline, which includes any extensions granted, as established by OCD for the final completion of the remediation work of each of the other Incidents, PWS shall complete the characterization and remediation of each of the other Incidents, provided however that PWS may request an extension of time for good cause shown.
 - D. In evaluating a request for an extension of time under subparagraph C, OCD shall consider PWS's status as a small operator with limited resources, its ongoing commitment of resources to other remediation projects in New Mexico, including the Kaiser remediation project, and its need to reallocate resources before commencing a remediation project required by this Order.

14. Documents and Other Communications.

- A. Paragraphs 13 and 14. PWS shall submit all documents related to Paragraphs 13 and 14 through the OCD Permitting fee portal.
- B. Other Communications. All other communications related to the Order shall be submitted electronically to:

OCD: Jesse Tremaine, Esq.
JesseK.Tremaine@state.nm.us

PWS: Luke Kittinger, Esq.
Luke@abadieschill.com

- 15. If PWS fails to comply with a requirement of this Order, no later than thirty (30) days after receipt of a written demand from OCD, in addition to any other sanction imposed by OCD pursuant to the Oil and Gas Act and the rules adopted thereunder, PWS shall pay a stipulated penalty of \$500.00 for each day until it complies with each separate requirement ("Stipulated Penalty"). Each failure to comply with a requirement of this Order shall be subject to a separate Stipulated Penalty.
- 16. If PWS fails to pay the Stipulated Penalty or portion thereof within thirty (30) days after receipt of a written demand from OCD, it shall pay interest on the Stipulated Penalty or unpaid portion thereof until paid in full at the interest rate of 8.75 percent.
- 17. Notwithstanding an assessment of a Stipulated Penalty, PWS shall comply with its remaining obligations of this Order.
- 18. Upon receipt of written request, OCD and PWS shall confer in good faith to resolve any dispute regarding the Order.
- 19. If PWS cannot reasonably perform or achieve an obligation under this Order due to Force Majeure, OCD shall stay the obligation and any other reasonably related obligation until OCD in its sole discretion decides PWS can reasonably comply with such obligation and the period for compliance with such obligation and any other reasonably related obligation shall be extended for an additional number of days equivalent to the period of the stay. For the purpose of this Order, Force Majeure means an event beyond the reasonable control of PWS which prevents PWS from complying with an obligation under this Order, including fire, explosion, earthquake, drought, flood, war, terrorism, or an agency's undue delay to issue a permit, easement, license or other required consent required to comply with this Order.
- 20. Upon successful completion of this Order, OCD shall notify PWS in writing that it is released from liability for the Incidents.

21. OCD reserves the right to sanction PWS for any alleged violation not addressed in this Order, provided however that PWS reserves all rights accorded by statute and regulation.

NEW MEXICO OIL CONSERVATION DIVISION



Adrienne Sandoval
Director

Date: 2/17/2022

PERMIAN WATER SOLUTIONS, LLC



Josh Brooks
President

Date: 1-28-2022

EXHIBIT A

WELL	API	INCIDENT ID	DISCOVERY DATE	LOCATION	DISTRICT	MATERIAL	SOURCE
KAISER STATE SWD #009	30-025-02538	nCH1834760902	11/2/2018	F-13-21S-34E	Hobbs		
KAISER STATE SWD #009	30-025-02538	nOY1823336566	8/17/2018	F-13-21S-34E	Hobbs	Produced Water	Valve
KAISER STATE SWD #009	30-025-02538	nOY1821950108	8/6/2018	F-13-21S-34E	Hobbs	Produced Water	Pump
KAISER STATE SWD #009	30-025-02538	nCH1821239639	6/20/2018	F-13-21S-34E	Hobbs	Produced Water	Other
KAISER STATE SWD #009	30-025-02538	nOY1803834027	2/7/2018	F-13-21S-34E	Hobbs	Produced Water	Pump
KAISER STATE SWD #009	30-025-02538	nOY1730058924	10/18/2017	F-13-21S-34E	Hobbs	Produced Water, Crude Oil	Unknown
KAISER STATE SWD #009	30-025-02538	nKL1632848695	not stated	F-13-21S-34E	Hobbs	Produced Water	Frac Tank
KAISER STATE SWD #009	30-025-02538	nJXK1616127644	5/17/2016	F-13-21S-34E	Hobbs	Produced Water	Tank
KAISER STATE SWD #009	30-025-02538	nKJ1512041707	4/24/2015	F-13-21S-34E	Hobbs	Produced Water	Pipeline
KAISER STATE SWD #009	30-025-02538	nTO1502927174	1/14/2015	F-13-21S-34E	Hobbs	Produced Water	Production Tank
KAISER STATE SWD #009	30-025-02538	nPAC0531137785	9/11/2005	F-13-21S-34E	Hobbs	Produced Water	Pipeline
DORSTATE SWD #001	30-015-23728	nAB1724135283	8/23/2017	H-27-25S-28E	Artesia	Produced Water	Other
DORSTATE SWD #001	30-015-23728	nAB1613157015	5/2/2016	H-27-25S-28E	Artesia	Produced Water	Valve
A N ETZ #001	30-025-07713	nOY1804732368	7/15/2017	P-26-19S-38E	Hobbs	Produced Water	Flow
RICE SWD F #029	30-025-12802	nLWJ1008538662	11/11/2006	F-29-18S-38E	Hobbs	Produced Water	Other
RICE SWD F #029	30-025-12802	nPAC0633335042	11/11/2006	F-29-18S-38E	Hobbs	Produced Water	Pipeline
ANN SWD #001	30-015-23580	nMAP1825433366	9/5/2018	G-18-19S-26E	Artesia	Produced Water	Tank
DELAWARE RIVER #002	30-015-24784	nAB1721451368	7/25/2017	E-11-26S-28E	Artesia	Produced Water	Fitting
EXXON STATE #003	30-015-01096	nGEG0433742034	12/2/2004	O-15-21S-27E	Artesia	Crude Oil	Production Tank
ROHMER #001	30-015-25722	nAB1817142364	6/13/2018	F-23-22S-27E	Artesia	Produced Water	Valve