

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

NMOCD - OGA 04-03

**IN THE MATTER OF
CONOCOPHILLIPS COMPANY,**

Respondent.



**AGREED ORDER DIRECTING COMPLIANCE AND ASSESSING CIVIL
PENALTY**

Pursuant to the New Mexico Oil and Gas Act, NMSA 1978, Sections 70-2-1 through 70-2-38, as amended ("Act"), the Director of the Oil Conservation Division ("OCD") issues this order to ConocoPhillips Company ("ConocoPhillips"), to enforce the Act and the OCD Rules.

FINDINGS

1. The OCD is the state division charged with administration and enforcement of the Act and OCD Rules.
2. ConocoPhillips is a corporation incorporated in the State of Delaware and authorized to do business in the State of New Mexico under Public Regulation Commission ("PRC") SCC No. 0126987.
3. According to PRC records, ConocoPhillips is an active corporation in good standing with a principal and mailing address at 1250 Adams Building, Bartlesville, Oklahoma 74004, and a principal address in New Mexico of P.O. Box 26236, Albuquerque, New Mexico 87125.

4. On Thursday, August 22, 2003, Oil Conservation Division (OCD) Deputy Oil and Gas Inspector Bruce Martin observed water spraying at the ConocoPhillips San Juan 31-7 Unit Well No. 224A (API # 30-045-31201), located in Unit Letter C, Section 21, Township 32 North, Range 07 West, San Juan County, New Mexico. Deputy Inspector Martin identified the source of the spray and observed that water was spraying onto the location.
5. Deputy Inspector Martin found that Dave Williams, an employee of Aztec Excavation, working under contract for ConocoPhillips, was spraying produced water from a pit onto and across the location. According to Mr. Williams, the spraying had been going on for three days.
6. Deputy Inspector Martin estimated that, at the time of his discovery, most of the sprayer output was blowing from the pit and onto the location, and he directed the spraying operation be shut down.
7. Deputy Inspector Martin also observed water from a severe leak in the pump discharge line flowing down the liner onto the location.
8. Water from the spraying and from the leak was flowing down a pipeline depression to the west of the pit. The water was being absorbed by and penetrating into the disturbed soil of the pipeline trench.

CONCLUSIONS

1. The OCD has jurisdiction over the parties and subject matter in this proceeding.
2. ConocoPhillips is a "person" as defined by OCD Rule 7.P (19.15.1.7.P NMAC).
3. OCD Rule 710.A. [19.15.9.710.A NMAC] states in pertinent part:

No person, including any transporter, may dispose of produced water on the surface of the ground, . . . or in any manner which will constitute a hazard to any fresh water supplies.

4. Disposition of produced water by allowing it to leak on to the surface of the ground or by spraying that causes drift and pooling is a violation of Rule 710.A.

COMPLIANCE ORDER

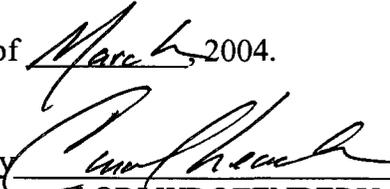
ConocoPhillips will henceforth prevent overspray of produced water at all operating locations.

CIVIL PENALTY

NMSA 1978, Section 70-2-31.B (as amended) authorizes the assessment of civil penalties of up to one thousand dollars (\$1,000) per day per violation against anyone who knowingly and willfully violates the Oil and Gas Act or any rule adopted pursuant to that act. Having considered the nature of the above-described violations, the response of ConocoPhillips, and extenuating circumstances deemed relevant, the Division hereby assesses a civil penalty against ConocoPhillips in the amount of One Thousand Dollars (\$1,000). ConocoPhillips shall pay this penalty by remittance to "Director - Oil Conservation Division - Energy, Minerals and Natural Resources Department of the State of New Mexico." Payment shall be due not later than thirty (30) days after service upon ConocoPhillips of a fully executed copy of this Order.

Done at Santa Fe, New Mexico this 26th day of March, 2004.

DATE

By 
LORI WROTENBERY, Director



ACCEPTANCE

ConocoPhillips Company hereby accepts the above and foregoing Order No. NMOCD - OGA 04-03, and agrees to all of the terms and provisions therein set forth.

Dated 3-21, 2004.

ConocoPhillips Company

By WJ [signature]
Its San Juan Operations Manager