

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



**IN THE MATTER OF ELM RIDGE RESOURCES, INCORPORATED,  
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"), and the regulations promulgated under the Act, the Director of the Oil Conservation Division of the Energy Minerals and Natural Resources Department of the State of New Mexico ("OCD") issues this Order to ELM RIDGE RESOURCES, INCORPORATED ("Elm Ridge") directing compliance with the Act and OCD Rules, and assessing a penalty for violations of the Act and OCD rules.

**FINDINGS**

1. The OCD is the state division charged with administration and enforcement of the Act and OCD Rules.
2. Elm Ridge is a foreign corporation authorized to do business in the State of New Mexico under Public Regulation Commission ("PRC") SCC number 1721604 with a mailing address of 12225 Greenville Ave., Ste 950 Dallas, Texas 75243-9362, and its registering agent being CT Corporation System, 123 E Marcy St., Santa Fe, New Mexico 87501.
3. On December 18, 2003, Deputy Oil and Gas Inspector Bruce Martin was inspecting the Elm Ridge Resources, Inc. (Elm Ridge) Carson Unit Battery "P", located in Section 13, Township 25 North, Range 11 West when he observed produced water was pooled on the ground under and around a truck at the facility.
4. An OCD investigation of the site and relevant documents established the following facts:
  - a. On December 11 thru 18, 2003, Quality Oilfield Services ("QOS") truck #5846 was hauling produced water for Elm Ridge.
  - b. This truck was releasing produced water from tank leaks on the frame and the tank contact just in front of the rear axle.
  - c. Elm Ridge employees Donnie Strickhausen and Andy Williams were aware the QOS truck #5846 was releasing produced water and allowed it to continue hauling produced water.
  - d. In an interview, a QOS employee stated that Andy Williams had warned the QOS drivers they would get an OCD fine if the truck was not repaired.

- e. QOS operated truck #5846, under contract to Elm Ridge, six separate days during the period of December 11 thru 18, 2003, after the driver had reported a cracked and leaking tank. During this period QOS truck #5846 was used to transport 30 loads of produced water for Elm Ridge.
  - f. OCD Rule 710.A. states in pertinent part, "No person . . . may dispose of produced water on the surface of the ground . . ."
  - g. Elm Ridge's use of QOS truck #5846 while it was leaking for six days during the interval of December 11 thru 18, 2003 is a violation of Rule 710.A.
5. No further remedial action will necessary for the produced water released during this incident.

### CONCLUSIONS

1. The OCD has jurisdiction over the parties and subject matter in this proceeding.
2. Elm Ridge is a person as defined by NMSA 1978, Section 70-2-33(A) subject to civil penalties under NMSA 1978, Section 70-2-31(A) for knowing and willful violations of the Oil and Gas Act or OCD Rules.
3. Elm Ridge is subject to civil penalties under NMSA 1978, Section 70-2-31(A) for violating OCD Rule 710.A's prohibition against the disposal of produced water on the surface of the ground because it allowed produced water to be released onto the surface of the ground. This violation occurred for six days.

### ORDER AND CIVIL PENALTY

1. Taking into account both aggravating and mitigating factors, the OCD hereby assesses a civil penalty totaling one thousand dollars (\$1,000) against Elm Ridge.
2. The civil penalty shall be paid within sixty days of receipt of this order. Payment shall be made by certified or cashier's check made payable to the "New Mexico Oil Conservation Division," and mailed or hand-delivered to the New Mexico Oil Conservation Division, Attention: Director, 1220 South Saint Francis Drive, Santa Fe, New Mexico, 87505.
3. By signing this order, Elm Ridge expressly:
  - a. acknowledges the correctness of the Findings and Conclusions set forth in this order;
  - b. agrees to comply with ordering paragraph 2;
  - c. waives any right, pursuant to the Oil and Gas Act or otherwise, to a hearing either prior or subsequent to the entry of this Order or to an appeal from this Order; and

- d. agrees that if it fails to comply with this Order, the Order may be enforced by suit or otherwise to the same extent and with the same effect as a final Order of the Division entered after notice and hearing in accordance with all terms and provisions of the Oil and Gas Act (NMSA 1978, Sections 70-2-1 through 70-2-38, as amended).

Done at Santa Fe, New Mexico, this 22<sup>nd</sup> day of August 2004.

By:   
Mark Fesmire, PE, Director  
Oil Conservation Division

**ACCEPTANCE**

Elm Ridge Resources, Incorporated hereby accepts the foregoing order, and agrees to all of the terms and provisions set forth in the order.

ELM RIDGE RESOURCES, INCORPORATED

By: 

Title: President

Date 9/14/04