

State of New Mexico
Energy, Minerals and Natural Resources Department

Michelle Lujan Grisham
Governor

Sarah Cottrell Propst
Cabinet Secretary

Todd E. Leahy, JD, PhD
Deputy Cabinet Secretary

Dylan M. Fuge, Division Director (Acting)
Oil Conservation Division



BY CERTIFIED AND ELECTRONIC MAIL

Sarah Ferreyros
Regulatory Manager
Colgate Operating, LLC
300 North Marienfeld Street, Suite 1000
Midland, TX 79701
Sarah.ferreyros@permianres.com

NOTICE OF VIOLATION

Dakota/Bolander Battery ["Facility ID: fAPP2204137011"]
Dawson/Shamrock Battery ["Facility ID: fAPP2204137251"]

The Director of the Oil Conservation Division ("OCD") issues this Notice of Violation ("NOV") pursuant to 19.15.5.10 NMAC.

(1) *Alleged Violators:* Colgate Operating, LLC, OGRID 371449 ("Operator").

(2) *Citation, Nature, and Factual and Legal Basis for Alleged Violation(s):*

19.15.27.8 VENTING AND FLARING OF NATURAL GAS:

A. Venting or flaring of natural gas during drilling, completion, or production operations that constitutes waste as defined in 19.15.2 NMAC is prohibited. The operator has a general duty to maximize the recovery of natural gas by minimizing the waste of natural gas through venting and flaring. During drilling, completion and production operations, the operator may vent or flare natural gas only as authorized in Subsections B, C and D of 19.15.27.8 NMAC. In all circumstances, the operator shall flare rather than vent natural gas except when flaring is technically infeasible or would pose a risk to safe operations or personnel safety, and venting is a safer alternative than flaring.

During the 2022 calendar year, the Dakota/Bolander Battery (fAPP2204137011) vented or flared on at least 167 days. Each of the 167 vent or flare events required submission of form C-129. The reported volumes for this facility combine for a total of 245,363 MCF for the year. This facility reported daily flaring for more than forty-five percent of calendar year 2022 and averaged over 1,469 MCF of gas flared on reportable days.

During the 2022 calendar year, the Dawson/Shamrock Battery (fAPP2204137251) vented or flared on at least 145 days. Each of the 145 vent or flare events required submission of form C-

129. The reported volumes for this facility combine for a total of 191,007 MCF for the year. This facility reported daily flaring for more than thirty-nine percent of calendar year 2022 and averaged over 1,317 MCF of gas flared on reportable days.

Such flaring at either facility does not meet the definitions of authorized venting or flaring pursuant to 19.15.27.8 B-D NMAC and constitutes prohibited routine venting or flaring.

(3) *Compliance*: No later than twenty-one (21) days after issuance of this NOV, Operator shall:

- Provide documentation on how the operator intends to limit or prevent waste in the future and in accordance with NMAC.19.15.27.

(4) *Sanction(s)*: OCD may impose one or more of the following sanctions:

- civil penalty
- modification, suspension, cancellation, or termination of a permit or authorization
- shutting in a well or wells
- plugging and abandonment of a well
- remediation and restoration of a well location and associated facilities, including the removal of surface and subsurface equipment and other materials
- remediation and restoration of a location affected by a spill or release
- forfeiture of financial assurance
- any other remedy authorized by law

For the alleged violations described above and consistent with applicable law, OCD proposes the following sanctions (one or more of which may ultimately be selected):

- Civil Penalty:

Dakota/Bolander Battery	[fAPP2204137011]	
19.15.27.8 (A)		\$200,000

Dawson/Shamrock Battery	[fAPP2204137251]	
19.15.27.8 (A)		\$200,000


The civil penalty calculations are attached. OCD may recalculate the civil penalties for ongoing violations occurring on or after the date of issuance of this NOV and will take into consideration Operator's good faith effort to comply with the applicable requirements.

(5) *Informal Review and Resolution*: A process is available for the informal review and resolution of the alleged violations in the NOV. To initiate the informal review process, contact the OCD employees identified at the end of this letter. If OCD and the alleged violator agree to resolve the alleged violations in the NOV, the agreement will be incorporated into a stipulated final order signed by both parties and stating that the alleged violator admits OCD's jurisdiction to file the NOV, consents to the specified relief, including the civil penalty, if any, and waives the right of review by the Oil Conservation Commission.

(6) *Hearing*: If this Notice of Violation is not resolved within thirty (30) days of receipt of service, OCD will hold a hearing on June 14, 2023. Please see 19.15.5.10 NMAC for more information regarding the hearing. However, please note that the hearing does not prohibit OCD from negotiating with the alleged violator at any time to settle the NOV.

For more information regarding this NOV, contact Assistant General Counsels Jesse Tremaine, at (505) 231-9312 or jessek.tremaine@emnrd.nm.gov, or Chris Moander, at (505) 709-5687 or chris.moander@emnrd.nm.gov.

Regards,


Dylan M. Fage
Director (Acting)

4/5/23
Date

cc: EMNRD-OGC