

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 Fuge, Division Director (Acting)
Oil Conservation Division



BY CERTIFIED AND ELECTRONIC MAIL

William L. Boyd
Land & Regulatory Manager
Ridgeway Arizona Oil Corporation
575 N. Dairy Ashford, Suite 210
Houston, TX 77079
wboyd@pedevco.com

NOTICE OF VIOLATION

The Director of the Oil Conservation Division (“OCD”) issues this Notice of Violation (“NOV”) pursuant to 19.15.5.10 NMAC. A process is available to informally discuss and resolve the NOV. OCD will not request a hearing on the NOV until the end of this process, which runs for 30 days from the date of your receipt of this letter. OCD will extend this process if it would facilitate informal resolution of the NOV. To initiate this process, contact the OCD employee identified at the end of this letter.

(1) Alleged Violator: Ridgeway Arizona Oil Corporation, OGRID 164557 (“Ridgeway”).

(2) Citation, Nature, and Factual and Legal Basis for Alleged Violations:

19.15.29.8 RELEASES:

- A. Prohibition.** Except as provided in 19.15.27 NMAC or 19.15.28 NMAC, major releases and minor releases are prohibited.
- B. Requirements.** For all releases regardless of volume, the responsible party shall comply with 19.15.29.8 NMAC and shall remediate the release. For major and minor releases, the responsible party shall also comply with 19.15.29.9, 19.15.29.10, 19.15.29.11, 19.15.29.12 and 19.15.29.13 NMAC.
- C. Initial response.** The responsible party must take the following immediate actions unless the actions could create a safety hazard that would result in injury.

19.15.29 NMAC 2

- (1) Source elimination and site security. The responsible party must take appropriate measures to stop the source of the release and limit access to the site as necessary to protect human health and the environment.
- (2) Containment. Once the site is secure, the responsible party must contain the materials released by construction of berms or dikes, the use of absorbent pads or

other containment actions to limit the area affected by the release and prevent potential fresh water contaminants from migrating to watercourses or areas that could pose a threat to public health and environment. The responsible party must monitor the containment to ensure that it is effectively containing the material and not being degraded by weather or onsite activity.

(3) Site stabilization. After containment, the responsible party must recover any free liquids and recoverable materials that can be physically removed from the surface within the containment area. The responsible party must deliver material removed from the site to a division-approved facility.

(4) Remediation. The responsible party may commence remediation immediately.

19.15.34.20 DISPOSITION OF PRODUCED WATER AND OTHER OIL FIELD WASTE:

Except as authorized by 19.15.17 NMAC, 19.15.26.8 NMAC, 19.15.30 NMAC, 19.15.34 NMAC or 19.15.36 NMAC, persons, including transporters, shall not dispose of produced water or other oil field waste:

- A. on or below the surface of the ground, in a pit or in a pond, lake, depression or watercourse.
- B. in another place or in a manner that may constitute a hazard to fresh water public health, or the environment; or
- C. in a permitted pit or registered or permitted surface waste management facility without permission of the owner or operator of the pit or facility.

19.15.36.8 SURFACE WASTE MANAGEMENT FACILITY PERMITS AND APPLICATION REQUIREMENTS:

A. Permit required. No person shall operate a surface waste management facility (other than a small landfarm registered pursuant to Paragraph (1) of Subsection A of 19.15.36.16 NMAC) except pursuant to and in accordance with the terms and conditions of a division-issued surface waste management facility permit. The applicant for a permit or permit modification, renewal or transfer shall be the operator of the surface waste management facility. The operator is responsible for the actions of the operator's officers, employees, consultants, contractors and subcontractors as they relate to the operation of the surface waste management facility. Any person who is involved in a surface waste management facility's operation shall comply with 19.15.36 NMAC and the permit.

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.

Findings of Fact

1. Ridgeway is the operator of record for the Haley Water Station, Facility ID fCH1903857157.
2. OCD observed and documented an unlit flare at this facility venting natural gas into the atmosphere on two separate occasions below.
 - a. On July 28, 2022, an inspector conducted a site visit and found the flare continuing to release gas. OCD contacted the pumper, Caleb Rushing, who stated he would address the issue.
 - b. On August 26, 2022 on a follow-up inspection the inspector again found the flare onsite unlit and venting gas.
3. On July 29, 2022, OCD Staff observed and documented a large pile of suspected contaminated material at the Haley Chaveroo SA Unit Water Injection Facility (“Haley Water Station”).
4. The stockpile appeared to be a combination of well-stream and/or oil field waste impacted soil from releases that have been staged at the Haley Water Station. The site is surrounded by numerous wells and is in a relatively remote location.
 - a. Due to this observation and to determine if the soil was contaminated, the OCD coordinated a sampling event to occur at this site by a neutral third-party environmental contractor.
 - b. Sampling was conducted on August 26, 2022.
 - i. The contractor collected a total of 3 soil samples, a background sample (SS-02), a 3 point soil composite sample around the Northern tanks (SS-03), and a 3 point soil composite sample of the suspected soil mound on the west side of the facility (SS-04).
 - ii. Soil samples SS-03 and SS-04 are more than an order of magnitude beyond the 100 mg/kg TPH threshold (Table 1, 19.15.29 NMAC).

Analytes		Soil Sample ID				19.15.29 NMAC Release Limits*
		SS-02	SS-03	SS-04	MeOH Blank	
Anions	Chloride	Concentration (mg/kg)				
		< 59	64	74	-	600
BTEX	Benzene	-	< 0.13	< 0.026	< 0.025	50 (total BTEX) and 10 (Benzene)
	Toluene	-	< 0.26	< 0.051	< 0.050	
	Ethylbenzene	-	< 0.26	< 0.051	< 0.050	
	Xylenes, Total	-	< 0.53	< 0.10	< 0.10	
TPH	Gasoline Range Organics (GRO)	-	< 26	< 5.1	-	100
	Diesel Range Organics (DRO)	-	3400	1800	-	
	Motor Oil Range Organics (MRO)	-	5800	4000	-	

Conclusions of Law

5. Ridgeway is the operator and responsible party for the Haley Water Station.
6. Ridgeway knew or should have known about the disposal of oil, produced water, condensate or oil field waste on locations operated by Ridgeway.
7. Ridgeway does not have an OCD surface waste management facility permit applicable to the Haley Water Station.
8. Based on the results of samples SS-02 and SS-03, OCD determined that the soils on site have been contaminated by TPH-DRO and TPH-MRO, compounds of high molecular weight oil derived from the observed asphaltene staining on the ground around the tanks and from the pile of dumped material. By improperly disposing contamination on this site and/or combining soils from other locations, Ridgeway created an intentional release on this site that reaches a reasonable excess of 25bbls.
9. Upon information obtained through the third-party contractor and with reasonable belief, Ridgeway had a release in violation of 19.15.29.8 NMAC.
10. Ridgeway failed to report, contain, and remediate the release(s) as required 19.15.29.8 B NMAC.
11. Ridgeway violated 19.15.34.20 NMAC by disposing of oil field waste on the surface of the ground.
12. Ridgeway vented or flared natural gas in violation of 19.15.27.8 NMAC.

(3) Compliance: No later than thirty (30) days after receipt of this NOV, for each release of oil, produced water, condensate or oil field waste, Ridgeway Arizona Oil Corp. shall:

- a. Cease the disposal of waste materials at the Haley Water Station;
- b. Report the release to the OCD as required by 19.15.29.9 NMAC;
- c. Characterize the site as required by 19.15.29.11(A) NMAC; and,
- d. Remediate the release as required by 19.15.29.12 NMAC.

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

- a. Civil penalties;
- b. Modification, suspension, cancellation, or termination or a permit or authorization;
- c. Remediation and restoration of a well location and associated facilities, including the removal of surface and subsurface equipment and other materials;
- d. Forfeiture of financial assurance;
- e. Shutting in a well or wells;
- f. Any other remedy authorized by law.

For the alleged violations described above, OCD proposes the following sanctions:

Civil Penalties: OCD proposes to assess civil penalties as specified below. The civil penalty calculations are attached. OCD has taken into consideration the alleged violator's good faith effort to comply with the applicable requirements. Copies of the civil penalty calculations are attached.

Civil Penalty: 19.15.34 NMAC:	\$ 200,000
19.15.29.8(A) NMAC:	\$ 2,850
19.15.29.8(B) NMAC	\$ 200,000
19.15.27.8(A) NMAC	\$ 70,000

(5) Hearing: If this NOV cannot be resolved informally as outlined above, OCD will request a hearing on June 14, 2023. Please see 19.15.5.10 NMAC for more information regarding the hearing. Even if OCD schedules a hearing, you can request an informal resolution at any time.

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: Environmental Bureau
OGC-EMNRD