

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

**ACO No. 260**

**IN THE MATTER OF CHEMICAL SERVICES COMPANY,**

**Respondent.**

**AGREED ORDER RESOLVING COMPLIANCE ACTION**

Pursuant to the New Mexico Oil and Gas Act, NMSA 1978, Sections 70-2-1 through 70-2-38, as amended ("Act"), and the rules 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") and Chemical Services Company (hereinafter, "Respondent") hereby enter into this Agreed Order (hereinafter, "Order") to resolve the violations asserted in Notice of Violation (hereinafter, "NOV") 01-09-02.

**FINDINGS**

1. The OCD is the state division charged with administration and enforcement of the Act and the rules promulgated under the Act.
2. Respondent is a company that operates out of Andrews, Texas. The New Mexico Public Regulation Commission's Corporation Information Inquiry database does not show Respondent as being registered to do business in New Mexico.
3. Respondent's mailing address is P.O. Box 1149, Andrews, TX 79714. Respondent's business address is 401 NE 3100, Andrews, TX 79714-9239.
4. Respondent does not have a form C-133 Authorization to Move Produced Water permit.
5. From between 5 to 6 pm on Friday, March 6, 2009, witnesses observed a water transporter truck (130 barrel capacity) demarcated with "Chemical Services Co." on the side and rear of vehicle releasing its contents at a site approximately 8 miles northeast of Jal, New Mexico, in Unit Letter D, Section 32, Township 24 South, Range 38 East, Lea County, New Mexico. The truck had a Texas license plate with a possible Texas waste hauler permit number "382."
6. Photographs taken immediately after the release show puddles with a greenish-oily hydrocarbon sheen. Photographs taken a few days later show salt-like deposits where the puddles were.
7. Soil and water samples from the release were analyzed. The results indicate the water and soils were contaminated with salts and petroleum hydrocarbons.

8. On May 18, 2009, OCD issued NOV 01-09-02 to Respondent.
9. On June 3, 2009, an administrative conference was held on the NOV at OCD's Hobbs District Office. Respondent's Owner/Manager Joe Dan Barnes and Supervisor Dave Scoggins appeared for Respondent. Daniel Sanchez, Larry Hill, Carl Chavez, Geoff Leking, and Sonny Swazo appeared for OCD.
10. At the conference Respondent presented the following facts:
  - Respondent has a Texas water hauler permit. Respondent does not have a New Mexico water hauler permit.
  - Chevron is the only operator that Respondent transports for in New Mexico.
  - Respondent transports to and from Chevron's leases in New Mexico and Texas.
  - Respondent only transports fresh water, brine water and produced water. Respondent does not have trucks used exclusively for fresh water.
  - Respondent normally cleans out its trucks by going to a public disposal and rinsing them out. However, this procedure was not followed in this case.
  - Chevron had installed a culvert and covered it with caliche. Winds were blowing the caliche. Chevron asked Respondent to wet down the caliche with fresh water from Chevron's fresh water station. Respondent filled up its truck containing brine residue with fresh water from Chevron's fresh water station and dumped it on the caliche only one time.
  - Respondent has submitted a form C-141 Release Notification and Corrective Action.

11. OCD Rule 19.15.34.8 NMAC states:

**TRANSPORTATION OF PRODUCED WATER, DRILLING FLUIDS AND OTHER LIQUID OIL FIELD WASTE:**

**A.** A person shall not transport produced water, drilling fluids or other liquid oil field waste, including drilling fluids and residual liquids in oil field equipment, except for small samples removed for analysis, by motor vehicle from a lease, central tank battery or other facility without an approved form C-133, authorization to move liquid waste. The transporter shall maintain a photocopy of the approved form C-133 in the transporting vehicle.

**B.** A person may apply for authorization to move produced water, drilling fluids or other liquid oil field waste by filing a complete form C-133 with the division's Santa Fe office. Authorization is granted upon the division's approval of form C-133.

**C.** An owner or operator shall not permit produced water, drilling fluids or other liquid oil field waste to be removed from its leases or field facilities, except for small samples removed for analysis, by motor vehicle except by a person possessing an approved form C-133. The division shall post a list of currently approved form C-133s, authorization to move liquid waste, on its website. The list of form C-133s posted on the division's website on the first business day of each month shall be deemed notice of valid

form C-133s for the remainder of that month.

12. OCD Rule 19.15.34.11 NMAC states:

**DISPOSITION OF PRODUCED WATER AND OTHER OIL FIELD WASTE:** Except as authorized by 19.15.30 NMAC, 19.15.17 NMAC, 19.15.36 NMAC, 19.15.29 NMAC or 19.15.26.8 NMAC, persons, including transporters, shall not dispose of produced water or other oil field waste:

(1) on or below the surface of the ground; in a pit; or in a pond, lake, depression or watercourse;

(2) in another place or in a manner that may constitute a hazard to fresh water, public health, safety or the environment; or

(3) in a permitted pit or registered or permitted surface waste management facility without the permission of the owner or operator of the pit or facility.

13. OCD Rule 19.15.34.12 NMAC states:

**METHODS FOR DISPOSAL OF PRODUCED WATER:** Persons disposing of produced water shall use one of the following disposition methods:

A. disposition in a manner that does not constitute a hazard to fresh water, public health, safety or the environment; delivery to a permitted salt water disposal well or facility, secondary recovery or pressure maintenance injection facility, surface waste management facility or permanent pit permitted pursuant to 19.15.17 NMAC; or to a drill site for use in drilling fluid; or

B. use in accordance with a division-issued use permit or other division authorization.

14. OCD Rule 19.15.19 NMAC requires OCD to be notified of any unauthorized release involving produced water or oil field wastes. The person operating or controlling the release or location of the release is required to give notice to OCD of the release. At a minimum the person operating or controlling a release must provide timely written notification within 15 days to the OCD district office for the area within which the release occurs by completing and filing form C-141 Release Notification and Corrective Action. The responsible person must complete OCD approved corrective action for releases which endanger public health or the environment.

### CONCLUSIONS

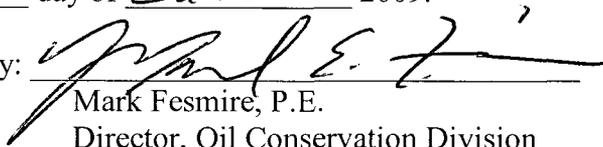
1. The OCD has jurisdiction over the parties and subject matter in this proceeding.

### ORDER

1. Respondent shall remediate the release by Monday August 3, 2009.

2. Respondent shall not transport in New Mexico unless and until it has a valid form C-133 Authorization to Move Produced Water permit. Transporting without an approved C-133 will result in additional enforcement action.
3. By signing this Order, Respondent expressly:
- a. acknowledges the correctness of the Findings and Conclusions set forth in this Order;
  - b. agrees to comply with the Order;
  - 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;
  - 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;
4. Nothing in this Order relieves Respondent of its liability should its operators fail to adequately investigate and remediate contamination that poses a threat to ground water, surface water, human health or the environment. In addition, nothing in this Order relieves Respondent of its responsibility for compliance with any other federal, state or local laws and/or regulations.

Done at Santa Fe, New Mexico this 26<sup>th</sup> day of June 2009.

By: 

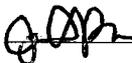
Mark Fesmire, P.E.

Director, Oil Conservation Division

ACCEPTANCE

Chemical Services Company hereby accepts the foregoing Order, and agrees to all of the terms and provisions as set forth in the Order.

**CHEMICAL SERVICES COMPANY**

By:  JOE DAN BARNES

Title: OWNER/MGR.

Date: 6/19/09