

**IN THE MATTER OF
THOMPSON ENGINEERING AND
PRODUCTION CORPORATION and
THOMPSON ENGINEERING AND
PRODUCTION CORPORATION dba
WALSH ENGINEERING AND
PRODUCTION CORPORATION**

NMOCD OGA 02-002

ORDER ASSESSING A CIVIL PENALTY

Pursuant to the New Mexico Oil and Gas Act, NMSA 1978, Sections 70-2-1 through 70-2-38, as amended (the "Act"), the Director of the Oil Conservation Division ("OCD") issues this order to Thompson Engineering and Production Corporation ("Thompson") dba Walsh Engineering and Production Corporation ("Walsh") to enforce the Act and the OCD Rules and to assess a civil penalty for violations of the Act and Rules.

FINDINGS

1. The OCD is the State Division charged with administration and enforcement of the Act and OCD Rules.
2. Thompson is a corporation authorized to do business in the State of New Mexico under Public Regulation Commission ("PRC") number 1559251.
3. Thompson holds a valid Authorization to Move Produced Water (C-133), approved by the OCD on August 22, 2000.
4. On October 17, 2001, Bruce Martin, Deputy Oil and Gas Inspector for OCD District III, was inspecting the Pendragon Energy Partners Incorporated (Pendragon) Frontier A Well #1 (API # 30-045-05919), an approved salt water disposal facility, located in the NE/4 SE4 (Unit Letter I) of Section 8, Township 26 North, Range 12 West, San Juan County, New Mexico. A water truck owned by Thompson arrived at the well site to dispose of a load of produced water. Gordon Jones, an employee of Walsh, was operating the truck.
5. Deputy Inspector Martin observed that the water truck was leaking from holes in the tank. Produced water was reaching the ground from the rear of the truck and dripping from the frame near the rear axle. The produced water was ponding on location from the leaks. Mr. Jones stated that the tank had been leaking for a short period of time. Mr. Jones stated that he had informed his supervisor about the leaks, but his supervisor instructed him to keep hauling water because no other drivable truck was available. Deputy Inspector Martin directed Mr. Jones to cease hauling water until the truck was repaired.

6. On October 22, 2001, Mr. Jones confirmed in a telephone conversation to Deputy Inspector Martin that he had informed his supervisors, West Hahn and Kenny Whitehorn, of the leak on or about October 1, 2001. These supervisors are also employees of Walsh.
7. Documents furnished to the OCD entitled "Walsh Produced Water Report" show that during the period from October 1, 2001 thru October 17, 2001 Thompson transported 10,400 barrels of produced water from Pendragon and Coleman wells. Produced water was hauled to the Pendragon Frontier A #1 for disposal or to various other properties for beneficial use as drilling and treatment fluids.
8. Although the documents do not identify the truck doing the hauling, according to Gordon Jones, only the water truck found leaking was drivable during this period.
9. Walsh was a corporation organized under the laws of the State of New Mexico and formerly authorized to do business as such. However, Walsh's corporate status has heretofore been forfeited. Thompson, however, continues to do business under the name of Walsh without authorization.
10. OCD Rule 13.B (19 NMAC 15.C.13.B) states:

All operators, contractors, drillers, carriers, gas distributors, service companies, pipe pulling and salvaging contractors, treating plant operators or other persons shall at all times conduct their operations in or related to the drilling, equipping, operating, producing, plugging and abandonment of oil, gas, injection, disposal, and storage wells or other facilities in a manner that will prevent waste of oil and gas, the contamination of fresh waters and shall not wastefully utilize oil or gas, or allow either to leak or escape from a natural reservoir, or from wells, tanks, containers, pipe or other storage, conduit or operating equipment.

10. OCD Rule 710.A (19 NMAC 15.I.710.A) states:

No person, including any transporter, may dispose of produced water on the surface of the ground, or in any pit, pond, lake, depression, draw, streambed, or arroyo, or in any watercourse, or in any other place or in any manner which will constitute a hazard to any fresh water supplies.

11. NMSA 1978, Section 70-2-31.A authorizes the assessment of civil penalties of up to one thousand dollars (\$1,000) per day per violation for any knowing or willful violation of any provision of the Oil and Gas Act or of any rule adopted pursuant to the Act.
12. Thompson knowingly and willfully violated OCD Rules 13.B. and 710.A. by operating a water hauling truck for 17 days with a leaking tank that released produced water to the surface of the ground over roadways and locations traveled by the truck while transporting some 10,000 barrels of produced water from October 1, 2001 through October 17, 2001.

CONCLUSIONS

1. The OCD has jurisdiction over the parties and the subject matter of this proceeding.
2. Thompson is a person as defined by OCD Rule 7.P (19NMAC 15.A.7.P).
3. The conduct of Thompson as found above warrants the assessment of civil penalties pursuant to NMSA 70-2-31.A for the violations of OCD Rules described above.

ORDER AND CIVIL PENALTY

(1) Taking into consideration mitigating and other factors, OCD hereby assesses a civil penalty of one thousand dollars (\$1,000) against Thompson for releasing produced water to the ground over a 17-day period.

(2) The civil penalty shall be paid within sixty (60) days of receipt of this Order, 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 Lori Wrotenbery Director, 1220 South St. Francis, Santa Fe, New Mexico 87505.

(3) By its signature hereon accepting this order, Thompson hereby expressly (a) acknowledges the correctness of the Findings and Conclusions set forth in this order, (b) agrees and undertakes to comply with Ordering Paragraph (2) hereof, (c) waives any right, pursuant to NMSA 1978 Section 70-2-23 or otherwise, to a hearing either prior or subsequent to entry of this Order, and (d) understands and agrees that, in the event of non-compliance, this 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 15th day of May, 2002

Date: 5-15-02

By

Lori Wrotenbery
LORI WROTENBERY, Director

ACCEPTANCE

THOMPSON ENGINEERING AND PRODUCTION CORPORATION hereby accepts the above and foregoing Order No. NMOCD - OGA 02-02, and agrees to all of the terms and provisions therein set forth.

Dated May 6, 2002

**THOMPSON ENGINEERING AND
PRODUCTION CORPORATION**

By

Paul C. Thompson

Its

PRESIDENT