

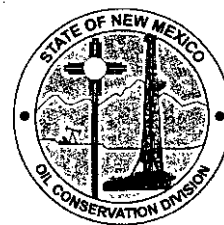


New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Joanna Prukop
Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



Cortez Trucking & Oilfield Services
2403 Los Alamos
Carlsbad NM 88220
ATTN: Mr. Cirilo Cortez

July 13, 2009

Dear Mr. Cortez,

This letter is in reference to what the New Mexico Oil Conservation Division (OCD) believes to have been a release of oilfield produced fluids that occurred at your trucking facility, located at the address listed above, on or about June 22, 2009. It is OCD's belief that the produced fluid was released from a transport parked in front of the shop at your facility. The fluids ran across the facility yard in a Northerly direction, exiting the facility entrance, and continuing down the shoulder of Los Alamos Street.

In addition, a review of the approved, permitted transporter list does not list Cortez Trucking & Oilfield Services as being permitted to haul and/or dispose of produced fluids generated from oil and gas production operations.

Pursuant to the Oil and Gas Act, NMSA 1978, Section 70-2-12, the OCD is granted statutory authority to regulate the disposition of water produced or used in connection with the drilling for or production of oil or gas and to direct surface or subsurface disposal of the water.

19.15.34.8 NMAC states in relevant part,

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.

19.15.34.11 NMAC states in relevant part,

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 water course;



- (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.

At this time, the OCD will require Cortez Trucking and Oilfield Services, pursuant to OCD rules and regulations, to file a form C-133 with the division's Santa Fe Office. The form and applicable rules may be found on the OCD website:

www.emnrd.state.nm.us/ocd

In addition, the OCD will require Cortez Trucking and Oilfield Services to perform an investigation to identify any contaminants that may be present at the facility, and, in the release area outside the facility. Samples are to be obtained and submitted to an OCD approved laboratory in such a manner as to fully delineate the extent of contamination. A remediation work plan proposal is then to be formulated, based on the delineation results, and, OCD rules and guidelines, and submitted to the OCD District 2 office for review.

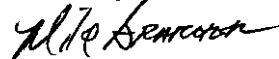
Please submit the work plan proposal not later than July 31, 2009.

Notify the OCD District 2 office 48 hours prior to obtaining samples where analyses of samples obtained are to be submitted to OCD, in order to allow OCD personnel to witness the sampling event.

Cortez Trucking and Oilfield Services may not transport oilfield related fluids and/or waste materials without proper registration and authorization.

If I can be of assistance in this matter, or, for any questions and/or concerns, please contact me.

Sincerely,



Mike Bratcher
NMOCD District 2
1301 W. Grand Ave.
Artesia, NM 88210
575-748-1283 Ext.108
mike.bratcher@state.nm.us

Distribution:

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