

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

NMOCD- 107

**IN THE MATTER OF CONOCOPHILLIPS COMPANY,**

**Respondent.**

**AGREED COMPLIANCE ORDER**

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 (hereinafter, "OCD") issues this Order to **CONOCOPHILLIPS COMPANY** (hereinafter "COPC") directing compliance with the Act and OCD Rules, and assessing a penalty for violations of the Act and OCD Rules.

**FINDINGS**

- 1) The OCD is the state division charged with administration and enforcement of the Act and OCD Rules.
- 2) COPC is a foreign profit corporation doing business in New Mexico, registered with the Public Regulatory Commission Secretary of State under number 0126987. COPC is an active entity with a principal address at 5051 Westheimer Rd., Ste. 1400, Houston TX 77056. Its registered agent for service of process in New Mexico is CSC of Lea County Inc. 1819 N Turner Street, Suite G, Hobbs, New Mexico 88240. COPC's local address is Gregory Leveille San Juan Operations Manager, 5525 Highway 64, Farmington, New Mexico 87401. COPC's OGRID is 217817.
- 3) On October 28, 2005, OCD Deputy Oil and Gas Inspector Monica Kuehling noted a lined pit at the COPC San Juan 31-6 Unit #50 site with a liner tear to below the fluid level in the pit. Two employees of Wood Group, a COPC contractor, were flowing back the well into the pit and overspray was leaving the pit. The contractors were aware of the tear, and told Deputy Inspector Kuehling that they had reported the lack of integrity to COPC. Deputy Inspector Kuehling instructed the contractor to stop use of the pit until the liner could be repaired. James Woosley of COPC committed to having the liner repaired.
- 4) A subsequent OCD investigation found the following:
  - a) COPC does not have a permit for a pit at this location. The OCD has not granted an exception to the permit requirement for this location and no exception applies.

b) OCD Rule 50.A [19.15.2.50.A NMAC] states in relevant part, "Discharge into, or construction of, any pit or below-grade tank is prohibited absent possession of a permit issued by the division, unless otherwise herein provided or unless the division grants an exemption pursuant to Subsection G of 19.15.2.50 NMAC."

c) OCD Rule 50.C(2)(b)(i) [19.15.2.50C(2)(b)(i) NMAC] provides that "[e]ach drilling pit or workover pit shall contain, at a minimum, a single liner appropriate for conditions at the site. The liner shall be designed, constructed, and maintained so as to prevent the contamination of fresh water, and protect public health and the environment."

5) COPC violated:

a) OCD Rule 50.A by failing to obtain a permit for a workover pit at the San Juan 31-6 Unit #50 before commencing operations.

b) OCD Rule 50C(2)(b)(i) by operating a workover pit with a liner that that has a tear extending below the fluid surface.

6) NMSA 1978, §70-2-31(A) provides in relevant part, "Any person who knowingly and willfully violates any provision of the Oil and Gas Act or any provision of any rule or order issued pursuant to that act shall be subject to a civil penalty of not more than one thousand dollars (\$1,000) for each violation. For purposes of this subsection, in the case of a continuing violation, each day of violation shall constitute a separate violation." NMSA 1978, §70-2-33(A) defines "person" in relevant part as "any individual estate, trust receiver, cooperative association, club, corporation, company, firm, partnership, joint venture, syndicate or other entity...."

7) As a result of its investigation, the OCD issued Notice of Violation (3-05-15) to COPC alleging violations of Rule 50.A and Rule 50C(2)(b)(i).

8) At the Administrative Conference COPC presented their root cause review:

- a. COPC filed the Notice of Intent (hereinafter, "NOI") to recompletable the well on 8/31/04 without a pit request.
- b. Once the NOI was approved by the OCD, the COPC Regulatory Group approved implementation of the project electronically.
- c. COPC personnel assumed all required permitting was complete after the Regulatory Group approval.
- d. COPC built a workover permit improperly designed for the proposed recompletion operation.

9) At the Administrative Conference COPC indicated that it will take the following corrective actions:

- a. Production Engineers will determine if a workover pit is required.
- b. The Regulatory Group shall file the pit request at the same time as an NOI.

- c. The Workover Project Lead will check whether necessary permits have been approved prior to authorizing pit constriction.
  - d. Pit designs will be reviewed against anticipated project needs.
- 10) COPC's internal review has found four other projects lacking pit permits that have now been corrected.

### **CONCLUSIONS**

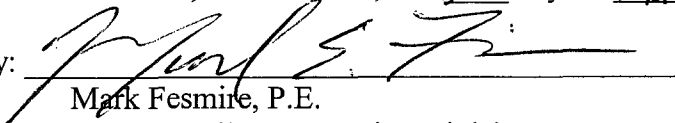
1. The OCD has jurisdiction over the parties and subject matter in this proceeding.
2. COPC is a person as defined by NMSA 1978, § 70-2-33(A) that may be subject to civil penalties under NMSA 1978, §70-2-31(A).
3. COPC is subject to civil penalties under NMSA 1978, § 70-2-31(A) at the San Juan 31-6 Unit #50 for one violation of Rule 50.A and one violation of Rule 50C(2)(b)(i).

### **ORDER AND CIVIL PENALTY**

1. Taking into account both aggravating and mitigating factors, the OCD hereby assesses a civil penalty against COPC totaling two thousand dollars (\$2,000) for one violation of Rule 50.A and one violation of Rule 50C(2)(b)(i).
2. The civil penalty shall be paid at the time COPC executes this Order. Payment shall be made by check payable to the "New Mexico Oil Conservation Division," and mailed or hand-delivered to the New Mexico Oil Conservation Division, Attention: Director, 1220 South Saint Francis Drive, Santa Fe, New Mexico, 87505.
3. CPOC must close the workover pit at the San Juan 31-6 Unit #50 under an OCD approved plan that includes sampling under the liner for BTEX and TPH.
4. By signing this Order, ConocoPhillips Company expressly:
  - a. acknowledges the correctness of the Findings and Conclusions set forth in this Order;
  - b. agrees to comply with ordering paragraphs 2 and 3;
  - 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 COPC of its liability should its operations 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 COPC of its responsibility for compliance with any other federal, state or local laws and/or regulations.

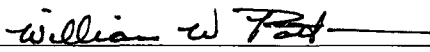
Done at Santa Fe, New Mexico, this 28<sup>th</sup> day of March, 2006.

By:   
Mark Fesmire, P.E.  
Director, Oil Conservation Division

ACCEPTANCE

ConocoPhillips Company hereby accepts the foregoing order, and agrees to all of the terms and provisions set forth in the Order.

ConocoPhillips Company

By:   
Title: MID AMERICA BUSINESS Unit Manager  
Date: 3/13/06