

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

**IN THE MATTER OF
El Paso Natural Gas Company, LLC**

No. WQA-OCD-CO-2016-002

AGREED COMPLIANCE ORDER

Pursuant to the New Mexico Water Quality Act, NMSA 1978, Section 74-6-1 through 74-6-17, as amended (the "Act"), and the regulations promulgated under the Act, the Oil Conservation Commission and the Oil Conservation Division of the Energy, Minerals and Natural Resources Department of the State of New Mexico (together "OCD") issue this Agreed Compliance Order (the "Order") to El Paso Natural Gas Company, L.L.C. ("EPNG") directing compliance with the Act, the Water Quality Control Commission ("WQCC") Regulations, and permits issued under the Act.

I. FINDINGS AND DETERMINATIONS

1. The Oil Conservation Commission is a "constituent agency" under the Act and is charged with the administration and enforcement of the Act and regulations promulgated in accordance with the Act. NMSA 1978, Section 74-6-3(K). The Oil Conservation Division of the Energy, Minerals and Natural Resources Department has concurrent authority with the Oil Conservation Commission. NMSA 1978, Section 70-2-6(B).
2. EPNG is a Delaware limited liability company doing business in New Mexico. EPNG is an active entity with offices at: 2 North Nevada Avenue, Colorado Springs, Colorado 80903.
3. EPNG operates pipeline facilities in the State of New Mexico. As part of the operation of its pipeline facilities, EPNG constructs and maintains pipelines; such work generates hydrostatic test water.

4. The WQCC has adopted regulations, pursuant to the Act, requiring permits for the discharge of fluids directly or indirectly into groundwater. Section 20.6.2.3106 NMAC. For groundwater discharges at oil and gas operations, the WQCC has delegated administration and enforcement of those regulations to OCD.

5. Pursuant to the Act and the WQCC Regulations, EPNG submitted a draft application for a discharge permit for land application in Dona Ana County of hydrostatic test water associated with the testing of EPNG California Line (L1100) and EPNG California First Loop Line (L1103) (the "Application").

6. Prior to submitting the Application to OCD, EPNG already placed the hydrostatic test water into a LakeTank™ (the "Lake Tank") within the grounds of EPNG's Afton Compressor Station, in Dona Ana County.

7. OCD has determined that the discharge of hydrostatic test water into the Lake Tank required a permit from the OCD, a determination EPNG has decided not to contest for the purpose of resolving this proceeding.

II. CONCLUSIONS

1. OCD has jurisdiction over the parties and subject matter in this proceeding.
2. EPNG is a person as identified by NMSA 1978, Section 74-6-2.1.
3. Based on the facts presented above, the commitments made herein by EPNG, the company's history of compliance with OCD, and other relevant considerations, OCD has determined that the land application of the hydrostatic test water in the Lake Tank is appropriate, unless reuse of the hydrostatic test water is a feasible option for a future hydrostatic test on EPNG's Line 1100 system, located in the general vicinity.

4. This Agreement is consistent with the provisions and objectives of the Act and the regulations and is in the public interest.

III. ORDER

1. EPNG shall comply the terms and conditions set forth in Exhibit A, attached hereto and made a part hereof.

2. Civil Penalties

A. EPNG agrees to pay a penalty in the amount of \$2,500. The penalty shall be due within thirty (30) days of execution of this Agreed Compliance Order.

B. If EPNG fails to submit any required reports or otherwise fails to comply with the terms set forth in Exhibit A, EPNG shall pay stipulated penalties of \$500 per day, until the violation is cured.

C. All penalty payments shall be by corporate check, certified check, or other guaranteed negotiable instrument made payable to the "State of New Mexico - General Fund", and shall be sent to the following address:

Deputy Director, Oil Conservation Division
New Mexico Energy, Minerals & Natural Resources Department
1220 S. St. Francis Drive
Santa Fe, New Mexico 87505
Re: WQA-OCD-CO-2016-002

3. As part of EPNG's commitment to minimizing the environmental impacts of wastewater generated from oil and gas activity and the conservation and protection of New Mexico's water resources and in addition to the penalty provided for in Paragraph III.2 hereof, EPNG shall contribute \$2,500.00 to the Oil and Gas Reclamation Fund, NMSA 1978, Sections 70-2-37 and

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37, to provide for education and research to promote the reuse and recycling of liquids used in the oil and gas industry. Such donation made under this Section III.3 shall be made payable to the Energy, Minerals & Natural Resources Department and sent to the address specified in Section III.2.

IV. OTHER TERMS AND CONDITIONS

1. Upon compliance with all terms and conditions set forth in this Agreement, OCD agrees not to bring any cause or action before the WQCC for the matters specifically addressed in this Agreement.
2. By signing this Agreement, EPNG expressly:
 - A. agrees to pay the monies set forth in this agreement within thirty (30) days of the effective date of this Agreement;
 - B. waives any right, pursuant to the Oil and Gas Act, the Act, or otherwise, to appeal this Agreement or the terms set forth herein, or to a hearing on the terms set forth in this Agreement, except in the event of a breach by either party;
 - C. agrees that the Agreement may be enforced by the OCD, WQCC, or the Oil Conservation Commission, by suit or otherwise, to the same extent and with the same effect as a final order of the OCD or WQCC entered after notice and hearing in accordance with all terms and provisions of the Oil and Gas Act and Act.
3. This Agreement merges all prior written and oral communications between the parties concerning the subject matter of the WQA-OCD-CO-2016-002 and contains the entire agreement between the parties. This Agreement shall not be modified without the express written consent of the parties.

4. This Agreement shall not be construed to prohibit or limit in any way the OCD from requiring EPNG to comply with any applicable state or federal requirement, or prohibit or limit EPNG from defending against such enforcement efforts. This Agreement shall not be construed to prohibit or limit in any way the OCD from seeking any relief authorized by the Act for violation of any state or federal requirement applicable to EPNG not resolved herein. The Agreement shall not be construed to prohibit or limit in any way EPNG from raising any defense to an OCD action seeking any such relief. Provided further that this Agreement shall not be construed to prohibit or limit in any way the OCD from seeking any relief authorized by the Oil and Gas Act or Act for violation of any state or federal requirement against any of EPNG's contractors or subcontractors or other persons or entities hired by such contractors or subcontractors involved in the discharge of hydrostatic test water associated with EPNG's pipelines.

5. As between EPNG on the one hand and the OCD and State of New Mexico on the other, EPNG shall assume all costs and liabilities incurred in performing any obligation under this Agreement. The OCD, on its own behalf or on behalf of the State of New Mexico or any other state agency, shall not assume any liability for EPNG's performance of any obligation under this Agreement.

6. The person executing this Agreement on behalf of EPNG represents that s/he has the authority to execute this Agreement on behalf of EPNG.

7. This Agreement shall become effective upon the execution by the duly authorized representatives of OCD and EPNG. If this Agreement is executed on different dates, the latter date shall be deemed the "execution date".

8. This Agreement shall apply only to the hydrostatic test waters set forth in this Agreement. Other discharges by EPNG may be subject to immediate enforcement action under the Oil and Gas Act and/or the Act, and under WQCC and OCD Rules. Nothing in this Agreement relieves EPNG of its responsibility for compliance with the Oil and Gas Act, the Act, or any other federal, state, or local laws and/or regulations.

Done in Santa Fe, New Mexico this 10th day of April, 2017.

For the Oil Conservation Division

By: David Catanach
David Catanach
Director, Oil Conservation Division

ACCEPTANCE

El Paso Natural Gas Company, L.L.C. hereby accepts the foregoing Agreement and agrees to all of the terms and provisions as set forth in the Agreement.

EL PASO NATURAL GAS COMPANY, L.L.C.

By: Philip Baca
~~Christina~~ Philip Baca
Title: ~~Executive~~ El Paso Natural Gas Company, L.L.C.
Director Operations

APPROVED
AS TO FORM
4/26/2017
DATE

Date: 4/26/2017

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

Ken McQueen
Cabinet Secretary

David R. Calanach, Division Director
Oil Conservation Division



April 10, 2017

Based on the information provided in a technical document dated December 15, 2016 submitted to the Oil Conservation Division ("OCD") by El Paso Natural Gas Company, L.L.C. (the "Technical Document"), the hydrostatic test wastewater discharge which is the subject of the Technical Document is hereby approved with the following understandings and conditions:

1. El Paso Natural Gas Company, L.L.C. ("EPNG") shall comply with all applicable requirements of the New Mexico Water Quality Control Commission Regulations (20.6.2 NMAC), the Oil and Gas Act (Chapter 70, Article 2 NMSA 1978), all conditions specified in this approval, and shall operate and close the project in accordance with the Technical Document;
2. EPNG conducted a hydrostatic test of the EPNG California Line (L1100), an existing 26-inch diameter pipeline, and the EPNG California First Loop Line (L1103), an existing 30-inch diameter pipeline, at a site located approximately 12 miles west of La Mesa, New Mexico in Dona Ana County ("the Site"). Each pipeline is approximately 11.24 miles (59,346.8 feet) in length and run parallel to each other. The pipelines are part of EPNG's mainline system that transports natural gas;
3. EPNG acquired the water used during the hydrostatic test (the "Source Water") from the Public Service of New Mexico's Afton Power Plant (POD LRG11409);
4. Currently, approximately eight hundred thousand gallons (800,000 gal.) of used hydrostatic test water generated by the testing event ("Test Water") is contained at the Site in a wastewater holding tank (the "Lake Tank").
5. If applicable, prior to discharging the Test Water on the land surface, EPNG will use a third party owned mobile water treatment system to treat the Test Water, in accordance with the protocol specified in Item J of the Technical Document;
6. In accordance with the protocol specified in Item J of the Technical Document, EPNG will connect the Lake Tank to the treatment system via piping, and, via piping, will connect the treatment system to two interconnected frac tanks. Treated Test Water will be temporarily stored in the frac tanks while operators fine-tune the treatment system. Once satisfied that the treatment system is working properly, the Test Water from the frac tanks will be transferred back to the Lake Tank for further management;
7. In accordance with the protocol specified in Item J of the Technical Document, EPNG shall analyze all samples of the Test Water to demonstrate the results do not exceed the

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standards as set forth in Subsections A, B, and C of the 20.6.2.3103 NMAC, except for Combined Radium 226 & Radium 228, which constituents shall not exceed the concentrations found during pre-test sampling of the Source Water;

8. As described in the protocol specified in Item J of the Technical Document, EPNG will collect a sample of the treated Test Water obtained from the post-treatment port and submit the sample for laboratory analyses. Once the analytical results have been received, EPNG shall forward them to NMOCD's Santa Fe Environmental Bureau via email or fax to Brad A. Jones (brad.a.jones@state.nm.us, fax no. 505-476-3462) for review and subsequent approval or disapproval for the discharge of the treated Test Water;
9. If the final discharge of the Test Water is approved by the OCD, EPNG will follow the protocol specified in Item H of the Technical Document for discharge of the treated Test Water to the ground surface within a 28.4 - acre area at the Afton Compressor Station property identified on Figure 2, which is located within the SE 1/4 of the SE 1/4 of Section 20, and the SW 1/4 of the SW 1/4 of Section 21, Township 25 South, Range 1 East, Dona Ana County, New Mexico;
10. If final discharge of the treated Test Water is approved, no discharge shall occur:
 - a. to groundwater;
 - b. within 200 feet of a watercourse, lakebed, sinkhole or playa lake;
 - c. within an existing wellhead protection area (except for LRG 00015S and LRG00014, located within 26 feet and 50 feet, respectively, from the proposed discharge area);
 - d. within 100 feet of a wetland, unless ENPG constructs a feature to divert discharged liquids away from the designated wetland feature;
 - e. within an area overlaying a subsurface mine; or
 - f. within 500 feet from the nearest permanent residence, school, hospital, institution or church;
11. If final discharge of the Test Water is not approved by the OCD and the Test Wastewater demonstrates to be RCRA non-hazardous/non-exempt, EPNG will follow the protocol described in Item K of the Technical Document;
12. EPNG shall analyze, transport, and dispose of any spent filters and/or solids/sludge generated from the treatment of the Test Water according to the protocol specified in Item K of the Technical Document;
13. If any spent filters and/or solids/sludge generated from the treatment of the Test Water demonstrate to be RCRA non-hazardous/non-exempt, EPNG shall follow the protocol specified in Item K of the Technical Document, ensuring that the waste material is properly manifested and that a copy of the completed Form C-138 manifest accompanies the hauler and is provided to the OCD approved disposal facility operator upon delivery to Gandy Marley Inc. (NM1-019), R360 Permian Basin, LLC (NM1-006/Order R-9166),

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or Waste Management – Butterfield Landfill (Mobile, AZ APP Permit P-102028) for disposal.

14. EPNG shall remove all Test Water from the Site within sixty (60) calendar days of final execution of an Agreed Compliance Order (ACO) document pertaining to this matter. Removal of Test Water from the Site is defined as discharge to the ground, as following all protocols described in the Technical Document, or by OCD permission to reuse the Test Water for a future planned hydrostatic test on the EPNG LI 100 system;
15. For Reuse of the Test Water, EPNG will transfer the Test Water via aluminum pipe from the Lake Tank directly to a manifold on the existing LI 100. EPNG will ensure that no Test Water is discharged to the ground during the transfer process.
16. The Reuse of Test Water will be initiated within 45 days of final execution of the ACO. At this time, EPNG has proposed April 24, 2017 for a shutdown date of LI 100 for maintenance activities and hydrostatic testing of a segment commencing at a location approximately located 10 miles to the east of EPNG Afton Compressor Station.
17. EPNG shall remove the Lake Tank and associated equipment from the Site and perform the sampling and testing protocol specified in Item K of the Technical Document.
18. EPNG shall restore any surface area impacted or disturbed from the approved activities to the reasonable satisfaction of the landowner;
19. EPNG shall implement best management practices to prevent unauthorized releases of Test Water during transfer/collection activities;
20. EPNG shall ensure that the discharge/transfer/collection activities do not cause any fresh water supplies to be degraded or to exceed standards as set forth in Subsections A, B, and C of the 20.6.2.3103 NMAC (the New Mexico Water Quality Control Commission Regulations);
21. EPNG must properly notify the landowner(s) of the proposed discharge/collection location of the approved activities prior to the discharge of the Test Water;
22. EPNG shall report all unauthorized discharges, spills, leaks and releases of Test Water and conduct corrective action pursuant to 19.15.29 NMAC and/or 19.15.30 NMAC, as applicable; and
23. EPNG may maintain the option to reuse the Test Water currently stored in the Lake Tank for future hydrostatic pressure test projects on the EPNG pipeline system. If the option to reuse the Test Water is elected, EPNG will notify NMOCD of its plans to transfer the Test Water to the future test site via the existing LI 100 pipeline.

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