

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

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APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION, THROUGH THE ENFORCEMENT AND COMPLIANCE MANAGER, FOR A COMPLIANCE ORDER IMPOSING PENALTIES AND CANCELLING OR SUSPENDING THE AUTHORITY OF QUANNAH, INC. TO TRANSPORT LIQUID WASTES.

CASE NO. 14110

ENTRY OF APPEARANCE AND
PRE-HEARING STATEMENT

The Oil Conservation Division submits this entry of appearance and pre-hearing statement pursuant to OCD Rule 1211 [19.15.14.1211 NMAC].

APPEARANCES

APPLICANT

Oil Conservation Division

APPLICANT'S ATTORNEY

Gail MacQuesten
Oil Conservation Division
Energy, Minerals and Natural
Resources Department
1220 S. St. Francis Drive
Santa Fe, NM 87505
(505) 476-3451
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Gail.macquesten@state.nm.us

RESPONDENT

Quannah, Inc.
909 W. Avenue North
Lovington, NM 88260

RESPONDENT'S ATTORNEY

No appearance has been entered at this time

Quannah, Inc.
1009 West Broadway
Hobbs, NM 88260

STATEMENT OF THE CASE

The Oil Conservation Division (OCD) seeks a compliance order against Quannah, Inc., a trucking company transporting liquid oilfield wastes in New Mexico under permit C133-174.

On February 7, 2008, a Quannah vacuum/transport truck was observed unloading into the water tank at the State "R" lease, while another Quannah vacuum/transport truck waited behind it. The water tank at the State "R" lease is a tank for a private co-op disposal system for specific wells operated by Energen Resources Corporation, Enerquest Oil and Gas Ltd., Chesapeake

Energy Corporation, and Kevin O. Butler & Assoc. The disposal system is operated by Energen Resources Corporation. Quannah has no authority to dispose of liquid wastes in to the private co-op disposal system at the State "R" lease.

The OCD asserts that Quannah's disposal into the private co-op system violates Rule 19.15.2.52 NMAC (Rule 52) under two theories. First, 19.15.2.52.A(3) NMAC prohibits disposal "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." For purposes of this rule, the co-op should be considered a registered or permitted surface waste management facility, because the obvious intent of the rule is to prohibit the unauthorized disposal of liquid wastes in an approved facility. Second, and in the alternative, 19.15.2.52.A(2) prohibits disposal "in another place or in a manner that may constitute a hazard to fresh water, public health, safety or the environment." The OCD contends that the disposal of liquid wastes into a private facility without the approval of the manager of that facility may constitute a hazard to fresh water, public health, safety or the environment. The manager has no information on the nature of the liquid wastes being disposed of in the facility; the facility may not be able to handle the additional liquid wastes and may overflow; a facility designed to accept liquids through a pipe system is not set up to accept trucked liquid wastes and that encourages leaks and spills; and unauthorized disposal into a private system can result in destruction to property and confrontations.

The OCD seeks an order finding:

1. that Quannah knowingly and willfully violated Rule 52, and assessing a penalty of not less than \$1,000; and
2. cancelling Quannah's authority to transport liquid oil field wastes or, in the alternative, suspending that authority for a period of at least one year, under Rule 19.15.2.51.E NMAC.

APPLICANT'S PROPOSED EVIDENCE

WITNESS:

ESTIMATED TIME:

Rex Smith, Energen Resources Corporation

40 minutes

Maxey Brown, OCD Deputy Inspector

30 minutes

Kevin O. Butler, Kevin O. Butler & Associates

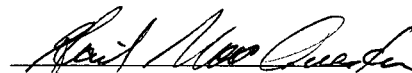
20 minutes

Daniel Sanchez, OCD Compliance and Enforcement Manager 20 minutes

PROCEDURAL MATTERS

None.

Respectfully submitted
this 10th day of April 2008 by



Gail MacQuesten

Oil Conservation Division
Energy, Minerals and Natural
Resources Department

1220 S. St. Francis Drive
Santa Fe, NM 87505
(505) 476-3451

Attorney for the Oil Conservation Division


CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing pleading was served upon Quannah, Inc. by first-class mail to the following addresses

Quannah, Inc.
1009 West Broadway
Hobbs, NM 88260

Quannah, Inc.
909 W. Avenue North
Lovington, NM 88260

this 10th day of April 2008.


Gail MacQuesten