

NM1 - 10B

ENFORCEMENT

DATE:

2004



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

October 1, 2004

Mr. James Hatcher
JFJ Landfarm L.L.C.
P.O. Box 2043
Farmington, NM 87499

RE: Notice of Violation Issued 8/19/04

Dear Mr. Hatcher:

Enclosed are two copies of an "Agreed Order Directing Compliance and Assessing Civil Penalty," to resolve the issues raised in the Notice of Violation issued to JFJ Landfarm LLC (JFJ) by Roger C. Anderson, Environmental Bureau Chief of the New Mexico Oil Conservation Division and agreed to after the compliance conference held on September 28, 2004.

Please review the order carefully. If JFJ agrees with the facts set out in the order and the terms of the order, please sign and return both copies. Please note that the order must be signed by a person with authority to obligate the company. When I receive the signed originals, I will present them to our Division Director for his approval and signature, and return a fully executed original to you.

Thank you for your assistance in this matter. If you have any questions, or if you have any suggested changes, please do not hesitate to call. My direct line is (505) 476-3490.

Sincerely,

A handwritten signature in black ink, appearing to read "Roger C. Anderson".

Roger C. Anderson
Environmental Bureau Chief
New Mexico Oil Conservation Division

9/28/04 JFJ LANDFARM ADMIN. CONF.

JAKE, ROGER, DENNY

NOV DATED 8/19/04

18 ITEMS #11,000 Fine proposed.

DISGRANTED Former employee (manager)

Jake did not deny that water was disposed.

No screening / testing during Basin job.

Records shortcomings.

Item #1

Material left over from Tierra (Jake)

Denny - some contamination on top of soil.

Periodic cleaning per Jake. In dispute.

~~#3~~ #4

Jake - pre-screening on incoming material.

Denny's recollection is that the discussion was surrounding incoming material. Jake said he was actually referring to water drawn off bottoms of ponds. Disputed.

#6. Information coming from employees and others. (Denny). Jake said that no sludge was taken. Jake was present for the majority of such off-loadings. He disputes information coming from others. Disputed.

#7. Jake's contention is that there was no such bermed area. This is disputed by Dermey. We have no pictures. No specific Notes Concerning incident. OCD will not pursue.

#8 Not in dispute

#9 Removed from NOV.

#11 Not disputed

#13 Not disputed

#15 Not disputed. Removed by Roger

#17 Not disputed.

Pre-screening not done
Record-keeping discrepancies
Acceptance of water
Water applied to roadways.

6 violations left
\$6,000 fine



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NOTICE OF VIOLATION

August 19, 2004

CERTIFIED MAIL

RETURN RECEIPT NO: 7001 1940-0004-3929-8881

Mr. James Hatcher
JFJ Landfarm L.L.C.
P.O. Box 2043
Farmington, NM 87499

RE: 11 Violations of the Conditions of Permit #NM-01-0010B issued under Oil Conservation Division Rule 711. [19.15.9.711.B NMAC]

Dear Mr. Hatcher:

On December 2, 2003, New Mexico Oil Conservation Division (OCD) deputy inspector Martyne Kieling, deputy inspector Denny Foust and inspector Frank Chavez inspected the commercial oilfield waste disposal facility operated by JFJ Landfarm, L.L.C., and located in the NW/4 SE/4 of Section 2, Township 29 North, Range 12 West, NMPM, San Juan County, New Mexico.

OCD Rule 711 states, in pertinent part, "...all commercial and centralized facilities including facilities in operation on the effective date of Section 19.15.9.711 NMAC...shall be permitted by the Division". Permit # NM-01-0010B issued to JFJ Landfarm, LLC on August 7, 2002, and modified on December 2, 2002, includes requirements under which JFJ Landfarm, LLC, must operate the facility.

This OCD inspection of the facility and facility records, and interviews with current employees, previous employees, and transporters revealed the following:

- 1 The concrete mixing impoundment was surrounded on three sides by contaminated soil and slop-over that was in some cases as high as the walls of the impoundment.
- 2 Paragraph #1 of the permit section entitled "CONCRETE MIXING IMPOUNDMENT CONSTRUCTION AND MAINTENANCE" states, in part, "Spills and slop-over that occur outside the impoundments must be cleaned up on a regular basis and placed into a landfarm or compost cell."

- 3 Paragraph #3 of the permit section entitled "TANK BOTTOM & SLUDGE ACCEPTANCE" states in part, "Adequate free board must be maintained to prevent any overtopping or slop over of material."
- 4 Jake Hatcher, a JFJ manager, stated that JFJ had not pre-screened tank bottoms or sludge for H₂S prior to unloading from trucks.
- 5 Paragraph #1 of the permit section entitled "TANK BOTTOM & SLUDGE ACCEPTANCE" states in part, "All loads of tank bottoms or sludge will be pre-screened for H₂S before they are un-loaded from the truck."
- 6 During the period from June 2 to June 12, 2003, JFJ accepted sludge from Basin Disposal's pond into their storage tanks and then took the sludge from the storage tanks and applied it directly to the compost piles without first stabilizing the sludge.
- 7 During a Basin Disposal tank cleanout between June 26, 2003, and July 15, 2003, Scat Hot Wash delivered two 80 bbl loads of tank sludge and wash out water to JFJ. JFJ accepted the sludge and wash water directly into an earthen bermed area adjacent to the concrete stabilization pad.
- 8 Under the direction of JFJ, trucks from Inland Trucking applied produced water from the Red Cedar Blackridge compressor facility directly to the roads within the facility and added the produced water directly to open trenches on the compost piles.
- 9 Under the direction of JFJ, Scat Hot Wash trucks added tank bottoms and sludge from Basin Disposal tank cleanouts directly to compost piles.
- 10 Paragraph #2 of the permit section entitled "TANK BOTTOM & SLUDGE ACCEPTANCE" states in part. "All tank bottoms and sludge must be accepted into either the concrete mixing impoundment or frac tanks for settling prior to landfarm or compost application."
- 11 JFJ applied water and sludge from the facility storage tanks to the compost piles during the Basin Disposal pond cleaning from June 2 to June 12, 2003, without screening the water. Jake Hatcher related to the OCD inspectors on December 2, 2003, that JFJ had not screened the water removed from tank bottoms and sludge held in the storage tanks prior to spreading on the landfarm or compost piles for dust control and to enhance bioremediation.
- 12 Paragraph #4 of the permit section entitled "TANK BOTTOM & SLUDGE ACCEPTANCE" states in part, "Water removed from tank bottoms and sludge ... after appropriate screening may be spread on the landfarm or compost piles for dust control and to enhance bioremediation." "The water must be screened for hydrogen sulfide, oils, total dissolved solids, and pH."

- 13 JFJ failed to perform weekly inspections of the exterior of the concrete mixing impoundment and thus did not know that the walls had disintegrated.
- 14 Paragraph #5 of the permit section entitled "TANK BOTTOM & SLUDGE ACCEPTANCE" states in part, "The concrete mixing impoundment must be inspected inside and outside weekly for containment leaks and overall integrity."
- 15 At the time of the OCD inspection on December 2, 2003, JFJ could not produce records of compost pile temperature monitoring and compost pile turning maintenance prior to October 21, 2003.
- 16 Paragraph #4 of the permit section entitled "REPORTING AND RECORD KEEPING" states, "Landfarm and compost pile monitoring and maintenance must be recorded and maintained for OCD review."
- 17 At the time of the OCD inspection on December 2, 2003, JFJ could not produce results of screening of free water from tank bottoms or sludge received into the facility.
- 18 Paragraph #5 of the permit section entitled "REPORTING AND RECORD KEEPING" states, "Results of screening of free water from tank bottoms or sludge must be recorded and maintained for OCD review."

JFJ Landfarm L.L.C.s' conduct warrants issuance of this "Notice of Violation" and assessment of civil penalties pursuant to NMSA 70-2-31.A. for violations of OCD Rules and Permit described above. NMSA, Section 70-2-31.A. authorizes 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 any Rule adopted pursuant to the Act.

In view of the seriousness and duration of these violations, the Santa Fe Office of the OCD believes a Penalty of \$11,000 and a definite commitment to future corrective action are essential. This penalty is based on eleven (11) violations of Rule 711.B.

Unless the matter can be satisfactorily resolved, we will request an enforcement hearing before an OCD Hearing Examiner, where we will recommend issuance of a formal order requiring compliance with OCD Rules, a civil penalty, and corrective action. Please note that because the permit condition and statute at issue were violated on multiple occasions, if this matter goes to hearing, the OCD may seek a penalty greater than the \$11,000 penalty proposed in this notice.

Please contact this office within ten (10) days to schedule an administrative conference to discuss this matter. OCD legal counsel may be present for this conference and you may bring legal counsel if you desire.

If you have questions, you may contact me at 505-476-3490.

Sincerely,



Roger C. Anderson
Environmental Bureau Chief
rcanderson@state.nm.us

RCA/mjk

Cc: OCD Aztec District
Gail MacQuesten
NOV File
✓File NM-01-0010B