

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

NMOCD - OGA 04-04

IN THE MATTER OF QUALITY OIL FIELD SERVICES, LLC,

Respondent.

**AGREED ORDER DIRECTING COMPLIANCE
AND ASSESSING CIVIL PENALTY**

Pursuant to the New Mexico Oil and Gas Act, NMSA 1978, Sections 70-2-1 through 70-2-38, as amended ("Act"), the Director of the Oil Conservation Division ("OCD") issues this Order to QUALITY OIL FIELD SERVICES, LLC. ("QOS"), directing compliance with the Act and the 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. QOS is a limited liability company authorized to do business in the State of New Mexico under Public Regulation Commission ("PRC") SCC number 2215515.
3. QOS holds a valid C-133 permit, Authorization to Move Produced Water, approved by the OCD on May 8, 2002.
4. An OCD site investigation established the following facts:
 - a. On December 18, 2003, Oil Conservation Division Deputy Inspector W. Bruce Martin observed water pooled under and around a QOS water truck unloading at the Elmridge Resources Incorporated Carson Unit Battery "P," located in Section 13, Township 25 North, Range 11 West in San Juan County, New Mexico. The driver of the QOS truck told Deputy Inspector Martin that his truck was not leaking but that another QOS truck was leaking and would arrive at the site in a short period of time.
 - b. Shortly thereafter, Deputy Inspector Martin observed QOS truck #5846 approach the battery, with water trailing from the truck. Deputy Inspector Martin observed produced water leaking from the frame and the tank contact just in front of the rear axle. The driver of QOS truck #5846 stated that he had reported the leak to his supervisor and documented it more than once on daily tickets submitted to his office.

- c. The driver of QOS truck #5846 and the QOS foreman told Deputy Inspector Martin that QOS truck #5846 had been taken out of service on December 13 and 14 for repairs, but had been placed back into service on December 15 without being repaired.
 - d. Deputy Inspector Martin instructed the driver of QOS truck #5846 to discontinue hauling produced water in truck #5846 until the truck's tank was repaired or replaced. The driver unloaded truck #5846 and returned to the yard.
5. Further investigation of QOS records by the OCD established the following facts:
 - a. QOS "Drivers Vehicle Inspection Reports" show that truck #5846 was reported leaking on the following dates: December 11, 12, 15, 16, 17 and 18, 2003.
 - b. QOS haul tickets show that QOS operated the truck in the time period between the first leak report on December 11, 2003 and Deputy Inspector Martin's investigation on December 18, 2003. During this time period QOS truck #5846 was used to transport 30 loads of produced water.
 6. After OCD contacted QOS regarding its investigation, QOS repaired the leaks and presented truck #5846 for inspection at the OCD office on January 28, 2004.
 7. OCD Rule 710.A. [19.15.9.710.A NMAC] states, in pertinent part:

"No person, including any transporter, may dispose of produced water on the surface of the ground...."
 8. NMSA 1978, Section 70-2-31(A) authorizes the assessment of civil penalties of up to one thousand dollars per day per violation against any person who knowingly or willfully violates any provision of the Oil and Gas Act or any rule adopted pursuant to the Act.

CONCLUSIONS

1. The OCD has jurisdiction over the parties and subject matter in this proceeding.
2. QOS is a "person" as defined by OCD Rule 7.P (19.15.1.7.P NMAC) subject to civil penalties for knowing and willful violations of the Oil and Gas Act or OCD Rules.
3. QOS knowingly and willfully disposed of produced water on the surface of the ground in violation of OCD Rule 710.A, by hauling produced water in a truck it knew to be leaking water over roadways and locations traveled by the truck while transporting some 30 loads of produced water. This violation occurred over several days during the period December 11 to December 18, 2003.

ORDER AND CIVIL PENALTY

1. Taking into consideration mitigating and other factors, the OCD hereby assesses a civil penalty of one thousand dollars (\$1,000) against QOS for releasing produced water to the ground in violation of Rule 710.A.
2. The civil penalty shall be paid within sixty days (60 days) of receipt of this Order. Payment shall be made by certified or cashier's check made payable to the "New Mexico Oil Conservation Division," and mailed or hand-delivered to the New Mexico Oil Conservation Division, Attention Lori Wrotenbery, 1220 South St. Francis Drive, Santa Fe, NM 87505.
3. By signing this Order, QOS expressly
 - a) acknowledges the correctness of the Findings and Conclusions set forth in this Order;
 - b) agrees to comply with Ordering Paragraph (2);
 - 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; and
 - 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 (NMSA 1978, Sections 70-2-1 through 70-2-38, as amended).

Done at Santa Fe, New Mexico this 9th day of March, 2004

By: Lori Wrotenbery
LORI WROTENBERY, Director
Oil Conservation Division

ACCEPTANCE

Quality Oil Field Services, LLC hereby accepts the foregoing Order, and agrees to all of the terms and provisions set forth in the Order.

QUALITY OIL FIELD SERVICES, LLC.

By: Robert DeYore
Title: Manager
Date: 2-20-04