

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

NMOCD-OGA-04- 74

IN THE MATTER OF DEVON ENERGY PRODUCTION COMPANY, LP

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"), 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 ("OCD") issues this Order to **DEVON ENERGY PRODUCTION COMPANY LP ("Devon")** 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) Devon is a limited partnership doing business in New Mexico, registered with Secretary of State as a limited partnership under number LPF2000021601. Devon is an active entity with a principal and mailing address at 1500 Mid-America Tower 10 N. Broadway, Oklahoma City, OK 73102. Its registered agent for service of process in New Mexico is CT Corporation System, 123 E. Marcy Ste 201, Santa Fe, NM 87501. Devon has been assigned OGRID # 6137.
- 3) Devon is the operator of record for the NEBU #433A well, API #30-045-31440, located at Unit Letter G, Section 24, Township 30 North, Range 08 West in San Juan County, New Mexico ("well").
- 4) On January 28, 2005, New Mexico Oil Conservation Division (OCD) Deputy Oil and Gas Inspector Darell Davis visited the Northeast Blanco Unit (NEBU) #433A while inspecting wells in the area. Deputy Inspector Davis found fluid in the lined portion of the workover pit overtopping the liner in the areas where drainage channels had been cut for the rig. The lined portion of the drilling pit was so full of fluid that it was backing up into the unlined vent/flare portion of the pit.
- 5) An OCD investigation revealed the following:

- a) Deputy Inspector Denny Foust approved a C-103 on December 1, 2004, that authorized a lined workover pit at the NEBU #433A well site.
 - b) Kenny Rhoades of Devon confirmed produced water was used as down hole fluid during the NEBU #433A workover. A workover rig moved onto the location January 13, 2005 and moved off January 27, 2005.
 - c) OCD Rule 19.15.2.710.A (Rule 710.A) states in pertinent part, "No person, including any transporter, may dispose of produced water on the surface of the ground, or in any pit, pond, lake, depression, draw, streambed, or arroyo, or in any watercourse, or in any other place or in any manner which will constitute a hazard to any fresh water supplies."
 - d) OCD Rule 50.C.(2)(b)(i) states, "Each 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. Pits used to vent or flare gas during drilling or workover operations that are designed to allow liquids to drain to a separate pit do not require a liner."
 - e) Devon improperly disposed of produced water in violation of Rule 710.A. by allowing fluids containing produced water to overtop the liner and allowing fluids containing produced water to back up into the unlined vent/flare portion of the workover pit.
 - f) Devon violated Rule 50.c.2(b)(i) because the unlined vent portion of the drilling pit was not designed to allow liquids to drain into the lined portion of the drilling pit.
 - g) Devon violated Rule 50.C.2(b)(i) by failing to maintain the pit liner in a manner that prevented produced water from coming into contact with the ground.
6. NMSA 1978 Section 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." NMSA 1978, section 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 (3-05-06) to Devon.

8. Devon cooperated in the investigation. Devon is closing the pit under an OCD approved closure plan. Devon will be doing training placing emphasis on the requirements of Rule 50 to its personnel

CONCLUSIONS

1. The OCD has jurisdiction over the parties and subject matter in this proceeding.
2. Devon is a person as defined by NMSA 1978, Section 70-2-33(A) subject to civil penalties under NMSA 1978, Section 70-2-31(A) for knowing and willful violations of the Oil and Gas Act or OCD Rules.
3. Devon is subject to civil penalties under NMSA 1978, Section 70-2-31(A) for failing to maintain the pit liner in a manner that prevented produced water from coming into contact with the ground and for utilizing an improperly designed vent portion of the drilling pit that did not completely drain into the lined portion of the drilling pit in violation of OCD Rule 50.C(2)(b)(i).
4. Devon is subject to civil penalties under NMSA 1978, Section 70-2-31(A) for allowing fluids containing produced water to overtop the liner and back up into the unlined vent/flare portion of the pit, in violation of Rule 710.A.

ORDER AND CIVIL PENALTY

1. Taking into account both aggravating and mitigating factors, the OCD hereby assesses a civil penalty totaling two thousand dollars (\$2,000) against Devon.
2. Payment is due at the time Devon executes this order.
3. 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: Director, 1220 South Saint Francis Drive, Santa Fe, New Mexico, 87505.
4. By signing this order, Devon 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;

Done at Santa Fe, New Mexico, this 24th day of June, 2005.

By: _____

Mark Fesmire, PE, Director
Oil Conservation Division

ACCEPTANCE

Devon Energy Production Company, LP. hereby accepts the foregoing order, and agrees to all of the terms and provisions set forth in the order.

Devon Energy Production Company, LP

By: _____

Title: _____

Date _____