



# NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

**BILL RICHARDSON**

Governor

**Joanna Prukop**

Cabinet Secretary

**Mark E. Fesmire, P.E.**

Director

**Oil Conservation Division**

04-Apr-07

**NGX COMPANY**

P O BOX 5

ROSWELL NM 88202

**LOV NO. 029707**

## LETTER OF VIOLATION - Inspection

Dear Operator:

The following inspection(s) indicate that the well, equipment, location or operational status of the well(s) failed to meet standards of the New Mexico Oil Conservation Division as described in the detail section below. To comply with standards imposed by Rules and Regulations of the Division, corrective action must be taken immediately and the situation brought into compliance. The detail section indicates preliminary findings and/or probable nature of the violation. This determination is based on an inspection of your well or facility by an inspector employed by the Oil Conservation Division on the date(s) indicated.

Please notify the proper district office of the Division, in writing, of the date corrective actions are scheduled to be made so that arrangements can be made to reinspect the well and/or facility.

### INSPECTION DETAIL SECTION

**MCKEE No.001**

O-25-24S-28E

30-015-28268-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
04/04/2007	Routine/Periodic	Phil Hawkins	Yes	No	5/4/2007	iPCH0709443626
<b>Comments on Inspection:</b>		2" Line off Heater Treater open ended on to location and into pasture. Large area of oil on ground Violation of Rule 116 [19.15.3.116 NMAC] and Rule 13 [19.15.1.13 NMAC]. Please submit a Form C-141 to the OCD District 2 office no later than April 19, 2007. In addition, please submit a work plan proposal for clean up/remediation of this release no later than May 4, 2007. The work plan proposal is to be formulated based on site ranking, contaminant delineation, and NMOCD Rules and Guidelines.				

In the event that a satisfactory response is not received to this letter of direction by the "Corrective Action Due By:" date shown above, further enforcement will occur. Such enforcement may include this office applying to the Division for an order summoning you to a hearing before a Division Examiner in Santa Fe to show cause why you should not be ordered to permanently plug and abandon this well. Such a hearing may result in imposition of CIVIL PENALTIES for your violation of OCD rules.

Sincerely,



Artesia OCD District Office

Note: Information in Detail Section comes directly from field inspector data entries - not all blanks will contain data.  
\*Significant Non-Compliance events are reported directly to the EPA, Region VI, Dallas, Texas.

FROM :

FAX NO. : 5056229282

Apr. 20 2007 02:31PM P1

District I  
1625 N. French Dr., Hobbs, NM 88240  
District II  
1301 W. Grand Avenue, Artesia, NM 88210  
District III  
1000 Rio Brazos Road, Aztec, NM 87410  
District IV  
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico  
Energy Minerals and Natural Resources  
Oil Conservation Division  
1220 South St. Francis Dr.  
Santa Fe, NM 87505

Form C-141  
Revised October 10, 2003

Submit 2 Copies to appropriate  
District Office in accordance  
with Rule 116 on back  
side of form

30-015-28268

## Release Notification and Corrective Action

## OPERATOR

X Initial Report ☐ Final Report

Name of Company: NGX Company	Contact: George Scott
Address: PO Box 5 Roswell NM 88202-0005	Telephone No. # 505.350.2030
Facility Name McKee St. I	Facility Type -oil well
Surface Owner: State of NM	Mineral Owner: NM State
Lease No. 7269	

## LOCATION OF RELEASE

Unit Letter O	Section 25	Township 24S	Range 28E	Feet from the 990	North/South Line South	Feet from the 1650	East/West Line East	County Eddy
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Latitude

Longitude

## NATURE OF RELEASE

Type of Release: leaking line- misted to ground	Volume of Release: est. 20 gals	Volume Recovered -soaked soil
Source of Release: line off heater-treater	Date and Hour of Occurrence	Date and Hour of Discovery- April 4 <sup>th</sup> , 07
Was Immediate Notice Given? <input type="checkbox"/> Yes X No <input type="checkbox"/> Not Required	If YES, To Whom? Notice received from NMOCD via letter of violation #029707	
By Whom? Pumper failed to notify NGX- was fired as result.	Date and Hour	
Was a Watercourse Reached? <input type="checkbox"/> Yes X No	If YES, Volume Impacting the Watercourse. None	

If a Watercourse was Impacted, Describe Fully.\*  
NA

## Describe Cause of Problem and Remedial Action Taken.\*

Line off of heater-treater was open ended unto location and adjacent pasture, in violation of Rule 116 and Rule 13. All oil-contaminated soil will be excavated immediately upon approval of the work plan below and N2-rich fertilizer will be placed onto and tilled into the soil for remediation.

## Describe Area Affected and Cleanup Action Taken.\*

An area approx. 40 feet X 40 feet is affected by oil misting; the heater treater open line will be fixed and the oil-contaminated soil will be cleaned up by excavation (upon approval of this work plan) to CRI, then N2-rich fertilizer will be placed abundantly onto the clean soil profile and tilled into the soil for remediation. A follow-up work plan will then be submitted to the NMOCD attn: Mr. Phil Hawkins.

I hereby certify that the information given above is true and complete to the best of my knowledge and understand that pursuant to NMOCD rules and regulations all operators are required to report and/or file certain release notifications and perform corrective actions for releases which may endanger public health or the environment. The acceptance of a C-141 report by the NMOCD marked as "Final Report" does not relieve the operator of liability should their operations have failed to adequately investigate and remediate contamination that pose a threat to ground water, surface water, human health or the environment. In addition, NMOCD acceptance of a C-141 report does not relieve the operator of responsibility for compliance with any other federal, state, or local laws and/or regulations.

## OIL CONSERVATION DIVISION

Signature: George L. Scott III

Printed Name: George L. Scott III

Title: President

E-mail Address: geniiexploration@aol.com

Date: April 18, 2007

Phone: 505.350.2030

Approved by District Supervisor:

Approval Date:

Expiration Date:

Conditions of Approval:

Attached ☐

\* Attach Additional Sheets If Necessary

See Attached



# NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

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**Mark E. Fesmire, P.E.**

Director

**Oil Conservation Division**

NGX Company  
P.O. Box 5  
Roswell, NM 88202-0005

April 23, 2007

Reference: McKee 001 30-015-28268 O-25-24s-28e Eddy County, New Mexico

Operator,

A release of produced fluids was discovered by a New Mexico Oil Conservation Division District 2 (OCD) field inspector at the above referenced well site on April 4, 2007. A Letter of Violation (LOV) was issued requesting a Form C-141 and a remediation work plan proposal be submitted to the OCD by NGX Company. On April 20, 2007, a Form C-141 was received via facsimile by the OCD. This Form C-141 is being denied for the following reasons:

- The form is not signed. An authorized company representative may do this.
- The reported release volume was 20 gallons. The reported impacted area was 40 feet x 40 feet. The OCD does not concur with this reported volume. Photos taken at the site are included with this correspondence.

Please re-submit a Form C-141 signed by an authorized company representative, and a more realistic volume release estimate. The work plan proposal requested is to be based on contaminant delineation, site ranking, and OCD Rules and Guidelines. A guide to formulating a remediation work plan may be found on the OCD website as follows:

- [www.emnrd.state.nm.us/oed](http://www.emnrd.state.nm.us/oed) Click on each of the following items as they appear:
- Publications
- Environmental Handbook
- Miscellaneous Guidelines
- Remediation of Leaks, Spills and Releases

Please submit the requested form and work plan proposal to the OCD District 2 Office no later than May 14, 2007

If I can be of assistance, please contact me

Sincerely,  


Mike Bratcher  
NMOCD District 2  
1301 W. Grand Ave.  
Artesia, NM 88210  
(505) 748-1283 Ext. 108  
(505) 626-0857  
[mike.bratcher@state.nm.us](mailto:mike.bratcher@state.nm.us)

Distribution: NGX Company (via US Postal Service); Phil Hawkins (NMOCD)

**Guye, Gerry, EMNRD**

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**From:** geoiixploration@aol.com  
**Sent:** Wednesday, August 22, 2007 11:09 PM  
**To:** Guye, Gerry, EMNRD  
**Cc:** geoiixploration@aol.com; jschultz80@hotmail.com  
**Subject:** Re: Request for Information

Gerry,  
I've got the C-141 ready to submit, I'm currently on well in Catron County for Ridgeway AZ (operator) and am having hole issues on this well, my next trip to Artesia I'll bring this data into you for your review/approval to allow us to proceed with remediation.  
George Scott  
mobile ph.#505.350.2030

-----Original Message-----

**From:** Guye, Gerry, EMNRD <gerry.guye@state.nm.us>  
**To:** geoiixploration@aol.com  
**Sent:** Tue, 21 Aug 2007 1:37 pm  
**Subject:** Request for Information

George

Please furnish me with an update on the status of your new C-141 and remediation work plan on the McKee #1 (30-015-28268).

To preclude further enforcement action please contact me prior to August 24, 2007.

***Gerry Guye***

**Deputy Field Inspector**

**NMDCD - Artesia**

**Office (505)748-1283x105**

**Mobile (505)626-0843**

**E-Mail: [gerry.guye@state.nm.us](mailto:gerry.guye@state.nm.us)**

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11/26/2007

**Guye, Gerry, EMNRD**

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**From:** geoiixploration@aol.com  
**Sent:** Tuesday, September 18, 2007 6:39 PM  
**To:** Guye, Gerry, EMNRD  
**Subject:** Re: McKee #1

Gerry,  
I just got in from 2nd NM well in Catron County, and I was under impression that Michael Schultz, who I retained to help NGX, was on top of this. I'll check status first thing in AM and contact you to get follow up  
George

-----Original Message-----

**From:** Guye, Gerry, EMNRD <gerry.guye@state.nm.us>  
**To:** geoiixploration@aol.com  
**Sent:** Tue, 18 Sep 2007 8:35 am  
**Subject:** McKee #1

George  
I have not received a work plan on this well nor have I received any analytical data from sampling. I must have this information forwarded to me by close of business September 19, 2007.

**Gerry Guye**  
Deputy Field Inspector  
NMDCD - Artesia  
Office (505)748-1283x105  
Mobile (505)626-0843  
E-Mail: [gerry.guye@state.nm.us](mailto:gerry.guye@state.nm.us)

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Email and AIM finally together. You've gotta check out free [AOL Mail!](#)

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11/26/2007

**Guye, Gerry, EMNRD**

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**From:** geoiixploration@aol.com  
**Sent:** Monday, November 05, 2007 11:17 AM  
**To:** Guye, Gerry, EMNRD; jschultz80@hotmail.com  
**Subject:** Re: NGX McKee St. 1 oil spill cleanup

Mr. Guye,

I apologize for being slow to follow up to your prior e-mail re status of the NGX McKee St. 1 oil spill cleanup, where at the time I was basically living at a well site in Catron County, N.M. NGX has hired Michael Schultz to handle this cleanup to NMOCD specifications and of course subject to your review. Michael may have already proceeded with this project cleanup, including soil samples for geochemical analysis per coordination with your office, or otherwise he is the process of doing this work. In either event I'm currently more freed up from working 7-24 in CO2 field in western NM and eastern AZ, and I will stay focused on wrapping up this NGX cleanup to your satisfaction.

I believe you may have previously met Michael Schultz at another cleanup project; the "Sandpoint" lease, where brine was illegally (and without NGX's consent or knowledge) dumped into an unused OXY drilling pit by a water-hauling company; Great Basin (according to OXY's photographs & Great Basin's ex-driver's sworn testimony). And as you are aware, this cleanup process is in progress.

Needless to say, for a small operator these cleanups take a big part of NGX's time and money to handle. I do appreciate your patience to date.

Sincerely,  
George Scott III

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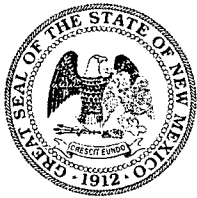
Email and AIM finally together. You've gotta check out free [AOL Mail!](#)

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11/26/2007



# NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

**BILL RICHARDSON**

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**Mark E. Fesmire, P.E.**

Director

Oil Conservation Division

## NOTICE OF VIOLATION

NOV No. 02-07-25

**\*Response Required-Deadline Enclosed\***

November 9, 2007

NGX Company

P.O. Box 5

Roswell, NM 88202-0005

Certified Mail No. 7004 2510 0006 6624 4634

NGX Company

100 North Pennsylvania

Roswell, NM 88201

Certified Mail No. 7004 2510 0006 6624 4641

NGX Company

Attn: George Scott, Jr.

215 W. Third

Roswell, NM 88201

Certified Mail No. 7000 0520 0021 6896 4789

**Re:   Operator:   NGX Company**  
**OGRID:   7269**  
**Well:     McKee No. 001, API No. 30-015-28268, O-25-24S-28E**  
**Violations:   OCD Rule 19.15.3.116 NMAC**  
**OCD Rule 19.15.1.13 NMAC**



Dear Operator:

On April 4, 2007, Oil Conservation Division ("OCD") Deputy Oil and Gas Inspector Phil Hawkins inspected the well site for the NGX Company ("NGX") well identified above. During his inspection he observed a large area of oil on the ground. An open ended 2 inch steel line from the heater had allowed oil to escape from the heater and flow out onto the ground. Photographs of the inspection are enclosed.

OCD Rule 19.15.1.13 NMAC ("Rule 13") prohibits the waste of oil and gas during general operations. The wasting of oil or natural gas during general operations is a violation of Rule 13. OCD Rule 19.15.3.116 NMAC ("Rule 116") requires OCD to be notified of any unauthorized release and for such release to be remediated in accord with OCD requirements and standards. The non-notification of an unauthorized release and non-clean-up of an unauthorized release is a violation of Rule 116.

On April 4, 2007, Inspector Hawkins sent NGX a Letter of Violation (LOV No. 029707) which informed NGX that it was in violation of Rule 13 and Rule 116. Inspector Hawkins asked NGX to "[p]lease submit a Form C-141 to the OCD District 2 office no later than April 19, 2007. In addition, please submit a work plan proposal for clean up/remediation of this release no later than May 4, 2007. The work plan proposal is to be formulated based on site ranking, contaminant delineation, and NMOCD Rules and Guidelines."

On April 20, 2007, OCD received NGX's Form C-141.

On April 23, 2007, OCD Deputy Oil and Gas Inspector Mike Bratcher sent NGX a letter which informed NGX that OCD was denying NGX's Form C-141 because it was not signed and did not appear to report the correct volume of release. Inspector Bratcher asked NGX to re-submit a Form C-141 with this information by May 14, 2007.

On August 21, 2007, OCD Deputy Oil and Gas Inspector Gerry Guye emailed George Scott asking him for information on the status of NGX's new Form C-141 and remediation work plan. On August 22, 2007, Mr. Scott emailed Inspector Guye telling him that he had the Form C-141 ready to submit and that he would be submitting it on his next trip to Artesia.

On September 4, 2007, OCD received NGX's re-submitted Form C-141. OCD approved the Form C-141 with the stipulation that samples were to be taken, and a work plan prepared and approved prior to backfill of excavated area.

On September 18, 2007, Inspector Guye informed Mr. Scott in an email that OCD had not received a work plan or any analytical data from sampling. Inspector Guye asked Mr. Scott to provide this information to OCD by September 19, 2007. On September 18, 2007, Mr. Scott emailed Inspector Guye telling him that he thought Michael Schultz was handling this matter. Mr. Scott said he would check on the status first thing in the morning.

As of this date, NGX has taken no further action on this matter.

Rule 13 prohibits the waste of oil and gas. Rule 116 requires OCD to be notified of any unauthorized release and for such release to be remediated in accord with OCD requirements and standards.

NGX knowingly and willfully violated Rule 13 by allowing oil to waste. NGX knowingly and willfully violated Rule 116 by failing to notify OCD of the release or cleaning up the release, even after being advised to do so.

NGX's misconduct warrants issuance of this Notice of Violation and assessment of civil penalties pursuant to NMSA 1978, §70-2-31(A) for violations of the OCD rules described above. Section 70-2-31(A) authorizes penalties of up to **one thousand dollars (\$1,000.00)** per day per violation for any knowing and willful violation of any provision of the Oil and Gas Act or any rule adopted pursuant to the Act.

Because the rule violations at issue are serious and occurred over a period of time, the OCD believes at this time a **six thousand dollars (\$6,000)** civil penalty and a definite commitment to future corrective action are essential. The \$6,000.00 civil penalty is based on one violation of Rule 13 and five violations of Rule 116 (a \$1,000.00 for each month NGX continued to violate Rule 116).

Please contact Daniel Sanchez, OCD Enforcement and Compliance Manager, **within ten (10) days of the date of this letter** at (505) 476-3493, to schedule an administrative conference to discuss this matter. OCD legal counsel may be present by telephone for this conference, and you may bring legal counsel if you wish. The purpose of the administrative conference is to discuss the facts surrounding this notice of violation, and to determine if the matter can be resolved administratively through an agreed compliance order.

If this matter cannot be resolved administratively, the OCD may take further enforcement action, which may include an enforcement hearing before an OCD hearing examiner seeking an order requiring that the wells be plugged and abandoned pursuant to NMSA 1978, § 70-2-14(B). That statute provides:

If any of the requirements of the Oil and Gas Act or the rules promulgated pursuant to that act have not been complied with, the oil conservation division, after notice and hearing, may order any well plugged and abandoned by the operator or surety or both in accordance with division rules. If the order is not complied with in the time period set out in the order, the financial assurance shall be forfeited.

NGX Company  
NOV 02-07-25  
November 9, 2007  
*Page 4 of 4*

Thank you for your prompt attention to this matter.

Sincerely yours,

Sonny Swazo  
Assistant General Counsel

cc; Daniel Sanchez, OCD Enforcement and Compliance Manager  
Tim Gum, OCD District II Supervisor  
Gerry Guye, OCD District II Inspector



# NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

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NGX Company  
P.O. Box 5  
Roswell, NM 88202-0005

April 23, 2007

Reference: McKee 001 30-015-28268 O-25-24s-28e Eddy County, New Mexico

Operator,

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- Miscellaneous Guidelines
- Remediation of Leaks, Spills and Releases

Please submit the requested form and work plan proposal to the OCD District 2 Office no later than May 14, 2007

If I can be of assistance, please contact me

Sincerely,

Mike Bratcher  
NMOCD District 2  
1301 W. Grand Ave.  
Artesia, NM 88210  
(505) 748-1283 Ext. 108  
(505) 626-0857  
[mike.bratcher@state.nm.us](mailto:mike.bratcher@state.nm.us)

Distribution: NGX Company (via US Postal Service); Phil Hawkins (NMOCD)