

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

NMOCD-07- 179

**IN THE MATTER OF WILLIAMS PRODUCTION COMPANY, 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"), and the regulations 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 **WILLIAMS PRODUCTION COMPANY, LLC** ("Williams") directing compliance with the Act and OCD Rules, and assessing a penalty for violations of the Act and OCD rules.

I. FINDINGS

1. The OCD is the State division charged with administration and enforcement of the Act and OCD Rules.
2. Williams is a foreign limited liability corporation doing business in New Mexico, registered with the Public Regulation Commission under SCC # 2152643. Williams is an active entity, with a principal address at One Williams Center, Tulsa, Oklahoma 74172. Williams' assigned OGRID number is 120782.
3. Williams is the operator of record of a number of oil and gas wells in San Juan and Rio Arriba Counties, New Mexico, including the following wells:
 - Rosa Unit 35B, 30-045-33794, S-5, T-31N, R-06W, San Juan County, NM;
 - Rosa Unit 75B, 30-045-33748, S-10, T-31N, R-06W, San Juan County, NM;
 - Rosa Unit COM 376A, 30-039-29705, S-25, T-31N, R-05W, Rio Arriba County, NM; and
 - Rosa Unit 389A, 30-039-29502, S-07, T-31N, R-04W, San Juan County, NM.
4. OCD Rule 1104 [19.15.13.1104 NMAC], *Request for Allowable and Authorization to Transport Oil and Natural Gas (Form C-104)*, provides:
 - A. The division [OCD] may assign an allowable to a newly completed or re-completed well or a well completed in an additional pool, or issue an operator authorization to transport oil or natural gas from such a well if the operator:

- (1) has filed a complete form C-104;
- (2) Has provided a sworn and notarized tabulation of all deviation tests run on the well ...;

...

- B. The allowable the division assigns to an oil well shall be effective at 7:00 a.m. on the date of completion, provided the division receives form C-104 during the month of completion. Date of completion shall be that date when new oil is delivered into the stock tanks. Unless otherwise specified by special pool rules, the allowable the division assigns to a gas well shall be effective at 7:00 a.m. on the date of connection to a gas transportation facility, as evidenced by an affidavit of connection from the transporter to the division, or the date of receipt of form C-104 by the division, whichever date is later.
5. On February 2, 2007, the OCD received from Williams C-104s on the following wells:

Rosa Unit 35B, signed and dated January 27, 2007;
Rosa Unit 75B, signed and dated January 29, 2007;
Rosa Unit COM 376A, signed and dated January 27, 2007; and
Rosa Unit 389A, signed and dated January 27, 2007.
 6. The C-104s stated that the Rosa Unit 35B, Rosa Unit 75B, Rosa Unit COM 376A, and the Rosa Unit 389A wells were producing prior to Williams receiving an approved C-104 from the OCD.
 7. The OCD then conducted a document review on the wells.
 8. Williams' 3160-4 Completion Reports and C-115 Operator's Monthly Reports show first production dates on the four wells as follows:

Rosa Unit 35B, first production on December 1, 2006;
Rosa Unit 75B, first production on November 10, 2006;
Rosa Unit COM 376A, first production on November 3, 2006; and
Rosa Unit 389A, first production on November 20, 2006.
 9. As a result of its review of Williams' Form C-104, 3160-4 and C-115 filings, the OCD determined that Williams had been producing from these wells prior to filing a C-104 pursuant to OCD Rule 1104.
 10. On February 19, 2007, the OCD issued to Williams Notice of Violation (3-07-04) ("NOV 3-07-04"), alleging that Williams knowingly and willfully violated OCD Rule 1104.A, B and C by producing the Rosa Units 35B, 75B, COM 376A, and 389A without an allowable being assigned by the OCD pursuant to an approved C-104.
 11. At the March 6, 2007 Administrative Conference held at the OCD Aztec District Office, Williams presented the following:
 - a. Williams' failures to timely file the C-104s were as a result of innocent oversights by a

Williams' employee(s) who is responsible for timely meeting of OCD filing requirements.

- b. Steps are being taken to ensure that all Williams' employees are aware of the importance of meeting OCD filing requirements in a timely fashion, and additional supervision of employees is being provided to ensure that all future filing requirements are timely met.
- c. Williams has designed and will immediately implement a "NMOCD Filing Requirement Data Base" in which all NMOCD filings will be monitored by the company on a continuing basis for all future drilling operations.
- d. Williams disagrees that it knowingly and willfully violated any OCD Rules, but admits that a court could find that previous failures to timely comply with OCD filing requirements amount to a knowing and willful violation of OCD Rule 1104.

II. CONCLUSIONS

- 1. The OCD has jurisdiction over the parties and subject matter in this proceeding.
- 2. Williams is a person as defined by NMSA 1978, § 70-2-33(A) that may be subject to civil penalties under NMSA 1978, §70-2-31(A).
- 3. Williams and the OCD agree that the district court could find that Williams' previous failures to timely comply with OCD filing requirements may subject it to civil penalties of up to one thousand dollars (\$1,000.00) per day under NMSA 1978, § 70-2-31(A) for knowingly and willfully violating OCD Rule 1104.A, B and C by producing the Rosa Units 35B, 75B, COM 376A, and 389A without an allowable being assigned by the OCD pursuant to an approved C-104.

III. ORDER AND CIVIL PENALTY

- 1. Taking into account both aggravating and mitigating factors, the OCD hereby assesses a civil penalty totaling **Twenty-two Thousand Five Hundred Dollars (\$22,500.00)** against Williams pursuant to NMSA 1978, Section 70-2-31(A) for failing to timely submit required C-104s on each of the four subject wells for a total period on all four wells of forty-five (45) weeks.
- 2. The assessed penalty was calculated by considering each two-week period, or a portion thereof, as a separate violation of OCD Rule 1104. Each violation is assessed at One Thousand Dollars, i.e., per each two-week period. (Forty-five weeks divided by two, times \$1,000 = \$22,500.00). The violations are as follows:

Rosa Unit 35B, Dec. 1, 2006 through Feb. 2, 2007 (9 weeks late)	\$4,500
Rosa Unit 75B, Nov. 10, 2006 through Feb. 2, 2007 (12 weeks late)	\$6,000
Rosa Unit COM 376A, Nov. 3, 2006 through Feb. 2, 2007 (13 weeks late)	\$6,500

Rosa Unit 389A, Nov. 20, 2006 through Feb. 2, 2007
(11 weeks late)

\$5,500

3. The \$22,500.00 civil penalty shall be paid upon execution 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: Director, 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505.
4. By signing this Order, Williams 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; 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).
5. Nothing in this Order relieves Williams of its liability should its operations fail to adequately investigate and remediate contamination that poses a threat to ground water, surface water, human health or the environment. In addition, nothing in this Order relieves Williams of its responsibility for compliance with any other federal, state or local laws and/or regulations.

Done at Santa Fe, New Mexico this 11th day of ~~April~~ ^{MAY} 2007.

By: 
Mark Fesmire, PE, Director
Oil Conservation Division

ACCEPTANCE

WILLIAMS PRODUCTION COMPANY, LLC hereby accepts the foregoing Order, and agrees to all of the terms and provisions set forth therein.

WILLIAMS PRODUCTION COMPANY, LLC



By: 

Title: Mgr. Ops & Eng - San Juan Asset Team

Date 5/1/07