

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

ACO 08- 227

IN THE MATTER OF WEST LARGO CORPORATION,

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 **West Largo Corporation** (hereinafter "West Largo") directing compliance with the Act and OCD Rules, and assessing a penalty for violations of the Act and OCD rules.

I. FINDINGS & DETERMINATIONS BY THE OCD

- 1) The OCD is the state division charged with administration and enforcement of the Act and OCD Rules.
- 2) West Largo is a foreign profit corporation doing business in New Mexico, registered with the Public Regulatory Commission Secretary of the State, under number 1655240. West Largo is an active entity with a principal address of 8801 S Yale, STE 240 Tulsa Oklahoma 74137-3535. Its registered agent for service of process in New Mexico is CT Corporation System, 217 W Manhattan Ave. Santa Fe New Mexico 87501. West Largo's OGRID is 37197.
- 3) West Largo is the Operator of Record of the Federal 15 #1, Unit letter F, Section 15, Township 28 North, Range 09 West, API # 30-045-34311.
- 4) On January 22, 2008, OCD Deputy Oil and Gas Inspector Isaac Chohamin performed a routine well inspection at the West Largo Federal 15 #1. Inspector Chohamin discovered a drilling pit on location; the drilling pit was fenced and lined. Inspector Chohamin was unable to find a drilling pit permit in the OCD's records. Inspector Chohamin confirmed with OCD Inspectors Karen Sharp and Brandon Powell that West Largo had not obtained an OCD approved pit permit for the site.

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- 5) The Application for Permit to Drill (hereinafter "APD") for the Federal 15 #1 was approved by the OCD on October 18, 2007, with the specific condition that West Largo "[o]btain a pit permit from NMOCD prior to constructing the location" being expressly articulated on the front page of the APD.
- 6) The OCD received a sundry November 14, 2007, reporting that the well was spud on October 22, 2007.
- 7) OCD Rule 50.A [19 15.2.50.A NMAC] prohibits the discharge into or construction of any pit or below-grade tank absent possession of a permit issued by the OCD, unless otherwise provided by OCD rules or unless the OCD grants an exemption pursuant to OCD Rule 50.G [19 15.2.50.A NMAC].
- 8) West Largo violated OCD Rule 50.A [19 15.2.50.A NMAC] by failing to obtain a pit permit from the OCD before they constructed or discharged into a pit at this location.
- 9) West Largo has drilled other wells in New Mexico and has previously permitted pits under Rule 50.A [19 15.2.50.A NMAC] as an operator in New Mexico. Further, West Largo was specifically informed in writing that the APD was being approved on the express condition that West Largo obtain a pit permit prior to constructing the location. Despite this, West Largo proceeded to construct and discharge into the drilling pit at the site referenced above without first obtaining the required permit, and in so doing West Largo knowingly and willfully violated OCD Rule 50.A [19 15.2.50.A NMAC].
- 10) NMSA 1978 Section 70-2-31(A) provides in relevant part, "[a]ny 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."
- 11) 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..."
- 12) As a result of its investigation, on February 18, 2008, the OCD issued Notice of Violation (3-08-03) to West Largo.

II. STATEMENTS & ADDITIONAL INFORMATION PROVIDED BY THE OPERATOR, WEST LARGO

West Largo provided the following supplemental information and statements during an administrative Conference held by telephone on February 21, 2008:

- 13) West Largo was unaware that a State pit permit was required on a Federal well.
- 14) West Largo uses a local third party consultant to submit permits during the APD process to ensure that they abide by all state rules and regulations, and thought all of the correct paperwork had been submitted.
- 15) West Largo had the pit permit hand delivered the day after they were notified.
- 16) West Largo investigated all their previous records since rule 50 was adopted and found two additional locations that did not have pit permits. West Largo has worked with the OCD district office to correct these issues.

III. CONCLUSIONS OF THE OCD

- 17) The OCD has jurisdiction over the parties and subject matter in this proceeding.
- 18) West Largo 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).
- 19) West Largo is subject to civil penalties under NMSA 1978, § 70-2-31(A) at the Federal 15 #1 for one violation of OCD Rule 50.A [19 15.2.50.A NMAC] (construction and discharge into a pit with out an approved pit permit).

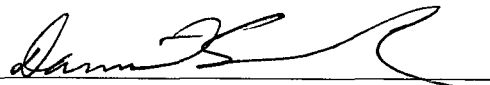
IV. ORDER & CIVIL PENALTY ASSESSMENT

- 20) Taking into account both aggravating and mitigating factors, the OCD hereby assesses a civil penalty against West Largo totaling **One Thousand Dollars (\$1,000.00)** for the violation of the OCD's Rules.
- 21) The civil penalty shall be paid at the time West Largo executes this Order. Payment shall be made by check 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.

- 22) By signing this Order, West Largo expressly:
- a. acknowledges the authority of the OCD to render the above "Findings & Determinations," "Conclusions" and "Order & Civil Penalty Assessment";
 - b. acknowledges that it is the responsibility of West Largo as the Operator of Record of wells in New Mexico to know and comply with Division Rules in the operation of those sites, and that West Largo is ultimately the entity responsible for any noncompliance with Division Rules associated with any site for which it is the Operator of Record.
 - c. agrees to comply with the Order, specifically as articulated in Section "IV," Paragraphs 20, and 21;
 - d. 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;
 - e. 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;
- 23) Nothing in this Order relieves West Largo 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 West Largo of its responsibility for compliance with any other federal, state or local laws and/or regulations.

Done at Santa Fe, New Mexico this 18th day of March 2008.

By: 
Mark Fesmire, P.E.
Director, Oil Conservation Division

ACCEPTANCE

WEST LARGO CORPORATION, (OGRID No. 37197), Operator of the Federal 15 #1, Unit letter F, Section 15, Township 28 North, Range 09 West, API # 30-045-34311, hereby accepts the foregoing Order, and agrees to all of the terms and provisions as set forth in the Order.

WEST LARGO CORPORATION,

By: _____

J.P. GARRETT

Title: _____

PRESIDENT

Date: _____

MARCH 13, 2008