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

ACO 08- 234

IN THE MATTER OF CAMBRIAN MANAGEMENT LTD.,  
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 Cambrian Management Ltd. (hereinafter "Cambrian") 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. Cambrian Management Ltd. is a limited partnership operating wells in New Mexico under OGRID 198688.
3. The OCD inspected the following wells operated by Cambrian in New Mexico and reviewed reports filed by Cambrian on the wells:
  - Davis N #002, 30-005-20254
  - Chem State #007, 30-025-26710
  - Chem State #003, 30-025-22747
  - Davis N #001, 30-005-20228
  - Davis N #003, 30-005-20527
4. On January 17, 2008, OCD Deputy Inspector Maxey Brown inspected the Davis N #002, and noted the following: "H-O-A switch in off position. Surplus rods and tbg on location, several tbg collars. Several jts of surplus tbg off location to the east. MGB." Photos taken by Mr. Brown during his inspection show the electric switch in the off position, the paraffin in the stuffing box dry, and the polish rod not shiny. No tracks or other signs of traffic appeared in the area of the well.
5. Cambrian has reported oil production for the Davis N #002 through January 2008, with 31 days of production in January.
6. On January 16, 2008, OCD Deputy Inspector Maxey Brown inspected the Chem State #007, and noted the following: "No well sign. Flowline is not connected to well. Line fuses down at power pole. Well is not capable of producing. MGB."

Photos taken by Mr. Brown during his inspection show flowlines at the well are not connected. No tracks or other signs of traffic appeared in the area of the well.

7. Cambrian has reported gas production for the Chem State #007 through January 2008.
8. The following additional wells have reporting production through December 2007, although inspections in January conclude or suggest that the wells are incapable of production:
  - Chem State #003 30-025-22747
  - Davis N #001 30-005-20228
  - Davis N #003 30-005-20527
9. Rule 19.15.13.1115 NMAC requires each operator to file a monthly report, C-115, for each non-plugged well completion for which the division has approved a C-104 authorization to transport setting forth complete information and data indicated on said forms in the order, format and style the division director prescribes.
10. The C-115 requires reporting of production data including, for each well, the amount of oil or gas produced, and the number of days produced.
11. NMSA 1978, Section 70-2-31(A) provides that 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 \$1,000 per day.
12. NMSA 1978, Section 70-2-33(A) defines "person" to include "any individual, estate, trust, receiver, cooperative association, club, corporation, company, firm, partnership, joint venture, syndicate or other entity."
13. On March 17, 2008, the OCD issued Notice of Violation (1-08-03) to Cambrian alerting the operator to the reporting irregularities and giving the operator an opportunity to demonstrate that it is correctly reporting production on the five identified wells.

## **II. STATEMENTS & ADDITIONAL INFORMATION PROVIDED BY CAMBRIAN**

14. At a compliance conference conducted on April 9, 2008, Cambrian provided the following information:
  - a. Cambrian was aware that the five identified wells were shut-in, but it failed to notify its reporting service. The reporting service continued to report production for the wells using the existing proration schedule.

b. To avoid mistakes in the future, Cambrian is instituting a well status report to notify its reporting service whether wells are shut-in, and the number of days each well produced each month.

c. Cambrian is filing corrected C-115s for the five identified wells.

d. Cambrian is reviewing the five identified wells to determine if single-well financial assurances are required, and will arrange for those financial assurances.

### **III. CONCLUSIONS OF THE OCD**

15. The OCD has jurisdiction over the parties and subject matter in this proceeding.
16. Cambrian 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).
17. Cambrian is subject to civil penalties under NMSA 1978, § 70-2-31(A) for violating Rule 19.15.13.1115 NMAC at the following wells:
  - Davis N #002, 30-005-20254
  - Chem State #007, 30-025-26710
  - Chem State #003, 30-025-22747
  - Davis N #001, 30-005-20228
  - Davis N #003, 30-005-20527

### **IV. ORDER & CIVIL PENALTY ASSESSMENT**

18. Taking into account both aggravating and mitigating factors, the OCD hereby assesses a civil penalty against Cambrian totaling \$5,000 for violations of OCD Rule 19.15.13.1115 NMAC as to the five identified wells.
19. The civil penalty shall be paid at the time Cambrian 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.
20. If it has not already done so, Cambrian is instructed to file corrected C-115s and post any required single well financial assurances for the five identified wells no later than April 30, 2008.
21. Cambrian agrees to place the Chem State #007 and Chem State #003 wells on approved temporary abandonment status in accordance with OCD Rule 19.15.4.203 NMAC by June 15, 2008. Cambrian may seek an extension of time to place these two wells on approved temporary abandonment status if it demonstrates that it acted in good faith in attempting to meet the June 15, 2008 goal. Entry of this Order does

not remove the Chem State #007 and Chem State #003 wells from the inactive well list for Cambrian kept pursuant to OCD Rule 19.15.1.40 NMAC.

22. By signing this Order, Cambrian expressly:

- a. acknowledges the authority of the OCD to render the above "Findings & Determinations," "Conclusions" and "Order & Civil Penalty Assessment";
- b. agrees to comply with the Order, specifically as articulated in Section "IV," Paragraphs 18-22, above;
- 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;

23. After Cambrian meets the terms of this order, the OCD will be willing to negotiate an inactive well agreed compliance order with Cambrian for the Davis N wells that are out of compliance with OCD Rule 19.15.4.201 NMAC.

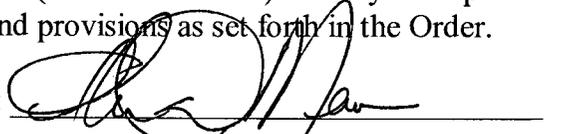
24. Nothing in this Order relieves Cambrian of its liability should its operations fail to adequately investigate and remediate contamination that poses a threat to ground water, surface water, human health or the environment. In addition, nothing in this Order relieves Cambrian of its responsibility for compliance with any other federal, state or local laws and/or regulations.

Done at Santa Fe, New Mexico this 22<sup>nd</sup> day of April 2008.

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

**ACCEPTANCE**

**CAMBRIAN MANAGEMENT LTD.** (OGRID 198688) hereby accepts the foregoing Order, and agrees to all of the terms and provisions as set forth in the Order.

By:   
Title: Owner/Engineer  
Date: 4/15/08