

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

ACO 08-247

IN THE MATTER OF SAN JUAN RESOURCES INC.,

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 **San Juan Resources Inc.** (hereinafter "San Juan Resources"), OGRID 20208, 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) San Juan Resources is a foreign profit corporation doing business in New Mexico, registered with the Public Regulatory Commission Secretary of the State, under number 1530070. San Juan Resources is an active entity with a principal address of 1499 Blake Street, #10C, Denver, Colorado 80202. Its registered agent for service of process in New Mexico is Dugan Production Corp., 709 E Murray Dr., Farmington, New Mexico 87401. San Juan Resources' OGRID is 20208 and its address of record with the OCD is 1499 Blake St., 10C, Denver, Colorado 80202.
- 3) San Juan Resources is the Operator of Record of the **Memgem Walters 34 #1**, Unit letter I, Section 34, Township 32 North, Range 13 West, API # 30-045-33768, San Juan County, New Mexico.
- 4) On April 1, 2008, New Mexico OCD Deputy Oil and Gas Inspector, Brandon Powell, performed a well inspection at the San Juan Resources Memgem Walters 34 #1 well. Inspector Powell discovered a pile of drill cuttings that contained shredded liner material onsite. The pile was not bermed, and there

was not a liner underneath the pile for containment. There was no pit on location.

- 5) The OCD had previously approved the APD and corresponding pit permit for a lined pit on June 14, 2006, for this well site. As part of the APD, San Juan Resources agreed to abide by OCD guidelines for the lined pit it planned to construct at the site.
- 6) San Juan Resources submitted a sundry to the OCD noting that the well was spud on August 13, 2006.
- 7) According to reports filed by San Juan Resources, the last casing string was set and cemented September 1, 2006.
- 8) San Juan Resources submitted a C-103 on February 8, 2007, requesting a six-month extension to close the pit at this site. The request was specifically made for the purpose of obtaining additional time to "remove the pit liner and cuttings per the landowner request," and San Juan Resources submitted a written statement from the landowner in further support of the request. This request for extension was approved by the OCD on February 14, 2007, rendering the new deadline for pit closure of September 1, 2007.
- 9) At no time, through either the approval of the pit closure extension or otherwise, was San Juan Resources given the authority to stockpile and/or dispose of the pit contents on location.
- 10) OCD Rule 52. A [19 15.2.52.A NMAC] states in part:

Prohibited dispositions. Except as authorized by 19.15.1.19 NMAC, 19.15.2.50 NMAC, 19.15.2.53 NMAC, 19.15.3.116 NMAC or 19.15.9.701 NMAC, **no person, including a transporter, shall dispose of produced water or other oil field waste: on or below the surface of the ground.**
Emphasis added

- 11) OCD Rule 52.C [19 15.2.52.C NMAC] states in part:

Authorized dispositions of other oil field waste. Persons shall dispose of other oil field waste by transfer to an appropriate permitted or registered surface waste management facility or injection facility or applied to a division-authorized beneficial use.

- 12) San Juan Resources violated OCD Rule 52.A [19 15.2.52.A NMAC] by disposing of the drill cuttings on the surface of the ground at the wellsite.
- 13) 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."
- 14) 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..."
- 15) As a result of its investigation, on April 24, 2008, the OCD issued **Notice of Violation (3-08-08)** to San Juan Resources.

II. STATEMENTS & ADDITIONAL INFORMATION PROVIDED BY THE OPERATOR, SAN JUAN RESOURCES

San Juan Resources provided the following information and statements during an administrative conference held on May 2, 2008 and in a subsequent email received by the OCD on May 7, 2008:

- 16) San Juan Resources received the call about the drill cuttings being onsite on April 1, 2008. San Juan Resources responded immediately and the cuttings were removed by April 4, 2008.
- 17) A field inspection performed by the OCD on April 9, 2008 verified that all of the drill cuttings had been removed.
- 18) San Juan Resources provided a copy of the testing analysis and the results indicate contaminants tested for were far below the OCD's regulatory limits.
- 19) The cuttings had not been previously removed due to bad weather conditions and spent in excess of \$8,000 to haul and properly dispose of the cuttings.

III. CONCLUSIONS OF THE OCD

- 20) The OCD has jurisdiction over the parties and subject matter in this proceeding.

- 21) San Juan Resources 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).
- 22) San Juan Resources is subject to civil penalties under NMSA 1978, § 70-2-31(A) at the Memgem Walters 34 #1 for one violation of OCD Rule 52.A [19 15.2.52.A NMAC] (disposing of drill cuttings directly on the surface of the ground).

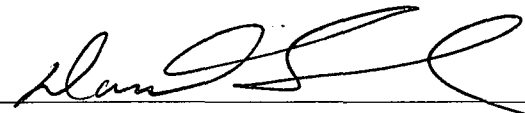
IV. ORDER & CIVIL PENALTY ASSESSMENT

- 23) Taking into account both aggravating and mitigating factors, the OCD hereby assesses a civil penalty against San Juan Resources totaling **One Thousand Dollars (\$1,000.00)** for the violation of the OCD's Rules.
- 24) The civil penalty shall be paid at the time San Juan Resources 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.
- 25) By signing this Order, San Juan Resources expressly:
 - a. acknowledges the authority of the OCD to render the above "Findings & Determinations," "Conclusions" and "Order & Civil Penalty Assessment";
 - c. acknowledges that it is the responsibility of San Juan Resources, 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 San Juan Resources is ultimately the entity responsible for any noncompliance with Division Rules associated with any site for which it is the Operator of Record.
 - d. agrees to comply with the Order, specifically as articulated in Section "IV," Paragraphs 23, and 24;
 - e. 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;
 - f. 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;

- 26) Nothing in this Order relieves San Juan Resources 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 San Juan Resources of its responsibility for compliance with any other federal, state or local laws and/or regulations.

Done at Santa Fe, New Mexico this 4th day of August 2008.

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

ACCEPTANCE

SAN JUAN RESOURCES INC., (OGRID No. 20208), Memgem Walters 34 #1, Unit letter I, Section 34, Township 32 North, Range 13 West, API # 30-045-33768, San Juan County, New Mexico, hereby accepts the foregoing Order, and agrees to all of the terms and provisions as set forth in the Order.

SAN JUAN RESOURCES INC.,

By: 

Title: President

Date: July 24, 2008