

Morexco, Inc.  
OGRID: 15262  
ACD 251  
NOV 2-08-16  
Closed: 8/25/08

BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Case No. 14186 Exhibit No. 18  
Submitted by:  
McElvain Oil & Gas Properties, Inc.  
Hearing Date: October 15, 2008

7007 3020 0000 3029 0713



# NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

**BILL RICHARDSON**

Governor

**Joanna Prukop**

Cabinet Secretary

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

Director

Oil Conservation Division

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

*Field Inspection Program*

*"Preserving the Integrity of Our Environment"*

14-Apr-08

**MOREXCO INC**

P. O. Box 953

Midland TX 79702

LOV NO. 02-08-062

**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**

**BURMAH STATE No.001**

J-18-18S-28E

30-015-25062-00-00

Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
04/02/2008	Routine/Periodic	Richard Inge	Yes	No	4/29/2008	iREI0809353010

**Comments on Inspection:** Pit is on location behind tank battery. The sides of pit indicate soil staining.

Violation of Rule 50 - Please submit a C-144 pit closure plan by compliance due date. This report must contain a closure plan that includes the taking of soil samples to be witnessed by the OCD. The pit closure must occur within 30 days of the pit closure approval by the OCD.

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,

*Richard Inge*

Artesia OCD District Office

Note: Information in Detail Section comes directly from field inspector data entries - not all blanks will contain data.

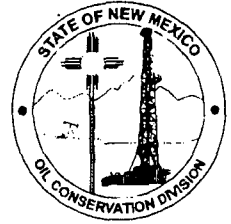
\*Significant Non-Compliance events are reported directly to the EPA, Region VI, Dallas, Texas.

# New Mexico Energy, Minerals and Natural Resources Department

**Bill Richardson**  
Governor

**Joanna Prukop**  
Cabinet Secretary  
**Reese Fullerton**  
Deputy Cabinet Secretary

**Mark Fesmire**  
Division Director  
Oil Conservation Division



## NOTICE OF VIOLATION

NOV No. 02-08-16

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

July 7, 2008

Morexco Inc.  
Attn: Rhonda Becker  
P.O. Box 953  
Midland, TX 79702

CERTIFIED MAIL: 7002 0510 0003 5125 2195

Morexco Inc.  
Attn: Rhonda Becker  
P.O. Box 1591  
Roswell, NM 88202-1591

CERTIFIED MAIL: 7002 0510 0003 5125 2188

**Re: Operator: Morexco Inc.**  
**OGRID: 15262**  
**Facility: Burmah State No. 001; 30-015-25062; J-18-18S-28E**  
**Violation: OCD Rule 19.15.2.50.F NMAC**

Dear Operator:

On April 2, 2008, Oil Conservation Division ("OCD") Deputy Oil and Gas Inspector Richard Inge inspected the above identified well. OCD records show Morexco Inc. ("Morexco") as the well's operator of record. During his inspection Deputy Inspector Inge observed an unauthorized production pit behind the tank battery. The sides of the pit had soil staining indicating possible hydrocarbon contamination.

OCD Rule 19.15.2.50.F.1 NMAC ("Rule 50") states:

Except as otherwise specified in Section 50 of 19.15.2 NMAC, a pit or below-grade tank shall be properly closed within six months after cessation of use. As a condition of a permit, the division may require the operator to file a detailed closure plan before closure may commence. The division for good cause shown



may grant a six-month extension of time to accomplish closure. Upon completion of closure a closure report (form C-144), or sundry notices and reports on wells shall be submitted to the division. Where the pit's contents will likely migrate and cause ground water or surface water to exceed water quality control commission standards, the pit's contents and the liner shall be removed and disposed of in a manner approved by the division.

On April 14, 2008, Deputy Inspector Inge sent a letter of violation (LOV No. 02-08-062) to Morexco by certified mail (7007 3020 0000 3029 0713). The letter informed Morexco of the rule violation and instructed Morexco to submit a C-144 pit closure plan by corrective action due date of April 29, 2008. The letter informed Morexco that the pit closure plan had to include the taking of soil samples that had to be witnessed by the OCD. The letter further informed Morexco that the pit had to be closed within 30 days of the OCD's approval of the pit closure plan. Mary Eschberger signed for the letter on April 17, 2008.

On April 21, 2008, OCD received a C-144 pit closure plan from Morexco for the pit. The closure plan was approved on April 24, 2008 with the following stipulations:

- Notify NMOCD 24 hours prior to commencement of closure activities.
- Notify NMOCD 24 hours prior to obtaining samples where analyses of samples obtained are to be submitted to NMOCD.
- Representative samples are to be obtained from pit sidewalls and bottom.
- Laboratory analyses of samples obtained are to be submitted to NMOCD, and, approval granted for closure prior to backfilling pit.
- Clean, native material to be used for backfilling.
- Pit to be closed and closure report submitted to NMOCD not later than May 26, 2008.

As of this date, Morexco has not complied with the pit closure stipulations, and the pit remains open and in non-compliance with OCD Rule 50.

Morexco knowingly and willfully violated OCD Rule 50 by not closing the pit, even after being informed by OCD.

In addition to the Burmah State No. 001, the following pits are also in non-compliance with OCD Rule 50 and had been given the same date of closure as the Burmah State No. 001 (May 26, 2008):

- |                            |              |
|----------------------------|--------------|
| • Lackawanna State No. 001 | 30-015-02143 |
| • Sun State No. 001        | 30-015-24774 |
| • Superior State No. 001   | 30-015-24621 |

Morexco'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 **One Thousand Dollar (\$1,000.00)** civil penalty and a definite commitment to future corrective action are essential. The \$1,000.00 civil penalty is based on one violation of OCD Rule 50.F NMAC for the Burmah State No. 001 well.

Please contact OCD Assistant General Counsel Sonny Swazo **within ten (10) days of the date of this letter** at (505) 476-3463, 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.**

Thank you for your prompt attention to this matter.

Sincerely yours,



Daniel Sanchez  
OCD Enforcement and Compliance Manager,

cc: Tim Gum, OCD District II Supervisor  
Richard Inge, OCD District II Supervisor  
Gerry Guye, OCD District II Inspector  
Sonny Swazo, Assistant General Counsel

## **Duran-Saenz, Theresa, EMNRD**

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**From:** Duran-Saenz, Theresa, EMNRD  
**Sent:** Tuesday, July 08, 2008 10:02 AM  
(tim.gum@state.nm.us); Inge, Richard, EMNRD (richard.inge@state.nm.us); Guye, Gerry, EMNRD; Sonny Swazo (Sonny.Swazo@state.nm.us)  
**Cc:** Sanchez, Daniel J., EMNRD  
**Subject:** Morexco Inc. NOV 2-08-16  
**Attachments:** 2008 7-7 NOV 02-08-16.doc