

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

NMOCD-06-113

IN THE MATTER OF COLEMAN OIL AND GAS, INCORPORATED,

Respondent.

AGREED COMPLIANCE ORDER

Pursuant to the New Mexico Oil and Gas Act, NMSA 1978, Sections 70-2-1 through 70-2-38, as amended (hereinafter, "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 (hereinafter, "OCD") issues this Order to **COLEMAN OIL AND GAS, INCORPORATED** (hereinafter "Coleman") 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) Coleman is a domestic for profit corporation doing business in New Mexico, registered with the Public Regulatory Commission Secretary of the State, under number 1036359. Coleman is an active entity with a principal address at 6540 East Main, Farmington, New Mexico 87499. Its registered agent for service of process in New Mexico is George E. Coleman. Coleman's local address is Chris G. Coleman, Vice-President, P. O. Drawer 3337, Farmington, New Mexico 87499-3337. Coleman's OGRID is 4838.
- 3) On March 20, 2006, OCD Deputy Oil and Gas Inspector Karen Sharp, while reviewing Coleman's APD for Juniper West Com 12 #32, noted that no pit permit was in the file.
- 4) An OCD investigation found the following:
 - a. The permit to drill was approved by the BLM on December 9, 2005.
 - b. The well was spud on December 31, 2005.
 - c. No application for a pit permit has been received by the OCD from Coleman.
 - d. Rule 50.A prohibits "[d]ischarge into, or construction of, any pit or below-grade tank ... absent possession of a permit issued by the division."

- e. NMSA 1978, §70-2-31(A) provides that “[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. For purposes of this subsection, in the case of a continuing violation, each day of violation shall constitute a separate violation.”
 - f. NMSA 1978, §70-2-33(A) defines person as “any individual estate, trust receiver, cooperative association, club, corporation, company, firm, partnership, joint venture, syndicate or other entity.”
- 5) As a result of its investigation, the OCD issued Notice of Violation (3-06-17) to Coleman, alleging violation of Rule 50.A.
 - 6) At the Administrative Conference on this matter, Coleman presented the following:
 - a. In response to the **NOTICE OF VIOLATION** sent to Coleman, the company does not wish to contest the fine that was assessed for Civil Penalties in the amount of One Thousand Dollars (\$1,000.00).
 - a) Coleman plans to submit all sundries for construction of earthen reserve pits with its Application to Drill, whether it is Federal, Tribal, State or Fee lease land.
 - b) In the past, Coleman believed that all sundries for intent to construct and reclaim earthen pits were to be filed following the approval of its Application to Drill. Submitting these sundries with its Application to Drill should improve Coleman’s application process.

II. CONCLUSION

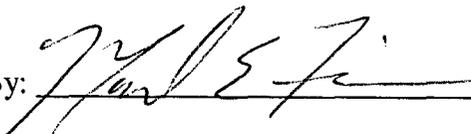
- 1) The OCD has jurisdiction over the parties and subject matter in this proceeding.
- 2) Coleman is a person as defined by NMSA 1978, § 70-2-33(A) that may be subject to civil penalties under NMSA 1978, §70-2-31(A).
- 3) Coleman is subject to civil penalties under NMSA 1978, § 70-2-31(A) at the Juniper West Com 12 #32 for one knowing and willful violation of OCD Rule 50.A.

III. ORDER AND CIVIL PENALTY

- 1) Taking into account both aggravating and mitigating factors, the OCD hereby assesses a civil penalty against Coleman totaling **One Thousand Dollars (\$1,000.00)** for one violation of Rule 50.A.

- 2) The civil penalty shall be paid at the time Coleman 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.
- 3) Coleman has submitted a permit request for a drilling pit.
- 4) By signing this Order, Coleman expressly:
 - a. acknowledges the correctness of the Findings and Conclusions set forth in this Order;
 - b. agrees to comply with Ordering paragraph 2;
 - 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;
- 5) Nothing in this Order relieves Coleman 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 Coleman of its responsibility for compliance with any other federal, state or local laws and/or regulations.

Done at Santa Fe, New Mexico, this 6th day of July 2006.

By: 

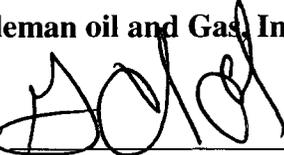
Mark Fesmire, P.E.
Director, Oil Conservation Division

(Coleman Oil and Gas, Inc. signatures are contained on Page 4)

ACCEPTANCE

Coleman Oil and Gas, Incorporated hereby accepts the foregoing Order, and agrees to all of the terms and provisions set forth in the Order.

Coleman oil and Gas Incorporated

By  _____

Title: Vice President

Date: 5-21-06