

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

NMOCD-06-137

IN THE MATTER OF WAGNER OIL COMPANY,

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 **WAGNER OIL CO.** ("Wagner") directing compliance with the Act and OCD Rules, and assessing a penalty for violations of the Act and OCD rules.

FINDINGS

1. The OCD is the state division charged with administration and enforcement of the Act and OCD Rules.
2. Wagner is a foreign private company, with a principal and mailing address at 500 Commerce Street, Suite 600, Fort Worth, Texas 76102. Wagner has been assigned OGRID # 177888.
3. Wagner is the operator of the Salt Mountain 25 Federal No. 3-Y, Unit Letter G, Section 25, Township 26S, Range 29E, API # 30-015-25821, Eddy County, New Mexico.
4. On November 2, 2005, OCD Deputy Oil and Gas Inspector Gerry Guye performed a mechanical integrity test (hereinafter, "MIT") on the Wagner Salt Mountain 25 Federal No. 3-Y injection well. No one from Wagner was present to witness the test. Further, the Bradenhead valves had not been shut in for the twenty-four hours prior to the scheduled test, the test could not be run.
5. The well is considered to have failed the requirements of the MIT test.
5. By letter dated November 8, 2005, Wagner was notified of the failed Bradenhead, i.e., MIT test. Wagner was instructed to contact the OCD at least forty-eight hours prior to the date and time that the well would be retested. To date, Wagner has not contacted the OCD to reschedule the MIT test.

6. OCD Rule 703 [19.15.9.703 NMAC] requires injection wells to be “equipped, operated, monitored, and maintained to facilitate periodic testing and to assure continued mechanical integrity which will result in no significant leak in the tubular goods and packing materials used and no significant fluid movement through vertical channels adjacent to the well bore.”
7. Wagner knowingly and willfully violated Rule 703 by failing to have the well prepared for the MIT test, for not being present so the test could be conducted on the Salt Mountain 25 Federal No. 3-Y well, and for failing to reschedule the test, even after being notified of the inspection failure.
8. As a result, on June 29, 2006, the OCD issued **Notice of Violation (2-06-14)** to Wagner alleging one violation of OCD Rule 703.
9. Wagner admits that they failed to be present at the scheduled test on the Salt Mountain 25 Federal No. 3-Y. Although they have attempted to notify the OCD Artesia District Office to reschedule the test, they have been unsuccessful.

II. CONCLUSIONS

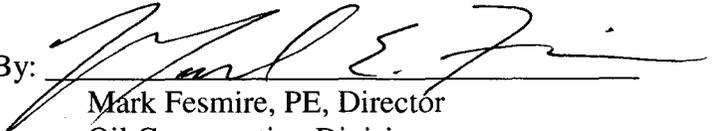
1. The OCD has jurisdiction over the parties and subject matter in this proceeding.
2. Wagner is a person as defined by NMSA 1978, § 70-2-33(A) that may be subject to civil penalties under NMSA 1978, §70-2-31(A).
3. Wagner is subject to civil penalties under NMSA 1978, § 70-2-31(A) at the Salt Mountain 25 Federal No. 3-Y for one knowing and willful violation of OCD Rule 703.

III. ORDER AND CIVIL PENALTY

1. Taking into account both aggravating and mitigating factors, the OCD hereby assesses a civil penalty totaling **One Thousand Dollars (\$1,000.00)** against Wagner for one violation of OCD Rule 703 (failing a mechanical integrity test).
2. The civil penalty shall be paid upon execution of this Order. Payment shall be made by certified or cashier’s check made 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. Wagner shall reschedule the mechanical integrity test no later than August 1, 2006.
4. By signing this Order, Wagner expressly:
 - a. acknowledges the correctness of the Findings and Conclusions set forth in this Order;
 - b. agrees to comply with Ordering paragraphs 2 and 3;

- 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; and
- 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 (NMSA 1978, Sections 70-2-1 through 70-2-38, as amended).

Done at Santa Fe, New Mexico this 26th day of July 2006.

By: 
Mark Fesmire, PE, Director
Oil Conservation Division

ACCEPTANCE

Wagner Oil Company hereby accepts the foregoing Order, and agrees to all of the terms and provisions set forth therein.

WAGNER OIL COMPANY

By: 
Title: VP Drilling & Prod
Date 21 July 06