

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

NMOCD-- 150

**IN THE MATTER OF CHAPARRAL OIL & GAS CO.,**

**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 **CHAPARRAL OIL & GAS CO.** ("Chaparral") 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. Chaparral is a domestic, for-profit corporation doing business in New Mexico, registered with the Secretary of State under SCC number 0655456. Chaparral is an active entity with a principal address of 900 S. Main Street, Aztec, New Mexico 87410-0100 and mailing address at P.O. Box 100, Aztec, New Mexico 87410-0100. Its registered agent for service of process in New Mexico is Jerry Sandel. Chaparral has been assigned OGRID # 4076.
3. Chaparral is the operator of the Marie #2, Unit Letter J, Section 13, Township 28 North, Range 2 West, API #30-045-33540, San Juan County, New Mexico.
4. On May 10, 2006, OCD Deputy Oil and Gas Inspector Monica Kuehling arrived on the site of the Chaparral, Marie #2 well. On inspecting the site, Inspector Kuehling found a drilling pit full of drilling fluid. Other than this, all other conditions on the site were in proper order.
5. An OCD investigation found the following:
  - a) The application for the permit to drill was approved by the BLM on February 1, 2006.
  - b) No application for a pit permit has been received by the OCD, nor has a pit permit been issued.
  - c) OCD Rule 50.A [19.15.2.50.A NMAC] provides, "[d]ischarge into, or construction of,

any pit or below-grade tank is prohibited absent possession of a permit issued by the division,” unless an exception is granted by the OCD.

- d) Constructing a drilling pit without a permit is a violation of OCD Rule 50.A.
  - e) Chaparral had no permit to construct the pit, nor had the OCD granted an exception to the permit requirement.
6. Chaparral knowing and willfully violated Rule 50.A by failing to obtain a pit permit for a drilling pit at the Marie #2 well.
  7. As a result of its investigation OCD issued **Notice of Violation (3-06-31)** to Chaparral alleging a violation of OCD Rule 50.A.
  8. At the Administrative Conference on this matter, Chaparral presented the following:
    - a) The fact that it had not timely filed the permit with the OCD was an administrative oversight.
    - b) Chaparral representatives will monitor the permits filed and approved before work is allowed to begin.

## **II. CONCLUSIONS**

1. The OCD has jurisdiction over the parties and subject matter in this proceeding.
2. Chaparral 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. Chaparral is subject to civil penalties under NMSA 1978, § 70-2-31(A) at the NEBU #471 A for one knowing and willfully 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 totaling **One Thousand Dollars (\$1,000)** against Chaparral for one knowing and willful violation Rule 50.A.
2. The civil penalty shall be paid within sixty days of receipt 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. Chaparral has closed the drilling pit under an approved plan.
4. By signing this Order, Chaparral 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; 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 11<sup>th</sup> day of Oct ~~September~~ 2006.

By:   
 Mark Fesmire, PE, Director  
 Oil Conservation Division

**ACCEPTANCE**

**Chaparral Oil and Gas Co.** hereby accepts the foregoing Order, and agrees to all of the terms and provisions set forth in the Order.

**CHAPARRAL OIL & GAS CO**

By:   
 Title: President  
 Date: 9-22-06