

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

ACO No. 194

IN THE MATTER OF NAUMANN OIL & GAS, INC.,

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 ("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 (hereinafter, "OCD") issues this Order to **Naumann Oil & Gas, Inc.** (hereinafter, "Naumann"), directing compliance with the Act and OCD Rules, and assessing a penalty for violations of the Act and OCD rules.

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FINDINGS

1. The OCD is the state division charged with administration and enforcement of the Act and OCD Rules.
2. Naumann is a foreign profit corporation doing business in New Mexico (SCC No. 1593714) under OGRID 36864. Naumann's mailing address is P.O. Box 10159; Midland, Texas 79702. Naumann's principal address is 201 W. Wall; Suite 540; Midland, Texas 79701.
3. Naumann is the operator of record for the Carlsbad 7 Com No. 001, API No. 30-015-22219, Unit-Letter M, Section 7, Township 22S, Range 27E, located in Eddy County, New Mexico.
4. On March 29, 2007, OCD Deputy Oil and Gas Inspector Gerry Guye inspected the well site for the Naumann well identified above. The site contained a pit which was not authorized by OCD. The pit was also unlined. This constituted two separate violations of OCD rules (unauthorized pit and unlined pit).
5. By letter dated March 30, 2007, OCD notified Naumann of the violations and the reason for the violations. The letter instructed Naumann to correct the violations by submitting a C-144 form with a procedure to close the pit. The letter gave Naumann until May 1, 2007 to correct the violations.
6. OCD Rule 50.A provides in part "...[D]ischarge into, or construction of, any pit or below-grade tank is prohibited absent possession of a permit issued by the division, unless otherwise herein provided or unless the division grants an exemption pursuant to Subsection G of 19.15.2.50 NMAC."

7. OCD Rule 50.C provides "...[P]its, sumps and below-grade tanks shall be designed, constructed and operated so as to contain liquids and solids to prevent contamination of fresh water and protect public health and the environment."
8. OCD Rule 50. C. (2) (b) also provides "...Drilling pits, work over pits. Each drilling pit or work over pit shall contain, at a minimum, a single liner appropriate for conditions at the site. The liner shall be designed, constructed and maintained so as to prevent the contamination of fresh water, and protect public health and the environment."
9. Naumann knowingly and willfully violated Rule 50 by failing to correct the violations for the well identified above, even after being notified of the inspection failure.
10. On August 3, 2007, the OCD issued Notice of Violation (02-07-14) to Naumann alleging two violations of OCD Rule 50.
11. On August 14, 2007, an administrative conference was held at the OCD's district office in Artesia. Naumann appeared by telephone. Mr Daniel Sanchez, Mr. Gerry Guye, Mr. Sonny Swazo, and Mr. Mike Bratcher appeared on behalf of OCD.
12. At the conference Naumann admitted that it had received the letter of violation but did not submit the C-144. Naumann agreed to submit the C-144 form promptly.

II. CONCLUSIONS

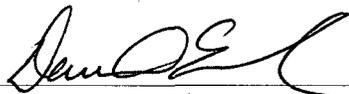
1. The OCD has jurisdiction over the parties and subject matter in this proceeding.
2. Naumann is a "person" as defined by NMSA 1978, § 70-2-33(A) (defining "person" to include a "corporation") that may be subject to civil penalties under NMSA 1978, §70-2-31(A).
3. Naumann is subject to civil penalties under NMSA 1978, § 70-2-31(A) for a 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 **Two Thousand Dollars (\$2,000.00)** against Naumann for two separate violations of OCD Rule 50—one violation for having an unauthorized pit and one violation for having an unlined pit.
2. The assessed **Two Thousand Dollars (\$2,000.00)** 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. Naumann shall submit a completed C-144 form by **September 4, 2007**. In the event that Naumann fails to submit a completed C-144 form by September 4, Naumann shall be subject to additional enforcement action.
4. By signing this Order, Naumann expressly:
- a. acknowledges the correctness of the Findings and Conclusions set forth in this Order;
 - b. agrees to comply with Ordering Paragraphs 2 to 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 24th day of September 2007.

By: 
24 Mark Fesmire, PE, Director
Oil Conservation Division

ACCEPTANCE

Naumann Oil & Gas, Inc., hereby accepts the foregoing Order, and agrees to all of the terms and provisions as set forth therein.

NAUMANN OIL & GAS, INC.

By: 
Title: Pres.
Date 9-7-07