

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

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ACO 07-34

08-216

**IN THE MATTER OF MELROSE OPERATING 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 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 ("OCD") issues this Order to Melrose Operating Company ("Melrose") directing compliance with the Act and OCD rules, and assessing a penalty for violations of the Act and OCD rules.

I. FINDINGS & DETERMINATIONS BY THE OCD

1. The OCD is the state division charged with administration and enforcement of the Act and OCD Rules.
2. Melrose is a corporation operating wells in New Mexico under OGRID 184860.
3. Melrose is the operator of record of the Jalmat Field Yates Sand Unit (JFYSU) wells #221, #220, #223, #224 and #219.
4. Melrose drilled the wells identified above in 2005 and 2006. All of the wells are active producing wells.
5. On August 15, 2007 a routine inspection found that the wells did not have well signs.
6. By letter dated August 17, 2007, the OCD notified Melrose that the wells did not have well signs, and were in violation of Rule 103. The letter required corrective action by September 12, 2007.
7. On November 7, 2007 an inspection of the wells found that the wells still did not have well signs.
8. Melrose did not respond to the OCD's compliance letter or taken action to bring the wells into compliance.

9. OCD Rule 103 provides, in relevant part:
- A. All wells and related facilities regulated by the division shall be identified by a sign, which sign shall remain in place until the well is plugged and abandoned and the related facilities are closed.
 - B.
 - C. The sign shall be of durable construction and the lettering shall be legible and large enough to be read under normal conditions at a distance of 50 feet.
 - D. The wells on each lease or property shall be numbered in non-repetitive, logical and distinctive sequence.
 - E. An operator will have 90 days from the effective date of an operator name change to change the operator name on the well sign unless an extension of time, for good cause shown along with a schedule for making the changes, is granted.
 - F. Each sign shall show the:
 - (1) number of well;
 - (2) name of property;
 - (3) name of operator;
 - (4) location by footage, quarter-quarter section, township and range (or Unit Letter can be substituted for the quarter-quarter section); and
 - (5) API number.
10. NMSA 1978, §70-2-33(A) defines “person” for purposes of the Act to include corporations.
11. NMSA 1978, §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.
12. On November 19, 2007, the OCD issued a Notice of Violation to Melrose, alleging the knowing and willful violation of OCD Rule 103 as to the JFYSU wells #221, #220, #223, #224 and #219.

II. CONCLUSIONS OF THE OCD

1. The OCD has jurisdiction over the parties and subject matter in this proceeding.
2. Melrose 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. Melrose is subject to civil penalties under NMSA 1978, §70-2-31(A) for the violation of OCD Rule 103 at the Jalmat Field Yates Sand Unit #221, #220, #223, #224 and #219.

III. ORDER & CIVIL PENALTY ASSESSMENT

1. Taking into account both aggravating and mitigating factors, the OCD hereby assesses a civil penalty against Melrose totaling \$1,250 for the violation of OCD Rule 103 at the Jalmat Field Yates Sand Unit wells #221, #220, #223, #224 and #219.
2. In addition, if it has not already done so, Melrose is instructed to post signs compliant with Rule 103 at the Jalmat Field Yates Sand Unit #221, #220, #223, #224 and #219 within 90 days of entry of this Order.
3. The civil penalty shall be paid at the time Melrose 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.
4. By signing this Order, Melrose expressly:
 - a. acknowledges the accuracy of the above "Findings & Determinations" and "Conclusions" and recognizes the authority of the OCD to issue the "Order & Civil Penalty Assessment";
 - b. agrees to comply with the Order, specifically as articulated in Section "III" Paragraphs 2 and 3, above;
 - 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.
5. Nothing in this Order relieves Melrose 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 Melrose of its responsibility for compliance with any other federal, state or local laws and/or regulations.

Done at Santa Fe, New Mexico this 2nd day of January 2008.

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

ACCEPTANCE

Melrose Operating Company (OGRID No. 184860) hereby accepts the foregoing Order, and agrees to all of the terms and provisions as set forth in the Order.

MELROSE OPERATING COMPANY

By: Michael J. Corstey
MICHAEL J. CORSTAY

Title: VICE-PRESIDENT

Date: 12-26-07