

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

IN RE: NOTICE OF VIOLATION ISSUED TO GRAND BANKS ENERGY COMPANY

CASE NO. 25895

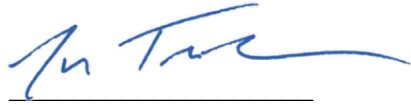
**OIL CONSERVATION DIVISION'S
DOCKETING NOTICE**

The New Mexico Oil Conservation Division ("OCD"), pursuant to 19.15.5.10(E)(2)(a) NMAC, gives notice that it has docketed the Notice of Violation ("NOV"), a true and correct copy of which is attached as **Exhibit A**, and states the following in support thereof:

1. On August 7, 2024, OCD issued an NOV to Grand Banks Energy Company ("Grand Banks"), OGRID #155471.
2. The NOV identified the factual basis for the alleged violations, the compliance actions required to remedy the alleged violations, and the proposed sanctions.
3. The NOV stated that if Grand Banks did not informally resolve the NOV within 30 days of receipt of service, then OCD would proceed to a hearing on October 10, 2024. This hearing date was extended due to the parties' attempts to resolve the NOV informally.
4. OCD willingly extended the informal resolution period to allow Grand Banks every reasonable opportunity to comply and engaged in substantial technical communication during the informal resolution period.
5. On April 9, 2025, Grand Banks disclosed that it was not financially capable of performing the necessary remediation. On information and belief, Grand Banks is not capable of meeting its remediation or plugging and abandonment requirements generally.
6. OCD issues an amended NOV, addressing disclosures and concerns represented in paragraph 5, contemporaneously with this docket notice.

WHEREFORE, OCD requests that the Amended NOV be docketed for hearing on February 26, 2026.

Respectfully submitted,



Jesse K. Tremaine

Legal Director

Michael Hall

Assistant General Counsel

New Mexico Energy, Minerals and Natural Resources Department

Oil Conservation Division

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Ben Shelton
Deputy Secretary

Albert C.S. Chang
Division Director
Oil Conservation Division



BY CERTIFIED AND ELECTRONIC MAIL

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AMENDED NOTICE OF VIOLATION

The Director of the Oil Conservation Division (“OCD”) issues this Notice of Violation (“NOV”) pursuant to 19.15.5.10 NMAC.

(1) Alleged Violator: Grand Banks Energy Co., OGRID #155471 (“Operator”).

(2) Citation, Nature, and Factual and Legal Basis for Alleged Violation(s):

19.15.27.8 VENTING AND FLARING OF NATURAL GAS:

A. Venting or flaring of natural gas during drilling, completion, or production operations that constitutes waste as defined in 19.15.2 NMAC is prohibited...

G. Reporting of vented or flared natural gas.

(1) Venting or flaring caused by an emergency, a malfunction or of long duration...

(c) At the division’s request, the operator shall provide and certify additional information by the specified date.

(2) Monthly reporting of vented and flared natural gas. For each well or facility at which venting or flaring occurred, the operator shall separately report the volume of vented natural gas and volume of flared natural gas for each month in each category listed below. Beginning October 1, 2021, the operator shall gather data for quarterly reports in a format specified by the division and submit by February 15, 2022 for the fourth quarter and May 15, 2022 for the first quarter. Beginning April 2022, the operator shall submit a form C-115B monthly on or before the 15th day of the second month following the month in which it vented or flared natural gas. The operator shall specify whether it estimated or measured each reported volume. In filing the initial report, the operator shall provide the methodology (measured or estimated using calculations and industry

standard factors) used to report the volumes and shall report changes in the methodology on future forms. The operator shall make and keep records of the measurements and estimates, including records showing how it calculated the estimates, for no less than five years and make such records available for inspection by the division upon request.

19.15.29.8 RELEASES:

A. Prohibition. *Except as provided in 19.15.27 NMAC or 19.15.28 NMAC, major releases and minor releases are prohibited.*

B. Requirements. *For all releases regardless of volume, the responsible party shall comply with 19.15.29.8 NMAC and shall remediate the release. For major and minor releases, the responsible party shall also comply with 19.15.29.9, 19.15.29.10, 19.15.29.11, 19.15.29.12 and 19.15.29.13 NMAC.*

C. Initial response. *The responsible party must take the following immediate actions unless the actions could create a safety hazard that would result in injury.*

(1) Source elimination and site security. *The responsible party must take appropriate measures to stop the source of the release and limit access to the site as necessary to protect human health and the environment.*

(2) Containment. *Once the site is secure, the responsible party must contain the materials released by construction of berms or dikes, the use of absorbent pads or other containment actions to limit the area affected by the release and prevent potential fresh water contaminants from migrating to watercourses or areas that could pose a threat to public health and environment. The responsible party must monitor the containment to ensure that it is effectively containing the material and not being degraded by weather or onsite activity.*

(3) Site stabilization. *After containment, the responsible party must recover any free liquids and recoverable materials that can be physically removed from the surface within the containment area. The responsible party must deliver material removed from the site to a division-approved facility.*

(4) Remediation. *The responsible party may commence remediation immediately.*

19.15.29.9 RELEASE NOTIFICATION:

A. *The responsible party must notify the division on form C-141 of a major or minor release occurring during the drilling, producing, storing, disposing, injecting, transporting, servicing or processing of oil, gases, produced water, condensate or oil field waste including regulated NORM, or other oil field related chemicals, contaminants or mixture of the chemicals or contaminants, in accordance with the requirements of 19.15.29 NMAC.*

19.15.29.10 RELEASE NOTIFICATION REPORTING REQUIREMENTS: The responsible party must notify the division of releases in 19.15.29.9 NMAC as follows.

A. Reporting a major release.

(1) The responsible party must notify the division's environmental bureau chief and the appropriate division district office verbally or by e-mail within 24 hours of discovery of the release. The notification must provide the information required on form C-141.

(2) The responsible party must also notify the appropriate division district office in writing within 15 days of discovering the release by completing and filing form C-141. The written notification must verify the prior verbal or e-mail notification and include additions or corrections to the information contained in the prior verbal or e-mail notification.

19.15.34.20 DISPOSITION OF PRODUCED WATER AND OTHER OIL FIELD

WASTE: Except as authorized by 19.15.17 NMAC, 19.15.26.8 NMAC, 19.15.30 NMAC, 19.15.34 NMAC or 19.15.36 NMAC, persons, including transporters, shall not dispose of produced water or other oil field waste:

A. on or below the surface of the ground, in a pit or in a pond, lake, depression or watercourse;

B. in another place or in a manner that may constitute a hazard to fresh water, public health, or the environment; or

C. in a permitted pit or registered or permitted surface waste management facility without permission of the owner or operator of the pit or facility.

19.15.25.8 B WELLS TO BE PROPERLY ABANDONED:

The operator shall either properly plug and abandon a well or place the well in approved temporary abandonment in accordance with 19.15.25 NMAC within 90 days after:

[. . .]

(2) a determination that a well is no longer usable for beneficial purposes; [.]

Factual Basis

1. On October 10, 2023, OCD received contact via email from the State Land Office (SLO) that two large spills were observed on aerial imagery in an area that is a state oil and gas lease.
2. OCD representatives inspected the provided site locations, inclusive of the wells and facilities listed in Table 1.

Table 1:

	Site Name	Date of Discovery
30-025-00386	Anderson Ranch Unit #4	10/11/2023
fCS2410743300	Anderson Ranch Tank Battery	10/11/2023
30-025-00365	Anderson Ranch Unit #14	10/20/2023

- a. On October 11, 2023, OCD representatives observed a large release south of the **Anderson Ranch Unit #4 (30-025-00386)**. The release was estimated to be 120 feet in width and 210 feet in length. The source was a cracked flow line that was leaking towards the west side of the release. The release fluids appear to be

predominantly hydrocarbons with a small amount of produced water. The flow line was traced back to the battery directly south of the release. The flow line appeared to connect to the #4 position on the manifold.

- b. On October 11, 2023, OCD representatives observed a large (approximately 210 feet x 290 feet) release at the **Anderson Ranch Tank Battery (fCS2410743300)** that appeared to have been covered up or mixed with uncontaminated earthen material. After digging down a few inches using the heel of their boot, OCD inspectors observed discolored soils that contained hydrocarbons. OCD inspectors documented a large pile of scoria on the west side of the well pad.
 - c. On October 20, 2023, OCD representatives detected a very strong hydrocarbon odor at the **Anderson Ranch Unit #14 [30-025-00365]**. With the use of an Optical Gas Imaging (OGI) Camera, the OCD representatives were able to identify the source of the hydrocarbon odor, a gas leak located at the top of the second production vessel from the East.
3. On October 12, 2023, a representative of OCD contacted the Operator by phone and email. The Operator indicated someone would be dispatched to the Anderson Ranch Unit #4 (30-025-00386) to stop the observed release. The Operator returned contact to OCD, indicating they had isolated the leaking flow line and the release site appeared to have been burnt as the flowline appeared damaged as result of fire, possibly a lightning strike. The Operator provided photographs via email.
4. On October 20, 2023, OCD staff made the Operator aware of the release at the Anderson Ranch Unit #14 [30-025-00365] discovered on October 20, 2023. The Operator informed OCD that someone would respond immediately.
5. OCD performed an internal audit of data due to the above instances. OCD determined during this audit that the Operator has not:
 - a. Reported gas production on the Form C-115 since January 2017.
 - b. Reported any C-115Bs to the OCD since the first quarter of 2022.
6. OCD issued a Request for Information (“RFI”) to Operator on October 25, 2023, with a deadline of November 1, 2023. OCD requested the operator provide a summary of actions taken, volume/materials related to the release locations, and general operational practices. Operator has not provided any response to the RFI.

Anderson Ranch Unit #4 (30-025-00386)

7. Operator is the responsible party for Anderson Ranch Unit #4 (30-025-00386).
8. The fire and release at the Anderson Ranch Unit #4 on or before October 10, 2023, is a major release as is defined by 19.15.29.8 NMAC and is in violation of 19.15.29.8 NMAC.
9. Operator violated 19.15.29.8.C NMAC by failing to take immediate actions after discovery of the releases of oil, produced water, condensate or oil field waste.
10. Operator failed to submit an on time complete and correct Remediation Closure report within 90 days from date of release. Operator did not notify the OCD verbally or by e-mail within 24 hours of discovery of the major release at the Anderson Ranch Unit #4 on or before October 10, 2023, as required by 19.15.29.10(A)(1) NMAC.

Anderson Ranch Tank Battery (fCS2410743300)

11. Operator is the responsible party for Anderson Ranch Unit #4 (30-025-00386). The accumulation of contaminated materials at the Anderson Ranch Unit #4 has caused a release.

12. Operator violated 19.15.29.8(C) NMAC by failing to take immediate actions after discovery of the releases of oil, produced water, condensate or oil field waste.
13. Operator failed to remediate the release in violation of 19.15.29.8(B) NMAC.
14. Operator did not notify OCD in writing by filing Form C-141 within 15 days of discovery of the release at the Tank battery (B0-9683-0001) on or before October 10, 2023, as required 19.15.29.10(A)(2) NMAC. To date, Operator has not provided the required notification.
15. Operator disposed of contaminated materials on or below the surface of the ground in violation 19.15.34.20(A) NMAC.

Anderson Ranch Unit #14 (30-025-00365)

16. The Operator vented/flared natural gas in violation of 19.15.27.8(A) NMAC at the Anderson Ranch Unit #14 as observed by OGI camera on October 20, 2023.
17. The Operator failed to submit a complete and accurate C-115 since January 2017 as required by 19.15.7.24 NMAC.
18. The Operator failed to submit a C-115B since April 2022 as required by 19.15.27.8.G(2) NMAC.
19. The Operator failed to respond to the Request for Information issued by OCD on October 25, 2023, in violation of 19.15.27.8.G(1)(c) NMAC.

Operator Inability to Comply

20. OCD issued the original version of this NOV on August 7, 2024. The NOV was held in informal resolution status since that date to allow Operator to perform necessary compliance actions.
21. On April 9, 2025, Operator notified OCD that it was financially incapable of performing remediation work identified as necessary in a March 26 estimate. Operator's total available capital was estimated by Operator to be "10-15% of the total estimate."
22. Operator has not completed the compliance actions and remediation listed in the original NOV.
23. On information and belief, Operator is similarly not capable of meeting necessary asset retirement obligations related to any of its wells or facilities.

(3) Compliance: Operator shall immediately:

- File a signed Form C-141 for the releases at the Anderson Ranch Tank Battery fCS2410743300.
- File a complete Form C-129 for the vented/flared natural gas at the Anderson Ranch Unit #14.

Additionally, Operator shall file within fourteen (14) days after receipt of this letter:

- Any outstanding C-115s and/or C-115Bs.
- All information originally requested on the October 25, 2023 RFI.

(4) Sanction(s): OCD may impose one or more of the following sanctions:

- civil penalty
- modification, suspension, cancellation, or termination of a permit or authorization
- shutting in a well or wells
- plugging and abandonment of a well

- remediation and restoration of a well location and associated facilities, including the removal of surface and subsurface equipment and other materials
- remediation and restoration of a location affected by a spill or release
- forfeiture of financial assurance
- any other remedy authorized by law

For the alleged violations described above and consistent with applicable law, OCD proposes the following sanctions (one or more of which may ultimately be selected):

- Civil Penalty:
OCD proposes a cumulative total of \$1,395,100 for 12 separate violations related to the Anderson Ranch Unit #4, Anderson Ranch Unit #14 and Anderson Ranch Tank Battery as detailed in the civil penalty calculations, attached and incorporated as Exhibit A. The civil penalties were calculated as of July 31, 2024.

The civil penalty calculations are attached. OCD may recalculate the civil penalties for ongoing violations occurring on or after the date of issuance of this NOV and will take into consideration Operator's good faith effort to comply with the applicable requirements.

Additionally, OCD seeks a revocation of authorization to transport from all wells. OCD requests a determination that Operator's wells and facilities are effectively, and inevitably, abandoned and are no longer usable by the Operator for beneficial purposes. OCD seeks an order that operator must plug and abandon all wells and associated production facilities. Alternatively, OCD seeks an order allowing the Division to plug and abandon all wells and association production facilities.

(5) Informal Review and Resolution: A process is available for the informal review and resolution of the alleged violations in the NOV. To initiate the informal review process, contact the OCD employee identified at the end of this letter. If OCD and the alleged violator agree to resolve the alleged violations in the NOV, the agreement will be incorporated into a stipulated final order signed by both parties and stating that the alleged violator admits OCD's jurisdiction to file the NOV, consents to the specified relief, including the civil penalty, if any, and waives the right of review by the Oil Conservation Commission.

(6) Hearing: An extended informal resolution period has already been provided, and the Operator is not capable of performing the necessary compliance actions or agreeing to terms acceptable to the Division. OCD will hold a hearing on **February 26, 2026**. Please see 19.15.5.10 NMAC for more information regarding the hearing. Please note that the hearing does not prohibit OCD from negotiating with the alleged violator at any time to settle the NOV.

For more information regarding this NOV, contact Jesse Tremaine, Legal Director, (505) 231-9312 or JesseK.Tremaine@emnrd.nm.gov.

Regards,

Albert Chang

Albert C.S. Chang
Director

1/5/2025

Date

cc: EMNRD-OGC

State of New Mexico
Energy, Minerals and Natural Resources Department

Michelle Lujan-Grisham
Governor

Melanie A. Kenderdine
Cabinet Secretary-Designate

Ben Shelton
Deputy Secretary (Acting)

Gerasimos "Gerry" Razatos
Division Director (Acting)
Oil Conservation Division



BY CERTIFIED AND ELECTRONIC MAIL

Brian Scarborough
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Midland, TX 79705
Bhs33160@gmail.com

NOTICE OF VIOLATION

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G. Reporting of vented or flared natural gas.

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(c) At the division's request, the operator shall provide and certify additional information by the specified date.

(2) Monthly reporting of vented and flared natural gas. For each well or facility at which venting or flaring occurred, the operator shall separately report the volume of vented natural gas and volume of flared natural gas for each month in each category listed below. Beginning October 1, 2021, the operator shall gather data for quarterly reports in a format specified by the division and submit by February 15, 2022 for the fourth quarter and May 15, 2022 for the first quarter. Beginning April 2022, the operator shall submit a form C-115B monthly on or before the 15th day of the second month following the month in which it vented or flared natural gas. The operator shall specify whether it estimated or measured each reported volume. In filing the initial report, the operator shall provide the methodology (measured or estimated using calculations and industry standard factors) used to report the volumes and shall report changes in the

methodology on future forms. The operator shall make and keep records of the measurements and estimates, including records showing how it calculated the estimates, for no less than five years and make such records available for inspection by the division upon request.

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(1) *The responsible party must notify the division's environmental bureau chief and the appropriate division district office verbally or by e-mail*

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A. on or below the surface of the ground, in a pit or in a pond, lake, depression or watercourse;

B. in another place or in a manner that may constitute a hazard to fresh water, public health, or the environment; or

C. in a permitted pit or registered or permitted surface waste management facility without permission of the owner or operator of the pit or facility.

Factual Basis

1. On October 10, 2023, OCD received contact via email from the State Land Office (SLO) that two large spills were observed on aerial imagery in an area that is a state oil and gas lease.
2. OCD representatives inspected the provided site locations, inclusive of the wells and facilities listed in Table 1.

Table 1:

	Site Name	Date of Discovery
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30-025-00365	Anderson Ranch Unit #14	10/20/2023

- a. On October 11, 2023, OCD representatives observed a large release south of the **Anderson Ranch Unit #4 (30-025-00386)**. The release was estimated to be 120 feet in width and 210 feet in length. The source was a cracked flow line that was leaking towards the west side of the release. The release fluids appear to be predominantly hydrocarbons with a small amount of produced water. The flow line was traced back to the battery directly south of the release. The flow line appeared to connect to the #4 position on the manifold.
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- inspectors observed discolored soils that contained hydrocarbons. OCD inspectors documented a large pile of scoria on the west side of the well pad.
- c. On October 20, 2023, OCD representatives detected a very strong hydrocarbon odor at the **Anderson Ranch Unit #14 [30-025-00365]**. With the use of an Optical Gas Imaging (OGI) Camera, the OCD representatives were able to identify the source of the hydrocarbon odor, a gas leak located at the top of the second production vessel from the East.
 3. On October 12, 2023, a representative of OCD contacted the Operator by phone and email. The Operator indicated someone would be dispatched to the Anderson Ranch Unit #4 (30-025-00386) to stop the observed release. The Operator returned contact to OCD, indicating they had isolated the leaking flow line and the release site appeared to have been burnt as the flowline appeared damaged as result of fire, possibly a lightning strike. The Operator provided photographs via email.
 4. On October 20, 2023, OCD staff made the Operator aware of the release at the Anderson Ranch Unit #14 [30-025-00365] discovered on October 20, 2023. The Operator informed OCD that someone would respond immediately.
 5. OCD performed an internal audit of data due to the above instances. OCD determined during this audit that the Operator has not:
 - a. Reported gas production on the Form C-115 since January 2017.
 - b. Reported any C-115Bs to the OCD since the first quarter of 2022.
 6. OCD issued a Request for Information (“RFI”) to Operator on October 25, 2023, with a deadline of November 1, 2023. OCD requested the operator provide a summary of actions taken, volume/materials related to the release locations, and general operational practices. Operator has not provided any response to the RFI.

Anderson Ranch Unit #4 (30-025-00386)

7. Operator is the responsible party for Anderson Ranch Unit #4 (30-025-00386).
8. The fire and release at the Anderson Ranch Unit #4 on or before October 10, 2023, is a major release as is defined by 19.15.29.8 NMAC and is in violation of 19.15.29.8 NMAC.
9. Operator violated 19.15.29.8.C NMAC by failing to take immediate actions after discovery of the releases of oil, produced water, condensate or oil field waste.
10. Operator failed to submit an on time complete and correct Remediation Closure report within 90 days from date of release. Operator did not notify the OCD verbally or by e-mail within 24 hours of discovery of the major release at the Anderson Ranch Unit #4 on or before October 10, 2023, as required by 19.15.29.10(A)(1) NMAC.

Anderson Ranch Tank Battery (fCS2410743300)

11. Operator is the responsible party for Anderson Ranch Unit #4 (30-025-00386). The accumulation of contaminated materials at the Anderson Ranch Unit #4 has caused a release.
12. Operator violated 19.15.29.8(C) NMAC by failing to take immediate actions after discovery of the releases of oil, produced water, condensate or oil field waste.
13. Operator failed to remediate the release in violation of 19.15.29.8(B) NMAC.
14. Operator did not notify OCD in writing by filing Form C-141 within 15 days of discovery of the release at the Tank battery (B0-9683-0001) on or before October 10, 2023, as required 19.15.29.10(A)(2) NMAC. To date, Operator has not provided the required notification.

15. Operator disposed of contaminated materials on or below the surface of the ground in violation 19.15.34.20(A) NMAC.

Anderson Ranch Unit #14 (30-025-00365)

16. The Operator vented/flared natural gas in violation of 19.15.27.8(A) NMAC at the Anderson Ranch Unit #14 as observed by OGI camera on October 20, 2023.
17. The Operator failed to submit a complete and accurate C-115 since January 2017 as required by 19.15.7.24 NMAC.
18. The Operator failed to submit a C-115B since April 2022 as required by 19.15.27.8.G(2) NMAC.
19. The Operator failed to respond to the Request for Information issued by OCD on October 25, 2023, in violation of 19.15.27.8.G(1)(c) NMAC.

(3) Compliance: Operator shall immediately:

- File a signed Form C-141 for the releases at the Anderson Ranch Tank Battery fCS2410743300.
- File a complete Form C-129 for the vented/flared natural gas at the Anderson Ranch Unit #14.

Additionally, Operator shall file within fourteen (14) days after receipt of this letter:

- Any outstanding C-115s and/or C-115Bs.
- All information originally requested on the October 25, 2023 RFI.

(4) Sanction(s): OCD may impose one or more of the following sanctions:

- civil penalty
- modification, suspension, cancellation, or termination of a permit or authorization
- shutting in a well or wells
- plugging and abandonment of a well
- remediation and restoration of a well location and associated facilities, including the removal of surface and subsurface equipment and other materials
- remediation and restoration of a location affected by a spill or release
- forfeiture of financial assurance
- any other remedy authorized by law

For the alleged violations described above and consistent with applicable law, OCD proposes the following sanctions (one or more of which may ultimately be selected):

- Civil Penalty:
OCD proposes a cumulative total of \$1,395,100 for 12 separate violations related to the Anderson Ranch Unit #4, Anderson Ranch Unit #14 and Anderson Ranch Tank Battery as detailed in the civil penalty calculations, attached and incorporated as Exhibit A. The civil penalties were calculated as of July 31, 2024.

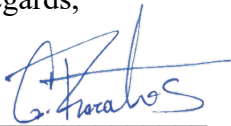
The civil penalty calculations are attached. OCD may recalculate the civil penalties for ongoing violations occurring on or after the date of issuance of this NOV and will take into consideration Operator's good faith effort to comply with the applicable requirements.

(5) *Informal Review and Resolution:* A process is available for the informal review and resolution of the alleged violations in the NOV. To initiate the informal review process, contact the OCD employee identified at the end of this letter. If OCD and the alleged violator agree to resolve the alleged violations in the NOV, the agreement will be incorporated into a stipulated final order signed by both parties and stating that the alleged violator admits OCD's jurisdiction to file the NOV, consents to the specified relief, including the civil penalty, if any, and waives the right of review by the Oil Conservation Commission.

(6) *Hearing:* If this NOV is not resolved within thirty (30) days of receipt of service by certified mail, OCD will hold a hearing on October 10, 2024. Please see 19.15.5.10 NMAC for more information regarding the hearing. Please note that the hearing does not prohibit OCD from negotiating with the alleged violator at any time to settle the NOV.

For more information regarding this NOV, contact Jesse Tremaine, Legal Director, (505) 231-9312 or JesseK.Tremaine@emnrd.nm.gov.

Regards,



Gerasimos Razatos
Director (Acting)

8/7/2024

Date

cc: EMNRD-OGC