

Respondent.

ORDER ASSESSING A CIVIL PENALTY

Pursuant to the New Mexico Oil and Gas Act, NMSA 1978, Sections 70-2-1 through 70-2-38 ("Act"), the Director of the Oil Conservation Division ("OCD") issues this Order to PENDRAGON ENERGY PARTNERS INCORPORATED ("PENDRAGON"), to enforce the Act and the OCD Rules.

FINDINGS:

1. The OCD is the state division charged with administration and enforcement of the Act and OCD Rules.
2. PENDRAGON is a corporation incorporated in Colorado and authorized to do business in the State of New Mexico under Public Regulation Commission ("PRC") SCC number 1708387.
3. On November 26, 2001, during an inspection of the Frontier A #1 SWD Well, located in Unit letter I, Section 8, Township 16N, Range 12W, N.M.P.M., San Juan County, New Mexico (API 30-045-05919), operated by PENDRAGON, OCD Deputy Inspector Bruce Martin found that the injection pressure and pressure limiting device setting were in violation of OCD Administrative Order SWD-583.
4. An OCD investigation determined the following facts:
 - a. The continuous pressure recorder indicated that the well had been injecting at a pressure of 1058 psi.
 - b. The pressure-limiting device on the injection pump had been set at 1000 psi.

- c. The maximum allowable injection pressure permitted for this well is 930 psi by OCD Order SWD-583.
- d. PENDRAGON management knew about this violation and allowed it to continue.
- e. The Pendragon Frontier A #1 SWD Well was previously inspected on June 6, 2001. At the time of that inspection, OCD Deputy Inspector Bruce Martin found that the injection pressure and pressure limiting device setting were in violation of OCD Administrative Order SWD-583. Pendragon was contacted and the well returned to compliance.

5. By letter dated February 28, 2002, OCD, acting through Frank Chavez, District Supervisor of District III, notified PENDRAGON of the above cited violations, and informed PENDRAGON that OCD would cause PENDRAGON to be summoned to a show cause hearing at which OCD would seek imposition of civil penalties, pursuant to NMSA 1978 Section 70-2-31.A in the amount of Three Thousand Dollars (\$3,000).

6. By letter dated March 14, 2002, Mr. Allan B. Nicol, on behalf of PENDRAGON, acknowledged the cited violations, consented to the imposition of the proposed penalty, and waived the right to a hearing before an OCD hearing examiner.

CONCLUSIONS:

- 1. The OCD has jurisdiction over the parties and subject matter in this proceeding.
- 2. PENDRAGON is a "person" as defined by OCD Rule 7.P (19 NMAC 15.A 65).
- 3. PENDRAGON knowingly and willfully operated the subject well above the maximum permitted injection pressure in violation of OCD Administrative Order SWD-583.
- 4. PENDRAGON failed to properly maintain safety devices to prevent the violation of the maximum permitted injection pressure allowed by OCD Administrative Order SWD-583.

5. NMSA 1978, Section 70-2-31.A authorizes the assessment of civil penalties of up to one thousand dollars (\$1,000) per day per violation of the Oil and Gas Act or any rule adopted pursuant to the Act.

ORDER:

1. PENDRAGON is hereby directed to take the following actions:
 - a. Take immediate steps to insure that the pressure limiting devices are tested to insure that they are functioning as designed.
 - b. Set and maintain pressure-limiting devices to not more than 930 psi.
2. Taking into consideration mitigating and other factors, OCD hereby assesses a civil penalty of three thousand dollars (\$3,000) against PENDRAGON for the above-cited violations. The civil penalty hereby assessed shall be paid within thirty (30) days of receipt of this Order, 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: Lori Wrotenbery, Director, 1220 South St. Francis, Santa Fe, New Mexico 87505.

DONE at Santa Fe, New Mexico this 29th day of March, 2002.

By Lori Wrotenbery
LORI WROTENBERY, Director

CERTIFICATE OF SERVICE

The undersigned hereby certifies that the original of the foregoing Order Assessing a Civil Penalty was served by first-class mail, return-receipt requested on PENDRAGON ENERGY PARTNERS INC. this 2d day of April, 2002.

David K. Brooks