

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

NMOCD-OGA-04-__

36-SF

**IN THE MATTER OF DUGAN PRODUCTION CORPORATION,
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 DUGAN PRODUCTION CORPORATION ("Dugan") 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. Dugan is a corporation authorized to do business in the State of New Mexico under Public Regulation Commission ("PRC") SCC number 0444224 with a mailing address of P.O. Box 420, Farmington, NM 87499, and its registering agent being Thomas A Dugan, 709 E Murray Dr., Farmington, New Mexico 87401.
3. On May 18, 2004, Deputy Oil and Gas Inspector Bruce Martin was inspecting six Dugan wells, located in Section 5, Township 23 North, Range 7 West when he observed that the wellheads on the wells did not show evidence of recent testing. The wells were the Sapp C #'s 1 through 5, and the Adobe #1.
4. An OCD investigation established the following facts:
 - a. On May 17, 2004, the OCD Aztec office received Bradenhead Test Report forms for the referenced wells.
 - b. The forms showed that the referenced wells were tested on May 12, 2004, and the forms were signed by Jimmy Barnes, the pumper.
 - c. On May 18, 2004, Deputy Inspector Martin inspected the wells and found that the valves on the wells had not been exposed for testing and that there was no evidence that the valves had been actuated or opened to perform the test.
 - d. On May 20, 2004, Deputy Inspector Martin met with the field foreman for the area, Bill Armenta, and Barnes at the well sites and it was established that the wells had not been tested as reported.

- e. It is unlawful pursuant to NMSA 1978, 70-2-31.B(2) to make a false statement in a report to the OCD.

5. Dugan has tested the wells and submitted correct reports so further action will not be required.


CONCLUSIONS

1. The OCD has jurisdiction over the parties and subject matter in this proceeding.
2. Dugan is a person as defined by NMSA 1978, Section 70-2-33(A) subject to civil penalties under NMSA 1978, Section 70-2-31(A) for knowing and willful violations of the Oil and Gas Act or OCD Rules.
3. Dugan is subject to civil penalties under NMSA 1978, Section 70-2-31(A) for violating NMSA 1978, 70-2-31.B(2) of The Oil and Gas Act by submitting false test information for six wells.

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 Dugan.
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. By signing this order, Dugan 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 31st day of October 2004.

By: 
Mark Fesmire, PE, Director
Oil Conservation Division

ACCEPTANCE

Dugan Production Corporation hereby accepts the foregoing order, and agrees to all of the terms and provisions set forth in the order.

DUGAN PRODUCTION CORPORATION

By: Tom Blair

Title: Vice President

Date 10/13/04