

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

NMOCD – OGA 04- 83

IN THE MATTER OF YATES PETROLEUM CORPORATION,

Respondent.

**AGREED ORDER DIRECTING COMPLIANCE
AND ASSESSING CIVIL PENALTY**

The Director of the Oil Conservation Division (“OCD”) and Yates Petroleum Corporation (“Yates”) enter into this agreed order (“Order”) to resolve alleged violations of OCD Rules issued pursuant to the New Mexico Oil and Gas Act, NMSA 1978, Sections 70-2-1 through 70-2-38, as amended (“Act”).

FINDINGS

1. The OCD is the state division charged with administration and enforcement of the Act and OCD Rules.
2. Yates is a domestic profit corporation doing business in the State of New Mexico under SCC number 0425736 and OGRID number 25575.
3. Yates is the operator of record for the following well, located in Eddy County, New Mexico: Wayfarer AIY State #1, Unit Letter P, Section 25, Township 19 South, Range 29 East, API #30-015-26647 (hereinafter “Wayfarer facility” or “facility”).
4. On December 17, 2004, OCD Deputy Inspector Bratcher conducted a site inspection of the Wayfarer facility and observed a vent line on the ground. The line ran approximately 20 feet from a two-phase gas separator through the fence surrounding the location, made a 90 degree turn through an elbow connector, and continued another 20 feet, ending at a natural depression. Liquid had drained from the end of the vent line and pooled in the natural depression. Deputy Inspector Bratcher noticed the strong odor of hydrocarbons. He estimated that the visible contamination in the depression was approximately 75 feet from the water line of a playa lake used by livestock and 400 feet from a windmill.
5. On December 28, 2004, Yates filed a Form C-141 “Release Notification and Corrective Action” regarding the site. According to information provided by Yates on the C-141, the type of release was “condensate,” the volume of release was “8-10 bbls,” and the volume recovered was “0.” Yates stated the date and hour of occurrence was unknown, and listed the date of discovery as December 17, 2004. Yates identified the

source of the release as the “vent line from separator,” and indicated that the release did not reach a watercourse.

6. At a compliance conference conducted on March 24, 2005, Yates stated that the Wayfarer facility operates on a plunger lift. Three times a day, the plunger lifts to clear the well of oil and water that would otherwise significantly suppress production. During the lift gas, oil and water are directed to the low pressure separator. A dump valve in the low pressure separator sends liquids to a tank and gas out a vent line. The vent line stands upright from the elbow connector, held up by guidewires, and is not designed to discharge liquids. Some time after the pumper’s visit to the facility on December 16, 2004 and the Deputy Inspector’s inspection of the facility on December 17, 2004, the facility malfunctioned, the vent line fell down, and the vent line discharged condensate and natural gas.

7. After the December 17, 2004 inspection, Yates temporarily shut in the well, and later removed the separator and vent lines. The well is currently operating through the high pressure separator and venting to the oil tanks.

8. Yates submitted a delineation and work plan for the site on August 13, 2005. On August 29, 2005 the OCD accepted the delineation and work plan with stipulations, including the stipulation that the “remediation actions proposed are subject to change dependant upon the delineation and/or type of contaminants encountered.”

9. Rule 13.B [19.15.1.13.B NMAC] provides,

All operators, contractors, drillers, carriers, gas distributors, service companies, pipe pulling and salvaging contractors, treating plant operators or other persons shall at all times conduct their operations in or related to the drilling equipping, operating, producing, plugging and abandonment of oil, gas, injection, disposal, and storage wells or other facilities in a manner that will prevent waste of oil and gas, the contamination of fresh waters and shall not wastefully utilize oil or gas, or allow either to leak or escape from a natural reservoir, or from wells, tanks containers, pipe or other storage, conduit or operating equipment.

10. Rule 114.A [19.15.3.114.A NMAC] provides, in relevant part, “...All flowing oil wells must be produced through an oil and gas separator of ample capacity and in good working order.”

11. NMSA 1978, Section 70-2-31(A) provides, in relevant part,

“Any person who knowingly and willfully violates any provision of the Oil and Gas Act or any provision of any rule or order issued pursuant to that act shall be subject to a civil penalty of not more than one thousand dollars (\$1,000) for each violation. For purposes of this subsection, in the

case of a continuing violation, each day of violation shall constitute a separate violation.”

12. OCD Rule 7.P(2) [19.15.1.7.P(2) NMAC] defines “person” as

“an individual or any other entity including partnerships, corporation, associations, responsible business or association agents or officers, the state or a political subdivision of the state or any agency, department or instrumentality of the United States and any of its officers, agents or employees.”

13. Yates has contested liability in this matter, raised defenses to this administrative action, and contended that Yates did not knowingly and willfully violate any OCD Rules.

CONCLUSIONS

1. The OCD has jurisdiction over the parties and subject matter in this proceeding.
2. Yates and the OCD disagree on the facts surrounding the incident at the Wayfarer facility and on the legal conclusions to be drawn from those facts.
3. Yates and the OCD agree that it is in the best interest of both parties to agree to this compliance order with the payment of a \$2,000 penalty by Yates, rather than contest the issues in a public hearing and in possible litigation.

ORDER

1. The OCD assesses, and Yates agrees to pay, without admitting any finding of fact, conclusion of law, or violation, a \$2,000 penalty pursuant to NMSA 1978, Section 70-2-31(A) for the alleged violations of Rule 13.B [19.15.1.13.B NMAC]; and Rule 114.A [19.15.3.114.A NMAC].
2. The \$2,000 civil penalty shall be paid at the time Yates executes this agreed order. Payment shall be made by check payable to the “New Mexico Oil Conservation Division,” mailed or hand-delivered to the New Mexico Oil Conservation Division, Attention: Director, 1220 South St. Francis Drive, Santa Fe, NM 87505.
3. By signing this order, Yates expressly:
 - a. acknowledges the correctness of the Conclusions set forth in this Order:
 - b. agrees to comply with Ordering paragraphs 1 and 2; and

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.

4. Entry of this Order and receipt of the civil penalty shall resolve the penalty issues associated with the alleged violations set out in the Notice of Violation dated February 21, 2005. Nothing in this Order relieves Yates of 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 Yates of its responsibility for compliance with any other federal, state or local laws and/or regulations.

Done at Santa Fe, New Mexico this 8th day of Sept., 2005.

By: 

Mark Fesmire, P.E.

Director, Oil Conservation Division

ACCEPTANCE

Yates Petroleum Corporation hereby accepts the foregoing Order, and agrees to all of the terms and provisions set forth in that Order.

Yates Petroleum Corporation

By: 

Randy G. Patterson

CSM

Title: Vice President - Exploration & Production

Date: September 7, 2005