

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

NMOCD-06 109

**IN THE MATTER OF RODDY PRODUCTION  
COMPANY, INCORPORATED**

**Respondent.**

**AGREED COMPLIANCE ORDER**

Pursuant to the New Mexico Oil and Gas Act, NMSA 1978, §§ 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 and Roddy Production Company, Inc. (hereinafter "Roddy") enter into this Order to resolve the violations alleged in Notice of Violation (3-06-05).

**I. FINDINGS**

1. The Oil Conservation Division (hereinafter "OCD") is the state division charged with administration and enforcement of the Act and OCD rules.
2. Roddy is a domestic profit company doing business in New Mexico, registered with the Secretary of State under number 1404409. Roddy is an active entity with a principal address at 3001 Northridge Drive, Farmington, NM 87401. Its registered agent for service of process in New Mexico is Kenneth E. Roddy 6101 Escalante Trail, Farmington, NM 87401. Roddy's local business address is POB 2221 Farmington, NM 87499-2221. Roddy's OGRID is 36845.
3. Roddy is the operator of record for the Lucerne Federal #10, Unit Letter N, Section 17, Township 28 North, Range 11 West, API #30-045-32854, San Juan County New Mexico.
4. On February 1, 2006, New Mexico Oil Conservation (hereinafter, "OCD") Deputy Oil and Gas Inspector Kelly Roberts performed a routine inspection on the Roddy Production Co., Inc. (hereinafter, "Roddy") Lucerne Federal #10. Mr. Roberts found an open drilling pit at the well site. The pit contained drill cuttings, and a minor amount of water. The liner was intact and the fencing in good shape.
5. An OCD investigation found the following:
  - a) The well was spud April 2, 2005, but the OCD has no record of a pit permit application being received or issued.

- b) Roddy reported the last casing string on the Lucerne Federal #10 well was run April 9, 2005.
  - c) Roddy filed a notice of first production on June 20, 2005.
  - d) The OCD has no record of a pit permit request from Roddy for a drilling pit.
  - e) OCD Rule 50.A [19.15.2.50.A NMAC] prohibits the discharge into, or construction of, any pit or below-grade tank absent possession of a permit issued by the OCD, unless the OCD has granted an exemption for the permit.
  - f) OCD Rule 50.F(1) [19.15.2.50.F(1) NMAC] requires that "a pit or below grade tank ... be properly closed within six months after cessation of use."
  - g) Roddy violated OCD Rule 50.A by failing to obtain a permit for a drilling pit at the Lucerne Federal #10 well.
  - h) Roddy violated OCD Rule 50.F by failing to close the pit within six months after cessation of use.
6. NMSA 1978, §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." NMSA 1978, §70-2-33(A) defines "person" in relevant part as "any individual estate, trust receiver, cooperative association, club, corporation, company, firm, partnership, joint venture, syndicate or other entity...."
7. As a result of its investigation, the OCD issued Notice of Violation (3-06-05) to Roddy alleging one violation of Rule 50.A and one violation of Rule 50.F(1).
8. At the Administrative Conference February 17, 2006, Roddy stated there is a procedure in place to permit pits. This well was mistakenly missed as part of the program.
9. Roddy also stated they had an agreement with a contractor to close the pits but the contractor was delayed beyond the closure dates.
10. The drilling pit at the Lucerne Federal #10 is now closed under an OCD approved plan.

## **II. CONCLUSIONS**

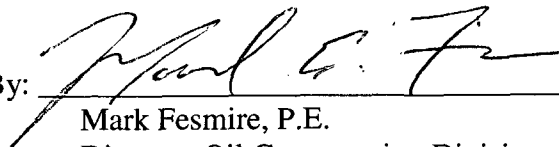
1. The OCD has jurisdiction over the parties and subject matter in this proceeding.

2. Roddy 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. Roddy is subject to civil penalties under NMSA 1978, § 70-2-31(A) at the Lucerne Federal #9 for one violation of Rule 50A and one violation of Rule 50F(1).

### **III. ORDER AND CIVIL PENALTY**

1. Taking into account both aggravating and mitigating factors, the OCD hereby assesses a civil penalty against Roddy totaling **Two Thousand Dollars (\$2,000.00)** for two violations of Rule 50.
2. The civil penalty shall be paid at the time Roddy 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.
3. By signing this order, Roddy Production Company, Incorporated:
  - 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
  - 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; and
  - e. agrees that if it fails to pay penalties assessed pursuant to this Order, upon application by the OCD the district court may enter judgment against Roddy in the amount of the penalties assessed and, in the discretion of the court, may impose additional penalties for Roddy's violation of the penalty provisions of this Order.
4. Nothing in this Order relieves Roddy 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 Roddy of its responsibility for compliance with any other federal, state or local laws and/or regulations.

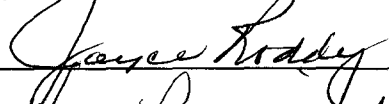
Done at Santa Fe, New Mexico, this 28<sup>th</sup> day of March 2006.

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

**ACCEPTANCE**

**Roddy Production Company, Incorporated** hereby accepts the foregoing order, and agrees to all of the terms and provisions set forth in the Order.

**Roddy Production Company, Incorporated**

By: 

Title: Vice President

Date 3/23/06