

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

NMOCD-06-140

IN THE MATTER OF DEVON ENERGY PRODUCTION CO., LP

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 **DEVON ENERGY PRODUCTION COMPANY LP ("Devon")** 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. Devon is a limited partnership doing business in New Mexico, registered with Secretary of State as a foreign limited partnership under number LPF2000021601. Devon is an active entity with a principal and mailing address at 1500 Mid-America Tower 10 N. Broadway, Oklahoma City, OK 73102. Its registered agent for service of process in New Mexico is Corporation Service Company, 125 Lincoln Ave - Suite 223, Santa Fe NM 87501. Devon has been assigned OGRID # 6137.
3. Devon is the operator of the Northeast Blanco Unit #471A, Unit Letter O, Section 31, Township 31 North, Range 8 West, API #30-045-33159, San Juan County, New Mexico.
4. On March 21, 2006, New Mexico OCD Deputy Oil and Gas Inspector Monica Kuehling arrived on the location of the Devon, Northeast Blanco Unit # 471A. Inspector Kuehling found the well drilled, completed and in production. She also found an open drilling pit on-site with an unlined vent portion.
5. Upon conducting a further OCD investigation, Ms. Kuehling found that:
 - a) On September 26, 2005, the BLM approved a permit to drill.
 - b) On January 17, 2006, the OCD received the spud notice on the well.
 - c) No application for a pit permit has been received by the OCD, nor had a pit permit

been issued.

- d) Rule 50.A provides, “[d]ischarge into, or construction of, any pit or below-grade tank is prohibited absent possession of a permit issued by the division,” unless an exception is granted by the OCD.
 - e. Constructing a drilling pit without a permit is a violation of Rule 50.A. Devon had no permit to construct the pit nor had the OCD granted an exception to the permit requirement.
- 6. Devon knowing and willfully violated Rule 50.A by failing to obtain a pit permit for a drilling pit at the NEBU #471A well.
 - 7. NMSA 1978, §70-2-31(A) provides in relevant part, “[a]ny 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.”
 - 8. Devon 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 any OCD rule or order issued pursuant to that Act.
 - 9. As a result of its investigation OCD issued **Notice of Violation (3-06-15)** to Devon alleging a violation of OCD Rules 50.A.
 - 10. At the Administrative Conference on this matter Devon presented the following:
 - a) The original Application for Permit to Drill was sent into the Bureau of Land Management office in Farmington, New Mexico dated October 26, 2004. A C-101 and C-103 Pit Permit request were sent into the State office dated the same. The drilling of this well was postponed to the 2005-drilling year. Approval from the Bureau of Land Management was dated September 26, 2005. The NMOCD stamped the APD with the date of October 3, 2005. In December of 2005 a phone call was received from the BLM by Melissa Zimmerman with a request to re-submit the C-103 Pit Permit request, this was done in the same day. Regretfully it was assumed that said permit request was approved and drilling and completion of the NEBU 471A commenced as usual.
 - b) A checklist will be incorporated by all company and non-company parties working on future wells operated by Devon in the San Juan Basin.
 - c) The purpose for the check list is to ensure all necessary documents are not only sent in to the necessary government offices but also to ensure they have been fully approved and released for commencement of work on each well.

II. CONCLUSIONS

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

2. Devon 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. Devon is subject to civil penalties under NMSA 1978, § 70-2-31(A) at the NEBU #471 A for one violation of OCD Rule 50.A.

III. 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 Devon.
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. Devon has closed the drilling pit under an approved plan.
4. By signing this Order, Devon expressly:
 - a. acknowledges the correctness of the Findings and Conclusions set forth in this order;
 - b. agrees to comply with ordering paragraph 1 and 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 26th day of July ~~May~~ 2006.

By: _____

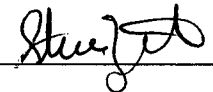
Mark Fesmire, PE, Director
Oil Conservation Division

Signatures Continued on Page 4

ACCEPTANCE

Devon Energy Production Company LP hereby accepts the foregoing Order, and agrees to all of the terms and provisions set forth in the Order.

DEVON ENERGY PRODUCTION CO., LP

By: 

Title: Sr. Production Foreman

Date 7/14/6