

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

ACO No. 191

IN THE MATTER OF BURNETT OIL COMPANY, INC.,

Respondent.

**AGREED COMPLIANCE ORDER**

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 (hereinafter, "OCD") issues this Order to **Burnett Oil Company, Inc.** (hereinafter, "Operator"), 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. Operator is a foreign profit corporation doing business in New Mexico (SCC No. 1065101) under OGRID 3080. Operator's principal address is 801 Cherry Street, Suite 1500; Fort Worth, Texas 76102.
3. Operator is the operator of record for the Jackson B No. 015 well, API No. 30-015-04038, Unit Letter L, Section 1, Township 17S, Range 30E, located in Eddy County, New Mexico.
4. On April 11, 2007, OCD Deputy Oil and Gas Inspector Gerry Guye attempted to perform an annual mechanical integrity test on the Jackson B No. 015 well when a pumper for the Operator told him that the well was being worked over. Inspector Guye was told that the OCD would be notified when the work was completed so OCD could perform a mechanical integrity test on the well.
5. On April 11, 2007, OCD sent Operator a letter of violation informing it of Inspector Guye's inability to test the well due to a well work over in progress. The letter informed Operator that the well must have a Casing Integrity Test before the well could be returned to production. The letter instructed Operator to complete the necessary repairs by July 15, 2007, so the well could be tested.
6. Operator did not repair the Jackson B No. 015 well thereby resulting in the OCD issuing Notice of Violation No. 02-07-16 against Operator on August 8, 2007.
7. Notice of Violation 02-07-16 alleged that Operator knowingly and willfully violated OCD

Rule 19.15.9.703 NMAC (hereinafter, "Rule 703") by failing to repair the well so that a Casing Integrity Test could be performed on the well.

8. OCD Rule 703 requires injection wells to be "equipped, operated, monitored, and maintained to facilitate periodic testing and to assure continued mechanical integrity which will result in no significant leak in the tubular goods and packing materials used and no significant fluid movement through vertical channels adjacent to the well bore."
9. On August 28, 2007, an administrative conference was held at the OCD's Artesia District Office. Belton Matthews, Operator's District Superintendent, appeared in person for Operator. Mark Jacoby, Operator's Engineering Manager, appeared telephonically for Operator. Daniel Sanchez, Tim Gum, Gerry Guye, and Mike Bratcher appeared in person for OCD. Sonny Swazo appeared telephonically for OCD.
10. At the conference Operator's representatives said that Operator was evaluating the well on April 11, 2007. The pumper had told the Operator what Inspector Guye needed. Operator's representatives admitted that Operator had received OCD's letter of violation and that they had forgotten about the July 15 deadline. Operator's representatives stated that Operator had submitted a sundry notice to the Bureau of Land Management on July 13, 2007, and that the sundry notice was approved by the Bureau of Land Management on August 13, 2007. Operator's representatives said that the well will be capable of being tested by the end of August.

## **II. CONCLUSIONS**

1. The OCD has jurisdiction over the parties and subject matter in this proceeding.
2. Operator is a "person" as defined by NMSA 1978, § 70-2-33(A) (defining "person" to include a "corporation") that may be subject to civil penalties under NMSA 1978, §70-2-31(A).
3. Operator is subject to civil penalties under NMSA 1978, § 70-2-31(A) for a knowing and willful violation of OCD Rule 703.

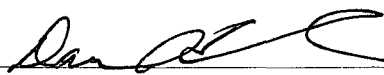
## **III. ORDER AND CIVIL PENALTY**

1. Taking into account both aggravating and mitigating factors, the OCD hereby assesses a civil penalty totaling **One Thousand Dollars (\$1,000.00)** against Operator for one violation of OCD Rule 703.
2. The entire **One Thousand Dollars (\$1,000.00)** penalty shall be waived on the condition that:
  - a. Operator repairs the Jackson B No. 015 well by **September 17, 2007** so that a mechanical integrity test could be performed on the well soon thereafter.
  - b. As soon as the Jackson B No. 015 well is repaired (which shall be by September 17, 2007), Operator shall promptly contact the OCD's Artesia District Office to schedule an appointment with the OCD for a mechanical integrity test on the well.

3. If Operator fails to meet the conditions in Ordering Paragraph No. 2, the entire One Thousand Dollars (\$1,000.00) penalty shall become immediately due. Payment of the penalty 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.
4. By signing this Order, Operator expressly:
- a. acknowledges the correctness of the Findings and Conclusions set forth in this Order;
  - b. agrees to comply with Ordering Paragraph 2 and 3;
  - 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).
5. For good cause shown, Operator may request an extension to complete the requirements as set out in Ordering Paragraph 2. Such notification ("notice") shall reasonably describe the circumstances encountered by Operator that prohibits it from meeting the deadlines set out herein.

Within ten (10) days of receipt of this notice, the OCD shall either approve the extended time requested by Operator by executing a written amendment to this Order, or notify Operator that it will not extend the deadline. The OCD's approval of a time extension shall not be unreasonably withheld.

Done at Santa Fe, New Mexico this 10<sup>th</sup> day of September 2007.

By:   
Mark Fesmire, PE, Director  
Oil Conservation Division

ACCEPTANCE

**Burnett Oil Company, Inc.** hereby accepts the foregoing Order, and agrees to all of the terms and provisions as set forth therein.

**BURNETT OIL COMPANY, INC.**

By: Mark A. Jacoby  
Title: Engineering Manager  
Date 9-5-07