

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

ACO No. 202

RECEIVED
2007 OCT 25 PM 12 08

IN THE MATTER OF CLACO OIL COMPANY,

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 **Claco Oil Company** (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 sole proprietorship doing business in New Mexico under OGRID 37437. Operator's address of record is 13 Havenhill Rd.; Artesia, New Mexico 88210.
3. Operator is the operator of record for the Salomeh No. 001, API No. 30-015-26626, Unit Letter M, Section 36, Township 21S, Range 30E, located in Eddy County, New Mexico.
4. On May 18, 2007, OCD Deputy Oil and Gas Inspector Richard Inge inspected the Salomeh No. 001 well site and found the well to be inactive and incapable of producing. OCD's records show the well's last production report as August 1, 2004. The site contained pits which should have been closed a year ago pursuant to an OCD-approved pit closure plan. The pits contained contaminate and did not have protective lining or netting.
5. OCD Rule 19.15.4.201 NMAC ("Rule 201") requires that wells that have been inactive for a continuous period exceeding one year plus ninety days to be plugged and abandoned, placed on OCD-approved temporary abandonment status, or returned to an OCD-approved productive use.
6. OCD Rule 19.15.2.50 NMAC ("Rule 50") requires pits to be closed within six months after cessation of use.
7. OCD Rule 19.15.3.116 NMAC ("Rule 116") requires operators to immediately notify the OCD of any unauthorized release and to clean up any such release.

8. On May 29, 2007, OCD sent Operator a letter which informed Operator of the violations. OCD asked Operator to submit a C-144 pit closure plan by June 14, 2007, and to remediate and close the pits within 60 days of June 14.
9. On August 20, 2007, OCD issued Notice of Violation 02-07-19 to Operator for violating OCD Rules 201, 50, and 116.
10. An administrative conference was held between OCD and Operator on September 13, 2007. At conference Operator admitted that it was "negligent" in not contacting OCD. Operator said the well was ready to return to production and would return to production within the next week. Operator said the contaminated soil was cleaned-up. Operator said the pits were closed around June 10, 2007.

II. CONCLUSIONS

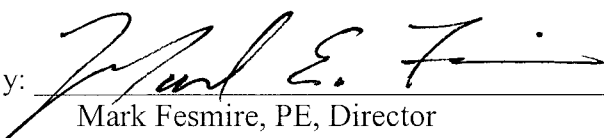
1. The OCD has jurisdiction over the parties and subject matter in this proceeding.
2. Operator is a "person" as defined by NMSA 1978, § 70-2-33(A) (defining "person" to include any "individual," "company," or "other entity") that may be subject to civil penalties under NMSA 1978, §70-2-31(A).
3. Operator is subject to civil penalties under NMSA 1978, § 70-2-31(A) for a knowing and willful violation of OCD Rule 201, OCD Rule 50, and OCD Rule 116.
4. Operator knowingly and willfully violated OCD Rule 201, OCD Rule 50 and OCD Rule 116.

III. ORDER AND CIVIL PENALTY

1. Taking into account both aggravating and mitigating factors, the OCD hereby assesses a civil penalty totaling **Three Thousand Dollars (\$3,000.00)** against Operator for one knowing and willful violation of OCD Rule 50, OCD Rule 116, and OCD Rule 201.
2. The entire **Three Thousand Dollars (\$3,000.00)** civil penalty shall be waived on the condition that Operator returns the Salomeh No. 001 well to production by **Friday, September 21, 2007.**
3. If Operator fails to return the Salomeh No. 001 well to production by **Friday, September 21, 2007,** then the entire Three Thousand Dollars (\$3,000.00) civil 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;

- 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).

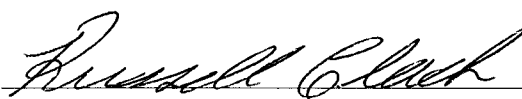
Done at Santa Fe, New Mexico this 25th day of Oct 2007.

By: 
Mark Fesmire, PE, Director
Oil Conservation Division

ACCEPTANCE

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

CLACO OIL COMPANY

By: 
Title: OWNER
Date OCT 1, 2007