

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

ACO No. 241

IN THE MATTER OF THORNTON OPERATING CORPORATION,

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 Thornton Operating Corporation (hereinafter, "Operator") directing compliance with the Act and OCD Rules, and assessing a penalty for violations of the Act and OCD rules.

I. FINDINGS

1. The OCD is the state division charged with administration and enforcement of the Act and OCD Rules.
2. Operator is a business entity which operates wells within New Mexico under OGRID 23002.
3. Operator's address of record with the OCD is P.O. Box 33525; Ft. Worth, Texas 76162.
4. Operator is operator of record of the following injection well:
 - **Stevens Federal No. 003; 30-005-62868; I-28-13S-29E**
5. OCD Rule 19.15.9.703.A NMAC (hereinafter, "Rule 703") states, "Injection wells shall 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."
6. OCD Rule 19.15.9.704.A.3 NMAC (hereinafter, "Rule 704") gives OCD the authority to order mechanical integrity tests when necessary.
7. OCD Rule 704.A.5 states, "The injection well operator shall advise the division of the date and time any initial, five-year or special tests are to be commenced in order that such tests may be witnessed."

8. On January 15, 2008, OCD Deputy Oil and Gas Inspector Richard Inge sent Operator a letter which notified Operator that the Stevens Federal No. 003 was due a pressure test by February 15, 2008, and instructed Operator to contact Deputy Inspector Inge to schedule the test by that date.
9. OCD received no response from Operator to the January 15 letter.
10. As a result, on March 5, 2008, Deputy Inspector Inge sent Operator a Letter of Violation (LOV No. 02-08-035) which informed Operator that it was in violation of OCD Rule 704 and instructed Operator to contact the OCD by March 19, 2008.
11. OCD received no response from Operator to the March 5 letter.
12. As a result, on April 2, 2008, OCD issued Notice of Violation No. 02-08-08, which alleged that Operator was in knowing and willful violation of OCD Rule 704.
13. On June 10, 2008, an administrative conference was held on the Notice of Violation. Mr. Robert Thornton attended the conference.
14. At the conference Mr. Thornton admitted receiving both the January 15 and March 5 letters. Mr. Thornton said he was "nervous" about opening the letters so he placed them in a stack of papers where they remained unopened. Deputy Inspector Inge was contacted by Mr. Thornton after the NOV was sent out. Mr. Thornton said the well was recently tested and it passed the test (Deputy Inspector Inge confirmed this fact).

III. CONCLUSIONS

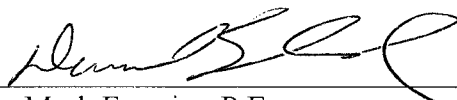
1. The OCD has jurisdiction over the parties and subject matter in this proceeding.
2. Operator is a person as defined by NMSA 1978, § 70-2-33(A) that may be subject to civil penalties under NMSA 1978, §70-2-31(A).
3. NMSA 1978, Section 70-2-31(A) states, "Any person who knowingly and willfully violates 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 for each violation. For purposes of this subsection, in the case of a continuing violation, each day of violation shall constitute a separate offense."
4. Operator is subject to civil penalties under NMSA 1978, § 70-2-31(A) for knowing and willful violations of OCD Rule 704.

IV. ORDER & CIVIL PENALTY ASSESSMENT

1. Taking into account both aggravating and mitigating factors, the OCD hereby assesses a civil penalty against Operator totaling **Two Thousand Dollars (\$2,000.00)**.

2. The **Two Thousand Dollars (\$2,000.00)** civil penalty shall be paid upon execution 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. By signing this Order, Operator expressly:
- acknowledges the correctness of the Findings and Conclusions set forth in this Order;
 - agrees to comply with the Order;
 - 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;
 - 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;
4. Nothing in this Order relieves Operator 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 Operator of its responsibility for compliance with any other federal, state or local laws and/or regulations.

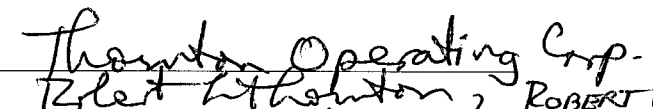
Done at Santa Fe, New Mexico this ²⁴~~20~~ day of June 2008.

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

ACCEPTANCE

Thornton Operating Corporation hereby accepts the foregoing Order, and agrees to all of the terms and provisions as set forth in the Order.

THORNTON OPERATING CORPORATION

By: 
Title: Robert L. Thornton, president
Date: June 16, 2008