

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

ACO No. **252**

IN THE MATTER OF JACKIE BREWER D/B/A SANDLOTT ENERGY,

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 Jackie Brewer d/b/a Sandlott Energy (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 sole proprietorship which operates wells within New Mexico under OGRID No. 154329.
3. Operator's address of record with OCD is P.O. Box 711; Lovington, New Mexico 88260.
4. Operator is operator of record of the following subject wells:
 - Levers State No. 007; 30-015-02575; N-4-18S-28E
 - Resler Yates State No. 349; 30-015-10631; N-29-18S-28E
 - Resler Yates State No. 355; 30-015-02148; A-32-18S-28E
 - Resler Yates State No. 368; 30-015-10286; G-32-18S-28E
 - Resler Yates State No. 379; 30-015-20115; G-32-18S-28E
 - Resler Yates State No. 380; 30-015-20215; H-32-18S-28E
5. On April 2, 2008, the subject wells failed mechanical integrity tests.
6. On April 2, 2008, OCD Deputy Oil and Gas Inspector Gerry Guye sent Operator a Letter of Violation (LOV No. 02-08-054) by certified mail for the failed mechanical integrity tests. In the letter Inspector Guye told Operator that the wells had to be repaired by July 6, 2008, and retested; the wells had to be shut-in until retested; the Levers State No. 007 had lost its injection authority; and Operator had to apply with

the Santa Fe OCD office for reinstatement of injection authority for the Levers State No. 007. Jackie Brewer signed for the letter on April 9, 2008.

7. Operator failed to take action to correct the violation by the corrective action due date of July 6, 2008. As a result, OCD issued Notice of Violation (NOV) No. 02-08-18, which alleged that Operator knowingly and willfully violated OCD Rule 19.15.9.703 NMAC ("Rule 703").
8. OCD Rule 703.A 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."
9. An administrative conference was held on the violation on August 12, 2008. Jackie Brewer personally appeared at the conference.
10. At the conference Mr. Brewer said he sold 60% interest in his business. He said he was about to rig up on the wells when Al Nasar told him that Mike Bratcher with the Artesia OCD Office told him that Operator had to complete remediation for Case No. 14074 by the deadline specified in the Order. Operator understood this to mean that it should work on the environmental issues first and then the mechanical integrity issues of this case. At the conference Mr. Bratcher told Mr. Brewer that Mr. Nasar misunderstood what he said.
11. At the conference OCD staff informed Mr. Brewer that he would be required to come into compliance with the additional financial assurance requirements of OCD Rule 19.15.3.101 NMAC ("Rule 101").
12. As of September 30, 2008, the Inactive Well Additional Financial Assurance Report shows Operator out of compliance with OCD Rule 101 for the following wells:

- Resler Yates State No. 054; 30-015-02123
- Resler Yates State No. 076; 30-015-02108

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) 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 703.

III. ORDER & CIVIL PENALTY ASSESSMENT

1. Taking into account both aggravating and mitigating factors, the OCD hereby assesses a civil penalty against Operator totaling **Six Thousand Dollars (\$6,000.00)**.
2. The **Six Thousand Dollars (\$6,000.00)** 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 October 14, 2008**, Operator shall:
 - a. bring the subject wells into compliance. Returning a well to compliance means that the well must be repaired, the well must undergo and pass mechanical integrity tests; the well must have the authority to inject; and the appropriate paperwork must be filed with OCD.
 - b. come into compliance with OCD Rule 101 for the Resler Yates State No. 054 and Resler Yates State No. 076.
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 the Order;
 - 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;
5. For good cause shown, Operator may request an extension to complete the requirements as set out in Ordering Paragraph 3. 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.

6. 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 6th day of October 2008.

By: _____

Mark Fesmire, P.E.

Director, Oil Conservation Division

ACCEPTANCE

Jackie Brewer d/b/a Sandlott Energy hereby accepts the foregoing Order, and agrees to all of the terms and provisions as set forth in the Order.

JACKIE BREWER D/B/A SANDLOTT ENERGY

By: _____

Title: _____

Date: _____