

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

ACO No. 253

IN THE MATTER OF OXY USA WTP LIMITED PARTNERSHIP,

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 OXY USA WTP Limited Partnership (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 limited partnership doing business in New Mexico.
3. Operator operates wells within New Mexico under OGRID 192463.
4. Operator's address of record with OCD is P.O. Box 4294, Houston, TX 77210-4294.
5. Operator is operator of record of the following wells:
 - **Shelby 12 Federal No. 008; 30-015-35170; L-12-22S-24E**
 - **US 13 Federal No. 004; 30-015-35017; O-12-22S-24E**
6. Subsection B of OCD Rule 19.15.10.803 NMAC ("Rule 803") states in part:

(B) For purposes of this rule, all gas produced from a gas well shall be considered to be authorized production with the following exceptions:

(1) When the well is being produced without an approved form C-104, designating the gas transporter and the oil or condensate transporter for said well.
7. On August 15, 2007, OCD District II Geologist Bryan Arrant wrote to Operator informing it that OCD was denying Operator's request for allowables and

authorizations to transport for the Shelby 12 Federal No. 008 and US 13 Federal No. 004 wells due to Operator being out of compliance with OCD Rule 19.15.1.40 NMAC ("Rule 40"). The letter explained the reason for the OCD Rule 40 non-compliance — Operator had more inactive wells than it was allowed to have under OCD Rule 40. The letter explained what Operator could do to come into compliance with OCD Rule 40. The letter informed Operator that it could re-submit its requests once it returned to compliance with OCD Rule 40.

8. On August 20, 2008, during a routine file and compliance inspection, OCD District II Compliance Officer Gerry Guye determined that Operator was submitting monthly C-115 production reports for the Shelby 12 Federal No. 008 and US 13 Federal No. 004 wells in the absence of an approved Form C-104 (Request for Allowable and Authorization to Transport Oil and Natural Gas).
9. On August 27, 2008, OCD issued Notice of Violation No. 02-08-21 to Operator.
10. On October 3, 2008, an administrative conference was held on the Notice of Violation. Elizabeth Bush-Ivie appeared at the conference on behalf of Operator.

II. CONCLUSIONS

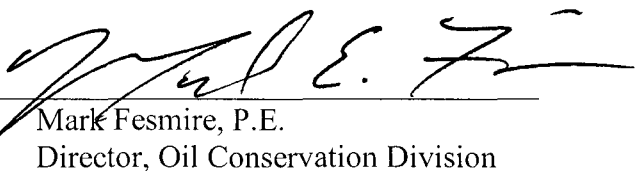
1. The OCD has jurisdiction over the parties and subject matter in this proceeding.
2. Operator is a person as defined by NMSA 1978, § 70-2-33(A) that may be subject to civil penalties under NMSA 1978, §70-2-31(A).
3. NMSA 1978, Section 70-2-31(A) states, "Any person who knowingly and willfully violates 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 803.

III. ORDER & CIVIL PENALTY ASSESSMENT

1. Taking into account both aggravating and mitigating factors, the OCD hereby assesses a civil penalty against Operator totaling **Fifteen Thousand Dollars (\$15,000.00)**.
2. The **Fifteen Thousand Dollars (\$15,000.00)** 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. Operator shall keep the Shelby 12 Federal No. 008 and US 13 Federal No. 004 wells shut-in until it has obtained an approved Form C-104 from OCD for such wells.
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. 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.

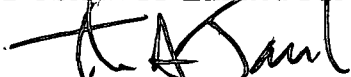
Done at Santa Fe, New Mexico this 23rd day of October 2008.

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

ACCEPTANCE

OXY USA WTP Limited Partnership. hereby accepts the foregoing Order, and agrees to all of the terms and provisions as set forth in the Order.

OXY USA WTP Limited Partnership

By: 

Title: Vice President - Legal

Date: 10/15/08