

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

APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION, THROUGH THE ENFORCEMENT AND COMPLIANCE MANAGER, FOR A COMPLIANCE ORDER AGAINST JACKIE BREWER D/B/A SANDLOTT ENERGY, FINDING THAT OPERATOR KNOWINGLY AND WILLFULLY VIOLATED RULE 19.15.3.116 NMAC; ORDERING OPERATOR TO RETURN WELLS TO COMPLIANCE BY A DATE CERTAIN; ORDERING OPERATOR TO PLUG THE WELLS AND AUTHORIZING THE DIVISION TO PLUG THE WELLS AND FORFEIT THE APPLICABLE FINANCIAL ASSURANCE IF OPERATOR FAILS TO COMPLY WITH THE ORDER; ASSESSING PENALTIES; EDDY COUNTY, NEW MEXICO.

CASE NO. 14074

JACKIE BREWER, D/B/A SANDLOTT ENERGY'S
MOTION FOR A DECLARATION
THAT ORDER NO. R-12961-B HAS BEEN SATISFIED

Pursuant to 19.15.5.9(D)(3) NMAC, Jackie Brewer, d/b/a Sandlott Energy ("Brewer"), moves the Commission to enter an order declaring that Order No. R-12961-B has been satisfied. In support of his motion, Brewer states:

1. This case commenced with the Division's filing of an Application for a Compliance Order ("Application") on January 8, 2008. *Application, attached hereto as Exhibit ("Ex.") A.* The primary focus of the Application was the Division's request for an order requiring Brewer to conduct remediation of environmental contamination at ten of his well sites.

2. Following a March 20, 2008 evidentiary hearing on the Application, the Division Director entered Order No. R-12961, which required Brewer to conduct remediation at the ten well sites and assessed a civil penalty in the amount of \$48,000. *Order No. R-12961, attached hereto as Ex. B.*

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3. Brewer then applied for a *de novo* hearing before the Commission and requested a stay of Order No. R-12961. On July 25, 2008, the Division Director entered an order staying the penalty assessment. *Order No. R-12961-A, attached hereto as Ex. C.*

4. The Commission set the matter for hearing on November 7, 2008. Prior to the hearing date, Brewer entered into negotiations with the Division to informally resolve the issues addressed in the Application and in Order No. R-12961. In light of the then-current state of the law regarding the Division's and the Commission's authority to administratively impose civil penalties, Brewer decided to forego a hearing and agreed to enter into a Settlement Agreement and Stipulated Final Order ("Stipulated Order") with the Division.

5. On the scheduled hearing date, counsel for Brewer and the Division presented the Stipulated Order to the Commission, which unanimously approved it. *Order No. R-12961-B, attached hereto as Ex. D.* The Stipulated Order requires Brewer to (i) pay \$12,000 of the Division's \$48,000 civil penalty assessment by November 21, 2008, and (ii) complete remediation at the ten well sites by May 7, 2009. *Id. at 3-4.* It contains contingent provisions stating that, if Brewer fails to timely complete the remedial action, he would be required to (i) pay the remaining \$36,000 civil penalty by May 14, 2009, and (ii) plug and abandon the ten wells by August 7, 2009. *Id. at 4.* The Stipulated Order further provides that, in the event Brewer does not pay the penalty and plug the wells, the Division is authorized to plug and abandon the wells and to forfeit Brewer's \$50,000 blanket plugging bond issued by RLI Insurance Company ("RLI"). *Id.*

6. Following the Commission's entry of the Stipulated Order, Brewer tendered the \$12,000 penalty payment to the Division. He retained the environmental consulting firm of

Environmental Plus, Inc. (“EPI”) in Eunice and reasonably relied on EPI to comply with the Division’s abatement regulations and the Stipulated Order.

7. At each of the ten well sites identified in the Stipulated Order, EPI took and analyzed soil samples, delineated the site, and assessed the remedial work that Brewer had performed in July 2008. On May 11, 2009 – two business days after the May 7 deadline in the Stipulated Order – EPI submitted a Remediation Plan Letter and a Closure Report for each of the ten well sites to the Division’s District 2 Office in Artesia.¹ *See EPI Submission for Thomas State #1 well site, attached hereto as Ex. E, at 1-2.*

8. Each EPI Remediation Plan Letter describes the site assessment and remedial work to be performed, and each EPI Closure Report characterizes and delineates the well site, evaluates the remedial work performed by Brewer, and concludes that no further remedial action should be required by the Division. *Ex. E at 1-3.* Most importantly, each Closure Report demonstrates that Brewer successfully completed all necessary remedial work prior to the May 7, 2009 deadline in the Stipulated Order. *See id. at 3.*

9. Brewer concedes that neither he nor EPI strictly complied with the OCD’s abatement regulations with regard to the sequencing of their submissions to the District 2 Office, in that Brewer’s C-141s and EPI’s Remediation Plan Letters were submitted after, rather than

¹ While the analytical data, site characterization, and remedial work performed differ for each well site, the format of EPI’s written submissions for each of the ten wells sites is virtually identical. To avoid burdening the Commission with lengthy documentary exhibits, Brewer is attaching Exhibit E as an exemplar of EPI’s submissions to the District 2 Office. If the Commission desires to review EPI’s submissions for the other nine well sites, Brewer will provide them.

before, the remedial work was performed.² Brewer further concedes that EPI submitted its documentation two business days after the May 7, 2009 deadline in the Stipulated Order. However, the fact remains that Brewer successfully completed all necessary environmental remediation at the ten well sites *before the deadline* in the Stipulated Order.

10. EPI correctly concludes in its Closure Report for each of the ten well sites that all necessary remediation had been completed and that no further remedial action should be required. The Division's District 2 Office, which has the final say regarding the remediation performed by Brewer, has agreed with EPI's conclusions.

11. Moreover, Division representatives have informed Brewer, his counsel, and an EPI representative that the necessary environmental remediation at the ten well sites has been satisfactorily completed and that no further remedial action by Brewer is required. Thus, the central purpose of the Stipulated Order – as well as the Application – has been satisfied.

12. Nevertheless, the Division has taken the position that Brewer is in violation of the Stipulated Order. Based on a strained interpretation of the intent and purpose of the Stipulated Order, the Division believes that Brewer owes the deferred penalty amount of \$36,000. Additionally, the Division has placed the ten wells identified in the Stipulated Order on its plugging list.

13. On June 16, 2009, Division attorney Sonny Swazo sent a letter to Brewer's counsel and to Paul O'Sullivan of RLI stating that "[t]o date, [Brewer] has not remediated the releases and spills at all ten wells, and that "[m]ost of the ten wells remain contaminated with oil

² On October 20, 2008 Brewer submitted C-141s to the District 2 office for each of his ten well sites. The C-141s described the remedial work that Brewer performed in July 2008, which the Division has deemed to be satisfactory. *See Ex. E at 21.* The C-141s did not include site assessments. *See id.*

field wastes.” *June 16, 2009 letter from S. Swazo, attached hereto as Ex. F, at 2.* The letter further states that “the OCD considers the \$36,000 civil penalty due and owing” and that, if Brewer does not plug and abandon his wells by August 7, 2009, the OCD will plug and abandon the wells and forfeit Brewer’s \$50,000 blanket plugging bond. *Id.*

14. Based on those representations, Mr. O’Sullivan recently sent a letter to Brewer which (i) references a “pending \$50,000 demand by” the Division under Brewer’s bond, (ii) asserts that Brewer’s alleged violation of the Stipulated Order constitutes a default, and (iii) demands that Brewer pay \$25,000 to RLI no later than October 9, 2009. *September 26, 2009 letter from Mr. O’Sullivan, attached hereto as Ex. G.*

15. 19.15.5.9(D)(3) NMAC provides that “[a]n operator *who completes the corrective action*” required by a Commission order may file a motion with the Commission “to declare the order satisfied.” *19.15.5.9(D)(3) NMAC* (emphasis added). Brewer is constrained to seek such a declaration in light of the Division’s ongoing enforcement efforts and RLI’s payment demand.

16. Brewer is faced with significant and unwarranted financial consequences if the declaratory relief he requests is not granted. Making payments of \$36,000 to the Division and \$25,000 to RLI would present a serious hardship. Moreover, the Division’s plugging of the nine producing wells identified in the Stipulated Order, which collectively represent 26% of Brewer’s producing wells, would severely impact Brewer’s oil and gas operations and his livelihood.

17. In asserting that Brewer has violated the Stipulated Order, the Division is exalting form over substance. The substantive requirement of the Stipulated Order is the remediation of the environmental contamination at the ten well sites to eliminate any potential threats to groundwater. The Division cannot dispute – to the contrary, it has acknowledged – that Brewer

successfully completed all of the remediation prior to the May 7, 2008 deadline in the Stipulated Order, and that no further remedial action by Brewer is required.

18. Brewer submits that by successfully completing all of the remediation work at the ten well sites before the deadline, he has satisfied the intent and primary purpose of the Stipulated Order. His failure to obtain prior Division approval of the remedial work in no way negates – or even diminishes – his timely accomplishment of the goal sought by the Division in its Application and memorialized in the Stipulated Order.

19. Brewer further submits that the Division's ongoing attempts to enforce the contingent provisions of the Stipulated Order are punitive, and serve no regulatory purpose in relation to the protection of groundwater and the environment. Accordingly, Brewer requests that the Commission enter an order declaring that the corrective action requirements in the Stipulated Order have been satisfied and that Brewer is not in violation of the Order.

20. In light of RLI's impending October 9, 2009 payment deadline and the Division's placement of Brewer's wells on its plugging list, Brewer is contemporaneously filing a separate motion under 19.15.14.1221.B NMAC requesting the Commission to stay any further enforcement action by the Division pending its ruling on this motion for declaratory relief.

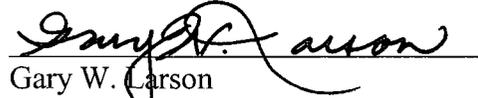
WHEREFORE, Brewer respectfully requests that the Commission grant his motion and enter an order:

1. Declaring that Brewer has satisfied Order No. R-12961-B;
2. Declaring that Brewer is not required to pay a \$36,00 penalty to the Division;
3. Requiring the Division to remove Brewer's wells from its plugging list; and

4. Granting Brewer such additional relief as the Commission deems appropriate.

Respectfully submitted,

HINKLE, HENSLEY, SHANOR
& MARTIN, LLP



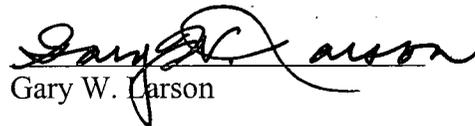
Gary W. Carson
Post Office Box 2068
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505.982.4554

Attorneys for Jackie Brewer, d/b/a Sandlott Energy

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing *Jackie Brewer, d/b/a Sandlott Energy's Motion for Declaration that Commission Order No. R-12961-B Has Been Satisfied* was mailed this 8th day of October 2009, to:

Sonny Swazo, Esq.
Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505



Gary W. Carson

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

APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION, THROUGH THE ENFORCEMENT AND COMPLIANCE MANAGER, FOR A COMPLIANCE ORDER AGAINST JACKIE BREWER D/B/A SANDLOTT ENERGY, FINDING THAT OPERATOR KNOWINGLY AND WILLFULLY VIOLATED RULE 19.15.3.116 NMAC; ORDERING OPERATOR TO RETURN WELLS TO COMPLIANCE BY A DATE CERTAIN; ORDERING OPERATOR TO PLUG THE WELLS AND AUTHORIZING THE DIVISION TO PLUG THE WELLS AND FOREFIT THE APPLICABLE FINANCIAL ASSURANCE IF OPERATOR FAILS TO COMPLY WITH THE ORDER; ASSESSING PENALTIES; EDDY COUNTY, NEW MEXICO

CASE NO. **14074**

APPLICATION FOR COMPLIANCE ORDER AGAINST JACKIE BREWER D/B/A SANDLOTT ENERGY

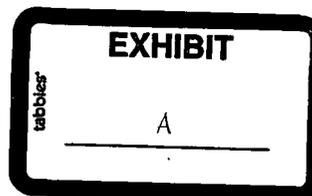
1. Sandlott Energy d/b/a Jackie Brewer ("Operator") is a sole proprietorship operating wells in New Mexico under OGRID 154329.

2. Operator is the operator of record for the following subject wells:

- Daugherty State No. 001; API No. 30-015-02589; 4-4-18S-28E
- Levers A State No. 002 ; API No. 30-015-26895; B-8-18S-28E
- Levers State 7; API No. 30-015-02575; N-4-18S-28E
- Resler Yates State No. 317; API No. 30-015-10254; F-21-18S-28E
- Resler Yates State No. 322; API No. 30-015-10285; I-20-18S-28E
- Resler Yates State No. 367; API No. 30-015-20088; F-32-18S-28E
- Resler Yates State No. 370; API No. 30-015-20094; H-32-18S-28E
- Resler Yates State No. 381; API No. 30-015-26134; G-32-18S-28E
- Thomas State No. 001; API No. 30-015-02672; A-9-18S-28E
- Welch Duke State No. 018; API No. 30-015-06125; C-28-18S-28E

3. Pursuant to NMSA 1978, Section 70-2-14, Operator has posted a fifty thousand dollars (\$50,000.00) blanket plugging bond (Bond No. BO5910) through

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Underwriters Indemnity Company in Houston, Texas, to secure Operator's obligation to plug and abandon his wells in compliance with Oil Conservation Division ("OCD") rules. In 1999, RLI Insurance Company acquired Underwriters Indemnity Company, and now RLI Insurance Company is the surety in this case.

4. Section 70-2-14(B) states if any of the requirements of the Oil and Gas Act or the rules and regulations promulgated pursuant to that act have not been complied with, the OCD, after notice and hearing, may order any well plugged and abandoned by the operator or surety or both in accordance with OCD rules and regulations.

5. OCD Rule 19.15.3.116 NMAC ("Rule 116") requires OCD to be notified of any unauthorized release occurring during the drilling, producing, storing, disposing, injecting, transporting, servicing or processing of crude oil, natural gases, produced water, condensate or oil field waste including regulated NORM, or other oil field related chemicals, contaminants or mixture thereof, in the State of New Mexico. OCD Rule 116 states the notification shall be made by the person operating or controlling either the release or the location of the release. OCD Rule 116 requires notification to be made within a certain number of days following the discovery of the release. Notification requirements include completing and filing a Form C-141. OCD Rule 116 requires the notification to be made to the division district office for the area within which the release takes place and to the division's environmental bureau chief.

6. OCD Rule 116 requires the responsible person to complete division approved corrective action for releases which endanger public health or the environment. Releases are addressed in accordance with a remediation plan submitted to and approved by OCD.

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7. As of this date, Operator has not notified OCD of any of the unauthorized releases at the subject wells in accord with the notification requirements of OCD Rule 116. Nor has Operator provided OCD with a remediation plan for the unauthorized releases at the subject wells.

Daugherty State No. 001

8. During a site inspection on November 22, 2002, OCD Deputy Oil and Gas Inspector Mike Bratcher observed a minor release at the well head.

9. During a site inspection on January 26, 2004, OCD Deputy Oil and Gas Inspector Gerry Guye observed an active leak at the stuffing box.

10. During a site inspection on February 4, 2004, Deputy Inspector Guye observed contamination at the site. He noticed that the leak he had previously observed at the stuffing box leak had stopped.

11. During a site inspection on August 19, 2004, Deputy Inspector Guye observed an active leak at the well head. The well was pumping.

12. During a site inspection on August 30, 2005, Deputy Inspector Bratcher observed heavy contamination at the well head area that extended out on to the location. He also observed an active leak at the stuffing box.

13. During a site inspection on October 20, 2005, Deputy Inspector Bratcher observed contamination at the site.

14. During a site inspection on July 20, 2007, Deputy Inspector Bratcher observed contamination at the well head area and the tank battery north of the well site. The well was pumping.

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Levers A State No. 002

15. During a site inspection on January 22, 2003, Deputy Inspector Bratcher observed a large area of contamination at the well head area caused by leaks and spills. There was standing oil at the well head.

16. During a site inspection on February 24, 2003, Deputy Inspector Guye observed area contamination at the site. It appeared to him that Operator had not taken any action to remedy the contamination violations.

17. During a site inspection on April 16, 2003, Deputy Inspector Bratcher observed contamination at the site. It appeared to him that Operator had not taken any action to remedy the contamination violations.

18. During a site inspection on October 9, 2003, Deputy Inspector Bratcher observed contamination at the site. It appeared to him that Operator had not taken any action to remedy the contamination violations.

19. During a site inspection on April 8, 2004, Deputy Inspector Bratcher observed the well head area to be heavily contaminated. Deputy Inspector Bratcher sent Operator a letter that day which informed Operator of the contamination at the well. He asked Operator to remedy the release violations by July 12, 2004.

20. On August 19, 2004, Deputy Inspector Guye inspected the well site. It appeared to him that Operator had not taken any action to remedy the contamination violations.

21. During a site inspection on May 9, 2005, Deputy Inspector Bratcher observed heavy contamination at the tank battery located south of the well. The site

contained collapsed tanks and overturned vessels. The storage tank on the west end was actively leaking produced water.

22. On May 12, 2005, Deputy Inspector Bratcher sent Operator a letter informing Operator of the contamination at the well. He informed Operator that the tank battery located to the south of the well was heavily contaminated. He informed Operator that there were collapsed tanks and overturned vessels at the site. He informed Operator that the storage tank on the west end was actively leaking produced water. He informed Operator that the chloride impacted soils had to be properly remediated and hauled to a disposal facility. He asked Operator to remedy the release violations by June 10, 2005.

23. During a site inspection on July 22, 2005, OCID Deputy Oil and Gas Inspector Chris Beadle observed pools of oil and produced liquids around the tank battery. The oil and produced liquids had traveled approximately 100 yards towards the well head. There was heavy chloride staining on the road west of the tank battery.

24. During a site inspection on August 29, 2005, Deputy Inspector Bratcher observed contamination at the well head area. He saw no indication of any recent activity at the well site. The tank battery south of the well had collapsed tanks that had released produced fluids.

25. During a site inspection on October 20, 2005, Deputy Inspector Bratcher observed contamination at the site. One of the tanks had been moved and was lying on the southeast side of location between roads to the well area.

26. During a site inspection on July 20, 2007, Deputy Inspector Bratcher observed contamination at the well head area. He saw no indication of any recent activity

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at the well site. The power switch was turned off. There was a collapsed tank at the tank battery located south of the well.

27. During a site inspection on October 3, 2007, Deputy Inspector Bratcher observed an increased oil release at the base of the separator and the east tank, and a small on-going produced water release at the west tank. The well was pumping.

Levers State No. 007

28. During a site inspection on August 30, 2005, Deputy Inspector Bratcher observed contamination at the tank battery. He saw no indication of any recent activity at the well site.

29. During a site inspection on October 20, 2005, Deputy Inspector Bratcher observed contamination at the site. There was a nearly full tank across the road ready to overflow into a pasture. The tank had a very heavy layer of oil on top.

30. During a site inspection on July 3, 2006, OGD Deputy Oil and Gas Inspector Phil Hawkins observed heavy contamination around the tanks and the separator. There was a release that had traveled approximately thirty feet from the tanks. The tanks and separators had active leaks.

31. During a site inspection on July 20, 2007, Deputy Inspector Bratcher observed heavy contamination around the storage tanks. The south tank had an active leak. He saw no indication of any recent activity at the well site.

Resler Yates State No. 317

32. During a site inspection on August 30, 2005, Deputy Inspector Bratcher observed heavy contamination at the well head area with oil pooled at the well head.

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33. During a site inspection on July 25, 2007, Deputy Inspector Bratcher observed heavy contamination at the well head area. The well was pumping.

Resler Yates State No. 322

34. During a site inspection on August 20, 2004, Deputy Inspector Guye observed area contamination. The electricity was off. The well's last date of reported production was January 2004.

35. During a site inspection on August 30, 2005, Deputy Inspector Bratcher observed heavy contamination at the well head area and out onto the location. He saw no indication of any recent activity at the well site.

36. During a site inspection on July 25, 2007, Deputy Inspector Bratcher observed heavy contamination at the well head area and out onto the location. The well was pumping.

Resler Yates State No. 367

37. During a site inspection on August 20, 2004, Deputy Inspector Guye observed area contamination. The well had no pumping unit. The well's last date of reported production was April 2003.

38. During a site inspection on August 30, 2005, Deputy Inspector Bratcher observed contamination along the flow line on west side of location. The well had no pumping unit or production equipment.

39. During a site inspection on July 5, 2006 Deputy Inspector Hawkins observed contamination at the flow line on the west side of the location. There was contamination around the well and casing head. No electrical power was connected to the motor on the pumping unit.

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40. During a site inspection on July 16, 2007, Deputy Inspector Bratcher observed contamination at the well head area and west of the pumping unit. The power was turned off. There were several repair patches on the metal flow line. It appeared to him that there had been no change in condition since the 2006 inspection. The well had a pumping jack.

Resler Yates State No. 370

41. During a site inspection on July 5, 2006, Deputy Inspector Hawkins observed contamination around the well head. There were no belts on the pumping unit motor and no electrical hook up.

42. During a site inspection on July 24, 2007, Deputy Inspector Bratcher observed contamination and standing oil around the pumping unit. He saw no indication of any recent activity at the well site. The electric meter had been pulled at the well site but an electric line had been laid to a power meter near the Resler Yates No. 381 well site.

Resler Yates State No. 381

43. During a site inspection on September 11, 2001, OCID Deputy Oil and Gas Inspector Mike Stubblefield observed an unreported oil spill at the tank battery.

44. On September 18, 2001, Deputy Inspector Stubblefield re-inspected the well site to check on the status of the spill remediation. Inspector Stubblefield noted that Operator had picked up the standing oil from the spill west of tank battery, and had back dragged the area. Inspector Stubblefield noted that additional work around the stock tanks needed to be done.

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45. During a site inspection on September 17, 2002, Deputy Inspector Stubblefield observed a spill on the injection line running north of tank battery. Inspector Stubblefield sent Operator a letter informing Operator of the spill and asking Operator to submit a C-141.

46. During a site inspection on August 20, 2004, Deputy Inspector Guye observed area contamination. The well had no motor on the pumping unit.

47. During a site inspection on August 30, 2005, Deputy Inspector Bratcher observed heavy contamination at the tank battery. There was no motor on the pumping unit. He saw no indication of any recent activity at the well site. The ground around two storage vessels was saturated with oil, indicating a possible leak. One tank was collapsed.

48. During a site inspection on October 20, 2005, Deputy Inspector Bratcher observed contamination at the site.

49. During a site inspection on July 5, 2006, Deputy Inspector Hawkins observed contamination around the well head and the tanks. There was no motor on the pumping unit.

50. During a site inspection on July 24, 2007, Deputy Inspector Bratcher observed contamination and standing oil around the tanks at the tank battery on the west side of the well site. The well was inoperable as the pumping unit did not have any belts or sheaves.

Thomas State No. 1

51. During a site inspection on August 29, 2005, Deputy Inspector Bratcher observed various areas of contamination at the well site. The tank battery located west of

well was leaking produced water. The leak was in the bottom of the tank. The leak was a slow leak. He saw no indication of any recent activity at the well site. The electric meter had been pulled at the pole.

52. During a site inspection on October 20, 2005, Deputy Inspector Bratcher observed contamination at the site. The separator had been moved and was lying on its side approximately 50 feet south of the original location.

53. During a site inspection on July 3, 2006, Deputy Inspector Hawkins observed a large area of release and contamination at the well head, the flow line, around the tanks, the separators, and the pumps. The tanks had an active leak. There was no electric meter or power to the pumping unit.

54. During a site inspection on July 25, 2007, Deputy Inspector Bratcher observed heavy contamination at the well head area. The well had no pumping unit. There were numerous areas of contamination at tank battery located west of well.

Welch Duke State No. 018

55. During a site inspection on August 20, 2004, Deputy Inspector Guye observed area-wide contamination.

56. During a site inspection on October 15, 2004, Deputy Inspector Guye observed historical contamination at the well site.

57. During a site inspection on August 30, 2005, Deputy Inspector Bratcher observed historical contamination at the well head area and out onto the location. He saw no indication of any recent activity at the well site.

58. During a site inspection on July 3, 2006, Deputy Inspector Hawkins observed historical contamination at the well head area and out onto the location.

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59. During a site inspection on July 25, 2007, Deputy Inspector Bratcher observed contamination at the well head area and out onto location. He saw no indication of any recent activity at the well site.

60. After Operator failed to comply with OCD's verbal and written requests to bring his wells into compliance with OCD rules and remedy the contamination violations, OCD District II Supervisor Tim Gum met with Operator in person on January 10, 2005, to discuss Operator's non-complaint wells and the environmental issues resulting from the leaks and spills at his wells. District II Supervisor Gum told Operator that OCD would give him until September 30, 2005 to remedy all of his outstanding violations at all of his wells. District II Supervisor Gum told Operator that if he failed to remedy all of the violations by September 30, 2005, OCD would pursue enforcement action against him. District II Supervisor Gum presented this agreement to Operator in writing. District II Supervisor Gum allowed Operator to take the written agreement home to review and to think about. Operator signed the agreement on January 19, 2005.

61. NMSA 1978, Section 70-2-31(A) provides that 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, and that in the case of a continuing violation, each day of violation shall constitute a separate violation.

62. NMSA 1978, Section 70-2-33(A) defines "person" to mean "any individual, estate, trust, receiver, cooperative association, club, corporation, company, firm, partnership, joint venture, syndicate or other entity."

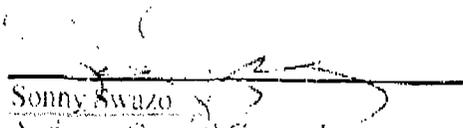
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WHEREFORE, the Enforcement and Compliance Manager of the Division hereby applies to the Director to enter an order:

- A. Determining that Operator violated OCD Rule 19.15.3.116 by not notifying OCD of the releases in accord with the rule and by not cleaning up the releases;
 - i. Determining that Operator knowingly and willfully violated OCD Rule 19.15.3.116;
 - ii. Assessing penalties for Operator's knowing and willful violation of OCD Rule 19.15.3.116;
- B. Ordering Operator to remediate the contamination at the subject well sites by a date certain;
- C. Ordering Operator to inspect all of his wells for contamination issues;
 - i. If contamination is found, ordering Operator to file a remediation plan with the appropriate OCD district office and environmental bureau chief;
- D. If Operator fails to remediate the contamination at the subject wells by the date set in the Order; ordering Operator to plug his wells pursuant to Section 70-2-14(B) by a date certain;
- E. If Operator fails to plug the subject wells by the date set in the Order, authorizing the OCD to plug his wells and forfeit the applicable financial assurance;
- F. For such other and further relief as the Director deems just and proper under the circumstances.

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RESPECTFULLY SUBMITTED.
this 14th day of November 2007 by


Sonny Swazo
Assistant General Counsel
Energy, Minerals and Natural
Resources Department of the State of
New Mexico
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Santa Fe, NM 87505
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Attorney for the New Mexico Oil
Conservation Division

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- Case No. **14074** . Application of the New Mexico Oil Conservation Division for a Compliance Order against Jackie Brewer d/b/a Sandlot Energy. The Applicant seeks an order finding operator in violation of 19.15.3.116 NMAC; requiring operator to bring the wells into compliance with 19.15.3.116 by a date certain; ordering operator to plug the wells and authorizing the division to plug the wells and forfeit the applicable financial assurance in event of non-compliance with order; and assessing penalties. The affected wells are:

• Daugherty State No. 001;	API No. 30-015-02589;	4-4-18S-28E
• Levers A State No. 002 ;	API No. 30-015-26895;	B-8-18S-28E
• Levers State 7;	API No. 30-015-02575;	N-4-18S-28E
• Resler Yates State No. 317;	API No. 30-015-10254;	F-21-18S-28E
• Resler Yates State No. 322;	API No. 30-015-10285;	I-20-18S-28E
• Resler Yates State No. 367;	API No. 30-015-20038;	F-32-18S-28E
• Resler Yates State No. 370;	API No. 30-015-20094;	H-32-18S-28E
• Resler Yates State No. 381;	API No. 30-015-26134;	G-32-18S-28E
• Thomas State No. 001;	API No. 30-015-02672;	A-9-18S-28E
• Welch Duke State No. 018;	API No. 30-015-06125;	C-28-18S-28E

The wells are located approximately 8 miles southwest of Loco Hills, in Eddy County, New Mexico.

Application for Compliance Order
 Jackie Brewer d/b/a Sandlot Energy
 Page 14 of 14

1/10/05

Jackie Brewer (dba Sandlot Energy) , at the request of the OCD meet with District II personnel at 2PM on 1/10/05. The purpose of the meeting was to discuss the non-complaint wells and environmental issues resulting from leaks and spills. Sandlot Energy was advised of the next enforcement action that will be taken if all the stated issues are not brought into compliance within the agreed time frame.

The OCD on numerous occasions has notified Sandlot Energy both verbally and with letters that the OCD Rules and Regulations were not being complied with. The OCD has made the best attempt to work with Sandlot to come into compliance with the Rules. However there has been no positive results as of date.

All of the outstanding violations will be brought into compliance by the date of Sept. 30, 2005.

A Hearing will be set to assess a civil penalty , request an Order to with draw Sandlots blanket bond and plug all wells ,if the compliance date is not obtained.

Jackie Brewer

Jackie Brewer

Jan. 19, 2005

Date

Tim W. Gum

Tim W. Gum

2/2/05

Date.

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

CASE NO. 14074
ORDER NO. R-12961

APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION ("DIVISION") THROUGH THE ENFORCEMENT AND COMPLIANCE MANAGER FOR A COMPLIANCE ORDER AGAINST JACKIE BREWER D/B/A SANDLOT ENERGY; (1) FINDING THAT OPERATOR KNOWINGLY AND WILLFULLY VIOLATED RULE 19.15.3.116 NMAC AS TO TEN WELLS; (2) ASSESSING PENALTIES FOR THE VIOLATIONS; (3) REQUIRING OPERATOR TO RETURN THE WELLS TO COMPLIANCE BY A DATE CERTAIN; (4) REQUIRING OPERATOR TO PLUG THE WELLS AND AUTHORIZING THE DIVISION TO PLUG SAID WELLS AND FORFEIT THE APPLICABLE FINANCIAL ASSURANCE IN THE EVENT OF NON-COMPLIANCE; EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on March 20 2008, at Santa Fe, New Mexico, before Examiner Richard I. Ezeanyim.

NOW, on this 16th day of June, 2008, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.

(2) The New Mexico Oil Conservation Division ("Division") seeks an order requiring Jackie Brewer d/b/a Sandlot Energy ("operator") to comply with Division Rule 19.15.3.116 NMAC for each of the following ten (10) listed wells.

Well Name	API Number	Location
(a) Daugherty State # 001	30-015-02589	A-4-18S-28E
(b) Levers A State # 002	30-015-26895	B-8-18S-28E



(c)	Levers State # 7	30-015-02575	N-4-18S-28E
(d)	Resler Yates State # 317	30-015-10254	F-21-18S-28E
(e)	Resler Yates Srtaes # 322	30-015-10285	I-20-18S-28E
(f)	Resler Yates # 367	30-015-20088	F-32-18S-28E
(g)	Resler State # 370	30-015-20094	H-32-18S-28E
(h)	Resler State # 381	30-015-26134	G-32-18S-28E
(i)	Thomas State # 001	30-015-02672	A-9-18S-28E
(j)	Welch Duke State # 018	30-015-06125	C-28-18S-28E

(3) The Division also seeks an order determining that operator knowingly and willfully violated 19.15.3.116 NMAC and requiring operator to remediate the contaminated well sites by a date certain as to the subject wells, and if the operator fails to remediate the well sites, the operator should be ordered to plug and abandon the wells. Additionally, if the operator fails to plug the subject wells by a date set in the order, the Division should be authorized to plug the wells and declare forfeiture of applicable financial assurance.

(4) Further, the Division seeks a penalty of \$48,000 for knowing and willful violation of Rule 19.15.3.116 NMAC.

(5) The Division appeared at the hearing through legal counsel and presented the following testimony.

(a) Jackie Brewer d/b/a Sandlot Energy is the current operator of the ten wells listed in Finding Paragraph (2), and was the operator during the time period relevant to this proceeding;

(b) Jackie Brewer d/b/a Sandlot Energy knowingly and willfully violated 19.15.3.116 NMAC because the operator failed to remediate the contaminated well sites despite repeated efforts (including but not limited to meetings, verbal and written communications) by the Division district office in Artesia to bring the operator into compliance with Rule 116 over a long period of time;

(c) The Division district office in Artesia gave Jackie Brewer d/b/a Sandlot Energy ample opportunity to come into compliance with Rule 116. At a meeting on January 10, 2005, Jackie Brewer d/b/a Sandlot Energy and the district office in Artesia, agreed to a deadline of September 30, 2008, to remediate the well sites. Jackie Brewer d/b/a Sandlot Energy still failed to remediate the well sites at the expiration of this deadline; and

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(d) Until the date of this hearing, Jackie Brewer d/b/a Sandlot Energy has not complied with Rule 19.15.3.116 NMAC to the satisfaction of the Division district office in Artesia, and these contaminated well sites remain un-remediated by this un-cooperative operator.

(6) The Division records indicate that the operator has posted a \$50,000 blanket plugging bond (Bond No. BO5910) secured by funds deposited with RLI Insurance Company of Houston, Texas.

(7) The operator appeared at the hearing through legal counsel who argued that the operator did not knowingly and willfully violate Division Rule 19.15.3.116. He agreed that the operator has had some minimal releases at his well sites, and has conducted land-farming in an attempt to remediate the well sites. He contended that if the land-farming procedure is not enough to satisfy the Division district office, the operator will certainly do further remediation operations to satisfy the district office.

(8) The counsel for the operator further argued that since the operator did not knowingly and willfully violate Rule 19.15.3.116 NMAC, and tried to remediate the well sites, penalties should not be assessed, and the subject wells should not be plugged and abandoned.

Analysis:

(9) It is evident from the testimony offered by the Oil Conservation Division (OCD), and the behavior of Jackie Brewer d/b/a Sandlot Energy before and during the hearing process that Mr. Brewer is an un-cooperative operator.

(10) The OCD is seeking penalties for knowing and willful violation of Rule 19.15.3.116 NMAC. However, at the hearing OCD did not invoke the provisions of Division Rule 19.15.1.13.B NMAC, which states in part that "All operators, contractors, drillers, carriers, gas distributors, service companies, pipe pulling and salvaging contractors, treating plants operators or other persons shall at all times conduct their operations in or related to the drilling, equipping, operating, producing, plugging and abandonment of oil, gas, injection, disposal, and storage wells or other facilities in a manner that will prevent waste of oil and gas, the contamination of fresh waters and shall not wastefully utilize oil or gas, or allow either to leak or escape from a natural reservoir, or from wells, tanks, containers, pipe or other storage, conduit or operating equipment." The OCD also did not invoke the provisions of Division Rule 19.15.2.52.A NMAC which prohibits disposition of produced water on the surface of the ground. Accordingly, penalties should be assessed under these circumstances because the operator knowingly and willfully violated all these rules.

(11) Division Rule 19.15.3.116 defines a Major release as an un-authorized release of any volume of materials, excluding natural gases, in excess of 25 barrels, and a Minor release as an un-authorized release of a volume greater than 5 barrels but not more than 25 barrels.

(12) The above definition offered by Division Rule 116 lends itself to subjective interpretation as to the exact amount of releases by individuals. The OCD contends that the releases in the operator's well sites are either minor and, in some cases, major releases subject to the reporting requirements with subsequent and appropriate corrective action. The operator contends that the releases at his well sites are less than minor releases as defined by Rule 116.

(13) The operator testified that he did not report the releases, and he remediated the contaminated well sites with land-farming procedure because he believed that the releases are less than minor. However, Division Rule 19.15.3.116.A NMAC provides that "The division shall be notified of any un-authorized release occurring during the drilling, producing, storing, disposing, injecting, transporting, servicing or processing of crude oil, natural gases, produced water, condensate or oil field waste including regulated NORM, or other oil field related chemicals, contaminants or mixture thereof, in the State of New Mexico in accordance with the requirements of Section 116 of 19.15.3 NMAC". There is no minimum quantity required by the above provision. Notwithstanding this provision, the operator still failed to report the releases and failed to use the Division District II approved remediation plan in remediating the well sites.

(14) The operator argued that he failed to notify OCD of the releases because he believed that the releases were neither a major or minor releases that should not be reported to OCD. However, the Division District II office in Artesia made several attempts with the operator and allowed him ample time to come into compliance with Rule 116, because OCD believed that the releases were either major or minor releases.

(15) The OCD argued that since these releases were either major or minor releases, they could endanger the environment if proper corrective action is not taken. Division Rule 116.D on corrective action provides that the responsible person must complete the Division approved corrective action for releases which endanger public health or the environment, and that releases will be addressed in accordance with a remediation plan submitted to and approved by the Division. The OCD further argued that the operator failed to conduct Division approved corrective action despite repeated attempts to bring the operator into compliance with Division Rule 116. The Division is therefore seeking a penalty of \$48,000 for knowing and willful violation of this rule.

(16) The counsel for the operator, however, argued that the penalties are not warranted because the operator believed that the releases were neither major nor minor, and that the operator had already remediated the well sites with land-farming remediation procedure.

(17) The Division believes that these releases, whether major or minor, could endanger the environment and should be properly remediated with a plan submitted to and approved by the Division District II office in Artesia.

(18) The Division concludes that Jackie Brewer d/b/a Sandlot Energy is the operator of the ten (10) wells listed in Finding Paragraph (2). The Division also finds that the operator violated 19.15.3.116 NMAC by not notifying OCD of these releases and not properly remediating the well sites with a plan approved by the Division District II office in Artesia. Additionally, the Division concludes that the operator also violated Division Rules 19.15.1.13.B NMAC, and 19.15.3.52.A NMAC. Therefore, taking all the evidence and testimony presented in this case into consideration, the Division concludes that the operator knowingly and willfully violated these three rules and should be ordered to pay a penalty of \$48,000.

(19) The operator should also be ordered to remediate the well sites by August 30, 2008 using the Division District II approved remediation plan. Should the operator fail to remediate the well sites by August 30, 2008, then the operator should be ordered to plug and abandon the subject wells, and if the operator fails to plug and abandon the wells, then the Division should be authorized to plug and abandon the subject wells and declare forfeiture of any applicable financial assurance.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of the Division, Jackie Brewer d/b/a Sandlot Energy is hereby ordered to take corrective action on the following listed ten (10) wells sites, by August 30, 2008. The well sites shall be remediated in accordance with a plan submitted to and approved in advance by the Division District office in Artesia.

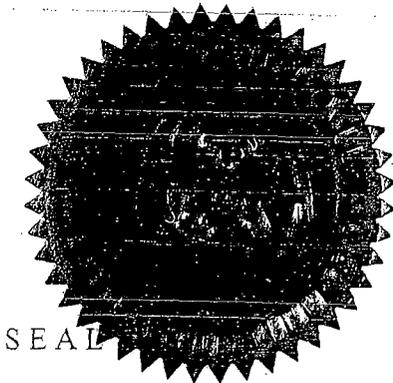
Well Name	API Number	Location
(a) Daugherty State # 001	30-015-02589	A-4-18S-28E
(b) Levers A State # 002	30-015-26895	B-8-18S-28E
(c) Levers State # 7	30-015-02575	N-4-18S-28E
(d) Resler Yates State # 317	30-015-10254	F-21-18S-28E
(e) Resler Yates Srtaes # 322	30-015-10285	I-20-18S-28E
(f) Resler Yates # 367	30-015-20088	F-32-18S-28E
(g) Resler State # 370	30-015-20094	H-32-18S-28E
(h) Resler State # 381	30-015-26134	G-32-18S-28E
(i) Thomas State # 001	30-015-02672	A-9-18S-28E
(j) Welch Duke State # 018	30-015-06125	C-28-18S-28E

(2) Should the operator fail to remediate the well sites by August 30, 2008, then the operator shall plug and abandon the subject wells, and if the operator fails to plug and abandon the wells, then the Division shall be authorized to plug and abandon the subject wells and declare forfeiture of any applicable financial assurance.

(3) The operator is also hereby ordered to pay a penalty of \$48,000 on or before July 30, 2008, for knowing and willful violations of Division Rules 19.15.13.116 NMAC, 19.15.1.13.B NMAC, and 19.15.2.52.A NMAC. Should the operator fail to pay this penalty by July 30, 2008, additional penalties of \$1,000 per day shall be assessed until the penalties are paid in full.

(4) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

MARK E. FESMIRE, P.E.
Director

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

APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION, THROUGH THE ENFORCEMENT AND COMPLIANCE MANAGER, FOR A COMPLIANCE ORDER AGAINST JACKIE BREWER D/B/A SANDLOTT ENERGY, FINDING THAT OPERATOR KNOWINGLY AND WILLFULLY VIOLATED RULE 19.15.3.116 NMAC; ORDERING OPERATOR TO RETURN WELLS TO COMPLIANCE BY A DATE CERTAIN; ORDERING OPERATOR TO PLUG THE WELLS AND AUTHORIZING THE DIVISION TO PLUG THE WELLS AND FORFEIT THE APPLICABLE FINANCIAL ASSURANCE IF OPERATOR FAILS TO COMPLY WITH THE ORDER; ASSESSING PENALTIES; EDDY COUNTY, NEW MEXICO.

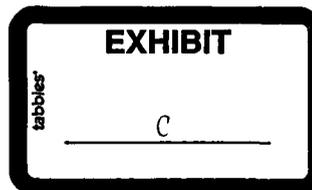
**CASE NO. 14074
ORDER NO. R-12961-A**

ORDER STAYING PAYMENT OF PENALTY ASSESSMENT

THIS MATTER came before the commission on the motion of Jackie Brewer, d/b/a/ Sandlot Energy; to stay Division Order No. R-12961. Having reviewed the motion, and being otherwise duly advised, the Commission finds that portions of Brewer's motion are well taken and should be granted.

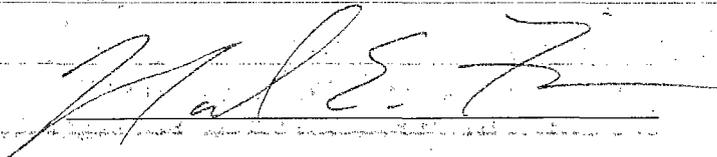
IT IS THEREFORE ORDERED that the ordering paragraph 3 of Division Order No. R-12961 stating:

“The Operator is also hereby ordered to pay a penalty of \$48,000 on or before July 30, 2008, for knowing and willful violations of Division Rules 19.15.13.116 NMAC, 19.15.1.13.B NMAC, and 19.15.2.52.A NMAC. Should the Operator fail to pay this penalty by July 30, 2008, additional penalties of \$1,000 per day shall be assessed until the penalties are paid in full.”



is hereby stayed pending the outcome of the appeal of Order No. R-12961 in Case No. 14074. All other provisions of Order No. R-12961 remain in full force and effect and must be complied with according to the requirements set out in that order.

Done on the 25th day of July, 2008 in Santa Fe, New Mexico.

A handwritten signature in black ink, appearing to read 'Mark E. Fesmire', is written over a horizontal line. The signature is stylized and cursive.

Mark E. Fesmire, PE
Chairman, NM Oil Conservation Commission

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

APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION, THROUGH THE ENFORCEMENT AND COMPLIANCE MANAGER, FOR A COMPLIANCE ORDER AGAINST JACKIE BREWER D/B/A SANDLOTT ENERGY, FINDING THAT OPERATOR KNOWINGLY AND WILLFULLY VIOLATED RULE 19.15.3.116 NMAC; ORDERING OPERATOR TO RETURN WELLS TO COMPLIANCE BY A DATE CERTAIN; ORDERING OPERATOR TO PLUG THE WELLS AND AUTHORIZING THE DIVISION TO PLUG THE WELLS AND FORFEIT THE APPLICABLE FINANCIAL ASSURANCE IF OPERATOR FAILS TO COMPLY WITH THE ORDER; ASSESSING PENALTIES; EDDY COUNTY, NEW MEXICO.

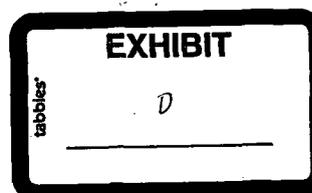
CASE NO. 14074
DE NOVO

Order No. R-12961-B

STIPULATED ORDER & SETTLEMENT AGREEMENT

The Oil Conservation Division (hereinafter, "OCD") and Jackie Brewer, d/b/a Sandlott Energy (hereinafter, "Operator"), hereby enter into this Stipulated Order & Settlement Agreement, to resolve fully and finally all issues asserted in Application For Compliance Order Against Jackie Brewer D/B/A Sandlott Energy ("the OCD's Application"), Case No. 14074. The parties mutually agree and bind themselves to the following:

1. OCD is the state agency charged with administration and enforcement of the Oil and Gas Act (hereinafter, "Act"), and the rules promulgated pursuant to that act.
2. Operator is a sole proprietorship that operates wells in New Mexico under OGRID 154329.
3. Operator is operator of record of the following ten wells:



- Daugherty State No. 001; 30-015-02589; 4-4-18S-28E
- Levers A State No. 002 ; 30-015-26895; B-8-18S-28E
- Levers State 7; 30-015-02575; N-4-18S-28E
- Resler Yates State No. 317; 30-015-10254; F-21-18S-28E
- Resler Yates State No. 322; 30-015-10285; I-20-18S-28E
- Resler Yates State No. 367; 30-015-20088; F-32-18S-28E
- Resler Yates State No. 370; 30-015-20094; H-32-18S-28E
- Resler Yates State No. 381; 30-015-26134; G-32-18S-28E
- Thomas State No. 001; 30-015-02672; A-9-18S-28E
- Welch Duke State No. 018; 30-015-06125; C-28-18S-28E

4. Operator has operated these wells since 1996.

5. Pursuant to NMSA 1978, Section 70-2-14, Operator has posted a fifty thousand dollars (\$50,000.00) blanket plugging bond (Bond No. BO5910) through Underwriters Indemnity Company in Houston, Texas, to secure Operator's obligation to plug and abandon his wells in compliance with OCD rules. In 1999, RLI Insurance Company acquired Underwriters Indemnity Company, and now RLI Insurance Company is the surety in this case. RLI Insurance Company was notified of the hearing before the examiner and did not enter an appearance in the case.

6. Section 70-2-14(B) states if any of the requirements of the Act or the rules and regulations promulgated pursuant to that act have not been complied with, the OCD, after notice and hearing, may order any well plugged and abandoned by the operator or surety or both in accordance with OCD rules and regulations, and forfeit the applicable financial assurance.

7. NMSA 1978, Section 70-2-31(A) provides that any person who knowingly and willfully violates any provision of the 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, and that in the case of a continuing violation, each day of violation shall constitute a separate violation.

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8. NMSA 1978, Section 70-2-33(A) defines "person" to mean "any individual, estate, trust, receiver, cooperative association, club, corporation, company, firm, partnership, joint venture, syndicate or other entity."

9. OCD Rule 19.15.3.116 NMAC ("Rule 116") requires OCD to be notified of any unauthorized release and for such release to be remediated in accord with OCD requirements and standards.

10. The Application alleges that the ten subject wells have been in non-compliance with OCD Rule 116 since at least January 10, 2005.

11. The Application further alleges that operator has known about the ten subject wells being in non-compliance with OCD Rule 116, and has allowed the ten wells to remain in non-compliance with OCD Rule 116, since at least January 10, 2005.

12. Operator agrees to remediate, by May 7, 2009, the releases and spills at all ten wells in accord with this Order, OCD Rule 116, and the OCD's release and spill remediation guidelines. This includes, but is not limited to:

a. Filing a remediation work plan with the OCD Artesia District Office that complies with OCD Rule 116 and the OCD's release and spill remediation guidelines and that includes and is based on sample delineation and site ranking; and

b. Notifying the OCD Artesia District Office of any soil sampling at least 48 hours prior to conducting the sampling.

13. Operator agrees to the imposition of a \$48,000.00 civil penalty for the violations of OCD Rule 116 asserted in the Application.

14. If Operator remediates the releases and spills at the ten wells in accord with this Order, OCD Rule 116, and the OCD's release and spill remediation guidelines by May 7, 2009, OCD agrees to waive \$36,000.00 of the \$48,000.00 civil penalty.

15. Operator agrees to pay, by November 21, 2008, \$12,000.00 of the \$48,000.00 civil penalty.

16. If Operator fails to remediate the releases and spills at all ten wells in accord with this Order, OCD Rule 116, and OCD release and spill remediation guidelines by May 7, 2009, Operator agrees to pay the remaining \$36,000.00 civil penalty by May 14, 2009.

17. If Operator fails to remediate the releases and spills at all ten wells in accord with this Order, OCD Rule 116, and the OCD's release and spill remediation guidelines by May 7, 2009, Operator agrees to plug and abandon the ten wells by August 7, 2009.

18. If Operator does not plug and abandon the ten wells by August 7, 2009, then OCD shall be authorized to plug and abandon the wells, and forfeit the \$50,000.00 blanket plugging bond.

19. Operator waives any right, pursuant to the Act or otherwise, to a hearing on the Application, either prior or subsequent to the entry of this Order, or to an appeal from this Order.

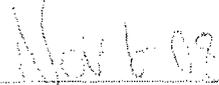
20. Nothing in this Order relieves Operator of his liability should he fail to adequately investigate and remediate contamination that poses a threat to ground water, surface water, human health or the environment. In addition, nothing in this Order

relieves Operator of his responsibility for compliance with any other federal, state or local laws and/or regulations.

JACKIE BREWER D/B/A SANDLOTT ENERGY



Jackie Brewer, d/b/a
Sandlott Energy



Date

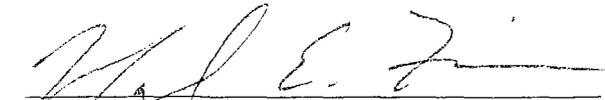


~~Mark Fournier~~ Sonny Swazo
~~Director~~ ASSISTANT GENERAL COUNSEL
Oil Conservation Division



Date

APPROVED BY:



Mark Fesmire
Commissioner
Oil Conservation Commission

11/2/08

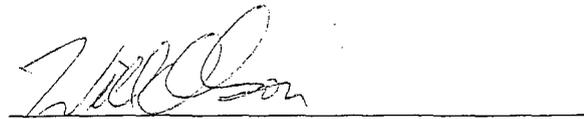
Date



Jami Bailey
Commissioner
Oil Conservation Commission

11/7/08

Date



William C. Olson
Commissioner
Oil Conservation Commission

11/7/08

Date



ENVIRONMENTAL PLUS, INC.
CONSULTING AND ENVIRONMENTAL REMEDIATION

ENVIRONMENTAL PLUS, INC.

May 11, 2009

Mr. Mike Bratcher
Environmental Field Technician
New Mexico Oil Conservation Division
1301 W. Grand Ave
Artesia, New Mexico 88210

RE: **Remediation Plan Letter**

Operator: Sandlot Energy/Cantera
Lease: Thomas State #1
API: 30-015-02672
Legal: UL-A (NE ¼ of the NE ¼) of Section 9, T18S, R28E
Eddy County, New Mexico
Coordinates Latitude: N32° 46' 00.53"; Longitude: W104° 10' 24.39"
EPI Ref No.: 455008

Dear Mr. Bratcher:

On behalf of Sandlot Energy/Cantera, Environmental Plus, Inc. (EPI) submits the following *Remediation Plan Letter* to address remediation of the aforementioned location. Soil impacts are historical in nature with no data indicating release date(s), volume and nature of release fluid(s) or efforts to remediate the release area(s).

Remediation Proposal – Sandlot Energy/Cantera proposes to delineate and collect samples from location. Submit samples to an independent laboratory for analysis. Contact the NMOCD in regards to the analytical results and remediate per NMOCD guidelines and instruction.

Official communications should be directed to Mr. Jackie Brewer at (575) 631-4592 (mobile) with correspondence addressed to:

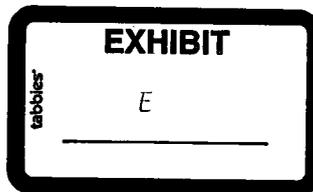
Mr. Jackie Brewer
Sandlot Energy/Cantera
P.O. Box 711
Lovington, New Mexico 88260

Sincerely,

Shelly J Tucker
Environmental Consultant

Cc: Jackie Brewer, Sandlot Energy
Al Nasser, Cantera

Encl: none





ENVIRONMENTAL PLUS, INC.

CONSULTING AND ENVIRONMENTAL REMEDIATION

May 11, 2009

Mr. Mike Bratcher
Environmental Field Technician
New Mexico Oil Conservation Division
1301 W. Grand Ave
Artesia, New Mexico 88210

RE: Closure Report

Operator: Sandlot Energy/Cantera
Lease: Thomas State #1
API: 30-015-02672
Legal: UL-A (NE ¼ of the NE ¼) of Section 9, T18S, R28E
Eddy County, New Mexico
Coordinates Latitude: N32° 46' 00.53"; Longitude: W104° 10' 24.39"
EPI Ref No.: 455008

Dear Mr. Bratcher:

On behalf of Sandlot Energy/Cantera, Environmental Plus, Inc. (EPI) submits the following *Closure Report Letter* to address remediation of the aforementioned location. Soil impacts are historical in nature with no data indicating release date(s), volume and nature of release fluid(s) or efforts to remediate the release area(s). For clarity and cross reference elimination purposes, the *Closure Report Letter* offers Site Background history, Site Delineation, Remedial Activities, Analytical Data and Conclusion.

- A. **Site Background** - The Site is located in UL-A (NE ¼ of the NE ¼) of Section 9, T18S, R28E at an elevation of approximately 3,646 feet above mean sea level (amsl). A search for water wells was completed utilizing the New Mexico Office of the State Engineers website and a database maintained by the United States Geological Survey (USGS). No water wells exist within a 1,000 foot radius of the release site. No surface water exists within a 1,000-foot radius of the release area (reference *Figure 2*). Groundwater data taken from domestic and USGS water wells within a one (1) mile radius indicates an average water depth of approximately 107 feet below ground surface (bgs). Utilizing this information, New Mexico Oil Conservation Division (NMOCD) Remedial Goals for this Site were determined as follows:

Parameter	Remedial Goal
Benzene	10 parts per million
BTEX	50 parts per million
TPH	5000 parts per million

* Chloride residuals may not be capable of impacting local groundwater above NMWQCC Ground Water Standards of 250 mg/L

ENVIRONMENTAL PLUS, INC.



- B. Site Delineation** – In July of 2008, Sandlot Energy/Cantera mobilized at the well head to excavate an area of three (3) feet by six (6) feet by three (3) feet below ground surface (bgs). In addition, Sandlot Energy/Cantera mobilized at the battery to excavate an area of six (6) feet by ten (10) feet by two (2) feet deep below ground surface (bgs). During the excavation, soil samples were collected at a depth of one (1) foot bgs at the well head and two (2) feet bgs at the tank battery. Samples were submitted to an independent laboratory for analysis (reference *Table 2 for Summary of Soil Boring Soil Sample Analytical Results*).

On April 17, 2009 EPI mobilized at the well head to direct the location and depth of four (4) soil borings. The soil borings were advanced around the well head and tank battery area. Due to rock encounter during the boring, soil samples were only collected at the well head at a depth of four (4) foot bgs and at the tank battery at a depth of five (5) foot bgs, total depth (TD) of the soil boring (reference *Table 2 for Summary of Soil Boring Soil Sample Analytical Results*).

- C. Remedial Activities** – In July 2008, Sandlot Energy/Cantera excavated the area around the well head and tank battery, transported the excavated material to CRI and backfilled the hole with on site material. No soil samples were collected during backfilling activities.

A review of *Table 2 Summary of Soil Boring Soil Sample Analytical Results* indicates impacted soil exceeding NMOCD Chloride remedial threshold goals of 250mg/Kg in the bottom of excavation. However, with average depth between known contaminants and ground water greater than one-hundred two (102) feet (reference *Table 1 for Well Data*) and contaminants confined within an area of dense rock, additional vertical excavation is not practical nor performance or cost effective. In addition, contaminants are limited to a small confined area and potential contamination of groundwater diminishes as natural attenuation should greatly reduce concentrations during migration.

The entire area was contoured to allow natural drainage and vehicular traffic.

- D. Conclusion** - According to recent laboratory analytical results (reference *Attachment 2*), soils within the excavation area are moderately hydrocarbon and chloride impacted. With hydrocarbon and chloride impacts confined in dense rock and a small area, natural attenuation should deplete concentrations significantly during migration to groundwater. No additional excavation is necessary.

In view of extensive efforts exerted to remediate the release area, EPI requests NMOCD require no additional remedial activity of the site and issue Sandlot Energy/Cantera a *Site Closure Letter*.



Please address questions, concerns and/or needs for additional technical information to Shelly J. Tucker at (575) 394-3481 (office), (575) 706-9121 (cellular) or via e-mail at stucker@envplus.net. Official communications should be directed to Mr. Jackie Brewer at (575) 631-4592 (mobile) with correspondence addressed to:

Mr. Jackie Brewer
Sandlot Energy/Cantera
P.O. Box 711
Lovington, New Mexico 88260

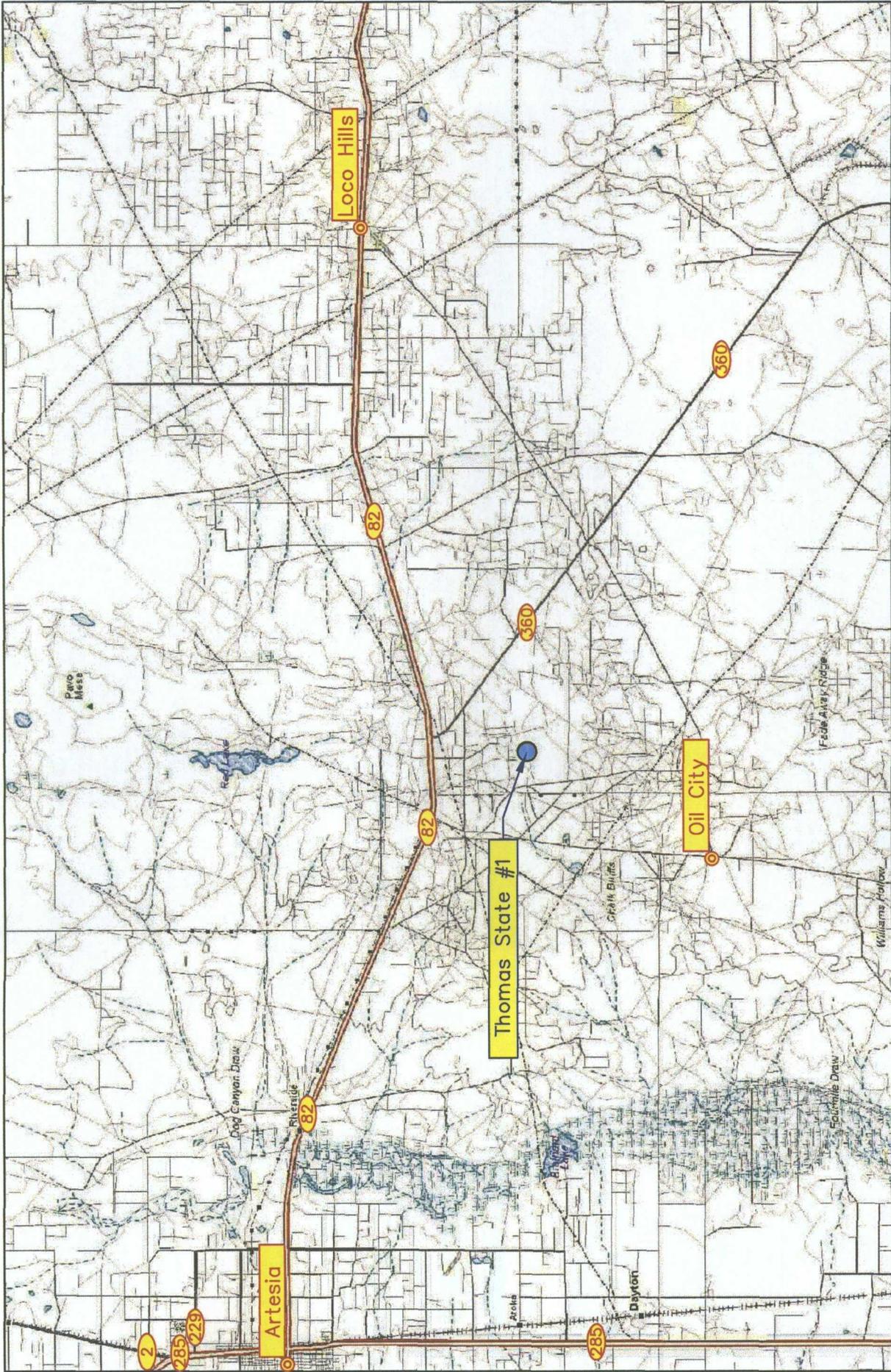
Sincerely,

Shelly J Tucker
Environmental Consultant

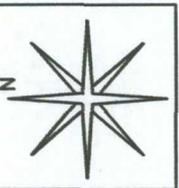
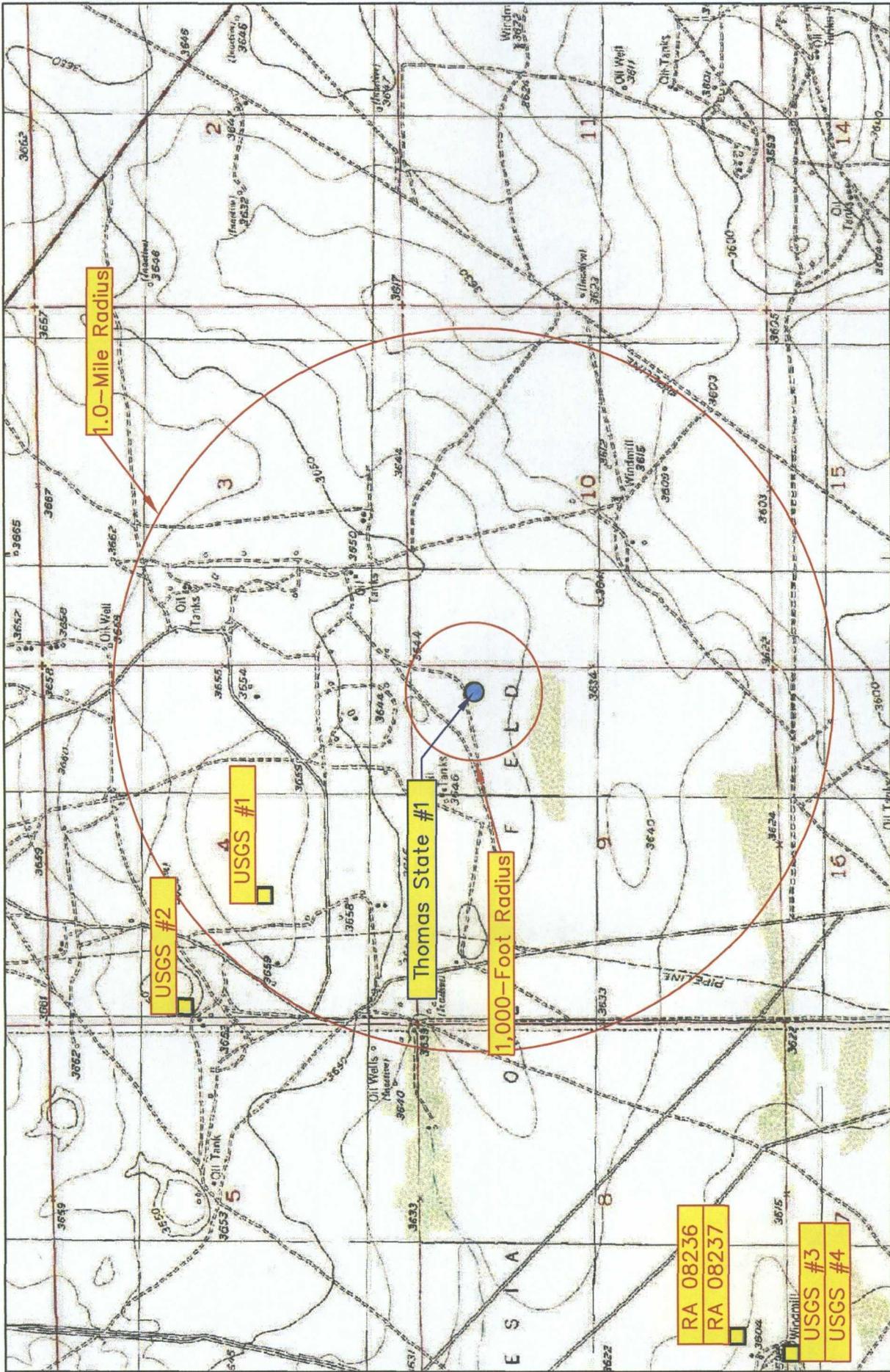
Cc: Jackie Brewer, Sandlot Energy
Al Nasser, Cantera
David Duncan, Civil Engineer
File

Encl: Figure 1 – Area Map
Figure 2 – Site Location Map
Figure 3 – Groundwater Gradient Map
Figure 4 – Site Map
Figure 5 – Excavation and Sample Location Map
Table 1 – Well Data
Table 2 – Summary of Excavation Soil Sample Laboratory Analytical Results
Attachment I – Site Photographs
Attachment II – Laboratory Analytical Results and Chain-of-Custody Forms
Attachment III – Initial NMOCD Form C-141
Final NMOCD Form C-141

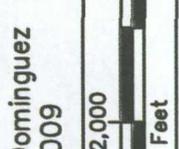
FIGURES



<p>Figure 1 Area Map Sandlot Energy Thomas State #1</p>	<p>Eddy County, New Mexico NE 1/4 of the NE 1/4, Sec. 9, T18S, R28E N 32° 46' 00.53" W 104° 10' 24.39" Elevation: 3,646 feet amsl</p>		<p>REvised:</p>
	<p>DWG By: D Dominguez May 2009</p>	<p>0 3 6 Miles</p>	<p>SHEET 1 of 1</p>



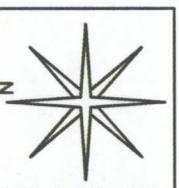
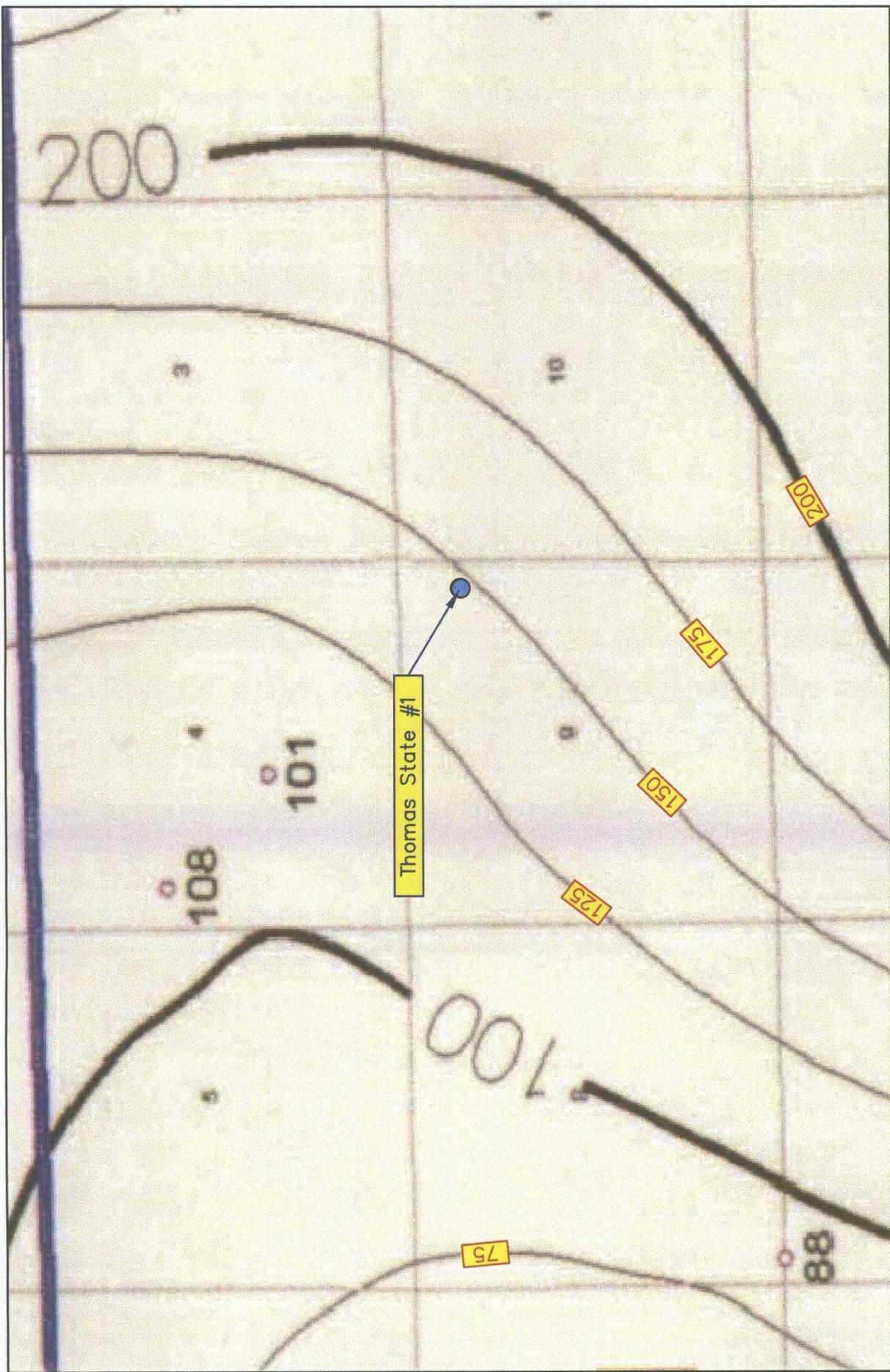
REVISED:
 DWG By: D Dominguez
 May 2009



4,000
 SHEET
 1 of 1

Eddy County, New Mexico
 NE 1/4 of the NE 1/4, Sec. 9, T18S, R28E
 N 32° 46' 00.53" W 104° 10' 24.39"
 Elevation: 3,646 feet amsl

Figure 2
 Site Location Map
 Sandlot Energy
 Thomas State #1

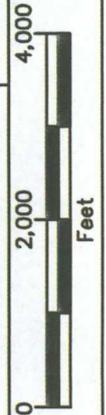


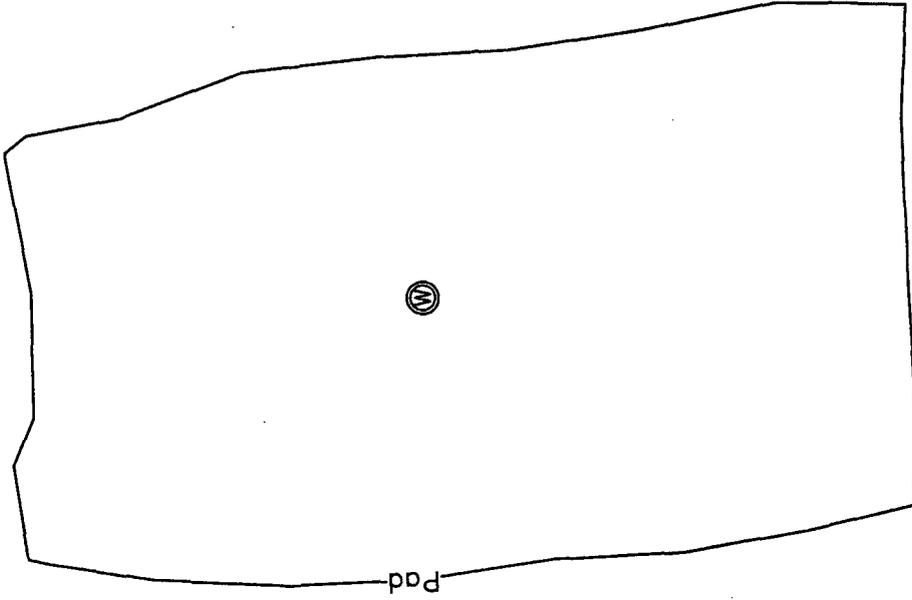
REVISED:
 SHEET
 1 of 1

DWG By: D Dominguez
 May 2009

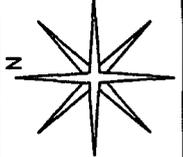
Eddy County, New Mexico
 NE 1/4 of the NE 1/4, Sec. 9, T18S, R28E
 N 32° 46' 00.53" W 104° 10' 24.39"
 Elevation: 3,646 feet amsl

Figure 3
 Groundwater Gradient Map
 Sandlot Energy
 Thomas State #1





LEGEND
 Oil Well



REVISED:

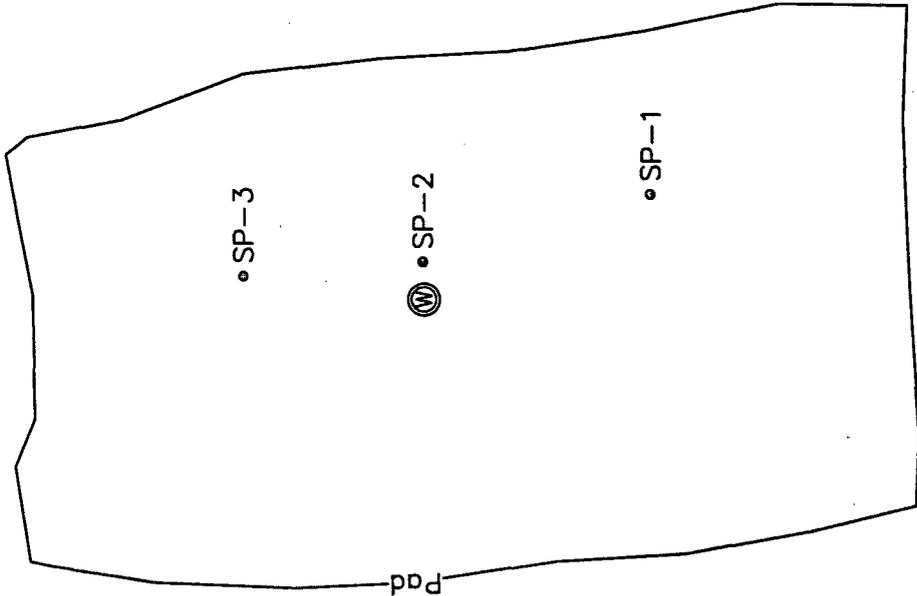
SHEET
1 of 1

DWG By: D Dominguez
May 2009



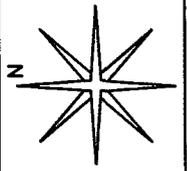
Eddy County, New Mexico
 NE 1/4 of the NE 1/4, Sec. 9, T18S, R28E
 N 32° 46' 00.53" W 104° 10' 24.39"
 Elevation: 3,646 feet amsl

Figure 4
 Site Map
 Sandlot Energy
 Thomas State #1



LEGEND

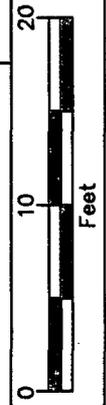
-  Oil Well
-  Sample Point



REVISED:

DWG By: D Dominguez
May 2009

SHEET
1 of 1



Eddy County, New Mexico
NE 1/4 of the NE 1/4, Sec. 9, T18S, R28E
N 32° 46' 00.53" W 104° 10' 24.39"
Elevation: 3,646 feet amsl

Figure 5
Sample Location Map
Sandlot Energy
Thomas State #1

TABLES

TABLE 1

Well Data

Sandlot Energy - Thomas State # (Ref. #455008)

Well Number	Diversion ^A	Owner	Use	Twsp	Rng	Sec	q	q	q	q	Longitude	Date Measured	Surface Elevation ^B	Depth to Water (ft. bgs)
RA 08236	1	BOGLE FARMS	STK	18S	28E	8	3	3			W104° 12' 14.66"		3,612	
RA 08237	1.47	BOGLE FARMS	STK	18S	28E	8	3	3			W104° 12' 14.66"		3,612	
USGS #1				18S	28E	4	3	2	4			09-Mar-94	3,665	100.78
USGS #2				18S	28E	4	1	3	1			09-Mar-94	3,645	107.65
USGS #3				18S	28E	17	1	1	1			09-Mar-94	3,599	88.21
USGS #4				18S	28E	17	1	1	1			02-Dec-48	3,599	81.55

* = Data obtained from the New Mexico Office of the State Engineer Website (http://iwaters.ose.state.nm.us:7001/iWATERS/wr_RegisServlet1) and USGS Database.

^A = In acre feet per annum

^B = Elevation interpolated from USGS topographical map based on referenced location.

STK = 72-12-1 Livestock watering

quarters are 1=NW, 2=NE, 3=SW, 4=SE; quarters are biggest to smallest

Shaded area indicates wells not shown in Figure 2

TABLE 2

Summary of Soil Boring Soil Sample Analytical Results

Sandlot Energy/Cantera

Thomas State #1

API # 30-015-02672; EPI Ref. #455008

Sample I.D.	Depth (feet)	Soil Status	Sample Date	PID Field Analysis (ppm)	Field Chloride Analyses (mg/Kg)	Benzene (mg/Kg)	Toluene (mg/Kg)	Ethylbenzene (mg/Kg)	Total Xylenes (mg/Kg)	Total BTEX (mg/Kg)	TPH (as gasoline) (mg/Kg)	TPH (as diesel) (mg/Kg)	Total TPH (mg/Kg)	Chloride (mg/Kg)
T 1	1	In-Situ	16-Jul-08								<10	3,770		2,220
TTB 2	2	In-Situ	16-Jul-08								23	628		3,200
WH	4	In-Situ	17-Apr-09											752
TB	5	In-Situ	17-Apr-09								<10	<10		5,200
NMOCD Remedial Threshold Goals				100		10				50			5,000	250 ¹

Bolded values are in excess of NMOCD Remediation Thresholds

¹ Chloride residuals may not be capable of impacting groundwater above NMWQCC Ground Water Standards of 250 mg/L

J = Detected, but below Reporting Limits. Therefore, result is an estimated concentration (CLP J-Flag)

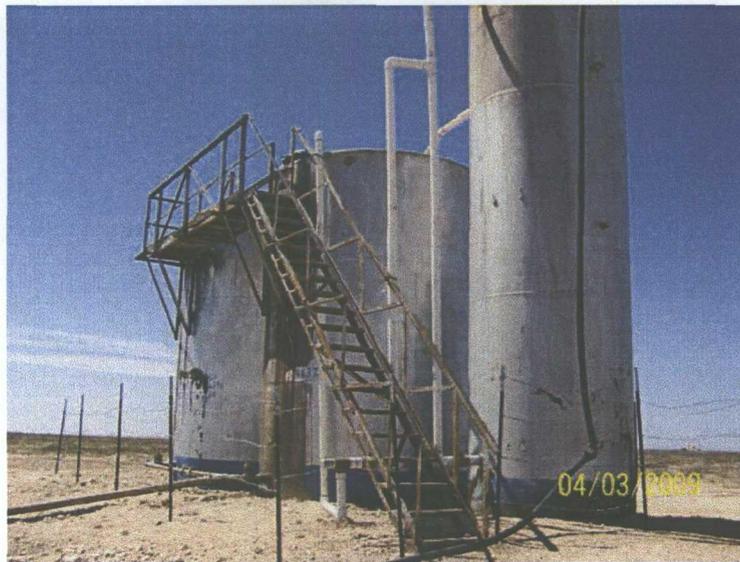
-- = Not Analyzed

ND = Not Detected

SB = Soil Boring Hole

ATTACHMENTS

ATTACHMENT I
SITE PHOTOGRAPHS



**ATTACHMENT II
LABORATORY ANALYTICAL RESULTS
AND
CHAIN-OF-CUSTODY FORM**



ARDINAL LABORATORIES

PHONE (575) 393-2326 • 101 E. MARLAND • HOBBS, NM 88240

ANALYTICAL RESULTS FOR

PPI (Canterra)

ATTN: AL NASSER

800 GESSNER

HOUSTON, TX 77024

FAX TO: (575) 396-0063

cell # 832-326-4719

Receiving Date: 07/16/08
Reporting Date: 07/18/08
Project Owner: Canterra
Project Name: OCUPPOOPER
Project Location: SEC 32 Sandlott Oper

Sampling Date: 07/16/08
Sample Type: SOIL
Sample Condition: COOL-INTACT
Sample Received By: ML
Analyzed By: ZLIAB/KS

	GRO	DRO	
	(C ₆ -C ₁₀)	(>C ₁₀ -C ₂₈)	CI*
LAB NUMBER SAMPLE ID	(mg/kg)	(mg/kg)	(mg/kg)

ANALYSIS DATE	07/17/08	07/17/08	07/17/08
H15176-1 367-1'	<10.0	14.9	624
H15176-2 381-1'	467	25,400	3,440
H15176-3 381 TB	<10.0	1,090	1,830
H15176-4 D-1'	<10.0	1,100	208
H15176-5 DTB 2'	<10.0	57.4	336
H15176-6 T # 1	<10.0	672	2,220
H15176-7 TTB 2'	23.2	3,770	3,200
H15176-8 LEVERTB 2'	<10.0	628	14,400
H15176-9 L-A2 1'	<10.0	94.2	9,120
H15176-10 L-A2 3'	41.6	<10.0	7,440
H15176-11 LATB 1'	<10.0	1,530	11,900
H15176-12 317-3'	<10.0	138	1,520
H15176-13 317-1'	19.6	296	640
H15176-14 322-1'	<10.0	<10.0	1,330
H15176-15 322-3'	<10.0	117	4,000
H15176-16 WD 18 3'	<10.0	1,220	2,600
H15176-17 WD 18 1'	54.1	193	2,640
H15176-18 370-3'	186	3,140	496
H15176-19 370-1'	41.9	2,530	528
H15176-20 367-3'	<10.0	56.8	832
H15176-21 367 Flowline	131	5,510	5,720
Quality Control	550	555	500
True Value QC	500	500	500
% Recovery	110	111	100
Relative Percent Difference	9.6	10.4	<0.1

METHODS: TPH GRO & DRO: EPA SW-846 8015 Std. Methods 4500-CFB

*Analyses performed on 1:4 w:v aqueous extracts.

ZLin
Chemist

7/18/08
Date

H15176TCL PPI

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101 East Marland, Hobbs, NM 88240 2111 Beechwood, Abilene, TX 79603
 (505) 393-2326 FAX (505) 393-2476 (325) 673-7001 FAX (325) 673-7020

Company Name: PPD (Lester)
 Project Manager: AL Nasser

P.O. #:
 Company: PPD
 Attn: Sandra

Address: 800 Gessner
 City: Houston State: TX Zip: 77024
 Phone #: 832-3264719 Fax #: 575-346-0063
 Project #: 001 Project Owner: Vanbara
 Project Name: OCUPOOPER City: Houston
 Project Location: SEC 32 (Smalloff Oper) State: TX Zip: 77024
 Sample Name: AL Nasser Phone #: 7134642200
 FOR LAB USE ONLY

BILL TO
 ANALYSIS REQUEST

Lab I.D.	Sample I.D.	(G)RAB OR (C)OMP.	# CONTAINERS	MATRIX							DATE	TIME	REMARKS
				GROUNDWATER	WASTEWATER	SOIL	OIL	SLUDGE	OTHER	ACID/BASE			
H576-1	367-1	(G)	6			X					7-16	11:4	(ALL SAMPLES) BTEX
-2	381-1	(G)	6			X						11:4	(ALL SAMPLES) TPH
-3	381-1B	(G)	6			X						12:4	(ALL SAMPLES) CLR
34	DOTB 2'												
15-5	DOTB 2'												
17-6	DOTB 2'												
17-7	DOTB 2'												
17-8	LEVEE/B 2'												
9	LEVEE/B 2'												
10	LA 2'												
11	LA 2'												

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Relinquished By: Al Nasser
 Date: 7/16/08
 Time: 5P

Received By: Wally Hobbs
 Date: 7/16/08
 Time: 5P

Delivered By: (Circle One)
 Sampler - UPS - Bus - Other:
 Sample Condition:
 Cool/Intact: Yes No
 ID: Yes No
 CHECKED BY: Wally Hobbs

Phone Result: Yes No Add'l Phone #:
 Fax Result: Yes No Add'l Fax #:
 REMARKS:
Email Mike Batcher
Bauer 212@aol.com
* Digas dietitian.alb@gmail.com

† Cardinal cannot accept verbal changes. Please fax written changes to 505-393-2476

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

Form C-141
Revised October 10, 2005

Oil Conservation Division **OCT 20 2008**
1220 South St. Francis Dr. **OCD-ARTESIA**
Santa Fe, NM 87505

Submit 2 Copies to appropriate
District Office in accordance
with Rule 116 on back
side of form

Release Notification and Corrective Action

30-015-02589

OPERATOR Initial Report Final Report

Name of Company SANDLOTT ENERGY	Contact JACKIE BREWER
Address P.O BOX 711 LOVINGTON NM 88260	Telephone No. 575-631-4592
Facility Name DAUGHERITY STATE # 1	Facility Type ACTIVE PRODUCTION WELLHEAD
Surface Owner NMSLO	Mineral Owner _____ Lease No. 30-015-02587

LOCATION OF RELEASE

Unit Letter	Section	Township	Range	Feet from the	North/South Line	Feet from the	East/West Line	County
D	4	18S	28E	315	NORTH	945	WEST	EDDY

Latitude _____ Longitude _____

NATURE OF RELEASE

Type of Release HISTORICAL	Volume of Release N/A	Volume Recovered N/A
Source of Release ACCUMULATED RELEASE FROM ACTIVE WH	Date and Hour of Occurrence _____	Date and Hour of Discovery _____
Was Immediate Notice Given? <input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Not Required	If YES, To Whom? _____	
By Whom? _____	Date and Hour _____	
Was a Watercourse Reached? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	If YES, Volume Impacting the Watercourse. _____	
If a Watercourse was Impacted, Describe Fully.* NOT APPLICABLE		
Describe Cause of Problem and Remedial Action Taken.* WELL HEAD LEAK AT STUFFING BOX LESS THAN 5BBLS 3FT BY 3FT RADIUS BATTERY HAD HISTORICAL CONTAMINATION		
Describe Area Affected and Cleanup Action Taken.* DUG AROUND WELLHEAD 4FT BY 6FT RADIUS APPROX. 3FT IN DEPTH HAULED SOIL TO CRI REFILLED WITH CLEAN SOIL DUG AROUND BATTERY 4FT BY 5FT RADIUS APPROX. 2FT IN DEPTH HAULED SOIL TO CRI REFILLED W/CLEAN SOIL		
I hereby certify that the information given above is true and complete to the best of my knowledge and understand that pursuant to NMOCD rules and regulations all operators are required to report and/or file certain release notifications and perform corrective actions for releases which may endanger public health or the environment. The acceptance of a C-141 report by the NMOCD marked as "Final Report" does not relieve the operator of liability should their operations have failed to adequately investigate and remediate contamination that pose a threat to ground water, surface water, human health or the environment. In addition, NMOCD acceptance of a C-141 report does not relieve the operator of responsibility for compliance with any other federal, state, or local laws and/or regulations.		
Signature: <i>J. Brewer</i>	OIL CONSERVATION DIVISION	
Printed Name: Jackie Brewer	Approved by District Supervisor: _____	
Title: Operator	Approval Date: _____	Expiration Date: _____
E-mail Address: Brewer212@AOL.com	Conditions of Approval: _____	Attached <input type="checkbox"/>
Date: 10-14-08 Phone: 631-4592		

* Attach Additional Sheets If Necessary

Accepted for record **OCT 22 2008**
NMOCD

JB



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PHONE (575) 393-2326 • 101 E. MARLAND • HOBBS, NM 88240

ANALYTICAL RESULTS FOR
ENVIRONMENTAL PLUS, INC.
ATTN: SHELLY TUCKER
P.O. BOX 1558
EUNICE, NM 88231
FAX TO: (575) 394-2601

Receiving Date: 04/30/09
Reporting Date: 04/30/09
Project Owner: PPI (SANDLOT ENERGY/CANTERA)
(EPI 45501-455013)
Project Name: SANDLOT WELLS - SEC 32
Project Location: NOT GIVEN

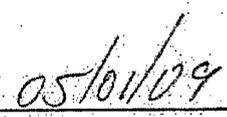
Analysis Date: 04/30/09
Sampling Date: 04/14/09, 04/17/09 & 04/21/09
Sample Type: SOIL
Sample Condition: COOL & INTACT
Sample Received By: AB
Analyzed By: HM

LAB NUMBER	SAMPLE ID	Cl ⁻ (mg/kg)
H17330-1	RESLER YATES ST 317 - 4' WH	1,600
H17330-2	RESLER YATES ST 317 - 4' LOC	320
H17330-3	RESLER YATES ST 322 - 4' WH	560
H17330-4	RESLER YATES ST 367 - 4' WH	848
H17330-5	RESLER YATES ST 367 - 3' FL	112
H17330-6	RESLER YATES ST 370 - 4' WH	704
H17330-7	RESLER YATES ST 381 - 3' WH	1,150
H17330-8	RESLER YATES ST 381 - 5' TB	2,040
H17330-9	LEVERS A2 - 5' WH	2,120
H17330-10	LEVERS A2 - 5' LOC	2,200
H17330-11	LEVERS A STATE 2 - 3' TB	4,880
H17330-12	LEVERS A STATE - 4' TB	1,120
H17330-13	THOMAS ST 1 - 4' WH	752
H17330-14	THOMAS ST 1 - 5' TB	5,200
H17330-15	WELCH DUKE ST 18 - 10' WH	768
Quality Control		500
True Value QC		500
% Recovery		100
Relative Percent Difference		< 0.1

METHOD: Standard Methods 4500-ClB

Note: Analyses performed on 1:4 w:v aqueous extracts.


Chemist


Date

H17330 EPI

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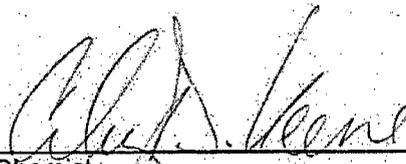
ANALYTICAL RESULTS FOR
ENVIRONMENTAL PLUS, INC.
ATTN: SHELLY TUCKER
P.O. BOX 1558
EUNICE, NM 88231
FAX TO: (575) 394-2601

Receiving Date: 04/30/09
Reporting Date: 05/04/09
Project Owner: PPI (SANDLOT ENERGY/CANTERA)
Project Name: SANDLOT WELLS - SEC 32
Project Location: NOT GIVEN

Sampling Date: 04/17/09 & 04/21/09
Sample Type: SOIL
Sample Condition: COOL & INTACT
Sample Received By: ML
Analyzed By: AB

LAB NUMBER	SAMPLE ID	GRO (C ₆ -C ₁₀) (mg/kg)	DRO (>C ₁₀ -C ₂₈) (mg/kg)
ANALYSIS DATE		05/02/09	05/02/09
H17330-8	RESLER YATES ST 381-5' TB	<10.0	<10.0
H17330-11	LEVERS A STATE 2 - 3' TB	<10.0	<10.0
H17330-12	LEVERS A STATE - 4' TB	<10.0	19.2
H17330-14	THOMAS ST-1 - 5' TB	<10.0	<10.0
Quality Control		485	530
True Value QC		500	500
% Recovery		97.0	106
Relative Percent Difference		9.1	6.3

METHODS: TPH GRO & DRO: EPA SW-846 8015 M



Chemist

05/05/09
Date

H17330 T EPI

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Environmental Plus, Inc.

2100 Avenue O, Eunice, NM 88231
 (505) 394-3481 FAX: (505) 394-2601

P.O. Box 1558, Eunice, NM 88231

Chain of Custody Form

LAB: Cardinal

Company Name Environmental Plus, Inc. EPI Project Manager Shelly Tucker Mailing Address P.O. BOX 1558 City, State, Zip Eunice New Mexico 88231 EPI Phone#/Fax# 575-394-3481 / 575-394-2601 Client Company PPI (Sandlot Energy/Cantera) Facility Name Sandlot Wells - Sec 32 Location		Bill To PPI (Cantera) ATTN: Accounts Payable 800 Gessner Houston, TX 77024		ANALYSIS REQUEST SULFATES (SO ₄) CHLORIDES (Cl) TPH 8015M BTEX 8021B PH TCLP OTHER >>> PAH																											
LAB I.D. H1730-1 Resler Yates St 317 - 4' WH H1730-2 Resler Yates St 317 - 4' LOC H1730-3 Resler Yates St 322 - 4' WH H1730-4 Resler Yates St 367 - 4' WH H1730-5 Resler Yates St 367 - 3' FL H1730-6 Resler Yates St 370 - 4' WH H1730-7 Resler Yates St 381 - 3' WH H1730-8 Resler Yates St 381 - 5' TB H1730-9 Levers A2 - 5' WH H1730-10 Levers A2 - 5' LOC		SAMPLE I.D.		(G)RAB OR (C)OMP C 1 C 1 C 1 C 1 C 1 C 1 C 1 C 1 C 1 C 1		# CONTAINERS		GROUND WATER X X X X X X X X X		WASTEWATER X X X X X X X X X		SOIL X X X X X X X X X		CRUDE OIL X X X X X X X X X		SLUDGE X X X X X X X X X		OTHER: X X X X X X X X X		ACID/BASE X X X X X X X X X		ICE/COOL X X X X X X X X X		OTHER X X X X X X X X X		PRESERV. X X X X X X X X X		DATE 17-Apr-09 17-Apr-09 17-Apr-09 21-Apr-09 21-Apr-09 21-Apr-09 21-Apr-09 21-Apr-09 17-Apr-09 17-Apr-09		TIME 9:20 9:45 10:45 9:30 9:45 12:30 10:45 11:30 12:30 12:50	

Sampler Relinquished: Shelly Tucker
 Relinquished by: *Shelly Tucker*
 Delivered by: *Shelly Tucker*

Received By: *Shelly Tucker*
 Time: 7:55 a

Received By: (lab staff) *STB*

Checked By: *STB*

Sample Cool & Intact
 Yes No

REMARKS:
 E-mail results to: stucker@envplus.net

Environmental Plus, Inc.

2100 Avenue O, Eunice, NM 88231
 (505) 394-3481 FAX: (505) 394-2601
 P.O. Box 1558, Eunice, NM 88231

Chain of Custody Form

LAB: Cardinal

Company Name Environmental Plus, Inc. EPI Project Manager Shelly Tucker Mailing Address P.O. BOX 1558 City, State, Zip Eunice New Mexico 88231 EPI Phone#/Fax# 575-394-3481 / 575-394-2601 Client Company PPI (Sandlot Energy/Cantera) Facility Name Sandlot Wells - Sec 32 Location Project Reference EPI 45501-455013 EPI Sampler Name Shelly Tucker		Bill To PPI (Cantera) ATTN: Accounts Payable 800 Gessner Houston, TX 77024		ANALYSIS REQUEST BTEX 8021B TPH 8015M CHLORIDES (Cl) SULFATES (SO ₄) PH TCLP OTHER >>> PAH									
LAB I.D.	SAMPLE I.D.	(G/RAB OR C/OMP)	# CONTAINERS	MATRIX						PRESERV.		DATE	TIME
				GROUND WATER	WASTEWATER	SOIL	CRUDE OIL	SLUDGE	OTHER:	ACID/BASE	ICE/COOL		
11330	1 Levers A State 2 - 3' TB	C 1				X					X	17-Apr-09	13:30
	2 Levers/State -4' TB	C 1				X					X	17-Apr-09	12:00
	3 Thomas St 1 -4' WH	C 1				X					X	17-Apr-09	11:00
	4 Thomas St 1 -5' TB	C 1				X					X	17-Apr-09	11:30
	5 Welch Duke St 18 - 10' WH	C 1				X					X	14-Apr-09	11:30
	6												
	7												
	8												
	9												
	10												

Sampler Relinquished: Shelly Tucker
 Received By: [Signature] E-mail results to: stucker@envplus.net
 Date: 04/28/09
 Time: 11:55a
Relinquished by: [Signature]
 Received By: (lab staff)
 Date: [Signature]
 Time: [Signature]
Delivered by: [Signature]
 Sample Cool & Intact: Yes [Signature] No [Signature]
 Checked By: [Signature]

E-mail results to: stucker@envplus.net

REMARKS:

ATTACHMENT III
INITIAL NMOCD FORM C-141
FINAL NMOCD FORM C-141

District I -
1625 N French Dr, Hobbs, NM 88240
District II
1301 W Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S St Francis Dr, Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

Form C-141
Revised October 10, 2003

Oil Conservation Division **OCT 20 2008**
1220 South St. Francis Dr.
Santa Fe, NM 87505 **OCD-ARTESIA**

Submit 2 Copies to appropriate
District Office in accordance
with Rule 116 on back
side of form

Release Notification and Corrective Action

30-015-02672 OPERATOR Initial Report Final Report

Name of Company SANDLOTT ENERGY	Contact JACKIE BREWER
Address P.O BOX 711 LOVINGTON NM 88260	Telephone No. 575-631-4592
Facility Name THOMAS STATE # 1	Facility Type ACTIVE PRODUCTION WELLHEAD

Surface Owner NMSLO	Mineral Owner	Lease No. 30-015-02672
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LOCATION OF RELEASE

Unit Letter	Section	Township	Range	Feet from the	North/South Line	Feet from the	East/West Line	County
A	9	18S	28E	990	NORTH	330	EAST	EDDY

Latitude _____ Longitude _____

NATURE OF RELEASE

Type of Release HISTORICAL	Volume of Release N/A	Volume Recovered N/A
Source of Release ACCUMULATED RELEASE FROM ACTIVE WH	Date and Hour of Occurrence	Date and Hour of Discovery
Was Immediate Notice Given? <input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Not Required	If YES, To Whom?	
By Whom?	Date and Hour	
Was a Watercourse Reached? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	If YES, Volume Impacting the Watercourse.	
If a Watercourse was Impacted, Describe Fully.* NOT APPLICABLE		
Describe Cause of Problem and Remedial Action Taken.* HISTORICAL CONTAMINATION PRIOR REMEDIAL WORK DONE BY FARMING		
Describe Area Affected and Cleanup Action Taken.* DUG HISTORICAL CONTAMINATION 6FT BY 10FT RADIUS APPROX .2FT IN DEPTH HAULED SOIL TO CRI REFILLED WITH CLEAN SOIL		
I hereby certify that the information given above is true and complete to the best of my knowledge and understand that pursuant to NMOCD rules and regulations all operators are required to report and/or file certain release notifications and perform corrective actions for releases which may endanger public health or the environment. The acceptance of a C-141 report by the NMOCD marked as "Final Report" does not relieve the operator of liability should their operations have failed to adequately investigate and remediate contamination that pose a threat to ground water, surface water, human health or the environment. In addition, NMOCD acceptance of a C-141 report does not relieve the operator of responsibility for compliance with any other federal, state, or local laws and/or regulations.		
Signature: 	OIL CONSERVATION DIVISION	
Printed Name: JACKIE BREWER	Approved by District Supervisor:	
Title: OPERATOR	Approval Date:	Expiration Date:
E-mail Address: brewer212@aol.com	Conditions of Approval:	Attached <input type="checkbox"/>
Date: 10-14 2008 Phone: 575-631-4592	Accepted for record NMOCD 	

* Attach Additional Sheets If Necessary

OCT 22 2008

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-141
Revised October 10, 2003

Submit 2 Copies to appropriate
District Office in accordance
with Rule 116 on back
side of form

Release Notification and Corrective Action

OPERATOR

Initial Report Final Report

Name of Company: Sandlot Energy	Contact: Jackie Brewer
Address: PO Box 711; Lovington, NM 88260	Telephone No. 575-631-4592
Facility Name THOMAS STATE #1	Facility Type ACTIVE PRODUCTION WELLHEAD/TANK BATTERY

Surface Owner NMSLO	Mineral Owner	Lease No. 30-015-02672
---------------------	---------------	------------------------

LOCATION OF RELEASE

Unit Letter A	Section 9	Township 18S	Range 28E	Feet from the 990	North/South Line NORTH	Feet from the 330	East/West Line EAST	County EDDY
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Latitude _____ Longitude _____

NATURE OF RELEASE

Type of Release HISTORICAL	Volume of Release N/A	Volume Recovered N/A
Source of Release ACCUMULATED RELEASE FROM ACTIVE WH	Date and Hour of Occurrence	Date and Hour of Discovery
Was Immediate Notice Given? <input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Not Required	If YES, To Whom?	
By Whom?	Date and Hour	
Was a Watercourse Reached? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	If YES, Volume Impacting the Watercourse.	

If a Watercourse was Impacted, Describe Fully.*
N/A

Describe Cause of Problem and Remedial Action Taken.*
HISTORICAL LEAKS - SITE WAS SAMPLED AND REMEDIATED

Describe Area Affected and Cleanup Action Taken.*
AREA AROUND WELLHEAD AND BATTERY - REMEDIATED

I hereby certify that the information given above is true and complete to the best of my knowledge and understand that pursuant to NMOCD rules and regulations all operators are required to report and/or file certain release notifications and perform corrective actions for releases which may endanger public health or the environment. The acceptance of a C-141 report by the NMOCD marked as "Final Report" does not relieve the operator of liability should their operations have failed to adequately investigate and remediate contamination that pose a threat to ground water, surface water, human health or the environment. In addition, NMOCD acceptance of a C-141 report does not relieve the operator of responsibility for compliance with any other federal, state, or local laws and/or regulations.

Signature:		OIL CONSERVATION DIVISION	
Printed Name: JACKIE BREWER		Approved by District Supervisor:	
Title: OPERATOR		Approval Date:	Expiration Date:
E-mail Address: BREWER212@AOL.COM		Conditions of Approval:	
Date: _____ Phone: 575-631-4592		Attached <input type="checkbox"/>	

* Attach Additional Sheets If Necessary



New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Joanna Prukop
Cabinet Secretary
James Noel
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



June 16, 2009

Mr. Gary Larson, Esq.
Hinkle, Hensley, Shanor & Martin LLC
P.O. Box 2068
Santa Fe, NM 87504

Email: glarson@hinklelawfirm.com

RLI Insurance Company
Attn: Mr. Paul O'Sullivan
8 Greenway Plaza, Suite 400
Houston, Texas 77046

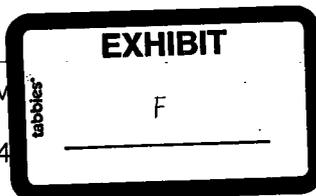
Email: paul.osullivan@rlicorp.com

**Re: Stipulated Order and Settlement Agreement (Order R-12961-B)
Case No. 14074, Application for Compliance Order Against Jackie Brewer
d/b/a Sandlott Energy**

Operator:	Jackie Brewer d/b/a Sandlott Energy OGRID 154329		
Facilities:	Daugherty State #001	30-015-02589	4-4-18S-28E
	Levers A State #002	30-015-26895	B-8-18S-28E
	Levers State #007	30-015-02575	N-4-18S-28E
	Resler Yates State #317	30-015-10254	F-21-18S-28E
	Resler Yates State #322	30-015-10285	I-20-18S-28E
	Resler Yates State #367	30-015-20088	F-32-18S-28E
	Resler Yates State #370	30-015-20094	H-32-18S-28E
	Resler Yates State #381	30-015-26134	G-32-18S-28E
	Thomas State #001	30-015-02672	A-9-18S-28E
	Welch Duke State #018	30-015-06125	C-28-18S-28E
Bond:	Bond No. BO5910		

Dear Mr. Larson:

On November 6, 2008, your client, Jackie Brewer d/b/a Sandlott Energy (Sandlott), entered into a Stipulated Order and Settlement Agreement (Order R-12961-B) with the Oil Conservation Division (OCD) to resolve fully and finally all issues in this case.



Oil Conserv

St. Francis Drive
87505

* Phone: (505) 476-344

<http://www.emnrd.state.nm.us>



In the Stipulated Order and Settlement Agreement Sandlott agreed to remediate, by May 7, 2009, the releases and spills at all ten wells named above in accord with the Stipulated Order and Settlement Agreement, OCD Rule 19.15.3.116 NMAC (since re-numbered 19.15.29 NMAC), and OCD's release and spills remediation guidelines. Sandlott also agreed to file a remediation work plan with the OCD's Artesia District Office that complied with OCD Rule 19.15.3.116 NMAC and OCD's release and spill remediation guidelines and that included and was based on sample delineation and site ranking.

To date, Sandlott has not remediated the releases and spills at all ten wells. Most of the ten wells remain contaminated with oil field wastes. Sandlott also has not filed a remediation work plan.

In the Stipulated Order and Settlement Agreement Sandlott agreed to the imposition of a \$48,000 civil penalty for its violations of OCD Rule 19.15.3.116 NMAC. Sandlott agreed that if it failed to remediate the releases and spills at all ten wells in accord with the Stipulated Order and Settlement Agreement, OCD Rule 19.15.3.116 NMAC, and OCD's release and spills remediation guidelines by May 7, 2009, it would pay \$36,000 of the civil penalty by May 14, 2009, and would plug and abandon the ten wells by August 7, 2009.

Because Sandlott failed to remediate the releases and spills at all ten wells in accord with the Stipulated Order and Settlement Agreement, OCD Rule 19.15.3.116 NMAC, and OCD's release and spills remediation guidelines, the OCD considers the \$36,000 civil penalty due and owing. 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

The Stipulated Order and Settlement Agreement provide that Sandlott has until August 7, 2009 to plug and abandon all ten wells. In the Stipulated Order and Settlement Agreement Sandlott agreed that if it did not plug and abandon the ten wells by August 7, 2009, OCD shall be authorized to plug and abandon the wells and forfeit the \$50,000 blanket plugging bond. If OCD plugs and abandon the wells, Sandlott will be responsible for all costs associated with plugging and abandoning the wells.

Sincerely,

Sonny Swazo
Assistant General Counsel
New Mexico Oil Conservation Division

cc: Daniel Sanchez, OCD Enforcement and Compliance Manager
Sherry Bonham, Acting OCD District II Manager
Mike Bratcher, OCD District II Compliance Officer



RLI Insurance Company

8 Greenway Plaza | Suite 400 | Houston, TX 77046-0899
P: 713-961-1300 | F: 713-961-0285 | www.rlicorp.com

September 25, 2009

Jackie Brewer dba Sandlott Energy
HC 60 Box 212A
Lovington, NM 88260

Re: Sandlott Energy
B05910
\$50,000 New Mexico Oil Conservation Division Blanket Bond

Dear Mr. Brewer,

Through correspondences from the New Mexico Oil Conservation Division (NM OCD), RLI has been informed of violation pertaining to wells under the jurisdiction of the NM OCD and the pending \$50,000 demand by the NM OCD under surety bond B05910. A copy of the document is enclosed for your convenience.

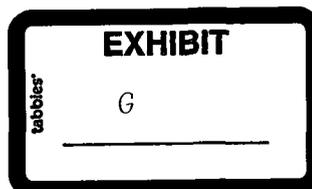
RLI Insurance Company required the personal indemnity of Jackie Brewer and \$25,000 collateral (reduced by \$2,000 to \$23,000 for unpaid premiums) in order to write the bond. Failure to perform under the NM OCD regulations places you in default under the Indemnity Agreement signed on May 7, 1996.

As your failure to honor the terms of the NM OCD Settlement Order and to pay the \$36,000 penalty has caused the NM OCD to order the plugging of the 10 wells listed, the NM OCD will seek reimbursement from the proceeds of the bond. This letter will serve as our formal demand for payment in the amount of \$27,000.00, which is due to RLI Insurance Company by October 9, 2009. Please call the undersigned at 713.961.1300 at your earliest convenience so that we may coordinate our efforts regarding this matter.

Sincerely,

Paul M. O'Sullivan
Assistant Corporate Secretary

Enclosure



DIFFERENT WORKS



RLI Insurance Company

8 Greenway Plaza | Suite 400 | Houston, TX 77046-0899
P: 713-961-1300 | F: 713-961-0285 | www.rlicorp.com

September 25, 2009

Jackie Brewer dba Sandlott Energy
HC 60 Box 212A
Lovington, NM 88260

Re: Sandlott Energy
B05910
\$50,000 New Mexico Oil Conservation Division Blanket Bond

Dear Mr. Brewer,

Through correspondences from the New Mexico Oil Conservation Division (NM OCD), RLI has been informed of violation pertaining to wells under the jurisdiction of the NM OCD and the pending \$50,000 demand by the NM OCD under surety bond B05910. A copy of the document is enclosed for your convenience.

RLI Insurance Company required the personal indemnity of Jackie Brewer and \$25,000 collateral (reduced by \$2,000 to \$23,000 for unpaid premiums) in order to write the bond. Failure to perform under the NM OCD regulations places you in default under the Indemnity Agreement signed on May 7, 1996.

As your failure to honor the terms of the NM OCD Settlement Order and to pay the \$36,000 penalty has caused the NM OCD to order the plugging of the 10 wells listed, the NM OCD will seek reimbursement from the proceeds of the bond. This letter will serve as our formal demand for payment in the amount of \$27,000.00, which is due to RLI Insurance Company by October 9, 2009. Please call the undersigned at 713.961.1300 at your earliest convenience so that we may coordinate our efforts regarding this matter.

Sincerely,

Paul M. O'Sullivan
Assistant Corporate Secretary

Enclosure

DIFFERENT WORKS