

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

NMOCD - OGA 03-03

IN THE MATTER OF HART OIL & GAS INC.,

Respondent.

**AGREED ORDER DIRECTING COMPLIANCE AND ASSESSING CIVIL
PENALTY**

Pursuant to the New Mexico Oil and Gas Act, NMSA 1978, Sections 70-2-1 through 70-2-38, as amended. ("Act"), the Director of the Oil Conservation Division ("OCD") issues this Order to HART OIL & GAS INC. ("Hart"), to enforce the Act and the OCD Rules.

FINDINGS

1. The OCD is the state division charged with administration and enforcement of the Act and OCD Rules.
2. Hart is a corporation incorporated in Colorado and authorized to do business in the State of New Mexico under Public Regulation Commission ("PRC") SCC number 1665132.
3. According to PRC records, Hart is an active corporation in good standing with a principal and mailing address in Colorado of P.O. DRAWER 1480 CORTEZ , COLORADO 81321, and a Principal address in New Mexico of c/o CT Corporation System, 123 EAST MARCY SANTA FE NEW MEXICO 87501.

4. On June 7, 2002, Oil Conservation Division Deputy Inspector W. Bruce Martin discovered that Hart had recommenced injection into the Navajo Tribe of Indians F Well No. 124 (**API No. 30-045-11035**), located in Unit P, Section 4, Township 31 North, Range 17 West, San Juan County, New Mexico, in violation of a previous OCD shut-in directive. The meter reading at the wellhead on that date was 265,893.51 barrels. Inspector Martin notified Dell Hunt, an agent for Hart, that the well was being operated in violation of OCD rules. Mr. Hunt closed the injection line valve and padlocked it.
5. OCD records establish the following facts:
 - a. On January 2, 2001, during an inspection of the referenced well, Deputy Inspector Martin found water to be leaking out of the casing valve and an accumulation of water and vegetation growth around the wellhead. The injection valves were in the open position and the flow meter indicated that injection was occurring.
 - b. On that same day, Deputy Inspector Bruce Martin contacted Mr. David Goff, an agent for Hart, and asked him to conduct a test to determine the mechanical integrity of the well. The test, conducted that day, indicated casing/tubing communication. Mr. Goff shut-in the well, and Inspector Martin directed him to cease injection until repairs were made and the well retested to insure mechanical integrity. The meter reading at the wellhead at that time was 256,580.41 barrels.

- c. Inspector Martin sent a letter to Hart on January 10, 2001, detailing the findings of the mechanical integrity test failure and directing the well to be shut in until repairs were made.
 - d. On May 15, 2001, Inspector Martin inspected the well and verified that the well was shut-in on that day.
 - e. Hart reported injection into this well during the months of April, November, and December of 2001, and the months of January, February, and March of 2002.
6. Inspector Martin interviewed Mr. Dell Hunt on June 7, 2002, and was told that David Goff had died and that none of the present Hart employees knew why the well had been shut in. He stated that they didn't know anything about the letter sent to Hart on January 10, 2001, and had arbitrarily decided to open it up and resume injection.
7. OCD Rule 702. [19.15.9.702 NMAC] reads (in pertinent part):
“Wells used for injection of gas, air, water, or any other medium into any formation shall be cased with safe and adequate casing or tubing so as to prevent leakage . . .”
8. OCD Rule 703.B. [19.15.9.703.B NMAC] reads:
“. . . [I]njection wells and all related surface facilities shall be operated and maintained at all times in such a manner as will confine the injected fluids to the interval or intervals approved and prevent surface damage or pollution resulting from leaks, breaks, or spills.”

CONCLUSIONS

- 1. The OCD has jurisdiction over the parties and subject matter in this proceeding.
- 2. Hart is a “person” as defined by OCD Rule 7.P (19.15.1.7.P NMAC).

3. Hart personnel knowingly and willfully recommenced injection into the Navajo Tribe of Indians F Well No. 124 (API No. 30-045-11035), located in Unit P, Section 4, Township 31 North, Range 17 West, San Juan County, New Mexico, when the same was shut-in pursuant to an OCD directive and had been determined not to possess mechanical integrity. Injection was continued into the referenced well for more than one day.

CIVIL PENALTY

NMSA 1978, Section 70-2-31.B (as amended) authorizes the assessment of civil penalties of up to one thousand dollars (\$1,000) per day per violation against anyone who knowingly and willfully violates the Oil and Gas Act or any rule adopted pursuant to that act. Having considered the nature of the above-described violations, the response of Hart and extenuating circumstances deemed relevant, the Division hereby assesses a civil penalty against Hart in the amount of Two Thousand Dollars (\$2,000). Hart shall pay this penalty by remittance to "Director - Oil Conservation Division - Energy, Minerals and Natural Resources Department of the State of New Mexico." Payment shall be due not later than thirty (30) days after service upon Hart of a copy of this Order executed by the Director of the Division.

5-5-03
DATE

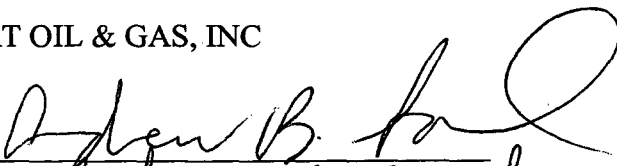
By Lori Wrotenbery
LORI WROTENBERY, Director

ACCEPTANCE

Hart Oil & Gas, Inc. hereby accepts the above and foregoing Order No. NMOCD
- OGA 03-___, and agrees to all of the terms and provisions therein set forth.

Dated May 1, 2003

HART OIL & GAS, INC

By 
Andrew B. Saied
Its president