

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

NMOCD- 103

IN THE MATTER OF NADEL AND GUSSMAN PERMIAN, LLC

Respondent.

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

Pursuant to the New Mexico Oil and Gas Act, NMSA 1978, Sections 70-2-1 through 70-2-38, as amended ("Act"), and the rules promulgated under the Act, the Director of the Oil Conservation Division of the Energy Minerals and Natural Resources Department of the State of New Mexico ("OCD") issues this Order to Nadel and Gussman Permian, LLC ("Nadel and Gussman") directing compliance with the Act and OCD Rules, and assessing a penalty for violations of the Act and OCD Rules.

FINDINGS

1. The OCD is the state division charged with administration and enforcement of the Act and OCD Rules.
2. Nadel and Gussman, OGRID #155615, is the operator of record of the Shell 15 Federal #003, API 30-005-62656.
3. The Shell 15 Federal #003 is a Salt Water Disposal well authorized by OCD Order SWD-384.
4. Nadel and Gussman last reported injection for the Shell 15 Federal #003 for January, 2004.
5. On January 20, 2005 the Shell 15 Federal #003 failed a mechanical integrity test. The well would not pressure up, and exhibited a casing leak. The Oil Conservation Division (OCD) inspector on site witnessing the mechanical integrity test notified Nadel and Gussman personnel at the site that the well would have to be shut in until repaired.
6. By letter dated January 21, 2005, the OCD inspector notified Nadel and Gussman that the Shell 15 Federal #003 had failed the mechanical integrity test, ordered the well shut in, and required the well be repaired by April 25, 2005.
7. To date Nadel and Gussman has not repaired the Shell 15 Federal #003.

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8. OCD Rule 703 [19.15.9.703 NMAC], Operation and Maintenance, provides, in relevant part:

- A. Injection wells shall be equipped, operated, monitored, and maintained to facilitate periodic testing and to assure continued mechanical integrity within will result in no significant leak in the tubular goods and packing materials used and no significant fluid movement through vertical channels adjacent to the well bore.
- B. Injection project, including injection wells and producing wells and all related surface facilities shall be operated and maintained at all time 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.
- ...
- D. Injection well or producing well failures requiring casing repair or cementing are to be reported to the division prior to commencement of workover operations.
- E. Injection wells or projects which have exhibited failure to confine injected fluids to the authorized injection zone or zones may be subject to restriction of injection volume and pressure, or shut-in, until the failure has been identified and corrected.

9. OCD Rule 201 [19.15.4.201 NMAC] requires any well that has been continuously inactive for a period exceeding 15 months to be returned to beneficial use, properly plugged and abandoned, or placed on approved temporary abandonment.

10. NMSA 1978, Section 70-2-31(A) provides, in relevant part

Any person who knowingly and willfully violates any provision of the Oil and Gas Act [this article] 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 (\$1,000) for each violation. For purposes of this subsection, in the case of a continuing violation, each day of violation shall constitute a separate violation.

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

12. As a result of its investigation, the OCD issued a notice of violation to Nadel and Gussman alleging that Nadel and Gussman had knowingly and willfully violated Rule 703 by failing to maintain the Shell 15 Federal #003 to assure continued mechanical

integrity after being informed that the well had failed a mechanical integrity test and had exhibited casing failure.

CONCLUSIONS

1. The OCD has jurisdiction over the parties and subject matter in this proceeding.
2. Nadel and Gussman is a person as defined by NMSA 1978, Section 70-2-33(A) and as such is subject to the civil penalty provisions of NMSA 1978, Section 70-2-31(A).
3. Nadel and Gussman knowingly and willfully violated Rule 703 by failing to maintain the Shell Federal #003 to assure continued mechanical integrity after being informed that the well had failed a mechanical integrity test and had exhibited casing failure.

ORDER AND CIVIL PENALTY

1. Taking into account both aggravating and mitigating factors, the OCD hereby assesses a civil penalty totaling one thousand dollars (\$1,000) against Nadel and Gussman.
2. The civil penalty shall be paid at the time Nadel and Gussman executes this Order. Payment shall be made by 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, NM 87505.
3. By January 31, 2006, Nadel and Gussman shall bring the Shell 15 Federal #003 into compliance with OCD Rule 201 by:
 - a. plugging and abandoning the Shell 15 Federal #003 pursuant to OCD Rule 202 [19.15.4.202 NMAC];
 - b. placing the Shell 15 Federal #003 on approved temporary abandonment status pursuant to OCD Rule 203 [19.15.4.203 NMAC]; or
 - c. repairing the Shell 15 Federal #003 so that it successfully passes the mechanical integrity test required by OCD Rule 704 [19.15.9.704 NMAC] and returning it to injection.
4. By signing this Order, Nadel and Gussman expressly:
 - a. acknowledges the correctness of the Findings and Conclusions set forth in this Order;
 - b. agrees to comply with ordering paragraphs 2 and 3;
 - c. waives any right, pursuant to the Oil and Gas Act or otherwise, to a hearing either prior or subsequent to the entry of this Order or to an appeal from this Order; and

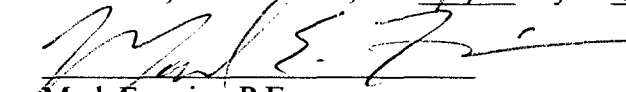
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- d. agrees that if it fails to comply with this Order, the Order may be enforced by suit or otherwise to the same extent and with the same effect as a final order of the OCD entered after notice and hearing in accordance with all terms and provisions of the Oil and Gas Act.

5. Nothing in this Order relieves Nadel and Gussman of liability should its operations fail to adequately investigate and remediate contamination that poses a threat to ground water, surface water, human health or the environment. In addition nothing in this Order relieves Nadel and Gussman of its responsibility for compliance with any other federal, state or local laws and/or regulations.

Done at Santa Fe, New Mexico, this 14th day of Jan, 2006.

By:


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

ACCEPTANCE

Nadel and Gussman Permian, LLC hereby accepts the foregoing Order, and agrees to all of the terms and provisions set forth in the Order.

Nadel and Gussman Permian, LLC

By: K.E. McGready
Title: operations manager
Date: January 12, 2006

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