

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

NMOCD- 97

**IN THE MATTER OF REDWOLF PRODUCTION, INC.,**

**Respondent.**

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

Pursuant to the New Mexico Oil and Gas Act, NMSA 1978, §§ 70-2-1 through 70-2-38, as amended (hereinafter, "Act"), and the rules promulgated under the Act, the Director of the Oil Conservation Division (hereinafter, "OCD") of the Energy Minerals and Natural Resources Department of the State of New Mexico issues this Order to **REDWOLF PRODUCTION, INC.**, (hereinafter, "Redwolf") directing compliance with the Act and the 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. Redwolf is a domestic for profit corporation authorized to do business in the State of New Mexico under Public Regulation Commission SCC number 1690171. Redwolf's mailing address is P. O. Box 5382, Farmington, New Mexico 87499, with a principal address of 902 C San Juan Boulevard, Farmington, New Mexico 87401. Its registered agent is Dana Delvanthal, 6001 Escalante Trail, Farmington, New Mexico 87499. Redwolf's OGRID is 18973.
3. NMSA 1978, Section 70-2-33(A) defines "person" to include corporations.
4. OCD Rule 50B(3)(b) [19.15.2.50B(3)(b) NMAC] states that "[f]or each pit or below-grade tank in existence on April 15, 2004 that has not received an exemption after hearing as allowed by OCC Order R-3221 through R-3221D inclusive, the operator shall submit a notice not later than April 15, 2004 indicating either that use of the pit or below-grade tank will continue or that such pit or below grade tank will be closed."
5. OCD Rule 50(C)(e) [19.15.2.50C(2)(e) NMAC] provides that "[n]o measurable or visible layer of oil may be allowed to accumulate or remain anywhere on the surface of any pit."
6. OCD Rule 202(B)(3) [19.15.4.202B(3)(a)(b)(c) NMAC]: provides that "as soon as practical but no later than one year after the completion of plugging operations, the operator shall:

- (a) fill all pits;
  - (b) level the location;
  - (c) remove deadmen and all other junk; and
  - (d) take such other measures as are necessary or required by the OCD to restore the location to a safe and clean condition.
7. NMSA 1978, Section 70-2-31(A) authorizes the assessment of civil penalties of up to one thousand dollars (\$1,000.00) per day per violation against any person who knowingly or willfully violates any provision of the Oil and Gas Act or any rule adopted pursuant to the Act. Each day of a continuing violation constitutes a separate violation.
8. Redwolf is the operator of record of the well Bettin on Bisti 30 # 7, located at Unit Letter G, Section 30, Township 25 North, Range 11 West, API # 30-045-26847, San Juan County, New Mexico.
9. On September 2, 2005, OCD Deputy Oil and Gas Inspector Henry Villanueva inspected the Redwolf Bettin on Bisti 30 #7. At the site was a lined pit with a small amount of oil in it. The well was plugged, but no clean up of the location had been done.
10. A subsequent OCD investigation found that:
  - a) Redwolf never registered or notified the OCD of the existence of the pit, as required by OCD Rule 50B(3)(b);
  - b) Redwolf completed plugging operations of the Bettin on Bisti on April 29, 2003.
  - c) Redwolf has not closed the pit or remediated the location, nor has it removed junk (trash) from the location or the production equipment, including the tank, tubing and rods.
11. On October 31, 2005, the OCD issued a Notice of Violation (3-05-13) to Redwolf for violating OCD Rule 50B(3) and C (2)(e) and OCD Rule 202B(3).
12. An administrative conference between the OCD and Redwolf was held on November 7, 2005. By subsequent letter, Redwolf agreed to close the cement return (workover) pit and remove all equipment from the Bettin on Bisti 30 #7 site. Clean up of the site was to start on November 8, 2005.
13. Redwolf agreed to schedule training for its staff to ensure company wide compliance with OCD Rules 50 and 202.

### CONCLUSIONS

1. The OCD has jurisdiction over the parties and subject matter in this proceeding.
2. Redwolf is a person subject to civil penalties for knowing and willful violations of the Act or OCD Rules.

3. Redwolf knowingly and willfully violated:
  - a. OCD Rule 50B(3)(b) by failing to submit a registration to the OCD for the open pit at the Bettin on Bisti 30 #7;
  - b. OCD Rule 50(C)(e) by allowing oil to remain on the open pit at the Bettin on Bisti 30 #7 well site; and
  - c. OCD Rule 202(B)(3) by failing to reclaim the pit within one year after plugging the well bore, by not removing the deadmen and production equipment, and by failing to take such measures necessary to obtain final plugging approval.

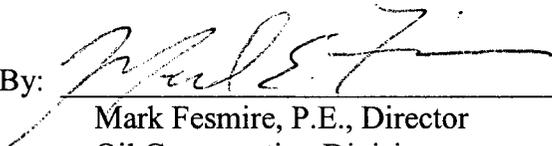
### ORDER AND CIVIL PENALTY

1. Taking into account both aggravating and mitigating factors, the OCD hereby assesses a civil penalty against Redwolf of **Three Thousand Dollars (\$3,000.00)** for one violation each of Rule 50B(3)(b), Rule 50C(2)(e) and Rule 202B(3).
2. The **Three Thousand Dollars (\$3,000.00)** shall be paid by Redwolf at the time it executes this Order. Payment shall be made by certified or cashier's check made payable to the "New Mexico Oil Conservation Division," and mailed or hand-delivered to the New Mexico Oil Conservation Division, Attention: Director, 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505.
3. Redwolf shall close the cement return (workover) pit and remove all equipment from the Bettin on Bisti 30 #7 site by January 1, 2006.
4. Redwolf must submit a C-144 pit closure form for the cement returns pit no later than by January 15, 2006.
5. Redwolf shall keep the surface of its pits free of oil.
6. No later than January 15, 2006, Redwolf shall provide an outline of its scheduled staff training on OCD Rule 50 and Rule 202 for OCD review.
7. By signing this order, Redwolf expressly:
  - a. acknowledges the correctness of the Findings and Conclusions set forth in this order;
  - b. agrees to comply with ordering paragraphs 2, 3, 4, 5 and 6;
  - 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
  - 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 (NMSA 1978, Sections 70-2-1 through 70-2-38, as amended); and

- e. agrees that if it fails to pay penalties assessed pursuant to this Order, upon application by the OCD the district court may enter judgment against Redwolf in the amount of the penalties assessed and, in the discretion of the court, may impose additional penalties for Redwolf's violation of the penalty provisions of this Order.
4. Nothing in this Order relieves Redwolf of its liability should its operations fail to adequately investigate and remediate contamination that poses a threat to ground water, surface water, human health or the environment. In addition, nothing in this Order relieves Redwolf of its responsibility for compliance with any other federal, state or local laws and/or regulations.

Done at Santa Fe, New Mexico, this 27<sup>th</sup> day of ~~November~~ <sup>December</sup> 2005.

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

**ACCEPTANCE**

Redwolf Production Company hereby accepts the foregoing order, and agrees to all of the terms and provisions set forth in the order.

**REDWOLF PRODUCTION, INC.**

By:   
Title: Vice President  
Date 11/29/05