

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

NMOCD-ACD-119

**IN THE MATTER OF ELM RIDGE RESOURCES, INC.,**

**Respondent.**

2006 MAY 25 PM 12 33

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

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

**I. FINDINGS**

- 1) The OCD is the state division charged with administration and enforcement of the Act and OCD Rules.
- 2) Elm Ridge is a foreign corporation authorized to do business in the State of New Mexico under Public Regulation Commission ("PRC") SCC number 1721604 with a mailing address of 12225 Greenville Ave., Ste. 950, Dallas, Texas 75243-9362, and its registering agent being CT Corporation System, 123 E. Marcy St., Santa Fe, New Mexico 87501. Elm Ridge has OGRID number 149052.
- 3) Elm Ridge operates the Farfelu #1, Unit Letter I, Section 19, Township 25 North, Range 11 West API # 30-045-29426, San Juan County, New Mexico.
- 4) On Thursday, February 16, 2006, OCD Deputy Oil and Gas Inspector Monica Kuehling inspected the Elm Ridge Farfelu #1. Deputy Inspector Kuehling found a large volume of water pooled within the tank berm with some oil on the surface. This unauthorized release is estimated to have been greater than five (5) barrels. Inspector Kuehling notified Scott Lindsey that Elm Ridge might have a leak in the tank, as there was no evidence of overtopping. Mr. Lindsey committed to getting a water truck out to remove the fluid.
- 5) An OCD investigation found the following:
  - a. Scott Lindsey of Elm Ridge was notified of the release February 16, 2006.

- b. As of March 21, 2006, Elm Ridge had not filed a C-141, i.e., a written notification of the release at the Farfelu #1, with the OCD.
  - c. OCD Rule 116.C(2) requires that “[t]imely written notification is required to be reported pursuant to Subsection B of 19.15.3.116 NMAC within fifteen (15) days to the division district office for the area within which the release takes place by completing and filing division Form C-141.”
  - d. Elm Ridge knowingly and willfully violated OCD Rule 116.C(2) by failing to file a C-141 within fifteen (15) days of having knowledge of the unauthorized release.
  - e. NMSA 1978, §70-2-31(A) provides that “[a]ny 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 (\$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.”
  - f. NMSA 1978, §70-2-33(A) defines person as “any individual estate, trust receiver, cooperative association, club, corporation, company, firm, partnership, joint venture, syndicate or other entity.”
- 5) As a result of its investigation, the OCD issued Notice of Violation (3-06-27) to Elm Ridge, alleging violation of OCD Rule 116.C(2).
  - 6) Elm Ridge waived the Administrative Conference on this matter.
  - 7) Neither does Elm Ridge wish to contest the One Thousand Dollars (\$1,000.00) civil penalty assessed against it for violation of OCD Rule 116.C(2).

## II. CONCLUSION

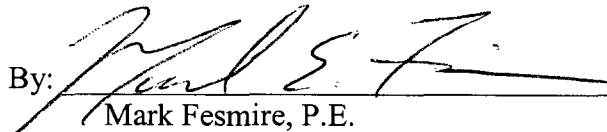
- 1) The OCD has jurisdiction over the parties and subject matter in this proceeding.
- 2) Elm Ridge is a person as defined by NMSA 1978, § 70-2-33(A) that may be subject to civil penalties under NMSA 1978, §70-2-31(A).
- 3) Elm Ridge is subject to civil penalties under NMSA 1978, § 70-2-31(A) at the Farfelu #1 for one knowing and willful violation of OCD Rule 116.C(2) (failure to file a timely written notice of an unauthorized release).

## III. ORDER AND CIVIL PENALTY

- 1) Taking into account both aggravating and mitigating factors, the OCD hereby assesses a civil penalty against Elm Ridge totaling **One Thousand Dollars (\$1,000.00)** for one violation of OCD Rule 116.C(2).

- 2) The civil penalty shall be paid at the time Elm Ridge executes this Order. Payment shall be made by check 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) Elm Ridge shall submit a C-141 release report no later than June 12, 2006.
- 4) By signing this Order, Elm Ridge expressly:
  - a. acknowledges the correctness of the Findings and Conclusions set forth in this Order;
  - b. agrees to comply with Ordering paragraph 1, 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;
  - d. agrees that if it fails to comply with this Order, the Order may be enforced by suit or otherwise to the same extent and with the same effect as a final Order of the Division entered after notice and hearing in accordance with all terms and provisions of the Oil and Gas Act;
- 5) Nothing in this Order relieves Elm Ridge 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 Elm Ridge of its responsibility for compliance with any other federal, state or local laws and/or regulations.

Done at Santa Fe, New Mexico this 25<sup>th</sup> day of May 2006.

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

**Elm Ridge Resources, Inc. signatures are on  
Page 5 of this document**

**ACCEPTANCE**

**ELM RIDGE RESOURCES, INC.** hereby accepts the foregoing Order, and agrees to all of the terms and provisions as set forth in the Order.

**ELM RIDGE RESOURCES, INC.**

By: T. J. [Signature]

Title: Dist. Super.

Date: 5-23-06