

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

NMOCD-06-137
145

IN THE MATTER OF RAY WESTALL OPERATING, 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"), 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 **RAY WESTALL OPERATING, INC. ("Ray Westall")** 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. Ray Westall is a for profit corporation doing business in New Mexico, SCC # 1510668. Ray Westall is an active entity, with a principal and mailing address at P. O. Box 4, Loco Hills, New Mexico, 88255, and has been assigned OGRID # 18862.
3. Ray Westall is the operator of the Culwin Queen Unit # 13, Unit Letter A, Section 1, Township 19 S, Range 30 E, API # 30-015-04584, Eddy County, New Mexico.
4. On September 14, 2005, OCD Deputy Oil and Gas Inspector Gerry Guye performed a mechanical integrity test (hereinafter, "MIT") on the Ray Westall Culwin Queen Unit # 13 injection well. The well was incapable of holding the required pressure during the MIT.
5. The well is considered to have failed the requirements of the five-year pressure MIT.
5. By Letter of Violation dated September 19, 2005, Ray Westall was notified of the failed pressure test, i.e., MIT. Ray Westall was instructed to contact the OCD at least twenty-four hours prior to the date and time that the well would be retested. As of June 30, 2006, Ray Westall had not contacted the OCD to reschedule the MIT.
6. OCD Rule 703 [19.15.9.703 NMAC] requires injection wells to be "equipped, operated, monitored, and maintained to facilitate periodic testing and to assure continued mechanical integrity which 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."

7. Ray Westall knowingly and willfully violated Rule 703 by failing to repair the well after having been given both verbal and written notice to do the repair.
8. As a result, on June 30, 2006, the OCD issued **Notice of Violation (2-06-12)** to Ray Westall, alleging one violation of OCD Rule 703.
9. Ray Westall admits failing to bring the well into compliance within the time frame set out in the September 19, 2005 Letter of Violation.

II. CONCLUSIONS

1. The OCD has jurisdiction over the parties and subject matter in this proceeding.
2. Ray Westall 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. Ray Westall is subject to civil penalties under NMSA 1978, § 70-2-31(A) at the Culwin Queen Unit # 13 for one knowing and willful violation of OCD Rule 703.

III. ORDER AND CIVIL PENALTY

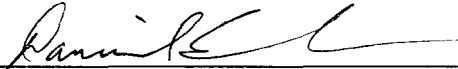
1. Taking into account both aggravating and mitigating factors, the OCD hereby assesses a civil penalty totaling **One Thousand Dollars (\$1,000.00)** against Ray Westall for one knowing and willful violation of OCD Rule 703 (failing to repair a well after a failed MIT).
2. The civil penalty shall be paid upon execution of 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. Ray Westall shall have the well into physical compliance and all associated paperwork filed on or October 31, 2006.
4. By signing this Order, Ray Westall 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
 - 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 (NMSA 1978, Sections 70-2-1 through 70-2-38, as amended).

5. In the event Ray Westall encounters unanticipated circumstances which, in its reasonable opinion, are likely to cause delay in it meeting the deadline set out in Ordering Paragraph 3 above, then Ray Westall may notify the OCD in writing of such circumstances and request an amendment to this Order extending the deadline. Such notification ("Notice") shall:

- a. reasonably describe the unanticipated circumstances encountered by Ray Westall;
- b. set forth a date in which it can meet the requirements of Ordering Paragraph 3.

Within ten (10) days of receipt of this Notice, the OCD shall either approve a written amendment to this Order incorporating the revised date submitted by Ray Westall, or notify Ray Westall that the requested extended date is not acceptable, setting forth its reasons for the denial. The OCD's approval of an extension shall not be unreasonably withheld.

Done at Santa Fe, New Mexico this 18th day of August 2006.

By: 
Mark Fesmire, PE, Director
Oil Conservation Division

ACCEPTANCE

Ray Westall Oil Company hereby accepts the foregoing Order, and agrees to all of the terms and provisions set forth therein.

RAY WESTALL OIL COMPANY

By: 

Title: Recorders

Date 8-7-06