

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

NMOCD-06-144

IN THE MATTER OF TIPTON OIL & GAS ACQUISITIONS,

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 **TIPTON OIL & GAS ACQUISITIONS** ("**Tipton**") 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. Tipton is a for profit corporation doing business in New Mexico. Tipton is an active entity, with a principal and mailing address at P. O. Box 1234, Lovington, New Mexico 88260. Tipton has been assigned OGRID # 211128.
3. Tipton is the operator of the Twin Lakes San Andres Unit No. 2, Unit Letter K, Section 25, Township 8 S, Range 28 E, API # 30-005-60648, the Twin Lakes San Andres Unit No. 1, Unit Letter F Section 25, Township 8 S, Range 28 E, API # 30-005-62070, and Twin Lakes San Andres Unit No. 103, Unit Letter G Section 7, Township 9 S, Range 29 E, API # 30-005-61075, all in Eddy County, New Mexico.
4. On January 3 and 4, 2006, OCD Deputy Oil and Gas Inspector Gerry Guye performed a mechanical integrity test (hereinafter, "MIT") on the injection wells listed above. The wells failed the requirements of the MITs.
5. 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."
6. By letter dated January 4, 2006, the OCD notified Tipton of the failed MITs. The letter required that the Twin Lakes San Andres Units Nos. 2 and 103 be repaired by April 8, 2006,

and the Twin Lakes San Andres Unit No. 1 be repaired by April 9, 2006. Tipton was also instructed to contact the OCD at least twenty-four hours prior to the date and time that the wells would be retested. Tipton neither repaired the units nor contacted the OCD to reschedule the MIT tests.

7. On July 13, 2006, the OCD issued a **Notice of Violation (2-06-15)** to Tipton alleging three violations of OCD Rule 703.
8. At the administrative conference held on August 9, 2006, Tipton admitted they failed to bring the wells into compliance within the time frame set out in the July 13, 2006 Letter of Violation, and stated that they had been actively working on bringing wells into compliance that are subject to an ACOI.
9. Tipton stated that they intend to repair Unit No. 103 and return it to active status, but will plug Unit Nos. 1 and 2. Tipton stated it could repair Unit No. 103 by August 23, 2006 and properly plug and abandon Unit Nos. 1 and 2 by February 9, 2007.

II. CONCLUSIONS

1. The OCD has jurisdiction over the parties and subject matter in this proceeding.
2. Tipton 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. Tipton is subject to civil penalties under NMSA 1978, § 70-2-31(A) at the Twin Lakes San Andres Unit No. 2 for one knowing and willful violation of OCD Rule 703.
4. Tipton is subject to civil penalties under NMSA 1978, § 70-2-31(A) at the Twin Lakes San Andres Unit No. 1 for one knowing and willful violation of OCD Rule 703.
5. Tipton is subject to civil penalties under NMSA 1978, § 70-2-31(A) at the Twin Lakes San Andres Unit No. 103 for one knowing and willful violation of OCD Rule 703.

III. ORDER AND CIVIL PENALTY

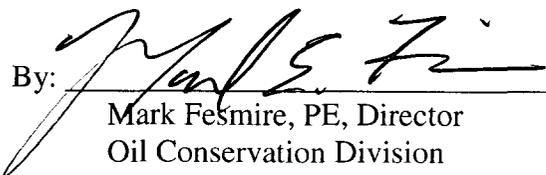
1. Taking into account both aggravating and mitigating factors, the OCD hereby assesses a civil penalty totaling **Three Thousand Dollars (\$3,000.00)** against Tipton for three violations of OCD Rule 703 (failing a mechanical integrity test).
2. **One Thousand Five Hundred Dollars (\$1,500.00)** of this fine shall be waived provided Tipton meets all requirements and deadlines of this Order. Should Tipton fail to meet any requirements of this Order, the **One Thousand Five Hundred Dollars (\$1,500.00)** waived shall be reinstated and due immediately.
3. 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.

4. Tipton shall bring the Twin Lakes San Andres Unit No. 103 into physical compliance, i.e., a working injection well, perform a mechanical integrity test and complete and file with the OCD all associated paperwork on or before ~~August 24, 2006~~. *Oct, 02 2006*
5. Tipton shall have the Twin Lakes San Andres Unit No. 2 and the Twin Lakes San Andres Unit No. 1 into physical compliance, i.e., properly plugged and abandoned in accordance with OCD rules, and all associated paperwork filed on or before February 9, 2007. It must provide to the OCD the correspondence and/or documentation showing that it has contacted a plugging contractor no later than September 9, 2006.
6. By signing this Order, Tipton expressly:
 - a. acknowledges the correctness of the Findings and Conclusions set forth in this Order;
 - b. agrees to comply with Ordering paragraphs 1, 3, 4 and 5;
 - 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).
7. For good cause shown, Tipton may request an extension to complete the requirements as set out in Ordering paragraphs 4 and 5. Such notification ("notice") shall reasonably describe the circumstances encountered by Tipton that prohibits it from meeting the deadlines set out herein.

Within ten (10) days of receipt of this notice, the OCD shall either approve the extended time requested by Tipton by executing a written amendment of this Order, or notify Tipton that it will not extend the deadline. The OCD's approval of a time extension shall not be unreasonably withheld.

Done at Santa Fe, New Mexico this 25th day of September 2006.

By: 
Mark Fesmire, PE, Director
Oil Conservation Division

ACCEPTANCE

TIPTON OIL & GAS ACQUISITIONS hereby accepts the foregoing Order, and agrees to all of the terms and provisions set forth therein.

TIPTON OIL & GAS ACQUISITIONS

By: 
Title: Treasurer
Date 6-20-06