

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

NM OCD-147
2006 SEP 29 PM 1 57

IN THE MATTER OF BURNETT OIL CO. 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 **BURNETT OIL CO. INC.** ("Burnett") 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. BURNETT is a company, with a principal and mailing address at Burnett Plaza-Suite No. 1500; 801 Cherry Street Unit No. 9, Fort Worth, Texas 76102-6881. Burnett has been assigned OGRID # 3080.
3. Burnett is the operator of the Grayburg Jackson A Unit No. 45, located in Unit Letter B, Section 13, Township 17S, Range 30E, API # 30-015-22618; the Jackson B No. 32 is located in Unit Letter J, Section 1, Township 17S, Range 30E, API # 30-015-22621. Both are located in Eddy County, New Mexico.
4. On April 12, 2005, OCD Deputy Oil and Gas Inspector Gerry Guye performed a mechanical integrity test (hereinafter, "MIT") on the above two wells.
5. Both wells failed the requirements of the MIT test.
6. By letter dated April 14, 2005, the OCD notified Burnett of the failed MIT. Burnett was instructed to repair the failures by July 16, 2005. To date, Burnett has not contacted the OCD to reschedule the MIT test.

7. 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."
8. Burnett knowingly and willfully violated OCD Rule 703 by failing to repair the wells so that they could be MIT tested, even after being notified of the original inspection failure.
9. As a result, on June 20, 2006, the OCD issued **Notice of Violation (2-06-8)** to Burnett alleging two violations of OCD Rule 703 and recommending a Two Thousand Dollar penalty.
10. At the Administrative Conference held on August 15, 2006, Burnett admitted to having violated OCD Rule 703 on the above wells, and agreed to pay the Two Thousand Dollar penalty.

II. CONCLUSIONS

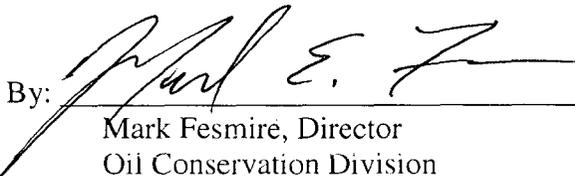
1. The OCD has jurisdiction over the parties and subject matter in this proceeding.
2. Burnett is a person as defined by NMSA 1978, § 70-2-33(A) that may be subject to civil penalties under NMSA 1978, §70-2-31(A).
3. Burnett is subject to civil penalties under NMSA 1978, § 70-2-31(A) for two knowing and willful violations 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 **Two Thousand Dollars (\$2,000.00)** against Burnett for two violations of OCD Rule 703 (failed mechanical integrity test).
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. Burnett submitted proper documents that Jackson B No. 32 has now passed the MIT. Burnett shall bring the Graybrug-Jackson A Unit well No 45 into compliance by February 15, 2007. MAJ
4. By signing this Order, Burnett 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;

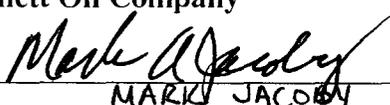
- c. waives any right pursuant to the Oil and Gas Act or otherwise to a hearing either prior or subsequent to the entry of this Order, or to an appeal from this Order; and
- d. agrees that if it fails to comply with this Order, the Order may be enforced by suit or otherwise to the same extent and with 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).

Done at Santa Fe, New Mexico this 3rd day of ~~September~~ ^{Oct} 2006.

By: 
Mark Fesmire, Director
Oil Conservation Division

ACCEPTANCE

Burnett Oil Company hereby accepts the foregoing Order, and agrees to all of the terms and provisions set forth in the order.

Burnett Oil Company
By: 
MARK JACOBY
Title: Petroleum Engineer
Date 9.27.06