

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

NMOCD-06-153

IN THE MATTER OF WALSH & WATTS, 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 **WALSH & WATTS, INC.** 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. Walsh & Watts is a foreign, for profit corporation, SCC number 0790121, with a principal address of 600 Hinkle Bldg., Roswell, New Mexico and a mailing address of 500 W. 7th, Suite 1007, Fort Worth, Texas 76102. Walsh & Watts has been assigned OGRID # 24558.
3. Walsh & Watts is the operator of the North Square Lake Premier Unit No.14, Unit Letter O, Section 6, Township 17S, Range 31E, API # 30-015-10850, Eddy County, New Mexico.
4. On February 9, 2005, OCD Deputy Oil and Gas Inspector Gerry Guye performed a mechanical integrity test (hereinafter, "MIT") on the above well.
5. This well failed the requirements of the MIT test.
6. By letter dated February 10, 2005, the OCD notified Walsh & Watts of the failed MIT test. Walsh & Watts was instructed to repair the failure by May 15, 2005 and to contact the OCD to reschedule to test. As of July 13, 2006, Walsh & Watts had not contacted the OCD to reschedule the MIT.
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. Walsh & Watts violated Rule 703 by failing to repair the well so that it could be MIT tested, even after being notified of the inspection failure.
9. As a result, on July 13, 2006, the OCD issued **Notice of Violation (2-06-7)** to Walsh & Watts, alleging one violation of OCD Rule 703.
10. At the administrative conference held on September 6, 2006, Walsh & Watts admitted the OCD notified it of the above violation. Following the notification, Walsh & Watts contacted its pumper, whom they have used for over twenty years, and requested that he repair the well; the pumper agreed. At the time, however, both the pumper and his wife were diagnosed with cancer and underwent treatment. Due to his and his wife's illnesses, the pumper failed to timely repair the well.
11. Walsh & Watts submitted documentation that the well was repaired on August 11, 2006.

II. CONCLUSIONS

1. The OCD has jurisdiction over the parties and subject matter in this proceeding.
2. Walsh & Watts 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. Walsh & Watts is subject to civil penalties under NMSA 1978, § 70-2-31(A) for one knowing and willful violation of OCD Rule 703. Walsh and Watts disagrees that the violation was knowing and willful, as it attempted to repair the well. The only reason the well was not timely repaired was due to the illness of their pumper.

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 Walsh & Watts for one violation of OCD Rule 703 (failing to repair after failing a 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. Walsh & Watts submitted documentation that the well was repaired on August 11, 2006, and now is in compliance with OCD rules.
4. By signing this Order, Walsh & Watts expressly:
 - a. acknowledges the correctness of the Findings and Conclusions set forth in this Order;
 - b. agrees to comply with Ordering paragraph 2;

- 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).

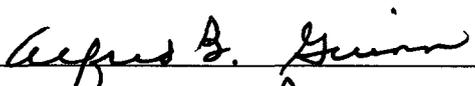
Done at Santa Fe, New Mexico this 25th
16 day of October 2006.

By: 
Mark Fesmire, PE, Director
Oil Conservation Division

ACCEPTANCE

WALSH & WATTS, INC. hereby accepts the foregoing Order, and agrees to all of the terms and provisions set forth therein.

WALSH & WATTS, INC.

By: 
Title: Vice - President
Date: 10-14-06