

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

NMOCD-06-152

IN THE MATTER OF AROC (TEXAS), 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 (hereinafter, "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 (hereinafter, "OCD") issues this Order to **AROC (Texas), Inc.** (hereinafter, "AROC") 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. AROC is a domestic, for-profit corporation doing business in New Mexico, SCC # 20864111. AROC is an active entity, with a principal address of 4200 E. Skelly Dr., Suite 1000, Tulsa, Oklahoma 74135 and a mailing address at 110 Cypress Station Drive, Suite 220, Houston, Texas 77090. AROC has been assigned OGRID # 187940.
3. AROC is the operator of the Grayburg Jackson PSU MB NO.5 located in Unit Letter O, Section 27, Township 17S, Range 30E, API # 30-015-04362, and Grayburg Jackson PSU MA No. 2 located in Unit Letter E, Section 28, Township 17S, Range 30E, API # 30-015-10531 Eddy County, New Mexico.
4. On April 4, 2006, 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.
6. By letter dated April 4, 2006, AROC was notified of the failed MIT and instructed to repair the failures by July 8, 2006. To date, AROC has 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 though vertical channels adjacent to the well bore."

8. AROC knowingly and willfully violated OCD Rule 703 by failing to have repaired the wells so that they could be MIT tested, even after being notified of the inspection failure.
9. As a result, on July 24, 2006, the OCD issued **Notice of Violation (2-06-17)** to AROC alleging two violations of OCD Rule 703, and one violation of OCD Administrative Order IPI-148.
10. AROC admits to the above violations and agreed to pay the \$3,000.00 fine at the administrative conference held on August 21, 2006.

II. CONCLUSIONS

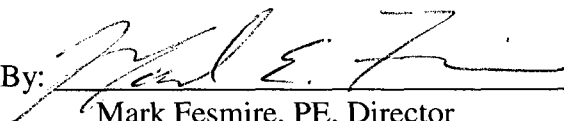
1. The OCD has jurisdiction over the parties and subject matter in this proceeding.
2. AROC is a person as defined by NMSA 1978, § 70-2-33(A) that may be subject to civil penalties under NMSA 1978, §70-2-31(A).
3. AROC is subject to civil penalties under NMSA 1978, § 70-2-31(A) for two knowing and willful violations of OCD Rule 703 and one violation of OCD ORDER IPI-148.

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 AROC for two violations of OCD Rule 703 (failed mechanical integrity test) and one violation of OCD Administrative Order IPI-148.
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. AROC has submitted documents that Grayburg Jackson PSU No.5 has passed the MIT test. AROC shall bring the Grayburg-Jackson A Unit No 45 into compliance by November 21, 2006.
4. By signing this Order, AROC 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 19th day of Feb. ~~January~~ 2007.

By: 
Mark Fesmire, PE, Director
Oil Conservation Division

ACCEPTANCE

AROC (Texas), Inc. hereby accepts the foregoing Order, and agrees to all of the terms and provisions set forth therein.

AROC (TEXAS), INC.

By: 

Date 2/6/2007

Title: VP-Operations