

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

NMOCD - ACO 182

IN THE MATTER OF BUCKEYE DISPOSAL, LLC,

Respondent.

AGREED COMPLIANCE ORDER

Pursuant to the New Mexico Oil and Gas Act, NMSA 1978, Sections 70-2-1 through 70-2-38, as amended ("Act") and OCD Rule 1227.E [19.15.14.1227(E) NMAC], the Director of the Oil Conservation Division ("OCD") and Buckeye Disposal LLC ("Operator" or "Buckeye") enter into this Agreed Compliance Order ("Order") under which Operator acknowledges the violations described below, agrees to a penalty of \$250.00, and agrees to take the corrective action described below.

FINDINGS

1. The OCD is the state division charged with administration and enforcement of the Act, and rules and orders adopted pursuant to the Act.
2. Operator is a limited liability company doing business in the state of New Mexico.
3. Operator operates wells in New Mexico under OGRID 222759.
4. Effective January 1, 2004, Buckeye became the operator of record for the CBM #1 ("well"), an active saltwater disposal well.
5. OCD Rule 103 provides, in relevant part:
 - A. All wells and related facilities regulated by the division shall be identified by a sign, which sign shall remain in place until the well is plugged and abandoned and the related facilities are closed.
 - B.
 - C. The sign shall be of durable construction and the lettering shall be legible and large enough to be read under normal conditions at a distance of 50 feet.
 - D. The wells on each lease or property shall be numbered in non-repetitive, logical and distinctive sequence.
 - E. An operator will have 90 days from the effective date of an operator name change to change the operator name on the well sign unless

an extension of time, for good cause shown along with a schedule for making the changes, is granted.

F. Each sign shall show the:

- (1) number of well;
- (2) name of property;
- (3) name of operator;
- (4) location by footage, quarter-quarter section, township and range (or Unit Letter can be substituted for the quarter-quarter section); and
- (5) API number.

6. On May 10, 2006 a routine inspection of the well found that the well did not have a well sign.
7. By letter dated May 16, 2006, the OCD notified Buckeye that the well did not have a well sign, and was in violation of Rule 103. The letter required corrective action by August 13, 2006.
8. On November 15, 2006 an inspection of the well found that the well still did not have a well sign.
9. By letter dated November 20, 2006, the OCD notified Buckeye a second time that the well did not have a well sign, and was in violation of Rule 103. The letter required corrective action by December 27, 2006.
10. Operator failed to take the corrective action required by the letters.
11. On March 7, 2007, the OCD issued Notice of Violation (1-07-2) to Operator, alleging a violation of Rule 103.
12. NMSA 1978, Section 70-2-31(A) authorizes the assessment of civil penalties of up to one thousand dollars per day per violation against any person who knowingly and willfully violates any provision of the Oil and Gas Act or any rule or order adopted pursuant to the Act.
13. NMSA 1978, Section 70-2-33(A) defines "person" in relevant part as
"any individual, estate, trust, receiver, cooperative association, club, corporation, company, firm, partnership, joint venture, syndicate or other entity..."

CONCLUSIONS

1. The OCD has jurisdiction over the parties and subject matter in this proceeding.

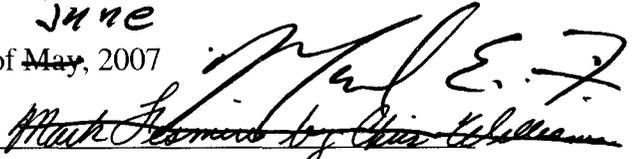
2. Buckeye violated Rule 103 by failing to post a sign on the CBM #1 within 90 days of becoming operator of the well.
3. The violation of Rule 103 was knowing and willful: Buckeye did not post the sign after two letters from the OCD notifying Buckeye of the violation and instructing Buckeye to post the sign.
4. Operator is a "person" as defined by NMSA 1978, Section 70-2-33(A) and may be subject to civil penalties for knowing and willful violations of the Oil and Gas Act or rules or orders adopted pursuant to the Act.

ORDER

1. The OCD assesses, and Buckeye agrees to pay, a penalty of \$250.00 for the knowing and willful violation of Rule 103 at the CBM #1 well.
2. The \$250.00 penalty shall be paid at the time Buckeye executes this Order. Payment shall be made by check payable to the "New Mexico Oil Conservation Division," mailed or hand-delivered to the EMNRD-OCD, Attn: Director, 1220 South St. Francis Drive, Santa Fe, NM 87505.
3. Buckeye shall post a sign at the CBM #1 well conforming with the requirements of Rule 103 within 10 days of executing this Order. If Buckeye fails to post the sign within 10 days of executing this Order, it shall pay an additional penalty of \$1,000 for each full week after the 10-day deadline that the CBM #1 well remains out of compliance with Rule 103.
4. By signing this Order, Operator expressly:
 - (a) acknowledges the correctness of the Findings and Conclusions set forth in this Order;
 - (b) agrees to pay the \$250.00 penalty assessed in the Order at the time the Order is executed;
 - (c) agrees to post a sign at the CBM #1 conforming with the requirements of Rule 103 within 10 days of the date the Order is executed;
 - (d) agrees that if it fails to post a sign at the CBM #1 well conforming with the requirements of Rule 103 within 10 days of the date this Order is executed, it will pay an additional penalty of \$1,000 for each full week after that 10-day deadline that the CBM #1 well remains out of compliance with Rule 103;
 - (e) waives any right, pursuant to the Oil and Gas Act or otherwise, to a hearing either prior to or subsequent to the entry of this Order or to an appeal from this Order; and
 - (f) agrees that the Order may be enforced by OCD or Oil Conservation Commission Order, by suit or otherwise to the same extent and with the same effect as a final Order of the OCD or Oil Conservation Commission

entered after notice and hearing in accordance with all terms and provisions of the Oil and Gas Act.

Done at Santa Fe, New Mexico this 1st June day of ~~May~~, 2007

By: 
Mark Fesmire, P.E.
Director, Oil Conservation Division

ACCEPTANCE

Buckeye Disposal, LLC hereby accepts the foregoing Order, and agrees to all of the terms and provisions set forth in that Order.

Buckeye Disposal, LLC 
By: _____
(Please print name) PETER DENSTITINI
Title: Member
Date: 5/30/07