

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

NMOCD-ACO 192

**IN THE MATTER OF BURLINGTON RESOURCES
OIL AND GAS COMPANY,**

Respondent.

**AGREED ORDER DIRECTING COMPLIANCE
AND ASSESSING CIVIL PENALTY**

Pursuant to the New Mexico Oil and Gas Act, NMSA 1978, §§ 70-2-1 through 70-2-38, as amended (“Act”), and the rules 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 and Burlington Resources Oil and Gas Company (hereinafter “Burlington”) enter into this Order to resolve the violations alleged in the Amended Notice of Violation (3-07-16), dated July 17, 2007.

I. FINDINGS & DETERMINATIONS BY THE OCD

- 1) The Oil Conservation Division (hereinafter “OCD”) is the state division charged with administration and enforcement of the Act and OCD rules.
- 2) Burlington is a foreign limited partnership doing business in New Mexico, registered with the Secretary of State under number LPF2001020702. Burlington is an active entity with a principal address at 5051 Westheimer Rd., Ste. 1400, Houston, Texas 77056. Its registered agent for service of process in New Mexico is C. T. Corporation System, 123 E. Marcy, Santa Fe, New Mexico 87501. Burlington’s local business address is P.O. Box 4289, Farmington, New Mexico 87499-4289. Burlington’s OGRID is 14538.
- 3) Burlington is the operator of record for the Hare #14M, Unit Letter D, Section 10, Township 29 North, Range 10 West, API #30-045-33566, San Juan County, New Mexico.
- 4) On May 18, 2007, OCD Deputy Oil and Gas Inspector Kelly Roberts performed a routine inspection at the Burlington Hare #14M, at which time Deputy Inspector

ACO 192

Burlington Resources (14538) – Hare #14M (30-045-33566)

Page 1 of 4

August 24, 2007

Roberts found a lined drilling pit. The pit liner was torn and had collapsed into the pit below the fluid level.

- 5) An OCD investigation found the following:
 - a. The OCD approved Burlington's request for a lined drilling pit on June 8, 2006.
 - b. The well was spud on January 3, 2007.
 - c. Production casing was run on January 8, 2007.
 - d. The rig left location on January 9, 2007.
- 6) Rule 50.C(2)(b)(i) [19.15.2.50.C(2)(b)(i) NMAC] requires that, "[e]ach drilling pit or workover pit shall contain, at a minimum, a single liner appropriate for conditions at the site. The liner shall be designed, constructed, and maintained so as to prevent the contamination of fresh water, and protect public health and the environment. Pits used to vent or flare gas during drilling or workover operations that are designed to allow liquids to drain to a separate pit do not require a liner."
- 7) Burlington violated Rule 50C(2)(b)(i) by failing to maintain the liner and fluid level in a manner that would prevent the fluid from overtopping the liner, which was torn and had collapsed into the pit below the fluid level.
- 8) NMSA 1978, §70-2-31(A) provides in relevant part, "[a]ny person who knowingly and willfully violates any provision of the Oil and Gas Act or any provision of any rule or order issued pursuant to that act shall be subject to a civil penalty of not more than one thousand dollars (\$1,000) for each violation. For purposes of this subsection, in the case of a continuing violation, each day of violation shall constitute a separate violation." NMSA 1978, §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...."
- 9) As a result of its investigation, the OCD issued Notice of Violation (3-07-16) to Burlington alleging a knowing and willful violation of Rule 50.C(2)(b)(i).

II. STATEMENTS & ADDITIONAL INFORMATION PROVIDED BY THE OPERATOR, BURLINGTON

- 10) At the Administrative Conference held on July 18, 2007, Burlington presented the following:
 - a. On May 19, 2007 an inspection was conducted by Burlington personnel for their pit permit inspection program. The inspection found the liner was torn near the

divider berm and the South end of the pit, and both were repaired at the same time.

- b. Burlington did not receive any notification of the violation from OCD prior to their inspection and subsequent repair, nor did Burlington notify the OCD of the liner tear or repair.

III. CONCLUSIONS OF THE OCD

- 11) The OCD has jurisdiction over the parties and subject matter in this proceeding.
- 12) Burlington 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).
- 13) Burlington is subject to civil penalties under NMSA 1978, § 70-2-31(A) at the Hare #14M for one violation of Rule 50.C(2)(b)(i).
- 14) Burlington discovered and repaired the liner tear but did not notify the OCD.

IV. ORDER & CIVIL PENALTY ASSESSMENT

- 15) Taking into account both aggravating and mitigating factors, the OCD hereby **waives** the civil penalty issued to Burlington for violation of Rule 50.C(2)(b)(i) at the Hare #14M well.
- 16) Burlington will notify OCD in the future if and when their pit inspection program identifies an issue with a pit liner at one of their sites.
- 17) By signing this Order, Burlington expressly:
 - a. acknowledges the correctness of the Findings and Conclusions set forth in this Order;
 - b. agrees to comply with Ordering Paragraph 16.
 - 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;
 - 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.

ACO 192

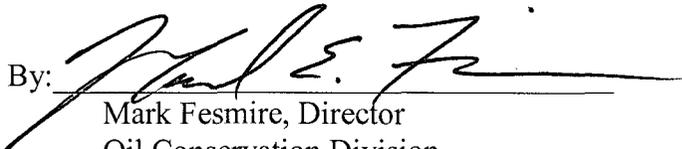
Burlington Resources (14538) – Hare #14M (30-045-33566)

Page 3 of 4

August 24, 2007

18) Nothing in this Order relieves Burlington of its liability should its operations fail to adequately investigate and remediate contamination that poses a threat to ground water, surface water, human health or the environment. In addition, nothing in this Order relieves Burlington of its responsibility for compliance with any other federal, state or local laws and/or regulations.

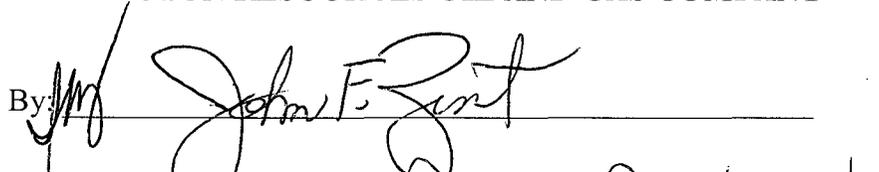
Done at Santa Fe, New Mexico, this 13th day of Sept 2007.

By: 
Mark Fesmire, Director
Oil Conservation Division

ACCEPTANCE

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

BURLINGTON RESOURCES OIL AND GAS COMPANY

By: 
Title: Manager Project Development
Date: September 5, 2007