

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

APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION, THROUGH THE ENFORCEMENT AND COMPLIANCE MANAGER, FOR A COMPLIANCE ORDER AGAINST JACKIE BREWER D/B/A SANDLOTT ENERGY, FINDING THAT OPERATOR KNOWINGLY AND WILLFULLY VIOLATED RULE 19.15.3.116 NMAC; ORDERING OPERATOR TO RETURN WELLS TO COMPLIANCE BY A DATE CERTAIN; ORDERING OPERATOR TO PLUG THE WELLS AND AUTHORIZING THE DIVISION TO PLUG THE WELLS AND FOREFIT THE APPLICABLE FINANCIAL ASSURANCE IF OPERATOR FAILS TO COMPLY WITH THE ORDER; ASSESSING PENALTIES; EDDY COUNTY, NEW MEXICO.

CASE NO. 14074

APPLICATION FOR COMPLIANCE ORDER AGAINST JACKIE BREWER
D/B/A SANDLOTT ENERGY

1. Sandlott Energy d/b/a Jackie Brewer ("Operator") is a sole proprietorship operating wells in New Mexico under OGRID 154329.

2. Operator is the operator of record for the following subject wells:

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|-------------------------------|-----------------------|--------------|
| • Daugherty State No. 001; | API No. 30-015-02589; | 4-4-18S-28E |
| • Levers A State No. 002 ; | API No. 30-015-26895; | B-8-18S-28E |
| • Levers State 7; | API No. 30-015-02575; | N-4-18S-28E |
| • Resler Yates State No. 317; | API No. 30-015-10254; | F-21-18S-28E |
| • Resler Yates State No. 322; | API No. 30-015-10285; | I-20-18S-28E |
| • Resler Yates State No. 367; | API No. 30-015-20088; | F-32-18S-28E |
| • Resler Yates State No. 370; | API No. 30-015-20094; | H-32-18S-28E |
| • Resler Yates State No. 381; | API No. 30-015-26134; | G-32-18S-28E |
| • Thomas State No. 001; | API No. 30-015-02672; | A-9-18S-28E |
| • Welch Duke State No. 018; | API No. 30-015-06125; | C-28-18S-28E |

3. Pursuant to NMSA 1978, Section 70-2-14, Operator has posted a fifty thousand dollars (\$50,000.00) blanket plugging bond (Bond No. BO5910) through

Underwriters Indemnity Company in Houston, Texas, to secure Operator's obligation to plug and abandon his wells in compliance with Oil Conservation Division ("OCD") rules. In 1999, RLI Insurance Company acquired Underwriters Indemnity Company, and now RLI Insurance Company is the surety in this case.

4. Section 70-2-14(B) states if any of the requirements of the Oil and Gas Act or the rules and regulations promulgated pursuant to that act have not been complied with, the OCD, after notice and hearing, may order any well plugged and abandoned by the operator or surety or both in accordance with OCD rules and regulations.

5. OCD Rule 19.15.3.116 NMAC ("Rule 116") requires OCD to be notified of any unauthorized release occurring during the drilling, producing, storing, disposing, injecting, transporting, servicing or processing of crude oil, natural gases, produced water, condensate or oil field waste including regulated NORM, or other oil field related chemicals, contaminants or mixture thereof, in the State of New Mexico. OCD Rule 116 states the notification shall be made by the person operating or controlling either the release or the location of the release. OCD Rule 116 requires notification to be made within a certain number of days following the discovery of the release. Notification requirements include completing and filing a Form C-141. OCD Rule 116 requires the notification to be made to the division district office for the area within which the release takes place and to the division's environmental bureau chief.

6. OCD Rule 116 requires the responsible person to complete division approved corrective action for releases which endanger public health or the environment. Releases are addressed in accordance with a remediation plan submitted to and approved by OCD.

7. As of this date, Operator has not notified OCD of any of the unauthorized releases at the subject wells in accord with the notification requirements of OCD Rule 116. Nor has Operator provided OCD with a remediation plan for the unauthorized releases at the subject wells.

Daugherty State No. 001

8. During a site inspection on November 22, 2002, OCD Deputy Oil and Gas Inspector Mike Bratcher observed a minor release at the well head.

9. During a site inspection on January 26, 2004, OCD Deputy Oil and Gas Inspector Gerry Guye observed an active leak at the stuffing box.

10. During a site inspection on February 4, 2004, Deputy Inspector Guye observed contamination at the site. He noticed that the leak he had previously observed at the stuffing box leak had stopped.

11. During a site inspection on August 19, 2004, Deputy Inspector Guye observed an active leak at the well head. The well was pumping.

12. During a site inspection on August 30, 2005, Deputy Inspector Bratcher observed heavy contamination at the well head area that extended out on to the location. He also observed an active leak at the stuffing box.

13. During a site inspection on October 20, 2005, Deputy Inspector Bratcher observed contamination at the site.

14. During a site inspection on July 20, 2007, Deputy Inspector Bratcher observed contamination at the well head area and the tank battery north of the well site. The well was pumping.

Levers A State No. 002

15. During a site inspection on January 22, 2003, Deputy Inspector Bratcher observed a large area of contamination at the well head area caused by leaks and spills. There was standing oil at the well head.

16. During a site inspection on February 24, 2003, Deputy Inspector Guye observed area contamination at the site. It appeared to him that Operator had not taken any action to remedy the contamination violations.

17. During a site inspection on April 16, 2003, Deputy Inspector Bratcher observed contamination at the site. It appeared to him that Operator had not taken any action to remedy the contamination violations.

18. During a site inspection on October 9, 2003, Deputy Inspector Bratcher observed contamination at the site. It appeared to him that Operator had not taken any action to remedy the contamination violations.

19. During a site inspection on April 8, 2004, Deputy Inspector Bratcher observed the well head area to be heavily contaminated. Deputy Inspector Bratcher sent Operator a letter that day which informed Operator of the contamination at the well. He asked Operator to remedy the release violations by July 12, 2004.

20. On August 19, 2004, Deputy Inspector Guye inspected the well site. It appeared to him that Operator had not taken any action to remedy the contamination violations.

21. During a site inspection on May 9, 2005, Deputy Inspector Bratcher observed heavy contamination at the tank battery located south of the well. The site

contained collapsed tanks and overturned vessels. The storage tank on the west end was actively leaking produced water.

22. On May 12, 2005, Deputy Inspector Bratcher sent Operator a letter informing Operator of the contamination at the well. He informed Operator that the tank battery located to the south of the well was heavily contaminated. He informed Operator that there were collapsed tanks and overturned vessels at the site. He informed Operator that the storage tank on the west end was actively leaking produced water. He informed Operator that the chloride impacted soils had to be properly remediated and hauled to a disposal facility. He asked Operator to remedy the release violations by June 10, 2005.

23. During a site inspection on July 22, 2005, OCD Deputy Oil and Gas Inspector Chris Beadle observed pools of oil and produced liquids around the tank battery. The oil and produced liquids had traveled approximately 100 yards towards the well head. There was heavy chloride staining on the road west of the tank battery.

24. During a site inspection on August 29, 2005, Deputy Inspector Bratcher observed contamination at the well head area. He saw no indication of any recent activity at the well site. The tank battery south of the well had collapsed tanks that had released produced fluids.

25. During a site inspection on October 20, 2005, Deputy Inspector Bratcher observed contamination at the site. One of the tanks had been moved and was lying on the southeast side of location between roads to the well area.

26. During a site inspection on July 20, 2007, Deputy Inspector Bratcher observed contamination at the well head area. He saw no indication of any recent activity

at the well site. The power switch was turned off. There was a collapsed tank at the tank battery located south of the well.

27. During a site inspection on October 3, 2007, Deputy Inspector Bratcher observed an increased oil release at the base of the separator and the east tank, and a small on-going produced water release at the west tank. The well was pumping.

Levers State No. 007

28. During a site inspection on August 30, 2005, Deputy Inspector Bratcher observed contamination at the tank battery. He saw no indication of any recent activity at the well site.

29. During a site inspection on October 20, 2005, Deputy Inspector Bratcher observed contamination at the site. There was a nearly full tank across the road ready to overflow into a pasture. The tank had a very heavy layer of oil on top.

30. During a site inspection on July 3, 2006, OCD Deputy Oil and Gas Inspector Phil Hawkins observed heavy contamination around the tanks and the separator. There was a release that had traveled approximately thirty feet from the tanks. The tanks and separators had active leaks.

31. During a site inspection on July 20, 2007, Deputy Inspector Bratcher observed heavy contamination around the storage tanks. The south tank had an active leak. He saw no indication of any recent activity at the well site.

Resler Yates State No. 317

32. During a site inspection on August 30, 2005, Deputy Inspector Bratcher observed heavy contamination at the well head area with oil pooled at the well head.

33. During a site inspection on July 25, 2007, Deputy Inspector Bratcher observed heavy contamination at the well head area. The well was pumping.

Resler Yates State No. 322

34. During a site inspection on August 20, 2004, Deputy Inspector Guye observed area contamination. The electricity was off. The well's last date of reported production was January 2004.

35. During a site inspection on August 30, 2005, Deputy Inspector Bratcher observed heavy contamination at the well head area and out onto the location. He saw no indication of any recent activity at the well site.

36. During a site inspection on July 25, 2007, Deputy Inspector Bratcher observed heavy contamination at the well head area and out onto the location. The well was pumping.

Resler Yates State No. 367

37. During a site inspection on August 20, 2004, Deputy Inspector Guye observed area contamination. The well had no pumping unit. The well's last date of reported production was April 2003.

38. During a site inspection on August 30, 2005, Deputy Inspector Bratcher observed contamination along the flow line on west side of location. The well had no pumping unit or production equipment.

39. During a site inspection on July 5, 2006, Deputy Inspector Hawkins observed contamination at the flow line on the west side of the location. There was contamination around the well and casing head. No electrical power was connected to the motor on the pumping unit.

40. During a site inspection on July 16, 2007, Deputy Inspector Bratcher observed contamination at the well head area and west of the pumping unit. The power was turned off. There were several repair patches on the metal flow line. It appeared to him that there had been no change in condition since the 2006 inspection. The well had a pumping jack.

Resler Yates State No. 370

41. During a site inspection on July 5, 2006, Deputy Inspector Hawkins observed contamination around the well head. There were no belts on the pumping unit motor and no electrical hook up.

42. During a site inspection on July 24, 2007, Deputy Inspector Bratcher observed contamination and standing oil around the pumping unit. He saw no indication of any recent activity at the well site. The electric meter had been pulled at the well site but an electric line had been laid to a power meter near the Resler Yates No. 381 well site.

Resler Yates State No. 381

43. During a site inspection on September 11, 2001, OCD Deputy Oil and Gas Inspector Mike Stubblefield observed an unreported oil spill at the tank battery.

44. On September 18, 2001, Deputy Inspector Stubblefield re-inspected the well site to check on the status of the spill remediation. Inspector Stubblefield noted that Operator had picked up the standing oil from the spill west of tank battery, and had back dragged the area. Inspector Stubblefield noted that additional work around the stock tanks needed to be done.

45. During a site inspection on September 17, 2002, Deputy Inspector Stubblefield observed a spill on the injection line running north of tank battery. Inspector Stubblefield sent Operator a letter informing Operator of the spill and asking Operator to submit a C-141.

46. During a site inspection on August 20, 2004, Deputy Inspector Guye observed area contamination. The well had no motor on the pumping unit.

47. During a site inspection on August 30, 2005, Deputy Inspector Bratcher observed heavy contamination at the tank battery. There was no motor on the pumping unit. He saw no indication of any recent activity at the well site. The ground around two storage vessels was saturated with oil, indicating a possible leak. One tank was collapsed.

48. During a site inspection on October 20, 2005, Deputy Inspector Bratcher observed contamination at the site.

49. During a site inspection on July 5, 2006, Deputy Inspector Hawkins observed contamination around the well head and the tanks. There was no motor on the pumping unit.

50. During a site inspection on July 24, 2007, Deputy Inspector Bratcher observed contamination and standing oil around the tanks at the tank battery on the west side of the well site. The well was inoperable as the pumping unit did not have any belts or sheaves.

Thomas State No. 1

51. During a site inspection on August 29, 2005, Deputy Inspector Bratcher observed various areas of contamination at the well site. The tank battery located west of

well was leaking produced water. The leak was in the bottom of the tank. The leak was a slow leak. He saw no indication of any recent activity at the well site. The electric meter had been pulled at the pole.

52. During a site inspection on October 20, 2005, Deputy Inspector Bratcher observed contamination at the site. The separator had been moved and was lying on its side approximately 50 feet south of the original location.

53. During a site inspection on July 3, 2006, Deputy Inspector Hawkins observed a large area of release and contamination at the well head, the flow line, around the tanks, the separators, and the pumps. The tanks had an active leak. There was no electric meter or power to the pumping unit.

54. During a site inspection on July 25, 2007, Deputy Inspector Bratcher observed heavy contamination at the well head area. The well had no pumping unit. There were numerous areas of contamination at tank battery located west of well.

Welch Duke State No. 018

55. During a site inspection on August 20, 2004, Deputy Inspector Guye observed area-wide contamination.

56. During a site inspection on October 15, 2004, Deputy Inspector Guye observed historical contamination at the well site

57. During a site inspection on August 30, 2005, Deputy Inspector Bratcher observed historical contamination at the well head area and out onto the location. He saw no indication of any recent activity at the well site.

58. During a site inspection on July 3, 2006, Deputy Inspector Hawkins observed historical contamination at the well head area and out onto the location.

59. During a site inspection on July 25, 2007, Deputy Inspector Bratcher observed contamination at the well head area and out onto location. He saw no indication of any recent activity at the well site.

60. After Operator failed to comply with OCD's verbal and written requests to bring his wells into compliance with OCD rules and remedy the contamination violations, OCD District II Supervisor Tim Gum met with Operator in person on January 10, 2005, to discuss Operator's non-complainant wells and the environmental issues resulting from the leaks and spills at his wells. District II Supervisor Gum told Operator that OCD would give him until September 30, 2005 to remedy all of his outstanding violations at all of his wells. District II Supervisor Gum told Operator that if he failed to remedy all of the violations by September 30, 2005, OCD would pursue enforcement action against him. District II Supervisor Gum presented this agreement to Operator in writing. District II Supervisor Gum allowed Operator to take the written agreement home to review and to think about. Operator signed the agreement on January 19, 2005.

61. NMSA 1978, Section 70-2-31(A) provides that any 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 for each violation, and that in the case of a continuing violation, each day of violation shall constitute a separate violation.

62. NMSA 1978, Section 70-2-33(A) defines "person" to mean "any individual, estate, trust, receiver, cooperative association, club, corporation, company, firm, partnership, joint venture, syndicate or other entity."

WHEREFORE, the Enforcement and Compliance Manager of the Division hereby applies to the Director to enter an order:

A. Determining that Operator violated OCD Rule 19.15.3.116 by not notifying OCD of the releases in accord with the rule and by not cleaning up the releases;

i. Determining that Operator knowingly and willfully violated OCD Rule 19.15.3.116;

ii. Assessing penalties for Operator's knowing and willful violation of OCD Rule 19.15.3.116;

B. Ordering Operator to remediate the contamination at the subject well sites by a date certain;

C. Ordering Operator to inspect all of his wells for contamination issues;

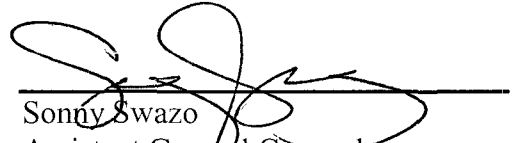
i. If contamination is found, ordering Operator to file a remediation plan with the appropriate OCD district office and environmental bureau chief;

D. If Operator fails to remediate the contamination at the subject wells by the date set in the Order; ordering Operator to plug his wells pursuant to Section 70-2-14(B) by a date certain;

E. If Operator fails to plug the subject wells by the date set in the Order, authorizing the OCD to plug his wells and forfeit the applicable financial assurance;

F. For such other and further relief as the Director deems just and proper under the circumstances.

RESPECTFULLY SUBMITTED,
this 14 day of November 2007 by



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Conservation Division

- Case No. 14074. Application of the New Mexico Oil Conservation Division for a Compliance Order against Jackie Brewer d/b/a Sandlott Energy. The Applicant seeks an order finding operator in violation of 19.15.3.116 NMAC; requiring operator to bring the wells into compliance with 19.15.3.116 by a date certain; ordering operator to plug the wells and authorizing the division to plug the wells and forfeit the applicable financial assurance in event of non-compliance with order; and assessing penalties. The affected wells are:

• Daugherty State No. 001;	API No. 30-015-02589;	4-4-18S-28E
• Levers A State No. 002 ;	API No. 30-015-26895;	B-8-18S-28E
• Levers State 7;	API No. 30-015-02575;	N-4-18S-28E
• Resler Yates State No. 317;	API No. 30-015-10254;	F-21-18S-28E
• Resler Yates State No. 322;	API No. 30-015-10285;	I-20-18S-28E
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• Thomas State No. 001;	API No. 30-015-02672;	A-9-18S-28E
• Welch Duke State No. 018;	API No. 30-015-06125;	C-28-18S-28E

The wells are located approximately 8 miles southwest of Loco Hills, in Eddy County, New Mexico.