

**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 FORFEIT THE APPLICABLE FINANCIAL ASSURANCE IF OPERATOR FAILS TO COMPLY WITH THE ORDER; ASSESSING PENALTIES; EDDY COUNTY, NEW MEXICO.

CASE NO. 14074

DE NOVO

Order No. R-12961-B

STIPULATED ORDER & SETTLEMENT AGREEMENT

The Oil Conservation Division (hereinafter, "OCD") and Jackie Brewer, d/b/a Sandlott Energy (hereinafter, "Operator"), hereby enter into this Stipulated Order & Settlement Agreement, to resolve fully and finally all issues asserted in Application For Compliance Order Against Jackie Brewer D/B/A Sandlott Energy ("the OCD's Application"), Case No. 14074. The parties mutually agree and bind themselves to the following:

1. OCD is the state agency charged with administration and enforcement of the Oil and Gas Act (hereinafter, "Act"), and the rules promulgated pursuant to that act.
2. Operator is a sole proprietorship that operates wells in New Mexico under OGRID 154329.
3. Operator is operator of record of the following ten wells:

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

4. Operator has operated these wells since 1996.

5. 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 OCD rules. In 1999, RLI Insurance Company acquired Underwriters Indemnity Company, and now RLI Insurance Company is the surety in this case. RLI Insurance Company was notified of the hearing before the examiner and did not enter an appearance in the case.

6. Section 70-2-14(B) states if any of the requirements of the 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, and forfeit the applicable financial assurance.

7. NMSA 1978, Section 70-2-31(A) provides that any person who knowingly and willfully violates any provision of the 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.

14. If Operator remediates the releases and spills at the ten wells in accord with this Order, OCD Rule 116, and the OCD's release and spill remediation guidelines by May 7, 2009, OCD agrees to waive \$36,000.00 of the \$48,000.00 civil penalty.

15. Operator agrees to pay, by November 21, 2008, \$12,000.00 of the \$48,000.00 civil penalty.

16. If Operator fails to remediate the releases and spills at all ten wells in accord with this Order, OCD Rule 116, and OCD release and spill remediation guidelines by May 7, 2009, Operator agrees to pay the remaining \$36,000.00 civil penalty by May 14, 2009.

17. If Operator fails to remediate the releases and spills at all ten wells in accord with this Order, OCD Rule 116, and the OCD's release and spill remediation guidelines by May 7, 2009, Operator agrees to plug and abandon the ten wells by August 7, 2009.

18. If Operator does not plug and abandon the ten wells by August 7, 2009, then OCD shall be authorized to plug and abandon the wells, and forfeit the \$50,000.00 blanket plugging bond.

19. Operator waives any right, pursuant to the Act or otherwise, to a hearing on the Application, either prior or subsequent to the entry of this Order, or to an appeal from this Order.

20. Nothing in this Order relieves Operator of his liability should he 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

8. 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."

9. OCD Rule 19.15.3.116 NMAC ("Rule 116") requires OCD to be notified of any unauthorized release and for such release to be remediated in accord with OCD requirements and standards.

10. The Application alleges that the ten subject wells have been in non-compliance with OCD Rule 116 since at least January 10, 2005.

11. The Application further alleges that operator has known about the ten subject wells being in non-compliance with OCD Rule 116, and has allowed the ten wells to remain in non-compliance with OCD Rule 116, since at least January 10, 2005.

12. Operator agrees to remediate, by May 7, 2009, the releases and spills at all ten wells in accord with this Order, OCD Rule 116, and the OCD's release and spill remediation guidelines. This includes, but is not limited to:

a. Filing a remediation work plan with the OCD Artesia District Office that complies with OCD Rule 116 and the OCD's release and spill remediation guidelines and that includes and is based on sample delineation and site ranking; and

b. Notifying the OCD Artesia District Office of any soil sampling at least 48 hours prior to conducting the sampling.

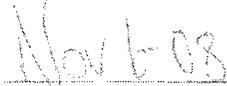
13. Operator agrees to the imposition of a \$48,000.00 civil penalty for the violations of OCD Rule 116 asserted in the Application.

relieves Operator of his responsibility for compliance with any other federal, state or local laws and/or regulations.

JACKIE BREWER D/B/A SANDLOTT ENERGY



Jackie Brewer, d/b/a
Sandlott Energy



Date

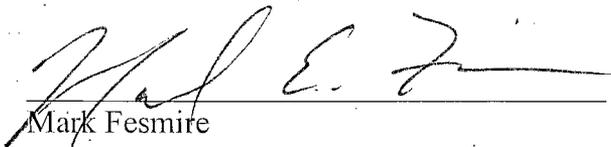


~~Mark Fasmire~~ Sonny Swazo
Director ASSISTANT GENERAL COUNSEL
Oil Conservation Division



Date

APPROVED BY:



Mark Fesmire
Commissioner
Oil Conservation Commission

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~~11~~/2/08

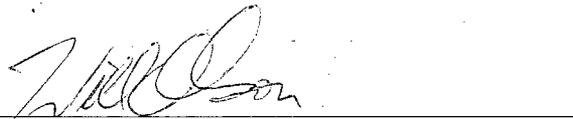
Date



Jami Bailey
Commissioner
Oil Conservation Commission

11/7/08

Date



William C. Olson
Commissioner
Oil Conservation Commission

11/7/08

Date