

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

**IN THE MATTER OF THE PROCEEDING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF CONSIDERING:**

**CASE NO. 13678
ORDER NO. E- 36**

**APPLICATION OF THE SUPERVISOR OF DISTRICT III FOR AN EMERGENCY
ORDER TEMPORARILY SUSPENDING THE PERMIT TO DRILL ISSUED TO LANCE
OIL & GAS COMPANY, INC. FOR THE FRPC 22 WELL NO. 002.**

**EMERGENCY
ORDER OF THE DIVISION**

BY THE DIVISION:

This matter came on for decision before the Director of the Oil Conservation Division on February 17, 2006, upon the verbal request of the Supervisor of District III.

NOW, on this *17th* day of February, 2006, the Division Director, having considered the request, and the records and other information provided by the Supervisor of District III,

FINDS THAT:

- (1) The Division has jurisdiction over this case and its subject matter.
- (2) Lance Oil & Gas Company, Inc. ("Lance"), OGRID 229938, is the operator of record of the FRPC 22 Well No. 002, API 30-045-33160, located in Unit letter E, Section 22, Township 29 North, Range 13 West in San Juan County, New Mexico (hereinafter, the FRPC 22 Well No. 002).
- (3) On June 17, 2005 the Division approved an application for permit to drill the FRPC 22 Well No. 002 filed by Lance electronically. The electronic permit form does not require information concerning information on the depth to ground water or the distance to the nearest surface water. The Division's approval imposed conditions, including a requirement that

notice be given to the division prior to construction of pits, and that pit construction and closure must satisfy Division rules.

(4) On November 29, 2005, the Division approved a sundry notice, Form C-103, filed by Lance indicating an intent to change plans for the well to use an aboveground closed looped system at the site of the FRPC 22 Well No. 002. Lance stated on the form that it "will not operate with a lined drilling pit on this well as the well pad is situated on a gravel pit and it would be prohibitive to do so, but will use an aboveground closed loop system." Nowhere on the applications for permit to drill filed by Lance did Lance indicate that the well will be located in a freshwater lake. The sundry notice form included blanks for depth to groundwater or the distance from nearest surface water; Lance left those portions of the form blank. This is a violation of 19.15.3.102.B NMAC and 19.15.13.1101.A NMAC that require forms to be filled out completely.

(5) On February 17, 2006, the District III office received a telephone call from a citizen concerned that Lance was drilling a well in a Farmington City Park, in a lake located within a gravel pit.

(6) Photographs of the drill site show the drilling rig in a body of water. Upon information and belief the water is fresh water, and is used as a fishery open to the public.

(7) Continued drilling at this location threatens fresh water, public health and the environment. The Division's concerns include but are not limited to the following:

- a) the site has insufficient berming to prevent runoff from the drill pad;
- b) if cement is run at the site, cement may enter the lake water;
- c) there is potential for water to rise at the location; and
- d) the site has insufficient controls to prevent groundwater contamination.

(8) The Division is charged by statute to regulate the disposition of nondomestic wastes resulting from the exploration and development of crude oil or natural gas, to protect public health and the environment. NMSA 1978, Section 70-2-12 (B)(21).

(9) The Division's rules require operators at all times to conduct their operations in or related to the drilling, equipping, operating, and producing of oil and gas wells in a manner that will prevent the contamination of fresh waters. 19.15.1.13 NMAC.

(10) The Division has determined that the threat to the environment posed by Lance's continued drilling operations at the FRPC 22 Well No. 002 constitutes an emergency under NMSA 1978, §70-2-23, requiring the issuance of an emergency order without public notice or hearing. Such order shall have the same validity as if a hearing with respect to the same had been held after due notice.

IT IS THEREFORE ORDERED THAT:

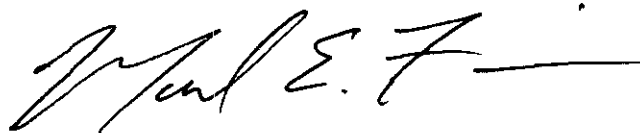
(1) The approval of the permit to drill issued to Lance for the FRPC 22 Well No. 002 is suspended temporarily pending the providing of additional information by the operator regarding a plan to protect the fresh water body in which this well is located, the groundwater, and public health and the environment.

(2) This order is effective **immediately**.

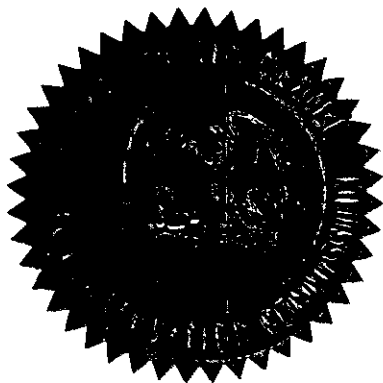
(3) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in black ink, appearing to read "Mark E. Fesmire", followed by a horizontal line.

MARK E. FESMIRE, P.E.
Director



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