



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

September 21, 2006

H. Dwayne and Rhonda K. Parrish
1306 S. 9th St.
Artesia, New Mexico 88210

Certified Mail No.: 7001 1940 0001 9971 5048

NOTICE OF VIOLATION (2-06-24)

Re: Facility Signal State No. 2, API No. 30-015-01901

Violations: OCD Rule 50.A [19.15.2.50.A NMAC]
 OCD Rule 50.B (3)(b) [19.15.2.50.B (3)(b) NMAC]
 OCD Rule 50.C [19.15.2.50.C NMAC]

Dear Mr. and Mrs. Parrish:

On May 4, 2006, Oil Conservation Division ("OCD") Deputy Oil and Gas Inspector Gerry Guye performed an inspection on the H. Dwayne & Rhonda K. Parrish ("Parrish") well identified above. This well failed to meet the standards of the OCD Rules.

By letter dated May 4, 2006, the OCD notified Parrish that the wells had failed the inspection and identified the nature of the failure. The letter instructed Parrish to repair the failures by August 7, 2006, and notify the proper district office of the Division, in writing, when the well was ready for re-inspection.

On August 18, 2006, Deputy Oil and Gas Inspector Guye contacted Dwayne Parrish by phone and requested an update on the status of the well. Mr. Parrish stated that no action had been taken to repair the violation, but that action would be taken, and the district office notified by August 23, 2006.

As of the date of this Notice of Violation, no notification has been received by OCD.

OCD Rule 50.A provides "discharge into, or construction of, any pit or below-grade tank is prohibited absent possession of a permit issued by the division, unless otherwise herein provided or unless the division grants an exemption pursuant to Subsection G of 19.15.2.50 NMAC."

H. Dwayne & Rhonda K. Parrish

September 11, 2006

Page 2

OCD Rule 50.B(3)(b) provides that "[f]or each pit ... in existence on April 15, 2004 that has not received an exemption after hearing as allowed by OCC Order R-3221 through R-3221D inclusive, the operator shall submit a notice not later than April 15, 2004 indicating either that use of the pit ... will continue or that such pit or below grade tank will be closed. If use of a pit ... is to be discontinued, discharge into the pit or use ... shall cease not later than June 30, 2005. If use of a pit ... will continue, the operator shall file a permit application not later than September 30, 2004."

A review of the well file for this well revealed the Division has issued no permit for this pit, nor has it received an exemption. Parrish is in violation of both constructing a pit without a permit and discharging into an unpermitted pit, two OCD Rule 50.A violations.

OCD Rule 50.C(2)(e) provides that "[n]o measurable or visible layer of oil may be allowed to accumulate or remain anywhere on the surface of any pit."

The Signal State No. 2 has a visible layer of hydrocarbons on the pit, an OCD Rule 50.C(2)(e) violation.

Parrish's misconduct warrants issuance of this Notice of Violation and assessment of civil penalties pursuant to NMSA 1978, §70-2-31(A) for violations of the OCD rules described above. Section 70-2-31(A) authorizes penalties of up to **one thousand dollars (\$1,000.00)** per day per violation for any knowing and willful violation of any provision of the Oil and Gas Act or any rule adopted pursuant to the Act.

Because the rule violations at issue is serious and occurred over a period of time, the OCD Artesia District Office believes at this time a **Three Thousand Dollar (\$3,000.00)** civil penalty and a definite commitment to future corrective action are essential. This penalty is based on three violations of OCD Rule 50 for this well.

Please contact Tim Gum within ten (10) days from the date of this letter at (505) 748-1283, ext. 102, to schedule an administrative conference to discuss this matter. OCD legal counsel may be present by telephone for this conference, and you may bring legal counsel if you wish. The purpose of the administrative conference is to discuss the facts surrounding this notice of violation, and to determine if the matter can be resolved administratively through an agreed compliance order.

If this matter cannot be resolved administratively, the OCD may take further enforcement action, which may include an enforcement hearing before an OCD hearing examiner seeking an order requiring that the wells be plugged and abandoned pursuant to NMSA 1978, § 70-2-14(B). That statute provides:

H. Dwayne & Rhonda K. Parrish

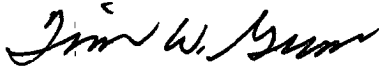
September 11, 2006

Page 3

"If any of the requirements of the Oil and Gas Act or the rules promulgated pursuant to that act have not been complied with, the oil conservation division, after notice and hearing, may order any well plugged and abandoned by the operator or surety or both in accordance with division rules. If the order is not complied with in the time period set out in the order, the financial assurance shall be forfeited."

Thank you for your assistance in this matter. If you have any questions, please do not hesitate to call.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Tim W. Gum".

Tim Gum
District II Supervisor

cc: Daniel Sanchez, OCD Compliance Director
Gerry Guye, OCD District II Inspector
Cheryl O'Connor, Assistant General Counsel