



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

Mark E. Fesmire, P.E.
Director
Oil Conservation Division

August 10, 2006

LETTER OF VIOLATION (2-06-30)

Marbob Energy
P.O. Box 227
Artesia, New Mexico 88211-0227

Reference: Burch Keely Unit # 394; N-13-17S-29E; API: 30-015-33807
Violation of OCD Rule 50 [19.15.2.50 NMAC] and Rule 116 [19.15.3.116 NMAC]

Dear Sir or Madam:

An inspection of the above referenced well site by the New Mexico Oil Conservation Division ("OCD") found this site to be in violation of OCD Rule 116 [19.15.3.116 NMAC] and Rule 50 [19.15.2.50 NMAC].

On July 17, 2006, the Bureau of Land Management ("BLM") telephoned the OCD Artesia District Office, advising it of an unauthorized release on the Burch Keely Unit # 394. That same day, OCD Inspector Gerry Guye went to the site and found that an unlined pit had been constructed adjacent to a drilling pit. The pit contained some fluid, but much of the fluid had escaped the pit and run approximately one hundred yards to the south. The fluid had reached the pit through a line running from the drilling rig to the pit. Some of the fluid being forced through the pipe shot over the pit causing the external flow path.

The amount of liquid released was of sufficient quantity to have required Marbob to give immediate (i.e., twenty-four hour notice) to the OCD, as well as timely written notice. See OCD Rule 116.

As the pit had not been permitted by the OCD, the discharge into the pit is an unauthorized release, as is the release of fluids from the pit.

A review by the OCD found that it had not received an application for a permit from Marbob to construct the pit, nor had a permit been issued by the OCD for the pit.

Corrective action needs to be taken by Marbob. Please remit to this office on or before August 21, 2006 a Form C-141 (i.e., required written notice), along with a remediation plan addressing the

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unauthorized release. Also by August 21, 2006, Marbob must submit a request to the OCD to permit the unlined pit or a closure plan for the permit.

If this matter is not satisfactorily resolved by the dates set out above, the OCD may assess penalties against Marbob for each violation of OCD Rules, in accordance with NMSA 1978, Section 70-2-31(A). This statute authorizes penalties of up to \$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. Alternatively or in addition to the penalties, the OCD may seek other remedies deemed appropriate for the situation.

Very truly yours,

Tim Gum
NMOCD District II Supervisor

pc: Daniel Sanchez, OCD Compliance Director
Cheryl O'Connor, Assistant General Counsel
Well file