



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

MARY E. JOHNSON

Governor

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Cabinet Secretary

Lori Wrotenbery

Director

Oil Conservation Division

October 6, 2006

Morexco, Inc.
P.O. Box 1591
Roswell, New Mexico 88202-1591

Certified Mail, Return Receipt No.: _7001 1940_0001_9971 5055_

NOTICE OF VIOLATION (2-06-25)

Re: Facility Pardue Farms "29" No. 1, API No. 30-015-33537
Violations: OCD Rule 50 [19.15.2.50 NMAC]

Dear Operator:

On July 28, 2006, Oil Conservation Division ("OCD") Deputy Oil and Gas Inspector Gerry Guye performed an inspection on the Morexco, Inc. ("Morexco") well identified above. This well failed to meet the standards of OCD Rule 50.C(1) and F [19.15.2.50 NMAC].

By Letter of Violation dated August 11, 2006, the OCD notified Morexco of the OCD Rule 50.C(1) and F violations. *Attachment 1, LOV dated August 11, 2006.* Briefly, Morexco violated OCD Rule 50.C(2)(b) as the pit liner had been breached and was allowing contamination outside of the lined area. It violated OCD Rule 50.F by failing to timely close the pit. Morexco was required to furnish a detailed closure plan for the pit and perform the closure within 30 days of the date of the Letter of Violation.

As of the date, no closure plan has been received by the OCD.

Morexco'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 are serious and occurred over a period of time, the OCD Artesia District Office believes at this time a **Two Thousand Dollar (\$2,000.00)** civil penalty and a definite commitment to future corrective action are essential. This penalty is based on two violations of OCD Rule 50 for this well.

Morexco, Inc.
September 26, 2006
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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:

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,



Tim Gum
District II Supervisor

pc: Daniel Sanchez, OCD Compliance Manager
Gail MacQuesten, OCD Assistant General Counsel
Cheryl O'Connor, OCD Assistant General Counsel
Gerry Guye, OCD District II Inspector