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FOR IMMEDIATE RELEASE:

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State issues Notice of Violation to Caza Operating, LLC

Violations include failure to submit monthly production reports, drilling in violation of permit terms, failure to notify OCD of proposed changes to drilling plans, and unauthorized flaring

SANTA FE – Today the Energy, Minerals and Natural Resources Department announces that it has issued a Notice of Violation including cumulative proposed civil penalties of \$1,827,500 to Caza Operating, LLC (“Caza”) for multiple violations of the New Mexico Oil and Gas Act.

The violations include:

- Failure to file monthly production reports.
- Drilling in violation of permit terms.
- Failure to notify the state Oil Conservation Division (OCD) of changes to its drilling plan; and
- Unauthorized flaring of natural gas.

The OCD recognized a pattern of non-compliance on Caza’s part while conducting routine production audits. Caza’s failure to file production reports over several months triggered a broader compliance review that uncovered the additional violations.

One violation involved the drilling of three wells in a fashion that deviated from Caza’s approved drilling permit. Caza failed to notify the OCD of its intent to modify its drilling plans. The review also revealed that in August 2022 Caza had violated New Mexico’s Natural Gas Waste Rules by conducting a large amount of unauthorized flaring at one of its wells.

The OCD considers each of these serious violations. In addition to compromising the quality of New Mexico’s oil and gas production records, such violations potentially prevent mineral owners from receiving royalties on oil and gas resources to which they are entitled. Ultimately these violations—particularly those involving deviations from approved drilling permits—undermine OCD’s ability to ensure that wells are being completed in a proper and safe fashion.

Any departure from an approved drilling permit must be approved by OCD in advance. Finally, unauthorized flaring of natural gas is an illegal waste of the resource.

“Thanks to the diligent work of our staff, OCD was able to recognize this pattern of non-compliance and undercover multiple violations,” said OCD Director Adrienne Sandoval. “OCD remains committed to ensuring compliance with the Oil and Gas Act by all operators in New Mexico.”

The operator has the opportunity to discuss an informal resolution of the Notice of Violation and penalty with OCD. If an informal resolution is not reached, OCD will hold a hearing on February 16, 2023.

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The Energy, Minerals and Natural Resources Department provides resource protection and renewable energy resource development services to the public and other state agencies.

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