

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

**IN RE NOTICE OF VIOLATION ISSUED TO
LEASE HOLDERS ACQUISITIONS, INC.**

**CASE NO. 22220
ORDER R-21966**

This matter came before the Director of the New Mexico Oil Conservation Division (“Division”) on the Notice of Violation (“NOV”) issued to Lease Holders Acquisitions, Inc., OGRID #372878 (“Operator”). The Division conducted a public hearing on December 1, 2021. The Director, having considered the testimony and evidence presented, and being otherwise fully advised in the premises, enters the following findings, conclusions and order:

FINDINGS

1. The Division has jurisdiction over the parties and the subject matter herein.
2. On August 12, 2021, the Division issued the NOV, which alleged three violations:
 - a. Operator has more inactive wells than are allowed by 19.15.5.9(A)(4)(a) NMAC. Operator is the registered operator of thirteen wells in the state of New Mexico. As an operator of less than one-hundred wells, it must plug and abandon or place into approved temporary abandonment status any inactive wells that exceed the threshold of two wells or fifty percent of all operated wells. Operator has ten inactive wells which have not been plugged and abandoned or placed into temporary abandonment status.

<u>API#</u>	<u>Well</u>	<u>Last Production Reported</u>
30-025-38192	BAGLEY #002	Aug-09
30-025-01871	EAST SAUNDERS UNIT #001	Jan-10

30-025-38082	INBE 12 #001	Jul-16
30-025-37840	INBE 13 #001	Mar-16
30-025-00996	J P COLLIER #001	Oct-16
30-025-22133	J P COLLIER #004Y	Jul-16
30-025-32859	MARIGOLD UNIT #001	Jan-18
30-025-36485	NEW MEXICO 36 STATE #001	Aug-17
30-025-36464	SHELLY 36 STATE #006	May-07
30-025-01834	SOUTH FOUR LAKES UNIT #006	Jun-08

For this violation, the Division requested an Order requiring the Operator to plug and abandon the wells by a date certain or, if the Operator fails to plug and abandon the wells, to allow the Division to do so, and if the Division plugs and abandons the wells, to forfeit any financial assurance for the wells, and to require Operator to pay the excess cost to plug and abandon the wells. The Division also proposed to assess a civil penalty of three thousand dollars (\$3,000) for exceeding the inactive well threshold.

b. Operator has failed to file required monthly production reports, form C-115, as required by 19.15.7.24 NMAC. Operator is the registered operator of thirteen wells but has not submitted a C-115 for any well since 2015. For this violation, the Division requested an Order revoking Operator’s authorization to transport from all wells and proposed a civil penalty of fifteen thousand six hundred dollars (\$15,600).

c. Operator does not have sufficient financial assurance for active or inactive wells under 19.15.8.9 NMAC. 19.15.8.9(C) NMAC requires blanket plugging financial assurance of seventy-five thousand dollars (\$75,000) for operators with eleven to fifty wells. Operator is the registered operator of thirteen wells but has provided only fifty

thousand dollars (\$50,000). 19.15.8.9(D) NMAC requires three hundred thousand dollars (\$300,000) in blanket plugging financial assurance for six to ten qualifying wells.

Operator has ten qualifying wells. For the financial assurance violations, OCD proposed a civil penalty of three thousand dollars (\$3,000).

3. The NOV provided that a process is available for the informal review and resolution of the alleged violations in the NOV. If the NOV is not resolved informally within 30 days after service of notice, the Division will hold a hearing. 19.15.5.10(C)(1)(f) NMAC. The Division served the NOV on the Operator. Operator did not contact the Division during the informal resolution period which expired on or about September 21, 2021.
4. On September 20, 2021, the Division filed and served the Docketing Notice.
5. Operator did not file an answer to the NOV as allowed by 15.15.5.10 (E)(2)(b) NMAC.
6. The Division gave notice of the hearing as required by 19.15.5.10 NMAC. The hearing was scheduled for October 6, 2021 and was continued to December 1, 2021.
7. Operator did not appear at the hearing held on December 1, 2021.
8. The Division presented the testimony of one witness, Mr. Rob Jackson, Compliance Officer and Bond Administrator with the Division's Administrative and Compliance Bureau and offered ten exhibits in support of his testimony.
9. Based on the Division's testimony and evidence, the Director finds that Operator violated 19.15.5.9(A)(4)(a) NMAC, by failing to plug and abandon inactive wells; 19.15.7.24 NMAC, by failing to file monthly production reports; and 19.15.8.9 (C) & (D) NMAC, by failing to provide sufficient financial assurance.

10. The Director finds that the sanctions proposed by the Division are allowed by law, 19.15.5.10(B) NMAC, and are supported by the record in this case.

ORDER

11. Operator's authority to transport from all wells is hereby revoked.
12. Operator shall plug and abandon the ten wells listed in paragraph 2(a) no later than 30 days after issuance of this Order.
13. If Operator fails to plug and abandon the wells listed in paragraph 2(a) within 30 days of issuance of this Order, the Division shall be authorized to plug and abandon the wells and to forfeit the financial assurance for the wells. Operator shall pay the excess cost to plug and abandon the wells no later than 30 days after actual or attempted service of the Division's written demand.
14. Operator is assessed civil penalties in the amount of twenty-one thousand six hundred dollars (\$21,600).
15. The Division retains jurisdiction of this matter for the entry of such further orders as it may deem necessary.

**STATE OF NEW MEXICO
OIL CONSERVATION DIVISION**



ADRIENNE SANDOVAL
DIRECTOR
AES/bb

Date: 12/22/2021