

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

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF CONSIDERING:**

**CASE NO. 15186
ORDER NO. R-13894**

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION DIVISION FOR A COMPLIANCE ORDER AGAINST DESERT ROSE RESORT LLC DBA KOA KAMPGROUND, FINDING THAT THE OPERATOR IS IN VIOLATION OF DIVISION RULE 19.15.16.11 NMAC AS TO ONE WELL, REQUIRING OPERATOR TO BRING SAID WELL INTO COMPLIANCE WITH 19.15.16.11 NMAC BY A DATE CERTAIN, AND IN THE EVENT OF NON-COMPLIANCE, DECLARING THE WELL ABANDONED AND AUTHORIZING THE DIVISION TO PLUG THE WELL IN SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on August 21, 2014, at Santa Fe, New Mexico, before Examiner Michael McMillan.

NOW, on this 17th day of September, 2014, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

- (1) Due notice has been given, and the Division has jurisdiction of the subject matter of this case.
- (2) The Division seeks a compliance order against Desert Rose Resort LLC DBA KOA Kampground, finding that the operator is in violation of Division Rule 19.15.16.11 NMAC as to one well, requiring operator to bring said well into compliance with Division Rule 19.15.16.11 NMAC by a date certain, and in the event of non-compliance, declaring the well abandoned and authorizing the Division to plug the well in San Juan County, New Mexico.
- (3) Desert Rose Resort LLC DBA KOA Kampground (“Desert Rose”) is the respondent in this action.

(4) Desert Rose, through John Bagwell, appeared in person at the hearing.

(5) The Division appeared at the hearing through legal counsel and presented the following testimony.

(a) Division records identify Desert Rose as the sole proprietor and operator of record of the subject well.

(b) Desert Rose is registered under OGRID No. 215351 and Corporation No. 1651785.

(c) Desert Rose's officers of record are Adele E. Eckert, William Eckert, and Thomas R. Sikorski.

(d) Subsection O of 19.15.2.7 NMAC defines "operator" as "a person who, duly authorized, is in charge of a lease's development or a producing property's operation, and who is in charge of a facility's operation or management."

(e) Desert Rose has posted financial assurance in the form of a \$5,000 cash bond, Wells Fargo Farmington Bond No. OCD-726 to secure its obligation to plug and abandon the well.

(f) The Hare Well No. 001, (API No. 30-045-08185), is in violation of Division Rule 19.15.16.11 NMAC. Rule 16.11 requires an operator of a well with defective casing or cementing to notify the Division within five working days to use the appropriate method and means to eliminate the hazard. If the hazard of waste or contamination of fresh water cannot be eliminated, the operator shall properly plug and abandon the well.

(g) NMSA 1978, Section 70-2-14(B) provides, in relevant part, "If any of the requirements of the Oil and Gas Act [70-2-1 NMSA 1978] 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."

The Division determined the following:

(6) Desert Rose is the operator of record for the subject well and is responsible for compliance of the subject well.

(7) Desert Rose is in violation of the following rule: 19.15.16.11 NMAC, (the defective casing rule), as established in the findings.

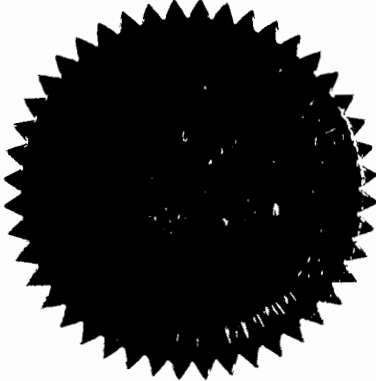
IT IS THEREFORE ORDERED THAT:

(1) Desert Rose shall plug and abandon the Hare Well No. 001 within 60 days of the issuance of this order. If Desert Rose fails to comply, they will be found in violation of this Division order as required by Rule 19.15.5.9 (A)(2) NMAC.

(2) After 60 days, the Division may plug and abandon the Hare Well No. 001, remediate the well site, and collect the applicable financial assurance and recover costs from Desert Rose in accordance with Division Rule 19.15.8.13 NMAC.

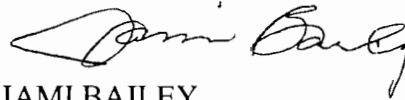
(3) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



JAMI BAILEY
Director