

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

NMOCD - ACOI- **259**

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**IN THE MATTER OF CELERO ENERGY II, LP,**

**Respondent.**

**INACTIVE WELL  
AGREED COMPLIANCE ORDER**

Pursuant to the New Mexico Oil and Gas Act, NMSA 1978, Sections 70-2-1 through 70-2-38, as amended ("Act") and OCD Rule 19.15.5.10(E) NMAC, the Director of the Oil Conservation Division ("OCD") and Celero Energy II, LP ("Operator") enter into this Inactive Well Agreed Compliance Order ("Order" or "ACOI") under which Operator agrees to plug, place on approved temporary abandonment status or restore to production or other beneficial use the wells identified herein pursuant to the Act and OCD Rule 19.15.25.8 NMAC in accordance with the following agreed schedule and procedures, and understands that the OCD may decide not to amend the Order for an additional six months as provided by this Order, nor enter into any further agreements with Operator, if Operator fails to meet the terms of this Order.

**FINDINGS**

1. The OCD is the state division charged with administration and enforcement of the Act, and rules and orders adopted pursuant to the Act.
2. Operator is a limited partnership doing business in the state of New Mexico.
3. Operator is the operator of record under OGRID 247128 for the wells identified in Exhibit "A," attached.
4. OCD Rule 19.15.25.8 NMAC states, in relevant part:  
  
    "A. The operator of wells drilled for oil or gas or services wells including seismic, core, exploration or injection wells, whether cased or uncased, shall plug the wells as Subsection B of 19.15.25.8 NMAC requires.  
    B. The operator shall either properly plug and abandon a well or place the well in approved temporary abandonment in accordance with 19.15.25 NMAC within 90 days after:

....  
....

(3) a period of one year in which a well has been continuously inactive.”

5. The wells identified in Exhibit “A”

- (a) have been continuously inactive for a period of one year plus 90 days;
- (b) are not plugged or abandoned in accordance with OCD Rule 19.15.25.9 NMAC through 19.15.25.11 NMAC; and
- (c) are not on approved temporary abandonment status in accordance with OCD Rule 19.15.25.12 NMAC through 19.15.25.14 NMAC.

### **CONCLUSIONS**

1. The OCD has jurisdiction over the parties and subject matter in this proceeding.
2. The wells identified in Exhibit “A” are out of compliance with OCD Rule 19.15.25.8 NMAC.
3. As operator of the wells identified in Exhibit “A,” Operator is responsible for bringing those wells into compliance with OCD Rule 19.15.25.8 NMAC.

### **ORDER**

1. Operator agrees to bring at least 5 of the wells identified in Exhibit “A” into compliance with OCD Rule 19.15.25.8 NMAC by December 18, 2012 by
  - (a) restoring the well to production or other OCD-approved beneficial use **and filing a C-115 documenting such production or use;**
  - (b) causing the wellbore to be plugged in accordance with OCD Rule 19.15.25.10(B) NMAC **and filing a C-103 describing the completed work;** or
  - (c) placing the well on approved temporary abandonment status in accordance with OCD Rule 19.15.25.12 NMAC through 19.15.25.14 NMAC.
2. Operator agrees that at least 3 of the 5 wells that it brings into compliance with OCD Rule 19.15.25.8 NMAC by December 18, 2012 shall be wells that are identified in Exhibit “A” as having a date of last production of 1992 or older.
3. Oil and gas produced during swabbing does not count as production for purposes of this Order.
4. Operator shall file a compliance report identifying each well returned to compliance, stating the date it was returned to compliance and describing how the well was returned to compliance (restored to production or other approved beneficial use, plugged wellbore, approved temporary abandonment status.) Transfer of a well identified on Exhibit “A” to another operator does not count

towards Operator's obligation to return wells to compliance under the terms of this Order, but does reduce the total number of wells for which Operator is responsible under the terms of this Order. The written compliance report must be mailed or e-mailed to the OCD's Enforcement and Compliance Manager and to the OCD attorney in charge of inactive well agreed compliance orders so that it is received by the compliance deadline of December 18, 2012.

5. When the OCD receives a timely compliance report indicating that Operator has returned at least 5 wells to compliance, with at least 3 of the 5 wells being wells identified in Exhibit "A" as having a date of last production of 1992 or older, and verifies the accuracy of that report, and verifies that Operator is in compliance with OCD's financial assurance requirements, the OCD shall issue an amendment to this Order extending its terms for an additional six-month period, requiring Operator to bring into compliance an additional 5 wells identified in Exhibit "A," with at least 3 of the 5 wells being wells identified in Exhibit "A" as having a date of last production of 1992 or older, and to file a compliance report by the compliance deadline. OCD shall provide a copy of that amendment to Operator at Operator's address of record provided pursuant to OCD Rule 19.15.9.8(C) NMAC.
6. If, in any six-month period, Operator returns more wells to compliance than the number required under this Order for that six-month period, the wells in excess of the number required will count towards the Operator's requirements for the next six-month period. However, none of the excess wells shall count towards Operator's requirements for bringing at least 3 wells identified in Exhibit "A" with a date of last production of 1992 or older to compliance in a six-month period unless the excess wells are wells identified in Exhibit "A" as having a date of last production of 1992 or older.
7. If Operator returns at least 5 wells to compliance in the second six-month period with at least 3 of the 5 wells being wells identified in Exhibit "A" as having a date of last production of 1992 or older, files a timely compliance report, and is in compliance with OCD's financial assurance requirements, OCD shall issue an amendment to this Order extending its term for a third six-month period, requiring Operator to bring into compliance an additional 5 wells identified in Exhibit "A," with at least 3 of the 5 wells being wells identified in Exhibit "A" as having a date of last production of 1992 or older, and to file a compliance report by the compliance deadline. If Operator returns at least 5 wells to compliance in the third six-month period, with at least 3 of the 5 wells being wells identified in Exhibit "A" as having a date of last production of 1992 or older, files a timely compliance report and is in compliance with the OCD's financial assurance requirements, OCD shall issue an amendment to this Order extending its term for a fourth six-month period, requiring Operator to bring into compliance an additional 5 wells identified in Exhibit "A," with at least 3 of the 5 wells being wells identified in Exhibit "A" as having a date of last production of 1992 or older, and to file a compliance report by the compliance deadline. The total

length of this Agreed Compliance Order, including the initial six-month period and any amendments, shall not exceed two years.

8. If Operator fails to bring the number of wells into compliance required in a six-month period covered by this Order or amendments issued to this Order, Operator understands that the OCD may decide not to amend the Order for an additional six month period as provided by the terms of the Order and may decide not to enter into any more agreements with Operator.
9. Thirty days after the compliance deadline set by this Order or any amendments to this Order, any wells on Exhibit "A" not in compliance with OCD Rule 19.15.25.8 NMAC will appear on the inactive well list kept pursuant to OCD Rule 19.15.5.9(F) NMAC.
10. By signing this Order, Operator expressly:
  - (a) acknowledges the correctness of the Findings and Conclusions set forth in this Order;
  - (b) agrees to return to compliance by December 18, 2012 at least 5 of the wells identified in Exhibit "A," with at least 3 of the wells being wells identified in Exhibit "A" as having a date of last production of 1992 or older, and agrees to comply with the compliance deadlines set by any amendments to this Order;
  - (c) agrees that at least 3 of the 5 wells it brings into compliance in each six-month period will be wells identified in Exhibit "A" as having a date of last production of 1992 or older;
  - (d) agrees to submit a compliance report as required in Ordering Paragraph 4 by the compliance deadline set by any amendments to this Order;
  - (e) understands that if Operator fails to bring the number of wells into compliance required in a six-month period covered by this Order or amendments issued to this Order, the OCD may decide not to amend the Order for an additional six month period as provided by the terms of the Order and may decide not to enter into any more agreements with Operator;
  - (f) waives any right, pursuant to the Oil and Gas Act or otherwise, to an appeal from this Order, or to a hearing either prior to or subsequent to the entry of this Order; and
  - (g) agrees that the Order and amendments to the Order may be enforced by OCD or Oil Conservation Commission Order, by suit or otherwise to the same extent and with the same effect as a final Order of the OCD or Oil Conservation Commission entered after notice and hearing in accordance with all terms and provisions of the Oil and Gas Act.
11. This Order applies only to the enforcement of OCD Rule 19.15.25.8 NMAC against those wells identified in Exhibit "A." Other wells operated by Operator out of compliance with OCD Rule 19.15.25.8 NMAC may be subject to

immediate enforcement action under the Oil and Gas Act and OCD Rules. Wells identified in Exhibit "A" that are out of compliance with the Oil and Gas Act or OCD Rules other than Rule 19.15.25.8 NMAC may be subject to immediate enforcement action under the Oil and Gas Act and OCD Rules.

12. The OCD reserves the right to file an application for hearing to obtain authority to plug any well identified in Exhibit "A" and forfeit the applicable financial assurance if the well poses an immediate environmental threat.

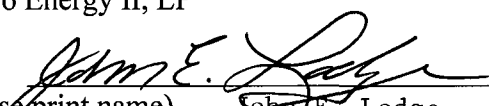
Done at Santa Fe, New Mexico this 21<sup>st</sup> day of June, 2012

By:   
John Bailey,   
Director, Oil Conservation Division

### ACCEPTANCE

Celero Energy II, LP hereby accepts the foregoing Order, and agrees to all of the terms and provisions set forth in that Order.

Celero Energy II, LP

By:   
(Please print name) John E. Lodge  
Title: Vice President - Land  
Date: 6/15/12

### Exhibit A to Agreed Compliance Order for Celero Energy II, LP

	<u>API</u>	<u>WELL</u>	<u>LAST PRODUCTION</u>
1)	30-025-07136	ANGEL #002	11/2006
2)	30-025-05125	BUCKLEY B #002	08/1990
3)	30-025-27493	BYARS #001	10/2006
4)	30-005-00902	DRICKEY QUEEN SAND UNIT #007	12/1992
5)	30-005-00901	DRICKEY QUEEN SAND UNIT #008	02/1999
6)	30-005-00898	DRICKEY QUEEN SAND UNIT #011	12/1992
7)	30-005-00894	DRICKEY QUEEN SAND UNIT #012	03/1999
8)	30-005-00895	DRICKEY QUEEN SAND UNIT #013	12/1992
9)	30-005-00897	DRICKEY QUEEN SAND UNIT #014	02/1999
10)	30-005-00896	DRICKEY QUEEN SAND UNIT #015	03/2000
11)	30-005-00971	DRICKEY QUEEN SAND UNIT #017	03/1999

12)	30-005-00977	DRICKEY QUEEN SAND UNIT #018	12/1992
13)	30-005-00976	DRICKEY QUEEN SAND UNIT #019	03/2000
14)	30-005-01024	DRICKEY QUEEN SAND UNIT #026	03/1999
15)	30-005-01025	DRICKEY QUEEN SAND UNIT #033	12/1992
16)	30-005-01070	DRICKEY QUEEN SAND UNIT #040	12/1992
17)	30-005-01074	DRICKEY QUEEN SAND UNIT #041	12/1992
18)	30-005-01064	DRICKEY QUEEN SAND UNIT #046	12/1992
19)	30-005-01127	DRICKEY QUEEN SAND UNIT #053	12/1992
20)	30-005-21135	DRICKEY QUEEN SAND UNIT #147	03/1999
21)	30-005-00978	DRICKEY QUEEN SAND UNIT #805	08/2000
22)	30-005-01013	DRICKEY QUEEN SAND UNIT #812	12/1992
23)	30-005-00984	DRICKEY QUEEN SAND UNIT #815	05/1996
24)	30-005-00985	DRICKEY QUEEN SAND UNIT #816	02/1999
25)	30-005-00986	DRICKEY QUEEN SAND UNIT #821	12/1992
26)	30-005-00987	DRICKEY QUEEN SAND UNIT #822	09/1998
27)	30-005-00988	DRICKEY QUEEN SAND UNIT #823	12/1992
28)	30-005-01021	DRICKEY QUEEN SAND UNIT #828	07/1998
29)	30-005-00990	DRICKEY QUEEN SAND UNIT #829	07/1998
30)	30-005-00991	DRICKEY QUEEN SAND UNIT #830	12/1992
31)	30-005-00992	DRICKEY QUEEN SAND UNIT #831	06/1996
32)	30-005-00993	DRICKEY QUEEN SAND UNIT #832	06/1994
33)	30-005-00994	DRICKEY QUEEN SAND UNIT #833	12/1992
34)	30-005-10158	DRICKEY QUEEN SAND UNIT #837	07/1998
35)	30-025-32737	LAWRENCE #001	09/2003
36)	30-005-00828	ROCK QUEEN UNIT #012	12/1992
37)	30-005-00827	ROCK QUEEN UNIT #016	12/1992
38)	30-005-00820	ROCK QUEEN UNIT #019	12/1992
39)	30-005-00907	ROCK QUEEN UNIT #101	12/1992
40)	30-005-00906	ROCK QUEEN UNIT #102	03/1999
41)	30-005-00824	ROCK QUEEN UNIT #114	12/1992
42)	30-025-05243	STATE H #002	09/2007
43)	30-005-01096	WEST CAP QUEEN SAND UNIT #002	03/2005
44)	30-005-01105	WEST CAP QUEEN SAND UNIT #014	12/1992
45)	30-005-01116	WEST CAP QUEEN SAND UNIT #017	08/1996
46)	30-005-01114	WEST CAP QUEEN SAND UNIT #019	08/1985

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47)	30-005-01117	WEST CAP QUEEN SAND UNIT #020	12/1992
48)	30-005-01102	ZIMMERMAN #002	03/2005
49)	30-005-01110	ZIMMERMAN A #001	03/2005
50)	30-005-01112	ZIMMERMAN A #003	03/2005
51)	30-005-01113	ZIMMERMAN A #004	03/2005

Celero Energy II, LP

By: 