

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

**CASE NO. 12758-A
ORDER NO. R-11712-B**

IN THE MATTER OF THE HEARING CALLED BY THE NEW MEXICO OIL CONSERVATION DIVISION THROUGH THE SUPERVISOR OF THE DISTRICT I HOBBS OFFICE ON ITS OWN MOTION FOR AN ORDER REQUIRING CERTAIN OPERATORS TO BRING ONE HUNDRED AND FORTY-SEVEN (147) WELLS INTO COMPLIANCE WITH DIVISION RULE 201.B AND ASSESSING APPROPRIATE CIVIL PENALTIES; LEA, ROOSEVELT, AND CHAVES COUNTIES, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on May 2, 2002, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 21st day of April, 2004, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.

(2) In Division Case No. 12758, the Division initially named the following fourteen operators as Respondents and sought an order requiring them to bring one hundred and forty-seven (147) certain wells located in Lea, Roosevelt, and Chaves Counties, New Mexico, into compliance with Division Rule 201.B, either by: (i) restoring these wells to production or other Division-approved beneficial use; (ii) causing these wells to be properly plugged and abandoned in accordance with Division Rule 202.B; or (iii) securing Division authority to maintain these wells in temporary abandonment status, in accordance with Division Rule 203, and imposing appropriate civil penalties on those operators failing to comply with Division Rule 201.B:

Amtex Energy, Inc. (4 wells)
Bettis, Boyle & Stovall (11 wells)
C. E. LaRue & B. M. Muncy, Jr. (11 wells)
C. W. Stumhoffer (1 well)
Crestridge Drilling and Production Company, LLC (3 wells)
Erwin Oil & Gas Ltd. Company (1 well)
Fi-Ro Corporation (3 wells)
Hal J. Rasmussen Operating, Inc. (30 wells)
Happy Oil Company (1 well)
John A. Yates, Jr. (1 well)
Kenson Operating Company, Inc. (48 wells)
Kersey & Company (1 well)
Kevin O. Butler & Associates, Inc. (16 wells)
Mallon Oil Company (16 wells)

(3) The seven (7) wells operated by C. W. Stumhoffer, Erwin Oil & Gas Ltd. Company, Fi-Ro Corporation, Happy Oil Company, and Kersey & Company were addressed by Orders No. R-11712, issued by the Division in Case No. 12758 on January 15, 2002, and R-11712-A, issued by the New Mexico Oil Conservation Commission ("Commission") on April 26, 2002.

(4) The remaining one hundred and forty (140) wells operated by Amtex Energy, Inc., Bettis, Boyle & Stovall, C. E. LaRue & B. M. Muncy, Jr., Crestridge Drilling and Production Company, LLC, Hal J. Rasmussen Operating, Inc., John A. Yates, Jr., Kenson Operating Company, Inc., Kevin O. Butler & Associates, Inc., and Mallon Oil Company were severed from Case No. 12758 and assigned to Division Case No. 12758-A.

(5) These nine (9) Respondents are the subject of this severed case. At the May 2, 2002 hearing, the Division appeared through counsel and Respondent John A. Yates, Jr. also appeared through legal counsel. The remaining eight Respondents named in this severed case did not participate in these proceedings, either by filing a written appearance or by appearing at the hearing.

(6) At the time of the hearing, the Division as "Applicant" in this case, proposed a formula in assessing civil penalties based on precedent established by the Division in other inactive well cases.

(7) In May, 2000, the Division initiated its inactive well program. The purpose of this statewide program was to: (i) identify wells that were not in compliance with Division Rule 201.B; and (ii) direct the operators to bring these inactive wells into compliance with Division rules

(8) The Application alleges that Amtex Energy, Inc. of Midland, Texas ("Amtex") is the operator of the following four (4) wells in Lea County, New Mexico:

| API No. | Well Name and Number | UPLS/HP | Storage Location |
|--------------|--------------------------|--------------|----------------------|
| 30-025-32747 | Chukar State #1 | O-16-19S-34E | 330' FSL & 2310' FEL |
| 30-025-31653 | Dagger Lake "5" State #1 | O-5-22S-33E | 330' FSL & 1980' FEL |
| 30-025-31337 | Merit Record "35" #1 | P-35-19S-35E | 990' FS & EL |
| 30-025-32196 | Record #4 | N-26-19S-35E | 760' FSL & 2080' FWL |

(9) The testimony presented indicates that as of the date of this hearing all four of the above-described wells were out of compliance with Division Rule 201.B.

(10) The Division's records indicate, however, that the above-described Merit Record "35" Well No. 1 (API No. 30-025-31337) and Record Well No. 4 (API No. 30-025-32196) were properly plugged and abandoned in November, 2002. Since both the Merit Record "35" Well No. 1 and Record Well No. 4 are now in compliance with Division Rule 201.B, both wells should be **excluded** from this case.

(11) With respect to Amtex's two (2) remaining wells, the testimony presented indicates that:

(a) the last reported oil production from the above-described Dagger Lake "5" State Well No. 1 (API No. 30-025-31653) was March, 1995;

(b) the only production reported for the above-described Chukar State Well No. 1 (API No. 30-025-32747) was 40 barrels of oil attributed to the Pearl-Queen Pool (49780) in April, 1995;

(c) the Division on several occasions beginning in May, 2000, notified Amtex that the above-described Dagger Lake "5" State Well No. 5 and Chukar State Well No. 1 were not in compliance with Division Rule 201.B, and demanded that these two wells be brought into compliance;

(d) by letter dated October 26, 2001, Amtex informed the Division that both wells would be temporarily abandoned by March 15, 2001; and

(e) at the time of the hearing this work had not been performed.

(12) Amtex should be ordered to bring the above-described Dagger Lake "5" State Well No. 5 and Chukar State Well No. 1 into compliance with Division Rule 201.B at this time.

(13) With respect to the above-described Dagger Lake "5" State Well No. 5 and Chukar State Well No. 1, Amtex knowingly and willfully failed to comply with Division Rule 201.B for at least one (1) year. Pursuant to NMSA 1978, Section 70-2-31.A, a civil penalty should be assessed Amtex in the amount of One Thousand Dollars (\$1,000.00) (\$1,000.00 for each year the well was out of compliance since first notification to the date of the hearing) per well. The total penalty assessed Amtex should therefore be Two Thousand Dollars (\$2,000.00).

(14) The Application alleges that Bettis, Boyle & Stovall of Graham, Texas is the operator of the following eleven (11) wells in Lea County, New Mexico:

| API No. | Well Name and Number | CLSTR | Footage Location |
|--------------|----------------------|--------------|----------------------|
| 30-025-11668 | B. M. Justis "A" #2 | H-20-25S-37E | 1980' FNL & 660' FEL |
| 30-025-11664 | B. M. Justis "A" #6 | H-20-25S-37E | 2310' FNL & 330' FEL |
| 30-025-11680 | B. T. Lanehart #1 | G-21-25S-37E | 1980' FN & EL |
| 30-025-11682 | B. T. Lanehart #3 | C-21-25S-37E | 660' FNL & 1980' FWL |
| 30-025-11681 | B. T. Lanehart #4 | B-21-25S-37E | 990' FNL & 2310' FEL |
| 30-025-11679 | B. T. Lanehart #5 | G-21-25S-37E | 2310' FN & EL |
| 30-025-25588 | B. T. Lanehart #6 | B-21-25S-37E | 990' FNL & 1650' FEL |
| 30-025-23721 | Patsy "A" #1 | B-20-22S-37E | 990' FNL & 1980' FEL |

| | | | |
|--------------|-----------------|--------------|----------------------|
| 30-025-23925 | Patsy "B" #2 | N-17-22S-37E | 660' FSL & 1980' FWL |
| 30-025-11629 | State "O" #1 | A-16-25S-37E | 660' FN & EL |
| 30-025-11666 | V. H. Justis #2 | D-20-25S-37E | 370' FNL & 420' FWL |

(15) The testimony presented indicates that the above-described B. T. Lanehart Well No. 3 (API No. 30-025-11682) was returned to producing status in November, 2001 and is currently completed as an oil well in the Jalmat Gas Pool (33820); therefore, this well should be **excluded** from this case.

(16) Subsequent to the hearing, review of the Division's records and data submitted by the Division's district office in Hobbs indicates that the above-described:

(a) B. M. Justis "A" Well No. 6 (API No. 30-025-11664) underwent a mechanical integrity test on October 22, 2003 and the Division's district office in Hobbs approved its temporarily abandoned status (see Division Form C-103 dated January 30, 2004); and

(b) State "O" Well No. 1 (API No. 30-025-11629) was properly plugged and abandoned in late May, 2002 (see NMOCD Form C-103 approved by the Division's district office in Hobbs on February 25, 2003).

(17) The above-described B. M. Justis "A" Well No. 6 and State "O" Well No. 1 are now in compliance with Division Rule 201.B; therefore, these two (2) wells should also be **excluded** from this case.

(18) With respect to Bettis, Boyle & Stovall's eight (8) remaining wells listed above, the testimony presented by the Division indicates:

(a) the last reported production from the above-described B. M. Justis "A" Well No. 2 (API No. 30-025-11668) was December, 1986;

(b) the last reported oil and gas production from the above-described B. T. Lanehart Well No. 1 (API No. 30-025-11680) was December, 1987;

(c) the last reported oil and gas production from the above-described B. T. Lanehart Well No. 4 (API No. 30-025-11681) was July, 1990;

(d) the last reported oil and gas production from the above-described B. T. Lanehart Well No. 5 (API No. 30-025-11679) was May, 1994;

(e) the last reported oil and gas production from the above-described B. T. Lanehart Well No. 6 (API No. 30-025-25588) was October, 1985;

(f) the last reported oil and gas production from the above-described Patsy "A" Well No. 1 (API No. 30-025-23721) was June, 1998;

(g) the last reported oil and gas production from the above-described Patsy "B" Well No. 2 (API No. 30-025-23925) was June, 1987;

(h) the last reported oil and gas production from the above-described V. H. Justis Well No. 2 (API No. 30-025-11666) was May, 1993;

(i) the Division on several occasions, beginning in May, 2000, notified Bettis, Boyle & Stovall that it's B. M. Justis "A" Well No. 2, B. T. Lanehart Wells No. 1, 4, 5, and 6, Patsy "A" Well No. 1, Patsy "B" Well No. 2, and V. H. Justis Well No. 2 were not in compliance with Rule 201.B, and demanded that these eight wells be brought into compliance;

(j) on November 14, 2001 the Division's district office in Hobbs received an NMOCD Form 103 for each of these eight wells showing they would either be plugged and abandoned by July, 2002 or temporarily abandoned no later than March, 2002; and

(k) to date this work has not been performed.

(19) The B. M. Justis "A" Well No. 2, B. T. Lanehart Wells No. 1, 4, 5, and 6, Patsy "A" Well No. 1, Patsy "B" Well No. 2, and V. H. Justis Well No. 2 are not in compliance with Division Rule 201.B and Bettis, Boyle & Stovall should be ordered to bring these eight (8) wells into compliance with Division Rule 201.B at this time.

(20) With respect to the B. M. Justis "A" Well No. 2, B. T. Lanehart Wells No. 1, 4, 5, and 6, Patsy "A" Well No. 1, Patsy "B" Well No. 2, and V. H. Justis Well No. 2, Bettis, Boyle & Stovall knowingly and willfully failed to comply with Division Rule 201.B for at least one (1) year, and pursuant to NMSA 1978, Section 70-2-31.A, a civil penalty should be assessed Bettis, Boyle & Stovall in the amount of One Thousand Dollars (\$1,000.00) (\$1,000.00 for each year the well was out of compliance since first notification to the date of the hearing) per well. The total penalty assessed Bettis, Boyle & Stovall should therefore be Eight Thousand Dollars (\$ 8,000.00).

(21) The Application alleges that C. E. LaRue & B. M. Muncy, Jr. of Artesia, New Mexico ("LaRue/Muncy") are the operators of the following eleven (11) wells in Chaves and Lea Counties, New Mexico (within the API well number, 005 denotes Chaves County and 025 denotes Lea County):

| API No. | Well Name and Number | BLSP | Footage Location |
|--------------|---|--------------|-----------------------|
| 30-005-20953 | Gulf Kimmons #2 | A-19-8S-31E | 660' FN & EL |
| 30-005-20967 | Gulf Wilcox #1 | P-19-8S-31E | 660' FS & EL |
| 30-025-00842 | Pearsall Queen Sand Unit -Tract "3" #1 | A-5-18S-32E | 660' FN & EL |
| 30-025-00839 | Pearsall Queen Sand Unit - Tract "4-A" #1 | E-4-18S-32E | 1980' FNL & 660' FWL |
| 30-025-00846 | Pearsall Queen Sand Unit - Tract "9" #1 | I-5-18S-32E | 2310' FSL & 330' FEL |
| 30-025-20242 | Pearsall Queen Sand Unit - Tract "16" #1 | K-4-18S-32E | 2310' FSL & 1650' FWL |
| 30-025-21710 | Pearsall Queen Sand Unit - Tract "13" #1 | P-32-17S-32E | 660' FS & EL |
| 30-025-21711 | Pearsall Queen Sand Unit - Tract "14" #1 | O-32-17S-32E | 660' FSL & 1980' FEL |
| 30-025-00838 | Pearsall Queen Sand Unit - Tract "4" #2 | C-4-18S-32E | 660' FNL & 1980' FWL |
| 30-025-00843 | Pearsall Queen Sand Unit - Tract "3" #2 | B-5-18S-32E | 660' FNL & 1980' FEL |
| 30-005-00983 | Trigg Federal #14 | J-4-14S-31E | 2310' FSL & 1650' FEL |

(22) The testimony presented indicates that as of the date of this hearing all eleven of the above-described wells were out of compliance with Division Rule 201.B.

(23) The Division's records indicate, however, that the above-described Trigg Federal Well No. 14 (API No. 30-005-00983) was properly plugged and abandoned in January, 1986 and is therefore in compliance with Division Rule 201.B. The Trigg Federal Well No. 14 should be **excluded** from this case.

(24) Subsequent to the hearing, review of the Division's records and data submitted by the Division's district office in Hobbs indicates that the above-described Pearsall Queen Sand Unit - Tract "13" Well No. 1 (API No. 30-025-21710) was placed back on production status in September, 2002. The Division's production records indicate this well produced 155 barrels of oil from the Pearsall-Queen Pool (49970) from September, 2002 through March, 2003. Furthermore, by NMOCD Form C-104A dated August 26, 2003 and approved by the Division September 18, 2003, ownership of this well, effective August 1, 2003, transferred to Mack Energy Corporation of Artesia, New Mexico.

(25) Therefore, that portion of this case seeking to bring LaRue/Muncy's above-described Pearsall Queen Sand Unit - Tract "13" Well No. 1 into compliance should be **dismissed** at this time.

(26) Subsequent to the hearing, review of the Division's records and data provided by the Division's district office in Hobbs indicates that effective August 1, 2003 ownership of the above-described Pearsall Queen Sand Unit Tract "3" Well No. 1 (API No. 30-025-00842), Tract "4" Well No. 2 (API No. 30-025-00838), Tract "4-A" Well No. 1 (API No. 30-025-00839), Tract "9" Well No. 1 (API No. 30-025-00846), Tract "14" Well No. 1 (API No. 30-025-21711), and Tract "16" Well No. 1 (API No. 30-025-20242) was transferred to Mack Energy Corporation of Artesia, New Mexico (see NMOCD Form C-104A dated August 26, 2003 and approved by the Division September 18, 2003); therefore, these six (6) wells should also be **excluded** from this case.

(27) With respect to LaRue/Muncy's three (3) remaining wells listed above, the testimony presented by the Division indicates:

(a) the last reported oil production from the above-described Gulf Kimmons Well No. 2 (API No. 30-005-20953) was July, 1984;

(b) the above-described Gulf Wilcox Well No. 1 (API No. 30-005-20967), which was drilled 1984, has no reported production;

(c) the last reported oil production from the above-described Pearsall Queen Sand Unit - Tract "3" Well No. 2 (API No. 30-025-00843) was June, 1994; in early 1996 the Division's district office in Hobbs received a federal Sundry Notice "U.S. BLM Form 3160" from LaRue/Muncy on this well showing their intent to plug and abandon this well; and

(d) the Division on several occasions, beginning in May, 2000, notified LaRue/Muncy that it's Gulf Kimmons Well No. 2, Gulf Wilcox Well No. 1, and Pearsall Queen Sand Unit - Tract "3" Well No. 2 were not in compliance with Rule 201.B, and demanded that these three wells be brought into compliance.

(28) The above-described Gulf Kimmons Well No. 2, Gulf Wilcox Well No. 1, and Pearsall Queen Sand Unit - Tract "3" Well No. 2 are not currently in compliance with Division Rule 201.B and LaRue/Muncy should be ordered to bring these three (3) wells into compliance with Division Rule 201.B at this time.

(29) With respect to these three (3) inactive wells, LaRue/Muncy knowingly and willfully failed to comply with Division Rule 201.B for at least one (1) year, and pursuant to NMSA 1978, Section 70-2-31.A, a civil penalty should be assessed LaRue/Muncy in the amount of One Thousand Dollars (\$1,000.00) (\$1,000.00 for each year the well was out of compliance since first notification to the date of the hearing) per well. The total penalty assessed LaRue/Muncy should therefore be Three Thousand Dollars (\$ 3,000.00).

(30) At the hearing, the Division's legal counsel represented that Crestridge Drilling and Production Company, LLC of Midland, Texas ("Crestridge") has satisfied the supervisor of the Division's Hobbs district office that its three following-described wells in Lea County, New Mexico, have been brought into compliance with Division Rule 201.B; therefore, the case against Crestridge should be **dismissed** at this time:

(a) Mexico "F" Well No. 1 (API No. 30-025-05246), located 660 feet from the North line and 1980 feet from the West line (Lot 3/Unit C) of Section 2, Township 15 South, Range 37 East, NMPM;

- (b) Mexico "F Well No. 4 (API No. 30-025-05249), located 660 feet from the North and West lines (Lot 4/Unit D) of Section 2, Township 15 South, Range 37 East, NMPM, which well was the subject of Division Administrative Order SWD-330, dated October 5, 1987; and
- (c) Mexico "F" Well No. 5 (API No. 30-025-05250), located 660 feet from the North line and 1980 feet from the East line (Lot 2/Unit B) of Section 2, Township 15 South, Range 37 East, NMPM.

(31) The Application alleges that Hal J. Rasmussen Operating, Inc. of Midland, Texas ("Rasmussen") is the operator of the following thirty (30) wells in Lea County, New Mexico:

| API No. | Well Name and Number | T15S37E | Absolute Location |
|--------------|----------------------|---------------|-----------------------|
| 30-025-02531 | Amerada State #3 | G-13-21S-34E | 2310' FNL & 1650' FEL |
| 30-025-04377 | Charlotte State #2 | C-32-20S-36E | 660' FNL & 1980' FWL |
| 30-025-04371 | Charlotte State #4 | N-29-20S-36E | 660' FSL & 1980' FWL |
| 30-025-23964 | Gulf Cookie State #1 | G-21-23S-36E | 2310' FNL & 1650' FEL |
| 30-025-24073 | Gulf Cookie State #2 | H-21-23S-36E | 2310' FNL & 990' FEL |
| 30-025-02534 | Kaiser State #5 | J-13-21S-34E | 1980' FS & EL |
| 30-025-02537 | Kaiser State #8 | O-13-21S-34E | 990' FSL & 2310' FEL |
| 30-025-02538 | Kaiser State #9 | F-13-21S-34E | 1980' FN & WL |
| 30-025-02546 | Kaiser State #41 | E-13-21S-34E | 2310' FNL & 1270' FWL |
| 30-025-02547 | Kaiser State #42 | J-13-21S-34E | 2310' FS & EL |
| 30-025-32741 | Kaiser State #44 | F-13-21S-34E | 2310' FN & WL |
| 30-025-21747 | Mobil State #1 | O-16-23S-36E | 660' FSL & 1980' FEL |
| 30-025-02549 | Phillips State #1 | G-14-21S-34E | 1980' FN & EL |
| 30-025-28495 | San Simon #1 | H-13-21S-34E | 1325' FNL & 650' FEL |
| 30-025-03424 | Shell State #1 | K-7-21S-35E | 1980' FS & WL |
| 30-025-03422 | Shell State #4 | 4/M-7-21S-35E | 660' FSL & 587' FWL |
| 30-025-03427 | Shell State #7 | F-7-21S-35E | 1980' FNL & 1907' FWL |
| 30-025-03428 | Shell State #8 | C-7-21S-35E | 660' FNL & 1907' FWL |
| 30-025-03431 | Shell State #14 | 3/L-7-21S-35E | 1370' FSL & 1124' FWL |
| 30-025-02554 | State #2 | K-16-21S-34E | 1650' FSL & 2310' FWL |

| | | | |
|--------------|---------------------|--------------|-----------------------|
| 30-025-02557 | State "A" #1 | O-16-21S-34E | 660' FSL & 1980' FEL |
| 30-025-02563 | State "B" #1 | B-21-21S-34E | 660' FNL & 1980' FEL |
| 30-025-10748 | State "JCT" #1 | B-16-23S-36E | 660' FNL & 1980' FEL |
| 30-025-02553 | Valero State #1 | N-16-21S-34E | 660' FSL & 2310' FWL |
| 30-025-03436 | Wilson "A" State #1 | G-7-21S-35E | 3860' FSL & 2540' FEL |
| 30-025-03433 | Wilson "A" State #2 | B-7-21S-35E | 660' FNL & 1980' FEL |
| 30-025-02571 | Wilson State #1 | G-23-21S-34E | 2310' FNL & 1650' FEL |
| 30-025-02577 | Wilson State #2 | J-23-21S-34E | 2310' FS & EL |
| 30-025-02575 | Wilson State #3 | J-23-21S-34E | 1950' FSL & 1520' FEL |
| 30-025-02569 | Wilson State #17 | A-23-21S-34E | 330' FN & EL |

(32) The testimony presented indicates that the above-described State Well No. 2 (API No. 30-025-02554) was plugged and abandoned by D. B. Baxter of Midland, Texas in June, 1980; therefore, this well should be **excluded** from this case.

(33) Subsequent to the hearing, review of the Division's records and data provided by the Division's district office in Hobbs indicates that ownership of the above-described Kaiser State Well No. 9 (API No. 30-025-02538), formerly the Wilson State Well No. 9 and State-Battery 4 Well No. 9, was transferred to P & W Resources, L.L.C. of Carlsbad, New Mexico on April 1, 2003. In May, 2003 the new operator commenced disposing produced salt water into the Yates and Seven Rivers formations; reauthorization to dispose into this well is currently pending. Since the Kaiser State Well No. 9 is now in compliance with Division Rule 201.B, this well should also be **excluded** from this case.

(34) With respect to Rasmussen's twenty-eight (28) remaining wells listed above, the testimony presented by the Division indicates that:

(a) the last reported oil and gas production from the above-described Amerada State Well No. 3 (API No. 30-025-02531) was December, 1970; moreover this well has not been utilized as an active salt water disposal well (see Division Administrative Order SWD-125, dated January 24, 1972) since at least 1988, nor has it been recompleted by Rasmussen as a producing well as proposed in 1992 (see NMOCD Form C-101 dated April 21, 1992);

(b) the last reported oil and gas production from the above-described Charlotte State Well No. 2 (API No. 30-025-04377) was May, 1992;

(c) the last reported oil and gas production from the above-described Charlotte State Well No. 4 (API No. 30-025-04371) was July, 1991;

(d) the last reported oil and gas production from the above-described Gulf Cookie State Well No. 1 (30-025-23964) was February, 1994;

(e) the last reported oil and gas production from the above-described Gulf Cookie State Well No. 2 (API No. 30-025-24073) was August, 1996;

(f) the last reported oil and gas production from the above-described Kaiser State Wells No. 5 (API No. 30-025-02534) and 41 (API No. 30-025-02546) was August, 1991;

(g) the last reported oil and gas production from the above-described Kaiser State Well No. 8 (API No. 30-025-02537), formerly the Wilson State Well No. 8 and State-Battery 4 Well No. 8, was November, 1968; moreover this well has not been utilized as an active salt water disposal well (see Division Order No. R-3657, issued in Case No. 4015 on January 13, 1969) since at least 1988, nor has it been recompleted by Rasmussen as a producing well as proposed in 1992 (see NMOCD Form C-101 dated April 21, 1992);

(h) the last reported oil and gas production from the above-described Kaiser State Well No. 42 (API No. 30-025-02547), formerly the State-Battery 4 Well No. 42, was March, 1997;

(i) the last reported oil and gas production from the above-described Kaiser State Well No. 44 (API No. 30-025-32741) was October, 1997;

(j) the last reported oil and gas production from the above-described Mobil State Well No. 1 (API No. 30-025-21747), formerly the State Well No. 1, was May, 1990; furthermore this well was the subject of Division Order No. R-9628, issued in Case No. 10395 on January 17, 1992, which denied Rasmussen's request to convert this well to a salt water disposal well;

(k) the last reported oil and gas production from the above-described Phillips State Well No. 1 (API No. 30-025-02549) was December, 1982;

(l) the last reported oil and gas production from the above-described San Simon Well No. 1 (API No. 30-025-28495) was November, 1984; moreover this well has not been utilized as an active salt water disposal well (see Division Administrative Order SWD-367, dated May 17, 1989) since July, 2001;

(m) the last reported oil and gas production from the above-described Shell State Wells No. 1 (API No. 30-025-03424), 4 (API No. 30-025-03422), and 7 (API No. 30-025-03427) was October, June, and August, 1991, respectively;

(n) the last reported oil and gas production from the above-described Shell State Well No. 8 (API No. 30-025-03428) was March, 1965; moreover this well does not appear to have been utilized as a Santa Rosa fresh water supply well (see NMOCD Form C-103 dated March 1, 1966) since 1984, nor does it appear that it was recompleted as a producing well as proposed in 1984 by Marks & Garner Production Company of Lovington, New Mexico (see NMOCD Form C-103 dated August 30, 1984);

(o) the last reported oil and gas production from the above-described Shell State Well No. 14 (API No. 30-025-03431) was June 1969; moreover this well has not been utilized as an active salt water disposal well (see Division Administrative Order SWD-112, dated April 7, 1970) since at least before July, 1981;

(p) the last reported oil and gas production from the above-described State "A" Well No. 1 (API No. 30-025-02557) and State "B" Well No. 1 (API No. 30-025-02563) was March, 1995;

(q) the last reported oil and gas production from the above-described State "JCT" Well No. 1 (API No. 30-025-10748) was January, 1974; moreover this well has not been utilized as an active salt water disposal well (see Division Order No. R-5194, issued in Case No. 5641 on April 20, 1976) since August, 1996;

(r) the last reported oil and gas production from the above-described Valero State Well No. 1 (API No. 30-025-02553), formerly the State Well No. 1, was November, 1976;

(s) the last reported oil and gas production from the above-described Wilson "A" State Well No. 1 (API No. 30-025-03436) was February, 1965; moreover this well has not been utilized as an active salt water disposal well (see also Division Order No. R-3657) at least since December, 1992;

(t) the last reported oil and gas production from the above-described Wilson "A" State Well No. 2 (API No. 30-025-03433) was March, 1995;

(u) the last reported oil and gas production from the above-described Wilson State Well No. 1 (API No. 30-025-02571), formerly the State Well No. 19, was July, 1971; moreover this well has not been utilized as an active salt water disposal well (see Division Administrative Order SWD-125, dated January 24, 1972) since at least before February, 1978;

(v) the last reported oil and gas production from the above-described Wilson State Well No. 2 (API No. 30-025-02577), formerly the Wilson State Well No. 21, was October 1963; moreover this well has not been utilized as an active salt water disposal well (see also Division Order No. R-3657) since at least before 1980;

(w) the last reported oil and gas production from the above-described Wilson State Well No. 3 (API No. 30-025-02575), formerly the State-Battery 7 Well No. 43, was December, 1991;

(x) the last reported oil and gas production from the above-described Wilson State Well No. 17 (API No. 30-025-02569) was December, 1957; moreover this well does not appear to have been utilized as a Santa Rosa fresh water supply well (see NMOCD Form C-102 dated July 15, 1964) since 1982;

(y) on January 14, 1997 the Division first notified Rasmussen that its State "JCT" Well No. 1 failed to demonstrate mechanical integrity and directed Rasmussen to bring this well into compliance with Division Rule 705 no later than April 30, 1997;

(z) the Division on several occasions, beginning in May, 2000, for all but the San Simon Well No. 1, for which the date of first notification was August, 2000, notified Rasmussen that the aforementioned 30 wells were not in compliance with Rule 201.B, and demanded that these wells be brought into compliance;

(aa) on October 1, 2001, Rasmussen filed NMOCD Forms C-103 with the Division's district office in Hobbs, indicating its intention to plug and abandon the above-described Shell State Well No. 1, State "B" Well No. 1, Valero State Well No.1, and Wilson State Wells No. 1, 2, 3 and 17 (seven wells); and

(bb) on October 31, 2001, Rasmussen filed NMOCD Forms C-103 with the Division's district office in Hobbs, indicating its intention to plug and abandon the above-described Amerada State Well No. 3, Charlotte State Wells No. 2 and 4, Gulf Cookie State Well No. 2, Kaiser State Wells No. 5, 8, 41, 42, and 44, Mobil State Well No. 1, Phillips State Well No. 1, San Simon Well No. 1, Shell State Wells No. 4, 7, 8, and 14, State "A" Well No. 1, State "JCT" Well No. 1, and Wilson "A" State Wells No. 1 and 2 (20 wells).

(35) Twenty-eight (28) of the above-described thirty wells, the exception being the Kaiser State Well No. 9 and State Well No. 2, are not in compliance with Division Rule 201.B, and Rasmussen should therefore be ordered to bring these twenty-eight (28) wells into compliance.

(36) With respect to these twenty-eight (28) inactive wells, Rasmussen knowingly and willfully failed to comply with Division Rule 201.B for at least one (1) year, and pursuant to NMSA 1978, Section 70-2-31.A, a civil penalty should be assessed Rasmussen in the amount of One Thousand Dollars (\$1,000.00) (\$1,000.00 for each year the well was out of compliance since first notification to the date of the hearing) per well. The total penalty assessed Rasmussen should therefore be Twenty-Eight Thousand Dollars (\$28,000.00).

(37) With respect to John A. Yates, Jr. of Artesia, New Mexico (John Yates), the Division presented evidence at the hearing showing that:

(a) John Yates is the current operator of the Murphy Kirkpatrick Federal Well No. 2 (API No. 30-041-00218), formerly the Bluit Unit Well No. 1 and Kirkpatrick Federal Well No. 2, located 660 feet from the North line and 1980 feet from the East line (Unit B) of Section 14, Township 8 South, Range 37 East, NMPM, Roosevelt County, New Mexico;

(b) this well was initially drilled by Shell Oil Company of Hobbs, New Mexico in 1954 (spud date – April 8, 1954) to a total depth of 9,700 feet, but was plugged and abandoned on September 23, 1954; in November, 1963, Nearburg and Ingram of Roswell, New Mexico re-entered this well and completed it in the Bluit-San Andres Associated Pool (6880);

(c) John Yates became the operator of this well on May 1, 1998;

(d) the last reported oil and gas production from the above-described Murphy Kirkpatrick Federal Well No. 2 was May, 1974; and

(e) this well was inactive and not in compliance with Division Rule 201.B.

(38) Subsequent to the hearing, review of the Division's records and data provided by the Division's district office in Hobbs indicates that production was restored in July, 2002 (see NMOCD Form C-104 dated July 12, 2002, approved by the Division on August 15, 2002).

(39) The above-described Murphy Kirkpatrick Federal Well No. 2 is now in compliance with Division Rule 201.B; therefore, the case against John Yates should be dismissed at this time.

(40) The Application alleges that Kenson Operating Company, Inc. of Houston, Texas ("Kenson") is the operator of the following forty-eight (48) wells in Lea County, New Mexico:

| Well No. | Well Name and Number | Well Size | Formation |
|--------------|-----------------------|----------------|-----------------------|
| 30-025-11293 | Langlie Jal Unit #11 | H-31-24S-37E | 2310' FNL & 330' FEL |
| 30-025-11298 | Langlie Jal Unit #18 | I-31-24S-37E | 1980' FSL & 330' FEL |
| 30-025-11303 | Langlie Jal Unit #12 | G-31-24S-37E | 2310' FNL & 1977' FEL |
| 30-025-11304 | Langlie Jal Unit #1 | B-31-24S-37E | 990' FNL & 1977' FEL |
| 30-025-11305 | Langlie Jal Unit #15 | 3/L-31-24S-37E | 1980' FSL & 660' FWL |
| 30-025-11306 | Langlie Jal Unit #301 | 4/M-31-24S-37E | 660' FS & WL |
| 30-025-11308 | Langlie Jal Unit #10 | E-32-24S-R37E | 1980' FNL & 660' FWL |
| 30-025-11311 | Langlie Jal Unit #3 | D-32-24S-37E | 990' FNL & 660' FWL |
| 30-025-11314 | Langlie Jal Unit #7 | H-32-24S-37E | 1980' FNL & 660' FEL |
| 30-025-11442 | Langlie Jal Unit #39 | 4/D-4-25S-37E | 330' FNL & 990' FWL |
| 30-025-11443 | Langlie Jal Unit #44 | E-4-25S-37E | 2310' FNL & 990' FWL |
| 30-025-11451 | Langlie Jal Unit #63 | P-5-25S-37E | 660' FS & EL |
| 30-025-11452 | Langlie Jal Unit #36 | 3/C-5-25S-37E | 660' FNL & 1980' FWL |
| 30-025-11469 | Langlie Jal Unit #53 | 6/L-6-25S-37E | 2080' FSL & 660' FWL |
| 30-025-11470 | Langlie Jal Unit #69 | N-6-25S-37E | 660' FSL & 1980' FWL |
| 30-025-11471 | Langlie Jal Unit #68 | O-6-25S-37E | 660' FSL & 1980' FEL |
| 30-025-11472 | Langlie Jal Unit #67 | P-6-25S-37E | 660' FS & EL |
| 30-025-11473 | Langlie Jal Unit #51 | F-6-25S-37E | 1980' FN & WL |
| 30-025-11475 | Langlie Jal Unit #31 | 4/D-6-25S-37E | 330' FNL & 929' FWL |
| 30-025-11493 | Langlie Jal Unit #85 | P-8-25S-37E | 660' FS & EL |
| 30-025-11497 | Langlie Jal Unit #73 | B-8-25S-37E | 660' FNL & 1980' FEL |
| 30-025-11498 | Langlie Jal Unit #77 | H-8-25S-37E | 1980' FNL & 660' FEL |
| 30-025-11501 | Langlie Jal Unit #81 | J-8-25S-R37E | 1980' FSL & 2310' FEL |
| 30-025-11506 | Langlie Jal Unit #72 | C-8-25S-37E | 660' FNL & 2310' FWL |
| 30-025-11510 | Langlie Jal Unit #75 | D-9-25S-37E | 660' FN & WL |
| 30-025-11513 | Langlie Jal Unit #83 | L-9-25S-37E | 1980' FSL & 660' FWL |
| 30-025-11630 | Langlie Jal Unit #89 | H-17-25S-37E | 1980' FNL & 660' FEL |

| | | | |
|--------------|-----------------------|---------------|-----------------------|
| 30-025-11633 | Langlie Jal Unit #93 | P-17-25S-37E | 660' FS & EL |
| 30-025-11635 | Langlie Jal Unit #94 | O-17-25S-37E | 990' FSL & 1980' FEL |
| 30-025-11644 | Langlie Jal Unit #88 | A-17-25S-37E | 990' FNL & 330' FEL |
| 30-025-23869 | Langlie Jal Unit #71 | D-8-25S-37E | 660' FNL & 510' FWL |
| 30-025-23870 | Langlie Jal Unit #79 | F-8-25S-37E | 1980' FN & WL |
| 30-025-23884 | Langlie Jal Unit #57 | L-5-25S-37E | 2030' FSL & 810' FWL |
| 30-025-23885 | Langlie Jal Unit #65 | N-5-25S-37E | 660' FSL & 1980' FWL |
| 30-025-24480 | Langlie Jal Unit #70 | 7/M-6-25S-37E | 660' FSL & 460' FWL |
| 30-025-24837 | Langlie Jal Unit #2 | 1/D-24S-37E | 990' FNL & 660' FEL |
| 30-025-24879 | Langlie Jal Unit #60 | I-5-25S-37E | 1830' FSL & 660' FEL |
| 30-025-24880 | Langlie Jal Unit #62 | M-4-25S-37E | 660' FS & WL |
| 30-025-24881 | Langlie Jal Unit #76 | E-9-25S-37E | 1980' FNL & 660' FWL |
| 30-025-24890 | Langlie Jal Unit #50 | G-6-25S-37E | 2150' FNL & 1980' FEL |
| 30-025-27841 | Langlie Jal Unit #96 | N-32-24S-37E | 140' FSL & 2600' FWL |
| 30-025-27842 | Langlie Jal Unit #97 | P-32-24S-37E | 140' FSL & 1200' FEL |
| 30-025-27844 | Langlie Jal Unit #99 | K-32-24S-37E | 1424' FSL & 2450' FWL |
| 30-025-28406 | Langlie Jal Unit #103 | P-31-24S-37E | 1200' FSL & 131' FEL |
| 30-025-28407 | Langlie Jal Unit #104 | M-32-24S-37E | 140' FSL & 247' FWL |
| 30-025-28963 | Langlie Jal Unit #106 | A-32-24S-37E | 1075' FNL & 1100' FEL |
| 30-025-29408 | Langlie Jal Unit #112 | C-8-25S-37E | 1300' FNL & 1355' FWL |
| 30-025-31014 | Langlie Jal Unit #115 | I-5-25S-37E | 2400' FSL & 750' FEL |

(41) The testimony presented indicates that as of the date of this hearing seventeen of the forty-eight wells had been brought into compliance and the portion of this case seeking to bring the above-described Langlie Jal Unit Wells No. 1, 3, 7, 11, 15, 18, 31, 36, 39, 44, 51, 53, 67, 69, 72, 75, and 77 into compliance with Division Rule 201.B can therefore be **dismissed** at this time.

(42) Subsequent to the hearing, review of the Division's records and data provided by the Division's district office in Hobbs indicates that effective October 1, 2002 ownership of all of the remaining above-described thirty-one wells was transferred to Phoenix Hydrocarbons Operating Corporation of Midland, Texas (see NMOC Form C-104A dated October 1, 2002 and approved by the Division November 1, 2002); therefore, the case against Kenson should be **dismissed** at this time.

(43) The Application alleges that Kevin O. Butler and Associates, Inc. of Midland and Dallas, Texas ("KOB") is the operator of the following sixteen (16) wells in Lea and Chaves Counties, New Mexico (within the API well number, 005 denotes Chaves County and 025 denotes Lea County):

| API No. | Well Name and Number | U.S.B.E. | Surface Location |
|--------------|---------------------------------------|----------------|-----------------------|
| 30-025-00376 | State Land "76" #1 | 10/J-2-16S-32E | 4620' FSL & 1980' FEL |
| 30-005-01161 | South Caprock Queen Unit-Tract 54 #15 | O-28-14S-31E | 330' FSL & 1980' FEL |
| 30-005-01180 | South Caprock Queen Unit-Tract 67 #12 | L-33-14S-31E | 1650' FSL & 990' FWL |
| 30-005-01193 | South Caprock Queen Unit #14X | N-33-14S-31E | 660' FSL & 1980' FWL |
| 30-025-02357 | East "EK" Unit #3 | K-22-18S-34E | 1980' FS & WL |
| 30-025-02361 | East "EK" Unit #2 | J-22-18S-34E | 1980' FS & EL |
| 30-025-20991 | Gulf Federal #1 | H-12-15S-34E | 1980' FNL & 660' FEL |
| 30-025-21186 | Maxwell #1 | F-6-13S-38E | 1980' FN & WL |
| 30-025-21806 | Federal "A" #1 | P-12-15S-34E | 766' FS & EL |
| 30-025-22362 | East "EK" Unit #7 | G-22-18S-34E | 2310' FNL & 1980' FEL |
| 30-025-22454 | E. B. Anderson #2 | M-6-13S-38E | 990' FS & WL |
| 30-025-22730 | East "EK" Unit #9 | E-23-18S-34E | 1650' FNL & 330' FWL |
| 30-025-23089 | Maxwell #2 | E-6-13S-38E | 2310' FNL & 990' FWL |
| 30-025-27948 | East "EK" Unit #12 | F-22-18S-34E | 2393' FNL & 2388' FWL |
| 30-025-29066 | State Land "76" #3 | 9/I-2-16S-32E | 4720' FSL & 660' FEL |
| 30-025-29786 | E. B. Anderson #3 | M-6-13S-38E | 330' FS & WL |

(44) The testimony presented indicates that as of the date of this hearing all sixteen of the above-described wells were out of compliance with Division Rule 201.B.

(45) At the hearing the Division identified the following six (6) additional wells operated by KOB in Chaves County, New Mexico as being out of compliance with Division Rule 201.B:

| API No. | Well Name and Number | U/S/F | Footage Location |
|--------------|---------------------------------------|--------------|-----------------------|
| 30-005-00674 | South Caprock Queen Unit-Tract 49 #3 | C-31-15S-31E | 330' FNL & 1633' FEL |
| 30-005-01190 | South Caprock Queen Unit-Tract 68 #3 | C-33-14S-31E | 330' FN & WL |
| 30-005-00658 | South Caprock Queen Unit-Tract 48 #10 | J-30-15S-31E | 1980' FS & EL |
| 30-005-00657 | South Caprock Queen Unit-Tract 32 #11 | K-30-15S-31E | 1980' FSL & 1963' FWL |
| 30-005-01163 | South Caprock Queen Unit-Tract 54 #14 | N-28-14S-31E | 330' FSL & 1980' FWL |
| 30-005-00661 | South Caprock Queen Unit-Tract 54 #16 | P-30-15S-31E | 990' FS & EL |

(46) Subsequent to the hearing, review of the Division's records and data submitted by the Division's district office in Hobbs indicates that the above-described:

(a) East "EK" Unit Well No. 3 (API No. 30-025-02357) was properly plugged and abandoned in late March, 2003 (see NMOCD Form C-103 approved by the Division's district office in Hobbs on June 24, 2003);

(b) East "EK" Unit Well No. 2 (API No. 30-025-02361) was properly plugged and abandoned in late March, 2003 (see NMOCD Form C-103 approved by the Division's district office in Hobbs on June 24, 2003);

(c) Gulf Federal Well No. 1 (API No. 30-025-20991) was properly plugged and abandoned in early June, 2003 (see U. S. Bureau of Land Management Form OMB No. 1004-0135 dated June 20, 2003 and initialed by a representative of the Division's district office in Hobbs on July 7, 2003 and NMOCD Form C-103 approved by the Division's district office in Hobbs on June 24, 2003);

(d) Federal "A" Well No. 1 (API No. 30-025-21806) was properly plugged and abandoned in late May, 2003 (see U. S. Bureau of Land Management Form OMB No. 1004-0135 dated June 20, 2003 and initialed by a representative of the Division's district office in Hobbs on July 7, 2003 and NMOCD Form C-103 approved by the Division's district office in Hobbs on June 24, 2003);

(e) East "EK" Unit Well No. 7 (API No. 30-025-22362) was properly plugged and abandoned in late March, 2003 (see NMOCD Form C-103 approved by the Division's district office in Hobbs on June 24, 2003);

(f) East "EK" Unit Well No. 9 (API No. 30-025-22730) was properly plugged and abandoned in mid-March, 2003 (see NMOCD Form C-103 approved by the Division's district office in Hobbs on June 24, 2003); and

(g) East "EK" Unit Well No. 12 (API No. 30-025-27948) was properly plugged and abandoned in early April, 2003 (see NMOCD Form C-103 approved by the Division's district office in Hobbs on June 24, 2003).

(47) The above-described East "EK" Unit Wells No. 2, 3, 7, 9, and 12, Gulf Federal Well No. 1, and Federal "A" Well No. 1 are now in compliance with Division Rule 201.B; therefore, these seven (7) wells should be excluded from this case.

(48) Review of the Division's records and data submitted by the Division's district office in Hobbs indicates that the above-described:

(a) South Caprock Queen Unit - Tract 54 Well No. 15 (API No. 30-005-01161) is currently injecting water into the Caprock-Queen Pool (8559) under authority of Division Administrative Order WFX-193, dated January 7, 1964. Division injection records indicate uninterrupted injection operations in this well from February, 1994 through September, 2003. There is no reported injection for October and November 2003, however the December, 2003 report shows 210 barrels of water was injected;

(b) South Caprock Queen Unit - Tract 67 Well No. 12 (API No. 30-005-01180) is currently producing from the Caprock-Queen Pool (8559). Division production records indicate uninterrupted production from this well between February, 1994 and September, 2003. There is no reported production for October and November 2003, however the December, 2003 report shows 11 barrels of oil and 105 barrels of water were produced;

(c) South Caprock Queen Unit Well No. 14X (API No. 30-005-01193), also known as the South Caprock Queen Unit - Tract 70 Well No. 14, is currently producing from the Caprock-Queen Pool (8559). Division production records indicate uninterrupted production from this well between February, 1994 and September, 2003. There is no reported production for October and November 2003, however the December, 2003 report also shows 11 barrels of oil and 105 barrels of water were produced; and

(d) Maxwell Well No. 1 (API No. 30-025-21186) is currently producing from the South Gladiola-Wolfcamp Pool (28120).

(49) Insufficient evidence was presented by the Applicant at the hearing to show that the above-described South Caprock Queen Unit – Tract 54 Well No. 15, South Caprock Queen Unit – Tract 67 Well No. 12, South Caprock Queen Unit Well No. 14X, and Maxwell Well No. 1 are out of compliance with Division Rule 201.B; therefore, that portion of this case seeking an order requiring KOB to bring these four (4) wells into compliance should be **dismissed** without prejudice at this time.

(50) With respect to KOB's eleven (11) remaining wells, the testimony presented by the Division and review of the Division's records indicate:

(a) the last reported oil and gas production from the above-described State Land "76" Well No. 1 (API No. 30-025-00376) was November, 1995; further, on or around October 29, 2001, KOB filed NMOCD Form C-103 with the Division's district office in Hobbs indicating its intention to temporarily abandon this well;

(b) the above-described E. B. Anderson Well No. 2 (API No. 30-025-22454) has not been utilized as an active salt water disposal well (see Division Administrative Order SWD-328 dated August 17, 1987) since at least before 1994; further, on or around October 29, 2001, KOB filed NMOCD Form C-103 with the Division's district office in Hobbs indicating its intention to plug and abandon this well;

(c) the above-described Maxwell Well No. 2 (API No. 30-025-23089) has not been utilized as an active salt water disposal well (see Division Administrative Order SWD-315 dated March 24, 1987) since at least before 1994; further, on or around October 29, 2001, KOB filed NMOCD Form C-103 with the Division's district office in Hobbs indicating its plan to perform remedial work on this well to reinstitute disposal operations;

(d) the last reported oil and gas production from the above-described State Land "76" Well No. 3 (API No. 30-025-29066) was June, 1988 when Sun Exploration & Production Company operated the well; moreover there is no record that Headington Oil Company, who became operator in 1990, ever recompleted this well as a salt water disposal well as authorized by Division Administrative Order SWD-604, dated September 11, 1995; further, on or around October 29, 2001, KOB filed NMOCD Form C-103 with the Division's district office in Hobbs indicating its intention to temporarily abandon this well;

(e) the last reported oil and gas production from the above-described E. B. Anderson Well No. 3 (API No. 30-025-29786) was May, 1994; further, on or around October 26, 2001, KOB filed NMOCD Form C-103 with the Division's district office in Hobbs indicating its intention to plug and abandon this well;

(f) the last reported oil and gas production from the above-described South Caprock Queen Unit - Tract 49 Well No. 3 (API No. 30-005-00674) was April, 1989; further, on or around November 30, 2000, KOB filed NMOCD Form C-103 with the Division's district office in Hobbs indicating its plan for remedial assessment and the possible plugging and abandonment of this well;

(g) the last reported oil and gas production from the above-described South Caprock Queen Unit - Tract 68 Well No. 3 (API No. 30-005-01190) was February, 2000; this well however had no reported production between August, 1993 and December, 1999; further, on or around November 29, 2000, KOB filed NMOCD Form C-103 with the Division's district office in Hobbs indicating

its plan for remedial assessment and the possible plugging and abandonment of this well;

(h) the above-described South Caprock Queen Unit – Tract 48 Well No. 10 (API No. 30-005-00658) has not been utilized as an active water injection well (see Division Administrative Order WFX-556 dated February 11, 1986) since at least before 1994; further, on or around November 29, 2000, KOB filed NMOCD Form C-103 with the Division's district office in Hobbs indicating its plan for remedial assessment and the possible plugging and abandonment of this well;

(i) the last reported oil and gas production from the above-described South Caprock Queen Unit – Tract 32 Well No. 11 (API No. 30-005-00657) was April, 1989; further, on or around November 30, 2000, KOB filed NMOCD Form C-103 with the Division's district office in Hobbs indicating its plan for remedial assessment and the possible plugging and abandonment of this well;

(j) the last reported oil and gas production from the above-described South Caprock Queen Unit – Tract 54 Well No. 14 (API No. 30-005-01163) was July, 1970; further, on or around October 29, 2001, KOB filed NMOCD Form C-103 with the Division's district office in Hobbs indicating its intention to temporarily abandon this well; and

(k) the above-described South Caprock Queen Unit – Tract 54 Well No. 16 (API No. 30-005-00661) has not been utilized as an active water injection well (see Division Administrative Order WFX-543 dated May 17, 1985) since at least before February, 1994; further, on or around November 30, 2000, KOB filed NMOCD Form C-103 with the Division's district office in Hobbs indicating its plan for remedial assessment and the possible plugging and abandonment of this well.

(51) To date the above-described South Caprock Queen Unit-Tract 49 Well No. 3, South Caprock Queen Unit-Tract 68 Well No. 3, South Caprock Queen Unit-Tract 48 Well No. 10, South Caprock Queen Unit-Tract 32 Well No. 11, South Caprock Queen Unit-Tract 54 Wells No. 14 and 16, State Land "76" Wells No. 1 and 3, E. B. Anderson

Wells No. 2 and 3, and Maxwell Well No. 2 are not in compliance with Division Rule 201.B, and KOB should therefore be ordered to bring these eleven (11) wells into compliance.

(52) The Division on several occasions, beginning in May, 2000, notified KOB that its aforementioned State Land "76" Wells No. 1 and 3, E. B. Anderson Wells No. 2 and 3, and Maxwell Well No. 2 were not in compliance with Rule 201.B, and demanded that these five wells be brought into compliance.

(53) Since the six South Caprock Queen Unit wells listed in Finding Paragraph No. (42) above were included at the time of the hearing and did not appear on the docket in this matter, no civil penalties for non-compliance should be assessed against KOB for these six wells.

(54) However with respect to the above-described State Land "76" Wells No. 1 and 3, E. B. Anderson Wells No. 2 and 3, and Maxwell Well No. 2, KOB knowingly and willfully failed to comply with Division Rule 201.B for at least one (1) year, and pursuant to NMSA 1978, Section 70-2-31.A, a civil penalty should be assessed KOB in the amount of One Thousand Dollars (\$1,000.00) (\$1,000.00 for each year the well was out of compliance since first notification to the date of the hearing) per well. The total penalty assessed KOB should therefore be Five Thousand Dollars (\$ 5,000.00).

(55) The Application alleges that Mallon Oil Company of Denver, Colorado ("Mallon") is the operator of the following sixteen (16) wells in Lea County, New Mexico:

| Case No. | Well Name and Number | UBSFR | Booth Location |
|--------------|------------------------|----------------|-----------------------|
| 30-025-29980 | Byers #1 | I-3-17S-37E | 1980' FSL & 660' FEL |
| 30-025-21930 | Gallagher #1 | 1/A-3-17S-34E | 660' FN & EL |
| 30-025-32617 | Mallon "34" Federal #6 | C-34-19S-34E | 660' FNL & 1980' FWL |
| 30-025-22029 | Mobil State #1 | G-3-17S-34E | 1874' FN & EL |
| 30-025-26749 | Pennzoil State #2 | B-18-16S-37E | 660' FNL & 1980' FEL |
| 30-025-27323 | Pennzoil State #3 | C-18-16S-37E | 660' FNL & 1830' FWL |
| 30-025-27498 | Pennzoil State #4 | 2/E-18-16S-37E | 1980' FNL & 660' FWL |
| 30-025-30497 | Price Family Trust #2 | N-1-17S-37E | 990' FSL & 1750' FWL |
| 30-025-24936 | Mallon "C" State #3 | O-17-16S-37E | 660' FSL & 1980' FEL |
| 30-025-27433 | Mallon "C" State #4 | G-20-16S-37E | 1980' FNL & 1830' FEL |

| | | | |
|--------------|------------------------|---------------|-----------------------|
| 30-025-29445 | Viersen #2 | O-4-17S-37E | 1300' FSL & 1650' FEL |
| 30-025-29885 | Waldron #2 | 3/C-3-17S-37E | 1330' FNL & 1980' FWL |
| 30-025-29485 | B. E. Shipp Estate #1 | G-4-17S-37E | 1980' FN & EL |
| 30-025-32784 | Mallon "34" Federal #9 | G-34-19S-34E | 1980' FN & EL |
| 30-025-30351 | Price Family Trust #1 | E-1-17S-37E | 2126' FNL & 766' FEL |
| 30-025-30177 | Simmons Estate #1 | N-3-17S-37E | 1310' FSL & 1980' FWL |

(56) The testimony presented indicates that as of the date of this hearing two of the sixteen wells had been brought into compliance and that portion of this case seeking to bring the above-described Mallon "34" Federal Well No. 9 and Pennzoil State Well No. 2 into compliance with Division Rule 201.B can therefore be **dismissed** at this time.

(57) The testimony presented further indicates that the above-described Mallon "34" Federal Well No. 6 was plugged and abandoned by Mallon in February, 1997; therefore, this well should be **excluded** from this case.

(58) Subsequent to the hearing, review of the Division's records and data provided by the Division's district office in Hobbs indicates that:

(a) the above-described Byers Well No. 1, Price Family Trust Wells No. 1 and 2, Mallon "C" State Wells No. 3 and 4, Viersen Well No. 2, Waldron Well No. 2, B. E. Shipp Estate Well No. 1, and Simmons Estate Well No. 1 have been plugged and abandoned by Gruy Petroleum Management Company of Irving, Texas ("Gruy");

(b) ownership of the above-described Gallagher State Well No. 1 and Mobil State Well No. 1 was transferred to Gruy effective September 1, 2001 (see NMOCD Form C-104A dated October 24, 2001 and approved by the Division on November 5, 2001) and, in October, 2001, Gruy brought both wells into compliance with Division Rule 201.B (see NMOCD Forms C-103 dated October 25, 2002, Subsequent Report of Temporary Abandonment); and

(c) effective September 1, 2001 ownership of the above-described Pennzoil State Wells No. 3 and 4 was also transferred to Gruy (see NMOCD Form C-104A dated October 24, 2001 and approved by the Division on November 5, 2001).

(59) Since all sixteen of Mallon's wells are either now in compliance with Division Rule 201.B or have new ownership, the case against Mallon should be **dismissed** at this time.

IT IS THEREFORE ORDERED THAT:

(1) That portion of this case that relates to Crestridge Drilling and Production Company, LLC (3 wells), John A. Yates, Jr. (1 well), Kenson Operating Company (48 wells), and Mallon Oil Company (16 wells) is hereby **dismissed**.

(2) That portion of this case seeking to require Kevin O. Butler and Associates, Inc. to bring the four (4) following-described wells in Lea and Chaves Counties, New Mexico (within the API well number, 005 denotes Chaves County and 025 denotes Lea County) into compliance with Division Rule 201.B is hereby **dismissed** without prejudice.

| API No. | Well Name and Number | U/S TR | Footage Location |
|--------------|---------------------------------------|--------------|----------------------|
| 30-005-01161 | South Caprock Queen Unit-Tract 54 #15 | O-28-14S-31E | 330' FSL & 1980' FEL |
| 30-005-01180 | South Caprock Queen Unit-Tract 67 #12 | L-33-14S-31E | 1650' FSL & 990' FWL |
| 30-005-01193 | South Caprock Queen Unit #14X | N-33-14S-31E | 660' FSL & 1980' FWL |
| 30-025-21186 | Maxwell #1 | F-6-13S-38E | 1980' FN & WL |

(3) In addition, the following twenty (22) wells located in Lea and Chaves Counties, New Mexico (within the API well number, 005 denotes Chaves County and 025 denotes Lea County), by virtue of being in compliance with Division Rule 201.B or having new ownership, are hereby **excluded** from this case:

| Operator Name | | | |
|--|----------------------|--------------|----------------------|
| API No. | Well Name and Number | U/S TR | Footage Location |
| Amtex Energy, Inc. (2 wells) | | | |
| 30-025-31337 | Merit Record "35" #1 | P-35-19S-35E | 990' FS & EL |
| 30-025-32196 | Record #4 | N-26-19S-35E | 760' FSL & 2080' FWL |
| Bettis, Boyle & Stovall (3 wells) | | | |

| | | | |
|---|---|--------------|-----------------------|
| 30-025-11682 | B. T. Lanehart #3 | C-21-25S-37E | 660' FNL & 1980' FWL |
| 30-025-11664 | B. M. Justis "A" #6 | H-20-25S-37E | 2310' FNL & 330' FEL |
| 30-025-11629 | State "O" #1 | A-16-25S-37E | 660' FN & EL |
| C. E. LaRue & B. M. Muncy, Jr. (8 wells) | | | |
| 30-005-00983 | Trigg Federal #14 | J-4-14S-31E | 2310' FSL & 1650' FEL |
| 30-025-00842 | Pearsall Queen Sand Unit - Tract "3" #1 | A-5-18S-32E | 660' FN & EL |
| 30-025-00839 | Pearsall Queen Sand Unit - Tract "4-A" #1 | E-4-18S-32E | 1980' FNL & 660' FWL |
| 30-025-00846 | Pearsall Queen Sand Unit - Tract "9" #1 | I-5-18S-32E | 2310' FSL & 330' FEL |
| 30-025-20242 | Pearsall Queen Sand Unit - Tract "16" #1 | K-4-18S-32E | 2310' FSL & 1650' FWL |
| 30-025-21711 | Pearsall Queen Sand Unit - Tract "14" #1 | O-32-17S-32E | 660' FSL & 1980' FEL |
| 30-025-00838 | Pearsall Queen Sand Unit - Tract "4" #2 | C-4-18S-32E | 660' FNL & 1980' FWL |
| 30-025-21710 | Pearsall Queen Sand Unit - Tract "13" #1 | P-32-17S-32E | 660' FS & EL |
| Hal J. Rasmussen Operating, Inc. (2 wells) | | | |
| 30-025-02538 | Kaiser State #9 | F-13-21S-34E | 1980' FN & WL |
| 30-025-02554 | State #2 | K-16-21S-34E | 1650' FSL & 2310' FWL |
| Kevin O. Butler and Associates, Inc. (7 wells) | | | |
| 30-025-02361 | East "EK" Unit #2 | J-22-18S-34E | 1980' FS & EL |
| 30-025-02357 | East "EK" Unit #3 | K-22-18S-34E | 1980' FS & WL |
| 30-025-20991 | Gulf Federal #1 | H-12-15S-34E | 1980' FNL & 660' FEL |
| 30-025-21806 | Federal "A" #1 | P-12-15S-34E | 766' FS & EL |
| 30-025-22362 | East "EK" Unit #7 | G-22-18S-34E | 2310' FNL & 1980' FEL |
| 30-025-22730 | East "EK" Unit #9 | E-23-18S-34E | 1650' FNL & 330' FWL |
| 30-025-27948 | East "EK" Unit #12 | F-22-18S-34E | 2393' FNL & 2388' FWL |

(4) Pursuant to the Application of the Division, the following-named five (5) Respondents, representing fifty-two (52) inactive wells, are hereby ordered to bring each of its respective wells located in Lea and Chaves Counties, New Mexico (within the API well number, 005 denotes Chaves County and 025 denotes Lea County) identified below into compliance with Division Rule 201.B by accomplishing one of the following with respect to each well:

- (a) causing the well to be plugged and abandoned in accordance with Division Rule 202, and in accordance with a Division-approved plugging program;
- (b) restoring the well to production if the well is an oil or gas well;

- (c) restoring the well to injection if the well is an injection well; or
- (d) causing the well to be temporarily abandoned with Division approval in accordance with Rule 203.

| Operator Name | | | |
|---|---|--------------|-----------------------|
| API No. | Well Name and Number | U.S. BR. | Footage Location |
| Amtex Energy, Inc. (2 wells) | | | |
| 30-025-32747 | Chukar State #1 | O-16-19S-34E | 330' FSL & 2310' FEL |
| 30-025-31653 | Dagger Lake "5" State #1 | O-5-22S-33E | 330' FSL & 1980' FEL |
| Bettis, Boyle & Stovall (8 wells) | | | |
| 30-025-11668 | B. M. Justis "A" #2 | H-20-25S-37E | 1980' FNL & 660' FEL |
| 30-025-11680 | B. T. Lanehart #1 | G-21-25S-37E | 1980' FN & EL |
| 30-025-11681 | B. T. Lanehart #4 | B-21-25S-37E | 990' FNL & 2310' FEL |
| 30-025-11679 | B. T. Lanehart #5 | G-21-25S-37E | 2310' FN & EL |
| 30-025-25588 | B. T. Lanehart #6 | B-21-25S-37E | 990' FNL & 1650' FEL |
| 30-025-23721 | Patsy "A" #1 | B-20-22S-37E | 990' FNL & 1980' FEL |
| 30-025-23925 | Patsy "B" #2 | N-17-22S-37E | 660' FSL & 1980' FWL |
| 30-025-11666 | V. H. Justis #2 | D-20-25S-37E | 370' FNL & 420' FWL |
| C. E. LaRue & B. M. Muncy, Jr. (3 wells) | | | |
| 30-005-20953 | Gulf Kimmons #2 | A-19-8S-31E | 660' FN & EL |
| 30-005-20967 | Gulf Wilcox #1 | P-19-8S-31E | 660' FS & EL |
| 30-025-00843 | Pearsall Queen Sand Unit - Tract "3" #2 | B-5-18S-32E | 660' FNL & 1980' FEL |
| Hal J. Rasmussen Operating, Inc. (28 wells) | | | |
| 30-025-02531 | Amerada State #3 | G-13-21S-34E | 2310' FNL & 1650' FEL |
| 30-025-04377 | Charlotte State #2 | C-32-20S-36E | 660' FNL & 1980' FWL |
| 30-025-04371 | Charlotte State #4 | N-29-20S-36E | 660' FSL & 1980' FWL |
| 30-025-23964 | Gulf Cookie State #1 | G-21-23S-36E | 2310' FNL & 1650' FEL |
| 30-025-24073 | Gulf Cookie State #2 | H-21-23S-36E | 2310' FNL & 990' FEL |
| 30-025-02534 | Kaiser State #5 | J-13-21S-34E | 1980' FS & EL |
| 30-025-02537 | Kaiser State #8 | O-13-21S-34E | 990' FSL & 2310' FEL |
| 30-025-02546 | Kaiser State #41 | E-13-21S-34E | 2310' FNL & 1270' FWL |
| 30-025-02547 | Kaiser State #42 | J-13-21S-34E | 2310' FS & EL |

| | | | |
|--|---------------------------------------|----------------|-----------------------|
| 30-025-32741 | Kaiser State #44 | F-13-21S-34E | 2310' FN & WL |
| 30-025-21747 | Mobil State #1 | O-16-23S-36E | 660' FSL & 1980' FEL |
| 30-025-02549 | Phillips State #1 | G-14-21S-34E | 1980' FN & EL |
| 30-025-28495 | San Simon #1 | H-13-21S-34E | 1325' FNL & 650' FEL |
| 30-025-03424 | Shell State #1 | K-7-21S-35E | 1980' FS & WL |
| 30-025-03422 | Shell State #4 | 4/M-7-21S-35E | 660' FSL & 587' FWL |
| 30-025-03427 | Shell State #7 | F-7-21S-35E | 1980' FNL & 1907' FWL |
| 30-025-03428 | Shell State #8 | C-7-21S-35E | 660' FNL & 1907' FWL |
| 30-025-03431 | Shell State #14 | 3/L-7-21S-35E | 1370' FSL & 1124' FWL |
| 30-025-02557 | State "A" #1 | O-16-21S-34E | 660' FSL & 1980' FEL |
| 30-025-02563 | State "B" #1 | B-21-21S-34E | 660' FNL & 1980' FEL |
| 30-025-10748 | State "JCT" #1 | B-16-23S-36E | 660' FNL & 1980' FEL |
| 30-025-02553 | Valero State #1 | N-16-21S-34E | 660' FSL & 2310' FWL |
| 30-025-03436 | Wilson "A" State #1 | G-7-21S-35E | 3860' FSL & 2540' FEL |
| 30-025-03433 | Wilson "A" State #2 | B-7-21S-35E | 660' FNL & 1980' FEL |
| 30-025-02571 | Wilson State #1 | G-23-21S-34E | 2310' FNL & 1650' FEL |
| 30-025-02577 | Wilson State #2 | J-23-21S-34E | 2310' FS & EL |
| 30-025-02575 | Wilson State #3 | J-23-21S-34E | 1950' FSL & 1520' FEL |
| 30-025-02569 | Wilson State #17 | A-23-21S-34E | 330' FN & EL |
| Kevin O. Butler and Associates, Inc. (11 wells) | | | |
| 30-025-00376 | State Land "76" #1 | 10/J-2-16S-32E | 4620' FSL & 1980' FEL |
| 30-025-29066 | State Land "76" #3 | 9/I-2-16S-32E | 4720' FSL & 660' FEL |
| 30-025-22454 | E. B. Anderson #2 | M-6-13S-38E | 990' FS & WL |
| 30-025-29786 | E. B. Anderson #3 | M-6-13S-38E | 330' FS & WL |
| 30-025-23089 | Maxwell #2 | E-6-13S-38E | 2310' FNL & 990' FWL |
| 30-005-00674 | South Caprock Queen Unit-Tract 49 #3 | C-31-15S-31E | 330' FNL & 1633' FEL |
| 30-005-01190 | South Caprock Queen Unit-Tract 68 #3 | C-33-14S-31E | 330' FN & WL |
| 30-005-00658 | South Caprock Queen Unit-Tract 48 #10 | J-30-15S-31E | 1980' FS & EL |
| 30-005-00657 | South Caprock Queen Unit-Tract 32 #11 | K-30-15S-31E | 1980' FSL & 1963' FWL |
| 30-005-01163 | South Caprock Queen Unit-Tract 54 #14 | N-28-14S-31E | 330' FSL & 1980' FWL |
| 30-005-00661 | South Caprock Queen Unit-Tract 54 #16 | P-30-15S-31E | 990' FS & EL |

(5) The five (5) Respondents listed above shall bring each of their respective wells into compliance with Ordering Paragraph No. (4) above within the following allotted time commencing from the date of this order, based on a rate of two wells per month with a minimum of 90 days and a maximum of 12 months:

90 Days:

Amtex Energy, Inc.
C. E. LaRue & B. M. Muncy, Jr.

4 Months:

Bettis, Boyle & Stovall

6 Months:

Kevin O. Butler and Associates, Inc.

12 Months:

Hal J. Rasmussen Operating, Inc.

(6) Administrative penalties, pursuant to NMSA 1978, Section 70-2-31.A, are hereby assessed against these five named Respondents for knowingly and willfully failing to bring their wells into compliance with Division Rule 201.B after receiving notice from the Division to do so. The amounts assessed are as follows:

(a) With respect to Amtex Energy, Inc. and its above-described Dagger Lake "5" State Well No. 5 and Chukar State Well No. 1, the total penalty assessed shall be Two Thousand Dollars (\$2,000.00).

(b) With respect to Bettis, Boyle & Stovall and the above-described B. M. Justis "A" Well No. 2, B. T. Lanehart Wells No. 1, 4, 5, and 6, Patsy "A" Well No. 1, Patsy "B" Well No. 2, and V. H. Justis Well No. 2, the total penalty assessed shall be Eight Thousand Dollars (\$ 8,000.00).

(c) With respect C. E. LaRue & B. M. Muncy, Jr. and the above-described Gulf Kimmons Well No. 2, Gulf Wilcox Well No. 1, and Pearsall Queen Sand Unit - Tract "3" Well No. 2, the total penalty assessed shall be Three Thousand Dollars (\$ 3,000.00).

(d) With respect to Hal J. Rasmussen Operating, Inc. and the above-described Amerada State Well No. 3, Charlotte State Wells No. 2 and 4, Gulf Cookie State Wells No. 1 and 2, Kaiser State Wells No. 5, 8, 41, 42, and 44, Mobil State Well No. 1, Phillips State Well No. 1, San Simon Well No. 1, Shell State Wells No. 1, 4, 7, 8, and 14, State "A" Well No. 1, State "B" Well No. 1, State

“JCT” Well No. 1, Valero State Well No. 1, Wilson “A” State Wells No. 1 and 2, and Wilson State Wells No. 1, 2, 3, and 17, the total penalty assessed shall be Twenty-Eight Thousand Dollars (\$28,000.00).

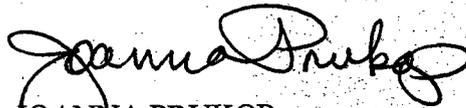
(e) With respect to Kevin O. Butler and Associates, Inc. and the above-described State Land “76” Wells No. 1 and 3, E. B. Anderson Wells No. 2 and 3, and Maxwell Well No. 2, the total penalty assessed shall be Five Thousand Dollars (\$ 5,000.00).

(7) The civil penalty herein assessed against each of the five (5) named Respondents shall be paid within thirty (30) days of the date of this Order, by certified or cashier’s check made payable to the “New Mexico Oil Conservation Division,” and mailed or hand-delivered to the New Mexico Oil Conservation Division, Attention: Division Director; 1220 South St. Francis Drive; Santa Fe, New Mexico 87505, unless application is timely filed by the Respondent for *de novo* review by the New Mexico Oil Conservation Commission of the penalty assessed against it.

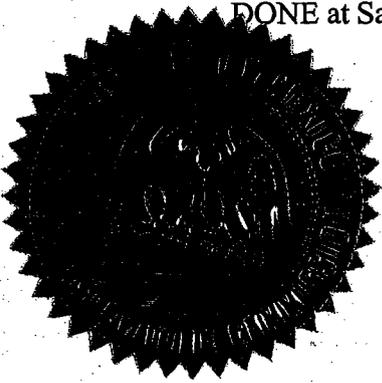
(8) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



JOANNA PRUKOP
CABINET SECRETARY/INTERIM DIRECTOR



SEAL