

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

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Oil Conservation Division  
1220 S. St. Francis Drive  
Santa Fe, NM 87505

**APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION THROUGH THE SUPERVISOR OF DISTRICT III, FOR AN ORDER REQUIRING INTER-CONTINENTAL ENERGY INC. TO BRING ONE WELL INTO COMPLIANCE WITH 19.15.4.201 NMAC and 19.15.4.202 NMAC, ASSESSING APPROPRIATE CIVIL PENALTIES, AUTHORIZING THE DIVISION TO PLUG SAID WELL AND ORDERING A FORFEITURE OF THE APPLICABLE PLUGGING BOND; RIO ARRIBA COUNTY, NEW MEXICO.**

CASE NO. 13258

**APPLICATION FOR COMPLIANCE ORDER**

1. Inter-Continental Energy Inc. ("Operator") is the operator of record for the R. Fant #1 well, API #30-039-26436, located in Unit Letter O, Section 24, Township 31 North, Range 2 East, NMPM in Rio Arriba County, New Mexico (the "subject well").
2. RLI Insurance Company ("Surety") is the surety on single well bond number RLB0001913 posted by the Operator pursuant to NMSA 1978, Section 70-2-14 in the amount of \$5,000 to secure the Operator's obligation to plug and abandon the subject well in compliance with the rules of the Oil Conservation Division ("Division").
3. Division rule 19.15.4.201 NMAC requires an operator to plug and abandon or temporarily abandon a well in accordance with Division rules within 90 days after (a) a sixty day period following suspension of drilling operations; (b) a determination that a well is no longer usable for beneficial purposes; or (c) a period of one year of continuous inactivity.

4. Division rule 19.15.4.202 NMAC sets out the requirements for plugging a well, which include marking the location (19.15.4.202.B(2) NMAC) and the following clean-up activities:

As soon as practical but no later than one year after the completion of plugging operations, the operator shall:

- (a) fill all pits;
- (b) level the location;
- (c) remove deadmen and all other junk; and
- (d) take such other measures as are necessary or required by the Division to restore the location to a safe and clean condition.

19.15.4.202.B(3) NMAC.

5. On June 2, 2000, the Operator filed a Form C-105, "Well Completion or Recompletion Report and Log," stating that the subject well was a dry hole, and on June 29, 2000, Operator filed a Form C-103, "Sundry Notice," "Subsequent Report of Plug and Abandonment," indicating that the subject well was plugged and that the pit on the site would be closed by October 1, 2000.

6. Subsequent inspections of the site by the Division show that the subject well does not have a marker and the pit is not closed. The Division has not approved the plugging of the well under 19.15.4.202.C NMAC.

7. The Division notified the Operator that it was in violation of rules 19.15.4.202.B(2) and (3) NMAC by letter dated August 23, 2001, and by certified letter dated February 27, 2002.

8. On March 3, 2003, the Division issued a formal Notice of Violation (3-03-05) to the Operator for the violations of 19.15.4.202.B (2) and (3) NMAC, informing the Operator that if the matter was not resolved, the Division would request a show cause

hearing before a Division examiner, and recommend issuance of a formal order requiring compliance with Division rules and a \$2,000 civil penalty.

9. To date, the Operator has not brought the subject well into compliance with 19.15.4.201 NMAC by completing the plugging of the well, and has not complied with the specific plugging requirements of 19.15.4.202.B (2) and (3) NMAC.

10. Division rule 19.15.101(M) NMAC authorizes the Director to order the operator to plug and abandon any well not in compliance with 19.15.4.201 NMAC by a date certain, and to direct the Division to forfeit the bond and cause such well to be plugged in accordance with a Division-approved plugging program if, after the time provided in such order, the operator has failed to plug the well.

11. NMSA 1978, Section 70-2-31 authorizes the Director to impose a civil penalty of \$1000 for each knowing and willful violation of any provision of the Oil and Gas Act or any rule or order issued pursuant to that act. The statute further provides that in the case of a continuing violation, each day of violation constitutes a separate violation.

WHEREFORE, the Supervisor of District III of the Division hereby applies to the Director to enter an order:

- A. Determining that the subject well is not in compliance with 19.15.4.201 NMAC;
- B. Determining that the subject well is not in compliance with 19.15.4.202 NMAC, and in particular is not in compliance with the plugging requirements set out in 19.15.4.202.B(2) and (3) NMAC.

- C. Determining that the Operator's failure to properly plug and abandon the subject well by failing to mark the well and close the pit, after receiving notices of these violations from the Division, constitutes a continuing, knowing and willful violation of 19.15.4.201 NMAC and the specific plugging requirements of 19.15.4.202.B(2) and (3), and assessing a civil penalty of not less than \$2000;
- D. Requiring the Operator to bring the subject well into compliance with 19.15.4.201 NMAC within a date certain by plugging and abandoning the well in accordance with 19.15.4.202 NMAC;
- E. Further, if the subject well is not brought into compliance with 19.15.4.201 NMAC by the date set by the order:
- (1) Assessing an additional penalty of \$1000 against the Operator for each full month of continued non-compliance after the date set by the order;
  - (2) Authorizing the Division to complete the plugging operations on the subject well including installing a marker and closing the pit in accordance with a Division-approved plugging program; and
  - (3) Authorizing the Division to declare forfeit the security furnished by the Operator; and
- F. For such other and further relief as the Director deems just and proper under the circumstances.

RESPECTFULLY SUBMITTED,  
this 6<sup>th</sup> day of April, 2004 by

  
Gail MacQuesten

Assistant General Counsel  
Energy, Minerals and Natural  
Resources Department of the State of  
New Mexico  
1220 S. St. Francis Drive  
Santa Fe, NM 87505  
(505) 476-3451

Attorney for The New Mexico Oil  
Conservation Division

Case No. 13258. Application of the New Mexico Oil Conservation Division for a Compliance Order. The Applicant seeks an order requiring operator Inter-Continental Energy Inc. to bring one well into compliance with 19.15.4.201 NMAC and 19.15.4.202 NMAC by a date certain, assessing appropriate civil penalties against the operator, authorizing the Division to plug said well, forfeiting the operator's plugging security, and for such other relief as the Director deems appropriate. The affected well is: R. Fant #1, API #30-039-26436, Unit Letter O, Section 24, Township 31 North, Range 2 East, NMPM, in Rio Arriba County, New Mexico.