

Inactive Well List

Total Well Count: 24 Inactive Well Count: 3

Printed On: Tuesday, February 20 2018

District	API	Well	ULSTR	OCD Unit	OGRID	Operator	Lease Type	Well Type	Last Production	Formation/Notes	Status	TA Exp Date
1	30-025-10508	NEW MEXICO M STATE #017	M-29-22S-37E	M	8359	GP II ENERGY INC	S	O	12/1993			
1	30-025-10515	NEW MEXICO M STATE #023	L-29-22S-37E	L	8359	GP II ENERGY INC	S	I	10/1895			
1	30-025-24254	NEW MEXICO M STATE #065	K-29-22S-37E	K	8359	GP II ENERGY INC	S	I	12/2015	FLD INSP 3/9/04. INJECTION WELL		

WHERE Ogrid:8359, County:All, District:All, Township:All, Range:All, Section:All, Production(months):15, Excludes Wells Under ACOI, Excludes Wells in Approved TA Period

OCD Case # 16049
Exhibit 1: Inactive Well List
Page 1 of 1

Inactive Well Additional Financial Assurance Report

8359 GP II ENERGY INC

Total Well Count: 24

Printed On: Tuesday, February 20 2018

Property	Well Name	Lease Type	ULSTR	OCD Unit Letter	API	Well Type	Last Prod/Inj	Inactive Additional Bond Due	Measured Depth	Required Bond Amount	Bond Required Now	Covered By Stankut TA Bond	Bond In Place	In Violation
4441	LITTLEFIELD BO FEDERAL #008	F	6-33-26S-29E	B	30-015-35489	O			Unknown				0	
17571	NEW MEXICO M STATE #009	S	4-30-22S-37E	M	30-025-10519	O	12/2017	01/01/2020	3775	8775			0	
	NEW MEXICO M STATE #011	S	J-19-22S-37E	J	30-025-10361	O	12/2017	01/01/2020	3698	8698			0	
	NEW MEXICO M STATE #012	S	M-17-22S-37E	M	30-025-10334	G	12/2017	01/01/2020	3622	8622			0	
	NEW MEXICO M STATE #017	S	M-29-22S-37E	M	30-025-10508	O	12/1993	01/01/1996	3725	8725	Y		8,725	
	NEW MEXICO M STATE #019	S	A-31-22S-37E	A	30-025-10530	O	12/2017	01/01/2020	3784	8784			0	
	NEW MEXICO M STATE #020	S	F-29-22S-37E	F	30-025-10510	I	12/2017	01/01/2020	6850	11850			0	
	NEW MEXICO M STATE #024	S	O-19-22S-37E	O	30-025-10363	I	12/2017	01/01/2020	7005	12005			0	
	NEW MEXICO M STATE #025	S	L-29-22S-37E	L	30-025-10515	I	10/1995	11/01/1997	3735	8735	Y		8,735	
	NEW MEXICO M STATE #053	S	3-19-22S-37E	L	30-025-24508	O	12/2017	01/01/2020	3840	8840			0	
	NEW MEXICO M STATE #055	S	O-19-22S-37E	O	30-025-24510	O	12/2017	01/01/2020	3750	8750			0	
	NEW MEXICO M STATE #056	S	P-19-22S-37E	P	30-025-24457	O	12/2017	01/01/2020	3773	8773			0	
	NEW MEXICO M STATE #060	S	H-30-22S-37E	H	30-025-23962	G	12/2017	01/01/2020	3889	8889			0	
	NEW MEXICO M STATE #063	S	H-30-22S-37E	H	30-025-23428	O	12/2017	01/01/2020	3811	8811			0	
	NEW MEXICO M STATE #065	S	K-29-22S-37E	K	30-025-24254	I	12/2015	01/01/2018	3680	8680	Y		0	Y
	NEW MEXICO M STATE #066	S	G-29-22S-37E	G	30-025-24255	O	12/2017	01/01/2020	3680	8680			0	
	NEW MEXICO M STATE #067	S	I-30-22S-37E	I	30-025-24256	O	12/2017	01/01/2020	3814	8814			0	
	NEW MEXICO M STATE #069	S	L-29-22S-37E	L	30-025-24300	O	12/2017	01/01/2020	3749	8749			0	
	NEW MEXICO M STATE #072	S	J-20-22S-37E	J	30-025-23822	O	12/2017	01/01/2020	3807	8807			0	
	NEW MEXICO M STATE #074	S	J-20-22S-37E	J	30-025-23926	O	12/2017	01/01/2020	3830	8830			0	
	NEW MEXICO M STATE #075	S	M-20-22S-37E	M	30-025-23963	O	12/2017	01/01/2020	3864	8864			0	
	NEW MEXICO M STATE #076	S	O-30-22S-37E	O	30-025-24512	O	12/2017	01/01/2020	3809	8809			0	
	NEW MEXICO M STATE #081	S	G-30-22S-37E	G	30-025-24251	O	12/2017	01/01/2020	3859	8859			0	
	NEW MEXICO M STATE #101	S	A-19-22S-37E	A	30-025-24199	O	12/2017	01/01/2020	3399	8399			0	

WHERE Ogrid:8359

OCD Case # 16049
Exhibit 2: Additional Financial
Assurance Report
Page 1 of 1

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

Ken McQueen
Cabinet Secretary

Matthias Sayer
Deputy Cabinet Secretary

David R. Catanach, Division Director
Oil Conservation Division



June 20, 2017

GP II ENERGY, INC.
OGRID #8359
113 Corporate Drive
Midland, TX 79705

Re: 19.15.5.9 NMAC Compliance

Dear Operator:

The Oil Conservation Division (OCD) is conducting ongoing review of all operators' compliance status with Subsection A of 19.15.5.9 NMAC. According to OCD records, your company is not in compliance with Subsection A of 19.15.5.9 NMAC for the following reason:

 X Inactive wells. According to the attached inactive well list, your company has too many wells in violation of 19.15.25.8 NMAC (the inactive well rule) that are not subject to an inactive well agreed compliance order. As an operator of 25 wells, your company may have no more than 2 wells in violation of the inactive well rule. Your company has 6 wells in violation of the inactive well rule.

Non-compliance with 19.15.5.9 NMAC will prevent your company from acquiring any new wells, acquiring approval of exploration and development plans, receiving new allowables, and obtaining drilling, injection, and other OCD issued permits, and potentially expose your company to additional compliance actions including an OCD order requiring compliance, and revocation of injection permits. As the operator of a non 19.15.5.9 NMAC compliant company, you will not be permitted to register any additional companies to operate in New Mexico or have any interest exceeding 25 percent in any other companies in New Mexico.

The OCD is requesting that you review the OCD's online database for your specific Oil and Gas Registration Identification (OGRID) number and notify the OCD how your company plans to return to compliance with 19.15.5.9 NMAC. This is an opportunity for your company to work with the OCD toward achieving its goal of maintaining compliance with the rules of the State of New Mexico. Please respond to the OCD within 30 days of receipt of this letter. If no response is received the OCD may begin formal compliance action.

OCD Case # 16049
Exhibit 3: Notice of Violation
Page 1 of 3

Respectfully yours,

A handwritten signature in black ink, appearing to read "Daniel Sanchez", with a stylized flourish extending from the end.

Daniel Sanchez,
Compliance and Enforcement Manager
(505)476-3493
Daniel.sanchez@state.nm.us

Ec: David R. Catanach, Division Director
Maxey Brown, District 1 Supervisor
Raymond Podany, District 2 Geologist
Charlie Perrin, District 3 Supervisor
Will Jones, District 4 Supervisor
Keith Herrmann, Attorney, Santa Fe

Inactive Well List

Total Well Count: 24 Inactive Well Count: 3

Printed On: Monday, February 12 2018

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1	30-025-10515	NEW MEXICO M STATE #025	L-29-22S-37E	L	8359	GP II ENERGY INC	S	I	10/1995			
1	30-025-24254	NEW MEXICO M STATE #065	K-29-22S-37E	K	8359	GP II ENERGY INC	S	I	12/2015	FLD INSP 3/9/04: INJECTION WELL		

WHERE Ogrid:8359, County:All, District:All, Township:All, Range:All, Section:All, Production(months):15, Excludes Wells Under ACOI, Excludes Wells in Approved TA Period

OCD Case # 16049
Exhibit 3: Notice of Violation
Page 3 of 3

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

**APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION
COMPLIANCE AND ENFORCEMENT BUREAU FOR A COMPLIANCE ORDER
AGAINST GP II ENERGY, INC., FOR WELLS OPERATED IN EDDY AND LEA
COUNTIES, NEW MEXICO.**

CASE NO. 16049

AFFIDAVIT OF DANIEL SANCHEZ

I, Daniel Sanchez, being first duly sworn on oath, states as follows:

1. I am employed as the Compliance and Enforcement Manager at the Oil Conservation Division ("OCD").

My duties include as the Compliance & Enforcement Manager

Manage the division's four district offices and Environmental Bureau.

Program Director for the EPA's Underground Injection Control program.

Coordinate field inspections between the BLM (Carlsbad, Roswell, and Hobbs District Offices and the OCD (Artesia and Hobbs District Offices).

Conduct quarterly meetings between the BLM and OCD to coordinate various enforcement actions on co-jurisdictional sites and issues.

Manage the use of the State Reclamation Fund for the purpose of plugging abandoned wells, remediation of well sites and the remediation of oil and gas related environmental contamination.

Testify in Hearing Examiner and Commission hearings in support of OCD staff positions on compliance and enforcement issues.

Conduct operator orientation for operators new to the state.

Negotiate Agreed Compliance Orders with operators out of compliance with OCD Rule 5.9.

Simplify and standardize the Oil Conservation Division's business procedures.

Eliminate outdated practices and address current regulatory issues.

Oversee the consistent interpretation and enforcement of division rules.

Ensure compliance with rules and permits on oil and gas facilities and operations.

Assure that inactive wells are tested and plugged in accordance with division rules.

Act as a backup for C-115, production reports, review and approvals.

Act as a backup for data entry of ACOI wells into the divisions Risk Based Data Management System.

2. The OCD's information on production and injection comes from monthly production reports filed by the well operators.

Case 16049
Exhibit 4

**OCD Case # 16049
Exhibit 4: Affidavit of Non-Production and 5.9 Violation
Page 1 of 2**

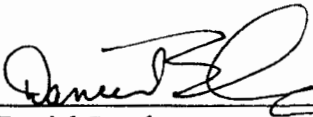
3. In 1993 the OCD began using the ONGARD (Oil and Natural Gas Administration and Revenue Database) to record oil and gas production and injection by well. Since 1993, production and injection data from the monthly production reports filed by operators has been entered into ONGARD.

4. When the OCD began using the ONGARD system in 1993, it converted existing production and injection data into ONGARD for those wells that were not shown as "plugged" according to the OCD records available at that time. The pre-1993 production and injection information for each such well was totaled and appears in ONGARD under the last month of production or injection for that well.

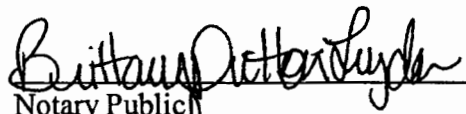
5. Upon information and belief, GP Energy II, Inc. ("Operator") is a Foreign Profit Corporation and is operating the wells ("subject wells") in Eddy and Lea Counties, New Mexico identified in *Exhibit 1, Inactive Well List*.

6. Upon information and belief, the subject wells operated by Operator in New Mexico have been inactive for a continuous period exceeding one year plus 90 days, and are neither plugged and abandoned in accord with 19.15.25.9 to -11 NMAC nor on approved temporary abandonment status in accord with 19.15.25.12 NMAC.

7. Upon information and belief, the number of subject wells out of compliance with 19.15.25.8 NMAC (wells to be properly abandoned) exceeds the amount allowed by 19.15.5.9 NMAC. As an operator of 24 wells, Operator may not have more than 2 wells out of compliance with 19.15.25.8 NMAC

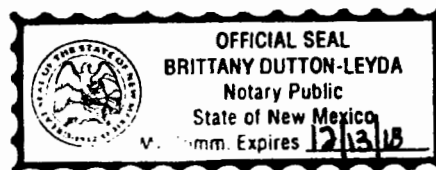

Daniel Sanchez

SUBSCRIBED AND SWORN before me on this 21st day of March, 2018.


Notary Public

My Commission Expires:

December 13, 2018



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

APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION
COMPLIANCE AND ENFORCEMENT BUREAU FOR A COMPLIANCE ORDER
AGAINST GP II ENERGY, INC., FOR WELLS OPERATED IN EDDY AND LEA
COUNTIES, NEW MEXICO.

CASE NO. 16049

AFFIDAVIT OF SERVICE

In accordance with 19.15.4.9 and 19.15.4.12 NMAC, I hereby certify that notice of the March 22, 2018 hearing in the above captioned case was mailed to the following party(ies) by certified mail, return receipt requested, at least 20 days prior to the hearing date, with a copy of the application:


GP II Energy, Inc.
113 Corporate Drive
Midland, TX 79705

Underwriters Indemnity Co. c/o
Office of the Superintendent of Insurance
Attn: Service of Process
P.O. Box 1689
Santa Fe, NM 87504-1689

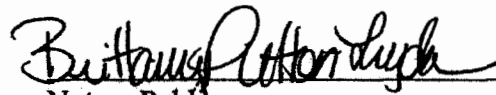
David Mitchell
1814 N. Cielo
Hobbs, NM 88240

RLI Insurance Company c/o
Office of the Superintendent of Insurance
Attn: Service of Process
P.O. Box 1689
Santa Fe, NM 87504-1689

A copy of this notice is attached as *Exhibit 5-A* to this affidavit.


Keith W. Herrmann

SUBSCRIBED AND SWORN before me on this 21st day of March, 2018.


Notary Public

My Commission Expires:

December 13, 2018

Case 16049

Exhibit 5

OCD Case # 16049

Exhibit 5: Affidavit of Service

Page 1 of 4



State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

Ken McQueen
Cabinet Secretary

Matthias Sayer
Deputy Cabinet Secretary

David Catanach, Division Director
Oil Conservation Division



February 23, 2018

GP Energy II, Inc.
113 Corporate Drive
Midland, TX 79705

VIA CERTIFIED MAIL, RETURN RECEIPT: 7012 0470 0000 0881 9887

Re: OCD Case No. 16049 for a Compliance Order against GP II Energy, Inc.

Dear Operator:

Pursuant to the notice provisions contained in 19.15.4 NMAC, you are hereby notified that at 8:15 AM on March 22, 2018, the New Mexico Oil Conservation Division ("OCD") will hold a hearing in front of a Division Examiner seeking an order determining that GP II Energy, Inc. ("Operator") (1) is out of compliance with OCD rule 19.15.5.9(A)(4), and 19.15.25.8 NMAC and NMSA 1978, § 70-2-14; (2) requiring Operator to return to compliance with 19.15.5.9(A)(4), and 19.15.25.8 NMAC and requiring producing wells shut-in until compliance is achieved; and (3) in the event of non-compliance, declaring the wells abandoned and authorizing the OCD to plug the violating wells in accordance with a Division-approved plugging program and restore and remediate the location, recover costs from the Operator's financial assurance as permitted by 19.15.8.13 NMAC, and seek indemnification and costs as permitted by NMSA 1978, § 70-2-14(E). The hearing will be held in Porter Hall at 1220 South St. Francis Dr., Santa Fe, New Mexico.

Please review 19.15.4 NMAC to see applicable rules for division hearings. A person entitled to notice may enter an appearance at any time by filing a written notice of appearance with the division or the commission clerk, as applicable, or, subject to the provisions in Subsection C of 19.15.4.10 NMAC, by oral appearance on the record at the hearing. A party who has not entered an appearance at least one business day prior to the pre-hearing statement filing date provided in Paragraph (1) of Subsection B of 19.15.4.13 NMAC shall not be allowed to present technical evidence at the hearing unless the Oil Conservation Commission chairman or the OCD examiner, for good cause, otherwise directs.

OCD Case # 16049
Exhibit 5-A: Direct Notice to Operator
Page 2 of 4

February 23, 2018

Page 2

If you have any questions regarding the hearing process, please contact me at (505) 476-3463 or keith.herrmann@state.nm.us.

Sincerely



Keith Herrmann

Attorney for the New Mexico Oil Conservation Division
Compliance and Enforcement Bureau

Encl: OCD Case No. 16049 Compliance and Enforcement Bureau Application for Hearing

Cc: David Mitchell
1814 N. Cielo
Hobbs, NM 88240
VIA CERTIFIED MAIL, RETURN RECEIPT: 7012 0470 0000 0881 9894

Underwriters Indemnity Co. c/o
Office of Superintendent of Insurance
Attn: Service of Process
P.O.Box 1689
Santa Fe, NM 87504-1689

RLI Insurance Company c/o
Office of Superintendent of Insurance
Attn: Service of Process
P.O.Box 1689
Santa Fe, NM 87504-1689

OCD Case # 16049
Exhibit 5-A: Direct Notice to Operator
Page 3 of 4

Exhibit 5-A - Direct Notice to Operator

COMPLETE THIS SECTION ON DELIVERY

SENDER: COMPLETE THIS SECTION

1. Article Addressed to:
David Mitchell
1814 N. Cielo
Hobbs, NM 88240

2. Article Number (Transfer from service label)
7012 0470 0000 0881 9887

3. Service Type
☐ Adult Signature
☐ Adult Signature Restricted Delivery
☐ Certified Mail®
☐ Certified Mail Restricted Delivery
☐ Collect on Delivery
☐ Collect on Delivery Restricted Delivery
☐ Mail Restricted Delivery (over \$500)

4. Priority Mail Express®
☐ Registered Mail™
☐ Registered Mail Restricted Delivery
☐ Return Receipt for Merchandise
☐ Signature Confirmation™
☐ Signature Confirmation Restricted Delivery

5. Is delivery address different from item 1? ☐ Yes ☒ No
If YES, enter delivery address below:

PS Form 3811, July 2015 PSN 7530-02-000-9053

COMPLETE THIS SECTION ON DELIVERY

SENDER: COMPLETE THIS SECTION

1. Article Addressed to:
GP Energy II, Inc.
113 Corporate Drive
Midland, TX 79705

2. Article Number (Transfer from service label)
7012 0470 0000 0881 9887

3. Service Type
☐ Adult Signature
☐ Adult Signature Restricted Delivery
☐ Certified Mail®
☐ Certified Mail Restricted Delivery
☐ Collect on Delivery
☐ Collect on Delivery Restricted Delivery
☐ Mail Restricted Delivery (over \$500)

4. Priority Mail Express®
☐ Registered Mail™
☐ Registered Mail Restricted Delivery
☐ Return Receipt for Merchandise
☐ Signature Confirmation™
☐ Signature Confirmation Restricted Delivery

5. Is delivery address different from item 1? ☐ Yes ☒ No
If YES, enter delivery address below:

PS Form 3811, July 2015 PSN 7530-02-000-9053

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com

OFFICIAL USE

Postage	\$
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$

Postmark Here

Sent To
GP Energy II, Inc.
113 Corporate Drive
Midland, TX 79705

PS Form 3800, August 2005 See Reverse for instructions

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com

OFFICIAL USE

Postage	\$
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$

Postmark Here

Sent To
David Mitchell
1814 N. Cielo
Hobbs, NM 88240

PS Form 3800, August 2005 See Reverse for instructions