

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

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APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION (“OCD”) COMPLIANCE AND ENFORCEMENT MANAGER FOR A COMPLIANCE ORDER AGAINST C O FULTON, DIRECTORS, AND OFFICERS, JOINTLY AND SEVERALLY, FINDING THAT THE OPERATOR IS IN VIOLATION OF THE OIL AND GAS ACT, NMSA 1978, SECTIONS 70-2-1 *et seq.* AND OCD RULES, NMAC 19.15.2 *et seq.*, REQUIRING OPERATOR TO RETURN TO COMPLIANCE WITH DIVISION RULES BY A DATE CERTAIN, AND IN THE EVENT OF NON-COMPLIANCE, REQUEST FOR ADDITIONAL SANCTIONS.

CASE NO. 15267

**OCD’S APPLICATION FOR COMPLIANCE ORDER
AGAINST C O FULTON,**

1. C O Fulton, (“Operator”) is a sole proprietor of 14 wells in Eddy County, New Mexico, under OGRID No. 3420. See *Exhibit 1: Well List*.
2. Operator’s address of record is: PO Box 1176, Artesia, New Mexico 88210
3. Operator has one blanket bond filed with the division, bond no. AE7133241, from American Employers’ Insurance, for the amount of \$50,000.
4. American Employers’ Insurance’s successor is listed as Sparta Insurance Company, CityPlace II 185 Asylum Street, Hartford, CT 06103.
5. Operator has additionally furnished the division with a single well bond, bond no. OCD995 for \$7,687 from Artesia Credit Union for the Dublin State #001 well, API no. 30-015-02868.
6. Artesia Credit Union’s agent of record is: Ronald D. Johnston, 201 North 5th Street, Artesia, NM 8210.

7. The last reported production on any of Operator's wells is July, 2011.
8. Operator had all authority to transport from/inject ("OCD Form C-104" or "C-104") to all wells revoked by the OCD on October 29, 2014 for failing to report production as required by Division Rule 19.15.7.24. They have made no attempt to reinstate their C-104. See *Exhibit 2: C-104 Revocation*
9. Division Rule 19.15.8.13 NMAC authorizes the Director to order the Operator to plug and abandon any well not in compliance with 19.15.25.8 NMAC and restore and remediate the location by a date certain.
10. Division Rule 19.15.25.8 NMAC requires an operator to plug and abandon or temporarily abandon a well within 90 days after: (1) a 60 day period following the suspension of drilling activities, (2) a determination that a well is no longer usable for a beneficial purpose, or (3) a period of one year of continuous inactivity.
11. NMSA 1978, Sections 70-2-12 and 70-2-38 authorize the Division to plug and abandon wells, and restore and remediate the location of abandoned wells.
12. Division Rule 19.15.5.9 (A)(4) NMAC (Compliance) states that an operator is compliant with Division Rule 19.15.5.9 if no more than the following number of wells it operates are compliant with Division Rule 19.15.25.8 NMAC (Wells to be Properly Abandoned): two wells or 50 percent of the wells the operator operates, whichever is less, if the operator operates 100 wells or less; five wells if the operator operates between 101 and 500 wells; seven wells if the operator operates between 501 and 1000 wells; and 10 wells if the operator operates more than 1000 wells

13. Operator currently has 14 wells out of a total of 14 wells out of compliance with Division Rule 19.15.25.8 NMAC, exceeding the amount allowed under Division Rule 19.15.5.9 (A)(4) NMAC.

14. Division Rule 19.15.8.9 NMAC requires that an operator to cover a well that has been in temporary abandonment status for more than two years with a one-well financial assurance.

15. Operator currently has 12 wells that require additional bonding in violation of Division Rule 19.15.8.9 NMAC. See *Exhibit 1: Well List*.

WHEREFORE, the OCD by and through its compliance and enforcement manager, hereby applies to the Director to enter an Order:

- A. Determining that Operator's wells are not in compliance with Division Rule 19.15.25.8 NMAC and requiring Operator to plug and abandon the violating wells by a date certain;
- B. Determining that Operator is out of compliance with Division Rule 19.15.5.9 NMAC;
- C. Determining that operator is out of compliance with Division Rule 19.15.8.9 NMAC and requiring Operator to furnish the required financial assurance for the non-compliant wells by a date certain;
- D. If the violating wells are not brought into compliance with 19.15.25.8 NMAC by the date set in the Order, finding the operator in violation of a division order, declaring the well abandoned and authorizing the Division to plug the subject well in accordance with a Division-approved plugging

program and restore and remediate the location and recover costs from the operators financial assurance as required by 19.15.8.13 NMAC;

- E. For such other and further relief as the Director deems just and proper under the circumstances.

RESPECTFULLY SUBMITTED,
this 3 day of February, 2015
by



Keith W. Herrmann
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) 476-3463
Fax: (505) 476-3462

Attorney for The New Mexico Oil
Conservation Division

Case No. 15267. Application of the New Mexico Oil Conservation Division ("OCD") Compliance and Enforcement Manager for a compliance order against C O Fulton, directors, and officers, jointly and severally, finding that the operator is in violation of the oil and gas act, NMSA 1978, Sections 70-2-1 *et seq.* and OCD rules, NMAC 19.15.2 *et seq.*, requiring operator to return to compliance with division rules by a date certain, and in the event of non-compliance, request for additional sanctions.

Exhibit 1: Well List

Well API No.	Name	Lease Type	Last Production	Well in violation of 19.15.8.9 NMAC?	Single Well Bond Amount	Bond In Place
30-015-02864	State A #001	State	7/2011	Y	\$0*	N
30-015-02867	Dublin Federal #001	Federal	7/2011	N	NA	NA
30-015-02870	Dublin State #003	State	7/2011	Y	\$0*	\$0
30-015-02873	Gulf State #002	State	7/2011	Y	\$0*	\$0
30-015-21976	Dublin State #004	State	7/2011	Y	\$0*	\$0
30-015-21779	Yates State #001	State	7/2011	Y	\$0*	\$0
30-015-20275	Gulf State #001	State	7/2011	Y	\$0*	\$0
30-015-02859	Gulf State #001	State	7/2011	Y	\$0*	\$0
30-015-02868	Dublin State #001	State	6/2007	N	\$7,687	\$7,687
30-015-02871	Dublin State #003A	State	7/2011	Y	\$0*	\$0
30-015-01707	Pan American #001	State	6/2011	Y	\$0*	\$0
30-015-02869	Dublin State #002	State	7/2011	Y	\$0*	\$0
30-015-24510	Gulf State #003	State	7/2011	Y	\$0*	\$0
30-015-22733	Dublin State #005	State	7/2011	Y	\$0*	\$0

*OCD Online does not have a depth of well on file to calculate bond amount. However, these wells still require additional bonding as Operator has allowed them to fall into inactive status.

Exhibit 2: C-104 Revocation

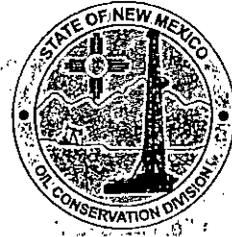
State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

David Martin
Cabinet Secretary

Brett F. Woods, Ph.D.
Deputy Cabinet Secretary

Jami Bailey, Division Director
Oil Conservation Division



October 29, 2014

C.O. Fulton
P.O. Box 1176
Artesia, NM 88210

OGRID No. 3420

Via Certified Mail: 7002 0510 0003 5125 2607

Dear Operator:

Rule 19.15.7.24 of the Oil Conservation Division ("OCD") requires that C-115(s) (Monthly Production Reports) be filed electronically on or before the 15th day of the second month following the month of production. As of today, we have not received your electronically submitted C-115(s) for May, 2014. It is the Operator's duty to file their monthly reports and update the OCD with any change in contact information per 19.15.9.8 NMAC.

Despite our attempts to notify you of this violation, no report has been received by the OCD. You are hereby being notified that effective immediately, the OCD has now revoked your authorization to transport from or inject into all wells your company operates.

In addition to the State Land Office, the New Mexico Taxation and Revenue Department, and the Bureau of Land Management, we will also take steps to notify purchasers and transporters of this revocation. Any unauthorized transportation or injection will be a violation of the Oil and Gas Act and the OCD will bring compliance actions against anyone participating in violations of the Act.

Immediate action is now required by you if you wish to restore your transport and injection authority. Please contact Daniel Sanchez at Daniel.Sanchez@state.nm.us (505-476-3493) to schedule a compliance conference. If no attempt to contact the OCD is made, we will move to find your wells orphaned, find you out of compliance with a division order, authorize the division to plug and abandon your wells, and seize any associated financial assurance, and seek any additional penalties available under the Act. Any operator or their principals found out of compliance with a division order will not be given a new OGRID number to authorize them to operate in the state of New Mexico.

Sincerely,

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

Daniel Sanchez
NMOCD Compliance & Enforcement Manager

cc: Kelly Brooks Smith, Pete Martinez, ksmith@slo.state.nm.us, pmartine@slo.state.nm.us, New Mexico State Land Office, P.O. Box 1148, Santa Fe, NM 87504;
Tom Zelenka, Joseph Galluzzi, tzelenka@blm.gov, jgalluzz@blm.gov, Bureau of Land Management, P.O. Box 27115, Santa Fe, NM 87502;
Joan Ishimoto, joan.ishimoto@state.nm.us, New Mexico Taxation and Revenue Dept., 1200 South Saint Francis Dr., Santa Fe, NM 87505

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<p>1. Article Addressed to:</p> <p style="text-align: center;">C.O. FULTON P.O. BOX 1176 ARTESIA, NM 88210</p>	<p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p><i>[Circular Postmark: ARTESIA, NM NOV 3 2014]</i></p> <p>3. Service Type: <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.</p> <p>4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes</p>
<p>2. Article Number: <i>[Barcode]</i> <small>(Transfer from service label)</small></p>	<p>RS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-1540</p>



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