

AMENDED APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION ("OCD") COMPLIANCE AND ENFORCEMENT MANAGER FOR A COMPLIANCE ORDER AGAINST C O FULTON, 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

**AMENDED
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 OCD with a single well financial assurance 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. As of October 29, Operator had not reported production on any of Operator's wells since July, 2011.

8. Operator had all authority to transport from/inject to ("OCD Form C-104" or "C-104") all wells revoked by the OCD on October 29, 2014 for failing to report production as required by Division Rule 19.15.7.24 NMAC. See *Exhibit 2: C-104 Revocation*

9. Since the original application for hearing was filed on February 3, 2015, the developments contained in paragraphs 10-18 occurred, requiring the OCD to amend its application for hearing.

10. After the C-104 was revoked, and prior to February 5, 2015, OCD inspectors notified OCD District III supervisor Randy Dade that the Operator's wells were still producing.

11. On February 5, 2015, Operator, represented by Leslie Patterson, met with OCD staff in OCD's Artesia District Office.

12. Operator was informed of the revocation of the wells C-104s, and instructed to shut in all of Operator's wells immediately.

13. The OCD instructed Operator that it would have to return to compliance with Division Rule 19.15.7.24 NMAC by filing all missed reports and reapply for their authority to transport for OCD review before the Division could reinstate their C-104s.

14. As of April 28, 2015, Operator filed all missing production reports through the reporting month of February, 2015.

15. Operator subsequently submitted incomplete C-104s and authority to transport from/inject to was never granted after the revocation on October 29, 2015.

16. On or around April 23, 2015, OCD inspector Ronald Harvey witnessed 11 of Operators 14 wells actively pumping.

17. Division Rule 19.15.7.15 NMAC requires an operator to file with the OCD a complete form C-104 to transport oil and gas from a well.

18. Production reports indicate that oil was being transported and sold from the Operator's wells after the revocation of Operator's C-104's.

19. 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.

20. 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.

21. 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.

22. Operator's well, the Dublin State #001, API No. 30-015-02868 is currently out of compliance with Division Rule 19.15.25.8 NMAC.

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

- A. Determining that the Dublin State #001 well, API No. 30-015-02868 is not in compliance with Division Rule 19.15.25.8 NMAC and requiring Operator to plug and abandon the violating well by a date certain;

- B. 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 Operator's financial assurance as required by 19.15.8.13 NMAC;
- C. Requiring Operator to appear at hearing and respond to allegations that they are out of compliance with Division Rule 19.15.7.15 NMAC, or, in the alternative, find Operator out of compliance with said rule;
- D. For such other and further relief as the Director deems just and proper under the circumstances.

RESPECTFULLY SUBMITTED,
this 28 day of April, 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. Amended application of the New Mexico Oil Conservation Division (“OCD”) Compliance and Enforcement Manager for a compliance order against C O Fulton, 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	12/2014	N		
30-015-02867	Dublin Federal #001	Federal	12/2014	N	NA	NA
30-015-02870	Dublin State #003	State	12/2014	N		
30-015-02873	Gulf State #002	State	11/2014	N		
30-015-21976	Dublin State #004	State	12/2014	N		
30-015-21779	Yates State #001	State	12/2014	N		
30-015-20275	Gulf State #001	State	12/2014	N		
30-015-02859	Gulf State #001	State	12/2014	N		
30-015-02868	Dublin State #001	State	6/2007	N	\$7,687	\$7,687
30-015-02871	Dublin State #003A	State	12/2014	N		
30-015-01707	Pan American #001	State	12/2014	N		
30-015-02869	Dublin State #002	State	12/2014	N		
30-015-24510	Gulf State #003	State	11/2014	N		
30-015-22733	Dublin State #005	State	12/2014	N		

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", followed by a long, horizontal, wavy line.

Daniel Sanchez
NMOCD Compliance & Enforcement Manager

1220 South St. Francis Drive • Santa Fe, New Mexico 87505
Phone (505) 476-3460 • Fax (505) 476-3462 • www.emnrd.state.nm.us/ocd

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Ec: 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

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mail piece, or on the front if space permits.

1. Article Addressed to:

C.O. FULTON
P.O. BOX 1176
ARTESIA, NM
88210

2. Article Number

(Transfer from service)

7-2002 0510 0003 5125 2607

PS Form 3811, February 2004

Domestic Return Receipt

102595-02-M-1540

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X *[Signature]*

☐ Agent☐ Addressee

B. Received by (Printed Name)

[Signature]

C. Date of Delivery

D. Is delivery address different from item 1?

☐ Yes

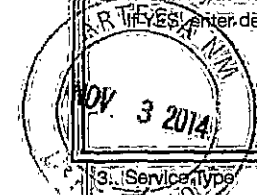
If YES, enter delivery address below:

☐ No

3. Service Type

☒ Certified Mail☐ Express Mail☐ Registered☐ Return Receipt for Merchandise☐ Insured Mail☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

NOV 3 2014
ARTESIA, NM
102595-02-M-1540