

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
COMPLIANCE AND ENFORCEMENT BUREAU FOR A COMPLIANCE
ORDER AGAINST CHAPARRAL RESOURCES, LLC, FOR ITS WELL
OPERATED IN LEA COUNTY, NEW MEXICO.

CASE NO. 15541

APPLICATION

The New Mexico Oil Conservation Division Compliance and Enforcement Bureau ("Bureau"), through its undersigned attorney, hereby files this application with the Oil Conservation Division ("OCD or Division") pursuant to the provisions of NMSA 1978, §70-2-12 for a compliance order (1) determining operator Chaparral Resources, LLC ("Operator") is out of compliance with 19.15.5.9 and 19.15.25.8 NMAC; (2) requiring Operator to return to compliance with 19.15.5.9 and 19.15.25.8 NMAC; and (3) in the event of non-compliance, finding the Operator in violation of a Division Order for each day after the deadline established in the sought order to obtain compliance, declaring the well abandoned, and authorizing the OCD to plug the violating well 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 as permitted by NMSA 1978, § 70-2-14(E). This application deals specifically with Operator's violations of OCD rules regarding 19.15.5.9 and 19.15.25.8 NMAC and does not include all violations that may exist. The OCD retains its right to bring a compliance action for any other existing and future violations. In support of this application, the OCD states:

1. Operator is a New Mexico limited liability company that operates one (1) well in Lea County, New Mexico, under OGRID No. 271999. See *Exhibit 1: Well List*, attached hereto and incorporated by reference as if set forth in its entirety.

2. Operator's address of record with OCD is: 701 Cedar Lake Blvd., Oklahoma City, OK 73114.

3. The New Mexico Secretary of State has Operator registered under corporation number 4264859 and identifies Mark A. Fischer, Joe Evans, and Robert W. Kelly II as Managers.

4. 19.15.5.9(A) NMAC states that an operator is in compliance with Subsection A of 19.15.5.9 NMAC if the operator:

(1) currently meets the financial assurance requirements of 19.15.8 NMAC;

(2) is not subject to a division or commission order, issued after notice and hearing, finding the operator to be in violation of an order requiring corrective action;

(3) does not have a penalty assessment that is unpaid more than 70 days after issuance of the order assessing the penalty; and

(4) has no more than the following number of wells out of compliance with 19.15.25.8 NMAC that are not subject to an agreed compliance order setting a schedule for bringing the wells into compliance with 19.15.25.8 NMAC and imposing sanctions if the schedule is not met:

a. two wells or 50 percent of the wells the operator operates, whichever is less, if the operator operates 100 wells or less;

- b. five wells if the operator operates between 101 and 500 wells;
 - c. seven wells if the operator operates between 501 and 1000 wells; and
 - d. 10 wells if the operator operates more than 1000 wells.
5. Operator has one single well bond filed with the OCD, bond number B005505, from U.S. Specialty Insurance Company, for the amount of \$16,960.
6. U.S. Specialty Insurance Company's address of record is: 13403 Northwest Freeway, Houston, TX 77040.
7. 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 operations; (2) a determination that a well is no longer usable for beneficial purposes; or (3) a period of one year in which a well has been continuously inactive.
8. Operator currently operates one salt water disposal well in Lea County, the Houston A No. 1, API No. 30-025-07202 ("subject well").
9. The last reported injection into the subject well was a volume of 3,730 bbls in the reporting period for January 2014.
10. Operator reported zero bbls of injected fluid from February 2014 to February 2015. No monthly production reports were received after February 2015.
11. Operator currently has one (1) well out of a total of one (1) well out of compliance with 19.15.25.8 NMAC, exceeding the amount allowed under 19.15.5.9(A)(4) NMAC. See *Exhibit 1: Inactive Well List*.

12. On June 16, 2016, the Bureau sent Operator notice that it was out of compliance with 19.15.5.9 NMAC by having too many wells in violation of 19.15.25.8 NMAC. No response was received from Operator.

13. Paragraph (1) of 19.15.26.12(C) NMAC states that “[w]henver there is a continuous one year period of non-injection into all wells in an injection or storage project or into a salt water disposal well or special purpose injection well, the division shall consider the project or well abandoned, and the authority for injection shall automatically terminate ipso facto.”

14. On July 15, 2016, the Bureau notified Operator that its injection authority into the subject well had terminated due to a one year period of non-injection pursuant to 19.15.26.12(C)(1) NMAC.

15. Paragraph (2) of 19.15.26.12(C) NMAC provides that “the director may grant an administrative extension or extensions of injection authority as an exception to Paragraph (1) of Subsection C of 19.15.26.12 NMAC, provided that any such extension may be granted only prior to the end of one year or continuous non-injection, or during the term of a previously granted extension.”

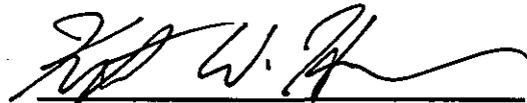
16. No request for extension was submitted by Operator prior to the end of the one year period of continuous non-injection.

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

- A. Determining that Operator is in violation of 19.15.5.9 and 19.15.25.8 NMAC;

- B. Requiring Operator to return to compliance with 19.15.5.9 and 19.15.25.8 NMAC within thirty (30) days of the issuance of a Division Order by plugging the well pursuant to 19.15.25 NMAC;
- C. In the event of non-compliance with the sought Division Order by the dates established by the OCD, finding the Operator in violation of a Division order, declaring the violating wells abandoned and authorizing the Division to plug the subject wells 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 and seek indemnification as permitted by NMSA 1978, § 70-2-14(E);
- D. For such other and further relief as the Director deems just and proper under the circumstances.

RESPECTFULLY SUBMITTED,
this 5 day of August, 2016 by



Keith W. Herrmann
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Energy, Minerals and Natural
Resources Department of the State of
New Mexico
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Attorney for the Compliance and
Enforcement Bureau

Case No. 15541 **Application of The New Mexico Oil Conservation Division Compliance and Enforcement Bureau for a Compliance Order against Chaparral Resources, LLC, for its Well Operated in Lea County, NEW MEXICO.** The New Mexico Oil Conservation Division Compliance and Enforcement Bureau, (“Bureau”) through its undersigned attorney, hereby files this application with the Oil Conservation Division (“OCD or Division”) pursuant to the provisions of NMSA 1978, §70-2-12 for a compliance order (1) determining operator Chaparral Resources, LLC (“Operator”) is out of compliance with 19.15.5.9 and 19.15.25.8 NMAC; (2) requiring Operator to return to compliance with 19.15.5.9 and 19.15.25.8 NMAC; and (3) in the event of non-compliance, finding the Operator in violation of a Division order for each day after the deadline established in the sought order to obtain acceptable financial assurance.

Inactive Well List

Total Well Count: 1 Inactive Well Count: 1
Printed On: Thursday, July 28 2016

District	API	Well	ULSTR	OCD Unit	OGRID	Operator	Lease Type	Well Type	Last Production	Formation/Notes	Status	TA Exp Date
1	30-025-07202	HOUSTON A #001	L-19-12S-38E	L	271999	CHAPARRAL RESOURCES LLC	P	S	01/2014	DEVONIAN INT TO PA 09/26/2011		

WHERE Ogrid:271999, 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 No. 15541
 Exhibit 1