

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 G. P. SIMS, THE ESTATE OF, FOR A WELL OPERATED IN
LEA COUNTY, NEW MEXICO.**

CASE NO. 15623

APPLICATION

The 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 G. P. Sims, the Estate of, ("Operator") is out of compliance with 19.15.5.9, 19.15.8, and 19.15.25.8 NMAC; (2) requiring the Operator to return to compliance with 19.15.5.9, 19.15.8, 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 the Operator's violations of 19.15.5.9, 19.15.8, and 19.15.25.8 NMAC and does not include all violations that may exist. The Bureau retains its right to bring a compliance action for any other existing and future violations. In support of this application, the Bureau states:

1. The Operator is a New Mexico sole proprietor that operates one (1) well in Lea County, New Mexico, under OGRID No. 197936. See *Exhibit 1: Well List and Financial Assurance Report*, attached hereto and incorporated by reference as if set forth in its entirety.

2. The Operator's address of record with OCD is: P.O. Box 1046, Eunice, NM 88231.

3. NMSA 1978, § 70-2-14 requires that each person, firm, corporation, or association who operates any oil, gas, or service well within the state, as a condition precedent to drilling or producing the well, furnish financial assurance in the form of an irrevocable letter of credit or a cash or surety bond or a well-specific plugging insurance policy to the OCD running to the benefit of the state and conditioned that the well be plugged and abandoned in compliance with OCD rules.

4. 19.15.8.9(C) NMAC states that an operator shall cover a well that has been in temporary abandonment for more than two years by either a one-well financial assurance or a blanket plugging financial assurance for wells in temporarily abandoned status.

5. The Operator currently needs acceptable financial assurance for the following well (the "subject well"):

Gulf State #001, API No. 30-25-03533

6. The Operator has one blanket bond filed with the OCD, bond no. 4375237, from Hartford Accident and Indemnity Company, for fifty thousand dollars (\$50,000).

7. 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.

8. On September 20, 2005, the OCD entered into an inactive well agreed compliance order (ACOI-94) requiring the Operator to plug the subject well by February 15, 2006. Instead, the Operator put the well on approved temporary abandonment status on February 21, 2006. The approved temporary abandonment status for the Gulf State #001 expired on February 21, 2011.

9. 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.

10. The 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*.

11. On June 16, 2016, the Bureau sent the Operator notice via first class mail that it was out of compliance with 19.15.5.9 NMAC and that the Bureau would seek formal compliance proceedings if no action was taken by the Operator to return to compliance within 60 days as required by 19.15.5.9(B) NMAC.

12. The Operator has not contacted the Bureau to resolve the outstanding compliance issues.

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

- A. determining that the Operator is in violation of 19.15.5.9, 19.15.8, and 19.15.25.8 NMAC;
- B. requiring the Operator to comply with 19.15.8 NMAC by providing the OCD with acceptable financial assurance within twenty-one (21) days of the issuance of an order;

- C. requiring the Operator to comply with 19.15.5.9 and 19.15.25.8 NMAC by plugging and abandoning the subject well within sixty (60) days of the issuance of an order;
- D. 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 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 and seek indemnification as permitted by NMSA 1978, § 70-2-14(E)
- E. for such other and further relief as the Director deems just and proper under the circumstances.

RESPECTFULLY SUBMITTED,
this 3rd day of January, 2017 by



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Case No. 15623. Application of The New Mexico Oil Conservation Division Compliance and Enforcement Bureau for a Compliance Order against G. P. Sims, the Estate of, for a Well Operated in LEA, 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 G. P. Sims, the Estate of, (“Operator”) is out of compliance with 19.15.5.9, 19.15.8, and 19.15.25.8 NMAC; (2) requiring the Operator to return to compliance with 19.15.5.9, 19.15.8, 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).

Exhibit 1: Well List and Financial Assurance Report

Application for Compliance Order

G.P. Sims, Estate of

Exhibit 1: Well List and Financial Assurance Report

Well Name	Lease Type	ULSTR	OCD Unit Letter	API no.	Last Prod/Inj	Inactive Additional Bond Due	Measured Depth (ft)	Required Bond Amount	Bond Required Now	Bond In Place	Bond No.	In Violation of 19.15.8.9 NMAC	In Violation of 19.15.25.8 NMAC
GULF STATE #001	S	K-33-21S-35E	K	30-025-03533	Apr-87	5/1/1989	3924	\$8,924.00	Y	\$0.00		Y	Y