

**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 HEYCO DEVELOPMENT CORPORATION, FOR WELLS
OPERATED IN OTERO COUNTY, NEW MEXICO.**

CASE NO. 15826

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 Heyco Development Corporation, ("Operator") is out of compliance with 19.15.5.9, and 19.15.25.8 NMAC; (2) requiring the 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 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, and seek indemnification as permitted by NMSA 1978, § 70-2-14(E). This application deals specifically with Operator's violations of 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 Bureau states:

1. Operator is a New Mexico profit corporation that operates 2 wells in Otero County, New Mexico, under OGRID No. 370234. See *Exhibit 1: Inactive Well List*, attached hereto and incorporated by reference as if set forth in its entirety.

2. Operator's address of record with OCD is: P.O. Box 1933, Roswell, NM 88202.

3. The New Mexico Secretary of State has Operator registered under entity number 1427533 and identifies George Yates, President, Carlyn Jarm, Secretary, Chris Coleman, Treasurer, Per Juvkam-Wold, Vice President, as Officers of Record.

4. 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.

5. 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.

6. 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.

7. The Operator currently has two (2) wells out of a total of two (2) wells 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*.

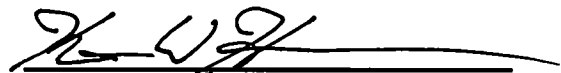
8. On June 16, 2016, the Bureau sent the Operator notice via first class mail that it was out of compliance with 19.15.5.9 NMAC and that the Bureau would seek formal compliance proceedings if no action was taken by the Operator to return to compliance within 60 days as required by 19.15.5.9(B) NMAC.

9. 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, and 19.15.25.8 NMAC;
- B. 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;
- 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 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 15 day of August, 2017 by



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Case No. 15826. **Application of The New Mexico Oil Conservation Division Compliance and Enforcement Bureau for a Compliance Order against Heyco Development Corporation, for Wells Operated in Otero County, New Mexico.** The New Mexico Oil Conservation Division Compliance and Enforcement Bureau ("Bureau"), 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 Heyco Development Corporation ("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 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, and seek indemnification as permitted by NMSA 1978, § 70-2-14(E).

Exhibit 1: Inactive Well List

Inactive Well List

Total Well Count: 2 Inactive Well Count: 2
Printed On: Tuesday, June 20 2017

District	API	Well	ULSTR	OCD Unit	OGRID	Operator	Lease Type	Well Type	Last Production	Formation/Notes	Status	TA Exp Date
2	30-035-20031	BENNETT RANCH 25 UNIT #001	G-25-26S-12E	G	370234	HEYCO DEVELOPMENT CORPORATION	F	G	07/2014	WILDCAT FUSSELMAN		
2	30-035-20028	BENNETT RANCH UNIT #001Y	B-14-26S-12E	B	370234	HEYCO DEVELOPMENT CORPORATION	F	O	07/2014	WC HACKBERRY/ELENBERGER		

WHERE Ogrid:370234, County:All, District:All, Township:All, Range:All, Section:All, Production(months):15, Excludes Wells Under ACOI, Excludes Wells in Approved TA Period