

Inactive Well Additional Financial Assurance Report

21386 SOUTHWESTERN INC

Total Well Count: 3

Printed On: Wednesday, May 24 2017

Property	Well Name	Lease Type	ULSTR	OCD Unit Letter	API	Well Type	Last Prod/Inj	Inactive Additional Bond Due	Measured Depth	Required Bond Amount	Bond Required Now	Covered By Blanket TA Bond	Bond In Place	In Violation
10675	HUMBLE STATE #001	S	A-17-18S-28E	A	30-015-01900	O	10/2009	11/01/2011	2502	7502	Y		0	Y
	HUMBLE STATE #002	S	D-20-18S-28E	D	30-015-01969	O	10/2009	11/01/2011	2433	7433	Y		0	Y
10677	STATE VC #001	S	L-36-17S-35E	L	30-025-03035	O	01/2009	02/01/2011	9075	14075	Y		0	Y

WHERE Ogrid:21386

OCD Case # 15705**Exhibit 1: Financial Assurance Report****Page 1 of 1**

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

David Martin
Cabinet Secretary

Tony Delfin
Deputy Cabinet Secretary
June 30, 2016

David R. Catanach, Division Director
Oil Conservation Division



Southwestern Inc
1304 W. Broadway Pl
Hobbs, NM 88240

Notice of Violation

Dear Southwestern Inc,

The Oil Conservation Division ("OCD") now reviews all operators out of compliance with the OCD's financial assurance requirements. Pursuant to 19.15.8.9 NMAC, an operator is required to furnish financial assurance acceptable to the OCD in the form of an irrevocable letter of credit, plugging insurance policy, or cash or surety bond running to the state of New Mexico conditioned that the well be plugged and abandoned and the location restored and remediated in compliance with division rules. According to OCD records, Southwestern Inc is the operator of record of the attached list of wells that require additional financial assurance.

Failure to provide the OCD with acceptable financial assurance is a violation of OCD rules and the Oil and Gas Act, NMSA 1978 § 70-2 *et. seq.*, and could be punishable by a fine of not more than one thousand dollars (\$1,000) per day for each violation. NMSA 1978, § 70-2-31.

Please review 19.15.8 NMAC to determine the types and amounts of financial assurance that the OCD accepts. Immediate action is now required. If no response is received within 30 days, the OCD will take further compliance action against Southwestern Inc, including, but not limited to, seeking a formal order to require Southwestern Inc to provide acceptable financial assurance for the its wells at an OCD hearing and pursuing other legal available remedies to obtain compliance.

If you have any questions regarding the contents of this letter, please contact the OCD Bond Administrator, Denise Gallegos at (505) 476-3453 to schedule a compliance conference to discuss the outstanding compliance issues.

Sincerely,

A handwritten signature in black ink, appearing to read "Daniel Sanchez", with a long horizontal line extending to the right.

Daniel Sanchez
OCD Compliance and Enforcement Manager, UIC Program Director
Daniel.Sanchez@state.nm.us

EC: Keith Herrmann, ENMRD Assistant General Counsel
Encl: Additional Financial Assurance Report

OCD Case # 15705
Exhibit 2: Notice of Violation
Page 1 of 3

Inactive Well Additional Financial Assurance Report

21386 SOUTHWESTERN INC

Total Well Count: 3

Printed On: Tuesday, June 28 2016

Property	Well Name	Lease Type	ULSTR	OCD Unit Letter	API	Well Type	Last Prod[ct]	Inactive Additional Bond Due	Measured Depth	Required Bond Amount	Bond Required Now	Covered By Blanket TA Bond	Bond In Place	In Violation
10675	HUMBLE STATE #001	S	A-17-18S-28E	A	30-015-01900	O	10/2009	11/01/2011	2502	7502	Y		0	Y
	HUMBLE STATE #002	S	D-20-18S-28E	D	30-015-01989	O	10/2009	11/01/2011	2433	7433	Y		0	Y
10677	STATE VC #001	S	L-36-17S-35E	L	30-025-03035	O	01/2009	02/01/2011	9074	14074	Y		0	Y

WHERE Ogrid:21386

OCD Case # 15705

Exhibit 2: Notice of Violation

Page 2 of 3

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
<ul style="list-style-type: none"> Complete items 1, 2, and 3. 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 mailpiece, or on the front if space permits. 	<p>A. Signature <i>Chris Mendoza</i> <input type="checkbox"/> Agent <input checked="" type="checkbox"/> Addressee</p> <p>B. Received by (Printed Name) <i>Chris Mendoza</i> C. Date of Delivery <i>7-5-16</i></p>
<p>1. Article Addressed to:</p> <p>Southwestern Inc 1304 W. Broadway Pl Hobbs, NM 88240</p>	<p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If YES, enter delivery address below:</p> <p style="text-align: center;">RECEIVED JUL 07 2016</p>
<p>9590 9402 1591 5362 8582 92</p>	<p>3. Service Type</p> <p><input type="checkbox"/> Adult Signature <input type="checkbox"/> Priority Mail Express®</p> <p><input type="checkbox"/> Adult Signature Restricted Delivery <input type="checkbox"/> Registered Mail™</p> <p><input checked="" type="checkbox"/> Certified Mail® <input type="checkbox"/> Registered Mail Restricted Delivery</p> <p><input type="checkbox"/> Certified Mail Restricted Delivery <input checked="" type="checkbox"/> Return Receipt for Merchandise</p> <p><input type="checkbox"/> Collect on Delivery <input type="checkbox"/> Signature Confirmation™</p> <p><input type="checkbox"/> Restricted Delivery Restricted Delivery</p> <p><input type="checkbox"/> Signature Confirmation Restricted Delivery</p> <p><input type="checkbox"/> Signature Confirmation Restricted Delivery (over \$500)</p>
<p>2. Article Number (Transfer from outside label)</p> <p>7012 0470 0000 0880 15268 1111</p>	
<p>PS Form 3811, July 2015 PSN 7630-02-000-9053</p>	<p>Domestic Return Receipt</p>

USPS TRACKING#



First-Class Mail
 Postage & Fees Paid
 USPS
 Permit No. G-10

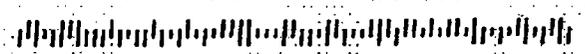
9590 9402 1591 5362 8582 92

**United States
 Postal Service**

* Sender: Please print your name, address, and ZIP+4® in this box*

OIL CONSERVATION DIVISION
1220 SOUTH ST. FRANCIS DRIVE
SANTA FE, NEW MEXICO 87505

Attn: Denise



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

APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION
COMPLIANCE AND ENFORCEMENT BUREAU FOR A COMPLIANCE ORDER
AGAINST SOUTHWESTERN, INC. FOR WELLS OPERATED IN EDDY AND
LEA COUNTIES, NEW MEXICO.

CASE NO. 15705

AFFIDAVIT OF SERVICE

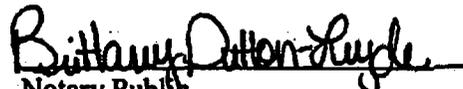
In accordance with 19.15.4.9 and 19.15.4.12 NMAC, I hereby certify that notice of the May 25, 2017 hearing in the above captioned case was mailed to the following party(ies) by certified mail, return receipt requested, at least 20 days prior to the hearing date, with a copy of the application:

Southwestern, Inc.
1304 W. Broadway Pl.
Hobbs, NM 88240

A copy of this notice is attached as *Exhibit 3-A* to this affidavit. The notice was also published in the "Artesia Daily Press" and the "The Lovington Leader," newspapers of general circulation in Eddy and Lea Counties. An affidavit of publication is provided in *Exhibit 3-B*.


Keith W. Herrmann

SUBSCRIBED AND SWORN before me on this 24th day of May, 2017.


Notary Public

My Commission Expires:

December 13, 2018



State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

Ken McQueen
Cabinet Secretary

Matthias Sayer
Deputy Cabinet Secretary

David Catanach, Division Director
Oil Conservation Division



April 27, 2017

Southwestern, Inc.
1304 W. Broadway Pl.
Hobbs, NM 88240

VIA CERTIFIED MAIL, RETURN RECEIPT: 7012 0470 0000 0882 2177

Re: OCD Case No. 15705 for a Compliance Order against Southwestern, Inc.

Dear Operator:

Pursuant to the notice provisions contained in 19.15.4 NMAC, you are hereby notified that at 8:15 AM on May 25, 2017, the New Mexico Oil Conservation Division ("OCD") will hold a hearing in front of a Division Examiner seeking an order determining that Southwestern, Inc. ("Operator") (1) is out of compliance with OCD rule 19.15.8 NMAC and NMSA 1978, § 70-2-14; (2) requiring Operator to return to compliance with 19.15.8 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. The hearing will be held in Porter Hall at 1220 South St. Francis Dr., Santa Fe, New Mexico.

Please review 19.15.4 NMAC to see applicable rules for division hearings. A person entitled to notice may enter an appearance at any time by filing a written notice of appearance with the division or the commission clerk, as applicable, or, subject to the provisions in Subsection C of 19.15.4.10 NMAC, by oral appearance on the record at the hearing. A party who has not entered an appearance at least one business day prior to the pre-hearing statement filing date provided in Paragraph (1) of Subsection B of 19.15.4.13 NMAC shall not be allowed to present technical evidence at the hearing unless the Oil Conservation Commission chairman or the OCD examiner, for good cause, otherwise directs.

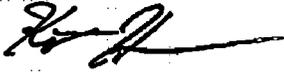
OCD Case # 15705
Exhibit 3-A: Direct Notice to Operator
Page 1 of 3

April 27, 2017

Page 2

If you have any questions regarding the hearing process, please contact me at (505) 476-3463 or keith.herrmann@state.nm.us.

Sincerely



Keith Herrmann

Attorney for the New Mexico Oil Conservation Division
Compliance and Enforcement Bureau

Encl: OCD Case No. 15705 Compliance and Enforcement Bureau Application for Hearing

OCD Case # 15705

Exhibit 3-A: Direct Notice to Operator

Page 2 of 3

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY
<input checked="" type="checkbox"/> Complete items 1, 2, and 3. <input type="checkbox"/> Print your name and address on the reverse so that we can return the card to you. <input checked="" type="checkbox"/> Attach this card to the back of the mailpiece, or on the front if space permits.	A. Signature <input checked="" type="checkbox"/> Agent <input type="checkbox"/> Addressee B. Received by (Printed Name) C. Date of Delivery
1. Article Addressed to: <p style="text-align: center;">Southwestern, Inc. 1304 W. Broadway Pl. Hobbs, NM 88240</p>	D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No
2. Article Number (Three for items registered under) 9590 9402 1826 6104 4474 56 7012 0470 0000 0862 12127	3. Service Type <input type="checkbox"/> Adult Signature <input type="checkbox"/> Adult Signature Restricted Delivery <input checked="" type="checkbox"/> Certified Mail® <input type="checkbox"/> Certified Mail Restricted Delivery <input type="checkbox"/> Collect on Delivery <input type="checkbox"/> Delivery Restricted Delivery <input type="checkbox"/> Restricted Delivery <input type="checkbox"/> Priority Mail Express® <input type="checkbox"/> Registered Mail™ <input type="checkbox"/> Registered Mail Restricted Delivery <input checked="" type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Signature Confirmation™ <input type="checkbox"/> Signature Confirmation Restricted Delivery

PS Form 3811, July 2015 PSN 7530-02-000-9053

Domestic Return Receipt

<p>USPS TRACKING#</p>		<p>First-Class Mail Postage & Fees Paid USPS Permit No. G-10</p>
<p>9590 9402 1826 6104 4474 56</p>		
<p>United States Postal Service</p>	<p>* Sender: Please print your name, address, and ZIP+4® in this box*</p> <p style="text-align: center;">New Mexico Energy, Minerals and Natural Resources Department Office of the General Counsel 1220 South St. Francis Drive Santa Fe, NM 87505</p> <p style="text-align: center;">Attn: Keith Hermann</p>	
		

Affidavit of Publication

No. 24280

State of New Mexico

County of Eddy:

Danny Scott

being duly sworn says that she is the Publisher

of the Artesia Daily Press, a daily newspaper of General circulation, published in English at Artesia, said county and state, and that the hereto attached

Legal Ad

was published in a regular and entire issue of the said Artesia Daily Press, a daily newspaper duly qualified for that purpose within the meaning of Chapter 167 of the 1937 Session Laws of the state of New Mexico for

1 Consecutive weeks/day on the same

day as follows:

First Publication	<u>April 28, 2017</u>
Second Publication	
Third Publication	
Fourth Publication	
Fifth Publication	
Sixth Publication	

Subscribed and sworn before me this 28th day of April 2017



My commission expires: 5/12/2019

Latisha Romine

Latisha Romine
Notary Public, Eddy County, New Mexico

OCD Case # 15705
Exhibit 3-B: Affidavit of Publication
Page 1 of 2

Copy of Publication:

Legal Notice

NOTICE OF HEARING STATE OF NEW MEXICO ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT OIL CONSERVATION DIVISION SANTA FE, NEW MEXICO

The State of New Mexico through its Oil Conservation Division hereby gives notice pursuant to law and the Rules and Regulations of the Division of the following public hearing to be held at 8:15 a.m. on May 25, 2017, in the Oil Conservation Division Hearing Room at 1220 South St. Francis Drive, Santa Fe, New Mexico, before an examiner duly appointed for the hearing. If you are an individual with a disability who is in need of a reader, amplifier, qualified sign language interpreter or any other form of auxiliary aid or service to attend or participate in the hearing, please contact Florene Davidson at 505-476-3458 or through the New Mexico Relay Network, 1-800-659-1779 by May 15, 2017. Public documents, including the agenda and minutes, can be provided in various accessible forms. Please contact Florene Davidson if a summary or other type of accessible form is needed. A party who plans on using projection equipment at a hearing must contact Florene Davidson seven (7) business days prior to the hearing, requesting the use of the projection equipment. Wireless Internet is available; however, the party must provide its own laptop computer.

STATE OF NEW MEXICO TO: All named parties and persons having any right, title, interest or claim in the following cases and notice to the public. (NOTE: All land descriptions herein refer to the New Mexico Principal Meridian whether or not so stated.) Case No. 15705: Application of The New Mexico Oil Conservation Division Compliance and Enforcement Bureau for a Compliance Order against Southwestern, Inc., for Wells Operated in Eddy and Lea Counties, 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 Southwestern, Inc. ("Operator") is out of compliance with 19.15.8 NMAC and NMSA 1978, § 70-2-14; (2) requiring Operator to return to compliance with 19.15.8 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. Case No. 15707: Application of The New Mexico Oil Conservation Division Compliance and Enforcement Bureau for a Compliance Order against Tactical Oil & Gas, LLC, for a Well Operated in Eddy 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 Tactical Oil & Gas, LLC ("Operator") is out of compliance with 19.15.8 NMAC and NMSA 1978, § 70-2-14; (2) requiring Operator to return to compliance with 19.15.8 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.

Given under the Seal of the State of New Mexico Oil Conservation Commission at Santa Fe, New Mexico on this 26th day of April, 2017.

**STATE OF NEW MEXICO
OIL CONSERVATION DIVISION
David R. Catanach
Director, Oil Conservation Division
SEAL**

Published in the Artesia Daily Press, Artesia, N.M., April 28, 2017 Legal No. 24280.

Affidavit of Publication

STATE OF NEW MEXICO)
) ss.
COUNTY OF LEA)

Joyce Clemens being first duly sworn on oath deposes and says that she is Advertising Manager of THE LOVINGTON LEADER, a thrice a week newspaper of general paid circulation published in the English language at Lovington, Lea County, New Mexico; that said newspaper has been so published in such county continuously and uninterruptedly for a period in excess of Twenty-six (26) consecutive weeks next prior to the first publication of the notice hereto attached as hereinafter shown; and that said newspaper is in all things duly qualified to publish legal notices within the meaning of Chapter 167 of the 1937 Session Laws of the State of New Mexico.

That the notice which is hereto attached, entitled Legal Notice was published in a regular and entire issue of THE LOVINGTON LEADER and not in any supplement thereof, for one (1) day(s), beginning with the issue of April 29, 2017 and ending with the issue of April 29, 2017.

And that the cost of publishing said notice is the sum of \$ 100.17 which sum has been (Paid) as Court Costs.

Joyce Clemens
Joyce Clemens, Advertising Manager
Subscribed and sworn to before me this 8th day of May, 2017.

Gina Fort
Gina Fort
Notary Public, Lea County, New Mexico
My Commission Expires June 30, 2018



LEGAL NOTICE

NOTICE OF HEARING
STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION
SANTA FE, NEW MEXICO

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STATE OF NEW MEXICO
OIL CONSERVATION DIVISION
David R. Catanach
Director, Oil Conservation Division
S E A L

Published in the Lovington Leader April 29, 2017

OCD Case # 15705
Exhibit 3-B: Affidavit of Publication
Page 2 of 2