

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

2007 FEB 13 PM 1 42

APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION, THROUGH THE ENFORCEMENT AND COMPLIANCE MANAGER, FOR A COMPLIANCE ORDER AGAINST SALADO OPERATING, LLC FINDING THAT THE OPERATOR IS IN VIOLATION OF 19.15.4.201 NMAC AS TO SIX WELLS, REQUIRING OPERATOR TO BRING SAID WELLS INTO COMPLIANCE WITH 19.15.4.201 NMAC BY A DATE CERTAIN AND, IN THE EVENT OF NON-COMPLIANCE, DECLARING THE WELLS ABANDONED AND AUTHORIZING THE DIVISION TO PLUG THE WELLS LOCATED IN EDDY COUNTY, NEW MEXICO.

CASE NO. 13887

APPLICATION FOR COMPLIANCE ORDER
AGAINST SALADO OPERATING LLC

1. Salado Operating, LLC ("Operator") is a limited liability corporation operating the following wells in New Mexico under OGRID 149084:

- East Henshaw Unit #001Y, 12-1-16S-30E, 30-015-05939
- East Henshaw Unit #002, 15-1-16S-30E, 30-015-03813
- East Henshaw Unit #002K, 11-1-16S-30E, 30-015-03808
- East Henshaw Unit #004N, 14-1-16S-30E, 30-015-03815
- East Henshaw Unit #004S, K-1-16S-30E, 30-015-03810
- East Henshaw Unit #006M, M-1-16S-30E, 30-015-03816.

Exhibit 1, Well List.

2. Operator's wells in New Mexico are federal wells; therefore, Operator is not required to post, and has not posted, financial assurances to secure its obligation to plug and abandon the wells. *Exhibit 2, Affidavit of Dorothy Phillips.*

3. Division Rule 19.15.4.201 NMAC requires an operator to plug and abandon or temporarily abandon a well, in accordance with Division rules, within 90 days after a period of one year of continuous inactivity.

4. The following wells (“subject wells”) operated by Salado Operating, LLC in New Mexico have been inactive for a continuous period exceeding one year plus 90 days (*Exhibit 3, Affidavit of Jane Prouty*), and are neither plugged and abandoned in accord with 19.15.4.202 NMAC nor on approved temporary abandonment status in accord with 19.15.4.203 NMAC:

- East Henshaw Unit #001Y, 12-1-16S-30E, 30-015-05939
- East Henshaw Unit #002, 15-1-16S-30E, 30-015-03813
- East Henshaw Unit #002K, 11-1-16S-30E, 30-015-03808
- East Henshaw Unit #004N, 14-1-16S-30E, 30-015-03815
- East Henshaw Unit #004S, K-1-16S-30E, 30-015-03810
- East Henshaw Unit #006M, M-1-16S-30E, 30-015-03816.

5. Division Rule 19.15.3.101(H) NMAC authorizes the Director to order the Operator to plug and abandon any well not in compliance with 19.15.4.201 NMAC and restore and remediate the location by a date certain.

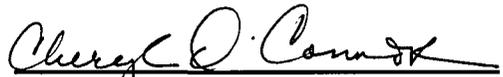
6. NMSA 1978, Section 70-2-12(B)(18) and NMSA 1978, Section 70-2-38 authorize the Division to plug and abandon wells, and restore and remediate the location of abandoned wells.

WHEREFORE, the Supervisor of District I of the Division hereby applies to the Director to enter an Order:

- A. Determining that the subject wells are not in compliance with 19.15.4.201 NMAC;
- B. Requiring Salado Operating, LLC to plug and abandon each of the subject wells by a date certain;

- C. If the subject wells are not brought into compliance with 19.15.4.201 NMAC by the date set in the Order, declaring the wells abandoned and authorizing the Division to plug the subject wells in accordance with a Division-approved plugging program and restore and remediate the locations; and
- D. For such other and further relief as the Director deems just and proper under the circumstances.

RESPECTFULLY SUBMITTED,
this 13 day of February 12, 2007
by



Cheryl O. Connor
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) 476-3480

Attorney for The New Mexico Oil
Conservation Division

- Case No. 13887. Application of the New Mexico Oil Conservation Division for a Compliance Order against Salado Operating LLC. The Applicant seeks an Order finding that operator is in violation of 19.15.4.201 NMAC as to six wells, requiring operator to bring the six wells into compliance with 19.15.4.201 NMAC by a date certain and authorizing the Division to plug said wells in the event of non-compliance. The affected wells are: East Henshaw Unit #001Y, 12-1-16S-30E, 30-015-05939; East Henshaw Unit #002, 15-1-16S-30E, 30-015-03813; East Henshaw Unit #002K, 11-1-16S-30E, 30-015-03808; East Henshaw Unit #004N, 14-1-16S-30E, 30-015-03815; East Henshaw Unit #004S, K-1-16S-30E, 30-015-03810; East Henshaw Unit #006M, M-1-16S-30E, 30-015-03816. The wells are located west of _____ in Eddy County, New Mexico.

Well List

149084 SALADO OPERATING LLC
 TOTAL WELL COUNT:6
 PRINTED ON:THURSDAY, OCTOBER 12, 2006

Property	Well Name	Lease Type	ULSTR	OCD UL	API	Well Type	Pool	Last Prod/Inj	Oil POD	
17782	EAST HENSHAW UNIT #001Y	F	12-1 -16S-30E	L	30-015-05939	I	30599 HENSHAW;GRAYBURG, WEST	9/1996		
	EAST HENSHAW UNIT #002	F	15-1 -16S-30E	J	30-015-03813	I	30599 HENSHAW;GRAYBURG, WEST	9/1996		
	EAST HENSHAW UNIT #002K	F	11-1 -16S-30E	K	30-015-03808	O	30599 HENSHAW;GRAYBURG, WEST	8/1996	944410	94
	EAST HENSHAW UNIT #004N	F	14-1 -16S-30E	N	30-015-03815	I	30599 HENSHAW;GRAYBURG, WEST	4/1981		
	EAST HENSHAW UNIT #004S	F	K-1 -16S-30E	K	30-015-03810	O	30599 HENSHAW;GRAYBURG, WEST	2/1980	944410	94
	EAST HENSHAW UNIT #006M	F	M-1 -16S-30E	M	30-015-03816	O	30599 HENSHAW;GRAYBURG, WEST	9/1996	944410	94

Well List
OCD Exhibit No. 1

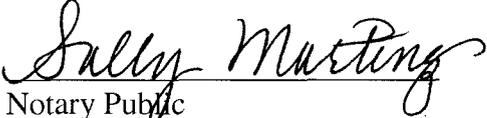
affidavit is a printout of the E-Permitting screen showing Salado Operating, LLC as operator of the East Henshaw Unit #001Y, East Henshaw Unit #002, East Henshaw Unit #002K, East Henshaw, East Henshaw Unit #004S, and East Henshaw Unit #006M.

5. A Division data base, ONGARD (oil and natural gas administration and revenue data base), maintains data on the financial assurances posted by operators. I have researched ONGARD records to determine if Salado Operating, LLC has posted a bond on these wells. According to ONGARD, Salado Operating, LLC has not posted any bonds on these wells as they are all located on Federal land.

FURTHER AFFIANT SAYETH NOT.

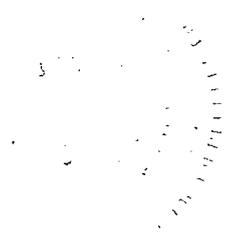

Dorothy Phillips

SUBSCRIBED AND SWORN before me this 13th day of February 2007.


Notary Public

My Commission Expires:

3-24-2010



Well List

149084 SALADO OPERATING LLC

TOTAL WELL COUNT:6

PRINTED ON:MONDAY, FEBRUARY 12, 2007

Property	Well Name	Lease Type	ULSTR	OCD UL	API	Well Type	Pool	Last Prod/Inj	Oil POD	
17782	EAST HENSHAW UNIT #001Y	F	12-1 -16S-30E	L	30-015-05939	I	30599 HENSHAW;GRAYBURG, WEST	9/1996		
	EAST HENSHAW UNIT #002	F	15-1 -16S-30E	J	30-015-03813	I	30599 HENSHAW;GRAYBURG, WEST	9/1996		
	EAST HENSHAW UNIT #002K	F	11-1 -16S-30E	K	30-015-03808	O	30599 HENSHAW;GRAYBURG, WEST	8/1996	944410	94
	EAST HENSHAW UNIT #004N	F	14-1 -16S-30E	N	30-015-03815	I	30599 HENSHAW;GRAYBURG, WEST	4/1981		
	EAST HENSHAW UNIT #004S	F	K-1 -16S-30E	K	30-015-03810	O	30599 HENSHAW;GRAYBURG, WEST	2/1980	944410	94
	EAST HENSHAW UNIT #006M	F	M-1 -16S-30E	M	30-015-03816	O	30599 HENSHAW;GRAYBURG, WEST	9/1996	944410	94

*Attachment to
Dorothy Phillips' Affidavit
OCD Exhibit No. A*

CMD :
OG6CBB

ONGARD
CAPTURE BLANKET BONDS

02/12/07 09:25:52
OGODLP -TQQO

OGRID Identifier : 149084 Bond Idn : Bond Status :
Operator Name, Address : SALADO OPERATING LLC
1533 CORDOVA
HOBBS,NM 88240

Bond Details- Type (Cash/Surety - C/S): Bond Co Idn: Amount:
Company OGRID Identifier:
Company Name, Address :

Limited as to future Liability (Y/N) : If Limited, End Date :

Effective Date : Cancellation Date :

Issuer Bond No :

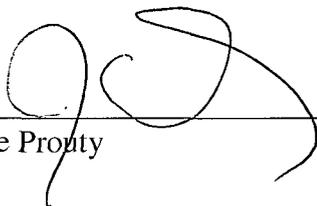
E0004: No matching record found. Enter data to create.

PF01 HELP	PF02	PF03 EXIT	PF04 GoTo	PF05	PF06 CONFIRM
PF07	PF08	PF09 PRINT	PF10 NXTBOND	PF11	PF12

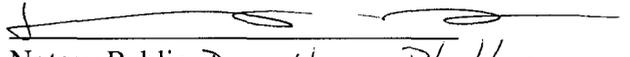
6. I have researched the ONGARD records for production and injection information regarding the East Henshaw Unit #001Y, 12-1-16S-30E, API # 30-015-05939; East Henshaw Unit #002, 15-1-16S-30E, API # 30-015-03813; East Henshaw Unit #002K, 11-1-16S-30E, API # 30-015-03808; East Henshaw Unit #004N, 14-1-16S-30E, API # 30-015-03815; East Henshaw Unit #004S, K-1-16S-30E, API # 30-015-03810; and East Henshaw Unit #006M, M-1-16S-30E, API # 30-015-03816.

ONGARD contains no production or injection records for the East Henshaw Unit #001Y and East Henshaw Unit #002 wells since September 1996; from the East Henshaw Unit #002K since August 1996; from the East Henshaw Unit #004N since April 1981; from the East Henshaw Unit #004S since February 1980; and from the East Henshaw Unit #006M since September 1996.

FURTHER AFFIANT SAYETH NOT.


Jane Prouty

SUBSCRIBED AND SWORN before me this 12th day of February 2007.


Notary Public Dorothy Phillips

My Commission Expires:

4/2/07