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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, THROUGH THE COMPLIANCE AND ENFORCEMENT MANAGER, FOR A COMPLIANCE ORDER AGAINST POGO PRODUCING COMPANY FINDING THAT IT KNOWINGLY AND WILFULLY VIOLATED 19.15.3.104 NMAC, ORDER R-12366, 19.15.13.1115 NMAC, AND NMSA 1978, SECTION 70-2-31(B)(2) and (D), IMPOSING PENALTIES, REQUIRING THE OPERATOR TO FILE CORRECTED REPORTS, AND REQUIRING OPERATOR TO PLUG AND ABANDON THE WELL; LEA COUNTY, NEW MEXICO.

CASE NO. 13990

ENTRY OF APPEARANCE AND
PRE-HEARING STATEMENT

The Oil Conservation Division submits this entry of appearance and pre-hearing statement pursuant to OCD Rule 1211 [19.15.14.1211 NMAC].

APPEARANCES

APPLICANT

Oil Conservation Division

APPLICANT'S ATTORNEY

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RESPONDENT

Pogo Producing Company

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STATEMENT OF THE CASE

The Oil Conservation Division (OCD) seeks a compliance order against Pogo Producing Company (Pogo).

Pogo is the operator of record for the Resler B #001 well. The previous operator of record was Arch Petroleum, Inc. (Arch), a subsidiary of Pogo.

Arch obtained an APD to drill the Resler B #001 well as an oil well in the Jalmat-Tansil-Yates-Seven Rivers Pool. Arch applied for approval of a 160-acre non-standard gas spacing and proration unit for the Resler B #001 well in the Jalmat Gas Pool. The OCD denied the application. Arch filed for de novo review.

After the denial, and prior to the de novo hearing, Arch completed the well as a gas well and produced it as a gas well. Arch did not file a well completion form, which would have shown that the well was in the Jalmat Gas Pool; Arch did not file sundry notices showing that the well had been completed and was producing; Arch did not file a request for allowable and authorization to transport for the well; Arch did not file production reports.

Pogo became operator of record for the Resler B #001 effective January 1, 2006, when all of the Arch wells were placed under the Pogo name and OGRID. In February 2007, slightly over a year after becoming operator of record for the well, and prior to the de novo hearing on the application for approval of the unit, Pogo filed a well completion form, a sundry and a request for allowable and authorization to transport for the Resler B #001 well, all dated in July 2005.

On April 19, 2007 Pogo presented the de novo case as Arch's successor in interest. The Pogo geologist, who had been the geologist for Arch, testified that Arch completed the Resler B #001 well in the Jalmat Gas Pool to preserve its term assignment, and did not report the production to the OCD. Pogo presented a Monthly Allocation Summary for the Resler B #001 well showing production from July 2005 through December 2005, and March 2006 through January 2007.

After the de novo hearing, Pogo filed C-115s showing production for the Resler B #001 well for July 2005 through December 2005. It did not file for the March 2006 through January 2007 period.

The OCD seeks an order determining that Pogo knowingly and willfully violated

1. Rule 19.15.3.104 NMAC by operating the Resler B #001 well as a gas well without obtaining approval for a non-standard location;
2. Order R-12366 by operating the Resler B #001 well as a gas well after the application for non-standard location had been denied;
3. Rule 1115.A by failing to file timely production reports for the Resler B #001;
4. NMSA 1978, Section 70-2-31(B) by failing to file timely completion reports, sundry notices, requests for allowables and authorizations to transport, and production reports for the Resler B #001 well in order to evade Rule 104 and Order R-12366;
5. NMSA 1978, Section 70-2-31(D) by aiding and abetting Arch in violating Rule 104, Order R-12366, Rule 1115.A and NMSA 1978, Section 70-2-31(B).

It is the OCD's position that Pogo violated Rule 104 and Order R-12366 by operating the Resler B #001, and that Pogo violated Rule 1115.A and Section 70-2-31(B) by failing to file production and other reports for the Resler B #001 as soon as it became operator of the well. In addition, Pogo remains responsible for filing missing production reports for March 2006 through January 2007. It is the OCD's position that Pogo is also responsible for Arch's violation of these rules and Order R-12366 while Arch was operator of record, either because Arch was a subsidiary of Pogo or because Pogo aided and abetted Arch in the violations.

The OCD seeks civil penalties for the violations, and an order requiring Pogo to file corrected production reports for the Resler B #001 by a date certain. Finally, the OCD requests that the order require Pogo to plug and abandon the Resler B #001 by a date certain.

APPLICANT'S PROPOSED EVIDENCE

WITNESS:

ESTIMATED TIME:

Daniel Sanchez, Enforcement and Compliance
Manager

1 hour

Dorothy Phillips, Financial Assurance Administrator

by affidavit

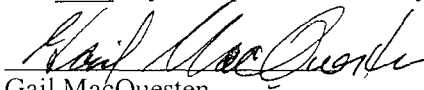
Jane Prouty, Automation and Records Bureau

by affidavit

PROCEDURAL MATTERS

None.

Respectfully submitted
this 26th day of September 2007 by

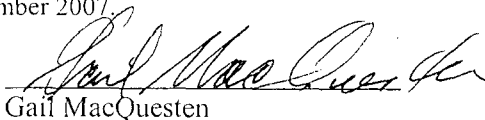


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Attorney for the Oil Conservation Division

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing pleading was hand-delivered to James Bruce, attorney for Pogo Producing Company, this 26th day of September 2007.


Gail MacQuesten