



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

Mark E. Fesmire, P.E.
Director
Oil Conservation Division

July 18, 2006

C.W. Trainer
P.O. Box 754
Midland, TX 79702

NOTICE OF VIOLATION (NOV #0-06-02)

Re: Inactive Well Agreed Compliance Order 7-A
OCD Rule 201 [19.15.4.201 NMAC]

Dear Mr. Trainer:

C.W. Trainer (Trainer) is in violation of inactive well agreed compliance order 7-A (ACOI-7-A) and OCD Rule 201 [19.15.4.201 NMAC]. The following facts support issuance of this notice of violation:

1. Trainer and the Oil Conservation Division (OCD) entered into ACOI-7-A, effective December 6, 2005. A copy of ACOI-7-A is attached as Exhibit 1.
2. In ACOI-7-A Trainer acknowledged that it was the operator of the six wells identified in Ordering Paragraph 2 of the order, and that those six wells had been continuously inactive for a period of one year plus ninety days; were not properly plugged and abandoned, and were not placed on temporary abandonment status.
3. OCD Rule 201 [19.15.4.201 NMAC] requires that a well be either properly plugged and abandoned or placed in approved temporary abandonment in accordance with OCD rules within 90 days after a period of one year in which a well has been continuously inactive.
4. In ACOI-7-A Trainer agreed that it would return the 6 wells identified in Ordering Paragraph 2 to compliance with Rule 201 by June 30, 2006.
5. In Ordering Paragraph 4 of ACOI-7-A Trainer further agreed to pay a penalty of \$1,000 for each well identified in Ordering Paragraph 2 that is not in compliance by June 30, 2006. The order provided that the penalty was due and payable July 1, 2006.
6. As of today's date, one of the 6 wells identified in Ordering Paragraph 2 has been transferred to another operator; the 5 other wells identified in Ordering Paragraph 2 are still operated by Trainer and remain out of compliance with Rule 201. Attached as Exhibit 2 are print-outs showing the current status of the 6 wells identified in Ordering Paragraph 2.
7. As of today's date, Trainer has not paid the penalty due under Ordering Paragraph 4.
8. Ordering Paragraph 6 of ACOI 7-A provides that any further amendments to the order must be made after notice and hearing.

Oil Conservation Division * 1220 South St. Francis Drive * Sa:
Phone: (505) 476-3440 * Fax (505) 476-3462 * <http://www>

C W Trainer
Case 14103

OCD Exhibit No. 16

Trainer is subject to penalties under the terms of ACOI-7-A. Trainer is also in violation of OCD Rule 201 as to the 5 wells identified in Ordering Paragraph 2 of ACOI 7-A that Trainer still operates.

Trainer's misconduct warrants issuance of this "Notice of Violation" and assessment of civil penalties pursuant to ACOI-7-A and NMSA 70-2-31.A. Section 70-2-31(A) authorizes penalties of up to one thousand dollars (\$1,000) per day per violation for any knowing or willful violation of any provision of the "Oil and Gas Act" or any rule or order adopted pursuant to the Act.

Because the violations at issue are serious and of a continuing nature, the Compliance and Enforcement Manager believes at this time a penalty of not less than \$5,000 (five thousand dollars) and a definite commitment to future corrective action are essential. This penalty is based on continuing violations of Rule 201 and violations of the terms of ACOI-7-A.

Unless the matter is satisfactorily resolved at an administrative conference we will request an enforcement hearing before an OCD Hearing Examiner or file suit in District Court, where we will recommend issuance of a formal order assessing penalties and setting a date certain for returning the wells to compliance. The OCD will ask that the order allow the OCD to plug the wells if they are not returned to compliance by the date set in the order, and allow the OCD to forfeit the applicable financial assurance to reimburse it for the costs of plugging the wells.

Please contact me within ten (10) days at 505-476-3493 to schedule an administrative conference to discuss this matter. OCD legal counsel may be present by telephone for this conference and you may bring legal counsel if you wish.

Sincerely,



Daniel Sanchez
Enforcement and Compliance Manager

Cc: U.S. Specialty Ins. Co.
13403 Northwest Freeway
Houston, TX. 77040
(Bond B001539)

Ec: Gail MacQuesten, OCD Attorney
Chris Williams, OCD District I
Tim Gum, OCD District II
Charlie Perrin, OCD District III