

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 ENFORCEMENT AND COMPLIANCE MANAGER, FOR A COMPLIANCE ORDER AGAINST REUBIN COLLINS D/B/A RCJ ENTERPRISES, FINDING THAT OPERATOR KNOWINGLY AND WILLFULLY VIOLATED OIL CONSERVATION DIVISION RULE 19.15.13.1115 NMAC AS TO SEVEN WELLS; AS TO ACTIVE WELLS KNOWINGLY AND WILLFULLY VIOLATED 19.15.9.701 AND 19.15.13.1104 NMAC, OR IN THE ALTERNATIVE, FINDING THAT OPERATOR KNOWINGLY AND WILLFULLY VIOLATED 19.15.4.201 NMAC; ASSESSING PENALTIES; REQUIRING OPERATOR TO RETURN THE WELLS TO COMPLIANCE BY A DATE CERTAIN; AUTHORIZING THE DIVISION TO PLUG THE WELLS IN THE EVENT OF OPERATOR'S NON-COMPLIANCE; LEA COUNTY, NEW MEXICO.

CASE NO. 14051

APPLICATION FOR COMPLIANCE ORDER
AGAINST REUBIN COLLINS D/B/A RCJ ENTERPRISES

1. Reubin Collins d/b/a RCJ Enterprises (hereinafter "Operator") is a sole proprietor operating wells in New Mexico under OGRID 212329.
2. Operator is the operator of record for the following wells ("subject wells"):
 - Buffalo Unit No. 008; H-34-18S-33E; API No. 30-025-21846
 - Buffalo Unit No. 010; A-34-18S-33E; API No. 30-025-21957
 - Buffalo Unit No. 011; L-35-18S-33E; API No. 30-025-22598
 - Cockburn Federal No. 004; K-34-17S-33E; API No. 30-025-01391
 - Cockburn Federal No. 006; J-34-17S-33E; API No. 30-025-01392
 - Wallen Bass No. 002; N-21-20S-34E; API No. 30-025-26458
 - Wallen Bass No. 004; O-21-20S-34E; API No. 30-025-26288
3. The subject wells are federal wells. Operators of federal wells within New Mexico are not required to post financial assurance to secure the plugging of these wells.

Therefore, Operator has posted no financial assurance with the State of New Mexico to secure the plugging of these wells.

4. As of October 2, 2007, Oil Conservation Division (“OCD”) records show August 2002 as the last month of reported production for the Buffalo Unit No. 008 well. Operator has not filed any C-115 monthly production reports for the well for the months following August 2002.

5. As of October 2, 2007, OCD records show August 2002 as the last month of reported production for the Buffalo Unit No. 010 well. Operator has not filed any C-115 monthly production reports for the well for the months following August 2002.

6. As of October 2, 2007, OCD records show August 2002 as the last month of reported production for the Buffalo Unit No. 011. Operator has not filed any C-115 monthly production reports for the well for the months following August 2002.

7. According to OCD records, Operator became the operator of record for the Buffalo Unit No. 008, Buffalo Unit No. 010, and Buffalo Unit No. 011 wells on September 1, 2002.

8. As of October 2, 2007, OCD records show December 2002 as the last month that the Operator reported production for the Cockburn Federal No. 004 well. Operator has not filed any C-115 monthly production reports for the well for the months following December 2002.

9. As of October 2, 2007, OCD records show December 2002 as the last month that the Operator reported production for the Cockburn Federal No. 006 well. Operator has not filed any C-115 monthly production reports for the well for the months following December 2002.

10. According to OCD records, Operator became the operator of record for the Cockburn Federal No. 004 and Cockburn Federal No. 006 wells on May 1, 2002.

11. As of October 2, 2007, OCD records show January 2004 as the last month that the Operator reported production for the Wallen Bass No. 002 well. Operator has not filed any C-115 monthly production reports for the well for the months following January 2004.

12. As of October 2, 2007, OCD records show February 2004 as the last month of reported production for the Wallen Bass No. 004 well. Operator has not filed any C-115 monthly production reports for the well for the months following February 2004.

13. According to OCD records, Operator became the operator of record for the Wallen Bass No. 002 and the Wallen Bass No. 004 wells on March 1, 2004.

14. OCD Rule 19.15.4.201 NMAC requires the operator of a well which has been continuously inactive for a period of one year and 90 days to plug and abandon the well or place the well on OCD-approved temporary abandonment status.

15. According to OCD records, the subject wells have been inactive for a continuous period exceeding one year plus 90 days, and are neither plugged and abandoned in accord with OCD Rule 19.15.4.202 NMAC nor on approved temporary abandonment status in accord with OCD Rule 19.15.4.203 NMAC.

16. 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.

17. NMSA 1978, Section 70-2-12 gives the OCD the authority to collect data on wells, and to provide for the keeping of records and the making of reports and for the checking of the accuracy of the records and reports on wells.

18. OCD Rule 19.15.13.1115 NMAC requires operators to file a monthly report, form C-115, for each non-plugged well completion for which the OCD has approved a C-104 authorization to transport, and for each secondary or other enhanced recovery project or pressure maintenance project injection well or other injection well within the state of New Mexico, setting forth complete information and data indicated on said forms in the order, format and style the OCD director prescribes.

19. By letter dated May 22, 2006, OCD informed Operator that OCD had “not received [Operator’s] C-115s for the following period(s): January 2003 through March 2006.” The letter advised Operator, “You are being notified that the OCD intends to revoke your authorization to transport from or inject into all wells you operate if an acceptable and complete C-115 is not received electronically for all outstanding reports listed above within 120 days of the original due date of the February 2006 report.” The letter further advised Operator that Operator could “request a hearing on this proposed cancellation within 120 days of the original due date.”

20. By letter dated October 12, 2006, OCD notified Operator, “Effective immediately, the OCD cancels the authority of Rueben Collins dba RCJ Enterprises (RCJ) to transport from or inject into all wells it operates.” OCD informed Operator that the cancellation was being issued pursuant to OCD Rule 19.15.13.1115.C, which authorizes OCD to revoke or cancel an operator’s authority to transport from or inject into wells the operator operates if the operator fails to file a C-115 monthly production report. OCD informed Operator that it was cancelling Operator’s transportation and injection authority due to Operator’s failure to file a C-115 monthly production report for February 2006 or request a hearing on the proposed cancellation within 120 days of the due date for the

February 2006 C-115 report. OCD advised Operator that Operator could apply for reinstatement once Operator has submitted a complete and accurate C-115 monthly production report for February 2006. OCD informed Operator that if Operator transports from or injects into Operator's wells while the cancellation is in effect, Operator would be in violation of OCD Rule 19.15.13.1104 NMAC and 19.15.9.701 NMAC. Loretta Collins signed for the letter on October 17, 2006. The letter was sent to the same address as the May 22, 2006 letter.

21. On January 17, 2007, OCD Compliance Officer Larry "Buddy" Hill spoke with both Operator and Operator's wife about Operator's inactive wells and non-reporting of production. Compliance Officer Hill called Operator to check on the status of Operator's attempts to bring his wells into production. Compliance Officer Hill had previously spoken to Operator about Operator's inactive wells and non-reporting of production. Compliance Officer Hill told Operator and Operator's wife that the wells were still not showing production. Operator and Operator's wife told Compliance Officer Hill that they had been working on bringing the wells into production and that "all" of the wells were active. Operator said the wells had been returned to production in November. Operator and Operator's wife told Compliance Officer Hill that they were working with someone in Santa Fe to update their production reports. Compliance Officer Hill told Operator that he needed to bring his production reports for the wells up to date immediately.

22. On February 13, 2007, OCD filed an application for a compliance order against Operator. In the application OCD requested an order requiring Operator to bring his eleven inactive wells into compliance with OCD Rule 19.15.4.201 by a date certain. The eleven wells included the subject wells in this case. OCD dismissed the subject wells from

that proceeding after it appeared to Compliance Officer Hill that the subject wells were either producing or were capable of producing.

23. On March 15, 2007, Compliance Officer Hill observed two of Operator's wells to be operating in violation of OCD's October 12, 2006 cancellation of Operator's authority to transport from or inject into all wells it operates. Compliance Officer Hill observed the Wallen Bass No. 002 well to be actively injecting (the well was actually injecting over its pressure limit) and gas actively flowing from the Buffalo Unit No. 011 well.

24. OCD Rule 19.15.9.701 requires operators of injection wells to obtain OCD approval in order to inject into such wells.

25. OCD Rule 19.15.13.1104 states that OCD may issue an operator authorization to transport oil or natural gas from a well if the operator meets certain conditions to OCD's satisfaction.

26. NMSA 1978, Section 70-2-31(A) provides that any person who knowingly and willfully violates any provision of the Oil and Gas Act or any provision of any rule or order issued pursuant to that act shall be subject to a civil penalty of not more than one thousand dollars for each violation, and that in the case of a continuing violation, each day of violation shall constitute a separate violation.

27. NMSA 1978, Section 70-2-33(A) defines "person" to mean "any individual, estate, trust, receiver, cooperative association, club, corporation, company, firm, partnership, joint venture, syndicate or other entity."

28. NMSA 1978, Section 70-2-14(B) states if any of the requirements of the Oil and Gas Act or the rules and regulations promulgated pursuant to that act have not been

complied with, the OCD, after notice and hearing, may order any well plugged and abandoned by the operator or surety or both in accordance with OCD rules and regulations.

WHEREFORE, the Enforcement and Compliance Manager of the Division hereby applies to the Director to enter an order:

- A. If the subject wells are active, determining that Operator knowingly and willfully violated OCD Rule 19.15.9.701 and OCD Rule 19.15.13.1104, and assessing penalties for Operator's knowing and willful violation of OCD Rule 19.15.9.701 and OCD Rule 19.15.13.1104;
- B. If the subject wells are inactive, determining that the subject wells are not in compliance with OCD Rule 19.15.4.201;
 - i. Requiring Operator to bring the subject wells into compliance with OCD Rule 19.15.4.201 by a date certain by plugging and abandoning the wells in accordance with OCD Rule 19.15.4.202, securing approved temporary abandonment status for the subject wells in accordance with OCD Rule 19.15.4.203, or returning the subject wells to production or other OCD-approved beneficial use
 - ii. If the subject wells are not brought into compliance with OCD Rule 19.15.4.201 by the date set in the Order, authorizing the Division to plug those non-complaint subject wells in accordance with a Division-approved plugging program and restore and remediate the location;

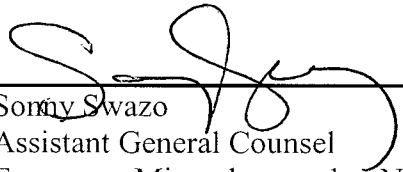
complied with, the OCD, after notice and hearing, may order any well plugged and abandoned by the operator or surety or both in accordance with OCD rules and regulations.

WHEREFORE, the Enforcement and Compliance Manager of the Division hereby applies to the Director to enter an order:

- A. If the subject wells are active, determining that Operator knowingly and willfully violated OCD Rule 19.15.9.701 and OCD Rule 19.15.13.1104, and assessing penalties for Operator's knowing and willful violation of OCD Rule 19.15.9.701 and OCD Rule 19.15.13.1104;
- B. If the subject wells are inactive, determining that the subject wells are not in compliance with OCD Rule 19.15.4.201;
 - i. Requiring Operator to bring the subject wells into compliance with OCD Rule 19.15.4.201 by a date certain by plugging and abandoning the wells in accordance with OCD Rule 19.15.4.202, securing approved temporary abandonment status for the subject wells in accordance with OCD Rule 19.15.4.203, or returning the subject wells to production or other OCD-approved beneficial use
 - ii. If the subject wells are not brought into compliance with OCD Rule 19.15.4.201 by the date set in the Order, authorizing the Division to plug those non-complaint subject wells in accordance with a Division-approved plugging program and restore and remediate the location;

- iii. Determining that Operator knowingly and willfully violated OCD Rule 19.15.4.201 and assessing a penalty for Operator's knowing and willful violation of OCD Rule 19.15.4.201;
- C. Whether the subject wells are active or inactive, determining that Operator violated OCD Rule 19.15.13.1115;
 - i. determining that Operator knowingly and willfully violated OCD Rule 19.15.13.1115 and assessing penalties for Operator's knowing and willful violation of OCD Rule 19.15.13.1115;
 - ii. Requiring Operator to file all due C-115 monthly production reports by a date certain;
 - iv. If Operator fails to file all due C-115 monthly reports by the date set out in the Order, ordering Operator to plug those non-complaint subject wells pursuant to Section 70-2-14(B);
- D. For such other and further relief as the Director deems just and proper under the circumstances.

RESPECTFULLY SUBMITTED,
this 14 day of November 2007 by



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Conservation Division

- Case No. 14051. Application of the New Mexico Oil Conservation Division for a Compliance Order against Reubin Collins d/b/a RCJ Enterprises. The Applicant seeks an Order finding that operator violated 19.15.13.1115 NMAC; as to active wells violated 19.15.9.701 NMAC and 19.15.13.1104 NMAC, or in the alternative, violated 19.15.4.201 NMAC; requiring operator to return the wells into compliance with OCD rules by a date certain and authorizing the Division to plug the wells in the event of non-compliance; and assessing penalties. The affected wells are:

- Buffalo Unit No. 008; H-34-18S-33E; API No. 30-025-21846
- Buffalo Unit No. 010; A-34-18S-33E; API No. 30-025-21957
- Buffalo Unit No. 011; L-35-18S-33E; API 30-025-22598

These wells are located approximately 20 miles southwest of Lovington, in Lea County, New Mexico.

- Cockburn Federal No. 004; K-34-17S-33E; API No. 30-025-01391
- Cockburn Federal No. 006; J-34-17S-33E; API No. 30-025-01392

These wells are located approximately 13 miles southwest of Lovington, in Lea County, New Mexico.

- Wallen Bass No. 002; N-21-20S-34E; API No. 30-025-26458
- Wallen Bass No. 004; O-21-20S-34E; API No. 30-025-26288

These wells are located approximately 10 miles southwest of Monument, New Mexico, Lea County.