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STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT 2 45
OIL CONSERVATION DIVISION

APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION, THROUGH THE ENFORCEMENT AND COMPLIANCE MANAGER, FOR A COMPLIANCE ORDER AGAINST GEORGE A. CHASE, JR., FINDING OPERATOR IN NON-COMPLIANCE WITH RULES 19.15.13.1115, 19.15.4.201 AND 19.15.3.101 AS TO ONE WELL; REQUIRING OPERATOR TO COME INTO COMPLIANCE BY A DATE CERTAIN OR PLUG AND ABANDON THE WELL; AUTHORIZING THE DIVISION TO PLUG AND ABANDON THE WELL AND FORFEIT THE APPLICABLE FINANCIAL ASSURANCE IF OPERATOR FAILS TO COMPLY; AND ASSESSING PENALTIES; EDDY COUNTY, NEW MEXICO.

CASE NO. 14260

APPLICATION FOR COMPLIANCE ORDER AGAINST GEORGE A. CHASE, JR.

1. George A. Chase, Jr., (hereinafter, "Operator") is a sole proprietorship operating wells in New Mexico under OGRID No. 8835.
2. Operator is operator of record of the Quail State No. 001, 30-015-22008, N-8-17S-28E.
3. Operator has posted a five thousand dollar (\$5,000.00) single well cash bond through Wells Fargo Bank of Artesia in Artesia, New Mexico, pursuant to NMSA 1978, Section 70-2-14, to secure its obligation to plug and abandon the Quail State No. 001 in compliance with the rules of the Oil Conservation Division (hereinafter, "OCD").
4. As of November 25, 2008, OCD records show August 1983 as the last month of reported production for the Quail State No. 001.

5. Since becoming operator of record of the Quail State No. 001 in March 2001, Operator has reported zero production for well in the C-115 monthly production reports he has filed. Operator has filed no C-115 monthly production reports for the well for the reporting periods of January 2004 through September 2007.

6. OCD Rule 19.15.4.201 NMAC (hereinafter, "Rule 201") requires the operator of a well which has been continuously inactive for a period of one year and ninety days to plug and abandon the well or place the well on OCD-approved temporary abandonment status.

7. The Quail State No. 001 has had no reported production for a continuous period exceeding one year plus ninety days, and is 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.

8. OCD Rule 19.15.13.1115 NMAC (hereinafter, "Rule 115") 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.

9. Operator has filed no C-115 monthly production reports for the well for the reporting periods of January 2004 through September 2007.

10. OCD Rule 19.15.3.101.B NMAC (hereinafter, "Rule 101") requires each state or fee well that has been inactive for more than two years and is not plugged and released to be covered by a single-well financial assurance.

11. The Quail State No. 001 is a state well that has had no reported production for more than two years and is not plugged and released. Operator has posted a single well financial assurance for the Quail State No. 001; however, it is not in the amount required by Rule 101.

12. On February 4, 2008, OCD sent Operator a certified letter which informed Operator that the Quail State No. 001 was in non-compliance with Rule 201 and Rule 101. OCD told Operator that he needed to bring the Quail State No. 001 into compliance with Rule 201 and Rule 101. Operator signed for the letter.

13. On February 22, 2008, Operator called undersigned counsel in response to the February 4 letter. Operator told undersigned counsel that he was going to rig up on the Quail State No. 001 within the week and that he would be done within two weeks.

14. On April 10, 2008, OCD sent Operator a certified letter which informed Operator that the Quail State No. 001 was still in non-compliance with Rule 201 and Rule 101. OCD again told Operator that he needed to bring the Quail State No. 001 into compliance with Rule 201 and Rule 101. Operator signed for the letter.

15. 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.

16. 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."

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

18. 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.

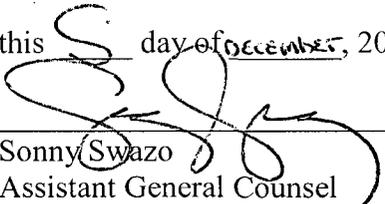
WHEREFORE, the Enforcement and Compliance Manager of the Division hereby applies to the Director to enter an Order:

- A. Finding Operator in non-compliance with Rule 19.15.13.1115;
 - a. Requiring Operator to come into compliance with 19.15.13.1115 by a date certain;
- B. Finding Operator in non-compliance with Rule 19.15.4.201;
 - a. Requiring Operator to come into compliance with Rule 19.15.4.201 by a date certain;
 - b. Finding Operator in knowing and willful violation of Rule 19.15.4.201;
 - c. Assessing civil penalties for Operator's knowing and willful violation of Rule 19.15.4.201;
- C. Finding Operator in non-compliance with Rule 19.15.3.101;

- a. Requiring Operator to post the additional financial assurance required to be posted on the Quail State No. 001 by a date certain if the well is not returned to production by a date certain;
 - b. Finding Operator in knowing and willful violation of Rule 19.15.3.101;
 - c. Assessing civil penalties for Operator's knowing and willful violation of Rule 19.15.3.101;
- D. If Operator does not meet all compliance deadlines set by the Order, requiring Operator to plug and abandon the Quail State No. 001 by a date certain, and authorizing the OCD to plug and abandon the well and forfeit the applicable financial assurance if Operator fails to meet the plugging deadline.
- E. For such other and further relief as the Director deems just and proper under the circumstances.

RESPECTFULLY SUBMITTED

this 5 day of December, 2008 by



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Case No. 14260: Application of the New Mexico Oil Conservation Division for a Compliance Order against George A. Chase, Jr. The Applicant seeks an Order finding Operator in non-compliance with Rules 19.15.13.1115, 19.15.4.201, and 19.15.3.101 as to one well; requiring operator to come into compliance by a date certain or plug and abandon the well; authorizing the Division to plug and abandon the well and forfeit the applicable financial assurance if Operator fails to comply; and assessing penalties. The affected well is:

- Quail State No. 001; 30-015-22008; N-8-17S-28E

The well is located approximately 6 miles Southwest of Loco Hills, in Eddy County, New Mexico.