

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

**APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION,
THROUGH THE ENFORCEMENT AND COMPLIANCE MANAGER, FOR A
COMPLIANCE ORDER AGAINST JAY MANAGEMENT COMPANY, LLC
FINDING THAT THE OPERATOR IS IN VIOLATION OF 19.15.25.8 NMAC AS
TO TWENTY FOUR WELLS, REQUIRING OPERATOR TO RETURN THE
WELLS TO COMPLIANCE BY A DATE CERTAIN, AND IN THE EVENT OF
NON-COMPLIANCE AUTHORIZING THE DIVISION TO PLUG AND
ABANDON THE WELLS AND FORFEIT THE APPLICABLE FINANCIAL
ASSURANCE, LEA COUNTY, NEW MEXICO.**

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CASE NO. 14303

**APPLICATION FOR COMPLIANCE ORDER
AGAINST JAY MANAGEMENT COMPANY, LLC**

1. Jay Management Company, LLC (Jay Management) operates wells in New Mexico under OGRID 247692.
2. According to information posted on the website of the New Mexico Public Regulation Commission, Jay Management is a foreign limited liability company with a mailing address of 11767 Katy Freeway, Suite 711, Houston, TX 77079. Its registered agent for service of process is C T Corporation System, 123 East Marcy, Santa Fe, NM 87501. Its organizer is J. Monroe Cutler.
3. The records of the Oil Conservation Division ("OCD") identify Jay Management as the operator of record for 96 wells in New Mexico.
4. 19.15.25.8.B NMAC provides that the operator of a well that has been inactive for a continuous period in excess of one year plus ninety days shall either plug the well or place the well on approved temporary abandonment status.

5. The following wells operated by Jay Management have been inactive for a continuous period in excess of one year plus ninety days and are not plugged and abandoned or on approved temporary abandonment status:

Amerada Com #1	30-025-22378	J-28-11S-33E	BOKO8SDP01882	\$15,160
Andover Federal #1	30-025-21904	P-17-11S-33E	--	
Bess #002	30-025-28545	A-20-11S-33E	BOKO8SDP01883	\$15,825
Clark State #001	30-025-21880	D-27-11S-33E	BOKO8SDP01884	\$15,150
Collier #001	30-025-00994	F-9-11S-33E	--	
Eva Com #001	30-025-22412	J-20-11S-33E	BOKO8SDP01885	\$15,244
G S State #001	30-025-22811	G-8-11S-33E	BOKO8SDP01887	\$15,400
Iva Com. #001	30-025-22437	H-20-11S-33E	BOKO8SDP01886	\$15,250
Kelsay #001	30-025-01005	M-28-11S-33E	BOKO8SDP01888	\$15,135
Leigh Com #001	30-025-22541	N-20-11S-33E	BOKO8SDP01889	\$15,300
NM B State #1	30-025-00035	B-27-10S-32E	BOKO8SDP01890	\$14,558
NM B State #3	30-025-00037	B-27-10S-32E	BOKO8SDP01891	\$14,495
NM X State #1	30-025-21603	P-10-10S-32E	BOKO8SDP01892	\$9,490
Opal #001	30-025-22561	D-20-11S-33E	BOKO8SDP01893	\$15,360
Queen Com #001	30-025-22642	L-20-11S-33E	BOKO8SDP01894	\$15,350
Rose #001	30-025-22653	C-32-11S-33E	BOKO8SDP01895	\$15,350
Shell State Com #1	30-025-22226	H-17-11S-33E	BOKO8SDP01896	\$15,300
Sohio B State #1	30-025-22122	P-5-11S-33E	BOKO8SDP01898	\$15,510
Sohio State #1	30-025-22043	P-4-11S-33E	BOKO8SDP01897	\$15,450
State NBF #1	30-025-20891	F-22-11S-33E	BOKO8SDP01899	\$15,100
State NBN #1	30-025-00998	N-16-11S-33E	BOKO8SDP01900	\$16,607
Vera #001	30-025-22761	E-32-11S-33E	BOKO8SDP01901	\$15,350
Warren A State #1	30-025-23338	I-28-11S-33E	BOKO8SDP01914	\$15,200
Warren State #1	30-025-22012	G-28-11S-33E	BOKO8SDP01902	\$15,160

6. Jay Management has posted \$50,000 letter of credit No. BOK07SDP01655 to secure the plugging and site remediation of its wells. Jay Management has also posted single-well letters of credit for all but two of the wells identified above, as shown.

7. NMSA 1978, Section 70-2-14(B) provides, in relevant part, "If any of the requirements of the Oil and Gas Act [70-2-1 NMSA 1978] or the rules promulgated pursuant to that act have not been complied with, the oil conservation division, after

notice and hearing, may order any well plugged and abandoned by the operator or surety or both in accordance with division rules.”

8. 19.15.8.13.A NMAC provides:

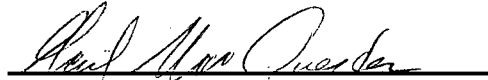
Upon the operator’s failure to properly plug and abandon and restore and remediate the location of a well or wells a financial assurance covers, the division shall give notice to the operator and surety, if applicable, and hold a hearing as to whether the well or wells should be plugged and abandoned and the location restored and remediated in accordance with a division-approved plugging program. If it is determined at the hearing that the operator has failed to plug and abandon the well and restore and remediate the location as provided for in the financial assurance or division rules, the director shall issue an order directing the well to be plugged or abandoned and the location restored and remediated in a time certain. Such an order may also direct the forfeiture of the financial assurance upon the failure or refusal of the operator, surety or other responsible party to properly plug and abandon the well and restore and remediate the location.

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

1. Determining that Jay Management Company, LLC is in violation of 19.15.25.8 NMAC as to the wells identified above;
2. Requiring Jay Management Company to return each well identified above to compliance with 19.15.25.8 NMAC by a date certain by either:
 - a. Returning the well to beneficial use;
 - b. Placing the well on approved temporary abandonment status; or
 - c. Properly plugging and abandoning the well;
3. Authorizing the OCD to properly plug and abandon each well not returned to compliance with 19.15.25.8 NMAC by the date set in the order, and authorizing the OCD to forfeit the applicable financial assurance; and

4. For such other and further relief as the Director deems just and proper under the circumstances.

RESPECTFULLY SUBMITTED,
this 4th day of March 2009 by



Gail MacQuesten
Assistant General Counsel
Energy, Minerals and Natural
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Attorney for The New Mexico Oil
Conservation Division

Case No. 14303. Application of the New Mexico Oil Conservation Division for a Compliance Order against Jay Management Company, LLC. The Applicant seeks an order finding that the operator is in violation of 19.15.25.8 NMAC as to twenty-four wells, requiring operator to return the wells to production, place the wells on approved temporary abandonment status, or properly plug and abandon the wells by a date certain, and in the event of non-compliance authorizing the division to plug and abandon the wells and forfeit the applicable financial assurance. The affected wells are: Amerada Com #001, 30-025-22378, J-28-11S-33E; Andover Federal #001, 30-025-21904, P-17-11S-33E; Bess #002, 30-025-28545, A-20-11S-33E; Clark State #001, 30-025-21880, D-27-11S-33E; Collier #001, 30-025-00994, F-9-11S-33E; Eva Com #001, 30-025-22412, J-20-11S-33E; G S State #001, 30-025-22811, G-8-11S-33E; Iva Com. #001, 30-025-22437, H-20-11S-33E; Kelsay #001, 30-025-01005, M-28-11S-33E; Leigh Com #001, 30-025-22541, N-20-11S-33E; New Mexico B State #001, 30-025-00035, B-27-10S-32E; New Mexico B State #003, 30-025-00037, B-27-10S-32E; New Mexico X State #001, 30-025-21603, P-10-10S-32E; Opal #001, 30-025-22561, D-20-11S-33E; Queen Com #001, 30-025-22642, L-20-11S-33E; Rose #001, 30-025-22653, C-32-11S-33E; Shell State Com #001, 30-025-22226, H-17-11S-33E; Sohio B State #001, 30-025-22122, P-5-11S-33E; Sohio State #001, 30-025-22043, P-4-11S-33E; State NBF #001, 30-025-20891, F-22-11S-33E; State NBN #001, 30-025-00998, N-16-11S-33E; Vera #001, 30-025-22761, E-32-11S-33E; Warren A State #001, 30-025-23338, I-28-11S-33E; Warren State #001, 30-025-22012, G-28-11S-33E. The wells are located approximately 20 miles northwest of Tatum, in Lea County, New Mexico.