

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 NACOGDOCHES OIL AND GAS, INC. [OGRID 256689], FINDING THAT THE OPERATOR IS IN VIOLATION OF 19.15.8.9 NMAC AS TO 39 WELLS & 19.15.25.8 AS TO 121 WELLS; REQUIRING OPERATOR TO POST THE REQUIRED SINGLE-WELL FINANCIAL ASSURANCES FOR THE 39 NON-COMPLIANT WELLS BY A DATE CERTAIN; REQUIRING OPERATOR TO BRING THE 121 INACTIVE WELLS BACK INTO COMPLIANCE WITH RULE 19.15.25.8 BY A DATE CERTAIN; AND IN THE EVENT OF NON-COMPLIANCE WITH ANY ASPECT OF THE ORDER, ORDERING THE OPERATOR TO PLUG ALL REFERENCED WELLS BY A DATE CERTAIN, OR ALTERNATIVELY, AUTHORIZING THE DIVISION TO DO SO, FORFEITING ANY APPLICABLE BONDS, PURSUANT TO SECTION 70-2-14(B) NMSA 1978.

CASE NO. 14326

BASIC STATEMENT OF APPLICATION:

COMES NOW the Oil Conservation Division, and respectfully presents this, its Application for an Order finding that Nacogdoches Oil and Gas, Inc. ("NOG") is in violation of OCD Rules 19.15.25.8 and 19.15.8.9 NMAC regarding the wells more specifically identified herein and requiring NOG to either bring all such wells into full compliance with OCD Rules or plug all subject wells, or in the event that Operator fails to do so, pursuant to Section 70-2-14(B) NMSA 1978, authorizing the Division to plug all specified wells and forfeit any applicable financial assurance. In support of these requests, the Division states as follows:

I. RELEVANT LEGAL AUTHORITY

1. **Division Rule 19.15.25.8 NMAC** requires an operator to plug and abandon or temporarily abandon a well in accordance with Division rules within 90 days after a period of one year of continuous inactivity.

2. **Division Rule 19.15.8.9 NMAC** requires that Operators post additional financial assurances/one-well financial assurances for wells that have been inactive/in temporary abandonment for more than two years, with the amounts of such single-well financial assurances being based upon the total depth of the well involved. The Rule went into full effect as of January 1, 2008.

3. **NMSA 1978, Section 70-2-14(B)** provides:

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. If the order is not complied with in the time period set out in the order, the financial assurance shall be forfeited.

II. BACKGROUND INFORMATION RELEVANT TO BOTH ISSUES

4. NOG is a corporation operating wells in New Mexico under the OGRID 256689.

5. NOG currently operates a total of 183 wells in the state of New Mexico, all located in McKinley County.

6. NOG has posted a \$50,000 blanket bond, (letter of credit bond number LOCA27617T) through Compass Bank, 24 Greenway Plaza, Suite 1601, Houston, TX 77046, pursuant to OCD Rule 19.15.8.9 NMAC.

7. On March 25, 2008, NOG contacted the OCD regarding financial assurances due for wells then-listed as being operated by Mountain States Petroleum. NOG advised that it had acquired all of the wells previously operated by Mountain States and was in the process of evaluating the wells and formulating a plan to address the numerous inactive and noncompliant wells, including the issue of outstanding bonding. In order to obtain approval from the OCD for the "Change of Operator" from Mountain States to NOG, NOG was required to post all then-due additional financial assurances on the wells acquired from Mountain States.

8. On April 11, 2008 OCD Counsel contacted Mike Finley of NOG by email to follow up regarding the recently conducted telephone discussion regarding NOG's acquisition of Mountain State's wells and regarding financial assurance issues. In the course of that conversation, Mr. Finley informed the OCD that a number of the wells were being actively reworked, including the swabbing of some of these wells, resulting in the production of some amount of oil and/or gas. Finley stated that NOG planned to submit documentation reflecting this activity to the OCD as a means of establishing that not all of the wells listed were, in fact, "inactive" such that they would require additional

bonding under OCD Rules. At that time, OCD records reflected that a total of 72 wells required additional bonding (in a total amount of \$489,071). NOG was required to post these bonds before the operator transfer could be approved.

9. On May 5, 2008, NOG provided the OCD with a "Well Producing Status" Report dated April 26, 2008 for the Mountain States Petroleum *Hospah Lease*. The Status Report identified a number of wells that NOG described as "producing." Included on that list of "producing" wells, however, were the below-listed three (3) wells, which were not actually producing and are, in fact, still inactive (having not reported production for a period of at least one year plus 90 days), and are in violation of Rule 19.15.25.8 NMAC.

- a. **Santa Fe Railroad A #074**
- b. **Hospah Sand Unit #028**
- c. **Hospah Sand Unit #050**

10. The Status Report further indicated that the inactive *Santa Fe Railroad* wells were anticipated to be back online May 25, 2008, the *Lone Pine Dakota* wells to be back in production by July 1, 2008, and the remaining *Hospah Sand Unit* wells to be back in production by August 1, 2008.

11. On May 19, 2008 OCD counsel contacted Mike Finley of NOG via email to follow up regarding the timeline and information provided in the Status Update, and also provided Finley/NOG with a comprehensive discussion of options for forward with effectuating the bond posting and the transfer of operatorship of the wells from Mountain States to NOG. The correspondence

provided detailed information regarding what NOG would need to provide to the OCD to successfully rebut the presumption of inactivity for purposes of the additional bonding that was being required for a number of the wells.

12. Mr. Finley responded to OCD counsel's email the same day (May 19, 2008), confirming receipt and indicating he would respond substantively after obtaining an engineering consultation.

13. NOG did submit some documentation to initially rebut the presumption of inactivity for some of the wells, and finally posted single-well financial assurances for 20 of its idle wells (those for which NOG did not submit such documentation) on or about September 24, 2008.

14. The transfer of operatorship of wells from Mountain States to NOG was approved by the OCD on November 6, 2008.

15. As discussed in further detail in Section III, below, NOG has still neither properly reported production for, nor, alternatively, posted the required single-well financial assurances required for the 39 wells specifically identified in Section III at Paragraph 16.

III. ARGUMENT: ISSUE NO. 1 - NOG'S VIOLATION OF RULE 19.15.8.9
NMAC - FINANCIAL ASSURANCE NONCOMPLIANCE

16. NOG is the Operator of Record of the following 39 wells in New Mexico, all of which are state or fee wells:

HOSPAH SAND UNIT #015	30-031-05207	HOSPAH SAND UNIT #025	30-031-05212
HOSPAH SAND UNIT #017	30-031-05213	HOSPAH SAND UNIT #027	30-031-05214
HOSPAH SAND UNIT #019	30-031-05203	HOSPAH SAND UNIT #028	30-031-05216

HOSPAH SAND UNIT #029	30-031-05225
HOSPAH SAND UNIT #032	30-031-05224
HOSPAH SAND UNIT #035	30-031-05222
HOSPAH SAND UNIT #052	30-031-05182
HOSPAH SAND UNIT #095	30-031-20608
HOSPAH SAND UNIT #105	30-031-20944
SANTA FE #016	30-031-20086
SANTA FE #017	30-031-20102
SANTA FE #029	30-031-20341
SANTA FE RAILROAD #004	30-031-05151
SANTA FE RAILROAD #007	30-031-05141
SANTA FE RAILROAD #008	30-031-05496
SANTA FE RAILROAD #009	30-031-05531
SANTA FE RAILROAD #013	30-031-20038
SANTA FE RAILROAD #014	30-031-20037
SANTA FE RAILROAD #015	30-031-20036
SANTA FE RAILROAD #018	30-031-20138

SANTA FE RAILROAD #019	30-031-20139
SANTA FE RAILROAD #020	30-031-20140
SANTA FE RAILROAD #021	30-031-20141
SANTA FE RAILROAD #023	30-031-20150
SANTA FE RAILROAD #039	30-031-20452
SANTA FE RAILROAD #040	30-031-20451
SANTA FE RAILROAD #041	30-031-20594
SANTA FE RAILROAD #042	30-031-20745
SANTA FE RAILROAD #043	30-031-20712
SANTA FE RAILROAD #045	30-031-20804
SANTA FE RAILROAD #047	30-031-20836
SANTA FE RAILROAD #048	30-031-20837
SANTA FE RAILROAD #049	30-031-20838
SANTA FE RAILROAD #050	30-031-20854
SANTA FE RAILROAD #051	30-031-20853
SANTA FE RAILROAD A #074	30-031-20021

17. Production was last reported for the above-identified 39 wells (via submission of C115 production reports) more than 2 years ago. Pursuant to Rule 19.15.8.9 NMAC, therefore, NOG is required to post a single-well financial assurance (based on location and depth) in addition to its blanket bond for each of the above-listed wells.

18. Between the time that the Rule change was passed and the date of the full implementation (January 1, 2008), the OCD took numerous steps to ensure that industry in New Mexico was aware of the single-well financial assurance obligations imposed by Rule 19.15.8.9.

19. In addition to the information disseminated by the Division to industry in general regarding Rule 19.15.8.9. (originally referred to as Rule 101.B), upon contacting the OCD in late March, 2008, NOG was additionally

provided with specific notice of its financial assurance obligations with regard to the wells it had acquired (or was in the process of acquiring) from Mountain States Petroleum. (See Paragraph No. 7, above).

20. Specific notice of NOG's obligations under Rule 19.15.8.9, and continued violation thereof, was thereafter reiterated to NOG by the OCD on numerous subsequent occasions including April 11, 2008 (See ¶8), May 5, 2008 (See ¶9) and May 19, 2008 (See ¶11).

21. On August 27, 2008 OCD representatives met in-person with NOG at the Santa Fe OCD office to discuss NOG's request to submit documentation for a number of wells in an attempt to rebut the presumption of inactivity for purposes of Rule 19.15.8.9 and the single-well additional bonding requirements.

22. On September 12, 2008, after having reviewed the sundries submitted by NOG, the OCD determined that NOG had submitted sufficient documentation for 47 wells to accomplish an initial rebuttal of the presumption of inactivity. Therefore, as long as the wells ultimately proved to be active (i.e. NOG followed through by properly reporting the production pursuant to OCD Rule 19.15.7.24 NMAC) no additional bonding would be due for the following wells:

HOSPAH SAND UNIT #002	30-031-05185	HOSPAH SAND UNIT #024	30-031-05186
HOSPAH SAND UNIT #006	30-031-05190	HOSPAH SAND UNIT #025	30-031-05212
HOSPAH SAND UNIT #015	30-031-05207	HOSPAH SAND UNIT #027	30-031-05214
HOSPAH SAND UNIT #017	30-031-05213	HOSPAH SAND UNIT #028	30-031-05216
HOSPAH SAND UNIT #019	30-031-05203	HOSPAH SAND UNIT #029	30-031-05225
HOSPAH SAND UNIT #023	30-031-05192	HOSPAH SAND UNIT #032	30-031-05224

HOSPAH SAND UNIT #034	30-031-05223	SANTA FE RAILROAD #019	30-031-20139
HOSPAH SAND UNIT #035	30-031-05222	SANTA FE RAILROAD #020	30-031-20140
HOSPAH SAND UNIT #052	30-031-05182	SANTA FE RAILROAD #021	30-031-20141
HOSPAH SAND UNIT #056	30-031-20104	SANTA FE RAILROAD #023	30-031-20150
HOSPAH SAND UNIT #089	30-031-05193	SANTA FE RAILROAD #039	30-031-20452
HOSPAH SAND UNIT #095	30-031-20608	SANTA FE RAILROAD #040	30-031-20451
HOSPAH SAND UNIT #105	30-031-20944	SANTA FE RAILROAD #041	30-031-20594
SANTA FE #016	30-031-20086	SANTA FE RAILROAD #042	30-031-20745
SANTA FE #017 **	30-031-20102	SANTA FE RAILROAD #043	30-031-20712
SANTA FE #029	30-031-20341	SANTA FE RAILROAD #045	30-031-20804
SANTA FE RAILROAD #004	30-031-05151	SANTA FE RAILROAD #047	30-031-20836
SANTA FE RAILROAD #007	30-031-05141	SANTA FE RAILROAD #048	30-031-20837
SANTA FE RAILROAD #003	30-031-05496	SANTA FE RAILROAD #049	30-031-20838
SANTA FE RAILROAD #009	30-031-05531	SANTA FE RAILROAD #050	30-031-20854
SANTA FE RAILROAD #013	30-031-20038	SANTA FE RAILROAD #051	30-031-20853
SANTA FE RAILROAD #014	30-031-20037	SANTA FE RAILROAD A #072 **	30-031-05570
SANTA FE RAILROAD #015	30-031-20036	SANTA FE RAILROAD A #074	30-031-20021
SANTA FE RAILROAD #018	30-031-20138		

23. Additional single-well financial assurances remained due for the other 20 wells that NOG had acquired from Mountain States and for which NOG had not submitted documentation sufficiently rebutting the presumption of inactivity under Rule 19.15.8.9.

24. On or about September 24, 2008, NOG posted the additional financial assurances for the 20 wells it had acquired from Mountain States Mutual that it had *not* submitted documentation to rebut the presumption of inactivity for.

25. NOG was specifically informed that the OCD would treat the 47 wells for which NOG had submitted documentation indicative of activity as not in violation of Rule 19.15.8.9 for the specific purpose of allowing the transfer of

operatorship to go through. However, OCD further informed NOG specifically that it was required to follow up by submitting actual production reports (C115s), documenting the actual activity for each well, at which time those wells would formally be reflected as no longer out of compliance on the OCD's system.

26. Despite having being notified multiple times of its obligations under Rule 19.15.8.9 to either submit production reports for or, alternatively, if there is no production to be reported, to post additional financial assurances, NOG has neither reported production occurring within the last two years nor posted the additional, required financial assurances for the 39 subject wells.

WHEREFORE, the Supervisor of District III of the Division hereby applies to the Director to enter an Order:

27. Requiring NOG to submit single-well financial assurances for each of the above-identified 39 wells by a date certain.

28. Requiring that NOG reappear at the next regularly-scheduled Division Hearing following the date established by the Order as the deadline for submission of the single-well financial assurances by NOG in this matter, and further requiring that at that subsequent appearance, NOG be required to present the presiding Hearing Examiner with evidence that said single well bonds had been fully and properly posted prior to the deadline.

29. Further, if NOG fails to meet the deadline for submission of the additional bonding as established by the Order, issue a Plugging Order requiring

that NOG properly plug, by a date certain, each of the subject 39 wells for which NOG failed to submit the required single-well financial assurance by the deadline.

30. Finally, if such a Plugging Order is required to be issued, and is in fact issued, the OCD specifically requests that, pursuant to 70-2-14(B) NMSA 1978, it be further Ordered that if NOG fails to plug and abandon the subject 39 wells by the deadline set in that Plugging Order:

- (1) The Division be authorized to plug the subject wells in accordance with a Division-approved plugging program;
- (2) The Division be authorized to forfeit any applicable financial assurances posted in relation to the subject wells; and
- (3) For such other and further relief as the Director deems just and proper under the circumstances.

**IV. ARGUMENT: ISSUE NO. 2 - NOG's VIOLATION OF DIVISION RULE
19.15.25.8 NMAC.**

31. NOG is the Operator of Record of the following 121 wells in New Mexico:

HOSPAH SAND UNIT #003	30-031-05205	HOSPAH SAND UNIT #051	30-031-05194
HOSPAH SAND UNIT #015	30-031-05207	HOSPAH SAND UNIT #052	30-031-05182
HOSPAH SAND UNIT #017	30-031-05213	HOSPAH SAND UNIT #058	30-031-20115
HOSPAH SAND UNIT #019	30-031-05203	HOSPAH SAND UNIT #059	30-031-20116
HOSPAH SAND UNIT #025	30-031-05212	HOSPAH SAND UNIT #084	30-031-20248
HOSPAH SAND UNIT #027	30-031-05214	HOSPAH SAND UNIT #092	30-031-20613
HOSPAH SAND UNIT #028	30-031-05216	HOSPAH SAND UNIT #093	30-031-20611
HOSPAH SAND UNIT #029	30-031-05225	HOSPAH SAND UNIT #095	30-031-20608
HOSPAH SAND UNIT #032	30-031-05224	HOSPAH SAND UNIT #100	30-031-20831
HOSPAH SAND UNIT #035	30-031-05222	HOSPAH SAND UNIT #105	30-031-20944
HOSPAH SAND UNIT #037	30-031-05219	LONE PINE DAKOTA D UNIT #012	30-031-20183
HOSPAH SAND UNIT #038	30-031-05179	LONE PINE DAKOTA D UNIT #014	30-031-20174

SANTA FE #029	30-031-20341
SANTA FE PACIFIC RAILROAD #002	30-031-20165
SANTA FE PACIFIC RAILROAD #008	30-031-20181
SANTA FE PACIFIC RAILROAD #009	30-031-20182
SANTA FE RAILROAD #003	30-031-05147
SANTA FE RAILROAD #004	30-031-05151
SANTA FE RAILROAD #007	30-031-05141
SANTA FE RAILROAD #008	30-031-05496
SANTA FE RAILROAD #009	30-031-05531
SANTA FE RAILROAD #012	30-031-20032
SANTA FE RAILROAD #013	30-031-20038
SANTA FE RAILROAD #014	30-031-20037
SANTA FE RAILROAD #015	30-031-20036
SANTA FE RAILROAD #018	30-031-20138
SANTA FE RAILROAD #019	30-031-20139
SANTA FE RAILROAD #020	30-031-20140
SANTA FE RAILROAD #021	30-031-20141
SANTA FE RAILROAD #023	30-031-20150
SANTA FE RAILROAD #039	30-031-20452
SANTA FE RAILROAD #040	30-031-20451
SANTA FE RAILROAD #041	30-031-20594
SANTA FE RAILROAD #042	30-031-20745
SANTA FE RAILROAD #043	30-031-20712
SANTA FE RAILROAD #044	30-031-20713
SANTA FE RAILROAD #045	30-031-20804
SANTA FE RAILROAD #047	30-031-20836
SANTA FE RAILROAD #048	30-031-20837
SANTA FE RAILROAD #049	30-031-20838
SANTA FE RAILROAD #050	30-031-20854
SANTA FE RAILROAD #051	30-031-20853
SANTA FE RAILROAD A #074	30-031-20021
SANTA FE RAILROAD A #083	30-031-20147
SANTA FE RAILROAD A #084	30-031-20372
SANTA FE RAILROAD A #087	30-031-20413
SANTA FE RAILROAD A #097	30-031-20855
SANTA FE RR B #032	30-031-20303
SANTA FE RR B #033	30-031-20369
SANTA FE RR B #034	30-031-20390
SANTA FE RR B #035	30-031-20391

SANTA FE RR B #036	30-031-20416
SANTA FE RR B #037	30-031-20415
SOUTH HOSPAH UNIT #001	30-031-05142
SOUTH HOSPAH UNIT #002	30-031-05139
SOUTH HOSPAH UNIT #003	30-031-05140
SOUTH HOSPAH UNIT #004	30-031-05145
SOUTH HOSPAH UNIT #005	30-031-05146
SOUTH HOSPAH UNIT #006	30-031-20009
SOUTH HOSPAH UNIT #007	30-031-20012
SOUTH HOSPAH UNIT #008	30-031-20015
SOUTH HOSPAH UNIT #009	30-031-20013
SOUTH HOSPAH UNIT #010	30-031-60017
SOUTH HOSPAH UNIT #011	30-031-20016
SOUTH HOSPAH UNIT #012	30-031-20020
SOUTH HOSPAH UNIT #013	30-031-20054
SOUTH HOSPAH UNIT #014	30-031-20053
SOUTH HOSPAH UNIT #015	30-031-20055
SOUTH HOSPAH UNIT #016	30-031-20056
SOUTH HOSPAH UNIT #017	30-031-20057
SOUTH HOSPAH UNIT #021	30-031-05134
SOUTH HOSPAH UNIT #022	30-031-05498
SOUTH HOSPAH UNIT #024	30-031-20091
SOUTH HOSPAH UNIT #025	30-031-20092
SOUTH HOSPAH UNIT #026	30-031-20093
SOUTH HOSPAH UNIT #027	30-031-20094
SOUTH HOSPAH UNIT #028	30-031-20095
SOUTH HOSPAH UNIT #029	30-031-20120
SOUTH HOSPAH UNIT #030	30-031-20121
SOUTH HOSPAH UNIT #031	30-031-20122
SOUTH HOSPAH UNIT #032	30-031-20125
SOUTH HOSPAH UNIT #033	30-031-20124
SOUTH HOSPAH UNIT #035	30-031-20119
SOUTH HOSPAH UNIT #036	30-031-20118
SOUTH HOSPAH UNIT #037X	30-031-20135
SOUTH HOSPAH UNIT #038	30-031-20151
SOUTH HOSPAH UNIT #039	30-031-20152
SOUTH HOSPAH UNIT #046	30-031-20360
SOUTH HOSPAH UNIT #047	30-031-20361
SOUTH HOSPAH UNIT #048	30-031-20362

SOUTH HOSPAH UNIT #049	30-031-20363
SOUTH HOSPAH UNIT #050	30-031-20364
SOUTH HOSPAH UNIT #051	30-031-20242
SOUTH HOSPAH UNIT #052	30-031-20243
SOUTH HOSPAH UNIT #053	30-031-20278
SOUTH HOSPAH UNIT #054	30-031-20407
SOUTH HOSPAH UNIT #057	30-031-20408
SOUTH HOSPAH UNIT #058	30-031-20409
SOUTH HOSPAH UNIT #059	30-031-20410
SOUTH HOSPAH UNIT #060	30-031-20411

SOUTH HOSPAH UNIT #061	30-031-20546
SOUTH HOSPAH UNIT #062	30-031-20545
SOUTH HOSPAH UNIT #063	30-031-20544
SOUTH HOSPAH UNIT #064	30-031-20547
LONE PINE DAKOTA D UNIT #023	30-031-20201
HOSPAH SAND UNIT #039	30-031-05171
HOSPAH SAND UNIT #050	30-031-05201
SANTA FE #016	30-031-20086
SANTA FE #017	30-031-20102

32. Based upon production reported and regulatory filings by NOG, the 121 wells identified above, now operated by Operator NOG in New Mexico, have been inactive for a continuous period exceeding one year plus 90 days, and are neither plugged and abandoned in accord with Rule 19.15.25.8 NMAC nor on approved temporary abandonment status in accord with Rule 19.15.25.13 NMAC.

33. Per OCD records, and based upon operator-submitted production records, a number of the above-identified wells have not been productive for in excess of ten years, with some not having reported production for 20 or more years.

34. OCD has put forth significant effort to work with NOG and develop a strategy and timeline for addressing the numerous idle wells it chose to acquire from Mountain States in March of 2008. However, NOG has failed to follow through, instead persisting in its noncompliance.

WHEREFORE, the Supervisor of District III of the Division hereby applies to the Director to enter an Order:

34. Requiring that, by a date certain, NOG plug and abandon or otherwise bring into compliance with Rule 19.15.25.8 NMAC each of the specified 121 wells.

35. Requiring that NOG reappear at the next regularly-scheduled Division Hearing following the date established by the Order as the deadline for NOG to bring the subject 121 wells into compliance with Rule 19.15.25.8 NMAC in this matter, and further requiring that at that subsequent appearance, NOG be required to present the presiding Hearing Examiner with evidence establishing that NOG met the deadline as to the subject 121 wells.

36. Further, if NOG fails to meet the deadline for bringing these 121 wells into compliance with Rule 19.15.25.8 NMAC as established by the Order, issue a Plugging Order requiring that NOG properly plug, by a date certain, each of the subject 121 wells for which NOG failed to meet the established deadline.

37. Finally, if such a Plugging Order is required to be issued, and is in fact issued, the OCD specifically requests that, pursuant to 70-2-14(B) NMSA 1978, it be further Ordered that if NOG fails to plug and abandon the subject wells by the deadline set in the Plugging Order:

- (1) The Division be authorized to plug the subject wells in accordance with a Division-approved plugging program;
- (2) The Division be authorized to forfeit any applicable financial assurances posted in relation to the subject wells; and
- (3) For such other and further relief as the Director deems just and proper under the circumstances.

RESPECTFULLY SUBMITTED, this 23rd
day of April, 2009 by



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CASE NO. 14324. Application of the New Mexico Oil Conservation Division for a Compliance Order against Nacogdoches Oil and Gas, Inc. ("NOG"). The Applicant seeks an Order finding that Operator NOG is in violation of OCD Rule 19.15.8.9 as to 39 wells and Rule 19.15.25.8 as to 121 wells, requiring Xeric to bring all such wells into full compliance with OCD Rules by a date certain. The Division further seeks authority to forfeit any associated financial assurances, and to plug and abandon the subject wells should the Operator fail to meet the deadline established by the Order. The subject wells are all located in McKinley County on eight (8) units. The Hospah Sand Unit is located approximately 20 mi. NE of Crownpoint, NM, 4 mi. S of junction of highways 197 and 509 on the E side of highway 509; the Santa Fe RR Unit is located approximately 23 mi. E of Crownpoint, NM, 6 mi. SE of junction of 197/509; the Lone Pine Dakota D Unit is located approximately 24 mi. E of Crownpoint, NM, 7 mi. S of junction 197/509; the Santa Fe Railroad A Unit is located directly adjacent to the Hospah Sand Unit to the southeast and is approximately 24 mi. E of Crownpoint, NM, 7 mi. SSE of junction 197/509, the Santa Fe Railroad B Unit is comprised of a small cluster of wells located approximately 26 mi. E of Crownpoint, NM, 8 mi. SE junction 197/509; the Santa Fe Pacific RR Unit is located approximately 21 mi. E of Crownpoint, 9 mi. S junction 197/509; the South Hospah Unit is located approximately 21 mi E of Crownpoint, NM, 7 mi SE of junction 197/509; and the Santa Fe Unit is directly adjacent to the SE of the Santa Fe Railroad Unit and is approximately 24 mi. E of Crownpoint, NM, 7 mi ESE of junction 197/509. The specific wells involved in this matter include the following:

30-031-05205	hospah sand unit #003	N-36-18N-09W 1650-W 330-S	30-031-20086	santa fe #016	C-7 -17N-08W 2310-W 330-N
30-031-05207	hospah sand unit #015	N-36-18N-09W 2590-W 330-S	30-031-20102	santa fe #017	F-7 -17N-08W 1950-W, 1950-N
30-031-05213	hospah sand unit #017	N-36-18N-09W 999-E 999-S	30-031-20341	santa fe #029	B-7 -17N-08W 1680-E 990-N
30-031-05203	hospah sand unit #019	O-36-18N-09W 2060-E 330-S	30-031-20165	santa fe pacific RR #002	L-13-17N-09W 660-W 1980-S
30-031-05212	hospah sand unit #025	O-36-18N-09W 999-E 999-S	30-031-20181	santa fe pacific RR #008	D-24-17N-09W 640-W 740-N
30-031-05214	hospah sand unit #027	F-36-18N-09W 999-E 999-S	30-031-20182	santa fe pacific RR #009	F-13-17N-09W 2180-W 2180-N
30-031-05216	hospah sand unit #028	J-36-18N-09W 550-W 550-S	30-031-05147	santa fe railroad #003	1-7 -17N-08W 660-W 660-N
30-031-05225	hospah sand unit #029	C-36-18N-09W 550-W 550-S	30-031-05151	santa fe railroad #004	C-7 -17N-08W 1650-W 330-N
30-031-05224	hospah sand unit #032	I-36-18N-09W 999-E 999-S	30-031-05141	santa fe railroad #007	2-7 -17N-08W 330-W 1650-N
30-031-05222	hospah sand unit #035	K-36-18N-09W 999-E 999-S	30-031-05496	santa fe railroad #008	3-7 -17N-08W 330-W 2400-S
30-031-05219	hospah sand unit #037	I-36-18N-09W 990-E 990-S	30-031-05531	santa fe railroad #009	F-7 -17N-08W 1650-W 1650-N
30-031-05179	hospah sand unit #038	F-1 -17N-09W 1970-W 2030-N	30-031-20032	santa fe railroad #012	1-7 -17N-08W 330-W 330-N
30-031-05171	hospah sand unit #039	K-1 -17N-09W 1980-W 1980-S	30-031-20038	santa fe railroad #013	1-7 -17N-08W 330-W 930-N
30-031-05201	hospah sand unit #050	P-36-18N-09W 660-E 330-S	30-031-20037	santa fe railroad #014	1-7 -17N-08W 990-W 330-N
30-031-05194	hospah sand unit #051	3-1 -17N-09W 1980-E 660-N	30-031-20036	santa fe railroad #015	2-7 -17N-08W 990-W 1650-N
30-031-05182	hospah sand unit #052	C-1 -17N-09W 2970-W 2310-N	30-031-20138	santa fe railroad #018	1-7 -17N-08W 710-W 600-N
30-031-20115	hospah sand unit #058	O-36-18N-09W 2350-E 30-S	30-031-20139	santa fe railroad #019	2-7 -17N-08W 680-W 2090-N
30-031-20116	hospah sand unit #059	J-36-18N-09W 2625-E 1430-S	30-031-20140	santa fe railroad #020	F-7 -17N-08W 2010-W 1800-N
30-031-20248	hospah sand unit #084	F-1 -17N-09W 2600-W 1425-N	30-031-20141	santa fe railroad #021	C-7 -17N-08W 1870-W 660-N
30-031-20613	hospah sand unit #092	O-36-18N-09W 1850-E 700-S	30-031-20150	santa fe railroad #023	C-7 -17N-08W 1330-W 5-N
30-031-20611	hospah sand unit #093	4-1 -17N-09W 2010-W 770-N	30-031-20452	santa fe railroad #039	1-7 -17N-08W 330-W 700-N
30-031-20608	hospah sand unit #095	3-1 -17N-09W 2550-E 350-N	30-031-20451	santa fe railroad #040	2-7 -17N-08W 420-W 1440-N
30-031-20831	hospah sand unit #100	H-36-18N-09W 1190-E 2505-N	30-031-20594	santa fe railroad #041	1-7 -17N-08W 1000-W 1000-N
30-031-20944	hospah sand unit #105	N-36-18N-09W 1750-W 70-S	30-031-20745	santa fe railroad #042	F-7 -17N-08W 1650-W 2310-N
30-031-20183	Lone pine dakota d unit#012	B-13-17N-09W 3500-W 800-N	30-031-20712	santa fe railroad #043	C-7 -17N-08W 1725-W 1025-N
30-031-20174	lone pine dakota d unit#014	3-13-17N-09W 4620-W 1980-N	30-031-20713	santa fe railroad #044	C-7 -17N-08W 2300-W 1095-N
30-031-20201	lone pine dakota d unit#023	K-13-17N-09W 2310-W 1650-S	30-031-20804	santa fe railroad #045	F-7 -17N-08W 1330-W 1950-N

30-031-20836	santa fe railroad #047	1-7 -17N-08W 550-W 1200-N	30-031-05498	south hospah unit #022	L-12-17N-09W 990-W 2210-S
30-031-20837	santa fe railroad #048	2-7 -17N-08W 410-W 2410-N	30-031-20091	south hospah unit #024	B-12-17N-09W 2650-E 330-N
30-031-20838	santa fe railroad #049	2-7 -17N-08W 1100-W 2520-N	30-031-20092	south hospah unit #025	2-12-17N-09W 1505-E 330-N
30-031-20854	santa fe railroad #050	2-7 -17N-08W 100-W 1980-N	30-031-20093	south hospah unit #026	1-12-17N-09W 380-E 330-N
30-031-20853	santa fe railroad #051	C-7 -17N-08W 1480-W 550-N	30-031-20094	south hospah unit #027	4-12-17N-09W 330-E 1570-N
30-031-20021	santa fe railroad a #074	9-1 -17N-09W 330-E 1650-S	30-031-20095	south hospah unit #028	2-12-17N-09W 1485-E 933-N
30-031-20147	santa fe railroad a #083	8-1 -17N-09W 15-E 1335-S	30-031-20120	south hospah unit #029	B-12-17N-09W 1870-E 410-N
30-031-20372	santa fe railroad a #084	O-1 -17N-09W 2900-E 5-S	30-031-20121	south hospah unit #030	B-12-17N-09W 1980-E 950-N
30-031-20413	santa fe railroad a #087	P-1 -17N-09W 50-E 5-S	30-031-20122	south hospah unit #031	B-12-17N-09W 2800-E 330-N
30-031-20855	santa fe railroad a #097	O-1 -17N-09W 1655-E 240-S	30-031-20125	south hospah unit #032	C-12-17N-09W 2370-W 550-N
30-031-20303	santa fe rr b #032	M-5 -17N-08W 330-W 990-S	30-031-20124	south hospah unit #033	F-12-17N-09W 1710-W 1340-N
30-031-20369	santa fe rr b #033	L-5 -17N-08W 330-W 2310-S	30-031-20119	south hospah unit #035	2-12-17N-09W 850-E 330-N
30-031-20390	santa fe rr b #034	M-5 -17N-08W 330-W 330-S	30-031-20118	south hospah unit #036	B-12-17N-09W 2630-E 900-N
30-031-20391	santa fe rr b #035	E-5 -17N-08W 330-W 2310-S	30-031-20135	south hospah unit #037x	D-12-17N-09W 1280-W 1280-N
30-031-20416	santa fe rr b #036	L-5 -17N-08W 330-W 1650-S	30-031-20151	south hospah unit #038	2-12-17N-09W 660-E 660-N
30-031-20415	santa fe rr b #037	M-5 -17N-08W 330-W 890-S	30-031-20152	south hospah unit #039	3-12-17N-09W 660-E 2180-N
30-031-05142	south hospah unit #001	G-12-17N-09W 2062-E 1980-N	30-031-20360	south hospah unit #046	E-12-17N-09W 700-W 1700-N
30-031-05139	south hospah unit #002	F-12-17N-09W 2310-W 2310-N	30-031-20361	south hospah unit #047	3-12-17N-09W 1775-W 785-N
30-031-05140	south hospah unit #003	3-12-17N-09W 1392-E 1650-N	30-031-20362	south hospah unit #048	G-12-17N-09W 2817-E 1485-N
30-031-05145	south hospah unit #004	C-12-17N-09W 2310-W 990-N	30-031-20363	south hospah unit #049	B-12-17N-09W 2117-E 885-N
30-031-05146	south hospah unit #005	B-12-17N-09W 2712-E 990-N	30-031-20364	south hospah unit #050	2-12-17N-09W 900-E 950-N
30-031-20009	south hospah unit #006	1-12-17N-09W 330-E 330-N	30-031-20242	south hospah unit #051	E-12-17N-09W 620-W 1775-N
30-031-20012	south hospah unit #007	4-12-17N-09W 330-E 1650-N	30-031-20243	south hospah unit #052	C-12-17N-09W 1850-W 720-N
30-031-20015	south hospah unit #008	G-12-17N-09W 2051-E 1650-N	30-031-20278	south hospah unit #053	1-12-17N-09W 330-E 950-N
30-031-20013	south hospah unit #009	B-12-17N-09W 2051-E 330-N	30-031-20407	south hospah unit #054	1-12-17N-09W 5-E 1319-N
30-031-60017	south hospah unit #010	C-12-17N-09W 2300-W 990-N	30-031-20408	south hospah unit #057	E-12-17N-09W 110-W 2290-N
30-031-20016	south hospah unit #011	F-12-17N-09W 2310-W 1650-N	30-031-20409	south hospah unit #058	F-12-17N-09W 1640-W 2580-N
30-031-20020	south hospah unit #012	E-12-17N-09W 990-W 2160-N	30-031-20410	south hospah unit #059	G-12-17N-09W 2500-E 2340-N
30-031-20054	south hospah unit #013	F-12-17N-09W 1620-W 2280-N	30-031-20411	south hospah unit #060	8-12-17N-09W 1300-E 2210-N
30-031-20053	south hospah unit #014	E-12-17N-09W 1300-W 1700-N	30-031-20546	south hospah unit #061	B-12-17N-09W 2510-E 1120-N
30-031-20055	south hospah unit #015	E-12-17N-09W 330-W 2500-N	30-031-20545	south hospah unit #062	B-12-17N-09W 1770-E 650-N
30-031-20056	south hospah unit #016	F-12-17N-09W 2330-W 1755-N	30-031-20544	south hospah unit #063	1-12-17N-09W 1325-E 710-N
30-031-20057	south hospah unit #017	G-12-17N-09W 3000-W 2250-N	30-031-20547	south hospah unit #064	3-12-17N-09W 900-E 1360-N
30-031-05134	south hospah unit #021	K-12-17N-09W 2310-W 2310-S			