STATE OF NEW MEXICO ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT <u>OIL CONSERVATION DIVISION</u>

<u>AMENDED</u> APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION, THROUGH THE ENFORCEMENT AND COMPLIANCE MANAGER, FOR A COMPLIANCE ORDER AGAINST <u>NACOGDOCHES</u> OIL AND GAS, INC. [OGRID 256689], FINDING THAT THE OPERATOR IS IN VIOLATION OF 19.15.8.9 NMAC AS TO <u>39</u> WELLS & EITHER 19.15.25.8 OR 19.15.7.24 NMAC AS TO <u>121</u> WELLS; REQUIRING THAT NOG PLUG AND ABANDON <u>ALL 183 OF ITS WELLS</u> IN NEW MEXICO BY A DATE CERTAIN; (<u>AND_IN_THE_EVENT_OF_NON-COMPLIANCE</u>)WITH <u>ANY ASPECT_OF_THE</u> 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:

S COMES NOW the Oil Conservation Division, and respectfully presents **G**, 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. <u>Relevant Legal Authority</u>

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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. j. .

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. Division Rule 19.15.7.24 NMAC requires that operators file a monthly report "for each non-plugged well completion for which the division has approved a form C-104, and for each secondary or other enhanced recovery project or pressure maintenance project injection well or other injection well within the state setting forth complete information and data indicated on the forms in the order, format and style the director prescribes... on or before the 15th day of the second month following the month of production, or if such day falls on a weekend or holiday, the first workday following the 15th."

4. **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

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

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

7. 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.

8. On <u>March 25, 2008</u>, 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.

9. On <u>April 11, 2008</u> 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

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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 <u>72</u> wells required additional bonding (in a total amount of <u>\$489,071</u>). NOG was required to post these bonds before the operator transfer could be approved.

10. On <u>May 5, 2008</u>, NOG provided the OCD with a "Well Producing Status" Report dated <u>April 26, 2008</u> 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

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

12. On <u>May 19, 2008</u> 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.

13. 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.

14. 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 <u>September 24, 2008</u>.

15. The transfer of operatorship of wells from Mountain States to NOG was approved by the OCD on <u>November 6, 2008</u>.

16. 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.

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III. <u>ARGUMENT: ISSUE NO. 1 – NOG'S VIOLATION OF RULE 19.15.8.9</u> <u>NMAC – FINANCIAL ASSURANCE NONCOMPLIANCE</u>

17. NOG is the Operator of Record of the following <u>39</u> wells in New Mexico,

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all of which are state or fee wells:

HOSPAH SAND UNIT #015	30-031-05207	SANTA FE RAILROAD #014	30-031-20037
HOSPAH SAND UNIT #017	30-031-05213	SANTA FE RAILROAD #015	30-031-20036
HOSPAH SAND UNIT #019	30-031-05203	SANTA FE RAILROAD #018	30-031-20138
HOSPAH SAND UNIT #025	30-031-05212	SANTA FE RAILROAD #019	30-031-20139
HOSPAH SAND UNIT #027	30-031-05214	SANTA FE RAILROAD #020	30-031-20140
HOSPAH SAND UNIT #028	30-031-05216	SANTA FE RAILROAD #021	30-031-20141
HOSPAH SAND UNIT #029	30-031-05225	SANTA FE RAILROAD #023	30-031-20150
HOSPAH SAND UNIT #032	30-031-05224	SANTA FE RAILROAD #039	30-031-20452
HOSPAH SAND UNIT #035	30-031-05222	SANTA FE RAILROAD #040	30-031-20451
HOSPAH SAND UNIT #052	30-031-05182	SANTA FE RAILROAD #041	30-031-20594
HOSPAH SAND UNIT #095	30-031-20608	SANTA FE RAILROAD #042	30-031-20745
HOSPAH SAND UNIT #105	30-031-20944	SANTA FE RAILROAD #043	30-031-20712
SANTA FE #016	30-031-20086	SANTA FE RAILROAD #045	30-031-20804
SANTA FE #017	30-031-20102	SANTA FE RAILROAD #047	30-031-20836
SANTA FE #029	30-031-20341	SANTA FE RAILROAD #048	30-031-20837
SANTA FE RAILROAD #004	30-031-05151	SANTA FE RAILROAD #049	30-031-20838
SANTA FE RAILROAD #007	30-031-05141	SANTA FE RAILROAD #050	30-031-20854
SANTA FE RAILROAD #008	30-031-05496	SANTA FE RAILROAD #051	30-031-20853
SANTA FE RAILROAD #009	30-031-05531	SANTA FE RAILROAD A #074	30-031-20021
SANTA FE RAILROAD #013	30-031-20038		

18. As of the date of filing of the original Application in this Matter, Case No. 14326 (filed 4/23/09) production had not been reported for any of the aboveidentified <u>39</u> wells (via submission of C115 production reports) for a period in excess of than 2 years. Pursuant to Rule 19.15.8.9 NMAC requirements, therefore, at the time of filing of the original Application, NOG owed single-well financial assurance (based on location and depth) in addition to its blanket bond for <u>each</u> of the above-listed <u>39</u> wells.

P a g c | 6 Application for Order of Compliance Nacogdoches Oil and Gas, Inc. (256689) 19. 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.

20. 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 <u>specific notice</u> 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. 8 above*).

21. <u>Specific notice</u> 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).

22. On <u>August 27, 2008</u> 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.

23. On <u>September 12, 2008</u>, 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, <u>as long as the wells ultimately proved to be active</u> (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	SANTA FE RAILROAD #008	30-031-05496
HOSPAH SAND UNIT #006	30-031-05190	SANTA FE RAILROAD #009	30-031-05531
HOSPAH SAND UNIT #015	30-031-05207	SANTA FE RAILROAD #013	30-031-20038
HOSPAH SAND UNIT #017	30-031-05213	SANTA FE RAILROAD #014	30-031-20037
HOSPAH SAND UNIT #019	30-031-05203	SANTA FE RAILROAD #015	30-031-20036
HOSPAH SAND UNIT #023	30-031-05192	SANTA FE RAILROAD #018	30-031-20138
HOSPAH SAND UNIT #024	30-031-05186	SANTA FE RAILROAD #019	30-031-20139
HOSPAH SAND UNIT #025	30-031-05212	SANTA FE RAILROAD #020	30-031-20140
HOSPAH SAND UNIT #027	30-031-05214	SANTA FE RAILROAD #021	30-031-20141
HOSPAH SAND UNIT #028	30-031-05216	SANTA FE RAILROAD #023	30-031-20150
HOSPAH SAND UNIT #029	30-031-05225	SANTA FE RAILROAD #039	30-031-20452
HOSPAH SAND UNIT #032	30-031-05224	SANTA FE RAILROAD #040	30-031-20451
HOSPAH SAND UNIT #034	30-031-05223	SANTA FE RAILROAD #041	30-031-20594
HOSPAH SAND UNIT #035	30-031-05222	SANTA FE RAILROAD #042	30-031-20745
HOSPAH SAND UNIT #052	30-031-05182	SANTA FE RAILROAD #043	30-031-20712
HOSPAH SAND UNIT #056	30-031-20104	SANTA FE RAILROAD #045	30-031-20804
HOSPAH SAND UNIT #089	30-031-05193	SANTA FE RAILROAD #047	30-031-20836
HOSPAH SAND UNIT #095	30-031-20608	SANTA FE RAILROAD #048	30-031-20837
HOSPAH SAND UNIT #105	30-031-20944	SANTA FE RAILROAD #049	30-031-20838
SANTA FE #016	30-031-20086	SANTA FE RAILROAD #050	30-031-20854
SANTA FE #017 **	30-031-20102	SANTA FE RAILROAD #051	30-031-20853
SANTA FE #029	30-031-20341	SANTA FE RAILROAD A #072 **	30-031-05570
SANTA FE RAILROAD #004	30-031-05151	SANTA FE RAILROAD A #074	30-031-20021
SANTA FE RAILROAD #007	30-031-05141		

24. 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.

25. On or about <u>September 24, 2008</u>, 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.

26. 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. <u>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.</u>

27. 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, as of the date of filing of the original Application, NOG had neither reported production occurring within the preceding two years nor posted the additional, required financial assurances for the <u>39</u> subject wells.

IV. ARGUMENT: ISSUE NO. 3 – NOG'S VIOLATION OF DIVISION RULE 19.15.25.8 NMAC OR 19.15.7.24 NMAC.

28. NOG is the Operator of Record of the following <u>121</u> wells in New

Mexico:

HOSPAH SAND UNIT #003

HOSPAH SAND UNIT #051

30-031-05194

30-031-05205

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

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SANTA FE #029	30-031-20341	SANTA FE RR B #036	30-031-20416
SANTA FE PACIFIC RAILROAD #002	30-031-20165	SANTA FE RR B #037	30-031-20415
SANTA FE PACIFIC RAILROAD #008	30-031-20181	SOUTH HOSPAH UNIT #001	30-031-05142
SANTA FE PACIFIC RAILROAD #009	30-031-20182	SOUTH HOSPAH UNIT #002	30-031-05139
SANTA FE RAILROAD #003	30-031-05147	SOUTH HOSPAH UNIT #003	30-031-05140
SANTA FE RAILROAD #004	30-031-05151	SOUTH HOSPAH UNIT #004	30-031-05145
SANTA FE RAILROAD #007	30-031-05141	SOUTH HOSPAH UNIT #005	30-031-05146
SANTA FE RAILROAD #008	30-031-05496	SOUTH HOSPAH UNIT #006	30-031-20009
SANTA FE RAILROAD #009	30-031-05531	SOUTH HOSPAH UNIT #007	30-031-20012
SANTA FE RAILROAD #012	30-031-20032	SOUTH HOSPAH UNIT #008	30-031-20015
SANTA FE RAILROAD #013	30-031-20038	SOUTH HOSPAH UNIT #009	30-031-20013
SANTA FE RAILROAD #014	30-031-20037	SOUTH HOSPAH UNIT #010	30-031-60017
SANTA FE RAILROAD #015	30-031-20036	SOUTH HOSPAH UNIT #011	30-031-20016
SANTA FE RAILROAD #018	30-031-20138	SOUTH HOSPAH UNIT #012	30-031-20020
SANTA FE RAILROAD #019	30-031-20139	SOUTH HOSPAH UNIT #013	30-031-20054
SANTA FE RAILROAD #020	30-031-20140	SOUTH HOSPAH UNIT #014	30-031-20053
SANTA FE RAILROAD #021	30-031-20141	SOUTH HOSPAH UNIT #015	30-031-20055
SANTA FE RAILROAD #023	30-031-20150	SOUTH HOSPAH UNIT #016	30-031-20056
SANTA FE RAILROAD #039	30-031-20452	SOUTH HOSPAH UNIT #017	30-031-20057
SANTA FE RAILROAD #040	30-031-20451	SOUTH HOSPAH UNIT #021	30-031-05134
SANTA FE RAILROAD #041	30-031-20594	SOUTH HOSPAH UNIT #022	30-031-05498
SANTA FE RAILROAD #042	30-031-20745	SOUTH HOSPAH UNIT #024	30-031-20091
SANTA FE RAILROAD #043	30-031-20712	SOUTH HOSPAH UNIT #025	30-031-20092
SANTA FE RAILROAD #044	30-031-20713	SOUTH HOSPAH UNIT #026	30-031-20093
SANTA FE RAILROAD #045	30-031-20804	SOUTH HOSPAH UNIT #027	30-031-20094
SANTA FE RAILROAD #047	30-031-20836	SOUTH HOSPAH UNIT #028	30-031-20095
SANTA FE RAILROAD #048	30-031-20837	SOUTH HOSPAH UNIT #029	30-031-20120
SANTA FE RAILROAD #049	30-031-20838	SOUTH HOSPAH UNIT #030	30-031-20121
SANTA FE RAILROAD #050	30-031-20854	SOUTH HOSPAH UNIT #031	30-031-20122
SANTA FE RAILROAD #051	30-031-20853	SOUTH HOSPAH UNIT #032	30-031-20125
SANTA FE RAILROAD A #074	30-031-20021	SOUTH HOSPAH UNIT #033	30-031-20124
SANTA FE RAILROAD A #083	30-031-20147	SOUTH HOSPAH UNIT #035	30-031-20119
SANTA FE RAILROAD A #084	30-031-20372	SOUTH HOSPAH UNIT #036	30-031-20118
SANTA FE RAILROAD A #087	30-031-20413	SOUTH HOSPAH UNIT #037X	30-031-20135
SANTA FE RAILROAD A #097	30-031-20855	SOUTH HOSPAH UNIT #038	30-031-20151
SANTA FE RR B #032	30-031-20303	SOUTH HOSPAH UNIT #039	30-031-20152
SANTA FE RR B #033	30-031-20369	SOUTH HOSPAH UNIT #046	30-031-20360
SANTA FE RR B #034	30-031-20390	SOUTH HOSPAH UNIT #047	30-031-20361
SANTA FE RR B #035	30-031-20391	SOUTH HOSPAH UNIT #048	30-031-20362

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30-031-20363	SOUTH HOSPAH UNIT #061	30-031-20546
30-031-20364	SOUTH HOSPAH UNIT #062	30-031-20545
30-031-20242	SOUTH HOSPAH UNIT #063	30-031-20544
30-031-20243	SOUTH HOSPAH UNIT #064	30-031-20547
30-031-20278	LONE PINE DAKOTA D UNIT #023	30-031-20201
30-031-20407	HOSPAH SAND UNIT #039	30-031-05171
30-031-20408	HOSPAH SAND UNIT #050	30-031-05201
30-031-20409	SANTA FF #016	30-031-20086
30-031-20410	1	
30-031-20411	SANTA FE #017	30-031-20102
	30-031-20364 30-031-20242 30-031-20243 30-031-20278 30-031-20407 30-031-20408 30-031-20409 30-031-20410	30-031-20364 SOUTH HOSPAH UNIT #062 30-031-20242 SOUTH HOSPAH UNIT #063 30-031-20243 SOUTH HOSPAH UNIT #064 30-031-20278 LONE PINE DAKOTA D UNIT #023 30-031-20407 HOSPAH SAND UNIT #039 30-031-20408 HOSPAH SAND UNIT #050 30-031-20409 SANTA FE #016 SANTA FE #017

29. 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. NOG is therefore in violation of Rule 19.15.25.8 as to the above identified 121 wells.

30. 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 <u>ten</u> <u>years</u>, with some not having reported production for 20 or more years.

31. 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.

32. Alternatively, if any of the above-identified 121 wells have, in fact, been productive in the last one year plus 90 days, then NOG has failed to properly report such production as required by Division Rule 19.15.7.24, and is instead in violation of

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Rule 19.15.7.24.

III. REQUEST FOR ORDER REQUIRING OPERATOR TO PLUG ALL WELLS

33. NOG is the operator of record for 183 wells in New Mexico, of which <u>121</u> have been either inactive for a period of one year plus ninety days in violation of Rule 19.15.25.8 NMAC or for which NOG has failed to properly report production as required by Rule 19.15.7.24.

34. As of the date of filing of the original Application in this matter, <u>39</u> of NOG's state or fee wells had not reported production for a period of two or more years, and required additional bonding. As of that date, NOG had not posted the bonding for any of the identified wells and was therefore in violation of Rule 19.15.8.9 NMAC.

35. 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.

WHEREFORE, the OCD Enforcement Compliance Manager and the Supervisor of District III of the Division hereby apply to the Director to enter an Order:

36. Pursuant to NMSA 1978, Section 70-2-14(B), the OCD therefore seeks an Order requiring that NOG plug and abandon <u>all 183 of its wells</u> in New Mexico, as specifically identified below, by a date certain.

37. Further, if the subject wells are not plugged and abandoned by the deadline set by the Order:

- (1) Authorizing the Division to plug the subject wells in accordance with a Division-approved plugging program;
- (2) Authorizing the Division 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 5th day of June, 2009 by

Mikal M. Altomare Assistant General Counsel Energy, Minerals and Natural Resources Department of the State of New Mexico 1220 S. St. Francis Drive Santa Fe, NM 87505 (505) 476-3480 Attorney for The New Mexico Oil Conservation Division

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