

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 PURVIS OPERATING COMPANY REQUIRING OPERATOR TO TAKE PRECAUTIONS TO PROTECT GROUND WATER AND PREVENT WASTE DURING DRILLING PURSUANT TO NMSA 1978, SECTION 70-2-12; IN THE ALTERNATIVE ISSUING AN ORDER FINDING OPERATOR IN VIOLATION OF 19.15.2.8(B) NMAC AS TO FIVE WELLS, ORDERING OPERATOR TO PLUG AND ABANDON THE WELLS PURSUANT TO NMSA 1978, SECTION 70-2-14(B), AND AUTHORIZING THE DIVISION TO PLUG SAID WELLS AND FORFEIT THE APPLICABLE FINANCIAL ASSURANCE IN THE EVENT OF NON-COMPLIANCE; LEA AND EDDY COUNTIES, NEW MEXICO.

CASE NO. 14417

APPLICATION FOR COMPLIANCE ORDER
AGAINST PURVIS OPERATING COMPANY

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1. Purvis Operating Company (Purvis) operates wells in New Mexico under OGRID 131559.
2. Purvis is the operator of record of 14 wells in New Mexico, including the following five wells, which are covered by a \$50,000 letter of credit:

Armadillo State #001, 30-025-38035
Badger State #001, 30-025-38036
Buzzard Canyon State #001, 30-015-36344
Coyote State Com #001, 30-025-38037
Segrest State Com #001, 30-015-36391
3. According to the regulatory filings submitted by Purvis for the identified wells, each well has been partially drilled, leaving an open, uncased hole. The drilling information is summarized below.
4. **Armadillo State #001, 30-025-38035:** The Oil Conservation Division (OCD) approved the application for permit to drill (APD) for this well on 8/1/06. In its APD Purvis indicated that the first step in its proposed drilling plan was to drill 400' and case off all fresh water zones. Purvis indicated on the APD that the depth to ground water was 80'; later filings from Purvis indicated the depth to groundwater was 60.' Purvis began drilling 12/22/06, and continued drilling at a rate of several feet per month. After almost two years, on 11/1/08 Purvis reached a depth of 78.' After that time, Purvis began filing sundries indicating that it was reaming the hole to an 18" diameter, again at the rate of several feet per month. The most recent filing, dated 12-8-09, indicates that the Purvis has reamed the hole to a depth of 40.'

5. **Badger State #001, 30-025-38036:** The OCD approved the APD for this well on 8/1/06. In its APD Purvis indicated that the first step in its proposed drilling plan was to drill 400' and case off all fresh water zones. Purvis indicated in its APD that the depth to ground water was 80.' Purvis obtained a one year extension on its APD. It began drilling 9/28/07, at a rate of several feet per month. As of 10-27-09 Purvis had reached a depth of 80.' Purvis then filed sundries indicating that it was re-drilling the hole.
6. **Buzzard Canyon State #001, 30-015-36344:** The OCD approved the APD for this well on 5/28/08. Purvis indicated that the depth to groundwater was 300.' Purvis began drilling 5/30/08 at a rate of several feet per month. As of 10-23-09, Purvis had reached a depth of 54.'
7. **Coyote State Com #001, 30-025-38037:** The OCD approved the APD for this well on 8/1/06. In its APD Purvis indicated that the first step in its proposed drilling plan was to drill 400' and case off all fresh water zones. Purvis indicated on the APD that the depth to ground water was 80'; later filings from Purvis indicated the depth to groundwater was 60.' Purvis began drilling 1/31/07, and continued drilling at a rate of several feet per month. Purvis has reached a depth of 81.' Purvis has begun reaming the hole to an 18" diameter, again at the rate of several feet per month. As of 12-6-09 it has reamed the hole to a depth of 28.'
8. **Segrest State Com #001, 30-015-36391:** The OCD approved the APD for this well on 6/26/08. Purvis has indicated that groundwater is at 1000' to 1400.' Purvis began drilling 6/30/08 at the rate of several feet per month. As of 10-23-09 Purvis has reached a depth of 50.'
9. The OCD is concerned that the uncased holes left open during these protracted drilling operations can serve as conduits for introducing contaminants. The OCD also disagrees with Purvis' assessment of the depth to ground water at several of these sites, finding that groundwater is present at shallower depths.
10. The Oil and Gas Act gives the OCD broad powers to issue orders to prevent crude petroleum oil, natural gas or water from escaping from the strata in which it is found to other strata; to prevent the drowning by water of any stratum; to prevent the premature and irregular encroachment of water or any other kind of water encroachment that reduces or tends to reduce the ultimate recovery of crude petroleum or gas; to require wells to be drilled in such manner as to prevent injury to neighboring leases or properties; to regulate the disposition of water produced or used in connection with drilling and to direct disposal of the water in a manner that will afford reasonable protection against contamination of fresh water supplies; and to regulate the disposition of nondomestic wastes resulting from oil and gas exploration to protect public health and the environment. See NMSA 1978, Section 70-2-12.
11. 19.15.2.8(B) NMAC provides that "Operators...shall conduct their operations in or related to the drilling... of wells...in a manner that prevents...the contamination of fresh waters...."
12. The OCD put Purvis on notice of its concerns by letter dated August 4, 2009. OCD and Purvis have not been able to reach an agreement to resolve the issues.
13. The OCD takes the position that Purvis should take the following actions as to the identified wells **prior to the date set for hearing in this matter:**

- Purvis shall drill no deeper than the current depth of each well until it drills continuously to total depth and completes the well.
 - Purvis shall catch water samples on each well that has reached groundwater, have them analyzed for contaminants, and provide copies of the analysis results to the OCD Hobbs District Office and to the OCD's legal bureau in Santa Fe. If the reports indicate contaminants, the OCD may require further action from Purvis.
 - Purvis shall cement a 3-foot diameter conductor pipe around the present spud holes of the identified wells at a depth of at least 3 feet, leaving at least 4 inches of pipe above ground level.
 - Purvis shall install a locking metal cover over the conductor pipe of each identified well to prevent run-off from entering the spud hole and prevent anyone from opening the cover to introduce contaminants. Purvis shall lock the cover at all times when it is not actively working on the well.
14. If Purvis takes these actions **prior to the date set for hearing in this matter**, issuing an order pursuant to NMSA 1978, Section 70-2-12 requiring Purvis to continue such precautions during the drilling of the wells, including sampling and testing of the water every six months, and allowing the OCD to plug and abandon any of the identified wells in violation of the order without further hearing, and forfeit the applicable financial assurance.
15. If Purvis fails to take the protective measures outlined above **prior to the date set for hearing in this matter**, the OCD will request a compliance order pursuant to NMSA 1978, Section 70-2-14(B) requiring Purvis to plug the wells by a date certain, and authorize the OCD to plug the wells and forfeit the applicable financial assurance if Purvis fails to comply.
16. NMSA 1978, Section 70-2-14(B) provides that "[i]f any of the requirements of the Oil and Gas Act [70-2-1 NMSA 1978]...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 Enforcement and Compliance Manager of the Division hereby applies to the Director to enter an order:

A. Determining that protective measures must be taken against Purvis' slow-drilling of the identified wells, in order to prevent crude petroleum oil, natural gas or water from escaping from the strata in which it is found to other strata; to prevent the drowning by water of any stratum; to prevent the premature and irregular encroachment of water or any other kind of water encroachment that reduces or tends to reduce the ultimate recovery of crude petroleum or gas; to require wells to be drilled in such manner as to prevent injury to neighboring leases or properties; to regulate the disposition of water produced or used in connection with drilling and to direct disposal of the water in a manner that will afford reasonable protection against contamination of fresh water supplies; and to regulate the disposition of nondomestic wastes resulting from oil and gas exploration to protect public health and the environment. See NMSA 1978, Section 70-2-12;

B. Determining that Purvis' slow-drilling of the identified wells is in violation of 19.15.2.8(B) NMAC;

C. If Purvis has taken the protective measures outlined above prior to the date of the hearing, issuing an order requiring Purvis to maintain those protective measures during the drilling of the well, including sampling and testing of the water every six months;

D. If Purvis has not taken the protective measures outlined above prior to the date of the hearing, issuing an order requiring Purvis to plug and abandon the identified wells by a date certain, and authorizing the OCD to plug the wells and forfeit the applicable financial assurance if Purvis fails to comply; and

E. For such other relief as the Director deems just and proper under the circumstances.
RESPECTFULLY SUBMITTED, this 21st day of
December 2009 by



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Case 14417: Application of the New Mexico Oil Conservation Division for a Compliance Order against Purvis Operating Company. The Applicant seeks an order requiring operator to take precautions to protect groundwater and prevent waste during drilling. In the alternative, the Applicant seeks an order pursuant to NMSA 1978, Section 70-2-14(B) requiring operator to plug and abandon 5 wells by a date certain and authorizing the Division to plug said wells and forfeit the applicable financial assurance in the event of non-compliance. The wells at issue are: Armadillo State #001, 30-025-38035, L-8-15S-35E; Badger State #001, 30-025-38036, P-6-15S-35E; Buzzard Canyon State #001, 30-015-36344, L-16-20S-21E; Coyote State Com #001, 30-025-38037, D-8-15S-35E; Segrest State Com #001, 30-015-36391, G-2-21S-21E. The Coyote State Com #001 and the Segrest State Com #001 are located approximately 30 miles west of Carlsbad, in Eddy County, New Mexico. The remaining wells are located approximately 5 miles northwest of Lovington, in Lea County, New Mexico.