

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

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APPLICATION OF THE OIL CONSERVATION DIVISION, THROUGH THE ENFORCEMENT & COMPLIANCE MANAGER, FOR A COMPLIANCE ORDER AGAINST OPERATOR DENNIS LANGLITZ, REVOKING OPERATOR'S AUTHORITY TO INJECT INTO HIS WELLS, AND PURSUANT TO NMSA 1978, SECTION 70-2-14(B) ORDERING OPERATOR TO PLUG AND ABANDON ALL WELLS HE OPERATES IN NEW MEXICO BY A DATE CERTAIN AND AUTHORIZING THE DIVISION TO PLUG SAID WELLS AND FORFEIT THE APPLICABLE FINANCIAL ASSURANCE IN THE EVENT OF NON-COMPLIANCE; EDDY COUNTY, NEW MEXICO.

CASE NO. 14387

APPLICATION FOR A COMPLIANCE ORDER AGAINST OPERATOR
DENNIS LANGLITZ

1. Dennis Langlitz ("Operator") is a sole proprietor operating wells in New Mexico under OGRID 157447.

2. Operator is operator of record of the following 13 wells:

<u>Well Name</u>	<u>Lease</u> <u>Type</u>	<u>ULSTR</u>	<u>API</u>	<u>Well</u> <u>Type</u>	<u>Last</u> <u>Production/</u> <u>Injection</u>
SALADAR UNIT #001	P	L-33-20S-28E	30-015-02451	Oil	3/2005
SALADAR UNIT #002	P	L-33-20S-28E	30-015-02450	Injection	12/2007
SALADAR UNIT #003	F	F-33-20S-28E	30-015-02447	Oil	12/2008
SALADAR UNIT #004	F	K-33-20S-28E	30-015-02446	Injection	12/2007
SALADAR UNIT #005	F	K-33-20S-28E	30-015-02444	Oil	11/2008

SALADAR UNIT #006	F	K-33-20S-28E	30-015-02448	Injection	12/2007
SALADAR UNIT #007	F	N-33-20S-28E	30-015-10468	Injection	11/2006
SALADAR UNIT #008	F	N-33-20S-28E	30-015-02449	Injection	12/2007
SALADAR UNIT #010	F	O-33-20S-28E	30-015-10365	Oil	5/1991
SALADAR UNIT #011	P	L-33-20S-28E	30-015-24178	Oil	12/2008
SALADAR UNIT #012	F	K-33-20S-28E	30-015-24179	Injection	12/2007
SALADAR UNIT #013	F	N-33-20S-28E	30-015-24180	Oil	12/2008
SALADAR UNIT #014	F	N-33-20S-28E	30-015-24181	Oil	11/2006

3. Except for 3 wells — the Saladar Unit #001, Saladar Unit #002, and Saladar Unit #011 — all of the wells are federal wells. Operators of federal wells within New Mexico are not required to post financial assurance to secure the plugging of these wells. Therefore, Operator has not posted any financial assurance with the State of New Mexico to secure the plugging of the federal wells.

4. Pursuant to NMSA 1978, Section 70-2-14, Operator has posted the following financial assurance on the Saladar Unit #001, Saladar Unit #002, and Saladar Unit #011, to secure his obligation to plug and abandon the 3 wells in compliance with Oil Conservation Division (“OCD”) rules.

a. **Saladar Unit #001**

Operator has posted a \$5,732 Single Well Cash Bond (Bond No. OCD900) through First National Bank of Artesia, P.O. Box AA, Artesia, New Mexico 88210 (Account No. 41877327).

b. **Saladar Unit #002**

Operator has posted two bonds which total the required financial assurance amount of \$5,690. The first bond is a \$5,000 One Well Plugging Bond (Bond No. 000955607) posted through International Fidelity Insurance Company C/O Bonds II Surety Group, Inc., 1309 Broadway, Little Rock, AR 72202. The other bond is a \$690 Single Well Cash Bond (Bond No. OCD905) posted through First National Bank of Artesia, P.O. Box AA, Artesia, New Mexico 88210 (Account No. 41877328).

c. **Saladar Unit #011**

Operator has posted two bonds which total the required financial assurance amount of \$5,707. The first bond is a \$5,000 One Well Plugging Bond (Bond No. 000955608) posted through International Fidelity Insurance Company C/O Bonds II Surety Group, Inc., 1309 Broadway, Little Rock, AR 72202. The other bond is a \$707 Single Well Cash Bond (Bond No. OCD904) posted through First National Bank of Artesia, P.O. Box AA, Artesia, New Mexico 88210 (Account No. 41877329).

5. NMSA 1978, Section 70-2-14(B) states if any of the requirements of the Oil and Gas Act or the rules 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. If the order is not complied with in the time period set out in the order, the financial assurance shall be forfeited.

I. Operator's Non-Compliance with Rule 19.15.26 NMAC

6. Subsection A of Rule 19.15.26.10 NMAC (previously numbered 19.15.9.703) states:

The operator of an injection well shall equip, operate, monitor and maintain the well to facilitate periodic testing and to assure continued mechanical integrity that will result in no significant leak in the tubular goods and packing materials used and no

significant fluid movement through vertical channels adjacent to the well bore.

7. Paragraph 1 of Subsection A of Rule 19.15.26.11 NMAC (previously numbered 19.15.9.704) states:

Prior to commencement of injection and any time the operator pulls the tubing or reseats the packer, the operator shall test the well to assure the integrity of the casing and the tubing and packer, if used, including pressure testing of the casing-tubing annulus to a minimum of 300 psi for 30 minutes or such other pressure or time as the appropriate district supervisor may approve. The operator shall use a pressure recorder and submit copies of the chart to the appropriate division district office within 30 days following the test date.

Paragraph 2 of Subsection A of Rule 19.15.26.11 NMAC states:

At least once every five years thereafter, the operator shall test an injection well to assure its continued mechanical integrity. Tests demonstrating continued mechanical integrity shall include the following:

- (a) measurement of annular pressures in a well injecting at positive pressure under a packer or a balanced fluid seal;
- (b) pressure testing of the casing-tubing annulus for a well injecting under vacuum conditions; or
- (c) other tests that are demonstrably effective and that the division may approve for use.

8. Paragraph 5 of Subsection A of Rule 19.15.26.11 NMAC states:

The operator shall advise the division of the date and time any initial, five-year or special tests are to be commenced so the division may witness the tests.

9. Operator's injection wells were required to undergo and pass a mandatory five-year mechanical integrity test ("MIT") in 2005. Since 2005 OCD has tried to get Operator to have his injection wells undergo and pass the mandatory five-year MIT. Operator has known that his injection wells need to undergo and pass the MIT's since 2005 when OCD spoke with him about the MIT's. OCD's efforts to get Operator to have

his injection wells undergo and pass MIT's include compliance letters, a notice of violation, compliance conferences, and an agreed compliance order. However, as of today's date the Saladar Unit #007 has not undergone an MIT and the Saladar Unit #002 has not been repaired for an MIT. The wells remain in violation of Rule 19.15.26 NMAC. Additionally, when OCD told Operator he was not to inject into his injection wells until they had undergone and passed MIT's, he continued to inject.

II. Operator's Non-Compliance with Rule 19.15.29 NMAC

10. Rule 19.15.29 NMAC (previously numbered 19.15.3.116) requires the person operating or controlling either the release or the location of the release to notify OCD of unauthorized release occurring during the drilling, producing, storing, disposing, injecting, transporting, servicing or processing of oil, gases, produced water, condensate or oil field waste including regulated NORM, or other oil field related chemicals, contaminants or mixture of the chemicals or contaminants, in accordance with the requirements of 19.15.29 NMAC.

11. Rule 19.15.29.11 NMAC also requires the responsible person to complete division-approved corrective action for releases that endanger public health or the environment, and requires the responsible person to address releases in accordance with a remediation plan submitted to and approved by the division or with an abatement plan submitted in accordance with 19.15.30 NMAC.

12. Since at least 2004 OCD has tried to get Operator to remediate releases at the Saladar Unit #013. On April 13, 2005, OCD sent Operator an additional compliance letter concerning the release at this well and the Saladar Unit #005. The letter informed Operator of the remediation process he must follow in order to remediate a release in

accordance with OCD rules and standards. Operator has not remediated the releases, however, and the number of un-remediated releases has grown to include most of his wells. OCD's compliance efforts during this time have included compliance letters, notices of violation, compliance conferences, and an agreed compliance order. However, other than filing occasional "paperwork" for the releases Operator has not remediated the releases. Operator's wells remain in violation of Rule 19.15.29 NMAC as of today.

III. Operator's Non-Compliance with Rules 19.15.7.24 NMAC and 19.15.25.8 NMAC

13. Subsection A of Rule 19.15.7.24 NMAC (previously numbered 19.15.13.1115) states:

An operator shall file a form C-115 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. The operator shall estimate oil production from wells producing into common storage as accurately as possible on the basis of periodic tests.

14. Subsection B of Rule 19.15.7.24 NMAC states:

An operator shall file the reports 19.15.7.24 NMAC requires using the division's web-based online application 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. An operator may apply to the division for exemption from the electronic filing requirement based upon a demonstration that such requirement would operate as an economic or other hardship.

15. According to OCD records, Operator has not filed any C-115 reports for any of his wells for any reporting periods subsequent to the December 2008 reporting period. Operator's wells are in violation of Rule 19.15.7.24 NMAC.

16. Subsection B of Rule 19.15.25.8 NMAC (previously numbered 19.15.4.201) states:

The operator shall either properly plug and abandon a well or place the well in approved temporary abandonment in accordance with 19.15.25 NMAC within 90 days after:

- (1) a 60 day period following suspension of drilling operations;
- (2) a determination that a well is no longer usable for beneficial purposes;
- (3) a period of one year in which a well has been continuously inactive.

17. Of Operator's 13 wells, the following 8 wells have had no reported production or injection for a continuous period exceeding one year plus 90 days, and are neither plugged and abandoned nor on approved temporary abandonment in accord with Rule 19.15.25 NMAC:

- Saladar Unit #001
- Saladar Unit #002
- Saladar Unit #004
- Saladar Unit #006
- Saladar Unit #007
- Saladar Unit #008
- Saladar Unit #012
- Saladar Unit #014

18. Because the 8 wells have had no reported production or injection for a continuous period exceeding one year plus 90 days, and are neither plugged and abandoned nor on approved temporary abandonment in accord with Rule 19.15.25 NMAC, they are currently in violation with Rule 19.15.25.8 NMAC.

19. Subsection A of Rule 19.15.26.8 NMAC states in relevant part, "The division may revoke a permit for injection issued under 19.15.26.8 NMAC after notice and hearing if the operator is not in compliance with Subsection A of 19.15.5.9 NMAC."

20. Subsection A of 19.15.5.9 NMAC contains the following provision:

A. An operator is in compliance with Subsection A of 19.15.5.9 NMAC if the operator:

....

(3) does not have a penalty assessment that is unpaid more than 70 days after issuance of the order assessing the penalty....

(4) has no more than the following number of wells out of compliance with 19.15.25.8 NMAC that are not subject to an agreed compliance order setting a schedule for bringing the wells into compliance with 19.15.25.8 NMAC and imposing sanctions if the schedule is not met:

(a) two wells or 50 percent of the wells the operator operates, whichever is less, if the operator operates 100 wells or less....

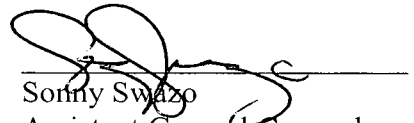
21. In Agreed Compliance Order 225 Operator agreed to a \$43,000 civil penalty. Operator paid \$15,000 of the civil penalty. Operator agreed to pay the \$28,000 balance of the civil penalty if he did not bring his injection wells into compliance by July 31, 2008. Operator failed to meet the deadlines for bringing the wells into compliance. By letter dated August 15, 2008, the OCD notified Operator's attorney that the \$28,000 penalty was due and owing. Operator has not paid the civil penalty.

22. Operator operates 13 wells in New Mexico. Under 19.15.5.9 NMAC, an operator of 13 wells can have no more than two wells out of compliance with Rule 19.15.25.8 NMAC. Operator has 8 wells on the inactive well list. None of the wells are subject to an agreed compliance order.

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

- A. Revoking Operator's authority to inject into his wells for non-compliance with Rule 19.15.5.9 NMAC;
- B. Finding Operator in violation of Rules 19.15.26 NMAC, 19.15.29 NMAC, 19.15.7.24 NMAC and 19.15.25.8 NMAC;
- C. Requiring Operator to plug and abandon all of his wells by a date certain;
- D. Authorizing the Division to plug and abandon all of Operator's wells and forfeit the applicable financial assurance in event of Operator's Non-Compliance;
- E. Finding Operator in violation of an Order requiring corrective action in event of Operator's Non-Compliance;
- F. For such other and further relief as the Director deems just and proper under the circumstances.

RESPECTFULLY
SUBMITTED
this 4th day of September,
2009, by


Sonny Swazo
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) 476-3463
Fax (505) 476-3462
sonny.swazo@state.nm.us
Attorney for New Mexico Oil
Conservation Division

• Case No. 14387. Application of the New Mexico Oil Conservation Division for a Compliance Order against Dennis Langlitz. The Applicant seeks an order revoking Operator's authority to inject into his wells and pursuant to NMSA 1978, Section 70-2-14(B), an order requiring Operator to plug and abandon all the wells he operates in New Mexico and authorizing Applicant to plug and abandon the wells and forfeit the applicable financial assurance in the event of non-compliance. The affected wells are:

• Saladar Unit #001	30-015-02451	L-33-20S-28E
• Saladar Unit #002	30-015-02450	L-33-20S-28E
• Saladar Unit #003	30-015-02447	F-33-20S-28E
• Saladar Unit #004	30-015-02446	K-33-20S-28E
• Saladar Unit #005	30-015-02444	K-33-20S-28E
• Saladar Unit #006	30-015-02448	K-33-20S-28E
• Saladar Unit #007	30-015-10468	N-33-20S-28E
• Saladar Unit #008	30-015-02449	N-33-20S-28E
• Saladar Unit #010	30-015-10365	O-33-20S-28E
• Saladar Unit #011	30-015-24178	L-33-20S-28E
• Saladar Unit #012	30-015-24179	K-33-20S-28E

The wells are located approximately 11 miles Northeast of Carlsbad, in Eddy County, New Mexico.