

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

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION FOR THE PURPOSE OF
CONSIDERING:**

CASE NO. 12733

**APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION
THROUGH THE SUPERVISOR OF THE DISTRICT II ARTESIA OFFICE FOR
AN ORDER REQUIRING GENERAL MINERALS CORPORATION TO BRING
ONE WELL INTO COMPLIANCE WITH RULE 201.B AND ASSESSING
APPROPRIATE CIVIL PENALTIES; EDDY COUNTY, NEW MEXICO.**

ORDER NO. R-11710-B

ORDER OF THE NEW MEXICO OIL CONSERVATION COMMISSION

BY THE COMMISSION:

This case came before the Oil Conservation Commission (hereinafter referred to as "the Commission") on March 26, 2002 at Santa Fe, New Mexico, and the Commission, having carefully considered the evidence, the pleadings and other materials submitted by the parties hereto, now, on this 26th day of April, 2002,

FINDS,

1. Notice has been given of the application and the hearing on this matter, and the Commission has jurisdiction of the parties and the subject matter herein.
2. This case is before the Commission on application of General Minerals Corporation for review *de novo* of this matter.
3. At the hearing, the New Mexico Oil Conservation Division ("the Division") appeared through counsel. General Minerals Corporation did not appear but submitted a letter dated January 27, 2002 and supporting materials.
4. The Division seeks an order directing General Minerals Corporation to bring certain wells into compliance with Division Rule 201.B, 19 NMAC 15.D.201.B, either by: (i) restoring the well to production or other Division-approved beneficial use; (ii) causing these wells to be properly plugged and abandoned in accordance with Division Rule 202.B, 19 NMAC 15.D.202; or (iii) securing Division authority to maintain the well in temporary abandonment status, in accordance with Division Rule 203, 19 NMAC 15.D.203.

5. The Division presented testimony that demonstrates:

(a) General Minerals Corporation is the operator of the Federal "CCC" Well No. 1 (API No. 30-015-25477) located in Unit K of Section 4, Township 16 South, Range 31 East, NMPM, Eddy County, New Mexico;

(b) General Minerals Corporation has not reported production of hydrocarbons to the Division from the Federal "CCC" Well No. 1 since before 1997;

(c) General Minerals Corporation was notified by letters dated September 8, 2000 and May 2000 and ordered by the Division to bring this well into compliance with the rules and regulations of the Oil Conservation Division;

(d) General Minerals Corporation has not brought its well into compliance and has not responded to the Division's letters;

(e) a Division inspector visited the well on February 2, 2002 and found the well inoperable and not capable of production; and

(f) the condition of the well as of February 2, 2002 is such that it cannot be in temporary abandoned status.

6. General Minerals Corporation submitted a letter dated January 27, 2002 in which it accused the Division of presenting false testimony. In support of this allegation, General Minerals Corporation attached records from Navajo Refining Company that appear to indicate sales of crude oil by General Minerals Corporation in March of 1999, January of 2000 and October of 2000, and a copy of a letter dated January 25, 2002 that appears to indicate electrical usage in the amount of \$77.05 during the calendar year 2001. These records, General Minerals alleges, indicate production occurred since 1997, contrary to the claims of the Division. The January 27, 2002 letter also seems to claim that the Division's allegation to have forwarded letters to General Minerals Corporation were false because it could "find no correspondence in its files" to this effect. Finally, General Minerals Corporation claims that the monthly production requirement in Division Rule 1115, 19 NMAC 15.M.1115, is "onerous and extremely burdensome. It serves no purpose except to keep the state employees on payroll [sic] entering data in the computer."

7. General Minerals Corporation's Federal "CCC" Well No. 1 is not in compliance with Rule 201.B.

8. While it now appears that production from the well may have occurred since 1997, that production has not been reported to the Division as required by Rule 1115, and the testimony of the Division witnesses clearly indicates the well is not currently capable

of production. The testimony of the Division witnesses established that production is gathered into tanks until an adequate volume is accumulated and the date any production is picked up by a refinery is often not representative of the true date of production.

9. It is evident that General Minerals Corporation has a hostile attitude towards the Division and the rules and regulations promulgated by this body.

10. General Minerals Corporation knowingly and willfully failed to comply with Rule 201.B for at least one (1) year. Pursuant to NMSA 1978 70-2-31.A, a civil penalty in the amount of one thousand dollars (\$1,000) (\$1,000 for each year of non-compliance) should be assessed against General Minerals Corporation for this knowing and willful violation.

11. General Minerals Corporation should be ordered to bring this well into compliance with Rule 201.B.

12. The materials submitted along with the January 27, 2002 letter also demonstrate that General Minerals Corporation has failed to report production to the Division as required by Rule 1115, and it appears from the quoted comments in the January 27, 2002 letter that General Minerals Corporation has no intention of complying with Rule 1115 in the future.

13. As notice of this matter involved only the violation of Rule 201.B, no action can be taken on this violation at this time. The Division is instructed to investigate this matter and take appropriate action. In addition, the Division should report any failure to report production to the Taxation & Revenue Department for appropriate action concerning the collection of severance taxes.

IT IS THEREFORE ORDERED:

1. Pursuant to the Application of the Division, General Minerals Corporation is hereby ordered, no later than thirty (30) days from the date of issuance of this Order, to bring its Federal "CCC" Well No. 1 into compliance with Rule 201.B by accomplishing one of the following:

(a) causing said well to be plugged and abandoned in accordance with Rule 202, and in accordance with a Division-approved plugging program;

(b) restoring the well to production if the well is an oil or gas well;

(c) restoring the well to injection if the well is an injection well; or

(d) causing the well to be temporarily abandoned with Division approval in accordance with Rule 203.

2. If General Minerals Corporation fails to bring the well into compliance within the time period prescribed by this Order, the supervisor of the Artesia District Office and Division counsel may commence proceedings to order that said wells be permanently plugged and abandoned by the operators or by the Division, and to forfeit the financial assurance, if any, provided by General Minerals Corporation pursuant to NMSA 1978 Section 70-2-14, as amended, and Rule 101, NMAC 19.15.3.101, or take other action as appropriate.

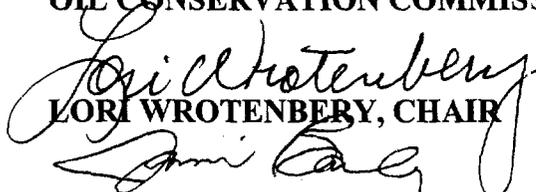
3. An administrative penalty of One Thousand Dollars (\$1,000) is hereby assessed against General Minerals Corporation for knowingly and willfully failing to bring its well into compliance after receiving notice from the Division to do so.

4. The civil penalty herein assessed shall be paid within thirty (30) days of receipt of this Order, by certified or cashier's check made payable to the "New Mexico Oil Conservation Division," and mailed or hand-delivered to the New Mexico Oil Conservation Division, Attention: Lori Wrottenbery, Director, 1220 South St. Francis Drive, Santa Fe, New Mexico 87504.

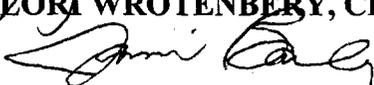
5. Jurisdiction of this case is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

**STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION**



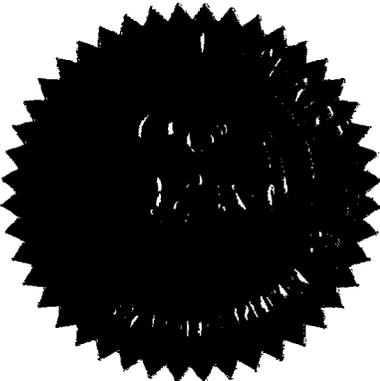
LORI WROTENBERY, CHAIR



JAMI BAILEY, MEMBER



ROBERT LEE, MEMBER



S E A L