

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

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

**CASE NO. 15652
ORDER NO. R-14355**

**APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION
COMPLIANCE AND ENFORCEMENT BUREAU FOR A COMPLIANCE ORDER
AGAINST WESTBROOK OIL CORPORATION, FOR WELLS OPERATED IN
LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on March 30, 2017, at Santa Fe, New Mexico, before Examiners William V. Jones and Phillip R. Goetze.

NOW, on this 23rd day of May, 2017, the Division Director, having considered the testimony, the record and the recommendations of Examiner Goetze,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and of the subject matter.

(2) The Oil Conservation Division, Compliance and Enforcement Bureau (the "Bureau") seeks a compliance order against Westbrook Oil Corporation (the "Operator" or "Westbrook") finding the Operator is in violation of NMSA 1978 Section 70-2-14 (2015) as to six (6) wells (the "Subject Wells") and declaring the Subject Wells in violation of the requirements for financial assurance. The Subject Wells are identified in Exhibit "A" of this order.

(3) The Bureau further seeks an order requiring the Operator to provide acceptable financial assurances for the Subject Wells in accordance with Division Rule 19.15.8.9 NMAC within 30 days.

(4) The Bureau appeared at the hearing through legal counsel and presented the following testimony:

(a) The Operator is registered under OGRID No. 36671.

- (b) he Bureau identified the Subject Wells as qualifying as "inactive" because the Subject Wells have not been used for beneficial purposes for a period that exceeds one (1) year plus 90 days and have not been placed in approved temporary abandonment status.
- (c) The Bureau maintains a public database, through its *E-permitting* website, summarizing the well status for all current operators in New Mexico. This database also identifies the wells in violation of the financial assurance requirements along with the corresponding amount for each well necessary to satisfy the applicable financial assurance requirement.
- (d) All of the Subject Wells have been inactive in excess of a period of one year plus 90 days, and are not plugged or abandoned, nor placed in status of approved temporary abandonment based on the production reports which determine the inactive well list. Therefore, these inactive Subject Wells are classified with a status of "temporary abandonment" as defined in Division Rule 19.15.2.7(T)(3) NMAC.
- (e) The Bureau stated that additional amounts for the individual Subject Wells were calculated using the procedures found in Division Rule 19.15.8.9(D) NMAC.
- (f) The Bureau summarized the outstanding financial bonding assurance for each of the Subject Wells. These amounts are documented in Exhibit "A" of this order.
- (g) The Bureau notified the Operator and sought voluntary compliance regarding the violations in a Division correspondence dated June 30, 2016, sent via certified mail. This correspondence was accepted by the Operator on July 13, 2016, as verified by the return receipt card.
- (h) Following the Westbrook's acceptance of the written notification, Bureau personnel participated in direct conversation with a representative of Westbrook regarding outstanding financial bonding assurance.
- (i) With the failure of the Operator to address the outstanding financial bonding assurance, the Bureau provided notice of the hearing application for a compliance order via certified mail to the Operator and by publication in a newspaper of general circulation in the county where Subject Wells are located as required under Rule 19.15.4.12(B) NMAC.

- (j) Based on Division records, none of the Subject Wells are included in an agreed compliance order between the Division and the Operator.

(5) Mr. Mike Westbrook, President of the Westbrook Oil Corporation, entered an appearance at the hearing and provided testimony on behalf of the Operator. No other party appeared at the hearing or otherwise opposed the granting of the Bureau's application.

(6) Mr. Westbrook stated that Westbrook was attempting to address the idle well situation, including the Subject Wells, either by returning the wells to production or by properly plugging the wells. Mr. Westbrook also testified that the Operator was formulating a plan to complete this effort, but due to current commodity prices, this effort would not be completed until 2019.

(7) Under cross examination, Mr. Westbrook testified that the Operator had not attempted to resolve the violation following notification nor attempted to present to the Bureau the proposed plan being developed by the Operator.

The Division Concludes as Follows:

(8) Westbrook Oil Corporation is the Operator of record for the Subject Wells and is responsible for compliance with the Oil and Gas Act and Division Rules.

(9) NMSA 1978, Section 70-2-14(A) provides, in relevant part: *"In addition to the blanket plugging financial assurance, the oil conservation division may require a one-well financial assurance on any well that has been held in a temporarily abandoned status for more than two years."*

(10) Division Rule 19.15.5.10(B) NMAC authorizes the Division to commence compliance proceedings for violation of a provision of the Oil and Gas Act, NMSA 1978, Sections 70-2-1 through 70-2-38, or a provision of a rule or order issued pursuant to the Act.

(11) As established by the evidence provided at hearing, the Operator is in violation of Division Rule 19.15.8.9 NMAC. The Operator is required to have additional financial assurance on the Subject Wells, as they have been in temporary abandonment for more than two years, and the Operator has failed to provide the Division with the requisite financial assurance for the Subject Wells.

(12) Westbrook Oil Corporation should be required to provide the financial assurance obligations for the Subject Wells.

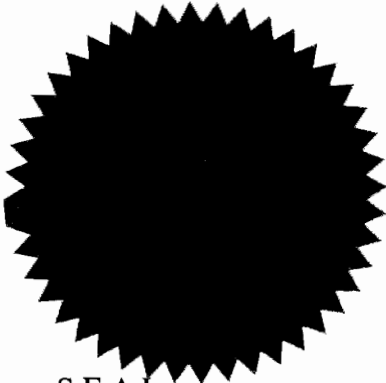
IT IS THEREFORE ORDERED THAT:

(1) Westbrook Oil Corporation shall provide the required additional financial assurance for the six (6) Subject Wells listed in Exhibit "A", in the respective amount for each there identified, within thirty (30) days of the issuance date of this Order.

(2) If Westbrook Oil Corporation fails to comply with Ordering Paragraph (1), the Operator shall be in violation of this Order pursuant to Division Rule 19.15.8.9(C) NMAC.

(3) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

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



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

DAVID R. CATANACH
Director

EXHIBIT "A"
CASE NO. 15652
ORDER NO. R-14355
List of Subject Wells: Westbrook Oil Corporation

Identity No. For Case	API Well No.	Well Name	Well No.	Operator Name	Type	Status	Surface Owner	UL-Sec-Twp-Rge	Footage FNL/FSL	Footage FEL/FWL	County	Required Bond Amount
1	30-025-03516	PHILLIPS B STATE	001	Westbrook Oil Corporation	O	A	S	L-28-21S-35E	1980 S	330 W	Lea	\$8,920
2	30-025-03520	PHILLIPS A STATE	001	Westbrook Oil Corporation	O	A	S	P-29-21S-35E	660 S	660 E	Lea	\$9,007
3	30-025-03530	PHILLIPS C STATE	001	Westbrook Oil Corporation	O	A	S	A-32-21S-35E	330 N	990 E	Lea	\$8,847
4	30-025-03531	PHILLIPS C STATE	002	Westbrook Oil Corporation	O	A	S	H-32-21S-35E	1980 S	1980 W	Lea	\$8,942
5	30-025-31075	RED CLOUD	003	Westbrook Oil Corporation	O	A	P	O-3-25S-37E	660 S	1980 E	Lea	\$8,100
6	30-025-31202	COMANCHERO	002	Westbrook Oil Corporation	G	A	P	G-15-25S-37E	1640 N	1980 E	Lea	\$8,025

*Source of required bond amount from Case No. 15652, OCD Exhibit 1: Additional Financial Assurance Report.

Type: O - oil well; G - gas well **Status:** A - active **Surface Owner:** S - state; P - private