

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

NMOCDD - ACOI-261
2012 AUG - 3 P 12:36
RECEIVED OCD

IN THE MATTER OF KAISER-FRANCIS OIL COMPANY,

Respondent.

INACTIVE WELL
AGREED COMPLIANCE ORDER

Pursuant to the New Mexico Oil and Gas Act, NMSA 1978, Sections 70-2-1 through 70-2-38, as amended ("Act") and OCD Rule 19.15.5.10(E) NMAC, the Director of the Oil Conservation Division ("OCD") and Kaiser-Francis Oil Company ("Operator") enter into this Inactive Well Agreed Compliance Order ("Order" or "ACOI") under which Operator agrees to plug, place on approved temporary abandonment status or restore to production or other beneficial use the wells identified herein pursuant to the Act and OCD Rule 19.15.25.8 NMAC in accordance with the following agreed schedule and procedures, and understands that the OCD may decide not to enter into any further agreed compliance orders with Operator if Operator fails to meet the schedule set out in this Order.

FINDINGS

1. The OCD is the state division charged with administration and enforcement of the Act, and rules and orders adopted pursuant to the Act.
2. Operator is a corporation (NMPRC #896258) that operates wells in the state of New Mexico under OGRID 12361.
3. Operator is the operator of record for the wells identified in Exhibit "A," attached.
4. OCD Rule 19.15.25.8 NMAC states, in relevant part:

"A. The operator of wells drilled for oil or gas or services wells including seismic, core, exploration or injection wells, whether cased or uncased, shall plug the wells as Subsection B of 19.15.25.8 NMAC requires.

B. 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:

....
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(3) a period of one year in which a well has been continuously inactive.”

5. The wells identified in Exhibit “A”
- (a) have been continuously inactive for a period of one year plus 90 days;
 - (b) are not plugged or abandoned in accordance with OCD Rule 19.15.25.9 NMAC through 19.15.25.11 NMAC; and
 - (c) are not on approved temporary abandonment status in accordance with OCD Rule 19.15.25.12 NMAC through 19.15.25.14 NMAC.

CONCLUSIONS

1. The OCD has jurisdiction over the parties and subject matter in this proceeding.
2. The wells identified in Exhibit “A” are out of compliance with OCD Rule 19.15.25.8 NMAC.
3. As operator of the wells identified in Exhibit “A,” Operator is responsible for bringing those wells into compliance with OCD Rule 19.15.25.8 NMAC.


ORDER

1. Operator agrees to bring at least one of the wells identified in Exhibit “A” into compliance with OCD Rule 19.15.25.8 NMAC by February 18, 2013 by
 - (a) restoring the well to production or other OCD-approved beneficial use and filing a C-115 documenting such production or use;
 - (b) causing the wellbore to be plugged in accordance with OCD Rule 19.15.25.10(B) NMAC and filing a C-103 describing the completed work; or
 - (c) placing the well on approved temporary abandonment status in accordance with OCD Rule 19.15.25.12 NMAC through 19.15.25.14 NMAC.
2. Oil and gas produced during swabbing does not count as production for purposes of this Order.
3. Operator shall file a compliance report identifying each well returned to compliance, stating the date it was returned to compliance and describing how the well was returned to compliance (restored to production or other approved beneficial use, plugged wellbore, approved temporary abandonment status.) Transfer of a well identified on Exhibit “A” to another operator does not count towards Operator’s obligation to return wells to compliance under the terms of this Order, but does reduce the total number of wells for which Operator is responsible under the terms of this Order. The written compliance report must be mailed or e-mailed to the OCD’s Enforcement and Compliance Manager and to

the OCD attorney in charge of inactive well agreed compliance orders so that it is received by the compliance deadline of February 18, 2013. The total length of this Agreed Compliance Order is six months.

4. Operator understands that if it fails to meet the terms of this Order, the OCD may decide not to enter into any further agreed compliance orders with Operator.
5. On February 19, 2013, any wells on Exhibit "A" not in compliance with OCD Rule 19.15.25.8 NMAC will appear on the inactive well list kept pursuant to OCD Rule 19.15.5.9(F) NMAC.
6. By signing this Order, Operator expressly:
 - (a) acknowledges the correctness of the Findings and Conclusions set forth in this Order;
 - (b) agrees to return to compliance at least one of the wells identified in Exhibit "A" by February 18, 2013;
 - (c) agrees to submit a compliance report as required in Ordering Paragraph 3 so that it is received by OCD by the February 18, 2013 compliance deadline set by this Order;
 - (d) waives any right, pursuant to the Oil and Gas Act or otherwise, to an appeal from this Order, or to a hearing either prior to or subsequent to the entry of this Order; and
 - (e) agrees that the Order may be enforced by OCD or Oil Conservation Commission Order, by suit or otherwise to the same extent and with the same effect as a final Order of the OCD or Oil Conservation Commission entered after notice and hearing in accordance with all terms and provisions of the Oil and Gas Act.
7. This Order applies only to the enforcement of OCD Rule 19.15.25.8 NMAC against those wells identified in Exhibit "A." Other wells operated by Operator out of compliance with OCD Rule 19.15.25.8 NMAC may be subject to immediate enforcement action under the Oil and Gas Act and OCD Rules. Wells identified in Exhibit "A" that are out of compliance with the Oil and Gas Act or OCD Rules other than OCD Rule 19.15.25.8 NMAC may be subject to immediate enforcement action under the Oil and Gas Act and OCD Rules.
8. The OCD reserves the right to file an application for hearing to obtain authority to plug any well identified in Exhibit "A" and forfeit the applicable financial assurance if the well poses an immediate environmental threat.

Done at Santa Fe, New Mexico this 6th day of August, 2012

By: 
Jami Bailey
Director, Oil Conservation Division

ACCEPTANCE

Kaiser-Francis Oil Company hereby accepts the foregoing Order, and agrees to all of the terms and provisions set forth in that Order.

Kaiser-Francis Oil Company

By: Brent W. Meadows
(Please print name) Brent W. Meadows
Title: CEO, Kaiser-Francis Anadarko, LLC
Date: 7/31/12

Exhibit A to Agreed Compliance Order for Kaiser-Francis Oil Company

Inactive Well List

Total Well Count: 51 Inactive Well Count: 3

Printed On: Monday, July 30 2012

District	API	Well	ULSTR	OCD Unit	OGRID	Operator	Lease Type	Well Type	Last Production	Formation/Notes	Status	TA Exp Date
1	30-025-39253	BELL LAKE #032	M-5 -24S-34E	M	12361	KAISER-FRANCIS OIL CO	F	G	11/2010	INT SHUT IN 90-DAYS 12/10/11 BLM		
1	30-025-08483	BELL LAKE UNIT #006	O-6 -23S-34E	O	12361	KAISER-FRANCIS OIL CO	F	G	05/2009	DEVONIAN INT TO PA BLM 07/05/12		
1	30-025-37177	HUNGER BUSTER STATE #003	I-9 -21S-35E	I	12361	KAISER-FRANCIS OIL CO	S	G	04/2008	Morrow		

WHERE Ogrid:12361, County:All, District:All, Township:All, Range:All, Section:All, Production(months):15, Excludes Wells Under ACOI, Excludes Wells in Approved TA Period

Kaiser-Francis Oil Company

By: Brent W. Meadows
Title: CEO, Kaiser-Francis Anadarko, LLC

Kaiser-Francis Anadarko, LLC
General Partner of Kaiser-Francis Anadarko, LP
And Agent for Kaiser-Francis Oil Company