

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

**APPLICATION OF HEADINGTON ROYALTY, INC.  
FOR UNILATERAL CHANGE IN OPERATOR FOR  
THE SUNRAY STATE #2 WELL OR, IN THE  
ALTERNATIVE, FOR AN ORDER REQUIRING THE  
CURRENT OPERATOR TO PLUG AND ABANDON  
THE WELL**

Case No. \_\_\_\_\_

**APPLICATION**

Headington Royalty, Inc. (“Headington” or “Applicant”) files this application pursuant to 19.15.9.9(B) NMAC, seeking an order for unilateral change in operator from Northern Pacific Oil and Gas, Inc. (“Northern Pacific”), OGRID No. 330352, to Headington, OGRID No. 330830, for the Sunray State #2 well, API# 30-005-21036 (“Well”) located in the SE/4 NW/4 of Section 16, T8S-R31E, Chaves County, New Mexico. In the alternative, Headington asks the Division to order that Northern Pacific plug and abandon the Well within 30 days of issuance of an order so providing and, if Northern Pacific fails to plug and abandon the Well, that the Division be authorized to (1) plug and abandon the Well, (2) direct forfeiture of the financial assurance to plug and abandon the Well, and (3) require Northern Pacific to pay the excess cost to plug and abandon the Well no later than 30 days after actual or attempted service of the Division’s written demand. See 19.15.8.13 NMAC. In support of this application, Applicant states as follows:

1. Applicant was the lessee of record for New Mexico Oil and Gas Lease No. K0-0745-0003 (“Lease”), on which the Well is located.
2. The New Mexico State Land Office (“NMSLO”) notified Headington that the Lease expired by its own terms on August 8, 2019.

3. On August 6, 2020, NMSLO instructed Headington to complete its reclamation and remediation duties, including plugging and abandoning the Well, related to the Lease.

4. Applicant began working with a third-party consultant to inspect the Well site and create a plan for remediation and reclamation.

5. At that time, Cross Border Resources, Inc. (“Cross Border”), OGRID No. 286614, was the operator of record for the Well.

6. By letter on November 17, 2020 (“November 2020 Letter”), Applicant notified Cross Border that the Lease had expired and requested that Cross Border plug and abandon the Well.

7. Cross Border did not respond to the November 2020 Letter. Consequently, Applicant obtained a surety bond and requested an OGRID number from the Division, for the purpose of plugging and abandoning the Well.<sup>1</sup> In addition, Headington applied for a right of entry from the NMSLO, to allow Headington access to the wellsite on state land for purposes of plugging and abandoning and reclamation.

8. On September 20, 2021, the Division initiated an enforcement action against Cross Border for operating noncompliant wells, including the Sunray State #2. *See In re Cross Border Resources, Inc.*, OCD Case No. 22224 (“Enforcement Action”).

9. By letter on October 7, 2021 (“October 2021 Letter”), Applicant requested that Cross Border, together with Applicant, submit a joint request for change of operator.

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<sup>1</sup> Headington did not have an OGRID number because it has not operated an oil and gas well in New Mexico.

10. The Division heard the Enforcement Action on December 16, 2021, at which time testimony was given regarding the status of the Well and expiration of the Lease, among other things. *See, e.g.*, No. 22224, Tr. 60:16-18 (Dec. 16, 2021 [uploaded 1/18/2022]).

11. On January 20, 2022, Cross Border informed Headington that Cross Border planned to convey all of its assets in New Mexico, including the right to operate the Sunray State #2, to a third party.

12. Headington learned in March 2022 that Cross Border had an agreement to convey such assets to Northern Pacific conditioned upon receiving a stipulated judgment and compliance schedule in the Enforcement Action.

13. On April 18, 2022, the Division issued the Stipulated Final Order (“Stipulated Order”) for the Enforcement Action, which requires Cross Border to plug or return the Well to production by December 30, 2022. No. 22224, Stipulated Order at 2-3, ¶¶ 6-7.

14. The Stipulated Order also requires that Cross Border “make any sale and/or transfer of assets affected by this Order contingent upon prospective purchaser’s acceptance of all obligations under this Order.” *Id.* at 3, ¶ 15.

15. Cross Border did not plug and abandon the Well and, instead, conveyed the right to operate the Well to Northern Pacific. As of April 22, 2022, Northern Pacific became the operator of record for the Well.

16. Northern Pacific assumed all obligations under the Stipulated Order, such that Northern Pacific must plug or return the Well to production by December 30, 2022.

17. Since the Lease expired in August 2019, neither Northern Pacific nor any other party has renominated the pertinent acreage for lease sale. Thus, Northern Pacific cannot presently operate the Well because there is no lease in effect for the pertinent acreage.

18. Neither Northern Pacific nor any other party can obtain a new lease for the pertinent acreage by December 30, 2022, because the NMSLO has already finalized tracts for the November and December lease auctions and neither includes this acreage.

19. By letter on September 27, 2022, Headington requested that Northern Pacific comply with the Stipulated Order by plugging and abandoning the Well or, alternatively, submit a joint request for change in operator to Headington for the purposes of plugging and related reclamation and remediation.

20. Northern Pacific has not plugged and abandoned the Well and refused to jointly request a change of operator to Headington.

21. Applicant has the necessary right of entry from the NMSLO and, upon approval as operator of record, will plug the Well and perform the necessary reclamation.

WHEREFORE, Applicant respectfully requests that the Division (1) set this matter for hearing on the December 1, 2022, docket; (2) grant this application to unilaterally change the operator of the Sunray State #2 well from Northern Pacific to Headington, and (3) provide any and all other relief to which Headington is entitled. *See* 19.15.9.9(A) NMAC. In the alternative, Headington asks the Division to order that Northern Pacific plug and abandon the Well within 30 days of issuance of an order so providing and, if Northern Pacific fails to plug and abandon the Well, that the Division be authorized to (1) plug and abandon the Well, (2) direct forfeiture of the financial assurance to plug and abandon the Well, and (3) require Northern Pacific to pay the excess cost to plug and abandon the Well no later than 30 days after actual or attempted service of the Division's written demand. *See* 19.15.8.13 NMAC.

Respectfully submitted,

**MONTGOMERY & ANDREWS, P.A.**

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**Application of Headington Royalty Inc. for Unilateral Change in Operator for the Sunray State #2 Well or, in the Alternative, for an Order Requiring the Current Operator to Plug and Abandon the Well:** Applicant Headington Royalty, Inc. seeks an order from the Division for unilateral change in operator from Northern Pacific Oil and Gas, Inc., OGRID No. 330352 (“Northern Pacific”), to Applicant, OGRID No. 330830, for the Sunray State #2 well, API# 30-005-21036, located in the SE/4 NW/4 of Section 16, Township 8 South, Range 31 East, for the purpose of plugging the well due to expiration of the underlying lease. In the alternative, Applicant seeks an order requiring Northern Pacific to plug and abandon the well and, if Northern Pacific fails to do so, authorizing the Division to plug and abandon the well, direct forfeiture of financial assurance, and require Northern Pacific to pay any excess costs incurred in plugging and abandoning the well. The well is located approximately 16.3 miles southeast of Elkins, New Mexico.

## CERTIFICATE OF SERVICE

I hereby certify that on November 1, 2022, a true and correct copy of the foregoing was served by electronic mail on the following counsel:

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