

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

**IN RE NORTHERN PACIFIC
OIL AND GAS, INCORPORATED**

**CASE NO. 24743
ORDER NO. R-23342**

ORDER

This matter came before the Director of the New Mexico Oil Conservation Division (“Division” or “OCD”) on the Notice of Violation (“NOV”) dated on or about June 21, 2024 issued to Northern Pacific Oil and Gas, Incorporated, OGRID #330352 (“Operator”). The Division’s Hearing Examiner conducted a public hearing on August 22, 2024. The Director, having considered the testimony and evidence presented, and being otherwise fully advised in the premises, finds, concludes and orders:

FINDINGS OF FACT

1. The Division has jurisdiction over the parties and the subject matter herein.
2. On or about June 21, 2024, the Division issued the NOV, which alleged three violations (OCD Ex.2):
 - a. Operator allegedly violated 19.15.5.9(A)(4)(a) NMAC. At the time of the NOV, Operator was the registered operator of seventy-nine wells in New Mexico. Under 19.15.5.9(A)(4)(a) NMAC, as the operator of 100 wells or less, Operator was not permitted to have more than two inactive wells out of compliance with 19.15.25.8 NMAC, which requires inactive wells to be plugged and abandoned or placed into approved temporary abandonment status. At the time of the NOV, Operator had sixty-five inactive wells which

were not plugged and abandoned or placed into temporary abandonment status as demonstrated by OCD Ex. 2-A.

- b. Operator allegedly violated 19.15.7.24 NMAC by not filing the required monthly production reports, form C-115, as demonstrated by OCD Ex 2-B. Operator had not submitted a C-115 for any well since at least April 2023.
- c. Operator allegedly violated 19.15.25.10 NMAC, by failing to inform the Division that plugged wells were ready for inspection to ensure the plugging was complete and that proper cleanup had taken place. At the time of the NOV, Operator had fourteen wells, in “plugged, not released” status, which indicated that they still required proper surface remediation and reclamation.

3. The Division thus requested an Order:

- a. requiring Operator to plug and abandon all seventy-nine wells listed in OCD Ex. 2-A by a certain date or failing to do so, transferring that duty to the Division,
- b. forfeiting Operator’s financial assurances,
- c. terminating Operator’s authority to transport from the seventy-nine registered wells identified in OCD Ex. 2-A,
- d. assessing civil penalties for violations of 19.15.5.9(A)(4)(a) NMAC in the amount of \$31,500.00, and
- e. assessing civil penalties for violations of 19.15.7.24 NMAC in the amount of \$130,000.00.

4. The NOV informed Operator of OCD's informal resolution process, or in the alternative, that OCD would request a hearing on the August 22, 2024 docket.
5. Operator did not contact the Division during the informal resolution period or provide any evidence that the alleged violations had not occurred. Operator did not file a prehearing statement to enter an appearance or otherwise present evidence pursuant to 19.15.5 NMAC.
6. On July 24, 2024, OCD filed and served the Docketing Notice and formally requested a hearing.
7. The Division provided Operator with notice of the August 22, 2024 hearing as required by 19.15.5.10 NMAC which was held both in-person at Pecos Hall in Santa Fe, NM and virtually through Microsoft Teams.
8. Operator did not file an answer to the NOV as prescribed by 19.15.5.10 (E)(2)(b) NMAC.
9. A hearing on the NOV was held on August 22, 2024, before a Division Hearing Examiner. Operator was absent and the Division was represented by counsel Christy Treviño.
10. The Division presented the sworn testimony of Nicholas Karns, Compliance Officer and Bond Administrator with the Division's Administrative and Compliance Bureau and Sara Griego, OCD Law Clerk. The Division provided evidence of notice of the Docketing Statement. OCD Ex. 4 & 5.
11. Five Exhibits were admitted into evidence without an objection in support of the NOV.
12. Ms. Griego testified to support notice of the NOV and proceedings via certified mail.
13. Mr. Karns, previously qualified as an administrative expert before the Division, offered Exhibits to support the ongoing violations listed in the NOV, to wit:
 - a. Operator remains out of compliance with inactive well requirements in violation of 19.15.5.9(A)(4)(a) NMAC. As of June 18, 2024, Operator had

seventy-nine wells, of which sixty-five were inactive wells that had not been plugged and abandoned or placed in approved temporary abandonment status. OCD Ex. 2-A.

- b. Operator remains out of compliance with 19.15.7.24 NMAC, C-115 production reporting rule. Since April of 2023, Operator has not filed any C-115 production reports. OCD Ex 2-B.
- c. Pursuant to 19.15.24.10 NMAC, Operator had fourteen wells, in “plugged, not released” status, indicating they require proper surface remediation and reclamation. OCD Ex. 2-A

- 14. OCD provided documentation of the calculations used to determine the reasonable penalty assessed in accordance with OCD penalty guidance. OCD Ex. 2-C.
- 15. The Oil and Gas Act provides that “[i]n assessing a penalty authorized by this section, the division shall take into account the seriousness of the violation, any good faith efforts to comply with the applicable requirements, any history of noncompliance under the Oil and Gas Act and other relevant factors.” NMSA 1978, §70-2-31(C).

CONCLUSIONS OF LAW

- 16. By a preponderance of evidence I conclude that Operator is in violation of 19.15.5.9(A)(4)(a) NMAC by failing to plug and abandon inactive wells.
- 17. Operator is in violation of 19.15.7.24 NMAC by failing to submit the required C-115 forms for any well.
- 18. Operator is in violation of 19.15.24.10 NMAC by maintaining fourteen wells in “plugged, not released” status which require proper surface remediation and reclamation.

19. The Director concludes that the sanctions proposed by the Division are allowed by law, reasonable under 19.15.5.10(B) NMAC, and are supported by the evidence in this Administrative and Hearing Record.

ORDER

1. Operator's authority to transport from all wells is hereby suspended until such time as Operator is compliant with all inactive well, production reporting, plugging, and financial assurance requirements.
2. Operator shall plug and abandon all seventy-nine of the wells listed in OCD Ex. 2 no later than 30 days after issuance of this Order.
3. If Operator fails to plug and abandon the wells as directed herein, the Division shall be authorized to plug and abandon the wells and to forfeit the financial assurance for the wells. Such plugging activities may include necessary reclamation or remediation work associated with wells that have been partially plugged and abandoned, Operator shall pay the excess cost to plug and abandon the wells no later than 30 days after actual or attempted service of the Division's written demand. If the excess costs to the Division are not received, the Division may seek indemnification.
4. The Division retains jurisdiction of this matter for the entry of such further orders as it may deem necessary.

**STATE OF NEW MEXICO
OIL CONSERVATION DIVISION**



**GERASIMOS RAZATOS
ACTING DIRECTOR**

Date: 8/30/2024