

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

**IN RE SOUTHWEST ROYALTIES, INC.**

**NMOCD-ACO-399**

**AGREED COMPLIANCE ORDER**

Pursuant to the New Mexico Oil and Gas Act ("Act"), NMSA 1978, Section 70-2-1, *et seq.*, and 19.15.5.10(E) NMAC, the Director of the Oil Conservation Division ("OCD") and Southwest Royalties, Inc. ("Operator") enter into this Agreed Compliance Order ("Order").

**FINDINGS OF FACT**

**I. GENERAL PROVISIONS**

1. OCD is charged with the administration and enforcement of the Act and the rules adopted thereunder.
2. Operator is the operator of record under OGRID 21355 for 374 wells in the state of New Mexico.
3. OCD has jurisdiction over Operator and these wells.
4. OCD is authorized to sanction Operator for the alleged violation(s) described below, including denial of registration (19.15.9.8(B) NMAC), denial of change of operator (19.15.9.9(C)(1) NMAC), denial or revocation of an injection permit (19.15.26.8(A)(2) NMAC), denial of an application for a drilling permit (19.15.14.10(A) NMAC), and denial of allowable and authorization to transport (19.15.16.20(A)(4) NMAC).
5. Operator requests the Order in order to avoid these sanctions for the alleged violation(s) described below.
6. Operator admits the findings of fact and waives any right to appeal from the Order.

**II. ALLEGED VIOLATIONS**

**A. INACTIVE WELLS**

7. Pursuant to 19.15.5.9(A)(4) NMAC, Operator shall not have more than 5 wells that are out of compliance with 19.15.25.8 NMAC, and that are not subject to an agreed compliance order setting a schedule for bringing the wells into compliance.
8. Operator has 11 wells that are out of compliance, or will be out of compliance, with 19.15.25.8 NMAC, and that are not subject to an agreed compliance order setting a schedule for bringing the wells into compliance. *See Exhibit A.*

#### **B. FINANCIAL ASSURANCE**

9. Pursuant to 19.15.8.9 NMAC, Operator shall provide a specified amount of financial assurance for active and inactive wells.
10. Operator failed to provide financial assurance in the specified amount for the wells identified in Exhibit A.

#### **C. PRODUCTION REPORTS**

11. Pursuant to 19.15.57.24(B) NMAC, Operator shall submit a production report on or before the 15<sup>th</sup> day of the second month following the month of production.
12. Operator failed to submit a production report for the months of \_\_\_\_\_ for the wells identified in Exhibit B.

### **III. ORDER**

#### **A. INACTIVE WELLS**

1. No later than **March 31, 2021**, Operator shall take one of the following actions on no less than **Six (6)** of the wells identified in Exhibit A, over the next six (6) months:
  - (a) restore the well to production and file a C-115;
  - (b) Plug the well in accordance with 19.15.25.10 NMAC and file a C-103; or
  - (c) place the well on approved temporary abandonment status in accordance with 19.15.25 NMAC.
2. If Operator fails to comply with preceding paragraph for a well identified in Exhibit A, the well shall be deemed to be out of compliance with 19.15.25.8 NMAC, and not subject to an agreed compliance order setting a schedule for bringing the wells into compliance.
3. Operator shall not transfer to another operator a well identified on Exhibit A unless approved in writing by OCD.

4. No later than the 15<sup>th</sup> day of each month following the entry of this Order, Operator shall file a report describing the action taken for each well identified in Exhibit A and such other information as OCD may request for time to time. The report shall be sent by first class or electronic mail to OCD's Enforcement and Compliance Manager.

**B. FINANCIAL ASSURANCE**

5. No later than \_\_\_\_\_, Operator shall provide financial assurance in the specified amount for each well identified in Exhibit A.

**C. PRODUCTION REPORTS**

6. No later than \_\_\_\_\_, Operator shall file the production reports for the wells identified in Exhibit B.

**D. ENFORCEMENT**

7. If Operator fails to comply with the Order, OCD is authorized to enforce the Order pursuant to 19.15.5.10 NMAC.
8. If Operator fails to comply with Sections II.A or II.B the Order with respect to a well identified in Exhibit A, such well shall be considered to be out of compliance with 19.15.25.8 NMAC, and not subject to an agreed compliance order setting a schedule for bringing the wells into compliance.
9. If Operator fails to comply with Section III, it shall pay a stipulated penalty from the date compliance is required until the date on which it demonstrates compliance:  
  
A(1) \$100 per well per day  
A(4) \$50 per report per day  
B \$50 per well per day  
C \$50 per report per day
10. Notwithstanding the foregoing provisions, OCD reserves the right to apply for authorization to plug a well identified in Exhibit A and to forfeit the applicable financial assurance if the well poses an imminent threat to the public health or environment.
11. OCD reserves the right to sanction Operator for any alleged violation not addressed in this Order.

NEW MEXICO OIL CONSERVATION DIVISION



Adrienne Sandoval  
Director

Date: 10/05/2020

Operator – Southwest Royalties, Inc.



NAME  
POSITION

Todd M. Yocham  
Exec. Vice President

Date: 10/5/2020

## EXHIBIT A

**Total Well Count: 374 Inactive Well Count: 11**  
**Printed On: Thursday, October 01 2020**

District	API	Well	ULSTR	OCD Unit	Ogrid	Operator	Lease Type	Well Type	Last Production	Formation/Notes	Status	TA Exp Date
1	30-025-06214	BELL RAMSAY NCT D #001	G-35-20S-37E	G	21355	SOUTHWEST ROYALTIES INC	S	O	09/2018			
1	30-025-32823	CONOCO 29 STATE #002	O-29-18S-37E	O	21355	SOUTHWEST ROYALTIES INC	S	O	01/2019	YATES-SEVEN RIVERS-QUEEN		
1	30-025-24144	CROSSROADS SILURO DEVONIAN UNIT #203	C-27-09S-36E	C	21355	SOUTHWEST ROYALTIES INC	P	O	12/2008	10/09/08 RET TO PROD		
2	30-015-28259	DUNES 36 STATE #001	D-36-25S-29E	D	21355	SOUTHWEST ROYALTIES INC	S	O	07/2018	DELAWARE		
1	30-025-33479	EILLIAMS #014	G-34-17S-33E	G	21355	SOUTHWEST ROYALTIES INC	F	O	04/2013	GRAYBURG-SAN ANDRES		
1	30-025-24004	GONSALES 31 FEDERAL #002	H-31-09S-33E	H	21355	SOUTHWEST ROYALTIES INC	F	O	07/2015			
1	30-025-31847	HOWARD 32 STATE #001	A-32-18S-37E	A	21355	SOUTHWEST ROYALTIES INC	S	O	01/2019			
1	30-025-29934	MARALO STATE #001	M-28-18S-37E	M	21355	SOUTHWEST ROYALTIES INC	S	O	01/2019			
1	30-025-30125	MARALO STATE #002	N-28-18S-37E	N	21355	SOUTHWEST ROYALTIES INC	S	S	09/2018	SAN ANDRES / CONVERTED TO SWD		
1	30-025-24694	MCGUFFIN #003	C-29-09S-33E	C	21355	SOUTHWEST ROYALTIES INC	P	O	07/2015			
2	30-015-25501	WILDERSPIN FEDERAL #003	H-11-21S-27E	H	21355	SOUTHWEST ROYALTIES INC	F	O	09/2016			

WHERE Operator:21355, County:All, District:All, Township:All, Range:All, Section:All, Production(months):15, Excludes Wells Under ACOI, Excludes Wells in Approved TA Period