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

IN	RE:

NMOCD-ACOI-201961

## AGREED COMPLIANCE ORDER FOR INACTIVE WELLS

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 <a href="Earthstone Operating, LLC (331165)"><u>Earthstone Operating, LLC (331165)</u></a> ("Operator") enter into this Agreed Compliance Order for Inactive Wells ("ACOI").

## I. FINDINGS OF FACT AND CONCLUSIONS OF LAW

- 1. OCD is charged with the administration and enforcement of the Oil and Gas Act and the rules and has jurisdiction over Operator and its wells in the state of New Mexico.
- 2. Operator is the operator of record for 270 wells of which 16 are inactive.
- 3. Operator is under OGRID #331165
- 4. Operator will address each well listed on **Exhibit "A"** ("Well" or "Wells") due to well acquisitions
- 5. Operator has sufficient financial assurance for the Wells under 19.15.8.9(C) NMAC.
- 6. Operator intends to restore production from the Wells before the applicability of the requirement for inactive well financial assurance under 19.15.8.9(D) NMAC.
- 7. OCD is authorized to impose sanctions for violations of the Oil and Gas Act and the rules, including denial or revocation of registrations, applications, permits, authorizations and transfers, and the assessment of civil penalties. *See* 19.15.5.10NMAC.
- 8. Operator requests this ACOI to avoid sanctions for violating the Oil and Gas Act and 19.15.25 NMAC with respect to the Wells.
- 9. Operator admits the findings of fact and waives any right to appeal from this ACOI.

## II. ORDER

- 9. No later than the dates listed on Exhibit A, Operator shall take one of the following actions for each well
  - (a) restore the Well to production and file a C-115;
  - (b) place the Well on approved temporary abandonment status in accordance with 19.15.25 NMAC; and
  - (c) plug the Well in accordance with 19.15.25 NMAC and file a C-103.
- 10. No later than the 15<sup>th</sup> day of each month following the entry of this ACOI, Operator shall file a report describing the action taken for each Well, and such other information as OCD may request for time to time. The report shall be sent by electronic mail to OCD's Administrative and Compliance Bureau, at OCDAdminComp@state.nm.us
- 11. Operator shall maintain sufficient financial assurance for the Wells under 19.15.8.9(C) NMAC.
- 12. If Operator fails to comply with a requirement of this ACOI for a Well, the Well shall be deemed to be out of compliance with the Oil and Gas Act and rules.
- 13. If Operator fails to comply with a requirement of this ACOI, no later than thirty (30) days after receipt of a written demand from OCD, in addition to any other sanction imposed by OCD pursuant to the Oil and Gas Act and the rules adopted thereunder, Operator shall pay a stipulated penalty of \$500.00 for each day until it complies with each separate requirement ("Stipulated Penalty"). Each failure to comply with a requirement of this ACOI shall be subject to a separate Stipulated Penalty.
- 14. If Operator fails to pay the Stipulated Penalty or portion thereof within thirty (30) days after receipt of a written demand from OCD, it shall pay interest on the Stipulated Penalty or unpaid portion thereof until paid in full at the interest rate of 8.75 percent.
- 15. Operator shall not transfer a Well to another operator unless approved by OCD.

- 16. Notwithstanding the foregoing provisions, OCD reserves the right to apply for authorization to plug a Well and to forfeit the financial assurance if the Well poses an imminent threat to the public health or environment.
- 17. OCD reserves the right to sanction Operator for any alleged violation not addressed in this Order.

NEW MEXICO OIL	CONSERVATION DIVISION
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Address

8/07/2022 Date

10 A

July 8, 2022

Date

Name of Authorized Representative Nick Goree-Earthstone Operating, LLC

Exhibit A		
Earthstone Operating, LLC		
331165		
7/5/2022		
16		
3.2		
201961		
	Earthstone Operating, LLC 331165 7/5/2022 16 3.2	

API	Well Name/Number	Plug or Produce?	Date of plugging or production
30-025-33018	Buffalo 2K State Com #001	Produce	31-Aug-22
30-015-29979	Dark Canyon 22 #001	Produce	31-Aug-22
30-025-34679	Diamondback 25 Fed Com #001	Temporary Abandon	30-Sep-22
30-015-26146	Exxon 17 Federal Com #001	Temporary Abandon	31-Oct-22
30-025-29518	Federal LS #001	Produce	30-Sep-22
30-025-36082	Grama Ridge 23 State #002	Produce	31-Oct-22
30-025-43057	Lea South 25 Federal #008	Produce	31-Aug-22
30-025-35665	Outland State Unit #005	Produce	31-Oct-22
30-015-23461	State IM Com #001	Temporary Abandon	31-Oct-22
30-025-35622	Diamondback 24 Fed Com #001	Plug	31-Dec-22
30-015-31291	Elbow Canyon 4 Federal #001	Operator Change	30-Sep-22
30-025-36979	Outland 14 State #001	Produce	31-Dec-22
30-025-26499	Pennzoil Federal #002	Temporary Abandon	31-Aug-22
30-025-35647	Python 3 Federal #006	Plug	31-Dec-22
30-025-34390	Jade 34 Federal #001	Plug	30-Sep-22
30-025-37643	Wapiti 31 Federal #002	Plug	30-Sep-22

	Financal	
		<b>Amount of</b>
Date of Last	Assurance	Financial
Production	Single well or	Assurance
	Blanket bond?	Assurance
Dec-20	Blanket	
Dec-20	Blanket	
Dec-20	Blanket	
	Blanket	
Dec-20		
Mar-21	Blanket	
Dec-20	Blanket	
Nov-16	Blanket	
Jan-19	Blanket	
May-20	Blanket	
Dec-14	Blanket	
Oct-16	Blanket	
Sep-14	Blanket	
Feb-18	Blanket	
	Diamet	
	1	

Well plugged; waiting on BLM approval of Subsequent PA Paperwork to be approved
Well plugged; waiting on BLM approval of Subsequent PA Paperwork to be approved