

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

Tony Delfin
Acting Cabinet Secretary

David Catanach, Division Director
Oil Conservation Division



August 31, 2016

HPOC, LLC
ATTN: Arthur Butler
P.O. Box 5046
Buena Vista, CO 81211

Re: ACOI No. 2016-012
Operator: HPOC, LLC; OGRID No. **246238**

Dear Operator:

Thank you for returning the signed agreed compliance order regarding inactive wells operated by HPOC, LLC (HPOC). Enclosed is a copy of the fully executed order.

The Order requires HPOC to test each of the wells identified in the Order starting in **November of 2017** and again in **November of 2018**. The Order also requires HPOC to file a compliance report with the Oil Conservation Division (OCD) Compliance and Enforcement Manager, Daniel Sanchez, with those dates and the method of testing. **The compliance report must be received in the same month that the testing took place.** If you have questions about how to file a compliance report, please contact me at (505) 476-3493.

As HPOC works to fulfill its obligations under the order, it should also monitor the status of its other wells to ensure that wells, not associated with this agreement, do not remain inactive for a period exceeding 15 months. Remember that you can search the OCD's Inactive Well List for wells that are inactive, but not yet out of compliance.

Sincerely yours,


Daniel Sanchez
NMOCD Compliance & Enforcement Manager

Encl. ACOI No. 2016-012

CC: Maxey Brown, OCD District I Supervisor
Randolph Bayliss, OCD District II Supervisor
Charlie Perrin, OCD District III Supervisor
Will Jones, OCD District IV Supervisor

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

NMOCD – ACOI-2016-012

IN THE MATTER OF HPOC, LLC

**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 rules, the Director of the Oil Conservation Division (OCD) and HPOC, LLC (Operator), enter into this Agreed Compliance Order (Order or ACOI) under which Operator agrees to the schedule and procedures provided in this Order for bringing its wells into compliance, and understands that the OCD may seek additional enforcement of this Order should the Operator fail to meet the deadlines established herein.

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 Limited Liability Company doing business in the State of New Mexico and is registered with the OCD under Oil and Gas Reporting Identification (OGRID) No. 246238.
3. Operator is the operator of record under OGRID 246238 for the wells identified in Exhibit "A", attached.
4. 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:
(3) a period of one year in which a well has been continuously inactive."
5. The wells identified in Exhibit "A"
 - a. have been (or soon will be) continuously inactive for a period of one year plus 90 days;

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- b. are not plugged or abandoned in accordance with 19.15.25.9 NMAC through 19.15.25.11 NMAC; and
 - c. are not in approved temporary abandonment status in accordance with 19.15.25.12 NMAC through 19.15.25.14 NMAC.
6. *(Use only if they have enough wells not in compliance with 19.15.25.8 NMAC to be out of compliance with 19.15.5.9 NMAC)* As the operator of record of _____ wells, to be in compliance with 19.15.5.9.A(4) NMAC, Operator may have no more than _____ wells out of compliance with 19.15.25.8 NMAC. See 19.15.5.9.A(4) NMAC.
7. Pursuant to 19.15.5.10.E NMAC, the OCD and Operator wish to enter into this ACOI to resolve violations of the Act and its rules.

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, or soon will be out of compliance, with 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 19.15.25.8 NMAC.
- 4. The OCD and Operator are entering into this ACOI, which sets a schedule for Operator to return the wells identified in Exhibit "A" to compliance.

ORDER

- 1. Operator agrees to bring the wells listed in Exhibit "A" into compliance with 19.15.25.8 NMAC within 36 months following the date the well became inactive as defined by 19.15.25.8 NMAC, and is provided in Exhibit "A", by either:
 - 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 well to be plugged and abandoned in accordance with 19.15.25.10 NMAC and filing the C-105 as provided in 19.15.25.11 NMAC;
 - c. or placing the well in approved temporary abandonment pursuant to 15.15.25 NMAC.
- 2. Operator also agrees that it will perform a Bradenhead test for each well on Exhibit "A" one year from the start of the 36 month period of this Order, and then again two years from the start of the 36 month period of this Order for each well in Exhibit "A", and shall provide results of each test to OCD's Enforcement and Compliance Manager at 1220 S. St. Francis Drive, Santa Fe, NM 87505 within 30 days of completion of the test.

3. If Operator has additional wells that become out of compliance, or will soon be out of compliance, with 19.15.25.8 NMAC, Exhibit "A" may be amended to include such wells if the OCD approves the amendment. For the additional wells, Operator shall conduct the tests required in Ordering Paragraph 2 above on or before the dates specified in Exhibit "A".
4. If the Operator returns a well to compliance with 19.15.25.8 NMAC, the well shall no longer be considered part of Exhibit "A".
5. Operator shall file a compliance report identifying each well returned to compliance, stating the date it was returned to compliance, and describing the work performed to return the well to compliance, in addition to any other forms or documentation required by OCD rules for the work performed. The written compliance report must be mailed to the attention of OCD's Enforcement and Compliance Manager and to the Office of General Counsel at 1220 S. St. Francis Drive, Santa Fe, NM 87505, so that it is **received within 10 business days** after the well(s) return to compliance.
6. By signing this Order, Operator expressly:
 - a. acknowledges the correctness of the Findings and Conclusions set forth in this Order;
 - b. agrees to meet the deadlines established in Ordering Paragraphs 1 through 5 above;
 - c. agrees to perform the tests and submit test results as required in Ordering Paragraph 2;
 - d. agrees to submit compliance reports as required in Ordering Paragraph 5;
 - e. waives any right, pursuant to the Oil and Gas Act to an appeal from this Order, or to a hearing either prior to or subsequent to the entry of this Order regarding the matters resolved hereby; and
 - f. 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. Operator understands that if it fails to meet the terms of this Order, the OCD may seek enforcement pursuant to the New Mexico Oil and Gas Act, including monetary penalties as authorized under NMSA 1978, § 70-2-31.
8. If a well poses a risk relating to the conservation of oil and gas or the protection of public health and the environment, the OCD reserves the right to file an application for hearing to require Operator to plug any well identified in Exhibit

"A", or if the Operator fails to plug the well to obtain authority to plug the well and forfeit the applicable financial assurance.

9. Operator understands and agrees that, except as expressly provided in this Order, nothing in this Order exempts Operator from complying with all statutes, rules, and orders Operator is otherwise subject to, and the failure to comply with any applicable statute(s), rule(s), and/or order(s) may result in OCD pursuing any remedies available under the law. Further, Operator's failure to comply with other applicable statute(s), rule(s), and/or order(s) may, in OCD's sole discretion, result in termination of this Order.

Done at Santa Fe, New Mexico this 31st day of August, 2016.

By: David Catanach
David Catanach
Director, Oil Conservation Division

ACCEPTANCE

HPOC, LLC hereby accepts the foregoing Order, and agrees to all of the terms and provisions set forth in that Order.

By: Arthur Butler
(Please print name) Arthur Butler
Title: Manager
Date: August 24, 2016

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EXHIBIT "A"

HPOC, LLC NEW MEXICO SHUT IN WELLS								
API #	WELL NAME / #	LEASE	WELL	LAST PROD	15 MO SINCE	1st TEST	2nd TEST	3 YR + 15 MONTH
		TYPE	TYPE		LAST PROD			SINCE LAST PROD
30-043-20949	EAGLE SPRINGS 8 FEDERAL #001H	F	O	Aug-15	Nov-16	Nov-17	Nov-18	Nov-19
30-031-21107	OJO ENCINO 21 FEDERAL #001H	F	O	Aug-15	Nov-16	Nov-17	Nov-18	Nov-19
30-031-21111	OJO ENCINO 21 FEDERAL DWS #002	F	O	Aug-15	Nov-16	Nov-17	Nov-18	Nov-19

Exhibit "A" to Agreed Compliance Order for HPOC, LLC

Shut-In, Inactive wells:



By: Arthur Butler

Title: Manager