

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

ACO 08- 238

**IN THE MATTER OF PRIDE ENERGY COMPANY,  
Respondent.**

**AGREED ORDER DIRECTING COMPLIANCE  
AND ASSESSING CIVIL PENALTY**

Pursuant to the New Mexico Oil and Gas Act, NMSA 1978, Sections 70-2-1 through 70-2-38, as amended ("Act"), and the rules promulgated under the Act, the Director of the Oil Conservation Division of the Energy Minerals and Natural Resources Department of the State of New Mexico ("OCD") issues this Order to Pride Energy Company ("Pride") directing compliance with the Act and OCD rules, and assessing a penalty for violations of the Act and OCD rules.

**I. FINDINGS & DETERMINATIONS BY THE OCD**

1. The OCD is the state division charged with administration and enforcement of the Act and OCD rules.
2. Pride is a corporation operating wells in New Mexico under OGRID 151323.
3. Pride is the operator of record for the following wells, located in New Mexico:

South Four Lakes Unit #016, 20-035-37248  
New Mexico 36 State #002, 30-025-36909  
New Mexico 87 State #001, 30-025-23655  
South Four Lakes Unit #014, 30-025-36844  
South Four Lakes Unit #015, 30-025-36882

4. OCD Rule 201 [19.15.4.201 NMAC] requires a well to be either properly plugged and abandoned or placed in approved temporary abandonment in accordance with OCD rules within 90 days after: (1) a 60 day period following suspension of drilling operations; (2) a determination that a well is no longer useable for beneficial purposes; or (3) a period of one year in which a well has been continuously inactive.
5. OCD Rule 101.B [19.15.3.101.B NMAC] provides, in relevant part, that any well that has been inactive for more than two years must be covered by a one-well financial assurance. This provision applies only to state and fee wells.
6. South Four Lakes Unit #016, 20-035-37248. According to a well completion report filed by Pride June 29, 2006, this state well was completed May 15, 2006. As of February 28, 2008 it had never reported production. The OCD issued a letter

of violation, dated September 6, 2007, notifying Pride that the well was in violation of OCD Rule 201, and instructing Pride to take corrective action by December 10, 2007. Pride responded by letter dated September 14, 2007, proposing to plug the well "as soon as we can schedule one of our rigs to start the work." The OCD issued a second letter of violation on January 10, 2008, again informing Pride of the violation and instructing Pride to take corrective action by February 14, 2008.

7. New Mexico 87 State #001, 30-025-23655. According to OCD records, this state well last reported production in August 2004, and is not plugged or on approved temporary abandonment status. As of February 28, 2008 no single-well financial assurance had been posted for this well.
8. South Four Lakes Unit #014, 30-025-36844. According to a well completion report filed by Pride December 6, 2005, this state well was completed March 10, 2005. As of February 28, 2008 it had never reported production. Pride has not posted a single-well financial assurance for this well.
9. South Four Lakes Unit #015, 30-025-36882. According to a well completion report filed by Pride June 20, 2006, this state well was completed March 18, 2005. As of February 28, 2008, it had never reported production. Pride has not posted a single-well financial assurance for this well.
10. New Mexico 36 State #002, 30-025-36909. According to a well completion report filed by Pride February 28, 2007 (sic) this state well was completed October 6, 2005, and was shut in as uneconomic. It has never reported production. Pride has not posted a single-well financial assurance for this well.
11. On February 28, 2008, the OCD issued Notice of Violation (1-08-02) to Pride, alleging that the five wells identified above were out of compliance with Rule 201 because they had been inactive for a continuous period of more than one year plus ninety days, and had not been plugged and abandoned or placed on approved temporary abandonment status. In addition, the Notice of Violation alleged that the New Mexico 87 State #001, the South Four Lakes Unit #014, the South Four Lakes Unit #015, and the New Mexico 36 State #002 were also in violation of Rule 101.B because those state wells had been inactive for a period in excess of two years and were not covered by single-well financial assurances.
12. NMSA 1978, Section 70-2-31(A) provides that any person who knowingly and willfully violates any provision of the Oil and Gas Act or any provision of any rule or order issued pursuant to that act shall be subject to a civil penalty of not more than \$1,000 per day.
13. NMSA 1978, Section 70-2-33(A) defines "person" to include "any individual, estate, trust, receiver, cooperative association, club, corporation, company, firm, partnership, joint venture, syndicate or other entity."
14. On April 9, 2008, the OCD conducted a compliance conference with Pride.

**II. STATEMENTS & ADDITIONAL INFORMATION  
PROVIDED BY PRIDE**

15. At a compliance conference conducted on April 9, 2008, Pride provided the following information:
- a. The South Four Lakes Unit #014 and #015 are producing; Pride has filed amended reports showing production.
  - b. Pride has filed additional amended reports. As a result, some wells that previously showed current production now appear to be inactive for extended periods of time. Pride is reviewing its reporting to determine if it is correct.

**III. CONCLUSIONS OF THE OCD**

16. The OCD has jurisdiction over the parties and subject matter in this proceeding.
17. Pride is a person as defined by NMSA 1978, § 70-2-33(A) that may be subject to civil penalties under NMSA 1978, §70-2-31(A).
18. Pride is subject to civil penalties under NMSA 1978, § 70-2-31(A) for violating Rule 201 as to the South Four Lakes Unit #016.
19. Pride is also in violation of Rule 201 as to the following wells:

New Mexico 36 State #002, 30-025-36909  
New Mexico 87 State #001, 30-025-23655

20. Pride needs to review and if necessary correct its reporting.
21. Pride needs to post the financial assurance required by Rule 101.B on all state or fee wells inactive for more than two years.

**IV. ORDER & CIVIL PENALTY ASSESSMENT**

22. Taking into account both aggravating and mitigating factors, the OCD hereby assesses a civil penalty against Pride totaling \$5,000 for violations of Rule 201 as to the South Four Lakes Unit #016.
23. The civil penalty shall be paid at the time Pride executes this Order. Payment shall be made by check payable to the "New Mexico Oil Conservation Division," and mailed or hand-delivered to the New Mexico Oil Conservation Division, Attention: Director, 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505.

24. By May 30, 2008, Pride shall return the following well to compliance with Rule 201 by plugging the wellbore of the well, returning the well to an OCD-approved beneficial use, or placing the well on approved temporary abandonment status:

South Four Lakes Unit #016, 20-035-37248

25. By June 30, 2008, Pride shall return the following wells to compliance with Rule 201 by plugging the wellbore of the well, returning the well to an OCD-approved beneficial use, or placing the well on approved temporary abandonment status:

New Mexico 36 State #002, 30-025-36909

New Mexico 87 State #001, 30-025-23655

26. By May 30, 2008, Pride shall review its reporting on all wells, and if it determines that its reporting is incorrect, file corrected reports.

27. By June 30, 2008, Pride shall file the single well financial assurances required by Rule 101.B for all state or fee wells inactive for more than two years. This requirement applies not only to wells shown as "in violation" according to the "Inactive Well Financial Assurance Report" on the OCD's website, but also to the following wells if they have been inactive for more than two years and are not plugged and released:

South Four Lakes Unit #016, 20-035-37248

New Mexico 36 State #002, 30-025-36909

28. By signing this Order, Pride expressly:

- a. acknowledges the authority of the OCD to render the above "Findings & Determinations," "Conclusions" and "Order & Civil Penalty Assessment";
- b. agrees to comply with the Order, specifically as articulated in Section "IV," Paragraphs 22-27, above;
- c. waives any right, pursuant to the Oil and Gas Act or otherwise, to a hearing either prior or subsequent to the entry of this Order or to an appeal from this Order;
- d. agrees that if it fails to comply with this Order, the Order may be enforced by suit or otherwise to the same extent and with the same effect as a final Order of the Division entered after notice and hearing in accordance with all terms and provisions of the Oil and Gas Act;

29. Nothing in this Order relieves Pride of its liability should its operations fail to adequately investigate and remediate contamination that poses a threat to ground water, surface water, human health or the environment. In addition, nothing in this

Order relieves Pride of its responsibility for compliance with any other federal, state or local laws and/or regulations.

Done at Santa Fe, New Mexico this 28<sup>th</sup> day of May 2008.

By:   
Mark Fesmire, P.E.  
Director, Oil Conservation Division

**ACCEPTANCE**

**PRIDE ENERGY COMPANY (OGRID 151323)** hereby accepts the foregoing Order, and agrees to all of the terms and provisions as set forth in the Order.

By: \_\_\_\_\_ **PRIDE ENERGY COMPANY,  
AN OKLAHOMA GENERAL PARTNERSHIP**

Title: \_\_\_\_\_

Date: 5/23/08 X Matthew L. Pride

By: Pride Production Co., Inc.

Title: General Partner

By: Matthew L. Pride

Title: President

P.O. Box 701950

Tulsa, OK 74170-1950