

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

CASE NO. 14135
ORDER NO. R-12909-A

APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION FOR
A COMPLIANCE ORDER AGAINST SOUTHWESTERN, INC., LEA COUNTY,
NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on June 12, 2008, at Santa Fe, New Mexico, before Examiners William V. Jones and Carol Leach, Esq.

NOW, on this 6th day of November, 2008, the director of the Division, having considered the testimony, the record, and the recommendations of the Examiners,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.

(2) The Division seeks an order:

(a) Finding Southwestern, Inc. (OGRID 21386), the "operator" of the State VC Well No. 1 (API No. 30-025-03035), an oil well ("subject well") located in Unit L of Section 36, Township 17 South, Range 35 East, NMPM, Lea County, New Mexico, in violation of Division Order No. R-12909 due to the operator's failure to return the State VC Well No. 1 to compliance with Rule 19.15.4.201 NMAC;

(b) Finding that the requirements within Order No. R-12909 have not been met by the operator and granting the Division formal authority to collect the \$6,000 penalty provided for in said order;

(c) Finding the operator in violation of the financial assurance requirements of Rule 19.15.3.101:C NMAC as to the subject well and requiring the operator to post a financial assurance for the well [to the Division] in the correct amount by a date certain; and

(d) For such other and further relief as the Director deems just and proper under the circumstances.

(3) On February 25, 2008, the Director issued Order R-12909 in Case No. 14007 which states as follows:

(1) Southwestern, Inc. or SW, Inc. ("operator") [OGRID 21386] is hereby directed to bring the following well into compliance with 19.15.4.201 NMAC on or before April 30, 2008:

*State VC Well No. 1 (API No. 30-025-03035)
located in Unit L of Section 36, Township 17 South,
Range 35 East, NMPM, Lea County, New Mexico.*

(3) In the event the operator fails to bring this well into compliance as directed above or obtain, prior to April 1, 2008 from the Division director, approval of a schedule to bring this well into compliance, then:

(a) The Division is authorized to plug and abandon the subject well and reclaim the well location;

(b) The Division is authorized to forfeit any applicable financial assurance for plugging and abandonment and reclamation costs; and

(c) The Division is authorized to take necessary and appropriate measures to recover from the operator any costs of plugging the subject well and cleanup of the well site in excess of the amount of any applicable financial assurance.

(d) The Division is authorized to collect a penalty in the amount of \$6,000 from this operator.

(4) The Division and the operator appeared at the hearing and presented testimony. No other party entered an appearance in this case.

(5) Evidence presented at the hearing by the parties and available Division records demonstrate the following:

(a) Since 1981, the operator of record for the subject well has been Southwestern, Inc. (or "SW, Inc." as it appears with the Public Regulation Commission), which is a corporation operating in New Mexico under OGRID 21386. Operator operates three wells in New Mexico. As of the draft date of this

order, the subject well's Division records indicate Southwestern, Inc is operator of record for this well.

(b) A Single Well Cash Bond for the subject well in the amount of \$7,500 was posted effective October of 1977. Based on the 9,074 foot depth of this well, the current Division rules require 14,074 dollars to be posted as single well financial assurance. The operator therefore is deficit 6,574 dollars in its bonding requirement for the subject well.

(c) The well is completed in the Vacuum Abo Reef Pool and has not produced since October of 2002 and has since not been returned to active status, placed in approved temporary abandonment status, or plugged and abandoned, as required by the Division in Rule 201 for wells inactive longer than 1 year plus 90 days.

(d) At the draft date of this order, the Division well file shows no additional entries and shows no evidence this well has been re-activated, plugged, or temporarily abandoned.

(e) The Division's witness testified that plugging costs for inactive wells in this area of Southeastern New Mexico are typically 47,000 dollars per well.

The Division Director concludes that:

(6) Southwestern Inc. (OGRID 21386) is the operator of record of this well and was the operator in fact. No other person has assumed operation of the well.

(7) The operator is in violation of Division Order No. R-12909, by failing to bring this well into compliance with 19.15.4.201 NMAC on or before April 30, 2007, either by placing the well back into production, temporarily abandoning, or plugging and abandoning the well.

(8) The operator has failed to meet the deadlines set in Order No. R-12909 and has not made a good faith effort to do so; therefore the Division should be authorized to collect the \$6,000 penalty provided for in Order No. R-12909.

(9) As the operator of this long-term inactive well, Southwestern, Inc. should be the person to plug and abandon this well rather than the citizens of the State of New Mexico.

(10) The operator is in violation of the financial assurance requirements of Rule 19.15.3.101.C NMAC as to the State VC Well No. 1; therefore the operator should be required to post additional financial assurance for the subject well to the Division in the amount of 6,574 dollars by January 1, 2009.

(11) If such additional single-well bonding is not posted by January 1, 2009, or if the State VC Well No. 1 is not returned by the operator to compliance with Rule 201 by January 1, 2009, the operator should be assessed an additional penalty of 42,000 dollars; such penalty being equal to 1,000 dollars per day from the April 30, 2008 deadline of Division Order No. R-12909, until the date of this latest hearing, June 12, 2008.

IT IS THEREFORE ORDERED THAT:

(1) The Division is hereby authorized to collect the 6,000 dollar penalty provided for in Order No. R-12909 from Southwestern, Inc. (OGRID 21386) as the "operator" of the State VC Well No. 1 (API No. 30-025-03035), an oil well located in Unit L of Section 36, Township 17 South, Range 35 East, NMPM, Lea County, New Mexico.

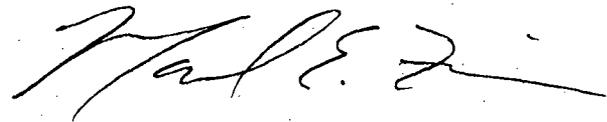
(2) The operator of this well shall post additional financial assurance for the subject well to the Division in the amount of 6,574 dollars by January 1, 2009.

(3) If such additional single-well bonding is not posted by January 1, 2009, or if the State VC Well No. 1 is not returned by the operator to compliance with Rule 201 by January 1, 2009, the Division is authorized to collect an additional penalty in the amount of 42,000 dollars from the operator.

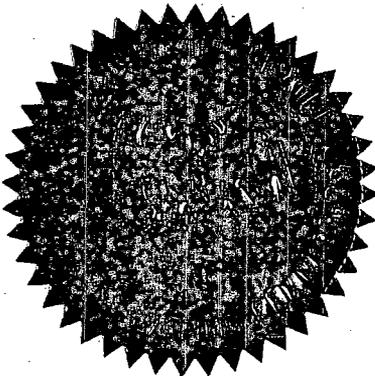
(4) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



MARK E. FESMIRE, P.E.
Director



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