

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

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:**

**CASE NO. 15590
ORDER NO. R-14265**

**APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION
COMPLIANCE AND ENFORCEMENT BUREAU FOR A COMPLIANCE ORDER
AGAINST JIM PIERCE, FOR WELLS OPERATED IN EDDY COUNTY, NEW
MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on December 1, 2016 at Santa Fe, New Mexico before Examiner William V. Jones and again on December 15, 2016, before Examiner Michael A. McMillan.

NOW, on this 13th day of January, 2017, the Division Director, 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 the subject matter.

(2) The Oil Conservation Division Compliance and Enforcement Bureau (the "Applicant") seeks an order against Jim Pierce ("Pierce" or "Operator") finding Operator in violation of Division Rules 19.15.5.9, 19.15.8.9, and 19.15.25.8 NMAC, as to the nine wells operated by Mr. Pierce, all detailed below (the "subject wells") and all located in Eddy County, New Mexico.

Property	Well	API
Mountain States Federal	1	30-015-25140
Keohane Federal	1	30-015-04591
Leonard State	2	30-015-03543
Tenneco State	1	30-015-24904
Tenneco State	2	30-015-25000

State P	1	30-015-03509
State P	2	30-015-10125
State R	3	30-015-03540
State S	2	30-015-03582

- (3) Applicant further requests the Division issue an order:
- a. Requiring Operator to return to compliance with Division Rule 19.15.8.9 NMAC within 30 days of the date of the order.
 - b. Requiring Operator to return to compliance with Division Rules 19.15.5.9 and 19.15.25.8 NMAC within 60 days of the date of the order.
 - c. In the event of noncompliance, finding the Operator in violation of a Division order for each day after the deadline established in the sought order, declaring the wells abandoned, authorizing the Division to plug the violating wells in accordance with a Division approved plugging procedure and restore and remediate the location, recover costs from the posted financial assurance as permitted by Division Rule 19.15.8.13 NMAC, and seek indemnification as permitted by NMSA 1978, § 70-2-14 (E).
 - d. Retaining the right to bring other compliance actions for existing or future violations of Division rules.
- (4) Applicant appeared through counsel and provided the following testimony.
- a. Jim Pierce (OGRID 99439), as a sole proprietor, is the operator of record of the subject wells. Mr. Pierce has passed away as has his first appointed personal representative. Mr. Adriann Ragsdale of the Ragsdale Law Firm, Roswell, NM, is believed by Applicant to be the current personal representative.
 - b. Applicant sent certified mail notice of this hearing to the Ragsdale Law Firm and received a delivery receipt;
 - c. The nine subject wells each have an "active" status, and monthly production reports on form C-115 are required 45 days after each month has ended. The last form C-115 supplied to the Division for the nine subject wells was January of 2016, and the last date of any reported production for any of these wells was for July of 2015.
 - d. All subject wells have been inactive for a period exceeding 90 days plus one year.
 - e. Operator is in violation of Division Rule 19.15.5.9(A)(4) NMAC which requires an operator to have a maximum of two inactive wells if operator has less than 100 wells.

- f. Financial assurance is not required on the Operator's two federal wells, the Mountain States Federal Well No. 1 and the Keohane Federal Well No. 1.
- g. For the remaining seven wells, the Operator has seven single well bonds on file with the Division in the amount of \$5,000 each, totaling \$35,000. There is a financial assurance deficiency for the seven wells totaling \$20,063. The \$35,000 cash bond is on deposit with RLI Insurance Company ("RLI") addressed at 8 Greenway Plaza, STE 400, Houston, TX 77046.

The Division concludes as follows:

(5) Neither the Operator, nor anyone representing the Operator, appeared at the hearing. No other party entered an appearance or otherwise opposed this application.

(6) The Division heard the case on December 1, 2016 and continued it to December 15, 2016, pending certificate of service of notice to the surety company from the New Mexico Office of the Superintendent of Insurance. Applicant presented that certificate to the Division at the December 15th hearing as Exhibit No. 5A.

(7) The Division took notice of Oil Conservation Commission Order No. R-9210 stating in Finding Paragraph (5) that the well abandonment rules are in place to prevent migration of fluids, prevent waste, protect correlative rights, and protect fresh waters.

(8) NMSA 1978, Section 70-2-14(B) provides, in relevant part, "If any of the requirements of the Oil and Gas Act [70-2-1 NMSA 1978] or the rules promulgated pursuant to that act have not been complied with, the Oil Conservation Division, after notice and hearing, may order any well plugged and abandoned by the operator or surety or both in accordance with Division rules."

(9) Division Rule 19.15.5.10(B) NMAC authorizes the Division to commence compliance proceedings for violation of a provision of the Oil and Gas Act, NMSA 1978, Sections 70-2-1 through 70-2-38, or a provision of a rule or order issued pursuant to the act.

(10) Jim Pierce is the operator of record for the subject wells and is responsible for compliance with the Oil and Gas Act and Oil Conservation Division rules.

(11) The Operator is in violation of Division Rules 19.15.5.9, 19.15.8.9, and 19.15.25 NMAC.

(12) The application should be approved.

IT IS THEREFORE ORDERED THAT:

(1) The application of Oil Conservation Division Compliance and Enforcement Bureau for a compliance order against Jim Pierce ("Operator") finding same in violation

of Division Rules 19.15.5.9, 19.15.8.9, and 19.15.25.8 NMAC, as to nine wells detailed below (the "subject wells"), all located in Eddy County, New Mexico, is hereby approved.

Property	Well	API
Mountain States Federal	1	30-015-25140
Keohane Federal	1	30-015-04591
Leonard State	2	30-015-03543
Tenneco State	1	30-015-24904
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State R	3	30-015-03540
State S	2	30-015-03582

(2) The Operator shall post adequate financial assurance as required by Division Rule 19.15.8.9 NMAC for all wells for which bonding is insufficient within 30 days of the issuance of this order.

(3) The Operator shall bring all wells identified above into compliance with Division Rule 19.15.25.8 NMAC within 60 days of the issuance date of this order by accomplishing one of the following with respect to each well:

- a. causing the well to be plugged and abandoned in accordance with Division Rule 19.15.25.8 NMAC and in accordance with a Division approved plugging program;
- b. restoring the well to production if the well is an oil and gas well; or
- c. causing the well to be temporarily abandoned with Division approval in accordance with Division Rule 19.15.25.13 NMAC.

(4) If the Operator has not completed the ordering requirements within the prescribed period, the Operator shall be in violation of this order, and the Division shall be authorized:

- a. to plug and abandon the subject wells that are out of compliance with Division rules; and
- b. to recover costs from either the Operator or the United States Bureau of Land Management in accordance with Division Rule 19.15.8.13 NMAC; and NMSA 1978, Section 70-2-14 (E) if funds available from applicable financial assurance are not sufficient to cover all costs which the Division incurs in plugging and abandoning the wells.

(5) If the Operator cannot complete the work described above within the specified time, the Operator shall file, prior to the expiration dates in the ordering paragraphs, an application for hearing to request an extension. At hearing, the Operator

shall provide evidence of the work completed to date, shall show cause for the extension, and shall provide an alternate schedule to complete the work.

(6) 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



DAVID R. CATANACH
Director



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