

State of New Mexico
Energy, Minerals and Natural Resources Department

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Deputy Cabinet Secretary

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Oil Conservation Division



**BY CERTIFIED MAIL -RETURN RECEIPT REQUESTED
AND ELECTRONIC MAIL**

December 14, 2020

Kyle Ford
Manager
Wespac Energy, LLC
400 East College Boulevard
Roswell, New Mexico 88202
kford@fordresources.com

NOTICE OF VIOLATION

The Director of the Oil Conservation Division (“OCD”) issues this Notice of Violation (“NOV”) pursuant to 19.15.5.10 NMAC.

(1) *Alleged Violator:* Wespac Energy, LLC, OGRID # 260245 (“Wespac”).

(2) *Citation, Nature, and Factual and Legal Basis for Alleged Violation(s):*

19.15.5.9(A)(4)(a) NMAC: *An operator is in compliance with Subsection A of 19.15.5.9 NMAC if the operator...*

(4) has no more than the following number of wells out of compliance with 19.15.25.8 NMAC that are not subject to an agreed compliance or final order setting a schedule for bringing the wells into compliance with 19.15.25.8 NMAC and imposing sanctions if the schedule is not met:

(a) two wells or fifty percent of the wells the operator operates, whichever is less, if the operator operates 100 wells or less....

Wespac is registered as the operator of ten (10) wells. Of these wells, the following nine (9) wells are out of compliance with 19.15.25.8 NMAC and are not subject to an agreed compliance or final order, which exceeds the threshold of two (2) inactive wells:

Table 1:

<u>API</u>	<u>Well</u>	<u>Last Reported Production</u>
30-005-20388	Isler Fed #1	10/2015
30-005-20887	Isler Fed #2	6/2017
30-005-20888	Isler Fed #3	12/2015
30-005-21070	Isler Fed #4	6/2017
30-005-21062	Middebrook #3	10/2015
30-005-20400	NM Cr State #1	6/2017
30-005-20413	NM Cr State #2	12/2016
30-005-63922	Sycamore #1	4/2018
30-005-64001	Sycamore #2	11/2010

19.15.8.9 CATEGORIES AND AMOUNTS OF FINANCIAL ASSURANCE FOR WELL PLUGGING:

A. Applicability. *An operator who has drilled or acquired, is drilling or proposes to drill or acquire an oil, gas or injection or other service well within this state shall furnish a financial assurance acceptable to the division in accordance with 19.15.8.9 NMAC and in the form of an irrevocable letter of credit, plugging insurance policy or cash or surety bond running to the state of New Mexico conditioned that the well be plugged and abandoned and the location restored and remediated in compliance with commission rules, unless the well is covered by federally required financial assurance.*

....

D. Inactive wells. *An operator shall provide financial assurance for wells that are covered by Subsection A of 19.15.8.9 NMAC that have been in temporarily abandoned status for more than two years or for which the operator is seeking approved temporary abandonment pursuant to 19.15.25.13 NMAC in one of the following categories:*

(1) *a one well financial assurance in the amount of \$25,000 plus \$2 per foot of the projected depth of a proposed well or the depth of an existing well; the depth of a well is the true vertical depth for vertical and horizontal wells and the measured depth for deviated and directional wells; or*

(2) *a blanket plugging financial assurance covering all wells of the operator subject to Subsection D of 19.15.8.9 NMAC:*

(a) *\$150,000 for one to five wells;*

(b) *\$300,000 for six to 10 wells....*

Wespac failed to provide one well or blanket financial assurance for the following wells.

Table 2:

<u>API</u>	<u>Well</u>	<u>Existing FA</u>	<u>Required FA</u>
30-005-20400	NM Cr State #1	0	\$ 43,900
30-005-20413	NM Cr State #2	0	\$ 39,000
30-005-63922	Sycamore #1	0	\$ 42,600
30-005-64001	Sycamore #2	0	\$ 42,600

(3) *Compliance*: No later than thirty (30) days after receipt of this NOV, Wespac shall (a) submit a plan to plug and abandon seven (7) of the wells listed in Table 1; and (b) submit one well or blanket financial assurance for the wells listed in Table 2.

(4) *Sanction(s)*: OCD may impose one or more of the following sanctions:

- civil penalty
- modification, suspension, cancellation, or termination of a permit or authorization
- plugging and abandonment of a well
- remediation and restoration of a well location and associated facilities, including the removal of surface and subsurface equipment and other materials
- remediation and restoration of a location affected by a spill or release
- forfeiture of financial assurance
- shutting in a well or wells
- any other remedy authorized by law

For the alleged violations described above, OCD proposes the following sanctions:

1) Civil Penalty:

19.15.5.9(A)(4)(a) NMAC:	\$ 2,100
19.15.5.9(D) NMAC:	\$ 4,800

The civil penalty calculations are attached. OCD may recalculate the civil penalty for additional violations of the cited rules occurring on or after the date of this NOV.

2) Plug and Abandon Wells:

OCD will request an order to plug and abandon the seven (7) wells listed in Table 1.

3) Forfeit Financial Assurance:

OCD will request an order to forfeit the financial assurance for the wells listed in Table 2.

4) Termination of Authorization to Transport:

OCD will request an order to terminate Wespac's authority to transport from all wells, including Wespac's only active well, State JA #001 (API No. 30-005-60787).¹

OCD will take into consideration the alleged violator's good faith effort to comply with the applicable requirements.

(5) *Informal Review and Resolution*: A process is available for the informal review and resolution of the alleged violation(s) in the NOV. To initiate the informal review process, contact the OCD employee identified at the end of this letter. If OCD and the alleged violator agree to resolve the alleged violations in the NOV, the agreement will be incorporated into a stipulated final order signed by both parties and stating that the alleged violator admits OCD's jurisdiction to file the NOV, consents to the specified relief, including the civil penalty, if any, and waives the right of review by the Oil Conservation Commission.

¹ State JA #001 will be deemed inactive unless produced prior to April 1, 2021.

(6) *Hearing*: If this Notice of Violation is not resolved within thirty (30) days of receipt of service, OCD will hold a hearing on March 3, 2021. Please see 19.15.5.10 NMAC for more information regarding the hearing. However, please note that the hearing does not prohibit OCD from negotiating with the alleged violator at any time to settle the NOV.

For more information regarding this NOV, contact Daniel Sanchez, OCD Compliance and Enforcement Manager, at (505) 476-3493 or Daniel.Sanchez@state.nm.us.

Regards,

A handwritten signature in black ink, appearing to read 'ASandoval', written over a horizontal line.

Adrienne Sandoval
Director

cc: OCD Southern District
 Office of Legal Counsel, EMNRD