

OCD EXHIBIT 2

State of New Mexico
Energy, Minerals and Natural Resources Department

Michelle Lujan Grisham
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Oil Conservation Division



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

March 10, 2021

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NOTICE OF VIOLATION

The Director of the Oil Conservation Division (“OCD”) issues this Notice of Violation (“NOV”) pursuant to 19.15.5.10 NMAC. A process is available to informally discuss and resolve the NOV. OCD will not request a hearing on the NOV until the end of this process, which runs for 30 days from the date of your receipt of this letter. OCD will extend this process if it would facilitate informal resolution of the NOV. To initiate this process, contact the OCD employee identified at the end of this letter.

(1) *Alleged Violator:* Bar V Barb, LLC, OGRID # 371067 (“BVB”).

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

19.15.5.9(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....

BVB is registered as the operator of seventeen (17) wells. Two (2) wells are in Temporary Abandonment (“TA”) status until 2023. The remaining fifteen (15) wells, which are identified in Table 1 are out of compliance with 19.15.25.8 NMAC and are not subject to an agreed compliance or final order:

Table 1:

<u>API</u>	<u>Well</u>	<u>Last Production Reported</u>
30-005-20403	Federal 21 #001	6/2019
30-005-20361	Federal 28 #001	6/2019
30-005-20372	Federal 28 #003	6/2019
30-005-60360	South Lucky Lake Queen Unit #001	6/2019
30-005-61227	South Lucky Lake Queen Unit #001E	7/2013
30-005-60244	South Lucky Lake Queen Unit #001F	7/2013
30-005-60371	South Lucky Lake Queen Unit #002	6/2019
30-005-60375	South Lucky Lake Queen Unit #002B	6/2019
30-005-60361	South Lucky Lake Queen Unit #002C	6/2019
30-005-60382	South Lucky Lake Queen Unit #002X	6/2019
30-005-60350	South Lucky Lake Queen Unit #002Z	6/2019
30-005-60352	South Lucky Lake Queen Unit #003	6/2019
30-005-60377	South Lucky Lake Queen Unit #003B	6/2019
30-005-20384	WR Means #002	6/2019
30-005-20386	WR Means #003	4/2019

BVB exceeds the inactive well threshold of thirteen (13) wells.

19.15.8.9 NMAC:

C. Active wells. *An operator shall provide financial assurance for wells that are covered by Subsection A of 19.15.8.9 NMAC and are not subject to Subsection D of 19.15.8.9 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 in the following amounts covering all the wells of the operator subject to Subsection C of 19.15.8.9 NMAC:*

(a) *\$50,000 for one to 10 wells....*

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...

(c) \$500,000 for 11 to 25 wells....

BVB is registered as the operator of three (3) wells with one well financial assurance that is less than the required amount identified in Table 2:

Table 2:

<u>API</u>	<u>Well</u>	<u>Existing FA</u>	<u>Required FA</u>
30-005-60360	South Lucky Lake Queen Unit #001	\$6,825	\$28,650
30-005-60371	South Lucky Lake Queen Unit #002	\$6,800	\$28,600
30-005-60332	South Lucky Lake Queen Unit #001A	\$6,848	\$28,696

(3) Compliance: No later than thirty (30) days after receipt of this NOV, BVB shall (a) plug and abandon at least thirteen (13) wells listed in Table 1; and (b) increase the one well financial assurance to the required amount 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:

- Plug and Abandon Wells: OCD will request an order requiring BVB to plug and abandon thirteen (13) wells listed in Table 1, and if BVB does not appear at the hearing or fails to plug and abandon the wells, an order authorizing OCD to plug and abandon those wells.
- Financial Assurance: OCD will request an order requiring BVB to provide the required financial assurance listed in Table 2, and if BVB does not appear at the hearing or fails to increase the one well financial assurance to the required amount, an order forfeiting financial assurance as applicable.
- Termination of Authorization to Transport: OCD will request an order terminating BVB's authority to transport from the wells identified in Table 1 and the two (2) wells in TA status.

- (d) Civil Penalties: OCD proposes to assess civil penalties as specified below. The civil penalty calculations are attached. OCD has taken into consideration the alleged violator's good faith effort to comply with the applicable requirements.

Civil Penalty: 19.15.5.9(A)(4)(a) NMAC: \$ 3,900
 19.15.5.9(C)(1) & (D)(1) NMAC: \$ 900

(5) *Hearing:* If this NOV cannot be resolved informally, OCD will hold a hearing on May 19, 2021. Please see 19.15.5.10 NMAC for more information regarding the hearing. Even if OCD schedules a hearing, you can request an informal resolution at any time.

For more information regarding this NOV, contact Daniel Sanchez, OCD Compliance and Enforcement Manager, at (505) 795-4558 or Daniel.Sanchez@state.nm.us.

Regards,



Adrienne Sandoval
Director

cc: OCD Southern District
 Office of Legal Counsel, EMNRD