

State of New Mexico
Energy, Minerals and Natural Resources Department

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

April 30, 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:* Lanexco Incorporated, OGRID # 13046 & Lanexco Incorporated DBA Lanexco New Mexico, OGRID # 372728 (“Lanexco”). ‘Lanexco Incorporated’ and ‘Lanexco Incorporated DBA Lanexco New Mexico’ are a single corporate entity registered with the New Mexico Secretary of State under business identification number 1025550. For purposes of clarity only, this NOV will separately reference all wells by OGRID association. Lanexco remains responsible for all wells and financial assurance requirements associated with both OGRIDs.

(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;*
- (b)** *five wells if the operator operates between 101 and 500 wells;*
- (c)** *seven wells if the operator operates between 501 and 1000 wells; and*
- (d)** *10 wells if the operator operates more than 1000 wells.*

Lanexco is the registered operator of fifty (50) wells. The thirty-eight (38) wells identified in Tables 1a and 1b are out of compliance with 19.15.25.8 NMAC and are not subject to an agreed compliance or final order:

Table 1a (Lanexco OGRID 13046):

<u>API</u>	<u>Well</u>	<u>Last Production Reported</u>
30-025-11993	H G MOBERLY C FEDERAL #001	Oct-19
30-025-06927	PRUITT #001	Sep-19
30-025-24180	ALVES #003	Apr-19
30-025-26688	JUSTIS A FEDERAL #002	Jul-16
30-025-29226	SHELL STATE #001	Mar-15
30-025-06430	ALVES A #001	Feb-15
30-005-60586	BLAKEMORE FEDERAL #001	Feb-15
30-025-21473	CRAWFORD STATE #003	Feb-15
30-025-28087	DORITY #001	Feb-15
30-025-26426	EL PASO PLANT #001	Feb-15
30-025-26667	EL PASO RUBY FEDERAL #001	Feb-15
30-025-26346	EL PASO STATE #001	Feb-15
30-025-28508	EL PASO TOM FEDERAL #005	Feb-15
30-025-10781	FARNEY A 17 #002	Feb-15
30-025-27354	GLORIA FEDERAL #001	Feb-15
30-025-28085	JO #001	Feb-15
30-025-27355	JUSTIS B FEDERAL #001	Feb-15
30-025-27357	JUSTIS B FEDERAL #003	Feb-15
30-025-26483	JUSTIS C FEDERAL #001	Feb-15
30-025-26700	JUSTIS C FEDERAL #002	Feb-15
30-025-27211	LANSFORD #001	Feb-15
30-025-21872	STATE A-36 #002	Feb-15
30-025-03500	STATE C #001Y	Feb-15
30-025-03507	STATE C #002Y	Feb-15
30-025-03498	STATE C #003	Feb-15
30-025-03499	STATE C #004	Feb-15
30-025-03497	STATE C COM #002	Feb-15

30-025-24153	STATE J D COM. #001	Jan-15
30-015-22552	MILLER COM #001	Dec-12
30-025-26919	EL PASO TOM FEDERAL #004	Jul-04

Table 1b (Lanexco OGRID 372728):

API	Well	Last Production Reported
30-025-36383	ALVES #004	Sep-19
30-015-22372	BRC MADERA #001	Jul-19
30-025-27023	BUCKSKIN FED. #001	Aug-19
30-025-27024	BUCKSKIN FED. #002	Feb-12
30-025-27206	BUCKSKIN FED. #006	Aug-19
30-025-26812	LANSFORD #004	Apr-19
30-025-28664	ROBERT #001	Apr-19
30-025-36826	ROBERT #002	Apr-19

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;
- (b) \$75,000 for 11 to 50 wells;
- (c) \$125,000 for 51 to 100 wells; and
- (d) \$250,000 for more than 100 wells.

Lanexco is registered as the operator of fifty (50) wells, but has a blanket plugging financial assurance of only \$50,000.00.

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;

- (c) \$500,000 for 11 to 25 wells; and
- (d) \$1,000,000 for more than 25 wells.

Lanexco currently has seventeen (17) wells that have been inactive for more than two years and for which there is insufficient financial assurance as identified in Table 2:

Table 2 (Lanexco OGRID 13046):

API	Well	Existing FA	Required FA	Due
30-025-26664	EL PASO SMITH #001	0	32,600	Sep-09
30-015-22552	MILLER COM #001	0	49,700	Jan-15
30-025-24153	STATE J D COM. #001	0	50,280	Feb-17
30-025-06430	ALVES A #001	0	32,204	Mar-17
30-025-21473	CRAWFORD STATE #003	0	49,500	Mar-17
30-025-28087	DORITY #001	0	32,710	Mar-17
30-025-26426	EL PASO PLANT #001	0	31,600	Mar-17
30-025-26346	EL PASO STATE #001	0	32,220	Mar-17
30-025-28085	JO #001	0	32,900	Mar-17
30-025-27211	LANSFORD #001	0	33,600	Mar-17
30-025-21872	STATE A-36 #002	0	30,600	Mar-17
30-025-03500	STATE C #001Y	0	32,880	Mar-17
30-025-03507	STATE C #002Y	0	32,904	Mar-17
30-025-03498	STATE C #003	0	32,900	Mar-17
30-025-03499	STATE C #004	0	32,930	Mar-17
30-025-03497	STATE C COM #002	0	32,852	Mar-17
30-025-29226	SHELL STATE #001	0	34,500	Apr-17

(3) *Compliance*: No later than thirty (30) days after receipt of this NOV, Lanexco shall (a) plug and abandon at least thirty-six (36) wells listed in Tables 1a and 1b; (b) increase the blanket plugging financial assurance to \$75,000; and (c) provide inactive well blanket plugging financial assurance of \$500,000 or increase the one well financial assurance to the specified amounts 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:

- (a) Plug and Abandon Wells: OCD will request an order requiring Lanexco to plug and abandon thirty-six (36) wells listed in Tables 1a and 1b, and alternatively, an order authorizing OCD to plug and abandon those wells.

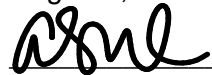
- (b) Financial Assurance: OCD will request an order requiring Lanexco to provide an inactive well blanket plugging financial assurance of \$500,000 or additional one well financial assurance in the specified amounts in Table 2, and alternatively, an order forfeiting financial assurance.
- (c) Termination of Authorization to Transport: OCD will request an order terminating Lanexco's authority to transport from the wells identified in Table 1.
- (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. Copies of the civil penalty calculations are attached.

Civil Penalty:	19.15.5.9(A)(4)(a) NMAC:	\$ 11,400.00
	19.15.8.9(C) NMAC:	\$ 15,000.00
	19.15.8.9(D) NMAC:	\$ 5,100.00

(5) *Hearing*: If this NOV cannot be resolved informally, OCD will hold a hearing on July 15, 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 Administration & Compliance Bureau Chief, at (505) 795-4558 or Daniel.Sanchez@state.nm.us.

Regards,



Adrienne Sandoval
Director

cc: Office of Legal Counsel, EMNRD