

State of New Mexico  
Energy, Minerals and Natural Resources Department

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Adrienne Sandoval, Division Director  
Oil Conservation Division



**BY CERTIFIED MAIL - RETURN RECEIPT REQUESTED  
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August 12, 2021

Alan Barksdale  
Chairman  
Cross Border Resources, Incorporated  
14282 Gillis Road  
Farmers Branch, TX 75244  
[alan@redmountainresources.com](mailto:alan@redmountainresources.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. 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:* Cross Border Resources, Incorporated, OGRID # 286614 (“Operator”).

(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.*

Operator is the registered operator of sixty-one (61) wells. The thirteen (13) wells 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>
30-005-20664	HAHN A FEDERAL #001	May-19
30-005-20944	NEW MEXICO BA STATE #001	Feb-17
30-005-21021	NEW MEXICO BA STATE #003	Feb-17
30-005-21023	NEW MEXICO BA STATE #004	Feb-17
30-005-20693	PAUL LR #001	Aug-18
30-005-20694	PAUL LR #002	Sep-18
30-005-20785	PAUL LR #003	Sep-18
30-005-20786	PAUL LR #004	Aug-18
30-005-20816	PAUL LR #005	Sep-18
30-005-20821	PAUL LR #007	Sep-18
30-005-21036	SUNRAY STATE #002	Feb-20
30-005-21015	TOM 36 STATE #004	Jul-15
30-005-21105	TOM 36 STATE #005	Jul-15

**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.

Operator is registered as the operator of thirty (30) wells subject to 19.15.8.9 NMAC, but has a blanket plugging financial assurance of only \$50,000.

**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.

Operator currently has eleven (11) 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:

API	Well	Existing FA	Required FA	Due
30-005-21015	TOM 36 STATE #004	4,395	33,790	Aug-17
30-005-21105	TOM 36 STATE #005	4,300	33,600	Aug-17
30-005-20944	NEW MEXICO BA STATE #001	3,900	32,800	Mar-19
30-005-21021	NEW MEXICO BA STATE #003	3,913	32,826	Mar-19
30-005-21023	NEW MEXICO BA STATE #004	3,875	32,750	Mar-19
30-005-20693	PAUL LR #001	4,260	33,520	Sep-20
30-005-20786	PAUL LR #004	4,362	33,724	Sep-20
30-005-20694	PAUL LR #002	4,180	33,360	Oct-20
30-005-20785	PAUL LR #003	4,300	33,600	Oct-20
30-005-20816	PAUL LR #005	4,456	33,912	Oct-20
30-005-20821	PAUL LR #007	4,200	33,400	Oct-20

(3) *Compliance*: No later than thirty (30) days after receipt of this NOV, Operator shall (a) plug and abandon at least eleven (11) wells listed in Table 1; (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 3.

(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 Operator to plug and abandon eleven (11) wells listed in Table 1, and alternatively, an order authorizing OCD to plug and abandon those wells.
- (b) Financial Assurance: OCD will request an order requiring Operator to provide blanket plugging financial assurance of \$75,000 and 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 Operator's authority to transport from all wells.
- (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:	\$ 4,550.00
19.15.8.9 NMAC:	\$ 9,000.00

(5) *Hearing*: If this NOV cannot be resolved informally, OCD will hold a hearing on October 6, 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 Karen Collins, at (505) 490-2162 or [Karen.Collins@state.nm.us](mailto:Karen.Collins@state.nm.us).

Regards,

  
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Adrienne Sandoval  
Director

cc: Office of Legal Counsel, EMNRD