

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

IN RE PETRO MEX, LLC

CASE NO. 22817

STIPULATED FINAL ORDER

Pursuant to the New Mexico Oil and Gas Act ("Act"), NMSA 1978, Section 70-2-1, *et seq.*, and 19.15.5.10(C) NMAC, the Director of the Oil Conservation Division ("OCD") and Petro Mex, LLC, OGRID # 236452 ("Operator"), enter into this Stipulated Final Order ("Order") to resolve the referenced Notice of Violation ("NOV").

1. OCD is charged with the administration and enforcement of the Act and the implementing rules and has jurisdiction to regulate Operator's wells in the state of New Mexico.
2. Operator is the operator of record of five inactive wells.
3. On January 19, 2022, OCD issued a Notice of Violation ("NOV") to Operator, in accordance with 19.15.5.10 NMAC, alleging that Operator exceeded the number of inactive wells allowed by 19.15.5.9(A)(4)(a) NMAC.
4. Operator requested informal resolution of the NOV.
5. The Operator has prepared a plan to resolve and address the alleged violations in the NOV.
6. The Operator placed the required financial assurance of \$150,000 in 2021 prior to the issuance of the NOV and as required by OCD regulations. Operator will increase the financial assurance by an additional \$100,000, within 30 days from the effective day of the agreement. Upon receipt of authorization to transport for each well (C-104 approval), Operator can immediately begin efforts to determine economic viability of the Five (5) Wells, and begin production. Well 18-1 can began operations, immediately, and the other Wells shall be allowed to be checked for economic viability and begin production. As

Wells that are not economically viable are plugged and released by the OCD, the financial assistance bond shall be reduced by \$50,000 for each Well.

7. The Operator has prepared the 5 wells for operation by confirming surface use, agreements, reviewing locations for environmental compliance, determining well integrity, and establishing arrangements to comply with gas transport. Operator has filed a C-104 form for Well Kirtland 18-1.
8. To resolve the alleged violations without the cost and expense of a hearing on the legal and factual issues raised by the NOV, the parties agree as follows:
 - a. Operator shall increase blanket financial assurance to \$250,000, consistent with paragraph 6 of this agreement.
 - b. Operator shall promptly return the wells to production. If Operator determines that any well must be plugged and abandoned, Operator must notify OCD of such determination by January 15, 2023. Any such well must be plugged and abandoned, by Operator, and Operator must submit form "C-103 Sub. Release After P&A" by March 31, 2023.
 - c. For two years from the effective date of this Order, Operator shall not allow any well to be inactive for more than 90 days. Any such period inactivity shall be considered a violation of this agreement and the compliance schedule set forth in this agreement.
 - d. Should Operator fail to meet any deadline in paragraphs 6 or 8 (a)-(c) of this Order, OCD may immediately plug and abandon, restore, and/or remediate any of the wells. Operator agrees that it will forfeit any financial assurance associated with any well which is plugged and abandoned, restored, or remediated by the OCD. Nothing in this Order shall be construed to resolve or absolve Operator of any liability for any costs associated with the plugging and abandonment, restoration, or remediation of a well by the OCD which

exceeds the value of financial assurance furnished by Operator. Operator has the option to plug, restore and remediate any well prior to OCD hiring third parties to perform said plugging, restoring and remediating of wells not in production for over 90 days, however nothing in this provision shall be construed to prevent the OCD from plugging and abandoning any wells which violate the terms of this agreement.

- e. Operator shall not be required to pay any civil penalties proposed in the NOV.
- 9. Operator admits OCD's jurisdiction to file the NOV, consents to the relief specified herein, and waives the right of review by the Oil Conservation Commission.
- 10. Operator understands and agrees that this Order does not resolve any dispute or claim concerning any party which is not a signatory of this agreement.
- 11. The persons executing this Order represent that they have the requisite authority to bind their respective parties and such representation shall be legally sufficient evidence of their actual or apparent authority.
- 12. Operator shall not transfer any well subject to this Order to any other operator without prior approval of the OCD. However, OCD will approve the transfer if the prospective buyer accepts all obligations under this Order or a similar Order. Operator shall provide written confirmation to OCD of the notice and acceptance.
- 13. OCD reserves the right to sanction Operator for any alleged violation not addressed in this Order.

OIL CONSERVATION DIVISION

Done

Adrienne Sandoval
Director

Date: 11/16/22

PETRO MEX, LLC

Jesus Villalobos 11/16/22

Jesus Villalobos

Date: