

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

**IN RE NANCY WILCOX E. QUALLS.**

**CASE NO.**

**OIL CONSERVATION DIVISION'S  
DOCKETING NOTICE**

The New Mexico Oil Conservation Division (“OCD”), pursuant to 19.15.5.10(E)(2)(a) NMAC, gives notice that it has docketed the Notice of Violation (“NOV”) attached as *Exhibit A*, and states the following in support thereof:

1. On March 27, 2024, OCD issued the NOV to Nancy Wilcox E. Qualls, OGRID #15501.

2. The NOV was mailed via USPS certified mail, return receipt requested, on April 4, 2024 to the last known address of the executor for the estate of Nancy Wilcox E. Qualls, the party responsible for the subject wells. Likewise, a copy of the NOV was served on the prior operator of record, Dugan Production Corp., OGRID #6515, in an abundance of caution to ensure service. Service upon the Wilcox E. Qualls executor was attempted multiple times through April 21, 2024. USPS was unable to deliver the NOV. As of May 7, 2024, the certified mailing was returned to the Oil Conservation Division.

3. The NOV identified the factual basis for the alleged violations, the compliance actions required to remedy the alleged violations, and the proposed sanctions.

4. The NOV stated that if Nancy Wilcox E. Qualls did not informally resolve the NOV within 30 days of receipt of service, then OCD would hold a hearing on June 13, 2024.

5. The period for informal resolution has elapsed without response from operator.

WHEREFORE, OCD requests that the NOV be docketed for hearing on June 13, 2023.

Respectfully submitted,  
Christopher  
Moander

Digitally signed by Christopher  
Moander  
Date: 2024.05.07 10:07:18 -06'00'

Christopher Moander, Assistant General Counsel  
New Mexico Energy, Minerals and  
Natural Resources Department  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505  
Tel (505) 709-5687  
Chris.Moander@emnrd.nm.gov

### **CERTIFICATE OF SERVICE**

I certify that on May 7, 2024 this pleading was served by electronic mail and/or USPS as follows:

#### **Electronic Mail Service**

Staci E. Brooks  
Production Accounting Supervisor  
Nancy Wilcox E. Qualls  
P.O. Box 420  
Farmington, NM 87410  
[stacibrooks@duganproduction.com](mailto:stacibrooks@duganproduction.com)

#### **USPS Service**

William Kent Elliot  
Executor, Nancy Wilcox E. Qualls Estate  
728 Brisa Del Mar Drive  
El Paso, TX 79912

Christopher Moander

Digitally signed by Christopher  
Moander  
Date: 2024.05.07 10:07:52 -06'00'

Christopher Moander

State of New Mexico  
Energy, Minerals and Natural Resources Department

Michelle Lujan Grisham  
Governor

Dylan M. Fuge  
Deputy Secretary

Dylan Fuge, Division Director (Acting)  
Oil Conservation Division



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

March 27, 2024

Staci E. Brooks  
Production Accounting Supervisor  
Nancy Wilcox E. Qualls  
P.O. Box 420  
Farmington, NM 87410  
[stacibrooks@duganproduction.com](mailto:stacibrooks@duganproduction.com)

**AMENDED 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:* Nancy Wilcox E. Qualls, OGRID #15501 (“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 four (4) wells. All 4 wells identified in Exhibit A are out of compliance with 19.15.25.8 NMAC and are not subject to an agreed compliance or final order.

**19.15.8.9 NMAC:**

**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 is currently the registered operator of four (4) wells that are inactive and for which there is insufficient financial assurance as identified in Exhibit B.

**19.15.7.24 NMAC:**

- A.** *An operator shall file a form C-115 for each non-plugged well completion for which the division has approved a form C-104 and for each secondary or other enhanced recovery project or pressure maintenance project injection well or other injection well within the state, setting forth complete information and data indicated on the forms in the order, format and style the director prescribes. The operator shall estimate oil production from wells producing into common storage as accurately as possible on the basis of periodic tests.*
- B.** *An operator shall file the reports 19.15.7.24 NMAC requires using the division's web-based online application on or before the 15th day of the second month following the month of production, or if such day falls on a weekend or holiday, the first workday following the 15th. An operator may apply to the division for exemption from the electronic filing requirement based upon a demonstration that such requirement would operate as an economic or other hardship.*

Operator is the registered operator of four (4) wells. Operator has not submitted the required C-115 for any well since at least 2015.

(3) *Compliance*: No later than thirty (30) days after receipt of this NOV, Operator shall (a) submit production reports for the wells identified in Exhibit A; (b) plug and abandon at least four (4) wells listed in Exhibit A; and (c) provide inactive well blanket plugging financial assurance of \$150,000 or increase each well's financial assurance to \$25,000 plus \$2 per foot of true depth as specified in Rule NMAC 19.15.5.8C and indicated in Exhibit B.

(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:

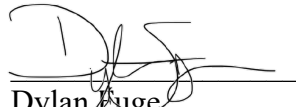
- (a) Plug and Abandon Wells: OCD will request an order requiring Operator to plug and abandon 4 (4) wells listed in Exhibit A, and alternatively, an order authorizing OCD to plug and abandon those wells.
- (b) Financial Assurance: OCD will request an order requiring Operator to provide an inactive well blanket plugging financial assurance of \$150,000 or additional one well financial assurance in the specified amounts in Exhibit B, 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 as Exhibit C.

Civil Penalty: 19.15.5.9(A)(4)(a) NMAC:	\$ 5,400.00
19.15.8.9 NMAC:	\$ 1,500.00
19.15.7.24 NMAC	\$ 21,600.00

(5) *Hearing*: If this NOV cannot be resolved informally, OCD will hold a hearing on June 13, 2024. 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 Rob Jackson, at (505) 660-2501 or [rob.jackson@emnrd.nm.gov](mailto:rob.jackson@emnrd.nm.gov).

Regards,

  
Dylan Fuge  
Director (Acting)

3/27/24

Date

cc: Office of Legal Counsel, EMNRD

# Well List

15501 NANCY WILCOX E QUALLS

Total Well Count:4

Printed On:Monday, March 25, 2024

Property	Well Name	Lease Type	Well Status	ULSTR	OCD UL	API	Well Type	Last Prod/Inj	Pool	Well Completion Status	Oil POD	Gas POD	In Add. Bond
9439	C P STATE #001	S	Active	8-02-24N-06W	H	30-039-05667	G	7/2013	71439	BALLARD PICTURED CLIFFS (GAS)	Active	2186730	8/1/2015
	C P STATE #002	S	Active	K-36-24N-06W	K	30-039-05236	G	4/2014	71439	BALLARD PICTURED CLIFFS (GAS)	Active	2187030	5/1/2016
	C P STATE #003	S	Active	H-36-24N-06W	H	30-039-05252	G	7/2014	71439	BALLARD PICTURED CLIFFS (GAS)	Active	2186930	8/1/2016
	C P STATE #004	S	Active	P-02-24N-06W	P	30-039-05634	G	10/2014	71439	BALLARD PICTURED CLIFFS (GAS)	Active	2186830	11/1/2016

**Exhibit A**

# Inactive Well Additional Financial Assurance Report

15501 NANCY WILCOX E QUALLS

Total State & Fee Wells: 4

Printed On: Monday, March 25 2024

Property	Well Name	Lease Type	ULSTR	OCD Unit Letter	API	Well Type	Last Prod/Inj	Inactive Additional Bond Due	Bonding Depth	Required Bond Amount	Bond Required Now	Covered By Blanket TA Bond	Bond In Place	In Violation
9439	C P STATE #001	S	8-02-24N-06W	H	30-039-05667	G	07/2013	08/2015	2525	30,050	Y		5,000	Y
	C P STATE #002	S	K-36-24N-06W	K	30-039-05236	G	04/2014	05/2016	2350	29,700	Y		5,000	Y
	C P STATE #003	S	H-36-24N-06W	H	30-039-05252	G	07/2014	08/2016	2360	29,720	Y		5,000	Y
	C P STATE #004	S	P-02-24N-06W	P	30-039-05634	G	10/2014	11/2016	2341	29,682	Y		5,000	Y

WHERE Ogrid:15501



