

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

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:**

**CASE NO. 12733-A
ORDER NO. R-11761**

**APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION
THROUGH THE SUPERVISOR OF THE DISTRICT II ARTESIA OFFICE FOR
AN ORDER REQUIRING OPERATORS TO BRING FIFTY-SIX (56) WELLS
INTO COMPLIANCE WITH RULE 201.B AND ASSESSING APPROPRIATE
CIVIL PENALTIES; EDDY AND CHAVES COUNTIES, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on January 10, 2002, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 15th day of April, 2002, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.

(2) There are eleven (11) respondents named in this Application. At the hearing, the New Mexico Oil Conservation Division ("the Division") appeared through counsel, and Respondents The Wisser Oil Company ("Wisser") and Julian Ard appeared through counsel. The remaining respondents named in the Application did not appear at the hearing.

(3) The Division seeks an order directing the named respondents to bring certain wells into compliance with Division Rule 201.B, either by: (i) restoring these wells to production or other Division-approved beneficial use; (ii) causing these wells to be properly plugged and abandoned in accordance with Division Rule 202.B; or (iii) securing Division authority to maintain these wells in temporary abandonment status, in accordance with Division Rule 203.

(4) Julian Ard is the operator of the Acme No. 1 (API No. 30-005-61891) located in Unit I of Section 4, Township 8 South, Range 27 East, NMPM, Chaves County, New Mexico. The Application alleges that this well is inactive and not in compliance with Division Rule 201.B.

(5) Julian Ard appeared at the hearing and stated that there appears to be no beneficial use for this wellbore, and consequently, the Acme No. 1 will be immediately plugged and abandoned.

(6) The Division requested that a compliance order be entered as to Julian Ard's Acme No. 1, and that no penalty be assessed against this operator at this time.

(7) The Application alleges that Wisner is the operator of the following-described twenty-three (23) wells in Eddy County, New Mexico, and that said wells are inactive and not in compliance with Division Rule 201.B:

Lea "C" No. 3 (API No. 30-015-05131) Unit D, Section 11, T-17S, R-31E
Lea "C" No. 14 (API No. 30-015-20705) Unit I, Section 11, T-17S, R-31E
Skelly Unit No. 3 (API No. 30-015-05347) Unit D, Section 22, T-17S, R-31E
Skelly Unit No. 13 (API No. 30-015-05323) Unit K, Section 21, T-17S, R-31E
Skelly Unit No. 17 (API No. 30-015-05153) Unit B, Section 15, T-17S, R-31E
Skelly Unit No. 18 (API No. 30-015-05154) Unit D, Section 15, T-17S, R-31E
Skelly Unit No. 42 (API No. 30-015-05356) Unit B, Section 22, T-17S, R-31E
Skelly Unit No. 45 (API No. 30-015-05346) Unit G, Section 22, T-17S, R-31E
Skelly Unit No. 46 (API No. 30-015-05357) Unit H, Section 22, T-17S, R-31E
Skelly Unit No. 47 (API No. 30-015-05364) Unit E, Section 23, T-17S, R-31E
Skelly Unit No. 52 (API No. 30-015-05345) Unit J, Section 22, T-17S, R-31E
Skelly Unit No. 56 (API No. 30-015-05350) Unit N, Section 22, T-17S, R-31E
Skelly Unit No. 57 (API No. 30-015-05353) Unit O, Section 22, T-17S, R-31E
Skelly Unit No. 67 (API No. 30-015-05339) Unit J, Section 21, T-17S, R-31E
Skelly Unit No. 72 (API No. 30-015-05372) Unit K, Section 23, T-17S, R-31E
Skelly Unit No. 85 (API No. 30-015-05422) Unit B, Section 27, T-17S, R-31E
Skelly Unit No. 89 (API No. 30-015-05429) Unit B, Section 28, T-17S, R-31E
Skelly Unit No. 102 (API No. 30-015-05147) Unit B, Section 14, T-17S, R-31E
Skelly Unit No. 103 (API No. 30-015-05148) Unit C, Section 14, T-17S, R-31E
Skelly Unit No. 105 (API No. 30-015-05149) Unit F, Section 14, T-17S, R-31E
Skelly Unit No. 123 (API No. 30-015-22257) Unit M, Section 22, T-17S, R-31E
Skelly Unit No. 161 (API No. 30-015-28140) Unit K, Section 28, T-17S, R-31E
Skelly Unit No. 264 (API No. 30-015-28999) Unit C, Section 27, T-17S, R-31E.

(8) Wiser appeared at the hearing and stated that it has brought each of the twenty-three subject wells into compliance with Division rules.

(9) The Division, upon review of Wiser's evidence, requested that this case be dismissed as to Wiser.

(10) Bird Creek Resources is the operator of the Williams No. 1 (API No. 30-015-23907) located in Unit N of Section 25, Township 23 South, Range 28 East, NMPM, Eddy County, New Mexico.

(11) The Division stated that the Bird Creek Resources Williams No. 1 is in compliance with Division rules and consequently requested that this case be dismissed as to Bird Creek Resources.

(12) Lindenmuth & Associates is the operator of the Gorman State No. 1 (API No. 30-015-00054) located in Unit C of Section 36, Township 19 South, Range 24 East, NMPM, Eddy County, New Mexico.

(13) The Division stated that the Lindenmuth & Associates Gorman State No. 1 is in compliance with Division rules and consequently requested that this case be dismissed as to Lindenmuth & Associates.

(14) The Division presented no evidence in reference to Dinero Operating's Big Chief Com No. 1 (API No. 30-015-22474) located in Unit F of Section 22, Township 22 South, Range 28 East, NMPM, Eddy County, New Mexico.

(15) This case should be dismissed as to the Dinero Operating Big Chief Com No. 1.

(16) With respect to Aceco Petroleum, the Division presented evidence that demonstrates:

(a) Aceco Petroleum is the operator of five wells in Eddy County, identified as follows:

Graridge State No. 3 (API No. 30-015-01904) Unit L, Section 17, T-18S, R-28E
Welch State No. 4 (API No. 30-015-10452) Unit K, Section 17, T-18S, R-28E
Welch State No. 1 (API No. 30-015-01908) Unit K, Section 17, T-17S, R-28E
Adkins Williams St. No. 2 (API No. 30-015-01916) Unit O, Section 17, T-18S, R-28E
Adkins Williams St. No. 5 (API No. 30-015-01919) Unit O, Section 17, T-18S, R-28E;

- (b) the Adkins Williams State No. 2, Adkins Williams State No. 5, Graridge State No. 3, Welch State No. 1 and Welch State No. 4 have not produced any hydrocarbons since January, 2000, December, 1999, August, 1998, July, 1999 and prior to January 1997, respectively;
- (c) the Division has on several occasions beginning in January, 1998, notified Aceco Petroleum that the above-described wells were not in compliance with Rule 201.B, and requested that the operator take action to bring the wells into compliance; and
- (d) Aceco Petroleum has thus far not fully complied with the Division's directives.

(17) Aceco Petroleum's Graridge State No. 3, Welch State No. 1 and 4, and Adkins Williams State No. 2 and 5 are not in compliance with Division Rule 201.B.

(18) With regards to the Welch State No. 4, Aceco Petroleum knowingly and willfully failed to comply with OCD Rule 201.B for at least four (4) years. With regards to the Graridge State No. 3 and the Welch State No. 1, Aceco Petroleum knowingly and willfully failed to comply with OCD Rule 201.B for at least one (1) year. Pursuant to NMSA 1978 70-2-31.A, a civil penalty in the amount of six thousand dollars (\$6,000) (\$1,000 for each well for each year of non-compliance) should be assessed against Aceco Petroleum for this knowing and willful violation. No civil penalty should be assessed against Aceco Petroleum for the Adkins Williams State No. 2 and 5.

(19) Aceco Petroleum should be ordered to bring these wells into compliance with Division Rule 201.B.

(20) With respect to Amtex Energy, Inc. the Division presented evidence that demonstrates:

- (a) Amtex Energy, Inc. is the operator of the following-described wells in Eddy County, New Mexico:

Malco No. 1 (API No. 30-015-00759) Unit A, Section 3, T-18S, R-27E
Malco No. 2 (API No. 30-015-01208) Unit A, Section 3, T-18S, R-27E;

- (b) the Malco No. 1 has not produced any hydrocarbons since prior to 1997;
- (c) the Division, by letter dated August 6, 2001, notified Amtex Energy, Inc. that the Malco No. 1 and 2 were not in compliance with Rule 201.B. and requested that Amtex Energy, Inc. bring these wells into compliance;
- (d) Amtex Energy, Inc. has obtained approval from the Bureau of Land Management (BLM) to directionally drill the Malco No. 2 and complete the well in the Red Lake Queen-Grayburg-San Andres Pool. Pursuant to BLM's approval, Amtex Energy, Inc. has until October, 2002 to perform this work;
- (e) the Malco No. 2 is in compliance with Division rules; and
- (f) by letter to the Division dated September 28, 2001, Amtex Energy, Inc. informed the Division that it would plug and abandon or produce the Malco No. 1 by November 1, 2001. The well was physically inspected by the Division on January 8, 2002, at which time the Division found that the well had not been plugged or returned to production.

(21) Amtex Energy, Inc's Malco No. 1 is not in compliance with Division Rule 201.B.

(22) Amtex Energy, Inc. should be ordered to bring this well into compliance with Division Rule 201.B.

(23) The Division requested that no civil penalty be assessed against Amtex Energy, Inc. for its Malco No. 1.

(24) With respect to Burnett Oil Company, the Division presented evidence that demonstrates:

- (a) Burnett Oil Company is the operator of the following-described wells in Eddy County, New Mexico:

Gissler "B" No. 11 (API No. 30-015-04301) Unit J, Section 23, T-17S, R-30E
Gissler "B" No. 7 (API No. 30-015-04120) Unit B, Section 11, T-17S, R-30E
Gissler "B" A-2 No. 27 (API No. 30-015-25987) Unit L, Section 12, T-17S, R-30E
Jackson "B" No. 4 (API No. 30-015-04036) Unit D, Section 1, T-17S, R-30E;

- (b) the Gissler "B" No. 7, Gissler "B" No. 11, Gissler "B" A-2 No. 27, and Jackson "B" No. 4 have not produced any hydrocarbons since January, 1999, August, 1998, August, 1998 and March, 1998, respectively;
- (c) by letter dated May 11, 2000, the Division notified Burnett Oil Company that the Gissler "B" No. 11 was not in compliance with Division rules, and requested that Burnett Oil Company bring this well into compliance; and
- (d) Burnett Oil Company has thus far not complied with the Division's directives.

(25) Burnett Oil Company's Gisslers "B" No. 7 and 11, Gissler "B" A-2 No. 27, and Jackson "B" No. 4 are not in compliance with Division Rule 201.B.

(26) With regards to the Gissler "B" No. 11, Burnett Oil Company knowingly and willfully failed to comply with OCD Rule 201.B for at least one (1) year. Pursuant to NMSA 1978 70-2-31.A, a civil penalty in the amount of one thousand dollars (\$1,000) (\$1,000 for each year of non-compliance) should be assessed against Burnett Oil Company for this knowing and willful violation. With regards to the Gissler "B" No. 7, Gissler "B" A-2 No. 27 and Jackson "B" No. 4, no civil penalty should be assessed.

(27) Burnett Oil Company should be ordered to bring these wells into compliance with Division Rule 201.B.

(28) With respect to Mar Oil & Gas, the Division presented evidence that demonstrates:

- (a) Mar Oil & Gas is the operator of the DD "24" Federal No. 1 (API No. 30-015-24496) located in Unit P of Section 24, Township 19 South, Range 24 East, NMPM, Eddy County, New Mexico;
- (b) the DD "24" Federal No. 1 has not produced any hydrocarbons since October, 1997;
- (c) by letter dated August 6, 2001, the Division notified Mar Oil & Gas that the DD "24" Federal No. 1 was not in compliance with Division rules and requested that Mar Oil & Gas bring this well into compliance; and
- (d) Mar Oil & Gas has thus far not complied with the Division's directives.

(29) Mar Oil & Gas's DD "24" Federal No. 1 is not in compliance with Division Rule 201.B.

(30) Mar Oil & Gas should be ordered to bring this well into compliance with Division Rule 201.B.

(31) With respect to NGX Company, the Division presented evidence that demonstrates:

- (a) NGX Company is the operator of the following-described wells in Eddy County, New Mexico:

Guacamayo No. 1 (API No. 30-015-22080) Unit P, Section 6, T-21S, R-27E
Ticolote State No. 1 (API No. 30-015-27346) Unit K, Section 2, T-21S, R-28E
State No. 1 (API No. 30-015-23100) Unit L, Section 2, T-21S, R-28E;

- (b) the Guacamayo No. 1, Ticolote State No. 1 and State No. 1 have not produced hydrocarbons since prior to 1997, November, 1997, and April, 2000, respectively;
- (c) by letter dated January 24, 2001, the Division notified NGX Company that the Guacamayo No. 1 and the Ticolote State No. 1 were not in compliance

with Division rules, and requested that NGX Company bring the wells into compliance; and

- (d) NGX Company has thus far not taken any action to bring the wells into compliance.

(32) NGX Company's Guacamayo No. 1, Tecolote State No. 1 and State No. 1 are not in compliance with Division Rule 201.B.

(33) With regards to the Guacamayo No. 1 and the Tecolote State No. 1, NGX Company knowingly and willfully failed to comply with OCD Rule 201.B for at least one (1) year. Pursuant to NMSA 1978 70-2-31.A, a civil penalty in the amount of two thousand dollars (\$2,000) (\$1,000 for each well for each year of non-compliance) should be assessed against NGX Company for this knowing and willful violation. With regards to the State No. 1, no civil penalty should be assessed.

(34) NGX Company should be ordered to bring these wells into compliance with Division Rule 201.B.

(35) With respect to Read & Stevens, Inc. the Division presented evidence that demonstrates:

- (a) Read & Stevens, Inc. is the operator of the following-described fourteen wells in Eddy and Chaves Counties, New Mexico:

Amoco Skeeter No. 1 (API No. 30-015-24558) Unit E, Section 14, T-16S, R-31E
Bunker Hill Water Flood Unit (BHWFU) No. 2 (API No. 30-015-24271) Unit D, Section 13, T-16S, R-31E
BHWFU No. 28 (API No. 30-015-24387) Unit K, Section 23, T-16S, R-31E
Jamie Federal No. 3 (API No. 30-015-26567) Unit E, Section 14, T-18S, R-31E
BHWFU No. 6 (API No. 30-015-24270) Unit F, Section 13, T-16S, R-31E
BHWFU No. 9 (API No. 30-015-10360) Unit L, Section 13, T-16S, R-31E
BHWFU No. 15 (API No. 30-015-23608) Unit P, Section 14, T-16S, R-31E
BHWFU No. 17 (API No. 30-015-23700) Unit N, Section 13, T-16S, R-31E
BHWFU No. 19 (API No. 30-015-23609) Unit D, Section 24, T-16S, R-31E
Buffalo Valley Com No. 1 (API No. 30-005-60014) Unit F, Section 2, T-15S, R-27E
Jackson No. 1 (API No. 30-005-20422) Unit I, Section 25, T-12S, R-30E
Sulimar No. 1 (API No. 30-005-60194) Unit K, Section 26, T-15S, R-29E
Sulimar No. 2 (API No. 30-005-60206) Unit M, Section 26, T-15S, R-29E
West Haystack Federal No. 5 (API No. 30-005-62991) Unit F, Section 19, T-6S, R-27E;

- (b) the Buffalo Valley Com No. 1, Bunker Hill Waterflood Unit No. 2, 9, 15, 17 and 19, Jackson No. 1, Jamie Federal No. 3 and West Haystack Federal No. 5 have not produced any hydrocarbons since prior to January, 1997. The Amoco Skeeter No. 1 and Bunker Hill Water Flood Unit No. 28 and 6 have not produced any hydrocarbons, respectively, since October, 1998, February, 1998, and September, 1999;
- (c) the Division presented no evidence showing the last production date for the Sulimar No. 1 and 2;
- (d) by letter dated October 15, 1996, the Division notified Read & Stevens, Inc. that the Bunker Hill Water Flood Unit No. 2, 15 and 17 were not in compliance with Division rules, and requested that Read & Stevens, Inc. bring the wells into compliance;
- (e) by letter dated November 5, 1997, the Division notified Read & Stevens, Inc. that the Amoco Skeeter No. 1 was not in compliance with Division rules, and requested that Read & Stevens, Inc. bring the well into compliance;
- (f) by letter dated December 26, 2000, the Division notified Read & Stevens, Inc. that all of the above-described wells, with the exception of the Bunker Hill Water Flood Unit No. 6, were not in compliance with Division rules, and ordered that Read & Stevens, Inc. bring the wells into compliance;
- (g) by letter dated October 24, 2001, Read & Stevens, Inc. informed the Division of its plan to bring the above-described fourteen wells into compliance;
- (h) in December, 2001, Read & Stevens, Inc. submitted a Form C-103 (Sundry Notice) to the Division describing a plan to plug and abandon the Amoco

Skeeter No. 1 and the Buffalo Valley Com No. 1;
and

- (i) as of the hearing date, Read & Stevens, Inc. has not taken any action to bring the subject wells into compliance with Division rules.

(36) The evidence presented demonstrates that Read & Stevens, Inc.'s Amoco Skeeter No. 1, Buffalo Valley Com No. 1, Bunker Hill Water Flood Unit No. 2, 6, 9, 15, 17, 19 and 28, Jackson No. 1, Jamie Federal No. 3 and West Haystack Federal No. 5 are not in compliance with Division Rule 201.B.

(37) The Read & Stevens, Inc. Sulimar No. 1 and 2 should be dismissed from this application.

(38) With regards to the Buffalo Valley Com No. 1, Bunker Hill Water Flood Unit No. 9, 19 and 28, Jackson No. 1, Jamie Federal No. 3 and the West Haystack Federal No. 5, Read & Stevens, Inc. knowingly and willfully failed to comply with OCD Rule 201.B for at least one (1) year. With regards to the Amoco Skeeter No. 1, Read & Stevens, Inc. knowingly and willfully failed to comply with OCD Rule 201.B for at least four (4) years. With regards to the Bunker Hill Water Flood Unit No. 2, 15 and 17, Read & Stevens, Inc. knowingly and willfully failed to comply with OCD Rule 201.B for at least five (5) years. Pursuant to NMSA 1978 70-2-31.A, a civil penalty in the amount of twenty-six thousand dollars (\$26,000) (\$1,000 for each well for each year of non-compliance) should be assessed against Read & Stevens, Inc. for this knowing and willful violation. With regards to the Bunker Hill Water Flood Unit No. 6, no civil penalty should be assessed.

(39) Read & Stevens, Inc. should be ordered to bring these wells into compliance with Division Rule 201.B.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the request of the Division through its counsel, this Application insofar as it relates to Julian Ard, The Wiser Oil Company, Bird Creek Resources and Lindenmuth & Associates is hereby dismissed.

(2) This Application, insofar as it relates to Dinero Operating, is hereby dismissed.

(3) This Application, insofar as it relates to the Read and Stevens, Inc. Sulimar No. 1 and 2, is hereby dismissed.

(4) This Application, insofar as it relates to the Amtex Energy Malco No. 2 is hereby dismissed.

(5) Pursuant to the Application of the Division, Aceco Petroleum, Amtex Energy, Burnett Oil Company, Mar Oil & Gas, NGX Company, and Read and Stevens, Inc. are hereby ordered, no later than thirty (30) days from the date of issuance of this Order, to bring each of their wells herein identified into compliance with Rule 201.B by accomplishing one of the following with respect to each well:

(a) causing said well to be plugged and abandoned in accordance with Rule 202, and in accordance with a Division-approved plugging program;

(b) restoring the well to production if the well is an oil or gas well;

(c) restoring the well to injection if the well is an injection well; or

(d) causing the well to be temporarily abandoned with Division approval in accordance with Rule 203.

(6) As to any wells that the operators fail to bring into compliance within the time period prescribed by this order, the supervisor of the Artesia District Office and Division counsel may commence proceedings to order that said wells be permanently plugged and abandoned by the operators or by the Division, and to forfeit the financial assurance, if any, provided by such operators pursuant to NMSA 1978 Section 70-2-14, as amended, and Division Rule 101, or take other action as appropriate.

(7) Administrative penalties are hereby assessed against each of the following operators for knowingly and willfully failing to bring their wells into compliance after receiving notice from the Division to do so. The amounts assessed are as follows:

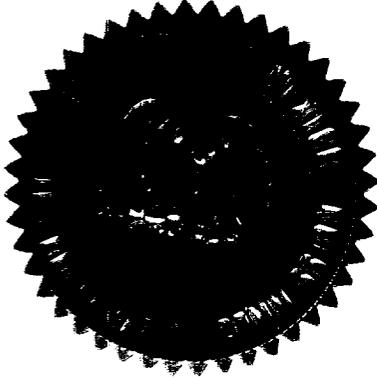
Aceco Petroleum	\$6,000
Burnett Oil Company	\$1,000
NGX Company	\$2,000
Read and Stevens, Inc.	\$26,000

(8) The civil penalty herein assessed shall be paid within thirty (30) days of receipt of this Order, by certified or cashier's check made payable to the "New Mexico Oil Conservation Division," and mailed or hand-delivered to the New Mexico Oil Conservation Division, Attention: Lori Wrotenbery, Director, 1220 South St. Francis Drive, Santa Fe, New Mexico 87504, unless within such time application is filed by the

operator for *de novo* review by the New Mexico Oil Conservation Commission of the penalty assessed against it.

(9) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



S E A L

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in cursive script, appearing to read "Lori Wrottenbery".

LORI WROTENBERY
Director