

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

IN RE FAE II OPERATING LLC

NMOCD-ACO-2020-006

AGREED COMPLIANCE ORDER

Pursuant to the New Mexico Oil and Gas Act ("Act"), NMSA 1978, Section 70-2-1, *et seq.*, and 19.15.5.10(E) NMAC, the Director of the Oil Conservation Division ("OCD") and FAE II Operating, LLC ("Operator") enter into this Agreed Compliance Order ("Order").

I. FINDINGS OF FACT AND CONCLUSIONS OF LAW

1. OCD is charged with the administration and enforcement of the Act and the rules adopted thereunder, and has jurisdiction over Operator and its wells in the state of New Mexico.
2. Operator is the operator of record under OGRID 329326 for the 28 wells ("Wells") in Exhibit A which have been shut-in or which will be shut-in due to economic conditions, and that are or will be inactive under 19.15.25 NMAC.
3. Operator has provided financial assurance for each Well in accordance with 19.15.8 NMAC.
4. Operator intends to restore production from the Wells upon the improvement of economic conditions.
5. OCD is authorized to impose sanctions for violation of the Oil and Gas Act and the implementing rules.
6. Operator requests this Order in order to avoid the imposition of sanctions with respect to the Wells, including 19.15.5.9 NMAC (wells in violation of 19.15.25 NMAC); 19.15.8.9(D) NMAC (inactive wells without sufficient financial assurance); and 19.15.25.12 NMAC (wells exceeding the limitation for wells in approved temporary abandonment status).
7. Operator admits the findings of fact and waives any right to appeal from this Order.

II. ORDER

8. No later than April 15, 2023, Operator shall take one of the following actions for each Well:
 - (a) restore the Well to production and file a C-115;

(b) place the Well on approved temporary abandonment status in accordance with 19.15.25 NMAC; or

(c) Plug the Well in accordance with 19.15.25.10 NMAC and file a Form C-103.

9. OCD may extend the specified date for a Well in Exhibit A for an additional twelve (12) months for good cause shown.
10. Operator shall submit a report no later than twelve (12) months, twenty-four (24) months, and thirty-six (36) months after the date of issuance of this Order stating whether the Well has been restored to production, placed on approved temporary abandonment status, or plugged.
11. A Well that is restored to production shall be considered active and no longer covered by this Order.
12. Operator shall maintain the financial assurance for each Well in accordance with 19.15.8 NMAC, including, no later than the specified date in Exhibit A, the applicable blanket bond or one well financial assurance required by 19.15.8.9(D) NMAC.
13. Operator shall conduct a Bradenhead test on each Well no later than twelve (12) months, twenty-four (24) months, and thirty-six (36) months after the date of issuance of this Order, and shall submit a compliance report for each test no later than thirty (30) days after such test.
14. If a Well appears to have a defective casing program or faultily cemented or corroded casing that will permit or may create underground waste or contamination of fresh waters, Operator shall give written notice to OCD within five (5) working days and proceed with diligence to use the appropriate method and means to eliminate the hazard. If the hazard of waste or contamination of fresh water cannot be eliminated, Operator shall properly plug and abandon the Well. 19.15.16.11 NMAC.
15. Operator shall submit a production report for each Well on or before the 15th day of the second month following the month of production in accordance with 19.15.57.24(B) NMAC.
16. No later than the thirty (30) days after the date of issuance of this Order, Operator shall send a report by electronic mail to OCD's Enforcement and Compliance Manager describing the amount of production for each Well in the last month prior to the shut-in date specified in Exhibit A.
17. Operator shall not transfer a Well to another operator unless approved in writing by OCD.

18. If Operator fails to comply with this Order, it shall pay a stipulated penalty of \$250 for each day on which the failure to comply occurs.

19. If Operator fails to comply with this Order or the Well poses an imminent threat to the public health or environment, in addition to the stipulated penalties specified above, OCD may apply for an order to plug a Well and to forfeit the financial assurance for the Well.
20. OCD reserves the right to impose a sanction for any alleged violation not addressed in this Order.

NEW MEXICO OIL CONSERVATION DIVISION



Adrienne Sandoval
Director

Date: 4/16/2020

FAE II OPERATING LLC



Huxley Song
CEO

Date: 4/15/20