

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

IN RE: Southwest Royalties Inc [21355]

NMOCD-ACO- 201924

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 Southwest Royalties, Inc. ("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 for 874 wells under OGRID # 21355.
3. Operator has or will shut-in each of the wells listed on **Exhibit "A"** ("Well" or "Wells") due to down hole failures _____, and each Well is or will become inactive under 19.15.25 NMAC on the specified date:
4. Operator has sufficient financial assurance for the Wells under 19.15.8.9(C) NMAC.
5. Operator intends to restore production from the Wells before the applicability of the requirement for inactive well financial assurance under 19.15.8.9(D) NMAC.
6. OCD is authorized to impose sanctions for violations of the Oil and Gas Act and the rules adopted thereunder, including denial or revocation of registrations, applications, permits, authorizations and transfers, and the assessment of civil penalties. *See* 19.15.5.10 NMAC.
7. Operator requests the Order in order to avoid sanctions for violating the Oil and Gas Act and 19.15.25 NMAC with respect to the Wells.
8. Operator admits the findings of fact and waives any right to appeal from the Order.

II. ORDER

9. No later than the date listed on Exhibit A, 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; and
 - (c) plug the Well in accordance with 19.15.25 NMAC and file a C-105.
10. No later than the 15th day of each month following the entry of this Order, Operator shall file a report describing the action taken for each Well, and such other information as OCD may request for time to time. The report shall be sent by electronic mail to OCD's Administrative and Compliance Bureau, at OCDAdminComp@state.nm.us
11. Operator shall maintain sufficient financial assurance for the Wells under 19.15.8.9(C) NMAC.
12. If Operator fails to comply with a requirement of this Order for a Well, the Well shall be deemed to be out of compliance with the Oil and Gas Act the Oil and Gas Act and the rules adopted thereunder, and not subject to an agreed compliance order setting a schedule for bringing the Well into compliance.
13. If Operator fails to comply with a requirement of this Order, no later than thirty (30) days after receipt of a written demand from OCD, in addition to any other sanction imposed by OCD pursuant to the Oil and Gas Act and the rules adopted thereunder, Operator shall pay a stipulated penalty of \$500.00 for each day until it complies with each separate requirement ("Stipulated Penalty"). Each failure to comply with a requirement of this Order shall be subject to a separate Stipulated Penalty.
14. If Operator fails to pay the Stipulated Penalty or portion thereof within thirty (30) days after receipt of a written demand from OCD, it shall pay interest on the Stipulated Penalty or unpaid portion thereof until paid in full at the interest rate of 8.75 percent.
15. Operator shall not transfer a Well to another operator unless approved in writing by OCD.

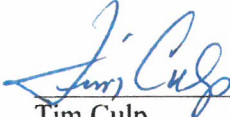
16. Notwithstanding the foregoing provisions, OCD reserves the right to apply for authorization to plug a Well and to forfeit the financial assurance if the Well poses an imminent threat to the public health or environment.
17. OCD reserves the right to sanction Operator for any alleged violation not addressed in this Order.

NEW MEXICO OIL CONSERVATION DIVISION



Adrienne Sandoval
Director

Date: 10/15/2021



Tim Culp
President

Date: 10/12/21