

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

IN RE SCORPION OIL & GAS, LLC

NMOCD-ACOI-201970

AGREED COMPLIANCE ORDER FOR INACTIVE WELLS

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 Scorpion Oil & Gas, LLC ("Operator") enter into this Agreed Compliance Order for Inactive Wells ("ACOI").

1. OCD is charged with the administration and enforcement of the Oil and Gas Act and its rules and has jurisdiction over Operator and its wells in the state of New Mexico.
2. Operator seeks to transfer fifteen (15) wells from Ring Energy, LLC ("Ring"), all of which are currently in inactive well status.
3. Ring operates under OGRID 328599.
4. Operator operates under OGRID 332127.
5. OCD is authorized to impose sanctions for violations of the Oil and Gas Act and its rules, including denial or revocation of registrations, applications, permits, authorizations and transfers, and the assessment of civil penalties. See 19.15.5.10 NMAC.
6. Operator requests this ACOI to avoid sanctions for violating the Oil and Gas Act, 19.15.8.9 NMAC, and 19.15.25 NMAC with respect to the Wells.
7. Operator admits the findings of fact and waives any right to appeal from this ACOI.
8. Operator accepts and acknowledges responsibility for any and all costs associated with plugging and abandonment and remediation of the Wells. Specifically, Operator assumes responsibility for any remediation required under 19.15.29 NMAC.
9. Operator must file Change of Operator forms (C-145) for all wells identified in **Exhibit A** within 45 days of execution of this Order.
9. No later than the dates listed in **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; or
- c. plug the Well in accordance with 19.15.25 NMAC and file a C-105.

10. If Operator determines that any well currently identified in **Exhibit A** as being returned to production is unable to return to production, Operator must notify OCD that the well must be plugged and abandoned on or before the production deadline in **Exhibit A**. Operator must plug and abandon any such well within six months of the production deadline, except as approved by OCD for good cause shown.

11. No later than the 15<sup>th</sup> day of each month following the entry of this ACOI, Operator shall file a report describing the action taken for each Well, and such other information as OCD may request from time to time. The report shall be sent by electronic mail to OCD's Administrative and Compliance Bureau, at [OCDAdminComp@state.nm.us](mailto:OCDAdminComp@state.nm.us).

12. Operator must provide sufficient blanket financial assurance for the Wells under 19.15.8.9(C) NMAC prior to OCD's approval of any well transfer, including proof of any financial assurance as required by BLM.

13. Operator agrees that any lapse in financial assurance, regardless of cause, is a violation of OCD rules and the terms of this Order and is subject to daily stipulated penalties.

14. Operator is not required to provide additional inactive well financial assurance under 19.15.8.9(D) NMAC at this time so long as Operator is compliant with all deadlines established in this Order and **Exhibit A**. Should Operator fail to meet any deadline in **Exhibit A**, Operator shall provide adequate additional inactive well financial assurance for all qualifying wells within 30 days of the lapse of any applicable deadline.

15. If Operator fails to comply with a requirement of this ACOI for a Well, the Well shall be deemed to be out of compliance with the Oil and Gas Act and rules.

16. If Operator fails to comply with a requirement of this ACOI, 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 \$250.00 for each day until it complies with each applicable requirement ("Stipulated Penalty"). Operator acknowledges that each failure to comply with a requirement of this ACOI shall be subject to a separate Stipulated Penalty.

17. 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 annual interest.

18. Operator shall not transfer a Well to another operator without the prior approval of the OCD.

19. If Operator fails to plug a Well as required herein, OCD retains the right, to which Operator agrees, to plug such well itself with thirty (30) days prior written notice to the Operator of its failure to plug consistent with the requirements of this Agreement. OCD also retains the right to pursue recovery of any such costs from the Operator under the Act or other applicable law.

20. Notwithstanding the foregoing provisions,  
a. OCD reserves the right to apply for authorization to plug a Well and to forfeit the financial assurance at an early date then specified herein if the Well poses an imminent threat to the public health or environment.  
b. OCD reserve the right to sanction Operator for any alleged violation not addressed in this Order.

**NEW MEXICO OIL CONSERVATION DIVISION**

  
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Dylan Euge  
Director

11/14/23  
Date

  
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Nathaniel J. Ragette  
Chief Executive Officer

11/9/2023  
Date

## Exhibit A

<b>Operator Name:</b>	Scorpion Oil & Gas, LLC				
<b>Operator OGRID:</b>	332127				
<b>ACOI submittal Date:</b>	9/20/2023				
<b>ACOI Approval Date:</b>					
<b>Total Number of Non-Compliant Wells:</b>	15				
<b>Number of Wells per month brought into production or plugged:</b>	2				
<b>ACOI # : (Assigned by OCD)</b>	201970				
<b>List of Noncompliant Wells</b>					

API	Well Name/Number	Plug or Produce?	Date of plugging or production	Date of Last Production	Financial Assurance Single well or Blanket bond?	Amount of Financial Assurance
30-025-40033	T D Pope 35 #034	Produce	End of 12/2023	10/2021	Blanket	\$500,000
30-025-05145	TD Pope 26 #010	Produce	End of 12/2023	07/2023	Blanket	\$500,000
30-025-37032	T D Pope 35 #002H	Produce	End of 01/2024	08/2019	Blanket	\$500,000
30-025-05189	T D Pope 35 #006	Produce	End of 01/2024	06/2018	Blanket	\$500,000
30-025-05209	T D Pope 36 #001	Produce	End of 02/2024	12/2020	Blanket	\$500,000
30-025-09863	Priest #003	Produce	End of 02/2024	03/2020	Blanket	\$500,000
30-025-05122	Buckley A #004	Produce	End of 03/2024	01/2014	Blanket	\$500,000
30-025-05217	TD Pope 36 #009	Produce	End of 03/2024	02/2014	Blanket	\$500,000
30-025-05127	Buckley B #004	Produce	End of 04/2024	06/2017	Blanket	\$500,000
30-025-39999	T D Pope 36 #010	Produce	End of 04/2024	10/2020	Blanket	\$500,000
30-025-05179	BC Dickinson D #5	Produce	End of 05/2024	05/2015	Blanket	\$500,000
30-025-05232	State T #007	Plug	End of 05/2024	10/2009	Blanket	\$500,000
30-025-05133	Shelton #006	Produce	End of 06/2024	05/2008	Blanket	\$500,000
30-025-05229	State T Devonian #004	Plug	End of 06/2024	08/2011	Blanket	\$500,000
30-025-25570	State T Devonian #009	Plug	End of 07/2024	05/2006	Blanket	\$500,000