

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

IN RE:

NMOCD-ACOI-201972

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 MorningStar Operating, LLC ("Operator") enter into this Agreed Compliance Order for Inactive Wells ("ACOI").

I. FINDINGS OF FACT AND CONCLUSIONS OF LAW

1. OCD is charged with the administration and enforcement of the Oil and Gas Act and the rules and has jurisdiction over Operator and its wells in the state of New Mexico.
2. Operator is the operator of record for one-thousand, four-hundred and seventy-four (1,474) wells of which fifty-four (54) are listed in Exhibit A.
3. Operator is under OGRID # 330132.
4. Operator will address each well listed on **Exhibit "A"** ("Well" or "Wells") due to noncompliance.
5. Operator has sufficient financial assurance for the Wells under 19.15.8.9(C) NMAC.
6. 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.
7. OCD is authorized to impose sanctions for violations of the Oil and Gas Act and the rules, including denial or revocation of registrations, applications, permits, authorizations and transfers, and the assessment of civil penalties. *See* 19.15.5.10NMAC.
8. Operator requests this ACOI to avoid sanctions for violating the Oil and Gas Act and 19.15.25 NMAC with respect to the Wells.
9. Operator admits the findings of fact and waives any right to appeal from this ACOI.

II. ORDER

9. No later than March 1, 2025, 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-103.
10. No later than the 15th 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 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 ACOI for a Well, the Well shall be deemed to be out of compliance with the Oil and Gas Act and rules.
13. 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.
14. 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 \$500.00 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.
15. 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.
16. Operator shall not transfer a Well to another operator without the prior approval of the OCD.
17. 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.
18. 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



Dylan Page (Acting)

6/6/24
Date



Name of Authorized Representative
Bill Frey
V.P. Operations

5/15/2024
Date

Exhibit A

Operator Name:	MORNINGSTAR OPERATING LLC			
Operator OGRID:	330132			
ACOI Sumbital Date:	3/27/2024			
ACOI Approval Date:				
Total Number of Non-Compliant Wells:	54			
Number of Wells per month brought into production or plugged:	4.91			
ACOI # : (Assigned by OCD)	201972			

List of Noncompliant Wells

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
30-025-02274	VACUUM GLORIETA SAN ANDRES UNIT #009	RTP	3/31/2024	Nov-22	BLANKET	\$1,000,000.00
30-025-31992	VACUUM GRAYBURG SAN ANDRES UNIT #343	RTP	4/15/2024	Oct-22	BLANKET	\$1,000,000.00
30-025-33052	CENTRAL VACUUM UNIT #275	RTP	4/15/2024	Jul-23	BLANKET	\$1,000,000.00
30-025-40063	NM R NCT-4 #006	TA	4/15/2024	Dec-22	BLANKET	\$1,000,000.00
30-025-32270	VACUUM GLORIETA WEST UNIT #070	TA	4/30/2024	May-18	BLANKET	\$1,000,000.00
30-025-30968	VACUUM GLORIETA WEST UNIT #074	TA	4/30/2024	Sep-21	BLANKET	\$1,000,000.00
30-025-29919	VACUUM GLORIETA WEST UNIT #099H	TA	4/30/2024	Jun-22	BLANKET	\$1,000,000.00
30-025-40122	NM R NCT-4 #007	TA	4/30/2024	Dec-22	BLANKET	\$1,000,000.00
30-025-33926	NORTH VACUUM ABO WEST UNIT #028H	TA (EXTEND)	5/15/2024	Feb-18	BLANKET	\$1,000,000.00
30-025-24361	VACUUM GRAYBURG SAN ANDRES UNIT #035	RTI	5/15/2024	May-23	BLANKET	\$1,000,000.00
30-025-02947	CENTRAL VACUUM UNIT #011	TA (EXTEND)	5/31/2024	Dec-12	BLANKET	\$1,000,000.00
30-025-02221	STATE 35 UNIT #035	TA	5/31/2024	Apr-23	BLANKET	\$1,000,000.00
30-025-40059	STATE AN #013	TA	5/31/2024	Dec-22	BLANKET	\$1,000,000.00
30-025-40061	NEW MEXICO R NCT 4 #004	TA	6/15/2024	Feb-23	BLANKET	\$1,000,000.00
30-025-03101	STATE AN #001	TA	6/15/2024	Dec-22	BLANKET	\$1,000,000.00
30-025-21637	VACUUM GLORIETA WEST UNIT #087	TA	6/30/2024	May-22	BLANKET	\$1,000,000.00
30-025-27976	VACUUM GRAYBURG SAN ANDRES UNIT #067	RTI	6/30/2024	Apr-23	BLANKET	\$1,000,000.00
30-025-38785	VACUUM GRAYBURG SAN ANDRES UNIT #438	RTI	6/30/2024	May-23	BLANKET	\$1,000,000.00
30-039-24423	CARRACAS 17B 15	TA (EXTEND)	7/1/2024	Jul-09	BLANKET	\$1,000,000.00
30-039-26485	CARRACAS 17B 14	TA (EXTEND)	7/1/2024	Jul-09	BLANKET	\$1,000,000.00
30-025-33765	WEST VACUUM UNIT #060	TA	7/15/2024	Apr-23	BLANKET	\$1,000,000.00
30-039-24652	CARRACAS 24B #001	PLUG	7/15/2024	Nov-22	BLANKET	\$1,000,000.00
30-025-28053	STATE 35 UNIT #005	TA	7/31/2024	Apr-21	BLANKET	\$1,000,000.00
30-039-07997	SAN JUAN 32 S UNIT #016	PLUG	7/31/2024	Aug-22	BLANKET	\$1,000,000.00
30-036-24269	SAN JUAN 32 S UNIT NP #103	RTP	7/31/2024	Nov-22	BLANKET	\$1,000,000.00
30-039-06070	DOYOHUJE #001	RTP	7/31/2024	May-23	BLANKET	\$1,000,000.00
30-045-33396	FEDERAL 28 8 31 #001S	RTP	7/31/2024	May-23	BLANKET	\$1,000,000.00
30-039-06501	JICARILLA F #014	RTP	7/31/2024	May-23	BLANKET	\$1,000,000.00
30-045-34666	PHILLIPS #002F	RTP	7/31/2024	May-23	BLANKET	\$1,000,000.00
30-045-26416	ROELOFS A #007	RTP	7/31/2024	May-23	BLANKET	\$1,000,000.00
30-039-06210	SHEETS C #008	RTP	7/31/2024	May-23	BLANKET	\$1,000,000.00
30-045-06394	MCADAMS #001	RTP	7/31/2024	Aug-23	BLANKET	\$1,000,000.00
30-045-06646	PIPKIN #005	RTP	7/31/2024	Aug-23	BLANKET	\$1,000,000.00
30-045-06360	ROWLEY B #002	RTP	7/31/2024	Aug-23	BLANKET	\$1,000,000.00
30-039-06314	HUGHES #015	PLUG	8/15/2024	Sep-22	BLANKET	\$1,000,000.00
30-039-20162	JICARILLA 98 #008	PLUG	8/31/2024	Sep-22	BLANKET	\$1,000,000.00
30-025-24363	VACUUM GRAYBURG SAN ANDRES UNIT #045	RTI	8/31/2024	Mar-23	BLANKET	\$1,000,000.00
30-025-30614	STATE 35 UNIT #024	RTP	8/31/2024	Apr-23	BLANKET	\$1,000,000.00
30-025-24314	VACUUM GRAYBURG SAN ANDRES UNIT #031	RTI	9/30/2024	Oct-21	BLANKET	\$1,000,000.00
30-025-25706	CENTRAL VACUUM UNIT #043	RTI	9/30/2024	Apr-23	BLANKET	\$1,000,000.00
30-025-32844	STATE A #010	RTP	10/15/2024	May-23	BLANKET	\$1,000,000.00
30-045-20892	MANSFIELD #010	PLUG	10/15/2024	Sep-23	BLANKET	\$1,000,000.00
30-025-32806	CENTRAL VACUUM UNIT #201	RTI	10/31/2024	Apr-23	BLANKET	\$1,000,000.00
30-045-21528	EL PASO #003	PLUG	10/31/2024	Jul-23	BLANKET	\$1,000,000.00
30-025-30104	CENTRAL VACUUM UNIT #242	RTI	11/30/2024	Apr-23	BLANKET	\$1,000,000.00
30-025-03077	CENTRAL VACUUM UNIT #105	RTP	11/30/2024	Aug-23	BLANKET	\$1,000,000.00

30-025-31781	VACUUM GLORIETA WEST UNIT #017	TA (EXTEND)	12/13/2024	Oct-12	BLANKET	\$1,000,000.00
30-025-22794	MIDWAY STATE #001	PLUG	12/15/2024	Feb-21	BLANKET	\$1,000,000.00
30-025-31844	VACUUM GLORIETA WEST UNIT #096	RTI	1/15/2025	Apr-23	BLANKET	\$1,000,000.00
30-025-31702	VACUUM GLORIETA WEST UNIT #052	RTI	1/31/2025	Apr-23	BLANKET	\$1,000,000.00
30-025-31872	VACUUM GLORIETA WEST UNIT #077	RTI	1/31/2025	Apr-23	BLANKET	\$1,000,000.00
30-025-20510	VACUUM GLORIETA WEST UNIT #057	RTP	2/15/2025	Jan-12	BLANKET	\$1,000,000.00
30-025-31871	VACUUM GLORIETA WEST UNIT #063	RTI	2/15/2025	Sep-21	BLANKET	\$1,000,000.00
30-025-31816	VACUUM GLORIETA WEST UNIT #054	RTI	2/15/2025	Apr-23	BLANKET	\$1,000,000.00