

State of New Mexico
Energy, Minerals and Natural Resources Department

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Oil Conservation Division



**BY CERTIFIED MAIL – RETURN RECEIPT REQUESTED
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Christina Opfer
Regulatory Manager
Kaiser-Francis Oil Company
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NOTICE OF VIOLATION

**Bell Lake Unit South #217H (30-025-46592)
Bell Lake Unit South #218H (30-025-46593)
Bell Lake Unit South #417H (30-025-48213)
Bell Lake Unit South #418H (30-025-48261)**

The Director of the Oil Conservation Division (“OCD”) issues this Notice of Violation (“NOV”) pursuant to 19.15.5.10 NMAC.

(1) Alleged Violators: Kaiser-Francis Oil Company, OGRID 12361 (“Operator”).

(2) Citation, Nature, and Factual and Legal Basis for Alleged Violation(s):

19.15.16.15 HORIZONTAL WELLS:

B (10) Pooling of horizontal spacing unit.

Whenever the operator of any horizontal well shall dedicate thereto lands comprising a standard or approved non-standard horizontal spacing unit in which there are two or more separately owned parcels of land, or royalty interests or undivided interests in oil or gas minerals which are separately owned, or any combination thereof, that have not been previously pooled for oil and gas production from the horizontal spacing unit, the operator shall obtain voluntary agreements pooling said lands or interests or an order of the division pooling said lands before producing the horizontal well.

Bell Lake Unit South #217H (30-025-46592)

1. On November 15, 2019, OCD approved the APD.
2. On December 11, 2019, OCD approved a revised APD.
3. On January 25, 2022, OCD approved the Spud notice.
4. On July 12, 2022, Operator submitted a C-104 completion packet. OCD rejected the packet.
5. On September 21, 2022 Operator resubmitted the C-104 reflecting first oil date of January 25, 2022.
6. On November 1, 2022, Operator filed an application for compulsory pooling.
7. On December 1, 2022, Hearing Examiner questioned Operator's counsel about these wells producing.
8. On December 15, 2022, Operator's counsel provided a response to the above questioning stating that these wells are producing (12/15/22 transcript pg. 46 line 12 onward).

Bell Lake Unit South #218H (30-025-46593)

9. On November 15, 2019, OCD approved the APD.
10. On December 11, 2019, OCD approved a revised APD.
11. On January 03, 2022, OCD approved the Spud notice. The notice listed a Spud Date of March 19, 2021.
12. On July 12, 2022, Operator submitted a C-104 completion packet. OCD rejected the packet.
13. On September 21, 2022 Operator resubmitted the C-104 reflecting first oil date of January 25, 2022.
14. On November 1, 2022, Operator filed an application for compulsory pooling.
15. On December 1, 2022, Hearing Examiner questioned Operator's counsel about these wells producing.
16. On December 15, 2022, Operator's counsel provided a response to the above questioning stating that these wells are producing (12/15/22 transcript pg. 46 line 12 onward).

Bell Lake Unit South #417H (30-025-48213)

17. On November 23, 2020, OCD approved the APD.
18. On December 20, 2020, OCD approved a revised APD.
19. On January 03, 2022, OCD approved the Spud notice. The notice listed a Spud Date of April 11, 2021.
20. On July 12, 2022, Operator submitted a C-104 completion packet reflecting first oil date of January 25, 2022.
21. On November 1, 2022, Operator filed an application for compulsory pooling.
22. On December 1, 2022, Hearing Examiner questioned Operator's counsel about these wells producing.
23. On December 15, 2022, Operator's counsel provided a response to the above questioning stating that these wells are producing (12/15/22 transcript pg. 46 line 12 onward).

Bell Lake Unit South #418H (30-025-48261)

24. On November 23, 2020, OCD approved the APD.
25. On December 29, 2020, OCD approved a revised APD.
26. On January 03, 2022, OCD approved the Spud notice. The notice listed a Spud Date of April 11, 2021.
27. On July 12, 2022, Operator submitted a C-104 completion packet reflecting first oil date of January 25, 2022.

28. On November 1, 2022, Operator filed an application for compulsory pooling.
29. On December 1, 2022, Hearing Examiner questioned Operator's counsel about these wells producing.
30. On December 15, 2022, Operator's counsel provided a response to the above questioning stating that these wells are producing (12/15/22 transcript pg. 46 line 12 onward).

(3) Compliance: No later than thirty (30) days after issuance of this NOV:

- Operator shall submit all production reports (form C-115) from the completion date through present reporting period.

(4) Sanction(s): OCD may impose one or more of the following sanctions:

- civil penalty
- modification, suspension, cancellation, or termination of a permit or authorization
- shutting in a well or wells
- plugging and abandonment of a well
- remediation and restoration of a well location and associated facilities, including the removal of surface and subsurface equipment and other materials
- remediation and restoration of a location affected by a spill or release
- forfeiture of financial assurance
- any other remedy authorized by law

For the alleged violations described above and consistent with applicable law, OCD proposes the following sanctions (one or more of which may ultimately be selected):

- Civil Penalty:

Bell Lake Unit South #217H (30-025-46592)	
19.15.16.15(B)	\$2,500.00
Bell Lake Unit South #218H (30-025-46593)	
19.15.16.15(B)	\$2,500.00
Bell Lake Unit South #417H (30-025-48213)	
19.15.16.15(B)	\$2,500.00
Bell Lake Unit South #418H (30-025-48261)	
19.15.16.15(B)	\$2,500.00

The civil penalty calculations are attached. OCD may recalculate the civil penalties for ongoing violations occurring on or after the date of issuance of this NOV and will take into consideration Operator's good faith effort to comply with the applicable requirements.

(5) Informal Review and Resolution: A process is available for the informal review and resolution of the alleged violations in the NOV. To initiate the informal review process, contact the OCD employee identified at the end of this letter. If OCD and the alleged violator agree to resolve the alleged violations in the NOV, the agreement will be incorporated into a stipulated final order signed by both parties and stating that the alleged violator admits OCD's jurisdiction to file the

NOV, consents to the specified relief, including the civil penalty, if any, and waives the right of review by the Oil Conservation Commission.

(6) Hearing: If this Notice of Violation is not resolved within thirty (30) days of receipt of service, OCD will hold a hearing on June 14, 2023. Please see 19.15.5.10 NMAC for more information regarding the hearing. However, please note that the hearing does not prohibit OCD from negotiating with the alleged violator at any time to settle the NOV.

For more information regarding this NOV, contact Sheila Apodaca, Law Clerk, (505) 699-8358 or Sheila.Apodaca@emnrd.nm.gov.

Regards,



Dylan M. Fuge
Director (Acting)

4/20/2023

Date

cc: EMNRD-OGC



STATE OF NEW MEXICO
ENERGY MINERALS AND
NATURAL RESOURCES DEPARTMENT
1220 SOUTH SAINT FRANCIS DRIVE
SANTA FE, NEW MEXICO 87505



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Christina Opfer
Regulatory Manager
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PO Box 21468
Tulsa, OK 74121

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<p>2. Article Number (Transfer from service label)</p> <p>7018 0040 0000 5414 7931</p>	
<p>3. Service Type</p> <p><input type="checkbox"/> Adult Signature <input type="checkbox"/> Priority Mail Express® <input type="checkbox"/> Adult Signature Restricted Delivery <input type="checkbox"/> Registered Mail™ <input checked="" type="checkbox"/> Certified Mail® <input type="checkbox"/> Registered Mail Restricted Delivery <input type="checkbox"/> Collect on Delivery <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Collect on Delivery Restricted Delivery <input type="checkbox"/> Signature Confirmation™ <input type="checkbox"/> Insured Mail <input type="checkbox"/> Signature Confirmation Restricted Delivery (over \$500)</p>	
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