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

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 14006
ORDER NO. R-12928

APPLICATION OF THE NEW MEXICO OIL
CONSERVATION DIVISION, THROUGH
THE ENFORCEMENT AND COMPLIANCE
MANAGER, FOR A COMPLIANCE ORDER
AGAINST CHAPARRAL ENERGY, LLC,
FINDING THAT OPERATOR KNOWINGLY
AND WILLFULLY VIOLATED OIL
CONSERVATION DIVISION RULE
19.15.13.1105 NMAC; REQUIRING
OPERATOR TO FILE A C-105 WELL
COMPLETION AND RECOMPLETION
REPORT AND LOG FORM BY A DATE
CERTAIN; AND ASSESSING PENALTIES
FOR OPERATOR'S KNOWING AND
WILLFUL VIOLATION OF OIL
CONSERVATION DIVISION RULE
19.15.13.1105; EDDY COUNTY,
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on November 29, 2007, at Santa Fe, New Mexico, before Examiner David K. Brooks.

NOW, on this 1st day of April, 2008, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

(1) Due notice has been given, and the Division has jurisdiction of the subject matter of this case.

(2) In this application, the Oil Conservation Division ("the Division") seeks a compliance order and assessment of civil penalties against Chaparral Energy, LLC ("Chaparral" or "Operator") by reason of Operator's failure to file a completion report (Form C-105) with the Division within twenty days after completion of a well, as required by Division Rule 1105.

(3) At the hearing, the Division appeared through counsel and presented testimony and exhibits evidencing the following:

(a) Operator is the operator of its Roberts 13 Well No. 1-Y (API No. 30-015-34892), located 1570 feet from the North line and 1620 feet from the East Line (Unit G) of Section 13, Township 17 South, Range 26 East, NMPM, in Eddy County, New Mexico ("the subject well").

(b) Operator spudded the subject well on May 18, 2006, drilled the well to a depth of 8,890 feet, set production casing and perforated the well. However, the well never produced hydrocarbons.

(c) The drilling rig was released on May 23, 2006. It is not entirely clear when all operations were conducted. However, on October 19, 2006, Operator filed with the Division a Form C-103 "Subsequent Report" describing the setting and cementing of production casing in the subject well.

(d) On July 12, 2007, the Division mailed to Operator a letter of violation that specifically advised Operator of its failure to file a completion report for the subject well, as required by Rule 1105. On August 8, 2007, the Division mailed to Operator a Notice of Violation that again notified Operator of its failure to file a completion report for the subject well and informed Operator that, if the violations were not remedied, the Division would ask for assessment of civil penalties.

(e) On October 1, 2007, Operator filed a Form C-103 Notice of Intention to Plug and Abandon the subject well, but did not then file a Form C-105, as required by Rule 1105.B to accompany a Notice of Intention to Plug a dry hole.

(4) Ron Brown appeared at the hearing and testified as a representative of Operator, but his testimony did not contradict the material evidence presented by the Division. Specifically, Mr. Brown testified that the subject well was "completed" when the last service unit was released on January 26, 2007.

The Division concludes that:

(5) Division Rule 1105.A requires an operator to file a completion report (Form C-105) within 20 days following completion of a well. Division Rule 1105.B requires that the completion report accompany a notice of intention to plug a dry hole, unless previously furnished.

(6) Neither Rule 1105 nor Rule 7 defines "completion," and there may be room for uncertainty as to the exact time at which a well is completed, in common oil field usage of that term. However, the record in this case conclusively establishes that the subject well was completed not later than January 26, 2007.

(7) Division records indicate that the completion record on the subject well (Form C-105) was filed with the Artesia District Office of the Division on November 15, 2007.

(8) Operator did not file the completion report for the subject well within 20 days following completion of the well, as required by Rule 1105.A, nor did Operator file the completion with its notice of intention to plug the well, as required by Rule 1105.B

(9) In view of Operator's admission that the well was completed no later than January 26, 2007, and in view of the written notices mailed to Operator by the Division, receipt of which Operator did not deny, Operator's failure to comply with Rule 1105 from February 15, 2007 until November 15, 2007, was knowing and willful.

(10) NMSA 1978 Section 70-2-31.A provides that an operator who knowingly and willfully fails to comply with a rule adopted pursuant to the New Mexico Oil and Gas Act is subject to a civil penalty not to exceed \$1,000 per day for each day of violation.

(11) After evaluating the facts of this case, including the recommendation of the Division's Enforcement and Compliance Manager, and the testimony offered in extenuation by the Operator, the Division concludes that a civil penalty of \$4,000 should be assessed for Operator's violation of Rule 1105, as found above.

(12) Since Division records indicate that Operator has filed a completion report on the subject well, there is no showing that a coercive order is necessary at this time, and the Division's request that the Operator be ordered to comply with Rule 1105 should be dismissed.

IT IS THEREFORE ORDERED THAT:

(1) The Division's request that Chaparral Energy, LLC be ordered to file a completion report (Form C-105) with respect to its Roberts 13 Well No. 1Y (API No. 30-015-34892) by a date certain is hereby dismissed, without prejudice to the right of the Division to move to re-open this case if it can show that the report filed does not comply with Division rules.

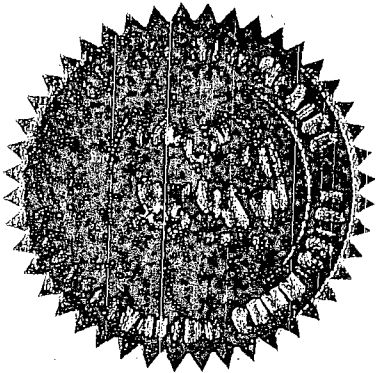
(2) A civil penalty of \$4,000 is assessed against Chaparral Energy, LLC for its failure to file a completion report on the said Roberts 13 Well No. 1Y for the period from February 15, 2007 until November 15, 2007.

(3) Operator shall pay the penalty herein assessed by certified or cashier's check or money order payable to the New Mexico Oil Conservation Division, and delivered to the Division, to the attention of Daniel Sanchez, Compliance and Enforcement Manager, at 1220 South St. Francis Drive, Santa Fe, New Mexico, 87505, before 5:00 P.M., Mountain Daylight Time, on the thirtieth day after the issuance of this order, or, if such day is a Saturday, Sunday or legal holiday, on the first day thereafter on which the Division's offices are open for business. *Deadline April 30, 2008*

(4) If the penalty herein assessed is not paid as above provided, the Division may re-open this case to secure an order finding Operator in default as provided in Division Rule 40, and/or the Division may bring suit in District Court to recover the penalty assessed.

(5) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

[Signature]
MARK E. FESMIRE, P.E.
Director

[Signature] Roberts 13#14 Well:
Eddy County, New Mexico