

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

NMOCD - ACOI 207-B

IN THE MATTER OF JAY MANAGEMENT COMPANY, LLC,

Respondent.

SECOND AMENDED
AGREED COMPLIANCE ORDER

Pursuant to Ordering Paragraph 6 of Agreed Compliance Order 207, the Director of the Oil Conservation Division ("OCD") hereby amends that order as follows:

FINDINGS

1. Agreed Compliance Order 207 ("ACOI 207" or "Order") required Jay Management Company, LLC ("Operator") to return to compliance with OCD Rule 19.15.25.8 at least three of the wells identified in the Order by December 1, 2009, and file a compliance report by that date. The Order defines compliance to include the filing of the appropriate paperwork documenting the completed corrective action.

2. ACOI 207 provided that if Operator returned to compliance with OCD Rule 19.15.25.8 at least three of the wells identified in the Order by December 1, 2009, filed a timely compliance report, and was in compliance with the financial assurance requirements of the Order, the OCD would issue an amendment extending the terms of ACOI 207 for an additional six-month period, requiring Operator to return to compliance by that date three additional wells identified in the Order.

3. ACOI 207 provides that if Operator fails to bring the number of wells into compliance required in a six-month period covered by the Order or amendments issued to the Order, Operator is subject to a penalty of \$1000 times the number of wells it failed to bring into compliance under its schedule for the applicable six-month period, and the OCD may, in its discretion, issue an amendment to the Order extending its terms for an additional six-month period. Operator may request a waiver or reduction of the penalty.

4. Operator filed an untimely compliance report for the first period on December 29, 2009. The OCD's Hobbs Office verified that Operator completed the plugging work of the following two wells identified in its compliance report in December 2009:

- | | |
|------------------|--------------|
| • Collier #001 | 30-025-00994 |
| • Queen COM #001 | 30-025-22642 |

5. The OCD waived \$2000 of the \$3000 penalty that Operator was subject to under ACOI 207 for failing to bring three wells identified in ACOI 207 to compliance by December 1, 2009. Operator paid the \$1000 penalty.

6. The OCD decided to exercise its discretion and amend ACOI 207 to extend its terms through June 1, 2010, requiring Operator to return to compliance by that date at least three additional wells identified in the Order and file a compliance report by that date.

7. Operator filed a timely compliance report for the second period. The OCD verified that OCD records indicate that Operator returned the following two wells identified in the Order to compliance after June 1, 2010.

- Leigh COM #001 30-025-22541
- State NBF #001 30-025-20891

8. Operator is subject to a \$3000 penalty for failing to bring three additional wells identified in ACOI 207 to compliance by June 1, 2010. The OCD has waived \$1000 of the \$3000 penalty. Operator has submitted a check of \$2000 for the penalty.

CONCLUSIONS

1. Operator failed to meet its goal of returning at least three additional wells identified in the Order to compliance by June 1, 2010, failing by three wells.

2. The OCD should exercise its discretion and amend ACOI 207 to extend its terms through December 1, 2010, requiring Operator to return to compliance by that date at least three additional wells identified in the Order that are not identified in Findings Paragraphs 4 and 7, above, and file a compliance report by that date.


ORDER

1. Operator shall return to compliance by December 1, 2010 at least three additional wells identified in the Order that are not identified in Findings Paragraphs 4 and 7, above.

2. Operator shall file a written compliance report by December 1, 2010 identifying the wells returned to compliance in the third period, identifying each well returned to compliance, stating the date it was returned to compliance and describing how the well was returned to compliance (restored to production or other approved beneficial use, plugged wellbore, approved temporary abandonment status). The written compliance report must be mailed or e-mailed to the OCD's Enforcement and Compliance Manager (email: daniel.sanchez@state.nm.us) and Assistant General Counsel Sonny Swazo (email: sonny.swazo@state.nm.us) so that it is received by the compliance deadline of December 1, 2010.

3. The terms of ACOI 207 otherwise remain in effect.

Done at Santa Fe, New Mexico this 22nd day of June, 2010.

By: 
2 Mark Fesmire, P.E.
Director, Oil Conservation Division