

**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. 12758
ORDER NO. R-11712**

**APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION
THROUGH THE SUPERVISOR OF THE DISTRICT I HOBBS OFFICE FOR AN
ORDER REQUIRING OPERATORS TO BRING ONE HUNDRED FORTY-
SEVEN (147) WELLS INTO COMPLIANCE WITH RULE 201.B AND
ASSESSING APPROPRIATE CIVIL PENALTIES, LEA, ROOSEVELT AND
CHAVES COUNTIES, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on November 1, 2001, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 15th day of January, 2002, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

- (1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.
- (2) There are fourteen (14) respondents named in this Application. At the hearing, the New Mexico Oil Conservation Division ("the Division") appeared through counsel. None of the respondents named in the Application appeared, either by filing written appearance or by appearance at the hearing.
- (3) The Division seeks an order directing the named respondents to bring certain wells into compliance with Division Rule 201.B, either by: (i) restoring these wells to production or other Division-approved beneficial use; (ii) causing these wells to be properly plugged and abandoned in accordance with Division Rule 202.B; or (iii)

securing Division authority to maintain these wells in temporary abandonment status, in accordance with Division Rule 203.

(4) The Application alleges that C. W. Stumhoffer is the operator of the Shipman Well No. 1 (API No. 30-025-27882) located in Unit G of Section 35, Township 22 South, Range 37 East, NMPM, Lea County, New Mexico, and that said well is inactive and not in compliance with Division Rule 201.B.

(5) However, the Division presented evidence that the Shipman No. 1 has been properly plugged and abandoned, and requested that this case be dismissed as to C. W. Stumhoffer.

(6) The attorney for the Division further represented that the following-named respondents have agreed to bring wells that they operate into compliance in accordance with a work plan approved by the supervisor of the Hobbs District Office. The Division accordingly requested that the Application in this case, as to these operators and the wells operated by them, be severed, assigned a separate case number, and continued until the February 7, 2002 Examiner Docket, in order to allow these operators an opportunity to voluntarily bring their wells into compliance with Division rules. The operators as to whom the Division requested severance and continuance are:

Amtex Energy, Inc.
Bettis, Boyle & Stovall
C. E. Larue & B. M. Muncy, Jr.
Crestridge Drilling and Production Company, LLC
Hal J. Rasmussen Operating, Inc.
John A. Yates, Jr.
Kenson Operating Company, Inc.
Kevin O. Butler & Associates, Inc.
Mallon Oil Company

(7) The Division's request to continue this case to the February 7, 2002 Examiner Docket as to the operators described above should be granted. The case to be heard on February 7, 2002 should be designated Case No. 12758-A.

(8) With respect to Erwin Oil & Gas Ltd. Co., the Division presented testimony that demonstrates:

(a) Erwin Oil & Gas Ltd. Co. is the operator of the State "WEG" Well No. 1 (API No. 30-025-04392) located in Unit H of Section 34, Township 20 South, Range 36 East, NMPM, Lea County, New Mexico;

(b) Erwin Oil & Gas Ltd. Co. has not filed any production reports on the State "WEG" No. 1 since February, 1997;

(c) the Division, on or about May 20, 2000, notified Erwin Oil & Gas Ltd. Co. that the State "WEG" No. 1 was not in compliance with Rule 201.B. By letter dated September 8, 2000, the Division again notified Erwin Oil & Gas Ltd. Co. that the State "WEG" No. 1 was not in compliance, and ordered that it bring the well into compliance with Division rules; and

(d) Erwin Oil & Gas Ltd. Co. has not responded to the Division's letters.

(9) Erwin Oil & Gas Ltd. Co.'s State "WEG" No. 1 is not in compliance with Division Rule 201.B.

(10) Erwin Oil & Gas Ltd. Co. knowingly and willfully failed to comply with Division Rule 201.B for at least one (1) year. Pursuant to NMSA 1978 70-2-31.A, a civil penalty in the amount of one thousand dollars (\$1,000) should be assessed against Erwin Oil & Gas Ltd. Co. for this knowing and willful violation.

(11) Erwin Oil & Gas Ltd. Co. should be ordered to bring this well into compliance with Division Rule 201.B.

(12) With respect to Fi-Ro Corporation, the Division presented testimony that demonstrates:

(a) Fi-Ro Corporation is the operator of one (1) well in Lea County, New Mexico, and two (2) wells in Chaves County, New Mexico, described as follows:

Chaves County, New Mexico

Gulf State "H" No. 1 (API No. 30-005-00822) Unit H, Section 23, T-13S, R-31E
Hondo Holloway St. No. 1 (API No. 30-005-00691) Unit F, Section 36, T-12S, R-31E

Lea County, New Mexico

North Caprock Queen Unit 1 Tr. 27 No. 5Y (API No. 30-025-24155) Unit E, Section 8, T-13S, R-32E

(b) neither the Gulf State "H" No. 1 nor the North Caprock Queen Unit 1 Tr. 27 No. 5Y has produced any hydrocarbons since before 1997;

(c) the Hondo Holloway State No. 1 has not produced any hydrocarbons since October, 1998;

(d) Fi-Ro Corporation was notified by the Division by letter dated August 31, 1999 with respect to the Hondo Holloway State No. 1, and by letters dated March 20, 2000, May 20, 2000, June 14, 2000, and September 8, 2000 with respect to all of the above-described wells that the wells were not in compliance, and ordered it to bring these wells into compliance with Division rules; and

(e) Fi-Ro Corporation has not responded to the Division's letters.

(13) Fi-Ro Corporation's above-described wells are not in compliance with Division Rule 201.B.

(14) Fi-Ro Corporation knowingly and willfully failed to comply with Division Rule 201.B for at least two (2) years for the Hondo Holloway State No. 1 and for at least one (1) year for the other two wells. Pursuant to NMSA 1978 70-2-31.A, a civil penalty in the amount of four thousand dollars (\$4,000) (\$1,000 per well for each year of non-compliance) should be assessed against Fi-Ro Corporation for this knowing and willful violation.

(15) Fi-Ro Corporation should be ordered to bring the subject wells into compliance with Division Rule 201.B.

(16) With respect to Happy Oil Company, Inc., the Division presented testimony that demonstrates:

(a) Happy Oil Company, Inc. is the operator of the Chilkat State "6" Well No. 1 (API No. 30-025-29725) located in Unit O of Section 6, Township 21 South, Range 35 East, NMPM, Lea County, New Mexico;

(b) the Chilkat State "6" No. 1 has not produced any hydrocarbons since before 1997;

(c) the Division, on or about May 20, 2000, notified Happy Oil Company, Inc. that the Chilkat State "6" No. 1 was not in compliance with Rule 201.B. By letter dated September 8, 2000, the Division again notified Happy Oil

Company, Inc. that the Chilkat State "6" No. 1 was not in compliance, and ordered that it bring the well into compliance with Division rules; and

(d) Happy Oil Company, Inc. has not responded to the Division's letters.

(17) Happy Oil Company, Inc.'s Chilkat State "6" No. 1 is not in compliance with Division Rule 201.B.

(18) Happy Oil Company, Inc. knowingly and willfully failed to comply with Division Rule 201.B for at least one (1) year. Pursuant to NMSA 1978 70-2-31.A, a civil penalty in the amount of one thousand dollars (\$1,000) should be assessed against Happy Oil Company, Inc. for this knowing and willful violation.

(19) With respect to Kersey & Co., the Division presented testimony that demonstrates:

(a) Kersey & Co. is the operator of the Hover "1" Well No. 1 (API No. 30-025-00789) located in Unit A of Section 32, Township 17 South, Range 32 East, NMPM, Lea County, New Mexico;

(b) the Hover "1" No. 1 has not produced any hydrocarbons since before 1997;

(c) the Division, on or about May 20, 2000, notified Kersey & Co. that the Hover "1" No. 1 was not in compliance with Rule 201.B. By letter dated September 8, 2000, the Division again notified Kersey & Co. that the Hover "1" No. 1 was not in compliance, and ordered that it bring the well into compliance with Division rules; and

(d) Kersey & Co. has not responded to the Division's letters.

(20) Kersey & Co.'s Hover "1" No. 1 is not in compliance with Division Rule 201.B.

(21) Kersey & Co. knowingly and willfully failed to comply with Division Rule 201.B. Pursuant to NMSA 1978 70-2-31.A, a civil penalty in the amount of one thousand dollars (\$1,000) should be assessed against Kersey & Co. for this knowing and willful violation.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the request of the Division through its counsel, this Application insofar as it relates to C. W. Stumhoffer is hereby dismissed.

(2) Pursuant to the request of the Division through its counsel, this Application insofar as it relates to Amtex Energy, Inc., Bettis, Boyle & Stovall, C. E. Larue & B. M. Muncy, Jr., Crestridge Drilling and Production Company, LLC, Hal J. Rasmussen Operating, Inc., John A. Yates, Jr., Kenson Operating Company, Inc., Kevin O. Butler & Associates, Inc. and Mallon Oil Company, is hereby severed from Case No. 12758. The severed case is hereby denominated Case No. 12758-A. The Division administrator is directed to open a case file for the severed Case No. 12758-A, and to place therein true copies of the Application and Notice filed in this Case No. 12758.

(3) Case No. 12758-A is continued, and set for hearing before the Division on February 7, 2002.

(4) This order is entered in Case No. 12758 only.

(5) Pursuant to the Application of the Division, Erwin Oil & Gas Ltd. Co., Fi-Ro Corporation, Happy Oil Company, Inc. and Kersey & Co. are hereby ordered, no later than thirty (30) days from the date of issuance of this Order, to bring each of their wells herein identified into compliance with Division Rule 201.B by accomplishing one of the following with respect to each well:

(a) causing said well to be plugged and abandoned in accordance with Rule 202, and in accordance with a Division- approved plugging program; or

(b) restoring the well to production if the well is an oil or gas well and capable of production; or

(c) causing the well to be temporarily abandoned with Division approval in accordance with Rule 203.

(6) As to any wells that the operators fail to bring into compliance within the time period prescribed by this order, the supervisor of the Hobbs District Office and Division counsel may commence proceedings to order that said wells be permanently plugged and abandoned by the operators or by the Division, and to forfeit the financial assurance, if any, provided by such operators pursuant to NMSA 1978 Section 70-2-14, as amended, and Division Rule 101, or take other action as appropriate.

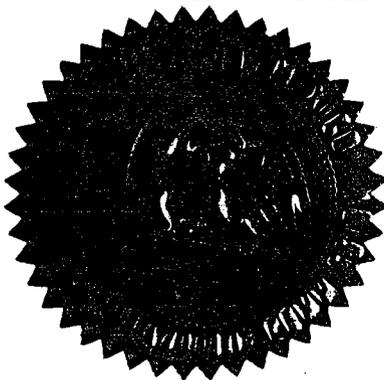
(7) Administrative penalties are hereby assessed against each of the following operators for knowingly and willfully failing to bring their wells into compliance after receiving notice from the Division to do so. The amounts assessed are as follows:

| | |
|--------------------------|---------|
| Erwin Oil & Gas Ltd. Co. | \$1,000 |
| Fi-Ro Corporation | \$4,000 |
| Happy Oil Company, Inc. | \$1,000 |
| Kersey & Co. | \$1,000 |

(8) The civil penalty herein assessed shall be paid within thirty (30) days of receipt of this Order, by certified or cashier's check made payable to the "New Mexico Oil Conservation Division," and mailed or hand-delivered to the New Mexico Oil Conservation Division, Attention: Lori Wrotenbery, Director, 1220 South St. Francis Drive, Santa Fe, New Mexico 87504, unless within such time application is filed by the operator for *de novo* review by the New Mexico Oil Conservation Commission of the penalty assessed against it.

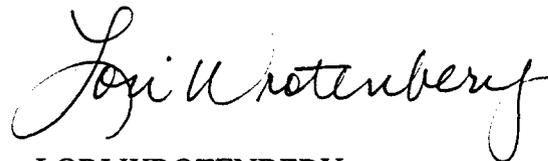
(9) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

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



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



LORI WROTENBERY
Director