

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

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APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION, THROUGH THE SUPERVISOR OF DISTRICT I, FOR AN ORDER DETERMINING THAT ORBIT ENERGY INC. KNOWINGLY AND WILLFULLY VIOLATED 19.15.4.201 NMAC; REQUIRING ORBIT ENERGY INC. TO BRING FIVE WELLS INTO COMPLIANCE WITH 19.15.4.201 NMAC; ASSESSING APPROPRIATE CIVIL PENALTIES; AND IN THE EVENT OF NON-COMPLIANCE, AUTHORIZING THE DIVISION TO PLUG SAID WELLS AND FORFEIT THE APPLICABLE FINANCIAL ASSURANCES; ROOSEVELT COUNTY, NEW MEXICO.

CASE NO. 13373

APPLICATION FOR COMPLIANCE ORDER

1. The records of the Oil Conservation Division (“Division”) identify “Orbit Energy Inc.” as the operator of record under OGRID 227083 for the following wells located in Roosevelt County, New Mexico (hereinafter the “subject wells”):

Farrell Federal #010, API 30-041-10446, F-28-7S-33E

James McFarland #004, API 30-041-10567, L-20-7S-33E

Humble Federal #005, API 30-041-20116, B-26-7S-32E

State BA #001, API 30-041-10003, A-34-7S-35E

State BA #002, API 30-041-20048, H-34-7S-35E

2. The records of the Division indicate that the Operator’s obligation to plug and abandon the subject wells in compliance with the rules of the Oil Conservation Division (“Division”) is secured with two cash bonds: cash bond No. 772 in the amount of \$50,000 and cash bond No. 773 in the amount of \$40,000.

3. Division rule 19.15.4.201 NMAC requires an operator to plug and abandon or temporarily abandon a well in accordance with Division rules within 90 days after a period of one year of continuous inactivity.

4. The subject wells have been inactive for a period in excess of one year plus 90 days, and have neither been plugged and abandoned pursuant to 19.15.4.202 NMAC nor temporarily abandoned pursuant to 19.15.4.203 NMAC.

5. The Division made repeated requests to Operator to bring the subject wells into compliance with 19.15.4.201 NMAC.

6. NMSA 1978, Section 70-2-31(A) provides, in relevant part,

“Any person who knowingly and willfully violates any provision of the Oil and Gas Act or any provision of any rule or order issued pursuant to that act shall be subject to a civil penalty of not more than one thousand dollars (\$1,000) for each violation. For purposes of this subsection, in the case of a continuing violation, each day of violation shall constitute a separate violation.”

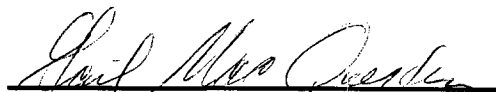
7. Division rule 19.15.101(M) NMAC authorizes the Director to order the operator to plug and abandon any well not in compliance with 19.15.4.201 NMAC by a date certain, and to direct the Division to forfeit the bond and cause such well to be plugged in accordance with a Division-approved plugging program if, after the time provided in such order, the operator has failed to plug the well.

WHEREFORE, the Supervisor of District I of the Division hereby applies to the Director to enter an order:

A. Determining that the subject wells are not in compliance with 19.15.4.201 NMAC and that the Operator has knowingly and willfully violated that rule;

- B. Imposing civil penalties for the Operator's knowing and willful violation of 19.15.4.201 NMAC;
- C. Requiring the Operator to bring each of the subject wells into compliance with 19.15.4.201 NMAC within a date certain by plugging and abandoning the well in accordance with 19.15.4.202 NMAC, securing temporary abandonment status for the subject well in accordance with 19.15.4.203 NMAC, or returning the subject well to a Division-approved beneficial use; and
- D. Further, if the subject wells are not brought into compliance with 19.15.4.201 NMAC by the date set by the order:
- (1) Assessing an appropriate civil penalty against the Operator for violating the order;
 - (2) Authorizing the Division to plug the subject wells in accordance with a Division-approved plugging program; and
 - (3) Authorizing the Division to declare forfeit the applicable financial assurances; and
- E. For such other and further relief as the Director deems just and proper under the circumstances.

RESPECTFULLY SUBMITTED,
this 12th day of October, 2004 by



Gail MacQuesten
Assistant General Counsel

Energy, Minerals and Natural
Resources Department of the State of
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Case No. 13373. Application of the New Mexico Oil Conservation Division for a Compliance Order. The Applicant seeks an order determining that Orbit Energy Inc. knowingly and willfully violated 19.15.4.201 NMAC; requiring Orbit Energy Inc. to bring five wells into compliance with 19.15.4.201 NMAC by a date certain; assessing appropriate civil penalties; and, in the event of non-compliance, authorizing the Division to plug said wells and forfeit the applicable financial assurances, and for such other relief as the Director deems appropriate. The affected wells are: Farrell Federal #010, API 30-041-10446, F-28-7S-33E; James McFarland #004, API 30-041-10567, L-20-7S-33E; Humble Federal #005, API 30-041-20116, B-26-7S-32E; State BA #001, API 30-041-10003, A-34-7S-35E; and the State BA #002, API 30-041-20048, H-34-7S-35E. The wells are located approximately 30 miles southwest of Portales in Roosevelt County, New Mexico.