

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

**APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION,  
THROUGH THE SUPERVISOR OF DISTRICT I, FOR AN ORDER REQUIRING  
CARBON ENERGY INC. AND CARBON ENERGY TO BRING WELLS INTO  
COMPLIANCE WITH 19.15.4.201 NMAC, AUTHORIZING THE DIVISION TO  
PLUG SAID WELLS AND ORDERING A FORFEITURE OF THE APPLICABLE  
FINANCIAL ASSURANCES; LEA COUNTY, NEW MEXICO.**

*(Later Amended)*

CASE NO. 13337

**APPLICATION FOR COMPLIANCE ORDER**

1. The records of the Oil Conservation Division (“Division”) identify “Carbon Energy Inc.” as the operator of record for the following wells under OGRID 3693 (hereinafter the “subject wells”):

- a. Aztec “28” State #3, API #30-025-04361, located at Unit Letter C, Section 6, Township 19 South, Range 37 East, in Lea County, New Mexico; and
- b. Shell State #1, API #30-025-26637, located at Unit Letter M, Section 28, Township 20 South, Range 36 East, in Lea County, New Mexico.

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2. According to Division records, both wells are bonded:
- a. The Aztec “28” State #3, API #30-025-04361, is the subject of a \$5,000 single well plugging bond, number 4397590, through the Hartford Accident & Indemnity Company.
  - b. The Shell State #1, API #30-025-26637, is the subject of a \$10,000 single well cash bond with cash collateral deposited with the First Interstate Bank of Lea County in account number 65447.

3. Although Division records show “Carbon Energy, Inc.,” OGRID 3693, as the operator of record for the Shell State #1, the most recent filings in the well file for the Shell State #1 were made by “Carbon Energy” as the operator. “Carbon Energy” is not listed as an operator under Division records.

4. “Carbon Energy” also posted the bond referenced by Division records for the Shell State #1. The bond documents identify Carbon Energy as a partnership. The bond also identifies the well as the Shell State #5, although location description for the well matches the location for the Shell State #1.

5. 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.

6. The subject wells have been inactive for a continuous period exceeding 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.

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 financial assurance 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;
- B. Requiring the operator to bring the subject wells into compliance with 19.15.4.201 NMAC within a date certain by plugging and abandoning the wells in accordance with 19.15.4.202 NMAC, securing temporary abandonment status for the subject wells in accordance with 19.15.4.203 NMAC, or returning the subject wells to a Division-approved beneficial use; and
- C. Further, if the subject wells are not brought into compliance with 19.15.4.201 NMAC by the date set by the order:
- (1) Authorizing the Division to plug the subject wells in accordance with a Division-approved plugging program; and
- (2) Authorizing the Division to declare forfeit the security furnished by the operator.
- D. For such other and further relief as the Director deems just and proper under the circumstances.

RESPECTFULLY SUBMITTED,  
this 2<sup>nd</sup> day of August, 2004 by



Gail MacQuesten  
Assistant General Counsel  
Energy, Minerals and Natural  
Resources Department of the State of  
New Mexico  
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Conservation Division

Case No. 13337. Application of the New Mexico Oil Conservation Division for a Compliance Order. The Applicant seeks an order requiring Carbon Energy Inc. and Carbon Energy to bring wells into compliance with 19.15.4.201 NMAC, authorizing the Division to plug said wells, forfeiting the applicable financial assurances, and for such other relief as the Director deems appropriate. The affected wells are the Aztec "28" State #3, API #30-025-04361, located at Unit Letter C, Section 6, Township 19 South, Range 37 East, in Lea County, New Mexico and the Shell State #1, API #30-025-26637, located at Unit Letter M, Section 28, Township 20 South, Range 36 East, in Lea County, New Mexico.

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 REQUIRING  
CARBON ENERGY INC. AND CARBON ENERGY TO BRING WELLS INTO  
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CASE NO. 13337

**AMENDED**  
**APPLICATION FOR COMPLIANCE ORDER**

1. The records of the Oil Conservation Division (“Division”) identify “Carbon Energy Inc.” as the operator of record for the following wells under OGRID 3693 (hereinafter the “subject wells”):

- a. Aztec “28” State #3, API #30-025-04361, located at Unit Letter M, Section 28, Township 20 South, Range 36 East, in Lea County, New Mexico; and
- b. Shell State #1, API #30-025-26637, located at Unit Letter C, Section 6, Township 19 South, Range 37 East, in Lea County, New Mexico .

2. According to Division records, both wells are bonded:

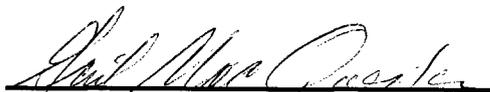
- a. The Aztec “28” State #3, API #30-025-04361, is the subject of a \$5,000 single well plugging bond, number 4397590, through the Hartford Accident & Indemnity Company.

- b. The Shell State #1, API #30-025-26637, is the subject of a \$10,000 single well cash bond with cash collateral deposited with the First Interstate Bank of Lea County in account number 65447.
3. Although Division records show “Carbon Energy, Inc.,” OGRID 3693, as the operator of record for the Shell State #1, the most recent filings in the well file for the Shell State #1 were made by “Carbon Energy” as the operator. “Carbon Energy” is not listed as an operator under Division records.
4. “Carbon Energy” also posted the bond referenced by Division records for the Shell State #1. The bond documents identify Carbon Energy as a partnership. The bond also identifies the well as the Shell State #5, although location description for the well fits the legal location description for the Shell State #1.
5. 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.
6. The subject wells have been inactive for a continuous period exceeding 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.
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 financial assurance 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;
- B. Requiring the operator to bring the subject wells into compliance with 19.15.4.201 NMAC within a date certain by plugging and abandoning the wells in accordance with 19.15.4.202 NMAC, securing temporary abandonment status for the subject wells in accordance with 19.15.4.203 NMAC, or returning the subject wells to a Division-approved beneficial use; and
- C. Further, if the subject wells are not brought into compliance with 19.15.4.201 NMAC by the date set by the order:
  - (1) Authorizing the Division to plug the subject wells in accordance with a Division-approved plugging program; and
  - (2) Authorizing the Division to declare forfeit the security furnished by the operator.
- D. For such other and further relief as the Director deems just and proper under the circumstances.

RESPECTFULLY SUBMITTED,  
this 7<sup>th</sup> day of August, 2004 by

  
Gail MacQuesten

Assistant General Counsel  
Energy, Minerals and Natural  
Resources Department of the State of  
New Mexico  
1220 S. St. Francis Drive  
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