

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

**APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION
COMPLIANCE AND ENFORCEMENT BUREAU FOR A COMPLIANCE
ORDER AGAINST KEVIN O. BUTLER & ASSOCIATES, INC., FOR WELLS
OPERATED IN CHAVES, EDDY, AND LEA COUNTIES, NEW MEXICO.**

CASE NO. 16047

APPLICATION

The Oil Conservation Division Compliance and Enforcement Bureau (“Bureau”), through its undersigned attorney, hereby files this application with the Oil Conservation Division (“OCD” or “Division”) pursuant to the provisions of NMSA 1978, §70-2-12 for a compliance order (1) determining operator Kevin O. Butler & Associates, Inc., (“Operator”) is out of compliance with 19.15.5.9(A)(4), and 19.15.25.8 NMAC; (2) requiring the Operator to return to compliance with 19.15.5.9(A)(4) and 19.15.25.8 NMAC within forty-five (45) days, and requiring producing wells shut-in until compliance is achieved; and (3) in the event of non-compliance, declaring the wells abandoned and authorizing the OCD to plug the violating wells in accordance with a Division-approved plugging program and restore and remediate the location, recover costs from the Operator’s financial assurance as permitted by 19.15.8.13 NMAC, and seek indemnification and costs as permitted by NMSA 1978, § 70-2-14(E). This application deals specifically with Operator’s violations of 19.15.5.9(A)(4) and 19.15.25.8 NMAC and does not include all violations that may exist. The OCD retains its right to bring a compliance action for any other existing and future violations. In support of this application, the Bureau states:

1. Operator is a Foreign profit corporation that operates 25 wells in Chaves and Lea Counties, New Mexico, under OGRID No. 12627. See *Exhibit 1: Well List and Financial Assurance Report*, attached hereto and incorporated by reference as if set forth in its entirety.

2. Operator's address of record with OCD is: 200 N. Loraine St., Suite 1515, Midland, TX 79705.

3. The New Mexico Secretary of State has Operator registered under entity number 1563444 and identifies Kevin O. Butler, President, and Kevin O. Butler, Secretary, as officers of record.

4. Operator has one blanket bond, bond # RLB0010970 filed with the OCD, from RLI Insurance Company, for the amount of \$50,000.

5. RLI Insurance Company's address of record is: 8 Greenway Plaza, STE 400, Houston, TX 77046.

6. Operator has additionally furnished the OCD with 5 single well bonds on file with the OCD from First State Bank - Socorro for a total amount of \$74,507.

7. Operator's single well financial assurance from First State Bank – Socorro for the following wells is detailed below:

- a. Delmont L Hatfield #001, API # 30-025-27487, \$14,000;
- b. South Caprock Queen Unit #015, API # 30-005-00662, \$8,187;
- c. State Land 76 #001, API # 30-025-00376, \$18,395,
- d. State Land 76 #003, API # 30-025-29066, \$15,625;
- e. V E Roddy #001, API # 30-025-29869, \$18,300;

8. First State Bank – Socorro’s address of record is: 103 Manzanares Ave. E, Socorro, NM 87801.

9. 19.15.5.9(A) NMAC states that an operator is in compliance with Subsection A of 19.15.5.9 NMAC if the operator:

(1) currently meets the financial assurance requirements of 19.15.8 NMAC;

(2) is not subject to a division or commission order, issued after notice and hearing, finding the operator to be in violation of an order requiring corrective action;

(3) does not have a penalty assessment that is unpaid more than 70 days after issuance of the order assessing the penalty; and

(4) has no more than the following number of wells out of compliance with 19.15.25.8 NMAC that are not subject to an agreed compliance order setting a schedule for bringing the wells into compliance with 19.15.25.8 NMAC and imposing sanctions if the schedule is not met:

- a. two wells or 50 percent of the wells the operator operates, whichever is less, if the operator operates 100 wells or less;
- b. five wells if the operator operates between 101 and 500 wells;
- c. seven wells if the operator operates between 501 and 1000 wells; and
- d. 10 wells if the operator operates more than 1000 wells.

10. 19.15.25.8 NMAC requires an operator to plug and abandon or temporarily abandon a well within 90 days after: (1) a 60 day period following the suspension of drilling operations; (2) a determination that a well is no longer usable for

beneficial purposes; or (3) a period of one year in which a well has been continuously inactive.

11. The Operator currently has four (4) wells out of a total of twenty-five (25) wells out of compliance with 19.15.25.8 NMAC, exceeding the amount allowed under 19.15.5.9(A)(4) NMAC. See *Exhibit 2: Inactive Well List*.

12. On June 20, 2017, the Bureau sent the Operator notice via first class mail that it was out of compliance with 19.15.5.9 NMAC and that the Bureau would seek formal compliance proceedings if no action was taken by the Operator to return to compliance within 60 days as required by 19.15.5.9(B) NMAC.

13. The Operator has not contacted the Bureau to resolve the outstanding compliance issues.

WHEREFORE, the Bureau, by and through its compliance and enforcement manager, hereby applies to the Director to enter an Order:

- A. determining that the Operator is in violation of 19.15.5.9(A)(4), and 19.15.25.8 NMAC;
- B. requiring the Operator to return the subject wells to compliance with 19.15.5.9(A)(4) and 19.15.25.8 NMAC within forty-five (45) days;
- C. requiring producing wells to be shut-in pursuant to 19.15.5.10(B) NMAC until compliance with the order is achieved;
- D. in the event of non-compliance with the sought Division order by the dates established by the OCD, finding the Operator in violation of a Division order, declaring the violating wells abandoned and authorizing the Division to plug the subject wells in accordance with a Division-approved

plugging program and restore and remediate the location, and recover costs from the Operator's financial assurance as required by 19.15.8.13 NMAC and seek indemnification and costs as permitted by NMSA 1978, § 70-2-14(E);

- E. upon a finding of non-compliance with the issued Division order, requiring producing wells shut-it pursuant to 19.15.5.10(B) NMAC until compliance with the order is achieved;
- F. for such other and further relief as the Director deems just and proper under the circumstances.

RESPECTFULLY SUBMITTED,
this 20th day of February, 2018 by



Keith W. Herrmann
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Resources Department of the State of
New Mexico
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Attorney for the Compliance and
Enforcement Bureau

Case No. ~~16647~~ **Application of The New Mexico Oil Conservation Division Compliance and Enforcement Bureau for a Compliance Order against Kevin O. Butler & Associates, Inc., for Wells Operated in Chaves, Eddy, and Lea Counties, New Mexico.** The Oil Conservation Division Compliance and Enforcement Bureau (“Bureau”), through its undersigned attorney, hereby files this application with the Oil Conservation Division (“OCD” or “Division”) pursuant to the provisions of NMSA 1978, §70-2-12 for a compliance order (1) determining operator Kevin O. Butler & Associates, Inc., (“Operator”) is out of compliance with 19.15.5.9(A)(4), and 19.15.25.8 NMAC; (2) requiring the Operator to return to compliance with 19.15.5.9(A)(4) and 19.15.25.8 NMAC within 45 days and requiring producing wells shut-in until compliance is achieved; and (3) in the event of non-compliance, declaring the wells abandoned and authorizing the OCD to plug the violating wells in accordance with a Division-approved plugging program and restore and remediate the location, recover costs from the Operator’s financial assurance as permitted by 19.15.8.13 NMAC, and seek indemnification as permitted by NMSA 1978, § 70-2-14(E).

Inactive Well Additional Financial Assurance Report

12627 KEVIN O BUTLER & ASSOC INC

Total Well Count: 25

Printed On: Monday, February 19 2018

Property	Well Name	Lease Type	ULSTR	OCD Unit Letter	API	Well Type	Last Prod/Inj	Inactive Additional Bond Due	Measured Depth	Required Bond Amount	Bond Required New	Covered By Staked TA Bond	Bond In Place	In Violation
23917	AETNA EAVES #002	P	A-26-16S-38E	A	30-025-27789	S	08/2017	09/01/2019	8500	13500			0	
19041	DELMONT L HATFIELD #001	P	J-23-16S-38E	J	30-025-27487	O	09/2012	10/01/2014	9000	14000	Y		14,000	
2407	GANDHI FEDERAL #001	F	D-24-18S-31E	D	30-015-26243	O	08/2017		10000				0	
2409	LEA L STATE #001	S	G-14-15S-34E	G	30-025-01881	G	08/2017	09/01/2019	14304	19304			0	
25335	NEW MEXICO X STATE #001	S	B-20-17S-36E	B	30-025-03941	O	08/2017	09/01/2019	9311	14311			0	
26951	NM DE STATE #001	S	F-18-17S-37E	F	30-025-21618	O	07/2017	08/01/2019	9040	14040			0	
25336	PEERLESS ET AL COM #001	P	C-22-22S-36E	C	30-025-09007	G	08/2017	09/01/2019	3492	8492			0	
14893	SOUTH CAPROCK QUEEN UNIT #003	P	C-33-14S-31E	C	30-005-01190	O	08/2017	09/01/2019	2986	7986			0	
	SOUTH CAPROCK QUEEN UNIT #005	S	2-30-15S-31E	E	30-005-00670	O	08/2017	09/01/2019	3135	8135			0	
	SOUTH CAPROCK QUEEN UNIT #010	S	J-30-15S-31E	J	30-005-00658	I	08/2017	09/01/2019	3195	8195			0	
	SOUTH CAPROCK QUEEN UNIT #011	S	K-30-15S-31E	K	30-005-00657	O	08/2017	09/01/2019	3181	8181			0	
	SOUTH CAPROCK QUEEN UNIT #012	P	L-33-14S-31E	L	30-005-01180	O	08/2017	09/01/2019	3115	8115			0	
	SOUTH CAPROCK QUEEN UNIT #014X	P	N-33-14S-31E	N	30-005-01193	O	08/2017	09/01/2019	3145	8145			0	
	SOUTH CAPROCK QUEEN UNIT #015	S	O-30-15S-31E	O	30-005-00662	O	08/2017	09/01/2019	3187	8187			8,187	
	SOUTH CAPROCK QUEEN UNIT #015	P	O-28-14S-31E	O	30-005-01161	I	08/2017	09/01/2019	2991	7991			0	
	SOUTH CAPROCK QUEEN UNIT #016	S	P-30-15S-31E	P	30-005-00661	I	08/2017	09/01/2019	3197	8197			0	
	SOUTH CAPROCK QUEEN UNIT #017	S	J-30-15S-31E	J	30-005-21000	O	08/2017	09/01/2019	3300	8300			0	
25103	STATE 32 #001	S	K-32-16S-33E	K	30-025-26065	O	08/2017	09/01/2019	11750	16750			0	
25337	STATE LAND 76 #001	S	10-02-16S-32E	J	30-025-00376	O	11/1995	12/01/1997	13395	18395	Y		18,395	
	STATE LAND 76 #003	S	9-02-16S-32E	I	30-025-29066	O	12/1992	01/01/1995	10625	15625	Y		15,625	
	STATE LAND 76 #004	S	5-01-16S-32E	E	30-025-29067	O	08/2017	09/01/2019	10700	15700			0	
	STATE LAND 76 #005	S	10-02-16S-32E	B	30-025-29208	O	08/2017	09/01/2019	10629	15629			0	
27128	STATE R #001	S	K-27-14S-33E	K	30-025-01155	O	08/2017	09/01/2019	14147	19147			0	
	STATE R #003	S	B-27-14S-33E	B	30-025-01157	O	08/2017	09/01/2019	10000	15000			0	
24084	V E RODDY #001	P	A-23-16S-38E	A	30-025-29869	O	08/2009	09/01/2011	13300	18300	Y		18,300	

WHERE Ogrid:12627

Inactive Well List

Total Well Count: 25 Inactive Well Count: 4
Printed On: Monday, February 19 2018

District	API	Well	ULSTR	OCD Unit	OGRID	Operator	Lease Type	Well Type	Last Production	Formation/Notes	Status	TA Exp Date
1	30-025-27487	DELMONT L HATFIELD #001	J-23-16S-38E	J	12627	KEVIN O BUTLER & ASSOC INC	P	O	09/2012			
1	30-025-00376	STATE LAND 76 #001	10-02-16S-32E	J	12627	KEVIN O BUTLER & ASSOC INC	S	O	11/1995	INT TO TA 04/28/09		
1	30-025-29066	STATE LAND 76 #003	9-02-16S-32E	1	12627	KEVIN O BUTLER & ASSOC INC	S	O	12/1992	INT TO TA 04/28/09		
1	30-025-29869	V E RODDY #001	A-23-16S-38E	A	12627	KEVIN O BUTLER & ASSOC INC	P	O	08/2009		T	11/7/2015

WHERE Ogrid:12627, County:All, District:All, Township:All, Range:All, Section:All, Production(months):15, Excludes Wells Under ACOI, Excludes Wells in Approved TA Period