

**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 GP II ENERGY, INC., FOR WELLS OPERATED IN EDDY
AND LEA COUNTIES, NEW MEXICO.**

FEB 20 2018 PM05:00

CASE NO. 16049

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 GP II Energy, 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 twenty-four (24) wells in Eddy and Lea Counties, New Mexico, under OGRID No. 8359. 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: 113 Corporate Drive, Midland, TX 79705.

3. The New Mexico Secretary of State has Operator registered under entity number 1747773 and identifies George P. Mitchell, II, President, as officer of record.

4. Operator has one blanket bond, bond # BO 5259, filed with the OCD, from Underwriters Indemnity Co, for the amount of \$50,000.

5. Operator has additionally furnished the OCD with 2 single well bonds on file with the OCD from RLI Insurance Company for a total amount of \$17,460.

6. Operator's has provided single well financial assurance for the following wells:

a. New Mexico M State #017, API # 30-025-10508, \$8,725;

b. New Mexico M State #025, API # 30-025-10515, \$8,735;

7. RLI Insurance Company's address of record is 9025 N. Lindbergh Drive, Peoria, IL 61615.

8. Underwriters Indemnity Co.'s address of record is 8 Greenway Plaza, Suite 400, Houston, TX 77046

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 three (3) wells out of a total of twenty-four (24) 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
Assistant General Counsel
Energy, Minerals and Natural
Resources Department of the State of
New Mexico
1220 S. St. Francis Drive
Santa Fe, NM 87505
(505) 476-3463
Fax: (505) 476-2220

Attorney for the Compliance and
Enforcement Bureau

Case No. 16049. **Application of The New Mexico Oil Conservation Division Compliance and Enforcement Bureau for a Compliance Order against GP II Energy, Inc., for Wells Operated in 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 GP II Energy, 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).

Exhibit 1: Well List and Financial Assurance Report

Inactive Well Additional Financial Assurance Report

8359 GP II ENERGY INC

Total Well Count: 24

Printed On: Tuesday, February 20 2018

Property	Well Name	Lease Type	ULSTR	OCD Unit Letter	API	Well Type	Last Prod'd	Inactive Additional Bond Due	Measured Depth	Required Bond Amount	Bond Required Now	Covered By Blanket TA Bond	Bond in Place	In Violation
4441	LITTLEFIELD BO FEDERAL #008	F	6-33-26S-29E	B	30-015-35489	O			Unknown				0	
17571	NEW MEXICO M STATE #009	S	4-30-22S-37E	M	30-025-10519	O	12/2017	01/01/2020	3775	8775			0	
	NEW MEXICO M STATE #011	S	J-19-22S-37E	J	30-025-10361	O	12/2017	01/01/2020	3698	8698			0	
	NEW MEXICO M STATE #012	S	M-17-22S-37E	M	30-025-10334	G	12/2017	01/01/2020	3622	8622			0	
	NEW MEXICO M STATE #017	S	M-29-22S-37E	M	30-025-10508	O	12/1993	01/01/1996	3725	8725	Y		8,725	
	NEW MEXICO M STATE #019	S	A-31-22S-37E	A	30-025-10530	O	12/2017	01/01/2020	3784	8784			0	
	NEW MEXICO M STATE #020	S	F-29-22S-37E	F	30-025-10510	I	12/2017	01/01/2020	6850	11850			0	
	NEW MEXICO M STATE #024	S	O-19-22S-37E	O	30-025-10363	I	12/2017	01/01/2020	7005	12005			0	
	NEW MEXICO M STATE #025	S	L-29-22S-37E	L	30-025-10515	I	10/1995	11/01/1997	3735	8735	Y		8,735	
	NEW MEXICO M STATE #053	S	3-19-22S-37E	L	30-025-24508	O	12/2017	01/01/2020	3840	8840			0	
	NEW MEXICO M STATE #055	S	O-19-22S-37E	O	30-025-24510	O	12/2017	01/01/2020	3750	8750			0	
	NEW MEXICO M STATE #056	S	P-19-22S-37E	P	30-025-24457	O	12/2017	01/01/2020	3773	8773			0	
	NEW MEXICO M STATE #060	S	H-30-22S-37E	H	30-025-23962	G	12/2017	01/01/2020	3889	8889			0	
	NEW MEXICO M STATE #063	S	H-30-22S-37E	H	30-025-23428	O	12/2017	01/01/2020	3811	8811			0	
	NEW MEXICO M STATE #065	S	K-29-22S-37E	K	30-025-24254	I	12/2015	01/01/2018	3680	8680	Y		0	Y
	NEW MEXICO M STATE #066	S	G-29-22S-37E	G	30-025-24255	O	12/2017	01/01/2020	3680	8680			0	
	NEW MEXICO M STATE #067	S	I-30-22S-37E	I	30-025-24256	O	12/2017	01/01/2020	3814	8814			0	
	NEW MEXICO M STATE #069	S	L-29-22S-37E	L	30-025-24300	O	12/2017	01/01/2020	3749	8749			0	
	NEW MEXICO M STATE #072	S	J-20-22S-37E	J	30-025-23822	O	12/2017	01/01/2020	3807	8807			0	
	NEW MEXICO M STATE #074	S	J-20-22S-37E	J	30-025-23926	O	12/2017	01/01/2020	3830	8830			0	
	NEW MEXICO M STATE #075	S	M-20-22S-37E	M	30-025-23963	O	12/2017	01/01/2020	3864	8864			0	
	NEW MEXICO M STATE #076	S	O-30-22S-37E	O	30-025-24512	O	12/2017	01/01/2020	3809	8809			0	
	NEW MEXICO M STATE #081	S	G-30-22S-37E	G	30-025-24251	O	12/2017	01/01/2020	3859	8859			0	
	NEW MEXICO M STATE #101	S	A-19-22S-37E	A	30-025-24199	O	12/2017	01/01/2020	3399	8399			0	

WHERE OgrId:8359

Exhibit 2: Inactive Well List**Inactive Well List****Total Well Count: 24 Inactive Well Count: 3****Printed On: Tuesday, February 20 2018**

District	API	Well	ULSTR	OCD Unit	OGRID	Operator	Lease Type	Well Type	Last Production	Formation/Notes	Status	TA Exp Date
1	30-025-10506	NEW MEXICO M STATE #017	M-29-22S-37E	M	8359	GP II ENERGY INC	S	O	12/1993			
1	30-025-10515	NEW MEXICO M STATE #025	L-29-22S-37E	L	8359	GP II ENERGY INC	S	I	10/1995			
1	30-025-24254	NEW MEXICO M STATE #065	K-29-22S-37E	K	8359	GP II ENERGY INC	S	I	12/2015	FLD INSP 3/8/04 INJECTION WELL		

WHERE Ogrid:8359, County:All, District:All, Township:All, Range:All, Section:All, Production(months):15, Excludes Wells Under ACOI, Excludes Wells in Approved TA Period