

**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  
COMPLIANCE AND ENFORCEMENT BUREAU FOR A COMPLIANCE  
ORDER AGAINST PROVIDENCE ENERGY SERVICES INC., FOR WELLS  
OPERATED IN LEA COUNTY, NEW MEXICO.**

CASE NO. 16024

**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 Providence Energy Services 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 New Mexico profit corporation that operates 44 wells in Lea County, New Mexico, under OGRID No. 12444. 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: P.O. Box 928, Andrews, TX 79714.

3. The New Mexico Secretary of State has Operator registered under entity number 1548379 and identifies Dale Kelton, President, Cindy Kelton, Vice President, and Cindy Kelton, Secretary, as officers of record.

4. Operator has one blanket bond, bond # B003028, filed with the OCD, from U.S. Specialty Insurance Company, for the amount of \$50,000.

5. Operator has additionally furnished the OCD with 3 single well bonds on file with the OCD from U.S. Specialty Insurance Company and National Bank of Andrews for a total amount of \$26,903.

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

- a. Skelly Penrose B Unit #022, API # 30-025-10648, \$8,795 (U.S. Specialty);
- b. State 731 #003, API # 30-025-27648, \$9,055 (National Bank of Andrews);
- c. State 731 #004, API # 30-025-27647, \$9,053 (National Bank of Andrews).

7. U.S. Specialty Insurance Company's address of record is: 13403 Northwest Freeway, Houston, TX 77040.

8. National Bank of Andrews address of record is 1501 N. Main St. Andrews, TX 79714.

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 4 wells out of a total of 44 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 August 9, 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.

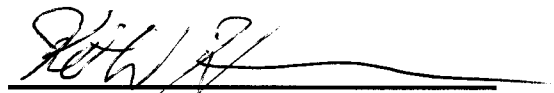
13. The Operator has not contacted the Bureau to resolve the outstanding compliance issues.

**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 6<sup>th</sup> day of March, 2018 by



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Attorney for the Compliance and  
Enforcement Bureau

Case No. 16074. **Application of The New Mexico Oil Conservation Division Compliance and Enforcement Bureau for a Compliance Order against Providence Energy Services Inc., for Wells Operated in Lea County, 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 Providence Energy Services 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

12444 PROVIDENCE ENERGY SERVS INC.-KELTON OP CORP

Total Well Count: 44

Printed On: Tuesday, February 20 2018

Property	Well Name	Lease Type	ULSTR	OCD Unit Letter	API	Well Type	Last Prod[n]	Inactive Additional Bond Due	Measured Depth	Required Bond Amount	Bond Required Now	Covered By Blanket TA Bond	Bond In Place	In Violation
34178	ANNA FEDERAL #001	F	4-01-21S-37E	D	30-025-23355	G	12/2017		7600				0	
31006	FEDERAL X #002	F	M-15-25S-37E	M	30-025-26084	O	12/2017		3700				0	
	FEDERAL X #003	F	L-15-25S-37E	L	30-025-26085	O	12/2017		3702				0	
307841	SKELLY PENROSE B UNIT #002	S	C-32-22S-37E	C	30-025-10544	O	12/2017	01/01/2020	3805	8805			0	
	SKELLY PENROSE B UNIT #004	S	E-32-22S-37E	E	30-025-10545	O	12/2017	01/01/2020	3820	8820			0	
	SKELLY PENROSE B UNIT #011	P	I-31-22S-37E	I	30-025-10533	O	12/2017	01/01/2020	3824	8824			0	
	SKELLY PENROSE B UNIT #015	P	O-32-22S-37E	O	30-025-10551	O	12/2017	01/01/2020	3750	8750			0	
	SKELLY PENROSE B UNIT #017	P	4-04-23S-37E	D	30-025-10627	I	12/2017	01/01/2020	3720	8720			0	
	SKELLY PENROSE B UNIT #019	P	2-05-23S-37E	B	30-025-10629	I	12/2017	01/01/2020	3750	8750			0	
	SKELLY PENROSE B UNIT #020	P	3-05-23S-37E	C	30-025-10632	O	12/2017	01/01/2020	3780	8780			0	
	SKELLY PENROSE B UNIT #022	P	1-06-23S-37E	A	30-025-10648	O	07/1988	08/01/1990	3795	8795	Y		8,795	
	SKELLY PENROSE B UNIT #023	P	2-06-23S-37E	B	30-025-10651	O	12/2017	01/01/2020	3800	8800			0	
	SKELLY PENROSE B UNIT #024	P	G-06-23S-37E	G	30-025-10652	O	12/2017	01/01/2020	3815	8815			0	
	SKELLY PENROSE B UNIT #026	P	E-05-23S-37E	E	30-025-10634	I	12/2017	01/01/2020	3780	8780			0	
	SKELLY PENROSE B UNIT #027	P	F-05-23S-37E	F	30-025-10631	I	12/2017	01/01/2020	3770	8770			0	
	SKELLY PENROSE B UNIT #030	P	E-04-23S-37E	E	30-025-10626	I	12/2017	01/01/2020	3687	8687			0	
	SKELLY PENROSE B UNIT #031	P	I-05-23S-37E	I	30-025-10639	I	12/2017	01/01/2020	3710	8710			0	
	SKELLY PENROSE B UNIT #032	P	J-05-23S-37E	J	30-025-10643	I	12/2017	01/01/2020	3710	8710			0	
	SKELLY PENROSE B UNIT #033	P	K-05-23S-37E	K	30-025-10640	I	12/2017	01/01/2020	3724	8724			0	
	SKELLY PENROSE B UNIT #034	P	L-05-23S-37E	L	30-025-10635	I	12/2017	01/01/2020	3896	8896			0	
	SKELLY PENROSE B UNIT #035	P	I-06-23S-37E	I	30-025-10655	O	12/2017	01/01/2020	3798	8798			0	
	SKELLY PENROSE B UNIT #037	P	M-05-23S-37E	M	30-025-10642	I	12/2017	01/01/2020	3731	8731			0	
	SKELLY PENROSE B UNIT #038	P	N-05-23S-37E	N	30-025-10641	I	12/2017	01/01/2020	3720	8720			0	
	SKELLY PENROSE B UNIT #043	P	A-08-23S-37E	A	30-025-10666	O	12/2017	01/01/2020	3712	8712			0	
	SKELLY PENROSE B UNIT #044	P	C-08-23S-37E	C	30-025-10672	I	12/2017	01/01/2020	3680	8680			0	
	SKELLY PENROSE B UNIT #046	P	A-07-23S-37E	A	30-025-10658	O	12/2017	01/01/2020	3770	8770			0	
	SKELLY PENROSE B UNIT #053	P	K-09-23S-37E	K	30-025-10688	O	12/2017	01/01/2020	3660	8660			0	
	SKELLY PENROSE B UNIT #057	P	N-08-23S-37E	N	30-025-10676	O	12/2017	01/01/2020	3668	8668			0	
	SKELLY PENROSE B UNIT #060	P	M-09-23S-37E	M	30-025-10690	O	12/2017	01/01/2020	3670	8670			0	
	SKELLY PENROSE B UNIT #063	P	B-08-23S-37E	B	30-025-10667	I	12/2017	01/01/2020	3730	8730			0	
	SKELLY PENROSE B UNIT #064	P	F-05-23S-37E	F	30-025-30218	O	12/2017	01/01/2020	3905	8905			0	
	SKELLY PENROSE B UNIT #065	P	4-04-23S-37E	D	30-025-30219	O	12/2017	01/01/2020	3944	8944			0	
	SKELLY PENROSE B UNIT #066	P	L-05-23S-37E	L	30-025-30235	O	12/2017	01/01/2020	3972	8972			0	
	SKELLY PENROSE B UNIT #067	P	J-05-23S-37E	J	30-025-30373	O	12/2017	01/01/2020	3870	8870			0	
	SKELLY PENROSE B UNIT #068	P	J-05-23S-37E	J	30-025-30374	O	12/2017	01/01/2020	3920	8920			0	
	SKELLY PENROSE B UNIT #069	P	I-32-22S-37E	I	30-025-30375	O	12/2017	01/01/2020	3940	8940			0	
	SKELLY PENROSE B UNIT #070	P	G-05-23S-37E	G	30-025-32111	O	01/2016	02/01/2018	3900	8900	Y		0	Y
	SKELLY PENROSE B UNIT #071	P	K-05-23S-37E	K	30-025-32112	O	12/2017	01/01/2020	3850	8850			0	
	SKELLY PENROSE B UNIT #072	P	2-05-23S-37E	B	30-025-32113	O	12/2017	01/01/2020	3900	8900			0	
	SKELLY PENROSE B UNIT #073	P	C-08-23S-37E	C	30-025-32114	O	12/2017	01/01/2020	3850	8850			0	
	SKELLY PENROSE B UNIT #074	P	B-08-23S-37E	B	30-025-32115	O	12/2017	01/01/2020	3800	8800			0	
22131	SOUTH LINEBERRY #001	P	O-23-26S-37E	O	30-025-26103	G	12/2017	01/01/2020	3150	8150			0	
25069	STATE 731 #003	S	H-26-22S-35E	H	30-025-27648	O	12/2000	01/01/2003	4055	9055	Y		9,055	
	STATE 731 #004	S	M-25-22S-35E	M	30-025-27647	O	07/2008	08/01/2010	4053	9053	Y		9,053	

WHERE Ogrid:12444

## Inactive Well List

Total Well Count: 44 Inactive Well Count: 4  
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	30-025-10648	SKELLY PENROSE B UNIT #022	1-06-23S-37E	A	12444	PROVIDENCE ENERGY SERVS INC.-KELTON OP CORP	P	O	07/1988	GRAYBURG INT TO TA 01/26/2011	T	10/25/2009
1	30-025-32111	SKELLY PENROSE B UNIT #070	G-05-23S-37E	G	12444	PROVIDENCE ENERGY SERVS INC.-KELTON OP CORP	P	O	01/2016	SEVEN RIVERS QUEEN GRAYBURG		
1	30-025-27648	STATE 731 #003	H-26-22S-35E	H	12444	PROVIDENCE ENERGY SERVS INC.-KELTON OP CORP	S	O	12/2000	TA 0/10/2012 TA EXP 07/10/2014	T	7/10/2014
1	30-025-27647	STATE 731 #004	M-25-22S-35E	M	12444	PROVIDENCE ENERGY SERVS INC.-KELTON OP CORP	S	O	07/2008	TA 07/03/2012 TA EXP 07/03/2017	T	7/3/2017

WHERE Ogrid:12444, County:All, District:All, Township:All, Range:All, Section:All, Production(months):15, Excludes Wells Under ACOI, Excludes Wells in Approved TA Period