

**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 RUTH OIL CO, LLC, FOR WELLS OPERATED IN EDDY
AND LEA COUNTIES, NEW MEXICO.**

CASE NO. 20197

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 Ruth Oil Co, LLC. (“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 Domestic Limited Liability Company that operates five (5) wells in Eddy and Lea Counties, New Mexico, under OGRID No. 260702. 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 1212, Eunice, NM 88231.

3. The New Mexico Secretary of State has Operator registered under entity number 4036018 and identifies James Ruth as Organizer.

4. Operator has furnished the OCD with two (2) single well bonds on file with the OCD from Wells Fargo California for the following wells:

a. Keohane #003, API No. 30-025-22935, Bond No. LOC NZS623080 for \$12,500.00;

b. State M-AI #002, API No. 30-015-02627, Bond No. LOC NZS623075 for \$11,500;

5. Bank's address of record is: One Front Street, 21st Floor, San Francisco, CA 94111.

6. 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.

7. 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.

8. The Operator currently has five (5) wells out of a total of five (5) 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*.

9. On June 21, 2016, 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.

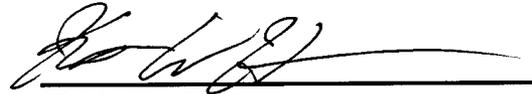
10. The Operator has not contacted the Bureau to resolve the outstanding compliance issues.

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;

F. for such other and further relief as the Director deems just and proper
under the circumstances.

RESPECTFULLY SUBMITTED,
this 11th day of December, 2018 by



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

Case No. _____. **Application of The New Mexico Oil Conservation Division Compliance and Enforcement Bureau for a Compliance Order against Ruth Oil Co, LLC, 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 Ruth Oil Co, LLC (“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

260702 RUTH OIL CO, LLC

Total Well Count: 2

Printed On: Tuesday, December 11 2018

| Property | Well Name | Lease Type | ULSTR | OCD Unit Letter | API | Well Type | Last ProdInj | Inactive Additional Bond Due | Measured Depth | Required Bond Amount | Bond Required Now | Covered By Blanket TA Bond | Bond In Place | In Violation |
|----------|-----------------|------------|--------------|-----------------|--------------|-----------|--------------|------------------------------|----------------|----------------------|-------------------|----------------------------|---------------|--------------|
| 305437 | KEOHANE #003 | P | K-06-20S-38E | K | 30-025-22935 | O | 02/2015 | 03/01/2017 | 7500 | 12500 | Y | | 12,500 | |
| 305436 | STATE M-AI #002 | S | 7-06-18S-28E | M | 30-015-02627 | O | 10/2014 | 11/01/2016 | Unknown | Unknown | Y | | 11,500 | Y |

WHERE Ogrid:260702

***Exhibit 1: Well List and
Financial Assurance Report***

Inactive Well List
Total Well Count: 5 Inactive Well Count: 5
Printed On: Tuesday, December 11 2018

| District | API | Well | ULSTR | OCD Unit | Ogrid | Operator | Lease Type | Well Type | Last Production | Formation/Notes | Status | TA Exp Date |
|----------|--------------|-----------------|--------------|----------|--------|------------------|------------|-----------|-----------------|----------------------------|--------|-------------|
| 2 | 30-015-01414 | HASTIE #001 | J-18-17S-28E | J | 260702 | RUTH OIL CO, LLC | | O | 03/2011 | SEVEN RIVERS | | |
| 2 | 30-015-01415 | HASTIE #002 | I-18-17S-28E | I | 260702 | RUTH OIL CO, LLC | | O | 06/2012 | | | |
| 2 | 30-015-01416 | HASTIE #003 | P-18-17S-28E | P | 260702 | RUTH OIL CO, LLC | | O | 11/2012 | SEVEN RIVERS | | |
| 1 | 30-025-22935 | KEOHANE #003 | K-06-20S-38E | K | 260702 | RUTH OIL CO, LLC | | O | 02/2015 | INT TO P&A APPVD 4-5-04 | | |
| 2 | 30-015-02627 | STATE M-AI #002 | 7-06-18S-28E | M | 260702 | RUTH OIL CO, LLC | | O | 10/2014 | | | |

WHERE Operator:260702, County:All, District:All, Township:All, Range:All, Section:All, Production(months):15, Excludes Wells Under ACOI, Excludes Wells in Approved TA Period

Exhibit 2: Inactive Well List