

OCD EXHIBIT 2

State of New Mexico
Energy, Minerals and Natural Resources Department

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Oil Conservation Division



**BY CERTIFIED MAIL -RETURN RECEIPT REQUESTED
AND ELECTRONIC MAIL**

March 16, 2021

Roger Slayton
dba Escudilla Oil Company
P.O. Box 687
Roswell, New Mexico 88202
IPPCooperative@outlook.com

NOTICE OF VIOLATION

The Director of the Oil Conservation Division (“OCD”) issues this Notice of Violation (“NOV”) pursuant to 19.15.5.10 NMAC. A process is available to informally discuss and resolve the NOV. OCD will not request a hearing on the NOV until the end of this process, which runs for 30 days from the date of your receipt of this letter. OCD will extend this process if it would facilitate informal resolution of the NOV. To initiate this process, contact the OCD employee identified at the end of this letter.

(1) Alleged Violator: Roger Slayton dba Escudilla Oil Company, OGRID # 228270 (“Slayton”).

(2) Citation, Nature, and Factual and Legal Basis for Alleged Violation(s):

19.15.5.9(A) NMAC:

An operator is in compliance with Subsection A of 19.15.5.9 NMAC if the operator...

(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 or final 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 fifty percent of the wells the operator operates, whichever is less, if the operator operates 100 wells or less....

Slayton is registered as the operator of twenty nine (29) wells. The eight (8) wells identified in Table 1 are out of compliance with 19.15.25.8 NMAC and are not subject to an agreed compliance or final order:

Table 1:

<u>API</u>	<u>Well</u>	<u>Last Production Reported</u>
30-005-61893	ARD State #002	11/2018
30-005-10463	Avalanche Journal State #001	12/1992
30-005-10471	Avalanche Journal State #004	11/2018
30-005-10472	Avalanche Journal State #005	11/2018
30-005-10488	Avalanche Journal State #006	11/2018
30-005-10432	Lewis Neff #003	8/2015
30-005-00228	McIntyre State #001	2/2019
30-005-10429	Standard State #003	6/2018

19.15.8.9 NMAC:

C. Active wells. *An operator shall provide financial assurance for wells that are covered by Subsection A of 19.15.8.9 NMAC and are not subject to Subsection D of 19.15.8.9 NMAC in one of the following categories:*

(1) *a one well financial assurance in the amount of \$25,000 plus \$2 per foot of the projected depth of a proposed well or the depth of an existing well; the depth of a well is the true vertical depth for vertical and horizontal wells and the measured depth for deviated and directional wells; or*

(2) *a blanket plugging financial assurance in the following amounts covering all the wells of the operator subject to Subsection C of 19.15.8.9 NMAC...*

(b) *\$75,000 for 11 to 50 wells....*

Slayton is registered as the operator of twenty nine (29) wells, but has a blanket plugging financial assurance of only \$50,000.

D. Inactive wells. *An operator shall provide financial assurance for wells that are covered by Subsection A of 19.15.8.9 NMAC that have been in temporarily abandoned status for more than two years or for which the operator is seeking approved temporary abandonment pursuant to 19.15.25.13 NMAC in one of the following categories:*

(1) *a one well financial assurance in the amount of \$25,000 plus \$2 per foot of the projected depth of a proposed well or the depth of an existing well; the depth of a well is the true vertical depth for vertical and horizontal wells and the measured depth for deviated and directional wells; or*

(2) *a blanket plugging financial assurance covering all wells of the operator subject to Subsection D of 19.15.8.9 NMAC...*

(b) *\$300,000 for six to 10 wells....*

Slayton has eight (8) inactive wells for which he has no or inadequate one well financial assurance and no blanket plugging financial assurance, as identified in Table 2:

Table 2:

<u>API</u>	<u>Well</u>	<u>Existing FA</u>	<u>Required FA</u>
30-005-61893	ARD State #002	0	\$29,010
30-005-10463	Avalanche Journal State #001	\$6,975	\$29,950
30-005-10471	Avalanche Journal State #004	0	\$28,940
30-005-10472	Avalanche Journal State #005	0	\$28,928
30-005-10488	Avalanche Journal State #006	0	\$28,930
30-005-10432	Lewis Neff #003	\$6,975	\$28,952
30-005-00228	McIntyre State #001	0	\$28,958
30-005-10429	Standard State #003	0	\$29,950

(3) *Compliance:* No later than thirty (30) days after receipt of this NOV, Slayton shall (a) obtain blanket plugging financial assurance for all wells in the amount of \$75,000; (b) plug and abandon at least six (6) wells listed in Table 1; and (c) obtain blanket plugging financial assurance or one well financial assurance in the required amounts for the wells listed in Table 2.

(4) *Sanction(s):* OCD may impose one or more of the following sanctions:

- civil penalty
- modification, suspension, cancellation, or termination of a permit or authorization
- plugging and abandonment of a well
- remediation and restoration of a well location and associated facilities, including the removal of surface and subsurface equipment and other materials
- remediation and restoration of a location affected by a spill or release
- forfeiture of financial assurance
- shutting in a well or wells
- any other remedy authorized by law

For the alleged violations described above, OCD proposes the following sanctions:

- (a) Plug and Abandon Wells: OCD will request an order requiring Slayton to plug and abandon six (6) wells listed in Table 1, and if Slayton does not appear at the hearing or fails to plug and abandon the wells, an order authorizing OCD to plug and abandon those wells.
- (b) Financial Assurance: OCD will request an order requiring Slayton to provide blanket plugging financial assurance for all wells in the amount of \$75,000 and blanket plugging financial assurance or one well financial assurance in the required amounts for the wells listed in Table 2, and if Slayton does not appear at the hearing or fails to obtain the required financial assurance, an order forfeiting financial assurance.

- (c) Termination of Authorization to Transport: OCD will request an order terminating Slayton's authority to transport from the twenty nine (29) registered wells.
- (d) Civil Penalties: OCD proposes to assess civil penalties as specified below. The civil penalty calculations are attached. OCD has taken into consideration the alleged violator's good faith effort to comply with the applicable requirements.

Civil Penalty: 19.15.5.9(A)(4)(a) NMAC:	\$ 1,800
19.15.5.9(C) NMAC:	\$ 300
19.15.5.9(D) NMAC:	\$ 2,400

(5) *Hearing*: If this NOV cannot be resolved informally, OCD will request a hearing on June 3, 2021. Please see 19.15.5.10 NMAC for more information regarding the hearing. Even if OCD schedules a hearing, you can request an informal resolution at any time.

For more information regarding this NOV, contact Daniel Sanchez, OCD Compliance and Enforcement Manager, at (505) 795-4558 or Daniel.Sanchez@state.nm.us.

Regards,



Adrienne Sandoval
Director

cc: OCD Southern District
Office of Legal Counsel, EMNRD