

**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 MCKAY OIL CORPORATION, FOR WELLS OPERATED IN
CHAVES AND LEA COUNTIES, NEW MEXICO.**

CASE NO. 15589

PRE-HEARING STATEMENT

Applicant New Mexico Oil Conservation Division Compliance and Enforcement Bureau ("Bureau") is seeking an order declaring:

1. That operator McKay Oil Corporation ("McKay" or "Operator") is out of compliance with 19.15.5.9, 19.15.8.9 and 19.15.25.8 NMAC;
2. That Operator return to compliance with 19.15.5.9, 19.15.8.9 and 19.15.25.8 NMAC by a date certain;
3. In the event of non-compliance, finding the Operator in violation of a Division Order for each day after the deadline established in the sought order to obtain compliance, declaring the wells abandoned, and authorizing 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)..

The OCD supports the approval of the compliance order because of the following:

1. Notice of Hearing was properly served as required by 19.15.4.9 and 19.15.4.10 NMAC.
2. Operator is currently the operator of record of twenty-one (21) wells ("subject wells") in Chaves and Lea Counties.
3. Operator has 3 wells that require additional financial assurance pursuant to 19.15.8.9(C) NMAC.
4. Operator currently has twenty (20) wells out of a total of twenty-one (21) wells out of compliance with 19.15.25.8 NMAC, exceeding the amount allowed under 19.15.5.9(A)(4) NMAC.

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RECEIVED OGD

PETITIONERS'S PROPOSED EVIDENCE

WITNESS:

ESTIMATED TIME: 15 minutes

Daniel Sanchez, NMOCD Compliance & Enforcement Manager

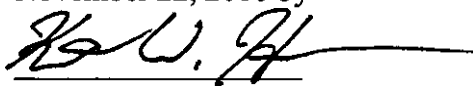
Testimony on Operator and OCD records.

PROCEDURAL MATTERS

None.

Respectfully submitted

November 22, 2016 by



Keith W. Herrmann

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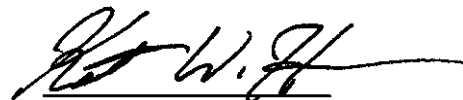
Attorney for the Oil Conservation Division

Compliance and Enforcement Bureau

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing pleading was sent electronically to the following party on November 22, 2016:

No party has entered an appearance



Keith W. Herrmann