

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, THROUGH THE ENFORCEMENT AND COMPLIANCE MANAGER, FOR A COMPLIANCE ORDER AGAINST J. WARREN HANSON D/B/A HANSON ENERGY FINDING THAT THE OPERATOR IS IN VIOLATION OF 19.15.4.201 NMAC AS TO TWENTY-FIVE WELLS, REQUIRING OPERATOR TO BRING THE WELLS INTO COMPLIANCE BY A DATE CERTAIN, AND IN THE EVENT OF NON-COMPLIANCE ASSESSING PENALTIES AND AUTHORIZING THE DIVISION TO PLUG THE WELLS AND FORFEIT THE APPLICABLE FINANCIAL ASSURANCE, EDDY COUNTY, NEW MEXICO.

CASE NO. 14053

APPLICATION FOR COMPLIANCE ORDER  
AGAINST J. WARREN HANSON D/B/A HANSON ENERGY

1. J. Warren Hanson d/b/a Hanson Energy ("Hanson") is a sole proprietor operating wells in New Mexico under OGRID 21386.
2. Operator posted a \$50,000 blanket plugging bond through U.S. Specialty Insurance Company to secure its obligation to plug and abandon its wells in New Mexico.
3. OCD rule 19.15.4.201 NMAC requires an operator to plug and abandon or temporarily abandon a well in accordance with Division rules within 90 days after a period of one year of continuous inactivity.
4. The following wells are operated by Hanson in Eddy County, New Mexico, and have not reported production or injection for a continuous period in excess of one year plus ninety days, and are neither plugged and abandoned nor on approved temporary abandonment status:

Berry A #011	30-015-00498	K-24-17S-27E
Berry A #022	30-015-00497	K-24-17S-27E

Berry A #026	30-015-00501	O-24-17S-27E
Berry B #025	30-015-00578	G-25-17S-27E
Berry Federal #027	30-015-00483	E-24-17S-27E
Berry Federal #029	30-015-00472	F-23-17S-27E
Berry Federal #030	30-015-21510	O-23-17S-27E
Berry Federal #034	30-015-31113	G-23-17S-27E
Donnelly Kelly State #002	30-015-02644	O-8-18S-28E
Donnelly Kelly State #003	30-015-23815	O-8-18S-28E
Saunders A #011	30-015-24123	B-13-17S-27E
Saunders B #003	30-015-22725	A-13-17S-27E
Spurck State #009	30-015-30997	F-24-17S-27E
State AE #001	30-015-25402	G-4-18S-28E
State AE #002	30-015-25403	F-4-18S-28E
Vandagriff #003	30-015-01323	I-5-17S-28E
Vandagriff #005	30-015-01318	J-5-17S-28E
Vandagriff #007	30-015-01320	J-5-17S-28E
Vandagriff #008	30-015-01321	H-5-17S-28E
Vandagriff #009	30-015-01322	O-5-17S-28E
Vandagriff #010	30-015-01329	B-8-17S-28E
Vandagriff #011	30-015-01325	I-5-17S-28E
West Artesia Grayburg Unit #016	30-015-02641	M-8-18S-28E
West Artesia Grayburg Unit #022	30-015-23639	L-8-18S-28E
West Artesia Grayburg Unit #024	30-015-23724	M-8-18S-28E

5. NMSA 1978, Section 70-2-14(B) provides:

If any of the requirements of the Oil and Gas Act [70-2-1 NMSA 1978] or the rules promulgated pursuant to that act have not been complied with, the oil conservation division, after notice and hearing, may order any well plugged and abandoned by the operator or surety or both in accordance with division rules. If the order is not complied with in the time period set out in the order, the financial assurance shall be forfeited.

6. OCD Rule 19.15.3.101.H(1) NMAC provides:

Upon the operator's failure to properly plug and abandon and restore and remediate the location of any well or wells a financial assurance covers, the division shall give notice to the operator and surety, if applicable, and hold a hearing as to whether the well or wells should be plugged and abandoned and the location restored and remediated in accordance with a division-approved plugging program. If it is determined at the hearing that the operator has failed to plug and abandon the well and restore and remediate the location as provided for in the financial assurance or division rules, the division director shall issue an order directing the well to be plugged or abandoned and the location restored and remediated in a time certain. Such an order may also direct the forfeiture of the financial

assurance upon the failure or refusal of the operator, surety or other responsible party to properly plug and abandon the well and restore and remediate the location.

7. NMSA 1978, Section 70-2-31 (A) provides, in relevant part:

Any person who knowingly and willfully violates any provision of the Oil and Gas Act or any provision of any rule or order issued pursuant to that act shall be subject to a civil penalty of not more than one thousand dollars (\$1,000) for each violation. For purposes of this subsection, in the case of a continuing violation, each day of violation shall constitute a separate violation.

8. OCD rule 19.15.1.7.K defines “knowingly and willfully,” for purposes of assessing civil penalties, as

the voluntary or conscious performance of an act that is prohibited or the voluntary or conscious failure to perform an act or duty that is required. It does not include performances or failures to perform that are honest mistakes or merely inadvertent. It includes, but does not require, performances or failures to perform that result from a criminal or evil intent or from a specific intent to violate the law. The conduct’s knowing and willful nature may be established by plain indifference to or reckless disregard of the requirements of the law, rules, orders or permits. A consistent pattern or performance or failure to perform also may be sufficient to establish the conduct’s knowing and willful nature, where such consistent pattern is neither the result of honest mistakes nor mere inadvertency. Conduct that is otherwise regarded as being knowing and willful is rendered neither accidental nor mitigated in character by the belief that the conduct is reasonable or legal.

9. NMSA 1978, Section 70-2-33(A) defines “person” as used in the Oil and Gas Act to include “any individual, estate, trust, receiver, cooperative association, club, corporation, company, firm, partnership, joint venture, syndicate or other entity.”

WHEREFORE, the Enforcement and Compliance Manager of the Division hereby applies to the Director to enter an order:

- A. Determining that Operator is out of compliance with OCD rule 19.15.4.201 NMAC as to the twenty-five wells identified in this application;
- B. Requiring Hanson to return the twenty-five wells identified in this application to compliance by a date certain;
- C. Providing that if Hanson fails to return all twenty-five wells identified in the order to compliance by the date set in the order,
- 1) authorizing the OCD to plug and abandon the remaining non-compliant wells identified in the order and forfeit the applicable financial assurance; and
  - 2) directing the OCD to file a motion for order to show cause why penalties should not be imposed for Hanson's knowing and willful violation of 19.15.4.201 NMAC;
- D. For such other and further relief as the Director deems just and proper under the circumstances.

RESPECTFULLY SUBMITTED,  
this 4<sup>th</sup> day of December 2007 by



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- Case No. 14053. Application of the New Mexico Oil Conservation Division for a Compliance Order against J. Warren Hanson d/b/a Hanson Energy. The Applicant seeks an order finding that operator is in violation of 19.15.4.201 NMAC as to twenty-five wells, requiring operator to return the wells to compliance by a date certain, and in the event of non-compliance assessing penalties and authorizing the division to plug said wells and forfeit the applicable financial assurance. The affected wells are: Berry A #011, 30-015-00498, K-24-17S-27E; Berry A #022, 30-015-00497, K-24-17S-27E; Berry A #026, 30-015-00501, O-24-17S-27E; Berry B #025, 30-015-00578, G-25-17S-27E; Berry Federal #027, 30-015-00483, E-24-17S-27E; Berry Federal #029, 30-015-00472, F-23-17S-27E; Berry Federal #030, 30-015-21510, O-23-17S-27E; Berry Federal #034, 30-015-31113, G-23-17S-27E; Donnelly Kelly State #002, 30-015-02644, O-8-18S-28E; Donnelly Kelly State #003, 30-015-23815, O-8-18S-28E; Saunders A #011, 30-015-24123, B-13-17S-27E; Saunders B #003, 30-015-22725, A-13-17S-27E; Spurck State #009, 30-015-30997, F-24-17S-27E; State AE #001, 30-015-25402, G-4-18S-28E; State AE #002, 30-015-25403, F-4-18S-28E; Vandagriff #003, 30-015-01323, I-5-17S-28E; Vandagriff #005, 30-015-01318, J-5-17S-28E; Vandagriff #007, 30-015-01320, J-5-17S-28E; Vandagriff #008, 30-015-01321, H-5-17S-28E; Vandagriff #009, 30-015-01322, O-5-17S-28E; Vandagriff #010, 30-015-01329, B-8-17S-28E; Vandagriff #011, 30-015-01325, I-5-17S-28E; West Artesia Grayburg Unit #016, 30-015-02641, M-8-18S-28E; West Artesia Grayburg Unit #022, 30-015-23639, L-8-18S-28E; West Artesia Grayburg Unit #024, 30-015-23724, M-8-18S-28E. The wells are located between Artesia and Loco Hills in Eddy County, New Mexico.