



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Resmire, P.E.

Director

Oil Conservation Division

LETTER OF VIOLATION

August 30, 2007

Marks and Garner Production Ltd. Co.
P.O. Box 70
Lovington, NM 88260

Re: Marks and Garner Production Ltd. Co., OGRID 14070
19.15.4.201 NMAC

Dear Operator:

The Oil Conservation Division (OCD) recently performed a file and compliance review of wells operated by Marks and Garner Production Ltd. Co. (Marks and Garner). The review found that of the 71 wells operated by Marks and Garner in New Mexico, 24 are out of compliance with 19.115.4.201 NMAC (Rule 201). A list identifying the 24 non-compliant wells is attached as Exhibit A.

Rule 201 OCD Rule 201 [19.15.4.201 NMAC] states, in relevant part:

"A. The operator of any of the following wells, whether cased or uncased, shall be responsible for the plugging thereof: wells drilled for oil or gas; or service wells including but not limited to seismic, core, exploration or injection wells.

B. A well shall be either properly plugged and abandoned or placed in approved temporary abandonment in accordance with these rules within 90 days after:

(3) a period of one year in which a well has been continuously inactive."

The 24 wells identified in Exhibit A are in violation of Rule 201 because they have been inactive for a continuous period in excess of one year plus ninety days, and are not plugged and abandoned or on approved temporary abandonment status.

The OCD has notified Marks and Garner of its Rule 201 violations on multiple occasions. Examples of notices sent to Marks and Garner on one of the wells are attached as Exhibit B.

This letter is to notify you that the OCD intends to file an application for hearing to obtain an order imposing penalties, requiring Marks and Garner to return the wells to compliance by a date certain, and authorizing the OCD to plug the wells and forfeit the applicable financial assurances if Marks and Garner fails to meet the compliance deadline set in the order. If the OCD plugs the wells and the cost exceeds the amount of the

***Before the OCC
Cases 14041 De Novo
Marks & Garner
OCD Ex. No. 10***

Division * 1220 South St. Francis Drive * Santa Fe, New Mexico 87505
476-3440 * Fax (505) 476-3462 * <http://www.emnrd.state.nm.us>

posted financial assurances, the OCD will seek reimbursement from Marks and Garner. Because of the large number of inactive wells operated by Marks and Garner, and its history of non-compliance, the OCD may also seek an order under NMSA 1978, Section 70-2-14(B) requiring Marks and Garner to plug and abandon all its wells if it does not return the non-compliant wells to compliance by the deadline set in the order.

Marks and Garner currently has a \$50,000 cash blanket plugging bond posted with the OCD. Please also be advised that effective January 1, 2008, the OCD will require a single well financial assurance for each state or fee well that has been inactive for more than two years and is not plugged and released. See 19.15.3.101 NMAC.

In addition, Marks and Garner is currently out of compliance with 19.15.1.40 NMAC because of the large number of inactive wells it operates. If an operator has more than a certain number of wells on the Rule 40 Inactive Well List the OCD can - and in some circumstances must - deny certain privileges to the operator, including APDs, authorization to transport, injection permits, and well transfers. The number of wells an operator may have on the Rule 40 Inactive Well list varies from 0 to 10, depending on the number of wells the operator operates.

The OCD encourages Marks and Garner to take prompt action to return its wells to compliance to avoid further enforcement action.

If you have any questions about OCD's enforcement programs, please contact Compliance and Enforcement Manager Daniel Sanchez at (505) 476-3493.

Sincerely,



Gail MacQuesten
OCD Attorney

cc: Chris Williams, District I
Larry "Buddy" Hill, District I
Tim Gum, District II
Daniel Sanchez, Compliance and Enforcement Manager

Inactive Well List

Total Well Count: 71 Inactive Well Count: 24 Since: 6/6/2006

Printed On: Thursday, August 30 2007

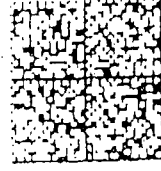
District	API	Well	ULSTR	OCD Unit	OGRID	Operator	Lease Type	Well Type	Last Production	Formation/Notes	Status	TA Exp Date
1	30-025-08154	BRADLEY FEDERAL #001	J-22-24S-32E	J	14070	MARKS AND GARNER PRODUCTION LTD CO	F	O	02/2005	INT TO P&A APPVD 8-19-05 / BUM		
1	30-025-08156	BRADLEY FEDERAL #003	A-22-24S-32E	A	14070	MARKS AND GARNER PRODUCTION LTD CO	F	O	11/2004	INT TO P&A APPVD 8-2-05 / BUM		
2	30-015-02897	CAVE POOL UNIT #027	P-5-17S-29E	P	14070	MARKS AND GARNER PRODUCTION LTD CO	S	S	11/2005			
2	30-015-02915	CAVE POOL UNIT #036	B-8-17S-29E	B	14070	MARKS AND GARNER PRODUCTION LTD CO	S	S	11/2005			
1	30-025-23551	CITIES SERVICE STATE #001	A-30-13S-33E	H	14070	MARKS AND GARNER PRODUCTION LTD CO	S	O	11/2005	BAUM UPPER PENN.		
1	30-025-27992	COQUINA STATE #001	H-19-21S-35E	H	14070	MARKS AND GARNER PRODUCTION LTD CO	S	O	08/2001			
1	30-025-08163	ERNEST FEDERAL #001	D-23-24S-32E	D	14070	MARKS AND GARNER PRODUCTION LTD CO	F	O	11/2003	EXPIRED LEASE - 6/06		
1	30-025-20655	GRAHAM FEDERAL #003	E-22-24S-32E	E	14070	MARKS AND GARNER PRODUCTION LTD CO	F	O	10/2005			
2	30-015-02898	HODGES FEDERAL #002	I-5-17S-29E	A	14070	MARKS AND GARNER PRODUCTION LTD CO	F	O	08/2001			
1	30-025-08149	JENNINGS FEDERAL #002	M-14-24S-32E	M	14070	MARKS AND GARNER PRODUCTION LTD CO	F	O	11/2004	SI PER FLD INSPECTION		
1	30-025-24979	JULIA CULP #001	H-34-15S-35E	H	14070	MARKS AND GARNER PRODUCTION LTD CO	P	O	08/2001			
1	30-025-28767	KEMNITZ 17 STATE #001	H-17-16S-34E	H	14070	MARKS AND GARNER PRODUCTION LTD CO	S	O	01/2006			
1	30-025-29484	LEA/UA/STATE #001	J-16-19S-35E	J	14070	MARKS AND GARNER PRODUCTION LTD CO	S	O	08/2001	INT TO P&A APPVD 12-23-03		
2	30-015-02787	LEVERS #003Y	N-33-16S-29E	N	14070	MARKS AND GARNER PRODUCTION LTD CO	F	O	08/2001			
1	30-025-21291	NORTHEAST MALAJMAR UNIT #001	I-31-16S-33E	I	14070	MARKS AND GARNER PRODUCTION LTD CO	S	O	02/1994			
2	30-015-25059	RED TWELVE FEDERAL #002	P-33-16S-29E	P	14070	MARKS AND GARNER PRODUCTION LTD CO	F	O	04/2006	GRAYBURG SAN ANDRES		
2	30-015-25060	RED TWELVE LEVERS FEDERAL #005Q	I-31-16S-33E	I	14070	MARKS AND GARNER PRODUCTION LTD CO	F	O	06/2005	GRBG SA		
2	30-015-25152	RED TWELVE LEVERS FEDERAL #012	P-33-16S-29E	D	14070	MARKS AND GARNER PRODUCTION LTD CO	F	O	11/2004			
2	30-015-24980	RED TWELVE STATE #003	P-5-17S-29E	I	14070	MARKS AND GARNER PRODUCTION LTD CO	S	O	04/2001			

Ex. A

2	30-015-25055 RED TWELVE STATE #905	H-5-17S-29E	K	14070	MARKS AND GARNER PRODUCTION LTD CO.	S	O	08/2001	T	12/31/2002
2	30-015-02888 STATE #001	H-4-17S-29E	D	14070	MARKS AND GARNER PRODUCTION LTD CO.	S	O	05/2001		
2	30-015-02889 STATE #002	H-4-17S-29E	C	14070	MARKS AND GARNER PRODUCTION LTD CO.	S	O	05/2005		
2	30-015-24732 THEOS STATE #001	G-5-17S-29E	G	14070	MARKS AND GARNER PRODUCTION LTD CO.	S	O	11/2005	T	12/14/2002
1	30-025-02702 WH SNYDER #001	G-35-15S-35E	G	14070	MARKS AND GARNER PRODUCTION LTD CO.	P	O	02/2002		

WHERE Ogrid:14070, County:All, District:All, Township:All, Range:All, Section:All, Production(months):15, Excludes Wells
Under ACOI, Excludes Wells in Approved TA Period

EMNRD
OIL CONSERVATION DIVISION
1625 N FRENCH DRIVE
HOBBS NM 88240



HASLER
01411521535
\$0.390
05/19/2005
Mailed From 88240
US POSTAGE

MARKS AND GARNER PRODUCTION LTD CO
PO BOX 1089
HOBBS NM 88241