

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 CALVIN F. TENNISON PURSUANT TO NMSA 1978, SECTION 70-2-14(B) ORDERING CALVIN F. TENNISON TO RETURN TO COMPLIANCE OR PLUG AND ABANDON ALL WELLS IT OPERATES IN NEW MEXICO BY A DATE CERTAIN AND AUTHORIZING THE DIVISION TO PLUG SAID WELLS AND FORFEIT THE APPLICABLE FINANCIAL ASSURANCE IN THE EVENT OF NON-COMPLIANCE; EDDY COUNTY, NEW MEXICO.

CASE NO. 14137

APPLICATION FOR COMPLIANCE ORDER
AGAINST CALVIN F. TENNISON

1. Calvin F. Tennison ("Tennison") is a sole proprietor operating the following wells under OGRID 3604 in Eddy County, New Mexico:

<i>Druidy Dr; Del</i>	• Gulf Federal #003	C-13-26S-29E	30-015-25265	<i>OK CMT / OK well</i>
<i>Cord Canyon; Del</i>	• Hanagan State #001	G-8-25S-30E	30-015-04746	<i>OK CMT / PA RE-ent</i>
<i>UTB-203</i>	• Malaga Unit #001	F-7-24S-29E	30-015-03701	<i>MALAGA; DEL POOL</i>
	• Malaga Unit #002	4-7-24S-29E	30-015-03702	<i>TP 2779</i>
	• Malaga Unit #002	G-7-24S-29E	30-015-03699	<i>OK CMT</i>
	• Malaga Unit #003	K-7-24S-29E	30-015-03695	<i>OK CMT</i>
<i>Cord Canyon; Del</i>	• R and B Fed #001Y	D-17-25S-30E	30-015-04753	<i>OK CMT (Low oil prod)</i>
<i>//</i>	• Superior State #001	H-8-25S-30E	30-015-04745	<i>poor CMT BUT OK on bottom</i>
<i>//</i>	• Superior State #002	I-8-25S-30E	30-015-10181	<i>" " " " " "</i>

2. Calvin F. Tennison and Alma F. Tennison posted a \$50,000 surety bond number 9009238 through Far West Insurance Company to secure Tennison's obligation to plug and abandon wells on privately owned or state-owned lands in New Mexico in compliance with the rules of the Oil Conservation Division ("OCD").

3. The OCD was advised that Far West Insurance Company was placed under receivership and that all outstanding bonds were cancelled effective December 9, 2001. The OCD notified Tennison that he needed to replace bond number 9009238 with an acceptable financial assurance. Tennison did not replace bond number 9009238.

4. 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.

5. Tennison is out of compliance with the following rules promulgated pursuant to the Oil and Gas Act:

A. 19.15.3.101 NMAC. Operators of wells on privately owned or state owned lands within New Mexico must furnish a financial assurance to secure the plugging of the wells. The operator may furnish a blanket financial assurance in the amount of \$50,000 to cover multiple wells, or may provide a single well financial assurance for each state or fee well. Any state or fee well that has been inactive for a period of more than two years must be covered by a single well financial assurance even if the operator has also posted a blanket financial assurance. Because the blanket bond posted by Tennison has been cancelled, Tennison needs to provide financial assurances for the following state or fee wells. The wells marked with an asterisk have been inactive for more than two years, and will also require a single-well financial assurance if Tennison posts a blanket financial assurance:

- Hanagan State #001 G-8-25S-30E 30-015-04746
- Malaga Unit #001 F-7-24S-29E 30-015-03701*

- Malaga Unit #002 4-7-24S-29E 30-015-03702*
- Malaga Unit #003 K-7-24S-29E 30-015-03695*
- Superior State #001 H-8-25S-30E 30-015-04745
- Superior State #002 I-8-25S-30E 30-015-10181

B. 19.15.13.1115 NMAC. Operators are required to file a monthly C-115 report for each non-plugged well completion for which the OCD has approved a C-104 authorization to transport, and for each secondary or other enhanced recovery project or pressure maintenance project injection well or other injection well within the state of New Mexico. Reports are due on or before the 15th day of the second month following the month of production. Tennison has not filed C-115 reports since the report for April 2007 production.

C. 19.15.4.201 NMAC. A well shall be either properly plugged and abandoned or placed on approved temporary abandonment status within 90 days after a period of one year in which a well has been continuously inactive, or within 90 days after a 60 day period following suspension of drilling operations. The following wells operated by Tennison have not reported production or injection for at least one year plus ninety days, and are not properly plugged and abandoned and are not on approved temporary abandonment status:

- Malaga Unit #001 F-7-24S-29E 30-015-03701
- Malaga Unit #002 4-7-24S-29E 30-015-03702
- Malaga Unit #002 G-7-24S-29E 30-015-03699
- Malaga Unit #003 K-7-24S-29E 30-015-03695

D. 19.15.2.50 NMAC. After April 15, 2004, operators must obtain a permit before constructing a pit. Each pit in existence on April 15, 2004 must be closed or permitted for continued use. Pits must be closed within six months after cessation of use.

The Hanagan State No. 001 was re-entered in 1996. The most recent activity reported in the well file was remedial work performed in 2002. An inspection on December 10, 2007 found two open, unregistered pits on location with hydrocarbon contamination.

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

A. Determining that Tennison is in violation of one or more of the following: 19.15.3.101 NMAC; 19.15.13.1115 NMAC; 19.15.4.201 NMAC; and 19.15.2.50 NMAC;

B. Requiring Tennison to come into compliance with 19.15.3.101 NMAC; 19.15.13.1115 NMAC; 19.15.4.201 NMAC; 19.15.2.50 NMAC within thirty days;

C. If Tennison fails to come into compliance with 19.15.3.101 NMAC, 19.15.13.1115 NMAC, 19.15.4.201 NMAC and 19.15.2.50 NMAC within thirty days requiring Tennison to plug and abandon all his wells by a date certain pursuant to NMSA 1978, Section 70-2-14(B), and if the subject wells are not plugged and abandoned by the date set in the order:

- (1) Authorizing the OCD to plug the wells in accordance with a Division-approved plugging program; and
- (2) If any of the non-compliant subject wells is located on privately owned or state owned lands, authorizing the OCD to declare forfeit any financial assurance furnished by the Operator; and

D. For such other and further relief as the Director deems just and proper under the circumstances.

RESPECTFULLY SUBMITTED,
this 13th day of May 2008 by



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Conservation Division

- Case No. 14137. Application of the New Mexico Oil Conservation Division for a Compliance Order against Calvin F. Tennison. The Applicant seeks an order requiring operator to return its wells to compliance with 19.15.3.101 NMAC, 19.15.13.1115 NMAC, 19.15.4.201 NMAC and 19.15.2.50 NMAC by a date certain; if operator fails to return the wells to compliance the Applicant seeks an order pursuant to NMSA 1978, Section 70-2-14(B) requiring operator to plug and abandon its wells by a date certain and authorizing the Division to plug said wells and forfeit the applicable financial assurance in the event of non-compliance. The wells at issue are: Gulf Federal #003, C-13-26S-29E, 30-015-25265; Hanagan State #001, G-8-25S-30E, 30-015-04746; Malaga Unit #001, F-7-24S-29E, 30-015-03701; Malaga Unit #002 4-7-24S-29E, 30-015-03702; Malaga Unit #002, G-7-24S-29E, 30-015-03699; Malaga Unit #003, K-7-24S-29E, 30-015-03695; R and B Fed #001Y, D-17-25S-30E, 30-015-04753; Superior State #001, H-8-25S-30E, 30-015-04745; Superior State #002, I-8-25S-30E, 30-015-10181. The wells are located approximately 5-20 miles southeast of Loving in Eddy County, New Mexico.