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STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION, THROUGH THE ENFORCEMENT AND COMPLIANCE MANAGER, FOR A COMPLIANCE ORDER AGAINST BURLINGTON RESOURCES OIL & GAS COMPANY LP OR, IN THE ALTERNATIVE, DMS OIL CO., DETERMINING THE OPERATOR OF THE COOPER B #002 WELL, FINDING THAT THE OPERATOR IS IN VIOLATION OF 19.15.25.10 NMAC AND 19.15.25.11 NMAC AS TO THAT WELL, REQUIRING OPERATOR TO BRING SAID WELL INTO COMPLIANCE BY A DATE CERTAIN, AND IN THE EVENT OF NON-COMPLIANCE AUTHORIZING THE DIVISION TO COMPLETE THE PLUGGING AND ABANDONMENT OF THE WELL AND FORFEIT THE APPLICABLE FINANCIAL ASSURANCE, LEA COUNTY, NEW MEXICO.

CASE NO. 14283

APPLICATION FOR COMPLIANCE ORDER
AGAINST BURLINGTON RESOURCES OIL & GAS COMPANY LP
OR, IN THE ALTERNATIVE,
DMS OIL CO.

1. The Cooper B #002 well, API 30-025-09577, is located in Unit Letter C, Township 14, Section 24 South, Range 36 East in Lea County, New Mexico.
2. The records of the Oil Conservation Division ("OCD") indicate that the wellbore of the Cooper B #002 well is plugged. However, the well site has not been restored.
3. At issue in this compliance action is who is responsible for the restoration of the site.

Parties:

4. OCD records identify Burlington Resources Oil & Gas Company LP ("Burlington"), OGRID 14538, as the operator of record for the Cooper B #002.

5. Burlington previously operated wells under OGRID 14538 as "Burlington Resources Oil & Gas Company," a corporation. On December 31, 2000 Burlington converted to a limited partnership and changed its name to "Burlington Resources Oil and Gas Company LP."

6. Burlington has posted \$50,000 blanket surety bond No. 022-013-193 through Liberty Mutual Insurance Company to secure the plugging of its wells in New Mexico. Burlington has also posted single well surety bond No. 6542638 for the Cooper B #002 through Safeco Insurance Company of America in the amount of \$8,185.

7. DMS Oil Co. ("DMS") is a foreign corporation operating wells in New Mexico under OGRID 5620.

8. According to the records of the OCD, DMS operates two wells in New Mexico. One well is a federal well and one well is located on Jicarilla Apache land. DMS is not required to post financial assurances with the OCD for these wells, and has not posted financial assurances with the OCD for these wells.

Applicable Rules and Statutes:

9. New Mexico requires that a well that has been inactive for a continuous period in excess of one year plus ninety days be plugged and abandoned or placed on approved temporary abandonment status. See 19.15.25.8 NMAC (formerly numbered 19.15.4.201 NMAC).

10. The operator is required file a notice of intention to plug with the OCD prior to commencing plugging operations. See 19.15.25.9 NMAC (formerly numbered 19.15.4.202.A NMAC).

11. The operator is required to plug the well in accordance with the requirements of 19.15.25.10 NMAC (formerly numbered 19.15.4.202 NMAC).

12. As soon as practical, but no later than one year after the completion of plugging operations, the operator shall level the location, remove deadmen and other junk, and take other measures necessary or required by the OCD to restore the location to a safe and clean condition. See 19.15.25.10.D NMAC (formerly numbered 19.15.4.202.B(3) NMAC). In addition, the operator is required to close all pits and below-grade tanks. See 19.15.25.10.E NMAC (formerly numbered 19.15.4.202.B(3) NMAC).

13. Within 30 days after completing all restoration work, the operator shall file with the OCD a record of the work done. The OCD shall not approve the record of plugging or release a bond until the operator has filed the necessary reports and the OCD has inspected and approved the location. See 19.15.25.11 NMAC (formerly numbered 19.15.4.202.C NMAC).

14. If an operator fails to properly plug and abandon a well and restore and remediate its location, the OCD shall give notice to the operator and surety, if applicable, and hold a hearing as to whether the well should be plugged and abandoned and the location restored and remediated. The order issued pursuant to that hearing may direct that the well be plugged and the site restored and remediated by a date certain, and provide that the OCD may plug the well; restore and remediate the site, and forfeit the applicable financial assurance if the operator, surety or other responsible party fails to comply. See 19.15.8.13 NMAC (formerly numbered 19.15.3.101.H NMAC) and NMSA 1978, Section 70-2-14.

History of the Cooper B #2:

15. The Cooper B #002 well last reported production for August 1994.
16. Burlington became operator of record for the Cooper B #002 in 1996.
17. On May 7, 1997, a Form C-103 notice of intent to plug and abandon the Cooper B #002 was filed, identifying the operator as follows:

DMS Oil Company – Agent
Burlington Resources Oil & Gas Company

18. The next document in the well file for the Cooper B #002 is a Form C-103 subsequent report of plugging and abandonment, filed under the name of “Burlington Resources Oil and Gas Company,” dated January 21, 1998. The OCD approved the report January 7, 2003, and stamped the report: “Approved as to plugging of the Well Bore. Liability under bond is retained until surface restoration is completed.”

19. According to well inspections conducted on May 5, 2005, August 2, 2005, April 13, 2008, February 1, 2008 and October 22, 2008, the well site has not been remediated. The OCD has not released the Cooper B #002 under Rule 19.15.25.10 NMAC.

20. OCD personnel contacted Burlington regarding the violation of the requirements of 19.15.25.10 NMAC at the Cooper B #002.

21. By letter dated October 31, 2005, Burlington responded that it sold its interest in the well to DMS Oil Company, that DMS apparently never filed the correct change of operator documents with the OCD to become operator of record, and that DMS incorrectly stated that it was acting as “agent” for Burlington on the C-103 notice of intent to plug. Burlington requested that the OCD look to DMS to complete the work on the well.

22. By letter dated November 21, 2005, the OCD responded that Burlington was the operator of record for the well, and that according to OCD records DMS had never become operator of record for the well.

23. In 2008, Burlington posted the single well financial assurance for the Cooper B #002 in compliance with the financial assurance requirements of 19.15.8.9.C NMAC (formerly numbered 19.15.3.101.B NMAC), which became effective January 1, 2008.

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

A. Determining the operator responsible for conducting the site remediation at the Cooper B #002;

B. Determining that the Cooper B #002 is out of compliance with 19.15.25.10 NMAC and 19.15.25.11 NMAC;

C. Requiring the operator to restore the well site of the Cooper B #002, file a C-103 and request an inspection of the site by a date certain;

D. If the Cooper B #002 is not brought into compliance with 19.15.25.10 NMAC and 19.15.25.11 NMAC by the date set in the order,

1. authorizing the OCD to restore the well site of the subject well in accordance with 19.15.25.10 NMAC; and

2. authorizing the OCD to forfeit any applicable financial assurance;
and

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

Application for Compliance Order

Burlington Resources Oil & Gas Company LP and DMS Oil Company

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RESPECTFULLY SUBMITTED,
this 6th day of February 2009 by



Gail MacQuesten
Assistant General Counsel
Energy, Minerals and Natural
Resources Department of the State of
New Mexico
1220 S. St. Francis Drive
Santa Fe, NM 87505
(505) 476-3451

Attorney for the New Mexico Oil
Conservation Division

- Case No. 14283. Application of the New Mexico Oil Conservation Division for a Compliance Order against Burlington Resources Oil & Gas Company LP or, in the alternative, DMS Oil Co. The Applicant seeks an order determining the operator of the Cooper B #002 well, finding that the operator is in violation of 19.15.25.10 NMAC and 19.15.25.11 NMAC as to that well, requiring operator to bring said well into compliance by a date certain, and in the event of non-compliance, authoring the division to complete the plugging and abandonment of the well and forfeit the applicable financial assurance. The affected well is: Cooper B #002, 30-025-09577, C-14-24S-36E. The well is located approximately 10 miles southwest of Teague in Lea County, New Mexico.