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STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION
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APPLICATION OF THE OIL CONSERVATION DIVISION, THROUGH THE ENFORCEMENT AND COMPLIANCE MANAGER, FOR A COMPLIANCE ORDER AGAINST SLAYTON RESOURCES, INC., FINDING OPERATOR IN VIOLATION OF RULE 19.15.25.8 NMAC AS TO ONE WELL, REQUIRING OPERATOR TO COME INTO COMPLIANCE BY A DATE CERTAIN, AUTHORIZING THE DIVISION TO PLUG AND ABANDON THE WELL AND FORFEIT THE APPLICABLE FINANCIAL ASSURANCE IN EVENT OF NON-COMPLIANCE, AND ASSESSING PENALTIES; CHAVES COUNTY, NEW MEXICO

CASE NO. 14302

APPLICATION FOR A COMPLIANCE ORDER AGAINST SLAYTON RESOURCES, INC.

1. Slayton Resources, Inc. (hereinafter, "Operator") is an active domestic for-profit corporation operating wells in New Mexico under OGRID 196015.
2. Operator is operator of record of the following well:
 - State COM No. 001; 30-005-60302; M-36-14S-27E
3. Pursuant to NMSA 1978, Section 70-2-14, Operator has posted a \$13,350 irrevocable Letter of Credit (Letter of Credit No. 394) through Bank of the Southwest in Roswell, New Mexico, to secure Operator's obligation to plug and abandon the State COM No. 001 in compliance with Oil Conservation Division ("OCD") rules.
4. OCD Rule 19.15.25.8 NMAC requires an operator to either properly plug and abandon a well or place the well in approved temporary abandonment in accordance with

19.15.25 NMAC within 90 days after a period of one year in which a well has been continuously inactive.

5. The State COM No. 001 has been continuously inactive for a period of one and 90 days and is not plug and abandon nor in approved temporary abandonment in accordance with 19.15.25 NMAC.

6. On April 22, 2008, OCD sent Operator a Letter of Violation notifying it that the well was an "idle well," with "[l]ast reported production 7/1/2006," and is in violation of "Rule 201" (Rule 201 has since been re-numbered to 19.15.25.8 NMAC). Operator was told that it "must return well to beneficial use, T/A or submit P/A procedure for approval to OCD District II office no later than 5/22/2008." Operator's employee Jane Andrus signed for the letter on April 25, 2008.

7. Since then, OCD has spoken with Operator several times to get it to bring the well into compliance but Operator has not complied. The well remains out of compliance with Rule 19.15.25.8 NMAC.

8. NMSA 1978, Section 70-2-31(A) provides that 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 for each violation, and that in the case of a continuing violation, each day of violation shall constitute a separate violation.

9. NMSA 1978, Section 70-2-33(A) defines "person" to mean "any individual, estate, trust, receiver, cooperative association, club, corporation, company, firm, partnership, joint venture, syndicate or other entity."

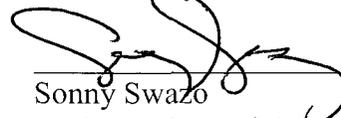
10. NMSA 1978, Section 70-2-14(B) states:

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.

WHEREFORE, the Enforcement & Compliance Manager of the Division hereby applies to the Director to enter an Order:

- A. Finding Operator in non-compliance with OCD Rule 19.15.25.8 NMAC as to the State COM No. 001;
- B. Requiring Operator to bring the State COM No. 001 into compliance by a date certain;
- C. Requiring Operator to plug and abandon the State COM No. 001 by a date certain if Operator fails to bring the well into compliance by the date set in the Order;
- D. In the event of Operator's non-compliance, authorizing the OCD to plug and abandon the State COM No. 001 and forfeit the applicable financial assurance.
- E. Finding Operator knowingly and willfully violated Rule 19.15.25.8 NMAC and assessing civil penalties for the violation;
- F. For such other and further relief as the Director deems just and proper under the circumstances.

RESPECTFULLY SUBMITTED
this 11th day of March, 2009, by



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• Case No. 14302. Application of the New Mexico Oil Conservation Division for a Compliance Order against Slayton Resources, Inc. The Applicant seeks an order finding Operator in violation of Rule 19.15.25.8 NMAC as to one well; requiring Operator to bring the well into compliance by a date certain; requiring Operator to plug the well if it is not brought into compliance by set date; authorizing the division to plug and abandon the well and forfeit the applicable financial assurance in event of Operator's non-compliance; and assessing penalties. The affected well is:

- State COM No. 001; 30-005-60302; M-36-14S-27E

The well is located approximately 13 miles Southeast of Hagerman, in Chaves County, New Mexico.