

**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 M-T PETROLEUM INC. FINDING THAT THE OPERATOR IS IN VIOLATION OF 19.15.8.9 NMAC, 19.15.25.10 NMAC, 19.15.25.11 NMAC AND 19.15.29.11 NMAC AS TO ONE WELL, ASSESSING PENALTIES, REQUIRING OPERATOR TO PROPERLY PLUG AND ABANDON SAID WELL BY A DATE CERTAIN, AND IN THE EVENT OF NON-COMPLIANCE AUTHORIZING THE DIVISION COMPLETE THE PLUGGING AND ABANDONMENT OF THE WELL AND FORFEIT THE APPLICABLE FINANCIAL ASSURANCE, LEA COUNTY, NEW MEXICO.

CASE NO. 14293

PRE-HEARING STATEMENT OF THE OIL CONSERVATION DIVISION

The Oil Conservation Division (OCD) submits this entry of appearance and pre-hearing statement pursuant to 19.15.4.13.B NMAC.

APPEARANCES

APPLICANT

Oil Conservation Division

APPLICANT'S ATTORNEY

Gail MacQuesten
Oil Conservation Division
Energy, Minerals and Natural
Resources Department
1220 S. St. Francis Drive
Santa Fe, NM 87505
(505) 476-3451
FAX: 476-3462
E-mail: gail.macquesten@state.nm.us

RESPONDENT

Rance Colborn
Registered Agent for M-T Petroleum, Inc.
524 Texas Avenue
Eunice, NM 88231

RESPONDENT'S ATTORNEY

No entry of appearance filed at this time.

RLI
8 Greenway Plaza, Suite 400
Houston, TX 77046

No entry of appearance filed at this time.

STATEMENT OF CASE

M-T Petroleum Inc. (M-T Petroleum) is the operator of record for one well in New Mexico: The Kimbrough #003. M-T Petroleum plugged the wellbore of the Kimbrough #003 in 2005, but never completed the cleanup of the well site as required by 19.15.25.10 and 11 NMAC. The issues at the wellsite include equipment and trash that need to be removed, correction of the dry hole marker, and remediation of soil. M-T Petroleum also needs to remediate the soil around the associated tank battery, pursuant to 19.15.29.11 NMAC. M-T Petroleum has posted a single-well financial assurance for the Kimbrough #003, but the amount it posted is inadequate under the OCD's current rules.

In this case the OCD is asking for entry of an order requiring M-T Petroleum:

- 1) to file a financial assurance immediately for the Kimbrough #003 in the amount required under OCD rules;
- 2) to complete the cleanup at the wellsite in accordance with 19.15.25.10 NMAC, and file a record of the work done as required by 19.15.25.11 NMAC;
- 3) to submit a remediation plan for the soil contamination issues, as required by 19.15. 29.11, and complete the remediation;
- 4) to complete the required cleanup and remediation by a date certain; and
- 5) to appear at the next examiner hearing scheduled after that deadline to demonstrate that it has completed the cleanup and remediation.

If M-T Petroleum fails to demonstrate that it has completed the corrective action, the OCD will request that an order be issued authorizing the OCD to complete the corrective action and forfeit the applicable financial assurance. The OCD may then seek reimbursement from M-T Petroleum.

OCD'S PROPOSED EVIDENCE

WITNESS: Dorothy Phillips, OCD Financial Assurance Administrator

ESTIMATED TIME: Testimony by affidavit

Witness: Daniel Sanchez, OCD Compliance and Enforcement Manager

ESTIMATED TIME: 10 minutes, if pre-filed written testimony is accepted; otherwise 1 and ½ hours

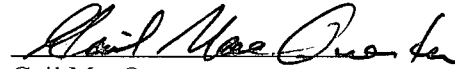
PROCEDURAL MATTERS

1. The OCD intends to offer the testimony of Dorothy Phillips by affidavit. It requests notice if testimony by affidavit will not be allowed, so that Ms. Phillips can be made available for hearing.

2. The OCD will offer the pre-filed written testimony of Daniel Sanchez. A copy of the testimony, and the exhibits referenced in the testimony, are attached to this pre-hearing statement. Mr. Sanchez will appear at the hearing to summarize his testimony, introduce the exhibits, and adopt the pre-filed written testimony under oath. He will be available for cross-examination, and the applicant will have the opportunity to object to portions of his testimony, and to the introduction of exhibits referenced

in his testimony. If the OCD is not allowed to introduce Mr. Sanchez' pre-filed written testimony, it will proceed with his live testimony. The time estimate for the hearing will need to be adjusted accordingly. The OCD may offer testimony and evidence through Mr. Sanchez in addition to the testimony and exhibits provided with this pre-hearing statement.

Respectfully submitted
this 20th day of March 2009 by



Gail MacQuesten
Oil Conservation Division
Energy, Minerals and Natural
Resources Department
1220 S. St. Francis Drive
Santa Fe, NM 87505
(505) 476-3451

Attorney for the Oil Conservation Division

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing pleading was mailed by first class mail this 20th day of March 2009 to M-T Petroleum Inc. c/o registered agent Rance Colburn and to RLI at the addresses listed above.


Gail MacQuesten

**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 M-T PETROLEUM INC. FINDING THAT THE OPERATOR IS IN VIOLATION OF 19.15.8.9 NMAC, 19.15.25.10 NMAC, 19.15.25.11 NMAC AND 19.15.29.11 NMAC AS TO ONE WELL, ASSESSING PENALTIES, REQUIRING OPERATOR TO PROPERLY PLUG AND ABANDON SAID WELL BY A DATE CERTAIN, AND IN THE EVENT OF NON-COMPLIANCE AUTHORIZING THE DIVISION COMPLETE THE PLUGGING AND ABANDONMENT OF THE WELL AND FORFEIT THE APPLICABLE FINANCIAL ASSURANCE, LEA COUNTY, NEW MEXICO.

CASE NO. 14293

TESTIMONY OF DANIEL SANCHEZ

My name is Daniel Sanchez.

Since November 22, 2004, I have been the Compliance and Enforcement Manager of the Oil Conservation Division (OCD) of the Energy, Minerals and Natural Resources Department (EMNRD).

My duties as Compliance and Enforcement Manager include supervising the four district offices of the OCD and the Environmental Bureau of the OCD, and overseeing the enforcement and compliance actions of the OCD.

I have researched the compliance issues related to the Kimbrough #003, 30-025-31190, 2-7-17S-37E, the well at issue in this case.

To summarize, M-T Petroleum Inc. (M-T Petroleum) is the operator of record of the Kimbrough #003 well. M-T Petroleum plugged the wellbore of the well in 2005, but never completed the cleanup of the well site as required by 19.15.25.10 and 11 NMAC.

The issues at the wellsite include equipment and trash that need to be removed, correction of the dry hole marker, and remediation of soil around the wellsite and the associated tank battery. M-T Petroleum has posted a single-well financial assurance for the Kimbrough #003, but the amount it posted is inadequate under the OCD's current rules.

The OCD seeks an order requiring M-T Petroleum:

- 1) to file a financial assurance for the Kimbrough #003 in the amount required under OCD rules;
- 2) to complete the cleanup at the wellsite in accordance with 19.15.25.10 NMAC, and file a record of the work done as required by 19.15.25.11 NMAC;
- 3) to submit a remediation plan for the soil contamination issues, as required by 19.15. 29.11, and complete the remediation;
- 4) to complete the required corrective action by a date certain; and
- 5) to appear at the next examiner hearing scheduled after that deadline to demonstrate that it has completed the corrective action.

If M-T Petroleum fails to demonstrate that it has completed the corrective action, the OCD will request that an order be issued authorizing the OCD to complete the corrective action and forfeit the applicable financial assurance. The OCD may then seek reimbursement from M-T Petroleum.

Background

The records of the OCD show M-T Petroleum Inc., OGRID 37041, as the operator of record of the Kimbrough #003.

Exhibit 4 is a copy of the well list for M-T Petroleum, showing all the wells in New Mexico for which M-T Petroleum Inc. is the operator of record that have not been

58 plugged and released. The well list is compiled from information filed by the operator,
59 and is posted on the OCD's website for use by the OCD and operators.

60 According to Exhibit A, the Kimbrough #003 is the only well operated by M-T
61 Petroleum Inc. in New Mexico.

62 The Kimbrough #003 is located in Unit Number 2, Township 7, Section 17 South,
63 37 East near Knowles in Lea County, New Mexico.

64 M-T Petroleum Inc. has posted a \$5,000 surety bond, number B7423, through
65 RLI, formerly Underwriters Indemnity Company, to secure the plugging and site
66 remediation for this well. A copy of the bond is attached to the affidavit of Dorothy
67 Phillips.

68 NMSA 1978, Section 70-2-14(B) provides, in relevant part, "If any of the
69 requirements of the Oil and Gas Act [70-2-1 NMSA 1978] or the rules promulgated
70 pursuant to that act have not been complied with, the oil conservation division, after
71 notice and hearing, may order any well plugged and abandoned by the operator or surety
72 or both in accordance with division rules."

73 **Violation of 19.15.8.9 NMAC (Financial Assurances):**

74 Rule 19.15.8.9 NMAC [formerly numbered 19.15.3.101 NMAC] requires
75 operators to post financial assurances for wells on privately owned or state owned lands
76 in New Mexico that have not been plugged and released, conditioned that the well will be
77 plugged and abandoned and the location restored and remediated in compliance with
78 OCD rules.

79 The OCD requires that the financial assurance remain in place even after the
80 wellbore is plugged, and will only release a financial assurance when the well has been

81 plugged and released. This ensures that the financial assurance will be available to the
82 state if the state needs to complete the cleanup of the well site.

83 The operator may post a blanket financial assurance of \$50,000 to cover all its
84 wells, or single well financial assurances for each well requiring a financial assurance. If
85 the operator posts a blanket financial assurance, it must also post a single well financial
86 assurance for each state or fee well that has been inactive for more than two years.

87 M-T Petroleum, Inc. chose to post a single well financial assurance for its one
88 well in New Mexico.

89 The single well financial assurance posted by M-T Petroleum Inc. for the
90 Kimbrough #003 is in the amount of \$5,000.

91 Effective January 1, 2008, the amounts required under Rule 19.15.8.9 NMAC for
92 single well financial assurances increased. The current amount required for a well in Lea
93 County is \$5,000 plus \$1 per foot of measured depth. See 19.15.8.9.C(2) NMAC.

94 **Exhibit 5** is a copy of the financial assurance report for M-T Petroleum, Inc. The
95 financial assurance report is based on information provided by the operator, and is posted
96 on the OCD's website for use by the OCD and the operators.

97 According to the financial assurance report, the measured depth of the Kimbrough
98 #003 is 6350 feet, so the amount required for a single-well financial assurance to cover
99 the Kimbrough #003 is \$11,350.

100 Because M-T Petroleum Inc. has posted only \$5,000 for the Kimbrough #003, M-
101 T Petroleum Inc. is in violation of 19.15.8.9 NMAC and must post \$6,350 in additional
102 financial assurance.

Violation of 19.15.25.10 NMAC and 19.15.25.11 NMAC:

Part 25 sets out the requirements for plugging and abandoning wells.

Rule 19.15.25.10.D NMAC [formerly numbered 19.15.4.202.B(3) NMAC] provides that, as soon as practical, but not 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. 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].

Rule 19.15.25.11 NMAC [formerly numbered 19.15.4.202.C NMAC] provides that 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.

On March 24, 2005, M-T Petroleum Inc. filed a C-103 subsequent report of plugging and abandonment of the Kimbrough #003 well, indicating that plugging was completed on March 10, 2005. **Exhibit 6** is a copy of the C-103.

The OCD marked the report "Approved as to plugging of the Well Bore. Liability under bond is retained until surface restoration is completed."

Exhibit 7 is a copy of the well inspection history for the Kimbrough #003. OCD inspectors enter information about their inspections in the well inspection history when they conduct an inspection, or upon returning to the office after conducting an inspection.

Well inspection histories are kept on the OCD's RBDMS system (Risk Based Data Management System) and are routinely used in the course of OCD business.

According to the well inspection history for the Kimbrough #003, the OCD has inspected the site on 8 separate occasions since it was plugged, and the site is still not ready to be released.

The OCD issued a letter of violation to M-T Petroleum, dated June 5, 2008, regarding an inspection that was conducted on June 4, 2008. **Exhibit 8** is a copy of the letter of violation. The letter includes the following entry from the inspector's report:

DO NOT RELEASE. Dry hole marker incomplete, no UL. Chemical drums, poly pipe, steel tank, electrical box, motors, piping, wiring, stairway, walkway and trash need to be removed. Battery area needs to be remediated and leveled. NEED TO CORRECT DRY HOLE MARKER, REMOVE ALL EQUIPMENT AND DEBRIS FROM LOCATION, REMOVE CONTAMINATED SOIL AND LEVEL SITE. 1st letter of non-compliance. Pictures taken. MW

The letter required corrective action by September 7, 2008, and warned the operator that if a satisfactory response was not received by that date, further enforcement action would occur.

M-T Petroleum Inc. did not respond to the letter of violation, and has not filed a report indicating that the site is ready for inspection.

The site of the Kimbrough #003 has not been released.

Violation of 19.15.29.11 NMAC:

Rule 19.15.29.11 NMAC provides that the responsible person shall complete division-approved corrective action for releases that endanger public health or the environment. The responsible person shall address releases in accordance with a

152 remediation plan submitted to and approved by the division or with an abatement plan
153 submitted in accordance with 19.15.30 NMAC.

154 According to the report regarding the inspection of the Kimbrough #003
155 conducted on June 4, 2008, the site requires remediation and contaminated soil needs to
156 be removed.

157 M-T Petroleum Inc. did not respond to the letter of violation dated June 5, 2008,
158 requiring remediation and removal of contaminated soil.

159 **Request for Relief:**

160 In this case the OCD is asking for entry of an order requiring M-T Petroleum:

- 161 1) to file a financial assurance immediately for the Kimbrough #003 in the
162 amount required under OCD rules;
- 163 2) to complete the cleanup at the wellsite in accordance with 19.15.25.10
164 NMAC, and file a record of the work done as required by 19.15.25.11
165 NMAC;
- 166 3) to submit a remediation plan for the soil contamination issues, as required
167 by 19.15. 29.11, and complete the remediation;
- 168 4) to complete the required cleanup and remediation by a date certain; and
169 5) to appear at the next examiner hearing scheduled after that deadline to
170 demonstrate that it has completed the cleanup and remediation.

171
172 If M-T Petroleum fails to demonstrate that it has completed the corrective action,
173 the OCD will request that an order be issued authorizing the OCD to complete the
174 corrective action and forfeit the applicable financial assurance. The OCD may then seek
175 reimbursement from M-T Petroleum.

176

177 I, Daniel Sanchez, swear that the foregoing is true and correct.

178


179

180

181

182

183



Daniel Sanchez
Compliance and Enforcement
Manager

Oil Conservation Division

Subscribed and sworn to before me this 20th day of March 2009 by Daniel Sanchez.

Danise M Zardel
01-12-20

Notary Public

My commission expires:

01-12-2012

Well List

37041 M-T PETROLEUM INC

TOTAL WELL COUNT:1

PRINTED ON:FRIDAY, MARCH 20, 2009

Property	Well Name	Lease Type	ULSTR	OCD UL	API	Well Type	Pool	Last Prod/Inj	Oil POD	Gas POD	In Add. Bond
23633	KIMBROUGH #003	P	2-7 -17S-37E	E	30-025-31190	O		7/2001			8/1/2003

Case 14293
M-T Petroleum, Inc.
OCD Exhibit 4

Inactive Well Additional Financial Assurance Report

37041 M-T PETROLEUM INC

Total Well Count: 1

Printed On: Friday, March 20 2009

Property	Well Name	Lease Type	ULSTR	OCD Unit Letter	API	Well Type	Last Prod/Inj	Inactive Additional Bond Due	Measured Depth	Required Bond Amount	Bond Required Now	Bond In Place	In Violation
23633	KIMBROUGH #003	P	2-7 -17S-37E	E	30-025-31190	O	07/2001	08/01/2003	6350	11350	Y	0	Y

WHERE Ogrid:37041

Case 14293
M-T Petroleum, Inc.
OCD Exhibit 5

Submit 3 Copies To Appropriate District Office
District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Ave., Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources

Form C-103
May 27, 2004

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

SUNDRY NOTICES AND REPORTS ON WELLS (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)		WELL API NO. 30-015-31190
1. Type of Well: Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/>		5. Indicate Type of Lease STATE <input type="checkbox"/> FEE <input checked="" type="checkbox"/>
2. Name of Operator MT Petroleum, Inc.		6. State Oil & Gas Lease No.
3. Address of Operator 115 W. Broadway Andrews, TX. 79714		7. Lease Name or Unit Agreement Name Kim brough
4. Well Location Unit Letter E : 660 feet from the West line and 1830 feet from the North line Section 7 Township 17-S Range 37-E NMPM County Lea		8. Well Number 3
11. Elevation (Show whether DR, RKB, RT, GR, etc.)		9. OGRID Number
Pit or Below-grade Tank Application <input type="checkbox"/> or Closure <input type="checkbox"/>		
Pit type _____ Depth to Groundwater _____ Distance from nearest fresh water well _____ Distance from nearest surface water _____		
Pit Liner Thickness: _____ mil Below-Grade Tank: Volume _____ bbls; Construction Material _____		

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:
PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☐
TEMPORARILY ABANDON ☐ CHANGE PLANS ☐
PULL OR ALTER CASING ☐ MULTIPLE COMPL ☐

SUBSEQUENT REPORT OF:
REMEDIAL WORK ☐ ALTERING CASING ☐
COMMENCE DRILLING OPNS. ☐ P AND A ☒
CASING/CEMENT JOB ☐

OTHER: ☐

OTHER: ☐

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

3-8-05 — Set CIBP @ 5350' - 45 sks on top - TAG @ 4890'
3-9-05 — Spot 25 sks @ 2800' - 2600'
3-9-05 — Spot 25 sks @ 1900' - 1617' TAG
3-10-05 — Spot 25 sks @ 500' - 245' TAG
3-10-05 — Spot 10 sks @ 60' to Surface

Case 14293
M-T Petroleum, Inc.
OCD Exhibit 6

Circulated 10# MUD
INSTALL DRY Hole Marker

Approved as to plugging of the Well Bore.
Liability under bond is retained until
surface restoration is completed.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any pit or below-grade tank has been/will be constructed or closed according to NMOC guidelines ☐, a general permit ☐ or an (attached) alternative OCD-approved plan ☐.

SIGNATURE Max Mainord TITLE PRESIDENT

DATE 3-24-05

Type or print name
MAX MAINORD

E-mail address:

Telephone No.

For State Use Only

FIELD REPRESENTATIVE (STAFF MANAGER)

APPROVED BY: Larry W. Wink

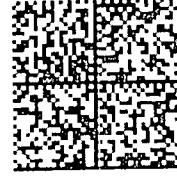
TITLE

DATE

Conditions of Approval (if any):

MAR 28 2005

EMNRD
OIL CONSERVATION DIVISION
1625 N FRENCH DRIVE
HOBBS NM 88240



014H15215335

HASLER

\$0.420

06/05/2008

Mailed From 88240

US POSTAGE

M-T PETROLEUM INC
115 W BROADWAY ST
ANDREWS, TX 797146311

20-Mar-09

Well Inspection History

API Number: **30-025-31190-00-00**Well Name & No.: **KIMBROUGH**Operator: **M-T PETROLEUM INC,**District: **HOBBS**County Name: **LEA**Field: **KIMBROUGH**Legal: **S: 7 T: 17S R: 37E**Well Type: **OIL (PRODUCING)**

Insp. Dt.	Insp. Type	Insp. Purpose	Insp. No.	RmdyRqDt	Insp. By	Viol. SNC	Failed Codes
3/11/2009	Routine/Periodic	Normal Routine Activity	iMAW0907061		122		
	Meet contractor on location to show work that should be done. MW						
2/3/2009	Compliance Verification	Normal Routine Activity	iMAW0903450		122		
	As per requested by GM check location. No work performed, location in same condition as last visit. MW						
6/4/2008	Plugged Well Surface Restor	Request/Complaint	iMAW0815650		122	Y	
	DO NOT RELEASE. Dry hole marker incomplete, no UL. Chemical drums, poly pipe, steel tank, electrical box, motors, piping, wiring, stairway, walkway and trash need to be removed. Battery area needs to be remediated and leveled. NEED TO CORRECT DRY HOLE MARKER, REMOVE ALL EQUIPMENT AND DEBRIS FROM LOCATION, REMOVE CONTAMINATED SOIL, AND LEVEL SITE. 1st letter of non-compliance. Pictures taken. MW						
11/30/2005	Routine/Periodic	Normal Routine Activity	iJDR05334392		113		
	Location is not ready to release. Due 3/10/2006.						
9/22/2005	Plugging Witnessed	Normal Routine Activity	iJDR05265600		113		
	Remove the junk around the dry hole marker, production equipment, electric panels and level the battery pad area for P&A approval. Due 3/10/2006						
8/19/2005	Routine/Periodic	Status Check	iKKS05231307		106		
	not yet released						
8/3/2005	Plugged Well Surface Restor	Normal Routine Activity	iBEP05215531		111		
	Tank battery and associated equipment still on location. No clean up work has been started						
6/13/2005	Plugged Well Surface Restor	Normal Routine Activity	iBEP05164539		111		
	Tank battery and associated equipment still on location. No clean up work has been started						
5/19/2005	Plugged Well Surface Restor	Normal Routine Activity	iBEP05139493		111		
	Tank battery and associated equipment still on location. No clean up work has been started						
4/14/2005	Plugged Well Surface Restor	Normal Routine Activity	iBEP05104537		111		
	Tank Battery and associated equipment still on location, No clean up has been started						
3/10/2005	Plugging Witnessed	Normal Routine Activity	iJDR05069426		113		
	Frank WIH and tagged cement at 1617'. He will spot a 25 sx plug at 500'. WOC and tag.						
3/9/2005	Routine/Periodic	Normal Routine Activity	iJDR05068462		113		
	Frank spotted a 45 sx plug on the BP. WOC and tagged at 4890'. Water flow was shut off and he will continue plugging.						
3/8/2005	Plugging Witnessed	Normal Routine Activity	iJDR05067343		113		
	Frank fished the tbg and is GIH with a CIBP to 5350'. He will set the CIBP, spot 35 sxs of cement and load the hole with mud.						
3/7/2005	Plugging Witnessed	Status Check	iLWH0506656		102		
	FRANK W/ S&M. PULLED AND LAYED DOWN RODS. STARTED OUT OF HOLE W/ TBG..TBG. PARTED @ 630'. RIGGING UP TO FISH TBG..						
3/4/2005	Plugging Witnessed	Normal Routine Activity	iBEP05063325		111		
	Rig up plugging rig..Salt water flow. Flowing up casing and tbg..						
3/3/2005	Plugging Witnessed	Normal Routine Activity	iBEP05062528		111		
	Move in plugging rig, Frank with MayoMarrs						
2/9/2000	Routine/Periodic	Normal Routine Activity	iELG0000683		114		
	A-OK. All Equipment and Location in Good Shape.						

Total Inspections Performed: 17

Case 14293
M-T Petroleum, Inc.
OCD Exhibit 7



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Response Required – Deadline Enclosed

Field Inspection Program

"Preserving the Integrity of Our Environment"

05-Jun-08

M-T PETROLEUM INC

115 W BROADWAY ST

ANDREWS TX 79714-6311

LETTER OF VIOLATION - Inspection

Dear Operator:

The following inspection(s) indicate that the well, equipment, location or operational status of the well(s) failed to meet standards of the New Mexico Oil Conservation Division as described in the detail section below. To comply with standards imposed by Rules and Regulations of the Division, corrective action must be taken immediately and the situation brought into compliance. The detail section indicates preliminary findings and/or probable nature of the violation. This determination is based on an inspection of your well or facility by an inspector employed by the Oil Conservation Division on the date(s) indicated.

Please notify the proper district office of the Division, in writing, of the date corrective actions are scheduled to be made so that arrangements can be made to reinspect the well and/or facility.

INSPECTION DETAIL SECTION

KIMBROUGH No.003				E-7-17S-37E	30-025-31190-00-00	
Inspection Date	Type Inspection	Inspector	Violation?	*Significant Non-Compliance?	Corrective Action Due By:	Inspection No.
06/04/2008	Plugged Well Surface Restor	Mark Whitaker	Yes	No	9/7/2008	iMAW0815650590
Comments on Inspection: DO NOT RELEASE. Dry hole marker incomplete, no UL. Chemical drums, poly pipe, steel tank, electrical box, motors, piping, wiring, stairway, walkway and trash need to be removed. Battery area needs to be remediated and leveled. NEED TO CORRECT DRY HOLE MARKER, REMOVE ALL EQUIPMENT AND DEBRIS FROM LOCATION, REMOVE CONTAMINATED SOIL, AND LEVEL SITE. 1st letter of non-compliance. Pictures taken. MW						

Case 14293
M-T Petroleum, Inc.
OCD Exhibit 8

In the event that a satisfactory response is not received to this letter of direction by the "Corrective Action Due By:" date shown above, further enforcement will occur. Such enforcement may include this office applying to the Division for an order summoning you to a hearing before a Division Examiner in Santa Fe to show cause why you should not be ordered to permanently plug and abandon this well. Such a hearing may result in imposition of CIVIL PENALTIES for your violation of OCD rules.

Sincerely,


COMPLIANCE OFFICER

Hobbs OCD District Office

Note: Information in Detail Section comes directly from field inspector data entries - not all blanks will contain data.

*Significant Non-Compliance events are reported directly to the EPA, Region VI, Dallas, Texas.