

**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.

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CASE NO. 14293

**APPLICATION FOR COMPLIANCE ORDER
AGAINST M-T PETROLEUM INC.**

1. M-T Petroleum Inc. is a corporation operating wells in New Mexico under OGRID 37041.

2. According to information posted on the website of the New Mexico Public Regulation Commission, M-T Petroleum Inc. is a foreign profit corporation in good standing with a mailing address of 115 W. Broadway St. Andrews, Texas 79714-6311. Its registered agent for service of process is Rance Colborn, 524 Texas Avenue, Eunice, New Mexico 88231. Its corporate officers are Max Mainord and Maribette Mainord.

3. The records of the Oil Conservation Division ("OCD") identify M-T Petroleum Inc. as the operator of only one well in New Mexico: the Kimbrough #003, 30-025-31190, 2-7-17S-37E, a fee well located in Lea County, New Mexico.

4. M-T Petroleum Inc. has posted a \$5,000 surety bond, number B7423, through RLI, formerly Underwriters Indemnity Company, to secure the plugging and site remediation for this well.

5. NMSA 1978, Section 70-2-14(B) provides, in relevant part, "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."

6. NMSA 1978, Section 70-2-31(A) provides, in relevant part, "Any person who knowingly and willfully violates any provision of the Oil and Gas Act [this article] 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 (\$1,000) for each violation. For purposes of this subsection, in the case of a continuing violation, each day of violation shall constitute a separate violation."

Violation of 19.15.8.9 NMAC:

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

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

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

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

Violation of 19.15.25.10 NMAC and 19.15.25.11 NMAC:

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

12. 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].

13. 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.

14. 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.

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

16. 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.

17. 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. 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. M.V.

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.

18. 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.

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

Violation of 19.15.29.11 NMAC

20. 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

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

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

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

Penalties

23. M-T Petroleum Inc.'s failure to complete the abandonment of the Kimbrough #003 within one year of plugging the wellbore, and its failure to remediate the release at the site, even after being notified by the OCD of these violations, constitutes the knowing and willful violation of 19.15.25 NMAC and 19.15.29.11 NMAC.

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


A. Determining that M-T Petroleum Inc. is in violation of 19.15.8.9 NMAC, 19.15.25 NMAC and 19.15.29.11 NMAC as to the Kimbrough #003;

B. Requiring M-T Petroleum Inc. to properly plug and abandon the Kimbrough #003 by a date certain, pursuant to NMSA 1978, Section 70-2-14(B);

C. Authorizing the OCD to properly plug and abandon the Kimbrough #003 and forfeit the applicable financial assurance if M-T Petroleum fails to meet the deadline for compliance set in the order;

- D. Determining that M-T Petroleum Inc.'s violations of 19.15.25 NMAC and 19.15.29.11 NMAC as to the Kimbrough #003 are knowing and willful, and imposing a penalty of no less than \$1,000 for each full month of non-compliance since the September 8, 2008 corrective action due date given in the OCD's June 4, 2008 letter of violation; and
- E. For such other and further relief as the Director deems just and proper under the circumstances.

RESPECTFULLY SUBMITTED,
this 18th day of February 2009 by

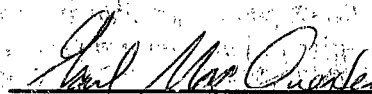

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Conservation Division

Case No. 14293. Application of the New Mexico Oil Conservation Division for a Compliance Order against M-T Petroleum, Inc. The Applicant seeks an order finding that the operator is in violation of 19.15.3.9 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. The affected well is the Kimbrough #003, 30-025-31190, 2-7-17S-37E, located outside Knowles in Lea County, New Mexico.

- D. Determining that M-T Petroleum Inc.'s violations of 19.15.25 NMAC and 19.15.29.11 NMAC as to the Kimbrough #003 are knowing and willful, and imposing a penalty of no less than \$1,000 for each full month of non-compliance since the September 8, 2008 corrective action due date given in the OCD's June 4, 2008 letter of violation; and
- E. For such other and further relief as the Director deems just and proper under the circumstances.

RESPECTFULLY SUBMITTED,
this 18th day of February 2009 by



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