

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 KEVIN O. BUTLER AND ASSOCIATES, INC [OGRID 12627], FINDING THAT THE OPERATOR IS IN VIOLATION OF 19.15.8.9 & 19.15.25.8 NMAC AS TO 32 WELLS; REQUIRING OPERATOR TO PLUG ALL 39 OF ITS WELLS OPERATED IN THE STATE OF NEW MEXICO BY A DATE CERTAIN, AND IN THE EVENT THE OPERATOR FAILS TO DO SO, AUTHORIZING THE DIVISION TO DO SO, FORFEITING ANY APPLICABLE BONDS, PURSUANT TO SECTION 70-2-14(B) NMSA 1978, EDDY, CHAVEZ AND LEA COUNTIES NEW MEXICO.

CASE NO. 14321

RECEIVED

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BASIC STATEMENT OF APPLICATION:

COMES NOW the Oil Conservation Division, and respectfully presents this, its Application for an Order finding that Kevin O. Butler and Associates, Inc. ("KOB") is in violation of OCD Rules 19.15.25.8 and 19.15.8.9 NMAC regarding the wells more specifically identified herein and requiring KOB to plug and abandon each of the 39 wells it operates in the state of New Mexico by a date certain, or in the event that Operator fails to do so, pursuant to Section 70-2-14(B) NMSA 1978, authorizing the Division to plug operator's wells and forfeit any applicable financial assurance. In support of this request, the Division states as follows:

I. RELEVANT LEGAL AUTHORITY

1. Division Rule 19.15.25.8 NMAC requires an operator to plug and abandon or temporarily abandon a well in accordance with Division rules within 90 days after a period of one year of continuous inactivity.

2. **Division Rule 19.15.8.9 NMAC** requires that Operators post additional financial assurances/one-well financial assurances for wells that have been inactive/in temporary abandonment for more than two years, with the amounts of such single-well financial assurances being based upon the total depth of the well involved. The Rule went into full effect as of January 1, 2008. *Id.*

3. **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.

II. FACTS

4. KOB is a domestic profit corporation authorized to do business in the State of New Mexico under Public Regulation Commission (hereinafter, "PRC") SCC number 1690171. KOB's OGRID is 12627.

5. KOB maintains a \$50,000 blanket surety bond (*Bond No. RLB0010970*) through RLI Insurance Company, 8 Greenway Plaza, Suite 400, Houston, TX 77046 pursuant to OCD Rule 19.15.8.9 NMAC. KOB has not posted single-well financial assurances for any of the wells it operates in New Mexico.

6. KOB is the operator of record for the 39 wells listed on **Exhibit 1** (*Inactive Well Additional Financial Assurance Report dated 4/16/09*), attached hereto.

7. KOB is the operator of record for the 32 wells listed on **Exhibit 2** (*Inactive Well List dated 4/16/09*) attached hereto.

8. A review of OCD records conducted in early 2009, revealed that 24 of KOB's 41 (then) total wells were in violation of OCD Rule 19.15.25.8 NMAC, with no production reported for some of these wells for twenty years.

9. OCD Records also reflected that two previous Letters of Violation were issued regarding inactivity concerns; specifically referencing KOB's well the **ANDERSON 6# 001, 30-025-29745**, which had been idle since July of 2001. This well currently remains idle.

10. Further review of OCD records revealed that 26 of KOB's 41 total wells were in violation of OCD Rule 19.15.8.9 NMAC, with a total amount of additional bonding due at that time of \$305,043. Records further indicated that KOB had not posted any of the required additional financial assurance for its wells since the additional bonding requirements went into full effect on January 1, 2008.

11. To date, KOB has still not posted any of the additional required bonding for its wells, and OCD records currently reflect that additional bonding is now due for 32 of KOB's 39 wells in a total amount of \$406,149.

12. Based on the results of the record review, a Notice of Violation (**NOV 1-09-01**) was issued on February 2, 2009 to KOB referencing violations of OCD Rule 19.15.25.8 NMAC as to 24 inactive wells and Rule 19.15.8.9 NMAC as to 26 wells for which additional bonding was due. NOV 1-09-01 requested that KOB contact the OCD to schedule an administrative conference to discuss the matter and further advised KOB that it should come to the conference prepared to discuss its plans for meeting its financial assurance obligations and for returning its inactive wells to compliance.

13. Mr. Kevin Butler of KOB participated in an administrative conference with OCD representatives on March 9, 2009, at which time KOB presented the following additional information and representations regarding its wells and plans for coming into compliance:

- a. KOB indicated that the following three wells had already been plugged and the sites were ready to be released. KOB claimed that all that remained to be done as to these three wells is that KOB needed to file the special C-103 forms to request that the sites be inspected for approval for release by the OCD district offices:

30-025-22766	EAST EK UNIT #010
30-025-27397	MESA STATE #001
30-025-27722	MESA STATE #002

- b. KOB indicated that it planned to plug the following five (5) wells and would be filing a "Notice of Intent" sundry to that effect for each:

30-025-29953	ANDERSON #001
30-025-29748	ANDERSON 6 #001
30-025-22340	E B ANDERSON #001
30-025-22454	E B ANDERSON #002
30-025-29786	E B ANDERSON #003

- c. KOB indicated that it planned to either plug or seek approved temporary abandonment status for the following wells and will be filing a "Notice of Intent" sundry to that effect for each:

30-025-03941	NEW MEXICO X STATE #001
30-025-29869	V E RODDY #001
30-025-21763	NM DE STATE #002
30-025-21813	NM DE STATE #003

- d. Regarding the **V E RODDY #001, 30-025-29869**, KOB acknowledged that a release occurred at this site in 2008 and

claimed that it has performed the required clean-up and remediation required by the district office. KOB understood it had not yet filed the required sundry report formally documenting the work performed as required, and intended to do so promptly.

- e. KOB indicated that the following wells located in the South Caprock Queen Unit were back online and producing. KOB intended to file production reports (C-115s) reflecting this production, as well as sundries reflecting any work performed on these wells and confirming their return to production as required by OCD Rules:

30-005-00674	SOUTH CAPROCK QUEEN UNIT #003
30-005-01190	SOUTH CAPROCK QUEEN UNIT #003
30-005-00658	SOUTH CAPROCK QUEEN UNIT #010
30-005-00657	SOUTH CAPROCK QUEEN UNIT #011
30-005-00661	SOUTH CAPROCK QUEEN UNIT #016

- f. Regarding **SOUTH CAPROCK QUEEN UNIT #010, 30-005-00658**, (one of the wells noted in Subparagraph (e), above), KOB indicated that it was now aware that it was ordered to perform subsequent, witnessed testing of this well prior to commencing remedial work, and intended to follow up regarding this with the district office.

- g. KOB indicated that it intended to rework the following wells located in the South Caprock Queen Unit and either plug or seek approved temporary abandonment status for which KOB intended to file "Notice of Intent" sundries for each with the OCD:

30-005-00670	SOUTH CAPROCK QUEEN UNIT #005
30-005-01180	SOUTH CAPROCK QUEEN UNIT #012
30-005-01163	SOUTH CAPROCK QUEEN UNIT #014
30-005-01161	SOUTH CAPROCK QUEEN UNIT #015
30-005-00662	SOUTH CAPROCK QUEEN UNIT #015
30-005-21000	SOUTH CAPROCK QUEEN UNIT #017

- h. KOB indicated that it was aware that OCD records reflected that the last reported production for the **STATE R#01, 30-025-01155** was July of 2005. However, KOB believed this well to be producing and to be a commingled well, and believed the production that was not being reflected in OCD records was the result of a filing error that KOB intended to investigate and promptly correct.
- i. KOB indicated that it believed that one of the following three wells may have been producing while the other two were inactive. One of these three wells may also have had a casing leak that KOB planned to address. KOB intended to determine if any of these wells were producing, and if so, to file any outstanding production reports (C-115s) required. For those well(s) of these three that were not producing, KOB intended to either plug the well(s) or seek approved temporary abandonment status and, to that end, plans to file "Notice of Intent" sundries for each with the OCD:

30-025-29066	STATE LAND 76 #003
30-025-29067	STATE LAND 76 #004
30-025-29208	STATE LAND 76 #005

- j. KOB acknowledged that a number of additional, single-well bonds are due to the OCD, the current total being \$305,043, and stated that it intended to post those bonds immediately.

14. Based upon the information accumulated up to that point in time through review of records and the March 9, 2009 administrative conference, the OCD came to the following conclusions:

- a. KOB had **24** wells that had been inactive for a period of at least one year plus 90 days, in violation of OCD Rule 19.15.25.8 NMAC.
- b. KOB had **26** state or fee wells for which no production had been reported for at least two years, and for which additional financial assurance was therefore immediately due.
- c. The total amount of additional bonding due at that time for the 26 wells was **\$305,043**. KOB had not posted any of the

additional financial assurances for the 26 wells, and its failure to do so constituted a violation of OCD Rule 19.15.8.9 NMAC.

15. At the administrative conference, the OCD and Mr. Butler agreed to enter into an Agreed Compliance Order (ACO), which would serve to memorialize the conclusions of the OCD and would require Mr. Butler to meet certain, specific deadlines for compliance. The terms of the ACO were discussed at the March 9, 2009 administrative conference, and the formal written ACO (ACO 258) was then fully executed by both parties on March 17, 2009. (Exhibit 3).

16. The terms of ACO 258, executed by Kevin Butler on behalf of KOB, required that KOB do the following by 4:00 p.m. on March 31, 2009:

- a. Come into full compliance with OCD Rule 19.15.8.9 NMAC by posting the outstanding single well financial assurances for the following wells:

17. ANDERSON #001	30-025-29953
18. ANDERSON 6#001	30-025-29748
19. E B ANDERSON #001	30-025-22340
20. E B ANDERSON #002	30-025-22454
21. E B ANDERSON #003	30-025-29786
22. NEW MEXICO X STATE #001	30-025-03941
23. NM DE STATE #002	30-025-21763
24. NM DE STATE #003	30-025-21813
25. STATE LAND 76 #003	30-025-29066
26. STATE LAND 76 #004	30-025-29067
27. STATE LAND 76 #005	30-025-29208

- b. File C-103 notice of intent sundries reflecting its intentions as to each of the wells encompassed by the ACO (those identified on the attached Exhibits thereto as being in violation of Rule 19.15.25.8 NMAC and/or Rule 19.15.8.9 NMAC, hereafter "subject ACO wells") that have had work, testing, plugging or the like performed such that submission of a C-103 is required pursuant to OCD Rules.

- c. File C-103 notice of intent sundries reflecting its intentions for any of the subject ACO wells that KOB intended to return to production, plug and abandon or seek approval of temporary abandonment status.
- d. Submit a subsequent report sundry (C-103) reflecting the remediation performed to address the contaminated soil that had been documented by the Letter of Violation issued in January of 2008 specifically with regard to the VE Roddy #001 well.

Exhibit 3 at Paragraphs 24, 27, 28 and 29.

17. The terms of ACO 258 further required that KOB submit all currently due and any amended production reports (C115s) to the OCD no later than 4:00 p.m. on April 15, 2009. **Exhibit 3** at Paragraph 26.

18. The terms of ACO 258 also required that KOB come into full compliance with OCD Rule 19.15.8.9 NMAC by posting the outstanding single-well financial assurances for the remaining sixteen (16) wells [those not required to be posted by the March 31, 2009 deadline] if the wells still required additional bonding by 4:00 p.m. on April 24, 2009. Those wells were identified as the following:

SOUTH CAPROCK QUEEN UNIT #003	30-005-01190
SOUTH CAPROCK QUEEN UNIT #003	30-005-00674
SOUTH CAPROCK QUEEN UNIT #005	30-005-00670
SOUTH CAPROCK QUEEN UNIT #010	30-005-00658
SOUTH CAPROCK QUEEN UNIT #011	30-005-00657
SOUTH CAPROCK QUEEN UNIT #012	30-005-01180
SOUTH CAPROCK QUEEN UNIT #014	30-005-01163
SOUTH CAPROCK QUEEN UNIT #014X	30-005-01193
SOUTH CAPROCK QUEEN UNIT #015	30-005-01161
SOUTH CAPROCK QUEEN UNIT #015	30-005-00662
SOUTH CAPROCK QUEEN UNIT #016	30-005-00661
SOUTH CAPROCK QUEEN UNIT #017	30-005-21000

STATE R #001	30-025-01155
MESA STATE #001	30-025-27397
MESA STATE #002	30-025-27722
EAST EK UNIT #010	30-025-22766

Exhibit 3 at Paragraph 25.

19. By executing ACO 258, KOB made the following specific acknowledgements:

- a. It was aware of its obligation to post additional financial assurance based upon well location and depth pursuant to OCD Rule 19.15.8.9 NMAC for any state or fee well for which no production had been reported for two or more years, even if the well has obtained approval for temporary abandonment from the OCD, and that this requirement applies to plugged wells until the surface has been restored and the site has been released by the district;
- b. That at that time it had 26 state or fee wells that, based upon production reports it (KOB) had submitted to the OCD by KOB, required the posting of additional financial assurances pursuant to OCD Rule 19.15.8.9 NMAC, and that the total amount owed in additional bonding at that time was \$305,043; and
- c. That at that time it had 24 wells for which it had not reported production for a period of at least one year plus 90 days, and that were therefore "inactive" in violation of OCD Rule 19.15.25.8 NMAC.

Exhibit 3 at Paragraph 30(a)-(e).

20. By executing ACO 258, KOB specifically agreed "that if it fails to comply with [the] Order and/or fails to follow through regarding the intentions memorialized by sundries filed pursuant to [the] Order, the Division intends to file an enforcement and compliance action under §70-2-14(b) NMSA 1978 requiring operator to plug all of its wells based on its failure to comply with OCD Rules." *Emphasis added.* Exhibit 3 at Paragraph 30(h).

21. KOB failed to meet the March 31, 2009 deadline for the posting the first set of additional financial assurances as required by Paragraph 24 of ACO 258. As of April 16, 2009, KOB has still not posted additional financial assurances for any of the subject ACO wells, including the ten (10) wells specified at Paragraph 24 of ACO 258.

22. KOB further failed to meet the March 31, 2009 deadline with regard to the obligations imposed by Paragraphs 27, 28 and 29 of the ACO, requiring the filing of various sundries with the OCD. KOB did not file any of the required sundries relating to the subject ACO wells on or before the specified, agreed-upon deadline.

23. On April 6 and 9, 2009, six to 13 days *after* the deadline, KOB filed a small number of (not all of the required) sundries referenced by Paragraphs 27, 28 and 29:

- a. 4/6/09: C-103 sundries were submitted for two of the three wells that KOB indicated had already been plugged and simply needed to be approved for release (the Mesa State Nos. 001 and 002). Release was granted by the District on April 9, 2009 for these two wells, reducing KOB's total number of wells in New Mexico from 41 to 39.
- b. 4/6/09: Incomplete/improper C-103 Notice of Intent to TA sundries for seven wells were filed with the Hobbs District Office, all of which were denied and returned to KOB for resubmission in proper form/with the required information included.
- c. 4/6/09: Notice of Intent to conduct mechanical integrity testing for two wells (*S. Caprock Queen Nos. 010 and 016*) were submitted to the Hobbs District Office for approval, and were approved on 4/9/09.
- d. 4/9/09: Notice of Intent to Return to Production Sundries were submitted to the Hobbs District Office for two wells (*both "S. Caprock Queen No. 003" wells*) and were approved on 4/13/09.

24. Of particular note, the following sundries specified in ACO 258 have not been submitted by KOB:

- a. The five (5) Notice of Intent to Plug sundries referenced above in Paragraph 13(b).

- b. The sundry report formally documenting cleanup and remediation relating to the 2008 spill at the VE Roddy #001 site (see Paragraph 13(d) above).
- c. Notice of Intent to Plug or TA sundries for 4 of the 6 wells as discussed in Paragraph 13(g) above.

III. REQUEST FOR ORDER REQUIRING OPERATOR TO PLUG ALL WELLS

25. As of April 16, 2009, KOB is operator of record for 39 wells in New Mexico, of which 32 have been inactive for a period of one year plus ninety days in violation of Rule 19.15.25.8 NMAC. **(Exhibit 1)**.

26. As of April 16, 2009, KOB operates 32 state or fee wells that have not reported production for a period of two or more years, and which therefore require additional bonding. KOB has not posted the bonding for any of these 32 wells and is in violation of Rule 19.15.8.9 NMAC. **(Exhibit 2)**. The total amount owed in additional bonding for these 32 wells is \$406,149.

27. On March 17, 2009, KOB formally acknowledged that it had a number of wells that were in violation of Rules 19.15.8.9 and/or 19.15.25.8 NMAC. KOB further specifically acknowledged at Paragraph 30(h) of ACO 258 that if it failed to comply with the Order and come into compliance with OCD Rules by performing specified actions by articulated deadlines, the OCD would file an Application requesting that KOB be required to plug all of its wells pursuant to NMSA 1978, Section 70-2-14(B), which 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.

28. KOB has not only failed to meet the deadlines imposed by ACO 258, but now has increased the total number of its wells in violation of Rules 19.15.8.9 and 19.15.25.8 NMAC. Currently, as exhibited by **Exhibit 1** and **Exhibit 2** the following 32 wells are in violation of Rules 19.15.8.9 and 19.15.25.8 NMAC:

30-025-29953	ANDERSON #001	30-005-00674	SOUTH CAPROCK QUEEN UNIT #003
30-025-29748	ANDERSON 6 #001	30-005-00670	SOUTH CAPROCK QUEEN UNIT #005
30-025-33407	BYERS #001	30-005-00658	SOUTH CAPROCK QUEEN UNIT #010
30-025-27487	DELMONT L HATFIELD #001	30-005-00657	SOUTH CAPROCK QUEEN UNIT #011
30-025-22340	E B ANDERSON #001	30-005-01180	SOUTH CAPROCK QUEEN UNIT #012
30-025-22454	E B ANDERSON #002	30-005-01163	SOUTH CAPROCK QUEEN UNIT #014
30-025-29786	E B ANDERSON #003	30-005-01193	SOUTH CAPROCK QUEEN UNIT #014X
30-015-26243	GANDHI FEDERAL #001	30-005-00662	SOUTH CAPROCK QUEEN UNIT #015
30-025-01881	LEA L STATE #001	30-005-01161	SOUTH CAPROCK QUEEN UNIT #015
30-025-21186	MAXWELL #001	30-005-00661	SOUTH CAPROCK QUEEN UNIT #016
30-025-03942	NEW MEXICO X STATE #002	30-005-21000	SOUTH CAPROCK QUEEN UNIT #017
30-025-21618	NM DE STATE #001	30-025-26065	STATE 32 #001
30-025-21763	NM DE STATE #002	30-025-00376	STATE LAND 76 #001
30-025-21813	NM DE STATE #003	30-025-29066	STATE LAND 76 #003
30-025-09007	PEERLESS ET AL COM #001	30-025-29067	STATE LAND 76 #004
30-005-01190	SOUTH CAPROCK QUEEN UNIT #003	30-025-29869	V E RODDY #001

WHEREFORE, the Supervisors of Districts I and II of the Division hereby apply to the Director to enter an Order:

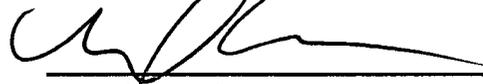
29. Pursuant to the terms of ACO 258 and NMSA 1978, Section 70-2-14(B), the OCD therefore seeks an Order requiring that KOB plug and abandon all 39 of its wells in New Mexico, as specifically identified below, by a date certain.

AETNA EAVES #002	30-025-27789	SOUTH CAPROCK QUEEN UNIT #003	30-005-01190
ANDERSON #001	30-025-29953	SOUTH CAPROCK QUEEN UNIT #005	30-005-00670
ANDERSON 6 #001	30-025-29748	SOUTH CAPROCK QUEEN UNIT #010	30-005-00658
BYERS #001	30-025-33407	SOUTH CAPROCK QUEEN UNIT #011	30-005-00657
DELMONT L HATFIELD #001	30-025-27487	SOUTH CAPROCK QUEEN UNIT #012	30-005-01180
E B ANDERSON #001	30-025-22340	SOUTH CAPROCK QUEEN UNIT #014	30-005-01163
E B ANDERSON #002	30-025-22454	SOUTH CAPROCK QUEEN UNIT #014X	30-005-01193
E B ANDERSON #003	30-025-29786	SOUTH CAPROCK QUEEN UNIT #015	30-005-00662
EAST EK UNIT #010	30-025-22766	SOUTH CAPROCK QUEEN UNIT #015	30-005-01161
GANDHI FEDERAL #001	30-015-26243	SOUTH CAPROCK QUEEN UNIT #016	30-005-00661
LEA L STATE #001	30-025-01881	SOUTH CAPROCK QUEEN UNIT #017	30-005-21000
MAXWELL #001	30-025-21186	STATE 32 #001	30-025-26065
MAXWELL #002	30-025-23089	STATE LAND 76 #001	30-025-00376
NEW MEXICO X STATE #001	30-025-03941	STATE LAND 76 #003	30-025-29066
NEW MEXICO X STATE #002	30-025-03942	STATE LAND 76 #004	30-025-29067
NM DE STATE #001	30-025-21618	STATE LAND 76 #005	30-025-29208
NM DE STATE #002	30-025-21763	STATE R #001	30-025-01155
NM DE STATE #003	30-025-21813	STATE R #003	30-025-01157
PEERLESS ET AL COM #001	30-025-09007	V E RODDY #001	30-025-29869
SOUTH CAPROCK QUEEN UNIT #003	30-005-00674		

30. Further, if the subject wells are not plugged and abandoned by the deadline set by the Order:

- (1) Authorizing the Division to plug the subject wells in accordance with a Division-approved plugging program;
- (2) Authorizing the Division to forfeit any applicable financial assurances posted in relation to the subject wells; and
- (3) For such other and further relief as the Director deems just and proper under the circumstances.

RESPECTFULLY SUBMITTED, this 16th
day of April, 2009 by



Mikal M. Altomare
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

Inactive Well Additional Financial Assurance Report

12627 KEVIN O BUTLER & ASSOC INC

Total Well Count: 39

Printed On: Thursday, April 16 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 New	Bond In Place	In Violation
23917	AETNA EAVES #002	P	A-26-16S-38E	A	30-025-27789	S	01/2009	02/01/2011	8500	13500		0	
2403	ANDERSON #001	P	I-1-16S-36E	Q	30-025-29953	O	07/2001	08/01/2003	11700	16700	Y	0	Y
2404	ANDERSON 6 #001	P	18-6-16S-37E	U	30-025-29749	O	07/2001	08/01/2003	11750	16750	Y	0	Y
27325	BYERS #001	P	C-29-16S-32E	C	30-025-33407	O	12/2003	01/01/2006	8700	13700	Y	0	Y
19041	DELMONT L HATFIELD #001	P	J-23-16S-38E	J	30-025-27487	O	12/2003	01/01/2006	9000	14000	Y	0	Y
19024	E B ANDERSON #001	P	L-6-13S-38E	L	30-025-22340	O	12/2003	01/01/2006	12197	17197	Y	0	Y
	E B ANDERSON #002	P	M-6-13S-38E	M	30-025-22454	S	05/1996	06/01/1998	12234	17234	Y	0	Y
	E B ANDERSON #003	P	M-6-13S-38E	M	30-025-29786	O	05/1994	06/01/1996	12210	17210	Y	0	Y
23813	EAST EK UNIT #010	S	L-32-18S-34E	L	30-025-22786	I	12/1992	01/01/1995	4850	9850	Y	0	Y
2407	GANDHI FEDERAL #001	F	D-24-18S-31E	D	30-015-26243	O	12/2003		10000			0	
2409	LEA L STATE #001	S	G-14-15S-34E	G	30-025-01881	G	12/2003	01/01/2006	14304	19304	Y	0	Y
23547	MAXWELL #001	P	F-6-13S-38E	F	30-025-21186	O	12/2003	01/01/2006	12235	17235	Y	0	Y
	MAXWELL #002	P	E-6-13S-38E	E	30-025-23089	S			12244			0	
25335	NEW MEXICO X STATE #001	S	B-20-17S-36E	B	30-025-03941	O	12/2008	01/01/2011	9311	14311		0	
	NEW MEXICO X STATE #002	S	G-20-17S-36E	G	30-025-03942	O	06/1995	07/01/1997	9327	14327	Y	0	Y
26951	NM DE STATE #001	S	F-18-17S-37E	F	30-025-21618	O	12/2002	01/01/2006	9040	14040	Y	0	Y
	NM DE STATE #002	S	2-18-17S-37E	E	30-025-21763	O	01/1986	02/01/1988	8970	13970	Y	0	Y
	NM DE STATE #003	S	C-18-17S-37E	C	30-025-21813	O	12/1992	01/01/1995	8925	13925	Y	0	Y
25336	PEERLESS ET AL COM #001	P	C-22-22S-36E	C	30-025-09067	G	12/2003	01/01/2006	3492	8192	Y	0	Y
14893	SOUTH CAPROCK QUEEN UNIT #003	P	C-33-14S-31E	C	30-005-01190	O	02/2000	03/01/2002	2970	7970	Y	0	Y
	SOUTH CAPROCK QUEEN UNIT #003	S	C-31-15S-31E	C	30-005-00674	O	04/1989	05/01/1991	3055	8055	Y	0	Y
	SOUTH CAPROCK QUEEN UNIT #005	S	2-30-15S-31E	E	30-005-00670	O	06/1989	07/01/1991	3129	8129	Y	0	Y
	SOUTH CAPROCK QUEEN UNIT #010	S	J-30-15S-31E	J	30-005-00658	I	06/1989	07/01/1991	3195	8195	Y	0	Y
	SOUTH CAPROCK QUEEN UNIT #011	S	K-30-15S-31E	K	30-005-00657	O	04/1989	05/01/1991	3181	8181	Y	0	Y
	SOUTH CAPROCK QUEEN UNIT #012	P	L-33-14S-31E	L	30-005-01180	O	12/2002	01/01/2006	3115	8115	Y	0	Y
	SOUTH CAPROCK QUEEN UNIT #014	P	N-28-14S-31E	N	30-005-01163	O	12/1992	01/01/1995	2980	7980	Y	0	Y
	SOUTH CAPROCK QUEEN UNIT #014X	P	N-33-14S-31E	N	30-005-01193	O	12/2003	01/01/2006	3145	8145	Y	0	Y
	SOUTH CAPROCK QUEEN UNIT #015	S	O-30-15S-31E	O	30-005-00662	O	04/1989	05/01/1991	3187	8187	Y	0	Y
	SOUTH CAPROCK QUEEN UNIT #015	P	O-28-14S-31E	O	30-005-01161	I	12/2003	01/01/2006	2991	7991	Y	0	Y
	SOUTH CAPROCK QUEEN UNIT #016	S	P-30-15S-31E	P	30-005-00661	O	12/1992	01/01/1995	3197	8197	Y	0	Y
	SOUTH CAPROCK QUEEN UNIT #017	S	J-30-15S-31E	J	30-005-21000	O	06/1989	07/01/1991	3300	8300	Y	0	Y
25103	STATE 32 #001	S	K-32-16S-32E	K	30-025-26065	O	12/2003	01/01/2006	11750	16750	Y	0	Y
25327	STATE LAND 76 #001	S	10-2-16S-32E	J	30-025-00375	O	01/1999	02/01/2001	13395	18395	Y	0	Y
	STATE LAND 76 #003	S	9-2-16S-32E	I	30-025-29066	O	12/1992	01/01/1995	10625	15625	Y	0	Y
	STATE LAND 76 #004	S	5-1-16S-32E	E	30-025-29067	O	12/2003	01/01/2006	10700	15700	Y	0	Y
	STATE LAND 76 #005	S	10-2-16S-32E	J	30-025-29208	O	01/2009	02/01/2011	3617	8617		0	
27128	STATE R #001	S	K-27-14S-33E	K	30-025-01155	O	01/2009	02/01/2011	14147	19147		0	
	STATE R #003	S	B-27-14S-33E	B	30-025-01157	O	01/2009	02/01/2011	10000	15000		0	
24084	V E RODDY #001	P	A-32-16S-38E	A	30-025-29869	O	12/2003	01/01/2006	13300	18300	Y	0	Y

WHERE Ogrid: 12627

Application RC: ROB

LD Exhibit No. 1

Inactive Well List

Total Well Count: 39 Inactive Well Count: 32 Since: 1/22/2008

Printed On: Thursday, April 16 2009

District	API	Well	ULSTR	OCD Unit	OGRID	Operator	Lease Type	Well Type	Last Production	Formation/Notes	Status	TA Exp Date
1	30-025-29953	ANDERSON #001	E-1-16S-36E	Q	12627	KEVIN O BUTLER & ASSOC INC	P	O	07/2001	PEHH		
1	30-025-29748	ANDERSON 6 #001	18-6-16S-37E	U	12627	KEVIN O BUTLER & ASSOC INC	P	O	07/2001			
1	30-025-33407	BYERS #001	C-29-16S-39E	C	12627	KEVIN O BUTLER & ASSOC INC	P	O	12/2003	ABO		
1	30-025-27487	DELMONT L HATFIELD #001	J-23-16S-38E	J	12627	KEVIN O BUTLER & ASSOC INC	P	O	12/2003			
1	30-025-22340	E B ANDERSON #001	L-6-13S-38E	L	12627	KEVIN O BUTLER & ASSOC INC	P	O	12/2003	DEVONIAN		
1	30-025-22454	E B ANDERSON #002	M-6-13S-38E	M	12627	KEVIN O BUTLER & ASSOC INC	P	S	05/1996	INT TO PSA APP 10-30-01		
1	30-025-29766	E B ANDERSON #003	M-6-13S-38E	M	12627	KEVIN O BUTLER & ASSOC INC	P	O	05/1994	INT TO PSA APP 10-30-01		
2	30-015-26243	GANDHI FEDERAL #001	D-24-18S-31E	D	12627	KEVIN O BUTLER & ASSOC INC	F	O	12/2003	BOHE SPRING		
1	30-025-01681	LEA L STATE #001	G-14-15S-34E	G	12627	KEVIN O BUTLER & ASSOC INC	S	S	12/2003			
1	30-025-21186	MAXWELL #001	F-6-13S-38E	F	12627	KEVIN O BUTLER & ASSOC INC	P	O	12/2003	WOLFCAMP		
1	30-025-03942	NEW MEXICO X STATE #002	G-20-17S-36E	G	12627	KEVIN O BUTLER & ASSOC INC	S	O	06/1995	INT TO TA DENIED LH 04/13/09		
1	30-025-21618	NM DE STATE #001	F-18-17S-37E	F	12627	KEVIN O BUTLER & ASSOC INC	S	O	12/2003	ABO		
1	30-025-21763	NM DE STATE #002	Z-18-17S-37E	F	12627	KEVIN O BUTLER & ASSOC INC	S	O	01/1986	ABO INT TO TA DENIED BY LH 04/13/09		
1	30-025-21513	NM DE STATE #003	C-18-17S-37E	C	12627	KEVIN O BUTLER & ASSOC INC	S	O	12/1992	INT TO TA DENIED 04/13/09 LH		
1	30-025-09007	PEERLESS ET AL COH #001	C-23-22S-36E	C	12627	KEVIN O BUTLER & ASSOC INC	P	G	12/2003	YATES		
1	30-005-01196	SOUTH CAPROCK QUEEN UNIT #003	C-33-14S-31E	C	12627	KEVIN O BUTLER & ASSOC INC	P	O	02/2000	INT TO PET TO PROD 04/13/09		
1	30-005-00674	SOUTH CAPROCK QUEEN UNIT #003	C-31-15S-31E	C	12627	KEVIN O BUTLER & ASSOC INC	S	O	04/1989	INT TO REG TO PROD 04/13/09		
1	30-005-00670	SOUTH CAPROCK QUEEN UNIT #005	Z-30-15S-31E	E	12627	KEVIN O BUTLER & ASSOC INC	S	O	06/1989	TA DENIED BY LH 04/09/09		
1	30-005-00658	SOUTH CAPROCK QUEEN UNIT #010	J-30-15S-31E	J	12627	KEVIN O BUTLER & ASSOC INC	S	I	06/1989	INT TO TEST MIT 04/09/09		
1	30-005-00657	SOUTH CAPROCK QUEEN UNIT #011	K-30-15S-31E	K	12627	KEVIN O BUTLER & ASSOC INC	S	O	04/1989			
1	30-005-01130	SOUTH CAPROCK QUEEN UNIT #012	L-33-14S-31E	L	12627	KEVIN O BUTLER & ASSOC INC	F	O	12/2003			
1	30-005-01163	SOUTH CAPROCK QUEEN UNIT #014	N-28-14S-31E	N	12627	KEVIN O BUTLER & ASSOC INC	P	O	12/1992	INT TO TA APP 10-30-01		
1	30-005-01193	SOUTH CAPROCK QUEEN UNIT #014X	N-33-14S-31E	N	12627	KEVIN O BUTLER & ASSOC INC	P	O	12/2003			
1	30-005-00662	SOUTH CAPROCK QUEEN UNIT #015	O-30-15S-31E	O	12627	KEVIN O BUTLER & ASSOC INC	S	O	04/1989	TA DENIED BY LH 04/08/09 NO MIT/CHART		
1	30-005-01161	SOUTH CAPROCK QUEEN UNIT #015	O-28-14S-31E	O	12627	KEVIN O BUTLER & ASSOC INC	P	I	12/2003			
1	30-005-00661	SOUTH CAPROCK QUEEN UNIT #016	P-30-15S-31E	P	12627	KEVIN O BUTLER & ASSOC INC	S	O	12/1992	INT TO TEST MIT 04/09/09		
1	30-005-21000	SOUTH CAPROCK QUEEN UNIT #017	J-30-15S-31E	J	12627	KEVIN O BUTLER & ASSOC INC	S	O	06/1989	TA EXPIRES 5-24-06	F	5/24/2006
1	30-025-26065	STATE 32 #001	K-32-16S-33E	K	12627	KEVIN O BUTLER	S	O	12/2003			

Application Re: ROB

OCD Exhibit No. 2

1	30-025-09376	STATE LAND 76 #001	10-2-165-32E	1	12627	KEVIN O BUTLER & ASSOC INC	S	0	01/1999	INT TO LEHIED 04/13/09 LH
1	30-025-29066	STATE LAND 76 #003	9-2-165-32E	1	12627	KEVIN O BUTLER & ASSOC INC	S	0	12/1992	INT TO TA DENIED 04/13/09 LH
1	30-025-29067	STATE LAND 76 #004	5-1-165-32E	1	12627	KEVIN O BUTLER & ASSOC INC	S	0	12/2003	CANYON INT TO TA DENIED 04/13/09 LH
1	30-025-29069	V L RODEY #001	A-22-165-38E	A	12627	KEVIN O BUTLER & ASSOC INC	P	0	12/2003	INT TO TA DENIED 04/13/09

WHERE Ogrid: 12627, County: All, District: All, Township: All, Range: All, Section: All, Production(months): 15, Excludes Wells Under ACOI, Excludes Wells in Approved TA Period

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

ACO 09 258

IN THE MATTER OF KEVIN O. BUTLER & ASSOCIATES, INC. [12627],
Respondent.

AGREED ORDER DIRECTING COMPLIANCE

Pursuant to the New Mexico Oil and Gas Act, NMSA 1978, Sections 70-2-1 through 70-2-38, as amended ("Act"), the Director of the Oil Conservation Division (hereinafter, "OCD") issues this Order to **KEVIN O. BUTLER & ASSOCIATES, INC.** [OGRID 12627] (hereinafter, "KOB"), determining violation of the Act and the OCD Rules and directing compliance therewith.

I. FINDINGS & DETERMINATIONS BY THE OCD

- 1) The OCD is the state division charged with administration and enforcement of the Act and OCD Rules.
- 2) KOB is a domestic profit corporation authorized to do business in the State of New Mexico under Public Regulation Commission (hereinafter, "PRC") SCC number 1690171. KOB's OGRID is 12627.
- 3) KOB is the operator of record for the 41 wells listed on **Exhibit A** (*Inactive Well Additional Financial Assurance Report dated 3/12/09*), attached hereto.
- 4) KOB is the operator of record for the 24 wells listed on **Exhibit B** (*Inactive Well List dated 3/12/09*), attached hereto.
- 5) OCD Rule 19.15.25.8 NMAC requires an operator to plug and abandon, or place on approved temporary abandonment status, a well that has been inactive for a continuous period exceeding one year plus ninety days.
- 6) A review of OCD records indicates that currently 24 of KOB's 41 total wells are in violation of OCD Rule 19.15.25.8 NMAC, with no production reported for some of these wells for twenty years.
- 7) OCD Records also reflect that two previous Letters of Violation were issued regarding inactivity concerns; specifically referencing KOB's well the **ANDERSON 6# 001, 30-025-29745**, which has been idle since July of 2001.

Kevin O. Butler (12627)

ACO 258

March 17, 2009

Page 1

OCD Exhibit No.3

- 8) OCD Rule 19.15.8.9 NMAC requires each state or fee well that has been inactive for a period of at least two years to be covered by a single-well financial assurance. The amount of the financial assurance is determined by the location and depth of the well.
- 9) A review of OCD records indicates that currently **26** of KOB's 41 total wells are in violation of OCD Rule 19.15.8.9 NMAC, with a current total amount of additional bonding due of **\$305,043**. Records further indicate that KOB has not posted any of the required additional financial assurance for its wells since the additional bonding requirements went into full effect on January 1, 2008.
- 10) A Notice of Violation (*NOV 1-09-01*) was issued on February 2, 2009 to KOB referencing violations of OCD Rule 19.15.25.8 NMAC as to 24 inactive wells and Rule 19.15.8.9 NMAC as to (at that time) 25 wells for which additional bonding was due. NOV 1-09-01 requested that KOB contact the OCD to schedule an administrative conference to discuss the matter and further advised KOB it should come to the conference prepared to discuss its plans for meeting its financial assurance obligations and for returning its inactive wells to compliance.

**II. ADDITIONAL INFORMATION & FACTS FOUND AT ADMINISTRATIVE
CONFERENCE HELD MARCH 9, 2009**

- 11) KOB has indicated that the following three wells have already been plugged and the sites are ready to be released. KOB states that all that remains to be done as to these three wells is that it needs to file the special C-103 forms to get the sites inspected for release by the OCD district offices:

30-025-22766	EAST EK UNIT #010
30-025-27397	MESA STATE #001
30-025-27722	MESA STATE #002

- 12) KOB has indicated that it plans to plug the following five (5) wells and will be filing a "Notice of Intent" sundry to that effect for each:

30-025-29953	ANDERSON #001
30-025-29748	ANDERSON 6 #001
30-025-22340	E B ANDERSON #001
30-025-22454	E B ANDERSON #002
30-025-29786	E B ANDERSON #003

Kevin O. Butler (12627)

ACO 258

March 17, 2009

Page 2

- 13) KOB has indicated that it plans to either plug or seek approved temporary abandonment status for the following wells and will be filing a "Notice of Intent" sundry to that effect for each:

30-025-03941	NEW MEXICO X STATE #001
30-025-29869	V E RODDY #001
30-025-21763	NM DE STATE #002
30-025-21813	NM DE STATE #003

- 14) Regarding the **V E RODDY #001, 30-025-29869**, KOB has acknowledged that a release occurred at this site in 2008 and states that it has performed the required clean-up and remediation required by the district office. KOB understands it has not yet filed the required sundry report formally documenting the work performed as required, and intends to do so promptly.

- 15) KOB has indicated that the following wells located in the South Caprock Queen Unit are back online and producing. KOB intends to file production reports (C-115s) reflecting this production, as well as sundries reflecting any work performed on these wells and confirming their return to production as required by OCD Rules:

30-005-00674	SOUTH CAPROCK QUEEN UNIT #003
30-005-01190	SOUTH CAPROCK QUEEN UNIT #003
30-005-00658	SOUTH CAPROCK QUEEN UNIT #010
30-005-00657	SOUTH CAPROCK QUEEN UNIT #011
30-005-00661	SOUTH CAPROCK QUEEN UNIT #016

- 16) Regarding **SOUTH CAPROCK QUEEN UNIT #010, 30-005-00658**, (*one of the wells noted in Paragraph No. 15, above*), KOB has indicated that it is now aware that it was ordered to perform subsequent, witnessed testing of this well prior to commencing remedial work, and intends to follow up regarding this with the district office.

- 17) KOB has indicated that it intends to rework the following wells located in the South Caprock Queen Unit and either plug or seek approved temporary abandonment status for which KOB intends to file "Notice of Intent" sundries for each with the OCD:

30-005-00670	SOUTH CAPROCK QUEEN UNIT #005
30-005-01180	SOUTH CAPROCK QUEEN UNIT #012
30-005-01163	SOUTH CAPROCK QUEEN UNIT #014

30-005-01161 SOUTH CAPROCK QUEEN UNIT #015
30-005-00662 SOUTH CAPROCK QUEEN UNIT #015
30-005-21000 SOUTH CAPROCK QUEEN UNIT #017

- 18) KOB has indicated that it is aware that OCD records reflect that the last reported production for the **STATE R#01, 30-025-01155** was July of 2005. However, KOB believes this well to be producing and to be a commingled well, and believes the production not being reflected in OCD records to be the result of a filing error that KOB intends to investigate and promptly correct.
- 19) KOB has indicated that it believes that one of the following three wells may be producing while the other two are inactive. One of these three wells may also have a casing leak that KOB plans to address. KOB intends to determine if any of these wells is producing, and if so, to file any outstanding production reports (C-115s) that are required. For those well(s) of these three that are not producing, KOB intends to either plug the well(s) or seek approved temporary abandonment status and, to that end, plans to file "Notice of Intent" sundries for each with the OCD:

30-025-29066 STATE LAND 76 #003
30-025-29067 STATE LAND 76 #004
30-025-29208 STATE LAND 76 #005

- 20) KOB has acknowledged that a number of additional, single-well bonds are due to the OCD, the current total being \$305,043, and intends to post these bonds immediately.

III. CONCLUSIONS OF THE OCD

- 21) KOB currently has **24** wells that have been inactive for a period of at least one year plus 90 days, in violation of OCD Rule 19.15.25.8 NMAC.
- 22) KOB currently has **26** state or fee wells for which no production has been reported for at least two years, and for which additional financial assurance is therefore now due.
- 23) The total amount of additional bonding now due for these 26 wells is \$ 305,043. KOB has not posted any of the additional financial assurances for these 26 wells, and its failure to do so constitutes a violation of OCD Rule 19.15.8.9 NMAC.

IV. ORDER

- 24) The OCD hereby Orders KOB to come into full compliance with OCD Rule 19.15.8.9 NMAC by posting the outstanding single-well financial assurances for the following ~~10~~ ¹² wells no later than 4:00 p.m. on MARCH 31, 2009:

W-B

ANDERSON #001	30-025-29953
ANDERSON 6#001	30-025-29748
E B ANDERSON #001	30-025-22340
E B ANDERSON #002	30-025-22454
E B ANDERSON #003	30-025-29786
NEW MEXICO X STATE #001	30-025-03941
NM DE STATE #002	30-025-21763
NM DE STATE #003	30-025-21813
STATE LAND 76 #003	30-025-29066
STATE LAND 76 #004	30-025-29067
STATE LAND 76 #005	30-025-29208

- 25) The OCD hereby Orders KOB to come into full compliance with OCD Rule 19.15.8.9 NMAC by posting the outstanding single-well financial assurances for the remaining ~~sixteen~~ ¹⁵ wells if the wells still require additional bonding per OCD Rule 19.15.8.9 NMAC no later than 4:00 p.m. on April 24, 2009:

W-B

SOUTH CAPROCK QUEEN UNIT #003	30-005-01190
SOUTH CAPROCK QUEEN UNIT #003	30-005-00674
SOUTH CAPROCK QUEEN UNIT #005	30-005-00670
SOUTH CAPROCK QUEEN UNIT #010	30-005-00658
SOUTH CAPROCK QUEEN UNIT #011	30-005-00657
SOUTH CAPROCK QUEEN UNIT #012	30-005-01180
SOUTH CAPROCK QUEEN UNIT #014	30-005-01163
SOUTH CAPROCK QUEEN UNIT #014X	30-005-01193
SOUTH CAPROCK QUEEN UNIT #015	30-005-01161
SOUTH CAPROCK QUEEN UNIT #015	30-005-00662
SOUTH CAPROCK QUEEN UNIT #016	30-005-00661
SOUTH CAPROCK QUEEN UNIT #017	30-005-21000

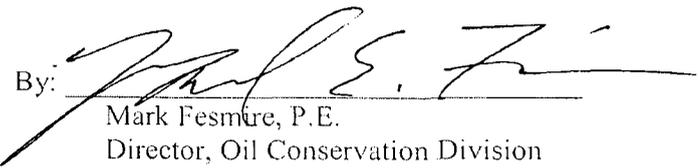
STATE R #001	30-025-01155
MESA STATE #001	30-025-27397
MESA STATE #002	30-025-27722
EAST EK UNIT #010	30-025-22766

- 26) KOB shall submit all currently due and any amended production reports (C-115s) to the OCD no later than 4:00 p.m. on April 15, 2009.
- 27) Regarding those wells identified on *Exhibits A and B* on which KOB has performed remedial work, tested, plugged or performed any other operation for which submission of a sundry is required pursuant to Rule 19.15.7.14 NMAC:
- If KOB has not yet filed the required C-103 notice of intent sundries, KOB shall submit said C-103 subsequent report sundries no later than 4:00 p.m. on MARCH 31, 2009.
 - If KOB has not yet filed the required C-103 subsequent report sundries pursuant to Rule 19.15.7.14 NMAC, KOB shall submit said C-103 subsequent report sundries no later than 4:00 p.m. on MARCH 31, 2009.
- 28) Specifically with regard to the **V E RODDY #001, 30-025-29869**, KOB shall submit a subsequent report sundry (C-103) reflecting the remediation performed to address the contaminated soil documented by the Letter of Violation issued to KOB in January of 2008 no later than 4:00 p.m. on MARCH 31, 2009.
- 29) For any of the subject wells that KOB intends to return to production, plug and abandon or seek approval of temporary abandonment, KOB shall file C-103 notice of intent sundries reflecting its intentions for each such well no later than 4:00 p.m. on MARCH 31, 2009.
- 30) By signing this order, KOB expressly:
- a. acknowledges the facts, findings and determinations set out above in Sections I and II;
 - b. acknowledges the authority of the OCD to render the "Conclusions" and "Order" contained herein in Sections III and IV;
 - c. acknowledges that it is now aware that it is required to post additional financial assurance based upon well location and depth pursuant to OCD Rule 19.15.8.9 NMAC for any state or fee well for which no production has been reported for two or more years, even if the well has obtained approval for

temporary abandonment from the OCD, and that this requirement applies to plugged wells until the surface has been restored and the site has been released by the district.

- d. specifically acknowledges that it currently has 26 state or fee wells that, based upon production reports submitted to the OCD by KOB, require the posting of additional financial assurances pursuant to OCD Rule 19.15.8.9 NMAC, and that the total current amount owed in additional bonding is \$305,043;
 - e. specifically acknowledges that it currently has 24 wells for which KOB has not reported production for a period of at least one year plus 90 days, and which are therefore "inactive" in violation of OCD Rule 19.15.25.8 NMAC.
 - f. agrees to comply with the Order, specifically as articulated herein;
 - g. waives any right, pursuant to the Oil and Gas Act or otherwise, to a hearing either prior or subsequent to the entry of this Order or to an appeal from this Order;
 - h. agrees that if it fails to comply with this Order and/or fails to follow through regarding the intentions memorialized by sundries filed pursuant to this Order, the Division intends to file an enforcement and compliance action under §70-2-14(b)NMSA 1978 requiring operator to plug all of its wells based on its failure to comply with OCD Rules.
- 25) Nothing in this Order relieves KOB of its liability should its operations fail to adequately investigate and remediate contamination that poses a threat to ground water, surface water, human health or the environment. In addition, nothing in this Order relieves KOB of its responsibility for compliance with any other federal, state or local laws and/or regulations.

Done at Santa Fe, New Mexico this 17th day of March 2009.

By: 

Mark Fesmire, P.E.
Director, Oil Conservation Division

ACCEPTANCE

KEVIN O. BUTLER & ASSOCIATES, INC. (OGRID No. 12627), Operator of
the wells specifically identified in **Exhibit A** and **Exhibit B**, attached hereto, hereby

accepts the foregoing Order, and agrees to all of the terms and provisions as set forth in the Order.

KEVIN O. BUTLER & ASSOCIATES, INC.

By: 

Title: CEO

Date: 3-17-09

CASE NO. 14321. Application of the New Mexico Oil Conservation Division, Through the Enforcement and Compliance Manager, for a Compliance Order Against KEVIN O. BUTLER AND ASSOCIATES, INC [OGRID 12627], Finding that the Operator is in Violation of 19.15.8.9 & 19.15.25.8 NMAC as to 32 Wells; Requiring Operator to Plug All 39 of its wells Operated in the State of New Mexico By a Date Certain, and in the Event the Operator Fails to Do So, authorizing the Division to do so, forfeiting any applicable bonds, pursuant to Section 70-2-14(B) NMSA 1978, Eddy, Chavez and Lea Counties New Mexico. The Applicant seeks an Order finding that Operator is in violation of OCD Rules 19.15.8.9 & 19.15.25.8 NMAC as to 32 wells, and requiring KOB to plug and abandon each of the 39 wells it operates in the state of New Mexico by a date certain, or in the event that Operator fails to do so, pursuant to Section 70-2-14(B) NMSA 1978, authorizing the Division to plug operator's wells and forfeit any applicable financial assurance. THE SPECIFIC WELLS INVOLVED IN THIS MATTER INCLUDE THE FOLLOWING:

[Well Name, API No., Latitude, Longitude (location approximation)]: AETNA EAVES #002, 30-025-27789, 32.8989288674046, -103.112458881402 (approx 13 mi SE Lovington, 3 mi W TX/NM border, 10 mi NE Hobbs); ANDERSON #001, 30-025-29953, 32.9499100000000, -103.302540 (approx 6 mi E Lovington, just N highway 83); ANDERSON 6 #001, 30-025-29748, 32.9449800000000, -103.296250 (same approx area as Anderson #001, above); BYERS #001, 30-025-33407, 32.8969801818768, -103.068428058588 (approx 16 mi SE Lovington, 1 mi W TX/NM border); DELMONT L HATFIELD #001, 30-025-27487, 32.9052851549496, -103.114973264276 (approx 14 mi SE Lovington, 5 mi W NM/TX border); E B ANDERSON #001, 30-025-22340, 33.2197061093046, -103.142010761248 (approx 20 mi SE Tatum, 3 mi S of US380); E B ANDERSON #002, 30-025-22454, 33.2160782296080, -103.142009205329 (same approx area as EB Anderson #001, above); E B ANDERSON #003, 30-025-29786, 33.2142609959531, -103.144176738425 (same approx area as EB Anderson #001, above), EAST EK UNIT #010, 30-025-22766, 32.7305343714765, -103.55363175 (approx 20 mi SW Lovington, 2 mi NW highway 529); GANDHI FEDERAL #001, 30-015-26243, 32.7376137888976, -103.830519796306 (approx 25 mi SW Lovington, 10 m I S Maljamar); LEA L STATE #001, 30-025-01881, 33.0188914253532, -103.479397762811 (approx 8 mi NW Lovington, 6 mi N junct. Highways 83/82 & 238); MAXWELL #001, 30-025-21186, 33.2224276278113, -103.138759509919 (approx 18 mi SE Tatum, 10 mi W NM/TX border); MAXWELL #002, 30-025-23089, 33.2215150893864, -103.142011562128 (same approx area as Maxwell #001, above); NEW MEXICO X STATE #001, 30-025-03941, 32.8258445586223, -103.374749323026 (approx 8 mi SSW Lovington, 2 mi W highway 483); NEW MEXICO X STATE #002, 30-025-03942, 32.8222164520395, -103.37473455633 (same approx area as NM X State #001, above); NM DE STATE #001, 30-025-21618, 32.8368089645864, -103.293127712051 (approx 7 mi SE Lovington, 2 mi W N.Lovington Highway, 12 mi NW Hobbs); NM DE STATE #002, 30-025-21763, 32.8367913663128, -103.297187271554 (same approx area as NM DE State #001, above); NM DE STATE #003, 30-025-2181, 32.8404371099360, -103.293130642161 (same approx area as NM DE State #001, above); PEERLESS ET AL COM #001, 30-025-09007, 32.3827440578113, -103.255159648353 (approx 12 mi SW Eunice, 10 mi S highway 8); SOUTH CAPROCK QUEEN UNIT #003, 30-005-00674, 32.9789278860920, -103.857967448178 (approx 30 mi NE Artesia, 10 mi NW Maljamar), SOUTH CAPROCK QUEEN UNIT #003, 30-005-01190, 33.0658694673017, -103.834342114387 (approx 15 mi NNW Maljamar, 25 mi NW Lovington), SOUTH CAPROCK QUEEN UNIT #005, 30-005-00670, 32.9879543159149, -103.866552853205 (same approx area as S.Caprock Qun #015, below); SOUTH CAPROCK QUEEN UNIT #010, 30-005-00658, 32.9852773140005, -103.85911425957 (same approx area as S.Caprock Qun #015, below); SOUTH CAPROCK QUEEN UNIT #011, 30-005-00657, 32.9852782251265, -103.863365418553 (same approx area as S.Caprock Qun #015, below); SOUTH CAPROCK QUEEN UNIT #012, 30-005-01180, 33.0567995477906, -103.832178624299 (same approx area as S.Caprock Queen #003, above); SOUTH CAPROCK QUEEN UNIT #014,30-005-01163, 33.0676989588541, -103.828929908646 (same approx area as S.Caprock Queen #003, above); SOUTH CAPROCK QUEEN UNIT #014X, 30-005-01193, 33.0540864213152, -103.828932250121 (same approx area as S.Caprock Queen #003, above); SOUTH CAPROCK QUEEN UNIT #015, 30-005-00662, 32.9825562925791, -103.859111565689 (approx 10 mi NW Maljamar, 12 mi N highway 82/83); SOUTH CAPROCK QUEEN UNIT #015, 30-005-01161, 33.0677110981310, -103.824686808912 (same approx area as S.Caprock Queen #003, above); SOUTH CAPROCK QUEEN UNIT #016, 30-005-00661, 32.9825552242302, -103.855867593483 (same approx area as S.Caprock Qun #017, below); SOUTH CAPROCK QUEEN UNIT #017, 30-005-21000, 32.9870631417701, -103.856986131522 (approx 10 mi NW Maljamar, 25 mi WNW Lovington); STATE 32 #001, 30-025-26065,