

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

**APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION,
THROUGH THE SUPERVISOR OF DISTRICT I, FOR AN ORDER REQUIRING
OPERATORS TO BRING SIXTY-TWO (62) WELLS INTO COMPLIANCE
WITH RULE 201.B, AND ASSESSING APPROPRIATE CIVIL PENALTIES; LEA,
ROOSEVELT AND CHAVES COUNTIES, NEW MEXICO**

CASE NO. 12771

APPLICATION FOR COMPLIANCE ORDERS AND CIVIL PENALTIES

1. C.C. Pollard is the operator of one (1) well in Lea County, New Mexico, specifically identified by name, location and API number on Exhibit A. Exhibits A and B are attached hereto and by this reference incorporated into this application and made part hereof for all purposes.

2. Prairie Sun, Inc. is the operator of two (2) wells in Lea County, New Mexico, specifically identified by name, location and API number on Exhibit A.

3. Primal Energy Corporation is the operator of four (4) wells in Lea County, New Mexico, specifically identified by name, location and API number on Exhibit A.

4. Professional Oil Services, Inc. is the operator of one (1) well in Lea County, New Mexico, specifically identified by name, location and API number on Exhibit A.

5. Pro-Gas Operating, Inc. is the operator of two (2) wells in Lea County, New Mexico specifically identified by name, location and API number on Exhibit A.

6. Pronghorn Management Corp is the operator of fifteen (15) wells in Lea County, New Mexico specifically identified by name, location and API number on Exhibit A, and is also the operator of three (3) wells in Lea County, New Mexico, so identified on Exhibit B.

7. RW Oil Co. is the operator of three (3) wells in Chaves County, New Mexico, specifically identified by name, location and API number on Exhibit A, and is also the operator of one (1) additional well in Chaves County, New Mexico, so identified on Exhibit B.

8. Saba Energy of Texas, Inc. is the operator of one (1) well in Lea County, New Mexico, specifically identified by name, location and API number on Exhibit A, and is also the operator of one (1) additional well in Lea County, New Mexico, so identified on Exhibit B.

9. Santa Fe Energy Operating Partners, L.P. is the operator of one (1) well in Lea County, New Mexico, specifically identified by name, location and API number on Exhibit A.

10. Smith & Marrs, Inc. is the operator of five (5) wells in Lea County, New Mexico, and of two (2) wells in Roosevelt County, New Mexico, specifically identified by name, location and API number on Exhibit A, and is also the operator of fourteen (14) additional wells in Lea County, New Mexico, and of one (1) additional well in Chaves County, New Mexico, so identified on Exhibit B.

11. Spence Energy Co. is the operator of one (1) well in Lea County, New Mexico, specifically identified by name, location and API number on Exhibit A.

12. Tenison Oil Co. is the operator of one (1) well in Lea County, New Mexico, specifically identified by name, location and API number on Exhibit A.

13. Texland Petroleum, Inc. is the operator of two (2) wells in Lea County, New Mexico, specifically identified by name, location and API number on Exhibit A.

14. W.H. Brininstool is the operator of one (1) well in Lea County, New Mexico, specifically identified by name, location and API number on Exhibit A,

15. The above named operators are herein referred to collectively as "Operators" and individually as "Operator." The wells identified on Exhibit A are herein called "the subject wells," and the wells identified on Exhibit B are herein called "the additional wells." The phrase, "each Operator's subject wells" refers, as to each Operator individually, to those of the subject wells identified on Exhibit A operated by such Operator. The phrase "each Operator's additional wells" refers, as to each Operator individually, to those of the additional wells identified on Exhibit B operated by such Operator. The New Mexico Oil Conservation Division is hereinafter called "the Division."

16. Each of the subject wells was continuously inactive for a period in excess of one (1) year immediately preceding May 11, 2000, and has remained inactive continuously from such date to the date of filing of this Application. The date of last reported production from, or injection into, each of the subject wells is set forth on Exhibit A. None of the subject wells is currently approved for temporary abandonment by the Division.

17. In the alternative, if there has been any production from, or injection into, any of the subject wells since the date of last production or injection indicated with

respect to such well on Exhibit A, such production or injection has not been reported to the Division as required by Rule 1115.

18. On May 11, 2000, the Division notified Operators that the subject wells were not in compliance with Division Rule 201.B(3), and should be brought into compliance either by returning the same to production or other beneficial use or by securing Division approval for temporary abandonment. The Division received no response to such notification from any of the above-named Operators, except for Primal Energy Corporation, and none of said Operators took any action to bring such Operator's subject wells into compliance.

19. On or about September 8, 2000 the Division, acting through the District Supervisor of District I, again notified Operators that the subject wells were not in compliance with Division Rule 201.B(3), and directed Operators to bring such wells into compliance within sixty (60) days following such notification. By subsequent correspondence, Operators were notified that their continued failure to bring the subject wells into compliance would result in their being summoned to a show cause hearing before a Division hearing examiner. The Division received no response to such notifications from any of Operators, and no action has been taken to bring any of the subject wells into compliance.

20. Each Operator's additional wells, though not referenced in the written notices from the Division to the Operators described above, are also out of compliance with Rule 201.B(3), in that said wells had not been produced or beneficially used for a continuous period of one year prior to June 1, 2001, and have not been restored to production or beneficial use or plugged since that date, nor have applications been filed

for temporary abandonment of any of such additional wells. The date of last reported production from, or injection into, each of the additional wells is set forth on Exhibit B.

21. If there has been any production from, or injection into, any of the additional wells since the date of last production or injection reflected on Exhibit B, such production or injection has not been reported to the Division as required by Rule 1115.

22. Division Rule 201.B(3) provides:

A well shall be either properly plugged and abandoned or temporarily abandoned in accordance with these rules ninety (90) days after:

(3) A period of one (1) year in which a well has been continuously inactive.

23. NMSA 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 (\$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.

24. Each Operator's failure to take action to restore such operator's subject wells to production or beneficial use, or to cause such wells to be plugged and abandoned, or to apply to the Division for approval for temporary abandonment, or, if such wells are in fact producing, to report such production to the Division as required, after receipt of notice of noncompliance from the Division as herein before described, constitutes a continuing violation of Division Rule 201.B(3) or of Rule 1115, rules duly adopted by the Division pursuant to the Oil and Gas Act.

WHEREFORE, the Supervisor of District I of the Division hereby applies to the Director to enter an order:

A. Specifically ordering each of Operators to bring such Operator's subject wells and additional wells into compliance with OCD rules within a specified time fixed in said order by taking one of the following actions with respect to each of said Operator's subject wells and additional wells:

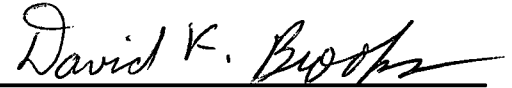
- (i) causing such well to be plugged and abandoned in accordance with Division rules.
- (ii) restoring such well to production or other Division-approved beneficial use,
- (iii) applying to the Division for permission to place such well in "temporary abandonment" status pursuant to Division Rule 203, or
- (iv) truly and accurately reporting to the Division any production from or injection into any of said wells which has, in fact, occurred and not been reported to the Division.

B. In those cases where the Director deems such action appropriate, requiring an Operator to furnish single-well financial assurance as to any well that has not been produced or otherwise beneficially used for two (2) consecutive years, pursuant to NMSA 70-2-14.A.

C. Assessing an appropriate civil penalty against each of Operators for failure to take action to remedy the non-compliance of such Operator's subject wells after notice and demand from the Division

to do so; such penalty to be not less than \$1,000 for each of such
Operator's subject wells.

RESPECTFULLY SUBMITTED,

A handwritten signature in black ink that reads "David K. Brooks". The signature is written in a cursive style and is positioned above a horizontal line.

David K. Brooks
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)-476-3450
Attorney for The New Mexico Oil
Conservation Division

Seq. No.	Operator	Well Name and Number	API #	ULSTR	County	Type	Last Production/ Injection
1	C C POLLARD	STATE B #001	30-025-04829	L-29-21S-36E	Lea	O	03-1983
2	PRAIRIE SUN, INC.	GULF MCKAY FEDERAL #001	30-025-25471	N-34-18S-32E	Lea	O	05-1996
3	PRAIRIE SUN, INC.	MORGAN FEDERAL #001	30-005-20667	3-06-10S-30E	Lea	G	04-1998
4	PRIMAL ENERGY CORPORATION	HALE STATE #003	30-025-12581	H-02-25S-37E	Lea	O	11-1996
5	PRIMAL ENERGY CORPORATION	M E HALE #001	30-025-11397	G-02-25S-37E	Lea	O	04-1996
6	PRIMAL ENERGY CORPORATION	RAMSEY STATE #002	30-025-11375	K-36-24S-37E	Lea	O	08-1996
7	PRIMAL ENERGY CORPORATION	RAMSEY STATE #005	30-025-11378	N-36-24S-37E	Lea	O	04-1996
8	PROFESSIONAL OIL SERVICES INC.	KEOHANE #003	30-025-22935	K-06-20S-38E	Lea	O	02-1997
9	PRO-GAS OPERATING INC	STATE A #001	30-025-03542	J-36-21S-35E	Lea	O	11-1991
10	PRO-GAS OPERATING INC	STATE A #002	30-025-03540	O-36-21S-35E	Lea	O	11-1991
11	PRONGHORN MANAGEMENT CORP	FOWLER B #001	30-025-28197	K-06-19S-38E	Lea	O	09-1985
12	PRONGHORN MANAGEMENT CORP	J F BLACK #003	30-025-11182	B-21-24S-37E	Lea	O	12-1993
13	PRONGHORN MANAGEMENT CORP	J F BLACK #004	30-025-11183	F-21-24S-37E	Lea	O	10-1987
14	PRONGHORN MANAGEMENT CORP	J F BLACK #005	30-025-21401	K-21-24S-37E	Lea	O	01-1984
15	PRONGHORN MANAGEMENT CORP	JENNINGS FEDERAL #004	30-025-25149	K-14-24S-32E	Lea	O	04-1998
16	PRONGHORN MANAGEMENT CORP	MARSHALL #001	30-025-08358	4-19-23S-33E	Lea	O	02-1990
17	PRONGHORN MANAGEMENT CORP	MARSHALL #005	30-025-25000	F-19-23S-33E	Lea	O	04-1998
18	PRONGHORN MANAGEMENT CORP	NEW MEXICO BZ STATE NCT 5 #003	30-025-03523	E-29-21S-35E	Lea	O	12-1992
19	PRONGHORN MANAGEMENT CORP	NEW MEXICO BZ STATE NCT 5 #004	30-025-03524	F-29-21S-35E	Lea	O	06-1986
20	PRONGHORN MANAGEMENT CORP	NEW MEXICO BZ STATE NCT 5 #005	30-025-32362	D-29-21S-35E	Lea	O	03-1998
21	PRONGHORN MANAGEMENT CORP	NEW MEXICO DL STATE #006	30-025-28659	P-18-23S-33E	Lea	O	10-1989
22	PRONGHORN MANAGEMENT CORP	STATE T #001	30-025-03734	13-06-16S-36E	Lea	O	07-1993
23	PRONGHORN MANAGEMENT CORP	STATE T #002	30-025-03735	12-06-16S-36E	Lea	O	12-1992
24	PRONGHORN MANAGEMENT CORP	STATE T #003	30-025-03736	14-06-16S-36E	Lea	O	12-1988
25	PRONGHORN MANAGEMENT CORP	STATE T #004	30-025-03737	11-06-16S-36E	Lea	O	12-1992
26	RW OIL CO	RENO FEDERAL #002	30-005-10151	M-03-15S-31E	Chaves	O	11-1994
27	RW OIL CO	RENO FEDERAL #003	30-005-10152	K-03-15S-31E	Chaves	O	11-1994
28	RW OIL CO	RENO FEDERAL #004	30-005-10153	N-03-15S-31E	Chaves	O	10-1993

Seq. No.	Operator	Well Name and Number	API #	ULSTR	County	Type	Last Production/ Injection
29	SABA ENERGY OF TEXAS INC	SAN SIMON 5 STATE #002	30-025-28480	G-05-22S-35E	Lea	O	08-1998
SANTA FE ENERGY OPERATING							
30	PARTNERS L P	WHITE SWAN 9 FEDERAL #003	30-025-32301	J-09-22S-32E	Lea	O	NONE
31	SMITH & MARRS INC	AMERICAN EAGLE #001	30-025-27163	M-22-26S-36E	Lea	O	02-1998
32	SMITH & MARRS INC	CHRISITE #001	30-025-22991	A-19-11S-33E	Lea	O	09-1998
33	SMITH & MARRS INC	HAYES #003	30-041-00186	L-29-08S-37E	Roosevelt	O	03-1982
34	SMITH & MARRS INC	HAYES #004	30-041-00187	N-29-08S-37E	Roosevelt	G	07-1983
35	SMITH & MARRS INC	LEA KN STATE #002	30-025-21070	B-17-17S-37E	Lea	O	04-1986
36	SMITH & MARRS INC	SHULTS #002	30-025-05020	P-13-12S-37E	Lea	O	10-1990
37	SMITH & MARRS INC	STATE HTA #001	30-025-21329	B-36-12S-33E	Lea	O	11-1997
38	SPENCE ENERGY CO	KELLAHIN 14 STATE #002	30-025-29969	P-14-09S-32E	Lea	O	03-1991
39	TENISON OIL CO	VAUGHN B 9 #001	30-025-09522	A-09-24S-36E	Lea	O	02-1996
40	TEXLAND PETROLEUM, INC	J R HOLT #002	30-025-30582	3-02-17S-37E	Lea	O	06-1998
41	TEXLAND PETROLEUM, INC	W D GRIMES NCT A #016	30-025-22627	D-32-18S-38E	Lea	O	02-1997
42	W H BRININSTOOL	SHEARN STATE #001	30-025-27998	2-32-26S-37E	Lea	O	11-1996

Seq. No.	Operator	Well Name and Number	API #	ULSTR	County	Type	Production/ Last Injection
1	PRONGHORN MANAGEMENT CORP	GILA 4 DEEP #001	30-025-30872	G-04-25S-33E	Lea	G	01-2000
2	PRONGHORN MANAGEMENT CORP	J F BLACK #006	30-025-21478	F-21-24S-37E	Lea	I	07-1991
3	PRONGHORN MANAGEMENT CORP	J F BLACK #007	30-025-21479	C-21-24S-37E	Lea	I	05-1985
4	RW OIL CO	RENO FEDERAL #001	30-005-00548	L-03-15S-31E	Chaves	S	11-1994
5	SABA ENERGY OF TEXAS INC	FERN GUYE #001	30-025-34488	M-05-13S-36E	Lea	O	03-2000
6	SMITH & MARRS INC	AZTEC STATE COM #003	30-025-27575	4-18-16S-37E	Lea	S	NONE
7	SMITH & MARRS INC	CORTLAND MYERS UNIT #006	30-025-11200	J-22-24S-37E	Lea	I	12-1992
8	SMITH & MARRS INC	JAMISON #005	30-025-21152	H-21-24S-37E	Lea	I	07-1985
9	SMITH & MARRS INC	KNIGHT #006	30-025-20355	P-21-24S-37E	Lea	I	09-1989
10	SMITH & MARRS INC	KNIGHT #007	30-025-20354	I-21-24S-37E	Lea	I	11-1990
11	SMITH & MARRS INC	KNIGHT #008	30-025-20353	L-22-24S-37E	Lea	I	03-1990
12	SMITH & MARRS INC	KNIGHT #009	30-025-20352	L-22-24S-37E	Lea	I	07-1994
13	SMITH & MARRS INC	KNIGHT #010	30-025-20351	M-22-24S-37E	Lea	I	07-1994
14	SMITH & MARRS INC	KNIGHT #011	30-025-20350	M-22-24S-37E	Lea	I	04-1993
15	SMITH & MARRS INC	KNIGHT #012	30-025-21154	P-21-24S-37E	Lea	I	09-1989
16	SMITH & MARRS INC	KNIGHT #013	30-025-20613	P-21-24S-37E	Lea	I	09-1984
17	SMITH & MARRS INC	LAS CRUCES B #001	30-041-00234	1-30-08S-37E	Roosevelt	G	01-1999
18	SMITH & MARRS INC	MR WILLS FEDERAL #001	30-025-28499	D-34-26S-37E	Lea	S	11-1999
19	SMITH & MARRS INC	NEW MEXICO CV STATE #002	30-025-26048	P-28-26S-36E	Lea	O	04-1999
20	SMITH & MARRS INC	STATE HTB SWD #001	30-025-21671	1-31-12S-34E	Lea	S	05-1997