

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

**AMENDED APPLICATION OF THE NEW MEXICO OIL CONSERVATION
DIVISION, THROUGH THE SUPERVISOR OF DISTRICT II, FOR AN ORDER
REQUIRING N. DALE NICHOLS TO BRING EIGHT (8) WELLS INTO
COMPLIANCE WITH RULE 201.B, AND ASSESSING APPROPRIATE CIVIL
PENALTIES; CHAVES COUNTY, NEW MEXICO**

CASE NO. 12862

APPLICATION FOR COMPLIANCE ORDERS AND CIVIL PENALTIES

1. N. Dale Nichols ("Operator") is the operator of seven (7) wells (the "subject wells") in Chaves County, New Mexico, specifically identified by name, location and API number on Exhibit A, which exhibit is attached hereto and by this reference incorporated into and made part of this application.

2. 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 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.

3. 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.

4. On May 11, 2000, the New Mexico Oil Conservation Division (hereinafter "the Division") notified Operator 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. Operator indicated an intention to bring said wells into compliance. However, to this date, Operator has failed to take appropriate action to bring Operator's subject wells into compliance.

5. On or about September 8, 2000 the Division, acting through the District Supervisor of District I, again notified Operator 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 dated January 10, 2001 and July 25, 2001, Operator was notified that continued failure to bring the subject wells into compliance would result in Operator's being summoned to a show cause hearing before a Division hearing examiner. Operator was given a final deadline of January 1, 2002 to bring the subject wells into compliance. Nevertheless, no action has been taken to bring any of the subject wells into compliance.

6. In addition to the subject wells listed on Exhibit A, Operator is also the operator of the Alma Shields Well No. 7 (API No. 30-005-62567), (the "additional well") located 990 feet from the South line and 1650 feet from the West line (Unit N) of Section 33, Township 7 South, Range 27 East, Chaves County, New Mexico, which well has been inactive since June 1, 2000.

7. 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.

8. 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.

9. Operator's failure to take action to restore the 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.

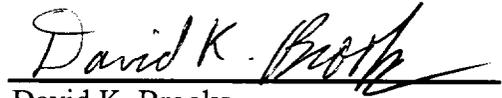
WHEREFORE, the Supervisor of District II of the Division hereby applies to the Director to enter an order:

A. Specifically ordering Operator to bring such the subject wells and the additional well 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 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. Assessing an appropriate civil penalty against Operator for failure to take action to remedy the non-compliance of the 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 not in compliance on January 1, 2002, plus \$1,000 per month per

well for each month that any well continued non-compliant from
January 1, 2002 to the date of hearing of this application.

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 solid horizontal line.

David K. Brooks
Assistant General Counsel
Energy, Minerals and Natural
Resources Department of the State of
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Attorney for The New Mexico Oil
Conservation Division

Case No. 12862 : **Application of the New Mexico Oil Conservation Division for an Order Requiring N.Dale Nichols to Bring Eight (8) Wells into Compliance with Rule 201.B, and Assessing Appropriate Civil Penalties; ~~Eddy~~ ^{Eddy} County, New Mexico.**
 The Applicant seeks an order requiring the operators of 8 inactive wells located in ~~Eddy~~ ^{Eddy} and ~~Chaves~~ ^{Chaves} Counties, New Mexico, to bring said wells into compliance with OCD Rule 201.B by either restoring said wells to production or beneficial use, plugging and abandoning said wells or securing Division approval for temporary abandonment thereof. The affected wells are the following:

In Eddy County, New Mexico:

Well Name	API No.	ULSTR
Avalanche Journal State #4	30-005-10471	K-04-08S-27E
Lewis Neff #3	30-005-10432	P-32-07S-27E
Lewis Neff #4	30-005-00224	O-32-07S-27E
Linx #1	30-005-62160	G-19-08S-29E
Standard State #3	30-005-10429	2-05-08S-27E
Standard State #6Y	30- 005 -10513	G-05-08S-27E
State A #2	30- 005 -00232	P-07-08S-27E
Alma Shields #4	30-005-62567	N-33-07S-27E

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 OIL CONSERVATION DIV.