

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

**IN THE MATTER OF THE HEARING CALLED BY
THE OIL CONSERVATION DIVISION FOR THE
PURPOSE OF CONSIDERING:**

**CASE NO. 15705
ORDER NO. R-14412**

**APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION
COMPLIANCE AND ENFORCEMENT BUREAU FOR A COMPLIANCE ORDER
AGAINST SOUTHWESTERN INC. FOR WELLS OPERATED IN EDDY AND
LEA COUNTIES, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on May 25, 2017, at Santa Fe, New Mexico, before Scott A. Dawson.

NOW, on this 25th day of July, 2017, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and of the subject matter.

(2) The Oil Conservation Division, Compliance and Enforcement Bureau (the "Bureau") seeks a compliance order against Southwestern Inc. (the "Operator" or "Southwestern") finding the Operator is in violation of NMSA 1978 Section 70-2-14 (2015) as to three (3) wells (the "Subject Wells") and declaring the Subject Wells in violation of the requirements for financial assurance. The Subject Wells are identified in Exhibit "A" of this order.

(3) The Bureau further seeks an order requiring the Operator to provide acceptable financial assurances for the Subject Wells in accordance with Division Rule 19.15.8.9 NMAC within 30 days.

(4) The Bureau appeared at the hearing through legal counsel and presented the following testimony:

(a) The Operator is registered under OGRID No. 21386;

- (b) The Bureau identified two of the Subject Wells as qualifying as "inactive" because the Subject Wells have not been used for beneficial purposes for a period that exceeds one (1) year plus 90 days and have not been placed in approved temporary abandonment status; one well is plugged, not released.
 - (c) Based on Division records, none of the Subject Wells are included in an agreed compliance order between the Division and the Operator;
 - (d) The Bureau maintains a public database, through its *E-permitting* website, summarizing the well status for all current operators in New Mexico. This database also identifies the wells in violation of the financial assurance requirements along with the corresponding amount for each well necessary to satisfy the applicable financial assurance requirement;
 - (e) Based on the production reports which determine the inactive well list, all Subject Wells have been inactive more than a period of one year plus 90 days, and are not plugged or abandoned, nor placed in status of approved temporary abandonment. The Subject Wells are inactive and classified under the definition of "temporary abandonment" as that term is defined in Division Rule 19.15.2.7(T)(3) NMAC;
 - (f) The Bureau stated that additional amounts for the individual Subject Wells were calculated using the procedures found in Division Rule 19.15.8.9(D) NMAC;
 - (g) The Bureau summarized the outstanding financial bonding assurance for each of the Subject Wells. These amounts are documented in Exhibit "A" of this order;
 - (h) The Bureau notified the Operator and sought voluntary compliance regarding the violations in a Division correspondence dated June 30, 2016, sent via certified mail. This correspondence was accepted by the Operator on July 5, 2016, as verified by the return receipt card, and;
 - (i) The Bureau successfully provided notice of the hearing application for a compliance order via certified mail to the Operator.
- (5) No other party appeared at either hearing or otherwise opposed the granting of the Bureau's application.

The Division concludes as follows:

(6) Southwestern, Inc. is the Operator of record for the Subject Wells and is responsible for compliance with the Oil and Gas Act and Division Rules.

(7) NMSA 1978, Section 70-2-14(A) provides, in relevant part: *"In addition to the blanket plugging financial assurance, the oil conservation division may require a one-well financial assurance on any well that has been held in a temporarily abandoned status for more than two years."*

(8) Division Rule 19.15.5.10(B) NMAC authorizes the Division to commence compliance proceedings for violation of a provision of the Oil and Gas Act, NMSA 1978, Sections 70-2-1 through 70-2-38, or a provision of a rule or order issued pursuant to the Act.

(9) As established by the evidence provided at hearing, the Operator is in violation of Division Rule 19.15.8.9 NMAC. The Operator is required to have additional financial assurance on the Subject Wells, as they have been in temporary abandonment for more than two years, and the Operator has failed to provide the Division with the requisite financial assurance for the Subject Wells.

(10) Southwestern Inc. should be required to provide the financial assurance obligation for the Subject Wells.

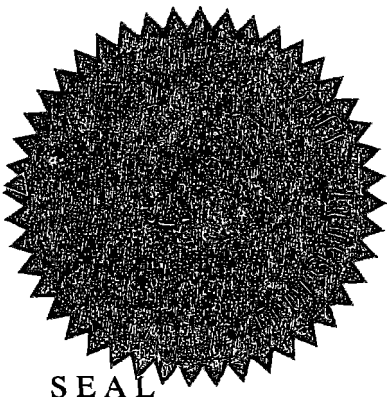
IT IS THEREFORE ORDERED THAT:

(1) Southwestern, Inc. shall provide the required additional financial assurance for the three (3) Subject Wells listed in Exhibit "A", in the respective amount for each there identified, within thirty (30) days of the issuance date of this Order.

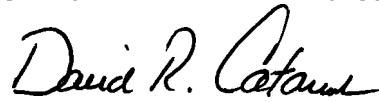
(2) If Southwestern, Inc. fails to comply with Ordering Paragraph (1), the Operator shall be in violation of this order pursuant to Division Rule 19.15.8.9(C) NMAC.

(3) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



DAVID R. CATANACH
Director

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