

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. 12733-A (Reopened)
ORDER NO. R-11761-A**

**APPLICATION OF READ & STEVENS, INC. TO REOPEN CASE NO. 12733-A,
EDDY AND CHAVES COUNTIES, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on October 9, 2003, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 17th day of February, 2004, 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 its subject matter.

(2) By Order No. R-11761 entered in Case No. 12733-A on April 15, 2002, the Division ordered Read & Stevens, Inc., among other operators, to bring twelve of its wells located in Chaves and Eddy Counties, New Mexico, into compliance with Division Rule No. 201.B by accomplishing one of the following with respect to each well:

- (a) causing the well to be plugged and abandoned in accordance with Rule 202.B, and in accordance with a Division-approved plugging program;
- (b) restoring the well to production if the well is an oil or gas well;
- (c) restoring the well to injection if the well is an injection well; or

- (d) causing the well to be temporarily abandoned with Division approval in accordance with Rule 203.

(3) The twelve wells owned and operated by Read & Stevens, Inc. that were the subject of Case No. 12733-A are described as follows:

<u>Well Name & Number</u>	<u>API Number</u>	<u>Well Location</u>
Amoco Skeeter No. 1	(API No. 30-015-24558)	Unit E, Section 14, T-16S, R-31E
Bunker Hill Water Flood Unit (BHWFU) No. 2	(API No. 30-015-24271)	Unit D, Section 13, T-16S, R-31E
BHWFU No. 28	(API No. 30-015-24387)	Unit K, Section 23, T-16S, R-31E
Jamie Federal No. 3	(API No. 30-015-26567)	Unit E, Section 14, T-18S, R-31E
BHWFU No. 6	(API No. 30-015-24270)	Unit F, Section 13, T-16S, R-31E
BHWFU No. 9	(API No. 30-015-10360)	Unit L, Section 13, T-16S, R-31E
BHWFU No. 15	(API No. 30-015-23608)	Unit P, Section 14, T-16S, R-31E
BHWFU No. 17	(API No. 30-015-23700)	Unit N, Section 13, T-16S, R-31E
BHWFU No. 19	(API No. 30-015-23609)	Unit D, Section 24, T-16S, R-31E
Buffalo Valley Com No. 1	(API No. 30-005-60014)	Unit F, Section 2, T-15S, R-27E
Jackson No. 1	(API No. 30-005-20422)	Unit I, Section 25, T-12S, R-30E
West Haystack Fed. No. 5	(API No. 30-005-62991)	Unit F, Section 19, T-6S, R-27E

(4) In addition to ordering Read & Stevens, Inc. to bring the wells into compliance with Division Rule No. 201.B., the Division imposed a civil penalty against this operator in the amount of \$26,000 for knowingly and willfully failing to bring these wells into compliance after receiving notice from the Division to do so.

(5) The civil penalty was determined by multiplying \$1,000 times the number of non-compliant years for each of the subject wells. A non-compliant year is defined as a one-year period in which the operator has taken no action to bring the well into compliance after receiving a directive from the Division to do so. The Buffalo Valley Com Well No. 1, Bunker Hill Water Flood Unit Wells No. 9, 19 and 28, Jackson No. 1, Jamie Federal No. 3 and the West Haystack Federal Well No. 5 were each assessed a penalty of \$1,000. The Amoco Skeeter No. 1 was assessed a penalty of \$4,000. The Bunker Hill Water Flood Unit Wells No. 2, 15 and 17 were each assessed a penalty of \$5,000. No penalty was assessed for the Bunker Hill Water Flood Unit Well No. 6.

(6) The applicant, Read & Stevens, Inc., seeks an order rescinding or reducing the civil penalties imposed on it by Order No. R-11761.

(7) The Division appeared in this case through legal counsel and made a statement at the conclusion of the proceedings.

(8) Read & Stevens, Inc. presented evidence that demonstrates that:

- (a) by letter to the Division dated October 24, 2001, Read & Stevens, Inc. responded to the Division's request for action by outlining its plan to bring all twelve wells into compliance with Division rules;
- (b) in approximately October, 2001, Read & Stevens, Inc. contacted a plugging contractor in the Artesia area who advised them that due to a substantial workload, no work could be performed on their wells until a much later time;
- (c) during this same time period, and for several years prior, Read & Stevens, Inc. was attempting to sell the Bunker Hill Water Flood Unit; and
- (d) due to internal problems within the company, the Read & Stevens, Inc. engineer in charge of compliance issues was unable to obtain approval from management to conduct the requested work on the **subject** wells.

(9) Read & Stevens, Inc. presented the following-described further evidence that demonstrates that the subject wells are now in compliance with Division rules:

- (a) the Bunker Hill Water Flood Unit Wells No. 9, 15, 17 and 19, Amoco Skeeter Well No. 1, Buffalo Valley Com Well No. 1, Jackson No. 1 and the West Haystack Federal Well No. 5 have been plugged and abandoned;
- (b) the Bunker Hill Water Flood Unit Wells No. 2, 6 and 28 were placed back on production, and these wells were subsequently sold; and

(c) the Jamie Federal Well No. 3 has been placed back on production.

(10) Read & Stevens, Inc. requests that due to the extenuating circumstances described above, the civil penalty imposed by Division Order No. R-11761 be reduced or rescinded.

(11) The position of the Artesia District Office, as stated by Division counsel at the hearing, is that the application of Read & Stevens, Inc. should be denied, and the civil penalty sustained.

(12) The evidence presented in Case No. 12733-A and in the immediate case demonstrates that the Division first contacted Read & Stevens, Inc. concerning its Bunker Hill Water Flood Unit Wells No. 2, 15 and 17 in October, 1996. The Division first contacted Read & Stevens, Inc. concerning its Amoco Skeeter Well No. 1 in November, 1997. The Division then contacted Read & Stevens, Inc. concerning all of the twelve subject wells, with the exception of the Bunker Hill Water Flood Unit Well No. 6, in December, 2000.

(13) The Division initiated formal enforcement action against Read & Stevens, Inc., and other operators, in late 2001 at which time the application was filed in Case No. 12733.

(14) Read & Stevens, Inc. had at least a one year period, and in some cases a four to five year period after it had been notified by the Division of the non-compliant wells, in which to contact the Division and arrive at a mutually agreeable plan to bring the wells back into compliance, but failed to do so.

(16) The civil penalty against Read & Stevens, Inc. was assessed due to the fact that Read & Stevens, Inc. failed to comply with Division directives for a period of at least one year, and in some cases four to five years.

(17) Subsequent to the initial enforcement hearing held on January 10, 2002, Read & Stevens, Inc. has acted in a prudent manner to bring the subject wells into compliance with Division rules.

(18) In consideration of the action that Read & Stevens, Inc. has taken to bring the wells into compliance with Division rules, the civil penalty imposed by Order No. R-11761 should be reduced.

(19) Read & Stevens, Inc., in order to avoid future formal enforcement action, should fully and promptly comply with Division directives regarding its oil and gas operations in southeast New Mexico.

IT IS THEREFORE ORDERED THAT:

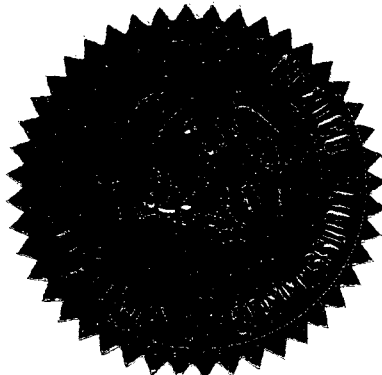
(1) Pursuant to the application of Read & Stevens, Inc. the civil penalty assessed against it by Division Order No. R-11761 dated April 15, 2002, is hereby reduced from \$26,000 to \$13,000.

(2) The \$13,000 civil penalty shall be paid in accordance with the directives contained within Division Order No. R-11761.

(3) Read & Stevens, Inc., in order to avoid future formal enforcement action, shall fully and promptly comply with Division directives regarding its oil and gas operations in southeast New Mexico.

(4) Jurisdiction is hereby 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.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Lori Wrotenbery
LORI WROTENBERY
Director