



New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

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Cabinet Secretary
Karen W. Garcia
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



November 1, 2010

RKI Exploration & Production LLC
3817 N.W. Expressway, Suite 950
Oklahoma City, OK 73112

**DENIAL OF REQUEST FOR ALLOWABLE
AND AUTHORIZATION TO TRANSPORT**

Re: RKI Exploration & Production LLC, OGRID #246289

- RDX 16 #6, API #30-015-36725, Eddy County, New Mexico
- Longview 6 Federal #11, API #30-015-37326, Eddy County, New Mexico

Dear Operator:

The Oil Conservation Division (OCD) **denies** your request for allowable and authorization to transport for the wells identified above because your company is out of compliance with 19.15.5.9(A) NMAC [Part 5.9(A)]. See 19.15.16.19(A)(4) NMAC.

Your company is out of compliance with Part 5.9(A) on the following ground(s):

XX Financial assurances. Your company is in violation of the financial assurance requirements for well plugging set out in 19.15.8.9 NMAC. See 19.15.5.9(A)(1) NMAC. Specifically, your company has not posted the single-well financial assurances required for state or fee wells which have been inactive for more than two years. The wells requiring single-well financial assurances are identified in the attached sheet.

_____ **Corrective action.** Order _____, issued on _____ after notice and hearing, found your company to be in violation of an order requiring corrective action. See 19.15.5.9(A)(2) NMAC.

_____ **Unpaid penalties.** Your company has not paid the penalties assessed against your company in _____, issued on _____. More than 70 days have passed since the issuance of the order assessing the penalty. See 19.15.5.9(A)(3) NMAC.



_____ **Inactive wells.** According to the attached inactive well list, your company has too many wells in violation of the inactive well rule (19.15.25.8 NMAC) that are not subject to an inactive well agreed compliance order. See 19.15.5.9(A)(4) NMAC. As an operator of ___ wells, your company may have no more than ___ wells in violation of the inactive well rule. Your company has ___ wells in violation of the inactive well rule. In addition,

I have enclosed an information sheet explaining the requirements of Part 5.9. You may re-submit your request after your company has returned to compliance with Part 5.9.

Additionally, OCD records show that your company has been producing these two wells without the required approved C-104. **YOU MUST IMMEDIATELY SHUT-IN THESE WELLS UNTIL YOU HAVE AN APPROVED C-104. You must immediately contact Randy Dade or Darold Gray at the OCD's Artesia District Office (575) 748-1283 to schedule an administrative conference to discuss this matter.** The OCD Enforcement and Compliance Manager and OCD legal counsel may be present for this conference. You may bring legal counsel if you wish.

Respectfully yours,



Daniel Sanchez, Compliance and Enforcement Manager

- Ec: Mark Fesmire, Division Director, Santa Fe
Theresa Duran-Saenz, Legal Assistant, Santa Fe
Larry "Buddy" Hill, District 1 Supervisor
Randy Dade, District 2 Supervisor
Charlie Perrin, District 3 Supervisor
Ed Martin, District 4 Supervisor
Darold Gray, District 2
Donna Mull, Compliance Officer
Gene Simer, gsimer@rkixp.com
Eloise Olsen, eolsen@rkixp.com

Inactive Well Additional Financial Assurance Report

246289 RKI EXPLORATION & PRODUCTION, LLC

Total Well Count: 171

Printed On: Monday, November 01 2010

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 Now	Bond In Place	In Violation
303244	ABBY FEDERAL #005	F	P-28-26S-30E	P	30-015-29308	O	07/2010		6995			0	
303245	AODAD FEDERAL #002	F	H-33-22S-26E	H	30-015-28554	O	07/2010		4990			0	
303246	ARTESIA 16 STATE COM #001	S	M-16-18S-28E	M	30-015-33369	G	07/2010	08/01/2012	10700	15700		0	
303247	ARTESIA 21 STATE #001	S	C-21-18S-28E		30-015-27803	G	07/2010	08/01/2012	10720	15720		0	
303248	ARTESIA 21 STATE COM #002	S	H-21-18S-28E	H	30-015-32193	G	07/2010	08/01/2012	10875	15875		0	
303310	BARBADOS STATE #001	S	I-32-22S-26E		30-015-27558	S	07/2010	08/01/2012	5040	10040		0	
303409	BIG EDDY UNIT #117	F	I3-25-22S-28E	M	30-015-27261	S	07/2010		6484			0	
303249	BOEING 2 FEDERAL COM #001	F	E-2 -23S-26E	E	30-015-26682	G	07/2010		11940			0	
37424	BRASKY 27 #001	P	K-27-24S-28E	K	30-015-36694	O			Unknown			0	
306746	BRUSHY FEDERAL #001	F	7-35-26S-29E	C	30-015-24712	O	07/2010		Unknown			0	
303250	BUTLER SPRINGS UNIT #001	S	P-2 -15S-28E	P	30-005-60346	G	07/2010	08/01/2012	9435	14435		0	
303251	DALL FEDERAL #002	F	L-33-22S-26E		30-015-27642	O	07/2010		5030			0	
	DALL FEDERAL #003	F	M-33-22S-26E		30-015-28567	O	07/2010		5070			0	
303252	DALL FEDERAL COM #001	F	K-33-22S-26E		30-015-27632	O	07/2010		5050			0	
303253	DURANGO 10 FEDERAL #001	F	P-10-17S-29E	P	30-015-31974	G	07/2010		10925			0	
303254	ELECTROLUX 21 STATE COM #001	S	C-21-17S-35E	C	30-025-35769	G	07/2010	08/01/2012	12418	17418		0	
303255	FUNK 49 #001	P	L-33-16S-26E	L	30-015-30084	O	10/2008	11/01/2010	8150	13150	Y	0	Y
303256	GERONIMO 33 STATE #002	S	A-33-17S-28E	A	30-015-31373	G	07/2010	08/01/2012	10600	15600		0	
303257	GERONIMO 34 STATE COM #001	S	E-34-17S-28E	E	30-015-31172	G			490			0	
	GERONIMO 34 STATE COM #001Y	S	E-34-17S-28E	E	30-015-31293	G	07/2009	08/01/2011	10600	15600		0	
	GERONIMO 34 STATE COM #002	S	H-34-17S-28E	H	30-015-31550	G	07/2010	08/01/2012	10600	15600		0	
303258	GERONIMO 36 STATE COM #001	P	C-36-17S-28E	C	30-015-31185	G	07/2010	08/01/2012	10892	15892		0	
303259	GRISLY ADAMS 13 FEDERAL COM #001	F	A-13-16S-29E	A	30-015-32290	G	07/2010		10762			0	
303260	GULF STATE #001	S	C-16-22S-37E	C	30-025-10327	O	07/2010	08/01/2012	6602	11602		0	
303261	HAPPY VALLEY 29 #034	S	O-29-22S-26E	O	30-015-29232	O	07/2010	08/01/2012	4857	9857		0	
	HAPPY VALLEY 29 #044	P	P-29-22S-26E	P	30-015-28848	O	07/2010	08/01/2012	4500	9500		0	
303262	HAPPY VALLEY 8 FEDERAL COM #001	S	K-28-22S-26E	K	30-015-25395	G	07/2010	08/01/2012	11692	16692		0	
303263	HARROD 7 STATE COM #001	P	A-7 -16S-35E	A	30-025-35032	G	07/2010	08/01/2012	13110	18110		0	
303264	J.A. TOMAINO FEDERAL #001	F	L-27-22S-26E	L	30-015-25575	G	07/2010		11751			0	
303265	LOCO HILLS 4 FEDERAL #004	F	A-4 -18S-29E	A	30-015-31024	O	07/2010		10620			0	
303266	LOCO HILLS 4 FEDERAL COM #001	F	G-4 -18S-29E	G	30-015-30723	G	07/2010		11183			0	
37873	LONGVIEW 1 FEDERAL #014	F	I-1 -23S-28E	A	30-015-37324	O	07/2010		Unknown			0	
	LONGVIEW 1 FEDERAL #023	F	G-1 -23S-28E	G	30-015-37609	O			Unknown			0	
	LONGVIEW 1 FEDERAL #024	F	H-1 -23S-28E	H	30-015-37323	O			Unknown			0	
	LONGVIEW 1 FEDERAL #034	F	I-1 -23S-28E	I	30-015-37608	O	07/2010		Unknown			0	
	LONGVIEW 1 FEDERAL #044	F	P-1 -23S-28E	P	30-015-38070	O			Unknown			0	
38046	LONGVIEW 31 FEDERAL #031	F	3-31-22S-29E	L	30-015-37604	O			Unknown			0	
37878	LONGVIEW 6 FEDERAL #001	F	H-1 -23S-28E	H	30-015-37967	O			Unknown			0	
	LONGVIEW 6 FEDERAL #011	F	4-6 -23S-29E	D	30-015-37326	O	07/2010		9			0	
	LONGVIEW 6 FEDERAL #041	F	7-6 -23S-29E	M	30-015-37606	O			Unknown			0	
303267	MALAGA 7 FEDERAL #031	F	B-7 -24S-29E	B	30-015-29229	O	07/2010		6568			0	
303268	MALAGA COM #001	S	K-27-24S-28E		30-015-27451	G	07/2010	08/01/2012	12095	17095		0	
303269	MCKITTRICK 29 FEDERAL COM #022	S	E-29-22S-26E	E	30-015-29351	G	07/2010	08/01/2012	11663	16663		0	
303311	NEW MEXICO EV STATE #001	S	K-32-22S-26E	K	30-015-25352	S	07/2010	08/01/2012	11788	16788		0	
306747	PECOS FEDERAL #001Y	F	P-27-26S-29E	P	30-015-24875	O	07/2010		Unknown			0	
	PECOS FEDERAL #004	F	N-27-26S-29E	N	30-015-25436	O	05/2009		Unknown			0	
303270	PECOS VALLEY 7 FEDERAL COM #001	F	C-7 -24S-29E	C	30-015-26865	G	07/2010		12236			0	
303271	PINNACLE STATE #001	S	L-36-22S-28E	L	30-015-27050	O	07/2010	08/01/2012	6450	11450		0	
	PINNACLE STATE #002	S	E-36-22S-28E	E	30-015-27071	O	07/2010	08/01/2012	6400	11400		0	
	PINNACLE STATE #003	S	K-36-22S-28E	K	30-015-27072	O	07/2010	08/01/2012	6411	11411		0	
	PINNACLE STATE #004	S	F-36-22S-28E	F	30-015-27093	O	07/2010	08/01/2012	6390	11390		0	
	PINNACLE STATE #005	S	J-36-22S-28E	J	30-015-27107	O	07/2010	08/01/2012	6440	11440		0	
	PINNACLE STATE #006	S	G-36-22S-28E	G	30-015-27141	O	07/2010	08/01/2012	6420	11420		0	
	PINNACLE STATE #007	S	D-36-22S-28E	D	30-015-27142	O	07/2010	08/01/2012	6440	11440		0	
	PINNACLE STATE #008	S	C-36-22S-28E	C	30-015-27143	O	07/2010	08/01/2012	6430	11430		0	
	PINNACLE STATE #009	S	B-36-22S-28E		30-015-27201	O	07/2010	08/01/2012	6480	11480		0	
	PINNACLE STATE #010	S	I-36-22S-28E	I	30-015-27188	O	07/2010	08/01/2012	6460	11460		0	
	PINNACLE STATE #011	S	M-36-22S-28E	M	30-015-27254	O	07/2010	08/01/2012	6373	11373		0	
	PINNACLE STATE #012	S	N-36-22S-28E		30-015-27762	O	07/2010	08/01/2012	6250	11250		0	
	PINNACLE STATE #013	S	O-36-22S-28E		30-015-27763	O	07/2010	08/01/2012	6372	11372		0	
	PINNACLE STATE #014	S	H-36-22S-28E		30-015-27334	O	07/2010	08/01/2012	6456	11456		0	

	PINNACLE STATE #015	S	A-36-22S-28E	A	30-015-29179	O	07/2010	08/01/2012	6475	11475	0
	PINNACLE STATE #017	S	C-36-22S-28E	C	30-015-35864	O	07/2010	08/01/2012	6672	11672	0
	PINNACLE STATE #018	S	G-36-22S-28E	G	30-015-36123	O	07/2010	08/01/2012	7120	12120	0
	PINNACLE STATE #019	S	E-36-22S-28E	E	30-015-36065	O	07/2010	08/01/2012	6650	11650	0
	PINNACLE STATE #020	S	K-36-22S-28E	K	30-015-36124	O	07/2010	08/01/2012	6595	11595	0
	PINNACLE STATE #021	S	L-36-22S-28E	L	30-015-36381	O	07/2010	08/01/2012	99	5099	0
	PINNACLE STATE #022	S	D-36-22S-28E	D	30-015-36216	O	07/2010	08/01/2012	6670	11670	0
	PINNACLE STATE #023	S	O-36-22S-28E	O	30-015-36217	O	07/2010	08/01/2012	7007	12007	0
	PINNACLE STATE #024	F	B-36-22S-28E	B	30-015-36334	O			Unknown		0
	PINNACLE STATE #025	S	M-36-22S-28E	M	30-015-36333	O	07/2010	08/01/2012	9	5009	0
	PINNACLE STATE #026	S	I-36-22S-28E		30-015-36682	O			Unknown		0
	PINNACLE STATE #027	S	H-36-22S-28E	H	30-015-36332	O			Unknown		0
	PINNACLE STATE #028	S	A-36-22S-28E	A	30-015-36382	O			Unknown		0
36750	PINNACLE STATE #16 #016	S	N-36-22S-28E	N	30-015-35828	O	07/2010	08/01/2012	6950	11950	0
305247	PIONEER FEDERAL #001	F	J-17-26S-30E	J	30-015-24599	O	07/2010		7200		0
303272	R AND S FEDERAL COM #001	F	L-17-15S-28E	L	30-005-60511	G	07/2010		9185		0
303273	R AND S STATE #001	S	D-17-15S-28E	D	30-005-60424	G	07/2010	08/01/2012	9137	14137	0
303274	RAM EWE FEDERAL #002	F	N-33-22S-26E		30-015-27736	O	07/2010		3300		0
	RAM EWE FEDERAL #003	F	O-33-22S-26E		30-015-27737	O	07/2010		3055		0
	RAM EWE FEDERAL #004	F	J-33-22S-26E		30-015-27738	O	07/2010		5025		0
303275	RAY 25 #001	P	N-25-23S-28E	N	30-015-26813	G	07/2010	08/01/2012	12080	17080	0
38361	RDU 22 FEDERAL #001H	F	C-22-26S-30E	C	30-015-38240	O			Unknown		0
38362	RDU 27 FEDERAL #001H	F	B-27-26S-30E	B	30-015-38241	O			Unknown		0
37055	RDX 10 #001	F	M-10-26S-30E	M	30-015-36210	O	07/2010		7560		0
	RDX 10 #002	F	N-10-26S-30E	N	30-015-36642	O			Unknown		0
36878	RDX 15 #001	F	D-15-26S-30E		30-015-35955	O	07/2010		7528		0
	RDX 15 #002	F	P-15-26S-30E		30-015-36151	O	07/2010		8470		0
	RDX 15 #003	F	J-15-26S-30E	J	30-015-36637	O			Unknown		0
	RDX 15 #0040	F	O-15-26S-30E	O	30-015-37797	O			Unknown		0
	RDX 15 #005	F	N-15-26S-30E		30-015-36744	O			Unknown		0
	RDX 15 #006	F	M-15-26S-30E		30-015-36677	O	07/2010		9		0
	RDX 15 #007	F	K-15-26S-30E		30-015-36759	O			Unknown		0
	RDX 15 #008	F	L-15-26S-30E		30-015-36758	O	07/2010		9		0
	RDX 15 #009	F	C-15-26S-30E		30-015-36825	O			Unknown		0
	RDX 15 #010	F	E-15-26S-30E	E	30-015-37095	O			Unknown		0
	RDX 15 #011	F	F-15-26S-30E	F	30-015-37093	O			Unknown		0
	RDX 15 #012	F	B-15-26S-30E	B	30-015-37094	O			Unknown		0
	RDX 15 #013	F	G-15-26S-30E		30-015-36834	O			Unknown		0
36900	RDX 16 #001	S	O-16-26S-30E	O	30-015-36004	O	07/2010	08/01/2012	7600	12600	0
	RDX 16 #002	S	K-16-26S-30E	K	30-015-36383	O	07/2010	08/01/2012	7389	12389	0
	RDX 16 #003	S	P-16-26S-30E	P	30-015-36384	O	07/2010	08/01/2012	7533	12533	0
	RDX 16 #004	S	A-16-26S-30E	A	30-015-36385	O			Unknown		0
	RDX 16 #005	S	J-16-26S-30E		30-015-36685	O			Unknown		0
	RDX 16 #006	S	I-16-26S-30E	I	30-015-36725	O	07/2010	08/01/2012	9	5009	0
	RDX 16 #007	S	H-16-26S-30E	H	30-015-36724	O			Unknown		0
	RDX 16 #008	S	G-16-26S-30E	G	30-015-36692	O			Unknown		0
	RDX 16 #009	S	F-16-26S-30E	F	30-015-36693	O			Unknown		0
37291	RDX 17 #002	F	G-17-26S-30E	G	30-015-36464	O	07/2010		7320		0
	RDX 17 #003	F	P-17-26S-30E		30-015-36870	O			Unknown		0
	RDX 17 #004	F	H-17-26S-30E		30-015-36817	O			Unknown		0
	RDX 17 #005	F	B-17-26S-30E	B	30-015-37780	O			Unknown		0
37711	RDX 21 #013	F	B-21-26S-30E	B	30-015-37781	O			Unknown		0
	RDX 21 #014	F	A-21-26S-30E	A	30-015-37112	O	07/2010		7325		0
	RDX 21 #024	F	H-21-26S-30E	H	30-015-37782	O			Unknown		0
37054	RDX 9 #001	F	P-9-26S-30E	P	30-015-36211	O	07/2010		7550		0
303276	RIO CINCO 26 STATE #001	S	D-26-17S-28E	D	30-015-31043	G	07/2010	08/01/2012	10662	15662	0
306217	SANTA FE FEDERAL #001	F	G-35-22S-28E	G	30-015-25590	O	07/2010		3836		0
	SANTA FE FEDERAL #002	F	J-35-22S-28E	J	30-015-27029	O	07/2010		6350		0
	SANTA FE FEDERAL #003	F	I-35-22S-28E	I	30-015-27026	O	07/2010		6360		0
	SANTA FE FEDERAL #004	F	H-35-22S-28E	H	30-015-27030	O	07/2010		6370		0
	SANTA FE FEDERAL #005	F	B-35-22S-28E	B	30-015-27031	O	07/2010		6370		0
	SANTA FE FEDERAL #006	F	O-35-22S-28E	O	30-015-27117	O	07/2010		6410		0
	SANTA FE FEDERAL #007	F	P-35-22S-28E	P	30-015-27118	O	07/2010		6380		0
	SANTA FE FEDERAL #008	F	A-35-22S-28E	A	30-015-27126	S	07/2010		6350		0
	SANTA FE FEDERAL #011Q	F	G-35-22S-28E	G	30-015-32526	O	07/2010		6400		0
37829	SANTA FE FEDERAL 35 #024	F	H-35-22S-28E	H	30-015-37277	O			Unknown		0
38196	SANTA FE FEDERAL DEEP 35 #001	F	A-35-22S-28E	A	30-015-37917	G			999		0

303277	SARAGOSSA 10 STATE #001	S	A-10-23S-26E	A	30-015-31757	G	07/2010	08/01/2012	12000	17000	0
303278	SARAGOSSA 16 STATE #002	S	C-16-23S-26E	B	30-015-31584	G	07/2010	08/01/2012	12325	17325	0
303279	SARAGOSSA 16 STATE COM #001	S	C-16-23S-26E	C	30-015-31174	G	07/2010	08/01/2012	11995	16995	0
303280	SARAGOSSA 17 FEDERAL COM #001	F	D-17-23S-26E	D	30-015-31529	G	07/2010		11751		0
303281	SARAGOSSA 17 STATE COM #003	S	L-17-23S-26E	L	30-015-31935	G	06/2010	07/01/2012	11750	16750	0
303282	SARAGOSSA 4 FEDERAL COM #001	F	I-4-23S-26E	I	30-015-32075	G	07/2010		11981		0
303283	SHARP NOSE FEDERAL #001	F	J-13-20S-33E	J	30-025-31397	O	07/2010		13750		0
303284	SHEEP DRAW 28 FEDERAL #002	F	M-28-22S-26E		30-015-27688	O	07/2010		4975		0
	SHEEP DRAW 28 FEDERAL #013	F	L-28-22S-26E	L	30-015-29532	O	07/2010		4950		0
303285	SHEEP DRAW FEDERAL #002	F	C-33-22S-26E	C	30-015-27015	O	07/2010		4990		0
	SHEEP DRAW FEDERAL #003	F	F-33-22S-26E	F	30-015-27341	O	07/2010		5000		0
	SHEEP DRAW FEDERAL #004	F	B-33-22S-26E	B	30-015-28701	O	07/2010		4990		0
	SHEEP DRAW FEDERAL #005	F	E-33-22S-26E		30-015-27634	O	07/2010		5040		0
	SHEEP DRAW FEDERAL #006	F	D-33-22S-26E		30-015-27687	O	07/2010		4987		0
	SHEEP DRAW FEDERAL #008	F	G-33-22S-26E		30-015-27669	O	07/2010		5040		0
303286	SHEEP DRAW FEDERAL COM #001	F	B-33-22S-26E		30-015-26847	G	07/2010		11735		0
303287	SIX SHOOTER 13 FEDERAL #001	F	B-13-20S-33E	B	30-025-31274	G	02/2009		13675		0
303288	SQUAW FEDERAL #003	F	K-1-23S-25E	K	30-015-25379	G	07/2010		11665		0
303289	STARDUST 3 FEDERAL #001	F	I-3-15S-28E	I	30-005-63443	G	07/2010		9450		0
303290	STATE ETA #002	S	I-8-16S-35E	I	30-025-02757	G	07/2010	08/01/2012	13365	18365	0
	STATE ETA #003	S	H-8-16S-35E	H	30-025-34716	G	07/2010	08/01/2012	12200	17200	0
	STATE ETA #004	S	C-8-16S-35E	C	30-025-34813	G	07/2010	08/01/2012	12762	17762	0
36884	SUN 10 FEDERAL #001	F	M-10-26S-30E	M	30-015-25298	O			99999		0
303292	TORO 21 #002	P	J-21-19S-35E	J	30-025-35788	O	07/2010	08/01/2012	11200	16200	0
303293	TORO 21 STATE COM #001Y	P	H-21-19S-35E	H	30-025-34492	O	07/2010	08/01/2012	13960	18960	0
303294	TORO 22 #001	P	E-22-19S-35E	E	30-025-34710	O	07/2010	08/01/2012	12900	17900	0
	TORO 22 #003	P	K-22-19S-35E	K	30-025-35253	O	07/2010	08/01/2012	11016	16016	0
303295	TORO 22 STATE #004	S	F-22-19S-35E	F	30-025-35634	O	07/2010	08/01/2012	11300	16300	0
303296	TORO 22 STATE COM #002	P	N-22-19S-35E	N	30-025-35094	O	07/2010	08/01/2012	11200	16200	0
303297	TORO 27 #002	P	E-27-19S-35E	E	30-025-34711	O	07/2010	08/01/2012	11285	16285	0
	TORO 27 #005	P	G-27-19S-35E	G	30-025-35425	O	07/2010	08/01/2012	11300	16300	0
	TORO 27 #006	P	D-27-19S-35E	D	30-025-35730	O	07/2010	08/01/2012	11209	16209	0
303298	TORO 27 STATE COM #001	S	K-27-19S-35E	K	30-025-34638	O	07/2010	08/01/2012	13192	18192	0
303299	TORO 33 STATE #001	S	G-33-19S-35E	G	30-025-34423	G	07/2010	08/01/2012	13322	18322	0
303301	TURKEY TRACK 11 STATE #001	S	C-11-19S-28E	C	30-015-32120	O	07/2010	08/01/2012	8650	13650	0
	TURKEY TRACK 11 STATE #004	S	F-11-19S-28E	F	30-015-31771	O	07/2010	08/01/2012	8705	13705	0
	TURKEY TRACK 11 STATE #008	S	N-11-19S-28E	N	30-015-32031	O			Unknown		0
303302	TURKEY TRACK 2 STATE #001	S	K-2-19S-28E	K	30-015-30788	G	07/2010	08/01/2012	11200	16200	0
	TURKEY TRACK 2 STATE #004	S	L-2-19S-28E	L	30-015-32030	O			Unknown		0
303303	VIVIAN #001	P	F-30-22S-38E	F	30-025-23904	O	07/2010	08/01/2012	7319	12319	0
	VIVIAN #002	F	K-30-22S-38E	K	30-025-23976	G	07/2010		7410		0
	VIVIAN #003	P	N-30-22S-38E	N	30-025-23977	O	04/2010	05/01/2012	7387	12387	0
303304	WHITE WING 22 FEDERAL COM #023	F	K-22-22S-26E	K	30-015-29833	G	07/2010		11850		0

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INFORMATION SHEET FOR PART 5.9

Oil Conservation Division (OCD) Rule 19.15.5.9 NMAC, commonly known as “Part 5.9,” requires operators to meet certain minimum compliance standards for the wells they already operate before they can drill, acquire, produce or inject into additional wells. If an operator is out of compliance as defined by Part 5.9, the OCD:

- May deny registration by the operator or certain related entities. *See* 19.15.9.8(B) NMAC.
- May deny applications for change of operator that would transfer wells to the operator. *See* 19.15.9.9(C) NMAC.
- Must deny injection permits. *See* 19.15.26.8(A) NMAC.
- May deny APDs. *See* 19.15.14.10(A) NMAC.
- Must deny allowable and authorizations to transport. *See* 19.15.16.19(A) NMAC.

In addition, the OCD may, after notice and hearing, revoke previously issued injection permits if the operator is out of compliance with Part 5.9. *See* 19.15.26.8(A) NMAC.

To stay in compliance with Part 5.9, an operator must:

- Keep current with the financial assurance requirements for well plugging. *See* 19.15.5.9(A)(1) NMAC.
- Comply with orders requiring corrective action. *See* 19.15.5.9(A)(2) NMAC.
- Pay properly assessed penalties. *See* 19.15.5.9(A)(3) NMAC.
- Have no more than a certain number of wells out of compliance with the inactive well rule. *See* 19.15.5.9(A)(4) NMAC.

FINANCIAL ASSURANCE REQUIREMENTS: The OCD’s financial assurance requirements for well plugging are set out in 19.15.8.9 NMAC. The OCD requires all state or fee wells to be covered by a financial assurance. The OCD does not require financial assurances for Federal or Indian wells.

The operator must either post a blanket financial assurance in the amount of \$50,000 to cover its state or fee wells, or post single-well financial assurances for each state or fee well in the amount set by the rule.

If the operator chooses to post a blanket financial assurance, it must also post single-well financial assurances for each state or fee well that has been inactive for more than two years that has not been plugged and released. Note that a single-well financial assurance is required even if the well is on approved temporary abandonment status, and even if the wellbore of the well has been plugged. To check compliance with this requirement, go to www.emnrd.state.nm.us/OCD, OCD Online, E-Permitting, Financial Assurance. Insert the operator name or OGRID, and hit “Get Report.” The report will list all the wells for that operator that have not been plugged and released. Wells currently in violation of the single-well financial assurance requirement will have a “Y” in the far right column, titled “In Violation.”

For information on how to post financial assurances, please contact OCD Financial Assurance Administrator Dorothy Phillips, (505) 476-3461, Dorothy.phillips@state.nm.us.

CORRECTIVE ACTION REQUIREMENTS: If an operator fails to take an action required by a hearing order or an agreed compliance order, the OCD may go to hearing to obtain a formal order finding the operator “in violation of an order requiring corrective action.” Once such an order is issued and becomes final, the operator will be out of compliance with Part 5.9 until that order is lifted. To lift the order, the operator must

complete the corrective action required, and file a motion to declare the order satisfied. The Oil Conservation Division or the Oil Conservation Commission, as appropriate, may grant the motion without hearing or may set the matter for hearing.

UNPAID PENALTIES: An operator with a penalty assessment unpaid more than 70 days after issuance of the order assessing the penalty will be in violation of Part 5.9 until that penalty is paid. Penalties may be assessed by the district court, or may be agreed to by the operator under an agreed compliance order entered into to resolve a compliance action.

INACTIVE WELLS: The inactive well rule, 19.15.25.8 NMAC, requires any well that has been inactive for a period of more than 15 months to be plugged and abandoned, placed on approved temporary abandonment status, or returned to production or other beneficial use. An operator will be out of compliance with Part 5.9 if it has too many wells in violation of the inactive well rule; the number of non-compliant wells allowed depends on the size of the operator. Under Part 5.9, if an operator operates:

- 1 well, it may have no wells out of compliance;
- 2 or 3 wells, it may have no more than 1 well out of compliance;
- 4 to 100 wells, it may have no more than 2 wells out of compliance;
- 101 to 500 wells, it may have no more than 5 wells out of compliance;
- 501 to 1000 wells, it may have no more than 7 wells out of compliance; and
- 1000 or more wells, it may have no more than 10 wells out of compliance.

To check compliance with 5.9 as to inactive wells, go to www.emnrd.state.nm.us/OCD, OCD Online, E-Permitting, Inactive Well List. Do not change the default search terms. Insert the operator name or OGRID, and hit "Get Report." The report will identify the wells that -- according to OCD records -- have been inactive for 15 months, are not on approved temporary abandonment status, do not have a plugged wellbore, and are not subject to an inactive well agreed compliance order. For purposes of Part 5.9, if a well appears on this list, there is a rebuttable presumption that the well is in violation of the inactive well rule. The heading of the list will also identify the total well count for the operator, and the total number of non-compliant inactive wells, so you can determine if the operator is in compliance with Part 5.9.

If your company has more non-compliant wells than allowed under Part 5.9, you will need to return wells to compliance by returning them to production or other beneficial use, placing them on approved temporary abandonment status, or plugging the wellbore. In some limited circumstances, the OCD may be willing to enter into an inactive well agreed compliance order setting a schedule for returning the wells to compliance and imposing sanctions if that schedule is not met. Wells covered by an inactive well agreed compliance order are not included when calculating Part 5.9 compliance. For information on inactive well agreed compliance orders, contact OCD Attorney Sonny Swazo at (505) 476-3463, Sonny.swazo@state.nm.us.