



# NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

Carol Leach

Acting Cabinet Secretary

Lori Wrotenberg

Director

Oil Conservation Division

January 22, 2002

Mitchell Energy Corporation  
Box 4000  
The Woodlands, TX 77387

RECEIVED

JAN 24 2002

PRODUCTION  
REGULATORY AFFAIRS

**VIA: CERTIFIED MAIL, RETURN RECEIPT REQUESTED**

Re: Case No. 12811: **Application of the New Mexico Oil Conservation Division for an Order Requiring Operators to Bring Three Hundred Eighty-Eight (388) Wells into Compliance with Rule 201.B, and Assessing Appropriate Civil Penalties; Eddy, Chaves and Otero Counties, New Mexico.**

Ladies and Gentlemen:

You are hereby notified that the New Mexico Oil Conservation Division has filed the referenced Application, a copy of which is enclosed herewith, seeking an order requiring you to bring specified inactive wells in Eddy, Chaves and Otero Counties, New Mexico into compliance with Division Rule 201.B, by either restoring such wells to production or beneficial use, permanently abandoning or temporarily abandoning them. In addition, the Division seeks assessment of civil penalties for your failure to comply with previous administrative notices to bring these wells into compliance.

A hearing on this Application will take place before a Division hearing officer on Friday, February 22, 2002, at 8:15 a.m., in the Division Hearing Room, First Floor, 1220 South St. Francis Drive in Santa Fe, New Mexico. At that hearing you will have an opportunity to show cause, if any there be, why an order should not be entered as requested in the Application. **The Division will not seek assessment of a penalty if all of your wells are in full compliance on or before the day of the hearing.**

Operational inquiries concerning the subject of this hearing should be directed to Mr. Tim Gum, District Supervisor, Oil Conservation Division, 1301 West Grand Avenue, Artesia, NM 88210; phone (505)-748-1283. Counsel may contact the undersigned in the Santa Fe office at (505)-476-3450.

Very truly yours,

David K. Brooks

Assistant General Counsel



**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 II, FOR AN ORDER  
REQUIRING OPERATORS TO BRING THREE HUNDRED EIGHTY-EIGHT  
(388) WELLS INTO COMPLIANCE WITH RULE 201.B, AND ASSESSING  
APPROPRIATE CIVIL PENALTIES; EDDY, CHAVES AND OTERO  
COUNTIES, NEW MEXICO**

CASE NO. 12811

**APPLICATION FOR COMPLIANCE ORDERS AND CIVIL PENALTIES**

1. Each of the operators listed on Exhibit A is the operator of the wells in Eddy, Chaves and Otero Counties, New Mexico, specifically identified by name, exact location and API number on Exhibit A. Exhibits A is attached hereto and by this reference incorporated herein for all purposes.

2. The operators identified on Exhibit A are herein referred to collectively as "Operators" and individually as "Operator." Those wells identified on Exhibit A as to which a "Y" appears in the column headed "Status" on Exhibit A are herein called "the subject wells," and those wells identified on Exhibit A as to which a "Y" does not appear in the "Status" column 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 operated by such Operator. The phrase "each Operator's additional wells" refers, as to each Operator individually, to those of the additional wells operated by such Operator. The New Mexico Oil Conservation Division is hereinafter called "the Division."

3. 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.

4. On May 11, 2000, the New Mexico Oil Conservation Division (hereinafter "the Division"), acting through the District Supervisor of District II, notified Operators that the subject wells were not in compliance with Division Rule 201.B, and should be brought into compliance either by returning the same to production or other beneficial use, by securing Division approval for temporary abandonment or by plugging and abandonment thereof. Each of the operators responded to the said notification, acknowledging responsibility for such operator's subject wells and undertaking to bring said wells into compliance.

5. Each of the operators was notified on various subsequent occasions of the continuing necessity to bring its subject wells into compliance. Finally, on or about July 25, 2001, or on or about August 6, 2001, the Division, acting through the District Supervisor of District II, notified Operators that the subject wells were still not in compliance with Division Rule 201.B, and directed Operators to bring such wells into compliance not later than November 1, 2001, or face summons to a show cause hearing before the Division, and possible administrative penalties. Notwithstanding such notification, the Operators failed to bring their subject wells into compliance within the time stipulated, and such wells remain non-compliant.

6. 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 have 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.

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. 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 on or before November 1, 2001, after receipt of notices of noncompliance from the Division as herein before described, constitutes a continuing violation of Division Rule 201.B(3), a rule 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 each of Operators to bring such Operator's subject wells and additional wells into compliance with Division 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:

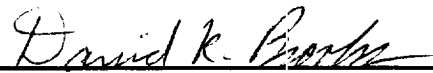
- (i) causing such well to be plugged and abandoned in accordance with Division Rules 101 and 202.
- (ii) restoring such well to production or other Division-approved beneficial use, or
- (iii) applying to the Division for permission to place such well in "temporary abandonment" status pursuant to Division Rule 203.
- (iv) truly and accurately reporting to the Division all 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 for each year or part thereof that any such well has remained non-compliant after notice of the non-compliant status of such well was furnished to the operator by the Division.

RESPECTFULLY SUBMITTED,

A handwritten signature in cursive script, reading "David K. Brooks", is written over 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

API #	County	Type	Last Production / Injection	Well Name and Number	Operator	Location	Status
30-015-00611	EDDY	O	12-1992	SOUTH RED LAKE GRAYBURG UNIT #005	MCQUADRANGLE, LC	C-35-17S-27E	SY
30-015-00668	EDDY	O	05-1989	SOUTH RED LAKE GRAYBURG UNIT #010	MCQUADRANGLE, LC	G-36-17S-27E	SY
30-015-00616	EDDY	O	12-1992	SOUTH RED LAKE GRAYBURG UNIT #016	MCQUADRANGLE, LC	F-35-17S-27E	SY
30-015-01220	EDDY	O	12-1992	SOUTH RED LAKE GRAYBURG UNIT #022	MCQUADRANGLE, LC	K-36-17S-27E	SY
30-015-01221	EDDY	O	08-1984	SOUTH RED LAKE GRAYBURG UNIT #023	MCQUADRANGLE, LC	J-36-17S-27E	SY
30-015-00622	EDDY	O	02-1995	SOUTH RED LAKE GRAYBURG UNIT #024	MCQUADRANGLE, LC	I-35-17S-27E	SY
30-015-00645	EDDY	O	10-1973	SOUTH RED LAKE GRAYBURG UNIT #032	MCQUADRANGLE, LC	N-35-17S-27E	SY
30-015-00740	EDDY	I	12-1992	SOUTH RED LAKE GRAYBURG UNIT #040	MCQUADRANGLE, LC	G-02-18S-27E	S
30-015-27727	EDDY	O	NONE	CHALK BLUFF 12 FED #002	MEWBOURNE OIL CO	L-12-18S-27E	AY
30-015-23523	EDDY	G	10-1995	STATE IX GAS COM #001	MEWBOURNE OIL CO	H-06-24S-25E	SY
30-015-20785	EDDY	G	01-1996	MARY FEDERAL #001	MINERAL TECHNOLOGIES INC	H-11-23S-25E	AY
30-015-23537	EDDY	O	05-1998	ROCHE FEDERAL #002	MITCHELL ENERGY CORPORATION	J-07-18S-31E	AY
30-015-26141	EDDY	O	02-1999	SAND 7 FEDERAL #003	MITCHELL ENERGY CORPORATION	I-07-18S-31E	A
30-005-21063	CHAVESG	G	09-1993	BIG LUCKY LAKE COM #001	NADEL AND GUSSMAN PERMIAN, LLC	O-30-15S-30E	SY
30-015-05611	EDDY	O	10-1998	HINKLE B #004	NADEL AND GUSSMAN PERMIAN, LLC	K-26-18S-31E	AY
30-015-05609	EDDY	O	12-1992	HINKLE B-26 #002	NADEL AND GUSSMAN PERMIAN, LLC	L-26-18S-31E	AY
30-015-24425	EDDY	O	09-1988	NEW MEXICO DI STATE #001	NADEL AND GUSSMAN PERMIAN, LLC	2-19-23S-26E	AY
30-015-24592	EDDY	O	09-1987	NEW MEXICO DI STATE #002	NADEL AND GUSSMAN PERMIAN, LLC	1-19-23S-26E	AY
30-005-61875	CHAVESG	G	08-1986	PAULA FEDERAL #001	NADEL AND GUSSMAN PERMIAN, LLC	E-12-14S-28E	AY
30-005-00516	CHAVESG	G	04-1998	PEERY FEDERAL #003	NADEL AND GUSSMAN PERMIAN, LLC	K-29-15S-30E	AY
30-005-21129	CHAVESG	G	NONE	PEERY FEDERAL #005	NADEL AND GUSSMAN PERMIAN, LLC	B-29-15S-30E	AY
30-015-30588	EDDY	G	04-2000	ROLLING ROCK STATE #001	NADEL AND GUSSMAN PERMIAN, LLC	4-31-23S-25E	A
30-005-62558	CHAVESG	G	07-1998	SHELL 15 FEDERAL #002	NADEL AND GUSSMAN PERMIAN, LLC	C-15-15S-29E	AY
30-005-62656	CHAVESG	G	06-1998	SHELL 15 FEDERAL #003	NADEL AND GUSSMAN PERMIAN, LLC	E-15-15S-29E	A
30-015-23290	EDDY	O	09-1999	EMPIRE 34 FEDERAL #001	NAUMANN OIL & GAS INC	G-34-18S-29E	A
30-015-28303	EDDY	G	NONE	FAREWELL 18 FEDERAL COM #001	NAUMANN OIL & GAS INC	I-18-22S-26E	AY
30-015-26996	EDDY	O	05-1993	EMERALD 32 FEDERAL #001	NEARBURG PRODUCING CO	F-32-24S-29E	SY
30-015-21084	EDDY	G	05-1994	IVEY 5 H #001	NEARBURG PRODUCING CO	H-05-19S-26E	SY
30-015-22250	ARTESIANO	G	02-2000	MORRISON COM #001	NEARBURG PRODUCING CO	L-05-19S-26E	A
30-015-28628	EDDY	O	02-1999	OSAGE BOYD 15 #004	NEARBURG PRODUCING CO	N-15-19S-25E	A
30-015-21355	EDDY	G	11-1999	OSAGE BOYD COM #001	NEARBURG PRODUCING CO	E-15-19S-25E	A
30-015-23049	EDDY	G	07-1997	PARINO #001	NEARBURG PRODUCING CO	I-23-19S-25E	SY
30-015-24568	EDDY	G	11-1992	SOUTH BOYD 27 #001	NEARBURG PRODUCING CO	F-27-19S-25E	SY
30-015-25401	EDDY	O	01-2000	STEVENSON #001	NEARBURG PRODUCING CO	E-04-19S-26E	A