

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

**IN RE NOTICE OF VIOLATION
ISSUED TO CHUZA OIL COMPANY**

**CASE NO. 22986
ORDER NO. R-22276**

ORDER

This matter came before the Director of the New Mexico Oil Conservation Division (“Division”) on the Notice of Violation issued to Chuza Oil Company [OGRID #279508] (“Operator”).

The Division conducted a public hearing on August 31, 2022, and the Director, having considered the testimony and evidence presented, and being otherwise fully advised in the premises, enters the following findings, conclusions, and order:

FINDINGS

1. The Division has jurisdiction over the parties and the subject matter herein.
2. On June 2, 2022, the Division issued the Notice of Violation (“NOV”) to the Operator. The NOV alleged the following violation:
 - a. Operator has more inactive wells than are allowed by 19.15.5.9(A)(4)(a) NMAC. Operator is the registered operator of twenty nine (29) wells in the state of New Mexico. As an operator of less than one-hundred wells, Operator must plug and abandon or place into approved temporary abandonment status any inactive wells that exceed the threshold of two wells or fifty percent of all operated wells. Operator has the following twenty

nine (29) wells which have not been plugged and abandoned or placed into temporary abandonment status:

<u>API #</u>	<u>Well Name</u>	<u>Last Production Reported</u>
30-045-60229	NE HOGBACK UNIT #002	Oct 2014
30-045-09576	NE HOGBACK UNIT #005	June 2016
30-045-09580	NE HOGBACK UNIT #006	May 2016
30-045-09575	NE HOGBACK UNIT #007	Oct 2017
30-045-09578	NE HOGBACK UNIT #008	May 2016
30-045-09591	NE HOGBACK UNIT #021	Oct 2017
30-045-09530	NE HOGBACK UNIT #022	Oct 2017
30-045-09728	NE HOGBACK UNIT #028	May 2016
30-045-09733	NE HOGBACK UNIT #029	Oct 2017
30-045-09696	NE HOGBACK UNIT #031	Jul 2016
30-045-09699	NE HOGBACK UNIT #033	Oct 2017
30-045-09640	NE HOGBACK UNIT #034	Oct 2014
30-045-09644	NE HOGBACK UNIT #035	May 2014
30-045-09622	NE HOGBACK UNIT #036	Oct 2014
30-045-09655	NE HOGBACK UNIT #037	Sep 2017
30-045-09632	NE HOGBACK UNIT #038	May 2016
30-045-09656	NE HOGBACK UNIT #039	Aug 2016
30-045-09698	NE HOGBACK UNIT #040	May 2016
30-045-09694	NE HOGBACK UNIT #041	Dec 2016
30-045-29330	NE HOGBACK UNIT #050	Sep 2017
30-045-29331	NE HOGBACK UNIT #051	May 2016
30-045-30090	NE HOGBACK UNIT #052	Mar 2015
30-045-30091	NE HOGBACK UNIT #053	May 2016

30-045-29271	NE HOGBACK UNIT #055	Aug 2016
30-045-29350	NE HOGBACK UNIT #056	Nov 2016
30-045-30361	NE HOGBACK UNIT #060	May 2016
30-045-34755	NE HOGBACK UNIT #074H	May 2017
30-045-26321	WESTERN FEDERAL #001	Mar 2015
30-045-09684	WESTERN FEDERAL #002	Apr 2015

b. For this violation, the Division requested an Order requiring the Operator to plug and abandon the wells by a date certain or, if the Operator fails to plug and abandon the wells, to allow the Division to do so. The Division also proposed to assess a civil penalty of eleven thousand six hundred dollars (\$11,600) for exceeding the inactive well threshold, and to revoke Operator's authority to transport from all wells

3. The NOV informed the Operator of the thirty day informal resolution process and stated that if the NOV cannot be resolved informally, the Division will request a hearing on August 31, 2022. (OCD Ex. 2).

4. Operator did not contact the Division during the informal resolution period which expired on or about July 2, 2022.

5. On July 26, 2022, the Division filed and served the Docketing Notice which requested a hearing on August 31, 2022. (OCD Ex. 3).

6. The Division gave notice of the hearing as required by 19.15.5.10 NMAC.

7. Operator did not file an answer to the NOV as allowed by 19.15.5.10 (E)(2)(b) NMAC.

8. A hearing on the NOV was held on August 31, 2022, before a Division Hearing Examiner. The Division appeared through its counsel, Kaitlyn Luck. Operator did not appear at the hearing.

9. The Division presented the testimony of one witness, Mr. Rob Jackson, Compliance Supervisor with the Division's Administrative and Compliance Bureau and offered six exhibits in support of his testimony. Mr. Jackson was subject to questioning by the Hearing Examiner.

10. Mr. Jackson testified in support of the violations listed in the NOV. Mr. Jackson further testified that he had checked the status of the Operator's wells prior to the hearing and found that the violations were ongoing.

11. The Division provided testimony and documentation that the calculations used to determine the proposed penalty amounts were in accordance with the Division's penalty guidance (OCD ex. 5).

12. At the hearing, the Division stated it was no longer seeking to revoke Operator's authority to transport from all wells.

CONCLUSIONS

13. Based on the testimony and evidence presented at the hearing, the Director concludes that Operator violated, and is continuing to violate, 19.15.5.9(A)(4)(a) NMAC, by failing to plug and properly abandon inactive wells.

14. The Director is authorized to order a well to plugged and abandoned by an operator if the Director concludes that the Operator is violating the Oil and Gas Act or the rules. "If any of the requirements of the Oil and Gas Act or the rules promulgated pursuant to that act

have not been complied with, the oil conservation division, after notice and hearing, may order any well plugged and abandoned by the operator or surety or both in accordance with division rules.” NMSA 1978, §70-2-14(B).

15. The Oil and Gas Act provides that “[i]n assessing a penalty authorized by this section, the division shall take into account the seriousness of the violation, any good faith efforts to comply with the applicable requirements, any history of noncompliance under the Oil and Gas Act and other relevant factors.” NMSA 1978, §70-2-31(C). The Director concludes that the penalty assessment has considered the factors required by law.

16. The Director concludes that the sanctions proposed by the Division are allowed by law, 19.15.5.10(B) NMAC, and are supported by the record in this case.

ORDER

1. Operator shall plug and abandon the wells listed in paragraph 2(a) no later than 30 days after issuance of this Order.

2. If Operator fails to plug and abandon the wells listed in paragraph 2(a) within 30 days of issuance of this Order, the Division shall be authorized to plug and abandon the wells and to forfeit any financial assurance for the wells. Operator shall pay the excess cost to plug and abandon the wells no later than 30 days after actual or attempted service of the Division’s written demand.

3. Operator is assessed civil penalties in the amount of eleven thousand six hundred dollars (\$11,600).

4. The Division retains jurisdiction of this matter for the entry of such further orders as it may deem necessary.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


ADRIENNE SANDOVAL
DIRECTOR
AES/bb

Date: 9/02/2022