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

NMOCD – ACOI-_296_

IN THE MATTER OF JAY MANAGEMENT COMPANY

Respondent.

INACTIVE WELL
AGREED COMPLIANCE ORDER

Pursuant to the New Mexico Oil and Gas Act, NMSA 1978, Sections 70-2-1 through 70-2-38, as amended ("Act") and OCD Rule 19.15.5.10(E) NMAC, the Director of the Oil Conservation Division ("OCD") and Jay Management Company ("Operator") enter into this Inactive Well Agreed Compliance Order ("Order" or "ACOI"). Operator agrees to plug, place on approved temporary abandonment status, or restore to production or other beneficial use the wells identified herein in accordance with the following agreed schedule and procedures, or face the possibility of no further agreed compliance orders. See 19.15.25.8 NMAC

FINDINGS

1. The OCD is the state division charged with administration and enforcement of the Act, and rules and orders adopted pursuant to the Act.

2. Operator is a Company doing business in the state of New Mexico.

3. Operator is the operator of record under OGRID 247692 for the wells identified in Exhibit "A," attached.

4. OCD Rule 19.15.25.8 NMAC states, in relevant part:

    "A.   The operator of wells drilled for oil or gas or services wells including seismic, core, exploration or injection wells, whether cased or uncased, shall plug the wells as Subsection B of 19.15.25.8 NMAC requires.
    B.   The operator shall either properly plug and abandon a well or place the well in approved temporary abandonment in accordance with 19.15.25 NMAC within 90 days after:

    ....
    ....
    (3)   a period of one year in which a well has been continuously inactive."

5. The wells identified in Exhibit "A"

ACOI

(a) have been continuously inactive for a period of one year plus 90 days;

(b) are not plugged or abandoned in accordance with OCD Rule 19.15.25.9 NMAC through 19.15.25.11 NMAC; and

(c) are not on approved temporary abandonment status in accordance with OCD Rule 19.15.25.12 NMAC through 19.15.25.14 NMAC.

6. An operator faces sanctions if it is out of compliance with OCD Rule 19.15.5.9 NMAC. Sanctions include possible denial of registration by operator or certain related entities (OCD Rule 19.15.9.8B NMAC), possible denial of change of operator that would transfer wells to the noncompliant operator (OCD Rule 19.15.9.9C.1 NMAC), mandatory denial of injection permits (OCD Rule 19.15.26.8A NMAC), possible revocation of injection permits after notice and hearing (OCD Rule 19.15.26.8A NMAC), possible denial of applications for a drilling permit (OCD Rule 19.15.14.10A NMAC), and mandatory denial of allowable and authorization to transport (OCD Rule 19.15.16.19A NMAC).

7. Operator is currently out of compliance with OCD Rule 19.15.5.9.A(4) NMAC because it has too many wells out of compliance with OCD Rule 19.15.25.8 NMAC (the inactive well rule) that are not subject to an agreed compliance order setting a schedule for bringing the wells into compliance with the inactive well rule and imposing sanctions if the schedule is not met. See OCD Rule 19.15.5.9(A)(4) NMAC.

8. As the operator of record of **57** wells, to be in compliance with OCD Rule 19.15.5.9.A(4) NMAC, Operator may have no more than **2** wells out of compliance with OCD Rule 19.15.25.8 NMAC (inactive well rule). See OCD Rule 19.15.5.9A(4)(b) NMAC. According to the inactive well list kept pursuant to OCD Rule 19.15.5.9(F) NMAC, Operator has **25** wells out of compliance with the inactive well rule as of November 2, 2015. A copy of Operator's inactive well list as of November 2, 2015 is attached as Exhibit "A." Operator faces sanctions for being out of compliance with OCD Rule 19.15.5.9 NMAC.

9. Operator intends to seek privileges from the OCD that would be subject to sanction due to Operator being out of compliance with OCD Rule 19.15.5.9 NMAC. By placing the wells identified in Exhibit "A" under this Order, Operator will not face sanctions for being out of compliance with OCD Rule 19.15.5.9 NMAC.

CONCLUSIONS

1. The OCD has jurisdiction over the parties and subject matter in this proceeding.

ACOI

2.   The wells identified in Exhibit "A" are out of compliance or will be out of compliance with OCD Rule 19.15.25.8 NMAC.

3.   As operator of the wells identified in Exhibit "A," Operator is responsible for bringing those wells into compliance with OCD Rule 19.15.25.8 NMAC.

4.   The OCD and Operator enter into this Order to remove the wells identified in Exhibit "A" from the inactive well list kept pursuant to OCD Rule 19.15.5.9(F) NMAC and consideration of Operator's compliance with the inactive well rule for purposes of Operator's compliance with OCD Rule 19.15.5.9 NMAC. <u>Operator remains subject to sanctions for being out of compliance with OCD Rule 19.15.5.9 NMAC *IF* Operator becomes out of compliance with OCD Rule 19.15.5.9 NMAC for any reason other than the inactive wells identified in Exhibit "A."</u>

ORDER

1.   Operator agrees to bring <u>2</u> wells identified in Exhibit "A" into compliance with OCD Rule 19.15.25.8 NMAC by May 15, 2016 via

   (a)   restoring the well to production or other OCD-approved beneficial use **and filing a C-115 documenting such production or use**;
   (b)   causing the wellbore to be plugged in accordance with OCD Rule 19.15.25.10(B) NMAC **and filing a C-103 describing the completed work**; or
   (c)   placing the well on approved temporary abandonment status in accordance with OCD Rule 19.15.25.12 NMAC through 19.15.25.14 NMAC.

2.   Oil and gas produced during swabbing does not count as production for purposes of this Order.

3.   Operator shall file a compliance report identifying each well returned to compliance, stating the date it was returned to compliance and describing how the well was returned to compliance (restored to production or other approved beneficial use, plugged wellbore, approved temporary abandonment status.) Transfer of a well identified on Exhibit "A" to another operator does not count towards Operator's obligation to return wells to compliance under the terms of this Order, but does reduce the total number of wells for which Operator is responsible under the terms of this Order. The written compliance report must be mailed or e-mailed to the OCD's Enforcement and Compliance Manager and to the OCD attorney in charge of inactive well agreed compliance orders so that it is **received by** the compliance deadline of May 15, 2016. The total length of this Agreed Compliance Order is six months.

4.   Operator understands that if it fails to meet the terms of this Order, the OCD may decide not to enter into any further agreed compliance orders with Operator.

ACOI

5. This Order shall expire on June 15, 2016. At that time, any wells on Exhibit "A" not in compliance with OCD Rule 19.15.25.8 NMAC will appear on the inactive well list kept pursuant to OCD Rule 19.15.5.9(F) NMAC, and will be considered when determining Operator's compliance with OCD Rule 19.15.5.9 NMAC.

6. By signing this Order, Operator expressly:

   (a) acknowledges the correctness of the Findings and Conclusions set forth in this Order;

   (b) agrees to return to compliance 2 wells identified in Exhibit "A" by May 15, 2016;

   (c) agrees to submit a compliance report as required in Ordering Paragraph 3 by the May 15, 2016 compliance deadline set by this Order;

   (d) waives any right, pursuant to the Oil and Gas Act or otherwise, to an appeal from this Order, or to a hearing either prior to or subsequent to the entry of this Order other than a hearing on a request for waiver; and

   (e) agrees that the Order may be enforced by OCD or Oil Conservation Commission Order, by suit or otherwise to the same extent and with the same effect as a final Order of the OCD or Oil Conservation Commission entered after notice and hearing in accordance with all terms and provisions of the Oil and Gas Act.

7. This Order applies only to the enforcement of OCD Rule 19.15.25.8 NMAC against those wells identified in Exhibit "A." Other wells operated by Operator out of compliance with OCD Rule 19.15.25.8 NMAC may be subject to immediate enforcement action under the Oil and Gas Act and OCD Rules. Wells identified in Exhibit "A" that are out of compliance with the Oil and Gas Act or OCD Rules other than OCD Rule 19.15.25.8 NMAC may be subject to immediate enforcement action under the Oil and Gas Act and OCD Rules.

8. The OCD reserves the right to file an application for hearing to obtain authority to plug any well identified in Exhibit "A" and forfeit the applicable financial assurance if the well poses an immediate environmental threat.

ACOI

Done at Santa Fe, New Mexico this _23ʳᵈ_ day of _November_ , 2015

By: _David Catanach_

David Catanach
Director, Oil Conservation Division

ACCEPTANCE

Jay Management Company hereby accepts the foregoing Order, and agrees to all
of the terms and provisions set forth in that Order.

JAY MANAGEMENT COMPANY LLC

By: _Anthony James_
(Please print name) _Anthony K. James_
Title: _General Counsel & Secretary_
Date: _November 11, 2015_

ACOI

Exhibit "A" to Agreed Compliance Order for Jay Management Company

Total Well Count: 57 Inactive Well Count: 25
Printed On: Monday, November 02 2015

District	API	Well	ULSTR	OCD Unit	OGRID	Operator	Lease Type	Well Type	Last Production	Formation/Notes	Status	TA Exp Date
1	30-025-22378	AMERADA COM #001	J-28-11S-33E	J	247692	JAY MANAGEMENT COMPANY, LLC	S	O	07/1979			
1	30-025-21904	ANDOVER FEDERAL #001	P-17-11S-33E	P	247692	JAY MANAGEMENT COMPANY, LLC	F	O	09/2013	RECOMPLETE 04/10/2012		
1	30-025-21391	BELL #001	H-21-11S-33E	H	247692	JAY MANAGEMENT COMPANY, LLC	P	O	06/2008	INT TO PERFORM REMEDIAL WORK 05/10/11		
1	30-025-21783	BELL A #001	C-21-11S-33E	C	247692	JAY MANAGEMENT COMPANY, LLC	P	O	06/2012	INT REMEDIAL WORK 11/10/2011		
1	30-025-28545	BESS #002	A-20-11S-33E	A	247692	JAY MANAGEMENT COMPANY, LLC	P	O	04/2014	RWTP 05/26/2011		
1	30-025-22554	CHANEY FEDERAL #001	L-17-11S-33E	L	247692	JAY MANAGEMENT COMPANY, LLC	F	O	10/2012	BLM DENIED ACID WORK/PLUGBACK 01/27/13		
1	30-025-22017	CHRISTENSEN STATE #001	L-16-11S-33E	L	247692	JAY MANAGEMENT COMPANY, LLC	S	O	12/2012			
1	30-025-21880	CLARK STATE #001	D-27-11S-33E	D	247692	JAY MANAGEMENT COMPANY, LLC	S	O	06/2003			
1	30-025-22412	EVA COM #001	J-20-11S-33E	J	247692	JAY MANAGEMENT COMPANY, LLC	P	O	05/2002			
1	30-025-22811	G S STATE #001	G-08-11S-33E	G	247692	JAY MANAGEMENT COMPANY, LLC	S	O	04/1994			
1	30-025-22423	GAIL #001	L-28-11S-33E	L	247692	JAY MANAGEMENT COMPANY, LLC	P	O	04/2012			
1	30-025-22437	IVA COM #001	H-20-11S-33E	H	247692	JAY MANAGEMENT COMPANY, LLC	P	O	03/1993			
1	30-025-22108	JFG COLLIER #001	D-09-11S-33E	D	247692	JAY MANAGEMENT COMPANY, LLC	P	O	11/2013	RECLASS GAS TO OIL C116		
1	30-025-00035	NEW MEXICO B STATE #001	B-27-10S-32E	B	247692	JAY MANAGEMENT COMPANY, LLC	S	O	03/2001	DEVONIAN		
1	30-025-00036	NEW MEXICO B STATE #002	A-27-10S-32E	A	247692	JAY MANAGEMENT COMPANY, LLC	S	O	12/2013			
1	30-025-00037	NEW MEXICO B STATE #003	B-27-10S-32E	B	247692	JAY MANAGEMENT COMPANY, LLC	S	O	06/2000			
1	30-025-21603	NEW MEXICO X STATE #001	P-10-10S-32E	P	247692	JAY MANAGEMENT COMPANY, LLC	S	O	10/2000			
1	30-025-22561	OPAL #001	D-20-11S-33E	D	247692	JAY MANAGEMENT COMPANY, LLC	P	G	07/1993			
1	30-025-22226	SHELL STATE COM #001	H-17-11S-33E	H	247692	JAY MANAGEMENT COMPANY, LLC	S	G	06/1988			
1	30-025-22122	SOHIO B STATE #001	P-05-11S-33E	P	247692	JAY MANAGEMENT COMPANY, LLC	S	O	05/2003			

ACOI

1	30-025-22043	SOHIO STATE #001	P-04-11S-33E	P	247692	JAY MANAGEMENT COMPANY, LLC	S	O	12/2013	INTENT TO REPAIR LEAK 04/18/2013		
1	30-025-00998	STATE NBN #001	N-16-11S-33E	N	247692	JAY MANAGEMENT COMPANY, LLC	S	O	04/2002	TA 05242011 TA EXP 05/24/2012	T	5/24/2012
1	30-025-22678	SUE #001	M-29-11S-33E	M	247692	JAY MANAGEMENT COMPANY, LLC	S	O	04/2014	06/24/10 PLUGBACK WOLFCAMP		
1	30-025-22704	UNA #001	G-32-11S-33E	G	247692	JAY MANAGEMENT COMPANY, LLC	S	O	07/2010	06/14/2010 INT TO REPERF STRAWN		
1	30-025-23338	WARREN A STATE #001	I-28-11S-33E	I	247692	JAY MANAGEMENT COMPANY, LLC	S	O	01/2006			

WHERE Ogrid:247692, County:All, District:All, Township:All, Range:All, Section:All, Production(months):15, Excludes Wells Under ACOI, Excludes Wells in Approved TA Period

By: _____

Title: _____

ACOI