

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

NMOCD – ACOI- 297

IN THE MATTER OF TLT SWD LLC,

**INACTIVE WELL
AGREED COMPLIANCE ORDER**

Pursuant to the New Mexico Oil and Gas Act, NMSA 1978, Sections 70-2-1 through 70-2-38 (“Act”), as amended, the Director of the Oil Conservation Division (“OCD”) and TLT SWD LLC (“Operator”), enter into this Agreed Compliance Order (“Order” or “ACOI”) under which Operator agrees to plug, place on approved temporary abandonment status, or restore to production or other beneficial use the wells identified herein pursuant to the Act and 19.15.25.8 NMAC, in accordance with the following agreed schedule and procedures, and understands that the OCD may seek additional enforcement of this order should the Operator fail to meet the deadlines established herein.

FINDINGS

1. The OCD is the state division charged with administration and enforcement of the New Mexico Oil and Gas Act, and rules and orders adopted pursuant to the Act.
2. TLT SWC LLC (“TLT”) is a limited liability company doing business in the State of New Mexico and is registered with the Division under Oil and Gas Reporting Identification (“OGRID”) No. 287481.
3. Operator is the operator of record under OGRID 287481 for the wells identified in Exhibit “A,” attached.
4. 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”
 - a) have been (or soon will be) continuously inactive for a period of one year plus 90 days;

- (b) are not plugged or abandoned in accordance with 19.15.25.9 NMAC through 19.15.25.11 NMAC; and
- (c) are no longer on approved temporary abandonment status in accordance with 19.15.25.12 NMAC through 19.15.25.14 NMAC.
6. As the operator of record of 11 wells, to be in compliance with 19.15.5.9.(A)(4) NMAC, Operator may have no more than 2 wells out of compliance with 19.15.25.8 NMAC (inactive well rule). See 19.15.5.9(A)(4)(b) NMAC.
 7. Operator is also operator of record of the Sweet Pea SWD #001 (API No. 30-015-35749) ("Sweet Pea" or "subject well").
 8. Operator obtained the subject well in 2013 along with the associated authority to inject granted in Administrative Order SWD-1140-A (granting then operator Reef Exploration, L.P. ("Reef") authorization to "utilize its State 2 Well No. 8... for disposal of waste water) on April 16, 2013, and changed the name of the subject well from the State 2 Well No. 8 to the Sweet Pea SWD #001 on April 24, 2013.¹
 9. On August 13, 2015, the OCD issued TLT Notice of Violation ("NOV") (2-01-FY16), which detailed the following violations of Administrative Order SWD-1140-A: (1) that the Sweet Pea was disposing of produced water from sources other than those authorized; and (2) that TLT was injecting at pressure in exceedance of the allowable pressure authorized.
 10. NOV (2-01-FY16) directed TLT to cease all violating activities and to return the subject well to compliance with OCD Administrative Order SWD-1140-A and all relevant OCD rules. If compliance could not be achieved, the well must be shut-in until compliance is achieved.
 11. 19.15.5.11 NMAC (Enforceability Of Permits And Administrative Orders) states: "A person who conducts an activity pursuant to a permit, administrative order or other written authorization or approval from the division shall comply with every term, condition and provision of the permit, administrative order, authorization or approval."

¹ On November 24, 2009, the OCD issued Division Order SWD-1140-A, granting Reef authorization to "utilize its State 2 Well No. 8... for disposal of waste water originating only from producing wells operated by the operator of this disposal well into the Delaware Mountain Group from 4600 feet to 5880 feet through plastic-lined tubing set within 100 feet of the disposal interval." SWD-1140-A also limited the wellhead injection pressure to "**no more than 920 psi.**" On March 14, 2013, OCD District 2 approved the transfer of the subject well from Reef to Roswell Operating, LLC ("Roswell"). On April 16, 2013, OCD District 2 approved the transfer of the subject well from Roswell to TLT. On April 24, 2013, OCD District 2 approved the change of name of the subject well from the State 2 Well No. 8 to the Sweet Pea SWD #001.

12. At a compliance conference on August 25, 2015, representatives of the OCD and TLT met in Santa Fe, New Mexico to discuss the outstanding compliance issues. At the meeting TLT stated that TLT was not aware of the permit condition and that the subject well had been shut in since receiving NOV (2-01-FY16). TLT denied that it knowingly and willfully violated the permit condition. To resume injection operations, it was determined that TLT would have to apply for Authority to Inject to operate a commercial disposal well at the Sweet Pea, and notify operators and the Waste Isolation Pilot Plant "WIPP" who are within the area of review of the Sweet Pea.
13. 19.15.26.8 NMAC prohibits the OCD from granting any injection permit to an operator who is out of compliance with 19.15.5.9 NMAC.
14. As referenced in item 6 above, TLT currently has is in exceedance of the number of wells allowed to be out of compliance with 19.15.25.8 NMAC. Pursuant to 19.15.5.9(A)(4), the OCD and TLT wish to enter into this ACOI to return TLT to compliance with 19.15.5.9 NMAC.

CONCLUSIONS

1. The OCD has jurisdiction over the parties and subject matter in this proceeding.
2. TLT failed to review its permit and was operating the subject well in violation of OCD rules and Administrative Order SWD-1140-A.
3. The wells identified in Exhibit "A" are out of compliance with 19.15.25.8 NMAC.
4. The OCD and Operator are entering into this ACOI, which sets a schedule for Operator to return the wells identified in Exhibit "A" to compliance with 19.15.5.9 NMAC and resolve the issues presented in NOV (2-01-FY16).

ORDER

1. Operator agrees to return one of the following wells to compliance with 19.15.25.8 within 60 days of the execution of this order, and the remaining wells within 240 days of the execution of this order:
 - a. State 2 #001, API No. 30-15-35678, UL G, Sec. 2, Township 23S, Range 31E
 - b. State 2 #003, API No. 30-15-35675 UL F, Sec. 2, Township 23S, Range 31E
 - c. State 2 #004, API No. 30-15-35676 UL K, Sec. 2, Township 23S, Range 31E
 - d. State 2 #009, API No. 30-15-35750 UL M, Sec. 2, Township 23S, Range 31E
2. Operator assures that proper corrective action has been taken to prevent any such oversight from occurring regarding material contents of the Oil and Gas Act, the

rules adopted pursuant to the Act, and permits issued by the OCD under the authority of the Oil and Gas Act. Operator understands that a person who conducts an activity pursuant to a permit, administrative order, or other written authorization or approval from the OCD shall comply with every term, condition, and provision of the permit, administrative order, authorization, or approval, and that any person who knowingly and willfully violates any provision of the Oil and Gas Act or any provision of any rule or order (including this 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. NMSA 1978 § 70-2-31.

3. OCD recognizes that the Phillips State #001, API No. 30-025-01271 was granted authority to inject in Administrative Order SWD-1439 and was granted an extension to September 24, 2016 to commence injection. That extension remains valid so long as Operator meets the conditions in this Order.
4. Operator assures that no other TLT wells will violate 19.15.25.8 NMAC during the duration of this Order. Should a well become inactive during this period, operator agrees to file a Notice of Intent to plug and abandon or temporarily abandon the violating well with the applicable OCD district office within 20 days of the inactive date, and the timelines in the approved NOI will be incorporated into this ACOI.
5. Operator shall file a compliance report identifying each well returned to compliance, stating the date it was returned to compliance, and describing the work performed to return the well to compliance, in addition to any other forms or documentation required by OCD rules for the work performed. 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 agreed compliance orders so that it is **received within 10 business days** after each of the above stated deadlines.
6. Operator shall complete the work on or before those dates referenced above, or as soon as reasonably practicable thereafter if prevented from doing so by the occurrence of force majeure events. Operator will provide OCD with written notification of the occurrence of such events before the respective deadline has expired. OCD may extend the time for completion of the work for good cause shown.
7. By signing this Order, Operator expressly:
 - a. acknowledges the correctness of the Findings and Conclusions set forth in this Order;
 - b. agrees to meet the compliance deadlines established in this Order;
 - c. agrees to submit a compliance report as required in Ordering Paragraph 5;

- d. waives any right, pursuant to the Oil and Gas Act to an appeal from this Order, or to a hearing either prior to or subsequent to the entry of this Order regarding the matters resolved hereby; 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.
8. Operator understands that if it fails to meet the terms of this Order, the OCD may seek additional penalties pursuant to the New Mexico Oil and Gas Act, including monetary penalties as authorized under NMSA 1978 § 70-2-31.
9. 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.
10. The term of this Order shall be for such period until Operator completes the tasks and duties identified in ordering paragraphs 1 an 4 and detailed in this Order.

Done at Santa Fe, New Mexico this 2nd day of December, 2015

By: David Catanach
David Catanach
Director, Oil Conservation Division

ACCEPTANCE

TLT SWD LLC hereby accepts the foregoing Order, and agrees to all of the terms and provisions set forth in that Order.

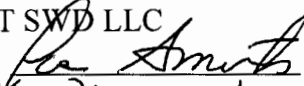
TLT SWD LLC

By: Joe Smith
(Please print name) JOE Smith
Title: President
Date: 11-30-15

Exhibit A to Agreed Compliance Order for TLT SWD LLC

TLT SWD LLC, Inactive wells:

1. Phillips State #001, API No. 30-025-01271, UL I, Sec. 25, Township 16S, Range 33E
2. State 2 #001, API No. 30-15-35678, UL G, Sec. 2, Township 23S, Range 31E
3. State 2 #003, API No. 30-15-35675 UL F, Sec. 2, Township 23S, Range 31E
4. State 2 #004, API No. 30-15-35676 UL K, Sec. 2, Township 23S, Range 31E
5. State 2 #009, API No. 30-15-35750 UL M, Sec. 2, Township 23S, Range 31E

TLT SWD LLC
By: 
Title: President