

State of New Mexico  
Energy, Minerals and Natural Resources Department

---

**Michelle Lujan Grisham** Governor

**Sarah Cottrell Propst**  
Cabinet Secretary

**Todd E. Leahy, JD, PhD**  
Deputy Cabinet Secretary

**Adrienne Sandoval** Director  
Oil Conservation Division



Dear \_\_\_\_\_,

Before entering the ACO you have requested the OCD is requesting a plan of your activities. This plan needs to include the following information in excel format:

- A list of all non-compliant wells
- The number of wells per month to be completed (brought into production or plugged)
- For each well, identify if it is to be plugged or produced, and by what date
- For each well, the average production per month of the well before it stopped producing
- What type of financial assurance each well is covered by
- A summary of all prior ACO's with detail on what has been done and needs to still be completed pursuant to that ACO.

If you have any questions, please contact Karen Collins at [Karen.Collins@state.nm.us](mailto:Karen.Collins@state.nm.us).

Thank you,

*Karen Collins*

Karen Collins

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

IN RE: FAE II Operating LLC

NMOCD-ACO- 201932

**AGREED COMPLIANCE ORDER**

Pursuant to the New Mexico Oil and Gas Act ("Act"), NMSA 1978, Section 70-2-1, *et seq.*, and 19.15.5.10(E) NMAC, the Director of the Oil Conservation Division ("OCD") and FAE II Operating LLC ("Operator") enter into this Agreed Compliance Order ("Order").

**I. FINDINGS OF FACT AND CONCLUSIONS OF LAW**

1. OCD is charged with the administration and enforcement of the Act and the rules adopted thereunder, and has jurisdiction over Operator and its wells in the state of New Mexico.
2. Operator is the operator of record for 797 wells under OGRID # 329326.
3. Operator has or will shut-in each of the wells listed on **Exhibit "A"** ("Well" or "Wells") due to Economic and Regulatory reasons, and each Well is or will become inactive under 19.15.25 NMAC on the specified date:
4. Operator has sufficient financial assurance for the Wells under 19.15.8.9(C) NMAC.
5. Operator intends to restore production from the Wells before the applicability of the requirement for inactive well financial assurance under 19.15.8.9(D) NMAC.
6. OCD is authorized to impose sanctions for violations of the Oil and Gas Act and the rules adopted thereunder, including denial or revocation of registrations, applications, permits, authorizations and transfers, and the assessment of civil penalties. *See* 19.15.5.10 NMAC.
7. Operator requests the Order in order to avoid sanctions for violating the Oil and Gas Act and 19.15.25 NMAC with respect to the Wells.
8. Operator admits the findings of fact and waives any right to appeal from the Order.

## II. ORDER

9. No later than the date listed on Exhibit A, Operator shall take one of the following actions for each well
  - (a) restore the Well to production and file a C-115;
  - (b) place the Well on approved temporary abandonment status in accordance with 19.15.25 NMAC; and
  - (c) plug the Well in accordance with 19.15.25 NMAC and file a C-105.
10. No later than the 15<sup>th</sup> day of each month following the entry of this Order, Operator shall file a report describing the action taken for each Well, and such other information as OCD may request for time to time. The report shall be sent by electronic mail to OCD's Administrative and Compliance Bureau, at [OCDAdminComp@state.nm.us](mailto:OCDAdminComp@state.nm.us)
11. Operator shall maintain sufficient financial assurance for the Wells under 19.15.8.9(C) NMAC.
12. If Operator fails to comply with a requirement of this Order for a Well, the Well shall be deemed to be out of compliance with the Oil and Gas Act the Oil and Gas Act and the rules adopted thereunder, and not subject to an agreed compliance order setting a schedule for bringing the Well into compliance.
13. If Operator fails to comply with a requirement of this Order, no later than thirty (30) days after receipt of a written demand from OCD, in addition to any other sanction imposed by OCD pursuant to the Oil and Gas Act and the rules adopted thereunder, Operator shall pay a stipulated penalty of \$500.00 for each day until it complies with each separate requirement ("Stipulated Penalty"). Each failure to comply with a requirement of this Order shall be subject to a separate Stipulated Penalty.
14. If Operator fails to pay the Stipulated Penalty or portion thereof within thirty (30) days after receipt of a written demand from OCD, it shall pay interest on the Stipulated Penalty or unpaid portion thereof until paid in full at the interest rate of 8.75 percent.
15. Operator shall not transfer a Well to another operator unless approved in writing by OCD.

16. Notwithstanding the foregoing provisions, OCD reserves the right to apply for authorization to plug a Well and to forfeit the financial assurance if the Well poses an imminent threat to the public health or environment.
17. OCD reserves the right to sanction Operator for any alleged violation not addressed in this Order.

**NEW MEXICO OIL CONSERVATION DIVISION**



Adrienne Sandoval  
Director

Date: 11/17/2021



Huxley  
Song  
CEO

Date: 11/4/21

API	Well	Lease Type	Well Type
30-025-11863	ARNOTT RAMSAY NCT-B #003	S	O
30-025-33886	BAYLUS CADE FEDERAL #009	F	O
30-025-11809	CARLSON B 27 #002	F	O
30-025-27989	DANCIGER #001	F	O
30-025-25825	HARRISON #002	F	O
30-025-28396	STATE A A/C 1 #116	S	S
30-025-28515	STATE A A/C 1 #120	S	I
30-025-28278	STATE A A/C 2 #069	S	I
30-025-28509	STATE A A/C 3 #010	S	I
30-025-28510	STATE A A/C 3 #011	S	I
30-025-04864	STATE D #002	S	O
30-025-32958	VACUUM 31 #001	S	G

**EXHIBIT "A"**

**FAE II Operating LLC, New Mex**

Last Production	15 Mo Since Last Prod	Status	Out of Compliance	Avg Production
Apr-13	Jul-14	Expired TA	Mar-21	1g
Jul-20	Sep-21	Inactive	Sep-21	1w
Jul-20	Sep-21	Inactive	Sep-21	1o 1g
Apr-20	Jul-21	Inactive	Jul-21	1o
Mar-20	May-21	Inactive	May-21	2o
Sep-18	Dec-19	Inactive	Dec-19	51i
Nov-88	Jan-90	Expired TA	Jul-15	-
Jan-88	Apr-89	Expired TA	Feb-15	-
Sep-18	Dec-19	Expired TA	Nov-20	14i
Nov-88	Jan-90	Expired TA	Feb-15	-
May-20	Jul-21	Inactive	Jul-21	1o 10g 1 w
Feb-15	May-16	Inactive	May-16	1o 225g

xico Shut In Wells

Financial Assurance	Plug or return to production?	Date of Plug/RTP
Surety Bond	RTP	
Surety Bond	RTP	Nov-21
Surety Bond	RTP	Dec-21
Surety Bond	RTP	
Surety Bond	RTP	Dec-21

--

Comments

We are currently waiting on a right off way for water from the surface owner and the City of Jal and we have filed a surface gas comingle with the NMOCD. We will return this well to production once we get

Acidize existing perfs and RTP.

This well has been inactive for economic reasons. We will acidize the open hole and RTP.

Waiting on Surface comingle

We took over operations of this well from Blackbeard Operating on 6/10/2021. We have repaired a tubing leak and sent in the mechanical Integrity test. This is in a waterflood Pilot area where we have submitted a C-108 and have an OCD hearing on 9/9/21 to get the injection permits reinstated for the

Took over operations of this well from Blackbeard Operating on 6/10/21. This is in a waterflood Pilot area where we have submitted a C-108 and have an OCD hearing on 9/9/21 to get the injection permits reinstated for the waterflood. Expect to return to production once approved.

Took over operations of this well from Blackbeard Operating on 6/10/21. This is in a waterflood Pilot area where we have submitted a C-108 and have an OCD hearing on 9/9/21 to get the injection permits reinstated for the waterflood. We plan to re-perforate and stimulate the well before returning to

Took over operations of this well from Blackbeard Operating on 6/10/21. This is in a waterflood Pilot area where we have submitted a C-108 and have an OCD hearing on 9/9/21 to get the injection permits reinstated for the waterflood. We plan to re-perforate and stimulate the well before returning to

Took over operations of this well from Blackbeard Operating on 6/10/21. This is in a waterflood Pilot area where we have submitted a C-108 and have an OCD hearing on 9/9/21 to get the injection permits reinstated for the waterflood. Expect to return to production once approved.

Need POD for C-115

We are currently trying to get the sales meter re-activated. Once activated we will swab and install plunger lift to get the well producing again.