

Michelle Lujan Grisham
Governor

Sarah Cottrell Propst
Cabinet Secretary

Todd E. Leahy, JD, PhD
Deputy Cabinet Secretary

Adrienne Sandoval, Division Director
Oil Conservation Division



Re: Operator Request for Agreed Compliance Order

Dear _____,

This letter outlines how oil and gas operators with excessive non-compliant wells may request to enter into an Agreed Compliance Order (ACO) with the New Mexico Oil Conservation Division (OCD).

Operators with excessive non-compliant wells per rule **19.15.5.9(B) NMAC** may choose to enter into an ACO with the OCD.

Before entering into an ACO, operators must provide the OCD with a plan of well development activities. The plan requirements include the following information in Excel spreadsheet 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.

Attached, is the OCD's ACO form for operator review and use. This form may not be altered in any way.

If you choose to enter into the ACO, please email the ACO and well development plan to OCDAdminComp@state.nm.us.

If you have any questions, please contact, Karen Collins at karen.collins@state.nm.us

Sincerely,

Karen Collins

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

IN RE: Southwest Royalties Inc [21355]

NMOCD-ACO- 201924

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 Southwest Royalties, Inc. ("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 874 wells under OGRID # 21355.
3. Operator has or will shut-in each of the wells listed on **Exhibit "A"** ("Well" or "Wells") due to down hole failures _____, 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 15th 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
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.

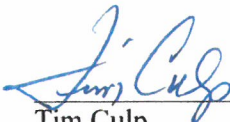
16. Notwithstanding the foregoing provisions, OCD reserves the right to apply for authorization to plug a Well and to forfeit the financial assurance if the Well poses an imminent threat to the public health or environment.
17. OCD reserves the right to sanction Operator for any alleged violation not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

NEW MEXICO OIL CONSERVATION DIVISION



Adrienne Sandoval
Director

Date: 10/15/2021



Tim Culp
President

Date: 10/12/21

ACOI Wells - Plan of Development

On ACOI #405 (Exp 10/31/2021)

Southwest Royalties, Inc.

11/19/2021

Avg Prod Per Month

	API10	Well Name	Well #	Current Status (SWR)	SI Reason	Regulatory Status & Notes (OCD)	SWR Plan	RTP/P&A Date (Plan)	Last Production	Oil	Gas	Water	Bonding
1	3002524055	FEDERAL 31	1	P&A - Remediation Complete		P&A Not Released - BLM Processing To Remove	Location Remediated	11/9/2020	Oct-19	30	0	30	Prosperity - Blanket LC
2	3002524004	GONSALES 31 FEDERAL	2	P&A - Remediation Complete		P&A Not Released - BLM Processing To Remove	Location Remediated	6/15/2021	Jul-15	30	120	60	Prosperity - Blanket LC
3	3001525501	STATE 16-4	1	P&A - Remediation Ongoing		P&A Not Released	Finish Remediating Location	4/25/2021	Oct-16	30	30	30	Prosperity - Blanket LC
4	3001525051	WILDERSPIN FEDERAL	2	P&A - Remediation Ongoing		P&A Not Released	Finish Remediating Location	12/23/2020	Sep-19	30	0	30	Prosperity - Blanket LC
5	3001525501	WILDERSPIN FEDERAL	3	P&A - Remediation Ongoing		P&A Not Released	Finish Remediating Location	12/30/2020	Sep-16	30	30	30	Prosperity - Blanket LC
6	3002533802	A H BLINEBRY FEDERAL NCT-1	50H	P&A - Remediation Pending		P&A Not Released	Remediate Location	7/13/2021	Apr-20	30	608	30	Prosperity - Blanket LC
7	3001520633	ARCO FEDERAL	3	P&A - Remediation Pending		P&A Not Released	Remediate Location	4/28/2021	Apr-21	0	61	0	Prosperity - Blanket LC
8	3001520631	ARCO FEDERAL	1	P&A - Remediation Pending		P&A Not Released	Remediate Location	4/29/2021	Apr-21	0	61	0	Prosperity - Blanket LC
10	3002521403	A H BLINEBRY FEDERAL NCT-1 Bty3	25	Producing		Inactive	RTPd	9/1/2021	Mar-20	122	912	30	Prosperity - Blanket LC
11	3002532159	B F HARRISON B	18	Producing		Inactive	RTPd	9/10/2021	Aug-15	608	912	6080	Prosperity - Blanket LC
12	3002510137	BRUNSON ARGO	1	Producing		Inactive	RTPd	9/10/2021	May-20	30	304	30	Prosperity - Blanket LC
13	3002510178	BRUNSON ARGO	17	Producing		Inactive	RTPd	9/24/2021	Apr-20	0	3040	0	Prosperity - Blanket LC
14	3002533827	BRUNSON ARGO	24	Producing		Inactive	RTPd	9/13/2021	Mar-20	91	2128	2736	Prosperity - Blanket LC
15	3002529207	C H WEIR A	16	Producing		Inactive	RTPd	9/1/2021	Feb-17	61	0	0	Prosperity - Blanket LC
16	3002525627	CENTRAL DRINKARD UNIT	423	Producing		Inactive	RTPd	9/17/2021	Oct-15	0	6080	0	Prosperity - Blanket LC
17	3002525099	H T MATTERN NCT C	6	Producing		Inactive	RTPd	9/1/2021	Apr-20	122	912	0	Prosperity - Blanket LC
18	3002525254	H T MATTERN NCT C	9	Producing		Inactive	RTPd	9/1/2021	Apr-19	30	243	152	Prosperity - Blanket LC
19	3002505959	J R PHILLIPS	6	Producing		Inactive	RTPd	9/24/2021	Jun-20	91	304	304	Prosperity - Blanket LC
20	3002510099	L E GRIZZELL	1	Producing		Inactive	RTPd	9/1/2021	Apr-20	61	1824	1216	Prosperity - Blanket LC
21	3002529493	L R KERSHAW	12	Producing		Inactive	RTPd	9/1/2021	Apr-20	243	2432	0	Prosperity - Blanket LC
22	3002506044	L VAN ETTEN	4	Producing		Inactive	RTPd	9/1/2021	Apr-20	243	91	547	Prosperity - Blanket LC
23	3002507004	MARK OWEN	5	Producing		Inactive	RTPd	9/1/2021	Apr-20	61	486	395	Prosperity - Blanket LC
24	3002507731	MCCALLISTER	1	Producing		Inactive	RTPd	9/1/2021	Apr-20	304	1824	608	Prosperity - Blanket LC
25	3002534470	MONUMENT 12 STATE	25	Producing		Inactive	RTPd	9/1/2021	Jan-20	152	304	699	Prosperity - Blanket LC

	API10	Well Name	Well #	Current Status (SWR)	SI Reason	Regulatory Status & Notes (OCD)	SWR Plan	RTP/P&A Date (Plan)	Last Production	Oil	Gas	Water	Bonding
26	3002504152	NEW MEXICO E STATE NCT-1	2	Producing		Inactive	RTPd	9/24/2021	Mar-20	0	304	0	Prosperity - Blanket LC
27	3002534042	NEW MEXICO E STATE NCT-2	3	Producing		Inactive	RTPd	9/1/2021	Apr-20	61	0	0	Prosperity - Blanket LC
28	3002534788	NEW MEXICO EA STATE	1H	Producing		Inactive	RTPd	9/1/2021	Apr-20	61	0	0	Prosperity - Blanket LC
9	3002506978	CENTRAL DRINKARD UNIT	141	Shut In - Injection	HIT	Inctive	P&A	11/1/2021	N/A	0	0	0	Prosperity - Blanket LC
29	3002506862	CENTRAL DRINKARD UNIT	103	Shut In	HIT (ESP)	Inactive	Repair - RTP	11/1/2021	Feb-20	91	243	6080	Prosperity - Blanket LC
30	3002535502	G W SIMS	5	Shut In	NPA	Inactive	Repair - RTP	1/1/2022	Apr-20	30	61	182	Prosperity - Blanket LC
31	3002525129	H T MATTERN NCT B	20	Shut In	NPA	Inactive	Repair - RTP	11/1/2021	Mar-20	91	1520	9120	Prosperity - Blanket LC
32	3002525001	H T MATTERN NCT D	10	Shut In	Rod Part	Inactive	Repair - RTP	11/1/2021	Apr-20	152	2128	9120	Prosperity - Blanket LC
33	3002526075	LANGLEY GREER	1	Shut In	NPA	Inactive	Repair - RTP	11/1/2021	Dec-19	152	304	1824	Prosperity - Blanket LC