

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

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NMOCD - ACOI- 267

IN THE MATTER OF CHEVRON U.S.A., INC.,

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 Chevron U.S.A., Inc. ("Operator") enter into this Inactive Well Agreed Compliance Order ("Order" or "ACOI") under which Operator agrees to file a plan for bringing the wells that it recently acquired from Chesapeake Exploration, L.L.C. (formerly operated by Chesapeake Operating, Inc.), into compliance with the Act and OCD Rule 19.15.25.8 NMAC in accordance with the following agreed schedule and procedures, and understands that the OCD may decide not to enter into any further agreed compliance orders with Operator if Operator fails to meet the schedule set out in this Order.

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 corporation doing business in the state of New Mexico.
3. Operator operates wells in New Mexico under OGRID 4323.
4. Operator recently acquired and became the operator of record of wells that were operated by Chesapeake Operating, Inc., OGRID 147179. The wells include the wells identified in Exhibit "A," attached.
5. 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.”
6. The wells identified in Exhibit “A”
 - (a) have been continuously inactive for a period of one year plus 90 days (or within the next three months will become continuously inactive for a period of one year plus 90 days if no action is taken on the wells);
 - (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, except for the Little Eddy Unit #1 (30-025-00960) whose temporary abandonment status expires October 18, 2012.
 7. As the operator of record of the wells identified in Exhibit “A”, Operator is responsible for bringing the wells into compliance with 19.15.25.8 NMAC:
 8. Once Operator became the operator of record of the wells identified in Exhibit “A”, it became out of compliance with 19.15.5.9 NMAC due to the inactive wells that it acquired from Chesapeake. See 19.15.5.9.A.4.(d) NMAC.
 9. Operator faces sanctions for being out of compliance with 19.15.5.9 NMAC. See 19.15.5.9 NMAC. Sanctions include possible denial of drilling permits (19.15.14.10.A NMAC), possible denial of a change of operator transferring wells to Operator (19.15.9.9.C.1 NMAC), mandatory denial of allowables and authorization to transport (19.15.16.20.A NMAC), mandatory denial of injection permits (19.15.26.8.A NMAC), possible revocation of injection permits after notice and hearing (19.15.26.8.A NMAC), and possible denial of registration of related entities (19.15.9.8.C NMAC).
 10. Operator has not evaluated any of the wells that it acquired from Chesapeake and needs time to evaluate the wells to determine what course it will take with the wells.
 11. Operator is and will be seeking some of the privileges identified in Findings Paragraph 9.

CONCLUSIONS

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

2. The wells identified in Exhibit "A" are either out of compliance with OCD Rule 19.15.25.8 NMAC or will fall out of compliance with OCD Rule 19.15.25.8 NMAC in the next three months if they are not returned to production or other beneficial use, plugged and abandoned, or placed on approved temporary abandonment status.
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. Operator is subject to sanctions for being out of compliance with 19.15.5.9 NMAC due to inactive wells.
5. The purpose of this agreement is to allow Operator time to evaluate all of the wells that it recently acquired from Chesapeake, while not being barred by 19.15.5.9 NMAC for the privileges identified in Findings Paragraph 9, with the understanding that Operator will file a compliance plan with the OCD's Compliance and Enforcement Manager and the OCD Attorney in charge of the inactive well agreed compliance orders by February 1, 2013 that identifies Operator's plan for compliance with 19.15.25.8 NMAC for all of the wells that it recently acquired from Chesapeake.

ORDER

1. The OCD agrees to remove the wells identified in Exhibit "A" from the inactive well list for Operator until February 1, 2013. On February 1, 2013, the wells identified in Exhibit "A" will re-appear on the Operator's inactive well list if Operator has not brought any of the wells into compliance. If Operator brings any of the wells into compliance during this time, then that well will not re-appear on the inactive well list if the Operator has taken compliance action and has filed the appropriate paperwork documenting the compliance action taken.
2. Operator agrees to do the following on or before February 1, 2013:
 - (a) Operator agrees to fully evaluate all of the wells that it acquired from Chesapeake.
 - (b) Operator agrees to file a compliance plan with the OCD's Enforcement and Compliance Manager and the OCD Attorney in charge of inactive well agreed compliance orders that identifies each well acquired from Chesapeake, explains the Operator's plan for compliance with 19.15.25.8 NMAC for each well, and identifies the timeframe for compliance for each well. The Operator may include any other information in the plan that it feels is relevant.
3. After Operator files its compliance plan with OCD's Enforcement and Compliance Manager and the OCD Attorney in charge of inactive well agreed

compliance orders, it may negotiate an inactive well agreed compliance order. The decision to issue an inactive well agreed compliance order is within the discretion of the OCD.

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.
5. By signing this Order, Operator expressly:
 - (a) acknowledges the correctness of the Findings and Conclusions set forth in this Order;
 - (b) agrees to submit a compliance plan as required in Ordering Paragraph 2(b) by the February 1, 2013 compliance deadline set by this Order;
 - (c) 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; and
 - (d) 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.
6. 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.
7. 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.

Done at Santa Fe, New Mexico this 18th day of October, 2012

By: 
Jami Bailey
Director, Oil Conservation Division

ACCEPTANCE

Chevron U.S.A., Inc., hereby accepts the foregoing Order, and agrees to all of the terms and provisions set forth in that Order.

Chevron U.S.A., Inc.

By:

(Please print name)

ROBERT JOBRIK

Title:

GENERAL MANAGER OPERATIONS

Date:

10/17/12

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ACOI Exhibit A Well List (sorted alphabetically by well name)

API Number	Well Name
30-015-20092	BIG EDDY UNIT #011
30-015-27008	CACTUS 16 STATE #001
30-015-23945	CARRASCO 6 COM #001
30-025-29335	CARTER-SHIPPI STRAWN UNIT #002
30-025-29138	CARTER-SHIPPI STRAWN UNIT #003
30-015-26622	CAVINESS PAINE #004
30-025-36196	CODORNIZ 28 FEDERAL #002
30-015-23674	FLOYD COM #001
30-015-25237	FORT 18 COM #001
30-015-30680	GREENWOOD FEDERAL COM #002
30-015-10111	HINKLE FEDERAL #001
30-025-33979	HOOVER 28 #004
30-015-33134	JAKE STATE #004
30-015-31798	LANCASTER SPRINGS UNIT #004
30-025-32210	LANGLEY GETTY COM #002
30-025-00960	LITTLE EDDY UNIT #1
30-025-36583	LIVESTOCK 9 FEDERAL #002
30-015-26395	LOTOS B FEDERAL #001
30-015-35356	LOTOS C FEDERAL #912
30-025-36318	MERCHANT 8 FEDERAL #001
30-025-36353	NEUHAUS 14 FEDERAL #004
30-015-21844	OLD INDIAN DRAW UNIT #011
30-015-22101	OLD INDIAN DRAW UNIT #021
30-015-24292	QUEEN LAKE 19 FEDERAL #001
30-015-32420	TODD 2 STATE #011
30-015-33004	TODD 2 STATE #015