

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

CASE NO. 14041
ORDER NO. R-12963

APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION ("DIVISION") THROUGH THE ENFORCEMENT AND COMPLIANCE MANAGER FOR A COMPLIANCE ORDER AGAINST MARKS AND GARNER PRODUCTION LTD. COMPANY; (1) FINDING THAT OPERATOR VIOLATED 19.15.4.201 NMAC AS TO TWENTY-THREE WELLS OR ALTERNATIVELY IS IN VIOLATION OF 19.15.13.1115 NMAC; (2) REQUIRING OPERATOR TO BRING SAID WELLS INTO COMPLIANCE WITH 19.15.4.201 NMAC AND/OR 19.15.13.1115 NMAC BY A DATE CERTAIN; AND (3) REQUIRING THAT THE OPERATOR PAY PENALTIES, AND IN THE EVENT OF NON-COMPLIANCE, DECLARING THE WELLS ABANDONED AND AUTHORIZING THE DIVISION TO PLUG SAID WELLS AND FORFEIT THE APPLICABLE FINANCIAL ASSURANCE; LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on January 10, 2008, at Santa Fe, New Mexico, before Examiner William V. Jones; however, the order was written by Richard I. Ezéanyim.

NOW, on this 19th day of June, 2008, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.

(2) The New Mexico Oil Conservation Division ("Division") seeks an order requiring Marks and Garner Production Ltd. Company to bring each of the following twenty-three wells into compliance with 19.15.4.201 NMAC, and/or 19.15.13.1115 NMAC within a date certain by either plugging and abandoning the wells in accordance with 19.15.4.202 NMAC, or securing approved temporary abandonment status for the subject wells in accordance with 19.15.4.203, or returning the subject wells to Division approved beneficial use and filing delinquent and new production reports on Form C-115:

| | Well Name | API Number |
|-----|------------------------------|---------------|
| (a) | Bradley Federal #001 | 30-025-008154 |
| (b) | Bradley Federal #003 | 30-025-08156 |
| (c) | Cave Pool Unit #036 | 30-015-02915 |
| (d) | Cities Service State #001 | 30-025-23551 |
| (e) | Coquina State #001 | 30-025-27992 |
| (f) | Ernest Federal #001 | 30-025-08163 |
| (g) | Graham Federal #003 | 30-025-28655 |
| (h) | Jennings Federal #002 | 30-025-08149 |
| (i) | Julia Culp #001 | 30-025-24979 |
| (j) | WM Snyder #001 | 30-025-02703 |
| (k) | Theos State #001 | 30-015-24732 |
| (l) | Kemnitz 17 State #001 | 30-025-28767 |
| (m) | Lea/UA/ State #001 | 30-025-28484 |
| (n) | Levers #003 Y | 30-015-02787 |
| (o) | Northeast Malajmar Unit #001 | 30-025-21291 |
| (p) | Red Twelve Federal #002 | 30-025-25059 |
| (q) | Red Twelve Levers Fed #008Q | 30-015-25090 |
| (r) | Red Twelve Levers Fed #012 | 30-015-25152 |
| (s) | Red Twelve State #003 | 30-015-24989 |
| (t) | Red Twelve State #006 | 30-015-25055 |
| (u) | State #001 | 30-015-02888 |
| (v) | State #002 | 30-015-02889 |

(w) Cave Pool Unit #027

30-015-02897

(3) Prior to the hearing on January, 10, 2008, the Bradley Federal #001, the Cities Service State #001, the Kemnitz State #001, and Northeast Maljamar Unit #001 dropped off the inactive well list, leaving the remaining 19 wells in the inactive status.

(4) The Division also seeks an order requiring Marks and Garner Production Ltd. Company to post additional plugging bonds within a date certain for the remaining 19 wells because they have been inactive for two years or more as of January 1, 2008, in accordance with Division Rule 19.15.3.101.B.

(5) The Division further seeks a penalty of \$19,000, which is \$1,000 for each of the wells still on the inactive well list and this penalty should be paid within a date certain.

(6) The Division appeared at the hearing through legal counsel and presented the following testimony.

- (a) Marks and Garner Production Ltd. Company is the current operator of the remaining 19 wells found in the inactive wells list;
- (b) The 19 wells have been inactive for at least a continuous period of one (1) year plus ninety (90) days;
- (c) Marks and Garner Production Ltd. Company violated 19.15.4.201 NMAC, and/or 19.15.13.1115 NMAC for failure to file delinquent and new reports on the wells; and
- (d) The subject wells are neither plugged and abandoned in accordance with 19.15.4.202 NMAC, nor placed on approved temporary abandonment status in accordance with 19.15.4.203.

(7) The Division records indicate that Marks and Garner Production Ltd. Company posted \$50,000 cash blanket plugging bond number OCD-782 which is secured by cash on deposit with the Western Commerce Bank in Hobbs, New Mexico.

(8) Marks and Garner Production Ltd. Company appeared at the hearing through legal counsel and argued that it acquired these wells in 2004; therefore most of the inactive well problems occurred during the previous ownership.

(9) Marks and Garner Production Ltd. Company presented a witness who testified that his company is doing everything it can to bring the subject wells to compliance, either by plugging and abandoning the wells, or returning the wells to Division approved beneficial use.

(10) The Division concludes that Marks and Garner Production Ltd. Company is the operator of the 19 remaining wells found in the inactive well list. The Division also

concludes that since Marks and Garner Production Ltd. Company acquired these wells in 2004, it is responsible to bring the wells into compliance with all the Division Rules and Regulations.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of the Division, Marks and Garner Production Ltd. Company is hereby ordered to plug and abandon the following 19 wells, or secure approved temporary abandonment status for the wells, or return the subject wells to Division approved beneficial use by August 30, 2008.

| | Well Name | API Number |
|-----|-----------------------------|--------------------------------|
| (a) | Bradley Federal #003 | 30-025-08156 |
| (b) | Cave Pool Unit #036 | 30-015-02915 |
| (c) | Coquina State #001 | 30-025-27992 |
| (d) | Ernest Federal #001 | 30-025-08163 |
| (e) | Graham Federal #003 | 30-025-28655 |
| (f) | Jennings Federal #002 | 30-025-08149 |
| (g) | Julia Culp #001 | 30-025-24979 |
| (h) | WM Snyder #001 | 30-025-02703 |
| (i) | Theos State #001 | 30-015-24732 |
| (j) | Lea/UA/ state #001 | 30-025-28484 |
| (k) | Livers #003 Y | 30-015-02787 |
| (l) | Red Twelve Federal #002 | 30-025-25059 015 |
| (m) | Red Twelve Livers Fed #008Q | 30-015-25090 |
| (n) | Red Twelve Livers Fed #012 | 30-015-25152 |
| (o) | Red Twelve state #003 | 30-015-24989 |
| (p) | Red Twelve state #006 | 30-015-25055 |
| (q) | State #001 | 30-015-02888 |

(r) State #002

30-015-02889

(s) Cave Pool Unit #027

30-015-02897

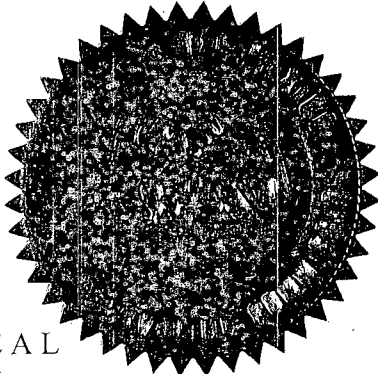
(2) Marks and Garner Production Ltd. Company shall post additional single well plugging bonds on or before July 30, 2008 for the remaining 19 wells.

(3) Marks and Garner Production Ltd. Company shall pay a penalty of \$19,000 on or before July 30, 2008. Should the operator fail to pay this penalty on or before July 30, 2008, additional penalties of \$1,000 per day shall be assessed until the penalties are paid in full.

(4) Should Marks and Garner Production Ltd. Company fail to comply with the Ordering Paragraphs (1) and (2) above, the Division shall be authorized to plug and abandon the subject wells, and the blanket cash plugging bond number OCD-782 shall be forfeited

(5) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in dark ink, appearing to read "Mark E. Fesmire".

MARK E. FESMIRE, P.E.
Director