

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

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APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION,
THROUGH THE ENFORCEMENT & COMPLIANCE MANAGER, FOR A
COMPLIANCE ORDER AGAINST MCDONNOLD OPERATING INC.
REVOKING INJECTION PERMITS R-3269 AND WFX-510; LEA COUNTY,
NEW MEXICO.

CASE NO. 14657

**ENTRY OF APPEARANCE AND
PRE-HEARING STATEMENT**

The Oil Conservation Division submits this entry of appearance and pre-hearing statement pursuant to OCD Rule 19.15.4.13 NMAC.

APPEARANCES

APPLICANT

Oil Conservation Division

APPLICANT'S ATTORNEY

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Energy, Minerals and Natural
Resources Department
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RESPONDENT

McDonnold Operating Inc.

RESPONDENT'S ATTORNEY

No appearance has been entered

STATEMENT OF THE CASE

The Oil Conservation Division is seeking a compliance order against McDonnold Operating Inc. (McDonnold) that would ultimately revoke injection permits R-3269 and WFX-510 ***IF*** McDonnold does not correct compliance issues identified in the compliance order and provide proof of its compliance to the Division's Compliance and Enforcement Manager by a date certain.

The Division's case for revocation of injection permits R-3269 and WFX-510 is based on two theories-1) McDonnold's non-compliance with 19.15.5.9 NMAC (Part 5.9), and 2) McDonnold's non-compliance with the terms of the permits and injection rules.

The first theory for revocation is McDonnold's non-compliance with Part 5.9. McDonnold is in non-compliance with Part 5.9 due to inactive wells. As the operator of record of 36 wells, McDonnold may have no more than 2 wells in violation with the inactive well rule (19.15.25.8 NMAC). See 19.15.5.9A(4)(a).NMAC. McDonnold has 5 wells in violation of the inactive well rule.

If an operator is in violation of Part 5.9, the Division may revoke a permit for injection issued under 19.15.26.8 NMAC after notice and hearing. See 19.15.26.8A NMAC.

The second theory for revocation is McDonnold's non-compliance with the terms of injection permits R-3269 and WFX-510 and injection rules. Injection permits R-3269 and WFX-510 require McDonnold to comply with the terms of the permits and injection rules. Some of those permit terms and injection rules require the operator to inject only into approved intervals, to prevent leaks, to properly operate and maintain the well, to ensure the mechanical integrity of the well, to file monthly injection reports, to prevent surface damage, and to notify the Division of releases.

McDonnold is in non-compliance with these conditions in the following ways: at least 3 of the injection wells under injection permits R-3269 and WFX-510 have leaks; these 3 wells and a fourth well (also under injection permits R-3269 and WFX-510) have not passed mechanical integrity tests (MITs) since failing MITs in March 2010; McDonnold is either injecting into the 4 MIT failed wells or is filing false injection reports for the 4 wells; McDonnold has not filed injections reports; McDonnold did not notify the Division of a release at one of the 4 wells and has not taken corrective action for surface damage.

Because of McDonnold's non-compliance with Part 5.9 and the terms of injection permits R-3269 and WFX-510 and injection rules, the Division is requesting an Order that specifically:

- Finds McDonnold in non-compliance with Part 5.9;
- Finds McDonnold in non-compliance with injection permits R-3269 and WFX-510 and injection rules;
- Requires McDonnold to correct the compliance issues identified in the Order and provide proof of its compliance to the Division's Compliance and Enforcement Manager by a date certain;
- Sets this matter for a follow-up hearing at the next hearing date after the deadline set for compliance to determine in Operator's authority to inject in the Langlie Jack Unit should be revoked; and
- For such other and further relief as the Director deems just and proper under the circumstances.

RESPONDENT'S PROPOSED EVIDENCE

WITNESSES:

ESTIMATED TIME:

Daniel Sanchez
OCD Compliance and Enforcement Manager

30 Minutes

Potential Witness

Elidio ("E.L.") Gonzales (by telephone)
Staff Manager, Hobbs District Office

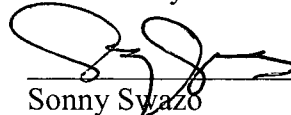
30 Minutes

PROCEDURAL MATTERS

None.

Respectfully submitted

this 29th day of June 2011 by

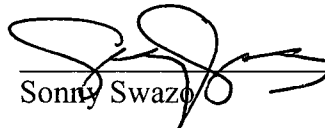


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Attorney for the Oil Conservation Division

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing pleading was mailed and emailed to the following party on June 29, 2011:

McDonnold Operating Inc.
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Midland, TX 79702-4346
Email: craig@mcdonnold.net



Sonny Swazo