

State of New Mexico
Energy, Minerals and Natural Resources Department

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BY CERTIFIED MAIL AND ELECTRONIC MAIL

January 19, 2022

Jesus Villalobos
President
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NOTICE OF VIOLATION

The Director of the Oil Conservation Division (“OCD”) issues this Notice of Violation (“NOV”) pursuant to 19.15.5.10 NMAC. A process is available to informally discuss and resolve the NOV. OCD will not request a hearing on the NOV until the end of this process, which runs for 30 days from the date of your receipt of this letter. OCD will extend this process if it would facilitate informal resolution of the NOV. To initiate this process, contact the OCD employee identified at the end of this letter.

- (1) *Alleged Violator:* Petro Mex LLC, OGRID # 236452 (“Operator”).
- (2) *Citation, Nature, and Factual and Legal Basis for Alleged Violation(s):*

19.15.5.9(A) NMAC:

An operator is in compliance with Subsection A of 19.15.5.9 NMAC if the operator [...]

(4) has no more than the following number of wells out of compliance with 19.15.25.8 NMAC that are not subject to an agreed compliance or final order setting a schedule for bringing the wells into compliance with 19.15.25.8 NMAC and imposing sanctions if the schedule is not met:

- a. two wells or fifty percent of the wells the operator operates, whichever is less, if the operator operates 100 wells or less; [...]*

Operator is the registered operator of five (5) wells. The five (5) wells identified in Table 1 are out of compliance with 19.15.25.8 NMAC and are not subject to an agreed compliance or final order:

Table 1:

<u>API</u>	<u>Well</u>	<u>Last Production Reported</u>
30-045-24743	BOB BLANCHE #001	Jul-2010
30-045-24262	DOROTHY #001	Nov-2010
30-045-25922	KIRTLAND 14 #001	Aug-2011
30-045-26203	KIRTLAND 18 #001	Dec-2012
30-045-24633	TRS-EVI #001	Jan-2012

(3) *Compliance:* No later than thirty (30) days after receipt of this NOV, Operator shall:

- a. plug and abandon all wells listed in Table 1.

(4) *Sanction(s):* OCD may impose one or more of the following sanctions:

- a. civil penalty
- b. modification, suspension, cancellation, or termination of a permit or authorization
- c. plugging and abandonment of a well
- d. remediation and restoration of a well location and associated facilities, including the removal of surface and subsurface equipment and other materials
- e. remediation and restoration of a location affected by a spill or release
- f. forfeiture of financial assurance
- g. shutting in a well or wells
- h. any other remedy authorized by law

For the alleged violations described above, OCD proposes the following sanctions:

- a. Plug and Abandon Wells: OCD will request an order requiring Operator to plug and abandon the wells listed in Table 1, and alternatively, an order authorizing OCD to plug and abandon those wells.
- b. Financial Assurance: OCD will request an order requiring Operator to provide an inactive well blanket plugging financial assurance of \$150,000 or additional one well financial assurance in the specified amounts in Table 2, and alternatively, an order forfeiting financial assurance.
- c. Termination of Authorization to Transport: OCD will request an order terminating Operator's authority to transport from all wells.
- d. Civil Penalties: OCD proposes to assess civil penalties as specified below. The civil penalty calculations are attached. OCD has taken into consideration the alleged violator's good faith effort to comply with the applicable requirements. Copies of the civil penalty calculations are attached.

Civil Penalty: 19.15.5.9(A)(4)(a) NMAC: \$ 1,500.00

(5) *Hearing*: If this NOV cannot be resolved informally, OCD will hold a hearing on April 7, 2022. Please see 19.15.5.10 NMAC for more information regarding the hearing. Even if OCD schedules a hearing, you can request an informal resolution at any time.

For more information regarding this NOV, contact Rob Jackson, at (505) 476-3441 or rob.jackson@state.nm.us.

Regards,



Adrienne Sandoval
Director

cc: Office of General Counsel, EMNRD