



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor
Betty Rivera
Cabinet Secretary

March 19, 2002

Lori Wrotenbery
Director
Oil Conservation Division

Mr. Louis Fulton
dba CFM Oil Inc.
P.O.Box 1176
Artesia, NM 88211

Mr. Jim Pierce
200 West First Street
Suite 859
Roswell, NM 88203
FAX No. 505-622-7246

**Re: Case No. 12811; Application of the New Mexico Oil Conservation Division
for an Order Requiring Operators to Bring 388 Wells into Compliance with
Rule 201.B**

Ladies and Gentlemen:

This will confirm receipt of previous correspondence regarding your plans to bring your wells that are the subject of the referenced proceeding into compliance.

We applaud your undertakings to achieve compliance, and urge you to pursue this goal as expeditiously as possible. However, we want to stress that the only commitment the Division staff has made with respect to recommendations that will be made to the Division Hearing Examiner on March 22 is that we will recommend dismissal from this proceeding of any operator who has, by that date, achieved full compliance as to all of the specified wells.

I have heretofore solicited, and will continue to solicit, from those operators who believe that they cannot be in full compliance by March 22, written statements outlining the measures they intend to take to bring these wells into compliance and specific dates by which they are confident that these operations can be completed. All such written communications which I have received, or which I hereafter receive prior to the hearing, will be offered in evidence for consideration of the examiner whether or not you attend the hearing. However, the Division staff is not, at this time and in view of the history of its negotiations with operators concerning the wells included in this proceeding, prepared to recommend extending the deadline for compliance beyond thirty (30) days after the entry of the Division Order that will be sought at the March 22 hearing; nor is the staff

prepared to forego, based on declared intentions only, seeking penalties for past conduct in cases where previous Division directives have been disregarded. While the time frame from the January 22 hearing notice to the March 22 hearing may be short, this time frame must be viewed in the context of the previous history of efforts to secure compliance with our inactive well rules, during which the Division has not been neglectful in admonishing operators concerning our requirements.

There are doubtless individual cases that would justify a different recommendation by the staff, particularly if previous correspondence from the Division has been misdirected. If you believe that your case warrants special consideration, feel free to contact the Division's Artesia District Office, at (505)-748-1283 to discuss your particular concerns.

Furthermore, you will have an opportunity to fully present your case directly to the examiner if you attend the March 22 hearing, either in person or by attorney. The Director's decision following her review of the hearing record will represent the Division's final determination on all matters, subject, as always, to Commission review.

In the meantime, in order to assure that we are fully advised of all wells that are brought into compliance prior to the hearing, I urge you to fax copies of C-103s reporting completion of reworking or plugging operations to the Artesia District Office (at Fax No. 505-748-9720), even if the originals are filed with the BLM, and also to fax copies thereof to my attention at (505)-476-3462. In this manner we can assure that our commitment to dismiss those operators who achieve compliance prior to the hearing is fulfilled. To the extent that wells included in this proceeding are actually producing, C-115s reporting that production should likewise be copied to my attention. If production has occurred during periods in which our records reflect inactivity, reconstructed C-115s reporting such production as of the dates when it occurred should be filed.

Should you have any questions, please call me at (505)-476-3450.

Very truly yours,

A handwritten signature in black ink, appearing to read "David K. Brooks", with a stylized flourish at the end.

David K. Brooks
Assistant General Counsel

cc: Lori Wrotenbery, OCD Director
Tim Gum, District Supervision, District II