

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 ("OCD") COMPLIANCE AND ENFORCEMENT MANAGER FOR A COMPLIANCE ORDER AGAINST JAM OIL, LLC, DIRECTORS, AND OFFICERS, JOINTLY AND SEVERALLY, FINDING THAT THE OPERATOR IS IN VIOLATION OF THE OIL AND GAS ACT, NMSA 1978, SECTIONS 70-2-1 *et seq.* AND OCD RULES, NMAC 19.15.2 *et seq.*, REQUIRING OPERATOR TO RETURN TO COMPLIANCE WITH DIVISION RULES BY A DATE CERTAIN, AND IN THE EVENT OF NON-COMPLIANCE, REQUEST FOR ADDITIONAL SANCTIONS.

CASE NO. 15266

OCD'S APPLICATION FOR COMPLIANCE ORDER
AGAINST JAM OIL, LLC

1. Jam Oil, ("Operator") is a sole proprietor of 35 wells in Chaves County, New Mexico, under OGRID No. 256430. See *Exhibit 1: Well List*.
2. Operator's address of record is: PO Box 1382, Artesia, New Mexico 88211.
3. The New Mexico Secretary of State has Operator registered under corporation number 2957561. It identifies Amanda Johnson, Organizer, as the officer of record.
4. Operator has one blanket bond filed with the division, bond no. LOC07004, from Western Bank of Artesia, for the amount of \$50,000. Operator has additionally furnished the division with single well bonds no other financial assurance on file with the division.

5. The Secretary of State of New Mexico lists the Western Bank of Artesia's Registered Agent as: Financial Institutions Division, 725 St. Michael's Drive, Santa Fe, New Mexico 87503.

6. The last reported production on any of Operator's wells is April, 2011.

7. Operator last filed a monthly production report (OCD form C-115) for the month of April, 2011. Division Rule 19.15.7.24 NMAC requires that these reports be submitted on or before the 15th day of the second month following production. They have made no attempt to contact the OCD or file their monthly reports.

8. Division Rule 19.15.8.13 NMAC authorizes the Director to order the Operator to plug and abandon any well not in compliance with 19.15.25.8 NMAC and restore and remediate the location by a date certain.

9. Division Rule 19.15.25.8 NMAC requires an operator to plug and abandon or temporarily abandon a well within 90 days after: (1) a 60 day period following the suspension of drilling activities, (2) a determination that a well is no longer usable for a beneficial purpose, or (3) a period of one year of continuous inactivity.

10. NMSA 1978, Sections 70-2-12 and 70-2-38 authorize the Division to plug and abandon wells, and restore and remediate the location of abandoned wells.

11. Division Rule 19.15.5.9 (A)(4) NMAC (Compliance) states that an operator is compliant with Division Rule 19.15.5.9 if no more than the following number of wells it operates are compliant with Division Rule 19.15.25.8 NMAC (Wells to be Properly Abandoned): two wells or 50 percent of the wells the operator operates, whichever is less, if the operator operates 100 wells or less; five wells if the operator

operates between 101 and 500 wells; seven wells if the operator operates between 501 and 1000 wells; and 10 wells if the operator operates more than 1000 wells

12. Operator currently has 35 wells out of a total of 35 wells out of compliance with Division Rule 19.15.25.8 NMAC, exceeding the amount allowed under Division Rule 19.15.5.9 (A)(4) NMAC.

13. Division Rule 19.15.8.9 NMAC requires that an operator to cover a well that has been in temporary abandonment status for more than two years with a one-well financial assurance.

14. Operator currently has 20 wells that require additional bonding in violation of Division Rule 19.15.8.9 NMAC. See *Exhibit 1: Well List*.

WHEREFORE, the OCD by and through its compliance and enforcement manager, hereby applies to the Director to enter an Order:

- A. Determining that Operator's wells are not in compliance with Division Rule 19.15.25.8 NMAC and requiring Operator to plug and abandon the violating wells by a date certain;
- B. Determining that Operator is out of compliance with Division Rule 19.15.5.9 NMAC;
- C. Determining that operator is out of compliance with Division Rule 19.15.8.9 NMAC and requiring Operator to furnish the required financial assurance for the non-compliant wells by a date certain;
- D. If the violating wells are not brought into compliance with 19.15.25.8 NMAC by the date set in the Order, finding the operator in violation of a division order, declaring the well abandoned and authorizing the Division

to plug the subject well in accordance with a Division-approved plugging program and restore and remediate the location and recover costs from the operators financial assurance as required by 19.15.8.13 NMAC;

- E. For such other and further relief as the Director deems just and proper under the circumstances.

RESPECTFULLY SUBMITTED,
this 3 day of February, 2015
by

A handwritten signature in black ink, appearing to read "Keith W. Herrmann", is written over a horizontal line.

Keith W. Herrmann
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Case No. 15266. Application of the New Mexico Oil Conservation Division ("OCD") Compliance and Enforcement Manager for a compliance order against Jam Oil, LLC, directors, and officers, jointly and severally, finding that the operator is in violation of the oil and gas act, NMSA 1978, Sections 70-2-1 *et seq.* and OCD rules, NMAC 19.15.2 *et seq.*, requiring operator to return to compliance with division rules by a date certain, and in the event of non-compliance, request for additional sanctions.

Exhibit 1: Well List

Well API No.	Name	Lease Type	Last Production	Well in violation of 19.15.8.9 NMAC?	Single Well Bond Amount	Bond In Place
30-005-00044	Cannon #001	Private	4/2011	Y	\$5,801	\$0
30-005-00042	Cannon #002	Private	4/2011	Y	\$5,850	\$0
30-005-61892	Cannon et al #001Y	State	4/2011	Y	\$9,386	\$0
30-005-62292	Cannon et al #002	State	4/2011	Y	\$9,330	\$0
30-005-60680	Cannon Fee #001	Private	4/2011	Y	\$5,850	\$0
30-005-61234	Cannon Fee #002Y	Private	4/2011	Y	\$5,865	\$0
30-005-61499	Cannon Fee #003	Private	4/2011	Y	\$5,891	\$0
30-005-62298	Comanche PQ Federal #003	Federal	4/2011	N	NA	NA
30-005-00066	Comanche PQ Federal #004	Federal	4/2011	N	NA	NA
30-005-60928	Cooper #001	Private	4/2011	Y	\$6,110	\$0
30-005-60929	Cooper #002	Private	4/2011	Y	\$6,105	\$0
30-005-00067	Deklab Federal #001	Federal	4/2011	N	NA	NA
30-005-00069	Deklab Federal #003	Federal	4/2011	N	NA	NA
30-005-00059	Elliot Federal #001	Federal	4/2011	N	NA	NA
30-005-60445	Elliot Federal #002	Federal	4/2011	N	NA	NA
30-005-10033	England Federal #001	Federal	4/2011	N	NA	NA
30-005-10137	England Federal #002	Federal	4/2011	N	NA	NA
30-005-10228	Federal #008	Federal	4/2010	N	NA	NA
30-005-60428	Federal HJ #002	Federal	4/2011	N	NA	NA
30-005-61749	Federal HJ #009	Federal	4/2010	N	NA	NA
30-005-61750	Federal HJ #010	Federal	4/2010	N	NA	NA
30-005-60440	Johnson IL #001	Private	4/2011	Y	\$6,100	\$0
30-025-31636	Kemnitz South AFL State #001	State	4/2011	Y	\$11,260	\$0
30-005-00074	Leonard Federal #001	Federal	4/2011	N	NA	NA
30-005-00076	Leonard Federal #004	Federal	4/2011	N	NA	NA
30-005-00071	Mary Ann Cannon #001	Private	4/2011	Y	\$5,910	\$0
30-005-00072	Mary Ann Cannon #002	Private	4/2011	Y	\$5,934	\$0
30-005-00073	Mary Ann Cannon #003	Private	4/2011	Y	\$5,887	\$0
30-005-00062	Mary Ann Cannon #004	Private	4/2011	Y	\$5,898	\$0
30-005-10109	Mary Ann Cannon #005	Private	4/2011	Y	\$6,056	\$0
30-005-10110	Mary Ann Cannon #006	Private	4/2011	Y	\$6,012	\$0
30-005-10111	Mary Ann Cannon #007	Private	4/2011	Y	\$6,038	\$0
30-005-00052	Mohawk #001	Federal	4/2011	N	NA	NA
30-005-60949	Tamarack QF State	State	4/2011	Y	\$6,250	\$0
30-005-61693	Tamarack QF State	State	4/2011	Y	\$6,150	\$0