

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 KODIAK PETROLEUM (MONTANA), INC., 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. 15323

**OCD'S APPLICATION FOR COMPLIANCE ORDER
AGAINST KODIAK PETROLEUM (MONTANA), INC.,**

1. Kodiak Petroleum (Montana), Inc., ("Operator") is a sole proprietor of 3 wells in Union County, New Mexico, under OGRID No. 257794. See *Exhibit 1: Well List*.
2. Operator's corporate mailing address is: 1308 Delaware Ave., Wilmington, DE 19806. Operator's registered agent is: Greg Nibert, Hinkle, Hensley, Shanor and Martin, LLP, 400 N. Pennsylvania, STE 700, Roswell, NM 88201.
3. The New Mexico Secretary of State has Operator registered under corporation number 2985612. It identifies William S. Tighe, (President), Glenn Watt, (Vice President), and William Brimacombe, (Secretary), as the officers of record.
4. Operator has one blanket bond filed with the OCD, bond no. B004132, from U.S. Specialty Insurance Company, for the amount of \$50,000.
5. U.S. Specialty Insurance Company's address of record is: 13403 Northwest Freeway, Houston, TX 77040.

6. On August 5, 2008 Operator submitted OCD form C-105 (Well Completion Report).

7. No production was ever reported on Operator's wells and no communication has been received from Operator since August, 2008.

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 3 wells out of a total of 3 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 3 (three) wells that require additional bonding in violation of Division Rule 19.15.8.9 NMAC.

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 Operator's 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 26 day of May, 2015 by



Keith W. Hermann
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Case No. 15323. Application of the New Mexico Oil Conservation Division ("OCD") Compliance and Enforcement Manager for a compliance order against Kodiak Petroleum (Montana), Inc., 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.

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Exhibit 1: Well List

Well API No.	Name	Lease Type	Last Production	Status
30-059-20485	SOFIA #001	P	NA*	Shut-in
30-059-20486	SOFIA #002	S	NA*	Shut-in
30-059-20488	SOFIA #004	P	NA*	Shut-in

*No production was ever reported for any of operators wells.