

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
COMPLIANCE AND ENFORCEMENT BUREAU FOR A COMPLIANCE
ORDER AGAINST LANEXCO, INC. FOR WELLS OPERATED IN CHAVES,
EDDY, AND LEA COUNTIES, NEW MEXICO.

CASE NO. 15446

APPLICATION

The New Mexico Oil Conservation Division Compliance and Enforcement Bureau, ("Bureau") through its undersigned attorney, hereby files this application with the Oil Conservation Division ("OCD or Division") pursuant to the provisions of NMSA §70-2-12 for a compliance order (1) determining operator Lanexco, Inc. ("Operator") is out of compliance with OCD rules 19.15.5.9, 19.15.7.24, 19.15.8.9, and 19.15.25.8; (2) requiring Operator to return to compliance with OCD rules; and (3) in the event of non-compliance, finding the Operator in violation of a Division order, declaring the wells abandoned and authorizing the OCD to plug the violating wells in accordance with a Division-approved plugging program and restore and remediate the location, recover costs from the Operator's financial assurance as permitted by 19.15.8.13 NMAC, and seek indemnification as permitted by § 70-2-14(E), NMSA 1978. In support of this Application, the OCD states:

1. Operator is a Texas corporation that operates fifty-one total wells in Chaves, Eddy, and Lea Counties, New Mexico, under OGRID No. 13046. See *Exhibit 1: Well List*, attached hereto and incorporated by reference as if set forth in its entirety.

2. Operator's foreign registered office address and corporate mailing address of record with the OCD are: PO Box 2730, Midland, TX 79702. Operator's principal place of business outside of New Mexico of record with the OCD is: 310 W. Wall, STE 910, Midland, TX 79701. *Operator's principal place of business in New Mexico of record with the OCD is 1105 W. Kansas, Jal, New Mexico 88252.*

3. The New Mexico Secretary of State has Operator registered under corporation number 1025550, and identifies Enrique Flores (Secretary and Treasurer) and Rae Ham (President) as the Organizers and Gloria Lansford as the Director.

4. Operator has a blanket plugging bond filed with the OCD in the amount of \$50,000.00. The bond is on deposit with RLI Insurance Co. ("Bank"), bond no. RLB0006277.

5. Bank's address of record is: 8 Greenway Plaza, STE 400, Houston, TX 77046.

6. 19.15.7.24 NMAC requires that C-115(s) (Monthly Production Reports) be filed electronically on or before the 15th day of the second month following the month of production.

7. The OCD has not received the required C-115(s) Monthly Production Reports from Operator since June 2014.

8. Because Operator failed to file required Monthly Production Reports, OCD issued letters to Operator in **October, 2014**, and **January, 2016**. The letters of violation informed Operator that its authorization to transport from or inject into all wells it operates is now revoked pursuant to 19.15.7.24 C. NMAC.

9. The letters of violation required Operator to contact OCD immediately to schedule a compliance conference if Operator wished to restore its transportation and injection authority.

10. As of the date of this Application, Operator has not contacted the OCD to schedule a compliance conference.

11. As of the date of this Application, Operator has not filed Monthly Production Reports as required by 19.15.7.24 NMAC since June 2014.

12. Despite attempts by the OCD to notify Operator of its violations by mail, no response or report from Operator has been received in return by the OCD.

13. The Operator's wells named in *Exhibit 1: Well List* are now on OCD's inactive well list.

14. 19.15.25.8 B. 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.

15. 19.15.8.13 NMAC authorizes the Division 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.

16. 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.

17. 19.15.5.9 A.(4) NMAC states that an operator is compliant with Subsection A of 19.15.5.9 NMAC if no more than the following number of wells it operates are out of compliance with 19.15.25.8 NMAC (Wells to be Properly

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.

18. Operator currently has **50** wells out of a total of **51** wells out of compliance with 19.15.25.8 NMAC, exceeding the amount allowed under 19.15.5.9.A(4) NMAC.

19. 19.15.8.9 C. NMAC states that an operator shall cover a well that has been in temporary abandonment for more than two years by either a one-well financial assurance or a blanket plugging financial assurance for wells in temporarily abandoned status.

20. Operator currently has **3** wells out of a total of **51** wells out of compliance with 19.15.8.9 C. NMAC.

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

- A. Determining that Operator violated 19.15.7.24 NMAC by failure to submit electronically filed C-115(s) on or before the 15th day of the second month following the month of production;
- B. Determining that Operator violated 19.15.8.9 C. NMAC by failure to cover wells in temporary abandonment for more than two years by either a one-well financial assurance or a blanket plugging financial assurance for wells in temporarily abandoned status;

- C. Determining that the wells identified in *Exhibit 1* have been inactive for a period in excess of one year plus 90 days and are not in compliance with Division Rule 19.15.25.8 NMAC and requiring Operator to return to compliance with 19.15.25.8 NMAC, by a date certain;
- D. Determining that Operator is out of compliance with Division Rule 19.15.7.24 NMAC;
- E. Determining that Operator is out of compliance with 19.15.8.9 C. NMAC;
- F. Requiring Operator to file the required C-115(s) monthly reports, in accordance with 19.15.7.24 NMAC, by a date certain;
- G. Requiring Operator to provide proper financial assurance for wells in temporary abandonment for more than two years, in accordance with 19.15.8.9 C. NMAC, by a date certain;
- H. In the event of non-compliance with the sought Division order by the dates established by the Division, finding the Operator in violation of a Division order, declaring the violating wells abandoned and authorizing the Division to plug the subject wells 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 and seek indemnification as permitted by § 70-2-14(E), NMSA 1978;
- I. For such other and further relief as the Director deems just and proper under the circumstances.

RESPECTFULLY SUBMITTED,
this 16 day of February, 2016
by

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

Keith W. Herrmann
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Attorney for the Compliance and
Enforcement Bureau

Case No. 15446. Application Of The New Mexico Oil Conservation Division Compliance And Enforcement Bureau for a Compliance Order against Lanexco, Inc., for Wells Operated in Chaves, Eddy, and Lea Counties, New Mexico. The New Mexico Oil Conservation Division Compliance and Enforcement Bureau in the above styled case seeks a compliance order (1) determining operator Lanexco, Inc. ("Operator") is out of compliance with OCD rules, 19.15.5.9, 19.15.7.24, 19.15.8.9, and 19.15.25.8; (2) requiring Operator to return to compliance with OCD rules; and (3) in the event of non-compliance, finding the Operator in violation of a Division order, declaring the wells abandoned and authorizing the OCD to plug the violating wells in accordance with a Division-approved plugging program and restore and remediate the location, recover costs from the Operator's financial assurance as permitted by 19.15.8.13 NMAC, and seek indemnification as permitted by § 70-2-14(E), NMSA 1978.

Exhibit 1: Well List – Page 1 of 3

Well API No.	Name	Lease Type	Last Production	Well in violation of 19.15.8.9 NMAC?	Single Well Bond Amount	Bond in Place
30-025-06662	Alves #002	P	06/2014	No		
30-025-24180	Alves #003	P	06/2014	No		
30-025-36383	Alves #004	P	06/2014	No		
30-025-06430	Alves A #001	P	05/2014	No		
30-005-60586	Blakemore Federal #001	F	06/2014	No		
30-015-22372	BRC Madera #001	P	06/2014	No		
30-025-27023	Buckskin Fed. #001	F	06/2014	No		
30-025-27024	Buckskin Fed. #002	F	02/2012	No		
30-025-27206	Buckskin Fed. #006	F	06/2014	No		
30-015-22626	Cerro Com #001	P	11/2011	Yes	Unknown*	\$0.00
30-025-21473	Crawford State #003	S	06/2014	No		
30-025-28087	Dority #001	S	06/2014	No		
30-025-26426	El Paso Plant #001	S	06/2014	No		
30-025-26667	El Paso Ruby Federal #001	F	06/2014	No		
30-025-26664	El Paso Smith #001	P	08/2007	Yes	\$8300.00	\$0.00
30-025-26346	El Paso State #001	S	06/2014	No		
30-025-26919	El Paso Tom Federal #004	F	07/2004	No		
30-025-28508	El Paso Tom Federal #005	F	06/2014	No		
30-025-10781	Farney A 17 #002	F	06/2014	No		
30-025-27354	Gloria Federal #001	F	06/2014	No		
30-025-11993	H G Moberly C Federal #001	F	06/2014	No		
30-025-28085	Jo #001	S	06/2014	No		
30-025-26668	Justis A Federal #002	F	06/2014	No		
30-025-27355	Justis B Federal #001	F	06/2014	No		

Application for Compliance Order

Lanexco, Inc.

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Exhibit 1: Well List continued – Page 2 of 3

Well API No.	Name	Lease Type	Last Production	Well in violation of 19.15.8.9 NMAC?	Single Well Bond Amount	Bond in Place
30-025-27357	Justis B Federal #003	F	06/2014	No		
30-025-26483	Justis C Federal #001	F	06/2014	No		
30-025-26700	Justis C Federal #002	F	06/2014	No		
30-025-27211	Lansford #001	P	06/2014	No		
30-025-27271	Lansford #002	P	06/2014	No		
30-025-27396	Lansford #003	P	06/2014	No		
30-025-26812	Lansford #004	P	06/2014	No		
30-025-27866	Lansford #005	P	06/2014	No		
30-025-27879	Lansford #006	P	06/2014	No		
30-025-28661	Mike #001	P	06/2014	No		
30-025-05523	Mike #002	P	06/2014	No		
30-025-28841	Mike #003	P	06/2014	No		
30-025-29139	Mike #004	P	06/2014	No		
30-015-22552	Miller Com #001	P	12/2012	Yes	Unknown*	\$0.00
30-025-05522	New Mexico AK State #001	S	06/2014	No		
30-025-26479	New Mexico AK State #002	S	06/2014	No		
30-025-06927	Pruitt #001	P	06/2014	No		
30-025-28664	Robert #001	P	06/2014	No		
30-025-36826	Robert #002	P	06/2014	No		
30-025-29226	Shell State #001	S	06/2014	No		
30-025-21872	State A-36 #002	S	06/2014	No		
30-025-03500	State C #001Y	S	06/2014	No		
30-025-03507	State C #002Y	S	06/2014	No		
30-025-03498	State C #003	S	06/2014	No		

Exhibit 1: Well List continued – Page 3 of 3

Well API No.	Name	Lease Type	Last Production	Well in violation of 19.15.8.9 NMAC?	Single Well Bond Amount	Bond in Place
30-025-03499	State C #004	S	06/2014	No		
30-025-03497	State C Com #002	S	06/2014	No		
30-025-24153	State J D Com #001	S	06/2014	No		

*The bond amount in Lea County is \$5,000.00, plus \$1.00 per foot of depth. There is no entry for well depth on these wells.