

**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 DAVID H. ARRINGTON OIL & GAS, INC., FOR WELLS
OPERATED IN LEA, EDDY, CHAVES, AND SAN JUAN COUNTY, NEW
MEXICO.**

CASE NO. 15624

APPLICATION

The 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 1978, §70-2-12 for a compliance order (1) determining operator David H. Arrington Oil & Gas, Inc. ("Operator") is out of compliance with 19.15.5.9, 19.15.8, and 19.15.25.8 NMAC; (2) requiring the Operator to return to compliance with 19.15.5.9, 19.15.8, and 19.15.25.8 NMAC; and (3) in the event of non-compliance, finding the Operator in violation of a Division Order for each day after the deadline established in the sought order to obtain compliance, 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 NMSA 1978, § 70-2-14(E). This application deals specifically with the Operator's violations of 19.15.5.9, 19.15.8, and 19.15.25.8 NMAC and does not include all violations that may exist. The Bureau retains its right to bring a compliance action for any other existing and future violations. In support of this application, the Bureau states:

1. The Operator is a New Mexico limited liability company that operates forty-five (45) wells in Lea, Eddy, Chaves, and San Juan County, New Mexico, under OGRID No. 5898. See *Exhibit 1: Well List and Financial Assurance Report*, attached hereto and incorporated by reference as if set forth in its entirety.

2. The Operator's address of record with OCD is: 500 West Wall St. Suite 300, Midland, TX 79701.

3. The New Mexico Secretary of State has the Operator registered under corporation number 1452689 and identifies David Arrington as Director, President, Vice President, Secretary, and Treasurer.

4. NMSA 1978, § 70-2-14 requires that each person, firm, corporation, or association who operates any oil, gas, or service well within the state, as a condition precedent to drilling or producing the well, furnish financial assurance in the form of an irrevocable letter of credit or a cash or surety bond or a well-specific plugging insurance policy to the OCD running to the benefit of the state and conditioned that the well be plugged and abandoned in compliance with OCD rules.

5. 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.

6. The Operator currently needs acceptable financial assurance for the following wells:

- a. B V Culp NCT A Com #010, API No. 30-25-31002
- b. Bill's Hopper #002, API No. 30-25-36081

- c. Double Hackle Peacock 31 State Com #001, API No. 30-25-35802
- d. Foster #003, API No. 30-25-31982
- e. Mallon Drake 16 State #001, API No. 30-25-28707
- f. Mangum B Com #001, API No. 30-45-12005
- g. Mangum B Com #001E, API No. 30-45-24085
- h. Royal Coachman #001, API No. 30-25-33192
- i. Royal Stimulator #002, API No. 30-025-35975

7. 19.15.5.9(A) NMAC states that an operator is in compliance with

Subsection A of 19.15.5.9 NMAC if the operator:

- (1) currently meets the financial assurance requirements of 19.15.8 NMAC;
- (2) is not subject to a division or commission order, issued after notice and hearing, finding the operator to be in violation of an order requiring corrective action;
- (3) does not have a penalty assessment that is unpaid more than 70 days after issuance of the order assessing the penalty; and
- (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 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 50 percent of the wells the operator operates, whichever is less, if the operator operates 100 wells or less;
 - b. five wells if the operator operates between 101 and 500 wells;

- c. seven wells if the operator operates between 501 and 1000 wells; and
- d. 10 wells if the operator operates more than 1000 wells.

8. The Operator has one blanket bond filed with the OCD, bond no. RLB0006249, from RLI Insurance Company, for fifty thousand dollars (\$50,000.00).

9. RLI Insurance Company's address of record is: 8 Greenway Plaza, STE 400, Houston, TX 77046.

10. The Operator has additionally furnished the OCD with three (3) single well bonds on file with the OCD from Lexon Insurance Company for a total amount of forty seven thousand one hundred-fifteen dollars (\$47,115.00).

11. Lexon Insurance Company's address of record is: 155 NE 100th Street, Suite 201, Seattle, WA 98125.

12. 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 operations; (2) a determination that a well is no longer usable for beneficial purposes; or (3) a period of one year in which a well has been continuously inactive.

13. The Operator currently has sixteen (16) wells out of a total of thirty-eight (38) wells out of compliance with 19.15.25.8 NMAC, exceeding the amount allowed under 19.15.5.9(A)(4) NMAC. See *Exhibit 1*.

14. On June 29, 2016, the Bureau sent the Operator notice via first class mail that it was out of compliance with 19.15.5.9 NMAC and that the Bureau would seek formal compliance proceedings if no action was taken by the Operator to return to compliance within 60 days as required by 19.15.5.9(B) NMAC.

15. The Operator has not contacted the Bureau to resolve the outstanding compliance issues.

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

- A. determining that the Operator is in violation of 19.15.5.9, 19.15.8, and 19.15.25.8 NMAC;
- B. requiring the Operator to provide the OCD with acceptable financial assurance within twenty-one (21) days of the issuance of an order;
- C. requiring the Operator to comply with 19.15.5.9 and 19.15.25.8 NMAC by plugging and abandoning the subject well within sixty (60) days of the issuance of an order;
- D. in the event of non-compliance with the sought Division order by the dates established by the OCD, 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 NMSA 1978, § 70-2-14(E);
- E. for such other and further relief as the Director deems just and proper under the circumstances.

RESPECTFULLY SUBMITTED,
this 3rd day of January, 2017 by



Keith W. Herrmann
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Energy, Minerals and Natural
Resources Department of the State of
New Mexico
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Attorney for the Compliance and
Enforcement Bureau

Case No. 15624. **Application of The New Mexico Oil Conservation Division Compliance and Enforcement Bureau for a Compliance Order against David H. Arrington, for Wells Operated in Lea, Eddy, Chaves, and San Juan County, New Mexico.** The 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 1978, §70-2-12 for a compliance order (1) determining operator David Arrington Oil & Gas, Inc. ("Operator") is out of compliance with 19.15.5.9, 19.15.8, and 19.15.25.8 NMAC; (2) requiring the Operator to return to compliance with 19.15.5.9, 19.15.8, and 19.15.25.8 NMAC; and (3) in the event of non-compliance, finding the Operator in violation of a Division Order for each day after the deadline established in the sought order to obtain compliance, 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 NMSA 1978, § 70-2-14(E).

Exhibit 1: Well List and Financial Assurance Report

Application for Compliance Order
David H. Arrington Oil & Gas Corp.
Exhibit I: Well List and Financial Assurance Report

Well Name	Lease Type	ULSTR	OCD Unit Letter	API no.	Last Prod/Inj	Inactive Additional Bond Due	Measured Depth (ft)	Required Bond Amount	Bond Required Now	Bond In Place	Bond No.	In Violation of 19.15.8.9 NMAC	In Violation of 19.15.25.8 NMAC
B V CULP NCT A COM #009	S	J-19-19S-37E	J	30-025-26663	Oct-16	11/1/2018	3800	\$8,800.00		\$0.00			
B V CULP NCT A COM #010	P	A-19-19S-37E	A	30-025-31002	Jan-13	2/1/2015	3700	\$8,700.00	Y	\$0.00		Y	Y
B V CULP NCT A COM #011	S	C-19-19S-37E	C	30-025-31313	Oct-16	11/1/2018	3750	\$8,750.00		\$0.00			
B V CULP NCT A COM #012	S	2-19-19S-37E	E	30-025-32977	Oct-16	11/1/2018	3710	\$8,710.00		\$0.00			
B V CULP NCT A COM #014	S	G-19-19S-37E	G	30-025-32961	Oct-16	11/1/2018	3664	\$8,664.00		\$0.00			
BIG DADDY RABBIT #001H	P	A-19-19S-23E	A	30-015-34996	Oct-16	11/1/2018	8220	\$13,220.00		\$0.00			
BILL'S HOPPER #001	S	P-18-15S-35E	P	30-025-35369	Oct-16	11/1/2018	13200	\$18,200.00		\$0.00			
BILL'S HOPPER #002	S	J-18-15S-35E	J	30-025-36081	Feb-14	3/1/2016	13210	\$18,210.00	Y	\$0.00		Y	Y
CARRIE O DAVIS #004	P	N-29-18S-39E	N	30-025-29944	Oct-16	11/1/2018	6500	\$11,500.00		\$0.00			
CHARTREUSE SPANKER FED COM #001H	F	P-34-17S-23E		30-015-34834	Oct-16		8409			\$0.00			
COLT MIDGE 6 FED #002	F	D-06-19S-24E	D	30-015-34506			Unknown			\$0.00			Y
DAVIS #002	P	3-29-18S-39E	J	30-025-07940	Oct-16	11/1/2018	6433	\$11,433.00		\$0.00			
DEEP SPARKLING MUDDLER 15 STATE #001	S	O-15-17S-36E	O	30-025-22194	Apr-15	5/1/2017	13692	\$18,692.00		\$0.00			Y
DOUBLE HACKLE DRAKE 36 STATE #001	S	D-36-16S-35E	D	30-025-36704	Oct-16	11/1/2018	12586	\$17,586.00		\$0.00			
DOUBLE HACKLE PEACOCK 31 STATE COM #001	S	3-31-16S-36E	L	30-025-35802	Apr-11	5/1/2013	12730	\$17,730.00	Y	\$0.00		Y	Y
FEDERAL 34 #001	F	N-34-20S-26E	N	30-015-22738	Oct-16		10595			\$0.00			
FOSTER #002	P	O-34-19S-36E	O	30-025-04113	Oct-16	11/1/2018	3953	\$8,953.00		\$0.00			
FOSTER #003	P	P-34-19S-36E	P	30-025-31982	May-13	6/1/2015	8050	\$13,050.00	Y	\$0.00		Y	Y
FOSTER #004	P	P-34-19S-36E	P	30-025-32659	Oct-16	11/1/2018	3882	\$8,882.00		\$0.00			
GOLD STONEFLY 12 FEDERAL COM #001	F	M-12-18S-24E	M	30-015-32260	Apr-16		8500			\$0.00			
GREEN BUTT BOMBER #001H	F	16-03-16S-24E	I	30-015-35703			Unknown			\$0.00			Unknown
GREEN EYED SQUEALY WORM #001	P	I-26-15S-34E	I	30-025-36013	May-12	6/1/2014	13255	\$18,255.00	Y	\$18,255.00	1036826		Y
MALLON DRAKE 16 STATE #001	S	G-16-16S-37E	G	30-025-28707			12184	\$17,184.00		\$0.00		Y	Y
MANGUM B COM #001	P	1-32-29N-11W	P	30-045-12005	Jan-12	2/1/2014	6175	\$11,175.00	Y	\$0.00		Y	Y
MANGUM B COM #001E	P	4-32-29N-11W	M	30-045-24085	Sep-12	10/1/2014	6255	\$11,255.00	Y	\$0.00		Y	Y
MCQUATTERS STATE COM #001	S	F-11-21S-36E	F	30-025-32300	Jul-15	8/1/2017	3750	\$8,750.00		\$0.00			Y
MIRACLE NYMPH 14 STATE #001	S	M-14-17S-36E	M	30-025-36906	Oct-16	11/1/2018	11100	\$16,100.00		\$0.00			
MISS MONEYPENNY FEDERAL COM #001	F	N-14-21S-22E	N	30-015-31846	Jun-11		9750			\$0.00			Y
ORANGE COMET #001H	P	O-35-17S-23E	O	30-015-34607	Oct-16	11/1/2018	8498	\$13,498.00		\$0.00			
PASCHALL LAMB #001H	P	N-17-17S-24E	N	30-015-34696	Oct-16	11/1/2018	8715	\$13,715.00		\$0.00			
RAWSON #001	P	A-35-31N-12W	A	30-045-10189	Oct-16	11/1/2018	6970	\$11,970.00		\$0.00			
ROYAL COACHMAN #001	P	I-27-19S-36E	I	30-025-33192	Jan-13	2/1/2015	8160	\$13,160.00	Y	\$0.00		Y	Y
ROYAL STIMULATOR #001	P	F-31-15S-36E	F	30-025-35284	Mar-08	4/1/2010	10840	\$15,840.00	Y	\$15,840.00	1055382		Y
ROYAL STIMULATOR #002	P	2-31-15S-36E	E	30-025-35975			13450	\$18,450.00		\$0.00		Y	Y
ROYAL WULFF #001	S	P-27-19S-36E	P	30-025-33514	Jan-08	2/1/2010	8020	\$13,020.00	Y	\$13,020.00	1055213		Y
SPARKLE DUNN 23 #001	S	B-23-17S-35E	B	30-025-35258	Oct-16	11/1/2018	8000	\$13,000.00		\$0.00			
SPRING SWD #001	F	I-04-21S-25E	A	30-015-00129	Oct-16		10784			\$0.00			
WONDERBUNNY #001H	S	O-17-17S-24E		30-015-34743	Oct-16	11/1/2018	8555	\$13,555.00		\$0.00			