

**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 CANO PETRO OF NEW MEXICO, INC., FOR WELLS
OPERATED IN CHAVES COUNTY, NEW MEXICO.**

CASE NO. 15646

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 1978, §70-2-12 for a compliance order (1) determining operator Cano Petro of New Mexico, Inc. ("Operator") is out of compliance with OCD rules 19.15.8 NMAC and NMSA 1978, §§ 70-2-12(B)(1) and 70-2-14; (2) requiring Operator to return to compliance with 19.15.8 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 acceptable financial assurance. This application deals specifically with Operator's violations of OCD rules regarding financial assurance and does not include all violations that may exist. The OCD retains its right to bring a compliance action for any other existing and future violations. In support of this application, the OCD states:

1. Operator is a New Mexico corporation that operates 323 wells in Chaves County, New Mexico, under OGRID No. 248802.

2. Operator's address of record with OCD is: P.O. Box 4470, Tulsa OK 74159.
3. The New Mexico Secretary of State has Operator registered under corporation number 2851087 and identifies Richard Nichols, President and Director, Orville Nichols, Secretary and Director, Phillip Burch, Chief Financial Officer, and John Archer, President, as officers of record.
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 and the location restored and remediated 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. Operator currently is in need of acceptable financial assurance for the following wells:
 - a. Cato San Andreas Unit #005, API 30-005-20271, \$8,492 bond required;
 - b. Cato San Andreas Unit #008, API 30-005-20160, \$8,498 bond required;

- c. Cato San Andreas Unit #118, API 30-005-20077, \$8,650 bond required;
- d. Cato San Andreas Unit #121, API 30-005-20041, \$8,598 bond required;
- e. Cato San Andreas Unit #507, API 30-005-28022, \$8,956 bond required;
- f. Cato San Andreas Unit #558, API 30-005-28010, \$8,960 bond required;
- g. Cato San Andreas Unit # 559, API 30-005-28011, \$8,960 bond required bond;
- h. Cato San Andreas Unit # 560, API 30-005-28012, \$9,000 bond required.

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

- A. Determining that Operator is in violation of 19.15.8 NMAC;
- B. Determining that Operator is in violation of NMSA 1978, §§ 70-2-12(B)(1) and 70-2-14;
- C. Requiring Operator to provide the OCD with acceptable financial assurance within 30 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;

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

RESPECTFULLY SUBMITTED,
this 28th day of February, 2017
by



Keith W. Herrmann
Assistant General Counsel
Energy, Minerals and Natural
Resources Department of the State of
New Mexico
1220 S. St. Francis Drive
Santa Fe, NM 87505
(505) 476-3463
Fax: (505) 476-3462

Attorney for the Compliance and
Enforcement Bureau

Case No. 13646. **Application of The New Mexico Oil Conservation Division Compliance and Enforcement Bureau for a Compliance Order against Cano Petro of New Mexico, Inc., for Wells Operated in Chaves County, New Mexico.** 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 1978, §70-2-12 for a compliance order (1) determining operator Cano Petro of New Mexico, Inc. ("Operator") is out of compliance with 19.15.8 NMAC and NMSA 1978, §§ 70-2-12(B)(1) and 70-2-14; (2) requiring Operator to return to compliance with 19.15.8 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 acceptable financial assurance.