

8/30/2017

OCD Permitting

Inactive Well Additional Financial Assurance Report

21448 SPENCE ENERGY CO

Total Well Count: 2

Printed On: Wednesday, August 30 2017

Property	Well Name	Lease Type	ULSTR	OCD Unit Letter	API	Well Type	Last Prod/Inj	Inactive Additional Bond Due	Measured Depth	Required Bond Amount	Bond Required Now	Covered By Blanket TA Bond	Bond In Place	In Violation
10684	KELLAHIN 14 STATE #002	S	P-14-09S-32E	P	30-025-29969	O	03/1991	04/01/1993	4970	9970	Y		0	Y
	KELLAHIN 14 STATE #003	S	I-14-09S-32E	I	30-025-30724	O	12/2015	01/01/2018	8330	13330			0	

WHERE Ogrid:21448

OCD Case #15803

Exhibit 1: Financial Assurance Report

Page 1 of 1

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

Ken McQueen
Cabinet Secretary

Matthias Sayer
Deputy Cabinet Secretary
June 9, 2017

David R. Catanach, Division Director
Oil Conservation Division



Spence Energy Co
4302 Delmar Ave.
Dallas, TX 75206

Notice of Violation

Dear Spence Energy Co,

The Oil Conservation Division ("OCD") now reviews all operators out of compliance with the OCD's financial assurance requirements. Pursuant to 19.15.8.9 NMAC, an operator is required to furnish financial assurance acceptable to the OCD in the form of an irrevocable letter of credit, plugging insurance policy, or cash or surety bond running to the state of New Mexico conditioned that the well be plugged and abandoned and the location restored and remediated in compliance with division rules. According to OCD records, Spence Energy Co is the operator of record of the attached list of wells that require additional financial assurance.

Failure to provide the OCD with acceptable financial assurance is a violation of OCD rules and the Oil and Gas Act, NMSA 1978 § 70-2 *et. seq.*, and could be punishable by a fine of not more than one thousand dollars (\$1,000) per day for each violation. NMSA 1978, § 70-2-31.

Please review 19.15.8 NMAC to determine the types and amounts of financial assurance that the OCD accepts. Immediate action is now required. If no response is received within 30 days, the OCD will take further compliance action against Spence Energy Co, including, but not limited to, seeking a formal order to require Spence Energy Co to provide acceptable financial assurance for its wells at an OCD hearing and pursuing other available legal remedies to obtain compliance.

If you have any questions regarding the contents of this letter, please contact the OCD Bond Administrator and Financial Compliance Officer, Denise Gallegos at (505) 476-3453.

Sincerely,


Denise Gallegos

Encl: Additional Financial Assurance Report

OCD Case # 15803
Exhibit 2: Notice of Violation
Page 1 of 6

Inactive Well Additional Financial Assurance Report

21448 SPENCE ENERGY CO

Total Well Count: 2

Printed On: Friday, June 09 2017

Property	Well Name	Lease Type	ULSTR	OCD Unit Letter	API	Well Type	Last Prod/Inj	Inactive Additional Bond Due	Measured Depth	Required Bond Amount	Bond Registered How	Covered By Burdett TA Bond	Bond In Place	In Violation
JOHNS KELLAHIN 14 STATE #002	S	P-14-09S-32E	P	30-025-29968	O	03/1991	04/01/1993	4970	8970	13330	Y	Y	Y	Y
KELLAHIN 14 STATE #003	S	I-14-09S-32E	I	30-025-30724	O	12/2015	01/01/2016	8330	13330				0	

WHERE Ogrid21448

OCD Case # 15803

Exhibit 2: Notice of Violation

Page 2 of 6

U.S. Postal Service
CERTIFIED MAIL[®] RECEIPT
 (Domestic Mail Only: No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com.

OFFICIAL USE

7013 0600 0001 8697 9579

Postage	\$
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage	

Postmark
Here

Send To
 Street, Apt. No.,
 or PO Box No.
 City, State, ZIP

Spence Energy Co
 4302 Delmar Ave.
 Dallas, TX 75206

PS Form 3800, August 2006

See Reverse for Instructions

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Spence Energy Co
 4302 Delmar Ave.
 Dallas, TX 75206

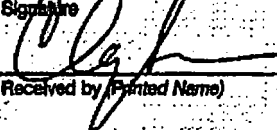
9590 9402 2074 6132 2575 93

2. Article Number (Transfer from service label)

7013 0600 0001 8697 9579

PS Form 3811, July 2015 PSN 7530-02-000-8053

COMPLETE THIS SECTION ON DELIVERY

A. Signature X 		<input type="checkbox"/> Agent <input checked="" type="checkbox"/> Addressee
B. Received by (Printed Name)	C. Date of Delivery 6-13	

D. Is delivery address different from item 1? ☐ Yes
 If YES, enter delivery address below: ☐ No

3. Service Type <input type="checkbox"/> Adult Signature <input type="checkbox"/> Adult Signature Restricted Delivery <input checked="" type="checkbox"/> Certified Mail [®] <input type="checkbox"/> Certified Mail Restricted Delivery <input type="checkbox"/> Collect on Delivery <input type="checkbox"/> Collect on Delivery Restricted Delivery <input type="checkbox"/> Insured Mail [®] <input type="checkbox"/> Restricted Delivery	<input type="checkbox"/> Priority Mail Express [®] <input type="checkbox"/> Registered Mail [™] <input type="checkbox"/> Registered Mail Restricted Delivery <input checked="" type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Signature Confirmation [™] <input type="checkbox"/> Signature Confirmation Restricted Delivery
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Domestic Return Receipt

OCD Case # 15803
 Exhibit 2: Notice of Violation
 Page 3 of 6

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

David Martin
Cabinet Secretary

Tony Delfin
Deputy Cabinet Secretary
June 30, 2016

David R. Catanach, Division Director
Oil Conservation Division



Spence Energy Co
1404 S. Roosevelt Road AP
Elida, NM 88116

Notice of Violation

Dear Spence Energy Co,

The Oil Conservation Division ("OCD") now reviews all operators out of compliance with the OCD's financial assurance requirements. Pursuant to 19.15.8.9 NMAC, an operator is required to furnish financial assurance acceptable to the OCD in the form of an irrevocable letter of credit, plugging insurance policy, or cash or surety bond running to the state of New Mexico conditioned that the well be plugged and abandoned and the location restored and remediated in compliance with division rules. According to OCD records, Spence Energy Co is the operator of record of the attached list of wells that require additional financial assurance.

Failure to provide the OCD with acceptable financial assurance is a violation of OCD rules and the Oil and Gas Act, NMSA 1978 § 70-2 *et. seq.*, and could be punishable by a fine of not more than one thousand dollars (\$1,000) per day for each violation. NMSA 1978, § 70-2-31.

Please review 19.15.8 NMAC to determine the types and amounts of financial assurance that the OCD accepts. Immediate action is now required. If no response is received within 30 days, the OCD will take further compliance action against Spence Energy Co, including, but not limited to, seeking a formal order to require Spence Energy Co to provide acceptable financial assurance for the its wells at an OCD hearing and pursuing other legal available remedies to obtain compliance.

If you have any questions regarding the contents of this letter, please contact the OCD Bond Administrator, Denise Gallegos at (505) 476-3453 to schedule a compliance conference to discuss the outstanding compliance issues.

Sincerely,

Daniel Sanchez
OCD Compliance and Enforcement Manager, UIC Program Director
Daniel.Sanchez@state.nm.us

OCD Case # 15803
Exhibit 2: Notice of Violation
Page 4 of 6

EC: Keith Herrmann, ENMRD Assistant General Counsel
Encl: Additional Financial Assurance Report

Inactive Well Additional Financial Assurance Report

21448 SPENCE ENERGY CO

Total Well Count: 3

Printed On: Tuesday, June 28 2016

Property	Well Name	Lease Type	ULSTR	OCD Unit Letter	API	Well Type	Last Prod/Inj	Inactive Additional Bond Due	Measured Depth	Required Bond Amount	Bond Required Now	Covered By Blanket TA Bond	Bond In Place	In Violation
10883	FEDERAL 25 #001	F	J-25-09S-32E	J	30-025-29097	G	03/2018		11870				0	
10684	KELLAHIN 14 STATE #002	S	P-14-09S-32E	P	30-025-28969	O	03/1991	04/01/1993	4970	9970	Y		0	Y
	KELLAHIN 14 STATE #003	S	P-14-09S-32E	I	30-025-30724	O	12/2015	01/01/2018	8330	13330			0	

WHERE Ogrid.21448

OCD Case # 15803

Exhibit 2: Notice of Violation

Page 5 of 6

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Spence Energy Co
1404 S. Roosevelt Road AP
Elida, NM 88116

9590 9402 1591 5362 8583 39

2. Article Number (Transfer from service label)

7012 0470 0000 0880 5293

PS Form 3811, July 2015 PSN 7530-02-000-9053

COMPLETE THIS SECTION ON DELIVERY

A. Signature

[Signature]

☐ Agent

☒ Addressee

B. Received by (Printed Name)

SHANE FERLISON

C. Date of Delivery

7-5-16

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☐ No

RECEIVED JUL 07 2016

3. Service Type

☐ Adult Signature

☐ Adult Signature Restricted Delivery

☒ Certified Mail®

☐ Certified Mail Restricted Delivery

☐ Collect on Delivery

☐ Collect on Delivery Restricted Delivery

☐ Insured Restricted Delivery

☐ Priority Mail Express®

☐ Registered Mail™

☐ Registered Mail Restricted Delivery

☐ Return Receipt for Merchandise

☐ Signature Confirmation™

☐ Signature Confirmation Restricted Delivery

USPS TRACKING#



First-Class Mail
Postage & Fees Paid
USPS
Permit No. G-10

9590 9402 1591 5362 8583 39

United States
Postal Service

* Sender: Please print your name, address, and ZIP+4® in this box*

OIL CONSERVATION DIVISION
1220 SOUTH ST. FRANCIS DRIVE
SANTA FE, NEW MEXICO 87505

ATTN: Denise

OCD Case # 15803

Exhibit 2: Notice of Violation

Page 6 of 6

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION
COMPLIANCE AND ENFORCEMENT BUREAU FOR A COMPLIANCE ORDER
AGAINST SPENCE ENERGY CO., FOR WELLS OPERATED IN LEA COUNTY,
NEW MEXICO.**

CASE NO. 15803

AFFIDAVIT OF SERVICE

In accordance with 19.15.4.9 and 19.15.4.12 NMAC, I hereby certify that notice of the August 31, 2017 hearing in the above captioned case was mailed to the following party(ies) by certified mail, return receipt requested, at least 20 days prior to the hearing date, with a copy of the application:

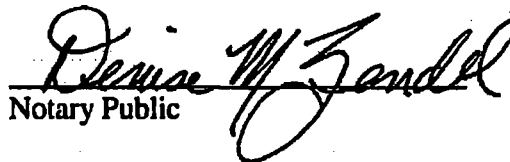
Spence Energy Co.
4302 Delmar Ave.
Dallas, TX 75206

CT Corporation System
206 S. Coronado Ave.
Espanola, NM 87532



Keith W. Herrmann

SUBSCRIBED AND SWORN before me on August 30, 2017.


Notary Public

My Commission Expires:

01-12-20

Exhibit 3-A – Direct Notice to Operator

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

Ken McQueen
Cabinet Secretary

Matthias Sayer
Deputy Cabinet Secretary

David Catanach, Division Director
Oil Conservation Division



August 8, 2017

Spence Energy Co.
4302 Delmar Ave.
Dallas, TX 75206

VIA CERTIFIED MAIL, RETURN RECEIPT: 7012 0470 0000 0881 9641

Re: OCD Case No. 15803 for a Compliance Order against Spence Energy Co.

Dear Operator:

Pursuant to the notice provisions contained in 19.15.4 NMAC, you are hereby notified that at 8:15 AM on August 31, 2017, the New Mexico Oil Conservation Division ("OCD") will hold a hearing in front of a Division Examiner seeking an order determining that Spence Energy Co. ("Operator") (1) is out of compliance with OCD rule 19.15.8 NMAC and NMSA 1978, § 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. The hearing will be held in Porter Hall at 1220 South St. Francis Dr., Santa Fe, New Mexico.

Please review 19.15.4 NMAC to see applicable rules for division hearings. A person entitled to notice may enter an appearance at any time by filing a written notice of appearance with the division or the commission clerk, as applicable, or, subject to the provisions in Subsection C of 19.15.4.10 NMAC, by oral appearance on the record at the hearing. A party who has not entered an appearance at least one business day prior to the pre-hearing statement filing date provided in Paragraph (1) of Subsection B of 19.15.4.13 NMAC shall not be allowed to present technical evidence at the hearing unless the Oil Conservation Commission chairman or the OCD examiner, for good cause, otherwise directs.

August 8, 2017

Page 2

If you have any questions regarding the hearing process, please contact me at (505) 476-3463 or keith.herrmann@state.nm.us.

Sincerely



Keith Herrmann

Attorney for the New Mexico Oil Conservation Division
Compliance and Enforcement Bureau

Encl: OCD Case No. 15803 Compliance and Enforcement Bureau Application for Hearing

Cc: CT Corporation System
206 S. Coronado Ave.
Española, NM 87532

VIA CERTIFIED MAIL, RETURN RECEIPT: 7012 0470 0000 0881 9658

SENDER: COMPLETE THIS SECTION		COMPLETE THIS SECTION ON DELIVERY	
<p><input checked="" type="checkbox"/> Complete items 1, 2, and 3.</p> <p><input checked="" type="checkbox"/> Print your name and address on the reverse so that we can return the card to you.</p> <p><input checked="" type="checkbox"/> Attach this card to the back of the mailpiece, or on the front if space permits.</p> <p>1. Article Addressed to:</p> <p style="text-align: center;">Spence Energy Co. 4302 Delmar Ave. Dallas, TX 75206</p> <p>9590 9402 1826 6104 4469 61</p> <p>2. Article Number (Transfer from service label)</p> <p style="text-align: center;">7012 0470 0000 0881 9641</p>		<p>A. Signature X <i>[Signature]</i> <input type="checkbox"/> Agent <input type="checkbox"/> Addressee</p> <p>B. Received by (Printed Name) <i>[Signature]</i> C. Date of Delivery <i>7-14</i></p> <p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No</p>	
<p>3. Service Type</p> <p><input type="checkbox"/> Adult Signature</p> <p><input type="checkbox"/> Adult Signature Restricted Delivery</p> <p><input type="checkbox"/> Certified Mail®</p> <p><input type="checkbox"/> Certified Mail Restricted Delivery</p> <p><input type="checkbox"/> Collect on Delivery</p> <p><input type="checkbox"/> Collect on Delivery Restricted Delivery</p> <p><input type="checkbox"/> All Restricted Delivery</p>		<p><input type="checkbox"/> Priority Mail Express®</p> <p><input type="checkbox"/> Registered Mail™</p> <p><input type="checkbox"/> Registered Mail Restricted Delivery</p> <p><input type="checkbox"/> Return Receipt for Merchandise</p> <p><input type="checkbox"/> Signature Confirmation™</p> <p><input type="checkbox"/> Signature Confirmation Restricted Delivery</p>	

PS Form 3811, July 2015 PSN 7530-02-000-9053

Domestic Return Receipt

SENDER: COMPLETE THIS SECTION		COMPLETE THIS SECTION ON DELIVERY	
<p><input checked="" type="checkbox"/> Complete items 1, 2, and 3.</p> <p><input checked="" type="checkbox"/> Print your name and address on the reverse so that we can return the card to you.</p> <p><input checked="" type="checkbox"/> Attach this card to the back of the mailpiece, or on the front if space permits.</p> <p>1. Article Addressed to:</p> <p style="text-align: center;">CT Corporation System 206 S. Coronado Ave. Espanola, NM 87532</p> <p>9590 9402 1826 6104 4469 54</p> <p>2. Article Number (Transfer from service label)</p> <p style="text-align: center;">7012 0470 0000 0881 9658</p>		<p>A. Signature X <i>[Signature]</i> <input type="checkbox"/> Agent <input type="checkbox"/> Addressee</p> <p>B. Received by (Printed Name) <i>[Signature]</i> C. Date of Delivery</p> <p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No</p>	
<p>3. Service Type</p> <p><input type="checkbox"/> Adult Signature</p> <p><input type="checkbox"/> Adult Signature Restricted Delivery</p> <p><input type="checkbox"/> Certified Mail®</p> <p><input type="checkbox"/> Certified Mail Restricted Delivery</p> <p><input type="checkbox"/> Collect on Delivery</p> <p><input type="checkbox"/> Collect on Delivery Restricted Delivery</p> <p><input type="checkbox"/> All Restricted Delivery</p>		<p><input type="checkbox"/> Priority Mail Express®</p> <p><input type="checkbox"/> Registered Mail™</p> <p><input type="checkbox"/> Registered Mail Restricted Delivery</p> <p><input type="checkbox"/> Return Receipt for Merchandise</p> <p><input type="checkbox"/> Signature Confirmation™</p> <p><input type="checkbox"/> Signature Confirmation Restricted Delivery</p>	

PS Form 3811, July 2015 PSN 7530-02-000-9053

Domestic Return Receipt

CT

August 15, 2017

Keith W. Herrmann
State of New Mexico - Energy, Minerals and Natural Resources Department Oil Conservation Division
1220 S. St. Francis Drive,
Santa Fe, NM 57505

Re: Application of the New Mexico Oil Conservation Division Compliance and Enforcement Bureau for a compliance order against Spence Energy Co., for Wells Operated in LEA County, New Mexico vs. Spence Energy Company

Case No. 15803

Dear Sir/Madam:

C T Corporation System has filed a resignation of agent with the State of NM on 05/08/2014. Service can no longer be taken for this entity.

CT was unable to forward.

Very truly yours,

C T Corporation System

Log# 531756548

Sent By Regular Mail

cc: —

(Returned To)

Keith W. Herrmann
State of New Mexico - Energy, Minerals and Natural Resources Department Oil Conservation Division
1220 S. St. Francis Drive,
Santa Fe, NM 57505