

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

JUL 10 2018 PM05:01

**APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION
COMPLIANCE AND ENFORCEMENT BUREAU FOR A COMPLIANCE
ORDER AGAINST BRECK OPERATING CORP., FOR WELLS OPERATED IN
LEA AND SAN JUAN COUNTIES, NEW MEXICO.**

CASE NO. 16356

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 Breck Operating Corp. ("Operator") is out of compliance with 19.15.5.9(A)(4), and 19.15.25.8 NMAC; (2) requiring the Operator to return to compliance with 19.15.5.9(A)(4) and 19.15.25.8 NMAC within forty-five (45) days, and requiring producing wells shut-in until compliance is achieved; and (3) in the event of non-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 and costs as permitted by NMSA 1978, § 70-2-14(E). This application deals specifically with Operator's violations of 19.15.5.9(A)(4) and 19.15.25.8 NMAC 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 Bureau states:

1. Operator is a Foreign profit corporation that operates 127 wells in Lea and San Juan Counties, New Mexico, under OGRID No. 2799. See *Exhibit 1: Well List and Financial Assurance Report*, attached hereto and incorporated by reference as if set forth in its entirety.

2. Operator's address of record with OCD is: P.O. Box 911, Breckenridge, TX 76424-911.

3. The New Mexico Secretary of State has Operator registered under entity number 1191865 and identifies Steven Veazey, Chief Financial Officer, Barbara J Beene, Secretary, Wayne Christian, President, Matthew Thompson, Vice President, and Ernest Underwood, Vice President, as officers of record.

4. Operator has one blanket bond filed with the OCD, letter of credit no. OCD466, from Sunwest Bank, for the amount of \$50,000.

5. Operator has additionally furnished the OCD with 7 single well bonds on file with the OCD from Frost Bank for a total amount of \$64,998.

6. Operator's has provided single well financial assurance for the following wells:

- a. Christmas #001, API # 30-025-37044, \$12,608 Bond Amount;
- b. Cooper G #001, API # 30-025-35344, \$8,850 Bond Amount;
- c. King C #002, API # 30-025-09200, \$8,700 Bond Amount;
- d. King D #001, API # 30-025-10653, \$8,485 Bond Amount;
- e. New Mexico Z State #004, API # 30-025-30501, \$8,670 Bond Amount;

f. New Mexico Z State #005, API # 30-025-30625, \$8,700 Bond Amount;

g. State A 26 #001, API # 30-025-04072, \$8,985 Bond Amount.

7. Bank's address of record is: P.O. Box 1600, San Antonio, TX 78296.

8. 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.

9. 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.

10. The Operator currently has 8 wells out of a total of 127 wells out of compliance with 19.15.25.8 NMAC, exceeding the amount allowed under 19.15.5.9(A)(4) NMAC. See *Exhibit 2: Inactive Well List*.

11. On June 27, 2017, 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.

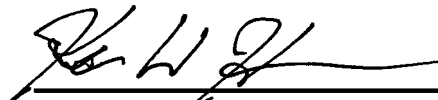
12. The Operator has not contacted the Bureau to resolve the outstanding compliance issues.

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(A)(4), and 19.15.25.8 NMAC;
- B. requiring the Operator to return the subject wells to compliance with 19.15.5.9(A)(4) and 19.15.25.8 NMAC within forty-five (45) days;
- C. requiring producing wells to be shut-in pursuant to 19.15.5.10(B) NMAC until compliance with the order is achieved;

- 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 and costs as permitted by NMSA 1978, § 70-2-14(E);
- E. upon a finding of non-compliance with the issued Division order, requiring producing wells shut-it pursuant to 19.15.5.10(B) NMAC;
- F. for such other and further relief as the Director deems just and proper under the circumstances.

RESPECTFULLY SUBMITTED,
this 10th day of July, 2018 by



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Attorney for the Compliance and
Enforcement Bureau

Case No. ~~16356~~ **Application of The New Mexico Oil Conservation Division Compliance and Enforcement Bureau for a Compliance Order against Breck Operating Corp., for Wells Operated in Lea and San Juan Counties, 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 Breck Operating Corp., (“Operator”) is out of compliance with 19.15.5.9(A)(4), and 19.15.25.8 NMAC; (2) requiring the Operator to return to compliance with 19.15.5.9(A)(4) and 19.15.25.8 NMAC within 45 days and requiring producing wells shut-in until compliance is achieved; and (3) in the event of non-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).

Inactive Well Additional Financial Assurance Report

2799 BRECK OPERATING CORP

Total Well Count: 69

Printed On: Tuesday, July 10 2018

EXHIBIT

1

Property	Well Name	Lease Type	ULSTR	OCD Unit Letter	API	Well Type	Last Prod/Inj	Inactive Additional Bond Due	Measured Depth	Required Amount	Bond Required Now	Blanket TA Bond	Bond in Place	In Violation
30985	A L CHRISTMAS #002	P	D-26-22S-36E	D	30-025-24909	G	09/2016	10/01/2018	Unknown	Unknown			0	
302700	ATLANTIC STATE #001	P	M-34-22S-36E	M	30-025-35022	G	04/2018	05/01/2020	3400	8400			0	
28005	B F HARRISON C #003	P	L-09-23S-37E	L	30-025-32500	G	04/2018	05/01/2020	7250	12250			0	
312275	CHRISTMAS #001	P	D-11-20S-37E	D	30-025-37044	O	11/2015	12/01/2017	7608	12608	Y		12,608	
312273	CLARA FOWLER #003	P	C-31-18S-38E	C	30-025-07505	O	04/2018	05/01/2020	Unknown	Unknown			0	
	CLARA FOWLER #004	P	F-31-18S-38E	F	30-025-07506	O	04/2018	05/01/2020	3278	8278			0	
312314	COOPER #003	P	F-14-24S-36E	F	30-025-30591	O	04/2018	05/01/2020	Unknown	Unknown			0	
312301	COOPER B #003	P	A-14-24S-36E	A	30-025-09578	G	04/2018	05/01/2020	3640	8640			0	
312268	COOPER G #001	P	N-11-24S-36E	N	30-025-35344	O	11/2015	12/01/2017	3850	8850	Y		8,850	
312308	ENCO STATE #001	S	A-32-24S-37E	A	30-025-34057	O	04/2018	05/01/2020	3250	8250			0	
312315	EUNICE COOPER #001	P	P-11-24S-36E	P	30-025-25563	G	04/2018	05/01/2020	3750	8750			0	
	EUNICE COOPER #002	P	J-11-24S-36E	J	30-025-27919	O	04/2018	05/01/2020	3800	8800			0	
	EUNICE COOPER #003	P	I-11-24S-36E	I	30-025-28371	O	04/2018	05/01/2020	3800	8800			0	
312313	EXXON FEE #001	P	7-04-21S-37E	B	30-025-33439	O	09/2016	10/01/2018	7100	12100			0	
2214	FARMING A #001	S	H-16-27N-09W	H	30-045-06527	G	04/2018	05/01/2020	2281	7281			0	
28937	FARRAR B #001	P	O-13-11S-33E	O	30-025-21749	O	04/2018	05/01/2020	10080	15080			0	
28938	GOLDENGATE #001Y	P	E-18-12S-38E	E	30-025-29221	O	04/2018	05/01/2020	Unknown	Unknown			0	
312316	H T ORCUTT NCT H #001	S	E-11-20S-37E	E	30-025-21257	O	04/2018	05/01/2020	6725	11725			0	
	H T ORCUTT NCT H #002	S	C-11-20S-37E	C	30-025-21867	O	04/2018	05/01/2020	6880	11880			0	
	H T ORCUTT NCT H #003	S	F-11-20S-37E	F	30-025-36346	O	04/2018	05/01/2020	8000	13000			0	
312278	HUFF #001	P	G-09-24S-37E	G	30-025-26755	O	04/2018	05/01/2020	3630	8630			0	
312271	J V BAKER #009	P	N-22-22S-37E	N	30-025-10415	O	04/2018	05/01/2020	7362	12362			0	
30984	KING C #002	P	2-01-23S-36E	B	30-025-09200	O	10/2008	11/01/2010	3700	8700	Y		8,700	
	KING C #003	P	G-01-23S-36E	G	30-025-09201	O	04/2018	05/01/2020	3720	8720			0	
	KING C #004	P	H-01-23S-36E	H	30-025-09202	O	04/2018	05/01/2020	3705	8705			0	
	KING C #005	P	1-01-23S-36E	A	30-025-09203	O	04/2018	05/01/2020	3700	8700			0	
312289	KING D #001	P	5-06-23S-37E	E	30-025-10653	G	11/2015	12/01/2017	3485	8485	Y		8,485	
24813	LORETTA D LOWE #001	P	P-22-14S-37E	P	30-025-26770	O	04/2018	05/01/2020	9550	14550			0	
24831	MALAGA COM #001	P	G-03-24S-28E	G	30-015-22853	O	04/2018	05/01/2020	13100	18100			0	
312300	MARSHALL #002	P	I-11-21S-36E	I	30-025-04615	G	04/2018	05/01/2020	3845	8845			0	
312298	MARTIN A #002	P	A-31-24S-37E	A	30-025-11294	G	04/2018	05/01/2020	3545	8545			0	
312311	MCDONALD A 35 STATE COM #001	S	P-35-22S-36E	P	30-025-09171	G	04/2018	05/01/2020	3555	8555			0	
312318	MCQUATTERS #001	P	C-12-21S-36E	C	30-025-25675	G	04/2018	05/01/2020	Unknown	Unknown			0	
	MCQUATTERS #002	P	D-12-21S-36E	D	30-025-26531	G	04/2018	05/01/2020	6930	11930			0	
312306	NEW MEXICO C STATE NCT 6 #001	S	J-06-19S-37E	J	30-025-05566	G	04/2018	05/01/2020	Unknown	Unknown			0	
	NEW MEXICO C STATE NCT 6 #002	S	P-06-19S-37E	P	30-025-30816	O	04/2018	05/01/2020	Unknown	Unknown			0	
312309	NEW MEXICO Z STATE #002	S	1-02-24S-36E	A	30-025-26363	O	04/2018	05/01/2020	Unknown	Unknown			0	
	NEW MEXICO Z STATE #004	S	H-02-24S-36E	H	30-025-30501	G	11/2015	12/01/2017	3670	8670	Y		8,670	
	NEW MEXICO Z STATE #005	S	2-02-24S-36E	B	30-025-30625	G	11/2015	12/01/2017	3700	8700	Y		8,700	
312291	SANTA RITA #001	P	A-27-22S-37E	A	30-025-35883	O	04/2018	05/01/2020	7180	12180			0	
	SANTA RITA #002	P	G-27-22S-37E	G	30-025-36825	O	04/2018	05/01/2020	4	5004			0	
	SANTA RITA #003	P	N-22-22S-37E	N	30-025-37387	O	04/2018	05/01/2020	7220	12220			0	
	SANTA RITA #011	P	B-27-22S-37E	B	30-025-36027	O	04/2018	05/01/2020	7218	12218			0	
25432	SOUTH EUNICE UNIT #008	P	G-22-22S-36E	G	30-025-09003	O	04/2018	05/01/2020	Unknown	Unknown			0	
	SOUTH EUNICE UNIT #009	P	F-22-22S-36E	F	30-025-09002	I	04/2018	05/01/2020	Unknown	Unknown			0	
	SOUTH EUNICE UNIT #010	P	E-22-22S-36E	E	30-025-09005	O	04/2018	05/01/2020	Unknown	Unknown			0	
	SOUTH EUNICE UNIT #011	P	H-21-22S-36E	H	30-025-08985	O	04/2018	05/01/2020	Unknown	Unknown			0	
	SOUTH EUNICE UNIT #020	P	I-21-22S-36E	I	30-025-08986	I	04/2018	05/01/2020	Unknown	Unknown			0	
	SOUTH EUNICE UNIT #031	P	N-21-22S-36E	N	30-025-08973	O	04/2018	05/01/2020	Unknown	Unknown			0	
	SOUTH EUNICE UNIT #044	P	L-28-22S-36E	L	30-025-09081	O	04/2018	05/01/2020	Unknown	Unknown			0	
	SOUTH EUNICE UNIT #048	P	P-28-22S-36E	P	30-025-09089	O	04/2018	05/01/2020	Unknown	Unknown			0	
	SOUTH EUNICE UNIT #052	P	C-33-22S-36E	C	30-025-09116	O	04/2018	05/01/2020	Unknown	Unknown			0	
	SOUTH EUNICE UNIT #053	P	B-33-22S-36E	B	30-025-09132	O	04/2018	05/01/2020	Unknown	Unknown			0	
	SOUTH EUNICE UNIT #056	P	F-33-22S-36E	F	30-025-09115	O	04/2018	05/01/2020	Unknown	Unknown			0	
	SOUTH EUNICE UNIT #066	P	D-21-22S-36E	D	30-025-24903	O	04/2018	05/01/2020	Unknown	Unknown			0	
312287	STATE 10 #001	S	D-10-21S-37E	D	30-025-06460	O	04/2018	05/01/2020	Unknown	Unknown			0	

7/10/2018

OCD Permitting

	STATE 10 #002	S	E-10-21S-37E	E	30-025-36070	O	04/2018	05/01/2020	7505	12505		0
	STATE 10 #003	S	E-10-21S-37E	E	30-025-36736	O	04/2018	05/01/2020	4384	9384		0
	STATE 10 #004	S	D-10-21S-37E	D	30-025-37146	O	04/2018	05/01/2020	5510	10510		0
2228	STATE 17-20 #002	S	C-17-14S-34E	C	30-025-01873	O	04/2018	05/01/2020	Unknown	Unknown		0
312302	STATE 35 #001	S	A-35-22S-36E	A	30-025-29273	G	04/2018	05/01/2020	Unknown	Unknown		0
312288	STATE A 26 #001	S	M-26-19S-36E	M	30-025-04072	O	12/2015	01/01/2018	3985	8985	Y	8,985
	STATE A 26 #002	S	L-26-19S-36E	L	30-025-04073	O	04/2018	05/01/2020	3993	8993		0
312286	STATE A 7 #002	S	J-07-19S-37E	J	30-025-05573	G	04/2018	05/01/2020	Unknown	Unknown		0
312303	STATE B #001	S	D-29-21S-36E	D	30-025-12737	O	04/2018	05/01/2020	Unknown	Unknown		0
312317	STATE C COM #001	S	C-29-21S-36E	C	30-025-04831	G	04/2018	05/01/2020	3925	8925		0
28948	STATE JJ 36 #001	S	G-36-22S-37E	G	30-025-21020	O	04/2018	05/01/2020	Unknown	Unknown		0
312292	STATE V #001	S	J-17-19S-37E	J	30-025-35997	G	04/2018	05/01/2020	3850	8850		0
312293	W D GRIMES #006	P	I-29-18S-38E	I	30-025-23400	G	04/2018	05/01/2020	7050	12050		0

WHERE Ogrid:2799

Inactive Well List

Total Well Count: 127 Inactive Well Count: 8

Printed On: Tuesday, July 10 2018

District	API	Well	ULSTR	OCD Unit	Ogrid	Operator	Lease Type	Well Type	Last Production	Formation/Notes	Status	TA Exp Date
1	30-025-24909	A L CHRISTMAS #002	D-26-22S-36E	D	2799	BRECK OPERATING CORP	P	G	09/2016		T	12/16/2017
1	30-025-35344	COOPER G #001	N-11-24S-36E	N	2799	BRECK OPERATING CORP	P	O	11/2015	QUEEN		
1	30-025-09200	KING C #002	2-01-23S-36E	B	2799	BRECK OPERATING CORP	P	O	10/2008		T	1/29/2018
3	30-045-24270	KUTZ GOVT #004J	B-34-28N-10W	B	2799	BRECK OPERATING CORP	F	G	06/2016			
1	30-025-09416	LYNN B 25 #002	M-25-23S-36E	M	2799	BRECK OPERATING CORP	F	G	07/2008			
3	30-045-06483	MARSHALL B #001	I-14-27N-09W	I	2799	BRECK OPERATING CORP	F	G	11/2016			
1	30-025-30501	NEW MEXICO Z STATE #004	H-02-24S-36E	H	2799	BRECK OPERATING CORP	S	G	11/2015			
1	30-025-30625	NEW MEXICO Z STATE #005	2-02-24S-36E	B	2799	BRECK OPERATING CORP	S	G	11/2015	RECLASSIFY G TO O/EFFECT 07/01/99		

WHERE Operator:2799, County:All, District:All, Township:All, Range:All, Section:All, Production(months):15, Excludes Wells Under ACOI, Excludes Wells in Approved TA Period

