

**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 MOMENTUM OPERATING CO., INC., FOR WELLS
OPERATED IN LEA COUNTY, NEW MEXICO.**

CASE NO. 16357

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 Momentum Operating Co., Inc., ("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 30 wells in Lea County, New Mexico, under OGRID No. 196069. 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: 224 South Main, P. O. Box 2439, Albany, TX 76430-2439.

3. The New Mexico Secretary of State has Operator registered under entity number 2128841 and identifies Mike Parsons, President, Don Tidwell, President, Bob Tidwell, Secretary, and Lynn Neff, Treasurer, as officers of record.

4. Operator has one blanket letter of credit filed with the OCD, letter of credit no. LOC895, from First National Bank Albany Texas, for the amount of \$50,000.

5. Operator has additionally furnished the OCD with 2 single well bonds on file with the OCD from First National Bank Albany Texas for a total amount of \$20,211.

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

- a. Skelly D State #005, API # 30-025-33297, \$11,000 Bond Amount;
- b. State 12 #001, API # 30-025-03459, \$9,211 Bond Amount;

7. Bank's address of record is: 100 S Main, PO Box 2019, Albany, TX 76430.

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 4 wells out of a total of 30 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 20, 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 until
compliance with the order is achieved;
- 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



Keith W. Herrmann
Assistant General Counsel
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. 16357. **Application of The New Mexico Oil Conservation Division Compliance and Enforcement Bureau for a Compliance Order against Momentum Operating Co., Inc., for Wells Operated in Lea 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 Momentum Operating Co., Inc., ("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

196069 MOMENTUM OPERATING CO INC

Total Well Count: 7

Printed On: Tuesday, July 10 2018

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
30478	SKELLY D STATE #001	S	P-01-20S-36E	P	30-025-04148	O	03/2018	04/01/2020	3890	8890			0	
	SKELLY D STATE #002	S	I-01-20S-36E	I	30-025-04149	O	03/2018	04/01/2020	3886	8886			0	
	SKELLY D STATE #004	S	I-01-20S-36E	I	30-025-30248	G	03/2018	04/01/2020	7725	12725			0	
	SKELLY D STATE #005	S	I-01-20S-36E	I	30-025-33297	O	04/2014	05/01/2016	6000	11000	Y		11,000	
31005	SKELLY K STATE #001	S	C-32-21S-37E	C	30-025-06946	O	03/2018	04/01/2020	3761	8761			0	
	SKELLY K STATE #002	S	D-32-21S-37E	D	30-025-06947	O	03/2018	04/01/2020	3785	8785			0	
32503	STATE 12 #001	S	L-12-21S-35E	L	30-025-03459	G	10/2005	11/01/2007	4211	9211	Y		9,211	

WHERE Ogrid:196069



Inactive Well List

Total Well Count: 30 Inactive Well Count: 4
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	30-025-33297	SKELLY D STATE #005	I-01-20S-36E	I	196069	MOMENTUM OPERATING CO INC	S	O	04/2014	PADDOCK		
1	30-025-03459	STATE 12 #001	L-12-21S-35E	L	196069	MOMENTUM OPERATING CO INC	S	G	10/2005			
1	30-025-28027	TEAS YATES UNIT #012	2-18-20S-34E	E	196069	MOMENTUM OPERATING CO INC	F	I	04/2010	IN VIOLATION BY BLM 04/18/10 WORKOVER		
1	30-025-28032	TEAS YATES UNIT #112	A-14-20S-33E	A	196069	MOMENTUM OPERATING CO INC	F	O	02/2015	YATES 7RIVERS APD EXP 05/12/2011		

WHERE Operator:196069, County:All, District:All, Township:All, Range:All, Section:All, Production(months):15, Excludes Wells Under ACOI, Excludes Wells in Approved TA Period

EXHIBIT

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