

**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 TEMPO ENERGY, INC., FOR WELLS OPERATED IN LEA
COUNTY, NEW MEXICO.**

CASE NO. 16444

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 Tempo Energy, Inc. ("Operator") is out of compliance with 19.15.5.9(A)(4), 19.15.8, 19.15.25.8 NMAC and NMSA 1978, § 70-2-14; (2) requiring the Operator to return to compliance with 19.15.5.9(A)(4), 19.15.8, 19.15.25.8 NMAC, and NMSA 1978, § 70-2-14 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 2 wells in Lea County, New Mexico, under OGRID No. 22223. 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 1034, Midland, TX 79702.

3. The New Mexico Secretary of State has Operator registered under entity number 1270172 and identifies Frank Pannell, Director and Vice President as officer of record.

4. Operator has one surety bond filed with the OCD, bond no. 980F998, from Travelers Indemnity Co., for \$50,000.00.

5. Travelers Indemnity Co.'s address of record is: One Tower Square, Hartford, CT 06183.

6. 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.

7. 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.

8. 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.

9. Operator currently is in need of acceptable financial assurance for the State NNG #001 well, API No. 30-25-28245.

10. 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.

11. The Operator currently has two (2) wells out of a total of two (2) 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*.

12. On February 13, 2018, 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.

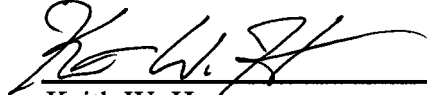
13. The Operator has not contacted the Bureau to resolve the outstanding compliance issues.

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. Determining that Operator is in violation of 19.15.8 NMAC;
- C. Determining that Operator is in violation of NMSA 1978, § 70-2-14;
- D. requiring the Operator to return the subject wells to compliance with 19.15.5.9(A)(4), 19.15.8 and 19.15.25.8 NMAC within forty-five (45) days;

- E. requiring producing wells to be shut-in pursuant to 19.15.5.10(B) NMAC until compliance with the order is achieved;
- F. 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);
- G. upon a finding of non-compliance with the issued Division order, requiring producing wells shut-it pursuant to 19.15.5.10(B) NMAC;
- H. for such other and further relief as the Director deems just and proper under the circumstances.

RESPECTFULLY SUBMITTED,
this 4 day of September, 2018
by



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Energy, Minerals and Natural
Resources Department of the State of
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Attorney for the Compliance and
Enforcement Bureau

Case No. 16444. **Application of The New Mexico Oil Conservation Division Compliance and Enforcement Bureau for a Compliance Order against Tempo Energy, 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 Tempo Energy, Inc. ("Operator") is out of compliance with 19.15.5.9(A)(4), 19.15.8, 19.15.25.8 NMAC and NMSA 1978, § 70-2-14; (2) requiring the Operator to return to compliance with 19.15.5.9(A)(4), 19.15.8, 19.15.25.8 NMAC and NMSA 1978, § 70-2-14 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

22223 TEMPO ENERGY INC

Total Well Count: 1

Printed On: Tuesday, September 04 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
10858	STATE NNG #001	S	L-16-26S-32E	L	30-025-28245	O	12/2015	01/01/2018	4469	9469	Y		0	Y

WHERE Ogrid:22223

***Exhibit 1: Well List and
Financial Assurance Report***

Inactive Well List

Total Well Count: 2 Inactive Well Count: 2
Printed On: Tuesday, September 04 2018

District	API	Well	ULSTR	OCD Unit	Ogrid	Operator	Lease Type	Well Type	Last Production	Formation/Notes	Status	TA Exp Date
1	30-025-27358	EXXON FORREST FEDERAL #001	P-08-26S-32E	P	22223	TEMPO ENERGY INC	F	S	12/2015	CONV TO SWD 3/03		
1	30-025-28245	STATE NNG #001	L-16-26S-32E	L	22223	TEMPO ENERGY INC	S	O	12/2015			

WHERE Operator:22223, County:All, District:All, Township:All, Range:All, Section:All, Production(months):15, Excludes Wells
Under ACOI, Excludes Wells in Approved TA Period

Exhibit 2: Inactive Well List