



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

July 18, 2006

C.W. Trainer
P.O. Box 754
Midland, TX 79702

NOTICE OF VIOLATION (NOV #0-06-02)

Re: Inactive Well Agreed Compliance Order 7-A
OCD Rule 201 [19.15.4.201 NMAC]

Dear Mr. Trainer:

C.W. Trainer (Trainer) is in violation of inactive well agreed compliance order 7-A (ACOI-7-A) and OCD Rule 201 [19.15.4.201 NMAC]. The following facts support issuance of this notice of violation:

1. Trainer and the Oil Conservation Division (OCD) entered into ACOI-7-A, effective December 6, 2005. A copy of ACOI-7-A is attached as Exhibit 1.
2. In ACOI-7-A Trainer acknowledged that it was the operator of the six wells identified in Ordering Paragraph 2 of the order, and that those six wells had been continuously inactive for a period of one year plus ninety days; were not properly plugged and abandoned, and were not placed on temporary abandonment status.
3. OCD Rule 201 [19.15.4.201 NMAC] requires that a well be either properly plugged and abandoned or placed in approved temporary abandonment in accordance with OCD rules within 90 days after a period of one year in which a well has been continuously inactive.
4. In ACOI-7-A Trainer agreed that it would return the 6 wells identified in Ordering Paragraph 2 to compliance with Rule 201 by June 30, 2006.
5. In Ordering Paragraph 4 of ACOI-7-A Trainer further agreed to pay a penalty of \$1,000 for each well identified in Ordering Paragraph 2 that is not in compliance by June 30, 2006. The order provided that the penalty was due and payable July 1, 2006.
6. As of today's date, one of the 6 wells identified in Ordering Paragraph 2 has been transferred to another operator; the 5 other wells identified in Ordering Paragraph 2 are still operated by Trainer and remain out of compliance with Rule 201. Attached as Exhibit 2 are print-outs showing the current status of the 6 wells identified in Ordering Paragraph 2.
7. As of today's date, Trainer has not paid the penalty due under Ordering Paragraph 4.
8. Ordering Paragraph 6 of ACOI 7-A provides that any further amendments to the order must be made after notice and hearing.

OCD Ex. No. 11
Case 13846

Trainer is subject to penalties under the terms of ACOI-7-A. Trainer is also in violation of OCD Rule 201 as to the 5 wells identified in Ordering Paragraph 2 of ACOI 7-A that Trainer still operates.

Trainer's misconduct warrants issuance of this "Notice of Violation" and assessment of civil penalties pursuant to ACOI-7-A and NMSA 70-2-31.A. Section 70-2-31(A) authorizes penalties of up to one thousand dollars (\$1,000) per day per violation for any knowing or willful violation of any provision of the "Oil and Gas Act" or any rule or order adopted pursuant to the Act.

Because the violations at issue are serious and of a continuing nature, the Compliance and Enforcement Manager believes at this time a penalty of not less than \$5,000 (five thousand dollars) and a definite commitment to future corrective action are essential. This penalty is based on continuing violations of Rule 201 and violations of the terms of ACOI-7-A.

Unless the matter is satisfactorily resolved at an administrative conference we will request an enforcement hearing before an OCD Hearing Examiner or file suit in District Court, where we will recommend issuance of a formal order assessing penalties and setting a date certain for returning the wells to compliance. The OCD will ask that the order allow the OCD to plug the wells if they are not returned to compliance by the date set in the order, and allow the OCD to forfeit the applicable financial assurance to reimburse it for the costs of plugging the wells.

Please contact me within ten (10) days at 505-476-3493 to schedule an administrative conference to discuss this matter. OCD legal counsel may be present by telephone for this conference and you may bring legal counsel if you wish.

Sincerely,


Daniel Sanchez
Enforcement and Compliance Manager

Cc: U.S. Specialty Ins. Co.
13403 Northwest Freeway
Houston, TX. 77040
(Bond B001539)

Ec: Gail MacQuesten, OCD Attorney
Chris Williams, OCD District I
Tim Gum, OCD District II
Charlie Perrin, OCD District III

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

NMOCD - ACO 01-04-07-A

IN THE MATTER OF CW TRAINER,

Respondent.

AMENDED
AGREED COMPLIANCE ORDER

Pursuant to the New Mexico Oil and Gas Act, NMSA 1978, Sections 70-2-1 through 70-2-38, as amended ("Act"), the Director of the Oil Conservation Division ("OCD") and C W Trainer ("Operator") enter into this Amended Order under which Operator agrees to pay a penalty for failure to comply with ACO-07, agrees that the wells identified herein shall be brought into compliance with the Act and OCD Rule 201 [19.15.4.201 NMAC] in accordance with the following agreed schedule and procedures, and agrees to pay penalties as set out below if it fails to meet the schedule set out in this Amended Order:

FINDINGS

1. The OCD is the state division charged with administration and enforcement of the Act, and rules and orders adopted pursuant to the Act.
2. Operator is a sole proprietorship doing business in the state of New Mexico.
3. Operator is the operator of record under OGRID 3474 for the following wells:

Gulf State Com #1	API 30-025-23525
Amerada State SWD #1	API 30-025-23676
Harris Federal #1	API 30-025-28551
State GB #1	API 30-025-03689
Hope State #1	API 30-025-01059
Tower #2	API 30-025-35093
McElvain #3	API 30-025-28557

1. At the time Operator entered into ACO-7 the wells identified in Paragraph 3:
 - (a) had been continuously inactive for a period of one year plus ninety days;
 - (b) were not properly plugged and abandoned under OCD Rule 202 [19.15.4.202 NMAC]; and
 - (c) had not been placed on temporary abandonment status under OCD Rule 203 [19.15.4.203 NMAC].

Ex. 1

5. OCD Rule 201 [19.15.4.201 NMAC] states, in relevant part:

"A. The operator of any well drilled for oil, gas or injection; for seismic, core or other exploration, or for a service well, whether cased or uncased, shall be responsible for the plugging thereof.

B. A well shall be either properly plugged and abandoned or temporarily abandoned in accordance with these rules within ninety (90) days after:

....
....

(3) a period of one (1) year in which a well has been continuously inactive."

6. Under the terms of ACO-7 Operator agreed to bring the wells identified in Paragraph 3 into compliance with Rule 201 in accordance with a negotiated schedule, will all wells to be in compliance by December 31, 2005.

7. As of November 16, 2005, Operator had brought three of the wells identified in Paragraph 3 into compliance with Rule 201:

Harris Federal #1	API 30-025-28551
Hope State #1	API 30-025-01059
Tower #2	API 30-025-35093

8. Operator was not able to bring the remaining 4 wells identified in Paragraph 3 into compliance in accordance with the negotiated schedule due to difficulties obtaining equipment, unanticipated difficulties in returning wells to production and/or placing the wells on approved temporary abandonment status, and personal issues including health problems.

9. Operator acknowledged to the OCD that it had not read the terms of ACO-7, and had put other business priorities ahead of meeting the compliance schedule set out in ACO-7. Operator did not file compliance reports as required by ACO-7, or request an amendment when it first encountered difficulty in meeting the schedule set out in ACO-7.

10. Since the execution of ACO-7, two other wells operated by Operator have fallen out of compliance with Rule 201:

Lea DS State #1	API 30-025-23611
Morse #1	API 30-025-04991

11. NMSA 1978, Section 70-2-31(A) authorizes the assessment of civil penalties of up to one thousand dollars per day per violation against any person who knowingly or willfully violates any provision of the Oil and Gas Act or any rule or order adopted pursuant to the Act.

12. OCD Rule 7.P (2) [19.15.1.7.P (2) NMAC] defines "person" as
 "an individual or any other entity including partnerships, corporation, associations, responsible business or association agents or officers, the state or a political subdivision of the state or any agency, department or instrumentality of the United States and any of its officers, agents or employees."
13. Under the terms of ACO-7, Operator agreed that, after taking advantage of an initial one-month grace period, it would pay a penalty of \$1000 per month times the number of wells it failed to bring into compliance under the schedule set out in ACO-7.

CONCLUSIONS

1. The OCD has jurisdiction over the parties and subject matter in this proceeding.
2. As operator of the wells identified in Paragraphs 3 and 9, Operator is responsible for bringing those wells into compliance with Rule 201.
3. Operator is a "person" as defined by OCD Rule 7.P(2) subject to civil penalties for knowing and willful violations of the Oil and Gas Act or rules or orders adopted pursuant to the Act.
4. Operator is subject to civil penalties for its failure to comply with ACO-7.

ORDER

1. Taking into account both aggravating and mitigating circumstances, Operator is hereby assessed a penalty of \$1000 for its failure to comply with ACO-7. The \$1000 penalty shall be paid at the time this Amended Order is executed, by check payable to "Oil Conservation Division," and mailed or hand-delivered to the following address:

Oil Conservation Division, EMNRD
 1220 S. St. Francis Drive
 Santa Fe, NM 87505
 Attn: Gail MacQuesten

2. Operator is hereby directed to bring each of the following wells into compliance with OCD Rule 201 by **June 30, 2006**:

Gulf State Com #1	API 30-025-23525
Amerada State SWD #1	API 30-025-23676
State GIB #1	API 30-025-03689

McElvain #3	API 30-025-28557
Lea DS State #1	API 30-025-23611
Morse #1	API 30-025-04991

3. Operator shall bring each well identified in Ordering Paragraph 2 into compliance with Rule 201 by either:
 - a. restoring such well to production or other OCD-approved beneficial use and filing a C-115 documenting such production or use;
 - b. causing the wellbore to be plugged in accordance with OCD Rule 202, and filing a C-103 describing the completed work; or
 - c. placing the well on approved temporary abandonment status pursuant to OCD Rule 203.
4. Operator agrees to pay a penalty of \$1000 for each well identified in Ordering Paragraph 2 that is not in compliance, as defined in Ordering Paragraph 3, by June 30, 2006. The penalty is due and payable July 1, 2006 by check made out to "Oil Conservation Division." and mailed or hand-delivered to:

Oil Conservation Division, EMNRD
1220 S. St. Francis Drive
Santa Fe, NM 87505
Attn: Gail MacQuesten

If Operator does not make the payment required by Ordering Paragraph 4 the OCD shall apply for an order assessing the penalty and pursue collection activity, including compliance under OCD Rule 40.A(3).

5. Any well identified in Ordering Paragraph 2 not brought into compliance with OCD Rule 201 by June 30, 2006 will be added to the OCD's inactive well list kept pursuant to OCD Rule 40.F.
6. Any further amendments to ACO-7 must be made after notice and hearing. To apply for amendment, Operator shall file an application for hearing before an OCD examiner.
7. By signing this Order, Operator expressly:
 - (a) acknowledges the correctness of the Findings and Conclusions set forth in this Order;
 - (b) agrees to pay a \$1000 penalty for violating ACO-07;
 - (c) agrees to bring the wells identified in Ordering Paragraph 2 into compliance with OCD Rule 201 by June 30, 2006;
 - (d) agrees to pay penalties as set out in Ordering Paragraph 4 if it fails to bring all the wells identified in Ordering Paragraph 2 into compliance with OCD Rule 201 by June 30, 2006;

- (c) waives, subject to the provisions of Ordering Paragraph (9) above, any right, pursuant to the Oil and Gas Act or otherwise, to a hearing either prior or subsequent to the entry of this Amended Order or to an appeal from this Amended Order; and
- (d) agrees that this Amended Order may be enforced by Division or Oil Conservation Commission Order, by suit or otherwise to the same extent and with the same effect as a final Order of the Division or Oil Conservation Commission entered after notice and hearing in accordance with all terms and provisions of the Oil and Gas Act.

- 8. If the Operator complies with the terms of this Amended Order the Division will not seek penalties beyond those applicable under the terms of this Amended Order for Operator's failure to bring the wells identified in Ordering Paragraph 2 into compliance with Rule 201 prior to June 30, 2006.
- 9. This Amended Order applies only to those wells identified in Ordering Paragraph 2. Other wells operated by Operator out of compliance with Rule 201 may be subject to immediate enforcement action under the Oil and Gas Act.

Done at Santa Fe, New Mexico this _____ day of _____, 2005

By: _____
Mark Fesmire, P.E.
Director, Oil Conservation Division

ACCEPTANCE

C W Trainer hereby accepts the foregoing Order, and agrees to all of the terms and provisions set forth in that Order.

C W Trainer
By: _____
Title: _____
Date: _____

AGREED COMPLIANCE ORDER - INACTIVE WELLS

Operator CW TRAINER

Order 7 Amendment A

Well Name	API	Last Production/ Injection Date	Plug Date	Plugged, Not Released	TA Expiration Date	Well Transferred
AMERADA STATE SWD #001	30-025-23676	4/1/1999				
GULF STATE COM #001	30-025-23525	4/1/1999				
LEADS STATE #001	30-025-23611	4/1/2004				
MCELVAIN #003	30-025-28557	2/1/1996				YES
MORSE #001	30-025-04991	3/1/2001				
STATE GB #001	30-025-03689	2/1/2003				

Ex. 2

Inactive Well List

Total Well Count:22 Inactive Well Count:5 Since:4/24/2005

Printed On: Tuesday, July 18 2006

District	API	Well	ULSTR	OCD Unit	OGRID	Operator	Lease Type	Well Type	Last Production	Formation/Notes	Status	E ii
1	30-025-23676	AMERADA STATE SWD #001	G-4 -15S-35E	G	3474	C W TRAINER	S	S	04/1999	INT TO P&A APPVD 3-2-05		
1	30-025-23525	GULF STATE COM #001	1-4 -15S-35E	A	3474	C W TRAINER	S	O	04/1999	WOLFCAMP		
1	30-025-23611	LEADS STATE #001	E-36-19S-34E	E	3474	C W TRAINER	S	O	04/2004	BONE SPRING		
1	30-025-04991	MORSE #001	E-27-10S-37E	E	3474	C W TRAINER	S	O	03/2001	ECHOLS DEVONIAN NORTH		
1	30-025-03689	STATE GB #001	C-16-15S-36E	C	3474	C W TRAINER	S	O	02/2003	PERMO PENN		

WHERE Ogrid:3474, County:All, District:All, Township:All, Range:All, Section:All, Production(months):15