

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

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 13920
ORDER NO. R-12779

APPLICATION OF THE NEW MEXICO OIL
CONSERVATION DIVISION FOR A COMPLIANCE
ORDER AGAINST NORTHSTAR OIL AND GAS,
SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on June 21, 2007, at Santa Fe, New Mexico, before Examiners David K. Brooks and Richard Ezeanyim.

NOW, on this 5th day of July, 2007, the Division Director, having considered the testimony, the record and the recommendations of the Examiners,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and of the subject matter.

(2) Northstar Oil and Gas Corp. of Farmington, New Mexico ("Operator"), is the operator of the following oil or gas wells in San Juan County, New Mexico (the "subject wells"):

Name	Location	API No.
Barbara #1	P-12-29N-15W	30-045-24263
Davie #1	M-2-29N-15W	30-045-25092

(3) The Oil Conservation Division (the "Division") filed this application seeking an order pursuant to Section 70-2-14 NMSA 1978 and Division Rule 101.H directing Operator to properly plug and abandon the subject wells, or otherwise bring the

subject wells into compliance with Division Rule 201, by a date certain, and, in event of Operator's failure to comply with such order, forfeiting Operator's financial assurance. The Division also seeks assessment of civil penalties by reason of the Operator's failure to bring the subject wells into compliance with Rule 201.

(4) The Division presented evidence that demonstrated the following:

(a) Each of the subject wells has been inactive for a continuous period exceeding one year plus 90 days. None of the subject wells has been plugged and abandoned in accordance with Division Rule 202, nor is any of them currently in approved temporary abandonment status in accordance with Division Rule 203.

(b) On or about March 31, 1999 (as to both subject wells), December 17, 1999 and February 25, 2000 ((as to the Barbara #1)), and October 31, 2000, April 11, 2002, May 13, 2005 and September 26, 2006 (as to both wells), the Division mailed to Operator notices specifically informing Operator that the subject wells remained out of compliance with Rule 201.

(c) As of the date of the hearing, the subject wells were still out of compliance.

(d) Operator has furnished financial assurance to the Division to secure its obligation to properly plug and abandon wells that it operates, as required by Section 70-2-14 NMSA 1978 and by Division Rule 101. Operator's financial assurance consists of a Blanket Cash Plugging Bond (No. OCD-713), secured by an Assignment of Cash Collateral Deposit pledging funds in the amount of \$50,000 on deposit with Wells Fargo New Mexico, N.A., account No. 068754554.

(5) Operator appeared at the hearing through a corporate officer, who testified, but did not deny or controvert any of the material evidence presented by the Division.

(6) Division Rule 101.H authorizes the Director to order the operator to plug and abandon any well not in compliance with Rule 201, and to restore the location thereof, by a date certain, and further authorizes the Director to forfeit the operator's financial assurance upon failure or refusal of the operator or its surety to comply.

(7) Section 70-2-31(A) NMSA 1978 provides that any person who knowingly and willfully violates any provision of the Oil and Gas Act or any provision of any rule or order issued pursuant to that act shall be subject to a civil penalty of not more than one thousand dollars (\$1,000) for each violation, and that, in the case of a continuing violation, each day of violation shall constitute a separate violation.

(8) The evidence in this case demonstrates that the continued failure of Operator to bring the subject wells into compliance with Rule 201 during the period of

time from March 31, 1999 to June 21, 2007, the date of the hearing, was a knowing and willful violation of that Rule.

(9) A civil penalty, pursuant to Section 70-2-31(A) should be assessed against Operator for its knowing and willful failure to bring the subject wells into compliance with Rule 201 during the period of time described in Finding Paragraph (8), in the amount of Ten Thousand Dollars (\$10,000).

IT IS THEREFORE ORDERED THAT:

(1) Operator shall properly plug each of the subject wells, in accordance with Division Rule 202.A and 202.B(1) and (2), and a plugging procedure approved by the Division's Aztec District Office, or shall otherwise bring each of the subject wells into compliance with Rule 201, on or before September 5, 2007.

(2) Operator shall restore the well sites of the subject wells in the manner and within the time provided in Division Rule 202.B(3).

(3) In the event that Operator and its surety fail to comply with Ordering Paragraph (1) within the time provided, the Division may proceed to plug and abandon the subject wells, and to restore the well sites, and the bond described in finding (4)(d) of this Order shall be forfeited to the Division. If the Division incurs costs in plugging the subject wells or restoring the well sites exceeding the amount recoverable from the collateral securing the bond, the Division may bring suit to recover the excess costs so incurred from the Operator.

(4) In the event that Operator fails to comply with Ordering Paragraph (2) within the time provided, the Division may proceed to restore the well sites of the subject wells, and the bond described in finding (4)(d) of this Order shall be forfeited to the Division. If the Division incurs costs in restoring the wells sites exceeding the amount recoverable from the collateral securing the bond, the Division may bring suit to recover the excess costs so incurred from the Operator.

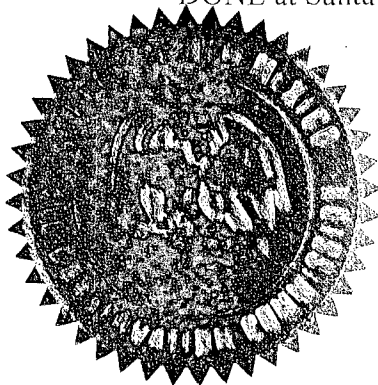
(5) A civil penalty is assessed against Operator in the amount of Ten Thousand Dollars (\$10,000) by reason of Operator's knowing and willful failure to return the subject wells to compliance with Division Rule 201 for the period from March 31, 1999 to June 21, 2007.

(6) Operator shall pay the penalty provided in Ordering Paragraph (5) by delivery of a certified check or cashier's check to the Division's Santa Fe Office on or before September 5, 2007.

(7) In the event Operator fails to comply with any provision of this Order within the time provided, the Division may, after notice and hearing, assess additional penalties, not to exceed \$1,000 per day, per violation.

(8) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in dark ink, appearing to read "Mark E. Fesmire", written over a horizontal line.

MARK E. FESMIRE, P.E.
Director