

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

**CASE NO. 14007
ORDER NO. R-12909**

**APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION FOR
A COMPLIANCE ORDER AGAINST SOUTHWESTERN, INC., LEA COUNTY,
NEW MEXICO**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on November 1, 2007, at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 25th day of February, 2008, the Oil Conservation Division ("Division") Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

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

(2) The Division seeks an order requiring Southwestern, Inc. ("operator") to bring the State VC Well No. 1 (API No. 30-025-03035) located in Unit L of Section 36, Township 17 South, Range 35 East, NMPM, Lea County, New Mexico, into compliance with Division Rule(s) 13.B, 100.D, 116.D, and 201 by April 30, 2008, and in the event of non-compliance, authorizing the Division to:

- (a) plug and abandon the subject well and reclaim the well location;
- (b) forfeit any applicable financial assurance for plugging and reclamation costs;
- (c) take necessary and appropriate measures to recover from the operator any costs of plugging the subject well and cleanup of the well site in excess of the amount of any applicable financial assurance; and
- (d) collect a penalty in the amount of \$6,000 from the operator.

(3) In accordance with Division rules, notice of this hearing was mailed to the operator and to the surety bond holder. The operator entered an appearance in this case on October 16, 2007, and asked for a continuance of the hearing in this case to November 1, 2008. The request for continuance was granted; however the operator did not appear at the November 1, 2008 hearing. No other party entered an appearance in this case.

(4) The following can be concluded from evidence presented at the hearing by the Division, and from available Division records:

(a) Since 1981, the operator of record for the subject well has been Southwestern, Inc. (or "SW, Inc." as it appears with the Public Regulation Commission), which is a corporation operating in New Mexico under OGRID 21386. Operator operates three wells in New Mexico.

(b) A Single Well Cash Bond for the subject well in the amount of \$7,500 was posted effective October of 1977. The current bond holder is OneBeacon Insurance Company of Canton, MA.

(c) The well has not produced since October of 2002 and has since not been returned to active status, temporarily abandoned, or plugged and abandoned as required by the Division in Rule 201 for wells inactive longer than 1 year plus 90 days.

(d) On May 18, 2007, Division inspectors discovered leaking equipment at this wellsite and contaminated soils – in violation of Division Rule 13.B. The operator had not reported these conditions to the Division in violation of Rule 116. Inspectors were not able to locate the operator to communicate these issues. The operator had not registered its address or emergency contact information with the Division in violation of Division Rule 100.C.

(e) For notice of this hearing, the applicant in this case was able to locate Southwestern, Inc. and the surety company and has obtained return receipts from both of them. After the October, 2007, hearing date, the operator has cleaned up contamination at the wellsite and supplied the required contact information and indicated it intends to plug and abandon this well.

(f) The operator did not move to clean up this contaminated wellsite until this case was brought to hearing. The operator did not appear at the hearing and has not informed the Division of a schedule to plug and abandon this well.

(g) The operator has indicated it no longer holds the lease to minerals under this wellsite, but has not signed this well over to the latest leaseholder (Yates Petroleum Corporation), and remains responsible for this well. Correspondence in the Division's well file indicates that Yates has evaluated this well, does not want to use it for production of oil or gas and prefers that Southwestern, Inc. plug and abandon the well.

(h) At this time, almost four months after the hearing, the Division well file shows no additional entries and shows no evidence this well has been re-activated, plugged, or temporarily abandoned.

(5) The evidence presented concerning this well shows this operator has been in violation of Division Rules 13.B, 100.D, 116.B and D, and 201. Since the hearing was scheduled the operator has come into compliance with Rules 13.B, 100.D, and 116.D but remains in violation of Rule 201.

(6) Southwestern, Inc. should be formally required to bring this well into compliance with 19.15.4.201 NMAC on or before April 30, 2007, by either placing the well back into production, temporarily abandoning, or plugging and abandoning the well.

(7) The applicant in this case is asking the Division to assess fines of \$6,000 against this operator for contamination on site and for the five years of non-compliance with Rule 201. Applicant at the hearing asked the Division to waive this fine if the operator returns this well to compliance with Division Rule 201 prior to April 30, 2008, or obtains an agreed schedule to return this well to compliance from the Director of the Oil Conservation Division by April 1, 2008. These fines are reasonable and the applicant's request should be granted.

(8) Should Southwestern, Inc. not meet these April compliance deadlines, the Division Director should then be authorized to (i) plug and abandon the subject well in accordance with a Division-approved plugging program, (ii) forfeit any applicable bond or letter of credit for plugging and abandonment costs, (iii) take necessary and appropriate measures to recover from the operator any costs of plugging the subject well in excess of the amount of any applicable financial assurance, and (iv) collect a fine of \$6,000 from the operator.

IT IS THEREFORE ORDERED THAT:

(1) Southwestern, Inc. or SW, Inc. ("operator") [OGRID 21386] is hereby directed to bring the following well into compliance with 19.15.4.201 NMAC on or before April 30, 2008:

State VC Well No. 1 (API No. 30-025-03035) located in Unit L of Section 36, Township 17 South, Range 35 East, NMPM, Lea County, New Mexico.

(2) Prior to beginning work on this well, the operator shall obtain approval for any such work from the supervisor of the Division's Hobbs district office and shall notify the District Office of the date and time this work is to commence so the Division may witness the work.

(3) In the event the operator fails to bring this well into compliance as directed above or obtain, prior to April 1, 2008 from the Division director, approval of a schedule to bring this well into compliance, then:

(a) the Division is authorized to plug and abandon the subject well and reclaim the well location;

(b) the Division is authorized to forfeit any applicable financial assurance for plugging and abandonment and reclamation costs; and

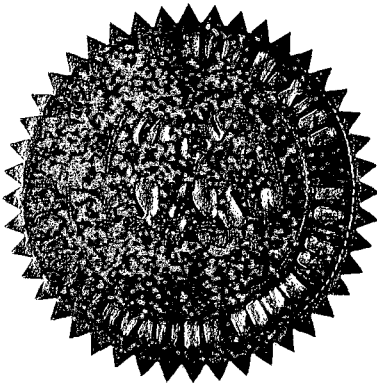
(c) the Division is authorized to take necessary and appropriate measures to recover from the operator any costs of plugging the subject well and cleanup of the well site in excess of the amount of any applicable financial assurance.


(d) the Division is authorized to collect a penalty in the amount of \$6,000 from this operator.

(4) 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.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION




MARK E. FESMIRE, P.E.
Director

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