

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

APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION, THROUGH THE ENFORCEMENT AND COMPLIANCE MANAGER, FOR A COMPLIANCE ORDER AGAINST LOTHIAN OIL TEXAS I, INC., FINDING THAT AS TO THE BEDINGFIELD FEDERAL NO. 001 WELL THE OPERATOR KNOWINGLY AND WILLFULLY VIOLATED OIL CONSERVATION DIVISION RULE 19.15.4.201 NMAC, OR IN THE ALTERNATIVE, OPERATOR KNOWINGLY AND WILLFULLY VIOLATED NMSA 1978, SECTION 70-2-31(B)(2) AND RULE 19.15.13.1115 NMAC; FINDING THAT OPERATOR KNOWINGLY AND WILLFULLY VIOLATED RULE 19.15.3.103 NMAC AS TO THE SQUARE LAKE 12 UNIT NO. 111 WELL; ASSESSING PENALTIES; REQUIRING OPERATOR TO RETURN THE WELLS TO COMPLIANCE BY A DATE CERTAIN; AUTHORIZING THE DIVISION TO PLUG THE BEDINGFIELD FEDERAL NO. 001 WELL IN THE EVENT OF OPERATOR'S NON-COMPLIANCE; EDDY COUNTY, NEW MEXICO.

CASE NO. 14014

APPLICATION FOR COMPLIANCE ORDER
AGAINST LOTHIAN OIL TEXAS I, INC.

1. Lothian Oil Texas I, Inc. ("Operator") is a foreign profit corporation (SCC No. 2573525) operating wells in New Mexico under OGRID 236040.
2. Operator is the operator of record for the Bedingfield Federal No.001 well (API No. 30-015-02835) and the Square Lake 12 Unit No.111 well (API No. 30-015-04108). Operator became the operator of record for the Bedingfield Federal No.001 well and the Square Lake 12 Unit No.111 well on May 1, 2005.
3. Both the Bedingfield Federal No. 001 and the Square Lake 12 Unit No. 111 wells are federal wells; there is no financial assurance posted with the State of New Mexico to secure the plugging of these wells.

4. NMSA 1978, Section 70-2-12 gives the OCD the authority to collect data, and to provide for the keeping of records and the making of reports and for the checking of the accuracy of the records and reports.

5. NMSA 1978, Section 70-2-12(B)(3) gives the OCD the authority to make rules and regulations “to require reports showing locations of all oil and gas well and for the filing of logs and drilling records or reports.”

6. OCD Rule 19.15.13.1115 NMAC (“Rule 1115”) requires operators to file a monthly report, form C-115, for each non-plugged well completion for which the OCD has approved a C-104 authorization to transport, and for each secondary or other enhanced recovery project or pressure maintenance project injection well or other injection well within the state of New Mexico, setting forth complete information and data indicated on said forms in the order, format and style the OCD director prescribes.

7. NMSA 1978, Section 70-2-31(B)(2) prohibits any person from knowingly and willfully making any false entry or statement in a report required by the Oil and Gas Act or by any rule issued pursuant to that Act, for the purpose of evading or violating the Oil and Gas Act or any rule issued pursuant to that Act.

8. Operator’s C-115 monthly production reports for the Bedingfield Federal No. 001 report no activity since October 1, 2005.

9. The Bedingfield Federal No. 001 well was operating when OCD staff inspected the well on April 10, 2006, and May 17, 2007.

10. By letter dated May 29, 2007, OCD Inspector Richard Inge informed Operator that the Bedingfield Federal No. 001 well was operating when he inspected it on May 17, 2007, but that Operator had reported zero production on its C-115 monthly

production reports for the well since October 1, 2005. OCD Inspector Inge informed Operator that this was a violation of OCD Rule 1115 and asked Operator to correct the violation by June 14, 2007.

11. OCD Rule 19.15.4.201 NMAC ("Rule 201") requires an operator to plug and abandon or temporarily abandon a well in accordance with OCD rules within 90 days after a period of one year of continuous inactivity.

12. OCD Rule 19.15.1.7(1)(4) defines an inactive well as a well which is not being utilized for a beneficial purpose such as production and which is not being drilled, completed, repaired or worked over.

13. Operator has not reported drilling, completion or re-completion, repairs or workovers on the Bedingfield Federal No. 001 well in the past year plus ninety days.

14. NMSA 1978, Section 70-2-14(B) states if any of the requirements of the Oil and Gas Act or the rules and regulations promulgated pursuant to that act have not been complied with, the OCD, after notice and hearing, may order any well plugged and abandoned by the operator or surety or both in accordance with OCD rules and regulations.

15. OCD Rule 19.15.3.103 NMAC ("Rule 103") require all wells and related facilities to be identified by a sign that shows the number of well, name of property, name of operator, location, and API number.

16. On May 17, 2007, OCD Inspector Inge noticed that the well sign for the Square Lake 12 Unit No. 111 well shows an incorrect operator as operator of the well.

17. By letter dated May 29, 2007, OCD Inspector Inge notified Operator of the well sign violation for the Square Lake 12 Unit No. 111 and asked Operator to correct the well sign violation by June 14, 2007.

18. 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 and willfully violates any provision of the Oil and Gas Act or any rule or order adopted pursuant to the Act.

19. NMSA 1978, Section 70-2-33(A) defines "person" to include a corporation.

WHEREFORE, the Enforcement and Compliance Manager of the Division hereby applies to the Director to enter an order:

- A. Determining that Operator knowingly and willfully violated OCD Rule 1115 and NMSA 1978, Section 70-2-31(B)(2) by filing false C-115 monthly production reports for the Bedingfield Federal No.001 well during the period from October 1, 2005 to the present time and
 - i. requiring Operator to file accurate C-115 monthly production reports for the Bedingfield Federal No.001 well by a date certain;
 - ii. assessing a penalty of \$1,000.00 per month for each false C-115 monthly production report Operator filed for the Bedingfield Federal No.001 well; or, in the alternative,
- B. Determining that Operator knowingly and willfully violated OCD Rule 201 by not bringing the Bedingfield Federal No.001 well into compliance with OCD Rule 201 and

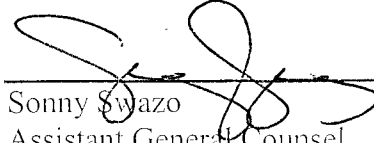
- i. assessing a penalty of a \$1,000.00 per month for each month the Bedingfield Federal No.001 well was out of compliance with OCD Rule 201;
- ii. requiring Operator to bring the Bedingfield Federal No.001 well into compliance with OCD Rule 201 within a date certain by plugging and abandoning the well in accordance with OCD Rule 19.15.4.202 NMAC, securing approved temporary abandonment status for the subject well in accordance with 19.15.4.203 NMAC, or returning the subject well to an OCD-approved beneficial use; and
- iii. if the Bedingfield Federal No. 001 well is not brought into compliance with OCD Rule 201 by the date set in the order:
 - a) Authorizing the OCD to plug the subject well in accordance with an OCD-approved plugging program and restore and remediate the location; and

C. Determining that Operator knowingly and willfully violated OCD Rule 103 by failing to post a sign showing the correct operator of the Square Lake 12 Unit No.111 well and

- i. assessing a \$1,000.00 penalty for Operator's knowing and willful violation of OCD Rule 103;
- ii. requiring Operator to post a sign with the correct operator information for the Square Lake 12 Unit No. 111 well by a date certain;

D. For such other and further relief as the Director deems just and proper under the circumstances.

RESPECTFULLY SUBMITTED,
this 19 day of Sept., 2007 by

A handwritten signature in black ink, appearing to read "Sonny Swazo", is written over a horizontal line.

Sonny Swazo
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Energy, Minerals and Natural
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Attorney for The New Mexico Oil
Conservation Division

Case No. 14014. Application of the New Mexico Oil Conservation Division for a Compliance Order against Lothian Oil Texas I, Inc. The Applicant seeks an order finding that operator knowingly and willfully violated 19.15.13.1115 NMAC and NMSA 1978, Section 70-2-31(B)(2) by filing false C-115 monthly production reports for the Bedingfield Federal No. 001 well since October 1, 2005 or in the alternative finding that operator knowingly and willfully violated 19.15.4.201 NMAC as to the Bedingfield Federal No. 001; finding that operator knowingly and willfully violated 19.15.3.103 NMAC as to the Square Lake 12 Unit No. 111 well; imposing penalties; requiring operator to return both wells to compliance by a date certain; authorizing the Division to plug the Bedingfield Federal No. 001 well if operator fails to return that well to compliance by the deadline set in the order; and for such other relief as the Director deems appropriate. The affected wells are the Bedingfield Federal No.001 well, API No. 30-015-02835, J-1-17S-29E, and the Square Lake 12 Unit No.111 well, API No. 30-015-04108, G-7-17S-37E. Both wells are located approximately five miles northeast of Loco Hills in Eddy County, New Mexico.