

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

CASE NO. 14164
ORDER NO. R-13006

APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION, THROUGH THE ENFORCEMENT AND COMPLIANCE MANAGER, FOR A COMPLIANCE ORDER AGAINST PARRISH, H. DWAYNE AND RHONDA K., FINDING OPERATOR IN VIOLATION OF RULE 19.15.4.201 NMAC AS TO ELEVEN WELLS; RULE 19.15.9.703 NMAC AS TO TWO WELLS; REQUIRING OPERATOR TO COME INTO COMPLIANCE BY A DATE CERTAIN; AND AUTHORIZING THE DIVISION TO PLUG THE THIRTEEN WELLS PURSUANT TO NMSA, 1978, SECTION 70-2-12(B) AND FORFEIT THE APPLICABLE FINANCIAL ASSURANCE IF OPERATOR FAILS TO COMPLY; EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on September 18, 2008, at Santa Fe, New Mexico, before Examiners Richard I. Ezeanyim, Terry G. Warnell, and David K. Brooks.

NOW, on this 9th day of October 2008, 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 its subject matter.

(2) The New Mexico Oil Conservation Division ("Division") seeks an order requiring Dwayne and Rhonda Parrish ("operator") to comply with Division Rules 19.15.4.201 NMAC and 19.15.9.703 NMAC by a date certain, either by temporarily plugging and abandoning the wells, permanently plugging and abandoning the wells, or returning the wells to Division approved beneficial use, for each of the following thirteen (13) listed wells.

Well Name	API Number	Location
• Adkins Williams State No. 001;	30-015-10450;	O-17-18S-28E

• Adkins Williams State No. 002;	30-015-01916;	O-17-18S-28E
• Adkins Williams State No. 002Y;	30-015-01920;	O-17-18S-28E
• Adkins Williams State No. 005;	30-015-01919;	O-17-18S-28E
• Adkins Williams State No. 006;	30-015-01906;	O-17-18S-28E
• Atlantic State No. 003;	30-015-01387;	O-16-17S-28E
• Graridge State No. 003;	30-015-01904;	L-17-18S-28E
• Schoonmaker St No. 004;	30-015-26019;	L-12-19S-29E
• State T No. 001;	30-015-03581;	E-12-19S-29E
• State T No. 002;	30-015-26378;	E-12-19S-29E
• Sunray Mid Continent No. 001;	30-015-01350;	A-11-17S-28E
• Sunray Mid Continent No. 002;	30-015-01351;	I-11-17S-28E
• Welch State No. 004;	30-015-10452;	K-17-18S-28E

(3) Of the thirteen subject wells above, Adkins Williams State No. 001 and Adkins Williams State No. 006 are injection wells.

(4) The Division records indicate that the operator has posted a \$50,000 blanket plugging bond secured by an assignment of cash collateral on deposit with the Western Bank of Artesia, New Mexico.

(5) Of the subject wells above, the operator has also posted individual bonds issued by Lexon Insurance Company of Louisville, Kentucky for the following wells:

Well Name	Bond
• Adkins Williams State No. 002	\$7,178.00
• Adkins Williams State No. 005	\$8,190.00
• Atlantic State No. 003	\$6,966.00
• Graridge State No. 003	\$7,136.00
• Schoonmaker St No. 004	\$7,624.00
• State T No. 001	\$9,064.00
• State T No. 002	\$7,620.00
• Sunray Mid Continent No. 001	\$7,624.00
• Sunray Mid Continent No. 002	\$6,650.00
• Welch State No. 004	\$7,474.00

(6) The Division also seeks an order requiring the operator to plug and abandon the subject wells. Should the operator fail to bring its inactive wells into compliance with Rules 19.15.4.201 NMAC, and 19.15.9.703 NMAC by a date set in the order, the Division should be authorized to plug the wells and declare forfeiture of applicable financial assurance.

(7) The Division appeared at the hearing through legal counsel and presented the following testimony.

(a) Dwayne H. and Rhonda K. Parrish are the current operators of the thirteen (13) wells listed in finding paragraph (2), and were the operators during the time period relevant to these proceedings;

(b) The subject wells have been inactive for a continuous period of one (1) year plus ninety (90) days.

(c) The wells have not been placed in Division-approved temporary abandonment status, permanently plugged and abandoned, or returned to the Division-approved beneficial use.

(d) The two injection wells, namely Adkins Williams State Well No. 001 and No. 006, failed a mechanical integrity test (MIT) in July of 2006. Despite repeated efforts by the Division to get the operator to repair and retest the wells, the operator failed to comply and continued to inject into these wells.

(8) The operator appeared at the hearing and presented the following testimony.

(i) Dwayne H. and Rhonda K. Parrish agreed that they are the current operators of the subject wells, and that they acquired the wells through family inheritance.

(ii) The daily average oil production from all the wells owned by the operator is approximately 28 barrels of oil per day.

(iii) In 2003 when the enforcement issues arose, the oil price was too low and the operator could not raise enough money to comply with the Division rules.

(iv) The operator is now willing to address the compliance issues because of the current high oil prices. As a result, the operator has obtained approval from the Division to plug and abandon six (6) of the subject wells a week before the hearing

(v) Operator denied that it had been injecting into the two injection wells since July of 2006. The injection volumes reported on the Division form C-115 was a result of poor communication between Mr. H. Dwayne Parrish and his wife, Rhonda K. Parrish.

(9) The Division concludes that H. Dwayne and Rhonda K. Parrish are the operators of the thirteen (13) wells listed in Finding Paragraph (2). The Division also finds that the operator violated 19.15.4.201 NMAC and 19.15.9.703 NMAC by not temporarily abandoning the wells, permanently plugging and abandoning the wells, or returning the wells to Division-approved beneficial use, and by not assuring mechanical integrity on the two injection wells.

(10) The operator should be ordered to temporarily abandon the subject wells, permanently plug and abandon the wells, or return the wells to Division-approved beneficial use, and assure mechanical integrity on the two injection wells by a date certain. Should the operator fail to comply with Rule 19.15.4.201 NMAC, and 19.15.9.703 NMAC by a date set

in the order, then the Division should be authorized to plug and abandon the subject wells and declare forfeiture of any applicable financial assurance.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of the Division, H. Dwayne and Rhonda K. Parrish, ("operator") are hereby ordered to comply with Division Rules 19.15.4.201 NMAC and 19.15.9.703 by March 31, 2009, either by placing the wells in Division-approved temporary abandonment status, permanently plugging the wellbores, or returning the wells to Division-approved beneficial use, for each of the following thirteen (13) listed wells.

Well Name	API Number	Location
• Adkins Williams State No. 001;	30-015-10450;	O-17-18S-28E
• Adkins Williams State No. 002;	30-015-01916;	O-17-18S-28E
• Adkins Williams State No. 002Y;	30-015-01920;	O-17-18S-28E
• Adkins Williams State No. 005;	30-015-01919;	O-17-18S-28E
• Adkins Williams State No. 006;	30-015-01906;	O-17-18S-28E
• Atlantic State No. 003;	30-015-01387;	O-16-17S-28E
• Garridge State No. 003;	30-015-01904;	L-17-18S-28E
• Schoonmaker St No. 004;	30-015-26019;	L-12-19S-29E
• State T No. 001;	30-015-03581;	E-12-19S-29E
• State T No. 002;	30-015-26378;	E-12-19S-29E
• Sunray Mid Continent No. 001;	30-015-01350;	A-11-17S-28E
• Sunray Mid Continent No. 002;	30-015-01351;	I-11-17S-28E
• Welch State No. 004;	30-015-10452;	K-17-18S-28E

(2) Should the operator fail to comply with Rule 19.15.4.201 NMAC by March 31, 2009, then the Division is hereby authorized to plug and abandon the subject wells and declare forfeiture of any applicable financial assurance.

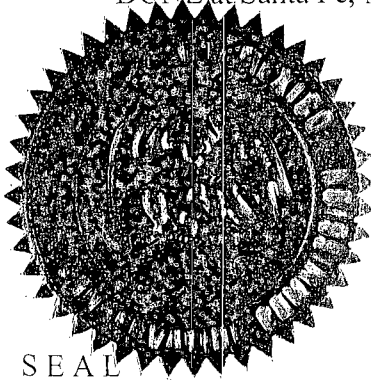
(3) The Adkins Williams State Well No. 001 shall be repaired and retested to assure mechanical integrity before returning the well to injection operations. The Adkins Williams State Well No. 006, the second injection well, shall be worked-over and returned to production. If the two injection wells cannot be repaired, or worked-over and returned to production, then they shall also be permanently plugged and abandoned. These operations shall be completed on or before the deadline of March 31, 2009.

(4) For any well that the operator permanently plugs, the operator shall also comply with the requirements of Rule 202.B(3) and (4) regarding site remediation within the time provided by these rules. Should the operator fail to remediate the sites to the Division's satisfaction within the time provided in Rule 202.B(3), the Division is hereby authorized to complete the site restoration and declare forfeiture of any applicable financial assurance.

(5) The operator shall file corrected form C-115 for the two injection wells no later than December 31, 2008.

(6) 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

A handwritten signature in dark ink, appearing to read "Mark E. Fesmire", is written over the printed name.

MARK E. FESMIRE, P.E.
Director