

Davidson, Florene, EMNRD

From: Ed Adcock [eadcock@gp2energy.com]
Sent: Tuesday, November 25, 2008 7:27 AM
To: Davidson, Florene, EMNRD
Subject: Inactive Well Compliance Order #163

Dear Ms Davidson:

The OCD Enforcement and Compliance Manager has imposed a civil penalty upon our Company (GP II Energy, Inc.) for non-compliance of the terms of our Order 163. I sent a response to his letter of November 6th dated November 14th which ended up with Mr. Swazo who recommended I call you to make an appointment for a hearing.

If you could be so kind as to schedule a hearing for us, we would greatly appreciate it.

Sincerely,

Edward Adcock

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Swazo, Sonny, EMNRD

From: Swazo, Sonny, EMNRD
Sent: Thursday, November 20, 2008 10:40 AM
To: 'Ed Adcock'
Cc: Sanchez, Daniel J., EMNRD
Subject: RE: FW: Compliance Order 163

You would contact Florene Davidson for that information. Her number is 505-476-3458. OCD rules explain the process for applying for an administrative hearing.

-----Original Message-----

From: Ed Adcock [mailto:eadcock@gp2energy.com]
Sent: Thursday, November 20, 2008 10:32 AM
To: Swazo, Sonny, EMNRD
Subject: Re: FW: Compliance Order 163

Swazo, Sonny, EMNRD wrote:

> Mr. Adcock:
>
> Daniel Sanchez explained OCD's position and GP II Energy's options in
> this November 6, 2008 letter.

>
> Sonny

> -----Original Message-----

> From: Macquesten, Gail, EMNRD
> Sent: Friday, November 14, 2008 9:59 AM
> To: 'Ed Adcock'
> Cc: Swazo, Sonny, EMNRD; Sanchez, Daniel J., EMNRD
> Subject: RE: Compliance Order 163

> Ed - I'm forwarding this to OCD attorney Sonny Swazo, who has taken
> over the ACOI project. Thanks- Gail

> -----Original Message-----

> From: Ed Adcock [mailto:ed@gp2energy.com]
> Sent: Friday, November 14, 2008 9:51 AM
> To: Macquesten, Gail, EMNRD
> Subject: Compliance Order 163

> Hello Gail:

>
> It looks like we dropped the ball and inadvertently failed to notify
> you

>
> and Mr. Sanchez's office regarding the plugging completion of our
> second

>
> 7 wells sometime in April. I was totally unaware of the Order's
> termination until a few weeks ago when we notified Mr. Sanchez about
> finally acquiring a plugging contractor and are proceeding to plug the
> remaining 14 wells on our list. We should be done by mid December.

>
> I have sent a letter to Mr. Sanchez (copy to you) with all my mea
> culpas

>
> in hopes that we can be forgiven the civil penalty so imposed since we
> have and are plugging all wells so required of us.
>
> Would it help for me to appear in a hearing and personally accept our
> error. I feel that the civil penalty is somewhat severe when we are
> fulfilling our obligations to plug the wells. We have had a difficult
> time with plugging companies getting us on schedule thus, we have
> decided to do the balance (14 wells) all in one contract while the
> crews
>
> are available. We are proceeding with those as I write this note.
>
> Again, sorry for the screw up and I await your advice.

> Ed Adcock

>
> _____
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> System.

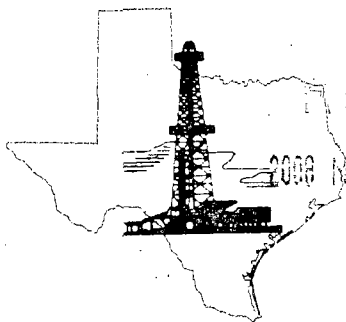
> _____
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>
> Confidentiality Notice: This e-mail, including all attachments is for the sole use of the
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>
Mr. Swazo:

GP II Energy would like to schedule an Administrative Hearing to contest the denial of waiver
on our civil penalties on Order 163. What date is available for us to argue our case?

Ed Adcock

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GP II ENERGY, INC.

2008 NOV 17 PM 1 31

Oil & Gas Exploration & Production

P.O. Box 50682 • Midland, Texas 79710 • Phone 432-684-4748 • Fax 432-570-4748

November 14, 2008

New Mexico Energy, Minerals and
Natural Resources Department
Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Attn: Daniel Sanchez

Re: GP II Energy, Inc. – OGRID 8359
Inactive Well Compliance Order 163

Dear Daniel:

I received your November 6, 2008 letter regarding our non-compliance in the plugging of the below mentioned wells per our agreement with the OCD. We have searched our files and find no correspondence directly with your office as to the plugging status of these wells after May 10, 2008. This oversight was inadvertent on our part, however, let me assure you that they were plugged within the general timeframe required of us. I realize that some of the wells where P & A'd and the completed plugging reports where not filed until after the April 20th compliance deadline. however, we are somewhat constrained by our rig operator's plugging problems and issues in moving from one well to the next. All I can say is that we were obligated to plug these wells and we did that with the thought that the Hobbs OCD Office had notified all parties within the system of their status. Thus, even though the Order has expired, let me notify you of their status if that be the missing link in this fiasco.

<u>Well Name</u>	<u>API Number</u>	<u>Status</u>	<u>Date</u>
State M # 28	30-025-10521	P & A	4/16/2008
State M #22	30-025-10512	P & A	4/11/2008
State M # 26	30-025-10516	P & A	4/14/2008
State M #27	30-025-10520	P & A	4/18/2008
State M #32	30-025-10366	P & A	4/23/2008

State M # 45	30-025-10528	P & A	4/21/2008
State M # 46	30-025-21273	P & A	4/24/2008

As I have noted in previous correspondence, our prior plugging operator (Triple N Services) has gone out of business and has been acquired by Basic Energy. Again, despite the termination of our Order, we still feel it necessary to plug an additional 14 wells and according to Basic Energy, they have the initial well scheduled for plugging on November 15th and will proceed until all 14 have been plugged and abandoned. All 14 wells have been approved for plugging by your Hobbs OCD Office.

I will notify you and Gail MacQuesten of the remainder wells, their status and their plugging dates when I receive the information from our Engineering Dept. I promise to remember getting you that lists since it would, in effect, comply with the plugging of all required wells when we initially compiled the list.

In addition to the above, your letter also notes that we are out of compliance with certain financial assurance requirements of OCD Rule 101 as to the wells named below. In reviewing our records, we show these wells to have already been plugged and abandoned per the dates below (attached are copies of C-103s for each well):

<u>Well Name</u>	<u>API Number</u>	<u>Status</u>	<u>Date</u>
State M # 038	30-025-10525	P & A	5/12/2007
State M # 045	30-025-10528	P & A	4/21/2008
State M #068	30-025-24299	P & A	4/26/2007

Again, despite our notice and timing issues, we have done everything we can within the spirit of our agreement and are in line to complete plugging all required wells by, hopefully, mid-December. The civil penalty seems onerous in light of the wells having been plugged and are being plugged and abandoned per OCD specifications. We ask for some reasonableness on this matter. As such, we again request relief from this burden.

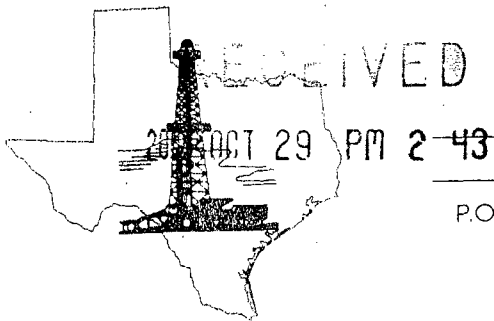
Thank you.

GP II ENERGY, INC.



Edward N. Adcock
Land Manager

Cc: Joe Compton



GP II ENERGY, INC.

Oil & Gas Exploration & Production

P.O. Box 50682 • Midland, Texas 79710 • Phone 432-684-4748 • Fax 432-570-4748

October 27, 2008

New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Case 14267

Attention: Daniel Sanchez

RE: Inactive Well Compliance Order 163
OGRID 8359

Dear Mr. Sanchez:

I am in receipt of a letter from Sonny Swazo dated October 23, 2008 concerning the non-compliance of plugging 7 wells by your extension date of May 20th 2008. Within the body of Mr. Swazo's letter, there is included a penalty of \$7,000 for such non-compliance.

First and foremost, the 7 wells in question were plugged during the time allotted as more specifically noted in the seven attached Form C-103s as approved by the Hobbs OCD dated May 21, 2008. Our technical staff notes that they did nothing different on these 7 wells in relation to the plugging of the first 7 per our requirement. It is possible that miscommunication could have occurred during the absence of Mr. Gary Wink of the Hobbs OCD since all work we were doing and all communications in the past went through him. We were always under the impression that we were in compliance in all matters required of us. If the fault was at our end, we sincerely apologize.

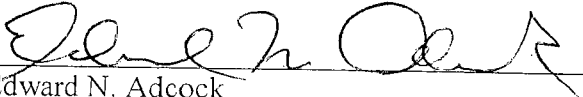
We have now received approval to plug our third and fourth 7 wells and but for the lack of rigs to do the work, these would already have been accomplished thus, our request to extend our timeline for the third 7 wells to the end of November 2008. Basic Energy has assured us, given their current schedule, that they can get to these wells by November 15th. Due to issues in the availability and scheduling of rigs within the parameters of our compliance order, we have decided internally to actually submit for plugging the next and final 14 wells in our compliance order. These have been approved by the OCD and have been sent to Basic Energy.

Inasmuch as we feel that we have complied with all necessary requirements, please be kind enough to reinstate our Agreed Compliance Order, remove the \$7,000.00 penalty and give us the necessary extension to finally complete plugging the 14 wells in our order to plug 28 total wells.

Thank you for your assistance in this matter.

Sincerely,

GP II Energy, Inc.


Edward N. Adcock
Land Manager

Cc: Sonny Swazo

CASE ¹⁴²⁶⁷: Application of GP II Energy, Inc. to remove the penalty assessed for non-compliance with Inactive Well Compliance Order 163, Lea County, New Mexico. Applicant seeks the reinstatement of Inactive Well Compliance Order 163, the removal of a \$7,000 penalty assessed for not plugging seven wells covered by the order by May 20, 2008, and the necessary extension of time to finally complete the plugging of the wells covered in the order.

Florence

*This draft notice looks
good to me.*

D. Brooks
12-9-08