

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

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APPLICATION OF THE OIL CONSERVATION DIVISION, THROUGH THE ENFORCEMENT & COMPLIANCE MANAGER, FOR A COMPLIANCE ORDER AGAINST JACKIE BREWER D/B/A SANDLOTT ENERGY, FINDING OPERATOR IN NON-COMPLIANCE WITH RULE 19.15.26.10 NMAC AND 19.15.26.11 NMAC AS TO TWO WELLS, REQUIRING OPERATOR TO COME INTO COMPLIANCE BY A DATE CERTAIN, REQUIRING OPERATOR TO PLUG AND ABANDON WELLS IF NOT IN COMPLIANCE BY A DATE CERTAIN, AND AUTHORIZING THE DIVISION TO PLUG AND ABANDON THE WELLS AND FORFEIT THE APPLICABLE FINANCIAL ASSURANCE IN EVENT OF NON-COMPLIANCE; EDDY COUNTY, NEW MEXICO

CASE NO. 14313

**APPLICATION FOR A COMPLIANCE ORDER AGAINST JACKIE BREWER D/B/A
SANDLOTT ENERGY**

1. Jackie Brewer d/b/a Sandlott Energy ("Operator") is a sole proprietorship operating wells in New Mexico under OGRID 154329.

2. Operator is operator of record of the following injection wells:

- Resler Yates State No. 355 30-015-02148 A-32-18S-28E
- Resler Yates State No. 379 30-015-20115 G-32-18S-28E

3. Pursuant to NMSA 1978, Section 70-2-14, Operator has posted a fifty thousand dollars (\$50,000.00) blanket plugging bond (Bond No. BO5910) through Underwriters Indemnity Company in Houston, Texas, to secure Operator's obligation to plug and abandon his wells in compliance with Oil Conservation Division ("OCD") rules. In 1999, RLI Insurance Company acquired Underwriters Indemnity Company, and now RLI Insurance Company is the surety in this case.

4. OCD Rule 19.15.26.10.A NMAC states:

The operator of an injection well shall equip, operate, monitor and maintain the well to facilitate periodic testing and to assure continued mechanical integrity that will result in no significant leak in the tubular goods and packing materials used and no significant fluid movement through vertical channels adjacent to the well bore.

5. OCD Rule 19.15.26.11 NMAC requires the following for mechanical integrity

tests:

Subsection A(1):

Prior to commencement of injection and any time the operator pulls the tubing or reseats the packer, the operator shall test the well to assure the integrity of the casing and the tubing and packer, if used, including pressure testing of the casing-tubing annulus to a minimum of 300 psi for 30 minutes or such other pressure or time as the appropriate district supervisor may approve.

Subsection A(2):

Requires after the initial testing of a well's mechanical integrity following completion or re-completion, that the operator test an injection well at least once every five years thereafter to assure its continued mechanical integrity. Tests demonstrating continued mechanical integrity shall include measurement of annular pressures in a well injecting at positive pressure under a packer or a balanced fluid seal, pressure testing of the casing-tubing annulus for a well injecting under vacuum conditions, or other tests that are demonstrably effective and that the division may approve for use.

Subsection A(5):

The operator shall advise the division of the date and time any initial, five-year or special tests are to be commenced so the division may witness the tests.

6. On August 23, 2004, the Resler Yates State No. 355 failed a mechanical integrity test. On August 20, 2004, the Resler Yates State No. 379 failed a mechanical integrity test.

7. On March 26, 2008, the Artesia OCD District Office sent Operator a Letter of Violation (hereinafter, "LOV") informing Operator that the Resler Yates State No. 355 and

Resler Yates State No. 379 were in non-compliance with OCD mechanical integrity test rules and needed to have mechanical integrity tests performed. The LOV required Operator to contact the OCD Artesia District Office by April 7, 2008 to schedule testing.

8. On April 2, 2008, both wells failed mechanical integrity tests. The Resler Yates State No. 355 would not pressure up and the Resler Yates State No. 379 would not hold pressure.

9. On April 8, 2008, the Artesia OCD District Office sent Operator an LOV which required Operator to repair the Resler Yates State No. 355 and Resler Yates State No. 379 by July 6, 2008 so that the wells could be re-tested.

10. On July 17, 2008, after Operator failed to take any action on the LOV by the July 6 deadline, OCD issued Operator a Notice of Violation (hereinafter, "NOV") for the violations.

11. Eventually OCD and Operator entered into Agreed Compliance Order (hereinafter, "ACO") 252, which required Operator to bring the Resler Yates State No. 355 and Resler Yates State No. 379 into compliance by October 14, 2008.

12. On October 14, 2008, Operator requested "an extension of time until December 19, 2008, to perform the additional repairs, conduct mechanical integrity tests, and commence and report injection."

13. On October 16, 2008, the Resler Yates State No. 355 failed a mechanical integrity test.

14. On January 27, 2009, Operator's Counsel told OCD that Operator had completed the necessary repairs for the Resler Yates State No. 355 and would be mobilizing a rig to the Resler Yates State No. 379 in the next week to make the additional repairs.

15. Around March 12, 2009, Operator filed a Form C-103 for the Resler Yates State No. 355 and a Form C-103 for the Resler Yates State No. 379 with the OCD's Artesia District

Office. Each Form C-103 purported to show mechanical integrity test results for each well. However, because Operator did not comply with the mechanical integrity testing requirements of OCD 19.15.26.11 NMAC, the OCD's Artesia District Office has not accepted the purported mechanical integrity tests. Operator did not comply with the requirement of Subsection A(5) and advise the OCD's Artesia District Office of the date and time of the tests so it could witness the tests. Additionally, the tests do not comply with Subsections A(1) and (2) — the chart does not indicate the duration of the test nor the date of the test.

16. The Resler Yates State No. 355 and Resler Yates State No. 379 currently remain out of compliance with OCD Rule 19.15.26.10 NMAC and OCD Rule 19.15.26.11 NMAC. The wells have not undergone and passed their mandatory 5-year tests or other required mechanical integrity tests.

17. NMSA 1978, Section 70-2-14(B) states:

If any of the requirements of the Oil and Gas Act [70-2-1 NMSA 1978] or the rules promulgated pursuant to that act have not been complied with, the oil conservation division, after notice and hearing, may order any well plugged and abandoned by the operator or surety or both in accordance with division rules. If the order is not complied with in the time period set out in the order, the financial assurance shall be forfeited.

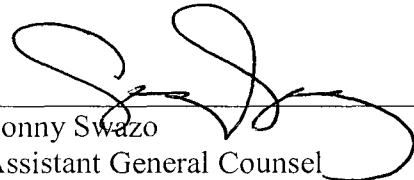
WHEREFORE, the Enforcement & Compliance Manager of the Division hereby applies to the Director to enter an Order:

- A. Finding Operator in non-compliance with OCD Rule 19.15.26.10 NMAC and OCD Rule 19.15.26.11 NMAC as to the Resler Yates State No. 355 and Resler Yates State No. 379;
- B. Requiring Operator to bring the wells into compliance by a date certain;
- C. Requiring Operator to plug and abandon the wells by a date certain if Operator fails to bring the wells into compliance by the date set in the Order;

- D. In the event of Operator's non-compliance, authorizing the OCD to plug and abandon the wells and forfeit the applicable financial assurance;
- E. For such other and further relief as the Director deems just and proper under the circumstances.

RESPECTFULLY SUBMITTED

this 13th day of April, 2009, by



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• Case No. 14313. Application of the New Mexico Oil Conservation Division for a Compliance Order against Jackie Brewer d/b/a Sandlott Energy. The Applicant seeks an order finding Operator in violation of Rule 19.15.26.10 NMAC and Rule 19.15.26.11 NMAC as to two wells; requiring Operator to bring the wells into compliance by a date certain; requiring Operator to plug the wells if wells not brought into compliance by set date; and authorizing the division to plug and abandon the wells and forfeit the applicable financial assurance in event of Operator's non-compliance. The affected wells are:

- Resler Yates State No. 355 30-015-02148 A-32-18S-28E
- Resler Yates State No. 379 30-015-20115 G-32-18S-28E

The wells are located approximately 11 miles Southeast of Maljamar, in Eddy County, New Mexico.