

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

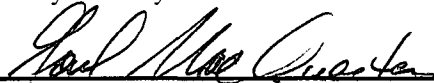
APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION, THROUGH THE ENFORCEMENT AND COMPLIANCE MANAGER, FOR A COMPLIANCE ORDER AGAINST PURVIS OPERATING COMPANY REQUIRING OPERATOR TO TAKE PRECAUTIONS TO PROTECT GROUND WATER AND PREVENT WASTE DURING DRILLING PURSUANT TO NMSA 1978, SECTION 70-2-12; IN THE ALTERNATIVE ISSUING AN ORDER FINDING OPERATOR IN VIOLATION OF 19.15.2.8(B) NMAC AS TO FIVE WELLS, ORDERING OPERATOR TO PLUG AND ABANDON THE WELLS PURSUANT TO NMSA 1978, SECTION 70-2-14(B), AND AUTHORIZING THE DIVISION TO PLUG SAID WELLS AND FORFEIT THE APPLICABLE FINANCIAL ASSURANCE IN THE EVENT OF NON-COMPLIANCE; LEA AND EDDY COUNTIES, NEW MEXICO.

CASE NO. 14417

MOTION TO DISMISS

Applicant Oil Conservation Division respectfully requests that Case No. 14417 be dismissed without prejudice. The parties have entered into Agreed Compliance Order 264 to address the issues raised in the application. A copy of the Agreed Compliance Order is attached.

RESPECTFULLY SUBMITTED, this 13th day of
January 2010 by




Gail MacQuesten
Assistant General Counsel
Energy, Minerals and Natural Resources Department of
the State of New Mexico
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Attorney for the New Mexico Oil Conservation Division

Certificate of Service

I hereby certify that I served a copy of this motion by first-class mail and e-mail to James Bruce, attorney for Purvis Operating Company, P.O. Box 1056, Santa Fe, NM 87504-1056, jamesbruc@aol.com this 13th day of January 2010.


Gail MacQuesten

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

ACO 264

**IN THE MATTER OF PURVIS OPERATING COMPANY,
Respondent.**

AGREED ORDER DIRECTING COMPLIANCE

Pursuant to the New Mexico Oil and Gas Act, NMSA 1978, Sections 70-2-1 through 70-2-38, as amended ("Act"), and the rules promulgated under the Act, the Director of the Oil Conservation Division of the Energy Minerals and Natural Resources Department of the State of New Mexico ("OCD") issues this Order to Purvis Operating Company ("Purvis") directing compliance with the Act and OCD rules.

I. FINDINGS & DETERMINATIONS BY THE OCD

1. The OCD is the state division charged with administration and enforcement of the Act and OCD Rules.
2. Purvis operates wells in New Mexico under OGRID 131559.
3. Purvis is the operator of record of 14 wells in New Mexico, including the following wells, which are covered by a \$50,000 letter of credit:

Armadillo State #001, 30-025-38035
Badger State #001, 30-025-38036
Buzzard Canyon State #001, 30-015-36344
Coyote State Com #001, 30-025-38037
Segrest State Com #001, 30-015-36391

4. According to the regulatory filings submitted by Purvis for the identified wells, each well has been partially drilled, leaving an open uncased hole. The drilling information is summarized below.
5. **Armadillo State #001, 30-025-38035:** The OCD approved the application for permit to drill (APD) for this well on 8/1/06. In its APD Purvis indicated that the first step in its proposed drilling plan was to drill 400' and case off all fresh water zones. Purvis indicated on the APD that the depth to ground water was 80'; later filings from Purvis indicated the depth to groundwater was 60.' Purvis began drilling 12/22/06, and continued drilling at a rate of several feet per month. After almost two years, on 11/1/08 Purvis reached a depth of 78.' After that time, Purvis began filing sundries indicating that it was reaming the hole to an 18" diameter,


again at the rate of several feet per month. The most recent filing indicates that the Purvis has reamed the hole to a depth of 24.'

6. **Badger State #001, 30-025-38036:** The OCD approved the APD for this well on 8/1/06. In its APD Purvis indicated that the first step in its proposed drilling plan was to drill 400' and case off all fresh water zones. Purvis indicated in its APD that the depth to ground water was 80.' Purvis obtained a one year extension on its APD. It began drilling 9/28/07, at a rate of several feet per month. As of 6/29/09 Purvis had reached a depth of 67.'
7. **Buzzard Canyon State #001, 30-015-36344:** The OCD approved the APD for this well on 5/28/08. Purvis indicated that the depth to groundwater was 300.' Purvis began drilling 5/30/08 at a rate of several feet per month. As of 6/25/09, Purvis had reached a depth of 42.'
8. **Coyote State Com #001, 30-025-38037:** The OCD approved the APD for this well on 8/1/06. In its APD Purvis indicated that the first step in its proposed drilling plan was to drill 400' and case off all fresh water zones. Purvis indicated on the APD that the depth to ground water was 80'; later filings from Purvis indicated the depth to groundwater was 60.' Purvis began drilling 1/31/07, and continued drilling at a rate of several feet per month. Purvis has reached a depth of 81.' Purvis has begun reaming the hole to an 18" diameter, again at the rate of several feet per month. As of 6/29/09 it has reamed the hole to a depth of 12.'
9. **Segrest State Com #001, 30-015-36391:** The OCD approved the APD for this well on 6/26/08. Purvis has indicated that groundwater is at 1000' to 1400.' Purvis began drilling 6/30/08 at the rate of several feet per month. As of 6/25/09 Purvis has reached a depth of 38.'
10. The OCD is concerned that the uncased holes left open during these protracted drilling operations can serve as conduits for introducing contaminants.
11. The Act gives the OCD broad powers to issue orders to prevent crude petroleum oil, natural gas or water from escaping from the strata in which it is found to other strata; to prevent the drowning by water of any stratum; to prevent the premature and irregular encroachment of water or any other kind of water encroachment that reduces or tends to reduce the ultimate recovery of crude petroleum or gas; to require wells to be drilled in such manner as to prevent injury to neighboring leases or properties; to regulate the disposition of water produced or used in connection with drilling and to direct disposal of the water in a manner that will afford reasonable protection against contamination of fresh water supplies; and to regulate the disposition of nondomestic wastes resulting from oil and gas exploration to protect public health and the environment. See NMSA 1978, Section 70-2-12.
12. Purvis and the OCD agree that Purvis will take the following precautions during the drilling of the identified wells:

- Purvis shall drill no deeper than the current depth of each well until it drills continuously to total depth and completes the well.
 - Within 30 days of the date this order is executed, Purvis shall catch water samples on each well, have them analyzed for contaminants, and provide copies of the analysis results to the OCD Hobbs District Office and to the OCD's legal bureau in Santa Fe. If the reports indicate contaminants, the OCD may require further action from Purvis.
 - Every six months after the initial test until the well is completed, Purvis shall catch water samples on each well, have them analyzed for contaminants, and provide copies of the analysis results to the OCD Hobbs District Office and to the OCD's legal bureau in Santa Fe. If the reports indicate contaminants, the OCD may require further action from Purvis.
 - Within 30 days of the date this order is executed, Purvis shall cement 3-foot diameter conductor pipe around the present spud holes of the identified wells at a depth of at least 3 feet, leaving at least 4 inches of pipe above ground level.
 - Within 30 days of the date this order is executed, Purvis shall install a locking metal cover over the conductor pipe of each identified well to prevent run-off from entering the spud hole and prevent anyone from opening the cover to introduce contaminants. Purvis shall lock the cover at all times when it is not actively working on the well.
13. If Purvis violates this Order as to any of the identified wells, it shall immediately plug and abandon that well. It further agrees that if it violates this Order as to any of the identified wells and the OCD gives it written notice of that failure, it shall have 30 days to plug that well. If the well is not plugged in 30 days, the OCD may plug and abandon the well, and forfeit the applicable financial assurance. Purvis shall be in violation of 19.15.5.9 NMAC until it reimburses the OCD for the costs of plugging and abandonment in excess of the financial assurance. Purvis expressly waives the right to hearing prior to the plugging and abandonment and forfeiture of financial assurance.
14. By signing this Order, Purvis expressly:
- a. acknowledges the authority of the OCD to enter into this Order;
 - b. agrees to comply with the Order, specifically as articulated in Paragraph 12, above;
 - c. agrees that if it violates the terms of the Order as to any of the identified wells, it shall immediately plug and abandon that well. It further agrees that if it violates this Order as to any of the identified wells and the OCD gives it written notice of that failure, it shall have 30 days to plug that well. If the well is not plugged in 30 days, the OCD may plug and abandon the well, and forfeit the applicable financial assurance. Purvis shall be in violation of 19.15.5.9 NMAC until it reimburses the OCD for the costs of plugging and abandonment in excess of the financial assurance. Purvis expressly waives the right to hearing prior to the plugging and abandonment and forfeiture of financial assurance.

Nothing in this Order relieves Purvis of its liability should its operations fail to investigate and remediate contamination that poses a threat to ground water, surface water, human health or the environment. In addition, nothing in this Order relieves Purvis of its responsibility for compliance with any other federal, state or local laws and/or regulations.

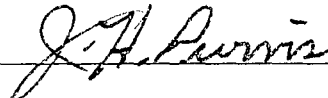
Done at Santa Fe, New Mexico this 13th day of January ~~2009~~ ²⁰¹⁰.

By: 
Mark Fesmire, P.E.
Director, Oil Conservation Division

ACCEPTANCE

Purvis Operating Company, OGRID No. 131559, hereby accepts the foregoing Order, and agrees to all of the terms and provisions as set forth in the Order.

Purvis Operating Company

By: 

Title: Pres

Date: 12-18-09