

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

OIL CONSERVATION DIV.

01 SEP 11 PM 3:00

**APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION,
THROUGH THE SUPERVISOR OF DISTRICT II, FOR AN ORDER
REQUIRING OPERATORS TO BRING NINETY-SIX (96) WELLS INTO
COMPLIANCE WITH RULE 201.B, AND ASSESSING APPROPRIATE CIVIL
PENALTIES; EDDY AND CHAVES COUNTIES, NEW MEXICO**

CASE NO. 12733

APPLICATION FOR COMPLIANCE ORDERS AND CIVIL PENALTIES

1. Aceco Petroleum Co is the operator of two (2) wells in Eddy County, New Mexico, specifically identified by name, exact location and API number on Exhibit A, and of three (3) additional wells in Eddy County, New Mexico, so identified on Exhibit B. Exhibits A and B are attached hereto and by this reference incorporated into this application and made part hereof for all purposes.

2. Carl Schellinger is the operator of one (1) well in Eddy County, New Mexico, specifically identified by name, exact location and API number on Exhibit A, and of one (1) additional well in Eddy County, New Mexico so identified on Exhibit B.

3. Dinero Operating Company is the operator of one (1) well in Eddy County, New Mexico, specifically identified by name, exact location and API number on Exhibit A.

4. Exxon Mobil Corporation is the operator of three (3) wells in Eddy County, New Mexico specifically identified by name, exact location and API number on Exhibit A.

5. General Minerals Corp is the operator of one (1) well in Eddy County, New Mexico, specifically identified by name, exact location and API number on Exhibit A.

6. NGX Company is the operator of two (2) wells in Eddy County, New Mexico, specifically identified by name, exact location and API number on Exhibit A, and also one (1) additional well in Eddy County, New Mexico, so identified on Exhibit B.

7. Herman V. Wallis is the operator of four (4) wells in Chaves County, New Mexico specifically identified by name, exact location and API number on Exhibit A.

8. Read & Stevens, Inc. is the operator of five (5) wells in Chaves County, New Mexico, and of four (4) wells in Eddy County, New Mexico, specifically identified by name, exact location and API number on Exhibit A, and also of five (5) additional wells in Eddy County, New Mexico, so identified on Exhibit B.

9. Roy E. Kimsey, Jr. is the operator of one (1) well in Eddy County, New Mexico, specifically identified by name, exact location and API number on Exhibit A.

10. Stevens Operating Corp is the operator of five (5) wells in Chaves County, New Mexico, specifically identified by name, exact location and API number on Exhibit A, and of one (1) additional well in Chaves County, New Mexico so identified on Exhibit B.

11. SWR Operating Co is the operator of thirteen (13) wells in Eddy County, New Mexico, specifically identified by name, exact location and API number on Exhibit A, and of one (1) additional well in Eddy County, New Mexico so identified on Exhibit B.

12. Thornton Hopper is the operator of four (4) wells in Eddy County, New Mexico, specifically identified by name, exact location and API number on Exhibit A, and of one (1) additional well in Eddy County, New Mexico so identified on Exhibit B.

13. The Wiser Oil Company is the operator of five (5) wells located in Eddy County, New Mexico, specifically identified by name, exact location and API number on Exhibit A, and of fifteen (15) additional wells in Eddy County so identified on Exhibit B.

14. Amtex Energy, Inc. is the operator of two (2) wells in Eddy County, New Mexico, specifically identified by name, exact location and API number on Exhibit A.

15. Bird Creek Resources Inc. is the operator of one (1) well in Eddy County, New Mexico, specifically identified by name, exact location and API number on Exhibit A.

16. Burnett Oil Co. Inc. is the operator of one (1) wells located in Eddy County, New Mexico, specifically identified by name, exact location and API number on Exhibit A, and of three (3) additional wells in Eddy County, New Mexico so identified on Exhibit B.

17. Guadalupe Operating Co. LLP is the operator of five (5) wells located in Eddy County, New Mexico, specifically identified by name, exact location and API number on Exhibit A attached hereto, and of one (1) additional well in Eddy County, New Mexico so identified on Exhibit B.

18. Julian Ard is the operator of one (1) well in Chaves County, New Mexico, specifically identified by name, exact location and API number on Exhibit A.

19. Lindenmuth & Associates Inc. is the operator of one (1) well in Eddy County, New Mexico, specifically identified by name, exact location and API number on Exhibit A.

20. Mar Oil & Gas Corp. is the operator of one (1) well located in Eddy County, New Mexico, specifically identified by name, exact location and API number on Exhibit A.

21. The above named operators are herein referred to collectively as "Operators" and individually as "Operator." The wells identified on Exhibit A are herein called "the subject wells," and the wells identified on Exhibit B are herein called "the additional wells." The phrase, "each Operator's subject wells" refers, as to each Operator individually, to those of the subject wells identified on Exhibit A as operated by such Operator. The phrase "each Operator's additional wells" refers, as to each Operator individually, to those of the additional wells identified on Exhibit B as operated by such Operator. The New Mexico Oil Conservation Division is hereinafter called "the Division."

22. Each of the subject wells was continuously inactive for a period in excess of one (1) year immediately preceding May 11, 2000, and has remained inactive continuously from such date to the date of filing of this Application. The date of last reported production from each of the subject wells is set forth on Exhibit A. None of the subject wells has been approved for temporary abandonment by the Division.

23. On May 11, 2000, the New Mexico Oil Conservation Division (hereinafter "the Division"), acting through the District Supervisor of District II, notified Operators that the subject wells were not in compliance with Division Rule 203.B(3), and should be

brought into compliance either by returning the same to production or other beneficial use or by securing Division approval for temporary abandonment. The Division received no response to such notification from any of the above-named Operators, except NGX Company, and none of said Operators, including NGX Company, took any action to bring such Operator's subject wells into compliance.

24. On September 8, 2000 the Division, acting through the District Supervisor of District II, again notified Operators that the subject wells were not in compliance with Division Rule 201.B(3), and directed Operators to bring such wells into compliance within sixty(60) days following such notification. By subsequent correspondence, Operators were notified that their continued failure to bring the subject wells into compliance would result in their being summoned to a show cause hearing before a Division hearing examiner. The Division received no response to such notifications from any of Operators, and no action has been taken to bring any of the subject wells into compliance.

25. Each Operator's additional wells, though not referenced in the written notices from the Division to the Operators described above, are also out of compliance with Rule 201.B(3), in that said wells have not been produced or beneficially used for a continuous period of one year prior to June 1, 2001, and have not been restored to production or beneficial use or plugged since that date, nor have applications been filed for temporary abandonment of any of such additional wells.

26. Division Rule 201.B(3) provides:

A well shall be either properly plugged and abandoned or temporarily abandoned in accordance with these rules ninety (90) days after:

- (3) A period of one (1) year in which a well has been continuously inactive.

27. NMSA Section 70-2-31.A provides that:

Any person who knowingly and willfully violates any provision of the Oil and Gas Act or any provision of any rule or order issued pursuant to that act shall be subject to a civil penalty of not more than one thousand dollars (\$1,000) for each violation. For purposes of this subsection, in the case of a continuing violation, each day of violation shall constitute a separate violation.

28. Each Operator's failure to take action to restore such operator's subject wells to production or beneficial use, or to cause such wells to be plugged and abandoned, or to apply to the Division for approval for temporary abandonment, after receipt of notice of noncompliance from the Division as herein before described, constitutes a continuing violation of Division Rule 201.B(3), a rule duly adopted by the Division pursuant to the Oil and Gas Act.

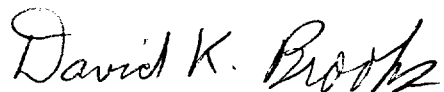
WHEREFORE, the Supervisor of District II of the Division hereby applies to the Director to enter an order:

- A. Specifically ordering each of Operators to bring such Operator's subject wells and additional wells into compliance with OCD rules within a specified time fixed in said order by taking one of the following actions with respect to each of said Operator's subject wells:
 - (i) causing such well to be plugged and abandoned in accordance with Division rules.
 - (ii) restoring such well to production or other Division-approved beneficial use, or

(iii) applying to the Division for permission to place such well in “temporary abandonment” status pursuant to Division Rule 203.

- B. In those cases where the Director deems such action appropriate, requiring an Operator to furnish single-well financial assurance as to any well that has not been produced or otherwise beneficially used for two (2) consecutive years, pursuant to NMSA 70-2-14.A.
- C. Assessing an appropriate civil penalty against each of Operators for failure to take action to remedy the non-compliance of such Operator’s subject wells after notice and demand from the Division to do so; such penalty to be not less than \$1,000 for each of such Operator’s subject wells.

RESPECTFULLY SUBMITTED,

A handwritten signature in cursive script that reads "David K. Brooks". The signature is written in dark ink and is positioned above a horizontal line.

David K. Brooks
Assistant General Counsel
Energy, Minerals and Natural
Resources Department of the State of
New Mexico
1220 S. St. Francis Drive
Santa Fe, NM 87505
(505)-476-3450
Attorney for The New Mexico Oil
Conservation Division

EXHIBIT A to Application

API #	County	Type	Last Production/Injection		Well Name and Number	OGRID	Operator	ULSTR	FNS	FEW
30-015-01904	EDDY	O	08-1998		GRARIDGE STATE #003	168	ACECO PETROLEUM CO	L-17-18S-28E	2350S	1050W
30-015-10452	EDDY	O	06-1990		WELCH STATE #004	168	ACECO PETROLEUM CO	K-17-18S-28E	2630S	2230W
30-015-20138	EDDY	G	01-1992		MAHUN STATE #001	3714	CARL SCHELLINGER	F-16-22S-22E	1800N	1980W
30-015-22474	EDDY	G	02-1998		BIG CHIEF COM #001	6224	DINERO OPERATING CO	F-22-22S-28E	1980N	1980W
30-015-24770	EDDY	O	10-1986		AVALON DELAWARE UNIT #364	7673	EXXON MOBIL CORPORATION	P-25-20S-27E	660S	330E
30-015-24377	EDDY	S	12-1996		AVALON DELAWARE UNIT #562	7673	EXXON MOBIL CORPORATION	O-31-20S-28E	660S	1980E
30-015-24687	EDDY	O	NONE		AVALON DELAWARE UNIT #916	7673	EXXON MOBIL CORPORATION	1-06-21S-27E	660N	660E
30-015-25477	EDDY	O	09-1997		FEDERAL CCC #001	8672	GENERAL MINERALS CORP	K-04-16S-31E	1980S	1980W
30-005-60491	CHAVES	G	08-1995		FEDERAL 14 #001	10380	HERMAN V WALLIS	K-14-14S-28E	1980S	1980W
30-005-60258	CHAVES	G	06-1995		FEDERAL 14 #002	10380	HERMAN V WALLIS	D-14-14S-28E	660N	660W
30-005-62081	CHAVES	G	02-1987		LURA FEDERAL #001	10380	HERMAN V WALLIS	M-10-14S-28E	660S	820W
30-005-60289	CHAVES	G	08-1995		STATE COM #001	10380	HERMAN V WALLIS	O-11-14S-28E	660S	1980E
30-015-22080	EDDY	O	11-1996		GUACAMAYO #001	7269	NGX COMPANY	P-06-21S-27E	660S	990E
30-015-27346	EDDY	O	11-1997		TECOLOTE STATE #001	7269	NGX COMPANY	K-02-21S-28E	2673N	1650W
30-015-24558	EDDY	O	10-1998		AMOCO SKEETER #001	18917	READ & STEVENS INC	E-14-16S-31E	1980N	330W
30-005-60014	CHAVES	G	01-1995		BUFFALO VALLEY COM #001	18917	READ & STEVENS INC	F-02-15S-27E	1650N	1650W
30-015-24271	EDDY	O	11-1989		BUNKER HILL WATER FLOOD UNIT	18917	READ & STEVENS INC	D-13-16S-31E	660N	660W
30-015-24387	EDDY	O	02-1998		BUNKER HILL WATER FLOOD UNIT	18917	READ & STEVENS INC	K-23-16S-31E	1780S	1980W
30-005-20422	CHAVES	O	06-1990		JACKSON #001	18917	READ & STEVENS INC	L-25-12S-30E	1980S	660E
30-015-26567	EDDY	O	06-1996		JAMIE FEDERAL #003	18917	READ & STEVENS INC	E-14-18S-31E	1650N	330W
30-005-60194	CHAVES	O	04-1995		SULIMAR #001	18917	READ & STEVENS INC	K-26-15S-29E	1800S	2150W
30-005-60206	CHAVES	O	10-1994		SULIMAR #002	18917	READ & STEVENS INC	M-26-15S-29E	990S	990W
30-005-62991	CHAVES	G	NONE		WEST HAYSTACK FEDERAL #005	18917	READ & STEVENS INC	F-19-06S-27E	1650N	2100W
30-015-24360	EDDY	O	08-1995		FLYER #001	19801	ROY E KIMSEY JR	F-27-23S-28E	1980N	1980W
30-005-10188	CHAVES	O	04-1991		O'BRIEN C #001	21637	STEVENS OPERATING CORP	M-01-09S-28E	660S	660W
30-005-60330	CHAVES	G	04-1988		O'BRIEN C #004	21637	STEVENS OPERATING CORP	L-01-09S-28E	1980S	745W
30-005-60731	CHAVES	G	04-1986		O'BRIEN DQ #001	21637	STEVENS OPERATING CORP	4-30-07S-29E	660S	660W
30-005-61017	CHAVES	O	04-1988		O'BRIEN DQ #002	21637	STEVENS OPERATING CORP	N-30-07S-29E	990S	2310W
30-005-62240	CHAVES	O	05-1987		O'BRIEN EA #001	21637	STEVENS OPERATING CORP	F-33-07S-29E	2410N	1980W

30-015-05739 EDDY	O	12-1987	DONNELLY PAN AMERICAN #001Y	21986 SWR OPERATING CO	G-05-19S-31E	2310N	2260E
30-015-05737 EDDY	O	10-1987	FEATHERSTONE #001	21986 SWR OPERATING CO	H-05-19S-31E	2310N	330E
30-015-05744 EDDY	O	06-1988	FEATHERSTONE #001	21986 SWR OPERATING CO	K-05-19S-31E	2310S	2310W
30-015-05740 EDDY	O	06-1988	FEATHERSTONE #002	21986 SWR OPERATING CO	L-05-19S-31E	990N	330E
30-015-05747 EDDY	O	09-1979	FEATHERSTONE #004	21986 SWR OPERATING CO	J-05-19S-31E	2310S	2310E
30-015-05732 EDDY	O	06-1980	FEATHERSTONE FEDERAL #001	21986 SWR OPERATING CO	J-04-19S-31E	2310S	2310E
30-015-05752 EDDY	O	01-1990	HODGES FEDERAL #001	21986 SWR OPERATING CO	P-06-19S-31E	990S	330E
30-015-05595 EDDY	O	03-1990	KEOHANE ET AL C FEDERAL #001	21986 SWR OPERATING CO	P-21-18S-31E	660S	660E
30-015-05731 EDDY	O	02-1986	NICKSON A #001	21986 SWR OPERATING CO	4-04-19S-31E	660N	990W
30-015-05672 EDDY	O	06-1988	SHUGART B #003	21986 SWR OPERATING CO	N-33-18S-31E	330S	1650W
30-015-05726 EDDY	O	10-1982	WELCH A #001	21986 SWR OPERATING CO	2-04-19S-31E	660N	1980E
30-015-05728 EDDY	O	02-1986	WELCH A #003	21986 SWR OPERATING CO	F-04-19S-31E	1650N	1980W
30-015-05729 EDDY	O	Dec-99	WELCH A 3004	21986 SWR OPERATING CO	C-04-19S-31E	660N	2210W
30-015-00391 EDDY	O	01-1989	BRADLEY FEDERAL #001	22997 THORNTON HOPPER	D-13-24S-26E	330N	330W
30-015-00387 EDDY	O	12-1992	BRADLEY FEDERAL #002	22997 THORNTON HOPPER	P-11-24S-26E	330S	330E
30-015-00382 EDDY	O	12-1992	BRADLEY FEDERAL #005	22997 THORNTON HOPPER	P-11-24S-26E	990S	990E
30-015-00383 EDDY	O	12-1992	BRADLEY FEDERAL #008	22997 THORNTON HOPPER	K-11-24S-26E	1650S	1650E
30-015-05131 EDDY	O	09-1991	LEA C #003	22922 WISER OIL CO (THE)	D-11-17S-31E	660S	660W
30-015-20705 EDDY	O	09-1991	LEA C #014	22922 WISER OIL CO (THE)	L-11-17S-31E	1980S	660E
30-015-05323 EDDY	O	01-1991	SKELLY UNIT #013	22922 WISER OIL CO (THE)	K-21-17S-31E	1980S	1980W
30-015-22257 EDDY	O	12-1990	SKELLY UNIT #123	22922 WISER OIL CO (THE)	M-22-17S-31E	560S	660W
30-015-28140 EDDY	G	NONE	SKELLY UNIT #161	22922 WISER OIL CO (THE)	K-28-17S-31E	1650S	2310W
30-015-00759 EDDY	O	07-1986	MALCO #001	785 AMTEX ENERGY INC	1-03-18S-27E	330N	330E
30-015-01208 EDDY	O	06-1986	MALCO #002	785 AMTEX ENERGY INC	1-03-18S-27E	144N	1258E
30-015-23907 EDDY	O	12-1993	WILLIAMS #001	2408 BIRD CREEK RESOURCES INC	N-25-23S-28E	660S	1980W
30-015-04301 EDDY	O	08-1998	GISSLER B #011	3080 BURNETT OIL CO INC	J-23-17S-30E	2020S	2310E
30-015-01176 EDDY	O	03-1982	YATES FEDERAL #002	153427 GUADALUPE OPERATING CO. LLP	P-06-20S-27E	330S	990E
30-015-01037 EDDY	O	03-1982	YATES FEDERAL #004	153427 GUADALUPE OPERATING CO. LLP	D-08-20S-27E	330N	330W
30-015-01024 EDDY	O	03-1982	YATES FEDERAL #010	153427 GUADALUPE OPERATING CO. LLP	O-06-20S-27E	350S	2251E
30-015-01036 EDDY	O	11-1976	YATES FEDERAL #014	153427 GUADALUPE OPERATING CO. LLP	C-07-20S-27E	330N	2310W
30-015-21097 EDDY	O	NONE	YATES FEDERAL #017	153427 GUADALUPE OPERATING CO. LLP	A-07-20S-27E	330N	330E

30-005-61891	CHAVES	G	NONE	ACME #001	12277	JULIAN ARD	I-04-08S-27E	1980S	660E
30-015-00054	EDDY	O	08-1982	GORMAN STATE #001	13343	LINDENMUTH & ASSOCIATES INC	C-36-19S-24E	660N	1980W
30-015-24496	EDDY	O	10-1997	DD 24 FEDERAL #001	151228	MAR OIL & GAS CORP.	P-24-19S-24E	990S	660E

EXHIBIT B to Application

Last Production/Injection										
API #	District	Type	Well Name and Number	OGRID	Operator	ULSTR	FNS	FEW		
30-015-01916 EDDY	O		Jan-00 ADKINS WILLIAMS STATE #003	168	ACECO PETROLEUM	O-17-18S-28E	990S	2310E		
30-015-01919 EDDY	O		Dec-99 ADKINS WILLIAMS STATE #005	168	ACECO PETROLEUM	O-17-18S-28E	250S	1570E		
30-015-01908 EDDY	O		Jul-99 WELCH STATE #001	168	ACECO PETROLEUM	K-17-18S-28E	1570S	1570W		
30-015-22407 EDDY	G		Jan-00 EXXON FEDERAL #001	3714	CARL SCHELLINGER	M-29-16S-29-E	660S	660W		
30-015-23100 EDDY	O		Apr-00 State #001	7269	NGX COMPANY	L-02-21S-28E	3300S	660W		
30-015-24270 EDDY	O		Sep-99 BUNKER HILL WATER FLOOD UNIT #006	18917	READ & STEVENS INC	F-13-16S-31E	1980N	1980W		
30-015-10360 EDDY	I		09-1992 BUNKER HILL WATER FLOOD UNIT #009	18917	READ & STEVENS INC	L-13-16S-31E	1980S	660W		
30-015-23608 EDDY	I		03-1992 BUNKER HILL WATER FLOOD UNIT #015	18917	READ & STEVENS INC	P-14-16S-31E	660S	660E		
30-015-23700 EDDY	I		02-1992 BUNKER HILL WATER FLOOD UNIT #017	18917	READ & STEVENS INC	N-13-16S-31E	730S	1910W		
30-015-23609 EDDY	I		09-1992 BUNKER HILL WATER FLOOD UNIT #019	18917	READ & STEVENS INC	D-24-16S-31E	660N	660W		
30-005-10094 CHAVES	S		NONE WEST WHITE RANCH #002	21637	STEVENS OPERATING CORP	H-01-12S-28E	1836N	660E		
30-015-05670 EDDY	I		05-1988 SHUGART B #001	21986	SWR OPERATING CO	O-33-18S-31E	330S	2310E		
30-015-00386 EDDY	S		NONE BRADLEY FEDERAL #006	22997	THORNTON HOPPER	I-11-24S-26E	1650S	990E		
30-015-05347 EDDY	I		09-1997 SKELLY UNIT #003	22922	WISER OIL CO (THE)	D-22-17S-31E	660N	660W		
30-015-05153 EDDY	I		12-1998 SKELLY UNIT #017	22922	WISER OIL CO (THE)	B-15-17S-31E	660N	1980E		
30-015-05154 EDDY	I		12-1998 SKELLY UNIT #018	22922	WISER OIL CO (THE)	D-15-17S-31E	660N	660W		
30-015-05356 EDDY	I		12-1996 SKELLY UNIT #042	22922	WISER OIL CO (THE)	B-22-17S-31E	660N	1880E		
30-015-05346 EDDY	I		May-99 SKELLY UNIT #045	22922	WISER OIL CO (THE)	G-22-17S-31E	1980N	1980E		
30-015-05357 EDDY	I		06-1998 SKELLY UNIT #046	22922	WISER OIL CO (THE)	H-22-17S-31E	1980N	560E		
30-015-05364 EDDY	I		May-99 SKELLY UNIT #047	22900	WISER OIL CO (THE)	E-23-17S-31E	1980N	660W		
30-015-05345 EDDY	I		11-1998 SKELLY UNIT #052	22922	WISER OIL CO (THE)	J-22-17S-31E	1980S	1980E		
30-015-05350 EDDY	I		07-1997 SKELLY UNIT #056	22922	WISER OIL CO (THE)	N-22-17S-31E	660S	1980W		
30-015-05353 EDDY	I		12-1998 SKELLY UNIT #057	22922	WISER OIL CO (THE)	O-22-17S-31E	660S	1980E		
30-015-05429 EDDY	I		12-1998 SKELLY UNIT #089	22922	WISER OIL CO (THE)	B-28-17S-31E	660N	1980E		
30-015-05147 EDDY	I		12-1998 SKELLY UNIT #102	22922	WISER OIL CO (THE)	B-14-17S-31E	660N	1980E		
30-015-05339 EDDY	I		Aug-99 SKELLY UNIT #067	22922	WISER OIL CO (THE)	J-21-17S-31E	1650S	1980E		
30-015-05372 EDDY	I		Jul-00 SKELLY UNIT #072	22922	WISER OIL CO (THE)	K-23-17S-31E	1980S	1980W		
30-015-05422 EDDY	I		Feb-99 SKELLY UNIT #085	22922	WISER OIL CO (THE)	B-27-17S-31E	660N	1980E		
30-015-05148 EDDY	I		May-00 SKELLY UNIT #103	22922	WISER OIL CO (THE)	C-14-17S-31E	560N	1980W		
30-015-05149 EDDY	I		May-00 SKELLY UNIT #105	22922	WISER OIL CO (THE)	F-14-17S-31E	1980N	1980W		
30-015-28999 EDDY	I		Oct-99 SKELLY UNIT #264	22922	WISER OIL CO (THE)	C-27-17S-31E	20N	2619W		

30-015-04120 EDDY	I	Jan-99 GISSLER B#007	3080 BURNETT OIL CO INC.	B-11-17S-30E	660N	1980E
30-015-25987 EDDY	I	08-1998 GISSLER B(A-2) #027	3080 BURNETT OIL CO INC	L-12-17S-30E	1980S	685W
30-015-04036 EDDY	I	03-1998 JACKSON B #004	3080 BURNETT OIL CO INC	4-01-17S-30E	660N	660W
30-015-01023 EDDY	I	Oct-97 YATES FEDERAL # 007	153427 GUADALUPE OPERATING CO	J-06-20S-27E	1650S	1650E