

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

**CASE NO. 12739
ORDER NO. R-11711**

IN THE MATTER OF THE HEARING CALLED BY THE NEW MEXICO OIL CONSERVATION DIVISION THROUGH THE SUPERVISOR OF DIVISION DISTRICT III IN AZTEC, NEW MEXICO ON ITS OWN MOTION FOR AN ORDER REQUIRING CERTAIN OPERATORS TO BRING ONE HUNDRED TWENTY-ONE (121) WELLS INTO COMPLIANCE WITH RULE 201.B AND ASSESSING APPROPRIATE CIVIL PENALTIES; SAN JUAN, RIO ARRIBA, SANDOVAL, AND MCKINLEY COUNTIES, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on October 18, 2001, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 9th day of January, 2002, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and of the subject matter.

(2) There are nineteen (19) respondents named in this Application. At the October 18, 2001 hearing, the New Mexico Oil Conservation Division ("the Division") appeared through counsel, and Respondents Central Resources, Inc. and NM&O Operating Company appeared through counsel. The remaining respondents named in the Application did not appear, either by filing written appearance or by appearance at the hearing.

(3) By this Application, the Division seeks an order directing the named respondents to bring certain wells into compliance with Division Rule 201.B, either by: (i) restoring these wells to production or other Division-approved beneficial use; (ii) causing these wells to be properly plugged and abandoned in accordance with Division Rule 202.B; or (iii) securing Division authority to maintain these wells in temporary abandonment status, in accordance with Division Rule 203.

(4) The Application alleges that Julius Chodrow of Albuquerque, New Mexico is the operator of the Ute Well No. 1 (**API No. 30-045-60045**), located 1950 feet from the North line and 2310 feet from the West line (Unit F) of Section 20, Township 31 North, Range 15 West, NMPM, San Juan County, New Mexico, and that said well is inactive and not in compliance with Division Rule 201.B.

(5) However, the attorney for the Division represented that the Ute Well No. 1 is located on land under the jurisdiction of the Ute Mountain Ute Indian Tribe, and that the Division does not have an agreement with the tribe regarding responsibility for this well. Accordingly, the Division requested that this case be dismissed as to Julius Chodrow, without prejudice.

(6) The Application alleges that Keystone Energy, LLC of Farmington, New Mexico is the operator of the Egan Well No. 1 (**API No. 30-039-82239**), located 1190 feet from the North line and 810 feet from the East line (Unit A) of Section 18, Township 24 North, Range 6 West, NMPM, Rio Arriba County, New Mexico, and that said well is inactive and not in compliance with Division Rule 201.B.

(7) The Application further alleges that TASCOCO of Farmington, New Mexico is the operator of the following described eight wells located on the Navajo Indian Reservation all in Township 29 North, Range 19 West, NMPM, San Juan County, New Mexico, and that said wells are inactive and not in compliance with Division Rule 201.B:

- (a) Navajo Well No. 27 (**API No. 30-045-20435**), located 2080 feet from the South line and 330 feet from the West line (Unit L) of Section 1;
- (b) Navajo Well No. 134 (**API No. 30-045-08677**), located 750 feet from the South line and 1900 feet from the East line (Unit O) of Section 2;
- (c) Navajo Well No. 151 (**API No. 30-045-08529**), located 1700 feet from the South line and 900 feet from the West line (Unit L) of Section 12;
- (d) Navajo Well No. 153 (**API No. 30-045-08506**), located 990 feet from the South line and 2310 feet from the East line (Unit O) of Section 12;

- (e) Navajo Well No. 155 (API No. 30-045-08430), located 330 feet from the North line and 2310 feet from the East line (Unit B) of Section 13;
- (f) Navajo Well No. 157 (API No. 30-045-08632), located 760 feet from the North line and 585 feet from the West line (Unit D) of Section 12;
- (g) Navajo Well No. 158 (API No. 30-045-08536), located 1980 feet from the South and West lines (Unit K) of Section 12; and
- (h) Navajo Well No. 208 (API No. 30-045-21073), located 1750 feet from the North line and 1070 feet from the East line (Unit H) of Section 2.

(8) However, the attorney for the Division represented that uncertainty exists as to whom to hold responsible for the above-described Egan Well No. 1, and for the Navajo Wells No. 27, 134, 151, 153, 155, 157, 158 and 208, and requested that this case be dismissed as to Keystone Energy, LLC, and as to TASC0, without prejudice.

(9) The attorney for the Division further represented that the following-named respondents have agreed to bring the wells that they operate into compliance in accordance with a work plan approved by the supervisor of the Aztec District Office of the Division. The Division accordingly requested that the Application in this case, as to these operators and the wells operated by them, be severed, assigned a separate case number, and continued until the January 24, 2002 Division Examiner Hearing Docket, in order to allow these operators an opportunity to voluntarily bring their wells into compliance with Division rules. The operators as to whom the Division requests severance and continuance are:

Chaparral Energy, Inc.
Clayton Investment Co.
Hart Oil & Gas, Inc.
J.C. Well Service
Jimmy Roberson Energy Corp.
La Quinta Oil Co.
Manana Gas Inc.
Mountain States Petroleum Corp.
N.M. & O. Operating Co.
Noel Reynolds

Phoenix Hydrocarbons Operating Corp.
R-J Enterprises
Smokey Oil Company
Torreon Oil Co.
U.S. Enercorp, LLC

(10) The Division's request to continue this case to the January 24, 2002 Examiner Docket as to the operators described above should be granted. The case to be heard on January 24, 2002 should be designated Case No. 12739-A.

(11) Coulthurst Investment Company ("Coulthurst") of Berkeley, California is the operator of the following-described twelve wells all located in Township 18 North, Range 3 West, NMPM, Sandoval County, New Mexico:

- (a) Ann Well No. 3 (**API No. 30-043-05040**), located 902 feet from the North line and 576 feet from the East line (Unit A) of Section 33;
- (b) Ann Well No. 5 (**API No. 30-043-07011**), located 994 feet from the North line and 321 feet from the East line (Unit A) of Section 33;
- (c) Ann Well No. 6 (**API No. 30-043-60003**), located 694 feet from the North line and 667 feet from the East line (Unit A) of Section 33;
- (d) Ann Well No. 15 (**API No. 30-043-20248**), located 1021 feet from the North line and 1121 feet from the East line (Unit A) of Section 33;
- (e) Darla Well No. 1 (**API No. 30-043-20678**), located 1750 feet from the North line and 1230 feet from the East line (Unit H) of Section 33;
- (f) Darla Well No. 2 (**API No. 30-043-05035**), located 1670 feet from the North line and 1014 feet from the East line (Unit H) of Section 33;
- (g) Darla Well No. 7 (**API No. 30-043-07017**), located 1347 feet from the North line and 1166 feet from the East line (Unit H) of Section 33;

- (h) Darla Well No. 16 (**API No. 30-043-20247**), located 1904 feet from the North line and 1158 feet from the East line (Unit H) of Section 33;
- (i) Erin Well No. 1 (**API No. 30-043-20861**), located 990 feet from the North line and 1650 feet from the West line (Unit C) of Section 33;
- (j) Erin Well No. 3 (**API No. 30-043-20868**), located 1650 feet from the North and West line (Unit F) of Section 33;
- (k) Erin Well No. 4 (**API No. 30-043-20869**), located 1650 feet from the North line and 2310 feet from the West line (Unit F) of Section 33; and
- (l) Jenny Well No. 1 (**API No. 30-043-20894**), located 990 feet from the South line and 2310 feet from the East line (Unit O) of Section 28.

(12) With respect to Coulthurst, the Division presented testimony that demonstrates:

(a) the above-described Coulthurst-operated wells have not produced any hydrocarbons since before 1997, and are not presently equipped to produce; and

(b) the Division has notified Coulthurst that the above-described wells are not in compliance with Rule 201.B, and demanded that Coulthurst bring said wells into compliance.

(13) The above-described Coulthurst-operated wells are not in compliance with Division Rule 201.B.

(14) Coulthurst knowingly and willfully failed to comply with Division Rule 201.B and pursuant to NMSA 1978 70-2-31.A, a civil penalty in the amount of Twelve Thousand Dollars (\$12,000) (\$1,000 for each non-compliant well) should be assessed against Coulthurst for this knowing and willful violation.

(15) Coulthurst should be ordered to bring its wells as described above into compliance with Division Rule 201.B.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the request of the New Mexico Oil Conservation Division ("Division") through its counsel, this Application insofar as it relates to Julius Chodrow, Keystone Energy, LLC and TASC0 is hereby dismissed.

(2) Pursuant to the request of the Division through its counsel, this Application insofar as it relates to Chaparral Energy, Inc., Clayton Investment Co., Hart Oil & Gas, Inc., J.C. Well Service, Jimmy Roberson Energy Corp., La Quinta Oil Co., Manana Gas Inc., Mountain States Petroleum Corp., N.M.&O. Operating Co., Noel Reynolds, Phoenix Hydrocarbons Operating Corp., R-J Enterprises, Smokey Oil Company, Torreon Oil Co. and U.S. Enercorp, LLC, is severed out of this Case No. 12739. The severed case is hereby denominated Case No. 12739-A. The Division administrator is directed to open a case file for the severed Case No. 12739-A, and to place therein true copies of the Application and Notice filed in this Case No. 12739.

(3) Case No. 12739-A is continued, and set for hearing before the Division on January 24, 2002.

(4) This order is entered in this Case No. 12739 only.

(5) Pursuant to the Application of the Division, Coulthurst Investment Co. of Berkeley, California ("Coulthurst") is hereby ordered, no later than thirty (30) days from the date of issuance of this Order, to bring each of its wells identified in Finding Paragraph No. (11) of this order into compliance with Rule 201.B by accomplishing one of the following with respect to each well:

- (a) causing said well to be plugged and abandoned in accordance with Rule 202, and in accordance with a Division approved plugging program;
- (b) restoring said well to production; or
- (c) causing said well to be temporarily abandoned with Division approval in accordance with Rule 203.

(6) As to any wells that the operator fails to bring into compliance as and when required by this Order, the supervisor of the Aztec district office of the Division and Division legal counsel may commence proceedings to order that said wells be permanently plugged and abandoned by the operator or by the Division, and to forfeit the

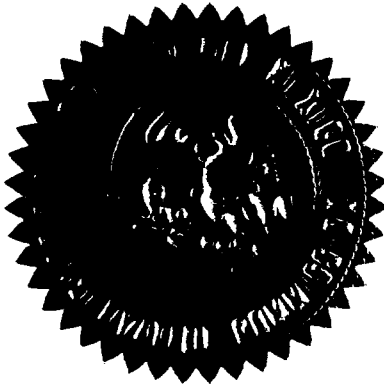
financial assurance, if any, provided by the operator pursuant to NMSA 1978 Section 70-2-14, as amended, and Division Rule 101, or take other actions as appropriate.

(7) Administrative penalties are hereby assessed against Coulthurst in the amount of \$12,000 (\$1,000 for each well) for knowingly and willfully failing to bring its above-described wells into compliance after receiving notice from the Division to do so.

(8) The civil penalty herein assessed shall be paid within thirty (30) days of receipt of this Order, by certified or cashier's check made payable to the "New Mexico Oil Conservation Division," and mailed or hand-delivered to the New Mexico Oil Conservation Division, Attention: Lori Wrotenbery, Director, 1220 South St. Francis Drive, Santa Fe, New Mexico 87505, unless within such time application is filed by the operator for *de novo* review by the New Mexico Oil Conservation Commission of the penalty hereby assessed.

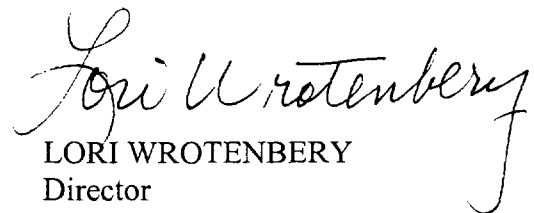
(9) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



S E A L

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


LORI WROTENBERY
Director