

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

**APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION,
THROUGH THE SUPERVISOR OF DISTRICT II, FOR AN ORDER
REQUIRING MCKAY OIL CORPORATION TO BRING ONE (1) WELL INTO
COMPLIANCE WITH RULE 201.B, AND ASSESSING AN APPROPRIATE CIVIL
PENALTY; CHAVES COUNTY, NEW MEXICO**

CASE NO. 12907

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APPLICATION FOR COMPLIANCE ORDER AND CIVIL PENALTIES

1. McKay Oil Corporation ("Operator") is the operator of the following well
(the "subject well") in Chaves County, New Mexico:

West Fork Federal Unit Well No. 4 (API No. 30-005-
62821), located 1650 feet from the South and West lines
(Unit K) of Section 32, Township 4 South, Range 22 East,
NMPM.

2. The subject well has been continuously inactive for a period in excess of
one (1) year plus ninety (90) days immediately preceding the date of filing of this
Application. This well was drilled in 1991. No production has ever been reported from
the subject well, and it is not presently equipped to produce, nor is the subject well
currently approved for temporary abandonment by the Division.

3. On November 30, 2001, March 1, 2002 and April 11, 2002 the New
Mexico Oil Conservation Division ("the Division") notified Operator that the subject
well was not in compliance with Division Rule 201.B(3), and should be brought into
compliance either by returning the same to production or other beneficial use, securing
Division approval for temporary abandonment, or plugging and abandonment. By Notice

of Violation dated April 11, 2002 the Division imposed a deadline of April 30, 2002 to bring this well into compliance, and admonished the Operator that further neglect of this well could result in imposition of civil penalties. However, to this date, Operator has failed to take appropriate action to bring the subject well into compliance.

4. 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:

- (1) A sixty (60) day period following suspension of drilling operations;

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

5. 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.

6. Operator's failure to take action to restore the subject well to production or beneficial use, or to cause such well to be plugged and abandoned, or to apply to the Division for approval for temporary abandonment, or, if such well is in fact producing, to report such production to the Division as required, 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:

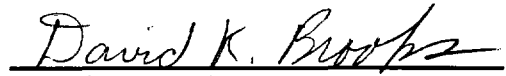
A. Specifically ordering Operator to bring the subject well into compliance with OCD rules within a specified time fixed in said order by taking one of the following actions with respect to said well:

- (i) causing said well to be plugged and abandoned in accordance with Division rules.
- (ii) restoring said well to production or other Division-approved beneficial use, or
- (iii) applying to the Division for permission to place said well in “temporary abandonment” status pursuant to Division Rule 203.

B. Assessing an appropriate civil penalty against Operator for failure to take action to remedy the non-compliance of the subject well after notice and demand from the Division to do so; such penalty to be not less than \$1,000, plus \$1,000 per month per month for each

month that the subject well continued non-compliant from April 30, 2002 to the date of hearing.

RESPECTFULLY SUBMITTED,

A handwritten signature in cursive script, reading "David K. Brooks", is written over a horizontal line.

David K. Brooks
Assistant General Counsel
Energy, Minerals and Natural
Resources Department of the State of
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Conservation Division

Case No. 12907 : **Application of the New Mexico Oil Conservation Division for an Order Requiring McKay Oil Corporation to Bring One (1) Well into Compliance with Rule 201.B, and Assessing an Appropriate Civil Penalty; Chaves County, New Mexico.** The Applicant seeks an order requiring McKay Oil Corporation to bring its West Fork Federal Unit Well No. 4 (**API No. 30-005-62821**), located 1650 feet from the South and West lines of Section 32, Township 4 South, Range 22 East, in Chaves County, New Mexico into compliance with OCD Rule 201.B by either restoring said well to production or beneficial use, plugging and abandoning said well or securing Division approval for temporary abandonment thereof.

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