

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

*Filed  
7/30/02  
for hearing  
8/22/02*

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

CASE NO. \_\_\_\_\_

**APPLICATION FOR COMPLIANCE ORDER AND CIVIL PENALTIES**

1. Slayton Resources, Inc. ("Operator") is the operator of the following  
(the "subject well") in Chaves County, New Mexico:

Diablo State Well No. 2 (API No. 30-005-60020), located  
1980 feet from the South line and 600 feet from the East  
line (Unit I) of Section 16, Township 10 South, Range 27  
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 prior to 1972. It has produced oil intermittently, but no production has been reported therefrom since 1996, and it is not presently equipped to produce. Nor is the subject well currently approved for temporary abandonment by the Division.

3. On January 17, 2002, March 1, 2002 and April 12, 2002 the New Mexico Oil Conservation Division (hereinafter "the Division") notified Operator in writing 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. In the April 12, 2002 notice, 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. By telephone on April 29, 2002, Operator requested an extension of this deadline to May 31, 2002, which was granted. 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;

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- (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

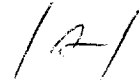
noncompliance from the Division as herein before described, constitutes a continuing violation of Division Rule 201.B(3), a rule duly adopted by the Division pursuant to the Oil and Gas Act.

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 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. 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 for each month that

the subject well continued non-compliant from May 31, 2002 to the date of hearing.

RESPECTFULLY SUBMITTED,



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Case No. \_\_\_\_\_: **Application of the New Mexico Oil Conservation Division for an Order Requiring Slayton Resources, Inc. 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 Slayton Resources, Inc. to bring its Diablo State Well No. 2 (API No. 30-005-60020), located 1980 feet from the South line and 600 feet from the East line of Section 16, Township 10 South, Range 27 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.

