

# New Mexico Energy, Minerals and Natural Resources Department

**Bill Richardson**  
Governor

Jon Goldstein  
Cabinet Secretary

Jim Noel  
Deputy Cabinet Secretary

Mark Fesmire  
Division Director  
Oil Conservation Division



April 14, 2010

Natalie Krueger  
Cimarex Energy Co of Colorado  
600 N. Marienfeld Street, Suite 600  
Midland, Texas 79701

## **DENIAL OF APPLICATION FOR PERMIT TO DRILL, DEEPEN OR PLUG BACK**

**Re: Cimarex Energy Co of Colorado, OGRID No. 162683**

- Topacio Federal 28 Com #1, G-28-19S-33E, 1650' FNL & 1980' FEL, Lea County, New Mexico

Dear Operator:

The Oil Conservation Division (OCD) **denies** your application(s) for permit(s) to drill, deepen or plug back the wells identified above because your company is out of compliance with 19.15.5.9(A) NMAC [Part 5.9(A)]. See 19.15.14.10(A) NMAC.

Your company is out of compliance with Part 5.9(A) on the following ground(s):

\_\_\_\_\_ **Financial assurances.** Your company is in violation of the financial assurance requirements for well plugging set out in 19.15.8.9 NMAC. See 19.15.5.9(A)(1) NMAC. Specifically, your company [has not posted the required blanket financial assurance] [has not posted the single-well financial assurances required for state or fee wells which have been inactive for more than two years. The wells requiring single-well financial assurances are identified in the attached sheet.]

\_\_\_\_\_ **Corrective action.** Order \_\_\_\_\_, issued on \_\_\_\_\_ after notice and hearing, found your company to be in violation of an order requiring corrective action. See 19.15.5.9(A)(2) NMAC.

\_\_\_\_\_ **Unpaid penalties.** Your company has not paid the penalties assessed against your company in \_\_\_\_\_, issued on \_\_\_\_\_. More than 70 days have passed since the issuance of the order assessing the penalty. See 19.15.5.9(A)(3) NMAC.



**XXXX Inactive wells.** According to the attached inactive well list, your company has too many wells in violation of the inactive well rule (19.15.25.8 NMAC) that are not subject to an inactive well agreed compliance order. See 19.15.5.9(A)(4) NMAC. As an operator of 1067 wells, your company may have no more than 10 wells in violation of the inactive well rule. Your company has 57 wells in violation of the inactive well rule. Of the 57 non-compliant inactive wells, 17 have dates of last reported production from the 1990s and 3 have dates of last reported production from the 1980s.

I have enclosed an information sheet explaining the requirements of Part 5.9. You may re-submit your request after your company has returned to compliance with Part 5.9.

Respectfully yours,

A handwritten signature in black ink, appearing to read 'Daniel Sanchez', with a long, sweeping horizontal line extending to the right.

Daniel Sanchez, Compliance and Enforcement Manager

Ec: Mark Fesmire, Division Director, Santa Fe  
Theresa Duran-Saenz, Legal Assistant, Santa Fe  
Larry "Buddy" Hill, District 1 Supervisor  
Randy Dade, District 2 Supervisor  
Charlie Perrin, District 3 Supervisor  
Ed Martin, District 4 Supervisor

## Inactive Well List

Total Well Count: 1067 Inactive Well Count: 57 Since: 1/19/2009

Printed On: Wednesday, April 14 2010

District	API	Well	ULSTR	OCD Unit	OGRID	Operator	Lease Type	Well Type	Last Production	Formation/Notes	Status	TA Exp Date
1	30-025-31218	BONDURANT FEDERAL #003	A-1 -19S-32E	A	162683	CIMAREX ENERGY CO. OF COLORADO	F	O	11/1999	TA EXPIRED 2-29-05	T	2/28/2005
1	30-025-05966	BRITT A #001	N-6 -20S-37E	N	162683	CIMAREX ENERGY CO. OF COLORADO	F	O	07/1981	GRAYBURG SAN ANDRES	T	5/20/2000
1	30-025-25399	CITGO LM STATE #001	M-36-23S-36E	M	162683	CIMAREX ENERGY CO. OF COLORADO	S	G	01/2003			
1	30-025-08716	COLEMAN #001	J-17-21S-36E	J	162683	CIMAREX ENERGY CO. OF COLORADO	P	G	10/2002			
1	30-025-11006	COURTLAND MYERS #002	M-5 -24S-37E	M	162683	CIMAREX ENERGY CO. OF COLORADO	F	G	06/1998	JALMAT		
1	30-025-25600	D B BOREN #003	B-20-22S-36E	B	162683	CIMAREX ENERGY CO. OF COLORADO	P	O	11/1993	7 RVRS-QUEEN		
2	30-015-23464	EMPIRE 20 FEDERAL #001	H-20-18S-29E	H	162683	CIMAREX ENERGY CO. OF COLORADO	F	G	02/2004			
2	30-015-23102	EMPIRE FEDERAL COM #001	K-27-18S-29E	K	162683	CIMAREX ENERGY CO. OF COLORADO	F	G	05/2001			
1	30-025-11946	FARNSWORTH 4 #003	H-4 -26S-37E	H	162683	CIMAREX ENERGY CO. OF COLORADO	F	O	11/2008	7 RVRS-Q-GRAYBURG		
2	30-005-63314	FORAN 30 FEDERAL #002	4-30-15S-28E	D	162683	CIMAREX ENERGY CO. OF COLORADO	F	G	11/2008	DIAMOND MOUND MORROW		
2	30-005-62320	FORAN FEDERAL 30 COM #001	J-30-15S-28E	J	162683	CIMAREX ENERGY CO. OF COLORADO	F	G	10/2008			
1	30-025-24098	HUMBLE A STATE #001	E-16-16S-35E	E	162683	CIMAREX ENERGY CO. OF COLORADO	S	G	06/2003			
1	30-025-09552	J W COOPER A #003	N-12-24S-36E	N	162683	CIMAREX ENERGY CO. OF COLORADO	P	G	08/1996	Y-SR / EXTRA BONDING REQUIRED		
1	30-025-36524	KAREN 1 STATE #002	K-1 -20S-37E	K	162683	CIMAREX ENERGY CO. OF COLORADO	S	O	07/2004	DRINKARD INT TO PA 04/05/2010		
1	30-025-30695	LAGUNA DEEP FEDERAL UNIT #004	B-26-19S-33E	B	162683	CIMAREX ENERGY CO. OF COLORADO	F	G	04/2008	MORROW INT TO TA BLM 03/15/2010		
1	30-025-02775	LEA A STATE #002	C-10-16S-35E	C	162683	CIMAREX ENERGY CO. OF COLORADO	S	O	12/2003			
1	30-025-02777	LEA A STATE #004	F-10-16S-35E	F	162683	CIMAREX ENERGY CO. OF COLORADO	S	O	07/2004			
1	30-025-28165	LEA AQ STATE #001	A-32-19S-35E	A	162683	CIMAREX ENERGY CO. OF COLORADO	S	O	06/1997	SAN ANDRES, WEST		
1	30-025-34173	LUSK WEST DELAWARE UNIT #011	K-20-19S-32E	K	162683	CIMAREX ENERGY CO. OF COLORADO	F	I	12/2008	DELAWARE		
1	30-025-34031	LUSK WEST DELAWARE UNIT #016	P-20-19S-32E	P	162683	CIMAREX ENERGY CO. OF COLORADO	F	O	09/2000	DELAWARE	T	5/13/2005
1	30-025-30165	LUSK WEST DELAWARE UNIT #911	K-29-19S-32E	K	162683	CIMAREX ENERGY CO. OF COLORADO	F	I	10/2008	DELAWARE/CONVERT TO WIW		
1	30-025-33589	MALLON 34 FEDERAL #015	M-34-19S-34E	M	162683	CIMAREX ENERGY CO. OF COLORADO	F	G	03/2006	DELAWARE		
1	30-025-32983	MALLON 35 FEDERAL #001	D-35-19S-34E	D	162683	CIMAREX ENERGY CO. OF COLORADO	F	O	09/2007	TA EXP 06/12/2016 BLM	T	4/2/2010
1	30-025-23503	MESCALERO RIDGE UNIT #003	P-35-19S-34E	P	162683	CIMAREX ENERGY CO. OF COLORADO	F	O	11/2004	DELAWARE		

1	30-025-30985	MITCHELL 16 STATE #003	G-16-18S-32E	G	162683	CIMAREX ENERGY CO. OF COLORADO	S	O	10/1991	SAN ANDRES		
1	30-025-12024	MOBERLY C #003	E-21-26S-37E	E	162683	CIMAREX ENERGY CO. OF COLORADO	F	I	04/1997	YATES-SEVEN RIVERS	T	8/31/2006
1	30-025-27661	NEW MEXICO DA STATE #002	G-31-21S-35E	G	162683	CIMAREX ENERGY CO. OF COLORADO	S	G	05/2006			
2	30-015-26374	NORTH SHUGART FEDERAL #001	H-17-18S-31E	H	162683	CIMAREX ENERGY CO. OF COLORADO	F	G	11/2003	MORROW		
2	30-015-22309	PALMILLO STATE COM #001	G-32-18S-29E	G	162683	CIMAREX ENERGY CO. OF COLORADO	S	G	01/2006	MORROW		
2	30-015-23818	PARKWAY C STATE COM #001	F-15-19S-29E	F	162683	CIMAREX ENERGY CO. OF COLORADO	S	O	04/2004	BONE SPRING		
1	30-025-26493	PENNZOIL STATE #001	G-18-16S-37E	G	162683	CIMAREX ENERGY CO. OF COLORADO	S	O	12/2008	NE LOVINGTON PENN 02/26/10 INT TO PA		
1	30-025-25913	PIPELINE DEEP UNIT FEDERAL #004	N-6 -19S-34E	N	162683	CIMAREX ENERGY CO. OF COLORADO	F	G	02/1990		T	2/10/2005
1	30-025-11948	RHODES FEDERAL UNIT #042	K-4 -26S-37E	K	162683	CIMAREX ENERGY CO. OF COLORADO	F	O	04/1986	7 RVRS-Q- GRAYBURG	T	1/14/2006
1	30-025-11967	RHODES FEDERAL UNIT #091	K-9 -26S-37E	K	162683	CIMAREX ENERGY CO. OF COLORADO	F	G	08/2003			
1	30-025-33205	RHODES FEDERAL UNIT #265	M-26-26S-37E	M	162683	CIMAREX ENERGY CO. OF COLORADO	F	G	03/1999	YATES-SEVEN RIVERS		
1	30-025-33248	RHODES FEDERAL UNIT #271	I-27-26S-37E	I	162683	CIMAREX ENERGY CO. OF COLORADO	F	G	02/1997	YATES-SEVEN RIVERS		
1	30-025-22261	ROCK ISLAND B STATE #001	I-4 -17S-34E	A	162683	CIMAREX ENERGY CO. OF COLORADO	S	O	07/2003	04/05/2010 INT TO PA		
2	30-015-24822	ROY RENFRO #001	14-1 -21S-27E	F	162683	CIMAREX ENERGY CO. OF COLORADO	P	O	02/1999	BONE SPRING	T	2/2/2004
1	30-025-06315	SHELL STATE #006	I-32-20S-37E	I	162683	CIMAREX ENERGY CO. OF COLORADO	S	G	04/2004			
1	30-025-10581	SKELLY PENROSE A UNIT #001	K-34-22S-37E	K	162683	CIMAREX ENERGY CO. OF COLORADO	P	O	10/2008			
1	30-025-10562	SKELLY PENROSE A UNIT #003	I-33-22S-37E	I	162683	CIMAREX ENERGY CO. OF COLORADO	P	O	10/2008	7 RVRS-Q- GRAYBURG		
1	30-025-10616	SKELLY PENROSE A UNIT #032	L-4 -23S-37E	L	162683	CIMAREX ENERGY CO. OF COLORADO	F	I	12/1992	SEVEN RIVERS- QUEEN	T	2/15/2003
1	30-025-10623	SKELLY PENROSE A UNIT #033	M-4 -23S-37E	M	162683	CIMAREX ENERGY CO. OF COLORADO	P	O	10/1991		T	6/4/1997
1	30-025-10621	SKELLY PENROSE A UNIT #035	O-4 -23S-37E	O	162683	CIMAREX ENERGY CO. OF COLORADO	P	O	09/2008			
1	30-025-10596	SKELLY PENROSE A UNIT #038	N-3 -23S-37E	N	162683	CIMAREX ENERGY CO. OF COLORADO	P	O	01/2002	SRQ-G / CONVERTED INJ TO PROD 2-9-94	T	2/21/2006
1	30-025-10599	SKELLY PENROSE A UNIT #040	P-3 -23S-37E	P	162683	CIMAREX ENERGY CO. OF COLORADO	P	I	10/2000	SEVEN RIVERS QUEEN GRAYBURG	T	2/21/2006
1	30-025-10698	SKELLY PENROSE A UNIT #053	J-10-23S-37E	J	162683	CIMAREX ENERGY CO. OF COLORADO	F	I	06/1996			
1	30-025-10701	SKELLY PENROSE A UNIT #055	L-10-23S-37E	L	162683	CIMAREX ENERGY CO. OF COLORADO	F	I	02/1995	7RQ-GB / XTRA BONDING REQ	T	2/15/2003
1	30-025-32179	SKELLY PENROSE A UNIT #071	N-34-22S-37E	N	162683	CIMAREX ENERGY CO. OF COLORADO	P	G	10/2008	BLINEBRY		
2	30-015-23041	STATE 14 A COM #001	G-14-19S-29E	G	162683	CIMAREX ENERGY CO. OF COLORADO	S	O	02/2001	WOLFCAMP		
1	30-025-30095	STATE 2 #001	L-2 -17S-37E	L	162683	CIMAREX ENERGY CO. OF	F	O	05/2002			

						COLORADO							
1	30-025-06192	STATE A-20 #002	J-20-20S-37E	J	162683	CIMAREX ENERGY CO. OF COLORADO	S	O	08/2007	GRAYBURG SAN ANDRES			
1	30-025-32024	STATE A-20 #003	P-20-20S-37E	P	162683	CIMAREX ENERGY CO. OF COLORADO	S	G	02/1999	YATES-SEVEN RIVERS-QUEEN			
1	30-025-01276	STATE LG 26 #001	A-26-16S-33E	A	162683	CIMAREX ENERGY CO. OF COLORADO	S	O	07/1989				
2	30-015-22395	SUPERIOR FEDERAL #004	I-5 -20S-29E		162683	CIMAREX ENERGY CO. OF COLORADO	F	G	03/2004	STRAWN		P	
1	30-025-11034	TOBY #002	K-7 -24S-37E	K	162683	CIMAREX ENERGY CO. OF COLORADO	P	G	08/1998	TANSIL-YATES- SEVEN RIVERS			
1	30-005-00504	V G KINAHAN FEDERAL #001	O-20-15S-30E	O	162683	CIMAREX ENERGY CO. OF COLORADO	F	S	09/2008	SWD-568 01/15/10 INT TO PA TIL 04/25/10			

WHERE Ogrid:162683, County:All, District:All, Township:All, Range:All, Section:All, Production(months):15, Excludes Wells Under ACOI, Excludes Wells in Approved TA Period

## INFORMATION SHEET FOR PART 5.9

Oil Conservation Division (OCD) Rule 19.15.5.9 NMAC, commonly known as “Part 5.9,” requires operators to meet certain minimum compliance standards for the wells they already operate before they can drill, acquire, produce or inject into additional wells. If an operator is out of compliance as defined by Part 5.9, the OCD:

- May deny registration by the operator or certain related entities. *See* 19.15.9.8(B) NMAC.
- May deny applications for change of operator that would transfer wells to the operator. *See* 19.15.9.9(C) NMAC.
- Must deny injection permits. *See* 19.15.26.8(A) NMAC.
- May deny APDs. *See* 19.15.14.10(A) NMAC.
- Must deny allowable and authorizations to transport. *See* 19.15.16.19(A) NMAC.

In addition, the OCD may, after notice and hearing, revoke previously issued injection permits if the operator is out of compliance with Part 5.9. *See* 19.15.26.8(A) NMAC.

To stay in compliance with Part 5.9, an operator must:

- Keep current with the financial assurance requirements for well plugging. *See* 19.15.5.9(A)(1) NMAC.
- Comply with orders requiring corrective action. *See* 19.15.5.9(A)(2) NMAC.
- Pay properly assessed penalties. *See* 19.15.5.9(A)(3) NMAC.
- Have no more than a certain number of wells out of compliance with the inactive well rule. *See* 19.15.5.9(A)(4) NMAC.

**FINANCIAL ASSURANCE REQUIREMENTS:** The OCD’s financial assurance requirements for well plugging are set out in 19.15.8.9 NMAC. The OCD requires all state or fee wells to be covered by a financial assurance. The OCD does not require financial assurances for Federal or Indian wells.

The operator must either post a blanket financial assurance in the amount of \$50,000 to cover its state or fee wells, or post single-well financial assurances for each state or fee well in the amount set by the rule.

If the operator chooses to post a blanket financial assurance, it must also post single-well financial assurances for each state or fee well that has been inactive for more than two years that has not been plugged and released. Note that a single-well financial assurance is required even if the well is on approved temporary abandonment status, and even if the wellbore of the well has been plugged. To check compliance with this requirement, go to [www.emnrd.state.nm.us/OCD](http://www.emnrd.state.nm.us/OCD); OCD Online, E-Permitting, Financial Assurance. Insert the operator name or OGRID, and hit “Get Report.” The report will list all the wells for that operator that have not been plugged and released. Wells currently in violation of the single-well financial assurance requirement will have a “Y” in the far right column, titled “In Violation.”

For information on how to post financial assurances, please contact OCD Financial Assurance Administrator Dorothy Phillips, (505) 476-3461, [Dorothy.phillips@state.nm.us](mailto:Dorothy.phillips@state.nm.us).

**CORRECTIVE ACTION REQUIREMENTS:** If an operator fails to take an action required by a hearing order or an agreed compliance order, the OCD may go to hearing to obtain a formal order finding the operator “in violation of an order requiring corrective action.” Once such an order is issued and becomes final, the operator will be out of compliance with Part 5.9 until that order is lifted. To lift the order, the operator must

complete the corrective action required, and file a motion to declare the order satisfied. The Oil Conservation Division or the Oil Conservation Commission, as appropriate, may grant the motion without hearing or may set the matter for hearing.

**UNPAID PENALTIES:** An operator with a penalty assessment unpaid more than 70 days after issuance of the order assessing the penalty will be in violation of Part 5.9 until that penalty is paid. Penalties may be assessed by the district court, or may be agreed to by the operator under an agreed compliance order entered into to resolve a compliance action.

**INACTIVE WELLS:** The inactive well rule, 19.15.25.8 NMAC, requires any well that has been inactive for a period of more than 15 months to be plugged and abandoned, placed on approved temporary abandonment status, or returned to production or other beneficial use. An operator will be out of compliance with Part 5.9 if it has too many wells in violation of the inactive well rule; the number of non-compliant wells allowed depends on the size of the operator. Under Part 5.9, if an operator operates:

- 1 well, it may have no wells out of compliance;
- 2 or 3 wells, it may have no more than 1 well out of compliance;
- 4 to 100 wells, it may have no more than 2 wells out of compliance;
- 101 to 500 wells, it may have no more than 5 wells out of compliance;
- 501 to 1000 wells, it may have no more than 7 wells out of compliance; and
- 1000 or more wells, it may have no more than 10 wells out of compliance.

To check compliance with 5.9 as to inactive wells, go to [www.emnrd.state.nm.us/OCD](http://www.emnrd.state.nm.us/OCD), OCD Online, E-Permitting, Inactive Well List. Do not change the default search terms. Insert the operator name or OGRID, and hit "Get Report." The report will identify the wells that -- according to OCD records -- have been inactive for 15 months, are not on approved temporary abandonment status, do not have a plugged wellbore, and are not subject to an inactive well agreed compliance order. For purposes of Part 5.9, if a well appears on this list, there is a rebuttable presumption that the well is in violation of the inactive well rule. The heading of the list will also identify the total well count for the operator, and the total number of non-compliant inactive wells, so you can determine if the operator is in compliance with Part 5.9.

If your company has more non-compliant wells than allowed under Part 5.9, you will need to return wells to compliance by returning them to production or other beneficial use, placing them on approved temporary abandonment status, or plugging the wellbore. In some limited circumstances, the OCD may be willing to enter into an inactive well agreed compliance order setting a schedule for returning the wells to compliance and imposing sanctions if that schedule is not met. Wells covered by an inactive well agreed compliance order are not included when calculating Part 5.9 compliance. For information on inactive well agreed compliance orders, contact OCD Attorney Sonny Swazo at (505) 476-3463, [Sonny.swazo@state.nm.us](mailto:Sonny.swazo@state.nm.us).