



# New Mexico Energy, Minerals and Natural Resources Department

**Bill Richardson**  
Governor

Jim Noel  
Cabinet Secretary  
Karen W. Garcia  
Deputy Cabinet Secretary

Mark Fesmire  
Division Director  
Oil Conservation Division



October 12, 2010

Pride Energy Co.  
P.O. Box 701602  
Tulsa, OK 74170

Pride Energy Co.  
P.O. Box 701950  
Tulsa, OK 74170

## **DENIAL OF REQUEST FOR ALLOWABLE AND AUTHORIZATION TO TRANSPORT**

**Re: Pride Energy Company, OGRID No. 151323**

- Hondo Fee #1, API #30-025-26351, Lea County, New Mexico

Dear Operator:

The Oil Conservation Division (OCD) **denies** your request for allowable and authorization to transport for the wells identified above because your company is out of compliance with 19.15.5.9(A) NMAC [Part 5.9(A)]. See 19.15.16.19(A)(4) NMAC.

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

**XX 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 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.



XX **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 69 wells, your company may have no more than 2 wells in violation of the inactive well rule. Your company has 3 wells in violation of the inactive well rule. In addition,

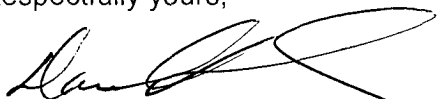
---

---

---

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,



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  
Donna Mull, Compliance Officer

## **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).

## Inactive Well Additional Financial Assurance Report

151323 PRIDE ENERGY COMPANY

Total Well Count: 69

Printed On: Tuesday, October 12 2010

Property	Well Name	Lease Type	ULSTR	OCD Unit Letter	API	Well Type	Last Prod/Inj	Inactive Additional Bond Due	Measured Depth	Required Bond Amount	Bond Required Now	Bond In Place	In Violation
36144	BAGLEY #001	P	A-9 -11S-33E	A	30-025-20610	O			10360			0	
	BAGLEY #002	P	G-9 -11S-33E	G	30-025-38192	O	08/2009	09/01/2011	10500	15500		0	
	BAGLEY #003	P	B-9 -11S-33E	B	30-025-39129	O			Unknown			0	
36909	BAGLEY 22 STATE #001	S	E-22-11S-33E	E	30-025-38672	O	07/2010	08/01/2012	10400	15400		0	
36910	BAGLEY 23 STATE #001	S	G-23-11S-33E	G	30-025-38669	O			Unknown			0	
37454	BAGLEY 27 STATE #001	S	J-27-11S-33E	J	30-025-39225	O			Unknown			0	
23227	CURRY & THORNTON FEDERAL #001	F	L-11-08S-31E	L	30-005-20918	O	07/2010		4106			0	
35718	EAST SAUNDERS UNIT #001	S	F-12-14S-34E	F	30-025-01871	G	01/2010	02/01/2012	15375	20375		0	
21029	FEDERAL 20 #001Y	F	N-20-18S-31E	N	30-015-21752	O	07/2010		Unknown			0	
21030	FEDERAL 26 #001	F	O-26-18S-31E	O	30-015-21696	O	07/2010		Unknown			0	
	FEDERAL 26 #002	F	J-26-18S-31E	J	30-015-21870	O	07/2010		Unknown			0	
	FEDERAL 26 #003	F	G-26-18S-31E	G	30-015-22048	O	07/2010		Unknown			0	
	FEDERAL 26 #004	F	B-26-18S-31E	B	30-015-22332	O	07/2010		Unknown			0	
36381	GO STATE #001	S	A-13-19S-34E	A	30-025-28207	O			5800			0	
	GO STATE #002	S	A-13-19S-34E	A	30-025-38898	O	07/2010	08/01/2012	5800	10800		0	
23228	GRYNBERG FEDERAL #004	F	E-11-08S-31E	E	30-005-20759	O	07/2010		4179			0	
37450	HONDO FEE #001	P	L-19-16S-36E	L	30-025-26351	O			12010			0	
36382	HUMBLE AO STATE #002	S	N-11-19S-36E	N	30-025-20460	O			9141			0	
35948	INBE 12 #001	P	O-12-11S-33E	O	30-025-38082	G			12125			0	
35621	INBE 13 #001	P	G-13-11S-33E	G	30-025-37840	G	07/2010	08/01/2012	12168	17168		0	
	INBE 13 #002	P	K-13-11S-33E	K	30-025-38083	G			12163			0	
35949	INBE 24 #001	P	B-24-11S-33E	B	30-025-38084	G			12163			0	
35950	INBE 25 #001	P	O-25-11S-33E	O	30-025-38085	G			99999			0	
26498	J P COLLIER #001	P	F-10-11S-33E	F	30-025-00996	O	07/2010	08/01/2012	11750	16750		0	
	J P COLLIER #003	P	C-10-11S-33E	C	30-025-21787	O	10/1997	11/01/1999	10200	15200	Y	15200	
	J P COLLIER #004Y	P	G-10-11S-33E	G	30-025-22133	O	07/2010	08/01/2012	10200	15200		0	
26113	MARIGOLD UNIT #001	P	B-7 -12S-38E	B	30-025-32859	O	05/2010	06/01/2012	11930	16930		0	
33115	NEW MEXICO 36 STATE #001	S	J-36-19S-37E	J	30-025-36485	O	07/2010	08/01/2012	7200	12200		0	
	NEW MEXICO 36 STATE #002	S	O-36-19S-37E	O	30-025-36909	O			7850			12850	
303421	NEW MEXICO 87 STATE #001	S	K-33-14S-34E	K	30-025-23655	O	08/2004	09/01/2006	10504	15504	Y	15504	
303422	NM 83 STATE SWD #001	S	J-33-14S-34E	J	30-025-23516	S	03/2006	04/01/2008	10601	15601	Y	15601	
34892	PADUCA DELAWARE 16 STATE #001	S	C-16-25S-32E	C	30-025-37308	S	07/2010	08/01/2012	4850	9850		0	
	PADUCA DELAWARE 16 STATE #002	S	F-16-25S-32E		30-025-37655	O	07/2010	08/01/2012	4890	9890		0	
	PADUCA DELAWARE 16 STATE #003	S	D-16-25S-32E	D	30-025-37899	O	07/2010	08/01/2012	4850	9850		0	
	PADUCA DELAWARE 16 STATE #004	S	E-16-25S-32E		30-025-37861	O	07/2010	08/01/2012	4850	9850		0	
	PADUCA DELAWARE 16 STATE #005	S	B-16-25S-32E	B	30-025-37912	O	07/2010	08/01/2012	4850	9850		0	
	PADUCA DELAWARE 16 STATE #008	S	C-16-25S-32E	C	30-025-37937	O			67			0	
20389	SAN ISIDRO 11 #014	F	N-11-20N-03W	N	30-043-20855	O	07/2010		6309			0	
	SAN ISIDRO 11 #016	F	P-11-20N-03W	P	30-043-20685	O	02/2010		4195			0	
20390	SAN ISIDRO 12 #002	F	B-12-20N-03W	B	30-043-20721	O	04/2009		4590			0	
	SAN ISIDRO 12 #010	F	J-12-20N-03W	J	30-043-20856	O	07/2010		6130			0	
20393	SAN ISIDRO 15 #004	F	D-15-20N-03W	D	30-043-20532	O	03/2010		4350			0	
	SAN ISIDRO 15 #007	F	G-15-20N-03W	G	30-043-20731	O	07/2010		7316			0	
20395	SAN ISIDRO 18 #008	F	H-18-20N-03W	H	30-043-20702	O	07/2010		4376			0	
20386	SAN ISIDRO 5 #002	F	2-5 -20N-02W	B	30-043-20895	O	10/2009		4878			0	
	SAN ISIDRO 5 #015	F	O-5 -20N-02W	O	30-043-20923	O	07/2010		4925			0	
20387	SAN ISIDRO 6 #016	F	P-6 -20N-02W	P	30-043-20742	O	07/2010		4996			0	
20388	SAN ISIDRO 7 #011	F	K-7 -20N-02W	K	30-043-20729	I	07/2010		4775			0	
37145	SAUNDERS 33 STATE #001	S	L-33-14S-33E	L	30-025-38878	O			Unknown			0	
34327	SHELLY 36 STATE #006	S	N-36-19S-37E	N	30-025-36464	O	05/2007	06/01/2009	7225	12225	Y	12225	
24592	SOUTH FOUR LAKES UNIT #001	S	2-2 -12S-34E	B	30-025-01831	O	08/1983	09/01/1985	12222	17222	Y	17222	
	SOUTH FOUR LAKES UNIT #002	S	G-2 -12S-34E	G	30-025-01832	O	07/2010	08/01/2012	12924	17924		0	
	SOUTH FOUR LAKES UNIT #003	S	4-1 -12S-34E	D	30-025-01829	G	08/1987	09/01/1989	12874	17874	Y	17874	
	SOUTH FOUR LAKES UNIT #005	S	3-2 -12S-34E	C	30-025-01833	S	07/2010	08/01/2012	13010	18010		0	
	SOUTH FOUR LAKES UNIT #006	S	I-2 -12S-34E	I	30-025-01834	S	06/2008	07/01/2010	12870	17870	Y	0	Y
	SOUTH FOUR LAKES UNIT #008	S	1-2 -12S-34E	A	30-025-29533	S	07/2010	08/01/2012	13000	18000		0	
	SOUTH FOUR LAKES UNIT #009	S	J-35-11S-34E	J	30-025-31188	O	07/2010	08/01/2012	10551	15551		15551	
	SOUTH FOUR LAKES UNIT #013	S	L-1 -12S-34E	L	30-025-36528	S	12/2009	01/01/2012	10792	15792		0	
	SOUTH FOUR LAKES UNIT #014	S	I-35-11S-34E	I	30-025-36844	O	07/2010	08/01/2012	10475	15475		0	
	SOUTH FOUR LAKES UNIT #015	S	G-2 -12S-34E	G	30-025-36882	O	07/2010	08/01/2012	15330	20330		0	
27138	STATE #001	S	M-1 -12S-34E	M	30-025-20689	G	07/2010	08/01/2012	12431	17431		0	

34858	STATE B H #001	S	B-12-16S-35E	B	30-025-02788	O			13902		0
34564	STATE LEA 405 COM #001	S	C-27-18S-35E	C	30-025-03145	G			11783		0
32545	STATE X #001	S	E-12-12S-34E	E	30-025-01838	G			Unknown		0
36580	TONTO STATE #001	S	H-16-19S-33E	H	30-025-38475	O	07/2010	08/01/2012	3857	8857	0
34891	WEST LOVINGTON 19 STATE #001	S	I-19-16S-36E	I	30-025-37306	O	07/2010	08/01/2012	11710	16710	0
	WEST LOVINGTON 19 STATE #002	S	H-19-16S-36E	H	30-025-39223	O			Unknown		0
	WEST LOVINGTON 19 STATE #003	P	B-19-16S-36E	B	30-025-38879	O			Unknown		0
30969	Z TAYLOR #002	P	G-7 -12S-38E	G	30-025-07161	O	07/2010	08/01/2012	11462	16462	0

WHERE Ogrid:151323

## Inactive Well List

**Total Well Count: 69 Inactive Well Count: 3 Since: 7/19/2009**

**Printed On: Tuesday, October 12 2010**

District	API	Well	ULSTR	OCD Unit	OGRID	Operator	Lease Type	Well Type	Last Production	Formation/Notes	Status	TA Exp Date
1	30-025-23516	NM 83 STATE SWD #001	J-33-14S-34E	J	151323	PRIDE ENERGY COMPANY	S	S	03/2006	SAN ANDRES		
3	30-043-20721	SAN ISIDRO 12 #002	B-12-20N-03W	B	151323	PRIDE ENERGY COMPANY	F	O	04/2009	INT TO TA/BLM APVD 9-8-10		
1	30-025-36464	SHELLY 36 STATE #006	N-36-19S-37E	N	151323	PRIDE ENERGY COMPANY	S	O	05/2007	ABO 56640 INT TO TA 05/14/09		

WHERE Ogrid:151323, County:All, District:All, Township:All, Range:All, Section:All, Production(months):15, Excludes Wells Under ACOI, Excludes Wells in Approved TA Period