



New Mexico Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

Brett F. Woods, Ph. D.
Acting Cabinet Secretary

Daniel Sanchez
Acting Division Director
Oil Conservation Division



March 7, 2011

Resaca Operating Co.
Attn: Lisa C. Cohen
Attn: Melanie Reyes
1331 Lamar Street, Suite 1450
Houston, TX 77010

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

Re: **Resaca Operating Company, OGRID No. 263848**

- Cooper Jal Unit #114, API #30-025-09559, Lea County, New Mexico
- Cooper Jal Unit #148, API #30-025-09642, Lea County, New Mexico
- Cooper Jal Unit #230, API # 30-025-09649, 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):

XXXX 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.



_____ **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 _____ wells, your company may have no more than _____ wells in violation of the inactive well rule. Your company has _____ 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
Acting Division Director
Division Compliance and Enforcement Manager

Ec: 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

Inactive Well Additional Financial Assurance Report

263848 RESACA OPERATING COMPANY

Total Well Count: 103

Printed On: Monday, March 07 2011

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
306442	BTBN 25 FEDERAL #002	F	H-25-24S-31E	H	30-015-29551	O	12/2010		10000			0	
306443	COOPER JAL UNIT #101	P	C-18-24S-37E	C	30-025-11145	O	12/2010	01/01/2013	3572	8572		0	
	COOPER JAL UNIT #102	P	B-18-24S-37E	B	30-025-11134	O	11/2010	12/01/2012	3485	8485		0	
	COOPER JAL UNIT #105	P	F-18-24S-37E	F	30-025-11147	O	12/2010	01/01/2013	3583	8583		8733	
	COOPER JAL UNIT #106	P	H-18-24S-37E	H	30-025-11137	O	12/2010	01/01/2013	3587	8587		0	
	COOPER JAL UNIT #107	P	K-13-24S-36E	K	30-025-09558	O	12/2010	01/01/2013	3611	8611		0	
	COOPER JAL UNIT #110	P	I-18-24S-37E	I	30-025-11143	O	12/2010	01/01/2013	3587	8587		0	
	COOPER JAL UNIT #113	P	N-13-24S-36E	N	30-025-09496	O	12/2010	01/01/2013	3615	8615		0	
	COOPER JAL UNIT #115	P	P-13-24S-36E	P	30-025-09566	O	12/2010	01/01/2013	3668	8668		0	
	COOPER JAL UNIT #116	F	4-18-24S-37E	M	30-025-11141	I	12/2010		3641			0	
	COOPER JAL UNIT #117	F	N-18-24S-37E	N	30-025-11140	O	12/2010		3649			0	
	COOPER JAL UNIT #118	P	O-18-24S-37E	O	30-025-11139	I	12/2010	01/01/2013	3628	8628		0	
	COOPER JAL UNIT #120	P	C-24-24S-36E	C	30-025-09631	I	12/2010	01/01/2013	3604	8604		0	
	COOPER JAL UNIT #121	P	B-24-24S-36E	B	30-025-09645	O	12/2010	01/01/2013	3560	8560		0	
	COOPER JAL UNIT #122	P	A-24-24S-36E	A	30-025-09638	I	12/2010	01/01/2013	3552	8552		0	
	COOPER JAL UNIT #124	F	C-19-24S-37E	C	30-025-11153	I	07/1995		3528			0	
	COOPER JAL UNIT #125	P	F-24-24S-36E	F	30-025-09632	O	12/2010	01/01/2013	3655	8655		0	
	COOPER JAL UNIT #126	P	G-24-24S-36E	G	30-025-09636	I	12/2010	01/01/2013	3560	8560		0	
	COOPER JAL UNIT #127	P	H-24-24S-36E	H	30-025-09637	O	12/2010	01/01/2013	3541	8541		0	
	COOPER JAL UNIT #128	F	2-19-24S-37E	E	30-025-11151	O	12/2010		3790			0	
	COOPER JAL UNIT #130	P	K-24-24S-36E	K	30-025-09643	O	12/2010	01/01/2013	3550	8550		0	
	COOPER JAL UNIT #132	F	I-24-24S-36E	I	30-025-09639	I	12/2010		3555			0	
	COOPER JAL UNIT #133	F	K-19-24S-37E	K	30-025-11161	I	12/2010		3680			0	
	COOPER JAL UNIT #134	P	N-24-24S-36E	N	30-025-09644	I	12/2010	01/01/2013	3570	8570		0	
	COOPER JAL UNIT #135	P	O-24-24S-36E	O	30-025-09641	I	12/2010	01/01/2013	3650	8650		0	
	COOPER JAL UNIT #136	F	P-24-24S-36E	P	30-025-09640	O	12/2010		3540			0	
	COOPER JAL UNIT #138	P	C-25-24S-36E	C	30-025-09657	O	12/2010	01/01/2013	3536	8536		0	
	COOPER JAL UNIT #139	P	B-25-24S-36E	B	30-025-09661	O	12/2010	01/01/2013	3545	8545		0	
	COOPER JAL UNIT #140	P	A-25-24S-36E	A	30-025-09662	O	12/2010	01/01/2013	3520	8520		0	
	COOPER JAL UNIT #141	F	1-30-24S-37E	D	30-025-11292	O	12/2010		3535			0	
	COOPER JAL UNIT #145	P	G-18-24S-37E	G	30-025-11136	I	12/2010	01/01/2013	3591	8591		0	
	COOPER JAL UNIT #146	P	I-13-24S-36E	I	30-025-09560	I	12/2010	01/01/2013	3642	8642		0	
	COOPER JAL UNIT #150	F	3-19-24S-37E	L	30-025-11159	O	12/2010		3824			0	
	COOPER JAL UNIT #151	P	A-24-24S-36E	A	30-025-25682	I	12/2010	01/01/2013	3650	8650		0	
	COOPER JAL UNIT #153	F	3-19-24S-37E	L	30-025-26128	I	12/2010		3711			0	
	COOPER JAL UNIT #154	P	G-25-24S-36E	G	30-025-26284	O	10/2010	11/01/2012	3655	8655		0	
	COOPER JAL UNIT #201	P	A-24-24S-36E	A	30-025-09628	I	12/2010	01/01/2013	3207	8207		0	
	COOPER JAL UNIT #202	F	1-19-24S-37E	D	30-025-11148	O	12/2010		3790			0	
	COOPER JAL UNIT #203	P	E-24-24S-36E	E	30-025-09630	I	12/2010	01/01/2013	3195	8195		0	
	COOPER JAL UNIT #205	P	G-24-24S-36E	G	30-025-09620	I	12/2010	01/01/2013	3600	8600		0	
	COOPER JAL UNIT #206	P	H-24-24S-36E	H	30-025-09621	O	03/2007	04/01/2009	3230	8230	Y	0	Y
	COOPER JAL UNIT #208	F	F-19-24S-37E	F	30-025-11158	O	12/2010		3169			0	
	COOPER JAL UNIT #209	P	L-24-24S-36E	L	30-025-09635	O	12/2010	01/01/2013	3681	8681		0	
	COOPER JAL UNIT #211	P	K-24-24S-36E	K	30-025-09787	I	12/2010	01/01/2013	3244	8244		0	
	COOPER JAL UNIT #215	P	P-23-24S-36E	P	30-025-09611	O	12/2010	01/01/2013	3193	8193		0	
	COOPER JAL UNIT #216	P	M-24-24S-36E	M	30-025-09634	I	12/2010	01/01/2013	3210	8210		0	
	COOPER JAL UNIT #217	P	N-24-24S-36E	N	30-025-09626	O	12/2010	01/01/2013	3244	8244		0	
	COOPER JAL UNIT #218	P	O-24-24S-36E	O	30-025-09624	I	12/2010	01/01/2013	3250	8250		0	
	COOPER JAL UNIT #219	F	P-24-24S-36E	P	30-025-09622	O	12/2010		3208			0	
	COOPER JAL UNIT #220	F	4-19-24S-37E	M	30-025-11162	I	12/2010		3350			0	
	COOPER JAL UNIT #221	F	N-19-24S-37E	N	30-025-11160	O	12/2010		3770			0	
	COOPER JAL UNIT #223	P	D-25-24S-36E	D	30-025-09648	O	12/2010	01/01/2013	3188	8188		0	
	COOPER JAL UNIT #224	P	C-25-24S-36E	C	30-025-09646	I	12/2010	01/01/2013	3230	8230		0	
	COOPER JAL UNIT #225	P	B-25-24S-36E	B	30-025-09650	O	12/2010	01/01/2013	3318	8318		0	
	COOPER JAL UNIT #226	P	A-25-24S-36E	A	30-025-09651	I	12/2010	01/01/2013	3223	8223		0	
	COOPER JAL UNIT #227	F	1-30-24S-37E	D	30-025-11291	O	12/2010		3790			0	
	COOPER JAL UNIT #228	F	C-30-24S-37E	C	30-025-11290	I	12/2010		3134			0	
	COOPER JAL UNIT #229	P	E-25-24S-36E	E	30-025-09647	O	12/2010	01/01/2013	3170	8170		0	
	COOPER JAL UNIT #231	P	H-25-24S-36E	H	30-025-09652	O	12/2010	01/01/2013	3192	8192		0	
	COOPER JAL UNIT #232	F	F-30-24S-37E	F	30-025-11289	O	12/2010		3130			0	
	COOPER JAL UNIT #234	P	O-13-24S-36E	O	30-025-09561	I	12/2010	01/01/2013	3228	8228		0	

COOPER JAL UNIT #237	P	O-23-24S-36E	O	30-025-09610	O	12/2010	01/01/2013	3602	8602	0
COOPER JAL UNIT #238	P	E-25-24S-36E	E	30-025-09659	I	12/2010	01/01/2013	3589	8589	0
COOPER JAL UNIT #239	F	2-30-24S-37E	E	30-025-11288	I	12/2010		3180		0
COOPER JAL UNIT #241	P	G-25-24S-36E	G	30-025-09653	I	12/2010	01/01/2013	3580	8580	0
COOPER JAL UNIT #242	F	C-19-24S-37E	C	30-025-11149	I	12/2010		3191		0
COOPER JAL UNIT #244	P	J-18-24S-37E	J	30-025-11052	O	12/2010	01/01/2013	3601	8601	8601
COOPER JAL UNIT #245	P	J-24-24S-36E	J	30-025-09625	O	12/2010	01/01/2013	3560	8560	0
COOPER JAL UNIT #303	P	K-13-24S-36E	K	30-025-09556	O	12/2010	01/01/2013	3165	8165	0
COOPER JAL UNIT #401	F	3-19-24S-37E	L	30-025-32268	O	12/2010		3750		0
COOPER JAL UNIT #402	F	3-19-24S-37E	L	30-025-32292	O	12/2010		3750		0
COOPER JAL UNIT #403	F	4-19-24S-37E		30-025-32286	O	12/2010		3750		0
COOPER JAL UNIT #404	P	B-24-24S-36E	B	30-025-32218	O	12/2010	01/01/2013	3750	8750	0
COOPER JAL UNIT #405	F	N-19-24S-37E	N	30-025-32269	O	12/2010		3750		0
COOPER JAL UNIT #406	P	H-24-24S-36E	H	30-025-32568	O	12/2010	01/01/2013	3750	8750	0
COOPER JAL UNIT #407	P	J-24-24S-36E	J	30-025-32569	O	12/2010	01/01/2013	3750	8750	0
COOPER JAL UNIT #408	P	P-13-24S-36E	P	30-025-32856	O	12/2010	01/01/2013	3800	8800	0
COOPER JAL UNIT #409	P	K-24-24S-36E	K	30-025-32570	O	12/2010	01/01/2013	3750	8750	0
COOPER JAL UNIT #410	P	F-24-24S-36E	F	30-025-32857	O	11/2010	12/01/2012	3940	8940	0
COOPER JAL UNIT #411	P	J-24-24S-36E	J	30-025-32858	O	12/2010	01/01/2013	3800	8800	0
COOPER JAL UNIT #412	F	P-24-24S-36E	P	30-025-32892	O	12/2010		3800		0
COOPER JAL UNIT #413	F	C-30-24S-37E	C	30-025-32969	O	12/2010		3775		0
COOPER JAL UNIT #414	P	O-24-24S-36E	O	30-025-32571	O	12/2010	01/01/2013	3750	8750	0
COOPER JAL UNIT #415	P	D-25-24S-36E	D	30-025-32855	I	12/2010	01/01/2013	3570	8570	0
COOPER JAL UNIT #419	P	P-13-24S-36E	P	30-025-32551	O	12/2010	01/01/2013	3750	8750	0
COOPER JAL UNIT #420	P	G-24-24S-36E	G	30-025-33458	O	12/2010	01/01/2013	3824	8824	0
COOPER JAL UNIT #421	P	J-24-24S-36E	J	30-025-33459	O	12/2010	01/01/2013	3800	8800	0
COOPER JAL UNIT #422	F	N-19-24S-37E	N	30-025-33490	O	12/2010		3800		0
COOPER JAL UNIT #501	P	1-18-24S-37E	D	30-025-38180	O	11/2010	12/01/2012	Unknown	Unknown	0
COOPER JAL UNIT #502	P	2-18-24S-37E	E	30-025-38188	O	12/2010	01/01/2013	3740	8740	0
COOPER JAL UNIT #503	F	3-18-24S-37E	L	30-025-38330	O	12/2010		3756		0
COOPER JAL UNIT #504	P	F-18-24S-37E	F	30-025-38189	O	12/2010	01/01/2013	3696	8696	0
COOPER JAL UNIT #505	P	F-18-24S-37E	F	30-025-38263	O	12/2010	01/01/2013	3746	8746	0
COOPER JAL UNIT #506	P	O-18-24S-37E	O	30-025-38201	O	12/2010	01/01/2013	3780	8780	0
COOPER JAL UNIT #507	P	B-18-24S-37E	B	30-025-38269	O	12/2010	01/01/2013	3750	8750	0
COOPER JAL UNIT #508	P	H-18-24S-37E	H	30-025-38270	O	12/2010	01/01/2013	3750	8750	0
COOPER JAL UNIT #509	P	J-18-24S-37E	J	30-025-38202	O	12/2010	01/01/2013	3755	8755	0
COOPER JAL UNIT #511	P	C-24-24S-36E	C	30-025-39104	O	12/2010	01/01/2013	3772	8772	0
COOPER JAL UNIT #512	P	H-24-24S-36E	H	30-025-39103	O	12/2010	01/01/2013	3745	8745	0
COOPER JAL UNIT #514	P	F-24-24S-36E	F	30-025-39102	O	12/2010	01/01/2013	3815	8815	0
COOPER JAL UNIT #515	P	B-25-24S-36E	B	30-025-39101	O	12/2010	01/01/2013	3801	8801	0
COOPER JAL UNIT #517	P	A-25-24S-36E	A	30-025-39099	O	12/2010	01/01/2013	3810	8810	0
306444 COTTON DRAW 9L FEDERAL #001	F	L-9 -25S-32E	L	30-025-33705	O	12/2010		13578		0

WHERE Ogrid:263848

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, OCD Online, E-Permitting, Compliance, 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.

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, OCD Online, E-Permitting, Compliance, 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.