

BEFORE THE OIL AND GAS CONSERVATION COMMISSION  
OF THE STATE OF COLORADO

IN THE MATTER OF ALLEGED VIOLATIONS OF	)	CAUSE NO. 1V
THE RULES AND REGULATIONS OF THE	)	DOCKET NO. 170500006
COLORADO OIL AND GAS CONSERVATION	)	TYPE: ENFORCEMENT
COMMISSION BY <b>PETRO MEX RESOURCES,</b>	)	ORDER NO: 1V-633
GARFIELD & MESA COUNTIES, COLORADO	)	

**ADMINISTRATIVE ORDER BY CONSENT**

(Pursuant to Rule 522.e. of the Rules and Regulations of the  
Colorado Oil and Gas Conservation Commission, 2 CCR 404-1)

**FINDINGS**

1. Petro Mex Resources ("Petro Mex") (Operator No. 10059) is the operator of the Government 6 Well (API No. 05-045-06779) in Garfield County and the Federal 1-15-8-101 Well (API No. 05-077-08830) in Mesa County.

*Government 6 Well*

2. On June 16, 2015, Petro Mex performed a Mechanical Integrity Test ("MIT") at the Government 6 Well (Doc. No. 675201687). Petro Mex did not submit the Form 21, Mechanical Integrity Test ("Form 21"), within 30 days after the test.

3. On February 2, 2016, Warning Letter No. 2193187 was issued to Petro Mex, which required the submission of the Form 21 by April 30, 2016.

4. On October 27, 2016, COGCC Staff issued NOAV No. 401088370 to Petro Mex for a violation of Rule 316C (COGCC Form 21, Mechanical Integrity Test) of the COGCC Rules of Practice and Procedure, 2 C.C.R. 404-1 ("Rule" or "Rules") at the Government 6 Well for the failure to submit a Form 21 documenting the June 16, 2015 MIT within 30 days after the test.

5. On March 8, 2017, Petro Mex provided COGCC with the Form 21 by email, but the Form 21 was still missing necessary information.

6. On April 21, 2017, Petro Mex provided the missing information for the Form 21, satisfying the corrective action requirements of NOAV No. 401088370.

*Federal 1-15-8-101 Well*

7. On June 16, 2015, Petro Mex performed an MIT on the Federal 1-15-8-101 Well, which failed (Doc. Nos. 400856785 & 675201685). During the test, the Well pressured up to 75 psi, then failed to hold pressure, and water returned to the surface on the outside of the casing. The inspection report required Petro Mex to repair or plug the Well by December 12, 2015.

8. According to the Well's Drilling Completion Report, there is no surface casing set in the Federal 1-15-8-101 Well and no cement bond log has been run to demonstrate adequate zonal isolation (Doc. No. 2091771).

9. On June 23, 2015, Petro Mex filed a Form 6, Notice of Intent to Plug and Abandon, which was approved by COGCC on July 1, 2015 (Doc. No. 400857149).

10. On February 25, 2016, COGCC Staff requested an update on the status of the Federal 1-15-8-101 Well.

11. On March 15, 2016, Petro Mex responded to COGCC Staff's request and stated that the Federal 1-15-8-101 Well would be plugged in May 2016.

12. On May 5, 2016, COGCC Staff inspected the Federal 1-15-8-101 Well and observed that it had not been plugged and abandoned.

13. On February 7, 2017, COGCC Staff issued NOAV No. 401193646 to Petro Mex for violations of the following Rules at the Federal 1-15-8-101 Well:

- a. Rule 317.e. (Casing and Cement Program) for the failure to prevent oil, gas, and water from migrating from one formation to the other behind the Well's casing; and
- b. Rule 326.f. (All Wells Shall Maintain Mechanical Integrity) for the failure to repair or plug and abandon the Well after a failed MIT.

14. As of the date of the execution of this AOC, the Federal 1-15-8-101 Well has not been plugged.

#### *Overdue Penalties from Previous Orders*

15. On June 17, 2014, the Commission entered Order 1V-469, finding Petro Mex in violation of Rule 309 (Form 7, Operator's Monthly Production Report) and Rule 326.b.(1) (Mechanical Integrity Test, Shut-in Wells) at the Government 6 Well and the Government 9 Well (API No. 05-045-06772).

16. Order 1V-469 required Petro Mex to MIT or plug the Government 6 and Government 9 Wells by July 16, 2014 and pay a \$23,000 penalty. Petro Mex failed to timely perform the corrective action or pay the penalty.

17. On October 27, 2014, the Commission entered Order 1V-484, finding Petro Mex in violation of Order 1V-469. The Order required Petro Mex to MIT or plug the Government 6 and Government 9 Wells by January 25, 2015 and imposed a \$169,000 penalty, of which \$86,000 was suspended pending timely completion of the corrective action and payment of the penalty under Order 1V-484.

18. On November 3, 2014, Petro Mex paid the overdue \$23,000 imposed by Order 1V-469.

19. On December 13, 2014, Petro Mex made the first \$13,000 payment of the \$83,000 penalty imposed by Order 1V-484. The remaining \$70,000 was due in seven quarterly payments of \$10,000. The first payment was due on March 31, 2015, which Petro Mex timely paid. The remaining payments were due on June 30, 2015, September 30, 2015, December 31, 2015, March 31, 2016, June 30, 2016, and September 30, 2016.

20. On June 16, 2015, Petro Mex performed an MIT on the Government 6 Well (Doc. No. 675201687).

21. Petro Mex failed to pay the \$10,000 payment required by Order 1V-484 and due on June 30, 2015.

22. On July 10, 2014, Petro Mex plugged and abandoned the Government 9 Well (Doc. No. 2364358).

23. On August 21, 2015, the Director issued a Notice and Demand for Payment of the \$10,000 penalty overdue and the \$86,000 suspended penalty pursuant to Order 1V-484.

24. On September 14, 2015, the Commission entered Order 1V-534, finding Petro Mex in violation of Rule 310 (Oil & Gas Conservation Levy) for its statewide operations and Rule 603.f. (Statewide Equipment, Weeds, Waste, and Trash Requirements) at the Federal 6-9-8-101 Well (API No. 05-045-13342). The Order required Petro Mex to pay a \$20,000 penalty by November 13, 2015, which Petro Mex has failed to pay as of today's date.

25. As of the date of the execution of this AOC, Petro Mex has not made any of the remaining penalty payments on the \$60,000 unpaid penalty imposed by Order 1V-484, the \$86,000 penalty unsuspended pursuant to Order 1V-484, or the \$20,000 penalty imposed by Order 1V-534.

#### PENALTY CALCULATION

26. Pursuant to Rule 523 and the Commission's Enforcement Guidance and Penalty Policy, Hearings staff calculated a penalty of \$50,000. The penalty calculation is based on the following:

NOAV No.	Rule	Class, Impact	Daily Penalty	Start Date	End Date	Days	Total Penalty
401088370	316B	Class 1, Minor	\$200	10/31/2015	4/21/2017	538	\$4,353
401193646	317.e. & 326.f.	Class 2, Minor	\$2,500	2/12/2016	5/1/2017	444	\$62,330
TOTAL PENALTY							\$66,683
Settlement Inducement (-25.02%)							\$16,684
FINAL PENALTY							\$50,000

- a. Application of the Duration Matrix of the COGCC Enforcement Guidance and Penalty Policy to all violations;
- b. Consolidation of Rule 317.e. and Rule 326.f. for penalty purposes;
- c. For the violation of Rule 316B, end date of the completion of the corrective action;
- d. For the violations of Rule 317.e. and 326.f., start date of one year prior to the service of the NOAVs and end date of the first-noticed hearing for continuing violations;
- e. Settlement inducement;
- f. Inability to pay based on Petro Mex's COGCC Application for Consideration of Inability to Pay and its supporting documents;
- g. No aggravating or mitigating factors; and
- h. No pattern of violation, or gross negligence or knowing and willful misconduct.

AGREEMENT

NOW, THEREFORE, based on the Findings and pursuant to Rule 522.e.(1) and the Commission's Enforcement Guidance and Penalty Policy, the Director and Petro Mex agree to request that the Commission enter the Order set forth below.

RECOMMENDED this 24<sup>th</sup> day of April, 2017.

OIL AND GAS CONSERVATION COMMISSION OF  
THE STATE OF COLORADO

By   
Britta Beckstead, Asst. Attorney General

AGREED TO AND ACCEPTED this 26 day of April, 2017.

PETRO MEX RESOURCES

By   
Signature of Authorized Company Representative

Jesus Villalobos President  
Print Signatory Name and Title

## ORDER

HAVING CONSIDERED the Findings and the Agreement between the Director and Petro Mex to resolve the NOAVs, the COMMISSION ORDERS:

1. Petro Mex is found in violation of Rules 316B, 317.e., and 326.f., as described above.

2. Petro Mex is assessed a penalty of \$50,000 for these violations.

3. No later than May 15, 2017, Petro Mex will submit a complete and accurate Form 6, Notice of Intent to Plug and Abandon, to COGCC Staff for the Federal 1-15-8-101 Well.

4. No later than June 30, 2017, Petro Mex will plug and abandon the Federal 1-15-8-101 Well in accordance with the Rules and the conditions of approval on the Form 6, Notice of Intent to Plug and Abandon.

5. No later than July 30, 2017, Petro Mex will submit a complete and accurate Form 6, Subsequent Report of Abandonment, to COGCC Staff for the Federal 1-15-8-101 Well and submit all of the supporting documentation required by the approved Form 6, Notice of Intent to Plug and Abandon.

6. No later than July 30, 2017, Petro Mex will pay \$20,000 of the penalty imposed by this Order's Paragraph 2, by certified check submitted to the Commission.

7. If Petro Mex timely performs all of the corrective actions in Paragraphs 3, 4, and 5 and timely pays the penalty required by Paragraph 6:

- a. The remaining \$30,000 of the penalty imposed by this Order's Paragraph 2 is suspended pending Petro Mex's compliance with Rules 319 and 326 for two years following the mailing of the Order.
- b. The Director will vacate the remaining penalties due pursuant to Order 1V-484 and 1V-534.

8. If Petro Mex fails to either timely perform any one of the corrective actions in Paragraphs 3, 4, and 5, or timely pay the penalty in Paragraph 6, the Director may take any or all of the following actions without any further action from the Commission:

- a. Declare all wells operated by Petro Mex as "Orphaned Wells", as defined in the 100-Series Rules;
- b. Suspend all of Petro Mex's Form 10s, Certificates of Clearance, and withhold the issuance of any new drilling or oil and gas location permits to Petro Mex;

- c. Terminate Petro Mex's Operator Number (Operator No. 10059), rescind Petro Mex's Form 1 (Doc. No. 1230092), and revoke Petro Mex's right to conduct oil and gas operations in Colorado; and
- d. To the extent permitted by applicable law and Commission resources, coordinate remediation and plugging efforts at Petro Mex's former wells and locations with BLM, using any federal funds available for this purpose.

9. Compliance dates specified in this Order may only be extended for good cause, as determined at the Director's sole discretion. A request for extension must be made, in writing, at least 14 days prior to the pertinent compliance deadline or as soon as possible if 14 days prior notice is not feasible.

10. Failure to pay the penalty or perform the corrective actions by the above deadlines is an independent violation that may be subject to additional penalties.

11. This Order is effective as of the date it is mailed by the Commission. It constitutes final agency action for purposes of judicial review.

12. The Commission expressly reserves its right after notice and hearing, to alter, amend, or repeal any and/or all of the above Order.

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ENTERED this 1<sup>st</sup> day of May, 2017 as of the 1<sup>st</sup> day of May, 2017.

OIL AND GAS CONSERVATION COMMISSION  
OF THE STATE OF COLORADO

By Peter J. Gowen  
Peter J. Gowen, Acting Secretary

CERTIFICATE OF MAILING

On May 4<sup>th</sup>, 2017, a true and accurate copy of Order 1V-633 was mailed by certified mail, return receipt requested to the following address:

Petro Mex Resources  
Attn: Linn Wilson  
PO Box 6724  
Farmington, NM 87499-6724

Margaret Humecki  
Margaret Humecki