

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

IN THE MATTER OF THE HEARING CALLED BY
THE OIL CONSERVATION DIVISION ON ITS OWN
MOTION TO PERMIT THE OPERATOR, NERDHLIC
COMPANY INC. AND ALL OTHER INTERESTED
PARTIES TO APPEAR AND SHOW CAUSE WHY
FIVE CERTAIN WELLS LOCATED IN MCKINLEY
COUNTY, NEW MEXICO, SHOULD NOT BE PLUGGED
AND ABANDONED IN ACCORDANCE WITH A
DIVISION APPROVED PLUGGING PROGRAM.

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OIL CON. DIV.
DIST. 3

CASE NO. 11354
Order No. R-10473

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on August 24, 1995, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 4th day of October, 1995, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) Nerdhlic Company, Inc. (Nerdhlic) is the current owner and operator of the following described wells in McKinley County, New Mexico:

<u>WELL NAME</u>	<u>API NUMBER</u>	<u>WELL LOCATION</u>
Inditos No. 1	30-031-20774	2310' FNL & 330' FEL (H) 15-16N-9W
Bullseye No. 2	30-031-20414	540' FSL & 1560' FWL (N) 18-16N-9W
Bullseye No. 9	30-031-20576	330' FSL & 1650' FEL (O) 18-16N-9W
Bullseye No. 8	30-031-20531	330' FNL & 990' FWL (D) 19-16N-9W
Bullseye "A" No. 2	30-031-05091	990' FSL & 990' FEL (P) 13-16N-10W

(3) Division records indicate that:

- a) the Inditos Well No. 1 was drilled by Explorada, Inc. in 1982 to a total depth of 1,830 feet to test the Dakota formation. Production casing was set at 1,735 feet and cemented with 100 sacks;
- b) the Bullseye Well No. 2 was drilled by Fairfax Exploration Inc. in 1974 to a total depth of 2,214 feet to test the Dakota formation. Production casing was set at 2,214 feet and cemented with 175 sacks;
- c) the Bullseye Well No. 9 was drilled by Fairfax Exploration Inc. in 1979 to a total depth of 932 feet to test the Gallup formation. Production casing was set at 930 feet and cemented with 200 sacks;
- d) the Bullseye Well No. 8 was drilled by Fairfax Exploration Inc. in 1979 to a total depth of 782 feet to test the Gallup formation. Production casing was not set in this well;
- e) the Bullseye "A" Well No. 2 was drilled by Elmer L. White in January, 1957 to a total depth of 897 feet to test the Gallup formation. The well was plugged and abandoned in February, 1957. The well was re-entered by Paul Slayton in 1982 and deepened to a total depth of 1,000 feet to test the Gallup formation. Production casing was set at 865 feet and cemented with 59 cubic feet of cement.

(4) Nerdhlic assumed operations on all of the above-described wells on June 5, 1990.

(5) The subject wells are covered by a \$50,000 blanket plugging bond (OCD-236) held by United New Mexico Bank.

(6) Division records further indicate that each of the subject wells, which may have produced at one time or another, have generally been out of compliance with various Division Rules and Regulations for an extended period of time.

(7) By letter dated May 25, 1993, the Division directed Nerdhlic to file, by September 1, 1993, plans to bring the subject wells into compliance with Division Rule Nos. 201 through 203 by either temporarily abandoning or permanently plugging and abandoning the subject wells.

(8) Nerdhlic has thus far failed to comply with Division directives.

(9) The current condition of the subject wells is such that if actions to properly plug and abandon or otherwise repair and temporarily abandon these wells are not taken, the wells could pose a potential hazard to life and property, waste may occur, correlative rights may be violated, and/or fresh waters may be contaminated.

(10) Nerdhlic appeared at the hearing and presented testimony in this case.

(11) Nerdhlic requested that the Division, prior to requiring the plugging of the subject wells, grant it a period of six months commencing 60 days after the effective date of the order to:

- a) evaluate the potential for continued production and/or secondary recovery operations within this area;
- b) bring the wells back on production, temporarily abandon the wells pursuant to Division Rule No. 203, or permanently plug and abandon the wells pursuant to Division Rule Nos. 201 and 202.

(11) The Division should grant Nerdhlic's request for an extension subject to the following requirements:

- a) within 60 days from the date of this order, Nerdhlic shall commence workover operations on any or all of the five subject wells. Such workover operations shall include returning the wells to production, temporarily abandoning the wells in accordance with the terms and conditions contained within Division Rule No. 203, or permanently plugging and abandoning the wells in accordance with the terms and conditions of Division Rule Nos. 201 and 202;
- b) unless an extension is granted by the Division Director for good cause shown, such workover operations shall be completed by the end of the six month period following the expiration of the 60-day period;
- c) Nerdhlic shall file the necessary Division forms in a timely fashion, including C-103's (Sundry Notices), advising the Division of its intent and the subsequent result of work performed on each of the subject wells;

- d) Nerdhlic shall maintain communication with personnel from the Division's Aztec District Office in order that the Division may witness any and/or all workover operations performed on the subject wells; and,
- e) in the event Nerdhlic fails to comply with any and/or all of the above requirements, the supervisor of the Division's Aztec District Office shall have the authority to immediately suspend the extension period and order the subject wells to be immediately plugged and abandoned.

(12) Should the required work on the subject wells not be completed within the six month period, and an extension has not been granted by the Division Director, the supervisor of the Division's Aztec District Office should:

- a) immediately order Nerdhlic to permanently plug and abandon the subject wells. In the event Nerdhlic fails to comply with this directive, the Division should initiate plugging operations on the wells, utilizing any or all of Nerdhlic's plugging bond to complete this work;
- b) obtain approval from the Division Director to administratively levy a fine against Nerdhlic for failing to comply with Division Rules and Regulations, said fine not to exceed \$1000.00 per day/per well/per violation.

IT IS THEREFORE ORDERED THAT:

(1) Within 60 days from the date of this order, Nerdhlic Company, Inc., shall commence workover operations on any or all of the following described wells located in McKinley County, New Mexico.

<u>WELL NAME</u>	<u>API NUMBER</u>	<u>WELL LOCATION</u>
Inditos No. 1	30-031-20774	2310' FNL & 330' FEL (H) 15-16N-9W
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PROVIDED HOWEVER THAT:

(a) such workover operations shall include returning the wells to production, temporarily abandoning the wells in accordance with the terms and conditions contained within Division Rule No. 203, or permanently plugging and abandoning the wells in accordance with the terms and conditions of Division Rule Nos. 201 and 202;

(b) unless an extension is granted by the Division Director for good cause shown, such workover operations shall be completed by the end of the six month period following the expiration of the 60-day period;

(c) Nerdhlic shall file the necessary Division forms in a timely fashion, including C-103's (Sundry Notices), advising the Division of its intent and the subsequent result of work performed on each of the subject wells;

(d) Nerdhlic shall maintain communication with personnel from the Division's Aztec District Office in order that the Division may witness any and/or all workover operations performed on the subject wells;

(2) In the event Nerdhlic fails to comply with any and/or all of the above requirements, the supervisor of the Division's Aztec District Office shall have the authority to suspend the extension period and order the subject wells to be immediately plugged and abandoned. In the event Nerdhlic fails to comply with this directive, the Division shall initiate plugging operations on the wells, utilizing any or all of Nerdhlic's plugging bond to complete this work.

(3) If the required work on the subject wells is not completed within the six month period, and an extension has not been granted by the Division Director, the supervisor of the Division's Aztec District Office shall:

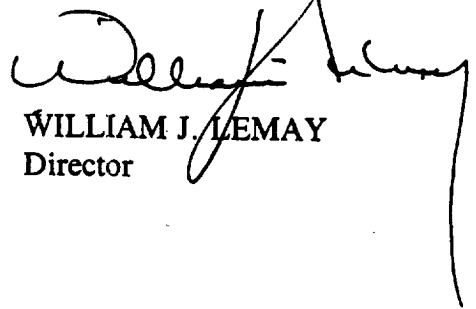
- a) immediately order Nerdhlic to permanently plug and abandon the subject wells. In the event Nerdhlic fails to comply with this directive, the Division should initiate plugging operations on the wells, utilizing any or all of Nerdhlic's plugging bond to complete this work;
- b) obtain approval from the Division Director to administratively levy a fine against Nerdhlic for failing to comply with Division Rules and Regulations, said fine not to exceed \$1000.00 per day/per well/per violation.

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(4) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY
Director

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