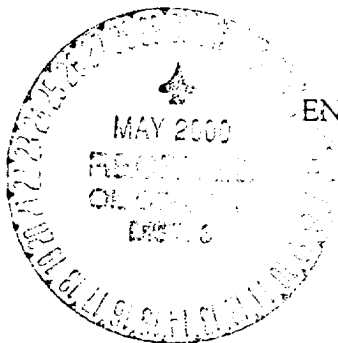


STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION



CASE NO. 12344
ORDER NO. R-11373

IN THE MATTER OF THE HEARING CALLED BY THE NEW MEXICO OIL CONSERVATION DIVISION ("DIVISION") THROUGH THE SUPERVISOR OF THE DIVISION DISTRICT III IN AZTEC, NEW MEXICO ON ITS OWN MOTION FOR AN ORDER: (I) REQUIRING NERDLIHC COMPANY, INC. TO PROPERLY PLUG AND ABANDON THIRTEEN CERTAIN WELLS IN MCKINLEY COUNTY, NEW MEXICO; OR (II) AUTHORIZING THE DIVISION TO PLUG AND ABANDON THESE WELLS, AND ORDERING A FORFEITURE OF THE PLUGGING BOND.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on February 17, 2000, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 27th day of May, 2000, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given and the Division has jurisdiction of this case and its subject matter.

(2) Nerdlihc Company, Inc. of Long Beach, California ("Nerdlihc") is the current owner and operator of the following 13 wells located in McKinley County, New Mexico:

- (a) Marcelina Well No. 1 (API No. 30-031-20446), located 330 feet from the North and East lines (Unit A) of Section 24, Township 16 North, Range 10 West, NMPM;
- (b) Marcelina Well No. 5 (API No. 30-031-20513), located 990 feet from the North line and 330 feet from the East line (Unit A) of Section 24, Township 16 North, Range 10 West, NMPM;

- (c) Marcelina Well No. 6 (**API No. 30-031-20514**), located 1650 feet from the North line and 330 feet from the East line (Unit H) of Section 24, Township 16 North, Range 10 West, NMPM;
- (d) Bullseye Well No. 5 (**API No. 30-031-20465**), located 1650 feet from the South and West lines (Unit K) of Section 18, Township 16 North, Range 9 West, NMPM;
- (e) Bullseye Well No. 15 (**API No. 30-031-20674**), located 330 feet from the South and East lines (Unit P) of Section 13, Township 16 North, Range 10 West, NMPM;
- (f) Bullseye Well No. 7 (**API No. 30-031-20507**), located 330 feet from the North and West lines (Unit D) of Section 19, Township 16 North, Range 9 West, NMPM;
- (g) Bullseye Well No. 12 (**API No. 30-031-20593**), located 330 feet from the South line and 910 feet from the West line (Unit M) of Section 18, Township 16 North, Range 9 West, NMPM;
- (h) Bullseye Well No. 13 (**API No. 30-031-20673**), located 330 feet from the South line and 1650 feet from the East line (Unit O) of Section 13, Township 16 North, Range 10 West, NMPM;
- (i) Bullseye Well No. 10 (**API No. 30-031-20578**), located 330 feet from the South line and 2310 feet from the East line (Unit O) of Section 18, Township 16 North, Range 9 West, NMPM;
- (j) Bullseye Well No. 1-Y (**API No. 30-031-20556**), located 430 feet from the North line and 1750 feet from the West line (Unit C) of Section 19, Township 16 North, Range 9 West, NMPM;

- (k) Bullseye Well No. 3 (**API No. 30-031-20424**), located 700 feet from the South line and 1650 feet from the West line (Unit N) of Section 18, Township 16 North, Range 9 West, NMPM;
- (l) Bullseye Well No. 16 (**API No. 30-031-20942**), located 960 feet from the South line and 360 feet from the West line (Unit M) of Section 18, Township 16 North, Range 9 West, NMPM; and
- (m) Bullseye Well No. 6 (**API No. 30-031-20471**), located 1654 feet from the South line and 1673 feet from the West line (Unit K) of Section 18, Township 16 North, Range 9 West, NMPM.

(3) All of the above-described Bullseye wells are located on a fee lease and, in compliance with Section 70-2-14, NMSA 1978 and Division Rule 101, Nerdlihc, as operator, has posted a blanket cash plugging bond in the amount of \$50,000.00 in a certificate of deposit with the United New Mexico Bank of Santa Fe, New Mexico, assigned to the Division (Bond No. OCD-236).

(4) The purpose of this bond is to assure the Division that any and all wells on State or fee leases operated by Nerdlihc will be properly plugged and abandoned when not capable of commercial production.

(5) The three above-described Marcelina wells are located on a Federal lease and are therefore subject to any bond that exists with the U. S. Bureau of Land Management.

(6) At this time, the Division seeks an order directing the operator to plug these wells in accordance with a Division-approved plugging program and, if the operator fails to do so, authorizing the Division to proceed to plug and abandon these wells and: (i) declare forfeiture of Nerdlihc's blanket cash bond held by United New Mexico Bank and order its foreclosure; (ii) order the recovery of any costs of plugging these wells in excess of the amount of the bonds from Nerdlihc; and (iii) impose fines on the operator for failure to comply with this order.

(7) A representative of the Division's district office in Aztec (District III) presented evidence and testimony supporting its position that the subject wells should be plugged and abandoned.

(8) Mr. Rodger Slayton with Slayton Energy appeared at the hearing and expressed an interest in operating these wells.

(9) The operator did not appear at the hearing.

(10) All thirteen of the subject wells have not produced hydrocarbons or have otherwise been inactive for more than one year, and no permit for temporary abandonment has been requested by the operator or approved by the Division.

(11) By virtue of the failure to use the subject wells for beneficial purposes or to have approved temporary abandonment permits, the subject wells are presumed to have been abandoned by Nerdlihc.

(12) The current conditions of these wells are such that if action is not taken to properly plug and abandon these wells, waste will probably occur, correlative rights will also be violated, livestock and wildlife may be subject to harmful contaminants, and/or fresh waters will be in danger of contamination.

(13) In order to prevent waste and to adequately protect both correlative rights and fresh waters the 13 above-described wells should be plugged and abandoned by Nerdlihc in accordance with a program approved by the supervisor of the Division's Aztec district office on or before June 30, 2000.

(14) Should Nerdlihc not meet this June 30, 2000 plugging obligation, the Division Director should then be authorized to take such action as is deemed necessary to foreclose on the subject plugging bond and to recover from the operator any costs in excess of the amount of the bond in order to help defer such plugging cost accrued by the Division.

(15) Further, the Division Director should seek reimbursement from the U. S. Bureau of Land Management from any federally administered plugging bond that is in effect on the three above-described Marcelina wells.

IT IS THEREFORE ORDERED THAT:

(1) Nerdlihc Company, Inc. ("Nerdlihc") of Long Beach, California is hereby ordered to plug and abandon the following described 13 wells all located in McKinley County, New Mexico on or before June 30, 2000:

- (a) Marcelina Well No. 1 (**API No. 30-031-20446**), located 330 feet from the North and East lines (Unit A) of Section 24, Township 16 North, Range 10

West, NMPM;

- (b) Marcelina Well No. 5 (**API No. 30-031-20513**), located 990 feet from the North line and 330 feet from the East line (Unit A) of Section 24, Township 16 North, Range 10 West, NMPM;
- (c) Marcelina Well No. 6 (**API No. 30-031-20514**), located 1650 feet from the North line and 330 feet from the East line (Unit H) of Section 24, Township 16 North, Range 10 West, NMPM;
- (d) Bullseye Well No. 5 (**API No. 30-031-20465**), located 1650 feet from the South and West lines (Unit K) of Section 18, Township 16 North, Range 9 West, NMPM;
- (e) Bullseye Well No. 15 (**API No. 30-031-20674**), located 330 feet from the South and East lines (Unit P) of Section 13, Township 16 North, Range 10 West, NMPM;
- (f) Bullseye Well No. 7 (**API No. 30-031-20507**), located 330 feet from the North and West lines (Unit D) of Section 19, Township 16 North, Range 9 West, NMPM;
- (g) Bullseye Well No. 12 (**API No. 30-031-20593**), located 330 feet from the South line and 910 feet from the West line (Unit M) of Section 18, Township 16 North, Range 9 West, NMPM;
- (h) Bullseye Well No. 13 (**API No. 30-031-20673**), located 330 feet from the South line and 1650 feet from the East line (Unit O) of Section 13, Township 16 North, Range 10 West, NMPM;
- (i) Bullseye Well No. 10 (**API No. 30-031-20578**), located 330 feet from the South line and 2310 feet from the East line (Unit O) of Section 18, Township 16 North, Range 9 West, NMPM;

- (j) Bullseye Well No. 1-Y (API No. 30-031-20556), located 430 feet from the North line and 1750 feet from the West line (Unit C) of Section 19, Township 16 North, Range 9 West, NMPM;
- (k) Bullseye Well No. 3 (API No. 30-031-20424), located 700 feet from the South line and 1650 feet from the West line (Unit N) of Section 18, Township 16 North, Range 9 West, NMPM;
- (l) Bullseye Well No. 16 (API No. 30-031-20942), located 960 feet from the South line and 360 feet from the West line (Unit M) of Section 18, Township 16 North, Range 9 West, NMPM; and
- (m) Bullseye Well No. 6 (API No. 30-031-20471), located 1654 feet from the South line and 1673 feet from the West line (Unit K) of Section 18, Township 16 North, Range 9 West, NMPM.

(2) Nerdlihc, prior to plugging and abandoning the above-described wells, shall obtain from the supervisor of the Division's district office in Aztec, an approved plugging program and shall notify the Aztec district office of the date and time this work is to commence whereupon the Division may witness such work.

(3) Should Nerdlihc fail or refuse to carry out such provisions in accordance with the terms of this order, the Division shall then take such actions as are necessary to have these wells properly plugged and abandoned. Further, the Division shall then be authorized to take such action as is deemed necessary to foreclose on the \$50,000.00 blanket cash plugging bond being held in a certificate of deposit with the United New Mexico Bank of Santa Fe, New Mexico (Bond No. OCD-236) and to recover from the operator any costs in excess of the amount of the bond in order to help defer such plugging cost incurred by the Division.

(4) Further, the Division Director shall seek reimbursement from the U. S. Bureau of Land Management from any federal plugging bond that may still be in effect on the three Marcelina wells.

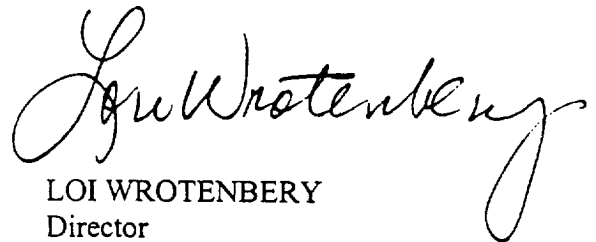
(5) Failure to comply with the provisions of this order shall subject Nerdlihc to a fine of \$1,000.00 per day per well until such work is completed (see Section 70-2-31, NMSA 1978).

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(6) Jurisdiction of this cause is 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


LOI WROTENBERY
Director

SEAL