

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

APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION
THROUGH THE SUPERVISOR OF DISTRICT III FOR AN ORDER REQUIRING
GEO ENGINEERING INC. TO PROPERLY PLUG FORTY-FIVE WELLS
LOCATED IN TOWNSHIP 20 NORTH, RANGE 9 WEST, MCKINLEY COUNTY,
NEW MEXICO, AUTHORIZING THE DIVISION TO PLUG SAID WELLS, AND
ORDERING A FORFEITURE OF THE PLUGGING BOND.

CASE NO. 11813
Order No. R-10867

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on July 10, 1997, at Santa Fe, New Mexico, before the New Mexico Oil Conservation Division (the "Division") before Examiner David R. Catanach.

NOW, on this 2nd day of September, 1997, the Division Director, having considered 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.

(1) Geo Engineering, Inc. is the last known owner and operator of the forty-five (45) wells located in Township 20 North, Range 9 West, in McKinley County, New Mexico listed on Exhibit A to this order.

(2) In compliance with Division Rules and Regulations, the operator of said well, posted a blanket plugging bond in the amount of \$50,000.00 issued by American Manufacturers Mutual Insurance Company.

(3) The purpose of said bond is to assure the Division that the subject well will be properly plugged and abandoned when not capable of commercial production.

(4) Neither the operator, the surety, nor any other interested party appeared at the hearing. The record contains uncontroverted evidence that the wells are in need of plugging.

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(5) The subject wells have not produced hydrocarbon substance or have otherwise been inactive for more than one year, and no permits for temporary abandonment has been requested by the operator or approved by the Division.

(6) By virtue of the failure to use the subject wells for a beneficial purpose or to have approved current temporary abandonment permits, the wells are presumed to have been abandoned.

(7) The current condition of the subject wells are such that waste may occur, correlative rights may be violated or fresh waters may be contaminated if action is not taken to properly plug and abandon the wells.

(8) In order to prevent waste, to protect correlative rights, and to protect fresh waters, the wells should be plugged and abandoned in accordance with a program approved by the supervisor of the Aztec District Office of the New Mexico Oil Conservation Division.

(9) At this time, the Division seeks an order directing the operator to plug the wells and if the operator fails to do so, make demand upon the surety to pay the Division so much of the bond amount (up to amount of the bond) as is necessary to pay the costs of plugging the wells.

IT IS THEREFORE ORDERED THAT:

(1) The operator is hereby ordered to immediately plug and abandon the wells listed on the attached Exhibit A to this order.

(2) The operator, prior to plugging and abandoning the wells, shall obtain from the supervisor of the Division Aztec District Office an approved program for said plugging and abandoning and shall notify said Aztec Office of the date and time said work is to commence whereupon the Division may, at its option, witness such work.

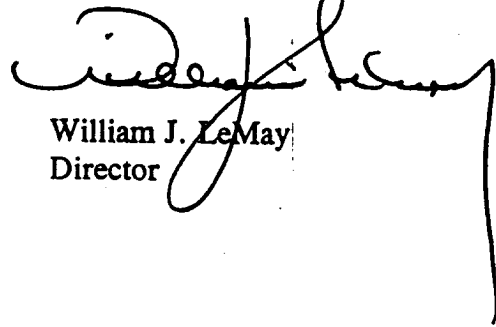
(3) Should the operator either fail or refuse to carry out the provisions of this order, the Division shall then take such action as is deemed necessary to have the wells properly plugged and abandoned at which time the Division Director shall make demand upon the surety, American Manufacturers Mutual Insurance Company, to pay so much of the bond amount as is necessary to pay the costs of plugging said wells.

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

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in dark ink, appearing to read 'William J. LeMay', is written over the printed name and title.

William J. LeMay
Director

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