

**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 ROBERT AND MARJORIE WILKINSON TO PROPERLY PLUG
ONE WELL IN MCKINLEY COUNTY, NEW MEXICO, AUTHORIZING THE
DIVISION TO PLUG SAID WELL AND ORDERING A FORFEITURE OF
APPLICABLE PLUGGING BOND, IF ANY.**

CASE NO. _____

APPLICATION FOR PLUGGING AND FORFEITURE OF BOND

1. Robert Wilkinson and Marjorie Wilkinson ("Operators") are the operators of the following well (hereinafter called the "subject well"), located in McKinley County, New Mexico:

- (1) Jaco No. 60, located 500 feet from the North line and 610 feet from the West line (Unit D) of Section 32, Township 20, North, Range 9 West, McKinley County, New Mexico (API No. 30-031-20880).

OK

2. Operators formerly posted a surety bond in the amount of \$50,000 for all of their operations in the State of New Mexico in compliance with NMSA 1978, Sec. 70-2-14 and O.C.D. Rule 101, which bond was conditioned upon compliance with the statutes of the State of New Mexico and the Rules of the Oil Conservation Division ("Division") with respect to the proper plugging and abandonment of the wells operated by Operators. Allied Fidelity was the surety named in said bond. However, the Division has been unable to determine if this bond is currently in effect.

UNITED STATES DEPARTMENT OF THE INTERIOR

BUREAU OF LAND MANAGEMENT
Albuquerque Field Office
435 Montano N.E.
Albuquerque, New Mexico 87107

Company McElvain Oil & Gas Properties Inc.

Well No. Badger Com 10 N. 1A

Location 940' FSL & 1395' FEL Sec. 10, T25N, R2W, NMPM

Lease No. NMNM0555076

Government Contacts

The Bureau of Land Management - Albuquerque Field Office - Office Phone -
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Petroleum Engineer: Brian W. Davis, Office (505) 761-8756, Home (505) 323-8698,
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GENERAL REQUIREMENTS
FOR
OIL AND GAS OPERATIONS ON FEDERAL AND INDIAN LEASES

I. Operations:

These requirements apply generally to all oil and gas operations on Federal and Indian leases. They apply specifically to the above-described well. Special requirements that apply and are effective for this well, if any, are check-marked in Section 13 of these General Requirements. The failure of the operator to comply with these requirements and the filing of required reports may result in the assessment of liquidated damages or penalties pursuant to 43 CFR 3163.1 or 3163.2.

***** Please notify Al Yepa at the Cuba Field Station prior to
spud.*****

A. GENERAL

1. Full compliance with all applicable laws and regulations, with the approved Permit to Drill, and with the approved Surface Use and Operations Plan is required. Lessees and/or operators are fully accountable for the actions of their contractors and subcontractors.

2. Each well shall have a well sign in legible condition from spud date to final abandonment. The sign should show the operator's name, lease serial number, or unit name, well number, location of the well, and whether lease is Tribal or allotted, (see 43 CFR 3162.6(b)).

3. A complete copy of the approved Application for Permit to Drill, along with any conditions of approval, shall be available to authorized personnel at the drill site whenever active drilling operations are under way.

3. The subject well has not produced any hydrocarbon or carbon dioxide substance for more than one year and is no longer usable for beneficial purposes. No permit for temporary abandonment has been requested by the Operators or approved by the Division.

4. By virtue of Operators' failure to use the well for production or other beneficial purposes or to secure a current temporary abandonment permit, the well is presumed abandoned, and is required to be plugged.

5. Division Rule 201.B, issued pursuant to the authority of NMSA 1978, Secs. 70-2-12 and 70-2-14, requires that wells that are inactive for more than one year or are no longer usable for beneficial purposes be properly plugged.

6. Division Rule 101.M authorizes the Division, after notice and hearing, to order the operator to plug and abandon any well or wells not in compliance with Rule 201, and to authorize the Division to cause such well or wells to be plugged if, after the time provided in such order, the operator and its surety have failed to do so.

WHEREFORE, the Supervisor of District III of the Division hereby applies to the Director to enter an order:

- A. Determining whether the subject well should be plugged and abandoned in accordance with a Division-approved plugging program.
- B. Upon a determination that the well should be plugged, directing the Operators to plug the well without delay.

4. For wildcat wells only, a drilling operations progress report is to be submitted weekly from spud date until the well is completed and the well completion report (Form 3160-4) is filed. The report should be on paper not less than 5 X 8 inches in size, and each page should identify the well by operator's name and number, and by well location.

5. Immediate notice is required of all blowouts, fires and accidents involving life-threatening injuries or loss of life. (See NTL-3A).

6. Prior approval by the Area Manager is required for variance from the approved drilling program and before commencing plugging operations, plug back work, casing repair work, corrective cementing operations, or suspending drilling operations indefinitely. Emergency approval may be obtained orally, but such approval does not waive the written report requirements.

7. All shows of fresh water and minerals will be reported and protected.

8. Title 43 CFR 3162.4-1(c), requires that not later than the 5th business day after any well begins production on which royalty is due anywhere on a lease site or allocated to a lease site, or resumes production in the case of a well which has been off production for more than 90 days, the operator shall notify the authorized officer by letter or sundry notice, (Form 3160-5), or orally to be followed by a letter or sundry notice, of the date on which such production has begun or resumed.

The date on which production is commenced or resumed will be construed for oil wells as the date on which liquid hydrocarbons are first sold or shipped from a temporary storage facility, such as a test tank, and for which a run ticket is required to be generated or the date on which liquid hydrocarbons are first produced into a permanent storage facility, whichever first occurs; and, for gas wells as the date on which associated liquid hydrocarbons are first sold or shipped from a temporary storage facility, such as a test tank, and for which a run ticket is required to be generated or, the date on which gas is first measured through permanent metering facilities, whichever first occurs.

B. CASING AND CEMENTING REQUIREMENTS

This office shall be notified at least 24 hours in advance of doing the work so that a representative may witness cementing of all casing strings. All casing strings will be centralized.

C. BLOWOUT PREVENTION

1. Blowout preventers and related equipment for well control shall be installed, tested, and maintained in such a manner necessary to maintain well control at all times. All wells, as a minimum shall be equipped with one blowout preventer rated to at least the anticipated formation pressure in accordance with Onshore Order Number Two.

2. Blowout prevention drills shall be conducted at least once weekly to assure that equipment is operational and that each crew is properly trained to carry out emergency duties. All blowout prevention drills and test shall be recorded in the driller's log.

D. REPORTS

1. The following reports shall be filed with the Resource Area Manager within 30 days after the work is completed:

2. Original and three copies on Federal and original of Sundry Notice (Form 3160-5), giving complete information concerning:

a. Setting of each string of casing. Show size and depth of hole, grade and weight of casing, depth set, depth of any and all cementing

- C. Further ordering that if the Operators fail to plug and abandon the well as ordered by the Director, that the Division be authorized: (I) to plug the subject well in accordance with a division-approved plugging program; (ii) to declare forfeit the bond furnished by the Operators, if any, to the extent necessary to fully reimburse the Division for its expenses incurred in accomplishing the foregoing; and (iii) to take necessary and appropriate measures to recover from the Operators any costs of plugging the subject well in excess of the amount of the bond, if any, or the full amount of such costs if no valid bond exists.
- D. For such other and further relief as the Division deems just and proper under the circumstances.

RESPECTFULLY SUBMITTED,

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Energy, Minerals and Natural
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Conservation Division

tools that are used, amount (in cubic feet) and types of cement used, whether cement circulated to surface and all cement tops in the casing annulus, casing test method and results, and the date work was done. Show spud date on first report submitted.

b. Intervals tested, perforated (include; size, number, and location of perforations), acidized, or fractured; and results obtained. Show date work was done (a Sundry Notice is not required if a Completion Report is submitted within 30 days of the operation).

3. Well Completion Report (Form 3160-4).

4. One copy of all electrical open-hole logs run.

5. A temperature or cement bond log if cement is not circulated to surface.

F. DRILLER'S LOG

1. The following shall be entered in the daily driller's log:

a. Blowout preventer pressure tests, including test pressures and results.

b. Blowout preventer tests for proper functioning.

c. Blowout prevention drill conducted.

d. Casing run, including size, grade, weight, and depth set.

e. How pipe was cemented, including amount of cement, type, whether cement circulated, location of cementing tools, etc..

f. Waiting on cement time for each casing string.

g. Casing pressure tests after cementing, including test pressure and results.

F. GAS FLARING

1. Approval is granted to flare gas while drilling and completion testing.

2. Approval is granted to flare gas during completion and initial testing operations not to exceed a period of 30 days or the production of 50 MMCF of gas, whichever occurs first. The 30 calendar day period commences the first day gas is produced. Any gas vented other than that provided for above, and without approval, will result in compensation due the U.S. for the full value of gas so wasted. (See NTL-4A). All venting of gas after the initial 30 day period must be approved by the Area Manager prior to venting.

G. SAFETY

1. All rig heating stoves are to be of the explosion-proof type.

2. Drilling rig engines should have water-cooled exhausts.

3. Rig safety lines are to be installed.

4. Hard hats must be utilized.

H. SUBSEQUENT OR CHANGE OF PLANS

Any change of plans required in order to mitigate unanticipated conditions encountered during drilling operations, will require verbal approval of within 48 hours of receiving verbal approval, you must submit five copies of a Sundry Notice (Form 3160-5).