



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

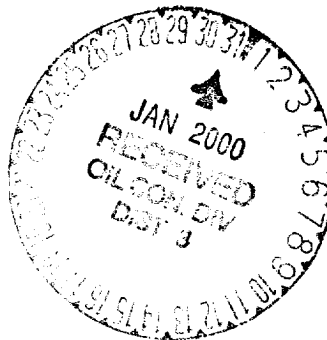
January 27, 2000

Certified Mail
Return Receipt Requested

Jeff Einardt
P.O.Box 10689
Phoenix, AZ 85064-0689

A.P.A. Development Inc.
P.O.Box 215
Cortez, CO 81321

First National Bank of Farmington
P.O.Box 540
Farmington, NM 87499-0540



RE: Case No. 12345 Application of the New Mexico Oil Conservation Division for an order requiring A.P.A. Development Inc. to plug three wells in San Juan County, NM

First National Bank of Farmington, Accounts No. 301518687 (\$7,500) and 301519225 (\$7,500)

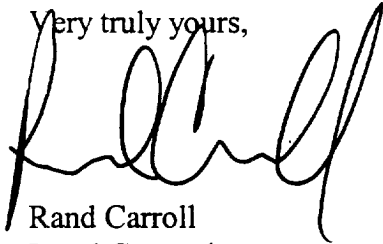
Dear Sir/Madam:

This letter is to advise you that the New Mexico Oil Conservation Division has filed the enclosed application for a hearing requiring A.P.A. Development Inc. and other interested parties to appear and show cause why certain wells should not be ordered plugged and abandoned.

This application has been set for hearing before an Examiner of the Oil Conservation Division on February 17, 2000. You are not required to attend this hearing, but as an owner of an interest that may be affected by an order issued in this case, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases are required (Rule 1208.B—Enclosed) to file a Prehearing Statement three days in advance of the hearing. If you have any questions, please call Charlie Perrin or Frank Chavez at 505/334-6178 or Lyn Hebert at 505/827-1364.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Rand Carroll', written over the closing text.

Rand Carroll
Legal Counsel

Enclosures

c: Charlie Perrin, OCD Aztec
Frank Chavez, OCD Aztec District Supervisor
Lyn Hebert, OCD Legal Counsel



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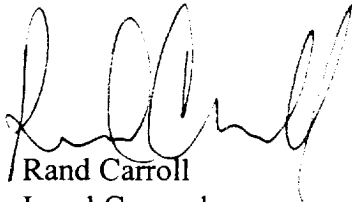
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**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION THROUGH THE SUPERVISOR OF DISTRICT III FOR AN ORDER REQUIRING A.P.A. DEVELOPMENT INC. AND ALL OTHER INTERESTED PARTIES TO APPEAR AND SHOW CAUSE WHY: (i) APA SHOULD NOT BE ORDERED TO PROPERLY PLUG THREE WELLS LOCATED IN SAN JUAN COUNTY, NEW MEXICO, (ii) THE DIVISION SHOULD NOT BE AUTHORIZED TO PLUG THESE WELLS AND FORECLOSE ON THE PLUGGING BOND(S), IF APA DOES NOT PLUG THEM, (iii) THE DIVISION SHOULD NOT BE AUTHORIZED TO RECOVER THE PLUGGING COSTS IN EXCESS OF THE PLUGGING BOND(S), IF ANY, FROM APA, (v) AND FINES SHOULD NOT BE IMPOSED ON APA FOR FAILURE TO PLUG THESE WELLS.

CASE NO. 12345

APPLICATION FOR PLUGGING AND FORFEITURE OF BONDS

1. A.P.A. Development Inc. (the "Operator") is the operator of the following three wells:

Santa Fe Barbs Well No. 1 located 990 FSL and 500 FWL, Unit D, Sec.10-T21N-R10W;

Santa Fe-Leggs Well No. 1 located 990 FSL and 2310 FEL, Unit O, Sec.11-T21N-R10W;

Santa Fe-Leggs Well No. 2 located 990 FSL and 2310 FWL, Unit N, Sec. 11-T21N-R10W;

all three wells located in San Juan County, New Mexico.

2. Operator has posted two individual cash bonds in the amount of \$7,500 each for the Santa Fe Barbs Well No. 1 and the Santa Fe Leggs Well No. 2 in compliance with Section 70-2-14, NMSA 1978, and Division Rule 101, which bonds are conditioned upon compliance with

New Mexico statutes and Division Rules with respect to the proper plugging and abandonment of the wells operated by Operator. First National Bank of Farmington is the holder of the bonds, Bonds No.OCD-238 and OCD-246.

3. These wells (i) have not produced hydrocarbon or carbon dioxide substance or have otherwise been inactive for more than one year, or (ii) are no longer usable for beneficial purposes, and no permit for temporary abandonment has been requested by the Operator and approved by the Division.

4. By virtue of the failure to use the wells for beneficial purposes or to have approved current temporary abandonment permits, these wells are presumed to have been abandoned and are required to be plugged.

5. By authority of Section 70-2-14 NMSA 1978, Division Rules require wells which are inactive for more than one year or are no longer usable for beneficial purposes to be properly plugged.

6. Demand has been made or attempted to be made upon the Operator to either place the wells to beneficial use, obtain approval for temporary abandonment or properly plug and abandon the wells and the Operator has failed to do so.

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

A. Requiring the Operator to plug the wells in accordance with a Division-approved plugging program.

B. If the Operator fails to plug and abandon the wells as ordered by the Director, authorizing the Director:

- i. to plug the wells;
- ii. to declare forfeiture of the bond, if any, and to take such action to foreclose on the bond;
- iii. to recover from the Operator any costs of plugging the wells in excess of the amount of the bond, if any; and
- iv. impose fines on the Operator for failure to plug the wells as ordered by the Division.

D. For such other relief as the Division deems just and proper.

RESPECTFULLY SUBMITTED,



RAND CARROLL

Legal Counsel

New Mexico Oil Conservation Division

2040 South Pacheco

Santa Fe, NM 87505

(505) 827-8156

(9) This paragraph has been moved and renumbered to 19 NMAC 15.N.1207.A.(6).
[1-1-86...2-1-96; A, 7-15-99]

(10) This paragraph has been moved and renumbered to 19 NMAC 15.N.1207.A.(7).
[1-1-86...2-1-96; A, 7-15-99]

(11) This paragraph has been moved and renumbered to 19 NMAC 15.N.1207.A.(8).
[1-1-86...2-1-96; A, 7-15-99]

1207.B. Type and Content of Notice. Any notice required by this rule shall be sent by certified mail, return receipt requested, to the last known address of the person to whom notice is to be given at least 20 days prior to the date of hearing of the application and shall include: a copy of the application; the date, time and place of the hearing; and the means by which protests may be made. [1-1-86...2-1-96; A, 7-15-99]

1207.C. At the hearing, the applicant shall make a record, either by testimony or affidavit signed by the applicant or its authorized representative, that: (a) the notice provisions of this rule have been complied with; (b) the applicant has conducted a good-faith diligent effort to find the correct address of all persons entitled to notice; and (c) pursuant to this rule, notice has been given at that correct address as required by this rule. In addition, the record shall contain the name and address of each person to whom notice was sent and, where proof of receipt is available, a copy of the proof. [1-1-86...2-1-96; A, 7-15-99]

1207.D. Evidence of failure to provide notice as required in this rule may, upon proper showing, be considered cause for reopening the case. [1-1-86...2-1-96; A, 7-15-99]

1207.E. In the case of an administrative application where the required notice was sent and a timely filed protest was made, the Division shall notify the applicant and the protesting party in writing that the case has been set for hearing and the date of the hearing. No further notice is required. [7-15-99]

1208 PLEADINGS: COPIES [9-15-55...2-1-96; A, 7-15-99]

1208.A. For pleadings and correspondence filed in cases pending before a Division Examiner, two copies must be filed with the Division. For pleadings and correspondence filed in cases pending before the Commission, five copies must be filed with the Division. The Division will disseminate copies to the members of the Commission. The party filing the pleading or correspondence shall at the same time either hand deliver or transmit by facsimile or electronic mail to any party who has entered an appearance therein or the attorneys of record, a copy of the pleading or correspondence. An appearance of any interested party shall be made either by letter addressed to the Division or in person at any proceeding before the Commission or before a Division Examiner, with notice of such appearance to the parties of record. [9-15-55...2-1-96; A, 7-15-99]

1208.B. Parties to an adjudicatory proceeding must file a prehearing statement three days in advance of a scheduled hearing before the Division or the Commission. The statement must include: the names of the parties and their attorneys; a concise statement of the case; the names of all witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that are to be resolved prior to the hearing. [7-15-99]