

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

CASE NO. 11507
ORDER NO. R-8404-C

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION DIVISION ("DIVISION") ON ITS OWN MOTION TO PERMIT PETROLEUM DEVELOPMENT CORPORATION, OPERATOR, UNITED NEW MEXICO BANK (NORWEST BANK), AND ALL OTHER INTERESTED PARTIES TO APPEAR AND SHOW CAUSE WHY THE EL POSO RANCH WELL NOS. 8 AND 11 LOCATED IN SECTION 14, TOWNSHIP 28 NORTH, RANGE 1 EAST, NMPM, AS PROJECTED INTO THE UNSURVEYED TIERRA AMARILLA LAND GRANT, RIO ARRIBA COUNTY, NEW MEXICO, SHOULD NOT BE PLUGGED AND ABANDONED IN ACCORDANCE WITH A DIVISION-APPROVED PLUGGING PROGRAM.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on May 2, 1996, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 1st day of July, 1996, 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.
- (2) At the time of the hearing this case was consolidated with Division Case Nos. 11508 and 11509 for the purpose of presenting testimony.
- (3) Petroleum Development Corporation of Albuquerque, New Mexico is the current owner and operator of the following two El Poso Ranch lease wells, both located in Section 14, Township 28 North, Range 1 East, NMPM, as projected into the unsurveyed Tierra Amarilla Land Grant, Rio Arriba County, New Mexico:

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- (a) Well No. 8 (API No. 30-039-23672), located 618 feet from the South line and 2418 feet from the West line (Unit N); and,
- (b) Well No. 11 (API No. 30-039-23671), located 2310 feet from the South and West lines (Unit K).

(4) Both wells were the subject of a previous show cause case brought to hearing before the Division against Texas Rose Petroleum, Inc. Well No. 8, formerly the El Poso Ranch Well No. 2, and Well No. 11, formerly the El Poso Ranch Well No. 8, were made a part of Division Order No. R-8404, R-8404-A, and R-8404-B. Subsequent to the issuance of said Orders Petroleum Development Corporation obtained ownership of both wells with the intent of producing hydrocarbons.

(5) United New Mexico Bank, now Norwest Bank, of Albuquerque, New Mexico is the surety on a \$50,000.00 blanket plugging bond on which Petroleum Development Corporation is principal.

(6) The purpose of said bond is to assure the Division that any and all wells operated by Petroleum Development Corporation will be properly plugged and abandoned when not capable of commercial production.

(7) Both of the subject wells have not produced hydrocarbon substance 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.

(8) 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 the operator.

(9) The current conditions of both wells are still such that if action is not taken to properly plug and abandon these wells, waste may occur, correlative rights may be violated, and/or fresh water may be contaminated.

(10) At the time of the hearing Petroleum Development Corporation and Kachina Production Company both entered appearances through legal counsel.

(11) In order to prevent waste and to adequately protect both correlative rights and fresh waters said El Poso Ranch Well Nos. 8 and 11, as described above, 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 on or before August

15, 1996, or both wells should be returned to active drilling status or placed on production.

(12) Further, should said wells not be placed on production or returned to active drilling status the Division Director should be authorized to take such action as is deemed necessary to foreclose on the subject plugging bond to help defer such plugging cost accrued by the Division.

IT IS THEREFORE ORDERED THAT:

(1) Petroleum Development Corporation of Albuquerque, New Mexico is hereby ordered to plug and abandon both the El Poso Ranch Well No. 8 (API No. 30-039-23672), located 618 feet from the South line and 2418 feet from the West line (Unit N) of Section 14, Township 28 North, Range 1 East, NMPM, as projected into the unsurveyed Tierra Amarilla Land Grant, Rio Arriba County, New Mexico and the Well No. 11 (API No. 30-039-23671), located 2310 feet from the South and West lines (Unit K) of said 14, or in the alternative, to return said wells to active drilling status or place the wells on production on or before August 15, 1996.

(2) Petroleum Development Corporation, prior to plugging and abandoning the above-described wells, shall obtain from the supervisor of the Aztec District Office of the New Mexico Oil Conservation Division an approved program for said plugging and abandoning, and shall notify said Aztec office of the date and time said work is to be commenced whereupon the Division may witness such work.

IT IS FURTHER ORDERED THAT:

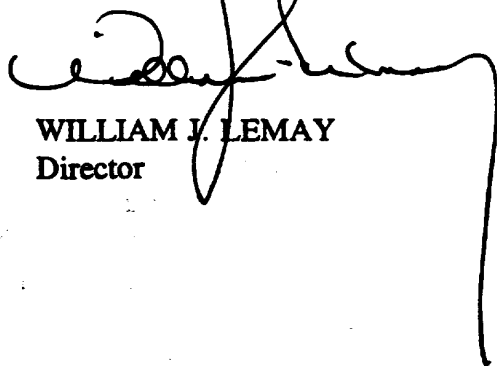
(3) If, after August 15, 1996, Petroleum Development Corporation has not complied satisfactorily with those requirements set forth in Decretory Paragraphs Nos. (1) and (2), above, the supervisor of the Aztec District Office of the New Mexico Oil Conservation Division is hereby authorized to direct the commencement of plugging operations on said El Poso Well Nos. 8 and 11.

(4) Further, the Division Director shall take such action as is deemed necessary to foreclose on the United New Mexico Bank (Norwest Bank) \$50,000.00 blanket plugging bond on which Petroleum Development Corporation is principal to help defer such plugging cost accrued by the Division.

(5) 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

A handwritten signature in black ink, appearing to read 'William J. Lemay', is written over the printed name and title. The signature is fluid and cursive, with a long vertical stroke extending downwards from the end of the name.

WILLIAM J. LEMAY
Director

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