

Case No.

44

Application, Transcript,
Small Exhibits, Etc.

AMERICAN EMPLOYERS' INSURANCE
PETITION ON BONDS

CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

October 6, 1943

Case 44

Mr. A. E. Thompson, Manager
Maryland Casualty Company
713-21 El Paso Nat'l Bank Building
El Paso, Texas

Re: Order No. 552

Dear Mr. Thompson:

As requested in your letter of October 1, ~~enclosed~~
please find a copy of the above captioned Order.

Very truly yours,

John H. Kelly
Director

By

Chief Clerk & Legal Adviser

CHE:MS

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MARYLAND CASUALTY COMPANY

BILLIMAN EVANS, CHAIRMAN OF THE BOARD
EDWARD J. BOND, JR., PRESIDENT

EL PASO CLAIM DIVISION
A. K. THOMPSON, MANAGER
713-21 EL PASO NAT'L BANK BLDG., EL PASO, TEXAS

October 1, 1943

Mr. Carl D. Livingston
Chief Clerk and Legal Advisor
Oil Conservation Commission
Santa Fe, New Mexico


Dear Mr. Livingston:

Re: Drilling Bonds
State of New Mexico

We have been told that the Commission recently adopted a new regulation which, in effect, ties up well when there has been a change of permittee until the new operator furnishes a new bond. You will recall that you mentioned this to me some time ago and sent me copy of your letter of June 26th to Mr. Eohlin.

I am wondering if you would be so kind as to send us a copy of this new regulation. With kindest regards, I am,

Yours very truly,


A. K. Thompson, Manager

AKT:lcl

cc: Contract Bond Department
H. P. Ward

OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

August 17, 1943

Mr. Glenn Stanley
Protection Office
Hobbs, New Mexico

Re: Case No. 44, Order No. 552

Dear Glenn:

Enclosed please find copy of Order No. 552 in the
above captioned case.

Very truly yours,

John M. Kelly
Director.

JMK:TS

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SOIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

August 17, 1943

Honorable J. O. Seth
Santa Fe, New Mexico

Re: Case No. 44, Order No. 552

Dear Judge Seth:

Enclosed please find copy of Order No. 552 in the
above captioned case.

Very truly yours,

John M. Kelly
Director

JMK:M3

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CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

July 8, 1943

The Santa Fe New Mexican
Santa Fe, New Mexico

The Artesia Advocate
Artesia, New Mexico

The Hobbs Daily News Sun
Hobbs, New Mexico

Re: Case No. 44, Notice for Publication

Enclosure

Please publish the enclosed notice once, immediately. Please
proof read the notice carefully and send a copy of the paper carrying
such notice.

UPON COMPLETION OF THE PUBLICATION, PLEASE SEND PUBLISHER'S
AFFIDAVIT.

For payment please submit statement in duplicate accompanied
by voucher executed in duplicate. The vouchers must be signed by a
notary in the space provided on the back of the voucher. The
necessary voucher blanks are enclosed.

Very truly yours,

John H. Kelly
Director

By

Chief Clerk & Legal Advisor

CFL:MS

CASE NO. 44.

BEFORE THE OIL CONSERVATION COMMISSION OF THE
STATE OF NEW MEXICO.

IN THE MATTER OF: THE APPLICATION OF THE AMERICAN EMPLOYERS' INSURANCE COMPANY FOR AN ORDER UNDER WHICH THE TRANSFEREE OF ANY OIL OR GAS WELL OR OF THE OPERATION OF ANY SUCH OIL OR GAS WELL SHALL BE RESPONSIBLE FOR THE PLUGGING OF ANY SUCH WELL AND FOR THAT PURPOSE SHALL SUBMIT A NEW PLUGGING BOND OR PRODUCE THE CONSENT OF THE SURETY ON THE ORIGINAL PLUGGING BOND THAT THE LATTER'S LIABILITY SHALL CONTINUE.

Pursuant to notice by the Commission, duly made and published, setting August 3, 1943, at ten o'clock A. M., for hearing in the above entitled matter, said hearing was convened on said day, at said hour, in the Coronado Room, La Fonda, Santa Fe, New Mexico, the Commission sitting as follows:

HON. JOHN J. DEMPSEY, Governor of New Mexico, Chairman
HON. JOHN M. KELLY, State Geologist, Secretary
HON. H. R. RODGERS, Commissioner of Public Lands, Member
HON. CARL B. LIVINGSTON, Chief Clerk and Legal Adviser.

APPEARANCES:

<u>Name</u>	<u>Company</u>	<u>Address</u>
A. S. Willig	The Texas Company	Ft. Worth, Texas
Harvey E. Yates	Harvey E. Yates	Artesia, N. M.
Roy Yarbrough		Hobbs, N. M.
Walter P. Luck	N.M. Asphalt & Ref. Co.	Artesia, N. M.
C. H. Brooke	Agua Negra Ranch	Santa Rosa, N.M.
A. M. McCorkle	Stanolind Oil & Gas Co.	Ft. Worth, Texas
P. H. Lillie	Agua Negra Ranch	Santa Rosa, N.M.
Leo Fry	Stanolind Oil & Gas Co.	Hobbs, N. M.
L. F. Peterson	Stanolind Oil & Gas Co.	Ft. Worth, Texas
Lake J. Frazier	Maryland Casualty Co.	Roswell, N. M.
Geo. P. Livermore	Geo. P. Livermore, Inc.	Lubbock, Texas
U. S. Welch	Flynn, Welch & Yates	Artesia, N. M.
F. W. Brigance	Rowan Drilling Co.	Ft. Worth, Texas
R. U. Fitting	Shell Oil Co.	Midland, Texas
H. J. Kemler	Shell Oil Co.	Midland, Texas
R. B. Hammer	Phillips Petroleum Co.	Bartlesville, Okla.
C. A. Daniels	Phillips Petroleum Co.	Amarillo, Texas
E. H. Foster	Phillips Petroleum Co.	Artesia, Texas
Lloyd L. Gray	Gulf Oil Corp.	Tulsa, Okla.
Neville G. Penrose		Ft. Worth, Texas
Rice Tilley		Ft. Worth, Texas
Harvey Hardison		Houston, Texas
Edgar Kraus	Atlantic Oil & Ref. Co.	Dallas, Texas
R. F. Windjohr	Nash, Windjohr & Brown	Ft. Worth, Texas
James M. Murray	Me-Tex Co's	Hobbs, N. M.
J. C. Echlin	American Employers Ins. Co.	El Paso, Texas
Glenn Staley	Lea County Operators	Hobbs, N. M.
K. M. Fagin	Magnolia Petroleum Co.	Dallas, Texas
S. P. Hennafin	Magnolia Petroleum Co.	Roswell, N. M.
C. G. Campbell	Tex. Pac. Coal & Oil Co.	Midland, Texas
Leo R. Manning	State Land Office	Santa Fe, N. M.
W. K. Davis	El Paso Nat. Gas Co.	Jal, N. M.
Robert Morrell	U. S. Geological Survey	Roswell, N. M.
Harry Leonard	Leonard Oil Co.	Roswell, N. M.
Hugh L. Sawyers	N.M. Oil & Gas ASSO.	Roswell, N. M.
John P. Morgan	Sun Oil Co.	Dallas, Texas

J. O. Seth
W. L. Morrison
R. S. Dewey

Seth & Montgomery
Honolulu Oil Corp.
Humble Oil Co.

Santa Fe, N.M.
Lubbock, Texas
Midland, Texas

The meeting was called to order by the Chairman, and upon request of the Secretary, the Chief Clerk read the call of the meeting, as follows:

"NOTICE FOR PUBLICATION
STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

The Oil Conservation Commission, by law invested with jurisdiction as the oil and gas regulatory body of the State of New Mexico, hereby gives notice of the following hearing to be held at Santa Fe, New Mexico:

Case No. 44

In the matter of the application of the American Employers' Insurance Company for an order under which the transferee of any oil or gas well or of the operation of any such oil or gas well shall be responsible for the plugging of any such well and for that purpose shall submit a new plugging bond or produce the consent of the surety on the original plugging bond that the latter's liability shall continue. This case is set for 10 A.M., August 3, 1943.

Any person having any interest in the subject of said hearing is entitled to be heard.

Given under the seal of said Commission at Santa Fe, New Mexico, on July 8, 1943.

OIL CONSERVATION COMMISSION

BY (SGD) JOHN M. KELLY
SECRETARY"

(SEAL)

J. O. SETH

being first duly sworn, testified as follows:

BY MR. SETH: The present regulations of the Commission require a plugging bond for the drilling of each well, and permit a blanket bond which will cover all the wells of a certain operator. These bonds may continue a long time, since they contemplate putting the well in proper shape on its abandonment. It may run over a long period of years. There have been many transfers of wells without any attention being paid to the plugging bond given at the initial drilling of the well. Through oversight in many cases, this liability

probably continues, and the transferee hasn't given any new bond, and some of these companies will wake up some day with a lot of liability on old bonds they had forgotten about when they transferred the well or its operation.

As the regulations now stand, there is no effective method whereby the Commission can compel the purchaser of a well, or transferee, to give a new bond and release the old. And in some instances, with which the Commission is familiar, there has been refusal on the part of the transferees to supply a new bond, and the whole purpose of this hearing is to suggest that the Commission prescribe a regulation whereby and under which, if the transferee will not furnish the proper plugging bond and secure release of the old bond, his well may be shut down. In other words, the Commission has to have some power behind its orders to get this matter straightened out. I refer you to the records of the Commission, itself. Mr. Livingston has worked on trying to get things straightened out, but there is no regulation which authorizes the taking of the well out of production if a new bond is not furnished. I thank the Commission for postponing this hearing until I could get here.

BY GOVERNOR DEMPSEY: The Commission, after considering the case, will issue its order prohibiting the transfer of wells without having also the transfer of plugging responsibility.

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CERTIFICATE.

I hereby certify that the above and foregoing two and a fraction pages of typewritten matter constitute a full, true, correct and complete transcript of the testimony taken and proceedings had at the hearing of Case No. 44, on August 3, 1943, as the same were by me taken down in shorthand and transcribed.

Witness my hand this 15th day of August, 1943.

Alice Stewart

Alice Stewart.



NOTICE FOR PUBLICATION
STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

The Oil Conservation Commission, by law invested with jurisdiction as the oil and gas regulatory body of the State of New Mexico, hereby gives notice of the following hearing to be held at Santa Fe, New Mexico:

Case No. 44

In the matter of the application of the American Refiners' Insurance Company for an order under which the transferees of any oil or gas well or of the production of any such oil or gas well shall be responsible for the payment of any such well and for that purpose shall submit a cash security bond or provide the amount of the security on the national planning bond that the latest liability insurance company. This case is set for 10 A.M., August 3, 1943.

Any person having any interest in the subject of said hearing is entitled to be heard.

Given under the seal of said Commission at Santa Fe, New Mexico, on July 8, 1943.

OIL CONSERVATION COMMISSION

BY (SGD) JOHN M. KELLY
SECRETARY

(SEAL)

REPORT THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING CALLED BY
THE OIL CONSERVATION COMMISSION OF THE
STATE OF NEW MEXICO FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 44

ORDER NO. 552

IN THE MATTER OF THE APPLICATION OF THE
AMERICAN EMPLOYERS' INSURANCE COMPANY
FOR AN ORDER UNDER WHICH THE TRANSFEREE
OF ANY OIL OR GAS WELL OR OF THE OPERATION
OF ANY SUCH OIL OR GAS WELL SHALL BE
RESPONSIBLE FOR THE PLUGGING OF ANY SUCH WELL
AND FOR THAT PURPOSE SHALL SUBMIT A NEW PLUGGING
BOND OR PRODUCE THE CONSENT OF THE SURETY ON THE
ORIGINAL PLUGGING BOND THAT THE LATTER'S LIABILITY
SHALL CONTINUE.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at ten o'clock A.M., August 3, 1943,
at Santa Fe, New Mexico, before the Oil Conservation Commission of the State
of New Mexico, hereinafter referred to as the "Commission".

NOW, on this 17th day of August, 1943, the Commission having
before it for consideration the testimony adduced at the hearing of said
case and being fully advised in the premises;

IT IS THEREFORE ORDERED:

SECTION 1. That the transferee of any oil or gas well or of the
operation of any such well or any subsequent operator of such well shall be
responsible for the plugging of any such well and for that purpose shall
submit a new plugging bond or produce the written consent of the surety on
the original or prior plugging bond that the latter's responsibility shall
continue. Non-compliance with the provisions hereof shall be grounds for
the closing down any such well and stopping production therefrom. This
order shall apply to transfers of any such wells made prior to the effective
date of this order as well as thereafter. The original or prior plugging
bond shall not be released as to the plugging responsibility of any such well
until such transferee or other subsequent operator of such well shall submit
to the Commission an acceptable plugging bond to cover such well.

SECTION 2. The order herein shall supersede any previous order
insofar as it is in conflict.

SECTION 3. That this order shall be effective on the date of its
execution.

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

OIL CONSERVATION COMMISSION

John A. Binslow
JOHN A. BINSLOW, CHAIRMAN

John A. Kelly
JOHN A. KELLY, SECRETARY

PROOF OF PUBLICATION

STATE OF NEW MEXICO }
County of Eddy } ss.

A. L. BERT, being duly sworn deposes and says that he is the editor of THE ARTESIA ADVOCATE, a newspaper published in Artesia, Eddy County, New Mexico, that the notice of publication in the matter of the application of the American Employers' Insurance Company. Case No. 44

a copy of which is hereto attached was first published in said newspaper in its issue dated July 15, 1943 and was published in the weekly issue of said newspaper, and not in any supplement, thereafter for the full period of one consecutive weeks, the last publication thereof being in the issue dated July 15, 1943.

A. L. Bert

Subscribed and sworn to before me on

7-16-43

Leatrice Becker

Notary Public

Publishers Fees

\$3.90

My Commission Expires December 24, 1945

Notary Public for the State of New Mexico
A. M. Angelo & Co.
Any person who is not in the subject of this case is entitled to a hearing.
Given under the seal of said Commission at Santa Fe, New Mexico, on July 8, 1943.
OIL CONSERVATION COMMISSION,
BY (SGD) JOHN M. KELLY,
Secretary.
(SEAL) 28-11

AFFIDAVIT OF PUBLICATION

State of New Mexico, }
County of Lea }

Thomas L. Summerville
Publisher

Of the Hobbs Daily News-Sun, a
daily newspaper published at Hobbs,
New Mexico, do solemnly swear that
the clipping attached hereto was
published once a week in the regular
and entire issue of said paper, and
not in a supplement thereof for a

period of _____

One issue week

beginning with the issue dated _____

July 12, 1943

and ending with the issue dated _____

Thomas L. Summerville
193
Publisher.

Sworn and subscribed to before me

this *12th* day of _____

July, 19*43*

Blanche T. Springer
Notary Public

My commission expires _____

June 15, 19*46*

(Seal)

This newspaper is duly qualified
to publish legal notices or ad-
vertisements within the mean-
ing of Section 3, Chapter 187,
Laws of 1937, and payment of
fees for said publication has
been made.

(July 12)
NOTICE FOR PUBLICATION
STATE OF NEW MEXICO
OIL CONSERVATION
COMMISSION

The Oil Conservation Commis-
sion, by law invested with juris-
diction as the oil and gas regula-
tory body of the State of New
Mexico, hereby gives notice of the
following hearing to be held at
Santa Fe, New Mexico:

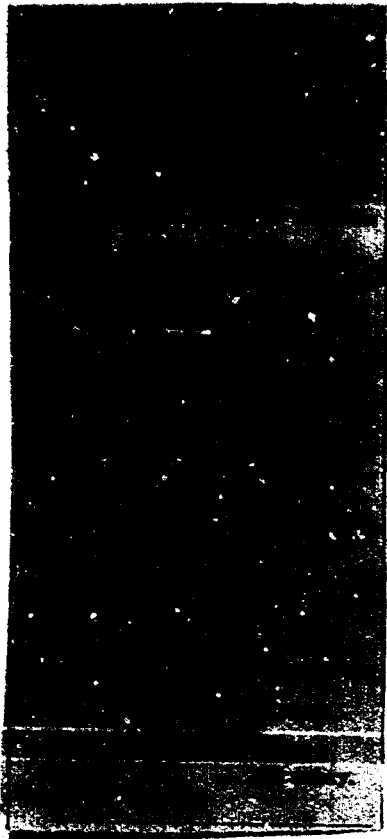
Case No. 24.
In the matter of the application
of the American Employers' In-
surance Company for an order
under which the licensee of
any oil or gas well or of the
operator of any such oil or gas
well shall be responsible for the
plugging of any such well and
for that purpose shall submit a
new plugging bond or produce
the consent of the surety on the
original plugging bond that the
latter's liability shall continue.
This case is set for 10 A. M.,
August 3, 1943.

Any person having any interest
in the subject of said hearing is
entitled to be heard.

Given under the seal of said
Commission at Santa Fe, New
Mexico, on July 8, 1943.

Oil Conservation Commission
By (Sgd) John M. Kelly,
Secretary.

(SEAL)



Affidavit of Publication

State of New Mexico, }
County of Santa Fe } ss.

I, A. N. Morgan, being first duly sworn, declare and say that I am the (~~Manager~~) (Editor) of the Santa Fe New Mexican, a daily newspaper, published in the English Language, and having a general circulation in the City and County of Santa Fe, State of New Mexico, and being a newspaper duly qualified to publish legal notices and advertisements under the provisions of Chapter 167 of the Session Laws of 1937; that the publication, a copy which is hereto attached, was published in said paper ~~announced~~ for one time ~~announced~~ the regular issue of the paper during the time of publication, and that the notice was published in the newspaper proper, and not in any supplement, ~~announced~~ for one time ~~announced~~ publication being on the 10th day of July, 1943, ~~announced~~ announced, announced; that payment for said advertisement has been (duly made), or (assessed as court costs); that the undersigned has personal knowledge of the matters and things set forth in this affidavit.

PUBLISHER'S BILL

37 lines, one time at \$ 2.96
lines, times, \$
Tax \$
Total \$ 2.96

Received payment,

By.....

A. N. Morgan
Editor ~~Manager~~

Subscribed and sworn to before me, this 13th
day of July, A.D., 1943.
Alma K. Ormrod
Notary Public.

My Commission expires

June 11, 1945

BEFORE THE OIL CONSERVATION COMMISSION OF THE STATE OF NEW MEXICO.

In the Matter of Plugging
Bonds.

REQUEST FOR HEARING

Comes now American Employers' Insurance Company, a corporation, and states:

That it is interested in the matter set out hereinafter for the reason it is the Surety on numerous plugging bonds written pursuant to the regulations of the Oil Conservation Commission, and which are now outstanding.

That the regulations of the Commission require, in connection with each permit to drill a well, that the Permittee give a bond in the form required by Rule 39, provided, however, that where the Principal in such a bond is drilling or operating a number of wells, or proposes so to do, a blanket bond may be given covering all wells which such person may drill or operate. These bonds are conditioned that the Principal will plug the well or wells involved if dry, or when abandoned, in such a way as to confine the oil, gas and water in their respective strata.

Many of the original Permittees have, after executing such bonds, transferred their interest in the wells involved or the operation of such wells, and the transferees have not in all cases given new plugging bond. In many instances the original Permittee who gave the bond has died or been dissolved and the operations have continued without the furnishing of any new or additional bond.

Apparently no provision now exists whereby this Commission can effectively require the furnishing of a new plugging bond and the release of the bond given at the time of the original drilling of the well. It may be that in some instances the Surety on


the original plugging bond may be discharged by reason of the State recognizing the new operator without the approval of the Surety on the original plugging bond. If this should develop, the interests of the State might be seriously affected.

petitioner respectfully requests that this Commission take into consideration the advisability of prescribing regulations under which the Transferee of any oil or gas well or of the operation of such oil or gas well may be required to submit a new plugging bond or produce the consent of the Surety on the original plugging bond that the ~~later's~~ liability shall continue and that a hearing be ordered accordingly.

Respectfully submitted.

AMERICAN EMPLOYERS' INSURANCE COMPANY

By


Its Attorney