

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

**CASE NO. 12562
ORDER NO. R-11516**

IN THE MATTER OF THE HEARING CALLED BY THE NEW MEXICO OIL CONSERVATION DIVISION ("DIVISION") THROUGH THE SUPERVISOR OF DIVISION DISTRICT I IN HOBBS, NEW MEXICO ON ITS OWN MOTION FOR AN ORDER: (I) REQUIRING PETROLEUM PRODUCTION MANAGEMENT, INC. TO PROPERLY PLUG AND ABANDON FIVE CERTAIN WELLS IN LEA AND ROOSEVELT COUNTIES, NEW MEXICO; OR (II) AUTHORIZING THE DIVISION TO PLUG AND ABANDON THESE WELLS, AND ORDERING A FORFEITURE OF ANY PLUGGING BOND (S) COVERING THESE WELLS.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on December 21, 2000, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 24th day of January, 2001, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given and the Division has jurisdiction of this case and its subject matter.

(2) Petroleum Production Management, Inc. of Kansas City, Missouri ("Petroleum Production") is the current owner and operator of the five following described wells:

- (a) Will "693" Ltd. Well No. 5 (API No. 30-041-20861), located 2100 feet from the South line and 1980 feet from the East line (Unit J) of Section 34, Township 8 South, Range 35 East, NMPM; Roosevelt County, New Mexico;
- (b) Midwest State Well No. 1 (API No. 30-025-00983), located 1980 feet from the South and East lines (Unit J) of Section 23, Township 10 South, Range 33 East, NMPM, Lea County, New Mexico;

- (c) State "19" Com. Well No. 2 (**API No. 30-025-22843**), located 660 feet from the North and East lines (Unit A) of Section 19, Township 13 South, Range 33 East, NMPM, Lea County, New Mexico;
- (d) Sunray "682" Ltd. Well No. 6 (**API No. 30-025-31017**), located 1980 feet from the North line and 660 feet from the West line (Unit E) of Section 36, Township 9 South, Range 33 East, NMPM, Lea County, New Mexico; and
- (e) Holt State Com. Well No. 1 (**API No. 30-025-22927**), located 660 feet from the North and West lines (Unit D) of Section 4, Township 10 South, Range 34 East, NMPM, Lea County, New Mexico.

(3) In compliance with Section 70-2-14, NMSA 1978 and Division Rule 101 the operator has posted with the Division a blanket plugging bond in the amount of \$ 50,000.00 issued by Continental Casualty Company of Chicago, Illinois, as surety (Bond No. 5558216-16).

(4) The purpose of a plugging bond is to assure that an operator will properly plug and abandon its well or wells when not capable of commercial production or no longer utilized for some other beneficial purpose.

(5) At this time, the Division seeks an order directing the operator to plug these wells in accordance with a Division-approved plugging program and, if the operator fails to do so, authorizing the Division to proceed to plug and abandon these wells and: (i) declare forfeiture of Southwest Production's plugging bond and order foreclosure; (ii) order the recovery of any costs of plugging these wells in excess of the amount of the bond; and (iii) impose fines on the operator for failure to comply with this order.

(6) This matter was styled such that in the absence of objection this case would be taken under advisement. Representatives of the Division's district office in Hobbs (District I) and the Division's office in Santa Fe prepared a detailed report and summary supporting its position that the subject wells should be plugged and abandoned.

(7) The operator did not appear at the hearing.

(8) These wells have not produced hydrocarbons or have otherwise been active for more than one year, and no permit for temporary abandonment has been requested by

the operator or approved by the Division.

(9) 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 Petroleum Production.

(10) The current conditions of these wells are such that if action is not taken to properly plug and abandon these wells, waste will probably occur, correlative rights will also be violated, livestock and wildlife may be subject to harmful contaminants, and fresh waters may be in danger of contamination.

(11) In order to prevent waste and to adequately protect correlative rights and the environment, both of the above-described wells should be plugged and abandoned by Petroleum Production in accordance with a program approved by the supervisor of the Division's Hobbs district office on or before March 1, 2001.

(12) Should Petroleum Production not meet this March 1, 2001 plugging obligation, the Division Director should then be authorized to take such action as is deemed necessary to foreclose on the subject plugging bonds and recover from the operator the plugging cost incurred by the Division.

IT IS THEREFORE ORDERED THAT:

(1) Petroleum Production Management, Inc. of Kansas City, Missouri ("Petroleum Production") is hereby ordered to plug and abandon the five following described wells on or before March 1, 2001:

- (a) Will "693" Ltd. Well No. 5 (**API No. 30-041-20861**), located 2100 feet from the South line and 1980 feet from the East line (Unit J) of Section 34, Township 8 South, Range 35 East, NMPM; Roosevelt County, New Mexico;
- (b) Midwest State Well No. 1 (**API No. 30-025-00983**), located 1980 feet from the South and East lines (Unit J) of Section 23, Township 10 South, Range 33 East, NMPM, Lea County, New Mexico;
- (c) State "19" Com. Well No. 2 (**API No. 30-025-22843**), located 660 feet from the North and East lines (Unit A) of Section 19, Township 13 South, Range 33 East, NMPM, Lea County, New Mexico;

- (d) Sunray "682" Ltd. Well No. 6 (**API No. 30-025-31017**), located 1980 feet from the North line and 660 feet from the West line (Unit E) of Section 36, Township 9 South, Range 33 East, NMPM, Lea County, New Mexico; and
- (e) Holt State Com. Well No. 1 (**API No. 30-025-22927**), located 660 feet from the North and West lines (Unit D) of Section 4, Township 10 South, Range 34 East, NMPM, Lea County, New Mexico.

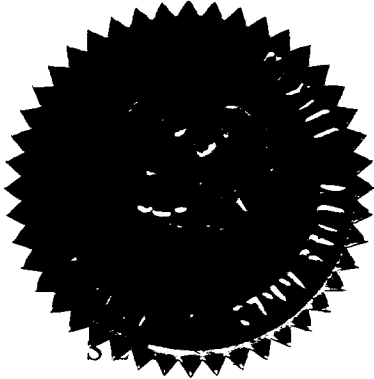
(2) Petroleum Production, prior to plugging and abandoning the five above-described wells, shall obtain from the supervisor of the Division's district office in Hobbs, an approved plugging program and shall notify the Hobbs District Office of the date and time this work is to commence whereupon the Division may witness such work.

(3) Should Petroleum Production fail or refuse to carry out such provisions in accordance with the terms of this order, the Division shall then take such actions as are necessary to have these wells properly plugged and abandoned. Further, the Division shall then be authorized to take such action as is deemed necessary to foreclose on the \$ 50,000.00 blanket plugging bond issued by Continental Casualty Company of Chicago, Illinois, as surety (Bond No. 5558216-16), and to recover from the operator any costs in excess of the amount of this bond to help defray plugging costs incurred by the Division.

(4) Failure to comply with the provisions of this order shall subject Petroleum Production to a fine of \$1,000.00 per day per well until such work is completed (see Section 70-2-31, NMSA 1978).

(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 cursive script that reads "Lori Wrotenbery".

LORI WROTENBERY
Director