

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

**CASE NO. 12459
ORDER NO. R-11520**

IN THE MATTER OF THE HEARING CALLED BY THE NEW MEXICO OIL CONSERVATION DIVISION ("DIVISION") THROUGH THE SUPERVISOR OF DIVISION DISTRICT II IN ARTESIA, NEW MEXICO ON ITS OWN MOTION FOR AN ORDER: (I) REQUIRING I. T. PROPERTIES TO PROPERLY PLUG AND ABANDON A CERTAIN WELL IN EDDY COUNTY, NEW MEXICO; OR (II) AUTHORIZING THE DIVISION TO PLUG AND ABANDON THIS WELL, AND ORDERING A FORFEITURE OF ANY PLUGGING BOND COVERING THIS WELL.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on January 11, 2001, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 31st 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) I. T. Properties of Arlington, Texas is the current owner and operator of the DHY State Well No. 1 (API No. 30-015-21638) located 1980 feet from the North and West lines (Unit F) of Section 23, Township 19 South, Range 28 East, NMPM, Eddy 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 the Gulf Insurance Company of Dallas, Texas, as surety (Bond No. 58-54-63).

(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 the

above-described well 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 this well and: (i) declare forfeiture of I. T. Properties' plugging bond and order foreclosure; (ii) order the recovery of any costs of its plugging in excess of the amount of the bond; and (iii) impose a fine 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 Artesia (District II) and the Division's office in Santa Fe prepared a detailed report and summary supporting its position that the subject well should be plugged and abandoned.

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

(8) This well has not produced hydrocarbons and has been inactive 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 well for beneficial purposes or to have approved temporary abandonment permits, the subject well is presumed to have been abandoned by I. T. Properties.

(10) The current condition of this well is such that if action is not taken to properly plug and abandon the well, 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, the above-described well should be plugged and abandoned by I. T. Properties in accordance with a program approved by the supervisor of the Division's Artesia District Office on or before March 1, 2001.

(12) Should I. T. Properties 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 bond and recover from the operator the plugging cost incurred by the Division.

IT IS THEREFORE ORDERED THAT:

(1) I. T. Properties of Arlington, Texas is hereby ordered to plug and abandon its DHY State Well No. 1 (**API No. 30-015-21638**) located 1980 feet from the North and West lines (Unit F) of Section 23, Township 19 South, Range 28 East, NMPM, Eddy County, New Mexico on or before March 1, 2001.

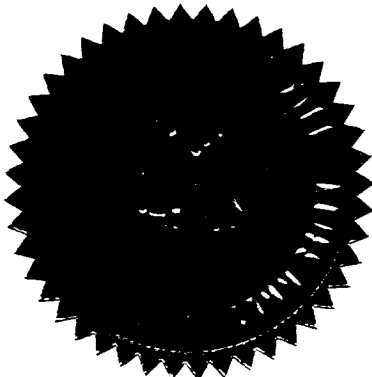
(2) I. T. Properties, prior to plugging and abandoning the above-described well, shall obtain from the supervisor of the Division's district office in Artesia, New Mexico, an approved plugging program and shall notify the Artesia District Office of the date and time this work is to commence whereupon the Division may witness such work.

(3) Should I. T. Properties 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 this well 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 Gulf Insurance Company of Dallas, Texas, as surety (Bond No. 58-54-63), 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 I. T. Properties to a fine of \$1,000.00 per day per well until such work is completed (see Section 70-2-31, NMSA 1978).

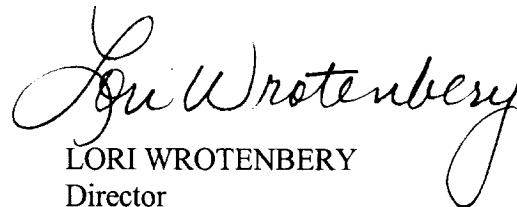
(5) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

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



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


LORI WROTENBERY
Director