

**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 I FOR AN ORDER REQUIRING
PETROLEUM PRODUCTION MANAGEMENT, INC. TO PROPERLY PLUG
FIVE WELLS IN LEA COUNTY, NEW MEXICO, AUTHORIZING THE
DIVISION TO PLUG SAID WELLS, AND ORDERING A FORFEITURE OF
THE PLUGGING BOND, IF ANY.**

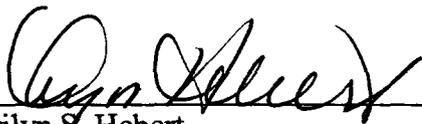
CASE NO. 12562

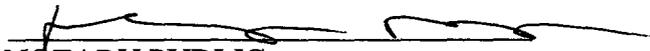
AFFIDAVIT REGARDING NOTICE

1. I am over the age of eighteen and have personal knowledge of the matters stated herein.
2. I am the attorney of record for the Applicant.
3. Applicant has conducted a good faith, diligent effort to find the correct addresses of interest owners entitled to receive notice of the Application herein.
4. Notice of the Application was provided to the interest owners at their correct addresses by mailing them, by certified mail, a copy of the Application. Copies of the notice letter and certified return receipts are attached hereto.
5. Applicant has complied with the notice provisions of Rule 1207.

BEFORE EXAMINER
OIL CONSERVATION DIVISION
SUBSCRIBED AND SWORN TO before me this <u>14th</u> day December 2000.
OCB EXHIBIT NO. <u>3</u>
CASE NO. <u>12562</u>

My commission expires:
2/18/2003


Marilyn S. Hebert


NOTARY PUBLIC

SENDER: COMPLETE THIS SECTION

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1. Article Addressed to:

Continental Casualty Company
CNA Plaza - 09 South
Chicago, IL 80685

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) B. Date of Delivery

DEC 04 1999

C. Signature Agent
 Addressee

D. Is delivery address different from item 1? Yes
If YES, enter delivery address below: No

3. Service Type

- Certified Mail Express Mail
- Registered Return Receipt for Merchandise
- Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

2. Article Number (Copy from service label) 7000 0520 0021 3771 6463

PS Form 3811, July 1999

Domestic Return Receipt

102595-99-M-1789



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Lori Wrotenbery
Director
Oil Conservation Division

November 30, 2000

Petroleum Production Management, Inc.
Post Office Box 11320
Kansas City, MO 64112

Continental Casualty Company
CNA Plaza - 09 South
Chicago, Illinois 80685

Re: Case No. 12562

Application of the New Mexico Oil Conservation Division for an order requiring Petroleum Production Management, Inc. to plug five wells in Lea County, New Mexico

This letter is to advise you that the New Mexico Oil Conservation Division has filed the enclosed application for a hearing requiring Petroleum Production Management, Inc. and other interested parties to appear and show cause why a 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 December 21, 2000. You are not required to attend this hearing, but as 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 by Division Rule 1208.B, enclosed, to file a Prehearing Statement three days in advance of the hearing.

Best regards,

Marilyn S. Hebert
Attorney

c: Chris Williams, District Supervisor
OCD Hobbs

OIL CONSERVATION DIV.
00 NOV 29 AM 4:51

**ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION THROUGH THE SUPERVISOR OF DISTRICT I FOR AN ORDER REQUIRING PETROLEUM PRODUCTION MANAGEMENT, INC. TO PROPERLY PLUG FIVE WELLS IN LEA COUNTY, NEW MEXICO, AUTHORIZING THE DIVISION TO PLUG SAID WELLS, AND ORDERING A FORFEITURE OF THE PLUGGING BOND, IF ANY.

CASE NO. 12562

APPLICATION FOR PLUGGING AND FORFEITURE OF BOND

1. Petroleum Production Management, Inc. ("Operator") is the operator of the Will 693 Ltd. Well No. 5 Well located 2100 feet from the South line and 1980 feet from the East line (Unit J) in Section 34, Township 8 South, Range 35 East in Roosevelt County and the following wells in Lea County, New Mexico:

- a. Midwest State Well No. 1 located 1980 feet from the South line and 1980 feet from the East line (Unit J) in Section 23, Township 10 South, Range 33 East;
- b. State "19" Com Well No. 2 located 660 feet from the North and East lines (Unit A) in Section 19, Township 13 South, Range 33 East;
- c. Sunray 682 Ltd. Well No. 6 located 1980 feet from the North line and 660 feet from the West line (Unit E) in Section 36, Township 9 South, Range 33 East;
and
- d. Holt State Com Well No. 1 located 660 feet from the North and West lines (Unit D) in Section 4, Township 10 South, Range 34 East.

2. Operator has posted a surety bond in the amount of \$50,000.00 for said wells in compliance with NMSA 1978, § 70-2-14 and Rule 101 of the Rules of the Oil Conservation Division ("Division"), which bond is conditioned upon compliance with the statutes of the State

of New Mexico and the Rules of the Division with respect to the proper plugging and abandonment of the well operated by Operator. Continental Casualty Company is the surety .

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

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

5. By authority of NMSA 1978, § 70-2-14 the Rules of the Division require wells that 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 either to place the subject wells to beneficial use, obtain approval for temporary abandonment or properly plug and abandon the same, and the Operator has failed to do so.

WHEREFORE, the Supervisor of District I of the Oil Conservation Division applies to the Director to enter an order:

A. Determining whether the wells should be plugged in accordance with a Division-approved plugging program.

B. Upon a determination that the wells should be plugged, directing Operator to plug the wells.

C. Further ordering that if Operator fails to plug and abandon the wells as ordered by the Director, that the Division be authorized: i. to plug the wells; ii. to declare forfeit on the bond, if

any, and to take such action to foreclose on the bond; and iii. to recover from the Operator any costs of plugging the wells in excess of the amount of the bond, if any.

D. For such other and further relief as the Division deems just and proper, including the assessment of fines.

RESPECTFULLY SUBMITTED,



Marilyn S. Hebert, Attorney
New Mexico Oil Conservation Division
2040 South Pacheco
Santa Fe, NM 87505
(505) 827-8156

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT AM 3: 50
OIL CONSERVATION DIVISION

**APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION
THROUGH THE SUPERVISOR OF DISTRICT I FOR AN ORDER REQUIRING
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CASE NO. 12562

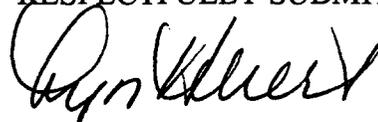
PERSONS TO BE NOTIFIED

The following are the persons to be notified in this matter:

Petroleum Production Management, Inc.
Post Office Box 11320
Kansas City, MO 64112

Continental Casualty Company
CNA Plaza - 09 South
Chicago, Illinois 80685

RESPECTFULLY SUBMITTED,



Marilyn S. Hebert, Attorney
New Mexico Oil Conservation Division
2040 South Pacheco
Santa Fe, NM 87505
(505) 827-8156

(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]

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7000 0520 0021 3771 6456

U.S. Postal Service
CERTIFIED MAIL RECEIPT
(Domestic Mail Only. No Insurance Coverage Provided)

Postage	\$
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$

Postmark
Here

Recipient's Name (Please Print Clearly) (To be completed by mailer)
 Petroleum Production Management
 Street, Apt. No.; or PO Box No.
 PO Box 11320,
 City, State, ZIP+4
 Kansas City, MO 64112
 PS Form 3800, February 2000 See Reverse for Instructions

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4a, and 4b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

1. Addressee's Address

2. Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

Petroleum Production Management
P.O. Box 11320
Kansas City, MO 64112

4a. Article Number
7000 0520 0021 3771 6456

4b. Service Type

<input type="checkbox"/> Registered	<input checked="" type="checkbox"/> Certified
<input type="checkbox"/> Express Mail	<input type="checkbox"/> Insured
<input type="checkbox"/> Return Receipt for Merchandise	<input type="checkbox"/> COD

7. Date of Delivery

5. Received By: (Print Name)

6. Signature: (Addressee or Agent)

8. Addressee's Address (Only if requested and fee is paid)

Is your RETURN ADDRESS completed on the reverse side?

Thank you for using Return Receipt Service.

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(Domestic Mail Only; No Insurance Coverage Provided)

7000 0520 0021 3771 6463
7000 0520 0021 3771 6463
7000 0520 0021 3771 6463
7000 0520 0021 3771 6463

Postage \$
Certified Fee \$
Return Receipt Fee (Endorsement Required) \$
Restricted Delivery Fee (Endorsement Required) \$
Total Postage & Fees \$

Postmark Here

Recipient's Name (Please Print Clearly) (To be completed by mailer)
Continental Casualty Co.
Street, Apt. No.; or PO Box No.
CNA Plaza, 09 South
City, State, ZIP+4 Chicago, IL 80685

PS Form 3811, February 2000 See Reverse for Instructions

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:
Continental Casualty Company
CNA Plaza - 09 South
Chicago, IL 80685

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) _____ B. Date of Delivery _____

C. Signature _____
 Agent
 Addressee

D. Is delivery address different from item 1? Yes
If YES, enter delivery address below: No

3. Service Type
 Certified Mail
 Registered
 Insured Mail
 Express Mail
 Return Receipt for Merchandise
 C.O.D.
 Yes

2. Article Number (Copy from service label) 7000 0520 0021 3771 6463

PS Form 3811, July 1999 Domestic Return Receipt 102595-99-M-1789