

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

**CASE NO. 12474
ORDER NO. R-11510**

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 AGUA, INC. TO PROPERLY PLUG AND ABANDON A CERTAIN WELL IN LEA 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 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) Agua, Inc. of Pasadena, California is the current owner and operator of the Goodwin SWD Well No. 31 (API No. 30-025-21183) located 1980 feet from the North line and 660 feet from the West line (Unit E) of Section 31, Township 18 South, Range 37 East, NMPPM, 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 the Hartford Accident & Indemnity Company, in care of Daniels Insurance, Inc. of Hobbs, New Mexico, as surety (Bond No. 4356142).

(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 Agua, Inc.'s 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) The witness in this matter, Chris Williams, supervisor of the Division's district office in Hobbs (District I), testified at the hearing via telephone supporting the Division's position that the subject well should be plugged and abandoned.

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

(8) Amerada Petroleum Corporation originally drilled the Goodwin SWD Well No. 31 to a total depth of 7,602 feet in 1965 as an Abo oil test. In March, 1968 Agua, Inc. became operator and by Division Administrative Order SWD-68, dated September 2, 1967, re-completed this well as a salt water disposal well into the San Andres, Delaware, Bone Spring, and Clearfork formations through the open-hole interval from 4,466 feet to 6,900 feet.

(9) This well 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.

(10) 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 Agua, Inc.

(11) The current condition of this well is such that if action is not taken for it to be properly plugged and abandoned, 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.

(12) In order to prevent waste and to adequately protect correlative rights and the environment, the above-described well should be plugged and abandoned by Agua, Inc. in accordance with a program approved by the supervisor of the Division's Hobbs District Office on or before March 1, 2001.

(13) Should Agua, Inc. 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) The injection authority granted Agua, Inc. for the disposal of produced water into its Goodwin SWD Well No. 31 (API No. 30-025-21183), located 1980 feet from the North line and 660 feet from the West line (Unit E) of Section 31, Township 18 South, Range 37 East, NMPM, Lea County, New Mexico, is hereby rescinded and Division Administrative Order SWD-68, dated September 2, 1967, shall be placed in abeyance until further notice.

IT IS FURTHER ORDERED THAT:

(2) Agua, Inc. of Pasadena, California is ordered to plug and abandon the above-described Goodwin SWD Well No. 31 on or before March 1, 2001.

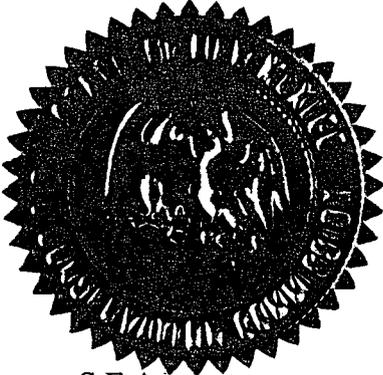
(3) Agua, Inc., prior to plugging and abandoning the above-described well, shall obtain from the supervisor of the Division's district office in Hobbs, an approved plugging program and shall notify the Hobbs District Office of the date and time this work is to commence whereupon the Division may witness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

(4) Should Agua, Inc. 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 Hartford Accident & Indemnity Company, in care of Daniels Insurance, Inc. of Hobbs, New Mexico, as surety (Bond No. 4356142), 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.

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

(6) 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.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Lori Wrotenbery

LORI WROTENBERY
Director