

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

AMENDED APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION, THROUGH THE SUPERVISOR OF DISTRICT I, FOR AN ORDER REQUIRING KC RESOURCES INC. TO BRING TWO INACTIVE WELLS INTO COMPLIANCE WITH 19.15.4.201 NMAC BY A DATE CERTAIN AND, IN THE EVENT OF NON-COMPLIANCE, REQUIRING KC RESOURCES TO PLUG AND ABANDON BOTH WELLS BY A DATE CERTAIN AND AUTHORIZING THE DIVISION TO IMMEDIATELY FORFEIT THE APPLICABLE PLUGGING BOND AND PLUG THE WELLS IF THE OPERATOR FAILS TO MEET THE PLUGGING DEADLINE; LEA COUNTY, NEW MEXICO.

CASE NO. 1336

**AMENDED
APPLICATION FOR COMPLIANCE ORDER**

1. KC Resources Inc. ("Operator") is the operator of record for the following wells ("subject wells"):

Lea YH State #002, API #30-025-26299, P-25-18S-34E, NMPM
Lea YH State #004, API #30-025-26687, I-25-18S-34E, NMPM

The subject wells are located in Lea County, New Mexico.

2. Frontier Insurance Company ("Surety") is the surety on the \$50,000 blanket bond number 54664 posted by the Operator pursuant to NMSA 1978, Section 70-2-14 to secure the Operator's obligation to plug and abandon the subject wells in compliance with the rules of the Oil Conservation Division ("Division").
3. The subject wells have been inactive for a period exceeding one year plus 90 days, and have not been plugged and abandoned or placed on temporary abandonment status under Division rules.

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4. Division rule 19.15.4.201 NMAC (Rule 201) requires an operator to plug and abandon or temporarily abandon a well in accordance with Division rules within 90 days after a period of one year of continuous inactivity.

5. NMSA 1978, Section 70-2-14(B) provides:

If any of the requirements of the Oil and Gas Act [Chapter 70, Article 2 NMSA 1978] or the rules promulgated pursuant to that act have not been complied with, the oil conservation division, after notice and hearing, may order any well plugged and abandoned by the operator or surety or both in accordance with division rules. If the order is not complied with in the time period set out in the order, the financial assurance shall be forfeited.

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

1. Determining that the subject wells are not in compliance with Rule 201;
2. Requiring the Operator to bring the subject wells into compliance with Rule 201 by April 15, 2005 by plugging and abandoning the wells, placing the wells on temporary abandonment status, or returning the wells to a Division-approved beneficial use;
3. Providing that if the subject wells are not brought into compliance with Rule 201 by April 15, 2005,
 - a) requiring the Operator to plug and abandon both wells in accordance with a Division-approved plugging program by April 30, 2005; and
 - b) if the Operator fails to comply with the April 30, 2005 deadline, authorizing the Division to forfeit immediately the full amount of the financial assurance furnished by the Operator and to plug both wells; and
4. For such other and further relief as the Director deems just and proper under the circumstances.

RESPECTFULLY SUBMITTED,
this 14th day of December, 2004 by



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Case No. 13362. Amended Application of the New Mexico Oil Conservation Division for a Compliance Order Against KC Resources Inc. The Applicant seeks an order requiring operator KC Resources Inc. to bring two inactive wells into compliance with 19.15.4.201 NMAC by a date certain and, in the event of non-compliance, requiring KC Resources Inc. to plug and abandon both wells by a date certain and authorizing the Division to forfeit immediately the applicable plugging bond and plug both wells if KC Resources Inc. fails to meet the plugging deadline. The inactive wells are the Lea YH State #002, API #30-025-26299, P-25-18S-34E, NMPM and the Lea YH State #004, API #30-025-26687, I-25-18S-34E, NMPM, located approximately 22 miles west of Hobbs in Lea County, New Mexico.