

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

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Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION THROUGH THE SUPERVISOR OF DISTRICT I, FOR AN ORDER REQUIRING VERDE GRANDE INC. TO BRING ONE WELL INTO COMPLIANCE WITH 19.15.4.201 NMAC, ASSESSING AN APPROPRIATE CIVIL PENALTY IN THE EVENT OF NON-COMPLIANCE, AUTHORIZING THE DIVISION TO PLUG SAID WELL AND ORDERING A FORFEITURE OF THE APPLICABLE PLUGGING BOND; LEA COUNTY, NEW MEXICO.

CASE NO. 13257

APPLICATION FOR COMPLIANCE ORDER

1. Verde Grande Inc. ("Operator") is the operator of record for the Aztec State #1 well, API #30-025-22342, located at Unit Letter J, Section 18, Township 16 South, Range 37 East, in Lea County, New Mexico (the "subject well").

2. The Ohio Casualty Insurance Company ("Surety") is the surety on single well bond number 2-418-413-9 posted by the Operator pursuant to NMSA 1978, Section 70-2-14 in the amount of \$10,000 to secure its obligation to plug and abandon the subject well in compliance with the rules of the Oil Conservation Division ("Division").

3. Division rule 19.15.4.201 NMAC 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.

4. The subject well has been inactive for a continuous period exceeding one year plus 90 days, and has neither been plugged and abandoned pursuant to 19.15.4.202 NMAC nor temporarily abandoned pursuant to 19.15.4.203 NMAC.

5. Division rule 19.15.101(M) NMAC authorizes the Director to order the operator to plug and abandon any well not in compliance with 19.15.4.201 NMAC by a date certain, and to direct the Division to forfeit the bond and cause such well to be plugged in accordance with a Division-approved plugging program if, after the time provided in such order, the operator has failed to plug the well.

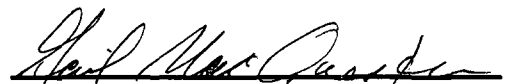
WHEREFORE, the Supervisor of District I of the Division hereby applies to the Director to enter an order:

- A. Determining that the subject well is not in compliance with 19.15.4.201 NMAC;
- B. Requiring the Operator to bring the subject well into compliance with 19.15.4.201 NMAC within a date certain by plugging and abandoning the well in accordance with 19.15.4.202 NMAC, securing temporary abandonment status for the subject well in accordance with 19.15.4.203 NMAC, or returning the subject well to a Division-approved beneficial use; and
- C. Further, if the subject well is not brought into compliance with 19.15.4.201 NMAC by the date set by the order:
 - (1) Assessing a penalty of \$1000 against the Operator;
 - (2) Authorizing the Division to plug the subject well in accordance with a Division-approved plugging program; and

(3) Authorizing the Division to declare forfeit the security furnished by the Operator; and

D. For such other and further relief as the Director deems just and proper under the circumstances.

RESPECTFULLY SUBMITTED,
this 31st day of March, 2004 by



Gail MacQuesten
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Case No. 13257. Application of the New Mexico Oil Conservation Division for a Compliance Order. The Applicant seeks an order requiring operator Verde Grande Inc. to bring one abandoned well into compliance with 19.15.4.201 NMAC by a date certain and, in the event of non-compliance, assessing a civil penalty against the operator, authorizing the Division to plug said well, forfeiting the operator's plugging security, and for such other relief as the Director deems appropriate. The affected well is: Aztec State #1, API # 30-025-22342, Unit Letter J, Section 18, Township 16 South, Range 37 East, in Lea County, New Mexico.