

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

CASE NO. 11252
ORDER NO. R-10397

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION DIVISION ON ITS OWN MOTION TO PERMIT STEVENS OPERATING CORPORATION, OPERATOR, AND AMERICAN EMPLOYERS INSURANCE, SURETY, AND ALL OTHER INTERESTED PARTIES TO APPEAR AND SHOW CAUSE WHY THE MARJOHN STATE WELL NO.1 (API NO. 30-005-00380), LOCATED 660 FEET FROM THE NORTH LINE AND EAST LINES (UNIT A) OF SECTION 11, TOWNSHIP 13 SOUTH, RANGE 28 EAST, NMPM, CHAVES COUNTY, NEW MEXICO, SHOULD NOT BE PLUGGED AND ABANDONED IN ACCORDANCE WITH A DIVISION-APPROVED PLUGGING PROGRAM.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on May 18, 1995 at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 20th day of June, 1995, the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) Stevens Operating Corporation was the last known owner and operator of the Marjohn State Well No. 1 (API No. 30-005-00380), located 660 feet from the North and East lines (Unit A) of Section 11, Township 13 South, Range 28 East, NMPM, Chaves County, New Mexico.

(3) According to Division records, the Marjohn State Well No. 1 was drilled in 1959 by Intex Oil Company to a total depth of approximately 8,850 feet. Thirteen and 3/8-inch surface casing was set at 40 feet and cemented with 25 sacks, and an

intermediate string of eight and 5/8-inch casing was set at 1,912 feet and cemented with 600 sacks. The remaining seven and 7/8-inch hole drilled from 1,912 feet to total depth was apparently never cased. The subject well was unproductive of any hydrocarbons and was plugged and abandoned in January, 1960.

(4) The subject well was acquired by Stevens Operating Corporation sometime prior to 1991. The operator made application to the Division for directional drilling and unorthodox bottomhole location which was subsequently approved by Division Order R-9486 issued on April 2, 1991.

(5) The operator submitted an application for permit to drill on Division Form C-101, indicating its intent to re-enter the well. The proposal on this form stated that after an evaluation of geological data determined from well logs, a decision would be made to complete the well, plug and abandon it or, drill a side track hole pursuant to Division Order R-9486.

(6) During re-entry operations, an equipment failure resulted in 1,071 feet of drill pipe being lost in the hole. The top of the fish was located at approximately 7210 feet. The pipe string was never recovered, a wellhead assembly was installed at the surface and the well was shut-in.

(7) September 24, 1991, Stevens Operating Corporation filed an intent to plug and abandon the Marjohn State Well No. 1, on Division Form C-103. The plugging procedure was approved by the District II Office of the Division.

(8) The subject well was never plugged by Stevens Operating Corporation.

(9) American Employers Insurance Company is the surety on a \$50,000.00 blanket plugging bond on which Stevens Operating Corporation is principle.

(10) The current condition of the Marjohn State Well No. 1 is such that if action is not taken to properly plug and abandon this well, waste may occur, correlative rights may be violated, and/or fresh water may be contaminated.

(11) According to the testimony presented Stevens Operating Corporation is in a state of bankruptcy.

(12) American Employers Insurance Company was represented by legal counsel at the hearing, who requests that their company, or agents thereof, be allowed a period

of sixty days to attempt to solicit interested parties and possibly transfer ownership of the subject well.

(13) In the event a new owner/operator of the subject well is not secured in the prescribed time period, the Supervisor of the Division's Artesia District Office should be authorized to direct the commencement of plugging operations on the subject well.

IT IS THEREFORE ORDERED THAT:

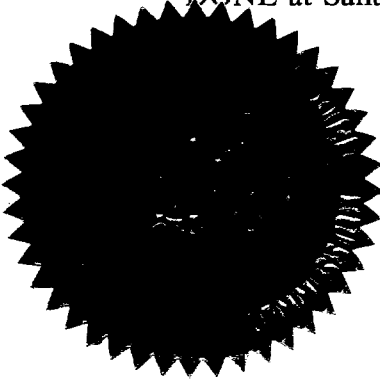
(1) The Stevens Operating Corporation Marjohn State Well No. 1 (API No. 30-005-00380), located 660 feet from the North and East lines (Unit A) of Section 11, Township 13 South, Range 28 East, NMPM, Chaves County, New Mexico, shall be plugged and abandoned in accordance with a program approved by the Artesia District Office of the New Mexico Oil Conservation Division as soon as possible.

(2) No action will be taken for a period of sixty days from the day and year of the issuance of this order, to allow American Employers Insurance Company, or agents thereof, ample time to transfer ownership of the subject well to a prudent operator authorized to operate in the State of New Mexico, for subsequent completion or plugging and abandonment of the well.

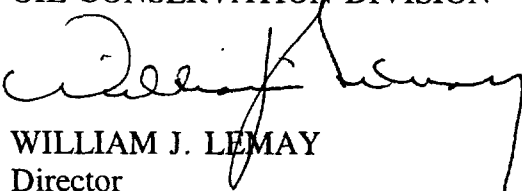
(3) In the event a new owner/operator of the subject well is not secured or the well is not plugged in the prescribed time period, the Division shall plug the Marjohn State Well No. 1 and foreclose upon the bond issued by American Employers Insurance Company in the amount of the actual cost of plugging the subject well.

(4) 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.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director