

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

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION DIVISION ("DIVISION") ON ITS OWN MOTION TO PERMIT SAGE OIL COMPANY, OPERATOR, AND ALL OTHER INTERESTED PARTIES TO APPEAR AND SHOW CAUSE WHY THE GULF STATE WELL NO. 1, LOCATED IN CHAVES COUNTY, NEW MEXICO, SHOULD NOT BE PLUGGED AND ABANDONED IN ACCORDANCE WITH A DIVISION-APPROVED PLUGGING PROGRAM.

CASE NO. 11275  
ORDER NO. R-10480

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on October 5, 1995, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 13th day of October, 1995, the Division Director, having considered 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) The witness in this matter, Ray Smith, Deputy Oil and Gas Inspector for the Division, testified via telephone from the New Mexico Oil Conservation Division District Office in Artesia, New Mexico.
- (3) The last operator of record for the Gulf State Well No. 1, located 660 feet from the South line and 1980 feet from the West line (Unit N) of Section 30, Township 10 South, Range 27 East, NMPM, Chaves County, New Mexico, is Sage Oil Company of Hobbs, New Mexico.
- (4) The Gulf State Well No. 1 was originally drilled by J. M. Huber Corporation to a total depth of 925 feet in March, 1960. After testing "dry", said well was properly plugged and abandoned. In November 1978 Sage Oil Company re-entered the Gulf State well in an attempt to establish oil production from the Queen formation. Trinity Universal Insurance Company was surety on a \$50,000.00 Blanket plugging bond

in which Sage Oil Company was principal.

(5) The purpose of said bond is to assure the Division that the subject well will be properly plugged and abandoned when not capable of commercial production.

(6) The Gulf State Well No. 1 has not produced hydrocarbon substance or has otherwise been inactive since 1978, and no permit for temporary abandonment has been requested by the operator or approved by the Division.

(7) By virtue of the failure to use the subject well for a beneficial purpose or to have an approved current temporary abandonment permit, the well is presumed to have been abandoned.

(8) Evidence indicates that Trinity Universal Insurance Company is bankrupt and no longer is in existence.

(9) The current condition of the subject well 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.

(10) Neither the operator, a representative from the surety, nor any other interested parties appeared at the hearing, either in support of or in opposition to this matter.

(11) The Gulf State Well No. 1, as described above, should be plugged and abandoned in accordance with a program approved by the supervisor of the Artesia District Office of the New Mexico Oil Conservation Division as soon as possible.

(12) Further, the Division Director should be authorized to take such action as is deemed necessary to foreclose on the subject plugging bond, if one still exists, to help pay for the plugging costs incurred by the Division.

IT IS THEREFORE ORDERED THAT:

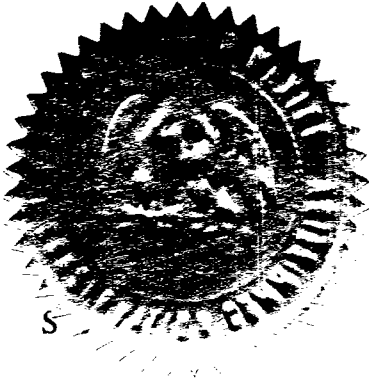
(1) The supervisor of the Artesia District Office of the New Mexico Oil Conservation Division is hereby authorized to direct the commencement of plugging operations on the Sage Oil Company Gulf State Well No. 1, located 660 feet from the South line and 1980 feet from the West line (Unit N) of Section 30, Township 10 South, Range 27 East, NMPM, Chaves County, New Mexico.

IT IS FURTHER ORDERED THAT:

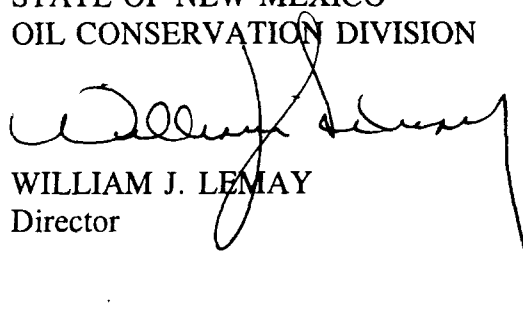
(2) Further, the Division Director shall take such action as is deemed necessary to foreclose on the Trinity Universal Insurance Company \$50,000.00 Blanket plugging bond, if such bond still exists.

(3) 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