

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 LOBO PRODUCTION, OPERATOR, FIDELITY & DEPOSIT COMPANY OF MARYLAND, SURETY, AND ALL OTHER INTERESTED PARTIES TO APPEAR AND SHOW CAUSE WHY TWO CERTAIN WELLS IN SANDOVAL COUNTY AND FOUR CERTAIN WELLS IN SAN JUAN COUNTY, NEW MEXICO, SHOULD NOT BE PLUGGED AND ABANDONED IN ACCORDANCE WITH A DIVISION-APPROVED PLUGGING PROGRAM.

CASE NO. 11379
ORDER NO. R-10478

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on September 7, 1995, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 12th 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, Johnny Robinson, Deputy Oil and Gas Inspector for the Division, testified via telephone from the New Mexico Oil Conservation Division District Office in Aztec, New Mexico.
- (3) Lobo Production of Farmington, New Mexico is the owner and operator of the following four wells in San Juan County, New Mexico:
 - (a) **Hynes Kennedy "7" Well No. 1** (API No. 30-045-25599), located 800 feet from the South line and 1885 feet from the East line (Unit O) of Section 7, Township 29 North, Range 14 West, NMPM;

- (b) **Mesa Kirtland "11" Well No. 1** (API No. 30-045-25440), located 1190 feet from the North line and 1850 feet from the West line (Unit C) of Section 11, Township 29 North, Range 15 West, NMPM;
- (c) **Hatch Well No. 1** (API No. 30-045-24985), located 660 feet from the North line and 1980 feet from the West line (Unit C) of Section 14, Township 29 North, Range 15 West, NMPM; and,
- (d) **Libra Well No. 1** (API No. 30-045-25852), located 810 feet from the North line and 1800 feet from the West line (Unit C) of Section 16, Township 32 North, Range 13 West, NMPM;

and the following two wells in Sandoval County, New Mexico;

- (e) **Gulf Federal "24" Well No. 1** (API No. 30-043-20672), located 920 feet from the North line and 795 feet from the West line (Unit D) of Section 24, Township 23 North, Range 6 West, NMPM; and,
- (f) **Gulf State "36" Well No. 1** (API No. 30-043-20660), located 850 feet from the North line and 800 feet from the East line (Unit A) of Section 36, Township 23 North, Range 6 West, NMPM.

(4) Lobo Production has posted plugging bonds obtained from Fidelity & Deposit Company of Maryland in the amounts of \$7,500.00 for three of the wells (**Gulf State "36" Well No. 1**, **Hynes Kennedy "7" Well No. 1**, and **Mesa Kirtland "11" Well No. 1**) and \$10,000.00 for the **Hatch Well No. 1** in compliance with Section 70-2-14 N.M.S.A. Laws of 1978 and Rule 101 of the Division General Rules and Regulations, which bonds are conditioned upon compliance with the statutes of the State of New Mexico and rules and regulations of the Division with respect to the proper plugging and abandonment of the wells operated by Lobo Production.

(5) The remaining two wells (**Libra Well No. 1** and **Gulf Federal "24" Well No. 1**) have no plugging bonds.

(6) Lobo Production has declared bankruptcy and Robert Finch, P. A. of Farmington, New Mexico, was duly appointed by the bankruptcy court as Trustee.

(7) The First National Bank of Farmington may also have an interest in these wells as a creditor of Lobo Production.

(8) All six of the subject wells have not produced hydrocarbon substance or have otherwise been inactive for more than one year, and no permit for temporary abandonment has been requested by the operator or approved by the Division.

(9) By virtue of the failure to use the subject wells for beneficial purposes or to have approved temporary abandonment permits, the subject wells are presumed to have been abandoned by the operator.

(10) The current conditions of all six wells are such that if action is not taken to properly plug and abandon these wells, waste may occur, correlative rights may be violated, and/or fresh water may be contaminated.

(11) 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.

(12) The six subject wells, as described above, should be plugged and abandoned in accordance with a program approved by the supervisor of the Aztec District Office of the New Mexico Oil Conservation Division as soon as possible.

(13) Further, the Division Director should be authorized to take such action as is deemed necessary to foreclose on the subject plugging bonds to help defer such plugging cost on the applicable wells accrued by the Division.

IT IS THEREFORE ORDERED THAT:

(1) The supervisor of the Aztec District Office of the New Mexico Oil Conservation Division is hereby authorized to direct the commencement of plugging operations on the following six Lobo Production wells in northwest New Mexico:

- (a) **Hynes Kennedy "7" Well No. 1** (API No. 30-045-25599), located 800 feet from the South line and 1885 feet from the East line

(Unit O) of Section 7, Township 29 North, Range 14 West, NMPM, San Juan County, New Mexico;

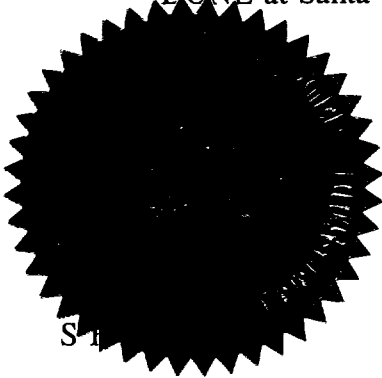
- (b) **Mesa Kirtland "11" Well No. 1** (API No. 30-045-25440), located 1190 feet from the North line and 1850 feet from the West line (Unit C) of Section 11, Township 29 North, Range 15 West, NMPM, San Juan County, New Mexico;
- (c) **Hatch Well No. 1** (API No. 30-045-24985), located 660 feet from the North line and 1980 feet from the West line (Unit C) of Section 14, Township 29 North, Range 15 West, NMPM, San Juan County, New Mexico;
- (d) **Libra Well No. 1** (API No. 30-045-25852), located 810 feet from the North line and 1800 feet from the West line (Unit C) of Section 16, Township 32 North, Range 13 West, NMPM, San Juan County, New Mexico;
- (e) **Gulf Federal "24" Well No. 1** (API No. 30-043-20672), located 920 feet from the North line and 795 feet from the West line (Unit D) of Section 24, Township 23 North, Range 6 West, NMPM, Sandoval County, New Mexico; and,
- (f) **Gulf State "36" Well No. 1** (API No. 30-043-20660), located 850 feet from the North line and 800 feet from the East line (Unit A) of Section 36, Township 23 North, Range 6 West, NMPM, Sandoval County, New Mexico.

IT IS FURTHER ORDERED THAT:

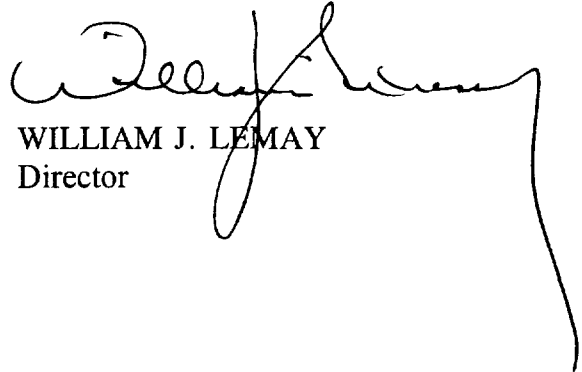
(2) Further, the Division Director shall take such action as is deemed necessary to foreclose on the three Fidelity & Deposit Company of Maryland \$7,500.00 one-well plugging bonds and one \$10,000.00 one-well plugging bond on which Lobo Production is principal to help pay for the plugging costs incurred by the Division in plugging the wells.

(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