

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

APPLICATION OF THE NEW MEXICO OIL CONSERVATION
DIVISION THROUGH THE SUPERVISOR OF DISTRICT III
FOR AN ORDER REQUIRING SIX WELLS OPERATED BY LOBO PRODUCTION
(API NUMBERS 30-043-20672, 30-043-20660, 30-045-25599, 30-045-25540,
30-045-24985 AND 30-045-25852) LOCATED IN SANDOVAL AND SAN JUAN
COUNTIES, NEW MEXICO, TO BE PROPERLY PLUGGED, AUTHORIZING
THE DIVISION TO PLUG SAID WELLS AND ORDERING A FORFEITURE
OF THE PLUGGING BONDS IF ANY.

CASE NO. ~~41354~~ 11379
RECEIVED

APPLICATION FOR PLUGGING AND
FORFEITURE OF BOND

AUG 16 1995

Oil Conservation Division

1. Lobo Production (hereinafter called "Operator") is the operator of the following wells
located in Sandoval and San Juan Counties, New Mexico:

Gulf Fed 24 Well #1, (API #30-043-20672), Unit D, 920' FNL and 795' FWL,

Section 24, Township 23 North, Range 06 West, Sandoval County;

Gulf State 36 Well #1, (API #30-043-20660), Unit A, 850' FNL and 800' FEL,

Section 36, Township 23 North, Range 06 West, Sandoval County;

Hynes Kennedy 7 Well #1, (API #30-045-25599), Unit O, 800' FSL and 1885' FEL,

Section 7, Township 29 North, Range 14 West, San Juan County;

Mesa Kirtland 11 Well #1, (API #30-045-25540), Unit C, 1190' FNL and 1850' FWL,

Section 11, Township 29 North, Range 15 West, San Juan County;

Hatch Well #1, (API #30-045-24985), Unit C, 660' FNL and 1980' FWL;

Section 14, Township 29 North, Range 15 West, San Juan County; and

Libra Well #1, (API #30-045-25852), Unit C, 810' FNL and 1800' FWL,

Section 16, Township 32 North, Range 13 West, San Juan County.

2. Lobo Production as Operator, has posted plugging bonds obtained from Fidelity & Deposit Co. of Maryland in the amounts of \$7,500 for three of the wells (Gulf State 36 #1; Hynes Kennedy 7 #1 and Mesa Kirtland 11 #1) and \$10,000 for another well (Hatch #1) in compliance with Section 70-2-14 N.M.S.A. 1978 and Rule 101 of the Rules and Regulations of the Oil Conservation Division, which bonds are conditioned upon compliance with the statutes of the State of New Mexico and the Rules and Regulations of the Division with respect to the proper plugging and abandonment of the wells operated by said Operator. The other two wells have no plugging bonds.

3. Lobo Production declared bankruptcy and Robert Finch, P.A., 210 N. Auburn Ave., Farmington, NM 87401, was appointed by the bankruptcy court as Trustee. First National Bank of Farmington may also have an interest in the wells as a creditor of Lobo Production.

4. The subject wells have not produced hydrocarbon substance or have otherwise been inactive for more than one year or are no longer usable for beneficial purposes and no permits for temporary abandonment has been requested by the Operator and approved by the Division.

5. By virtue of the failure to use the wells for beneficial purposes or to have approved current temporary abandonment permits, the subject wells are presumed to have been abandoned

and are required to be plugged.

6. By authority of Section 70-2-12 N.M.S.A. 1978, the Rules and Regulations of the Division require wells which are inactive for more than one year or are no longer usable for beneficial purposes to be properly plugged.

7. Demand has been made upon the Operator to either place the subject wells to beneficial use, comply with the requirements for and obtain approvals for temporary abandonment or properly plug and abandon the same and the Operator has failed to do so.

WHEREFORE, the Supervisor of District III of the Oil Conservation Division applies to the Director to enter an order:

1. Determining whether or not the above-described wells should be plugged in accordance with a Division-approved plugging program;

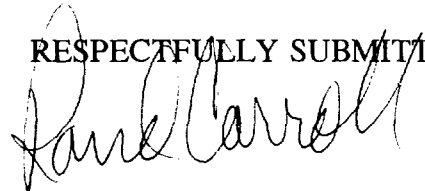
2. Upon determination that said well should be plugged directing Lobo Production as Operator to plug said wells within 45 days of the date of the Director's order.

3. Further ordering that if Operator fails to plug said wells as ordered by the Director, that the Division be authorized:

a. to plug said wells;

- b. to declare forfeiture on said bonds and to take such action to foreclose
on said bonds; and
 - c. to recover from the Operator any costs of plugging in excess of the
amount of the bonds.
- 4. For such other and further relief as the Division deems just and proper.

RESPECTFULLY SUBMITTED,

A handwritten signature in black ink, appearing to read "Rand Carroll", is written over the typed name.

RAND CARROLL

Legal Counsel

New Mexico Oil Conservation Division

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