



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

May 1, 1996

Richard R. Deshais
The Travelers Indemnity Company
1 Farmglen Boulevard
P.O. Box 1201
Farmington, CT 06034

Re: Your File No: (Pending)
Bond No: 427F2424
Principal: Salkar, Inc.
Old Case No: 11490 (El Cheapo Well No. 1)
Obligee: State of New Mexico

Dear Mr. Deshais:

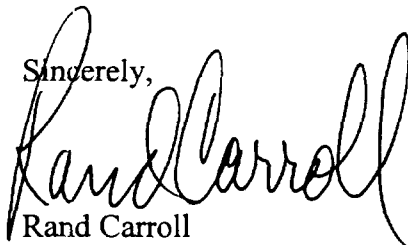
Reference is made to your letter dated April 24, 1996. You are correct--the hearing date stated in that letter is wrong. Instead of March 7, the date should have been April 4, 1996. The hearing was held on March 7, 1996 but the case was continued for four weeks since notice was sent to Travelers in Farmington, New Mexico (which is a large town in New Mexico) rather than Connecticut. Another mistake was made when the later notice (of the April 4 date) was sent to Travelers by not amending the original letter to Travelers to reference the April 4, 1996 hearing date.

The hearing was held on March 4, 1996 and called again on April 4, 1996 to give Travelers the opportunity to appear and present evidence as to why the well should not be ordered plugged. Enclosed is a copy of the order issued in Case No. 11490. Since Travelers did not receive the correct notice, we are offering to reopen this case to allow Travelers the opportunity to appear and present evidence why this well should not be ordered plugged, if it so desires.

If Travelers does not wish to reopen this case and wishes that the State plug the well, please advise and we will proceed to plug the well and foreclose on the bond. Travelers may wish to contract for the plugging of this well itself, which may be less than \$5,000, in which case we would release the bond. You may want to contact our Artesia District Office Field Representative Ray Smith (505/748-1283) regarding plugging of this well.

If you have any questions, please feel free to call me at 505/827-8156 or FAX 505/827-8177.

Sincerely,

A handwritten signature in black ink, appearing to read "Rand Carroll". The signature is fluid and cursive, with the first name "Rand" and last name "Carroll" clearly distinguishable.

Rand Carroll
Legal Counsel

cc: Tim Gum, OCD Artesia District Supervisor
Ray Smith, OCD Artesia Field Representative

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 SALKAR, INC., OPERATOR, THE TRAVELERS INDEMNITY COMPANY, SURETY, AND ALL OTHER INTERESTED PARTIES TO APPEAR AND SHOW CAUSE WHY THE EL CHEAPO WELL NO. 1 (API NO. 30-015-25238), LOCATED IN EDDY COUNTY, NEW MEXICO, SHOULD NOT BE PLUGGED AND ABANDONED IN ACCORDANCE WITH A DIVISION-APPROVED PLUGGING PROGRAM.

CASE NO. 11490
ORDER NO. R-10583

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on March 7 and on April 4, 1996, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 23rd day of April, 1996, 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 at the March 7, 1996 Examiner's Hearing via telephone from the New Mexico Oil Conservation Division District Office in Artesia, New Mexico.

(3) The operator of record for the El Cheapo Well No. 1 (API No. 30-015-25238), located at a standard oil well location 1650 feet from the North and West lines (Unit F) of Section 35, Township 18 South, Range 27 East, NMPM, Eddy County, New Mexico is Salkar, Inc. of Roswell, New Mexico.

(4) The Travelers Indemnity Company of Farmington, Connecticut is the surety on a \$5,000.00 one-well plugging bond on which Salkar, Inc. is 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 El Cheapo Well No. 1 has not produced hydrocarbon substance or has 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.

(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) The current condition of the El Cheapo 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.

(9) 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.

(10) The El Cheapo 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.

(11) Further, the Division Director should be authorized to take such action as is deemed necessary to foreclose on the subject plugging bond to help defer such plugging cost accrued 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 Salkar, Inc. El Cheapo Well No. 1 (API No. 30-015-25238), located at a standard oil well location 1650 feet from the North and West lines (Unit F) of Section 35, Township 18 South, Range 27 East, NMPM, Eddy County, New Mexico.

IT IS FURTHER ORDERED THAT:

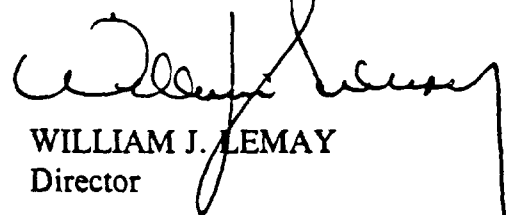
(2) Further, the Division Director shall take such action as is deemed necessary to foreclose on the Travelers Indemnity Company \$5,000.00 one-well plugging bond on which Salkar, Inc. is principal to help defer such plugging cost accrued by the Division.

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(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

S E A L