

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

CASE NO. 11508
ORDER NOS. R-8210-C and R-8405-A

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION DIVISION ("DIVISION") ON ITS OWN MOTION TO PERMIT SPUR OIL, INC., OPERATOR, OLD REPUBLIC INSURANCE COMPANY, SURETY, AND ALL OTHER INTERESTED PARTIES TO APPEAR AND SHOW CAUSE WHY SEVEN CERTAIN WELLS IN RIO ARriba 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 2, 1996, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 1st day of July, 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) At the time of the hearing this case was consolidated with Division Case Nos. 11507 and 11509 for the purpose of presenting testimony.
- (3) Spur Oil, Inc. of Dallas, Texas is the current owner and operator of the following seven wells located within the mostly unsurveyed Tierra Amarilla Land Grant in Rio Arriba County, New Mexico, as projected off of the U. S. Public Lands grid:
 - (a) Samantha Well No. 1 (API No. **30-039-23442**), located 1580 feet from the South line and 1202 feet from the West line (Unit L) of Section 26, Township 28 North, Range 1 East, NMPM;

- (b) Samantha Well No. 2 (API No. **30-039-23444**), located 1985 feet from the South line and 2290 feet from the West line (Unit K) of Section 26, Township 28 North, Range 1 East, NMPM;
- (c) Samantha Well No. 3 (API No. **30-039-23446**), located 1105 feet from the South line and 2490 feet from the West line (Unit N) of Section 26, Township 28 North, Range 1 East, NMPM;
- (d) Quinlan Ranch Well No. 1 (API No. **30-039-22135**), located at a point approximately 9,040 feet in the direction South 24-degrees/25-minutes/05-seconds East off of Mile Corner No. 202 plus 5.10-feet located on the Colorado/New Mexico stateline (being within the NW/4 NE/4 [Unit B] of Section 29, Township 32 North, Range 3 East, NMPM);
- (e) Quinlan Ranch Well No. 2 (API No. **30-039-24504**), located 557 feet from the South line and 2935 feet from the West line (Unit O) of Section 4, Township 1 South, Range 2 East, Martin and Borders Survey;
- (f) Gonzales "13" Well No. 1 (API No. **30-039-24081**), located 1650 feet from the South line and 330 feet from the East line (Unit I) of Section 13, Township 31 North, Range 1 East, NMPM; and,
- (g) Gonzales "18" Well No. 1 (API No. **30-039-23805**), located 660 feet from the South and West lines (Unit M) of Section 18, Township 31 North, Range 2 East, NMPM.

(4) The Samantha Well Nos. 1, 2, and 3 were the subject of a previous show cause case (Division Case No. 8863) brought to hearing before the Division against Alana Oil and Gas Corporation, which resulted in the issuance of Division Order Nos. R-8210, R-8210-A, and R-8210-B. Further, the Quinlan Ranch Well No. 1 was the subject of a previous show cause case (Division Case No. 9075) brought to hearing before the Division against Texas Rose Petroleum, Inc. which resulted in the issuance of Division Order No. R-8405, dated February 26, 1987. Subsequent to the issuance of said Orders Spur Oil, Inc. obtained ownership of these seven wells with the intent of producing hydrocarbons.

(5) Old Republic Insurance Company is the surety on a \$50,000.00 blanket plugging bond on which Spur Oil, Inc. is principal.

(6) The purpose of said bond is to assure the Division that any and all wells operated by Spur Oil, Inc. will be properly plugged and abandoned when not capable of commercial production.

(7) All seven 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.

(8) 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.

(9) The current conditions of these 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.

(10) At the time of the hearing Fred Shelton, Jr. and Kachina Production Company both entered appearances through legal counsel.

(11) In order to prevent waste and to adequately protect both correlative rights and fresh waters the seven above-described wells 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 on or before August 15, 1996, or the wells should be returned to active drilling status or placed on production.

(12) Further, should said wells not be placed on production or returned to active drilling status 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) Spur Oil, Inc. of Dallas, Texas is hereby ordered to plug and abandon the following seven wells located within the mostly unsurveyed Tierra Amarilla Land Grant in Rio Arriba County, New Mexico, as projected off of the U. S. Public Lands grid, or in the alternative, to return said wells to active drilling status or place the wells on production on or before August 15, 1996:

- (a) Samantha Well No. 1 (API No. **30-039-23442**), located 1580 feet from the South line and 1202 feet from the West line (Unit L) of Section 26, Township 28 North, Range 1 East, NMPM;
- (b) Samantha Well No. 2 (API No. **30-039-23444**), located 1985 feet from the South line and 2290 feet from the West line (Unit K) of Section 26, Township 28 North, Range 1 East, NMPM;
- (c) Samantha Well No. 3 (API No. **30-039-23446**), located 1105 feet from the South line and 2490 feet from the West line (Unit N) of Section 26, Township 28 North, Range 1 East, NMPM;
- (d) Quinlan Ranch Well No. 1 (API No. **30-039-22135**), located at a point approximately 9,040 feet in the direction South 24-degrees/25-minutes/05-seconds East off of Mile Corner No., 202 plus 5.10-feet located on the Colorado/New Mexico stateline (being within the NW/4 NE/4 [Unit B] of Section 29, Township 32 North, Range 3 East, NMPM);
- (e) Quinlan Ranch Well No. 2 (API No. **30-039-24504**), located 557 feet from the South line and 2935 feet from the West line (Unit O) of Section 4, Township 1 South, Range 2 East,

Martin and Borders Survey;

- (f) Gonzales "13" Well No. 1 (API No. **30-039-24081**), located 1650 feet from the South line and 330 feet from the East line (Unit I) of Section 13, Township 31 North, Range 1 East, NMPM; and,
- (g) Gonzales "18" Well No. 1 (API No. **30-039-23805**), located 660 feet from the South and West lines (Unit M) of Section 18, Township 31 North, Range 2 East, NMPM.

(2) Spur Oil, Inc., prior to plugging and abandoning the above-described wells, shall obtain from the supervisor of the Aztec District Office of the New Mexico Oil Conservation Division an approved program for said plugging and abandoning, and shall notify said Aztec office of the date and time said work is to be commenced whereupon the Division may witness such work.

IT IS FURTHER ORDERED THAT:

(3) If, after August 15, 1996, Spur Oil, Inc. has not complied satisfactorily with those requirements set forth in Decretory Paragraphs Nos. (1) and (2), above, 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 above-described wells.

(4) Further, the Division Director shall take such action as is deemed necessary to foreclose on the Old Republic Insurance Company \$50,000.00 blanket plugging bond on which Spur Oil, Inc. is principal to help defer such plugging cost accrued by the Division.

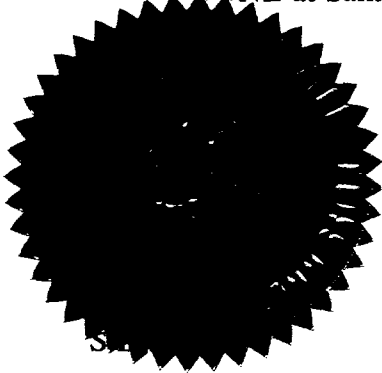
(5) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

Case No. 11508

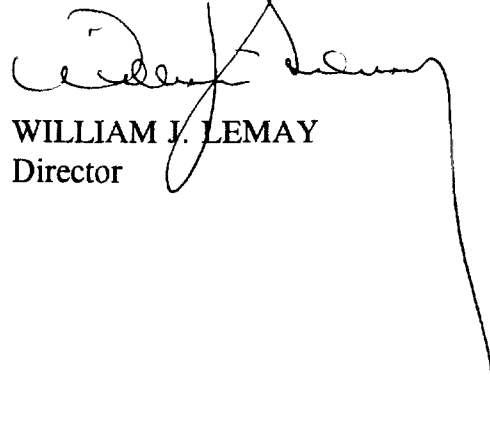
Order Nos. R-8210-C and R-8405-A

Page 6

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY
Director