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Oil Conservation Division

**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 II FOR AN ORDER REQUIRING THE
CONSTATE WELL NO. 1 LOCATED IN UNIT D OF SEC. 36, T-16-S, R-31-E, EDDY
COUNTY, NEW MEXICO, OPERATED BY MERCURY PRODUCTION COMPANY,
TO BE PROPERLY PLUGGED, AUTHORIZING THE DIVISION TO PLUG SAID
WELL, AND ORDERING A FORFEITURE OF THE PLUGGING BOND.**

CASE NO. 11517

APPLICATION FOR PLUGGING AND FORFEITURE OF BOND

1. Mercury Production Company (the "Operator") is the operator of the Constate Well No.1 located in Unit D of Sec. 36, T-16-S, R-31-E, Eddy County, New Mexico.
2. Operator has posted a surety bond in the amount of \$5,000 for said well in compliance with Section 70-2-14 NMSA 1978 and Rule 101 of the Rules and Regulations of the Oil Conservation Division, which bond is 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 Operator. American Employers Insurance Company is surety on the bond, Bond No. AE 7133258.
3. The subject well has not produced hydrocarbon or carbon dioxide substance or has otherwise been inactive for more than one year or is no longer usable for beneficial purposes and no permit for temporary abandonment has been requested by the Operator and approved by the Division.
4. By virtue of the failure to use the well for beneficial purposes or to have an approved

current temporary abandonment permit, the subject well is presumed to have been abandoned and is required to be plugged.

5. By authority of Section 70-2-14 NMSA 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.

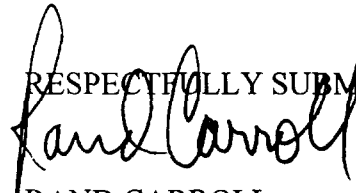
6. Demand has been made or attempted to be made upon the Operator to either place the subject well to beneficial use, obtain approval for temporary abandonment or properly plug and abandon the same and the Operator has failed to do so.

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

- A. Determining whether or not the Constate Well No. 1 should be plugged in accordance with a Division-approved plugging program.
- B. Upon a determination that said well should be plugged, directing Operator to plug said well.
- C. Further ordering that if Operator fails to plug and abandon said well as ordered by the Director, that the Division be authorized:
 - i. to plug said well;
 - ii. to declare forfeit on said bond and to take such action to foreclose on said bond, and
 - iii. to recover from the Operator any costs of plugging said well in excess of the amount of the bond, if any.

D. For such other and further relief as the Division seems just and proper.

RESPECTFULLY SUBMITTED,

A handwritten signature in black ink, appearing to read "Rand Carroll". The signature is written in a cursive, flowing style with a large initial "R".

RAND CARROLL

Legal Counsel

New Mexico Oil Conservation Division

2040 South Pacheco

Santa Fe, NM 87505

(505) 827-8156

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