

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 FOR THE PURPOSE OF  
CONSIDERING:

CASE NO. 12433  
ORDER NO. R-11404

APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION ("DIVISION") ON ITS OWN MOTION FOR AN ORDER: (I) REQUIRING U-MEX, INC. TO PROPERLY PLUG AND ABANDON TWO CERTAIN WELLS IN CHAVES COUNTY, NEW MEXICO; OR (II) AUTHORIZING THE DIVISION TO PLUG AND ABANDON THESE WELLS, AND ORDERING A FORFEITURE OF ANY PLUGGING BOND(S) COVERING THESE WELLS; AND (III) ASSESSING FINES FOR FAILURE TO COMPLY WITH THIS ORDER.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on June 15, 2000, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 20th day of June, 2000, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given and the Division has jurisdiction of this case and its subject matter.

(2) U-Mex, Inc. ("U-Mex") is the current owner and operator of the following described two wells located in Section 17, Township 10 South, Range 25 East, NMPM, Chaves County, New Mexico:

- (a) Cannon Fee No. 4 (API No. 30-005-61500) located 570 feet from the North line and 640 feet from the East line (Unit A); and
- (b) Cannon Fee No. 5 (API No. 30-005-61525) located 330 feet from the North and East lines (Unit A).

(3) U-Mex, as operator of these wells, has posted with the Division a blanket plugging bond in the amount of \$50,000. This bond was issued by the United States Fidelity & Guaranty Company on June 4, 1981.

(4) The purpose of a blanket plugging bond is to assure the Division that the wells covered by that bond will be properly plugged and abandoned when not capable of commercial production or no longer utilized for some other beneficial purpose.

(5) At this time, the Division seeks an order directing the operator to plug these wells in accordance with a Division-approved plugging program and, if the operator fails to do so, authorizing the Division to proceed to plug and abandon these wells and: (i) declare forfeiture of U-Mex's plugging bond and order foreclosure; (ii) order the recovery of any costs of plugging these wells in excess of the amount of these bonds from U-Mex; and (iii) impose fines on the operator for failure to comply with this order.

(6) A representative of the Division's district office in Artesia presented evidence and testimony supporting its position that the subject wells should be plugged and abandoned.

(7) The operator did not appear at the hearing.

(8) The two Cannon wells were drilled in 1982 to test the San Andres formation. Division records indicate that the wells were never completed or produced. 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 U-Mex.

(10) The current condition of these wells is such that if action is not taken to properly plug and abandon these wells, waste will probably occur, correlative rights will also be violated, livestock and wildlife may be subject to harmful contaminants, and/or fresh waters will be in danger of contamination.

(11) In order to prevent waste and protect correlative rights and fresh waters the two above-described wells should be plugged and abandoned by U-Mex in accordance with a program approved by the supervisor of the Division's Artesia District Office on or before July 30, 2000.

(12) Should U-Mex not meet this July 30, 2000 plugging obligation, the Division Director should then be authorized to take such action as is deemed necessary to foreclose on the subject plugging bond and recover from the operator any costs in excess of the amount of the bond to help defer such plugging costs incurred by the Division.

**IT IS THEREFORE ORDERED THAT:**

(1) U-Mex, Inc. ("U-Mex") is hereby ordered to plug and abandon the following described two wells located in Section 17, Township 10 South, Range 25 East, NMPM, Chaves County, New Mexico on or before July 30, 2000:

- (a) Cannon Fee No. 4 (**API No. 30-005-61500**) located 570 feet from the North line and 640 feet from the East line (Unit A); and
- (b) Cannon Fee No. 5 (**API No. 30-005-61525**) located 330 feet from the North and East lines (Unit A).

(2) U-Mex, prior to plugging and abandoning the above-described wells, shall obtain from the supervisor of the Division's district office in Artesia, an approved plugging program and shall notify the Artesia district office of the date and time this work is to commence whereupon the Division may witness such work.

(3) Should U-Mex fail or refuse to carry out such provisions in accordance with the terms of this order, the Division shall then take such actions as are necessary to have those wells properly plugged and abandoned. Further, the Division shall then be authorized to take such action as is deemed necessary to foreclose on the \$50,000 blanket plugging bond issued by the United States Fidelity & Guaranty Company and to recover from the operator any costs in excess of the amount of these bonds to help defer such plugging cost incurred by the Division.

(4) Failure to comply with the provisions of this order shall subject U-Mex to a fine of \$1,000.00 per day until such work is completed (see Section 70-2-31, NMSA 1978.)

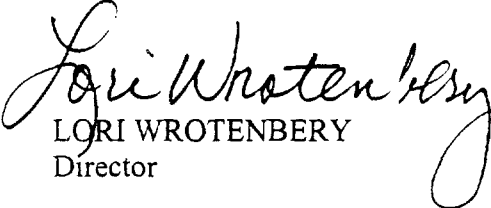
(5) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

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

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

  
LORI WROTENBERY  
Director

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