

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. 12435
ORDER NO. R-11408

APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION ("DIVISION") ON ITS OWN MOTION FOR AN ORDER: (I) REQUIRING RED LAKE OIL COMPANY TO PROPERLY PLUG AND ABANDON A CERTAIN WELL IN EDDY COUNTY, NEW MEXICO; OR (II) AUTHORIZING THE DIVISION TO PLUG AND ABANDON THIS WELL, AND ORDERING A FORFEITURE OF ANY PLUGGING BOND(S) COVERING THIS WELL; 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 27th 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) Red Lake Oil Company ("Red Lake") is the current owner and operator of the Welch State Well No. 1 (API No. 30-015-25703) located 1750 feet from the South line and 1650 feet from the East line (Unit J) of Section 28, Township 17 South, Range 28 East, NMPM, Eddy County, New Mexico.

(3) Red Lake, as operator of this well, has posted with the Division a one-well cash plugging bond in the amount of \$5,000. This cash bond was deposited with First Interstate Bank of Santa Fe, N.A. on August 12, 1986.

(4) The purpose of a plugging bond is to assure the Division that the well 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 this well 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 this well and: (i) declare forfeiture of Red Lake's cash plugging bond and order foreclosure; (ii) order the recovery of any costs of plugging this well in excess of the amount of this bond from Red Lake; 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 well should be plugged and abandoned.

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

(8) The Welch State Well No. 1 was drilled in 1986 to test the Yates-Seven Rivers formation. Division records indicate that the well was completed in the East Empire Yates-Seven Rivers Pool and produced from that pool for a short period of time. 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 well for beneficial purposes or properly temporary abandon the well, the subject well is presumed to have been abandoned by Red Lake.

(10) The current condition of this well is such that if action is not taken to properly plug and abandon this well, 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 above-described well should be plugged and abandoned by Red Lake in accordance with a program approved by the supervisor of the Division's Artesia District Office on or before July 30, 2000.

(12) Should Red Lake 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) Red Lake Oil Company ("Red Lake") is hereby ordered to plug and abandon the Welch State Well No. 1 (API No. 30-015-25703) located 1750 feet from the South line and 1650 feet from the East line (Unit J) of Section 28, Township 17 South, Range 28 East, NMPM, Eddy County, New Mexico on or before July 30, 2000.

(2) Red Lake, prior to plugging and abandoning the above-described well, 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 Red Lake 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 this well properly plugged and abandoned. Further, the Division shall then be authorized to take such action as is deemed necessary to foreclose on the \$5,000 cash plugging bond and to recover from the operator any costs in excess of the amount of this bond to help defer such plugging cost incurred by the Division.

(4) Failure to comply with the provisions of this order shall subject Red Lake 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.

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


LORI WROTENBERY
Director

SEAL