

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 SALADO OPERATING L.L.C. TO PROPERLY PLUG FOUR
WELLS IN EDDY COUNTY, NEW MEXICO, AUTHORIZING THE DIVISION
TO PLUG SAID WELLS, AND ORDERING A FORFEITURE OF THE
PLUGGING BOND, IF ANY.

CASE NO. 12438


AFFIDAVIT REGARDING NOTICE

1. I am over the age of eighteen and have personal knowledge of the matters stated herein.
2. I am the attorney of record for the Applicant.
3. Applicant has conducted a good faith, diligent effort to find the correct addresses of interest owners entitled to receive notice of the Application herein.
4. Notice of the Application was provided to the interest owners at their correct addresses by mailing them, by certified mail, a copy of the Application. Copies of the notice letter and certified return receipts are attached hereto.
5. Applicant has complied with the notice provisions of Rule 1207.

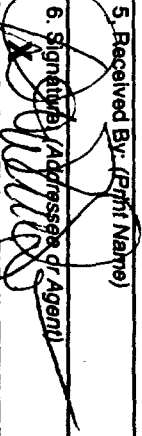
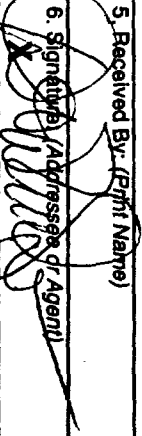

Marilyn S. Hebert

SUBSCRIBED AND SWORN TO before me this 14th day of June 2000.

My commission expires:
2/18/2003


NOTARY PUBLIC
BEFORE EXAMINER CATANACH
OIL CONSERVATION DIVISION
OCD EXHIBIT NO. 1C
CASE NO. 12438

Is your **RETURN ADDRESS** completed on the reverse side?

SENDER: <ul style="list-style-type: none">■ Complete items 1 and/or 2 for additional services.■ Complete items 3, 4a, and 4b.■ Print your name and address on the reverse of this form so that we can return the card to you.■ Attach this form to the front of the mailpiece, or on the back if space does not permit.■ Write "Return Receipt Requested" on the mailpiece below the article number.■ The Return Receipt will show to whom the article was delivered and the date delivered.		I also wish to receive the following services (for an extra fee): 1. <input type="checkbox"/> Addressee's Address 2. <input type="checkbox"/> Restricted Delivery Consult postmaster for fee.	
3. Article Addressed to: Underwriters Indemnity Company 8 Greenway Plaza, Suite 400 Houston, TX 77046		4a. Article Number Z 559 572 873	
5. Received By: (Print Name) 		4b. Service Type <input type="checkbox"/> Registered <input checked="" type="checkbox"/> Certified <input type="checkbox"/> Express Mail <input type="checkbox"/> Insured <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> COD	
6. Signature/Address of Agent 		7. Date of Delivery MAY 30 2000	
8. Addressee's Address (Only if requested and fee is paid)			

PS Form 3811, December 1994 102595-97-B-0179 Domestic Return Receipt

Thank you for using Return Receipt Service.

Z 559 572 872

US Postal Service
Receipt for Certified Mail

No Insurance Coverage Provided.

Do not use for International Mail (See reverse)

Sent to		Salado Operating LLC	
Street & Number		P.O. Box 1925	
Post Office, State & ZIP Code		Hobbs, NM 88241	
Postage	\$		
Certified Fee			
Special Delivery Fee			
Restricted Delivery Fee			
Return Receipt Showing to Whom & Date Delivered			
Return Receipt Showing to Whom, Date, & Addressee's Address			
TOTAL Postage & Fees	\$		
Postmark or Date			

PS Form 3800, April 1995

Fold at line over top of envelope to
the right of the return address

CERTIFIED

Z 559 572 872

MAIL

Z 559 572 873

US Postal Service
Receipt for Certified Mail

No Insurance Coverage Provided.

Do not use for International Mail (See reverse)

Sent to		Underwriters Indemnity Co.	
Street & Number		8 Greenway Plaza, Suite 400	
Post Office, State & ZIP Code		Houston, TX 77046	
Postage	\$		
Certified Fee			
Special Delivery Fee			
Restricted Delivery Fee			
Return Receipt Showing to Whom & Date Delivered			
Return Receipt Showing to Whom, Date, & Addressee's Address			
TOTAL Postage & Fees	\$		
Postmark or Date			

PS Form 3800, April 1995

Fold at line over top of envelope to
the right of the return address

CERTIFIED

Z 559 572 873

MAIL



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

Jennifer A. Salisbury

Cabinet Secretary

Lori Wrotenbery

Director

Oil Conservation Division

May 25, 2000

**CERTIFIED MAIL
RETURN RECEIPT REQUESTED**

Salado Operating, L.L.C.
Post Office Box 1925
Hobbs, NM 88241

Underwriters Indemnity Company
8 Greenway Plaza, #400
Houston, TX 77046

Re: Case No. 12438

Application of the New Mexico Oil Conservation Division for an order requiring
Salado Operating, L.L.C. to plug four wells in Eddy County, New Mexico

Dear Sir or Madam:

This letter is to advise you that the New Mexico Oil Conservation Division has filed the enclosed application for a hearing requiring Salado Operating, L.L.C. and other interested parties to appear and show cause why certain wells should not be ordered plugged and abandoned.

This application has been set for hearing before an Examiner of the Oil Conservation Division on the June 15, 2000. You are not required to attend this hearing, but as owner of an interest that may be affected by an order issued in this case, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases are required by Division Rule 1208.B, enclosed, to file a Prehearing Statement three days in advance of the hearing.

Best regards,

Marilyn S. Hebert
Attorney

c: Tim Gum, District Supervisor
Mike Stubblefield, OCD Artesia

(10) This paragraph has been moved and renumbered to 19 NMAC 15.N.1207.A.(7). [1-1-86...2-1-96; A, 7-15-99]

(11) This paragraph has been moved and renumbered to 19 NMAC 15.N.1207.A.(8). [1-1-86...2-1-96; A, 7-15-99]

1207.B. Type and Content of Notice. Any notice required by this rule shall be sent by certified mail, return receipt requested, to the last known address of the person to whom notice is to be given at least 20 days prior to the date of hearing of the application and shall include: a copy of the application; the date, time and place of the hearing; and the means by which protests may be made. [1-1-86...2-1-96; A, 7-15-99]

1207.C. At the hearing, the applicant shall make a record, either by testimony or affidavit signed by the applicant or its authorized representative, that: (a) the notice provisions of this rule have been complied with; (b) the applicant has conducted a good-faith diligent effort to find the correct address of all persons entitled to notice; and (c) pursuant to this rule, notice has been given at that correct address as required by this rule. In addition, the record shall contain the name and address of each person to whom notice was sent and, where proof of receipt is available, a copy of the proof. [1-1-86...2-1-96; A, 7-15-99]

1207.D. Evidence of failure to provide notice as required in this rule may, upon proper showing, be considered cause for reopening the case. [1-1-86...2-1-96; A, 7-15-99]

1207.E. In the case of an administrative application where the required notice was sent and a timely filed protest was made, the Division shall notify the applicant and the protesting party in writing that the case has been set for hearing and the date of the hearing. No further notice is required. [7-15-99]

1208 PLEADINGS: COPIES [9-15-55...2-1-96; A, 7-15-99]

1208.A. For pleadings and correspondence filed in cases pending before a Division Examiner, two copies must be filed with the Division. For pleadings and correspondence filed in cases pending before the Commission, five copies must be filed with the Division. The Division will disseminate copies to the members of the Commission. The party filing the pleading or correspondence shall at the same time either hand deliver or transmit by facsimile or electronic mail to any party who has entered an appearance therein or the attorneys of record, a copy of the pleading or correspondence. An appearance of any interested party shall be made either by letter addressed to the Division or in person at any proceeding before the Commission or before a Division Examiner, with notice of such appearance to the parties of record. [9-15-55...2-1-96; A, 7-15-99]

1208.B. Parties to an adjudicatory proceeding must file a prehearing statement three days in advance of a scheduled hearing before the Division or the Commission. The statement must include: the names of the parties and their attorneys; a concise statement of the case; the names of all witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that are to be resolved prior to the hearing. [7-15-99]

OIL CONSERVATION DIVISION
ESTABLISHED 1978

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
SALADO OPERATING L.L.C. TO PROPERLY PLUG FOUR WELLS IN EDDY
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CASE NO. 12438

APPLICATION FOR PLUGGING AND FORFEITURE OF BOND

1. Salado Operating L.L.C. ("Operator") is the operator of the following four wells in Eddy, County, New Mexico in Section 2, Township 16 South, Range 30 East:
 - A. API # 30-015-03823 located in Unit O, 2970 feet from the South line and 1650 feet from the East line;
 - B. API # 30-015-03821 located in Unit I, 3654.5 feet from the North line and 330 feet from the East line;
 - C. API # 30-015-03825 located in Unit Q, 1980 feet from the South line and 660 feet from the East line; and
 - D. API # 30-015-03824 located in Unit J, 3654.5 feet from the North line and 1650 feet from the East line.
2. Operator has posted a one-well surety bond in the amount of \$5,000.00 for each of the above-listed wells in compliance with NMSA 1978, § 70-2-14 and Rule 101 of the Rules of the Oil Conservation Division ("Division"), which bonds are conditioned upon compliance with the statutes of the State of New Mexico and the Rules of the Division with respect to the proper plugging and abandonment of wells operated by Operator. Underwriters Indemnity Company is the surety .

3. The subject wells have not produced hydrocarbon or carbon dioxide substance or have otherwise been inactive for more than one year or are no longer usable for beneficial purposes and no permit for temporary abandonment has been requested by the Operator or approved by the Division.

4. By virtue of the failure to use the wells for beneficial purposes or to have approved current temporary abandonment permits, the wells are presumed to have been abandoned and are required to be plugged.

5. By authority of NMSA 1978, § 70-2-14 the Rules of the Division require wells that 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 either to place the subject wells 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:

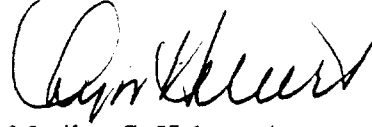
A. Determining the wells should be plugged in accordance with a Division-approved plugging program.

B. Upon a determination that the wells should be plugged, directing Operator to plug the wells.

C. Further ordering that if Operator fails to plug and abandon the wells as ordered by the Director, that the Division be authorized: i. to plug the wells; ii. to declare forfeit on the bonds, if any, and to take such action to foreclose on the bonds; and iii. to recover from the Operator any costs of plugging the wells in excess of the amount of the bonds, if any.

D. For such other and further relief as the Division deems just and proper,
including the assessment of fines.

RESPECTFULLY SUBMITTED,

A handwritten signature in black ink, appearing to read "Marilyn S. Hebert", written in a cursive style.

Marilyn S. Hebert, Attorney
New Mexico Oil Conservation Division
2040 South Pacheco
Santa Fe, NM 87505
(505) 827-8156

CL 07 10 2016
10:11:53 AM

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

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PLUGGING BOND, IF ANY.

CASE NO. 12438

PERSONS TO BE NOTIFIED

The following are the persons to be notified in this matter:

Salado Operating, L.L.C.
Post Office Box 1925
Hobbs, NM 88241

Underwriters Indemnity Company
8 Greenway Plaza, #400
Houston, TX 77046

RESPECTFULLY SUBMITTED,



Marilyn S. Hebert, Attorney
New Mexico Oil Conservation Division
2040 South Pacheco
Santa Fe, NM 87505
(505) 827-8156

Salado

New Mexico
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

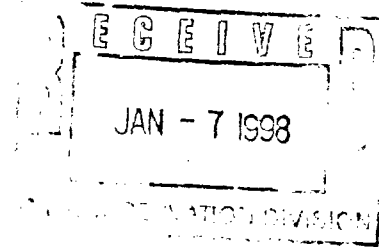
OIL CONSERVATION DIVISION
ARTESIA DISTRICT OFFICE

GARY E. JOHNSON
Governor

JENNIFER SALISBURY
Cabinet Secretary

1-2-98

Rand Carroll, Legal Bureau
Oil Conservation Division
2040 So. Pacheco Street
Santa Fe, NM. 87505



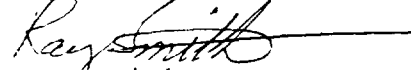
Re; Well Plugging; Salado Operating L.L.C, P.O.Box 1925
Hobbs, NM. 88241

Dear Rand;

(4)

We recommend the following list of wells be plugged to protect fresh waters of the state of New Mexico, the environment and correlative rights in the area.

Yours truly,


Ray Smith

Salado Operating L.L.C. East Henshaw Unit

Tract 24-	1	Sec. 2-16-30	Ut. O
Tract 10-	4	Sec. 2-16-30	Ut. I
Tract 15-	6	Sec. 2-16-30	Ut. O
Tract 9-	7	Sec. 2-16-30	Ut. J