

**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.**

00 MAY -5 AM 7:15

01 OCTOBER 1977

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:

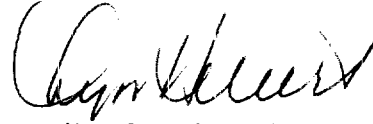
A. Determining the wells should be plugged in accordance with a Division-approved plugging program.

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
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