

**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 I, FOR AN ORDER SHUTTING
IN WELL AND TERMINATING INJECTION AUTHORITY DUE TO
FORFEITURE OF FINANCIAL ASSURANCE, AND ASSESSING CIVIL
PENALTIES AGAINST AGUA, INC., N/K/A PETRO-THERMO, INC. FOR
UNAUTHORIZED OPERATION; LEA COUNTY, NEW MEXICO**

CASE NO. 12809

**APPLICATION FOR ORDER SHUTTING IN WELL, TERMINATING
INJECTION AUTHORITY AND ASSESSING CIVIL PENALTIES**

1. Agua, Inc., n/k/a Petro-Thermo, Inc. is the operator of the Cobin-Abo Well No. 31 (API No. 30-025-01337), a permitted salt water disposal well located 1980 feet from the North line and 1980 feet from the East line (Unit G) of Section 31, Township 17 South, Range 33 East, NMPM, Lea County, New Mexico.

2. Agua, Inc. was formerly the operator of the Goodwin Well No. 31 (API No. 30-025-21183), a salt water disposal well located 1980 feet from the North line and 660 feet from the West line (Unit B) of Section 31, Township 18 South, Range 37 East, NMPM, Lea County, New Mexico.

3. As a condition precedent to its right to operate wells in the State of New Mexico, Agua, Inc. was required to file, and did file, with the Division financial assurance required by NMSA 1978 Section 70-2-14, as amended, in the form of a

\$50,000 blanket surety bond, numbered 4356142, on which Hartford Accident & Indemnity Company was surety.

4. On January 24, 2001, the Division, by Order No. R-11510, ordered Agua, Inc. to plug and abandon the Goodwin Well No. 31 on or before March 1, 2001. However, Agua, Inc. failed to do so.

5. As a result of Agua, Inc.'s failure to plug and abandon the Goodwin Well No. 31 as ordered, and of environmental hazards existing at the site of said well, the Division caused the said well to be plugged and abandoned and the site thereof remediated, expending for that purpose funds from the Oil and Gas Reclamation Fund. Agua, Inc. thereby became liable to reimburse the State of New Mexico for expenditures thus incurred, in accordance with NMSA 1978 Section 70-2-14, as amended.

6. Pursuant to the Oil and Gas Act and to Order No. R-11510, on July 3, 2001, the Division declared forfeit Bond No. 4356142, and made demand upon Hartford Accident & Indemnity Company to pay to the Division the proceeds of said demand, with which demand Hartford Accident & Indemnity Company complied on or about August 1, 2001.

7. As a result of the forfeiture of its said bond, Agua, Inc., n/k/a Petro-Thermo, Inc., ceased to be authorized to operate wells in the State of New Mexico. Accordingly, on July 15, 2001, the District Supervisor of District I of the Division notified Agua, Inc. to shut in the Corwin-Abo Wells No.31 and cease operation thereof.

8. Notwithstanding the directive of the District Supervisor, Agua, Inc., n/k/a Petro-Thermo, Inc., or its officers, agents or employees, or persons in active concert with

it, have continued to operate the Corwin-Abo Well No. 31 as an active salt water disposal well, in violation of the Oil and Gas Act and Division Rule 101 [19 NMAC 15.C.101].

WHEREFORE, the Supervisor of District I of the Division hereby applies to the Director to enter an order:

- A. Directing that the Corbin-Abo Well No. 31 be immediately shut in.
- B. That all authority to inject salt water for disposal into the said Corbin-Abo Well No. 31 be cancelled.
- C. That the said well remain shut in, and its authorization for injection not be reinstated, until Petro-Thermo, Inc., successor to Agua, Inc., reimburses the State of New Mexico for all sums expended in connection with the plugging of the Goodwin No. 31 Well and remediation of the site thereof, and files with the Division renewed financial assurance in accordance with NMSA 1978 Section 70-2-14, as amended.
- D. That the Division assess appropriate administrative penalties against Agua, Inc., n/k/a Petro-Thermo, Inc. pursuant to NMSA 70-2-31.A, for its

intentional and willful violation of NMSA 70-2-14 and of Division Rule
101.

RESPECTFULLY SUBMITTED,



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