

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

CASE NO. 11507
ORDER NO. R-8404-C

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION DIVISION ("DIVISION") ON ITS OWN MOTION TO PERMIT PETROLEUM DEVELOPMENT CORPORATION, OPERATOR, UNITED NEW MEXICO BANK (NORWEST BANK), AND ALL OTHER INTERESTED PARTIES TO APPEAR AND SHOW CAUSE WHY THE EL POSO RANCH WELL NOS. 8 AND 11 LOCATED IN SECTION 14, TOWNSHIP 28 NORTH, RANGE 1 EAST, NMPM, AS PROJECTED INTO THE UNSURVEYED TIERRA AMARILLA LAND GRANT, RIO ARRIBA COUNTY, NEW MEXICO, SHOULD NOT BE PLUGGED AND ABANDONED IN ACCORDANCE WITH A DIVISION-APPROVED PLUGGING PROGRAM.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on May 2, 1996, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 1st day of July, 1996, the Division Director, having considered the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

- (1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.
- (2) At the time of the hearing this case was consolidated with Division Case Nos. 11508 and 11509 for the purpose of presenting testimony.
- (3) **P**etroleum Development Corporation of Albuquerque, New Mexico is the current owner and operator of the following two El Poso Ranch lease wells, both located in Section 14, Township 28 North, Range 1 East, NMPM, as projected into the unsurveyed Tierra Amarilla Land Grant, Rio Arriba County, New Mexico:

- (a) **Well No. 8** (API No. 30-039-23672), located 618 feet from the South line and 2418 feet from the West line (Unit N); and,
- (b) **Well No. 11** (API No. 30-039-23671), located 2310 feet from the South and West lines (Unit K).

(4) Both wells were the subject of a previous show cause case brought to hearing before the Division against Texas Rose Petroleum, Inc. Well No. 8, formerly the El Poso Ranch Well No. 2, and Well No. 11, formerly the El Poso Ranch Well No. 8, were made a part of Division Order No. R-8404, R-8404-A, and R-8404-B. Subsequent to the issuance of said Order's Petroleum Development Corporation obtained ownership of both wells with the intent of producing hydrocarbons.

(5) **United New Mexico Bank**, now Norwest Bank, of Albuquerque, New Mexico is the surety on a \$50,000.00 blanket plugging bond on which Petroleum Development Corporation is principal.

(6) The purpose of said bond is to assure the Division that any and all wells operated by Petroleum Development Corporation will be properly plugged and abandoned when not capable of commercial production.

(7) Both of the subject wells have not produced hydrocarbon substance or have otherwise been inactive for more than one year, and no permit for temporary abandonment has been requested by the operator or approved by the Division.

(8) 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 the operator.

(9) The current conditions of both wells are still such that if action is not taken to properly plug and abandon these wells, waste may occur, correlative rights may be violated, and/or fresh water may be contaminated.

(10) At the time of the hearing Petroleum Development Corporation and Kachina Production Company both entered appearances through legal counsel.

(11) In order to prevent waste and to adequately protect both correlative rights and fresh waters said El Poso Ranch Well Nos. 8 and 11, as described above, should be plugged and abandoned in accordance with a program approved by the supervisor of the Aztec District Office of the New Mexico Oil Conservation Division on or before August

15, 1996, or both wells should be returned to active drilling status or placed on production.

(12) Further, should said wells not be placed on production or returned to active drilling status the Division Director should be authorized to take such action as is deemed necessary to foreclose on the subject plugging bond to help defer such plugging cost accrued by the Division.

IT IS THEREFORE ORDERED THAT:

(1) Petroleum Development Corporation of Albuquerque, New Mexico is hereby ordered to plug and abandon both the El Poso Ranch Well No. 8 (API No. ~~30-039-23672~~), located 618 feet from the South line and 2418 feet from the West line (Unit N) of Section 14, Township 28 North, Range 1 East, NMPM, as projected into the unsurveyed Tierra Amarilla Land Grant, Rio Arriba County, New Mexico and the Well No. 11 (API No. ~~30-039-23671~~), located 2310 feet from the South and West lines (Unit K) of said 14, or in the alternative, to return said wells to active drilling status or place the wells on production on or before August 15, 1996.

(2) Petroleum Development Corporation, prior to plugging and abandoning the above-described wells, shall obtain from the supervisor of the Aztec District Office of the New Mexico Oil Conservation Division an approved program for said plugging and abandoning, and shall notify said Aztec office of the date and time said work is to be commenced whereupon the Division may witness such work.

IT IS FURTHER ORDERED THAT:

(3) If, after August 15, 1996, Petroleum Development Corporation has not complied satisfactorily with those requirements set forth in Decretory Paragraphs Nos. (1) and (2), above, the supervisor of the Aztec District Office of the New Mexico Oil Conservation Division is hereby authorized to direct the commencement of plugging operations on said El Poso Well Nos. 8 and 11.

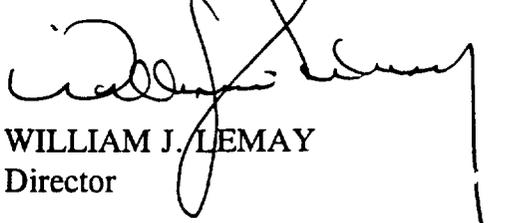
(4) Further, the Division Director shall take such action as is deemed necessary to foreclose on the ~~United~~ New Mexico Bank (Norwest Bank) \$50,000.00 blanket plugging bond on which Petroleum Development Corporation is principal to help defer such plugging cost accrued by the Division.

(5) Jurisdiction of this cause is 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



WILLIAM J. LEMAY
Director

Contract Review Bureau
DFA Administrative Services Division
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(505) 827-3865

DEPARTMENT of FINANCE and ADMINISTRATION (DFA)
JOINT POWERS AGREEMENT (JPA) BRIEF

JPA 1 - 7/96

Agencies must complete and transmit this form along with all backup documentation to the DFA.

PRIMARY PARTY: _____

SECONDARY PARTY: _____

OTHER PARTY: _____

CONTACT NAME: _____ PHONE: _____

CONTACT ADDRESS: _____

DOCUMENTS ENCLOSED:

- JPA
- JPA Amendment
- Purchase Document
- Written Justification
- Other _____

AMOUNT:

Federal Funds \$ _____
General Fund \$ _____
Other State Funds \$ _____
Local Gov. Funds \$ _____
TOTAL \$ _____

PURPOSE: _____

TERM: From _____ TO: _____

FOR AN AMENDMENT, LIST THE ORIGINAL JPA EXPIRATION DATE: _____

Statutory Requirements - Agencies must check each blank certifying to DFA that the JPA:

- _____ jointly exercises a power common to the parties (*Transferring funds from one agency to another does not constitute the joint exercise of power.*);
- _____ clearly specifies its purpose;
- _____ establishes the method by which its purpose will be accomplished;
- _____ establishes the manner in which the joint power will be exercised;
- _____ provides for strict accountability of all receipts and disbursements;
- _____ addresses disposition, division, distribution and ownership of any property acquired as the result of the joint exercise of power; and
- _____ specifies that any surplus money shall be returned in proportion to the contributions made.

Other Requirements - Agencies must enter Y (Yes), N (No), or N/A (Not Applicable) to each of the following:

- _____ Is one original and at least two copies of the JPA or amendment attached? (*DFA will forward copies to the contact.*)
- _____ Does the JPA or amendment have original signatures executed by authorized officers, employees or other representatives empowered to bind their respective entities?
- _____ Are all exhibits referred to in the JPA attached?
- _____ Does the JPA provide for the expenditure or transfer of public funds by a state agency? (*All public money must be budgeted.*)
- _____ Does the JPA provide for the transfer of local, state or federal funds to a state agency? If the answer is yes, cite or attach the legislative authority permitting the receiving state agency to increase its budget from such a transfer.
- _____ If the JPA or amendment start date is prior to the date submitted to DFA or, if the original JPA has expired, is a justification letter requesting retroactive approval attached? (*Letter must be signed by one of the parties.*)
- _____ Has the JPA or amendment been reviewed by legal counsel? If yes, state who _____

AGENCY HEAD SIGNATURE

TITLE