

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

CASE NO. 13257
ORDER NO. R-12279

APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION, THROUGH THE SUPERVISOR OF DISTRICT I, FOR AN ORDER REQUIRING VERDE GRANDE INC. TO BRING ONE WELL INTO COMPLIANCE WITH 19.15.4.201 NMAC, ASSESSING AN APPROPRIATE CIVIL PENALTY IN THE EVENT OF NON-COMPLIANCE, AUTHORIZING THE DIVISION TO PLUG SAID WELL AND ORDERING A FORFEITURE OF THE APPLICABLE PLUGGING BOND, LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on June 10, 2004, at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 25th day of January, 2005, 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 Oil Conservation Division ("Division") has jurisdiction of this case and its subject matter.

(2) The Division seeks an order: i) requiring Verde Grande Inc. ("Verde Grande"), the operator in fact of the following-described inactive well, to bring the well into compliance with 19.15.4.201 NMAC; ii) assessing appropriate civil penalties in the event of non-compliance; and iii) authorizing the Division to plug said well and forfeit the applicable security in default of compliance by the operator:

Aztec State No. 1 API No. 30-025-22342

Located in Unit J, Section 18, T-16S, R-37E, Lea County, New Mexico.

(3) Notice was provided to Verde Grande Inc. and to Western Commerce Bank - who may have acquired interests from Verde Grande Inc. The attorney for the former president of Verde Grande Inc. has been in contact with the Division but made no appearance in this case. Western Commerce Bank indicated in writing to the Division that they do not have an interest in this well.

(4) The Division determined that there is a \$10,000 single-well surety bond, number 2-418-413-9 with Ohio Casualty Insurance Company, to secure the operator's obligation to plug and abandon this well in accordance with Division rules on inactive wells.

(5) The Division presented testimony that:

- a) this well has not been produced or used for injection for over 10 years;
- b) Verde Grande Inc. became the operator in 1985 and is no longer in business;
- c) the well has not been temporarily abandoned or plugged;
- d) the well has a casing leak and the well site may need costly cleanup; and
- e) the bond amount may be inadequate to cover cost of plugging and cleanup.

(6) Division records indicate that:

- a) the well was drilled in 1967 by Pennzoil Company and resistivity and sonic porosity logs were run. The only log provided to the Division to-date is an original resistivity log;
- b) a 7-7/8 inch hole was drilled to 11,536 and 4-1/2 inch casing run and cemented with 200 sacks of cement. The cement top was estimated at 10,460 feet;
- c) the primary targets were the Wolfcamp and Strawn oil formations. Both were drill-stem-tested, and the Strawn was completed and produced for several years. No other formations besides the Wolfcamp and Strawn have produced within one mile of this well;

d) in 1980, Pennzoil tried perforating a lower Strawn interval without success and the well never resumed production. Cumulative production from the Strawn is 114,170 barrels of oil, 4,299 barrels of water, and 94,329 Mcf of casing head gas;

e) in 1983, Pennzoil set a plug above the Strawn and perforated the Wolfcamp, and swabbed formation water. The well never produced from the Wolfcamp;

f) in 1984, Double "C" Enterprises obtained Division permit SWD-275, granting it permission to inject into these Wolfcamp perforations. It ran a cased hole neutron log over all zones of interest, reperforated the Wolfcamp, and began injection. The neutron log was not provided to the Division;

g) in March, 1985, Verde Grande Inc. located a casing leak in the lower San Andres and squeezed the holes with 650 sacks. Cement circulated to surface from 5,985 feet but also went around the lower casing plug. It then returned the well to injection;

h) in early 1986, Verde Grande Inc. reported approximately 1,800 feet of tubing stuck in the casing, the well was pressured up, and a 60 day delay was needed prior to plugging.

(7) The Division finds that:

a) the subject well is not in compliance with 19.15.4.201 NMAC;

b) the operator should be ordered to bring this well into compliance;

and

c) if the operator fails to comply; a penalty of \$1,000 should be assessed, the Division should forfeit the security furnished by the operator, and the Division should plug the well and clean up the well site.

(8) Approval of the Division's application will protect the environment, is necessary to enforce Division Rule 201, and should be approved.

IT IS THEREFORE ORDERED THAT :

(1) Verde Grande Inc. is hereby ordered to bring the following-described well into compliance with 19.15.4.201 NMAC on or before February 28, 2005 by either returning it to beneficial use, securing temporary abandonment status in accordance with 19.15.4.203 NMAC, or by plugging and abandoning.

Aztec State No. 1 API No. 30-025-22342
Located in Unit J, Section 18, T-16S, R-37E, Lea County, New Mexico.

(2) Verde Grande Inc., prior to beginning work on this well shall obtain approval for any such work from the supervisor of the Division's district office in Hobbs and shall notify the Hobbs District Office of the date and time this work is to commence, whereupon the Division may witness such work.

(3) In the event Verde Grande Inc. fails to comply with ordering paragraph (1) above, then:

a) Verde Grande Inc.'s plugging bond shall be forfeited as provided in NMSA 1978 Section 70-2-14, as amended;

b) a fine in the amount of \$1,000 shall be assessed against Verde Grande Inc., payable to the Division prior to March 31, 2005;

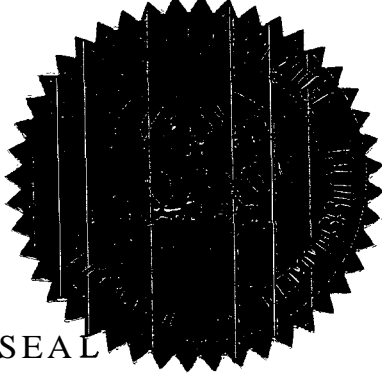
c) the Division is authorized to plug and abandon this well and to remediate the site thereof in accordance with Division rules; and

d) the Division is further authorized to demand and collect reimbursement of its costs incurred in plugging and abandoning this well and in remediating the site thereof from Verde Grande Inc. to the extent of any excess of such costs over and above the amount collected from the surety.

(4) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in cursive script, reading "Mark E. Fesmire".

MARK E. FESMIRE, P.E.
Director