

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

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION DIVISION ("DIVISION") ON ITS OWN MOTION TO PERMIT THE OPERATOR, MERCURY PRODUCTION COMPANY, AMERICAN EMPLOYERS INSURANCE COMPANY, SURETY, AND ALL OTHER INTERESTED PARTIES TO APPEAR AND SHOW CAUSE WHY THE CONSTATE WELL NO. 1 LOCATED IN UNIT D OF SECTION 36, TOWNSHIP 16 SOUTH, RANGE 31 EAST, EDDY COUNTY, NEW MEXICO, SHOULD NOT BE PLUGGED AND ABANDONED IN ACCORDANCE WITH A DIVISION-APPROVED PLUGGING PROGRAM.

*CASE NO. 11517
Order No. R-10777*

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on June 13, 1996, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 26th day of February, 1997, 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) Mercury Production Company is the last known owner and operator of the Constate Well No. 1 (API No. 30-015-10709) located in Unit D of Section 36, Township 16 South, Range 31 East, Eddy County, New Mexico.
- (3) In compliance with Division Rules and Regulations, Mercury, as operator of said well, posted a one-well plugging bond in the amount of \$5,000.00 issued by American Employers Insurance Company.
- (4) The purpose of said bond is to assure the Division that the subject well will be properly plugged and abandoned when not capable of commercial production.
- (5) Neither the operator (unlocatable), the surety, nor any other interested party introduced any evidence at this hearing indicating that these wells were not in need of plugging. Such record contains uncontroverted evidence that the well is in need of plugging.

(6) The subject well has not produced hydrocarbon substance or has 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.

(7) By virtue of the failure to use the subject well for a beneficial purpose or to have an approved current temporary abandonment permit, the well is presumed to have been abandoned.

(8) The current condition of the subject well is such that waste may occur, correlative rights may be violated or fresh waters may be contaminated if action is not taken to properly plug and abandon the well.

(9) In order to prevent waste, to protect correlative rights, and to protect fresh waters, the well should be plugged and abandoned in accordance with a program approved by the supervisor of the Artesia District Office of the New Mexico Oil Conservation Division.

(10) At this time, the Division seeks an order directing the operator to pay the costs of plugging the well and if the operator fails to do so, make demand upon the surety to pay the Division so much of the bond amount (up to amount of the bond) as is necessary to pay the costs of plugging the well.

IT IS THEREFORE ORDERED THAT:

(1) Mercury Production Company is hereby ordered to plug and abandon the Constate Well No. 1 (API No. 30-015-10709) located in Unit D of Section 36, Township 16 South, Range 31 East, Eddy County, New Mexico.

(2) Mercury, prior to plugging and abandoning the well, shall obtain from the supervisor of the Division Artesia District Office an approved program for said plugging and abandoning and shall notify said Artesia Office of the date and time said work is to commence whereupon the Division may, at its option, witness such work.

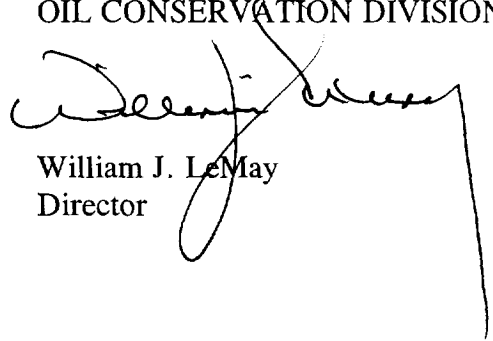
(3) Should Mercury either fail or refuse to carry out the provisions of this order, the Division shall then take such action as is deemed necessary to have the well properly plugged and abandoned at which time the Division Director shall make demand upon the surety, American Employers Insurance Company, to pay so much of the bond amount as is necessary to pay the costs of plugging said well.

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

CASE NO. 11517
Order No. R-10777
Page -3-

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

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A handwritten signature in black ink, appearing to read 'William J. LeMay', is written over the typed name and title. The signature is fluid and cursive, with a long vertical stroke extending downwards from the end of the name.

William J. LeMay
Director

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