

**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 FOR THE PURPOSE OF
CONSIDERING:**

**CASE NO. 12503
ORDER NO. R-11472**

**APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION
("DIVISION") THROUGH THE SUPERVISOR OF DISTRICT I FOR AN
ORDER: (I) REQUIRING ADAMS OIL & GAS PRODUCERS TO PROPERLY
PLUG AND ABANDON SIX WELLS IN LEA COUNTY, NEW MEXICO; OR (II)
AUTHORIZING THE DIVISION TO PLUG AND ABANDON THESE WELLS,
AND ORDERING A FORFEITURE OF ANY PLUGGING BOND(S) COVERING
THESE WELLS.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on October 5, 2000, at Santa Fe, New Mexico, before Examiner Mark W. Ashley.

NOW, on this 13th day of October, 2000, 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 Division has jurisdiction of this case and its subject matter.

(2) Adams Oil & Gas Producers ("Adams") is the current owner and operator of the following six wells located in Lea County, New Mexico:

(a) Federal Well No. 1 (**API No. 30-025-28579**), located 1980 feet from the North line and 660 feet from the West line (Unit E) of Section 17, Township 23 South, Range 33 East, NMPM, drilled in 1984 and completed in the Cruz-Delaware Pool;

(b) Federal Well No. 2 (**API No. 30-025-28667**), located 660 feet from the North line and 990 feet from the

West line (Unit D) of Section 17, Township 23 South, Range 33 East, NMPM, drilled in 1984 and completed in the Cruz-Delaware Pool;

(c) State "O" Well No. 1 (**API No. 30-025-24347**), located 660 feet from the North line and 660 feet from the West line (Unit D) of Section 7, Township 24 South, Range 33 East, NMPM, drilled in 1973 and completed in the Triple "X"-Delaware Pool;

(d) Gulf NW State Well No. 1 (**API No. 30-025-24303**), located 660 feet from the South line and 660 feet from the West line (Unit M) of Section 6, Township 24 South, Range 33 East, NMPM, drilled in 1972 and completed in the Triple "X"-Delaware Pool;

(e) Gulf NW State Well No. 2 (**API No. 30-025-24381**), located 1980 feet from the South line and 660 feet from the West line (Unit L) of Section 6, Township 24 South, Range 33 East, NMPM, drilled and completed in 1973 for disposal purposes into the Delaware formation;

(f) Roy Whitten Well No. 1 (**API No. 30-025-09449**), located 1650 feet from the North line and 330 feet from the East line (Unit H) of Section 33, Township 23 South, Range 36 East, NMPM, drilled in 1960 and completed in the Jalmat Tansill-Yates-Seven Rivers Pool.

(3) Adams, as operator, has posted a single-well cash bond in the amount of \$5,000.00 for the Gulf NW State No. 1 in compliance with NMSA 1978, § 70-2-14 and Division Rule 101, which bond is 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 the well. United New Mexico Bank at Lea County, now Wells Fargo, is the financial institution that holds the cash bond.

(4) The remaining five wells have no plugging bond.

(5) The purpose of a one-well cash plugging bond is to assure the Division that the well covered by that bond will be properly plugged and abandoned when not capable of commercial production or no longer utilized for some other beneficial purpose.

(6) At this time, the Division seeks an order directing the operator to plug these wells in accordance with a Division-approved plugging program. If the operator fails to do so, this order should authorize the Division to proceed to plug and abandon these wells and: (i) declare forfeiture of Adams's cash plugging bond and order foreclosure; (ii) order the recovery of any costs of plugging these wells in excess of the amount of this bond from Adams; and (iii) impose fines on the operator for failure to comply with this order.

(7) A representative of the Division's district office in Hobbs (District I) presented evidence and testimony supporting its position that the subject wells should be plugged and abandoned.

(8) The operator did not appear at the hearing.

(9) The subject wells have not produced hydrocarbon or carbon dioxide substances 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.

(10) By virtue of the failure to use the subject wells for beneficial purposes or properly temporary abandon them, the subject wells are presumed to have been abandoned by Adams and are required to be plugged.

(11) The current condition of these wells are such that if action is not taken to properly plug and abandon the wells, waste will probably occur, correlative rights will also be violated, livestock and wildlife may be subject to harmful contaminants, and fresh waters will be in danger of contamination.

(12) In order to prevent waste and protect correlative rights and fresh waters, the subject wells should be plugged and abandoned by Adams in accordance with a program approved by the supervisor of the Division's Hobbs District Office on or before November 30, 2000.

(13) Should Adams not meet this November 30, 2000 plugging obligation, the Division Director should then be authorized to take such action as is deemed necessary to foreclose on the subject plugging bond and recover from the operator any costs in excess of the amount of the bond to help defer such plugging costs incurred by the Division.

IT IS THEREFORE ORDERED THAT:

(1) Adams Oil & Gas Producers ("Adams") is hereby ordered to plug and abandon the following six wells in Lea County, New Mexico on or before November 30, 2000:

(a) Federal Well No. 1 (**API No. 30-025-28579**), located 1980 feet from the North line and 660 feet from the West line (Unit E) of Section 17, Township 23 South, Range 33 East, NMPM, drilled in 1984 and completed in the Cruz-Delaware Pool;

(b) Federal Well No. 2 (**API No. 30-025-28667**), located 660 feet from the North line and 990 feet from the West line (Unit D) of Section 17, Township 23 South, Range 33 East, NMPM, drilled in 1984 and completed in the Cruz-Delaware Pool;

(c) State "O" Well No. 1 (**API No. 30-025-24347**), located 660 feet from the North line and 660 feet from the West line (Unit D) of Section 7, Township 24 South, Range 33 East, NMPM, drilled in 1973 and completed in the Triple "X"-Delaware Pool;

(d) Gulf NW State Well No. 1 (**API No. 30-025-24303**), located 660 feet from the South line and 660 feet from the West line (Unit M) of Section 6, Township 24 South, Range 33 East, NMPM, drilled in 1972 and completed in the Triple "X"-Delaware Pool;

(e) Gulf NW State Well No. 2 (**API No. 30-025-24381**), located 1980 feet from the South line and 660 feet from the West line (Unit L) of Section 6, Township 24 South, Range 33 East, NMPM, drilled and completed in 1973 for disposal purposes into the Delaware formation;

(f) Roy Whitten Well No. 1 (**API No. 30-025-09449**), located 1650 feet from the North line and 330 feet from the East line (Unit H) of Section 33, Township 23 South, Range 36 East, NMPM, , drilled in 1960 and completed in the Jalmat Tansill-Yates-Seven Rivers Pool.

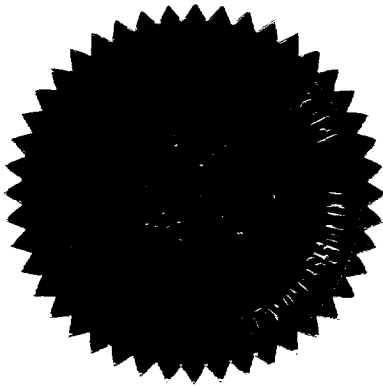
(2) Adams, prior to plugging and abandoning the above-described wells, shall obtain from the supervisor of the Division's district office in Hobbs an approved plugging program and shall notify the Hobbs District Office of the date and time this work is to commence, whereupon the Division may witness such work.

(3) Should Adams fail or refuse to act in accordance with the terms of this order, the Division shall then take such actions as are necessary to have these wells properly plugged and abandoned. Further, the Division shall then be authorized to take such action as is deemed necessary to foreclose on the \$5,000 cash plugging bond and to recover from the operator any costs in excess of the amount of this bond to help defer plugging costs incurred by the Division.

(4) Failure to comply with the provisions of this order shall subject Adams to a fine of \$1,000.00 per day until such work is completed (see NMSA 1978, § 70-2-31).

(5) Jurisdiction is hereby 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

Lori Wrotenbery
LORI WROTENBERY
Director

SEAL