

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

**CASE NO. 12823
ORDER NO. R-11750**

IN THE MATTER OF THE HEARING CALLED BY THE NEW MEXICO OIL CONSERVATION DIVISION ("DIVISION") ON ITS OWN MOTION FOR AN ORDER: (I) REQUIRING M & G OIL, INC. TO PROPERLY PLUG AND ABANDON FOUR (4) CERTAIN WELLS IN LEA COUNTY, NEW MEXICO; OR (II) AUTHORIZING THE DIVISION TO PLUG AND ABANDON THESE WELLS IN DEFAULT OF COMPLIANCE BY M & G OIL, INC. OR ITS SURETY, AND ORDERING A FORFEITURE OF APPLICABLE PLUGGING BONDS COVERING THESE WELLS.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on February 21, 2001, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 4th day of April, 2002, 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) M & G Oil, Inc. ("M & G") is the current owner and operator of the following four (4) wells located in Lea County, New Mexico:

- (a) State "K" Well No. 1 (**API No. 30-025-22241**), located 660 feet from the South line and 1980 feet from the East line (Unit O) of Section 2, Township 10 South, Range 33 East, NMPM;
- (b) Santa Fe Well No. 1 (**API No. 30-025-04980**), located 660 feet from the North line and 1943 feet from the West line (Unit C) of Section 30, Township 9 South, Range 37 East, NMPM;
- (c) Morton Federal Well No. 2 (**API No. 30-025-23339**),

located 1980 feet from the North and West lines (Unit F) of Section 12, Township 9 South, Range 35 East, NMPM; and

- (d) Walker "686" Ltd. Well No. 1 (**API No. 30-025-03561**), located 660 feet from the South line and 643 feet from the West line (Lot 7/Unit M) of Section 6, Township 9 South, Range 36 East, NMPM.

(3) The above-described State "K" Well No. 1 is located on a State lease and the above-described Santa Fe Well No. 1 is located on a fee lease.

(4) Evidence was presented showing that M & G has posted a surety (blanket plugging) bond in the amount of \$50,000.00 for all of its operations in the State of New Mexico in compliance with Section 70-2-14, NMSA 1978 and New Mexico Oil Conservation Division ("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 wells operated by M & G. Lumbermen's Mutual Casualty Company c/o Kemper Insurance of Long Grove, California, is the surety on this bond (Bond No. 3S-568-862-00), executed on or around June 14, 1984.

(5) This bond was terminated effective May 11, 1987, as to any property or wells acquired, started or drilled by M & G after that date, but remains in effect as to any property or wells acquired, started or drilled by M & G prior to that date.

(6) The purpose of this bond is to assure the Division that any and all wells operated by M & G will be properly plugged and abandoned when not capable of commercial production or no longer utilized for some other beneficial purpose.

(7) The above-described Morton Federal Well No. 2 and Walker "686" Ltd. Well No. 1 are located on Federal leases and are therefore subject to any bond that exists with the U. S. Bureau of Land Management.

(8) At this time, the Division seeks an order directing the operator to plug these wells in accordance with a Division-approved plugging program and, if the operator fails to do so, authorizing the Division to proceed to plug and abandon these wells and: (i) declare forfeiture of the bond furnished by M & G to the extent necessary to fully reimburse the Division for its expenses incurred in accomplishing the foregoing; and (ii) to take necessary and appropriate measures to recover from M & G any costs of plugging the subject wells in excess of the amount of the bond, if any.

(9) Representatives of the Division's office in Santa Fe and its district office in

Hobbs (District I) presented evidence and testimony supporting the Division's position that the subject wells should be plugged and abandoned.

(10) Neither the operator nor the sureties appeared at the hearing.

(11) These wells have not produced hydrocarbons 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.

(12) 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 M & G.

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

IT IS THEREFORE ORDERED THAT:

(1) M & G Oil, Inc. ("M & G") is hereby ordered to plug and abandon the following four wells located in Lea County, New Mexico on or before May 1, 2002:

- (a) State "K" Well No. 1 (**API No. 30-025-22241**), located 660 feet from the South line and 1980 feet from the East line (Unit O) of Section 2, Township 10 South, Range 33 East, NMPM;
- (b) Santa Fe Well No. 1 (**API No. 30-025-04980**), located 660 feet from the North line and 1943 feet from the West line (Unit C) of Section 30, Township 9 South, Range 37 East, NMPM;
- (c) Morton Federal Well No. 2 (**API No. 30-025-23339**), located 1980 feet from the North and West lines (Unit F) of Section 12, Township 9 South, Range 35 East, NMPM; and
- (d) Walker "686" Ltd. Well No. 1 (**API No. 30-025-03561**), located 660 feet from the South line and 643 feet from the West line (Lot 7/Unit M) of Section 6, Township 9 South, Range 36 East, NMPM.

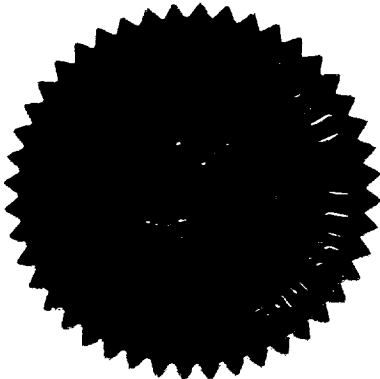
(2) Prior to plugging and abandoning these four wells, M & G shall obtain from the supervisor of the Division's district office in Hobbs an approved plugging program and shall notify the Hobbs District Office of the date and time this work is to commence whereupon the Division may witness such work.

(3) Should M & G fail or refuse to carry out such provisions in accordance with the terms of this order, the Division shall then take such actions as are necessary to cause these wells to be properly plugged and abandoned. Further, the Division shall then be authorized to take such action as is deemed necessary to: (i) declare forfeiture of the bond issued M & G by Lumbermen's Mutual Casualty Company c/o Kemper Insurance of Long Grove, California (Bond No. 3S-568-862-00), executed on or around June 14, 1984, to the extent necessary to fully reimburse the Division for its expenses incurred in accomplishing the foregoing; and (ii) take necessary and appropriate measures to recover from M & G any costs of plugging the subject wells in excess of the amount of the bond, if any.

(4) Further, the Division Director shall seek reimbursement from the U. S. Bureau of Land Management from any federal plugging bond that may still be in effect on the above-described Morton Federal Well No. 2 and Walker "686" Ltd. Well No. 1.

(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.



S E A L

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

LOI WROTENBERY
Director