

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

CASE NO. 12965
ORDER NO. R-11871

IN THE MATTER OF THE HEARING CALLED BY THE NEW MEXICO OIL CONSERVATION DIVISION ("DIVISION") THROUGH THE SUPERVISOR OF DIVISION DISTRICT II OFFICE IN ARTESIA, NEW MEXICO ON ITS OWN MOTION FOR AN ORDER: (I) REQUIRING SWR OPERATING COMPANY TO PROPERLY PLUG AND ABANDON FIFTEEN (15) WELLS IN EDDY COUNTY, NEW MEXICO; (II) IMPOSING CIVIL PENALTIES IN THE EVENT OF FAILURE TO COMPLY; (III) ORDERING A FORFEITURE OF APPLICABLE PLUGGING BOND; AND (IV) AUTHORIZING THE DIVISION TO PLUG AND ABANDON THESE WELLS.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on November 14, 2002, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 6th day of December, 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) SWR Operating Company ("SWR") is the current owner and operator of the following-described fifteen (15) wells located in Eddy County, New Mexico:

<u>Well Name</u>	<u>API Number</u>	<u>Well Location</u>
Donnelly Pan American No. 1Y	30-015-05739	Unit G, Section 5, T-19S, R-31E
Featherstone Federal "A" No. 1	30-015-05737	Unit H, Section 5, T-19S, R-31E
Featherstone No. 1	30-015-05744	Unit K, Section 5, T-19S, R-31E
Featherstone Federal No. 2	30-015-05740	Unit A, Section 5, T-19S, R-31E
Featherstone No. 4	30-015-05747	Unit J, Section 5, T-19S, R-31E
Featherstone Federal No. 1	30-015-05732	Unit J, Section 4, T-19S, R-31E

<u>Well Name</u>	<u>API Number</u>	<u>Well Location</u>
Hodges Federal No. 1	30-015-05752	Unit P, Section 6, T-19S, R-31E
Keohane "C" Federal No. 1	30-015-05595	Unit P, Section 21, T-18S, R-31E
Nickson "A" No. 1	30-015-05731	Unit D, Section 4, T-19S, R-31E
Shugart "B" No. 3	30-015-05672	Unit N, Section 33, T-18S, R-31E
Welch "A" No. 1	30-015-05726	Unit B, Section 4, T-19S, R-31E
Welch "A" No. 3	30-015-05728	Unit F, Section 4, T-19S, R-31E
Welch "A" No. 4	30-015-05729	Unit C, Section 4, T-19S, R-31E
Welch "A" No. 2	30-015-05727	Unit G, Section 4, T-19S, R-31E
Shugart "B" No. 1	30-015-05670	Unit O, Section 33, T-18S, R-31E

(3) At this time, the Division seeks an order directing the operator to plug the above-described 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, order the forfeiture of the plugging bond for these wells, and impose a civil penalty on the operator for failure to comply with this order.

(4) A representative of the Division's Artesia District Office appeared at the hearing and presented evidence to support the Division's position that the subject wells should be plugged and abandoned.

(5) SWR, having been provided notice of this hearing by the Division, did not appear at the hearing.

(6) The Division testified that the Hodges Federal Well No. 1 has been plugged and abandoned by SWR, and therefore requested that this well be dismissed from the application.

(7) These wells are currently inactive, having not produced hydrocarbons or been utilized for injection or other beneficial purposes for more than one year.

(8) No permit for temporary abandonment for any of these wells has been requested by the operator or approved by the Division.

(9) The Division has, on numerous occasions in the past, contacted SWR and requested that it bring the subject wells into compliance with Division rules and regulations. Thus far, SWR has not complied with Division directives.

(10) By virtue of the failure to use these wells for beneficial purposes or to have approved temporary abandonment permits, the subject wells are presumed to have been abandoned by SWR.

(11) The current condition of the wells is 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 may be in danger of contamination.

(12) The subject wells are all located on Federal leases and are therefore subject to a plugging bond that may exist with the United States Bureau of Land Management.

(13) In order to prevent waste and to adequately protect correlative rights and the environment, the wells described in Finding No. (2) above (with the exception of the Hodges Federal Well No. 1) should be plugged and abandoned by SWR in accordance with a plugging program approved by the supervisor of the Division's Artesia District Office on or before January 15, 2003.

(14) Should SWR not meet this January 15, 2003 plugging obligation, the Division Director should then be authorized to take such action as is deemed necessary to properly plug and abandon these wells, seek to recover any plugging bond for these wells from the United States Bureau of Land Management, and recover from the operator additional costs the Division may incur to properly plug and abandon these wells.

IT IS THEREFORE ORDERED THAT:

(1) SWR Operating Company, is hereby ordered to plug and abandon the following-described wells located in Eddy County, New Mexico, on or before January 15, 2003:

Donnelly Pan American No. 1Y	30-015-05739	Unit G, Section 5, T-19S, R-31E
Featherstone Federal "A" No. 1	30-015-05737	Unit H, Section 5, T-19S, R-31E
Featherstone No. 1	30-015-05744	Unit K, Section 5, T-19S, R-31E
Featherstone Federal No. 2	30-015-05740	Unit A, Section 5, T-19S, R-31E
Featherstone No. 4	30-015-05747	Unit J, Section 5, T-19S, R-31E
Featherstone Federal No. 1	30-015-05732	Unit J, Section 4, T-19S, R-31E
Keohane "C" Federal No. 1	30-015-05595	Unit P, Section 21, T-18S, R-31E
Nickson "A" No. 1	30-015-05731	Unit D, Section 4, T-19S, R-31E
Shugart "B" No. 3	30-015-05672	Unit N, Section 33, T-18S, R-31E
Welch "A" No. 1	30-015-05726	Unit B, Section 4, T-19S, R-31E
Welch "A" No. 3	30-015-05728	Unit F, Section 4, T-19S, R-31E
Welch "A" No. 4	30-015-05729	Unit C, Section 4, T-19S, R-31E
Welch "A" No. 2	30-015-05727	Unit G, Section 4, T-19S, R-31E
Shugart "B" No. 1	30-015-05670	Unit O, Section 33, T-18S, R-31E

(2) SWR Operating Company, prior to plugging and abandoning the above-described wells, shall obtain from the supervisor of the Division's district office in Artesia,

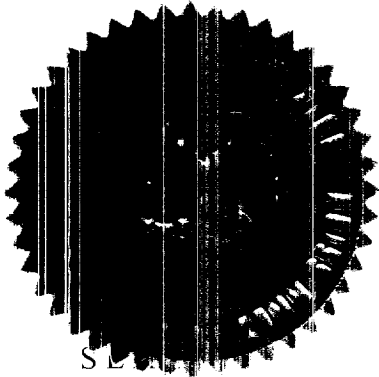
an approved plugging program and shall notify the Artesia District Office of the date and time this work is to commence whereupon the Division may witness such work.

(3) Should SWR Operating Company 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: (i) have these wells properly plugged and abandoned; (ii) seek to recover any plugging bond for these wells from the United States Bureau of Land Management; and (iii) recover from the operator additional costs the Division may incur to properly plug and abandon these wells.

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

(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

Lori Wrotenbery

LORI WROTENBERY
Director