

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

CASE NO. 8878
Order No. R-8235-A

IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION ON
ITS OWN MOTION TO CONSIDER THE AMENDMENT
OF RULE 101 RELATING TO BONDS.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on June 3, 1987, at Santa Fe, New Mexico before David R. Catanach.

NOW, on this 18th day of December, 1987, the Division Director, having considered the testimony, 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) Chapter 76 of the Laws of New Mexico of 1986 amended the Oil and Gas Act at Section 70-2-14 NMSA 1978 to permit the Oil Conservation Division to accept cash bonds as well as surety bonds to guarantee the plugging of abandoned oil and gas wells.
- (3) The Division held hearings on the adoption of rules regarding bonds on April 30 and May 14 and 28, 1986. An order adopting rules was approved on June 5, 1986. The order provided for the rules to be re-examined after one year.
- (4) At the hearing to review the new rules relating to cash bonds it was requested that subsection (c) be amended to delete the requirement for the filing of an affidavit attesting to the fact that a surety bond could not be obtained prior to application for a cash bond. There was no opposition to this suggestion.

(5) Insofar as the affidavit appears to be unnecessary to carry out the purposes of the bonding rule, the requirement in paragraph (c) of Rule 101 that an affidavit must be filed before a cash bond is issued should be deleted.

IT IS THEREFORE ORDERED THAT:

(1) Paragraph (c) of Rule 101 of the Rules and Regulations of the Oil Conservation Division is amended to read as follows:

"A cash bond may be accepted by the Division pursuant to the conditions set forth hereinafter. Cash representing the full amount of the bond shall be deposited by the operator in an account in a federally-insured financial institution located within the State of New Mexico, such account to be held in trust for the Division. Both one-well and blanket cash bonds shall be in the amount specified for surety bonds. A document, approved by the Division, evidencing the terms and conditions of the cash bond shall be executed by authorized representatives both of the operator and of the depository institution and filed with the Division prior to the effective date of the bond. No cash bond will be authorized by the Director and no wells may be drilled or acquired under a blanket cash bond unless the operator/applicant is in good standing with the Division. If the financial status or reliability of the applicant is unknown to the Director he may require the filing of a financial statement or such other information as may be necessary to evaluate the ability of the applicant/operator to fulfill the conditions of the bond.

From time to time any accrued interest over and above the face amount of the bond may be paid to the operator. Upon satisfactory plugging by the operator of any well(s) covered by a cash bond, the Director shall issue an order authorizing the release of said bond.

Any bond required by this rule is a plugging bond, not a drilling bond, and shall endure until any well drilled or acquired under such bond has been plugged and abandoned and such plugging and abandonment has been approved by the Division, or has been covered by another bond approved by the Division."

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

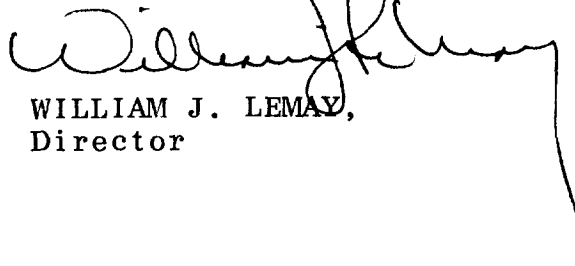
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DONE AT Santa Fe, New Mexico, on the day and year
hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in dark ink, appearing to read 'William J. Lemay', is written over the printed name. The signature is fluid and cursive, with a long, sweeping tail that extends downwards and to the right.

WILLIAM J. LEMAY,
Director

S E A L

dr/