

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

CASE NO. 13887
ORDER NO. R-12769

APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION THROUGH THE ENFORCEMENT AND COMPLIANCE MANAGER, FOR A COMPLIANCE ORDER AGAINST SALADO OPERATING LLC FINDING THAT THE OPERATOR IS IN VIOLATION OF 19.15.4.201 NMAC AS TO SIX WELLS, REQUIRING OPERATOR TO BRING SAID WELLS INTO COMPLIANCE WITH 19.15.4.201 NMAC BY A DATE CERTAIN AND, IN THE EVENT OF NON-COMPLIANCE, DECLARING THE WELLS ABANDONED AND AUTHORIZING THE DIVISION TO PLUG THE WELLS LOCATED IN EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on March 15, 2007, at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 25th day of June, 2007, the Oil Conservation Division ("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) The Division seeks an order requiring Salado Operating LLC ("operator") to plug and abandon the following six wells in accordance with 19.15.4.201 NMAC by a date certain, and in the event of non-compliance, authorizing the Division to plug the wells in accordance with a Division-approved plugging program, and to take the necessary and appropriate measures to recover from the operator any costs of plugging the subject wells:

<u>Well Name</u>	<u>API</u>	<u>Location</u>
East Henshaw Unit Well No. 1Y	30-015-05939	Lot 12
East Henshaw Unit Well No. 2	30-015-03813	Lot 15
East Henshaw Unit Well No. 2K	30-015-03808	Lot 11
East Henshaw Unit Well No. 4N	30-015-03815	Lot 14

East Henshaw Unit Well No. 4S 30-015-03810 Unit K
East Henshaw Unit Well No. 2K 30-015-03816 Unit M
All in Section 1, Township 16 South, Range 30 East, NMPM, Eddy County, New Mexico

(3) In accordance with the provisions of 19.15.14.1210.B NMAC, notice of this hearing was mailed to all addresses of record of the operator. No party other than the applicant entered an appearance or was present at the hearing.

(4) The evidence presented by the Division demonstrates that:

a) the last operator of record for the subject wells is Salado Operating LLC which is a limited liability company operating in New Mexico under OGRD 149084;

b) the operator of record could not be located and has never acknowledged certified notices sent by the Division to all addresses of record. A notice of this case was published in a newspaper in Eddy County;

c) the operator's wells in New Mexico are federal wells; therefore, the operator is not required to post, and has not posted, financial assurances to secure its obligation to plug and abandon the wells with the Oil Conservation Division;

d) most of these wells have been inactive for 10 years, but at least one well passed an MIT in the year 2000. The subject wells have been inactive for a period in excess of one year plus 90 days;

e) the wells were never approved for temporary abandonment in accordance with 19.15.4.203 NMAC or if they have been, such temporary abandonment period has expired;

f) the wells have not been permanently plugged and abandoned in accordance with 19.15.4.202 NMAC; and

g) at the hearing, the applicant withdrew its compliance proposal as it relates to the East Henshaw Unit Well No. 2K because this well was plugged and abandoned by the State of New Mexico in 2003 after experiencing water flows.

(5) Salado Operating LLC should be formally required to plug and abandon these wells in accordance with 19.15.4.202 NMAC on or before August 1, 2007.

(6) Should Salado Operating LLC not meet this August 1, 2007 compliance deadline, the Division Director should then be authorized to (i) plug and abandon the subject wells in accordance with Division-approved plugging programs, (ii) and to take necessary and appropriate measures to recover from the operator any costs of plugging the subject wells.

IT IS THEREFORE ORDERED THAT:

(1) Salado Operating LLC ("operator") is hereby directed to plug and abandon the following five wells in accordance with 19.15.4.202 NMAC on or before August 1, 2007:

<u>Well Name</u>	<u>API</u>	<u>Location</u>
• East Henshaw Unit Well No. 1Y	30-015-05939	Lot 12
• East Henshaw Unit Well No. 2	30-015-03813	Lot 15
• East Henshaw Unit Well No. 4N	30-015-03815	Lot 14
• East Henshaw Unit Well No. 4S	30-015-03810	Unit K
• East Henshaw Unit Well No. 2KLM	30-015-03816	Unit M

All in Section 1, Township 16 South, Range 30 East, NMPM, Eddy County, New Mexico

(2) Prior to beginning work on these wells, the operator shall obtain approval for any such work from the supervisor of the Division's district office in Artesia and shall notify the Artesia District Office of the date and time this work is to commence so the Division may witness the work.

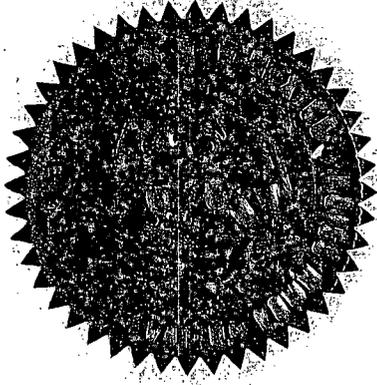
(3) In the event the operator fails to plug these wells as directed above, then:

a) the Division is authorized to plug and abandon the subject wells and reclaim the well locations;

b) the Division is authorized to take necessary and appropriate measures to recover from the operator any costs of plugging the subject wells and all well site cleanup costs.

(4) Jurisdiction of this case 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.



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STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

MARK E. FESMIRE, P.E.
Director