

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

CASE NO. 11812
ORDER NO. R-10879

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION DIVISION ("DIVISION") THROUGH THE SUPERVISOR OF THE DIVISION DISTRICT I IN HOBBS, NEW MEXICO ON ITS OWN MOTION FOR AN ORDER REQUIRING POLARIS PRODUCTION CORP. TO PROPERLY PLUG AND ABANDON NINETEEN CERTAIN WELLS IN LEA COUNTY, NEW MEXICO OR AUTHORIZING THE DIVISION TO PLUG AND ABANDON SAID WELLS, AND ORDERING A FORFEITURE OF THE PLUGGING BOND.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on August 21, 1997, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 12th day of September, 1997, the Division Director, having considered 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) Polaris Production Corp. ("Polaris") of Midland, Texas is the current owner and operator of the following eighteen wells located in an area known as the Denton field in Lea County, New Mexico:

Well Name and Number	API No.	Footage Location	Unit	Section	Township - Range
Argo Well No. 2	30-025-05263	2287' FNL & 330' FEL	H	3	15 South - 37 East
Argo Well No. 3	30-025-05264	2286' FNL & 1660' FEL	G	3	15 South - 37 East
Argo Well No. 4	30-025-05265	960' FNL & 330' FEL	A	3	15 South - 37 East
Argo Well No. 5	30-025-09870	2087' FNL & 330' FEL	H	3	15 South - 37 East
Buckley "A" Well No. 1	30-025-05118	330' FS & WL	M	25	14 South - 37 East
Buckley "A" Well No. 3	30-025-05121	1650' FSL & 330' FWL	L	25	14 South - 37 East
Buckley "A" Well No. 4	30-025-05122	330' FSL & 1650' FWL	N	25	14 South - 37 East

Buckley "B" Well No. 1	30-025-05124	2310' FNL & 330' FWL	E	25	14 South - 37 East
Buckley "B" Well No. 2	30-025-05125	990' FNL & 330' FWL	D	25	14 South - 37 East
Priest Well No. 1	30-025-05223	1980' FNL & 660' FWL	E	1	15 South - 37 East
Priest Well No. 4	30-025-09865	660' FNL & 990' FWL	D	1	15 South - 37 East
Priest Well No. 5	30-025-09866	660' FNL & 1980' FWL	C	1	15 South - 37 East
Shelton Well No. 1	30-025-05128	1980' FNL 2080' FWL	F	26	14 South - 37 East
Shelton Well No. 4	30-025-05131	2310' FNL & 330' FWL	E	26	14 South - 37 East
State "A" Well No. 1	30-025-05244	1980' FSL & 660' FWL	L	2	15 South - 37 East
T. D. Pope Well No. 1	30-025-05209	330' FS & WL	M	36	14 South - 37 East
T. D. Pope Well No. 5	30-025-05213	1980' FNL & 330' FWL	E	36	14 South - 37 East
T. D. Pope Well No. 9	30-025-05217	660' FNL & 1650' FWL	C	36	14 South - 37 East

(3) The T. D. Pope Well No. 6 (API No. **30-025-05214**), located 660 feet from the North line and 330 feet from the West line (Unit D) of Section 36, Township 14 South, Range 37 East, NMPM, Lea County, New Mexico, which was originally identified by the Division as one of the (nineteen) wells operated by Polaris to be plugged and abandoned, is currently operated by Stephens & Johnson Operating Company of Wichita Falls, Texas. According to the Division's records in Santa Fe the operations and ownership of this well, now designated the Denton North Wolfcamp Unit (Tract 7) Well No. 706, changed from Polaris to Stephens & Johnson Operating Company on June 9, 1997 when the appropriate NMOCD Form C-104 was approved by the Supervisor of the Division's Hobbs District Office. Therefore, the T. D. Pope Well No. 6 should not be included in this application.

(4) In compliance with Division rules and regulations, Polaris has posted a \$50,000.00 blanket plugging bond on which United States Fidelity and Guaranty Company of Dallas, Texas is surety.

(5) The purpose of said bond is to assure the Division that any and all wells on State and/or fee leases operated by Polaris will be properly plugged and abandoned when not capable of commercial production.

(6) Mr. David Payne, President of Polaris, appeared at the time of the hearing and presented evidence and testimony to support his position that the subject wells should not be ordered plugged.

(7) The surety did not appear at the hearing.

(8) 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.

(9) All nineteen of the subject wells have not produced hydrocarbon substance and have otherwise been inactive for more than one year. Further, no permit for temporary abandonment, pursuant to Division General Rule 203, 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 to have approved temporary abandonment permits, the subject wells are presumed to have been abandoned by Polaris.

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

(12) Polaris has requested Division forbearance on these wells in order to assess further development of the Denton field with the subject wells. Subsequent to the hearing, Polaris proposed the following remedial action on its leases within the Denton field and on the subject 19 wells:

(a) immediately begin plugging the four wells on the Argo fee lease comprising the N/2 of Section 3, Township 15 South, Range 37 East, NMPM, Lea County, New Mexico, and remove the tank battery and other surface equipment located thereon;

(b) dismantle and remove the tank battery on the T. D. Pope fee lease, comprising the W/2 of Section 36, Township 14 South, Range 37 East, NMPM, Lea County, New Mexico, and cause the lease to be cleaned up accordingly;

(c) cause the Priest Well No. 4 in Unit "D" of Section 1, Township 15 South, Range 37 East, NMPM, Lea County, New Mexico to be restored to productive status and repair the gas leak at the wellhead;

(d) remove all equipment from the Pacific Royalty fee lease, comprising the E/2 of Section 10, Township 15 South, Range 37 East, NMPM, Lea County, New Mexico;

(e) spend at least \$2,000.00 per month to clean up its leases within the Denton field for a period of six months, at which time it will seek a review and assessment from the Division;

(f) either restore to production or set a bridge plug in one well per quarter on the remaining 14 wells involved in this matter; and,

(h) cause to have the groundwater from nearby fresh water wells to be sampled and analyzed for possible hydrocarbon contamination and the data submitted to the Supervisor of the Hobbs District Office of the Division.

(13) At this time, the Division seeks an order directing Polaris to take certain actions, as stated above, regarding these wells and its leases within the Denton field and, if the operator fails to do so, fines should be imposed and the Division Director should be authorized to take such action as is deemed necessary to foreclose on the subject plugging bond to help defer such plugging and site cleanup costs accrued by the Division in the plugging of these wells.

IT IS THEREFORE ORDERED THAT:

(1) Polaris Production Corp. ("Polaris") of Midland, Texas by September 15, 1997, shall begin plugging the following described four wells, at a rate of one well every two months, all located on its Argo fee lease, comprising the N/2 of Section 3, Township 15 South, Range 37 East, NMPM, Lea County, New Mexico, and remove the tank batteries and surface equipment located thereon with all work to be completed to the satisfaction of the Supervisor of the Division's District Office in Hobbs (District I) by September 15, 1998:

(a) Argo Well No. 2 (API No. 30-025-05263), located 2287 feet from the North line and 330 feet from the East line (Unit H) of Section 3, Township 15 South, Range 37 East, NMPM, Lea County, New Mexico;

(b) Argo Well No. 3 (API No. 30-025-05264), located 2286 feet from the North line and 1660 feet from the East line (Unit G) of said Section 3;

(c) Argo Well No. 4 (API No. 30-025-05265), located 960 feet from the North line and 330 feet from the East line (Unit A) of said Section 3; and,

(d) Argo Well No. 5 (API No. 30-025-09870), located 2087 feet from the North line and 330 feet from the East line (Unit H) of said Section 3.

Failure to do so will subject the operator to a fine of \$1,000.00 per day per well until such work is completed.

(2) Polaris is to complete the tear down and dismantlement of the tank battery and related surface equipment on its T. D. Pope fee lease, within the E/2 of Section 36, Township 14 South, Range 37 East, NMPM, Lea County, New Mexico, and clean up the site and determine the vertical extent of hydrocarbon contamination within the immediate area of said battery by April 30, 1998. Should it be found that groundwater is impacted, Polaris is to determine the horizontal extent of such damage and prepare a groundwater remediation plan by June 30, 1998. Consultation with the supervisor of the Division's District Office in Hobbs during all phases of this work will be required.

Failure to complete above actions by April 30, 1998 or to provide an acceptable remediation plan by June 30, 1998, if necessary, will subject the operator to a fine of \$1,000.00 per day until completed.

(3) Polaris shall restore the Priest Well No. 1 (API No. 3-025-05223), located 1980 feet from the North line and 660 feet from the West line (Unit E) of Section 1, Township 15 South, Range 37 East, NMPM, Lea County, New Mexico, either to production status or satisfactorily plug and abandon said well and repair the gas leak on the wellhead by December 1, 1997.

Failure to do so will subject the operator to a fine of \$1,000.00 per day until such work is completed.

(4) Polaris shall remove all equipment from its Pacific Royalty fee lease, comprising the E/2 of Section 10, Township 15 South, Range 37 East, NMPM, Lea County, New Mexico, by February 28, 1998 and clean it up according to guidelines

obtained from the Division District Office in Hobbs.

Failure to do so will subject the operator to a fine of \$1,000.00 per day until such work is completed.

(5) At least \$2,000.00 per month shall be spent on cleanup operations and improvements on all remaining leases within the Denton field until those leases meet Division guidelines. Environmental concerns and proper use and maintenance of production facilities, and not the appearance of the facilities (e.g. the spreading or covering over with fresh dirt of the battery facility area is not an acceptable or proper course of action) are most important. The operator shall submit to the supervisor of the Hobbs District Office on the last day of each month receipts showing the amounts spent that month.

Again, failure to do so will subject the operator to a fine of \$1,000.00 per day until such work is completed.

(6) Polaris shall: (i) restore to production status; (ii) properly and promptly temporarily abandon; or (iii) plug and abandon the following fourteen wells in accordance with Division rules and procedures beginning October 15, 1997 at the rate of at least one well per month to be completed by January 15, 1999:

Well Name and Number	API No.	Footage Location	Unit	Section	Township - Range
Buckley "A" Well No. 1	30-025-05118	330' FS & WL	M	25	14 South - 37 East
Buckley "A" Well No. 3	30-025-05121	1650' FSL & 330' FWL	L	25	14 South - 37 East
Buckley "A" Well No. 4	30-025-05122	330' FSL & 1650' FWL	N	25	14 South - 37 East
Buckley "B" Well No. 1	30-025-05124	2310' FNL & 330' FWL	E	25	14 South - 37 East
Buckley "B" Well No. 2	30-025-05125	990' FNL & 330' FWL	D	25	14 South - 37 East
Priest Well No. 1	30-025-05223	1980' FNL & 660' FWL	E	1	15 South - 37 East
Priest Well No. 4	30-025-09865	660' FNL & 990' FWL	D	1	15 South - 37 East
Priest Well No. 5	30-025-09866	660' FNL & 1980' FWL	C	1	15 South - 37 East
Shelton Well No. 1	30-025-05128	1980' FNL 2080' FWL	F	26	14 South - 37 East
Shelton Well No. 4	30-025-05131	2310' FNL & 330' FWL	E	26	14 South - 37 East
State "A" Well No. 1	30-025-05244	1980' FSL & 660' FWL	L	2	15 South - 37 East
T. D. Pope Well No. 1	30-025-05209	330' FS & WL	M	36	14 South - 37 East

T. D. Pope Well No. 5	30-025-05213	1980' FNL & 330' FWL	E	36	14 South - 37 East
T. D. Pope Well No. 9	30-025-05217	660' FNL & 1650' FWL	C	36	14 South - 37 East

Failure to comply will subject the operator to a fine of \$1,000.00 per well per day until completed.

(7) All workover, temporary abandonment, and/or plug and abandonment procedures on the above-described 14 wells shall be submitted to the Supervisor of the Hobbs District Office for approval. The operator shall notify the Supervisor of the Hobbs District Office of the Division at least 24 hours in advance for every temporary abandonment and/or plug and abandonment procedure so it can be witnessed.

Failure to comply with any steps of these procedures will subject the operator to a fine of \$1,000.00 per day per well per occurrence until the necessary requirements or action is complied with.

(8) Polaris shall sample groundwater from all nearby fresh water wells and have such samples analyzed for hydrocarbon contamination. This data is to be submitted to the Supervisor of the Hobbs District Office of the Division for review by October 31, 1997. The Hobbs District Office of the Division must be notified 24 hours prior to sampling so that a representative can be present.

Failure to comply with any steps of these procedures will subject the operator to a fine of \$1,000.00 per day per well per occurrence until the necessary requirements or action is complied with.

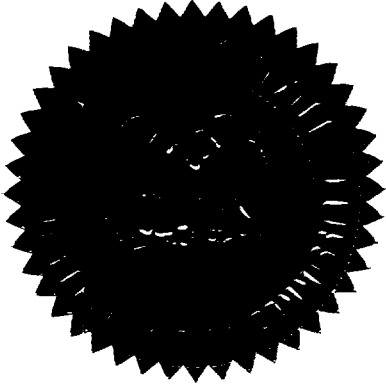
IT IS FURTHER ORDERED THAT:

(9) Should the operator either fail or refuse to carry out the provisions of this order, the Division shall take action to: (i) have the well properly plugged and abandoned; and/or (ii) clean up the well sites and related production facilities, at which time the Division Director shall take action to foreclose on the United States Fidelity and Guaranty Company \$50,000.00 blanket plugging bond on which Polaris is principal to help defer such costs accrued by the Division.

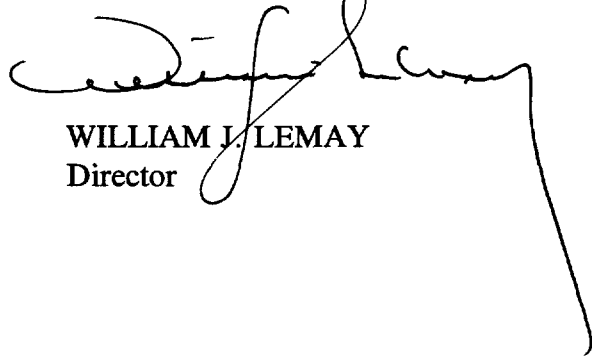
(10) The Supervisor of the Division's Hobbs District Office may, for good cause shown, lessen such fines imposed and/or have deadlines extended.

(11) 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

A handwritten signature in black ink, appearing to read "William J. Lemay". The signature is written in a cursive style and extends downwards with a long, thin tail.

WILLIAM J. LEMAY
Director