

CASE 5912: OCC TO CONSIDER THE
ESTABLISHMENT OF CATEGORIES OF
PLUGGING BONDS

Case Number

5912

Application

Transcripts

Small Exhibits

ETC.

Dockets Nos. 17-77 and 18-77 are tentatively set for hearing on May 25 and June 8, 1977. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: COMMISSION HEARING - THURSDAY - MAY 5, 1977

OIL CONSERVATION COMMISSION - 9 A.M. - MORGAN HALL
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

CASE 5912: In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider the establishment of categories of plugging bonds, including blanket bonds not exceeding \$50,000, and one-well bonds in amounts determined sufficient to reasonably pay the cost of plugging the wells covered by each bond. Also to be considered will be the exclusion from future bond forms of provisions conditioning performance on recompense for damages to livestock, range, water, crops or tangible improvements. Also to be considered will be the amendment of Rule 101 of Commission Rules and Regulations concerning the above provisions.

Docket No. 16-77

DOCKET: EXAMINER HEARING - WEDNESDAY - MAY 11, 1977

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before Daniel S. Nutter, Examiner, or Richard L. Stamets, Alternate Examiner:

ALLOWABLE: (1) Consideration of the allowable production of gas for June, 1977, from seventeen prorated pools in Lea, Eddy, Chaves, and Roosevelt Counties, New Mexico.

(2) Consideration of the allowable production of gas for June, 1977, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

CASE 5913: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Kent Shannon, American Employers' Insurance Company, and all other interested parties to appear and show cause why the following wells in Chaves County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program:

Hi Lonesome Well No. 1, located in Unit D of Section 32, Township 8 South, Range 27 East;
El Paso Well No. 1, located in Unit M of Section 36, Township 10 South, Range 26 East; and
Karma Well No. 1, located in Unit O of Section 16, Township 10 South, Range 27 East.

CASE 5914: Application of Atlantic Richfield Company for an unorthodox oil well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Wimberly WN Well No. 11, to be located 990 feet from the North line and 1490 feet from the West line of Section 24, Township 25 South, Range 37 East, Justis-Fusselman Pool, Lea County, New Mexico.

CASE 5915: Application of C. W. Trainer for directional drilling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the directional drilling of his Boyd Well No. 1, the surface location of which would be 830 feet from the South line and 2130 feet from the West line of Section 13, Township 20 South, Range 32 East, Lea County, New Mexico. Applicant proposes to vertically drill said well to a depth of from 5100 feet to 7900 feet and to then directionally drill in a southerly direction, bottoming said well in the Morrow formation at a true vertical depth of approximately 13,500 feet within 200 feet of the center of Unit F of Section 24, Township 20 South, Range 32 East. The N/2 of said Section 24 would be dedicated to the well.

CASE 5916: Application of Marathon Oil Company for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of North Vacuum-Abo, Vacuum-Wolfcamp and Vacuum Upper-Pennsylvanian production in the wellbore of its McCallister State Well No. 7 located in Unit N of Section 25, Township 17 South, Range 34 East, Lea County, New Mexico.

CASE 5917: Application of Hanagan Pet. Corp. for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Round Mountain Well No. 1, to be located 2310 feet from the North line and 660 feet from the East line of Section 34, Township 21 South, Range 25 East, Catclaw Draw-Morrow Gas Pool, Eddy County, New Mexico, all of said Section 34 to be dedicated to the well.

CASE 5918: Application of Marbob Energy Corporation for an unorthodox oil well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its EG Phillips State Well No. 10 located 2645 feet from the South line and 1325 feet from the East line of Section 27, Township 17 South, Range 28 East, Artesia Queen-Grayburg-San Andres Pool, Eddy County, New Mexico.

Nutter

#5217 TA Wells
R 5019

Drill well in 6 mo period, should
new bond be required.

Plugging costs!

Unit \$52/hr.
30¢/ft pulling
35¢
252 Jacks
700-800 Free Pt
175 + 2½¢/ft shooting
125 pump
\$1.30/mile
\$20/man/day
488-1637 BP
862-634 Retainer \$2188
225 - 485 perf
\$3.50 3X \$3.00 mud
\$745 pump truck
70-90 ft wtr
150 tank
350 welder
500 Clean up

0-7500 \$1.00/ft.
10,000 \$16,180
13,000 \$18,000

Rule 202

NEW MEXICO STATE LAND OFFICE

Santa Fe, New Mexico
J. F. HINKLE, Commissioner

OFFICE OF THE STATE GEOLOGIST

Santa Fe, New Mexico
E. H. WELLS, State Geologist

BULLETIN NO. 2

Laws, Rules and Regulations Governing the
Production and Conservation of Oil
and Gas on State and Patented
Lands in New Mexico

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

Case No. 5912 Exhibit No. 1

Submitted by OCC

Hearing Date 5-5-27

Issued by the
NEW MEXICO STATE LAND OFFICE
Santa Fe, New Mexico
November 1, 1931

AUTHORIZATION OF INSPECTION CHARGES

County Oil and Gas Inspectors shall obtain the written approval of the State Geologist before making a charge for inspection as provided for by the State laws and regulations. The charge shall be payable to the Inspector not more than ten days after its presentation properly approved.

BOND FOR CONFORMANCE WITH STATE LAWS AND REGULATIONS

Persons, associations or corporations drilling for oil and/or gas on State or patented land shall submit an acceptable surety or personal bond providing that the laws of New Mexico dealing with oil and gas and the rules and regulations of the State Geologist shall be complied with in all particulars. It shall be filed with the State Geologist before drilling is begun. Unless otherwise ordered the bond shall be for \$5,000.00 for each well. A blanket bond of \$10,000.00 or more may be approved in certain cases covering all of the wells on an individual tract or lease, the area of which shall not be greater than 1280 acres, or for all of the wells of an operator on State and privately owned land in the State. The bond shall be written to remain in effect until the approved plugging and abandonment of the well or wells is completed. The form of bond which will be acceptable should be obtained from the State Geologist.

REGULATIONS PERTAINING TO THE MANUFACTURE OF
CARBON BLACK FROM NATURAL GAS

PERMIT MUST BE OBTAINED FROM THE STATE GEOLOGIST

Before natural gas on State and patented lands in New Mexico is utilized for the manufacture of carbon black, a permit must be obtained from the State Geologist. Application for a permit should state the name of the persons, association, or company desiring to obtain it, the location of the plant, the capacity of the plant, a detailed description of the method to be used, the location of the gas wells whose production is to be used, the potential volume and rock pressure of each of the wells, the character of the gas, the amount of gasoline per thousand cubic feet, and all other data desirable in arriving at a decision as to whether or not the permit should be granted. A permit shall be obtained prior to any enlargement of the plant described in the original application.

PERIOD OF PERMITS

Permits to manufacture carbon black from natural gas shall be issued for a period of two to five years. They may be renewed from time to time, if in the opinion of the State Geologist no new

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

CIRCULAR NO. 5

STATUTES
AND
RULES AND REGULATIONS FOR
THE CONSERVATION OF OIL
AND GAS IN NEW MEXICO



BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

Case No. 5912 Exhibit No. 2

Submitted by OCC

Hearing Date 5-5-77

Compiled November 16, 1942

SANTA FE, NEW MEXICO

OIL CONSERVATION COMMISSION
GOVERNOR JOHN E. MILES, Chairman
COMMISSIONER OF PUBLIC LANDS, H. R. RODGERS, Member
STATE GEOLOGIST JOHN M. KELLY, Secretary

or operating a pipe line, shall notify the Commission of fires or blowouts which occur at oil and gas wells or oil tanks owned, operated or controlled by them; tanks struck by lightning; other fires which destroy oil and gas; breaks or leaks in tanks or pipe lines from which oil or gas escaped or is escaping; and other serious accidents. Notification shall be by telephone or telegraph giving briefly the particulars and by letter giving a more detailed account of events and conditions. Reports of fires, blowouts, breaks or leaks in tanks or pipes or other accident shall specify the location of the well, tank or pipe line break, giving the quarter, section, township and range. Notwithstanding any provision of this rule, no report need be made of any loss of oil by leakage or breakage of tanks or pipe lines where less than 100 barrels of oil was lost.

Order 4, Effective 8-12-35

Rule 38. Pipe Line Data Required

Any person as defined in Chapter 72 aforesaid, intending to operate a pipe line, whether now existing or hereafter laid, shall notify the Commission in writing of such intention and shall state the size and location of the pipe line and its depth, the appurtenant tankage and location thereof, and any other pertinent data requested by the Commission, and shall furnish a map showing the location of the line and tankage. In the case of a line to be constructed, if any changes from the plan submitted are made during construction, the Commission shall be notified of such changes. The Commission shall also be notified of any subsequent alterations in pipe lines. Nothing contained in this rule shall apply to lease lines, which are merely used in the operation of the lease on which located, nor to any line or appurtenant tankage not located within the State of New Mexico.

Order 4, Effective 8-12-35

Rule 39. Bonds

Any person as defined in Chapter 72 aforesaid who has drilled or is drilling or proposes to drill for oil or gas shall submit to the Commission and obtain its approval of a bond, in a form approved by the Commission, conditioned to plug such well, if dry or when abandoned, in such way as to confine the oil, gas and water in the respective strata in which they are found, and to prevent them from escaping into other strata. The bond shall be in an amount determined by the Commission after taking into consideration the depth of the well and local conditions, but in no case shall the amount of the bond applicable to one well only be more than \$10,000.00. Each such bond shall be executed by a responsible surety company, authorized to transact business in the State of New Mexico, or by not less than two individual sureties, each of whom shall own real estate situated within the State, and worth not less than twice the amount of the bond after deducting from the value of such property all exemptions and encumbrances. The ownership by each individual surety of property as aforesaid shall be evidenced to the Commission by a certificate from the Tax Assessor of the county wherein the land is situated or by an affidavit made by any District Judge having jurisdiction over such county, or by the affidavits of not less than two responsible residents of the State of New Mexico who have personal knowledge of the facts and so state in their affidavits. The Commission reserves the right to decline to approve any bond with individual sureties. In cases where the principal on the bond is drilling or operating a number of wells within the State or proposes to do so, such principal may, with the approval of the Commission, submit a blanket bond conditioned as above provided, covering all wells which such person may at any time before such bond is released, drill or operate within this State. The amount of any such blanket bond shall not be less than \$10,000.00.

When the well or wells involved, or any such wells, are located on a State oil and gas lease, and the surface of the land involved was sold by the State prior to such oil and gas lease, such bond may, at the election of the principal, be conditioned not only for the plugging of such well or wells as above provided, but also to secure the payment of such damages to the livestock, range, water, crops or tangible improvements on such land as may be suffered

by such purchaser or his successors in interest by reason of the development, use and occupation of such land resulting from such oil and gas leases.

Any bond conditioned as provided in the last preceding sentence must be approved, not only by the Commission, but by the Commissioner of Public Lands, in his capacity as such.

All liability on bonds conditioned for the plugging of a well or wells shall continue until the plugging of such well or wells is completed and approved. Bonds conditioned to protect surface owners as aforesaid shall cover liability incurred during the entire period of oil and gas operations by the principal on the lands involved.

The Commission will in writing advise the principal and sureties on any bond conditioned to plug wells, as to whether the plugging is approved, in order that, if the plugging is approved, liability under such bond may be formally terminated.

Forms of bonds which will be acceptable will be furnished by the Commission.

Both forms—for one well bond and blanket bond form—distributed from this Commission's office at Santa Fe.

CORPORATE SURETY REQUIRED

EXCERPTS FROM MINUTES EXECUTIVE SESSION APRIL 26, 1937

In view of the unsatisfactory condition of the bonds heretofore received by the Commission, it was ordered that henceforth no drilling bond shall be acceptable other than a bond executed by a surety company and that the minimum drilling bond in all cases be set at \$5,000.00.

Amount of Corporate Surety Bond for Deep Well and Shallow Well

EXCERPTS OF THE EXECUTIVE MEETING OF THE OIL CONSERVATION COMMISSION HELD SEPTEMBER 27, 1937,

wherein the following resolution regarding bond requirements was adopted:

The matter of changing bonding requirements was presented to the Commission; in connection with such, the Commission passed the following resolution:

WHEREAS, the matter of proper bonding being important because of fire hazards and contamination and the damage of spoiling producing areas of oil and gas and the pollution of water;

BE IT, THEREFORE, RESOLVED:

1. That the requirements of a corporate surety licensed by the Insurance Commission of New Mexico shall remain in effect.
2. For the area of Lea County the bonding requirement shall remain at \$5,000.00 per well, regardless of the fact whether such Lea County wells shall come under the classification of deep or shallow wells.
3. ALL DEEP wells anywhere in the State shall require a \$5,000.00 bond. A DEEP well is defined as over 1500 feet in depth. A SHALLOW well shall not be more than 1500 feet in depth.
4. That the SHALLOW wells shall require a \$2,500 bond.

* For the purposes of the Commission the bond required is a plugging bond, not a drilling bond, and is to endure up to and including approved plugging when the well is dry or abandoned, even though the well be a producer. Transfer of property does not release the bond. In case of transfer of property or other interest in the well and the principal desires to be released from the bond covering a well or wells, such as producers, not ready for plugging, the principal should proceed as follows:

The holder of the approved Notice of Intention to Drill, in effect constituting the permit to drill, usually the principal on the bond, should notify the Commission in writing in the form of a transfer wherein said party recites that a certain well, if it be only one well, or all wells, if there are several wells, describing each well by 40-acre tract—section, township and range, has or have been transferred to a certain transferee, naming such transferee, for the purpose of ownership or operation. Such transfer must be dated and signed by a party duly authorized so to sign.

Beneath said transfer the transferee should recite that such transferee has read the foregoing statement and does accept such transfer and does accept the responsibility of such well under his one-well bond tendered with corporate surety or such wells, as the case may be, under his blanket bond being tendered to or on file with the Commission. Such acceptance must likewise be signed by a party authorized so to sign.

When the Commission has passed upon the transfer and acceptance and accepted it under the transferee's bond the transferor is immediately released of the plugging responsibility of the well or wells as the case may be and if such well or wells include all the wells within the responsibility of the transferor's bond, such bond will be released upon written notice by the Commission to that effect.

Order 4, Effective 8-12-35

Rule 40. Special Rules and Regulations

The Commission shall adopt special rules and regulations for fields or areas when in its judgment such rules and regulations are required.

Order 4, Effective 8-12-35

Rule 41. Conflicts Between General and Special Rules and Regulations

In case of conflict between a general and a special rule or regulation, the special rule or regulation shall prevail without regard to the effective dates of the respective rules or regulations, unless the contrary is clearly prescribed by the Commission.

Order 4, Effective 8-12-35

Rule 42. Permissible Exceptions to the Rules and Regulations

When emergencies arise during the drilling, operation or plugging of wells, and when complete compliance with the general rules and regulations or any special rules and regulations that are adopted by the Commission will cause material unnecessary and avoidable delay and expense, the conditions may be communicated to the Commission or its proper agents with the request that an exception be made to meet the particular emergency.

Order 4, Effective 8-12-35

Rule 43. Enforcement of Laws, Rules and Regulations Dealing with Conservation of Oil and Gas

The oil conservation laws and the general and special rules and regulations of the Commission shall be enforced by the Commission and its authorized agents. Orders of oil and gas inspectors and other agents should be obeyed immediately. These orders shall be subject to review by the Commission if an appeal is filed with it as soon as practicable, but the pendency of such an appeal shall not operate to excuse compliance with the order appealed from, unless the Commission or a majority thereof so direct.

Owners should obtain information from the Commission as to the Oil and Gas Inspector having direct supervision over their operations, where notices and reports should be sent, etc. Forms for submitting notices, requests and reports can be obtained from the Commission at Santa Fe or from its designated agents.

Order 4, Effective 8-12-35

Rule 44. Notice to Contractors, Drillers and Others to Observe Rules

All contractors and drillers carrying on business or doing work in the oil and gas fields of the State and also all lease holders, land owners and operators generally, are hereby directed to take notice of and comply with the rules and regulations of the Commission.

Order 4, Effective 8-12-35

Rule 45. Commission to Co-operate with Proper Agents of the United States

The Commission and its agents shall co-operate and invite the co-operation of the agents of the Conservation Branch of the United States Geological Survey and other proper agents of the United States.

INACTIVE WELLS IN STATE OF NEW MEXICO COMPARED TO ACTIVE WELLS

	<u>1974</u>	<u>1975</u>	<u>1976</u>
Total Oil Wells	20,309	19,972	20,212
Inactive Oil Wells	3,932	3,112	3,045
% Inactive	19.4	15.6	15.1
Total Gas Wells	10,310	10,779	11,151
Inactive Gas Wells	385	415	467
% Inactive	3.7	3.9	4.2
Total Wells	30,619	30,751	31,363
Total Inactive	4,317	3,527	3,512
% Inactive	14.1	11.5	11.2

NOTE: "Active wells" includes producing wells at end of year and authorized injection wells but does not include water supply or disposal wells nor drilling wells.

"Inactive wells" includes former producing wells not producing at the end of each year but does not include wells converted to water supply or disposal wells nor water injection wells even though not on active injection at end of year. Also does not include inactive drilling wells.

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 5912 Exhibit No. 3
Submitted by OCC
Hearing Date 5-5-77

Sheet 1

INACTIVE WELLS IN STATE OF NEW MEXICO COMPARED TO ACTIVE WELLS

	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>
Total Oil Wells	19,353	20,001	19,842	19,891	20,035	20,050
Inactive Oil Wells	2,356	2,421	3,280	3,768	3,885	3,938
% Inactive	12.2	12.1	16.5	18.9	19.4	19.6
Total Gas Wells	8,841	9,160	9,236	9,394	9,690	10,136
Inactive Gas Wells	302	328	338	369	367	351
% Inactive	3.4	3.6	3.7	3.9	3.8	3.5
Total Wells	28,194	29,161	29,078	29,285	29,725	30,186
Total Inactive	2,658	2,749	3,618	4,137	4,252	4,289
% Inactive	9.4	9.4	12.4	14.1	14.3	14.2

NOTE: "Active wells" includes producing wells at end of year and authorized injection wells but does not include water supply or disposal wells nor drilling wells.

"Inactive wells" includes former producing wells not producing at the end of each year but does not include wells converted to water supply or disposal wells nor water injection wells even though not on active injection at end of year. Also does not include inactive drilling wells.

April 23, 1974

Sheet 2

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 5217 Exhibit No. 1
Submitted by oec
Hearing Date 4-23-74

The Legislature
of the
State of New Mexico

33rd Legislature, 1st Session

LAWS 1977

CHAPTER 237

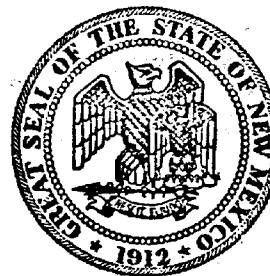
SENATE FINANCE COMMITTEE SUBSTITUTE FOR

SENATE BILL 435

with certificate of correction

Introduced by

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 5912 Exhibit No. 4
Submitted by OCC
Hearing Date 5-5-77



1 Apart from any authority, express or implied, elsewhere given to
2 or existing in the commission by virtue of this act or the statutes of
3 this state, the commission is hereby authorized to make rules, regula-
4 tions and orders for the purposes and with respect to the subject
5 matter stated herein, viz:

6 (1) To require dry or abandoned wells to be plugged in
7 such a way as to confine the crude petroleum oil, natural gas or water
8 in the strata in which they are found, and to prevent them from
9 escaping into other strata; the commission shall require a corporate
10 surety bond in a sum not to exceed fifty thousand dollars (\$50,000)
11 conditioned for the performance of such regulations;

12 (2) To prevent crude petroleum oil, natural gas or
13 water from escaping from strata in which they are found into another
14 stratum or other strata;

15 (3) To require reports showing location of all oil or
16 gas wells, and for the filing of logs and drilling records or reports;

17 (4) To prevent the drowning by water of any stratum or
18 part thereof capable of producing oil or gas, or both oil and gas, in
19 paying quantities, and to prevent the premature and irregular encroach-
20 ment of water, or any other kind of water encroachment, which reduces
21 or tends to reduce the total ultimate recovery of crude petroleum oil
22 or gas, or both such oil and gas, from any pool;

23 (5) To prevent fires;

24 (6) To prevent 'blow-outs' and 'caving' in the sense
25 that the conditions indicated by such terms are generally understood

1 the oil and gas business;

2 (7) To require wells to be drilled, operated and pro-
3 duced in such manner as to prevent injury to neighboring leases or
4 properties;

5 (8) To identify the ownership of oil or gas producing
6 leases, properties, wells, tanks, refineries, pipelines, plants, struc-
7 tures and all transportation equipment and facilities;

8 (9) To require the operation of wells with efficient
9 gas-oil ratios and to fix such ratios;

10 (10) To fix the spacing of wells;

11 (11) To determine whether a particular well or pool is
12 a gas or oil well, or a gas or oil pool, as the case may be, and from
13 time to time to classify and reclassify wells and pools accordingly;

14 (12) To determine the limits of any pool or pools pro-
15 ducing crude petroleum oil or natural gas or both, and from time to time
16 redetermine such limits;

17 (13) To regulate the methods and devices employed for
18 storage in this state of oil or natural gas or of any product including
19 the subsurface storage of natural gas;

20 (14) To permit the injection of natural gas or of any
21 other substance into any pool in this state for the purpose of repres-
22 suring, cycling, pressure maintenance or secondary recovery operation;

23 (15) To regulate the disposition of water produced or
24 used in connection with the drilling for or producing of oil or gas, or
25 both, and to direct surface or subsurface disposal of such water in

CHAPTER 237

AN ACT

RELATING TO OIL AND GAS; PROVIDING FOR THE PLUGGING OF DRY AND ABANDONED OIL AND GAS WELLS; INCREASING THE OIL CONSERVATION TAX; CREATING AN OIL AND GAS RECLAMATION FUND; AMENDING, REPEALING AND ENACTING CERTAIN SECTIONS OF THE NMSA 1953; MAKING AN APPROPRIATION.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

Section 1. A new Section 65-3-1.1 NMSA 1953 is enacted to read:
"65-3-1.1. SHORT TITLE.--Sections 65-3-1.1 through 65-3-31 and 65-3-35 and 65-3-36 NMSA 1953 may be cited as the "Oil and Gas Act"."

Section 2. Section 65-3-11 NMSA 1953 (being Laws 1935, Chapter 72, Section 10, as amended) is amended to read:

"65-3-11. ENUMERATION OF POWERS.--Included in the power given to the commission is the authority to collect data; to make investigations and inspections; to examine properties, leases, papers, books and records; to examine, check, test and gauge oil and gas wells, and tanks, plants, refineries, and all means and modes of transportation and equipment; to hold hearings; to provide for the keeping of records and the making of reports and for the checking of the accuracy thereof; to limit and prorate production of crude petroleum oil or natural gas, or both, as in this act provided; to require either generally or in particular areas certificates of clearance or tenders in connection with the transportation of crude petroleum oil or natural gas or any products thereof, or both such oil and products, or both such natural gas and products.

SFCS/SENATE BILL 435
Approved April 6, 1977

1 shall collect the forfeiture without delay.

2 D. All forfeitures shall be deposited in the state treasury
3 in the oil and gas reclamation fund.

4 E. When the surety bond proves insufficient to cover the
5 cost of plugging oil and gas wells on land other than federal land and
6 funds must be expended from the oil and gas reclamation fund to meet
7 the additional expenses, the oil conservation commission is authorized
8 to bring suit against the operator in the district court of the county
9 in which the well is located for indemnification for all costs incurred
10 by the oil conservation commission in plugging the well. All funds
11 collected pursuant to a judgment in a suit for indemnification brought
12 under the provisions of this section shall be deposited in the oil and
13 gas reclamation fund."

14 Section 4. A new Section 65-3-37 NMSA 1953 is enacted to read:

15 "65-3-37. OIL AND GAS RECLAMATION FUND CREATED--DISPOSITION OF
16 FUND.--There is hereby created the "oil and gas reclamation fund".
17 All funds in the oil and gas reclamation fund and the earnings there-
18 from are appropriated to the oil conservation commission to be
19 expended by it in carrying out the provisions of the Oil and Gas Act."

20 Section 5. A new Section 65-3-38 NMSA 1953 is enacted to read:

21 "65-3-38. OIL AND GAS RECLAMATION FUND ADMINISTERED--PLUGGING
22 WELLS ON FEDERAL LAND--RIGHT OF INDEMNIFICATION--ANNUAL REPORT--CON-
23 TRACTORS SELLING EQUIPMENT FOR SALVAGE.--

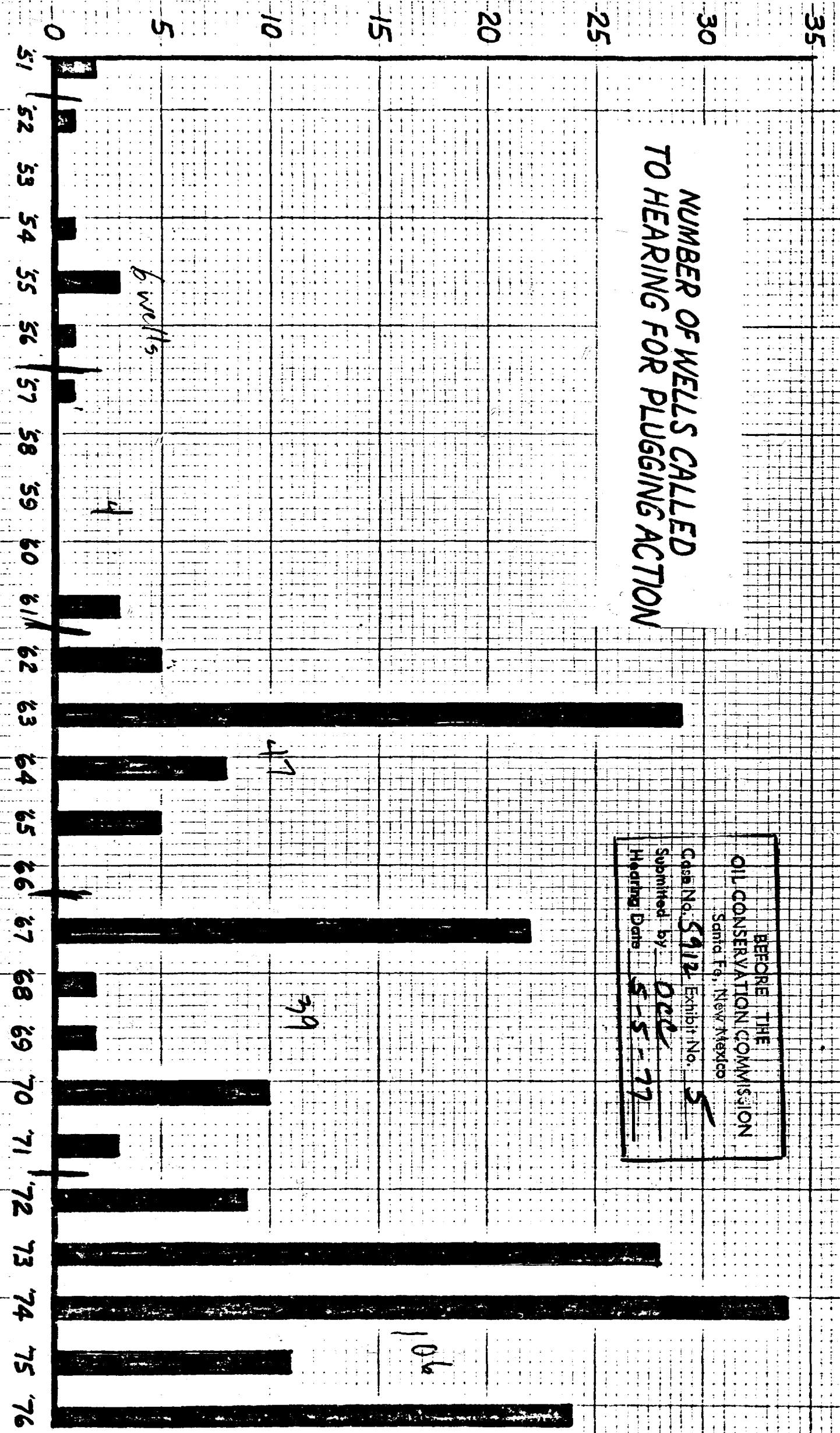
24 A. The oil and gas reclamation fund shall be administered by
25 the oil conservation commission. The director of the commission shall

1 cause to be prepared plans for the plugging of abandoned wells which
2 have not been plugged or which have been improperly plugged. The di-
3 rector, as funds become available in the oil and gas reclamation fund,
4 shall reclaim, and properly plug, all abandoned wells in accordance
5 with the provisions of the Oil and Gas Act, and the rules and regula-
6 tions promulgated thereunder. The commission may order wells plugged
7 on federal lands on which there are no bonds running to the benefit of
8 the state in the same manner and in accordance with the same proce-
9 dures as with wells drilled on state and fee land, including utilizing
10 funds from the oil and gas reclamation fund to pay the cost of such
11 plugging. When the costs of plugging a well drilled on federal mineral
12 leases are paid from the oil and gas reclamation fund, the commission
13 is authorized to bring a suit against the operator or the owner of the
14 minerals under the tract, or both, in the district court of the county
15 in which the well is located for indemnification for all costs incurred
16 by the commission in plugging said well. Any funds collected pursuant
17 to a judgment in a suit for indemnification brought under the Oil and
18 Gas Act shall be deposited in the oil and gas reclamation fund.

19 B. The director shall make an annual report to the commis-
20 sion, the energy resources board, the governor and the legislature on
21 the use of the oil and gas reclamation fund.

22 C. All contracts for well plugging shall be entered into in
23 accordance with the provisions of the Public Purchases Act. Any con-
24 tractor employed by the commission to plug a well is authorized to se-
25 for salvage the equipment and material which is removed from the well

NUMBER OF WELLS CALLED TO HEARING FOR PLUGGING ACTION



BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

Case No. 5912 Exhibit No. 5
Submitted by DEC
Hearing Date 5-5-77

PRINCIPAL

Address
By _____
Signature

Title

SURETY

Address
By _____
Attorney-in-Fact

(Note: Principal, if corporation, affix corporate seal here.)

(Note: Corporate surety affix corporate seal here.)

(Note: If corporate surety executes this bond by an attorney-in-fact not in New Mexico, the resident New Mexico agent shall countersign here below.)

Countersigned by:

New Mexico Resident Agent

Address

ACKNOWLEDGMENT FORM FOR NATURAL PERSONS

STATE OF _____)
COUNTY OF _____) ss.

On this _____ day of _____, 19____, before me personally appeared _____, to me known to be the person (persons) described in and who executed the foregoing instrument and acknowledged that he (they) executed the same as his (their) free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and seal on the day and year in this certificate first above written.

My Commission expires

Notary Public

ACKNOWLEDGMENT FORM FOR CORPORATION

STATE OF _____)
COUNTY OF _____) ss.

On this _____ day of _____, 19____, before me personally appeared _____, to me personally known who, being by me duly sworn, did say that he is _____ of _____ and that the foregoing instrument was signed and sealed on behalf of said corporation by authority of its board of directors, and acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and seal on the day and year in this certificate first above written.

My Commission expires

Notary Public

ACKNOWLEDGMENT FORM FOR CORPORATE SURETY

STATE OF _____)
COUNTY OF _____) ss.

On this _____ day of _____, 19____, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is _____ of _____ and that the foregoing instrument was signed and sealed on behalf of said corporation by authority of its board of directors, and acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and seal on the day and year in this certificate first above written.

My Commission expires
(Note: Corporate surety attach power of attorney.)

Notary Public

~~APPROVED BY:~~

APPROVED BY:
OIL CONSERVATION COMMISSION OF NEW MEXICO

~~Commissioner of Public Lands~~

By _____

Date _____



Production Department
Hobbs Division
Western Hemisphere Petroleum Division

Continental Oil Company
P.O. Box 480
1001 North Turner
Hobbs, New Mexico 88240
(505) 393-4141

May 2, 1977

New Mexico Oil Conservation Commission
P.O. Box 2088
Santa Fe, New Mexico 87501

Attention Mr. J. D. Ramey, Secretary-Director

Gentlemen:

May 5 Hearing on Bonding Requirements

Continental Oil Company operates approximately 1,700 wells in the State of New Mexico of which between 20 and 25% are shut-in for various reasons. We recognize that the blanket bond would be insignificant if the State of New Mexico were faced with plugging these wells. Continental has been operating in New Mexico for approximately fifty years and, to our knowledge, there has never been any problem with Continental plugging any well which the state insisted should be plugged. Continental Oil Company has in the past, and expects in the future, to operate in a prudent and lawful manner and will fulfill its obligations and responsibilities in regard to wells which we operate.

We urgently request that the Commission take our performance record into consideration, together with evidence of our financial responsibility in setting any bonding requirement for our company. We should be happy to supply you a copy of the annual report should you need verification of our financial status.

It is respectfully requested that the Commission take such information into account in setting bonding requirements for Continental Oil Company and all other operators in the State of New Mexico. We believe that the current bond posted by Continental Oil Company is more than adequate to assure our compliance with your rules and regulations. In fact, we would comply with these rules in the absence of a bond. It is, therefore, respectfully suggested that Continental's bonding requirements not be

New Mexico Oil Conservation Commission
Page 2
May 2, 1977

changed or, if a change is considered necessary, that the additional bonding represent only a moderate increase.

Yours very truly,

E. L. Oshlo

E. L. Oshlo
Assistant Division Manager

jj

CC:

C. F. Ellis - Houston
F. O. Hull - Houston
J. W. Kellahin - Santa Fe

Dockets Nos. 17-77 and 18-77 are tentatively set for hearing on May 25 and June 8, 1977. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: COMMISSION HEARING - THURSDAY - MAY 5, 1977

OIL CONSERVATION COMMISSION - 9 A.M. - MORGAN HALL
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

CASE 5912: In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider the establishment of categories of plugging bonds, including blanket bonds not exceeding \$50,000, and one-well bonds in amounts determined sufficient to reasonably pay the cost of plugging the wells covered by each bond. Also to be considered will be the exclusion from future bond forms of provisions conditioning performance on recompense for damages to livestock, range, water, crops or tangible improvements. Also to be considered will be the amendment of Rule 101 of Commission Rules and Regulations concerning the above provisions.

Docket No. 16-77

DOCKET: EXAMINER HEARING - WEDNESDAY - MAY 11, 1977

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before Daniel S. Nutter, Examiner, or Richard L. Stamets, Alternate Examiner:

- ALLOWABLE: (1) Consideration of the allowable production of gas for June, 1977, from seventeen prorated pools in Lea, Eddy, Chaves, and Roosevelt Counties, New Mexico.
- (2) Consideration of the allowable production of gas for June, 1977, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

CASE 5913: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Kent Shannon, American Employers' Insurance Company, and all other interested parties to appear and show cause why the following wells in Chaves County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program:

Hi Lonesome Well No. 1, located in Unit D of Section 32, Township 8 South, Range 27 East;
El Paso Well No. 1, located in Unit M of Section 36, Township 10 South, Range 26 East; and
Karma Well No. 1, located in Unit O of Section 16, Township 10 South, Range 27 East.

CASE 5914: Application of Atlantic Richfield Company for an unorthodox oil well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Wimberly WN Well No. 11, to be located 990 feet from the North line and 1490 feet from the West line of Section 24, Township 25 South, Range 37 East, Justis-Fusselman Pool, Lea County, New Mexico.

CASE 5915: Application of C. W. Trainer for directional drilling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the directional drilling of his Boyd Well No. 1, the surface location of which would be 830 feet from the South line and 2130 feet from the West line of Section 13, Township 20 South, Range 32 East, Lea County, New Mexico. Applicant proposes to vertically drill said well to a depth of from 5100 feet to 7900 feet and to then directionally drill in a southerly direction, bottoming said well in the Morrow formation at a true vertical depth of approximately 13,500 feet within 200 feet of the center of Unit F of Section 24, Township 20 South, Range 32 East. The N/2 of said Section 24 would be dedicated to the well.

CASE 5916: Application of Marathon Oil Company for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of North Vacuum-Abo, Vacuum-Wolfcamp and Vacuum Upper-Pennsylvanian production in the wellbore of its McCallister State Well No. 7 located in Unit N of Section 25, Township 17 South, Range 34 East, Lea County, New Mexico.

CASE 5917: Application of Hanagan Pet. Corp. for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Round Mountain Well No. 1, to be located 2310 feet from the North line and 660 feet from the East line of Section 34, Township 21 South, Range 25 East, Catelaw Draw-Morrow Gas Pool, Eddy County, New Mexico, all of said Section 34 to be dedicated to the well.

CASE 5918: Application of Martob Energy Corporation for an unorthodox oil well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its NG Phillips State Well No. 10 located 2645 feet from the South line and 1325 feet from the East line of Section 27, Township 17 South, Range 28 East, Artesia Queen-Grayburg-San Andres Pool, Eddy County, New Mexico.

Commission hearing - May 5 all
Case 5912 Report

In the matter of the hearing called by the
OCC on its own motion to consider the
establishment of categories of plugging bonds,
including blanket bonds not exceeding
\$50,000, and one well bonds in amounts
determined sufficient to reasonably pay
the cost of plugging the wells covered by
each bond. Also to be considered will
be the exclusion from future bond forms
of provisions conditioning performance on
recompense for damages to livestock,
range, water, crops or tangible
improvements. Also to be considered
will be the amendment of Rule 101 <sup>of Commission
Rules and
Regulations</sup>
~~delete paragraph (c)~~ concerning the
^{above}
~~said~~ provisions.

Don't

SF ✓
Hobbs ✓
Cortez ✓
Farmington ✓
Roswell ✓
Española ✓
Albuquerque ✓
Portales ✓
 Gallup ✓
~~Albuquerque~~
Las Vegas ✓
~~Albuquerque~~

10
letters

30 copies
of ad

NEW MEXICO OIL CONSERVATION COMMISSION

COMMISSION HEARING

SANTA FE, NEW MEXICO

Hearing Date

MAY 5, 1977

Time: 9:00 A.M.

NAME	REPRESENTING	LOCATION
Al Kendrick	o c c	Artes
Les Clement	N.M.O.C.	Valle
Nathan E. Clegg	N.M.O.C.C	Hobbs
E.R. Manning	El Paso Natural	El Paso
Ray Graham	NM State Land Office	Santa Fe

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
May 5, 1977

COMMISSIONER HEARING

IN THE MATTER OF:

The hearing called by the OCC on its own motion to consider the establishment of categories of plugging bonds. CASE 5912

BEFORE: Joe D. Ramey, Secretary-Director
Phil Lucero, Member
Emery Arnold, Member

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the New Mexico Oil	Lynn Teschendorf, Esq.
Conservation Commission:	Legal Counsel for the Commission
	State Land Office Building
	Santa Fe, New Mexico

sid morrish reporting service
General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

I N D E X

	<u>Page</u>
<u>DANIEL S. NUTTER</u>	
Direct Examination by Ms. Teschendorf	3
Cross Examination by Mr. Ramey	39
Cross Examination by Mr. Kendrick	40
Cross Examination by Mr. Lucero	41
Cross Examination by Mr. Arnold	43

EXHIBIT INDEX

	<u>Offered</u>	<u>Admitted</u>
OCC Exhibit One, Reprint of Bulletin	4	39
OCC Exhibit Two, Reprint of Statutes	5	39
OCC Exhibit Three, Tabulation	11	39
OCC Exhibit Four, Senate Bill	17	39
OCC Exhibit Five, Tabulation	23	39
OCC Exhibit Six, Proposed Rule Change	29	39
OCC Exhibit Seven, Bond Forms	33	39

sid morrish reporting service
General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

1 MR. RAMEY: We will call case 5912.

2 MS. TESCHENDORF: Case 5912 in the matter of the
3 hearing called by the Oil Conservation Commission on its own
4 motion to consider the establishment of categories of plugging
5 bonds, including blanket bonds not exceeding fifty thousand
6 dollars and one-well bonds in amounts determined sufficient
7 to reasonably pay the cost of plugging the wells covered by
8 each bond. Also to be considered will be the exclusion from
9 future bond forms of provisions conditioning performance on
10 recompense for damages to livestock, range, water, crops or
11 tangible improvements. Also to be considered will be the
12 amendment of Rule 101 of Commission Rules and Regulations con-
13 cerning the above provisions.

14 MR. RAMEY: I'll ask for appearances at this time.

15 MS. TESCHENDORF: Lynn Teschendorf appearing on
16 behalf of the Commission and I have one witness to be sworn.

17 MR. RAMEY: Any other appearances?

18 (THEREUPON, the witness was duly sworn.)

19 MR. RAMEY: You may proceed, counselor.

20
21 DANIEL S. NUTTER

22 called as a witness, having been first duly sworn, was examined
23 and testified as follows:

24 DIRECT EXAMINATION

25 BY MS. TESCHENDORF:

sid morrish reporting service
General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

sid morrish reporting service
General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 983-9212

1 Q Please state your name and place of residence?

2 A Dan Nutter, Santa Fe, New Mexico.

3 Q What is your occupation and by whom are you employed?

4 A I'm employed by the New Mexico Oil Conservation

5 Commission as Chief Engineer.

6 Q Do your activities as Chief Engineer for the Oil

7 Commission include making recommendations on proposed rule

8 changes?

9 A Yes, they do.

10 Q Are you familiar with the changes proposed in Case

11 5912?

12 A Yes, I am.

13 Q Briefly what is that proposal?

14 A Briefly the proposal is to amend Rule 101 entitled

15 "Plugging Bond of the Commission Rules and Regulations" and the

16 bond forms which are used pursuant to that rule.

17 Q Would you refer to Exhibit One now and explain it to

18 the Commission?

19 A Okay. Exhibit Number One is a reprint of the front

20 cover of Bulletin No. 2 issued by the Office of the State

21 Geologist and the New Mexico State Land Office on November 1,

22 1931.

23 It is also a copy of page twenty-four of that

24 booklet regarding the bond which was required by the State

25 Geologist in 1931 for the drilling of oil and gas wells on State

1 and patented lands in the State of New Mexico. The State
2 Geologist required an acceptable surety or personal bond and
3 ordered that the bond shall be for five thousand dollars for
4 each well. He also recognized a blanket bond of ten thousand
5 dollars for all wells that were drilled by that operator on
6 State and privately owned land in the State of New Mexico.

7 Q Now refer to Exhibit Two and explain that?

8 A Exhibit Number Two is a reproduction of the front
9 cover and three pages from Circular No. 5 issued by the Oil
10 Conservation Commission on November 16, 1942.

11 On page thirty-three of that book Rule 39 which was
12 from Order No. 4 which was effective August 12th, 1935 is
13 reproduced. We see by examination of Rule 39 that in 1935 the
14 Commission adopted a bond which would be set by the Commission
15 but in no case would be more than ten thousand dollars. They
16 also note by the red brackets, I think all of those exhibits
17 are marked, that this bond could be issued by a surety company
18 or by not less than two individual sureties, each of whom shall
19 own real estate situated within the State and worth not less
20 than twice the amount of the bond after deducting from the value
21 of such property all exemptions and encumbrances. The ownership
22 of each individual surety or property as aforesaid shall be
23 evidenced to the Commission by a certificate from the Tax
24 Assessor of the county wherein the land is situated or by an
25 affidavit made by a District Judge having jurisdiction over

sid morrison reporting service

General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

1 such county or by the affidavits of not less than two
2 responsible residents of the State of New Mexico who have
3 personal knowledge of the facts and so state in their affidavits.
4 The Commission reserves the right to decline to approve any
5 bond with individual sureties.

6 Well, now, this rule was adopted in 1935 and remained
7 in effect until 1937, up to the point on the next page where
8 the red line is drawn.

9 In 1937, on April 26th, 1937, the Commission stated
10 that in view of the unsatisfactory condition of the bonds
11 heretofore received by the Commission, it was ordered that
12 henceforth no drilling bond shall be acceptable other than a bond
13 executed by a surety company and that the minimum drilling
14 bond in all cases will be set at five thousand dollars.

15 So, while they were still accepting blanket bonds,
16 they would no longer accept any personal or property bond, they
17 insisted on a surety bond because of unsatisfactory performance
18 with the personal bonds and declared a minimum one-well bond
19 at five thousand dollars. Apparently there was some opposition
20 to this and on September 27th, 1937 the Commission had another
21 executive meeting and decided that a one-well bond would be
22 five thousand dollars if it were a deep well and two thousand
23 five hundred dollars if it were a shallow well. A deep well
24 at that time was defined as anything over fifteen hundred feet
25 deep. The deep-well bond would also in all cases be required

old morrish reporting service

General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

1 in Lea County, regardless of whether the well were a shallow
2 well or a deep well and a shallow well bond elsewhere in the
3 State would be twenty-five hundred dollars.

4 The writing in italics, marked by the little "x" on
5 page thirty-four, was some other language that the Commission
6 added by executive order. The rule was not changed, just the
7 language was added explaining how the bonds would be handled.

8 Now, this rule was not changed from 1935 until 1950
9 when the Commission reissued all of its Rules and Regulations
10 again. When the Rules and Regulations were reissued in 1950
11 this language which is included in italics at the bottom of
12 page thirty-four and the top of page thirty-five was incorpora-
13 ted in Rule 101.

14 Now in other words, the Rule as it is written today
15 starts back on page thirty-three, with the exception of
16 the language that is enclosed in the little red brackets
17 relating to the property bond, and goes on through the italics
18 on pages thirty-four and thirty-five. The Rule has not been
19 changed since 1950 then.

20 Now as I mentioned, there was no change in any
21 bonding requirements from 1935 to 1950. Subsequent to that
22 there had been no actual change in Rule 101, but in 1974, in
23 April and June, the Commission heard Case Number 5217 to con-
24 sider the definition of "temporary abandonment of wells", to
25 consider limiting the time that a well could stay on a temporary

sid morrison reporting service

General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

1 abandoned status and consider the requirement for individual
2 one-well bonds for wells that were on a temporary abandoned
3 status.

4 Q What order was entered in Case 5217?

5 A As I mentioned, the hearing was in April and June of
6 1974, Order Number 5019 was entered on May 20th, 1975 and it
7 was effective July the first of 1975. Now while it did not
8 change the rule relating to bonds it did have some reference to
9 bonds in it.

10 I'm going to read several of the findings in this
11 Order that was entered in May 1975, effective July 1, 1975.

12 (Reading.) That this case was called to consider
13 the problem of a growing number of inactive wells in the State
14 of New Mexico.

15 That as the State gets older in the production of
16 oil and gas, more and more wells reach their economic limit
17 each year and are placed on an inactive status.

18 That the State of New Mexico is arriving at approxi-
19 mately (quotes) middle age in oil and gas production.

20 That unless firm steps are taken to insure that wells
21 will be properly plugged and abandoned when they are no longer
22 useful, the number of inactive wells in this State will
23 continue to increase.

24 That such wells constitute a potential underground
25 hazard and a threat to the inviolability of ground waters and

sid morrish reporting service

General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

1 they must eventually be properly plugged and abandoned.

2 That some of the older oil and gas producing states
3 have found it necessary to resort to the use of public funds
4 for the plugging and abandonment of old wells which had
5 accumulated over the years.

6 That unless firm steps are taken to insure that wells
7 are properly plugged and abandoned that when they are no
8 longer useful it is likely that public funds will eventually
9 have to be used to plug and abandon wells in this State. (End
10 of reading.)

11 After those findings and a number of others, the order
12 was entered which revised Rule 202. It defined a temporarily
13 abandoned well; it allowed a drilling well to stay on an
14 inactive status for sixty day; it allowed a producing or other
15 well to remain on an inactive status for six months and then
16 at that time it was required to have a temporary abandonment
17 permit issued by the District Supervisor of the appropriate
18 district. The temporary abandonment permit would be good for
19 one year and could be renewed by the District Supervisor for
20 an additional one year. Upon the expiration of the extension
21 to the temporary abandonment permit, the well would be required
22 to be put to beneficial use or plugged and abandoned unless it
23 could be shown to the Commission after notice and hearing that
24 good cause exists why the well should not be plugged and
25 abandoned and a further extension to the temporary abandonment

old morrish reporting service

General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

1 permit should be issued.

2 Now, certain categories of wells were authorized for
3 a waiver of the requirement that this further extension to
4 temporary abandonment would be granted only after notice and
5 hearing. A remote or unconnected commercial gas well or a
6 presently noncommercial gas well which may reasonably be
7 expected to be commercial within the foreseeable future because of
8 anticipated gas price increase or a well in an oil pool in
9 which secondary recovery operations have by actual performance
10 been shown to be commercially feasible and which wells may
11 with reasonable certainty be expected to be included in a
12 bonafide secondary recovery project within the foreseeable
13 future would not have to have a hearing for their extension
14 of the temporary abandonment. However, other wells would and
15 there was a provision there that the Commission could require
16 a one-well plugging bond for that well if it were to remain
17 on a temporary abandoned status.

18 That was the only revision of the Rule insofar as
19 bonds themselves are concerned. It was the potential likelihood
20 of one-well bonds being required on individual wells when they
21 were remaining on a temporary abandoned status for a long period
22 of time.

23 At that hearing a great deal was said about the
24 number of inactive wells in the State and how this number of
25 wells was increasing.

old morrish reporting service
General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

sid morrish reporting service
General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

1 Exhibit Number Three in this hearing today is
2 comprised of two sheets. Sheet number two here is a reprint
3 of Exhibit Number One which was presented at the hearing of
4 April 23rd, 1974. This showed the number of inactive wells in
5 the State of New Mexico compared to the active wells for the
6 years 1968 through 1973. We can see that as far as oil wells
7 are concerned, in 1968, twelve point two percent of the oil
8 wells were inactive or two thousand three hundred and fifty-
9 six out of nineteen thousand three hundred and fifty-three. By
10 1973 this number had grown so that there were three thousand
11 nine hundred and thirty-eight inactive wells out of a total of
12 twenty thousand and fifty. This was nineteen point six percent
13 where in 1968 the number of inactive oil wells was one out of
14 eight where in 1973 it was one out of five.

15 Gas wells ran from three point four percent inactive
16 wells in 1968 to three point five percent in 1973.

17 Now, if we look at the new figures for 1974, '75
18 and '76 on sheet one, we will see that from nineteen point six
19 percent of the oil wells inactive at the end of 1973, there were
20 nineteen point four percent in 1974, fifteen point six percent
21 in '75 and fifteen point one percent in 1976 so there has been
22 a decline in the number of inactive oil wells both actual and
23 percentage wise.

24 As to the number of gas wells that is on an inactive
25 status, however, has increased in the last three years. Where

1 we had three hundred and fifty-one out of ten thousand one
2 hundred and thirty-six in 1973 or three point five percent, we
3 now have four hundred and sixty-seven out of eleven thousand
4 one hundred and fifty-one or four point two percent.

5 Q Why is there so much difference between the number
6 of inactive gas wells and inactive oil wells?

7 A This is due to -- these figures are taken from our
8 annual report and this is due to the mechanism in which the
9 computer compiles these wells in the report.

10 Now, an oil well when it is drilled, if it produces
11 a small amount of oil, that oil is generally put in a tank and
12 sold even though the well is a noncommercial well, they do
13 recover some oil from it and the oil is put in a tank and sold.
14 Well, when that oil is sold it is reported to the Commission
15 and that well goes into the Commission's computer's memory
16 as an oil well although it may never produce another drop of
17 oil, so if the well remains unplugged it remains listed in
18 the computer as an inactive oil well.

19 Now, a gas well doesn't get into the computer's
20 memory by making a little bit of gas on an initial test, it
21 only gets into the computer's memory when it sells gas for the
22 first time and that would require a pipeline connection so
23 many gas wells that are noncommercial, like the oil well that
24 we were talking about that is noncommercial, won't get into the
25 computer's memory as an inactive gas well. It will be an in-

sid morrison reporting service

General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 962-9212

1 active drilling well until it is plugged and abandoned. Now,
2 these figures do not include inactive drilling wells and also
3 I would like to make this clear. We hear so much about all
4 of the capped commercial gas wells that are sitting around the
5 State, this figure does not include any so-called capped gas
6 wells because they are not in the figure as a potential gas
7 well, they are not in the figures as an inactive gas well
8 because they have not as yet sold gas. This includes wells
9 that have sold gas only at one time in their life.

10 Now, the figures for the oil wells are also low
11 because injection wells are considered as active oil wells if
12 they have ever been authorized as injection and used as
13 injection, so when a well is taken off of injection status it
14 is still listed in the computer as an injection well but not as
15 an inactive injection well.

16 We are planning a change in the reporting mechanism
17 which will enable the inactive injection wells to be ferreted
18 out and not listed as active oil wells any longer but right
19 now those inactive injection wells are included under
20 the category of active oil wells and for that reason these
21 inactive oil well figures are low.

22 Now, we noticed that there was a decrease, however,
23 in the number of oil wells that had gone from nineteen point
24 six percent at the end of '73 to fifteen point one percent at
25 the end of 1976. This is due to one of three reasons, or in

sid morrish reporting service

General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

1 some cases it may be a combination of several reasons but
2 first of all, these figures that we obtained for the
3 hearing in 1974 were at the close of business in 1973 and the
4 impact of the Arab oil embargo had not been felt, the increase
5 in the price of oil had not yet been felt so as a result in
6 the increase of oil prices that came about after the embargo,
7 some of the old, inactive wells have been put back on production.
8 That's one reason the number of inactive oil wells has gone
9 down, the return to production of old wells.

10 The second reason was the pipe shortage that
11 developed about that time in 1973 and '74. Many of the old
12 inactive wells were plugged and abandoned to salvage the casing
13 and also, and I have personal knowledge of this, the mere fact
14 that the Commission called the case in 1974 and took the steps
15 they did by the issuance of Order No. R-5297 on October 12th,
16 1976. I beg your pardon, it was the issuance of Order No.
17 R-5019 on May 20th, 1975, the mere fact that that happened
18 caused many operators to take a look at some of these old
19 wells that they had been keeping on the books for years and
20 they did plug and abandon some of those if they could not
21 return them to production. So those were the three main
22 reasons why these figures have gone down.

23 Now, some of the edge of the Commission's action
24 in writing this order in May of 1975 was taken off of that
25 order, some of the edge of the rule change was taken off by the

aid morrish reporting service

General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

1 issuance of Order No. R-5297 in October of 1976.

2 Q What was the effect of that order?

3 A Okay, I will read some findings out of that order.

4 (Reading.) That the two-year period of temporary
5 abandonment as set forth in Rule 202-B of the Commission Rules
6 and Regulations as amended by Order Number R-5019 is about to
7 expire for more than three thousand wells.

8 That if further extensions are not granted by the
9 Commission after notice and hearing, many of these wells could
10 be ordered plugged and abandoned.

11 That statutory limits upon the amount the Commission
12 may require for plugging bonds is no longer sufficient to cover
13 the costs of plugging.

14 That a bill proposal has been formulated for introduc-
15 tion into the first session of the Thirty-third New Mexico
16 Legislature which will increase bonding requirements and will
17 create an oil and gas reclamation fund.

18 That pending approval of such legislation the
19 Commission proposes to suspend for an indefinite period, not to
20 exceed one year, those portions of Rule 202-B that pertain to
21 notice and hearing requirements for further extensions of
22 temporary abandonment by the Commission.

23 That all other provisions of Rule 202-B pertaining to
24 permits for temporary abandonment should remain in full force
25 and effect. (End of reading.)

aid morish reporting service

General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9211

1 So the order was entered and the effect of it was
2 that wells that were on a temporary abandon status and were
3 reaching the end of the tolerated two-year TA period without a
4 hearing would be permitted to continue in a state of limbo or
5 their temporary abandonment permits would be extended without
6 any necessity for hearing.

7 So I think that probably some wells have not been
8 plugged and abandoned that might have been had they gone on for
9 hearing but that portion of that rule has been suspended so as
10 I said, some of the edge of the original order has been taken
11 off.

12 Q What is the historical background behind the present
13 bonding required?

14 A Well, although the State Geologist, as shown on
15 Exhibit One, required a bond, a personal or surety bond, of
16 five thousand dollars for one well or ten thousand dollars
17 blanket bond in 1931 there appears to be no statutory authority
18 for him requiring that bond. The first statutory authority
19 that I find was in the Oil and Gas Conservation Act in 1935
20 which created the Commission and set a maximum on the bond of
21 ten thousand dollars. That was in 1935, forty-two years ago.

22 Q Has there been any change since then?

23 A There has been no change in the paragraph of the
24 statute relating to the bonds until the recently concluded
25 past legislature.

sid morrison reporting service

General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

1 Q Would you refer to your Exhibit Four and explain
2 that, please?

3 A Exhibit Number Four is a copy of the Act that
4 amended the Commission's bonding authority. I don't have
5 the chapter number on that.

6 Q It's two thirty-seven.

7 A Chapter number two thirty-seven of the Laws of 1977.
8 Now, the first significant thing that we are talking about
9 here would be in Section 65-3-11, paragraph (1) which is on
10 the second page of this. It was amended to require dry or
11 abandoned wells to be plugged in such a way as to confine the
12 crude petroleum oil, natural gas or water in the strata in
13 which they are found and to prevent them from escaping into
14 other strata; the Commission shall require a corporate surety
15 bond in a sum not to exceed fifty thousand dollars conditioned
16 for the performance of such regulations.

17 That 65-3-11, by the way, is the enumeration of
18 powers so the first powers the legislature gave the Commission
19 is to require bonds.

20 Now, when we get over into the Act a little further
21 we see that a new 65-3-11.2 was enacted, called "Bonding
22 Requirement."

23 I'm going to read the real important parts here:
24 (Reading.) The Oil Conservation Commission shall establish
25 categories of surety bonds after notice and hearing. Such

aid morrish reporting service

General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

1 categories shall include a blanket plugging bond in an amount
2 not to exceed fifty thousand dollars and one-well plugging
3 bonds in amounts determined sufficient to reasonably pay the
4 cost of plugging the wells covered by each bond.

5 In addition to the blanket plugging bond, the Oil
6 Conservation Commission may require a one-well bond on any
7 well that has been held in a temporarily abandoned status for
8 more than two years.

9 Section B of that: If any of the requirements of
10 the Oil and Gas Act or the rules and regulations promulgated
11 pursuant thereto have not been complied with, the Commission,
12 after notice and hearing, may order any well plugged and
13 abandoned by the operator or surety or both, in accordance with
14 Commission rules and regulations. If the order is not complied
15 with in the time period set out in the order, the surety bond
16 shall be forfeited.

17 Paragraph C: When any bond is forfeited pursuant
18 to the provisions of the Oil and Gas Act or rules and regula-
19 tions promulgated pursuant thereto, the attorney general shall
20 collect the forfeiture without delay.

21 All forfeitures shall be deposited in the oil and
22 gas reclamation fund. (End of Reading.)

23 Now, that's the first time we hear that word and
24 I'll get to that in a minute.

25 (Reading.) When the surety bond proves insufficient

old morrison reporting service

General Court Reporting Service
825 Calle Mejia, No. 127, Santa Fe, New Mexico 87501
Phone (505) 982-9212

1 to cover the cost of plugging oil and gas wells and funds must
2 be expended from the oil and gas reclamation fund to meet the
3 additional expenses, the Oil Conservation Commission is
4 authorized to bring suit against the operator for all costs
5 incurred by the OCC in plugging the well. (End of reading.)

6 A new section, 65-3-37 was added to the statutes.
7 It's called "Oil and Gas Reclamation Fund Created-- Disposition
8 of Fund." (Reading.) There is hereby created the "oil and
9 gas reclamation fund". All funds in the fund and the earnings
10 therefrom are appropriated to the Oil Conservation Commission
11 to be expended by it in carrying out the provisions of the Oil
12 and Gas Act. (End of reading.)

13 65-3-38 is a new section. It's called "Oil and Gas
14 Fund Administered -- Plugging Wells on Federal Land -- Right of
15 Indemnification -- Annual Report -- Contractors selling
16 Equipment for Salvage."

17 (Reading.) A. The oil and gas reclamation fund shall
18 be administered by the Oil Conservation Commission. The
19 Director of the Commission shall cause to be prepared plans for
20 the plugging of abandoned wells which have not been plugged or
21 which have been improperly plugged. The Director, as funds
22 become available in the reclamation fund, shall reclaim and
23 properly plug all abandoned wells in accordance with the
24 provisions of the Oil and Gas Act and the rules and regulations
25 promulgated thereunder. (End of reading.)

sid morrish reporting service

General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 963-9212

1 I'm sure they intended to mean that he would reclaim
2 and properly plug all abandoned wells that were improperly
3 plugged.

4 (Reading.) The Commission may order wells plugged
5 on Federal lands on which there are no bonds running to the
6 benefit of the State in the same manner and in accordance with
7 the same procedures as with wells drilled on State and fee
8 land, including utilizing funds from the oil and gas reclamation
9 fund to pay the cost of such plugging. When the costs of
10 plugging are paid from the oil and gas reclamation fund, the
11 Commission is authorized to bring suit against the operator or
12 the owner of the minerals under the tract, or both for
13 indemnification for all costs incurred by the Commission in
14 plugging the well with funds to be deposited in the oil and
15 gas reclamation fund.

16 The Director is required to make an annual report to
17 the Commission, the Energy Resources Board and the Governor
18 and the Legislature on the use of the oil and gas reclamation
19 fund.

20 It also provides that all contracts for well
21 plugging shall be entered into under provisions of the Public
22 Purchases Act and any contractor employed by the Commission
23 to plug a well is authorized to sell for salvage the equipment
24 and material which is removed from the well in plugging it.

25 (End of reading.)

sid morrish reporting service

General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

1 I presume that the Commission in making a contract
2 with a contractor would enter into some sort of a contingent
3 contract. If he is going to be permitted to sell the equipment
4 then whatever he would obtain from that well as salvage would
5 be deductible from the cost of the contract I would imagine.

6 Now, Section 72-20-4 of the statutes was amended to
7 provide that the Oil and Gas Conservation Tax would increase
8 to nineteen one-hundredths of one percent instead of eighteen
9 one-hundredths of one percent of the taxable value of sold
10 products as it formerly was. Now, the purpose of the additional
11 one-hundredths of one percent is to go into the reclamation
12 fund.

13 Section B of 72-20-4 is new language. (Reading.) In
14 the event the unencumbered balance in the oil and gas
15 reclamation fund equals or exceeds one million dollars for any
16 one-month period computed after payment of the tax for that
17 month, then the tax levied by Subsection A of this section
18 shall be reduced by one one-hundredths of one percent and no
19 funds collected by the tax to be deposited in the oil and gas
20 reclamation fund, notwithstanding the provisions of Section
21 72-20-14. When the unencumbered balance in the reclamation
22 fund is less than or equal to five hundred thousand dollars then
23 the tax goes back on. It shall be increased by one one-
24 hundredths of one percent and the additional funds deposited
25 in accordance with provisions of Section 72-20-14. (End of

aid morish reporting service

General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

1 reading.)

2 In other words, the reclamation fund is a revolving
3 fund that is authorized to receive monies equal to one one-
4 hundredths of one percent of the taxable value of sold products
5 until it reaches a million dollars, then the tax goes off, the
6 extra one-hundredths of one percent goes, then when the fund
7 gets back down to five hundred thousand dollars the tax would
8 go back on and it will stay in that bracket.

9 That just about pretty well summarizes the new
10 bonding act with the exception that the saving clause, Section
11 8, states that: (Reading.) Nothing in this act shall be
12 construed to nullify or in any way impair the validity of any
13 bond running to the benefit of the State which was valid on the
14 effective date of this act and which has not been superseded by
15 a new bond filed pursuant to the provisions of this act and the
16 rules and regulations promulgated hereunder. (End of reading.)

17 I think what that means is that any existing bond
18 will remain in effect and is not effected by the act unless it
19 has been superseded by a new bond which would be filed pursuant
20 to the provisions of this act or the rules and regulations
21 promulgated pursuant to this act. That's what we are here
22 today for, to consider the promulgation of new rules which would
23 be adopted pursuant to this new act on bonding.

24 Q If the Commission does require new bonds to be filed
25 pursuant to this, would some sort of a time period be set out

aid morish reporting service

General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

1 for companies or operators to come in and get a new bond, do
2 you have a recommendation?

3 A Yeah, we've got to have plenty of time for the
4 issuance of new bonds if new bonds are to be required. This
5 act, incidentally, does not become effective until June the
6 17th and I think that six-months time, which would be July
7 through December of 1977 should provide adequate time for
8 obtaining new bonds but that is something that will have to
9 be determined. I think six months should be sufficient time if
10 new bonds are required, to obtain new bonds.

11 Q Would you now refer to Exhibit Five and explain that
12 for the Commission?

13 A Okay. Exhibit Five is entitled "Number of Wells
14 Called to Hearing for Plugging Action." Just a brief glance at
15 it will show that the number of wells called for plugging action
16 has increased over the years. Now, on my own copy of this
17 exhibit I have excluded 1951 and then broken the remaining
18 years down into categories of five years each. In other words,
19 1952 through '56; '57 through '61 and so on and so forth.

20 I find that in the years 1952 through 1956 six wells
21 called by the Commission for plugging action. I find that from
22 1957 through 1961 there were four wells called for plugging
23 action and in 1962 through '66 forty-seven wells were called
24 for plugging action and in 1967 through '71 thirty-nine wells
25 were called for plugging action. In the latest five-year period

aid morrish reporting service

General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 967-9212

1 of 1972 through 1976 there have been a hundred and six wells
2 called for plugging action by the Commission.

3 All of these wells have not been plugged by any
4 means. Some of them needed repairs and the only way to get
5 the operator's attention was to call a case and in the vast
6 majority of those cases the operator made the necessary repairs
7 or plugged the well. Some of these are abandoned drilling
8 sites or abandoned wells that were never completely drilled
9 or never plugged and the Commission had to call on bonding
10 companies to do the work. The bulk of them though were
11 addressed to companies to do something about wells that were
12 inactive.

13 And while all of the wells that have been called for
14 plugging action have not successfully completed, most of them
15 have. We have had quite a number of wells plugged as a result
16 of these many hearings that we've had.

17 Q Do you have some approximate figures of plugging
18 costs?

19 A Yes, I have. Just to get into some of the charges
20 for equipment and things that are necessary for plugging wells,
21 we have surveyed some of the plugging companies and find that
22 a plugging unit runs fifty-two dollars an hour. These are
23 average costs. When they are pulling casing this unit goes on
24 a footage basis. They charge thirty cents a foot when they are
25 pulling four and a half inch or five and a half inch casing.

sid morrison reporting service

General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

sid morrison reporting service
General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

1 They charge forty-five cents a foot when they are pulling seven
2 inch or eight and five-eighths inch. The jacks for pulling
3 casing rent for two hundred and fifty-two dollars a day. A
4 free-point survey to find out where the casing is free and where
5 you might shoot it off to try to pull it will run from seven
6 to eight hundred dollars. A wire line service for shooting
7 the casing runs a hundred and seventy-five dollars for the first
8 shot, plus two and a half cents a foot down to the shooting
9 point. For subsequent shots it is a hundred and twenty-five
10 dollars, plus two and a half cents a foot. A pump truck owned
11 by the plugging company rents for a hundred and twenty-five
12 dollars a day. The equipment travel expense is a dollar thirty
13 a mile both directions. The expenses when they are away over-
14 night for one company that we checked was twenty dollars per
15 man per day for a four-man crew.

16 Now, sometimes bridge plugs are required in the
17 plugging. These things range in price from four hundred and
18 eighty-eight dollars for a little two and three-eighths inch
19 bridge plug to sixteen hundred and thirty-seven dollars for a
20 thirteen and three-eighths inch bridge plug.

21 Retainers are required in some plugging operations.
22 They run from eight hundred and sixty-two dollars for a two
23 and seven-eighths inch, on down to six hundred and thirty-four
24 dollars for a five and a half inch because that's a much more
25 common size, on up to two thousand one hundred and eighty-eight

1 dollars for a thirteen and three-eighths inch.

2 Now, in some cases the Commission has found it
3 necessary to require the casing to be perforated and additional
4 cement squeezed on the outside of the pipe to not only plug
5 the well on the inside of the pipe but the outside of the pipe
6 as well.

7 Shooting four holes in the pipe from a depth of
8 zero to five thousand feet costs two hundred and twenty-five
9 dollars but up to nine and ten thousand feet it's four hundred
10 and eighty-five dollars, plus a hundred and fifty dollars for
11 the truck, plus mileage.

12 Cement, if it is bought in the sack, costs three
13 dollars and fifty cents a sack. Drilling mud is three dollars
14 a sack. Now, if you buy bulk cement from one of the big
15 cementing companies, Class H runs three dollars and thirty-
16 five cents a sack with a fifty-seven cent a sack mixing
17 charge. Class C cement is three dollars and sixty cents a
18 sack with the fifty-seven cent mixing charge. Then to get
19 the cement out on the job they charge thirty-seven cents per
20 ton mile and only twenty sacks is going to make a ton so by
21 the time you add a few miles to that it can get very expensive.

22 A commercial pump truck such as BJ or Halliburton
23 will run seven hundred and forty-five dollars for the first
24 eight hours, then four hundred and eighty dollars for each
25 additional eight hours.

sid morrison reporting service

General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

1 The cost of brine for mixing mud jell runs seventy to
2 ninety cents a barrel. Fresh water will run about thirty-two
3 cents a barrel. A pit or tank for mixing mud will run a hundred
4 and fifty dollars.

5 A welder is required out on the job two or three
6 times. His total bill will be about three hundred and fifty
7 dollars.

8 Then after the well has been plugged, to fill the
9 pits and clean up the location and set the marker with a
10 roustabout crew requires about five hundred dollars.

11 Now, these are all costs that can be considered in
12 a well. There is no such thing as an average well with all of
13 these costs on it but we do have some figures for average
14 well plugging costs. We find that in Lea County, which is
15 close by the service centers, from about the surface to
16 seventy-five hundred feet, the average plugging job will run
17 approximately one dollar a foot. Now, when you get down to
18 about ten thousand, that's with the minimum pipe recovery,
19 because there is not much pipe you can recover from a well in
20 that bracket but when you get down to about ten thousand feet
21 there is more casing in the hole and the operator seeks to
22 recover the maximum amount of casing. He might recover as
23 much as eight thousand feet of production casing and maybe a
24 thousand or fifteen hundred feet of intermediate casing and
25 his plugging costs will run about sixteen thousand a hundred

sid morrish reporting service
General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

sid morrish reporting service

General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 962-9212

1 and eighty dollars is the average for a ten thousand foot well.
2 If he recovers any salvagable casing, that would be deducted
3 from that sixteen thousand dollars but he may not recover any
4 casing, sometimes it is frozen in there and there is no
5 recovery at all and the cost of sixteen thousand dollars stands
6 At about thirteen thousand feet, if you are successful you
7 will recover about the same amount of pipe you would recover
8 from that ten thousand foot hole but the plugging costs are
9 averaging about eighteen thousand dollars on a well in that
10 bracket right now.

11 Q What is the maximum amount you have ever heard of
12 for plugging one?

13 A Well, we've had a number of wells that had to be
14 reentered and replugged that cost about a hundred thousand
15 dollars. There was one well that was a real problem. It
16 wasn't a deep well, it was a shallow well but the pipe had
17 corroded in it and it was very difficult to get back in it,
18 reenter it, and the plugging costs on that were in excess of
19 four hundred and thirty thousand dollars.

20 Q Have the Commission bonds been adequate in general for
21 plugging costs?

22 A They have in some cases and in other cases they have
23 not been adequate. And you can see by these figures that if --
24 they are not going to be adequate -- if we have a five thousand
25 one-well bond as we have right now and we have a well seventy-

1 five hundred feet deep and it is going to cost a dollar a
2 foot to plug that well, the bond is insufficient right there
3 and that's assuming no problems or trouble. Of course, the
4 bond would certainly be inadequate if it were the type of
5 well that cost four hundred and thirty thousand dollars to
6 plug.

7 Q Do you have a proposed rule change to provide for
8 an adequate bond?

9 A I sure do.

10 Q Would you refer to Exhibit Six and explain that?

11 A Exhibit Six is the proposed rule change. This is
12 the proposed Rule 101, Plugging Bond.

13 (Reading.) (a) Any person, firm, corporation, or
14 association who has drilled or acquired, is drilling or
15 proposes to drill or acquire any oil, gas or service well on
16 privately owned or State owned lands within this State shall
17 furnish to the Commission, and obtain approval thereof, a
18 surety bond running to the State of New Mexico, in a form
19 prescribed by the Commission and conditioned that the well be
20 plugged and abandoned in compliance with the rules and regula-
21 tions of the Commission. Such bond may be a one-well plugging
22 bond or a blanket plugging bond. All bonds shall be executed
23 by a responsible surety company authorized to do business
24 in the State of New Mexico.

25 (b) Blanket plugging bonds shall be in the amount of

aid morriss reporting service
General Court Reporting Service
825 Calle Meja, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

1 fifty thousand dollars conditioned as above provided, covering
2 all oil, gas or service wells drilled, acquired or operated
3 in this State by the principal on the bond.

4 One-well plugging bonds shall be in the amounts
5 stated below in accordance with the depth and location of the
6 well. (End of reading.)

7 Now, in the eight producing counties in the northwest
8 and the southeast corners of the State, that would be the
9 counties in alphabetical order of Chaves, Eddy, Lea, McKinley,
10 Rio Arriba, Roosevelt, Sandoval and San Juan. We have three
11 categories of one-well bonds for three depth brackets. The
12 first depth bracket is from zero to four thousand nine hundred
13 and ninety-nine feet and the amount of the bond would remain
14 the same as it is at the present time, five thousand dollars.
15 In those counties for a well from five thousand to nine
16 thousand nine hundred and ninety-nine feet the amount of the
17 bond would be seven thousand five hundred dollars. For those
18 same counties any well that was ten thousand or more feet deep
19 the one-well bond would be ten thousand dollars.

20 For all other counties and I included the producing
21 counties in that first category and we do have a new producing
22 county of hydrocarbons, that's Mora County and we have
23 carbon dioxide production in Harding County but those counties
24 are far removed from the service centers so they have to come
25 in the same category as the nonproductive counties which extend

old morrish reporting service

General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

1 from Colfax in the northeast down to Hidalgo County in the south-
2 west. These counties are all far removed from the service
3 centers and as a necessity the plugging costs would be more
4 expensive, this mileage and the crews away from home and so
5 forth are going to make the plugging more expensive to get
6 that equipment out there.

7 So, the one-well bond in the first depth bracket of
8 zero to forty-nine ninety-nine feet would be seven thousand
9 five hundred dollars. From five thousand to ninety-nine
10 ninety-nine the bond for one well would be ten thousand dollars
11 and for ten thousand or more feet the plugging bond would be
12 twelve thousand five hundred dollars.

13 Now, revised plans for an actively drilling well
14 may be approved by the appropriate District Office of the
15 Commission for drilling as much as ten percent deeper than
16 the maximum depth allowed on the well's bond. This would be
17 to take care of the situation where the company out there has
18 a rig on the well, they are drilling away, they projected the
19 well to nine thousand nine hundred and fifty feet and they
20 find they are not reaching their objective at that depth and
21 they want to revise their drilling plans and drill a little
22 bit deeper, so they could go another ten percent without
23 having to file a new bond or anything. This should eliminate
24 any delays in holding up the drilling operations by permitting
25 a ten percent tolerance at the tail end of the depth bracket.

sid morrison reporting service

General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

1 So any well to be drilled more than ten percent deeper than
2 the approved depth bracket must be covered by a new bond in
3 the amount prescribed for the deeper depth bracket.

4 (Reading) (c) Any bond required by this rule is a
5 plugging bond, not a drilling bond, and shall endure until
6 any well drilled or acquired under such bond has been plugged
7 and abandoned and such plugging and abandonment has been
8 approved by the Commission or has been covered by another
9 bond approved by the Commission.

10 (d) Transfer of a property does not of itself release
11 a bond. In the event of transfer of ownership of a well, the
12 appropriate form, C-103 or C-104, properly executed, shall be
13 filed with the District Office of the Commission in accordance
14 with Rule 1103 or 1104 by the new owner of the well. (End of
15 reading.)

16 I might make an aside here that the Form C-103 is
17 for a well that is not on a producing status. A C-104 is
18 required for a well that is on a producing or injection or
19 a service status, it's a completed well.

20 (Reading.) The District Office may approve the
21 transfer providing that a new one-well bond covering the well
22 or a request that the well be covered by the new owner's
23 blanket bond has been approved by the Santa Fe office of the
24 Commission.

25 Upon approval of the bond and the Form C-103 or

sid morriss reporting service
General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 962-9212

1 C-104, the transferor is released of plugging responsibility
2 for the well, and upon request, the original bond will be
3 released. No blanket bond will be released, however, until
4 all wells covered by the bond have been plugged and abandoned
5 or transferred in accordance with the provisions of this rule.

6 (e) All bonds shall be filed with the Santa Fe
7 office of the Commission and approval of such bonds, as well
8 as releases thereof, obtained from said office. (End of
9 reading.)

10 Now, that's the proposed rule.

11 Q Now refer to Exhibit Seven and explain that?

12 A Exhibit Seven is a package of exhibits. They are
13 bond forms which would be adopted or suggested for adoption
14 in accordance with these proposed amendments of Rule 101.

15 Now, you will notice that a bunch of little lines
16 have been drawn through certain paragraphs on that. Now, when
17 I read Rule 101 as proposed there is a paragraph in the
18 existing Rule 101 which was not included in this 101 that
19 we are talking about here today. I'm going to read that
20 paragraph that is in the existing Rule 101 so we will know
21 what we are talking about and why these little lines are on
22 here that are crossing out some paragraphs.

23 Paragraph (e) of Rule 101 as it presently exists
24 reads as follows: When the well or wells involved, or any
25 such wells, are located on a State oil and gas lease and the

sid morrison reporting service
General Court Reporting Service
825 Calle Mejia, No. 172, Santa Fe, New Mexico 87501
Phone (505) 982-9212

1 surface of the land involved was sold by the State prior to such
2 oil and gas lease, such bond may, at the election of the
3 principal, be conditioned not only for the plugging of such
4 well or wells as above provided, but also to secure the payment
5 of such damages to the livestock, range, water, crops or tangible
6 improvements on such land as may be suffered by such purchaser
7 or his successors in interest by reason of the development, use
8 and occupation of the land resulting from such oil and gas
9 leases. Any bond so conditioned must be approved, not only
10 by the Commission but by the Commissioner of Public Lands, in
11 his capacity as such.

12 Section (f). Bonds conditioned to protect surface
13 owners as aforesaid shall cover liability incurred during the
14 entire period of oil and gas operations by the principal on
15 the lands involved.

16 Now, those two paragraphs have been left out of
17 Rule 101 as we are proposing it here today.

18 It appears that back in 1935, if we go back to
19 Exhibit Number Two, which is Order 4, effective August 12th,
20 1935, Rule 39. Down at the bottom of that page thirty-three,
21 that paragraph starting, "when the well or wells involved". That
22 language is almost identical. It may be identical, I haven't
23 checked it that closely. The language that we've got in our
24 present Rule 101 is the language that was adopted back in
25 1935 by the Commission in which the bond was conditioned to not

ald morrish reporting service

General Court Reporting Service

825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

1 only to cover the plugging of the well but also to cover
2 damage to -- well, it covers damage to livestock, range, water,
3 crops or tangible improvements on lands where there has been
4 a purchase contract and the State sold the surface but retained
5 the mineral rights and then issued an oil and gas lease.

6 I understand that there have been opinions by courts
7 that this not only covers the surface damage and so forth on
8 purchase contract land but also on leased surface lands. I
9 don't know, I've been told that but at any rate it appears
10 that we are jeopardizing the bonding capacity of the Commission
11 here by covering such things as water and range and crops with
12 this bond. These bond costs that I have come up with here and
13 proposed to be amended in Rule 101 are based on plugging costs
14 and they don't leave room for paying any money from that bond
15 to the owner of the land or the owner of the surface for
16 damage to livestock, range, water, crops or tangible improve-
17 ments. We can visualize a serious accident in a well which
18 would impair the quality of the water underlying the lands and
19 that would be an extremely expensive thing to compensate for.
20 We can imagine a twenty-five thousand dollar purebred bull
21 getting his head caught in a pumping unit crank and his neck
22 broken and that wouldn't leave much to plug the well.

23 So it would be my suggestion that this facet of the
24 bond be scratched out and this rule be amended to delete those
25 two paragraphs. That's why we have gone through certain lines

sid morrison reporting service

General Court Reporting Service
825 Calhoun, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

1 here and certain paragraphs and scratched them out. Then this
2 bond would cover only the plugging of oil and gas wells, carbon
3 dioxide wells and helium gas wells on State and fee leases.

4 Now, the first page here is the fifty thousand dollar
5 blanket bond. The next page is the five thousand dollar one-
6 well plugging bond for the four counties in the northwest and
7 the four counties in the southeast with a maximum depth of
8 forty-nine ninety-nine.

9 The next page is the seventy-five hundred dollar one-
10 well bond for those eight counties and a maximum depth of
11 ninety-nine ninety-nine.

12 The next one is the ten thousand dollar one-well bond
13 for those eight counties for a well that is ten thousand or
14 more feet deep.

15 The next page is a seven thousand five hundred
16 dollar bond for a well in the nonproductive counties we'll call
17 them, with a maximum depth of forty-nine ninety-nine.

18 The next one is the ten thousand dollar bond for a
19 well to the depth of ninety-nine ninety-nine in the nonproductive
20 counties and the next page is the twelve thousand five hundred
21 dollar bond for the well ten thousand or more feet deep
22 in those counties other than Chaves, Lea, Eddy, Roosevelt,
23 Rio Arriba, San Juan and McKinley.

24 The next page is the back of all of the bonds and the
25 only reason it's shown is that down in the lower left-hand

oil morrish reporting service

General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

1 you can see that we would scratch out "approved by Commissioner
2 of Public Lands" and also add a date for approval by the Oil
3 Conservation Commission.

4 Now, there is one thing that comes to mind, I think
5 that this is going to have to be taken care of in some manner.
6 Our rule is written so that the operator could, while he is
7 drilling the well, if his drilling plans are revised and he
8 needs to go a little bit deeper, he could drill another ten
9 percent on the bond that was covering him, beyond the bottom of
10 the depth bracket. That bond would probably have to be
11 amended to provide that or -- no that wouldn't work -- well,
12 the form would have to be amended because the bonding company
13 would say, "I don't have any responsibility for this well, I
14 issued a bond for forty-nine ninety-nine feet and here you've
15 got a well that is five thousand and fifty feet."

16 They will say, "Somebody plug the bottom part and we
17 will plug the other part". I don't know, I think it would have
18 to be amended to provide a ten percent tolerance, probably.

19 MR. RAMEY: So the operator could drill but after
20 he obtains production or he should immediately proceed to get
21 a different category of bond?

22 A. Or have this bond so that the insurance company
23 knows when it is issuing it that it may be going to forty-nine
24 ninety-nine plus ten percent which would be plus another five
25 hundred feet.

sid morrison reporting service

General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

1 Q (Ms. Teschendorf continuing.) Mr. Nutter, do you
2 have any recommendations as to further amendments to the
3 bond form, Rule 101, relating to these surface damages such as
4 some sort of notice to operators?

5 A Yes, I think it might be well to also, since Rule 101
6 for years has included paragraphs relating to damages,
7 indemnification for damages, that it might be appropriate to
8 have a little paragraph in this rule if it were adopted the way
9 I am proposing here, saying surface damages are not covered,
10 surface or range land or water damages are not covered by this
11 plugging bond. Maybe a notice along the bottom of the bond so
12 that someone wouldn't think they were covered for certain
13 damages and they weren't actually.

14 I keep saying surface damages but when you read that
15 it also covers water and that's below the surface. We have
16 always thought of it as covering surface damage but it's not
17 limited to that.

18 Q You mentioned before that certain conditions of
19 Rule 202 have been suspended. Do you have any recommendations
20 as to what action, if any, should be taken?

21 A Yes, I would recommend that the Commission, if these
22 things are adopted, or if they are not adopted, either one,
23 that the Commission should proceed with calling a hearing to
24 unsuspend those provisions of Rule 202-B that were suspended in
25 October for a period until further order of the Commission or a

sid merriam reporting service

General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

1 period of not more than a year, which would expire in October
2 and I think that we should unsuspend that as soon as possible.

3 Q Do you have anything further you wish to add?

4 A No, not at this time.

5 Q Were Exhibits One through Seven prepared by you or
6 under your supervision?

7 A Yes.

8 MS. TESCHENDORF: At this time I would offer Exhibits
9 One through Seven and that's all I have.

10 MR. RAMEY: The Exhibits will be accepted.

11 (THEREUPON, OCC Exhibits One through Seven
12 were admitted into evidence.)
13

14 CROSS EXAMINATION

15 BY MR. RAMEY:

16 Q Mr. Nutter, you proposed a six-months grace period or
17 six plus months from June 17th until January 1 of '78 to
18 enable operators to get new bonds?

19 A Yes.

20 Q Would you require a new bond for any operator who
21 acquired new wells or proposed to drill wells during that
22 period or just give everybody a blanket six-month period?

23 A Oh, I think that if you adopt this and go to these
24 revised figures for a bond that it should be effective maybe
25 July 1st or some point immediately following the effective

shl morrish reporting service

General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

1 date of the new act and that any one-well bonds that would be
2 issued would be the new type of bond and until a company had
3 time to get its new blanket bond, if it is drilling pursuant
4 to a blanket bond, maybe they could file under their new
5 blanket bond but I certainly think the one-well bond should be
6 adopted as soon as possible and that any new one-well bonds
7 would be required for new wells drilled or acquired.

8 MR. RAMEY: Thank you. Any other questions of the
9 witness? Mr. Kendrick.

10
11 CROSS EXAMINATION

12 BY MR. KENDRICK:

13 Q Mr. Nutter, as I understand your exhibits on the
14 bond forms themselves, there were some seven copies of bond
15 forms?

16 A Yes, sir.

17 Q Can that be reduced to two copies so that the amount
18 of the bond and the depth of the hole could be entered in any
19 county?

20 A I think this is very possible, I think we can eliminate
21 a lot of these bond forms by consolidating the particulars
22 into one or two sheets of paper. These are intended simply as
23 samples of how it would be with pertinent facts for each one
24 of those categories but I'm sure they could be consolidated
25 into a less number of forms.

shl morrish reporting service
General Court Reporting Service
825 Calhoun, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

CROSS EXAMINATION

1
2 BY MR. LUCERO:

3 Q Do you have a current inventory of all of the
4 existing bonds that have been filed with the OCC offices?

5 A We don't have an inventory per se, we have the
6 bonds.

7 Q What procedure would you set up, you know, for the
8 conversion and also the giving of notice to the various
9 companies that have filed the bonds with you that a new one is
10 going to be required?

11 A You know, Mr. Commissioner, I have an idea we will
12 never be able to contact some of the people that have some of
13 those bonds that are in our files. Some of those bonds have
14 been there for a long time and some of those wells are inactive
15 and that's been our program for the last two or three years,
16 trying to get some of these inactive wells reactivated or
17 plugged. We are never going to be able to get new bonds on
18 some of those wells. Those old bonds are going to have to be
19 relied on. That's the good part about that saving clause,
20 Section 8, in that Reclamation Act. It says that any bond that
21 is in effect will not be invalidated by this act until it has
22 been superseded by a new bond. So those old bonds that we have
23 will still be in effect but we will have to devise a system
24 for going through all of these bonds. First of all we would
25 start with all of our producing operators and we would go through

sid morrish reporting service
General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

aid morrish reporting service

General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 962-9212

1 and the ones that have blanket bonds are going to be easy to
2 contact. The ones that have individual well bonds would have
3 to have a notice mailed to them that this bond is due to
4 expire the first of the year and that it is imperative that
5 this be -- oh, another thing I was going to mention and I
6 forgot, that there should be a provision in the order that
7 adopts these that it will give the Commission the right to
8 terminate production from a well that does not have a new bond
9 filed by a certain time so there won't be any question when the
10 Commission issues that shut-in order for that well if they
11 haven't filed the new bond by the deadline, say, January 1,
12 that that well will be shut in.

13 But we would have to prepare some sort of a system
14 for notification to the operators that are operating under
15 one-well bonds and notification to operators with blanket
16 bonds and then we will go out and try to gather all of these
17 inactive wells but the active producers are the first ones we
18 would go for and then start going down the list of bonds that
19 we've got and notifying the owners of those, where we can find
20 them.

21 Q Have you ever heard of the case of a twenty-five
22 thousand dollar bull having his neck busted by any oil or gas
23 equipment?

24 A No, but I've heard of forty dollar cows getting their
25 neck busted and they sure did get expensive thereafter.

ask moriah reporting service
General Court Reporting Service
825 Calbu Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

1 Q If a twenty-five thousand dollar one was killed would
2 the cost under the bond now as it is include the removal of
3 the bull?

4 A It probably wouldn't be enough to get a truck out
5 there and haul it to the rendering plant.

6 (THEREUPON, a discussion was held
7 off the record.)

8 MR. RAMEY: The twenty-five thousand dollar bulls
9 that I've seen have been in air conditioned pens but I guess
10 they could get out.

11 A The ones that get hurt are always expensive.

12
13 CROSS EXAMINATION

14 BY MR. ARNOLD:

15 Q Mr. Nutter, what is your analysis of what the
16 Commission's responsibility is with regard to wells on
17 Federal land?

18 A The statute says that the Commission can go on
19 Federal land and plug wells. Now, it also says that when the
20 costs of plugging a well drilled on a Federal mineral lease
21 are paid from the Oil and Gas Reclamation Fund, the Commission
22 is authorized to bring a suit against the operator or the
23 owner of the minerals under the tract for indemnification of
24 the costs incurred in plugging the well.

25 Now, the operator, I understand who that is but I

1 don't know who they mean by the owner of the minerals there.

2 That would be an interesting suit, I think.

3 MR. RAMEY: I think that would be the Federal
4 government.

5 A I think that's who they mean, the owner of the
6 minerals. I don't think any lessor is going to stand still for
7 an action brought against him for a well that his lessee drilled
8 and abandoned and the Commission had to plug. I don't think
9 it's even worthy of consideration to bring suit against the
10 owner, the operator, yeah, you bet.

11 Q (Mr. Arnold continuing.) You aren't making any
12 recommendation with bonds at all in connection with wells on
13 Federal land?

14 A No, no there is no provision in here that we can
15 require a bond on the Federal land. However, the Rule 202-B
16 when it says that the Commission may require a bond on wells
17 that have been temporarily abandoned, that they can require a
18 one-well bond on those if those wells have been temporarily
19 abandoned for more than two years and get a further extension
20 after notice and hearing but it doesn't exclude Federal lands
21 there and there was discussion at the hearing in April of
22 1974 as to whether those wells on Federal land would be subject
23 to this bond and the GS people that were at the hearing that
24 day favored making those bonds applicable, as you may recall.
25 You were at that hearing, I know. Some of the people who made

sid morrish reporting service
General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 962-9212

1 appearances at the hearing didn't think that the Commission
2 could require bonds on Federal land, it's never been tried,
3 I don't know so I have no opinion right now although it
4 probably could be tried.

5 MR. RAMEY: Any other questions of the witness? He
6 may be excused.

7 (THEREUPON, the witness was excused.)

8 MR. RAMEY: Do you have anything further, Ms.
9 Teschendorf?

10 MS. TESCHENDORF: No, I don't.

11 MR. RAMEY: Any other statements in the case?

12 MS. TESCHENDORF: There is a letter from Conoco in
13 the case file which ought to be read into the record.

14 MR. RAMEY: Would you like to read it?

15 MS. TESCHENDORF: This is a letter addressed to the
16 New Mexico Oil Conservation Commission, dated May 2nd, 1977
17 from Continental Oil Company on the subject of this hearing.
18 It says: (Reading) Continental Oil Company operates approxi-
19 mately one thousand seven hundred wells in the State of
20 New Mexico of which between twenty and twenty-five percent are
21 shut in for various reasons. We recognize that the blanket
22 bond will be insignificant if the State of New Mexico is
23 faced with plugging these wells.

24 Continental has been operating in New Mexico for
25 approximately fifty years and to our knowledge there has never

sid morrish reporting service

General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

1 been any problem with Continental plugging any well which
2 the State insisted should be plugged. Continental Oil Company
3 has in the past and expects in the future to operate in a
4 prudent and lawful manner and will fulfill its obligations
5 and responsibilities with regard to wells which we operate.

6 We urgently request that the Commission take our
7 performance record into consideration and get evidence of our
8 financial responsibility in setting any bonding requirements for
9 our company. We should be happy to supply you with a copy
10 of the annual report should you need verification of our
11 financial status.

12 It is respectfully requested that the Commission
13 take such information into account in setting bonding require-
14 ments for Continental Oil Company and all other operators in
15 the State of New Mexico. We believe that the current bond
16 posted by Continental is more than adequate to insure our
17 compliance with the rules and regulations. In fact, we would
18 comply with them in the absence of a bond. It is therefore
19 respectfully suggested that Continental's bonding requirements
20 not be changed or if a change is considered necessary that the
21 additional bonding represent only a moderate increase. (End of
22 reading.)

23 MR. NUTTER: Mr. Chairman, if I may I would like to
24 add a couple of little figures to this testimony? In 1931
25 when the State Geologist required a five thousand dollar one-

sid morrison reporting service

General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

old morriah reporting service
General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

1 well bond and a ten thousand dollar blanket bond, the average
2 price for oil in the State of New Mexico was forty cents a
3 barrel. In 1937 when they adopted the five thousand and
4 ten thousand dollar bond with a twenty-five hundred dollar
5 bond for shallow wells outside of Lea County, the price of oil
6 had gone up to seventy-five cents a barrel. In 1950 when the
7 present rule for the five and ten thousand dollar bonds was
8 written, the price of oil in New Mexico was two dollars and
9 forty cents a barrel and now today when we are proposing a
10 fifty thousand dollar blanket bond and the varying one-well
11 bonds from five thousand to twelve thousand five hundred, the
12 average price of oil today in New Mexico is nine dollars and
13 sixteen cents a barrel.

14 If we are talking about the consideration of these
15 bonds being too expensive, that we can see that a five and
16 ten thousand dollar bond was required when oil was forty cents
17 a barrel and if you went by direct proportion the bond require-
18 ment today at nine dollars and sixteen cents would be considerably
19 more than even fifty thousand dollars.

20 MR. RAMEY: Those figures probably improved with
21 gas?

22 MR. NUTTER: Well, you couldn't even sell gas back in
23 1931.

24 MR. LUCERO: The logical conclusion of your compari-
25 son is that the costs have gone up proportionately too?

1 MR. NUTTER: The costs have gone up, therefore -- well,
2 back in those days guys working out on drilling rigs were
3 getting a dollar a day and now they are getting five, six and
4 seven dollars an hour.

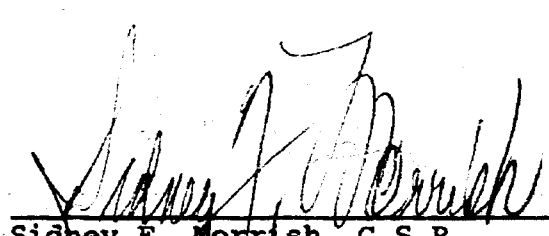
5 MR. RAMEY: Anything further? The Commission will
6 take the case under advisement and the hearing is adjourned.

7 (THEREUPON, the hearing was adjourned.)
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

sid morrish reporting service
General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 962-9212

REPORTER'S CERTIFICATE

I, SIDNEY F. MORRISH, a Certified Shorthand Reporter,
do hereby certify that the foregoing and attached Transcript
of Hearing before the New Mexico Oil Conservation Commission
was reported by me, and the same is a true and correct record
of the said proceedings to the best of my knowledge, skill and
ability.


Sidney F. Morrish, C.S.R.

sid morrish reporting service

General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 962-9212

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING CALLED BY
THE OIL CONSERVATION COMMISSION ON ITS
OWN MOTION TO CONSIDER THE ESTABLISHMENT
OF CATEGORIES OF PLUGGING BONDS, INCLUDING
BLANKET BONDS NOT EXCEEDING \$50,000.00,
AND ONE-WELL BONDS IN AMOUNTS DETERMINED
SUFFICIENT TO REASONABLY PAY THE COST OF
PLUGGING THE WELL COVERED BY EACH BOND;
ALSO TO CONSIDER THE EXCLUSION FROM FUTURE
BOND FORMS OF PROVISIONS CONDITIONING
PERFORMANCE ON RECOMPENSE FOR DAMAGES TO
LIVESTOCK, RANGE, WATER, CROPS OR TANGIBLE
IMPROVEMENTS; ALSO TO CONSIDER THE AMENDMENT
OF RULE 101 OF THE COMMISSION RULES AND
REGULATIONS CONCERNING THE ABOVE PROVISIONS.

CASE NO. 5912
Order No. R-5432

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on May 5, 1977, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 24th day of May, 1977, the Commission, a quorum being present, having considered the testimony and exhibits received at said hearing, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That pursuant to the provisions of Section 65-3-11(1), N.M.S.A., 1953 Comp., the Commission heretofore has promulgated Rule 101, PLUGGING BOND, to secure plugging of abandoned oil and gas wells in the State of New Mexico.

(3) That said Rule 101 requires that operators of oil and gas wells in New Mexico obtain one-well surety bonds in an amount to be determined by the Commission, but not more than \$10,000, for each well, or blanket surety bonds covering more than one well in the amount of \$10,000.

(4) That since 1950, the Commission by practice has adopted \$5,000 as being the usual amount for one-well bonds.

(5) That the number of wells called up by the Commission for "forced plugging" hearings has increased greatly during the past several years.

(6) That due to increased costs of plugging operations, the presently required \$5,000 one-well plugging bond is inadequate to cover plugging costs of any but shallow wells in the near vicinity to the service centers of New Mexico's oil and gas fields, and the presently required \$10,000 blanket bond is inadequate to cover plugging costs of one deep well, much less a number of wells.

(7) That by Chapter 237, Laws of 1977, Subsection (1) of Section 65-3-11, ENUMERATION OF POWERS, N.M.S.A. 1953 Comp., was amended mandating the Commission....

"(1) To require dry or abandoned wells to be plugged in such a way as to confine the crude petroleum oil, natural gas or water in the strata in which they are found, and to prevent them from escaping into other strata; the Commission shall require a corporate surety bond in a sum not to exceed fifty thousand dollars (\$50,000) conditioned for the performance of such regulations;"

(8) That in view of past inadequacy of certain bonds to cover the cost of plugging wells, and the great increase in the number of "forced plugging" cases called by the Commission during the past few years, as described in Findings Nos. (6) and (5) above, and pursuant to the authority granted to the Commission by the above-described amendment of Subsection (1) of Section 65-3-11, N.M.S.A., 1953 Comp., this case was called to consider the establishment of categories of plugging bonds, including blanket bonds not exceeding \$50,000, and one-well bonds in amounts determined sufficient to reasonably pay the cost of plugging the wells covered by each bond; also to consider the exclusion from future bond forms of provisions conditioning performance on recompense for damages to livestock, range, water, crops, or tangible improvements; and also to consider the amendment of Rule 101 of Commission Rules and Regulations concerning the aforesaid provisions.

(9) That the evidence adduced at the hearing of this case establishes that the blanket plugging bond for wells drilled on privately owned or state owned lands within this state

Case No. 5912
Order No. R-5432

should be a surety bond in the amount of fifty thousand dollars (\$50,000) conditioned that all oil, gas, or service wells drilled, acquired, or operated in this state by the principal on the bond be plugged and abandoned in compliance with the rules, regulations, and orders of the Commission.

(10) That the evidence further establishes that each one well plugging bond should be a surety bond conditioned that the well covered by the bond be plugged and abandoned in compliance with the rules, regulations, and orders of the Commission, and that said one-well plugging bonds should be in the amounts stated below in accordance with the following depths and locations of wells:

In Chaves, Eddy, Lea, McKinley, Rio Arriba, Roosevelt, Sandoval, and San Juan Counties:

<u>Actual or Projected Depth of Well</u>	<u>Amount of Bond</u>
Less than 5,000 feet	\$ 5,000
5,000 feet to 10,000 feet	\$ 7,500
More than 10,000 feet	\$10,000

In all other counties of the state:

<u>Actual or Projected Depth of Well</u>	<u>Amount of Bond</u>
Less than 5,000 feet	\$ 7,500
5,000 feet to 10,000 feet	\$10,000
More than 10,000 feet	\$12,500

(11) That in order to prevent costly delays to operators when drilling wells, the aforesaid one-well plugging bonds should stipulate that an actively drilling well could be granted a revised drilling permit for drilling as much as 500 feet deeper than the normal maximum depth allowed on the well's bond.

(12) That inasmuch as the above-described bonds are plugging bonds intended to secure the plugging of abandoned wells, and the amounts of the one-well bonds for various depths and locations, as well as the above-described blanket bond, are all the minimum amounts deemed by the Commission to be required for proper plugging and abandonment, the bond form presently used by the Commission and conditioned not only for the plugging of the affected well or wells, but also to secure the payment of damages to the livestock, range, water, crops or tangible

-4-

Case No. 5912
Order No. R-5432

improvements on state oil and gas leases where the surface of the land involved was sold by the state prior to the oil and gas lease, should be amended to delete the securance of such payment.

(13) That Rule 101 of the Commission Rules and Regulations should be revised to read in its entirety as follows:

"RULE 101. PLUGGING BOND

"(a) Any person, firm, corporation, or association who has drilled or acquired, is drilling, or proposes to drill or acquire any oil, gas, or service well on privately owned or state owned lands within this state shall furnish to the Commission, and obtain approval thereof, a surety bond running to the State of New Mexico, in a form prescribed by the Commission, and conditioned that the well be plugged and abandoned in compliance with the rules and regulations of the Commission. Such bond may be a one-well plugging bond or a blanket plugging bond. All bonds shall be executed by a responsible surety company authorized to do business in the State of New Mexico.

"(b) Blanket plugging bonds shall be in the amount of fifty thousand dollars (\$50,000) conditioned as above provided, covering all oil, gas, or service wells drilled, acquired or operated in this state by the principal on the bond.

"One-well plugging bonds shall be in the amounts stated below in accordance with the depth and location of the well:

Chaves, Eddy, Lea, McKinley, Rio Arriba, Roosevelt, Sandoval, and San Juan Counties, New Mexico:

<u>Projected Depth of Proposed Well or Actual Depth of Existing Well</u>	<u>Amount of Bond</u>
Less than 5,000 feet	\$ 5,000
5,000 feet to 10,000 feet	\$ 7,500
More than 10,000 feet	\$10,000

All Other Counties in the State:

<u>Projected Depth of Proposed Well or Actual Depth of Existing Well</u>	<u>Amount of Bond</u>
Less than 5,000 feet	\$ 7,500
5,000 feet to 10,000 feet	\$10,000
More than 10,000 feet	\$12,500

-5-

Case No. 5912
Order No. R-5432

"Revised plans for an actively drilling well may be approved by the appropriate District Office of the Commission for drilling as much as 500 feet deeper than the normal maximum depth allowed on the well's bond. Any well to be drilled more than 500 feet deeper than the normal depth bracket must be covered by a new bond in the amount prescribed for the deeper depth bracket.

The bond requirement for any intentionally deviated well shall be determined by the well's measured depth, and not its true vertical depth.

"(c) 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 Commission, or has been covered by another bond approved by the Commission.

"(d) Transfer of a property does not of itself release a bond. In the event of transfer of ownership of a well, the appropriate form, C-103 or C-104, properly executed, shall be filed with the District Office of the Commission in accordance with Rule 1103 or Rule 1104 by the new owner of the well. The District Office may approve the transfer providing that a new one-well bond covering the well, or a request that the well be covered by the new owner's blanket bond, has been approved by the Santa Fe office of the Commission.

"Upon approval of the bond and the Form C-103 or C-104, the transferor is released of plugging responsibility for the well, and upon request, the original bond will be released. No blanket bond will be released, however, until all wells covered by the bond have been plugged and abandoned or transferred in accordance with the provisions of this rule.

"(e) All bonds shall be filed with the Santa Fe office of the Commission, and approval of such bonds, as well as releases thereof, obtained from said office.

"(f) All bonds required by these rules shall be conditioned for well plugging and location cleanup only, and not to secure payment for damages to livestock, range, water, crops, tangible improvements, nor any other purpose."

-6-

Case No. 5912

Order No. R-5432

(14) That the effective date of the aforesaid amendment of Rule 101 of the Commission Rules and Regulations should be June 17, 1977, and any bond approved by the Commission on or after that date should be written in accordance with the amended rule.

(15) That a reasonable period of time should be allowed for operators of wells in New Mexico to obtain new bonds replacing existing bonds, said new bonds to be written in accordance with Rule 101, as amended, and that four months is such reasonable period of time.

(16) That between September 1, 1977, and December 31, 1977, all existing plugging bonds in effect on June 16, 1977, should be replaced by new bonds written in compliance with Rule 101, as amended.

(17) That the Supervisor of each District Office of the Commission should have authority to shut in, or shut down operations on, any well not covered by a bond written in compliance with Rule 101, as amended, on January 1, 1978.

(18) That new bond forms should be prepared and attached to this order as Exhibits A, B, and C prescribing the format and language to be used on all plugging bonds issued after June 16, 1977.

IT IS THEREFORE ORDERED:

(1) That effective June 17, 1977, Rule 101 of the Commission Rules and Regulations shall read in its entirety as follows:

"RULE 101. PLUGGING BOND

"(a) Any person, firm, corporation, or association who has drilled or acquired, is drilling, or proposes to drill or acquire any oil, gas, or service well on privately owned or state owned lands within this state shall furnish to the Commission, and obtain approval thereof, a surety bond running to the State of New Mexico, in a form prescribed by the Commission, and conditioned that the well be plugged and abandoned in compliance with the rules and regulations of the Commission. Such bond may be a one-well plugging bond or a blanket plugging bond. All bonds shall be executed by a responsible surety company authorized to do business in the State of New Mexico.

-7-

Case No. 5912

Order No. R-5432

"(b) Blanket plugging bonds shall be in the amount of fifty thousand dollars (\$50,000) conditioned as above provided, covering all oil, gas, or service wells drilled, acquired or operated in this state by the principal on the bond.

"One-well plugging bonds shall be in the amounts stated below in accordance with the depth and location of the well:

Chaves, Eddy, Lea, McKinley, Rio Arriba, Roosevelt, Sandoval, and San Juan Counties, New Mexico:

<u>Projected Depth of Proposed Well or Actual Depth of Existing Well</u>	<u>Amount of Bond</u>
Less than 5,000 feet	\$ 5,000
5,000 feet to 10,000 feet	\$ 7,500
More than 10,000 feet	\$10,000

All Other Counties in the State:

<u>Projected Depth of Proposed Well or Actual Depth of Existing Well</u>	<u>Amount of Bond</u>
Less than 5,000 feet	\$ 7,500
5,000 feet to 10,000 feet	\$10,000
More than 10,000 feet	\$12,500

"Revised plans for an actively drilling well may be approved by the Appropriate District Office of the Commission for drilling as much as 500 feet deeper than the normal maximum depth allowed on the well's bond. Any well to be drilled more than 500 feet deeper than the normal depth bracket must be covered by a new bond in the amount prescribed for the deeper depth bracket.

The bond requirement for any intentionally deviated well shall be determined by the well's measured depth, and not its true vertical depth.

"(c) 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 Commission, or has been covered by another bond approved by the Commission.

"(d) Transfer of a property does not of itself release a bond. In the event of transfer of ownership of a well, the appropriate form, C-103 or C-104, properly executed, shall be

-8-

Case No. 5912
Order No. R-5432

filed with the District Office of the Commission in accordance with Rule 1103 or Rule 1104 by the new owner of the well. The District Office may approve the transfer providing that a new one-well bond covering the well, or a request that the well be covered by the new owner's blanket bond, has been approved by the Santa Fe office of the Commission.

"Upon approval of the bond and the Form C-103 or C-104, the transferor is released of plugging responsibility for the well, and upon request, the original bond will be released. No blanket bond will be released, however, until all wells covered by the bond have been plugged and abandoned or transferred in accordance with the provisions of this rule.

"(e) All bonds shall be filed with the Santa Fe office of the Commission, and approval of such bonds, as well as releases thereof, obtained from said office.

"(f) All bonds required by these rules shall be conditioned for well plugging and location cleanup only, and not to secure payment for damages to livestock, range, water, crops, tangible improvements, nor any other purpose."

(2) That after June 16, 1977, except as provided under Order (3) below, no new well drilling permit (Form C-101), and no well transfer of ownership, (Form C-103 or Form C-104, whichever is applicable), shall be approved unless said well is covered by a new bond filed in accordance with Rule 101 of the Commission Rules and Regulations, as amended above.

(3) That between September 1, 1977, and December 31, 1977, all existing bonds in effect on June 16, 1977, shall be replaced by new bonds filed in accordance with Rule 101 of the Commission Rules and Regulations, as amended above.

(4) That effective January 1, 1978, the Supervisor of each District Office of the Commission is hereby authorized to shut in, or shut down operations on, any well not covered by a new bond filed in accordance with Rule 101 of the Commission Rules and Regulations, as amended above.

(5) That after June 16, 1977, no plugging bond shall be approved by the Commission unless it is in the form and style of, and employs the language used in, the bond forms hereby approved and adopted by the Commission, and attached hereto and made a part hereof, as follows:

-9-

Case No. 5912
Order No. R-5432

Exhibit A: \$50,000.00 Blanket Plugging Bond

Exhibit B: \$ 5,000.00, \$7,500.00, or \$10,000.00
one-well Plugging Bond for use in
Chaves, Eddy, Lea, McKinley, Rio Arriba,
Roosevelt, Sandoval, and San Juan Counties
only.

Exhibit C: \$7,500.00, \$10,000.00, or \$12,500.00
One-well Plugging Bond for use in
all counties except those named above.

(6) That jurisdiction of this cause is retained for the
entry of such further orders as the Commission may deem
necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



Phil R. Lucero

PHIL R. LUCERO, Chairman

Emery C. Arnold
EMERY C. ARNOLD, Member

Joe D. Ramey
JOE D. RAMEY, Member & Secretary

S E A L

dr/

STATE OF NEW MEXICO

Revised 6-17-77

\$50,000.00 BLANKET PLUGGING BOND

BOND NO. _____
(For Use of Surety Company)

(Note: File with Oil Conservation Commission, P. O. Box 2088, Santa Fe 87501)

KNOW ALL MEN BY THESE PRESENTS:

That _____, (An individual) (a partnership)
(a corporation organized in the State of _____, with its principal office in the city of _____, State of _____, and authorized to do business in the State of New Mexico), as PRINCIPAL, and _____, a corporation organized and existing under the laws of the State of _____, and authorized to do business in the State of New Mexico, as SURETY, are held firmly bound unto the State of New Mexico, for the use and benefit of the Oil Conservation Commission of New Mexico pursuant to Section 65-3-11, New Mexico Statutes Annotated, 1953 Compilation, as amended, in the sum of Fifty Thousand Dollars (\$50,000.00) lawful money of the United States, for the payment of which, well and truly to be made, said PRINCIPAL and SURETY hereby bind themselves, their successors and assigns, jointly and severally, firmly by these presents.

The conditions of this obligation are such that:

WHEREAS, The above principal has heretofore or may hereafter enter into oil and gas leases, or carbon dioxide (CO₂) gas leases, or helium gas leases with the State of New Mexico; and

WHEREAS, The above principal has heretofore or may hereafter enter into oil and gas leases, or carbon dioxide (CO₂) gas leases, or helium gas leases on lands patented by the United States of America to private individuals, and on lands otherwise owned by private individuals; and

WHEREAS, The above principal, individually, or in association with one or more other parties, has commenced or may commence the drilling of wells to prospect for and produce oil or gas, or carbon dioxide (CO₂) gas or helium gas, or does own or may acquire, own or operate such wells, or such wells started by others on land embraced in said State oil and gas leases, or carbon dioxide (CO₂) gas leases, or helium gas leases, and on lands patented by the United States of America to private individuals, and on lands otherwise owned by private individuals, the identification and location of said wells being expressly waived by both principal and surety hereto.

NOW, THEREFORE, If the above bounden principal and surety or either of them or their successors or assigns, or any of them, shall plug all of said wells when dry or when abandoned in accordance with the rules, regulations, and orders of the Oil Conservation Commission of New Mexico in such way as to confine the oil, gas, and water in the strata in which they are found, and to prevent them from escaping into other strata;

THEN, THEREFORE, This obligation shall be null and void; otherwise and in default of complete compliance with any and all of said obligations, the same shall remain in full force and effect.

PROVIDED, HOWEVER, That thirty (30) days after receipt by the Oil Conservation Commission of New Mexico of written notice of cancellation from the surety, the obligation of the surety hereunder shall terminate as to property or wells acquired, drilled, or started after said thirty (30) day period but shall continue in effect, notwithstanding said notice, as to property or wells theretofore acquired, drilled, or started.

EXHIBIT "A"
Order No. R-5432

PRINCIPAL

Address
By _____
Signature

Title

(Note: Principal, if corporation, affix corporate seal here.)

SURETY

Address
By _____
Attorney-in Fact

(Note: Corporate surety affix corporate seal here.)

ACKNOWLEDGMENT FORM FOR NATURAL PERSONS

STATE OF _____)
COUNTY OF _____) ss.

On this _____ day of _____, 19____, before me personally appeared _____, to me known to be the person (persons) described in and who executed the foregoing instrument and acknowledged that he (they) executed the same as his (their) free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and seal on the day and year in this certificate first above written.

My Commission expires
Notary Public

ACKNOWLEDGMENT FORM FOR CORPORATION

STATE OF _____)
COUNTY OF _____) ss.

On this _____ day of _____, 19____, before me personally appeared _____, to me personally known who, being by me duly sworn, did say that he is _____ of _____ and that the foregoing instrument was signed and sealed on behalf of said corporation by authority of its board of directors, and acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and seal on the day and year in this certificate first above written.

My Commission expires
Notary Public

ACKNOWLEDGMENT FORM FOR CORPORATE SURETY

STATE OF _____)
COUNTY OF _____) ss.

On this _____ day of _____, 19____, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is _____ of _____ and that the foregoing instrument was signed and sealed on behalf of said corporation by authority of its board of directors, and acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and seal on the day and year in this certificate first above written.

My Commission expires
(Note: Corporate surety attach power of attorney.)
Notary Public

APPROVED BY:
OIL CONSERVATION COMMISSION OF NEW MEXICO

By _____

Date _____

STATE OF NEW MEXICO
ONE-WELL PLUGGING BOND

FOR CHAVES, EDDY, LEA, MCKINLEY, RIO ARRIBA, ROOSEVELT,
SANDOVAL, AND SAN JUAN COUNTIES ONLY

BOND NO. _____
(For Use of Surety Company)

AMOUNT OF BOND _____

COUNTY _____

NOTE: For wells less than 5,000 feet deep, the minimum bond is \$5,000.00*
For wells 5,000 feet to 10,000 feet deep, the minimum bond is \$7,500.00*
For wells more than 10,000 feet deep, the minimum bond is \$10,000.00

*Under certain conditions, a well being drilled under a \$5,000.00 or \$7,500.00 bond may be permitted to be drilled as much as 500 feet deeper than the normal maximum depth, i.e., a well being drilled under a \$5,000.00 bond may be permitted to go to 5,499 feet, and a well being drilled under a \$7,500.00 bond may be permitted to go to 10,500 feet.

File with Oil Conservation Commission, P. O. Box 2088, Santa Fe 87501

KNOW ALL MEN BY THESE PRESENTS:

That _____, (An individual) (a partnership)
(a corporation organized in the State of _____, with its principal office in the city of _____, State of _____, and authorized to do business in the State of New Mexico), as PRINCIPAL, and _____, a corporation organized and existing under the laws of the State of _____, and authorized to do business in the State of New Mexico, as SURETY, are held firmly bound unto the State of New Mexico, for the use and benefit of the Oil Conservation Commission of New Mexico pursuant to Section 65-3-11, New Mexico Statutes Annotated, 1953 Compilation, as amended, in the sum of _____ Dollars lawful money of the United States, for the payment of which, well and truly to be made, said PRINCIPAL and SURETY hereby bind themselves, their successors and assigns, jointly and severally, firmly by these presents.

The conditions of this obligation are such that:

WHEREAS, The above principal has heretofore or may hereafter enter into oil and gas leases, or carbon dioxide (CO₂) gas leases, or helium gas leases with the State of New Mexico; and

WHEREAS, The above principal has heretofore or may hereafter enter into oil and gas leases, or carbon dioxide (CO₂) gas leases, or helium gas leases on lands patented by the United States of America to private individuals, and on lands otherwise owned by private individuals; and

WHEREAS, The above principal, individually, or in association with one or more other parties, has commenced or may commence the drilling of one well not to exceed a depth of _____ feet, to prospect for and produce oil or gas, or carbon dioxide (CO₂) gas or helium gas, or does own or may acquire, own or operate such well, or such well started by others on land embraced in said State oil and gas leases, or carbon dioxide (CO₂) leases, or helium gas leases, and on land patented by the United States of America to private individuals, and on land otherwise owned by private individuals, the identification and location of said well being _____

(Here state exact legal subdivision by 40-acre tract or lot)

_____ Section _____, Township _____ (North) (South), Range _____ (East) (West), N.M.P.M.
_____ County, New Mexico.

NOW, THEREFORE, If the above bounden principal and surety or either of them or their successors or assigns, or any of them, shall plug said well when dry or when abandoned in accordance with the rules, regulations, and orders of the Oil Conservation Commission of New Mexico in such way as to confine the oil, gas, and water in the strata in which they are found, and to prevent them from escaping into other strata;

THEN, THEREFORE, This obligation shall be null and void; otherwise and in default of complete compliance with any and all of said obligations, the same shall remain in full force and effect.

EXHIBIT "B"

Order No. R-5432

PRINCIPAL

Address
By _____
Signature

Title

(Note: Principal, if corporation, affix corporate seal here.)

SURETY

Address
By _____
Attorney-in Fact

(Note: Corporate surety affix corporate seal here.)

ACKNOWLEDGMENT FORM FOR NATURAL PERSONS

STATE OF _____)
COUNTY OF _____) ss.

On this _____ day of _____, 19____, before me personally appeared _____, to me known to be the person (persons) described in and who executed the foregoing instrument and acknowledged that he (they) executed the same as his (their) free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and seal on the day and year in this certificate first above written.

My Commission expires

Notary Public

ACKNOWLEDGMENT FORM FOR CORPORATION

STATE OF _____)
COUNTY OF _____) ss.

On this _____ day of _____, 19____, before me personally appeared _____, to me personally known who, being by me duly sworn, did say that he is _____ of _____ and that the foregoing instrument was signed and sealed on behalf of said corporation by authority of its board of directors, and acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and seal on the day and year in this certificate first above written.

My Commission expires

Notary Public

ACKNOWLEDGMENT FORM FOR CORPORATE SURETY

STATE OF _____)
COUNTY OF _____) ss.

On this _____ day of _____, 19____, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is _____ of _____ and that the foregoing instrument was signed and sealed on behalf of said corporation by authority of its board of directors, and acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and seal on the day and year in this certificate first above written.

My Commission expires
(Note: Corporate surety attach power of attorney.)

Notary Public

APPROVED BY:
OIL CONSERVATION COMMISSION OF NEW MEXICO

By _____

Date _____

STATE OF NEW MEXICO
ONE-WELL PLUGGING BOND

Revised 6-17-77

FOR ALL COUNTIES EXCEPT:
CHAVES, EDDY, LEA, MCKINLEY, RIO ARRIBA, ROOSEVELT,
SANDOVAL, AND SAN JUAN

BOND NO. _____
(For Use of Surety Company)

AMOUNT OF BOND _____

COUNTY _____

NOTE: For wells less than 5,000 feet deep, the minimum bond is \$7,500.00*
For wells 5,000 feet to 10,000 feet deep, the minimum bond is \$10,000.00*
For wells more than 10,000 feet deep, the minimum bond is \$12,500.00

*Under certain conditions, a well being drilled under a \$7,500 or \$10,000.00 bond may be permitted to be drilled as much as 500 feet deeper than the normal maximum depth, i.e., a well being drilled under a \$7,500.00 bond may be permitted to go to 5,499 feet, and a well being drilled under a \$10,000.00 bond may be permitted to go to 10,500 feet.

File with Oil Conservation Commission, P. O. Box 2088, Santa Fe 87501

KNOW ALL MEN BY THESE PRESENTS:

That _____, (An individual) (a partnership)
(a corporation organized in the State of _____, with its principal office in the city of _____, State of _____, and authorized to do business in the State of New Mexico), as PRINCIPAL, and _____, a corporation organized and existing under the laws of the State of _____, and authorized to do business in the State of New Mexico, as SURETY, are held firmly bound unto the State of New Mexico, for the use and benefit of the Oil Conservation Commission of New Mexico pursuant to Section 65-3-11, New Mexico Statutes Annotated, 1953 Compilation, as amended, in the sum of _____ Dollars lawful money of the United States, for the payment of which, well and truly to be made, said PRINCIPAL and SURETY hereby bind themselves, their successors and assigns, jointly and severally, firmly by these presents.

The conditions of this obligation are such that:

WHEREAS, The above principal has heretofore or may hereafter enter into oil and gas leases, or carbon dioxide (CO₂) gas leases, or helium gas leases with the State of New Mexico; and

WHEREAS, The above principal has heretofore or may hereafter enter into oil and gas leases, or carbon dioxide (CO₂) gas leases, or helium gas leases on lands patented by the United States of America to private individuals, and on lands otherwise owned by private individuals; and

WHEREAS, The above principal, individually, or in association with one or more other parties, has commenced or may commence the drilling of one well not to exceed a depth of _____ feet, to prospect for and produce oil or gas, or carbon dioxide (CO₂) gas or helium gas, or does own or may acquire, own or operate such well, or such well started by others on land embraced in said State oil and gas leases, or carbon dioxide (CO₂) leases, or helium gas leases, and on land patented by the United States of America to private individuals, and on land otherwise owned by private individuals, the identification and location of said well being _____

(Here state exact legal subdivision by 40-acre tract or lot)

_____ Section _____, Township _____ (North) (South), Range _____ (East) (West), N.M.P.M.
_____ County, New Mexico.

NOW, THEREFORE, If the above bounden principal and surety or either of them or their successors or assigns, or any of them, shall plug said well when dry or when abandoned in accordance with the rules, regulations, and orders of the Oil Conservation Commission of New Mexico in such way as to confine the oil, gas, and water in the strata in which they are found, and to prevent them from escaping into other strata;

THEN, THEREFORE, This obligation shall be null and void; otherwise and in default of complete compliance with any and all of said obligations, the same shall remain in full force and effect.

EXHIBIT "C"

Order No. R-5432

PRINCIPAL

Address
By _____
Signature

Title

(Note: Principal, if corporation, affix corporate seal here.)

SURETY

Address
By _____
Attorney-in Fact

(Note: Corporate surety affix corporate seal here.)

ACKNOWLEDGMENT FORM FOR NATURAL PERSONS

STATE OF _____)
COUNTY OF _____) ss.

On this _____ day of _____, 19____, before me personally appeared _____, to me known to be the person (persons) described in and who executed the foregoing instrument and acknowledged that he (they) executed the same as his (their) free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and seal on the day and year in this certificate first above written.

My Commission expires

Notary Public

ACKNOWLEDGMENT FORM FOR CORPORATION

STATE OF _____)
COUNTY OF _____) ss.

On this _____ day of _____, 19____, before me personally appeared _____, to me personally known who, being by me duly sworn, did say that he is _____ of _____ and that the foregoing instrument was signed and sealed on behalf of said corporation by authority of its board of directors, and acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and seal on the day and year in this certificate first above written.

My Commission expires

Notary Public

ACKNOWLEDGMENT FORM FOR CORPORATE SURETY

STATE OF _____)
COUNTY OF _____) ss.

On this _____ day of _____, 19____, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is _____ of _____ and that the foregoing instrument was signed and sealed on behalf of said corporation by authority of its board of directors, and acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and seal on the day and year in this certificate first above written.

My Commission expires
(Note: Corporate surety attach power of attorney.)

Notary Public

APPROVED BY:
OIL CONSERVATION COMMISSION OF NEW MEXICO

By _____

Date _____

Findings:

- (14) That between September 1, 1977, and December 31, 1977, all existing plugging bonds in effect on June 16, 1977, should be replaced by new bonds written in compliance with Rule 101, as amended.

Orders:

- (3) That between September 1, 1977, and December 31, 1977, all existing bonds ~~in effect~~ in effect on June 16, 1977, shall be replaced by new bonds filed in accordance with Rule 101 of the Commission Rules and Regulations, as amended above. ~~By Order of the Commission, December 31, 1977.~~

ROUGH DRAFT

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING CALLED BY
THE OIL CONSERVATION COMMISSION ON ITS
OWN MOTION TO CONSIDER THE ESTABLISHMENT
OF CATEGORIES OF PLUGGING BONDS, INCLUDING
BLANKET BONDS NOT EXCEEDING \$50,000.00,
AND ONE-WELL BONDS IN AMOUNTS DETERMINED
SUFFICIENT TO REASONABLY PAY THE COST OF
PLUGGING THE WELL COVERED BY EACH BOND;
ALSO TO CONSIDER THE EXCLUSION FROM FUTURE
BOND FORMS OF PROVISIONS CONDITIONING
PERFORMANCE ON RECOMPENSE FOR DAMAGES TO
LIVESTOCK, RANGE, WATER, CROPS OR TANGIBLE
IMPROVEMENTS: ALSO TO CONSIDER THE AMENDMENT
OF RULE 101 OF THE COMMISSION RULES AND
REGULATIONS CONCERNING THE ABOVE PROVISIONS.

CASE NO. 5912
Order No. R-5432

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on May 5, 1977, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this _____ day of May, 1977, the Commission, a quorum being present, having considered the testimony and exhibits received at said hearing, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That pursuant to the provisions of Section 65-3-11(1), N.M.S.A., 1953 Comp., the Commission ~~has~~ ^{has} heretofore promulgated Rule 101, PLUGGING BOND, to secure plugging of abandoned oil and gas wells in the State of New Mexico.

(3) That said Rule 101 requires that operators of oil and gas wells in New Mexico obtain one-well surety bonds in an amount to be determined by the Commission, but not more than \$10,000, for each well, or blanket surety bonds covering more than one well in the amount of \$10,000.

(4) That since 1950, the Commission by practice has adopted \$5,000 as being the usual amount for one-well bonds.

(5) That the number of wells called up by the Commission for "forced plugging" hearings has increased greatly during the past several years.

(6) That due to increased costs of plugging operations, the presently required \$5,000 one-well plugging bond is inadequate to cover plugging costs of any but shallow wells in the near vicinity to the service centers of New Mexico's oil and gas fields, and ~~that~~ the presently required \$10,000 blanket bond is inadequate to cover plugging costs of one deep well, much less a number of wells.

(7) That by Chapter 237, Laws of 1977, Subsection (1) of Section 65-3-11, ENUMERATION OF POWERS, NMSA 1953 Comp., was amended *mandating* the Commission....

"(1) To require dry or abandoned wells to be plugged in such a way as to confine the crude petroleum oil, natural gas or water in the strata in which they are found, and to prevent them from escaping into other strata; the Commission shall require a corporate surety bond in a sum not to exceed fifty thousand dollars (\$50,000) conditioned for the performance of such regulations;"

(8) That in view of past inadequacy of certain bonds to cover the cost of plugging wells, and the great increase in the number of "forced plugging" cases called by the Commission during the past few years, as described in Findings Nos. (6) and (5) above, and pursuant to the authority granted to the Commission by the above-described amendment of Subsection (1) of Section 65-3-11, NMSA, 1953 Comp., this case was called to consider the establishment

of categories of plugging bonds, including blanket bonds not exceeding \$50,000, and one-well bonds in amounts determined sufficient to reasonably pay the cost of plugging the wells covered by each bond; also to consider the exclusion from future bond forms of provisions conditioning performance on recompense for damages to livestock, range, water, crops, or tangible improvements; and also to consider the amendment of Rule 101 of Commission Rules and Regulations concerning the aforesaid provisions.

(9) That the evidence adduced at the hearing of this case establishes that the blanket plugging bond for wells drilled on privately owned or state owned lands within this state should be a surety bond in the amount of fifty thousand dollars (\$50,000) conditioned that all oil, gas, or service wells drilled, acquired, or operated in this state by the principal on the bond be plugged and abandoned in compliance with the rules, regulations, and orders of the Commission.

(10) That the evidence further establishes that each one well plugging bond should be a surety bond conditioned that the well covered by the bond be plugged and abandoned in compliance with the rules, regulations, and orders of the Commission, and that said one-well plugging bonds should be in the amounts stated below in accordance with the following depths and locations of wells:

In Chaves, Eddy, Lea, McKinley, Rio Arriba, Roosevelt,
Sandoval, and San Juan Counties:

<u>Actual or Projected Depth of Well</u>	<u>Amount of Bond</u>
Less than 5,000 feet	\$ 5,000
5,000 feet to 10,000 feet	\$ 7,500
More than 10,000 feet	\$10,000

Case No. 5912
Order No. R-

In all other counties of the state:

<u>Actual or Projected Depth of Well</u>	<u>Amount of Bond</u>
Less than 5,000 feet	\$ 7,500
5,000 feet to 10,000 feet	\$10,000
More than 10,000 feet	\$12,500

(11) That in order to prevent costly delays to operators when drilling wells, the aforesaid one-well plugging bonds should stipulate that an actively drilling well could be granted a revised drilling permit for drilling as much as ^{500 feet} ~~ten percent~~ deeper than the ^{normal} maximum depth allowed on the well's bond.

(12) That inasmuch as the above-described bonds are plugging bonds intended to secure the plugging of abandoned wells, and the amounts of the one-well bonds for various depths and locations, as well as the above-described blanket bond, are all the minimum amounts ^{deemed} ~~estimated~~ by the Commission to be required for proper plugging and abandonment, the bond form presently used by the Commission and conditioned not only for the plugging of the affected well or wells, but also to secure the payment of ~~such~~ damages to the livestock, range, water, crops or tangible improvements on state oil and gas leases where the surface of the ~~land~~ land involved was sold by the state prior to the oil and gas lease, should be amended to delete the securance of such payment.

(13) That Rule 101 of the Commission Rules and Regulations should be revised to read in its entirety as follows:

"RULE 101. PLUGGING BOND

"(a) Any person, firm, corporation, or association who has drilled or acquired, is drilling, or proposes to drill or acquire any oil, gas, or service well on privately owned or state owned lands within this state shall furnish to the Commission, and obtain approval thereof, a surety bond running to the State of New Mexico, in a form prescribed by the Commission, and conditioned that the well be plugged and abandoned in compliance with the rules and regulations of the Commission. Such bond may be a one-well plugging bond or a blanket plugging bond. All bonds shall be executed by a responsible surety company authorized to do business in the State of New Mexico.

"(b) Blanket plugging bonds shall be in the amount of fifty thousand dollars (\$50,000) conditioned as above provided, covering all oil, gas, or service wells drilled, acquired or operated in this state by the principal on the bond.

"One-well plugging bonds shall be in the amounts stated below in accordance with the depth and location of the well:

Chaves, Eddy, Lea, McKinley, Rio Arriba, Roosevelt, Sandoval, and San Juan Counties, New Mexico:

<u>Projected Depth of Proposed Well or Actual Depth of Existing Well</u>	<u>Amount of Bond</u>
Less than 5,000 feet	\$ 5,000
5,000 feet to 10,000 feet	\$ 7,500
More than 10,000 feet	\$10,000

All Other Counties in the State:

<u>Projected Depth of Proposed Well or Actual Depth of Existing Well</u>	<u>Amount of Bond</u>
Less than 5,000 feet	\$ 7,500
5,000 feet to 10,000 feet	\$10,000
More than 10,000 feet	\$12,500

"Revised plans for an actively drilling well may be approved by the appropriate District Office of the Commission for drilling as much as 500 feet deeper than the ^{normal} maximum depth allowed on the well's bond. Any well to be drilled more than the ^{normal} depth bracket must be covered by a new bond in the amount prescribed for the deeper depth bracket.

The bond requirement for any intentionally deviated well shall be determined by the well's measured depth, and not its true vertical depth.

"(c) 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 Commission, or has been covered by another bond approved by the Commission.

"(d) Transfer of a property does not of itself release a bond. In the event of transfer of ownership of a well, the appropriate form, C-103 or C-104, properly executed, shall be filed with the District Office of the Commission in accordance with Rule 1103 or Rule 1104 by the new owner of the well. The District Office may approve the transfer providing that a new one-well bond covering the well, or a request that the well be covered by the new owner's blanket bond, has been approved by the Santa Fe office of the Commission.

"Upon approval of the bond and the Form C-103 or C-104, the transferor is released of plugging responsibility for the well, and upon request, the original bond will be released. No blanket bond will be released, however, until all wells covered by the bond have been plugged and abandoned or transferred in accordance with the provisions of this rule.

"(e) All bonds shall be filed with the Santa Fe office of the Commission, and approval of such bonds, as well as releases thereof, obtained from said office.

"(f) All bonds required by these rules shall be conditioned for well plugging and location cleanup only, and not to secure payment for damages to livestock, range, water, crops, tangible improvements, or any other thing."

(14) That the effective date of the aforesaid amendment of Rule 101 of the Commission Rules and Regulations should be *approved by the Commission on or after that date* June 17, 1977, and any bond ~~issued subsequent to that date~~ should be ^{*written*} ~~issued~~ in accordance with the amended rule.

(15) That a reasonable period of time should be allowed for operators of wells in New Mexico to obtain new bonds replacing existing bonds, said new bonds to be written in accordance with Rule 101, as amended, and that ^{*four months*} ~~six months and 12 days~~ is such reasonable period of time.

(16) That all existing plugging bonds in effect June 16, 1977, ~~shall~~ ^{*should*} be replaced by new bonds written in compliance with Rule 101, as amended, ^{*between September 1, 1977, and*} ~~by~~ December 31, 1977.

(17) That the Supervisor of each District Office of the Commission should have authority to shut in, or shut down operations on, any well not covered by a bond written in compliance with Rule 101, as amended, on January 1, 1978.

(18) That new bond forms should be prepared and attached to this order as Exhibits *A, B, and C* ~~thereto~~, prescribing the format and language to be used on all plugging bonds issued after June 16, 1977.

IT IS THEREFORE ORDERED:

(1) That effective June 17, 1977, Rule 101 of the Commission Rules and Regulations shall read in its entirety as follows:

"RULE 101. PLUGGING BOND

"(a) Any person, firm, corporation, or association who has drilled or acquired, is drilling, or proposes to drill or acquire any oil, gas, or service well on privately owned or state owned lands within this state shall furnish to the Commission, and obtain approval thereof, a surety bond running to the State of New Mexico, in a form prescribed by the Commission, and conditioned that the well be plugged and abandoned in compliance with the rules and regulations of the Commission. Such bond may be a one-well plugging bond or a blanket plugging bond. All bonds shall be executed by a responsible surety company authorized to do business in the State of New Mexico.

"(b) Blanket plugging bonds shall be in the amount of fifty thousand dollars (\$50,000) conditioned as above provided, covering all oil, gas, or service wells drilled, acquired or operated in this state by the principal on the bond.

"One-well plugging bonds shall be in the amounts stated below in accordance with the depth and location of the well:

Chaves, Eddy, Lea, McKinley, Rio Arriba, Roosevelt, Sandoval, and San Juan Counties, New Mexico:

<u>Projected Depth of Proposed Well or Actual Depth of Existing Well</u>	<u>Amount of Bond</u>
Less than 5,000 feet	\$ 5,000
5,000 feet to 10,000 feet	\$ 7,500
More than 10,000 feet	\$10,000

All Other Counties in the State:

<u>Projected Depth of Proposed Well or Actual Depth of Existing Well</u>	<u>Amount of Bond</u>
Less than 5,000 feet	\$ 7,500
5,000 feet to 10,000 feet	\$10,000
More than 10,000 feet	\$12,500

"Revised plans for an actively drilling well may be approved by the appropriate District Office of the Commission for drilling as much as 500 feet deeper than the ^{normal} maximum depth allowed on the well's bond. Any well to be drilled more than the ^{500 feet deeper than} normal depth bracket must be covered by a new bond in the amount prescribed for the deeper depth bracket.

The bond requirement for any intentionally deviated well shall be determined by the well's measured depth, and not its true vertical depth.

"(c) 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 Commission, or has been covered by another bond approved by the Commission.

"(d) Transfer of a property does not of itself release a bond. In the event of transfer of ownership of a well, the appropriate form, C-103 or C-104, properly executed, shall be filed with the District Office of the Commission in accordance with Rule 1103 or Rule 1104 by the new owner of the well. The District Office may approve the transfer providing that a new one-well bond covering the well, or a request that the well be covered by the new owner's blanket bond, has been approved by the Santa Fe office of the Commission.

"Upon approval of the bond and the Form C-103 or C-104, the transferor is released of plugging responsibility for the well, and upon request, the original bond will be released. No blanket bond will be released, however, until all wells covered by the bond have been plugged and abandoned or transferred in accordance with the provisions of this rule.

"(e) All bonds shall be filed with the Santa Fe office of the Commission, and approval of such bonds, as well as releases thereof, obtained from said office.

"(f) All bonds required by these rules shall be conditioned for well plugging and location cleanup only, and not to secure payment for damages to livestock, range, water, crops, tangible improvements, or any other thing."

(2) That after June 16, 1977, no new well drilling permit (Form C-101), and no well transfer of ownership, (Form C-103 or Form C-104, whichever is applicable), shall be approved unless said well is covered by a new bond filed in accordance with Rule 101 of the Commission Rules and Regulations, as amended above.

(3) That all existing bonds covering existing wells on June 17, 1977, shall be replaced by new bonds filed in accordance with Rule 101 of the Commission Rules and Regulations, as amended above, by December 31, 1977.

-10-
Case No. 5912
Order No. R-

(4) That effective January 1, 1978, the Supervisor of each District Office of the Commission is hereby authorized to shut in, or shut down operations on, any well not covered by a new bond filed in accordance with Rule 101 of the Commission Rules and Regulations, as amended above.

(5) That after June 16, 1977, no plugging bond shall be approved by the Commission unless it is in the form and style of, and employs the language used in, the bond forms hereby approved and adopted by the Commission, and attached hereto and made a part hereof, as follows:

Exhibit A: \$50,000.00 Blanket Plugging Bond

Exhibit B: \$ 5,000.00, \$7,500.00, or \$10,000.00
one-well Plugging Bond for use in
Chaves, Eddy, Lea, McKinley, Rio Arriba,
Roosevelt, Sandoval, and San Juan Counties
only.

Exhibit C: \$7,500.00, \$10,000.00, or \$12,500.00
One-well Plugging Bond for use in
all counties except those named above.

(6) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO

Revised 6-17-77

\$50,000.00 BLANKET PLUGGING BOND

BOND NO. _____
(For Use of Surety Company)

(Note: File with Oil Conservation Commission, P. O. Box 2088, Santa Fe 87501)

KNOW ALL MEN BY THESE PRESENTS:

That _____, (An individual) (a partnership)
(a corporation organized in the State of _____, with its principal office in the city of _____, State of _____, and authorized to do business in the State of New Mexico), as PRINCIPAL, and _____, a corporation organized and existing under the laws of the State of _____, and authorized to do business in the State of New Mexico, as SURETY, are held firmly bound unto the State of New Mexico, for the use and benefit of the Oil Conservation Commission of New Mexico pursuant to Section 65-3-11, New Mexico Statutes Annotated, 1953 Compilation, as amended, in the sum of Fifty Thousand Dollars (\$50,000.00) lawful money of the United States, for the payment of which, well and truly to be made, said PRINCIPAL and SURETY hereby bind themselves, their successors and assigns, jointly and severally, firmly by these presents.

The conditions of this obligation are such that:

WHEREAS, The above principal has heretofore or may hereafter enter into oil and gas leases, or carbon dioxide (CO₂) gas leases, or helium gas leases with the State of New Mexico; and

WHEREAS, The above principal has heretofore or may hereafter enter into oil and gas leases, or carbon dioxide (CO₂) gas leases, or helium gas leases on lands patented by the United States of America to private individuals, and on lands otherwise owned by private individuals; and

WHEREAS, The above principal, individually, or in association with one or more other parties, has commenced or may commence the drilling of wells to prospect for and produce oil or gas, or carbon dioxide (CO₂) gas or helium gas, or does own or may acquire, own or operate such wells, or such wells started by others on land embraced in said State oil and gas leases, or carbon dioxide (CO₂) gas leases, or helium gas leases, and on lands patented by the United States of America to private individuals, and on lands otherwise owned by private individuals, the identification and location of said wells being expressly waived by both principal and surety hereto.

NOW, THEREFORE, If the above bounden principal and surety or either of them or their successors or assigns, or any of them, shall plug all of said wells when dry or when abandoned in accordance with the rules, regulations, and orders of the Oil Conservation Commission of New Mexico in such way as to confine the oil, gas, and water in the strata in which they are found, and to prevent them from escaping into other strata;

THEN, THEREFORE, This obligation shall be null and void; otherwise and in default of complete compliance with any and all of said obligations, the same shall remain in full force and effect.

PROVIDED, HOWEVER, That thirty (30) days after receipt by the Oil Conservation Commission of New Mexico of written notice of cancellation from the surety, the obligation of the surety hereunder shall terminate as to property or wells acquired, drilled, or started after said thirty (30) day period but shall continue in effect, notwithstanding said notice, as to property or wells theretofore acquired, drilled, or started.

Exhibit "A"

Order No. R-5432

STATE OF NEW MEXICO

ONE-WELL PLUGGING BOND

FOR CHAVES, EDDY, LEA, MCKINLEY, RIO ARRIBA, ROOSEVELT,
SANDOVAL, AND SAN JUAN COUNTIES ONLY

BOND NO. _____
(For Use of Surety Company)

AMOUNT OF BOND _____

COUNTY _____

NOTE: For wells less than 5,000 feet deep, the minimum bond is \$5,000.00*
For wells 5,000 feet to 10,000 feet deep, the minimum bond is \$7,500.00*
For wells more than 10,000 feet deep, the minimum bond is \$10,000.00

*Under certain conditions, a well being drilled under a \$5,000.00 or \$7,500.00 bond may be permitted to be drilled as much as 500 feet deeper than the normal maximum depth, i.e., a well being drilled under a \$5,000.00 bond may be permitted to go to 5,499 feet, and a well being drilled under a \$7,500.00 bond may be permitted to go to 10,500 feet.

File with Oil Conservation Commission, P. O. Box 2088, Santa Fe 87501

KNOW ALL MEN BY THESE PRESENTS:

That _____, (An individual) (a partnership)
(a corporation organized in the State of _____, with its principal office in the city of _____, State of _____, and authorized to do business in the State of New Mexico), as PRINCIPAL, and _____, a corporation organized and existing under the laws of the State of _____, and authorized to do business in the State of New Mexico, as SURETY, are held firmly bound unto the State of New Mexico, for the use and benefit of the Oil Conservation Commission of New Mexico pursuant to Section 65-3-11, New Mexico Statutes Annotated, 1953 Compilation, as amended, in the sum of _____ Dollars lawful money of the United States, for the payment of which, well and truly to be made, said PRINCIPAL and SURETY hereby bind themselves, their successors and assigns, jointly and severally, firmly by these presents.

The conditions of this obligation are such that:

WHEREAS, The above principal has heretofore or may hereafter enter into oil and gas leases, or carbon dioxide (CO₂) gas leases, or helium gas leases with the State of New Mexico; and

WHEREAS, The above principal has heretofore or may hereafter enter into oil and gas leases, or carbon dioxide (CO₂) gas leases, or helium gas leases on lands patented by the United States of America to private individuals, and on lands otherwise owned by private individuals; and

WHEREAS, The above principal, individually, or in association with one or more other parties, has commenced or may commence the drilling of one well not to exceed a depth of _____ feet, to prospect for and produce oil or gas, or carbon dioxide (CO₂) gas or helium gas, or does own or may acquire, own or operate such well, or such well started by others on land embraced in said State oil and gas leases, or carbon dioxide (CO₂) leases, or helium gas leases, and on land patented by the United States of America to private individuals, and on land otherwise owned by private individuals, the identification and location of said well being _____

(Here state exact legal subdivision by 40-acre tract or lot)

_____ Section _____, Township _____ (North) (South), Range _____ (East) (West), N.M.P.M.
_____ County, New Mexico.

NOW, THEREFORE, If the above bounden principal and surety or either of them or their successors or assigns, or any of them, shall plug said well when dry or when abandoned in accordance with the rules, regulations, and orders of the Oil Conservation Commission of New Mexico in such way as to confine the oil, gas, and water in the strata in which they are found, and to prevent them from escaping into other strata;

THEN, THEREFORE, This obligation shall be null and void; otherwise and in default of complete compliance with any and all of said obligations, the same shall remain in full force and effect.

Exhibit "B"
Order No. R-5432

STATE OF NEW MEXICO
ONE-Well PLUGGING BOND

Revised 6-17-77

FOR ALL COUNTIES EXCEPT:
CHAVES, EDDY, LEA, MCKINLEY, RIO ARRIBA, ROOSEVELT,
SANDOVAL, AND SAN JUAN

BOND NO. _____
(For Use of Surety Company)

AMOUNT OF BOND _____

COUNTY _____

NOTE: For wells less than 5,000 feet deep, the minimum bond is \$7,500.00*
For wells 5,000 feet to 10,000 feet deep, the minimum bond is \$10,000.00*
For wells more than 10,000 feet deep, the minimum bond is \$12,500.00

*Under certain conditions, a well being drilled under a \$7,500 or \$10,000.00 bond may be permitted to be drilled as much as 500 feet deeper than the normal maximum depth, i.e., a well being drilled under a \$7,500.00 bond may be permitted to go to 5,499 feet, and a well being drilled under a \$10,000.00 bond may be permitted to go to 10,500 feet.

File with Oil Conservation Commission, P. O. Box 2088, Santa Fe 87501

KNOW ALL MEN BY THESE PRESENTS:

That _____, (An individual) (a partnership)
(a corporation organized in the State of _____, with its principal office in the city of _____, State of _____, and authorized to do business in the State of New Mexico), as PRINCIPAL, and _____, a corporation organized and existing under the laws of the State of _____, and authorized to do business in the State of New Mexico, as SURETY, are held firmly bound unto the State of New Mexico, for the use and benefit of the Oil Conservation Commission of New Mexico pursuant to Section 65-3-11, New Mexico Statutes Annotated, 1953 Compilation, as amended, in the sum of _____ Dollars lawful money of the United States, for the payment of which, well and truly to be made, said PRINCIPAL and SURETY hereby bind themselves, their successors and assigns, jointly and severally, firmly by these presents.

The conditions of this obligation are such that:

WHEREAS, The above principal has heretofore or may hereafter enter into oil and gas leases, or carbon dioxide (CO₂) gas leases, or helium gas leases with the State of New Mexico; and

WHEREAS, The above principal has heretofore or may hereafter enter into oil and gas leases, or carbon dioxide (CO₂) gas leases, or helium gas leases on lands patented by the United States of America to private individuals, and on lands otherwise owned by private individuals; and

WHEREAS, The above principal, individually, or in association with one or more other parties, has commenced or may commence the drilling of one well not to exceed a depth of _____ feet, to prospect for and produce oil or gas, or carbon dioxide (CO₂) gas or helium gas, or does own or may acquire, own or operate such well, or such well started by others on land embraced in said State oil and gas leases, or carbon dioxide (CO₂) leases, or helium gas leases, and on land patented by the United States of America to private individuals, and on land otherwise owned by private individuals, the identification and location of said well being _____

(Here state exact legal subdivision by 40-acre tract or lot)

_____ Section _____, Township _____ (North) (South), Range _____ (East) (West), N.M.P.M.
_____ County, New Mexico.

NOW, THEREFORE, If the above bounden principal and surety or either of them or their successors or assigns, or any of them, shall plug said well when dry or when abandoned in accordance with the rules, regulations, and orders of the Oil Conservation Commission of New Mexico in such way as to confine the oil, gas, and water in the strata in which they are found, and to prevent them from escaping into other strata;

THEN, THEREFORE, This obligation shall be null and void; otherwise and in default of complete compliance with any and all of said obligations, the same shall remain in full force and effect.

Exhibit "C"
Order No. R-5432

STATE OF NEW MEXICO

Revised 6-17-77

\$50,000.00 BLANKET PLUGGING BOND

BOND NO. _____
(For Use of Surety Company)

(Note: File with Oil Conservation Commission, P. O. Box 2088, Santa Fe 87501)

KNOW ALL MEN BY THESE PRESENTS:

That _____, (An individual) (a partnership)
(a corporation organized in the State of _____, with its principal office in the city of _____, State of _____, and authorized to do business in the State of New Mexico), as PRINCIPAL, and _____, a corporation organized and existing under the laws of the State of _____, and authorized to do business in the State of New Mexico, as SURETY, are held firmly bound unto the State of New Mexico, for the use and benefit of the Oil Conservation Commission of New Mexico pursuant to Section 65-3-11, New Mexico Statutes Annotated, 1953 Compilation, as amended, in the sum of Fifty Thousand Dollars (\$50,000.00) lawful money of the United States, for the payment of which, well and truly to be made, said PRINCIPAL and SURETY hereby bind themselves, their successors and assigns, jointly and severally, firmly by these presents.

The conditions of this obligation are such that:

WHEREAS, The above principal has heretofore or may hereafter enter into oil and gas leases, or carbon dioxide (CO₂) gas leases, or helium gas leases with the State of New Mexico; and

WHEREAS, The above principal has heretofore or may hereafter enter into oil and gas leases, or carbon dioxide (CO₂) gas leases, or helium gas leases on lands patented by the United States of America to private individuals, and on lands otherwise owned by private individuals; and

WHEREAS, The above principal, individually, or in association with one or more other parties, has commenced or may commence the drilling of wells to prospect for and produce oil or gas, or carbon dioxide (CO₂) gas or helium gas, or does own or may acquire, own or operate such wells, or such wells started by others on land embraced in said State oil and gas leases, or carbon dioxide (CO₂) gas leases, or helium gas leases, and on lands patented by the United States of America to private individuals, and on lands otherwise owned by private individuals, the identification and location of said wells being expressly waived by both principal and surety hereto.

NOW, THEREFORE, If the above bounden principal and surety or either of them or their successors or assigns, or any of them, shall plug all of said wells when dry or when abandoned in accordance with the rules, regulations, and orders of the Oil Conservation Commission of New Mexico in such way as to confine the oil, gas, and water in the strata in which they are found, and to prevent them from escaping into other strata;

THEN, THEREFORE, This obligation shall be null and void; otherwise and in default of complete compliance with any and all of said obligations, the same shall remain in full force and effect.

PROVIDED, HOWEVER, That thirty (30) days after receipt by the Oil Conservation Commission of New Mexico of written notice of cancellation from the surety, the obligation of the surety hereunder shall terminate as to property or wells acquired, drilled, or started after said thirty (30) day period but shall continue in effect, notwithstanding said notice, as to property or wells theretofore acquired, drilled, or started.

Dan

Memo

WALDO ALARID

- ① New Mexico Resident
Agent Counter signature
is no longer required -
- ② Signed + sealed this
_____ day of _____
19____

Memo

WALDO ALARID

Here are Company's that
don't think the M.M.
resident agent is required
This usually delays the
bond reaching this office -

The signed & sealed date
is much easier to have on
front sheet in order to
check against the certificate
date on the power of atty.

These dates must coincide
according to Attorney's
opinion -

1 All Other Counties in the State:

<u>Projected Depth of Proposed Well or Actual Depth of Existing Well</u>	<u>Amount Of Bond</u>
--	---------------------------

Less than 5,000 feet	\$ 7,500
5,000 feet to 10,000 feet	\$ 10,000
More than 10,000 feet	\$ 12,500

"Revised plans for an actively drilling well may be approved by the appropriate District Office of the Commission for drilling as much as ~~500~~ ⁵⁰⁰ feet deeper than the maximum depth allowed on the well's bond. Any well to be drilled more than ~~500 feet~~ deeper than the approved depth bracket must be covered by a new bond in the amount prescribed for the deeper depth bracket.

The bond requirement ^{for} any intentionally deviated well shall be determined by the well's measured depth, and not its true vertical depth.

"(c) 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 Commission, or has been covered by another bond approved by the Commission.

"(d) Transfer of a property does not of itself release a bond. In the event of transfer of ownership of a well, the appropriate form, C-103 or C-104, properly executed, shall be filed with the District Office of the Commission in accordance with Rule 1103 or Rule 1104 by the new owner of the well. The District Office may approve the transfer providing that a new one-well bond covering the well or a request that the well be covered by the new owner's blanket bond has been approved by the Santa Fe office of the Commission.

DRAFT

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION COMMISSION ON
ITS OWN MOTION TO CONSIDER THE ESTAB-
LISHMENT OF CATEGORIES OF PLUGGING BONDS,
INCLUDING BLANKET BONDS NOT EXCEEDING
\$50,000.00, AND ONE-WELL BONDS IN AMOUNTS
DETERMINED SUFFICIENT TO REASONABLY PAY
THE COST OF PLUGGING THE WELLS COVERED
BY EACH BOND; ALSO TO CONSIDER THE EXCLUS-
ION FROM FUTURE BOND FORMS OF PROVISIONS
CONDITIONING PERFORMANCE ON RECOMPENSE
FOR DAMAGES TO LIVESTOCK, RANGE, WATER,
CROPS OR TANGIBLE IMPROVEMENTS; ALSO TO
CONSIDER THE AMENDMENT OF RULE 101 OF
THE COMMISSION RULES AND REGULATIONS
CONCERNING THE ABOVE PROVISIONS.

CASE NO. 5912

Order No. R- _____

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on May 5,
1977, at Santa Fe, New Mexico, before the Oil Conservation Commis-
sion of New Mexico, hereinafter referred to as the "Commission."
NOW, on this _____ day of May, 1977, the Commission,
a quorum being present, having considered the testimony and exhibits
received at said hearing, and being fully advised
in the premises,

FINDS:

(1) That due public notice having been given as required by
law, the Commission has jurisdiction of this cause and the subject
matter thereof.

2

(2) That pursuant to the provisions of Section 65-3-11 (1), NMSA 1953 Comp., the Commission has heretofore promulgated Rule 101, PLUGGING BOND to secure plugging of abandoned oil and gas wells in the State of New Mexico.

(3) That said Rule 101 requires that operators of oil and gas wells in ^{New Mexico} obtain one-well ^{surety} bonds in an amount to be determined by the Commission, but not more than \$10,000.00 for each well, ^{surety} or blanket bonds covering ~~multiple~~ more than one well in the amount of \$10,000.00.

(4) That since ¹⁹⁵⁰, the Commission by ~~in the~~ ~~past~~ practice has adopted \$5,000.00 as being the usual amount for one-well bonds.

(5) That the number of wells ^{by the Commission} called up, for "forced plugging" hearings has increased greatly during the past several years.

(6) That due to increased costs of plugging operations, the presently required \$5,000.00 one-well plugging bond is inadequate to cover plugging costs of any but shallow wells in the near vicinity to the service centers of New Mexico's oil and gas fields, and that the presently required \$10,000 blanket bond is inadequate to cover plugging costs of one deep well much less a number of wells.

(7) That by Chapter 237, Laws of 1977, ^{subsection (1) of} Section 65-3-11, ^{ENUMERATION OF POWERS, NMSA 1953 Comp.} was amended to authorize the Commission

"(1) To require dry or abandoned wells to be plugged in such a way as to confine the crude petroleum oil, natural gas or water in the strata in which they are found, and to prevent them from escaping into other strata; the Commission shall require a corporate surety bond in a sum not to exceed fifty thousand dollars (\$50,000) conditioned for the performance of such regulations; "

(8) That in view of past inadequacy of certain bonds to cover the cost of plugging wells, and the great increase in the number of "forced plugging" cases called by the Commission during the past few years, ~~and as described in Findings Nos. (6) and (5) above, and pursuant to the authority~~ ~~granted to the Commission by the above-described amendment of subsection (1) of Section 65-3-11, NMSA 1953 Comp., this case was called to consider~~

~~the~~ the establishment of categories of plugging bonds, including blanket bonds not exceeding \$50,000, and one-well bonds in amounts determined sufficient to reasonably pay the cost of plugging the wells covered by each bond; also to consider the exclusion from future bond forms of provisions conditioning performance on recompense for damages to livestock, range, water, crops or tangible improvements; ~~and also to consider~~ the amendment of Rule 101 of Commission Rules and Regulations concerning the ~~aforesaid~~ provisions.

(9) That the evidence adduced at the hearing of this case establishes that the blanket plugging bond for wells drilled on privately owned or state owned lands within this state should be a surety bond in the amount of Fifty thousand dollars (\$50,000) conditional that all oil, gas, or service wells drilled, ~~are~~ acquired or operated in this state by the principal on the bond be plugged and abandoned in compliance with the rules, ~~the~~ regulations, and orders of the Commission.

(10) That the evidence further establishes that ^{each} ~~any~~ well ^{covered by} ~~should be~~ ^{a surety bond} conditional that the well covered by the bond be plugged and abandoned in compliance with the rules, regulations and orders of the Commission, and that said one-well plugging bonds should be in the amounts ^{placed} below in accordance with the following depths and locations of wells:

In Chaves, Eddy, Lea, McKinley, Rio Arriba, Roosevelt, Sandoval, and San Juan Counties:

Actual or Projected Depth of Well	Amount of Bond
Less than 5,000 feet	\$ 5,000
5,000 feet to 10,000 feet	\$ 7,500
More than 10,000 feet	\$ 10,000

In all other counties of the state:

<u>Actual or Projected Depth of Well</u>	<u>Amount of Bond</u>
Less than 5,000 feet	\$7,500
5,000 feet to 10,000 feet	\$10,000
More than 10,000 feet	\$12,500

(11) That in order to prevent costly delays to operators when drilling wells, the aforesaid ~~bonds~~ one well plugging bonds should stipulate that an actively drilling well could be granted a revised drilling permit for drilling as much as ten percent deeper than the maximum depth allowed on the well's bond.

(12) That inasmuch as the above-described bonds are plugging bonds intended to secure the plugging of abandoned wells, and the amounts of the ^{one well} bonds for various depths and locations, as well as the ~~above~~ above-described blanket bond, are all ^{the} minimum amounts estimated by the Commission ^{to be} required for ~~the~~ proper plugging and abandonment, the bond form presently used by the Commission and conditioned not only for the plugging of the affected well or wells, but also to secure the payment of such damages to the livestock, range, water, crops or tangible improvements on state oil and

gas leases where the surface of the land involved was sold by the State prior to the oil and gas lease, should be amended to delete the assurance of such payment.

(13) That Rule 101 of the Commission Rules and Regulations should be revised to read in its entirety, as follows:

"RULE 101. PLUGGING BOND

"(a) Any person, firm, corporation, or association who has drilled or acquired, is drilling, or proposes to drill or acquire any oil, gas, or service well on privately owned or state owned lands within this state shall furnish to the Commission, and obtain approval thereof, a surety bond running to the State of New Mexico, in a form prescribed by the Commission, and conditioned that the well be plugged and abandoned in compliance with the rules and regulations of the Commission. Such bond may be a one-well plugging bond or a blanket plugging bond. All bonds shall be executed by a responsible surety company authorized to do business in the State of New Mexico.

"(b) Blanket plugging bonds shall be in the amount of fifty thousand dollars (\$50,000) conditioned as above provided, covering all oil, gas, or service wells drilled, acquired or operated in this state by the principal on the bond.

"One-well plugging bonds shall be in the amounts stated below in accordance with the depth and location of the well:

Chaves, Eddy, Lea, McKinley, Rio Arriba, Roosevelt, Sandoval, and San Juan Counties, New Mexico:

<u>Projected Depth of Proposed Well or Actual Depth of Existing Well</u>	<u>Amount of Bond</u>
Less than 5,000 feet	\$ 5,000
5,000 feet to 10,000 feet	\$ 7,500
More than 10,000 feet	\$10,000

All Other Counties in the State:

<u>Projected Depth of Proposed Well or Actual Depth of Existing Well</u>	<u>Amount of Bond</u>
Less than 5,000 feet	\$ 7,500
5,000 feet to 10,000 feet	\$10,000
More than 10,000 feet	\$12,500

"Revised plans for an actively drilling well may be approved by the appropriate District Office of the Commission for drilling as much as 500 feet deeper than the maximum depth allowed on the well's bond. Any well to be drilled more than the approved depth bracket must be covered by a new bond in the amount prescribed for the deeper depth bracket.

"The bond requirement for any intentionally deviated well shall be determined by the well's measured depth, and not its true vertical depth.

"(c) 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 Commission, or has been covered by another bond approved by the Commission.

"(d) Transfer of a property does not of itself release a bond. In the event of transfer of ownership of a well, the appropriate form, C-103 or C-104, properly executed, shall be filed with the District Office of the Commission in accordance with Rule 1103 or Rule 1104 by the new owner of the well. The District Office may approve the transfer providing that a new one-well bond covering the well or a request that the well be covered by the new owner's blanket bond has been approved by the Santa Fe office of the Commission.

"Upon approval of the bond and the Form C-103 or C-104, the transferor is released of plugging responsibility for the well, and upon request, the original bond will be released. No blanket bond will be released, however, until all wells covered by the bond have been plugged and abandoned or transferred in accordance with the provisions of this rule.

"(e) All bonds shall be filed with the Santa Fe office of the Commission, and approval of such bonds, as well as releases thereof, obtained from said office.

"(f) All bonds required by these rules shall be conditioned for well plugging and location cleanup only, and not to secure payment for damages to livestock, range, water, crops, tangible improvements, or any other thing."

(14) That the effective date of the ^{amendment} of Rule 101 of the Commission Rules and Regulations should be June 17, 1977, and any ~~new~~ bond issued subsequent to that date should be issued in accordance with the amended rule.

(15) That a reasonable period of time should be allowed for operators of wells in New Mexico to obtain new bonds replacing existing bonds, said new bonds to be written in accordance with Rule 101, as amended, and that six months and 13 days is ^{such} ~~a~~ reasonable period of time.

(16) That all existing plugging bonds in effect June 16, 1977, shall be replaced by new bonds written in compliance with Rule 101, as amended, by December 31, 1977.

(17) That the District Supervisor of each District Office of the Commission should have authority to shut in or shut down operations on any well not covered by a bond ~~which~~ written in

compliance with Rule 101, as amended, on January 1, 1978.

(18) That new bond forms should be prepared and attached to this order as Exhibits thereto, prescribing the format and language to be used on all plugging bonds issued after June 16, 1977.

IT IS THEREFORE ORDERED:

(1) That effective June 17, 1977, Rule 101 of The Commission Rules and Regulations shall read in its entirety as follows:

STATE OF NEW MEXICO
\$5,000.00 ONE-WELL PLUGGING AND INDEMNITY BOND

BOND NO. _____
(For Use of Surety Company)

(Note: File with Oil Conservation Commission, Santa Fe, New Mexico.)

KNOW ALL MEN BY THESE PRESENTS:

That _____, (An individual) (a partnership)
(a corporation organized in the State of _____, with its principal office in the city of _____, State of _____, and authorized to do business in the State of New Mexico), as PRINCIPAL, and _____, a corporation organized and existing under the laws of the State of _____, and authorized to do business in the State of New Mexico with duly appointed resident agent licensed in the State of New Mexico to execute this bond on behalf of the surety company, as SURETY, are held firmly bound unto the State of New Mexico, for the use and benefit of the Oil Conservation Commission of New Mexico pursuant to Section 65-3-11, New Mexico Statutes Annotated, 1953 Compilation, as amended, and for the use and benefit of purchasers holding purchase contract or deed to state lands, with minerals reserved, their grantees or successors in interest, pursuant to Section 7-11-20, New Mexico Statutes Annotated, 1953 Compilation, as amended, in the sum of Five Thousand (\$5,000.00) Dollars lawful money of the United States, for the payment of which, well and truly to be made, said PRINCIPAL and SURETY hereby bind themselves, their successors and assigns, jointly and severally, firmly by these presents.

The conditions of this obligation are such that:

WHEREAS, The above principal has heretofore or may hereafter enter into oil and gas leases, or carbon dioxide (CO₂) gas leases, or helium gas leases with the State of New Mexico; and

WHEREAS, Said leases were entered into by the said principal, subject to the requirements of the provisions of Section 7-11-20, New Mexico Statutes Annotated, 1953 Compilation, as amended; and

WHEREAS, All or part of the lands embraced in said leases have been sold, with minerals reserved to the State of New Mexico, to various purchasers who hold limited patents from the State of New Mexico or State purchase contracts; and

WHEREAS, The above principal, individually, or in association with one or more other parties, has commenced or may commence the drilling of one well not to exceed a depth of _____ feet, to prospect for and produce oil or gas, or carbon dioxide (CO₂) gas or helium gas, or does own or may acquire, own or operate such well, or such well started by others on land embraced in said State oil and gas leases, or carbon dioxide (CO₂) leases, or helium gas leases, and on land patented by the United States of America to private individuals, and on land otherwise owned by private individuals, the identification and location of said well being _____

(Here state exact legal subdivision by 40-acre tract or lot)

_____ Section _____, Township _____ (North) (South), Range _____ (East) (West), N.M.P.M.
_____ County, New Mexico.

NOW, THEREFORE, If the above bounden principal and surety or either of them or their successors or assigns, or any of them, shall plug said well when dry or when abandoned in accordance with the rules, regulations, and orders of the Oil Conservation Commission of New Mexico in such way as to confine the oil, gas, and water in the strata in which they are found, and to prevent them from escaping into other strata;

AND FURTHER, If the above bounden principal and surety or either of them or their successors or assigns, or any of them, upon demand shall make good and sufficient recompense, satisfaction or payment unto the holders of State purchase contracts or holders of patents for State lands, with minerals reserved to the State, their heirs, executors, administrators, successors and assigns, for all damages to the livestock, range, water, crops, or tangible improvements on such lands as may be suffered by such purchasers or their successors in interest, by reason of such development, use or occupancy of such lands by such lessee or principal, or for such damages as a court of competent jurisdiction may determine and fix in any action brought on this bond;

THEN, THEREFORE, This obligation shall be null and void; otherwise and in default of complete compliance with any and all of said obligations, the same shall remain in full force and effect.

Signed and sealed this _____ day of _____, 19____.

PRINCIPAL

Address
By _____
Signature

Title

SURETY

Address
By _____
Attorney-in Fact

(Note: Principal, if corporation, affix corporate seal here.)

(Note: Corporate surety affix corporate seal here.)

(Note: If corporate surety executes this bond by an attorney-in-fact not in New Mexico, the resident New Mexico agent shall countersign here below.)

Countersigned by:

New Mexico Resident Agent

Address

ACKNOWLEDGMENT FORM FOR NATURAL PERSONS

STATE OF _____)
COUNTY OF _____) ss.

On this _____ day of _____, 19____, before me personally appeared _____, to me known to be the person (persons) described in and who executed the foregoing instrument and acknowledged that he (they) executed the same as his (their) free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and seal on the day and year in this certificate first above written.

My Commission expires

Notary Public

ACKNOWLEDGMENT FORM FOR CORPORATION

STATE OF _____)
COUNTY OF _____) ss.

On this _____ day of _____, 19____, before me personally appeared _____, to me personally known who, being by me duly sworn, did say that he is _____ of _____ and that the foregoing instrument was signed and sealed on behalf of said corporation by authority of its board of directors, and acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and seal on the day and year in this certificate first above written.

My Commission expires

Notary Public

ACKNOWLEDGMENT FORM FOR CORPORATE SURETY

STATE OF _____)
COUNTY OF _____) ss.

On this _____ day of _____, 19____, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is _____ of _____ and that the foregoing instrument was signed and sealed on behalf of said corporation by authority of its board of directors, and acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and seal on the day and year in this certificate first above written.

My Commission expires
(Note: Corporate surety attach power of attorney.)

Notary Public

APPROVED BY:

APPROVED BY:

OIL CONSERVATION COMMISSION OF NEW MEXICO

Commissioner of Public Lands

By _____

RULE 101. PLUGGING BOND

(a) Any person, firm, corporation, or association who has drilled or acquired, is drilling, or proposes to drill or acquire any oil, gas, or service well on privately owned or state owned lands within this state shall furnish to the Commission, and obtain approval thereof, a surety bond running to the State of New Mexico, in a form prescribed by the Commission, and conditioned that the well be plugged and abandoned in compliance with the rules and regulations of the Commission. Such bond may be a one-well plugging bond or a blanket plugging bond. All bonds shall be executed by a responsible surety company authorized to do business in the State of New Mexico.

(b) Blanket plugging bonds shall be in the amount of fifty thousand dollars (\$50,000) conditioned as above provided, covering all oil, gas, or service wells drilled, acquired or operated in this state by the principal on the bond.

One-well plugging bonds shall be in the amounts stated below in accordance with the depth and location of the well:

<u>COUNTY</u>	<u>ACTUAL OR PROJECTED DEPTH OF WELL</u>	<u>AMOUNT OF BOND</u>
Chaves, Eddy, Lea, McKinley, Rio Arriba, Roosevelt, Sandoval, or San Juan	0-4,999 feet	\$ 5,000
	5,000-9,999 feet	\$ 7,500
	10,000 or more feet	\$10,000
All other Counties	0-4,999 feet	\$ 7,500
	5,000-9,999 feet	\$10,000
	10,000 or more feet	\$12,500

Revised plans for an actively drilling well may be approved by the appropriate District Office of the Commission for drilling as much as ten percent deeper than the maximum depth allowed on the well's bond. Any

well to be drilled more than ten percent deeper than the approved depth bracket must be covered by a new bond in the amount prescribed for the deeper depth bracket.

(c) 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 Commission, or has been covered by another bond approved by the Commission.

(d) Transfer of a property does not of itself release a bond. In the event of transfer of ownership of a well, the appropriate form, C-103 or C-104, properly executed, shall be filed with the District Office of the Commission in accordance with Rule 1103 or Rule 1104 by the new owner of the well. The District Office may approve the transfer providing that a new one-well bond covering the well or a request that the well be covered by the new owner's blanket bond has been approved by the Santa Fe office of the Commission.

Upon approval of the bond and the Form C-103 or C-104, the transferor is released of plugging responsibility for the well, and upon request, the original bond will be released. No blanket bond will be released, however, until all wells covered by the bond have been plugged and abandoned or transferred in accordance with the provisions of this rule.

(e) All bonds shall be filed with the Santa Fe office of the Commission, and approval of such bonds, as well as releases thereof, obtained from said office.

EX 7

\$50,000.00 STATE OF NEW MEXICO
~~\$10,000.00~~ BLANKET PLUGGING AND INDEMNITY BOND

BOND NO. _____
 (For Use of Surety Company)

(Note: File with Oil Conservation Commission, Santa Fe, New Mexico.)

KNOW ALL MEN BY THESE PRESENTS:

That _____, (An individual) (a partnership)
 (a corporation organized in the State of _____, with its principal office in the city of _____, State of _____, and authorized to do business in the State of New Mexico), as PRINCIPAL, and _____, a corporation organized and existing under the laws of the State of _____, and authorized to do business in the State of New Mexico with duly appointed resident agent licensed in the State of New Mexico to execute this bond on behalf of the surety company, as SURETY, are held firmly bound unto the State of New Mexico, for the use and benefit of the Oil Conservation Commission of New Mexico pursuant to Section 65-3-11, New Mexico Statutes Annotated, 1953 Compilation, as amended, ~~and for the use and benefit of purchasers holding purchase contract or deed to state lands, with minerals reserved, their grantees or successors in interest, pursuant to Section 7-11-20, New Mexico Statutes Annotated, 1953 Compilation, as amended,~~ in the sum of ^{Fifty} ~~Ten Thousand~~ (\$50,000.00) Dollars lawful money of the United States, for the payment of which, well and truly to be made, said PRINCIPAL and SURETY hereby bind themselves, their successors and assigns, jointly and severally, firmly by these presents.

The conditions of this obligation are such that:

WHEREAS, The above principal has heretofore or may hereafter enter into oil and gas leases, or carbon dioxide (CO₂) gas leases, or helium gas leases with the State of New Mexico; and

~~WHEREAS, Said leases were entered into by the said principal, subject to the requirements of the provisions of Section 7-11-20, New Mexico Statutes Annotated, 1953 Compilation, as amended; and~~

~~WHEREAS, All or part of the lands embraced in said leases have been sold, with minerals reserved to the State of New Mexico, to various purchasers who hold limited patents from the State of New Mexico or State purchase contracts; and~~

WHEREAS, The above principal, individually, or in association with one or more other parties, has commenced or may commence the drilling of wells to prospect for and produce oil or gas, or carbon dioxide (CO₂) gas or helium gas, or does own or may acquire, own or operate such wells, or such wells started by others on land embraced in said State oil and gas leases, or carbon dioxide (CO₂) gas leases, or helium gas leases, and on lands patented by the United States of America to private individuals, and on lands otherwise owned by private individuals, the identification and location of said wells being expressly waived by both principal and surety hereto.

NOW, THEREFORE, If the above bounden principal and surety or either of them or their successors or assigns, or any of them, shall plug all of said wells when dry or when abandoned in accordance with the rules, regulations, and orders of the Oil Conservation Commission of New Mexico in such way as to confine the oil, gas, and water in the strata in which they are found, and to prevent them from escaping into other strata;

~~AND FURTHER, If the above bounden principal and surety or either of them or their successors or assigns, or any of them, upon demand shall make good and sufficient recompense, satisfaction or payment unto the holders of State purchase contracts or holders of patents for State lands, with minerals reserved to the State, their heirs, executors, administrators, successors and assigns, for all damages to the livestock, range, water, crops, or tangible improvements on such lands as may be suffered by such purchasers or their successors in interest, by reason of such development, use or occupancy of such lands by such lessee or principal, or for such damages as a court of competent jurisdiction may determine and fix in any action brought on this bond;~~

THEN, THEREFORE, This obligation shall be null and void; otherwise and in default of complete compliance with any and all of said obligations, the same shall remain in full force and effect.

PROVIDED, HOWEVER, That thirty (30) days after receipt by the Oil Conservation Commission of New Mexico of written notice of cancellation from the surety, the obligation of the surety hereunder shall terminate as to property or wells acquired, drilled, or started after said thirty (30) day period but shall continue in effect, notwithstanding said notice, as to property or wells theretofore acquired, drilled, or started.

Signed and sealed this _____ day of _____, 19____.

WHEREAS, The above principal has heretofore or may hereafter enter into oil and gas leases, or carbon dioxide (CO₂) gas leases, or helium gas leases on lands patented by the United States of America to private individuals, and on lands otherwise owned by private individuals; and

STATE OF NEW MEXICO
\$5,000.00 ONE-WELL PLUGGING AND INDEMNITY BOND

CHAVES, EDDY, LEA, MCKINLEY, RIO ARRIBA,
ROOSEVELT, SANDOVAL, AND SAN JUAN COUNTIES

BOND NO. _____
(For Use of Surety Company)

(Note: File with Oil Conservation Commission, Santa Fe, New Mexico.)

KNOW ALL MEN BY THESE PRESENTS:

That _____, (An individual) (a partnership) (a corporation organized in the State of _____, with its principal office in the city of _____, State of _____, and authorized to do business in the State of New Mexico), as PRINCIPAL, and _____, a corporation organized and existing under the laws of the State of _____, and authorized to do business in the State of New Mexico with duly appointed resident agent licensed in the State of New Mexico to execute this bond on behalf of the surety company, as SURETY, are held firmly bound unto the State of New Mexico, for the use and benefit of the Oil Conservation Commission of New Mexico pursuant to Section 65-3-11, New Mexico Statutes Annotated, 1953 Compilation, as amended, ~~and for the use and benefit of purchaser holding purchase contract or deed to state lands with minerals reserved, their grantees or successors in interest, pursuant to Section 7-11-20, New Mexico Statutes Annotated, 1953 Compilation, as amended,~~ in the sum of Five Thousand (\$5,000.00) Dollars lawful money of the United States, for the payment of which, well and truly to be made, said PRINCIPAL and SURETY hereby bind themselves, their successors and assigns, jointly and severally, firmly by these presents.

The conditions of this obligation are such that:

WHEREAS, The above principal has heretofore or may hereafter enter into oil and gas leases, or carbon dioxide (CO₂) gas leases, or helium gas leases with the State of New Mexico; and

~~WHEREAS, Said leases were entered into by the said principal, subject to the requirements of the provisions of Section 7-11-20, New Mexico Statutes Annotated, 1953 Compilation, as amended; and~~

~~WHEREAS, All or part of the lands embraced in said leases have been sold, with minerals reserved to the State of New Mexico, to various purchasers who hold limited patents from the State of New Mexico or State purchase contracts; and~~

WHEREAS, The above principal, individually, or in association with one or more other parties, has commenced or may commence the drilling of one well not to exceed a depth of _____ feet, to prospect for and produce oil or gas, or carbon dioxide (CO₂) gas or helium gas, or does own or may acquire, own or operate such well, or such well started by others on land embraced in said State oil and gas leases, or carbon dioxide (CO₂) leases, or helium gas leases, and on land patented by the United States of America to private individuals, and on land otherwise owned by private individuals, the identification and location of said well being _____

(Here state exact legal subdivision by 40-acre tract or lot)

_____ Section _____, Township _____ (North) (South), Range _____ (East) (West), N.M.P.M.
_____ County, New Mexico.

NOW, THEREFORE, If the above bounden principal and surety or either of them or their successors or assigns, or any of them, shall plug said well when dry or when abandoned in accordance with the rules, regulations, and orders of the Oil Conservation Commission of New Mexico in such way as to confine the oil, gas, and water in the strata in which they are found, and to prevent them from escaping into other strata;

~~AND FURTHER, If the above bounden principal and surety or either of them or their successors or assigns, or any of them, upon demand shall make good and sufficient recompense, satisfaction or payment unto the holders of State purchase contracts or holders of patents for State lands with minerals reserved to the State, then their executors, administrators, successors and assigns, for all damages in the livestock, range, water, crops, or tangible improvement on such lands as may be suffered by such purchasers or their successors in interest, by reason of such development, use or occupancy of such lands by such leases or principal, or for such damages as a court of competent jurisdiction may determine and fix in any action brought on this bond;~~

THEN, THEREFORE, This obligation shall be null and void; otherwise and in default of complete compliance with any and all of said obligations, the same shall remain in full force and effect.

Signed and sealed this _____ day of _____, 19____.

WHEREAS, The above principal has heretofore or may hereafter enter into oil and gas leases, or carbon dioxide (CO₂) gas leases, or helium gas leases on lands patented by the United States of America to private individuals, and on lands otherwise owned by private individuals; and

\$7,500.00 STATE OF NEW MEXICO
~~\$5,000.00~~ ONE WELL PLUGGING AND INDEMNITY BOND

CHAVES, EDDY, LEA, MCKINLEY, RIO ARRIBA,
 ROOSEVELT, SANDOVAL, AND SAN JUAN COUNTIES

BOND NO. _____
 (For Use of Surety Company)

(Note: File with Oil Conservation Commission, Santa Fe, New Mexico.)

KNOW ALL MEN BY THESE PRESENTS:

That _____, (An individual) (a partnership)
 (a corporation organized in the State of _____, with its principal office in the city of _____, State of _____, and authorized to do business in the State of New Mexico), as PRINCIPAL, and _____, a corporation organized and existing under the laws of the State of _____, and authorized to do business in the State of New Mexico with duly appointed resident agent licensed in the State of New Mexico to execute this bond on behalf of the surety company, as SURETY, are held firmly bound unto the State of New Mexico, for the use and benefit of the Oil Conservation Commission of New Mexico pursuant to Section 65-3-11, New Mexico Statutes Annotated, 1953 Compilation, as amended, ~~and for the use and benefit of purchaser holding purchase contract or deed to state lands, with minerals reserved, their grantees or successors in interest, pursuant to Section 7-11-20, New Mexico Statutes Annotated, 1953 Compilation, as amended,~~ in the sum of ~~Five Thousand (\$5,000.00)~~ **Seven Thousand Five Hundred (\$7,500.00)** Dollars lawful money of the United States, for the payment of which, well and truly to be made, said PRINCIPAL and SURETY hereby bind themselves, their successors and assigns, jointly and severally, firmly by these presents.

The conditions of this obligation are such that:

WHEREAS, The above principal has heretofore or may hereafter enter into oil and gas leases, or carbon dioxide (CO₂) gas leases, or helium gas leases with the State of New Mexico; and

~~WHEREAS, Said leases were entered into by the said principal, subject to the requirements of the provisions of Section 7-11-20, New Mexico Statutes Annotated, 1953 Compilation, as amended; and~~

~~WHEREAS, All or part of the lands embraced in said leases have been sold, with minerals reserved to the State of New Mexico, to various purchasers who hold limited patents from the State of New Mexico or State purchase contracts; and~~

WHEREAS, The above principal, individually, or in association with one or more other parties, has commenced or may commence the drilling of, one well not to exceed a depth of _____ feet, to prospect for and produce oil or gas, or carbon dioxide (CO₂) gas or helium gas, or does own or may acquire, own or operate such well, or such well started by others on land embraced in said State oil and gas leases, or carbon dioxide (CO₂) leases, or helium gas leases, and on land patented by the United States of America to private individuals, and on land otherwise owned by private individuals, the identification and location of said well being _____

(Here state exact legal subdivision by 40-acre tract or lot)

_____ Section _____, Township _____ (North) (South), Range _____ (East) (West), N.M.P.M.
 _____ County, New Mexico.

NOW, THEREFORE, If the above bounden principal and surety or either of them or their successors or assigns, or any of them, shall plug said well when dry or when abandoned in accordance with the rules, regulations, and orders of the Oil Conservation Commission of New Mexico in such way as to confine the oil, gas, and water in the strata in which they are found, and to prevent them from escaping into other strata;

~~AND FURTHER, If the above bounden principal and surety or either of them or their successors or assigns, or any of them, upon demand shall make good and sufficient recompense, satisfaction or payment unto the holders of State purchase contracts or holders of patents for State lands, with minerals reserved to the State, then heirs, executors, administrators, successors and assigns, for all damages to the livestock, crops, water, crops, or tangible improvements on such lands as may be suffered by such purchasers or their successors in interest, by reason of such development, and occupancy of such lands by such lease or principal, or for such damages as a court of competent jurisdiction may determine and fix in any action brought on this bond;~~

THEN, THEREFORE, This obligation shall be null and void; otherwise and in default of complete compliance with any and all of said obligations, the same shall remain in full force and effect.

Signed and sealed this _____ day of _____, 19____.

WHEREAS, The above principal has heretofore or may hereafter enter into oil and gas leases, or carbon dioxide (CO₂) gas leases, or helium gas leases on lands patented by the United States of America to private individuals, and on lands otherwise owned by private individuals; and

\$10,000.00 STATE OF NEW MEXICO
~~\$5,000.00~~ ONE WELL PLUGGING AND INDEMNITY BOND
 CHAVES, EDDY, LEA, MCKINLEY, RIO ARRIBA,
 ROOSEVELT, SANDOVAL, AND SAN JUAN COUNTIES

BOND NO. _____
 (For Use of Surety Company)

(Note: File with Oil Conservation Commission, Santa Fe, New Mexico.)

KNOW ALL MEN BY THESE PRESENTS:

That _____, (An individual) (a partnership)
 (a corporation organized in the State of _____, with its principal office in the city of _____, State of _____, and authorized to do business in the State of New Mexico), as PRINCIPAL, and _____, a corporation organized and existing under the laws of the State of _____, and authorized to do business in the State of New Mexico with duly appointed resident agent licensed in the State of New Mexico to execute this bond on behalf of the surety company, as SURETY, are held firmly bound unto the State of New Mexico, for the use and benefit of the Oil Conservation Commission of New Mexico pursuant to Section 65-3-11, New Mexico Statutes Annotated, 1953 Compilation, as amended, ~~and for the use and benefit of purchaser, holding purchase contract or deed to state lands, with minerals reserved, their grantees or successors in interest, pursuant to Section 7-11-20, New Mexico Statutes Annotated, 1953 Compilation, as amended,~~ in the sum of Ten Thousand (\$10,000.00) Dollars lawful money of the United States, for the payment of which, well and truly to be made, said PRINCIPAL and SURETY hereby bind themselves, their successors and assigns, jointly and severally, firmly by these presents.

The conditions of this obligation are such that:

Ten Thousand (\$10,000.00)

WHEREAS, The above principal has heretofore or may hereafter enter into oil and gas leases, or carbon dioxide (CO₂) gas leases, or helium gas leases with the State of New Mexico; and

~~WHEREAS, Said leases were entered into by the said principal, subject to the requirements of the provisions of Section 7-11-20, New Mexico Statutes Annotated, 1953 Compilation, as amended; and~~

~~WHEREAS, All or part of the lands embraced in said leases have been sold, with minerals reserved to the State of New Mexico, to various purchasers who hold limited patents from the State of New Mexico or State purchase contracts; and~~

ten thousand (10,000) or more

WHEREAS, The above principal, individually, or in association with one or more other parties, has commenced or may commence the drilling of, one well ~~not to exceed~~ a depth of _____ feet, to prospect for and produce oil or gas, or carbon dioxide (CO₂) gas or helium gas, or does own or may acquire, own or operate such well, or such well started by others on land embraced in said State oil and gas leases, or carbon dioxide (CO₂) leases, or helium gas leases, and on land patented by the United States of America to private individuals, and on land otherwise owned by private individuals, the identification and location of said well being _____

(Here state exact legal subdivision by 40-acre tract or lot)

_____ Section _____, Township _____ (North) (South), Range _____ (East) (West), N.M.P.M.
 _____ County, New Mexico.

NOW, THEREFORE, If the above bounden principal and surety or either of them or their successors or assigns, or any of them, shall plug said well when dry or when abandoned in accordance with the rules, regulations, and orders of the Oil Conservation Commission of New Mexico in such way as to confine the oil, gas, and water in the strata in which they are found, and to prevent them from escaping into other strata;

~~AND FURTHER, If the above bounden principal and surety or either of them or their successors or assigns, or any of them, upon demand shall make good and sufficient recompense, satisfaction or payment unto the holders of State purchase contracts or holders of patents for State lands, with minerals reserved to the State, their heirs, executors, administrators, successors and assigns, for all damages to the livestock, range, water, crops, or tangible improvements on such lands or may be suffered by such purchasers or their successors in interest, by reason of such development, use or occupancy of such lands by such lease or principal, or for such damages as a court of competent jurisdiction may determine and fix in any action brought on this bond;~~

THEN, THEREFORE, This obligation shall be null and void; otherwise and in default of complete compliance with any and all of said obligations, the same shall remain in full force and effect.

Signed and sealed this _____ day of _____, 19____.

WHEREAS, The above principal has heretofore or may hereafter enter into oil and gas leases, or carbon dioxide (CO₂) gas leases, or helium gas leases on lands patented by the United States of America to private individuals, and on lands otherwise owned by private individuals; and

~~\$7,500.00~~ STATE OF NEW MEXICO
~~\$5,000.00~~ ONE WELL PLUGGING AND INDEMNITY BOND
 FOR ALL COUNTIES OTHER THAN CHAVES, EDDY, LEA, MCKINLEY,
 RIO ARRIBA, ROOSEVELT, SANDOVAL, AND SAN JUAN

BOND NO. _____
 (For Use of Surety Company)

(Note: File with Oil Conservation Commission, Santa Fe, New Mexico.)

KNOW ALL MEN BY THESE PRESENTS:

That _____, (An individual) (a partnership)
 (a corporation organized in the State of _____, with its principal office in the city of _____, State of _____, and authorized to do business in the State of New Mexico), as PRINCIPAL, and _____, a corporation organized and existing under the laws of the State of _____, and authorized to do business in the State of New Mexico with duly appointed resident agent licensed in the State of New Mexico to execute this bond on behalf of the surety company, as SURETY, are held firmly bound unto the State of New Mexico, for the use and benefit of the Oil Conservation Commission of New Mexico pursuant to Section 65-3-11, New Mexico Statutes Annotated, 1953 Compilation, as amended, ~~and for the use and benefit of purchaser holding purchase contract or deed to state lands, with minerals reserved, their grantees or successors in interest, pursuant to Section 7-11-20, New Mexico Statutes Annotated, 1953 Compilation, as amended,~~ in the sum of ~~Five Thousand (\$5,000.00)~~ Seven Thousand Five Hundred (\$7,500.00) Dollars lawful money of the United States, for the payment of which, well and truly to be made, said PRINCIPAL and SURETY hereby bind themselves, their successors and assigns, jointly and severally, firmly by these presents.

The conditions of this obligation are such that:

WHEREAS, The above principal has heretofore or may hereafter enter into oil and gas leases, or carbon dioxide (CO₂) gas leases, or helium gas leases with the State of New Mexico; and

~~WHEREAS, Said leases were entered into by the said principal, subject to the requirements of the provisions of Section 7-11-20, New Mexico Statutes Annotated, 1953 Compilation, as amended; and~~

~~WHEREAS, All or part of the lands embraced in said leases have been sold, with minerals reserved to the State of New Mexico, to various purchasers who hold limited patents from the State of New Mexico or State purchase contracts; and~~

WHEREAS, The above principal, individually, or in association with one or more other parties, has commenced or may commence the drilling of one well not to exceed a depth of _____ feet, to prospect for and produce oil or gas, or carbon dioxide (CO₂) gas or helium gas, or does own or may acquire, own or operate such well, or such well started by others on land embraced in said State oil and gas leases, or carbon dioxide (CO₂) leases, or helium gas leases, and on land patented by the United States of America to private individuals, and on land otherwise owned by private individuals, the identification and location of said well being _____

(Here state exact legal subdivision by 40-acre tract or lot)

_____ Section _____, Township _____ (North) (South), Range _____ (East) (West), N.M.P.M.
 _____ County, New Mexico.

NOW, THEREFORE, If the above bounden principal and surety or either of them or their successors or assigns, or any of them, shall plug said well when dry or when abandoned in accordance with the rules, regulations, and orders of the Oil Conservation Commission of New Mexico in such way as to confine the oil, gas, and water in the strata in which they are found, and to prevent them from escaping into other strata;

~~AND FURTHER, If the above bounden principal and surety or either of them or their successors or assigns, or any of them, upon demand shall make good and sufficient recompense, satisfaction or payment unto the holders of State purchase contracts or holders of patents for State lands, with minerals reserved to the State, then here, executive, administrators, successors and assigns, for all damages to the livestock, range, water, crops, or tangible improvements on such lands as may be suffered by such purchasers or their successors in interest, by reason of such development, or occupancy of such lands by such lease or principal, or for such damages as a court of competent jurisdiction may determine and fix in any action brought on the bond;~~

THEN, THEREFORE, This obligation shall be null and void; otherwise and in default of complete compliance with any and all of said obligations, the same shall remain in full force and effect.

Signed and sealed this _____ day of _____, 19____.

WHEREAS, The above principal has heretofore or may hereafter enter into oil and gas leases, or carbon dioxide (CO₂) gas leases, or helium gas leases on lands patented by the United States of America to private individuals, and on lands otherwise owned by private individuals; and

\$10,000.00 STATE OF NEW MEXICO
~~\$5,000.00~~ ONE WELL PLUGGING AND INDEMNITY BOND
 FOR ALL COUNTIES OTHER THAN CHAVES, EDDY, LEA, MCKINLEY,
 RIO ARRIBA, ROOSEVELT, SANDOVAL, AND SAN JUAN

BOND NO. _____
 (For Use of Surety Company)

(Note: File with Oil Conservation Commission, Santa Fe, New Mexico.)

KNOW ALL MEN BY THESE PRESENTS:

That _____, (An individual) (a partnership)
 (a corporation organized in the State of _____, with its principal office in the city of _____, State of _____, and authorized to do business in the State of New Mexico), as PRINCIPAL, and _____, a corporation organized and existing under the laws of the State of _____, and authorized to do business in the State of New Mexico with duly appointed resident agent licensed in the State of New Mexico to execute this bond on behalf of the surety company, as SURETY, are held firmly bound unto the State of New Mexico, for the use and benefit of the Oil Conservation Commission of New Mexico pursuant to Section 65-3-11, New Mexico Statutes Annotated, 1953 Compilation, as amended, ~~and for the use and benefit of purchaser, holding purchase contract or deed to state lands, with minerals reserved, their grantees or successors in interest, pursuant to Section 7-11-20, New Mexico Statutes Annotated, 1953 Compilation, as amended,~~ in the sum of Ten Thousand (\$10,000.00) Dollars lawful money of the United States, for the payment of which, well and truly to be made, said PRINCIPAL and SURETY hereby bind themselves, their successors and assigns, jointly and severally, firmly by these presents.

The conditions of this obligation are such that:

Ten Thousand (\$10,000.00)

WHEREAS, The above principal has heretofore or may hereafter enter into oil and gas leases, or carbon dioxide (CO₂) gas leases, or helium gas leases with the State of New Mexico; and

~~WHEREAS, Said leases were entered into by the said principal, subject to the requirements of the provisions of Section 7-11-20, New Mexico Statutes Annotated, 1953 Compilation, as amended; and~~

~~WHEREAS, All or part of the lands embraced in said leases have been sold, with minerals reserved to the State of New Mexico, to various purchasers who hold limited patents from the State of New Mexico or State purchase contracts; and~~

nine thousand, nine hundred ninety nine (9,999)

WHEREAS, The above principal, individually, or in association with one or more other parties, has commenced or may commence the drilling of one well not to exceed a depth of _____ feet, to prospect for and produce oil or gas, or carbon dioxide (CO₂) gas or helium gas, or does own or may acquire, own or operate such well or such well started by others on land embraced in said State oil and gas leases, or carbon dioxide (CO₂) leases, or helium gas leases, and on land patented by the United States of America to private individuals, and on land otherwise owned by private individuals, the identification and location of said well being _____

(Here state exact legal subdivision by 40-acre tract or lot)

Section _____, Township _____ (North) (South), Range _____ (East) (West), N.M.P.M.
 _____ County, New Mexico.

NOW, THEREFORE, If the above bounden principal and surety or either of them or their successors or assigns, or any of them, shall plug said well when dry or when abandoned in accordance with the rules, regulations, and orders of the Oil Conservation Commission of New Mexico in such way as to confine the oil, gas, and water in the strata in which they are found, and to prevent them from escaping into other strata;

~~AND FURTHER, If the above bounden principal and surety or either of them or their successors or assigns, or any of them, upon demand shall make good and sufficient recompense, satisfaction or payment unto the holders of State purchase contracts or holders of patents for State lands, with minerals reserved to the State, then heirs, executors, administrators, successors and assigns, for all damages to the livestock, range, water, crops, or tangible improvement on such land as may be suffered by such purchasers or their successors in interest, by reason of such development, use or occupancy of such lands by such lease or principal, or for such damages as a court of competent jurisdiction may determine and fix in any action brought on this bond;~~

THEN, THEREFORE, This obligation shall be null and void; otherwise and in default of complete compliance with any and all of said obligations, the same shall remain in full force and effect.

Signed and sealed this _____ day of _____, 19____.

WHEREAS, The above principal has heretofore or may hereafter enter into oil and gas leases, or carbon dioxide (CO₂) gas leases, or helium gas leases on lands patented by the United States of America to private individuals, and on lands otherwise owned by private individuals; and

\$12,500.00 STATE OF NEW MEXICO
~~\$5,000.00~~ ONE WELL PLUGGING AND INDEMNITY BOND
 FOR ALL COUNTIES OTHER THAN CHAVES, EDDY, LEA, MCKINLEY,
 RIO ARRIBA, ROOSEVELT, SANDOVAL, AND SAN JUAN

BOND NO. _____
 (For Use of Surety Company)

(Note: File with Oil Conservation Commission, Santa Fe, New Mexico.)

KNOW ALL MEN BY THESE PRESENTS:

That _____, (An individual) (a partnership)
 (a corporation organized in the State of _____, with its principal office in the city of _____, State of _____, and authorized to do business
 in the State of New Mexico), as PRINCIPAL, and _____, a
 corporation organized and existing under the laws of the State of _____, and
 authorized to do business in the State of New Mexico with duly appointed resident agent licensed in the State of New
 Mexico to execute this bond on behalf of the surety company, as SURETY, are held firmly bound unto the State of New
 Mexico, for the use and benefit of the Oil Conservation Commission of New Mexico pursuant to Section 65-3-11, New
 Mexico Statutes Annotated, 1953 Compilation, as amended, ~~and for the use and benefit of purchaser, holding purchase
 contract or deed to state lands, with minerals reserved, their grantees or successors in interest, pursuant to Section
 7-11-20, New Mexico Statutes Annotated, 1953 Compilation, as amended,~~ in the sum of ~~Five Thousand (\$5,000.00)~~
 Dollars lawful money of the United States, for the payment of which, well and truly to be made, said PRINCIPAL and
 SURETY hereby bind themselves, their successors and assigns, jointly and severally, firmly by these presents.

The conditions of this obligation are such that:

Twelve Thousand Five Hundred (\$12,500.00)

WHEREAS, The above principal has heretofore or may hereafter enter into oil and gas leases, or carbon dioxide
 (CO₂) gas leases, or helium gas leases with the State of New Mexico; and

~~WHEREAS, Said leases were entered into by the said principal, subject to the requirements of the provisions of
 Section 7-11-20, New Mexico Statutes Annotated, 1953 Compilation, as amended; and~~

~~WHEREAS, All or part of the lands embraced in said leases have been sold, with minerals reserved to the State of
 New Mexico, to various purchasers who hold limited patents from the State of New Mexico or State purchase contracts;
 and~~

ten thousand (10,000) feet or more

WHEREAS, The above principal, individually, or in association with one or more other parties, has commenced or
 may commence the drilling of one well ~~not to exceed~~ a depth of _____ feet, to prospect for and produce oil
 or gas, or carbon dioxide (CO₂) gas or helium gas, or does own or may acquire, own or operate such well, or such well
 started by others on land embraced in said State oil and gas leases, or carbon dioxide (CO₂) leases, or helium gas leases,
 and on land patented by the United States of America to private individuals, and on land otherwise owned by private
 individuals, the identification and location of said well being _____

(Here state exact legal subdivision by 40-acre tract or lot)

_____ Section _____, Township _____ (North) (South), Range _____ (East) (West), N.M.P.M.
 _____ County, New Mexico.

NOW, THEREFORE, If the above bounden principal and surety or either of them or their successors or assigns, or
 any of them, shall plug said well when dry or when abandoned in accordance with the rules, regulations, and orders of
 the Oil Conservation Commission of New Mexico in such way as to confine the oil, gas, and water in the strata in which
 they are found, and to prevent them from escaping into other strata;

~~AND FURTHER, If the above bounden principal and surety or either of them or their successors or assigns, or any
 of them, upon demand shall make good and sufficient recompense, satisfaction or payment unto the holders of State
 purchase contracts or holders of patents for State lands, with minerals reserved to the State, then heirs, executors,
 administrators, successors and assigns, for all damages to the livestock, range, water, crops, or tangible improvements on
 such lands as may be suffered by such purchasers or their successors in interest, by reason of such development, use or
 occupancy of such lands by such lease or principal, or for such damages as a court of competent jurisdiction may
 determine and fix in any action brought on this bond;~~

THEN, THEREFORE, This obligation shall be null and void; otherwise and in default of complete compliance with
 any and all of said obligations, the same shall remain in full force and effect.

Signed and sealed this _____ day of _____, 19____.

WHEREAS, The above principal has heretofore or may hereafter enter into oil and gas leases, or carbon dioxide (CO₂)
 gas leases, or helium gas leases on lands patented by the United States of America to private individuals, and on lands other-
 wise owned by private individuals; and

PRINCIPAL

Address
By _____
Signature

Title

SURETY

Address
By _____
Attorney-in-Fact

(Note: Principal, if corporation, affix corporate seal here.)

(Note: Corporate surety affix corporate seal here.)

(Note: If corporate surety executes this bond by an attorney-in-fact not in New Mexico, the resident New Mexico agent shall countersign here below.)

Countersigned by:

New Mexico Resident Agent

Address

ACKNOWLEDGMENT FORM FOR NATURAL PERSONS

STATE OF _____)
COUNTY OF _____) ss.

On this _____ day of _____, 19____, before me personally appeared _____, to me known to be the person (persons) described in and who executed the foregoing instrument and acknowledged that he (they) executed the same as his (their) free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and seal on the day and year in this certificate first above written.

My Commission expires

Notary Public

ACKNOWLEDGMENT FORM FOR CORPORATION

STATE OF _____)
COUNTY OF _____) ss.

On this _____ day of _____, 19____, before me personally appeared _____, to me personally known who, being by me duly sworn, did say that he is _____ of _____ and that the foregoing instrument was signed and sealed on behalf of said corporation by authority of its board of directors, and acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and seal on the day and year in this certificate first above written.

My Commission expires

Notary Public

ACKNOWLEDGMENT FORM FOR CORPORATE SURETY

STATE OF _____)
COUNTY OF _____) ss.

On this _____ day of _____, 19____, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is _____ of _____ and that the foregoing instrument was signed and sealed on behalf of said corporation by authority of its board of directors, and acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and seal on the day and year in this certificate first above written.

My Commission expires

Notary Public

(Note: Corporate surety attach power of attorney.)

~~APPROVED BY:~~

APPROVED BY:
OIL CONSERVATION COMMISSION OF NEW MEXICO

~~Commissioner of Public Land~~

By _____

Date _____

NEW MEXICO STATE LAND OFFICE

Santa Fe, New Mexico

J. F. HINKLE, Commissioner

OFFICE OF THE STATE GEOLOGIST

Santa Fe, New Mexico

E. H. WELLS, State Geologist

BULLETIN NO. 2

Laws, Rules and Regulations Governing the
Production and Conservation of Oil
and Gas on State and Patented
Lands in New Mexico

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

Case No. 5912 Exhibit No. 1

Submitted by OCC

Hearing Date 5-5-22

Issued by the

NEW MEXICO STATE LAND OFFICE

Santa Fe, New Mexico

November 1, 1931

AUTHORIZATION OF INSPECTION CHARGES

County Oil and Gas Inspectors shall obtain the written approval of the State Geologist before making a charge for inspection as provided for by the State laws and regulations. The charge shall be payable to the Inspector not more than ten days after its presentation properly approved.

BOND FOR CONFORMANCE WITH STATE LAWS AND REGULATIONS

Persons, associations or corporations drilling for oil and/or gas on State or patented land shall submit an acceptable surety or personal bond providing that the laws of New Mexico dealing with oil and gas and the rules and regulations of the State Geologist shall be complied with in all particulars. It shall be filed with the State Geologist before drilling is begun. Unless otherwise ordered the bond shall be for \$5,000.00 for each well. A blanket bond of \$10,000.00 or more may be approved in certain cases covering all of the wells on an individual tract or lease, the area of which shall not be greater than 1280 acres, or for all of the wells of an operator on State and privately owned land in the State. The bond shall be written to remain in effect until the approved plugging and abandonment of the well or wells is completed. The form of bond which will be acceptable should be obtained from the State Geologist.

REGULATIONS PERTAINING TO THE MANUFACTURE OF
CARBON BLACK FROM NATURAL GAS

PERMIT MUST BE OBTAINED FROM THE STATE GEOLOGIST

Before natural gas on State and patented lands in New Mexico is utilized for the manufacture of carbon black, a permit must be obtained from the State Geologist. Application for a permit should state the name of the persons, association, or company desiring to obtain it, the location of the plant, the capacity of the plant, a detailed description of the method to be used, the location of the gas wells whose production is to be used, the potential volume and rock pressure of each of the wells, the character of the gas, the amount of gasoline per thousand cubic feet, and all other data desirable in arriving at a decision as to whether or not the permit should be granted. A permit shall be obtained prior to any enlargement of the plant described in the original application.

PERIOD OF PERMITS

Permits to manufacture carbon black from natural gas shall be issued for a period of two to five years. They may be renewed from time to time, if in the opinion of the State Geologist no new

NEW MEXICO STATE LAND OFFICE

Santa Fe, New Mexico
J. F. HINKLE, Commissioner

OFFICE OF THE STATE GEOLOGIST

Santa Fe, New Mexico
E. H. WELLS, State Geologist

BULLETIN NO. 2

Laws, Rules and Regulations Governing the
Production and Conservation of Oil
and Gas on State and Patented
Lands in New Mexico

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

Case No. 5912 Exhibit No. 1
Submitted by OCC
Hearing Date 5-5-77

Issued by the
NEW MEXICO STATE LAND OFFICE
Santa Fe, New Mexico
November 1, 1931

AUTHORIZATION OF INSPECTION CHARGES

County Oil and Gas Inspectors shall obtain the written approval of the State Geologist before making a charge for inspection as provided for by the State laws and regulations. The charge shall be payable to the Inspector not more than ten days after its presentation properly approved.

BOND FOR CONFORMANCE WITH STATE LAWS AND REGULATIONS

Persons, associations or corporations drilling for oil and/or gas on State or patented land shall submit an acceptable surety or personal bond providing that the laws of New Mexico dealing with oil and gas and the rules and regulations of the State Geologist shall be complied with in all particulars. It shall be filed with the State Geologist before drilling is begun. Unless otherwise ordered the bond shall be for \$5,000.00 for each well. A blanket bond of \$10,000.00 or more may be approved in certain cases covering all of the wells on an individual tract or lease, the area of which shall not be greater than 1280 acres, or for all of the wells of an operator on State and privately owned land in the State. The bond shall be written to remain in effect until the approved plugging and abandonment of the well or wells is completed. The form of bond which will be acceptable should be obtained from the State Geologist.

REGULATIONS PERTAINING TO THE MANUFACTURE OF
CARBON BLACK FROM NATURAL GAS

PERMIT MUST BE OBTAINED FROM THE STATE GEOLOGIST

Before natural gas on State and patented lands in New Mexico is utilized for the manufacture of carbon black, a permit must be obtained from the State Geologist. Application for a permit should state the name of the persons, association, or company desiring to obtain it, the location of the plant, the capacity of the plant, a detailed description of the method to be used, the location of the gas wells whose production is to be used, the potential volume and rock pressure of each of the wells, the character of the gas, the amount of gasoline per thousand cubic feet, and all other data desirable in arriving at a decision as to whether or not the permit should be granted. A permit shall be obtained prior to any enlargement of the plant described in the original application.

PERIOD OF PERMITS

Permits to manufacture carbon black from natural gas shall be issued for a period of two to five years. They may be renewed from time to time, if in the opinion of the State Geologist no new

NEW MEXICO STATE LAND OFFICE

Santa Fe, New Mexico
J. F. HINKLE, Commissioner

OFFICE OF THE STATE GEOLOGIST

Santa Fe, New Mexico
E. H. WELLS, State Geologist

BULLETIN NO. 2

Laws, Rules and Regulations Governing the
Production and Conservation of Oil
and Gas on State and Patented
Lands in New Mexico

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

Case No. 5912 Exhibit No. 1
Submitted by OCC
Hearing Date 5-5-77

Issued by the
NEW MEXICO STATE LAND OFFICE
Santa Fe, New Mexico
November 1, 1931

AUTHORIZATION OF INSPECTION CHARGES

County Oil and Gas Inspectors shall obtain the written approval of the State Geologist before making a charge for inspection as provided for by the State laws and regulations. The charge shall be payable to the Inspector not more than ten days after its presentation properly approved.

BOND FOR CONFORMANCE WITH STATE LAWS AND REGULATIONS

Persons, associations or corporations drilling for oil and/or gas on State or patented land shall submit an acceptable surety or personal bond providing that the laws of New Mexico dealing with oil and gas and the rules and regulations of the State Geologist shall be complied with in all particulars. It shall be filed with the State Geologist before drilling is begun. Unless otherwise ordered the bond shall be for \$5,000.00 for each well. A blanket bond of \$10,000.00 or more may be approved in certain cases covering all of the wells on an individual tract or lease, the area of which shall not be greater than 1280 acres, or for all of the wells of an operator on State and privately owned land in the State. The bond shall be written to remain in effect until the approved plugging and abandonment of the well or wells is completed. The form of bond which will be acceptable should be obtained from the State Geologist.

REGULATIONS PERTAINING TO THE MANUFACTURE OF
CARBON BLACK FROM NATURAL GAS

PERMIT MUST BE OBTAINED FROM THE STATE GEOLOGIST

Before natural gas on State and patented lands in New Mexico is utilized for the manufacture of carbon black, a permit must be obtained from the State Geologist. Application for a permit should state the name of the persons, association, or company desiring to obtain it, the location of the plant, the capacity of the plant, a detailed description of the method to be used, the location of the gas wells whose production is to be used, the potential volume and rock pressure of each of the wells, the character of the gas, the amount of gasoline per thousand cubic feet, and all other data desirable in arriving at a decision as to whether or not the permit should be granted. A permit shall be obtained prior to any enlargement of the plant described in the original application.

PERIOD OF PERMITS

Permits to manufacture carbon black from natural gas shall be issued for a period of two to five years. They may be renewed from time to time, if in the opinion of the State Geologist no new

NEW MEXICO STATE LAND OFFICE

Santa Fe, New Mexico
J. F. HINKLE, Commissioner

OFFICE OF THE STATE GEOLOGIST

Santa Fe, New Mexico
E. H. WELLS, State Geologist

BULLETIN NO. 2

Laws, Rules and Regulations Governing the
Production and Conservation of Oil
and Gas on State and Patented
Lands in New Mexico

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

Case No. 5912 No. 1
Submitted by OCC
Hearing Date 5-5-77

Issued by the
NEW MEXICO STATE LAND OFFICE
Santa Fe, New Mexico
November 1, 1931

AUTHORIZATION OF INSPECTION CHARGES

County Oil and Gas Inspectors shall obtain the written approval of the State Geologist before making a charge for inspection as provided for by the State laws and regulations. The charge shall be payable to the Inspector not more than ten days after its presentation properly approved.

BOND FOR CONFORMANCE WITH STATE LAWS AND REGULATIONS

Persons, associations or corporations drilling for oil and/or gas on State or patented land shall submit an acceptable surety or personal bond providing that the laws of New Mexico dealing with oil and gas and the rules and regulations of the State Geologist shall be complied with in all particulars. It shall be filed with the State Geologist before drilling is begun. Unless otherwise ordered the bond shall be for \$5,000.00 for each well. A blanket bond of \$10,000.00 or more may be approved in certain cases covering all of the wells on an individual tract or lease, the area of which shall not be greater than 1280 acres, or for all of the wells of an operator on State and privately owned land in the State. The bond shall be written to remain in effect until the approved plugging and abandonment of the well or wells is completed. The form of bond which will be acceptable should be obtained from the State Geologist.

REGULATIONS PERTAINING TO THE MANUFACTURE OF
CARBON BLACK FROM NATURAL GAS

PERMIT MUST BE OBTAINED FROM THE STATE GEOLOGIST

Before natural gas on State and patented lands in New Mexico is utilized for the manufacture of carbon black, a permit must be obtained from the State Geologist. Application for a permit should state the name of the persons, association, or company desiring to obtain it, the location of the plant, the capacity of the plant, a detailed description of the method to be used, the location of the gas wells whose production is to be used, the potential volume and rock pressure of each of the wells, the character of the gas, the amount of gasoline per thousand cubic feet, and all other data desirable in arriving at a decision as to whether or not the permit should be granted. A permit shall be obtained prior to any enlargement of the plant described in the original application.

PERIOD OF PERMITS

Permits to manufacture carbon black from natural gas shall be issued for a period of two to five years. They may be renewed from time to time, if in the opinion of the State Geologist no new

NEW MEXICO STATE LAND OFFICE

Santa Fe, New Mexico
J. F. HINKLE, Commissioner

OFFICE OF THE STATE GEOLOGIST

Santa Fe, New Mexico
E. H. WELLS, State Geologist

BULLETIN NO. 2

Laws, Rules and Regulations Governing the
Production and Conservation of Oil
and Gas on State and Patented
Lands in New Mexico

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

Case No. 5912 Exhibit No. 1
Submitted by OCC
Hearing Date 5-5-77

Issued by the
NEW MEXICO STATE LAND OFFICE
Santa Fe, New Mexico
November 1, 1931

AUTHORIZATION OF INSPECTION CHARGES

County Oil and Gas Inspectors shall obtain the written approval of the State Geologist before making a charge for inspection as provided for by the State laws and regulations. The charge shall be payable to the Inspector not more than ten days after its presentation properly approved.

BOND FOR CONFORMANCE WITH STATE LAWS AND REGULATIONS

Persons, associations or corporations drilling for oil and/or gas on State or patented land shall submit an acceptable surety or personal bond providing that the laws of New Mexico dealing with oil and gas and the rules and regulations of the State Geologist shall be complied with in all particulars. It shall be filed with the State Geologist before drilling is begun. Unless otherwise ordered the bond shall be for \$5,000.00 for each well. A blanket bond of \$10,000.00 or more may be approved in certain cases covering all of the wells on an individual tract or lease, the area of which shall not be greater than 1280 acres, or for all of the wells of an operator on State and privately owned land in the State. The bond shall be written to remain in effect until the approved plugging and abandonment of the well or wells is completed. The form of bond which will be acceptable should be obtained from the State Geologist.

REGULATIONS PERTAINING TO THE MANUFACTURE OF
CARBON BLACK FROM NATURAL GAS

PERMIT MUST BE OBTAINED FROM THE STATE GEOLOGIST

Before natural gas on State and patented lands in New Mexico is utilized for the manufacture of carbon black, a permit must be obtained from the State Geologist. Application for a permit should state the name of the persons, association, or company desiring to obtain it, the location of the plant, the capacity of the plant, a detailed description of the method to be used, the location of the gas wells whose production is to be used, the potential volume and rock pressure of each of the wells, the character of the gas, the amount of gasoline per thousand cubic feet, and all other data desirable in arriving at a decision as to whether or not the permit should be granted. A permit shall be obtained prior to any enlargement of the plant described in the original application.

PERIOD OF PERMITS

Permits to manufacture carbon black from natural gas shall be issued for a period of two to five years. They may be renewed from time to time, if in the opinion of the State Geologist no new

Ex 1

**STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION**

CIRCULAR NO. 5

**STATUTES
AND
RULES AND REGULATIONS FOR
THE CONSERVATION OF OIL
AND GAS IN NEW MEXICO**



**Compiled November 16, 1942
SANTA FE, NEW MEXICO**

**OIL CONSERVATION COMMISSION
GOVERNOR JOHN E. MILES, Chairman
COMMISSIONER OF PUBLIC LANDS, H. R. RODGERS, Member
STATE GEOLOGIST JOHN M. KELLY, Secretary**

and filed according to the next succeeding

Refiner's Monthly of this Order.

Field office at Hobbs.

New Rule 36-C,

Report (Form C-114)

any other plant at oil, or other liquid New Mexico, shall report to the Commission Plant Monthly by such form of each such plant prepared and filed on the day of the next

rated "Gasoline or" is hereby adopted

Field office at Hobbs.

REPORTS

Order 42

added in the reports of 42 United States on actual physical

pounds plus 10 oz.

STATE REPORTS

and Order 52

or extraction plant of New Mexico by their operations substantiate the re-

REQUIRED

and Order 52

strict the authority of such addition, transportation, oil, natural gas to it to be necessary prevention of waste New Mexico.

be and it is hereby that or the issuance of the Commission of the Commission of natural

and Breaks

or operating wells

or operating a pipe line, shall notify the Commission of fires or blowouts which occur at oil and gas wells or oil tanks owned, operated or controlled by them; tanks struck by lightning; other fires which destroy oil and gas; breaks or leaks in tanks or pipe lines from which oil or gas escaped or is escaping; and other serious accidents. Notification shall be by telephone or telegraph giving briefly the particulars and by letter giving a more detailed account of events and conditions. Reports of fires, blowouts, breaks or leaks in tanks or pipes or other accident shall specify the location of the well, tank or pipe line break, giving the quarter, section, township and range. Notwithstanding any provision of this rule, no report need be made of any loss of oil by leakage or breakage of tanks or pipe lines where less than 100 barrels of oil was lost.

Order 4, Effective 8-12-35

Rule 38. Pipe Line Data Required

Any person as defined in Chapter 72 aforesaid, intending to operate a pipe line, whether now existing or hereafter laid, shall notify the Commission in writing of such intention and shall state the size and location of the pipe line and its depth, the appurtenant tankage and location thereof, and any other pertinent data requested by the Commission, and shall furnish a map showing the location of the line and tankage. In the case of a line to be constructed, if any changes from the plan submitted are made during construction, the Commission shall be notified of such changes. The Commission shall also be notified of any subsequent alterations in pipe lines. Nothing contained in this rule shall apply to lease lines, which are merely used in the operation of the lease on which located, nor to any line or appurtenant tankage not located within the State of New Mexico.

Order 4, Effective 8-12-35

Rule 39. Bonds

Any person as defined in Chapter 72 aforesaid who has drilled or is drilling or proposes to drill for oil or gas shall submit to the Commission and obtain its approval of a bond, in a form approved by the Commission, conditioned to plug such well, if dry or when abandoned, in such way as to confine the oil, gas and water in the respective strata in which they are found, and to prevent them from escaping into other strata. The bond shall be in an amount determined by the Commission after taking into consideration the depth of the well and local conditions, but in no case shall the amount of the bond applicable to one well only be more than \$10,000.00. Each such bond shall be executed by a responsible surety company, authorized to transact business in the State of New Mexico, as by and not less than two individual sureties, each of whom shall own real estate situated within the State, and worth not less than twice the amount of the bond after deducting from the value of such property all exemptions and encumbrances. The ownership by each individual surety of property as aforesaid shall be evidenced to the Commission by a certificate from the State Assessor of the county wherein the land is situated, or by an affidavit made by any District Judge having jurisdiction over such county, each of whom shall be of not less than two responsible residents of the State of New Mexico, who have personally viewed the land and are satisfied in their affidavits that the same is owned by the individual sureties and that the bond is being given to secure the proper plugging of the well. In the case of a person who is drilling or operating a number of wells within the State or proposes to do so, such principal may, with the approval of the Commission, submit a blanket bond conditioned as above provided, covering all wells which such person may at any time before such bond is released, drill or operate within this State. The amount of any such blanket bond shall not be less than \$10,000.00.

When the well or wells involved, or any such wells, are located on a State oil and gas lease, and the surface of the land involved was sold by the State prior to such oil and gas lease, such bond may, at the election of the principal, be conditioned not only for the plugging of such well or wells as above provided, but also to secure the payment of such damages to the livestock, range, water, crops or tangible improvements on such land as may be suffered

by such purchaser or his successors in interest by reason of the development, use and occupation of such land resulting from such oil and gas leases.

Any bond conditioned as provided in the last preceding sentence must be approved, not only by the Commission, but by the Commissioner of Public Lands, in his capacity as such.

All liability on bonds conditioned for the plugging of a well or wells shall continue until the plugging of such well or wells is completed and approved. Bonds conditioned to protect surface owners as aforesaid shall cover liability incurred during the entire period of oil and gas operations by the principal on the lands involved.

The Commission will in writing advise the principal and sureties on any bond conditioned to plug wells, as to whether the plugging is approved, in order that, if the plugging is approved, liability under such bond may be formally terminated.

Forms of bonds which will be acceptable will be furnished by the Commission.

Both forms—for one well bond and blanket bond form—distributed from this Commission's office at Santa Fe.

CORPORATE SURETY REQUIRED

EXCERPTS FROM MINUTES EXECUTIVE SESSION APRIL 26, 1937

In view of the unsatisfactory condition of the bonds heretofore received by the Commission, it was ordered that henceforth no drilling bond shall be acceptable other than a bond executed by a surety company and that the minimum drilling bond in all cases be set at \$5,000.00.

Amount of Corporate Surety Bond for Deep Well and Shallow Well

EXCERPTS OF THE EXECUTIVE MEETING OF THE OIL CONSERVATION COMMISSION HELD SEPTEMBER 27, 1937,

wherein the following resolution regarding bond requirements was adopted:

The matter of changing bonding requirements was presented to the Commission; in connection with such, the Commission passed the following resolution:

WHEREAS, the matter of proper bonding being important because of fire hazards and contamination and the damage of spoiling producing areas of oil and gas and the pollution of water:

BE IT, THEREFORE, RESOLVED:

1. That the requirements of a corporate surety licensed by the Insurance Commission of New Mexico shall remain in effect.
2. For the area of Lea County the bonding requirement shall remain at \$5,000.00 per well, regardless of the fact whether such Lea County wells shall come under the classification of deep or shallow wells.
3. ALL DEEP wells anywhere in the State shall require a \$5,000.00 bond. A DEEP well is defined as over 1500 feet in depth. A SHALLOW well shall not be more than 1500 feet in depth.
4. That the SHALLOW wells shall require a \$2,500 bond.

For the purposes of the Commission the bond required is a plugging bond, not a drilling bond, and is to endure up to and including approved plugging when the well is dry or abandoned, even though the well be a producer. Transfer of property does not release the bond. In case of transfer of property or other interest in the well and the principal desires to be released from the bond covering a well or wells, such as producers, not ready for plugging, the principal should proceed as follows:

The holder of the approved Notice of Intention to Drill, in effect constituting the permit to drill, usually the principal on the bond, should notify the Commission in writing in the form of a transfer wherein said party recites that a certain well, if it be only one well, or all wells, if there are several wells, describing each well by 40-acre tract—section, township and range, has or have been transferred to a certain transferee, naming such transferee, for the purpose of ownership or operation. Such transfer must be dated and signed by a party duly authorized so to sign.

of the development,
and gas leases.
sentence must be
Commissioner of Public

a well or wells shall
pleted and approved.
shall cover liability
by the principal on

and sureties on any
ing is approved, in
such bond may be

urnished by the Com-

-distributed from this

D

APRIL 26, 1937

efore received by the
shall be acceptable
minimum drilling bond

Shallow Well

THE OIL
MBER 27, 1937,

ents was adopted:

ed to the Commission;
resolution:
stant because of fire
ing areas of oil and

the Insurance Com-

remain at \$5,000.00
els shall come under

re a \$5,000.00 bond.
W well shall not be

ed

plugging bond, not
plugging when the
transfer of property
other interest in the
ing a well or well;
proceed as follows:
in effect consti-
should notify the
party recites that
re several wells,
nge, has or have
ree, for the pur-
and signed by a

Beneath said transfer the transferee should recite that such transferee has read the foregoing statement and does accept such transfer and does accept the responsibility of such well under his one-well bond tendered with corporate surety or such wells, as the case may be, under his blanket bond being tendered to or on file with the Commission. Such acceptance must likewise be signed by a party authorized so to sign.

When the Commission has passed upon the transfer and acceptance and accepted it under the transferee's bond the transferor is immediately released of the plugging responsibility of the well or wells as the case may be and if such well or wells include all the wells within the responsibility of the transferor's bond, such bond will be released upon written notice by the Commission to that effect.

Order 4, Effective 8-12-35

Rule 40. Special Rules and Regulations

The Commission shall adopt special rules and regulations for fields or areas when in its judgment such rules and regulations are required.

Order 4, Effective 8-12-35

Rule 41. Conflicts Between General and Special Rules and Regulations

In case of conflict between a general and a special rule or regulation, the special rule or regulation shall prevail without regard to the effective dates of the respective rules or regulations, unless the contrary is clearly prescribed by the Commission.

Order 4, Effective 8-12-35

Rule 42. Permissible Exceptions to the Rules and Regulations

When emergencies arise during the drilling, operation or plugging of wells, and when complete compliance with the general rules and regulations or any special rules and regulations that are adopted by the Commission will cause material unnecessary and avoidable delay and expense, the conditions may be communicated to the Commission or its proper agents with the request that an exception be made to meet the particular emergency.

Order 4, Effective 8-12-35

Rule 43. Enforcement of Laws, Rules and Regulations Dealing with Conservation of Oil and Gas

The oil conservation laws and the general and special rules and regulations of the Commission shall be enforced by the Commission and its authorized agents. Orders of oil and gas inspectors and other agents should be obeyed immediately. These orders shall be subject to review by the Commission if an appeal is filed with it as soon as practicable, but the pendency of such an appeal shall not operate to excuse compliance with the order appealed from, unless the Commission or a majority thereof so direct.

Owners should obtain information from the Commission as to the Oil and Gas Inspector having direct supervision over their operations, where notices and reports should be sent, etc. Forms for submitting notices, requests and reports can be obtained from the Commission at Santa Fe or from its designated agents.

Order 4, Effective 8-12-35

Rule 44. Notice to Contractors, Drillers and Others to Observe Rules

All contractors and drillers carrying on business or doing work in the oil and gas fields of the State and also all lease holders, land owners and operators generally, are hereby directed to take notice of and comply with the rules and regulations of the Commission.

Order 4, Effective 8-12-35

Rule 45. Commission to Co-operate with Proper Agents of the United States

The Commission and its agents shall co-operate and invite the co-operation of the agents of the Conservation Branch of the United States Geological Survey and other proper agents of the United States.

NOTE: For wells less than 5,000 feet deep, the minimum bond is \$5,000.00*
For wells 5,000 feet to 10,000 feet deep, the minimum bond is \$7,500.00*
For wells more than 10,000 feet deep, the minimum bond is \$10,000.00

~~*Under certain conditions, a well being drilled under a \$5,000.00 or \$7,500.00 bond may be permitted~~

\$ 7,500.00*

\$ 10,000.00*

\$ 12,500.00

*Under certain conditions, a well being drilled under a \$5,000.00 or \$7,500.00 bond may be permitted to be drilled as much as 500 feet deeper than the normal maximum depth, i.e., a well being drilled under a \$5,000.00 bond may be permitted to go to 5,499 feet, and a well being drilled under a \$7,500.00 bond may be permitted to go to 10,500 feet.

5,499

\$7,500

\$10,000.00

5,499

\$10,000.00

\$7,500.00

*Under certain conditions, a well being drilled under a \$7,500 or \$10,000.00 bond may be permitted to be drilled as much as 500 feet deeper than the normal maximum depth, i.e., a well being drilled under a \$7,500.00 bond may be permitted to go to 5,499 feet, and a well being drilled under a \$10,000.00 bond may be permitted to go to 10,500 feet.

NOTE: For wells less than 5,000 feet deep, the minimum bond is \$7,500.00*
For wells 5,000 feet to 10,000 feet deep, the minimum bond is \$10,000.00*
For wells more than 10,000 feet deep, the minimum bond is \$12,500.00

\$50,000.00 STATE OF NEW MEXICO
~~\$10,000.00~~ BLANKET PLUGGING AND INDEMNITY BOND

BEFORE THE
 OIL CONSERVATION COMMISSION
 Santa Fe, New Mexico

BOND No. 5912 Exhibit No. 7
 Submitted by OC
 Hearing Date 5-5-77

(Note: File with Oil Conservation Commission, Santa Fe, New Mexico.)

KNOW ALL MEN BY THESE PRESENTS:

That Fifty (\$50,000.00) (An individual) (a partnership) (a corporation organized in the State of _____), with its principal office in the city of _____, State of _____, and authorized to do business in the State of New Mexico), as PRINCIPAL, and _____, a corporation organized and existing under the laws of the State of _____, and authorized to do business in the State of New Mexico with duly appointed resident agent licensed in the State of New Mexico to execute this bond on behalf of the surety company, as SURETY, are held firmly bound unto the State of New Mexico, for the use and benefit of the Oil Conservation Commission of New Mexico pursuant to Section 65-3-11, New Mexico Statutes Annotated, 1953 Compilation, as amended, ~~and for the use and benefit of purchasers holding purchase contract or deed to state lands, with minerals reserved, their grantor or successors in interest, pursuant to Section 7-11-20, New Mexico Statutes Annotated, 1953 Compilation, as amended,~~ in the sum of ~~Ten Thousand (\$10,000.00)~~ Dollars lawful money of the United States, for the payment of which, well and truly to be made, said PRINCIPAL and SURETY hereby bind themselves, their successors and assigns, jointly and severally, firmly by these presents.

The conditions of this obligation are such that:

WHEREAS, The above principal has heretofore or may hereafter enter into oil and gas leases, or carbon dioxide (CO₂) gas leases, or helium gas leases with the State of New Mexico; and

~~WHEREAS, Said leases were entered into by the said principal, subject to the requirements of the provisions of Section 7-11-20, New Mexico Statutes Annotated, 1953 Compilation, as amended; and~~

~~WHEREAS, All or part of the lands embraced in said leases have been sold, with minerals reserved to the State of New Mexico, to various purchasers who hold limited patents from the State of New Mexico or State purchase contracts; and~~

WHEREAS, The above principal, individually, or in association with one or more other parties, has commenced or may commence the drilling of wells to prospect for and produce oil or gas, or carbon dioxide (CO₂) gas or helium gas, or does own or may acquire, own or operate such wells, or such wells started by others on land embraced in said State oil and gas leases, or carbon dioxide (CO₂) gas leases, or helium gas leases, and on lands patented by the United States of America to private individuals, and on lands otherwise owned by private individuals, the identification and location of said wells being expressly waived by both principal and surety hereto.

NOW, THEREFORE, If the above bounden principal and surety or either of them or their successors or assigns, or any of them, shall plug all of said wells when dry or when abandoned in accordance with the rules, regulations, and orders of the Oil Conservation Commission of New Mexico in such way as to confine the oil, gas, and water in the strata in which they are found, and to prevent them from escaping into other strata;

~~AND FURTHER, If the above bounden principal and surety or either of them or their successors or assigns, or any of them, upon demand shall make good and sufficient recompense, satisfaction or payment unto the holders of State purchase contracts or holders of patents for State lands, with minerals reserved to the State, their heirs, executors, administrators, successors and assigns, for all damages to the livestock, range, water, crops, or tangible improvements on such lands as may be suffered by such purchasers or their successors in interest, by reason of such development, use or occupancy of such lands by such lessee or principal, or for such damages as a court of competent jurisdiction may determine and fix in any action brought on this bond;~~

THEN, THEREFORE, This obligation shall be null and void; otherwise and in default of complete compliance with any and all of said obligations, the same shall remain in full force and effect.

PROVIDED, HOWEVER, That thirty (30) days after receipt by the Oil Conservation Commission of New Mexico of written notice of cancellation from the surety, the obligation of the surety hereunder shall terminate as to property or wells acquired, drilled, or started after said thirty (30) day period but shall continue in effect, notwithstanding said notice, as to property or wells theretofore acquired, drilled, or started.

Signed and sealed this _____ day of _____, 19____.

STATE OF NEW MEXICO
\$5,000.00 ONE-WELL PLUGGING AND INDEMNITY BOND

CHAVES, EDDY, LEA, MCKINLEY, RIO ARRIBA,
ROOSEVELT, SANDOVAL, AND SAN JUAN COUNTIES
BOND NO. _____

(For Use of Surety Company)

(Note: File with Oil Conservation Commission, Santa Fe, New Mexico.)

KNOW ALL MEN BY THESE PRESENTS:

That _____, (An individual) (a partnership) (a corporation organized in the State of _____, with its principal office in the city of _____, State of _____, and authorized to do business in the State of New Mexico), as PRINCIPAL, and _____, a corporation organized and existing under the laws of the State of _____, and authorized to do business in the State of New Mexico with duly appointed resident agent licensed in the State of New Mexico to execute this bond on behalf of the surety company, as SURETY, are held firmly bound unto the State of New Mexico, for the use and benefit of the Oil Conservation Commission of New Mexico pursuant to Section 65-3-11, New Mexico Statutes Annotated, 1953 Compilation, as amended, ~~and for the use and benefit of purchaser, holding purchase contract or deed to state lands, with minerals reserved, their grantees or successors in interest, pursuant to Section 7-11-20, New Mexico Statutes Annotated, 1953 Compilation, as amended;~~ in the sum of Five Thousand (\$5,000.00) Dollars lawful money of the United States, for the payment of which, well and truly to be made, said PRINCIPAL and SURETY hereby bind themselves, their successors and assigns, jointly and severally, firmly by these presents.

The conditions of this obligation are such that:

WHEREAS, The above principal has heretofore or may hereafter enter into oil and gas leases, or carbon dioxide (CO₂) gas leases, or helium gas leases with the State of New Mexico; and

~~WHEREAS, Said leases were entered into by the said principal, subject to the requirements of the provisions of Section 7-11-20, New Mexico Statutes Annotated, 1953 Compilation, as amended; and~~

~~WHEREAS, All or part of the lands embraced in said leases have been sold, with minerals reserved to the State of New Mexico, to various purchasers who hold limited patents from the State of New Mexico or State purchase contracts; and~~

WHEREAS, The above principal, individually, or in association with one or more other parties, has commenced or may commence the drilling of one well not to exceed a depth of _____ feet, to prospect for and produce oil or gas, or carbon dioxide (CO₂) gas or helium gas, or does own or may acquire, own or operate such well, or such well started by others on land embraced in said State oil and gas leases, or carbon dioxide (CO₂) leases, or helium gas leases, and on land patented by the United States of America to private individuals, and on land otherwise owned by private individuals, the identification and location of said well being _____

(Here state exact legal subdivision by 40-acre tract or lot)

_____ Section _____, Township _____ (North) (South), Range _____ (East) (West), N.M.P.M. _____ County, New Mexico.

NOW, THEREFORE, If the above bounden principal and surety or either of them or their successors or assigns, or any of them, shall plug said well when dry or when abandoned in accordance with the rules, regulations, and orders of the Oil Conservation Commission of New Mexico in such way as to confine the oil, gas, and water in the strata in which they are found, and to prevent them from escaping into other strata;

~~AND FURTHER, If the above bounden principal and surety or either of them or their successors or assigns, or any of them, upon demand shall make good and sufficient recompense, satisfaction or payment unto the holders of State purchase contracts or holders of patents for State lands, with minerals reserved to the State, then heirs, executors, administrators, successors and assigns, for all damages to the livestock, range, water, crops, or tangible improvements on such lands or may be suffered by such purchasers or their successors in interest, by reason of such development, use or occupancy of such lands by such lessee or principal, or for such damages as a court of competent jurisdiction may determine and fix in any action brought on this bond.~~

THEN, THEREFORE, This obligation shall be null and void; otherwise and in default of complete compliance with any and all of said obligations, the same shall remain in full force and effect.

Signed and sealed this _____ day of _____, 19____.

WHEREAS, The above principal has heretofore or may hereafter enter into oil and gas leases, or carbon dioxide (CO₂) gas leases, or helium gas leases on lands patented by the United States of America to private individuals, and on lands otherwise owned by private individuals; and

\$7,500.00 STATE OF NEW MEXICO
~~\$5,000.00~~ ONE WELL PLUGGING AND INDEMNITY BOND

CHAVES, EDDY, LEA, MCKINLEY, RIO ARRIBA,
 ROOSEVELT, SANDOVAL, AND SAN JUAN COUNTIES

BOND NO. _____
 (For Use of Surety Company)

(Note: File with Oil Conservation Commission, Santa Fe, New Mexico.)

KNOW ALL MEN BY THESE PRESENTS:

That _____, (An individual) (a partnership)
 (a corporation organized in the State of _____, with its principal office in the city of _____, State of _____, and authorized to do business
 in the State of New Mexico), as PRINCIPAL, and _____, a
 corporation organized and existing under the laws of the State of _____, and
 authorized to do business in the State of New Mexico with duly appointed resident agent licensed in the State of New
 Mexico to execute this bond on behalf of the surety company, as SURETY, are held firmly bound unto the State of New
 Mexico, for the use and benefit of the Oil Conservation Commission of New Mexico pursuant to Section 65-3-11, New
 Mexico Statutes Annotated, 1953 Compilation, as amended, ~~and for the use and benefit of purchaser, holding purchase
 contract or deed to state lands, with minerals reserved, their grantees or successors in interest, pursuant to Section
 7-11-20, New Mexico Statutes Annotated, 1953 Compilation, as amended,~~ in the sum of Five Thousand (\$5,000.00)
 Dollars lawful money of the United States, for the payment of which, well and truly to be made, said PRINCIPAL and
 SURETY hereby bind themselves, their successors and assigns, jointly and severally, firmly by these presents.

The conditions of this obligation are such that:

Seven Thousand Five Hundred (\$7,500.00)

WHEREAS, The above principal has heretofore or may hereafter enter into oil and gas leases, or carbon dioxide
 (CO₂) gas leases, or helium gas leases with the State of New Mexico; and

~~WHEREAS, Said leases were entered into by the said principal, subject to the requirements of the provisions of
 Section 7-11-20, New Mexico Statutes Annotated, 1953 Compilation, as amended; and~~

~~WHEREAS, All or part of the lands embraced in said leases have been sold, with minerals reserved to the State of
 New Mexico, to various purchasers who hold limited patents from the State of New Mexico or State purchase contracts;
 and~~

nine thousand, nine hundred ninety nine (9,999)

WHEREAS, The above principal, individually, or in association with one or more other parties, has commenced or
 may commence the drilling of, one well not to exceed a depth of _____ feet, to prospect for and produce oil
 or gas, or carbon dioxide (CO₂) gas or helium gas, or does own or may acquire, own or operate such well, or such well
 started by others on land embraced in said State oil and gas leases, or carbon dioxide (CO₂) leases, or helium gas leases,
 and on land patented by the United States of America to private individuals, and on land otherwise owned by private
 individuals, the identification and location of said well being _____

(Here state exact legal subdivision by 40-acre tract or lot)

_____ Section _____, Township _____ (North) (South), Range _____ (East) (West), N.M.P.M.
 _____ County, New Mexico.

NOW, THEREFORE, If the above bounden principal and surety or either of them or their successors or assigns, or
 any of them, shall plug said well when dry or when abandoned in accordance with the rules, regulations, and orders of
 the Oil Conservation Commission of New Mexico in such way as to confine the oil, gas, and water in the strata in which
 they are found, and to prevent them from escaping into other strata;

~~AND FURTHER, If the above bounden principal and surety or either of them or their successors or assigns, or any
 of them, upon demand shall make good and sufficient recompense, satisfaction or payment unto the holders of State
 purchase contracts or holders of patents for State lands, with minerals reserved to the State, then here, executive
 administration, successors and assigns, for all damages to the livestock, range, water, crops, or tangible improvements on
 such lands as may be suffered by such purchasers or their successors in interest, by reason of such development, use or
 occupancy of such lands by such lease or principal, or for such damages as a court of competent jurisdiction may
 determine and fix in any action brought on this bond.~~

THEN, THEREFORE, This obligation shall be null and void; otherwise and in default of complete compliance with
 any and all of said obligations, the same shall remain in full force and effect.

Signed and sealed this _____ day of _____, 19____.

WHEREAS, The above principal has heretofore or may hereafter enter into oil and gas leases, or carbon dioxide (CO₂)
 gas leases, or helium gas leases on lands patented by the United States of America to private individuals, and on lands other-
 wise owned by private individuals; and

\$10,000.00 STATE OF NEW MEXICO
~~\$5,000.00~~ ONE WELL PLUGGING AND INDEMNITY BOND
 CHAVES, EDDY, LEA, MCKINLEY, RIO ARRIBA,
 ROOSEVELT, SANDOVAL, AND SAN JUAN COUNTIES

BOND NO. _____
 (For Use of Surety Company)

(Note: File with Oil Conservation Commission, Santa Fe, New Mexico.)

KNOW ALL MEN BY THESE PRESENTS:

That _____, (An individual) (a partnership) (a corporation organized in the State of _____, with its principal office in the city of _____, State of _____, and authorized to do business in the State of New Mexico), as PRINCIPAL, and _____, a corporation organized and existing under the laws of the State of _____, and authorized to do business in the State of New Mexico with duly appointed resident agent licensed in the State of New Mexico to execute this bond on behalf of the surety company, as SURETY, are held firmly bound unto the State of New Mexico, for the use and benefit of the Oil Conservation Commission of New Mexico pursuant to Section 65-3-11, New Mexico Statutes Annotated, 1953 Compilation, as amended, ~~and for the use and benefit of purchaser, holding purchase contract or deed to state lands, with minerals reserved, their grantees or successors in interest, pursuant to Section 7-11-20, New Mexico Statutes Annotated, 1953 Compilation, as amended,~~ in the sum of ~~Five Thousand (\$5,000.00)~~ Ten Thousand (\$10,000.00) Dollars lawful money of the United States, for the payment of which, well and truly to be made, said PRINCIPAL and SURETY hereby bind themselves, their successors and assigns, jointly and severally, firmly by these presents.

The conditions of this obligation are such that:

WHEREAS, The above principal has heretofore or may hereafter enter into oil and gas leases, or carbon dioxide (CO₂) gas leases, or helium gas leases with the State of New Mexico; and

~~WHEREAS, Said leases were entered into by the said principal, subject to the requirements of the provisions of Section 7-11-20, New Mexico Statutes Annotated, 1953 Compilation, as amended; and~~

~~WHEREAS, All or part of the lands embraced in said leases have been sold, with minerals reserved to the State of New Mexico, to various purchasers who hold limited patents from the State of New Mexico or State purchase contracts; and~~

WHEREAS, The above principal, individually, or in association with one or more other parties; has commenced or may commence the drilling of, one well ~~not to exceed~~ ten thousand (10,000) or more feet, to prospect for and produce oil or gas, or carbon dioxide (CO₂) gas or helium gas, or does own or may acquire, own or operate such well, or such well started by others on land embraced in said State oil and gas leases, or carbon dioxide (CO₂) leases, or helium gas leases, and on land patented by the United States of America to private individuals; and on land otherwise owned by private individuals, the identification and location of said well being _____

(Here state exact legal subdivision by 40-acre tract or lot)

_____ Section _____, Township _____ (North) (South), Range _____ (East) (West), N.M.P.M.
 _____ County, New Mexico.

NOW, THEREFORE, If the above bounden principal and surety or either of them or their successors or assigns, or any of them, shall plug said well when dry or when abandoned in accordance with the rules, regulations, and orders of the Oil Conservation Commission of New Mexico in such way as to confine the oil, gas, and water in the strata in which they are found, and to prevent them from escaping into other strata;

~~AND FURTHER, If the above bounden principal and surety or either of them or their successors or assigns, or any of them, upon demand shall make good and sufficient recompense, satisfaction or payment unto the holders of State purchase contracts or holders of patents for State lands, with minerals reserved to the State, their heirs, executors, administrators, successors and assigns, for all damages to the livestock, range, water, crops, or tangible improvements on such lands or may be suffered by such purchasers or their successors in interest, by reason of such development, use or occupancy of such lands by such leases or principal, or for such damages as a court of competent jurisdiction may determine and fix in any action brought on this bond;~~

THEN, THEREFORE, This obligation shall be null and void; otherwise and in default of complete compliance with any and all of said obligations, the same shall remain in full force and effect.

Signed and sealed this _____ day of _____, 19____.

WHEREAS, The above principal has heretofore or may hereafter enter into oil and gas leases, or carbon dioxide (CO₂) gas leases, or helium gas leases on lands patented by the United States of America to private individuals, and on lands otherwise owned by private individuals; and

~~\$7,500.00~~ STATE OF NEW MEXICO
~~\$5,000.00~~ ONE WELL PLUGGING AND INDEMNITY BOND
 FOR ALL COUNTIES OTHER THAN CHAVES, EDDY, LEA, MCKINLEY,
 RIO ARriba, ROOSEVELT, SANDOVAL, AND SAN JUAN

BOND NO. _____
 (For Use of Surety Company)

(Note: File with Oil Conservation Commission, Santa Fe, New Mexico.)

KNOW ALL MEN BY THESE PRESENTS:

That _____, (An individual) (a partnership)
 (a corporation organized in the State of _____, with its principal office in the city of _____, State of _____, and authorized to do business in the State of New Mexico), as PRINCIPAL, and _____, a corporation organized and existing under the laws of the State of _____, and authorized to do business in the State of New Mexico with duly appointed resident agent licensed in the State of New Mexico to execute this bond on behalf of the surety company, as SURETY, are held firmly bound unto the State of New Mexico, for the use and benefit of the Oil Conservation Commission of New Mexico pursuant to Section 65-3-11, New Mexico Statutes Annotated, 1953 Compilation, as amended, ~~and for the use and benefit of purchaser holding purchase contract or deed to state lands, with minerals reserved, their grantees or successors in interest, pursuant to Section 7-11-20, New Mexico Statutes Annotated, 1953 Compilation, as amended,~~ in the sum of ~~Five Thousand (\$5,000.00)~~ seven thousand five hundred (\$7,500.00) Dollars lawful money of the United States, for the payment of which, well and truly to be made, said PRINCIPAL and SURETY hereby bind themselves, their successors and assigns, jointly and severally, firmly by these presents.

The conditions of this obligation are such that:

WHEREAS, The above principal has heretofore or may hereafter enter into oil and gas leases, or carbon dioxide (CO₂) gas leases, or helium gas leases with the State of New Mexico; and

~~WHEREAS, Said leases were entered into by the said principal, subject to the requirements of the provisions of Section 7-11-20, New Mexico Statutes Annotated, 1953 Compilation, as amended; and~~

~~WHEREAS, All or part of the lands embraced in said leases have been sold, with minerals reserved to the State of New Mexico, to various purchasers who hold limited patents from the State of New Mexico or State purchase contracts; and~~

WHEREAS, The above principal, individually, or in association with one or more other parties, has commenced or may commence the drilling of one well not to exceed a depth of _____ feet, to prospect for and produce oil or gas, or carbon dioxide (CO₂) gas or helium gas, or does own or may acquire, own or operate such well, or such well started by others on land embraced in said State oil and gas leases, or carbon dioxide (CO₂) leases, or helium gas leases, and on land patented by the United States of America to private individuals, and on land otherwise owned by private individuals, the identification and location of said well being _____

(Here state exact legal subdivision by 40-acre tract or lot)

_____ Section _____, Township _____ (North) (South), Range _____ (East) (West), N.M.P.M.
 _____ County, New Mexico.

NOW, THEREFORE, If the above bounden principal and surety or either of them or their successors or assigns, or any of them, shall plug said well when dry or when abandoned in accordance with the rules, regulations, and orders of the Oil Conservation Commission of New Mexico in such way as to confine the oil, gas, and water in the strata in which they are found, and to prevent them from escaping into other strata;

~~AND FURTHER, If the above bounden principal and surety or either of them or their successors or assigns, or any of them, upon demand shall make good and sufficient recompense, satisfaction or payment unto the holders of State purchase contracts or holders of patents for State lands, with minerals reserved to the State, then heirs, executors, administrators, successors and assigns, for all damages to the livestock, range, water, crops, or tangible improvements on such lands or may be suffered by such purchasers or their successors in interest, by reason of such development, use or occupancy of such lands by such leases or principal, or for such damages as a court of competent jurisdiction may determine and fix in any action brought on this bond;~~

THEN, THEREFORE, This obligation shall be null and void; otherwise and in default of complete compliance with any and all of said obligations, the same shall remain in full force and effect.

Signed and sealed this _____ day of _____, 19____.

WHEREAS, The above principal has heretofore or may hereafter enter into oil and gas leases, or carbon dioxide (CO₂) gas leases, or helium gas leases on lands patented by the United States of America to private individuals, and on lands otherwise owned by private individuals; and

\$10,000.00 STATE OF NEW MEXICO
~~\$5,000.00~~ ONE WELL PLUGGING AND INDEMNITY BOND
 FOR ALL COUNTIES OTHER THAN CHAVES, EDDY, LEA, MCKINLEY,
 RIO ARRIBA, ROOSEVELT, SANDOVAL, AND SAN JUAN

BOND NO: _____
 (For Use of Surety Company)

(Note: File with Oil Conservation Commission, Santa Fe, New Mexico.)

KNOW ALL MEN BY THESE PRESENTS:

That _____, (An individual) (a partnership)
 (a corporation organized in the State of _____, with its principal office in the city of _____, State of _____, and authorized to do business in the State of New Mexico), as PRINCIPAL, and _____, a corporation organized and existing under the laws of the State of _____, and authorized to do business in the State of New Mexico with duly appointed resident agent licensed in the State of New Mexico to execute this bond on behalf of the surety company, as SURETY, are held firmly bound unto the State of New Mexico, for the use and benefit of the Oil Conservation Commission of New Mexico pursuant to Section 65-3-11, New Mexico Statutes Annotated, 1953 Compilation, as amended, ~~and for the use and benefit of purchaser holding purchase contract or deed to state lands, with minerals reserved, their grantees or successors in interest, pursuant to Section 7-11-20, New Mexico Statutes Annotated, 1953 Compilation, as amended,~~ in the sum of Ten Thousand (\$10,000.00) Dollars lawful money of the United States, for the payment of which, well and truly to be made, said PRINCIPAL and SURETY hereby bind themselves, their successors and assigns, jointly and severally, firmly by these presents.

The conditions of this obligation are such that:

WHEREAS, The above principal has heretofore or may hereafter enter into oil and gas leases, or carbon dioxide (CO₂) gas leases, or helium gas leases with the State of New Mexico; and

~~WHEREAS, Said leases were entered into by the said principal, subject to the requirements of the provisions of Section 7-11-20, New Mexico Statutes Annotated, 1953 Compilation, as amended; and~~

~~WHEREAS, All or part of the lands embraced in said leases have been sold, with minerals reserved to the State of New Mexico, to various purchasers who hold limited patents from the State of New Mexico or State purchase contracts; and~~

WHEREAS, The above principal, individually, or in association with one or more other parties, has commenced or may commence the drilling of one well not to exceed a depth of _____ feet, to prospect for and produce oil or gas, or carbon dioxide (CO₂) gas or helium gas, or does own or may acquire, own or operate such well, or such well started by others on land embraced in said State oil and gas leases, or carbon dioxide (CO₂) leases, or helium gas leases, and on land patented by the United States of America to private individuals, and on land otherwise owned by private individuals, the identification and location of said well being _____

(Here state exact legal subdivision by 40-acre tract or lot)

_____ Section _____, Township _____ (North) (South), Range _____ (East) (West), N.M.P.M.
 _____ County, New Mexico.

NOW, THEREFORE, If the above bounden principal and surety or either of them or their successors or assigns, or any of them, shall plug said well when dry or when abandoned in accordance with the rules, regulations, and orders of the Oil Conservation Commission of New Mexico in such way as to confine the oil, gas, and water in the strata in which they are found, and to prevent them from escaping into other strata;

~~AND FURTHER, If the above bounden principal and surety or either of them or their successors or assigns, or any of them, upon demand shall make good and sufficient recompense, satisfaction or payment unto the holders of State purchase contracts or holders of patents for State lands, with minerals reserved to the State, their heirs, executors, administrators, successors and assigns, for all damages to the livestock, range, water, crops, or tangible improvement on such land or may be suffered by such purchasers or their successors in interest, by reason of such development, use or occupancy of such lands by such lease or principal, or for such damages as a court of competent jurisdiction may determine and fix in any action brought on this bond;~~

THEN, THEREFORE, This obligation shall be null and void; otherwise and in default of complete compliance with any and all of said obligations, the same shall remain in full force and effect.

Signed and sealed this _____ day of _____, 19____.

WHEREAS, The above principal has heretofore or may hereafter enter into oil and gas leases, or carbon dioxide (CO₂) gas leases, or helium gas leases on lands patented by the United States of America to private individuals, and on lands otherwise owned by private individuals; and

\$12,500.00 STATE OF NEW MEXICO
~~\$5,000.00~~ **ONE WELL PLUGGING AND INDEMNITY BOND**
FOR ALL COUNTIES OTHER THAN CHAVES, EDDY, LEA, MCKINLEY,
RIO ARRIBA, ROOSEVELT, SANDOVAL, AND SAN JUAN

BOND NO. _____
 (For Use of Surety Company)

(Note: File with Oil Conservation Commission, Santa Fe, New Mexico.)

KNOW ALL MEN BY THESE PRESENTS:

That _____, (An individual) (a partnership)
 (a corporation organized in the State of _____, with its principal office in the city of _____, State of _____, and authorized to do business in the State of New Mexico), as PRINCIPAL, and _____, a corporation organized and existing under the laws of the State of _____, and authorized to do business in the State of New Mexico with duly appointed resident agent licensed in the State of New Mexico to execute this bond on behalf of the surety company, as SURETY, are held firmly bound unto the State of New Mexico, for the use and benefit of the Oil Conservation Commission of New Mexico pursuant to Section 65-3-11, New Mexico Statutes Annotated, 1953 Compilation, as amended, ~~and for the use and benefit of purchaser holding purchase contract or deed to state lands, with minerals reserved, their grantees or successors in interest, pursuant to Section 7-11-20, New Mexico Statutes Annotated, 1953 Compilation, as amended, in the sum of Five Thousand (\$5,000.00)~~ Dollars lawful money of the United States, for the payment of which, well and truly to be made, said PRINCIPAL and SURETY hereby bind themselves, their successors and assigns, jointly and severally, firmly by these presents.

The conditions of this obligation are such that:

Twelve Thousand Five Hundred (\$12,500.00)

WHEREAS, The above principal has heretofore or may hereafter enter into oil and gas leases, or carbon dioxide (CO₂) gas leases, or helium gas leases with the State of New Mexico; and

~~WHEREAS, Said leases were entered into by the said principal, subject to the requirements of the provisions of Section 7-11-20, New Mexico Statutes Annotated, 1953 Compilation, as amended; and~~

~~WHEREAS, All or part of the lands embraced in said leases have been sold, with minerals reserved to the State of New Mexico, to various purchasers who hold limited patents from the State of New Mexico or State purchase contracts; and~~

WHEREAS, The above principal, individually, or in association with one or more other parties, has commenced or may commence the drilling of one well ~~not to exceed~~ a depth of ten thousand (10,000) feet or more feet, to prospect for and produce oil or gas, or carbon dioxide (CO₂) gas or helium gas, or does own or may acquire, own or operate such well, or such well started by others on land embraced in said State oil and gas leases, or carbon dioxide (CO₂) leases, or helium gas leases, and on land patented by the United States of America to private individuals, and on land otherwise owned by private individuals, the identification and location of said well being _____

(Here state exact legal subdivision by 40-acre tract or lot)

_____ Section _____, Township _____ (North) (South), Range _____ (East) (West), N.M.P.M.
 _____ County, New Mexico.

NOW, THEREFORE, If the above bounden principal and surety or either of them or their successors or assigns, or any of them, shall plug said well when dry or when abandoned in accordance with the rules, regulations, and orders of the Oil Conservation Commission of New Mexico in such way as to confine the oil, gas, and water in the strata in which they are found, and to prevent them from escaping into other strata;

~~AND FURTHER, If the above bounden principal and surety or either of them or their successors or assigns, or any of them, upon demand shall make good and sufficient recompense, satisfaction or payment unto the holders of State purchase contracts or holders of patents for State lands, with minerals reserved to the State, then heirs, executors, administrators, successors and assigns, for all damages to the livestock, range, water, crops, or tangible improvements on such lands as may be suffered by such purchasers or their successors in interest, by reason of such development use or occupancy of such lands by such leases or principal, or for such damages as a court of competent jurisdiction may determine and fix in any action brought on this bond;~~

THEN, THEREFORE, This obligation shall be null and void; otherwise and in default of complete compliance with any and all of said obligations, the same shall remain in full force and effect.

Signed and sealed this _____ day of _____, 19____.

WHEREAS, The above principal has heretofore or may hereafter enter into oil and gas leases, or carbon dioxide (CO₂) gas leases, or helium gas leases on lands patented by the United States of America to private individuals, and on lands otherwise owned by private individuals; and

* * * PROPOSED RULE CHANGE * * *

RULE 101. PLUGGING BOND

(a) Any person, firm, corporation, or association who has drilled or acquired, is drilling, or proposes to drill or acquire any oil, gas or service well on privately owned or state owned lands within this state shall furnish to the Commission, and obtain approval thereof, a surety bond, running to the State of New Mexico, in a form prescribed by the Commission, and conditioned that the well be plugged and abandoned in compliance with the rules and regulations of the Commission. Such bond may be a one-well plugging bond or a blanket plugging bond. All bonds shall be executed by a responsible surety company authorized to do business in the State of New Mexico.

(b) Blanket plugging bonds shall be in the amount of fifty thousand dollars (\$50,000) conditioned as above provided, covering all oil, gas, or service wells drilled, acquired or operated in this state by the principal on the bond.

One-well plugging bonds shall be in the amounts stated below in accordance with the depth and location of the well:

<u>COUNTY</u>	<u>ACTUAL OR PROJECTED DEPTH OF WELL</u>	<u>AMOUNT OF BOND</u>
Chaves, Eddy, Lea, McKinley,	0-4,999 feet	\$5,000
Rio Arriba, Roosevelt, Sandoval,	5,000-9,999 feet	\$7,500
or San Juan	10,000 or more feet	\$10,000
All Other Counties	0-4,999 feet	\$ 7,500
	5,000-9,999 feet	\$ 10,000
	10,000 or more feet	\$ 12,500

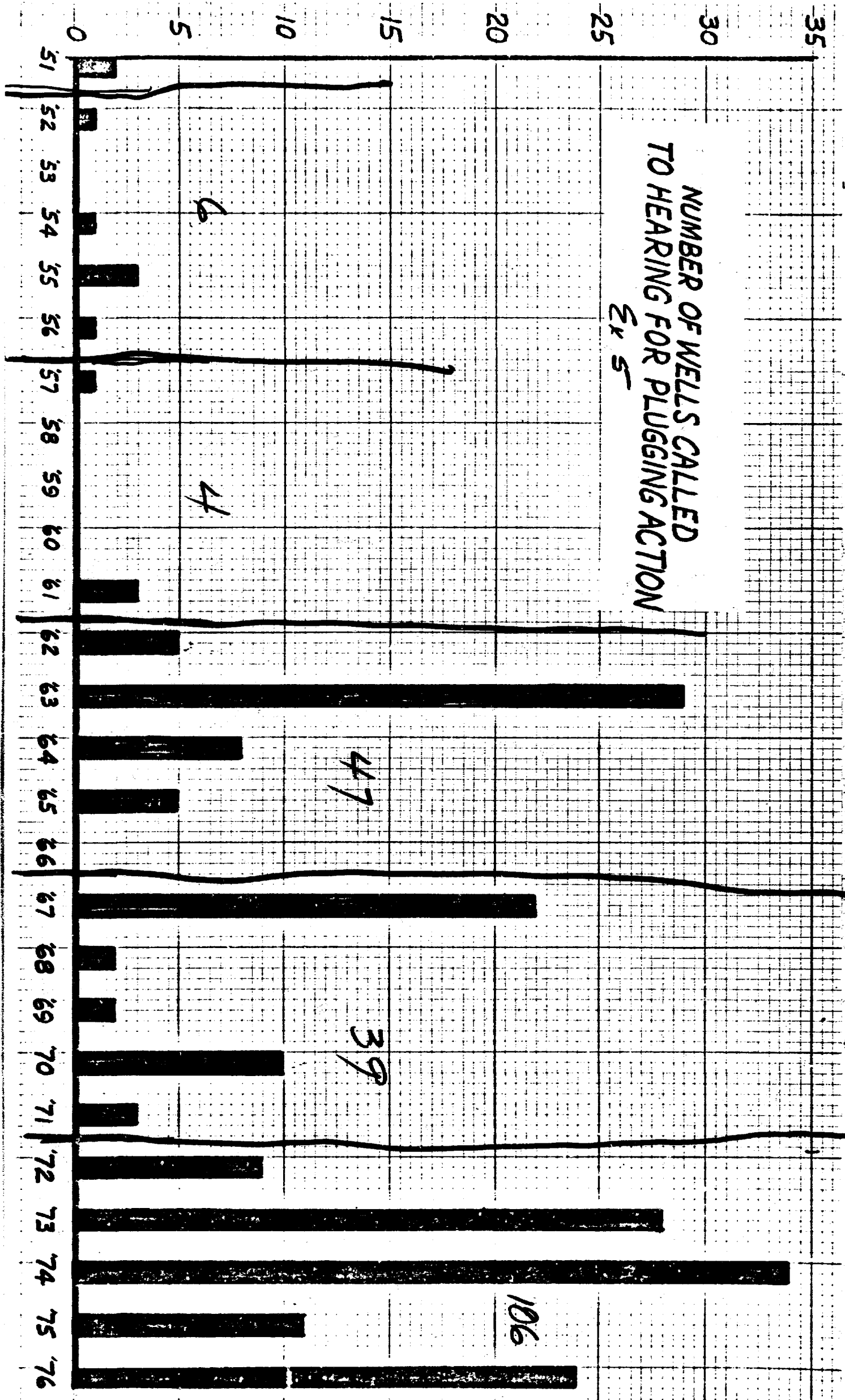
Revised plans for ^{an} actively drilling wells may be approved by the appropriate District Office of the Commission for drilling as much as ten percent deeper than the ^{maximum} ~~approved~~ depth ^{allowed} ~~bracket~~ for wells ~~the bond~~. ^{any well} ~~a given amount of bond~~ ^{to be} drilled more than ten percent deeper than the approved depth bracket must be covered by a new bond in the amount prescribed for the deeper depth bracket.

(c) 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 Commission, or ~~has~~ been covered by another bond approved by the Commission.

(d) Transfer of a property does not of itself release a bond. In the event of transfer of ownership of a well, the appropriate form, C-103 or C-104, properly executed, shall be filed ^{with the District Office of the Commission} in accordance with Rule 1103 or Rule 1104 by the new owner of the well. ^{The District Office may approve the transfer providing that} ~~along with~~ a new one-well bond covering the well or a request that the well be covered by the new owner's blanket bond ^{has been approved by the same or office of the Commission}. Upon approval of the bond and the form C-103 or C-104, the transferor is released of plugging responsibility for the well, and upon request, the original bond will be released. No blanket bond will be released, however, until all wells covered by the bond have been plugged and abandoned or transferred in accordance with the provisions of this rule.

(c) All bonds shall be filed with the Santa Fe office of the Commission, and approval of such bonds as well as releases thereof, obtained from said office.

NUMBER OF WELLS CALLED TO HEARING FOR PLUGGING ACTION 215



* * * PROPOSED RULE CHANGE * * *

RULE 101. PLUGGING BOND

(a) Any person, firm, corporation, or association who has drilled or acquired, is drilling, or proposes to drill or acquire any oil, gas, or service well on privately owned or state owned lands within this state shall furnish to the Commission, and obtain approval thereof, a surety bond running to the State of New Mexico, in a form prescribed by the Commission, and conditioned that the well be plugged and abandoned in compliance with the rules and regulations of the Commission. Such bond may be a one-well plugging bond or a blanket plugging bond. All bonds shall be executed by a responsible surety company authorized to do business in the State of New Mexico.

(b) Blanket plugging bonds shall be in the amount of fifty thousand dollars (\$50,000) conditioned as above provided, covering all oil, gas, or service wells drilled, acquired or operated in this state by the principal on the bond.

One-well plugging bonds shall be in the amounts stated below in accordance with the depth and location of the well:

<u>COUNTY</u>	<u>ACTUAL OR PROJECTED DEPTH OF WELL</u>	<u>AMOUNT OF BOND</u>
Chaves, Eddy, Lea, McKinley, Rio Arriba, Roosevelt, Sandoval, or San Juan	0-4,999 feet	\$ 5,000
	5,000-9,999 feet	\$ 7,500
	10,000 or more feet	\$10,000
All other Counties	0-4,999 feet	\$ 7,500
	5,000-9,999 feet	\$10,000
	10,000 or more feet	\$12,500

Revised plans for an actively drilling well may be approved by the appropriate District Office of the Commission for drilling as much as ten percent deeper than the maximum depth allowed on the well's bond. Any

well to be drilled more than ten percent deeper than the approved depth bracket must be covered by a new bond in the amount prescribed for the deeper depth bracket.

(c) 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 Commission, or has been covered by another bond approved by the Commission.

(d) Transfer of a property does not of itself release a bond. In the event of transfer of ownership of a well, the appropriate form, C-103 or C-104, properly executed, shall be filed with the District Office of the Commission in accordance with Rule 1103 or Rule 1104 by the new owner of the well. The District Office may approve the transfer providing that a new one-well bond covering the well or a request that the well be covered by the new owner's blanket bond has been approved by the Santa Fe office of the Commission.

Upon approval of the bond and the Form C-103 or C-104, the transferor is released of plugging responsibility for the well, and upon request, the original bond will be released. No blanket bond will be released, however, until all wells covered by the bond have been plugged and abandoned or transferred in accordance with the provisions of this rule.

(e) All bonds shall be filed with the Santa Fe office of the Commission, and approval of such bonds, as well as releases thereof, obtained from said office.

History

Ex 1 Bulletin #2 State Geologist 1931 5 & 10

Ex 2 OCC Circ #5 11/6/42

Rule 39 Effective 8-12-35 was operative until 1-1-50

However 4-26-37 Commission declared it would no longer accept anything but surety bonds

1931 5-10 .40/661

9-27-37 Chgd one well bonds to 2500 & 5000

1937 2500-5-10 .75/661

1950 5-10 2.00

1950 rules rewritten to present wording.

1977 9.16

no change till 1975 Case 5217 to consider a definition of "temporary abandonment" of wells, limit the time a well could stay on T.A. status, and consider ~~one~~ individual one well bonds for wells on T.A. status.

and findings of Order R-5019 5/20/75

Order effective July 1, 1977

At that hearing a great deal was said about the number of inactive wells and how this was increasing

Ex 3 2 sheets - Sheet 2 is Ex # 1 at Aug 4-23-74
oil wells 1 out of 8 in 68 1 out of 5 in 73
gas wells - not much change percentage
all wells 1 out of 11 68 1 out of 7 in 73

Sheet # of Ex 3 is an update of the 74 oil wells went from 1 out of 5 in 73 to 1 out of 6.6 in 76 gas wells increasing 3.5% in 73 to 4.2 in 76 numbers 351 to 467

2

all wells went from 1 out of 7 in 73 to
1 out of 9 in 76

3 reasons for decrease in inactive wells

1st pipe shortage of 73 and 74

2nd increase in oil & gas prices
since Oct 1973

3rd ~~adoption~~ of calling of the hearing
in 74 and the subsequent order
revising Dues 202!

some of the edge taken off ^{this much} by
suspension by Order No 5297
entered in Case No. 5765 in Oct of
76.

real findings.

~~now refer to new bonding statute~~
~~Ex 4.~~

review of old bonding authority.

although St. Real reqd a 5000 one
was or 10000 blanket bond either
personal or surety in 1931 there
appears to be no statutory authority
for this

1st statutory authority was in the
Oil & Gas Conservation Act of 1935 which
set a max. on the bond of 10,000.

no change till 1977
Refer to new bonding statute Ex 4
History of Force Plugging Cases
Ex 5

Plugging Costs

Plugging Unit \$52.00/hour

Base on footage basis when csq is being pulled:

.30/ft 4½" and 5½"

.45/ft 7" and 8⅞"

jacks for pulling casing \$252.00/day
 wire line serv shooting csq 175.00 + 2.5¢/ft.
 pump truck 125.00/day 125.00 + 2.5¢/ft.
 free paint
 survey 7.00

equipment travel expense
 \$1.30/mile both ways

expenses when away overnight
 \$20.00 per man/day
 4 man crew

bridge plugs cost depends on size
 and where you buy them
 one supplier.

2⅜" 488.00; 2⅞" 447.00; 4½" 411.00

5½" 444.00; 7" 474 up to 1637¢ for 13⅞"

retainers 2⅞" 862.00 4½" 646.00

5½" 634.00 7" 718.00

8⅞" 1079.00 13⅞" 2188

perforating: 4 holes runs from
 225' at a depth from 0 to 1000 ft
 up to 485' 9-10000 ft
 plus 150 per truck plus mileage

~~Current~~

4

Cement 3.50/sack
Mud 3.00/sack

bulk cnt Class H 3.35/sack + .57 mix chg
Class C 3.60/sack + .57 mix chg
+ .37 / ton mile trans. chg

Conil Pump track 745⁰⁰ 1st 8 hrs then 480⁰⁰ ea add 8 hrs
brine runs 70-90¢ / bbl
fresh wtr about 32¢ bbl

pit or tank for mixing mud 150⁰⁰

welder 2 or 3 times / job 350⁰⁰ total

clean up location, set marker
after filling pits 500.00

~~Line~~ for well to 5000 ft.

986 - to 480 7500 ft

1492 - to 480 10000 ft

1.10/mi one way

overnight expenses 55⁰⁰ / man / day

1974	1975	1976
20,309	19,972	20,212
3,932	3,112	3,045
19.4	15.6	15.1

10,310	10,779	11,151
385	415	467
3.7	3.9	4.2

30,619	30,751	31,363
4,317	3,527	3,512
14.1	11.5	11.2

Incan
 River Ranch
 Matlocks

STATE OF NEW MEXICO
ONE-WELL PLUGGING BOND

FOR CHAVES, EDDY, LEA, MCKINLEY, RIO ARRIBA, ROOSEVELT,
SANDOVAL, AND SAN JUAN COUNTIES ONLY

BOND NO. _____
(For Use of Surety Company)

AMOUNT OF BOND _____

COUNTY _____

(Note: File with Oil Conservation Commission, Santa Fe, New Mexico.)

KNOW ALL MEN BY THESE PRESENTS:

That _____, (An individual) (a partnership)
(a corporation organized in the State of _____, with its principal office in the city of _____, State of _____, and authorized to do business
in the State of New Mexico), as PRINCIPAL, and _____,
corporation organized and existing under the laws of the State of _____, and
authorized to do business in the State of New Mexico with duly appointed resident agent licensed in the State of New
Mexico to execute this bond on behalf of the surety company, as SURETY, are held firmly bound unto the State of New
Mexico, for the use and benefit of the Oil Conservation Commission of New Mexico pursuant to Section 65-3-11, New
Mexico Statutes Annotated, 1953 Compilation, as amended, in the sum of _____
Dollars lawful money of the United States, for the payment of which, well and truly to be made, said PRINCIPAL and
SURETY hereby bind themselves, their successors and assigns, jointly and severally, firmly by these presents.

The conditions of this obligation are such that:

WHEREAS, The above principal has heretofore or may hereafter enter into oil and gas leases, or carbon dioxide
(CO₂) gas leases, or helium gas leases with the State of New Mexico; and

WHEREAS, The above principal has heretofore or may hereafter enter into oil and gas leases, or carbon dioxide
(CO₂) gas leases, or helium gas leases on lands patented by the United States of America to private individuals, and on
lands otherwise owned by private individuals; and

WHEREAS, The above principal, individually, or in association with one or more other parties, has commenced or
may commence the drilling of one well not to exceed a depth of _____ feet, to prospect for and produce oil
or gas, or carbon dioxide (CO₂) gas or helium gas, or does own or may acquire, own or operate such well, or such well
started by others on land embraced in said State oil and gas leases, or carbon dioxide (CO₂) leases, or helium gas leases,
and on land patented by the United States of America to private individuals, and on land otherwise owned by private
individuals, the identification and location of said well being _____

(Here state exact legal subdivision by 40-acre tract or lot)

_____ Section _____, Township _____ (North) (South), Range _____ (East) (West), N.M.P.M.
_____ County, New Mexico.

NOW, THEREFORE, If the above bounden principal and surety or either of them or their successors or assigns, or
any of them, shall plug said well when dry or when abandoned in accordance with the rules, regulations, and orders of
the Oil Conservation Commission of New Mexico in such way as to confine the oil, gas, and water in the strata in which
they are found, and to prevent them from escaping into other strata;

THEN, THEREFORE, This obligation shall be null and void; otherwise and in default of complete compliance with
any and all of said obligations, the same shall remain in full force and effect.

Signed and sealed this _____ day of _____, 19____.

STATE OF NEW MEXICO
\$5,000.00 ONE-WELL PLUGGING AND INDEMNITY BOND

CHAVES, EDDY, LEA, MCKINLEY, RIO ARriba,
ROOSEVELT, SANDOVAL, AND SAN JUAN COUNTIES

BOND NO. _____
(For Use of Surety Company)

(Note: File with Oil Conservation Commission, Santa Fe, New Mexico.)

KNOW ALL MEN BY THESE PRESENTS:

That _____, (An individual) (a partnership)
(a corporation organized in the State of _____, with its principal office in the city of _____, State of _____, and authorized to do business in the State of New Mexico), as PRINCIPAL, and _____, a corporation organized and existing under the laws of the State of _____, and authorized to do business in the State of New Mexico with duly appointed resident agent licensed in the State of New Mexico to execute this bond on behalf of the surety company, as SURETY, are held firmly bound unto the State of New Mexico, for the use and benefit of the Oil Conservation Commission of New Mexico pursuant to Section 65-3-11, New Mexico Statutes Annotated, 1953 Compilation, as amended, ~~and for the use and benefit of purchaser holding purchase contract or deed to state lands, with minerals reserved, their grantees or successors in interest, pursuant to Section 7-11-20, New Mexico Statutes Annotated, 1953 Compilation, as amended,~~ in the sum of Five Thousand (\$5,000.00) Dollars lawful money of the United States, for the payment of which, well and truly to be made, said PRINCIPAL and SURETY hereby bind themselves, their successors and assigns, jointly and severally, firmly by these presents.

The conditions of this obligation are such that:

WHEREAS, The above principal has heretofore or may hereafter enter into oil and gas leases, or carbon dioxide (CO₂) gas leases, or helium gas leases with the State of New Mexico; and

~~WHEREAS, Said leases were entered into by the said principal, subject to the requirements of the provisions of Section 7-11-20, New Mexico Statutes Annotated, 1953 Compilation, as amended; and~~

~~WHEREAS, All or part of the lands embraced in said leases have been sold, with minerals reserved to the State of New Mexico, to various purchasers who hold limited patents from the State of New Mexico or State purchase contracts; and~~

WHEREAS, The above principal, individually, or in association with one or more other parties, has commenced or may commence the drilling of one well not to exceed a depth of _____ feet, to prospect for and produce oil or gas, or carbon dioxide (CO₂) gas or helium gas, or does own or may acquire, own or operate such well, or such well started by others on land embraced in said State oil and gas leases, or carbon dioxide (CO₂) leases, or helium gas leases, and on land patented by the United States of America to private individuals, and on land otherwise owned by private individuals, the identification and location of said well being _____

(Here state exact legal subdivision by 40-acre tract or lot)

_____ Section _____, Township _____ (North) (South), Range _____ (East) (West), N.M.P.M.
_____ County, New Mexico.

NOW, THEREFORE, If the above bounden principal and surety or either of them or their successors or assigns, or any of them, shall plug said well when dry or when abandoned in accordance with the rules, regulations, and orders of the Oil Conservation Commission of New Mexico in such way as to confine the oil, gas, and water in the strata in which they are found, and to prevent them from escaping into other strata:

~~AND FURTHER, If the above bounden principal and surety or either of them or their successors or assigns, or any of them, upon demand shall make good and sufficient recompense, satisfaction or payment unto the holders of State purchase contracts or holders of patents for State lands, with minerals reserved to the State, their heirs, executors, administrators, successors and assigns, for all damages to the livestock, range, water, crops, or tangible improvements on such lands as may be suffered by such purchasers or their successors in interest, by reason of such development, use or occupancy of such lands by such lessee or principal, or for such damages as a court of competent jurisdiction may determine and fix in any action brought on this bond;~~

THEN, THEREFORE, This obligation shall be null and void; otherwise and in default of complete compliance with any and all of said obligations, the same shall remain in full force and effect.

Signed and sealed this _____ day of _____, 19____.

WHEREAS, The above principal has heretofore or may hereafter enter into oil and gas leases, or carbon dioxide (CO₂) gas leases, or helium gas leases on lands patented by the United States of America to private individuals, and on lands otherwise owned by private individuals; and

or operating a pipe line, shall notify the Commission of fires or blowouts which occur at oil and gas wells or oil tanks owned, operated or controlled by them; tanks struck by lightning; other fires which destroy oil and gas; breaks or leaks in tanks or pipe lines from which oil or gas escaped or is escaping; and other serious accidents. Notification shall be by telephone or telegraph giving briefly the particulars and by letter giving a more detailed account of events and conditions. Reports of fires, blowouts, breaks or leaks in tanks or pipes or other accident shall specify the location of the well, tank or pipe line break, giving the quarter, section, township and range. Notwithstanding any provision of this rule, no report need be made of any loss of oil by leakage or breakage of tanks or pipe lines where less than 100 barrels of oil was lost.

Order 4, Effective 8-12-35

Rule 32. Pipe Line Data Required

Any person as defined in Chapter 72 aforesaid, intending to operate a pipe line, whether now existing or hereafter laid, shall notify the Commission in writing of such intention and shall state the size and location of the pipe line and its depth, the appurtenant tankage and location thereof, and any other pertinent data requested by the Commission, and shall furnish a map showing the location of the line and tankage. In the case of a line to be constructed, if any changes from the plan submitted are made during construction, the Commission shall be notified of such changes. The Commission shall also be notified of any subsequent alterations in pipe lines. Nothing contained in this rule shall apply to lease lines, which are merely used in the operation of the lease on which located, nor to any line or appurtenant tankage not located within the State of New Mexico.

Order 4, Effective 8-12-35

Rule 33. Bonds

Any person as defined in Chapter 72 aforesaid who has drilled or is drilling or proposes to drill for oil or gas shall submit to the Commission and obtain its approval of a bond, in a form approved by the Commission, conditioned to plug such well, if dry or when abandoned, in such way as to confine the oil, gas and water in the respective strata in which they are found, and to prevent them from escaping into other strata. The bond shall be in an amount determined by the Commission after taking into consideration the depth of the well and local conditions, but in no case shall the amount of the bond applicable to one well only be more than \$10,000.00. Each such bond shall be executed by a responsible surety company, authorized to transact business in the State of New Mexico, or by not less than two individual sureties, each of whom shall own real estate situated within the State, and worth not less than twice the amount of the bond after deducting from the value of such property all exemptions and encumbrances. The ownership by each individual surety of property as aforesaid shall be evidenced to the Commission by a certificate from the Tax Assessor of the county wherein the land is situated or by an affidavit made by any District Judge having jurisdiction over such county, or by the affidavits of not less than two responsible residents of the State of New Mexico who have personal knowledge of the facts and so state in their affidavits. The Commission reserves the right to decline to approve any bond with individual sureties. In cases where the principal on the bond is drilling or operating a number of wells within the State or proposes to do so, such principal may, with the approval of the Commission, submit a blanket bond conditioned as above provided, covering all wells which such person may at any time before such bond is released, drill or operate within this State. The amount of any such blanket bond shall not be less than \$10,000.00.

When the well or wells involved, or any such wells, are located on a State oil and gas lease, and the surface of the land involved was sold by the State prior to such oil and gas lease, such bond may, at the election of the principal, be conditioned not only for the plugging of such well or wells as above provided, but also to secure the payment of such damages to the livestock, range, water, crops or tangible improvements on such land as may be suffered

**STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION**

CIRCULAR NO. 5

**STATUTES
AND
RULES AND REGULATIONS FOR
THE CONSERVATION OF OIL
AND GAS IN NEW MEXICO**



**Compiled November 16, 1943
SANTA FE, NEW MEXICO**

**OIL CONSERVATION COMMISSION
GOVERNOR JOHN E. MILES, Chairman
COMMISSIONER OF PUBLIC LANDS, H. R. RODGERS, Member
STATE GEOLOGIST JOHN M. KELLY, Secretary**

by such purchaser or his successors in interest by reason of the development, use and occupation of such land resulting from such oil and gas leases.

Any bond conditioned as provided in the last preceding sentence must be approved, not only by the Commission, but by the Commissioner of Public Lands, in his capacity as such.

All liability on bonds conditioned for the plugging of a well or wells shall continue until the plugging of such well or wells is completed and approved. Bonds conditioned to protect surface owners as aforesaid shall cover liability incurred during the entire period of oil and gas operations by the principal on the lands involved.

The Commission will in writing advise the principal and sureties on any bond conditioned to plug wells, as to whether the plugging is approved, in order that, if the plugging is approved, liability under such bond may be formally terminated.

Forms of bonds which will be acceptable will be furnished by the Commission.

Both forms—for one well bond and blanket bond form—distributed from this Commission's office at Santa Fe.

CORPORATE SURETY REQUIRED

EXCERPTS FROM MINUTES EXECUTIVE SESSION APRIL 26, 1937

In view of the unsatisfactory condition of the bonds heretofore received by the Commission, it was ordered that henceforth no drilling bond shall be acceptable other than a bond executed by a surety company and that the minimum drilling bond in all cases be set at \$5,000.00.

Amount of Corporate Surety Bond for Deep Well and Shallow Well

EXCERPTS OF THE EXECUTIVE MEETING OF THE OIL CONSERVATION COMMISSION HELD SEPTEMBER 27, 1937,

wherein the following resolution regarding bond requirements was adopted:

The matter of changing bonding requirements was presented to the Commission; in connection with such, the Commission passed the following resolution:

WHEREAS, the matter of proper bonding being important because of fire hazards and contamination and the damage of spoiling producing areas of oil and gas and the pollution of water:

BE IT, THEREFORE, RESOLVED:

1. That the requirements of a corporate surety licensed by the Insurance Commission of New Mexico shall remain in effect.
2. For the area of Lea County the bonding requirement shall remain at \$5,000.00 per well, regardless of the fact whether such Lea County wells shall come under the classification of deep or shallow wells.
3. ALL DEEP wells anywhere in the State shall require a \$5,000.00 bond. A DEEP well is defined as over 1500 feet in depth. A SHALLOW well shall not be more than 1500 feet in depth.
4. That the SHALLOW wells shall require a \$2,500 bond.

For the purposes of the Commission the bond required is a plugging bond, not a drilling bond, and is to endure up to and including approved plugging when the well is dry or abandoned, even though the well be a producer. Transfer of property does not release the bond. In case of transfer of property or other interest in the well and the principal desires to be released from the bond covering a well or wells, such as producers, not ready for plugging, the principal should proceed as follows:

The holder of the approved Notice of Intention to Drill, in effect constituting the permit to drill, usually the principal on the bond, should notify the Commission in writing in the form of a transfer wherein said party recites that a certain well, if it be only one well, or all wells, if there are several wells, describing each well by 40-acre tract—section, township and range, has or have been transferred to a certain transferee, naming such transferee, for the purpose of ownership or operation. Such transfer must be dated and signed by a party duly authorized so to sign.

Beneath said transfer the transferee should recite that such transferee has read the foregoing statement and does accept such transfer and does accept the responsibility of such well under his one-well bond tendered with corporate surety or such wells, as the case may be, under his blanket bond being tendred to or on file with the Commission. Such acceptance must likewise be signed by a party authorized so to sign.

When the Commission has passed upon the transfer and acceptance and accepted it under the transferee's bond the transferor is immediately released of the plugging responsibility of the well or wells as the case may be and if such well or wells include all the wells within the responsibility of the transferor's bond, such bond will be released upon written notice by the Commission to that effect.

Order 4, Effective 8-12-35

Rule 40. Special Rules and Regulations

The Commission shall adopt special rules and regulations for fields or areas when in its judgment such rules and regulations are required.

Order 4, Effective 8-12-35

Rule 41. Conflicts Between General and Special Rules and Regulations

In case of conflict between a general and a special rule or regulation, the special rule or regulation shall prevail without regard to the effective dates of the respective rules or regulations, unless the contrary is clearly prescribed by the Commission.

Order 4, Effective 8-12-35

Rule 42. Permissible Exceptions to the Rules and Regulations

When emergencies arise during the drilling, operation or plugging of wells, and when complete compliance with the general rules and regulations or any special rules and regulations that are adopted by the Commission will cause material unnecessary and avoidable delay and expense, the conditions may be communicated to the Commission or its proper agents with the request that an exception be made to meet the particular emergency.

Order 4, Effective 8-12-35

Rule 43. Enforcement of Laws, Rules and Regulations Dealing with Conservation of Oil and Gas

The oil conservation laws and the general and special rules and regulations of the Commission shall be enforced by the Commission and its authorized agents. Orders of oil and gas inspectors and other agents should be obeyed immediately. These orders shall be subject to review by the Commission if an appeal is filed with it as soon as practicable, but the pendency of such an appeal shall not operate to excuse compliance with the order appealed from, unless the Commission or a majority thereof so direct.

Owners should obtain information from the Commission as to the Oil and Gas Inspector having direct supervision over their operations, where notices and reports should be sent, etc. Forms for submitting notices, requests and reports can be obtained from the Commission at Santa Fe or from its designated agents.

Order 4, Effective 8-12-35

Rule 44. Notice to Contractors, Drillers and Others to Observe Rules

All contractors and drillers carrying on business or doing work in the oil and gas fields of the State and also all lease holders, land owners and operators generally, are hereby directed to take notice of and comply with the rules and regulations of the Commission.

Order 4, Effective 8-12-35

Rule 45. Commission to Co-operate with Proper Agents of the United States

The Commission and its agents shall co-operate and invite the co-operation of the agents of the Conservation Branch of the United States Geological Survey and other proper agents of the United States.

\$50,000.00 STATE OF NEW MEXICO
~~\$10,000.00~~ BLANKET PLUGGING AND INDEMNITY BOND

BOND NO. _____
 (For Use of Surety Company)

(Note: File with Oil Conservation Commission, Santa Fe, New Mexico.)

KNOW ALL MEN BY THESE PRESENTS:

That _____, (An individual) (a partnership)
 (a corporation organized in the State of _____, with its principal office in the city of _____, State of _____, and authorized to do business in the State of New Mexico), as PRINCIPAL, and _____, a corporation organized and existing under the laws of the State of _____, and authorized to do business in the State of New Mexico with duly appointed resident agent licensed in the State of New Mexico to execute this bond on behalf of the surety company, as SURETY, are held firmly bound unto the State of New Mexico, for the use and benefit of the Oil Conservation Commission of New Mexico pursuant to Section 65-3-11, New Mexico Statutes Annotated, 1953 Compilation, as amended, ~~and for the use and benefit of purchasers holding purchase contract or deed to state lands, with minerals reserved, their grantees or successors in interest, pursuant to Section 7-11-20, New Mexico Statutes Annotated, 1953 Compilation, as amended,~~ in the sum of ^{Fifty} ~~Ten~~ Thousand ^(\$50,000.00) ~~(\$10,000.00)~~ Dollars lawful money of the United States, for the payment of which, well and truly to be made, said PRINCIPAL and SURETY hereby bind themselves, their successors and assigns, jointly and severally, firmly by these presents.

The conditions of this obligation are such that:

WHEREAS, The above principal has heretofore or may hereafter enter into oil and gas leases, or carbon dioxide (CO₂) gas leases, or helium gas leases with the State of New Mexico; and

~~WHEREAS, Said leases were entered into by the said principal, subject to the requirements of the provisions of Section 7-11-20, New Mexico Statutes Annotated, 1953 Compilation, as amended; and~~

~~WHEREAS, All or part of the lands embraced in said leases have been sold, with minerals reserved to the State of New Mexico, to various purchasers who hold limited patents from the State of New Mexico or State purchase contracts; and~~

WHEREAS, The above principal, individually, or in association with one or more other parties, has commenced or may commence the drilling of wells to prospect for and produce oil or gas, or carbon dioxide (CO₂) gas or helium gas, or does own or may acquire, own or operate such wells, or such wells started by others on land embraced in said State oil and gas leases, or carbon dioxide (CO₂) gas leases, or helium gas leases, and on lands patented by the United States of America to private individuals, and on lands otherwise owned by private individuals, the identification and location of said wells being expressly waived by both principal and surety hereto.

NOW, THEREFORE, If the above bounden principal and surety or either of them or their successors or assigns, or any of them, shall plug all of said wells when dry or when abandoned in accordance with the rules, regulations, and orders of the Oil Conservation Commission of New Mexico in such way as to confine the oil, gas, and water in the strata in which they are found, and to prevent them from escaping into other strata;

~~AND FURTHER, If the above bounden principal and surety or either of them or their successors or assigns, or any of them, upon demand shall make good and sufficient recompense, satisfaction or payment unto the holders of State purchase contracts or holders of patents for State lands, with minerals reserved to the State, their heirs, executors, administrators, successors and assigns, for all damages to the livestock, range, water, crops, or tangible improvements on such lands as may be suffered by such purchasers or their successors in interest, by reason of such development, use or occupancy of such lands by such lessee or principal, or for such damages as a court of competent jurisdiction may determine and fix in any action brought on this bond;~~

THEN, THEREFORE, This obligation shall be null and void; otherwise and in default of complete compliance with any and all of said obligations, the same shall remain in full force and effect.

PROVIDED, HOWEVER, That thirty (30) days after receipt by the Oil Conservation Commission of New Mexico of written notice of cancellation from the surety, the obligation of the surety hereunder shall terminate as to property or wells acquired, drilled, or started after said thirty (30) day period but shall continue in effect, notwithstanding said notice, as to property or wells theretofore acquired, drilled, or started.

Signed and sealed this _____ day of _____, 19 ____.

WHEREAS, The above principal has heretofore or may hereafter enter into oil and gas leases, or carbon dioxide (CO₂) gas leases, or helium gas leases on lands patented by the United States of America to private individuals, and on lands otherwise owned by private individuals; and

_____ PRINCIPAL	_____ SURETY
_____ Address	_____ Address
By _____ Signature	By _____ Attorney-in Fact
_____ Title	

(Note: Principal, if corporation, affix corporate seal here.)

(Note: Corporate surety affix corporate seal here.)

(Note: If corporate surety executes this bond by an attorney-in-fact not in New Mexico, the resident New Mexico agent shall countersign here below.)

Countersigned by:

_____ New Mexico Resident Agent	_____ Address
------------------------------------	------------------

ACKNOWLEDGMENT FORM FOR NATURAL PERSONS

STATE OF _____)
COUNTY OF _____) ss.

On this _____ day of _____, 19____, before me personally appeared _____, to me known to be the person (persons) described in and who executed the foregoing instrument and acknowledged that he (they) executed the same as his (their) free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and seal on the day and year in this certificate first above written.

_____	_____ Notary Public
My Commission expires _____	

ACKNOWLEDGMENT FORM FOR CORPORATION

STATE OF _____)
COUNTY OF _____) ss.

On this _____ day of _____, 19____, before me personally appeared _____, to me personally known who, being by me duly sworn, did say that he is _____ of _____ and that the foregoing instrument was signed and sealed on behalf of said corporation by authority of its board of directors, and acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and seal on the day and year in this certificate first above written.

_____	_____ Notary Public
My Commission expires _____	

ACKNOWLEDGMENT FORM FOR CORPORATE SURETY

STATE OF _____)
COUNTY OF _____) ss.

On this _____ day of _____, 19____, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is _____ of _____ and that the foregoing instrument was signed and sealed on behalf of said corporation by authority of its board of directors, and acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and seal on the day and year in this certificate first above written.

_____	_____ Notary Public
My Commission expires _____	
(Note: Corporate surety attach power of attorney.)	

~~APPROVED BY:~~

APPROVED BY:
OIL CONSERVATION COMMISSION OF NEW MEXICO

~~Commissioner of Public Land~~

By _____
Date _____

\$7,500.00 STATE OF NEW MEXICO
~~\$5,000.00~~ ONE WELL PLUGGING AND INDEMNITY BOND

CHAVES, EDDY, LEA, MCKINLEY, RIO ARRIBA,
 ROOSEVELT, SANDOVAL, AND SAN JUAN COUNTIES

BOND NO. _____
 (For Use of Surety Company)

(Note: File with Oil Conservation Commission, Santa Fe, New Mexico.)

KNOW ALL MEN BY THESE PRESENTS:

That _____, (An individual) (a partnership)
 (a corporation organized in the State of _____, with its principal office in the city of _____, State of _____, and authorized to do business in the State of New Mexico), as PRINCIPAL, and _____, a corporation organized and existing under the laws of the State of _____, and authorized to do business in the State of New Mexico with duly appointed resident agent licensed in the State of New Mexico to execute this bond on behalf of the surety company, as SURETY, are held firmly bound unto the State of New Mexico, for the use and benefit of the Oil Conservation Commission of New Mexico pursuant to Section 65-3-11, New Mexico Statutes Annotated, 1953 Compilation, as amended, ~~and for the use and benefit of purchasers holding purchase contract or deed to state lands, with minerals reserved, their grantees or successors in interest, pursuant to Section 7-11-20, New Mexico Statutes Annotated, 1953 Compilation, as amended,~~ in the sum of Five Thousand (\$5,000.00) Dollars lawful money of the United States, for the payment of which, well and truly to be made, said PRINCIPAL and SURETY hereby bind themselves, their successors and assigns, jointly and severally, firmly by these presents.

The conditions of this obligation are such that:

Seven Thousand Five Hundred (\$7,500.00)

WHEREAS, The above principal has heretofore or may hereafter enter into oil and gas leases, or carbon dioxide (CO₂) gas leases, or helium gas leases with the State of New Mexico; and

~~WHEREAS, Said leases were entered into by the said principal, subject to the requirements of the provisions of Section 7-11-20, New Mexico Statutes Annotated, 1953 Compilation, as amended; and~~

~~WHEREAS, All or part of the lands embraced in said leases have been sold, with minerals reserved to the State of New Mexico, to various purchasers who hold limited patents from the State of New Mexico or State purchase contracts; and~~

nine thousand, nine hundred ninety nine (9,999)

WHEREAS, The above principal, individually, or in association with one or more other parties, has commenced or may commence the drilling of, one well not to exceed a depth of _____ feet, to prospect for and produce oil or gas, or carbon dioxide (CO₂) gas or helium gas, or does own or may acquire, own or operate such well, or such well started by others on land embraced in said State oil and gas leases, or carbon dioxide (CO₂) leases, or helium gas leases, and on land patented by the United States of America to private individuals, and on land otherwise owned by private individuals, the identification and location of said well being _____

(Here state exact legal subdivision by 40-acre tract or lot)

_____ Section _____, Township _____ (North) (South), Range _____ (East) (West), N.M.P.M.
 _____ County, New Mexico.

NOW, THEREFORE, If the above bounden principal and surety or either of them or their successors or assigns, or any of them, shall plug said well when dry or when abandoned in accordance with the rules, regulations, and orders of the Oil Conservation Commission of New Mexico in such way as to confine the oil, gas, and water in the strata in which they are found, and to prevent them from escaping into other strata;

~~AND FURTHER, If the above bounden principal and surety or either of them or their successors or assigns, or any of them, upon demand shall make good and sufficient recompense, satisfaction or payment unto the holders of State purchase contracts or holders of patents for State lands, with minerals reserved to the State, their heirs, executors, administrators, successors and assigns, for all damages to the livestock, range, water, crops, or tangible improvements on such lands as may be suffered by such purchasers or their successors in interest, by reason of such development, use or occupancy of such lands by such lessee or principal, or for such damages as a court of competent jurisdiction may determine and fix in any action brought on this bond.~~

THEN, THEREFORE, This obligation shall be null and void; otherwise and in default of complete compliance with any and all of said obligations, the same shall remain in full force and effect.

Signed and sealed this _____ day of _____, 19____.

WHEREAS, The above principal has heretofore or may hereafter enter into oil and gas leases, or carbon dioxide (CO₂) gas leases, or helium gas leases on lands patented by the United States of America to private individuals, and on lands otherwise owned by private individuals; and

FOR ALL COUNTIES OTHER THAN CHAVES,
EDDY, LEA, MCKINLEY, RIO ARRIBA, ROOSEVELT,
SANDOVAL, AND SAN JUAN

FOR ALL COUNTIES OTHER THAN CHAVES, EDDY, LEA,
MCKINLEY, RIO ARRIBA, ROOSEVELT, SANDOVAL, AND SAN JUAN

FOR ALL COUNTIES OTHER THAN CHAVES, EDDY, LEA, MCKINLEY,
RIO ARRIBA, ROOSEVELT, SANDOVAL, AND SAN JUAN

FOR ALL COUNTIES OTHER THAN CHAVES, EDDY, LEA, MCKINLEY,
RIO ARRIBA, ROOSEVELT, SANDOVAL, AND SAN JUAN

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

CIRCULAR NO. 8

STATUTES
AND
RULES AND REGULATIONS FOR
THE CONSERVATION OF OIL
AND GAS IN NEW MEXICO



BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

Case No. 5912 Exhibit No. 2

Submitted by OCC

Hearing Date 5-5-77

Compiled November 18, 1942

SANTA FE, NEW MEXICO

OIL CONSERVATION COMMISSION
GOVERNOR JOHN E. MILES, Chairman
COMMISSIONER OF PUBLIC LANDS, H. R. RODGERS, Member
STATE GEOLOGIST JOHN M. KELLY, Secretary

or operating a pipe line, shall notify the Commission of fires or blowouts which occur at oil and gas wells or oil tanks owned, operated or controlled by them; tanks struck by lightning; other fires which destroy oil and gas; breaks or leaks in tanks or pipe lines from which oil or gas escaped or is escaping; and other serious accidents. Notification shall be by telephone or telegraph giving briefly the particulars and by letter giving a more detailed account of events and conditions. Reports of fires, blowouts, breaks or leaks in tanks or pipes or other accident shall specify the location of the well, tank or pipe line break, giving the quarter, section, township and range. Notwithstanding any provision of this rule, no report need be made of any loss of oil by leakage or breakage of tanks or pipe lines where less than 100 barrels of oil was lost.

Order 4, Effective 8-12-35

Rule 38. Pipe Line Data Required

Any person as defined in Chapter 72 aforesaid, intending to operate a pipe line, whether now existing or hereafter laid, shall notify the Commission in writing of such intention and shall state the size and location of the pipe line and its depth, the appurtenant tankage and location thereof, and any other pertinent data requested by the Commission, and shall furnish a map showing the location of the line and tankage. In the case of a line to be constructed, if any changes from the plan submitted are made during construction, the Commission shall be notified of such changes. The Commission shall also be notified of any subsequent alterations in pipe lines. Nothing contained in this rule shall apply to lease lines, which are merely used in the operation of the lease on which located, nor to any line or appurtenant tankage not located within the State of New Mexico.

Order 4, Effective 8-12-35

Rule 39. Bonds

Any person as defined in Chapter 72 aforesaid who has drilled or is drilling or proposes to drill for oil or gas shall submit to the Commission and obtain its approval of a bond, in a form approved by the Commission, conditioned to plug such well, if dry or when abandoned, in such way as to confine the oil, gas and water in the respective strata in which they are found, and to prevent them from escaping into other strata. The bond shall be in an amount determined by the Commission after taking into consideration the depth of the well and local conditions, but in no case shall the amount of the bond applicable to one well only be more than \$10,000.00. Each such bond shall be executed by a responsible surety company, authorized to transact business in the State of New Mexico, or by not less than two individual sureties, each of whom shall own real estate situated within the State, and worth not less than twice the amount of the bond after deducting from the value of such property all exemptions and encumbrances. The ownership by each individual surety of property as aforesaid shall be evidenced to the Commission by a certificate from the Tax Assessor of the county wherein the land is situated or by an affidavit made by any District Judge having jurisdiction over such county, or by the affidavits of not less than two responsible residents of the State of New Mexico who have personal knowledge of the facts and so state in their affidavits. The Commission reserves the right to decline to approve any bond with individual sureties. In cases where the principal on the bond is drilling or operating a number of wells within the State or proposes to do so, such principal may, with the approval of the Commission, submit a blanket bond conditioned as above provided, covering all wells which such person may at any time before such bond is released, drill or operate within this State. The amount of any such blanket bond shall not be less than \$10,000.00.

When the well or wells involved, or any such wells, are located on a State oil and gas lease, and the surface of the land involved was sold by the State prior to such oil and gas lease, such bond may, at the election of the principal, be conditioned not only for the plugging of such well or wells as above provided, but also to secure the payment of such damages to the livestock, range, water, crops or tangible improvements on such land as may be suffered

by such purchaser or his successors in interest by reason of the development, use and occupation of such land resulting from such oil and gas leases.

Any bond conditioned as provided in the last preceding sentence must be approved, not only by the Commission, but by the Commissioner of Public Lands, in his capacity as such.

All liability on bonds conditioned for the plugging of a well or wells shall continue until the plugging of such well or wells is completed and approved. Bonds conditioned to protect surface owners as aforesaid shall cover liability incurred during the entire period of oil and gas operations by the principal on the lands involved.

The Commission will in writing advise the principal and sureties on any bond conditioned to plug wells, as to whether the plugging is approved, in order that, if the plugging is approved, liability under such bond may be formally terminated.

Forms of bonds which will be acceptable will be furnished by the Commission.

Both forms—for one well bond and blanket bond form—distributed from this Commission's office at Santa Fe.

CORPORATE SURETY REQUIRED

EXCERPTS FROM MINUTES EXECUTIVE SESSION APRIL 26, 1937

In view of the unsatisfactory condition of the bonds heretofore received by the Commission, it was ordered that henceforth no drilling bond shall be acceptable other than a bond executed by a surety company and that the minimum drilling bond in all cases be set at \$5,000.00.

Amount of Corporate Surety Bond for Deep Well and Shallow Well

EXCERPTS OF THE EXECUTIVE MEETING OF THE OIL CONSERVATION COMMISSION HELD SEPTEMBER 27, 1937,

wherein the following resolution regarding bond requirements was adopted:

The matter of changing bonding requirements was presented to the Commission; in connection with such, the Commission passed the following resolution:

WHEREAS, the matter of proper bonding being important because of fire hazards and contamination and the damage of spoiling producing areas of oil and gas and the pollution of water:

BE IT, THEREFORE, RESOLVED:

1. That the requirements of a corporate surety licensed by the Insurance Commission of New Mexico shall remain in effect.
2. For the area of Lea County the bonding requirement shall remain at \$5,000.00 per well, regardless of the fact whether such Lea County wells shall come under the classification of deep or shallow wells.
3. ALL DEEP wells anywhere in the State shall require a \$5,000.00 bond. A DEEP well is defined as over 1500 feet in depth. A SHALLOW well shall not be more than 1500 feet in depth.
4. That the SHALLOW wells shall require a \$2,500 bond.

For the purposes of the Commission the bond required is a plugging bond, not a drilling bond, and is to endure up to and including approved plugging when the well is dry or abandoned, even though the well be a producer. Transfer of property does not release the bond. In case of transfer of property or other interest in the well and the principal desires to be released from the bond covering a well or wells, such as producers, not ready for plugging, the principal should proceed as follows:

The holder of the approved Notice of Intention to Drill, in effect constituting the permit to drill, usually the principal on the bond, should notify the Commission in writing in the form of a transfer wherein said party recites that a certain well, if it be only one well, or all wells, if there are several wells, describing each well by its acre tract—section, township and range, has or have been transferred to a certain transferee, naming such transferee, for the purpose of ownership or operation. Such transfer must be dated and signed by a party duly authorized so to sign.

Beneath said transfer the transferee should recite that such transferee has read the foregoing statement and does accept such transfer and does accept the responsibility of such well under his one-well bond tendered with corporate surety or such wells, as the case may be, under his blanket bond being tendered to or on file with the Commission. Such acceptance must likewise be signed by a party authorized so to sign.

When the Commission has passed upon the transfer and acceptance and accepted it under the transferee's bond the transferor is immediately released of the plugging responsibility of the well or wells as the case may be and if such well or wells include all the wells within the responsibility of the transferor's bond, such bond will be released upon written notice by the Commission to that effect.

Order 4, Effective 8-12-35

Rule 40. Special Rules and Regulations

The Commission shall adopt special rules and regulations for fields or areas when in its judgment such rules and regulations are required.

Order 4, Effective 8-12-35

Rule 41. Conflicts Between General and Special Rules and Regulations

In case of conflict between a general and a special rule or regulation, the special rule or regulation shall prevail without regard to the effective dates of the respective rules or regulations, unless the contrary is clearly prescribed by the Commission.

Order 4, Effective 8-12-35

Rule 42. Permissible Exceptions to the Rules and Regulations

When emergencies arise during the drilling, operation or plugging of wells, and when complete compliance with the general rules and regulations or any special rules and regulations that are adopted by the Commission will cause material unnecessary and avoidable delay and expense, the conditions may be communicated to the Commission or its proper agents with the request that an exception be made to meet the particular emergency.

Order 4, Effective 8-12-35

Rule 43. Enforcement of Laws, Rules and Regulations Dealing with Conservation of Oil and Gas

The oil conservation laws and the general and special rules and regulations of the Commission shall be enforced by the Commission and its authorized agents. Orders of oil and gas inspectors and other agents should be obeyed immediately. These orders shall be subject to review by the Commission if an appeal is filed with it as soon as practicable, but the pendency of such an appeal shall not operate to excuse compliance with the order appealed from, unless the Commission or a majority thereof so direct.

Owners should obtain information from the Commission as to the Oil and Gas Inspector having direct supervision over their operations, where notices and reports should be sent, etc. Forms for submitting notices, requests and reports can be obtained from the Commission at Santa Fe or from its designated agents.

Order 4, Effective 8-12-35

Rule 44. Notice to Contractors, Drillers and Others to Observe Rules

All contractors and drillers carrying on business or doing work in the oil and gas fields of the State and also all lease holders, land owners and operators generally, are hereby directed to take notice of and comply with the rules and regulations of the Commission.

Order 4, Effective 8-12-35

Rule 45. Commission to Co-operate with Proper Agents of the United States

The Commission and its agents shall co-operate and invite the co-operation of the agents of the Conservation Branch of the United States Geological Survey and other proper agents of the United States.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

CIRCULAR NO. 5

STATUTES

AND

RULES AND REGULATIONS FOR
THE CONSERVATION OF OIL
AND GAS IN NEW MEXICO



BEFORE THE
OIL CONSERVATION COMMISSION

Santa Fe, New Mexico

Case No. 5912 Exhibit No. 2

Submitted by OCC

Hearing Date 5-5-77

Completed November 16, 1942

SANTA FE, NEW MEXICO

OIL CONSERVATION COMMISSION

GOVERNOR JOHN E. MILES, Chairman

COMMISSIONER OF PUBLIC LANDS, H. R. RODGERS, Member

STATE GEOLOGIST JOHN M. KELLY, Secretary

or operating a pipe line, shall notify the Commission of fires or blowouts which occur at oil and gas wells or oil tanks owned, operated or controlled by them; tanks struck by lightning; other fires which destroy oil and gas; breaks or leaks in tanks or pipe lines from which oil or gas escaped or is escaping; and other serious accidents. Notification shall be by telephone or telegraph giving briefly the particulars and by letter giving a more detailed account of events and conditions. Reports of fires, blowouts, breaks or leaks in tanks or pipes or other accident shall specify the location of the well, tank or pipe line break, giving the quarter, section, township and range. Notwithstanding any provision of this rule, no report need be made of any loss of oil by leakage or breakage of tanks or pipe lines where less than 100 barrels of oil was lost.

Order 4, Effective 8-12-35

Rule 38. Pipe Line Data Required

Any person as defined in Chapter 72 aforesaid, intending to operate a pipe line, whether now existing or hereafter laid, shall notify the Commission in writing of such intention and shall state the size and location of the pipe line and its depth, the appurtenant tankage and location thereof, and any other pertinent data requested by the Commission, and shall furnish a map showing the location of the line and tankage. In the case of a line to be constructed, if any changes from the plan submitted are made during construction, the Commission shall be notified of such changes. The Commission shall also be notified of any subsequent alterations in pipe lines. Nothing contained in this rule shall apply to lease lines, which are merely used in the operation of the lease on which located, nor to any line or appurtenant tankage not located within the State of New Mexico.

Order 4, Effective 8-12-35

Rule 39. Bonds

Any person as defined in Chapter 72 aforesaid who has drilled or is drilling or proposes to drill for oil or gas shall submit to the Commission and obtain its approval of a bond, in a form approved by the Commission, conditioned to plug such well, if dry or when abandoned, in such way as to confine the oil, gas and water in the respective strata in which they are found, and to prevent them from escaping into other strata. The bond shall be in an amount determined by the Commission after taking into consideration the depth of the well and local conditions, but in no case shall the amount of the bond applicable to one well only be more than \$10,000.00. Each such bond shall be executed by a responsible surety company, authorized to transact business in the State of New Mexico, or by not less than two individual sureties, each of whom shall own real estate situated within the State, and worth not less than twice the amount of the bond after deducting from the value of such property all exemptions and encumbrances. The ownership by each individual surety of property as aforesaid shall be evidenced to the Commission by a certificate from the Tax Assessor of the county wherein the land is situated or by an affidavit made by any District Judge having jurisdiction over such county, or by the affidavits of not less than two responsible residents of the State of New Mexico who have personal knowledge of the facts and so state in their affidavits. The Commission reserves the right to decline to approve any bond with individual sureties. In cases where the principal on the bond is drilling or operating a number of wells within the State or proposes to do so, such principal may, with the approval of the Commission, submit a blanket bond conditioned as above provided, covering all wells which such person may at any time before such bond is released, drill or operate within this State. The amount of any such blanket bond shall not be less than \$10,000.00.

When the well or wells involved, or any such wells, are located on a State oil and gas lease, and the surface of the land involved was sold by the State prior to such oil and gas lease, such bond may, at the election of the principal, be conditioned not only for the plugging of such well or wells as above provided, but also to secure the payment of such damages to the livestock, range, water, crops or tangible improvements on such land as may be suffered

by such purchaser or his successors in interest by reason of the development, use and occupation of such land resulting from such oil and gas leases.

Any bond conditioned as provided in the last preceding sentence must be approved, not only by the Commission, but by the Commissioner of Public Lands, in his capacity as such.

All liability on bonds conditioned for the plugging of a well or wells shall continue until the plugging of such well or wells is completed and approved. Bonds conditioned to protect surface owners as aforesaid shall cover liability incurred during the entire period of oil and gas operations by the principal on the lands involved.

The Commission will in writing advise the principal and sureties on any bond conditioned to plug wells, as to whether the plugging is approved, in order that, if the plugging is approved, liability under such bond may be formally terminated.

Forms of bonds which will be acceptable will be furnished by the Commission.

Both forms—for one well bond and blanket bond form—distributed from this Commission's office at Santa Fe.

CORPORATE SURETY REQUIRED

EXCERPTS FROM MINUTES EXECUTIVE SESSION APRIL 26, 1937

In view of the unsatisfactory condition of the bonds heretofore received by the Commission, it was ordered that henceforth no drilling bond shall be acceptable other than a bond executed by a surety company and that the minimum drilling bond in all cases be set at \$5,000.00.

Amount of Corporate Surety Bond for Deep Well and Shallow Well

EXCERPTS OF THE EXECUTIVE MEETING OF THE OIL CONSERVATION COMMISSION HELD SEPTEMBER 27, 1937,

wherein the following resolution regarding bond requirements was adopted:

The matter of changing bonding requirements was presented to the Commission; in connection with such, the Commission passed the following resolution:

WHEREAS, the matter of proper bonding being important because of fire hazards and contamination and the damage of spoiling producing areas of oil and gas and the pollution of water:

BE IT, THEREFORE, RESOLVED:

1. That the requirements of a corporate surety licensed by the Insurance Commission of New Mexico shall remain in effect.
2. For the area of Lea County the bonding requirement shall remain at \$5,000.00 per well, regardless of the fact whether such Lea County wells shall come under the classification of deep or shallow wells.
3. ALL DEEP wells anywhere in the State shall require a \$5,000.00 bond. A DEEP well is defined as over 1500 feet in depth. A SHALLOW well shall not be more than 1500 feet in depth.
4. That the SHALLOW wells shall require a \$2,500 bond.

* For the purposes of the Commission the bond required is a plugging bond, not a drilling bond, and is to endure up to and including approved plugging when the well is dry or abandoned, even though the well be a producer. Transfer of property does not release the bond. In case of transfer of property or other interest in the well and the principal desires to be released from the bond covering a well or wells, such as producers, not ready for plugging, the principal should proceed as follows:

The holder of the approved Notice of Intention to Drill, in effect constituting the permit to drill, usually the principal on the bond, should notify the Commission in writing in the form of a transfer wherein said party recites that a certain well, if it be only one well, or all wells, if there are several wells, describing each well by its acre tract—section, township and range, has or have been transferred to a certain transferee, naming such transferee, for the purpose of ownership or operation. Such transfer must be dated and signed by a party duly authorized so to sign.

Beneath said transfer the transferee should recite that such transferee has read the foregoing statement and does accept such transfer and does accept the responsibility of such well under his one-well bond tendered with corporate surety or such wells, as the case may be, under his blanket bond being tendered to or on file with the Commission. Such acceptance must likewise be signed by a party authorized so to sign.

When the Commission has passed upon the transfer and acceptance and accepted it under the transferee's bond the transferor is immediately released of the plugging responsibility of the well or wells as the case may be and if such well or wells include all the wells within the responsibility of the transferor's bond, such bond will be released upon written notice by the Commission to that effect.

Order 4, Effective 8-12-35

Rule 40. Special Rules and Regulations

The Commission shall adopt special rules and regulations for fields or areas when in its judgment such rules and regulations are required.

Order 4, Effective 8-12-35

Rule 41. Conflicts Between General and Special Rules and Regulations

In case of conflict between a general and a special rule or regulation, the special rule or regulation shall prevail without regard to the effective dates of the respective rules or regulations, unless the contrary is clearly prescribed by the Commission.

Order 4, Effective 8-12-35

Rule 42. Permissible Exceptions to the Rules and Regulations

When emergencies arise during the drilling, operation or plugging of wells, and when complete compliance with the general rules and regulations or any special rules and regulations that are adopted by the Commission will cause material unnecessary and avoidable delay and expense, the conditions may be communicated to the Commission or its proper agents with the request that an exception be made to meet the particular emergency.

Order 4, Effective 8-12-35

Rule 43. Enforcement of Laws, Rules and Regulations Dealing with Conservation of Oil and Gas

The oil conservation laws and the general and special rules and regulations of the Commission shall be enforced by the Commission and its authorized agents. Orders of oil and gas inspectors and other agents should be obeyed immediately. These orders shall be subject to review by the Commission if an appeal is filed with it as soon as practicable, but the pendency of such an appeal shall not operate to excuse compliance with the order appealed from, unless the Commission or a majority thereof so direct.

Owners should obtain information from the Commission as to the Oil and Gas Inspector having direct supervision over their operations, where notices and reports should be sent, etc. Forms for submitting notices, requests and reports can be obtained from the Commission at Santa Fe or from its designated agents.

Order 4, Effective 8-12-35

Rule 44. Notice to Contractors, Drillers and Others to Observe Rules

All contractors and drillers carrying on business or doing work in the oil and gas fields of the State and also all lease holders, land owners and operators generally, are hereby directed to take notice of and comply with the rules and regulations of the Commission.

Order 4, Effective 8-12-35

Rule 45. Commission to Co-operate with Proper Agents of the United States

The Commission and its agents shall co-operate and invite the co-operation of the agents of the Conservation Branch of the United States Geological Survey and other proper agents of the United States.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

CIRCULAR NO. 5

STATUTES
AND
RULES AND REGULATIONS FOR
THE CONSERVATION OF OIL
AND GAS IN NEW MEXICO



BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

Case No. 5912 Exhibit No. 2
Submitted by OCC
Hearing Date 5-5-77

Compiled November 16, 1942
SANTA FE, NEW MEXICO

OIL CONSERVATION COMMISSION
GOVERNOR JOHN E. MILES, Chairman
COMMISSIONER OF PUBLIC LANDS, H. R. RODGERS, Member
STATE GEOLOGIST JOHN M. KELLY, Secretary

or operating a pipe line, shall notify the Commission of fires or blowouts which occur at oil and gas wells or oil tanks owned, operated or controlled by them; tanks struck by lightning; other fires which destroy oil and gas; breaks or leaks in tanks or pipe lines from which oil or gas escaped or is escaping; and other serious accidents. Notification shall be by telephone or telegraph giving briefly the particulars and by letter giving a more detailed account of events and conditions. Reports of fires, blowouts, breaks or leaks in tanks or pipes or other accident shall specify the location of the well, tank or pipe line break, giving the quarter, section, township and range. Notwithstanding any provision of this rule, no report need be made of any loss of oil by leakage or breakage of tanks or pipe lines where less than 100 barrels of oil was lost.

Order 4, Effective 8-12-35

Rule 38. Pipe Line Data Required

Any person as defined in Chapter 72 aforesaid, intending to operate a pipe line, whether now existing or hereafter laid, shall notify the Commission in writing of such intention and shall state the size and location of the pipe line and its depth, the appurtenant tankage and location thereof, and any other pertinent data requested by the Commission, and shall furnish a map showing the location of the line and tankage. In the case of a line to be constructed, if any changes from the plan submitted are made during construction, the Commission shall be notified of such changes. The Commission shall also be notified of any subsequent alterations in pipe lines. Nothing contained in this rule shall apply to lease lines, which are merely used in the operation of the lease on which located, nor to any line or appurtenant tankage not located within the State of New Mexico.

Order 4, Effective 8-12-35

Rule 39. Bonds

Any person as defined in Chapter 72 aforesaid who has drilled or is drilling or proposes to drill for oil or gas shall submit to the Commission and obtain its approval of a bond, in a form approved by the Commission, conditioned to plug such well, if dry or when abandoned, in such way as to confine the oil, gas and water in the respective strata in which they are found, and to prevent them from escaping into other strata. The bond shall be in an amount determined by the Commission after taking into consideration the depth of the well and local conditions, but in no case shall the amount of the bond applicable to one well only be more than \$10,000.00. Each such bond shall be executed by a responsible surety company, authorized to transact business in the State of New Mexico, or by not less than two individual sureties, each of whom shall own real estate situated within the State, and worth not less than twice the amount of the bond after deducting from the value of such property all exemptions and encumbrances. The ownership by each individual surety of property as aforesaid shall be evidenced to the Commission by a certificate from the Tax Assessor of the county wherein the land is situated or by an affidavit made by any District Judge having jurisdiction over such county, or by the affidavits of not less than two responsible residents of the State of New Mexico who have personal knowledge of the facts and so state in their affidavits. The Commission reserves the right to decline to approve any bond with individual sureties. In cases where the principal on the bond is drilling or operating a number of wells within the State or proposes to do so, such principal may, with the approval of the Commission, submit a blanket bond conditioned as above provided, covering all wells which such person may at any time before such bond is released, drill or operate within this State. The amount of any such blanket bond shall not be less than \$10,000.00.

When the well or wells involved, or any such wells, are located on a State oil and gas lease, and the surface of the land involved was sold by the State prior to such oil and gas lease, such bond may, at the election of the principal, be conditioned not only for the plugging of such well or wells as above provided, but also to secure the payment of such damages to the livestock, range, water, crops or tangible improvements on such land as may be suffered

OIL CONSERVATION COMMISSION

by such purchaser or his successors in interest by reason of the development, use and occupation of such land resulting from such oil and gas leases.

Any bond conditioned as provided in the last preceding sentence must be approved, not only by the Commission, but by the Commissioner of Public Lands, in his capacity as such.

All liability on bonds conditioned for the plugging of a well or wells shall continue until the plugging of such well or wells is completed and approved. Bonds conditioned to protect surface owners as aforesaid shall cover liability incurred during the entire period of oil and gas operations by the principal on the lands involved.

The Commission will in writing advise the principal and sureties on any bond conditioned to plug wells, as to whether the plugging is approved, in order that, if the plugging is approved, liability under such bond may be formally terminated.

Forms of bonds which will be acceptable will be furnished by the Commission.

Both forms—for one well bond and blanket bond form—distributed from this Commission's office at Santa Fe.

CORPORATE SURETY REQUIRED

EXCERPTS FROM MINUTES EXECUTIVE SESSION APRIL 26, 1937

In view of the unsatisfactory condition of the bonds heretofore received by the Commission, it was ordered that henceforth no drilling bond shall be acceptable other than a bond executed by a surety company and that the minimum drilling bond in all cases be set at \$5,000.00.

Amount of Corporate Surety Bond for Deep Well and Shallow Well

EXCERPTS OF THE EXECUTIVE MEETING OF THE OIL CONSERVATION COMMISSION HELD SEPTEMBER 27, 1937,

wherein the following resolution regarding bond requirements was adopted:

The matter of changing bonding requirements was presented to the Commission; in connection with such, the Commission passed the following resolution:

WHEREAS, the matter of proper bonding being important because of fire hazards and contamination and the damage of spoiling producing areas of oil and gas and the pollution of water:

BE IT, THEREFORE, RESOLVED:

1. That the requirements of a corporate surety licensed by the Insurance Commission of New Mexico shall remain in effect.

2. For the area of Lea County the bonding requirement shall remain at \$5,000.00 per well, regardless of the fact whether such Lea County wells shall come under the classification of deep or shallow wells.

3. ALL DEEP wells anywhere in the State shall require a \$5,000.00 bond. A DEEP well is defined as over 1500 feet in depth. A SHALLOW well shall not be more than 1500 feet in depth.

4. That the SHALLOW wells shall require a \$2,500 bond.

* For the purposes of the Commission the bond required is a plugging bond, not a drilling bond, and is to endure up to and including approved plugging when the well is dry or abandoned, even though the well be a producer. Transfer of property does not release the bond. In case of transfer of property or other interest in the well and the principal desires to be released from the bond covering a well or wells, such as producers, not ready for plugging, the principal should proceed as follows:

The holder of the approved Notice of Intention to Drill, in effect constituting the permit to drill, usually the principal on the bond, should notify the Commission in writing in the form of a transfer wherein said party recites that a certain well, if it be only one well, or all wells, if there are several wells, describing each well by its acre tract—section, township and range, has or have been transferred to a certain transferee, naming such transferee, for the purpose of ownership or operation. Such transfer must be dated and signed by a party duly authorized so to sign.

Beneath said transfer the transferee should recite that such transferee has read the foregoing statement and does accept such transfer and does accept the responsibility of such well under his one-well bond tendered with corporate surety or such wells, as the case may be, under his blanket bond being tendered to or on file with the Commission. Such acceptance must likewise be signed by a party authorized so to sign.

When the Commission has passed upon the transfer and acceptance and accepted it under the transferee's bond the transferor is immediately released of the plugging responsibility of the well or wells as the case may be and if such well or wells include all the wells within the responsibility of the transferor's bond, such bond will be released upon written notice by the Commission to that effect.

Order 4, Effective 8-12-35

Rule 40. Special Rules and Regulations

The Commission shall adopt special rules and regulations for fields or areas when in its judgment such rules and regulations are required.

Order 4, Effective 8-12-35

Rule 41. Conflicts Between General and Special Rules and Regulations

In case of conflict between a general and a special rule or regulation, the special rule or regulation shall prevail without regard to the effective dates of the respective rules or regulations, unless the contrary is clearly prescribed by the Commission.

Order 4, Effective 8-12-35

Rule 42. Permissible Exceptions to the Rules and Regulations

When emergencies arise during the drilling, operation or plugging of wells, and when complete compliance with the general rules and regulations or any special rules and regulations that are adopted by the Commission will cause material unnecessary and avoidable delay and expense, the conditions may be communicated to the Commission or its proper agents with the request that an exception be made to meet the particular emergency.

Order 4, Effective 8-12-35

Rule 43. Enforcement of Laws, Rules and Regulations Dealing with Conservation of Oil and Gas

The oil conservation laws and the general and special rules and regulations of the Commission shall be enforced by the Commission and its authorized agents. Orders of oil and gas inspectors and other agents should be obeyed immediately. These orders shall be subject to review by the Commission if an appeal is filed with it as soon as practicable, but the pendency of such an appeal shall not operate to excuse compliance with the order appealed from, unless the Commission or a majority thereof so direct.

Owners should obtain information from the Commission as to the Oil and Gas Inspector having direct supervision over their operations, where notices and reports should be sent, etc. Forms for submitting notices, requests and reports can be obtained from the Commission at Santa Fe or from its designated agents.

Order 4, Effective 8-12-35

Rule 44. Notice to Contractors, Drillers and Others to Observe Rules

All contractors and drillers carrying on business or doing work in the oil and gas fields of the State and also all lease holders, land owners and operators generally, are hereby directed to take notice of and comply with the rules and regulations of the Commission.

Order 4, Effective 8-12-35

Rule 45. Commission to Co-operate with Proper Agents of the United States

The Commission and its agents shall co-operate and invite the co-operation of the agents of the Conservation Branch of the United States Geological Survey and other proper agents of the United States.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

CIRCULAR NO. 5

STATUTES
AND
RULES AND REGULATIONS FOR
THE CONSERVATION OF OIL
AND GAS IN NEW MEXICO



BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

Case No. 5912 Exhibit No. 2

Submitted by OCC

Hearing Date 5-5-77

Compiled November 16, 1942
SANTA FE, NEW MEXICO

OIL CONSERVATION COMMISSION
GOVERNOR JOHN E. MILES, Chairman
COMMISSIONER OF PUBLIC LANDS, H. R. RODGERS, Member
STATE GEOLOGIST JOHN M. KELLY, Secretary

or operating a pipe line, shall notify the Commission of fires or blowouts which occur at oil and gas wells or oil tanks owned, operated or controlled by them; tanks struck by lightning; other fires which destroy oil and gas; breaks or leaks in tanks or pipe lines from which oil or gas escaped or is escaping; and other serious accidents. Notification shall be by telephone or telegraph giving briefly the particulars and by letter giving a more detailed account of events and conditions. Reports of fires, blowouts, breaks or leaks in tanks or pipes or other accident shall specify the location of the well, tank or pipe line break, giving the quarter, section, township and range. Notwithstanding any provision of this rule, no report need be made of any loss of oil by leakage or breakage of tanks or pipe lines where less than 100 barrels of oil was lost.

Order 4, Effective 8-12-35

Rule 38. Pipe Line Data Required

Any person as defined in Chapter 72 aforesaid, intending to operate a pipe line, whether now existing or hereafter laid, shall notify the Commission in writing of such intention and shall state the size and location of the pipe line and its depth, the appurtenant tankage and location thereof, and any other pertinent data requested by the Commission, and shall furnish a map showing the location of the line and tankage. In the case of a line to be constructed, if any changes from the plan submitted are made during construction, the Commission shall be notified of such changes. The Commission shall also be notified of any subsequent alterations in pipe lines. Nothing contained in this rule shall apply to lease lines, which are merely used in the operation of the lease on which located, nor to any line or appurtenant tankage not located within the State of New Mexico.

Order 4, Effective 8-12-35

Rule 39. Bonds

Any person as defined in Chapter 72 aforesaid who has drilled or is drilling or proposes to drill for oil or gas shall submit to the Commission and obtain its approval of a bond, in a form approved by the Commission, conditioned to plug such well, if dry or when abandoned, in such way as to confine the oil, gas and water in the respective strata in which they are found, and to prevent them from escaping into other strata. The bond shall be in an amount determined by the Commission after taking into consideration the depth of the well and local conditions, but in no case shall the amount of the bond applicable to one well only be more than \$10,000.00. Each such bond shall be executed by a responsible surety company, authorized to transact business in the State of New Mexico, or by not less than two individual sureties, each of whom shall own real estate situated within the State, and worth not less than twice the amount of the bond after deducting from the value of such property all exemptions and encumbrances. The ownership by each individual surety of property as aforesaid shall be evidenced to the Commission by a certificate from the Tax Assessor of the county wherein the land is situated or by an affidavit made by any District Judge having jurisdiction over such county, or by the affidavits of not less than two responsible residents of the State of New Mexico who have personal knowledge of the facts and so state in their affidavits. The Commission reserves the right to decline to approve any bond with individual sureties. In cases where the principal on the bond is drilling or operating a number of wells within the State or proposes to do so, such principal may, with the approval of the Commission, submit a blanket bond conditioned as above provided, covering all wells which such person may at any time before such bond is released, drill or operate within this State. The amount of any such blanket bond shall not be less than \$10,000.00.

When the well or wells involved, or any such wells, are located on a State oil and gas lease, and the surface of the land involved was sold by the State prior to such oil and gas lease, such bond may, at the election of the principal, be conditioned not only for the plugging of such well or wells as above provided, but also to secure the payment of such damages to the livestock, range, water, crops or tangible improvements on such land as may be suffered

by such purchaser or his successors in interest by reason of the development, use and occupation of such land resulting from such oil and gas leases.

Any bond conditioned as provided in the last preceding sentence must be approved, not only by the Commission, but by the Commissioner of Public Lands, in his capacity as such.

All liability on bonds conditioned for the plugging of a well or wells shall continue until the plugging of such well or wells is completed and approved. Bonds conditioned to protect surface owners as aforesaid shall cover liability incurred during the entire period of oil and gas operations by the principal on the lands involved.

The Commission will in writing advise the principal and sureties on any bond conditioned to plug wells, as to whether the plugging is approved, in order that, if the plugging is approved, liability under such bond may be formally terminated.

Forms of bonds which will be acceptable will be furnished by the Commission.

Both forms—for one well bond and blanket bond form—distributed from this Commission's office at Santa Fe.

CORPORATE SURETY REQUIRED

EXCERPTS FROM MINUTES EXECUTIVE SESSION APRIL 26, 1937

In view of the unsatisfactory condition of the bonds heretofore received by the Commission, it was ordered that henceforth no drilling bond shall be acceptable other than a bond executed by a surety company and that the minimum drilling bond in all cases be set at \$5,000.00.

Amount of Corporate Surety Bond for Deep Well and Shallow Well

EXCERPTS OF THE EXECUTIVE MEETING OF THE OIL CONSERVATION COMMISSION HELD SEPTEMBER 27, 1937,

wherein the following resolution regarding bond requirements was adopted:

The matter of changing bonding requirements was presented to the Commission; in connection with such, the Commission passed the following resolution:

WHEREAS, the matter of proper bonding being important because of fire hazards and contamination and the damage of spoiling producing areas of oil and gas and the pollution of water:

BE IT, THEREFORE, RESOLVED:

1. That the requirements of a corporate surety licensed by the Insurance Commission of New Mexico shall remain in effect.

2. For the area of Lea County the bonding requirement shall remain at \$5,000.00 per well, regardless of the fact whether such Lea County wells shall come under the classification of deep or shallow wells.

3. ALL DEEP wells anywhere in the State shall require a \$5,000.00 bond. A DEEP well is defined as over 1500 feet in depth. A SHALLOW well shall not be more than 1500 feet in depth.

4. That the SHALLOW wells shall require a \$2,500 bond.

X For the purposes of the Commission the bond required is a plugging bond, not a drilling bond, and is to endure up to and including approved plugging when the well is dry or abandoned, even though the well be a producer. Transfer of property does not release the bond. In case of transfer of property or other interest in the well and the principal desires to be released from the bond covering a well or wells, such as producers, not ready for plugging, the principal should proceed as follows:

The holder of the approved Notice of Intention to Drill, in effect constituting the permit to drill, usually the principal on the bond, should notify the Commission in writing in the form of a transfer wherein said party recites that a certain well, if it be only one well, or all wells, if there are several wells, describing each well by 40-acre tract—section, township and range, has or have been transferred to a certain transferee, naming such transferee, for the purpose of ownership or operation. Such transfer must be dated and signed by a party duly authorized so to sign.

Beneath said transfer the transferee should recite that such transferee has read the foregoing statement and does accept such transfer and does accept the responsibility of such well under his one-well bond tendered with corporate surety or such wells, as the case may be, under his blanket bond being tendered to or on file with the Commission. Such acceptance must likewise be signed by a party authorized so to sign.

When the Commission has passed upon the transfer and acceptance and accepted it under the transferee's bond the transferor is immediately released of the plugging responsibility of the well or wells as the case may be and if such well or wells include all the wells within the responsibility of the transferor's bond, such bond will be released upon written notice by the Commission to that effect.

Order 4, Effective 8-12-35

Rule 40. Special Rules and Regulations

The Commission shall adopt special rules and regulations for fields or areas when in its judgment such rules and regulations are required.

Order 4, Effective 8-12-35

Rule 41. Conflicts Between General and Special Rules and Regulations

In case of conflict between a general and a special rule or regulation, the special rule or regulation shall prevail without regard to the effective dates of the respective rules or regulations, unless the contrary is clearly prescribed by the Commission.

Order 4, Effective 8-12-35

Rule 42. Permissible Exceptions to the Rules and Regulations

When emergencies arise during the drilling, operation or plugging of wells, and when complete compliance with the general rules and regulations or any special rules and regulations, that are adopted by the Commission will cause material unnecessary and avoidable delay and expense, the conditions may be communicated to the Commission or its proper agents with the request that an exception be made to meet the particular emergency.

Order 4, Effective 8-12-35

Rule 43. Enforcement of Laws, Rules and Regulations Dealing with Conservation of Oil and Gas

The oil conservation laws and the general and special rules and regulations of the Commission shall be enforced by the Commission and its authorized agents. Orders of oil and gas inspectors and other agents should be obeyed immediately. These orders shall be subject to review by the Commission if an appeal is filed with it as soon as practicable, but the pendency of such an appeal shall not operate to excuse compliance with the order appealed from, unless the Commission or a majority thereof so direct.

Owners should obtain information from the Commission as to the Oil and Gas Inspector having direct supervision over their operations, where notices and reports should be sent, etc. Forms for submitting notices, requests and reports can be obtained from the Commission at Santa Fe or from its designated agents.

Order 4, Effective 8-12-35

Rule 44. Notice to Contractors, Drillers and Others to Observe Rules

All contractors and drillers carrying on business or doing work in the oil and gas fields of the State and also all lease holders, land owners and operators generally, are hereby directed to take notice of and comply with the rules and regulations of the Commission.

Order 4, Effective 8-12-35

Rule 45. Commission to Co-operate with Proper Agents of the United States

The Commission and its agents shall co-operate and invite the co-operation of the agents of the Conservation Branch of the United States Geological Survey and other proper agents of the United States.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

CIRCULAR NO. 3

STATUTES
AND
RULES AND REGULATIONS FOR
THE CONSERVATION OF OIL
AND GAS IN NEW MEXICO



BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

Case No. 5912 Exhibit No. 2

Submitted by OCC

Ex Hearing Date 5-5-77

Compiled November 16, 1942

SANTA FE, NEW MEXICO

OIL CONSERVATION COMMISSION

GOVERNOR JOHN E. MILES, Chairman

COMMISSIONER OF PUBLIC LANDS, H. R. RODGERS, Member

STATE GEOLOGIST JOHN M. KELLY, Secretary

or operating a pipe line, shall notify the Commission of fires or blowouts which occur at oil and gas wells or oil tanks owned, operated or controlled by them; tanks struck by lightning; other fires which destroy oil and gas; breaks or leaks in tanks or pipe lines from which oil or gas escaped or is escaping; and other serious accidents. Notification shall be by telephone or telegraph giving briefly the particulars and by letter giving a more detailed account of events and conditions. Reports of fires, blowouts, breaks or leaks in tanks or pipes or other accident shall specify the location of the well, tank or pipe line break, giving the quarter, section, township and range. Notwithstanding any provision of this rule, no report need be made of any loss of oil by leakage or breakage of tanks or pipe lines where less than 100 barrels of oil was lost.

Order 4, Effective 8-12-35

Rule 38. Pipe Line Data Required

Any person as defined in Chapter 72 aforesaid, intending to operate a pipe line, whether now existing or hereafter laid, shall notify the Commission in writing of such intention and shall state the size and location of the pipe line and its depth, the appurtenant tankage and location thereof, and any other pertinent data requested by the Commission, and shall furnish a map showing the location of the line and tankage. In the case of a line to be constructed, if any changes from the plan submitted are made during construction, the Commission shall be notified of such changes. The Commission shall also be notified of any subsequent alterations in pipe lines. Nothing contained in this rule shall apply to lease lines, which are merely used in the operation of the lease on which located, nor to any line or appurtenant tankage not located within the State of New Mexico.

Order 4, Effective 8-12-35

Rule 39. Bonds

Any person as defined in Chapter 72 aforesaid who has drilled or is drilling or proposes to drill for oil or gas shall submit to the Commission and obtain its approval of a bond, in a form approved by the Commission, conditioned to plug such well, if dry or when abandoned, in such way as to confine the oil, gas and water in the respective strata in which they are found, and to prevent them from escaping into other strata. The bond shall be in an amount determined by the Commission after taking into consideration the depth of the well and local conditions, but in no case shall the amount of the bond applicable to one well only be more than \$10,000.00. Each such bond shall be executed by a responsible surety company, authorized to transact business in the State of New Mexico, or by not less than two individual sureties, each of whom shall own real estate situated within the State, and worth not less than twice the amount of the bond after deducting from the value of such property all exemptions and encumbrances. The ownership by each individual surety of property as aforesaid shall be evidenced to the Commission by a certificate from the Tax Assessor of the county wherein the land is situated or by an affidavit made by any District Judge having jurisdiction over such county, or by the affidavits of not less than two responsible residents of the State of New Mexico who have personal knowledge of the facts and so state in their affidavits. The Commission reserves the right to decline to approve any bond with individual sureties. In cases where the principal on the bond is drilling or operating a number of wells within the State or proposes to do so, such principal may, with the approval of the Commission, submit a blanket bond conditioned as above provided, covering all wells which such person may at any time before such bond is released, drill or operate within this State. The amount of any such blanket bond shall not be less than \$10,000.00.

When the well or wells involved, or any such wells, are located on a State oil and gas lease, and the surface of the land involved was sold by the State prior to such oil and gas lease, such bond may, at the election of the principal, be conditioned not only for the plugging of such well or wells as above provided, but also to secure the payment of such damages to the livestock, range, water, crops or tangible improvements on such land as may be suffered

by such purchaser or his successors in interest by reason of the development, use and occupation of such land resulting from such oil and gas leases.

Any bond conditioned as provided in the last preceding sentence must be approved, not only by the Commission, but by the Commissioner of Public Lands, in his capacity as such.

All liability on bonds conditioned for the plugging of a well or wells shall continue until the plugging of such well or wells is completed and approved. Bonds conditioned to protect surface owners as aforesaid shall cover liability incurred during the entire period of oil and gas operations by the principal on the lands involved.

The Commission will in writing advise the principal and sureties on any bond conditioned to plug wells, as to whether the plugging is approved, in order that, if the plugging is approved, liability under such bond may be formally terminated.

Forms of bonds which will be acceptable will be furnished by the Commission.

Both forms—for one well bond and blanket bond form—distributed from this Commission's office at Santa Fe.

CORPORATE SURETY REQUIRED

EXCERPTS FROM MINUTES EXECUTIVE SESSION APRIL 26, 1937

In view of the unsatisfactory condition of the bonds heretofore received by the Commission, it was ordered that henceforth no drilling bond shall be acceptable other than a bond executed by a surety company and that the minimum drilling bond in all cases be set at \$5,000.00.

Amount of Corporate Surety Bond for Deep Well and Shallow Well

EXCERPTS OF THE EXECUTIVE MEETING OF THE OIL CONSERVATION COMMISSION HELD SEPTEMBER 27, 1937,

wherein the following resolution regarding bond requirements was adopted:

The matter of changing bonding requirements was presented to the Commission; in connection with such, the Commission passed the following resolution:

WHEREAS, the matter of proper bonding being important because of fire hazards and contamination and the damage of spoiling producing areas of oil and gas and the pollution of water:

BE IT, THEREFORE, RESOLVED:

1. That the requirements of a corporate surety licensed by the Insurance Commission of New Mexico shall remain in effect.
2. For the area of Lea County the bonding requirement shall remain at \$5,000.00 per well, regardless of the fact whether such Lea County wells shall come under the classification of deep or shallow wells.
3. ALL DEEP wells anywhere in the State shall require a \$5,000.00 bond. A DEEP well is defined as over 1500 feet in depth. A SHALLOW well shall not be more than 1500 feet in depth.
4. That the SHALLOW wells shall require a \$2,500 bond.

* For the purposes of the Commission the bond required is a plugging bond, not a drilling bond, and is to endure up to and including approved plugging when the well is dry or abandoned, even though the well be a producer. Transfer of property does not release the bond. In case of transfer of property or other interest in the well and the principal desires to be released from the bond covering a well or wells, such as producers, not ready for plugging, the principal should proceed as follows: The holder of the approved Notice of Intention to Drill, in effect constituting the permit to drill, usually the principal on the bond, should notify the Commission in writing in the form of a transfer wherein said party recites that a certain well, if it be only one well, or all wells, if there are several wells, describing each well by 40-acre tract—section, township and range, has or have been transferred to a certain transferee, naming such transferee, for the purpose of ownership or operation. Such transfer must be dated and signed by a party duly authorized so to sign.

Beneath said transfer the transferee should recite that such transferee has read the foregoing statement and does accept such transfer and does accept the responsibility of such well under his one-well bond tendered with corporate surety or such wells, as the case may be, under his blanket bond being tendered to or on file with the Commission. Such acceptance must likewise be signed by a party authorized so to sign.

When the Commission has passed upon the transfer and acceptance and accepted it under the transferee's bond the transferor is immediately released of the plugging responsibility of the well or wells as the case may be and if such well or wells include all the wells within the responsibility of the transferor's bond, such bond will be released upon written notice by the Commission to that effect.

Order 4, Effective 8-12-35

Rule 40. Special Rules and Regulations

The Commission shall adopt special rules and regulations for fields or areas when in its judgment such rules and regulations are required.

Order 4, Effective 8-12-35

Rule 41. Conflicts Between General and Special Rules and Regulations

In case of conflict between a general and a special rule or regulation, the special rule or regulation shall prevail without regard to the effective dates of the respective rules or regulations, unless the contrary is clearly prescribed by the Commission.

Order 4, Effective 8-12-35

Rule 42. Permissible Exceptions to the Rules and Regulations

When emergencies arise during the drilling, operation or plugging of wells, and when complete compliance with the general rules and regulations or any special rules and regulations that are adopted by the Commission will cause material unnecessary and avoidable delay and expense, the conditions may be communicated to the Commission or its proper agents with the request that an exception be made to meet the particular emergency.

Order 4, Effective 8-12-35

Rule 43. Enforcement of Laws, Rules and Regulations Dealing with Conservation of Oil and Gas

The oil conservation laws and the general and special rules and regulations of the Commission shall be enforced by the Commission and its authorized agents. Orders of oil and gas inspectors and other agents should be obeyed immediately. These orders shall be subject to review by the Commission if an appeal is filed with it as soon as practicable, but the pendency of such an appeal shall not operate to excuse compliance with the order appealed from, unless the Commission or a majority thereof so direct.

Owners should obtain information from the Commission as to the Oil and Gas Inspector having direct supervision over their operations, where notices and reports should be sent, etc. Forms for submitting notices, requests and reports can be obtained from the Commission at Santa Fe or from its designated agents.

Order 4, Effective 8-12-35

Rule 44. Notice to Contractors, Drillers and Others to Observe Rules

All contractors and drillers carrying on business or doing work in the oil and gas fields of the State and also all lease holders, land owners and operators generally, are hereby directed to take notice of and comply with the rules and regulations of the Commission.

Order 4, Effective 8-12-35

Rule 45. Commission to Co-operate with Proper Agents of the United States

The Commission and its agents shall co-operate and invite the co-operation of the agents of the Conservation Branch of the United States Geological Survey and other proper agents of the United States.

RULE 101. PLUGGING BOND

(a) Any person, firm, corporation, or association who has drilled or acquired, is drilling, or proposes to drill or acquire any oil, gas, or service well on privately owned or state owned lands within this state shall furnish to the Commission, and obtain approval thereof, a surety bond running to the State of New Mexico, in a form prescribed by the Commission, and conditioned that the well be plugged and abandoned in compliance with the rules and regulations of the Commission. Such bond may be a one-well plugging bond or a blanket plugging bond. All bonds shall be executed by a responsible surety company authorized to do business in the State of New Mexico.

(b) Blanket plugging bonds shall be in the amount of fifty thousand dollars (\$50,000) conditioned as above provided, covering all oil, gas, or service wells drilled, acquired or operated in this state by the principal on the bond.

One-well plugging bonds shall be in the amounts stated below in accordance with the depth and location of the well:

<u>COUNTY</u>	<u>ACTUAL OR PROJECTED DEPTH OF WELL</u>	<u>AMOUNT OF BOND</u>
Chaves, Eddy, Lea, McKinley, Rio Arriba, Roosevelt, Sandoval, or San Juan	0-4,999 feet	\$ 5,000
	5,000-9,999 feet	\$ 7,500
	10,000 or more feet	\$10,000
All other Counties	0-4,999 feet	\$ 7,500
	5,000-9,999 feet	\$10,000
	10,000 or more feet	\$12,500

Revised plans for an actively drilling well may be approved by the appropriate District Office of the Commission for drilling as much as ten percent deeper than the maximum depth allowed on the well's bond. Any

RULE 101. PLUGGING BOND

(a) Any person, firm, corporation, or association who has drilled or acquired, is drilling, or proposes to drill or acquire any oil, gas, or service well on privately owned or state owned lands within this state shall furnish to the Commission, and obtain approval thereof, a surety bond running to the State of New Mexico, in a form prescribed by the Commission, and conditioned that the well be plugged and abandoned in compliance with the rules and regulations of the Commission. Such bond may be a one-well plugging bond or a blanket plugging bond. All bonds shall be executed by a responsible surety company authorized to do business in the State of New Mexico.

(b) Blanket plugging bonds shall be in the amount of fifty thousand dollars (\$50,000) conditioned as above provided, covering all oil, gas, or service wells drilled, acquired or operated in this state by the principal on the bond.

One-well plugging bonds shall be in the amounts stated below in accordance with the depth and location of the well:

<u>COUNTY</u>	<u>ACTUAL OR PROJECTED DEPTH OF WELL</u>	<u>AMOUNT OF BOND</u>
Chaves, Eddy, Lea, McKinley, Rio Arriba, Roosevelt, Sandoval, or San Juan	0-4,999 feet	\$ 5,000
	5,000-9,999 feet	\$ 7,500
	10,000 or more feet	\$10,000
All other Counties	0-4,999 feet	\$ 7,500
	5,000-9,999 feet	\$10,000
	10,000 or more feet	\$12,500

Revised plans for an actively drilling well may be approved by the appropriate District Office of the Commission for drilling as much as ten percent deeper than the maximum depth allowed on the well's bond. Any

well to be drilled more than ten percent deeper than the approved depth bracket must be covered by a new bond in the amount prescribed for the deeper depth bracket.

(c) 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 Commission, or has been covered by another bond approved by the Commission.

(d) Transfer of a property does not of itself release a bond. In the event of transfer of ownership of a well, the appropriate form, C-103 or C-104, properly executed, shall be filed with the District Office of the Commission in accordance with Rule 1103 or Rule 1104 by the new owner of the well. The District Office may approve the transfer providing that a new one-well bond covering the well or a request that the well be covered by the new owner's blanket bond has been approved by the Santa Fe office of the Commission.

Upon approval of the bond and the Form C-103 or C-104, the transferor is released of plugging responsibility for the well, and upon request, the original bond will be released. No blanket bond will be released, however, until all wells covered by the bond have been plugged and abandoned or transferred in accordance with the provisions of this rule.

(e) All bonds shall be filed with the Santa Fe office of the Commission, and approval of such bonds, as well as releases thereof, obtained from said office.

well to be drilled more than ten percent deeper than the approved depth bracket must be covered by a new bond in the amount prescribed for the deeper depth bracket.

(c) 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 Commission, or has been covered by another bond approved by the Commission.

(d) Transfer of a property does not of itself release a bond. In the event of transfer of ownership of a well, the appropriate form, C-103 or C-104, properly executed, shall be filed with the District Office of the Commission in accordance with Rule 1103 or Rule 1104 by the new owner of the well. The District Office may approve the transfer providing that a new one-well bond covering the well or a request that the well be covered by the new owner's blanket bond has been approved by the Santa Fe office of the Commission.

Upon approval of the bond and the Form C-103 or C-104, the transferor is released of plugging responsibility for the well, and upon request, the original bond will be released. No blanket bond will be released, however, until all wells covered by the bond have been plugged and abandoned or transferred in accordance with the provisions of this rule.

(e) All bonds shall be filed with the Santa Fe office of the Commission, and approval of such bonds, as well as releases thereof, obtained from said office.

RULE 101. PLUGGING BOND

(a) Any person, firm, corporation, or association who has drilled or acquired, is drilling, or proposes to drill or acquire any oil, gas, or service well on privately owned or state owned lands within this state shall furnish to the Commission, and obtain approval thereof, a surety bond running to the State of New Mexico, in a form prescribed by the Commission, and conditioned that the well be plugged and abandoned in compliance with the rules and regulations of the Commission. Such bond may be a one-well plugging bond or a blanket plugging bond. All bonds shall be executed by a responsible surety company authorized to do business in the State of New Mexico.

(b) Blanket plugging bonds shall be in the amount of fifty thousand dollars (\$50,000) conditioned as above provided, covering all oil, gas, or service wells drilled, acquired or operated in this state by the principal on the bond.

One-well plugging bonds shall be in the amounts stated below in accordance with the depth and location of the well:

<u>COUNTY</u>	<u>ACTUAL OR PROJECTED DEPTH OF WELL</u>	<u>AMOUNT OF BOND</u>
Chaves, Eddy, Lea, McKinley, Rio Arriba, Roosevelt, Sandoval, or San Juan	0-4,999 feet	\$ 5,000
	5,000-9,999 feet	\$ 7,500
	10,000 or more feet	\$10,000
All other Counties	0-4,999 feet	\$ 7,500
	5,000-9,999 feet	\$10,000
	10,000 or more feet	\$12,500

Revised plans for an actively drilling well may be approved by the appropriate District Office of the Commission for drilling as much as ten percent deeper than the maximum depth allowed on the well's bond. Any

well to be drilled more than ten percent deeper than the approved depth bracket must be covered by a new bond in the amount prescribed for the deeper depth bracket.

(c) 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 Commission, or has been covered by another bond approved by the Commission.

(d) Transfer of a property does not of itself release a bond. In the event of transfer of ownership of a well, the appropriate form, C-103 or C-104, properly executed, shall be filed with the District Office of the Commission in accordance with Rule 1103 or Rule 1104 by the new owner of the well. The District Office may approve the transfer providing that a new one-well bond covering the well or a request that the well be covered by the new owner's blanket bond has been approved by the Santa Fe office of the Commission.

Upon approval of the bond and the Form C-103 or C-104, the transferor is released of plugging responsibility for the well, and upon request, the original bond will be released. No blanket bond will be released, however, until all wells covered by the bond have been plugged and abandoned or transferred in accordance with the provisions of this rule.

(e) All bonds shall be filed with the Santa Fe office of the Commission, and approval of such bonds, as well as releases thereof, obtained from said office.

INACTIVE WELLS IN STATE OF NEW MEXICO COMPARED TO ACTIVE WELLS

	<u>1974</u>	<u>1975</u>	<u>1976</u>
Total Oil Wells	20,309	19,972	20,212
Inactive Oil Wells	3,932	3,112	3,045
% Inactive	19.4	15.6	15.1
Total Gas Wells	10,310	10,779	11,151
Inactive Gas Wells	385	415	467
% Inactive	3.7	3.9	4.2
Total Wells	30,619	30,751	31,363
Total Inactive	4,317	3,527	3,512
% Inactive	14.1	11.5	11.2

NOTE: "Active wells" includes producing wells at end of year and authorized injection wells but does not include water supply or disposal wells nor drilling wells.

"Inactive wells" includes former producing wells not producing at the end of each year but does not include wells converted to water supply or disposal wells nor water injection wells even though not on active injection at end of year. Also does not include inactive drilling wells.

BEFORE THE OIL CONSERVATION COMMISSION Santa Fe, New Mexico	
Case No. <u>5912</u>	Exhibit No. <u>3</u>
Submitted by <u>OCC</u>	
Hearing Date <u>5-5-77</u>	

Sheet 1

Ex 3

INACTIVE WELLS IN STATE OF NEW MEXICO COMPARED TO ACTIVE WELLS

	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>
Total Oil Wells	19,353	20,001	19,842	19,891	20,035	20,050
Inactive Oil Wells	2,356	2,421	3,280	3,768	3,885	3,938
% Inactive	12.2	12.1	16.5	18.9	19.4	19.6
Total Gas Wells	8,841	9,160	9,236	9,394	9,690	10,136
Inactive Gas Wells	302	328	338	369	367	351
% Inactive	3.4	3.6	3.7	3.9	3.8	3.5
Total Wells	28,194	29,161	29,078	29,285	29,725	30,186
Total Inactive	2,658	2,749	3,618	4,137	4,252	4,289
% Inactive	9.4	9.4	12.4	14.1	14.3	14.2

NOTE: "Active wells" includes producing wells at end of year and authorized injection wells but does not include water supply or disposal wells nor drilling wells.

"Inactive wells" includes former producing wells not producing at the end of each year but does not include wells converted to water supply or disposal wells nor water injection wells even though not on active injection at end of year. Also does not include inactive drilling wells.

BEFORE THE
OIL CONSERVATION COMMISSION

Santa Fe, New Mexico

Case No. 5217 Exhibit No. 1

Submitted by oec

Hearing Date 4-23-74

INACTIVE WELLS IN STATE OF NEW MEXICO COMPARED TO ACTIVE WELLS

	<u>1974</u>	<u>1975</u>	<u>1976</u>
Total Oil Wells	20,309	19,972	20,212
Inactive Oil Wells	3,932	3,112	3,045
% Inactive	19.4	15.6	15.1
Total Gas Wells	10,310	10,779	11,151
Inactive Gas Wells	385	415	467
% Inactive	3.7	3.9	4.2
Total Wells	30,619	30,751	31,363
Total Inactive	4,317	3,527	3,512
% Inactive	14.1	11.5	11.2

NOTE: "Active wells" includes producing wells at end of year and authorized injection wells but does not include water supply or disposal wells nor drilling wells.

"Inactive wells" includes former producing wells not producing at the end of each year but does not include wells converted to water supply or disposal wells nor water injection wells even though not on active injection at end of year. Also does not include inactive drilling wells.

INACTIVE WELLS IN STATE OF NEW MEXICO COMPARED TO ACTIVE WELLS

	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>
Total Oil Wells	19,353	20,001	19,842	19,891	20,035	20,050
Inactive Oil Wells	2,356	2,421	3,280	3,768	3,885	3,938
% Inactive	12.2	12.1	16.5	18.9	19.4	19.6
Total Gas Wells	8,841	9,160	9,236	9,394	9,690	10,136
Inactive Gas Wells	302	328	338	369	367	351
% Inactive	3.4	3.6	3.7	3.9	3.8	3.5
Total Wells	28,194	29,161	29,078	29,285	29,725	30,186
Total Inactive	2,658	2,749	3,618	4,137	4,252	4,289
% Inactive	9.4	9.4	12.4	14.1	14.3	14.2

NOTE: "Active wells" includes producing wells at end of year and authorized injection wells but does not include water supply or disposal wells nor drilling wells.

"Inactive wells" includes former producing wells not producing at the end of each year but does not include wells converted to water supply or disposal wells nor water injection wells even though not on active injection at end of year. Also does not include inactive drilling wells.

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

Case No. 5217 Exhibit No. 1

Submitted by oec

Hearing Date 4-23-74

INACTIVE WELLS IN STATE OF NEW MEXICO COMPARED TO ACTIVE WELLS

	<u>1974</u>	<u>1975</u>	<u>1976</u>
Total Oil Wells	20,309	19,972	20,212
Inactive Oil Wells	3,932	3,112	3,045
% Inactive	19.4	15.6	15.1
Total Gas Wells	10,310	10,779	11,151
Inactive Gas Wells	385	415	467
% Inactive	3.7	3.9	4.2
Total Wells	30,619	30,751	31,363
Total Inactive	4,317	3,527	3,512
% Inactive	14.1	11.5	11.2

NOTE: "Active wells" includes producing wells at end of year and authorized injection wells but does not include water supply or disposal wells nor drilling wells.

"Inactive wells" includes former producing wells not producing at the end of each year but does not include wells converted to water supply or disposal wells nor water injection wells even though not on active injection at end of year. Also does not include inactive drilling wells.

INACTIVE WELLS IN STATE OF NEW MEXICO COMPARED TO ACTIVE WELLS

	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>
Total Oil Wells	19,353	20,001	19,842	19,891	20,035	20,050
Inactive Oil Wells	2,356	2,421	3,280	3,768	3,885	3,938
% Inactive	12.2	12.1	16.5	18.9	19.4	19.6
Total Gas Wells	8,841	9,160	9,236	9,394	9,690	10,136
Inactive Gas Wells	302	328	338	369	367	351
% Inactive	3.4	3.6	3.7	3.9	3.8	3.5
Total Wells	28,194	29,161	29,078	29,285	29,725	30,186
Total Inactive	2,658	2,749	3,618	4,137	4,252	4,289
% Inactive	9.4	9.4	12.4	14.1	14.3	14.2

NOTE: "Active wells" includes producing wells at end of year and authorized injection wells but does not include water supply or disposal wells nor drilling wells.

"Inactive wells" includes former producing wells not producing at the end of each year but does not include wells converted to water supply or disposal wells nor water injection wells even though not on active injection at end of year. Also does not include inactive drilling wells.

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

Case No. 5217 Exhibit No. 1

Submitted by oac

Hearing Date 4-23-74

INACTIVE WELLS IN STATE OF NEW MEXICO COMPARED TO ACTIVE WELLS

	<u>1974</u>	<u>1975</u>	<u>1976</u>
Total Oil Wells	20,309	19,972	20,212
Inactive Oil Wells	3,932	3,112	3,045
% Inactive	19.4	15.6	15.1
Total Gas Wells	10,310	10,779	11,151
Inactive Gas Wells	385	415	467
% Inactive	3.7	3.9	4.2
Total Wells	30,619	30,751	31,363
Total Inactive	4,317	3,527	3,512
% Inactive	14.1	11.5	11.2

NOTE: "Active wells" includes producing wells at end of year and authorized injection wells but does not include water supply or disposal wells nor drilling wells.

"Inactive wells" includes former producing wells not producing at the end of each year but does not include wells converted to water supply or disposal wells nor water injection wells even though not on active injection at end of year. Also does not include inactive drilling wells.

INACTIVE WELLS IN STATE OF NEW MEXICO COMPARED TO ACTIVE WELLS

	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>
Total Oil Wells	19,353	20,001	19,842	19,891	20,035	20,050
Inactive Oil Wells	2,356	2,421	3,280	3,768	3,885	3,938
% Inactive	12.2	12.1	16.5	18.9	19.4	19.6
Total Gas Wells	8,841	9,160	9,236	9,394	9,690	10,136
Inactive Gas Wells	302	328	338	369	367	351
% Inactive	3.4	3.6	3.7	3.9	3.8	3.5
Total Wells	28,194	29,161	29,078	29,285	29,725	30,186
Total Inactive	2,658	2,749	3,618	4,137	4,252	4,289
% Inactive	9.4	9.4	12.4	14.1	14.3	14.2

NOTE: "Active wells" includes producing wells at end of year and authorized injection wells but does not include water supply or disposal wells nor drilling wells.

"Inactive wells" includes former producing wells not producing at the end of each year but does not include wells converted to water supply or disposal wells nor water injection wells even though not on active injection at end of year. Also does not include inactive drilling wells.

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

Case No. 5217 Exhibit No. 1

Submitted by oec

Hearing Date 4-23-74

INACTIVE WELLS IN STATE OF NEW MEXICO COMPARED TO ACTIVE WELLS

	<u>1974</u>	<u>1975</u>	<u>1976</u>
Total Oil Wells	20,309	19,972	20,212
Inactive Oil Wells	3,932	3,112	3,045
% Inactive	19.4	15.6	15.1
Total Gas Wells	10,310	10,779	11,151
Inactive Gas Wells	385	415	467
% Inactive	3.7	3.9	4.2
Total Wells	30,619	30,751	31,363
Total Inactive	4,317	3,527	3,512
% Inactive	14.1	11.5	11.2

NOTE: "Active wells" includes producing wells at end of year and authorized injection wells but does not include water supply or disposal wells nor drilling wells.

"Inactive wells" includes former producing wells not producing at the end of each year but does not include wells converted to water supply or disposal wells nor water injection wells even though not on active injection at end of year. Also does not include inactive drilling wells.

INACTIVE WELLS IN STATE OF NEW MEXICO COMPARED TO ACTIVE WELLS

	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>
Total Oil Wells	19,353	20,001	19,842	19,891	20,035	20,050
Inactive Oil Wells	2,356	2,421	3,280	3,768	3,885	3,938
% Inactive	12.2	12.1	16.5	18.9	19.4	19.6
Total Gas Wells	8,841	9,160	9,236	9,394	9,690	10,136
Inactive Gas Wells	302	328	338	369	367	351
% Inactive	3.4	3.6	3.7	3.9	3.8	3.5
Total Wells	28,194	29,161	29,078	29,285	29,725	30,186
Total Inactive	2,658	2,749	3,618	4,137	4,252	4,289
% Inactive	9.4	9.4	12.4	14.1	14.3	14.2

NOTE: "Active wells" includes producing wells at end of year and authorized injection wells but does not include water supply or disposal wells nor drilling wells.

"Inactive wells" includes former producing wells not producing at the end of each year but does not include wells converted to water supply or disposal wells nor water injection wells even though not on active injection at end of year. Also does not include inactive drilling wells.

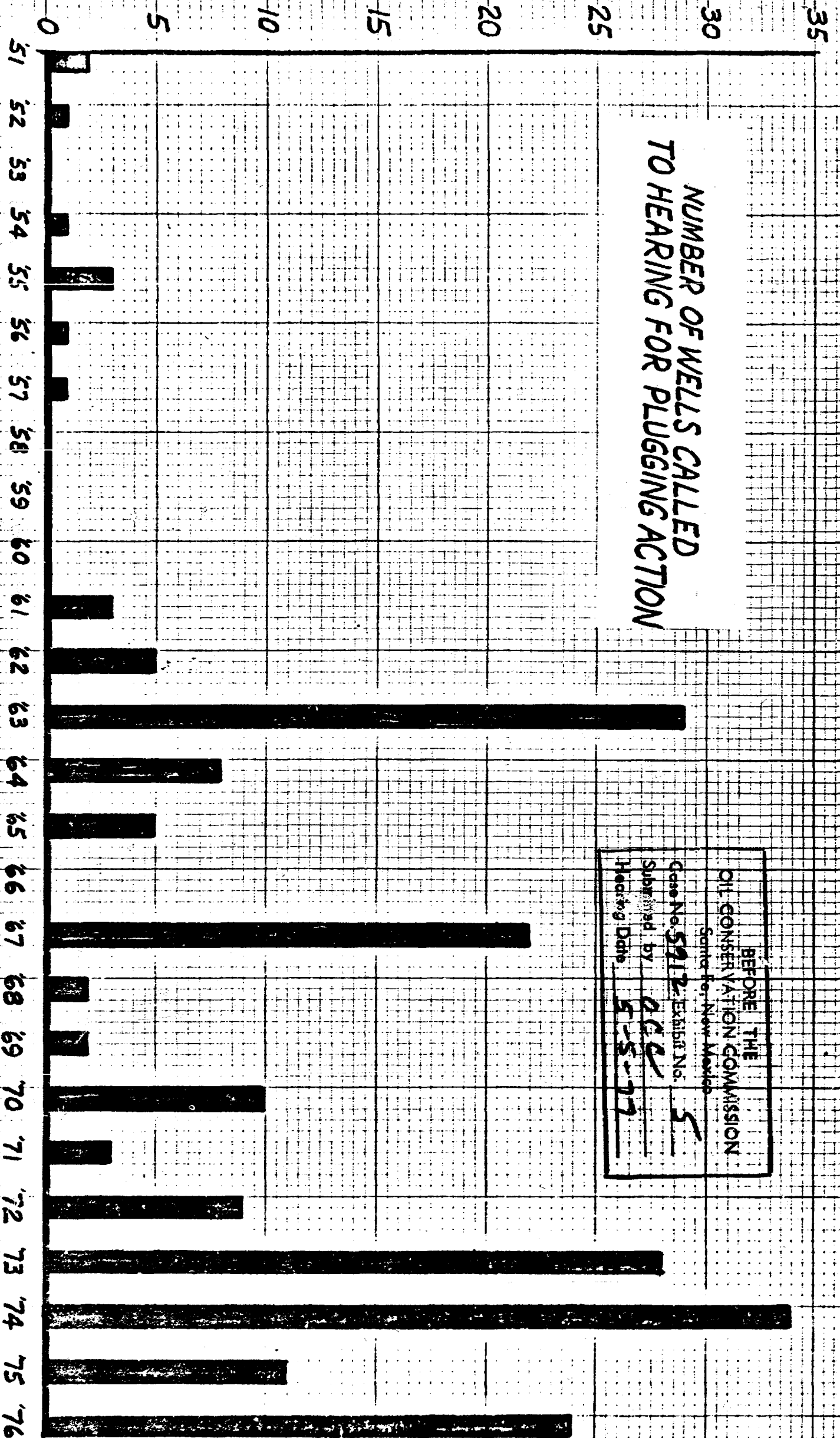
BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico

Case No. 5217 Exhibit No. 1

Submitted by oec

Hearing Date 4-23-74

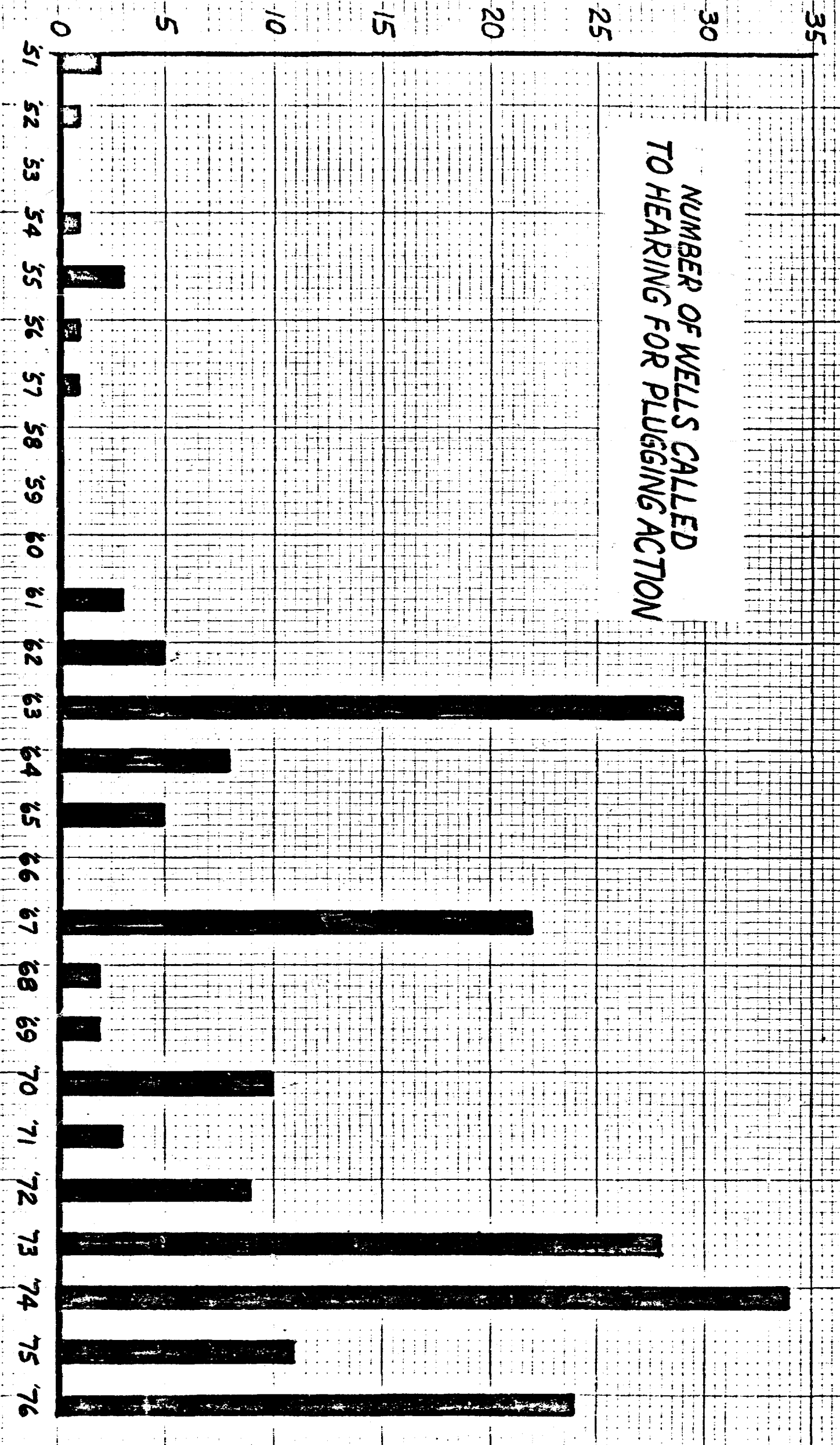
NUMBER OF WELLS CALLED TO HEARING FOR PLUGGING ACTION



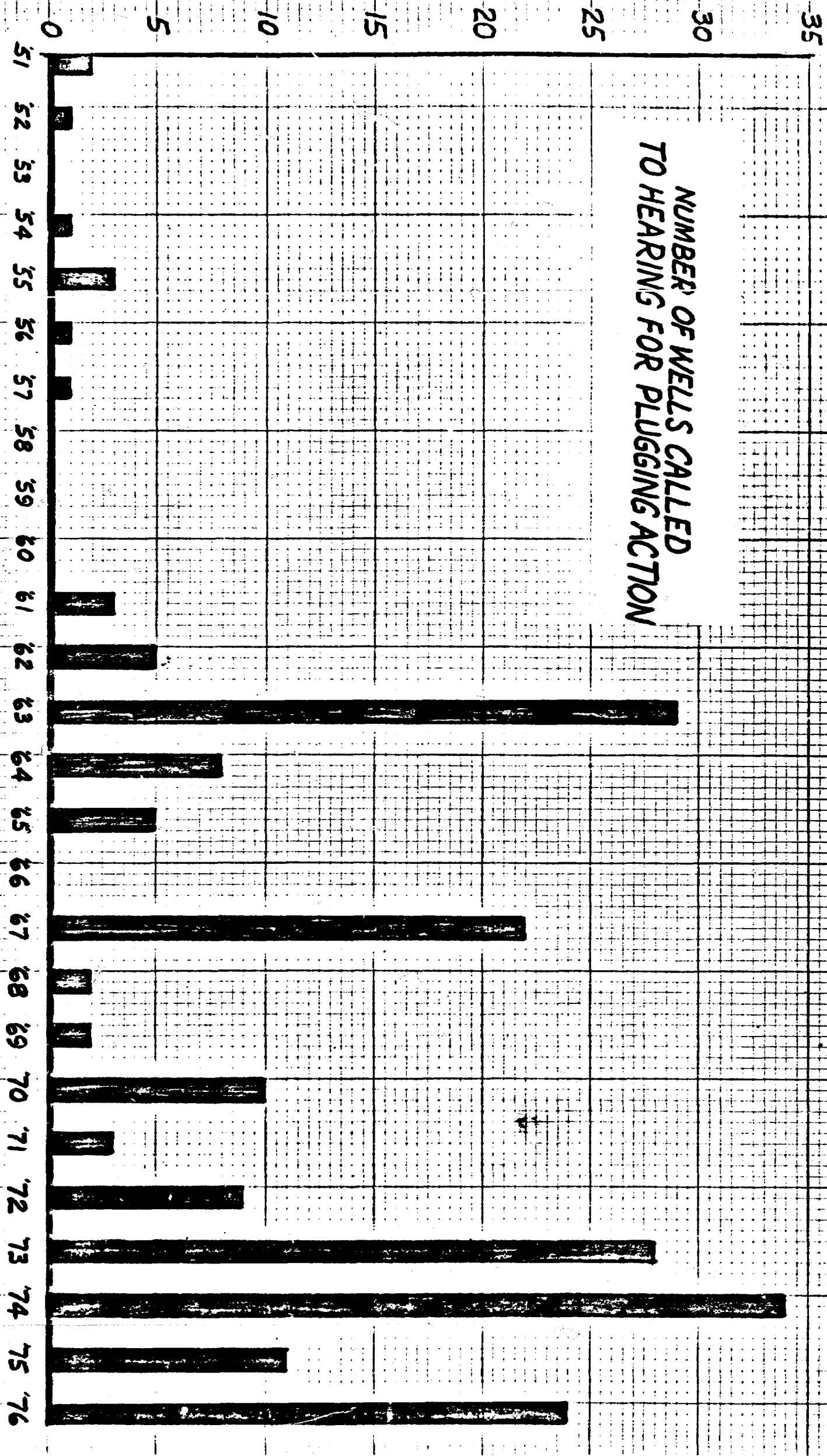
BEFORE THE
OIL CONSERVATION COMMISSION
San Antonio, New Mexico

Case No. 5912, Exhibit No. 5
Submitted by: CCC
Hearing Date: 5-5-77

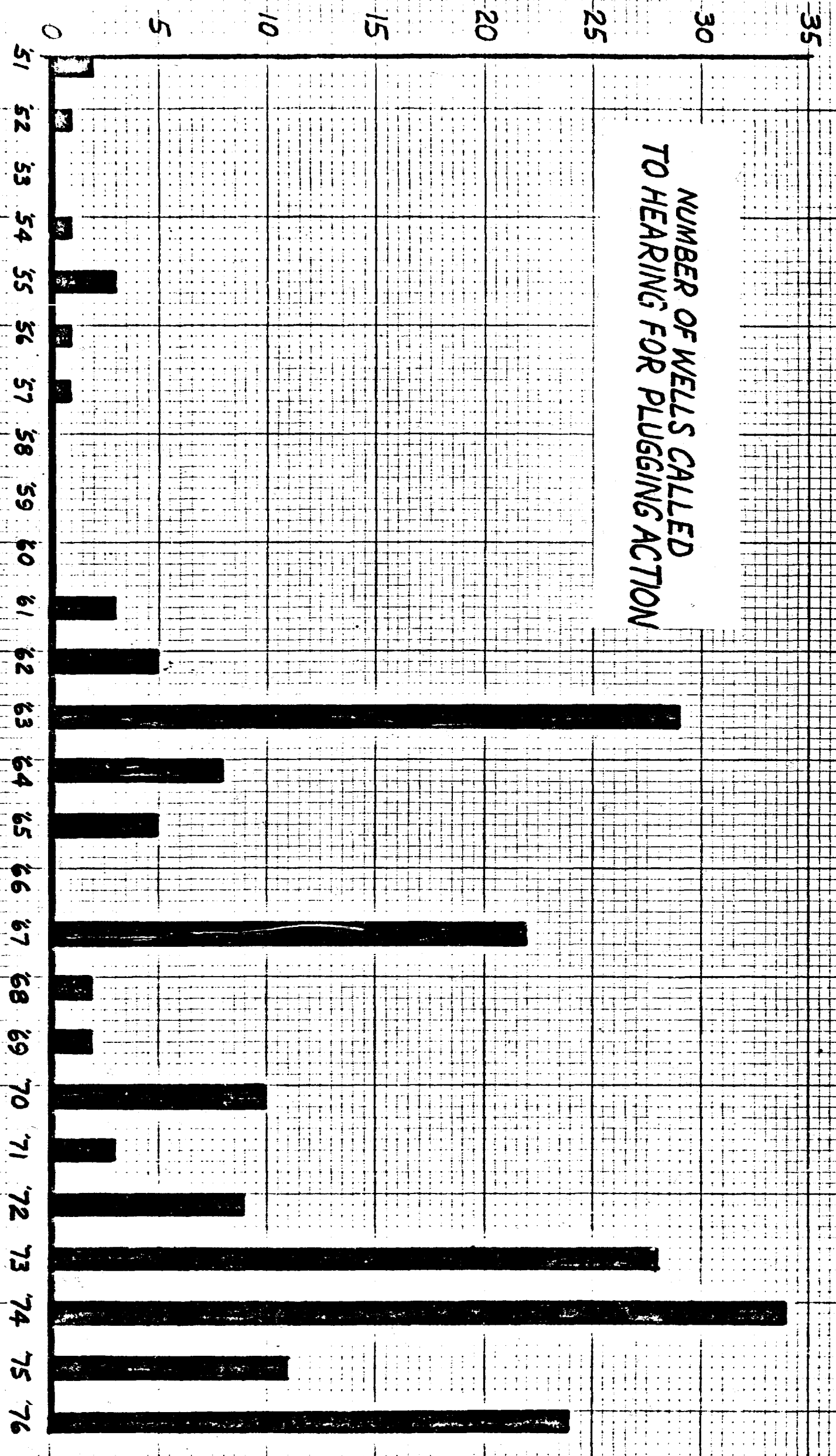
NUMBER OF WELLS CALLED TO HEARING FOR PLUGGING ACTION



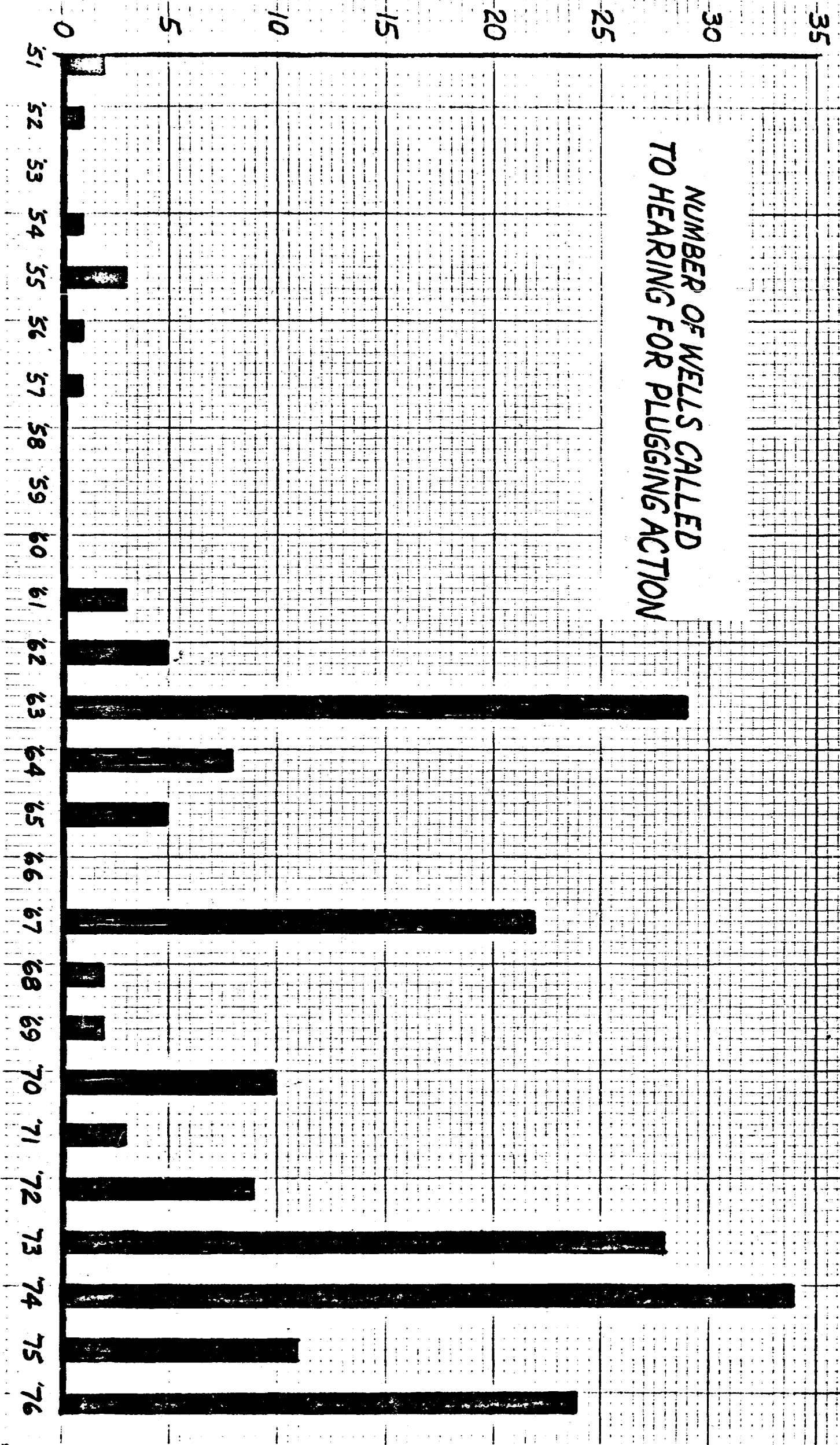
NUMBER OF WELLS CALLED TO HEARING FOR PLUGGING ACTION



NUMBER OF WELLS CALLED TO HEARING FOR PLUGGING ACTION



NUMBER OF WELLS CALLED TO HEARING FOR PLUGGING ACTION



NUMBER OF WELLS CALLED TO HEARING FOR PLUGGING ACTION

