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

Lase Number 5912

Application
Trascripts
Small Exhibits

Ent C.

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 COEMISSION - 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 ROCK 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 proxeted 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 0 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

 Nountain 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 Cas 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 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, Pange 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¢/St pulling

35¢

25× Jacks

700-800 Free Pt

175†2±¢/pt shooting

125 pump

125 pump

41,30/mile

420/man/day

488-1637 BP

88-1637 BP 862-634 Retainer 12/88 225 -485 perf 13,50 3x 13,00 mud 1745 pump track 70-904 wtr 160 tat 360 velder 600 Clear up

0-7500 #1,00/ft. 10,000 #16,180 13,000 #18,000

Rule 202

NEW MENICO 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 5-5-7

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 agas 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 Comments.

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 <u>5-5-77</u>

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 for 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 deducing 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 Assesor 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 when 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.

orditioned 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 oll 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 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 Com-

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 bands heretofore received by the minission, it was ordered that henceforth no drilling band shall be acceptable other than a bond executed by a surety company and that the minimum drilling bond medicases 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; n connection with such, the Commission passed the following resolution:
WHEREAS, the matter of proper bonding being important because of fire
examples and contamination and the damage of spoiling producing areas of oil and
as and the polution of water:

BE IT, THEREFORE. RESOLVED:

1. That the requirements of a corporate surety licensed by the Insurance Com-

I. 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.

A. I not the Selection were small require a same vound.

The 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 ease 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 aid party recites that a certain well, if it be only one well, or all wells, if there are several wells, describing each well by history tract—section, towaship and range, has or lave been transferred to a certain transferee, naming such transferee, for the purpose of expression or operation. Such transfer must be dated and signed by a

Beneath said transfer the transferce should recite that such transferce 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 transferce'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 regula-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 o erators 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-opera-tion 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

	1974	1975	1976
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
	-	•	6.
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 0 C C
Hearing Date 5-5-77

Sheet 1

INACTIVE WELLS IN STATE OF NEW MEXICO COMPARED TO ACTIVE WELL

	% Inactive	Total Inactive	Total Wells	% Inactive	Inactive Gas Wells	Total Gas Wells	% Inactive	Inactive 011 Wells	Total Oil Wells	
				· · · · · · · · · · · · · · · · · · ·						•
	9.4	2,658	28,194	3.4	302	8,841	12.2	2,356	19,353	1968
•	9.4	2,749	29,161	3.6	328	9,160	12.1	2,421	20,001	1969
•	12.4	3,618	29,078	3.7	338	9,236	16.5	3,280	19,842	1970
	14.1	4,137	29,285	3.9	369	9,394	18.9	3,768	19,891	1971
•	14.3	4,252	29,725	ນ 8	367	9,690	19.4	3,885	20,035	1972
	14.2	4,289	30,186	ω .v	351	10,136	19.6	3,938	20,050	1973
			● .as,						٠.	

"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 brilling wells.

OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. \$217 Exhibit No.

Hearing Date 4-23-

April 23,1974

Sheet 2

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 5912 Exhibit No. 4
Submitted by OCC
Hearing Date 5-5-17

The Legislature

of the

State of New Mexico

33rd	Legislature, 1st Session
	LAWS
,	CHAPTER 237
	SENATE FINANCE COMMITTEE SUBSTITUTE FOR
	SENATE BILL 435
	with certificate of correction

Introduced by



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

- (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;
- (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 encroachment 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;
 - (5) To prevent fires;

23

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;

10

- 2 (7) To require wells to be drilled, operated and pro3 duced in such manner as to prevent injury to neighboring leases or
 4 properties;
- (8) To identify the ownership of oil or gas producing bleases, properties, wells, tanks, refineries, pipelines, plants, structures and all transportation equipment and facilities;
- 8 (9) To require the operation of wells with efficient gas-oil ratios and to fix such ratios;
 - (10) To fix the spacing of wells;
- (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;
- (12) To determine the limits of any pool or pools pro15 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 regres22 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

1

CHAPTER 237

AN ACT

2 RELATING TO OIL AND GAS; PROVIDING FOR THE PLUGGING OF DRY AND ABAN-3 DONED OIL AND GAS WELLS; INCREASING THE OIL CONSERVATION TAX; CREATING 4 AN OIL AND GAS RECLAMATION FUND; AMENDING, REPEALING AND ENACTING 5 CERTAIN SECTIONS OF THE MISA 1953; MAKING AN APPROPRIATION. 7 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 10 65-3-35 and 65-3-36 NMSA 1953 may be cited as the "Oil and Gas Act"." 11 Section 2. Section 65-3-11 NMSA 1953 (being Laws 1935, Chapter 12 72, Section 10, as amended) is amended to read: "65-3-11. ENUMERATION OF POWERS. -- Included in the power given to 13 14 the commission is the authority to collect data; to make investigations 15 and inspections; to examine properties, leases, papers, books and records; to examine, check, test and gauge oil and gas wells, and 17 tanks, plants, refineries, and all means and modes of transportation 18 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; 20 to limit and prorate production of crude petroleum oil or natural gas. 21 or both, as in this act provided; to require either generally or in 22 particular areas certificates of clearance or tenders in connection with the transportation of crude petroleum oil or natural gas or any prod-24 ucts thereof, or both such oil and products, or both such natural gas

SFCS/SENATE BILL 435 Approved April 6, 1977

and products.

25

I shail collect the forfeiture without delay.

- D. All forfeitures shall be deposited in the state treasury in the oil and gas reclamation fund.
- 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 the additional expenses, the oil conservation commission is authorized to bring suit against the operator in the district court of the county in which the well is located for indemnification for all costs incurred by the oil conservation commission in plugging the well. All funds collected pursuant to a judgment in a suit for indemnification brought under the provisions of this section shall be deposited in the oil and
- Section 4. A new Section 65-3-37 NMSA 1953 is enacted to read: 14 "65-3-37. OIL AND GAS RECLAMATION FUND CREATED-DISPOSITION OF FUND .-- There is hereby created the "oil and gas reclamation fund". All funds in the oil and gas reclamation fund and the earnings there-17 from are appropriated to the oil conservation commission to be expended by it in carrying out the provisions of the Oil and Gas Act." Section 5. A new Section 65-3-38 NMSA 1953 is enacted to read: 20 "65-3-38. OIL AND GAS RECLAMATION FUND ADMINISTERED--PLUGGING 21
- A. The oil and gas reclamation fund shall be administered b 25 the oil conservation commission. The director of the commission shr

WELLS ON FEDERAL LAND--RIGHT OF INDEMNIFICATION--ANNUAL REPORT--CON-

TRACTORS SELLING EQUIPMENT FOR SALVAGE .--

I 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 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 procedures 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.

B. The director shall make an annual report to the commis-19 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 wel

<u> </u>	
PRINCIPAL.	SURETY
Address	Address
BySignature	Attorney-in Fact
	·
Title	
) (Note: Corporate surety affix corporate seal here.) torney-in-fact not in New Mexico, the resident New Mexico agen
shall countersign here below.)	torney-in-fact not in New Mexico, the resident New Mexico agen
Countersigned by:	
New Mexico Resident Agent	Address
ACKNOWLEDGMENT FO	ORM FOR NATURAL PERSONS
STATE OF) ss.	
On thisday 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.	, hand and and an iba day and your in this sactificate first about
written.	hand and seal on the day and year in this certificate first above
No. of the second second	Notary Public
My Commission expires	
behalf of said corporation by authority of its board of dideed of said corporation.	and that the foregoing instrument was signed and sealed or irectors, and acknowledged said instrument to be the free act and hand and seal on the day and year in this certificate first above
written.	nand and seal on the day and year in this certificate first above
	Notary Public
My Commission expires	
ACKNOWLEDGMENT FO	ORM FOR CORPORATE SURETY
STATE OF) ss.	
	•
On thisday of _	, 19, befor
being by me duly sworn, did say that he is	
·	and that the foregoing instrument was signed and sealed of irectors, and acknowledged said instrument to be the free act and
leed of said corporation.	hand and and in the day and you in this satisficate Cost about
vritten.	hand and seal on the day and year in this certificate first above
and the second s	Notary Public
My Commission expires (Note: Corporate surety attach power of attorney.)	anner y a more to
APPROVED BY:	APPROVED BY: OIL CONSERVATION COMMISSION OF NEW MEXICO
•	The state of the s
	Ву
Commissioner of Public Linds	



Production Department
Hobbs Division
Western Hemisphere Petroleum Division

Continental Oil Company P.O. Box 460 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 0il 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 0il 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.C. Oshlo

E. L. Oshlo Assistant Division Manager

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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 CORMISSION - 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-Fennsylvanian 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 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.

Report Commission learing - May 5 Case 5912 In the matter of the hearing called by the OCC on its own motion to consider the establishment of Categories of plugging bonds, \$50,000, and one-well bonds in amounts determined sufficient to reasonably pay the cost of plugging the wello covered by each bond. Welso to be considered will be the exclusion from future bond forms of provisions conditioning performance on recompense on damages to levistock, range, water, crops or tangible wie be the amendment of Rule 10 14 enguine above provisions. wellt paragraph (2) Concerning the 30 copies of ad Hobbes ~ Cutacia Farnington Koewell / Espanola alongreigne Bortale Dalenp

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NE	W MEXICO OIL CONSERVATION COMMISSION	
	COMMISSION HEARING	
	SANTA FE , NEW MEXICO	
earing Date	MAY 5, 1977	Time: 9:00 A.M.

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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

APPEARANCES

For the New Mexico Oil Conservation Commission:

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

SMA LEGAR TREE I SEPURITARING SECTIONS
Control Court Reporting Service
Cable Mejin, No. 125, Santa Fe, New Mexico 8750
Phone (505) 963-9212

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MR. RAMEY: We will call case 5912.

MS. TESCHENDORF: 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 fifty thousand dollars 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.

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

MS. TESCHENDORF: Lynn Teschendorf appearing on

behalf of the Commission and I have one witness to be sworn.

MR. RAMEY: Any other appearances?

(THEREUPON, the witness was duly sworn.)

MR. RAMEY: You may proceed, counselor.

DANIEL S. NUTTER

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

DIRECT EXAMINATION

BY MS. TESCHENDORF:

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- Q Please state your name and place of residence?
- A. Dan Nutter, Santa Fe, New Mexico.
- Q What is your occupation and by whom are you employed?
- A. I'm employed by the New Mexico Oil Conservation
 Commission as Chief Engineer.
- Q Do your activities as Chief Engineer for the Oil Commission include making recommendations on proposed rule changes?
 - A. Yes, they do.
- Q Are you familiar with the changes proposed in Case 5912?
 - A. Yes, I am.
 - Q Briefly what is that proposal?
- A. Briefly the proposal is to amend Rule 101 entitled "Plugging Bond of the Commission Rules and Regulations" and the bond forms which are used pursuant to that rule.
- Q Would you refer to Exhibit One now and explain it to the Commission?
- A. Okay. Exhibit Number One is a reprint of the front cover of Bulletin No. 2 issued by the Office of the State Geologist and the New Mexico State Land Office on November 1, 1931.

It is also a copy of page twenty-four of that
booklet regarding the bond which was required by the State
Geologist in 1931 for the drilling of oil and gas wells on State

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

- Q. Now refer to Exhibit Two and explain that?
- A. Exhibit Number Two is a reproduction of the front cover and three pages from Circular No. 5 issued by the Oil Conservation Commission on November 16, 1942.

On page thirty-three of that book Rule 39 which was from Order No. 4 which was effective August 12th, 1935 is reproduced. We see by examination of Rule 39 that in 1935 the Commission adopted a bond which would be set by the Commission but in no case would be more than ten thousand dollars. They also note by the red brackets, I think all of those exhibits are marked, that this bond could be issued by a surety company 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 of each individual surety or 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 a District Judge having jurisdiction over

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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 affidavit. The Commission reserves the right to decline to approve any bond with individual sureties.

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

In 1937, on April 26th, 1937, the Commission stated that 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 bound executed by a surety company and that the minimum drilling bond in all cases will be set at five thousand dollars.

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

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

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

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

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

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

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

- What order was entered in Case 5217?
- As I mentioned, the hearing was in April and June of 1974, Order Number 5019 was entered on May 20th, 1975 and it was effective July the first of 1975. Now while it did not change the rule relating to bonds it did have some reference to bonds in it.

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

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

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

That the State of New Mexico is arriving at approximately (quotes) middle age in oil and gas production.

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

That such wells constitute a potential underground hazard and a threat to the inviolability of ground waters and sid morrish reporting service Ceneral Court Reporting Service Calle Mejia, No. 122, Santa Fe, New Mexico 87 Phose (505) 962-9212

they must eventually be properly plugged and abandoned.

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

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

was entered which revised Rule 202. It defined a temporarily abandoned well; it allowed a drilling well to stay on an inactive status for sixty day; it allowed a producing or other well to remain on an inactive status for six months and then at that time it was required to have a temporary abandonment permit issued by the District Supervisor of the appropriate district. The temporary abandonment permit would be good for one year and could be renewed by the District Supervisor for an additional one year. Upon the expiration of the extension to the temporary abandonment permit, the well would be required to be put to beneficial use or plugged and abandoned unless it could be shown to the Commission after notice and hearing that good cause exists why the well should not be plugged and abandoneent

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permit should be issued.

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

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

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

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

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

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

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

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

- Q Why is there so much difference between the number of inactive gas wells and inactive oil wells?
- A. This is due to -- these figures are taken from our annual report and this is due to the mechanism in which the computer compiles these wells in the report.

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

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

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

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

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

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

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some cases it may be a combination of several reasons but

first of all, these figures that we obtained for the

hearing in 1974 were at the close of business in 1973 and the

impact of the Arab oil embargo had not been felt, the increase

in the price of oil had not yet been felt so as a result in

the increase of oil prices that came about after the embargo,

some of the old, inactive wells have been put back on production.

That's one reason the number of inactive oil wells has gone

down, the return to production of old wells.

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

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

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

- Q. What was the effect of that order?
- A. Okay, I will read some findings out of that order.

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

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

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

That a bill proposal has been formulated for introduction into the first session of the Thirty-third New Mexico

Legislature which will increase bonding requirements and will create an oil and gas reclamation fund.

That pending approval of such legislation the

Commission proposes to suspend for an indefinite period, not to

exceed one year, those portions of Rule 202-B that pertain to

notice and hearing requirements for further extensions of

temporary abandonment by the Commission.

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

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

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

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

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

Q Has there been any change since then?

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

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0. Would you refer to your Exhibit Four and explain that, please?

- A. Exhibit Number Four is a copy of the Act that amended the Commission's bonding authority. I don't have the chapter number on that.
 - Q. It's two thirty-seven.
- A. Chapter number two thirty-seven of the Laws of 1977. Now, the first significant thing that we are talking about here would be in Section 65-3-11, paragraph (1) which is on the second page of this. It was amended 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 conditioned for the performance of such regulations.

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

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

I'm going to read the real important parts here:

(Reading.) The Oil Conservation Commission shall establish categories of surety bonds after notice and hearing. Such

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

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

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

Paragraph C: When any bond is forfeited pursuant to the provisions of the Oil and Gas Act or rules and regulations promulgated pursuant thereto, the attorney general shall collect the forfeiture without delay.

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

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

(Reading.) When the surety bond proves insufficient

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

A new section, 65-3-37 was added to the statutes.

It's called "Oil and Gas Reclamation Fund Created-- Disposition of Fund." (Reading.) There is hereby created the "oil and gas reclamation fund". All funds in the fund and the earnings therefrom are appropriated to the Oil Conservation Commission to be expended by it in carrying out the provisions of the Oil and Gas Act. (End of reading.)

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

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

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

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

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

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

(End of reading.)

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

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

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

reading.)

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

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

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

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

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

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

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

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

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

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

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

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

Q Do you have some approximate figures of plugging costs?

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

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

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

Retainers are required in some plugging operations.

They run from eight hundred and sixty-two dollars for a two
and seven-eights inch, on down to six hundred and thirty-four
dollars for a five and a half inch because that's a much more
common size, on up to two thousand one hundred and eighty-eight

dollars for a thirteen and three-eighths inch.

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

Shooting four holes in the pipe from a depth of g zero to five thousand feet costs two hundred and twenty-five g 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.

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 thirtyfive cents a sack with a fifty-seven cent a sack mixing charge. Class C cement is three dollars and sixty cents a sack with the fifty-seven cent mixing charge. Then to get the cement out on the job they charge thirty-seven cents per 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.

A commercial pump truck such as BJ or Halliburton 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.

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

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

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

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

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and eighty dollars is the average for a ten thousand foot well.

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

- Q What is the maximum amount you have ever heard of for plugging one?
- A Well, we've had a number of wells that had to be reentered and replugged that cost about a hundred thousand dollars. There was one well that was a real problem. It wasn't a deep well, it was a shallow well but the pipe had corroded in it and it was very difficult to get back in it, reenter it, and the plugging costs on that were in excess of four hundred and thirty thousand dollars.
- Q Have the Commission bonds been adequate in general for plugging costs?
- A. They have in some cases and in other cases they have not been adequate. And you can see by these figures that if -they are not going to be adequate -- if we have a five thousand one-well bond as we have right now and we have a well seventy-

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

- Q Do you have a proposed rule change to provide for an adequate bond?
 - A. I sure do.
 - Q Would you refer to Exhibit Six and explain that?
- A Exhibit Six is the proposed rule change. This is the proposed Rule 101, Plugging Bond.

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

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fifty thousand dollars 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. (End of reading.)

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

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

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

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

Now, 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. This would be to take care of the situation where the company out there has a rig on the well, they are drilling away, they projected the well to nine thousand nine hundred and fifty feet and they find they are not reaching their objective at that depth and they want to revise their drilling plans and drill a little bit deeper, so they could go another ten percent without having to file a new bond or anything. This should eliminate any delays in holding up the drilling operations by permitting a ten percent tolerance at the tail end of the depth bracket.

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So 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.

(Reading) (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 1104 by the new owner of the well. (End of reading.)

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

(Reading.) 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. (End of reading.)

Now, that's the proposed rule.

- Q. Now refer to Exhibit Seven and explain that?
- A Exhibit Seven is a package of exhibits. They are bond forms which would be adopted or suggested for adoption in accordance with these proposed amendments of Rule 101.

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

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

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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 the land resulting from such oil and gas leases. Any bond so conditioned must be approved, not only by the Commission but by the Commissioner of Public Lands, in his capacity as such.

Section (f). 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.

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

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

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

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

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

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

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

The next page is the seventy-five hundred dollar onewell bond for those eight counties and a maximum depth of ninety-nine ninety-nine.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Q. Do you have anything further you wish to add?
- A. No, not at this time.
- Q Were Exhibits One through Seven prepared by you or under your supervision?
 - A. Yes.

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

MR. RAMEY: The Exhibits will be accepted.

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

CROSS EXAMINATION

BY MR. RAMEY:

- 0 Mr. Nutter, you proposed a six-months grace period or six plus months from June 17th until January 1 of '78 to enable operators to get new bonds?
 - A. Yes.
- Q. Would you require a new bond for any operator who acquired new wells or proposed to drill wells during that period or just give everybody a blanket six-month period?
- A. Oh, I think that if you adopt this and go to these revised figures for a bond that it should be effective maybe

 July 1st or some point immediately following the effective

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

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

CROSS EXAMINATION

12 BY MR. KENDRICK:

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

Yes, sir.

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

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

CROSS EXAMINATION

BY MR. LUCERO:

- Q Do you have a current inventory of all of the existing bonds that have been filed with the OCC offices?
- A. We don't have an inventory per se, we have the bonds.
- Q What procedure would you set up, you know, for the conversion and also the giving of notice to the various companies that have filed the bonds with you that a new one is going to be required?

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

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

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

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

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

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the	cost	undo	er :	the	bond	nov	v as	it i	s inc	lude	the	e re	emoval	of
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A. It probably wouldn't be enough to get a truck out there and haul it to the rendering plant.

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

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

A The ones that get hurt are always expensive.

CROSS EXAMINATION

14 BY MR. ARNOLD:

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

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

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

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

That would be an interesting suit, I think.

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

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

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

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

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

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

(THEREUPON, the witness was excused.)

MR. RAMEY: Do you have anything further, Ms.

Teschendorf?

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MS. TESCHENDORF: No, I don't.

MR. RAMEY: Any other statements in the case?

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

MR. RAMEY: Would you like to read it?

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

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

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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 with regard to wells which we operate.

We urgently request that the Commission take our performance record into consideration and get evidence of our financial responsibility in setting any bonding requirements for our company. We should be happy to supply you with 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 is more than adequate to insure our compliance with the rules and regulations. In fact, we would comply with them in the absence of a bond. It is therefore respectfully suggested that Continental's bonding requirements not be changed or if a change is considered necessary that the additional bonding represent only a moderate increase. (End of reading.)

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

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

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

MR. RAMEY: Those figures probably improved with gas?

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

MR. LUCERO: The logical conclusion of your comparison is that the costs have gone up proportionately too?

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

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

(THEREUPON, the hearing was adjourned.)

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.

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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.

-2-Case No. 5912 Order No. R-5432

- (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

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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:

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:

Actual or Projected Depth of Well	Amount of Bond
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:

Projected Depth of Proposed Well or Actual Depth of Existing 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

All Other Counties in the State:

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

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"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."

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- (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.

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"(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:

Projected Depth of Proposed Well or Actual Depth of Existing 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

All Other Counties in the State:

Projected Depth of Proposed Well or Actual Depth of Existing Well	Amount of Bond
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 oppropriate 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

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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 Pe 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, Chairman

EMERY C. ARNOLD, Member

JOE D. RAMEY, Member & Secretary

Tucero

SEAL

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	ound unto the State of New Mexico, for the use lant to Section 65-3-11, New Mexico Statutes Dollars (\$50,000.00) lawful money of the United

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	SURETY
Address	Address
	Additions
Signature	ByAttorney-in Fact
	,
Title	
Note: Principal, if corporation, affix corporate seal here.)	(Note: Corporate surety affix corporate seal here.)
	•
ACKNOWLEDGMENT FORM	FOR NATURAL PERSONS
TATE OF	
COUNTY OF) ss.	
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ree act and deed.	technowledged that he (they) executed the same as his (the
IN WITNESS WHEREOF, I have hereunto set my hand	d and seal on the day and year in this certificate first abo
vritten.	
Ay Commission expires	Notary Public
ACKNOWLEDGMENT FOR	RM FOR CORPORATION
TATE OF	
COUNTY OF) ss.	
On this day of	
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On this day of	, to me personally known who, being by n
On this day of	, to me personally known who, being by n
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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
For wells 5.	,000 feet to 10,000 feet	, the minimum bond is \$5,000.00* deep, the minimum bond is \$7,500.00* p, the minimum bond is \$10,000.00
		or \$7,500.00 bond may be permitted to be drilled as such being drilled under a \$5,000.00 bond may be permitted to go may be permitted to go may be permitted to go.
	File with Oil Conservation Commission,	· · · · · · · · · · · · · · · · · · ·
KNOW ALL MEN BY THES	SE PRESENTS:	
That		, (An individual) (a partnership)
(a corporation organized in	the State of	, (An individual) (a partnership) , with its principal office in the city of
	, State of	, and authorized to do business
in the State of New Mexico	, as PRINCIPAL, and	
Mexico, for the use and be Mexico Statutes Annotated, Dollars lawful money of the SURETY hereby bind thems The conditions of this WHEREAS, The above (CO ₂) gas leases, or helium on lands otherwise owned be WHEREAS, The above WHEREAS, The above the whole where we will be with the weight of the wilder of the	nefit of the Oil Conservation Comm. 1953 Compilation, as amended, in the United States, for the payment of selves, their successors and assigns, join obligation are such that: The principal has heretofore or may gas leases with the State of New Mester principal has heretofore or may gas leases on lands patented by the y private individuals; and	hereafter enter into oil and gas leases, or carbon dioxide e United States of America to private individuals, and ciation with one or more other parties, has commenced or
may commence the drilling or gas, or carbon dioxide (t started by others on land e and on land patented by the individuals, the identification	of one well not to exceed a depth CO ₂) gas or helium gas, or does ownbraced in said State oil and gas length to the United States of America to prior and location of said well being	offeet, to prospect for and produce oil vn or may acquire, own or operate such well, or such well eases, or carbon dioxide (CO ₂) leases, or helium gas leases, vate individuals, and on land otherwise owned by private the company of the state exact legal subdivision by 40-acre tract or lot)
Section	, Township(N	forth) (South), Range(East) (West), N.M.P.M.
any of them, shall plug said the Oil Conservation Comm	l well when dry or when abandone	I surety or either of them or their successors or assigns, or d in accordance with the rules, regulations, and orders of as to confine the oil, gas, and water in the strata in which trata;
•		oid; otherwise and in default of complete compliance with

EXHIBIT "B"

any and all of said obligations, the same shall remain in full force and effect.

Order No. R-5432

PRINCIPAL	SURETY
Address	Address
Ву	Ву
Signature	Attorney-in Fact
Title	
(Note: Principal, if corporation, affix corporate scal here.)	(Note: Corporate surety affix corporate seal here.)
ACKNOWLEDGMENT FORM	FOR NATURAL PERSONS
STATE OF	
On thisday of	, 19, before me personally appeared
described in and who executed the foregoing instrument and ac	to me known to be the person (persons)
free act and deed.	· · · · · · · · · · · · · · · · · · ·
	and seal on the day and year in this certificate first above
written.	
My Commission expires	Notary Public
my Continuosion expires	
STATE OF	M FOR CORPORATION
On this day of duly sworn, did say that he is	, 19, before me personally appeared, to me personally known who, being by me of
On this day of duly sworn, did say that he is behalf of said corporation by authority of its board of directors	, 19, before me personally appeared, to me personally known who, being by meof and that the foregoing instrument was signed and sealed on
On this day of	, 19, before me personally appeared, to me personally known who, being by meof and that the foregoing instrument was signed and sealed on
On this	, 19, before me personally appeared, to me personally known who, being by me of and that the foregoing instrument was signed and sealed on rs, and acknowledged said instrument to be the free act and
On this day of	, 19, before me personally appeared, to me personally known who, being by me of and that the foregoing instrument was signed and sealed on rs, and acknowledged said instrument to be the free act and and seal on the day and year in this certificate first above
On this day of	
On this	

Date __

ONE-WELL PLUGGING BOND

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

	BOND NO
	BOND NO. (i'or Use of Surety Company)
	AMOUNT OF BOND
	COUNTY
For wells more than 10,000 feet deep	deep, the minimum bond is \$10,000.00*, the minimum bond is \$12,500.00
Under certain conditions, a well being drilled under a \$7,500 or 3 as 500 feet deeper than the normal maximum depth, i.e., a well bei to 5,499 feet, and a well being drilled under a \$10,000.00 bond maximum.	\$10,000.00 bond may be permitted to be drilled as such ing drilled under a \$7,500.00 bond may be permitted to go ay 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 managarhim)
a corporation organized in the State of	with its principal office in the city of
, State of	and authorized to do husiness
n the State of New Mexico), as PRINCIPAL, and	, a
corporation organized and existing under the laws of the	State of
Mexico, for the use and benefit of the Oil Conservation Comm Mexico, for the use and benefit of the Oil Conservation Comm Mexico Statutes Annotated, 1953 Compilation, as amended, in Mexico Statutes Annotated, 1953 Compilation, as amended, in Mexico Statutes Annotated, 1953 Compilation, as amended, in Mollars lawful money of the United States, for the payment of SURETY hereby bind themselves, their successors and assigns, joint payments of the successors and assigns as a successor and assigns as a successor and assigns as a successor as a successor as a successor and assigns as a successor and assigns as a successor as a succe	the sum of which, well and truly to be made, said PRINCIPAL and
The conditions of this obligation are such that:	
WHEREAS, The above principal has heretofore or may h	——————————————————————————————————————
WHEREAS, The above principal has heretofore or may here here heretofore or may heretofore or may heretofore or may heretofore or ma	
WHEREAS, The above principal, individually, or in associancy commence the drilling of one well not to exceed a depth or gas, or carbon dioxide (CO ₂) gas or helium gas, or does ow started by others on land einbraced in said State oil and gas leand on land patented by the United States of America to privindividuals, the identification and location of said well being	offeet, to prospect for and produce oil or may acquire, own or operate such well, or such well eases, or carbon dioxide (CO ₂) leases, or helium gas leases, vate individuals, and on land otherwise owned by private
Section, Township(No(No	
NOW, THEREFORE, If the above bounden principal and any of them, shall plug said well when dry or when abandoned the Oil Conservation Commission of New Mexico in such way they are found, and to prevent them from escaping into other st	d in accordance with the rules, regulations, and orders of as to confine the oil, gas, and water in the strata in which
THEN, THEREFORE, This obligation shall be null and wany and all of said obligations, the same shall remain in full force	

EXHIBIT "C"

Order No. R-5432

Address By	
Signature Title (Note: Principal, if corporation, affix corporate seal here.) ACKNOWLEDGMENT FORM FOR NATURAL PERSONS STATE OF	
Title (Note: Principal, if corporation, affix corporate seal here.) (Note: Corporate surety affix corporate seal here.) ACKNOWLEDGMENT FORM FOR NATURAL PERSONS STATE OF	
ACKNOWLEDGMENT FORM FOR NATURAL PERSONS STATE OF	rate seal here.)
STATE OF	. •
STATE OF	
STATE OF	
STATE OF	
On this, 19, before me p	
to the known to be the	
described in and who executed the foregoing instrument and acknowledged that he (they) executed the free act and deed.	
IN WITNESS WHEREOF, I have hereunto set my hand and seal on the day and year in this cerwritten.	rtificate first above
Notary Public	
My Commission expires	
duly sworn, did say that he is and that the foregoing instrument was signeral deed of said corporation by authority of its board of directors, and acknowledged said instrument to be deed of said corporation.	o gned and sealed or
IN WITNESS WHEREOF, I have hereunto set my hand and seal on the day and year in this cer written.	rtificate first above
My Commission expires Notary Public	
ACKNOWLEDGMENT FORM FOR CORPORATE SURETY	
STATE OF	
On thisday of, to me perso	, 19, before
me appeared, to me perso being by me duly sworn, did say that he is	nally known, who
and that the foregoing instrument was significant to behalf of said corporation by authority of its board of directors, and acknowledged said instrument to be	gned and sealed or
deed of said corporation. IN WITNESS WHEREOF, I have hercunto set my hand and seal on the day and year in this cerwritten.	rtificate first abov
Notary Public	
•	
My Commission expires (Note: Corporate surety attach power of attorney.) APPROVED BY: OIL CONSERVATION COMMISSION O	F NEW MEXICO
(Note: Corporate surety attach power of attorney.) APPROVED BY:	

Date

Findings: (16) That between September 1, 1977, and Decomber 31, 1977, all existing plugging books in effect on June 16, 1977, should be replaced by new books with Role 101, as amended. Orders : (3) That between September 1,1977, and December 31, 1977, all existing bonds of in effect on June 16, 1977, whale he replaced bey new bonds filed in accordance with Piece 101 & the Commission fules and fegulations, as amended above.

ROUGH DRAFT

R

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.

S

Dow

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 NEXT 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 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 mandaling 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

-3-Case No. 5912 Order No. R-

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.

- 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:

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

-4-Case No. 5912 Order No. R-

In all other counties of the state:

Actual or Projected Depth of Well	Amount of Bond
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 ten percent deeper than the maximum depth allowed on the well's bond.
- 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 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 the damages to the livestock, range, water, crops or tangible improvements on state oil and gas leases where the surface of the hands 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:

Projected Depth of Proposed Well or Actual Depth of Existing 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

All Other Counties in the State:

Projected Depth of Proposed Well or Actual Depth of Existing Well	Amount of Bond
Less than 5,000 feet 5,000 feet to 10,000 feet	\$ 7,500 \$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 wormed 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."

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- of Rule 101 of the Commission Rules and Regulations should be approved by the Commission are after that Late.

 June 17, 1977, and any bond issued subsequent to that date should written be issued in accordance with the amended rule.
- 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 12 days is such reasonable period of time.
- (16) That all existing plugging bonds in effect June 16, 1977, should the sequence of the sequ
- (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:

Projected Depth of Proposed Well or Actual Depth of Existing 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

All Other Counties in the State:

Projected Depth of Proposed Well or Actual Depth of Existing Well	Amount of Bond
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 hond. Any well to be drilled more than the mount 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.

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- (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 Mayico, on the day and man have the day and man have the day and man have the day.

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

\$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 8750))
KNOW ALL MEN BY THESE PRESENTS:	•
That	(An individual) (a partnership)
That	, 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
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, as SURETY, are held firml	y bound unto the State of New Mexico, for the use
and benefit of the Oil Conservation Commission of New Mexico pr	rsuant to Section 65-3-11, New Mexico Statutes
Annotated, 1953 Compilation, as amended, in the sum of Fifty Thousan	nd Dollars (\$50,000.00) lawful money of the United
States, for the payment of which, well and truly to be made, said PRIM	ICIPAL and SURETY hereby bind themselves, their
successors and assigns, jointly and severally, firmly by these presents.	1
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 (CO ₂)
gas leases, or helium gas leases with the State of New Mexico; and	
WHEREAS, The above principal has heretofore or may herea	fter enter into oil and gas leases, or carbon dioxide
(CO ₂) gas leases, or helium gas leases on lands patented by the United	
lands otherwise owned by private individuals; and	diates of America to private minividuals, and or
WHEREAS, The above principal, individually, or in association will commence the drilling of wells to prospect for and produce oil or gas, or or may acquire, own or operate such wells, or such wells started by other carbon dioxide (CO ₂) gas leases, or helium gas leases, and on lands principals, and on lands otherwise owned by private individuals, the identity waived by both principal and surety hereto.	carbon dioxide (CO ₂) gas or helium gas, or does own s on land embraced in said State oil and gas leases, or natented by the United States of America to private
NOW, THEREFOKE, If the above bounden principal and surety of them, shall plug all of said wells when dry or when abandoned in according Conservation Commission of New Mexico in such way as to confine found, and to prevent them from escaping into other strata;	cordance with the rules, regulations, and orders of the
THEN, THEREFORE, This obligation shall be null and void; other and all of said obligations, the same shall remain in full force and effect.	wise and in default of complete compliance with any
PROVIDED, HOWEVER, That thirty (30) days after receipt by written notice of cancellation from the surety, the obligation of the su acquired, drilled, or started after said thirty (30) day period but shall	rety hereunder shall terminate as to property or wells

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 Us	of Surety Company)
			AMOUNT OF BOND)
		· · · · · · · · · · · · · · · · · · ·	COUNTY	
NOTE: For wells less than 5 For wells 5,000 feet For wells more than 1	to 10,000 fee 0,000 feet de	t deep, the miner the miner the miner the minimum	nimum bond is m bond is \$10	\$7,500.00* ,000.00
*Under certain conditions, a well being dri as 500 feet deeper than the normal maximum to 5,499 feet, and a well being drilled un	lied under a \$5,000. depth, i.e., a well der a \$7,500.00 bond	00 or \$7,500.00 bond m being drilled under a may be permitted to g	may be permitted to b \$5,000.00 bond may to to 10,500 feet.	e drilled as much be permitted to go
		n, P. O. Box 2088, San		
KNOW ALL MEN BY THESE PRESENTS	i:			
That		:	, (An individ	ual) (a partnership)
	ite oi -		, entre pocitivi	Tree to go casement
in the State of New Mexico), as PRINCIPA corporation organized and existing und	AL, and			, a
Mexico Statutes Annotated, 1953 Compil Dollars lawful money of the United State SURETY hereby bind themselves, their successions.	es, for the payment	of which, well and	truly to be made, sa	id PRINCIPAL and
The conditions of this obligation are	such that:			4 (**) 38 (**)
WHEREAS, The above principal ha (CO ₂) gas leases, or helium gas leases with			oil and gas leases.	or carbon dioxide
WHEREAS, The above principal ha (CO ₂) gas leases, or helium gas leases on la on lands otherwise owned by private indiv	ands patented by t	y heleafter enter into he United States of	oil and gas leases America to priva	or carbon dioxide ite individuals, and
WHEREAS, The above principal, incompay commence the drilling of one well mor gas, or carbon dioxide (CO ₂) gas or histarted by others on land embraced in sa and on land patented by the United Statindividuals, the identification and location	not to exceed a dep elium gas, or does o id State oil and gas tes of America to p	th of	feet, to prospect own or operate suc xide (CO ₂) leases, o	for and produce oil h well, or such well or helium gas leases, e owned by private
Section, T	ownship(County, New Mexico	North) (South), Ra	nge(East	(West), N.M.P.M.
NOW, THEREFORE, If the above to any of them, shall plug said well when dethe Oil Conservation Commission of New they are found, and to prevent them from	ry or when abandor Mexico in such wa	ned in accordance wi y as to confine the o	th the rules, regula	tions, and orders of

Exhibit "B" Order No. R-5432

any and all of said obligations, the same shall remain in full force and effect.

THEN, THEREFORE, This obligation shall be null and void; otherwise and in default of complete compliance with

ONE WELL PLUGGING BOND

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

*	BOND NO.
	(For Use of Eurety Company)
•	AMOUNT OF BOND
	COUNTY
For wells 5,000 feet	5,000 feet deep, the minimum bond is \$7,500.00* to 10,000 feet deep, the minimum bond is \$10,000.00* 10,000 feet deep, the minimum bond is \$12,500.00
*Under certain conditions, a well being d as 500 feet deeper than the normal maxim to 5,499 feet, and a well being drilled	rilled under a \$7,500 or \$10,000.00 bond may be permitted to be drilled as much um depth, i.e., a well being drilled under a \$7,500.00 bond may be permitted to go 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
en de la companya de	
KNOW ALL MEN BY THESE PRESEN	TS:
75.	(A. a. tadtardaal) (A. a. tadtardaal) (A. a. tadtardaal)
(a corneration organized in the State of	, (An individual) (a partnership) of, with its principal office in the city of
(a corposation organized in the State C	State of, and authorized to do business
in the State of New Mexico), as PRINC	IPAL, and, a
	nder the laws of the State of,
	State of New Mexico, as SURETY, are held firmly bound unto the State of New
	Oil Conservation Commission of New Mexico pursuant to Section 65-3-11, New
	·
	pilation, as amended, in the sum of
Dollars lawful money of the United St	ates, 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 a	ire such that:
•	
	has heretofore or may hereafter enter into oil and gas leases, or carbon dioxide
(CO ₂) gas leases, or helium gas leases wi	th the State of New Mexico; and
	has heretofore or may hereafter enter into oil and gas leases, or carbon dioxide
(CO ₂) gas leases, or helium gas leases or lands otherwise owned by private indivi	n lands patented by the United States of America to private individuals, and on iduals; and
WHEREAS, The above principal.	individually, or in association with one or more other parties, has commenced or
may commence the drilling of one wel	If not to exceed a depth offeet, to prospect for and produce oil r helium gas, or does own or may acquire, own or operate such well, or such well
or gas, or carbon dioxide (CO ₂) gas or	r 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 S	States of America to private individuals, and on land otherwise owned by private
	cation of said well being (Here state exact legal subdivision by 40-acre tract oi lot)
	(Here state exact legal subdivision by 40-acre tract or lot)
Section	Towiship (North) (South), Range (East) (West), N.M.P.M.
	_ County, New Mexico.
en e	
	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
	lew 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	
mey are round, and to prevent mem in	an amakud nun amar musal
THEN, THEREFORE. This oblid	ation shall be null and void; otherwise and in default of complete compliance with
any and all of said obligations, the sam	·

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 be and benefit of the Oil Conservation Commission of New Mexico pursu Annotated, 1953 Compilation, as amended, in the sum of Fifty Thousand I States, for the payment of which, well and truly to be made, said PRINCII successors and assigns, jointly and severally, firmly by these presents.	ant to Section 65-3-11, New Mexico Statutes Dollars (\$50,000.00) lawful money of the United

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, THEREFOKE, 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.

Memo

new mexico Resident agent counter signature is no longer required -

Signed + Dealest the _ day of -

Memo

WALDO ALARID

There are Company's that
Dreed Khurk the M. M.
President agent is required
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Dais usually delongs the
Leand reaching this office -

The signed & Dealed date

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opinion

1 All Other Counties in the State: Projected Depth of Proposed Well or Actual Depth of Existing Well

Amount

Less than 5,000 feet 5,000 feet to 10,000 feet More than 10,000 feet

4 40 ---

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 the 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 any intentionally deviated well shall be determined by the well's measured depth, and not its true westical 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.

in the matter of the hearing called BY THE OIL CONSERVATION COMMISSION ON its don motion to consider the estab-LISHMENT OF CATEGORIES OF PLUSGING BONDS, including blanket bonds not exceeding 450,000.00 AND ONE-WELL BONDS IN AMOUNTS Determined sufficient to reasonably Pan THE COST OF PLYSCING THE WELLS COVERED By BACH BOND: ALSO TO CONSIDER THE EXCLUS-IDN 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 REGULATION'S CONCERNING THE ABOVE PROVISIONS.

CASE		5912	
	•	-	
Orde	No.	R-	

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on Man 5 1977, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, here inafter referred to 4s the "Commission." a quorum being present, having considered the testimony and exhibits and being fully aguited in the premises. 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 provision of Seation (55-3-11 (1), NMSA 1953 Comp., The Commission has herefelore promulgated fule 101, PLUSEING BEND to secure plugging of abandoned ail and gas writes in the state of her bulgies.

(3) That said Rule 101 requires that aperatore of ail and gas wrele in abtain one-weel at bonds in an amount to be determined by the Commission, but not more than \$10,000.00 for each year, to spetty the source of sacry year, to spetty the source of the amount of the amount of \$10,000.00.

(4) That since "The Commission by at the spect practice has adapted \$5000,00 to being the usual amount for one-wree bonds.

(5) That the mumber of wells called up for "farced plugging" hearings has becreased greatly during the past several years

exerctions, The presently required \$5,000.00 me-well plugging bond is inakquate to ever plugging earts. I amy but shallow wills in the near vicinity to the service centers of hew mexico's oil and gas fills, and That the presently required \$10,000 blanked bond is inalequate to cover plugging losts of one leep well much like.

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

(8) That in view of part inadequacy of certain bounds to cover the lost of plugging week, and the great increase in the mumber of "foral plugging "cases called by the Commission during the part few years, and as described in Findings hos. (6) and (5) above, and pursubut to the entherity the the leminion by the above-described amendment of answer of this pare were based to consider.

\$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 the affective provisions.

(9) That the widence address of the hearing of this case established that the blanket plugging boul for wells drilled on privately, award on whate owned lands within this state whould be a curety bond in the amount of Jifle, thousand bollon (\$50,000) conditional that all oil, gas, or service wells drilled and explicitly or operated in this state by the phinoipal on the bond he phyged and about on prophiance with the suggest and all assumed in pompliance with the succession.

(10) That The evidence fisher whatlisher that sang yell trailed should be a sund from that the well lovered by the bould be plugged and about in Compliance with the sular segulation and the Commission, and the said successful before for the amounts to beautiful before in accordance with the pelowing depths oud locations of wells:

In Chaves, kelly, Lea, Mc Kinley, Fis Beriba, foosevelt, Sandoval, and San Juan Carmties:

Depth of well 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

Depth of thee of Band

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 that an invest plugging thouls should stipulate that an actually drilling well could be granted a revised drilling permit for drilling as much as test percent deeper than the maximum depth accased on the week's bond.

(2) That insermed as the above-lessible lands are plugging bonds intended to seems the plugging of abandoned wach, and the amounts of the touch for various depths and locations, as well as the effect above-bescribed blanket bond, are act minimum amounts for all proper plugging and abandonment for the land form proving used by the Commission and conditioned not only for the plugging of the affected well or well, but also to pleure the playment of such lamages to the livestock, range, water, brops or tampble improvements on state ail and

(13) That Ruce 101 of the Commission Ruces and Regulations schooled be revised to read in its continety 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:

or Actual Depth of Existing Well	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

All Other Counties in the State:

Projected Depth of Proposed Well or Actual Depth of Existing Well	Amount of Bond
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 anentress
of Ruce 101 of the Commission from and
Deplations of such less for the first formed for appearance of meets in hew keepies to obtain seen for separance pristing bonds, said seen bonds to be written in accordance with Provided, on and that six months and 13 days is much treasurable prist of time.

(16) That all existing plugging tooks in effect June 16, 1977, phaselier replaced by Aw Goods written in compliance with fue 101, as amended, by December 31, 1977.

Office of the Commission should have authority of shut in or shut down operations on any well not lovered by a bond intert written in

compliance with Run 101, as amended, on January 1, 1978. (18) That new bout forms should be prepared and attached to his arder thereto, present thereto, preseribing mage to be used a sissued after The formal and langua on all plugging bonds June 16, 1977. (1) That effective June 17, 1477, Ruce 101 of The Commission Present and Regulations shall read in its entirety as follows:

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

The state of the s	GOND NO. (For Use of Surety Company)
	(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, State of	, with its principal office in the city of
in the State of New Mexico), as PRINCIPAL, and	, and authorized to do business
corporation organized and existing under the laws of the State of authorized to do business in the State of New Mexico with duly appointed Mexico to execute this bond on behalf of the surety company, as SURETY, a Mexico, for the use and benefit of the Oil Conservation Commission of New Mexico Statutes Annotated, 1953 Compilation, as amended, and for the use contract or deed to state lands, with minerals reserved, their grantees or 7-11-20, New Mexico Statutes Annotated, 1953 Compilation, as amended, Dollars lawful money of the United States, for the payment of which, well	resident agent licensed in the State of New are held firmly bound unto the State of New w Mexico pursuant to Section 65-3-11, New e and benefit of purchasers holding purchase successors in interest, pursuant to Section in the sum of Five Thousand (\$5,000.00)
SURETY hereby bind themselves, their successors and assigns, jointly and seve	- · · · · · · · · · · · · · · · · · · ·
The conditions of this obligation are such that	
The conditions of this obligation are such that:	e Zin
WHEREAS, The above principal has heretofore or may hereafter ento (CO ₂) gas leases, or helium gas leases with the State of New Mexico; and	er into oil and gas leases, or carbon dioxide
WHEREAS, Said leases were entered into by the said principal, subjection 7-11-20, New Mexico Statutes Annotated, 1953 Compilation, as amer	
WHEREAS, Ali or part of the lands embraced in said leases have been New Mexico, to various purchasers who hold limited patents from the State and	·
WHEREAS, The above principal, individually, or in association with o may commence the drilling of one well not to exceed a depth of or gas, or carbon dioxide (CO ₂) gas or helium gas, or does own or may ac started by others on land embraced in said State oil and gas leases, or carbon and on land patented by the United States of America to private individual individuals, the identification and location of said well being (Here s	feet, to prospect for and produce oil quire, own or operate such well, or such well on dioxide (CO ₂) leases, or helium gas leases, the and on lead otherwise ground by private
Section, Township(North) (South County, New Mexico.	tate exact legal subdivision by 40-acre tract or lot)), Range(East) (West), N.M.P.M.
NOW, THEREFORE, If the above bounden principal and surety or eit any of them, shall plug said well when dry or when abandoned in accordar the Oil Conservation Commission of New Mexico in such way as to confine they are found, and to prevent them from escaping into other strata;	nce with the rules, regulations, and orders of
AND FURTHER, If the above bounden principal and surety or either of them, upon demand shall make good and sufficient recompense, satisfa purchase contracts or holders of patents for State lands, with minerals radministrators, successors and assigns, for all damages to the livestock, rang such lands as may be suffered by such purchasers or their successors in into occupancy of such lands by such lessee or principal, or for such damages determine and fix in any action brought on this bond;	action or payment unto the holders of State eserved to the State, their heirs, executors, e, water, crops, or tangible improvements on erest, by reason of such development, use or
THEN, THEREFORE, This obligation shall be null and void; otherwise any and all of said obligations, the same shall remain in full force and effect.	

PRINCIPAL	SURETY
Address	Address
_	
Signature	ByAttorney-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 attor shall countersign here below.)	eney-in-fact not in New Mexico, the resident New Mexico agen-
Countersigned by:	
	· · · · · · · · · · · · · · · · · · ·
New Mexico Resident Agent	Address
ACKNOWLEDGMENT FOR	RM FOR NATURAL PERSONS
COUNTY OF) ss.	
COUNTY OF) 33	en de la companya de La companya de la co
On thisday of	, 19, before me personally appeared
	, to me known to be the person (persons d acknowledged that he (they) executed the same as his (their
ree act and deed.	(41.7)
IN WITNESS WHEREOF, I have hereunto set my ha	and and seal on the day and year in this certificate first above
vritten.	
My Commission expires	Notary Public
ny commission expires	
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	and that the foregoing instrument was signed and sealed or
behalf of said corporation by authority of its board of directed of said corporation.	ctors, and acknowledged said instrument to be the free act an
IN WITNESS WHEREOF, I have hereunto set my h	and and seal on the day and year in this certificate first above
vritten.	
	Notary Public
My Commission expires	
ACKNOWLEDGMENT FOR	M FOR CORPORATE SURETY
MEATE OF	
STATE OF) SCOUNTY OF)	
ne appeared	, to me personally known, who
being by the duty sworn, did say that he is	
	and that the foregoing instrument was signed and sealed of octors, and acknowledged said instrument to be the free act an
	and and seal on the day and year in this certificate first above
vritten.	
	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 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:

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

Revised plans for an actively dril; if g w 2 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.

2x 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:	/Fifty (\$50,000.00)
That	, (An individual) (a partnership) , with its principal office in the city of , and authorized to do business in
this bond on behalf of the surety company, as SURETY and benefit of the Oil Conservation Commission of	e State of, and authorized ointed resident agent licensed in the State of New Mexico to execute /, are held firmly bound unto the State of New Mexico, for the use New Mexico pursuant to Section 65-3-11, New Mexico Statutes
ctate lands, with minerals reserved, their grantees or succ	use and benefit of purchasers holding purchase contract or deed to ressure in interest, pursuant to Section 7-11-20, New Mexico Statutes of A-n Thousand (\$10,000,00) Dollars lawful money of the United made, said PRINCIPAL and SURETY hereby bind themselves, their ese presents.
The conditions of this obligation are such that:	
WHEREAS, The above principal has heretofore or gas leases, or helium gas leases with the State of New Mex	may hereafter enter into oil and gas leases, or carbon dioxide (CO ₂)
WHEREAS, Said-leases were entered into by the se 7-11-20, New Mexico Statutes Annotated, 1953 Compile	nid principal, subject to the requirements of the provisions of Section tion, as amended; and
	said-leases have been sold, with minerals reserved to the State of New rom the State of New Mexico or State purchase contracts; and
commence the drilling of wells to prospect for and produ or may acquire, own or operate such wells, or such wells carbon dioxide (CO ₂) gas leases, or helium gas leases,	n association with one or more other parties, has commenced or may see oil or gas, or carbon dioxide (CO_2) gas or helium gas, or does own started by others on land embraced in said State oil and gas leases, or and on lands patented by the United States of America to private dividuals, the identification and location of said wells being expressly
of them, shall plug all of said wells when dry or when a	ipal and surety or either of them or their successors or assigns, or any bandoned in accordance with the rules, regulations, and orders of the ay as to confine the oil, gas, and water in the strata in which they are ita;
them, upon demand shall make good and sufficient reconstructs or holders of patents for State lands, with a successors and assigns, for all damages to the livestock, as suffered by such purchasers or their successors in interes	and surety or either of them or their successors or assigns, or any of impense, satisfaction or payment unto the holders of State purchase ninerals reserved to the State, their herrs, executors, administrators, ungo, water, crops, or tangule improvements on such lands as may be it, by reason of such development, use or occupancy of such lands by it of competent jurisdiction may determine and fix in any action
THEN, THEREFORE, This obligation shall be null and all of said obligations, the same shall remain in full for	and void; otherwise and in default of complete compliance with any orce and effect.
written notice of cancellation from the surety, the oblin	fter receipt by the Oil Conservation Commission of New Mexico of gation of the surety hereunder shall terminate as to property or wells cried but shall continue in effect, notwithstanding said notice, as to
Signed and scaled this day of	

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.				
		11	Lander	£ *******	

(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 __ and authorized to do business . State of in the State of New Mexico), as PRINCIPAL, and corporation organized and existing under the laws of the State of ____ 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 purchases 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 ection 7-11-20, New Mexico Statutes Annotated, 1953 Compilation, as amended; and WHEREAS, All or part of the lends 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; four thousand, nine kundred ninety nine (4,999) 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) _(North) (South), Range_____(East) (West), N.M.P.M. _, Township_ _ 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 bounder principal and strety 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 parchase contracts or holders of parents for State lands with numerals reserved to the State, then hens, executions, administration, successors and acquain for all damages to the livestock, range, water, crops, or tangels improvements on such lands as may be suffered by such procluses or their successors in interest, by reason of such development, as or economic of such lands by such leaves or principal, or for such damages as a court of computent jurisdament 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 scaled this _______day of ________, 19______

WHEREAS. The above principal has heretofore or may be reafter enter into oil and has leases, or carbon dioxide (CO₂) gas leases, or helming as 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 MCXICO -\$5,000.00 ONE WELL PLUGGING AND INDEMNITY BOND

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

BOND NO.	Was the of Sugary Community
	Strate like as Screente Carecas and b

(Note: File with Oil Conservation Commission, Santa Fe, New Mexico.) KNOW ALL MEN BY THESE PRESENTS: That . (An individual) (a partnership) _____, with its principal office in the city of (a corporation organized in the State of _ __, and authorized to do business State of in the State of New Mexico), as PRINCIPAL, and corporation organized and existing under the laws of the State of __ 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 purchases 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 (55.000.00) 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 (\$7,500.0) 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 Section 7-11-20, Now 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; andnine 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) (North) (South), Range (East) (West), N.M.P.M. _, Township_ 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 bounder principal and surety or either of them or their successors or assigns; or any of them, upon demand shall make good and softicient recompense, satisfaction or payment unto the holders of Statepurchase contracts or holders of patents for State Linds, with indicate reserved to the State, their heis, executous, administratore, successive and assigne, for all dansigne to the livestock, range, water, crops, or tangible improvements on such lands as may be suffered by such purchases or their successors in interest, by remon of such development, use ar ecopancy-of-meli-lande by much leave on principal, or for-meli-damages in a court of computent 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

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

any and all of said obligations, the same shall remain in full force and effect.

Signed and scaled this,

_____day of ___

\$10,000.00 STATE OF NEW MIXICO -\$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)

	. •	Commission, Santa Fe, New Mex	•
****	IL A L. AAUAL DAS STRUCK DAS	104151770	
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	That		, (An individual) (a partnersl, with its principal office in the city
(a cor	rporation organized in the Si	ate of	with its principal office in the city
in the	State of New Mexico), as Pl	, State of	and authorized to do busin
corpo	ration organized and existi	ng under the laws of the Sta	ate of
			appointed resident agent licensed in the State of
			SURETY, are held firmly bound unto the State of a ion of New Mexico pursuant to Section 65-3-11.
			for the use and benefit of purchasers holding purch
iontra	ect or deed to state lands.	with minerals reserved, their gi	rantees or successors in interest, pursuant to See
			amended; in the sum of Five Thousand (\$5.000
			thich, well and truly to be made, said PRINCIPAL ly and severally, firmly by these presents.
	te hereby blid the mornes,	titeri saccessors and assigns, jonic	y and arready, analy by these presents.
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		ses with the State of New Mexico	
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rctio	ALL SA EO ¹ EAST INSTANCED DIRECT	stes-rimstates, 1700 compliant	n, as antonaca, and
			have been sold, with minerals reserved to the State
	Mexico, to-various-purchaser	s-who-hold-limited-patents from	the State of New-Mexico-or State purchase contri
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Harte	d by others on Jand embrace	gas or helium gas, or does own e ed in said State oil and gas lease	or may acquire, own or operate such well, or such es, or carbon dioxide (CO2) leases, or helium gas leases.
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\$7,500.00 STATE OF NEW MEXICO -65,000.00 ONE-WELL PLUGGING AND INDEMNITY BOND

FOR ALL COUNTIES OTHER THAN CHAVES, EDDY, LEA, MCKINLEY, RIO ARRIBA, ROOSEVELT, SANDOVAL, AND SAN JUAN BOND NO. _____

BOND NO. (For Use of Surety Company)

NOW ALL MEN BY THESE PRESENTS:	
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That	, (An individual) (a partnershi , with its principal office in the city
corporation organized in the State of	and authorized to do busing
the State of New Mexicol as PRINCIPAL and	, and authorized to do busine
mounting manifest and existing make the laws	of the State of, a
	o with duly appointed resident agent licensed in the State of No
	ompany, as SURETY, are held firmly bound unto the State of N
	on Commission of New Mexico pursuant to Section 65-3-11, N
•	ended, and for the use and benefit of purchaser, holding purch
ntract or deed to state lands, with minerals reser	ved, their grantees or successors in interest, pursuant to Secti
11-20, New Mexico Statutes Annotated, 1953 Com	apilation, as amended, in the sum of Five Thousand (\$5,000.0
	syment of which, well and truly to be made, said PRINCIPAL a
JRETY hereby bind themseives, their successors and	assigns, jointly and severally, firmly by these presents.
The conditions of this obligation are such that:	Seven Thousand Five Hundre
	or may hereafter enter into oil and gas leases, or carbon diox
O ₂) gas leases, or helium gas leases with the State of	New Mexico; and
WHEREAS Said leaves mass entered into hy t	he-said-principal, subject to the requirements of the provisions
ection 7-11-20, New Mexico Statutes Annotated, 1953	
	y Connymentation, and continued, and
WHEREAS, All or part of the lands embraced in	in said leases have been sold, with minerals recorved to the State
ew-Mexico, to-various purchasers who-hold-limited	patents from the State of New Mexico or State purchase contra
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WHEREAS, The above principal, individually, or	r in association with one or more other parties, has commenced
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County, New	
	ncipal and surety or either of them or their successors or assigns,
	abandoned in accordance with the rules, regulations, and orders
	such way as to confine the oil, gas, and water in the strata in wh
ey are found, and to prevent them from escaping into	o other strata;
AND FUDTURD to do a la l	il and sirety or either of them or their successors or assigns; or
	nt and safety of entire entarity of their safets of assigns, of a
religion constructe are trablace of entante for State I	lands, with minerals reserved to the State, then hens, escent
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	their successors in interest, by reason of such development, no
	, or for such damages as a court of compotent pumbeton-n
Morning and lix-in-differential brought on this bond;	
A STATE OF THE STA	
THEN, THEREFORE, This obligation shall be a	adl and void; otherwise and in default of complete compliance w
y and all of said obligations, the same shall remain in	
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Signed and scaled thisday of _	, 19
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\$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

ANDOVAL, AND SAN JUAN BOND NO:

(NOW ALL MEN BY THESE PRESEN	NTS:	
That		. (An individual) (a partnershi
a corporation organized in the State (of	, with its principal office in the city of
a the Cente of Name Managers on DD INC	State of	, and authorized to do busine
		, 31
		nted resident agent licensed in the State of No
fexico to execute this bond on behalf fexico, for the use and benefit of the	of the surety company, as SURET Oil Conservation Commission of	Y, are held firmly bound unto the State of No. New Mexico pursuant to Section 65-3-11, No.
		use-and benefit-of purchasers holding purcha
		or sticessors in interest, pursuant to Section
	tates, for the payment of which,	led; in the sum of Five Thousand (\$5,000.0) well and truly to be made, said PRINCIPAL as 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 dioxi
CO2) gas leases, or helium gas leases w		• • • • • • • • • • • • • • • • • • • •
WHEREAS, Said leases were ent	tered into by the said principal,	subject to the requirements of the provisions
ection 7-11-20, New Mexico Statutes -	Annotated, 1953 Compilation, as a	mended; and
•		been sold, with minerals reserved to the State
the Marion to their the purchasers wh		
WHEREAS, The above principal, may commence the drilling of one well	individually, or in association with not to exceed a depth of	th one or more other parties, has commenced feet, to prospect for and produce
WHEREAS, The above principal, any commence the drilling of one well regas, or carbon dioxide (CO ₂) gas of arted by others on land embraced in and on land patented by the United Statistion and localization.	individually, or in association with the individually, or in association with the individual indivi	th one or more other parties, has commenced feet, to prospect for and produce acquire, own or operate such well, or such warbon dioxide (CO ₂) leases, or helium gas leas iduals, and on land otherwise owned by privere state exact legal subdivision by 40-acre tract or lot
WHEREAS, The above principal, may commence the drilling of one well or gas, or carbon dioxide (CO ₂) gas of tarted by others on land embraced in and on land patented by the United Standividuals, the identification and local effection. NOW, THEREFORE If the above my of them, shall plog said well when	individually, or in association windle not to exceed a depth of the relium gas, or does own or may said State oil and gas leases, or of States of America to private individuation of said well being (Horth) (Sc. County, New Mexico. Township (North) (Sc. County, New Mexico. Township (North) (Sc. County, New Mexico.	th one or more other parties, has commenced feet, to prospect for and produce acquire, own or operate such well, or such warbon dioxide (CO ₂) leases, or helium gas leas iduals, and on land otherwise owned by private state exact legal subdivision by 40-acre tract or lot both). Range (East) (West), N.M.P. or either of them or their successors or assigns, reduce with the rules, regulations, and orders
WHEREAS, The above principal, may commence the drilling of one well reas, or carbon dioxide (CO ₂) gas of larted by others on land embraced in and on land patented by the United Standividuals, the identification and local local large standividuals, the identification and local large standividua	individually, or in association with a line to exceed a depth of the lium gas, or does own or may said State oil and gas leases, or of States of America to private individuation of said well being (H. Township (North) (Sc. County, New Mexico. Township the line (North) (Sc. County, New Mexico.	th one or more other parties, has commenced feet, to prospect for and produce acquire, own or operate such well, or such warbon dioxide (CO ₂) leases, or helium gas least iduals, and on land otherwise owned by privere state exact legal subdivision by 40-acre tract or lot buth), Range (East) (West), N.M.P. reither of them or their successors or assigns, redunce with the rules, regulations, and orders fine the oil, gas, and water in the strata in where of them or their successors or assigns, and orders fine the oil, gas, and water in the strata in where of them or their successors or assigns, and orders fine the oil, gas, and water in the strata in where of them or their successors or assigns, or a strata in where of them or their successors or assigns, or assigns, or a strata in which of them or their successors or assigns, or a strata in which of them or their successors or assigns, or a strata in which of them or their successors or assigns, or a strata in which of them or their successors or assigns, or a strata in which of them or their successors or assigns, or a strata in which of them or their successors or assigns, or a strata in which of them or their successors or assigns, or a strata in which or their successors or assigns.
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WHEREAS, The above principal, may commence the drilling of one well reas, or carbon dioxide (CO2) gas on arted by others on land embraced in and on land patented by the United Statistical and local dividuals, the identification and local dividual	individually, or in association windle not to exceed a depth of	th one or more other parties, has commenced feet, to prospect for and produce acquire, own or operate such wells or such warbon dioxide (CO ₂) leases, or helium gas least iduals, and on land otherwise owned by privere state exact legal subdivision by 40 acre tract or for both), Range (East) (West), N.M.P or either of them or their successors or assigns, redunce with the rules, regulations, and orders fine the oil, gas, and water in the strata in which of them or their successors or assigns, or interestion or payment unite the helders of State then bens, executed.
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WHEREAS, The above principal, may commence the drilling of one well or gas, or carbon dioxide (CO ₂) gas of tarted by others on land embraced in and on land patented by the United Standividuals, the identification and local loc	individually, or in association wind and to exceed a depth of	th one or more other parties, has commenced feet, to prospect for and produce acquire, own or operate such wells or such warbon dioxide (CO ₂) leases, or helium gas least iduals, and on land otherwise owned by privere state exact legal subdivision by 40 acre tract or for bouth). Range
WHEREAS, The above principal, may commence the drilling of one well or gas, or carbon dioxide (CO ₂) gas on tarted by others on land embraced in and on land patented by the United Stadiotiduals, the identification and local experience of them, shall play said well when the Oil Conservation Commission of Now, and to prevent them from the AND FURTHER, if the above he of them, upon demand shall make go urchase contracts or holders of patentimistrators, successore and assigns, well lands as may be suffered by such company of such lands by such least elements and last in any action brought. THEN, THEREFORE, This obligations, the same	individually, or in association wind and to exceed a depth of	th one or more other parties, has commenced feet, to prospect for and produce acquire, own or operate such wells or such warbon dioxide (CO ₂) leases, or helium gas least iduals, and on land otherwise owned by private state exact legal subdivision by 40-acre tract or lot both). Range
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\$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.	
		Aline they at Sanata Comments

That	(Note: File with Oil Conservation Commission, Santa Fe, New Mexico.)
in the State of New Mexico), as PRINCIPAL, and	KNOW ALL MEN BY THESE PRESENTS:
in the State of New Mexico), as PRINCIPAL, and	That (An individual) (a partnersh
in the State of New Mexico), as PRINCIPAL, and	(a corporation organized in the State of, with its principal office in the city
introportion organized and existing under the laws of the State of withdrayed 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 63-311. New Mexico Statutes Annotated, 1953 Compilation, as amended, and for the use and benefit of purchasers holding purchasers and the Mexico Statutes Annotated, 1952 Compilation, as amended, in the sum of five thousand 65-980-98 bollars 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, fightly 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 dioxid (CO ₂) gas leases, or helium gas leases with the State of New Mexico, and 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 lends embraced in said leases have been said, with minerals account to the State of New Mexico, to various purchasers who hold limited petents from the State of New Mexico or State purchase contract and WHEREAS, The above principal, individually, or in association with one or more other parties, has commenced on may commence the drilling of one well not to access a depth of feet, to prospect for and produce on gas, or carbon dioxide (CO ₂) gas or helium gas, or does own or may acquire, own or operate such well, or such we started by others on 1 and cinitored in said State oil and gas leases, or carbon dioxide (CO ₂) gas or helium gas leases in the distribution of the parties of the such such was a to confine the oil, gas, or helium gas lease and on land patented by the United States of Ame	, State of, and authorized to do busin
influctived 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, end for the use and benefit of purchasers holding purchase monteet or dead to state January, and the state of New Mexico Statutes Annotated, 1953 Compilation, as amended, their genteet our successors in interest, business the New Mexico Statutes Annotated, 1953 Compilation, as amended, in the sum of Fire Thousand 65-800-800 Dollars lawful money of the United States, for the payment of which, well and truly to see 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 dioxid CO2) gas leases, or helium gas leases with the State of New Mexico; and WHEREAS, Caid leases were entered into by the said principal, subject to the requirements of the provisions election 7.11-20, New Mexico Statutes Annotated, 1953 Compilation, as amended; and WHEREAS, All or part of the lends embrased in said leases have been said, with minerals second to the State of New Mexico, to various purchaseers who hold limited petents 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 on any commence the drilling of one well-nest lowest and state of New Mexico or operate such with the successor of successor and contracts of the provision of the parties of the provision of the provision of the parties of the	in the State of New Mexico), as PRINCIPAL, and
Milker As, The above principal has heretofore or may hereafter enter into oil and gas leases, or carbon dioxid (CO ₂) gas leases, or helium gas leases with the lends embraced in said leases have been soid, with mineral provisions as mended, and for the use and benefit of purchaser, holding purchase methods for deed to state lands, with mineral received, their gantees or successors in interest, pursuant of Section 1/12, New Mexico. Statutes Annotated, 1952 Compilation, as amended, in the sum of Fire Hundred (55.000,000) bollars 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: 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 dioxid (CO ₂) 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 the provisions of the said principal of the lends of the provisions of the provision of the provisions of the provision of the provision of the provisions of the provision of the provis	
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WHEREAS, Said leases were entered into by the said principal, subject to the requirements of the provisions of Section 7.11.20, New Moxico Statutes Annotated, 1953 Compilation, as amended, and WHEREAS, All or part of the lends embraced in said leases have been said, 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 contract. WHEREAS, The above principal, individually, or in association with one or more other parties, has commenced or gas, or carbon dioxide (CO2) gas or helium gas, or does own or may acquire, own or operate such well, or such we 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 (Now, New Mexico) NOW, THEREFORE, If the above bounden principal and surety or either of them or their successors or assigns, or only of them, shall plug said well when dry or when abandoned in accordance with the rules' regulations, and orders of the OI Conservation Commission of New Mexico in such way as to confine the oil, gas, and water in the strata in which hey are found, and to prevent them from escaping into other strata; **AND-FURETHER, If the above bounden principal and surety or either of them or their successors or assigns, or an of them, upon domain abordons of patents for State bands, with numerals—escreted to the State, those houses of state bands with material—escreted to the State, those houses of state bands with material—escreted to the State, those houses of state bands with material—escreted to the State, those houses of them to the holders of state bands are may be added and accordance with the new thindivitations and contracts as and accordance with the state in which here are contracts	The conditions of this obligation are such that: Twelve Thousand Five Hundred Cf
WHEREAS, All or part of the lends embraced in said leases have been sold, with minerals received to the State of New Mexico, to various purchasers who hold limited petents from the State of New Mexico or State purchase contracts and tenders, to various purchasers who hold limited petents from the State of New Mexico or State purchase contracts and tenders of purchasers who hold limited petents from the State of New Mexico or State purchase contracts and tenders of purchasers who hold limited petents from the State of New Mexico. WHEREAS, The above principal, individually, or in association with one or more other parties, has commenced or gas, or carbon dioxide (CO ₂) gas or helium gas, or does own or may acquire, own or operate such well, or such we started by others on land embraced in said State oil and gas leases, or carbon dioxide (CO ₂) 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 (North) (South), Range (East) (West), N.M.P.M. County, New Mexico. NOW, THEREFORE, If the above bounded 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 hey are found, and to prevent them from escaping into other strata; AND FURTHER. If the above bounded principal and surety or either of them or their successors or assigns, or any of them, upon domain shall make good and sufficient recomponer, satisfaction or payment unto the holders of Statements and accordance of the statements and accordance of the statements and contracts or holders of patents for Statements and accordance of the statements and contracts or component purchases and the lands of the statements and contracts of the statements and contract	WHEREAS, The above principal has heretofore or may hereafter enter into oil and gas leases, or carbon dioxi (CO2) gas leases, or helium gas leases with the State of New Mexico; and
WHEREAS, All or part of the lends embraced in said leases have been sold, with minerals received to the State of New Mexico, to various purchasers who hold limited petents from the State of New Mexico or State purchase contracts and tenders, to various purchasers who hold limited petents from the State of New Mexico or State purchase contracts and tenders of purchasers who hold limited petents from the State of New Mexico or State purchase contracts and tenders of purchasers who hold limited petents from the State of New Mexico. WHEREAS, The above principal, individually, or in association with one or more other parties, has commenced or gas, or carbon dioxide (CO ₂) gas or helium gas, or does own or may acquire, own or operate such well, or such we started by others on land embraced in said State oil and gas leases, or carbon dioxide (CO ₂) 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 (North) (South), Range (East) (West), N.M.P.M. County, New Mexico. NOW, THEREFORE, If the above bounded 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 hey are found, and to prevent them from escaping into other strata; AND FURTHER. If the above bounded principal and surety or either of them or their successors or assigns, or any of them, upon domain shall make good and sufficient recomponer, satisfaction or payment unto the holders of Statements and accordance of the statements and accordance of the statements and contracts or holders of patents for Statements and accordance of the statements and contracts or component purchases and the lands of the statements and contracts of the statements and contract	WHEREAS Said leases were entered into by the said principal subject to the requirements of the provisions
WHEREAS, The above principal, individually, or in association with one or more other parties, has commenced of may commence the drilling of one well-not-to exceed a depth of	Section 7-11-20, New Maxico Statutes Annotated, 1953 Compilation, as amended; and
WHEREAS, The above principal, individually, or in association with one or more other parties, has commenced on may commence the drilling of one well not to exceed a depth of	
WHEREAS, The above principal, individually, or in association with one or more other parties, has commenced or agree commence the drilling of one well not to exceed a depth of	
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Section	or gas, or carbon dioxide (CO ₂) gas or helium gas, or does own or may acquire, own or operate such well, or such w started by others on land embraced in said State oil and gas leases, or carbon dioxide (CO ₂) leases, or helium gas leas 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
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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 bounded principal and surety or either of them or their successors or assigns, or an of them, upon domaind shall make good and sufficient recompense, satisfaction or payment unto the holders of State purchase contracts or holders of patents for State lands, with numerals received to the State, then house execution alministrators, successors and assigns, for all damages to the livestock, range, water, crops, or langible improvements as such lands as may be suffered by such purchases or their successors in interest, by reason of such development, use a secuponcy of such lands by such leason or principal, or for such damages as a court of competent jurisdation made forms any action brought on this bond; THEN, THEREFORE, This obligation shall be full 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.	
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of them, upon demand shall make good and sufficient recomponer, satisfaction or payment unto the holders of State purchase contracts or holders of patents for State lands, with minerals reserved to the State, then hens, execution indininistration, successors and assigns, for all damages to the livestock, range, water, crops, or tangible improvements or methods as may be sufficied by such purchasers or their successors in interest, by reason of such development, use a scriptory of such lands by such lesses or principal, or for such damages as a court of component jurisdation made letermine and fix in any action brought on this bond; THEN, THEREFORE, This obligation shall be full 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.	-AND PHETHER M. the shows have been been an eximinal and questy as either of them or their surveyors are regions as a
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wise owned by private individuals; and

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PRINCIPAL	SURETY
Address	Address
Ву	No
Signature	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 attorn shall countersign here below.)	ey-in-fact not in New Mexico, the resident New Mexico agent
Countersigned by:	
New Mexico Resident Agent	Address
ACKNOWLEDGMENT FOR	M FOR NATURAL PERSONS
STATE OF	
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On thisday of	, 19, before me personally appeared
described in and who executed the foregoing instrument and free act and deed. IN WITNESS WHEREOF, I have hereunto set my had	acknowledged that he (they) executed the same as his (their
written.	Notary Public
My Commission expires	- Notaly Libric
ACKNOWLEDGMENT FO	ORM FOR CORPORATION
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STATE OF) ss.	
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duly sworn, did say that he is	_ and that the foregoing instrument was signed and sealed of tors, and acknowledged said instrument to be the free act and
IN WITNESS WHEREOF, I have hereunto set my har written.	nd and seal on the day and year in this certificate first abov
	Notary Public
My Commission expires	
ACKNOWLEDGMENT FORM	I FOR CORPORATE SURETY
STATE OF) ss. COUNTY OF)	
	i 19 befor
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being by me duly sworn, did say that he is	and that the foregoing instrument was signed and scaled o
behalf of said corporation by authority of its board of direct deed of said corporation.	
IN WITNESS WHEREOF, I have hereunto set my har written.	nd and seal on the day and year in this certificate first above
• The second sec	Notary Public
	•
(Note: Corporate surety attach power of attorney.)	APPROVED BY
My Commission expires (Note: Corporate surety attach power of attorney.) APPROVED BY:	APPROVED BY: OIL CONSERVATION COMMISSION OF NEW MEXICO
(Note: Corporate surety attach power of attorney.)	

NEW MENICO STATE LAND OFFICE Santa Fe, New Mexico J. F. HINKLE, Commissioner

OFFICE OF THE STATE GEOLOGIST
Santa Fe, New Mexico

E. H. WELLS, State Geelogist

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

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 Comments.

REGULATIONS PERTAINING TO THE MANUFACTURE OF CARBON BLACK FROM NATURAL GAS

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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 carlom 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 Fc. 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.

Submitted by OCC

Hearing Date 5-5

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

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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.

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

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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

PEFORE THE

OIL CONSEIVATION COMMISSION

Santa Fa. New Mexico

Case No. 5912

i No.

Submitted by OCC

Hearing Date 5-5-77

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

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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

Cale No. **5912** Exhibit No._

Submitted by OCC

Hearing Date 5-5-77

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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



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 ed and filed accord-

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New Rule 36-C.

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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 barre's 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 rata in which they are found, and to prevent them from esceping 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 not less than the State, and worth not less than this the amount of the bond after deducing from the value of such property all assemblions and excumbances. The awarship by each individual surety of proparty on afforming the deducing from the value of such property appears on afforming the deducing from the Commission by a continue of present and the surety of propagate on afforming the deducing from the Commission by a continue of any 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.

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 taugible 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

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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; onnection with such, the Commission passed the following resolution:

WHEREAS, the matter of proper bonding being important because of fire pards and contamination and the damage of spoiling producing areas of oil and gas and the polution of water:

BE IT, THEREFORE, RESOLVED:

DE 11, I HERGIURE, RESULVED:

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 welll, 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 at over 1500 feet in depth. A SHALLOW well shall not be more than 1500 feet in depth.

tore 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,

well and the principal desires to be release 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 horty duly authorized so to sim. party duly authorized so to sign.

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s plugging bond, not thanging when the ransfer of property ther interest in the proceed as follows. in effect constishould notify the party recites that we several wells, mage, has or have erec, for the puris and signed by a Beneath said transfer the transferce 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 sion.

When the Commission has passed upon the transfer and acceptance and accepted it under the transferce'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 off 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

Winder 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.

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*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 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 N	MEXICO
-\$10,000.00 -BLANKET PLUGGING	AND INDEMNITY BONSEFORE THE
	OIL CONSERVATION COMMISSION
	Santa Fe, New Mexico
	BONDAGE No 59/3- Exhibit No. 7
	Submitted by OCC
(Note: File with Oil Conservation Commission, Santa Fe, New Mexic	co.) Hearing Date 5-5-22

KNOW ALL MEN BY THESE PRESENTS: (\$50,000.00) , (An individual) (a partnership) with its principal office in the city of (a corporation organized in the State 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 ligensed 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 received, their grantees or successors in interest, gursuant to Section 7-11-20, New Mexico Statutes nnotated, 1953 Compilation, as amended, in the sum of Fon Thousand (\$10,000.00). Dullars 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-4-11-20, 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, THEREFOKE, 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 bounder principal and surety or either of them or their successors or assigns, or any ofthem, upon demand shall make good and sufficient recompense, satisfaction or payment unto the holders of State purchasecontracts or holders of patents for State lands, with minerals reserved to the State, their hoirs, 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 lesses 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 scaled this	_day of, 19	
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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

CINO	NO.	·	
		(For the of Surety Company)	

	ALL MEN BY THESE PRESENTS:	••
1	Finat	, (An individual) (a partnership)
(a con	poration organized in the State of	with its principal office in the city of, and authorized to do business
in the	State of New Mexico), as PRINCIPAL, and	, 3
author Mexico Mexico	ized to do business in the State of New Mexico with to execute this bond on behalf of the surety company of for the use and benefit of the Oil Conservation Cor	e State of, and duly appointed resident agent licensed in the State of New as SURETY, are held firmly bound unto the State of New amission of New Mexico pursuant to Section 65-3-11, New and for the use and benefit of purchaser holding purchase
		cir grantees or successors in interest; pursuant to Section
Dollar		of which, well and truly to be made, said PRINCIPAL and jointly and severally, firmly by these presents.
. 1	The conditions of this obligation are such that:	
	MHEREAS, The above principal has heretofore or magas leases, or helium gas leases with the State of New A	y hereafter enter into oil and gas leases, or carbon dioxide fexico; and
	MIEREAS, Said leases were entered into by the said a 7-11-20, New Mexico Statutes Annotated, 1953 Comp	principal, subject to the requirements of the provisions of illation, as amended; and
		leases have been sold, with minerals reserved to the State of
	fexico, to various purchasers who hold limited patents	from the State of New Mexico or State purchase contracts
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may o or gas, started and o	ommence the drilling of one well not to exceed a dep , or carbon dioxide (CO ₂) gas or helium gas, or does by others on land embraced in said State oil and gas	ociation with one or more other parties, has commenced or the of
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\$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.	
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(NOW ALL MEN BY THESE PRESEN	NTS:	
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 busines
n the State of New Mexico), as PRING	JII'AL, and	
		tate of, an, appointed resident agent licensed in the State of New
		SURETY, are held firmly bound unto the State of New
		sion of New Mexico pursuant to Section 65-3-11, Ne
		for the use and benefit of purchasers holding purcha-
		grantees or successors in interest, pursuant to Section
		namended; in the sum of Five Thousand (\$5,000.00) which, well and truly to be made, said PRINCIPAL and
	· · · · · · · · · · · · · · · · · · ·	itly and severally, firmly by these presents.
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The conditions of this obligation	are such that:	Seven Thousand Five Hundred
WHEREAS, The above principal CO ₂) gas leases, or helium gas leases w		reafter enter into oil and gas leases, or carbon dioxideo; and
WHEREAS, Said leases were en ection 7-11-20, Now Mexico Statutes		ncipal, subject to the requirements of the provisions on, as amonded; and
WHEREAS, All or part of the k	ands-embraced-in-said-lease	s have been sold, with minerals reserved to the State-
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or gas, or carbon dioxide (CO2) gas of tarted by others on land embraced in	or helium gas, or does own n said State oil and gas leas States of America to privat	f feet, to prospect for and produce of may acquire, own or operate such well, or such we ses, or carbon dioxide (CO ₂) leases, or helium gas lease to individuals, and on land otherwise owned by private the state exact least subdivision by 40-acre tract or lot)
Section	, Township(Nor	th) (South), Range (East) (West), N.M.P.A
	_ County, New Mexico.	
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		urety or either of them or their successors or assigns, in accordance with the rules, regulations, and orders
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AND TURTHER, If the above-	sounden-principal and surety	y or either of them or their successors or assigns; or a mor, satisfaction or payment unto the holders of fit
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\$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.		
	4For the of Surety Co.	many i

(Note: File with Oil Conservation Commission, Santa Fe, New Mexico.) KNOW ALL MEN BY THESE PRESENTS: (An individual) (a partnership) , with its principal office in the city of (a corporation organized in the State of ____, and authorized to do business . State of in the State of New Mexico), as PRINCIPAL, and_ corporation organized and existing under the laws of the State of ___ 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: 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 lesses 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; 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) _, 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 plag said well when dry or when abandoned in accordance with the rules. A matterns, 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 PURTIER; If the above bounder principal and survey or either of them or their successors or assigns; or any of them, upon demand shall make good and sufficient-recompanie, satisfaction or payment unto the holders of Statepurchase contracts or holders of patents for State Linds, with numerals reserved to the State, their heas, excenting me ememoralini oldgint to report report report della liverta la regiand di report angala imparentati such lands as may be suffered by such purchasers of their successors in interest, by remon of such development, nor ne ecoupancy of each lands by each leace or principal, or for each damages as a court of competent jurisliction may determine and for many action brought on this bond; THEN, THERFFORE, This obligation shall be full 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 scaled this.

WHEREAS, The above principal has heretofore or may hereafter enter into oil and gas leases, or carbon dioxide (CO,) gas leases, or helium gas leases, on lands putented 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 -65,000.00 ONE WELL PLUGGING AND INDEMNITY BOND

FOR ALL COUNTIES OTHER THAN CHAVES, EDDY, LEA, MCKINLEY, RIO ARRIBA, ROOSEVELT, SANDOVAL, AND SAN JUAN

BOND	NO.	
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who owned by private individuals; and

corporation organized and existing under the laws of the State of devices of to do business in the State of New Mexico with duly appointed resident agent licensed in the State of Mexico to execute this bond on behalf of the surety company, as SURETY, are held firmly bound unto the State of Mexico, for the use and benefit of the Oil Conservation Commission of New Mexico pursuant to Section 65-3-11 Mexico Statutes Annotated, 1953 Compilation, as amended, and for the use and benefit of purchasers holding purchasers or dood to state lands, with minerals reserved, their grantees or successors in interest, pursuant to Section 65-3-11 Mexico Statutes Annotated, 1953 Compilation, as amended, in the sum of Five Thousand (55-07 The Dollars lawful money of the United States, for the payment of which, well and truly to be made, said PRINCIPA 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 dictions of this obligation are such that: **Seven Thousand Five Hum WHEREAS, Said leases were entered into by the said principal, subject to the requirements of the provision of the lands embraced in said leases have been sold, with minerals reserved to the Section 7-11-20, New Mexico, to various purchasers who hold limited patents from the State of New Mexico or State purchase conditions of the lands embraced in said leases have been sold, with minerals reserved to the Section 7-11-20, in a sociation with one or more other parties, has commen may commence the drilling of one well not to exceed a depth of	KNOW ALL MEN BY THESE PRI	ESENTS:	:
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unporation organized and existing under the laws of the State of device to do business in the State of New Mexico with duly appointed resident agent licensed in the State of lexico to execute this bond on behalf of the surety company, as SURETY, are held firmly bound unto the State of lexico, for the use and benefit of the Oil Conservation Commission of New Mexico pursuant to Section 63-1953 Complation, as amended, and for the use and benefit of the Districts of States Annotated. 1953 Complation, as amended, and for the use and benefit of providence the device States and States 1953 Complation, as amended, and for the use and benefit of providence the device of the United States, for the payment of which, well and truly to be made, said PRINCIPA URETY 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 of 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 provision of the India State of New Mexico; and WHEREAS, All or part of the lands embraced in said leases have been cold, with minerale second to the State of Mexico, to entous purchasers who hold limited patents from this State of New Mexico at State purchase contact. WHEREAS, The above principal, individually, or in association with one or more other parties, has commended and the state of the state of the state of the state of New Mexico and produced by others on land embraced in said State oil and gas leases, or carbon dioxide (CO2) gas or helium gas, or d so own or may acquire; ewn or operate such well of to exceed a depth of		State of	, and authorized to do busine
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fexico, for the use and benefit of the Oil Conservation Commission of New Mexico pursuant to Section 65-3-11 fexico Statutes Annotated, 1953 Compilation, as amended, and for the use and benefit of purchasers holding positive of deed to state lands, with minerale reserved, their grantees or mecessors in limited, positive for the 11-20. New Mexico Statutes Annotated, 1952 Compilation, as amended, in the sum of Five Thousand 155-00 follars lawful money of the United States, for the payment of which, well and truly to be made, said PRINCIPA URETY 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 earbon of 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 provisite tion 7-11-20. New Mexico Statutes Annotated, 1953 Compilation, as amonded; and WHEREAS, All or part of the lands embraced in said leases have been sold, with minerals recovered to the State of New Mexico or State parchase con and the state of New Mexico or State parchase con and the state of the state of New Mexico or State parchase con and continued parchases, and the state of New Mexico or State parchase content of the state of New Mexico or State parchase content of the state of New Mexico or State parchase content of the state of New Mexico or State parchase content of the state of New Mexico or State parchase content of the state of New Mexico or State parchase content of the state of New Mexico or State parchase content of the state of New Mexico or state parchase or carbon dioxide (CO2) gas or helium gas, or d so one or may acquire; own or operate such well or such acted by other states or helical state of the state of			
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Dollars lawful money of the United States, for the payment of which, well and truly to be made, said PRINCIPA BURETY 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 of CO2) gas leases, or helium gas leases with the State of New Mexico; and WHEREAS, Said leases were entered into by the seid principal, subject to the requirements of the provisi bection 711-20, New Mexico Statutes Annotated, 1953 Compilation, as amended; and WHEREAS, All or part of the lends embraced in said leases have been sold, with minerals received to the Stew Mexico, to versous purchases who hold limited patents from the State of New Mexico or State purchase condition. WHEREAS, The above principal, individually, or in association with one or more other parties, and produce a gas, or carbon dioxide (CO2) gas or helium gas, or days over any acquire; own or operate such well, or suctanted by others on land embraced in said State oil and gas leases, or carbon dioxide (CO2) leases, or helium gas and on land patented by the United States of America to private individuals, and on land otherwise owned by advirduals, the identification and location of said well being (Here state exact legal subdivision by 40-act tract or County, New Mexico). NOW, Therefore, If the above bounden principal and surety or either of them or their successors or assign of them, shall plug said well when dry or when abandoned in accordance with the rules, regulations, and on he oil Conservation Commission of New Mexico in such way as to confine the oil, gas, and water in the strata in they are found, and to prevent them from escaping into other strata; **AND-FURTHER, If the above bounder principal and surety or either of them or their successors or assign of them, upon demand, shall made good and sufficent examples on a stream of the individuals of the lands of the			
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recupancy of such lands by such lessed or principal, or for such damages as a court of competent jurisdiction letermine 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 my and all of said obligations, the same shall remain in full force and effect.	nay commence the drilling of one or gas, or carbon dioxide (CO ₂) getarted by others on land embrace and on land patented by the Unindividuals, the identification and Section NOW, THEREFORE, If the any of them, shall plug said well the Oil Conservation Commission they are found, and to prevent the AND-FURTHER, If the about them, upon demand shall make the contracts or holders of	e well not to exceed a depth of as or helium gas, or does own or ed in said State oil and gas leases, ited States of America to private all location of said well being	feet, to prospect for and produce may acquire, own or operate such well, or such w or carbon dioxide (CO ₂) leases, or helium gas leas individuals, and on land otherwise owned by private (Here state exact legal subdivision by 40-acre tract or lot (South), Range (East) (West), N.M.P. ety or either of them or their successors or assigns, accordance with the rules, regulations, and orders confine the oil, gas, and water in the strata in where the of them or their successors or assigns, or a confine the oil, gas, and water in the strata in where the of them or payment unto the helders of Strates are released to the State, then heles execute
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\$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, 1	New Mexico.)
	•
WARDING A. S. SANIAL INST. THEFOR. BULLOUNITO	
NOW ALL MEN BY THESE PRESENTS:	
That	(An individual) (a partnership
corporation organized in the State of	, (An individual) (a partnership, with its principal office in the city of
, State of	, and authorized to do busines
the State of New Mexico), as PRINCIPAL, and	
orporation organized and existing under the laws of	the State of, and
• · · · · · · · · · · · · · · · · · · ·	th duly appointed resident agent licensed in the State of New
· ·	any, as SURETY, are held firmly bound unto the State of New Commission of New Mexico pursuant to Section 65-3-11, New
	d, and for the use and benefit of purchaser, holding purchase
	their grantees or successors in interest; pursuant to Section
· ·	tion, us amended, in the sum of Five-Thousand (55.000.00
The state of the s	ent of which, well and truly to be made, said PRINCIPAL and
URETY hereby bind themselves, their successors and assig	ns, jointly and severally, firmly by these presents.
The conditions of this abliquation was much that	
The conditions of this obligation are such that:	Ten Thousand (410,000.00)
WHEREAS, The above principal has heretofore or a	may hereafter enter into oil and gas leases, or carbon dioxide
202) gas leases, or helium gas leases with the State of New	v Mexico; and
•	aid principal, subject to the requirements of the provisions o
etion 7-11-20, New Mexico Statutes Annotated, 1953 Co	mpuation, as amended; and
WHEREAS All-or-next-of-the-leads embraced in sa	id leases have been sold with minerals reserved to the State o
lew Mexico, to various purchasers who hold limited pateral. WHEREAS, The above principal, individually, or in	id leases have been sold, with minerals reserved to the State of ints from the State of New Mexico or State purchase contracts nine thousand, nine hundred nine of nine (9,98) association with one or more other parties, has commenced or lepth of feet, to prospect for and produce of
WHEREAS, The above principal, individually, or in may commence the drilling of one well not to exceed a dir gas, or carbon dioxide (CO ₂) gas or helium gas, or doctarted by others on land embraced in said State oil and and on land patented by the United States of America to	association with one or more other parties, has commenced of the feet, to prospect for and produce of es own or may acquire, own or operate such well, or such well gas leases, or carbon dioxide (CO ₂) leases, or helium gas leases of private individuals, and on land otherwise owned by private
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WHEREAS, The above principal, individually, or in may commence the drilling of one well not to exceed a dr gas, or carbon dioxide (CO2) gas or helium gas, or doctarted by others on land embraced in said State oil and and on land patented by the United States of America to adividuals, the identification and location of said well	association with one or more other parties, has commenced or depth of
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WHEREAS, The above principal, individually, or in may commence the drilling of one well not to exceed a drigas, or carbon dioxide (CO2) gas or helium gas, or doctarted by others on land embraced in said State oil and and on land patented by the United States of America to adividuals, the identification and location of said well section	association with one or more other parties, has commenced or depth of
WHEREAS, The above principal, individually, or in any commence the drilling of one well not to exceed a drags, or carbon dioxide (CO2) gas or helium gas, or docarted by others on land embraced in said State oil and and on land patented by the United States of America to dividuals, the identification and location of said well	association with one or more other parties, has commenced or depth of

\$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.		
		Aline Han of Sugarty Comments	

KNOW ALL MEN BY THESE PRESE	NTS:		
That		* <u>-</u>	(An individual) (a partnership
a corporation organized in the State	of		, (An individual) (a partnership , with its principal office in the city o , and authorized to do busines
n the State of New Mexico), as PRIN	CIPAL, and		
orporation organized and existing	under the laws of	the State of	
Sexico to execute this bond on behalf Sexico, for the use and benefit of the Sexico Statutes Annotated, 1953 Co	f of the surety compa he Oil Conservation C mpilation, as amended	ny, as SURETY, a ommission of New I, and for the use	resident agent licensed in the State of New re held firmly bound unto the State of New Mexico pursuant to Section 65-3-11, New and benefit of purchasers holding purchasers to Section 65 of Section 6
	States, for the payme	nt of which, well	in the sum of Five Thousand (\$5,000.00 and truly to be made, said PRINCIPAL and rally, firmly by these presents.
The conditions of this obligation	are such that:		Twelve Thousand Five Hundred (41
WHEREAS, The above principa CO ₂) gas leases, or helium gas leases			r into oil and gas leases, or carbon dioxid
WHEREAS, Said leases were exception 7-11-20, Now Mexico Statutes			et to the requirements of the provisions of the provision of the provisions of the provisions of the provision of the provis
			sold, with minerals reserved to the State-o
lew Mexico, to-various-purchasers-w nd-	ho hold-limited pater		of New Mexico or State purchase contract thousand (10,000) feet or more
nay commence the drilling of one wor gas, or carbon dioxide (CO ₂) gas tarted by others on land embraced in	rell not to exceed a door helium gas, or doe in said State oil and g States of America to ocation of said well	epth of	feet, to prospect for and produce of the prospect for and produce of the prospect for and produce of the produc
ny of them, shall plug said well who	en dry or when aband New Mexico in such	loned in accordan way as to confine	her of them or their successors or assigns, on ee with the rules, regulations, and orders of the oil, gas, and water in the strata in which
The state of the s	• •		of them or their successors or assigns, or an
wrehise contracts or holders of pa	tents-tive-Stato-Luids	o-altroning-thise_,	served to the State, then hens, executor
			real, hymronymishde dalib, et peronanterio real, hymronymishde dalib, et peronanterior
			-as-a-court-of-compatent-jumbers-ma
lotormine and fix-in-any-action broug		••••	
THEN, THEREFORE, This obling and all of said obligations, the sai			and in default of complete compliance wit
	· •		
Signed and scaled this	day of		, 19

PULL 101. RUGGING BOND

(a) any urrow, from, corraration, or association who has drilled for acquired is drilling, or proposes to drill or acquire any oil, gas ar service well on divistely awned or state awned lands within this state shall furnish to the laminese and abtain approval thereof, a surely bonk kenning to the State of hew meries, in Conditioner that the wree be plugged and abandoned in compliance with the rules and regulations of the Commission. Such bout may be a one-wree plugging boul or a blanket plugging boul. All bouls shall be executed by a keypoweible surely company anthorized to do business in the Stace of her mexico.

in the amount of fifty thousand dollars (\$50,000) conditioned as above provided, covering all ail, gas, or service wills drilled, acquired or agerated in this state by the principal on the bond.

Ou- wice plugging bonds shall be in the amounts staced below in asserdance with the depth and location of the well:

COUNTY

Chaves, Eddy, Lee, McKinley, Rio Arriba, Roosevelt, Sandovel, 5,000-9,099 feet \$7,500 or San Juan

411 Other Counties

DEPTH OF WELL OF BOND

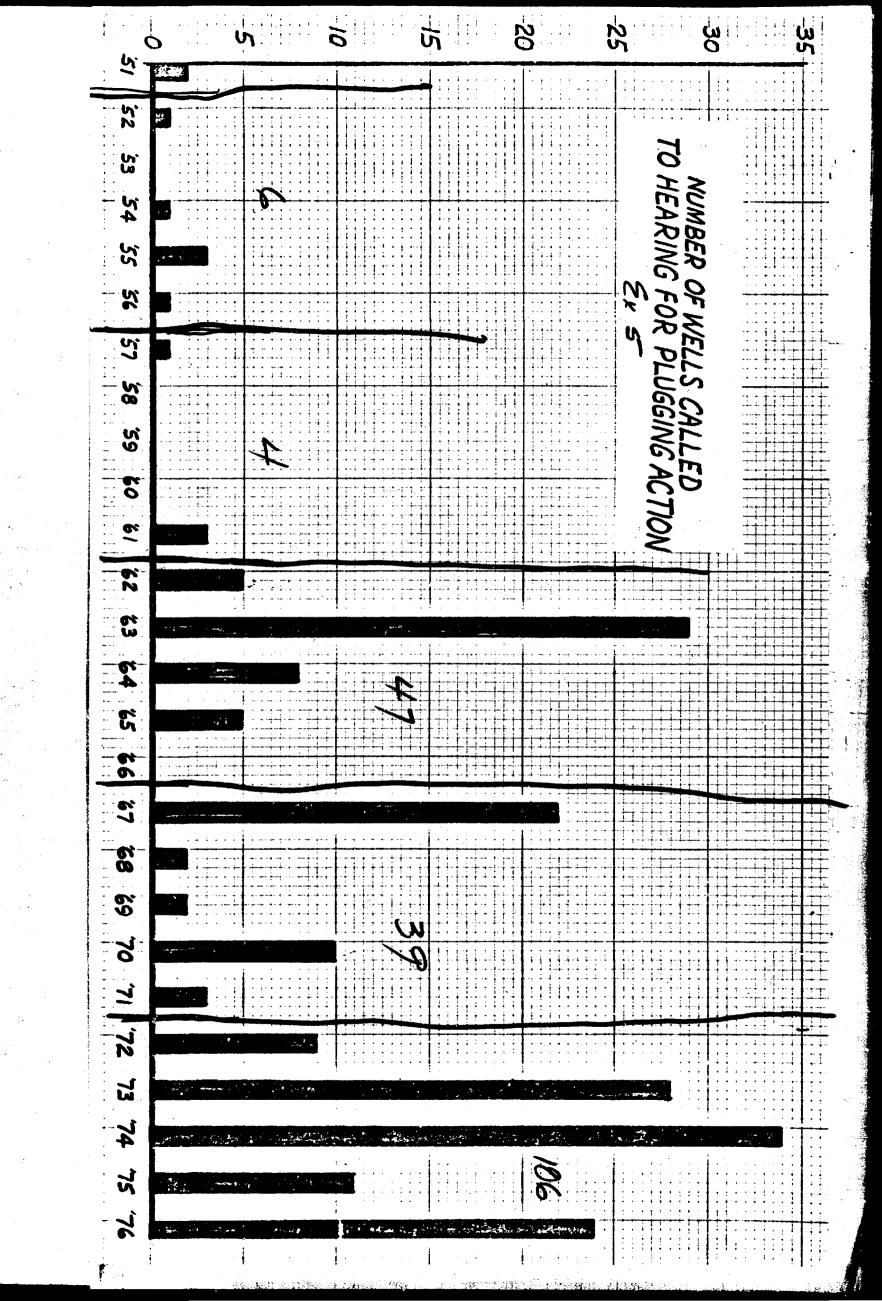
0-4,999 feet \$5,000

10,000 or more feet \$10,000

0-4,999 feet \$ 7,500 5000-9,999 feet \$ 10,000 10,000 or more feet \$ 12,500

Revised plans for activity drilling wille may be approved by the appropriate District Office of the Commission for drilling as much as ten percent deeper than the appropriate depth trucket for writing the appropriate depth trucket for writing the light for the drilled more than ten precent deeper than the approved depth brusket must be covered by a new bond in the amount prescribed for the desper depth bracket. is a plugging wond I not a drilling bond, and shall endure until any well littled or acquired under such bond has been slugget and avandoned and such plugging and abandonment has been approved ley the Commission, or has been covered lay another bound approved by the Commis (d) Transfer af a property loss makes itself release a bond. In the went of form, C-103 or C-104 properly executed shall be filed in accordance with Kule 1103 or Ruce 1104 by the new owner of the the state of th the wree or a request that the wree he Allpon Reproval of the bond and the term 0103 ar C-104, the transferor is released of slugging kespenishlity for the will, and abou request, The driginal bond will be released. no blanked bond well be released however, until all well sourced Cay the band have been plugged and abandoned or transferred in accordance with the provisions of this rule.

(e) All bonds shall be filed with the Santa 7s office of the Commission, and approval of such boyale as well as releases thereof, attained 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:

COUNTY	ACTUAL OR PROJECTED DEPTH OF WELL	AMOUNT OF BOND
Chaves, Eddy, Lea, McKinley, Rio Arriba, Roosevelt, Sandoval, or San Juan	0-4,999 feet 5,000-9,999 feet 10,000 or more feet	\$ 5,000 \$ 7,500 \$10,000
All other Counties	0-4,999 feet 5,000-9,999 feet 10,000 or more feet	\$ 7,500 \$10,000 \$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 Cinc \$5 11/6/42 Rue 39 Effective 8-12-35 was aperative However 4-26-37 Commission beland it would no longer accept anything bus surety tout 9-27-37 Chyd one were leads to 2500 \$500 1931 5-10 .40/44 M37 2500-5-10 ,75/14/ 1960 rules rewritten to present wording. 1950 5-10 2.40 no change til 1915 Cose 5217 to 1977 9.16 consider a definition of temporary the time a wrecantle stay on T.A. status, and comider an individual one well bouls for weeks on T.A. states. mad Julings of Onder R-5019 5/20/75 Order effection July 1, 1977 let that hearing a great deal was said about the number of inalties wells and how this no washeren Ex 3 2 sheets - Sheet 2 is Ex # 1 at hey 4-23-34

ail wells 1 get of & 1 out of 5 in 73

gas wells - not much change percentages is
all wells 1 out of 11 68 1 out of 7 in 73 Theet of 1 Ex 3 is en up date of the 74 se aid wrees went from 1 out of 5 in 73 to 1 out of 6 in 73 to 1 out of 6 in 76 for 12 to 467

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all wells went from land of 7 in 73 to lout of 9 in 76

3 seasons for decrease in inestite weeks

1 st signe plantage of 73 and 74

2 nd increase in ail & gas parces

since at 1973

3 nd adoption of Carling of the bearing

3 ml styling of the bearing of the bearing in 74 and the subsequent order severing force 202!

some of the edge taken off by suspension by Okher to 5297 entired in lace 20. 5765 in Oct of

seal findings.

Extit

review of ald bonding an herity.

although St. And regd a 5000 one

wree ar 10000 blanket bond wither

personal or surety in 1931 there

appears to be no statutory anthony,

for this

1 st statutory authority war in the Oil & Gar Conservation lest of 1935 which pet a most on the Coul of 10,000.

Refer to how bounding statute Ex & 4

Nistory of Force Plugging Cases

Ex 5

Plugging Casto Plugging Unit 52.00/hour been en Jackege bains when esq is leining pulled: .30/ft 42" and 52". jacke for pulling casing \$252.00 play wire line serv shooting erg 175.00 + 2.54 / ff.

penny truck 125,00/ day free paint 5 dway 7-4 equipment travel expense \$ 1.30/mile leath ways 4 man crew bridge plugs cost depends on sixt and where you long them me supplies. 238" 488.00; 21/8" 447.00; 4±" 411.00 52" 444.00; 7" 474 mup to 1637 137 refamers 23 862.00 42" 646.00 52"634.00 7" 718.00 89/8 1079.00 13 \$ 2188 perforating: 4 holes runs from

2250 or a dopth fronk 040 1000 fl

up to 4850 9-10000 ft

plus 150 for truck plus mileage Certification

Cement 3.50/sock Mud 3.00/sack

leach cont Class H 3.35/seck. +.57 mygchg
Class C 3.60/sack + .57 mygchg
+ .37 / four mile trans. chap
Con'l Pumptisek 74500 fot 8 hrs. then 48000 so add 8 hrs.
brine runs 70-90 \$ / 66L
fresh wtr about 32 \$ label

pit or lank for mixing mad 15000

welder 2 or 3 times / job 350° total
clean up location, set marker
after filling pite 500.00

for well to 5000 ft.

986-10 480 7500 1f 1492-10 480 10000 7t 1.10/min one way overnight expenses 5500/man/day

The Market of th

STATE OF NEW MEXICO

ONE-WELL PLUGGING BOND

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

<u>^</u>	(For Use of Surety Company)
	AMOUNT OF BOND
•	COUNTY
	COUNTY
(Note: File with Oil Conservation Commission, S	anta 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	laws of the State of, and
corporation organized and existing under the	laws of the State of, and
	Mexico with duly appointed resident agent licensed in the State of New
	ety company, as SURETY, are held firmly bound unto the State of New
	ervation Commission of New Mexico pursuant to Section 65-3-11, New
	s amended, in the sum of
The state of the s	he 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 th	nat:
WHEDEAC The shows reinsimal has been	ofore or may becoults, anter into all and no leaves as and an disuits.
(CO ₂) gas leases, or helium gas leases with the Sta	ofore or may hereafter enter into oil and gas leases, or carbon dioxide te of New Mexico; and
	ofore or may hereafter enter into oil and gas leases, or carbon dioxide atented by the United States of America to private individuals, and on
may commence the drilling of one well not to or gas, or carbon dioxide (CO ₂) gas or helium g started by others on land embraced in said State and on land patented by the United States of	lly, or in association with one or more other parties, has commenced or exceed a depth of
individuals, the identification and location of Section, TownshiCounty,	(Here state exact legal subdivision by 40-acre tract or lot) p(North) (South), Range(East) (West), N.M.P.M.
any of them, shall plug said well when dry or we the Oil Conservation Commission of New Mexicon they are found, and to prevent them from escaping	
THEN, THEREFORE, This obligation shall any and all of said obligations, the same shall rem	ll be null and void; otherwise and in default of complete compliance with nain in full force and effect.
	the state of the s
Signed and sealed thisda	y 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, N	ew Mexico.)
KNOW ALL MEN BY THESE PRESENTS:	
That	. (An individual) (a partnership)
(a corporation organized in the State of, State of	with its principal office in the city of and authorized to do business
in the State of New Mexico), as PRINCIPAL, and	, 3
authorized to do business in the State of New Mexico with Mexico to execute this bond on behalf of the surety compandexico, for the use and benefit of the Oil Conservation Contexico Statutes Annotated, 1953 Compilation, as amended contract or deed to state lands, with minerals reserved.	the State of, and a duly appointed resident agent licensed in the State of New my, as SURETY, are held firmly bound unto the State of New mission of New Mexico pursuant to Section 65-3-11, New , and for the use and benefit of purchasers holding purchase their grantees or successors in interest, pursuant to Section
	on, as amended, in the sum of Five Thousand (\$5,000.00) at of which, well and truly to be made, said PRINCIPAL and s, jointly and severally, firmly by these presents.
The conditions of this obligation are such that:	
WHEREAS, The above principal has heretofore or n (CO ₂) gas leases, or helium gas leases with the State of New	may hereafter enter into oil and gas leases, or carbon dioxide Mexico; and
WHEREAS, Said leases were entered into by the sa Section 7-11-20, New Mexico Statutes Annotated, 1953 Con	d principal, subject to the requirements of the provisions of spilation, as umended; and
	l leases have been sold, with minerals reserved to the State of ts from the State of New Mexico or State purchase contracts; Four thousand, nine hundred ninety nine (4,999)
may commence the drilling of one well not to exceed a de or gas, or carbon dioxide (CO ₂) gas or helium gas, or does started by others on land embraced in said State oil and g	feet, to prospect for and produce oil own or may acquire, own or operate such well, or such well as leases, or carbon dioxide (CO ₂) leases, or helium gas leases, private individuals, and on land otherwise owned by private
	(Here state exact legal subdivision by 40-acre tract or lot) (North) (South), Range(East) (West), N.M.P.M.
any of them, shall plug said well when dry or when aband	and surety or either of them or their successors or assigns, or oned in accordance with the rules, regulations, and orders of cay as to confine the oil, gas, and water in the strata in which er strata;
of them, upon demand shall make good and sufficient re- purchase contracts or holders of putents for State lands, administrators, successors and assigns, for all damages to the such lands as may be suffered by such purchasers or their	surety or either of them or their successors or assigns, or any-compense, satisfaction or payment unto the holders of State-with minorals reserved to the State, their heirs, executors, a livestock, range, water, crops, or tangelile improvement, on successors in interest, by reason of such development, no or or or damages as a court of competent junderton may.
THEN, THEREFORE, This obligation shall be null ar any and all of said obligations, the same shall remain in full	d void; otherwise and in default of complete compliance with force and effect.
Signed and sealed thisday 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 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 ping 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 deducing 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 Assesor 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 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 by such purchaser or his successors in interest by reason of the development 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 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 Commission will in writing advise the principal and sureties on any ad 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

Forms of bonds which will be acceptable will be furnished by the Com-

Both form. -for one well bond and blanket bond form-distributed from this mission'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 keretofore received by the numission, it was ordered that henceforth no drilling bond shall be acceptable other than a boad executed by a surety company and that the minimum drilling bond in all cases he 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,

rein 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
gus and the folution of water:

BE IT, THEREFORE, RESOLVED:

1. That the requirements of a corporate surety licensed by the Insurance Comion 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 \$5,000.60 bond. A DEEP well is defined as over 1500 feet in depth. A SHALLOW well shall not be re than 1:00 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

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 mell 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 releasd from the bond covering a well or wells, much 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 film.

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, Eff Stive 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

Rulo 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 M	Mexico.)
KNOW ALL MEN BY THESE PRESENTS:	/ Fifty (\$50,000.00)
That (a corporation organized in the State of, State of, State of, State of, and	
corporation organized and existing under the laws of the State to do business in the State of New Mexico with duly appointed this bond on behalf of the surety company, as SURETY, are hand benefit of the Oil Conservation Commission of New Mannotated, 1953 Compilation, as amended, and for the use in state lands, with minerals reserved, their grantees or successors. Annotated, 1953 Compilation, as amended, in the sum of Annotated, 1953 Compilation, as amended, 1953 Compilation, as amended, 1953 Compilation,	of, and authorized resident agent livensed in the State of New Mexico to execute yeld firmly bound unto the State of New Mexico, for the use lexico pursuant to Section 65-3-11, New Mexico Statutes d benefit of purchasers holding purchase contract or deed to in interest, pursuant to Section 7-11-20, New Mexico Statutes Thousand (\$10,000.00) Dollars lawful money of the United said PRINCIPAL and SURETY hereby bind themselves, their
The conditions of this obligation are such that:	
WHEREAS, The above principal has heretofore or may h	nereafter enter into oil and gas leases, or carbon dioxide (CO ₂)
WHEREAS, Said leases were entered into by the said prin 7-11-20, New Mexico Statutes Annotated, 1953 Compilation, as	cipal, subject to the requirements of the provisions of Section amended; and
WHEREAS, All or part of the lands embraced in said lea Mexico, to various purchasers who hold limited patents from the	ses have been sold, with minerals reserved to the State of New State of New Mexico or State purchase contracts; and
WHEREAS, The above principal, individually, or in assoc commence the drilling of wells to prospect for and produce oil or may acquire, own or operate such wells, or such wells started carbon dioxide (CO ₂) gas leases, or helium gas leases, and or individuals, and on lands otherwise owned by private individual waived by both principal and surety hereto.	by others on land embraced in said State oil and gas leases, or lands patented by the United States of America to private
NOW, THEREFORE, If the above bounden principal and of them, shall plug all of said wells when dry or when abandon Oil Conservation Commission of New Mexico in such way as to found, and to prevent them from escaping into other strata;	· · · · · · · · · · · · · · · · · · ·
them, upon demand shall make good and sufficient recompense contracts or holders of patents for State lands, with minerals successors and assigns, for all damages to the livestock, range, we suffered by such purchasers or their successors in interest, by re-	reserved to the State, their heirs, executors, administrators; ater, crops, or tangible improvements on such lands as may be eason of such development, use or occupancy of such lands by
euch lessee or principal, or for such damages as a court of a brought on this bond;	ompetent jurisdiction may determine and fix in any action
THEN, THEREFORE, This obligation shall be null and ve and all of said obligations, the same shall remain in full force and	oid; otherwise and in default of complete compliance with any I effect.
PROVIDED, HOWEVER, That thirty (30) days after rec written notice of cancellation from the surety, the obligation of acquired, drilled, or started after said thirty (30) day period be 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 lends patented by the United States of America to private individuals, and on lands otherwise owned by private individuals; and

PRINCIPAL	SURETY
Address	Address
Signature	Attorney-in Fact
Title	
	(Note: Corporate surety affix corporate seal here.)
	corney-in-fact not in New Mexico, the resident New Mexico agen
Countersigned by:	
New Mexico Resident Agent	Address
	DRM FOR NATURAL PERSONS
	ZANT VA NAT SAAD I EROO. 10
STATE OF) ss.	
•	, 19, before me personally appeared
On thisuay of	, to me known to be the person (persons
	and acknowledged that he (they) executed the same as his (their
free act and deed.	hand and and on the day and and in this anti-
written.	hand and seal on the day and year in this certificate first above
	Notary Public
My Commission expires	
ACKNOWLEDGMENT	FORM FOR CORPORATION
PTATE OF	- 4 - 4
STATE 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	oand that the foregoing instrument was signed and sealed or
	rectors, and acknowledged said instrument to be the free act and
• • • • • • • • • • • • • • • • • • •	hand and seal on the day and year in this certificate first above
written.	hand and sear on the day and year in this certificate inst above
	Notary Public
My Commission expires	
ACKNOWLEDGMENT FO	RM FOR CORPORATE SURETY
STATE OF)	
STATE OF	
On thisday of _	, 19, before to me personally known, who
me appeared	, to me personally known, who
	and that the foregoing instrument was signed and sealed or rectors, and acknowledged said instrument to be the free act an
deed of said corporation.	
IN WITNESS WHEREOF, I have hercunto set my written.	hand and seal on the day and year in this certificate first above
	Notary Public
My Commission expires (Note: Corporate surety attach power of attorney.)	rocary rume
APPROVED BY-	APPROVED BY:
MIROYUDU.	OIL CONSERVATION COMMISSION OF NEW MEXICO
Commissioner of Public Lands	By
Commissioner of Public Lands	Date

STATE OF NEW MEXICO \$7.500.00 **\$5,000.00** ONE WELL PLUGGING AND INDEMNITY **BOND**

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

(Note: File with Oil Conservation Commission, Santa Fe, New Mexico.) KNOW ALL MEN BY THESE PRESENTS: (An individual) (a partnership) with its principal office in the city of (a corporation organized in the State of _, and authorized to do business . State of in the State of New Mexico), as PRINCIPAL, and_ corporation organized and existing under the laws of the State of 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 purchases 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 (\$7,500.0 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 WIEREAS; Said leases were entered into by the said principal, subject to the requirements of the provisions 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 received to the State of New Mexico, to various purchasers who hold limited patents from the State of New Mexico or State purchase contracts; 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) _, 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 bounder principal and surety or either of them or their successors or assigns; or any of them, upon demand shall make good and sufficient recomponio, satisfaction or payment unto the holders of State contracts or holders of patents for State lands, with minerals reserved to the State, their beirs, executors, strators, successors and assigns, for all damages to the-livestock, range, water, crops, or tangole improvements on such lands as may be suffered by such purchasers or their successors in interest, by reason of such development, us occupancy of mels lande by such lesses or principal, or for such damages as a court of computant juridiction 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 scaled this ______day of ____

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

FOR ALL COUNTIES OTHER THAN CHAVES, EDDY, LEA, MCKINLEY, RIO ARRIBA, ROOSEVELT, SANDOVAL, AND SAN JUAN

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STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

CIRCULAR NO. 5

STATUTES

AND

RULES AND REGULATIONS FOR THE CONSERVATION OF GIL 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 <u>5-5-17</u>

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 barrels 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

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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 for 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 deducing 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.

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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 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 Com-

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

CORPORATE SURETY REQUIRED

EXCERPTS FROM MINUTES EXECUTIVE SESSION APRIL 26, 1937

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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 mare than 1500 feet in depth.

4. That the SHALLOW wells shall require a \$2,500 bond.

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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 Alvaere tract—section, township and range, has or have been transferred to a certain transferce, naming such transferce, for the purpose of exercisity or operation. Such transfer must be dated and signed by a party duly authorized so to sign.

Beneath said transfer the transferce should recite that such transferce 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 transferce's bond the transferor is immediately released of the pluyging 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.

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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 Example No. 2

Submitted by OCC

Hearing Date 5-5-7

Compiled Noven, or 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, Socretary

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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 tain 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 Mexicolor 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 deducing from the value of such property whom shall own real estate situated within the State, and worth not less than twice the amount of the bond after deducing 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 \$10,000.00.00.

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.

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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.

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Santa Fe, New Mexico

Case No. 5912 Exhibit No. 2

Submitted by OCC

Compiled November 16, 1942 SANTA FE, NEW MEXICO

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OIL CONSERVATION COMMISSION

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DIVISION 2—GENERAL RULES

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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; connection with such, the Commission passed the following resolution:
WHEREAS, the matter of proper bonding being important because of fire wards and contamination and the damage of spoiling producing areas of oil and the solution of contamination. gas and the polution of water:

BE IT, THEREFORE, RESOLVED:

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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 flugging bond, not a wrilling bond, and is to endure up to and including approved plugging when the well is dry or ahundaned, 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, much as producers, not ready for plugging, the principal should proceed as follows:

The holder of the approved Natice of Intention to Drill, in effect constituting the primit to drill, usually the principal on the bond, should notify the Commission in writing in the jorn 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 he was resection, township and range, has or have been transferred to a certain transferre, naming such transferce, for the purpose of econorship or operation. Such transfer must be dated and signed by a facty day authorized so to sign.

Beneath said transfer the transferce should recite that such transferce 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 responsibility of such well under his one-well bond lendered with corporate surely 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.

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When the Commission has passed upon the transfer and acceptance and accepted it under the transferee's hond the transferor is immediately released of the plugging responsibility of the well or wells as the ease 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

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 des ignated agents.

Order 4, Effective 8-12-35 Rule 44. Notice to Contractors, Drillers and Others to Observe Ru

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-opera-tion 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

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



BEFORE THE OIL CONSERVATION COMMISSION Santa Fe, New Mexico

Case No. <u>5912</u> Exhibit No. <u>2</u>

Submitted by OCC

Heating 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, Socretary

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 encaped 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

Order 4, Effective 8-12-35

Rule 38. Pipe Line Data Required

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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 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, 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. For by not less than two individual sureties, each of whom shall own real estate situated within the State, and worth not less than whom shall own real estate situated within the State, and worth not less than twice the amount of the bond after deducing 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 chaving 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 oli 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, ase 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 Commission will in writing advise the principal and sureties on any and 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

Forms of bonds which will be acceptable will be furnished by the Com-

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

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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:

COUNTY	ACTUAL OR PROJECTED DEPTH OF WELL	AMOUNT OF BOND
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 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

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- (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.

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- (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:

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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.

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INACTIVE WELLS IN STATE OF NEW MEXICO COMPARED TO ACTIVE WELLS

	1974	1975	1976
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>\$917</u> Exhibit No. <u>3</u>
Submitted by <u>OCC</u>
Hearing Date <u>5-5-77</u>

Sheet 1

Ex 3

17	% Inactive	Total Inactive	Total Wells		% Inactive	Inactive Gas Wells	Total Gas Wells	% Inactive	Inactive Oil Wells	Total Oil Wells	
			€in						-		
	9.4	2,658	28,194	•	3.4	302	8,841	12. 2	2,356	19,353	1968
•	9.4	2,749	29,161	e	3.6	328	9,160	12.1	2,421	20,001	1969
,	12.4	3,618	29,078	•	3.7	338	9,236	16.5	3,280	19,842	1970
	14.1	4,137	29,285	•	3.9	369	9,394	18.9	3,768	19,891	1971
	14.3	4,252	29,725		3.8	367	9,690	19.4	3,885	20,035	1972
	14.2	4,289	30,186		υ. U	351	10,136	19.6	3,938	20,050	1973
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BEFORE THE
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Santa Fe, New Mexico
Case No. 5217 Exhibit No.
Suismitted by Dec
Hearing Date 4-23-74

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		. •	-				_					
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										-
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. •	9.4	2,749	29,161	્ય ૩. ૦	328	9,160	12.1	2,421	20,001	1969
	12.4	3,618	29,078	3.7	338	9,236	16.5	3,280	19,842	1970
\$ 1 25	14.1	4,137	29, 285	₩. •	369	9,394	18.9	3,768	19,891	1971
	14.3	4,252	29,725	ω 	367	9,690	19.4	3,885	20,035	1972
· ·	14.2	4,289	30,186	<u>ω</u> 	351	10,136	19.6	3,938	20,050	1973
	·			• •						

"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.

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OIL CONSERVATION COMMISSION
Santa Fe. New Mexico
Case No. 5217 Exhibit No.
Submitted by OCC
Hearing Date 4-23-14

	1974	1975	1976
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.

[&]quot;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	Total Inactive	Total Wells	% Inactive	Inactive Gas Wells	Total Gas Wells	% Inactive	Inactive Oil Wells	Total Oil Wells	
9.4	2,658	28,194	3,4	302	8,841	12.2	2,356	19,353	1968
9.4	2,749	29,161	y. 6	328	9,160	12.1	2,421	20,001	1969
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	9.4 9.4 12.4 14.1 14.3	2,658 2,749 3,618 4,137 4,252 9.4 9.4 12.4 14.1 14.3	28,194 29,161 29,078 29,285 29,725 2,658 2,749 3,618 4,137 4,252 9.4 9.4 12.4 14.1 14.3	3.4 3.6 3.7 3.9 3.8 28,194 29,161 29,078 29,285 29,725 2,658 2,749 3,618 4,137 4,252 9.4 9.4 12.4 14.1 14.3	e11s 302 328 338 369 367 3.4 3.6 3.7 3.9 3.8 28,194 29,161 29,078 29,285 29,725 2,658 2,749 3,618 4,137 4,252 9.4 9.4 12.4 14.1 14.3	s 8,841 9,160 9,236 9,394 9,690 ells 302 328 338 369 367 3.4 3.6 3.7 3.9 3.8 28,194 29,161 29,078 29,285 29,725 2,658 2,749 3,618 4,137 4,252 9,4 9,4 12,4 14,1 14,3	s 12.2 12.1 16.5 18.9 19.4 s 8,841 9,160 9,236 9,394 9,690 ells 302 328 338 369 367 3.4 3.6 3.7 3.9 3.8 28,194 29,161 29,078 29,285 29,725 2,658 2,749 3,618 4,137 4,252 9,4 9,4 12,4 14.1 14.3	ells 2,356 2,421 3,280 3,768 3,885 12.2 12.1 16.5 18.9 19.4 s 8,841 9,160 9,236 9,394 9,690 ells 302 328 338 369 367 3.4 3.6 3.7 3.9 3.8 28,194 29,161 29,078 29,285 29,725 2,658 2,749 3,618 4,137 4,252 9,4 9,4 12,4 14,1 14,3	19,353 20,001 19,842 19,891 20,035 11s 2,356 2,421 3,280 3,768 3,885 12.2 12.1 16.5 18.9 19.4 8,841 9,160 9,236 9,394 9,690 302 328 38 369 367 3.4 3.6 3.7 3.9 3.8 28,194 29,161 29,078 29,285 29,725 2,658 2,749 3,618 4,137 4,252 9,4 9,4 12.4 14.1 14.3

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BEFORE THE
OIL CONSERVATION COMMISSION
Sonta Fe, New Mexico
Case No. 5217 Exhibit No.
Submitted by 065
Hearing Date 4-23-76

	1974	1975	1976
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
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Total Wells	30,619	30,751	31,363
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	% Inactive	Total Inactive	Total Wells	% Inactive	Inactive Gas Wells	Total Gas Wells	% inactive	Inactive Oil Wells	Total Oil Wells	
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OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. **5217** Exhibit No.
Submitted by **Dec**Hearing Date **4-23-14**

