

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

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:**

**CASE NO. 12437
ORDER NO. R-11410**

APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION (“DIVISION”) ON ITS OWN MOTION FOR AN ORDER: (I) REQUIRING SANDCO OIL AND GAS INC. TO PROPERLY PLUG AND ABANDON THREE CERTAIN WELLS IN CHAVES COUNTY, NEW MEXICO; OR (II) AUTHORIZING THE DIVISION TO PLUG AND ABANDON THESE WELLS, AND ORDERING A FORFEITURE OF ANY PLUGGING BOND(S) COVERING THESE WELLS; AND (III) ASSESSING FINES FOR FAILURE TO COMPLY WITH THIS ORDER.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on June 15, 2000, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 27th day of June, 2000, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

- (1) Due public notice has been given and the Division has jurisdiction of this case and its subject matter.
- (2) Sandco Oil and Gas Inc. (“Sandco”) is the current owner and operator of the following described three wells located in Chaves County, New Mexico:
 - (a) Sandco No. 2 (API No. 30-005-62111) located 2310 feet from the North line and 1650 feet from the East line (Unit G) of Section 25, Township 8 South, Range 28 East, NMPM;

- (b) Sandco No. 3 (**API No. 30-005-60720**) located 990 feet from the North line and 330 feet from the East line (Unit A) of Section 25, Township 8 South, Range 28 East, NMPM; and
- (c) O'Brien-Lightcap "7" No. 1 (**API No. 30-005-62021**) located 660 feet from the South line and 1980 feet from the West line (Unit N) of Section 7, Township 8 South, Range 29 East, NMPM.

(3) Sandco, as operator of these wells, has posted with the Division three one-well plugging bonds, each in the amount of \$5,000. These bonds were issued by the Western Surety Company in January, 1984.

(4) The purpose of a plugging bond is to assure the Division that the wells covered by that bond will be properly plugged and abandoned when not capable of commercial production or no longer utilized for some other beneficial purpose.

(5) At this time, the Division seeks an order directing the operator to plug these wells in accordance with a Division-approved plugging program and, if the operator fails to do so, authorizing the Division to proceed to plug and abandon these wells and: (i) declare forfeiture of Sandco's plugging bonds and order foreclosure; (ii) order the recovery of any costs of plugging these wells in excess of the amount of these bonds from Sandco; and (iii) impose fines on the operator for failure to comply with this order.

(6) A representative of the Division's district office in Artesia presented evidence and testimony supporting its position that the subject wells should be plugged and abandoned.

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

(8) In 1984, the Sandco Well No. 3 was re-entered and the Sandco Well No. 2 was drilled to test the San Andres formation. Both wells were completed in the Twin Lake-San Andres Associated Pool. The O'Brien Lightcap "7" Well No. 1 was drilled in 1983 and was completed in the Bullseye-San Andres Pool. The last production date for the O'Brien Lightcap "7" Well No. 1 was July, 1986. The Sandco Wells No. 2 and 3 do not show any record of production. Division records further indicate that no permit for temporary abandonment has been requested by the operator or approved by the Division for these wells.

(9) By virtue of the failure to use the subject wells for beneficial purposes or to have approved temporary abandonment permits, the subject wells are presumed to have been abandoned by Sandco.

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

(11) In order to prevent waste and protect correlative rights and fresh waters the three above-described wells should be plugged and abandoned by Sandco in accordance with a program approved by the supervisor of the Division's Artesia District Office on or before July 30, 2000.

(12) Should Sandco not meet this July 30, 2000 plugging obligation, the Division Director should then be authorized to take such action as is deemed necessary to foreclose on the subject plugging bonds and recover from the operator any costs in excess of the amount of the bonds to help defer such plugging costs incurred by the Division.

IT IS THEREFORE ORDERED THAT:

(1) Sandco is hereby ordered to plug and abandon the following described three wells located in Chaves County, New Mexico on or before July 30, 2000:

- (a) Sandco No. 2 (**API No. 30-005-62111**) located 2310 feet from the North line and 1650 feet from the East line (Unit G) of Section 25, Township 8 South, Range 28 East, NMPM;
- (b) Sandco No. 3 (**API No. 30-005-60720**) located 990 feet from the North line and 330 feet from the East line (Unit A) of Section 25, Township 8 South, Range 28 East, NMPM; and
- (c) O'Brien-Lightcap "7" No. 1 (**API No. 30-005-62021**) located 660 feet from the South line and 1980 feet from the West line (Unit N) of Section 7, Township 8 South, Range 29 East, NMPM.

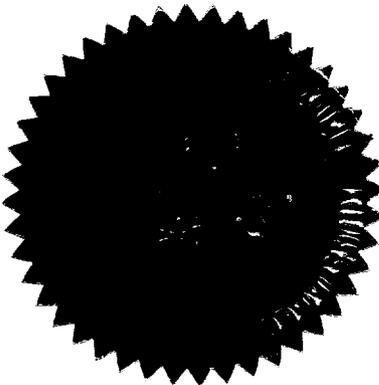
(2) Sandco, prior to plugging and abandoning the above-described wells, shall obtain from the supervisor of the Division's district office in Artesia, an approved plugging program and shall notify the Artesia district office of the date and time this work is to commence whereupon the Division may witness such work.

(3) Should Sandco fail or refuse to carry out such provisions in accordance with the terms of this order, the Division shall then take such actions as are necessary to have those wells properly plugged and abandoned. Further, the Division shall then be authorized to take such action as is deemed necessary to foreclose on Sandco's plugging bonds, and to recover from the operator any costs in excess of the amount of these bonds to help defer such plugging cost incurred by the Division.

(4) Failure to comply with the provisions of this order shall subject Sandco to a fine of \$1,000.00 per day until such work is completed (see Section 70-2-31, NMSA 1978).

(5) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

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



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Lori Wrotenbery
LORI WROTENBERY
Director

SEAL