

**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. 12438
ORDER NO. R-11431**

APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION (“DIVISION”) ON ITS OWN MOTION FOR AN ORDER: (I) REQUIRING SALADO OPERATING, L.L.C. TO PROPERLY PLUG AND ABANDON FOUR CERTAIN WELLS IN EDDY 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 15th and July 27th, 2000, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 10th day of August, 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) Salado Operating, L.L.C. (“Salado”) is the current owner and operator of the following four wells located in Section 2, Township 16 South, Range 30 East, NMPM, Eddy County, New Mexico:

- (a) East Henshaw Unit Tract 24 No. 1 (**API No. 30-015-03825**) located 1980 feet from the South line and 660 feet from the East line (Unit Q);

- (b) East Henshaw Unit Tract 10 No. 4 (**API No. 30-015-03821**) located 3654.5 feet from the North line and 330 feet from the East line (Lot 9);
- (c) East Henshaw Unit Tract 15 No. 6 (**API No. 30-015-03823**) located 2970 feet from the South line and 1650 feet from the East line (Unit O); and
- (d) East Henshaw Unit Tract 9 No. 7 (**API No. 30-015-03824**) located 3654.5 feet from the North line and 1650 feet from the East line (Unit J).

(3) Salado, as operator of these wells, has posted with the Division four one-well plugging bonds, each in the amount of \$5,000.00. These bonds were issued by Underwriters Indemnity Company on October 12, 1995.

(4) The purpose of a plugging bond is to assure the Division that the well 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 Salado'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 Salado; 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) The four subject wells were drilled by Humble Oil & Refining Company in 1961 to test the West Henshaw-Grayburg Pool. Testimony by the Division demonstrates that the wells have not produced for several years. In addition, no permit for temporary abandonment has been requested by the operator or approved by the Division.

(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 Salado.

(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 above-described wells should be plugged and abandoned by Salado in accordance with a program approved by the supervisor of the Division's Artesia District Office on or before September 15, 2000.

(12) Should Salado not meet this September 15, 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) Salado Operating, L.L.C. ("Salado") is hereby ordered to plug and abandon the following four wells located in Section 2, Township 16 South, Range 30 East, NMPM, Eddy County, New Mexico, on or before September 15, 2000:

- (a) East Henshaw Unit Tract 24 No. 1 (**API No. 30-015-03825**) located 1980 feet from the South line and 660 feet from the East line (Unit Q);
- (b) East Henshaw Unit Tract 10 No. 4 (**API No. 30-015-03821**) located 3654.5 feet from the North line and 330 feet from the East line (Lot 9);
- (c) East Henshaw Unit Tract 15 No. 6 (**API No. 30-015-03823**) located 2970 feet from the South line and 1650 feet from the East line (Unit O); and
- (d) East Henshaw Unit Tract 9 No. 7 (**API No. 30-015-03824**) located 3654.5 feet from the North line and 1650 feet from the East line (Unit J).

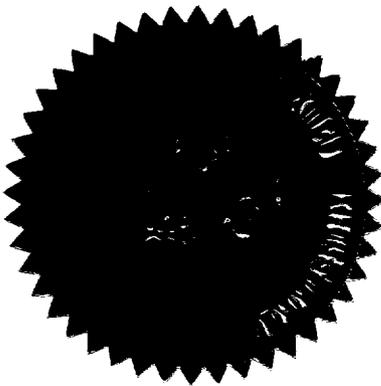
(2) Salado, prior to plugging and abandoning the above-described wells, shall obtain from the supervisor of the Division's district office in Artesia an approved plugging program and shall notify the Artesia district office of the date and time this work is to commence whereupon the Division may witness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

(3) Should Salado 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 the four \$5,000 plugging bonds issued by Underwriters Indemnity Company 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 Salado 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
Director

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