

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. 13128
ORDER NO. R-12077

AN APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION,
THROUGH THE SUPERVISOR OF DISTRICT II, FOR AN ORDER
REQUIRING I.T. PROPERTIES TO PROPERLY PLUG TWO (2) WELLS,
ASSESSING AN APPROPRIATE CIVIL PENALTY IN EVENT OF
OPERATOR'S FAILURE TO COMPLY, AUTHORIZING THE DIVISION TO
PLUG SAID WELLS AND ORDERING A FORFEITURE OF APPLICABLE
PLUGGING BOND; EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on August 7, 2003, at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 5th day of January, 2004, 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) I.T. Properties of Arlington, Texas is the current owner and operator of the following two wells located in Eddy County, New Mexico:
 - (a) DHY State B Well No. 1 (API No. 30-015-21971), located 1,980 feet from the South line and 990 feet from the West line (Unit L) of Section 11, Township 19 South, Range 28 East NMPM, and

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(b) -- Siegreist State Well No. 1 (API No. 30-015-23119), located 1,980 feet from the North line and 990 feet from the East line (Unit H) of Section 25, Township 19 South, Range 23 East, NMPM.

(3) The New Mexico Oil Conservation Division ("Division") seeks an order directing the operator to plug the subject 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, order the forfeiture of the plugging bond(s) for these wells, and impose a civil penalty on the operator for failure to comply with this order.

(4) A representative of the Division's Artesia District Office appeared at the hearing and two additional witnesses from the Santa Fe Office of the Division presented evidence to support the Division's position that these wells should be plugged and abandoned.

(5) The evidence presented by the Division demonstrates that the last active date for either of these two wells was prior to September 1998.

(6) The operator has not temporarily abandoned either of these wells.

(7) By virtue of the failure to use these wells for beneficial purposes or to have an approved temporary abandonment permit, I.T. Properties is presumed to have abandoned these two wells.

(8) The current condition of the 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 fresh waters may be in danger of contamination.

(9) The Division has contacted I.T. Properties to advise it that the subject wells are not in compliance with Division rules, and requested that action be taken to bring these wells into compliance.

(10) The Division sent notice of this hearing to I.T. Properties at an address in Arlington, Texas. The hearing notice was received. I.T. Properties made no appearance at the hearing.

(11) I.T. Properties has posted a \$50,000 surety bond with Gulf Insurance Company (Bond No. 58-54-63)

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(12) In order to prevent waste and to adequately protect correlative rights and the environment, the two subject wells should be plugged and abandoned by I.T. Properties in accordance with a plugging program approved by the supervisor of the Division's Artesia District Office on or before February 1, 2004.

(13) Should I.T. Properties not meet this February 1, 2004 plugging obligation, the Division Director should then be authorized to take such action as is deemed necessary to properly plug and abandon these wells, and recover from the operator additional costs the Division may incur to properly plug and abandon these wells.

IT IS THEREFORE ORDERED THAT:

(1) I.T. Properties is hereby ordered to plug and abandon the following-described wells in Eddy County, New Mexico, on or before February 1, 2004:

- (a) **DHY State B Well No. 1** (API No. 30-015-21971), located 1,980 feet from the South line and 990 feet from the West line (Unit L) of Section 11, Township 19 South, Range 28 East, NMPM; and
- (b) **Siegreest State Well No. 1** (API No. ~~30-015-23119~~), located 1,980 feet from the North line and 990 feet from the East line (Unit H) of Section 25, Township 19 South, Range 23 East, NMPM.

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(2) I.T. Properties, 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.

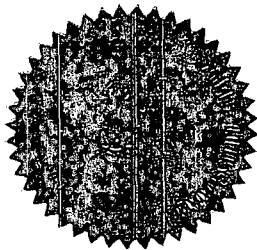
(3) Should I.T. Properties fail or refuse to carry out such provisions in accordance with the terms of this order, the Division shall then take such actions as are necessary to: (i) have these wells properly plugged and abandoned and the sites thereof remediated as provided in Division Rule 201; (ii) forfeit any existing plugging bonds for these wells to the extent necessary to reimburse the Oil and Gas Reclamation Fund for all costs incurred in plugging these wells and remediating the sites; and (iii) recover from the operator additional costs the Division may incur to properly plug and abandon the wells and ~~remediate the sites~~

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

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

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



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Lori Wrotenbery

LORI WROTENBERY
Director