

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

**AMENDED APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION,
THROUGH THE SUPERVISOR OF DISTRICT I, FOR AN ORDER UNDER NMSA 1978,
SECTION 70-2-14(B) DETERMINING THAT MGM OIL & GAS CO. VIOLATED NMSA 1978,
SECTION 70-2-31(B)(2), 19.15.13.115.A NMAC AND 19.15.4.201 NMAC; REQUIRING MGM OIL
& GAS CO. TO PLUG AND ABANDON SIX WELLS BY A DATE CERTAIN; AND IN THE
EVENT OF NON-COMPLIANCE, AUTHORIZING THE DIVISION TO FORFEIT THE
APPLICABLE FINANCIAL ASSURANCE AND PLUG THE WELLS; LEA COUNTY, NEW
MEXICO.**

CASE NO. 13374

2004 DEC 22 AM 11 27

PRE-HEARING STATEMENT

This entry of appearance and pre-hearing statement is submitted by the applicant, the Oil Conservation Division.

APPEARANCES

APPLICANT

Oil Conservation Division

APPLICANT'S ATTORNEY

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OPPONENTS

MGM Oil & Gas Co.

OPPONENTS' ATTORNEY

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RLI Insurance Company

No appearance has been entered

APPLICANT'S STATEMENT OF THE CASE

This case presents two compliance issues: false reporting and failure to bring inactive wells into compliance with Rule 201.

MGM Oil & Gas Company ("MGM") has been reporting production on six wells that have actually been inactive for years, and improperly identifying those wells as "pumping" or "flowing." MGM continued to report these wells as producing even after being told that they should not report inactive wells as producing. MGM's conduct constitutes a violation of NMSA 1978, Section 70-2-31(B)(2).

The six wells at issue have been inactive for more than one year plus 90 days, without being plugged or placed on temporary abandonment status. This constitutes a violation of Rule 201.

The Division made repeated efforts to obtain compliance from MGM before taking this case to hearing.

Based on MGM's violations of Section 70-2-31(B)(2) and Rule 201, the Division seeks an order under Section 70-2-14(B) of the Oil and Gas Act. That statute provides:

If any of the requirements of the Oil and Gas Act or the rules promulgated pursuant to that act have not been complied with, the oil conservation division, after notice and hearing, may order any well plugged and abandoned by the operator or surety or both in accordance with division rules. If the order is not complied with in the time period set out in the order, the financial assurance shall be forfeited.

The Division asks for an order requiring MGM to plug and abandon the six wells by February 5, 2005. If MGM fails to meet that plugging deadline, the Division requests authority to forfeit MGM's financial assurances, and authority to plug the wells under Rule 101.M.

APPLICANT'S PROPOSED EVIDENCE

WITNESS:


ESTIMATED TIME:

Chris Williams or Johnny Robinson	20 min.
Jane Prouty or Ed Martin	20 min.
Richard Inge	10 min.
Dorothy Phillips	by affidavit

PROCEDURAL MATTERS

None.

Respectfully submitted,
This 22 day of December, 2004 by



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