

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

**APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION,
THROUGH THE SUPERVISOR OF DISTRICT I, FOR AN ORDER REQUIRING
SPENCE ENERGY COMPANY TO PROPERLY PLUG ONE (1) WELL,
AUTHORIZING THE DIVISION TO PLUG SAID WELL AND ORDERING A
FORFEITURE OF APPLICABLE PLUGGING BOND; LEA COUNTY, NEW
MEXICO.**

CASE NO. 13523

APPLICATION FOR PLUGGING AND FORFEITURE OF BOND

1. Spence Energy Company ("Operator") is the operator of the well or wells specifically identified on Exhibit A hereto (which Exhibit is incorporated herein by this reference for all purposes) located in Lea County, New Mexico. The said well or wells are hereinafter called the "subject well(s)," whether one or more.

2. Operator has posted a blanket surety bond in the amount of \$50,000 to secure its obligation to properly plug and abandon all wells it operates in the State of New Mexico in compliance with NMSA 1978, Sec. 70-2-14 and O.C.D. Rule 101. Underwriters Indemnity Company is the surety on said bond, and the number of the bond is BO2741

3. The subject well(s) have not produced any hydrocarbon or carbon dioxide substance nor been used for injection or other beneficial purpose for more than one year. No permit for temporary abandonment has been requested by the Operator or approved by the Division with respect to any of the subject well(s).

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4. By virtue of Operator's failure to use the subject well(s) for production or other beneficial purposes or to secure a current temporary abandonment permit, the subject well or wells are presumed abandoned, and are required to be plugged.

5. Division Rule 201.B, issued pursuant to the authority of NMSA 1978, Secs. 70-2-12 and 70-2-14, requires that wells that are inactive for more than one year or are no longer usable for beneficial purposes, and not temporarily abandoned pursuant to Rule 203, be properly plugged.

6. Division Rule 101.M, issued pursuant to the same authority, authorizes the Division, after notice and hearing, to order the operator to plug and abandon, in accordance with a Division-approved plugging program, any well or wells not in compliance with Rule 201, and to direct the Division to cause such well or wells to be plugged, and to declare forfeit any bond or other financial assurance furnished by operator, if, after the time provided in such order, the operator and its surety, if any, have failed to comply.

WHEREFORE, the Supervisor of District I of the Division hereby applies to the Director to enter an order:

- A. Determining whether the subject well(s) should be plugged and abandoned in accordance with a Division-approved plugging program.
- B. Upon a determination that the subject well(s) should be plugged, directing the Operator to plug the wells by a date certain.
- C. Further ordering that if the Operator or Underwriters Indemntiy Company, its surety, fails to plug and abandon the subject well(s) as ordered by the

Director, the Division be authorized: (i) to plug the subject wells in accordance with a division-approved plugging program; (ii) to declare forfeit the security furnished by the Operator, if any; and (iii) to take necessary and appropriate measures to recover from the Operator any costs of plugging the subject well(s) in excess of the amount of the bond or other security, if any.

- D. For such other and further relief as the Director deems just and proper under the circumstances.

RESPECTFULLY SUBMITTED,

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Attorney for The New Mexico Oil
Conservation Division

CASE NO. _____

EXHIBIT A to Application

30-025-29969	Kellahin "14" State Well No. 2	P-14-9S-32E	330' FSL & 700' FEL
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Case No. 13523. **Application of the New Mexico Oil Conservation Division for an Order Requiring Spence Energy Company to Properly Plug One Well, Authorizing the Division to Plug Said Well(s) in Default of Compliance by Operator, and Ordering a Forfeiture of Applicable Security, if Any, Lea County, New Mexico.** The Applicant seeks an order requiring Spence Energy Company, the operator of one inactive well(s) in Lea County, New Mexico, to properly plug and abandon the same, authorizing the Division to plug said well or wells if the operator fails to do so, forfeiting Operator's plugging security. The affected wells are the following:

30-025-29969	Kellahin "14" State Well No. 2	P-14-9S-32E	330' FSL & 700' FEL
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