

**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 ON ITS OWN MOTION TO PERMIT S & I OIL COMPANY, AMERICAN EMPLOYERS INSURANCE COMPANY, AND ALL OTHER INTERESTED PARTIES TO APPEAR AND SHOW CAUSE WHY SEVEN WELLS, OPERATED BY S & I OIL COMPANY AND LOCATED IN TOWNSHIP 29 NORTH, RANGE 15 WEST, NMPM, SAN JUAN COUNTY, NEW MEXICO, SHOULD NOT BE PLUGGED AND ABANDONED IN ACCORDANCE WITH A DIVISION APPROVED PLUGGING PROGRAM.

**CASE NO. 11144
Order No. R-10278**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on December 1, 1994, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 14th day of December, 1994, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) S & I Oil Company is the owner and operator of the following described wells located in Township 29 North, Range 15 West, NMPM, San Juan County, New Mexico:

WELL NAME & NUMBER

WELL LOCATION

Barbara Well No. 1	760' FSL & 810' FEL (Unit P) Section 12
Davie Well No. 1	330' FSL & 870' FWL (Unit M) Section 2
Moore Well No. 1	1980' FNL & 660' FWL (Unit E) Section 12
TRS-EVI Well No. 1	2130' FNL & 810' FEL (Unit H) Section 11
Bob-Blanche Well No. 1	1830' FSL & 660' FWL (Unit L) Section 12
Dorothy Well No. 1	1840' FSL & 520' FEL (Unit I) Section 11
Neilson Well No. 1	240' FSL & 330' FEL (Unit P) Section 3

(3) At the time of the hearing, the Division's witness requested that the Neilson Well No. 1 be deleted from this case inasmuch as this well has been sold and a new plugging bond has been posted by the new operator.

(4) In compliance with the Oil Conservation Division's Rules and Regulations, S & I Oil Company, as operator of the aforesaid six wells, posted a blanket plugging bond with the Division in the amount of \$50,000.00, issued by the American Employers Insurance Company as surety on the Oil Conservation Division plugging bond on which S & I Oil Company is principal.

(5) The purpose of said bond is to assure the state that the subject wells will be properly plugged and abandoned when not capable of commercial production.

(6) At this time, the Division seeks an order directing S & I Oil Company to pay the costs of plugging the subject wells and if the operator fails to do so, ordering forfeiture of the operator's plugging bond and authorizing the Division to make demand upon American Employers Insurance Company, or its successor-in-interest, to pay the Division all or part of the \$50,000.00 as is necessary to pay the costs of plugging said wells.

(7) Pursuant to Section 70-2-14 (E), NMSA 1978, if the \$50,000.00 plugging bond proves to be insufficient to cover the cost of plugging the subject wells, the Division is authorized to bring suit against the operator for all costs incurred by the Division in plugging the wells.

(8) The evidence presented indicates that on May 3, 1994, the Aztec District Office of the Division directed S & I Oil Company to either return the subject wells to production and bring them into compliance with Division Rules and Regulations or plug and abandon the wells in accordance with a Division approved plugging program by July 4, 1994.

(9) S & I Oil Company has failed to comply with the Division directive.

(10) The current condition of the subject six wells is such that waste may occur, correlative rights may be violated, or fresh waters may be contaminated if action is not taken to properly plug and abandon these wells.

(11) In order to prevent waste, to protect correlative rights, and to protect fresh waters, the subject wells should be plugged and abandoned as soon as possible in accordance with a plugging program approved by the supervisor of the Aztec District Office of the Division.

(12) Mr. Troy Strickland, a principal of S & I Oil Company, appeared at the hearing. In addition, Commercial Union Insurance Company appeared at the hearing through legal counsel. Commercial Union Insurance Company is the successor-in-interest to American Employers Insurance Company and has assumed liability under the bond.

(13) Mr. Strickland requested that any order issued by the Division provide a sufficient time period in which to plug and abandon the subject wells. Mr. Strickland suggested that 90 days was appropriate and acceptable.

(14) Within 30 days from the effective date of this order, S & I Oil Company should be required to file a Division Form C-103 with the Aztec District Office of the Division indicating its intent and procedures to be utilized in plugging and abandoning the subject wells. Within 90 days from the effective date of this order, S & I Oil Company should be required to plug and abandon the subject wells in accordance with a Division approved plugging program.

(15) S & I Oil Company or its representatives should not commence plugging operations and/or removal of wellsite equipment until it has received approval from the supervisor of the Aztec District Office of the Division.

(16) Should S & I Oil Company fail to comply with the terms of this order, a fine of \$1000.00 per well should be assessed against S & I Oil Company for failure to comply with Division Orders, Rules and Regulations.

IT IS THEREFORE ORDERED THAT:

(1) S & I Oil Company is hereby ordered to plug and abandon the following described wells located in Township 29 North, Range 15 West, NMPM, San Juan County, New Mexico:

WELL NAME & NUMBER

WELL LOCATION

Barbara Well No. 1	760' FSL & 810' FEL (Unit P) Section 12
Davie Well No. 1	330' FSL & 870' FWL (Unit M) Section 2
Moore Well No. 1	1980' FNL & 660' FWL (Unit E) Section 12
TRS-EVI Well No. 1	2130' FNL & 810' FEL (Unit H) Section 11
Bob-Blanche Well No. 1	1830' FSL & 660' FWL (Unit L) Section 12
Dorothy Well No. 1	1840' FSL & 520' FEL (Unit I) Section 11

(2) The Neilson Well No. 1, located 240 feet from the South line and 330 feet from the East line (Unit P) Section 3, Township 29 North, Range 15 West, NMPM, is hereby dismissed from the plugging requirements of this order.

(3) Within 30 days from the effective date of this order, S & I Oil Company shall file a Division Form C-103 with the Aztec District Office of the Division indicating its intent and procedures to be utilized in plugging and abandoning the above-described wells.

(4) Within 90 days from the effective date of this order, S & I Oil Company shall plug and abandon the subject wells in accordance with a Division approved plugging program.

(5) S & I Oil Company or its representatives shall not commence plugging operations and/or removal of wellsite equipment until it has received approval from the supervisor of the Aztec District Office of the Division.

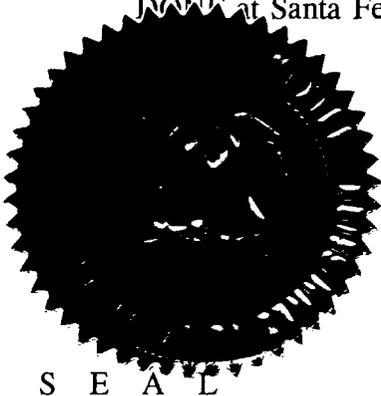
(6) Should S & I Oil Company fail or refuse to plug and abandon the subject wells in accordance with the terms of this order, the Division shall then take such actions as are deemed necessary to have the wells properly plugged at which time the Director of the Division shall make demand upon Commercial Union Insurance Company to pay the Division all or part of the \$50,000.00 as is necessary to pay the costs of plugging said wells.

(7) Should the \$50,000.00 plugging bond be insufficient to cover the cost of plugging the subject wells, the Division shall be authorized, pursuant to Section 70-2-14 (E), NMSA 1978, to bring suit against the operator for all costs incurred by the Division in plugging the wells.

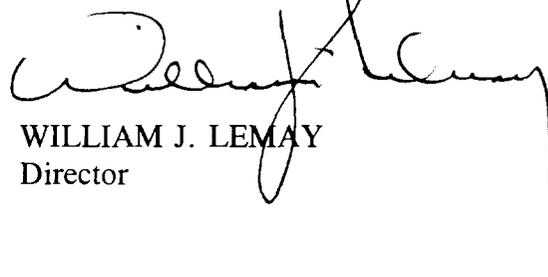
(8) In addition, should S & I Oil Company fail to comply with the terms of this order, a fine of \$1000.00 per well shall be assessed against S & I Oil Company for failure to comply with Division Orders, Rules and Regulations.

(8) 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


WILLIAM J. LEMAY
Director



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

BRUCE KING
GOVERNOR

2040 S. PACHECO
SANTA FE, NEW MEXICO 87505
(505) 827-7131

December 14, 1994

S & I Oil Company
#286 US Highway 64
Farmington, New Mexico 87401

RE: CASE NO. 11144
ORDER NO. R-10278

Dear Sir:

Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

Sincerely,


Sally E. Martinez
Administrative Secretary

cc: BLM - Farmington
OCD - Aztec Office
Commerical Union Insurance
Ned Kendrick