

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 ("DIVISION") ON ITS OWN MOTION TO PERMIT SANTA RITA EXPLORATION CORPORATION, OPERATOR, ALLIED FIDELITY INSURANCE COMPANY, SURETY, AND ALL OTHER INTERESTED PARTIES TO APPEAR AND SHOW CAUSE WHY THE MOONLIGHT "4" WEST WELL NO. 1, LOCATED IN SECTION 4, TOWNSHIP 8 SOUTH, RANGE 28 EAST, NMPM, CHAVES COUNTY, NEW MEXICO, SHOULD NOT BE PLUGGED AND ABANDONED IN ACCORDANCE WITH A DIVISION-APPROVED PLUGGING PROGRAM.

*CASE NO. 11489
ORDER NO. R-10567*

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on March 7, 1996, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 1st day of April, 1996, the Division Director, having considered 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) The witness in this matter, Ray Smith, Deputy Oil and Gas Inspector for the Division, testified via telephone from the New Mexico Oil Conservation Division District Office in Artesia, New Mexico.
- (3) The operator of record for the Moonlight "4" West Well No. 1 (API No. 30-005-60842), located 660 feet from the North and West lines (Unit D) of Section 4, Township 8 South, Range 28 East, NMPM, Chaves County, New Mexico, is Santa Rita Exploration Corporation of Artesia, New Mexico.

(4) Allied Fidelity Company is the surety on a \$50,000.00 blanket plugging bond on which Santa Rita Exploration Corporation is principal.

(5) The purpose of said bond is to assure the Division that any and all wells operated by Santa Rita Exploration Corporation will be properly plugged and abandoned when not capable of commercial production.

(6) The evidence presented indicates that Allied Fidelity Insurance Company is bankrupt and no longer is in existence.

(7) The Moonlight "4" West Well No. 1 has not produced hydrocarbon substance or has otherwise been inactive for more than one year, and no permit for temporary abandonment has been requested by the operator or approved by the Division.

(8) By virtue of the failure to use the subject well for a beneficial purpose or to have an approved current temporary abandonment permit, the well is presumed to have been abandoned.

(9) The current condition of the subject well is such that if action is not taken to properly plug and abandon this well, waste may occur, correlative rights may be violated, and/or fresh water may be contaminated.

(10) Neither the operator, a representative from the surety, nor any other interested parties appeared at the hearing, either in support of or in opposition to this matter.

(11) The Moonlight "4" West Well No. 1, as described above, should be plugged and abandoned in accordance with a program approved by the supervisor of the Artesia District Office of the New Mexico Oil Conservation Division as soon as possible.

(12) Further, the Division Director should be authorized to take such action as is deemed necessary to foreclose on the subject plugging bond to help defer such plugging cost accrued by the Division.

IT IS THEREFORE ORDERED THAT:

(1) The supervisor of the Artesia District Office of the New Mexico Oil Conservation Division is hereby authorized to direct the commencement of plugging operations on the Santa Rita Exploration Corporation Moonlight "4" West Well No. 1 (API No. 30-005-60842), located 660 feet from the North and West lines (Unit D) of Section 4, Township 8 South, Range 28 East, NMPM, Chaves County, New Mexico.

IT IS FURTHER ORDERED THAT:

(2) Further, the Division Director shall take such action as is deemed necessary to foreclose on the Allied Fidelity Insurance Company \$50,000.00 blanket plugging bond on which Santa Rita Exploration Corporation is principal to help defer such plugging cost accrued by the Division.

(3) Jurisdiction of this cause 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.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in black ink, appearing to read "William J. Lemay". The signature is written over the typed name and extends downwards with a long, thin tail.

WILLIAM J. LEMAY
Director