

**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 III FOR AN ORDER REQUIRING THE EL POSO RANCH WELLS NOS. 1, 2, 3, 4, 7, 9 AND 10, LOCATED RESPECTIVELY IN UNITS E OF SEC. 26, P OF SEC. 22, F OF SEC. 14, C OF SEC.23, J OF SEC. 14, N OF SEC. 11 AND O OF SEC. 14, ALL IN TOWNSHIP 28 NORTH, RANGE 1 EAST, RIO ARriba COUNTY, NEW MEXICO, TO BE PROPERLY PLUGGED, AUTHORIZING THE DIVISION TO PLUG SAID WELLS, AND ORDERING A FORFEITURE OF THE PLUGGING BOND, IF ANY.

CASE NO. _____

APPLICATION FOR PLUGGING AND FORFEITURE OF BOND

1. Chuza Operating (the "Operator") is the operator of the El Poso Ranch Wells Nos. 1, 2, 3, 4, 7, 9 and 10 located respectively in Units E of Sec.26, P of Sec. 22, F of Sec. 14, C of Sec. 23, J of Sec.14, N of Sec. 11, and O of Sec. 14, all in Township 28 North, Range 1 East, Rio Arriba County, New Mexico.

2. Operator has posted a surety bond in the amount of \$50,000 from Underwriters Indemnity Co. (Issuer Bond No. B03812) for said wells in compliance with Section 70-2-14 NMSA 1978 and Rule 101 of the Rules and Regulations of the Oil Conservation Division, which bond is conditioned upon compliance with the statutes of the State of New Mexico and the Rules and Regulations of the Division with respect to the proper plugging and abandonment of the wells operated by Operator.

3. The subject wells have not produced hydrocarbon or carbon dioxide substance or have otherwise been inactive for more than one year or are no longer usable for beneficial purposes

and no permit for temporary abandonment has been requested by the Operator and approved by the Division.

4. By virtue of the failure to use the wells for beneficial purposes or to have an approved current temporary abandonment permit, the subject wells are presumed to have been abandoned and are required to be plugged.

5. By authority of Section 70-2-14 NMSA 1978, the Rules and Regulations of the Division require wells which are inactive for more than one year or are no longer usable for beneficial purposes to be properly plugged.

6. Demand has been attempted to be made upon the Operator to either place the subject wells to beneficial use, obtain approval for temporary abandonment or properly plug and abandon the same and the Operator has failed to do so.

WHEREFORE, the Supervisor of District III of the Oil Conservation Division applies to the Director to enter an order:

A. Determining whether or not the El Poso Ranch Wells Nos. 1, 2, 3, 4, 7, 9 and 10 should be plugged in accordance with a Division-approved plugging program.

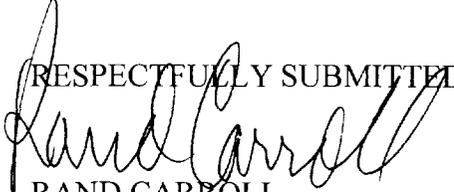
B. Upon a determination that said wells should be plugged, directing Operator to plug said wells.

C. Further ordering that if Operator fails to plug and abandon said wells as ordered by the Director, that the Division be authorized:

i. to plug said wells;

- ii. to declare forfeit on said bond, if any, and to take such action to
foreclose on said bond, and
- iii. to recover from the Operator any costs of plugging said well in excess
of the amount of the bond, if any.

D. For such other and further relief as the Division seems just and proper.

RESPECTFULLY SUBMITTED,

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