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**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 II FOR AN ORDER REQUIRING MCKAY OIL CORPORATION TO PROPERLY PLUG ELEVEN WELLS IN CHAVES COUNTY, NEW MEXICO, AUTHORIZING THE DIVISION TO PLUG SAID WELLS, AND ORDERING A FORFEITURE OF THE PLUGGING BOND, IF ANY.

CASE NO. 11946

APPLICATION FOR PLUGGING AND FORFEITURE OF BOND

1. McKay Oil Corporation (the "Operator") is the operator of the eleven wells in Chaves County, New Mexico located as listed on the attached Exhibit "A" hereto.

2. Operator has posted a surety bond in the amount of \$50,000 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. Gulf Insurance Company is surety on the bond, Bond No. 58 45 67.

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 approved

current temporary abandonment permits, 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 made or 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 II of the Oil Conservation Division applies to the Director to enter an order:

A. Determining whether or not the wells 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:

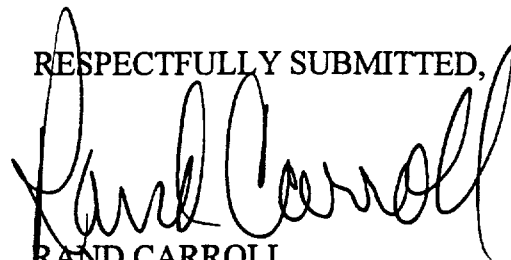
i. to plug said wells;

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 wells in excess of the amount of the bond, if any.

D. For such other and further relief as the Division deems just and proper,
including the assessment of fines.

RESPECTFULLY SUBMITTED,

A handwritten signature in black ink, appearing to read "Rand Carroll". The signature is written in a cursive style with a large initial "R".

RAND CARROLL

Legal Counsel

New Mexico Oil Conservation Division

2040 South Pacheco

Santa Fe, NM 87505

(505) 827-8156

Exhibit "A"

West Fork Unit	# 1 sec.	32-4-22	ut.	c
Bonnie	# 1 sec.	30-5-22	ut.	o
Wolf State	# 1 sec.	16-6-23	ut.	j
Pipeline Com.	# 2 sec.	26-6-22	ut.	k
Macho State	# 1 sec.	32-6-23	ut.	g
Desert Rose	# 1 sec.	12-6-22	ut.	m
Inexico	# 2 sec.	32-5-22	ut.	j
	# 5 sec.	33-5-22	ut.	k
	# 7 sec.	33-5-22	ut.	j
Camp State	# 1 sec.	25-5-22	ut.	j
Aikman	# 1 sec.	36-5-26	ut.	p