

**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 GEORGE A. CHASE, JR. TO BRING ONE (1) WELL INTO
COMPLIANCE WITH RULE 201.B, AND ASSESSING AN APPROPRIATE CIVIL
PENALTY; EDDY COUNTY, NEW MEXICO**

CASE NO. _____

APPLICATION FOR COMPLIANCE ORDER AND CIVIL PENALTIES

1. George A. Chase, Jr. ("Operator") is the operator of the following well
(the "subject well") in Eddy County, New Mexico:

Superior Federal Well No. 1 (API No. 30-015-10751),
located 1980 feet from the North and West lines (Unit F) of
Section 20, Township 16 South, Range 31 East, NMPM

2. The subject well has been continuously inactive for a period in excess of
one (1) year plus ninety (90) days immediately preceding the date of filing of this
Application. This well was drilled prior to 1999. No production has ever been reported
from the subject well, and it is not presently equipped to produce, nor is the subject well
currently approved for temporary abandonment by the Division.

3. On October 29, 2001; January 30, 2002; February 15, 2002 and April 1,
2002 the New Mexico Oil Conservation Division (hereinafter "the Division") notified
Operator that the subject well was not in compliance with Division Rule 201.B(3), and
should be brought into compliance either by returning the same to production or other
beneficial use, securing Division approval for temporary abandonment, or plugging and

abandonment. By Notice of Violation dated April 1, 2002 the Division imposed a deadline of April 25, 2002 to bring this well into compliance, and admonished the Operator that further neglect of this well could result in imposition of civil penalties. However, to this date, Operator has failed to take appropriate action to bring the subject well into compliance.

4. Division Rule 201.B(3) provides:

A well shall be either properly plugged and abandoned or temporarily abandoned in accordance with these rules ninety (90) days after:

- (1) A sixty (60) day period following suspension of drilling operations;

- (3) A period of one (1) year in which a well has been continuously inactive.

5. NMSA Section 70-2-31.A provides that:

Any person who knowingly and willfully violates any provision of the Oil and Gas Act or any provision of any rule or order issued pursuant to that act shall be subject to a civil penalty of not more than one thousand dollars (\$1,000) for each violation. For purposes of this subsection, in the case of a continuing violation, each day of violation shall constitute a separate violation.

6. Operator's failure to take action to restore the subject well to production or beneficial use, or to cause such well to be plugged and abandoned, or to apply to the Division for approval for temporary abandonment, or, if such wells is in fact producing, to report such production to the Division as required, after receipt of notice of noncompliance from the Division as herein before described, constitutes a continuing

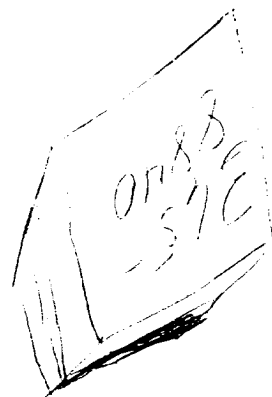
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Operator _____
Well _____
Unit _____ Section _____ Township _____ Range _____
API # 30-0 _____ -- _____

TOPS

Salt _____
B. Salt _____
Yates _____
Glorieta _____
Delaware _____
Bone Sp. _____
Abo _____
Wolfcamp _____
Morrow _____
Devonian _____
Fusselman _____
Other _____

- Contact OCD 24 hrs. prior to any work done.
- Salt gel mud consisting of 10# brine with 25# of gel per barrel must be placed between each plug
- Install dry hole marker as per rule 202.B.2
- Plugs are to be set from point indicated up. Plugs must not be less than 100' or 25 Sacks of cement, whichever is greater, unless specifically indicated.
- Shoe and stub plugs will be 50' above and below shoe or stub and tagged.
- Surface plug will be from 0' - 60'
- Where plugs are required cement must be placed inside and outside of all casing string(s), in the correct footage or sacks required, if no cement exists.
- Plugs to be tagged will be indicated.

1337
100

1101

120
2000

1150

about 100' to 150'
in top of well
100' to 150'
100' to 150'

Test to 100' full
100' to 150'

100' to 150'
100' to 150'

100' to 150'
100' to 150'
100' to 150'