



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

February 13, 1998

Certified Mail
Return Receipt Requested



RPM Energy, Inc.
P.O. Box 1207
Big Springs, TX 79721

United States Fire Insurance Company
305 Madison Avenue
Morristown, NJ 07960

Case No. 11944

RE: Application of the New Mexico Oil Conservation Division for an order requiring RPM Energy, Inc. to properly plug six wells (three wells located in Units I, J and D in Section 16 and three wells located in Units L, J and F in Section 21), located in Township 16 South, Range 26 East, Eddy County, NM, authorizing the Division to plug said wells, and ordering a forfeiture of any plugging bond

United States Fire Insurance Company Bond No: 610 08020478

Dear Sir/Madam:

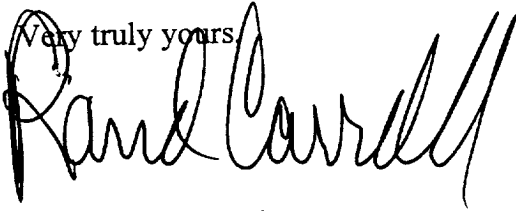
This letter is to advise you that the New Mexico Oil Conservation Division has filed the enclosed application seeking a Show Cause Hearing requiring RPM Energy, Inc. and other interested parties to appear and show cause why the above-referenced wells should not be ordered plugged and abandoned.

This application has been set for hearing before an Examiner of the Oil Conservation Division on March 5, 1998. You are not required to attend this hearing, but as an owner of an interest that may be affected by an order issued in this case, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases have been requested by the Division (Memorandum 2-90--- Enclosed) to file a Prehearing Statement substantially in the form prescribed by the Division. Prehearing

statements should be filed by 4:00 o'clock p.m. on the Friday before a scheduled hearing.

Very truly yours,

A large, stylized handwritten signature in black ink, appearing to read "Rand Carroll".

RAND CARROLL

ATTORNEY FOR THE NEW MEXICO OIL CONSERVATION DIVISION

Enclosures

A small, handwritten signature or set of initials in black ink, appearing to be "Ra".

c: Ray Smith, OCD Artesia

Tim Gum, OCD Artesia District Supervisor

RECEIVED
FEB 1 1998
Conservation Division

**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 RPM ENERGY, INC. TO PROPERLY PLUG SIX WELLS (THREE WELLS LOCATED IN UNITS I, J AND D IN SECTION 16 AND THREE WELLS LOCATED IN UNITS L, J AND F IN SECTION 21, ALL IN TOWNSHIP 16 SOUTH, RANGE 26 EAST, EDDY COUNTY, NEW MEXICO, 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. RPM Energy, Inc. (the "Operator") is the operator of the six wells located in Units I, J and D in Section 16, Township 16 South, Range 26 East, and Units L, J and F in Section 21, Township 16 South, Range 26 East, Eddy County, New Mexico.
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. United States Fire Insurance Company is surety on the bond, Bond No. 610 08020478.
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;

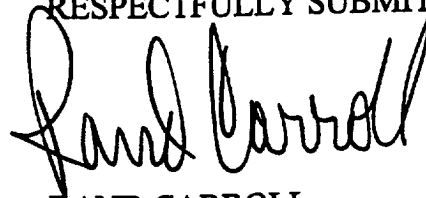
ii. to declare forfeit on said bond, if any, and to take such action to

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 fluid and cursive, with the first name "Rand" and last name "Carroll" clearly distinguishable.

RAND CARROLL

Legal Counsel

New Mexico Oil Conservation Division

2040 South Pacheco

Santa Fe, NM 87505

(505) 827-8156