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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 THE OPERATOR, CHUZA OPERATING, UNDERWRITERS INDEMNITY, SURETY, AND ALL OTHER INTERESTED PARTIES TO APPEAR AND SHOW CAUSE WHY THE EL POSO RANCH WELLS NOS. 1, 2, 3, 4, 7, 9 AND 10, LOCATED IN SECTIONS 11, 14 23 AND 26, TOWNSHIP 28 NORTH, RANGE 1 EAST, AS PROJECTED INTO THE UNSURVEYED TIERRA AMARILLA LAND GRANT, RIO ARRIBA COUNTY, NEW MEXICO, SHOULD NOT BE PLUGGED AND ABANDONED IN ACCORDANCE WITH A DIVISION-APPROVED PLUGGING PROGRAM.

DE NOVO
CASE NO. 11509
ORDER NOS. R-8404-E and
R-8223-D

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OIL CON. DIV.
DIST. 3

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 8:15 a.m. on September 18, 1996, at Santa Fe, New Mexico, before the New Mexico Oil Conservation Commission (the "Commission").

NOW, on this 12th day of December, 1996, the Commission, a quorum being present, having considered the record and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) Chuza Operating is the last known owner and operator of the El Poso Ranch Wells Nos. 1, 2, 3, 4, 7, 9 and 10 located in Sections 11, 14, 23 and 26, Township 28 North, Range 1 East, Rio Arriba County, New Mexico.

(3) In compliance with the New Mexico Oil Conservation Division ("Division") Rules and Regulations, Chuza Operating, as operator of said wells posted a blanket plugging bond in the amount of \$50,000.00 issued by Underwriters Indemnity Co.

(4) The purpose of said bond is to assure the Division that the subject wells will be properly plugged and abandoned when not capable of commercial production.

(5) Case Nos. 11507, 11508 and 11509 were consolidated for purposes of testimony since all three cases were related. The Division proposed that the record from Case No. 11509 at the Division level be incorporated into the Commission record in this case since the other parties appearing at this hearing, i.e., Petroleum Development Corporation, Chuza Operating, Fred Shelton, Jr. and Kachina Production Company, did not object to the Division's determination that the subject wells were in need of plugging. These parties were either (i) in the case of Petroleum Development Corporation, Chuza Operating and Fred Shelton, Jr., reluctant to plug these wells without an order from the Division/Commission, due to potential liability to other interest owners in these wells for plugging the wells or (ii) in the case of Kachina Production Company, desirous of more time in order to find a potential purchaser for these wells.

(6) Neither the operator, the surety, nor any other interested parties introduced any evidence at the Division hearing or this hearing indicating that these wells were not in need of plugging nor did they have any objection to the record of the Division hearing in this matter being incorporated into the record for this Commission hearing. Such record contains uncontroverted evidence that these wells are in need of plugging.

(7) The subject wells have not produced hydrocarbon substance or have 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. These wells were first ordered plugged in 1987.

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

(9) The current conditions of the subject wells are such that waste may occur, correlative rights may be violated or fresh waters may be contaminated if action is not taken to properly plug and abandon the same.

(10) In order to prevent waste, to protect correlative rights, and to protect fresh waters, the above-described wells should be plugged and abandoned in accordance with a program approved by the supervisor of the Aztec District Office of the New Mexico Oil Conservation Division.

(11) No evidence has been introduced indicating that these wells should not be ordered plugged other than statements that buyers are being sought. Such statements were made at and prior to the Division hearing held on May 2, 1996, and the Division order considered those statements and imposed a deadline of August 15, 1996 for interested parties to plug these wells or bring them back into producing status. The current operator has been given more than sufficient time to plug the wells or find a buyer.

(12) The purpose of de novo hearings in plugging cases (and in all cases) before the Commission is to reexamine the evidence introduced at the Division level and not to "buy time" to find buyers for wells. Arrangements for additional time should be made with the Division, since pursuant to Division plugging orders the Division is but "authorized" to commence plugging operations once the deadline in the order has passed.

(13) At this time, the Division seeks an order dismissing this case, thereby reinstating the effectiveness of Order Nos. R-8404-D and R-8223-C and allowing the Division to plug these wells.

IT IS THEREFORE ORDERED THAT:

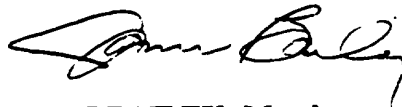
(1) This case is dismissed.

(2) The provisions of Division Order Nos. R-8404-D and R-8223-C shall therefore be effective.

(3) Jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

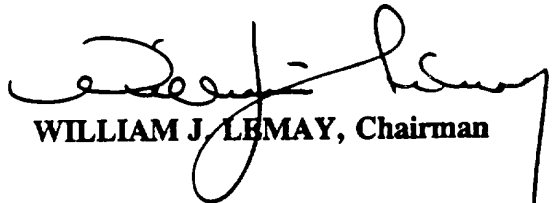
**STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION**



JAMI BAILEY, Member



WILLIAM W. WEISS, Member



WILLIAM J. LEMAY, Chairman

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