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STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

CASE NO. 11509
ORDER NOS. R-8404-D and R-8223-C

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION DIVISION ("DIVISION") ON ITS OWN MOTION TO PERMIT CHUZA OPERATING, OPERATOR, UNDERWRITERS INDEMNITY COMPANY, SURETY, AND ALL OTHER INTERESTED PARTIES TO APPEAR AND SHOW CAUSE WHY THE EL POSO RANCH WELL NOS. 1, 2, 3, 4, 7, 9, AND 10 LOCATED IN SECTIONS 11, 14, 23, AND 26, TOWNSHIP 28 NORTH, RANGE 1 EAST, NMPM, 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.

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ORDER OF THE DIVISION

BY THE DIVISION:

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This cause came on for hearing at 8:15 a.m. on May 2, 1996, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 1st day of July, 1996, the Division Director, having considered the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

- (1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.
- (2) At the time of the hearing this case was consolidated with Division Case Nos. 11507 and 11508 for the purpose of presenting testimony.
- (3) Chuza Operating of Midland, Texas is the current owner and operator of the following seven El Poso Ranch lease wells located in Township 28 North, Range 1 East, NMPM, as projected into the unsurveyed Tierra Amarilla Land Grant, Rio Arriba County, New Mexico:

- (a) Well No. 1 (API No. **30-039-23071**), formerly the Suntex Energy Corporation Suntex Well No. 1, located 1824 feet from the North line and 570 feet from the West line (Unit E) of Section 26;
- (b) Well No. 2 (API No. **30-039-23070**), formerly the Suntex Energy Corporation Suntex Well No. 2, located 660 feet from the South line and 365 feet from the East line (Unit P) of Section 22;
- (c) Well No. 3 (API No. **30-039-23276**), formerly the Suntex Energy Corporation Suntex Well No. 3, located 1858 feet from the North line and 1800 feet from the West line (Unit F) of Section 14;
- (d) Well No. 4 (API No. **30-039-23277**), formerly the Suntex Energy Corporation Suntex Well No. 4, located 935 feet from the North line and 1650 feet from the West line (Unit C) of Section 23;
- (e) Well No. 7 (API No. **30-039-23670**), formerly the Texas Rose Petroleum Inc. El Poso Ranch Well No. 1, located 1824 feet from the South line and 1778 feet from the East line (Unit J) of Section 14;
- (f) Well No. 9 (API No. **30-039-23669**), formerly the Texas Rose Petroleum Inc. El Poso Ranch Well No. 3, located 967 feet from the South line and 2148 feet from the West line (Unit N) of Section 11; and,
- (g) Well No. 10 (API No. **30-039-23673**), formerly the Texas Rose Petroleum Inc. El Poso Ranch Well No. 7, located 990 feet from the South line and 2310 feet from the

East line (Unit O) of Section 14.

(4) The El Poso Ranch Well Nos. 1, 2, 3, and 4 were the subject of a previous show cause case (Division Case No. 8864) brought to hearing before the Division against Suntex Energy Corporation, which resulted in the issuance of Division Order Nos. R-8223, R-8223-A, and R-8223-B. Further, the El Poso Ranch Well Nos. 7, 9, and 10 were the subject of a previous show cause case (Division Case No. 9074) brought to hearing before the Division against Texas Rose Petroleum, Inc. and were made a part of Division Order No. R-8404, R-8404-A, and R-8404-B. Subsequent to the issuance of said Orders Chuza Operating obtained ownership of these seven wells with the intent of producing hydrocarbons.

(5) Underwriters Indemnity Company of Houston, Texas is the surety on a \$50,000.00 blanket plugging bond on which Chuza Operating is principal.

(6) The purpose of said bond is to assure the Division that any and all wells operated by Chuza Operating will be properly plugged and abandoned when not capable of commercial production.

(7) All seven 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.

(8) By virtue of the failure to use the subject wells for beneficial purposes or to have approved temporary abandonment permits, the subject wells are presumed to have been abandoned by the operator.

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

(10) At the time of the hearing Chuza Operating and Kachina Production Company both entered appearances through legal counsel.

(11) In order to prevent waste and to adequately protect both correlative rights and fresh waters the seven above-described El Poso Ranch 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 on or before August 15, 1996, or the wells should be returned to active drilling status or placed on production.

(12) Further, should said wells not be placed on production or returned to active drilling status the Division Director should be authorized to take such action as is deemed necessary to foreclose on the subject plugging bond to help defer such plugging cost accrued by the Division.

IT IS THEREFORE ORDERED THAT:

(1) Chuza Operating of Midland, Texas is hereby ordered to plug and abandon the following described El Poso Ranch lease wells located in Township 28 North, Range 1 East, NMPM, as projected into the unsurveyed Tierra Amarilla Land Grant, Rio Arriba County, New Mexico, or in the alternative, to return said wells to active drilling status or place the wells on production on or before August 15, 1996:

- (a) Well No. 1 (API No. **30-039-23071**), formerly the Suntex Energy Corporation Suntex Well No. 1, located 1824 feet from the North line and 570 feet from the West line (Unit E) of Section 26;
- (b) Well No. 2 (API No. **30-039-23070**), formerly the Suntex Energy Corporation Suntex Well No. 2, located 660 feet from the South line and 365 feet from the East line (Unit P) of Section 22;
- (c) Well No. 3 (API No. **30-039-23276**), formerly the Suntex Energy Corporation Suntex Well No. 3, located 1858 feet from the North line and 1800 feet from the West line (Unit F) of Section 14;
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- (g) Well No. 10 (API No. **30-039-23673**), formerly the Texas Rose Petroleum Inc. El Poso Ranch Well No. 7, located 990 feet from the South line and 2310 feet from the East line (Unit O) of Section 14.

(2) Chuza Operating, prior to plugging and abandoning the above-described wells, shall obtain from the supervisor of the Aztec District Office of the New Mexico Oil Conservation Division an approved program for said plugging and abandoning, and shall notify said Aztec office of the date and time said work is to be commenced whereupon the Division may witness such work.

IT IS FURTHER ORDERED THAT:

(3) If, after August 15, 1996, Chuza Operating has not complied satisfactorily with those requirements set forth in Decretory Paragraphs Nos. (1) and (2), above, the supervisor of the Aztec District Office of the New Mexico Oil Conservation Division is hereby authorized to direct the commencement of plugging operations on said El Poso Well Nos. 1, 2, 3, 4, 7, 8, and 10.

(4) Further, the Division Director shall take such action as is deemed necessary to foreclose on the Underwriters Indemnity Company \$50,000.00 blanket plugging bond on which Chuza Operating is principal to help defer such plugging cost accrued by the Division.

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

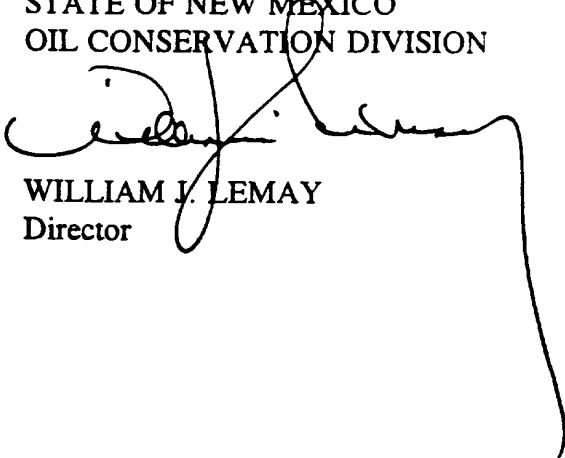
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DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A large, stylized handwritten signature in black ink, appearing to read 'William J. Lemay', is written over the typed name and extends downwards with a long, thin tail.

WILLIAM J. LEMAY
Director

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