

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

**CASE NO. 12824
ORDER NO. R-11773**

IN THE MATTER OF THE HEARING CALLED BY THE NEW MEXICO OIL CONSERVATION DIVISION ("DIVISION") ON ITS OWN MOTION FOR AN ORDER: (I) DIRECTING CECIL LEE'S COMPANY TO PROPERLY PLUG AND ABANDON TWO (2) CERTAIN WELLS IN LEA COUNTY, NEW MEXICO; OR (II) AUTHORIZING THE DIVISION TO PLUG AND ABANDON THESE WELLS IN DEFAULT OF COMPLIANCE BY CECIL LEE'S COMPANY OR ITS SURETY, AND ORDERING A FORFEITURE OF APPLICABLE PLUGGING BONDS COVERING THESE WELLS.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on February 21, 2002 and April 18, 2002, at Santa Fe, New Mexico, before Examiners Michael E. Stogner and David R. Catanach, respectively.

NOW, on this 22nd day of May, 2002, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.

(2) Cecil Lee Overcast, d/b/a Cecil Lee's Company, is the current owner and operator of the following two (2) wells located in Township 10 South, Range 36 East, NMPM, Lea County, New Mexico:

(a) Landreth State Well No. 1 (**API No. 30-025-25595**), located 330 feet from the South line and 1100 feet from the West line (Unit M) of Section 15; and

(b) Crossroads Devonian Unit Well No. 1 (**API No. 30-025-20735**), located 660 feet from the South line and 1980 feet from the East line (Unit O) of Section 16.

(3) Both wells are located on State of New Mexico leases.

(4) Evidence was presented showing that Cecil Lee Overcast d/b/a Cecil Lee's Company has posted a surety (blanket plugging) bond in the amount of \$50,000.00 for all of its operations in the State of New Mexico in compliance with Section 70-2-14, NMSA 1978 and New Mexico Oil Conservation Division ("Division") Rule 101, which bond is conditioned upon compliance with the statutes of the State of New Mexico and the rules of the Division with respect to the proper plugging and abandonment of the wells operated by Cecil Lee Overcast d/b/a Cecil Lee's Company. Westchester Fire Insurance Company c/o Universal Bonding of Lyndhurst, New Jersey, is the surety on this bond (Bond No. 610-031501-1), executed July 12, 1978, as amended by Rider executed February 7, 1983.

(5) This bond was terminated effective December 26, 1984, as to any property or wells acquired, started or drilled by Cecil Lee's Company after that date, but remains in effect as to any property or wells acquired, started or drilled by Cecil Lee's Company prior to that date.

(6) The purpose of this bond is to assure the Division that any and all wells operated by Cecil Lee's Company will be properly plugged and abandoned when not capable of commercial production or no longer utilized for some other beneficial purpose.

(7) At this time, the Division seeks an order directing the operator to plug these wells in accordance with a Division-approved plugging program and, if the operator fails to do so, authorizing the Division to proceed to plug and abandon these wells and: (i) declare forfeiture of the bond furnished by Cecil Lee Overcast d/b/a Cecil Lee's Company to the extent necessary to fully reimburse the Division for its expenses incurred in accomplishing the foregoing; and (ii) to take necessary and appropriate measures to recover from Cecil Lee's Company any costs of plugging the subject wells in excess of the amount of the bond, if any.

(8) Representatives of the Division's office in Santa Fe and its district office in Hobbs (District I) presented evidence and testimony supporting the Division's position that the subject wells should be plugged and abandoned.

(9) The evidence presented indicates that Mr. Cecil Lee Overcast is deceased; however, there is currently one well operating in Lea County under the name Cecil Lee's Company, the State "10" Well No. 1 (**API No. 30-025-20575**), located 2310 feet from the North line and 1980 feet from the West line (Unit F) of Section 10, Township 10 South, Range 36 East, NMPM, Lea County, New Mexico. There is also evidence that surviving members of Cecil Lee Overcast's family are actively engaged in Cecil Lee's Company business.

(10) No one representing Cecil Lee's Company appeared at the hearing.

(11) The above-described Landreth State Well No. 1 was drilled and completed as an oil producer in the South Crossroads-Devonian Pool in 1977 by V-F Petroleum Inc. of Midland, Texas. In 1983 Cecil Lee Overcast d/b/a Cecil Lee's Company became its operator. This well has not produced hydrocarbons and has been inactive for more than one year, and no permit for temporary abandonment has been requested by the operator or approved by the Division.

(12) The Crossroads Devonian Unit Well No. 1 was initially drilled and completed as an oil producer in the South Crossroads-Devonian Pool in 1964 by Ralph Lowe. In 1969 this well was converted to a salt-water disposal well under authority of Division Order No. R-3651, issued in Case No. 4014 on December 31, 1968. In 1983 Cecil Lee Overcast d/b/a Cecil Lee's Company became the operator of the Crossroads Devonian Unit Well No. 1. This well has been inactive for more than one year, and no permit for temporary abandonment has been requested by the operator or approved by the Division.

(13) 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 Cecil Lee's Company.

(14) The current conditions of these wells are such that if action is not taken to properly plug and abandon these wells, waste will probably occur, correlative rights will also be violated, livestock and wildlife may be subject to harmful contaminants, and fresh waters may be in danger of contamination.

IT IS THEREFORE ORDERED THAT:

(1) Cecil Lee's Company and the estate of Cecil Lee Overcast are hereby ordered to plug and abandon the following two wells located in Township 10 South, Range 36 East, NMPM, Lea County, New Mexico:

- (a) Landreth State Well No. 1 (**API No. 30-025-25595**), located 330 feet from the South line and 1100 feet from the West line (Unit M) of Section 15; and
- (b) Crossroads Devonian Unit Well No. 1 (**API No. 30-025-20735**), located 660 feet from the South line and 1980 feet from the East line (Unit O) of Section 16.

(2) Prior to plugging and abandoning these two wells, Cecil Lee's Company or the estate of Cecil Lee Overcast shall obtain from the supervisor of the Division's District Office in Hobbs an approved plugging program and shall notify the Hobbs District Office of

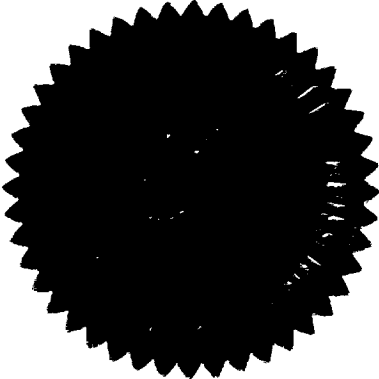
the date and time this work is to commence whereupon the Division may witness such work.

(3) Should Cecil Lee's Company or the estate of Cecil Lee Overcast fail or refuse to carry out such provisions in accordance with the terms of this order, the Division shall then take such actions as are necessary to cause these wells to be properly plugged and abandoned. Further, the Division shall then be authorized to take such action as is deemed necessary to: (i) declare forfeiture of the bond issued Cecil Lee's Company by Westchester Fire Insurance Company c/o Universal Bonding of Lyndhurst, New Jersey (Bond No. 610-031501-1), executed July 12, 1978, as amended by Rider executed February 7, 1983, to the extent necessary to fully reimburse the Division for its expenses incurred in accomplishing the foregoing; and (ii) take necessary and appropriate measures to recover from Cecil Lee's Company or the estate of Cecil Lee Overcast any costs of plugging the subject wells in excess of the amount of the bond, if any.

(4) Failure to comply with the provisions of this order shall subject Cecil Lee's Company to a fine of \$1,000.00 per day per well until such work is completed (see Section 70-2-31, NMSA 1978).

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

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



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Lori Wrottenbery
LORI WROTENBERY
Director

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