

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

**CASE NO. 12950
ORDER NO. R-11873**

IN THE MATTER OF THE HEARING CALLED BY THE NEW MEXICO OIL CONSERVATION DIVISION ("DIVISION") ON ITS OWN MOTION FOR AN ORDER REQUIRING FI-RO CORPORATION TO PROPERLY PLUG AND ABANDON THREE (3) CERTAIN WELLS, IMPOSING CIVIL PENALTIES IN THE EVENT OF FAILURE TO COMPLY, AUTHORIZING THE DIVISION TO PLUG THESE WELLS IN DEFAULT OF COMPLIANCE BY FI-RO CORPORATION AND ORDERING A FORFEITURE OF APPLICABLE PLUGGING BOND, IF ANY; LEA AND CHAVES COUNTIES, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on October 24, 2002, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 10th day of December, 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) Fi-Ro Corporation of Roswell, New Mexico is the current owner and operator of the following three (3) wells:

- (a) Gulf State "H" Well No. 1 (**API No. 30-005-00822**), located 2310 feet from the North line and 990 feet from the East line (Unit H) of Section 23, Township 13 South, Range 31 East, NMPM, Chaves County, New Mexico;
- (b) Hondo Holloway State Well No. 1 (**API No. 30-005-00691**), located 1980 feet from the North and West lines (Unit F) of Section 36, Township 12 South, Range 31 East, NMPM, Chaves County, New Mexico; and

(c) North Caprock Queen Unit "1" Tract 27 Well No. 5-Y (API No. 30-025-24155), located 2635 feet from the North line and 1315 feet from the West line (Unit E) of Section 8, Township 13 South, Range 32 East, NMPM, Lea County, New Mexico.

(3) These three wells are located on State of New Mexico mineral leases.

(4) Evidence was presented showing that Fi-Ro Corporation has posted a surety bond (blanket plugging) in the amount of \$ 50,000.00 for all of its operations in the State of New Mexico in compliance with NMSA 1978, Section 70-2-14 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 wells operated by Fi-Ro Corporation. Gulf Insurance Company of New York, New York, is the surety on this bond (Bond No. 585654), executed April 26, 1993.

(5) The purpose of this bond is to assure the Division that any and all wells operated by Fi-Ro Corporation will be properly plugged and abandoned when not capable of commercial production or no longer utilized for some other beneficial purpose.

(6) At this time, the Division seeks an order directing the operator to plug and abandon the three above-described wells in accordance with a Division-approved plugging program by January 15, 2003 and, if the operator fails to do so, authorizing the Division to proceed to plug and abandon these wells and: (i) to declare forfeiture of the bond furnished by Fi-Ro Corporation 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 Fi-Ro Corporation any costs of plugging these wells in excess of the amount of the bond, if any.

(7) The witness in this matter, Mr. Billy Pritchard, field inspector of the Division's district office in Hobbs (District I), testified at the hearing via telephone supporting the Division's position that the subject wells should be plugged and abandoned.

(8) Neither the operator nor a representative of Gulf Insurance Company appeared at the hearing.

(9) Malco Refineries, Inc. of Lubbock, Texas originally drilled the above-described Hondo Holloway State Well No. 1 to a total depth of 3,048 feet in 1945. The well tested dry in the Queen sand and was plugged and abandoned. In May, 1960 Garidge Corporation of Breckenridge, Texas re-entered the well and completed it in the Caprock-

Queen Pool. In March, 1990 Fi-Ro Corporation became the operator of this well. The last month of reported production for this well was October, 1998.

(10) The above-described Gulf State "H" Well No. 1 was initially drilled to a total depth of 3,100 feet in 1957 and completed as an oil producer in the Caprock-Queen Pool by R. D. Collier of Artesia, New Mexico. In March, 1990 Fi-Ro Corporation became the operator of this well. The last month of reported production for this well was July, 1988.

(11) The above-described North Caprock Queen Unit "1" Tract 27 Well No. 5-Y was initially drilled to a total depth of 3,123 feet in 1972 and completed as an oil producer in the Caprock-Queen Pool by Thunderbird Oil Corporation of Midland, Texas. In March, 1990 Fi-Ro Corporation became the operator of this well. The last month of reported production for this well was April, 1996.

(12) Evidence indicates that these wells have 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 these wells for beneficial purposes or to have approved temporary abandonment permits, the subject wells are presumed to have been abandoned by Fi-Ro Corporation.

(14) The current condition of these three wells is such that if action is not taken to properly plug and abandon them, 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) Fi-Ro Corporation of Roswell, New Mexico is hereby ordered to plug and abandon the following three (3) wells on or before January 15, 2003:

- (a) Gulf State "H" Well No. 1 (**API No. 30-005-00822**), located 2310 feet from the North line and 990 feet from the East line (Unit H) of Section 23, Township 13 South, Range 31 East, NMPM, Chaves County, New Mexico;
- (b) Hondo Holloway State Well No. 1 (**API No. 30-005-00691**), located 1980 feet from the North and West lines (Unit F) of Section 36, Township 12 South, Range 31 East, NMPM, Chaves County, New Mexico;

Mexico; and

- (c) North Caprock Queen Unit "1" Tract 27 Well No. 5-Y (API No. 30-025-24155), located 2635 feet from the North line and 1315 feet from the West line (Unit E) of Section 8, Township 13 South, Range 32 East, NMPM, Lea County, New Mexico.

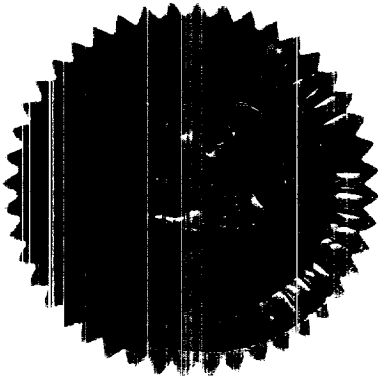
(2) The operator shall plug and abandon these three wells in accordance with the program presented by the Division's district office in Hobbs (District I) at the hearing.

(3) Should Fi-Ro Corporation fail or refuse to carry out such plugging and abandonment 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 surety bond issued Fi-Ro Corporation by Gulf Insurance Company of New York, New York (Bond No. 585654), executed April 26, 1993, 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 Fi-Ro Corporation any costs of plugging the subject wells in excess of the amount of this bond, if any.

(4) Failure to comply with the provisions of this order shall subject Fi-Ro Corporation to a fine of \$1,000.00 per day per well, commencing from the date of this order until such work is completed (NMSA 1978, Section 70-2-31, as amended).

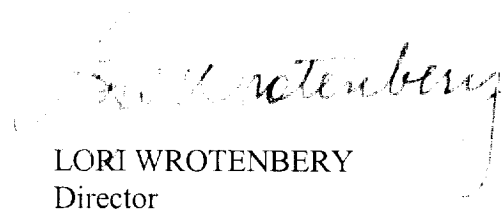
(5) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

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



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


LORI WROTENBERY
Director