

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

**CASE NO. 13354
ORDER NO. R-12270**

APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION, THROUGH THE SUPERVISOR OF DISTRICT I, FOR AN ORDER REQUIRING TAHOE ENERGY INC. AND KENNETH A. FREEMAN DBA TAHOE ENERGY INC. TO BRING ONE WELL INTO COMPLIANCE WITH 19.15.4.201 NMAC, ASSESSING AN APPROPRIATE CIVIL PENALTY IN THE EVENT OF NON-COMPLIANCE, AUTHORIZING THE DIVISION TO PLUG SAID WELL AND ORDERING A FORFEITURE OF THE APPLICABLE PLUGGING BOND, LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on November 4, 2004, at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 18th day of January, 2005, 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 Oil Conservation Division ("Division") has jurisdiction of this case and its subject matter.

(2) The Division seeks an order: i) requiring Tahoe Energy Inc. ("Tahoe") and Kenneth A. Freeman DBA Tahoe Energy Inc. ("Freeman"), as the operator in fact of the following-described inactive well, to bring the well into compliance with 19.15.4.201 NMAC; ii) assessing appropriate civil penalties in the event of non-compliance; and iii) authorizing the Division to plug said well and forfeit the applicable security in default of compliance by the operator.

Brownlee No. 1 API No. 30-025-04461
660 FSL, 660 FEL, Unit P, Section 25,
Township 21 South, Range 36 East, Lea County, New Mexico.

(3) The Division determined that there is a \$50,000 blanket bond, number BO2749 issued by Underwriters Indemnity Company under the name of Kenneth A. Freeman dba Tahoe Energy Inc., to secure the operator's obligation to plug and abandon this well in accordance with Division rules on inactive wells.

(4) Notice of this case was mailed to Tahoe Energy Inc., Underwriters Indemnity Company, and Ken Freeman. Tahoe Energy Inc. and Ken Freeman could not be located, so notice was published in the newspaper.

(5) Division well records and testimony presented by the Division indicate that:

a) J. Hiram Moore drilled this well in 1957 to a depth of 3,790 feet and ran 5-1/2 inch casing to 3720 feet and cemented with 150 sacks of cement. No record exists of running electric logs and none exist with the Division. The open hole tested wet, then the well was perforated from 3694 to 3710, flowing 10 barrels of oil and 20 barrels of water per day. The well was later placed within the Penrose Skelly-Grayburg pool and has records of gas connections in the file until 1974, when the well was disconnected by El Paso Natural Gas.

b) the operator was changed to Tahoe Oil & Cattle Company in 1979, with the request form signed by Mr. Freeman. The well was cleaned out and hooked up in August 1979. In April, 1981, the well was plugged back, perforated from 3,516 to 3,572, and shut-in after a working interest owner dispute and a denied forced pooling request (Division Case No. 6826, Order No. R-6306).

c) in 1987, the operator was changed to Tahoe Energy, Inc. with the request form signed by Mr. Freeman.

d) the ONGARD database has been in effect since 1993 and shows no record of production or injection for this well since that date; and

e) the well is observed to be inactive and has not been temporarily abandoned or plugged and abandoned.

(6) The Division finds that:

a) the subject well is not in compliance with 19.15.4.201 NMAC;

b) the operator should be ordered to bring this well into compliance;

and

c) if the operator fails to comply; a penalty of \$1,000 should be assessed, the Division should forfeit the security furnished by the operator; and the Division should plug the well and clean up the well site.

(7) Approval of the Division's application will protect the environment, is necessary to enforce Division Rule 201, and should be approved.

IT IS THEREFORE ORDERED THAT:

(1) Tahoe Energy Inc. is hereby ordered to bring the following-described well into compliance with 19.15.4.201 NMAC on or before February 28, 2005 by either returning it to beneficial use, securing temporary abandonment status in accordance with 19.15.4.203 NMAC, or by plugging and abandoning.

Brownlee No. 1 API No. 30-025-04461
660 FSL, 660 FEL, Unit P, Section 25,
Township 21 South, Range 36 East, Lea County, New Mexico.

(2) Prior to beginning work on this well, the operator shall obtain approval for any such work from the supervisor of the Division's district office in Hobbs 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) In the event Tahoe Energy Inc. fails to comply with ordering paragraph (1) above, then:

a) The blanket bond for Tahoe Energy Inc. with principal on the bond listed as "Kenneth A. Freeman DBA Tahoe Energy Inc." shall be forfeited as provided in NMSA 1978 Section 70-2-14, as amended;

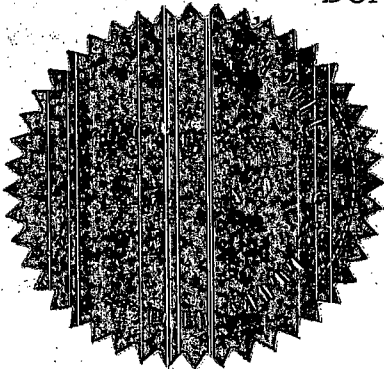
b) a fine in the amount of \$1,000 shall be assessed against Tahoe Energy Inc. payable to the Division prior to March 31, 2005;

c) the Division is authorized to plug and abandon this well and to remediate the site thereof in accordance with Division rules; and

d) the Division is further authorized to demand and collect reimbursement of its costs incurred in plugging and abandoning this well and in remediating the site thereof from Tahoe Energy Inc. to the extent of any excess of such costs over and above the amount collected from the surety.

(4) 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



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STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in dark ink, appearing to read 'Mark E. Fesmire', with a long, sweeping horizontal line extending to the right.

MARK E. FESMIRE, P.E.
Director