

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

**CASE NO. 13337
ORDER NO. R-12272**

**APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION,
THROUGH THE SUPERVISOR OF DISTRICT I, FOR AN ORDER REQUIRING
CARBON ENERGY INC. AND CARBON ENERGY TO BRING WELLS INTO
COMPLIANCE WITH 19.15.4.201 NMAC, AUTHORIZING THE DIVISION TO
PLUG SAID WELLS AND ORDERING A FORFEITURE OF APPLICABLE
FINANCIAL ASSURANCES, LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on September 2, 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 requiring the operator in fact of each of the following-described inactive wells, to bring its respective well into compliance with 19.15.4.201 NMAC, and, in the event of non-compliance, authorizing the Division to plug the well and forfeit the applicable security in default of compliance by the operator.

Carbon Energy Inc. as operator of the
Aztec "28" State No. 3 API No. 30-025-04361
660 FSL, 990 FWL, Unit M, Section 28,
Township 20 South, Range 36 East, Lea County, New Mexico.

Carbon Energy as operator of the
Shell State No. 1 API No. 30-025-26637
990 FNL, 1650 FWL, Lot 3 (NE/4 NW/4), Section 6,
Township 19 South, Range 37 East, Lea County, New Mexico.

(3) The Aztec "28" State No. 3 is the subject of a \$5,000 single well plugging bond, number 4397590, through the Hartford Accident & Indemnity Company. Carbon Energy, Inc. is the entity that posted this bond.

(4) The Shell State No. 1 is the subject of a \$10,000 single well, cash, plugging bond, deposited in account number 65447, through the First Interstate Bank of Lea County. Carbon Energy, as a partnership, is the entity that posted this bond.

(5) Notice of this case was mailed to addresses for Carbon Energy, Carbon Energy Inc., Hartford Accident & Indemnity, and First Interstate Bank of Lea County. Each of these entities received notices. None of these entities entered an appearance in this case, or appeared at the hearing.

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

a) The names of these two operators are similar, and for that reason the OCD computerized records mistakenly have listed Carbon Energy Inc. (OGRD 3693) as the operator of both of the subject wells;

b) however, Carbon Energy Inc. is a corporation and is listed on the bond and in the well file as the operator of the Aztec "28" State No. 3 and Carbon Energy is a partnership and is listed on the bond and in the well file as the operator of the Shell State No. 1.

c) the bond posted on April 11, 1989, by Carbon Energy for the Shell State No. 1 actually lists the well name as the Shell State No. 5. However, the location of the well is listed in the bond document as the NE/4 NW/4 of Section 6, Township 19 South, Range 37 East, NMPM, Lea County, New Mexico. Division records indicate only two wells have ever existed within this NE/4 NW/4 (or Lot 3).

i) The first well was drilled in 1957 and was plugged in 1961 and never was operated by Carbon Energy or Carbon Energy Inc.

ii) The second well was drilled in 1980 as the Shell State No. 1 and operated by Carbon Energy, Inc. The second operator was Apollo Oil Company, and the final operator became Carbon Energy, effective October 1, 1988.

d) the ONGARD database has been in effect since 1993 and, since that time, the record shows no production or injection for these wells; and

e) these wells are observed to be inactive and have not been temporarily abandoned or plugged and abandoned.

(7) The Division finds that:

a) neither of the subject wells are in compliance with 19.15.4.201 NMAC;

b) Carbon Energy Inc. is the operator of the Aztec "28" State No. 3 with API No. 30-025-04361, and Carbon Energy is the operator of the Shell State No. 1 with API No. 30-025-26637;

c) each operator should be ordered to bring its well into compliance; and

d) if either of these operators fail to comply, the Division should forfeit the security furnished by that operator, and the Division should plug the well and clean up the well site.

(8) 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) Carbon 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.

Aztec "28" State No. 3 API No. 30-025-04361
660 FSL, 990 FWL, Unit M, Section 28,
Township 20 South, Range 36 East, Lea County, New Mexico.

(2) Carbon Energy 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.

Shell State No. 1 API No. 30-025-26637
990 FNL, 1650 FWL, Lot 3 (NE/4 NW/4), Section 6,
Township 19 South, Range 37 East, Lea County, New Mexico.

(3) Prior to beginning work on these wells, the operators 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.

(4) In the event either of these operators fail to comply with the ordering paragraphs above, then the following shall apply to that operator:

a) the operator's plugging bond shall be forfeited as provided in NMSA 1978 Section 70-2-14, as amended;

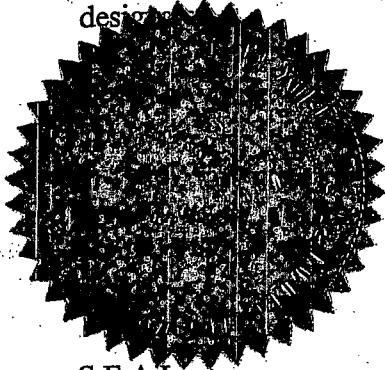
b) the Division is authorized to plug and abandon that well and to remediate the site thereof in accordance with Division rules; and

c) the Division is further authorized to demand and collect reimbursement, of its costs incurred in plugging and abandoning that well and in remediating the site thereof, from the operator to the extent of any excess of such costs over and above the amount collected from the operator's surety.

(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

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STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in dark ink, appearing to read "Mark E. Fesmire".

MARK E. FESMIRE, P.E.
Director