

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

**CASE NO. 12976
ORDER NO. R-11925**

IN THE MATTER OF THE HEARING CALLED BY THE NEW MEXICO OIL CONSERVATION DIVISION FOR AN ORDER: (I) REQUIRING MAYFAIR MINERALS, INC. AND/OR PAUL D. BLISS TO PROPERLY PLUG AND ABANDON ONE WELL IN ROOSEVELT COUNTY, NEW MEXICO; (II) IMPOSING CIVIL PENALTIES IN THE EVENT OF FAILURE TO COMPLY; (III) AUTHORIZING THE DIVISION TO PLUG SAID WELL IN DEFAULT OF COMPLIANCE BY OPERATOR, AND (IV) ORDERING A FORFEITURE OF APPLICABLE SECURITY.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on January 9, 2003, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 25th day of March, 2003, 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) Mayfair Minerals, Inc. of McAllen, Texas, is the owner and operator of record of the Rhonda "PG" State Well No. 1 (API No. 30-041-20615) located 1980 feet from the South line and 660 feet from the West line (Unit L) of Section 35, Township 7 South, Range 35 East, NMPM, Roosevelt County, New Mexico.

(3) The New Mexico Oil Conservation Division ("Division") seeks an order directing Mayfair Minerals, Inc. ("Mayfair") and/or Mr. Paul D. Bliss ("Mr. Bliss") to plug the Rhonda "PG" State Well No. 1 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 this well, order the forfeiture of the plugging bond for this well, and impose a civil penalty on the operator for failure to comply with this order.

(4) A representative of the Division's Hobbs District Office appeared at the hearing via conference phone and three additional witnesses from the Santa Fe Office of the Division presented evidence to support the Division's position that the subject well

should be plugged and abandoned.

(5) Mr. Bliss appeared at the hearing and made a statement at the conclusion of the proceedings.

(6) The Division presented evidence that demonstrates that:

- (a) the Rhonda "PG" State Well No. 1 was drilled by H. W. Pace in 1981 to a total depth of approximately 4,525 feet to test the San Andres formation;
- (b) the well was completed in the Todd Upper-San Andres Pool through perforations from 4,218'-4,258', 4,319'-4,340' and 4,477'-4,483';
- (c) on or about July 1, 1982, Mayfair acquired the Rhonda "PG" State Well No. 1 from Pace Exploration Company. This change of ownership was documented by a Division Form C-104 (Request for Allowable and Authorization to Transport Oil and Natural Gas) filed by Mayfair in early July, 1982, and approved by the Hobbs District Office of the Division on July 12, 1982;
- (d) on November 14, 2001, Mr. Bliss filed a Form C-103 (Sundry Notice and Report on Wells) with the Hobbs District Office of the Division. This Form C-103 constituted a notice of intent to plug and abandon the Rhonda "PG" State Well No. 1. This Form C-103 was signed by Mr. Paul Bliss as owner of the well; and
- (e) in previous contacts with the Division, Mayfair has reported that it does not own the Rhonda "PG" State Well No. 1, and that it has turned the well over to Mr. Bliss.

(7) Mr. Bliss stated that:

- (a) in approximately 1991, he attempted to negotiate an agreement with Mayfair by which he would acquire the Rhonda "PG" State Well No. 1. The deal was

contingent upon Mayfair delivering to him an assignment of 100% of the working interest in the well;

- (b) Mayfair was unable to assign to him a 35% working interest in the well owned by Pace Exploration Company. Consequently, an agreement with Mayfair to acquire the Rhonda "PG" State Well No. 1 was never executed; and
- (c) at the time he filed the notice of intention to plug the Rhonda "PG" State Well No. 1 (Division Form C-103), he was unclear whether or not he owned the well.

(8) It is the position of Mr. Bliss that he is not the owner of the Rhonda "PG" State Well No. 1, and that he should not be held responsible by the Division to plug the well.

(9) The Division presented further evidence that demonstrates that:

- (a) the Rhonda "PG" State Well No. 1 has been inactive for a period of at least five years;
- (b) no permit for temporary abandonment has been filed by the operator or approved by the Division for the Rhonda "PG" State Well No. 1;
- (c) the Rhonda "PG" State Well No. 1 is currently covered by Mayfair's \$50,000 blanket plugging bond issued by Commercial Union Insurance Company (Bond No. CR72006-49); and
- (d) Mr. Bliss does not have a plugging bond in effect for the Rhonda "PG" State Well No. 1.

(10) By virtue of the operator's failure to use this well for beneficial purposes or to have an approved temporary abandonment permit, the Rhonda "PG" State Well No. 1 is presumed to have been abandoned.

(11) The current condition of the well is such that if action is not taken to properly plug and abandon the well, 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.

(12) The Division sent notice of this hearing to Mr. Bliss, Mayfair, and Commercial Union Insurance Company. As of the hearing date, the Division had received certified mail receipts indicating that Mr. Bliss and Commercial Union Insurance Company received this notice. It is not known whether Mayfair received this notice.

(13) It is the Division's position that both Mayfair and Mr. Bliss should be held responsible for plugging the Rhonda "PG" State Well No. 1.

(14) The evidence presented in this case demonstrates that neither Mayfair nor Mr. Bliss has filed a Division Form C-104 changing the owner and operator of the Rhonda "PG" State Well No. 1 from Mayfair to Mr. Bliss.

(15) Division well records for the Rhonda "PG" State Well No. 1 conclusively demonstrate that Mayfair is the current owner and operator of record of the well.

(16) The Division presented no evidence that would justify holding Mr. Bliss responsible for plugging the Rhonda "PG" State Well No. 1.

(17) The evidence presented demonstrates that Mayfair should be held responsible for plugging the Rhonda "PG" State Well No. 1.

(18) In order to prevent waste and to adequately protect correlative rights and the environment, the Rhonda "PG" State Well No. 1 should be plugged and abandoned by Mayfair in accordance with a plugging program approved by the supervisor of the Division's Hobbs District Office on or before April 1, 2003.

IT IS THEREFORE ORDERED THAT:

(1) Mayfair Minerals, Inc. is hereby ordered to plug and abandon the Rhonda "PG" State Well No. 1 (API No. 30-041-20615) located 1980 feet from the South line and 660 feet from the West line (Unit L) of Section 35, Township 7 South, Range 35 East, NMPM, Roosevelt County, New Mexico, on or before April 1, 2003.

(2) Mayfair Minerals, Inc., prior to plugging and abandoning the above-described well, 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.

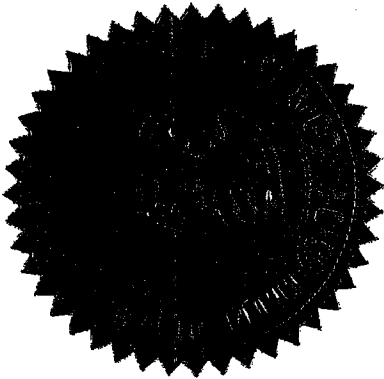
(3) Should Mayfair Minerals, Inc. fail or refuse to carry out such provisions in

accordance with the terms of this order, the Division shall then take such actions as are necessary to: (i) have this well properly plugged and abandoned; (ii) forfeit the plugging bond for this well and utilize these funds to plug the well; and (iii) recover from the operator additional costs the Division may incur to properly plug and abandon the well.

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

(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
LORI WROTENBERY
Director