

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

**CASE NO. 12947
ORDER NO. R-11864**

IN THE MATTER OF THE HEARING CALLED BY THE NEW MEXICO OIL CONSERVATION DIVISION ("DIVISION") ON ITS OWN MOTION FOR AN ORDER REQUIRING AMMONITE ENERGY TEXAS, INC. TO PROPERLY PLUG AND ABANDON ONE (1) CERTAIN WELL, IMPOSING CIVIL PENALTIES IN THE EVENT OF FAILURE TO COMPLY, AUTHORIZING THE DIVISION TO PLUG THIS WELL IN DEFAULT OF COMPLIANCE BY AMMONITE ENERGY TEXAS, INC. AND ORDERING A FORFEITURE OF APPLICABLE PLUGGING BOND, IF ANY; LEA COUNTY, 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 2nd 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) Ammonite Energy Texas, Inc. of Midland, Texas is the current owner and operator of the Dickinson Cattle Co. "33" Well No. 2 (API No. 30-025-27818), located 660 feet from the South line and 560 feet from the West line (Unit M) of Section 33, Township 14 South, Range 38 East, NMPM, Lea County, New Mexico.

(3) This well is located on a fee mineral lease.

(4) Evidence was presented showing that Ammonite Energy Texas, Inc. 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 this well operated by Ammonite Energy Texas, Inc. Underwriters Indemnity Company of Houston, Texas, is the surety on this bond (Bond No. B-7335), executed April 21, 1998.

(5) The purpose of this bond is to assure the Division that any and all wells operated by Ammonite Energy Texas, Inc. 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 this well 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 the well and: (i) to declare forfeiture of the bond furnished by Ammonite Energy Texas, Inc. 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 Ammonite Energy Texas, Inc. any costs of plugging the well 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 well should be plugged and abandoned.

(8) Neither the operator nor a representative of Underwriters Indemnity Company appeared at the hearing.

(9) Reading & Bates Petroleum Company of Odessa, Texas originally drilled the above-described Dickinson Cattle Co. "33" Well No. 2 to a total depth of 9,619 feet in 1982 as a Wolfcamp oil test. The well tested dry in the East Denton-Wolfcamp Pool and was plugged and abandoned. In 1986 Reading & Bates Petroleum Company re-entered the well and as authorized by Division Administrative Order SWD-299 dated April 23, 1986, re-completed this well as a salt water disposal well into the San Andres and Glorieta formations through the open-hole interval from 4,900 feet to 6,700 feet. In early 1997 Ammonite Energy Texas, Inc. became the operator of this well. Evidence indicates that 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

(10) By virtue of the failure to use the subject well for beneficial purposes or to have an approved temporary abandonment permit, the subject well is presumed to have been abandoned by Ammonite Energy Texas, Inc.

(11) The current condition of the Dickinson Cattle Co. "33" Well No. 2 is such that if action is not taken to properly plug and abandon this 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.

IT IS THEREFORE ORDERED THAT:

(1) Ammonite Energy Texas, Inc. of Midland, Texas is hereby ordered to plug and abandon its Dickinson Cattle Co. "33" Well No. 2 (API No. 30-025-27818), located 660 feet from the South line and 560 feet from the West line (Unit M) of Section 33, Township 14 South, Range 38 East, NMPM, Lea County, New Mexico, on or before January 15, 2003.

(2) The operator shall plug and abandon its Dickinson Cattle Co. "33" Well No. 2 in accordance with the program presented by the Division's district office in Hobbs (District I) at the hearing.

(3) Should Ammonite Energy Texas, Inc. 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 this well 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 Ammonite Energy Texas, Inc. by Underwriters Indemnity Company of Houston, Texas (Bond No. B-7335), executed April 21, 1998, 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 Ammonite Energy Texas, Inc. any costs of plugging the subject well in excess of the amount of this bond, if any.

(4) Division Administrative Order SWD-299, dated April 23, 1986, is hereby rescinded.

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

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