

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

**CASE NO. 13129
ORDER NO. R-12041**

IN THE MATTER OF THE HEARING CALLED BY THE NEW MEXICO OIL CONSERVATION DIVISION ("DIVISION") ON ITS OWN MOTION FOR AN ORDER REQUIRING WOOD, McSHANE & THAMS TO PROPERLY REMEDIATE THE LOCATION OF A PLUGGED WELL, ASSESSING AN APPROPRIATE CIVIL PENALTY IN THE EVENT OF FAILURE TO COMPLY, AUTHORIZING THE DIVISION TO PERFORM REMEDIATION, AND ORDERING A FORFEITURE OF APPLICABLE PLUGGING BOND; ROOSEVELT COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on September 4, 2003, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 17th day of October, 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) Wood, McShane & Thams of Monahans, Texas operated the Newkumet & Green "16" State Well No. 1 (API No. 30-041-20812), located 990 feet from the South line and 2310 feet from the West line (Unit N) of Section 16, Township 6 South, Range 33 East, NMPM, Roosevelt County, New Mexico.

(3) This well is located on a State of New Mexico mineral lease and during the time this well was active in 1987 was leased by the New Mexico State Land Office under State Lease No. LG-4034.

(4) 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 site should be properly remediated.

(5) Evidence was presented showing that Wood, McShane & Thams 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 Wood, McShane & Thams. Trinity Universal Insurance Company of Dallas, Texas, is the surety on this bond (Bond No. 414372), executed October 5, 1987.

(6) The purpose of this bond, in accordance with Division Rule 101.A, is to assure the Division that any and all wells operated by Wood, McShane & Thams will be plugged and abandoned in compliance with the rules and regulations of the Division when not capable of commercial production or no longer utilized for some other beneficial purpose.

(7) Division Rule 202.B requires that when a well is plugged:

"(3) As soon as practical but no later than one year after the completion of plugging operations, the operator shall:

- (a) fill all pits;*
- (b) level the location;*
- (c) remove deadmen and all other junk; and*
- (d) take such other measures as are necessary or required by the Division to restore the location to a safe and clean condition."*

(8) Evidence indicates that Wood, McShane & Thams originally drilled the above-described Newkumet & Green "16" State Well No. 1 to a total depth of 8,250 feet in May, 1987 as a wildcat Fusselman oil test. A drill stem test showed the well to be dry and the wellbore was subsequently plugged and abandoned on June 2, 1987. The well site however has not been cleaned and remediated nor was the reserve pit ever closed and leveled as required by Division Rule 202.B (3).

(9) According to Mr. Prichard's testimony, there currently is a large amount of plastic material used to line the pit exposed to the surface and blowing loose in the wind.

(10) At this time, the Division seeks an order directing Wood, McShane & Thams to properly remediate the well site in accordance with a Division-approved procedure by December 1, 2003 and, if the operator fails to do so, authorizing the Division to proceed to remediate the location and: (i) to declare forfeiture of the bond furnished by Trinity Universal Insurance Company 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 Wood, McShane & Thams any costs of remediation in excess of the amount of the bond, if any.

(11) The current condition of the well site of Wood, McShane & Thams's Newkumet & Green "16" State Well No. 1 is such that if action is not taken to properly remediate this location, livestock and wildlife may be subject to harmful contaminants and fresh waters may be in danger of contamination.

IT IS THEREFORE ORDERED THAT:

(1) Wood, McShane & Thams of Monahans, Texas is hereby ordered to properly remediate in accordance with Division Rule 202.B (3) the location of its plugged and abandoned Newkumet & Green "16" State Well No. 1 (API No. 30-041-20812), located 990 feet from the South line and 2310 feet from the West line (Unit N) of Section 16, Township 6 South, Range 33 East, NMPM, Roosevelt County, New Mexico, on or before December 1, 2003.

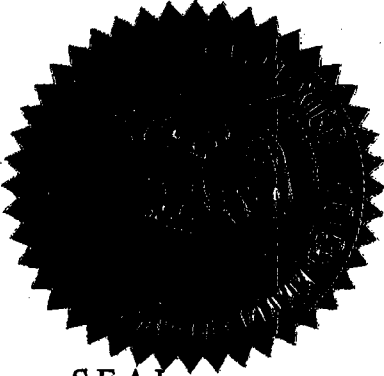
(2) Wood McShane & Thams, prior to commencement of remediation operations at the above-described well site, shall obtain from the supervisor of the Division's district office in Hobbs, New Mexico, an approved remediation and well site clean-up plan and shall notify the Hobbs District Office of the date and time this work is to commence whereupon the Division may witness such work

(3) Should Wood McShane & Thams fail or refuse to act in accordance with the terms of this order, the Division shall then take such actions as are necessary to cause this well site to be properly remediated. Further, the Division shall then be authorized to take such action as is deemed necessary to: (i) to declare forfeiture of the bond furnished by Trinity Universal Insurance Company 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 Wood, McShane & Thams any costs of remediation in excess of the amount of the bond, if any.

(4) Failure to comply with the provisions of this order shall subject Wood, McShane & Thams 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).

(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 designated.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in cursive script, reading "Lori Wrotenbery". The signature is fluid and extends across the width of the text area.

LORI WROTENBERY
Director