

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

**APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION,
THROUGH THE SUPERVISOR OF DISTRICT I, FOR AN ORDER REQUIRING
KC RESOURCES, INC. TO PROPERLY PLUG FOUR (4) WELLS IN LEA
COUNTY, NEW MEXICO, AUTHORIZING THE DIVISION TO PLUG SAID
WELLS AND ORDERING A FORFEITURE OF APPLICABLE SECURITY
DEPOSITS.**

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OIL CONSERVATION DIV.

CASE NO. 12948

APPLICATION FOR PLUGGING AND FORFEITURE OF BOND

1. KC Resources, Inc. ("Operator") is the operator of the following wells located in Lea County, New Mexico:

New Mexico BH State NCT-1 Well No. 1 (API No. 30-025-08007) located 660 feet from the North line and 1980 feet from the West line (Unit C) of Section 11, Township 12 South, Range 32 East, Lea County, New Mexico.

New Mexico BH State NCT-1 Well No. 2 (API No. 30-025-08008) located 1980 feet from the North and West lines (Unit F) of Section 11, Township 12 South, Range 32 East, Lea County, New Mexico.

New Mexico BH State NCT-1 Well No. 4 (API No. 30-025-00110) located 990 from the North and West lines (Unit D) of Section 11, Township 12 South, Range 32 East, Lea County, New Mexico.

New Mexico BB State NCT-1 Well No. 2 (API No. 30-025-08009) located 660 feet the South line and 1984 feet from the West line (Unit N) of Section 11, Township 12 South, Range 32 East, Lea County, New Mexico.

2. Operator has posted a blanket surety bond in the amount of \$50,000 to secure its obligation to properly plug and abandon its wells, in compliance with NMSA

1978, Sec. 70-2-14 and O.C.D. Rule 101. Frontier Insurance Company is the surety on said bond, which is number 54664.

3. The New Mexico BH State NC-1 Well No. 1 has apparently never produced any hydrocarbon or carbon dioxide substance. The New Mexico BH State NCT-1 Well No. 2 has not produced any hydrocarbon or carbon dioxide substance since 1988. Operator has filed reports indicating current production of oil from the New Mexico BH State NCT-1 Well No. 4. However, inspections indicate that said well is not equipped to produce, and in fact, has not produced since prior to 1999. The New Mexico BB State NCT-1 Well No. 1 was at one time permitted as a salt water disposal well, but no substance has been injected through said well for considerably more than two years. Said wells have been abandoned and are no longer usable for beneficial purposes. No permit for temporary abandonment of any of the said wells has been requested by the Operator or approved by the Division.

4. By virtue of Operator's failure to use the subject wells for production or other beneficial purposes or to secure current temporary abandonment permits, the wells are required to be plugged.

5. Division Rule 201.B, issued pursuant to the authority of NMSA 1978, Secs. 70-2-12 and 70-2-14, requires that wells that are inactive for more than one year or are no longer usable for beneficial purposes be properly plugged.

6. Division Rule 101.M, issued pursuant to the same authority, authorizes the Division, after notice and hearing, to order the operator to plug and abandon any well or wells not in compliance with Rule 201, and to direct the Division to cause such well or

wells to be plugged in accordance with a Division approved plugging program if, after the time provided in such order, the operator and its surety, if any, have failed to do so.

WHEREFORE, the Supervisor of District I of the Division hereby applies to the Director to enter an order:

- A. Determining whether the subject wells should be plugged and abandoned.
- B. Upon a determination that the wells should be plugged, directing the Operator to plug the wells without delay, in accordance with a division-approved plugging program, and to cause the sites thereof to be remediated in accordance with Division Rule 202.B(3).
- C. Further ordering that if the Operator fails to plug and abandon the wells as ordered by the Director, the Division be authorized: (i) to plug the subject wells in accordance with a division-approved plugging program and to cause the sites to be remediated; (ii) to declare forfeit the security furnished by the Operator to the extent necessary to fully reimburse the Division for its expenses incurred in accomplishing the foregoing; and (iii) to take necessary and appropriate measures to recover from the Operator any costs of plugging the subject wells and of site remediation in excess of the amount of the security, if any.

- D. For such other and further relief as the Division deems just and proper under the circumstances.

RESPECTFULLY SUBMITTED,

A handwritten signature in cursive script, reading "David K. Brooks". The signature is written in black ink and is positioned above a horizontal line.

David K. Brooks
Assistant General Counsel
Energy, Minerals and Natural
Resources Department of the State of
New Mexico
1220 S. St. Francis Drive
Santa Fe, NM 87505
(505)-476-3450

Attorney for The New Mexico Oil
Conservation Division

Case No. 12948. Application of the New Mexico Oil Conservation Division for an Order Requiring KC Resources, Inc. to Properly Plug Four (4) Wells, Imposing Civil Penalties in Event of Failure to Comply, Authorizing the Division to Plug Said Wells in Default of Compliance by the Operator, and Ordering a Forfeiture of Applicable Security; Lea County, New Mexico. The Applicant seeks an order requiring KC Resources, Inc., the operator of four (4) inactive wells in Lea County, New Mexico, to properly plug and abandon said wells, imposing civil penalties in event of failure to comply, authorizing the Division to plug said wells if the operator fails to do so, forfeiting Operator's plugging security, and providing for such other relief as the Director deems appropriate. The affected wells are the following:

<u>Operator</u>	<u>Well Name</u>	<u>API No.</u>	<u>Location</u>
KC Resources, Inc.	New Mexico BH State NCT-1 Well No. 1	30-025-08007	C-11-12S-32E
KC Resources, Inc.	New Mexico BH State NCT-1 Well No. 2	30-025-08008	F-11-12S-32E
KC Resources, Inc.	New Mexico BH State NCT-1 Well No. 4	30-025-00110	D-11-12S-32E
KC Resources, Inc.	New Mexico BB State NCT-1 Well No. 2	30-025-08009	N-11-12S-32E

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