

**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
SKYLINE ENERGY, L.L.C. TO PROPERLY PLUG ONE (1) WELL IN LEA
COUNTY, NEW MEXICO, AUTHORIZING THE DIVISION TO PLUG SAID
WELL AND ORDERING A FORFEITURE OF APPLICABLE PLUGGING
BOND.**

02 SEP 17 PM 3:19

OIL CONSERVATION DIV.

CASE NO. 12949

APPLICATION FOR PLUGGING AND FORFEITURE OF BOND

1. Skyline Energy, L.L.C. ("Operator") is the operator of the following well located in Lea County, New Mexico:

State B-AC-1 Well No. 2 (**API No. 30-025-01057**), located 660 feet from the North line and 1980 feet from the East line (Unit B) of Section 11, Township 12 South, Range 33 East, Lea County, New Mexico.

2. Operator has posted a single-well surety bond in the amount of \$10,000 in compliance with NMSA 1978, Sec. 70-2-14 and O.C.D. Rule 101, which bond is conditioned upon compliance with the statutes of the State of New Mexico and the Rules of the Oil Conservation Division ("Division") with respect to the proper plugging and abandonment of said well. XL Specialty Insurance Company is the surety on said bond, which is numbered SB0040746.

3. The above-described well was permitted as an injection well in 1987, but has not been used for injection since prior to 2000. The well is no longer usable for

beneficial purposes. No permit for temporary abandonment of the said well has been requested by the Operator or approved by the Division.

4. By virtue of Operator's failure to use the well for production or other beneficial purposes or to secure a current temporary abandonment permit, the well is presumed abandoned, and is 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 well should be plugged and abandoned.
- B. Upon a determination that the well should be plugged, directing the Operator to plug the well without delay, in accordance with a division-approved plugging program, and to cause the site thereof to be remediated in accordance with Division Rule 202.B(3).
- C. Further ordering that if the Operator or its surety fails to plug and abandon the well as ordered by the Director, the Division be authorized: (i) to plug

the subject well in accordance with a division-approved plugging program and to cause the site to be remediated; (ii) to declare forfeit the bond 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 well and of site remediation in excess of the amount of the bond, if any.

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

RESPECTFULLY SUBMITTED,



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. 12949. **Application of the New Mexico Oil Conservation Division for an Order Requiring Skyline Energy, L.L.C. to Properly Plug One (1) Well, Imposing Civil Penalties in Event of Failure to Comply, Authorizing the Division to Plug Said Well in Default of Compliance by Operator, and Ordering a Forfeiture of Applicable Security; Lea County, New Mexico.** The Applicant seeks an order requiring Skyline Energy, L.L.C., the operator of one (1) inactive well in Lea County, New Mexico, to properly plug and abandon the same, imposing civil penalties in event of failure to comply, authorizing the Division to plug said well 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 well is the following:

| <u>Operator</u> | <u>Well Name</u> | <u>API No.</u> | <u>Location</u> |
|-----------------|------------------------|----------------|-----------------|
| Skyline Energy | State B AC-1 Well No.2 | 30-025-01057 | B-11-12S-33E |

OIL CONSERVATION DIV.
02 SEP 17 PM 3:19