

**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 II FOR AN ORDER REQUIRING MERIT ENERGY COMPANY TO PROPERLY PLUG THREE WELLS LOCATED IN UNITS J, O AND P IN SECTION 1, TOWNSHIP 21 SOUTH, RANGE 27 EAST, EDDY COUNTY, NEW MEXICO, AUTHORIZING THE DIVISION TO PLUG THESE WELLS, AND ORDERING A FORFEITURE OF THE PLUGGING BOND.

CASE NO. _____

19279

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OIL CONSERVATION DIV.

APPLICATION FOR PLUGGING AND FORFEITURE OF BOND

1. Merit Energy Company (the "Operator") is the operator of three wells, the Burton Flat Wells No. 1 (API No. 30-015-24960), 2 (API No. 30-015-24959), and 3 (API No. 30-015-25555), located in Units J, O and P, respectively, in Section 1, Township 21 South, Range 27 East, Eddy County, New Mexico.

2. Operator has posted a surety bond in the amount of \$50,000 for these wells in compliance with Section 70-2-14, NMSA 1978, and Division Rule 101, which bond is conditioned upon compliance with New Mexico statutes and Division Rules with respect to the proper plugging and abandonment of the wells operated by Operator. Aetna Casualty and Surety Company is surety on the bond, Bond No.71S100832237BCA.

3. These wells (i) have not produced hydrocarbon or carbon dioxide substance or have otherwise been inactive for more than one year, or (ii) are no longer usable for beneficial

purposes, and no permit for temporary abandonment has been requested by the Operator and approved by the Division.

4. By virtue of the failure to use the wells for beneficial purposes or to have approved current temporary abandonment permits, these wells are presumed to have been abandoned and are required to be plugged.

5. By authority of Section 70-2-14 NMSA 1978, Division Rules require wells which are inactive for more than one year or are no longer usable for beneficial purposes to be properly plugged.

6. Demand has been made or attempted to be made upon the Operator to either place the wells to beneficial use, obtain approval for temporary abandonment or properly plug and abandon the wells and the Operator has failed to do so.

WHEREFORE, the Division District II Supervisor applies to the Director to enter an order:

A. Requiring the Operator to plug the wells in accordance with a Division-approved plugging program.

B. If the Operator fails to plug and abandon the wells as ordered by the Director, authorizing the Director:

i. to plug the wells;

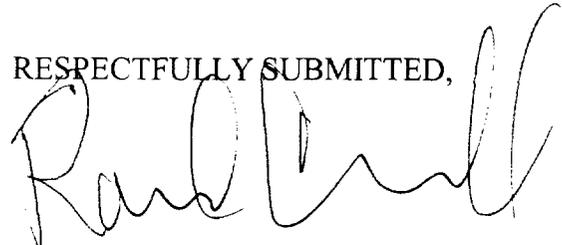
ii. to declare forfeiture of the bond, if any, and to take such action to foreclose on the bond, and

iii. to recover from the Operator any costs of plugging the wells in excess

of the amount of the bond, if any.

D. For such other relief as the Division deems just and proper.

RESPECTFULLY SUBMITTED,

A handwritten signature in black ink, appearing to read "Rand Carroll". The signature is written in a cursive style with a large initial "R" and "C".

RAND CARROLL

Legal Counsel

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