

**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 III FOR AN ORDER REQUIRING A.P.A. DEVELOPMENT INC. AND ALL OTHER INTERESTED PARTIES TO APPEAR AND SHOW CAUSE WHY: (i) APA SHOULD NOT BE ORDERED TO PROPERLY PLUG THREE WELLS LOCATED IN SAN JUAN COUNTY, NEW MEXICO, (ii) THE DIVISION SHOULD NOT BE AUTHORIZED TO PLUG THESE WELLS AND FORECLOSE ON THE PLUGGING BOND(S), IF APA DOES NOT PLUG THEM, (iii) THE DIVISION SHOULD NOT BE AUTHORIZED TO RECOVER THE PLUGGING COSTS IN EXCESS OF THE PLUGGING BOND(S), IF ANY, FROM APA, (v) AND FINES SHOULD NOT BE IMPOSED ON APA FOR FAILURE TO PLUG THESE WELLS.

CASE NO. 12345

APPLICATION FOR PLUGGING AND FORFEITURE OF BONDS

1. A.P.A. Development Inc. (the "Operator") is the operator of the following three wells:

Santa Fe Barbs Well No. 1 located 990 FSL and 500 FWL, Unit ~~D~~^M, Sec.10-T21N-R10W;

Santa Fe-Leggs Well No. 1 located 990 FSL and 2310 FWL, Unit O, Sec.11-T21N-R10W;

Santa Fe-Leggs Well No. 2 located 990 FSL and 2310 FWL, Unit N, Sec. 11-T21N-R10W;

all three wells located in San Juan County, New Mexico.

2. Operator has posted two individual cash bonds in the amount of \$7,500 each for the Santa Fe Barbs Well No. 1 and the Santa Fe Leggs Well No. 2 in compliance with Section 70-2-14, NMSA 1978, and Division Rule 101, which bonds are conditioned upon compliance with

New Mexico statutes and Division Rules with respect to the proper plugging and abandonment of the wells operated by Operator. First National Bank of Farmington is the holder of the bonds, Bonds No.OCD-238 and OCD-246.

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 III Supervisor applies to the Director to enter an order:

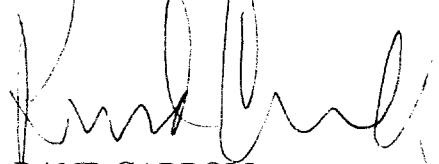
A. Requiring the Operator to plug the wells in accordance with a Division-approved plugging program.

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;
- iii. to recover from the Operator any costs of plugging the wells in excess of the amount of the bond, if any; and
- iv. impose fines on the Operator for failure to plug the wells as ordered by the Division.

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", is written over the typed name.

RAND CARROLL

Legal Counsel

New Mexico Oil Conservation Division

2040 South Pacheco

Santa Fe, NM 87505

(505) 827-8156

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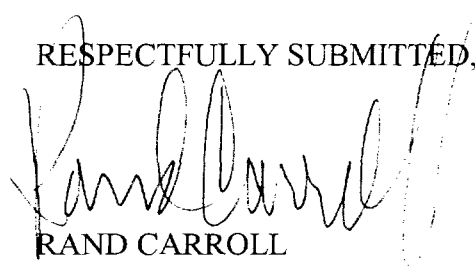
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