

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 SHUTTING
IN WELLS, CANCELLING ALLOWABLES AND ASSESSING CIVIL
PENALTIES AGAINST TOM R. CONE FOR FAILURE TO FURNISH
FINANCIAL ASSURANCE AND UNAUTHORIZED PRODUCTION; EDDY
COUNTY, NEW MEXICO**

CASE NO. 12726

**APPLICATION FOR ORDER SHUTTING IN WELLS, CANCELLING
ALLOWABLES AND ASSESSING CIVIL PENALTIES**

1. Glen Plemons is the Operator of the following wells located in Eddy
County, New Mexico:

Well	API No.	Twsp	Range	Sec.	Unit
Carper Johnson A No. 2	30-015-05004	16S	31E	35	H
Federal 13 No. 1	30-015-04597	19S	30E	13	E
Federal 13 No. 2	30-015-04599	19S	30E	13	F
Kennedy Johnson A No. 1	30-015-05008	16S	31E	35	F
Kennedy Johnson A No. 2	30-015-05009	16S	31E	35	H
Kennedy Johnson A No. 3	30-015-05010	16S	31E	35	L
Kennedy Johnson A No. 6	30-015-10165	16S	31E	35	M
North Shugart Queen Unit No. 1	30-015-05597	18S	31E	21	C
North Shugart Queen Unit No. 2	30-015-05592	18S	31E	21	D
North Shugart Queen Unit No. 3	30-015-05588	18S	31E	20	H
North Shugart Queen Unit No. 4	30-015-05591	18S	31E	21	E
North Shugart Queen Unit No. 5	30-015-05593	18S	31E	21	F
North Shugart Queen Unit No. 6	30-015-05598	18S	31E	21	K
North Shugart Queen Unit No. 7	30-015-05599	18S	31E	21	L
North Shugart Queen Unit No. 8	30-015-05586	18S	31E	20	I
North Shugart Queen Unit No. 9	30-015-05587	18S	31E	20	P
North Shugart Queen Unit No. 10	30-015-05590	18S	31E	21	M
North Shugart Queen Unit No. 11	30-015-05600	18S	31E	21	N

The Above-described wells are hereinafter called "the Plemons wells."

2. On or about June 5, 2000, Tom R. Cone filed with the Artesia District Office of the Division Forms C-104 (Request for Allowable and Authorization to Transport) for each of the Plemons wells indicating Cone as operator of the Plemons wells. These C-104s have not been approved by the Division for the reasons hereinafter set forth.

3. Pursuant to the discretionary authority conferred on the Division by NMSA Section 70-2-14 (Supp. 2000) to require one-well financial assurance on any well that has been held in a “temporarily abandoned status” for more than two years, it is the practice of the Division to require that an operator assuming operation of wells of another operator furnish such financial assurance as to any well which has, in fact, been temporarily abandoned for a continuous period of two years.

4. Three of the Plemons wells, the North Shugart Queen Unit No. 4 (API No. 30-015-05591), the North Shugart Queen Unit No. 5 (API No. 30-015-05593) and the North Shugart Queen Unit No. 8 (API No. 30-015-05586) were not produced at any time during the two years continuously next preceding the filing of C-104s for the Plemons wells by Cone on June 5, 2000. In addition, two other the Plemons wells, the North Shugart Queen Unit No. 9 (API No. 30-015-05587) and the North Shugart Queen Unit No. 11 (API No. 30-015-05600) were not produced for continuous periods of ten years and eight years, respectively, prior to August of 1998. Following alleged production of 1 barrel from each of said wells in August of 1998, said wells were again not produced at any time up to the date of the filing of C-104s for the Plemons wells by Cone on June 5, 2000. The Kennedy Johnson Well No. 6 (API No. 30-015-10165), another of the Plemons wells, was not produced for a continuous period of forty-five months from

October 1995 until July 1999. Following alleged production of 1 barrel of oil in July 1999, said well was again not produced at any time up to the date of the filing of C-104s for the Plemons wells by Cone on June 5, 2000.

5. Each of the six wells identified in the preceding paragraph has been temporarily abandoned for continuous periods of at least two years, and accordingly, the Division may require an operator assuming operations of these wells to furnish one-well financial assurance pursuant to NMSA Section 70-2-14.

6. All of the Plemons wells are marginal wells. So far as is known to the Division Cone has no significant assets in the State of New Mexico except for a large number of marginal wells.

7. Pursuant to NMSA Section 70-2-14, furnishing of financial assurance as required by the Division is a condition precedent to the right of an operator to operate any wells in the State of New Mexico. Accordingly, an operator who fails or refuses to file one-well financial assurance as to any well or wells for which such operator is properly ordered by the Division to furnish such assurance can and should be ordered to cease and desist from operating any wells in the State of New Mexico.

8. Because Cone failed and refused to file one-well bonds for the Plemons wells, the District Supervisor for District II of the Division has not approved the C-104s filed by Cone on June 5, 2000, whereby he seeks to assume operations of the Plemons wells. Accordingly, Cone has no legal right or authority to operate the Plemons wells or to produce oil therefrom, and any oil so produced is illegal oil as defined in Division Rule 7-I.

9. Notwithstanding the non-approval of the said C-104s, Cone has assumed operation of the Plemons wells, has caused signs to be posted at the locations of the Plemons wells identifying “Tom R. Cone” as operator thereof, and has produced oil therefrom and reported such production to the United State Bureau of Land Management.

10. According to the records of the United States Bureau of Land Management, Cone has produced oil from each of the following Plemons wells for the following number of days in 2001:

Well	API No.	1/01	2/01	3/01	4/01	5/01
Carper Johnson A No. 2	30-015-05004	4	28	31	30	31
Federal 13 No. 1	30-015-04597	6	8	31	30	8
Federal 13 No. 2	30-015-04599	2	2	1	1	0
Kennedy Johnson A No. 1	30-015-05008	8	28	5	30	10
Kennedy Johnson A No. 2	30-015-05009	0	2	1	4	2
Kennedy Johnson A No. 3	30-015-05010	2	2	1	0	0
Kennedy Johnson A No. 6	30-015-10165	2	2	1	1	1
N. Shugart Queen Unit No. 1	30-015-05597	0	4	1	0	15
N. Shugart Queen Unit No. 2	30-015-05592	0	2	2	0	0
N. Shugart Queen Unit No. 3	30-015-05588	2	4	2	1	1
N. Shugart Queen Unit No. 6	30-015-05598	8	8	1	8	8
N. Shugart Queen Unit No. 7	30-015-05599	0	2	2	8	0
N. Shugart Queen Unit # 10	30-015-05590	0	1	8	8	8

This represents a total of 419 days of illegal production, or 419 separate violations.

11. On August 3, 2000, the Division, through Tim W. Gum, District Superintendent of District II, notified Cone that “An operator must be approved by the Oil Conservation Division to operate oil and gas properties in the State of New Mexico, and that, due to his failure to secure such approval, “all producing [Plemons] wells must be shut in until you are notified they may be returned to production.” October 27, 2000, the Division, through Tim W. Gum, District Superintendent of District II, notified Cone

that “the change of operator to Mr. Cone will be approved when the OCD is notified that a single well bond is in place for each inactive well pursuant to NMSA 70-2-14,” and that “[a]ll producing wells must remain in a shut-in condition until the C-104s are approved.”

12. On March 2, 2001, the Division, through Lori Wrotenbery, Director, notified Cone that “you must deposit with the OCD a single well bond for each out-of-compliance well before the change of operator will be approved.”

13 On May 31, 2001, the Division, through Lori Wrotenbery, Director, notified Cone that “[t]he Division will not approve your pending requests for change of operator . . . unless and until you obtain single well bonds for [the North Shugart Queen Well No. 4, Well No. 5 and Well No. 8], and that “operating wells without an approved change of operator request is a violation of the Oil and Gas Act.”


14. Cone has intentionally and willfully ignored the foregoing notices and admonitions and has continued to produce from the Plemons wells in defiance of the Division’s rules and orders.

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

- A. Directing that all of the Plemons wells be immediately shut in.
- B. That all allowables for the Plemons wells be cancelled.
- C. That these wells remain shut in, and not be granted any further allowables, until Tom R. Cone files with the Division single well bonds for the North Shugart Queen Unit Wells No. 4, 5 and 8, and also for the North Shugart Queen Unit Wells No. 9 and 11, and the Kennedy Johnson Well No. 6.

D. That the Division assess appropriate administrative penalties against Tom R. Cone, pursuant to NMSA 70-2-31.A, for his intentional and willful violation of NMSA 70-2-14 and of Division Rules 101 and 1104.

RESPECTFULLY SUBMITTED,

A handwritten signature in cursive script, reading "David K. Brooks", is written over a horizontal line.

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