

**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
SIERRA BLANCA OPERATING COMPANY TO PROPERLY PLUG NINETY
(90) WELLS IN LEA COUNTY, NEW MEXICO, AUTHORIZING THE
DIVISION TO PLUG SAID WELLS AND ORDERING A FORFEITURE OF
APPLICABLE PLUGGING BONDS AND CASH COLLATERAL.**

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OIL CONSERVATION DIV.

CASE NO. 12770

APPLICATION FOR PLUGGING AND FORFEITURE OF BOND

1. Sierra Blanca Operating Company ("Operator") is the operator of ninety (90) wells located in Lea County, New Mexico, specifically described by name, API number and exact location in Exhibit A hereto. Exhibit A is incorporated herein by this reference and made a part of this Application for all purposes.

2. Operator has posted a surety bond in the amount of \$50,000 for all of its operations in the State of New Mexico 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 the wells operated by Operator. Underwriters Indemnity Company is the surety on said bond, and said bond is number 5484, executed September 8, 1995, and amended by Rider executed March 5, 1998, to cover the obligations of Operator under its present name.

3. In addition Operator, in its former name, Secondary Oil Corporation, previously posted a surety bond in the amount of \$50,000 to cover all of its operations in

the State of New Mexico, for like purpose and conditioned in like manner. International Fidelity Insurance Company was the surety on said bond, and said bond is number 953560, issued on May 31, 1996. Said bond was terminated effective April 24, 1998, as to any property or wells acquired, started or drilled by Operator after that date, but remains in effect as to any property or wells acquired, started or drilled by Operator prior to that date. Inasmuch as Sierra Blanca Operating Company is one and the same corporate entity as Secondary Oil Corporation, said new name being solely a result of a change of corporate name, said bond covers the liabilities of Operator under its present name without the necessity that it be amended so to provide.

4. In addition, Operator executed an Assignment of Cash Collateral Deposit, assigning to the Division funds on deposit with SunWest Bank of Roswell, N.A. (n/k/a Bank of America) in Account No. 5700782237 to further secure the obligations of Operator to plug and abandon its wells in the State of New Mexico in accordance with the statutes and rules herein cited.

5. The subject wells have not produced any hydrocarbon or carbon dioxide substance for more than one year and are no longer usable for any beneficial purpose. No current permit for temporary abandonment of any of the subject wells has been requested by the Operator or approved by the Division as to any of the subject wells.

6. 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 presumed abandoned, and are required to be plugged.

7. 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.

8. 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 in accordance with a Division-approved plugging program.
- B. Upon a determination that the wells should be plugged, directing the Operator to plug the wells without delay, and to fully restore and remediate the wellsite as provided in Division Rule 202.A(3).
- C. Further ordering that if the Operator or its sureties fail to plug and abandon the well 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 fully restore and remediate the well site as provided in Division rules; (ii) to declare forfeit the bonds furnished by the Operator, and to authorize the Division to draw upon the cash collateral deposit assigned to the Division by 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 restoring and remediating the wellsite, in excess of the amount of the bonds and collateral, if any.

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

RESPECTFULLY SUBMITTED,



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Energy, Minerals and Natural
Resources Department of the State of
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Attorney for The New Mexico Oil
Conservation Division

Seq. #	API Well #	Well Name	Well #	Operator Name	Type	Stat	County	UL	Sec	Typ	NS	Req	W/E	Fee	NS	Fl	EW
1	30-025-00238-00-00	NORTH CAPROCK QUEEN UNIT	001	SIERRA BLANCA OPERATING COMPANY	O	A	Lea	A	7	13 S		32 E		660 N		660 E	
2	30-025-00234-00-00	NORTH CAPROCK QUEEN UNIT	002	SIERRA BLANCA OPERATING COMPANY	I	A	Lea	2	6	13 S		32 E		654 N		1982 E	
3	30-025-24595-00-00	NORTH CAPROCK QUEEN UNIT	002Y	SIERRA BLANCA OPERATING COMPANY	O	A	Lea	B	7	13 S		32 E		1310 N		1330 E	
4	30-025-00213-00-00	NORTH CAPROCK QUEEN UNIT	003	SIERRA BLANCA OPERATING COMPANY	O	A	Lea	3	5	13 S		32 E		660 N		1980 W	
5	30-025-00223-00-00	NORTH CAPROCK QUEEN UNIT	003	SIERRA BLANCA OPERATING COMPANY	O	A	Lea	3	6	13 S		32 E		660 N		1980 W	
6	30-025-00253-00-00	NORTH CAPROCK QUEEN UNIT	003	SIERRA BLANCA OPERATING COMPANY	O	A	Lea	C	7	13 S		32 E		660 N		1980 W	
7	30-025-00264-00-00	NORTH CAPROCK QUEEN UNIT	004	SIERRA BLANCA OPERATING COMPANY	I	A	Lea	D	8	13 S		32 E		660 N		660 W	
8	30-025-24596-00-00	NORTH CAPROCK QUEEN UNIT	004Y	SIERRA BLANCA OPERATING COMPANY	O	A	Lea	D	8	13 S		32 E		1310 N		10 W	
9	30-025-00214-00-00	NORTH CAPROCK QUEEN UNIT	005	SIERRA BLANCA OPERATING COMPANY	O	A	Lea	E	5	13 S		32 E		1980 N		660 W	
10	30-025-00257-00-00	NORTH CAPROCK QUEEN UNIT	005	SIERRA BLANCA OPERATING COMPANY	O	A	Lea	E	8	13 S		32 E		1980 N		660 W	
11	30-025-00208-00-00	NORTH CAPROCK QUEEN UNIT	006	SIERRA BLANCA OPERATING COMPANY	I	A	Lea	F	32	12 S		32 E		1980 N		1981 W	
12	30-025-00239-00-00	NORTH CAPROCK QUEEN UNIT	006	SIERRA BLANCA OPERATING COMPANY	I	A	Lea	F	7	13 S		32 E		1980 N		2043 W	
13	30-025-00259-00-00	NORTH CAPROCK QUEEN UNIT	006	SIERRA BLANCA OPERATING COMPANY	I	A	Lea	F	8	13 S		32 E		1980 N		1980 W	
14	30-025-00222-00-00	NORTH CAPROCK QUEEN UNIT	006F	SIERRA BLANCA OPERATING COMPANY	I	S	Lea	F	6	13 S		32 E		1980 N		1980 W	
15	30-025-00205-00-00	NORTH CAPROCK QUEEN UNIT	007	SIERRA BLANCA OPERATING COMPANY	O	A	Lea	G	32	12 S		32 E		1980 N		1980 E	
16	30-025-00233-00-00	NORTH CAPROCK QUEEN UNIT	007	SIERRA BLANCA OPERATING COMPANY	O	A	Lea	G	6	13 S		32 E		1980 N		1980 E	
17	30-025-00236-00-00	NORTH CAPROCK QUEEN UNIT	007	SIERRA BLANCA OPERATING COMPANY	O	A	Lea	G	7	13 S		32 E		1980 N		1980 E	
18	30-025-00245-00-00	NORTH CAPROCK QUEEN UNIT	008	SIERRA BLANCA OPERATING COMPANY	I	A	Lea	H	7	13 S		32 E		1987 N		723 E	

Seq.	API Well #	Well Name	Well #	Operator Name	Type	Stat	County	UL	Sec	Twp	N/S	Rng	W/E	Feet	NS	FT	EW
19	30-025-00235-00-00	NORTH CAPROCK QUEEN UNIT	009	SIERRA BLANCA OPERATING COMPANY	O	A	Lea	I	6	13 S		32 E		1980 S		660 E	
20	30-025-00254-00-00	NORTH CAPROCK QUEEN UNIT	009	SIERRA BLANCA OPERATING COMPANY	O	A	Lea	I	7	13 S		32 E		1980 S		660 E	
21	30-025-00202-00-00	NORTH CAPROCK QUEEN UNIT	010	SIERRA BLANCA OPERATING COMPANY	I	A	Lea	J	32	12 S		32 E		1980 S		1980 E	
22	30-025-24597-00-00	NORTH CAPROCK QUEEN UNIT	010Y	SIERRA BLANCA OPERATING COMPANY	O	A	Lea	J	7	13 S		32 E		2630 S		1330 E	
23	30-025-00230-00-00	NORTH CAPROCK QUEEN UNIT	011	SIERRA BLANCA OPERATING COMPANY	O	A	Lea	K	6	13 S		32 E		1980 S		1980 W	
24	30-025-00263-00-00	NORTH CAPROCK QUEEN UNIT	011	SIERRA BLANCA OPERATING COMPANY	O	A	Lea	K	8	13 S		32 E		1650 S		1980 W	
25	30-025-00244-00-00	NORTH CAPROCK QUEEN UNIT	011	SIERRA BLANCA OPERATING COMPANY	O	S	Lea	K	7	13 S		32 E		1880 S		1980 W	
26	30-025-00209-00-00	NORTH CAPROCK QUEEN UNIT	012	SIERRA BLANCA OPERATING COMPANY	I	A	Lea	L	32	12 S		32 E		1980 S		660 W	
27	30-025-00216-00-00	NORTH CAPROCK QUEEN UNIT	012	SIERRA BLANCA OPERATING COMPANY	I	A	Lea	L	5	13 S		32 E		1980 S		660 W	
28	30-025-00229-00-00	NORTH CAPROCK QUEEN UNIT	012	SIERRA BLANCA OPERATING COMPANY	I	A	Lea	6	6	13 S		32 E		3300 N		4620 E	
29	30-025-00260-00-00	NORTH CAPROCK QUEEN UNIT	012	SIERRA BLANCA OPERATING COMPANY	I	A	Lea	L	8	13 S		32 E		1650 S		660 W	
30	30-025-00200-00-00	NORTH CAPROCK QUEEN UNIT	013	SIERRA BLANCA OPERATING COMPANY	I	A	Lea	M	32	12 S		32 E		660 S		660 W	
31	30-025-00261-00-00	NORTH CAPROCK QUEEN UNIT	013	SIERRA BLANCA OPERATING COMPANY	O	A	Lea	M	8	13 S		32 E		330 S		660 W	
32	30-025-00206-00-00	NORTH CAPROCK QUEEN UNIT	014	SIERRA BLANCA OPERATING COMPANY	I	A	Lea	N	32	12 S		32 E		660 S		1978 W	
33	30-025-00232-00-00	NORTH CAPROCK QUEEN UNIT	014	SIERRA BLANCA OPERATING COMPANY	I	A	Lea	N	6	13 S		32 E		660 S		1980 W	
34	30-025-00262-00-00	NORTH CAPROCK QUEEN UNIT	014	SIERRA BLANCA OPERATING COMPANY	I	A	Lea	N	8	13 S		32 E		330 S		1980 W	
35	30-025-00227-00-00	NORTH CAPROCK QUEEN UNIT	015	SIERRA BLANCA OPERATING COMPANY	O	A	Lea	O	6	13 S		32 E		660 S		1980 E	
36	30-025-00179-00-00	NORTH CAPROCK QUEEN UNIT	016	SIERRA BLANCA OPERATING COMPANY	I	A	Lea	P	30	12 S		32 E		660 S		810 E	

Seq. #	API Well #	Well Name	Well #	Operator Name	Type	Stat	County	UT	Sec	Typ	N/S	Eng	W/E	Feet	NS	FI	EW
37	30-025-00131-00-00	NORTHEAST CAPROCK QUEEN UNIT	001	SIERRA BLANCA OPERATING COMPANY	I	A	Lea	L	16	12 S		32 E		1650 S		990 W	
38	30-025-00133-00-00	NORTHEAST CAPROCK QUEEN UNIT	002	SIERRA BLANCA OPERATING COMPANY	O	A	Lea	K	16	12 S		32 E		1980 S		1980 W	
39	30-025-00135-00-00	NORTHEAST CAPROCK QUEEN UNIT	003	SIERRA BLANCA OPERATING COMPANY	I	A	Lea	J	16	12 S		32 E		1980 S		1980 E	
40	30-025-00129-00-00	NORTHEAST CAPROCK QUEEN UNIT	004	SIERRA BLANCA OPERATING COMPANY	O	A	Lea	I	16	12 S		32 E		1980 S		660 E	
41	30-025-00124-00-00	NORTHEAST CAPROCK QUEEN UNIT	005	SIERRA BLANCA OPERATING COMPANY	I	A	Lea	L	15	12 S		32 E		1980 S		660 W	
42	30-025-00138-00-00	NORTHEAST CAPROCK QUEEN UNIT	006	SIERRA BLANCA OPERATING COMPANY	I	A	Lea	P	17	12 S		32 E		731 S		589 E	
43	30-025-00132-00-00	NORTHEAST CAPROCK QUEEN UNIT	007	SIERRA BLANCA OPERATING COMPANY	O	A	Lea	M	16	12 S		32 E		660 S		660 W	
44	30-025-00134-00-00	NORTHEAST CAPROCK QUEEN UNIT	008	SIERRA BLANCA OPERATING COMPANY	I	A	Lea	N	16	12 S		32 E		660 S		1980 W	
45	30-025-00136-00-00	NORTHEAST CAPROCK QUEEN UNIT	009	SIERRA BLANCA OPERATING COMPANY	O	A	Lea	O	16	12 S		32 E		660 S		1980 E	
46	30-025-00137-00-00	NORTHEAST CAPROCK QUEEN UNIT	010	SIERRA BLANCA OPERATING COMPANY	I	A	Lea	P	16	12 S		32 E		660 S		660 E	
47	30-025-00125-00-00	NORTHEAST CAPROCK QUEEN UNIT	011	SIERRA BLANCA OPERATING COMPANY	O	A	Lea	O	15	12 S		32 E		330 S		1650 E	
48	30-025-00126-00-00	NORTHEAST CAPROCK QUEEN UNIT	012	SIERRA BLANCA OPERATING COMPANY	I	A	Lea	P	15	12 S		32 E		660 S		660 E	
49	30-025-00120-00-00	NORTHEAST CAPROCK QUEEN UNIT	013	SIERRA BLANCA OPERATING COMPANY	O	A	Lea	M	14	12 S		32 E		660 S		660 W	
50	30-025-00121-00-00	NORTHEAST CAPROCK QUEEN UNIT	014	SIERRA BLANCA OPERATING COMPANY	I	A	Lea	N	14	12 S		32 E		330 S		1650 W	
51	30-025-00148-00-00	NORTHEAST CAPROCK QUEEN UNIT	015	SIERRA BLANCA OPERATING COMPANY	I	A	Lea	B	20	12 S		32 E		660 N		1983 E	
52	30-025-00147-00-00	NORTHEAST CAPROCK QUEEN UNIT	016	SIERRA BLANCA OPERATING COMPANY	O	A	Lea	A	20	12 S		32 E		660 N		660 E	
53	30-025-00151-00-00	NORTHEAST CAPROCK QUEEN UNIT	017	SIERRA BLANCA OPERATING COMPANY	I	A	Lea	D	21	12 S		32 E		660 N		660 W	
54	30-025-00153-00-00	NORTHEAST CAPROCK QUEEN UNIT	018	SIERRA BLANCA OPERATING COMPANY	O	A	Lea	C	21	12 S		32 E		660 N		1980 W	

Seq.	API Well #	Well Name	Well #	Operator Name	Type	Stat	County	UL	Sec	Twp	N/S	Prog	W/E	Feet	NS	Ft	EW
55	30-025-00155-00-00	NORTHEAST CAPROCK QUEEN UNIT	019	SIERRA BLANCA OPERATING COMPANY	I	A	Lea	B	21	12 S		32 E		660 N		1980 E	
56	30-025-00156-00-00	NORTHEAST CAPROCK QUEEN UNIT	020	SIERRA BLANCA OPERATING COMPANY	O	A	Lea	A	21	12 S		32 E		330 N		990 E	
57	30-025-00161-00-00	NORTHEAST CAPROCK QUEEN UNIT	021	SIERRA BLANCA OPERATING COMPANY	I	S	Lea	D	22	12 S		32 E		660 N		660 W	
58	30-025-00162-00-00	NORTHEAST CAPROCK QUEEN UNIT	022	SIERRA BLANCA OPERATING COMPANY	O	A	Lea	C	22	12 S		32 E		660 N		1980 W	
59	30-025-00160-00-00	NORTHEAST CAPROCK QUEEN UNIT	023	SIERRA BLANCA OPERATING COMPANY	I	A	Lea	B	22	12 S		32 E		660 N		1981 E	
60	30-025-00167-00-00	NORTHEAST CAPROCK QUEEN UNIT	025	SIERRA BLANCA OPERATING COMPANY	I	A	Lea	D	23	12 S		32 E		660 N		660 W	
61	30-025-00168-00-00	NORTHEAST CAPROCK QUEEN UNIT	026	SIERRA BLANCA OPERATING COMPANY	I	A	Lea	C	23	12 S		32 E		330 N		1650 W	
62	30-025-00145-00-00	NORTHEAST CAPROCK QUEEN UNIT	027	SIERRA BLANCA OPERATING COMPANY	O	A	Lea	G	20	12 S		32 E		1980 N		1980 E	
63	30-025-00149-00-00	NORTHEAST CAPROCK QUEEN UNIT	028	SIERRA BLANCA OPERATING COMPANY	I	A	Lea	H	20	12 S		32 E		1980 N		661 E	
64	30-025-00152-00-00	NORTHEAST CAPROCK QUEEN UNIT	029	SIERRA BLANCA OPERATING COMPANY	O	A	Lea	E	21	12 S		32 E		1980 N		660 W	
65	30-025-00154-00-00	NORTHEAST CAPROCK QUEEN UNIT	030	SIERRA BLANCA OPERATING COMPANY	I	A	Lea	F	21	12 S		32 E		1980 N		1980 W	
66	30-025-00163-00-00	NORTHEAST CAPROCK QUEEN UNIT	031	SIERRA BLANCA OPERATING COMPANY	I	A	Lea	H	22	12 S		32 E		1650 N		560 E	
67	30-025-00165-00-00	NORTHEAST CAPROCK QUEEN UNIT	032	SIERRA BLANCA OPERATING COMPANY	O	A	Lea	E	23	12 S		32 E		1980 N		660 W	
68	30-025-00169-00-00	NORTHEAST CAPROCK QUEEN UNIT	033	SIERRA BLANCA OPERATING COMPANY	I	A	Lea	F	23	12 S		32 E		1980 N		1980 W	
69	30-025-00150-00-00	NORTHEAST CAPROCK QUEEN UNIT	034	SIERRA BLANCA OPERATING COMPANY	I	A	Lea	L	21	12 S		32 E		2310 S		330 W	
70	30-025-28581-00-00	NORTHEAST CAPROCK QUEEN UNIT	035Y	SIERRA BLANCA OPERATING COMPANY	O	A	Lea	N	16	12 S		32 E		1265 S		2565 W	
71	30-025-08073-00-00	YOUNG UNIT	002	SIERRA BLANCA OPERATING COMPANY	O	A	Lea	D	16	18 S		32 E		660 N		660 W	
72	30-025-08078-00-00	YOUNG UNIT	003	SIERRA BLANCA OPERATING COMPANY	I	A	Lea	A	17	18 S		32 E		660 N		330 E	

Seq. #	API Well #	Well Name	Well #	Operator Name	Type	Stat	County	UL	Sec	Twp	N/S	Rng	W/E	Feet	NS	Fl	EW
73	30-025-08084-00-00	YOUNG UNIT	005	SIERRA BLANCA OPERATING COMPANY	I	A	Lea	G	17	18 S		32 E		2310 N			2310 E
74	30-025-08077-00-00	YOUNG UNIT	006	SIERRA BLANCA OPERATING COMPANY	O	A	Lea	H	17	18 S		32 E		1980 N			660 E
75	30-025-08072-00-00	YOUNG UNIT	007	SIERRA BLANCA OPERATING COMPANY	I	A	Lea	E	16	18 S		32 E		1980 N			660 W
76	30-025-08083-00-00	YOUNG UNIT	009	SIERRA BLANCA OPERATING COMPANY	I	A	Lea	I	17	18 S		32 E		2350 S			1025 E
77	30-025-08081-00-00	YOUNG UNIT	010	SIERRA BLANCA OPERATING COMPANY	O	A	Lea	K	17	18 S		32 E		1650 S			1980 W
78	30-025-08079-00-00	YOUNG UNIT	011	SIERRA BLANCA OPERATING COMPANY	O	A	Lea	N	17	18 S		32 E		510 S			1685 W
79	30-025-08096-00-00	YOUNG UNIT	012	SIERRA BLANCA OPERATING COMPANY	I	A	Lea	D	20	18 S		32 E		660 N			660 W
80	30-025-08092-00-00	YOUNG UNIT	013	SIERRA BLANCA OPERATING COMPANY	O	A	Lea	C	20	18 S		32 E		660 S			1980 W
81	30-025-00862-00-00	YOUNG UNIT	014	SIERRA BLANCA OPERATING COMPANY	I	A	Lea	B	20	18 S		32 E		990 N			2310 E
82	30-025-08097-00-00	YOUNG UNIT	015	SIERRA BLANCA OPERATING COMPANY	O	A	Lea	C	20	18 S		32 E		1214 N			1426 W
83	30-025-08093-00-00	YOUNG UNIT	016	SIERRA BLANCA OPERATING COMPANY	I	A	Lea	E	20	18 S		32 E		1980 N			660 W
84	30-025-00860-00-00	YOUNG UNIT	018	SIERRA BLANCA OPERATING COMPANY	I	A	Lea	G	20	18 S		32 E		2310 N			2310 E
85	30-025-08094-00-00	YOUNG UNIT	019	SIERRA BLANCA OPERATING COMPANY	I	A	Lea	H	20	18 S		32 E		2310 N			990 E
86	30-025-08101-00-00	YOUNG UNIT	021	SIERRA BLANCA OPERATING COMPANY	O	A	Lea	J	20	18 S		32 E		1980 S			1980 E
87	30-025-08099-00-00	YOUNG UNIT	022	SIERRA BLANCA OPERATING COMPANY	O	A	Lea	K	20	18 S		32 E		1980 S			1980 W
88	30-025-08100-00-00	YOUNG UNIT	024	SIERRA BLANCA OPERATING COMPANY	O	A	Lea	N	20	18 S		32 E		990 S			2310 W
89	30-025-08091-00-00	YOUNG UNIT	025	SIERRA BLANCA OPERATING COMPANY	I	A	Lea	O	20	18 S		32 E		990 S			1650 E
90	30-025-00875-00-00	YOUNG UNIT	030	SIERRA BLANCA OPERATING COMPANY	I	A	Lea	C	29	18 S		32 E		330 N			1650 W