

**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
M & G OIL, INC. TO PROPERLY PLUG FOUR (4) WELLS IN LEA COUNTY,
NEW MEXICO, AUTHORIZING THE DIVISION TO PLUG SAID WELL AND
ORDERING A FORFEITURE OF APPLICABLE PLUGGING BOND.**

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OIL CONSERVATION DIVISION

CASE NO. 12823

APPLICATION FOR PLUGGING AND FORFEITURE OF BOND

1. M & G Oil, Inc. ("Operator") is the operator of the wells specifically identified on Exhibit A hereto (which Exhibit is incorporated herein by this reference for all purpose) located in Lea County, New Mexico.

2. Operator has posted a blanket surety bond in the amount of \$50,000 to secure its obligation to properly plug and abandon all of its wells in the State of New Mexico in compliance with NMSA 1978, Sec. 70-2-14 and O.C.D. Rule 101, which surety 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 all of its wells operated by Operator. Lumbermen's Mutual Casualty Company is the surety on said bond.

3. The subject wells have not produced any hydrocarbon or carbon dioxide substance for more than one year and are no longer usable for beneficial purposes. No permit for temporary abandonment 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.

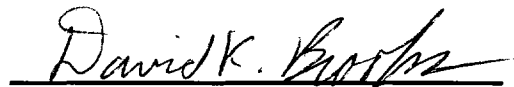
WHEREFORE, the Supervisor of District I of the Division hereby applies to the Director to enter an order:

- A. Determining whether the subject 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 by a date certain.
- C. Further ordering that if the Operator or Lumbermen's Mutual Casualty Company, its surety, fails to plug and abandon the wells as ordered by the Director, the Division be authorized: (i) to plug the subject wells in accordance with a division-approved plugging program; (ii) to declare forfeit the bond furnished by the Operator, if any, 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 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,

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

David K. Brooks
Assistant General Counsel
Energy, Minerals and Natural
Resources Department of the State of
New Mexico
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Santa Fe, NM 87505
(505)-476-3450

Attorney for The New Mexico Oil
Conservation Division

Case No. _____

EXHIBIT A to APPLICATION

<u>Operator</u>	<u>Well Name</u>	<u>API No.</u>	<u>Location</u>
M & G Oil Inc.	State K No. 1	30-025-22241	O-02-10S-33E
M & G Oil Inc.	Santa Fe No. 1	30-025-04980	C-30-09S-37E
M & G Oil Inc.	Morton Federal No. 2	30-025-23339	F-12-09S-35E
M & G Oil Inc.	Walker 686 Ltd. No. 1	30-025-03561	7-06-09S-36E