

BEFORE THE OIL CONSERVATION COMMISSION OF THE STATE OF NEW MEXICO.

In the Matter of Plugging
Bonds.

REQUEST FOR HEARING

Comes now American Employers' Insurance Company, a corporation, and states:

That it is interested in the matter set out hereinafter for the reason it is the Surety on numerous plugging bonds written pursuant to the regulations of the Oil Conservation Commission, and which are now outstanding.

That the regulations of the Commission require, in connection with each permit to drill a well, that the Permittee give a bond in the form required by Rule 39, provided, however, that where the Principal in such a bond is drilling or operating a number of wells, or proposes so to do, a blanket bond may be given covering all wells which such person may drill or operate. These bonds are conditioned that the Principal will plug the well or wells involved if dry, or when abandoned, in such a way as to confine the oil, gas and water in their respective strata.

Many of the original Permittees have, after executing such bonds, transferred their interest in the wells involved or the operation of such wells, and the transferees have not in all cases given new plugging bond. In many instances the original Permittee who gave the bond has died or been dissolved and the operations have continued without the furnishing of any new or additional bond.

Apparently no provision now exists whereby this Commission can effectively require the furnishing of a new plugging bond and the release of the bond given at the time of the original drilling of the well. It may be that in some instances the Surety on

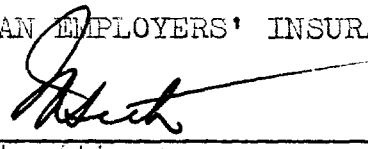
the original plugging bond may be discharged by reason of the State recognizing the new operator without the approval of the Surety on the original plugging bond. If this should develop, the interests of the State might be seriously affected.

This Petitioner respectfully requests that this Commission take into consideration the advisability of prescribing regulations under which the Transferee of any oil or gas well or of the operation of such oil or gas well may be required to submit a new plugging bond or produce the consent of the Surety on the original plugging bond that the ~~latter's~~ liability shall continue and that a hearing be ordered accordingly.

Respectfully submitted.

AMERICAN EMPLOYERS' INSURANCE COMPANY

By



Its Attorney