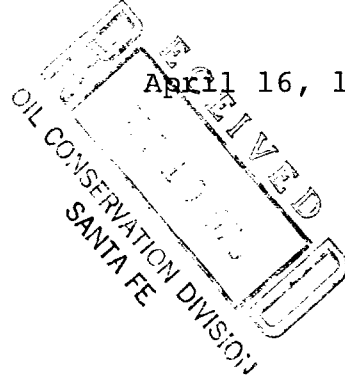




BRUCE KING
GOVERNOR

LARRY KEHOE
SECRETARY

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION



April 16, 1979

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-2434

FIFTH JUDICIAL DISTRICT
STATE OF NEW MEXICO
COUNTY OF EDDY
FILED APR 17 1979 IN MY OFFICE
FRANCES M. WILCOX
Clerk of the District Court

Mrs. Frances M. Wilcox
Clerk of the District Court
for Eddy County
Carlsbad, New Mexico 88220

Re: Eddy County Cause
No. CV-79-134

Dear Mrs. Wilcox:

Enclosed for filing is the Summons in the above-numbered cause. Thank you for your assistance.

Very truly yours,

LYNN TESCHENDORF
General Counsel

LT/dr

SUMMONS

IN THE FIFTH JUDICIAL DISTRICT COURT,
DIVISION I, COUNTY OF EDDY
STATE OF NEW MEXICO

NEW MEXICO OIL CONSERVATION

DIVISION

Plaintiff(s)

vs.

CORTEZ CORPORATION

Defendant(s)

For Court Use Only
Not Write In This Space

No. CU-19-134

The State of New Mexico

TO Christopher Prickett

President, Cortez Corporation

1707 Royalty

Odessa, Texas

DEFENDANT(S)

GREETING:

YOU ARE HEREBY DIRECTED to serve a pleading or motion in response to the complaint within 30 days after service of this summons, and file the same, all as provided by law.

YOU ARE NOTIFIED that, unless you so serve and file a responsive pleading or motion, the plaintiff will apply to the court for the relief demanded in the complaint.

NAME AND ADDRESS OF ATTORNEYS FOR PLAINTIFF (OR OF PLAINTIFF, IF NO ATTORNEY)

WITNESS the Honorable D. D. ARCHER, District Judge of the Fifth Judicial District Court of the State of New Mexico, and the Seal of the District Court of Eddy County, this 9th day of April A. D., 1979.

Frances M. Wilcox

FRANCES M. WILCOX, Clerk

By: [Signature] Deputy

(Sheriff's return when service is made personally on defendants)

STATE OF NEW MEXICO

County of

ss.

I, Sheriff of County,

State of New Mexico, do hereby certify, that I served the within summons on the

day of by delivering a copy thereof, with copy of complaint attached,

in the county aforesaid, in person to

Dated: Sheriff

Fees: By Deputy

(Sheriff's return when service is made on defendants by leaving copy at usual place of abode.)

STATE OF NEW MEXICO

County of.....

ss.

I, Sheriff of County,
State of New Mexico, do hereby certify, that I served the within summons on the
day of by delivering a copy thereof, with copy of complaint attached,
in the county aforesaid, to
a person over fifteen years of age, residing at the usual place of abode of defendant(s)
....., who at the time of such service was absent therefrom.

Date:

Sheriff

For

By Deputy

(Return when service is made personally on defendants by other than Sheriff.)

STATE OF NEW MEXICO

County of.....

ss.

..... being duly sworn, upon his oath says, I am over the age
of eighteen years, I served the within summons on the 10 day of April by
delivering a copy thereof, with copy of complaint attached, in the county aforesaid to Christopher
Prickett, President Cortez Corporation

Fees:

Subscribed and sworn to before me this 10 day of April, 1979

Expires 4-11-79

(Out of State)

STATE OF

County of.....

ss.

....., being by me first duly sworn, upon his oath deposes and says:
That he is a resident of the State of over the age of eighteen years and in no
wise interested in the case of, No. on the Civil Docket
of the District Court of Eddy County, New Mexico; that he is not a party to said action; that this writ came
to hand the day of, 19, and there was at the same time delivered to
him for service herewith cop. of this summons and cop. of the complaint filed therein;
that he made service herein by delivering one copy of this summons and one copy of the complaint herein to
each of the within named defendants within the said County of and State
of, as follows, to wit:

..... was personally served on the day of, 19

Affiant

Subscribed and sworn to before me this day of, 19

My Commission Expires:

Notary Public



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

February 26, 1981

BRUCE KING
GOVERNOR
LARRY KEHOE
SECRETARY

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-2434

Cortez Corporation
1707 Royalty
Odessa, Texas 79762

Attention: Mr. Christopher Prickett

Re: Fair Well No. 1
D, 24, 18S, 26E
Eddy County, New Mexico

Dear Mr. Prickett:

Unless I hear from you within 10 days from the date of this letter as to your plans to plug and abandon the above-referenced well, I intend to pursue the Division's legal remedies which include proceeding against your plugging bond surety and seeking a default judgment in Eddy County District Court Cause No. CV-79-134 which was instituted by the Division against Cortez Corporation.

Very truly yours,

ERNEST L. PADILLA
General Counsel

ELP/dr

cc: Bill Gressett

7/13/81

Memo

From

ERNEST L. PADILLA
GENERAL COUNSEL

To File :

Called Bill Gressett
relative to the sale of this
well. No C-104 filed yet.
Told him to pressure for
C-104 or will pursue
our remedies. But OK if
sale goes thru on condition
that new operator will place
the well in operating status
or plug it.

OIL CONSERVATION DIVISION SANTA FE

RECEIVED
JUN 25 1982
OIL CONSERVATION DIVISION
SANTA FE

FIFTH JUDICIAL DISTRICT
STATE OF NEW MEXICO

IN THE DISTRICT COURT OF EDDY COUNTYCOUNTY OF EDDY

STATE OF NEW MEXICO

8:30 AM
FILED JUN 22 1982 IN MY OFFICE

FRANCES M. WILCOX
Clerk of the District Court

NEW MEXICO OIL CONSERVATION DIVISION

NO. CV 79-134

Plaintiff,

vs.

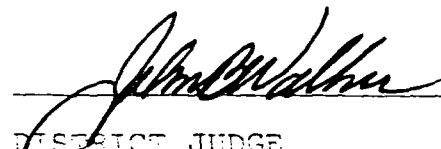
CORTEZ CORPORATION

Defendant,

ORDER OF DISMISSAL

It is ORDERED that this case be and the same hereby is dismissed, without prejudice, by the Court under its inherent power to clear the docket of cases for failure to pursue.

It is further ORDERED, ADJUDGED and DECREED by the Court that any party to this action shall have the right, within fifteen days from the date of entry of this Order, to file his motion to have this Order set aside.


DISTRICT JUDGE

I hereby certify that a copy of the above was sent to counsel for all parties on 22nd day of June, 1981

By: 
Deputy Clerk



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

BRUCE KING
GOVERNOR

LARRY KEHOE
SECRETARY

April 3, 1979

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-2434

Ector County Sheriff's Office
P. O. Box 2066
Odessa, Texas 79762

Re: New Mexico Oil Conservation
Division vs. Cortez Corp.,
Eddy County Cause No.
CV-79-134

Gentlemen:

Enclosed please find a Complaint and Summons to be served on the designated individual. I would appreciate your completing the return as soon as the documents have been served, and returning it with your bill to my office.

Very truly yours,

(Ms.) LYNN TESCHENDORF
General Counsel

LT/dr



BRUCE KING
GOVERNOR
LARRY KEHOE
SECRETARY

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

March 30, 1979

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-2434

Mrs. Frances M. Wilcox
Clerk of the District Court
Eddy County Courthouse
Carlsbad, New Mexico 88220

Re: New Mexico Oil Conservation
Division vs. Cortez Corporation

Dear Mrs. Wilcox:

I am submitting the enclosed Complaint for filing in the above-captioned cause. Since I am filing this action on behalf of the State of New Mexico, I assume no filing fee is required. I would appreciate your returning the completed Summonses with an endorsed copy of the Complaint to my office for service.

Thank you for your assistance.

Very truly yours,

(Ms.) LYNN TESCHENDORF
General Counsel

LT/dr

enc.

STATE OF NEW MEXICO

COUNTY OF EDDY

IN THE DISTRICT COURT

NEW MEXICO OIL CONSERVATION
DIVISION,

Plaintiff,

vs.

CORTEZ CORPORATION,

Defendant.

No. CV-79-134

*Filed April 2,
1979*

COMPLAINT

COUNT ONE

Plaintiff states that:

I.

Plaintiff New Mexico Oil Conservation Division is a duly organized agency of the State of New Mexico (hereinafter, "the Division"); Defendant Cortez Corporation is a corporation authorized to transact business in the State of New Mexico with its principal office, place of business and residence in Odessa, Texas.

II.

Defendant is the owner and operator of the Fair Well No. 1 located in the NW/4 NW/4 of Section 24, Township 18 South, Range 26 East, N.M.P.M., Eddy County, New Mexico.

III.

On September 13, 1978, a Division examiner hearing was called to permit Defendant to appear and show cause why the above-described well should not be plugged and abandoned in accordance with a Division-approved plugging program.

IV.

Defendant received notice of but did not appear at said hearing.

V.

On September 20, 1978, the Division issued its Order No. R-5807 requiring Cortez Corporation to plug and abandon said well, or in the alternative to return it to active drilling status or place it on production, on or before November 30, 1978. A copy of the Order is attached hereto as Exhibit A and incorporated by reference.

VI.

Defendant has knowingly and willfully violated the terms of said order by failing to comply therewith.

VII.

The State of New Mexico Legislature has charged the Division with the duties of conservation of oil and gas, the prevention of contamination of fresh water, and requiring dry or abandoned wells to be plugged in such a way as to confine crude petroleum oil, natural gas, or water in the strata in which they are found.

VIII.

The failure of Defendant to plug said well poses a potential threat to fresh water and could lead to the waste of hydrocarbons.

IX.

Rule 204 of the Division Rules and Regulations provides that "the owner of any well drilled for oil or gas, or any seismic, core or other exploratory holes, whether cased or uncased, shall be responsible for the plugging thereof."

X.

Sections 70-2-28 and 70-2-31, NMSA 1978, provide that an action may be instituted by the Division to recover a penalty of not to exceed \$1000 a day for each and every violation of its rules, regulations or orders.

WHEREFORE, Plaintiff asks the Court:

1. For judgment against Defendant in an amount not to exceed \$1,000 for each day from November 30, 1978, until the date of judgment, said amount to be paid into the State Treasury as provided for in Article XII, Section 4, of the Constitution of the State of New Mexico.

2. For such further relief as the Court deems just and proper.

COUNT TWO

Plaintiff states that:

I.

Plaintiff realleges Paragraphs I and X of Count One as though fully set out herein, and by this reference incorporates said Paragraphs in Plaintiff's Count Two.

II.

The 1977 State of New Mexico Legislature mandated the Division to require a corporate surety bond in a sum not to exceed \$50,000 conditioned for the performance of its regulations. Section 70-2-12 NMSA 1978.

III.

Pursuant to that mandate and after notice and hearing, the Division issued Order No. R-5432, which order amended Rule 101 to reflect the new bonding requirements and established a deadline of January 1, 1978, for compliance. A copy of Order R-5432 is attached hereto as Exhibit B and incorporated herein.

IV.

Defendant has knowingly and willfully violated Section 70-2-12 NMSA 1978 and Rule 101 of the Division Rules and Regulations by its failure to obtain proper bond coverage.

WHEREFORE, Plaintiff asks the Court:

1. For judgment against Defendant in an amount not to

exceed \$1,000 for each day from January 1, 1978, until the date of judgment, said amount to be paid into the State Treasury as provided for in Article XII, Section 4, of the Constitution of the State of New Mexico.

2. For such further relief as the Court deems just and proper.

NEW MEXICO OIL CONSERVATION DIVISION

By Lynn Teschendorf
LYNN TESCHENDORF
Assistant Attorney General
P. O. Box 2088
Santa Fe, New Mexico 87501

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 6316
Order No. R-5807

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION
DIVISION ON ITS OWN MOTION TO PERMIT CORTEZ CORPORATION,
AETNA CASUALTY & SURETY COMPANY, AND ALL OTHER INTERESTED
PARTIES TO APPEAR AND SHOW CAUSE WHY THE FAIR WELL NO. 1
LOCATED IN UNIT D OF SECTION 24, TOWNSHIP 18 SOUTH, RANGE 26
EAST, EDDY COUNTY, NEW MEXICO, SHOULD NOT BE PLUGGED AND
ABANDONED IN ACCORDANCE WITH A DIVISION-APPROVED PLUGGING
PROGRAM.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on September 13,
1978, at Santa Fe, New Mexico, before Examiner Richard L.
Stamets.

NOW, on this 20th day of September, 1978, the Division
Director, having considered the testimony, the record, and
the recommendations of the Examiner, and being fully advised
in the premises,

FINDS:

(1) That due public notice having been given as required
by law, the Division has jurisdiction of this cause and the
subject matter thereof.

(2) That Cortez Corporation is the owner and operator
of the Fair Well No. 1, located in Unit D of Section 24, Town-
ship 18 South, Range 26 East, NMPM, Eddy County, New Mexico.

(3) That Aetna Casualty & Surety Company is the surety
on the Oil Conservation Division plugging bond on which Cortez
Corporation is principal.

(4) That the purpose of said bond is to assure the state
that the subject well will be properly plugged and abandoned
when not capable of commercial production.

Ex A

(5) That in order to prevent waste and protect correlative rights said Fair Well No. 1 should be plugged and abandoned in accordance with a program approved by the Artesia District Office of the New Mexico Oil Conservation Division on or before November 30, 1978, or the well should be returned to active drilling status or placed on production.

IT IS THEREFORE ORDERED:

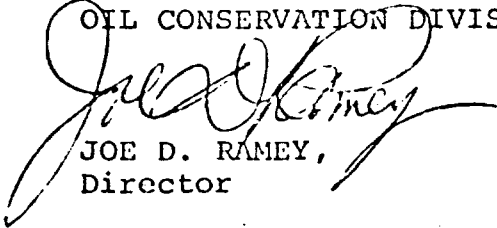
(1) That Cortez Corporation is hereby ordered to plug and abandon the Fair Well No. 1, located in Unit D of Section 24, Township 18 South, Range 26 East, NMPM, Eddy County, New Mexico, or in the alternative, to return the well to active drilling status or place the well on production on or before November 30, 1978.

(2) That Cortez Corporation, prior to plugging and abandoning the above-described well, shall obtain from the Artesia office of the Division, a Division-approved program for said plugging and abandoning, and shall notify said Artesia office of the date and hour said work is to be commenced whereupon the Division may, at its option, witness such work.

(3) That jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


JOE D. RAMEY,
Director

S E A L

dr/

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING CALLED BY
THE OIL CONSERVATION COMMISSION ON ITS
OWN MOTION TO CONSIDER THE ESTABLISHMENT
OF CATEGORIES OF PLUGGING BONDS, INCLUDING
BLANKET BONDS NOT EXCEEDING \$50,000.00,
AND ONE-WELL BONDS IN AMOUNTS DETERMINED
SUFFICIENT TO REASONABLY PAY THE COST OF
PLUGGING THE WELL COVERED BY EACH BOND;
ALSO TO CONSIDER THE EXCLUSION FROM FUTURE
BOND FORMS OF PROVISIONS CONDITIONING
PERFORMANCE ON RECOMPENSE FOR DAMAGES TO
LIVESTOCK, RANGE, WATER, CROPS OR TANGIBLE
IMPROVEMENTS; ALSO TO CONSIDER THE AMENDMENT
OF RULE 101 OF THE COMMISSION RULES AND
REGULATIONS CONCERNING THE ABOVE PROVISIONS.

CASE NO. 5912
Order No. R-5432

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on May 5, 1977, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 24th day of May, 1977, the Commission, a quorum being present, having considered the testimony and exhibits received at said hearing, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That pursuant to the provisions of Section 65-3-11(1), N.M.S.A., 1953 Comp., the Commission heretofore has promulgated Rule 101, PLUGGING BOND, to secure plugging of abandoned oil and gas wells in the State of New Mexico.

(3) That said Rule 101 requires that operators of oil and gas wells in New Mexico obtain one-well surety bonds in an amount to be determined by the Commission, but not more than \$10,000, for each well, or blanket surety bonds covering more than one well in the amount of \$10,000.

Ex B

(4) That since 1950, the Commission by practice has adopted \$5,000 as being the usual amount for one-well bonds.

(5) That the number of wells called up by the Commission for "forced plugging" hearings has increased greatly during the past several years.

(6) That due to increased costs of plugging operations, the presently required \$5,000 one-well plugging bond is inadequate to cover plugging costs of any but shallow wells in the near vicinity to the service centers of New Mexico's oil and gas fields, and the presently required \$10,000 blanket bond is inadequate to cover plugging costs of one deep well, much less a number of wells.

(7) That by Chapter 237, Laws of 1977, Subsection (1) of Section 65-3-11, ENUMERATION OF POWERS, N.M.S.A. 1953 Comp., was amended mandating the Commission....

"(1) To require dry or abandoned wells to be plugged in such a way as to confine the crude petroleum oil, natural gas or water in the strata in which they are found, and to prevent them from escaping into other strata; the Commission shall require a corporate surety bond in a sum not to exceed fifty thousand dollars (\$50,000) conditioned for the performance of such regulations;"

(8) That in view of past inadequacy of certain bonds to cover the cost of plugging wells, and the great increase in the number of "forced plugging" cases called by the Commission during the past few years, as described in Findings Nos. (6) and (5) above, and pursuant to the authority granted to the Commission by the above-described amendment of Subsection (1) of Section 65-3-11, N.M.S.A., 1953 Comp., this case was called to consider the establishment of categories of plugging bonds, including blanket bonds not exceeding \$50,000, and one-well bonds in amounts determined sufficient to reasonably pay the cost of plugging the wells covered by each bond; also to consider the exclusion from future bond forms of provisions conditioning performance on recompense for damages to livestock, range, water, crops, or tangible improvements; and also to consider the amendment of Rule 101 of Commission Rules and Regulations concerning the aforesaid provisions.

(9) That the evidence adduced at the hearing of this case establishes that the blanket plugging bond for wells drilled on privately owned or state owned lands within this state

should be a surety bond in the amount of fifty thousand dollars (\$50,000) conditioned that all oil, gas, or service wells drilled, acquired, or operated in this state by the principal on the bond be plugged and abandoned in compliance with the rules, regulations, and orders of the Commission.

(10) That the evidence further establishes that each one well plugging bond should be a surety bond conditioned that the well covered by the bond be plugged and abandoned in compliance with the rules, regulations, and orders of the Commission, and that said one-well plugging bonds should be in the amounts stated below in accordance with the following depths and locations of wells:

In Chaves, Eddy, Lea, McKinley, Rio Arriba, Roosevelt, Sandoval, and San Juan Counties:

<u>Actual or Projected Depth of Well</u>	<u>Amount of Bond</u>
Less than 5,000 feet	\$ 5,000
5,000 feet to 10,000 feet	\$ 7,500
More than 10,000 feet	\$10,000

In all other counties of the state:

<u>Actual or Projected Depth of Well</u>	<u>Amount of Bond</u>
Less than 5,000 feet	\$ 7,500
5,000 feet to 10,000 feet	\$10,000
More than 10,000 feet	\$12,500

(11) That in order to prevent costly delays to operators when drilling wells, the aforesaid one-well plugging bonds should stipulate that an actively drilling well could be granted a revised drilling permit for drilling as much as 500 feet deeper than the normal maximum depth allowed on the well's bond.

(12) That inasmuch as the above-described bonds are plugging bonds intended to secure the plugging of abandoned wells, and the amounts of the one-well bonds for various depths and locations, as well as the above-described blanket bond, are all the minimum amounts deemed by the Commission to be required for proper plugging and abandonment, the bond form presently used by the Commission and conditioned not only for the plugging of the affected well or wells, but also to secure the payment of damages to the livestock, range, water, crops or tangible

improvements on state oil and gas leases where the surface of the land involved was sold by the state prior to the oil and gas lease, should be amended to delete the securance of such payment.

(13) That Rule 101 of the Commission Rules and Regulations should be revised to read in its entirety as follows:

"RULE 101. PLUGGING BOND

"(a) Any person, firm, corporation, or association who has drilled or acquired, is drilling, or proposes to drill or acquire any oil, gas, or service well on privately owned or state owned lands within this state shall furnish to the Commission, and obtain approval thereof, a surety bond running to the State of New Mexico, in a form prescribed by the Commission, and conditioned that the well be plugged and abandoned in compliance with the rules and regulations of the Commission. Such bond may be a one-well plugging bond or a blanket plugging bond. All bonds shall be executed by a responsible surety company authorized to do business in the State of New Mexico.

"(b) Blanket plugging bonds shall be in the amount of fifty thousand dollars (\$50,000) conditioned as above provided, covering all oil, gas, or service wells drilled, acquired or operated in this state by the principal on the bond.

"One-well plugging bonds shall be in the amounts stated below in accordance with the depth and location of the well:

Chaves, Eddy, Lea, McKinley, Rio Arriba, Roosevelt, Sandoval, and San Juan Counties, New Mexico:

<u>Projected Depth of Proposed Well or Actual Depth of Existing Well</u>	<u>Amount of Bond</u>
Less than 5,000 feet	\$ 5,000
5,000 feet to 10,000 feet	\$ 7,500
More than 10,000 feet	\$10,000

All Other Counties in the State:

<u>Projected Depth of Proposed Well or Actual Depth of Existing Well</u>	<u>Amount of Bond</u>
Less than 5,000 feet	\$ 7,500
5,000 feet to 10,000 feet	\$10,000
More than 10,000 feet	\$12,500

"Revised plans for an actively drilling well may be approved by the appropriate District Office of the Commission for drilling as much as 500 feet deeper than the normal maximum depth allowed on the well's bond. Any well to be drilled more than 500 feet deeper than the normal depth bracket must be covered by a new bond in the amount prescribed for the deeper depth bracket.

The bond requirement for any intentionally deviated well shall be determined by the well's measured depth, and not its true vertical depth.

"(c) Any bond required by this rule is a plugging bond, not a drilling bond, and shall endure until any well drilled or acquired under such bond has been plugged and abandoned and such plugging and abandonment has been approved by the Commission, or has been covered by another bond approved by the Commission.

"(d) Transfer of a property does not of itself release a bond. In the event of transfer of ownership of a well, the appropriate form, C-103 or C-104, properly executed, shall be filed with the District Office of the Commission in accordance with Rule 1103 or Rule 1104 by the new owner of the well. The District Office may approve the transfer providing that a new one-well bond covering the well, or a request that the well be covered by the new owner's blanket bond, has been approved by the Santa Fe office of the Commission.

"Upon approval of the bond and the Form C-103 or C-104, the transferor is released of plugging responsibility for the well, and upon request, the original bond will be released. No blanket bond will be released, however, until all wells covered by the bond have been plugged and abandoned or transferred in accordance with the provisions of this rule.

"(e) All bonds shall be filed with the Santa Fe office of the Commission, and approval of such bonds, as well as releases thereof, obtained from said office.

"(f) All bonds required by these rules shall be conditioned for well plugging and location cleanup only, and not to secure payment for damages to livestock, range, water, crops, tangible improvements, nor any other purpose."

(14) That the effective date of the aforesaid amendment of Rule 101 of the Commission Rules and Regulations should be June 17, 1977, and any bond approved by the Commission on or after that date should be written in accordance with the amended rule.

(15) That a reasonable period of time should be allowed for operators of wells in New Mexico to obtain new bonds replacing existing bonds, said new bonds to be written in accordance with Rule 101, as amended, and that four months is such reasonable period of time.

(16) That between September 1, 1977, and December 31, 1977, all existing plugging bonds in effect on June 16, 1977, should be replaced by new bonds written in compliance with Rule 101, as amended.

(17) That the Supervisor of each District Office of the Commission should have authority to shut in, or shut down operations on, any well not covered by a bond written in compliance with Rule 101, as amended, on January 1, 1978.

(18) That new bond forms should be prepared and attached to this order as Exhibits A, B, and C prescribing the format and language to be used on all plugging bonds issued after June 16, 1977.

IT IS THEREFORE ORDERED:

(1) That effective June 17, 1977, Rule 101 of the Commission Rules and Regulations shall read in its entirety as follows:

"RULE 101. PLUGGING BOND

"(a) Any person, firm, corporation, or association who has drilled or acquired, is drilling, or proposes to drill or acquire any oil, gas, or service well on privately owned or state owned lands within this state shall furnish to the Commission, and obtain approval thereof, a surety bond running to the State of New Mexico, in a form prescribed by the Commission, and conditioned that the well be plugged and abandoned in compliance with the rules and regulations of the Commission. Such bond may be a one-well plugging bond or a blanket plugging bond. All bonds shall be executed by a responsible surety company authorized to do business in the State of New Mexico.

Case No. 5912
Order No. R-5432

"(b) Blanket plugging bonds shall be in the amount of fifty thousand dollars (\$50,000) conditioned as above provided, covering all oil, gas, or service wells drilled, acquired or operated in this state by the principal on the bond.

"One-well plugging bonds shall be in the amounts stated below in accordance with the depth and location of the well:

Chaves, Eddy, Lea, McKinley, Rio Arriba, Roosevelt, Sandoval, and San Juan Counties, New Mexico:

<u>Projected Depth of Proposed Well or Actual Depth of Existing Well</u>	<u>Amount of Bond</u>
Less than 5,000 feet	\$ 5,000
5,000 feet to 10,000 feet	\$ 7,500
More than 10,000 feet	\$10,000

All Other Counties in the State:

<u>Projected Depth of Proposed Well or Actual Depth of Existing Well</u>	<u>Amount of Bond</u>
Less than 5,000 feet	\$ 7,500
5,000 feet to 10,000 feet	\$10,000
More than 10,000 feet	\$12,500

"Revised plans for an actively drilling well may be approved by the appropriate District Office of the Commission for drilling as much as 500 feet deeper than the normal maximum depth allowed on the well's bond. Any well to be drilled more than 500 feet deeper than the normal depth bracket must be covered by a new bond in the amount prescribed for the deeper depth bracket.

The bond requirement for any intentionally deviated well shall be determined by the well's measured depth, and not its true vertical depth.

"(c) Any bond required by this rule is a plugging bond, not a drilling bond, and shall endure until any well drilled or acquired under such bond has been plugged and abandoned and such plugging and abandonment has been approved by the Commission, or has been covered by another bond approved by the Commission.

"(d) Transfer of a property does not of itself release a bond. In the event of transfer of ownership of a well, the appropriate form, C-103 or C-104, properly executed, shall be

filed with the District Office of the Commission in accordance with Rule 1103 or Rule 1104 by the new owner of the well. The District Office may approve the transfer providing that a new one-well bond covering the well, or a request that the well be covered by the new owner's blanket bond, has been approved by the Santa Fe office of the Commission.

"Upon approval of the bond and the Form C-103 or C-104, the transferor is released of plugging responsibility for the well, and upon request, the original bond will be released. No blanket bond will be released, however, until all wells covered by the bond have been plugged and abandoned or transferred in accordance with the provisions of this rule.

"(e) All bonds shall be filed with the Santa Fe office of the Commission, and approval of such bonds, as well as releases thereof, obtained from said office.

"(f) All bonds required by these rules shall be conditioned for well plugging and location cleanup only, and not to secure payment for damages to livestock, range, water, crops, tangible improvements, nor any other purpose."

(2) That after June 16, 1977, except as provided under Order (3) below, no new well drilling permit (Form C-101), and no well transfer of ownership, (Form C-103 or Form C-104, whichever is applicable), shall be approved unless said well is covered by a new bond filed in accordance with Rule 101 of the Commission Rules and Regulations, as amended above.

(3) That between September 1, 1977, and December 31, 1977, all existing bonds in effect on June 16, 1977, shall be replaced by new bonds filed in accordance with Rule 101 of the Commission Rules and Regulations, as amended above.

(4) That effective January 1, 1978, the Supervisor of each District Office of the Commission is hereby authorized to shut in, or shut down operations on, any well not covered by a new bond filed in accordance with Rule 101 of the Commission Rules and Regulations, as amended above.

(5) That after June 16, 1977, no plugging bond shall be approved by the Commission unless it is in the form and style of, and employs the language used in, the bond forms hereby approved and adopted by the Commission, and attached hereto and made a part hereof, as follows:

Case No. 5912
Order No. R-5432

Exhibit A: \$50,000.00 Blanket Plugging Bond

Exhibit B: \$ 5,000.00, \$7,500.00, or \$10,000.00
one-well Plugging Bond for use in
Chaves, Eddy, Lea, McKinley, Rio Arriba,
Roosevelt, Sandoval, and San Juan Counties
only.

Exhibit C: \$7,500.00, \$10,000.00, or \$12,500.00
One-well Plugging Bond for use in
all counties except those named above.

(6) That jurisdiction of this cause is retained for the
entry of such further orders as the Commission may deem
necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove
designated.

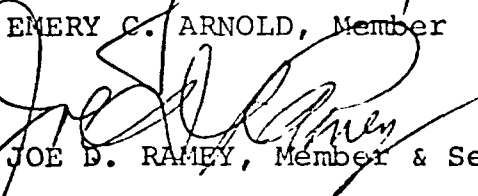
STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



PHIL R. LUCERO, Chairman



EMERY C. ARNOLD, Member



JOE D. RAMEY, Member & Secretary

S E A L

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