

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

CASE NO. 11515
ORDER NO. R-10659

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION DIVISION ("DIVISION") ON ITS OWN MOTION TO PERMIT WOOSLEY OIL COMPANY, OPERATOR, AMERICAN EMPLOYERS' INSURANCE COMPANY, SURETY, AND ALL OTHER INTERESTED PARTIES TO APPEAR AND SHOW CAUSE WHY SEVEN CERTAIN WELLS IN MCKINLEY 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 8:15 a.m. on June 13, 1996, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 27th day of August, 1996, the Division Director, having considered the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

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

(2) Woosley Oil Company of Cortez, Colorado is the current owner and operator of the following seven wells located in McKinley County, New Mexico:

- (a) Santa Fe Energy Well No. 1 (API No. **30-031-20795**), located 330 feet from the South and East lines (Unit P) of Section 8, Township 19 North, Range 6 West, NMPM;
- (b) Santa Fe Energy Well No. 2 (API No. **30-031-20845**), located 330 feet from the North and East lines (Unit A) of Section 17, Township 19 North, Range 6 West, NMPM;

- (c) State Well No. 1 (API No. **30-031-05318**), located 330 feet from the North and West lines (Unit D) of Section 16, Township 19 North, Range 6 West, NMPM;
- (d) State Well No. 2 (API No. **30-031-20543**), located 350 feet from the North line and 1670 feet from the West line (Unit C) of Section 16, Township 19 North, Range 6 West, NMPM;
- (e) State Well No. 3 (API No. **30-031-20562**), located 330 feet from the North line and 990 feet from the East line (Unit A) of Section 16, Township 19 North, Range 6 West, NMPM;
- (f) Ptasynski "A" Well No. 1 (API No. **30-031-20839**), located 2310 feet from the South line and 330 feet from the East line (Unit I) of Section 11, Township 19 North, Range 5 West, NMPM; and,
- (g) Ptasynski "A" Well No. 2 (API No. **30-031-20864**), located 1650 feet from the South and East lines (Unit J) of Section 11, Township 19 North, Range 5 West, NMPM.

(3) The Santa Fe Energy Well Nos. 1 and 2 are located on a fee lease. The State Well Nos. 1, 2, and 3 are located on a State lease. These five wells are subject to a \$50,000.00 blanket plugging bond on which American Employers' Insurance Company is surety and Woosley Oil Company is principal.

(4) The purpose of said bond is to assure the Division that any and all wells on State and/or fee leases operated by Woosley Oil Company will be properly plugged and abandoned when not capable of commercial production.

(5) The Ptasynski "A" Well Nos. 1 and 2 are located on a Federal lease and are therefore subject to any bond that may exist with the U. S. Bureau of Land Management.

(6) All seven wells have not produced hydrocarbon substance or have otherwise been inactive for more than one year, and no permit for temporary abandonment has been requested by the operator or approved by the Division.

(7) By virtue of the failure to use the subject wells for beneficial purposes or to have approved temporary abandonment permits, the subject wells are presumed to have been abandoned by the operator.

(8) The current conditions of said wells are such that if action is not taken to properly plug and abandon these wells, waste may occur, correlative rights may be violated, and/or fresh water may be contaminated.

(9) At the time of the hearing American Employers' Insurance Company entered an appearance in this matter through legal counsel.

(10) *Mr. James P. Woosley appeared at the hearing and pleaded on his own behalf that ownership and operations of these wells were the subject to a District Court proceeding held in Montezuma County, Colorado (see Case No. 89 CV 32) whereby Woosley Oil Company filed for bankruptcy and that all operations were transferred to another party.*

FINDING: Such court order served only in naming a party or parties to act as the operating agent for the "receiver" of said property owned by Woosley Oil Company. Woosley Oil Company and any of the plugging bonds in place are still in effect for said property.

(11) In order to prevent waste and to adequately protect both correlative rights and fresh waters the seven above-described wells should be plugged and abandoned in accordance with a program approved by the supervisor of the Aztec District Office of the New Mexico Oil Conservation Division on or before October 15, 1996, or the wells should be returned to active drilling status or placed on production.

(12) Should said wells not be placed on production or returned to active drilling status the Division Director should be authorized to take such action as is deemed necessary to foreclose on the subject plugging bond to help defer such plugging costs accrued by the Division. Further, the Division Director should seek any relief from the U. S. Bureau of Land Management for possible funds on any federal plugging bond that may still be in effect on the two Ptasynski "A" wells.

IT IS THEREFORE ORDERED THAT:

(1) Woosley Oil Company of Cortez, Colorado is hereby ordered to plug and abandon the following described wells located in McKinley County, New Mexico, or in the alternative, to return said wells to active drilling status or place the wells on production on or before October 15, 1996:

- (a) Santa Fe Energy Well No. 1 (API No. **30-031-20795**), located 330 feet from the South and East lines (Unit P) of Section 8, Township 19 North, Range 6 West, NMPM;
- (b) Santa Fe Energy Well No. 2 (API No. **30-031-20845**), located 330 feet from the North and East lines (Unit A) of Section 17, Township 19 North, Range 6 West, NMPM;
- (c) State Well No. 1 (API No. **30-031-05318**), located 330 feet from the North and West lines (Unit D) of Section 16, Township 19 North, Range 6 West, NMPM;
- (d) State Well No. 2 (API No. **30-031-20543**), located 350 feet from the North line and 1670 feet from the West line (Unit C) of Section 16, Township 19 North, Range 6 West, NMPM;
- (e) State Well No. 3 (API No. **30-031-20562**), located 330 feet from the North line and 990 feet from the East line (Unit A) of Section 16, Township 19 North, Range 6 West, NMPM;
- (f) Ptasynski "A" Well No. 1 (API No. **30-031-20839**), located 2310 feet from the South line and 330 feet from the East line (Unit I) of Section 11, Township 19 North, Range 5 West, NMPM; and,

- (g) Ptasynski "A" Well No. 2 (API No. **30-031-20864**), located 1650 feet from the South and East lines (Unit J) of Section 11, Township 19 North, Range 5 West, NMPM.

(2) Woosley Oil Company, prior to plugging and abandoning the above-described wells, shall obtain from the supervisor of the Aztec District Office of the New Mexico Oil Conservation Division an approved program for said plugging and abandoning, and shall notify said Aztec office of the date and time said work is to be commenced whereupon the Division may witness such work.

IT IS FURTHER ORDERED THAT:

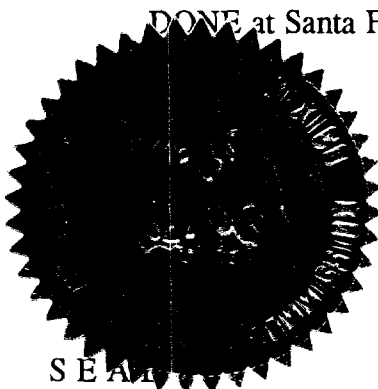
(3) If, after October 15, 1996, Woosley Oil Company has not complied satisfactorily with those requirements set forth in Decretory Paragraphs Nos. (1) and (2), above, the supervisor of the Aztec District Office of the New Mexico Oil Conservation Division is hereby authorized to direct the commencement of plugging operations on said wells.

(4) The Division Director shall take such action as is deemed necessary to foreclose on the American Employers' Insurance Company \$50,000.00 blanket plugging bond on which Woosley Oil Company is principal to help defer such plugging cost accrued by the Division.

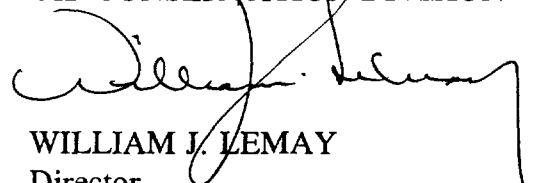
(5) Further, the Division Director shall seek any relief from the U. S. Bureau of Land Management for possible funds on any federal plugging bond that may still be in effect on the two Ptasynski "A" wells.

(6) 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


WILLIAM J. LEMAY
Director