

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

CASE NO. 13099
ORDER NO. R-12016

IN THE MATTER OF THE HEARING CALLED BY THE NEW MEXICO OIL CONSERVATION DIVISION ("DIVISION") ON ITS OWN MOTION FOR AN ORDER REQUIRING PLAYA MINERALS & ENERGY INC. TO PROPERLY PLUG ONE HUNDRED THIRTY-FOUR (134) WELLS, IMPOSING CIVIL PENALTIES AND AUTHORIZING THE DIVISION TO PLUG SAID WELLS AND TAKE APPROPRIATE MEASURES TO SEEK REIMBURSEMENT FROM ANY SECURITY FURNISHED BY OPERATOR IN EVENT OF OPERATOR'S FAILURE TO COMPLY

ORDER OF THE DIVISION

BY THE DIVISION;

This case came on for hearing at 8:15 a.m. on June 19, 2003, at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 11th day of September, 2003, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT;

- (1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.
- (2) The New Mexico Oil Conservation Division ("Division") on its own motion seeks an order directing Playa Minerals & Energy, Inc. of Houston, Texas, to plug the wells described in the attached Exhibit "A" located in San Juan County, New Mexico, in accordance with a Division-approved plugging program.
- (3) Should Playa Minerals & Energy, Inc. fail to plug and abandon these wells, the Division seeks an order authorizing the Division to plug and abandon these wells and: (i) declare forfeiture of any security posted by Playa Minerals & Energy, Inc. to the extent necessary to fully reimburse the Division for its expenses incurred in accomplishing the foregoing; and (ii) take necessary and appropriate measures to recover from Playa Minerals & Energy, Inc. any costs of plugging these wells in excess of the amount of the security, if any.

(4) Playa Minerals & Energy, Inc. was not present and was not represented by legal counsel at the hearing.

(5) BC&D Operating, Inc. from Hobbs, New Mexico, made an appearance at the hearing through an attorney and one witness and presented the following testimony:

(a) Property Management and Consulting, Inc. of Farmington, New Mexico was appointed by the courts as a receiver for the assets of Playa Minerals and Energy, Inc. Subsequently, Property Management and Consulting, Inc. approached BC&D Operating, Inc. for basic cleanup activity on the Horseshoe Gallup Unit;

(b) the last month of production for any well on this Horseshoe Gallup Unit was April of 2001, and the Unit has been abandoned since then;

(c) well No. 4 is an injection well and was used approximately 45 days prior to this hearing to dispose of tank water;

(d) Vulcan Minerals and Energy Inc. is the same company as Playa Minerals & Energy, Inc., which is a wholly owned subsidiary of Regent Energy;

(e) the United States Bureau of Land Management has taken action to dissolve this Unit and cancel the oil and gas leases within the Unit boundaries; and

(f) these wells should be plugged and abandoned for protection of the environment and prevention of waste.

(6) The Division presented evidence and testimony that:

(a) the Horseshoe Gallup Unit was originally drilled by Arco and has been transferred to a new operator several times over the years;

(b) the current operator of record is Playa Minerals and Energy, Inc., which is shown in the official records of the New Mexico Public Regulation Commission as a forfeited, non-appealable, terminated corporation, and there is no evidence that the name, Playa Minerals and Energy, Inc., has been changed to Vulcan Minerals and Energy, Inc;

(c) the last month of reported production for any of these wells was February 2002;

(d) the Aztec District Office of the Division has plugged six wells that were uncontrollably leaking to the surface and had holes in the upper casing opposite a water zone; the District also bled off all wells and installed new valves to prevent inflow into a leaking tank battery;

(e) the wells to be plugged under this order are located on the Navajo Nation, Federal public domain lands and State of New Mexico lands, and none are located on the Ute Mountain Ute Indian Nation; none of the wells to be plugged are located near the disputed territory between the Navajo Nation and the Ute Mountain Ute Nation;

(f) a Division-approved plugging procedure for each of these wells has also been approved by the United States Bureau of Land Management;

(g) a public water supply well was installed by the United States Geological Survey in this area, but otherwise fresh water is considered very limited;

(h) the applicant's exhibits relating to well history were correct in this matter; and

(i) these wells should be plugged as soon as possible to protect the environment and prevent waste.

(7) Evidence was not presented at the hearing showing the type or amount of security bond posted by Playa Minerals and Energy, Inc.

(8) By virtue of the failure to use these wells for beneficial purposes or to obtain approval for temporary abandonment, and its discontinuance of operation and supervision of these wells, Playa Minerals & Energy, Inc. is presumed to have abandoned the subject wells.

(9) The current condition of these wells is such that if action is not taken to properly plug and abandon the wells, waste will probably occur, correlative rights will be violated, livestock and wildlife may be subject to harmful contaminants, and existing fresh waters may be in danger of contamination.

IT IS THEREFORE ORDERED THAT:

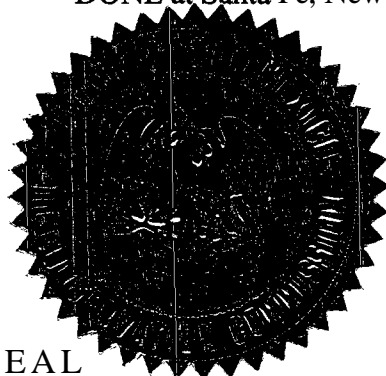
(1) Pursuant to the application of the New Mexico Oil Conservation Division ("Division"), Playa Minerals & Energy, Inc. of Houston, Texas, is hereby ordered on or before November 1, 2003, to plug and abandon the wells described in Exhibit "A" in accordance with a Division approved plugging program.

(2) If Playa Minerals & Energy, Inc. fails to bring these wells into compliance as required by this Order, the Division may then take such actions as are necessary to cause these wells to be properly plugged and abandoned. Further, the Division shall then be authorized to take such action as is deemed necessary to: (i) declare forfeiture of any security posted by Playa Minerals & Energy, Inc., to the extent necessary to fully reimburse the Division for its expenses incurred in accomplishing the foregoing; and (ii) recover from Playa Minerals & Energy, Inc. any costs of plugging the subject wells in excess of the amount of this security, if any.

(3) Failure to comply with the provisions of this order shall subject Playa Minerals & Energy, Inc. to a fine of \$1,000 per day, commencing from the date of this order until such work is completed (NMSA 1978, Section 70-2-31, as amended).

(4) Jurisdiction of this case 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.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Lori Wrotenbery
LORI WROTENBERY
Director

Exhibit "A"
Playa Minerals and Energy, Inc.
Wells to be Plugged
Case No. 13099
Division Order No. R-12016

API NUMBER	Well Name & Number	Well Location
30-045-10117	Horseshoe Gallup Unit No. 2	Unit J, Section 32, T-31N, R-16W
30-045-10228	Horseshoe Gallup Unit No. 4	Unit D, Section 32, T-31N, R-16W
30-045-10324	Horseshoe Gallup Unit No. 6	Unit J, Section 30, T-31N, R-16W
30-045-10383	Horseshoe Gallup Unit No. 7	Unit F, Section 30, T-31N, R-16W
30-045-10297	Horseshoe Gallup Unit No. 8	Unit D, Section 30, T-31N, R-16W
30-045-10423	Horseshoe Gallup Unit No. 9	Unit B, Section 30, T-31N, R-16W
30-045-10386	Horseshoe Gallup Unit No. 10	Unit H, Section 30, T-31N, R-16W
30-045-10328	Horseshoe Gallup Unit No. 11	Unit L, Section 29, T-31N, R-16W
30-045-10230	Horseshoe Gallup Unit No. 13	Unit B, Section 32, T-31N, R-16W
30-045-10101	Horseshoe Gallup Unit No. 14	Unit N, Section 32, T-31N, R-16W
30-045-10131	Horseshoe Gallup Unit No. 15	Unit L, Section 32, T-31N, R-16W
30-045-10199	Horseshoe Gallup Unit No. 16	Unit H, Section 31, T-31N, R-16W
30-045-10224	Horseshoe Gallup Unit No. 17	Unit B, Section 31, T-31N, R-16W
30-045-10294	Horseshoe Gallup Unit No. 18	Unit N, Section 30, T-31N, R-16W
30-045-10325	Horseshoe Gallup Unit No. 19	Unit L, Section 30, T-31N, R-16W
30-045-10202	Horseshoe Gallup Unit No. 20	Unit H, Section 32, T-31N, R-16W
30-045-10388	Horseshoe Gallup Unit No. 23	Unit F, Section 29, T-31N, R-16W
30-045-10393	Horseshoe Gallup Unit No. 25	Unit H, Section 29, T-31N, R-16W

30-045-10425	Horseshoe Gallup Unit No. 26	Unit B, Section 29, T-31N, R-16W
30-045-10093	Horseshoe Gallup Unit No. 27	Unit P, Section 31, T-31N, R-16W
30-045-10125	Horseshoe Gallup Unit No. 28	Unit J, Section 31, T-31N, R-16W
30-045-10213	Horseshoe Gallup Unit No. 29	Unit F, Section 31, T-31N, R-16W
30-045-60050	Horseshoe Gallup Unit No. 33	Unit A, Section 29, T-31N, R-16W
30-045-10332	Horseshoe Gallup Unit No. 34	Unit I, Section 29, T-31N, R-16W
30-045-10399	Horseshoe Gallup Unit No. 35	Unit G, Section 29, T-31N, R-16W
30-045-10429	Horseshoe Gallup Unit No. 36	Unit C, Section 29, T-31N, R-16W
30-045-10233	Horseshoe Gallup Unit No. 37	Unit A, Section 32, T-31N, R-16W
30-045-10302	Horseshoe Gallup Unit No. 38	Unit O, Section 29, T-31N, R-16W
30-045-10330	Horseshoe Gallup Unit No. 39	Unit K, Section 29, T-31N, R-16W
30-045-10418	Horseshoe Gallup Unit No. 41	Unit A, Section 30, T-31N, R-16W
30-045-10133	Horseshoe Gallup Unit No. 42	Unit U, Section 32, T-31N, R-16W
30-045-10194	Horseshoe Gallup Unit No. 43	Unit G, Section 32, T-31N, R-16W
30-045-10223	Horseshoe Gallup Unit No. 44	Unit C, Section 32, T-31N, R-16W
30-045-10300	Horseshoe Gallup Unit No. 45	Unit M, Section 29, T-31N, R-16W
30-045-10326	Horseshoe Gallup Unit No. 46	Unit I, Section 30, T-31N, R-16W
30-045-10384	Horseshoe Gallup Unit No. 47	Unit G, Section 30, T-31N, R-16W
30-045-10421	Horseshoe Gallup Unit No. 48	Unit C, Section 30, T-31N, R-16W
30-045-10118	Horseshoe Gallup Unit No. 49	Unit O, Section 32, T-31N, R-16W
30-045-10134	Horseshoe Gallup Unit No. 50	Unit K, Section 32, T-31N, R-16W
30-045-10229	Horseshoe Gallup Unit No. 52	Unit A, Section 31, T-31N, R-16W
30-045-10298	Horseshoe Gallup Unit No. 53	Unit O, Section 30, T-31N, R-16W
30-045-10327	Horseshoe Gallup Unit No. 54	Unit K, Section 30, T-31N, R-16W
30-045-10394	Horseshoe Gallup Unit No. 55	Unit E, Section 30, T-31N, R-16W

30-045-10126	Horseshoe Gallup Unit No. 57	Unit I, Section 31, T-31N, R-16W
30-045-10198	Horseshoe Gallup Unit No. 58	Unit G, Section 31 , T-31N, R-16W
30-045-10225	Horseshoe Gallup Unit No. 59	Unit C, Section 31 , T-31N, R-16W
30-045-10296	Horseshoe Gallup Unit No. 60	Unit M , Section 30, T-31N , R-16W
30-045-10136	Horseshoe Gallup Unit No. 65	Unit L, Section 33, T-31N, R-16W
30-045-10235	Horseshoe Gallup Unit No. 66	Unit D, Section 33 , T-31N , R-16W
30-045-10831	Horseshoe Gallup Unit No. 69	Unit C , Section 14, T-31N , R-17W
30-045-13182	Horseshoe Gallup Unit No. 71	Unit F, Section 14, T-31N, R-17W
30-045-10803	Horseshoe Gallup Unit No. 72	Unit G, Section 14, T-31N , R-17W
30-045-10755	Horseshoe Gallup Unit No. 74	Unit K, Section 14 , T-31N , R-17W
30-045-10734	Horseshoe Gallup Unit No. 75	Unit J, Section 14, T-31N, R-17W
30-045-10739	Horseshoe Gallup Unit No. 77	Unit L, Section 13, T-31N, R-17W
30-045-13181	Horseshoe Gallup Unit No. 78	Unit K, Section 13 , T-31N , R-17W
30-045-10703	Horseshoe Gallup Unit No. 79	Unit O, Section 14, T-31N , R-17W
30-045-10719	Horseshoe Gallup Unit No. 80	Unit P, Section 14, T-31N, R-17W
30-045-10716	Horseshoe Gallup Unit No. 81	Unit M, Section 13, T-31N, R-17W
30-045-10718	Horseshoe Gallup Unit No. 82	Unit N, Section 13 , T-31N, R-17W
30-045-10721	Horseshoe Gallup Unit No. 83	Unit O, Section 13, T-31N, R-17W
30-045-10656	Horseshoe Gallup Unit No. 84	Unit A, Section 23, T-31N , R-17W
30-045-10651	Horseshoe Gallup Unit No. 86	Unit C, Section 24, T-31N , R-17W
30-045-10655	Horseshoe Gallup Unit No. 88	Unit A, Section 24, T-31N, R-17W
30-045-10658	Horseshoe Gallup Unit No. 89	Unit D, Section 19, T-31N, R-16W
30-045-10631	Horseshoe Gallup Unit No. 90	Unit E, Section 24, T-31N , R-17W
30-045-10621	Horseshoe Gallup Unit No. 91	Unit F, Section 24, T-31N , R-17W
30-045-10627	Horseshoe Gallup Unit No. 93	Unit H, Section 24, T-31N, R-17W

30-045-10547	Horseshoe Gallup Unit No. 97	Unit L, Section 24, T-31N, R-17W
30-045-10546	Horseshoe Gallup Unit No. 98	Unit K, Section 24, T-31N, R-17W
30-045-10539	Horseshoe Gallup Unit No. 99	Unit J, Section 24, T-31N, R-17W
30-045-10559	Horseshoe Gallup UnitNo. 100	Unit I, Section 24, T-31N, R-17W
30-045-10549	Horseshoe Gallup Unit No. 101	Unit L, Section 19, T-31N, R-16W
30-045-10558	Horseshoe Gallup Unit No. 104	Unit I, Section 19, T-31N, R-16W
30-045-10502	Horseshoe Gallup Unit No. 107	Unit N, Section 24, T-31N, R-17W
30-045-10505	Horseshoe Gallup Unit No. 108	Unit O, Section 24, T-31N, R-17W
30-045-10498	Horseshoe Gallup Unit No. 109	Unit P, Section 24, T-31N, R-17W
30-045-10508	Horseshoe Gallup Unit No. 110	Unit M, Section 19, T-31N, R-16W
30-045-10507	Horseshoe Gallup Unit No. 111	Unit N, Section 19, T-31N, R-16W
30-045-10515	Horseshoe Gallup Unit No. 112	Unit O, Section 19, T-31N, R-16W
30-045-10511	Horseshoe Gallup Unit No. 114	Unit M, Section 20, T-31N, R-16W
30-045-10461	Horseshoe Gallup Unit No. 117	Unit C, Section 25, T-31N, R-17W
30-045-10422	Horseshoe Gallup Unit No. 118	Unit B, Section 25, T-31N, R-17W
30-045-10420	Horseshoe Gallup Unit No. 119	Unit A, Section 25, T-31N, R-17W
30-045-10402	Horseshoe Gallup Unit No. 121	Unit H, Section 25, T-31N, R-17W
30-045-10291	Horseshoe Gallup Unit No. 124	Unit P, Section 25, T-31N, R-17W
30-045-10012	Horseshoe Gallup Unit No. 127	Unit C, Section 5, T-30N, R-16W
30-045-10035	Horseshoe Gallup Unit No. 128	Unit B, Section 5, T-30N, R-16W
30-045-10034	Horseshoe Gallup Unit No. 129	Unit A, Section 5, T-30N, R-16W
30-045-09978	Horseshoe Gallup Unit No. 133	Unit G, Section 5, T-30N, R-16W
30-045-09890	Horseshoe Gallup Unit No. 138	Unit I, Section 5, T-30N, R-16W
30-045-10025	Horseshoe Gallup Unit No. 220	Unit 3, Section 4, T-30N, R-16W
30-045-10038	Horseshoe Gallup Unit No. 221	Unit 2, Section 4, T-30N, R-16W

30-045-10015	Horseshoe Gallup Unit No. 222	Unit 1, Section 4, T-30N, R-16W
30-045-09999	Horseshoe Gallup Unit No. 224	Unit 3, Section 3, T-30N, R-16W
30-045-10020	Horseshoe Gallup Unit No. 228	Unit 3, Section 2, T-30N, R-16W
30-045-10017	Horseshoe Gallup Unit No. 230	Unit 1, Section 2, T-30N, R-16W
30-045-09944	Horseshoe Gallup Unit No. 233	Unit G, Section 4, T-30N, R-16W
30-045-09930	Horseshoe Gallup Unit No. 234	Unit H, Section 4, T-30N, R-16W
30-045-09927	Horseshoe Gallup Unit No. 235	Unit 5, Section 3, T-30N, R-16W
30-045-09922	Horseshoe Gallup Unit No. 236	Unit 6, Section 3, T-30N, R-16W
30-045-09926	Horseshoe Gallup Unit No. 237	Unit 7, Section 3, T-30N, R-16W
30-045-09937	Horseshoe Gallup Unit No. 239	Unit E, Section 2, T-30N, R-16W
30-045-09901	Horseshoe Gallup Unit No. 242	Unit 6, Section 4, T-30N, R-16W
30-045-09896	Horseshoe Gallup Unit No. 243	Unit K, Section 4, T-30N, R-16W
30-045-09884	Horseshoe Gallup Unit No. 244	Unit J, Section 4, T-30N, R-16W
30-045-09892	Horseshoe Gallup Unit No. 245	Unit I, Section 4, T-30N, R-16W
30-045-09886	Horseshoe Gallup Unit No. 246	Unit 1, Section 3, T-30N, R-16W
30-045-09878	Horseshoe Gallup Unit No. 247	Unit 1, Section 3, T-30N, R-16W
30-045-09885	Horseshoe Gallup Unit No. 249	Unit 9, Section 3, T-30N, R-16W
30-045-09837	Horseshoe Gallup Unit No. 255	Unit P, Section 4, T-30N, R-16W
30-045-09836	Horseshoe Gallup Unit No. 256	Unit 1, Section 3, T-30N, R-16W
30-045-09816	Horseshoe Gallup Unit No. 257	Unit 1, Section 3, T-30N, R-16W
30-045-09780	Horseshoe Gallup Unit No. 265	Unit 1, Section 10, T-30N, R-16W
30-045-09782	Horseshoe Gallup Unit No. 266	Unit C, Section 10, T-30N, R-16W
30-045-09741	Horseshoe Gallup Unit No. 271	Unit F, Section 10, T-30N, R-16W
30-045-21501	Horseshoe Gallup Unit No. 285	Unit G, Section 32, T-31N , R-16W
30-045-21502	Horseshoe Gallup Unit No. 286	Unit J, Section 30, T-31N , R-16W

30-045-21923	Horseshoe Gallup Unit No. 287	Unit E, Section 24, T-31N, R-17W
30-045-21924	Horseshoe Gallup Unit No. 288	Unit A, Section 25, T-31N, R-17W
30-045-21926	Horseshoe Gallup Unit No. 290	Unit <i>M</i> , Section 33, T-31N, R-16W
30-045-22102	Horseshoe Gallup Unit No. 291	Unit A, Section 23, T-31N, R-17W
30-045-22103	Horseshoe Gallup Unit No. 292	Unit J, Section 24, T-31N, R-17W
30-045-22098	Horseshoe Gallup Unit No. 293	Unit C, Section 30, T-31N, R-16W
30-045-22100	Horseshoe Gallup Unit No. 295	Unit A, Section 31, T-31N, R-16W
30-045-22101	Horseshoe Gallup Unit No. 296	Unit I, Section 32, T-31N, R-16W
30-045-22097	Horseshoe Gallup Unit No. 297	Unit I, Section 4, T-30N, R-16W
30-045-25728	Horseshoe Gallup Unit No. 298	Unit <i>M</i> , Section 33, T-31N, R-16W
30-045-25726	Horseshoe Gallup Unit No. 299	Unit P, Section 30, T-31N, R-16W
30-045-25724	Horseshoe Gallup Unit No. 300	Unit G, Section 4, T-30N, R-16W
30-045-25727	Horseshoe Gallup Unit No. 301	Unit C, Section 30, T-31N, R-16W
30-045-28635	Horseshoe Gallup Unit No. 303	Unit H, Section 23, T-31N, R-17W
30-045-31522	Horseshoe Gallup Unit WS-1	Unit J, Section 19, T-31N, R-16W
30-045-10274	Horseshoe Gallup Unit WS-2	Unit P, Section 30, T-31N, R-16W