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FAX  
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November 2, 1995

RECEIVED

NOV 03 1995

OIL CON. DIV.  
DIST. 2

Mr. Tim Gum  
New Mexico Oil Conservation Division  
811 South First Street  
Artesia, New Mexico 88210-2834

Re: Change of Operator  
Grace Federal No. 1 Well  
Township 2 South, Range 21 East, N.M.P.M.  
Section 30: SE/4 SW/4  
De Baca County, New Mexico

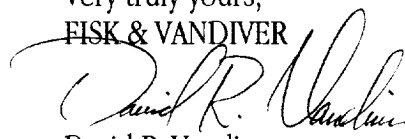
Dear Mr. Gum:

Rault Petroleum Corporation ("Rault") was the original operator of the Grace Federal No. 1 Well located on the captioned lands. Rault went through bankruptcy in 1985 and is now defunct. The well was located on United States Oil and Gas Lease NM 36379, which terminated effective June 30, 1991. Yates Petroleum Corporation ("Yates") held 75.5% record title interest in Federal Lease NM 36379.

By Order dated May 15, 1995, a copy of which is enclosed, the Roswell Resource Area of the Bureau of Land Management ordered Yates to submit for approval a Sundry Notice of Intent to Plug and Abandon the well. Yates sought an administrative review of the Order before the State Director of the Bureau of Land Management. By Decision dated August 29, 1995, a copy of which is enclosed for your information, the Deputy State Director of the Bureau of Land Management upheld the Order dated May 15, 1995 and ordered Yates to submit a Sundry Notice of Intent to Plug and Abandon the Grace Well. Yates complied with the decision by submitting a Sundry Notice on September 27, 1995 giving notice of its intent to plug and abandon the well.

As required by Rule 1104, I am enclosing five copies of Oil Conservation Division Form C-104 reflecting that Yates is succeeding Rault Petroleum as operator of the Grace Federal No. 1 Well. It is not possible to obtain Rault's signature on the change of operator because the corporation is no longer in existence. Please approve the change of operator so that Yates will be in a position to plug and abandon the Grace Well.

If you should have any questions about this matter, please contact me. Thank you for your attention to this request.

Very truly yours,  
FISK & VANDIVER  
  
David R. Vandiver

DRV/jnc

enclosure

cc: Mr. Randy Patterson



# United States Department of the Interior

## BUREAU OF LAND MANAGEMENT

New Mexico State Office

1474 Rodeo Road

P.O. Box 27115

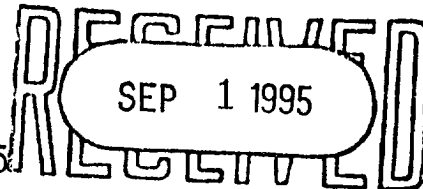
Santa Fe, New Mexico 87502-0115

IN REPLY REFER TO:

NMNM36379

SDR 95-008

3165.3 (93200)



AUG 29 1995

CERTIFIED MAIL--RETURN RECEIPT REQUESTED

### DECISION

Yates Petroleum Corp.  
105 South Forth St.  
Artesia, NM 88210

Order to Submit Sundry  
Notice of Intent to  
Plug and Abandon and  
Assign Operator

Order Upheld

By letter dated June 13, 1995, Yates Petroleum Corporation (Yates) requested a State Director Review (SDR) of an Order issued by the Area Manager, Roswell Resource Area, dated May 15, 1995. Yates was ordered to submit a Sundry Notice of Intent to Plug and Abandon the No. 1 Grace Federal located in the SE1/4 SW1/4 of Section 30, T. 2 S., R. 21 E., DeBaca County, New Mexico, on Federal Oil and Gas Lease NMNM36379, and to assign a new operator for the No. 1 Tommy Federal and the No. 2 Eddleman Federal wells, located in the SE1/4 SE1/4 of Section 24, T. 9 S., R. 22 E., Federal Oil and Gas Lease No. NMNM20328, and the SW1/4 NE1/4 of Section 9, T. 7 S., R. 22 E., Federal Oil and Gas Lease NMNM36707, respectively.

Rault Petroleum Corporation (Rault Petroleum) drilled the No. 1 Grace Federal in 1982 under the terms of a farmout agreement between MTS Limited Partnership (MTS) and Corona Oil Company (Corona), then the record title holders of NMNM36379. By properly executed and filed Designation(s) of Operator from MTS and Corona, Rault drilled the No. 1 Grace under the lessee's bond, the policy then in place. There is no record of Rault Petroleum having a performance bond of it's own. According to a Sundry Notice subsequent report of drilling and cementing operations submitted by Rault Petroleum, dated July 10, 1982, casing was set and cemented on June 30, 1982 but the well was never perforated. This is the the last reported activity for this well. A well completion report, Form 3160-4, was never received by the RRA.

Federal oil and gas lease NMNM36379 was issued effective July 1, 1981 for a primary term of ten years. Paying production was never established and Federal oil and gas lease NMNM36379 terminated effective June 30, 1991, at the expiration of it's primary term.

The last approved assignments of record title prior to lease expiration were to ABO Petroleum Corporation, Myco Industries, Inc., Yates Petroleum Corporation, Yates Drilling Company, and Bechtel Energy Partners. According to information received in 1992, Rault Petroleum was placed in Chapter 7 Bankruptcy by the U. S. Bankruptcy Court for New Mexico on May 6, 1985. The RRA had no formal notification of the Rault Petroleum bankruptcy prior to 1992.

Under the same farmout agreement Rault Petroleum drilled several wells including the two other wells referenced above. The No. 1 Tommy Federal was drilled and completed in the Abo formation in March of 1982 on Federal Oil and Gas Lease No. NMNM20328. The No. 2 Eddleman Federal was drilled and completed to the Abo formation in April of 1982 on Federal Oil and Gas Lease NMNM36707. Both of these wells are considered to be capable of producing in paying quantities and the leases are held by production (actual). The holders of record title for both leases are ABO Petroleum Corporation, Myco Industries Incorporated, Yates Petroleum Corporation, Yates Drilling Company, Bechtel Energy Partners, and Texaco Exploration and Production Company.

Since the bankruptcy of Rault Petroleum, Rault Resources, Inc. (same principal, separate corporate entity) has been operating the No. 1 Tommy Federal and The No. 2 Eddleman Federal wells. Rault Resources, Inc., is not recognized by Yates or the RRA as the operator of these wells. By certified letter dated September 15, 1992, the RRA ordered Rault Resources, Inc. to cease all production and operations.

The obligations of lease record title owner(s) include proper abandonment of wells, removal of equipment, and reclamation of the surface. Because Rault Petroleum no longer exists the responsibility for proper abandonment and surface reclamation rests with the holders of record title. The lessee is also responsible for reasonable diligence in producing the well(s).

#### Decision:

The order of the RRA requiring you to submit a Sundry Notice of Intent to plug and abandon and reclaim the surface for the No. 1 Grace Federal well is upheld. Your plans should be submitted within 30 days of receipt of this decision. The order of the RRA requiring you submit for approval a request to assign a new operator(s) for the No. 1 Tommy Federal and the No. 2 Eddleman Federal wells is also upheld. Your request should be submitted within 60 days of receipt of this decision.

This decision also serves as notification to the remaining holders of record title of the order to submit plans to plug and abandon the No. 1 Grace Federal, within 30 days from receipt of this decision, and of the order to submit for approval a request to assign a new operator(s) for the No. Tommy Federal and the No. 2 Eddleman Federal, within 60 days from receipt of this decision.

Any party adversely affected by a Decision may appeal to the Interior Board of Land Appeals, Office of the Secretary, in accordance with the regulations in Title 43 CFR, Parts 4.400 through .402, .410 through .414, and Form 1842-1 (copies enclosed). If an appeal is taken, the Notice of Appeal must be timely filed in this office so that the file can be transmitted to the Interior Board of Land Appeals. A copy of the Notice of Appeal and of any statement of reasons, written arguments, or briefs, must be served: (1) on the Office of the Solicitor as shown on form 1842-1; and (2) on the Roswell Resource Area Office.



Richard L. Whitley  
Deputy State Director  
Division of Resource Planning,  
Use, and Protection

Enclosures

cc:  
w/enclosures Certified Mail--Return Receipt Requested

ABO Petroleum Corporation  
105 S. 4th St.  
Artesia, NM 88210

MYCO Industries, Inc.  
105 S. 4th St.  
Artesia, NM 88210

Yates Drilling Company  
105 S. 4th St.  
Artesia, NM 88210

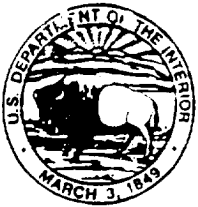
Bechtel Energy Partners  
5400 Westheimer Court  
Houston, TX 77056

Texaco Exploration and Production Company  
P. O. Box 2100  
Denver, CO 80201

cc: w/o enclosures

Field Solicitor  
WO (310), LS, Rm. 510  
CA (920)  
CO (934)  
MT (920)  
NV (01780)  
UT (920)  
WY (920)

NM (07000)  
NM (06000)  
NM (06680)  
NM (06780)  
NM (06784)  
NM (04000)  
NM (04700)  
NM (93200, S. Salzman)



# United States Department of the Interior

## BUREAU OF LAND MANAGEMENT

Roswell Resource Area

P.O. Box 1857

Roswell, New Mexico 88202

IN REPLY REFER TO:  
3100 (06680)

CERTIFIED MAIL: RETURN RECEIPT REQUESTED  
P 392 111 512

Mesa Operating Limited Partnership  
P. O. Box 2009  
Amarillo, TX 79189-2009

RECEIVED

MAY 16 1995

MAY 15 1995

Gentlemen:

Re: No. 1 - Evanola Federal  
Lease No.: NM-36325  
NW1/4SE1/4 - 21 - T. 2 N. - R. 23 E., NMPM,  
De Baca County, NM

-PT.

Since your last conversation with us on March 4, 1993 (phone conversation between Mr. Goggins and Peter Chester of this office) we have attempted to resolve the problem with Rault Petroleum Corporation, but could not get them to plug and abandon the above referenced well. As a lessee (77.50 %) of lease NM-36325, you along with the other lessees (Texaco Inc., 12.50 % and Bechtel energy Partners, 10.00 %) are responsible for the plugging and surface reclamation of this well.

Therefore within 60 days of your receipt of this letter, you must commence plugging operations on this well and continue in a diligent manner until the plugging and surface reclamation has been completed and approved. Your Sundry Notice of Intent, dated October 14, 1992 and approved October 15, 1992, is still considered valid and you should plug the well using those procedures.

In reference to your letters of November 3, 1992 and December 1, 1992, and the following questions you had pertaining to this case:

1. Status of the supposed nationwide bond held by Rault Petroleum Corporation.
2. The efforts of the Bureau of Land Management (BLM) to recover plugging and abandonment costs from Rault Petroleum Corporation, Rault Resources Incorporated or from the alleged bonds of either company.
3. The statement to Mr. Dorcy T. Roach, of Mesa Operating Limited Partnership (Mesa), by Mr. Joe Rault stating he was never contacted by the BLM regarding the plugging and abandonment of the referenced well, nor to his knowledge, had the BLM presented the issue to the bankruptcy court.

As for item number 1., a search of our records shows that Rault Petroleum Corporation never had a BLM approved bond. They were a Designated Operator on this lease as would have been the policy in effect for Federal oil and gas leases at the time that they operated this well. The requirement then was that the lessee was the bonded party. If a party other than the lessee of a Federal lease operates a well on that lease, they were required to obtain a Designation of Operator Form 96-11237, signed by the lessee, allowing them to operate as the lessees agent under the lessees bond. The Designation of Operator form states, in part, "In case of default on the part of the designated operator, the lessee will make full and prompt compliance with all regulations, lease terms, or orders of the Secretary of the Interior or his representative". In other words the final responsibility for lease operations and compliance rested with the lessee.

TAKE PRIDE IN AMERICA  
RECEIVED  
D. House  
B. Ellig  
MAY 16 1995  
LAND ADMIN.

You have the right of administrative review of these requirements pursuant to Title 43 CFR 3165.3. Such a request shall be filed within 20 working days of your receipt of this letter with the State Director, Bureau of Land Management, P.O. Box 27115, Santa Fe, New Mexico 87502-7115, and shall include all supporting documents.

Sincerely,



for T. R. Kreaquer  
Area Manager