

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

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

CASE NO. 13,354

APPLICATION OF THE NEW MEXICO OIL)
CONSERVATION DIVISION FOR A COMPLIANCE)
ORDER, LEA COUNTY, NEW MEXICO)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: WILLIAM V. JONES, JR., Hearing Examiner

November 4th, 2004

Santa Fe, New Mexico

2004 NOV 18 AM 10 49

pm 4/8/11

This matter came on for hearing before the New Mexico Oil Conservation Division, WILLIAM V. JONES, JR., Hearing Examiner, on Thursday, November 4th, 2004, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

I N D E X

November 4th, 2004
 Examiner Hearing
 CASE NO. 13,354

PAGE

APPLICANT'S WITNESS:

CHRIS J. WILLIAMS (District Supervisor, Hobbs
 District Office, District 1, NMOCD) (Present
 by telephone)

Direct Examination by Ms. MacQuesten	6
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REPORTER'S CERTIFICATE	11
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E X H I B I T S

Applicant's	Identified	Admitted
Exhibit 1	5	10
Exhibit 2	5	10
Exhibit 3	5	10
Exhibit 4	7	10
Exhibit 5	7	10
Exhibit 6	8	10
Exhibit 7	9	10

* * *

A P P E A R A N C E S

FOR THE DIVISION:

GAIL MacQUESTEN
 Deputy General Counsel
 Energy, Minerals and Natural Resources Department
 1220 South St. Francis Drive
 Santa Fe, New Mexico 87505

* * *

STEVEN T. BRENNER, CCR
 (505) 989-9317

1 WHEREUPON, the following proceedings were had at
2 10:42 a.m.:

3 EXAMINER JONES: Okay, let's go back on the
4 record and call Case 13,354, Application of the New Mexico
5 Oil Conservation Division for a compliance order, Lea
6 County, New Mexico.

7 Call for appearances.

8 MS. MacQUESTEN: Gail MacQuesten, Energy,
9 Minerals and Natural Resources Department, appearing for
10 the Oil Conservation Division. I have one witness, Chris
11 Williams, who will be appearing by telephone.

12 EXAMINER JONES: Any other witnesses?

13 MS. MacQUESTEN: No.

14 EXAMINER JONES: Or appearances? If not, will
15 the witness please stand to be sworn?

16 (Thereupon, the witness was sworn.)

17 MS. MacQUESTEN: If I may briefly explain what
18 we're asking for in this case, this is a plugging case for
19 a single well. The well is in violation of Rule 201
20 because it has been inactive for at least ten years, it is
21 not plugged and abandoned, and it was not placed on
22 temporary abandonment status pursuant to Rule 203.

23 We anticipate that the State will have to plug
24 this well because we have been unable to contact the
25 operator.

1 We are asking for an order pursuant to the Oil
2 and Gas Act, Section 70-2-14.B, and OCD Rule 101.M,
3 requiring the operator to bring the well into compliance
4 with 201 within 30 days by plugging, placing the well on
5 temporary abandonment status or returning it to beneficial
6 use.

7 We also ask that the order authorize the Division
8 to plug the well if the operator fails to comply, and
9 authorizing the Division to forfeit the applicable
10 financial assurances.

11 There's one complication in this case. The
12 operator of record is Tahoe Energy, Inc. We have an
13 approved C-104 making Tahoe Energy, Inc., the operator, but
14 when it posted the bond it made a mistake. The
15 owner/president of Tahoe put his own name on the bond as a
16 principal, as an individual. It's styled Kenneth A.
17 Freeman, doing business as Tahoe Energy, Inc. In other
18 words, he treated it as a sole proprietorship when, in
19 fact, it was a corporation.

20 We probably should have rejected the bond and
21 told him to fill it out correctly, but instead the OCD
22 accepted the bond and treated it as a bond for Tahoe
23 Energy. Because Mr. Freeman's name is on the bond, as well
24 as Tahoe Energy, Inc., and we are asking for authority to
25 forfeit that bond, I treated him as a party to this action.

1 We put him in the caption and sent notice to the best
2 available address we had for him.

3 There should be an evidence packet in front of
4 you. Exhibit 1 is our affidavit of notice, showing notice
5 to the available addresses we have for Tahoe Energy, for
6 Mr. Freeman and for the surety. We received a return
7 receipt from the surety, but our letters to Tahoe Energy
8 and Mr. Freeman were returned.

9 We asked for a continuance in this case --
10 originally it was scheduled on an earlier docket -- to
11 determine if we had the correct address for Mr. Freeman.
12 We were able to ascertain that it was the best available
13 address, and we made efforts to contact him by telephone,
14 but we were not able to get a response from him.

15 Because we couldn't reach Tahoe Energy or Mr.
16 Freeman, we also provided you with proof of publication in
17 the county paper, the *Lovington Daily Leader*. That's also
18 part of Exhibit 1.

19 Exhibit 2 is an affidavit from Jane Prouty
20 showing that we have no reported production from this well
21 for over 20 years.

22 And Exhibit 3 is an affidavit from Dorothy
23 Phillips showing the financial assurance information.

24 And with that, I would like to call Chris
25 Williams as my witness.

1 CHRIS J. WILLIAMS (Present by telephone),
2 the witness herein, after having been first duly sworn upon
3 his oath, was examined and testified as follows:

4 DIRECT EXAMINATION

5 BY MR. MacQUESTEN:

6 Q. Would you please state your name for the record?

7 A. Chris Williams.

8 Q. And where are you employed?

9 A. At the Oil Conservation Division in Hobbs.

10 Q. What is your title?

11 A. District Supervisor.

12 Q. Do your duties as District Supervisor include the
13 enforcement of Rule 201?

14 A. Correct.

15 Q. Are you familiar with the well Bromley Number 1,
16 API 30-025-4481?

17 A. 4461?

18 Q. 4461, is that the --

19 A. The Bromley Number 1, according to RBDMS, is
20 4461.

21 Q. Okay.

22 EXAMINER JONES: Yeah.

23 Q. (By Ms. MacQuesten) Sorry.

24 A. No, that's okay.

25 Q. And is that well located in your district?

1 A. Yes, it is.

2 Q. Have you examined the well file for that well?

3 A. Yes, I have.

4 Q. And do you have the packet of exhibits that I
5 sent to you?

6 A. Yes, I do.

7 Q. Would you please take a look at OCD Exhibit
8 Number 4?

9 A. Okay.

10 Q. And what is that document?

11 A. It's a RBDMS printout of different wells under a
12 specific operator.

13 Q. Okay, and which operator is this for?

14 A. Tahoe Energy.

15 Q. Tahoe Energy?

16 A. Yes.

17 Q. And does that include that Brownlee Number 1
18 well?

19 A. Yes, it does.

20 Q. Are the other wells that are operated by Tahoe
21 Energy plugged and abandoned?

22 A. Yes, they are.

23 Q. All right. Would you please take a look at
24 what's been marked as Exhibit Number 5?

25 A. Okay.

1 Q. Is this the most recent document in the well file
2 for the Brownlee Number 1?

3 A. Yes.

4 Q. And who is shown as the operator?

5 A. Tahoe Energy, Incorporated.

6 Q. All right. Does this document show a change in
7 operator?

8 A. Right, from Tahoe Oil and Cattle Company to Tahoe
9 Energy, Incorporated.

10 Q. All right. Who signed this change-of-operator
11 form?

12 A. K.A. Freeman.

13 Q. And in what capacity?

14 A. President.

15 Q. And what was the date on that?

16 A. December 1st, 1987.

17 Q. All right, that's --

18 A. -- the date it was signed by him.

19 Q. All right, thank you. If you could take a look
20 at what's been marked as Exhibit Number 6, is this the
21 second most recent document in the well file for the
22 Brownlee Number 1?

23 A. Yes, it is.

24 Q. And what is the date on this document?

25 A. April 27th, 1981.

1 Q. All right. And this was when Tahoe Oil and
2 Cattle Company was the operator?

3 A. Right.

4 Q. And who signed this document?

5 A. It was signed by K.A. Freeman, owner.

6 Q. Okay. So Mr. Freeman signed as owner of Tahoe
7 Oil and Cattle Company and then later signed as president
8 of Tahoe Energy, Inc.?

9 A. Right, correct.

10 Q. In your review of the well file, was there any
11 indication that this well has been placed on temporary
12 abandonment status?

13 A. No.

14 Q. Would you please look at Exhibit Number 7?

15 A. Okay, the -- Yeah, Exhibit Number 7 is a plugging
16 procedure.

17 Q. For this well?

18 A. Yes.

19 Q. Have you reviewed this plugging procedure, and do
20 you approve it?

21 A. Yes.

22 MS. MacQUESTEN: I have no more questions of this
23 witness.

24 EXAMINER JONES: Okay, we've got Exhibits 1
25 through 6, we'll -- 1 through 7.

1 MS. MacQUESTEN: Yes, I would move to admit 1
2 through 7.

3 EXAMINER JONES: We'll admit into evidence
4 Exhibits 1 through 7.

5 EXAMINATION

6 BY EXAMINER JONES:

7 Q. Chris, do you know why they couldn't do their
8 force pooling they wanted to do here?

9 A. No, I don't know.

10 Q. Okay, I guess -- and the well apparently was just
11 a little bit of gas, and it didn't produce?

12 A. Right.

13 EXAMINER JONES: Never produced, it looks like.
14 And they can't be located, so...

15 Okay, that's -- you've got a plugging procedure
16 and -- That's all the questions, I don't have any more
17 questions.

18 MS. MacQUESTEN: Okay, thank you. That concludes
19 our case on Tahoe Energy, Inc., and Mr. Freeman.

20 EXAMINER JONES: Okay, with that, let's take Case
21 13,354 under advisement.

22 (Thereupon, these proceedings were concluded at
23 10:50 a.m.)

24 I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. _____
25 heard by me on _____

STEVEN T. BRENNER, CCR
(505) 989-9317

Oil Conservation Division, Examiner

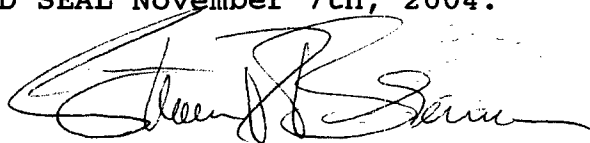
CERTIFICATE OF REPORTER

STATE OF NEW MEXICO)
) ss.
COUNTY OF SANTA FE)

I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL November 7th, 2004.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2006