

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

CASE NO. 13,337

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

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

September 2nd, 2004

Santa Fe, New Mexico

2004 SEP 16 PM 12 58

This matter came on for hearing before the New Mexico Oil Conservation Division, WILLIAM V. JONES, JR., Hearing Examiner, on Thursday, September 2nd, 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.

* * *

Handwritten: 9/21/04

I N D E X

September 2nd, 2004
 Examiner Hearing
 CASE NO. 13,337

	PAGE
EXHIBITS	3
APPEARANCES	3
APPLICANT'S WITNESSES:	
<u>DOROTHY L. PHILLIPS</u> (Plugging Bond Administrator, NMOCD, Santa Fe)	
Direct Examination by Ms. MacQuesten	7
Examination by Examiner Jones	18
<u>CHRIS J. WILLIAMS</u> (District Supervisor, Hobbs District Office, District 1, NMOCD) (Present by telephone)	
Direct Examination by Ms. MacQuesten	20
REPORTER'S CERTIFICATE	32

* * *

E X H I B I T S

Applicant's	Identified	Admitted
Exhibit 1	6	31
Exhibit 2	6	31
Exhibit 3	8	31
Exhibit 4	9	31
Exhibit 5	9	31
Exhibit 6	10	31
Exhibit 7	12	31
Exhibit 8	15	31
Exhibit 9	17	31
Exhibit 10	21	31
Exhibit 11	25	31
Exhibit 12	25	31
Exhibit 13	29	31
Exhibit 14	29	31
Exhibit 15	30	31
Exhibit 16	30	31

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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

* * *

1 WHEREUPON, the following proceedings were had at
2 1:55 p.m.:

3 EXAMINER JONES: And next case, Case 13,337, New
4 Mexico Oil Conservation Division for a compliance order,
5 Lea County, New Mexico.

6 Call for appearances?

7 MS. MacQUESTEN: Gail MacQuesten, attorney for
8 the Oil Conservation Division. I have two witnesses.
9 Dorothy Phillips is appearing in person and Chris Williams
10 will be appearing by telephone.

11 EXAMINER JONES: Any other appearances?

12 There being none, the witnesses have already been
13 sworn; put that on the record.

14 Okay.

15 MS. MacQUESTEN: If I may briefly explain, as in
16 the last case we are asking for an order pursuant to the
17 Oil and Gas Act, Section 70-2-14.B, and OCD Rule 101.M,
18 requiring the operator to bring two wells into compliance
19 with Rule 201 within 30 days by plugging the wells, placing
20 the wells on temporary abandonment status or returning the
21 wells to beneficial use.

22 If the operator fails to comply with this
23 deadline, we also ask for authority for the Division to
24 plug the well and to forfeit the financial assurances, and
25 assessing a civil penalty against the operator for failing

1 to comply with the deadline.

2 There are several points I would ask you to watch
3 for in the evidence in this case. This is another problem
4 case. Notice that we're proceeding against two operators,
5 Carbon Energy and Carbon Energy, Inc. As the testimony
6 will show, OCD records show Carbon Energy, Inc., a
7 corporation, as the operator of both of these wells.

8 For the Aztec 28 well, the well file and the bond
9 also show Carbon Energy, Inc., as the operator. But for
10 the Shell State Number 1 well, both the well file and the
11 cash bond show Carbon Energy as the operator, and the bond
12 indicates that Carbon Energy is a partnership, not a
13 corporation. It appears that there may be two different
14 companies with similar names. As you'll hear in the
15 testimony, the OCD apparently thought there was only one
16 company, Carbon Energy, Inc., and put the Carbon Energy
17 well and the bond under Carbon Energy, Inc.'s OGRID number.

18 In bringing this case, we've named both companies
19 and sent notice to every address I could find in the
20 records so that they would have an opportunity to appear
21 and help us sort this out.

22 But they aren't here to help us, so I will ask
23 that you hold Carbon Energy, Inc., responsible for the
24 Aztec 28 well and allow us to forfeit the bond Carbon
25 Energy, Inc., posted for that well if it is not brought

1 into compliance.

2 And I ask you to hold Carbon Energy responsible
3 for the Shell State Number 1 well and allow us to forfeit
4 the cash bond posted by Carbon Energy for that well if they
5 fail to comply.

6 There's one more complication in this case. The
7 Carbon Energy bond for the Shell State Number 1 has the
8 name of the well wrong. It lists it as the Shell State
9 Number 5 instead of the Shell State Number 1. The legal
10 description on the bond matches the legal description for
11 the Shell State Number 1. OCD records show no Shell State
12 Number 5 located in that section, township and range, and
13 the OCD accepted the bond for the Shell State Number 1 and
14 allowed Carbon Energy to operate Shell State Number 1
15 because it had posted this bond.

16 There should be an evidence packet in front of
17 you. Exhibit Number 1 is an affidavit of notice showing
18 notice to every address we had for Carbon Energy; Carbon
19 Energy, Inc.; and the two applicable sureties. In this
20 case we did receive returns from both Carbon Energy, Inc.,
21 and Carbon Energy, and from each surety.

22 Exhibit Number 2 is an affidavit of Jane Prouty
23 showing no record of production or use for injection for
24 either of the two wells.

25 I would call Dorothy Phillips as my first

1 witness.

2 DOROTHY L. PHILLIPS,

3 the witness herein, having been previously duly sworn upon
4 her oath, was examined and testified as follows:

5 DIRECT EXAMINATION

6 BY MS. MacQUESTEN:

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

8 A. Dorothy Phillips.

9 Q. And what is your title?

10 A. Plugging bond administrator.

11 Q. Where do you work?

12 A. Santa Fe, New Mexico Oil Conservation.

13 Q. How long have you been the bond administrator for
14 the OCD?

15 A. About four years.

16 Q. Do your duties include maintaining records of
17 financial assurance documents filed by operators pursuant
18 to Section 70-2-14?

19 A. That's correct.

20 Q. In the course of your duties, do you also
21 research OCD's computerized records on well operators and
22 wells?

23 A. That's correct.

24 Q. All right. I'd like you to take a look at
25 Exhibit Number 3 in your packet.

1 EXAMINER JONES: Do you want to tender her as an
2 expert witness, or you don't need to?

3 MS. MacQUESTEN: I'd be happy to tender her as an
4 expert in our computer records, regarding well operators.
5 She's really more testifying towards fact, rather than
6 giving opinion not so much that it's necessary.

7 EXAMINER JONES: Okay, thank you.

8 Q. (By Ms. MacQuesten) Can you tell us what Exhibit
9 Number 3 is?

10 A. Yes, that is the listing of wells for Carbon
11 Energy, Inc. This is on our OCD website, online e-
12 permitting. That shows us what wells are active under that
13 OGRID or under that operator.

14 Q. So when you put in Carbon Energy, Inc., with that
15 OGRID number, these are the wells that showed up as active
16 wells for that company?

17 A. That's correct.

18 Q. And in this case, for Carbon Energy, Inc., it
19 shows both the Aztec 28 State Number 3 and the Shell State
20 Number 1?

21 A. That's correct.

22 Q. Have you reviewed OCD's financial assurance
23 records to determine if the two wells at issue in this case
24 are covered by financial assurances?

25 A. Yes, I have two bonds on file.

1 Q. Do you look in the ONGARD system first to
2 determine whether you have financial assurances for a
3 particular operator and well?

4 A. You mean after I have the bond, to make sure that
5 they have a bond?

6 Q. No, if I ask you, does the Aztec well have a bond
7 in place?

8 A. No, I would go to see if there's a bond file.

9 Q. Okay. Could you turn to Exhibit Number 4? What
10 is this?

11 A. Now, this is ONGARD, this is the tri-agency
12 database. Here is where I would put the OGRID number and
13 the API number of the well, and this is the information
14 that it would have on the operator, the name of the well,
15 the exact legal footage, and the name of the surety and the
16 bond number.

17 Q. Okay, and looking again at Exhibit Number 4, this
18 shows that Carbon Energy, Inc., has a bond in place for the
19 Aztec 28 State Number 3?

20 A. That's correct.

21 Q. All right. And if you could turn to OCD Exhibit
22 Number 5, is this a similar ONGARD printout for the Shell
23 State Number 1?

24 A. That's correct.

25 Q. And this also shows the operator as Carbon

1 Energy, Inc.?

2 A. That's correct.

3 Q. And a bond in place for that well?

4 A. That's correct.

5 Q. Let's start with the financial assurances for the
6 Aztec 28 State Number 3. If you could take a look at what
7 has been marked as OCD Exhibit Number 6, is this a copy of
8 the financial assurance the OCD holds for the Aztec 28
9 State Number 3?

10 A. That's correct.

11 Q. And the principal on this bond is Carbon Energy,
12 Inc.?

13 A. That's correct.

14 Q. That's the entity recognized as operator of
15 record?

16 A. Yes.

17 Q. And the amount is \$5000, single-well surety bond?

18 A. Yes.

19 Q. Number 4397590?

20 A. Correct.

21 Q. From the Hartford Accident and Indemnity Company?

22 A. Yes.

23 Q. How do you know that this bond applies to the
24 Aztec 28 State Number 3?

25 A. The exact legal location matches what's on

1 ONGARD.

2 Q. Okay, so you looked at a legal description rather
3 than -- because there's no name of the well on this
4 particular document?

5 A. That's correct.

6 Q. Do the OCD records show any amendments or riders
7 to this bond?

8 A. No.

9 Q. According to our records, does this bond remain
10 in effect?

11 A. Yes.

12 Q. Did you also research whether we had financial
13 assurances for the Shell State Number 1?

14 A. Yes.

15 Q. All right. And again you had shown us on Exhibit
16 Number 5 that ONGARD indicated that we did have financial
17 assurance for this well?

18 A. Yes.

19 Q. And that showed the operator as Carbon Energy,
20 Inc.?

21 A. Yes -- on ONGARD?

22 Q. On ONGARD?

23 A. Yes.

24 Q. All right. When you pulled the well file -- or
25 the bond file in this case, though -- let me have you turn

1 to OCD Exhibit Number 7. This is a copy of the single well
2 cash bond?

3 A. That's correct.

4 Q. It didn't quite match up to what ONGARD showed,
5 did it?

6 A. No.

7 Q. Does the name of the principal match?

8 A. No.

9 Q. This one says what?

10 A. Carbon Energy.

11 Q. Instead of Carbon Energy, Inc.?

12 A. That's correct.

13 Q. And let's see. Also if you just take a look at
14 Number 5 and compare the two, the amount didn't match
15 either, did it?

16 A. No, the bond on file says \$10,000.

17 Q. And ONGARD showed how much?

18 A. \$5000.

19 Q. All right. And the well name wasn't quite
20 correct, was it?

21 A. No, the bond reads Shell State Number 5, and
22 ONGARD reads Shell State Number 1.

23 Q. All right. And the surety didn't quite match
24 either, did it?

25 A. Well, on a single-well cash bond, there's no

1 surety. It would be a bank.

2 Q. Well, who held the collateral for the cash bond?

3 A. First Interstate Bank of Lea County.

4 Q. All right. And then the ONGARD, what First
5 Interstate Bank did they list?

6 A. It shows Los Angeles, California.

7 Q. Is the bond number at least the same?

8 A. Yes.

9 Q. When was this bond issued?

10 A. In 1989.

11 Q. Were you the bond administrator at that time?

12 A. No, ma'am.

13 Q. So the OCD accepted this bond and treated it as
14 the bond for Carbon Energy, Inc., for Shell State Number 1
15 when your predecessor was bond administrator; is that
16 right?

17 A. That's correct.

18 Q. Could you walk us through the steps that you
19 would have taken if you had received this bond and you were
20 processing it, this single-well cash bond?

21 A. When you get a cash bond, I make sure that
22 they're using the correct form, and the assignment of cash
23 collateral is attached and that the signatures are
24 notarized and signed. Then I would check to see and make
25 sure that they are licensed to transact business in New

1 Mexico, either with the Public Regulation Commission, if
2 they're a corporation or a limited liability company; if
3 they're a partnership, I check with the Secretary of
4 State's Office.

5 And once I confirm that, then I would -- I would
6 then go to the ONGARD to see if an OGRID is issued for that
7 company. An ID number for that company is called an OGRID.
8 Each company has their own OGRID number, and that's how
9 they're recognized.

10 Q. And you want to make sure that the OGRID number
11 matches the company we have of record for that OGRID
12 number?

13 A. Right, and they have to be exact.

14 Q. All right.

15 A. And if not, because this is a cash bond, you
16 don't file an amendment, you'd file a -- I mean a rider.
17 You'd have to send the bond back to either get it with the
18 corrected name on it, you know, to match whatever they're
19 licensed to do business under.

20 Q. Okay.

21 A. And then I would -- after everything is
22 confirmed, then I would contact the District Office where
23 the well is located, and I would ask them to issue an API
24 number for that well. I give them the complete legal
25 description of what is on the bond form, along with the

1 OGRID, and then they e-mail me back with the API number.

2 Q. Okay.

3 A. And that is entered into ONGARD for that well,
4 the bond.

5 Q. When you go into ONGARD, you have to match up the
6 operator name?

7 A. That's correct.

8 Q. In this case did I ask you to go into ONGARD and
9 check the operator name --

10 A. Yes.

11 Q. -- Carbon Energy?

12 A. Yes.

13 Q. If you could take a look at what's been marked as
14 Exhibit Number 8, is this the printout of what you found
15 when you looked up anything containing the words Carbon
16 Energy on ONGARD?

17 A. Yes.

18 Q. Now there are several listings for companies that
19 have Carbon Energy in the name; is that right?

20 A. That's correct.

21 Q. But there's no listing that just says Carbon
22 Energy as an operator?

23 A. That's correct.

24 Q. So you don't have an OGRID number for a company
25 named Carbon Energy?

1 A. No, ma'am.

2 Q. If they had a number, it would show up on this
3 form?

4 A. Yes.

5 Q. What would you do if you got a bond that listed
6 the principal as Carbon Energy, and when you went onto
7 ONGARD you couldn't find a name that matched the name on
8 the bond?

9 A. First of all, I'd contact -- try and contact the
10 new operator. And if not, then I would issue a new OGRID.
11 I would not use the same OGRID.

12 Q. Okay. That didn't happen in this case, though,
13 did it?

14 A. That's correct.

15 Q. Your predecessor used the OGRID name -- number --
16 for Carbon Energy, Inc., when she received the bond for
17 Carbon Energy?

18 A. That's correct.

19 Q. Now, you testified before that as you go through
20 this process, at some point you contact the District Office
21 and ask for an API number for the well?

22 A. That's correct.

23 Q. In the case of the Carbon Energy bond, which is
24 -- your number identifies the well as the Shell State
25 Number 5, what API number did the District give your

1 predecessor for this bond?

2 A. It was 30-025-26637.

3 Q. Is that the API for the Shell State Number 1?

4 A. Yes, ma'am.

5 Q. So your predecessor treated this bond as a bond
6 for the Shell State Number 1, even though it says Shell
7 State Number 5?

8 A. Yes.

9 Q. Have you compared the legal description that
10 appears on the bond with the legal description for the
11 Shell State Number 1?

12 A. Yes, ma'am.

13 Q. Are they the same?

14 A. Yes.

15 Q. Have you checked OCD records to see if there ever
16 was a Shell State Number 5 in the section, township and
17 range listed on the bond?

18 A. Yes, ma'am.

19 Q. Could you turn to OCD Exhibit Number 9? Is this
20 a printout of the results of your search for any wells
21 located in that section, township and range?

22 A. Yes.

23 Q. And is there a Shell State Number 5?

24 A. No.

25 Q. Is there a Shell State Number 1?

1 A. Yes, ma'am.

2 Q. Okay. If you had been processing this bond,
3 would you have insisted that the name of the principal and
4 the name of the operator match exactly?

5 A. Yes.

6 Q. And if they didn't, you would require a new OGRID
7 number?

8 A. Yes.

9 MS. MacQUESTEN: Those are all the questions I
10 have of Ms. Phillips.

11 EXAMINATION

12 BY EXAMINER JONES:

13 Q. Okay. Ms. Phillips, is this list on Exhibit
14 Number 9 -- is this just active wells, or is this all
15 existing wells that have API numbers within that section?

16 A. Yes, all the wells within that section, township
17 and range. That's in RBDMS, I believe.

18 Q. That were assigned API numbers?

19 A. Right.

20 Q. Could the Shell State Number 5 have been bonded
21 and not gone through with an API number?

22 A. I don't know. The system will not allow me to
23 approve a bond -- When I go into the ONGARD system to put
24 in a bond, I put in the API number and the OGRID.

25 Q. Okay.

1 A. If the API number does not match the OGRID, it
2 will not allow me to approve the bonding.

3 Q. Okay, but on that bond form it says if the well
4 was permitted below 5000 feet it required \$10,000 bond, and
5 this one was \$10,000, right?

6 A. (Nods)

7 Q. But the well itself, the Shell State Number 1,
8 is --

9 A. Number 5, you mean? Number 1?

10 Q. Yeah, the Number 1 is probably a shallower well.

11 A. Well, that's why it was probably 5000. If it's
12 below 5000 feet, it's 5000.

13 Q. So how much is the bond?

14 A. \$5000.

15 Q. The bond is \$5000?

16 A. The bond on file is for \$10,000.

17 EXAMINER JONES: \$10,000, okay.

18 Okay, I don't have any more questions.

19 MS. MacQUESTEN: Okay. Thank you, Ms. Phillips.

20 THE WITNESS: You're welcome.

21 MS. MacQUESTEN: I would call Chris Williams.

22 EXAMINER JONES: Chris?

23 MR. WILLIAMS: Yes.

24 EXAMINER JONES: Here we go.

25 MR. WILLIAMS: Okay. You all are going to have

1 to speak up, because I can't hear.

2 MS. MacQUESTEN: Chris, I'm going to move the
3 mike over towards me. Can you hear me better?

4 MR. WILLIAMS: Yes.

5 CHRIS J. WILLIAMS (Present by telephone),
6 the witness herein, having been previously duly sworn upon
7 his oath, was examined and testified as follows:

8 DIRECT EXAMINATION

9 BY MS. MacQUESTEN:

10 Q. All right. Would you state your name for the
11 record, please?

12 A. Chris Williams.

13 Q. And where are you employed?

14 A. New Mexico Oil Conservation Division, in the
15 Hobbs Office.

16 Q. What is your title?

17 A. District Supervisor.

18 Q. Do your duties include enforcing Rule 201 in your
19 District?

20 A. Yes, it does.

21 Q. Are you familiar with the two wells at issue in
22 this case?

23 A. Yes, I am.

24 Q. Are those wells located in your district?

25 A. Yes, they are.

1 Q. Have you examined the well files for those wells?

2 A. Yes.

3 Q. Do you have a copy of the exhibits that I mailed
4 to you?

5 A. Yes, I do.

6 Q. Could you turn to Exhibit Number 10, please?

7 A. Okay.

8 Q. Is this a complete copy of the well file for the
9 Aztec 28 State Number 3 well as it appears in OCD's
10 records?

11 A. Yes, it is.

12 Q. And we have marked in the upper right-hand corner
13 page numbers for this packet so that we can find things
14 more easily?

15 A. Yes.

16 Q. All right. Again, as in the last case, the
17 earlier documents are in the back, and the more recent
18 documents are in the front?

19 A. Yes.

20 Q. All right. By way of background, let's go to the
21 last page. That's number 28, and this would be the
22 earliest item in the well file.

23 A. It's a Notice of Intent to Drill or Recomplete,
24 dated March 1st, 1955, to drill the Aztec -- well, it says
25 State E 28 Number 3, which is the same as the Aztec well.

1 And it is approved by S.J. Stanley.

2 Q. Okay, and who was the operator back in 1955 when
3 the well was drilled?

4 A. Aztec Oil and Gas Company.

5 Q. All right, let's move forward in time to page 13.

6 A. Okay. All right.

7 Q. Now, this is a sundry notice filed by that
8 operator back in 1974; is that right?

9 A. That's correct.

10 Q. And it indicates the well was put on temporary
11 abandonment status at that time?

12 A. That's what it says, yes.

13 Q. Okay. It's hard to read, but does it show
14 approval by the OCD?

15 A. Yeah, it's signed by Joe D. Ramey. He was the
16 District Supervisor.

17 Q. Okay, and when was that approved, can you tell?

18 A. Not really, I'd be guessing.

19 Q. Okay, but the application was back in 1974?

20 A. I'm assuming it was approved sometime in
21 September of 1975.

22 Q. Okay, if that was true, would this well still be
23 properly TA'd?

24 A. No.

25 Q. Okay, that would have expired?

1 A. Correct.

2 Q. Okay, let's turn to page 12.

3 A. Okay.

4 Q. All right, and we have a new operator listed?

5 A. Correct, Southland Royalty Company.

6 Q. Okay, what is the date on this filing?

7 A. December 30th, 1977.

8 Q. Okay, and just -- let's go one more page forward
9 to page number 11. Now we're seeing Carbon Energy, Inc.;
10 is that right?

11 A. That's correct.

12 Q. Okay. And is there a change of operatorship
13 indicated?

14 A. Yes, there is.

15 Q. And what does it say?

16 A. A change of operator, Carbon Energy,
17 Incorporated, effective 1-1-1980.

18 Q. Okay, and does it say "Formerly Southland
19 Royalty"?

20 A. Yeah, "Formerly Southland Royalty".

21 Q. Okay. And if you could go to page 10, we still
22 see Carbon Energy, Inc., as the operator?

23 A. Yes, correct.

24 Q. And it appears they are intending to deepen the
25 well?

1 A. That's correct.

2 Q. If you could skip a few pages to Number 6 --

3 A. Okay.

4 Q. -- still Carbon Energy, Inc.?

5 A. Uh-huh.

6 Q. But they have filed an intent to plug and
7 abandon?

8 A. That is correct.

9 Q. And what date was this?

10 A. That was August 22nd, 1981 --

11 Q. Okay.

12 A. -- August 28th, excuse me.

13 Q. Okay, and if you could turn to the earlier page,
14 page 5 --

15 A. Okay.

16 Q. -- did that attempt to plug the well work out?

17 A. No, it didn't.

18 Q. Do you know why not?

19 A. It started flowing oil and gas, and so they
20 returned the well to pumping.

21 Q. Okay, that's what they indicate on this?

22 A. That's correct.

23 Q. Is there anything more recent in the file
24 indicating that they were successful in plugging the well?

25 A. No.

1 Q. Had they ever received approval to put the well
2 on temporary abandonment status?

3 A. No.

4 Q. Okay. Have we inspected the well to see whether
5 it was actually returned to production?

6 A. Yes.

7 Q. Could you turn to Exhibit Number 11, please?

8 A. All right.

9 Q. Is this a copy of the inspection report?

10 A. Yes, it is.

11 Q. And when was that inspection done?

12 A. February 23rd of 2003.

13 Q. And was the well producing at that time or
14 active?

15 A. No, it was not.

16 Q. All right. I'd like to turn to the other well,
17 if we could, and have you look at OCD Exhibit Number 12.
18 Is this a complete copy of the well file for the Shell
19 State Number 1?

20 A. Yes, it is.

21 Q. And again, have you numbered the pages in the
22 upper right-hand corner?

23 A. Yes.

24 Q. I'd like you to start with page number 20 --

25 A. Okay.

1 Q. -- and what does that show?

2 A. It looks like a recompletion operation on the
3 Shell State Com Number 1 and basically just recomplete the
4 well to a different zone.

5 Q. Okay, what date is on that?

6 A. Approved February the 8th, 1980, as near as I can
7 tell.

8 Q. Okay, 1980. And who was the operator back in
9 1980?

10 A. Carbon Energy, Incorporated.

11 Q. Okay. And if we paged forward through this well
12 file we would see the operator as Carbon Energy, Inc., or
13 Carbon Energy, Incorporated, all the way up to page 8; is
14 that right?

15 A. That's correct.

16 Q. Okay. On page 8 what happened to the operator?

17 A. Okay, page 8, there was a -- according to this,
18 there was a change of operator to Apollo Oil Company.

19 Q. Okay, what date is that?

20 A. June 6th, 1984.

21 Q. All right. And then if we go to page 3, please,
22 is this another change of operator?

23 A. Yes, it is.

24 Q. What's the date on this one?

25 A. April 24th, 1989.

1 Q. And we're changing from Apollo to who?

2 A. Carbon Energy.

3 Q. Not Carbon Energy, Inc.?

4 A. It just says Carbon Energy.

5 Q. Okay. Does the file show the same address for
6 Carbon Energy, Inc., and Carbon Energy?

7 A. It shows P.O. Box 755, Hobbs. Let me look back
8 and see.

9 Q. Yeah, check on page 8 or -- yeah, page 8.

10 A. P.O. Box 129, Hobbs, New Mexico, for the other
11 one.

12 Q. Okay.

13 A. P.O. Box 755 is for Oil and Gas Services. Those
14 are the people that do the regulatory forms.

15 Q. Okay. So we have at least a different address?

16 A. Right.

17 Q. Okay.

18 A. We also have, on page 9, Carbon Energy,
19 Incorporated, P.O. Box 129 at that point.

20 Q. Okay. So are the forms that were submitted by
21 Carbon Energy, Inc., and the form submitted by Carbon
22 Energy signed by the same person?

23 A. Carbon Energy was signed by -- this particular
24 one on April 24th, 1989, was signed by Donna Holler, agent.

25 The other form for Carbon Energy, Incorporated,

1 was signed by Mohammed Merchant as secretary-treasurer, and
2 a completion report on page 11 was signed by Mohammed
3 Merchant.

4 Now, Donna Holler, on the very first one, on page
5 3, she's strictly an agent for Oil and Gas Reports -- or
6 Oil and Gas Services, in Hobbs.

7 Q. Okay.

8 A. She has filled the form out for the operator.

9 Q. Okay, so we're seeing different names for those
10 two different companies. It's not the same person signing
11 for both Carbon Energy, Inc., and Carbon Energy?

12 A. Correct.

13 Q. Okay. Turn to page 2, please.

14 A. Okay.

15 Q. We're still seeing the operator here as Carbon
16 Energy?

17 A. Uh-huh.

18 Q. And is the sundry notice dated in 2000?

19 A. Correct.

20 Q. And it indicates that they've returned the well
21 to production?

22 A. Correct.

23 Q. All right. Do they have a date on that?

24 A. They have it returned to production 5-19-2000.

25 Q. Okay, there's a handwritten notation next to

1 that. Can you explain what that says and what it means?

2 A. Which handwritten -- the one that says "shut-in
3 date -- "

4 Q. Yes.

5 A. " -- 1998?"

6 Q. Yes.

7 A. Okay, I don't know what that means.

8 Q. Okay, would that have been done by your office,
9 do you think, or was that on the original submission?

10 A. I think that's on the original submission,
11 because I don't recognize the handwriting or even the
12 initials on it.

13 Q. Okay. Have you inspected --

14 A. -- 5-19-2000 is Gary Wink.

15 Q. Okay. Have you inspected the well to see whether
16 it actually was returned to production?

17 A. Yes.

18 Q. Could you turn to OCD Exhibit Number 13?

19 A. Okay.

20 Q. Is that a copy of one of the inspection reports?

21 A. Yes, it is.

22 Q. And is Exhibit Number 14 a copy of a separate
23 inspection report?

24 A. Yes, it is.

25 Q. And when did these inspections occur?

1 A. The first inspection occurred 12 -- not 12 -- 19
2 -- it looks like October of 2002. The second inspection
3 was July 28th of 2003.

4 Q. Okay.

5 A. There's still no activity on the well.

6 Q. So both of these inspections indicate that there
7 was no production activity on the well?

8 A. Correct.

9 Q. Despite the filing in the well file indicating
10 that they had returned the well to production?

11 A. Right.

12 Q. All right. Have you proposed a plugging
13 procedure for the Aztec 28 State Number 3?

14 A. Yes.

15 Q. And is that what has been marked as Exhibit
16 Number 15?

17 A. Yes, it is.

18 Q. And is there a proposed plugging procedure for
19 the Shell State Number 1?

20 A. Yes, there is.

21 Q. And is that OCD Exhibit Number 16?

22 A. Yes.

23 Q. Have you reviewed these proposed procedures and
24 approved them?

25 A. Yes, I have.

1 MS. MacQUESTEN: Okay, I have no more questions
2 of this witness.

3 EXAMINER JONES: I have no questions for this
4 witness.

5 MS. MacQUESTEN: I would move to admit Exhibits 1
6 through 16.

7 EXAMINER JONES: Exhibits 1 through 16 will be
8 admitted to evidence.

9 MS. MacQUESTEN: And that concludes our
10 presentation.

11 EXAMINER JONES: All right, let's take Case
12 13,337 under advisement.

13 Thanks, Chris.

14 THE WITNESS: Thanks, Will.

15 MS. MacQUESTEN: Thank you.

16 THE WITNESS: Thanks, Gail.

17 (Thereupon, these proceedings were concluded at
18 2:25 p.m.)

19 * * *

20
21 I do hereby certify that the foregoing is
22 a complete record of the proceedings in
the Examiner hearing of Case No. _____
heard by me on _____

23 _____, Examiner
24 Oil Conservation Division

25

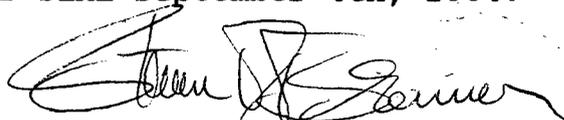
CERTIFICATE OF REPORTER

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 September 4th, 2004.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2006