

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

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

**COPY**

APPLICATION OF C&D MANAGEMENT COMPANY Case No. 14055  
TO REOPEN CASE NO. 14055, EDDY COUNTY,  
NEW MEXICO

MOTION OF TARGA MIDSTREAM SERVICES, LLC, Case No. 14575  
TO REOPEN CASE TO OFFER PROOF OF  
COMPLETION AND RESULTS OF PRESSURE TESTING

OIL CONSERVATION DIVISION'S APPLICATION Case No. 14744  
FOR REHEARING OF RULE AMENDMENT 19.15.14.8

REPORTER'S TRANSCRIPT OF PROCEEDINGS  
COMMISSIONER HEARING

BEFORE: JAMI BAILEY, Chairman  
ROBERT BALCH, Commissioner  
SCOTT DAWSON, Commissioner

RECEIVED OGD  
MAR 14 7 P 1:25

February 23, 2012  
Santa Fe, New Mexico

This matter came on for hearing before the New  
Mexico Oil Conservation Commission, JAMI BAILEY,  
Chairman, on Thursday, February 23, 2012, at the New  
Mexico Energy, Minerals and Natural Resources Department,  
1220 South St. Francis Drive, Room 102, Santa Fe, New  
Mexico.

REPORTED BY: Jacqueline R. Lujan, CCR #91  
Paul Baca Professional Court Reporters  
500 Fourth Street, N.W., Suite 105

1 A P P E A R A N C E S

2 FOR THE OIL CONSERVATION COMMISSION:

3 Bill Brancard, Esq.  
 General Counsel  
 4 1220 S. St. Francis Drive  
 Santa Fe, New Mexico 87504

5

6 FOR C&D MANAGEMENT COMPANY:

7 James Bruce, Esq.  
 P.O. Box 1056  
 8 Santa Fe, New Mexico 87504

9

FOR THE OIL CONSERVATION DIVISION:

10

Sonny Swazo, Esq.  
 11 1220 S. St. Francis Drive  
 Santa Fe, New Mexico 87504

12

Gabrielle A. Gerholt, Esq.  
 13 1220 S. St. Francis Drive  
 Santa Fe, New Mexico 87504

14

15 FOR TARGA MIDSTREAM SERVICES, LLC:

16 William C. Scott, Esq.  
 Modrall, Sperling, Roehl, Harris & Sisk, P.A.  
 17 P.O. Box 2168  
 Albuquerque, New Mexico 87103-2168

18

19 FOR THE NEW MEXICO OIL & GAS ASSOCIATION:

20 Michael Feldewert, Esq.  
 Holland & Hart  
 21 110 North Guadalupe, Suite 1  
 Santa Fe, New Mexico 87501

22

23 ALSO PRESENT:

24 Florene Davidson

25

1	WITNESSES:	PAGE
2	Martina Castle: (Telephonically)	
3	Direct examination by Mr. Bruce	9
	Cross-examination by Mr. Swazo	15
4	Examination by Commissioner Balch	18
	Examination by Chairman Bailey	19
5		
	Daniel Sanchez:	
6	Direct examination by Mr. Swazo	21
7	Examination by Commissioner Dawson	26
	Examination by Commissioner Balch	27
8		
	Alberto Gutierrez:	
9	Direct examination by Mr. Scott	33
10	Cross-examination by Ms. Gerholt	75
	Examination by Commissioner Dawson	80
11	Examination by Commissioner Balch	83
	Examination by Chairman Bailey	88
12	Redirect examination by Mr. Scott	91
	Rebuttal examination by Mr. Scott	125
13	Examination by Commissioner Dawson	127
14	William Jones:	
15	Direct examination by Ms. Gerholt	95
	Cross-examination by Mr. Scott	115
16	Examination by Commissioner Dawson	119
	Examination by Commissioner Balch	121
17	Redirect examination by Ms. Gerholt	124
18	EXHIBITS INDEX PAGE	
19		
	C&D EXHIBIT 3 WAS ADMITTED	14
20		
	TARGA EXHIBITS 1 AND 3A THROUGH 3D WERE	
21	ADMITTED	74
22	TARGA EXHIBIT 2 WAS ADMITTED	75
23	OCD EXHIBITS 1, 2 AND 3 WERE ADMITTED	107
24		
	REPORTER'S CERTIFICATE	146
25		

1 CHAIRMAN BAILEY: This is a meeting of the  
2 Oil Conservation Commission on Thursday, February 23rd,  
3 in Porter Hall in Santa Fe, New Mexico.

4 To my right is Commissioner Scott Dawson,  
5 designee of the Commissioner of Public Lands. To my left  
6 is Bob Balch, Dr. Robert Balch, designee of the Secretary  
7 of Energy, Minerals and Natural Resources. I am Jami  
8 Bailey, Director of the Oil Conservation Division.

9 We will be first hearing the minutes and then  
10 call the C&D case. We'll go into executive session and  
11 deliberate that case, come back out of executive session  
12 and announce our findings. And we ask for all attorneys  
13 to provide draft orders for Commission Counsel, who is  
14 Bill Brancard today.

15 Then we will hear the Targa case and go into  
16 executive session to deliberate that case, and then come  
17 back out and discuss the Oil Conservation Division's  
18 application for re-hearing of a rule amendment. So  
19 that's our agenda for today if you want to gauge your  
20 participation accordingly.

21 Have the Commissioners had a chance to read  
22 the minutes of the previous hearing?

23 COMMISSIONER DAWSON: I have.

24 COMMISSIONER BALCH: I have.

25 CHAIRMAN BAILEY: Do I hear a motion to

1 adopt the minutes of the hearing?

2 COMMISSIONER BALCH: I'll make a motion.

3 COMMISSIONER DAWSON: I'll second.

4 MR. BRANCARD: Madam Chair, if I may make  
5 a proposed change? On the first paragraph it reads, "The  
6 meeting was called to order of the minutes of the  
7 December 8th" -- that should be 2011, not 2012 meeting.

8 CHAIRMAN BAILEY: I'm glad you caught  
9 that. It seems like we're always very aware of it at the  
10 very beginning of the year. With that amendment, do we  
11 get adoption of the rest of the minutes?

12 COMMISSIONER DAWSON: I'll motion.

13 CHAIRMAN BAILEY: All those in favor?

14 I will sign on behalf of the Commission, with  
15 the change to be recorded by the Commission Counsel.

16 I would like to call Case Number 14055,  
17 Application of C&D Management Company to re-open Case  
18 Number 14055, in Eddy County, New Mexico.

19 I understand that the primary witness for C&D  
20 will be attending by telephone?

21 MR. BRUCE: That is correct.

22 CHAIRMAN BAILEY: And that opposing  
23 counsel has no objection?

24 MR. SWAZO: Correct.

25 CHAIRMAN BAILEY: If you'd like to be sure

1 that she's on the phone and we can all hear her.

2 MR. BRUCE: Okay. If I could give you the  
3 phone number, Madam Chair? Her name is Martina Castle.

4 This is Jim Bruce. Are you there? Can you hear  
5 us?

6 MS. CASTLE: Hello?

7 CHAIRMAN BAILEY: Martina?

8 MS. CASTLE: Yes.

9 MR. BRUCE: We're here. The hearing is  
10 starting. And as I told you over the phone before, we're  
11 in front of the Commission, Commissioners Bailey and  
12 Balch and Dawson, and then Sonny Swazo and Daniel Sanchez  
13 are also here.

14 MS. CASTLE: Okay.

15 MR. BRUCE: I think, Madam Chair, the  
16 first order of business would be to have the witness  
17 sworn in.

18 CHAIRMAN BAILEY: First I'll call for  
19 appearances, and then we'll swear the witness.

20 MR. BRUCE: Madam Chair, Jim Bruce of  
21 Santa Fe, representing the applicant. I have one  
22 witness.

23 MR. SWAZO: Sonny Swazo, with the Oil  
24 Conservation Division. I have one witness, Daniel  
25 Sanchez.

1 CHAIRMAN BAILEY: Ms. Castle, if you would  
2 stand to be sworn?

3 (One witness sworn.)

4 MR. BRUCE: Can you hear me right now,  
5 Martina?

6 THE WITNESS: Yes, I can.

7 MR. BRUCE: Okay.

8 CHAIRMAN BAILEY: Would you like to make  
9 an opening statement, Mr. Bruce?

10 MR. BRUCE: Madam Chair, very briefly.

11 I know the Commissioners read the pre-hearing  
12 statements, so I don't think we need to say much. This  
13 case has had a long history. And Ms. Castle recently  
14 acquired the stock in the company and wants to do the  
15 right thing and bring these wells into compliance. And  
16 we'll explain more during the testimony.

17 CHAIRMAN BAILEY: Mr. Swazo?

18 MR. SWAZO: Thank you, Madam Chair. I  
19 have a brief opening.

20 C&D Management is asking -- they're requesting  
21 an order giving them a new schedule to bring their wells  
22 into compliance for reinstatement of their authority to  
23 transport, and they're also asking us to cease any  
24 plugging of the wells.

25 With regard to the first request, we don't --

1 in general, we don't oppose any of their requests. With  
2 regard to the first request, we would like the Commission  
3 to keep two important aspects of their current order.

4 The first aspect is we would want the  
5 Commission to require C&D to plug and abandon its wells  
6 if it does not otherwise bring the wells into compliance  
7 by a date certain.

8 The other requirement is that we would want  
9 the Commission to authorize the Division to be able to  
10 plug and abandon those wells in the event of C&D's  
11 noncompliance.

12 The reason why we're asking for those two  
13 important provisions to be maintained is there's been a  
14 lot of history with this case. And we're not opposed  
15 to -- we want C&D to bring the wells into compliance. We  
16 want them to be successful in their operations. But  
17 given the history, given the time, energy and money that  
18 the Division has spent on bringing this case to hearing  
19 in order to get a plugging order, we want to make sure  
20 that we have that ability to plug the wells in case C&D  
21 does not comply with your order.

22 With regard to the reinstatement of authority  
23 to transport, we don't oppose that. C&D has indicated  
24 that it will help them to bring the wells into  
25 compliance. It will help them reimburse us for the



1 plugging costs that we paid to plug their wells. It will  
2 help them provide the financial assurance that is lacking  
3 on one of their wells. And it would otherwise help them  
4 fully comply with your order.

5 With regard to the request to cease any  
6 plugging of the wells right now, the OCD is not currently  
7 plugging any wells. The OCD -- none of the wells are  
8 currently scheduled to be plugged. And we are willing to  
9 hold off on scheduling those wells for any plugging until  
10 the outcome of your -- until you have issued a decision  
11 in this matter. And that's all I have to say on my  
12 opening statement.

13 MR. BRUCE: Madam Chair, we understand  
14 that if we don't comply with the order that plugging  
15 would re-commence.

16 CHAIRMAN BAILEY: Okay. The witness has  
17 been sworn, so you if you would present your case.

18 MARTINA CASTLE

19 Having been first duly sworn, testified as follows:

20 DIRECT EXAMINATION

21 BY MR. BRUCE:

22 Q. Ms. Castle, would you please state your name  
23 and city of residence?

24 A. Hi. I'm Martina Castle, and I'm in Las Vegas,  
25 Nevada.

1 Q. What is your relationship to C&D Management  
2 Company?

3 A. I am the sole shareholder and president of  
4 C&D.

5 Q. And how long have you owned the company?

6 A. About since mid-2011.

7 Q. And is C&D the operator of the 17 wells  
8 involved in this case?

9 A. Yes, they are.

10 Q. Were you involved in any of the prior hearings  
11 regarding bringing C&D's wells into compliance?

12 A. No, I wasn't. Although I was aware that  
13 hearings were taking place.

14 Q. Let's do a little history regarding C&D. Who  
15 owned C&D before you acquired ownership?

16 A. That would be Thomas Kizer.

17 Q. What was your relationship with Mr. Kizer?

18 A. He was my long-time boyfriend of 20 years.

19 Q. And what happened to Mr. Kizer?

20 A. Tom developed non-Hodgkin's lymphoma cancer,  
21 and he died April 6th, 2011. And under his will, I  
22 received all of his property, including C&D's stock. And  
23 I believe this is reflected in Exhibit 3.

24 Q. Why didn't C&D comply with the previous orders  
25 of the Commission?

1           A.     You know, I'm not really sure. But for a long  
2 time before he died, Tom seemed unable to make full  
3 decisions, and he just seemed to have trouble regarding  
4 the wells. And I think it was probably due to his  
5 health.

6           Q.     Do you now wish to have C&D comply with the  
7 Commission's orders and bring these wells into  
8 compliance?

9           A.     Yes, I do.

10          Q.     Now, after you became owner of C&D, did you  
11 contact the Oil Conservation Division regarding these  
12 matters?

13          A.     Yes, I did. I've been in contact with Daniel  
14 Sanchez, and Sonny was there, as well, for a few of the  
15 conversations. We discussed what was necessary to start  
16 complying with the orders.

17          Q.     And do you understand that there are several  
18 issues that still have to be resolved by C&D to the  
19 satisfaction of the Division?

20          A.     Yes, I do.

21          Q.     Now, one of the big items was correcting all  
22 of the reporting obligations on the wells. What did you  
23 do regarding the reporting issue once you acquired  
24 ownership of C&D?

25          A.     Well, I hired -- C&D, rather, hired Stacey

1 Weatherford. She's an accountant in Artesia, and she's  
2 familiar with reporting matters. She's done reporting  
3 before for people. And as of last month, she completed  
4 all reporting up to January 2012. And that's on all the  
5 wells with both the OCD and federal government.

6 Q. Has C&D hired a pumper to manage physical  
7 operation of the wells?

8 A. Yes. Yes, we have. C&D has employed Kirk  
9 Ferris of Artesia, and he's advising me on what needs to  
10 be done with the wells.

11 Q. Are you also aware that additional bonding of  
12 \$6,725 is needed on one of the wells?

13 A. Yes, I am, and C&D is willing to submit an  
14 additional bond to the OCD for that.

15 Q. And are you aware that the wells need to be  
16 placed back on production or properly abandoned to get  
17 the wells in compliance with Division regulations?

18 A. Yes. Yes, I am.

19 Q. Does C&D need additional time to bring the  
20 wells into compliance?

21 A. Yes. Yes, we do.

22 Q. Now, the final big issue, do you know that C&D  
23 owes the Division approximately \$160,000 for the wells  
24 that the Division has plugged?

25 A. Yes. Yes, I'm aware of that.

1 Q. Does C&D have the cash available to satisfy  
2 the bonding requirement and to repay the OCD the full  
3 \$160,000 at this time?

4 A. No, we don't. We need to be able to produce  
5 the wells and transport and sell the oil to generate the  
6 funds to bring the wells into compliance.

7 Q. And what does C&D request from the Commission?

8 A. Well, we request that the Commission reinstate  
9 C&D's authority to transport, first of all. We also are  
10 asking that the Division cease plugging of the wells and  
11 that the Commission set a new schedule for bringing the  
12 wells into compliance.

13 Q. Now, you said that C&D does not have the funds  
14 to do all of this at this time. How do you plan to fund  
15 operations and repay the Oil Conservation Division?

16 A. Well, first of all, there's money that's  
17 currently in suspense with the purchaser of the  
18 production. Also, there's about 180 barrels of oil  
19 that's sitting there in the tanks which isn't being  
20 transported at this time, and that will fund initial  
21 operations. And if we are allowed to put the wells back  
22 on production, that will generate the additional funds.

23 Q. What do you propose to do with the production  
24 proceeds?

25 A. What we would like to do is direct the

1 purchaser of production that 50 percent of the proceeds  
2 of C&D's interests be paid directly to the OCD to start  
3 repaying the plugging costs. Then the remaining 50  
4 percent of revenue will be retained by C&D to pay  
5 operating costs. And that will help obtain additional  
6 bonding on the Sneider Well Number 1 and start bringing  
7 the wells into full compliance.

8 Q. And will what you propose, the granting of  
9 your requests, will that benefit both C&D and the Oil  
10 Conservation Division?

11 A. Yes, I believe it will.

12 Q. And is Exhibit 3 compiled from C&D's business  
13 records?

14 A. Yes, it is.

15 MR. BRUCE: Madam Chair, I'd move the  
16 admission of C&D Exhibit 3. Exhibits 1 and 2 are simply  
17 copies of the primary, I think, Commission orders in this  
18 case.

19 CHAIRMAN BAILEY: Any objection?

20 MR. SWAZO: No objection.

21 CHAIRMAN BAILEY: They are so admitted  
22 then.

23 (C&D Exhibit 3 is admitted.)

24 MR. BRUCE: I pass the witness.

25 MR. SWAZO: Good morning, Ms. Castle. Can

1 you hear me?

2 THE WITNESS: Yes, I can. Hi.

3 CROSS-EXAMINATION

4 BY MR. SWAZO:

5 Q. You're asking for a new schedule for bringing  
6 wells into compliance. Do you have a particular time  
7 frame as far as how much time you would need to bring the  
8 wells into compliance?

9 A. Well, I'm not really sure. I was hoping to  
10 work with the -- are you one of the Commissioners? I'm  
11 sorry, I don't know who you are.

12 Q. This is Sonny Swazo

13 A. Hi, Sonny. I was hoping to work with the OCD  
14 and try to figure something out. You guys have been very  
15 helpful so far.

16 I spoke to my pumper yesterday, and he  
17 informed me that we have about 180 barrels, you know,  
18 that are sitting in the tank currently. And he believes  
19 that we'll be able to -- if we're given rights to  
20 proceed, we'll be able to get another load within four to  
21 six weeks. So he says to count on four to six weeks for  
22 every load. And I know that the 160,000 roughly could be  
23 satisfied, you know, based on that, within a couple of  
24 years.

25 Q. Martina, C&D has two wells that are currently

1 on the inactive well list. What will it take for those  
2 wells to be brought into compliance?

3 A. You know, I am not quite sure, to be honest  
4 with you. I have gotten all of the reporting up to date.  
5 And because of the shut-in, I don't know really what's  
6 going to take place. I know that we had a couple of  
7 wells that we -- because prior to my taking things over,  
8 Tom hadn't done a thing out there in a long time.

9 And so when I hired my pumper, he went out and  
10 cleaned up everything. He was trying to get everything  
11 back in order, and he was trying to run the water off of  
12 some of the wells. But I didn't have enough money to  
13 keep doing that, so I just stopped, basically, and then  
14 you shut us in. So nothing has been done on those.

15 But he's someone that manages a company out  
16 there and he's in charge of all of their -- he's a  
17 production foreman, and he's in charge of the whole field  
18 and he's over all the pumpers and he's quite astute and  
19 quite aware of what needs to be done. And if we have  
20 more time, we can find out, and I'll be working directly  
21 with you guys and telling you everything.

22 Q. One of the problems that we had in this case,  
23 Martina, was that C&D was not filing -- well, C&D was not  
24 filing true and accurate reports. And C&D had indicated  
25 that all the reports that it filed were not true and



1 accurate reports.

2 Are you testifying today under oath that all  
3 of the reports that C&D has filed are now up to date and  
4 true and accurate reports?

5 A. As far as I know. My pumper has helped and  
6 Stacey has been working with Kim and Mr. Sanchez to get  
7 everything compiled, and I believe everything is true and  
8 accurate. I wouldn't know how to do it any other way.  
9 And I'm not trying to deceive anyone in any way, shape or  
10 form.

11 Q. If I understand you correctly, once your  
12 authority is reinstated, you would use some of the funds  
13 that are in suspense and also some of the funds that are  
14 from the oil that is currently in the tanks, you would  
15 use some of those funds to start reimbursing OCD for the  
16 plugging costs?

17 A. Yes, absolutely. I am proposing that 50  
18 percent go to you and 50 percent go to me, in order to  
19 maintain operations until, you know, it's fully  
20 satisfied.

21 MR. SWAZO: I pass the witness. I don't  
22 have any other questions.

23 CHAIRMAN BAILEY: Commissioner Dawson, do  
24 you have any questions?

25 COMMISSIONER DAWSON: I have no questions.

1 CHAIRMAN BAILEY: Commissioner Balch?

2 COMMISSIONER BALCH: I have a couple of  
3 questions, probably more clarifications.

4 EXAMINATION

5 BY COMMISSIONER BALCH:

6 Q. How much are the funds that are held in  
7 suspense?

8 A. You know, it's been a while since I spoke to  
9 Holly Refinery. But I believe it's somewhere around  
10 18,000.

11 Q. And you indicated that there would be probably  
12 a load of oil every four to six weeks?

13 A. Yes. That's what my pumper has told me.

14 Q. What size loads are those?

15 A. He said right now, he believes there's  
16 somewhere between 180 and 184 barrels of oil that's  
17 sitting in the tanks.

18 Q. And is that what he's expecting to see every  
19 four to seeks weeks, or would it be --

20 A. Yes, it is. There's also a little bit of gas,  
21 as well. But I know that gas has gone down, so --

22 COMMISSIONER BALCH: Those are the  
23 questions that I had.

24 CHAIRMAN BAILEY: This is Commissioner  
25 Bailey. I have a couple of questions.

## EXAMINATION

1

2 BY CHAIRMAN BAILEY:

3

4

Q. What involvement did you have in the management of C&D when Mr. Kizer was the president?

5

6

A. I had absolutely none. This was Tom Kizer's company. Actually, I'm a dealer in Las Vegas, Nevada.

7

8

9

And I tried to talk to him about things. I knew that he had problems. But he really didn't open up to me, and so I didn't know a lot of what was going on. I knew there was a lawsuit that was taking place, but I didn't know a lot of the details.

10

11

12

13

Q. So you were not an employee or an aid in any way for Mr. Kizer in this business?

14

15

16

17

A. No, not at all.

15

16

17

Q. Have you filed a change of operator with the Oil Conservation Division to ensure that all the paperwork is taken care of as far as --

18

19

20

21

22

23

24

25

A. I don't believe we've -- I'm not quite sure what we've done, to be honest. I know that Daniel Sanchez told me that if we can get through this hearing and everything, that they have a training class for operators to tell them exactly what they need to do. And I've just been waiting to be heard in front of you and have you know what this situation is. And then I plan to work directly with them and do everything possible to get

1 everything, you know, in compliance.

2 I'm a very, very hands-on person, and I'm a  
3 person that likes to do things right. I don't like bills  
4 that are unpaid. I don't like things that are being done  
5 wrong. So I've tried to hire the best people around to  
6 surround me with and to advise me because this is  
7 something new to me. But I'm, you know, trying as hard  
8 as I can to do everything properly.

9 CHAIRMAN BAILEY: Those are all the  
10 questions I have. Mr. Bruce, do you have any rebuttal on  
11 the questions that were asked?

12 MR. BRUCE: I have no further questions.

13 MR. SWAZO: I have none.

14 CHAIRMAN BAILEY: Then this witness may be  
15 excused.

16 MR. BRUCE: Okay. Martina, I think we're  
17 going to hang on and go back to your --

18 THE WITNESS: Okay. I just wanted to  
19 thank you for your time.

20 CHAIRMAN BAILEY: You're welcome.

21 THE WITNESS: Thank you. Have a good day.

22 CHAIRMAN BAILEY: Do you have any other  
23 witnesses?

24 MR. BRUCE: I have none.

25 MR. SWAZO: I would like to call Daniel

1 Sanchez to the stand.

2 (One witness sworn.)

3 DANIEL SANCHEZ

4 Having been first duly sworn, testified as follows:

5 DIRECT EXAMINATION

6 BY MR. SWAZO:

7 Q. Good morning. Would you please state your  
8 name for the record?

9 A. Daniel Sanchez.

10 Q. You're the Division's Compliance and  
11 Enforcement Manager?

12 A. Yes.

13 Q. You've held that position since 2004?

14 A. That's correct.

15 Q. And that duty requires you to oversee  
16 compliance -- to oversee the Division's compliance and  
17 enforcement program?

18 A. Yes.

19 Q. And you're familiar with this case?

20 A. Yes, very much.

21 Q. You've been involved with this case from the  
22 beginning, which I believe was around 2006, when the  
23 compliance issues started?

24 A. That's correct.

25 Q. And C&D became an operator in New Mexico

1       sometime around 2005?

2           A.       Yes.

3           Q.       And the compliance issues that we're talking  
4       about today are the same compliance issues -- I mean, the  
5       compliance issues back then are the same compliance  
6       issues that we're talking about today?

7           A.       Yes.

8           Q.       Now, C&D has three requests. They are  
9       requesting a new schedule for bringing the wells into  
10      compliance, they are requesting reinstatement of their  
11      authority to transport, and they're also requesting us to  
12      cease plugging operations. I want to go to the first  
13      request.

14                   Do you oppose C&D's request for a new schedule  
15      to bring it's wells into compliance?

16          A.       No, I don't.

17          Q.       Why do you not oppose that request?

18          A.       With the new owner, it -- C&D is still C&D.  
19      But with the new owner, she has shown that she is more  
20      than willing to try to comply with the Commission's  
21      previous orders. She's done several things. I mean, she  
22      contacted myself originally after Mr. Kizer passed away  
23      to let us know what was going on. She contacted the BLM  
24      to let them know what she was planning to do. She had  
25      hired an accountant, which she spoke about in her

1 testimony, and a pumper to get the properties back into  
2 shape and get the reporting in place.

3 And she's been willing to reimburse the OCD  
4 for its cost of plugging five wells and also to pay up  
5 the additional financial assurance.

6 Q. In ordering paragraph 4 of the Commission's  
7 current order, ordered C&D to plug and abandon its wells  
8 by a set date if it failed to comply with the  
9 Commission's order by certain date. Would you like to  
10 see the Commission maintain that requirement?

11 A. Yes, other than changing that date.

12 Q. Ordering Paragraph 5 of the current  
13 Commission's order authorizes the OCD to plug and abandon  
14 C&D's wells and decree forfeiture of any applicable  
15 financial assurance if C&D failed to comply with ordering  
16 paragraph 4 of the Commission's order. Would you like to  
17 see the Commission maintain this requirement?

18 A. Yes.

19 Q. Why would you like to see the Commission  
20 maintain these requirements?

21 A. Just in case the compliance doesn't happen.  
22 And we have seen that over the years with other  
23 companies, not necessarily with this one, but other  
24 companies. We, as the Division, have spent a lot of time  
25 through phone calls, letters of violation, notices of

1 violation, compliance conferences and hearings to try to  
2 get this far. And I'd like to avoid having to go through  
3 that whole ordeal again just to make sure that they're in  
4 compliance again.

5 Q. And this goes back to 2006?

6 A. 2006.

7 Q. If the Commission agrees to a new schedule,  
8 how much time do you think C&D should have to bring the  
9 wells into compliance?

10 A. There are two inactive wells currently and one  
11 that requires additional financial assurance. I think  
12 six months would be adequate to take care of those  
13 issues.

14 Q. The operator is also requesting that the  
15 Division cease plugging their wells. Is the Division  
16 currently plugging any of these wells?

17 A. No.

18 Q. Are any of the wells currently scheduled to be  
19 plugged?

20 A. Not at this time.

21 Q. Are you willing to hold off on scheduling any  
22 of these wells for plugging until the Commission enters  
23 an order in this case?

24 A. Yes.

25 Q. Do you oppose C&D's request to reinstate



1 authority to transport?

2 A. No.

3 Q. Why do you not oppose that?

4 A. I think it's important that they have that  
5 ability in order to get their finances back to a level  
6 which they can use those to comply with the order.

7 Q. And one final question that I had was: One of  
8 the Commissioners had talked about a change of operator.  
9 My understanding is that it's going to be C&D Management.  
10 Would that require a change of operator be filled out and  
11 filed with the Division?

12 A. I don't think it will take a change of  
13 operator. But I believe she's going to have to file with  
14 the PRC in order to change the title of president.

15 Q. In other words, she would have to update the  
16 corporation's papers with the PRC but not file a change  
17 of operator with the OCD because it's not a change of  
18 operator?

19 A. That's my understanding.

20 MR. SWAZO: I have no more questions.

21 MR. BRUCE: I have no questions of  
22 Mr. Sanchez. I would state that I think the proposal by  
23 Mr. Sanchez regarding the time frame is reasonable.

24 CHAIRMAN BAILEY: Six months is what you  
25 understood?

1 MR. BRUCE: Yes.

2 CHAIRMAN BAILEY: Okay. Do you have any  
3 other questions?

4 MR. BRUCE: I have no questions of the  
5 witness.

6 CHAIRMAN BAILEY: Commissioner Dawson?

7 COMMISSIONER DAWSON: I have a few  
8 questions.

9 EXAMINATION

10 BY COMMISSIONER DAWSON:

11 Q. I've heard you refer to the Sneider well?

12 A. Yes, sir.

13 Q. Do you know roughly how much that well would  
14 produce?

15 A. I believe it was plugged but not released.  
16 That's why the requirement is there for the additional  
17 financial assurance.

18 Q. Since that well is plugged, that won't  
19 contribute to the new cash flow coming in?

20 A. No, it would not.

21 Q. She won't try to recomplete that well?

22 A. I don't think she had any plans for that. And  
23 that might change once she gets into the meat of it, so  
24 it's a possibility.

25 Q. Did you do a review on the other wells about

1 roughly how much they could produce per month for all of  
2 them?

3 A. No, I did not.

4 Q. Do you think she can roughly make 180 barrels  
5 in the time frame that she's quoted, like the next four  
6 months?

7 A. I'm aware of Mr. Ferris and his abilities, and  
8 I think that he's probably accurate in his assessment of  
9 the wells. So, yes.

10 COMMISSIONER DAWSON: No further  
11 questions. Thank you.

12 CHAIRMAN BAILEY: Commissioner Balch?

13 COMMISSIONER BALCH: Just a couple since  
14 I'm new to this particular case.

15 EXAMINATION

16 BY COMMISSIONER BALCH:

17 Q. About how many operating wells are we talking  
18 about?

19 A. If they get the two inactives back operating,  
20 they would have 10 wells that they could work.

21 COMMISSIONER BALCH: That was my only  
22 question.

23 CHAIRMAN BAILEY: I have no questions.  
24 Do you have any rebuttal?

25 MR. SWAZO: No, I don't.

1 CHAIRMAN BAILEY: Then this witness may be  
2 excused.

3 MR. BRUCE: That's all I have, Madam  
4 Chair.

5 MR. SWAZO: We have no more witnesses.  
6 That concludes our case.

7 CHAIRMAN BAILEY: Then do I hear a motion  
8 for the Commission to go into executive session in  
9 accordance with New Mexico State 10-15-1 and the OCC  
10 resolution on open meetings to deliberate this case?

11 COMMISSIONER DAWSON: I'll motion.

12 COMMISSIONER BALCH: I'll second.

13 CHAIRMAN BAILEY: All those in favor? All  
14 those opposed?

15 We will announce our decision when we come  
16 back into session and ask for attorneys to provide draft  
17 orders for the Counsel.

18 (Whereupon the Commission went into executive session.)

19 CHAIRMAN BAILEY: It's time to go back  
20 into session. Do I hear a motion from the Commissioners  
21 to go back into session since the only thing that we  
22 discussed was the C&D case?

23 COMMISSIONER DAWSON: I'll motion.

24 COMMISSIONER BALCH: I'll second.

25 CHAIRMAN BAILEY: All those in favor?

1           The only thing we did discuss was the C&D  
2 case. And I've asked our General Counsel to explain the  
3 decision of the Commission and what he will expect from  
4 the attorneys.

5           MR. BRANCARD: Thank you, Madam Chair.

6           The Commission has determined that the prior  
7 orders of the Commission should be stayed for a period of  
8 one year, which would allow the company to go back into  
9 production, and would hold off plugging by the Division  
10 during this period.

11           We would like to see an order that sets out  
12 the conditions of this stay, which would focus on three  
13 items, primarily: One is that the inactive wells be  
14 brought back into compliance during this period; that the  
15 necessary financial assurance be provided; and that the  
16 company, C&D, make significant progress in paying down  
17 the debt that is owed the Division for the plugging  
18 costs.

19           The order should also affirm that the company  
20 will be in compliance with all other conditions, in  
21 particular, the reporting conditions that were a problem  
22 during the prior orders.

23           CHAIRMAN BAILEY: And the authority to  
24 transport is --

25           MR. BRANCARD: The authority to transport

1 is returned. As I said, the Division will hold off on  
2 plugging during that period of time.

3 MR. BRUCE: What time frame would you like  
4 proposed findings and conclusions?

5 CHAIRMAN BAILEY: Three weeks?

6 MR. BRANCARD: That would be fine.

7 CHAIRMAN BAILEY: Okay.

8 MR. BRANCARD: If you could, there was a  
9 little bit of some questions about which wells are in  
10 which status, if you could outline that in the facts and  
11 put in findings about which wells were plugged and the  
12 costs related to that so we have a dollar amount.

13 MR. BRUCE: Thank you, Commissioners.

14 CHAIRMAN BAILEY: Okay.

15 MR. SWAZO: Thank you.

16 CHAIRMAN BAILEY: Okay. Next we call Case  
17 Number 14575, which is the motion of Targa Midstream  
18 Services, LLC, to reopen case to offer proof of  
19 completion and results of pressure testing.

20 Call for appearances?

21 MR. SCOTT: Madam Chair, William Scott for  
22 Targa

23 MS. GERHOLT: Gabrielle Gerholt on behave  
24 of the Oil Conservation Division.

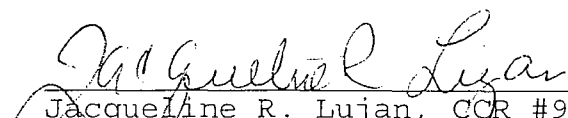
25 Madam Chair, may we have a few moments to

## REPORTER'S CERTIFICATE

I, JACQUELINE R. LUJAN, New Mexico CCR #91, DO  
HEREBY CERTIFY that on February 23, 2012, proceedings in  
the above captioned case were taken before me and that I  
did report in stenographic shorthand the proceedings set  
forth herein, and the foregoing pages are a true and  
correct transcription to the best of my ability.

I FURTHER CERTIFY that I am neither employed by  
nor related to nor contracted with any of the parties or  
attorneys in this case and that I have no interest  
whatsoever in the final disposition of this case in any  
court.

WITNESS MY HAND this 7th day of March, 2012.

  
Jacqueline R. Lujan, CCR #91  
Expires: 12/31/2012