

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. 12,950

APPLICATION OF THE NEW MEXICO OIL )  
CONSERVATION DIVISION FOR AN ORDER )  
REQUIRING FI-RO CORPORATION TO PROPERLY )  
PLUG THREE WELLS, IMPOSING CIVIL )  
PENALTIES IN EVENT OF FAILURE TO COMPLY, )  
AUTHORIZING THE DIVISION TO PLUG SAID )  
WELLS IN DEFAULT OF COMPLIANCE BY )  
OPERATOR, AND ORDERING A FORFEITURE OF )  
APPLICABLE SECURITY, CHAVES AND LEA )  
COUNTIES, NEW MEXICO )

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

October 24th, 2002

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, October 24th, 2002, 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.

\* \* \*

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

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OIL CONSERVATION DIV.

## I N D E X

October 24th, 2002  
Examiner Hearing  
CASE NO. 12,950

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## A P P E A R A N C E S

## FOR THE DIVISION:

DAVID K. BROOKS  
 Attorney at Law  
 Energy, Minerals and Natural Resources Department  
 Assistant General Counsel  
 1220 South St. Francis Drive  
 Santa Fe, New Mexico 87505

\* \* \*

## ALSO PRESENT:

WILLIAM V. JONES, JR.  
 Petroleum Engineer  
 New Mexico Oil Conservation Division  
 1220 South Saint Francis Drive  
 Santa Fe, NM 87505

\* \* \*

1           WHEREUPON, the following proceedings were had at  
2   2:50 p.m.:

3           EXAMINER STOGNER: At this time I'm going to call  
4   Case Number 12,950, which is the Application of the New  
5   Mexico Oil Conservation Division for an order requiring  
6   Fi-Ro Corporation to properly plug three certain wells.  
7   Two of them are in Chaves County and one in Lea County, New  
8   Mexico.

9           I'll call for appearances.

10          MR. BROOKS: Your Honor, I'm David Brooks,  
11   Energy, Minerals and Natural Resources Division -- no,  
12   Department, appearing for the New Mexico Oil Conservation  
13   Division.

14          I have two witnesses. Each of whom has already  
15   been sworn in the matter preceding.

16          EXAMINER STOGNER: So noted.

17          MR. BROOKS: I'm trying to find the bond here.  
18   You know, I pulled this bond to make a copy of it, and I  
19   must have -- We're all having problems with our paperwork  
20   this afternoon, and I've apparently mislaid the bond.

21          Let us do this: Let me go ahead and have Ms.  
22   Phillips -- I request, if I may, to go ahead and have Ms.  
23   Phillips identify the original, and we'll put it in the  
24   record, and then I'll substitute a copy and return the  
25   original document to you.

1 EXAMINER STOGNER: That would be great, let's do  
2 that.

3 MR. BROOKS: Okay, and since we've already marked  
4 1, 2, 3, 4, 5, 6, 7 and 8 the bond must have been 9. Let's  
5 see, is there a rider on that one, or is it just the bond?

6 MS. PHILLIPS: Yes, sir, there is a rider to  
7 the --

8 MR. BROOKS: Okay, very good.

9 MS. PHILLIPS: -- to the sureties.

10 MR. BROOKS: We'll call Dorothy Phillips.

11 DOROTHY L. PHILLIPS,

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

14 DIRECT EXAMINATION

15 BY MR. BROOKS:

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

17 A. Dorothy Phillips.

18 Q. And by whom are you employed?

19 A. The New Mexico Oil Conservation Division.

20 Q. In what capacity?

21 A. I am the plugging bond administrator.

22 Q. And do you have -- Among the plugging bond files  
23 that you maintain for the Oil Conservation Division, do you  
24 have a file on Fi-Ro Corporation?

25 A. Yes, sir.

1 MR. BROOKS: Well, I think I just found this. My  
2 apologies, I was working from the wrong set of exhibits.  
3 This is okay, this is Fi-Ro.

4 EXAMINER STOGNER: We'll need to reflect on the  
5 record -- you mentioned two previous exhibits, but I think  
6 we need to re-number those, so we'll just essentially start  
7 over again, and the record will so reflect that.

8 Q. (By Mr. Brooks) Okay, and I do not have a --  
9 Okay, the exhibit number for the bond is Exhibit Number 7.  
10 Let me see the rider, if I may. No, that's the notice of  
11 cancellation.

12 A. Oh, I'm sorry. No rider, not for this one.

13 Q. Okay. Well, I -- Good.

14 A. It's for the other.

15 Q. Okay. So Ms. Phillips, will you identify what  
16 has been marked as Exhibit Number 7 in this proceeding,  
17 Case Number 12,950?

18 A. Yes, sir, it is a copy of a \$50,000 blanket  
19 plugging bond on file for Fi-Ro Corporation.

20 MR. BROOKS: Steve, did I give you a set of  
21 exhibits --

22 COURT REPORTER: Yes.

23 MR. BROOKS: -- for 12,950?

24 COURT REPORTER: Oh -- Yes, I have those, I'm  
25 sure I do. I guess not, no.

1 MR. BROOKS: Okay, there's a set.

2 COURT REPORTER: Thank you.

3 Q. (By Mr. Brooks) Okay, back to work. That is a  
4 \$50,000 blanket surety bond, correct?

5 A. That's correct, sir.

6 Q. And who is the surety?

7 A. The surety is Gulf Insurance Company.

8 Q. And is that a true copy of an original bond  
9 that's contained in your bond file that you maintain for  
10 the OCD?

11 A. Yes, sir, it is.

12 MR. BROOKS: Tender Exhibit Number 7.

13 EXAMINER STOGNER: Exhibit Number 7 is admitted  
14 into evidence at this time.

15 MR. BROOKS: Pass the witness.

16 EXAMINER STOGNER: No questions.

17 MR. BROOKS: Call Billy Prichard.

18 MR. PRICHARD: Yes, sir.

19 BILLY PRICHARD (Present by Telephone),  
20 the witness herein, having been previously duly sworn upon  
21 his oath, was examined and testified as follows:

22 DIRECT EXAMINATION

23 BY MR. BROOKS:

24 Q. State your name for the record, please.

25 A. Billy Prichard, compliance officer, District 1,

1 NMOCD.

2 Q. And I call your attention to what has been marked  
3 as Exhibits Number 3, 4, 5 and 6 and ask you, are each of  
4 those exhibits that I mentioned a copy of a document that  
5 appears in the well file maintained by the Hobbs District  
6 Office of the Oil Conservation Division in reference to  
7 wells operated by Fi-Ro Corporation?

8 A. Yes, they are.

9 Q. Okay, we'll begin with Exhibit Number 3. Does  
10 that well refer to the Gulf State -- Does that document  
11 refer to the Gulf H State Well Number 1 in Chaves County,  
12 API Number 30-005-00822?

13 A. Yes, it does.

14 Q. And what is that document?

15 A. That is a C-104, which is a change of operator  
16 from Homer J. Kyle to the Fi-Ro Corporation.

17 Q. And Exhibit Number 4, does that refer to -- I see  
18 that identifies the well as the State "D" Well Number 1.  
19 It was drilled -- or Malco Refineries, Inc. Does that,  
20 however, refer to the well which is now known as the Fi-Ro  
21 Corporation Hondo Holloway State Well Number 1?

22 A. Yes, it does. Same legal description.

23 Q. And that is in Chaves County, and the API number  
24 is 30-005-00691, correct?

25 A. Right.



1 Q. And what is Exhibit Number 4?

2 A. Exhibit Number 4 is a -- it is the intent to  
3 drill the Hondo Holloway.

4 Q. Okay, and that was an old form that they used a  
5 long time ago --

6 A. Yes, it is.

7 Q. -- and it's got a lot of information that's in a  
8 little different format?

9 A. Yes, it was submitted in 1945.

10 Q. Okay. Now, Exhibit Number 5, does that refer to  
11 the same well, the Hondo Holloway State Number 1?

12 A. Yes, it does.

13 Q. And what is Exhibit Number 5?

14 A. Exhibit 5 is a 104, change of operator from Homer  
15 J. Kyle to Fi-Ro Corporation.

16 Q. And Exhibit Number 6, does that refer to the  
17 Fi-Ro Corporation North Caprock Queen Unit Tract 27 Well  
18 Number 5Y?

19 A. Yes, it does.

20 Q. And what is that document?

21 A. It is a C-104 changing ownership from Homer J.  
22 Kyle to Fi-Ro Corporation.

23 MR. BROOKS: And Mr. Examiner, I will state for  
24 the record that the reason I have much sketchier  
25 documentation on this than the others is because these

1 files were on microfiche, and I was rather hurried in  
2 getting all this stuff put together, so I didn't have the  
3 opportunity to copy the information on the microfiche.  
4 There's a summary of the information that appears on  
5 Exhibit Number 2.

6 Q. (By Mr. Brooks) Mr. Prichard, are you familiar  
7 with the three wells of Fi-Ro Corporation we've just  
8 identified?

9 A. Yes, I am.

10 Q. And do you know how long they've been inactive?

11 A. David, I have not looked at the production, other  
12 than the fact that I know they've been idle for the four  
13 years I was here.

14 Q. Okay. Well, Exhibit Number 2 reflects the  
15 information I took from the production reports, and it  
16 indicates that the Gulf State H Number 1 last reported  
17 production April, 1988; the Hondo Holloway State Number 1  
18 last reported production October, 1998; and the North  
19 Caprock Queen Unit Number 5Y last reported production  
20 April, 1996.

21 You are familiar with these wells on the ground,  
22 however?

23 A. Yes, I am familiar with these wells on the  
24 ground.

25 Q. As a well inspector, is it your opinion that

1 these wells need to be plugged for the protection of the  
2 environment, the prevention of waste and protection of  
3 correlative rights?

4 A. Yes, they do.

5 Q. I'll ask you to identify what's been marked as  
6 Exhibits Numbers 8, 9 and 10 --

7 A. Yes, sir.

8 Q. -- and are these plugging procedures that you've  
9 prepared for each of these three wells?

10 A. Yes, they are, for the Gulf State Number 1, the  
11 Hondo Holloway and the North Caprock Queen 5Y.

12 Q. And if these wells were plugged and abandoned in  
13 accordance with Exhibits 8, 9 and 10, respectively, would  
14 they be plugged and abandoned in compliance with all OCD  
15 regulations?

16 A. Yes, they would.

17 MR. BROOKS: Tender into evidence Exhibits 3  
18 through 6 and 8 through 10.

19 EXAMINER STOGNER: Exhibits 3 through 6 and 8  
20 through 10 will be admitted into evidence at this time.

21 MR. BROOKS: Pass the witness.

22 EXAMINATION

23 BY EXAMINER STOGNER:

24 Q. Where are these wells located, and what's the  
25 general conditions of the surface?

1           A.    These wells are all located in pasture land; no  
2 residence is near.

3           The Hondo Holloway has a water well approximately  
4 a mile away.

5           The Gulf State, no residence near; it's all  
6 pasture land, and the closest water well is probably a  
7 couple miles away.

8           The North Caprock Queen well is located near a  
9 ranch residence, approximately a quarter of a mile away  
10 from the ranch residence, and there is a water well at that  
11 site.

12          Q.    Are there any tanks, pumps or anything on the  
13 surface?

14          A.    Yes, there is. There's a tank on each of these  
15 wells. The North Caprock Queen well has two tanks and an  
16 old pit. The Hondo Holloway has one tank and an old pit.  
17 And the Gulf State well has one tank and an old pit. All  
18 three wells need environmental work too. They've got  
19 fairly good size pits with oil standing in them.

20          Q.    Have you been in contact with anybody?

21          A.    With Fi-Ro?

22          Q.    Yes.

23          A.    Yes, I have made several attempts to get Fi-Ro to  
24 address these wells. And at one time in 1998, Fi-Ro did  
25 work with Donna Williams, the environmentalist in District

1 1 at the time, to come up with a remediation plan. But  
2 somewhere in there it got dropped, so there has been no  
3 remediation plan filed or none followed through with.

4 EXAMINER STOGNER: And at this time I'll take  
5 administrative notice on the files here within the Division  
6 concerning these wells.

7 I have no other questions of Mr. Prichard at this  
8 time.

9 Anything else, Mr. Brooks?

10 MR. BROOKS: Yes, we'll tender the affidavit of  
11 Jane Prouty, Exhibit Number 1, setting forth the absence of  
12 production reports on these wells since 1998.

13 EXAMINER STOGNER: Exhibit Number 1 will be  
14 admitted.

15 And Exhibit Number 2?

16 MR. BROOKS: Exhibit Number 2 is a summary of the  
17 well files.

18 In addition, we will ask the Examiner to take  
19 notice of the contents of the case file, which indicate  
20 that the notice to Fi-Ro Corporation was sent to RR 4 628  
21 Devonian, Roswell, New Mexico 88210, which is the address  
22 for Fi-Ro Corporation in the NMOCD operator database. It  
23 was returned "no forward order on file, unable to forward,  
24 return to sender".

25 So there has been no actual notice in this case.

1 However there was published notice pursuant to the Rule,  
2 and an attempt was made to serve notice at the last known  
3 address.

4 I will add, because our Rules state that unsworn  
5 statements may be made a part of the record for whatever  
6 purpose they serve, that just a few minutes ago, before  
7 this hearing began, I was conversing with the District  
8 Supervisor in District Number 2, Mr. Gum, and Mr. Gum  
9 indicated to me that he was in the process of preparing a  
10 plugging case for Fi-Ro Corporation wells in his district  
11 and that he indicated that the owner of Fi-Ro Corporation  
12 is deceased, and he didn't know whether there had been an  
13 estate open or not, but that's just rank hearsay.

14 EXAMINER STOGNER: Thank you, sir, so noted.

15 If there's nothing further in Case Number 12,950  
16 then this matter will be taken under advisement.

17 (Thereupon, these proceedings were concluded at  
18 3:05 p.m.)

19 \* \* \*

20 I do hereby certify that the foregoing is  
21 a complete record of the proceedings in  
22 the Examiner hearing of Case No. 12950  
23 heard by me on 24 October 2002.

24  , Examiner  
25 Oil Conservation Division

## 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 6th, 2002.



STEVEN T. BRENNER  
CCR No. 7

My commission expires: October 16th, 2006