

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 AGAINST BC&D OPERATING, INC.)

CASE NO. 13,874

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: RICHARD EZEANYIM, Hearing Examiner

March 1st, 2007

Santa Fe, New Mexico

2007 MAR 15 AM 8 10

This matter came on for hearing before the New Mexico Oil Conservation Division, RICHARD EZEANYIM, Hearing Examiner, on Thursday, March 1st, 2007, 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

March 1st, 2007
Examiner Hearing
CASE NO. 13,874

	PAGE
EXHIBITS	3
APPEARANCES	4
APPLICANT'S WITNESSES:	
<u>DOROTHY L. PHILLIPS</u> (Plugging Bond	
Administrator, NMOCD, Santa Fe)	
Direct Examination by Ms. MacQuesten	7
Examination by Examiner Ezeanyim	15
<u>JOSÉ DANIEL SANCHEZ</u> (Compliance and	
Enforcement Manager, NMOCD, Santa Fe)	
Direct Examination by Ms. MacQuesten	16
Examination by Examiner Ezeanyim	25
REPORTER'S CERTIFICATE	29

* * *

E X H I B I T S

Applicant's	Identified	Admitted
Exhibit 1	6	24
Exhibit 2	7	24
Exhibit 3	8	24
Exhibit 4	8	24
Exhibit 5	8	24
Exhibit 6	9	24
Exhibit 7	9	24
Exhibit 8	10	24
Exhibit 9	11	24
Exhibit 10	12	24
Exhibit 11	12	24
Exhibit 12	19	24
Exhibit 13	20	24
Exhibit 14	21	24
Exhibit 15	21	24
Exhibit 16	22	24
Exhibit 17	22	24

* * *

A P P E A R A N C E S

FOR THE DIVISION:

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

FOR THE APPLICANT:

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 8:22 a.m.:

3 EXAMINER EZEANYIM: On page 1, I call Case Number
4 13,874. This is the Application of the New Mexico Oil
5 Conservation Division for a compliance order against BC&D
6 Operating, Inc.

7 Call for appearances.

8 MS. MacQUESTEN: If it please the Examiner, my
9 name is Gail MacQuesten. I'll be representing the OCD in
10 this hearing. I have two witnesses.

11 EXAMINER EZEANYIM: Any other appearances,
12 please?

13 May the witnesses please stand up to be sworn,
14 please?

15 (Thereupon, the witnesses were sworn.)

16 EXAMINER EZEANYIM: Ms. MacQuesten, you may
17 continue.

18 MS. MacQUESTEN: Mr. Examiner, this case is a
19 simple plugging case. We are asking for an order
20 determining that the four wells identified in the
21 Application are in violation of Rule 201, because they've
22 been inactive for a period of time in excess of one year
23 plus 90 days and are neither plugged nor on approved
24 temporary abandonment status.

25 We would ask the Examiner to set a deadline for

1 the operator to bring the wells into compliance with Rule
2 201 and, if the operator fails to meet that deadline,
3 authorize the Division to plug the wells and forfeit the
4 applicable financial assurance.

5 The Application did not request penalties. At
6 the time of filing we thought this was an orphan well case
7 and that there was no operator left to assess penalties
8 against. As the evidence will show, however, the operator
9 is a corporation in the process of revocation. He had not
10 taken action on the wells and was not responding to our
11 letters requesting agreed compliance orders. However, once
12 we filed the Application in this case, we did hear from the
13 operator.

14 This is a straightforward case except for one
15 thing. The financial assurance information is a little
16 confusing. For that reason, I've asked Dorothy Phillips to
17 testify in person, instead of by affidavit.

18 The evidence packet is in front of you. The
19 first exhibit is an affidavit of notice, showing notice was
20 sent to BC&D at five addresses. We found those address in
21 our RBDMS system, from the bond, from the records of the
22 Public Regulatory Commission and from correspondence with
23 the operator. We did receive a green return receipt card
24 from two of those addresses.

25 You'll note that there was no notice sent to the

1 bank. That's because the financial assurance in this case
2 is a cash bond, so there was no need to notify the surety.

3 Exhibit 2 is an affidavit of publication showing
4 advertisement in the *Lovington Leader* on February 3rd,
5 2007.

6 And with that, I would like to call our first
7 witness, Ms. Dorothy Phillips.

8 DOROTHY PHILLIPS,

9 the witness herein, after having been first duly sworn upon
10 her oath, was examined and testified as follows:

11 DIRECT EXAMINATION

12 BY MS. MacQUESTEN:

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

14 A. Dorothy Phillips.

15 Q. And by whom are you employed?

16 A. Oil Conservation Division.

17 Q. How long have you worked for the Oil Conservation
18 Division?

19 A. Since 1989.

20 Q. Do your current duties include maintaining
21 records of financial assurance documents filed by operators
22 to secure the plugging of wells in New Mexico?

23 A. That's correct.

24 Q. Have you reviewed OCD records to determine if
25 BC&D Operating, Inc., has posted a financial assurance?

1 A. Yes.

2 Q. What source do you check first?

3 A. I check the ONGARD system.

4 Q. Would you please look at what's been marked as
5 Exhibit Number 3? Is this a printout of the ONGARD screen
6 you looked at for BC&D Operating, Inc.?

7 A. That's correct.

8 Q. And what type of bond does the ONGARD screen show
9 for BC&D Operating, Inc.?

10 A. It's a \$50,000 cash bond.

11 Q. Did you check the general well list for BC&D
12 Operating, Inc., to see what wells would be covered by that
13 blanket bond?

14 A. Yes.

15 Q. And if you could look at what's been marked as
16 Exhibit Number 4, is that a copy of the well list for BC&D
17 Operating, Inc.?

18 A. That's correct.

19 Q. Are the four wells on that list the four wells
20 that are the subject of this hearing?

21 A. Yes.

22 Q. Did you pull the bond file for BC&D Operating?

23 A. Yes.

24 Q. Is Exhibit 5 a copy of the cash bond you found in
25 the BC&D Operating, Inc., file?

1 A. That's correct.

2 Q. And is Exhibit C [sic] a copy of the assignment
3 of cash collateral for that bond?

4 A. That's correct.

5 Q. Now I'd like you to take a look at the names that
6 appear on those two documents, and on the bond, Exhibit
7 Number 5, what is the name of the operator?

8 A. BC&D Oil and Gas Corporation.

9 Q. Okay, not BC&D Operating, Inc.?

10 A. No.

11 Q. How about the assignment of cash collateral?
12 What name is on that document?

13 A. BC&D Oil and Gas.

14 Q. Again, not BC&D Operating, Inc.?

15 A. That's correct.

16 Q. What is the date on these two documents, Exhibit
17 5 and 6?

18 A. January 29th, 1993.

19 Q. Did you find anything in the bond file to explain
20 why the bond information in the name of BC&D Oil and Gas
21 Corporation showed up in the bond file for BC&D Operating,
22 Inc.?

23 A. Yes, I found a letter.

24 Q. Is that Exhibit Number 7?

25 A. That's correct.

1 Q. Who's the letter from?

2 A. It's from Ron Mullins, the president and CEO of
3 United New Mexico Bank.

4 Q. And what is the date of this letter?

5 A. September 15th, 1993.

6 Q. What is the letter asking the OCD to do?

7 A. To amend the name of the obligor to the above-
8 referenced letter of credit from BC&D Oil and Gas
9 Corporation to BC&D Operating, Inc.

10 Q. So it was a request for a name change on the --

11 A. That's correct.

12 Q. -- financial assurance documents?

13 Now it mentions a letter of credit. Was there a
14 letter of credit in the file?

15 A. No.

16 Q. Did the OCD even accept letters of credit in
17 1993?

18 A. No, we started accepting letters of credit in the
19 year 2000.

20 Q. Could you turn to what's been marked as Exhibit
21 Number 8, and can you tell us what this document is?

22 A. This is a letter from the Oil Conservation
23 Division, signed by the Director, William LeMay.

24 Q. And what is the date?

25 A. September 17th, 1993.

1 Q. What is it -- Who is it to?

2 A. It's to BC&D Operating, Inc.

3 Q. And what is it asking the operator to do?

4 A. It's asking them to submit a blanket cash bond
5 form with a new name.

6 Q. Okay. Does it take any action on that requested
7 name change?

8 A. Yes, it's approving the name change from BC&D Oil
9 and Gas to BC&D Operating, Inc.

10 Q. All right. Is there a bond for -- a bond for
11 BC&D Operating, Inc., in the file?

12 A. No.

13 Q. Now all the documents we've looked at so far date
14 from 1993. Were there any more recent documents in the
15 file with BC&D Operating, Inc., as the operator?

16 A. I show the assignment of cash collateral.

17 Q. Is that Exhibit Number 9?

18 A. Yes.

19 Q. All right, and that is in the correct name of the
20 current operator?

21 A. Correct.

22 Q. What is the date on this document?

23 A. January 24th, 1997.

24 Q. Now behind the date I notice that it says
25 "(amended)". Did you find any assignment of cash

1 collateral in the file it could be amending, other than the
2 assignment for BC&D Oil and Gas Corporation?

3 A. No.

4 Q. Is there a bond to go with this assignment of
5 cash collateral deposit?

6 A. No.

7 Q. So the only bond in the file is the one in the
8 name BC&D Oil and Gas Corporation?

9 A. That's correct.

10 Q. Did you check the Public Regulatory Commission
11 website for information on BC&D Oil and Gas Corporation and
12 BC&D Operating, Inc.?

13 A. I did.

14 Q. Would you turn to what's been marked as Exhibit
15 Number 10? Is this the information you found on BC&D Oil
16 and Gas Corporation?

17 A. Yes.

18 Q. And what is the status of this corporation,
19 according to the PRC website?

20 A. It's in good standing through March 15th of 2008.

21 Q. All right, and this is the company that we have
22 the original financial assurance information for?

23 A. That's correct.

24 Q. Could you turn to what's been marked as Exhibit
25 Number 11? Is this the information on BC&D Operating,

1 Inc., our current operator?

2 A. Correct.

3 Q. So BC&D Operating, Inc., as far as the PRC is
4 concerned, is a separate entity from BC&D Oil and Gas
5 Corporation?

6 A. That's correct.

7 Q. Now what's the status of BC&D Operating, Inc.,
8 according to the PRC?

9 A. It's in the process of revocation.

10 Q. Did this so-called name-change from BC&D Oil and
11 Gas Corporation to BC&D Operating, Inc., happen while you
12 were the OCD financial assurance administrator?

13 A. No.

14 Q. If that request had come in to you, what would
15 you have done?

16 A. The first thing I do when someone submits a name
17 change, I would check to see that they are registered with
18 the Public Regulation Commission or the Secretary of
19 State's Office, depending on if it's a limited partnership,
20 an LLC, or a corporation.

21 Then I would ask for corporate documentation to
22 be sent to the OCD attorney for his determination. He
23 makes the determination if it's a change of name or a
24 change of operator.

25 Q. Okay. Is it common to have a change-of-name

1 situation for the original company -- If it's a change of
2 name, there should be one company with the name change; is
3 that correct?

4 A. Right, and the OGRID remains the same.

5 Q. Right. And in this case we have the original
6 company still remaining in existence and the new company?

7 A. That's correct.

8 Q. Did you check to see if the assignment of cash
9 collateral that we hold for BC&D Operating, Inc., the
10 current operator, is in effect?

11 A. Yes, it is.

12 Q. And what bank holds it now?

13 A. Wells Fargo.

14 Q. Did you check to see if the assignment of cash
15 collateral for BC&D Oil and Gas Corporation, the original
16 operator, is still in effect?

17 A. For the original operator?

18 Q. (Nods)

19 A. Oil and Gas Corporation, no, that's no longer.

20 Q. No longer in effect? All right.

21 So to summarize, we have an assignment of cash
22 collateral deposit being held by Wells Fargo for BC&D
23 Operating, Inc., the current operator, but the only bond
24 document we have is the bond for BC&D Oil and Gas
25 Corporation?

1 A. That's correct.

2 Q. But we have a letter recognizing a name change
3 from BC&D Oil and Gas Corporation to BC&D Operating?

4 A. That's correct.

5 MS. MacQUESTEN: Thank you. I don't have any
6 other questions of Ms. Phillips.

7 EXAMINER EZEANYIM: Do you have any questions?

8 MR. BROOKS: No questions, thank you.

9 EXAMINATION

10 BY EXAMINER EZEANYIM:

11 Q. Let me understand who is the operator. I know
12 there is a name change from Oil and Gas to Operating.
13 Which one is the most current? Operating or Oil and Gas?

14 A. Operating, sir.

15 Q. Operating. So the BC&D Oil and Gas changed to
16 BC&D Operating?

17 A. Yes, sir, the name change was approved by the Oil
18 Conservation. Mr. LeMay approved that name change.

19 Q. Okay. So now BC&D Operating is the current
20 operator for these wells?

21 A. Correct.

22 Q. All right. If I heard you correctly, I think
23 from the wells that you've got on your ONGARD, some of the
24 wells became inactive very long time -- in 1992, something
25 like that, maybe 2004. Are they still liable operator in

1 New Mexico?

2 A. I'm sorry, what was your question?

3 Q. I said, BC&D, are they still operating in New
4 Mexico?

5 A. Yes.

6 EXAMINER EZEANYIM: They are. Okay, that's all I
7 need to know. Thank you.

8 MS. MacQUESTEN: May Ms. Phillips be excused?

9 EXAMINER EZEANYIM: Yeah, you may be excused.

10 THE WITNESS: Thank you.

11 MS. MacQUESTEN: I would call Daniel Sanchez.

12 EXAMINER EZEANYIM: Mr. Sanchez has been sworn,
13 so...

14 JOSÉ DANIEL SANCHEZ,

15 the witness herein, after having been first duly sworn upon
16 his oath, was examined and testified as follows:

17 DIRECT EXAMINATION

18 BY MS. MacQUESTEN:

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

20 A. Daniel Sanchez.

21 Q. And where are you employed?

22 A. With the Oil Conservation Division.

23 Q. What is your title?

24 A. Compliance and Enforcement Manager.

25 Q. Do your duties include supervising the District

1 Offices and managing the OCD's compliance efforts?

2 A. Yes, they do.

3 Q. Have you reviewed the well files for the four
4 wells at issue in this case and OCD's records on BC&D
5 Operating, Inc.?

6 A. Yes, I have.

7 Q. Would you look at what has been previously
8 testified to, Exhibit Number 4, the well list for BC&D?

9 A. Okay.

10 Q. What does this well list show?

11 A. It shows the wells that BC&D is currently
12 operating.

13 Q. Could you look at the column, the second column
14 from the right? It's titled "last -- " it looks an
15 abbreviation for "production/injection". What does that
16 show?

17 A. It shows the last time each well was either
18 produced or injected into.

19 Q. All right. And does it show that there has been
20 no production or injection for more than one year plus 90
21 days for each of these wells?

22 A. Yes, it does.

23 Q. According to the records in the OCD well files
24 for these wells, have any of these wells been plugged?

25 A. No.

1 Q. Have any of these wells been placed on approved
2 temporary abandonment status?

3 A. No.

4 Q. Has BC&D operated other wells in addition to the
5 four wells that appear on this list now?

6 A. Yes, they have.

7 Q. What happened to those wells?

8 A. They were transferred to Mountain States.

9 Q. Can you give us some idea of how many wells were
10 involved in that transfer?

11 A. Probably between 75 and 100. I didn't get an
12 exact count, but it was quite a few.

13 Q. All right. And these four wells that show up now
14 for BC&D Operating, Inc., are they the wells that were left
15 with BC&D Operating, Inc., after that transfer?

16 A. Yes, they were.

17 Q. When did that transfer occur?

18 A. That was --

19 Q. Approximately?

20 A. -- in 2005, in December of 2005.

21 Q. Prior to filing the Application for hearing in
22 this case, did the OCD take any action to notify BC&D about
23 the compliance issue on these four wells?

24 A. Yes, we did.

25 Q. Would you please look at what's been marked as

1 Exhibit Number 12? Can you tell us what this document is?

2 A. It was a letter to BC&D, Mr. Donnie Hill, letting
3 him know about the noncompliance.

4 Q. What is the date on the letter?

5 A. January 14th of 2005.

6 Q. And what does the letter suggest -- does the
7 letter make a suggestion regarding how to resolve this
8 problem?

9 A. It offers them an opportunity to enter into an
10 agreed compliance order, to deal with those wells.

11 Q. Okay. Are the wells that the agreed compliance
12 order would apply to those three wells listed up at the top
13 of the page?

14 A. Yes, they are.

15 Q. And are those three wells three of the wells on
16 the well list?

17 A. Yes, they are.

18 Q. Now there's one well that's missing, the Peoples
19 Security Number 1. Do you know why that wasn't included in
20 this offer?

21 A. Yeah, at the time it was still in compliance.

22 Q. Did the OCD receive a response to the letter?

23 A. No, we didn't.

24 Q. Have you reviewed the well files to see what
25 action BC&D has taken on the wells since the January 14,

1 2005, letter?

2 A. Yes, I have.

3 Q. Could you identify what's been marked as Exhibit
4 Number 13? Can you tell us what this is?

5 A. It's a C-103, and it's a subsequent report. And
6 what BC&D was asking for was permission to restore to a
7 useful function, temporarily abandon or plug and abandon
8 the Blankenship Number 1.

9 Q. All right. What's the date on this filing?

10 A. This one was November 18th of '05.

11 Q. So they were asking to --

12 A. Basically to come into compliance with 201, Rule
13 201.

14 Q. Okay. Did the OCD approve that request?

15 A. No, there was a condition there in which, when it
16 was signed off on, BC&D was notified that they needed to
17 get into an agreed compliance order in order to deal with
18 the wells.

19 Q. Is that condition the handwritten note at the
20 bottom of Exhibit 13?

21 A. Yes, it is.

22 Q. Were there any filings in the well file for the
23 Blankenship Number 1 after this C-103?

24 A. No.

25 Q. Could you identify what's been marked as Exhibit

1 14?

2 A. That too is a C-103 for the Blankenship A Number
3 1, and it's requesting the same, to get into compliance
4 with Rule 201.

5 Q. And was there the same response from the
6 District?

7 A. Yes, it was.

8 Q. Are there any files in the well file for the
9 Blankenship A Number 1 after this filing?

10 A. No.

11 Q. Can you identify what's been marked as Exhibit
12 15?

13 A. That is a C-104 from BC&D, and it was an attempt
14 to perform remedial work on the well.

15 Q. Which well does it refer to?

16 A. This one is the GW Shahan Number 2.

17 Q. On Exhibit 15?

18 A. Oh, I'm sorry, the Peoples Security.

19 Q. And what is the date on this filing?

20 A. This one is September 26th of 1994.

21 Q. All right. Does this filing also show a change
22 of operator?

23 A. Yes, it does.

24 Q. And from which operator to which operator?

25 A. Okay, this one was from Pronghorn to BC&D.

1 Q. All right. Are there any more recent filings in
2 the well file for the Peoples Security Number 1 after BC&D
3 became operator of the well in 1994?

4 A. No.

5 Q. Could you identify what's been marked as Exhibit
6 16?

7 A. This is a C-103 for the G.W. Shahan Number 2.

8 Q. All right, and what is the date on this document?

9 A. March of 2005.

10 Q. What is BC&D reporting on this C-103?

11 A. It's an intent to perform remedial work.

12 Q. Are there any more recent filings in the well
13 file for the G.W. Shahan Number 2?

14 A. No.

15 Q. Did the G.W. Shahan Number 2 report any
16 production after this filing?

17 A. No.

18 Q. Could you turn to what's been marked as Exhibit
19 17?

20 A. Yes.

21 Q. What is this document?

22 A. It's a letter from BC&D Operating.

23 Q. What's the date on the letter?

24 A. February 22nd, 2007.

25 Q. So this is just a few days ago?

1 A. Yes.

2 Q. And it refers to a letter dated January 22nd,
3 2007. Do you know what that letter is that it's referring
4 to?

5 A. That was the notice of hearing.

6 Q. Okay. What does BC&D tell us in this letter?

7 A. It's a proposed plan of action for the final four
8 wells.

9 For the Blankenship 1 and the Blankenship A
10 Number 1, they are looking at selling it to Apache
11 Corporation, and I believe that sell will be in effect by
12 March 31st of 2007.

13 The G.W. Shahan Number 2, they had a mechanical
14 integrity test conducted on it, and they are going to put
15 it under temporary abandonment status. They're saying that
16 they will have that -- return it to production or on TA
17 status by the 30th of April.

18 And for the Peoples Security Number 1, it is a
19 productive well and they're looking at returning it to
20 production by no later than March 15th of '07.

21 Q. So the latest date that they say they need to
22 return all of these wells to compliance is April 30th --

23 A. Yes.

24 Q. -- 2007?

25 What are you asking for in this case?

1 A. We're asking for an order stating that BC&D has
2 until April 30th to complete their proposed plan of action.

3 Q. In the letter BC&D says they're willing to enter
4 into an agreed compliance order. Why are we going to
5 hearing instead of just entering into an agreed compliance
6 order with them?

7 A. We have attempted to contact BC&D to get into an
8 agreed compliance order previous times, and we've never
9 been responded to.

10 So we figured this was the best way to deal with
11 the last four wells that they have.

12 Q. And if you look back at Exhibits 13 through 16,
13 those documents from the well file, we have seen BC&D
14 promise to return these wells to compliance in the past,
15 have we not?

16 A. Yes, we have.

17 Q. And that has not happened?

18 A. No.

19 MS. MacQUESTEN: I would move for admission of
20 Exhibits 1 through 17.

21 EXAMINER EZEANYIM: Exhibits 1 through 17 will be
22 admitted into evidence.

23 MS. MacQUESTEN: Those are all the questions that
24 I have for Mr. Sanchez.

25 MR. BROOKS: Can't think of any questions.

EXAMINATION

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

BY EXAMINER EZEANYIM:

Q. I know you stated at the beginning of the hearing that you're not requesting for any penalties because --

A. We're not --

Q. You say you're not requesting --

A. Yeah, we're not requesting it because we believe that with the current plan of action that we should give them that opportunity to try to meet those dates.

Q. Okay. In December, 2005, you -- I see in addition here that you need to commit -- I mean -- enter into an agreed-upon compliance, you know, before this is approved. I was wondering, why didn't they come in for an agreed compliance order? And what is an agreed compliance order?

A. An agreed compliance order allows the operator time to come into compliance with 201 on any of their inactive wells.

Q. Basically, you know, you give them --

A. Yeah, they have the option to either plug the wells, get them back into production, or put them on TA status.

Q. And then when it was required and requested that they enter into an agreed compliance order, they refused to do that?

1 A. They never contacted us.

2 Q. And they -- for several times you made those
3 attempts, and now -- what you say, you don't want agreed
4 compliance order, but you want them to comply by April
5 30th.

6 A. Usually an agreed compliance order will give them
7 additional time to do several things. With an order and
8 with their proposed plan of action, they've put themselves
9 on a time frame, and we just want to make sure that they
10 stick to that time frame, and we feel that the order will
11 do the same. And since we were going to hearing on this,
12 it's easier to put it through the order.

13 Q. So you -- both of you agree that the wells could
14 be plugged by April 30th this year?

15 A. Yes.

16 Q. Under what document? Agreed compliance order, or
17 what is that?

18 A. Under this order, an order from this hearing.

19 Q. And assuming that the operator does not plug the
20 well and you are ordered to plug the well, is \$50,000
21 enough for you to plug the four wells?

22 A. I'm not sure exactly how much we would need to
23 plug those wells.

24 Q. And these wells, of course, it has been
25 demonstrated that they have been inactive for a period of

1 more than one year plus 90 days?

2 A. That's right.

3 Q. And BC&D Operating, Inc., is now the operator of
4 those wells?

5 A. That is true.

6 EXAMINER EZEANYIM: Okay. You may step down.

7 MS. MacQUESTEN: Mr. Examiner, if I may explain a
8 little bit about the agreed compliance order process,
9 customarily we enter into agreed compliance orders with the
10 operator, under which the operator agrees to return wells
11 to compliance under a schedule that was negotiated, and if
12 the operator fails to meet that schedule there are certain
13 consequences, usually penalties.

14 The agreed compliance orders don't provide that
15 we can plug the well and forfeit the applicable financial
16 assurance if the operator fails to do so. Normally to go
17 to that step, we would need to go to hearing, provide
18 notice and so forth.

19 One reason that we did not enter into an agreed
20 compliance order in this case when BCD came to us at the
21 last minute and said that they were willing to do it was
22 that we would -- if we agreed, we would enter into an
23 agreed compliance order, and if they didn't comply we would
24 be right back in front of you with a hearing asking for
25 permission to plug the wells and forfeit the financial

1 assurance.

2 This way, we can get that done in one proceeding.
3 We're accommodating BC&D by allowing them the time they've
4 requested. But if they aren't able to bring the wells into
5 compliance at that time, we will be able to immediately
6 step in and plug the wells and forfeit their financial
7 assurance.

8 EXAMINER EZEANYIM: Okay. Thank you for that
9 information.

10 MS. MacQUESTEN: That concludes our presentation
11 on BC&D.

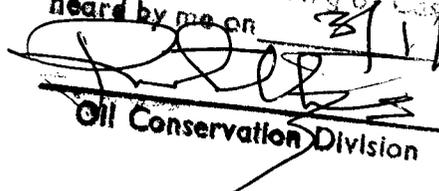
12 EXAMINER EZEANYIM: Thank you, Ms. MacQuesten.

13 At this point, Case Number 13,874 will be taken
14 under advisement.

15 (Thereupon, these proceedings were concluded at
16 8:49 a.m.)

17 * * *

18
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. 13,874
23 heard by me on 3/1/05.

24 
25 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 March 1st, 2007.



STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 16th, 2010