

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 AN ORDER)
REQUIRING WILLOW CREEK RESOURCES,)
INC., TO PLUG ONE WELL AND ORDERING)
FORFEITURE OF APPLICABLE FINANCIAL)
ASSURANCE IN EVENT OF OPERATOR'S)
NONCOMPLIANCE, EDDY COUNTY, NEW MEXICO)

CASE NO. 13,715

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

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

February 1st, 2007

Santa Fe, New Mexico

2007 FEB 15 AM 8 13

This matter came on for hearing before the New Mexico Oil Conservation Division, WILLIAM V. JONES, Jr., Hearing Examiner, on Thursday, February 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.

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February 1st, 2007
Examiner Hearing
CASE NO. 13,715

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A P P E A R A N C E S

FOR THE APPLICANT:

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Santa Fe, New Mexico 87505

FOR THE DIVISION:

CHERYL O'CONNOR
Assistant Counsel, NMOCD
Energy, Minerals and Natural Resources Department
1220 South St. Francis Drive
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* * *

ALSO PRESENT:

Chris Prickett
Willow Creek Resources

* * *

1 WHEREUPON, the following proceedings were had at
2 8:29 a.m.:

3 EXAMINER JONES: And at this time let's call Case
4 Number 13,715, Application of the New Mexico Oil
5 Conservation Division for an order requiring Willow Creek
6 Resources, Incorporated, to plug one well and ordering
7 forfeiture of applicable financial assurance in event of
8 operator's noncompliance, Eddy County, New Mexico.

9 Call for appearances.

10 MR. BROOKS: Mr. Examiner, I'm David Brooks,
11 Energy, Minerals and Natural Resources Department,
12 appearing for the Oil Conservation Division.

13 EXAMINER JONES: Any other appearances in this
14 case?

15 MR. PRICKETT: Chris Prickett, from Willow Creek
16 Resources.

17 EXAMINER JONES: Would you please state your last
18 name again?

19 MR. PRICKETT: Prickett --

20 EXAMINER JONES: Okay.

21 MR. PRICKETT: -- P-r-i-c-k-e-t-t.

22 MR. BROOKS: Okay, you may sit up there at the
23 other table, if you'd like.

24 EXAMINER JONES: Any other appearances in this
25 case?

1 Witnesses, any witnesses?

2 MR. BROOKS: I have one witness, and let the
3 record reflect that he was sworn in the prior case.

4 EXAMINER JONES: Mr. Sanchez was already sworn in
5 the prior case.

6 MR. BROOKS: Very good.

7 EXAMINER JONES: Okay, you may proceed, Mr.
8 Brooks.

9 JOSÉ DANIEL SANCHEZ,
10 the witness herein, having been previously duly sworn upon
11 his oath, was examined and testified as follows:

12 DIRECT EXAMINATION

13 BY MR. BROOKS:

14 Q. Okay, Mr. Sanchez, would you again, for the
15 purposes of the record in this case, state your name,
16 please?

17 A. José Daniel Sanchez.

18 Q. And by whom are you employed?

19 A. Oil Conservation Division.

20 Q. And in what capacity?

21 A. Compliance and enforcement manager.

22 MR. BROOKS: I suppose I'd better get the
23 exhibits for this particular case. I want to give Mr.
24 Prickett a copy, so I will give my set to the reporter
25 after the --

1 MR. PRICKETT: Thank you.

2 MR. BROOKS: -- conclusion of the hearing.

3 Q. (By Mr. Brooks) Mr. Sanchez, as compliance and
4 enforcement manager, is one of your duties to keep track of
5 inactive wells?

6 A. Yes, sir.

7 Q. Does the OCD, Oil Conservation Division, have a
8 rule requiring that inactive wells be plugged by the
9 operator?

10 A. Yes, it does.

11 Q. And what period of time does the operator have
12 after a well has ceased to produced before he's required to
13 plug those wells?

14 A. Twelve months, plus an additional three months.

15 Q. Okay. Have you looked at the situation of the
16 Maudie Rickman Well Number 1, operated by Willow Creek
17 Resources, Inc.?

18 A. Yes, I have.

19 Q. Call your attention to what has been marked as
20 Exhibit Number 1, and what is Exhibit Number 1?

21 A. It's the well list for Willow Creek Resources.

22 Q. And when does it show that the Maudie Rickman
23 Well Number 1 last produced?

24 A. September of 2002.

25 Q. Is Exhibit Number 1 a copy of a record -- a

1 printout of a record kept electronically in the ordinary
2 course of business by the Oil Conservation Division?

3 A. Yes, it is.

4 Q. Mr. Sanchez, have you examined the well file
5 maintained by the New Mexico Oil Conservation Division with
6 respect to the Maudie Rickman Well Number 1?

7 A. Yes, I have.

8 Q. Is there anything in that well file to indicate
9 that that well has been plugged?

10 A. No.

11 Q. Is there anything in that well file to indicate
12 that that well has been approved for temporary abandonment
13 by the Oil Conservation Division?

14 A. No.

15 Q. I'll call your attention, then, to what has been
16 marked as OCD Exhibit Number 5, and what is Exhibit Number
17 5?

18 A. It's a notice of intent to temporarily abandon.

19 Q. Okay, and I see that has the OCD approval noted
20 on it, correct?

21 A. Yes, sir.

22 Q. Now you just said that OCD had not approved this
23 well for temporary abandonment. What would have had to
24 have been done that hasn't been done in order for this well
25 to have been approved for temporary abandonment?

1 A. The steps in the intent would have to have been
2 carried out, which would have included an MIT on the well,
3 approved by the Division.

4 Q. Did you find anything in the well file to
5 indicate that that has been done?

6 A. No.

7 Q. Call your attention to what has been marked as
8 OCD Exhibit Number 6, and what is OCD Exhibit Number 6?

9 A. It's an agreed compliance order.

10 Q. And what is an agreed compliance order?

11 A. The agreed compliance order allows Willow Creek
12 Resources to work with the Division in order to take care
13 of their inactive well by either producing it, temporarily
14 abandoning it, or plugging and abandoning it.

15 Q. Okay, I will call your attention to page 2 of
16 Exhibit Number 6, numbered item 1 under the heading
17 "Order". Referring to that, can you tell us by what time
18 -- by what date was Willow Creek given to plug and abandon
19 the Maudie Rickman Well Number 1?

20 A. Willow Creek had until November 30th, 2006.

21 Q. And again, according to the well files, do you
22 see any evidence that they have done so?

23 A. No.

24 Q. Okay, this agreed compliance order requires
25 Willow Creek, in the event that they do not comply within

1 the time provided, to pay a penalty of \$1000. Has that
2 penalty been paid?

3 A. Yes, it has.

4 Q. Very good. Once again, Mr. Sanchez, I call your
5 attention to paragraph number 2 at the bottom of page 2 of
6 Exhibit 6. The second sentence reads, "If Operator
7 encounters unanticipated circumstances that prevent it from
8 bringing the subject well into compliance by November 30,
9 2006, Operator may file an administrative application with
10 OCD to request a waiver or reduction of the penalty -- " I
11 guess I'd better slow down for the court reporter here.

12 " -- and an amendment extending the terms of this order for
13 a period not to exceed six months. Operator shall mail or
14 deliver a copy of such application to...OCD's Enforcement
15 and Compliance Manager..."

16 Now, OCD's enforcement and compliance manager,
17 that is you?

18 A. Yes.

19 Q. Have you received any application for extension
20 of this agreed compliance order from Willow Creek
21 Resources?

22 A. No, I haven't.

23 Q. Very good. Now call your attention to what's
24 been marked as OCD Exhibit Number 10 and ask you, Mr.
25 Sanchez, is that a plugging procedure for the Maudie

1 Rickman Well Number 1?

2 A. Yes, it is.

3 Q. And Mr. Sanchez, in your opinion does the Maudie
4 Rickman Well Number 1 need to be plugged?

5 A. Yes, it does.

6 MR. BROOKS: We'll submit Exhibits 1, 5, 6 and
7 10.

8 EXAMINER JONES: Mr. Brooks hold on just a
9 second. I'm not an attorney. Can I get Cheryl -- Cheryl,
10 can you come up and sit with me on this case, please?

11 MS. O'CONNOR: Sure.

12 EXAMINER JONES: The reason I'm asking Cheryl to
13 come up is, I was looking through the file here, and I
14 don't see an entry of appearance or a prehearing statement
15 from Mr. Prickett. Did you submit one?

16 MR. BROOKS: I imagine --

17 MR. PRICKETT: No.

18 MR. BROOKS: -- that he did not. Mr. Prickett is
19 not an attorney, and --

20 EXAMINER JONES: Okay, Mr. Prickett, who are you
21 representing?

22 MR. PRICKETT: Willow Creek.

23 EXAMINER JONES: Okay, that was -- Okay. Does
24 the Applicant have an objection to -- is that okay? --
25 objection to Mr. Prickett appearing in this case?

1 MR. BROOKS: The Applicant has no objection to
2 Mr. Prickett appearing on behalf of Willow Creek and has no
3 objection to his not having filed a prehearing statement.

4 (Off the record)

5 EXAMINER JONES: Okay, with that we'll -- Any
6 objection to the admission of the exhibits?

7 MR. PRICKETT: No.

8 EXAMINER JONES: Okay, with that we'll admit the
9 Applicant's exhibits --

10 MR. BROOKS: The ones that were submitted were 1,
11 5, 6 and 10.

12 EXAMINER JONES: -- 1, 5, 6 and 10.

13 MR. BROOKS: Okay, we have some additional
14 exhibits, again, to submit for administrative notice, but
15 I'll pass the witness.

16 EXAMINER JONES: Mr. Prickett?

17 MR. PRICKETT: Okay. First, we -- after we were
18 notified the well had to be plugged --

19 EXAMINER JONES: Well -- Go ahead, Cheryl.

20 MS. O'CONNOR: I think you were just going to --
21 You were just asking whether he had an objection to the
22 admission of the --

23 MR. PRICKETT: I'm sorry. No, I do not.

24 MS. O'CONNOR: You'll be allowed after the OCD
25 finishes its case --

1 MR. PRICKETT: Okay --

2 MS. O'CONNOR: -- to make --

3 MR. PRICKETT: -- all right.

4 MS. O'CONNOR: -- some statements

5 MR. PRICKETT: Okay.

6 EXAMINER JONES: Okay.

7 MR. BROOKS: Okay, did the Examiner have any
8 questions for the witness?

9 EXAMINATION

10 BY EXAMINER JONES:

11 Q. Actually you testified, Mr. Sanchez, that the
12 well needs to be plugged. Is it -- Did you mean that it
13 really needs to be brought into compliance with Rule 201 in
14 any way?

15 A. Yes.

16 EXAMINER JONES: Okay, so -- Okay, that's the
17 only question I had.

18 MR. BROOKS: Very good. The Division would then
19 additionally submit Exhibits Numbers 2 and 3, which are
20 copies of -- 2, 3 and 4, actually, are copies of completion
21 reports. This well was completed initially in 1984, and
22 then it was re-entered -- Willow Creek re-entered this well
23 in 1995, as reflected by Exhibit Number 3, and submitted a
24 subsequent completion report which is Exhibit Number 4.

25 We'll call your attention to the fact that

1 Exhibit Number 3, which is the Application for a permit to
2 drill for the re-entry, reflects that Willow Creek
3 Resources, Inc., is the operator and is signed by Mr.
4 Prickett, and that's dated 9-21 of 1995.

5 And we would also submit, again for
6 administrative notice, as copies of instruments on file
7 with the Division, Exhibit Number 7, which is a copy of a
8 letter from me to Willow Creek Resources, Inc., dated
9 January 11th, 2007, which specifies the date, time and
10 place of this hearing, and there is attached thereto a copy
11 of a return receipt executed by Willow Creek Resources,
12 Inc., indicating receipt of that letter.

13 Also submit Exhibits Number 8 and 9, again as
14 copies of documents on file with the OCD.

15 Exhibit Number 8 is a single-well cash bond in
16 the amount of \$10,000, executed by Willow Creek Resources,
17 Inc.

18 Exhibit Number 9 is an assignment of cash
19 collateral, being an account in Lea County State Bank,
20 Account Number 100085226 of Willow Creek Resources, Inc.,
21 which was assigned to the Oil Conservation Division as
22 collateral to secure the \$10,000 cash bond.

23 We'll submit Exhibits 4, 5, 6, 7, 8 and 9.

24 EXAMINER JONES: Not 2 and 3? You already did
25 those, right?

1 MR. BROOKS: Yes, 2, 3, 4, 5 -- I'm sorry, thank
2 you, Mr. Examiner.

3 EXAMINER JONES: 2, 3, 4, 5 -- Exhibits Number --

4 MR. BROOKS: -- 6 --

5 EXAMINER JONES: -- Any objection?

6 MR. PRICKETT: No.

7 EXAMINER JONES: Okay --

8 (Off the record)

9 EXAMINER JONES: Okay, we'll -- No objection to
10 the exhibits?

11 MR. PRICKETT: No.

12 EXAMINER JONES: We'll admit Exhibits 2, 3, 4, 5,
13 6, 7, 8, 9. And any -- Do you want to question the witness
14 here?

15 MR. PRICKETT: Well, I just had some --

16 EXAMINER JONES: Okay --

17 MR. PRICKETT: -- points --

18 EXAMINER JONES: -- let's wait, then, and -- I
19 don't have any questions for the witness about these
20 exhibits at all myself.

21 (Off the record)

22 EXAMINER JONES: Okay, Mr. Prickett, just be
23 available -- wait till the end -- Why don't you go ahead
24 and say it? I agree with what you said.

25 (Laughter)

1 MS. O'CONNOR: It would be a good idea, and we
2 would request that Mr. Sanchez -- if the OCD is finished
3 with its case, that Mr. Sanchez stay down here in the
4 examining room and be available for any further questions
5 that Mr. Pickett [sic] may have for him.

6 MR. BROOKS: That would be acceptable, your
7 Honors, and I have completed -- the OCD has completed its
8 case.

9 EXAMINER JONES: Okay. Mr. Prickett, do you want
10 to make a statement then?

11 MR. PRICKETT: Well, after we filed our C-103 to
12 temporarily abandon it and got approval, I hired a plugging
13 company out of Odessa, Sunset Well Service, and they moved
14 on the location after notifying the Division that they were
15 going to be temporarily abandoning it, pumping cement down
16 the tubing and temporarily abandoning it.

17 They spent a day attempting to do this and could
18 not get the cement -- the formation was so tight they
19 couldn't get cement down. So we shut them down, the
20 Commission was notified that we were unable to do that,
21 verbally.

22 And then we attempted, and have been attempting,
23 to get a well-servicing unit to come on location to pull
24 the tubing and packer and then set a cast-iron bridge plug.

25 A new 103 has been filed, has not -- I haven't

1 heard back from it as far as, you know, to get a well-
2 servicing unit to do that, and that's what we've been
3 waiting on. We went ahead and paid the fine, and we'll do
4 that just as soon as we can get one available. It's -- The
5 oilfield is a different place today. I've been waiting as
6 long as nine months for a drilling rig and as long as six
7 months for well-servicing units.

8 So that's where we are. We do want to
9 temporarily abandon it. There are some companies that have
10 an interest in uphole completion, and until we get it
11 solved, then we'll work on that avenue.

12 EXAMINER JONES: Did you have a sundry approved
13 by the District to do this cement-pumping job?

14 MR. PRICKETT: Yes, that's the one that was
15 approved.

16 EXAMINER JONES: It was admitted --

17 MR. PRICKETT: It's here --

18 EXAMINER JONES: Okay.

19 MR. PRICKETT: -- it's the one that was approved
20 in May --

21 EXAMINER JONES: Okay.

22 MR. PRICKETT: -- which at the time that was
23 going to be the fastest thing we could do, was get
24 cementing equipment to pump down the tubing, put a cement
25 plug rather than a cast-iron bridge plug, and we wouldn't

1 have to have a well-servicing unit. And after that was
2 unsuccessful, then we re-filed a new one.

3 But we haven't been able to get a well-servicing
4 unit and a cast-iron bridge plug company yet. They're on
5 call, and hopefully just as soon as one becomes
6 available...

7 EXAMINER JONES: That sundry was signed and
8 approved before you --

9 MR. PRICKETT: This one is on May the 9th, but
10 the new one has been sent in. It was not sent in until in
11 December, and I haven't gotten it back yet.

12 EXAMINER JONES: So when do you think it would
13 be --

14 MR. PRICKETT: We could have a unit available in
15 the next three weeks, or it may be two months. I mean,
16 we've been on a list now for about three months.

17 EXAMINER JONES: How much are pulling units going
18 for now?

19 MR. PRICKETT: \$278 an hour, and then up to \$350.
20 I mean, it depends on who you get. But we're on the
21 Majors, the Basic Key, we're on L&R's well-servicing list.
22 We're just trying to find whoever and then get the bridge
23 plug people at the same time.

24 EXAMINER JONES: Okay.

25 MR. PRICKETT: And that's where we are. I mean,

1 we're not trying to get out from not plugging it. We know
2 we need to, and we will do that.

3 EXAMINER JONES: Okay. Well, we have our
4 compliance manager here, so --

5 MR. PRICKETT: I didn't know -- I mean, I was
6 talking to the Division, I had not really -- I've talked to
7 Mr. Brooks a couple of times, but I didn't really know
8 another name to contact.

9 (Off the record)

10 MS. O'CONNOR: Mr. Prickett, who did you talk to
11 at the Division?

12 MR. PRICKETT: Van Barton.

13 MS. O'CONNOR: So how -- It's been months, then,
14 since you've talked to the Division?

15 MR. PRICKETT: Yes.

16 MS. O'CONNOR: You didn't notify them, then,
17 verbally that the cement plugging wasn't working?

18 MR. PRICKETT: Well, I didn't but the cementing
19 company, I was told, did, that they informed them that they
20 could not pump in it now.

21 MS. O'CONNOR: Who did the cementing company talk
22 to --

23 MR. PRICKETT: It was Sunset Well Servicing, out
24 of --

25 MS. O'CONNOR: And do you know who they talked to

1 at the Division?

2 MR. PRICKETT: No, I don't.

3 EXAMINER JONES: They didn't leave a --

4 MR. PRICKETT: No, and I didn't file another --
5 which I guess I should have, filed another form that said
6 that it was unsuccessful.

7 MS. O'CONNOR: And you were aware that you had
8 the agreed compliance order, correct?

9 MR. PRICKETT: Yes.

10 MS. O'CONNOR: And did you make any attempt to
11 contact Mr. Brooks, when it was unsuccessful, to let him
12 know that you were not in compliance with the OCD --

13 MR. PRICKETT: No, I did not. I just -- I
14 thought once we attempted it and then we were going on a
15 different route, that we may get it done before then, and
16 we just haven't been able to get a rig.

17 MR. BROOKS: Mr. Examiner -- I'm sorry, are you
18 through?

19 MR. PRICKETT: Yes.

20 MR. BROOKS: Mr. Examiner, this is not available
21 in testimonial form. I have been told orally by the
22 Artesia Office that Mr. Prickett did file another C-103. I
23 assume it must have been filed in the last two or three
24 days, though, because it's not in the well file and has not
25 been imaged. And if it had been filed in December I think

1 it would have been by this time, but that's the information
2 that I have --

3 MR. PRICKETT: It was filled out in December. It
4 was mailed to them on the 15th, I think, of January.

5 EXAMINER JONES: I'll look for it.

6 MR. BROOKS: Yeah, I looked yesterday, it wasn't
7 on the system, so that's the information that I have
8 available --

9 MR. PRICKETT: And --

10 EXAMINER JONES: Is Hobbs District --

11 MR. PRICKETT: No, Artesia.

12 EXAMINER JONES: Artesia? You could call them
13 and talk to them --

14 MR. PRICKETT: Yeah.

15 EXAMINER JONES: -- and make sure they got it,
16 and make sure they're going to scan it in.

17 MR. PRICKETT: Okay.

18 MR. BROOKS: They have told me that they did
19 receive it.

20 EXAMINER JONES: Okay.

21 MR. BROOKS: It must have been this week, because
22 otherwise it would be on the system, I would think.

23 EXAMINER JONES: Okay. Is that it in this case,
24 then?

25 MR. BROOKS: That concludes the Division's

1 presentation.

2 EXAMINER JONES: Okay, thank you very much.
3 Thank you, Mr. Prickett, for coming up here. Thank you,
4 Mr. Sanchez.

5 We'll take Case 13,715 under advisement.

6 (Thereupon, these proceedings were concluded at
7 8:50 a.m.)

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

_____, Examiner
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 February 2nd, 2007.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2010