

Jones, William V., EMNRD

From: Jones, William V., EMNRD
Sent: Monday, June 18, 2007 1:16 PM
To: Brooks, David K., EMNRD
Cc: Williams, Chris, EMNRD; Ezeanyim, Richard, EMNRD
Subject: Case No. 13709: K.P. Kauffman Company, Inc. Mesa Queen 7 State #1 30-025-29200

Tracking:	Recipient	Read
	Brooks, David K., EMNRD	Read: 6/18/2007 1:32 PM
	Williams, Chris, EMNRD	
	Ezeanyim, Richard, EMNRD	

Hello Mr. Brooks:

This compliance case was heard 2/1/07. As preparation for the draft order, I reviewed the well file and found that this well has (since the hearing date) been plugged but the site not abandoned so the bond is still held. Testimony in the hearing indicated that, if the well was plugged by Kauffman prior to the order being issued, the case could be dismissed.

Do you request this case to be dismissed?

Regards,

William V. Jones PE
New Mexico Oil Conservation Division
1220 South St. Francis
Santa Fe, NM 87505
505-476-3448

6/18/2007

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 K.P. KAUFFMAN COMPANY, INC.,)
TO PLUG ONE WELL AND ORDERING FORFEITURE)
OF APPLICABLE FINANCIAL ASSURANCE IN)
EVENT OF OPERATOR'S NONCOMPLIANCE,)
LEA COUNTY, NEW MEXICO)

CASE NO. 13,709

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 43

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.

* * *

I N D E X

February 1st, 2007
 Examiner Hearing
 CASE NO. 13,709

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<u>JOSÉ DANIEL SANCHEZ</u> (Compliance and Enforcement Manager, NMOCD)	
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* * *

E X H I B I T S

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* * *

A P P E A R A N C E S

FOR THE APPLICANT:

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

* * *

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

1 WHEREUPON, the following proceedings were had at
2 8:17 a.m.:

3 EXAMINER JONES: Okay, let's call the first case
4 this morning. This is Case Number 13,709, Application of
5 the New Mexico Oil Conservation Division for an order
6 requiring K.P. Kauffman Company, Inc., to plug one well and
7 ordering forfeiture of applicable financial assurance in
8 event of operator's noncompliance, Lea County, New Mexico.

9 Call for appearances.

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

13 EXAMINER JONES: Any other appearances?
14 Will the witness please stand to be sworn?

15 (Thereupon, the witness was sworn.)

16 MR. BROOKS: May I proceed?

17 EXAMINER JONES: Yes.

18 MR. BROOKS: We'll get the exhibits here.

19 JOSÉ DANIEL SANCHEZ,
20 the witness herein, after having been first duly sworn upon
21 his oath, was examined and testified as follows:

22 DIRECT EXAMINATION

23 BY MR. BROOKS:

24 Q. Good morning, Mr. Sanchez.

25 Q. Good morning.

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

2 A. José Daniel Sanchez.

3 Q. And by whom are you employed?

4 A. The Oil Conservation Division.

5 Q. And what is your capacity?

6 A. I am the compliance and enforcement manager.

7 Q. Is one of your duties as compliance and

8 enforcement manager to keep track of inactive wells?

9 A. Yes, it is.

10 Q. And do we have a rule, Oil Conservation Division

11 Rule, that requires the operator to plug inactive wells?

12 A. Yes, we do.

13 Q. And how long do they have to be inactive before

14 the operator is required to plug them?

15 A. Twelve months, plus an additional three months

16 after that.

17 Q. Okay. Have you looked into the matter of K.F.

18 Kauffman Company, Inc., one of our operators?

19 A. K.P. Kauffman?

20 Q. K.P. Kauffman, I'm sorry.

21 A. Yes, I have.

22 Q. And do they have an inactive well?

23 A. Yes, they do.

24 Q. Okay, would you look at Exhibit 1 that's in the

25 exhibit package that was given to you --

1 A. Uh-huh.

2 Q. -- and can you tell us what Exhibit 1 is?

3 A. That's the well list for K.P. Kauffman Company.

4 Q. Okay. And is this a list that -- is this a
5 printout that is generated from information kept as a
6 record by the Oil Conservation Division in the ordinary
7 course of business on its computer system?

8 A. Yes, it is.

9 Q. And what -- It lists one well, right?

10 A. Yes, sir.

11 Q. And that well is what well?

12 A. The Mesa Queen Number 7 State Number 1.

13 Q. And that is in Lea County?

14 A. Yes, it is.

15 Q. And when was the last production from that well,
16 as reflected on this exhibit?

17 A. It was January of 2001.

18 Q. Very well. And have you reviewed the Oil
19 Conservation Division's well file with regard to the Mesa
20 Queen 7 State Well Number 1 operated by K.P. Kauffman
21 Company, Inc.?

22 A. Yes, I have.

23 Q. Does the well file reflect that the well has been
24 plugged and abandoned?

25 A. No, it does not.

1 Q. Does it reflect that it has been approved by the
2 Division for temporary abandonment?

3 A. No, it does not.

4 Q. I will ask you next to look at Exhibit Number 5
5 in the exhibit package in front of you. Exhibit Number 5
6 appears to be an application -- let's see -- appears to be
7 an application. What is that application for?

8 A. It's a proposal to plug back the well.

9 Q. And a plugback means they would recomplete it in
10 another formation, correct?

11 A. Yes.

12 Q. Now does the well file which you have examined,
13 does it show that any action has been taken pursuant to
14 that application?

15 A. None.

16 Q. Okay, and what is the date of that application?

17 A. It's May 2nd of 2006.

18 Q. Okay, I will next ask you to look at what has
19 been marked as OCD Exhibit Number 6. Is that an agreed
20 compliance order?

21 A. Yes, it is.

22 Q. Would you explain to us what an agreed compliance
23 order is?

24 A. An agreed compliance order allows an operator to
25 make an agreement with the Oil Conservation Division to

1 take action on inactive wells, whether that's to put them
2 back into production, to plug and abandon them, or to
3 temporarily abandon them.

4 Q. Okay, I will ask you to look on page 2 of Exhibit
5 6, at numbered item 1 under the heading "Order", and tell
6 us based on that what time period was given to K.P.
7 Kauffman Company, Inc., to restore this well to compliance.

8 A. The operator agreed to restore it to compliance
9 by December 31st of 2006.

10 Q. And did the operator do so?

11 A. No.

12 Q. Okay, then I would ask you to look at paragraph
13 number 2 on the top of page 3 and call your attention to
14 the following language: "In the event the Operator
15 unanticipated circumstances that prevent it from bringing
16 the subject well into compliance by December 31, 2006,
17 Operator may file an administrative application with the
18 OCD to request a waiver or reduction of the penalty, and an
19 amendment extending the terms of the order for a period not
20 to exceed six months. Operator shall serve the OCD's
21 Enforcement and Compliance Manager with a copy of the
22 application."

23 "OCD's Enforcement and Compliance Manager", is
24 that you?

25 A. Yes, it is.

1 Q. Have you been served with any request for an
2 extension by K.P. Kauffman Company, Inc.?

3 A. No, I haven't.

4 Q. This also provides for a penalty of \$1000 if they
5 fail to plug the well by December 31st, 2006, correct?

6 A. Yes.

7 Q. And was that penalty paid?

8 A. Yes, it has been.

9 Q. Very good, it was received. Okay.

10 In your opinion, then, Mr. Sanchez, does the K.P.
11 Kauffman Company Well Number -- K.P. Kauffman Company Mesa
12 Queen 7 State Well Number 1 need to be plugged?

13 A. Yes, it does.

14 Q. Okay. Would you look at what has been submitted
15 as Exhibit 8 in your exhibit stack?

16 A. Okay.

17 Q. Is that a plugging procedure for the K.P.
18 Kauffman Company Mesa Queen State Well Number 1?

19 A. Yes, it is.

20 MR. BROOKS: Very good. At this time I will
21 offer Exhibits 1, 5, 6 and 8.

22 EXAMINER JONES: Exhibits 1, 5, 6 and 8 will be
23 admitted to evidence.

24 MR. BROOKS: Pass the witness.

25 EXAMINER JONES: The bond, is there a bond in

1 place?

2 MR. BROOKS: Yes, I'm going to submit that as --
3 after --

4 EXAMINER JONES: Okay.

5 MR. BROOKS: -- as a record of which you can take
6 administrative notice.

7 EXAMINATION

8 BY EXAMINER JONES:

9 Q. Okay, Mr. Sanchez, they paid a penalty, a \$1000
10 penalty already?

11 A. Yes.

12 Q. And they intended to plug back to the Tansil-
13 Seven Rivers. Is that not still an option?

14 A. Yes, it is. So what we would do is, we're asking
15 an order for the plugging of the well, but if they're able
16 to come into compliance with that before the order, then
17 we'll go ahead and waive it or ask the case to be
18 dismissed.

19 EXAMINER JONES: That was my main concern.

20 MR. BROOKS: Mr. Examiner, in fact, they had --
21 my understanding is, their present intention is to plug the
22 well, and they hope to do so before the order is entered in
23 this case. If they do, we will dismiss the case.

24 EXAMINER JONES: Okay, I -- with that, I have no
25 more questions about these exhibits, Mr. Sanchez.

1 MR. BROOKS: Very good. In addition to the
2 exhibits that have been admitted, Mr. Examiner, I want to
3 submit as copies of documents on file of record with the
4 OCD, of which the Examiner can take judicial notice.

5 OCD Exhibit Number 3, which is a copy of a Form
6 C-104A, Change of Operator, which reflects that K.P.
7 Kauffman Company, Inc., took over as operator of the Mesa
8 Queen 7 State Well Number 1 on October 27th, 2004.

9 I want to submit Exhibit Number 4, which is a
10 copy of a \$50,000 blanket plugging bond showing the
11 principal as K.P. Kauffman Company, Inc., the surety as
12 Fidelity and Deposit Company of Maryland. Bond number is
13 LPM8756552.

14 I'll submit as OCD Exhibit Number 7 a copy of a
15 letter from David K. Brooks, which is me, to K.P. Kauffman
16 Company, Inc., and Fidelity and Deposit Company of
17 Maryland, which notifies them of the date, time and place
18 of this hearing. And attached thereto are copies of signed
19 return receipts executed by both K.P. Kauffman Company,
20 Inc., and Fidelity and Deposit Company of Maryland.

21 So at this time I would tender Exhibits 3, 4 and
22 7 as matters of which your Honor may take administrative
23 notice.

24 EXAMINER JONES: Okay, we'll admit Exhibits 3, 4
25 and 7 and take administrative notice of the contents of

1 those exhibits.

2 MR. BROOKS: That concludes the Division's
3 presentation.

4 EXAMINER JONES: Okay, I have no more questions.
5 Thank you.

6 Okay, with that we'll take Case 13,709 under
7 advisement.

8 MR. BROOKS: Thank you.

9 (Thereupon, these proceedings were concluded at
10 8:29 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 _____

Oil Conservation Division, Examiner

