

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: )

CASE NO. 13,920

APPLICATION OF THE NEW MEXICO OIL )  
CONSERVATION DIVISION FOR A COMPLIANCE )  
ORDER AGAINST NORTHSTAR OIL AND GAS )

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

COMMISSION HEARING

BEFORE: MARK E. FESMIRE, CHAIRMAN  
JAMI BAILEY, COMMISSIONER  
WILLIAM C. OLSON, COMMISSIONER

April 16th, 2008

Santa Fe, New Mexico

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This matter came on for hearing before the Oil Conservation Commission, MARK E. FESMIRE, Chairman, on Wednesday, April 16th, 2008, 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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 Commission Hearing  
 CASE NO. 13,920

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

## FOR THE COMMISSION:

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## FOR NORTHSTAR OIL &amp; GAS:

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\* \* \*

1 WHEREUPON, the following proceedings were had at  
2 9:50 a.m.:

3 CHAIRMAN FESMIRE: The next cause before the  
4 Commission is Case Number 14,000, the Application of the  
5 New Mexico Oil Conservation Division for a continuing -- a  
6 compliance order against Northstar Oil and Gas.

7 Are counsel present?

8 MR. BRUCE: Yes, sir.

9 MS. MacQUESTEN: Yes, Mr. Chairman.

10 CHAIRMAN FESMIRE: Would you be so kind as to  
11 make your announcements on the record, please?

12 MS. MacQUESTEN: Gail MacQuesten, representing  
13 the Oil Conservation Division. I have one witness.

14 MR. BRUCE: Mr. Chairman, Jim Bruce of Santa Fe,  
15 representing Northstar Oil and Gas Corporation. I have one  
16 witness.

17 CHAIRMAN FESMIRE: Okay. Mr. Bruce, do we need  
18 to phone your witness now, or would you rather wait until  
19 he testifies?

20 MR. BRUCE: Why don't we wait until he testifies?  
21 That way -- I think he's on a cell phone, and I'd hate for  
22 his cell phone to die out on him like mine normally does.

23 CHAIRMAN FESMIRE: Okay.

24 MR. BRUCE: I don't think it'll be -- take  
25 exceedingly long.

1 CHAIRMAN FESMIRE: Ms. MacQuesten, I believe this  
2 is your Application.

3 MS. MacQUESTEN: Yes, sir.

4 CHAIRMAN FESMIRE: Would you like to begin with  
5 an opening statement?

6 MS. MacQUESTEN: Yes, please.

7 The Oil Conservation Division is moving to  
8 reopen Case 13,920 to clarify the requirements of Order  
9 R-12,779-A.

10 You should have an exhibit packet in front of  
11 you. The first exhibit is the affidavit of notice and  
12 publication for this reopened hearing.

13 Exhibit 2 is a copy of the transcript of the  
14 Commission Hearing that resulted in the order that we're  
15 going to be talking about today.

16 And Exhibit 3 is a copy of the order itself.

17 The remaining exhibits will be addressed through  
18 the testimony.

19 As you may recall, this is a plugging case on two  
20 inactive wells. The OCD had been trying to get Northstar  
21 to bring the wells into compliance since 1999.

22 By the time the case was heard by the Commission  
23 *de novo* in 2007, Northstar had plugged the wellbores of the  
24 two wells.

25 Northstar's focus at the Commission hearing was

1 on reducing or eliminating the \$10,000 penalty that had  
2 been imposed by the Division below. That \$10,000 amount  
3 was calculated at \$1000 per year, per well, from 2003 to  
4 2007. That represented the time period during which  
5 Northstar took no action to bring its wells into  
6 compliance.

7 Mr. Corbett, president of Northstar, testified  
8 that the total cost of plugging both wells, including  
9 surface restoration work, would be approximately \$50,000,  
10 which was the amount of the financial assurance Northstar  
11 had posted. You can see that at the transcript, page 49.

12 To do the work, Northstar had taken out a \$50,000  
13 loan which would come due in December, and Mr. Corbett  
14 stated he would need to have the financial assurance  
15 released at that time so he could pay off his loan. You  
16 can find that at the transcript at page 65.

17 At the close of the hearing, the Commission moved  
18 to adopt an order, and that motion is at pages 75 through  
19 76 of the transcript. The Commission upheld the \$10,000  
20 penalty but allowed Northstar credit for, quote, the actual  
21 amounts expended to do the surface restoration, close  
22 quote, and stayed the payment date to the date that the  
23 bond would be released. In other words, he'd get his bond  
24 released, he'd have the money necessary.

25 On November 8th, 2007, the Commission issued its

1 order, and that's Exhibit 3 in your packet. The language  
2 at issue in this hearing is at page 3, paragraphs 2 and 3.  
3 It states Northstar Oil and Gas Corporation shall restore  
4 the well sites associated with the wells in the manner  
5 provided in Subsection B of 19.15.4.202 NMAC and seed the  
6 well sites with seed of plants native to the area by  
7 December 15, 2007.

8           It goes on to say, If Northstar Oil and Gas  
9 Corporation restores the well sites and seeds the well  
10 sites with seeds of plants native to the area by December  
11 15, 2007, it may reduce the civil penalty by its actual  
12 expenditures for restoring the well sites. The Division  
13 shall not release Northstar Oil and Gas Corporation's  
14 financial assurance until Northstar Oil and Gas Corporation  
15 restores the well sites, seeds the well sites with seeds of  
16 plants native to the area and provides invoices and proof  
17 of payment for the restoration costs.

18           Northstar has now asked for release of its  
19 financial assurance. The OCD seeks guidance from the  
20 Commission on whether Northstar has met the terms of the  
21 order on two points.

22           The first point is, may we release the financial  
23 assurance in this case? The order stated that Northstar  
24 needed to restore the sites, reseed and provide proof of --  
25 provide invoices and proof of payment.



1           You will hear from our witness that they have  
2 restored the sites according to the rule. That point has  
3 been met. They did provide invoices, but we do not have  
4 proof of payment.

5           They have not reseeded either site. They have  
6 asked the OCD to waive the requirement that they reseed one  
7 of the sites, the Davie Number 1, because the land and  
8 mineral owner does not want it reseeded.

9           Because reseeding is a requirement of the  
10 Commission order, the OCD has taken the position that only  
11 the Commission can waive that requirement. So we're asking  
12 you today whether you intend to waive that requirement.

13           We have not heard from Northstar on why they  
14 haven't reseeded the other site, the Barbara Number 1. We  
15 have no explanation at this point.

16           So on the first issue, may we release the  
17 financial assurance, they have restored the sites, they've  
18 provided invoices but no proof of payment, and they have  
19 not reseeded.

20           Now the second point that we need clarification  
21 on is whether we should reduce the penalty and, if so, by  
22 what amount?

23           Now the order stated that to get a reduction of  
24 the penalty, Northstar needed to restore the location and  
25 reseed the location by December 15, 2007. There was a

1 deadline involved in this part of the order. If they met  
2 the deadline, they could reduce the penalty by their actual  
3 expenditures for restoring the well sites.

4 Again, on restoration, they have restored the  
5 well sites. However, the restoration was not complete by  
6 the December 15 deadline.

7 The second point, reseeding, has again -- has not  
8 been done.

9 The third point, have they provided invoices and  
10 proof of payment and what do we do with those -- that  
11 information?

12 They provided copies of invoices with a letter of  
13 March 11, 2008, claiming \$12,857.63 in costs. Northstar  
14 did not provide proof of payment, although many of the  
15 invoices have handwritten notations indicating that the  
16 invoices have been paid, with a check number and a payment  
17 date, but we have no receipts or canceled checks.

18 OCD's position is that Northstar has not provided  
19 proof of payment, and we also request guidance from the  
20 Commission on how they intended us to reduce the penalty,  
21 if at all. Was the intent that the penalty be reduced by  
22 costs incurred after the hearing, or may we also reduce by  
23 costs incurred before the hearing, because a substantial  
24 amount of these costs were incurred before the hearing?

25 Also, did the Commission intend to include as

1 restoration costs only cost to restore the surface, or also  
2 costs to, say, remove equipment? What was meant by  
3 restoration? And whether the OCC intended to include only  
4 those restoration costs that were not offset by salvage  
5 recovery. In other words, does actual cost taken into  
6 account any salvage.

7 We take the position that we can't resolve the  
8 financial assurance issue until the reseeding and proof-of-  
9 payment issues are resolved. We can't reduce the civil  
10 penalty by actual expenditures because the terms of the  
11 order weren't met. The restoration and reseeding was not  
12 completed by the deadline, and we don't have proof of  
13 payment.

14 If the Commission determines to waive the  
15 deadline and the proof-of-payment requirement and the  
16 reseeding requirement, then we need guidance on how to  
17 calculate the penalty.

18 And with that I would call Mr. Daniel Sanchez as  
19 my witness.

20 CHAIRMAN FESMIRE: Just a minute.

21 Mr. Bruce, would you like to make an opening  
22 statement or waive or reserve one?

23 MR. BRUCE: I will reserve that for closing, Mr.  
24 Chairman.

25 CHAIRMAN FESMIRE: Okay. Mr. Sanchez, you

1 haven't been previously sworn in this case, have you?

2 MR. SANCHEZ: No, sir.

3 CHAIRMAN FESMIRE: You've been sworn at, but not  
4 in, right?

5 MR. SANCHEZ: That's correct.

6 (Thereupon, the witness was sworn.)

7 DANIEL SANCHEZ,

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

10 DIRECT EXAMINATION

11 BY MS. MacQUESTEN:

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

13 A. Daniel Sanchez.

14 Q. And where are you employed?

15 A. With the New Mexico Oil Conservation Division.

16 Q. What's your position there?

17 A. I'm the compliance and enforcement manager.

18 Q. Are you familiar with the enforcement efforts  
19 against Northstar and the order issued by the Commission in  
20 the plugging case?

21 A. Yes, I am.

22 Q. And what does that order require before the  
23 Division may release the financial assurance posted by  
24 Northstar?

25 A. For the restoration of the two sites for which

1 the wells had been plugged, reseeding of those sites, and  
2 proof of expenses.

3 Q. Has Northstar requested release of its financial  
4 assurance at this point?

5 A. Yes, they have.

6 Q. When was its first request for that release?

7 A. That was January 11th of 2008.

8 Q. Would you turn to what's been marked as Exhibit 4  
9 in this case?

10 A. Okay.

11 Q. Is that the OCD's letter responding to  
12 Northstar's request for release of its financial assurance?

13 A. Yes, it is.

14 Q. And does it also -- attached to that letter is  
15 there a copy of Northstar's request?

16 A. Yes.

17 Q. What is the date of the OCD's response to  
18 Northstar?

19 A. January 15th of 2008. That was the date we  
20 received the letter from Northstar.

21 Q. And the letter that -- I'm sorry, the letter that  
22 the OCD sent to Northstar?

23 A. -- was January 15th.

24 Q. January 15th.

25 At that time had the sites been restored?

1 A. Not officially.

2 Q. Had the sites been reseeded?

3 A. No.

4 Q. Had we received invoices and proof of payment?

5 A. No, we did not.

6 Q. Were these various deficiencies explained in the  
7 letter of January 15th?

8 A. Yes, they were.

9 Q. Was there a second request for release of  
10 financial assurance from Northstar?

11 A. Yes, yes, there was.

12 Q. And is Exhibit 5 the correspondence back and  
13 forth on that request?

14 A. Yes, it is.

15 Q. And what is the date of the letter from the OCD  
16 responding to Northstar's second request?

17 A. That was January 30th of 2008.

18 Q. At that time were the sites ready for inspection  
19 to determine if they could be released?

20 A. No, they were not. The company had yet to submit  
21 a C-103 showing that they were ready for inspection.

22 Q. And that requirement had been explained in the  
23 first letter?

24 A. Yes, it was.

25 Q. Were the sites reseeded at that time?

1 A. No, they were not.

2 Q. Did Northstar offer any explanation for not  
3 reseeding the sites?

4 A. Only for one of they sites, that the landowner  
5 had requested that the site not be reseeded.

6 Q. And is that request attached to Exhibit Number 5?

7 A. Yes, it is, it's a letter from the owner,  
8 landowner, Mr. Bill Davie, and it was submitted and  
9 notarized and was actually submitted December 7th of 2007.

10 Q. If you look at the bottom of that letter, the  
11 date of the notary appears to -- the December appears to be  
12 crossed out?

13 A. Yes, the actual date on the notary was January  
14 14th of 2008.

15 Q. And the receipt date stamped on this?

16 A. January 22nd, 2008.

17 Q. Did Northstar offer any explanation at this time  
18 regarding why they had not reseeded the other well, the  
19 Barbara Number 1?

20 A. No, they did not.

21 Q. Did Northstar provide invoices and proof of  
22 payment at this time?

23 A. No.

24 Q. Was there a third request for release of the  
25 financial assurance?

1 A. Yes, there was.

2 Q. And is Exhibit Number 6 --

3 A. Yes, that --

4 Q. -- the exchange of correspondence on that  
5 request?

6 A. Yes, that request was made on March 11th, 2008,  
7 by Northstar.

8 Q. At this point had Northstar met the requirements  
9 to restore the sites according to the rule requirements?

10 A. They met one of the requirements, and that was  
11 the site restoration. They had submitted the C-103, and  
12 the district office had sent out an inspector to check out  
13 the site to make sure it had been cleaned up.

14 Q. Have you spoken to the district office?

15 A. Yes, I have, this morning, as a matter of fact.

16 Q. Are they satisfied with the site restoration?

17 A. Yes, they are.

18 Q. In accordance with the OCD rules?

19 A. Yes.

20 Q. Were Exhibits 7 and 8 the well inspection  
21 histories for the two wells at issue?

22 A. Yes, they are.

23 Q. And do they indicate that the locations are  
24 clean?

25 A. Yes, they do.



1 Q. Do they indicate whether the sites have been  
2 reseeded?

3 A. The notes show that the location does not appear  
4 to be reseeded.

5 Q. And what is the date of the inspection that  
6 looked at whether the sites have been reseeded?

7 A. March 5th, 2008. That's for both sites.

8 Q. Now getting back to Exhibit Number 6, the  
9 exchange of correspondence, did Northstar provide invoices  
10 of its costs with this request?

11 A. Yes, they did.

12 Q. And those invoices are attached to Exhibit Number  
13 6?

14 A. They are.

15 Q. Did they also submit proof of payment?

16 A. No, they did not do that. What they did do was,  
17 they did put little notes on some of the pages, not on all  
18 of them, showing a date that it was paid, a check number,  
19 and the amount.

20 Q. What would you be looking for, for proof of  
21 payment? What would you expect?

22 A. Either a receipt or a canceled check.

23 Q. So we had three requests from Northstar to  
24 release the financial assurance. Has the OCD released the  
25 financial assurance?

1 A. No, we have not.

2 Q. Why not?

3 A. They have still not met the terms of the  
4 Commission order.

5 Q. What terms are they missing?

6 A. The reseeding of the properties and submittal of  
7 proof of payment.

8 Q. Let's turn to the other issue, whether the  
9 penalty amount can be reduced and, if so, by what amount.  
10 Now that provision in the order had a deadline for doing  
11 certain things; is that right?

12 A. That's correct, the deadline was December 15th,  
13 2007.

14 Q. And what did they have to do by that deadline?

15 A. They needed to complete the restoration of the  
16 surface, reseed the properties and provide the invoices and  
17 proof of payment.

18 Q. Okay, was the invoice and proof of payment part  
19 of that December 15th or -- ?

20 A. I believe it was.

21 Q. Okay. At least we'd have to have an order to do  
22 anything?

23 A. Yes.

24 Q. All right. Did Northstar meet the December 15th  
25 deadline for restoring the sites?

1 A. No, they did not.

2 Q. When would you give them credit for restoring the  
3 sites?

4 A. At the time they submitted the C-103 and the  
5 District actually inspected the sites.

6 Q. And that would be when? March?

7 A. March 5th, I believe.

8 Q. How about the requirement that they reseed the  
9 sites?

10 A. They have yet to meet the reseeding site  
11 requirement.

12 Q. Now if you overlook the deadline issue and you  
13 overlook the reseeding issue, has Northstar provided the  
14 invoices and proof of payment we would need to do anything  
15 about the penalty?

16 A. They have provided the invoices but no proof of  
17 payment.

18 Q. Okay. If we overlook the deadline issue, the  
19 reseeding issue and the proof-of-payment issue, can we  
20 determine the actual expenses for restoring the well sites  
21 based on the invoices that we have?

22 A. We have a dollar amount given to us based on  
23 those invoices. What we don't have is whether or not any  
24 funding was received by the company for any salvage in the  
25 material. Some of the invoices indicate that the tanks

1 were removed and cleaned, which would lead me to believe  
2 that they were going to be sold, and that other equipment  
3 was removed and cut up, and I would assume that that would  
4 have been sold for salvage as well.

5 Q. So we don't know actual expenses until we know  
6 what they were able to recoup?

7 A. Yes, if they did recoup anything.

8 Q. Okay. Do you have any questions about what  
9 counts as surface restoration? I mean, would -- given  
10 these invoices?

11 A. Much of it was, you know, moving the equipment  
12 away from the sites, and there wasn't a lot of explanation  
13 as to what type of equipment was used to actually clean up,  
14 restore the site to its initial condition. So yeah, that  
15 would be a question that I would have.

16 Q. So we just need guidance on what the Commission  
17 intended --

18 A. Intended, yes.

19 Q. -- by surface restoration?

20 A. Yeah.

21 Q. If they intend that, then we would count it. If  
22 not, we would not. But we don't know at this point what to  
23 do.

24 Do we have questions about the dates of the  
25 invoices, whether it be -- they were supposed to include

1 costs incurred before the Commission Hearing versus after  
2 the Commission Hearing?

3 A. Yes, I believe that that is a question. Were the  
4 costs of restoration to occur from the time of the hearing  
5 forward, ending at that December 15th deadline, or was it  
6 to include all costs coming -- that were required to close  
7 those sites, including the plugging.

8 Q. And again, it's just a point of clarification, we  
9 need to know the answer one way or the other.

10 Could you turn to what has been marked as Exhibit  
11 Number 9?

12 A. Okay.

13 Q. Can you tell us what this is?

14 A. This is an affidavit of Gail MacQuesten, you,  
15 showing what costs are involved in bringing a case like  
16 this before the Commission, and that there is an actual  
17 cost to taxpayers to have to bring these kind of cases,  
18 especially when we've worked with operators for a lengthy  
19 period of time to resolve these issues.

20 Q. Now these costs only include the costs of  
21 conducting the hearings; is that right?

22 A. That's correct.

23 Q. It doesn't include the costs of working with the  
24 operator prior to the hearing, to try to obtain compliance  
25 informally?

1 A. No, it doesn't.

2 Q. And as far as hearing costs, it's only out-of-  
3 pocket expenses, it's not salaries of the various  
4 participants in the hearing, the witnesses, the  
5 Commissioners, the attorneys and so forth?

6 A. That's correct.

7 Q. It's just advertisements, transcripts, witness  
8 travel, certified mail, things like that?

9 A. Yes.

10 Q. And what was the total of those out-of-pocket  
11 expenses to date?

12 A. To date, \$1110.24.

13 Q. Okay. Why bring this up?

14 A. Well, every time we have to work with an operator  
15 or bring an operator to hearing, it's just not trying to  
16 get an operator to come into compliance with certain  
17 issues, but it's meant to show that there is a cost to the  
18 taxpayer for us to have to do this over and over again, and  
19 we feel like if we could get a little bit more compliance  
20 or work with them a little bit better with this, where they  
21 would respond a little bit more to us, then it would negate  
22 some of those costs if not all of them, so....

23 Q. How inactive wells does New Mexico have right now  
24 out of compliance with Rule 201?

25 A. 2657.

1 Q. And this case was to take action on two?

2 A. Just two wells, yes.

3 MS. MacQUESTEN: I would move at this point to  
4 admit Exhibits 1 through 9.

5 CHAIRMAN FESMIRE: Any objection, Mr. Bruce?

6 MR. BRUCE: No, sir.

7 CHAIRMAN FESMIRE: Exhibits 1 through 9 will be  
8 admitted.

9 MS. MacQUESTEN: That concludes my examination of  
10 this witness.

11 CHAIRMAN FESMIRE: Mr. Bruce, do you have a  
12 cross?

13 MR. BRUCE: Just one or two questions, Mr.  
14 Chairman.

15 CROSS-EXAMINATION

16 BY MR. BRUCE:

17 Q. As I understand it, Mr. Sanchez, the Division's  
18 inspection shows that everything on site of both wells is  
19 fine, done according to Division Rules, except at this  
20 point the Barbara well site has not been reseeded?

21 A. That's correct, but neither -- neither of the  
22 sites has been reseeded to this point.

23 Q. Correct, but the surface owner of the Davie well  
24 site did not want it reseeded?

25 A. That's correct. What we're asking for was a

1 clarification as to whether or not the Commission would  
2 accept that as well.

3 Q. The only other question I have is, why did you  
4 require Mr. Davie's letter to be acknowledged?

5 A. That came from the District Supervisor wanting  
6 actual proof that a letter to them accepting certain  
7 conditions on a closure was legitimate. I really can't  
8 answer much more from Charlie Perrin, the District  
9 Supervisor's --

10 Q. But you had no -- the Division had no evidence  
11 that the letter was illegitimate?

12 A. No.

13 MR. BRUCE: That's all I have, Mr. Chairman.

14 CHAIRMAN FESMIRE: Commissioner Bailey?

15 EXAMINATION

16 BY COMMISSIONER BAILEY:

17 Q. What was the date for the plugging of the  
18 Barbara? Was that November 21st, 2007? I'm looking midway  
19 through Exhibit Number 6, this invoice from A-Plus Well  
20 Service.

21 A. There are two here. One was for November 16th,  
22 and one was for October 12th.

23 Q. So can we figure what date it was actually  
24 plugged?

25 A. They have a note on the well inspection history,



1 Exhibit Number 7, indicating on December 3rd that there was  
2 an inspection done, and it looked like everything other  
3 than that a reseeding had been done and plugged.

4 So I would assume that the plugging probably  
5 occurred on that November 16th date, or thereabouts.

6 MS. MacQUESTEN: Commissioner Bailey, the  
7 transcript of the hearing before the Commission at page 12  
8 has the testimony of Charlie Perrin that the Davie 1  
9 wellbore plugging and completion was September 6th, and the  
10 Barbara wellbore was finished October 9.

11 Q. (By Commissioner Bailey) October 9. I'm trying  
12 to remember weather conditions in October and November, if  
13 there was already feet of snow on the ground up in that  
14 part of the country?

15 A. I was up there in October, and the weather was  
16 actually pretty nice. If there was any snow up there, it  
17 was very little.

18 Q. So that would have been the ideal time for  
19 reseeding?

20 A. Probably.

21 Q. But if the well was actually plugged in November,  
22 it's questionable whether or not the snow was already on  
23 the ground and the ground frozen by that time?

24 A. Yes.

25 Q. Because in my mind it's pointless to put seed out

1 on top of snow with frozen ground. But if it had gotten  
2 reseeded before the ground was frozen and the snows had  
3 come in, that would have been an ideal time. So I mean  
4 it's important in my mind --

5 A. Yeah, when the --

6 Q. -- to fix that date.

7 A. Okay. So it looks like October 9th, according to  
8 the record, is the time that it was actually plugged. And  
9 early October -- Like I said, when I was up there in late  
10 October, the weather was still pretty good. So if they  
11 would have reseeded at that time, I can't imagine that  
12 there would have been a problem with the weather.

13 Q. If the plugging happened in October?

14 A. In October, yes.

15 COMMISSIONER BAILEY: That's all I needed to ask  
16 you.

17 CHAIRMAN FESMIRE: Commissioner Olson?

18 COMMISSIONER OLSON: I don't have any questions.

19 EXAMINATION

20 BY CHAIRMAN FESMIRE:

21 Q. Mr. Sanchez, is there any indication in the  
22 letter that Mr. Davie understands that he will be  
23 responsible to the OCD, should the restoration of that site  
24 be required in the future?

25 A. Not that I could see.

1 CHAIRMAN FESMIRE: I have no further questions.  
2 Any redirect, Ms. MacQuesten?

3 REDIRECT EXAMINATION

4 BY MS. MacQUESTEN:

5 Q. Mr. Sanchez, would you turn to Exhibit Number 2,  
6 the transcript of the hearing below --

7 A. Okay.

8 Q. -- and what is the date of that hearing, on the  
9 cover page?

10 A. October 11th, 2007.

11 Q. And that was the hearing before the Commission?

12 A. Yes.

13 Q. And North Star's position at that hearing was  
14 that the wellbores were plugged at that time?

15 A. Yes, that's right.

16 MS. MacQUESTEN: Thank you. That's all I have.

17 CHAIRMAN FESMIRE: Mr. Bruce, anything else?

18 MR. BRUCE: No, sir.

19 CHAIRMAN FESMIRE: Commission?

20 COMMISSIONER BAILEY: No.

21 COMMISSIONER OLSON: No.

22 CHAIRMAN FESMIRE: Mr. Sanchez, thank you very  
23 much.

24 Ms. MacQuesten, is that your only witness?

25 MS. MacQUESTEN: Yes, sir.

1 CHAIRMAN FESMIRE: Did you have a close, or would  
2 you rather -- We'll wait until after he's done.

3 Mr. Bruce?

4 MR. BRUCE: If we could call Mr. Corbett on the  
5 phone.

6 CHAIRMAN FESMIRE: Do you have the number?

7 MR. BRUCE: 412-352-3787.

8 CHAIRMAN FESMIRE: 412- -- ?

9 MR. BRUCE: 412-352-3- --

10 CHAIRMAN FESMIRE: Whoops. 412- -- ?

11 MR. BRUCE: 412-352-3787.

12 CHAIRMAN FESMIRE: Do you want to answer it?

13 MR. BRUCE: Yeah.

14 MR. CORBETT: John Corbett.

15 MR. BRUCE: Mr. Corbett, this is Jim Bruce, and  
16 we're on record at the Oil Conservation Commission Hearing  
17 right now.

18 MR. CORBETT: Very well.

19 MR. BRUCE: And Mr. Chairman, I turn it over to  
20 you. I believe the witness needs to be sworn in.

21 CHAIRMAN FESMIRE: Mr. Corbett, would you raise  
22 your right hand, please?

23 MR. CORBETT: Yes.

24 CHAIRMAN FESMIRE: I'm going to ask the court  
25 reporter to swear you in. He's going to speak real loud so

1 you can hear him.

2 COURT REPORTER: Mr. Corbett, can you hear me?

3 MR. CORBETT: I can. There's a buzz, but I can  
4 hear you.

5 (Thereupon, the witness was sworn.)

6 CHAIRMAN FESMIRE: Mr. Bruce?

7 MR. BRUCE: Mr. Corbett, can you hear me from  
8 where I'm standing here?

9 MR. CORBETT: Uh-huh.

10 JOHN CORBETT (Present by telephone),  
11 the witness herein, after having been first duly sworn upon  
12 his oath, was examined and testified as follows:

13 DIRECT EXAMINATION

14 BY MR. BRUCE:

15 Q. Mr. Corbett, for the record can you state your  
16 name and your association with Northstar Oil and Gas  
17 Corporation?

18 A. Yes, I'm John Corbett, and I am the president of  
19 Northstar Oil and Gas.

20 CHAIRMAN FESMIRE: Counsel, can you hear?

21 MS. MacQUESTEN: Yes, thank you.

22 Q. (By Mr. Bruce) And Mr. Corbett, you testified in  
23 the previous Commission Hearing on this matter; is that  
24 correct?

25 A. That's correct.

1 Q. And it was you who directed the plugging and  
2 abandonment and restoration of the well sites for  
3 Northstar?

4 A. That's correct.

5 Q. Okay. Mr. Corbett, I've marked certain exhibits  
6 which I believe you have copies of. Did you receive that  
7 package in the mail from me?

8 A. Yes, I did.

9 Q. Okay. Could you identify Exhibit 1 for the  
10 Commission, Northstar Exhibit 1, just very briefly?

11 A. Yeah, Exhibit 1 is a tabulation of invoices for  
12 work that was done to restore the surface of two wells, the  
13 Davie and the Barbara.

14 Q. Okay, and are these -- is Exhibit 1 true and  
15 correct copies of the invoices you received from various  
16 contractors for that work?

17 A. Yes, it is.

18 Q. Now were these bills paid, these invoices paid?

19 A. Yes, they were.

20 Q. Mr. Corbett, the Commission witness has already  
21 testified, and one thing they asked about was, they didn't  
22 receive proof of payment, in other words, either receipts  
23 or canceled checks. Would it be possible for you to  
24 provide -- copy and provide to the Commission canceled  
25 checks showing payment of these bills?

1           A.    Yes, I can -- I can provide a photocopy of those.

2           Q.    Okay.  The second matter is, some of the bills  
3 predate the Commission hearing, some of these invoices for  
4 work done.  But in your opinion was all of this work  
5 necessary to clean and restore the surface of the two well  
6 sites?

7           A.    Yes, it was.

8           Q.    Were there any other costs incurred, for  
9 instance, for cleanup, any reconditioning, et cetera, of  
10 tanks?

11          A.    Yes, there was.  There was -- Just off the top of  
12 my head, there are two invoices that totaled almost \$8000  
13 there, incremental to there.

14          Q.    And what was that work for?

15          A.    One of them was reconditioning a tank, and then  
16 another was for some dirt-moving.  We dug up the pit, and I  
17 didn't get that invoice until -- in fact, just about three  
18 weeks ago.

19          Q.    Okay.  Now with respect to the reconditioning of  
20 the tank, you did not include that bill in this exhibit  
21 package correct?

22          A.    That's correct, neither of those invoices are  
23 included here.

24          Q.    Now, do you hope to sell that tank and at least  
25 recoup some of that money?

1 A. Yeah, that's my hope.

2 Q. And so that's why you did not include that in the  
3 listing of these invoices?

4 A. That's right.

5 Q. Now what work remains to be done to take care of  
6 either of these well sites?

7 A. Just an hour ago I spoke with the man who was  
8 supervising this work for me, and --

9 CHAIRMAN FESMIRE: Mr. Corbett, could you speak  
10 up a little bit?

11 THE WITNESS: I spoke about -- probably two hours  
12 ago with the man who's supervising this work for me.

13 Q. (By Mr. Bruce) And who is that?

14 A. The man's name is West Hahn, he's with Walsh  
15 Engineering.

16 Q. And what did he inform you?

17 A. He ordered a peat mix for the Barbara Number 1  
18 location, and that arrived within the last week in  
19 Farmington. It's at his office now, and he has a  
20 contractor who is prepared to go and put it out.  
21 Apparently it's been quite windy the last few days, and so  
22 they aren't able to do that work. But he was hoping to  
23 have it done this week.

24 Q. Okay. But admittedly the reseeding of the  
25 Barbara site has not been done at this time?



1           A.    Yeah, I concede that.

2           Q.    And will that be an additional expense to be  
3 incurred by you?

4           A.    Yes, it will. The seed mix itself is between  
5 \$700 and \$750. He has asked for that invoice and has not  
6 received that yet from the vendor. And then there will be  
7 some incremental costs to apply it.

8           Q.    Okay. And again, in your opinion were all of the  
9 costs that are listed in Exhibit 1, plus the additional  
10 costs that you have incurred, necessary to reclaim and  
11 restore the surface?

12          A.    Yes, they were.

13          Q.    The second exhibit is the C-103s which you  
14 signed. Were those submitted to the Division?

15          A.    Yes, they were.

16          Q.    Okay. And Exhibit 3 is simply the correspondence  
17 that you had -- that you sent to Ms. MacQuesten at the OCD,  
18 is it not?

19          A.    That's correct.

20          Q.    Now, other than the reseeding on the Barbara 1  
21 well site, what was the approximate date of the last work  
22 done on that well site?

23          A.    That was probably -- probably in December. Let  
24 me go through these invoices and see. But I think -- I'm  
25 pretty sure that that would have been in December.

1 Q. And would reseeding be the last thing you would  
2 do on a well site?

3 A. Yes, it would.

4 Q. Mr. Corbett, I think that's all I have for you,  
5 but were Exhibits 1, 2 and 3 compiled from Northstar's --  
6 prepared by you or compiled from Northstar's business  
7 records?

8 A. Yes, they were.

9 MR. BRUCE: Okay. Mr. Chairman, I'd move the  
10 admission of Exhibits 1 through 3 and pass the witness.

11 CHAIRMAN FESMIRE: Any objection to the admission  
12 of Exhibits 1, 2 and 3?

13 MS. MacQUESTEN: No, thank you.

14 CHAIRMAN FESMIRE: The exhibits will be so  
15 admitted.

16 Ms. MacQuesten, do you have a cross-examination  
17 of the witness?

18 MS. MacQUESTEN: Yes, please.

19 CROSS-EXAMINATION

20 BY MS. MacQUESTEN:

21 Q. Mr. Corbett, this is Gail MacQuesten. Can you  
22 hear me?

23 A. Yes, I can.

24 Q. Okay. At the beginning of your testimony you  
25 talked about some additional costs that aren't included yet

1 regarding the reconditioning of a tank or tanks?

2 A. That's right, there's reconditioning of a tank,  
3 and there is some earthmoving too that is not included  
4 here.

5 Q. All right. I'm looking at the summary of the  
6 expenses, the first page of Northstar's Exhibit Number 1,  
7 and I see a number of entries regarding tanks. On the  
8 right-hand column there's transport tank, dismantle and  
9 transport tank, dismantle and transport tank, heat tank  
10 bottoms, pressure clean tank, escort for oversized load  
11 (tank), escort for oversized load (tank), escort for  
12 oversized load (tank).

13 And if I look at the dollar amount, we're  
14 probably over \$5000 on those costs. So what else is left  
15 to do on the tanks?

16 A. There was one tank that there was concern that it  
17 was not in saleable condition. They -- We inspected the  
18 tanks and the -- there was concern that it just wasn't  
19 saleable, and so there was some repair to one of the tanks.

20 Q. So this is so you can recoup some costs from the  
21 equipment? Selling the tanks?

22 A. Yeah, right.

23 Q. Do you know how much you're going to get from  
24 reselling the tanks?

25 A. I am hoping that it will break even.

1 Q. Are you --

2 A. The options with that tank were to scrap it or to  
3 recondition it for reuse, sale and reuse. The costs on  
4 those two -- it was going to be kind of close to even, it  
5 was going to have to be -- there was -- You can see the one  
6 tank that we pressure-cleaned. This was going to involve  
7 pressure-cleaning and then cutting up and disposing of the  
8 tank.

9 The alternative was to clean it and then  
10 reinforce some of the areas that were of concern, and hope  
11 that we can recoup those costs.

12 Q. So the cleaning of the tank and the work that you  
13 want to do on the tank in the future is so that you can  
14 sell them and recoup those costs?

15 A. Yes, that's right.

16 Q. Are you going to be able to get any other salvage  
17 off of these two sites?

18 A. That was it. We're -- I think we have taken care  
19 of everything that we can, and all that remains is the one  
20 tank.

21 Q. Okay. Now, Mr. Corbett, I want to ask you some  
22 questions about your testimony at the hearing before the  
23 Commission, and I may have you at a disadvantage because I  
24 don't know if you have a copy of the transcript.

25 A. I don't have it, but I am well enough rested, I

1 may be able to recall.

2 Q. Okay. Do you recall talking about the -- hoping  
3 to get release of your \$50,000 financial assurance?

4 A. I do remember that, yes.

5 Q. And you were hoping to -- and you also -- didn't  
6 you testify about taking out a loan in the amount of about  
7 \$50,000 to do the work you wanted to do on the wells?

8 A. That's correct.

9 Q. And that loan was coming due in December of 2007?

10 A. December 15th, right.

11 Q. Right, and that was the magic date that you  
12 wanted to get this resolved so that you could get your bond  
13 released and pay off that loan; is that right?

14 A. That's right. You're wondering what happened.

15 Q. Yeah.

16 A. The -- You recall that I sent you a letter, and  
17 that is included in Exhibit 3. My hope in that was that  
18 there was some way that -- because the wells were plugged,  
19 that there would be a way to release the bond, and -- with  
20 kind of getting this done by remote control, and so we  
21 didn't -- we just weren't ready, it wasn't there yet.

22 What I then was forced to do was contact the bank  
23 and extend that loan, and I extended that to the three  
24 months, which took us to March the 15th, and -- when we  
25 still were not ready, the work hadn't been finished, and so

1 I had extended it again and that was to July.

2 Q. Now that letter you're referring to where you're  
3 asking to release the bond, that Exhibit Number 3, is that  
4 the letter of January 11th, 2008?

5 A. Yes.

6 Q. Now you were aware that the order had given you a  
7 deadline of December 15th; is that right?

8 A. Correct.

9 Q. But you didn't contact us about a release until  
10 mid-January?

11 A. I didn't. I spoke with Charlie Perrin in  
12 December, prior to the 15th, to see what remained to be  
13 done. He had a man -- because I -- I'm -- I worked with --  
14 as I said, by remote control, and the guy that I was  
15 working with said, well, he thought that we're...

16 I talked with the OCD. Mr. Perrin was out of the  
17 office at other hearings in Santa Fe when we contacted  
18 him -- I contacted him. And he had a man -- I think it was  
19 Henry Villanueva -- who had gone out and looked at the  
20 wells. I understood from my conversation with them that  
21 there was more work to be done.

22 So I extended the loan at that point and spoke  
23 with my man in the field and asked if he would please  
24 get...

25 And that brought us to the point, then, where I

1 sent the letter, thinking that we were probably in a pretty  
2 good place.

3 That was in January, and the location was covered  
4 with snow at the time. Having cleared off, I understand  
5 that the seed needs to go down, and so we've bought that,  
6 and that will be put down as soon as possible. I'm still  
7 hoping to get my bond released, rather than wait.

8 Q. Okay, so on January 11th when you sent that  
9 letter, you say you thought you were in a pretty good  
10 place. But the sites had not been reseeded at that point;  
11 is that right?

12 A. That's correct.

13 Q. And you haven't provided the invoices that would  
14 allow us to calculate a reduction in the penalty at that  
15 time?

16 A. Probably not. Honestly, I have lost track of the  
17 date that I provided that to you.

18 Q. And you haven't filed the C-103s that let the  
19 District know that they needed to go out and do a final  
20 inspection of the wells?

21 A. Well, what -- where I was on C-103, that if --  
22 when the wells were plugged by A-Plus well service, they  
23 filed what I thought were the C-103s. Those were not  
24 adequate, and then -- But I sent the letter based on those,  
25 and then sent him in February another set of C-103s that,

1 having talked to A-Plus, understood that there -- just  
2 covered the plugging of the well.

3 I sent another one regarding the abandonment, and  
4 then Mr. Perrin sent me the latest version of the C-103,  
5 which you see attached here.

6 Q. Okay. Now you're aware you had a deadline to do  
7 certain things by December 15th, right?

8 A. I'm aware of that. There were sort of two things  
9 that happened there.

10 First of all, I had my man in the field, who -- I  
11 understood through him that things were really ready to be  
12 filed.

13 And then the other thing is that at about that  
14 time, the loan was spent. I was trying to cover invoices  
15 and trying -- basically I ran out of money, and have been  
16 working on my cash flow, I guess, in order to continue to  
17 get this work done.

18 Q. Well, I'm just curious. Why didn't you write to  
19 the Commission or file a motion and say you needed more  
20 time or get an excuse from the reseeding if the reseeding  
21 isn't appropriate for the Davie 1, for example? Why didn't  
22 you approach the Commission and ask for some leave?

23 A. Or -- or call the Commission. I made a call to  
24 the Commission, and -- honestly, it wasn't returned. I  
25 suppose I should have sent a letter, I just didn't.



1 Q. Okay. And in fact, this reopening is on the  
2 request of the OCD; is that right? You have still not come  
3 to the Commission and asked for relief from the reseeding  
4 requirement on the Davie 1 or relief from the deadlines  
5 that were given; is that right?

6 A. I'm actually not seeking a relief from the  
7 reseeding requirement. I -- Yeah, I probably missed the  
8 deadline, and I suppose that I should have written  
9 regarding that.

10 Q. But you are asking for relief from reseeding on  
11 the Davie Number 1; isn't that right?

12 A. Well, I'm -- on that, I suppose that I am. The  
13 landowner has asked that I not do that for him.

14 Q. Right, and you're not intending to either, are  
15 you?

16 A. Well, it's his land. I wouldn't want to go  
17 contrary to his wishes.

18 Q. All right. But you understand you have an order  
19 from the Commission telling you that you have to reseed, so  
20 I'm just curious: Why not go to the Commission and say the  
21 landowner doesn't want it reseeded, may I have relief from  
22 that requirement?

23 A. I assumed that that message would have been  
24 conveyed with his letter, second letter, the notarized  
25 letter, saying please don't do anything more.

1 Q. Well, you would have been aware from my letter  
2 that the OCD took the position that we couldn't act in  
3 contradiction of an OCC order, right? And that you needed  
4 their approval?

5 A. Apparently I missed that in your letter.

6 MS. MacQUESTEN: I have no other questions.  
7 Thank you, Mr. Corbett.

8 CHAIRMAN FESMIRE: Commissioner Bailey?

9 EXAMINATION

10 BY COMMISSIONER BAILEY:

11 Q. Hello, Mr. Corbett, can you hear me?

12 A. Yes, I can.

13 Q. I've paged through your invoices in your Exhibit  
14 Number 1, and the latest date I can find to work on the  
15 Barbara location is October 25th. Does that sound about  
16 right to you, instead of December?

17 A. That's entirely possible. Let me look at --  
18 Let's see here.

19 Q. Well, maybe October 26th, it's the period of  
20 October 25th through the 26th when tanks were being hauled  
21 around.

22 A. Yeah, maybe the latest that could have been  
23 related to the Barbara is this -- no, that -- yeah, I guess  
24 that's correct.

25 Q. Are you aware that October would have been the

1 ideal time for reseeding that location before the snows,  
2 before the ground froze?

3 A. I suppose it would. I honestly am not that  
4 familiar with that, the dates for reseeding. I've gathered  
5 that the middle of winter would not have been good, but as  
6 far as the October reseeding date, I couldn't speak to  
7 that.

8 Q. And the reason why you would not have reseeded  
9 when that location was cleared and ready for reseeding  
10 would have been due to lack of money; is that your reason?

11 A. Well, there were -- that was about the time that  
12 the money was running out. It's also the time that, as I  
13 said, understanding from my representative that the  
14 location was pretty good.

15 Q. Except for the reseeding?

16 A. Well, there is that, yeah, I missed that  
17 opportunity.

18 COMMISSIONER BAILEY: I have no further  
19 questions.

20 CHAIRMAN FESMIRE: Commissioner Olson?

21 EXAMINATION

22 BY COMMISSIONER OLSON:

23 Q. Mr. Corbett, have you sold the tanks that you  
24 were reconditioning?

25 A. No, I have not. The tanks are in the -- were

1     hailed to the yard of the man that I -- that was doing this  
2     work for me.

3             Q.     But do I understand you correctly that you expect  
4     to be able to sell those tanks?

5             A.     I do.

6             Q.     And you think that the cost that you'll get from  
7     those tanks will approximately equal the cost that it took  
8     to clean them and remove them and transport them?

9             A.     I think that's right, yes.

10            Q.     And how about -- Did you sell any other equipment  
11     from the site?

12            A.     There was tubing that was removed from the  
13     Barbara, that was sold.

14            Q.     And what was the value of the -- did you get for  
15     the tubing?

16            A.     That was probably about \$4000.

17            Q.     And did you get any salvage value for the  
18     pumpjack?

19            A.     No.

20            Q.     Okay.

21            A.     There was -- there was not a pumping unit on the  
22     Barbara. There was a -- one on the Davie that had been  
23     sort of salvaged and dismantled, and -- before I ever even  
24     came to own the well, there was just sort of a skeleton of  
25     one there.

1 Q. So is that what was removed? Because there was  
2 an invoice for removed pumping unit.

3 A. That's right, that was removed and scrapped.

4 COMMISSIONER OLSON: I think that's all I have.

5 EXAMINATION

6 BY CHAIRMAN FESMIRE:

7 Q. Mr. Corbett this is Mark Fesmire. I've got a  
8 couple of questions.

9 Mr. Davie has requested that you not reseed the  
10 land on the Davie well; is that correct?

11 A. That is correct.

12 Q. And you understand that the reseeding requirement  
13 is not a requirement of the landowner but a requirement of  
14 the OCD?

15 A. I do.

16 Q. Does he understand that he could be incurring  
17 some responsibility there if he gives you that waiver?

18 A. I doubt that he understands that. My assumption  
19 has been that he was -- it was his land, that he had some  
20 sovereignty there.

21 Q. Okay. Now you extended that loan on December  
22 15th. It was my understanding at the original hearing that  
23 you didn't have any further credit capacity, and that's why  
24 we were trying to get the release in time for you to pay  
25 that debt.

1           A.    I appreciate that.  I did not increase the loan  
2   at all, but merely extended the term of it and continued to  
3   make interest payments on the principle.

4           Q.    Okay, so you did have some borrowing capacity  
5   there that we didn't know about?

6           A.    Well, I'm not sure that I had any more value in  
7   the -- just extended the term of it.

8           Q.    Okay.  Now you said that you contacted the  
9   Commission and they didn't return your call.  Who did you  
10   contact?

11          A.    I left a message for Ms. MacQuesten.

12          Q.    And do you remember when that was?

13          A.    I couldn't begin to give you the date.  I'll let  
14   her bring that up, even.

15          Q.    Okay.  Did you contact your attorney?

16          A.    No, I had hoped that he had served his purpose  
17   and we could just move forward and get this taken care of.

18          Q.    Okay, and you understand that according to the  
19   OCD records, you were represented by an attorney, so Ms.  
20   MacQuesten probably couldn't have talked to you?

21          A.    I understand, and I had thought that my attorney  
22   might be able to help me with the first hearing, and then  
23   having the hearing behind us, that we could forward and  
24   just finish this work.

25          Q.    Okay, I don't think we should get into that,

1 then.

2 When will you sell those tanks?

3 A. You know, I could do that at any point, I'm sure.

4 Q. Why haven't you done it, then?

5 A. The man who's doing the work for me, Mr. Hahn,  
6 said that he might have some use for them, and honestly,  
7 the -- again, he's not billed me for any of his work on  
8 overseeing the plugging and abandonment of these wells, and  
9 so we were going to negotiate some sort of agreement when  
10 things were finished.

11 Q. Okay. I want to talk real quick about your --  
12 some of the invoices that were submitted. I'm a little  
13 concerned. Who is Keith Englehart?

14 A. A roustabout who does a fair amount of work for  
15 Mr. Hahn.

16 Q. Okay. And some of these invoices are signed by  
17 Keith Englehart on your behalf and are payable to Shirley  
18 Englehart. Are they the same couple?

19 A. They are, I'm sure, the same couple. She -- He  
20 provides the truck to haul the things away. Her -- she's  
21 driving a car for the escort for the oversize loads.

22 Q. Okay, so are my concerns misplaced here that  
23 Keith Englehart is signing to approve invoices to pay  
24 Sharon [sic] Englehart?

25 A. No, your -- for your observation, I will tell you

1     that the only reason that I said let's go ahead and do that  
2     is because the invoices are probably about -- well, they're  
3     approximately \$220.

4           Q.    Yeah. Okay. Well, the only thing that concerns  
5     me is that, you know -- pardon me for saying this, but it  
6     might be like you're playing with somebody else's money,  
7     like the OCD's.

8           A.    Yeah, there have been other people playing with  
9     my money all through this. But on this one I thought that  
10    this is probably not the one to die on. There were just  
11    the three tanks to be carried off, and she provided a  
12    service.

13                But the other thing, that you understand, is that  
14    in a community like Farmington there's -- it's not uncommon  
15    that a guy's wife might have a related business and work  
16    with him.

17                There is, I agree, not a business procedure to  
18    have him sign her invoices.

19                CHAIRMAN FESMIRE: Okay, I have no further  
20    questions.

21                Mr. Bruce, do you have a redirect?

22                MR. BRUCE: I do not.

23                CHAIRMAN FESMIRE: Okay. Mr. Corbett, that  
24    concludes our examination of you. We're going to go ahead  
25    and finish the hearing, but I understand that you're on a



1 cell phone and you probably don't want to be connected for  
2 the rest of the hearing; is that correct?

3 THE WITNESS: That's true.

4 CHAIRMAN FESMIRE: Okay, thank you very much.

5 Ms. MacQuesten, did you have anything else of the  
6 witness?

7 MS. MacQUESTEN: No, I don't, thank you.

8 CHAIRMAN FESMIRE: Commission?

9 COMMISSIONER BAILEY: No.

10 COMMISSIONER OLSON: No.

11 CHAIRMAN FESMIRE: Thank you very much, Mr.  
12 Corbett.

13 MR. CORBETT: Thank you.

14 CHAIRMAN FESMIRE: Let the record reflect that  
15 Mr. Corbett's phone connection was disconnected at this  
16 point.

17 Mr. Bruce, do you have anything else?

18 MR. BRUCE: I have nothing further, Mr. Chairman.

19 CHAIRMAN FESMIRE: Ms. MacQuesten, did you have a  
20 close?

21 MS. MacQUESTEN: Just briefly. We're just  
22 seeking guidance on what we need to do under the terms of  
23 the order. We take the position that if the Commission  
24 orders something, only the Commission can take that order  
25 away. For example, on the reseeding, if the landowner

1 doesn't want the site reseeded, we don't take an opinion on  
2 that. But because we weren't the entity ordering the  
3 reseeding, we think that Mr. Corbett needs to ask the  
4 Commission to decide whether the landowner's desire is  
5 something they want to recognize.

6 Other than that, we just need guidance on how to  
7 carry out the terms of the order. What we would prefer is  
8 that the Commission decide exactly how they want us to  
9 handle the penalty now.

10 If Mr. Corbett has shown enough that you don't  
11 think a penalty should be imposed, we need to know that.  
12 If you think that the penalty amount should be imposed but  
13 with some reduction, we would really appreciate knowing  
14 what amount that reduction is, because we've now been  
15 through three hearings on this and we don't really want to  
16 go on a fourth. So if you just tell us what you want us to  
17 do, we'll do it.

18 Thank you.

19 CHAIRMAN FESMIRE: Mr. Bruce?

20 MR. BRUCE: Mr. Chairman, maybe off the cuff  
21 first, when you started asking Mr. Corbett about  
22 conversations with his attorney and you cut it off, I  
23 didn't mind because I hadn't had any discussions with him  
24 since the last hearing. I didn't speak with him again  
25 until probably a week ago.

1 CHAIRMAN FESMIRE: To his detriment, Mr. Bruce --

2 MR. BRUCE: Well --

3 CHAIRMAN FESMIRE: -- I'm afraid.

4 MR. BRUCE: -- he was -- as he said, he was  
5 trying to take care of it on his own.

6 The provision of the Commission's prior order  
7 states that if Northstar Oil and Gas Corporation restores  
8 the well sites and seeds the well sites with seed or plants  
9 native to the area by December 15th, 2007, it may reduce  
10 the civil penalty by its actual expenditures for restoring  
11 the well sites.

12 If you look at the invoices, which I believe were  
13 necessary for reclaiming and restoring the well site, all  
14 of the work was done by December 15th, except for the  
15 reseeding, and Mr. Corbett acknowledged that. Well in  
16 excess of \$10,000 was spent, and he's still spending money.  
17 We believe that these charges were proper.

18 The Form C-103s were filed, although the way I  
19 read the order, that -- the December 15th date wasn't the  
20 deadline for filing the Form C-103s, and really the only  
21 person penalized by that is Northstar, by the fact that he  
22 had to continue at least paying interest on his loan.

23 If the Commission would grant me some time, I'm  
24 sure I could get the proof of payment, the canceled checks,  
25 and submit those to the Division. My only assertion -- and

1 I understand Ms. MacQuesten's desire for guidance with the  
2 Commission -- I would simply argue that Mr. Corbett,  
3 Northstar Oil and Gas, has substantially complied with the  
4 Commission's order.

5 As he said, perhaps he should have called me  
6 earlier. I did pass on the letters that Ms. MacQuesten  
7 sent to me, to him, but he chose more or less to go alone.  
8 I apologize to the Commission for that, but I think -- I  
9 think over the next few days the one well site will be  
10 reseeded and we're at the end of this, and I would again  
11 request that pursuant to the prior order, Mr. -- Northstar  
12 Oil and Gas be given at least some credit for the surface  
13 restoration.

14 Thank you.

15 CHAIRMAN FESMIRE: Okay. Any rebuttal?

16 MS. MacQUESTEN: Oh, just to point out that the  
17 language in the order at page 3, paragraph 2, is, Northstar  
18 Oil and Gas Corporation shall restore the well sites  
19 associated with the wells in the manner provided in  
20 Subsection B of 19.15.4.202 NMAC and seed, and so forth.

21 They needed to do everything the rule required,  
22 which included filing the forms and so forth, and that was  
23 not done by December 15th.

24 CHAIRMAN FESMIRE: At this time, Commissioner  
25 Bailey, Commissioner Olson, would either -- anybody be

1 interested in a break, or do you want to just --

2 COMMISSIONER OLSON: Yeah.

3 CHAIRMAN FESMIRE: At this time why don't we take  
4 a 10-minute break, and we'll begin our deliberations on  
5 this case at 11:10.

6 Is there any reason not to deliberate in public,  
7 Commissioner?

8 COMMISSIONER BAILEY: We normally do not.

9 CHAIRMAN FESMIRE: Do not. I'm sorry, I keep  
10 forgetting.

11 Okay, we will begin our deliberations at 11:10 in  
12 private.

13 (Thereupon, a recess was taken at 10:59 a.m.)

14 (The following proceedings had at 11:12 a.m.)

15 CHAIRMAN FESMIRE: Let's go back on the record.  
16 Let the record reflect it's 11:10.

17 The Commission will go into executive session to  
18 discuss Case Number 13- -- to deliberate in Case Number  
19 13,920.

20 Before we go into executive session, is there any  
21 business that we need to address?

22 COMMISSIONER BAILEY: No.

23 COMMISSIONER OLSON: No.

24 CHAIRMAN FESMIRE: Okay. At this time we'll go  
25 into executive session.

1 (Off the record at 11:12 a.m.)

2 (The following proceedings had at 11:18 a.m.)

3 CHAIRMAN FESMIRE: Okay, let's go back on the  
4 record.

5 Let the record reflect that the Commission has  
6 completed its deliberations on Case Number 13,920,  
7 reopened, that during the executive session the Commission  
8 discussed nothing but Case Number 13,920.

9 We've come to a decision in that case, and we've  
10 instructed Counsel to draft an order to that effect, to be  
11 prepared for signing at the May 9th, 2008, Commission  
12 meeting.

13 Basically the order will direct Mr. -- Northstar  
14 Oil and Gas and Mr. Corbett to pay the \$10,000 penalty, to  
15 re-seed the Barbara location -- and what was the other --  
16 there was a third provision?

17 MS. BADA: Not to have to reseed the Davie.

18 CHAIRMAN FESMIRE: -- and that he does not have  
19 to reseed the Davie.

20 The decision as made renders moot the question on  
21 what the Commission intended with respect to the credits  
22 for work that was done after the initial order, and the  
23 order will so reflect and be reviewed at the next  
24 Commission meeting.

25 COMMISSIONER BAILEY: And the bond will not be

1 released until we have proof of the completion of activity?

2 CHAIRMAN FESMIRE: Absolutely.

3 Counsel, do we need a motion?

4 MS. BADA: So not released until payment of the

5 penalty and --

6 COMMISSIONER BAILEY: -- reseeding --

7 MS. BADA: Yes.

8 COMMISSIONER BAILEY: -- is completed.

9 COMMISSIONER OLSON: Approval of the final

10 actions, reseeding.

11 COMMISSIONER BAILEY: Yes.

12 CHAIRMAN FESMIRE: Commission -- I mean, Counsel,

13 is there anything else we need to address at this meeting?

14 MS. BADA: (Shakes head)

15 CHAIRMAN FESMIRE: Secretary Davidson, is there

16 anything you think we need to address?

17 MS. DAVIDSON: (Shakes head)

18 COMMISSIONER OLSON: Do you want me to -- I'll

19 make a motion on that so that we need to --

20 MS. BADA: Motion to --

21 COMMISSIONER OLSON: -- motion to direct counsel

22 to prepare that.

23 CHAIRMAN FESMIRE: Okay. Is there a second?

24 COMMISSIONER BAILEY: Second.

25 CHAIRMAN FESMIRE: All those in favor, signify by

1 saying aye.

2 COMMISSIONER BAILEY: Aye.

3 COMMISSIONER OLSON: Aye.

4 CHAIRMAN FESMIRE: Aye. Let the record reflect  
5 that the motion carried, and that counsel will be so  
6 directed.

7 Is there any other business before the  
8 Commission?

9 Seeing none, the Chair would entertain a motion  
10 to adjourn.

11 COMMISSIONER BAILEY: I so move.

12 COMMISSIONER OLSON: Second.

13 CHAIRMAN FESMIRE: All those in favor, signify by  
14 saying aye.

15 COMMISSIONER BAILEY: Aye.

16 COMMISSIONER OLSON: Aye.

17 CHAIRMAN FESMIRE: Let the record reflect that  
18 the motion carried and the Commission meeting was adjourned  
19 at 11:23 a.m.

20 (Thereupon, these proceedings were concluded at  
21 11:23 a.m.)

22 \* \* \*

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24

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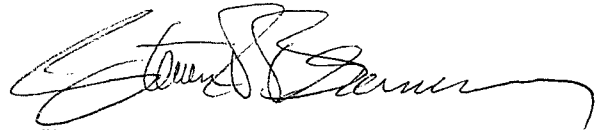
## CERTIFICATE OF REPORTER

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 Commission 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 April 21st, 2008.



STEVEN T. BRENNER  
CCR No. 7

My commission expires: October 16th, 2010