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STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING CALLED  
BY THE OIL CONSERVATION DIVISION FOR  
THE PURPOSE OF CONSIDERING:



CASE NO. 14129

APPLICATION OF THE NEW MEXICO OIL  
CONSERVATION DIVISION FOR A COMPLIANCE  
ORDER AGAINST GENERAL OPERATING  
COMPANY, GENE A. SNOW AND/OR SNOW OIL &  
GAS, INC.

REPORTER'S TRANSCRIPT OF PROCEEDINGS  
EXAMINER HEARING

2008 OCT 30 PM 4 52

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BEFORE: DAVID K. BROOKS, Legal Examiner  
RICHARD EZEANYIM, Technical Examiner  
TERRY G. WARNELL, Technical Examiner

October 16, 2008  
Santa Fe, New Mexico

This matter came on for hearing before the New Mexico  
Oil Conservation Division, DAVID K. BROOKS, Legal Examiner,  
RICHARD EZEANYIM, Technical Examiner, and TERRY G. WARNELL,  
Technical Examiner, on Thursday, October 16, 2008, at the  
New Mexico Energy, Minerals and Natural Resources Department,  
1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico.

REPORTED BY: JOYCE D. CALVERT, P-03  
Paul Baca Court Reporters  
500 Fourth Street, NW, Suite 105  
Albuquerque, New Mexico 87102

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

FOR THE OIL CONSERVATION DIVISION:

Gail MacQuesten, Esq.  
ASSISTANT GENERAL COUNSEL  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

FOR SNOW OIL & GAS, INC., AND GENE SNOW HEIRS:

Lisa Curry Gray, Esq.  
ATTORNEY AT LAW  
227 E. Palace Avenue, Suite E  
Santa Fe, New Mexico 87501

1 MR. BROOKS: Back on the record. Good afternoon.

2 We will call Case No. 14129, the Application of  
3 New Mexico Oil Conservation Division for a Compliance Order  
4 against General Operating Company, Gene A. Snow and/or Snow Oil  
5 & Gas, Inc., Eddy County, New Mexico.

6 Call for appearances.

7 MS. MACQUESTEN: Gail MacQuesten representing the Oil  
8 Conservation Division. I have one witness.

9 MS. GRAY: Mr. Examiner, my name is Lisa Gray. I'm  
10 here representing Snow Oil & Gas Inc., and Gene Snow Heirs.

11 MR. BROOKS: Very good. Do you have any witnesses?

12 MS. GRAY: No witnesses.

13 MR. BROOKS: Okay. Mr. Sanchez, you've been  
14 previously sworn this morning, so it won't be necessary to  
15 swear you in again.

16 MS. GRAY: Mr. Examiner, I think you've received this  
17 information.

18 MR. BROOKS: Okay. Yeah. Okay. You may proceed.  
19 Do you wish to make an opening statement in this case?

20 MS. MACQUESTEN: Yes, please.

21 MR. BROOKS: Go ahead.

22 MS. MACQUESTEN: The Oil Conservation Division seeks  
23 a plugging order on the Kleeman No. 1 well. This well last  
24 reported production for May 1977. At that time, Jimmy Carter  
25 was in the White House and Elvis was still alive.

1           The well is not plugged and abandoned or on approved  
2 temporary abandonment status. It is, therefore, in violation  
3 of Rule 201 and has been for decades. That is not in dispute.

4           The issue in this case is who the operator is. The  
5 OCD has named as a party the last entity that claims to be the  
6 operator of record -- according to documents in the well  
7 file -- Mr. Gene A. Snow. You'll see a change of operator  
8 document in the well file that Mr. Snow signed taking over as  
9 operator of record in 1976 from a prior operator.

10           After that, the chain of operators is unclear. The  
11 names of several entities appear in the well file as the  
12 operator, but there are no documents in the well file showing a  
13 transfer of operations for Mr. Snow to any of these other  
14 entities.

15           At some point, the OCD began to recognize one of  
16 those entities, General Operating Company, as the operator of  
17 record for the well. But again, there are no documents in the  
18 well file showing that General Operating Company took on the  
19 role as operator of this well.

20           We filed the application for hearing against the  
21 three possible operators whose names appear in the well file  
22 that we could identify from the record: General Operating  
23 Company, that's the company that currently appears as operator  
24 of record, even though there's nothing in the well file showing  
25 them taking on operations of the well; Mr. Snow, the last clear

1 operator, according to the documents in the well file; and,  
2 Snow Oil & Gas, Inc., because that name also appeared in the  
3 well file.

4 Again, nothing in the well file shows a transfer from  
5 Mr. Snow to Snow Oil & Gas, Inc. We simply named them because  
6 the name appears in the file. As you'll see from the affidavit  
7 of Dorothy Phillips, the only one of those entities that has a  
8 financial assurance is Snow Oil & Gas, Inc. They have a  
9 \$50,000 blanket bond.

10 Now, the reason that we listed these three entities  
11 is because in prior cases, the OCD has been asked to notify  
12 every entity in the file who may have an interest in the well  
13 we seek to plug. Also, if the Examiner determines who the  
14 appropriate operator of record is, we could forfeit financial  
15 assurance if that entity has financial assurance, and we can  
16 seek reimbursement from them if the State has to plug the well  
17 and use the reclamation funds.

18 MR. BROOKS: Okay. Did you notify the surety for  
19 Snow Oil & Gas, Inc.?

20 MS. MACQUESTEN: Yes, we did.

21 MR. BROOKS: Okay.

22 MS. MACQUESTEN: And with that, I will call  
23 Mr. Sanchez.

24 MR. BROOKS: Did you wish to make an opening  
25 statement, Ms. Gray?

1 MS. GRAY: Just a brief opening statement, Mr.  
2 Examiner.

3 MR. BROOKS: Go ahead.

4 MS. GRAY: First of all, I can only say that because  
5 of my tender age, I just know that it was rumored that Elvis  
6 was dead and Carter was in the White House at that time.

7 But I think the information that the OCD has provided  
8 in its exhibits, and I believe the affidavits and other  
9 exhibits that my clients have provided to the OCD, will show  
10 that these two particular entities don't represent, under the  
11 definition of operator, the responsible parties in this  
12 particular case.

13 And therefore, we'll pass to Ms. MacQuesten for the  
14 presentation of the information.

15 Thank you.

16 MR. BROOKS: Thank you. Mr. Sanchez?

17 DANIEL SANCHEZ

18 after having been first duly sworn under oath,  
19 was questioned and testified as follows:

20 DIRECT EXAMINATION

21 BY MS. MACQUESTEN:

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

23 A. Daniel Sanchez.

24 Q. And where do you work?

25 A. For the Oil Conservation Division.

1 Q. What is your title there?

2 A. Compliance and Enforcement Manager.

3 Q. Have you reviewed the OCD records for the  
4 Kleeman No. 1 well --

5 A. Yes, I have.

6 Q. -- including the well file?

7 A. Yes.

8 Q. When was the last reported production or  
9 injection for this well?

10 A. In 1977.

11 Q. When you examined the well file, did you find any  
12 documents indicating that this well was plugged?

13 A. No.

14 Q. Did the well file indicate the well was on  
15 approved temporary abandonment status?

16 A. No, it did not.

17 Q. I'd like to go through the operator histories of  
18 the well, and if you could turn to what has been marked as  
19 Exhibit No. 1. Is this a Request for Allowable for the Kleeman  
20 No. 1 well?

21 A. Yes, it is.

22 Q. And does it give a spud date for the well?

23 A. Yes. June 19, 1957.

24 Q. And who was the original operator?

25 A. Jones Oil Company.

1 Q. Let's fast-forward from 1957 for a couple of  
2 decades and turn to Exhibit No. 2. Is this another Request for  
3 Allowable?

4 A. Yes, it is.

5 Q. And what is the date of this request?

6 A. This one is December 13th, 1976.

7 Q. Who is listed as the operator of the well on this  
8 request?

9 A. Gene A. Snow.

10 Q. And what address is given?

11 A. 606 South 13th Street, Lovington,  
12 New Mexico, 88260.

13 Q. Did Mr. Snow sign this regulatory filing?

14 A. Yes, he did. There was also an indication that  
15 there was a change of ownership on this form.

16 Q. And where is that?

17 A. On the top underneath the address, the top of the  
18 left-hand corner.

19 Q. Who is the operator that Mr. Snow is taking over  
20 from?

21 A. Bearing Service and Supply Company.

22 Q. Did Mr. Snow file any documents as operator of  
23 this well other than the Request for Allowable?

24 A. There are some in the well file, yes.

25 Q. If you could turn to Exhibit No. 3.

1 A. Okay.

2 Q. What is this document?

3 A. This is a C-103, a subsequent report for remedial  
4 work.

5 Q. And who filed it?

6 A. Mr. Snow.

7 Q. And his name appears as the operator of the well?

8 A. Yes.

9 Q. With the same address as the prior filing?

10 A. Yes, it is.

11 Q. And Mr. Snow signed it?

12 A. Yes.

13 Q. What title does he list for himself?

14 A. Operator.

15 Q. What date was this filed?

16 A. October 1st, 1976.

17 Q. Could you turn to what's been marked as  
18 Exhibit No. 4?

19 A. Okay.

20 Q. What is this document?

21 A. This is a supplement to the oil proration  
22 schedule. It reads, "Effective January 1st, 1978, the  
23 allowable of the following Gene A. Snow well in the pool listed  
24 is hereby cancelled for failure to file form C-115."

25 Q. And what is the date of that cancellation?

1 A. January 19th, 1978.

2 Q. And this was directed at Mr. Gene A. Snow?

3 A. Yes.

4 Q. There's a handwritten notation to this document.  
5 Do you know what that is?

6 A. It is a handwritten note by Carmen Reno who works  
7 out of our Artesia District Office, and this was written May  
8 9th, 1996. And it reads, "Called, said this well was sold.  
9 Didn't know who it was sold to."

10 Q. If you could turn to Exhibit No. 5, please.

11 A. Okay.

12 Q. Now, Exhibit No. 5 is actually a collection of  
13 documents. Are these all the documents that appear in the well  
14 file after the cancellation of allowable?

15 A. Yes.

16 MS. MACQUESTEN: And Mr. Examiner, just for your  
17 convenience, they've been marked in the lower right-hand corner  
18 with page numbers so that'll be easier to go through.

19 Q. (By Ms. MacQuesten): If you look at page 1 of  
20 Exhibit 5, is this a letter from District Supervisor Tim Gum to  
21 General Operating Company?

22 A. Yes, it is.

23 Q. And could you summarize what this letter is  
24 about?

25 A. Yes. It's informing them that the Kleeman is in

1 violation of Rule 201, and it's basically asking what the  
2 operator's intentions are with that well.

3 Q. It's treating General Operating Company as the  
4 operator of this well? Was there anything in the well file to  
5 show a change of operator from Mr. Snow to General Operating  
6 Company?

7 A. No.

8 Q. What is the date of this letter?

9 A. April 25th, 1997.

10 Q. Did you see anything in the well file to show  
11 that General Operating Company took any action in regard to  
12 this well?

13 A. No, none whatsoever.

14 Q. No regulatory filings from General Operating?

15 A. No.

16 Q. If you could turn to the next page, can you tell  
17 us what this document is?

18 A. This is a document that came off ONGUARD and it  
19 shows the OGRID identifier with the name Snow Oil & Gas  
20 Incorporated, and it lists the wells that they have here. All  
21 of them Palomillo State.

22 Q. Is there any reference to the Kleeman No. 1 well?

23 A. No.

24 Q. Is there any reference to Mr. Gene A. Snow?

25 A. No.

1 Q. Any reference to General Operating?

2 A. No.

3 Q. Do you have any idea why this document appears in  
4 the well file for the Kleeman No. 1?

5 A. No, not at all.

6 Q. If you could turn to the third page, can you tell  
7 us what this document is?

8 A. This is another document off ONGUARD, and it  
9 shows the OGRID identifier as, once again, General Operating  
10 Company. But that has been struck through and replaced with  
11 Gene A. Snow, and this does show the Kleeman well on there.

12 Q. Do you know who wrote in Mr. Snow's name?

13 A. No.

14 Q. What is the date of this document?

15 A. August 4th, 1998.

16 Q. Could you turn to what's been marked as page 4?

17 A. Okay.

18 Q. Tell us what this is.

19 A. This is a handwritten note -- kind of hard to  
20 read -- but it talks about Snow Oil & Gas. It gives their  
21 address on this, and it has a copy of a contractor's card,  
22 B. J. Phillips Contracting, a pump well testing service.

23 Q. Now, other than that mysterious ONGUARD screen  
24 showing some wells operated by Snow Oil & Gas, Inc., is this  
25 the first time you see the name Snow Oil & Gas in the files of

1 the Kleeman No. 1?

2 A. Yes.

3 Q. Was there anything in the file showing that the  
4 operator changed from Mr. Snow to Snow Oil & Gas?

5 A. No, not at all.

6 Q. Nothing to show change of operator from General  
7 Operating to Snow Oil & Gas?

8 A. No.

9 Q. Nothing? If you could turn to page 5. Any idea  
10 what this is?

11 A. None whatsoever.

12 Q. It appears in the well file?

13 A. Yes, it does.

14 Q. On the back of that mysterious page, there's  
15 page 6. Can you tell us what this is?

16 A. This is a diagram of a proposed plugging for the  
17 well, and this shows General Operating as the operator, and  
18 this is the Kleeman No. 1.

19 Q. Do you know who prepared this document?

20 A. Van Barton who used to work out of the Artesia  
21 office.

22 Q. How do you know that?

23 A. Some information I got last week when I was down  
24 at the district office. I asked Gerry Guye and Tim to take a  
25 look at it and see if they could recognize it, and they both

1 agreed that it was Van Barton.

2 Q. So this was prepared within the OCD and not by  
3 General Operating?

4 A. Yes.

5 Q. General Operating wasn't proposing to plug the  
6 well or take any action with regard to the well?

7 A. No.

8 Q. If you could turn to page 7. What's this  
9 document?

10 A. This is a Notice of Violation issued to General  
11 Operating on November 4th, 2004, on the Kleeman No. 1, and it  
12 was a violation of Rule 201.

13 Q. Is that the inactive well rule?

14 A. Yes.

15 Q. If you could turn to page 8. Is this another  
16 Notice of Violation?

17 A. This is a Letter of Violation sent to Snow Oil &  
18 Gas on March 7, 2006, once again on the Kleeman No. 1. And  
19 this is also for a violation of Rule 201.

20 Q. Okay. If you could turn to page 9.

21 A. This is the response from Snow Oil & Gas to the  
22 previous Letter of Violation stating that this is not their  
23 well.

24 Q. What is the date on that letter?

25 A. March 17th, 2006.

1 Q. Okay. Having struck out with Snow Oil & Gas, did  
2 the district office send a Letter of Violation to anyone else?

3 A. Yes. On May 29th of 2007, they sent another  
4 Letter of Violation to General Operating Company. And this one  
5 was regarding Kleeman No. 1 again, violation of Rule 201, a pit  
6 violation, and a missing sign violation.

7 Q. Is the letter on page 11 another Letter of  
8 Violation also to General Operating?

9 A. Yes, it is.

10 Q. Is the address slightly different?

11 A. Yeah, slightly. There was no zip code on this  
12 one -- 8795 Jacksboro Highway, Wichita Falls, Texas.

13 Q. So they basically re-sent the same letter to a  
14 better address?

15 A. Yes.

16 Q. Just to be clear, is there anything -- first of  
17 all, the documents we have just gone through are the only  
18 documents we have in the well file after Mr. Snow was notified  
19 that his allowable had been cancelled; is that right?

20 A. Yes.

21 Q. And there is nothing showing a change of operator  
22 from Gene A. Snow to any other entity?

23 A. None whatsoever.

24 Q. The well file contains no document filed by  
25 General Operating showing that they are operating the well in

1 any way?

2 A. No.

3 Q. Does the well file contain any documents from  
4 Snow Oil & Gas, Inc., showing that they are operating well?

5 A. No.

6 Q. Did you research these two companies, General  
7 Operating and Snow Oil & Gas to find out why they appeared in  
8 the well file?

9 A. Yes.

10 Q. Did you get any explanation?

11 A. No.

12 Q. Okay. According to OCD records, who appears as  
13 operator of record for the Kleeman No. 1?

14 A. General Operating Company.

15 Q. Could you turn to what's been marked as Exhibit  
16 No. 6?

17 A. Yes. This is the well list for General Operating  
18 Company, and all it shows is the Kleeman No. 1.

19 Q. So they don't operate -- OCD doesn't claim they  
20 operate any other wells?

21 A. That's correct.

22 Q. Have you checked the PRC website to determine the  
23 status of General Operating Company?

24 A. Yes.

25 Q. Is Exhibit No. 7 a printout of the screen from

1 the PRC website regarding the status of that company?

2 A. Yes, it is.

3 Q. And what is the status?

4 A. That it is inactive due to a revoked beyond  
5 appeal period.

6 Q. By looking at the list of officers and directors  
7 for this corporation, do you see any connection between General  
8 Operating Company and Mr. Gene A. Snow?

9 A. No.

10 Q. Let me ask you about the other company whose name  
11 appears in the well file, Snow Oil & Gas, Inc. Are they an  
12 active operator in New Mexico?

13 A. Yes, they were.

14 Q. Is Exhibit No. 8 a copy of the well list showing  
15 the wells OCD has as wells operated by Snow Oil & Gas, Inc.?

16 A. Yes, it is.

17 Q. And the Kleeman No. 1 is not on that list?

18 A. No, it's not.

19 Q. Did you check the PRC website for Snow Oil & Gas  
20 Inc.?

21 A. Yes, I did.

22 Q. Is Exhibit No. 9 a copy of the PRC screen  
23 regarding this company?

24 A. Yes.

25 Q. Who is listed as the officers and directors of

1 this company?

2 A. President, Nona L. Snow; vice president, Daniel  
3 W. Snow; and, secretary, Samuel L. Snow.

4 Q. Is Mr. Gene A. Snow listed as an officer or  
5 director?

6 A. No.

7 Q. When was this corporation formed?

8 A. In December of 1984.

9 Q. So that's several years after Mr. Snow was  
10 actively operating this well?

11 A. Yes, that's correct.

12 Q. In fact, this corporation didn't exist when  
13 Mr. Snow became operator of the well?

14 A. That's correct.

15 Q. So there was no confusion that it was really this  
16 company becoming the operator of the well. Mr. Snow would have  
17 acquired it as a sole proprietor?

18 A. That's right.

19 Q. All right. Just so we can get really confused,  
20 let's look at a third company. The OCD has as an operator, a  
21 company, called Snow Operating Company; does it not?

22 A. Yes, it does.

23 Q. Now, this company was not named in the  
24 application that's before us today?

25 A. That's right.

1 Q. Does this name appear in the Kleeman No. 1 well  
2 file at all?

3 A. No.

4 Q. If you could turn to Exhibit No. 10. Is this a  
5 copy of the PRC website for Snow Operating Company, Inc.?

6 A. Yes, it is.

7 Q. Who is listed as president?

8 A. Gene Snow.

9 Q. Do we know if the Gene Snow listed as president  
10 of this company is the same Mr. Gene A. Snow whose name appears  
11 in the well file for the Kleeman No. 1?

12 A. No, we do not.

13 Q. When was this corporation formed?

14 A. In 1994.

15 Q. So again, that would be many years after Mr. Snow  
16 was actively operating the Kleeman No. 1?

17 A. Yes.

18 Q. And, in fact, this corporation wasn't in  
19 existence at this time?

20 A. That's correct.

21 Q. Is this company, Snow Operating Company, Inc., an  
22 active operator in New Mexico?

23 A. Yes, they are.

24 Q. Is Exhibit 11 a copy of the well list for Snow  
25 Operating Company, Inc.?

1           A. Yes, it is.

2           Q. What is the status of the Kleeman No. 1 well?

3           A. Currently, it's inactive and hasn't been plugged.

4           Q. Would you turn to Exhibit 12?

5           A. Okay.

6           Q. Is this a well inspection history for the Kleeman  
7 No. 1?

8           A. Yes, it is.

9           Q. Other than the fact that it's inactive, are there  
10 any other compliance issues or clean-up issues that need to be  
11 addressed?

12           A. Yes. There's a violation of the Pit Rule. It  
13 needs to be closed, and -- well, it's kind of a moot point, but  
14 the well sign is listed as one of the violations.

15           Q. What is the OCD asking for in this case?

16           A. An order authorizing the OCD to go ahead and plug  
17 this well.

18           Q. Why was Mr. Snow named in the application?

19           A. He is the last operator of record in the well  
20 file which actually showed a transfer from one entity to him.

21           Q. Why name General Operating Company?

22           A. General Operating Company came up within the well  
23 file as being an operator as well, even though there wasn't  
24 anything to indicate that there was an official transfer.

25           Q. And in fact, they're listed as operator of

1 record?

2 A. At this time, yes.

3 Q. Although we don't know why?

4 A. That's right.

5 Q. Why was Snow Oil & Gas, Inc., named in the  
6 application?

7 A. Their name also came up in the well file at one  
8 time or another.

9 Q. Why did the OCD not name Snow Oil & Gas  
10 Operating?

11 A. It never came up in the well file.

12 Q. And were we able to prove any connection between  
13 our Mr. Snow and this company?

14 A. No.

15 MS. MACQUESTEN: I would move for the admission of  
16 Exhibits 1 through 12.

17 MR. BROOKS: Any objection?

18 MS. GRAY: No.

19 MR. BROOKS: Exhibits 1 through 12 are admitted.

20 [Applicant's Exhibits 1 through 12 admitted into  
21 evidence.]

22 MS. MACQUESTEN: I would also ask the Examiner to  
23 admit Exhibit 13. It is the affidavit of Dorothy Phillips. It  
24 shows the financial assurance for the entities we've been  
25 discussing. You'll see that we have no financial assurance for

1 Gene A. Snow or financial assurance for General Operating.

2 There is a \$50,000 blanket bond for Snow Oil & Gas, Inc.

3 MR. BROOKS: Any objection to Exhibit 13?

4 MS. GRAY: No.

5 MR. BROOKS: Exhibit 13 is admitted.

6 [Applicant's Exhibit 13 admitted into evidence.]

7 MS. MACQUESTEN: I'd also ask you to admit

8 Exhibit 14, which is the affidavit of notice. We notified  
9 General Operating. The notice that was sent to the company  
10 itself was returned to us. The notice sent to their registered  
11 agent was received. They sent us a letter saying they could no  
12 longer accept service because General Operating had withdrawn  
13 from doing business in New Mexico.

14 For Snow Oil & Gas, Inc., we received green receipt  
15 cards at both addresses. For Mr. Gene A. Snow, we received a  
16 green receipt card not signed by Mr. Snow, and I would note  
17 that the address for Mr. Gene A. Snow is the same one for Snow  
18 Oil & Gas, Inc. We also published notice of the hearing in the  
19 relevant newspaper.

20 MR. BROOKS: Now, you said the address for Gene A.  
21 Snow is the same as Snow Oil & Gas, Inc?

22 MS. MACQUESTEN: I believe so.

23 MR. BROOKS: That's not the case on the affidavit.  
24 The affidavit shows -- well, yeah, on the notice it is, but on  
25 the affidavit, it shows Gene A. Snow at 606 South 13th Street,

1 Lovington, New Mexico.

2 MS. MACQUESTEN: Right. It's the same address as the  
3 registered agent for Snow Oil & Gas. That's Nona Snow.

4 MR. BROOKS: Okay. Any objection to Exhibit 14?

5 MS. GRAY: No.

6 MR. BROOKS: Exhibit 14 is admitted.

7 [Applicant's Exhibit 14 admitted into evidence.]

8 MS. MACQUESTEN: That concludes our presentation.

9 MR. BROOKS: Cross-examination?

10 MS. GRAY: Yes. I do have just a few questions for  
11 Mr. Sanchez.

12 MR. BROOKS: You may proceed.

13 CROSS-EXAMINATION

14 BY MS. GRAY:

15 Q. Mr. Sanchez, returning to Exhibit No. 2,  
16 Ms. MacQuesten asked if it notes a change of ownership on  
17 Exhibit No. 2.

18 A. Yes, ma'am.

19 Q. Beyond this particular form, was there any other  
20 investigation as far as the change of ownership?

21 A. Only what was in the well file.

22 Q. And as far as -- but did you investigate the  
23 county records in this area?

24 A. No, I did not.

25 Q. Did you examine any assignment to Mr. Snow from

1 Bearing Supply?

2 A. No.

3 Q. Was there any record prior to this particular  
4 instrument that Bearing Services Supply had ownership in the  
5 Kleeman No. 1 or the underlying leases?

6 A. Not that I'm aware of.

7 Q. Nothing within the well file?

8 A. No.

9 Q. This is the first time Bearing Services and  
10 Supply appeared?

11 A. I believe so.

12 Q. And Bearing Services and Supply was not noticed  
13 for this hearing?

14 A. No.

15 Q. Why was Bearing Services and Supply -- why were  
16 their principals not noticed?

17 A. We didn't see a need to notice them since there  
18 was an official document showing that they had already changed  
19 ownership to Mr. Snow.

20 Q. Going to Exhibit 5 -- oh, I'm sorry. Could we  
21 return to Exhibit 4?

22 In the notation from Exhibit 4, this was from Carmen  
23 Reno?

24 A. Yes, ma'am.

25 Q. Was there any indication who was called --

1 A. No.

2 Q. -- and who Ms. Reno spoke with?

3 A. No.

4 Q. Okay. Thank you. Turn to Exhibit 5 on the -- on  
5 page 6. This was -- this particular schematic, you presented  
6 this to Mr. Gum, and how did he indicate that Mr. Van Barton  
7 had prepared this?

8 A. He recognized his writing and possibly the  
9 methodology he used in creating the document.

10 Q. Did he indicate that this had been submitted to  
11 General Operating?

12 A. No.

13 Q. I have one general question, Mr. Sanchez:  
14 Throughout any of the files or information that you received,  
15 there were several Letters of Violations, Notice of Violations  
16 to General Operating. Was there any response from General  
17 Operating --

18 A. Nothing.

19 Q. -- as far as denying their interest in the well?

20 A. Not that I'm aware of. Nothing that got put into  
21 the well file after those letters went out.

22 Q. And I have one other question: Are you familiar  
23 with the filing system that the OCD has concerning the bond  
24 situation as it relates to who holds bonds in New Mexico as far  
25 as the operators are concerned?

1           A. No, I really don't deal with that. I'm not  
2 familiar with it, no.

3           Q. So you don't know how those are recorded or how  
4 those are kept?

5           A. No.

6           Q. Okay. All right. Thank you.

7           MS. GRAY: No more questions.

8           MR. BROOKS: I believe the only one I was going to  
9 ask was one that Ms. Currie asked. Nobody's done any title  
10 research on this, to your knowledge, Mr. Sanchez?

11          THE WITNESS: Not that I know of, no.

12          MR. BROOKS: I didn't see any evidence in here or I  
13 didn't hear you pointing to any evidence that Snow Oil & Gas,  
14 Inc., was ever operator of record or was ever operator in fact;  
15 is that correct?

16          THE WITNESS: That's correct.

17          MR. BROOKS: Mr. Ezeanyim?

18          MR. EZEANYIM: So what does that mean? Who is the  
19 operator?

20          THE WITNESS: We're unsure about it. As far as we  
21 can tell from the well file, the only actual transfer from one  
22 entity to another was to Gene A. Snow. There's no other  
23 information in the well file that shows that there was a  
24 transfer from Gene A. Snow to General Operating or anyone else.

25          MR. BROOKS: There's no well sign?

1 THE WITNESS: No, no.

2 MR. BROOKS: Never has been so far as these  
3 inspection reports show?

4 THE WITNESS: That's right.

5 MR. EZEANYIM: So then Gene A. Snow should be the  
6 operator.

7 THE WITNESS: That's what we believe, yes.

8 MR. EZEANYIM: You said that there's a \$50,000  
9 plugging bond on this one?

10 THE WITNESS: Not for General Operating or Gene Snow.

11 MR. EZEANYIM: Who placed that bond?

12 THE WITNESS: Snow Oil & Gas.

13 MR. EZEANYIM: What's the relation between Snow Oil &  
14 Gas and Gene Snow?

15 THE WITNESS: As far as we know, there is no  
16 relationship.

17 MR. EZEANYIM: There is none?

18 MR. BROOKS: I didn't see anything in this record  
19 that showed any.

20 MS. MACQUESTEN: Just to be clear, there are two  
21 different corporations that both have Snow in the title. One  
22 of them we could show no connection at all. The other one has  
23 some individuals -- and Ms. Curry Gray may be able to clarify  
24 whether or not they are connected.

25 MR. BROOKS: But the one you have a bond from is Snow

1 Oil & Gas, Inc., right?

2 THE WITNESS: Yes, that's correct.

3 MS. MACQUESTEN: Yes.

4 MR. BROOKS: And there's no connection shown between  
5 Snow Oil & Gas, Inc., and Gene A. Snow.

6 MS. MACQUESTEN: And she may be able to clarify --

7 MR. BROOKS: I didn't see any in any of the  
8 documents.

9 MS. MACQUESTEN: Mr. Snow does not appear connected  
10 to those documents. I believe it's a corporation formed by his  
11 heirs. He himself is not connected to it.

12 MR. EZEANYIM: Are you here for General Operating?  
13 Who are you here for?

14 MS. GRAY: I'm here representing Snow Oil & Gas,  
15 Inc., and the heirs of Gene A. Snow.

16 MR. EZEANYIM: Okay.

17 MR. BROOKS: Mr. Warnell?

18 MR. WARNELL: Yes, I think I can shed some light on  
19 this. On OCD Exhibit 5, page 5: I think that's probably a  
20 picture of the well sign. I have no questions.

21 MR. BROOKS: Okay. The witness may stand down,  
22 unless the lawyers have anything else?

23 MS. MACQUESTEN: I just have one issue I wanted to  
24 bring up.

25

## REDIRECT EXAMINATION

1  
2 BY MS. MACQUESTEN:

3 Q. Mr. Sanchez, you were asked several questions  
4 about change of ownership, and I wanted to ask you: Is there a  
5 distinction between change of operator and change of ownership?  
6 Do we track who owns a well?

7 A. No.

8 Q. We track who --

9 A. Who the operator of record is.

10 Q. That's just the person who is registered with the  
11 OCD to assume responsibility for regulatory filings, bonding,  
12 et cetera?

13 A. That's correct.

14 Q. So there's no way for us to tell from the file  
15 who owns the well?

16 A. No.

17 Q. The operator may or may not be the owner of the  
18 well?

19 A. That's correct.

20 Q. He could be a contract operator, for example?

21 A. Yes.

22 Q. Okay.

23 MR. EZEANYIM: Does the operator have an OGRID  
24 number? Okay. Then he is the operator, he is the owner.  
25 Regardless of whether he is contract or not.

1 MR. BROOKS: Well, he's not necessarily the owner.  
2 He's the operator, and I would -- I don't know. We've never  
3 taken it to court and had it tested. We have one case in which  
4 we probably are going to, but it's been my position, my  
5 interpretation all along that reference to the phrase  
6 "operator" in the plugging statute could refer to either the  
7 operator of record or the operator in fact or both.

8 But as I said, you commented earlier, so far as I can  
9 tell, there's no evidence that Snow Oil & Gas, Inc., was  
10 either.

11 MR. EZEANYIM: Did this well ever produce any oil or  
12 gas? Did it ever produce anything?

13 THE WITNESS: Yes.

14 MR. EZEANYIM: And during the time it was producing,  
15 who was the operator at the time -- Gene A. Snow?

16 THE WITNESS: Gene A. Snow was a last operator who  
17 actually was producing.

18 MR. EZEANYIM: Okay. And since June 1977. That's an  
19 awfully long time. About 30 years it has been inactive?

20 THE WITNESS: Yes.

21 MR. EZEANYIM: That's all I have.

22 MS. GRAY: May I redirect?

23 MR. BROOKS: You have anymore questions of this  
24 witness?

25 MS. GRAY: Yes, I do. I'd like a point of

1 clarification.

2 RE-CROSS-EXAMINATION

3 BY MS. GRAY:

4 Q. Mr. Sanchez, when was this well initially  
5 drilled?

6 A. I believe it was 1957.

7 Q. And just as a point of clarification, was  
8 Mr. Snow the original operator of this well?

9 A. No.

10 Q. Was Mr. Snow the operator between 1957 and 1976?

11 A. Let's see what the date was when it changed over.  
12 Mr. Snow became the operator in 1976.

13 Q. And does the OCD indicate who the operators of  
14 record were between 1950 and 1976?

15 A. Well, the well got transferred to Mr. Snow from  
16 Bearing Services and Supply Company, and the original company  
17 that drilled it was Jones Oil Company. So those two we know  
18 were involved between '57 and '76.

19 Q. And in some capacity or as operators? Or what  
20 did the OCD --

21 A. It says company or operator.

22 Q. I have one further question for you: Have you  
23 actually been on site of the Kleeman No. 1?

24 A. No, I have not.

25 Q. So you don't know what the situation is out there

1 as far as additional wells or operators of any additional wells  
2 on this site?

3 A. No, not personally.

4 Q. Okay.

5 MS. GRAY: I have no more questions. Thank you.

6 MR. EZEANYIM: What is the -- I didn't get time to  
7 read Ms. Phillips' affidavit. What does she say about this  
8 well? Could somebody tell me what it says?

9 MS. MACQUESTEN: Mr. Examiner, Ms. Phillips was asked  
10 to research the financial assurance for the three operators who  
11 are named in the application.

12 MR. EZEANYIM: Okay.

13 MS. MACQUESTEN: The only financial assurance that  
14 she found was the \$50,000 blanket bond for Snow Oil & Gas, Inc.  
15 Mr. Snow had nothing, and General Operating had nothing.

16 MR. EZEANYIM: Can we use that 50,000?

17 MS. MACQUESTEN: Only if you find that Snow Oil &  
18 Gas, Inc., should be the operator of record. But if they're  
19 not, their bond is not available.

20 MR. EZEANYIM: Okay. Thank you.

21 MR. BROOKS: Okay. I would comment at this time as I  
22 did just a minute ago, but as far as I can tell, the Division  
23 has put on no evidence that Snow Oil & Gas, Inc., was either  
24 the operator of record or the operator of fact. And  
25 accordingly, I don't see any basis to recommend to the Director

1 that Snow Oil & Gas, Inc., be ordered to take any action with  
2 regard to this well. Gene A. Snow, I gather, is deceased; is  
3 that correct?

4 MS. GRAY: Yes. Mr. Examiner, in the exhibits that  
5 we presented to you, Exhibit No. 2, shows that Mr. Snow died  
6 December the 16th, 1977.

7 MR. BROOKS: Yeah.

8 MS. GRAY: He actually died in a car accident, and  
9 this is a petition for probate. The probate was closed the  
10 following year, and he was the sole proprietor and the contract  
11 operator.

12 MR. BROOKS: Okay.

13 MS. GRAY: And I'd like to point out also that  
14 Exhibit No. 3 --

15 MR. BROOKS: I don't have an Exhibit No. 3.

16 Ms. GRAY: It may be on the back of yours.

17 MR. BROOKS: Oh, it's on the back of it, yeah.

18 MS. GRAY: Yes. I apologize. But this particular  
19 exhibit is from the card file of the OCD, and it shows  
20 Mr. Snow's particular bond was cancelled in 1980. And I think  
21 at that time, the indication from the conversations that I had  
22 with various personnel of the OCD is that cancellation of a  
23 bond occurs when there is a transfer of operator. But I --

24 MR. BROOKS: What I was going to say when I made that  
25 comment was: In view of that being the state of the record, do

1 you want to go ahead and present or do you want to present your  
2 evidence? If you have an opportunity to present your  
3 evidence -- but if you're presenting evidence only for Snow Oil  
4 & Gas, Inc., and there's been no evidence presented against  
5 Snow Oil & Gas, Inc., then it might be superfluous.

6 MS. GRAY: Granted. Point taken. And I would like  
7 go ahead and have the exhibits accepted into the record.

8 MR. BROOKS: Is there an objection?

9 MS. MACQUESTEN: No objection.

10 MR. BROOKS: Okay. Snow Exhibits 1, 2 and 3 will be  
11 admitted.

12 [Snow Oil & Gas and Gene Snow Exhibits 1, 2 and 3  
13 admitted into evidence.]

14 MR. BROOKS: If there's nothing further, then  
15 Case No. 14129 will be taken under advisement.

16 We will take a 10-minute recess.

17 \* \* \*  
18 I do hereby certify that the foregoing is  
19 a complete record of the proceedings in  
20 the Examiners hearing of Case No. 14129  
21 heard by me on Oct 16, 2008.  
22 David K. Brooks, Examiner  
23 Oil Conservation Division  
24  
25

1  
2  
3 **REPORTER'S CERTIFICATE**

4 I, JOYCE D. CALVERT, Provisional Court Reporter for  
5 the State of New Mexico, do hereby certify that I reported the  
6 foregoing proceedings in stenographic shorthand and that the  
7 foregoing pages are a true and correct transcript of those  
8 proceedings and was reduced to printed form under my direct  
9 supervision.

10 I FURTHER CERTIFY that I am neither employed by nor  
11 related to any of the parties or attorneys in this case and  
12 that I have no interest in the final disposition of this  
13 proceeding.

14 DATED this 16th of October, 2008.

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19  
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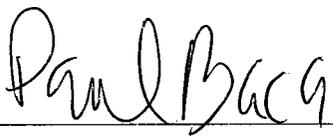
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  )  
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I, JOYCE D. CALVERT, a New Mexico Provisional Reporter, working under the direction and direct supervision of Paul Baca, New Mexico CCR License Number 112, hereby certify that I reported the attached proceedings; that pages numbered 1-35 inclusive, are a true and correct transcript of my stenographic notes. On the date I reported these proceedings, I was the holder of Provisional License Number P-03.

Dated at Albuquerque, New Mexico, 16th day of October, 2008.

  
\_\_\_\_\_  
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