

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. 12,951

APPLICATION OF THE NEW MEXICO OIL)
CONSERVATION DIVISION FOR AN ORDER)
REQUIRING ORBIT ENTERPRISES TO PROPERLY)
PLUG TWO WELLS, IMPOSING CIVIL PENALTIES)
IN EVENT OF FAILURE TO COMPLY,)
AUTHORIZING THE DIVISION TO PLUG SAID)
WELLS IN DEFAULT OF COMPLIANCE BY ORBIT)
ENTERPRISES AND ENTERING A FORFEITURE OF)
APPLICABLE SECURITY, ROOSEVELT COUNTY,)
NEW MEXICO)

OIL CONSERVATION DIV.
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ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

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

December 5th, 2002

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, WILLIAM V. JONES, JR., Hearing Examiner, on Thursday, December 5th, 2002, 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.

* * *

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

I N D E X

December 5th, 2002
Examiner Hearing
CASE NO. 12,951

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A P P E A R A N C E S

FOR THE DIVISION:

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

* * *

1 WHEREUPON, the following proceedings were had at
2 10:10 a.m.:

3 EXAMINER JONES: At this time we'll call Case
4 12,951, Application of the New Mexico Oil Conservation
5 Division for an order requiring Orbit Enterprises to
6 properly plug two wells, imposing civil penalties in the
7 event of failure to comply, authorizing the Division to
8 plug said wells in default of compliance by Orbit
9 Enterprises and entering a forfeiture of applicable
10 security, in Roosevelt County, New Mexico.

11 Call for appearances in this case.

12 MR. BROOKS: May it please the Examiner, I'm
13 David Brooks, Energy, Minerals and Natural Resources
14 Department of the State of New Mexico, appearing for the
15 New Mexico Oil Conservation Division.

16 I have three witnesses. They are the same
17 witnesses who have testified in the previous two cases.

18 EXAMINER JONES: There being no other appearances
19 in this case, you may proceed, Mr. Brooks.

20 MR. BROOKS: Thank you. Amend that last
21 statement. I have two witnesses, both of whom appeared in
22 each of the last two cases. I do not intend to call Ms.
23 Phillips in this case.

24 Call Jane Prouty to the stand. And let me get
25 the exhibits distributed.

1 Refer to the package to your left.

2 THE WITNESS: Yes, I was just --

3 MR. BROOKS: Gather up the trash there.

4 JANE E. PROUTY,

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

7 DIRECT EXAMINATION

8 BY MR. BROOKS:

9 Q. Please state your name for the record, please,
10 Ms. Prouty.

11 A. Jane Prouty.

12 Q. And by whom are you employed?

13 A. The State of New Mexico, the Oil Conservation
14 Division.

15 Q. In what capacity?

16 A. I manage the group of people who process the
17 C-115s, the monthly production reports.

18 Q. I'm going to ask you to look at what's been
19 marked as OCD Exhibit Number 1 and ask you to identify it.

20 A. This is a report that summarizes the C-115
21 activity for the State BA Number 1, operated by Orbit
22 Enterprises, from January, 1997, through the present time.

23 Q. And does it also summarize production reporting
24 for the State BA Number 2?

25 A. Right, yes, it does.

1 Q. And what does it reflect in terms of production
2 reporting and production activity from January, 1997, to
3 the present, for those two wells?

4 A. All right, for each well -- Well, let me take the
5 State BA Number 1 first. It appears to have reported 20
6 barrels of water a month through May of 1997.

7 Q. And also one barrel of oil, correct?

8 A. Yes, thank you. And then for all the remaining
9 months listed here, they sent us zeroes for every one of
10 those months listed, so there was no oil or water or gas or
11 injection for the remaining months, although they've
12 notified us every month that one was produced.

13 Q. Okay. And for the State BA Number 2?

14 A. It's similar, for January through April of 1997,
15 reported one or two or three barrels of oil and from 10, 20
16 to 30 barrels of water every month, and then after April of
17 1997 they've sent in C-115s but with no production or
18 injection for this well.

19 Q. Okay, it's not really relevant to this case since
20 the only reported production is in 1997, which is a lot
21 more than one year ago, but so far as these reports of one
22 barrel, there's no mechanism in our system for reporting
23 fractional barrels, correct?

24 A. Correct.

25 Q. So that when they report one barrel, that just

1 means there was some production. It could have been less
2 than one barrel?

3 A. I'm not familiar with that. Yes, I haven't seen
4 a C-115 that would have less than one.

5 MR. BROOKS: Right, okay. Tender Exhibit Number
6 1 in evidence.

7 EXAMINER JONES: Exhibit Number 1 will be
8 admitted.

9 MR. BROOKS: Pass the witness.

10 EXAMINATION

11 BY EXAMINER JONES:

12 Q. Jane, is there some reason why these keep
13 printing out, even though they have zero or null production
14 numbers for these months?

15 A. Yes, it's just my way of letting you know we
16 received a C-115, it's not that something was lost in the
17 mail. We got a C-115, this well was on it, and they
18 reported nothing.

19 EXAMINER JONES: Okay, that's exactly what I
20 wanted to know. Thank you very much.

21 THE WITNESS: Thank you.

22 EXAMINER JONES: I have no further questions of
23 this witness.

24 MR. BROOKS: Mr. Examiner, may this witness be
25 excused?

1 EXAMINER JONES: This witness may be excused.
2 Thank you.

3 MR. BROOKS: Mr. Examiner, may I approach to
4 examiner Mr. Williams?

5 EXAMINER JONES: You may approach.

6 MR. BROOKS: Call Chris Williams.

7 MR. WILLIAMS: I'm here.

8 CHRIS J. WILLIAMS (Present by telephone),
9 the witness herein, after having been first duly sworn upon
10 his oath, was examined and testified as follows:

11 DIRECT EXAMINATION

12 BY MR. BROOKS:

13 Q. State your name for the record, please.

14 A. Chris Williams.

15 Q. And where do you reside?

16 A. Hobbs, New Mexico.

17 Q. By whom are you employed?

18 A. State of New Mexico, Oil Conservation Division.

19 Q. In what capacity?

20 A. District Supervisor for District 1 in Hobbs.

21 Q. In that capacity, are the Orbit Enterprises State
22 BA Well Number 1, API Number 30-041-20048, and Orbit
23 Enterprises State BA Well Number 2, API Number 30-041-
24 10003, in Roosevelt County, New Mexico, under your
25 jurisdiction?

1 A. Yes, they are.

2 Q. Does your office maintain well files on each of
3 these wells in which documents concerning the wells are
4 entered in the ordinary course of business?

5 A. Yes, we do.

6 Q. I call your attention to Exhibits 2, 3 -- Let me
7 be sure I get the right wells here. Well, let's just
8 identify them all and then we'll go through them and be
9 sure they pertain.

10 Call your attention to what's been marked as OCD
11 Exhibits 2 through 10 and ask you if each of these
12 documents is a document from a well file pertaining to one
13 or the other of these two wells that's maintained in your
14 office?

15 A. Yes, they are.

16 Q. Now, there is some confusion in my mind about
17 these two wells. Not all the documents have API numbers on
18 them. But it appears that the State BA Number 2 was
19 formerly the Dalport State Number 1; is that correct?

20 A. Yes, it was.

21 Q. Okay, so it would seem that Exhibits Numbers 2
22 and 3 relate to --

23 A. -- the State BA Number 1.

24 Q. -- the State BA Number 1, and it appears that
25 Exhibits 4 through 10 relate to the State BA Number 2; is

1 that correct?

2 A. Exhibit 4, I think, refers to the State BA Number
3 1. Its operator -- from ARCO to Oredit Enterprises.

4 Q. Okay, now do I --

5 A. -- would be -- I'm sorry.

6 Q. I'm sorry. Do I have the API numbers reversed on
7 Exhibit Number 11?

8 A. Let's see, make sure I don't get mine all mixed
9 up.

10 Q. I believe that I do, looking at Exhibit Number 1,
11 Ms. Prouty's report.

12 A. It's possible that the locations are different.
13 I'd have to pull it up on the computer.

14 Q. Well, I think we can rely on Ms. Prouty's report,
15 so I will change Exhibit Number 11 to read that State BA
16 Number 1 is 30-041-10003, as indicated on Exhibit 1, and
17 that the State BA Well Number 2 is 30-041-20048, as
18 indicated on Exhibit Number 1.

19 A. Okay.

20 Q. Okay, with that change, then, do Exhibits Numbers
21 2, 3 and 4 refer to the State BA Well Number 1?

22 A. Right.

23 Q. And would you summarize for the Examiner disclose
24 about that well, what they are and what they tell about
25 that well?

1 A. Exhibit Number 2 is a sundry notice where they
2 set casing and cemented the casing and then ran casing
3 tests on this well, and that was submitted by ARCO back in
4 1964.

5 Exhibit Number 3 is the type of completion report
6 that we used to have, which just verified the oil sands and
7 where they perforated at. And it's almost more like a
8 sundry notice, but it's actually an old completion report.
9 And that was back in -- I really can't read the date.

10 Q. I think it didn't get printed out on this copy.

11 A. It appears to be around 1964.

12 Exhibit Number 4 is a change of operator from
13 Chaveroo Operating Company to Ordit Enterprises.

14 Q. Okay. This again is a San Andres well in the
15 4500-foot range, correct?

16 A. Correct.

17 Q. Now I'll ask you to look at Exhibits Numbers 5
18 through 10 and ask you, are these copies of documents from
19 your files, your well files, that appear to relate to what
20 is now called the State BA Well Number 2?

21 A. Correct.

22 Q. Even though many of them describe the Dalport
23 State Well Number 1.

24 A. Right.

25 Q. And would you go through and summarize these

1 exhibits for the Examiner?

2 A. Exhibit Number 5 is an application to drill for
3 the Dalport State, which is the State BA Number 2, and it
4 was submitted in -- or it was approved in 1967.

5 Exhibit Number 6 is a well completion report on
6 this particular well, and it shows it produced zero oil but
7 had 1198 MCF, 1967.

8 Exhibit Number 7 is a sundry notice where they
9 recompleted this well to the upper San Andres, 1968, by
10 Arco.

11 Exhibit Number 8 is a well completion report,
12 another well completion report back in 1967, just a
13 different form, a change of form.

14 Exhibit Number 9, that's a workover, sundry
15 notice -- actually, it's a completion report for a workover
16 on the Todd-upper San Andres. And that was by ARCO in
17 1968.

18 And Exhibit Number 10 is a change of operator
19 from Chaveroo Operating Company to Orbit Enterprises back
20 in 1993.

21 Eleven is a summary.

22 And Exhibit Number 12 is a plugging procedure
23 written by Billy Prichard out of my office.

24 Q. Okay, as to Exhibit Number 11 -- Well, first of
25 all, this again is another San Andres well, about the same

1 depth as the ones we've been talking about, correct?

2 A. Yes.

3 Q. And Exhibit Number 11, does all the information
4 on that appear to be correct?

5 A. Yeah, except for the reversal of the API numbers.

6 MR. BROOKS: Okay, and I've changed that in ink
7 now on the original exhibit, on my copy of the exhibit, so
8 I will give it to you, Mr. Examiner.

9 EXAMINER JONES: Thank you.

10 MR. BROOKS: And I'll make the changes on the
11 court reporter's exhibit after the conclusion of the
12 hearing, to conform it to your -- to that one that I handed
13 you.

14 EXAMINER JONES: I changed mine already.

15 MR. BROOKS: Okay, go ahead and hand that to the
16 court reporter, if you will please be so kind. Thank you.

17 Q. (By Mr. Brooks) Okay, Exhibit Number 12, you
18 said, was a plugging procedure prepared by Billy Prichard
19 under your direction?

20 A. Yes, it is.

21 Q. Now, did Mr. Prichard make the inspection of
22 these two wells pursuant to your direction?

23 A. Yes, he did.

24 Q. And based on the report of his inspection, do you
25 believe that these two wells need to be plugged for the

1 prevention of waste, protection of correlative rights and
2 protection of the environment?

3 A. Yes, I do.

4 Q. And if the wells were plugged in accordance with
5 the plugging procedures -- Well, first of all, Exhibit 13
6 is also a plugging procedure, correct?

7 A. Right.

8 Q. Was that also prepared by Billy Prichard acting
9 under your direction?

10 A. Yes, it was.

11 Q. If these two wells were plugged in accordance
12 with Exhibits 12 and 13 would they, in your opinion, be
13 plugged in accordance with the Oil and Gas Act of the State
14 of New Mexico and the Regulations of the Oil Conservation
15 Division, in a proper manner?

16 A. Yes, they would.

17 MR. BROOKS: Tender into evidence Exhibits 2
18 through 13.

19 EXAMINER JONES: Exhibits 2 through 13 will be
20 admitted.

21 MR. BROOKS: Pass the witness.

22 EXAMINATION

23 BY EXAMINER JONES:

24 Q. Chris, you -- basically you've got your BOP on
25 this San Andres sour gas stuff, so you're taking care of

1 all safety considerations on the plugging?

2 A. Correct.

3 EXAMINER JONES: Okay, that's -- I have no other
4 questions for this witness. Thank you, Chris.

5 MR. BROOKS: Very good, I've got some -- Off the
6 record. Well, hold -- Chris, stay on the phone just a
7 second, if you will please.

8 THE WITNESS: Okay.

9 MR. BROOKS: Nothing further in this case, your
10 Honor.

11 EXAMINER JONES: There being nothing further in
12 this case, Case 12,951 will be taken under advisement.

13 MR. BROOKS: Very good.

14 EXAMINER JONES: With that, with the conclusion
15 of our cases today, this hearing is adjourned.

16 (Thereupon, these proceedings were concluded at
17 10:23 a.m.)

18 * * *

19
20 I do hereby certify that the foregoing is
21 a complete record of the proceedings in
22 the Examiner hearing of Case No. 1295,
heard by me on 12/5 2002.

23 Will Jones, Examiner
24 Oil Conservation Division
25

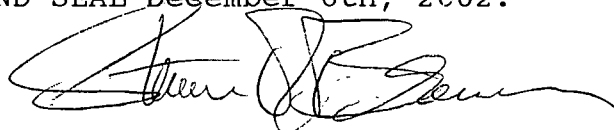
CERTIFICATE OF REPORTER

STATE OF NEW MEXICO)
) ss.
COUNTY OF SANTA FE)

I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL December 6th, 2002.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2006