

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. 12,758-A

APPLICATION OF THE NEW MEXICO OIL)
 CONSERVATION DIVISION FOR AN ORDER)
 REQUIRING OPERATORS TO BRING 147 WELLS)
 INTO COMPLIANCE WITH RULE 201.B AND)
 ASSESSING APPROPRIATE CIVIL PENALTIES,)
 LEA, ROOSEVELT AND CHAVES COUNTIES,)
 NEW MEXICO)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

May 2nd, 2002

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, May 2nd, 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

02 MAY 16 AM 8:46

OIL CONSERVATION DIV

Note to File: This transcript contains comments concerning Case No. 12777-A

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Examiner Hearing
CASE NO. 12,758-A

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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

* * *

ALSO PRESENT:

WILL JONES
Engineer
New Mexico Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, NM 87501

GARY WINK
Field Rep II
Hobbs District Office
District 1, NMOCD

* * *

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

1 WHEREUPON, the following proceedings were had at
2 1:55 p.m.:

3 EXAMINER STOGNER: This hearing will come to
4 order. At this time I'll call next case, Number 12,758-A.
5 This is the Application of the New Mexico Oil Conservation
6 Division for an order requiring certain operators to bring
7 approximately 147 wells into compliance with Rule 201.B and
8 assessing appropriate penalties, and these wells are in
9 Lea, Roosevelt and Chaves Counties, New Mexico, a/k/a
10 District 1.

11 Call for appearances.

12 MR. BROOKS: Your Honor, I'm David Brooks,
13 Energy, Minerals and Natural Resources Department of the
14 State of New Mexico, for the Oil Conservation Division.

15 EXAMINER STOGNER: Any other appearances?

16 MR. CARR: May it please the Examiner, my name is
17 William F. Carr with the Santa Fe office of Holland and
18 Hart, L.L.P. We're entering our appearance in this matter
19 on behalf of John A. Yates, Jr.

20 MR. BROOKS: I have two witnesses.

21 MR. CARR: And I have no witness.

22 EXAMINER STOGNER: Will the witnesses please
23 stand to be sworn at this time? Let's see, let the record
24 show that Ms. Fran Chavez was previously sworn in Case
25 12,862, and you remain under oath at this time, so you may

1 be seated. But we'll get the new one.

2 (Thereupon, witness Chris J. Williams was sworn.)

3 MR. BROOKS: Okay, call Fran Chavez.

4 FRAN CHAVEZ,

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. State your name again for the record, please.

10 A. Fran Chavez.

11 Q. And by whom are you employed?

12 A. The Oil Conservation Division, Santa Fe office.

13 Q. Very good. And what are your duties for the Oil
14 Conservation Division?

15 A. I handle the production reporting, which is the
16 C-115s, and I supervise staff.

17 Q. Okay. Now, did you prepare -- Well, first of
18 all, when you say you handle the production reporting, that
19 is done through the ONGARD system, correct?

20 A. That's correct.

21 Q. And so you are familiar with the ONGARD system --

22 A. Yes.

23 Q. -- and the production records that are maintained
24 in that system?

25 A. Yes.

1 Q. Did you at my request prepare some printouts of
2 information from the ONGARD system regarding the production
3 of certain wells?

4 A. Yes.

5 Q. I will ask you to look at the folder that is in
6 front of you, and first of all that multi-colored exhibit
7 that's on top, which is marked OCD Exhibit Number 1, is
8 that the list that I gave you to ascertain the wells that
9 you should pull production data on?

10 A. Yes.

11 Q. Okay. Now, I'm going to then call your attention
12 to OCD Exhibit Number 3 and ask you to identify it.

13 A. It's basically a spreadsheet that I created using
14 the very same wells.

15 Q. Okay. Now, in the production reports, the actual
16 production reports that you filed, the names of the wells
17 do not appear, correct?

18 A. That's correct.

19 Q. And this Exhibit 3 lists the names and the API
20 numbers so that a person can find -- if they want to go
21 back to the name, they can find the name and identify the
22 well?

23 A. That's correct.

24 Q. Okay. In what order are the wells for each
25 operator listed in Exhibit Number 3?

1 A. In API order number, which is just the last five
2 digits in sequential order.

3 Q. Correct, okay. And is that the same order in
4 which they appear on the actual production reports that
5 you --

6 A. Yes.

7 Q. -- prepare? Okay.

8 Now, I'm going to ask you to look at Exhibit --
9 or I'm going to ask you to look at several exhibits.
10 You'll just need to page through and look at them generally
11 and familiarize yourself with what they are, and then I
12 will ask you some questions about them.

13 Number 4, Number 11...

14 A. Okay.

15 Q. If you'll keep them in order, so --

16 A. Okay.

17 Q. -- I hate to ask you to do that, but just -- the
18 questions I'm going to ask you are very general, so you
19 don't need to look at any except just to look -- look at
20 the others to see what they are, but concentrate on Number
21 4.

22 A. Okay.

23 Q. Number 11, Number 41 --

24 A. Okay.

25 Q. Number 77 -- no, 47, I'm sorry, first --

1 A. Okay.

2 Q. -- 77 --

3 A. Okay.

4 Q. -- 84 --

5 A. Okay.

6 Q. -- 107 and finally 129. Okay?

7 A. Okay.

8 Q. Now, are each of the exhibits that I asked you to
9 identify, are each of those production reports that you
10 prepared at my request?

11 A. Yes.

12 Q. Now, is this production report prepared the same
13 way as the one that you explained to the Examiner in Case
14 Number 12,862 that we just heard?

15 A. Yes.

16 Q. The wells -- Does each production report show
17 wells for one operator?

18 A. Yes.

19 Q. And those wells are in API order, correct?

20 A. Yes.

21 Q. Okay. Now, I'm not going to take you through
22 each of these with regard to proving that they are all
23 zeroes, because the Examiner can look at them for himself.
24 There are certain exceptions with regard to several wells
25 in Kevin O. Butler's list, and there also, I believe, is

1 one exception for one other operator, if I can find the
2 right sheet here. But other than that, I think if your
3 Honor will examine them he will find that the numbers are
4 all zeroes except for a few wells that had production early
5 on but have not had production in the last two years,
6 certainly.

7 With that identification, I will tender in
8 evidence OCD Exhibits Numbers 4, 11, 41, 47, 77, 84, 107
9 and 129.

10 EXAMINER STOGNER: Any objections?

11 MR. CARR: No objection.

12 EXAMINER STOGNER: Exhibits 4, 11, 41, 47, 77,
13 84, 107 and 129 are hereby admitted into evidence at this
14 time.

15 MR. BROOKS: Okay. Now, I will call your
16 attention particularly to Exhibit Number 77, which was one
17 of the ones just admitted, if I can find it again.

18 Okay, Exhibit Number 77. Now, at the top that
19 says John A. Yates, correct?

20 A. Yes.

21 Q. And everything else is blank, correct?

22 A. That's correct.

23 Q. Now, why is that?

24 A. When I queried that particular API number for
25 John A. Yates there was no data reported ever, from 1997

1 forward.

2 Q. Not just that there was no production reported,
3 but there was no reports on that; is that correct?

4 A. No reports at all.

5 Q. Okay, thank you.

6 Now, I will call your attention back to Exhibit
7 Number 3 and ask you to look at the last page of Exhibit
8 Number 3. What does that show?

9 A. That was just a list of all the wells that I had
10 looked up that had no reports at all.

11 Q. Now, do these wells appear on the spreadsheets?

12 A. Yes, they do.

13 Q. Well, I say -- Do they appear on the spreadsheets
14 that you prepared?

15 A. No, not on these reports, but they -- on the
16 spread- -- on the list.

17 Q. They appear on the list as Exhibit 1, correct?

18 A. Yes, that's correct.

19 Q. But they do not appear on Exhibits 4, 11, 41, 47,
20 et cetera, correct?

21 A. Correct.

22 Q. Okay. And as to these wells, did you find that
23 the operator filed no production reports as to these wells
24 within the period 1997 through 2002?

25 A. That's correct, they did not.

1 MR. BROOKS: Thank you. If I didn't already,
2 we'll offer into evidence Exhibit Number 3.

3 EXAMINER STOGNER: Exhibit Number 3 will be
4 admitted into evidence at this time.

5 MR. BROOKS: Pass the witness.

6 EXAMINER STOGNER: No questions of Ms. Chavez,
7 unless Mr. Carr has --

8 MR. CARR: I have no questions.

9 EXAMINER STOGNER: You may be excused.

10 MR. BROOKS: Call Chris Williams.

11 CHRIS J. WILLIAMS,
12 the witness herein, after having been first duly sworn upon
13 his oath, was examined and testified as follows:

14 DIRECT EXAMINATION

15 BY MR. BROOKS:

16 Q. Good afternoon, Mr. Williams.

17 A. Hello.

18 Q. Would you state your name for the record?

19 A. Chris Williams.

20 Q. And by whom are you employed?

21 A. New Mexico Oil Conservation Division.

22 Q. And in what capacity?

23 A. District Supervisor, District 1.

24 Q. And you are the person who initiated this whole
25 proceeding, correct?

1 A. I guess so. Yes, I am.

2 Q. Okay. I will call your attention first off to
3 Exhibit Number 1 that's on top of that stack. Is this a
4 spreadsheet that you prepared?

5 A. It was prepared by Sharon Prichard in my office
6 under my direction.

7 Q. Okay. Now, there are three different colors that
8 appear in Exhibit Number 1. Some of the wells, a few of
9 them, not very many, are in a sky-blue-type color.

10 A. Right.

11 Q. What does that indicate?

12 A. Those are wells that are now in compliance.

13 Q. Okay. Now, there are some operators here --
14 There's Crestridge -- I forget what their full name is,
15 Crestridge here, and I believe the only other one is W.H.
16 Brinninstool --

17 A. Correct.

18 Q. -- as to whom all of their wells are in sky-blue
19 color?

20 A. Correct.

21 Q. And what is your recommendation as to what action
22 be taken with regard to those operators?

23 A. That they be dismissed from this hearing.

24 Q. Very good. Now, the largest number of wells on
25 this list appear in a magenta color that I believe

1 Microsoft XL calls "plum", correct?

2 A. Correct.

3 Q. And what does that coloration indicate?

4 A. Those are wells that the operator from the
5 original hearing back in October filed intents to do work
6 on those wells.

7 Q. And have they carried out those intents?

8 A. No. If they're in the plum color, they only
9 filed an intent.

10 Q. Okay. So far as you know, then, would you say
11 that all of these wells, with the exception of the ones in
12 the sky-blue color, remain inactive as of this time?

13 A. Correct.

14 Q. Now, if they had followed through with those
15 intentions, they would have been required to file a
16 subsequent report on C-103, correct?

17 A. Correct.

18 Q. And that has not happened?

19 A. Correct.

20 Q. Very good. I will now -- First of all, Exhibit
21 Number 2 is an exhibit which I prepared, so I will explain
22 that later. Exhibit Number 3 we've already been through
23 with the other witness.

24 Now, in the interest of time, because it would
25 take a long time to go through all of these exhibits with

1 you, I'm going to ask you to take a few minutes and look
2 through this remaining stack of exhibits, except for the
3 spreadsheets that were identified by Ms. Chavez, and see if
4 you can identify that as being information that these
5 operators supplied to you that is in your well files,
6 either in the form of correspondence or in the form of Form
7 C-103s that were filed.

8 A. Yes.

9 Q. Okay. Now, there was such a long time between
10 the question and the answer that I've forgotten what the
11 question was. Can you identify all of the exhibits there,
12 with the exception of Exhibits Numbers 2, 3 and the ONGARD
13 spreadsheets, as being information, either in the form of
14 correspondence or in the form of reports, that are on file
15 in the files of the Artesia Office of the Oil Conservation
16 Division?

17 A. They're on file in the Hobbs Office.

18 Q. Hobbs Office. Now, are you familiar with the
19 practice of the filing and business office practices of the
20 Hobbs Office of the Oil Conservation Division?

21 A. Yes, I am.

22 Q. Correspondence such as some of those exhibits are
23 copies of correspondence that is sent by the Hobbs Office
24 or that is received in the Hobbs Office placed in files at
25 or about the time they're received --

1 A. Yes.

2 Q. -- in their course of business?

3 A. Yes.

4 Q. Now, C-103s that are filed, as many of those
5 exhibits are, when those are filed, are they placed in the
6 well files at or about the time they're received in the
7 ordinary course of business?

8 A. Yes.

9 Q. And are those files maintained in the Hobbs
10 District Office on a regular and consistent basis?

11 A. Yes, they are.

12 MR. BROOKS: Very good. With that, I will offer
13 into evidence Exhibits 1 and Exhibits 5 through 134, with
14 the exception of the exhibits in that sequence that have
15 already been admitted.

16 EXAMINER STOGNER: Exhibits 1 and 5 through 134,
17 with the exceptions of 4, 11, 41, 47, 77, 84, 107 and 129,
18 are hereby admitted into evidence at this time.

19 MR. BROOKS: Okay. So that should complete the
20 admission of all the exhibits except Exhibit Number 2.

21 Q. (By Mr. Brooks) Now, Mr. Williams, unlike your
22 esteemed colleague in Artesia, at least as far as this
23 proceeding is concerned, you are not, as I understand it,
24 recommending that these people be penalized for what they
25 failed to do prior to the time that we filed this

1 proceeding; is that correct?

2 A. Correct.

3 Q. But you are recommending penalties for what they
4 have said they were going to do after this proceeding was
5 filed but have not done?

6 A. Correct.

7 Q. Okay. And what formula are you recommending that
8 we use?

9 A. I was just looking it in terms of \$1000 per well.

10 Q. Okay. Now, there are some exceptions to that
11 rule, I believe, that you've called to my attention,
12 correct?

13 A. Right.

14 Q. And looking at Exhibit Number 1, do you recall
15 the ones that you told me you did not want to penalize?

16 A. Okay, Kenson Operating.

17 Q. Okay. Now, would you explain the reason why you
18 do not want a penalty assessed against Kenson Operating?

19 A. Kenson had a large number of wells that were
20 inactive, and they have managed over the last -- well,
21 since November of last year, to average about 4 wells per
22 month, TA'ing or P-and-A'ing the wells, or returning them
23 to production. So they're making an active effort to take
24 care of the compliance problems.

25 Q. Okay, who's the next one you do not want to

1 penalize?

2 A. Mallon/Gruy. Gruy just took over those wells
3 from Mallon, and they've already -- when they took them
4 over, back in February, I believe, they started actively
5 trying to bring these wells into compliance, and they have
6 managed to bring about three wells a month into compliance.

7 Q. Okay, and who else do you not want to penalize?

8 A. Smith and Marrs.

9 Q. Why do you not want to penalize Ricky Smith?

10 A. For the same reasons as the others. Mr. Smith,
11 Ricky Smith, has made an effort to bring his wells into
12 compliance. He's plugged -- I think he's plugged five or
13 six wells, and he's brought in another plugging unit and he
14 will continue plugging three wells to four wells a month.

15 Q. Okay. Now, Amtex, you want to penalize them
16 \$4000, correct?

17 A. Correct.

18 EXAMINER STOGNER: I'm sorry, who?

19 MR. BROOKS: Amtex.

20 THE WITNESS: First page.

21 EXAMINER STOGNER: That's \$4000?

22 THE WITNESS: Right.

23 Q. (By Mr. Brooks) And Bettis, Boyle and Stovall,
24 it looks like \$11,000 there, if I count correct.

25 A. Correct.

1 Q. And C.E. Larue and Ben Muncy, that would be 12 --
2 no, it looks like 11 again. I'm having a little trouble
3 counting here, but I think that's --

4 A. Eleven.

5 Q. -- \$11,000, correct.

6 And Rasmussen, I'm not even going to try to count
7 those, but \$1000 per well for all those wells, with the
8 exception of the D.B. Baxter Well State Number 2. Now, can
9 you tell us what happened with that?

10 / A. That was actually plugged by a different
11 operator.

12 Q. Okay, so that wasn't actually Rasmussen's well,
13 apparently.

14 A. Right.

15 Q. Okay. But otherwise you want to penalize
16 Rasmussen \$1000 per well for all those wells?

17 A. Correct.

18 Q. And John A. Yates, Jr., he has one well and you
19 want to penalize him \$1000, correct?

20 A. If he doesn't bring it into compliance.

21 Q. Kevin O. Butler, you want to penalize him \$1000
22 per well, and it looks to me like he has 17 wells?

23 A. I count 16.

24 Q. You're probably right. Sixteen wells, you are
25 right.

1 A. I take that back, I was wrong because I missed
2 the group down below.

3 Q. Oh, okay.

4 A. It would be 21 wells.

5 Q. Twenty-one wells, okay. So you want to penalize
6 him \$21,000.

7 EXAMINER STOGNER: Before we move off of Kevin
8 Butler, if I look on the second page of Kevin O. Butler
9 there's a blue mark. What's that one?

10 THE WITNESS: That was something that happened
11 when we sent it up here, and the printer up here -- It
12 actually says "dismiss well". It was TA'd.

13 MR. BROOKS: Yes.

14 THE WITNESS: It's hard to read, I'm sorry about
15 that.

16 MR. BROOKS: And we discover in the file with
17 regard to the South Caprock Queen Unit Number 15 that it
18 had been approved for temporary abandonment.

19 EXAMINER STOGNER: So that's -- we're not
20 counting that one?

21 THE WITNESS: Right.

22 EXAMINER STOGNER: Okay.

23 Q. (By Mr. Brooks) Okay, we found that it had been
24 approved for temporary abandonment?

25 A. Correct.

1 Q. Okay, and then Pronghorn, you want to penalize
2 them \$1000 per well, with the exception of certain wells.
3 Now, first of all, this Number 25149, did you find that
4 that was not Pronghorn's well?

5 A. I think it's Marks and Garner's. We're still
6 trying to research that one out.

7 Q. Okay. Now, Number 3736 and 30872, those have
8 been brought into compliance, correct?

9 A. Correct.

10 Q. So those three wells would not be included in the
11 penalty calculation?

12 A. Right.

13 Q. Very good. And Saba, that would be \$2000?

14 A. Correct.

15 Q. And Texland would be \$2000?

16 A. Yes.

17 Q. Okay. Now I want to talk to you for a minute
18 about Kevin O. Butler. I am going to bring to the
19 Examiner's attention the contents of the file with regard
20 to return receipts, and I will note that we have no return
21 receipt from Kevin O. Butler. However, we do have a
22 certified mail receipt indicating that the notice of this
23 hearing was sent to Kevin O. Butler and Associates at 500
24 West Texas, Suite 995, Midland, Texas 79701. Is that the
25 correct address for Kevin O. Butler?

1 A. That's the address we have in our system.

2 Q. Have you been sending him mail within the last
3 year time frame at that address?

4 A. I believe so.

5 Q. And has he been receiving it?

6 A. Yes.

7 Q. Okay. Now, based on your conversations and those
8 of your office with Kevin O. Butler and Associates
9 personnel, do you believe that they had actual notice of
10 this proceeding?

11 A. I have not talked to them about that, but I'm
12 assuming he does because we sent every piece of information
13 to the same place.

14 Q. Now, do the files including the exhibits that
15 have been admitted into evidence indicate that a very large
16 number of intents were filed by Kevin O. Butler and
17 Associates on Form C-103 during the month of October of
18 2001?

19 A. Correct.

20 Q. And that would have been approximately the time
21 that this notice was sent out --

22 A. Correct.

23 Q. -- is that correct?

24 A. Uh-huh.

25 Q. Okay, very good. Mr. Wink is here with you,

1 correct?

2 A. Correct.

3 Q. And he may have some more knowledge about the
4 conversations with Kevin O. Butler if the Examiner is
5 interested, correct?

6 A. Correct.

7 Q. Okay. Now, I want to talk to you about John A.
8 Yates, Jr.

9 And I'll pause a minute. I have to find the
10 appropriate exhibit in this large stack.

11 EXAMINER STOGNER: After 77.

12 MR. BROOKS: Right.

13 THE WITNESS: After 77, or it is 77?

14 EXAMINER STOGNER: It looks like 77, 78, 79,

15 80 --

16 MR. BROOKS: Eighty-two and 83 are the exhibits
17 I'm particularly interested in at the moment.

18 Q. (By Mr. Brooks) Now, looking at Exhibit 82, that
19 appears to be -- Oh, you haven't found it yet.

20 Okay, looking at Exhibit 82, that appears to be a
21 letter from John A. Yates, Jr., oil operator, on his
22 inimitable stationery, correct?

23 A. Correct.

24 Q. Now, if you'll look at Exhibit 80 -- Well, first
25 of all, you received Exhibit 82?

1 A. Correct.

2 Q. Now, is Exhibit 83 your reply?

3 A. Correct.

4 Q. And would you explain why you did not accept
5 Exhibit 82 as evidence that this well was in compliance?

6 A. Even though they've done some work on the well,
7 they're still not producing it. It's not properly TA'd or
8 it's not plugged. It's still inactive and shut in.

9 Q. Has there been some conversation with Mr. Yates
10 or his personnel about waiting for a market?

11 A. No, I just sent the letter back to him saying --

12 Q. Okay.

13 A. -- what they could do.

14 Q. Very good. So in your opinion, until it gets
15 actual production, it stays on this list?

16 A. Correct.

17 MR. BROOKS: Okay, I believe that's all I have
18 for this witness. I pass the witness.

19 EXAMINER STOGNER: Thank you.

20 Mr. Bill Carr?

21 MR. CARR: Thank you, Mr. Stogner.

22 EXAMINATION

23 BY MR. CARR:

24 Q. Mr. Williams, you testified that you were
25 recommending a \$1000 penalty be assessed against John A.

1 Yates, Jr., if the well was not brought back into
2 compliance?

3 A. Correct.

4 Q. In your testimony a moment ago you indicated that
5 some work had been done on the well. You're aware of that,
6 are you not?

7 A. Yes, I am.

8 Q. And you're aware that Yates has advised the
9 Division that they have completed work on the well and are
10 waiting on a pipeline connection; is that correct?

11 A. That's correct.

12 Q. Now, you have indicated that you're recommending
13 a fine if it is not brought into compliance. Would a
14 pipeline connection and actually producing that well
15 satisfy you that the well had been returned to beneficial
16 use?

17 A. Yes, it would.

18 Q. There was correspondence in the file that I have
19 seen that indicated the Division was attempting to have
20 this done by June 30; is that correct?

21 A. Correct.

22 Q. Is that the time frame within which the
23 connection must be obtained?

24 A. Correct.

25 MR. CARR: Thank you.

FURTHER EXAMINATION

BY MR. BROOKS:

Q. If I may, Mr. Carr's questions reminded me of another thing that I had forgotten to ask you.

Some of these operators you believe should be given longer periods of time; is that correct?

A. Correct.

Q. Can you tell us which ones those are?

A. Yeah, Kenson Operating, I figure they could probably -- with the rate that they're going, which they're averaging four wells a month, they can complete -- since they have such a large number of wells to bring back into compliance, they should complete compliance by January of 2003.

Q. And do you recommend that a compliance order entered by the Division would allow them that period of time, as long as they continue to actively pursue this?

A. Yes.

Q. Okay, go ahead.

A. And Gruy, Mallon/Gruy --

Q. Yes.

A. -- I believe we've discussed this yesterday, and at the rate that they're going it should be sometime around October 1st that they should be finished.

Q. Okay. Do you recommend that the Division allow

1 them that period of time --

2 A. Yes, yes.

3 Q. -- to get into compliance?

4 A. Right.

5 Q. Okay, and Smith and Marrs, did you recommend a
6 longer period of time on them also?

7 A. Correct.

8 Q. And what was that period?

9 A. I believe November 1st of this year.

10 Q. Okay. Are there any others that you recommend
11 allowing a longer period of time?

12 A. No.

13 Q. Okay, thank you.

14 Oh, one other thing. Let's see, with regard to
15 Kevin O. Butler, his production report, which is Exhibit
16 Number 107, shows production from some of the wells. Did
17 you and I look at that yesterday afternoon?

18 A. Yes.

19 Q. Now, based on our conversation yesterday
20 afternoon, I'll ask you this question. Are you perhaps
21 somewhat skeptical as to whether that production is
22 accurately reported or not?

23 A. Yes, I'm somewhat skeptical of that.

24 Q. And are you requesting that the Division dismiss
25 this proceeding as to those wells that are reporting

1 production and allow the District Office to conduct an
2 investigation as to the accuracy of that production
3 reporting?

4 A. Yes, I am.

5 MR. BROOKS: Okay. Rather than having you
6 scramble through those exhibits, I will read into the
7 record the wells as to which that production is reported,
8 and we didn't find out about this in time to get an exhibit
9 prepared to reflect this, but these would be the South
10 Caprock Queen Unit Number 12, the South Caprock Queen Unit
11 Number 14, the Maxwell Number 1, the East EK Unit Number 7
12 and the East EK Unit Number 12.

13 I believe I will again pass the witness. I think
14 that covers everything I forgot last time.

15 EXAMINER STOGNER: Mr. Carr?

16 MR. CARR: I have no further questions. Thank
17 you, Mr. Stogner.

18 EXAMINATION

19 BY EXAMINER STOGNER:

20 Q. Mr. Williams, along the -- back to Mr. Yates's
21 exhibits -- and I'm going to refer to Exhibit Number 83.
22 This is the March 1st letter, it looks like, to Mr. Yates.
23 In the last sentence, "We are attempting to bring the
24 majority of the wells, if not all, into compliance by June
25 30th, 2002", now, you've stated that Kenson, Mallon/Gruy,

1 Smith and Marrs be given some additional time. Would July
2 1st be an appropriate one for this one? I guess I'm a
3 little confused.

4 A. Well, I think the reason I did it was, when I had
5 originally done -- or sent a letter out to Mr. Yates,
6 actually, I think I made a mistake. I did not intend to
7 give him to 6-30-02. But since that's what I talked to in
8 the letter, that's what I'll stick with. I think I meant
9 something else.

10 EXAMINER STOGNER: Okay, I don't have any other
11 questions of Mr. Williams at this time. He may be excused.

12 MR. BROOKS: Okay, very good.

13 EXAMINER STOGNER: Let me see, Mr. Brooks, I
14 believe, if I remember right -- Now, let me back up a
15 little bit.

16 This is for Case 12,758; is that correct? --

17 MR. BROOKS: That's correct.

18 EXAMINER STOGNER: -- A. What about 12,758?
19 Give me some recollection. Was that an order issued by
20 Catanach, or is that still pending?

21 MR. BROOKS: That has been issued --

22 EXAMINER STOGNER: Okay.

23 MR. BROOKS: -- and I have the order right here,
24 and it was, I guess -- I thought I had it flagged so I
25 could find it immediately. I believe it was issued by Mr.

1 Catanach. I don't -- I think it was issued in January, but
2 I am having trouble finding it here in the file.

3 EXAMINER STOGNER: Now, all the wells -- If you
4 find it, fine. If not, we'll make administrative notice of
5 it one way or the other.

6 MR. BROOKS: Okay.

7 EXAMINER STOGNER: Any of the wells that were in
8 the original case, they do not appear again this time, do
9 they?

10 MR. BROOKS: That is correct. The operators that
11 were -- as to which we went to final hearing in 12,758,
12 they are severed out of this proceeding, and they're not
13 involved.

14 EXAMINER STOGNER: Okay. I'll go ahead and take
15 administrative notice of the case file, to what extent I
16 need to do, or what we need to do.

17 MR. BROOKS: Okay. I will explain, if I may,
18 Exhibit Number 2 when it is convenient for me to do so,
19 since I've prepared that exhibit and it's demonstrative
20 exhibit rather than a testimonial exhibit.

21 EXAMINER STOGNER: Okay, and just -- I've got two
22 copies of Exhibit Number 2.

23 MR. BROOKS: I must have put them --

24 EXAMINER STOGNER: Do you need another one?

25 MR. BROOKS: Probably not at this point, but

1 there's --

2 EXAMINER STOGNER: Okay.

3 MR. BROOKS: -- to have two copies.

4 EXAMINER STOGNER: All right. Then I think now
5 is probably a good time to explain Number 2, what you need
6 to.

7 MR. BROOKS: Okay. Exhibit Number 2 is a takeoff
8 from Exhibits A and B to the original Application in which
9 I've deleted out the wells that are not involved and
10 combined Exhibit A and Exhibit B. And what I've done is to
11 list in the three columns on the on the right the Exhibits
12 that pertain to those wells so you can find them more
13 readily.

14 The first column lists the production report
15 exhibits. Those are Fran's printouts.

16 The second column labeled "Intentions" lists the
17 C-103s.

18 And the other column relates to -- lists the
19 correspondence that relates to those particular operators
20 of wells. This is prepared simply for the purpose of
21 enabling you to find the exhibits more easily.

22 In regard to notice in this proceeding, I have
23 here -- and this goes back into the file, because I took it
24 from the file to check it out, but it appears that all of
25 the operators today, that we are dealing with today, with

1 the exception of Kevin O. Butler, we do have green cards
2 indicating that the notice of this proceeding was received
3 by them.

4 And that's all.

5 EXAMINER STOGNER: Anything further in this
6 matter?

7 Okay, at this time I'm ready to take Case Number
8 12,758-A under advisement and --

9 MR. BROOKS: Would you like me to prepare a
10 proposed order in this one also?

11 EXAMINER STOGNER: Or at least findings or some
12 help in preparing an order in this matter.

13 MR. BROOKS: Yeah, okay, I will do it.

14 (Thereupon, these proceedings were concluded at
15 2:38 p.m.)

16 * * *

17
18
19 I do hereby certify that the foregoing is
20 a complete record of the proceedings in
the Examiner hearing of Case No. 12758-A
heard by me on 2 May 2002 at

21  , Examiner
22 Oil Conservation Division
23
24
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 May 7th, 2002.


STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 2002