

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. 12,771-A
)
APPLICATION OF THE NEW MEXICO OIL)
CONSERVATION DIVISION FOR AN ORDER)
REQUIRING OPERATORS TO BRING 46 WELLS)
INTO COMPLIANCE WITH RULE 201.B AND)
ASSESSING APPROPRIATE CIVIL PENALTIES,)
LEA AND ROOSEVELT COUNTIES, NEW MEXICO)
_____)

ORIGINAL

OIL CONSERVATION DIV.
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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

I N D E X

May 2nd, 2002
Examiner Hearing
CASE NO. 12,771-A

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* * *

Devon	Identified	Admitted
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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

FOR DEVON SFS OPERATING, INC.:

JAMES G. BRUCE, Attorney at Law
324 McKenzie
Santa Fe, New Mexico 87501
P.O. Box 1056
Santa Fe, New Mexico 87504

* * *

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

* * *

1 WHEREUPON, the following proceedings were had at
2 2:48 p.m.:

3 EXAMINER STOGNER: This hearing will come to
4 order. At this time I'll call Case Number 12,771-A, which
5 is the Application of the New Mexico Oil Conservation
6 Division for an order requiring operators to bring 46
7 certain wells into compliance with Rule 201.B and assessing
8 appropriate civil penalties for wells in Lea and Roosevelt
9 Counties, New Mexico, a/k/a District 1.

10 Call for appearances.

11 MR. BROOKS: Your Honor, I'm David Brooks,
12 Energy, Minerals and Natural Resources Department of the
13 State of New Mexico, for the Oil Conservation Division, and
14 I have two witnesses. They're the same two who testified
15 in Case Number 12,758-A.

16 EXAMINER STOGNER: The record will so reflect.
17 Other appearances?

18 MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe,
19 representing Devon SFS Operating, Inc.

20 EXAMINER STOGNER: Any other appearances?
21 Do you have any witnesses?

22 MR. BRUCE: I have no witnesses.

23 EXAMINER STOGNER: Okay, since we have had the
24 two witnesses sworn, I'll turn it over to you, Mr. Brooks.

25 MR. BROOKS: Very good. Before I call my

1 witnesses, I'll do things in a little different order, make
2 my preliminary observations.

3 In the first place, Exhibit Number 2 in this case
4 is the same -- was prepared by me in the same manner as
5 Exhibit Number 2 that I explained in Case Number 12,758-A.
6 Exhibit Number 1 is the same exhibit as Exhibit Number 1 in
7 Case Number 12,758-A.

8 I have here the return receipts that I have
9 pulled from the file, 12,771, for these operators, and I
10 believe they will reflect that we have green cards from all
11 operators except Santa Fe Operating, and they have entered
12 an appearance here this afternoon, all of the operators as
13 to whom we are proceeding this afternoon.

14 Also I will note for the record that Case Number
15 12,771 was presented to you, I believe, and you have it
16 under advisement, and you have requested me to prepare an
17 order, which I have not done.

18 EXAMINER STOGNER: Okay. Now, Mr. Bruce, you're
19 representing, you said, Devon SFS Operating --

20 MR. BRUCE: Yes.

21 EXAMINER STOGNER: -- and then Santa Fe
22 Operating. Do you want to perhaps set the record --

23 MR. BRUCE: Mr. Examiner, I think the well on the
24 list that I'm here for is referred to as the Santa Fe
25 Energy Operating Partners LP White Swan Well, and Santa Fe

1 Energy Operating Partners LP merged into Santa Fe Energy
2 Resources, Inc. Santa Fe Energy Resources, Inc., merged
3 with Snyder Oil Corporation to form Santa Fe Snyder
4 Corporation, and then there was another merger and it
5 became Devon SFS Operating, Inc.

6 EXAMINER STOGNER: Thank you for setting us all
7 straight on that.

8 Mr. Brooks?

9 MR. BROOKS: Call Fran Chavez.

10 FRAN CHAVEZ,
11 the witness herein, after having been first duly sworn upon
12 her oath, was examined and testified as follows:

13 DIRECT EXAMINATION

14 BY MR. BROOKS:

15 Q. Ms. Chavez, if you'll look at the smaller
16 envelope there in front of you and remove the exhibits, I
17 will call your attention to Exhibit Number 3 in that stack,
18 and I will ask you to identify that.

19 First -- Well, is this the same exhibit as
20 Exhibit Number 3 in Case Number 12,758-A?

21 A. Yes, it is.

22 Q. And was this exhibit prepared by you?

23 A. Yes, it was.

24 Q. And is this a list of the wells that I asked you
25 to prepare a spreadsheet with respect to?

1 A. Yes, it is.

2 Q. Okay. Now, I suppose I should go through the
3 preliminary questions, so if you want to make a record.

4 State your name, please, for the record.

5 A. Fran Chavez.

6 Q. And by whom are you employed?

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

8 Q. And are you familiar with the ONGARD system that
9 keeps production reports?

10 A. Yes, I am.

11 Q. And did I request you to obtain some production
12 reports for some specified wells for the purposes of this
13 hearing?

14 A. Yes.

15 Q. And did you prepare some spreadsheets that
16 incorporated those reports as printed out from the ONGARD
17 system?

18 A. Yes.

19 Q. Okay. Call your attention to Exhibit Number 4.
20 Is Exhibit Number 4 a spreadsheet that you prepared?

21 A. Yes.

22 Q. And is that all of the wells that were on this
23 list that I gave you for Pronghorn Management Corp. as
24 operator?

25 A. Yes.

1 Q. Okay. Call your attention, then, to Exhibits
2 Numbers 22, 26, 30 and 47.

3 A. Okay.

4 Q. Okay, are all of those spreadsheets that you
5 prepared?

6 A. Yes.

7 Q. Is each for a separate operator?

8 A. Yes.

9 Q. Now, on each of these spreadsheets would any
10 production that has been reported by that operator from
11 those wells that were on the list that I gave you be
12 indicated by volumes shown in the "Volume" column on those
13 spreadsheets?

14 A. Yes.

15 Q. And if the "Volume" column shows all zeroes, what
16 does that indicate?

17 A. That the well was reported with zeroes.

18 Q. With no production --

19 A. No production, yes.

20 Q. -- for the period of time inquired about?

21 A. Correct.

22 MR. BROOKS: I will offer into evidence Exhibits
23 4, 22, 26, 30 and 47.

24 EXAMINER STOGNER: Exhibits 4, 22, 26, 30 and
25 47 -- Did I miss any?

1 MR. BROOKS: No, but I did. Also Exhibit 3,
2 which the witness also identified.

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

5 MR. BROOKS: Pass the witness.

6 EXAMINER STOGNER: Mr. Bruce?

7 MR. BRUCE: I have no questions of Ms. Chavez.

8 EXAMINER STOGNER: Nor do I. Thank you, Ms.
9 Chavez, 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. State your name for the record.

17 A. Chris Williams.

18 Q. And by whom are you employed?

19 A. The New Mexico Oil Conservation Division.

20 Q. In what capacity?

21 A. District Supervisor, Hobbs District Office.

22 Q. Now, his Honor pointed out to me at the recess
23 that I asked all the questions that related to the
24 operators involved in 12,771-A when we were discussing
25 12,758-A, but I may have to go over some of it again for

1 that reason.

2 I ask you to look at what has been marked as
3 Exhibit Number 1 and ask you to identify it.

4 A. Exhibit Number 1 is a spreadsheet that was
5 prepared by Sharon Prichard of my office, which is the
6 wells that are on this case.

7 Q. Was Exhibit Number 1 prepared under your
8 direction?

9 A. Yes.

10 Q. Now, the wells that are in the sky-blue color,
11 what does that indicate?

12 A. It means those wells are in compliance with our
13 rules now.

14 Q. And one of the operators whose wells were in the
15 sky-blue color, his only well was in the sky-blue, William
16 H. Brinninstool, was actually --

17 (Cell phone rang.)

18 A. Sorry.

19 Q. You've got a phone call.

20 THE WITNESS: Can I -- Pardon me, Mr. Examiner.
21 Do I have time to talk?

22 EXAMINER STOGNER: Do you need to answer it?

23 THE WITNESS: No.

24 EXAMINER STOGNER: Then you can turn it off.

25 Where were we? Mr. Brinninstool?

1 THE WITNESS: He's in the sky-blue color on the
2 last page.

3 Q. (By Mr. Brooks) Okay, do you recommend that Mr.
4 Brinninstool be dismissed?

5 A. Correct.

6 Q. Okay. What does the plum color indicate on
7 Exhibit 1?

8 A. The plum color exhibits an intent to do work on
9 these wells that we've received.

10 Q. The wells in the plum color, the operators have
11 filed C-103s?

12 A. Yes, they have.

13 Q. Notices of intent, correct?

14 A. Correct.

15 Q. Have they completed any of those operations?

16 A. No, they haven't.

17 Q. And have they filed --

18 (Noise of drilling in hall.)

19 Q. (By Mr. Brooks) Excuse me, have they filed
20 subsequent reports on any of those operations?

21 A. No, they haven't.

22 Q. Very good. Now, based on -- First of all, as to
23 each of these operators, are you recommending that the
24 Division enter a compliance order requiring them to bring
25 these wells into compliance?

1 A. Yes, I am.

2 Q. And are you also recommending civil penalties for
3 certain operators?

4 A. Correct.

5 Q. And what is the formula for civil penalties that
6 you are asking the Division to employ in this case?

7 A. \$1000 per well.

8 Q. And is that based not on notice that these wells
9 were inactive prior to this hearing, but rather based on
10 the fact that they had notice by virtue of this hearing?

11 A. Yes.

12 Q. Okay. Beginning -- The last operator that was in
13 12,758-A was Mallon, so we begin this with Pronghorn. Are
14 you recommending a penalty for Pronghorn?

15 A. Yes.

16 Q. \$1000 per well, except for -- well, I'm sorry.
17 In the list for Pronghorn on Exhibit Number 1 is one well,
18 Number 30-025-25149?

19 A. Correct.

20 Q. Did you discover that that is not actually
21 Pronghorn's well?

22 A. Yes.

23 Q. Okay. There are two wells, Number 30-025-03736
24 and 30-025-30872, that are shown in the sky-blue color?

25 A. Correct.

1 Q. Are those wells in compliance?

2 A. Yes.

3 Q. Do you recommend a penalty of \$1000 per well for
4 Pronghorn Management for all wells except the three wells
5 that I just asked you about?

6 A. Correct.

7 Q. Saba has two wells shown on this list. Are you
8 recommending a penalty for Saba?

9 A. Yes.

10 Q. And would that be \$2000?

11 A. Yes.

12 Q. And we have one well for Santa Fe, which is now
13 Devon.

14 A. Correct.

15 Q. Are you recommending a penalty on that one?

16 A. Yes.

17 Q. \$1000?

18 A. Yes.

19 Q. One well.

20 Smith and Marrs. As I recall your testimony
21 earlier this afternoon, you are not recommending a penalty
22 for Smith and Marrs; is that correct?

23 A. Correct.

24 Q. And why is that?

25 A. Because they have plugged five wells, and they're

1 presently on two more wells down in my District, and
2 they're averaging about three wells a month.

3 Q. And how long do you recommend that they be
4 allowed to fully complete their plugging in any compliance
5 order?

6 A. November 1st.

7 Q. Very good. Texland, do you recommend a penalty
8 for them?

9 A. Yes.

10 Q. Now, I notice that you have made a note on here
11 that you gave them until July 1st of 2002 to finish their
12 plugging operation; is that correct?

13 A. For Texland?

14 Q. There's a note to that effect on this exhibit,
15 and I believe I also saw that note on the C-103 for one of
16 their wells --

17 A. Okay.

18 Q. -- which would have been Exhibit Number --

19 A. Okay, then I can't recommend a fine on that,
20 then.

21 Q. Number -- Okay, it's not actually noted on
22 Exhibit Number 48 or 49. It was noted on another copy that
23 I had that was in the file.

24 A. Right.

25 Q. Okay. So you recommend that they be given till

1 July 1?

2 A. Yeah, to be in complete compliance.

3 Q. Not longer?

4 A. Right. Right, yeah, correct.

5 Q. Okay, very good. So far as you are aware, you
6 have not received anything to indicate that any of these
7 wells except the ones that are marked in blue on Exhibit 1
8 are now in compliance?

9 A. Correct.

10 MR. BROOKS: I can't think of anything else I
11 need to ask you. I'll pass the witness.

12 EXAMINER STOGNER: Mr. Bruce?

13 EXAMINATION

14 BY MR. BRUCE:

15 Q. I just want to make sure, what do you -- I don't
16 have the color-coded list that you're looking at, Mr.
17 Williams. What does it say with respect to the Santa Fe
18 Energy/Devon well?

19 A. Okay, it says "None", a letter was sent to Devon,
20 we sent a letter out to Devon telling them that they needed
21 to bring this well into compliance at 2-14-02 --

22 Q. Okay.

23 A. -- gave them 30 days to bring it into compliance.
24 And we've never received an intent or anything from them.

25 Q. Okay. And this might have actually -- I don't

1 know if it's in a later exhibit, Mr. Brooks, or in the
2 exhibits Mr. Williams has. When was the first notice sent
3 to Devon, or was it sent to Santa Fe Energy?

4 A. It was sent to Santa Fe Energy, the original one,
5 probably back on May 8th of --

6 Q. -- 2001?

7 A. -- 2000, I think, is when the first one went out.

8 MR. BRUCE: Okay. That's all I have, Mr.
9 Examiner.

10 MR. BROOKS: And I am sorry, I didn't have him
11 identify all these exhibits.

12 FURTHER EXAMINATION

13 BY MR. BROOKS:

14 Q. Mr. Williams, would you go through these exhibits
15 as you did the exhibits in the previous case, with the
16 exception of the spreadsheets that have been identified,
17 and verify that those are records that are from the files
18 of the Hobbs District Office of the Oil Conservation
19 Division?

20 A. Yes, these are ours.

21 Q. Okay. Are these documents of this type kept in
22 the files of the Hobbs District Office of the Oil
23 Conservation Division in the ordinary course of business?

24 A. Yes.

25 Q. And are they placed in the files at or about they

1 time they're received?

2 A. Yes.

3 MR. BROOKS: Okay, I will tender into evidence
4 OCD Exhibits Numbers 1 and 5 through 49, with the exception
5 of 22, 26, 30 and 47 that have already been admitted.

6 EXAMINER STOGNER: Okay, Exhibits -- What do you
7 want to do about 2?

8 MR. BROOKS: Two is a demonstrative exhibit
9 prepared by me. I request that it be made part of the
10 record, but since it's not sworn testimony it should not be
11 formally admitted into evidence.

12 EXAMINER STOGNER: Okay. Then at this time
13 Exhibit 1 and Exhibits 5 through 49, with the exception of
14 3, 4, 22, 26, 30 and 37 are admitted into evidence at this
15 time, and Exhibit Number 2 is accepted for the record in
16 this matter.

17 MR. BROOKS: Okay. I will again pass the
18 witness.

19 EXAMINER STOGNER: Mr. Jim Bruce?

20 MR. BRUCE: I have no further questions, I just
21 have a brief statement at the end, Mr. Examiner.

22 EXAMINER STOGNER: Okay, and I don't have any
23 questions of Mr. Williams. You may be excused.

24 Mr. Bruce?

25 MR. BRUCE: Mr. Examiner, I hand you marked Devon

1 Exhibit 1 in this matter, a sundry notice regarding the
2 subject Santa Fe Energy Operating Partners well, which is
3 notice of intent to plug and abandon.

4 I have been informed, and I will represent to the
5 Division that Devon was seeking a plugging crew to plug the
6 well. I tried to get hold of the landman over the last
7 several days, who I have been in touch with about this
8 matter. He was on vacation, so I do not have an update on
9 this well. I apologize for that.

10 I would -- This is an orphan well that they
11 inherited from another company. I would simply ask that
12 they be allowed to have until the end of May, and if they
13 don't plug it by then, then the penalty that Mr. Williams
14 has requested be applied to my client.

15 And I would note that Exhibit 1, before it was
16 approved, was filed, apparently, with the Hobbs District
17 Office.

18 EXAMINER STOGNER: Thank yo, Mr. Bruce.

19 Anything further in this matter?

20 MR. BROOKS: No, we have no objection to Devon's
21 Exhibit Number 1 being admitted in evidence. In fact, I
22 think it is a copy of an exhibit that has already been
23 admitted on behalf of the Division.

24 EXAMINER STOGNER: Well, with that, Devon's
25 Exhibit Number 1 is hereby accepted as part of the record

1 in this matter.

2 Anything further?

3 MR. BRUCE: No.

4 MR. BROOKS: No, sir.

5 EXAMINER STOGNER: I believe, Mr. Brooks, at this
6 time -- 12,771 is a case I heard, but an order has not been
7 issued on that.

8 MR. BROOKS: That is correct.

9 EXAMINER STOGNER: Do you recommend that we could
10 issue one order in the two?

11 MR. BROOKS: I really don't see why not at this
12 point --

13 EXAMINER STOGNER: Okay.

14 MR. BROOKS: -- since we didn't get them actually
15 severed before we got the second one up for hearing.

16 EXAMINER STOGNER: Okay, I'll work with you on
17 that if you'll work with me on that.

18 MR. BROOKS: I will.

19 EXAMINER STOGNER: We can work on a draft order
20 together, if there's no problem with Devon. You can jump
21 in and help us too.

22 MR. BRUCE: I'd rather not, Mr. Examiner.

23 EXAMINER STOGNER: Okay, well, feel free to.

24 MR. BRUCE: I'll volunteer Mr. Williams to help
25 you.

1 EXAMINER STOGNER: Very good idea, we'll take
2 that under advisement.

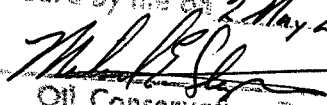
3 MR. WILLIAMS: All right, all right.

4 EXAMINER STOGNER: Case Number 12,771-A will be
5 taken under advisement at this time.

6 With that, this hearing is adjourned.

7 (Thereupon, these proceedings were concluded at
8 3:14 p.m.)

9 * * *

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15
16 I do hereby certify that the foregoing is
17 a complete record of the proceedings in
18 the Examiner hearing of Case No. 12771-A
19 heard by me on 2 May 2002 10
20 
21 Oil Conservation Division, Examiner
22
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