

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

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

November 15th, 2001

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, November 15th, 2001, 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

OIL CONSERVATION DIV.
01 DEC -4 AM 9:58

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November 15th, 2001
Examiner Hearing
CASE NO. 12,771

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A P P E A R A N C E S

FOR THE DIVISION:

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* * *

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

1 WHEREUPON, the following proceedings were had at
2 11:29 a.m.:

3 EXAMINER STOGNER: At this time I'll call Case
4 Number 12,771, which is the Application of the New Mexico
5 Oil Conservation Division for an order requiring operators
6 to bring 62 wells into compliance with Rule 201.B and
7 assessing appropriate civil penalties, if appropriate, in
8 Lea, Roosevelt and Chaves Counties, New Mexico.

9 Call for appearances.

10 MR. BROOKS: Mr. Examiner, I'm David Brooks,
11 Assistant General Counsel, Energy, Minerals and Natural
12 Resources Department of the State of New Mexico, appearing
13 for the New Mexico Oil Conservation Division.

14 EXAMINER STOGNER: Any other appearances?

15 There being none, do you have witnesses at this
16 time, Mr. Brooks?

17 MR. BROOKS: I have one witness present and two
18 others on their way.

19 EXAMINER STOGNER: We will either note their
20 previous acceptance, having been sworn in, or have them
21 sworn in at the time, so at this time you may call your
22 first witness.

23 MR. BROOKS: Okay, Ms. Prouty? The record will
24 note that Ms. Prouty was sworn in the previous case.

25 EXAMINER STOGNER: So noted.

1 Before we get started on that, just for the
2 record, the docket shows Case Number 12,771. It appears on
3 here three times. Please note that it is the same case in
4 all three instances, but each one has the separate wells in
5 the separate counties. In other words, the first entry for
6 all the wells in Lea County, the second entry is for the
7 four wells in Chaves County, and the third entry is for the
8 three wells in Roosevelt County.

9 And I believe they were advertised as such, Mr.
10 Brooks; is that correct?

11 MR. BROOKS: That is correct, your Honor. It was
12 pointed to me by Ms. Davidson that the Division was paying
13 a significant amount of money for these advertisements, and
14 if we advertised the entire list of 62 wells in three
15 counties it would cost a great deal more money for the
16 advertisements, and I didn't see any reason why it should
17 not be advertised separately, only for the wells in the
18 particular counties, so I did direct that it be done that
19 way.

20 EXAMINER STOGNER: So noted, and it's a prudent
21 thing for the State to do. Perhaps we can pass some of
22 that savings on to Ms. Davidson's salary.

23 With that, you may continue.

24 MR. BROOKS: Okay, before beginning the
25 examination of this witness, I will refresh your Honor's

1 recollection about the character of this proceeding.

2 This is another one of our inactive well hearings
3 in which we are essentially bifurcating the case, and we
4 will be asking that this case be passed as to certain of
5 the people involved in this case, certain of the
6 respondents who are named in the Application, and as to
7 those respondents that we are passing at this time, we will
8 ask that they be severed out of this case number and that
9 the case as to those respondents be continued to the
10 February 21st, 2002, Examiner Docket.

11 We are requesting continuance to the February,
12 2002, Docket for --

13 (Off the record)

14 MR. BROOKS: -- We are requesting continuance to
15 February 21st, 2002, with respect to the following
16 operators: C.C. Pollard -- I'm sorry, let me get my list
17 that has that information on it here.

18 I'm sorry, I was reading the wrong list, I was
19 starting to read the list of the people we are going to go
20 forward as to. The ones we are going to continue with
21 respect to are the following:

22 Pronghorn Management Corp.;

23 Saba Energy of Texas, Inc.;

24 Santa Fe Operating Partners, L.P.;

25 Smith and Marrs, Inc.;

1 Texland Petroleum, Inc.;

2 and W.H. Brininstool.

3 Now, my client, Mr. Williams, informed me that he

4 had received a fax while we were in hearing a minute ago,

5 and I haven't had a chance to confer with him as to what

6 change that makes, so if your Honor will indulge me for a

7 minute and allow me to speak to my client, we may be able

8 to add one more to that list.

9 EXAMINER STOGNER: Okay, we'll go off the record

10 for a couple minutes.

11 (Off the record)

12 EXAMINER STOGNER: Okay, let's go back on the

13 record.

14 MR. BROOKS: That will be the list of people

15 we're continuing as to.

16 EXAMINER STOGNER: Okay, let me make sure, the

17 ones that will be continued or severed from today's case

18 will be Pronghorn's interest, or Pronghorn-operated wells;

19 Saba-operated wells; C.F. [sic] Energy Operating Partners;

20 Energy of Texas, Inc.; and Smith and Marrs, Inc. --

21 MR. BROOKS: Santa Fe Energy Operating Partners.

22 EXAMINER STOGNER: Okay. Now, on the docket -- I

23 want to make sure we have the right one here. If I look on

24 page 8 in the middle of the docket, it has SF Energy

25 Operating; is that one and the same?

1 MR. BROOKS: I assume so, but it probably was
2 abbreviated to fill in the blank, to keep from running over
3 into the next line, because on the Application, Item Number
4 9, it's Santa Fe Operating Limited Partners. It's between
5 Saba and Smith and Marrs?

6 EXAMINER STOGNER: Yes.

7 MR. BROOKS: That's it, that's correct.

8 EXAMINER STOGNER: And okay, continuing on with
9 the list, after Smith and Marrs, Inc., it was Texland
10 Petroleum, Inc.; and W.H. Brininstool.

11 Now, Smith and Marrs have wells in Roosevelt and
12 Lea Counties, so they appear twice on the docket.

13 MR. BROOKS: In Chaves and Lea, I believe, is it
14 not?

15 EXAMINER STOGNER: I have -- The only ones in
16 Chaves County is R.W. Oil Company, according to the docket.

17 MR. BROOKS: Okay, very good. Ms. Prouty is
18 correcting me here.

19 EXAMINER STOGNER: Did she do that quietly?

20 MR. BROOKS: Yes, she did.

21 EXAMINER STOGNER: So noted.

22 MR. BROOKS: We are prepared to proceed as to the
23 remaining operators on the list, your Honor.

24 EXAMINER STOGNER: Okay, then you may proceed.

25 MR. BROOKS: Very good.

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JANE E. PROUTY,

the witness herein, having been previously duly sworn upon
her oath, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. BROOKS:

Q. Miss Prouty, would you state your name for the
record, please?

A. Jane Prouty.

Q. And you are the same Jane Prouty that testified
in Cause Number 12,770 a few minutes ago, correct.

A. Yes.

Q. And by whom are you employed?

A. The Oil Conservation Division.

Q. In what capacity?

A. I'm the manager of the area for production
reporting and permitting.

Q. And in that area do you have a staff that assists
you?

A. Yes.

Q. And do you and your staff take all of the reports
that are received from operators and enter them into the
OCD's computer system?

A. Yes.

Q. And is that system capable of generating reports
that will show the production that has been reported by

1 each operator from each well that you enter into the system
2 and ask it to give you that information?

3 A. Yes.

4 Q. Very good. With that preface I will call your
5 attention to OCD Exhibit Number 1 in the exhibit folder --

6 A. Uh-huh.

7 Q. -- and ask you to identify it.

8 A. This is a report of all of the wells that were on
9 the exhibit in order by operator and by well name, and it
10 represents the production reporting we've received from
11 January, 1997, through the current date. As an example --
12 It was run with data we received through last Friday
13 evening -- or excuse me, probably the prior Friday evening,
14 because it goes a week in the edit process.

15 The report, the first one, C.C. Pollard, shows
16 that for that particular well we had not received any
17 C-115 with that well reported on it for any month during
18 this time frame, from January, 1997, forward.

19 If you look at the second page, you see two
20 different examples of what could happen on the report. The
21 first Prairie Sun well, we apparently received nothing from
22 them on this well, or maybe the well wasn't completed, for
23 the months of January, 1997, through April of 1997.

24 But in May of 1997 they did start including that
25 well on their C-115, although you can see from the columns

1 to the right, "Gas", "Oil", "Water", "Injection", that they
2 didn't report any volumes.

3 Q. Okay. I'm going to go into the situation with
4 Prairie Sun with Ms. Chavez --

5 A. Okay.

6 Q. -- here in a minute, but let me ask you a few
7 general questions about these exhibits, and then I will go
8 through the specific wells that are still in controversy
9 here. If an operator has filed no report for a particular
10 month, how does that show up in this exhibit?

11 A. As I mentioned, the example would be, on page 2,
12 January through April, there was no C-115 report received
13 because the month doesn't even appear on the report.

14 Q. And you're referring to the Gulf McKay Federal
15 Number 1 for the --

16 A. Correct, just as an example.

17 Q. -- months of January through April of 1997?

18 A. Right.

19 Q. And the indication of no report would be that
20 that year and month does not appear on this printout?

21 A. Correct.

22 Q. For example, in the case of Prairie Sun, the two
23 wells on page 2, I note that there are no years or months
24 filed -- appearing after 12 of 1998. Now, given the way
25 this exhibit was generated, does that mean that this report

1 just goes through 1998, or does that mean that they -- does
2 that affirmatively reflect that there were no production
3 reports filed by Prairie Sun, Inc., for those wells after
4 December, 1998?

5 A. The latter.

6 Q. Thank you. Now, if a report is filed but no
7 production or injection for that well is reported, in other
8 words, the well is listed on the report but the production
9 is shown to be zero, how does that appear on this report?

10 A. That would -- Using the first, the Gulf McKay
11 Federal Number 1 as an example, the well was listed on
12 their C-115 for May of 1997 through December of 1998 but
13 with no production or injection volumes.

14 Q. So there's just a blank, there's not a zero?

15 A. Correct.

16 Q. Now, the computer could have been instructed to
17 print out all those zeroes, could it not?

18 A. Right.

19 Q. But we chose, in the interest of making a cleaner
20 presentation, not to have them, correct?

21 A. Right.

22 Q. Okay. Now, I'm going to go through this exhibit,
23 and the first operator I'm going to ask you about is C.C.
24 Pollard on page number 1, but I believe you've already
25 testified that the report shows that as to the State B

1 Number 1, C.C. Pollard has not filed any production reports
2 at any time?

3 A. Since January, 1997, correct.

4 Q. Okay, thank you. Now, the next one is Prairie
5 Sun, and we've already talked about Prairie Sun, so I won't
6 repeat that.

7 The next one is Primal Energy, which begins on
8 page 3 and continues through page 7 of the report, and I
9 will ask you, what does this report reflect with regard to
10 the four wells operated by Primal Energy Corporation that
11 are reflected on pages 3 through 7?

12 A. It reflects that they're including those wells on
13 their C-115 with no production or injection volume.

14 Q. So that there has been no production or injection
15 reported on any of those wells for any month from January,
16 1997, to the present?

17 A. Correct.

18 A. Now, the next -- Your system alphabetizes
19 differently than I did, and there are two means of
20 alphabetization that are used, and I was always told the
21 first thing you look for is to see which order Newark and
22 New York are in to tell who's using which one.

23 But anyway, Pro-Gas comes on -- is on page 8, but
24 I'm going to skip over it for the minute and call your
25 attention to page 9, Professional Oil Services, Inc. Does

1 the report reflect that gas production was reported for
2 January and February of 1997?

3 A. Yes.

4 Q. Does it also reflect that since February of 1997
5 no reports were filed on that well?

6 A. Yes.

7 Q. And I believe we will prove through another
8 witness that the principal of that organization has some
9 other obligations that he's had to be attending to since
10 then.

11 Now we'll go back to page 8, Pro-Gas Operating
12 System -- Pro-Gas Operating, Inc. Does Exhibit 1 reflect
13 that no production reports have been filed by Pro-Gas
14 Operating, Inc., on the two wells identified on page 8?

15 A. Yes.

16 Q. The next one is R.W. Oil Corporation, and we have
17 to skip over a bunch of Pronghorn wells, and we'll call
18 your attention to page number 26 of the report, of Exhibit
19 1, and as to RW Operating Company, the four wells listed on
20 page number 26, does the report indicate that no C-115s or
21 production reports have been filed by RW Oil Company on
22 those four wells?

23 A. Since January, 1997, yes.

24 Q. Thank you. Now, the next one is Spence Energy,
25 and I believe that --

1 A. 46.

2 Q. Thank you, page 46. And it appears that on the
3 one well that Spence Energy has on this list that they have
4 been filing production reports but have shown no production
5 since January, 1997, through and including the present; is
6 that correct?

7 A. Yes. I notice, for example, we appear not to
8 have received a C-115 from them for June. There may be
9 other missing months, but June of 1997, I notice, is
10 missing. That means we didn't receive a C-115, but the
11 other months they've included this well.

12 Q. But no production reports?

13 A. Correct.

14 Q. And we'll call your attention to Tenison Oil
15 Company, then, appearing on page 48, and with regard to the
16 one well of Tenison Oil Company they're in the same
17 category, correct?

18 A. Correct.

19 Q. They've reported, but have not reported any
20 production?

21 A. Yes, and I see they also are missing several
22 months.

23 Q. Very good. I don't believe I have any further --
24 Oh, well, yeah, I do have a question. We need to put -- We
25 put this on the record in the previous hearings, but we

1 need to do it in this hearing too, the inactive well
2 hearings. Are you acquainted with the genesis of the
3 inactive well project of the Oil Conservation Division?

4 A. Yes.

5 Q. ~~And when did that occur? It's a project we~~
6 ~~started.~~

7 ~~A. In about May of 2000.~~

8 Q. ~~And were you instructed at that time, or your~~
9 ~~department instructed at that time to generate a list of~~
10 ~~wells that had not reported production for a certain length~~
11 ~~of time?~~

12 A. Yes.

13 Q. ~~And did you then generate letters to the~~
14 ~~operators?~~

15 A. Yes.

16 Q. What was the format of those letters?

17 A. Excuse me, on the prior question I should have
18 said the letters went to the operators who owned gas and
19 oil wells only.

20 Q. Well, who operated, whether they owned or not?

21 A. Yes, okay.

22 Q. What was the format of those letters? They were
23 something of a form, weren't they?

24 A. Right, it was what we call the turn-on document.
25 The letter advised them that they met certain criteria by

1 not having reported production or injection for a certain
2 period of time, and we indicated details about each well,
3 for example whether it was a gas well or an oil well, and
4 we left blanks on the letter for the operators to tell us,
5 was the well, in their opinion, in TA status or plugged or
6 owned by another operator or a different type of well, so
7 that they could respond back to us.

8 Q. And there were some of these operators for whom
9 you did not have addresses, correct?

10 A. Correct.

11 Q. But for those to whom you did have addresses, if
12 they had any gas or oil wells that had not reported any
13 production for the past two years as of May of 2000, they
14 would have gotten one of these letters, correct?

15 A. Correct.

16 Q. And were those sent out by you or someone acting
17 under your direction?

18 A. Yes.

19 Q. From the Santa Fe office of the Oil Conservation
20 Division, correct?

21 A. Yes.

22 Q. And they listed specifically each well as to
23 which the system indicated that there was no production for
24 a period of two years prior to that date?

25 A. Yes.

1 Q. Now, given what is reflected with regard to the
2 operators I specifically asked you about, would a letter
3 have been generated -- and I'm being careful about what I'm
4 asking here -- would a letter have been generated to each
5 of the operators that I inquired about when we went through
6 OCD Exhibit Number 1?

7 A. Yes.

8 Q. And would that letter have listed each of the
9 wells of those operators that are shown on OCD Exhibit
10 Number 1? Bearing in mind that you testified as to each of
11 the wells that I showed you that there had been no
12 production or injection for a period back to 1997.

13 A. It's my understanding that your Exhibit A would
14 have those that would have qualified for a letter, and
15 perhaps the Exhibit B would have had some that might have
16 been in other categories or fallen inactive since then.

17 Q. That was the intent, but I'm asking you about the
18 wells -- I can go through and ask you about them
19 specifically. Maybe I'd better, because you may not
20 remember.

21 A. Okay.

22 Q. With regard to C.C. Pollard, State B Number 1,
23 would a letter have been generated to C.C. Pollard, and
24 would it have included the State B Number 1?

25 A. Yes, I have my list with me. Yes, it would have.

1 Q. But in fact, you didn't have an address for C.C.
2 Pollard --

3 A. Correct.

4 Q. -- is that correct? So that letter was not sent?

5 A. Correct.

6 Q. Now, on page 2, Prairie Sun, Inc., would a letter
7 have been sent to Prairie Sun, Inc.?

8 A. Yes.

9 Q. And it would have included the Gulf McKay Federal
10 Number 1, correct?

11 A. Correct.

12 Q. Now, it might not have included the Morgan
13 Federal Number 1?

14 A. Actually, it did.

15 Q. It did?

16 A. Yes.

17 Q. You can establish that from your records?

18 A. Right.

19 Q. Very good. And you did have an address for
20 Prairie Sun, did you not?

21 A. Yes.

22 Q. So a letter was sent to Prairie Sun?

23 A. Yes.

24 Q. Now, with regard to Primal Energy, Inc., and the
25 four wells appearing on pages 4 through 7, would a letter

1 have been generated to Primal Energy, Inc.?

2 A. Yes.

3 Q. Primal Energy Corporation, I'm sorry. Would it
4 have included those four wells --

5 A. Yes.

6 Q. -- that are identified on pages 4 through 7 of
7 Exhibit 1?

8 A. Yes.

9 Q. However, you did not have an address for Primal
10 Energy, correct?

11 A. I did, and it was mailed.

12 Q. Oh, okay, I have an error in my notations, then.
13 You did have an address for Primal and it was mailed to
14 them?

15 A. Right now we're speaking about the May, 2000,
16 mailing --

17 Q. May, 2000, mailing.

18 A. -- and that was sent; the September one did not
19 go to them.

20 Q. Very good, thank you.

21 I will now call your attention to page 9 and
22 Professional Oil Services. Would such a letter have been
23 generated for Professional Oil Services?

24 A. Yes.

25 Q. And would it have included the well identified on

1 page 9 of Exhibit 1?

2 A. Yes.

3 Q. And perhaps in view of Professional Oil Services'
4 principal's other commitments, you have no address for him,
5 correct?

6 A. No, I have no indication that I didn't. I
7 indicate we sent first --

8 Q. Oh, at that time you did have an address, okay.

9 A. We must have, or it -- I have no record that it
10 was returned.

11 Q. Very good, thank you. Pro-Gas, Inc., on page
12 number 8. Once again, would a letter have been generated
13 to Pro-Gas, Inc.?

14 A. Yes, for both wells.

15 Q. And it would have included the two wells shown on
16 page 8 of Exhibit 1?

17 A. Yes.

18 Q. And did you have an address for Pro-Gas, Inc.?

19 A. Yes.

20 Q. And so according to your records, such a letter
21 was sent to Pro-Gas?

22 A. Right.

23 Q. R.W. Oil Company, page 46. No, wait, page 46 is
24 Spence. R.W. is page --

25 A. -- 26.

1 Q. Okay, thank you, 26, R.W. Oil Company. Would a
2 letter have been generated to R.W. Oil Company?

3 A. Yes, and it included the Reno Federal 2, 3 and 4,
4 but not the 1 because that's a saltwater disposal well,
5 which we didn't mail letters to at that time.

6 Q. Very good. And on page 46, Spence Energy
7 Company, the Kellahin 14 State Number 2. Was a letter
8 generated to Spence Energy Company?

9 A. Yes.

10 Q. And would that have included the Kellahin 14
11 State Number 2?

12 A. Yes.

13 Q. But we didn't send a letter to Tom Kellahin on
14 that --

15 (Laughter)

16 Q. -- because he apparently wasn't the operator.
17 Were you going to add some qualification about Spence
18 Energy?

19 A. No. No, I was not.

20 Q. Okay. Tenison Oil Company, page 48. Would a
21 letter have been generate to Tenison Oil Company?

22 A. Yes.

23 Q. And did you have an address and was that letter
24 sent?

25 A. Yes.

1 Q. And would it have included the Vaughn B 9 Number
2 1?

3 A. Yes.

4 MR. BROOKS: Very good. I believe that concludes
5 my examination of this witness.

6 EXAMINATION

7 BY EXAMINER STOGNER:

8 Q. Ms. Prouty, in referring to page number 26, the
9 R.W. Oil Company, you had mentioned something about notice
10 was initially sent to three of the wells because they
11 appeared on a production list, but one of the wells was an
12 injector?

13 A. Correct.

14 Q. Which well is the injector?

15 A. The Number 1 is the saltwater disposal well.

16 Q. Okay. Now, you know this from your records --

17 A. Right.

18 Q. -- or are you -- or is there something that tells
19 me on this page that it's an injector?

20 A. No, I did not list anything related to the well
21 type on this list.

22 EXAMINER STOGNER: Okay, that's all the questions
23 I have. Thank you, Ms. Prouty.

24 Mr. Brooks?

25 MR. BROOKS: At this time I would offer OCD

1 Exhibit Number 1.

2 EXAMINER STOGNER: Exhibit Number 1 will be
3 admitted into evidence as it relates to the operators in
4 which we're considering today.

5 MR. BROOKS: Very good, we'll call Chris
6 Williams.

7 EXAMINER STOGNER: This is the Mr. Chris Williams
8 that presented testimony and his credentials were accepted
9 and he was sworn in in the previous case?

10 MR. BROOKS: Very good, the record will so
11 reflect.

12 CHRISTOPHER J. WILLIAMS,
13 the witness herein, having been previously duly sworn upon
14 his oath, was examined and testified as follows:

15 DIRECT EXAMINATION

16 BY MR. BROOKS:

17 Q. Would you state your name, please?

18 A. Chris Williams.

19 Q. And by whom are you employed?

20 A. New Mexico Oil Conservation Division.

21 Q. And in what capacity?

22 A. District Supervisor, the Hobbs District Office.

23 Q. And in that capacity are you in charge of
24 everything that goes on in the Hobbs District to the Oil
25 Conservation Division?

1 A. Yes.

2 Q. And what areas does the Hobbs District include?

3 A. Lea, Roosevelt, Curry and part of Chaves County.

4 Q. And is that designated District 1?

5 A. Correct.

6 Q. Very good. I'll ask you to look at the exhibit
7 folder in front of you and call your attention to OCD
8 Exhibit Number 3. Now, one of the respondents named in
9 this petition is C.C. Pollard. Do you know Mr. C.C.
10 Pollard? Do you know who he is?

11 A. I don't know him personally, but I know who he
12 is.

13 Q. I note that Exhibit Number 3 appears to be a
14 letter directed or addressed to Mr. Frank Pollard. Now,
15 who is Mr. Frank Pollard?

16 A. The first name, C.C. Well, C.C. Pollard was
17 Frank Pollard's father.

18 Q. You say "was".

19 A. Frank Pollard is deceased.

20 Q. Frank Pollard is deceased?

21 A. No, I'm sorry, C.C. Pollard is deceased, I'm
22 sorry.

23 Q. Okay. C.C. Pollard is deceased. Now, is Frank
24 Pollard running Mr. C.C. Pollard's business?

25 A. Yes, he is.

1 Q. And when the Santa Fe office reported to you that
2 they could not find an address for Mr. C.C. Pollard, did
3 you undertake to give notice of the inactive well
4 proceeding to Mr. Frank Pollard?

5 A. No.

6 Q. Well, did you undertake to send a notice to Mr.
7 Frank Pollard?

8 A. Yes, in July of -- This letter was dated in July
9 of 2000, July 12th.

10 Q. Okay. Now, this letter does mention the State B
11 Well Number 1, does it not?

12 A. Correct.

13 Q. And is OCD Exhibit Number 3 the letter you sent
14 to Mr. Frank Pollard concerning that well on or about July
15 the 12th of 2000?

16 A. Correct.

17 Q. And I will call your attention to page 2 of
18 Exhibit Number 3. Was that return receipt received by your
19 office in Hobbs?

20 A. Yes, it was.

21 Q. Very good. I will next call your attention to
22 OCD Exhibit Number 4, and OCD Exhibit Number 4, was that a
23 letter prepared by you or under your direction?

24 A. It was prepared under my direction.

25 Q. And is that your signature appearing on the --

1 A. Yes.

2 Q. -- letter?

3 Was this a letter that was sent by you to Prairie
4 Sun, Inc., on or about September 8th, 2000?

5 A. Correct.

6 Q. And this letter did not include ;any list of
7 wells, correct?

8 A. Correct.

9 Q. However, it does refer to a letter sent to you in
10 May of 2000, correct?

11 A. Correct.

12 Q. Page 2 of Exhibit Number 4, is that a return
13 receipt that is in your file -- was received by your office
14 in Hobbs and is in your files?

15 A. Correct.

16 Q. I next call your attention to OCD Exhibit Number
17 5. This relates to -- Well, first of all, we need to
18 interrupt here, because we want to -- I have no exhibit
19 here that I'm going to be offering with regard to Primal
20 Energy, Inc. Is there a reason why there was no letter
21 sent to Primal Oil, Inc., on or about September 8th, 2000?

22 A. We didn't have a good address on them.

23 Q. Very good. However, you have been in
24 communication with them subsequently, have you not?

25 A. Yes.

1 Q. Including today?

2 A. Yes.

3 Q. Very good. Professional Oil Services, who is the
4 principal of that organization? Is or was?

5 A. I can't remember his name right now.

6 Q. I mentioned in examining Ms. Prouty that his
7 failure to file C-115s may be because of some other
8 obligations. Are you aware of the nature of those
9 obligations?

10 A. It is my understanding his obligations are to the
11 Texas Penal System.

12 Q. Very good, and he's not necessarily free to come
13 and go as he wishes?

14 A. Correct.

15 Q. Very good. In any event, you have no address
16 that you believe to be good for Professional Oil Services;
17 is that correct?

18 A. Correct.

19 Q. Now I'll call your attention to what has been
20 marked OCD Exhibit Number 5 and ask you to identify it.

21 A. It's the September 8th letter that was mailed to
22 operators that didn't respond to the May 5th letter.

23 Q. And again it refers to the letter sent in May of
24 this year?

25 A. Correct.

1 Q. And page 2 of Exhibit Number 5, is that a copy of
2 a return receipt that was received in your office in Hobbs?

3 A. Correct.

4 Q. And is maintained in your file?

5 A. Correct.

6 Q. Next I'll call your attention to OCD Exhibit
7 Number 6 and ask you to identify that exhibit.

8 A. This is a letter that I wrote to R.W. Oil Company
9 about wells that had been showing no production being
10 reported for the last two years of this -- This letter is
11 dated April 10th, 1998.

12 Q. And this letter includes a large number of other
13 wells, other than the four wells of R.W. Oil Company that
14 are listed in this Application, correct?

15 A. Correct.

16 Q. However, it does include those four wells, the
17 Reno Federal Wells --

18 A. The Reno Federal Wells.

19 Q. -- 1, 2, 3 and 4?

20 A. Correct.

21 Q. Now, all these handwritten notations, were they
22 on the letter at the time they were sent to R.W. Oil?

23 A. No, they were not.

24 Q. Okay, but this is the only copy you have in your
25 file, correct?

1 A. Correct.

2 Q. I call your attention to OCD Exhibit Number 7 and
3 ask you to identify it.

4 A. It's a copy of the September 8th letter to Spence
5 Energy Company.

6 Q. And I won't ask you to repeat what you've said
7 about the September 8th letter, but this is the same one as
8 all the other --

9 A. Yes, it is.

10 Q. -- September 8th letters, correct?

11 A. Right.

12 Q. It's exactly the same letter?

13 A. Uh-huh.

14 Q. And page 2 of Exhibit Number 7, is that a return
15 receipt that was received by you in your Hobbs office?

16 A. Yes.

17 Q. And is it maintained in your file --

18 A. Yes.

19 Q. -- the original?

20 OCD Exhibit Number 9, I will call your attention
21 to that and ask you to identify it.

22 A. Number 9 or Number 8?

23 Q. Number 8, I'm sorry.

24 A. It's the September 8th letter.

25 Q. That was sent to whom?

1 A. Tenison Oil Company.

2 Q. And page 2 of Exhibit Number 8, is that a copy of
3 a return receipt that was received by you in your office in
4 Hobbs?

5 A. Yes, it is.

6 Q. And is the original of that receipt maintained in
7 your file?

8 A. Yes.

9 Q. Very good. Are all of Exhibits -- OCD Exhibits 3
10 through 8 records that are maintained in the ordinary
11 course of business by the District 1 Office of the Oil
12 Conservation Division?

13 A. Yes.

14 Q. And were those documents generated at or about
15 the time of the events they reflect?

16 A. Yes, they were.

17 Q. And were those letters each sent on or about the
18 dates stated?

19 A. Yes.

20 Q. And the signature of Chris Williams on each of
21 those documents is your signature?

22 A. Correct.

23 Q. And are these copies file copies that are
24 maintained in the records of the Oil Conservation Division,
25 Hobbs District Office?

1 A. Yes.

2 Q. Very good. Now, you have undertaken some efforts
3 to contact some of these people other than and outside of
4 the correspondence that's been offered, correct?

5 A. Correct.

6 Q. Going down these lists, I will ask you -- Well,
7 first of all, did any of the people that we've been talking
8 about this morning to whom these letters were sent, have
9 any of them responded to these letters?

10 A. Correct, we just received a C-103 this morning
11 from Primal Energy for one of their wells, and it's a
12 plugging procedure.

13 Q. But up until the time this Application was filed,
14 you hadn't received any applications from any of these
15 people?

16 A. No.

17 Q. Now, let's see, R.W. Oil Company, call your
18 attention to R.W. Oil Company, specifically. You did not
19 have an address for them, correct?

20 A. Correct.

21 Q. So they did not receive a September 8th, 2000,
22 letter?

23 A. Correct.

24 Q. Have you been in conversation with people at R.W.
25 Oil Company since this Application was filed?

1 A. Yes, we got an address and a phone number about
2 -- Well, whenever you e-mailed me that question, and I
3 talked to his daughter on the phone, and that's where I got
4 the address from.

5 Q. And you say his daughter. That was whose
6 daughter?

7 A. Tommy Willyard, who is a principal of R.W. Oil
8 Company.

9 Q. And from the nature of that conversation, was it
10 reasonable to infer that they had received notice of this
11 proceeding?

12 A. Yes, they had.

13 Q. Now, with regard to Primal Energy, you said you
14 had received a C-103 on one of their wells?

15 A. Correct.

16 Q. Okay. Now, you just received that this morning?

17 A. Right, 10:10 this morning.

18 MR. BROOKS: Okay, I would like to -- Mr.
19 Examiner, I do not have that -- since that was just
20 received this morning, I do not have that prepared as an
21 exhibit. But I would like to offer it. I do not want to
22 continue as to Primal, because they've in essence offered a
23 work plan as to only one of four wells they have here, but
24 I do want to make it part of the record to show that they
25 have proposed a means of compliance, bringing one of these

1 four wells into compliance.

2 EXAMINER STOGNER: Well, which well are we
3 talking about?

4 MR. BROOKS: This is the --

5 EXAMINER STOGNER: -- M.E. Hale Number 2, I
6 think.

7 MR. BROOKS: I'm trying to find where the well
8 name is on here.

9 EXAMINER STOGNER: Well, there's an M.E. Hale 1
10 and a Hale State Number 3, so...

11 THE WITNESS: M.E. -- I'm sorry, it's M.E.
12 Hale --

13 MR. BROOKS: It's the M.E. Hale Number 1 --

14 THE WITNESS: -- Number 1.

15 MR. BROOKS: -- and I'm going to mark this as OCD
16 Exhibit Number 9, I believe it is, and I will request
17 permission to withdraw it for the purpose of copying so
18 that Mr. Williams can have one for his records.

19 EXAMINER STOGNER: Okay, now the way I understand
20 it, we're going to proceed for the Hale State Number 3, the
21 Ramsey Number 2 and the 5 in today's matters. Now, are you
22 going to continue this well for Primal Energy --

23 MR. BROOKS: No --

24 EXAMINER STOGNER: -- to February?

25 MR. BROOKS: No, your Honor, what I think I'm

1 going to propose, this is the first time this has come up
2 where they've submitted a work plan for only one well, but
3 since they were so delinquent in doing this I'm not going
4 to ask that they be penalized as regards to that well, but
5 I am going to ask that if the compliance order comes out,
6 that's not going to hurt them because they claim they're
7 going to comply, so we only have a problem if they don't,
8 and I don't think they can complain too much about having
9 this well included on the compliance order.

10 EXAMINER STOGNER: Okay, so this will just appear
11 on the order, and if they --

12 MR. BROOKS: Right.

13 EXAMINER STOGNER: -- if they comply with it,
14 fine. If not, well, we'll just have something more to go
15 after them about, I guess.

16 MR. BROOKS: Okay. Now, I'm going to hand this
17 to the court reporter. This is the only copy I have, and
18 we'll need to get a copy back.

19 EXAMINER STOGNER: I'm just going to review it
20 quickly. It appears that it was --

21 THE WITNESS: -- received yesterday.

22 EXAMINER STOGNER: Well, I show it was received
23 at the Hobbs office on the 13th, and today's the 15th, so
24 it appears to be here. But no matter.

25 Exhibit Number 9 will be admitted into evidence

1 at this time.

2 MR. BROOKS: Okay. I will also at this time
3 offer Exhibit Numbers 3 through 8.

4 EXAMINER STOGNER: Okay, Exhibits 3 through 8,
5 including Number 9, will be admitted into evidence at this
6 time.

7 MR. BROOKS: Very good. I pass the witness.

8 EXAMINATION

9 BY EXAMINER STOGNER:

10 Q. If the operators that we're discussing today in
11 the wells -- C.C. Pollard, for example, you have one well
12 -- are they operators of other wells in the state?

13 A. Yes, some of them are. C.C. Pollard is not, it
14 is one well.

15 Q. Okay. Now, I'm confused. Pollard has other
16 wells, or doesn't have other --

17 A. No, I'm sorry, he does not have any other wells,
18 other than that well.

19 Q. Okay, but some of the other operators have other
20 wells?

21 A. Correct.

22 Q. How about Professional Oil Services, Inc.?

23 A. I think they have one other well, but it is
24 pumping. I don't know where the money's going, but it's
25 pumping.

1 Q. And are we getting C-115s for that well?

2 A. I'm pretty sure we are, or we did.

3 EXAMINER STOGNER: Do you know anything about
4 that, Ms. Prouty?

5 MS. PROUTY: No, if you'd like me to go look, I
6 can --

7 EXAMINER STOGNER: No, that's okay, we're only
8 going to deal with this well today, and I'll leave that
9 topic alone.

10 Q. (By Examiner Stogner) R.W. Oil Company, Reno
11 Federal, one of the wells, as I understand, is an injector
12 well. Is that a disposal well or a waterflood?

13 A. It is a disposal well.

14 Q. Okay, it's a disposal well. Are any of the wells
15 that we're looking at today, are they in any secondary
16 recovery waterflood operations, that you know of?

17 A. To be really honest, I'm not positive. I
18 couldn't answer that without really checking closer.

19 Q. Okay, let me go back to this R.W. Well Number 1
20 again, this Reno Federal Number 1.

21 A. Uh-huh.

22 Q. Would you injection authority -- is this still in
23 effect for a well that has not been reported or had any
24 injection in a few years?

25 A. No, it is not.

1 Q. Okay. So that injection authority, to meet the
2 injection authority, one would have to do something with
3 mechanical integrity or --

4 A. Correct.

5 Q. Okay. So you're not seeking today, because it's
6 already automatically affected in other ways?

7 A. Yes. There is one other problem with the R.W.
8 well, I mean those wells.

9 Q. Oh?

10 A. That lease has gone back to the federal
11 government.

12 Q. Okay, so do you know if it's unleased at this
13 time?

14 A. It is unleased at this time.

15 EXAMINER STOGNER: Okay, I have no other
16 questions of Mr. Williams. You may be excused.

17 MR. BROOKS: Yes, I believe so.

18 And I will call Fran Chavez.

19 (Thereupon, the witness was sworn.)

20 MR. BROOKS: Now, your Honor, before I examine
21 Ms. Chavez, I need to identify an exhibit of which I must
22 be the sponsor, because it was a fax that was sent to me by
23 Mr. Jim Haas, attorney in Artesia, on behalf of Primal
24 Energy -- on behalf of -- not Primal Energy, Prairie Sun,
25 Inc., and it will be part of the subject of my examination

1 of Ms. Chavez. And my purpose in offering it actually is
2 not for the truth of what is contained in it, but to
3 establish that what is reported here has, in fact, not been
4 reported to the OCD previously, before this fax was sent to
5 me, so...

6 EXAMINER STOGNER: And this fax was received by
7 you when?

8 MR. BROOKS: This fax was received by me on
9 November 15th, 2001, at 0833 hours.

10 EXAMINER STOGNER: So noted.

11 MR. BROOKS: With that, I will give this to the
12 court reporter after Ms. Chavez has had a chance to testify
13 concerning it.

14 FRAN CHAVEZ,
15 the witness herein, after having been duly sworn upon her
16 oath, was examined and testified as follows:

17 DIRECT EXAMINATION

18 BY MR. BROOKS:

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

20 A. Fran Chavez.

21 Q. And by whom are you employed?

22 A. The Oil Conservation Division.

23 Q. In what capacity?

24 A. I'm a management analyst.

25 Q. And in that capacity, is it one of your

1 responsibilities to be involved with the -- with receiving
2 reports of production of wells from the operators and
3 making sure that those wells are -- those reports are
4 properly entered into the OCD's computer system?

5 A. Yes.

6 Q. Did you have an occasion to overhear a telephone
7 conversation, which wasn't very difficult, on my speaker
8 phone yesterday afternoon with regard to Prairie Sun, Inc.?

9 A. Yes, I was.

10 Q. And one of the wells that is involved in this
11 proceeding is the Gulf McKay Federal Number 1. Did that
12 conversation have to do with the Gulf McKay Federal Number
13 1?

14 A. Yes, it did.

15 Q. And did Mr. Haas represent to us that that was a
16 producing well?

17 A. Yes, he did.

18 Q. Okay, I'll call your attention to OCD Exhibit
19 Number 1 and go to page 6 and -- no, I'm sorry, page --

20 MS. PROUTY: -- 2.

21 Q. (By Mr. Brooks) -- 2, and Ms. Prouty has
22 testified that if there had been any production reported to
23 the OCD from Prairie Sun, Inc.'s Gulf McKay Federal Number
24 1, it would be reflected on OCD Exhibit Number 1, page 2.
25 Do you have any reason to doubt Ms. Prouty's testimony in

1 that regard?

2 A. No.

3 Q. Okay. Are you familiar with the manner in which
4 Prairie Sun, Inc., reports production?

5 A. Yes.

6 Q. And how do they report to the OCD?

7 A. We receive an electronic e-mail from Prairie Sun.

8 Q. They do not report on paper, C-115s, correct?

9 A. No, they do not.

10 Q. Now, have you checked their electronic reporting
11 to determine if they have, in fact, reported anything
12 recently with regard to the Gulf McKay Federal Number 1?

13 A. Yes, I did.

14 Q. And have they reported any production?

15 A. No, they didn't.

16 Q. Very good. If you'll look at OCD Exhibit Number
17 10 --

18 A. This one?

19 Q. Yes. -- the second, third and fourth pages,
20 those appear to be reports on our paper Form C-115, are
21 they not?

22 A. Yes.

23 Q. Now, are those reports that have actually been
24 sent at any time to the Oil Conservation Division before
25 the time when they were faxed to me this morning?

1 A. Not to my knowledge?

2 Q. And would you have knowledge if that had
3 happened?

4 A. Yes.

5 Q. Very good. Now, to be quite honest with Mr. Haas
6 and not to try to represent him as something that he's not,
7 those reports do not indicate that the were sent to the Oil
8 Conservation Division before today, do they?

9 A. There is no indication, no.

10 Q. There's no representation been made, at least by
11 Mr. Haas, that those documents have been filed?

12 A. No.

13 Q. Okay. But your statement is, they have not been
14 filed?

15 A. They have not, no, not with -- We have not
16 received paper copies from Prairie Sun.

17 Q. And in your knowledge of the Oil Conservation
18 Division, is David Brooks the appropriate person with whom
19 to file C-115s in the Oil Conservation Division?

20 A. No.

21 MR. BROOKS: Correct, thank you.

22 Pass the witness.

23 EXAMINER STOGNER: May I have a look at the
24 exhibit that you're reading off of?

25 I have no questions of Ms. Chavez.

1 MR. BROOKS: Very good. Ms. Chavez, you may
2 stand down.

3 THE WITNESS: Thank you.

4 EXAMINER STOGNER: Would you like to offer that
5 exhibit?

6 MR. BROOKS: Yes, I would like to offer OCD
7 Exhibit Number 10.

8 EXAMINER STOGNER: Exhibit Number 10 will be
9 admitted into evidence at this time.

10 MR. BROOKS: Very good. I would also at this
11 time like to sponsor for admission OCD Exhibit Number 2,
12 which is an affidavit of notice. If you look at the
13 attachments to OCD Exhibit Number 2 you will find -- I will
14 not go through each one of them as I did in the case of
15 Sierra Blanca, but each of the operators apparently
16 received actual notice, as indicated by return receipts
17 that have come back to the OCD, very unusual situation.

18 We were able to get notice to Professional Oil
19 Services, Inc., because they do have a registered agent
20 appointed with the Public Regulation Commission, Mr. Art
21 Marquez, and he disavows any knowledge of the present
22 whereabouts of the principal of that organization, but
23 legally I believe that that is actual notice to that
24 corporation in view of the fact that he is a registered
25 agent as evidence by a printout from the PRC's websites

1 attached as Exhibit F.

2 The same thing occurred with Pro-Gas, Inc., and
3 there was also service on their registered representative,
4 Mr. Glen Houston. And all of the others, apparently their
5 addresses are good at this time and they did receive notice
6 of this proceeding.

7 With that I'll offer OCD Exhibit Number 2.

8 EXAMINER STOGNER: OCD Exhibit Number 2 will be
9 admitted into evidence.

10 MR. BROOKS: And Mr. Examiner, I will furnish you
11 at a subsequent time a proposed order showing the exact
12 relief that I will be asking basically those operators who
13 we can prove had actual notice, who our evidence had actual
14 notice, we will be asking for a penalty of \$1000 per well
15 for each of these wells for not bringing them into
16 compliance within the period of time allowed. Those that
17 we cannot prove had notice by virtue of the prior
18 correspondence we will simply ask for a compliance order.

19 There will be an exception with regard to Prairie
20 Sun, based on Ms. Chavez's testimony. We do not ask for a
21 compliance order on the Gulf McKay Federal, because it
22 appears that it is a producing well. However, we will ask
23 for a civil penalty to be assessed against Prairie Sun,
24 Inc., for not reporting that well on their C-115s for the
25 past 2 1/2 years, as they're required to do under OCD

1 Regulations.

2 And with that I'll close my presentation.

3 EXAMINER STOGNER: Okay, I just noticed something
4 we need to address here according to the Prairie Sun,
5 Inc. --

6 MR. BROOKS: Yes, sir.

7 EXAMINER STOGNER: -- notification also. When I
8 look at your attachment C, now, these were all delivered
9 and signed, as I understand it; is that correct?

10 MR. BROOKS: That is correct, they all appear to
11 be signed. Now, they are not all signed in the corporate
12 name, so I don't necessarily know who these people are who
13 signed these return receipts, but they did accept the
14 notices.

15 EXAMINER STOGNER: Okay, it's just a small
16 matter, but I do notice that the Morgan Federal Number 1 of
17 Prairie Sun, Inc., is indeed in Chaves County and not Lea
18 County. I don't see that as a big deal, because they did
19 get actual notices, as opposed to appearing in that paper.

20 MR. BROOKS: Right.

21 EXAMINER STOGNER: Do you see any problems, do
22 you see any need of readvertising just in Chaves County for
23 this particular well, or do you think --

24 MR. BROOKS: In fact, I don't think that's
25 necessary because of two things: They had actual notice;

1 furthermore, I did address the particular well in my
2 conversation with Mr. Haas, and he did admit that well is,
3 in fact, shut in.

4 EXAMINER STOGNER: Okay, and we're talking about
5 the Morgan Federal?

6 MR. BROOKS: Morgan Federal.

7 EXAMINER STOGNER: Okay, so noted. I made the
8 appropriate change here, just take that into account,
9 please make note of that.

10 I don't know if I have or not accepted Exhibit
11 Number 2.

12 Okay, so at this time, as I understand it, we're
13 going to take under advisement the wells listed that are
14 operated under C.C. Pollard; Prairie Sun; Primal Energy;
15 Professional Oil Services, Inc., wherever they may be; Pro-
16 Gas Operating, Inc.; Spence Energy Company; Tenison Oil
17 Company; and R.W. Oil Company.

18 And the remaining operators and wells will be
19 continued or severed at this time, and those will be heard
20 and considered at the February, I believe, what, 21st?

21 MR. BROOKS: 21st is what I have, your Honor.

22 EXAMINER STOGNER: Okay, and if that's
23 appropriate, or if that's correct, then --

24 MR. BROOKS: That is in accordance with my
25 notations, your Honor.

1 EXAMINER STOGNER: -- 12,771 will be taken under
2 advisement at this time as it relates to these wells and
3 operators.

4 Is there anything further in this matter?

5 MR. BROOKS: No, sir.

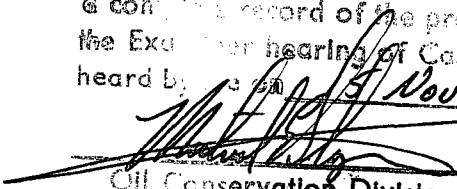
6 EXAMINER STOGNER: Then so be it, and we are
7 adjourned today, because I've taken care of the final case
8 on the docket earlier.

9 Thank you.

10 (Thereupon, these proceedings were concluded at
11 12:25 p.m.)

12 * * *

13
14
15
16
17 I do hereby certify that the foregoing is
18 a complete record of the proceedings in
the Examiner hearing of Case No. 12771
heard by me on 13 Nov. 2001

19
20  , Examiner
Oil Conservation Division

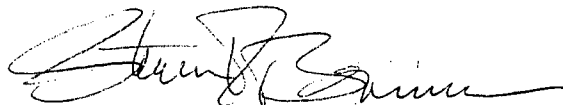
CERTIFICATE OF REPORTER

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 November 27th, 2001.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 2002