

NEW MEXICO OIL CONSERVATION COMMISSION

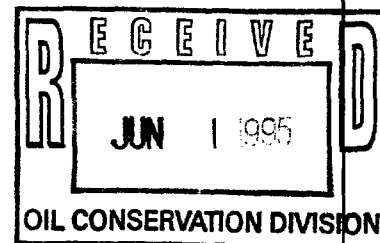
EXAMINER HEARING**ILLEGIBLE**SANTA FE, NEW MEXICOHearing Date MAY 18, 1995 Time: 8:15 A.M.

NAME	REPRESENTING	LOCATION
Robert Burden	Yates Petroleum	Artesia NM
John McKee	Yates Petroleum	Artesia NM
William ...	Yates Petroleum	Artesia NM
Dick Morrow	Yates Petroleum	Artesia NM
James ...	Yates Petroleum	Artesia NM
John ...	Yates Petroleum	Artesia NM
Alfred ...	Yates Petroleum	Artesia NM
Don ...	Yates Petroleum	Artesia NM

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. 11,252

HEARING CALLED BY THE OIL)
 CONSERVATION DIVISION ON ITS)
 OWN MOTION)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGSEXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

May 18th, 1995

Santa Fe, New Mexico

This matter came on for hearing before the Oil Conservation Division on Thursday, May 18th, 1995, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, Santa Fe, New Mexico, before 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 18th, 1995
 Examiner Hearing
 CASE NO. 11,252

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APPLICANT'S WITNESSES:	
<u>BENJAMIN E. STONE</u> (NMOCD)	
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* * *

A P P E A R A N C E S

FOR THE DIVISION:

RAND L. CARROLL
Attorney at Law
Legal Counsel to the Division
2040 South Pacheco
Santa Fe, New Mexico 87505

FOR AMERICAN EMPLOYERS INSURANCE COMPANY:

MONTGOMERY & ANDREWS, P.A.
325 Paseo de Peralta
P.O. Box 2307
Santa Fe, New Mexico 87504-2307
By: EDMUND H. KENDRICK

* * *

1 WHEREUPON, the following proceedings were had at
2 8:15 a.m.:

3
4 EXAMINER STOGNER: Call this hearing to order for
5 Docket Number 15-95.

6 Please note today's date, May 18th, 1995.

7 I'm Michael Stogner, appointed Hearing Examiner
8 for today's cases.

9 Please note, too, the Examiner's hearing for June
10 29th -- that will be the third hearing in June -- that's
11 going to be down in Hobbs.

12 And tentatively scheduled at this time, it's
13 going to be in the City Hall hearing rooms in the courtroom
14 there in the City Hall on Turner Street.

15 But as it's actually scheduled, we're going to
16 try to do two cases a year, at least, down in the district
17 areas. And if you do have a case -- Hopefully the people
18 out of Midland will come. I know Hobbs is not the most
19 beautiful place to have a hearing, but it's for your
20 convenience, so hopefully we won't have a docket full of
21 continued cases.

22 With that, we're going to go right down in order.

23 At this time we'll call Case Number 11,252, which
24 is in the matter of the hearing called by the Oil
25 Conservation Division on its own motion to permit Stevens

1 Operating Corporation, as operator, American Employers
2 Insurance, as surety, and all other interested parties to
3 appear and show cause why a certain well in Chaves County,
4 New Mexico, near Hagerman, should not be properly plugged
5 and abandoned.

6 At this time I'll call for appearances.

7 MR. CARROLL: Mr. Examiner, my name is Rand
8 Carroll, and I'm appearing here on behalf of the Oil
9 Conservation Division.

10 I have one witness to be sworn.

11 EXAMINER STOGNER: Are there any other
12 appearances in this matter?

13 MR. KENDRICK: Mr. Examiner, I'm Ned Kendrick
14 with Montgomery and Andrews law firm, appearing for
15 American Employers Insurance Company.

16 EXAMINER STOGNER: Mr. Kendrick, do you have any
17 witnesses?

18 MR. KENDRICK: I do not.

19 EXAMINER STOGNER: Okay, are there any other
20 appearances in this matter?

21 Will the witness please come forward and remain
22 standing, to be sworn in?

23 (Thereupon, the witness was sworn.)

24 EXAMINER STOGNER: Mr. Carroll?

25 MR. CARROLL: Thank you, Mr. Examiner.

1 BENJAMIN E. STONE,

2 the witness herein, after having been first duly sworn upon
3 his oath, was examined and testified as follows:

4 EXAMINATION

5 BY MR. CARROLL:

6 Q. Mr. Stone, will you please state your name and
7 your employer for the record?

8 A. Benjamin E. Stone, Oil Conservation Division.

9 Q. And in what position are you employed with the
10 Oil Conservation Division?

11 A. Engineering technician.

12 Q. Have you had a chance to testify before this
13 Division before?

14 A. I have not.

15 Q. Could you briefly go over your educational and
16 work experience background for the Examiner?

17 A. Prior to my employment with the OCD, I was a
18 wireline engineer for 16 years. My specialty was
19 production logging. I also performed various cased-hole
20 services, perforating, plugging, et cetera.

21 Q. And how long have you been with the OCD, and what
22 do your duties with the OCD involve?

23 A. Three and a half years. Primarily, I process
24 administrative applications.

25 Q. And have you had the opportunity to review the

1 file maintained by the Oil Conservation Division regarding
2 the subject well in this case?

3 A. I have.

4 MR. CARROLL: Are the witness's qualifications
5 acceptable?

6 EXAMINER STOGNER: Are there any objections?

7 MR. KENDRICK: No.

8 EXAMINER STOGNER: Mr. Stone is so qualified.

9 Q. (By Mr. Carroll) Mr. Stone, can you briefly go
10 over the well history?

11 A. Yes, sir. The well was drilled in November,
12 1959, by Entex Oil Company to a depth of 8850 feet. The
13 well was unproductive of hydrocarbons. It was plugged and
14 abandoned in January, 1960, less than 90 days after
15 completion.

16 The well was acquired by Stevens Operating
17 Corporation, I believe, in 1990 or 1991. Prior to this,
18 the operator made application to the Division for
19 directional drilling and an unorthodox bottomhole location.
20 This cause came for hearing on March 21st, 1991, before
21 Examiner Michael E. Stogner and was approved on April 2nd,
22 1991.

23 Subsequent to this action, the operator filed a
24 Form C-101, on March 25th, 1991, indicating their intent to
25 re-enter the well.

1 This form stated that after an evaluation of
2 geological data determined from well logs, a decision would
3 be made to complete the well, plug and abandon it, or drill
4 a sidetrack hole.

5 On March 29th, 1991, a pulling unit was rigged up
6 and workover operations continued until August 8th, 1991.
7 During the operations, the Kelly bushing failed and the
8 drill pipe fell to the bottom.

9 It was about this time that Don Stevens, owner of
10 Stevens Operating Corporation, was killed in a plane crash.
11 The workover unit remained on location until August 20th,
12 1991, waiting for orders.

13 The production superintendent of Stevens filed a
14 Form C-103 Sundry Notice on August 21st, 1991, which
15 indicated the condition of the hole. At that time there
16 was 1071 feet of drill pipe in the hole, with the top of
17 the fish at 7210. This would place the drill-out
18 operations at approximately 8281.

19 On September 24th, 1991, a Form C-103 was filed
20 with the Artesia District Office of the Division,
21 indicating the operator's intent and procedure for plugging
22 and abandoning the well.

23 The form was submitted by Patricia Thompson
24 Greenway, who indicated herself to be the general manager
25 of Stevens Operating Corporation.

1 Q. Mr. Stone, what is the current condition of this
2 well, and why does the Division recommend that it be
3 plugged?

4 A. The current condition, the well is cleaned up to
5 a depth of 8281. The 1071 feet of drill pipe remains in
6 the hole. A Christmas-tree assembly has been installed at
7 surface, and the well is unproductive and needs to be
8 properly plugged and abandoned.

9 Q. So is it the Division's opinion that plugging
10 this well is necessary to protect fresh water and the
11 environment in that area?

12 A. It is.

13 MR. CARROLL: Mr. Examiner, all this information
14 that Mr. Stone has been testifying about is contained in
15 what has been marked as Exhibit Number 1.

16 Q. (By Mr. Carroll) Mr. Stone, has the Division
17 prepared a recommended plugging procedure for plugging this
18 well?

19 A. We have one on file.

20 Q. Is it contained in the exhibit?

21 A. It is.

22 Q. What part of the exhibit is it?

23 A. The first page, Form C-103, filed by Stevens
24 Operating Corporation, outlines an acceptable plugging
25 procedure for the well.

1 Q. And that is acceptable to the Division?

2 A. It is.

3 EXAMINER STOGNER: Are the well files that you
4 reviewed in preparation for this hearing kept by the Oil
5 Conservation Division in its ordinary course of business?

6 THE WITNESS: Yes, sir.

7 Q. (By Mr. Carroll) Mr. Stone, is there a bond, a
8 plugging bond, that covers this well?

9 A. To my knowledge, there's a \$50,000 blanket bond.

10 Q. And is that -- the information regarding that
11 plugging bond contained in what has been marked as OCD
12 Exhibit Number 3?

13 A. Yes, sir.

14 Q. And that is issued in the name of the surety,
15 American Employers Insurance?

16 A. Yes, sir.

17 Q. And a \$50,000 blanket plugging bond would cover
18 all wells operated by Stevens Operating Corporation in the
19 State of New Mexico?

20 A. Yes, sir.

21 MR. CARROLL: Mr. Examiner, I skipped Exhibit
22 Number 2, which is really an addition to Exhibit Number 1,
23 the first page of which is a memo from Mr. Ray Smith, of
24 our Artesia District Office, to me, recommending that a
25 hearing be called to plug this well.

1 Mr. Examiner, what has been marked as OCD Exhibit
2 Number 4 is the proof of notice that was sent to American
3 Employers Insurance and Stevens Operating Corporation.

4 And I move that the exhibits that have been
5 marked OCD Exhibit Numbers 1 through 4 be entered into the
6 record.

7 EXAMINER STOGNER: Exhibits 1 through 4 will be
8 admitted into evidence at this time.

9 MR. CARROLL: And that's all I have of this
10 witness.

11 EXAMINER STOGNER: Thank you, Mr. Carroll.

12 Mr. Kendrick, do you have any questions of this
13 witness?

14 EXAMINATION

15 BY MR. KENDRICK:

16 Q. Yes, Mr. Stone, which application did you say
17 adequately described the plugging to be done?

18 A. That's a Form C-103. It was filed September
19 23rd, 1991.

20 Q. That was filed by Stevens Operating Corporation?

21 A. Yes, sir.

22 Q. Could you estimate roughly what that would cost
23 to carry out?

24 A. I really have no idea. Less than \$50,000.

25 Q. Do you know if there are any other Stevens wells

1 out there that are covered by this plugging bond?

2 A. In the area?

3 Q. Yes.

4 A. Not to my knowledge. I researched the section
5 that this well is located in and found no other wells.

6 Q. Do you know anything about the status of Stevens
7 Operating Corporation?

8 A. Only -- What I've heard is that after Mr.
9 Stevens' death, that his widow filed bankruptcy. I'm not
10 sure what the current situation with the estate is.

11 Q. That's what I'm wondering, if the estate is still
12 open or --

13 A. I have no idea.

14 MR. KENDRICK: Okay, I have no further questions,
15 but I have a short statement at the end.

16 EXAMINER STOGNER: Okay, when we finish with the
17 witness I'll allow you to make your closing statement.

18 EXAMINATION

19 BY EXAMINER STOGNER:

20 Q. Mr. Stone, how much of the bottomhole assembly or
21 the drill pipe -- and I assume there's collars that's also
22 down in the hole. Do you know how many feet of that
23 downhole assembly is in the hole at this time?

24 A. The file indicates drill pipe amounting to 1071
25 feet. The top of the fish is at 7210.

1 Q. So the whole depth is about 8300?

2 A. That's my estimation?

3 Q. Will there be any attempt by the OCD in the
4 plugging of this well to fish that bottomhole assembly and
5 drill pipe out, or will it be left in the hole?

6 A. I don't know what the standard procedure would
7 be, Mr. Examiner.

8 I would think that if the owner of the drill pipe
9 were willing to leave it in the hole, that probably the Oil
10 Conservation Division could leave it in the hole.

11 It wouldn't cause a problem as far as plugging
12 and abandoning the well.

13 The only situation that might be run into is if
14 someone else tried to re-enter the well and tried to
15 recover it at that time.

16 Q. You said that in 1991, if I remember right in
17 your testimony, that this matter came to a hearing?

18 A. Yes, sir.

19 Q. Was that for force-plugging at that time?

20 A. No, sir, that was for directional drilling and
21 unorthodox bottomhole location, in an attempt to
22 successfully complete the well.

23 Q. Do you by chance have a record of that order
24 number?

25 A. Yes, sir, it's Order R-9486.

1 Q. In your review of the record of this well, could
2 you maybe go into a further detail about that directional
3 operation?

4 And I'm assuming that that's where the problem
5 arose when the drill pipe broke off about what the downhole
6 condition of this well is. Is it a sidetrack off an
7 existing well?

8 A. They applied for that, and it was approved. They
9 never -- They never got to the point of attempting the
10 sidetrack operations.

11 Q. So they lost the assembly as they were re-
12 entering the hole?

13 A. It's my understanding that the Kelly bushing
14 failed during operations, and away it went.

15 Q. When you said "failed", it just broke or --

16 A. I'm not sure what the exact circumstances were.

17 EXAMINER STOGNER: Are there any other questions
18 of this witness?

19 You may be excused.

20 Mr. Kendrick, your statement?

21 MR. KENDRICK: Okay. I recently became aware of
22 this case, and I guess before you make your decision, Mr.
23 Examiner, I would ask that you allow some time for American
24 Employers Insurance Company to try to assess what the
25 condition is of this Stevens Operating Corporation, to see

1 whether there's any chance that they could get interested
2 in producing the well or plugging it themselves, or, if
3 that's not possible, if there's somebody else in the area
4 who might be interested in taking the well over.

5 So I think it would be to everybody's advantage
6 if this well were returned to production and the expense
7 weren't expended to plug it and then basically lose the
8 well.

9 EXAMINER STOGNER: How much time do you feel will
10 be required, or would you desire?

11 MR. KENDRICK: I would ask for 60 days.

12 EXAMINER STOGNER: Do you have anything further,
13 Mr. Kendrick?

14 MR. KENDRICK: No.

15 EXAMINER STOGNER: Mr. Carroll?

16 MR. CARROLL: No, that's all I have, Mr.
17 Examiner.

18 EXAMINER STOGNER: Do you have any statement
19 concerning the surety's request for a 60-day --

20 MR. CARROLL: I concur with that request, I would
21 agree to it.

22 EXAMINER STOGNER: Okay.

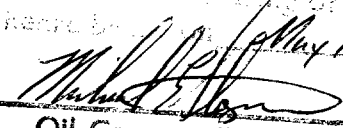
23 In that case, Mr. Carroll, if you would supply me
24 a rough-draft order with the 60 days request for Mr.
25 Kendrick included in it, appreciate it.

1 Does anybody else have anything further in Case
2 Number 11,252?

3 Then this case will be taken under advisement.

4 (Thereupon, these proceedings were concluded at
5 8:32 a.m.)

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21 I do hereby certify that the foregoing is
22 a complete record of the proceedings in
23 the hearing of Case No. 11252,
24 held on May 18, 1995.
25  , Examiner
Oil Conservation Division

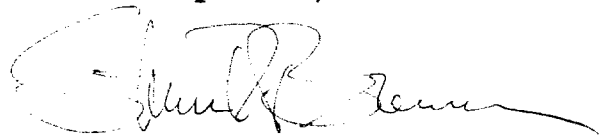
CERTIFICATE OF REPORTER

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 May 22nd, 1995.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 1998