

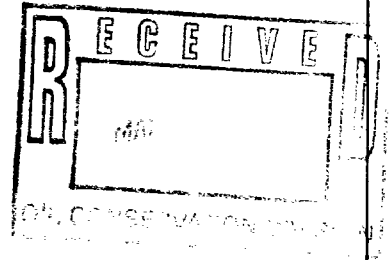
STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING CALLED BY)
THE OIL CONSERVATION DIVISION FOR THE)
PURPOSE OF CONSIDERING:)

CASE NO. 11,489

IN THE MATTER OF THE HEARING CALLED BY)
THE OIL CONSERVATION DIVISION ON ITS OWN)
MOTION TO PERMIT THE OPERATOR, SANTA)
RITA EXPLORATION CORP., ALLIED FIDELITY)
INSURANCE COMPANY, AND ALL OTHER)
INTERESTED PARTIES TO APPEAR AND SHOW)
CAUSE WHY A CERTAIN WELL IN CHAVES)
COUNTY, NEW MEXICO, SHOULD NOT BE)
PROPERLY PLUGGED AND ABANDONED)

ORIGINAL



REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

March 7th, 1996

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, March 7th, 1996, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

I N D E X

March 7th, 1996
 Examiner Hearing
 CASE NO. 11,489

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DIVISION WITNESS:

D. RAY SMITH (Present by telephone)

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E X H I B I T S

Applicant's	Identified	Admitted
Exhibit 1	6	7
Exhibit 2	6	7

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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

* * *

1 WHEREUPON, the following proceedings were had at
2 12:05 p.m.:

3
4 EXAMINER STOGNER: At this time I'll call Case
5 Number 11,489, which is in the matter of the hearing called
6 by the Oil Conservation Division on its own motion to
7 permit the operator, Santa Rita Exploration Corporation,
8 Allied Fidelity Insurance Company, and all other interested
9 parties to appear and show cause why a certain well in
10 Chaves County, New Mexico, should not be properly plugged
11 and abandoned in accordance with our rules and regulations.

12 At this time I'll call for appearances.

13 MR. CARROLL: May it please the Examiner, my name
14 is Rand Carroll and I represent the New Mexico Oil
15 Conservation Division.

16 I have one witness and he has previously been
17 sworn in the prior case.

18 EXAMINER STOGNER: Let the record show that Mr.
19 Smith, who is appearing in this matter via telephone from
20 Artesia, New Mexico, in our District office down there, was
21 previously sworn in Case 11,490.

22 And let me remind you, Mr. Smith, that you're
23 still under oath in this matter.

24 THE WITNESS: Okay.

25 EXAMINER STOGNER: Mr. Carroll?

1 D. RAY SMITH (Present by telephone),
2 the witness herein, after having been first duly sworn upon
3 his oath, was examined and testified as follows:

4 DIRECT EXAMINATION

5 BY MR. CARROLL

6 Q. Mr. Smith, will you please state your name, your
7 residence, your employer and your position with that
8 employer for the record?

9 A. My name is Ray Smith, I'm a Field Rep II with the
10 OCD in Artesia, New Mexico.

11 Q. And Mr. Smith, have you testified before the
12 Division before regarding plugging of abandoned wells in
13 your district and had your qualifications accepted?

14 A. Yes, I have.

15 MR. CARROLL: Mr. Examiner, I offer Mr. Smith's
16 qualifications as a witness regarding plugging matters in
17 the Artesia District.

18 EXAMINER STOGNER: Mr. Smith is still so
19 qualified.

20 Q. (By Mr. Carroll) Mr. Smith, will you please
21 refer to what has been marked OCD Exhibit Number 1, and
22 will you go through Exhibit Number 1 and give the Examiner
23 a brief history of the Moonlight 4 West Number 1 well?

24 A. Yes, I will. The Moonlight 4 West Number 1 well
25 was spud December 29th, 1980, by Selco, Incorporated, Box

1 798, Artesia, New Mexico.

2 The well was drilled in the wildcat San Andres
3 Pool. It ran 329 feet of 8 5/8 casing, circulated cement
4 to surface, TD'd well January 5, 1981, and ran 4 1/2 casing
5 to 2390 feet and cemented to surface, perforations at 2338
6 to 2364. The well was acidized but would show no
7 production.

8 Change of operator on August 1, 1981, to Santa
9 Rita exploration. There's no surface equipment on the
10 location, and reserve pits are still open.

11 Q. Mr. Smith, what's the current condition of this
12 well that you recommend at this point that we plug it?

13 A. This well is sitting idle.

14 Q. So Mr. Smith, in your opinion the plugging of
15 this well at this time will aid in the prevention of waste,
16 protection of correlative rights and protect fresh water
17 and the environment?

18 A. That is correct.

19 Q. Mr. Smith, what attempts have been made to
20 contact the principals of Santa Rita Exploration, Inc.?

21 A. I sent a letter to Mr. Donald Craig, which is the
22 man named on the C-104, Santa Rita Exploration, Post Office
23 Box 798, Artesia. The mail was returned unopened.

24 Q. Okay. Did you check the phone book or any other
25 sources of information regarding a Donald Craig in Artesia?

1 A. Yes, I have.

2 Q. And you couldn't locate anybody by that name that
3 was involved with Santa Rita Exploration Corporation?

4 A. That is correct.

5 Q. Mr. Smith, there is a bond listed as covering
6 this well issued by the Allied Fidelity Insurance Company.
7 Is it your understanding from conversation with Diane
8 Richardson that this insurance company is bankrupt?

9 A. That is correct.

10 Q. And that this insurance company has issued bonds
11 for several wells in New Mexico and that the bonds are
12 worthless?

13 A. Okay, I wasn't aware of that.

14 Q. Mr. Smith, have you worked up a recommended
15 plugging procedure for this well?

16 A. Yes, sir, I sure have.

17 Q. And where is that plugging procedure listed?

18 A. It's page 2, Exhibit 1.

19 Q. And how do you propose to plug it?

20 A. Propose to spot 25-sack plug at 2390, wait on
21 cement to set and tag the plug, spot cement from 380 feet
22 to surface, all gel between the plugs, and then set dryhole
23 marker, clean and level location.

24 MR. CARROLL: Mr. Examiner, I'll refer you to
25 what has been marked OCD Exhibit Number 2, and that is a

1 copy of the notice that was sent to Santa Rita Exploration
2 Corporation at their last known address to the Division.
3 No notice was sent to the Allied Fidelity Insurance
4 company, because such company is now defunct.

5 I've also submitted an affidavit as to the notice
6 and to the Santa Rita Corporation.

7 And with that, I move that Exhibits Numbers OCD
8 Exhibits 1 and 2 be admitted into the record.

9 EXAMINER STOGNER: Exhibits 1 and 2 will be
10 admitted at this time.

11 MR. CARROLL: And that's all I have in this
12 matter, Mr. Examiner.

13 EXAMINATION

14 BY EXAMINER STOGNER:

15 Q. Mr. Smith, in referring to -- I've got a -- not
16 an actual photograph but a photostat copy of a photograph.
17 What is on the surface out there at this well? Is there
18 any pump jack, any tank batteries, any surface equipment?

19 A. Mr. Examiner, the only thing there is a wellhead
20 with about a foot of 4 1/2 casing sticking up with a
21 collar. The reserve pits are open. There's no other
22 equipment on location.

23 Q. Okay, I'm looking at that picture. It's hard to
24 make it out. Hold it, I just had a picture handed to me.
25 Can you estimate the fluid level in that well?

1 A. I have not checked the fluid levels. It would be
2 hard to say.

3 Q. Okay. Did you have any whiff of gas smell or
4 smell any hydrocarbons coming from the well?

5 A. No, sir, we did not.

6 EXAMINER STOGNER: I don't have anything further
7 of this witness. Thank you, Mr. Smith, you may be excused,
8 and nice talking with you.

9 THE WITNESS: Thank you, sir.

10 MR. CARROLL: Thanks, Ray.

11 THE WITNESS: Thank you.

12 EXAMINER STOGNER: Mr. Carroll, do you have
13 anything further in this matter?

14 MR. CARROLL: No, that's all I have, Mr.
15 Examiner.

16 EXAMINER STOGNER: Okay. Then this case will be
17 taken under advisement.

18 (Thereupon, these proceedings were concluded at
19 12:12 p.m.)

20 * * *

21 I do hereby certify that the foregoing is
22 a complete record of the proceedings in
the Examiner hearing of Case No. 11489,
23 heard by me on 7 February 1996.

24 Michael J. Stogner Examiner
Oil Conservation Division

25

CERTIFICATE OF REPORTER

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

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

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

WITNESS MY HAND AND SEAL March 19th, 1996.



STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 14, 1998