

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:)

APPLICATION OF OIL CONSERVATION DIVISION) CASE NOS. 11,942
 FOR AN ORDER REQUIRING ROCKY MOUNTAIN)
 RESOURCES, INC., TO PROPERLY PLUG A)
 WELL, LINCOLN COUNTY, NEW MEXICO)

APPLICATION OF OIL CONSERVATION DIVISION) 11,943
 FOR AN ORDER REQUIRING FRANK O. COX TO)
 PROPERLY PLUG A WELL, DE BACA COUNTY,)
 NEW MEXICO)

APPLICATION OF OIL CONSERVATION DIVISION) 11,944
 FOR AN ORDER REQUIRING RPM ENERGY, INC.,)
 TO PROPERLY PLUG SIX WELLS, EDDY COUNTY,)
 NEW MEXICO)

APPLICATION OF OIL CONSERVATION DIVISION) and 11,945
 FOR AN ORDER REQUIRING DELTA U.S. CORP-)
 ORATION TO PROPERLY PLUG A WELL, EDDY)
 COUNTY, NEW MEXICO)

(Consolidated)

REPORTER'S TRANSCRIPT OF PROCEEDINGS
EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

March 5th, 1998
 Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday, March 5th, 1998, 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.

* * *

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

I N D E X

March 5th, 1998
 Examiner Hearing
 CASE NOS. 11,942, 11,943, 11,944 and 11,945 (Consolidated)

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<u>MIKE STUBBLEFIELD</u> (Present by telephone) (Field Rep II, Artesia District Office, District 2, 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

* * *

1 WHEREUPON, the following proceedings were had at
2 10:20 a.m.:

3 EXAMINER CATANACH: Okay, at this time let me
4 call Case 11,942, which is the Application of the Oil
5 Conservation Division for an order requiring Rocky Mountain
6 Resources, Inc., to properly plug a well in Lincoln County,
7 New Mexico.

8 At this time I'll call for appearances in this
9 case.

10 MR. CARROLL: May it please the Examiner, my name
11 is Rand Carroll, appearing on behalf of the Oil
12 Conservation Division. I have one witness to be sworn.

13 Mr. Examiner, at this time for purposes of
14 testimony I would ask that Cases 11,942, 11,943, 11,944 and
15 11,945 be consolidated.

16 EXAMINER CATANACH: At this time I'll call Case
17 11,943, the Application of the Oil Conservation Division
18 for an order requiring Frank O. Cox to properly plug a
19 well, De Baca County, New Mexico.

20 At this time I'll call Case 11,944, Application
21 of the Oil Conservation Division for an order requiring RPM
22 Energy, Inc., to properly plug six wells, Eddy County, New
23 Mexico.

24 And finally at this time I'll call Case 11,945,
25 the Application of the Oil Conservation Division for an

1 order requiring Delta U.S. Corporation to properly plug a
2 well, Eddy County, New Mexico.

3 Call for additional appearances in any one of
4 these four cases.

5 There being none, let me swear the witness in.

6 Mr. Stubblefield, would you stand, please, and
7 raise your right hand?

8 (Thereupon, the witness was sworn.)

9 EXAMINER CATANACH: Mr. Carroll, you may proceed.

10 MIKE STUBBLEFIELD (Present by telephone),
11 the witness herein, after having been first duly sworn upon
12 his oath, was examined and testified as follows:

13 DIRECT EXAMINATION

14 BY MR. CARROLL:

15 Q. Mr. Stubblefield, would you please state your
16 name and city of residence for the record?

17 A. Yes, I'm Mike Stubblefield. I'm currently
18 employed as a Field Rep II with the Oil Conservation in the
19 Artesia Field office.

20 Q. Mr. Stubblefield, do your duties as a field rep
21 with the Artesia District Office include the supervision of
22 the plugging of abandoned oil and gas wells?

23 A. Yes, sir.

24 Q. And for how many years -- Mr. Stubblefield, have
25 you testified before the Division before in any Oil

1 Conservation Division case?

2 A. No, sir.

3 Q. Would you please give the Examiner a brief
4 history of your education and experience?

5 A. I have a high school diploma. I have been
6 employed in oil fields since I was 18 in various activities
7 such as drilling, pipelining. I was working with a service
8 company when I took this job with the Oil Conservation
9 Division in 1977.

10 Q. And you've been employed with the Division since
11 1977?

12 A. Yes, sir.

13 Q. And have you overseen the plugging of a number of
14 oil and gas wells?

15 A. Yes, I have.

16 Q. Mr. Stubblefield, are you familiar with the wells
17 that are the subject matters of the cases here today?

18 A. Yes, sir, I am.

19 MR. CARROLL: Mr. Examiner, are Mr.
20 Stubblefield's qualifications acceptable?

21 EXAMINER CATANACH: Mr. Stubblefield is so
22 qualified.

23 Q. (By Mr. Carroll) Mr. Stubblefield, turning to
24 Case 11,942, do you have the well file for that well in
25 front of you?

1 A. Yes, sir.

2 Q. And that's the Rocky Mountain Resources, Inc.,
3 well?

4 A. Yes, sir.

5 Q. On Exhibit Number 1 in that case, has the Artesia
6 District Office prepared a plugging procedure for that
7 well?

8 A. We have.

9 Q. And is that contained in the exhibit?

10 A. Yes, sir.

11 MR. CARROLL: Mr. Examiner, those are pages 1 and
12 2 of Exhibit Number 1.

13 Q. (By Mr. Carroll) Mr. Stubblefield, will you
14 please give the Examiner a brief history of this well, when
15 it was drilled, what production was obtained from the well
16 and when was the last reported production and the current
17 condition?

18 A. Well, sir, we show this well was spudded 12-17 of
19 1981 at six o'clock p.m. by Terra of New Mexico,
20 Incorporated. The well was TD'd at 3090 foot on August
21 24th, 1982. A C-104 was filed on August 23rd, 1982,
22 stating a new operator, Rocky Mountain Resources,
23 Incorporated.

24 After showing continuous nonproduction for a
25 year, we sent a letter to the operator June 25th, 1996,

1 asking for proper abandonment or TA of the well, and that
2 letter was returned undelivered.

3 We sent another certified TA letter October 29th,
4 1996, with the same request, requesting proper abandonment
5 of this said well, and that letter was also returned
6 undelivered.

7 Q. So the Artesia District Office has tried to
8 locate the operator, and do you have any idea what happened
9 to the operator?

10 A. No, sir, I do not. We feel like we've made a
11 diligent effort to locate the operator.

12 Q. What's the current condition of this well? Why
13 should it be plugged?

14 A. It has been nonproductive for over a year, and we
15 recommend the said well be plugged to protect fresh waters
16 of the State of New Mexico, the environment and correlative
17 rights and the area.

18 Q. Mr. Stubblefield, I don't know if you're aware if
19 there's a bond plugging this well or not, or covering it?

20 A. I believe there is, sir.

21 MR. CARROLL: Mr. Examiner, if you would refer to
22 what has been marked OCD Exhibit Number 2, that is a copy
23 of the bond file, including a recent letter received from
24 United States Fidelity and Guaranty Insurance Company,
25 asking for documentation of the bond for this well.

1 Following that letter is a copy of the bond file
2 showing there is a \$7500 well. The insurance company has a
3 number of times asked to have this bond canceled. The
4 prior bond administrator, Diane Richardson, continually
5 wrote back to the insurance company stating that there was
6 still this well in existence and they weren't going to
7 release it.

8 So it is the Division's position that this bond
9 is still in effect, and the Division will respond to the
10 insurance company, sending them an order from this hearing
11 and a copy of Exhibit Number 2.

12 Mr. Examiner, if you'll refer to what has been
13 marked Exhibit Number 3, that is an affidavit regarding
14 notice, showing that notice was sent to the last known
15 address of Rocky Mountain Resources, Inc., at a Denver area
16 office in Englewood, Colorado, and to the insurance
17 company.

18 The letter, certified letter, sent to the
19 operator was returned as undeliverable, unable to forward,
20 and the insurance company signed for the letter and
21 received it, as shown by their return letter sent to us.

22 Q. (By Mr. Carroll) Mr. Stubblefield, do you have
23 anything further to add in Case 11,942?

24 A. No, sir, I do not.

25 MR. CARROLL: Mr. Examiner, that's all I have in

1 this case.

2 EXAMINATION

3 BY EXAMINER CATANACH:

4 Q. Mr. Stubblefield, did this well produce at all
5 during its history, do you know?

6 A. I do not believe so, sir.

7 Q. Okay.

8 A. I have no records stating production. I show
9 they ran a long string, but I'm not showing a C-104
10 allowable ever issued.

11 EXAMINER CATANACH: Okay. I don't have anything
12 further in this case for the witness.

13 Exhibits Number 1, 2 and 3 will be admitted in
14 this Case 11,942 at this time.

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

16 Should I proceed with the Case 11,943?

17 EXAMINER CATANACH: Yes, you may proceed.

18 DIRECT EXAMINATION

19 BY MR. CARROLL:

20 Q. Mr. Stubblefield, would you please turn your
21 attention to the Frank O. Cox well, which is the subject of
22 Case 11,943?

23 A. Yes, sir.

24 Q. Do you have that well file in front of you?

25 A. I do.

1 MR. CARROLL: And Mr. Examiner, if you'll refer
2 to what has been marked Exhibit Number 1 in 11,943, again,
3 the first two to three pages of that exhibit is the
4 plugging procedure prepared by the Artesia District Office.

5 Q. (By Mr. Carroll) Mr. Stubblefield, did the
6 Artesia District Office prepare these plugging procedures
7 that are contained --

8 A. Yes. Yes, sir, we did.

9 Q. Mr. Stubblefield, will you give the Examiner a
10 brief history of the Frank O. Cox well?

11 A. Let's see. We received a C-103 December 6th of
12 1988, showing the operator ran and cemented 8 5/8 casing at
13 345 foot. We received a C-103 subsequent report November
14 8, 1988, showing the operator cemented 4-1/2-inch at 3000
15 foot.

16 We showed a completion report January 3rd of 1989
17 where the well was completed in the San Andres formation.

18 And also on this completion report we showed the
19 well to be temporarily abandoned for further evaluation.

20 A C-104 was filed August 5th of 1991, stating a
21 new operator, and I believe the original operator of this
22 well was Esperanza Energy Corporation.

23 Q. And the new operator was Frank O. Cox?

24 A. Yes, sir, according to the C-104 filed August 5th
25 of 1991.

1 Q. So Mr. Stubblefield, this well was never
2 produced?

3 A. No, sir.

4 Q. Okay, Mr. Stubblefield, what's the current
5 condition of this well? It's just sitting there?

6 A. Yes, sir. We show the well to be temporarily
7 shut in with no production.

8 Q. Well, it's out of temporarily abandoned status
9 now, isn't it?

10 A. No, sir.

11 Q. Mr. Stubblefield, if it was temporarily abandoned
12 back in 1991 -- Or here, I have a date here of 12-28-88.
13 Don't they have to -- What are the conditions of temporary
14 abandonment?

15 A. We require a cast-iron bridge plug or a packer be
16 ran into the wellbore and the wellbore be circulated with
17 inert fluid and pressure tested for a period of 30 minutes
18 at 500 pounds.

19 Q. Aren't there -- For how long can you TA a well?

20 A. We consider temporary abandonment to be good for
21 one year. Excuse me, sir, we will go five years on a
22 temporary abandonment.

23 Q. Hasn't that five-year period expired without any
24 subsequent action by the operator?

25 A. I never have shown this well to be properly

1 temporarily abandoned, sir.

2 Q. So it's not even in TA status?

3 A. No, sir, it's just -- According to our records
4 it's shut in with no temporary abandonment ever approved.

5 Q. Mr. Stubblefield, in your opinion is the plugging
6 of this well necessary to prevent waste, protect
7 correlative rights and protect public health and the
8 environment?

9 A. Yes, sir, I believe it is.

10 MR. CARROLL: Mr. Examiner, if you'll refer to
11 what has been marked OCD Exhibit Number 2, this is a copy
12 of the bond file showing that a \$7500 single well cash bond
13 is in place with the United New Mexico Bank in Artesia.

14 If you'll refer to Exhibit Number 3, it is the
15 affidavit of notice and copies of the certified letters
16 that were sent to Mr. Frank O. Cox at his last known
17 address in Abilene, Texas, and to United New Mexico Bank in
18 Artesia.

19 The letter was signed for by the bank. The
20 letter to Mr. Cox was returned to sender, forwarding order
21 expired.

22 Q. (By Mr. Carroll) Mr. Stubblefield, do you have
23 anything further to add to this case?

24 A. No, sir, I do not.

25 MR. CARROLL: Mr. Examiner, I would ask that what

1 has been marked OCD Exhibits 1, 2 and 3 be entered into
2 evidence.

3 EXAMINER CATANACH: Exhibits Number 1, 2 and 3
4 will be admitted as evidence in this case.

5 MR. CARROLL: And that's all I have in this case.

6 EXAMINATION

7 BY EXAMINER CATANACH:

8 Q. Okay, Mr. Stubblefield, I noticed on a picture
9 you had sent up there, there appears to be a pumping unit
10 on this well?

11 A. Uh-huh. Yes, sir, I just noticed this picture.

12 Q. That leads me to believe that maybe at one time
13 or another this well did produce?

14 A. Yeah, it would look that way.

15 Q. Okay.

16 A. Of course, that could have been a test, you know,
17 pump, you know, never really made any production.

18 Q. Uh-huh.

19 A. I'm not really sure on that one.

20 EXAMINER CATANACH: And Mr. Carroll, this cash
21 bond is available for the Division to obtain?

22 MR. CARROLL: Hopefully. It should be.

23 EXAMINER CATANACH: Okay. Okay, I have nothing
24 further in this case.

25 MR. CARROLL: I have one follow-up question of

1 Mr. Stubblefield.

2 EXAMINER CATANACH: Okay.

3 FURTHER EXAMINATION

4 BY MR. CARROLL:

5 Q. Mr. Stubblefield, in your estimate, what's the
6 value of that pumping unit? Is it salvageable? Is it
7 worth something?

8 A. It seems to be in good condition from this
9 picture, and I would say \$3500.

10 MR. CARROLL: Okay, thank you.

11 Shall I proceed with the next case, Mr. Examiner?

12 EXAMINER CATANACH: Please. Please do.

13 DIRECT EXAMINATION

14 BY MR. CARROLL:

15 Q. Mr. Stubblefield, if you'll please turn your
16 attention to Case 11,944, the six wells operated by RPM
17 Energy, Inc.

18 A. Okay.

19 MR. CARROLL: Again, Mr. Examiner, if you will
20 refer to what has been Exhibits 1A through 1F, you will see
21 that the plugging procedures are the first two or three
22 pages on each subexhibit, and Mr. Stubblefield will give
23 you a brief history of these six wells.

24 Q. (By Mr. Carroll) Please go ahead, Mr.
25 Stubblefield.

1 A. Okay. Which one would you like me to start with?

2 Q. Can you kind of do them all at once? Were they
3 all drilled at about the same time?

4 A. Okay.

5 Q. Or you can do them one at a time, just --

6 A. Well, I show these wells to all have been drilled
7 around November of 1981; 2 3/4 casing was ran and cemented
8 around 400 foot. Seven-inch casing was ran and cemented
9 around 1140.

10 The wells were TD'd at 1370, which would mae them
11 an open hole completion -- Well, excuse me, no, 4-1/2-inch
12 casing was ran and cemented at 1370. C-104s were approved
13 on these wells. I'm showing February 22nd of 1982 on the
14 Exxon A State 2. And we did issue C-104 allowables on
15 these wells.

16 Q. When is the last reported production from these
17 wells?

18 A. I have -- I don't have that information on hand,
19 sir. After a continuous period exceeding one year, we did
20 send them letters requesting that they properly abandon
21 these said wells.

22 Q. Did the Artesia District Office get any response
23 to those letters that were sent?

24 A. No, sir. We sent a certified letter February
25 26th of 1997, which was delivered, but we had no response.

1 We sent a second letter January 9th, 1998, which
2 was undelivered. It was also a certified letter.

3 Q. The one sent in 1998 was not signed for?

4 A. That's what I'm showing, sir.

5 Q. But the one in 1997 was signed for at the Big
6 Spring, Texas, address?

7 A. Yes, sir.

8 Q. Mr. Stubblefield, is the current condition of
9 these wells such that the Division recommends that they be
10 plugged in order to prevent waste and protect public health
11 and the environment?

12 A. Yes, sir, we recommend that these wells be
13 plugged to protect fresh water in the area, the environment
14 and correlative rights in the area.

15 MR. CARROLL: Mr. Examiner, If you will refer to
16 what has been marked OCD Exhibit Number 2, this is again a
17 copy of the OCD bond file.

18 Again, we did receive a letter from the insurance
19 company asking for documentation of the \$50,000 bond placed
20 by RPM to cover these wells. The Division will follow up
21 with the insurance company agent, sending them a copy of
22 Exhibit Number 2 and the order that is entered in this
23 case.

24 If you'll refer to what has been marked OCD
25 Exhibit Number 3, this is the affidavit regarding notice,

1 showing notice was sent to RPM Energy, Inc., at the last
2 known address they signed for mail at, and to United States
3 Fire Insurance Company, which is the issuer of the \$50,000
4 blanket bond.

5 Q. (By Mr. Carroll) Mr. Stubblefield, do you have
6 anything further to add in this case?

7 A. No, sir, I do not.

8 MR. CARROLL: Mr. Examiner, at this time I would
9 move that Exhibits Numbers 1, 2 and 3 be entered into the
10 record.

11 EXAMINER CATANACH: Exhibits 1 through 3 will be
12 admitted as evidence in this case.

13 Mr. Carroll, as far as you know, this bond is
14 still in place?

15 MR. CARROLL: That is correct.

16 EXAMINER CATANACH: Okay.

17 EXAMINATION

18 BY EXAMINER CATANACH:

19 Q. Mr. Stubblefield, these six wells are all
20 generally in about the same condition, aren't they? They
21 were drilled and cased in about the same manner; is that
22 your understanding?

23 A. Yes, sir, they were all completed in the same
24 production formation.

25 Q. So there are San Andres wells that were TD'd at

1 about 1500 to 1700 feet, in that range there?

2 A. Well, I'm showing the completion -- We had
3 4-1/2-inch set at 1370, and I'm showing perforations to be
4 at 1239 foot to 1319 foot.

5 Q. Okay, but the TD of the well is generally in the
6 1500-1700-foot range?

7 A. No, three thousand -- Yes, sir, that would be
8 fine. 1370 is what I'm showing completion on the Exxon A
9 State 2. But I believe they were all completed within that
10 general vicinity.

11 Q. Okay. And since we've got casing in these wells,
12 you really don't anticipate having any -- too much problems
13 plugging these things?

14 A. No, sir, I do not.

15 EXAMINER CATANACH: Okay. I have nothing
16 further, no further questions in this case.

17 And Exhibits 1 through 3 will be admitted as
18 evidence.

19 You may proceed.

20 DIRECT EXAMINATION

21 BY MR. CARROLL:

22 Q. Mr. Stubblefield, if you'll please turn your
23 attention to the well in Case 11,945, the Delta U.S.
24 Corporation well.

25 Mr. Examiner, again the recommended plugging

1 procedure is contained on the first three pages of Exhibit
2 Number 1.

3 Mr. Stubblefield, did the Artesia District Office
4 prepare those plugging procedures?

5 A. Yes, sir, we did.

6 Q. Would you please give the Examiner a brief
7 history of the Delta U.S. well?

8 A. Yes, sir, I show this well to be spudded by
9 Morris R. Antwell 8-31 of 1967 at 6:15 a.m. 13 3/8 casing
10 was ran and cemented at 273 foot. 9-8 of 1967, we're
11 showing an 8 5/8 casing ran and cemented at 2592. The well
12 was subsequently TD'd at 10,731.

13 It was plugged on 10-13 of 1967.

14 The well -- We're showing a re-entry on this well
15 of March 30th of 1970, and this re-entry was made by Morris
16 Antwell.

17 We're showing a subsequent report, 4-1/2-inch
18 casing was ran and cemented at 11,665, and a C-104
19 allowable was approved on this well August 27th of 1970.

20 We're showing another 104 February 8th of 1978,
21 showing a change of operator from Morris Antwell to Reserve
22 Oil, Incorporated.

23 We're showing another C-104 January 16th, 1978,
24 showing a change of operator from Reservoir Oil,
25 Incorporated, to Delta Drilling Company, who is the current

1 operator.

2 Field inspection was made 7-14 of 1989 by myself,
3 and I was showing the well shut in with no gas connect.

4 Q. Mr. Stubblefield, have attempts been made by the
5 Artesia District Office to inform Delta U.S. Corporation of
6 the condition of the well and the need to do something with
7 it?

8 A. Yes, sir, we sent a certified letter October 28th
9 of 1996, requesting this well be properly abandoned to our
10 standards.

11 The letter was returned with no forward address.

12 Q. So Mr. Stubblefield, is the plugging of this well
13 recommended by the Artesia District Office, in order to
14 prevent waste, protect correlative rights and protect fresh
15 waters and the environment?

16 A. Yes, sir.

17 MR. CARROLL: Mr. Examiner, you will note in this
18 case that Exhibit Number 2 is the affidavit regarding
19 notice. Notice was sent to Delta U.S. Corporation at the
20 last known address. The letter was returned as
21 undeliverable, forwarding address expired.

22 A search of the Division bond files could find no
23 bond for this well. We will continue to search, but it
24 appears for whatever reason no bond covers this well.

25 Q. (By Mr. Carroll) Mr. Stubblefield, do you have

1 anything further to add in this case?

2 A. No, sir, I do not.

3 MR. CARROLL: Mr. Examiner, at this time I would
4 move what has been marked Exhibits Number 1 and 2 into the
5 record.

6 EXAMINER CATANACH: Exhibits Number 1 and 2 will
7 be admitted as evidence in this case.

8 And I have no questions of the witness at this
9 time.

10 Do you have anything further in this case, Mr.
11 Carroll?

12 MR. CARROLL: No, I don't.

13 EXAMINER CATANACH: Okay. Do you have anything
14 further in any of these four cases?

15 MR. CARROLL: No, I don't.

16 EXAMINER CATANACH: There being nothing further
17 in these cases, Case 11,942, 11,943, 11,944 and 11,945 will
18 be taken under advisement at this time.

19 And this hearing is adjourned.

20 (Thereupon, these proceedings were concluded at
21 10:47 a.m.)

22 * * *

23 I do hereby certify that the foregoing is
24 a complete record of the proceedings in
the Examiner hearing of Case No. 11942-45
heard by me on 3/5/7 1998.

25 David R. Catanch, Examiner

Oil Conservation Division

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

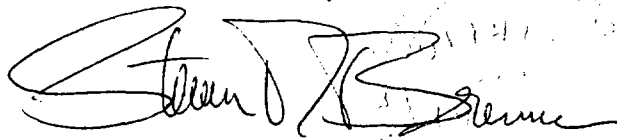
CERTIFICATE OF REPORTER

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 7th, 1998.

A handwritten signature in dark ink, appearing to read 'Steven T. Brenner', is written over a horizontal line.

STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 1998