

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. 12,344
)
 APPLICATION OF OIL CONSERVATION DIVISION)
 FOR AN ORDER REQUIRING NERDLIHC COMPANY,)
 INC., TO PLUG 13 WELLS IN MCKINLEY)
 COUNTY, NEW MEXICO)
)

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

February 17th, 2000

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, February 17th, 2000, 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.

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OIL CONSERVATION DIV.
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I N D E X

February 17th, 2000
 Examiner Hearing
 CASE NO. 12,344

PAGE

APPLICANT'S WITNESS:

CHARLIE T. PERRIN (Senior Field Oil and Gas
 Inspector, OCD, Aztec, New Mexico)

Direct Examination by Ms. Hebert

5

Examination by Examiner Stogner

9

STATEMENT BY MR. SLAYTON

12

REPORTER'S CERTIFICATE

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* * *

E X H I B I T S

Applicant's	Identified	Admitted
Exhibit 1	6	-
Exhibit 2	7	-
Exhibit 3	8	-
Exhibit 4	8	-
Exhibit 5	7	-

* * *

A P P E A R A N C E S

FOR THE DIVISION:

LYN S. HEBERT
 Deputy General Counsel
 Energy, Minerals and Natural Resources Department
 2040 South Pacheco
 Santa Fe, New Mexico 87505

* * *

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

1 WHEREUPON, the following proceedings were had at
2 11:20 a.m.:

3 EXAMINER STOGNER: This hearing will come to
4 order.

5 At this time I'll call Case Number 12,344, which
6 is the Application of the Oil Conservation Division for an
7 order requiring Nerdlihc Company, Inc., to plug 13 wells in
8 McKinley County, New Mexico.

9 At this time I'll call for appearances.

10 MS. HEBERT: May it please the Examiner, Lyn
11 Hebert appearing on behalf of the Oil Conservation
12 Division.

13 EXAMINER STOGNER: Any other appearances?

14 MR. SLAYTON: Yes, sir, Mr. Examiner, I'm Roger
15 Slayton. I've been working with Frank Chavez the past
16 eight or nine months. I drilled some of these wells, and I
17 was the operator of this oilfield about 17 years ago, and
18 it's a marginal field. But I was thinking, instead of
19 plugging the field out, why don't I try to take it back
20 over?

21 EXAMINER STOGNER: And what was your company's
22 name?

23 MR. SLAYTON: I'm Roger Slayton, I'm with Slayton
24 Energy.

25 EXAMINER STOGNER: Slayton Energy. And that

1 was -- Now, did you sell to Nerdlihc?

2 MR. SLAYTON: No, sir.

3 EXAMINER STOGNER: This is just for the record.

4 Okay.

5 MR. SLAYTON: I was just the hired hand. But I'm
6 the one that did most all the work and got it ready to
7 sell.

8 EXAMINER STOGNER: All-righty. Are you going to
9 be presenting any testimony or evidence, or would you like
10 to make a statement at the end or --

11 MR. SLAYTON: Yes, sir, I'd just kind of like to
12 figure out how to -- I've been working with Mr. Chavez up
13 in Aztec, and how does -- It is a marginal field. Santa Fe
14 has a 20-percent override on the field, and then the field
15 is in a lot of -- People have been stealing stuff off of
16 it. And my question is, we can't get ahold of Mr. Tom
17 Knowlton, because he's in California, because I've written
18 him letters and tried pretty hard to get ahold of him.

19 So how do I get the personal property on the
20 field and, you know, how do I go about doing that?

21 EXAMINER STOGNER: Okay, well, let's proceed with
22 this matter, and that way we'll get everything on the
23 record from the OCD's side. And Mr. Slayton, at the
24 conclusion of that, perhaps if you want you can make a
25 statement on the record at that point. But I think even

1 you and the Division will have a little bit better idea of
2 how to proceed. I think you could probably start in the
3 right direction by contacting Mr. Frank Chavez and working
4 with him.

5 But with that, since we've got the case today,
6 let's proceed with the testimony.

7 MS. HEBERT: Mr. Examiner, I have one witness to
8 be sworn.

9 EXAMINER STOGNER: Okay, please stand to be
10 sworn.

11 (Thereupon, the witness was sworn.)

12 MS. HEBERT: I call Mr. Charles Perrin to the
13 stand, please.

14 EXAMINER STOGNER: And that's Charles Perrin?

15 MR. PERRIN: Charlie.

16 CHARLIE T. PERRIN,
17 the witness herein, after having been first duly sworn upon
18 his oath, was examined and testified as follows:

19 DIRECT EXAMINATION

20 BY MS. HEBERT:

21 Q. Mr. Perrin, would you state your name for the
22 record?

23 A. Charlie T. Perrin.

24 Q. And Mr. Perrin, where do you work and what is
25 your job?

1 A. I work for the New Mexico Oil Conservation
2 Division in Aztec. I'm the Senior Field Oil and Gas
3 Inspector.

4 Q. And how long have you worked for the Oil
5 Conservation Division?

6 A. I've been with the Division for eight years, six
7 years in Hobbs and two years in Aztec.

8 Q. As part of your duties as a deputy oil and gas
9 inspector, are you supervising the plugging of abandoned
10 oil and gas wells?

11 A. Yes, ma'am, I do.

12 Q. And how long have you been conducting those
13 duties?

14 A. In the six years in the southeast we witnessed
15 and observed the operations of the plugging and
16 abandonment. The last two years I've been approving the
17 procedures for the plugging and abandonment.

18 MS. HEBERT: Mr. Examiner, I offer Mr. Perrin as
19 an expert in the plugging of wells in New Mexico.

20 EXAMINER STOGNER: Mr. Perrin is qualified.

21 MS. HEBERT: Thank you.

22 Q. (By Ms. Hebert) Mr. Perrin, I'm handing you
23 what's been marked as OCD Exhibit 1, and there are several
24 subparts -- 13, I believe, one for each of the wells.

25 A. Right.

1 Q. Would you look at the exhibits and give us a
2 brief history of one of these wells, if it's representative
3 of all 13 of them.

4 A. The wells were drilled from 1975 to 1989, most of
5 them in 1979 and 1980. The wells are all approximately
6 2000 foot deep.

7 Q. Is there a record of production for these wells?

8 A. Yes, ma'am, there's been no reported production
9 since December of 1993.

10 Q. Can you give us an idea of the current condition
11 of these wells? And I will hand to you what's marked as
12 OCD Exhibit Number 5.

13 A. The wells, due to neglect and time, are in
14 terrible condition. The surface has environmental concerns
15 that are easily identified by the pictures. The equipment
16 is old and rusty, there is oil in various contamination --
17 visible contamination to the area.

18 MS. HEBERT: We only have one set of these
19 photographs, which we'll give to the court reporter, but
20 this is our Exhibit 5.

21 Q. (By Ms. Hebert) Mr. Perrin, have you prepared
22 procedures for plugging these 13 wells?

23 A. Yes, ma'am, I have.

24 Q. I'm handing you what's been marked as OCD Exhibit
25 Number 2, and are these the procedures that you recommend?

1 A. Yes, ma'am, they are.

2 Q. Mr. Perrin, I'm handing you OCD Exhibit Number 3.
3 This is information relating to the bonds on these wells.
4 Would you describe for the Examiner what kind of is in
5 place?

6 A. There's a \$50,000 blanket bond that is held by
7 the United New Mexico Bank, which is now, I believe,
8 Western Bank. And the BLM has also got \$10,000 held for
9 the three Marcelina wells that they're going to transfer us
10 upon completion of the plugging and abandonment operations,
11 with a total of \$60,000.

12 Q. At this time, Mr. Perrin, do you recommend that
13 all 13 of these wells be plugged and abandoned according to
14 the plugging procedures you recommended to prevent waste,
15 protect correlative rights and protect the public health
16 and the environment?

17 A. Yes, ma'am, I do.

18 Q. Finally, I'm going to hand you what's marked as
19 OCD Exhibit 5 -- I'm sorry, this is OCD Exhibit 4, marked
20 on the other side, OCD Exhibit 4. And this is an affidavit
21 that was prepared by Rand Carroll, who was formerly OCD
22 attorney?

23 A. Yes, ma'am.

24 Q. Do these reflect what you understand the efforts
25 to notify the last known operator of these wells, as well

1 as the bank that held the blanket plugging bond?

2 A. Yes, ma'am, it is.

3 MS. HEBERT: Mr. Examiner, I just would note that
4 we do have a receipt from Norwest Bank. We've since
5 learned that this may actually now be Western Bank. We
6 don't anticipate any difficulty with collecting the cash
7 bond, since it is a deposit at the bank.

8 The notice Tom Knowlton, the last known operator,
9 was returned indicating that -- unable to forward, no
10 forwarding address.

11 That concludes the presentation of our case.

12 EXAMINATION

13 BY EXAMINER STOGNER:

14 Q. Mr. Perrin, what general area are these wells
15 concentrated in?

16 A. These wells are west of the Hospah, which is
17 north of the Gallup or south of Farmington.

18 Q. Pretty far south; is that --

19 A. Yes.

20 Q. Okay, so it's not in the area immediately known
21 as -- Isn't there a trading post or something in this area?

22 A. Yes, sir, it would be north of the Pueblo Cantada
23 and west -- I mean, east -- and it would be east of Hospah.

24 Q. So there's no residential areas or businesses in
25 the immediate area?

1 A. No, there's not.

2 Q. Okay, how about water wells?

3 A. Yes, there are two windmills in the area.

4 Q. So this is primarily grazing-type land?

5 A. Yes, sir, it is.

6 Q. In looking at some of these wells -- I'm looking
7 at one of them in particular, "Battery by highway", and
8 there seems to be a firewall built around a couple of
9 tanks?

10 A. Yes, sir.

11 Q. There seems to be fluid in that tank?

12 A. Yes, sir, there is fluid.

13 Q. Okay, and I'm showing a particular picture. Now,
14 is that tank leaking?

15 A. It is a collection of rainwater, and every time
16 it rains it brings the oil up out of the ground that is
17 saturated into the ground.

18 Q. Okay. Now, that firewall, was that built by the
19 operator, or is that something that --

20 A. No, it was built by the operator.

21 Q. Okay. Now, most of these wells are on federal
22 land?

23 A. Only three of the wells are on federal land. The
24 other wells are on the Lee Ranch.

25 Q. Lee Ranch. That would be fee; is that correct?

1 A. Yes, sir.

2 Q. Okay. Now, have you been in contact with the BLM
3 on these three federal wells?

4 A. Yes, I have.

5 Q. And what was your conversation with them, or --
6 Did they come to you, or did the OCD go to them?

7 A. Mr. Steven Mason came to me with the BLM when he
8 learned that we were looking at plugging the other -- the
9 Bullseye wells, the other part of the Nerdlihc field. He
10 was concerned and wanted to also include them in our
11 plugging program. That's when they offered their lease,
12 their \$10,000 to us, when we completed the plugging.

13 Since that time -- I visited with Mr. Mason
14 yesterday. The lease has been canceled. It has been
15 reissued, and I believe the surface issue was re-leased
16 without the wellbores.

17 EXAMINER STOGNER: Mr. Perrin, or Ms. Hebert, do
18 you have information on federal bond?

19 * MS. HEBERT: Mr. Examiner, the only information
20 that I'm aware of is the \$10,000 that's in escrow that BLM
21 will apparently pay over to OCD at the completion of the
22 plugging costs.

23 THE WITNESS: Correct, we did receive a letter
24 from Mr. Steven Mason indicating that their department was
25 holding the funds to transfer to us.

1 Q. (By Examiner Stogner) There was a mention by Mr.
2 Slayton that equipment is being stolen off this property.
3 Have you noticed -- what, the demise of equipment being
4 taken off of this lease since perhaps you've been going out
5 in this area?

6 A. Yes, sir, there is a pulling unit rigged up on
7 one of the wells, and the motor has been stolen, the
8 batteries have been stolen, the heads off the operation end
9 of the pulling unit has been stolen. Various pieces of
10 equipment, the motors off the pump units have been removed.

11 EXAMINER STOGNER: Okay, I have no other
12 questions of Mr. Perrin.

13 Does anybody else have anything further in Case
14 Number 12,344, including Mr. Slayton? Do you have any --
15 Would you like to put anything more on the record?

16 MR. SLAYTON: Well, I really don't know how all
17 this goes about. It's a marginal field. But there was a
18 building, back when I was out there. I bought a little
19 building for an office. It was a real nice building, air-
20 conditioned and all that, and it's gone.

21 But my main concern was, the field is a marginal
22 field, and there's a lot of work. Is there anyway instead
23 of -- I know the \$60,000 that you all have is not going to
24 pay for all of the plugging, is it, Charlie?

25 MR. PERRIN: No, it will not.

1 MR. SLAYTON: So would it be better to put that
2 money towards getting the field back up in shape?

3 EXAMINER STOGNER: I'll tell you what, I think
4 those kind of questions that you're asking, Mr. Slayton,
5 would be better directed toward Mr. Frank Chavez at this
6 particular time, since this is more of a procedural matter
7 at this point, and we've gotten the problem now on public
8 record. And I think if you think you can have a go at it,
9 talk to Mr. Chavez about what you need to do, and that
10 would be a good place to start.

11 MR. SLAYTON: All right, he had asked me to come
12 up here today.

13 EXAMINER STOGNER: Okay.

14 MR. SLAYTON: So I mean, I just showed up because
15 he wanted me to.

16 EXAMINER STOGNER: And I'll tell you what,
17 subsequent to the proceedings today, I don't think there
18 would be a problem on getting together with Mr. Perrin
19 and/or Ms. Hebert concerning what you need to do,
20 especially while you're here, you've taken the opportunity
21 to come today and perhaps get the proper forms and become
22 aware of our proceedings.

23 With that, I appreciate you coming in today on
24 this particular matter.

25 MR. SLAYTON: Well, thank you all very much.

1 EXAMINER STOGNER: Thank you.

2 I would urge Ms. Hebert and Mr. Perrin and Mr.
3 Chavez to perhaps work with Mr. Slayton, if there is
4 anything possible to get these wells into working order,
5 which I'm sure you all will.

6 Okay, with that I'm going to take this case under
7 advisement.

8 (Thereupon, these proceedings were concluded at
9 11:35 a.m.)

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I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiners hearing of Case No. 12344,
heard by me on 17 February 2009.
[Signature]
On Conservation Division Examiners

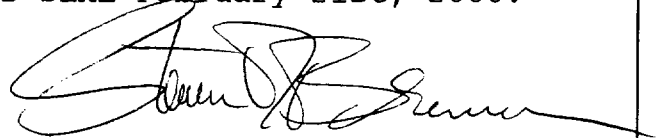
CERTIFICATE OF REPORTER

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 February 21st, 2000.



STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 14, 2002