

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 THE NEW MEXICO OIL )  
CONSERVATION DIVISION FOR AN ORDER )  
REQUIRING CHARLES E. YANCURA TO PROPERLY )  
PLUG ONE WELL, IMPOSING CIVIL PENALTIES )  
IN EVENT OF FAILURE TO COMPLY, )  
AUTHORIZING THE DIVISION TO PLUG SAID )  
WELL IN DEFAULT OF COMPLIANCE BY CHARLES )  
E. YANCURA, AND ORDERING A FORFEITURE )  
OF APPLICABLE PLUGGING BOND, LEA COUNTY, )  
NEW MEXICO )

CASE NO. 12,861

ORIGINAL

02 MAY 29 PM 1:44

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REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

May 16th, 2002

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday, May 16th, 2002, 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.

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## I N D E X

May 16th, 2002  
 Examiner Hearing  
 CASE NO. 12,861

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DIVISION WITNESSES:	
<u>CHRIS J. WILLIAMS</u> (District Supervisor, Hobbs District Office, District 1, NMOCD) (Present by telephone)	
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<u>DOROTHY L. PHILLIPS</u> (Plugging Bond Administrator, NMOCD, Santa Fe)	
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\* \* \*

## E X H I B I T S

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\* \* \*

## A P P E A R A N C E S

## FOR THE DIVISION:

DAVID K. BROOKS  
Attorney at Law  
Energy, Minerals and Natural Resources Department  
Assistant General Counsel  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

## ALSO PRESENT:

WILL JONES  
Engineer  
New Mexico Oil Conservation Division  
1220 South Saint Francis Drive  
Santa Fe, NM 87501

\* \* \*

1           WHEREUPON, the following proceedings were had at  
2           8:20 a.m.:

3           EXAMINER CATANACH: Call the hearing to order  
4           this morning for Docket Number 14-02. I'll call the  
5           continuances and dismissals first.

6           (Off the record)

7           EXAMINER CATANACH: At this time I will call Case  
8           12,861, the Application of the New Mexico Oil Conservation  
9           Division for an order requiring Charles Yancura to properly  
10          plug one well, imposing civil penalties in event of failure  
11          to comply, authorizing the Division to plug said well in  
12          default of compliance by Charles Yancura, and ordering a  
13          forfeiture of applicable plugging bond, Lea County, New  
14          Mexico.

15          Call for appearances in this case.

16          MR. BROOKS: Mr. Examiner, David Brooks, Energy,  
17          Minerals and Natural Resources Department, State of New  
18          Mexico, appearing for the Oil Conservation Division.

19          EXAMINER CATANACH: Okay, call for additional  
20          appearances in this case.

21          MR. BROOKS: I have two witnesses, including the  
22          one on the phone.

23          EXAMINER CATANACH: Okay, can I get the two  
24          witnesses, here and Mr. Williams, would you please stand to  
25          be sworn in at this time?

1 MR. BROOKS: Just one witness here.

2 EXAMINER CATANACH: I'm sorry, one witness.

3 MR. WILLIAMS (Present by telephone): Okay.

4 EXAMINER CATANACH: Are you standing?

5 MR. WILLIAMS: Yes, I am.

6 (Thereupon, the witnesses were sworn.)

7 MR. BROOKS: Okay, we'll call Chris Williams.

8 CHRIS J. WILLIAMS,

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

11 DIRECT EXAMINATION

12 BY MR. BROOKS:

13 Q. Can you hear me, Chris?

14 A. Yeah.

15 Q. Good, I can approach the phone if you can't.

16 Do you have the exhibits that I faxed to you in  
17 front of you, Chris?

18 A. Yes, I do.

19 Q. Okay, very good. We'll get started then.

20 Would you state your name for the record?

21 A. Chris Williams.

22 Q. And by whom are you employed?

23 A. State of New Mexico, Oil Conservation Division.

24 Q. In what capacity?

25 A. District Supervisor in Hobbs.

1 Q. And in that capacity are you responsible for  
2 overseeing the inspection of wells and the status of wells  
3 in Lea County, New Mexico?

4 A. Yes, I am.

5 Q. Are you familiar with Charles E. Yancura's State  
6 43-35 Well Number 1, which is located in Section 35,  
7 Township 16 South, Range 35 East in Lea County, New Mexico?

8 A. Yes, I am.

9 Q. Okay. I will call your attention to what has  
10 been marked as OCD Exhibit Number 2 in this case and ask  
11 you to identify that?

12 A. It's a well completion report on the State 43-35  
13 Number 1.

14 Q. Okay, and I will state for the record -- Well,  
15 who does that show to be the operator of that well?

16 A. It shows the operator to be Charles E. Yancura.

17 Q. Okay. I will state for the record that that's  
18 really the only reason that this exhibit is being offered,  
19 is to show that Charles E. Yancura is the operator of that  
20 well.

21 I will call your attention, then, to Exhibit OCD  
22 Number 1 and ask you to identify that.

23 A. Number 1 is a Sundry Notice, a C-103, Charles  
24 Yancura on the State 43-35 Number 1.

25 Q. Okay, and what is the date on that notice?

1 A. April 18th, 1995.

2 Q. Now, from my examination of the records on this  
3 well, this appears to be the last thing that was filed in  
4 this well file; is that correct?

5 A. That's correct.

6 Q. Okay. I will now call your attention to OCD  
7 Exhibit Number 3 and ask you to identify it.

8 A. OCD Exhibit Number 3 is a plugging procedure  
9 prepared by Billy Prichard in my office for this particular  
10 well.

11 Q. Okay. Now, I forgot to qualify you here, but you  
12 have testified before the New Mexico Oil Conservation  
13 Division Hearing Examiners in the past, have you not?

14 A. Yes, I have.

15 Q. Including Mr. Catanach?

16 A. Yes, I have.

17 Q. And have your credentials as an expert well  
18 inspector been accepted by the Division?

19 A. Yes.

20 MR. BROOKS: We'll tender Mr. Williams as an  
21 expert in well inspection.

22 EXAMINER CATANACH: Mr. Williams is so qualified.

23 Q. (By Mr. Brooks) Very good. Mr. Williams, based  
24 on your familiarity with this well, your own and that that  
25 you have acquired from the reports received in the ordinary

1 course of business from your staff, in your opinion does  
2 this well need to be plugged?

3 A. Yes, it does.

4 Q. And would the failure to plug it threaten waste  
5 and impairment of correlative rights and damage to the  
6 environment?

7 A. Yes, it would.

8 Q. Now, have you made efforts to get Mr. Yancura to  
9 do something about this well?

10 A. Yes, we have.

11 Q. And have they been successful?

12 A. No.

13 Q. Now, has this well been inactive for a period in  
14 excess of 15 months continuously prior to this date?

15 A. Yes, it has.

16 Q. Now, if this well were plugged in accordance with  
17 the procedure set forth in OCD Exhibit Number 3, do you, in  
18 your professional opinion, believe that it would be  
19 properly plugged so as to prevent migration of fluids from  
20 the formations in which they are found into other  
21 formations or to the surface?

22 A. Yes.

23 Q. And do you believe that plugging the well in  
24 accordance with OCD Exhibit Number 3 would prevent waste,  
25 protect correlative rights and protect public health and

1 the environment?

2 A. Yes.

3 Q. Okay. OCD Exhibits 1 and 2, are those documents  
4 from files kept in your office in the ordinary course of  
5 business?

6 A. Yes, they are.

7 Q. And are they public records of the New Mexico Oil  
8 Conservation Division?

9 A. Yes.

10 Q. And OCD Exhibit Number 3, was that prepared under  
11 your direction?

12 A. Yes, it was.

13 MR. BROOKS: We'll tender OCD Exhibits 1, 2 and  
14 3.

15 EXAMINER CATANACH: Exhibits 1, 2 and 3 will be  
16 admitted as evidence.

17 MR. BROOKS: Pass the witness.

18 EXAMINATION

19 BY EXAMINER CATANACH:

20 Q. Mr. Williams, are you familiar with the history  
21 of this well?

22 A. Yes.

23 Q. Was this well drilled by the Applicant?

24 A. Yes.

25 Q. And it was drilled to a depth of approximately

1 what, 10,000 feet?

2 A. I think it was 12,000.

3 Q. 12,000 feet. And do you know if the well ever  
4 produced?

5 A. We have a completion report, that's the only  
6 information that I have right now on it in front of me, a  
7 completion report where it showed a well test of 8 million  
8 cubic feet a day, so I'm assuming it did produce at one  
9 point in time. But I don't have in front of me any kind of  
10 production records.

11 Q. Okay. When was this thing drilled, do you know?

12 A. Back in ninety- -- I'd have to pull the rest of  
13 the well file. I think it was 1994. Yeah, 10-18-94.

14 Q. Okay. I show where -- on the C-103, Exhibit  
15 Number 1, where the well was sidetracked?

16 A. Right, right.

17 Q. You're not aware of the problems that they  
18 encountered in the well or why they had to sidetrack it?

19 A. No, I'm not.

20 Q. Okay. Have you guys inspected the well?

21 A. Yes.

22 Q. Okay. There's no production equipment on it, I  
23 assume, or --

24 A. Right.

25 Q. And have you been unable to reach Mr. Yancura,

1 Mr. Williams?

2 A. We've sent at least two letters, certified. Both  
3 of them were returned. Two letters, I don't know if they  
4 were certified or not, to the address that we had for Mr.  
5 Yancura. Both of them were returned, address unknown.

6 Q. And that is the address in Garland, Texas?

7 A. Right, right.

8 Q. Okay. Have you done any estimates, Mr. Williams,  
9 on what the cost of plugging this well might be?

10 A. Based on the depth and the sidetracking and  
11 things like that, it would run probably -- I'm going to  
12 guess somewhere around \$18,000 to \$20,000. That's assuming  
13 we have no problems.

14 Q. Okay. Now, you said that it had not produced in  
15 at least 15 months. Is that -- based on what?

16 A. Based on inspection reports from Billy Prichard,  
17 one of my field inspectors who's been going by there and  
18 checking it.

19 Q. So are you saying that you first inspected this  
20 well approximately 15 months ago?

21 A. No, it's been inspected starting about two years  
22 ago.

23 Q. Two years ago. And at that time you determined  
24 from these inspections that the well was not capable of  
25 production?

1 A. Right.

2 EXAMINER CATANACH: Okay, I believe that's all I  
3 have of this witness, Mr. Brooks.

4 MR. BROOKS: Very good, that's all I have. He  
5 may want to continue to listen, since he's the client here.

6 EXAMINER CATANACH: Okay, I assume that you'll  
7 stay on the line, Mr. Williams?

8 THE WITNESS: Yes, I will.

9 MR. BROOKS: He's also a witness in the next  
10 case.

11 Okay, with that I will call Dorothy Phillips.  
12 May it please the Examiner?

13 DOROTHY L. PHILLIPS,  
14 the witness herein, after having been first duly sworn upon  
15 her oath, was examined and testified as follows:

16 DIRECT EXAMINATION

17 BY MR. BROOKS:

18 Q. Miss Phillips, would you state your name for the  
19 record?

20 A. Dorothy Phillips.

21 Q. And by whom are you employed?

22 A. By the New Mexico Oil Conservation Division.

23 Q. In what office?

24 A. I'm the plugging bond administrator.

25 Q. And you're in the Santa Fe office?

1 A. That's correct.

2 Q. And is it your responsibility to maintain the  
3 files in which the bonds furnished by the operator to  
4 secure their obligation to plug wells are maintained?

5 A. That's correct.

6 Q. I'll call your attention to what has been marked  
7 as OCD Exhibit Number 4 and ask you to identify it.

8 A. It's a copy of the single well cash bond for Mr.  
9 Charles E. Yancura.

10 Q. Okay, and what is the amount of that bond?

11 A. \$10,000.

12 Q. And who is the surety? It's a cash bond, is it  
13 not? I'm sorry.

14 A. Yes, it's on the assignment of cash collateral  
15 and it's Sunwest Bank of Hobbs.

16 Q. Sunwest Bank of Hobbs is the depository?

17 A. That's correct.

18 Q. And do you know -- Sunwest Bank of Hobbs, all the  
19 Sunwest Banks are now Bank of America; is that correct?

20 A. That's correct.

21 Q. Okay. Now, this bond has a well name, Ramco  
22 State Number 2, correct?

23 A. That's correct.

24 Q. But if you look at the location identification  
25 and compare it with -- Well, you don't have a copy of

1 Exhibit Number 1. The location identification -- Well, the  
2 Examiner can compare it, I don't need you to. But the  
3 location identification shows where the well is located.  
4 And is it our practice to make sure that those location  
5 identifications are correctly put on each bond so that we  
6 can unambiguously identify the single well to which they  
7 relate?

8 A. That's correct, sir.

9 MR. BROOKS: Okay, I believe that's all my  
10 questions to this witness.

11 EXAMINATION

12 BY EXAMINER CATANACH:

13 Q. Ms. Phillips, on the first page of Exhibit 4, the  
14 actual single cash plugging bond, I notice that for the  
15 well footage locations it had typed in 1980 feet from -- it  
16 appears, it looks like feet from the north line?

17 A. Yes, it looks like it was typed in and then they  
18 put in south line, someone wrote over the north and put the  
19 south.

20 Q. Okay. My question is, do you know who might have  
21 done that?

22 A. No. But what happens when I get a bond, a single  
23 well, I check with the District for an API number, and I  
24 give the location that's on the bond to the District and  
25 they verify before they give me an API number. So based on

1 what they give me, that's how I enter it into the computer,  
2 into the database. So the API number is issued by the  
3 district office for each well.

4 Q. Okay. Now, it makes me a little uncomfortable  
5 because the name of this well on the plugging bond is the  
6 Ramco State Number 2, and it has a different well location.

7 Maybe this is a question more for Mr. Williams.  
8 Do you know, Mr. Williams, that there's not another well  
9 out there operated by Mr. Yancura?

10 MR. WILLIAMS: I can't say that for certain. I  
11 can check, but this is the only one that we have in our  
12 computers.

13 EXAMINER CATANACH: Okay, you might want to check  
14 that -- it has a location -- the original location showed  
15 1980 feet from the north line --

16 MR. WILLIAMS: Yes.

17 EXAMINER CATANACH: -- and it looks like somebody  
18 scratched out "N" and put "S", which would correspond to  
19 the well that we're dealing with today.

20 But you might check that just to verify that  
21 there's not another well out there --

22 MR. WILLIAMS: Okay.

23 EXAMINER CATANACH: -- and let us know.

24 And I assume, Mr. Brooks, that we're going to try  
25 and get this bond forfeited?

1 MR. BROOKS: When we're ready to plug the well,  
2 I'm sure we will. We would not be able to do so  
3 immediately, but that would be our intention when we got  
4 ready to plug the well.

5 EXAMINER CATANACH: Okay. And do you know if  
6 this bond is still in place?

7 MR. BROOKS: I have no information to the  
8 contrary.

9 EXAMINER CATANACH: Okay.

10 MR. BROOKS: Since we have not released it, if  
11 the money has been withdrawn, then the bank has breached  
12 their agreement with us.

13 EXAMINER CATANACH: Okay. Okay, I have nothing  
14 further of this witness. You may be excused.

15 Anything further, Mr. Brooks?

16 MR. BROOKS: Okay, first of all I forgot to  
17 tender Exhibit Number 4 in evidence.

18 EXAMINER CATANACH: Okay, Exhibit Number 4 will  
19 be admitted into evidence.

20 MR. BROOKS: Next, I will mention that Exhibit  
21 Number 5 and -- Exhibit Number 5 is a printout from ONGARD  
22 -- You may stand down.

23 THE WITNESS: Thank you.

24 MR. BROOKS: Exhibit Number 5 is a printout from  
25 ONGARD. Unfortunately, I couldn't find Jane this morning

1 and her office was dark, so I don't have a witness to  
2 verify. However, since whatever is in ONGARD is a part of  
3 the files and records of the Oil Conservation Division, I  
4 will request the Examiner to take administrative notice of  
5 the contents of the ONGARD system with regard to this  
6 well's production reports, and that can be verified in  
7 whatever manner is most expedient for the Examiner that  
8 that is actually what is in the system.

9 So I won't tender this in evidence, Exhibit  
10 Number 5, in evidence since I don't have a witness to  
11 sponsor it. But I will ask you to take administrative  
12 notice of it.

13 EXAMINER CATANACH: Okay, Mr. Brooks, we will  
14 take administrative notice of the information present on  
15 the ONGARD system --

16 MR. BROOKS: Thank you.

17 EXAMINER CATANACH: -- in regards to this well.

18 MR. BROOKS: I will also ask you to take  
19 administrative notice that the case file in this case  
20 reflects that a certified notice of this proceeding was  
21 sent to Charles E. Yancura at the same address shown here,  
22 which is the same address at which he was attempted to be  
23 noticed by Mr. Williams. It does not reflect that there  
24 was a return receipt, nor does it reflect that the mail has  
25 been returned to us.

1           And I notice that's getting to increasingly to  
2 happen, and I assume it's just because three weeks is  
3 really not long enough for the post office at their present  
4 rate of operation to get the return mail back to us. But I  
5 would assume the letter will probably be returned inasmuch  
6 as the District's correspondence to Mr. Yancura at this  
7 address has been returned.

8           And according to Mr. Williams -- I don't know  
9 that we've verified that with him, but I'm not aware that  
10 we have any other address for Mr. Yancura.

11           EXAMINER CATANACH: Okay, administrative notice  
12 will be taken of the notice data contained in the well  
13 file.

14           Anything further, Mr. Brooks?

15           MR. BROOKS: That concludes my presentation as to  
16 this case.

17           EXAMINER CATANACH: Okay, there being nothing  
18 further in this case, Case 12,861 will be taken under  
19 advisement.

20           (Thereupon, these proceedings were concluded at  
21 8:45 a.m.)

22           \* \* \*

23           I do hereby certify that the  
24           a copy of the  
25           the  
26           has been  
27           12/16/01  
28           - 2002

29           David Catanach

## 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 18th, 2002.




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STEVEN T. BRENNER  
 CCR No. 7

My commission expires: October 14, 2002