

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. 12,945

APPLICATION OF THE NEW MEXICO OIL)
CONSERVATION DIVISION FOR AN ORDER)
REQUIRING OK OPERATING COMPANY TO)
PROPERLY PLUG TWO WELLS, IMPOSING CIVIL)
PENALTIES IN EVENT OF FAILURE TO COMPLY,)
AUTHORIZING THE DIVISION TO PLUG SAID)
WELLS IN DEFAULT OF COMPLIANCE BY OK)
OPERATING COMPANY AND ORDERING A)
FORFEITURE OF APPLICABLE PLUGGING BOND,)
IF ANY, LEA COUNTY, NEW MEXICO)

OIL CONSERVATION DIVISION
OCT 24 2002 3 23

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

October 24th, 2002

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, October 24th, 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.

* * *

I N D E X

October 24th, 2002
Examiner Hearing
CASE NO. 12,945

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APPLICANT'S WITNESS:	
<u>BILLY PRICHARD</u> (Deputy Inspector, Hobbs District Office, District 1, NMOCD)	
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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:

WILLIAM V. JONES, JR.
 Petroleum Engineer
 New Mexico Oil Conservation Division
 1220 South Saint Francis Drive
 Santa Fe, NM 87505

* * *

1 WHEREUPON, the following proceedings were had at
2 2:16 p.m.:

3 EXAMINER STOGNER: I will call Case Number
4 12,945. This is the Application of the New Mexico Oil
5 Conservation Division for an order requiring OK Operating
6 Company to properly plug two wells, imposing civil
7 penalties in event of failure to comply, authorizing the
8 Division to plug these wells and an order to forfeit any
9 applicable plugging bonds. These wells are in Lea County,
10 New Mexico.

11 Call for appearances.

12 MR. BROOKS: Mr. Examiner, may I respectfully
13 suggest, of all this list of cases OK is the only one that
14 has no bond. If we could go ahead and put them to the end
15 of the docket and take up the others, we can get Ms.
16 Phillips out of here more quickly.

17 EXAMINER STOGNER: Okay, we will set 12,945 --
18 Make a note that this case has been called, but we'll set
19 it aside.

20 (Off the record at 2:17 p.m.)

21 (The following proceedings had at 3:20 p.m.)

22 MR. BROOKS: And inasmuch as there's no bond in
23 Case Number 12,945, we'll request that Miss Phillips be
24 excused.

25 EXAMINER STOGNER: You may be excused. Thank

1 you, Ms. Phillips.

2 MS. PHILLIPS: Thank you.

3 EXAMINER STOGNER: Let's see, I don't know if I
4 -- I did call this on the record previously --

5 MR. BROOKS: Yes, however I did not enter my
6 appearance. So at this time...

7 I'm David Brooks, Energy, Minerals and Natural
8 Resources Department of the State of New Mexico, appearing
9 for the New Mexico Oil Conservation Division.

10 I have one witness, who has been previously sworn
11 in an earlier proceeding today.

12 EXAMINER STOGNER: The record will so show. You
13 may proceed.

14 BILLY PRICHARD,

15 the witness herein, having been previously duly sworn upon
16 his oath, was examined and testified as follows:

17 DIRECT EXAMINATION

18 BY MR. BROOKS:

19 Q. Call Billy Prichard.

20 A. Yes, sir. Billy Prichard, compliance officer,
21 District 1, NMOCD.

22 Q. Okay, Mr. Prichard, call your attention to --
23 hold on a minute -- Exhibit Number 2 in this case, and ask
24 you, is this document contained in the well file for the OK
25 Operating Company, Arco Federal Number 1 well, API Number

1 30-025-27639?

2 A. I do not have that document, David.

3 Q. Number 2?

4 A. No, I don't. I've got Exhibit 3.

5 Q. Oh, you have Exhibit 3. Do you have Exhibits --
6 Which exhibits do you have, I'm sorry?

7 A. Well, from OK Operating I've got a whole bunch of
8 faxed paper with nothing on them.

9 Q. I probably put it in upside down. Do you have
10 the well file?

11 A. I can pull the well files, yes, sir.

12 Q. Okay, I guess we're going to have to do that
13 again.

14 EXAMINER STOGNER: He has to do that again.

15 We'll go off the record again.

16 (Off the record)

17 Q. (By Mr. Brooks) Okay, very good. Now, that Arco
18 Federal Number 1, Exhibit Number 2 that I have here is a
19 C-104 -- appears to be a C-104 dated November 30, 1988, in
20 reference to the Arco Federal Number 1?

21 A. Yes, and that is a change of operator from Joe
22 Melton Drilling Company to OK Operating.

23 Q. Now, let me ask you something about this C-101 --
24 I'm sorry, about this Arco Federal Number 1. This API
25 number, 27639, is that the correct API number?

1 A. 27639. That is the API number that appears in
2 the rest of the well file.

3 Q. And that is for well Arco Federal Number 1,
4 located 1973 from the north and 660 from the west, Unit E,
5 Section 4, Township 10 South, Range 38 East?

6 A. That's correct.

7 Q. Okay. Now, do you remember my telling you
8 yesterday that Lawrence Romero said that this well was
9 plugged?

10 A. Yes, sir.

11 Q. Is he correct?

12 A. No, he is not correct.

13 Q. And you're confident that that's true, that --

14 A. Yes, sir, I found a well file yesterday for the
15 Arco Federal Number 1 that was located in Unit Letter L of
16 the same section, township and range, and it is plugged.

17 Q. So there must have been just a confusion of the
18 API numbers; is that --

19 A. There sure must have just been confusion of the
20 API numbers.

21 Q. Okay, very good. Then we'll call your attention
22 to the Arco Federal Number 2 well, API Number 30-025-27669.

23 A. Yes, sir.

24 Q. And I have marked as Exhibit Number 4 the well
25 completion report on that well, dated 3-11 of 1982.

1 A. Okay, just a minute, let me find that particular
2 form. 3-11 of 1982?

3 Q. Right. Well, it was received 3-15, it was signed
4 3-11.

5 A. Would you mind stating that for me one more time?

6 Q. What part of it?

7 A. David, what particular form were you looking for?

8 Q. Well completion or recompletion report and log,
9 signed on --

10 A. Okay.

11 Q. -- 3-11-82.

12 A. Yes, sir, by Robert Griffin and Associates?

13 Q. Yes.

14 A. Okay, yes, I have that, received here March 15th
15 of 1982.

16 Q. And does that reflect that the total depth of
17 this well was 5000 feet, plugged back to 4972?

18 A. Yes, it does.

19 Q. And that it was perfed at the intervals 4924 to
20 4962 in the San Andres?

21 A. That's it.

22 Q. Okay. Exhibit Number 5 appears to be a C-104
23 dated November 30, 1988?

24 A. Yes, that is a C-104 changing operators.

25 Q. From whom to whom?

1 A. Joe Melton Drilling Company to OK Operating.

2 Q. Okay. Now, Exhibit Number 6 -- Well Exhibit
3 Number 6 is just another C-104 change of operator. That
4 one is dated December 16, 1987. I'm not sure why it's in
5 here, but you might find it and tell us if there is such a
6 document.

7 A. In 1987?

8 Q. December 16, 1987.

9 A. Yes --

10 Q. And --

11 A. -- that's changing it from Melton Drilling and
12 Exploration Company over to Joe Melton Drilling Company.
13 It was approved here December 16th, 1987, by Jerry Sexton.

14 Q. Okay, thank you. Now, each of these documents
15 are documents that are in the well files for these
16 respective wells, that are maintained by you in the
17 ordinary course of business in the Hobbs District Office?

18 A. Yes, that's correct.

19 Q. Now, did you prepare plugging procedures for the
20 Arco Federal Number 1 and the Arco Federal Number 2?

21 A. Yes, I did.

22 Q. Okay, I'm looking at Exhibit Number 7, which I
23 believe to be a copy of the plugging procedure that you
24 prepared. Do you have a copy in front of you of your
25 plugging procedure?

1 A. I do not have a copy of the plugging procedure
2 here for the Arco Federal wells.

3 Q. Do you have one there where you can get it?

4 A. Yes. I'll have to go pull it off of my computer.

5 Q. Okay, would you be so kind to do that for us?

6 A. Yeah. Just one minute, it will take a second to
7 get them off there.

8 Q. Okay.

9 A. Yes, I have the plugging procedure.

10 Q. Okay, I have marked as Exhibit Number 7 the
11 plugging procedure marked OK Operating, Arco Federal Number
12 1. How many numbered items are there on that?

13 A. There are 14 numbered items on it.

14 Q. Okay.

15 A. 8 5/8" casing set at 396, cement circulated,
16 4 1/2" casing set at 5000 foot. Step number 9 is pull
17 tubing to 446 feet.

18 Q. I think that's sufficient to identify the
19 document.

20 Now, looking at the plugging procedure for the
21 Arco Federal Number 2, which I have marked as Exhibit
22 Number 8, how many numbered items are there on that?

23 A. There are 14 also on that plugging procedure.

24 Q. Okay, would you begin reading that one?

25 A. Yes, 8 5/8" casing set at 396, cement circulated.

1 Both wells are real similar in depth. This one has 4 1/2"
2 casing set at 4999 feet, cement circulated.

3 Q. And it states the perms at 4924 to 4962, correct?

4 A. That is correct.

5 Q. Which coincides with what's shown on the
6 completion report, as I recall?

7 A. Yes, that's right.

8 Q. Very good. Mr. Prichard, were these plugging
9 procedures prepared by you?

10 A. Yes, they were.

11 Q. And if these wells were plugged in accordance
12 with these procedures, would that result in their being
13 plugged and abandoned in accordance with OCD Rules?

14 A. Yes, they would.

15 Q. And I don't know if I asked you this, but in your
16 opinion as a well inspector do these wells need to be
17 plugged for the protection of the environment, the
18 prevention of waste and the protection of correlative
19 rights?

20 A. Yes, they do.

21 MR. BROOKS: Mr. Examiner, I will tender into
22 evidence Exhibits Numbers 2, 3 -- 2, 4, 5, 6, 7 and 8.

23 EXAMINER STOGNER: Exhibits 2 through 8 will be
24 admitted into evidence at this point.

25 MR. BROOKS: Pass the witness.

EXAMINATION

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BY EXAMINER STOGNER:

Q. Okay, where are these wells located with respect to a town, and what is the general condition of the surface?

A. Both of these are located in pasture land. They're along the Texas-New Mexico state line. I don't recall the Texas highway number, I believe it is 214, that runs along the state line. They're located approximately 17 miles north of Bronco, New Mexico, or Texas, depending on which side of the line you're on, and as I recall there are no windmills close. There's no residences within a good -- you know, a good way.

Q. Okay, is there pasture land on the other side of the highway, or is that farm land?

A. At this particular spot it's pasture land. Now, there is some farm land located further to the south and also further to the north, but this is pasture land here.

Q. Okay. How about any residences?

A. But no residences close to these two particular wells.

Q. Okay. Is there any equipment on the surface?

A. Yes, both wells are equipped with a pumping unit. There is a tank battery located at the Arco Federal Number 1, a couple of 400-barrel welded tanks, probably a 4-by-20

1 heater treater.

2 There are no pits, a fairly clean surface. All
3 this equipment would have to be removed.

4 Q. How about any pits? Do you recall any pits?

5 A. No, there's not any pits located at either of
6 these wells.

7 EXAMINER STOGNER: Okay. Let's see, Mr. Brooks,
8 I see that these are on federal land. Do you know if
9 there's a federal bond on these?

10 MR. BROOKS: No, I have no information, Mr.
11 Examiner.

12 EXAMINER STOGNER: Okay, now will that be part of
13 the plugging procedure, is for the Division to seek any
14 relief from any bond that the federal government may have?

15 MR. BROOKS: Yes, if the Division plugs these
16 wells we will seek relief from the BLM or with any bond
17 that they have.

18 We're not moving very fast on getting responses
19 from them on the ones we've plugged so far, but hopefully
20 that will change.

21 Q. (By Examiner Stogner) Now, Mr. Prichard, have
22 you been in contact with any BLM representatives about this
23 well, about these wells?

24 A. No, I haven't.

25 Q. So did you contact them, or did they contact you

1 at any time in the past?

2 A. No, they haven't. The fact is, we have not
3 worked in concert on a lot of the federal stuff that we had
4 plugged.

5 EXAMINER STOGNER: Okay. I have no other
6 questions at this time of Mr. Prichard, you may be excused.

7 Mr. Brooks?

8 MR. BROOKS: No questions of Mr. Prichard.

9 Tender Exhibit Number 1, affidavit of Jane
10 Prouty, which indicates that there was production from
11 these wells in 1997, 1998 and up through August of 1999,
12 but no further reports filed.

13 EXAMINER STOGNER: Okay.

14 MR. BROOKS: Also ask the -- I'm sorry, get you
15 to make a ruling on Exhibit 1.

16 EXAMINER STOGNER: Oh, yeah, Exhibit Number 1
17 will be admitted into evidence.

18 MR. BROOKS: And we'll ask the Examiner to take
19 administrative notice of the case file, which indicates
20 that the notice letter to OK Operating Company of this
21 proceeding was signed for by Sharon Riley, and the return
22 receipt is in the file.

23 EXAMINER STOGNER: So noted.

24 Anything further in this case?

25 MR. BROOKS: No, sir.

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EXAMINER STOGNER: Case Number 12,945 will be taken under advisement.

And with that, the hearing for today the hearing for today is adjourned.

(Thereupon, these proceedings were concluded at 3:37 p.m.)

* * *

I do hereby certify that the foregoing is a complete and true transcript of the proceedings at the Examiner's hearing of Case No. 12945 heard by me on 24 October 2002.
[Signature], Examiner
Oil Conservation Division

