

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO

9 September 1987

EXAMINER HEARING

IN THE MATTER OF:

Cases 8863, 8864, and 9074 being re-	CASE
opened upon the applications of	8863
Alano Oil and Gas Corporation and	8864
Suntex Energy Corporation to vacate	9074
or modify Division Order Nos. R-	
3210, R-8223, and R-8404.	

BEFORE: Michael E. Stogner, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Division:	Jeff Taylor Attorney at Law Legal Counsel to the Division State Land Office Bldg. Santa Fe, New Mexico 87501
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For the Applicant:	James G. Bruce Attorney at Law HINKLE LAW FIRM P. O. Box 2068 Santa Fe, New Mexico 87504
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I N D E X

TIMOTHY FREESE

Direct Examination by Mr. Bruce

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Cross Examination by Mr. Taylor

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CHARLES GHOULSON

Direct Examination by Mr. Taylor

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TIMOTHY FREESE RECALLED

Redirect Examination by Mr. Bruce

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STATEMENT BY MR. TAYLOR

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STATEMENT BY MR. BRUCE

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MR. STOGNER: I'm going to now call Case Number 8863, which is in the matter of Case 8863 being reopened upon application of Alano Oil and Gas Corporation to vacate or modify Division Order No. R-8210, entered in Case Number 8863, Rio Arriba County, New Mexico.

Call for appearances.

MR. BRUCE: Mr. Examiner, my name is Jim Bruce, representing Alano Oil and Gas Corporation. I have one witness to be sworn.

MR. STOGNER: Are there any other appearances in this matter?

MR. TAYLOR: Mr. Examiner, I'm Jeff Taylor, Counsel for the Division and I have one witness who we can swear in case we need some rebuttal testimony.

MR. STOGNER: Are there any other appearances?

MR. TAYLOR: I'd also like to know if we shouldn't consolidate these cases, 8863, 8864, and 9074?

MR. BRUCE: Right. I'd request that 8863, 8864, and 9074 be consolidated.

MR. STOGNER: Okay, at this time I'll call Case Number 8864, which is in the matter of said case being reopened upon the application of Suntex

1 Energy Corporation to vacate or modify Division Order No. R-
2 8223, entered in said case, Rio Arriba County, New Mexico.

3 And I will call also Case Num-
4 ber 9074, which is being reopened upon application of Suntex
5 Energy Corporation to vacate or modify Division order No. R-
6 3404, entered in said case, Rio Arriba County, New Mexico.

7 I assume both you gentlemen --
8 MR. TAYLOR: Yeah, the appear-
9 ances will be the same.

10 MR. BRUCE: Yes, sir.

11 MR. STOGNER: Are there any
12 other appearances in any or all of these cases?

13 Will the witnesses or potential
14 witnesses please stand and be sworn at this time?

15

16 (Witnesses sworn.)

17

18 MR. STOGNER: Mr. Bruce.

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20 TIMOTHY FREESE,
21 being called as a witness and being duly sworn upon his
22 oath, testified as follows, to-wit:

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DIRECT EXAMINATION

1
2 BY MR. BRUCE:

3 Q Mr. Freese, would you please state your
4 full name and city of residence?

5 A Timothy Freese, Houston, Texas.

6 Q And what is your relationship to Alano
7 Oil and Gas Corporation and to Suntex Energy Corporation
8 with respect to the wells which are the subject matter of
9 this hearing?

10 A I own a 25 percent interest in the Alano
11 Oil and Gas Wells and as Suntex Energy, I was hired as a
12 consultant prior to their bankruptcy and currently serve as
13 treasurer of the company.

14 MR. BRUCE: Mr. Examiner, I re-
15 quest permission for Mr. Freese to testify based upon his
16 interest ownership in the wells.

17 MR. STOGNER: Mr. Freese, what
18 is your interest in the Suntex?

19 A Just strictly as an officer of the cor-
20 poration.

21 MR. STOGNER: And you have no
22 interest in those wells that Suntex was operating?

23 A Not at this time, I do not.

24 MR. STOGNER: And when you say
25 you're an officer, what particular -- what -- what position

1 do you hold?

2 A Treasurer.

3 MR. STOGNER: Treasurer. Mr.
4 Taylor, are there any objections?

5 MR. TAYLOR: Do you have Texas
6 Rose on here, too? No, I guess not.

7 MR. GHOLSON: Yes.

8 MR. TAYLOR: Is that a mistake?

9 MR. GHOLSON: No.

10 A Texas Rose is --

11 MR. BRUCE: We'll explain that
12 as we get into it.

13 MR. GHOLSON: Suntex --

14 MR. BRUCE: There are Texas
15 Rose wells --

16 MR. GHOLSON: According to
17 this docket Suntex is proposing to take over operation of
18 the Texas Rose wells.

19 MR. STOGNER: Mr. Bruce, please
20 proceed.

21 Q Mr. Freese, I'd like you to discuss the
22 background of the wells identified in the three applications
23 and first, if you would, when were the wells in these mat-
24 ters drilled?

25 A I believe the Alamo Oil and Gas wells,

1 the Samantha 1, 2, and 3, were drilled in '82, I believe.

2 Q What about the Alano Well No. 1 in Sec-
3 tion 11?

4 A It is, trying to remember, they're cur-
5 rently pumping two of the three wells. One of them has a
6 motor that's down.

7 Q Now the three wells you're talking about
8 are the Samantha Wells Nos. 1, 2, and 3.

9 A Yes.

10 Q And the -- is the Alano Well No. 1 plug-
11 ged and abandoned?

12 A The Alano No. 1 is -- has been plugged
13 and abandoned, I believe.

14 MR. GHOLSON: That's wrong.
15 It has not; I was just there.

16 A Okay.

17 MR. GHOLSON: I'm sorry. I
18 will not interrupt you again.

19 A That's all right. I have not been down
20 there.

21 Q What is the status of the Suntex Wells 1,
22 2, 3, 5 and 6?

23 A Suntex 1, 2, 3, 4, 5 and 6?

24 Q 1, 2, 3, 4, 5 and 6, excuse me.

25 A Suntex 1 through 4 were drilled. They

1 are currently unequipped.

2 5 and 6 were spudded but never drilled.

3 Q And what date were the Texas Rose wells
4 drilled?

5 A I believe those were in '84.

6 Q What formation were the wells completed
7 in and what acreage is dedicated to each well?

8 A They're completed in the Greenhorn. Cur-
9 rently they're -- the Suntex wells, there's only one well
10 per 150-acre lease at this time.

11 Q What are the -- what is the production
12 history, if any, and the reason they were not produced?

13 A The wells weren't produced, primarily, it
14 was a combination of different factors, mostly legal prob-
15 lems.

16 When the Suntex wells were drilled, 1
17 through 4, at the time they were drilled there were no
18 leases issued on the tracts that they were drilled on. The
19 leases were not issued until 1984.

20 During 1984 they reached an agreement
21 with the Maddox Estate, the mineral interest holders and the
22 leases were then issued. Under the agreements by the end of
23 1984 there was another slight misunderstanding and at that
24 point in time a legal conflict with the estate came into
25 being.

1 Q Does that cover the Suntex wells and the
2 -- and also the Alano wells?

3 A That's just the Suntex wells.

4 The Alano wells, to be honest with you, I
5 don't know why they haven't been produced. They should have
6 been a long time ago.

7 Q Are they capable of producing now?

8 A Yes, and, as I said, currently they are
9 being -- they're equipped and they're being pumped now. We
10 have an engineer coming in next week to do oil/gas ratio
11 tests and everything else trying to do final filing to get
12 them on line.

13 Q And what steps are necessary to put the
14 Suntex wells and the Texas Rose wells back in production?

15 A We have requested the bankruptcy court
16 for a hearing to allow Suntex to expend monies or whatever
17 other steps are necessary in order to re-equip the Suntex
18 wells and to start producing.

19 The Texas Rose wells under agreement with
20 Texas Rose, under that agreement Suntex had the right to as-
21 sume operation if at any time Texas Rose could not, and if
22 Texas Rose defaulted in their agreement, the leases under
23 which they had, would revert back to Suntex.

24 We are currently filing a civil suit on
25 Texas Rose Petroleum to recover the rights under those

1 leases.

2 Q And what is Texas Rose corporate status
3 at this time?

4 A It's pretty well nonexistent. I think
5 you'd have a hard time finding them. At least the last time
6 I talked to the postal authorities they were having a hard
7 time finding them.

8 Q If the OCD grants these three applica-
9 tions, would we promptly take all steps requested by the OCD
10 to put these wells back into production?

11 A It's our wish to get them on line and get
12 them producing as soon as possible.

13 Q And will the granting of this application
14 be in the interest of conservation and the prevention of
15 waste?

16 A I believe so.

17 MR. BRUCE: I have nothing fur-
18 ther at this time, Mr. Examiner.

19 MR. STOGNER: Thank you, Mr.
20 Bruce. Mr. Taylor, your witness.

21

22 CROSS EXAMINATION

23 BY MR. TAYLOR:

24 Q In your testimony, when you talk about
25 all these wells, you're covering all the wells that are

1 listed, that were listed in our --

2 A Yes.

3 Q There's none of them that you think need
4 to be plugged and abandoned?

5 A At this time, well, the Alano No. 1 needs
6 to be plugged and abandoned.

7 MR. BRUCE: That's Case 8863.

8 A I'm not entirely sure who has current --
9 I know who has possession of the lease. Within a week I'll
10 have possession of the lease. That means I may get stuck
11 with plug and abandon of three of them because they drilled
12 two more.

13 Q And who was that, Alano?

14 A That was Alano Oil and Gas. That was
15 drilled in '82. I think it was drilled in '81 or '82. '85?

16 Q But other than --

17 A I think that was the first one they drill-
18 led.

19 Q Other than that one well do you all pro-
20 pose to try to put all these on line again?

21 A Yes, at least to put them on line, to
22 stimulate them, produce them, and at that point in time,
23 they've been sitting there for so long that we're not en-
24 tirely sure what they'll produce until we actually get out
25 there and produce them.

1 Q Well, which one of these companies is in
2 bankruptcy?

3 A Suntex.

4 Q Suntex, so how do they propose to -- to
5 undertake this if they're in bankruptcy?

6 A I just paid them \$20,000 for 26 percent
7 interest in Alano Oil and Gas and these people own Suntex.
8 which is a whole lot more than it was worth.

9 Q Well, are there not so many liens on the
10 properties that it's just impossible for them to take over
11 operations of them?

12 What's the status of these as far as
13 liens and lawsuits and bankruptcies?

14 A The Texas Rose is totally inundated with
15 judgments and liens.

16 Suntex isn't too far behind. Suntex has
17 come to some settlement terms with their judgment holders
18 and I believe the liens that are placed on the property un-
19 der New Mexico it's been over two years and I don't believe
20 they're effective at this point in time.

21 Q Well, why don't you all just -- I'll
22 withdraw that question. That's all I have.

23 MR. BRUCE: Yeah, just to clar-
24 ify, looking at Case 8863, I believe Mr. Freese said the
25 Samantha Wells 1, 2, 3, are capable -- are potentially cap-

1 able of producing.

2 The Alano Well No. 1 is to be
3 plugged.

4 And looking at Case 8864, Wells
5 Nos. 1 through 4 could produce, Wells 5 and 6 were never
6 even drilled.

7 MR. TAYLOR: Wells -- Suntex
8 Well 5 and Suntex Well 6 were never drilled, is that what
9 you're saying?

10 MR. BRUCE: Yes, that is cor-
11 rect.

12 MR. TAYLOR: That's 5 and 6?

13 MR. STOGNER: Mr. Bruce, do you
14 have anything further here?

15 MR. BRUCE: Nothing further,
16 Mr. Examiner.

17 MR. STOGNER: Mr. Taylor?

18 MR. TAYLOR: No, I have no more
19 right now.

20 MR. STOGNER: He may be excused
21 at this time.

22 MR. Taylor?

23 MR. TAYLOR: I call Mr. Ghol-
24 son, Charles Gholson.

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CHARLES GHOLSON,

being called as a witness and being duly sworn upon his
oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. TAYLOR:

Q Mr. Gholson, what is your knowledge of
the status of the various wells listed in Cases 8863, 64,
and 9074?

MR. STOGNER: Mr. Taylor, let's
introduce Mr. Gholson first.

MR. TAYLOR: Okay.

Q Will you please state your name for the
record?

A I'm Charles Gholson.

Q And where --

A NMCCD Oil and Gas Inspector, Aztec.

Q And have you previously testified before
the Examiner and had your credentials accepted?

A I have.

MR. TAYLOR: I tender the wit-
ness as an expert.

MR. STOGNER: Mr. Bruce, do you
have any --

1 MR. BRUCE: None whatsoever.

2 MR. STOGNER: Mr. Gholson is so
3 qualified.

4 Q Would you go through the -- or just tell
5 us your knowledge of the status of these wells.

6 A Okay. As Mr. Freese says, the Suntex 1,
7 3 -- 1, 2, 3 and 4 were drilled, completed.

8 MR. STOGNER: And these are the
9 wells in Case Number 8864, is that it?

10 A And the 5 and 6 were spud but never drill-
11 led and there wasn't surface pipe set in them.

12 Q Okay.

13 A And all these wells are not only Green-
14 horn but there's also Greenhorn, Gallup, and Dakota comple-
15 tions.

16 And in my opinion Suntex 1, 2, 3, and 4
17 are dry holes, never had any production records and my check
18 of the tanks has never showed any oil in the tanks.

19 Q So even though those wells apparently
20 were drilled and completed, they have never had any (un-
21 clear).

22 A That's correct. And the Alano wells, I
23 mean the Texas -- yeah, the Alano wells --

24 Q Is this in Case 8863, the Samantha --

25 A Right.

1 Q Samantha 1, 2, and 3?

2 A Right. The Alano 1 was, I don't believe,
3 every completed. It probably -- it had pipe ran in it and
4 it was possibly perforated. I think they left it, abandoned
5 it.

6 And the Alano wells although capable of
7 small production, are, in my opinion, noncommercial.

8 I have production records through July,
9 1985, which I assume was the last production, and at that
10 time the Samantha 1 was not producing; the Samantha 2 had 6
11 barrels in 20 days of production; the Samantha No. 3 had 2
12 barrels in 20 days of production.

13 And where those wells are located that is
14 definitely not commercial.

15 And the -- we haven't mentioned Texas
16 Rose much yet, but those wells are a little bit better but
17 the best well will make no more -- will not make 2 barrels a
18 day and the sorry wells will make about 1, or less.

19 Q Are those the wells listed in Case 9074?

20 A Correct.

21 Q Okay. Is it your opinion that it would
22 be nearly impossible for the -- with the status of these
23 companies for these wells to be brought back into produc-
24 tion?

25 A Well, I don't know about that. Possibly,

1 you know, with some treatment the production could be picked
2 up and I really don't know, but as they stand right now,
3 they're definitely noncommercial.

4 MR. TAYLOR: I think that's all
5 we have.

6 I would -- excuse me, I'd point
7 out that there's already a record in this case being the or-
8 iginal hearings at which the Commission presented, as I re-
9 call, testimony on these wells, and I would request that
10 those transcripts be made a part of the record today.

11 A Also Texas Rose has another well which is
12 not mentioned here and it's known as the Quinlan Ranch No. 1
13 and it is a dry hole and plugged. It's been re-entered by
14 Texas Rose and then plugged.

15 MR. STOGNER: But that's not a
16 well that's the subject of this case today, is it, Mr.
17 Gholson.

18 A No, that's right. They did -- we did
19 testify the other time but they didn't (unclear)..

20 MR. STOGNER: Anything further,
21 Mr. Taylor?

22 MR. TAYLOR: No, sir.

23 MR. STOGNER: Mr. Bruce, your
24 witness.

25 MR. BRUCE: I have no questions

1 at this time.

2 MR. STOGNER: Of course the re-
3 cords of each of these cases will be taken into account at
4 this time.

5 MR. BRUCE: One -- can I have
6 one final question of my witness?

7 MR. STOGNER: Yes, Mr. Bruce.

8
9 TIMOTHY FREESE,
10 being recalled as a witness and remaining under oath, testi-
11 fied as follows, to-wit:

12
13 REDIRECT EXAMINATION

14 BY MR. BRUCE:

15 Q Do you have anything final to say about
16 this case, Mr. Freese?

17 A As far as the production of the Alano Oil
18 and Gas Wells, I had a pumper out there last week and pum-
19 ped, I believe it was the No. 2, turned the thing on, came
20 back in four days. The pump motor had died on it somewhere
21 in between but it had put oil in the tank.

22 MR. GHOLSON: Well, the well's
23 been shut in for some time and actually it would come back
24 a little bit stronger than it's going to produce after a
25 few days.

1 A I think if we get in -- and to be honest
2 with you if it only produces 5 barrels or day or less, I'll
3 plug the thing.

4 MR. TAYLOR: Well, if I might
5 ask Mr. Freese a further question, how -- because your cur-
6 rent bonding company is unwilling to undertake a bond, if we
7 let them off the hook on this one, in other words, if you
8 come in to re-enter these wells, I think you're going to
9 have to find a new bond and I in talking to the bonding com-
10 pany, I just think that's going to be impossible.

11 The current situation is we
12 have a bond on these wells and we want to plug them under
13 that bond; otherwise we have to pay, the State has to pay
14 for it, and certainly it's my understanding from talking to
15 the insurance company that they're not willing to go any
16 further with this.

17 A Well, on the Alano --

18 MR. TAYLOR: Have you looked
19 into your bonding situation to see if you can get a bond for
20 these wells?

21 A On the Alano wells I'll put up a cash
22 bond, if necessary. I mean there's nothing wrong with that.
23 I don't think I'll have any trouble getting a bond.

24 MR. BRUCE: I would state for
25 the record that the bonding companies were notified of this

1 hearing.

2 MR. TAYLOR: Yeah, they have
3 been in contact but they aren't here this morning.

4 MR. BRUCE: And they have not
5 put in an appearances.

6 MR. STOGNER: Mr. Gholson, I
7 have a couple of questions for you.

8 MR. GHOLSON: Yes, sir.

9 MR. STOGNER: On the Alano Well
10 No. 1 I believe you said it was not P & A'd.

11 MR. GHOLSON: No, it is not.

12 MR. STOGNER: If these wells,
13 according to your testimony, are very low marginal produc-
14 tion and/or no production at all, what kind of waste would
15 occur if nothing was done to these wells at this time?

16 MR. GHOLSON: Well, I don't
17 suppose any waste would occur. There's a very huge fresh
18 water aquifer shallower there but it might possibly contami-
19 nate groundwaters.

20 MR. STOGNER: In essence, if
21 this groundwater was contaminated that would constitute
22 waste, could it not?

23 MR. GHOLSON: Yes.

24 MR. STOGNER: Okay. I have no
25 further questions of Mr. Gholson.

1 Are there any other questions
2 of this witness?

3 Mr. Freese, I'll remind you
4 you're still under oath. I have a question for you.

5 A Yes, sir.

6 MR. STOGNER: Did you have any-
7 thing to do with the Texas Rose Corporation?

8 A No, I did not.

9 MR. STOGNER: But you were an
10 officer of the Suntex Corporation, is that right?

11 A That was as of December of 1986.

12 MR. STOGNER: You mean you were
13 treasurer with them up until December of '86.

14 A No, I was hired by the company as a
15 financial consultant in December of 1986.

16 MR. STOGNER: Okay, did you
17 have any dealings with Suntex prior to that date?

18 A No.

19 MR. STOGNER: No. Okay. How
20 about the Alano Oil and Gas Corporation?

21 A None there either.

22 MR. STOGNER: Not until Decem-
23 ber of '86. Okay.

24 I have no further questions of
25 this witness.

1 Mr. Taylor, do you have any
2 closing remarks at this time?

3 MR. TAYLOR: Yes, sir, I'd just
4 like to state that because we've already got orders in these
5 cases to plug the wells or otherwise take care of them, I
6 don't think that the applicants in this case have come
7 forward with a sufficient case to overcome those existing
8 orders. They haven't showed us that they're financially
9 able to. I think that the orders are open enough that they
10 could go to the Aztec District Office and make a showing on
11 individual wells whether or not we should continue to give
12 them an extension of the order on the date to be plugged.
13 These wells were ordered plugged well over a year, maybe two
14 years ago.

15 And I don't see any reason to
16 overturn it based upon the evidence they've presented today,
17 but I would state that if they would get in contact with the
18 Aztec Office and see if there's any showing they can make on
19 any particular wells, that the supervisor up there does have
20 discretion to suspend the part of the order requiring the
21 plugging and could let them try to re-enter the wells.

22 Certainly I have a problem with
23 us -- with any rescission of these current orders to plug
24 insofar as the bond and insurance situation. I think if Mr.
25 Freese can make a showing that he can get bonds or that he

1 can put cash bonds up on individual wells, our District Sup-
2 ervisor can except him from the order for a period of time
3 in order to let him re-enter those wells, but I certainly
4 think they've made no showing to allow the orders to be res-
5 cinded.

6 MR. STOGNER: Thank you, Mr.
7 Taylor.

8 Mr. Bruce?

9 MR. BRUCE: I would simply say,
10 Mr. Examiner, that we request that Mr. Freese be given the
11 chance to put the wells back on production. He's already
12 put some money into the wells and into the company and he
13 should be given at least temporary respite from the OCD
14 plugging orders so that he can attempt to put the wells
15 back on production.

16 MR. STOGNER: Thank you, Mr.
17 Bruce.

18 Does anybody else have anything
19 further in any of these cases?

20 If not, these three cases will
21 be taken under advisement.

22

23

(Hearing concluded.)

24

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1 STATE OF NEW MEXICO
2 ENERGY AND MINERALS DEPARTMENT
3 OIL CONSERVATION DIVISION
4 STATE LAND OFFICE BLDG.
5 Santa Fe, New Mexico

6
7 3 June 1987

8 EXAMINER HEARING

9 IN THE MATTER:

10 In the matter of Case 8863 being reopen- CASE
11 ed upon application of Alana Oil and Gas 8863
12 Corporation to vacate or modify Division
13 Order No. R-8210, Rio Arriba County, New
14 Mexico.

15 and

16 In the matter of Case 8864 being reopen- CASE
17 ed upon application of Suntex Energy 8864
18 Corporation to vacate or modify Division
19 Order No. R-8223, Rio Arriba County, New
20 Mexico.

21 BEFORE: David R. Catanach, Examiner

22 TRANSCRIPT OF HEARING

23 A P P E A R A N C E S

24 For the Division: Jeff Taylor
25 Legal Counsel to the Division
Oil Conservation Division
State Land Office Bldg.
Santa Fe, New Mexico

For the Applicant:

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MR. CATANACH: Call next Case
No. 8863.

MR. TAYLOR: The matter of Case
8863 being reopened upon application of Alana Oil and Gas
Corporation to vacate or modify Division Order No. R-8210,
Rio Arriba County, New Mexico.

MR. CATANACH: At the request
of the applicant Case No. 8863 will be continued to the
Examiner Hearing 1 July 1987.

(Hearing concluded.)

MR. CATANACH: Call next Case
No. 8864.

MR. TAYLOR: The matter of Case
8864 being reopened upon application of Suntex Energy
Corporation to vacate or modify Division Order No. R-8223,
Rio Arriba County, New Mexico.

MR. CATANACH: At the request
of the applicant Case No. 8864 will be continued to the
Examiner Hearing 1 July 1987.

(Hearing concluded.)

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C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO
HEREBY CERTIFY the foregoing Transcript of Hearing before
the Oil Conservation Division (Commission) was reported by
me; that the said transcript is a full, true, and correct
record of the hearing, prepared by me to the best of my
ability.

Sally W. Boyd CSR

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 8863 ⁸⁸⁶⁴
heard by me on JUN 23 1987.

David R. Catanah, Examiner
Oil Conservation Division

1
2 STATE OF NEW MEXICO
3 ENERGY AND MINERALS DEPARTMENT
4 OIL CONSERVATION DIVISION
5 STATE LAND OFFICE BLDG.
6 SANTA FE, NEW MEXICO

7 1 July 1987

8 EXAMINER HEARING

9 IN THE MATTER OF:

10 In the matter of Case 8863 being re- CASE
11 opened upon application of Alana Oil 8863
12 and Gas Corporation to vacate or mod-
13 ify Division Order No. R-8210, Rio
14 Arriba County, New Mexico.

and

15 In the matter of Case 8864 being re- CASE
16 opened upon the application of Suntex 8864
17 Energy Corporation to vacate or modify
18 Division Order No. R-8223, Rio Arriba
19 County, New Mexico.

and

20 In the matter of Case 9074 being re- CASE
21 opened upon application of Suntex 9074
22 Energy Corporation to vacate or modify
23 Division Order No. R-8404, Rio Arriba
24 County, New Mexico.

25 BEFORE: David R. Catanach, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Division: Jeff Taylor
Legal Counsel for the Division
Oil Conservation Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

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MR. CATANACH: Call next Cases
No. 8863, No. 8864, and No. 9074.

MR. TAYLOR: Case No. 8863, the
matter of Case 8863 being reopened upon application of Alana
Oil and gas Corporation to vacate or modify Division Order
No R. 8210, Rio Arriba County, New Mexico, and

Case No. 8864, the matter of
Case 8864 being reopened upon the application of Suntex
Energy Corporation to vacate or modify Division Order No. R-
8223, Rio Arriba County, New Mexico, and

Case No. 9074, the matter of
Case 9074 being reopened upon application of Suntex Energy
Corporation to vacate or modify Division Order No. R-8404,
Rio Arriba County, New Mexico.

MR. CATANACH: At the request
of the applicant Cases No. 8863, No. 8864 and No. 9074 will
all be continued to the Examiner Hearing 2 August, 1987.

(Hearing concluded.)

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C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY the foregoing Transcript of Hearing before the Oil Conservation Division (Commission) was reported by me; that the said transcript is a full, true, and correct record prepared by me to the best of my ability.

Sally W. Boyd CSR

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 8863, 8864, 9874 heard by me on July 1, 1987.
David R. Catant, Examiner
Oil Conservation Division

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO

2 April 1986

DIVISION HEARING

IN THE MATTER OF:

Application of the Oil Conservation CASE
Division on its own motion to per- 8862
mit Gipson Oil Corporation and other 8863
interested parties to appear and show 8864
cause why certain wells in San Juan
and Rio Arriba Counties, New Mexico,
should not be plugged and abandoned
in accordance with a Division-approved
plugging program.

BEFORE: Michael E. Stogner, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Division: Jeff Taylor
 Attorney at Law
 Legal Counsel to the Division
 State Land Office Bldg.
 Santa Fe, New Mexico 87501

For the Applicant:

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I N D E X

FRANK CHAVEZ

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E X H I B I T S

CASE 8862

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CASE 8863

Division Exhibit One, Documents	8
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CASE 8864

Division Exhibit one, Documents	8
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MR. STOGNER: This hearing will come to order.

At the applicant's request Cases Numbers 8862, 8863, and 8864 will be consolidated for purposes of testimony.

This is in the matter called by the Oil Conservation Division on its own motion to permit Gipson Oil Corporation, Alana Oil & Gas Corporation, Fidelity and Deposit Company, Suntex Energy Corporation, Fidelity and Deposit Company of Maryland, and other interested parties, to appear and show cause why certain wells in Rio Arriba and San Juan Counties, New Mexico, should not be plugged and abandoned in accordance with a Division-approved plugging program.

We will now call for appearances.

MR. TAYLOR: May it please the Examiner, my name is Jeff Taylor, Counsel for the Oil Conservation Division and I have one witness to be sworn in these cases.

MR. STOGNER: Are there any other appearances?

There being none, please raise your right hand.

1 (Witness sworn.)

2

3

MR. STOGNER: You may be seated.

4

Mr. Taylor?

5

6

FRANK CHAVEZ,

7

being called as a witness and being duly sworn upon his

8

oath, testified as follows, to-wit:

9

10

DIRECT EXAMINATION

11

BY MR. TAYLOR:

12

Q

For the record would you please state

13

your name, by whom you're employed, and in what capacity?

14

A

My name is Frank Chavez. I'm employed by

15

the Oil Conservation Division as a Supervisor of District

16

III in Aztec.

17

Q

And how long have you worked for the Oil

18

Conservation Division, Mr. Chavez?

19

A

Eight years.

20

Q

Have you previously testified before the

21

Commission or its examiners and had your credentials made a

22

matter of record?

23

A

Yes, I have.

24

MR. TAYLOR: Mr. Examiner, I

25

tender the witness as an expert.

1 MR. STOGNER: Mr. Chavez is so
2 qualified.

3 Q Mr. Chavez, Does District III include
4 that part -- or does District III include the area that
5 these wells that we're moving to have plugged are located?

6 A Yes, it does.

7 Q And do your duties as District III Super-
8 visor include making recommendations to the Commission or
9 its hearing officers as to when wells should be plugged and
10 abandoned?

11 A Yes, they do.

12 Q Would you please then state the purpose
13 of -- off the record a second.

14
15 (Thereupon a discussion was had
16 off the record.)

17
18 Q We'll go back on now. Would you please
19 state the purpose of Case 8854? No, excuse me, 8862?

20 A Case 8862 is called to permit Gipson Oil
21 Corporation and other interested parties to appear and show
22 cause why the John Bergin No. 2 Well, located in Unit letter
23 F of Section 21, Township 29 North, Range 11 West, in San
24 Juan County, should not be plugged in accordance with a Div-
25 ision-approved plugging program.

1 Q Would you state the purpose of Case 8863?

2 A The Case 8863 is to permit Alana Oil &
3 Gas, Incorporated, their bonding company, and other inter-
4 ested parties to appear and show cause why their wells lo-
5 cated in Rio Arriba County, should not be plugged and aban-
6 doned in accordance with the a Division-approved plugging
7 program.

8 Q And would you state the purpose of Case
9 8864?

10 A 8864 is called to permit Suntex Energy
11 Corporation, their bonding company, and other interested
12 parties to appear and show cause why their well located in
13 Rio Arriba County should not be plugged and abandoned in ac-
14 cordance with a Division-approved plugging program.

15 Q Let's see, to make matters simple here,
16 we'll just go well by well and ignore the difference in the
17 cases.

18 Have you reviewed the well files and
19 other records maintained by the Commission on each of the
20 wells involved in these cases, including the reports filed
21 with the Commission concerning the wells?

22 A Yes, I have.

23 Q And have you brought copies of the rele-
24 vant documents with you?

25 A I have brought the summaries of the in-

1 formational documents with me in the form of exhibits.

2 Q At this time I would ask you to refer to
3 the files and the documents you've got and the records in
4 your possession and outline for us the relevant history of
5 each of these wells and what you -- the plugging program you
6 wish to accomplish.

7 A Okay. Exhibit Number One for Case 8862
8 contains on its first page a description of the proposed
9 plugging program and the only record -- a copy of the only
10 record which the Division has of the well.

11 The Division record shows that the well
12 was drilled or spud, excuse me, on May 13th of 1925.

13 The record at the bottom shows that it
14 was plugged and abandoned; however, the present condition of
15 the well is such that there's just a hole at the surface
16 that is flowing a small quantity of water and occasional gas
17 bubbles will come up in it.

18 The well is located within the city
19 limits of Bloomfield, New Mexico, as indicated on the second
20 page of Exhibit One, and poses a hazard at the surface
21 because it is open and it is flowing water.

22 We do not know what pipe is in the hole.
23 There's no indication at the surface of any pipe or casing,
24 and the TD, or total depth of the well at this time, best as
25 we know, 660 feet.

1 mantha No. 2, located in Unit letter K of Section 26, Town-
2 ship 28 North, Range 1 East.

3 The total depth of this well is at 1780
4 feet.

5 The next well in the exhibit is the
6 Samantha No. 3. Total depth of this well is -- I'm sorry.
7 The location is Unit letter N of Section 26, Township 28
8 North, Range 1 East.

9 The total depth of this well is 1778
10 feet.

11 In Case 8864 Exhibit Number One is also
12 -- again a summary of the presumed downhole equipment and
13 the Division-approved plugging program for the individual
14 well.

15 The first well on Exhibit Number One is
16 the Suntex No. 1, located in Unit letter E of Section 26,
17 Township 28 North, Range 1 East.

18 The total depth of this well is 2000
19 feet.

20 The second well on the Exhibit is the
21 Suntex No. 2, located in Unit letter P, Section 22, Township
22 28 North, Range 1 East.

23 Total depth of this well is 1974 feet.

24 The third well on this exhibit is the
25 Suntex No. 3, located in Unit letter F, Township 28 North,

1 Range 1 East.

2 Total depth of this well is 1660 feet.
3 There is a correction on this portion of the exhibit. The
4 casing in the well is a tapered casing string that has one
5 joint of 5-1/2 at the top and the remainder of the casing is
6 4-1/2 inch.

7 The fourth well in this exhibit is the
8 Suntex No. 4, located in Unit letter C, Township 28 North,
9 Range 1 East.

10 The total depth of this well is 1660
11 feet.

12 The same correction applies here, that
13 there is a joint of 5-1/2 inch casing at the top of a string
14 of 4-1/2 inch casing in the well.

15 The next two wells in this exhibit are
16 the Suntex 5 and 6. These wells were only spud with surface
17 hole drilled and no casing set.

18 The Suntex 5 and 6 at this time, though
19 they have not penetrated the fresh water in the area, they
20 do pose a hazard to livestock grazing in the area and the
21 location does need to be restored.

22 All the other wells in the Alana and the
23 Suntex cases penetrate fresh water in the area at
24 approximately 100 feet and the continued abandonment of
25 these wells could lead to possible pollution of the water

1 should casing failure occur, since they are unattended.

2 Q Mr. Chavez, you indicated that the John
3 Burgin No. 2 in Case 8862 was apparently plugged at the
4 time, but I assume that even though you testified our re-
5 cords indicate that the well, or this well and possibly
6 others, have been plugged, that either the plugging proce-
7 dures are known to be inadequate or the plugging procedure
8 is unknown to us.

9 A That's correct. The plugging techniques
10 that were used at that time would not be acceptable at this
11 time and even if it had been plugged adequately, it has
12 failed.

13 Q Were the plugging programs on each of the
14 wells in Case 8862, 8863, and 8864 prepared by you or under
15 your supervision and control?

16 A Yes, they were.

17 Q As to each of the wells that you've gone
18 through in these three cases, is it your opinion that
19 failure to plug the well would cause waste, contaminated
20 fresh water sources, or otherwise present a safety hazard?

21 A Yes, they would.

22 Q Do you have anything else to offer in
23 these cases?

24 A No, I do not.

25 MR. TAYLOR: Mr. Examiner, --

1 Q Well, were Exhibit One in Case 8862, Ex-
2 hibit One in Case 8863, and Exhibit One in Case 8864 pre-
3 pared by you or under your supervision and control or are
4 they records maintained in the normal course of business of
5 the Oil Conservation Division?

6 A Yes, they are.

7 MR. TAYLOR: Mr. Examiner, I'd
8 like to move the admission of Exhibit One in each of these
9 cases.

10 MR. STOGNER: Exhibit One in
11 each of these three cases will be admitted into evidence.

12 MR. TAYLOR: And that's all we
13 have in this matter.

14

15

CROSS EXAMINATION

16 BY MR. STOGNER:

17 Q Mr. Chavez, on the Gipson Oil Corporation
18 John Burgin Well No. 2 in Case 8862, are there any special
19 problems that could be foreseen in plugging this? Is it
20 close to houses or is it close to the highway?

21 A It's close to the highway at this time;
22 however, we don't have any problems with getting the rig on
23 it. We examined the physical surroundings. We feel that we
24 can plug the well without any hazard; however, because the
25 City of Bloomfield is growing, actually, in that direction,

1 to the west, this -- this land will be surrounded pretty
2 soon and may be inaccessible and the well may pose a further
3 hazard at this time.

4 Q You said at this moment that the well was
5 sometimes bubbling water with gas mixed in it. Have you ob-
6 served this or any of your personnel in the Aztex Office?

7 A Yes, that was observed by Mr. Charles
8 Gholson of our office and we have come to hearing before the
9 Division many times for wells in this area, especially on
10 this old Burgin lease, because of problems like this, so it
11 is one that we're very, very familiar with.

12 Q Was this well pretty easy to find?

13 A Once -- once it had been spotted by some-
14 body else, yes. The location given on the record that we
15 have wasn't very helpful and many times we have to take ap-
16 proximations of these old footage locations.

17 Q Okay, now the location shown on the card
18 which you attached to Exhibit Number One shows it to be 2440
19 from the north and 1520 from the west.

20 Has this been resurveyed to see if that's
21 correct?

22 A No, it has not. We have not resurveyed
23 any of these locations.

24 Q So your best guesstimate is it's in the
25 close proximity of this well?

1 A Yes, it is. This is the reason that we
2 pulled this particular record.

3 The well was located first by some people
4 who called our office and in examining our records we found
5 this record of the well.

6 Q In your testimony for Exhibit 8863 you
7 mentioned that Alana Oil & Gas Corporation had gone defunct,
8 is that correct?

9 A That's correct; it's to the best of our
10 knowledge, yes, sir.

11 Q Okay. Also by the well records here I
12 show that Alana Oil & Gas Corporation and Suntex Corporation
13 share the same post office box in Houston, Texas.

14 A Yes, they were operated by the same prin-
15 cipals.

16 Q Did you try to contact those offices in
17 Houston?

18 A Yes, sir, the telephones either go unan-
19 swered or are disconnected. We have several telephone num-
20 bers.

21 MR. TAYLOR: I might point out
22 at this time, Mr. Examiner, that I have been contacted by an
23 attorney for the bonding company of Suntex and after an or-
24 der is issued in this case they are going to investigate the
25 possibility of having the wells at their expense in order to

1 save the bond from being forfeited.

2 MR. STOGNER: Thank you.

3 MR. TAYLOR: They also believe,
4 although they do not know, that the companies are both de-
5 funct, both Alana and Suntex.

6 Q All these wells are in the same general
7 area, aren't they, Mr. Chavez?

8 A The Alana and Suntex are, yes, sir, in
9 Rio Arriba County.

10 Q Those were the ones I was referring to.
11 Are they on State or fee lands?

12 A They're on fee lands.

13 Q Are any of those presently out there per-
14 colating water or gas?

15 A No, at this time they're not.

16 MR. STOGNER: I have no further
17 questions of Mr. Chavez.

18 Are there any other questions
19 of this witness?

20 If not, he may be excused.

21 Is there anything further in
22 Case 8862, 8863, or 8864 at this time?

23 If not, these cases will be
24 taken under advisement.

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(Hearing concluded.)

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C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY the foregoing Transcript of Hearing before the Oil Conservation Division (Commission) was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability.

Sally W. Boyd CSR

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 8864 heard by me on 2 April 1986.

Michael P. Hayes Examiner
Oil Conservation Division