

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 HULEN H. LEMON TO PROPERLY)
 PLUG ONE WELL, IMPOSING CIVIL PENALTIES)
 IN EVENT OF FAILURE TO COMPLY,)
 AUTHORIZING THE DIVISION TO PLUG SAID)
 WELL(S) IN DEFAULT OF COMPLIANCE BY)
 OPERATOR, AND ORDERING A FORFEITURE OF)
 APPLICABLE SECURITY, IF ANY, LEA COUNTY,)
 NEW MEXICO)
)

CASE NO. 12,974

OIL CONSERVATION DIV
 02 DEC 13 PM 3:18

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: WILLIAM V. JONES, JR., Hearing Examiner

December 5th, 2002

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, WILLIAM V. JONES, JR., Hearing Examiner, on Thursday, December 5th, 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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December 5th, 2002
 Examiner Hearing
 CASE NO. 12,974

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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

* * *

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

3 EXAMINER JONES: At this time we'll call Case
4 12,974, Application of the New Mexico Oil Conservation
5 Division for an order requiring Hulen R. Lemon to properly
6 plug one well, imposing civil penalties in event of failure
7 to comply, authorizing the Division to plug said well(s) in
8 default of compliance by operator, and ordering a
9 forfeiture of applicable security, if any, Lea County, New
10 Mexico.

11 Call for appearances.

12 MR. BROOKS: May it please the Examiner, I'm
13 David Brooks, Energy, Minerals and Natural Resources
14 Department of the State of New Mexico, appearing for the
15 New Mexico Oil Conservation Division.

16 I have three witnesses. One will be appearing by
17 telephone, so we need to establish the telephone contact.
18 Thank you.

19 EXAMINER JONES: Any other appearances? There
20 being none...

21 (Off the record)

22 MR. WILLIAMS: This is Chris.

23 EXAMINER JONES: Hello, Chris, this is Will in
24 Santa Fe --

25 MR. WILLIAMS: Yes.

1 EXAMINER JONES: -- and we've got this hearing in
2 order and we're trying to find Billy. Is --

3 MR. WILLIAMS: No, just talk to me about it. The
4 only thing is, I don't know if I have all of the exhibits.
5 I have exhibits for Hulen Lemon, Lemon or whatever, and
6 Walter Anderson.

7 MR. BROOKS: Chris, the exhibits for the others
8 were faxed last evening.

9 MR. WILLIAMS: Okay, let me check. Maybe they
10 stuck them in Billy's box. Okay, hang on.

11 MR. BROOKS: Okay.

12 MR. WILLIAMS: They're not here.

13 MR. BROOKS: Well, that's very strange.

14 Mr. Examiner, if it please the Examiner, may we
15 take a recess to try to figure out what's going on here? I
16 sent those last evening, and I also have a problem about
17 the plugging procedures that I think may not be in the
18 packages Chris has.

19 EXAMINER JONES: Okay, we'll take a recess.

20 MR. BROOKS: Go off the record, keep Chris on the
21 phone.

22 EXAMINER JONES: Chris, can you stay on the
23 phone?

24 MR. WILLIAMS: Yes.

25 (Off the record at 8:25 a.m.)

1 (The following proceedings had at 8:35 a.m.)

2 (Thereupon, the witnesses were sworn.)

3 MR. BROOKS: Are we ready to proceed?

4 EXAMINER JONES: Yes.

5 MR. BROOKS: We'll call Jane Prouty. Good
6 morning, Ms. Prouty.

7 MS. PROUTY: Good morning.

8 JANE E. PROUTY,

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

11 DIRECT EXAMINATION

12 BY MR. BROOKS:

13 Q. Would you state your name for the record, please?

14 A. Jane Prouty.

15 Q. And by whom are you employed?

16 A. The State of New Mexico, Oil Conservation
17 Division.

18 Q. In what capacity?

19 A. I manage the group that processes the production
20 reporting.

21 Q. Did you prepare a production report on a well
22 operated by Hulen R. Lemon at my request?

23 A. Yes.

24 Q. And was that report prepared by printing out data
25 from an electronic system maintained by the Oil

1 Conservation Division?

2 A. Yes.

3 Q. And that is the ONGARD system, correct?

4 A. Right.

5 Q. Call your attention to what has been marked as
6 OCD Exhibit Number 1 and ask you to identify it.

7 A. This is the report I prepared, and it shows one
8 well, the Gregg Dodd Number 1, operated by Hulen H. Lemon,
9 and for the period of all of 1997 through the present time.
10 We have not received a C-115 for this well.

11 Q. Okay. When you say you've not received a C-115,
12 does that mean the same thing as that the operator did not
13 file any report of production on this well?

14 A. Yes.

15 MR. BROOKS: Okay, I believe that's all my
16 questions of this witness.

17 Offer Exhibit 1 in evidence.

18 EXAMINER JONES: Exhibit 1 will be admitted.

19 MR. BROOKS: Pass the witness.

20 EXAMINER JONES: I have no questions.

21 MR. BROOKS: Call Dorothy Phillips.

22 I'm sorry, Ms. Phillips, I'm going to ask you to
23 go upstairs and pull your files on Hulen H. Lemon and
24 Walter W. Anderson, and we'll talk with Chris while you're
25 doing that.

1 MS. PHILLIPS: Okay.

2 MR. BROOKS: We'll ask that Ms. Phillips be
3 excused and call --

4 EXAMINER JONES: She is excused.

5 MR. BROOKS: -- Chris Williams.

6 EXAMINER JONES: Okay, you may call Chris.

7 MR. BROOKS: May I approach the bench so that I
8 can be heard more readily?

9 EXAMINER JONES: Yes.

10 MR. BROOKS: Thank you. I'll come over here and
11 sit next to the Examiner so I can speak directly into this
12 conference phone.

13 Good morning, Mr. Williams. Can you hear me?

14 MR. WILLIAMS: Yes.

15 CHRIS J. WILLIAMS (Present by telephone),
16 the witness herein, after having been first duly sworn upon
17 his oath, was examined and testified as follows:

18 DIRECT EXAMINATION

19 BY MR. BROOKS:

20 Q. Okay, would you state your name for the record,
21 please?

22 A. Chris Williams.

23 Q. And where do you reside?

24 A. Hobbs, New Mexico.

25 Q. By whom are you employed?

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

2 Q. And in what capacity?

3 A. District Supervisor for the Hobbs District.

4 Q. Does the Hobbs District Office maintain well
5 files on wells in Lea County, New Mexico?

6 A. Yes, we do.

7 Q. And would that include the Gregg Dodd Well Number
8 1?

9 A. Yes, it does.

10 Q. I believe that's -- Let's see, where is the
11 official name? Is that Gregg H. Dodd? No, just Gregg
12 Dodd --

13 A. -- Well Number 1.

14 Q. -- Well Number 1. And do you have a package of
15 the exhibits in front of you?

16 A. Yes, I do.

17 Q. I will ask you to look at Exhibits 2, 3 and 4
18 that are a part of that package.

19 A. Okay.

20 Q. Are those copies of documents that appear in the
21 well file of the Gregg Dodd Well Number 1 that is
22 maintained by your office?

23 A. Yes, it is -- Yes, they are.

24 Q. Okay, could you tell us what each of the -- just
25 briefly tell us what each of these three exhibits shows?

1 A. Exhibit Number 2 is an application to drill the
2 Gregg Dodd Number 1 by Saxon Oil Company back in 1972.

3 Exhibit Number 3 is a completion report on the
4 Gregg Dodd Number 1 that was submitted by Saxon Oil Company
5 after completion of the well. That was in 1972.

6 Exhibit Number 4 is a change of operator from
7 Saxon to Hulen H. Lemon. That was dated back in August of
8 1979.

9 Q. And to your knowledge has Hulen H. Lemon
10 continued to be the operator of record since that time?

11 A. To my knowledge, yes.

12 Q. Now, these exhibits show that this is a San
13 Andres well, at a depth of about -- between 4300, 4400,
14 somewhere in that range, feet?

15 A. Correct.

16 Q. And it was drilled in the 1970s?

17 A. Right.

18 Q. Okay. Has an inspection of this well recently
19 been made by personnel acting under your direction?

20 A. Yes.

21 Q. And based on the report of the inspector received
22 by you in the ordinary course of business, do you believe
23 that this well needs to be plugged for the protection of
24 correlative rights and the prevention of waste and
25 protection of the environment?

1 A. Yes, I do.

2 Q. We'll call your attention to Exhibit Number 8,
3 which you should have received in the fax this morning.

4 A. Yeah, I've got it.

5 Q. Would you identify that exhibit, please?

6 A. That's a plugging procedure written by Billy
7 Prichard, one of my field inspectors.

8 Q. And was he acting under your instruction and
9 direction?

10 A. Yes, he was.

11 Q. If the Gregg Dodd Well Number 1 were plugged in
12 accordance with the procedures set forth in Exhibit 8, in
13 your opinion would it be properly plugged and abandoned in
14 accordance with OCD Regulations?

15 A. Yes, it would be.

16 MR. BROOKS: Mr. Examiner, we'll tender in
17 evidence Exhibits 2, 3, 4 and 8.

18 EXAMINER JONES: Exhibit 2, 3, 4 and 8 are
19 accepted.

20 MR. BROOKS: Okay, Mr. Examiner, Exhibit Number 5
21 summarizes information which appears on the other exhibits,
22 with the exception of the last reported production, which I
23 believe will be borne out by OCD records, but we don't have
24 testimony to it. With that understanding, we also tender
25 in evidence Exhibit Number 5.

1 EXAMINER JONES: Exhibit Number 5 is so admitted.

2 MR. BROOKS: Pass the witness.

3 EXAMINATION

4 BY EXAMINER JONES:

5 Q. Chris, this was a pretty poor well from the
6 start, wasn't it?

7 A. Right.

8 Q. So it actually reported a test, but do you really
9 believe it never had any production?

10 A. No, I just don't think they reported it. It's
11 hard to tell with these down here because some of them,
12 they may have reported production for a certain amount of
13 time, and then it just dropped off.

14 EXAMINER JONES: Okay, I have no other questions
15 for this witness.

16 MR. BROOKS: Very good. I will return to counsel
17 table and call Dorothy Phillips.

18 Ms. Phillips, good morning again.

19 MS. PHILLIPS: Good morning.

20 DOROTHY L. PHILLIPS,

21 the witness herein, after having been first duly sworn upon
22 her oath, was examined and testified as follows:

23 DIRECT EXAMINATION

24 BY MR. BROOKS:

25 Q. We don't need to go through stating your name, I

1 believe, because we've already done that, so I will call
2 your attention at this point to what has been marked as OCD
3 Exhibits Number 6 and 7.

4 A. Yes, sir.

5 Q. Now, Ms. Phillips, as bond administrator for the
6 Oil Conservation Division, do you maintain files and
7 records for the bonds that are furnished by the operators
8 to secure their obligation to plug and abandon wells when
9 no longer productive?

10 A. That's correct.

11 Q. And under the rules that govern these bonds, the
12 surety has a right to cancel a bond under certain
13 conditions, correct?

14 A. Yes, sir.

15 Q. But if there's still a well -- if the operator
16 still has a well that's not been plugged, then the surety
17 can cancel the bond only for wells thereafter drilled or
18 acquired, correct?

19 A. Right, it's called cancel as to future liability.

20 Q. And when the surety requests that, we send out a
21 letter indicating that it is canceled with that
22 qualification, correct?

23 A. That's correct.

24 Q. Okay. With that understanding, what is Exhibit
25 Number 6?

1 A. Exhibit Number 6 is a one-well plugging bond for
2 Hulen H. Lemon in the amount of \$5000.

3 Q. And I would ask you to look at the location
4 description appearing on that bond, and then I would ask
5 you to look at Exhibit Number 5, which has been admitted in
6 evidence, and you'll see that the location of the well as
7 described in Exhibit Number 5, the location of the Gregg
8 Dodd Well Number 1 as described in Exhibit Number 5, does
9 that appear to be the same well that is the subject of the
10 one-well bond that is Exhibit Number 6?

11 A. Yes, sir.

12 Q. Very good. What is Exhibit Number 7?

13 A. It is in response to a request to cancel the
14 bond, and it is stated in the letter that the bond cannot
15 be canceled.

16 Q. And that would be because it's a one-well bond,
17 and the well has not been plugged, right?

18 A. That's correct.

19 Q. And there would be no future liability on one-
20 well bonds --

21 A. That's correct.

22 Q. -- so there's nothing to cancel?

23 And Diane Richardson who signed that letter, is
24 that your predecessor?

25 A. That's correct.

1 Q. Now, you maintain the originals of these bonds
2 and files? That's under your responsibility, correct?

3 A. That's correct.

4 Q. And do you have in front of you the file
5 pertinent to Hulen H. Lemon?

6 A. Yes, sir, I do.

7 Q. Would you compare Exhibits Number 6 and 7 with
8 the originals appearing in your file and tell the Examiner
9 if these are true copies of the original documents that are
10 maintained by you?

11 A. Yes, sir, they're one and the same.

12 MR. BROOKS: Tender Exhibits 6 and 7.

13 EXAMINER JONES: Exhibits 6 and 7 are admitted.

14 MR. BROOKS: Pass the witness.

15 EXAMINER JONES: I have no questions for this
16 witness.

17 Is there anything further?

18 MR. BROOKS: Nothing further, Mr. Examiner.

19 EXAMINER JONES: Okay, in that case, Case 12,974
20 will be taken under consideration.

21 (Thereupon, these proceedings were concluded at
22 9:58 a.m.)

23 * * * I do hereby certify that the foregoing is
24 a complete record of the proceedings in
the Examiner hearing of Case No. 12974,
heard by me on 12/5 1902.

25

Will Jones, Examiner
Oil Conservation Division

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 December 6th, 2002.



STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 16th, 2006