

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 WALTER W. ANDERSON 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)
OPERATOR AND ORDERING A FORFEITURE OF)
APPLICABLE SECURITY, IF ANY, LEA COUNTY,)
NEW MEXICO)

CASE NO. 12,975

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. 12,975

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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 8:58 a.m.:

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4
5 EXAMINER JONES: At this time we'll call Case
6 12,975, Application of the New Mexico Oil Conservation
7 Division for an order requiring Walter W. Anderson to
8 properly plug one well, imposing civil penalties in event
9 of failure to comply, authorizing the Division to plug said
10 well in default of compliance by operator and ordering a
11 forfeiture of applicable security, if any, Lea County, New
12 Mexico.

13 Call for appearances.

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

18 I have three witnesses, who happen to be
19 precisely the same witnesses who appeared in the
20 immediately preceding case.

21 EXAMINER JONES: Any other appearances?

22 There being none, Mr. Brooks, please proceed.

23 MR. BROOKS: Okay, we'll allow the record to
24 reflect, if I may, that the witnesses that I'm calling were
25 sworn in Case Number 12,974.

1 Since Ms. Phillips is already on the stand, I
2 will begin with her in this case.

3 DOROTHY L. PHILLIPS,

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

6 DIRECT EXAMINATION

7 BY MR. BROOKS:

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

9 A. Dorothy Phillips.

10 Q. By whom are you employed?

11 A. New Mexico Oil Conservation Division.

12 Q. In what capacity?

13 A. I am the plugging bond administrator.

14 Q. And in your capacity as plugging bond
15 administrator do you maintain files that contain the bonds
16 furnished by the operators as security for their obligation
17 to plug and abandon wells?

18 A. That's correct.

19 Q. I call your attention to what has been marked as
20 Exhibits Numbers 6 and 7 in this record. Would you tell us
21 what Exhibit Number 6 is?

22 A. Exhibit Number 6 is a one-well plugging bond in
23 the amount of \$5000 for Walter W. Anderson.

24 Q. And would you look at Exhibit Number 5 and
25 compare the legal description of the well appearing in

1 Exhibit Number 6 with that appearing in Exhibit Number 5?

2 A. They're one and the same.

3 Q. Thank you. And what is Exhibit Number 7?

4 A. It's a letter requesting cancellation -- the
5 operator had requested cancellation, and it's a response to
6 his request that the bond could not be canceled.

7 Q. Yes, it's not a letter requesting cancellation,
8 but a letter stating that the request is denied, correct?

9 A. Right, that's correct.

10 Q. And since this is a one-well bond, is the denial
11 of the request in accordance with the usual procedures?

12 A. Yes, sir.

13 Q. And Diane Richardson, whose letter that is, is
14 that your predecessor?

15 A. That's correct.

16 Q. Do you have with you the OCD's file that you
17 maintain on Walter W. Anderson?

18 A. Yes, sir, I do.

19 Q. Would you compare Exhibits 6 and 7 with the
20 originals appearing in the file and tell the Examiner if
21 they're true copies?

22 A. Yes, they're one and the same.

23 MR. BROOKS: Tender Exhibits 6 and 7.

24 EXAMINER JONES: Six and 7 are so admitted.

25 MR. BROOKS: Pass the witness.

EXAMINATION

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BY EXAMINER JONES:

Q. So Ms. Phillips -- so who is liable for plugging this well now? Is it Mr. Ward or is it Walter W. Anderson?

A. Well, sir, the bond is under Walter W. Anderson.

Q. Remains under Walter W. Anderson?

A. Yes, sir.

MR. BROOKS: This is my mistake, I just realized this now. This bond-forfeiture letter apparently was prior to -- apparently did not pick up a rider. May I ask the witness another question?

EXAMINER JONES: Yes.

DIRECT EXAMINATION (Resumed)

BY MR. BROOKS:

Q. Ms. Phillips, is there a rider changing the operator or --

A. No, sir, I do not see that in the file.

Q. Well, it appears that this bond must have been reissued, because -- Oh, no. No, I'm sorry.

This is somewhat confusing to me, and I'm not sure if there's any explanation for it, but the bond is in the name of Walter W. Anderson?

A. That's correct.

Q. And --

A. And I have not released it.

1 Q. -- I do not know why J.S. Ward and Son, Inc. --
2 perhaps -- I don't know if they were a former operator or
3 an insurance broker or what the deal is. But I don't think
4 it matters because Walter W. Anderson is the named operator
5 of the bond.

6 EXAMINER JONES: Okay, I understand. Thank you.
7 And I have no further questions.

8 MR. BROOKS: The witness may stand down then.

9 THE WITNESS: All right, thank you.

10 MR. BROOKS: May this witness be excused inasmuch
11 as she's not needed for any further cases?

12 EXAMINER JONES: She's so excused, thank you --

13 THE WITNESS: Thank you.

14 EXAMINER JONES: -- Ms. Phillips.

15 MR. BROOKS: Call Ms. Prouty.

16 JANE E. PROUTY,

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

19 DIRECT EXAMINATION

20 BY MR. BROOKS:

21 Q. Good morning, Ms. Prouty.

22 A. Good morning.

23 Q. State your name for the record, please?

24 A. Jane Prouty.

25 Q. And by whom are you employed?

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

2 Q. In what capacity?

3 A. I manage the group who processes the C-115s,
4 which are the production reports.

5 Q. Call your attention to what's been marked as OCD
6 Exhibit Number 1 in Case Number 12,975 and ask you to
7 identify it.

8 A. This report I prepared. It shows that for the
9 one well here, the S.E. Anderson Estate Number 1, we have
10 not received a C-115, the monthly production report, from
11 January, 1997, through now.

12 Q. Okay. Just to clarify, in the light of the
13 Examiner's questions in the last case, you only asked the
14 computer to tell you about the period 1997 through the
15 present, correct?

16 A. Correct.

17 Q. So there may have been production reported prior
18 to 1997?

19 A. Yes.

20 Q. In fact, if the information I'm submitting on
21 Exhibit Number 5 is correct, there was production in 1987
22 reported, but I did not ask you to verify that.

23 A. Okay.

24 Q. Okay. And was Exhibit Number 1 -- production
25 report, Exhibit Number 1, prepared at my request?

1 A. Yes.

2 Q. And is that a printout prepared by the computer
3 of information that is kept in the ONGARD system by the OCD
4 in the ordinary course of business?

5 A. Yes.

6 Q. And what it indicates, if I'm not mistaken, is
7 that the operator filed no production report whatsoever
8 with regard to this well for that five-year period of time?

9 A. Right.

10 MR. BROOKS: Very good, tender Exhibit Number 1.

11 EXAMINER JONES: Exhibit Number 1 is so admitted.

12 MR. BROOKS: Pass the witness.

13 EXAMINATION

14 BY EXAMINER JONES:

15 Q. Jane, can you say again what dates that you
16 searched?

17 A. Just from January, 1997, through the present
18 time.

19 EXAMINER JONES: Okay, thank you. I have no
20 further questions of Ms. Prouty.

21 MR. BROOKS: Permission to approach to use the
22 telephone, Mr. Examiner.

23 EXAMINER JONES: You may approach.

24 MR. BROOKS: Call Chris Williams.

25 MR. WILLIAMS: I'm here.

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CHRIS J. WILLIAMS,

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

DIRECT EXAMINATION

BY MR. BROOKS:

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

A. Chris Williams.

Q. By whom are you employed?

A. State of New Mexico, Oil Conservation Division.

Q. And where do you reside?

A. Hobbs, New Mexico.

Q. And in what capacity are you employed by the Oil Conservation Division?

A. District Supervisor for the Hobbs District.

Q. Mr. Williams, is the Walter W. Anderson Estate Number 1 well, API Number 30-025-20488, within your jurisdiction?

A. Yes, it is.

Q. Are you acquainted with that well?

A. Yes, I am.

Q. Does your office maintain a well file on that well in the ordinary course of business?

A. Yes, we do.

Q. Call your attention to what has been marked as OCD Exhibits 2, 3 and 4, and we'll ask you, are these

1 exhibits copies of documents which appear in the well file
2 for the Walter W. Anderson, S.E. Anderson Estate Well
3 Number 1, that's maintained by your office?

4 A. Yes, they are.

5 Q. Okay, would you briefly review these documents
6 for the Examiner and indicate what they disclose about this
7 well?

8 A. Exhibit Number 2 is an Application for Permit to
9 Drill. In this case they applied to re-enter this well and
10 recomplete it to the San Andres.

11 Exhibit Number 3 is a completion report after the
12 re-entry.

13 Exhibit Number 4 is the change of operator from
14 Maurice L. Brown Company to Walter W. Anderson.

15 Q. Now, each of these documents were filed by Walter
16 W. Anderson, correct?

17 A. Yes.

18 Q. Okay, this is another San Andres well, right, in
19 the 4000-to-5000-foot range? Is that correct?

20 A. Yes, it is, David.

21 Q. Okay. Have you recently had an inspector make an
22 inspection of this well?

23 A. Yes, we have.

24 Q. And was that inspector acting under your
25 direction?

1 A. Yes, he was.

2 Q. And based on the inspector's report, do you have
3 an opinion as to whether or not this well should be plugged
4 in order to prevent waste, protect correlative rights and
5 protect the environment?

6 A. Yes, we should plug it.

7 Q. Call your attention to what's been marked as OCD
8 Exhibit Number 8. Do you have a copy of that?

9 A. I do.

10 Q. Can you identify it, please?

11 A. It's a plugging procedure written by Billy
12 Prichard of my office, to plug this particular well, the
13 Walter Anderson Number 1.

14 Q. And in preparing that plugging procedure was he
15 acting under your direction in the ordinary course of
16 business?

17 A. Yes, he was.

18 Q. And if the S.E. Anderson Estate Well Number 1
19 were plugged and abandoned in accordance with the procedure
20 set forth in Exhibit Number 8, in your opinion would it be
21 properly plugged in accordance with the New Mexico Oil and
22 Gas Act and the Regulations of the Oil Conservation
23 Division?

24 A. Yes, it would.

25 Q. Okay, we'll call your attention to what's been

1 marked as Exhibit Number 5, and I will not ask you to speak
2 for the last reported production date because you wouldn't
3 have looked that up, but other than that does the
4 information set forth in Exhibit Number 5 appear to be
5 correct?

6 A. Yes.

7 MR. BROOKS: Mr. Examiner, we'll tender Exhibits
8 Numbers 2, 3, 4, 5 and 8 with the understanding that the
9 last report of production data on 8 has not been testified
10 to, so it may be excised if it's not correct according to
11 OCD records.

12 EXAMINER JONES: Exhibits 2, 3, 4, 5 and 8 are so
13 admitted.

14 MR. BROOKS: Pass the witness.

15 EXAMINATION

16 BY EXAMINER JONES:

17 Q. Chris, this well is -- it looks like mainly it
18 was tested as a gas well in the San Andres?

19 A. Right.

20 Q. Okay, and as far as the plugging procedure goes,
21 you don't want to recover any of that 7-inch casing, you
22 just want to perforate? Is it cheaper for you guys to
23 perforate and squeeze than recover any of it?

24 A. A lot of times what we'll do is, the plugging
25 company will bid that, they'll take a look at our

1 procedure. This is just in case we can't pull anything out
2 of the well.

3 Q. Okay.

4 A. Okay? And the plugging company will bid it, and
5 they'll say, Well, we can remove 1000 feet of 7-inch casing
6 and we'll get a credit of so much per foot.

7 Q. Okay, so you will try to recover some?

8 A. Some will -- We do try to recover some.

9 EXAMINER JONES: Okay, thanks a lot Chris.
10 That's all I have for this witness.

11 MR. BROOKS: Thank you, I would make one other
12 statement in regard to this case, Mr. Examiner. I'll
13 return to counsel table.

14 I have been contacted by a gentleman whose name
15 was Anderson, and I forget his first name, but this
16 gentleman who contacted me by telephone after the letters
17 were sent out in this case indicated to me that Walter W.
18 Anderson is deceased, and this gentleman indicated to me
19 that -- further, that although he was not personally
20 liable, since he was merely an heir and not the operator,
21 that he wanted to protect his father's good name and he
22 would undertake to see if he could get this well plugged,
23 which sounded like a good idea to me, and I report it to
24 you.

25 However, at the same time it does not cause me to

1 withdraw or postpone our recommendation that this order be
 2 entered, as he can do it within the time frame set forth in
 3 the order if he chooses to do so.

4 I bring this to your attention merely inasmuch as
 5 you as Examiner may wish to take it under consideration.

6 With that, the Division rests.

7 EXAMINER JONES: Mr. Brooks, is this gentleman
 8 waiting for someone else to contact him to give him a date
 9 on the plugging?

10 MR. BROOKS: I don't know, he didn't really
 11 indicate that he was waiting. But I will undertake, when
 12 an order is issued in this case, to make sure that he is
 13 furnished with a copy.

14 EXAMINER JONES: Thank you, Mr. Brooks. Is there
 15 anything further in this case?

16 MR. BROOKS: Nothing further, your Honor.

17 EXAMINER JONES: Okay. With that, Case 12,975
 18 will be taken under consideration.

19 (Thereupon, these proceedings were concluded at
 20 10:10 a.m.)

21 * * * I do hereby certify that the foregoing is
 22 a complete record of the proceedings in
 23 the Examiner hearing of Case No. 12975
 heard by me on 10/5 1962.
 24 Will Jones, Examiner
 Oil Conservation Division

25

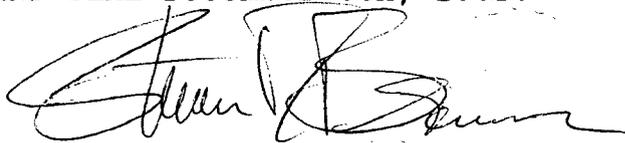
CERTIFICATE OF REPORTER

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