

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. 12,947
)
APPLICATION OF THE NEW MEXICO OIL)
CONSERVATION DIVISION FOR AN ORDER)
REQUIRING AMMONITE ENERGY TEXAS, INC.,)
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)
AMMONITE ENERGY TEXAS, INC., AND)
ORDERING A FORFEITURE OF APPLICABLE)
PLUGGING BOND, IF ANY, LEA COUNTY,)
NEW MEXICO)

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.

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OIL CONSERVATION DIV
02 NOV - 8 PM 2:23

I N D E X

October 24th, 2002
Examiner Hearing
CASE NO. 12,947

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<u>BILLY PRICHARD</u> (Deputy Inspector, Hobbs District Office, District 1, NMOCD) (Present by Telephone) Direct Examination by Mr. Brooks Examination by Examiner Stogner	9
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* * *

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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 2:35 p.m.:

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6 EXAMINER STOGNER: At this time I'll call Case
7 Number 12,946. This is the Application of the New Mexico
8 Oil Conservation Division for an order requiring --
9 Ammonite?

10 MR. BROOKS: I think it's Ammonite.

11 EXAMINER STOGNER: Well, okay. -- Ammonite
12 Energy Texas, Inc., to properly plug one certain well in
13 Lea County, New Mexico.

14 And at this time I'll call for appearances.

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

19 I have two witnesses. Both of them have been
20 sworn in the previous proceeding.

21 EXAMINER STOGNER: Let the record show that Ms.
22 Phillips and Mr. Prichard have been previously sworn.
23 There's no other parties present.

24 You may continue, Mr. Brooks.

25 MR. BROOKS: Call Dorothy Phillips.

1 DOROTHY L. PHILLIPS,
2 the witness herein, having been previously duly sworn upon
3 her oath, was examined and testified as follows:

4 DIRECT EXAMINATION

5 BY MR. BROOKS:

6 Q. Ms. Phillips, would you state your name for the
7 record, please?

8 A. Dorothy Phillips.

9 Q. And by whom are you employed?

10 A. New Mexico Oil Conservation Division.

11 Q. In what capacity?

12 A. The plugging bond administrator.

13 Q. Call your attention to what has been marked in
14 this proceeding as Exhibit Number 7 and ask you to identify
15 it.

16 A. It is a \$50,000 blanket plugging bond for
17 Ammonite Energy Texas, Inc.

18 Q. And who is the surety on that bond?

19 A. Underwriters Indemnity.

20 Q. Ms. Phillips, do you have with you in the hearing
21 room the plugging bond file that the OCD maintains on
22 Ammonite Energy Texas, Inc.?

23 A. Yes, I do.

24 Q. Is Exhibit Number 7 a true copy of an original
25 plugging bond that is contained in the OCD's file that you

1 maintain?

2 A. That's correct.

3 MR. BROOKS: Tender Exhibit Number 7.

4 EXAMINER STOGNER: Exhibit Number 7 is admitted
5 into evidence at this time.

6 MR. BROOKS: Pass the witness.

7 EXAMINER STOGNER: No questions of Ms. Phillips
8 at this time.

9 MR. BROOKS: Very good, call Billy Prichard.

10 MR. PRICHARD: Yes.

11 BILLY PRICHARD (Present by Telephone),

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

14 DIRECT EXAMINATION

15 BY MR. BROOKS:

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

17 A. Billy Prichard, compliance officer, District 1,
18 NMOCD.

19 MR. BROOKS: And the record will reflect that Mr.
20 Prichard's credentials have been accepted in the previous
21 proceedings this afternoon.

22 EXAMINER STOGNER: So noted.

23 Q. (By Mr. Brooks) Mr. Prichard, call your
24 attention to Exhibit Number 3, 4, 5 and 6. Are these
25 documents, and each of them, copies of documents that are

1 contained in the well files maintained by the Hobbs
2 District Office of the New Mexico Oil Conservation Division
3 in the ordinary course of business?

4 A. Yes, they are.

5 Q. Would you tell us first of all what is Exhibit --
6 Well, first of all, do each of these Exhibits relate to
7 what is now the Ammonite Energy Dickinson Cattle Company 33
8 Well Number 2, API Number 30-025-27818?

9 A. Yes, they do.

10 Q. And what is Exhibit Number 3?

11 A. Exhibit Number 3 is a C-101, and it is an intent
12 to drill, approved in 1992, by Reading and Bates Petroleum.
13 That was Exhibit Number 3.

14 Q. Okay, Exhibit Number 4?

15 A. Exhibit Number 4 is the C-105 outlining the
16 completion of the Dickinson Cattle Company 33 Number 3 by
17 Reading and Bates, accepted in 1982.

18 Q. Exhibit Number 5?

19 A. Exhibit Number 5 is a sundry notice, a C-103, and
20 it looks like that Reading and Bates -- This is when they
21 converted the well to injection.

22 Q. Okay, and Exhibit Number 6?

23 A. Exhibit Number 6 is a C-104, and it is a change
24 of operator from Enerstar Resources to Ammonite Energy of
25 Texas, and it was approved in -- it looks like 1997.

1 Q. I believe that's correct. Mr. Prichard, are you
2 familiar with the Dickinson Cattle Company 33 Well Number
3 2?

4 A. Yes, I am.

5 Q. Do you know how long it's been inactive?

6 A. I have not pulled the records and looked at it.
7 I know that I have been employed by the OCD four years, and
8 it hasn't done anything in four years.

9 Q. Okay. Well, I have pulled the records and looked
10 at them, and that's reflected on Exhibit Number 2, that the
11 last reported injection was in July of 1995.

12 In you opinion, Mr. Prichard, does that well need
13 to be plugged for the protection of the environment, the
14 prevention of waste and the protection of correlative
15 rights?

16 A. Yes, it does.

17 Q. And I call your attention to what's been marked
18 as OCD Exhibit Number 8.

19 A. Yes.

20 Q. Now, the handwriting on the copy there is mine,
21 but first of all, is that information on the copy correct?

22 A. Yes, it is.

23 Q. Okay. Disregarding, then, the handwritten
24 information down there, is this a plugging procedure that
25 was prepared by you?

1 A. Yes, it was.

2 Q. And in reference to the Dickinson Cattle Company
3 Well Number 2?

4 A. Yes, it is.

5 Q. If the well were plugged in accordance with this
6 procedure, would it be plugged and abandoned in full
7 compliance with the OCD Rules 201 and 202?

8 A. Yes, it would.

9 MR. BROOKS: I tender into evidence Exhibits
10 Numbers 3, 4, 5, 6, 7 and 8 -- 6 and 8, I already offered
11 7. Three through 6 and 8.

12 EXAMINER STOGNER: Exhibits 3, 4, 5, 6 and 8 will
13 be admitted into evidence at this time.

14 MR. BROOKS: Pass the witness.

15 EXAMINATION

16 BY EXAMINER STOGNER:

17 Q. Again, what's the surface conditions on this
18 well, where is it located, what's the conditions around it
19 that may be hazardous?

20 A. It is located in the middle of an alfalfa field.
21 There is a water well approximately 150 feet, maybe 200
22 feet, to the southwest of this particular disposal well, an
23 irrigation well.

24 Q. Okay, do you by chance have any reference, for
25 the record, the authorization to inject?

1 A. It would be like and SWD order, Mike?

2 Q. Yeah, I think if you look at Exhibit Number 5,
3 there might be a reference there.

4 A. SWD-299.

5 Q. Yeah, you don't have anything that would say
6 otherwise, would you?

7 A. I wouldn't think so.

8 EXAMINER STOGNER: Okay, I'll take administrative
9 notice of SWD-299 and any other records we may have here at
10 the Division on this well.

11 MR. BROOKS: Very good.

12 EXAMINER STOGNER: No other questions, you may be
13 excused.

14 Anything else, Mr. Brooks?

15 MR. BROOKS: We will tender into evidence the
16 affidavit of Jane Prouty, to which are attached the record
17 showing -- the printout showing that there's been no
18 injection reported from this well during the five-year
19 period preceding the filing of this proceeding.

20 EXAMINER STOGNER: Exhibit Number 1 will be
21 admitted.

22 MR. BROOKS: And Exhibit Number 2 we'll offer as
23 a summary of OCD records.

24 EXAMINER STOGNER: And accepted as such.

25 MR. BROOKS: And we will further ask the Examiner

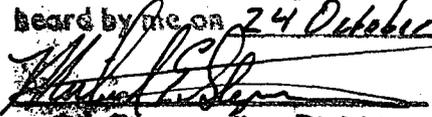
1 to take notice of the contents of the Court's file which
2 indicate that the notice letter to Ammonite Energy of this
3 proceeding was received and receipted for by J.S. Foster,
4 and the notice to Underwriters Indemnity Company was
5 received and receipted for by P. Taylor.

6 EXAMINER STOGNER: So noted.

7 If there's nothing further in Case Number 12,947,
8 then this case will be taken under advisement.

9 (Thereupon, these proceedings were concluded at
10 2:43 p.m.)

11 * * *

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14
15 I do hereby certify that the foregoing is
16 a complete record of the proceedings in
the Examiner hearing of Case No. 12947.
heard by me on 24 October 2002.
17  , Examiner
18 Oil Conservation Division
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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 November 6th, 2002.



STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 16th, 2006