

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 A COMPLIANCE)
ORDER AGAINST SALADO OPERATING, L.L.C.)

CASE NO. 13,887

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

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

March 15th, 2007

Santa Fe, New Mexico

2007 MAR 29 AM 8 05

WVJ 3/29/07

This matter came on for hearing before the New Mexico Oil Conservation Division, WILLIAM V. JONES, Jr., Hearing Examiner, on Thursday, March 15th, 2007, 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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I N D E X

March 15th, 2007
Examiner Hearing
CASE NO. 13,887

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<u>MIKE BRATCHER</u> (Compliance Officer, Advanced; Artesia District Office, District 2, NMOCD)	
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* * *

A P P E A R A N C E S

FOR THE DIVISION:

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FOR THE APPLICANT:

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* * *

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

3 EXAMINER JONES: Okay, let's go to page 2 on the
4 docket, and let's call the first case of the morning. It's
5 Case Number 13,887, Application of the New Mexico Oil
6 Conservation Division for a compliance order against Salado
7 Operating, L.L.C.

8 Call for appearances.

9 MS. O'CONNOR: Thank you, Mr. Hearing Officer.
10 My name is Cheryl O'Connor, I'm appearing on behalf of the
11 Oil Conservation Division, and the case that we have today
12 is a request for a plugging, six wells, and the operator is
13 Salado Operating, L.L.C.

14 What we believe is that Salado is in violation of
15 Rule 201 in that they have had these wells that have been
16 inactive for greater than one year and three months.
17 However, since we did file the Application there is one
18 well that we have learned has already been plugged in 2003.
19 It was plugged by the State.

20 We anticipate that the -- Even though we're going
21 to request that the Commission [sic] grant an order
22 plugging these cases [sic], we do anticipate -- against the
23 operator -- we do anticipate that the State will be the
24 entity that ends up plugging the case [sic], and what the
25 OCD is requesting that the Commission require the operator,

1 who is Salado, to bring the wells into compliance with Rule
2 201 within 30 days, and that's by plugging them, placing
3 them on temporary abandonment or bringing them into
4 productive use.

5 If they do not comply within that 30 days of the
6 order of the Commission [sic], then we would request that
7 the OCD be authorized to plug the case. We have --

8 MR. BROOKS: Plug the wells, you mean.

9 MS. O'CONNOR: I'm sorry, plug the wells. Thank
10 you, thank you.

11 We have -- anticipate having three witnesses in
12 this case, and for the ease of the Hearing Officer I have
13 made a packet of the exhibits, and if I may approach...

14 EXAMINER JONES: Do we have any other appearances
15 in this case?

16 MS. O'CONNOR: I'm sorry, do I need to stand, or
17 is it okay to sit? I don't know how formal you are.

18 EXAMINER JONES: You can sit, but the witnesses
19 can be sworn.

20 MS. O'CONNOR: We have had no response at this
21 point in time from Salado. If you will turn to Exhibit 4
22 of the packet I just gave you, that is the certificate of
23 notice. And you will see that more than 20 days prior to
24 the hearing of this case, that I sent out on behalf of the
25 Oil Conservation Division a letter on February 21st

1 notifying the operator of this hearing, of this proposed
2 hearing, and that we mailed it to three different
3 addresses, the notice. It was mailed to them in -- to
4 Salado Operating in -- at 1533 Cordova in Hobbs.

5 That letter has never been picked up, nor have we
6 received a return receipt. We sent it out certified. We
7 have gotten no notice that they either picked up the
8 letter, nor that they have returned the letter to the OCD.

9 We also mailed it to Salado at a P.O. box that
10 they have provided us as their address. That letter has
11 been returned to us, although the return receipt was
12 initially signed and then re-attached back to the letter
13 and returned to us as no P.O. box being available, as that
14 number did not exist.

15 We also sent notice to Salado Operating's
16 registered agent, who was Maddox and Hollowman. That
17 address is also shown on our February 21st letter. That
18 notice was picked up by the operator, but we've received no
19 response from them and no entry of appearance, either from
20 the regis- -- on behalf of op- -- of Salado or Salado.

21 In anticipation that we may not be able to reach
22 the operator, we also advertised -- or put a public notice
23 in a paper of general circulation in Eddy County, which is
24 where these wells are located. That is the last document
25 that is part of the packet, and that was published -- ran

1 for one week in the *Artesia* -- or excuse me, was -- ran on
2 February 18th for one day in the *Artesia Daily Press*.

3 The witness -- the first witness that the Oil
4 Conservation Division would like to call is by affidavit,
5 and that is Jane Prouty. And would she be allowed to
6 appear by affidavit?

7 EXAMINER JONES: Yes.

8 MS. O'CONNOR: Okay. Her affidavit is attached
9 as Exhibit Number 3 to the packet. And Jane Prouty swore
10 to this affidavit on -- I believe it was the 12th of
11 February. My copy is so faint that I cannot see the day
12 that she actually signed this affidavit.

13 But Jane Prouty is employed with the Oil
14 Conservation Division as the supervisor of the production
15 and permitting at the Santa Fe, New Mexico, office of the
16 OCD. Her duties include maintaining records of oil and gas
17 production and injection on the wells located in New
18 Mexico.

19 The information that the Oil Conservation
20 Division collects is the monthly reports for injection and
21 from production that comes from what's called production
22 reports that are filed each month by the well operators.
23 These are kept tracked through the Oil Conservation
24 Division's ONGARD, which is the Oil and Natural Gas
25 Administration and Revenue Database. That was began by the

1 OCD in 1993. Jane testifies that since 1993 production and
2 injection data from that monthly production report filed by
3 operators has been entered into ONGARD.

4 She also testifies that when the OCD began using
5 the ONGARD system in 1993, they converted existing
6 production injection data onto ONGARD for those wells that
7 were not shown as plugged according to the Oil Conservation
8 Division records that were available at that time.

9 The pre-1993 production and injection information
10 for each such well was totaled and appears in ONGARD under
11 the past month of production or injection for that well.

12 Jane testifies that she researched the ONGARD
13 records for the wells that have been listed in the Oil
14 Conservation Division's Application for plugging, and those
15 wells are the East Henshaw Unit Number 001Y, the East
16 Henshaw Unit Number 002, the East Henshaw Unit Number 002K,
17 the East Henshaw Unit Number 004N, East Henshaw Unit 004S,
18 and the East Henshaw Unit 006M.

19 When she researched those records, she found that
20 the ONGARD contained no record of reports of production or
21 injection on those wells for a minimum of 10 years.

22 Specifically on the East Henshaw Unit Number 001,
23 the East Henshaw Unit Number 002, there has been no
24 reported production or injection since September of 1996.
25 On the East Henshaw Unit Number 002K there's been no

1 reported injection or production since August of 1996. On
2 the East Henshaw Unit Number 004N, no production or
3 injection since April of 1981. And on the East Henshaw
4 Unit Number 004S, there's been no production or injection
5 since February of 1980. And on the East Henshaw Unit
6 Number 006M, there has been no production or injection
7 since September of 1996.

8 That ends the testimony of Jane Prouty.

9 The next witness that the Oil Conservation
10 Division would like to call again is by affidavit, and that
11 is by the affidavit of Dorothy Phillips. And if she may be
12 permitted to testify by affidavit?

13 EXAMINER JONES: Okay.

14 MS. O'CONNOR: Mr. Hearing Officer, her affidavit
15 is included in the packet at Exhibit Number 2, and she
16 completed this affidavit, which is -- was sworn to before a
17 notary public on February 13th of 2007.

18 Dorothy Phillips is employed as the bond
19 administrator of the Santa Fe, New Mexico, office of the
20 Oil Conservation Division and has been so for the past four
21 years. Her duties include maintaining records of financial
22 assurance documents filed by the operators pursuant to NMS
23 1978 Section 72-14.

24 At the Oil Conservation Division's request,
25 Dorothy Phillips researched her records, or the Oil

1 Conservation's financial assurance records to determine if
2 financial assurance documents had been filed on the cases
3 that are the subject of this particular case. She found
4 that there is no financial documents that have been filed
5 on this case -- I mean on these wells, and the reason for
6 that is that they are all on federal land and that there is
7 no requirement that bonds or financial documents be filed
8 on those particular cases.

9 That is all of the testimony that Dorothy
10 Phillips has at this time.

11 The Oil Conservation would request to call its
12 next witness, who is here with us at this time, is Mike
13 Bratcher.

14 EXAMINER JONES: Okay, will the witness please
15 stand to be sworn?

16 (Thereupon, the witness was sworn.)

17 MIKE BRATCHER,

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

20 DIRECT EXAMINATION

21 BY MS. O'CONNOR:

22 Q. Good morning.

23 A. Morning.

24 Q. For the record, could you state your name?

25 A. Mike Bratcher.

1 Q. And who are you employed by?

2 A. The Oil Conservation Division, District 2 in
3 Artesia.

4 Q. And what do you do for the Oil Conservation
5 Division? What is your title?

6 A. My title is compliance officer, advanced. I
7 currently perform duties as an acting field supervisor and
8 acting environmental engineer.

9 Q. How long have you been acting field supervisor?

10 A. Since October of 2006.

11 Q. And how long have you been with the Oil
12 Conservation overall?

13 A. Five and a half years.

14 Q. And as part of your duties with the Oil
15 Conservation Division, are you required to be familiar with
16 the Oil Conservation Division's Rules and Regulations?

17 A. Yes.

18 Q. Mr. Bratcher, I'm going to hand you -- I'm not
19 for sure if you have a copy of our exhibits. If I may?

20 Mr. Bratcher, I've just handed you a list of the
21 Oil Conservation Division's exhibits, and I would ask you
22 to look at the first page that is Exhibit 1, and could you
23 explain to the Hearing Officer what this exhibit is?

24 A. This is an ONGARD printout that indicates the
25 last date of production and injection that was reported to

1 the OCD.

2 Q. Okay. And are these the list of -- it was -- Let
3 me rephrase that.

4 You said the last day in production. Is that for
5 the wells that are listed on page 1?

6 A. Yes.

7 Q. And are those wells the subject of this plugging
8 case today?

9 A. Yes.

10 Q. Okay. Is this list kept in the ordinary course
11 and scope of business of the Oil Conservation Division?

12 A. Yes.

13 Q. Are you familiar with the wells that are listed
14 in Exhibit 1?

15 A. Yes.

16 Q. Are they located in your district?

17 A. Yes.

18 Q. And what county is that where they're located?

19 A. Eddy County.

20 Q. Okay. Have you had an opportunity to review the
21 well file for these wells?

22 A. Yes.

23 Q. Could you tell us who the operator is for the
24 wells that are listed on Exhibit 1?

25 A. It would be Salado Operating.

1 Q. And when did Salado Operating become the operator
2 of these wells?

3 A. The OCD approved their application on October
4 13th, 1995.

5 Q. And do you recall when Salado made application to
6 be the operator of these wells?

7 A. October 1st, 1995.

8 Q. And who was prior operator?

9 A. Royal Oil Company, Ltd.

10 Q. When the -- or, who made the application on
11 behalf of Salado Operating, meaning what -- who signed
12 their request to be the operator?

13 A. It would be Allen Hodge.

14 Q. And who -- in what capacity did Mr. Hodge sign
15 the documents requesting to become the operator?

16 A. As manager.

17 Q. And is that the same -- the information that you
18 just testified to, is that the same for all of these wells
19 that are listed on Exhibit 1?

20 A. Yes.

21 Q. Mr. Bratcher, are you personally familiar with
22 the wells that are listed on Exhibit 1?

23 A. Yes.

24 Q. Have you had -- has the Oil Conservation Division
25 had an opportunity to inspect those wells?

1 A. Yes.

2 Q. Let's go through each one of the wells. If we
3 refer again to Exhibit 1, beginning with the East Henshaw
4 Unit Number 001, when was the last date -- well, let me ask
5 you this: What type of well is that?

6 A. Okay, this would be the 001Y; is that correct?

7 Q. I'm sorry, yes, 001Y.

8 A. Okay, it's listed as a produced water injection
9 well.

10 Q. And when was the last date of record of
11 injection?

12 A. September of 1996.

13 Q. Has the Oil Conservation Division done an
14 inspection of this well since 1996?

15 A. Yes.

16 Q. And when was that last inspection done?

17 A. March 1st, 2007.

18 Q. And what was the condition of the well March 1st
19 of 2007?

20 A. The well was not being injected into, no
21 indication of any recent activity at the well, the well is
22 probably not mechanically capable of being produced into.

23 Q. Does the Oil Conservation Division at this time
24 have a recommendation and a request regarding what should
25 be done with this well?

1 A. Yes, we'd like to have the well plugged and
2 abandoned.

3 Q. Okay, and what is the basis of the Oil
4 Conservation Division asking for this to be plugged and
5 abandoned?

6 A. It would be based on OCD Rule 201, which requires
7 any inactive well after a period of one year and three
8 months to be practically plugged.

9 Q. Mr. Bradshaw, I turn your -- Excuse me, Mr.
10 Bratcher. I turn your attention now to the next well on
11 our list, which is the East Henshaw Unit Number 002. Are
12 you familiar with that well?

13 A. Yes.

14 Q. And what type of well is that?

15 A. It's a produced water injection well.

16 Q. And when was the -- when do the records indicate
17 the last injection into that well occurred?

18 A. September of 1996.

19 Q. And has the Oil Conservation Division had an
20 opportunity to inspect that well since the date of last
21 injection?

22 A. Yes.

23 Q. And when was the last time that that well was
24 inspected?

25 A. March 1st, 2007.

1 Q. And what was the condition of the well at that
2 time?

3 A. No indication of any activity at the well, the
4 well was not being injected into, the well is probably not
5 capable of -- mechanically capable of being injected into.

6 Q. And what would the request of the OCD be
7 regarding this well, to the Commission?

8 A. We'd like to have the well plugged and abandoned.

9 Q. And again, pursuant to what Rule are you
10 requesting that?

11 A. That would be under Rule 201.

12 Q. And for the same basis as for the first well?

13 A. Yes.

14 Q. On the East Henshaw Unit Number 002K, are you
15 familiar with that well?

16 A. Yes.

17 Q. And what type of well is that?

18 A. It was a producing oil well.

19 Q. And what is the condition of that well at this
20 time?

21 A. At this time this well has been plugged, and it
22 was plugged due to a waterflow that was coming back to
23 surface.

24 Q. And when -- what year was that plugged?

25 A. October, 2003.

1 Q. Is there anything at this point in time that you
2 would be asking the Commission to do regarding this well?

3 A. No.

4 Q. So that one is being withdrawn --

5 A. Yes.

6 Q. -- from our -- from the OCD's Application?

7 A. (Nods)

8 Q. On the East Henshaw Unit Number 004N, are you
9 familiar with that well?

10 A. Yes.

11 Q. And what type of well is it?

12 A. It's a produced water injection well.

13 Q. When do the OCD's records show that the last
14 injection occurred on this well?

15 A. April of 1981.

16 Q. And has the OCD had an opportunity to inspect
17 that well since the date of last injection?

18 A. Yes.

19 Q. And when was the last inspection that was done on
20 the well?

21 A. March 1st, 2007.

22 Q. What was the condition of the well at that time?

23 A. The well is not capable of being injected into,
24 it's basically just a piece of casing sticking out of the
25 ground.

1 Q. What would the OCD request be done with this
2 well?

3 A. We'd like to have the well plugged and abandoned.

4 Q. Okay. Turning your attention to the East Henshaw
5 Unit Number 004S, are you familiar with that well?

6 A. Yes.

7 Q. And what type of well is it?

8 A. It's a producing oil well.

9 Q. When was the last time that the records, OCD
10 records, show that there was any production from that well?

11 A. February, 1980.

12 Q. Has the OCD done inspections on that well since
13 the date of last reported production?

14 A. Yes.

15 Q. And the last time that an inspection was done?

16 A. March 1st, 2007.

17 Q. What was the condition of the well at that time?

18 A. There's no production equipment on this well, and
19 it's not mechanically capable of production at this time.

20 Q. What would the OCD request the Commission do
21 regarding this well?

22 A. We'd like to have the well plugged and abandoned.

23 Q. And the last well that is on the list is the East
24 Henshaw Unit Number 006M. Are you familiar with that well?

25 A. Yes, ma'am.

1 Q. What type of well is it?

2 A. It's a producing oil well.

3 Q. When was the last reported production on that
4 well?

5 A. September of 1996.

6 Q. Has the Oil Conservation Division inspected the
7 well since 1996?

8 A. Yes.

9 Q. And the last inspection date?

10 A. March 1st, 2007.

11 Q. And what was the condition of the well at that
12 time?

13 A. No production equipment on the well, the well is
14 mechanically incapable of production at this time.

15 Q. What would the request of the OCD be of the
16 Commission regarding this well?

17 A. We'd like to have it plugged and abandoned.

18 MS. O'CONNOR: I have no further questions of
19 this witness.

20 EXAMINATION

21 BY EXAMINER JONES:

22 Q. Okay. Thank you, Mr. Bratcher.

23 The last two you mentioned, they had no
24 production equipment on them, they were old production
25 wells. Did you inspect these, or did someone under your --

1 A. The inspection on March 1st was performed by
2 field inspector Phil Hawkins.

3 Q. The other wells, these old injection wells, did
4 they have tubing in the hole?

5 A. I think two do and one doesn't.

6 Q. The first two, you didn't mention that -- you
7 said they're old injection wells. But if they have tubing
8 in the hole and they have -- they should have a packer down
9 there, so did you run -- do you have a record of mechanical
10 integrity tests run on those to -- in other words, are they
11 holding -- would they be holding pressure? Or would it be
12 something you could research?

13 A. The last time a mechanical integrity test was
14 performed was in March of 2000, and looking at the records
15 it looked like they did pass.

16 In 2001 it was scheduled for a Bradenhead test,
17 and it wasn't tested. The records -- inspection record
18 says that the cell was pending.

19 2002, there was no company representative
20 available to witness the test, so it wasn't tested. And
21 that was the last time it was scheduled for a mechanical
22 integrity test, which is required on injection wells --

23 Q. -- every five years.

24 A. -- five years for a pressure test, and annually
25 for a Bradenhead test.

1 Q. So it was tested in March of 2000, it should have
2 been tested March of -- or sometime in 2005?

3 A. Yes.

4 Q. Now if there's no operator, do you -- you have to
5 have the operator there to test them?

6 A. Yes, sir --

7 Q. And some injection --

8 A. -- yes, sir.

9 Q. Is there any injection plan^T on this East Henshaw
10 Unit?

11 A. I believe that that injection plan^T has been
12 dismantled.

13 Q. Okay. So the whole unit is inactive?

14 A. Yes, sir.

15 Q. Okay. These old injection wells -- Do you know
16 anything about these -- this Salado Company? Have you had
17 any contact with them? Do you remember any of the field
18 inspectors -- or the field --

19 A. Yes, I --

20 Q. -- foremen --

21 A. -- I know Allen Hodge.

22 Q. Okay.

23 A. He actually runs an environmental company out of
24 Hobbs right now.

25 EXAMINER JONES: And the addresses you sent this

1 to was Hobbs, and -- and no reply to your address?

2 MS. O'CONNOR: I sent it to three different
3 addresses. We have a street address for them. There was
4 no pickup of the envelope and no return of the envelope to
5 the OCD. There was -- So I assume that's at the post
6 office.

7 We had a P.O. box that was reported to us as an
8 appropriate address. That was returned as no box number
9 existing, although somebody had -- a Mr. Pacheco, it
10 appears -- it's hard to read his name -- had torn off -- or
11 there had been a removal of the return receipt. He had
12 signed that, and then it had been put back on the envelope
13 and taped and returned to the OCD as no post office box
14 existing.

15 EXAMINER JONES: Tommy Maddox didn't reply to you
16 when you --

17 MS. O'CONNOR: No, we did -- If you'll give me
18 just a moment --

19 EXAMINER JONES: And also, did you check and see
20 if Salado operates anything else in New Mexico? Did you
21 have a new address for them or anything?

22 MS. O'CONNOR: Yes, we have checked. This is --
23 The addresses that we have are the addresses that were
24 provided by Salado as their appropriate addresses. We have
25 no other addresses. But if you don't mind, I can ask Mr.

1 Bratcher if there is --

2 EXAMINER JONES: Please.

3 MS. O'CONNOR: Mr. Bratcher, to your knowledge,
4 does Salado operate any other wells in New Mexico, other
5 than those listed on the well list on Exhibit 1?

6 THE WITNESS: Not to my knowledge.

7 MS. O'CONNOR: Are they required to have gotten
8 their permits from the Oil Conservation Division or
9 registered with the Oil Conservation Division if they would
10 have been operating any other wells in New Mexico?

11 THE WITNESS: Yes.

12 Q. (By Examiner Jones) Well, let me ask you this:
13 Do you ever let a well be considered temporarily abandoned,
14 an old injection well, by doing an MIT on it?

15 A. Yes.

16 Q. Okay. But in this case you don't recommend to do
17 that. You still say it's out of compliance with Rule 201?

18 A. 201, yes, sir, it's out of compliance with Rule
19 201 and --

20 Q. Because there's no internal plug in the tubing;
21 is that --

22 A. Well now, that -- I'm not sure exactly what the
23 conditions are downhole on these, but there's obviously no
24 one out there to operate them. A lot of the equipment is
25 not there anymore, injection equipment.

1 Q. It would cost the -- Who would pay for this, this
2 plugging?

3 A. I'm assuming the State would plug -- would pay
4 for it, it would come out of the plugging fund.

5 EXAMINER JONES: But we don't have a bond.

6 MS. O'CONNOR: No, there is no bond on these
7 because they are federal wells. And we would request that
8 the order be against Salado and that Salado be required to
9 do the plugging. If it is not -- if Salado does not either
10 -- and within this period of time, let me re-emphasize,
11 that we're requesting that they plug --

12 EXAMINER JONES: Thirty days.

13 MS. O'CONNOR: Thirty days. -- that they plug
14 the wells, that they bring them back into productive use,
15 or that they could bring them -- a request that they be
16 temporarily abandoned.

17 They have not responded to our notifications, and
18 as you can see, that obviously it's been over 10 years.
19 1996 is any of these wells -- 1996 was the last injection
20 or production on any of these wells. Some of them go back
21 -- or one of them goes back to 1981 since there has been
22 any activity on the well.

23 We believe that the likelihood of Salado stepping
24 up and taking responsibility of these wells are very
25 slight, although certainly that is their obligation to do.

1 In the event they do not come forward within the next 30
2 days, then we're requesting that the OCD have the authority
3 to go in and plug it under the funds available under its
4 fund that it has available to do the plugging of these
5 cases.

6 The OCD also, under statute, has the right to
7 then go back and try to collect the plugging -- the money
8 that it spends plugging from the operator. It is
9 statutorily authorized to be able to do that.

10 EXAMINER JONES: If you did have to do this
11 plugging, wouldn't it be cheaper to temporarily abandon
12 these wells and satisfy the 201 requirement, than the State
13 spending money plugging the wells?

14 MS. O'CONNOR: The operator has to come forwards
15 and request that it be temporarily abandoned. If we -- We
16 can ask Mr. Bratcher if there has been temporary
17 abandonment on two of these wells in its prior history,
18 prior to Salado being the operator on it. But the
19 requirement is that the operator is going to have to
20 request the temporary abandonment. They have not done
21 that. But they would have that opportunity under this
22 order to come forwards and to request that.

23 EXAMINER JONES: But only if you can find them;
24 is that correct?

25 MS. O'CONNOR: Well, if they don't want to be

1 found, I'm not sure what else we can do. We've met all of
2 the statutory and our rule requirements as to providing
3 notice. We have sent them the letter, we have published
4 notice of this hearing. We do know that Mr. Hodges exists
5 in New Mexico. He has obviously chosen not to respond to
6 these proceedings.

7 Q. (By Examiner Jones) Mr. Bratcher, do you know
8 how much it would cost to drill a well this deep, or about
9 how much it would cost?

10 A. To drill --

11 Q. Yeah, just a rough estimate.

12 A. Gosh, I'd be guessing. I really --

13 Q. What about plugging them? What do you think?

14 A. Plugging costs could run \$6000 to \$10,000 up,
15 depending on what you get into. On wells like these you
16 can run into a lot of problems and get into a lot of money.

17 Q. Did your geologist down in Hobbs say anything
18 about the nearest Grayburg production in this area? Or if
19 there's any other zones up the hole that are producing in
20 other pools around here?

21 A. Well, the Grayburg out there comes in at 2750.

22 Q. That's pretty shallow.

23 A. Yeah. And I believe that's the producing zone of
24 interest out there, is the Grayburg.

25 EXAMINER JONES: Okay, I don't have any more

1 questions.

2 David, do you have questions?

3 EXAMINATION

4 BY MR. BROOKS:

5 Q. Well, just to clarify one of the Examiner's
6 questions. He was talking about temporary abandonment. I
7 remember one well you mentioned, you said had a mechanical
8 integrity test in 2000, right?

9 A. Yes, sir.

10 Q. Is there any that's more recent than that?

11 A. No.

12 Q. So even if they'd been temporarily abandoned --
13 even if it had been an appropriate request, the temporary
14 abandonment would have expired?

15 A. Right.

16 MR. BROOKS: Okay.

17 MS. O'CONNOR: If the Hearing Examiner would
18 like, we can go through the full well history of each one
19 of these wells. Mr. Bratcher is prepared to and has the
20 documents with him to let you know that we can go through
21 every single mechanical integrity test that has been done
22 on every one of these cases.

23 EXAMINER JONES: That's okay, I think we can --

24 MS. O'CONNOR: And if you would like the history
25 on the two that have been temporarily abandoned, I would be

1 glad to examine Mr. Bratcher, and I can present that
2 evidence as well.

3 EXAMINER JONES: No, let's just take
4 administrative notice of the Division records on these
5 wells, and we'll go from there.

6 MS. O'CONNOR: At this time the Oil Conservation
7 Division would request that Exhibits 1 through 4 be
8 admitted into evidence.

9 EXAMINER JONES: Exhibits 1 through 4 will be
10 admitted into evidence.

11 MS. O'CONNOR: That concludes our case.

12 EXAMINER JONES: Okay. Thank you, Mr. Bratcher,
13 Ms. O'Connor.

14 With that, we'll take Case 13,887 under
15 advisement.

16 (Thereupon, these proceedings were concluded at
17 8:56 a.m.)

18 * * *

19 I do hereby certify that the foregoing is
20 a complete record of the proceedings in
21 the Examiner hearing of Case No. _____
22 heard by me on _____

23 _____, Examiner
24 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 March 18th, 2007.



STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 16th, 2010