

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 REUBIN COLLINS D/B/A RCJ)
ENTERPRISES, LLC)

CASE NO. 13,886

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

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

May 24th, 2007

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, May 24th, 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

May 24th, 2007
Examiner Hearing
CASE NO. 13,886

	PAGE
EXHIBITS	3
APPEARANCES	3
OPENING STATEMENT BY MS. MacQUESTEN	5
APPLICANT'S WITNESSES:	
<u>DANIEL SANCHEZ</u> (Compliance and Enforcement Manager, NMOCD, Santa Fe) Direct Examination by Ms. MacQuesten	7
<u>LARRY WAYNE "BUDDY" HILL</u> (Compliance Officer, Advanced; Hobbs District Office, District 1, NMOCD) (Present by telephone) Direct Examination by Ms. MacQuesten Examination by Examiner Jones	13 21
REPORTER'S CERTIFICATE	24

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E X H I B I T S

Applicant's	Identified	Admitted
Exhibit 1	6	20
Exhibit 2	6	20
Exhibit 3	8	20
Exhibit 4	9	20
Exhibit 5	14	20
Exhibit 6	15	20
Exhibit 7	17	20
Exhibit 8	18	20

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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:

GAIL MacQUESTEN
 Deputy General Counsel
 Energy, Minerals and Natural Resources Department
 1220 South St. Francis Drive
 Santa Fe, New Mexico 87505

* * *

1 WHEREUPON, the following proceedings were had at
2 8:22 a.m.:

3
4 EXAMINER JONES: Okay, with that we'll commence
5 the docket this morning with Case 13,886, which was
6 continued from March 29th, but it's an Application of the
7 New Mexico Oil Conservation Division for a compliance order
8 against Reubin Collins d/b/a RCJ Enterprises, LLC.

9 Call for appearances.

10 MS. MacQUESTEN: Mr. Examiner, my name is Gail
11 MacQuesten. I'm appearing for the OCD. I have two
12 witnesses.

13 EXAMINER JONES: Any other appearances?
14 Will the witnesses please stand to be sworn?
15 (Thereupon, the witnesses were sworn.)

16 MS. MacQUESTEN: Buddy?

17 MR. HILL: Yes.

18 MS. MacQUESTEN: Did you hear the swearing-in?

19 MR. HILL: Yes.

20 MS. MacQUESTEN: And did you swear in?

21 MR. HILL: Yes, I did.

22 MS. MacQUESTEN: Okay, thank you.

23 EXAMINER JONES: Okay, you may go ahead.

24 MS. MacQUESTEN: I'd first call Daniel Sanchez,
25 please.

1 And before I begin, let me explain briefly what
2 we're asking for in this case, because there is a slight
3 twist to it.

4 We filed this case as a plugging case on all 11
5 wells operated by Reubin Collins. We brought the case
6 because we have no reported production or injection on the
7 well since at least February, 2004, and the wells are
8 neither plugged nor on approved temporary abandonment
9 status.

10 Mr. Collins had stopped filing reports, and in
11 October of 2006 the OCD canceled Collins' ability to
12 transport from or inject into his wells. We received no
13 response to that cancellation. We assumed the wells were
14 abandoned, and we filed this plugging case seeking
15 authority to plug the wells.

16 The wells are federal, and there is no financial
17 assurance involved.

18 When the inspectors checked the wells prior to
19 the hearing, they found four wells that indeed did appear
20 to be inactive, but they found the other wells were either
21 producing or capable of producing.

22 We decided to go forward with this hearing as to
23 the four wells the inspector found to be inactive. We ask
24 that you dismiss the case as to the remaining wells. We
25 will be filing a separate compliance action against Collins

1 related to the failure to file production reports and for
2 producing or injecting while his authority to transport and
3 inject was canceled. We will be seeking penalties in that
4 case.

5 The twist in this case is that usually we rely on
6 production reports from the operator to show that the wells
7 have been inactive and for the period of time that the
8 wells have been inactive. In this case, we don't have
9 reports. We can't tell exactly how long the four wells
10 that are still at issue have been inactive. We are
11 presuming they've been inactive since the last reported
12 production or injection. Our position is, it's up to the
13 operator to step forward and say otherwise. If the
14 Examiner disagrees, we will re-file this case and ask for
15 plugging under 70-2-14.B and ask for the wells to be
16 plugged, not because they are inactive but because of the
17 failure to file reports.

18 You should have an evidence packet in front of
19 you.

20 The first exhibit is an affidavit of notice,
21 showing notice to Mr. Collins and the newspaper
22 publication.

23 The second exhibit is an affidavit from Dorothy
24 Phillips showing that the State holds no financial
25 assurance for these wells.

1 And with that, I would call Mr. Sanchez.

2 DANIEL SANCHEZ,

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

5 DIRECT EXAMINATION

6 BY MS. MacQUESTEN:

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

8 A. Daniel Sanchez.

9 Q. And where are you employed?

10 A. With the Oil Conservation Division.

11 Q. What is your title?

12 A. Compliance and Enforcement Manager.

13 Q. Do your duties include managing OCD compliance
14 efforts?

15 A. Yes, they do.

16 Q. And do your duties include supervising the
17 district offices?

18 A. Yes, they do.

19 Q. Are you familiar with the compliance history of
20 Reubin Collins?

21 A. Yes.

22 Q. Are you familiar with the wells identified in the
23 Application?

24 A. Yes, I am.

25 Q. Would you turn to what has been marked as Exhibit

1 Number 3?

2 A. Okay.

3 Q. Can you tell us what this is?

4 A. That's the well list for Reubin Collins, showing
5 all 11 wells that they operate.

6 Q. And is this a record kept by the OCD, available
7 to the general public on our website?

8 A. Yes, it is.

9 Q. Now some of the wells are highlighted. What does
10 that highlighting mean?

11 A. Those are the four wells at question in today's
12 hearing for plugging.

13 Q. So originally the Application was as to all 11
14 wells, but now we are down to the four highlighted wells?

15 A. Yes, that's correct.

16 Q. There's a column on the right-hand side titled
17 "Last Production/Injection". What does that -- what does
18 the information in that column show?

19 A. That information is the last reported production
20 or injection into a well, if it's an injection well, by the
21 operator.

22 Q. For any of the wells on this list, what is the
23 most recent reported production or injection?

24 A. February of 2004.

25 Q. Okay. Let's go through the four wells that are

1 at issue in this case today, and I'd like you to tell us
2 for each well what the last production or injection date
3 is, for each of those four wells.

4 A. Okay.

5 Q. Start with the Buffalo Unit Number 7.

6 A. Last production showing was June of 1996.

7 Q. And the Cockburn Federal 7?

8 A. July of 2001.

9 Q. The Cockburn Federal 10?

10 A. November of 1999.

11 Q. And the Wallen Bass Number 3?

12 A. February of 2004.

13 Q. Have you reviewed the well files for these four
14 wells?

15 A. Yes, I have.

16 Q. Are any of these wells plugged and abandoned?

17 A. No, none of them are.

18 Q. Are any of these wells on approved temporary
19 abandonment status?

20 A. No.

21 Q. Could you turn to what has been marked as Exhibit
22 Number 4?

23 A. Okay.

24 Q. What is this document?

25 A. It's a cancellation of authority to transport.

1 It was sent out on October 12th of 2006.

2 Q. Who was it issued to?

3 A. To Reubin Collins.

4 Q. What was the basis for canceling the authority to
5 transport and inject?

6 A. Reubin Collins had failed to report production
7 from -- I believe it was 2003; let's see -- yeah, January
8 of 2003 through March of 2006.

9 Q. This cancellation was sent out by certified mail,
10 return receipt requested?

11 A. Yes, it was.

12 Q. Did we get a green return receipt card?

13 A. Yes, we did.

14 Q. Did Mr. Collins file the missing reports?

15 A. No, he hasn't.

16 Q. Is the cancellation still in effect?

17 A. Yes.

18 Q. In preparation for this hearing, did the OCD ask
19 the district inspector to verify that the wells were, in
20 fact, inactive and not that they just simply weren't
21 reporting?

22 A. Yes, we did.

23 Q. Who performed that inspection?

24 A. Larry Hill, out of the Hobbs office.

25 Q. Okay. Mr. Examiner, we'll have Mr. Hill testify

1 if the phone works.

2 But Mr. Sanchez, could I ask you to summarize
3 what the result of his inspection was?

4 A. Out of the 11 wells he found seven that were
5 either operating or could operate under the conditions.
6 The other four just were incapable of operation.

7 Q. And we're proceeding only on the four that Mr.
8 Hill thought were inactive?

9 A. Yes.

10 Q. What does the OCD intend to do about the
11 remaining seven wells?

12 A. We're going to file an application for a
13 compliance order for failure to report and violation of the
14 cancellation order.

15 Q. Getting back to the four wells at issue today,
16 what deadline would you ask the Examiner to put in the
17 compliance order for Mr. Collins to return these wells to
18 compliance?

19 A. October 1st of 2007.

20 Q. Why are you asking for that date?

21 A. It gives them a full year from the original
22 contact period for them to go ahead and take care of the
23 wells.

24 Q. From the cancellation letter?

25 A. From the cancellation letter, yes.

1 Q. The Application does not ask for a penalty. Why
2 is that?

3 A. At the time that we filed the Application, we
4 thought that there was no operator to be found anyway, so
5 we were going to have them plugged, so we never requested
6 penalties at that time.

7 Q. Would you request a penalty if an order was
8 entered by the Examiner and the operator failed to comply
9 with that order?

10 A. Yes, I would.

11 Q. What penalty would you recommend?

12 A. We'd be asking for \$1000 per well, per month,
13 after the issuance of the order.

14 MS. MacQUESTEN: Thank you, Mr. Sanchez.

15 I don't have any additional questions of Mr.
16 Sanchez at this time. However, if the phone doesn't work
17 with Mr. Hill, I may have more questions for him.

18 EXAMINER JONES: Okay. I don't have any
19 questions for Mr. Sanchez.

20 MR. BROOKS: Neither do I.

21 MS. MacQUESTEN: Thank you, Mr. Sanchez. If you
22 could --

23 THE WITNESS: I'll stay here, just --

24 MS. MacQUESTEN: -- stick around in case the
25 phone doesn't work with Mr. Hill.

1 I would call my second witness, Mr. Larry Hill.

2 Mr. Hill, can you hear us?

3 MR. HILL: Yes, I can.

4 MS. MacQUESTEN: All right.

5 LARRY "BUDDY" HILL (Present by telephone),
6 the witness herein, after having been first duly sworn upon
7 his oath, was examined and testified as follows:

8 DIRECT EXAMINATION

9 BY MS. MacQUESTEN:

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

11 A. Larry Hill.

12 Q. Do you often go by "Buddy"? Mr. Hill, can you
13 hear me?

14 A. Yes.

15 Q. Okay, do you often go by the name "Buddy"?

16 A. Yes, I do.

17 Q. If I slip and call you "Buddy", will you still
18 answer the question?

19 A. (No response)

20 Q. Maybe not. Can you hear us?

21 A. Yes, I can.

22 Q. Okay. Where are you employed?

23 A. With the New Mexico Oil Conservation Division,
24 Hobbs, District Office 1.

25 Q. And what is your title?

1 A. Compliance officer, advanced.

2 Q. Do your duties include conducting well
3 inspections? Mr. Hill, can you hear us?

4 A. Yes.

5 Q. Do your duties include conducting well
6 inspections?

7 A. Yes, they do.

8 Q. Were you asked to inspect the wells operated by
9 Reubin Collins in preparation for this hearing?

10 A. Yes, I was.

11 Q. When did you conduct those inspections?

12 A. All the wells, March 15th, 2007. And again, that
13 was just four wells that -- on this list, on May 15th,
14 2007.

15 Q. Now Mr. Hill, I sent you some exhibits. Do you
16 have those in front of you?

17 A. Yes, I do.

18 Q. I'd like you to look at what has been marked as
19 Exhibit Number 5. Is that the well inspection history for
20 the Buffalo Unit Number 7?

21 A. I'm -- did not have -- Oh, yes, it is. Exhibit
22 Number 5, yes, it is.

23 Q. Okay. Now looking at that well inspection
24 history, I see the inspection dates are the two dates you
25 just mentioned; is that right?

1 A. Yes, it is.

2 Q. And over on the right-hand column there's a
3 column titled "Inspected By", and there's a number, 102.
4 Is --

5 A. That's my identification number for the
6 inspection for RBDMS.

7 Q. Okay, and if we see the number 102, does that
8 mean that you conducted the inspection?

9 A. Yes, it does.

10 Q. Okay. Can you summarize what you found at the
11 Buffalo Unit Number 7?

12 A. The wells were shut in, and no activity at the
13 well. The flow line valve was closed at the well, no
14 apparent use of the well.

15 Q. Okay. Now the only inspections we have are ones
16 that were conducted in 2007. Do we have any way of knowing
17 whether this well has been inactive for a longer period of
18 time??

19 A. No, ma'am.

20 Q. Okay. Could you turn to the next exhibit,
21 Exhibit Number 6?

22 A. Yes.

23 Q. Is this the well inspection history for the
24 Cockburn Federal Number 7?

25 A. Yes, it is.

1 Q. And again, the two most recent inspections are
2 inspections that you conducted?

3 A. Yes, ma'am.

4 Q. But in this case we have inspections by other
5 inspectors going back to 1999?

6 A. Yes, we do.

7 Q. Can you summarize what you found at this well?

8 A. This well was turned off for the electric
9 controls, and there was no flow line connection. This well
10 was not connected to a production line in any way.

11 Q. Okay. Because we have a little bit of history on
12 this well, I'd like you to explain some of the other
13 entries by other inspectors. Let's start with the
14 inspection on January 4th of 2002 --

15 A. All right.

16 Q. -- and can you tell us what the inspector
17 recorded about that inspection?

18 A. He marked it, Check production on this well, it
19 looks like it has not produced in a long time. Unit had no
20 motor at that time.

21 Q. Okay.

22 A. There was no power for the unit.

23 Q. Okay. Now after that inspection there were two
24 inspections that said that the location was in good shape.
25 They didn't discuss the activity. Can you explain what

1 sort of entry that is?

2 A. It was just a general inspection, and perhaps
3 they had replaced the motor on the pumping unit, and he
4 didn't record any other visual problems with the well. It
5 just a general routine inspection to see if there were any
6 messes or anything. He apparently -- the other two were
7 not checked as to production.

8 Q. Okay. Could we turn to the next exhibit? It's
9 Exhibit Number 7.

10 A. All right.

11 Q. Is this the well inspection for the Cockburn
12 Federal Number 10?

13 A. Yes, it is.

14 Q. And can you tell us what you found during your
15 inspections?

16 A. I show that the well was off electric, no
17 electric power to the unit, to the well, and flow line
18 valves were closed, both tubing and casing production
19 valves from the well were closed.

20 Q. Now, there were other inspections performed by
21 other inspectors going back, again, to 1999. Can you
22 summarize what the other inspectors found?

23 A. November 4th, 2004, the well was shut in. Return
24 the well to active status or TA or plug it. That was the
25 first compliance notice.

1 The January 4th, 2002, said there was no pumping
2 unit and it looks like it has not produced in a long time.
3 He also put in here to check production records. At that
4 time RBDMS was not giving us production, most recent
5 production in the field, that we could access in the field.
6 We were having to come back to the office to do our
7 production check.

8 March 14th, 2005, Johnny Robinson was the
9 inspector. He said he talked to Collins -- pump jack --
10 advised him of the deadline on the well.

11 Q. Mr. Hill, there's an entry for 5-23-2005, that
12 indicates the well has been returned to production. Can
13 you tell whether that is a report from the inspector that
14 he saw that the well was returned to production, or whether
15 he was told the well was returned to production?

16 A. Pulling up that inspection or talking to the
17 inspector himself, I could not say.

18 Q. Okay. Let's turn to Exhibit Number 8. Is this
19 the inspection history for the Wallen Bass Number 3?

20 Mr. Hill, are you there?

21 A. Yes.

22 Q. Okay, is this the inspection for the Wallen Bass
23 Number 3?

24 Hello?

25 A. Hello.

1 Q. We can't hear you.

2 A. This is the inspection record for the Wallen Bass
3 Number 3.

4 Q. Okay. Can you tell us what you found at this
5 well?

6 A. I show that the well was off on electric and
7 there was -- the polish rod and the sheave of the motor
8 were corroded, showing no use in a considerable amount of
9 time. Exactly how long you cannot determine, but long
10 enough for corrosion to set up on a polish rod and a
11 sheave, motor sheave.

12 Q. Now on this report there's an entry for January
13 17th, 2007, for an inspection that you conducted, and it
14 says, Well has been put back on production per Reubin
15 Collins?

16 A. Yes, ma'am.

17 Q. Can you tell us why you made that entry?

18 A. That was operator-reported. After a telephone
19 conversation with him concerning the compliances on these
20 wells, at that time e informed me that all of his wells had
21 been put back in operation and were active, and I made this
22 entry as operator-reported, not as a physical inspection.

23 Q. All right. And then when you went out and looked
24 at them for yourself, you found these four that you didn't
25 believe were producing?

1 A. Yes, ma'am.

2 Q. Okay. And we -- Well, okay, thank you.

3 Mr. Hill, could you just summarize what you found
4 at the other seven wells operated by Mr. Collins?

5 A. All the other wells appeared to be active, and --
6 at the time I was there, or had recently been active. They
7 were -- they showed activity and -- capable of producing.
8 The -- His one disposal, which is a Wallen Bass lease -- I
9 can't tell you the number right off the top of my head, but
10 it was active. I could tell it was taking water at the
11 time I was there --

12 Q. Okay.

13 A. -- in March --

14 Q. Okay.

15 A. -- on March 15th. It was a -- the SWD well was
16 active, and the others showed activity. Some were running,
17 some were not, but they all appeared to be active wells.

18 MS. MacQUESTEN: Thank you. I would move for the
19 admission of Exhibits 1 through 8.

20 EXAMINER JONES: Exhibits 1 through 8 will be
21 admitted.

22 MS. MacQUESTEN: I have no other questions of Mr.
23 Hill.

24 EXAMINER JONES: Mr. Hill, can you hear me?

25 THE WITNESS: Yes.

EXAMINATION

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BY EXAMINER JONES:

Q. That first well you talked about, is it safe to say that that one definitely had been shut in for a long time, or -- Tell me again how you determined that.

A. Usually just by activity, valves closed, you know, and corrosion on polish rod liners or sheaves. If there is electrical service, if it's capable of being used. But usually without a production report it's a judgment call on exactly how long -- I cannot tell you exactly how long it takes for corrosion to build up on the polish rod liner or anything that -- power -- oilfield -- air quality in the area that it's in could have something to do with it. But generally it takes close to a year for any amount of corrosion to build up on the liner, as far as corrosion, other than just oilfield residue.

Q. Okay. What about your contacts with this Reubin -- Reubin Collins?

A. Yes, I spoke to him and his wife both by phone -- I don't have their phone records in front of me, when I talked to them -- about their inactive wells and their nonreporting. And they -- at the time I spoke to them first, they said that he was in the process of getting a pulling unit to finish his -- bringing his wells into compliance for activity and that they had been working with

1 Santa Fe on the reporting issues and spent quite a
2 considerable amount of time on the phone with Santa Fe,
3 working on their compliance issues.

4 Again, when I spoke to them in January concerning
5 -- that I hadn't heard from him, and needed an update on
6 his progress on bringing the wells back into activity, he
7 told me that as of November he had put all wells back
8 active and producing. They were all active. I used an
9 operator-reported -- to clear the compliance, taking his
10 word for it.

11 Q. Okay. As far as the location on these, this is a
12 sideline, two are Maljamar; is that right?

13 A. Pretty close, yes.

14 Q. So you did some considerable driving to get into
15 these wells?

16 A. Yes, sir.

17 Q. And where's the Lynch field at?

18 A. The Lynch field is between the Carlsbad Highway,
19 62/180 and Highway 176 from Eunice. It's the Marathon Road
20 area, if you're familiar with any of this. Marathon Road
21 cuts across between -- I believe they're --

22 Q. Okay.

23 A. -- this well is -- the Wallen Bass is right on
24 the edge of a county road called Skeen Road. I'm not sure
25 of the number.

1 EXAMINER JONES: Okay.

2 Okay, David, do you have any questions for --

3 MR. BROOKS: No, no questions. Thank you.

4 EXAMINER JONES: All right, okay. Well, thanks a
5 lot, Mr. Hill.

6 THE WITNESS: Uh-huh.

7 EXAMINER JONES: I have no more questions.

8 Nothing more in this case?

9 MS. MacQUESTEN: That concludes our case.

10 EXAMINER JONES: With that, we'll take Case
11 13,886 under advisement. Thank you.

12 (Thereupon, these proceedings were concluded at
13 8:47 a.m.)

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I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. _____
heard by me on _____
_____, Examiner
Oil Conservation Division

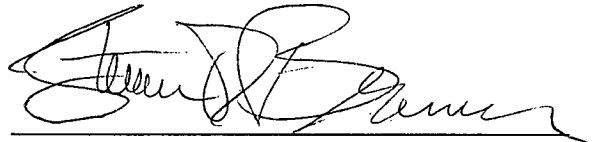
CERTIFICATE OF REPORTER

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 May 26th, 2007.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2010