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STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
OIL CONSERVATION DIVISION

APPLICATION OF THE NEW MEXICO OIL
CONSERVATION DIVISION FOR A COMPLIANCE
ORDER AGAINST AMERICO ENERGY RESOURCES, LLC

CASE NO. 14079

FEBRUARY 21, 2008

1220 South St. Francis Drive
Santa Fe, New Mexico

EXAMINER: WILLIAM L. JONES

LEGAL ADVISOR: David Brooks

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REPORTED BY: JOYCE D. CALVERT, P-03
Paul Baca Court Reporters
500 Fourth Street, NW, Suite 105
Albuquerque, New Mexico 87102

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A P P E A R A N C E S

ATTORNEY FOR APPLICANT:

SONNY SWAZO, ESQ.
New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

ATTORNEY FOR RESPONDENT:

OCEAN MUNDS-DRY, ESQ.
Holland & Hart, LLP
110 North Guadalupe, Suite 1
Santa Fe, New Mexico 87501

WITNESSES: Daniel Sanchez
Gerry Guye
Oscar Nosrati

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WITNESS: Oscar Nosrati

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Ms. Munds-Dry 28
Mr. Swazo 36
Examiner Jones 40

1 EXAMINER JONES: Let's call the first case of the
2 day, Case No. 14709, application of New Mexico Oil Conservation
3 Division for a Compliance Order against AmeriCo Energy
4 Resources, LLC. Call for appearances.

5 MR. SWAZO: Sonny Swazo on behalf of the applicant,
6 Oil Conservation Division.

7 MS. MUNDS-DRY: Ocean Munds-Dry here on behalf of the
8 respondent, AmeriCo Resources -- Energy Resources -- and I've
9 got to figure out where I'm going to be here.

10 EXAMINER JONES: Any other appearances? And how many
11 witnesses do you have?

12 MR. SWAZO: We're calling two witnesses, Mr. Hearing
13 Examiner. Our first witness is Daniel Sanchez and our second
14 witness is Gerry Guye.

15 EXAMINER JONES: Okay. Can we please swear all the
16 witnesses that will testify in this case?

17 [Two witnesses were sworn.]

18 MR. SWAZO: May I proceed, Mr. Hearing Examiner?
19 Gerry Guye has to be sworn in and I'm not sure exactly how it
20 works or if that --

21 MR. BROOKS: Normally Steve used to tell the witness
22 who was on the telephone to stand up wherever he was. I don't
23 know that there's any sanctity to standing, but would you
24 please -- just to avoid ambiguity -- please address the witness
25 on the telephone and administrator the oath?

1 EXAMINER JONES: Gerry Guye, are you on the phone?
2 Can you hear okay? Can you state your name for the record?

3 THE WITNESS: My name is Gerry Guye.

4 [The witness was sworn.]

5 MR. SWAZO: Mr. Hearing Examiner, in this case, we
6 are seeking a compliance order against AmeriCo. We're asking
7 you to issue an order requiring them to submit a remediation
8 plan and to remediate the two sites in accord with OCD rules.
9 My understanding is that they submitted a remediation plan on
10 the 19th of this month.

11 We have tried since last summer to try to get AmeriCo
12 to remediate the sites in accordance with OCD Rule 116 and OCD
13 guidelines, but we have received no response or got the
14 runaround. Like I said, we're asking for an order requiring
15 the operator to remediate the produced water and oil spills at
16 both these wells in accordance with OCD rules and guidelines by
17 a date certain.

18 We're also asking you to fine the operator -- that
19 the operator knowingly and willfully violated Rule 116 as to
20 both wells. And we're also asking you to assess civil
21 penalties against the operator for the violations. And with
22 that, I'd like to begin my case.

23 EXAMINER JONES: Okay. Any pre-case statements?

24 MS. MUNDS-DRY: Mr. Examiner, I think you'll see that
25 the testimony will show today, from Mr. Nosrati, that they are

1 addressing it. As Mr. Swazo stated, they've submitted their
2 remediation plan. This was a mistake, something that was human
3 error. And I think all we're asking for today is we understand
4 that this was a mistake, and we certainly do not deny that.
5 But we do not believe this is a circumstance that deserves
6 penalty. So we hope to show you today that this was not a
7 knowing and willful violation.

8 DANIEL SANCHEZ

9 after having been first duly sworn under oath,
10 was questioned and testified as follows:

11 EXAMINATION

12 BY MR SWAZO:

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

14 A. Daniel Sanchez.

15 Q. And Mr. Sanchez, with whom are you employed?

16 A. The Oil Conservation Division.

17 Q. And what is your title?

18 A. Compliance and Enforcement Manager.

19 Q. And could you please explain your job duties?

20 A. I manage the four district offices, the
21 environmental bureau, and I oversee all the compliance and
22 enforcement programs within the Division.

23 Q. And as part of your duties, have you reviewed the
24 OCD records and the OCD well files for the East Shugart Unit
25 No. 15 and the East Shugart No. 42?

1 A. Yes, I have.

2 Q. Would you please turn to Exhibit No. 2? Would
3 you please identify that exhibit?

4 A. This one?

5 Q. Yes. Please identify that exhibit.

6 A. This is the well list for AmeriCo Energy
7 Resources.

8 Q. Now, does it show AmeriCo as the operator of
9 record for these two wells?

10 A. Yes, it does.

11 Q. And if you would turn to Exhibit No. 3. Would
12 you please identify that exhibit?

13 A. Number 3 is a copy of Rule 116, Release
14 Notification and Correction Action.

15 Q. And what does that rule generally require?

16 A. It requires an operator to notify the OCD
17 whenever there's a release and also take corrective action per
18 OCD guidelines.

19 Q. And have OCD inspectors inspected these wells?

20 A. Yes, they have.

21 Q. Are such inspections documented?

22 A. Yes.

23 Q. Does OCD keep records of the inspections?

24 A. Yes, we do.

25 Q. Are the records made in the normal course of

1 business?

2 A. Yes.

3 Q. And was a record made and kept of OCD inspection
4 of these wells in this case?

5 A. Yes.

6 Q. Would you please identify Exhibit No. 4?

7 A. Number 4 is the well inspection history for the
8 East Shugart No. 15.

9 Q. And does it -- with regard to that inspection
10 history, is there any indication -- are there any -- is there
11 any mention concerning an oil field release?

12 A. Yes. On an inspection on June 25th of 2007,
13 there was a call in that the "Operator notified OCD of
14 approximately 250 barrels of injection water due to parting of
15 the injection line."

16 Q. And if you would turn to Exhibit No. 5; would you
17 please identify that exhibit?

18 A. Number 5 is the well inspection history for the
19 East Shugart Unit No. 42.

20 Q. Same question: Does the inspection history
21 indicate anything with regard to a release of oil or a
22 release -- oil field release?

23 A. Looks like yes, there was a release in November.
24 We have a request for a remediation plan that was sent back in
25 October. And I believe this was a final request made to

1 AmeriCo to submit a release -- or a remediation plan for a
2 previous release.

3 Q. And is there an entry that appears after that
4 November entry?

5 A. There's one for January 3rd of 2008 and was a
6 follow-up inspection that shows that the "Spill appears to have
7 been covered with sand," is the notes.

8 Q. Would you identify -- would you turn to
9 Exhibit No. 9 and please identify that exhibit?

10 A. Exhibit No. 9 is a Notice of Violation that was
11 issued on November 13th, 2007, regarding the East Shugart
12 No. 15.

13 Q. And who issued that?

14 A. I did.

15 Q. And who was it issued to?

16 A. To AmeriCo Energy Resources.

17 Q. And you said that it was for the East Shugart
18 No. 15?

19 A. Yeah.

20 Q. And that was for a violation of what rule, sir?

21 A. 116.

22 Q. Was AmeriCo required to take any action with
23 regard to this Notice of Violation?

24 A. Yes. They were to submit the remediation plan
25 that was requested from them before.

1 Q. Were they required to contact the District?

2 A. Yes, they were.

3 Q. Did that happen?

4 A. No. Well, there were -- excuse me. There were a
5 number of e-mails passed back and forth. I believe that's what
6 Gerry Guye will be testifying to. So there was -- there was
7 word between the two, but --

8 Q. But was there a response -- I'm sorry to
9 interrupt you. But was there a response to this Notice of
10 Violation?

11 A. No.

12 MR. SWAZO: Mr. Hearing Examiner, what I would like
13 to do at this point is I'd like to go ahead and pass the
14 witness and call him back up after I've called Mr. Guye just to
15 explain what we're requesting in this case.

16 EXAMINER JONES: Ms. Munds-Dry?

17 MS. MUNDS-DRY: No questions.

18 EXAMINER JONES: Okay. Do you have any questions?

19 MR. BROOKS: Not at this time.

20 MR. SWAZO: I think Mr. Guye's going to be able to
21 hear me from over here. Gerry?

22 THE WITNESS: Yes.

23 MR. SWAZO: Can you hear me, Gerry? Are you there?

24 THE WITNESS: Yes, I am.

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GERRY GUYE

after having been first duly sworn under oath,
was questioned and testified telephonically as follows:

EXAMINATION

BY MR. SWAZO:

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

A. My name is Gerry Guye.

Q. Mr. Guye, with whom are you employed?

A. With the New Mexico Oil Conservation Division,
District II at Artesia.

Q. And what is your title?

A. My title is Compliance Officer.

Q. And could you please explain your job duties?

A. Yes, sir. I perform field inspections and
maintain the tracking of compliance issues within this
district.

Q. Mr. Guye, would you please turn to Exhibit No. 3?
Would you identify that exhibit?

A. Exhibit No. 3 is Rule 116, which is the Release
and Notification and Corrective Action Rule.

Q. And what does that rule require?

A. This rule lays out the requirements for
notification to the OCD of any release and what corrective
action must be taken in order to remediate that release.

1 Q. Would you please turn to Exhibit No. 6 and
2 identify that exhibit?

3 A. Exhibit No. 6 is a C-141, a Release Notification
4 and Corrective Action from AmeriCo Energy Resources on the East
5 Shugart Unit No. 15.

6 Q. And what date was that submitted?

7 A. July 6, 2007.

8 Q. And what person submitted that?

9 A. Mr. Don Gray.

10 Q. Now, I notice that the exhibit, at the very top
11 it has "East Shugart Unit No. 16," and the 16 is crossed out.
12 Is this for the 15 or the 16?

13 A. This is for the 15 --

14 Q. And do you know --

15 A. -- I sent a letter out to Mr. Gray explaining
16 what actions he needed to take, and he called me on the phone
17 and informed me that the C-141 was in error, that it should
18 have been for the lease number 15 instead of the 16, and that's
19 where I made the corrections.

20 Q. Okay. So you actually crossed out the 16 and put
21 in the 15?

22 A. Yes, I did.

23 Q. And what's the purpose of a C-141 form, sir?

24 A. The C-141 form is to notify the OCD that a spill
25 has occurred and what actions have been taken in order to

1 contain it.

2 Q. If an operator was to file a C-141, does that
3 take care of the issue?

4 A. No, it does not. Upon receipt of the C-141, I
5 send a letter out, which is Exhibit No. 7, explaining what the
6 operator needs to do in order to solve the problem.

7 Q. And so let's go to Exhibit No. 7. You said
8 that's the letter that you had sent out. What date did you
9 send that out?

10 A. 5/13/2007.

11 Q. And who did you send it to?

12 A. AmeriCo Energy, attention Mr. Don Gray.

13 Q. What does the letter state?

14 A. The letter notifies him that it is his
15 responsibility as the responsible person to prepare a
16 corrective action plan to be approved by the Division prior to
17 any remediation of the site. It informs him of what actions
18 must be taken in order to formulate this work plan and when the
19 work plan is due to the OCD.

20 Q. Did you request any kind of action in this
21 letter?

22 A. Only in this letter. It's just to prepare the
23 work plan and submit it for approval to the OCD.

24 Q. Was there a deadline when the operator had to
25 reply to this letter or reply to the OCD?

1 A. That's correct. He had 30 days, or August 13th,
2 2007, in order to reply.

3 Q. Did the operator respond within that time period?
4 Hello, Gerry?

5 A. Yes?

6 Q. Did the operator respond within that time period?

7 A. No, he did not.

8 Q. And I notice that the last line it says, "If I
9 may be of further service or if you have any questions, please
10 feel free to contact me."

11 Did they contact you by that time period?

12 A. No, they did not.

13 Q. Would you please turn to Exhibit No. 8 and
14 identify that?

15 A. Exhibit No. 8 was my e-mail to Mr. Gray after
16 having received no contact with him by the deadline of August
17 13th. August 20th I sent an e-mail to him and forwarded a copy
18 of the C-141 and the Request for Remediation Plan and asked him
19 to return the work plan to us by August 24th, 2007.

20 Q. And what happened after that?

21 A. On the same -- on August 21st, he or -- I mean on
22 August 20th, he replied to me that he had got the C-141 as the
23 attachment to my e-mail but he couldn't find the letter that
24 was attached to it. I then e-mailed him back that there were
25 two pages to the attachment. He needed to turn the page to the

1 second page. On August the 21st he notified me that he had
2 found the second page and he would let us know when action was
3 being taken.

4 Q. And could you clarify the two attachments that
5 you sent?

6 A. I'm sorry. I didn't hear you.

7 Q. Could you please clarify the two attachments that
8 you sent Mr. Gray?

9 A. The two attachments were the C-141 originally
10 sent by AmeriCo and a copy of my letter dated July 13th, which
11 is Exhibit No. 7. Those were the two documents I attached as
12 an attachment to my e-mail.

13 Q. Now, on your September 10th e-mail to Mr. Gray,
14 you indicated that you were asking for a remediation plan by
15 September 24th, 2007. Did that happen?

16 A. No.

17 Q. Would you please turn to Exhibit No. 10 and
18 identify that exhibit?

19 A. Exhibit No. 10 is a Release Notification and
20 Corrective Action C-141 submitted by AmeriCo Energy on the East
21 Shugart Unit Well No. 42 signed by Mr. Gray.

22 Q. And what date was that submitted?

23 A. This was submitted on August 10th, 2007.

24 Q. Would you please identify Exhibit No. 11?

25 A. Exhibit No. 11 is my letter to AmeriCo Energy as

1 a result of that C-141, requesting the copy of the work plan to
2 be submitted by September 20th.

3 Q. And to whom was it directed to?

4 A. This letter was directed to Oscar Nosrati.

5 Q. And you said that that was for the East Shugart
6 Unit No. 42?

7 A. Correct.

8 Q. Did you receive what you requested by the
9 September 20th deadline?

10 A. No, I did not.

11 Q. Would you please identify Exhibit No. 12?

12 A. Exhibit No. 12 was an e-mail from me to Mr. Don
13 Gray on October the 18th requesting that the remediation plan
14 that I had requested previously be sent to us and giving him a
15 suspension date of October 25th, 2007.

16 Q. Did he submit a remediation plan by that date?

17 A. No, he did not. He replied to me again that he
18 could not find the second page to his attachment. I e-mailed
19 him back and told him it was again on page two of the
20 attachment.

21 He e-mailed back the same day, said he had found it.
22 It looked like he needed to file a final report giving what
23 corrections were taken to remediate the land, et cetera.

24 I e-mailed him back on the same day that he also
25 needed to include the analytical data and the sampling that he

1 had performed with that corrective action report he was
2 planning on sending me.

3 Q. Did you get that remediation plan?

4 A. Yes.

5 Q. On what date did you receive the remediation
6 plan?

7 A. I gave him the date that it was supposed to have
8 been submitted was October 25th on this e-mail.

9 Q. Okay. Did he submit the remediation plan by that
10 date?

11 A. He did not.

12 Q. What date -- on what date did you receive that
13 remediation plan?

14 A. We received the remediation plan both on the Unit
15 No. 15 and the 42 day before yesterday, on February 19th, 2008.

16 Q. Would you please identify Exhibit No. 13?

17 A. Exhibit No. 13 was a letter of violation
18 submitted by me to AmeriCo, having not received any answer to
19 my e-mails or a work plan by October the 25th. I then violated
20 the company for failure to submit on 19 November '07, and gave
21 them until November 26th of '07 to forward that work plan to
22 me.

23 Q. Did you receive that remediation plan by
24 November 26th?

25 A. No.

1 Q. And would you please identify Exhibit No. 14?

2 A. Exhibit No. 14 is an e-mail from Don Gray to me
3 after, I assume, having received the letter of violation. He
4 sent me this e-mail on November the 26th, that he thought that
5 the C-141 plan had already been filed and just needed to be
6 implemented. In that case -- "is that the case? Or does
7 another C-141 still need to be filed?"

8 I e-mailed him back on the same day trying to explain
9 to him the message that I had sent on October the 18th was
10 attached. I said, "Your reply is the second attachment to this
11 e-mail. This office must approve the remediation plan for this
12 and all spills prior to the actual remediation. In order to do
13 this, we must know the extent of the contamination, both
14 horizontally and vertically. This is done through sampling,
15 and the results of this sampling must be sent to the OCD prior
16 to actual remediation.

17 "All of this information and procedures are contained
18 in the Guidelines for Releases and Spills, which is located on
19 our web page at the address listed in page two of the first
20 attachment."

21 He e-mailed me back thanking me for the reply, and
22 indicated that the C-141 that I had attached to his e-mail was
23 approved. Although the approved C-141 does not address this,
24 he said he planned on having a third party take samples and
25 submit them along with post-remediation samples with the final

1 C-141, assuming that the post-remediation samples are
2 acceptable.

3 I sent a letter back to -- or an e-mail back to
4 him -- on the same day trying to explain further what it was I
5 needed from him. "The C-141 initial is only a notification to
6 us that you have had a spill and what you did to contain it.
7 Now I need a work plan about analytical data telling me the
8 horizontal and vertical limits of the spill and what you are
9 going to do to remediate it." That was sent on November 26th,
10 2007.

11 Q. Is a C-141 the same as a remediation plan?
12 Hello, Gerry?

13 A. Yes?

14 Q. Is the C-141 the same as a remediation plan?

15 A. No, it is not.

16 Q. Is the remediation plan also known as a work
17 plan?

18 A. Yes, it is.

19 Q. And what's the purpose of a remediation plan?

20 A. The remediation plan is to notify the OCD of the
21 extent of the spill through sampling of both the horizontal
22 area covered and the vertical area covered so that we may make
23 a determination as to what is necessary to remediate the spill.
24 The work plan, once approved, then can be implemented by the
25 company and they can take action, then, to remediate the spill.

1 After that remediation is done, then they are
2 required to resample to make sure that all levels of the
3 contamination are under the actual levels required by the OCD.
4 And at that point, they may submit a final report with those
5 analyticals to us for final approval.

6 Q. So Gerry -- Mr. Guye -- in this case, what does
7 AmeriCo need to do with respect to these two wells?

8 A. Right now their work plans are pending. The OCD
9 is now currently reviewing those two work plans to see if they
10 are sufficient. If they are not sufficient, AmeriCo will be
11 notified what actions they need to take to get us information
12 so that we may make a determination on the work plan. If the
13 work plan is approved, all they are required to do is to
14 complete the actions required in the work plan, reassess the
15 area, and then submit a final report.

16 Q. And do you have an idea as far as what you would
17 consider a reasonable amount of time for the remediation to be
18 completed at each well site?

19 A. If the work plan is approved as submitted, it
20 shouldn't take over 30 days to complete the work and submit the
21 final report.

22 Q. And if it is not approved as submitted?

23 A. If it's not approved as submitted, further
24 negotiations with the company may be required. I would imagine
25 it would probably take up to 60 days in order to complete the

1 remediation.

2 Q. Gerry, is there anything else that you would like
3 to say with regard to this case?

4 A. Not really.

5 Q. That concludes my questions for you. Opposing
6 counsel and/or the hearing examiner may have some questions for
7 you.

8 A. All right.

9 MS. MUNDS-DRY: I have no questions of Mr. Guye.

10 EXAMINATION

11 BY EXAMINER JONES:

12 Q. Gerry, can you hear me?

13 A. Just barely.

14 Q. Okay. I'll talk a little louder. Well No. 42,
15 what was the spill on that one?

16 A. Let me see here.

17 Q. That was an injection well also, right?

18 A. As far as I can think right now, yes, it is an
19 injection well. The Unit No. 42 was a 100-barrel spill of
20 produced saltwater with a slight oil cut. And they indicated
21 that a relief valve had blown and allowed the production water
22 and oil to escape.

23 Q. How did you find that out about the relief valve?

24 A. They indicated that on the C-141 that they
25 submitted on August the 10th, 2007.

1 Q. So AmeriCo did come to OCD and show that both of
2 these incidents happened; is that correct?

3 A. Yes, they did.

4 Q. So it was just a case of not meeting a
5 deadline -- of your deadline?

6 A. The case is not remediating the spill itself. As
7 far as we know right now, there has been no remediation of
8 either spill in over a year, which allows the contamination to
9 continually move downward towards groundwater, if there is any
10 in that area.

11 Q. Where is this area?

12 A. This is the East Shugart field just east of the
13 Shugart Road, County Road 222. It's east of Loco Hills roughly
14 7 to 10 miles.

15 Q. Is it on the cap rock?

16 A. No. No, it's not.

17 Q. How did you estimate the 60 days to remediate one
18 of those sites? I forget whether you said 60 days or 90 days,
19 but is that just an --

20 A. This company has hired a third party. Once the
21 approval is granted to that third party, they will go in and
22 move rather quickly to get the remediation done. There will be
23 a certain amount of excavation that needs to be done. Once
24 that excavation is done, all they need to do is resample, which
25 normally takes just a day or two, and get those samples read,

1 which is the problem with the whole system. We are putting an
2 overload now on these laboratories now doing the sampling. And
3 it takes them normally one to two weeks in order to get those
4 results back -- analytical data back to the company that's
5 doing the excavation.

6 EXAMINER JONES: Okay. I don't have any more
7 questions. Thanks, Gerry.

8 MR. BROOKS: No questions.

9 MS. MUNDS-DRY: Mr. Jones, I do actually have one
10 question of Mr. Guye.

11 EXAMINATION

12 BY MS. MUNDS-DRY:

13 Q. Mr. Guye, can you hear me?

14 A. Yes, ma'am. You're going to have to speak a
15 little louder. There's some interference on the line.

16 Q. Can you hear me better now?

17 A. Yeah, I can.

18 Q. I'll try not to shout everyone down in this room.
19 Mr. Guye you indicated that -- on these two spills -- that it
20 had about been over a year. I was under the assumption that
21 the spills as reported in the C-141s were not quite a year ago.
22 I want to make sure I have dates correct.

23 A. Okay. That may have been mis-claim on my part.
24 The actual spills were in summer of 2007, so actually it hasn't
25 been quite a year yet.

1 Q. Thank you. I just wanted to make sure I
2 understood that correctly. That's all I have.

3 EXAMINER JONES: Any more witnesses for the
4 applicant?

5 MR. SWAZO: I'd like to continue my examination, or
6 finish my examination, of Mr. Sanchez.

7 FURTHER EXAMINATION

8 BY MR. SWAZO:

9 Q. Mr. Sanchez, what exactly are you asking for in
10 this case?

11 A. For one, we're asking that, as indicated by
12 Mr. Guye, that the remediation of these two sites take place
13 either within 30 days after approval of the remediation plan by
14 the district or 60 days after that, if additional information
15 is required from the company.

16 We're also requesting or recommending penalties in
17 the amount of \$11,000, \$5,000 of it from the Shugart No. 42.
18 The dates that were given to comply were going back to
19 September 20th. And that was, you know -- other notices were
20 given even after that time, but we decided to go and hold off
21 on the 20th as being the last date of notification moving
22 forward, and that's five months.

23 The No. 5, they actually had this information due
24 back on August 13th. And to date, up to the 19th, when those
25 plans were actually submitted was six months. That would be

1 \$6,000, a total of \$1,000 per month, for a total of \$11,000.

2 Q. You said the No. 5, you mean the No. 15?

3 A. Yeah, the No. 15. I'm sorry.

4 Q. And if I understand you correctly, the penalty is
5 based on \$1,000 per month since the date of the deadlines that
6 they were given in those two respective letters?

7 A. Yes.

8 Q. Is there anything else that you would like to add
9 about this case?

10 A. No. Not at this time.

11 MR. SWAZO: And with that, Mr. Hearing Examiner, I
12 have no other questions for this witness.

13 EXAMINER JONES: Ms. Munds-Dry, any questions for
14 this witness?

15 MS. MUNDS-DRY: I have no questions for Mr. Sanchez.

16 FURTHER EXAMINATION

17 BY EXAMINER JONES:

18 Q. Mr. Sanchez, can you please -- those dates that
19 you mentioned, the 30 days. There's a plan already in OCD's
20 office now, right?

21 A. Yes.

22 Q. Pending approval by OCD; is that correct?

23 A. Yes.

24 Q. For both of these wells?

25 A. Yes.

1 Q. So tell me again the dates?

2 A. 30 days from the date of approval by the OCD
3 office, district office in Artesia. If the district office
4 requires more information from the company, then I would say
5 another 60 days.

6 Q. Okay. That 30 days is the date to get started to
7 cleaning up; is that right?

8 A. To get started and to complete the cleanup.

9 Q. But --

10 A. I believe that's what Mr. Guye was talking about
11 there.

12 Q. And he said it would take 60 days to clean one of
13 them up. So 30 days to get started on it?

14 A. Okay. Well, 30 days to get started, 60 days to
15 complete the cleanup.

16 Q. But there -- should there be a problem getting
17 started within 30 days after that? Is there contractor
18 problems?

19 A. That I have no idea. You'd have to ask the
20 company.

21 Q. Okay.

22 A. We'll be willing to work with them on a time
23 frame if that is the case.

24 EXAMINER JONES: Okay. In the application, it just
25 said -- I think it said -- it says assessing penalties. It

1 doesn't say how much. And you left the amount out of the
2 application because you wanted to wait until hearing to see
3 when we would come to hearing; is that why?

4 MR. SWAZO: That is correct, Mr. Hearing Examiner.
5 When we filed the application, obviously nothing had been done
6 at that point. And so it was a continuing violation and up
7 until this point -- I mean, our calculation, our penalty
8 estimation, is based on violations up to this point. So that's
9 why we did not have a set number in the application.

10 EXAMINER JONES: Did the operators that you
11 usually -- do they always know that you usually do \$1,000 a
12 month or a year? Is it a year?

13 THE WITNESS: It can be \$1,000 per day per violation.

14 EXAMINER JONES: And what -- is there a statute that
15 says that?

16 MR. SWAZO: There is a statute, yes. I believe it
17 was cited in the application.

18 EXAMINER JONES: Okay.

19 MR. SWAZO: There is statutory authority. The way
20 that the amount is calculated depends on the circumstances of
21 each particular case. Sometimes the circumstances or facts of
22 the case are a little bit more egregious than others, so the
23 calculation amount would vary. Sometimes it may be on a
24 monthly basis. Sometimes it may be on weekly basis. Sometimes
25 it may be on a yearly basis. So it varies.

1 EXAMINER JONES: The only reason I was asking that is
2 in order for the respondents to know what they're up against
3 here, they didn't see it in the application, you know -- so
4 okay -- that's --

5 THE WITNESS: If I may?

6 EXAMINER JONES: Go ahead.

7 THE WITNESS: In the Notice of Violation that went
8 out in November, there was a penalty amount of \$1,000. In that
9 Notice of Violation it also lets them know that if it isn't
10 resolved and it does continue on and it goes to hearing that
11 there maybe additional penalties.

12 EXAMINER JONES: It says additional penalties.

13 MR. SWAZO: I would also submit, You Honor -- or Mr.
14 Hearing Examiner -- in our application we did mention that we
15 were asking for assessment of penalties; so the operator is on
16 notice of the penalties. And I believe that I also cited the
17 statutory authority which provides -- which indicates that
18 penalties maybe assessed at \$1,000 per day per violation.

19 EXAMINER JONES: Okay. Do you have any questions?

20 MR. BROOKS: I don't have any questions, no.

21 EXAMINER JONES: Any more questions?

22 MS. MUNDS-DRY: I do have one question, only because
23 Mr. Sanchez mentioned the \$1,000 penalty. Mr. Sanchez, can
24 you -- maybe I'm not looking at the right exhibit. Just out of
25 curiosity.

1 THE WITNESS: Let me show it to you. Exhibit 9
2 didn't have a page two. I noticed that, too. I made a copy
3 for myself and I thought that might have been taken care of --
4 on Page 2.

5 MS. MUNDS-DRY: Thank you, great. That's all the
6 questions I have. Thank you.

7 EXAMINER JONES: Okay.

8 MR. SWAZO: I have no further questions.

9 EXAMINER JONES: And that concludes your case?

10 MR. SWAZO: Yes. And at this point, I would like to
11 move for the admission of the exhibits.

12 EXAMINER JONES: Any objections?

13 MS. MUNDS-DRY: No objections.

14 EXAMINER JONES: Okay. Exhibits 1 through 14 will be
15 admitted into evidence.

16 MS. MUNDS-DRY: At this time, we would like to call
17 Mr. Nosrati.

18 EXAMINER JONES: Okay. Mr. Nosrati, you've already
19 been sworn.

20 MS. MUNDS-DRY: Do you want him to sit here? Or are
21 you okay right there? You're closer to me.

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23

OSCAR NOSTRATI

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after having been first duly sworn under oath,

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was questioned and testified as follows:

EXAMINATION

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BY MS. MUNDS-DRY:

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

A. My name is Oscar Nosrati.

Q. And by whom are you employed?

A. AmeriCo Energy Resources.

Q. Where do you reside?

A. Houston, Texas.

Q. And where is the corporate headquarters for AmeriCo?

A. Houston, Texas.

Q. And what do you do for AmeriCo?

A. I'm Vice President of Operations.

Q. Tell me what your areas of responsibilities are as vice president of operations.

A. Overseeing the oil field operations, I guess, including overseeing all the pumpers and foremen and any activity that takes place in the field; basically responsible for all of that.

Q. And tell me what does or did Mr. Gray do for AmeriCo?

A. Mr. Gray had a dual responsibility. He's our land manager, and also he had a responsibility taking care of the regulatory correspondence and issues.

1 Q. And is he still the land manager for AmeriCo?

2 A. No. Mr. Gray is no longer with AmeriCo Energy;
3 although he is a consultant on a very limited basis until our
4 current employee is fully on board.

5 Q. Tell Mr. Jones what happened here after the
6 C-141s for both of these wells were submitted and filed with
7 the OCD.

8 A. I think there was two problems that occurred.
9 One, Mr. Gray having a dual responsibility: It looks like he
10 wasn't concentrating on regulatory issues as much as he should
11 and taking care of problems in a timely manner.

12 Secondly, I think when we became aware of that, there
13 was an issue or there was a problem that needed to be taken
14 care of in the field as indicated in this C-141. We had
15 indicated in there we had a plan to remediate it to take care
16 of problem. He was under the impression that whatever action
17 defined in the C-141 is sufficient enough for us; just go ahead
18 and implement the plan.

19 And later on he came to me. He said -- I guess
20 correspondence from Mr. Gerry Guye indicated that was not
21 sufficient. We have to actually get tests taken and identify
22 and delineate these spills horizontally and vertically and
23 submit a plan of action to the OCD and BLM to be approved.
24 Then we can proceed with the remediation.

25 I think in the past we had spills in there that was

1 done with the C-141 only. We submitted and told them what we
2 were going to do and we went on and did it. I don't know if
3 the scope was that much different or why we was under that
4 impression, but when Mr. Guye responded to him that, "No, it's
5 not sufficient. You have to actually take samples and analyze
6 the sample and delineate it vertically and horizontally and
7 submit it for approval before you can remediate it."

8 It became obvious that he had to proceed. But it
9 seemed like he kind of ignored or forgot or did not take care
10 of the problem in a timely manner.

11 Q. So you just had some employment mistakes. What
12 happened, do you think? Why was there such a long time to
13 respond to the Division?

14 A. Well, I think the only thing that I can think of
15 is just kind of forget about it. I think he had, like having
16 double duty, he probably was more concentrated in one area than
17 others. Might be this area did not get as much attention as it
18 should have.

19 Q. And has AmeriCo since submitted a remediation
20 plan for both of these wells to the Division?

21 A. Yes, ma'am. We have.

22 Q. What is what's been marked as AmeriCo Resources
23 Exhibit No. 1?

24 A. This is a remediation plan issued for Unit No.
25 15, called work plan, which is -- they show all the test data

1 and samples and extent of the remediation area and pretty much
2 everything identified in here. And also we have a plan of
3 action, what we think and recommend to be done to remediate
4 this site.

5 Q. Who prepared this report?

6 A. This was done by by an environmental company from
7 Hobbs, New Mexico, Safety and Environmental Solutions, Inc.

8 Q. And I believe you heard Mr. Guye testify that the
9 plan was submitted on February 19th. Does that sound right to
10 you?

11 A. Yes, ma'am. That's correct.

12 Q. And I'm next handing you what's been marked as
13 AmeriCo Exhibit No. 2. Is that a similar plan for the Shugart
14 Unit No. 42?

15 A. Yes, ma'am. That's correct.

16 Q. Was that also prepared by Safety and
17 Environmental Solutions?

18 A. Yes, that's correct.

19 Q. And I'm also showing you here what's been marked
20 as Exhibit No. 3 and Exhibit No. 4. What are these documents?

21 A. Okay. Exhibit No. 3 is the approval that we
22 received for that plan that we submitted for BLM. And they
23 have reviewed the plan and they have approved it as stated.
24 That's Exhibit No. 3.

25 Q. Okay. And Exhibit No. 4?

1 A. And Exhibit No. 4 is the approval from BLM for
2 East Shugart Unit No. 42, that they have received the plan and
3 reviewed it and they are approving the plan as stated.

4 Q. And I believe we heard this morning that Mr. Guye
5 is still reviewing the plan that's been submitted for approval.
6 We're still waiting on Division approval.

7 A. Yes. We were hoping that we would probably get
8 it today, but we haven't been able to receive an answer. But
9 they have the plans and they are reviewing them.

10 Q. Do you have any understanding from Safety and
11 Environmental Solutions -- Mr. Sanchez has proposed a -- make
12 sure I understand this correctly -- 30 days to start and
13 60 days to complete the remediation on both these wells. Do
14 you have any understanding if that's a doable time frame?

15 A. I think that seems sufficient time. We should be
16 able to remediate both sites in the time frame, barring unusual
17 weather conditions. Because understand this is a dirt road
18 you're dealing with. You're dealing with soil and so on. If
19 they get a heavy rain for an extended period of time it might
20 delay. But other than that, we feel like we have the
21 contractors and sufficient help to be able to complete it in
22 that time period.

23 Q. And will you stay in communication, though, with
24 the district office to make sure that the timeline is met and,
25 if there are any problems, that those are communicated to the

1 Division?

2 A. Yes, definitely we will.

3 Q. Now, this delay and the response to the Division,
4 you certainly don't deny that there was a problem within
5 AmeriCo that took place?

6 A. That's correct.

7 Q. And what has AmeriCo done to try to remedy this
8 problem for the future?

9 A. Well, since then we noticed that dual
10 responsibilities seem like it's really not taking care of the
11 problem. And we have hired a full-time regulatory analyst or
12 regulatory person that takes care of only regulatory issues.
13 So hopefully that will be her only responsibility and we can
14 avoid these kinds of problems in the future. And we are in the
15 process of hiring a landman, or land manager, to take care of
16 our land issues.

17 Q. When was the regulatory person hired? Do you
18 recall?

19 A. I think we hired her, I believe, about three
20 weeks ago. We've been advertising and looking for someone for
21 the last two months and we finally found somebody about three
22 weeks ago.

23 Q. And finally, Mr. Nosrati, tell Mr. Jones: Do you
24 think this was an instance where it was a knowing, willful
25 violation? Or what do you think happened here?

1 A. I don't think it was a willful violation at all.
2 It was just, I think, human error in a way that, really, the
3 person that was in charge at first, I think he was probably,
4 having dual responsibility, really might have been overloaded.
5 And just some of these issues was, really, I guess, ignored or
6 he just forgot about it.

7 And then when it became apparent that he needed to
8 take care of it -- or maybe he was under the impression that
9 the C-141 is really sufficient, actually, for the remediation
10 plan. We just needed to go ahead and clean it up.

11 But in no way were we trying to avoid the issue or
12 not to respond to OCD or not take care of the problem. Our
13 actions indicate that as soon as it became apparent that there
14 was an issue and we immediately responded to it then hired an
15 environmental company.

16 And they have been working on it for, I don't know,
17 the last several weeks. Because there were several occasions
18 that they had to go and take samples. First they took samples
19 with a hand auger and they couldn't penetrate it deeper. It
20 seemed like all the penetration was deeper. Then they had to
21 bring machinery and backhoe and so on and dig it. So they've
22 been working on it for the last several weeks and finally got
23 everything finalized and submitted.

24 So I don't think there's any way that we're trying to
25 ignore it or not to respond to it. It was just human error and

1 just kind of forgot about it.

2 Q. Do you request that the penalties not be imposed
3 at this time?

4 A. I would request definitely for not to assess a
5 penalty because I don't think we were really trying to --
6 willfully trying to do something or ignore the problem. It was
7 just human error. And it just became apparent that there was a
8 problem, and we responded and we got it taken care of. And as
9 soon as we had the plan approved, we immediately moved to
10 remediate the plan and correct the problem.

11 MS. MUNDS-DRY: Thank you. I have nothing further
12 for Mr. Nosrati.

13 EXAMINER JONES: Okay. Let's give Mr. Swazo a chance
14 to --

15 MR. SWAZO: Yes, I do have some questions.

16 EXAMINATION

17 BY MR. SWAZO:

18 Q. Mr. Nosrati, when did Mr. Gray leave the company?

19 A. I'm trying to recall. I think probably late
20 December, if my memory serves me right.

21 Q. And up until that point, he had been responsible
22 for the land management and regulatory issues?

23 A. Yes, sir.

24 Q. And will you turn to Exhibit No. 11. It's Mr.
25 Guye's letter to AmeriCo and it's to your attention. And it's

1 dated August 20th, 2007.

2 A. Yes, sir.

3 Q. How come you didn't respond?

4 A. Well, Don Gray has been our land manager and
5 regulatory issues. Whenever we get -- I pretty much see, if
6 not 100 percent, probably 80, 90 percent of all the
7 correspondence that comes from the different states that we
8 operate in. But actually the person that makes sure that the
9 problem is taken care of and do the paperwork and file all the
10 requirements is the person in charge, which in this case was
11 Don Gray. And whenever I get a notice that comes in, I'll hand
12 it to Don Gray and instruct him that he needs to take an
13 action.

14 Q. Is that what you did in this case?

15 A. Yes, sir.

16 Q. What was his response when he gave you this --
17 I'm sorry. I mean, when you gave him this letter?

18 A. Well, it was definitely he said that he will take
19 care of it. As a matter of fact, when we received the
20 violation from you that the problem has not been taken care of,
21 I went to Don and asked him. And he said, "Well I think I took
22 care of them."

23 And then we went on and find the two files that he
24 created for these wells and it became apparent that he hadn't.
25 He just told me he forgot about it.

1 Q. Now, in your testimony --well, you've testified
2 that you believe that -- I'll sort of paraphrase it -- that
3 Mr. Gray maybe had too much on his plate. I don't know if
4 that's a right -- if that's a good way to phrase it --

5 A. Well, I think --

6 Q. I'm sorry. Go ahead.

7 A. I think you're correct. I probably mentioned
8 that he probably had, but I think it became apparent to us
9 after a while that really, Don Gray, it didn't seem like really
10 it was as much as the volume as his willingness. Since he was
11 really a land manager, and that taking issues of land and
12 regulatory, he didn't really enjoy doing the regulatory work.

13 So that's the reason we felt that some of these
14 issues had been sidestepped and not getting the attention that
15 they needed. And then that's the time that we said it was time
16 to make a change and then we start advertising and trying to
17 get a full-time regulatory agent.

18 Q. When did that become apparent to you?

19 A. I guess toward the end of the year. Probably
20 around the October/November time frame, that we felt like, you
21 know, we got in some issues that's not being met in a timely
22 manner. And we had some other issues with other agencies that
23 was coming back, he hasn't responded timely and so on.

24 And I confronted him. In each case he had a
25 different reason: "Well, I was going to take care of it and

1 this issue came out and I haven't. And this one I felt like I
2 responded. I don't know how come they haven't received it."
3 That type of answers from him.

4 Q. So you said it became apparent to you in October,
5 slash, November that he probably -- that he had too much on his
6 plate. Did you offer -- did AmeriCo offer him any type of
7 assistance? Did you folks offer him any -- did you give him
8 any employees to help him with his workload?

9 A. Well, I think -- it really became more apparent
10 that it wasn't his workload. It was his willingness to do
11 regulatory work. I think he is definitely a capable person but
12 it seemed like he just really wasn't enjoying or liking doing
13 regulatory work. That's when it became more apparent to us.
14 And definitely we started looking into it more ourselves.

15 Yes. We tried to supplement him with other employees
16 helping him or asking him that if he has items that he doesn't
17 have time to take care of, let us know so that we can assist
18 him.

19 Q. So you were aware at that point that there were
20 outstanding regulatory issues?

21 A. I didn't know all the issues that were
22 outstanding. No, sir.

23 Q. But you did know that there were some issues?

24 A. Well, it was apparent that there was some issues
25 that were not being taking of. But which ones and in what

1 detail, no, I wasn't aware of.

2 Q. Did you assign any employee to take care of the
3 regulatory issues?

4 A. No. I asked Don Gray that if he has -- if he
5 needs help, he feels like he's not able to take care of all the
6 tasks that were being assigned to him, please let me know and I
7 will supplement him with the help.

8 Q. Did you give him an employee to handle the
9 regulatory issues in this particular case?

10 A. No. I did not assign any particular person to do
11 the work. But I asked him if he needs it, let us know. Then
12 we'll, you know, take some of the work away from him. If he
13 thinks that he feels like he doesn't have time to take care of
14 it.

15 Q. And the new person that you hired, what's that
16 person's name?

17 A. Her name a Kathy Duffield.

18 Q. Kathy?

19 A. Yes, sir.

20 MR. SWAZO: I don't have any further questions.

21 EXAMINER JONES: Okay. Mr. Nosrati, I guess I should
22 ask questions to educate myself here a little bit.

23 EXAMINATION

24 BY EXAMINER JONES:

25 Q. How did you find this Safety and Environmental

1 Solutions? Are they turnkey environmental cleanup people, or
2 are they people just investigating?

3 A. I think they do both. We had -- since we operate
4 other fields in New Mexico and Texas, and we've been working
5 with them for the last couple of years or maybe longer. And
6 first they do environmental work and they go in the field and
7 analyze, take samples, delineate problems and they come up with
8 a work plan. And then, it depends on the scope of work.

9 If they are not that busy, they do have people that
10 they work with and they supervise and hire subcontractors to do
11 the work. So we'll really look at it case by case. If we feel
12 like they are capable of handling the problem in a timely
13 manner and in the proper way, then we give them a turnkey job.
14 Or sometimes they just do the environmental work and come up
15 with a remediation plan. And then after the plan approval,
16 we'll take it from there and implement it ourselves.

17 Q. As far as a big saltwater spill or an injection
18 line breaking and a spill, how would you clean that up?

19 A. Well, in this particular case, for example, they
20 are recommending that we go down four feet and remove the soil.
21 And there is some hot spots that concentration is higher than
22 other areas.

23 So they delineate the hot spots and we haul them off
24 to an approved land disposal area. And then the remaining soil
25 will be blended in with the on-site soil. And then come with a

1 chloride content that is approved or allowable and then put it
2 back.

3 And before we put the soil back, they put a plastic
4 liner in there so that there won't be any more salt pushing
5 down, farther down, in the ground. And then they put the soil
6 back and then top it with a top soil. And then come back and
7 reseed it for the restoration.

8 Q. Do you have any idea -- I don't really want to
9 ask specifics about cost -- but the cost to clean these up in
10 relation to the fines that they're asking for, is it an order
11 of magnitude higher to clean it up than these fines would be?
12 Are we talking hundreds and thousands of dollars here?

13 A. No. I don't think it's that high, and probably
14 \$30- to \$40,000 one side. Maybe the other is less. But the
15 thing is, that I think that we're trying to show here is, that
16 we are a responsible operator. And we're not really -- we
17 didn't want to mitigate our responsibility. It was just human
18 error. Really he just forgot about it and did not respond in a
19 timely manner.

20 When it became apparent that we had a problem here,
21 we immediately jumped on it and took care of it and submitted a
22 plan. And now that plan is approved. We'll go in and take
23 care of it. And we're hoping that the deadline that is set
24 right now that we can beat that and correct it before that.

25 And we are also taking other plans in the field.

1 This Shugart field -- we acquired this field about a year and
2 half ago from Merit Energy. And it looks like the field has
3 been kind of ignored, has not been maintained properly. There
4 is a high-pressure saltwater injection and it really, according
5 to our study, it shouldn't be that high. We have an injection
6 pressure as high as 1600 or so. We're in the process of -- we
7 just finalized our plan because a lot of the injection wells
8 need to be cleaned up. And if we clean up injection wells,
9 then we can drop the pressure in the field. And in that case
10 it helps tremendously minimize the leaks that happen.

11 Because when you have high pressure and you have a
12 weak spot in the line, it's going to happen. And it's like
13 most of the time it happens at 2:00 o'clock in the morning when
14 the pumpers are not in the field. When he gets there by 7:00
15 o'clock, you know, 1600 pounds -- even a small pinhole -- can
16 put out a couple hundred barrels of water easily.

17 So we're definitely aware of the problem and we are
18 in the process of, as a matter of fact, testing a procedure in
19 a couple of our injection wells and have dropped the pressure
20 considerably, down to 1100 pounds or so. And we're in the
21 process of implementing it in other injection wells.

22 And we have taken, also, steps to clean up the
23 injection system, our saltwater injection tanks and so on.
24 There was a lot of iron sulfide and different types of material
25 that accumulated which was injecting the wells, again, clogging

1 up the perforation and bringing up the pressure.

2 So we're looking at the problem as a whole. And I
3 think we just need the time, hopefully, to take care of it.
4 Because, you know, it's costing us a lot more money. And the
5 operation is becoming -- it's not making any money for us. So
6 we're in the process of correcting the problem in a more deeper
7 manner.

8 Q. Do you have SCADA system out there? Are you
9 going to put one in?

10 A. We have a warning system, alarms. As soon as
11 there is a problem that happens, we get an alarm that the
12 pumper has been notified and there's a sequence that they call.
13 And so we have a protection system if something happens. Not
14 all the pipelines and so on, there's certain of it due to the
15 tank levels and the pressure drops and so on.

16 So we have a warning system that hopefully gives us a
17 warning. And most of the time -- and most of the time we've
18 been able to avoid it. But sometimes it just seems like it's
19 not possible.

20 Q. I hope your plan is successful in lowering the
21 pressure and reducing leaks, but I also hope it doesn't reduce
22 the production by doing that, also.

23 A. No. I think we're in a plan of fraking the wells
24 and drilling more wells. So we paid good money for this field
25 with this potential and we have good plans for it. And that's

1 the reason we're spending a lot of money.

2 As matter of fact, we put in a brand new manifold
3 system. Because this well has -- this field has close to about
4 50 wells. And all of the wells come to a manifold system to
5 give the capability to switch it to different testors and
6 different tanks.

7 And when we took over, we noticed it is in bad shape.
8 And it's old and rusted. And that was causing a lot of leaks.
9 So we went on and spent over a couple of hundred thousand
10 dollars to mediate all that and put a brand new manifold
11 system. And we have put brand new testing -- test separators
12 and new tanks and so on.

13 I mean, we are in the process of really remediating
14 the overall field. It just takes time. And I'm pretty sure
15 Guye is probably familiar with some of the work that we have.
16 He can attest to that.

17 Q. Are you still using a lot of makeup water?

18 A. Yes, sir. We're still using close to 1600
19 barrels a day makeup water. We're in the process of converting
20 one of the wells to makeup water. We've been working on that,
21 too.

22 EXAMINER JONES: Mr. Brooks, do you have anything?

23 MR. BROOKS: Nothing.

24 EXAMINER JONES: Any more questions?

25 MR. SWAZO: No. No questions, but I'd like to

1 clarify something.

2 EXAMINER JONES: Okay. We're getting to closing
3 statements, it sounds like.

4 MS. MUNDS-DRY: I just need to move for the admission
5 of AmeriCo Exhibits 1 through 4 be received into evidence.

6 MR. SWAZO: No objections.

7 EXAMINER JONES: Exhibits 1 through 4 will be
8 admitted.

9 Okay. Go ahead.

10 MR. SWAZO: I'm going to go ahead and pass on closing
11 arguments. I'll let you folks consider the evidence.

12 But I just wanted to ask everyone with regard to this
13 Notice of Violation, Exhibit No. 9, it was originally a
14 three-page document. My exhibit only shows two, and I know
15 that Mr. Sanchez' exhibit -- the witness' exhibit -- also
16 showed two.

17 And I just want to make sure that -- do you folks
18 have Page No. 2? And one way you would be able to tell is at
19 the very top it should say "Page 2 of 3." And that would
20 include the court reporter.

21 MS. MUNDS-DRY: Mr. Swazo, we seem to have one and
22 three, I guess. I guess we don't have two.

23 MR. SWAZO: We're going to go ahead and make copies
24 and we will provide Page No. 2 to everyone.

25 EXAMINER JONES: Okay.

1 MR. SWAZO: I apologize for that. I don't have
2 anything else.

3 MS. MUNDS-DRY: Nothing further.

4 EXAMINER JONES: Okay. Thank you very much.

5 MS. MUNDS-DRY: Thank you.

6 EXAMINER JONES: We'll take Case 14079 under
7 advisement.

8 Let's have a ten-minute break here.

9 [Hearing concluded.]

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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

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REPORTER'S CERTIFICATE

I, JOYCE D. CALVERT, Provisional Court Reporter for the State of New Mexico, do hereby certify that I reported the foregoing proceedings in stenographic shorthand and that the foregoing pages are a true and correct transcript of those proceedings and was reduced to printed form under my direct supervision.

I FURTHER CERTIFY that I am neither employed by nor related to any of the parties or attorneys in this case and that I have no interest in the final disposition of this proceeding.



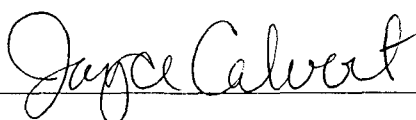
JOYCE D. CALVERT
New Mexico P-03
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1 STATE OF NEW MEXICO)
2 COUNTY OF BERNALILLO)


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I, JOYCE D. CALVERT, a New Mexico Provisional Reporter, working under the direction and direct supervision of Paul Baca, New Mexico CCR License Number 112, hereby certify that I reported the attached proceedings; that pages numbered 1-47 inclusive, are a true and correct transcript of my stenographic notes. On the date I reported these proceedings, I was the holder of Provisional License Number P-03.

Dated at Albuquerque, New Mexico, this 21st day of February, 2008.



Joyce D. Calvert
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