

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING CALLED BY)
THE OIL CONSERVATION DIVISION FOR THE)
PURPOSE OF CONSIDERING:)

CASE NO. 12,949

APPLICATION OF THE NEW MEXICO OIL)
CONSERVATION DIVISION FOR AN ORDER)
REQUIRING SKYLINE ENERGY, L.L.C., TO)
PROPERLY PLUG ONE WELL, IMPOSING CIVIL)
PENALTIES IN EVENT OF FAILURE TO COMPLY,)
AUTHORIZING THE DIVISION TO PLUG SAID)
WELL IN DEFAULT OF COMPLIANCE BY)
OPERATOR, AND ORDERING A FORFEITURE OF)
APPLICABLE SECURITY, LEA COUNTY,)
NEW MEXICO)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

October 24th, 2002

Santa Fe, New Mexico

02 NOV - 8 PM 2:23

OIL CONSERVATION DIV

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, October 24th, 2002, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

I N D E X

October 24th, 2002
Examiner Hearing
CASE NO. 12,949

	PAGE
EXHIBITS	3
APPEARANCES	3
APPLICANT'S WITNESSES:	
<u>DOROTHY L. PHILLIPS</u> (Plugging Bond Administrator, NMOCD, Santa Fe) Direct Examination by Mr. Brooks	5
<u>BILLY PRICHARD</u> (Deputy Inspector, Hobbs District Office, District 1, NMOCD) (Present by Telephone) Direct Examination by Mr. Brooks	8
Examination by Examiner Stogner	11
REPORTER'S CERTIFICATE	15

* * *

E X H I B I T S

Applicant's	Identified	Admitted
Exhibit 1	12	13
Exhibit 2	12	13
Exhibit 3	8	11
Exhibit 4	9	11
Exhibit 5	9	11
Exhibit 6	6	7
Exhibit 7	7	7
Exhibit 8	10	11

* * *

A P P E A R A N C E S

FOR THE DIVISION:

DAVID K. BROOKS
 Attorney at Law
 Energy, Minerals and Natural Resources Department
 Assistant General Counsel
 1220 South St. Francis Drive
 Santa Fe, New Mexico 87505

* * *

ALSO PRESENT:

WILLIAM V. JONES, JR.
 Petroleum Engineer
 New Mexico Oil Conservation Division
 1220 South Saint Francis Drive
 Santa Fe, NM 87505

* * *

1 WHEREUPON, the following proceedings were had at
2 2:44 p.m.:

3 EXAMINER STOGNER: And we will now proceed to
4 Case Number 12,949. This is the Application of the New
5 Mexico Oil Conservation Division for an order requiring
6 Skyline Energy, L.L.C., to properly plug one particular
7 well in Lea County, New Mexico.

8 And I'll call for appearances.

9 MR. BROOKS: Mr. Examiner, I'm David Brooks,
10 Energy, Minerals and Natural Resources Department of the
11 State of New Mexico, appearing for the New Mexico Oil
12 Conservation Division.

13 I have two witnesses, both of whom were sworn in
14 the immediately preceding proceeding.

15 EXAMINER STOGNER: Let the record show that Ms.
16 Phillips and Mr. Prichard have been previously sworn as
17 witnesses.

18 You may proceed.

19 MR. PRICHARD: Mr. Examiner, could I interrupt
20 just a minute?

21 EXAMINER STOGNER: Well, what you got?

22 MR. PRICHARD: Well --

23 MR. BROOKS: Off the record.

24 EXAMINER STOGNER: Yeah, let's go off the record
25 for a sec.

1 (Off the record at 2:46 p.m.)

2 (The following proceedings were had at 2:50 p.m.)

3 EXAMINER STOGNER: Okay, I've already called
4 12,949, and we'll set that one aside also.

5 (Off the record at 2:50 p.m.)

6 (The following proceedings were had at 3:05 p.m.)

7 EXAMINER STOGNER: Back on the record, call Case
8 Number 12,949. This is for OCD requiring Skyline Energy,
9 L.L.C., for one well to be plugged. It's been called, and
10 we'll return at this time and call for appearances.

11 MR. BROOKS: David Brooks, Energy, Minerals and
12 Natural Resources Department of the State of New Mexico,
13 appearing for the New Mexico Oil Conservation Division.

14 I have two witnesses, both of whom have been
15 sworn.

16 EXAMINER STOGNER: The record will show that, and
17 there's no other parties present.

18 You may continue.

19 MR. BROOKS: Call Dorothy Phillips.

20 DOROTHY L. PHILLIPS,

21 the witness herein, having been previously duly sworn upon
22 her oath, was examined and testified as follows:

23 DIRECT EXAMINATION

24 BY MR. BROOKS:

25 Q. Ms. Phillips, would you state your name, please,

1 for the record?

2 A. Yes, Dorothy Phillips.

3 Q. And by whom are you employed?

4 A. New Mexico Oil Conservation Division.

5 Q. In what capacity?

6 A. I am the plugging bond administrator.

7 Q. Very good. Call your attention to what's been
8 marked as Exhibits Numbers 6 and 7 in Case Number 12,949.
9 I'll ask you first to identify Exhibit Number 6.

10 A. Exhibit Number 6 is a one-well plugging bond for
11 Skyline Energy, L.L.C.

12 Q. And does it identify the well to which it
13 relates?

14 A. It gives the legal description.

15 Q. And what is that legal description?

16 A. It says the north half of the northeast quarter,
17 660 from the north line and 1980 feet from the east line of
18 Section 11, Township 12 South, Range 33 East, in Lea
19 County.

20 MR. BROOKS: Okay, and we'll ask the Examiner to
21 take judicial notice, or administrative notice, that that
22 is the description for the Skyline Energy State B AC-1 Well
23 Number 2.

24 EXAMINER STOGNER: So noted.

25 Q. (By Mr. Brooks) Very good. And what is the

1 amount of that bond?

2 A. \$10,000.

3 Q. Now, call your attention also to what's been
4 marked as Exhibit Number 7 and ask you to identify it.

5 A. That is a surety bond rider.

6 Q. And what does that rider do?

7 A. That is changing the surety to XL Specialty
8 Insurance Company.

9 A. Okay.

10 Do you have your bond file for Skyline Energy
11 that you maintain for the Oil Conservation Division with
12 you this afternoon?

13 A. Yes, sir, I do.

14 Q. Would you refer to your bond file and tell us
15 whether or not Exhibits 6 and 7 are true copies of original
16 documents that are contained in your file and maintained by
17 you in the ordinary course of business?

18 A. Yes, sir, they are.

19 MR. BROOKS: Tender Exhibits 6 and 7.

20 EXAMINER STOGNER: Exhibits 6 and 7 will be
21 admitted into evidence.

22 MR. BROOKS: Pass the witness.

23 EXAMINER STOGNER: No questions.

24 MR. BROOKS: Call Billy Prichard.

25 MR. PRICHARD: Yes, sir.

1 BILLY PRICHARD (Present by Telephone),
2 the witness herein, having been previously duly sworn upon
3 his oath, was examined and testified as follows:

4 DIRECT EXAMINATION

5 BY MR. BROOKS:

6 Q. State your name for the record, please, Billy.

7 A. Billy Prichard, compliance officer, District 1,
8 NMOCD.

9 Q. Call your attention to documents that have been
10 identified as OCD Exhibits 3, 4 and 5 in this case and ask
11 you if each of these documents is a document contained in
12 the well file for the Skyline Energy State B AC-1 Well
13 Number 2, API Number 30-025-01057.

14 A. I do not have those exhibits in front of me.
15 Just the well file is all I have.

16 Q. Okay, very good. Is that the correct API number
17 for that well name?

18 A. Yes, it is.

19 Q. Okay. Exhibit Number 3 is a C-103 approved on
20 February 5, 1992?

21 A. Give me the date again, please?

22 Q. February 5, 1992. It's a notice of intention to
23 plug and abandon.

24 A. Yes. Yes, we have it here, C-103.

25 Q. I'm actually not sure why I put that document in

1 this case. I think I probably misread it.

2 Exhibit Number 4 is the C-104 changing from
3 Murphy Operating Corporation to Skyline Energy, L.L.C.,
4 dated 2-25 of 1997?

5 A. Yes, we actually have a C-103 changing operators
6 from Murphy Operating to Skyline Energy.

7 Q. Well, do you also have the C-104 that I'm tending
8 in evidence here? It's dated 2-25 of 1997.

9 A. Yes, we do. Yes, we do. Here it is.

10 Q. And that is signed by Mark B. Murphy for Murphy
11 Operating Company and by Donnie Jones for Fi-Ro, correct?

12 A. That's right, and it was approved in March of
13 1997.

14 Q. I'm sorry, for Skyline?

15 A. Yes.

16 Q. Okay. And Exhibit Number 5 is a C-101 proposing
17 to test the Wolfcamp zone in this well. It's dated 5-11 of
18 1999.

19 A. Yes, for Skyline Energy, and it was approved in
20 March of 1999.

21 Q. And do you know if any work was ever done
22 pursuant to that proposal?

23 A. No, it hasn't.

24 Q. It has not been done?

25 A. No, we have no subsequent report of the work

1 actually being done.

2 Q. Mr. Prichard, are you familiar with this well?

3 A. Yes, I am.

4 Q. And in your opinion does it need to be plugged
5 for the protection of the environment, the prevention of
6 waste and the protection of correlative rights?

7 A. Yes, it does.

8 Q. I call your attention to what's been marked as
9 Exhibit Number 8 and ask you if that's a plugging procedure
10 that you prepared for this well.

11 A. I don't have an actual exhibit number in front of
12 me for that well, but I do have a plugging procedure that I
13 prepared for that well.

14 Q. Okay, do you have it in front of you?

15 A. Yes, just a minute. Yes, I do.

16 Q. And does that consist of 37 numbered items?

17 A. Yes, it does, 37 numbered items.

18 Q. Okay, and would you start out -- Well, let's see,
19 just to verify the correspondence of the document --

20 A. Yes, it's Skyline Energy, L.L.C., plugging
21 procedure, 13 3/8 casing set at 314 feet, cement
22 circulated, 9 5/8" casing set 3874, top of the cement 715
23 by temperature survey, 5 1/2" casing set at 11,033 feet,
24 top of cement at 7420 by temperature survey, perfs at 8500
25 feet.

1 Q. Okay, I don't think it's necessary to read all
2 the document, but just taking an item at random, item
3 number 19 on Exhibit Number 8 says "Cut and pull 5 1/2
4 casing from 3874 feet"; is that correct?

5 A. Yes, that is the document.

6 Q. Okay, very good. If this well were plugged and
7 abandoned in accordance with Exhibit Number 8, in your
8 opinion would it be plugged and abandoned in accordance
9 with all OCD regulations?

10 A. Yes, it would.

11 MR. BROOKS: Tender into evidence Exhibits
12 Numbers 3, 4, 5 and 8.

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

15 MR. BROOKS: And we'll pass the witness.

16 EXAMINATION

17 BY EXAMINER STOGNER:

18 Q. Mr. Prichard, you've got the well file in front
19 of you there. Do you see a reference to a saltwater
20 disposal application or approval from the Division for
21 injection?

22 A. Yes, I do, I can find it. Just a minute. I've
23 got Case Number 5145, Order Number R-4718, when it was
24 converted to disposal.

25 Q. Okay, I'll take administrative notice of Case

1 Number 5145 and any other records that I have on this well.

2 Let's see, there again, what's the surface
3 conditions, what equipment is out there, and is there any
4 particular environmental problems that you see?

5 A. This is a relatively clean location in the middle
6 of pasture land. It's within a couple hundred feet of New
7 Mexico Road 457, and it's relatively clean. There's no
8 equipment on the surface.

9 Q. But we don't know what the subsurface conditions
10 are like, do we?

11 A. No, we don't.

12 Q. How about water wells, windmills?

13 A. Probably the closest water well is probably
14 within a half a mile.

15 EXAMINER STOGNER: I have no other questions of
16 Mr. Prichard at this time.

17 MR. BROOKS: Nor have I.

18 I will tender into evidence Exhibit Number 1, the
19 affidavit of Jane Prouty with the attached production
20 reports, or rather evidence of nonproduction reports; also
21 Exhibit Number 2 as a summary.

22 EXAMINER STOGNER: Mr. Brooks, on this Exhibit
23 Number 1, if it had had injection would there have been a
24 number on --

25 MR. BROOKS: Yes, you notice the far right-hand

1 column on the table is "INJ" --

2 EXAMINER STOGNER: Okay, so --

3 MR. BROOKS: -- and there would have been a
4 number in that, had there been any reported injection into
5 the well.

6 EXAMINER STOGNER: Exhibit Number 1 will be
7 admitted into evidence at this time, and Exhibit Number 2
8 is also placed in the record.

9 MR. BROOKS: Okay. And we will ask the Examiner
10 to take notice of the -- let's see, this is 12,949 -- we'll
11 ask the Examiner to take notice that the notice letter to
12 Skyline Energy was receipted for by someone whose signature
13 is illegible, and the notice to XL Specialty was receipted
14 for by B. Havlik, and both those return receipts are in the
15 case file.

16 I will also add again on this basis of unsworn
17 statements that I had a conversation with a lady named
18 Yvonne Jones with Skyline Energy, who indicated to me that
19 Skyline Energy was in the process of obtaining a contractor
20 to plug this well, and they expected to have it plugged by
21 December the 1st.

22 EXAMINER STOGNER: So noted.

23 MR. BROOKS: That concludes my presentation.

24 EXAMINER STOGNER: Okay, at this time I believe
25 we're ready to call 12,945?

1 MR. BROOKS: Yes. Do you want to take this one
2 under advisement?

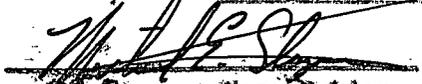
3 EXAMINER STOGNER: Oh, yes. Well, I'd better do
4 that.

5 Okay, 12,949 will be taken under advisement at
6 this time.

7 (Thereupon, these proceedings were concluded at
8 3:20 p.m.)

9 * * *

10
11
12
13 I do hereby certify that the foregoing is
14 a complete record of the proceedings in
15 the Examiner hearing of Case No. 12949
16 heard by me on 24 October 2002.

17
18
19
20
21
22
23
24
25

Examiner
Of 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 November 7th, 2002.



STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 16th, 2006