

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 READ AND STEVENS, INC.,) CASE NO. 12,733-A
TO RE-OPEN CASE NUMBER R-12,733-A,)
EDDY AND CHAVES COUNTIES, NEW MEXICO)
)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

October 9th, 2003

Santa Fe, New Mexico

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Oil Conservation Division

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday, October 9th, 2003, 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 9th, 2003
Examiner Hearing
CASE NO. 12,733-A

	PAGE
EXHIBITS	3
APPEARANCES	3
APPLICANT'S WITNESS:	
<u>JOHN C. MAXEY, JR.</u> (Engineer)	
Direct Examination by Mr. Bruce	5
Examination by Mr. Brooks	18
Examination by Examiner Catanach	20
REPORTER'S CERTIFICATE	30

* * *

E X H I B I T S

Applicant's	Identified	Admitted
Exhibit 1	5	17
Exhibit 15-A	25	26
Exhibit 16	25	26
Exhibit 17	25	26
Exhibit 18	25	26
Exhibit 19	25	26

* * *

A P P E A R A N C E S

FOR THE DIVISION:

DAVID K. BROOKS, JR.
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 Energy, Minerals and Natural Resources Department
 1220 South St. Francis Drive
 Santa Fe, New Mexico 87505

FOR THE APPLICANT:

JAMES G. BRUCE
 Attorney at Law
 P.O. Box 1056
 Santa Fe, New Mexico 87504

* * *

1 WHEREUPON, the following proceedings were had at
2 11:25 a.m.:

3
4 EXAMINER CATANACH: At this time I will call Case
5 12,733-A, which is the Application of Read and Stevens,
6 Inc., to re-open Case Number R-12,733-A, Eddy and Chaves
7 Counties, New Mexico.

8 Call for appearances in this case.

9 MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe
10 on behalf Applicant. I have one witness.

11 MR. BROOKS: Mr. Examiner, David Brooks on behalf
12 of the Oil Conservation Division.

13 I have -- I may have one witness. I don't know
14 if I'll call him, depending on the case in chief, but I'll
15 want to have him sworn.

16 EXAMINER CATANACH: Okay. Let me get the two
17 witnesses to stand and be sworn in at this time.

18 (Thereupon, the witnesses were sworn.)

19 MR. BRUCE: Mr. Examiner, In Order R-11,761 a
20 penalty of \$26,000 was assessed against Read and Stevens,
21 Inc., and we're here today asking that that penalty be
22 rescinded or reduced.

23 I have one witness, John Maxey, who's the
24 engineer for Read and Stevens. I don't think I need to
25 qualify him as an expert, but he is an engineer.

1 JOHN C. MAXEY, JR.,

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

4 DIRECT EXAMINATION

5 BY MR. BRUCE:

6 Q. Mr. Maxey, would you please state your full name
7 and city of residence?

8 A. It's John Maxey, Roswell, New Mexico.

9 Q. And who do you work for and in what capacity?

10 A. I work for Read and Stevens in the capacity as an
11 operations manager.

12 Q. Okay, and as operations manager you have overseen
13 the field operations and the matters that resulted in the
14 penalty which was incurred in the Order?

15 A. That's correct.

16 Q. Now up front, when the Application filed by the
17 Division in Case Number 12,733, Read and Stevens was given
18 notice of that Application, was it?

19 A. Right.

20 Q. Let's go through the chronology. Could you
21 identify Exhibit 1, and let's go through it? There's only
22 one exhibit, Mr. Examiner, it's a compilation of several
23 documents. But start with the first page, Mr. Maxey, and
24 tell the Examiner what that is.

25 A. First page is a letter that I had written to Mr.

1 Gum on October 24th of 2001. That's after we'd received
2 notice about what was going on with the Case 12,733.

3 And after we'd had several phone conversations,
4 Mr. Gum and I, he had stated to me that if we had some kind
5 of plan, had come up with a plan for these wells, that that
6 would -- you know, he would like to see that, that would
7 help our cause in moving ahead to take care of the wells
8 that were out of compliance, that were listed in this
9 order, or in this case.

10 And I put together this letter just to document
11 that we'd had several conversations and wanted to
12 illustrate to him the wells that I had listed in our
13 proposed action. We were actually working internally, I
14 was, trying to work internally to get plans put together on
15 all of the wells in the Order.

16 Q. And we'll go into a little more detail on that in
17 a while, will we not?

18 A. That's correct.

19 Q. Now -- And you don't dispute that the Artesia
20 District Office, Mr. Gum and others, had been in touch with
21 Read and Stevens -- not only with Read and Stevens but with
22 a number of operators attempting to get wells brought back
23 into compliance?

24 A. That's correct.

25 Q. Okay. Now, about the time you wrote this letter,

1 did you also contact Mayo-Marrs regarding plugging and
2 abandoning wells or taking care of these wells?

3 A. Yes, we started submitting paperwork, sundry
4 notices, to start on the wells on the list, to take action,
5 and I had contacted Mayo-Marrs to plug the wells -- start
6 plugging the wells, get on their list.

7 Q. You say "get on their list". Did he have quite
8 a bit of work to do?

9 A. Yes, he had quite a bit of work, he had a
10 substantial list, and he had -- Rickey Smith, who's the
11 owner of Mayo-Marrs, is who I talked to, and he had
12 commented that he had a flood of work and a lot of it was
13 driven by some of the orders and the compliances issues
14 coming from the State.

15 Q. Okay, so you did contact him in the fall of 2001
16 to get this work done?

17 A. That's correct.

18 Q. Now, did you have further contacts with him in
19 the spring of 2002?

20 A. Yes, in the spring --

21 Q. And by then, the work still had not been done?

22 A. We had -- Initially, we had gotten some work
23 done, but the bulk of our work that Rickey was going to do
24 had not been done. And I had -- I actually had some field
25 personnel that were asking him on a regular basis when he

1 would be there, and he had a tremendous amount of work to
2 do ahead of us.

3 And I had heard that possibly he had been
4 accepting payment, prepayment, to move people up the list.
5 So I called Rickey Smith directly and asked him and said,
6 Is this true? If it's the case, let's talk about what we
7 need to do to get up the list.

8 And he was a little incensed at the idea that
9 that inference had been made. He said, I've never done
10 that and won't do it. He said, The only time I've taken a
11 prepayment is if I was unsure of the operator that I was
12 working for, I didn't know if I would get paid. And he
13 said, I asked for payment up front before the work.

14 Q. Okay.

15 A. But he said, No, I will not move you up the list.

16 Q. But he was -- Did he even use the word
17 "overwhelmed", he was overwhelmed with business?

18 A. Yes. He had a ton of work to do, and he could
19 not give me a firm date.

20 Q. Okay. Now, along this time -- One of the items
21 listed on the first page of your exhibit is the Bunker Hill
22 Waterflood Unit. During this period were you also
23 attempting -- was Read and Stevens also attempting to sell
24 its interest or the Bunker Hill Waterflood Unit?

25 A. Yes, I had been trying -- Read and Stevens had

1 expended a lot of capital on this unit, had gone through a
2 pilot waterflood program in this unit, had done some work
3 thereafter, attempting to improve injection performance and
4 production.

5 I had been trying for several years to get this
6 unit sold. I recognize that there were other operators who
7 have a lower overhead structure in the business that would
8 see value in this unit, and internally I'd been pushing for
9 a couple of years to get the thing sold.

10 Q. Okay.

11 A. I didn't want to -- Since there was received
12 value from some people's viewpoint, I didn't want to plug
13 them. That would be wasteful.

14 Q. And was the unit eventually sold?

15 A. The unit was eventually sold, yes, we sold it
16 this year. And as a matter of fact, we just finished up --
17 closed on it September 1st, was our closing date.

18 Q. Okay. Now the second page of your exhibit, was
19 this a memo to other people within Read and Stevens?

20 A. Yes, this was a memo -- As we finally got closer
21 to Ricky Pierce --

22 Q. Rickey Smith?

23 A. Or, excuse me, Rickey Smith. Ricky Pierce is a
24 rancher. Rickey Smith, the owner of Mayo-Marrs.

25 As we got closer, finally that he was able to

1 start giving us a time frame of when he might be there.
2 This was an internal memo I sent to our two field guys over
3 in Lovington and gave them the list for plugging the wells
4 that needed to be plugged with Rickey, and specifically
5 told them that the order in which they were plugged was up
6 to them as far as logistics. But it was just a
7 communication to make sure they knew where we were going
8 and what we were doing.

9 Q. Okay. Now when you move to the third page,
10 there's a couple of -- a two-page summary of items that
11 were done on the wells, and work was done in 2002 and some
12 of it in 2003; is that correct?

13 A. That's correct.

14 Q. Now, in filing the notices of intent, which
15 weren't done immediately in 2001, would it have done you
16 any good to file the notices of intent any earlier?

17 A. No.

18 Q. I mean, the work couldn't be done for months and
19 months and months and months anyway?

20 A. No, right. There was a huge backlog of work
21 order for Rickey Smith.

22 Q. Now, could you just briefly go through and -- I
23 don't know if there's anything you need to go through on
24 these pages, but have the wells at this point been taken
25 care of?

1 A. Yes, all of the wells have been brought into
2 compliance. As a matter of fact, even the Bunker Hill, I
3 had several telephone conversations with employees in the
4 Artesia Office to make sure we had met our compliance
5 issues, informing them that the unit had been sold, and I
6 wanted to make sure we had met all our compliance issues
7 for our -- to transfer the title to the new company.

8 And the new company had definitely been informed
9 of what was going on and that we were going to take care of
10 our obligations out there.

11 Q. Okay. And then following the summary sheet are
12 just the various sundry notices, et cetera?

13 A. Right, that summary sheet just summarizes the
14 C-103s and some of the other -- There's a few federal forms
15 that are listed on the summary sheet. It's just the actual
16 forms.

17 Q. Now, was it ever the intent of Read and Stevens
18 not to do the work and to leave the State to do the work?

19 A. It was never that intention. Read and Stevens
20 has been around for a very long time, since the late 1960s,
21 and it was never our intent to abandon the wells and leave
22 it for somebody else. We knew our obligation to plug the
23 wells.

24 Q. And who is the owner of Read and Stevens?

25 A. Charlie Read is the owner of Read and Stevens.

1 He and his children now. There has been some recent
2 changes in ownership. He did own the company a hundred
3 percent. And there were some estate-planning issues and
4 now his children have been named as limited partners, and
5 the company restructured slightly. So it is the Read
6 family, actually, that owns it now.

7 Q. Okay. And how old is Charlie at this point.

8 A. Charlie will be 82 this year, in '04, next
9 birthday.

10 Q. Now, even though this is, you know, not the
11 Division's concern, did you as operations manager have
12 trouble during this transition period in obtaining approval
13 to do some of this work?

14 A. I had a -- It's been a very difficult situation
15 for me. As Charlie has gotten older there have been
16 extenuating circumstances, apart from the issue of
17 compliance, in getting approval of work to be done out in
18 the field for Read and Stevens.

19 It's -- Prior to my letter to Tim, October of
20 2001, for several years prior, there had been some problems
21 surfacing, and it had to do with Mr. Read and working with
22 him and his ability to make decisions. And the family has
23 recognized that, and because of that, as I mentioned, the
24 company has been somewhat reorganized, and we now have a
25 structure whereby decision-making has improved, and

1 something that happened -- like this that has happened will
2 not happen again.

3 Q. Now, for one instance, you mentioned the Bunker
4 Hill Waterflood that Read and Stevens had conducted studies
5 on. Was that prior to getting the letters from Mr. Gum in
6 the Artesia Office a number of years ago, that these
7 studies had been conducted?

8 A. Yeah, we had had studies being done, had a
9 waterflood study done in the late 1980s on the Bunker Hill
10 Waterflood. We actually initiated in the early 1990s a
11 pilot flood, and that was unsuccessful. We did some other
12 workovers that we thought would enhance injectivity,
13 enhance productivity, and those also failed, and...

14 Q. But when this came back up again, via the letters
15 from Mr. Gum, what was Mr. Read's response?

16 A. Well, that was part of my problem. As I -- Prior
17 to ever getting letters from the OCD on compliance issues
18 in the Bunker Hill, I had been approaching Mr. Read about
19 divesting or selling of the property, that there were
20 others that saw value in it, and it was not something that
21 was really a core property or fit the way Read and Stevens
22 operated.

23 For several years, Mr. Read insisted that we
24 needed to get a waterflood study done to try to waterflood
25 the property, and I had to consistently remind him that

1 we've already done all that, we've already done a
2 waterflood study, we have already done a pilot flood.

3 His recollection of events has started to wane,
4 and so I struggled with that. So when I would try to move
5 forward in a prudent, responsible fashion in taking care of
6 this property and divesting of it, the person who owned the
7 company, unfortunately, couldn't remember the events that
8 had taken place, was uncomfortable because he didn't
9 understand if we were giving up something of value.

10 Q. And although that's not the Division's concern,
11 it does point to the problem you had in taking care of
12 these matters?

13 A. That illustrates, I hope, to the extent -- I
14 could illustrate even further, but it illustrates the
15 problem internally I have had. It has been very difficult,
16 I've been between the OCD and the owner of Read and
17 Stevens, and I have diligently tried to bring these wells
18 into compliance as rapidly as I could, as the situation and
19 circumstances would dictate that I could.

20 And as I stated before, the problems I have
21 encountered, I've been involved in facilitating a
22 transition in a family-owned company, which I've never had
23 any experience with -- which I now have more experience
24 than I ever wanted to have.

25 Q. And you've personally researched a number of

1 articles --

2 A. I've personally researched family-owned
3 companies, I have advised the siblings on the problems,
4 they've stepped into the situation, they knew what was
5 going on, they saw the problem.

6 Unfortunately, if you research family-run
7 businesses, one of the most difficult problems that you
8 have when there's been no plan of succession is the
9 progenitor of the company, the individual who started it,
10 although they may recognize that they need to step back
11 from the control of the company, there's a real problem
12 with giving up control of the company.

13 Q. Okay.

14 A. And we have now finally moved through that, and
15 the company -- the children are more involved, there's a
16 new board of directors, and we now have a decision-making
17 process that flows in the company.

18 Q. So this type of problem can be prevented in the
19 future?

20 A. This type of problem can -- and other types of
21 problem as well can be -- have been prevented now from
22 occurring in the future.

23 Q. So in essence there were two problems. One was
24 internal?

25 A. Right.

1 Q. And the second one was, the company Mayo-Marrs
2 had so much work they couldn't get to your wells on a
3 timely basis?

4 A. Right, the internal problem, it's not the
5 Division's problem, it was my problem. Second problem was
6 Mayo-Marrs. I pushed very hard to get up that list and
7 keep our name in front of Rickey Smith.

8 Q. Okay, and what is the final page of your Exhibit
9 1?

10 A. Final page, I just wanted to illustrate, Read and
11 Stevens -- Charlie Read moved to Roswell in the 1950s, Read
12 and Stevens has been around 40 years, the company he
13 started, and over this time frame Read and Stevens -- these
14 are just some simple statistics I pulled from state
15 records.

16 Oil produced from start of Read and Stevens is
17 over 9 million barrels, there's been over 153 BCF of gas
18 produced. At today's wellhead prices the gross value of
19 that product is \$841 million that's been pumped into the
20 state economy. This is a very viable oil company. We have
21 gone through a transition within a family-owned company.
22 We feel very confident that, the new generation included,
23 that we're set for the future as far as management, and
24 Read and Stevens is a very viable company and never had the
25 intent of walking out from under our responsibility to

1 comply with OCD Regulations.

2 Q. And as a result, you would request that the
3 penalty imposed by the Order be rescinded?

4 A. Yes.

5 Q. Was Exhibit 1 prepared by you, Mr. Maxey?

6 A. Yes.

7 Q. And in your opinion is the granting of Read and
8 Stevens' Application in the interest of conservation and
9 the prevention of waste?

10 A. Yes.

11 Q. One final question. Could the penalty money be
12 more usefully put to work drilling wells or doing other
13 work?

14 A. Yes, it certainly could. The penalty money could
15 be invested in the economy of New Mexico, southeast New
16 Mexico.

17 Q. Which is where Read and Stevens' major holdings
18 are?

19 A. That's where our major holdings are, and we
20 intend to stay.

21 MR. BRUCE: Thank you. Mr. Examiner, I'd move
22 the admission of Exhibit 1.

23 EXAMINER CATANACH: Any objection?

24 MR. BROOKS: No objection.

25 EXAMINER CATANACH: Exhibit 1 will be admitted.

1 Mr. Brooks, any questions?

2 EXAMINATION

3 BY MR. BROOKS:

4 Q. Did you investigate any of the other plugging
5 contractors, other than Mayo-Marrs?

6 A. We have had a long-standing relationship with
7 Rickey Smith. We have used other pluggers in the past, and
8 Mr. Smith without a doubt, hands-down, has been the best
9 bidwise on his contracts in plugging and abandoning the
10 wells that we've done in the past.

11 Q. Well, so far as getting these wells plugged,
12 though, when this issue was raised by the filing of this
13 proceeding, did you investigate the possibility of using
14 any other plugging contractor for this work?

15 A. Well, we actually investigated not only other
16 plugging contractors, we looked at the possibility of just
17 bringing in the pulling unit, the cementing company, and
18 doing it ourselves. That's a very expensive process, and
19 we elected to go with Rickey Smith because -- I don't have
20 a figure on the savings, but it would have been substantial
21 on the amount of work that was needed to be done --

22 Q. So you --

23 A. -- on doing it ourselves with the individual
24 contractors, versus Rickey Smith.

25 Q. You cannot tell us as we sit here today whether

1 or not possibly some other contractor might have been able
2 to do it on a more expedited basis?

3 A. They possibly could have done it on a more
4 expedited basis, but everyone I talked to could not have
5 done it immediately.

6 Q. Okay.

7 A. We would have been on a list, and we could not
8 get time frames.

9 Q. Looking Exhibit 1, the summary sheet is really
10 the only question I have about it because the documents
11 you've pulled all seem to be the same ones that I pulled
12 from the well file, but the dates that you have for the
13 subsequent report of P and A --

14 A. Yes.

15 Q. -- now, those are the dates the work was done,
16 not the date the report was filed, correct?

17 A. I believe those are the dates the report was
18 filed --

19 Q. I think if you would compare that --

20 A. -- but I need to look.

21 Q. Yeah, I think you'll find that's not the case --

22 A. Okay.

23 Q. -- when you compare that with the actual
24 documents.

25 A. It may have been the date pulled off of the

1 sundry -- on the day the work was actually done. Okay, the
2 first one appears -- Yeah, it does look like that was the
3 date, pulled off the text of the sundry.

4 Q. So that was the date the work was done --

5 A. Uh-huh.

6 Q. -- and then the reports were filed three to four
7 months, it looks like, subsequent to those dates?

8 A. Right.

9 MR. BROOKS: Okay, just wanted to clarify that.
10 I believe that's all of my questions, Mr. Catanach.

11 EXAMINATION

12 BY EXAMINER CATANACH:

13 Q. So Mr. Maxey, you actually did contact some other
14 plugging operators to try and get an estimate or try and
15 get a time frame for them?

16 A. I contacted them to get a time frame. I didn't
17 actually get estimates.

18 Q. Okay. And those were for the wells that needed
19 to be plugged; is that correct?

20 A. Correct.

21 Q. Now, were there also some wells that you could
22 have brought back into compliance without plugging, short
23 of plugging?

24 A. Well, there were wells -- I could have brought
25 back wells immediately without plugging, but they wouldn't

1 have been economic to operate. And particularly, the
2 Bunker Hill Waterflood, we were trying to move forward with
3 -- excuse me, I've had a cold, I'm losing my voice. But we
4 were trying to sell the unit. I had been trying to sell
5 the unit for quite some time. That related somewhat to the
6 internal problems.

7 And to bring -- the well had been operating --
8 the unit had been operating at a loss, and the partners --
9 I had a lot of partners involved in the unit, and they were
10 very uncomfortable with the loss we've been experiencing.
11 That's why the wells -- a lot of them as they went down was
12 surface-type equipment. Motors burn out, or pumping-unit
13 problem. And those wells were down.

14 And eventually what I did as we moved closer to
15 selling and -- on the properties that I had problems with
16 internally getting things done on, I did bring them back
17 into compliance by just putting them back on production,
18 and we incurred the operating loss. That's what I did.

19 Q. That was done a time after the hearing or...

20 A. Yeah, that was done -- They were done over a
21 period of time, over a period of time. After the hearing,
22 that's correct.

23 Q. Okay. Now, how many wells were there in the
24 Bunker Hill waterflood project?

25 A. There were 28, I believe.

1 Q. Twenty-eight.

2 A. Yeah.

3 Q. So those 28 wells plus the wells that you show on
4 Exhibit 1, was that the extent of the wells that you were
5 required to take action on?

6 A. Actually, it was not all the wells in the Bunker
7 Hill Unit.

8 Q. It was not?

9 A. No. No, there were just some wells in the Bunker
10 Hill Unit. I believe -- If you look at the summary page,
11 there were seven wells in the Bunker Hill Unit that had
12 compliance issues, out of 28.

13 Q. Okay. How many additional wells outside the
14 Bunker Hill?

15 A. Five.

16 Q. So there were 12 wells that were in compliance
17 question --

18 A. Right.

19 Q. -- for the original hearing? Okay. And the
20 seven wells of the Bunker Hill unit, those have been sold,
21 so --

22 A. Yes.

23 Q. Did you take any action on those?

24 A. Yes, we plugged four of them, and then the rest -
25 - the rest were brought into compliance by placing back on

1 production.

2 Q. And the other five wells, four were plugged?

3 A. The Amoco Skeeter was plugged, the Jamie 3 was
4 placed back on production and we're looking at plugging it
5 right now. The Buffalo Valley was plugged, the Jackson was
6 plugged and the West Haystack 5 was plugged.

7 I might add on the West Haystack 5, I believe on
8 our original letter to Mr. Gum we were evaluating the San
9 Andres for recompletion. We had partners that were -- that
10 had walked off and left their responsibility as far as
11 their working interest. We finally got that put together.
12 We did recomplete the well. That was an attempt to bring
13 it into compliance. That did not work. Then the well was
14 plugged.

15 Q. Ultimately, did Mayo-Marrs perform all of the
16 plugging on these wells?

17 A. Yes, all -- except for the West Haystack Number
18 5, and that was the one where we actually did the
19 completion work, or the recompletion work in the San
20 Andres. Talking to Rickey Smith again, it would not have
21 been until after this hearing that we could have got that
22 plugged. I felt like, you know, to make it a clean slate
23 we needed to get it plugged before this hearing, so we did
24 it on our own and it cost us more money, but we just did
25 it.

1 Q. Do you have an estimate of how much money you may
2 have saved by using Mayo-Marrs instead of somebody else?

3 A. Well, I'll tell you, it's close to double. He
4 has all his own equipment, he's been very reasonable in the
5 way he prices his work. He has his rig, he has a cement
6 mixer, he has his own shooting equipment to shoot off
7 casing, he has his own casing jacks. He's self-contained.
8 He has his own backhoe. We have to contract individually
9 when we do it, and it's nearly double.

10 EXAMINER CATANACH: Okay, I don't think I have
11 anything else of this witness.

12 MR. BROOKS: Nothing else --

13 MR. BRUCE: I have nothing further.

14 MR. BROOKS: -- for this witness.

15 EXAMINER CATANACH: Okay, this witness may be
16 excused.

17 Mr. Brooks, are you going to put a witness on?

18 MR. BROOKS: May I speak to my client?

19 EXAMINER CATANACH: Sure.

20 (Off the record)

21 MR. BROOKS: Mr. Examiner, I would like to make a
22 statement, but I don't intend to call my witness.

23 I do, however, have hard copies of the exhibits
24 that were introduced at the previous hearing in regard to
25 Read and Stevens. I realize that our imaging system being

1 where it is at the moment, it may not be real easy to find
2 them, and I'd be glad to tender them if you would like me
3 to do so.

4 EXAMINER CATANACH: Anything that would help us
5 out in that regard would be appreciated.

6 MR. BROOKS: Okay, very good. I have here copies
7 of Exhibits Numbers 15-A, 16, 17, 18, 19. I believe that's
8 all that are actually copies of exhibits that were offered
9 in evidence: Exhibits 15-A through 19 inclusive of the
10 exhibits that were introduced at the hearing of this case
11 on January the 10th of 2002.

12 These copies were actually made from the copies
13 that I kept in my personal file, rather than from the
14 imaging system, because as I understand the status of this
15 file at the moment, the physical file is in the possession
16 of the imaging contractor and the electronic file is on the
17 system, but the cartoons -- I forget what you call them,
18 there's some other name for them, but -- by which you find
19 things are not yet on the system. So the only way to find
20 anything is to go through every document in this entire
21 multi-operator file.

22 So rather than do that, I made these copies from
23 the file copies that I had kept from the hearing. However,
24 I feel reasonably confident I can represent to the Examiner
25 these are true copies of the copies that are in the actual

1 record.

2 EXAMINER CATANACH: Okay, did we provide Mr.
3 Bruce a copy of these, or --

4 MR. BROOKS: I didn't make an extra copy for you,
5 but I'll be --

6 MR. BRUCE: If I could just see them, Mr.
7 Examiner. Although I was at the hearing, I did not enter
8 an appearance for Read and Stevens, but I believe somewhere
9 in my office I have a copy of these also.

10 MR. BROOKS: I will be glad to furnish copies to
11 you. I had not made extra copies since I wasn't offering
12 them into evidence.

13 MR. BRUCE: I do remember seeing these, Mr.
14 Examiner.

15 EXAMINER CATANACH: Okay, we'll get you a set of
16 copies.

17 Okay, Exhibits 15-A through 19 inclusive will be
18 admitted as evidence in this case.

19 Mr. Brooks?

20 MR. BROOKS: Okay, I would like to make a
21 statement. I don't know if Mr. Bruce wants to make a
22 statement first.

23 MR. BRUCE: I'd let Mr. Brooks -- I think we've
24 said pretty much everything we need to say, Mr. Examiner.

25 EXAMINER CATANACH: Okay, Mr. Brooks?

1 MR. BROOKS: Okay, I'll be very brief, especially
2 since I recognize that your Honor drafted this Order that
3 you're being asked to re-open, so I'm sure you can readily
4 get back to where you were on it and understand why you did
5 what you did.

6 There were many operators involved in this case,
7 and I believe the record will reflect that a formula was
8 used in computing the penalties.

9 First of all let me say, the Division does not
10 disagree with any of the facts as presented. The Division
11 does not disagree that all of the wells involved are now in
12 compliance, and I believe if you will examine Exhibit 1
13 introduced by Read and Stevens you will find that all of
14 the wells were brought into compliance subsequent to the
15 issuance of this Order, so that there's no dispute that the
16 wells were not in compliance on the date of the issuance of
17 this Order, there's no dispute that they now are in
18 compliance.

19 The formula was \$1000 per year from the date the
20 Division gave notice that the wells were out of compliance
21 until the date that -- I'm not sure if it was till the date
22 of the hearing or till the date of the Order, but I don't
23 believe that makes any difference on any of these wells.

24 The findings in the Order that are pertinent to
25 Read and Stevens are Findings Numbers 35 through 38.

1 Finding Number 38 explains the manner in which the penalty
2 was computed, and it appears that there were seven wells
3 for which a one-year penalty was applied, one well for
4 which a four-year penalty was applied -- and that was the
5 Amoco Skeeter, and that was -- according to Finding Number
6 35.E, was the subject of a notice on November the 5th, 1997
7 -- and there were three wells for which a five-year penalty
8 was applied. Those three wells are the subject of Finding
9 Number 35.D, and there was a notice on November 5, 1997,
10 that those wells were out of compliance.

11 So seven wells for one year is \$7000, one well
12 for four years is \$4000, three wells for five years is
13 \$15,000. The total is \$26,000, and I believe that was the
14 same formula that your Honor so wisely applied to all of
15 the operators involved in this unit -- I mean in this
16 proceeding.

17 We at the Division believe that this order should
18 stand, and in the interest of securing compliance, not only
19 by this operator but by all the operators, not only now but
20 in the future, that we've used this formula in the past and
21 we should enforce it, and maybe we'll have fewer of these
22 proceedings in the future.

23 Thank you very much.

24 EXAMINER CATANACH: Thank you, Mr. Brooks.

25 Anything further, Mr. Bruce?

1 MR. BRUCE: No, Mr. Examiner, I think we've
2 stated our position that there were extenuating
3 circumstances and no benefit would be gained by penalizing
4 Read and Stevens at this point. Thank you.

5 EXAMINER CATANACH: Thank you, Mr. Bruce, Mr.
6 Brooks.

7 There being nothing further in this case, Case
8 12,733-A Re-opened will be taken under advisement.

9 (Thereupon, these proceedings were concluded at
10 12:00 noon.)

11 * * *

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15 I do hereby certify that the foregoing is
16 a complete record of the proceedings in
17 the Examiner hearing of Case No. 12733-A
18 heard by me on October 9, 2003.
David R. Catanach, Examiner
19 Oil Conservation Division
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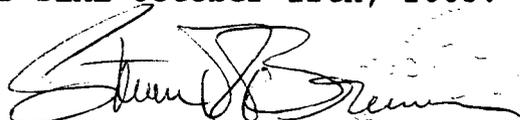
CERTIFICATE OF REPORTER

STATE OF NEW MEXICO)
) SS.
 COUNTY OF SANTA FE)

I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL October 12th, 2003.



STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 16th, 2006