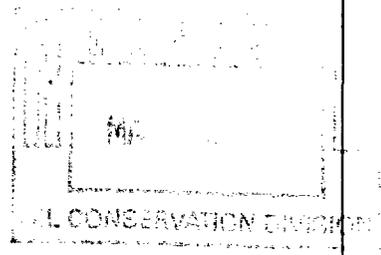


STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING)
CALLED BY THE OIL CONSERVATION)
DIVISION FOR THE PURPOSE OF)
CONSIDERING:)
HEARING CALLED BY THE OIL)
CONSERVATION DIVISION ON)
ITS OWN MOTION)

CASE NO. 11,230



ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

April 10th, 1995

Santa Fe, New Mexico

This matter came on for hearing before the Oil Conservation Division on Monday, April 10th, 1995, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, Santa Fe, New Mexico, before Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

STEVEN T. BRENNER, CCR
(505) 989-9317

I N D E X

April 10th, 1995
Examiner Hearing
CASE NO. 11,230

PAGE

APPLICANT'S WITNESSES:

| | |
|---|---|
| <u>RAY SMITH</u> (Present by telephone) | |
| Direct Examination by Mr. Carroll | 4 |
| Examination by Examiner Catanach | 9 |

| | |
|------------------------|----|
| REPORTER'S CERTIFICATE | 11 |
|------------------------|----|

* * *

E X H I B I T S

| | Identified | Admitted |
|-----------|------------|----------|
| Exhibit 1 | 8 | 9 |
| Exhibit 2 | 8 | 9 |
| Exhibit 3 | 8 | 9 |

* * *

A P P E A R A N C E S

FOR THE DIVISION:

RAND L. CARROLL
Attorney at Law
Legal Counsel to the Division
State Land Office Building
Santa Fe, New Mexico 87504

* * *

1 WHEREUPON, the following proceedings were had at
2 10:45 a.m.:

3
4 EXAMINER CATANACH: At this time I will call Case
5 11,230, which is in the matter of the hearing called by the
6 Oil Conservation Division on its own motion to permit the
7 operator, Leonard Oil Company, and all other interested
8 parties to appear and show cause why the State B-7717 Well
9 Number 1, located approximately 1980 feet from the south
10 line and 660 feet from the east line of Section 2, Township
11 19 South, Range 29 East, Eddy County, New Mexico, should
12 not be plugged and abandoned in accordance with a Division-
13 approved plugging program.

14 Are there appearances in this case?

15 MR. CARROLL: Yes, Mr. Examiner, my name is Rand
16 Carroll, and I'm appearing on behalf of the Oil
17 Conservation Division.

18 And I have one witness that has previously been
19 sworn, and I'll ask the Examiner to remind the witness that
20 he's still under oath.

21 EXAMINER CATANACH: Are there additional
22 appearances?

23 There being none, Mr. Smith, I'll remind you that
24 you're still under oath, testifying.

25 And with that, you may proceed, Mr. Carroll.

1 RAY SMITH (Present by telephone),
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. CARROLL:

6 Q. Mr. Smith, will you please state your name, your
7 residence, your place of employment and your position with
8 your employer for the record, please?

9 A. My name is Ray Smith. I live at Artesia, New
10 Mexico, employed by the NMOCD, the Artesia office, as a
11 Field Rep 2.

12 Q. Mr. Smith, have you testified before the Oil
13 Conservation Division before and had your qualifications
14 accepted?

15 A. Yes, I have.

16 Q. Mr. Smith, have you had a chance to review the
17 well file maintained by the OCD concerning the State B-7717
18 Well Number 1, operated by Leonard Oil Company?

19 A. Yes, I have.

20 Q. Could you please give the Examiner a brief
21 history of this well?

22 A. Okay, from what I can determine, the well was
23 drilled 2-17 of 1948 by Standard Oil Company. I don't find
24 a C-104 for this change to Leonard Oil.

25 But according to what we have, the well was

1 plugged by Leonard Oil in May of -- 26th of 1953.

2 And when this problem came to our attention, a
3 Mr. Travis Reed with Eastland Oil Company was out in the
4 area looking for a place to put in a disposal well, and he
5 found this well leaking and called it to our attention.

6 Upon investigation by Mr. Jim Morrow, formerly of
7 this office, and myself drove out and did the
8 investigation.

9 And at that time correspondence was being sent to
10 Leonard Oil Company at Box 708, Roswell, New Mexico. These
11 letters were returned to us with no forwarding addresses by
12 August 16, 1994.

13 Q. Mr. Smith, so the letters were sent to Leonard
14 Oil Company because Leonard Oil Company had been filing
15 reports with the OCD concerning this well, even though
16 there wasn't a C-104 filed to change the operator to
17 Leonard Oil?

18 A. No, sir, the well had been plugged by Leonard Oil
19 Company.

20 Q. Do you know why Leonard Oil Company plugged the
21 well?

22 A. No, I do not.

23 Q. Mr. Smith, what is the current condition of this
24 well?

25 A. There's just a dryhole marker standing there with

1 a casing valve at the top of the 4 1/2 casing. This marker
2 is attached with a plate to the valve, and there is
3 evidence of leakage from the well.

4 Q. And what is that evidence of leakage?

5 A. There's salt and -- salt water on the ground.

6 Q. So at this point are you recommending that this
7 well be plugged in order to protect fresh water in the area
8 or protect the public health and environment?

9 A. Yes, sir.

10 Q. Mr. Smith, have you prepared a plugging procedure
11 for this well?

12 A. Yes, sir.

13 Q. And would you briefly go over that plugging
14 procedure?

15 A. Okay, we recommend at this time that -- to move
16 in a plugging contractor, remove dryhole marker, and
17 prepare the wellhead to rig up a blowout preventer, begin
18 drilling operations by drilling out the surface plug,
19 drilling out a plug at 1055, at 1591, at 2250 feet, and at
20 2950 feet.

21 Run in-hole at that point the tubing and packer
22 and test the casing and see if it is mechanically okay. If
23 not, then we will need to continue drilling.

24 And once drilling operations are completed, we
25 would like to spot a plug, a 100-foot plug, at 2975 feet; a

1 100-foot plug at 2250 feet; a 100-foot plug at 1650 feet; a
2 100-foot plug at 1000 feet. And then perforate the 7-inch
3 casing below the casing shoe at 425 feet, and squeeze 100
4 sacks of cement.

5 Then after that, if possible, we would like to
6 circulate cement on the 8 5/8 casing string, either by
7 perforating or using existing holes, whichever the case may
8 be.

9 If all goes well, spot a 10-sack surface plug,
10 set a new dryhole marker. There will be mud pumped between
11 all plugs.

12 And I would like to state also that this is a
13 minimal plugging procedure. This can be run more than
14 this.

15 Q. Mr. Smith, are you aware of any plugging bond
16 that's been posted for this well?

17 A. I have not myself had the opportunity to even
18 check on the bond.

19 Q. Mr. Smith, I guess we've already gone over the
20 attempts to contact the operator to plug this well. The
21 letters to Leonard Oil Company have been returned as
22 undeliverable.

23 Has any attempt been made to contact the last
24 operator of record?

25 A. As far as I can see, Leonard was the last

1 operator.

2 Q. But no C-104 had been filed showing -- or
3 switching to Leonard as operator; is that correct?

4 A. Right. I do have in front of me a request for
5 oil and gas allowable. That was on a C-104, August 7,
6 1952. But that's the only thing I see.

7 Q. And that was in the name of Leonard Oil Company?

8 A. Yes, sir.

9 MR. CARROLL: Mr. Examiner, I'll direct your
10 attention to what has been marked as OCD Exhibit Number 1
11 -- that is a copy of the well file maintained by the OCD in
12 this case -- and Exhibit Number 3, which is a copy of the
13 plugging procedure that has been prepared by Mr. Smith
14 regarding this well, and also Exhibit Number 2, which are
15 copies of letters to Leonard Oil Company, including two
16 certified letters to Leonard Oil Company, the first
17 certified letter dated January 9th, notifying Leonard Oil
18 Company that this case would be set for show-cause hearing
19 unless they responded, and then the second certified
20 letter, dated March 17th, 1995, notifying Leonard Oil
21 Company of this hearing. That has been marked as OCD
22 Exhibit Number 2.

23 I have checked with Ms. Diane Richardson
24 regarding the bond on this well, and there is no bond. I
25 can supplement the record with a statement from her if you

1 so desire.

2 And at this time, then, I would move that
3 exhibits marked OCD Exhibit Numbers 1, 2 and 3 be admitted
4 into the record.

5 EXAMINER CATANACH: Exhibit Numbers 1, 2 and 3
6 will be admitted as evidence, and --

7 MR. CARROLL: And that's all I have in this
8 matter, Mr. Examiner.

9 EXAMINER CATANACH: Mr. Carroll, I believe I
10 trust you enough to where I don't need the written
11 statement from Ms. Richardson.

12 EXAMINATION

13 BY EXAMINER CATANACH:

14 Q. Just one question, Mr. Smith.

15 Even though there was never a C-104 filed for
16 change of operator, the Division still considers Leonard
17 Oil Company to be the operator of this well?

18 A. Well, the correspondence from the paperwork I
19 have here, I would say that Leonard Oil Company was the
20 operator.

21 And I have just re-examined the file again, and I
22 do not find a C-104 transferring that well from Standard
23 Oil Company to Leonard.

24 EXAMINER CATANACH: Okay.

25 MR. CARROLL: I will point out, Mr. Examiner,

1 that all the reports -- almost all the reports in the well
2 file were filed by Leonard Oil Company.

3 EXAMINER CATANACH: Okay. I have nothing further
4 of this witness.

5 Is there anything further in this case, Mr.
6 Carroll?

7 MR. CARROLL: No, Mr. Examiner.

8 EXAMINER CATANACH: All right. There being
9 nothing further, Case 11,230 will be taken under
10 advisement, and the witness is excused, and this hearing is
11 adjourned.

12 (Thereupon, these proceedings were concluded at
13 11:00 a.m.)

14 * * *

15 I do hereby certify that the foregoing is
16 a complete record of the proceedings in
17 the Examiner hearing of Case No. 11230,
heard by me on April 6 1995.

18 David R. Catanach, Examiner
19 Oil Conservation Division
20
21
22
23
24
25

CERTIFICATE OF REPORTER

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

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

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

WITNESS MY HAND AND SEAL April 27th, 1995.



STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 14, 1998