

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 TO PERMIT)
 THE OPERATOR, SAGE OIL COMPANY, AND ALL)
 OTHER INTERESTED PARTIES TO APPEAR AND)
 SHOW CAUSE WHY THE GULF STATE WELL)
 NUMBER 1, LOCATED 660 FEET FROM THE)
 SOUTH LINE AND 1980 FEET FROM THE WEST)
 LINE OF SECTION 30, TOWNSHIP 10 SOUTH,)
 RANGE 27 EAST, CHAVES, COUNTY, NEW)
 MEXICO, SHOULD NOT BE PLUGGED AND)
 ABANDONED IN ACCORDANCE WITH A)
 DIVISION-APPROVED PLUGGING PROGRAM)
)

CASE NO. 11,275

ORIGINAL

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OCT 19 1995

Oil Conservation Division

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

October 5th, 1995

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, October 5th, 1995, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

I N D E X

October 5th, 1995
Examiner Hearing
CASE NO. 11,275

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DIVISION WITNESSES:

<u>D. RAY SMITH</u> (Present by telephone)	
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E X H I B I T S

Applicant's	Identified	Admitted
Exhibit 1	7	8
Exhibit 2	6	8
Exhibit 3	7	8

* * *

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
2040 South Pacheco
Santa Fe, New Mexico 87505

* * *

1 WHEREUPON, the following proceedings were had at
2 11:30 a.m.:

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8 EXAMINER STOGNER: This hearing will come to
9 order, and at this time I'll call Case Number 11,275, which
10 is in the matter of the hearing called by the Oil
11 Conservation Division on its own motion to permit the
12 operator, Sage Oil Company, and all other interested
13 parties to appear and show cause why a certain well in
14 Chaves County, New Mexico, should not be properly plugged
15 and abandoned.

16 At this time I'll call for appearances.

17 MR. CARROLL: Yes, my name is Rand Carroll,
18 appearing on behalf of the Oil Conservation Division. I
19 have one witness to be sworn.

20 EXAMINER STOGNER: Any other appearances?

21 There being none, I'm going to ask the court
22 reporter to swear the witness in, who's appearing via
23 telephone out of the Artesia District Office.

24 (Thereupon, the witness was sworn.)

25 EXAMINER STOGNER: Mr. Carroll?

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D. RAY SMITH,

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

DIRECT EXAMINATION

BY MR. CARROLL:

Q. Mr. Smith, will you please state your name and address for the record?

A. My name is Ray Smith. I live at 1601 Jacobs Avenue, Artesia, New Mexico.

Q. And Mr. Smith, who's your employer and what is your position with that employer?

A. Oil Conservation Division, State of New Mexico, and I am a Field Rep II, which has responsibility of overseeing field operations.

Q. And what district are you located in?

A. District 2.

Q. Mr. Smith, are you familiar with the well that is the subject matter of this case?

A. Yes, I am.

Q. Could you please give the Examiner a brief history of the well, starting with when it was drilled?

A. Yes, sir, I sure could.

Mr. Examiner, this well was spud on March 3 -- excuse me, on March 25 of 1960, as the Gulf State Number 1 by J.M. Huber Corporation, 610 Midland National Bank,

1 Midland, Texas. The well was drilled to a depth of 925
2 feet with 4 1/2 casing set and cemented to surface.

3 The test on this well proved to be a dryhole, and
4 the well was plugged June 2, 1960.

5 It was then re-entered 11-30 of 1978 by Sage Oil
6 Company.

7 And I might add that Sage Oil Company was owned
8 by Mr. Rainey McKay, which at an earlier time owned Rapid
9 Oil Company, and I did plug about seven wells in Lea County
10 around five years ago in that project. His address -- The
11 only address I have is Box 763, Hobbs, New Mexico, which is
12 a scout, and no company address is shown.

13 TD is 807 feet, with perforations at 634 to 754
14 in the Queen formation.

15 And to date, the well is sitting in the same way
16 and nothing has further been done to it.

17 Q. Mr. Smith, what's the current condition of this
18 well?

19 A. It's sitting there with just a wellhead looking
20 up. It does show to have a string of tubing in it. That's
21 all.

22 Q. Mr. Smith, does the well's current condition, in
23 your opinion, present a hazard to freshwater in the
24 vicinity or the environment?

25 A. Yes, it does.

1 Q. Mr. Smith, in your opinion would the plugging of
2 this well result in the prevention of waste and/or the
3 protection of correlative rights and/or protection of
4 freshwater and the environment?

5 A. That is my opinion, yes.

6 Q. Mr. Smith, do you have a recommended plugging
7 procedure with this well?

8 A. Yes, sir, I do.

9 MR. CARROLL: Mr. Examiner, if I could refer you
10 to Exhibit Number 2 at this point, it's a one-page exhibit.

11 Q. (By Mr. Carroll) Mr. Smith, could you briefly go
12 over your recommended plugging procedure?

13 A. Okay, it's our opinion that the casing is
14 circulated to surface, just run in hole with tubing to 755
15 feet, circulate the cement to surface. Might put some
16 pressure on it and do a squeeze job on the perforations,
17 then wait on cement for a few minutes to see if the hole
18 remains loaded. Set dryhole marker, clean and level
19 location.

20 Q. Mr. Smith, this is a pretty shallow well. You
21 don't anticipate that the cost is going to be much to plug
22 this, do you?

23 A. I would say it would be very minimal. Possibly
24 you could do this for \$5000 or less.

25 Q. Mr. Smith, are you aware of any bond, plugging

1 bond, that covers this well?

2 A. As far as I know, Mr. Attorney, we do not have a
3 plugging bond on this well.

4 Q. Okay. Our records show a plugging bond issued by
5 Trinity Universal Insurance Company. Do you know what
6 happened to that bond or that company?

7 A. Seems like I was told or had heard that they had
8 gone bankrupt.

9 MR. CARROLL: Mr. Examiner, if you would refer to
10 page 7 of Exhibit Number 1, it does show that a bond is in
11 place for this well, but OCD records do show that Trinity
12 has gone bankrupt and there is no bond currently covering
13 this well.

14 And Mr. Examiner, if you would please at this
15 point refer to what has been marked as OCD Exhibit Number
16 3, this is the certificate of mailing. The OCD sent notice
17 to Sage Oil Company, and that was returned to us, address
18 unknown, to Mr. Rainey McKay, who we had reason to believe
19 had maybe at one time had an interest in this well, and to
20 First Mercantile Corporation.

21 As you can see, the certified letters were signed
22 to as received by First Mercantile, and for Rainey McKay by
23 Mr. Bobbie McKee [sic].

24 First Mercantile sent a letter, which is page 3
25 of Exhibit Number 3, stating that they have no interest in

1 the well.

2 And with that, I move what has been marked OCD
3 Exhibits Numbers 1 through 3 into the record.

4 EXAMINER STOGNER: Exhibits 1 through 3 will be
5 admitted into evidence at this time.

6 MR. CARROLL: And I have nothing further in this
7 case.

8 EXAMINATION

9 BY EXAMINER STOGNER:

10 Q. Mr. Smith, coming back to this Mr. Rainey McKay,
11 what is his position, that you understand?

12 A. Sage Oil Company, as far as I can understand, Mr.
13 Examiner, was Rainey McKay, another company started by him.

14 MR. CARROLL: Mr. Examiner, if I can clarify
15 that, we have really nothing in our files that shows that
16 Rainey McKay owns Sage Oil Company.

17 EXAMINER STOGNER: Nor ever signed documents that
18 I see here?

19 MR. CARROLL: Right, we just sent Mr. Rainey
20 McKay notice in case he wanted to do anything with the
21 well, and he never responded.

22 EXAMINER STOGNER: Okay. Mr. Carroll, in looking
23 at page 7 on Exhibit Number 1 --

24 MR. CARROLL: Yes.

25 EXAMINER STOGNER: -- you mentioned who was the

1 Trinity Universal Insurance Company?

2 MR. CARROLL: Right. That is the company listed
3 on the third entry at the bottom.

4 EXAMINER STOGNER: What are the two previous
5 entries?

6 MR. CARROLL: Those were prior bonds.

7 EXAMINER STOGNER: Oh, okay.

8 MR. CARROLL: That was replaced by the Trinity --
9 Once we got the Trinity Universal Insurance Company bond,
10 we released the prior bond.

11 EXAMINER STOGNER: Okay.

12 MR. CARROLL: As you can see, the prior bond was
13 canceled January 4th, 1988, and the Trinity bond was
14 approved January 4th, 1988.

15 EXAMINER STOGNER: I see that now. Okay.

16 I have no other questions of Mr. Smith. Do you
17 have any other questions?

18 MR. CARROLL: No, that's all I have in this case.

19 EXAMINER STOGNER: Mr. Smith, do you have
20 anything further in this matter?

21 THE WITNESS: I sure don't, Mr. Examiner.

22 EXAMINER STOGNER: All right. With that, you may
23 be excused, and have a good day.

24 THE WITNESS: Thank you, sir. You too.

25 MR. CARROLL: Thanks, Ray.

1 EXAMINER STOGNER: Mr. Carroll, do you have
2 anything further in this matter?

3 MR. CARROLL: No, I do not.

4 EXAMINER STOGNER: If nobody else has anything
5 further in Case Number 11,275, this case will be taken
6 under advisement.

7 (Thereupon, these proceedings were concluded at
8 11:38 a.m.)

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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.

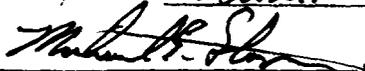
WITNESS MY HAND AND SEAL October 14th, 1995.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 1998

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 11275, heard by me on 5 October 1995.


Examiner
Oil Conservation Division