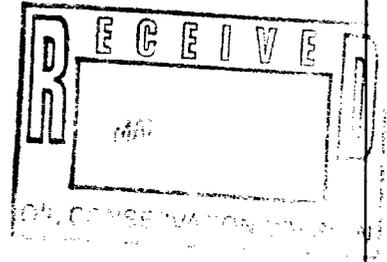


STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING CALLED BY )  
THE OIL CONSERVATION DIVISION FOR THE )  
PURPOSE OF CONSIDERING: )  
  
IN THE MATTER OF THE HEARING CALLED BY )  
THE OIL CONSERVATION DIVISION ON ITS OWN )  
MOTION TO PERMIT THE OPERATOR, SANTA )  
RITA EXPLORATION CORP., ALLIED FIDELITY )  
INSURANCE COMPANY, AND ALL OTHER )  
INTERESTED PARTIES TO APPEAR AND SHOW )  
CAUSE WHY A CERTAIN WELL IN CHAVES )  
COUNTY, NEW MEXICO, SHOULD NOT BE )  
PROPERLY PLUGGED AND ABANDONED )

CASE NO. 11,489

ORIGINAL



REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

March 7th, 1996

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, March 7th, 1996, 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

March 7th, 1996  
 Examiner Hearing  
 CASE NO. 11,489

PAGE

## DIVISION WITNESS:

D. RAY SMITH (Present by telephone)

Direct Examination by Mr. Carroll	4
Examination by Examiner Stogner	7

REPORTER'S CERTIFICATE	9
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## E X H I B I T S

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

\* \* \*

## 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 12:05 p.m.:

3  
4           EXAMINER STOGNER: At this time I'll call Case  
5 Number 11,489, which is in the matter of the hearing called  
6 by the Oil Conservation Division on its own motion to  
7 permit the operator, Santa Rita Exploration Corporation,  
8 Allied Fidelity Insurance Company, and all other interested  
9 parties to appear and show cause why a certain well in  
10 Chaves County, New Mexico, should not be properly plugged  
11 and abandoned in accordance with our rules and regulations.

12           At this time I'll call for appearances.

13           MR. CARROLL: May it please the Examiner, my name  
14 is Rand Carroll and I represent the New Mexico Oil  
15 Conservation Division.

16           I have one witness and he has previously been  
17 sworn in the prior case.

18           EXAMINER STOGNER: Let the record show that Mr.  
19 Smith, who is appearing in this matter via telephone from  
20 Artesia, New Mexico, in our District office down there, was  
21 previously sworn in Case 11,490.

22           And let me remind you, Mr. Smith, that you're  
23 still under oath in this matter.

24           THE WITNESS: Okay.

25           EXAMINER STOGNER: Mr. Carroll?



1 798, Artesia, New Mexico.

2 The well was drilled in the wildcat San Andres  
3 Pool. It ran 329 feet of 8 5/8 casing, circulated cement  
4 to surface, TD'd well January 5, 1981, and ran 4 1/2 casing  
5 to 2390 feet and cemented to surface, perforations at 2338  
6 to 2364. The well was acidized but would show no  
7 production.

8 Change of operator on August 1, 1981, to Santa  
9 Rita exploration. There's no surface equipment on the  
10 location, and reserve pits are still open.

11 Q. Mr. Smith, what's the current condition of this  
12 well that you recommend at this point that we plug it?

13 A. This well is sitting idle.

14 Q. So Mr. Smith, in your opinion the plugging of  
15 this well at this time will aid in the prevention of waste,  
16 protection of correlative rights and protect fresh water  
17 and the environment?

18 A. That is correct.

19 Q. Mr. Smith, what attempts have been made to  
20 contact the principals of Santa Rita Exploration, Inc.?

21 A. I sent a letter to Mr. Donald Craig, which is the  
22 man named on the C-104, Santa Rita Exploration, Post Office  
23 Box 798, Artesia. The mail was returned unopened.

24 Q. Okay. Did you check the phone book or any other  
25 sources of information regarding a Donald Craig in Artesia?

1 A. Yes, I have.

2 Q. And you couldn't locate anybody by that name that  
3 was involved with Santa Rita Exploration Corporation?

4 A. That is correct.

5 Q. Mr. Smith, there is a bond listed as covering  
6 this well issued by the Allied Fidelity Insurance Company.  
7 Is it your understanding from conversation with Diane  
8 Richardson that this insurance company is bankrupt?

9 A. That is correct.

10 Q. And that this insurance company has issued bonds  
11 for several wells in New Mexico and that the bonds are  
12 worthless?

13 A. Okay, I wasn't aware of that.

14 Q. Mr. Smith, have you worked up a recommended  
15 plugging procedure for this well?

16 A. Yes, sir, I sure have.

17 Q. And where is that plugging procedure listed?

18 A. It's page 2, Exhibit 1.

19 Q. And how do you propose to plug it?

20 A. Propose to spot 25-sack plug at 2390, wait on  
21 cement to set and tag the plug, spot cement from 380 feet  
22 to surface, all gel between the plugs, and then set dryhole  
23 marker, clean and level location.

24 MR. CARROLL: Mr. Examiner, I'll refer you to  
25 what has been marked OCD Exhibit Number 2, and that is a

1 copy of the notice that was sent to Santa Rita Exploration  
2 Corporation at their last known address to the Division.  
3 No notice was sent to the Allied Fidelity Insurance  
4 company, because such company is now defunct.

5 I've also submitted an affidavit as to the notice  
6 and to the Santa Rita Corporation.

7 And with that, I move that Exhibits Numbers OCD  
8 Exhibits 1 and 2 be admitted into the record.

9 EXAMINER STOGNER: Exhibits 1 and 2 will be  
10 admitted at this time.

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

13 EXAMINATION

14 BY EXAMINER STOGNER:

15 Q. Mr. Smith, in referring to -- I've got a -- not  
16 an actual photograph but a photostat copy of a photograph.  
17 What is on the surface out there at this well? Is there  
18 any pump jack, any tank batteries, any surface equipment?

19 A. Mr. Examiner, the only thing there is a wellhead  
20 with about a foot of 4 1/2 casing sticking up with a  
21 collar. The reserve pits are open. There's no other  
22 equipment on location.

23 Q. Okay, I'm looking at that picture. It's hard to  
24 make it out. Hold it, I just had a picture handed to me.  
25 Can you estimate the fluid level in that well?



