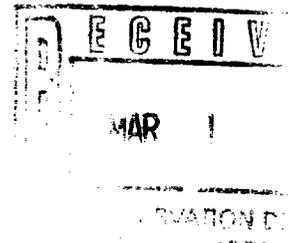


STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

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, SALKAR,)
INC., THE TRAVELERS INDEMNITY COMPANY,)
AND ALL OTHER INTERESTED PARTIES TO)
APPEAR AND SHOW CAUSE WHY A CERTAIN WELL)
IN EDDY COUNTY, NEW MEXICO, SHOULD NOT)
BE PROPERLY PLUGGED AND ABANDONED)
)

CASE NO. 11,490

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. 11,490

PAGE

DIVISION WITNESS:

D. RAY SMITH (Present by telephone)

| | |
|------------------------------------|---|
| Direct Examination by Mr. Carroll | 4 |
| Examination by Examiner Stogner | 8 |
| Further Examination by Mr. Carroll | 9 |

REPORTER'S CERTIFICATE 11

* * *

E X H I B I T S

| Applicant's | Identified | Admitted |
|-------------|------------|----------|
| Exhibit 1 | 5 | 8 |
| Exhibit 2 | 7 | 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 11:54 a.m.:

3 EXAMINER STOGNER: At this time I'll call Case
4 Number 11,490, which is in the matter of the hearing called
5 by the Oil Conservation Division on our own motion to
6 permit the operator, Salkar, Inc. -- Is that how you
7 pronounce it, Mr. --

8 MR. CARROLL: Salkar is how we've been --

9 EXAMINER STOGNER: -- Salkar, Inc., the Travelers
10 Indemnity Company, and all other interested parties to
11 appear and show cause why a certain well in Eddy County,
12 New Mexico, should not be properly plugged and abandoned in
13 accordance with our rules and regulations.

14 At this time I'll call for appearances.

15 MR. CARROLL: May it please the Examiner, my name
16 is Rand Carroll and I represent the Oil Conservation
17 Division.

18 I have one witness to be sworn.

19 EXAMINER STOGNER: Any other appearances?

20 There being, none, Mr. Smith, I'm going to have
21 you sworn in at this time.

22 THE WITNESS: All right.

23 (Thereupon, the witness was sworn.)

24 EXAMINER STOGNER: Mr. Carroll?

25 MR. CARROLL: Thank you.

1 EXAMINER STOGNER: They are, and Mr. Smith is so
2 qualified.

3 Q. (By Mr. Carroll) Mr. Smith, if you'll please
4 refer to what has been marked Exhibit Number 1 in Case
5 11,490, regarding the Salkar El Cheapo Number 1 well --

6 A. Yes, sir.

7 Q. -- have you investigated this matter, and do you
8 have certain recommendations regarding the plugging of this
9 well?

10 A. Yes, I do.

11 Q. Mr. Smith, will you please go through the history
12 of the El Cheapo Number 1, referring to the pages of
13 Exhibit Number 1?

14 A. Okay. I have a little synopsis here. I can read
15 a little bit about the history too.

16 Q. That will be fine.

17 A. Okay. The well was spud 3-27 of 1985 in the
18 Artesia Queen-Grayburg-San Andres Pool. It's a 12 1/4
19 hole, it was drilled to 306 feet, ran 8 5/8 casing to 278
20 feet and circulated to surface with cement.

21 On 4-22-85, they TD'd the hole at 2220 feet,
22 plugged it back to 2140 feet and ran 4 1/2 casing to 2140
23 and circulated cement to surface. The well was perforated
24 from 1516 to 1953 feet.

25 Surface equipment is limited to wellhead with a

1 polish rod sticking up and an old low 250 tank location,
2 reserve pitcher still open.

3 Q. Okay. What's the current condition of this well
4 that you feel it requires plugging?

5 A. I feel like it would probably jeopardize fresh
6 water in the locality and also jeopardize correlative
7 rights. The well is just setting dormant.

8 Q. So in your opinion, the plugging of this well at
9 this point in time would prevent waste, protect correlative
10 rights and/or fresh water and the environment?

11 A. Yes, I do.

12 Q. Mr. Smith, where are your plugging procedures set
13 forth? Are they on page 2 of Exhibit Number 1?

14 A. Yes, it is.

15 Q. And that's how you recommend that whoever is
16 hired to plug this well should plug it?

17 A. Right.

18 Q. Mr. Smith, what attempts have been made to
19 contact the last known operator of this well?

20 A. Yes, I've sent a letter to Salkar, Incorporated,
21 P.O. Box 1151, Artesia, by certified mail, January 3 of
22 1996. It was returned unopened and stating -- giving Rule
23 202 A -- or excuse me, 201 A, 201 B, and that the well
24 would need to be properly P-and-A'd or plugged.

25 Q. Okay. Mr. Smith, are you aware -- is there any

1 bond covering this well? Mr. Smith, I'll refer you to
2 Exhibit Number 2.

3 A. Okay.

4 Q. Does that set forth information regarding the
5 bond that covers this well?

6 A. Yes, it is.

7 Q. And there's a \$5000 one-well surety bond?

8 A. That is correct.

9 MR. CARROLL: Mr. Examiner, I'll also refer you
10 to what has been marked OCD Exhibit Number 3, which is a
11 copy of the notice that was sent to both the Travelers
12 Indemnity and Salkar, Inc., and I've also submitted an
13 affidavit regarding the notice sent in this case.

14 I will bring up one small problem. Even though
15 on the return receipt card we have the correct state of the
16 Traveler's Indemnity Company, it is Farmington,
17 Connecticut, where it is located, and whoever prepared the
18 envelope put Farmington, New Mexico, and it was returned as
19 undeliverable.

20 Because there is an active bond in this case, I
21 would ask that this case be readvertised for a month, and
22 we will send a copy of the notice to the Traveler's
23 Indemnity Company in Farmington, Connecticut, so if they
24 have any objections or wish to appear in this case they
25 may.

1 EXAMINER STOGNER: So you're prepared to continue
2 this until what? April 4th --

3 MR. CARROLL: Right.

4 EXAMINER STOGNER: -- 1996, at which time it will
5 be taken under advisement --

6 MR. CARROLL: That's correct.

7 EXAMINER STOGNER: -- due to notification?

8 MR. CARROLL: And at this time I'd like to offer
9 what has been marked OCD Exhibits Number 1 through 3 into
10 the record.

11 EXAMINER STOGNER: Exhibits 1 through 3 will be
12 admitted into the record at this time.

13 MR. CARROLL: And that's all I have in this case.

14 EXAMINATION

15 BY EXAMINER STOGNER:

16 Q. Mr. Smith, in looking at the completion report and
17 other items, are you familiar or have you ever run across
18 the Mr. Salkar -- it looks like maybe Jimmie Salkar -- or
19 some of the other people that had signed these documents?

20 A. No, I have not, Mr. Examiner.

21 Q. Okay. Now, you caused this matter to be sent to
22 an Artesia address?

23 A. Yes, I did.

24 Q. Did you check with that Roswell address that was
25 on the C-101 and C-105?

1 A. I must not have.

2 Q. I notice that there was a change, but there
3 hasn't been that much time lapse from -- Well, in fact,
4 that looked like it was approved in August, so the Roswell
5 address was probably more current than the Artesia address.

6 MR. CARROLL: Mr. Examiner, we can also send a
7 copy of the notice, since we're readvertising in a month
8 anyway, to the Roswell address for Salkar.

9 EXAMINER STOGNER: Let's do that, and let's see
10 if we get any response.

11 Q. (By Examiner Stogner) Was there any other
12 attempts made to locate this company, Mr. Smith?

13 A. No, at the time -- This is the only address I've
14 noticed, but I do see a Roswell address here.

15 FURTHER EXAMINATION

16 BY MR. CARROLL:

17 Q. And Mr. Smith, it appears that Jimmie Salazar
18 with Salazar Brothers, Inc., is probably the "Sal" in this
19 "Salkar, Inc." I don't know if Jimmie Salazar is still
20 around Roswell or Artesia.

21 Are you familiar with Mr. Salazar, Mr. Smith?

22 A. I'm familiar with the Salazar Drilling Company.

23 MR. CARROLL: Okay.

24 EXAMINER STOGNER: We might want to check that
25 lead out.

1 And there's a Mary L. Karr, which appears to be
2 the secretary that had signed some of the other documents,
3 that might be the "Salkar" in this instance.

4 But anyway since we're going to leave the record
5 open pending further notification, I don't have anything
6 further of Mr. Smith.

7 MR. CARROLL: That's all I have, Mr. Examiner.

8 EXAMINER STOGNER: Thank you, Mr. Smith, you may
9 be excused.

10 I believe we're going to have him in another
11 case --

12 MR. CARROLL: Yes.

13 EXAMINER STOGNER: -- is that correct?

14 So stand by, Mr. Smith.

15 THE WITNESS: All right.

16 EXAMINER STOGNER: Okay, if there's nothing
17 further at this time, Mr. Carroll, we'll continue this case
18 to the April 4th, 1996, docket, at which time we will call
19 it, and perhaps if you want to present additional testimony
20 at that time, if need be.

21 MR. CARROLL: Okay. Thank you, Mr. Examiner.

22 (Thereupon, these proceedings were concluded at
23 12:05 p.m.)

24 * * *

25

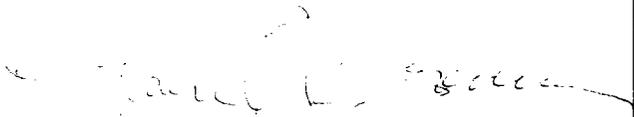
CERTIFICATE OF REPORTER

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

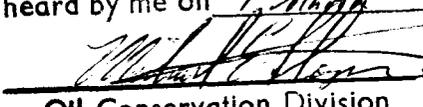
I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

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 March 19th, 1996.


 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. 11490 heard by me on 7 March 1996.

 Examiner
 Oil Conservation Division