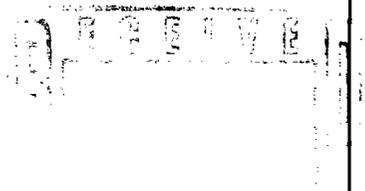


STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION

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 CMS OILFIELD SERVICES, )  
INC., OPERATOR, UNITED STATES FIDELITY )  
AND GUARANTY COMPANY, SURETY, AND ALL )  
OTHER INTERESTED PARTIES TO APPEAR AND )  
SHOW CAUSE WHY THE CARANTA WELL NUMBER )  
1, LOCATED 1980 FEET FROM THE SOUTH AND )  
EAST LINES OF SECTION 23, TOWNSHIP 32 )  
NORTH, RANGE 1 WEST, RIO ARRIBA COUNTY, )  
NEW MEXICO, SHOULD NOT BE PLUGGED AND )  
ABANDONED IN ACCORDANCE WITH A DIVISION- )  
APPROVED PLUGGING PROGRAM )

CASE NO. 11,498

ORIGINAL



REPORTER'S TRANSCRIPT OF PROCEEDINGS  
EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

March 21st, 1996  
Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday, March 21st, 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 21st, 1996  
 Examiner Hearing  
 CASE NO. 11,498

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\* \* \*

## 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

## ALSO PRESENT:

JOHN CARANTA  
Farmington, New Mexico

\* \* \*

1           WHEREUPON, the following proceedings were had at  
2   3:18 p.m.:

3           EXAMINER CATANACH: Call Case 11,498, which is in  
4   the matter of the hearing called by the Oil Conservation  
5   Division on its own motion to permit CMS Oilfield Services,  
6   Inc., operator, United States Fidelity and Guaranty  
7   Company, surety, and all other interested parties to appear  
8   and show cause why the Caranta Well Number 1, located 1980  
9   feet from the south and east lines of Section 23, Township  
10   32 North, Range 1 West, Rio Arriba County, New Mexico,  
11   should not be plugged and abandoned in accordance with a  
12   Division-approved plugging program.

13           Are there appearances in this case?

14           MR. CARROLL: May it please the Examiner, my name  
15   is Rand Carroll, appearing on behalf of the Oil  
16   Conservation Division.

17           I have one witness to be sworn in.

18           EXAMINER CATANACH: Additional appearances in  
19   this case?

20           MR. CARROLL: Mr. Caranta?

21           MR. CARANTA: Yes, I'm here.

22           MR. CARROLL: Do you want to enter an appearance?

23           MR. CARANTA: I don't understand what you're  
24   saying.

25           MR. CARROLL: We just want to know if you want to

1 -- Well, do you want to make an appearance on the record?  
2 Just state your name for the Hearing Examiner.

3 MR. CARANTA: John Caranta.

4 MR. CARROLL: From Dulce?

5 MR. CARANTA: From Farmington, yes, but we have  
6 property up there in Dulce.

7 (Thereupon, the witnesses were sworn.)

8 JOHNNY ROBINSON (Present by telephone),

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

11 . DIRECT EXAMINATION

12 BY MR. CARROLL:

13 Q. Mr. Robinson, will you please state your name and  
14 residence for the record, please?

15 A. Johnny Robinson, and I work at the OCD in Aztec.

16 Q. And what is your position with the OCD in Aztec?

17 A. I'm a Field Rep II. I organize hearings, work up  
18 plugging procedures and see that the wells are plugged  
19 properly.

20 Q. Mr. Robinson, on prior occasions have you  
21 testified before this Division regarding plugging matters  
22 and had your qualifications accepted?

23 A. Yes, sir, I have.

24 MR. CARROLL: Mr. Examiner, are Mr. Robinson's  
25 qualifications acceptable?

1 EXAMINER CATANACH: Yes, they are.

2 Q. (By Mr. Carroll) Mr. Robinson, are you familiar  
3 with the well that is the subject matter of this case, the  
4 Caranta Well Number 1?

5 A. Yes, sir.

6 Q. Could you please give the Examiner a brief  
7 history of this well?

8 A. Yes, sir. The well itself was drilled back in  
9 1982 -- 1981 is when the well was spudded. The well has  
10 never been completed.

11 It's been drilled to 2000 feet and moved off of  
12 the well, and there hasn't been any activity on the well  
13 for quite some time.

14 Q. When was the last activity on this well?

15 A. About 1990.

16 Q. And what was done to the well at that time?

17 A. At that time they extended the existing hole down  
18 to 2000 feet.

19 Q. Okay. And Mr. Robinson, what's the current  
20 condition of this well that you recommend plugging it at  
21 this time?

22 A. The current condition is that the well is open  
23 hole and uncased, and if we leave the casing and well in  
24 the condition that it's in, it may deteriorate to where we  
25 can't plug the well.

1 Q. Is there any fresh water in the vicinity?

2 A. There is some fresh water in the vicinity --

3 Q. How close?

4 A. -- mostly for drinking water for cattle, things  
5 like that. It's not in a populated area.

6 Q. So Mr. Robinson, it is your opinion at this time  
7 that the plugging of this well would protect correlative  
8 rights, prevent waste or protect fresh water and the  
9 environment?

10 A. Yes, sir.

11 Q. Mr. Robinson, have you worked up plugging  
12 procedures that you recommend to be used in plugging this  
13 well?

14 A. Yes, I've sent in a schematic on the well and a  
15 plugging procedure.

16 Q. And are they contained on page 3 of the Exhibit  
17 Number 1?

18 A. Yes, it is.

19 Q. Okay. Mr. Robinson, if I could refer you to what  
20 has been marked OCD Exhibit Number 2, is that a copy of the  
21 bond that has been filed to cover the plugging of this  
22 well?

23 A. Yes, sir.

24 Q. And that bond is in the amount of what?

25 A. \$5000.

1           Q.    Mr. Robinson, what attempts have been made to  
2 work with the operator of this well in order to get this  
3 well either brought back onto production or to have it  
4 plugged?

5           A.    We've had several letters, and we started working  
6 on it -- I myself, since December of 1994, and I've talked  
7 to Mr. Caranta about doing something with the well, and  
8 during that time he's been trying to find someone that  
9 would -- Pester or someone that would help him complete the  
10 well, and he's had several prospects, but never had anybody  
11 that would actually help him on the well.

12                   He's had probably a total of about seven or eight  
13 deadlines and extensions to do something with the well.

14           Q.    And the operator on each of those occasions has  
15 failed to comply with the deadline that was given?

16           A.    Right.

17                   MR. CARROLL:  Mr. Examiner, the notice that was  
18 give to CMS Oilfield Services, Mr. John Caranta doing  
19 business as Caranta Brothers, and to United States Fidelity  
20 and Guaranty, is in what has been marked as OCD Exhibit 3.

21                   At this time I offer what has been marked OCD  
22 Exhibits 1 through 3 into the record.

23                   EXAMINER CATANACH:  Exhibits 1 through 3 will be  
24 admitted as evidence in this case.

25                   MR. CARROLL:  That's all I have at this time.

## EXAMINATION

1  
2 BY EXAMINER CATANACH:

3 Q. Mr. Robinson, what is the association between Mr.  
4 Caranta and CMS Oilfield Services? Is that the same  
5 entity?

6 A. Mr. Caranta sold the well to CMS with the  
7 understanding that they would complete the well, and I have  
8 a letter from Mr. Moore, who is with CMS, explaining that  
9 they were unable to come up with the funds to complete the  
10 sale of the well and that the well was turned back to Mr.  
11 Caranta.

12 Q. So the current operator is Mr. Caranta, and Mr.  
13 Caranta does have a plugging bond on the well?

14 A. No, sir, the -- Well, it's a little mixed up.  
15 There was never a C-103 to change the name back to Caranta.  
16 So actually the well still shows to be under CMS, and the  
17 bond is with CMS. Mr. Caranta is in the process of  
18 changing the well back to himself, but he hasn't changed  
19 the bond.

20 MR. CARROLL: Mr. Examiner, maybe I can clarify  
21 this a little bit.

22 Apparently Mr. Caranta attempted to conveyance to  
23 CMS. Without the conveyance being completed, they filed a  
24 C-104 changing the operator from Caranta to CMS. CMS filed  
25 a bond from United States Fidelity and Guaranty, and then

1 the underlying conveyance never occurred.

2 The Division does not look at the underlying  
3 conditions of property transfers. We rely upon the C-104s  
4 and the bonds that are filed in order to make our  
5 determination as to who to hold liable for the plugging of  
6 a well.

7 It is up to CMS to get the property transferred  
8 back to the original grantor and have the grantor file a  
9 C-104 transferring it back and getting a bond in place  
10 before we will release CMS from its plugging liability.

11 EXAMINER CATANACH: So, Mr. Carroll, is it my  
12 understanding that we are attempting to get CMS to plug the  
13 well?

14 MR. CARROLL: Yes, notice was sent to CMS, and  
15 CMS's insurer, United States Fidelity and Guaranty,  
16 contacted me and they are willing to -- apparently willing,  
17 to plug the well.

18 When I explained to them that the OCD does not  
19 look at the underlying transfers and we rely upon the C-104  
20 and I advised Mr. Lushbaugh, I believe, with United States  
21 Fidelity and Guaranty, that it was CMS's mistake to file  
22 the C-104 and the bond prior to actually having the  
23 property in its ownership and that CMS -- it's their  
24 problem to straighten it out, and it's not the Division's.

25 EXAMINER CATANACH: So as far as we're concerned,

1 we're going after CMS, and we're going to go after this  
2 plugging bond that's in effect?

3 MR. CARROLL: That's right, and we notified Mr.  
4 Caranta, we're on notice that he had an interest in the  
5 well, and we notified -- also sent notice to him because he  
6 definitely has an interest into what happens to this well,  
7 and I believe Mr. Caranta has a statement to make at this  
8 hearing.

9 EXAMINER CATANACH: Okay. Mr. Caranta, would you  
10 care to make a statement at this time?

11 MR. CARANTA: Yes, I would.

12 EXAMINER CATANACH: Okay.

13 JOHN CARANTA (Present by telephone),  
14 the witness herein, after having been first duly sworn upon  
15 his oath, was examined and testified as follows:

16 DIRECT TESTIMONY

17 BY MR. CARANTA: This well is a wildcat well, and  
18 there's no production. There's a little bit of production  
19 about four miles away from Edith, Colorado, and about eight  
20 miles away in Chromo, Colorado, there's some small  
21 production.

22 We did go ahead and cap it with a metal cap. It  
23 was welded on, and I don't know -- I haven't been up there  
24 in a year or so, but I guess if Mr. Robinson said the cap  
25 was torn off, it probably was.



1           And it's been that way. The oil and gas industry  
2 is depressed, and because it is in that area and it's a  
3 wildcat well, you can't get any participant.

4           Columbia Oil and Gas drilled a well out there two  
5 years ago, within five miles of it, and they were supposed  
6 to go down 4500 feet. And they only went down 2500 feet  
7 because they didn't have enough money to hit the  
8 Precambrian. So it's quite difficult to get investors, and  
9 they seem to back out at the last moment.

10          Q. Well, you know, Mr. Caranta, the Division is not  
11 concerned with your problems raising money from investors;  
12 we're concerned about having an open hole. And I'm just  
13 curious as to why Mr. Robinson has been working it for  
14 years and why nothing has been done to actually bring this  
15 well back onto production or to have the well plugged.

16          A. Well, right now as it stands right, it's a water  
17 well. There isn't any production.

18          Q. Well, it should be plugged below the water level,  
19 shouldn't it?

20          A. Well, yes, but we -- Our intent has been to drill  
21 it down to the bottom, down to the Precambrian. And all  
22 through these last couple of years I have been trying to  
23 get -- and I realize that you -- where you're coming from,  
24 that it's not your problem. But I have been trying to get  
25 participants to drill it.

1           What we'd like, if possible, is to get a 90-day  
2 extension, and we will plug it after that if we don't hit  
3 anything.

4           Q.    Mr. Caranta, our normal period we grant in our  
5 orders to do something with the well is 45 days. Can you  
6 -- Would that satisfy you, that 45 days?

7           A.    Well, the thing about the 45 days is that it's a  
8 cable tool, and some days you hit hard sandstone and you  
9 might only go five feet. Some days it goes well.

10           You know, if that's the best I can get, I guess  
11 I'd have to settle for it. But I'd rather have 90 if I  
12 could.

13           MR. CARROLL: Can I ask for Mr. Robinson's  
14 recommendation?

15           Mr. Robinson, what is your recommendation as to  
16 the time period to give Mr. Caranta to plug this well or  
17 bring it back onto production?

18           MR. ROBINSON: I don't have any problem with that  
19 90 days, as long as we can get it done, you know, this  
20 summer, before the weather gets bad.

21           MR. CARROLL: Mr. Robinson, do you recommend that  
22 if this well is not brought back onto production within the  
23 90-day period, then, or if it's not plugged within the 90  
24 days, that a fine be imposed upon the operator of this  
25 well?

1 MR. ROBINSON: Yes, sir.

2 MR. CARROLL: What would be the level of that  
3 fine?

4 MR. ROBINSON: I think a thousand dollars, what  
5 we usually have.

6 MR. CARROLL: Okay. I also ask the Examiner at  
7 this time to impose a fine of \$1000 at the end of the 90-  
8 day period that the Division agrees to for the plugging or  
9 bringing this well back onto production.

10 EXAMINATION

11 BY EXAMINER CATANACH:

12 Q. Mr. Caranta, can I ask you a couple of questions?

13 This is the Examiner.

14 You say you have a cable rig standing by out  
15 there?

16 A. Yes, it's on site. Mr. Robinson has seen it.

17 Q. And it's a functional rig, ready to drill?

18 A. Yes.

19 Q. When do you anticipate being able to start  
20 drilling the well?

21 A. Well, we can start right away, just as soon as we  
22 get your permission.

23 Q. Okay. So we're talking about -- Do you believe  
24 it's possible to drill the 2500 feet within 90 days?

25 A. Within 90 days it's possible. Within the 45 it

1 would be pretty unprobable.

2 EXAMINER CATANACH: Okay.

3 FURTHER EXAMINATION

4 BY MR. CARROLL:

5 Q. Mr. Caranta --

6 A. Yes, sir.

7 Q. -- when can we expect a C-104 being filed and a  
8 bond being put in place in your name and not in CMS's?

9 A. The problem with the bond -- I've been paying  
10 that bond for several years, and the problem with the bond  
11 is that they won't transfer it over.

12 Q. And why is that?

13 A. I don't know. They just won't do it. Well,  
14 because I guess the probability of having to pay it. And  
15 so I haven't been able to transfer it over to my name, and  
16 that's why I've kept it in the CMS thing.

17 Q. And that's fine with CMS, to have you do that?

18 A. Well, not really, but they won't release them  
19 until I get a bond, and I can't get a bond, so it's a  
20 Catch-22.

21 Q. Do you have an agreement with CMS that you'll  
22 reimburse them if that bond -- if they're liable to the  
23 insurance company if that bond is forfeited?

24 A. If it goes to plugging, we'll plug it. I'll do  
25 the plugging on it.

1 Q. Can you post a \$5000 bond, cash bond, with a bank  
2 up there?

3 A. Yes.

4 Q. Why don't you do that, and we'll release CMS from  
5 their surety bond?

6 A. We don't want to do that, because, you know, I  
7 don't want to -- I don't have \$5000 sitting around right --  
8 you know, that I can do that with.

9 But why do we have to release them? I've paid  
10 all these years on the insurance. Why should I release  
11 them at the end? I don't understand your logic.

12 Q. Because you're actually operating this well, and  
13 our records show that CMS is operating it.

14 A. Well, they never did take it over, CMS didn't.  
15 All they did was change the bond over. But they actually  
16 never operated it. I canceled my bond when they came on,  
17 but now I can't cancel theirs and put it back in my name.

18 Q. Okay, Mr. Caranta. Well, I hope you understand  
19 that the Division is asking the Examiner to issue an order  
20 giving you 90 days to either plug this well or bring it  
21 onto production, and if you don't we're going to foreclose  
22 upon the bond, and then I guess USF&G and CMS will go after  
23 you for reimbursement.

24 A. Right. Yes, sir.

25 MR. CARROLL: All right. That's all I have in

1 this case, Mr. Examiner.

2 EXAMINER CATANACH: Okay. Do you want to add  
3 anything, Mr. Robinson or Mr. Caranta?

4 MR. ROBINSON: The only thing I have is, if we go  
5 to that deeper depth, I don't think that \$5000 bond would  
6 be sufficient.

7 Q. (By Mr. Carroll) Mr. Caranta, are you willing to  
8 post the additional bond above the \$5000, then, for the  
9 depth that you're targeting?

10 A. Yes.

11 MR. CARROLL: And what would that amount be, Mr.  
12 Robinson?

13 MR. ROBINSON: I think probably \$7500 would be --

14 MR. CARROLL: So Mr. Caranta would have to post  
15 an additional \$2500?

16 MR. ROBINSON: Yes, sir.

17 Q. (By Mr. Carroll) And you will do that, Mr.  
18 Caranta?

19 A. Well, does it have to be a cash bond or a line of  
20 credit?

21 Q. We don't accept lines of credit. It's got to be  
22 a cash bond if you can't get a surety bond.

23 A. Okay, let me see. What's today? Thursday?  
24 Yeah, I think I can do it. Let me work on it tomorrow.

25 MR. CARROLL: That's all I have.

1 EXAMINER CATANACH: Okay. Will we hear from you,  
2 Mr. Caranta? Will you let Mr. Robinson know if you're  
3 successful in obtaining this bond?

4 MR. CARANTA: Yes, I'll let you know immediately.

5 EXAMINER CATANACH: Okay. And as soon as we know  
6 that, we'll work on getting an order out. And if you do  
7 indeed get the bond, we'll give you the 90 days.

8 MR. CARANTA: Okay, thank you.

9 EXAMINER CATANACH: So there being nothing  
10 further in this case, Case 11,498 will be taken under  
11 advisement.

12 Thank you, gentlemen.

13 MR. CARANTA: Thank you.

14 MR. ROBINSON: Thank you.

15 EXAMINER CATANACH: And this hearing is  
16 adjourned.

17 (Thereupon, these proceedings were concluded at  
18 3:40 p.m.)

19 \* \* \*

20 I do hereby certify that the foregoing is  
21 a complete record of the proceedings in  
22 the Examiner hearing of Case No. 11498  
23 heard by me on March 21 1996  
24 David R. Catanach, Examiner  
25 Oil Conservation Division

