

## Rand Carroll

**From:** Frank Chavez  
**To:** Rand Carroll  
**Subject:** Oil on El Poso  
**Date:** Thursday, November 07, 1996 12:01PM

This is a draft of our response to Porcino:

On April 24, 1996, our office measured the oil in all of the tanks on the El Poso ranch. The gauging was done by Deputy Inspector Ernest Cardona. It was witnessed by Deputy Inspector Johnny Robinson and by Mr. Harmon Eitchman of Kachina Oil Company representing certain investors including Mr. Fred Shelton.

Below is a tabulation of these measurements. Some of the tanks can be directly related to certain wells and others are at batteries and we do not know which wells produce into those tanks. All of the tanks except for one are marked with Giant tank numbers.

Battery #1	GEC 3874	12'9¼	
	GEC 3875	9'2¼	
Battery Total			305.66 b
Battery #2	GEC 3869	-0-	
	GEC 3870	6'1½	
Battery Total			85.26
Battery #3			
	GEC 3876	6"	
	GEC 3877	10'5¼	
	GEC 3878	5"	
Battery Total			158.05
El Poso #4	RR 6900	4"	4.64
Samantha #1	GEC 3487	7"	
El Poso #8	GEC 3871	4'3"	59.16
	GEC 3872	-0-	-0-
El Poso #10	GEC 3873	2'2"	30.16
TOTAL			651.05 b

All of the stored oil on the El Poso ranch was produced prior to Mr. Shelton assuming operation of the wells. In May 1985, Giant moved 237.8 barrels of oil from the ranch. Division records show that only 271 barrels was ever reported as produced from the wells. This leaves only 33.2 barrels of possibly legally produced oil. There was a history of noncompliance with the previous operators. As new wells were completed, we would assign the appropriate allowables and then have to cancel these allowables for the operator's failure to file well tests or other documents such as C-115's. Except for perhaps the 33.2 barrels noted above, the oil on the ranch is illegal oil under Rule 502 and is subject to seizure and sale under 70-2-32. Instead of going through the complications of seizure and sale we intended to pump the oil back into the wells.

Since assuming operations on the ranch, Mr. Shelton has never filed a C-115 to document any oil in storage or produced. This puts him in serious violation of Rule 1115. He has never submitted a well test or request for allowable. We have not pursued penalties for this violation because he has no allowable to produce and we anticipated quicker resolution of the plugging of these wells. If he has produced any oil, he has done it without an allowable in violation of the Rules. If there is more than the documented amount of oil in the tanks it was produced in further violation since April, or was transferred illegally.