

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:) CASE NO. 12,733-A
)
 APPLICATION OF THE NEW MEXICO OIL)
 CONSERVATION DIVISION FOR AN ORDER)
 REQUIRING OPERATORS TO BRING 56 WELLS)
 INTO COMPLIANCE WITH RULE 201.B AND)
 ASSESSING APPROPRIATE CIVIL PENALTIES,)
 EDDY AND CHAVES COUNTIES, NEW MEXICO)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

January 10th, 2002

Santa Fe, New Mexico

02 JAN 24 PM 3:48
 OIL CONSERVATION DIV.

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday, January 10th, 2001, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

I N D E X

January 10th, 2002
 Examiner Hearing
 CASE NO. 12,733-A

	PAGE
EXHIBITS	3
APPEARANCES	4
STATEMENT BY MR. CARR	6
STATEMENT BY MR. BRUCE	7
APPLICANT'S WITNESSES:	
<u>JANE E. PROUTY</u> (Systems Analyst, OCD)	
Direct Examination by Mr. Brooks	12
Examination by Examiner Catanach	16
<u>TIM W. GUM</u> (District Supervisor, Artesia District Office, District 2, NMOCD)	
Direct Examination by Mr. Brooks (re: Aceco)	18
Examination by Examiner Catanach	25
Further Examination by Mr. Brooks (re: Amtex)	29
Further Examination by Examiner Catanach	32
Further Examination by Mr. Brooks (re: Burnett)	33
Further Examination by Examiner Catanach	38
Further Examination by Mr. Brooks (re: Mar)	40
Further Examination by Examiner Catanach	41
Further Examination by Mr. Brooks (re: NGX)	41
Further Examination by Mr. Brooks (re: Read and Stevens)	45
REPORTER'S CERTIFICATE	55

* * *

E X H I B I T S

OCD	Identified	Admitted
Exhibit 1	12	-
Exhibit 2	15	-
Exhibit 3	20	-
Exhibit 4	21	-
Exhibit 5	29	-
Exhibit 6	30	-
Exhibit 7	30	-
Exhibit 8	31	-
Exhibit 9	33	-
Exhibit 10	36	-
Exhibit 11	39	-
Exhibit 12	40	-
Exhibit 13	41	-
Exhibit 14	43	-
Exhibit 15	43	-
Exhibit 15-A	45	-
Exhibit 16	47	-
Exhibit 17	47	-
Exhibit 18	48	-
Exhibit 19	49	-
Exhibit 20	51	-
Exhibit 21	51	-
Exhibit 22	51	-
Exhibit 23	51	-
Exhibit 24	51	-
Exhibit 25	51	-
Exhibit 26	51	-
Exhibit 27	19	-
Exhibit 28	19	-
Exhibit 29	19	-
Exhibit 30	19	-

* * *

(Continued...)

E X H I B I T S (Continued)

Wiser Oil Company	Identified	Admitted
Exhibit 1	7	10
Exhibit 2	8	10
Exhibit 3	9	10

* * *

A P P E A R A N C E S

FOR THE DIVISION:

DAVID K. BROOKS
 Attorney at Law
 Energy, Minerals and Natural Resources Department
 Assistant General Counsel
 1220 South St. Francis Drive
 Santa Fe, New Mexico 87505

FOR WISER OIL COMPANY:

JAMES G. BRUCE, Attorney at Law
 324 McKenzie
 Santa Fe, New Mexico 87501
 P.O. Box 1056
 Santa Fe, New Mexico 87504

FOR JULIAN ARD:

HOLLAND & HART, L.L.P., and CAMPBELL & CARR
 110 N. Guadalupe, Suite 1
 P.O. Box 2208
 Santa Fe, New Mexico 87504-2208
 By: WILLIAM F. CARR

* * *

1 WHEREUPON, the following proceedings were had at
2 1:40 p.m.:

3 EXAMINER CATANACH: Call the hearing back to
4 order, and at this time I'll call Case 12,733-A, which is
5 the Application of the New Mexico Oil Conservation Division
6 for an order requiring operators to bring 56 wells into
7 compliance with Rule 201.B and assessing appropriate civil
8 penalties, Eddy and Chaves Counties, New Mexico.

9 Call for appearances.

10 MR. BROOKS: Your Honor, I'm David Brooks,
11 Energy, Minerals and Natural Resources Department of the
12 State of New Mexico, appearing for the New Mexico Oil
13 Conservation Division, and I have three witnesses.

14 MR. BRUCE: Mr. Examiner, Jim Bruce of Santa Fe,
15 representing the Wiser Oil Company. I do not have any
16 witnesses.

17 MR. CARR: May it please the Examiner, my name is
18 William F. Carr with Holland and Hart, L.L.P. I represent
19 Julian Ard, I do not have a witness.

20 MR. BROOKS: Actually, I believe I only need to
21 call two of my witnesses, so will the two witnesses, Mr.
22 Gum and Ms. Prouty please stand?

23 (Thereupon, the witnesses were sworn.)

24 MR. BROOKS: Mr. Gum, since you're my client, if
25 you'll come up and sit beside me here at counsel table, and

1 Ms. Prouty can be prepared to testify.

2 I'm sorry, did you...

3 EXAMINER CATANACH: Mr. Brooks, I just might have
4 a suggestion that we might speed things up.

5 MR. BROOKS: Yes, sir.

6 EXAMINER CATANACH: We had continued the portion
7 of the case dealing with Julian Ard and the portion of the
8 case dealing with Wiser, and we were allowing them to come
9 back in and present additional testimony in this case. I
10 wonder if it might be beneficial to get their testimony out
11 of the way first --

12 MR. BROOKS: That would be acceptable.

13 EXAMINER CATANACH: Okay.

14 MR. BROOKS: Okay, you may return to your chair.

15 EXAMINER CATANACH: Mr. Carr, do you want to go
16 ahead and make your statement?

17 MR. CARR: Mr. Catanach, I just have a brief
18 statement. Following the original hearing in this matter,
19 I contacted Mr. Ard. At that time, you may recall, there
20 were questions about whether or not the state lease on
21 which this well was located would be extended by the
22 Commissioner of Public Lands, and at that time he had
23 intended to do additional work on the well.

24 The lease was extended, they took another look at
25 the data on this and other wells on the lease and concluded

1 that they could not return the wells to beneficial use.
2 They are going forward with plans to immediately plug the
3 well. I talked to them yesterday afternoon, and they were
4 preparing and a C-103 which was to be submitted to the
5 Artesia office yesterday, now hopefully today, but they
6 intend to immediately go forward and plug the well and
7 bring this matter to a close by being fully in compliance
8 with the Division Rules.

9 EXAMINER CATANACH: Mr. Brooks, does the Division
10 have a position on this matter?

11 MR. BROOKS: Yes, your Honor, we believe that Mr.
12 Ard at this point will presumably plug the well as
13 intended. We would request that when the final order is
14 entered in this case that we go ahead and enter a
15 compliance order against Mr. Ard, which will not have any
16 adverse effect on him if he complies, as he's indicated he
17 will do, and we request that there be no penalty assessed.

18 EXAMINER CATANACH: Okay. Mr. Bruce?

19 MR. BRUCE: Mr. Examiner, at the original hearing
20 in this matter Wiser did appear before you with a witness
21 and present testimony regarding bringing its wells into
22 compliance.

23 I've set before you today a couple of exhibits.
24 I think the first exhibit was presented in the original
25 case. It just gave a history of each of the Skelly Unit

1 wells that were out of compliance, and it listed what had
2 been done up to the date of that hearing.

3 Submitted as Exhibit 2 are sundry notices on the
4 Skelly Unit wells which have been filed with the BLM, and
5 most of them, I believe, have now been filed with the
6 Division, showing what has been done on each of these
7 wells, of the Skelly Unit wells.

8 A couple of things I would note is that with
9 respect to these filings, if they're not all in Artesia
10 it's because the procedure that Wiser has used has been to
11 file them with the BLM, and then once they're approved by
12 the BLM they've submitted the approved copies to the
13 Division. So not all these may yet be in the Division's
14 files, but they have taken steps to put all of the Skelly
15 Unit wells in compliance.

16 A couple of things that are different, the very
17 first well, the Skelly Unit Well Number 3 -- and these are
18 just arranged by number, lowest number to highest number,
19 was plugged and abandoned last week. That final paperwork
20 has not been filed, but that has been done and the
21 paperwork will be filed with the BLM and the Division.

22 The same thing toward the end of the Skelly Unit,
23 Well Number 161, the casing integrity test was done on that
24 well. They attempted some work on it, but they plugged and
25 abandoned that. And again, that's just been done within

1 the past few days, and the paperwork has not yet been filed
2 with all of the authorities.

3 There are two Lea "C" Lease wells, the Number 3
4 and the Number 14. They are requesting an extension of the
5 temporary abandonment status. They have performed casing
6 integrity tests on each of those two wells, and the tests
7 were fine. And they are in the process of selling the two
8 Lea "C" wells, they are in the act of negotiations right
9 now, which is why at this point, at least for a couple of
10 months, they do not want to finally plug and abandon the
11 wells.

12 We believe we have brought all of the wells, with
13 the possible exception of the Lea "C" wells, into
14 compliance.

15 Now regarding the water and oil production which
16 was not reported or misreported, Wiser Oil Company is an
17 electronic filer, so you would have to check with that on
18 the ONGARD system as to the filings. I was told that that
19 was brought up to date within -- well, since the date of
20 the last hearing.

21 I'll just move the admission of Exhibits 1
22 through 3. In the past we requested that if we brought
23 these wells into compliance, we would ask that no penalty
24 be assessed against Wiser.

25 MR. BROOKS: No objection to the admission of the

1 exhibits.

2 EXAMINER CATANACH: Exhibits 1, 2 and 3 will be
3 admitted as evidence.

4 Mr. Brooks, I don't know if you have any
5 questions.

6 MR. BROOKS: Well, I know it's a little bit
7 unorthodox to cross-examine opposing counsel. I'm
8 wondering if you can tell us on what date were the
9 mechanical integrity tests done on the Lea "C" Number 3 and
10 the Lea "C" Number 14?

11 MR. BRUCE: I thought I had that in here. You
12 know, Mr. Brooks, I do not have that. I had it written
13 down at the office, and I didn't --

14 MR. GUM: It's on the charts here.

15 MR. BRUCE: Is it? Is that where it was? I
16 thought I had written it down in my notes. The Lea "C" was
17 December 31st -- I thought I had written down -- They were
18 both on December 31st. The sundry notices approved by the
19 BLM required that they be done within 30 days of December
20 7th.

21 MR. BROOKS: Correct. Your Honor, the Division's
22 files indicated -- when we reviewed them in preparation for
23 this hearing, indicated that all of the Wiser wells were
24 now in compliance, with the exception of the Lea "C" Number
25 3 and the Lea "C" Number 14. We did have the applications

1 for temporary abandonment with the conditional approval of
2 the BLM, and the only thing that was left hanging out, so
3 far as Wiser was concerned, was the mechanical integrity
4 tests.

5 Based on Mr. Bruce's representations and the
6 documentation here which indicates that those have been
7 performed, we believe that Wiser is now in compliance and
8 will move to dismiss as to Wiser.

9 EXAMINER CATANACH: Thank you, Mr. Brooks. That
10 portion of the case dealing with Wiser will be dismissed.

11 I don't know if you gentlemen want to hang around
12 for the rest of the case.

13 MR. BROOKS: Well, Mr. Bruce is in Number 12,757
14 also.

15 MR. CARR: But if I could be excused --

16 MR. BRUCE: No, you may not.

17 MR. CARR: -- I'd appreciate it.

18 EXAMINER CATANACH: Mr. Carr, you may be excused.

19 MR. CARR: Thank you, sir.

20 EXAMINER CATANACH: Okay. Mr. Brooks, you may
21 proceed.

22 MR. BROOKS: Very good, we'll call Jane Prouty.

23 Ms. Prouty, you will notice the folder in front
24 of you. We have the exhibits. If you'll kindly remove
25 them from the folder.

1 I've been over this before with you. Let me ask
2 the Examiner, this is, of course, a novel proceeding where
3 we have severed this out of the other proceeding, but I am
4 assuming that the record of 12,733 will also be a part of
5 the record of 12,733-A, such that it will not be necessary
6 to go over all the background matters that were gone over
7 in 12,733; is that correct?

8 EXAMINER CATANACH: I certainly hope that we
9 don't go over all the previous testimony, and if it helps I
10 will incorporate the record in Case Number 12,733 into the
11 record of this case.

12 MR. BROOKS: Thank you, your Honor.

13 JANE E. PROUTY,

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

16 DIRECT EXAMINATION

17 BY MR. BROOKS:

18 Q. Okay, with that, Ms. Prouty, I will call your
19 attention to OCD Exhibit Number 1 and ask you to identify
20 it.

21 A. This is a report of production for the wells that
22 are part of the hearing today, all of the production and
23 injection reporting we've received from January, 1997,
24 through last Friday, January 4th.

25 Q. And on what basis were these -- First of all, you

1 were given a list of operators, correct?

2 A. Yes, I was.

3 Q. By whom?

4 A. By you.

5 Q. And from that list of operators, on what basis
6 did you select the wells that are included on this list?

7 A. I ran a program against our system to identify
8 any wells that had not produced since June of 2000 and were
9 in greater than a five-year period from the time of the TA
10 date and were not plugged and had been in effect prior to
11 January 1st, 1999. So I ran a query against all of that
12 criteria and came up with this list of wells.

13 Q. Very good. And those were the same criteria that
14 you used in October in preparing for the hearing in Case
15 Number 12,733, correct?

16 A. Yes.

17 Q. Now, the Examiner may be curious about the
18 inclusion in here of Kelly H. Baxter, whose wells are all
19 in District 1. Was that a result of miscommunication
20 between you and me?

21 A. Yes, I thought they were part of the same case.

22 Q. Right, but they are not a part of this, you now
23 understand that Kelly H. Baxter has nothing to do with this
24 proceeding?

25 A. Right.

1 Q. Thank you. Okay. Now, the Exhibit 1 is listed
2 by operators and by wells and shows the production reported
3 by that operator for those wells for each month from 1977
4 (sic) through the latest available reports, correct?

5 A. 1997.

6 Q. I'm sorry, 1997, through the latest available
7 reports, correct?

8 A. Yes.

9 Q. And we did not ask for -- I did not ask for and
10 you did not pull any statistics on these wells prior to
11 1997, correct?

12 A. Correct.

13 Q. I add that because in the order-review process
14 some exception was taken to the use of the term, "has not
15 produced since prior to 1997", but that would actually be
16 technically a correct statement where all the figures were
17 zeroes on here, would it not?

18 A. I'm not sure --

19 Q. If all the production figures for a well were
20 zero, that would indicate that it has not produced at any
21 time subsequent to January 1, 1997?

22 A. Correct.

23 Q. So it would be correct to say it has not produced
24 since prior to 1997?

25 A. Or never, right.

1 Q. Right, it may have produced before then --

2 A. Correct.

3 Q. -- or it may not have?

4 A. Correct.

5 Q. But it did not produce in 1997?

6 A. Right.

7 Q. Okay, very good. Thank you. I will now call
8 your attention to what is marked as Exhibit Number 2 and
9 ask you to identify that.

10 A. That is the complete list of wells that met the
11 criteria for the list of operators that you gave me where I
12 turned around and for every well on this list in Exhibit 2
13 I ran the production numbers.

14 Q. Okay. In the far right-hand corner of Exhibit 2,
15 there is a column entitled "Status"?

16 A. Uh-huh.

17 Q. And the entries in that column are either A or S
18 or AY or SY. Now, I think everyone is familiar with what A
19 and S in the status column on an RBDMS report mean, but
20 what is the Y there?

21 A. It was simply an indicator to myself, to fit it
22 on the page, that the Y meant this particular well had been
23 part of the May, 2000, mailing, and the operators were
24 notified of that well being apparently out of compliance,
25 where we requested a turn-around document to give us more

1 information.

2 Q. Now, you were personally involved in the
3 preparation of the May 11, 2000, letters, correct?

4 A. Yes.

5 Q. And you have a means of tracking on the computer
6 exactly which wells were included in that?

7 A. Yes.

8 Q. And you have used that means and identified them
9 and marked them with a Y in the status column on Exhibit 2?

10 A. Yes.

11 MR. BROOKS: Thank you. I believe the exhibits
12 speak for themselves, so I will pass the witness.

13 EXAMINATION

14 BY EXAMINER CATANACH:

15 Q. Ms. Prouty, just for those of us who don't deal
16 with computers all the time, could you please tell me what
17 the A and the S stand for?

18 A. It's actually -- It wasn't an RBDMS column, it's
19 a column that we track in ONGARD, and it actually is a
20 calculated column of the summary of all well completions.
21 So if there are five pools that a well is completed into
22 and any one of them is active, I put an A here in the
23 status column to let us know it's an active well.

24 Same with the shut-in. If there's no active
25 completion but there is a shut-in completion, even though

1 there also may be some plugged completions or whatever, I
2 put an S in. It's a way -- my way of generating an overall
3 well status, whereas what I start working from is multiple
4 completion status.

5 EXAMINER CATANACH: I see, okay. And this -- Mr.
6 Brooks, have you compared this list to the wells that we
7 show on the docket for this case? Is it the same, as far
8 as you know?

9 MR. BROOKS: It is a subset of the ones on the
10 docket. That is, there have been a number eliminated
11 because they've been brought into compliance.

12 EXAMINER CATANACH: I see, okay. And I notice
13 that some of the Wiser wells are still on this exhibit?

14 MR. BROOKS: Yes, sir, the Wiser Number 2, 3, 14
15 and Skelly Unit Number 161 were included at the time we
16 made up this exhibit. Since that time, Mr. Gum's personnel
17 have done a field inspection and have ascertained that the
18 Lea "C" Number 2 is actually on production, although no
19 production report has yet hit the ONGARD system, and that
20 the Skelly Unit Number 161, as Mr. Bruce represented, is in
21 fact plugged and abandoned, and the plug marker is set on
22 that well. The Lea "C" Number 3 and Number 14 were the
23 subject of the conversation about the mechanical integrity
24 test earlier in this proceeding.

25 EXAMINER CATANACH: Okay.

1 MR. BROOKS: So those wells are now in
2 compliance.

3 EXAMINER CATANACH: So is it my understanding
4 that the remaining wells on Exhibit 2 are the ones that
5 we're going to discuss today?

6 MR. BROOKS: That is correct, your Honor.

7 EXAMINER CATANACH: Okay. I have no further
8 questions of Ms. Prouty. She may be excused.

9 MR. BROOKS: Thank you. Call Tim Gum.

10 TIM W. GUM,
11 the witness herein, after having been first duly sworn upon
12 his oath, was examined and testified as follows:

13 DIRECT EXAMINATION

14 BY MR. BROOKS:

15 Q.

16 Very good, I'm going to do this a little bit out
17 of the order of the exhibits. I'm going to call your
18 attention to the last four documents in the exhibit folder
19 at the bottom of the stack there.

20 A. What number?

21 Q. Numbers 27, 28, 29 and 30. They're all the field
22 trip reports.

23 A. Okay.

24 Q. I'm going to identify these first off, and then
25 I'm going to ask you questions going from -- then I'm --

1 Here's what I'm going to do: I'm going to first of all
2 identify Exhibits 27, 28, 29 and 30, which have entries on
3 them referring to multiple operators, and then I'm going to
4 ask you to refer to those exhibits as we go through the
5 wells operator by operator.

6 Would you please identify Exhibits 27, 28, 29 and
7 30?

8 A. Yes, these are a report that is generated out of
9 the RBDMS system, which is a result of an individual field
10 inspection in which the field inspector enters data that he
11 has observed on an individual well location.

12 Q. Okay. And were these reports prepared by persons
13 acting under your direction?

14 A. They were.

15 Q. And were they prepared on or about the dates that
16 appear in the upper left-hand corner where it says "Trip
17 Date"?

18 A. That's correct.

19 Q. Okay. Now, again going through these operators
20 one by one, and we'll begin with Aceco Petroleum Company --
21 and I do not know if I'm pronouncing it correctly. There
22 are four wells -- actually, there are five listed here for
23 Aceco. And of those five wells there are three that have a
24 Y in the Status column, indicating that they were a subject
25 of the May notice.

1 However, I will first at this time call your
2 attention to OCD Exhibit Number 3 and ask you to identify
3 that.

4 A. This is a letter that was prepared under my
5 signature in January 15th of 1999 (*sic*), addressing five
6 wells, asking Mr. Parrish, who is the owner of Aceco, how
7 he planned to bring these wells into compliance.

8 Q. And that was in 1998, is the date?

9 A. Yes, sir.

10 Q. And was that letter sent to Mr. Parrish at or
11 about the time that it is dated?

12 A. Yes.

13 Q. And was it ever returned to your office?

14 A. No.

15 Q. It was not sent certified mail, correct?

16 A. No.

17 Q. But since it was not returned to your office,
18 would you assume that it was delivered to the recipient?

19 A. Yes.

20 Q. Now, the second page of Exhibit Number 3 is a
21 list of wells. Was that included with that letter in 1998
22 that was sent to Mr. Parrish?

23 A. Yes.

24 Q. And I will ask the Examiner to note that this
25 list of wells appears to be identical to the list of wells

1 that are shown in Exhibit 2, such that -- be sure that's
2 the case. Yes, it does appear to be the case.
3 -- indicating that the same wells that were inactive in
4 1998 were still inactive when this proceeding was started.

5 Now, I will then call your attention to Exhibit
6 Number 1 back there, the large printout, and just to point,
7 if one looks through the Aceco wells appearing on pages 1
8 through 5, is it not correct that none of those wells
9 report any production through and including the last date
10 on which a report is shown?

11 A. That's correct.

12 Q. Now, I will then call your attention to Exhibit
13 Number 27, and Exhibit Number 27, does that reflect that a
14 field inspection was conducted as to two of those wells,
15 the Graridge State and the Welch State Number 4?

16 A. That's correct.

17 Q. And does that field inspection reflect a
18 condition of those wells that would indicate that they are
19 not capable of production at this time?

20 A. That's correct.

21 Q. And does it indicate that they've been plugged?

22 A. Not plugged, but they're inactive.

23 Q. Correct. Okay, I'll call your attention to
24 Exhibit Number 4, OCD Exhibit Number 4. This was -- Would
25 you identify that?

1 A. Yes, this was a certified letter mailed to Aceco
2 at the same address that the prior letter was mailed, and
3 this mailout was in September of 2000.

4 Q. Now, Exhibit Number 4 has superimposed on the
5 Xerox copy a return receipt, correct?

6 A. That's correct.

7 Q. And is that a return receipt that was received
8 back in your office in Artesia after this letter was
9 mailed?

10 A. Correct.

11 Q. And that return receipt appears to be signed by
12 Mr. Parrish correct?

13 A. Correct.

14 Q. Now, the Examiner may recall the testimony that
15 was previously admitted in this case with regard to how the
16 inactive -- well, I'll -- this part, it will be easier to
17 just go over it with -- The September 8th letter refers
18 begins, "In May of this year, the Oil Conservation Division
19 sent a letter..." et cetera. Now, does that tie in with
20 the letter to which Ms. Prouty testified that she sent to
21 the recipients listed on here, identifying the wells with
22 Y's by the side of it?

23 A. That's correct.

24 MR. BROOKS: Okay, very good. Thank you. That
25 will conclude our presentation, Mr. Examiner, as to Aceco.

1 Oh, wait, one more question, I'm sorry.

2 Q. (By Mr. Brooks) In October of this year when
3 this case was called the first time as Case Number 12,733,
4 did you have a telephone conversation with Mr. Parrish
5 about these wells?

6 A. I did.

7 Q. And what was the tenor of that conversation?

8 A. Basically, he was going to look at turning these
9 wells to production and/or obtain a single-well bond.

10 Q. Has he filed any bonds that you know of?

11 A. To my knowledge there have been no bonds filed,
12 nor have the wells been returned to production.

13 Q. There's nothing in the well files to indicate
14 that these wells are now in compliance --

15 A. No.

16 Q. -- is that correct?

17 And the two that you have done field inspections
18 on, the field inspections indicate they're not in
19 compliance; is that correct?

20 A. That's correct.

21 MR. BROOKS: Thank you. Mr. Examiner, that
22 concludes our presentation as to Aceco.

23 We are asking as to Aceco that, because they have
24 had notice of these wells being inactive since 1998 and
25 have not done anything about it, that that's three years,

1 and it involves, I believe -- There are five wells listed
2 here, but I believe this is a case where one of those wells
3 is not in the Application for some reason. I believe the
4 Application covers only four wells, and for that -- on that
5 basis, we would ask for a penalty of \$3000, that is, three
6 years for each of four wells, or a total of \$12,000.

7 EXAMINER CATANACH: Mr. Brooks, I think the
8 Application covers five wells.

9 MR. BROOKS: Well, in that case we would say
10 \$15,000. My notes say I have only four wells, and they
11 should have covered five wells, so...

12 EXAMINER CATANACH: Well -- Hang on a second.
13 Yes, the Application covers five wells. The initial letter
14 that you guys sent in 1998 actually covers six wells.

15 MR. BROOKS: Okay. Well, we would not ask for
16 any relief on wells that weren't covered in our
17 Application.

18 EXAMINER CATANACH: Good.

19 MR. BROOKS: But we would ask for a compliance
20 order as to all the wells covered in the Application and
21 also for \$3000 per well penalty for not returning those
22 wells to production for a period of three years after the
23 1998 notice. Actually, next week it will be a period of
24 four years, but we'll give them --

25 EXAMINER CATANACH: Four -- Okay, for a total of

1 \$15,000, which you're recommending?

2 MR. BROOKS: Correct, your Honor.

3 EXAMINER CATANACH: Okay. I do have a couple of
4 questions.

5 EXAMINATION

6 BY EXAMINER CATANACH:

7 Q. Mr. Gum, your letter of 1998 did list the wells
8 that were in question?

9 A. At that point in time, yes.

10 Q. And the May, 2000, letter, which is not in this
11 -- which you did not present, again listed the wells; is
12 that not correct?

13 A. Yes, I refer you back to Exhibit Number 2. The
14 wells listed with the Y after the right-hand column, those
15 were the wells that were included in the May, 2000,
16 mailout.

17 Q. And the five wells that we're talking about,
18 those were all included?

19 A. Based on this tabulation, only four -- only three
20 of the wells, the last three of the wells were in the May
21 mailout.

22 Q. The last three.

23 MS. PROUTY: Excuse me, am I allowed --

24 MR. BROOKS: Certainly, the Examiner may
25 certainly allow you to speak if you wish.

1 MS. PROUTY: The first two wells, if you'll look
2 in the column -- I don't have my glasses with me, but
3 there's a column, about the fourth one from the left, that
4 says the last production or injection, and you'll see that
5 some of those wells have recent production or injection.
6 So they only became inactive, according to our rules,
7 somewhat recently. They were not inactive at the time of
8 the May, 2000, mailing.

9 So even though we're talking five wells and six
10 wells, we're not talking the same wells. In May, 2000, if
11 we mailed a letter with six wells on there -- and this
12 means only three are still meeting that criteria, three
13 must have either been plugged or put in TA status. In
14 other words, we're not talking the same wells. Some
15 additional ones went out of compliance status, but they
16 were not wells that we had notified them about in May,
17 2000, because they weren't out of compliance at that time.

18 EXAMINER CATANACH: Okay, let me get this
19 straight. For instance, specifically on the Adkins-
20 Williams State Number 2 and 5, those two wells were not
21 included in the May, 2000, mailing?

22 MS. PROUTY: Correct. Because if you'll look one
23 column to the left, the last production -- That was still
24 producing as of January of 2000 and as of December of 1999,
25 so we know right off the bat it didn't meet the criteria of

1 being -- not producing beyond the period that was
2 acceptable to OCD's rules.

3 MR. BROOKS: The actual production will be
4 reflected on Exhibit Number 1.

5 EXAMINER CATANACH: Okay. With that in mind, Mr.
6 Brooks, would you like to revise your penalty
7 recommendations?

8 MR. BROOKS: I believe that that would be
9 appropriate, yes. It does not seem that these were
10 continuously inactive since the 1998 letter went out, with
11 the exception of the Welch State Number 4. The Welch State
12 Number 4 has been continuously inactive, so we would say
13 only the \$4000 for that one well. The others, I suppose we
14 have to measure from the date of the subsequent
15 notification as to the other three -- the other two.

16 So that would be Welch State Number 4, we would
17 say from 1998 forward that would be three years --
18 actually, like I said, it would be four years next Tuesday.
19 But that would be three years at \$1000 a year, would be
20 \$3000.

21 Then the two that were included in the May
22 mailing, the Graridge State and the Welch State Number 1,
23 we would change from May, 2000, to 2001. That's one year.
24 So that would be \$2000 for those two.

25 EXAMINER CATANACH: Slow down a second. The

1 Welch State Number 1 and the Graridge --

2 MR. BROOKS: And then the Graridge State Number
3 3 --

4 EXAMINER CATANACH: Okay.

5 MR. BROOKS: -- were in the main mailing, so they
6 have one year of inactivity since the notice was given.
7 And then the other two --

8 EXAMINER CATANACH: So that would be a total of
9 \$2000 for those --

10 MR. BROOKS: Right.

11 EXAMINER CATANACH: -- two wells? Okay.

12 MR. BROOKS: \$3000 for the Welch State Number 4
13 makes 5 --

14 EXAMINER CATANACH: Okay.

15 MR. BROOKS: -- and then apparently the Adkins-
16 Williams we will not ask the penalty because it was
17 returned to production after the January, 1998, notice.

18 EXAMINER CATANACH: So you're revising your
19 recommended penalty to \$5000?

20 MR. BROOKS: Correct, your Honor.

21 Q. (By Examiner Catanach) Okay. And again, the
22 September 8th letter did not include a well list with it;
23 is that correct, Mr. Gum?

24 A. That's correct.

25 EXAMINER CATANACH: All right, I think we've got

1 that straight.

2 MR. BROOKS: The next operator is Amtex Energy,
3 Inc. They have one well that is still out of compliance,
4 that is the Malco Number 1.

5 FURTHER EXAMINATION

6 BY MR. BROOKS:

7 Q. Now let's see, Mr. Gum, I will call your
8 attention to Exhibit Number 5, OCD Exhibit Number 5, and
9 ask you to identify OCD Exhibit Number 5.

10 A. This is an approved BLM form with a notice of
11 intent to plug and abandon the Malco Number 1.

12 Q. And when you say "approved form", the BLM has
13 approved the plan for plugging, correct?

14 A. That's correct.

15 Q. This form, however -- Well, let me ask it in the
16 proper manner. Does this form indicate that the well has
17 been plugged?

18 A. No, it has not.

19 Q. Okay. Now, in that connection I will call your
20 attention to Exhibit Number 27 and ask you what that
21 exhibit reflects regarding the Malco Number 1.

22 A. The physical inspection indicates the well
23 indicates the well is inactive, not capable of production.

24 Q. But it does not indicate that it has been
25 plugged?

1 A. No.

2 Q. Very good. I will next, then, call your
3 attention to Exhibit Number 6 and ask you to identify it.

4 A. This also is a BLM form with a notice of intent
5 to do a workover, which was approved by the BLM for a 12-
6 month period ending October the 12th, 2002.

7 Q. Now, based on our earlier conversation it's my
8 understanding that because the BLM has approved this
9 workover procedure and has allowed Amtex 12 months to
10 complete it, you consider that well to be in compliance for
11 that period of time the BLM has allowed them to complete
12 the workover?

13 A. That's correct.

14 Q. Thank you. Now I will call your attention to
15 what has been marked as Exhibit Number 7 and ask you to
16 identify it.

17 A. This is a letter under my signature dated August
18 the 6th, 2001, addressing the inactive wells of this
19 particular operator.

20 Q. Now, in this case, this operator purchased these
21 wells subsequent to the May 11th mailing; is that correct?

22 A. That's correct.

23 Q. Okay. And so they would not have received the
24 May 11, 2000, letter, even though it appears that there is
25 a Y in the right-hand column on Exhibit Number 2?

1 A. Yes, Amtex Energy would not have received the
2 mailout, but the mailout did go to the operator of record
3 at that time.

4 Q. Very good. Now I will next call your attention
5 to OCD Exhibit Number 8 and ask you to identify it.

6 A. This was a letter received from Amtex specifying
7 their plans to do the work as referenced by the BLM
8 previously stated forms.

9 Q. Okay, and would you read the second paragraph of
10 that letter?

11 A. "The Malco A Well No. 1 has been approved for
12 plug and abandonment and Amtex Energy...will take action to
13 either plug and abandon or return this well to production
14 by November 1, 2001."

15 Q. Okay. And according to Exhibit Number 27,
16 though, that indicates that as of January 8th, 2002, they
17 had not done so, correct?

18 A. That's correct.

19 MR. BROOKS: Very good. That completes our
20 presentation with regard to Amtex Energy. We would not ask
21 a penalty with regard to Amtex Energy because we cannot
22 prove that they had notice. However, we would ask for a
23 compliance order on the Malco Number 1, as it appears they
24 have not performed their undertaking on the basis of which
25 this case was continued as to that well.

1 EXAMINER CATANACH: Okay, just a couple of
2 questions.

3 FURTHER EXAMINATION

4 BY EXAMINER CATANACH:

5 Q. When did you say they purchased these wells, Mr.
6 Gum?

7 A. I did not state when they purchased. I said that
8 they did purchase, and it's sometime the middle part of
9 last year, I assume, best that I can recall.

10 Q. Do we have change-of-operator forms?

11 A. Yes, the C-104 has been processed and filed.
12 That's why it appeared on this particular printout stated
13 in Exhibit 2.

14 Q. Okay. And the BLM has given them till October of
15 this year to perform the work on the Number 2 well?

16 A. That's correct.

17 EXAMINER CATANACH: Okay.

18 MR. BROOKS: Now, the next operator is Bird
19 Creek, I believe it's Bird Creek Resources. They are now
20 in compliance, according to the records of the Artesia
21 District Office, and accordingly we request that Bird Creek
22 be dismissed.

23 EXAMINER CATANACH: Okay. Bird Creek shall be
24 dismissed from these proceedings.

25 MR. BROOKS: The next operator is Burnett Oil

1 Company, Inc.

2 FURTHER EXAMINATION

3 BY MR. BROOKS:

4 Q. With regard to Burnett Oil Company, Inc., Mr.
5 Gum, I will call your attention to OCD Exhibit Number 9 and
6 ask you to identify it.

7 A. This is Burnett Oil Company's response to our May
8 11th, 2000, mailout requesting information on inactive
9 wells.

10 Q. And this format that is shown here is the format
11 that was used on the May 11th mailing to all of the
12 operators who were included in that mailing, correct?

13 A. That's correct.

14 Q. Now, with regard to the Gissler B, what does
15 Exhibit 9 say about the Gissler B?

16 A. The written comments are that the well is
17 producing, and there is a written statement that says,
18 "This well is flowing, have changed code from pumping for
19 June, 2000, C-115, very small quantity, but we have being
20 [sic] allocated production", and then there's also an
21 additional note there, "no production shown since 8..." of
22 something, eighty- -- eighty-six there, it's going to be 8
23 of 86, I believe.

24 Q. Actually, I suspect -- These companies are very
25 hard to read, but I suspect it's actually 1998 --

1 A. Okay.

2 Q. Because if you will look at Exhibit Number 1 on
3 page 9 --

4 A. Okay.

5 Q. -- it indicates that there was production
6 reported from that well in 1998, up to August, but not
7 thereafter.

8 A. Okay.

9 Q. Up to and including the present day. Okay, then
10 look at the second page of Exhibit Number 9, and what does
11 it say about the -- well, on my copy -- the Jackson Number
12 31?

13 A. There's a comment that the well is plugged and
14 the written statement that "copy of 3160-5 dated 2/19/88
15 and 4/8/94 attached for your files".

16 Q. Okay. Well, that well was not included in our
17 proceeding, correct?

18 A. I recall it is not.

19 Q. The Jackson B Number 4 is, but the Jackson B
20 Number 31 is not.

21 Okay, now I will call your attention to Exhibit
22 Number 27 and ask you to look at what Exhibit Number 27
23 tells us about the Burnett Oil Company Gissler B Number 11.

24 A. The statement is, "no pumping equipment, well not
25 in production."

1 Q. Okay, and that report also comments on the
2 Gissler B (A-2) Number 27 and the Jackson B Number 4, and
3 what is the tenor of those comments?

4 A. For the Gissler 27 the statement is "Well appears
5 to be capable of injection. Backside valves open. Meter
6 count 10357.5. Did not appear to be injecting at the time
7 I was there."

8 Q. Okay. The Jackson B has a similar comment,
9 correct?

10 A. That's correct.

11 Q. Except for the word "Backside valves open", which
12 is omitted?

13 A. That's correct.

14 Q. And if you will look back at pages 9 and 10 of --
15 through 11, of Exhibit Number 1, however, you will note
16 that through October, anyway, of 2001, no injection was
17 reported on either the Gissler B (A-2) or the Jackson B
18 Number 4, correct?

19 A. The last injection for the B 27 was August of
20 1998.

21 Q. Right.

22 A. Okay. And then Jackson B 4 looks like it was
23 April of 1998.

24 Q. Or something like that?

25 A. Right.

1 Q. I draw your attention to what's been marked as
2 Exhibit Number 10 and ask you to identify it.

3 A. This is a letter dated August the 6th, 2001,
4 under my signature, notifying Burnett of their inactive
5 wells and asking what they plan to do with this.

6 Q. This letter did not have a well list attached to
7 it, did it?

8 A. No, but it referenced the May mailouts and other
9 letters in which it did.

10 MR. BROOKS: Thank you. Your Honor, that
11 concludes our presentation as to Burnett Oil. Now, based
12 on that we would ask for a penalty as to one well, the
13 Gissler B, for one year in the amount of \$1000. That's the
14 Gissler B Number 1, in the amount of \$1000. We cannot
15 prove notice specifically prior to this proceeding as to
16 the other two, nor can we prove that they're definitely out
17 of compliance as of this date, although there's nothing in
18 the record to show that they are back in compliance, so we
19 would ask for a compliance order on all three of those
20 wells -- actually four wells.

21 EXAMINER CATANACH: Okay. Let's see, the May
22 11th letter to Burnett only had two of the wells on it,
23 right?

24 MR. BROOKS: It had actually only one of the
25 wells. It had one other well --

1 EXAMINER CATANACH: Right.

2 MR. BROOKS: -- that has since been brought into
3 compliance.

4 EXAMINER CATANACH: Okay. So subsequent to the
5 May 11th letter, the next letter to them would be --

6 MR. BROOKS: -- the September, 2001, I believe,
7 your Honor.

8 EXAMINER CATANACH: Which --

9 MR. BROOKS: August, 2001.

10 EXAMINER CATANACH: August, 2001, which -- That
11 letter does not list the wells.

12 MR. BROOKS: It has not well list, correct.

13 EXAMINER CATANACH: Okay.

14 MR. BROOKS: The first time they were notified,
15 so far as what we can prove, on the wells other than the
16 Gissler B Number 11 would have been when they were notified
17 of this proceeding.

18 EXAMINER CATANACH: And that would be where? Are
19 we confident that that notice of the hearing in this case
20 advised them which wells we were talking about; is that
21 correct?

22 MR. BROOKS: Yes, it had a copy of the Exhibit A,
23 which appears on the Application, attached to it.

24 THE WITNESS: One item that might be of benefit
25 to the Examiner, the May, 2000, list did not include

1 injection wells.

2 On this particular list, on Exhibit Number 2,
3 you'll note that there are three injection wells listed
4 there.

5 FURTHER EXAMINATION

6 BY EXAMINER CATANACH:

7 Q. Okay. So at this point in time, let's see, the
8 Gissler B (A-27) and the Jackson B Number 4, those are
9 injection wells, and we don't know whether or not they're
10 active or not?

11 A. They appear to be capable of injection. We have
12 no recorded injection volumes.

13 Q. So they're out of compliance, either with
14 reporting requirements or with other Division rules?

15 A. That's correct.

16 EXAMINER CATANACH: So all you're seeking in this
17 case is an order requiring them to bring the wells into
18 compliance --

19 MR. BROOKS: Correct.

20 EXAMINER CATANACH: -- for those two? And then
21 the additional -- is it the Jackson B?

22 MR. BROOKS: The Gissler B 11.

23 EXAMINER CATANACH: Okay, I've got that one. The
24 other one, the additional one, was the Jackson B 4? No.

25 MR. BROOKS: The Jackson B 4 is --

1 EXAMINER CATANACH: Jackson B -- Gissler B 7 --

2 MR. BROOKS: The Gissler B 7 we did not do an
3 inspection on, but so far as the paper record is concerned,
4 it shows still to be out of compliance?

5 EXAMINER CATANACH: Is that a producer or an
6 injector? Do you know?

7 MR. BROOKS: I'm looking at Exhibit 2.

8 THE WITNESS: Based on the Exhibit Number 2, it's
9 an injection well.

10 EXAMINER CATANACH: Okay. And what's the last
11 reported injection we have on that well?

12 MR. BROOKS: That's Exhibit 1, page 8, and it
13 appears like it was about January, 1999.

14 THE WITNESS: Exhibit Number 2 also states that
15 last date of injection.

16 EXAMINER CATANACH: January of 1999.

17 Okay, so in summary, the B 11 you're asking for a
18 \$1000 penalty?

19 MR. BROOKS: Yes, your honor.

20 EXAMINER CATANACH: Compliance order for all four
21 wells?

22 MR. BROOKS: Correct.

23 EXAMINER CATANACH: Okay.

24 MR. BROOKS: The next operator is Julian Ard.

25 We've already dealt with Mr. Ard.

FURTHER EXAMINATION

1
2 BY MR. BROOKS:

3 Q. The next operator on the list is Mar Oil and Gas,
4 Inc., and in connection with Mar Oil and Gas, Inc., we'll
5 call your attention, please, to Exhibit Number 12, Mr. Gum.

6 A. This is a letter under my signature dated August
7 the 6th, 2001, asking Mar Oil and Gas what they planned to
8 do with their one inactive well.

9 Q. And can you explain to the Examiner why there is
10 no letter prior to August 6th, 2001, to Mar Oil and Gas
11 Corporation?

12 A. Mar was a recent purchaser of this particular
13 well. They purchased the well subsequent to the May, 2000,
14 mailout.

15 Q. Okay. And there was an inspection done on this
16 well, however, and that is reflected on which exhibit?
17 Number 28, I believe.

18 A. Yes. But Mr. Examiner, this inspection record
19 will be listed as the operator being Texaco Exploration.
20 They were a previous operator of this well, prior to Mar
21 taking over the operation of the well.

22 Q. And to make this thing short, does the inspection
23 indicate that that well is still out of compliance?

24 A. That's correct.

25 Q. And the production reports on page 16 of Exhibit

1 Number 1, do they indicate the same?

2 A. That's correct.

3 MR. BROOKS: Your Honor, that completes our
4 presentation as to Mar Oil and Gas Corp. We do not ask a
5 penalty because they were not notified until after they
6 acquired the well sometime in 2001. However, we do ask for
7 a compliance order.

8 FURTHER EXAMINATION

9 BY EXAMINER CATANACH:

10 Q. Your August 6th letter to Mar doesn't list the
11 well --

12 A. That's correct.

13 Q. -- that we've talked about, but the hearing
14 notice does?

15 MR. BROOKS: Correct, your Honor.

16 EXAMINER CATANACH: All right.

17 MR. BROOKS: Okay, the next operator is NGX

18 FURTHER EXAMINATION

19 BY MR. BROOKS:

20 Q. We'll call your attention to what's been marked
21 as Exhibit Number 13, and actually it was marked 13-A
22 because I got confused on the numbering, but it's now 13.
23 Ask you to identify it.

24 A. Yes, this is the response by NGX to our May 11th,
25 2000, mailout. I would like to call attention to the name

1 of the oil company listed as Energex Company. This is the
2 same company as NGX, it was just a name change. The same
3 principals are involved.

4 Q. Now, comparing the well list on Exhibit Number 13
5 with those wells identified for NGX on Exhibit Number 2, it
6 would appear that three of those wells are the same wells;
7 is that not correct?

8 A. That's correct.

9 Q. That is the Guacamayo Number 1, the State Number
10 1, and the Tecolote State Number 1?

11 A. That's correct.

12 Q. Now, was an inspection done of two of those
13 wells?

14 A. Yes.

15 Q. Reflected on Exhibit Number 28?

16 A. (Nods)

17 Q. And again, to be short, does that indicate that
18 those wells are still out of compliance?

19 A. That's correct.

20 Q. And the Examiner can look for himself on pages 17
21 through 20, which indicate that all three of those wells
22 that are common to the two lists are still not in
23 compliance according to the C-115s, correct?

24 A. (No response)

25 Q. However, the McKee Number 1, which is the other

1 well listed for NGX on Exhibit Number 2, that well is now
2 in compliance, is it not?

3 A. That's correct.

4 Q. And that would not be reflected -- Well, it
5 wasn't included when we ran Exhibit Number 1 because we
6 knew that.

7 We'll call your attention to one other notice
8 letter here, Exhibit Number 14, and ask you to identify it.

9 A. Yes, this is a letter, again under my signature,
10 dated January 24th. You'll notice that there has been a
11 strikeout of zero to one. This was a typographical error.

12 Q. Okay.

13 A. On this particular letter, there was an
14 attachment of the wells that were listed as being in
15 noncompliance.

16 Q. And that is the attachment -- the second page of
17 that exhibit?

18 A. That's correct.

19 Q. And that lists two wells, the Guacamayo Number 1
20 and the Tecolote Number 1, correct?

21 A. Yes.

22 Q. I call your attention to what's been marked as
23 OCD Exhibit Number 15 and ask you to identify it.

24 A. This is a response from NGX Operating Company
25 dated October the 4th, 2001, stating what they plan to do

1 with these wells that were in noncompliance.

2 Q. And I would appreciate if you would read for the
3 record the first sentence of the last paragraph of that
4 letter.

5 A. "In the event that transfer of operation under
6 these wells are not effectuated within 30 days, I will
7 promptly contact you to discuss the remaining options of
8 either conducting workover operations, posting bonds (as
9 you suggested) or T&A of the wells not put into
10 production."

11 Q. And that 30 days would have been November the
12 3rd, 2001, correct?

13 A. That's correct.

14 Q. Did that conversation ever happen?

15 A. No.

16 MR. BROOKS: Thank you. That will conclude our
17 presentation, Mr. Examiner, as to NGX. And as to NGX we
18 would request a penalty of \$2000 -- that's \$1000 per well
19 -- for the two wells which they were notified by the
20 January 24, 2001, letter, and a compliance order as to the
21 three wells that are still out of compliance.

22 EXAMINER CATANACH: Okay, the fine applies to
23 which wells, Mr. Brooks?

24 MR. BROOKS: The fine applies to the Guacamayo
25 Number 1 and the Tecolote State Number 1, as shown on page

1 2 of OCD Exhibit 14.

2 EXAMINER CATANACH: And that is based upon the
3 wells being out of compliance since January 24th of 2001?

4 MR. BROOKS: Yes, your honor.

5 EXAMINER CATANACH: Okay.

6 FURTHER EXAMINATION

7 BY MR. BROOKS:

8 Q. Next operator is Read and Stevens. In the case
9 of Rad and Stevens, I call your attention to Exhibit Number
10 15-A. I got two number 15's in my tally, so I re-numbered
11 this Exhibit Number 15-A. Mr. Gum, can you identify that?

12 A. Yes, again, this is a letter under my signature
13 dated October 15, 1996, listing several wells that were in
14 noncompliance, asking what the operator planned to do with
15 these wells.

16 Q. Okay. Now, Exhibit Number 15 includes two wells
17 there that are not a part of this proceeding, correct? The
18 Turkey Track State Com Number 1 and the Winton Gas Com
19 Number 1 are not a part of this proceeding?

20 A. That's correct.

21 Q. Unfortunately, the way this Exhibit 2 was printed
22 out, you cannot tell what Bunker Hill waterflood units are
23 included there.

24 However, if you go to Exhibit Number 1, beginning
25 on page 23, you will note that Exhibit Number 1 reflects

1 that the Bunker Hill Waterflood Unit Number 2, which was
2 the subject -- one of the wells that was the subject of
3 this October 15, 1996, letter, has not been used for
4 injection since -- I believe -- That is an injection well,
5 is it not? Or is that a producing well? Well, you can't
6 tell?

7 A. Yeah, I cannot tell from this.

8 Q. Anyway, that has reported no production or
9 injection continuously from January, 1997, to the present?

10 A. Based on the inspection report, it appears to be
11 a producing well.

12 Q. Okay, so that is now a producing well. That is
13 on Exhibit Number 27, correct?

14 A. Yes.

15 Q. Well, now, let me ask you to look again. We were
16 talking about Bunker Hill Waterflood Number 2. The -- Oh,
17 you mean a producing, as opposed to an injection well, not
18 that it is currently producing?

19 A. That's correct, it's a producing well and not an
20 injection well, not -- meaning that it's currently active.

21 Q. Okay. And the inspection note on Exhibit Number
22 27, in fact, would indicate that it is not currently
23 active, correct?

24 A. That's correct.

25 Q. And that is also -- And the report on pages 23

1 and 24 of Exhibit Number 1 would indicate that it has been
2 continuously inactive since this notice in October of 1996,
3 correct?

4 A. That's correct.

5 Q. Now, the Amoco Skeeter Number 1 we'll talk about
6 next, and in that connection I'll ask you to identify
7 Exhibit Number 16.

8 A. This is a letter under my signature dated
9 November 5th, 1997, specifically asking what the operator
10 would do with the Amoco Skeeter Number 1.

11 Q. Now, it would appear from looking at page 21 of
12 Exhibit Number 1 that, in fact, that Amoco Skeeter well was
13 returned to production shortly after that November 5th,
14 1997, letter for about a year, correct?

15 A. Approximately a year, yes, that's correct.

16 Q. Okay. Now I will call your attention to Exhibit
17 Number 17.

18 A. This is a certified letter under my signature
19 dated September 8th, 2000, asking again for comments on how
20 the operator would want to bring these wells into
21 compliance.

22 Q. And does the superimposed receipt on the copy
23 offered in evidence indicate that that was received by Read
24 and -- I'm sorry, I'm on the wrong -- Oh, yeah, mine is
25 correct. Does the superimposed copy indicate that that was

1 received by Read and Stevens?

2 A. That's correct.

3 Q. Looking again at Exhibit Number 2, if we assume
4 that the Bunker Hill Waterflood Unit wells are listed in
5 numerical order on Exhibit Number 2, then the Y in that
6 column would appear to include that well, correct?

7 A. Yes.

8 Q. And the same would be true of the Amoco Skeeter?

9 A. That's correct.

10 Q. Now, there was not a well list attached to the
11 Exhibit Number 17, correct?

12 A. That's correct.

13 Q. That does, however, refer back to the May
14 mailing?

15 A. Right.

16 Q. Call your attention to what's been marked as
17 Exhibit Number 18.

18 A. This is a certified letter dated December 26th,
19 2000, addressing the inactive well. Again, it's under my
20 signature, and this time there is an attachment listing the
21 inactive wells.

22 Q. Okay. And was that sent to Read and Stevens by
23 your office?

24 A. Yes.

25 Q. Now, the way the receipt -- certified mail

1 receipt and the postal receipt are superimposed on each
2 other, I cannot tell if that's a copy of a certified mail
3 receipt as it was sent out or as it came back. Can you
4 tell?

5 A. I recall that this is as it came back, yeah.

6 Q. And there is a signed, certified receipt in your
7 office, even though you can't tell it from this copy?

8 A. Yes.

9 Q. Call your attention to what's been marked as
10 Exhibit Number 19, ask you to identify it.

11 A. This is a letter dated October the 24th, 2001,
12 from Read and Stevens' representative stating what they
13 plan to do with the wells that were in compliance. This
14 was a letter that was in response to the October, 2000,
15 hearing date.

16 Q. Now, we'll call your attention to what has been
17 marked as -- Well, no, call your attention to Exhibit
18 Number 27 again. Does that reflect that on seven wells
19 there on that list, there have been inspections done?

20 A. Yes, inspections have been done, and whether the
21 wells are producing and/or injection wells, they were all
22 inactive.

23 Q. So the inspection report would indicate that
24 those wells were all out of compliance?

25 A. Correct.

1 Q. Now, if we go to Exhibit Number 1, that would
2 indicate the same thing, correct?

3 A. Yes.

4 MR. BROOKS: Your Honor, I'll have to admit I'm
5 really confused myself about exactly which wells are out of
6 compliance with regard to -- by Read and Stevens, and I
7 would ask your indulgence to be able to review these
8 exhibits and make a recommendation after I've done so.

9 It does appear that we will be recommending some
10 penalty as well as a compliance order on all of the Read
11 and Stevens wells that the evidence shows to be out of
12 compliance, but I just can't come up with a number at this
13 point.

14 EXAMINER CATANACH: Mr. Brooks, I would hope that
15 you would review all of the ones that you've recommended so
16 far and make sure they're --

17 MR. BROOKS: I will do that.

18 EXAMINER CATANACH: Okay.

19 MR. BROOKS: I will do that.

20 THE WITNESS: One comparison could be made with
21 Exhibit Number 2. The API number against the API number of
22 Exhibit Number 27.

23 MR. BROOKS: Well, yeah, I have another way of
24 doing it too, because I can go to my computer, from which I
25 printed all of the last -- and flick on the cell, on each

1 cell, and that can tell me where -- get the full title.

2 Q. (By Mr. Brooks) Okay, call your attention to
3 what's been marked as Exhibits Numbers 20 and 21 and ask
4 you to identify those.

5 A. These are Form C-103s, notice of intent to plug
6 and abandon the Amoco Skeeter Number 1 and also the Buffalo
7 Valley Com Number 1.

8 Q. And these have signatures indicating approval by
9 the OCD. Does that indicate the well has been plugged?

10 A. No, only the intent of the procedure.

11 Q. In referring back to Exhibit Number 27, what does
12 that indicate about whether or not this plugging has been
13 accomplished?

14 A. On the Amoco Skeeter Number 1, it's still not
15 plugged.

16 Buffalo Valley, let's see. Buffalo Valley also
17 is not plugged.

18 Q. Okay, so we would still be asking for a
19 compliance order on those wells, even though they filed a
20 C-103 indicating the intent to plug them, correct?

21 A. That's correct.

22 MR. BROOKS: Okay, the remaining exhibits,
23 Numbers 22, 23, 24, 25 and 26, relate to Wiser Oil Company,
24 and we will not be offering them at this time.

25 I would add also that Lindenmuth and Associates

1 has not been disposed of, and they are now in compliance,
2 and we request that the proceeding be dismissed as to
3 Lindenmuth and Associates.

4 One more matter of housekeeping. I have examined
5 during the lunch hour the case files, and if you will look
6 in the case file you will find that there are return
7 receipts indicating each of the respondents as to whom
8 we've proceeded today did receive and send a return receipt
9 for the receipt of the notice letter and Application in
10 this case.

11 Would you take administrative notice of the
12 contents of the case file?

13 EXAMINER CATANACH: I will take administrative
14 notice.

15 Also, Mr. Brooks, I would hope that in that case
16 file we find notice where I personally sent notice to the
17 Wisser Oil Company and to Julian Ard advising them to be
18 here at this hearing today.

19 MR. BROOKS: Yes, sir, that letter is also
20 there --

21 EXAMINER CATANACH: Okay.

22 MR. BROOKS: -- also in the file.

23 EXAMINER CATANACH: Okay.

24 MR. BROOKS: I believe it was actually sent out
25 over my name, rather than yours. Or did you send that

1 letter?

2 EXAMINER CATANACH: I think we had Florene sign
3 it.

4 MR. BROOKS: I believe that's correct.

5 EXAMINER CATANACH: Ms. Davidson.

6 MR. BROOKS: But that letter is in the file.

7 EXAMINER CATANACH: Okay.

8 MR. BROOKS: Any further questions for Mr. Gum?

9 EXAMINER CATANACH: No, not specifically. If you
10 can clear up the Read and Stevens situation --

11 MR. BROOKS: I will endeavor to do so.

12 EXAMINER CATANACH: -- then I think Mr. Gum can
13 be excused.

14 MR. BROOKS: Very good.

15 EXAMINER CATANACH: And that takes care of all of
16 the operators that we have on the list; is that correct,
17 Mr. Brooks?

18 MR. BROOKS: It should.

19 EXAMINER CATANACH: I hope it does.

20 MR. BROOKS: I will again review that list. If
21 there's anything else, if there's any other operators left,
22 it's because the printout the second time didn't show them,
23 which would indicate that they're in compliance. But I
24 believe that takes care of them.

25 EXAMINER CATANACH: Okay. All righty, anything

1 else?

2 MR. BROOKS: Nothing further on Case Number
3 12,733.

4 EXAMINER CATANACH: -- -A.

5 MR. BROOKS: -- -A.

6 EXAMINER CATANACH: There being nothing further
7 in this case, Case 12,733-A will be taken under advisement.

8 (Off the record at 2:56 p.m.)

9 (The following proceedings had at 4:45 p.m.):

10 MR. BROOKS: Your Honor, before we adjourn, I
11 would like to momentarily re-open Case Number 12,733,
12 because I'm not sure that I offered my exhibits, and they
13 haven't been admitted on the record in that case.

14 EXAMINER CATANACH: Well, I certainly don't
15 remember, Mr. Brooks, so we will re-open for the moment
16 Case Number 12,733-A.

17 MR. BROOKS: Okay. In Case Number 12,733-A, if
18 we have not done so already, the Division will offer in
19 evidence Exhibits Numbers 1 through 29, inclusive.

20 EXAMINER CATANACH: Exhibits 1 through 29 in Case
21 Number 12,733-A will be admitted as evidence.

22 Anything further, Mr. Brooks?

23 MR. BROOKS: I think that will conclude.

24 EXAMINER CATANACH: There being nothing further,
25 that case will be taken under advisement, and this hearing

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

stands adjourned.

(Thereupon, these proceedings were concluded at
4:46 p.m.)

* * *

I hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 12733-A
heard by me on January 10 192002.
David L. Catell, Examiner
Off Conservation Division

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 January 18th, 2002.



STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 14, 2002