

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION  
STATE LAND OFFICE BLDG.  
SANTA FE, NEW MEXICO

18 February 1987

EXAMINER HEARING

IN THE MATTER OF:

The hearing called by the Oil Conservation Division on its own motion to permit Texas Rose Petroleum, Inc., et al, to appear and show cause why five wells on the El Poso Ranch Lease and the Quinlan Ranch Well No. 1. Rio Arriba County, New Mexico, should not be plugged and abandoned in accordance with a Division-approved plugging program.

CASE  
9074  
9075

BEFORE: David R. Catanach, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Commission:

Jeff Taylor  
Legal Counsel for the Division  
Oil Conservation Division  
State Land Office Bldg.  
Santa Fe, New Mexico 87501

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I N D E X

CHARLES GHOLSON

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E X H I B I T S

Division Exhibit One, A & B
Division Exhibit Two, A & B
Division Exhibit Three, A & B
Division Exhibit Four, A & B
Division Exhibit Five, A & B
Division Exhibit Six, A & B

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MR. CATANACH: Call this hearing to order this morning for Docket No. 6-87.

Call the first case, Number 9074, in the matter of the hearing called by the Oil Conservation Division on its own motion to permit Texas Rose Petroleum, Incorporated, the Travelers Indemnity Company, and all other interested parties to appear and show cause why five wells located on the El Poso Ranch Lease, located in Rio Arriba County, New Mexico, should not be plugged and abandoned in accordance with a Division-approved plugging program.

Are there appearances in this case?

MR. TAYLOR: May it please the Examiner, I'm Jeff Taylor, Counsel for the Division, and I have one witness to be sworn, and I'd like to request that we consolidate Case 9074 with Case 9075, which is also a case for plugging wells by Texas Rose.

MR. CATANACH: Okay. Let me call Case 9075. In the matter of the hearing called by the OCD on its own motion to permit also Texas Rose Petroleum, the Travelers Indemnity Company, and all other interested parties to appear and show cause why the Quinlan Ranch Well No. 1, located in Rio Arriba County, New Mexico, should not

1 be replugged and abandoned in accordance with a Division-  
2 approved plugging program.

3 Are there any other appearances  
4 in this case?

5 You may proceed, Mr. Taylor.

6 MR. TAYLOR: You need to swear  
7 the witness.

8 MR. CATANACH: Will the witness  
9 please stand?

10

11 (Witness sworn.)

12

13 MR. TAYLOR: And just to clar-  
14 ify the record beforehand, we have six wells between these  
15 two cases and we'll have two exhibits for each well and the  
16 exhibits for all the cases are One A/B through Six A/B.

17

18 CHARLES GHOLSON,  
19 being called as a witness and being duly sworn upon his  
20 oath, testified as follows, to-wit:

21

22

DIRECT EXAMINATION

23 BY MR. TAYLOR:

24 Q Would you please state your name, resi-  
25 dence, and by whom you're employed?

1           A           Charles Gholson. I live in Aztec, New  
2 Mexico; work for the OCD as a Field Representative. I'm in  
3 charge of field operations in northwest New Mexico.

4           Q           How long have you held that position, Mr.  
5 Gholson?

6           A           For almost fourteen years.

7           Q           And have you previously testified before  
8 the Commission or its examiners and had your qualifications  
9 accepted?

10          A           I have.

11                   MR. TAYLOR: Mr. Examiner, I  
12 tender the witness as an expert.

13                   MR. CATANACH: He is so quali-  
14 fied.

15          Q           Mr. Gholson, does your district and your  
16 position as -- well, does your district include the area  
17 where the wells in question in this case are located?

18          A           They do.

19          Q           And do your duties as Field Representa  
20 tive in northwest New Mexico include making recomendations  
21 to the Commission or the Division as to when wells should be  
22 plugged and abandoned?

23          A           Yes.

24          Q           Would you state the purpose of Cases 9074  
25 and 9075?



1 don't know what the -- the exact location is. It's extrapo-  
2 lated in because it's an unsurveyed tract.

3 So I have a Division-approved plugging  
4 program, copies of photographs of the well while it was  
5 plugged and after it was re-entered.

6 Q So that's Exhibit Six.

7 A Exhibit Two-F.

8 Q Okay. We changed the numbers.

9 A We changed the numbers here.

10 Q We've got One and Two A through F. So  
11 One and Two-A are for the first well. One and Two-B are for  
12 the second well. One and Two-C are for the third well.

13 So they're -- A through F designate dif-  
14 ferent wells and each exhibit is One, One and Two are common  
15 to all of them.

16 So Exhibits One-A through F are the Divi-  
17 sion-approved plugging programs and the downhole conditions  
18 in the well, which we will give to contractors when they big  
19 on this.

20 A That's correct.

21 Q And Exhibits Two-A through F are loca-  
22 tions of the wells.

23 A Right, except in the -- in Two-F, that I  
24 don't have a location on --

25 Q Pictures of the well.

1           A           -- it. I just got pictures of it.

2           Q           Is it your opinion that failure to plug  
3 these wells in accordance with a Division-approved program  
4 would result in waste of oil or gas or contamination of  
5 fresh water or would present safety hazards?

6           A           Well, safety not so much, but definitely  
7 fresh water. There's a vast fresh water reservoir.

8                               MR. TAYLOR: And, Mr. Examiner,  
9 we'll tender to you a copy of the return receipts requested  
10 to the operator and Travelers Insurance, which is in the  
11 case file. Actually, you may have those; the green return  
12 receipt cards.

13           Q           Do you have anything further to add to  
14 your testimony?

15           A           No, I don't think so.

16                               MR. TAYLOR: That's all we have  
17 in this case, then, Mr. Examiner.

18

19

CROSS EXAMINATION

20 BY MR. CATANACH:

21           Q           Mr. Gholson, have these wells ever pro-  
22 duced?

23           A           Yes.

24           Q           Do you --

25           A           Three of the wells produced. Three of

1 the El Poso wells produced. The Quinlan Ranch well never  
2 produced.

3 And I don't believe -- I know the El Poso  
4 No. 8 never produced and I don't believe the 7 did, I'm not  
5 positive of that, because they were hooked to separate tank  
6 batteries.

7 Q What is the current status of the wells?  
8 Are they shut in or --

9 A They're abandoned.

10 Q -- temporarily abandoned?

11 A I'd say completely abandoned.

12 Q Have you been able to contact any repre-  
13 sentatives from Texas Rose Petroleum?

14 A I have not; however, I did talk with a  
15 gentleman from Travelers Insurance.

16 Q Are all these wells completed generally  
17 the same way, Mr. Gholson?

18 A Yes, there's a -- some of them were  
19 fraced, some are just acidized. I think three were fraced,  
20 one was acidized, and the No. 8, I don't believe was every  
21 completed. It just had pipe ran in it and abandoned.

22 Q You said there was a large fresh water  
23 reservoir there?

24 A Yes, sir.

25 Q Do you know how deep it is?

1           A           It would probably be Massive Gallup. I  
2 would assume around 12-1300 feet.

3           Q           And you think these wells pose somewhat  
4 of a threat to that?

5           A           Yes, sir, I do. I think eventually this  
6 -- this area will be irrigated from that water.

7                           MR. CATANACH: I have no  
8 further questions of the witness.

9                           Are there any other questions  
10 of this witness?

11                           If not, he may be excused.

12                           Is there anything further in  
13 Case 9074 or 9075?

14                           If not, it will be taken under  
15 advisement.

16  
17                           (Hearing concluded.)

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C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY the foregoing Transcript of Hearing before the Oil Conservation Division (Commission) was reported by me; that the said transcript is a full, true, and correct record of this portion of the hearing, prepared by me to the best of my ability.

Sally W. Boyd CSR

I do hereby certify that the foregoing is a complete and true transcript of the proceedings in the Examiner hearing of Case No. 9074/75, heard by me on February 18, 1987.

David R. Catonach, Examiner  
Oil Conservation Division

1 STATE OF NEW MEXICO  
2 ENERGY AND MINERALS DEPARTMENT  
3 OIL CONSERVATION DIVISION  
4 STATE LAND OFFICE BLDG.  
5 Santa Fe, New Mexico

6  
7 3 June 1987

8 EXAMINER HEARING

9 IN THE MATTER:

10 In the matter of Case 9074 being reopen-  
11 ed upon application of Suntex Energy  
12 Corporation to vacate or modify Division  
13 Order No. R-8404, Rio Arriba County, New  
14 Mexico.

15 and

16 Application of Texaco Producing Inc. for  
17 a drilling permit in the Potash-Oil Area, 9148  
18 Eddy County, New Mexico.

CASE  
9074

19 BEFORE: David R. Catanach, Examiner

20 TRANSCRIPT OF HEARING

21 A P P E A R A N C E S

22 For the Division:

23 Jeff Taylor  
24 Legal Counsel to the Division  
25 Oil Conservation Division  
State Land Office Bldg.  
Santa Fe, New Mexico

For the Applicant:

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MR. CATANACH: Call next Case  
No. 9074.

MR. TAYLOR: The matter of Case  
9074 being reopened upon application of Suntex Energy  
Corporation to vacate or modify Division Order No. R-8404,  
Rio Arriba County, New Mexico.

MR. CATANACH: At the request  
of the applicant Case No. 9074 will be continued  
indefinitely.

(Hearing concluded.)

MR. CATANACH: Call next Case  
No. 9148.

MR. TAYLOR: The application of  
Texaco Producing Inc. for a drilling permit in the Potash-  
Oil Area, Eddy County, New Mexico.

MR. CATANACH: At the request  
of the applicant Case No. 9148 will be continued to the  
Commission Hearing 18 June 1987.

(Hearing concluded.)

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C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO  
HEREBY CERTIFY the foregoing Transcript of Hearing before  
the Oil Conservation Division (Commission) was reported by  
me; that the said transcript is a full, true, and correct  
record of the hearing, prepared by me to the best of my  
ability.

Sally W. Boyd CSR

I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. 9074 948  
heard by me on Jan 3 1907.  
David R. Catanah, Examiner  
Oil Conservation Division

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STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION  
STATE LAND OFFICE BLDG.  
SANTA FE, NEW MEXICO

1 July 1987

EXAMINER HEARING

IN THE MATTER OF:

In the matter of Case 8863 being re- CASE  
opened upon application of Alana Oil 8863  
and Gas Corporation to vacate or mod-  
ify Division Order No. R-8210, Rio  
Arriba County, New Mexico.

and

In the matter of Case 8864 being re- CASE  
opened upon the application of Suntex 8864  
Energy Corporation to vacate or modify  
Division Order No. R-8223, Rio Arriba  
County, New Mexico.

and

In the matter of Case 9074 being re- CASE  
opened upon application of Suntex 9074  
Energy Corporation to vacate or modify  
Division Order No. R-8404, Rio Arriba  
County, New Mexico.

*Transcript in  
Case 8863*

BEFORE: David R. Catanach, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Division: Jeff Taylor  
Legal Counsel for the Division  
Oil Conservation Division  
State Land Office Bldg.  
Santa Fe, New Mexico 87501

For the Applicant:

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISON  
STATE LAND OFFICE BLDG.  
SANTA FE, NEW MEXICO

12 August 1987

EXAMINER HEARING

IN THE MATTER OF:

Cases 8863, 8864, and 9074 being re- CASE  
opened upon the application of Suntex 8863  
Energy Corporation to vacate or modify 8864  
Division Order Nos. R-8210, R-8223, 9074  
and R-8404.

BEFORE: Michael E. Stogner, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Division: Jeff Taylor  
Attorney at Law  
Legal Counsel to the Division  
State Land Office Bldg.  
Santa Fe, New Mexico 87501

For the Applicant:

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MR. STOGNER: We'll call next Case 8863, which is in the matter of Case No. 8863 being reopened upon application of Alana Oil and Gas Corporation to vacate and modify -- or modify Division Order No. R-8210, entered in said case, Rio Arriba County, New Mexico.

MR. TAYLOR: Mr. Examiner, we got a letter in the mail yesterday, which you may have a copy of, requesting a continuance of this case till, I believe, September 9th.

We've continued this case since before this summer, I believe, and I would request that no further continuances be granted after this one.

MR. STOGNER: Thank you, Mr. Taylor. I believe this is a sister case to the next two, is that correct?

MR. TAYLOR: Yes, sir. And the letter, I think, requested continuances in all those cases and I don't see the attorney here so we'll -- I'll just, if it's deemed appropriate by the Examiner, I'll write a letter to him telling him that this is the last continuance we're going to give him.

MR. STOGNER: I concur with you Mr. Taylor, and if you'll get a letter to that effect, I believe that will be appreciated.

1 In that case Case No. 8863 will  
2 be continued to the Examiner's Hearing scheduled for Septem-  
3 ber 9th, 1987.

4 Call next Case Number 8864.

5 MR. TAYLOR: That's in the mat-  
6 ter of Case 8864 being reopened upon the application of Sun-  
7 tex Energy Corporation, which a companion case with the pre-  
8 vious one and we will treat that in the same manner.

9 MR. STOGNER: Case Number 8864  
10 will be continued to the Examiner's Hearing scheduled for  
11 September 9th, 1987.

12 Call next Case Number 9074.

13 MR. TAYLOR: In the matter of  
14 Case 9074 being reopened upon application of Suntex Energy  
15 Corporation to vacate or modify Division Order No. R-8404,  
16 and this is also a companion case with the previous ones and  
17 we'll treat it in the same manner.

18 MR. STOGNER: Case Number 9074  
19 will be so continued to the Examiner's Hearing scheduled for  
20 September 9th, 1987.

21  
22 (Hearing concluded.)  
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C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO  
HEREBY CERTIFY the foregoing Transcript of Hearing before  
the Oil Conservation Division (Commission) was reported by  
me; that the said transcript is a full, true, and correct  
record of the hearing, prepared by me to the best of my  
ability.

Sally W. Boyd CSR

I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case nos. 8863, 8864, 9074  
heard by me on 12/19/87.

Michael J. [Signature] Examiner  
Oil Conservation Division

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION  
STATE LAND OFFICE BLDG.  
SANTA FE, NEW MEXICO

9 September 1987

EXAMINER HEARING

IN THE MATTER OF:

Cases 8863, 8864, and 9074 being re-	CASE
opened upon the applications of	8863
Alano Oil and Gas Corporation and	8864
Suntex Energy Corporation to vacate	9074
or modify Division Order Nos. R-	
8210, R-8223, and R-8404.	

BEFORE: Michael E. Stogner, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Division:	Jeff Taylor
	Attorney at Law
	Legal Counsel to the Division
	State Land Office Bldg.
	Santa Fe, New Mexico 87501

For the Applicant:	James G. Bruce
	Attorney at Law
	HINKLE LAW FIRM
	P. O. Box 2068
	Santa Fe, New Mexico 87504

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## I N D E X

## TIMOTHY FREESE

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## CHARLES GHOULSON

Direct Examination by Mr. Taylor 14

## TIMOTHY FREESE RECALLED

Redirect Examination by Mr. Bruce 18

STATEMENT BY MR. TAYLOR 22

STATEMENT BY MR. BRUCE 23

1  
2 MR. STOGNER: I'm going to now  
3 call Case Number 8863, which is in the matter of Case 8863  
4 being reopened upon application of Alano Oil and Gas Corpora-  
5 tion to vacate or modify Division Order No. R-8210, entered  
6 in Case Number 8863, Rio Arriba County, New Mexico.

7 Call for appearances.

8 MR. BRUCE: Mr. Examiner, my  
9 name is Jim Bruce, representing Alano Oil and Gas Corpora-  
10 tion. I have one witness to be sworn.

11 MR. STOGNER: Are there any  
12 other appearances in this matter?

13 MR. TAYLOR: Mr. Examiner, I'm  
14 Jeff Taylor, Counsel for the Division and I have one witness  
15 who we can swear in case we need some rebuttal testimony.

16 MR. STOGNER: Are there any  
17 other appearances?

18 MR. TAYLOR: I'd also like to  
19 know if we shouldn't consolidate these cases, 8863, 8864,  
20 and 9074?

21 MR. BRUCE: Right. I'd re-  
22 quest that 8863, 8864, and 9074 be consolidated.

23 MR. STOGNER: Okay, at this  
24 time I'll call Case Number 8864, which is in the matter of  
25 said case being reopened upon the application of Suntex

1 Energy Corporation to vacate or modify Division Order No. R-  
2 8223, entered in said case, Rio Arriba County, New Mexico.

3 And I will call also Case Num-  
4 ber 9074, which is being reopened upon application of Suntex  
5 Energy Corporation to vacate or modify Division order No. R-  
6 8404, entered in said case, Rio Arriba County, New Mexico.

7 I assume both you gentlemen --  
8 MR. TAYLOR: Yeah, the appear-  
9 ances will be the same.

10 MR. BRUCE: Yes, sir.

11 MR. STOGNER: Are there any  
12 other appearances in any or all of these cases?

13 Will the witnesses or potential  
14 witnesses please stand and be sworn at this time?

15

16 (Witnesses sworn.)

17

18 MR. STOGNER: Mr. Bruce.

19

20 TIMOTHY FREESE,

21 being called as a witness and being duly sworn upon his  
22 oath, testified as follows, to-wit:

23

24

25

## DIRECT EXAMINATION

1  
2 BY MR. BRUCE:

3 Q Mr. Freese, would you please state your  
4 full name and city of residence?

5 A Timothy Freese, Houston, Texas.

6 Q And what is your relationship to Alano  
7 Oil and Gas Corporation and to Suntex Energy Corporation  
8 with respect to the wells which are the subject matter of  
9 this hearing?

10 A I own a 25 percent interest in the Alano  
11 Oil and Gas Wells and as Suntex Energy, I was hired as a  
12 consultant prior to their bankruptcy and currently serve as  
13 treasurer of the company.

14 MR. BRUCE: Mr. Examiner, I re-  
15 quest permission for Mr. Freese to testify based upon his  
16 interest ownership in the wells.

17 MR. STOGNER: Mr. Freese, what  
18 is your interest in the Suntex?

19 A Just strictly as an officer of the cor-  
20 poration.

21 MR. STOGNER: And you have no  
22 interest in those wells that Suntex was operating?

23 A Not at this time, I do not.

24 MR. STOGNER: And when you say  
25 you're an officer, what particular -- what -- what position

1 do you hold?

2 A Treasurer.

3 MR. STOGNER: Treasurer. Mr.  
4 Taylor, are there any objections?

5 MR. TAYLOR: Do you have Texas  
6 Rose on here, too? No, I guess not.

7 MR. GHOLSON: Yes.

8 MR. TAYLOR: Is that a mistake?

9 MR. GHOLSON: No.

10 A Texas Rose is --

11 MR. BRUCE: We'll explain that  
12 as we get into it.

13 MR. GHOLSON: Suntex --

14 MR. BRUCE: There are Texas  
15 Rose wells --

16 MR. GHOLSON: According to  
17 this docket Suntex is proposing to take over operation of  
18 the Texas Rose wells.

19 MR. STOGNER: Mr. Bruce, please  
20 proceed.

21 Q Mr. Freese, I'd like you to discuss the  
22 background of the wells identified in the three applications  
23 and first, if you would, when were the wells in these mat-  
24 ters drilled?

25 A I believe the Alano Oil and Gas wells,

1 the Samantha 1, 2, and 3, were drilled in '82, I believe.

2 Q What about the Alano Well No. 1 in Sec-  
3 tion 11?

4 A It is, trying to remember, they're cur-  
5 rently pumping two of the three wells. One of them has a  
6 motor that's down.

7 Q Now the three wells you're talking about  
8 are the Samantha Wells Nos. 1, 2, and 3.

9 A Yes.

10 Q And the -- is the Alano Well No. 1 plug-  
11 ged and abandoned?

12 A The Alano No. 1 is -- has been plugged  
13 and abandoned, I believe.

14 MR. GHOLSON: That's wrong.  
15 It has not; I was just there.

16 A Okay.

17 MR. GHOLSON: I'm sorry. I  
18 will not interrupt you again.

19 A That's all right. I have not been down  
20 there.

21 Q What is the status of the Suntex Wells 1,  
22 2, 3, 5 and 6?

23 A Suntex 1, 2, 3, 4, 5 and 6?

24 Q 1, 2, 3, 4, 5 and 6, excuse me.

25 A Suntex 1 through 4 were drilled. They

1 are currently unequipped.

2 5 and 6 were spudded but never drilled.

3 Q And what date were the Texas Rose wells  
4 drilled?

5 A I believe those were in '84.

6 Q What formation were the wells completed  
7 in and what acreage is dedicated to each well?

8 A They're completed in the Greenhorn. Cur-  
9 rently they're -- the Suntex wells, there's only one well  
10 per 160-acre lease at this time.

11 Q What are the -- what is the production  
12 history, if any, and the reason they were not produced?

13 A The wells weren't produced, primarily, it  
14 was a combination of different factors, mostly legal prob-  
15 lems.

16 When the Suntex wells were drilled, 1  
17 through 4, at the time they were drilled there were no  
18 leases issued on the tracts that they were drilled on. The  
19 leases were not issued until 1984.

20 During 1984 they reached an agreement  
21 with the Maddox Estate, the mineral interest holders and the  
22 leases were then issued. Under the agreements by the end of  
23 1984 there was another slight misunderstanding and at that  
24 point in time a legal conflict with the estate came into  
25 being.

1 Q Does that cover the Suntex wells and the  
2 -- and also the Alano wells?

3 A That's just the Suntex wells.

4 The Alano wells, to be honest with you, I  
5 don't know why they haven't been produced. They should have  
6 been a long time ago.

7 Q Are they capable of producing now?

8 A Yes, and, as I said, currently they are  
9 being -- they're equipped and they're being pumped now. We  
10 have an engineer coming in next week to do oil/gas ratio  
11 tests and everything else trying to do final filing to get  
12 them on line.

13 Q And what steps are necessary to put the  
14 Suntex wells and the Texas Rose wells back in production?

15 A We have requested the bankruptcy court  
16 for a hearing to allow Suntex to expend monies or whatever  
17 other steps are necessary in order to re-equip the Suntex  
18 wells and to start producing.

19 The Texas Rose wells under agreement with  
20 Texas Rose, under that agreement Suntex had the right to as-  
21 sume operation if at any time Texas Rose could not, and if  
22 Texas Rose defaulted in their agreement, the leases under  
23 which they had, would revert back to Suntex.

24 We are currently filing a civil suit on  
25 Texas Rose Petroleum to recover the rights under those

1 leases.

2 Q And what is Texas Rose corporate status  
3 at this time?

4 A It's pretty well nonexistent. I think  
5 you'd have a hard time finding them. At least the last time  
6 I talked to the postal authorities they were having a hard  
7 time finding them.

8 Q If the OCD grants these three applica-  
9 tions, would we promptly take all steps requested by the OCD  
10 to put these wells back into production?

11 A It's our wish to get them on line and get  
12 them producing as soon as possible.

13 Q And will the granting of this application  
14 be in the interest of conservation and the prevention of  
15 waste?

16 A I believe so.

17 MR. BRUCE: I have nothing fur-  
18 ther at this time, Mr. Examiner.

19 MR. STOGNER: Thank you, Mr.  
20 Bruce. Mr. Taylor, your witness.

21

22 CROSS EXAMINATION

23 BY MR. TAYLOR:

24 Q In your testimony, when you talk about  
25 all these wells, you're covering all the wells that are

1 listed, that were listed in our --

2 A Yes.

3 Q There's none of them that you think need  
4 to be plugged and abandoned?

5 A At this time, well, the Alano No. 1 needs  
6 to be plugged and abandoned.

7 MR. BRUCE: That's Case 8863.

8 A I'm not entirely sure who has current --  
9 I know who has possession of the lease. Within a week I'll  
10 have possession of the lease. That means I may get stuck  
11 with plug and abandon of three of them because they drilled  
12 two more.

13 Q And who was that, Alano?

14 A That was Alano Oil and Gas. That was  
15 drilled in '82. I think it was drilled in '81 or '82. '85?

16 Q But other than --

17 A I think that was the first one they drill-  
18 led.

19 Q Other than that one well do you all pro-  
20 pose to try to put all these on line again?

21 A Yes, at least to put them on line, to  
22 stimulate them, produce them, and at that point in time,  
23 they've been sitting there for so long that we're not en-  
24 tirely sure what they'll produce until we actually get out  
25 there and produce them.

1 Q Well, which one of these companies is in  
2 bankruptcy?

3 A Suntex.

4 Q Suntex, so how do they propose to -- to  
5 undertake this if they're in bankruptcy?

6 A I just paid them \$20,000 for 26 percent  
7 interest in Alano Oil and Gas and these people own Suntex.  
8 which is a whole lot more than it was worth.

9 Q Well, are there not so many liens on the  
10 properties that it's just impossible for them to take over  
11 operations of them?

12 What's the status of these as far as  
13 liens and lawsuits and bankruptcies?

14 A The Texas Rose is totally inundated with  
15 judgments and liens.

16 Suntex isn't too far behind. Suntex has  
17 come to some settlement terms with their judgment holders  
18 and I believe the liens that are placed on the property un-  
19 der New Mexico it's been over two years and I don't believe  
20 they're effective at this point in time.

21 Q Well, why don't you all just -- I'll  
22 withdraw that question. That's all I have.

23 MR. BRUCE: Yeah, just to clar-  
24 ify, looking at Case 8863, I believe Mr. Freese said the  
25 Samantha Wells 1, 2, 3, are capable -- are potentially cap-

1 able of producing.

2 The Alano Well No. 1 is to be  
3 plugged.

4 And looking at Case 8864, Wells  
5 Nos. 1 through 4 could produce, Wells 5 and 6 were never  
6 even drilled.

7 MR. TAYLOR: Wells -- Suntex  
8 Well 5 and Suntex Well 6 were never drilled, is that what  
9 you're saying?

10 MR. BRUCE: Yes, that is cor-  
11 rect.

12 MR. TAYLOR: That's 5 and 6?

13 MR. STOGNER: Mr. Bruce, do you  
14 have anything further here?

15 MR. BRUCE: Nothing further,  
16 Mr. Examiner.

17 MR. STOGNER: Mr. Taylor?

18 MR. TAYLOR: No, I have no more  
19 right now.

20 MR. STOGNER: He may be excused  
21 at this time.

22 MR. Taylor?

23 MR. TAYLOR: I call Mr. Ghol-  
24 son, Charles Gholson.

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CHARLES GHOLSON,

being called as a witness and being duly sworn upon his  
oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. TAYLOR:

Q Mr. Gholson, what is your knowledge of  
the status of the various wells listed in Cases 8863, 64,  
and 9074?

MR. STOGNER: Mr. Taylor, let's  
introduce Mr. Gholson first.

MR. TAYLOR: Okay.

Q Will you please state your name for the  
record?

A I'm Charles Gholson.

Q And where --

A NMOCD Oil and Gas Inspector, Aztec.

Q And have you previously testified before  
the Examiner and had your credentials accepted?

A I have.

MR. TAYLOR: I tender the wit-  
ness as an expert.

MR. STOGNER: Mr. Bruce, do you  
have any --

1 MR. BRUCE: None whatsoever.

2 MR. STOGNER: Mr. Gholson is so  
3 qualified.

4 Q Would you go through the -- or just tell  
5 us your knowledge of the status of these wells.

6 A Okay. As Mr. Freese says, the Suntex 1,  
7 3 -- 1, 2, 3 and 4 were drilled, completed.

8 MR. STOGNER: And these are the  
9 wells in Case Number 8864, is that it?

10 A And the 5 and 6 were spud but never drill-  
11 led and there wasn't surface pipe set in them.

12 Q Okay.

13 A And all these wells are not only Green-  
14 horn but there's also Greenhorn, Gallup, and Dakota comple-  
15 tions.

16 And in my opinion Suntex 1, 2, 3, and 4  
17 are dry holes, never had any production records and my check  
18 of the tanks has never showed any oil in the tanks.

19 Q So even though those wells apparently  
20 were drilled and completed, they have never had any (un-  
21 clear).

22 A That's correct. And the Alano wells, I  
23 mean the Texas -- yeah, the Alano wells --

24 Q Is this in Case 8863, the Samantha --

25 A Right.

1 Q Samantha 1, 2, and 3?

2 A Right. The Alano 1 was, I don't believe,  
3 every completed. It probably -- it had pipe ran in it and  
4 it was possibly perforated. I think they left it, abandoned  
5 it.

6 And the Alano wells although capable of  
7 small production, are, in my opinion, noncommercial.

8 I have production records through July,  
9 1985, which I assume was the last production, and at that  
10 time the Samantha 1 was not producing; the Samantha 2 had 6  
11 barrels in 20 days of production; the Samantha No. 3 had 2  
12 barrels in 20 days of production.

13 And where those wells are located that is  
14 definitely not commercial.

15 And the -- we haven't mentioned Texas  
16 Rose much yet, but those wells are a little bit better but  
17 the best well will make no more -- will not make 2 barrels a  
18 day and the sorry wells will make about 1, or less.

19 Q Are those the wells listed in Case 9074?

20 A Correct.

21 Q Okay. Is it your opinion that it would  
22 be nearly impossible for the -- with the status of these  
23 companies for these wells to be brought back into produc-  
24 tion?

25 A Well, I don't know about that. Possibly,

1 you know, with some treatment the production could be picked  
2 up and I really don't know, but as they stand right now,  
3 they're definitely noncommercial.

4 MR. TAYLOR: I think that's all  
5 we have.

6 I would -- excuse me, I'd point  
7 out that there's already a record in this case being the or-  
8 iginal hearings at which the Commission presented, as I re-  
9 call, testimony on these wells, and I would request that  
10 those transcripts be made a part of the record today.

11 A Also Texas Rose has another well which is  
12 not mentioned here and it's known as the Quinlan Ranch No. 1  
13 and it is a dry hole and plugged. It's been re-entered by  
14 Texas Rose and then plugged.

15 MR. STOGNER: But that's not a  
16 well that's the subject of this case today, is it, Mr.  
17 Gholson.

18 A No, that's right. They did -- we did  
19 testify the other time but they didn't (unclear)..

20 MR. STOGNER: Anything further,  
21 Mr. Taylor?

22 MR. TAYLOR: No, sir.

23 MR. STOGNER: Mr. Bruce, your  
24 witness.

25 MR. BRUCE: I have no questions

1 at this time.

2 MR. STOGNER: Of course the re-  
3 cords of each of these cases will be taken into account at  
4 this time.

5 MR. BRUCE: One -- can I have  
6 one final question of my witness?

7 MR. STOGNER: Yes, Mr. Bruce.

8  
9 TIMOTHY FREESE,  
10 being recalled as a witness and remaining under oath, testi-  
11 fied as follows, to-wit:

12  
13 REDIRECT EXAMINATION

14 BY MR. BRUCE:

15 Q Do you have anything final to say about  
16 this case, Mr. Freese?

17 A As far as the production of the Alano Oil  
18 and Gas Wells, I had a pumper out there last week and pum-  
19 ped, I believe it was the No. 2, turned the thing on, came  
20 back in four days. The pump motor had died on it somewhere  
21 in between but it had put oil in the tank.

22 MR. GHOLSON: Well, the well's  
23 been shut in for some time and actually it would come back  
24 a little bit stronger than it's going to produce after a  
25 few days.

1           A           I think if we get in -- and to be honest  
2 with you if it only produces 5 barrels or day or less, I'll  
3 plug the thing.

4                       MR. TAYLOR: Well, if I might  
5 ask Mr. Freese a further question, how -- because your cur-  
6 rent bonding company is unwilling to undertake a bond, if we  
7 let them off the hook on this one, in other words, if you  
8 come in to re-enter these wells, I think you're going to  
9 have to find a new bond and I in talking to the bonding com-  
10 pany, I just think that's going to be impossible.

11                      The current situation is we  
12 have a bond on these wells and we want to plug them under  
13 that bond; otherwise we have to pay, the State has to pay  
14 for it, and certainly it's my understanding from talking to  
15 the insurance company that they're not willing to go any  
16 further with this.

17           A           Well, on the Alano --

18                      MR. TAYLOR: Have you looked  
19 into your bonding situation to see if you can get a bond for  
20 these wells?

21           A           On the Alano wells I'll put up a cash  
22 bond, if necessary. I mean there's nothing wrong with that.  
23 I don't think I'll have any trouble getting a bond.

24                      MR. BRUCE: I would state for  
25 the record that the bonding companies were notified of this

1 hearing.

2 MR. TAYLOR: Yeah, they have  
3 been in contact but they aren't here this morning.

4 MR. BRUCE: And they have not  
5 put in an appearances.

6 MR. STOGNER: Mr. Gholson, I  
7 have a couple of questions for you.

8 MR. GHOLSON: Yes, sir.

9 MR. STOGNER: On the Alano Well  
10 No. 1 I believe you said it was not P & A'd.

11 MR. GHOLSON: No, it is not.

12 MR. STOGNER: If these wells,  
13 according to your testimony, are very low marginal produc-  
14 tion and/or no production at all, what kind of waste would  
15 occur if nothing was done to these wells at this time?

16 MR. GHOLSON: Well, I don't  
17 suppose any waste would occur. There's a very huge fresh  
18 water aquifer shallower there but it might possibly contami-  
19 nate groundwaters.

20 MR. STOGNER: In essence, if  
21 this groundwater was contaminated that would constitute  
22 waste, could it not?

23 MR. GHOLSON: Yes.

24 MR. STOGNER: Okay. I have no  
25 further questions of Mr. Gholson.

1 Are there any other questions  
2 of this witness?

3 Mr. Freese, I'll remind you  
4 you're still under oath. I have a question for you.

5 A Yes, sir.

6 MR. STOGNER: Did you have any-  
7 thing to do with the Texas Rose Corporation?

8 A No, I did not.

9 MR. STOGNER: But you were an  
10 officer of the Suntex Corporation, is that right?

11 A That was as of December of 1986.

12 MR. STOGNER: You mean you were  
13 treasurer with them up until December of '86.

14 A No, I was hired by the company as a  
15 financial consultant in December of 1986.

16 MR. STOGNER: Okay, did you  
17 have any dealings with Suntex prior to that date?

18 A No.

19 MR. STOGNER: No. Okay. How  
20 about the Alano Oil and Gas Corporation?

21 A None there either.

22 MR. STOGNER: Not until Decem-  
23 ber of '86. Okay.

24 I have no further questions of  
25 this witness.

1                   Mr. Taylor, do you have any  
2 closing remarks at this time?

3                   MR. TAYLOR: Yes, sir, I'd just  
4 like to state that because we've already got orders in these  
5 cases to plug the wells or otherwise take care of them, I  
6 don't think that the applicants in this case have come  
7 forward with a sufficient case to overcome those existing  
8 orders. They haven't showed us that they're financially  
9 able to. I think that the orders are open enough that they  
10 could go to the Aztec District Office and make a showing on  
11 individual wells whether or not we should continue to give  
12 them an extension of the order on the date to be plugged.  
13 These wells were ordered plugged well over a year, maybe two  
14 years ago.

15                   And I don't see any reason to  
16 overturn it based upon the evidence they've presented today,  
17 but I would state that if they would get in contact with the  
18 Aztec Office and see if there's any showing they can make on  
19 any particular wells, that the supervisor up there does have  
20 discretion to suspend the part of the order requiring the  
21 plugging and could let them try to re-enter the wells.

22                   Certainly I have a problem with  
23 us -- with any rescission of these current orders to plug  
24 insofar as the bond and insurance situation. I think if Mr.  
25 Freese can make a showing that he can get bonds or that he

1 can put cash bonds up on individual wells, our District Sup-  
2 ervisor can except him from the order for a period of time  
3 in order to let him re-enter those wells, but I certainly  
4 think they've made no showing to allow the orders to be res-  
5 cinded.

6 MR. STOGNER: Thank you, Mr.  
7 Taylor.

8 Mr. Bruce?

9 MR. BRUCE: I would simply say,  
10 Mr. Examiner, that we request that Mr. Freese be given the  
11 chance to put the wells back on production. He's already  
12 put some money into the wells and into the company and he  
13 should be given at least temporary respite from the OCD  
14 plugging orders so that he can attempt to put the wells  
15 back on production.

16 MR. STOGNER: Thank you, Mr.  
17 Bruce.

18 Does anybody else have anything  
19 further in any of these cases?

20 If not, these three cases will  
21 be taken under advisement.

22

23 (Hearing concluded.)

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C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO  
HEREBY CERTIFY the foregoing Transcript of Hearing before  
the Oil Conservation Division (Commission) was reported by  
me; that the said transcript is a full, true, and correct  
record of the hearing, prepared by me to the best of my  
ability.

Sally W. Boyd CSR

I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case NoS. 8863, 8864, 9074  
heard by me on 9 Sept. 19 87.

Robert J. [Signature] Examiner  
Oil Conservation Division