

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. 12,474

APPLICATION OF THE OIL CONSERVATION)
DIVISION FOR AN ORDER REQUIRING AGUA,)
INC., TO PROPERLY PLUG ONE WELL, LEA)
COUNTY, NEW MEXICO)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

December 21st, 2000

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, December 21st, 2000, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

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I N D E X

December 21st, 2000
 Examiner Hearing
 CASE NO. 12,474

PAGE

APPLICANT'S WITNESS:

CHRIS WILLIAMS (Present by telephone)
 District Supervisor, Hobbs District Office,
 District 1, NMOCD

Direct Examination by Ms. Hebert	4
Examination by Examiner Stogner	7

REPORTER'S CERTIFICATE	13
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E X H I B I T S

Applicant's	Identified	Admitted
Exhibit 1	7	7
Exhibit 2	7	7
Exhibit 3	7	7
Exhibit 4	9	9

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A P P E A R A N C E S

FOR THE DIVISION:

LYN S. HEBERT
 Attorney at Law
 Legal Counsel to the Division
 2040 South Pacheco
 Santa Fe, New Mexico 87505

* * *

1 WHEREUPON, the following proceedings were had at
2 11:00 a.m.:

3 EXAMINER STOGNER: This hearing will come to
4 order. At this time I'll call Case Number 12,474, which is
5 the Application of the Oil Conservation Division for an
6 order requiring Agua, Inc., to properly plug a certain well
7 in Lea County, New Mexico.

8 At this time I'll call for appearances.

9 MS. HEBERT: Mr. Examiner, Lyn Hebert on behalf
10 of the Oil Conservation Division, and I have one witness to
11 be sworn in this matter.

12 EXAMINER STOGNER: Let the record show that
13 there's nobody else to appear in the room, and at this time
14 Mr. Chris Williams will be sworn in.

15 (Thereupon, the witness was sworn.)

16 MS. HEBERT: Mr. Hearing Examiner I would like to
17 just let you know that Scott Hall did file an entry of
18 appearance in this case, but indicated to me by e-mail, as
19 well as yesterday in person, that he would not be attending
20 the hearing.

21 I did let him know by e-mail that the hearing
22 would be held today and that an order would be entered. He
23 did not request a continuance.

24 EXAMINER STOGNER: Thank you. And let the record
25 show that Mr. Hall's letter, December the 20th, and that we

1 have other copies of those e-mails, if you can --

2 MS. HEBERT: Sure.

3 EXAMINER STOGNER: -- make those part of the
4 record -- You probably have them in front of you.

5 Okay, you may proceed.

6 CHRIS WILLIAMS (Present by telephone),
7 the witness herein, after having been first duly sworn upon
8 his oath, was examined and testified as follows:

9 EXAMINATION

10 BY MS. HEBERT:

11 Q. Mr. Williams, would you state your name and where
12 you're employed and what is your position there?

13 A. Yes, Chris Williams, I'm employed by the Energy,
14 Minerals Natural Resources Department, Oil Conservation
15 Division. I'm the District Supervisor in Hobbs, New
16 Mexico.

17 Q. And how long have you been in that position, Mr.
18 Williams?

19 A. Three and a half years.

20 Q. As part of your responsibilities as district
21 supervisors, do you supervise the plugging of wells and do
22 you supervise employees who also supervise plugging of
23 wells?

24 A. Yes.

25 Q. Are you familiar with the Agua well that's the

1 subject of this hearing?

2 A. Yes.

3 Q. Have you contacted the last known operator of
4 that well --

5 A. Yes.

6 Q. -- regarding plugging this well?

7 Could you please let the Hearing Examiner know
8 what efforts you've made on that score?

9 A. We tried to contact Agua in August of 1998 by
10 phone and left messages then, and nothing was ever -- we
11 never got a response. And then we tried again in December
12 of 1998 with no response, by phone. And then June again,
13 in 1999 in June, we tried by phone and got no response.

14 And then we sent a letter to Petrothermal, which
15 we assumed was the same company, but it wasn't. And I've
16 got the time and date on that, but it was back in 1999, we
17 sent a letter.

18 And then there was another letter sent, I guess
19 August 1st, by Lyn Hebert to notify them that we would take
20 this to hearing if there was no response given to our
21 inquiries about plugging this well.

22 And then I have an e-mail from Mr. Abbott, that
23 he wanted to have some time to August the 23rd, extending
24 the hearing date, because we had set it for hearing
25 earlier, to get bids on plugging the wells. And I have a

1 copy of the e-mail and -- That was August 23rd.

2 And then we got another e-mail from R.W. Abbott,
3 which was Agua, Incorporated, and it was November the 9th,
4 asking for another extension, at which time I told him he
5 had to plug it by 12-10-2000, otherwise -- and there would
6 be no further extensions.

7 Q. And has there been any effort to actually get
8 this well plugged, as far as you are aware?

9 A. No.

10 Q. When was the last time -- This is a saltwater
11 disposal well; is that the fact?

12 A. That's correct.

13 Q. And when was the last time there was injection
14 into this well?

15 A. The last injection reported was October of 1996.

16 Q. Is it your opinion that it's necessary to protect
17 the environment, particularly the water, that this well be
18 properly plugged and abandoned?

19 A. Yes.

20 Q. As well as the well site itself, are there also,
21 I believe, four tanks on that property?

22 A. There are some associated facilities. The
23 wellsite is actually within an old treating plant, and
24 there are four tanks associated with the well.

25 Q. Have you drawn plugging procedures for this Agua

1 well?

2 A. Yes.

3 MS. HEBERT: Mr. Hearing Examiner, I will present
4 to you what's been marked as Exhibit 1, which are the
5 plugging procedures.

6 EXAMINER STOGNER: Which is the plugging
7 procedure, is Exhibit 1.

8 Q. (By Ms. Hebert) And Mr. Williams, are you aware
9 whether or not there is a bond on this well?

10 A. I believe there is a bond in place.

11 MS. HEBERT: And I'm presenting to the Hearing
12 Examiner a copy of a \$50,000 blanket plugging bond, bond
13 number 4356142, that is written by the Hartford Accident
14 and Indemnity Company. That is Exhibit Number 2.

15 And I am marking as Exhibit Number 3 the
16 affidavit regarding notice that was provided to both
17 Hartford, the surety, as well as Agua, with the return
18 green cards for each.

19 I move the admission of Exhibits 1 through 3 into
20 the record.

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

23 EXAMINATION

24 BY EXAMINER STOGNER:

25 Q. Mr. Williams, I have in front of me Exhibit

1 Number 1, which is two parts. The first page is the
2 schematic of the proposed plugging of the well in question,
3 and then the P-and-A procedure for that well is page two,
4 and it's on a legal-size piece of paper.

5 What is to be done with the surface facilities in
6 conjunction with this plugging program? Is to remain
7 intact, or is that to be cleaned up also?

8 A. That is to be cleaned up too.

9 Q. Okay. Now, is there a separate procedure for
10 that, or is that indicated in here?

11 A. It's not indicated in there, as near as I can
12 tell.

13 Q. What normally does a cleaning up of a surface
14 facility, in this instance, entail?

15 A. It would entail removing all the tanks and doing
16 a remediation of the surface and check vertical and
17 horizontal extent for any contamination underneath the
18 tanks. And if groundwater is impacted then they'll have to
19 go to a Rule 19 abatement plan.

20 Q. Are there any pits?

21 A. Yes, there's an emergency overflow pit.

22 Q. Now, an emergency overflow pit is an unlined pit;
23 is that correct?

24 A. That's correct.

25 Q. And what is the status of the pit at this time?

1 Is there any fluids in it?

2 A. No, it's dry.

3 Q. It is dry. Any indication that there has been
4 fluids in it of any subsequential volume before?

5 A. Yes, mainly produced water.

6 MS. HEBERT: Mr. Examiner, if I could interrupt,
7 I will mark as Exhibit Number 4 a diagram of this well site
8 as well as the adjacent commercial treating facility.

9 EXAMINER STOGNER: In light of this facility, I
10 think that's a good idea and will welcome Exhibit Number 4
11 and admit that at this time into evidence.

12 Also at this time I'll take administrative notice
13 of the well file here in Santa Fe, which should also be in
14 the same condition as in the Hobbs District Office.

15 Q. (By Examiner Stogner) Mr. Williams, you wouldn't
16 happen to have the order number in which authorized that
17 injection into this well, would you?

18 A. Yes, sir, I think so. Let me look through my
19 file real quick.

20 I thought I had it right in front of me. No, I
21 don't have it in front of me, but I can find it.

22 Q. If you would contact Ms. Hebert over the e-mail
23 system referencing that number, and do you recall if that
24 was a hearing order or an administrative order, or do you
25 remember?

1 A. I believe it was a hearing order.

2 Q. Okay. Either way, I'm going to take
3 administrative notice of the injection authority which
4 would have been authorized either after hearing, which
5 would have had an R number on it, or, if it was done
6 administratively, then it would have an SWD administrative
7 order number. So whichever is the case in this instance,
8 I'll take administrative notice of that.

9 And do you know if there has been any
10 correspondence or letter to Agua concerning that injection
11 authority, was it lifted by your office or the Santa Fe
12 office?

13 A. No, I don't think it was ever lifted.

14 Q. Should that be -- Well, I guess that would also
15 need to be done, since the well is to be plugged and
16 abandoned. Would you also recommend that injection
17 authority cease?

18 A. Yes.

19 Q. Okay. How old is this facility, roughly, Mr.
20 Williams? Fifties, Sixties, Seventies?

21 A. I think it was actually drilled in the Seventies.
22 It was a producing well at one time that was converted to
23 injection -- I mean, to disposal, excuse me.

24 Q. And it's injecting into what interval?

25 A. Bone Spring, San Andres, and -- Yeah, I thought

1 it was, it was Bone Spring and San Andres and Delaware.

2 Q. And Delaware. So a very large area there?

3 A. Right.

4 Q. Let's see, I believe this has a blanket plugging
5 bond; is that correct? Yes, according to Exhibit Number 2.

6 Are there other wells that Agua operates
7 currently?

8 A. Yes. It operates the Corbin Abo SWD.

9 Q. Is that the only other well that you know of?

10 A. Yes.

11 Q. So at this time there's only two wells that the
12 bond is activated for?

13 A. Right.

14 Q. Okay. I take it there were many others at one
15 time?

16 A. No, I think this is the only two that I know of
17 that they operate.

18 Q. Who is Petrothermal?

19 A. I believe Petrothermal was a parent company to
20 Agua, Incorporated. Petrothermal actually had the treating
21 facility that's on the same site.

22 Q. Petrothermal and Agua are the same entity in this
23 instance?

24 A. Yes.

25 Q. Or at least owned by the Abbott family or --

1 A. Correct.

2 EXAMINER STOGNER: I don't have anything further
3 of Mr. Williams.

4 Ms. Hebert, do you have any other questions of
5 Mr. Williams at this time?

6 MS. HEBERT: Nothing further.

7 EXAMINER STOGNER: Then Mr. Williams, if you
8 don't have anything further you may be excused. I'm going
9 to go ahead and ask you to remain on the line, and I have
10 some other cases I'm going to call, not that you'll
11 necessarily be entering anything for, but at least you can
12 hear what we're going to continue and everything, so I'll
13 ask you to remain on the line.

14 If there's nothing further in Case Number 12,474,
15 other than additional copies of the exhibits which I have
16 here in front of me, then this matter will be taken under
17 advisement.

18 (Thereupon, these proceedings were concluded at
19 11:15 a.m.)

20 * * *

21
22 I do hereby certify that the foregoing is
23 a complete record of the proceedings in
24 the Examiner hearing of Case No. 12474
25 heard by me on 21 December 2000

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 December 26th, 2000.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 2002