

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. 13,413

APPLICATION OF THE NEW MEXICO OIL)
CONSERVATION DIVISION FOR A COMPLIANCE)
ORDER AGAINST ADVANCED EXPLORATION, INC.)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

February 17th, 2005

Santa Fe, New Mexico

2005 MAR 3 AM 8 09

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday, February 17th, 2005, 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

February 17th, 2005
Examiner Hearing
CASE NO. 13,413

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APPLICANT'S WITNESS:	
<u>BILLY PRICHARD</u> (Compliance and Enforcement Officer, Hobbs District Office, District 1, NMOCD) (Present by telephone)	
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* * *

A P P E A R A N C E S

FOR THE DIVISION:

GAIL MacQUESTEN
Deputy General Counsel
Energy, Minerals and Natural Resources Department
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

* * *

1 WHEREUPON, the following proceedings were had at
2 11:09 a.m.:

3 EXAMINER CATANACH: Okay, at this time I'll Case
4 13,413, the Application of the New Mexico Oil Conservation
5 Division for a compliance order against Advanced
6 Exploration, Incorporated.

7 Call for appearances in this case.

8 MS. MacQUESTEN: Gail MacQuesten, Energy,
9 Minerals and Natural Resources Department, appearing for
10 the Oil Conservation Division.

11 EXAMINER CATANACH: Okay, call for additional
12 appearances.

13 There are no other parties present in the room.
14 Gail, you may proceed.

15 MS. MacQUESTEN: I have one witness, Bill
16 Prichard, who will be appearing by telephone.

17 EXAMINER CATANACH: Mr. Prichard, would you
18 please stand to be sworn in at this time?

19 (Thereupon, the witness was sworn.)

20 MS. MacQUESTEN: Mr. Examiner, before we begin
21 Mr. Prichard's testimony, I'd like to briefly explain what
22 we're asking for.

23 This is a single-well plugging case. This well
24 has never produced. It is not plugged and abandoned, and
25 it has never been placed on temporary abandonment status.

1 It is in violation of Rule 201.

2 We're asking for an order pursuant to OCD Rule
3 101.(M), requiring the operator to bring the well into
4 compliance with Rule 201 within 30 days by plugging it,
5 placing it on temporary abandonment status or returning it
6 to beneficial use. If the operator fails to comply, we ask
7 that you impose a penalty, authorize the Division to plug
8 the well, and authorize the Division to forfeit the
9 applicable financial assurance.

10 You should have an exhibit packet in front of
11 you. The first exhibit is a certificate of notice. We
12 were able to get a return receipt from Advanced
13 Exploration's attorney, but notices sent to the other
14 addresses for Advanced Exploration were returned.

15 We advertised the case, and the letter or
16 transmittal to the *Lovington Daily Leader* is included in
17 that certificate of notice. We have not yet received an
18 affidavit of publication from the newspaper, however, so I
19 will be asking to supplement the record when we receive it.

20 You might note that we also served notice on a
21 company called Lucky Services, Inc. That is because a note
22 in the bond file from Advanced Exploration's attorney
23 indicated that Lucky Services, Inc., had acquired the well
24 and the lease. That letter is Exhibit Number 2 in your
25 packet.

1 And according to Advanced Exploration's attorney,
2 Lucky Services acquired the well and the lease in a
3 foreclosure action under the Oil and Gas Lien Act. We gave
4 Lucky Services notice, not because we intended to hold them
5 responsible for plugging the well but because we thought
6 they should be notified and might even have a use for the
7 well.

8 Their response to the notice of hearing is
9 attached as Exhibit 3. Apparently they don't have a use
10 for the well and say they don't have any ownership interest
11 in the well.

12 Exhibit Number 4 is an affidavit from Jane Prouty
13 showing no production reports have ever been received for
14 this well.

15 And Exhibit Number 5 is an affidavit from Dorothy
16 Phillips showing that advanced exploration posted a \$5000
17 single-well cash bond for this well, and that that bond is
18 still in effect.

19 And with that, I would call Bill Prichard.

20 BILLY PRICHARD (Present by telephone),
21 the witness herein, after having been first duly sworn upon
22 his oath, was examined and testified as follows:

23 DIRECT EXAMINATION

24 BY MS. MacQUESTEN:

25 Q. Mr. Prichard?

1 A. Yes, ma'am?

2 Q. Can you hear me all right?

3 A. Yes, ma'am, I can.

4 Q. Could you state your name for the record, please?

5 A. Billy Prichard.

6 Q. And where do you work?

7 A. I work for the New Mexico Oil Conservation
8 Division, District 1 out of the Hobbs Office.

9 Q. What is your title there?

10 A. Compliance and enforcement officer.

11 Q. And do your duties include enforcing the rules on
12 inactive wells?

13 A. Yes, ma'am, it does.

14 Q. Are you familiar with the War Deck Number 1 well
15 that's identified in the application in this case?

16 A. Yes, ma'am, I am.

17 Q. Is that located in your district?

18 A. Yes, it is.

19 Q. Do you have the packet of exhibits that I sent to
20 you?

21 A. Yes, ma'am.

22 Q. Would you take a look at what has been marked as
23 Exhibit Number 6? And Exhibit 6 is a little hard to see on
24 this one; it's in the upper right-hand corner of the first
25 page.

1 A. Okay, I've got it.

2 Q. Okay. Is that the entire well file for the War
3 Deck Number 1?

4 A. Yes, ma'am, it's pretty complete.

5 Q. Okay, what was missing?

6 A. Actually, there was some data missing on the
7 C-105 as far as formation tops. They did not file any logs
8 with the Oil Conservation Division, and there's no plugging
9 procedure in here for plugging the well.

10 MS. MacQUESTEN: Okay --

11 EXAMINER CATANACH: Excuse me, I don't have an
12 Exhibit 6.

13 Q. (By Ms. MacQuesten) Mr. Prichard, from your
14 examination of the well file, who drilled this well
15 initially?

16 A. The well was permitted and drilled by Advanced
17 Exploration.

18 Q. Are there any other operators identified in the
19 well file for this well?

20 A. No ma'am, there sure is not.

21 Q. When was the well drilled?

22 A. It was drilled in -- I would say in July of 1989.

23 Q. All right, and when did the other filings in this
24 well file date from?

25 A. Everything in the well file looks like it was

1 done in 1989.

2 Q. Okay. Have you had the opportunity to inspect
3 this well?

4 A. Yes, ma'am, I sure have.

5 Q. What is the condition of the site?

6 A. The well is shut in currently. It appears that
7 there's a tubing string in the well. There's a heater
8 treater on location that looks like that it's never been
9 hooked up. There's no signs of any tanks ever being set.
10 And the reserve pit is still open, it's never been leveled.

11 Q. Do you have a plugging procedure for this well?

12 A. Yes, ma'am, I sure have.

13 Q. Is that what has been marked as OCD Exhibit
14 Number 7?

15 A. Yes, ma'am, it is. It's one that I prepared.

16 Q. All right. I noticed the last item on the
17 plugging procedure is "Clean and level location". What
18 would you want to see done at this location?

19 A. I'd like to see the old junky heater treater
20 moved off of there and then the reserve pit leveled and
21 contoured to match the land.

22 Q. If this well is plugged according to the plugging
23 procedure set out in OCD Exhibit Number 7, would that be a
24 properly plugged and abandoned well?

25 A. Yes, ma'am, it sure would.

1 MS. MacQUESTEN: I would move to admit Exhibits 1
2 through 7.

3 EXAMINER CATANACH: Exhibits 1 through 7 will be
4 admitted.

5 MS. MacQUESTEN: I have no other questions of Mr.
6 Prichard at this time.

7 EXAMINATION

8 BY EXAMINER CATANACH:

9 Q. Okay. Billy, is there anything in the pit at
10 this time?

11 A. No, it's sure not, David. It's in some sandy
12 country and it's been blowed over. You know, there's no
13 visible contaminants anywhere. I'm sure there's probably
14 some salt down in there somewhere, but it really doesn't
15 look too bad for the country.

16 Q. So given -- You would probably just go in and
17 level the pit?

18 A. Yeah, with the way the rest of the country down
19 there looks, I think probably just leveling the pit and
20 contouring it would be enough.

21 Q. Let's see, this is down southwest of Eunice?

22 A. It sure is. It's out on the San Simon and the
23 sandhills.

24 Q. Beautiful country down there, isn't it?

25 A. Uh-huh.

1 EXAMINER CATANACH: I don't have any questions
2 for Billy.

3 MS. MacQuesten, the newspaper ad, do you know if
4 that actually ran when it was supposed to?

5 MS. MacQUESTEN: We don't, and we won't know
6 until we get an affidavit of publication back. We can tell
7 when the request was sent, and it was sent out on January
8 26th, and our experience in the past has been that usually
9 these run within a few days of our sending them, but we
10 don't know if that happened in this case.

11 EXAMINER CATANACH: Okay. The publication notice
12 was done due to the fact that you could not actually
13 contact Advanced?

14 MS. MacQUESTEN: Right, we were able to reach
15 their attorney, and I am not sure if that would be
16 sufficient. I wanted to try to reach the company itself.
17 Although in this case, given the fact that there was
18 apparently a sale of their assets to satisfy a lien, I'm
19 not sure that the company even exists anymore.

20 EXAMINER CATANACH: Okay. Do you want to -- In
21 case this was not published when it was supposed to, would
22 it be wise to maybe continue the case for two weeks?

23 MS. MacQUESTEN: I think that would be a good
24 idea. With any luck, we'll get the affidavit of
25 publication in in the next few days, and I'll be able to

1 provide that and take this off the docket, but we should
2 probably leave it on until we get it resolved.

3 EXAMINER CATANACH: That way we don't have to
4 reopen it, in case that doesn't come through.

5 Okay. Anything further?

6 MS. MacQUESTEN: Nothing further, thank you.

7 EXAMINER CATANACH: Okay, there being nothing
8 further, this case, 13,413, will be continued to the March
9 3rd docket.

10 Thank you, Mr. Prichard.

11 THE WITNESS: Thank you.

12 MS. MacQUESTEN: Thanks, Billy.

13 THE WITNESS: Uh-huh.

14 EXAMINER CATANACH: And with that, we'll adjourn
15 the hearing.

16 (Thereupon, these proceedings were concluded at
17 11:20 a.m.)

18 * * *

19
20 I do hereby certify that the foregoing is
21 a complete record of the proceedings in
22 the Examiner hearing of Case No. 13413,
23 heard by me on February 17, 2005.
24 Daniel R. Catanch, Examiner
25 Oil Conservation Division

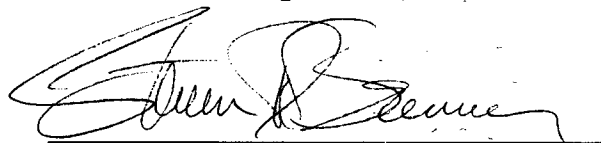
CERTIFICATE OF REPORTER

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 February 21st, 2005.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2006