

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. 12,944

APPLICATION OF THE NEW MEXICO OIL )  
CONSERVATION DIVISION FOR AN ORDER )  
REQUIRING SHANLEY OIL COMPANY TO )  
PROPERLY PLUG ONE WELL, IMPOSING CIVIL )  
PENALTIES IN EVENT OF FAILURE TO COMPLY, )  
AUTHORIZING THE DIVISION TO PLUG SAID )  
WELL IN DEFAULT OF COMPLIANCE BY SHANLEY )  
OIL COMPANY AND ORDERING A FORFEITURE OF )  
APPLICABLE PLUGGING BOND, ROOSEVELT )  
COUNTY, NEW MEXICO )

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

October 24th, 2002

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, October 24th, 2002, 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.

\* \* \*

STEVEN T. BRENNER, CCR  
(505) 989-9317

OIL CONSERVATION DIV.  
02 NOV -8 PM 2:22

## I N D E X

October 24th, 2002  
Examiner Hearing  
CASE NO. 12,944

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\* \* \*

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\* \* \*

## 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

\* \* \*

## ALSO PRESENT:

WILLIAM V. JONES, JR.  
 Petroleum Engineer  
 New Mexico Oil Conservation Division  
 1220 South Saint Francis Drive  
 Santa Fe, NM 87505

\* \* \*

STEVEN T. BRENNER, CCR  
 (505) 989-9317

1 WHEREUPON, the following proceedings were had at  
2 2:05 p.m.:

3  
4  
5 EXAMINER STOGNER: This hearing will come to  
6 order.

7 At this time I'm going to call Case Number  
8 12,944. This is the Application of the New Mexico Oil  
9 Conservation Division for an order requiring Shanley Oil  
10 Company to properly plug one certain well in Roosevelt  
11 County, New Mexico, and for an order forfeiting the  
12 applicable plugging bond for that well.

13 At this time I'll call for appearances.

14 MR. BROOKS: Mr. Examiner, I'm David Brooks,  
15 Energy, Minerals and Natural Resources Department of the  
16 State of New Mexico, appearing for the New Mexico Oil  
17 Conservation Division.

18 I have two witnesses, they've both been  
19 previously sworn. They've both been sworn in the  
20 immediately preceding proceeding.

21 EXAMINER STOGNER: The record will so reflect  
22 that. I'll remind both of you that you're still under  
23 oath. Nobody else is in the room, so you may continue, Mr.  
24 Brooks.

25 MR. BROOKS: Very good, we call Dorothy Phillips.

1                    DOROTHY L. PHILLIPS,  
2     the witness herein, having been previously duly sworn upon  
3     her oath, was examined and testified as follows:

4                    DIRECT EXAMINATION

5     BY MR. BROOKS:

6            Q.     Ms. Phillips, would you state your name for the  
7     record, please?

8            A.     Dorothy Phillips.

9            Q.     And by whom are you employed?

10          A.     The New Mexico Oil Conservation Division.

11          Q.     In what capacity?

12          A.     I am the plugging bond administrator.

13          Q.     Do you have a file on Shanley Oil Company?

14          A.     Yes, sir, I do.

15          Q.     And I'll call your attention to the exhibits that  
16     I placed beside you there, Exhibits Numbers 7 and 8 in this  
17     proceeding, and can you identify those?

18          A.     Exhibit Number 7 is a one-well plugging bond for  
19     Shanley Petrogas, Inc.

20          Q.     And what well -- Does it identify the well, up in  
21     the upper right-hand corner, just below the bond number and  
22     amount?

23          A.     The Harris 1-14.

24          Q.     Okay. And who is the surety on that bond?

25          A.     Northwestern National Insurance Company.

1 Q. Very good. Then could you identify Exhibit  
2 Number 8?

3 A. That is a rider to Bond LSC 464743, which is the  
4 blanket bond -- I mean, which is the one-well bond.

5 Q. Which is Exhibit 7?

6 A. Exhibit 8.

7 Q. I mean, is Bond Number LSC 464743 -- is that  
8 Exhibit 7?

9 A. That's correct.

10 Q. Okay. And what does that rider do?

11 A. It amends the principal's name from Shanley Oil  
12 Company -- from Shanley Petrogas, Inc., to Shanley Oil  
13 Company.

14 Q. Very good. Now, referring to your bond file  
15 which you have there on Shanley Oil Company, are Exhibits  
16 Numbers 7 and 8 true and correct copies of original  
17 documents that are in your bond file that you maintain for  
18 the Oil Conservation Division?

19 A. Yes, sir.

20 Q. Are those files maintained by you in the ordinary  
21 course of your business with the Oil Conservation Division?

22 A. That's correct.

23 MR. BROOKS: We tender Exhibits 7 and 8.

24 EXAMINER STOGNER: Exhibits 7 and 8 will be  
25 admitted into evidence at this time.

1 MR. BROOKS: Pass the witness.

2 EXAMINER STOGNER: No questions.

3 MR. BROOKS: Very good. We'll call Billy  
4 Prichard.

5 BILLY PRICHARD (Present by Telephone),  
6 the witness herein, after having been first duly sworn upon  
7 his oath, was examined and testified as follows:

8 DIRECT EXAMINATION

9 BY MR. BROOKS:

10 Q. Would you state your name for the record, please?

11 A. Billy Prichard, Compliance Officer, District 1,  
12 OCD.

13 Q. Very good. Mr. Prichard -- Well, first of all,  
14 Mr. Examiner, Exhibit Number 1 was prepared by me. It is a  
15 summary of information from the well file. It's just  
16 really for illustrative -- just to give you an idea of what  
17 we're dealing with here. It may not be totally accurate,  
18 but I just took this information from the well file.

19 And of course Exhibit Number 2 is Ms. Prouty's  
20 affidavit.

21 Mr. Prichard, we'll call your attention to  
22 Exhibit Number 3 and Exhibit Number 4 and Exhibit Number 5  
23 and Exhibit Number 6. Are all of these exhibits documents  
24 that are included in the well file for Shanley Oil Company  
25 Harris "14" Well Number 1, API Number 30-041-20342?

1           A.    Yes, they are, they're maintained in the Hobbs  
2 District well file.

3           Q.    Okay, would you identify each -- go through these  
4 exhibits and identify what each one of them is and what it  
5 tells us about this well?

6           A.    Okay. Exhibit 3, it's the C-101 and it is the  
7 intent to drill the well, by Ted Weiner. And it was  
8 approved in 1972.

9           Q.    Okay, Exhibit Number 4?

10          A.    Exhibit Number 4 is a 105, and it is the  
11 completion report of the Harris well by Ted Weiner -- I'm  
12 not sure I'm pronouncing that right -- of the Harris "14"  
13 Number 1.

14          Q.    Well, I don't know how to pronounce it either, so  
15 I can't tell you.

16               EXAMINER STOGNER: Let's stick with Weiner.

17               THE WITNESS: Okay, I figured we would.

18               And it was approved -- Well, it wasn't actually  
19 approved, it was just accepted on May 18th of 1972.

20          Q.    (By Mr. Brooks) Correct, and Exhibit Number 5?

21          A.    Exhibit Number 5 is a C-104 showing ownership  
22 change from Ted Weiner to Threshold Development.

23          Q.    And Exhibit Number 6?

24          A.    It is a C-104 showing change of ownership from  
25 Threshold Development Company to Shanley Oil Company.



1 Q. Okay. And all those files, you've already said,  
2 were from the records of the OCD maintained in your office  
3 on particular wells, correct?

4 A. Yes, that's correct.

5 Q. Now, are you acquainted with this Harris "14" 1  
6 well?

7 A. Yes, I am.

8 Q. And I believe your qualifications as a well  
9 inspector were accepted by the Division in a previous  
10 hearing, and can you tell us in your opinion as a well  
11 inspector, does this well need to be plugged in the  
12 interest of protecting the environment, preventing waste  
13 and protecting correlative rights?

14 A. Yes, it does, it does need to be plugged.

15 Q. And do you know how long this well has been  
16 inactive?

17 A. I believe since 1984 is what I found.

18 Q. Okay, that's the information that we had also,  
19 and it appears on Exhibit 1.

20 Did you prepare a plugging procedure for the  
21 Shanley Harris "14" 1?

22 A. Yes, I did.

23 Q. And is that Exhibit 9?

24 A. Yes, it is.

25 Q. If the well were plugged in accordance with that

1 procedure, would it be properly plugged and abandoned in  
2 accordance with OCD Rules 101 and 202?

3 A. Yes, it sure would.

4 MR. BROOKS: We'll tender Exhibits 3, 4, 5, 6 and  
5 9.

6 EXAMINER STOGNER: Exhibits 3, 4, 5, 6 -- you did  
7 say 5, right?

8 MR. BROOKS: 3, 4, 5, 6 and 9.

9 EXAMINER STOGNER: 3, 4, 5, 6 and 9 will be  
10 admitted into evidence at this time.

11 MR. BROOKS: Pass the witness.

12 EXAMINATION

13 BY EXAMINER STOGNER:

14 Q. What is the surface condition out there around  
15 this wellhead, Mr. Prichard?

16 A. It's all grown up. The well hasn't been -- There  
17 hasn't been any activity around the well in years. Fact  
18 is, the road is completely washed out and gone, getting in  
19 to the well.

20 There is one old tank and one old stack pack out  
21 there on location, but the wellhead is sitting  
22 disconnected. Like I say, it's been idle for 18 years.

23 Q. And what is the general location? Is there any  
24 nearby towns or buildings or --

25 A. Yes. It's approximately 14 miles west of Dora,

1 New Mexico and approximately 12 miles south of -- It is  
2 essentially ranch land.

3 There are no residents anywhere close to this  
4 well.

5 Q. So it's what, mainly cow pasture?

6 A. Cow pasture.

7 Q. So there's livestock around the fields where the  
8 well is located?

9 A. Yes, there is livestock in the pasture.

10 Q. Okay. Is there any nearby windmills or water  
11 sources?

12 A. No, it's relatively flat country, doesn't seem  
13 like there is a windmill any closer than a half a mile.

14 EXAMINER STOGNER: Okay, I have no other  
15 questions of Mr. Prichard.

16 Do you have anything further, Mr. Brooks?

17 MR. BROOKS: Not for Mr. Prichard.

18 I would submit the affidavit of Jane Prouty as  
19 Exhibit Number 2.

20 EXAMINER STOGNER: Exhibit Number 2, and this is  
21 essentially a production --

22 MR. BROOKS: It authenticates -- a printout  
23 indicating that no C-115s have been filed on this well in  
24 the past five years.

25 EXAMINER STOGNER: I'll accept Exhibit Number 2

1 at this time and make note of Exhibit Number 1 and take  
2 administrative notice of the Division's files on this well.

3 MR. BROOKS: Okay. And I will further suggest  
4 that I believe -- I have lost my cheat sheet here, for some  
5 reason, but I believe the case file will reflect that a  
6 receipt -- a return receipt is in the file.

7 Yes, the case file does reflect that a return  
8 receipt of notice to Shanley Oil Company signed by John F.  
9 Shanley, and notice to Northwestern National Insurance  
10 Company signed by John Breyer -- or Beyer, I can't read it  
11 for sure.

12 Q. (By Examiner Stogner) Well, that brings up --  
13 Mr. Prichard, if you're still -- you're still on the  
14 line --

15 A. Yes.

16 Q. -- and you're still under oath. Have you talked  
17 to Mr. Shanley?

18 A. No, I haven't.

19 I have sent, I believe, two letters total to  
20 Shanley, and I'd have to look at the file.

21 Q. Okay.

22 A. But they have been corresponded with.

23 EXAMINER STOGNER: Okay, no other questions.  
24 Anything further, Mr. Brooks?

25 MR. BROOKS: No, your Honor, that will constitute

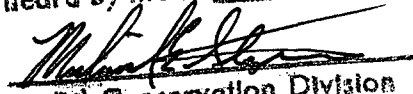
1 the Division's case.

2 EXAMINER STOGNER: In that case, 12,944 will be  
3 taken under advisement at this time.

4 (Thereupon, these proceedings were concluded at  
5 2:16 p.m.)

6 \* \* \*

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8  
9  
10  
11  
12 I do hereby certify that the foregoing is  
13 a complete record of the proceedings in  
14 the Examiner hearing of Case No. 12944,  
15 heard by me on 24 October 2002.

16  Examiner  
17 Oil Conservation Division  
18  
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## 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 November 6th, 2002.



STEVEN T. BRENNER  
CCR No. 7

My commission expires: October 16th, 2006