

1 STATE OF NEW MEXICO  
2 ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT  
3 OIL CONSERVATION DIVISION  
4 IN THE MATTER OF THE HEARING CALLED  
BY THE OIL CONSERVATION DIVISION FOR  
THE PURPOSE OF CONSIDERING:

ORIGINAL

CASE 15323

5  
6 APPLICATION OF THE NEW MEXICO OIL CONSERVATION  
DIVISION (OCD) COMPLIANCE AND ENFORCEMENT  
7 MANAGER FOR A COMPLIANCE ORDER AGAINST KODIAK  
PETROLEUM (MONTANA) INC.

[Application used for case title/order]

8  
9 REPORTER'S TRANSCRIPT OF PROCEEDINGS

10 EXAMINER HEARING

11 JULY 23, 2015

12 Santa Fe, New Mexico

13  
14

15 BEFORE: PHILLIP GOETZE, CHIEF EXAMINER  
GABRIEL WADE, LEGAL EXAMINER

16  
17

18 This matter came on for hearing before the  
New Mexico Oil Conservation Division, Phillip Goetze,  
Chief Examiner, and Gabriel Wade, Legal Examiner, on  
19 July 23, 2015, at the New Mexico Energy, Minerals, and  
Natural Resources Department, Wendell Chino Building,  
20 1220 South St. Francis Drive, Porter Hall, Room 102,  
Santa Fe, New Mexico.

21

22 REPORTED BY: ELLEN H. ALLANIC  
NEW MEXICO CCR 100  
23 CALIFORNIA CSR 8670  
PAUL BACA COURT REPORTERS  
24 500 Fourth Street, NW  
Suite 105  
25 Albuquerque, New Mexico 87102

2015 AUG 12 P 4: 25  
RECEIVED OCD

## A P P E A R A N C E S

For the Applicant

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## I N D E X

CASE NUMBER 15323 CALLED

NEW MEXICO OIL CONSERVATION DIVISION CASE-IN-CHIEF:

WITNESS WILLIAM V. JONES

	Direct	Redirect	Further
By Mr. Herrmann	4		

	EXAMINATION
Examiner Goetze	11

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## E X H I B I T I N D E X

Exhibits Offered and Admitted

	PAGE
OCD Compliance & Enforcement Manager Exhibit 1	10
OCD Compliance & Enforcement Manager Exhibit 2	10
OCD Compliance & Enforcement Manager Exhibit 3	10
OCD Compliance & Enforcement Manager Exhibit 4	10

1 (Time noted 8:18 a.m.)

2 EXAMINER GOETZE: Very well. Then we will  
3 proceed with the first case in docket, that will be case  
4 number 15323, Application of the New Mexico Oil  
5 Conservation Division, OCD, compliance and enforcement  
6 manager for a compliance order against Kodiak Petroleum  
7 (Montana), Inc.

8 Call for appearances.

9 MR. HERRMANN: Keith Herrmann representing  
10 the OCD.

11 EXAMINER GOETZE: Any other appearances?  
12 (No response.)

13 EXAMINER GOETZE: Do you have any witnesses?

14 MR. HERRMANN: I have one witness, Mr. Will  
15 Jones.

16 EXAMINER GOETZE: Would the witness please  
17 stand and be sworn in and identify yourself to the court  
18 reporter.

19 (Whereupon, William V. Jones was  
20 administered the oath.)

21 EXAMINER GOETZE: Are you ready?

22 MR. HERRMANN: Yes.

23 EXAMINER GOETZE: Proceed.

24 WILLIAM V. JONES

25 having been first duly sworn, was examined and testified

1 as follows:

2 DIRECT EXAMINATION

3 By MR. HERRMANN:

4 Q. Mr. Jones, would you please state your name and  
5 title for the record.

6 A. William V. Jones, District IV Supervisor.

7 Q. Could you briefly describe the duties you provide  
8 for the OCD?

9 A. I provide -- I do the permitting and witnessing  
10 of the well completions for District IV. That stretches  
11 from Catron County all the way to Colfax County.

12 Q. Have you testified in front of this Division in  
13 expert capacity before?

14 A. I have.

15 MR. HERRMANN: I move to admit Mr. Jones as  
16 an expert in oil and gas operations.

17 EXAMINER GOETZE: Are you sure you don't  
18 want to include him for anything else, too?

19 MR. HERRMANN: Sure.

20 EXAMINER GOETZE: Well, he is so qualified.

21 Q. Have you researched the alleged violations the  
22 OCD is seeking against the operator, Kodak Petroleum?

23 A. I have.

24 Q. Could you briefly summarize the OCD's position?

25 A. Okay. What we have is three -- it was a four

1 well prospect, three of the wells were actually drilled.  
2 They are about 12 miles north of Bravo Dome and Union  
3 County, New Mexico.

4 The three wells that were drilled were drilled  
5 about 1,800 feet. They were completed in three  
6 different sands for CO-2 testing. And no pipeline has  
7 ever been hooked up.

8 The operator is -- can't locate the operator  
9 either.

10 Q. When were these wells drilled?

11 A. They were drilled in 2008.

12 Q. Was any production ever recorded?

13 A. No. There was completion reports, but no  
14 production reports.

15 Q. And when was the last correspondence from this  
16 operator received?

17 A. August of 2008.

18 Q. Could you please identify what is marked as OCD  
19 Exhibit 1?

20 A. Exhibit 1 is the Secretary of the -- is the  
21 listing of Kodiak Petroleum (Montana), Inc., and their  
22 registration with the Secretary of State.

23 Q. And is this company in good standing with the New  
24 Mexico Secretary of State?

25 A. They are --

1 Q. If it helps, it is a little faded. It's the  
2 fourth line down.

3 A. It says it is not in good standing.

4 Q. Could you identify Exhibit 2, please.

5 A. Exhibit 2 is the letter that was sent to the  
6 address of the operator of record -- actually, Greg  
7 Nibert, the attorney in Roswell, and to the operator of  
8 record.

9 Q. So this was a notice of this hearing being sent  
10 to both the corporate address we have on file and  
11 their --

12 A. It was.

13 Q. -- and their agent of record, which is an  
14 attorney in Roswell?

15 A. It was.

16 Q. And if you can thumb through that exhibit, do you  
17 see it was returned -- or service was accepted by their  
18 agent but returned from their corporate address?

19 A. Yes.

20 Q. And then continuing through Exhibit 2, do you see  
21 that there is a correspondence from their agent stating  
22 that he has forwarded the information to the last known  
23 address that he has for his client?

24 A. Yes.

25 Q. Continuing through Exhibit 2, do you also see

1 that there is notice sent -- or service accepted by the  
2 New Mexico superintendent of insurance regarding their  
3 bond recovering these wells?

4 A. Yes.

5 Q. And further that we publish notice in the Union  
6 County newspaper?

7 A. In Clayton, New Mexico?

8 Q. Yes.

9 A. Yes.

10 Q. And, then, lastly, another correspondence dated  
11 July 8th from the operator's agent stating that his  
12 attempts to notify his agent were also returned  
13 unsuccessfully?

14 A. Yes. It's on -- they sent the letter to Kodiak  
15 Petroleum (Montana), Inc., in Calgary, at two different  
16 addresses in Calgary, and it was returned.

17 Q. And then lastly, at the end of Exhibit 2, an  
18 e-mail that you had attempted to send the operator at  
19 the e-mail address we have on file?

20 A. Yes. I first called the phone number of the  
21 employee -- actually, a vice president of the company,  
22 Glenn Watt, and that was disconnected. And I sent an  
23 e-mail to him, and the e-mail came back. It couldn't be  
24 addressed -- it couldn't be sent. The e-mail address  
25 was no longer valid.

1 Q. Okay. So could you identify the rules that these  
2 wells are violating?

3 A. These wells were completed, so they were never  
4 put on temporary abandonment status.. But there's no  
5 pipeline out there. They were abandoned.

6 So we got Rule 8.9, 25.8, and 5.9 issues. The  
7 operator has only three wells. And those three wells,  
8 they do have a blanket bond but they don't have  
9 individual well bonds. They have been inactive for  
10 about seven years now.

11 And rule 25.8 requires an operator to properly  
12 plug and abandon a well that has been active for a  
13 period of one year plus 90 days. And no activity since  
14 2008, so that rule has been violated.

15 And then rule 8.9 requires an operator to cover a  
16 well that has been active for more than two years by  
17 individual well bonds. And we don't have that either.

18 Q. And, lastly, have you visited these sites?

19 A. I have visited two of the sites.

20 Q. Two out of the three?

21 A. Two out of the three.

22 Q. And referring to Exhibit 4, could you just  
23 identify or walk us through the condition of some of  
24 these sites?

25 A. Okay. Exhibit 4, the first page just shows pin



1 locations on Google Earth of the sites. The Roxanna  
2 well that you see there is a plugged well that was kind  
3 of -- I think that was the well that lured them to this  
4 site. That well was -- had some decent shows in it,  
5 decent results. So they came in, and this is right  
6 north of the road between Springer and Clayton. And if  
7 you get about to Gladstone, then you go north from  
8 there.

9 Q. Okay. And as you go to the next -- on this  
10 Exhibit 4, the third page shows the dedicated acreage to  
11 Sofia No 1.

12 And there's a series of photographs of the well  
13 sites -- we have photographs from several years back,  
14 but, also, I took some recent photographs.

15 Q. Do these -- did you witness anything that would  
16 make you think these wells have been operated in the  
17 last few years?

18 A. No. The wells are -- the wells -- you can see  
19 there's no tubing in the hole. There is a swage down  
20 from casing to the well head.

21 They were plumbed. The right head was plumbed to  
22 the surface. There's a lock on them, and there's no  
23 open valves or anything. But the pressure on the well  
24 is really low. That could be due to water in the hole  
25 but it's CO-2. So we got Co-2 and water in the hole --

1 and steel casing.

2 The well sites are pretty benign, but they are --  
3 they are abandoned, no pipeline.

4 Q. So in your opinion, is it in the best interest of  
5 protecting the environment, the correlative rights to  
6 have the Division issue an order seeking that these  
7 wells be plugged and abandoned?

8 A. Yes.

9 MR. HERRMANN: No further questions.

10 EXAMINER GOETZE: Would you like to enter  
11 some exhibits?

12 MR. HERRMANN: At this time I would --

13 Q. One last question, were these exhibits prepared  
14 by you or under your direction?

15 A. They were.

16 MR. HERRMANN: Then I would like to move to  
17 admit OCD Exhibits 1 through 4.

18 EXAMINER GOETZE: Exhibits 1 through 4 are  
19 so entered.

20 (OCD Compliance and Enforcement  
21 Manager Exhibits 1 through 4  
22 were offered and admitted.)

23 EXAMINER GOETZE: I will ask you anyways, do  
24 you have any questions?

25 EXAMINER WADE: Are you asking to revoke the

1 bond at this point?

2 MR. HERRMANN: We are asking that at this  
3 time the Division issue an order finding that the  
4 operator's out of compliance with OCD rules 19-15-5.9,  
5 19-15-25.8 and 19-15-8.9, and that he comply with those  
6 rules by a date certain; and if the operator does not  
7 comply with this order of finding that the operator be  
8 out of compliance with the Division order, and authorize  
9 the OCD to plug and abandon the operator's wells in  
10 accordance with OCD rule 19-15-8.13, which would include  
11 revoking the financial insurance to recover our costs.

12 EXAMINER WADE: I don't have any other  
13 questions.

14 EXAMINATION BY EXAMINER GOETZE

15 EXAMINER GOETZE: On your inspection at the  
16 site, did we have any noise, any gas coming out from  
17 wellheads or any indication that there was a compromise  
18 of the seal?

19 THE WITNESS: No evidence of that. It's  
20 completely -- the fencing around the sites was degraded.  
21 The cows were in on it. I'm sure the weeds had lured  
22 them in there. It's a good year this year, there's lot  
23 of grass...

24 EXAMINER GOETZE: Thank you for that. The  
25 next question did you review the construction of these

1 wells?

2 THE WITNESS: I did.

3 EXAMINER GOETZE: And do they meet standards  
4 of OCD as far as completion?

5 THE WITNESS: They do. Steel casing and  
6 CO-2 and water. Some CO-2 completions, they put steel  
7 casing across the pay zone and then fiberglass casing to  
8 surface so that it can be protected. But in this case,  
9 it was all steel.

10 EXAMINER GOETZE: And last but not least,  
11 were there any types of testing done on these wells as  
12 far as their production capacity?

13 THE WITNESS: There was. They did some flow  
14 tests -- the three zones that were completed -- I  
15 believe the Tugg, Glorieta and the St. Andrews from  
16 1,800 feet up. The individual results of each test were  
17 not reported. They did report some volumes on the  
18 C-105. And they -- so we have no way of knowing how  
19 much came from each zone.

20 EXAMINER GOETZE: Did you get logs as part  
21 of the --

22 THE WITNESS: No.

23 EXAMINER GOETZE: So we don't have any logs  
24 for these?

25 THE WITNESS: We may have one or two logs,

1 but...

2 EXAMINER GOETZE: Nothing in the database?

3 THE WITNESS: Nothing that is -- nothing is  
4 real clear on whether -- I'm not sure that we got all of  
5 the logs. I wouldn't go that far.

6 EXAMINER GOETZE: Okay. Very good. I have  
7 no further questions for this witness.

8 MR. HERRMANN: Thank you, Mr. Examiner.  
9 That concludes our presentation of this case.

10 EXAMINER GOETZE: Very good. Then case No.  
11 15323 is taken under advisement.

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14 (Time noted 8:32 a.m.)

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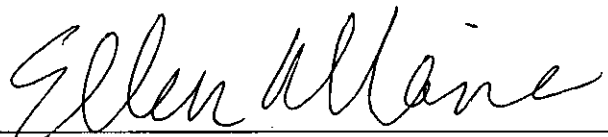
I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. 15323  
heard by me on July 23, 2015  
*Paul R. Goetze* Examiner  
Oil Conservation Division

1 STATE OF NEW MEXICO )  
2 ) ss.  
3 COUNTY OF BERNALILLO )  
4  
5  
6

7 REPORTER'S CERTIFICATE

8  
9 I, ELLEN H. ALLANIC, New Mexico Reporter CCR  
10 No. 100, DO HEREBY CERTIFY that on Thursday, July 23,  
11 2015, the proceedings in the above-captioned matter were  
12 taken before me, that I did report in stenographic  
13 shorthand the proceedings set forth herein, and the  
14 foregoing pages are a true and correct transcription to  
15 the best of my ability and control.

16  
17 I FURTHER CERTIFY that I am neither employed by  
18 nor related to nor contracted with (unless excepted by  
19 the rules) any of the parties or attorneys in this case,  
20 and that I have no interest whatsoever in the final  
21 disposition of this case in any court.

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