

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. 13,658

APPLICATION OF THE NEW MEXICO OIL)
CONSERVATION DIVISION FOR AN ORDER)
REQUIRING SOUTHEASTERN PETROLEUM,)
INC., TO PLUG TWO WELLS AND ORDERING)
FORFEITURE OF APPLICABLE FINANCIAL)
ASSURANCE IN THE EVENT OF OPERATOR'S)
NONCOMPLIANCE, CHAVES COUNTY, NEW MEXICO)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: RICHARD EZEANYIM, Hearing Examiner

March 2nd, 2006

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, RICHARD EZEANYIM, Hearing Examiner, on Thursday, March 2nd, 2006, 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

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I N D E X

March 2nd, 2006
Examiner Hearing
CASE NO. 13,658

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| EXHIBITS | 3 |
| APPEARANCES | 3 |
| APPLICANT'S WITNESS: | |
| <u>VAN BARTON</u> (Field Supervisor, Artesia District Office, District 2, NMOCD - present by telephone) | |
| Direct Examination by Mr. Brooks | 8 |
| Examination by Examiner Ezeanyim | 11 |
| REPORTER'S CERTIFICATE | 13 |

* * *

E X H I B I T S

| Applicant's | Identified | Admitted |
|-------------|------------|----------|
| Exhibit 1 | 4 | 7 |
| Exhibit A | 5 | 7 |
| Exhibit B | 5 | 7 |
| Exhibit C | 5 | 7 |
| Exhibit D | 5 | 7 |
| Exhibit E | 6 | 7 |
| Exhibit 2 | 6 | 7 |
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| Exhibit 4 | 6 | 7 |
| Exhibit 5 | 7 | 7 |
| Exhibit 6 | 9 | 9 |
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| Exhibit 8 | 7 | - |

* * *

A P P E A R A N C E S

FOR THE DIVISION:

CHERYL O'CONNOR
 Assistant Counsel, NMOCD
 Energy, Minerals and Natural Resources Department
 1220 South St. Francis Drive
 Santa Fe, New Mexico 87505

DAVID K. BROOKS, JR.
 Assistant General Counsel
 Energy, Minerals and Natural Resources Department
 1220 South St. Francis Drive
 Santa Fe, New Mexico 87505

* * *

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

1 WHEREUPON, the following proceedings were had at
2 9:15 a.m.:

3
4
5 EXAMINER EZEANYIM: And we move on to the next
6 case, which is Case Number 13,568, just the next case, and
7 this is the Application of the New Mexico Oil Conservation
8 Division for an order requiring Southeastern Petroleum,
9 Inc., to plug two wells and ordering forfeiture of
10 financial assurance.

11 Call for appearances.

12 MR. BROOKS: Mr. Examiner, I'm David Brooks with
13 the Energy, Minerals and Natural Resources Department,
14 appearing for the Oil Conservation Division.

15 EXAMINER EZEANYIM: Any other appearances at this
16 point?

17 MR. BROOKS: And I have one witness who's already
18 been sworn this morning.

19 EXAMINER EZEANYIM: Okay, now you may proceed.

20 MR. BROOKS: Thank you, Mr. Examiner.

21 Once again, I will begin with the exhibits that
22 do not require the witness's identification.

23 OCD Exhibit Number 1 is a copy of my affidavit of
24 notice. It's somewhat longer and more complicated than in
25 the previous case. In this case we did give notice to a

1 surety.

2 If you will look at the exhibits to my exhibit,
3 Exhibit A to Exhibit 10 [sic] is the OCD's letter to
4 Southeastern Petroleum, Inc., the operator, and to
5 Underwriters Indemnity Company.

6 EXAMINER EZEANYIM: Exhibit 10, I can't -- I
7 don't have it.

8 MR. BROOKS: It should be the first exhibit. I
9 believe it's right there beside you.

10 EXAMINER EZEANYIM: Okay.

11 MR. BROOKS: Okay, Exhibit A to Exhibit 10 is the
12 letter that was sent.

13 Exhibit B is the receipt for certified mail and
14 the -- a copy of the receipt for certified mail and the
15 green card, indicating that the letter to the surety was
16 delivered and they have received it. That's to
17 Underwriters Indemnity.

18 Exhibit C is the copy of the letter to
19 Southeastern Petroleum, Inc., or it's a copy of the receipt
20 for certified mail to Southeastern Petroleum, Inc., and
21 also a copy of the return -- the envelope face that was
22 returned to the OCD by the United States Postal Service,
23 indicating that the addressee is unknown.

24 Exhibit D is a copy of two receipts for certified
25 mail. If you will look at the letter, we sent notice to

1 Mr. Sunny Longo, who was formerly the principal of
2 Southeastern Petroleum, Inc., at two different addresses
3 that we had for Mr. Longo. These mailings, we have neither
4 gotten a return receipt nor have we received the mailings
5 back.

6 Once again, because we didn't think that we could
7 contact Southeastern, we also published notice of this
8 hearing at this time. Because the wells are in Chaves
9 County, the notice was published in the *Roswell Daily*
10 *Record* on February 6th, 2006, evidenced by the affidavit of
11 notice attached as Exhibit E to my affidavit of notice.

12 Going on, then, through my exhibits here, OCD
13 Exhibit Number 2 is a copy of the inactive well list
14 showing the two wells -- from the Division's records,
15 showing the two wells that are the subject of this
16 proceeding. The Pogo State Number 1 was last produced on
17 July -- in July of 1995, the Pogo State Number 2 in
18 December, 1995.

19 Exhibit Number 3 is a copy of a C-104 reflecting
20 transfer of operations for the Pogo State Well Number 1 to
21 Southeastern Petroleum, Inc., from Oilfield Training
22 Center.

23 Exhibit Number 4 is a copy of a C-104 reflecting
24 transfer of operations of the Pogo State Well Number 2 from
25 -- to Southeastern Petroleum, Inc., from Oilfield Training

1 Center.

2 Exhibit Number -- should be Exhibit Number 5. On
3 my copy the exhibit number did not come out, probably
4 because of the edge of the page. It's a legal-size
5 document. Do you have an exhibit mark on your copy?

6 EXAMINER EZEANYIM: No, I don't, I just marked it
7 5.

8 MR. BROOKS: Okay. OCD Exhibit Number 5 is a
9 copy of a single-well plugging bond for \$5000 that relates
10 to the Pogo State Well Number 1.

11 And there is also a plugging bond for the Pogo
12 State Well Number 2. Unfortunately, I do not have that
13 exhibit. That would be bond number -- Exhibit 5 is bond
14 number B7654. The bond for the Pogo State Well Number 2 is
15 B7655, also from Underwriters Indemnity.

16 I will request the indulgence of the Examiner to
17 supplement the record with a copy of that other bond.

18 EXAMINER EZEANYIM: Okay, I'll take
19 administrative notice of that. It's also for \$5000, for
20 that Well Number 2?

21 MR. BROOKS: That is correct.

22 EXAMINER EZEANYIM: Okay.

23 MR. BROOKS: With that, I will offer Exhibits 1
24 through 5.

25 EXAMINER EZEANYIM: Exhibits 1 through 5 will be

1 admitted into evidence.

2 MR. BROOKS: At this time I call Mr. Van Barton.

3 EXAMINER EZEANYIM: Go ahead.

4 VAN BARTON (present by telephone),
5 the witness herein, after having been first duly sworn upon
6 his oath, was examined and testified as follows:

7 DIRECT EXAMINATION

8 BY MR. BROOKS:

9 Q. Mr. Barton?

10 A. Yes, sir.

11 Q. You've stated your name and capacity previously,
12 but because this is going to be a separate record I'll ask
13 you to state your name again.

14 A. Van Barton.

15 Q. And you are the field manager for the Oil
16 Conservation Division in Artesia?

17 A. Field Supervisor, sir.

18 Q. Okay. And Mr. Barton, are you familiar with
19 Southeastern Petroleum, Inc.?

20 A. Yes, sir.

21 Q. And is this another case of an operator you've
22 been unable to contact?

23 A. Yes, sir.

24 Q. Mr. Barton, are you familiar with the Pogo State
25 Number 1 and the Pogo State Number --

1 A. Yes, sir.

2 Q. -- wells? And are these wells operated by -- or
3 last operated by Southeastern Petroleum, Inc.?

4 A. Yes, sir.

5 Q. Mr. Barton, did you prepare plugging procedures
6 for the Pogo Wells Numbers 1 and 2?

7 A. There are plugging procedures that have been
8 prepared under my direction.

9 Q. Okay. Did you e-mail those plugging procedures
10 to me yesterday?

11 A. I did, sir.

12 Q. And if these wells were plugged in accordance
13 with the procedures that you e-mailed to me, on March the
14 1st, 2006, would those wells be properly plugged in
15 accordance with OCD Rules?

16 A. Yes, sir.

17 MR. BROOKS: Okay, I will represent to the
18 Examiner that Exhibits Number 6 and 7 are copies of the
19 plugging procedures that were e-mailed to me yesterday by
20 Mr. Barton.

21 EXAMINER EZEANYIM: Okay, Exhibits 6 and 7 will
22 be admitted into evidence.

23 Q. (By Mr. Brooks) Mr. Barton, did you -- have you
24 examined the well files for the Pogo State Wells Numbers 1
25 and 2?

1 A. I have.

2 Q. Is there anything in those well files to indicate
3 that those wells have been plugged?

4 A. No, sir.

5 Q. Is there anything in those files to indicate that
6 there's ever been a request for those wells to be put in
7 approved temporary abandonment status?

8 A. No, sir.

9 Q. Or that they ever have been put in approved
10 temporary abandonment status?

11 A. There is not.

12 MR. BROOKS: Thank you, I believe that's all my
13 questions.

14 EXAMINER EZEANYIM: Thank you.

15 Do you have any questions?

16 MS. O'CONNOR: I have none.

17 EXAMINER EZEANYIM: I don't have any questions,
18 but now here you're asking -- what -- different from the
19 other one, you know --

20 MR. BROOKS: Well, again, we're asking that the
21 Division enter an order directing Southeastern Petroleum,
22 Inc., to plug these wells by a date certain. That part of
23 it is the same as what we are asking in the other case.

24 In this case, because we have bonds, we're also
25 asking that the order direct that in the event that

1 Southeastern Petroleum, Inc., fails to plug the wells
2 within the date provided, that the bonds be forfeited so
3 that they can be collected by the Division to reimburse the
4 Division for expenses that may be incurred if the Division
5 has to plug these wells.

6 EXAMINER EZEANYIM: Thank you, Mr. Brooks.

7 EXAMINATION

8 BY MR. EZEANYIM:

9 Q. Mr. Barton, let me ask you a question again. Do
10 you know whether Southeastern Petroleum Corporation -- are
11 they still in business?

12 A. I do not know, sir. We were unable to get any
13 response from them, from any known addresses that we had.

14 Q. When you tried to contact them, that -- were
15 returned to you, right?

16 A. That's correct, sir.

17 EXAMINER EZEANYIM: No further questions.

18 Do you have anything more?

19 MR. BROOKS: Nothing further.

20 EXAMINER EZEANYIM: Okay.

21 MR. BROOKS: Other than to supplement the record
22 with a copy of the other bond.

23 EXAMINER EZEANYIM: Yeah, I think we'll get that.

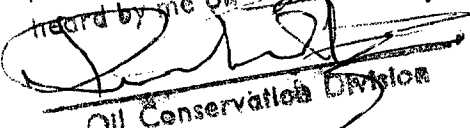
24 At this point, Case Number 13,658 will be taken
25 under advisement.

1 Thank you very much, Mr. Barton

2 MR. BARTON: Thank you, sir.

3 (Thereupon, these proceedings were concluded at
4 9:25 a.m.)

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15 I do hereby certify that the foregoing is
16 a complete record of the proceedings in
17 the Examiner hearing of Case No. 134258
18 heard by me on 3/1/06
19  Examiner
20 Oil Conservation Division
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24
25

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 March 5th, 2006.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2006