

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. 13,675

APPLICATION OF THE NEW MEXICO OIL)
CONSERVATION DIVISION FOR AN ORDER)
REQUIRING STEVENS OPERATING CORPORATION)
TO PLUG SEVEN WELLS AND ORDERING)
FORFEITURE OF APPLICABLE FINANCIAL)
ASSURANCE IN EVENT OF OPERATOR'S)
NONCOMPLIANCE, CHAVES COUNTY, NEW MEXICO)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: WILLIAM V. JONES, JR., Hearing Examiner

June 8th, 2006

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, WILLIAM V. JONES, JR., Hearing Examiner, on Thursday, June 8th, 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

June 8th, 2006
Examiner Hearing
CASE NO. 13,675

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| EXHIBITS | 3 |
| APPEARANCES | 4 |
| APPLICANT'S WITNESS: | |
| <u>VAN BARTON</u> (Field Supervisor, Artesia District Office, District 2, NMOCD) (Present by telephone) | |
| Direct Examination by Mr. Brooks | 10 |
| Examination by Examiner Jones | 13 |
| REPORTER'S CERTIFICATE | 15 |

* * *

E X H I B I T S

| Applicant's | Identified | Admitted |
|-------------|------------|----------|
| Exhibit 1 | 6 | 10 |
| Exhibit 2 | 6 | 10 |
| Exhibit 3 | 6 | 10 |
| Exhibit 4 | 6 | 10 |
| Exhibit 5 | 6 | 10 |
| Exhibit 6 | 7 | 10 |
| Exhibit 7 | 7 | 10 |
| Exhibit 8 | 7 | 10 |
| Exhibit 9 | 7 | 10 |
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| Exhibit 11 | 8 | 10 |
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| Exhibit 14 | 11 | 13 |
| Exhibit 15 | 11 | 13 |
| Exhibit 16 | 11 | 13 |
| Exhibit 17 | 11 | 13 |
| Exhibit 18 | 11 | 13 |
| Exhibit 19 | 11 | 13 |
| Exhibit 20 | 11 | 13 |
| Exhibit 21 | 8 | 10 |
| Exhibit 22 | 9 | 10 |
| Exhibit 23 | 9 | 10 |

* * *

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

FOR THE APPLICANT:

DAVID K. BROOKS, JR.
Assistant 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 2:00 p.m.:

3 EXAMINER JONES: Okay, let's go back on the
4 record this afternoon, and we'll call the next case, which
5 happens to be Case Number 13,675, Application of the New
6 Mexico Oil Conservation Division for an order requiring
7 Stevens Operating Corporation to plug seven wells and
8 ordering forfeiture of applicable financial assurance in
9 event of operator's noncompliance, Chaves County, New
10 Mexico.

11 Call for appearances.

12 MR. BROOKS: Mr. Examiner, David Brooks for the
13 OCD. And I have two sets of exhibits here. I figure that
14 in a case of this kind counsel will not need to retain a
15 set, so her set can become the reporter's set after the
16 conclusion of the hearing, or the Examiner's set, whichever
17 he prefers.

18 EXAMINER JONES: You have one witness?

19 MR. BROOKS: Yeah, I have one witness, and he's
20 the same witness in all four cases.

21 EXAMINER JONES: Will the witness please stand to
22 be sworn?

23 (Thereupon, the witness was sworn.)

24 MR. BROOKS: Okay. Before starting Mr. Barton's
25 testimony, I will go through the exhibits, because most of

1 them are official records of the OCD, of which we will be
2 asking the Examiner to take administrative notice.

3 First call your attention to OCD Exhibit Number
4 1. This is a list of the wells. This is not -- actually
5 not an inactive well list, it is a complete well list,
6 because all of Stevens' wells are inactive. You will note
7 in the last production/injection column that the most
8 recent date appearing is 4 of 1991.

9 I'll next call your attention to OCD Exhibit
10 Number 2. OCD Exhibit Number 2 is a C-104 relating to the
11 O'Brien C Number 1 well. It indicates that that well was
12 operated by Stevens Operating Company. It's actually a
13 change of operator name from Stevens Oil Company.

14 Next call your attention to OCD Exhibit Number 3,
15 which relates to the O'Brien C Number 4 well. This again
16 is a change of operator name from Stevens Oil Company to
17 Stevens Operating Company. Stevens Operating Company, of
18 course, is the respondent in this proceeding.

19 Next call your attention to OCD Exhibit Number 4,
20 which is a copy of a C-101 for the O'Brien C Number 9 well.
21 Shows the name of the operator as Stevens Operating
22 Corporation. I'm sorry, I said Stevens Operating Company
23 in reference to the last exhibit. They are all Stevens
24 Operating Corporation.

25 Next call your attention to OCD Exhibit Number 5.

1 This is a Form C-104 for the well that is identified as the
2 O'Brien A Well Number 2, changing the operator from EP
3 Operating Company to Stevens Operating Company.

4 And it is explained by the next exhibit, which is
5 Exhibit Number 6, which is a copy of a Form C-104 which
6 changes the name of the O'Brien A Number 2 to the O'Brien
7 DQ Number 1. I guess he went for an ice cream or
8 something, I don't know why it became the O'Brien DQ.

9 Anyway, next I call your attention to OCD Exhibit
10 Number 7. OCD Exhibit Number 7 is a copy of a C-104 for
11 the O'Brien A Number 1. The previous one was for the
12 O'Brien -- Exhibit Number 5 was for the O'Brien A Number 2.
13 Exhibit Number 7 is a copy of a C-104 for the O'Brien A
14 Number 1, changing the operator from EP Operating to
15 Stevens Operating Corporation.

16 And the next exhibit again is a well name change.
17 Exhibit Number 8 changes the name of the O'Brien A Number 1
18 to the O'Brien DQ Number 2. Again, I have no idea why they
19 changed the A Number 1 to the DQ Number 2 and the A Number
20 2 to the DQ Number 1, but that's the way it appears to be
21 in the record.

22 Next call your attention to what has been marked
23 as OCD Exhibit Number 9. This is a copy of a Form C-101
24 relating to the O'Brien OO Well Number 1. It shows the
25 operator as Stevens Operating Corporation.

1 Next call your attention to OCD Exhibit Number
2 10. This is a copy of a C-104 changing the name of the
3 O'Brien OO Number 1 to the O'Brien EA Number 1.

4 Next call your attention to OCD Exhibit Number
5 11, which is a copy of a Form C-104 relating to the West
6 White Ranch Well Number 2, and this shows Stevens Operating
7 Company -- Corporation, as the operator, the operator being
8 changed by this form from L. Texas Petroleum, Inc., to
9 Stevens Operating Corporation.

10 Next call your attention to OCD Exhibit Number
11 12, which is simply a demand letter from the OCD, from
12 Gerry Guye to Stevens Operating Corporation, dated 10-2 of
13 '00, calling attention to the inactive status of White
14 Ranch Number 2.

15 Next call your attention to OCD Exhibit Number
16 13, which is a copy of a \$50,000 blanket plugging bond
17 issued by American Employers Insurance Company, Number
18 AR 71396 61. The principal named in that bond is Stevens
19 Operating Corporation.

20 And then I will skip over Exhibits 14 through 20,
21 and I will call your attention to OCD Exhibit Number 21,
22 which is a letter from Lisa -- I'm sorry, Linda Bloom,
23 P.A., stating that Linda Bloom was for a time trustee in
24 bankruptcy for Stevens Operating Corporation, that the case
25 has been dismissed, and she no longer has any interest in

1 this matter.

2 Next I will call your attention to what has been
3 marked as OCD Exhibit Number 22. It is a copy of a
4 notification letter notifying Stevens Operating Corporation
5 and American Employers Insurance of this hearing.

6 Attached -- and you'll have to look at both sides
7 of the page -- on page 2, the front side of page 2
8 indicates that the letter to Stevens Operating Corporation
9 was returned undelivered, the back side of the page will
10 indicate that a return receipt indicating that the letter
11 was delivered to Stevens Operating -- I'm sorry, to
12 American Employers Insurance Company. The date of delivery
13 is undecipherable, to me anyway, but Dorothy Phillips was
14 good enough to put the May 19th, 2006, letter on there so
15 that it can be identified.

16 Finally, as far as my presentation, I will call
17 your attention to OCD Exhibit Number 23, which is a copy of
18 the affidavit of publication, showing that this hearing was
19 published for April the 27th, 2006, in the Artesia --
20 whatever it is -- I'm sorry, the Roswell -- we're in Chaves
21 County -- in the *Roswell Daily Record*. And I believe the
22 record will reflect that this case was continued from April
23 27th to May 11th and then to today.

24 At this time I will offer into evidence OCD
25 Exhibits Number 1 through 13 and Numbers 21, 22 and 23.

1 EXAMINER JONES: OCD Exhibits Number 1 through 13
2 and Exhibit 21, 22 and 23 -- ?

3 MR. BROOKS: Right.

4 EXAMINER JONES: -- will be admitted to evidence.

5 MR. BROOKS: Very good. At this time I'll call
6 Van Barton.

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

10 DIRECT EXAMINATION

11 BY MR. BROOKS:

12 Q. Van?

13 A. Yes, sir.

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

16 A. Van Barton.

17 Q. And by whom are you employed?

18 A. I am employed by the OCD in District 2.

19 Q. And where is that office located?

20 A. That office is in Artesia.

21 Q. In what capacity?

22 A. I am a field supervisor.

23 Q. And are you familiar with Stevens Operating
24 Corporation's O'Brien C Number 1, C Number 4, C Number 9,
25 DQ Number 1, DQ Number 2, EA Number 1, and West White Ranch

1 Number 2 wells?

2 A. I am, sir.

3 Q. Did you have occasion to prepare plugging
4 procedures for those wells?

5 A. Yes, there are plugging procedures prepared for
6 each one of these wells. I personally did not do all of
7 them, but if I did not, someone under my supervision did.

8 Q. Okay. Would you look at Exhibits, which I have
9 faxed to you, Numbers 14 through 20 and tell me if you can
10 identify those?

11 A. Each one is a plugging procedure for the wells
12 that you mentioned.

13 Q. Okay. I forgot to ask if you've testified before
14 the Division Examiners previously and had your credentials
15 as a well inspector accepted?

16 A. I have, sir.

17 MR. BROOKS: Okay, we'll ask the Examiner to
18 accept the witness as an expert witness and well inspector.

19 EXAMINER JONES: Mr. Van Barton is qualified as
20 an expert field supervisor --

21 MR. BROOKS: Very good.

22 EXAMINER JONES: -- well inspector.

23 Q. (By Mr. Brooks) Mr. Barton, in your opinion, if
24 the wells named on Exhibits 14 through 20 were plugged in
25 accordance with the plugging procedures indicated on those

1 exhibits respectively, would they be properly plugged and
2 abandoned in accordance with OCD Rules, assuming also that
3 the sites were remediated as required by the Rules?

4 A. They would be, sir.

5 Q. Okay. We have put in evidence records reflecting
6 that all of these wells are inactive. Can you tell us that
7 any -- Have you examined the well files for each of these
8 wells?

9 A. I have, sir.

10 Q. And do you find any evidence that any of these
11 wells is currently in approved temporary abandonment
12 status?

13 A. There is no evidence that any of them are in
14 current TA status.

15 Q. I believe you indicated to me that there were
16 some -- that some of them had been plugged and -- had been
17 TA'd at some time in the past; is that correct?

18 A. That is correct, sir.

19 Q. But none of them is current?

20 A. That is correct, none of them are current.

21 Q. Okay. Now the West White Ranch Number 2 well, is
22 that a saltwater inject- -- well was that at one time
23 permitted as an injection well?

24 A. It was sir, under SWD-78.

25 Q. And was there subsequently a notification that

1 the injection permit had been terminated because it was not
2 -- because of more than one year of non-injection?

3 A. I believe that is correct, sir.

4 MR. BROOKS: Okay, very good. I believe that's
5 all my questions.

6 Well, first of all, we'll tender Exhibits 14
7 through 20.

8 EXAMINER JONES: Exhibits 14 through 20 will be
9 admitted to evidence.

10 MR. BROOKS: Pass the witness.

11 EXAMINATION

12 BY EXAMINER JONES:

13 Q. Van, is that a plugging procedure on Number 20,
14 Exhibit 20, or has it already been plugged?

15 A. That is a plugging procedure that was drafted
16 quite a while back.

17 Q. Do you still agree with that one?

18 A. Yes, sir.

19 EXAMINER JONES: Okay. I have no other
20 questions.

21 (Laughter)

22 MR. BROOKS: Sounds like the Examiner possibly
23 does not agree with it. But I'm sure that if he feels
24 additional conditions need to be put on the matter, he will
25 do so.

1 That is all we have from the Division.

2 EXAMINER JONES: Okay. Okay, thank you. With
3 that, we'll take Case 13,675 under advisement.

4 (Thereupon, these proceedings were concluded at
5 2:16 p.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. _____,
heard by me on _____.

_____, Examiner
Oil Conservation Division

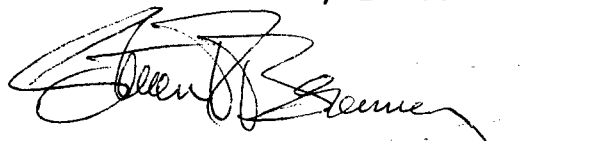
CERTIFICATE OF REPORTER

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 June 11th, 2006.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2006