

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. 13,920

APPLICATION OF THE NEW MEXICO OIL)
CONSERVATION DIVISION FOR A COMPLIANCE)
ORDER AGAINST NORTHSTAR OIL AND GAS)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID K. BROOKS, Jr., Legal Examiner
RICHARD EZEANYIM, Technical Examiner

June 21st, 2007

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID K. BROOKS, Jr., Legal Examiner, and RICHARD EZEANYIM, Technical Examiner, on Thursday, June 21st, 2007, 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 21st, 2007
Examiner Hearing
CASE NO. 13,920

| | PAGE |
|--|------|
| EXHIBITS | 3 |
| APPEARANCES | 4 |
| APPLICANT'S WITNESS: | |
| <u>CHARLIE PERRIN</u> (District Supervisor, Aztec District Office, District 3, NMOCD) | |
| Direct Examination by Ms. MacQuesten | 8 |
| Examination by Examiner Ezeanyim | 22 |
| NORTHSTAR WITNESS: | |
| <u>JOHN C. CORBETT</u> (President, Northstar Oil and Gas) | |
| Direct Testimony | 23 |
| Examination by Examiner Brooks | 27 |
| Examination by Examiner Ezeanyim | 28 |
| Cross-Examination by Ms. MacQuesten | 30 |
| REPORTER'S CERTIFICATE | 34 |

* * *

E X H I B I T S

| Applicant's | Identified | Admitted |
|-------------|------------|----------|
| Exhibit 1 | 6 | 21 |
| Exhibit 2 | 7 | 21 |
| Exhibit 3 | 7 | 21 |
| Exhibit 4 | 9 | 21 |
| Exhibit 5 | 10 | 21 |
| Exhibit 6 | 11 | 21 |
| Exhibit 7 | 11 | 21 |
| Exhibit 8 | 11 | 21 |
| Exhibit 9 | 11 | 21 |
| Exhibit 10 | 12 | 21 |
| Exhibit 11 | 12 | 21 |
| Exhibit 12 | 12 | 21 |
| Exhibit 13 | 14 | 21 |
| Exhibit 14 | 15 | 21 |
| Exhibit 15 | 15 | 21 |
| Exhibit 16 | 16 | 21 |
| Exhibit 17 | 16 | 21 |
| Exhibit 18 | 17 | 21 |

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A P P E A R A N C E S

FOR THE DIVISION:

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FOR THE APPLICANT:

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

* * *

ALSO PRESENT:

JOHN C. CORBETT (*pro se*)
President, Northstar Oil and Gas

* * *

1 WHEREUPON, the following proceedings were had at
2 8:20 a.m.:

3 EXAMINER BROOKS: At this time we will call Case
4 Number 13,920 and call for the Application of the New
5 Mexico Oil Conservation Division for a compliance order
6 against Northstar Oil and Gas.

7 Call for appearances.

8 MS. MacQUESTEN: Mr. Examiner, my name is Gail
9 MacQuesten. I'll be representing the Oil Conservation
10 Division.

11 MR. CORBETT: I'm John Corbett, President,
12 Northstar Oil and Gas.

13 EXAMINER BROOKS: And Ms. MacQuesten, do you have
14 witnesses?

15 MS. MacQUESTEN: I have one witness, Mr. Charlie
16 Perrin.

17 EXAMINER BROOKS: And do you have witnesses?

18 MR. CORBETT: No, sir.

19 EXAMINER BROOKS: Very good. Are you planning to
20 testify?

21 MR. CORBETT: Yes, sir.

22 EXAMINER BROOKS: Okay, then Mr. Perrin and --
23 I'm sorry, I didn't get your name?

24 MR. CORBETT: Mr. Corbett, John Corbett.

25 EXAMINER BROOKS: Mr. Perrin and Mr. Corbett will

1 be sworn.

2 (Thereupon, the witnesses were sworn.)

3 EXAMINER EZEANYIM: Mr. Corbett, I might ask, are
4 you an attorney?

5 MR. CORBETT: No, sir, I'm not.

6 EXAMINER EZEANYIM: Okay.

7 EXAMINER BROOKS: You may proceed, Ms.
8 MacQuesten.

9 MS. MacQUESTEN: Mr. Examiner, this is a plugging
10 case involving two wells. The Oil Conservation Division is
11 asking for an order requiring the operator to bring the
12 wells into compliance by a date certain, authorizing the
13 Division to plug the wells if the operator fails to comply
14 by that deadline, and authorizing the Division to forfeit
15 the applicable \$50,000 cash plugging bond.

16 Because we believe the history, the compliance
17 history in this case, shows that the violation was knowing
18 and willful, we are also for penalties for the operator's
19 failure to comply with Rule 201.

20 There is an evidence packet in front of you. The
21 first exhibit is an affidavit of notice showing notice to
22 the available addresses for Northstar. There is a copy of
23 the green return receipt card showing receipt by Mr. John
24 Corbett. We did notify a surety, because there is no
25 surety in this case. We do have a cash bond.

1 I'd like to draw your attention to the affidavit
2 of publication. It shows publication in the *Daily Times*,
3 the newspaper in Farmington.

4 There is a problem with the advertisement. The
5 OCD used a caption that contains boilerplate language used
6 for Commission hearings rather than Division hearings. The
7 advertisement gave the correct date and place, but the time
8 was the time that's normally used for Commission hearings,
9 nine o'clock instead of 8:15.

10 We can readvertise if you wish. We don't believe
11 it's necessary because we were able to provide actual
12 notice to the operator. However, Rule 1227 which governs
13 compliance cases does require publication. So if you would
14 wish, we will readvertise.

15 EXAMINER BROOKS: I don't think it's necessary to
16 readvertise. You might want to stay around here, and we'll
17 call the case again at nine o'clock in case any member of
18 the public comes -- in the very unlikely event that any
19 member of the public shows up here at nine o'clock, but
20 that should cure any fault.

21 MS. MacQUESTEN: Very fine. Thank you.

22 The second exhibit is an affidavit from Dorothy
23 Phillips showing the financial assurance information and
24 the \$50,000 cash bond.

25 The third exhibit is a printout of the

1 corporation's inquiry screen from the Public Regulation
2 Commission website. We ask that you take administrative
3 notice of this printout. It shows the status of Northstar
4 Oil and Gas as inactive. It also shows Mr. Corbett as the
5 registered agent and president and director of the
6 corporation.

7 And with that, I would call Mr. Charlie Perrin.

8 EXAMINER BROOKS: Mr. Perrin?

9 CHARLIE PERRIN,

10 the witness herein, after having been first duly sworn upon
11 his oath, was examined and testified as follows:

12 DIRECT EXAMINATION

13 BY MS. MacQUESTEN:

14 Q. Mr. Perrin, would you state your full name for
15 the record, please?

16 A. Charlie Perrin.

17 Q. And by whom are you employed?

18 A. The Oil Conservation Division.

19 Q. What is your title?

20 A. District Supervisor.

21 Q. How were you employed before you became District
22 Supervisor?

23 A. I was the Compliance and Enforcement Supervisor
24 in the Aztec District.

25 Q. From what period?

1 A. From 1998 until 2004.

2 Q. Have your duties in the Aztec District included
3 managing the enforcement of OCD's inactive well rules?

4 A. Yes, ma'am.

5 Q. Are the wells at issue in this hearing, the
6 Barbara 1 and the Davie 1, located within the Aztec
7 District?

8 A. Yes, ma'am.

9 Q. Have you reviewed the well files and OCD records
10 for the two wells at issue in this hearing?

11 A. Yes, ma'am.

12 Q. Would you please look at what has been marked as
13 Exhibit Number 4? Is this the list of wells operated by
14 Northstar in New Mexico?

15 A. Yes, ma'am.

16 Q. Is this list kept by the OCD in the normal course
17 of business and available to the public on our website?

18 A. Yes, ma'am.

19 Q. How many wells does Northstar operate in New
20 Mexico?

21 A. Two.

22 Q. And those are the two wells at issue today?

23 A. Yes, ma'am.

24 Q. Does the well list identify the last date of
25 reported production or injection for each well?

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

2 Q. And what date is that?

3 A. July, 1991.

4 Q. Does that date apply to both wells?

5 A. Yes, ma'am.

6 Q. According to the well files for these wells, is
7 either well plugged and abandoned?

8 A. No, ma'am, they're not.

9 Q. According to the well files, is either well on
10 approved temporary abandonment status?

11 A. No, ma'am, they're not.

12 Q. Are you familiar with the efforts of the District
13 Office to bring those two wells into compliance?

14 A. Yes, ma'am.

15 Q. When did Northstar become operator of record for
16 these two wells?

17 A. December 3rd, 1997.

18 Q. Let's begin with the District's compliance
19 efforts after 1997 when Northstar became operator. Please
20 look at what has been marked as Exhibit 5. Can you
21 identify this document for us?

22 A. Yes, ma'am, this is a document sent from Bruce
23 Martin, a compliance officer, to John Corbett requiring the
24 wells to be brought into compliance with plug and
25 abandonment, temporary abandonment or return to production.

1 Q. What is the date of the letter?

2 A. The date was March 31st, 1999.

3 Q. And did it give a deadline for Mr. Corbett to
4 bring the wells into compliance?

5 A. Yes, ma'am, within 30 days.

6 Q. Does this letter apply to both wells or one?

7 A. This is the Davie 1. There's a second letter
8 that covers the same information for the Barbara 1.

9 Q. And is that letter Exhibit Number 6?

10 A. Yes, ma'am, it is.

11 Q. Did you review the well files to determine if
12 Northstar took any action on the two wells in response to
13 the March 31, 1999, letters?

14 A. Yes, ma'am, I did.

15 Q. What did you find?

16 A. I found they had filed sundries on May 14th,
17 1999, indicating they're going to perform remedial work to
18 return the well to production.

19 Q. Are Exhibits 7, 8 and 9 copies of those sundry
20 notices?

21 A. Yes, ma'am, they are.

22 Q. Did the sundry notices indicated when they
23 believed work would commence?

24 A. Yes, ma'am, operations are expected to begin
25 within 90 days but depend on negotiations with land owners.

1 Exhibit Number 9 states that work on this well will
2 commence within 30 days and nonparticipating interests will
3 be force pooled.

4 Q. All right. And again, these sundry notices were
5 filed in 1999?

6 A. Correct.

7 Q. Would you turn to what has been marked as Exhibit
8 10, please? Can you identify this document for us?

9 A. This is a letter from me to Northstar requiring
10 compliance within 30 days of December 17th, 1999.

11 Q. And which well or wells does this apply to?

12 A. This is on the Barbara Number 1.

13 Q. Would you turn to what's been marked as Exhibit
14 Number 11? Can you identify this document for us?

15 A. Yes, ma'am, this is letter to Mr. Frank Chavez
16 from Mr. Corbett, February 25th, 2000, saying he had spoke
17 to me and that work had begun on January 20th and became
18 complicated and had become more involved.

19 Q. Would you turn to what's been marked as Exhibit
20 12? Can you identify this document for us?

21 A. This is a letter from John Corbett dated
22 September 5th, 2000, from John Corbett to Frank Chavez,
23 saying it was recently brought to his attention that
24 attached letter to the office had not been acknowledged,
25 and it's an apology and said that he's attached a list and

1 -- other wells, and has been working under the direction of
2 Stephen Mason with the BLM.

3 Q. Can you explain what Mr. Corbett was responding
4 to in this letter?

5 A. In May of 2000, the New Mexico Oil Conservation
6 Division sent out a list of all the wells to all operators
7 in the State, asking them for the current status. It was
8 sent out of the Santa Fe office. The operators were to
9 mark the current status and return the letter.

10 Q. Is that letter the attachment to Exhibit 12?

11 A. Yes, ma'am, it is.

12 Q. What status did Mr. Corbett give the two wells
13 that are at issue today?

14 A. He gave both wells the status of shut in.

15 Q. Did he make any representations in the letter of
16 September 5 regarding his plans for these two wells?

17 A. It says, Other wells have been worked on by
18 Northstar and are pending further work or results. Still
19 others have been addressed. A list of the wells -- It does
20 not specifically list these two wells, no, ma'am.

21 Q. Okay. Could you turn to the very back page of
22 this letter and attachment?

23 A. Yes, ma'am.

24 Q. Does this give any indication of his plans
25 regarding these two wells?

1 A. Yes, it does. This is a shut-in well list where
2 he indicated that the Barbara Number 1, recent work
3 indicates tubing is anchored, and more rig work is coming,
4 and the Davie Number 1 shows it to be shut in and they're
5 going to plug and abandon it. The status is shut in on
6 both wells. They're going to return to production the
7 Barbara Number 1 and plug and abandon the Davie Number 1.

8 Q. There's a column marked projected completion
9 date. What was the projected completion date for these two
10 wells?

11 A. Fourth quarter of 2000.

12 Q. Would you turn to what's been marked as Exhibit
13 13, please? Can you identify this document?

14 A. This is a letter from Frank Chavez to Northstar.
15 In brief summary it says, In may of this year, the Oil
16 Conservation...sent you a letter. He received the letter
17 and thank you. It says, The wells on the revised list,
18 attached to the letter, have not shown production for in
19 excess of one year. Based on information in the Division's
20 files and databases, the wells are not in compliance. The
21 wells should be brought into compliance. Requested a plan
22 be submitted to the office within 30 days of the letter.

23 Q. Was this letter sent by certified mail?

24 A. Yes, ma'am, it was.

25 Q. Did the OCD receive a return receipt from Mr.

1 Corbett?

2 A. Yes, ma'am, they did.

3 Q. Could you turn to what's been marked as Exhibit
4 14, please? Would you please identify this document for
5 us?

6 A. This is a letter from John Corbett to Frank
7 Chavez indicating he had spoke with me the week before and
8 I had asked that he send a letter detailing Northstar's
9 plan to abandon several inactive wells. Goes on to say,
10 Specifically, two wells have been plugged, one has been
11 returned to production, and a contract with an operator
12 exists to return others to production per a schedule. He
13 said he would prefer to speak with Mr. Chavez on the phone,
14 but he would be away until the week of February 4th.

15 Q. So this January 29th, 2002, letter reports that
16 work was done on some of his inactive wells. Can you tell
17 us whether any work was done on the two wells that are at
18 issue in this case?

19 A. There has been no sundries filed indicating any
20 work was done.

21 Q. Would you turn to what has been marked as Exhibit
22 15, please? Can you identify this document for us?

23 A. Yes, ma'am, this is a letter from me to
24 Northstar, April 11th, 2002, requiring compliance by June
25 1st, 2002.

1 Q. Was this letter sent by certified mail?

2 A. Yes, ma'am, it was.

3 Q. Did the OCD receive a return receipt from Mr.
4 Corbett?

5 A. Yes, ma'am, we did.

6 Q. Would you turn to what has been marked as Exhibit
7 16, please?

8 A. Yes, ma'am.

9 Q. Can you identify this document for us?

10 A. Yes, ma'am, this is a from me to John Corbett,
11 May 13th, 2005, indicating that the wells are still out of
12 compliance and requiring compliance by September 1st, 2005.

13 Q. And can you turn to Exhibit 17, please?

14 A. Yes, ma'am.

15 Q. Can you tell us about this document?

16 A. This is the letter I sent to our attorney asking
17 that the wells be brought to hearing, because we were not
18 getting anywhere with the compliance issues.

19 Q. Was a copy of this letter sent to Mr. Corbett to
20 notify him of your plans to re-refer this for hearing?

21 A. Yes, ma'am, it was.

22 Q. And what is the date of this letter?

23 A. September 26th, 2006.

24 Q. Was a hearing set at that time?

25 A. We were going to schedule a hearing, and Mr.

1 Corbett called and said that the wells were going to be put
2 up in an auction and would be sold in early February, so we
3 asked that the hearing be put off until after he had the
4 opportunity to do that.

5 Q. Have you had telephone contact with Mr. Corbett
6 other than that phone call?

7 A. Yes, ma'am, I have.

8 Q. Could you turn to what's been marked as Exhibit
9 18, please?

10 A. Yes, ma'am.

11 Q. Can you identify this document for us?

12 A. In the late 1990s, early 2000s, we had an
13 inactive well program, and we called the operators and we
14 documented the telephone calls and who we talked to and
15 what it was about, and this is a sheet out of that
16 spreadsheet for contact with Northstar.

17 Q. And the Northstar information is approximately in
18 the middle of that page?

19 A. Yes, ma'am, it is.

20 Q. Could you summarize for us your telephone contact
21 with Northstar regarding compliance with these wells?

22 A. I've had numerous conversations with Mr. Corbett
23 regarding these wells, and he's always indicated that
24 they're either on the market and fixed to be sold, or he's
25 fixing to get the compliance issues resolved.

1 In 2002 he was told to be in compliance in 90
2 days. He wasn't happy. That's when he had the
3 conversation with Frank and sent the letter to Frank.

4 In September, 2002, I talked again with John
5 about compliance. He had a buyer and would be transferring
6 soon.

7 In May of 2006 he had a buyer and would be
8 transferring soon.

9 And in early January is when he told us that it
10 would be in an auction.

11 We contacted him in May and discussed bringing
12 him to hearing to resolve the issues, and he told me that
13 he was going to work with a plugger and get the wells
14 plugged. We scheduled the hearing a month ago, and we
15 continued the hearing under the understanding that he was
16 going to have the issues resolved.

17 Q. All right. And that conversation in May and the
18 more recent conversation about the hearing, those aren't
19 reflected on this sheet; is that right?

20 A. No, ma'am, they're not.

21 Q. What deadline would you ask the Examiner to put
22 in the compliance order?

23 A. It's my understanding Mr. Corbett has been
24 working with a local service company, and they're already
25 on the list or can be placed on the list to plug the wells

1 relatively quick. I would ask that we give him no longer
2 than 60 days to have this accomplished.

3 Q. Do you believe 60 days is a realistic time --

4 A. Yes --

5 Q. -- for plugging in your district?

6 A. Yes, I do, as the paperwork has already been
7 reviewed by the service company and the State, unless
8 there's been any changes to the sundries. I think 60 days
9 is very sufficient to achieve this.

10 Q. The Application asked for a penalty. What
11 penalty amount would you recommend to the Examiner?

12 A. I recommend a \$10,000 penalty, \$5000 per well.
13 That's \$1000 per year since 2002, when Mr. Corbett
14 indicated that he was going to -- had worked on the well
15 and found the problems, was in 2002. And we have no record
16 of anything being done since then, so we ask for a \$1000
17 penalty per year for each well from that time.

18 Q. Mr. Perrin, based on the information that Mr.
19 Corbett provided in your review of the well files were the
20 other wells brought into compliance by 2002?

21 A. Yes ma'am, they were.

22 Q. So he was left with only these two wells to deal
23 with after 2002?

24 A. Yes, ma'am.

25 Q. If Mr. Corbett represents today that he can get

1 the wells plugged, do you still request that the Examiner
2 issue an order in this case?

3 A. Yes, ma'am, I certainly do.

4 Q. Why?

5 A. You'd think that after we'd gone through all
6 this, to wait until the final quarter and to come in and be
7 exempted from both the order and the penalty is unfair to
8 the other operators who have worked hard in achieving
9 compliance throughout the whole period, when there was no
10 activity taken at all by Mr. Corbett.

11 Q. How about if Mr. Corbett is able to completely
12 plug the wells before an order is issued? Would you
13 request that the Application be dismissed?

14 A. No, ma'am, I would not. I would ask that the
15 order be placed and the penalty as well.

16 Q. Now you've been working on the OCD's inactive
17 well compliance problem for the Aztec District for many
18 years, have you not?

19 A. Yes, ma'am, I have.

20 Q. What message do you think would be sent if no
21 penalty were issued in this case or a low penalty were
22 issued?

23 A. I think it would support the stalling techniques.
24 If you just wait until the Division actually takes you to
25 hearing and you're setting in the hearing, and then you

1 provide the information, that it's escape and you'd be able
2 to have that time free.

3 MS. MacQUESTEN: I would move for the admission
4 of Exhibits 1 through 18 at this time.

5 EXAMINER BROOKS: Any objection, Mr. Corbett, to
6 admission of the exhibits?

7 MR. CORBETT: No, sir.

8 EXAMINER BROOKS: 1 through 18 are admitted.

9 Mr. Corbett, you will be given at this time an
10 opportunity to question Mr. Perrin. Because you're not --
11 You're not an attorney, correct?

12 MR. CORBETT: That's correct.

13 EXAMINER BROOKS: Because you're not an attorney,
14 I want to explain to you the procedure and ask you to
15 follow it. At this time I am allowing you to question Mr.
16 Perrin regarding what he has testified to in his testimony
17 so far. You will be given an opportunity to make your own
18 statement at a later time. So in the interests of
19 procedural regularity we ask you to remain within those
20 confines.

21 So you may proceed Mr. Perrin if you wish to do
22 so.

23 MR. CORBETT: I have no questions for Mr. Perrin.

24 EXAMINER BROOKS: Very good. I have no
25 questions.

1 Mr. Ezeanyim?

2 EXAMINATION

3 BY EXAMINER EZEANYIM:

4 Q. Can you explain to me again how much penalty you
5 wanted?

6 A. I'm asking for \$1000 per year per well, from the
7 time Mr. Corbett stopped working on the wells. The sundry
8 in here indicates -- the letter indicates that he did work
9 on it in 2002, so I'm asking for a penalty for 2003, 2004,
10 2005, 2006 and 2007, \$5000 per well.

11 Q. If you really calculate the penalty based on the
12 statutes, I think it's going to be more than \$10,000. I
13 was wondering why you put \$2000 here in the first place.

14 A. I put -- I requested a minimum penalty of \$2000
15 because I wanted to speak with legal counsel and decide how
16 we wanted to do it. We also discussed it in the district
17 to see what we felt was fair and we could work with, with
18 the operators in the future.

19 Q. So you think \$10,000 is appropriate?

20 A. I think for this instance, yes, sir, it is.

21 EXAMINER EZEANYIM: Okay, that's all I have.

22 EXAMINER BROOKS: I have nothing. The witness
23 may stand down unless -- Ms. Macquesten, do you have any
24 follow-up?

25 MS. MacQUESTEN: I don't have any follow-up.

1 EXAMINER BROOKS: Very good, the witness may
2 stand down.

3 Mr. Corbett, this is your turn to say whatever
4 you wish to say, if you wish to take the witness stand or
5 speak from counsel table. Either way is fine with us.

6 MR. CORBETT: Can I speak from here?

7 EXAMINER BROOKS: That will be fine. Oh, I'm
8 sorry, Steve, can you hear him all right from there?

9 COURT REPORTER: Yes, sir.

10 EXAMINER BROOKS: Okay, yes, that will be fine.

11 JOHN C. CORBETT,
12 the witness herein, after having been first duly sworn upon
13 his oath, testified as follows:

14 DIRECT TESTIMONY

15 BY MR. CORBETT: First of all, Mr. Perrin, I'd like to
16 apologize. I was under the impression that you would be
17 able to enter an appearance by telephone today, and it was
18 not my intention to take up your day.

19 As to Mr. Perrin's testimony, it is factual. I
20 would tell you that the statement, as he was concluding,
21 that I had not done anything since, I think, 2000 -- if you
22 look at the exhibits, there was a substantial list of
23 wells.

24 Northstar is a company that I formed in 1996, and
25 it was entirely my company, I am the sole shareholder in

1 the company. I built the company by returning a lot of
2 other people's problems to production, and so I did -- as
3 you can see from the exhibits, they are fairly -- they
4 fairly represent that there was a number of wells that were
5 inactive, and I plugged some of those and I returned some
6 of those to production. And it was my intention to do
7 these wells as well.

8 I came to own the wells in the late 1990s and had
9 them at a time when they required substantial investment,
10 and the price of crude dropped below nine dollars a barrel.
11 I continued to work on the wells and ended up with these
12 final two wells.

13 Mr. Perrin is correct in saying that I have told
14 him that I have been working to sell the wells or find an
15 owner for the wells who could use them. I believe that the
16 Davie is a well that needs to be plugged. The Barbara, I
17 believe, has potential for use. There is good potential in
18 the Gallup and in the Picture- -- in the Fruitland Coal,
19 and so, being optimistic by nature, I had hoped that I
20 would be able to find an owner who could use that well.

21 That has not come to pass, and I was surprised
22 when I put the wells in an auction and they didn't draw a
23 bid. And so at that point I began to work on -- I
24 understand that I need to plug these wells.

25 Also understand that I have sold all of my other

1 wells and at that time thought that these wells would sell
2 too, and because of the negotiations they didn't. I'm
3 sorry -- I have just these two wells. Those are the
4 remaining assets, if you will, of Northstar Oil and Gas.

5 And so to plug them means that I need to come up
6 with the approximately \$50,000 that it's going to be.
7 That's based on estimates from the service companies that
8 I've contacted and who are standing by ready to plug these.

9 I have arranged financing and spoke with a banker
10 yesterday who said that he has sent, and today the loan
11 documents will arrive at my home, that I can have the money
12 now to plug these so that it's not necessary for the State
13 to take on the responsibility for the wells. You won't
14 have to plug these, it's my intention to do that.

15 And the sundries are here with me now. They are
16 signed and ready to file. The service company, A-Plus Well
17 Service of Farmington, is ready to put the wells on their
18 list, and we can plug them in the next few weeks, even, in
19 fact, is what they had told me. So I'm prepared to go
20 forward with this and am going forward with this.

21 I would ask that the State not impose the penalty
22 that Mr. Perrin has asked for. The reason for that is -- I
23 understand the gravity of having the wells unplugged, but
24 it is a personal -- I am taking on personal financial
25 responsibility for plugging these wells, and the

1 incremental financial burden is going to make it that much
2 harder for me to get this taken care of.

3 I think that that is all that I have to say. The
4 State of New Mexico has been professional and gracious
5 throughout our dealings. I'm prepared to file a sundry
6 now.

7 I would tell you that there is a company that has
8 said that they are interested in the Barbara Number 1. I
9 have discussed this with Mr. Perrin, and he reminds me that
10 it's been a long time that I've been doing this, so that
11 the probability is small, but I would ask what happens if I
12 file the sundries, we go forward and plug first the Davie,
13 and then a company were to say that they were interested in
14 the Barbara and were willing to accept the financial
15 responsibility for that.

16 EXAMINER BROOKS: Well, I suspect that if that
17 could be consummated and they could get a bond on file with
18 the Oil Conservation Division within 60 days from the entry
19 of the order, that Mr. Perrin might be willing to make some
20 arrangement there.

21 But given the length of time that this has
22 pended, I suspect he would also not be -- whatever, 60 days
23 or whatever time the Director ends up putting in this
24 order. I shouldn't presume that it will be any particular
25 time, because an order will be entered, and it will give a

1 period of time. I doubt that, given this length of time,
2 that Mr. Perrin or the Director would be particularly
3 disposed to further extend the time for additional
4 negotiations.

5 MR. CORBETT: I understand that, and it is to my
6 benefit to move expeditiously on this as well, as the
7 funding and I need to get the work completed in a timely
8 way in order that the bond can be released, because that is
9 how I will repay the bank that's loaning me the money to do
10 the work, so...

11 I've spoken with the State also about that and
12 how much time might be involved in having the bond
13 released. I think 60 days is a reasonable time to have
14 this done.

15 EXAMINER BROOKS: Okay. Mr. Corbett -- Does that
16 conclude statement, Mr. Corbett?

17 MR. CORBETT: Yes, it does.

18 EXAMINATION

19 BY EXAMINER BROOKS:

20 Q. Mr. Corbett, when you entered into the oil and
21 gas reclamation business, if I may call it that, in the
22 State of New Mexico, you were aware, were you not, that the
23 statutes of the State of New Mexico require that an
24 operator plug a well when it ceases to be active?

25 A. Yes, sir, I was. These -- and you can see from

1 the records -- are wells that other operators have walked
2 away from. It was through my own lack of business acumen,
3 I suppose, that I came to own these two wells. But I am
4 aware that an operator has responsibility for those wells.

5 EXAMINER BROOKS: Okay, thank you. I have no
6 further questions.

7 Mr. Ezeanyim?

8 EXAMINATION

9 BY EXAMINER EZEANYIM:

10 Q. Yeah, Mr. Corbett, you have only those two wells
11 in New Mexico, right?

12 A. That's correct.

13 Q. Okay. Now do you have any other wells in other
14 states?

15 A. No, sir.

16 Q. Once you are done with the two wells in New
17 Mexico, that's it?

18 A. This is it, yes.

19 EXAMINER EZEANYIM: That's all I have.

20 EXAMINER BROOKS: Anything further, Ms.
21 MacQuesten?

22 MS. MacQUESTEN: Yes. First I'd like to address
23 the issue of the possibility of selling one of the wells.

24 EXAMINER BROOKS: Okay, I'm sorry, I didn't give
25 you a chance to question Mr. Corbett. Do you wish to

1 question Mr. Corbett, or do you wish to proceed to a
2 statement?

3 MS. MacQUESTEN: I would like to ask Mr. Corbett
4 a few questions.

5 EXAMINER BROOKS: Okay, go ahead and question Mr.
6 Corbett --

7 MS. MacQUESTEN: But if I may --

8 EXAMINER BROOKS: -- I apologize for going out of
9 order.

10 MS. MacQUESTEN: Yeah. If I may, I'd like to
11 address the issue of selling the wells, just to say that
12 the OCD would have no objection if Mr. Corbett was able to
13 find a buyer for the Barbara 1, and we would have no
14 objection to a transfer of the well, even after an order is
15 entered. That is not a problem.

16 As you suggested, we would ask the Examiner not
17 to delay the matter further in the hope that the well would
18 be sold. But if Mr. Corbett is able to find a buyer, we
19 would have no objection.

20 We would ask, however, that an order be entered,
21 even if the buyer is on the horizon. It would be an
22 advantage to the OCD to have an order in place. If we have
23 an order telling Mr. Corbett to plug the well and he is
24 able to obtain a buyer, we will be able, under our
25 enforcement rules, to require the new operator to enter

1 into an agreed compliance order and agree to return the
2 well to compliance within a certain time period.

3 If we don't have that order in place, we cannot
4 require the new operator to enter into an order before
5 accepting the well. So the OCD is in a much better
6 position if we do have an order in place.

7 EXAMINER BROOKS: Okay, do you wish to question
8 Mr. Corbett?

9 MS. MacQUESTEN: Just briefly.

10 EXAMINER BROOKS: Proceed.

11 CROSS-EXAMINATION

12 BY MS. MacQUESTEN:

13 Q. Mr. Corbett, as I understand it you are planning
14 to plug the Davie 1, but you hope to be able to transfer
15 the Barbara; is that correct?

16 A. That's correct.

17 Q. How long have you been trying to sell the
18 Barbara?

19 A. For I think seven years, is what this -- I've had
20 other things that I was working on in the same time.

21 Q. Sure. And from 2002 when you had basically
22 completed the work on the other wells until February of
23 this year when you put the wells on the auction block, had
24 you taken action to return these two wells to compliance?

25 A. No, I had not.

1 Q. You've spoken about your intent to plug the wells
2 or sell the wells. Are you aware that you could also have
3 placed the wells on temporary abandonment status?

4 A. I was.

5 Q. But that was not an option you chose to take?

6 A. It seemed to me that -- Well, I guess I always
7 thought no, that's not an option that I chose to pursue.

8 Q. Why not?

9 A. It seemed always that something was about to
10 happen with them, and so it was just a financial burden
11 that I didn't want to take on.

12 Q. Now after the February auction, you weren't able
13 to transfer the wells. At that time, you knew the OCD was
14 holding off on conducting a plugging case, in the hope that
15 you'd be able to transfer the wells. When it was clear
16 that you weren't able to at that time, what action did you
17 take on the wells?

18 A. At that point I began to work on -- to come up --
19 I came to the realization that I was going to have to plug
20 the wells and began to arrange for financing for that. And
21 then a month -- a little over a month ago, I think it was,
22 when this case was first called, I spoke with the
23 contractors who would do the work.

24 Q. So from February until June you haven't spoken
25 yet to a contractor about doing the work?

1 A. You know, the dates are hazy, but it was May or
2 June.

3 MS. MacQUESTEN: That's all, thank you.

4 EXAMINER BROOKS: Thank you. I have no further
5 questions.

6 EXAMINER EZEANYIM: No.

7 EXAMINER BROOKS: Mr. Ezeanyim?

8 EXAMINER EZEANYIM: No questions.

9 EXAMINER BROOKS: Mr. Ezeanyim has suggested that
10 -- we didn't do this with Mr. Perrin, but has suggested
11 that we allow the assisting attorneys to ask any questions
12 if they wish to do so, of Mr. Corbett.

13 MR. SWAZO: I don't have any questions, thank
14 you.

15 MS. ALTOMARE: (Shakes head)

16 EXAMINER BROOKS: Very good. If there's nothing
17 further -- Well, we're five minutes to 9:00, so let us
18 stand by here. Rather than -- My intention was to take the
19 next case and then call this case again after the
20 conclusion of the next case because of the nine o'clock
21 advertisement. However, I think given the short time that
22 it would be more efficient to simply take a five-minute
23 recess at this time and then call this case again and then
24 go straight through with the next case.

25 For the benefit of people's planning, we are

1 going to -- after the next case we are going to go out of
 2 order and take certain technical cases in advance of the
 3 remaining pooling cases, so we will depart somewhat from
 4 the order of the docket after the encore case. Thank you.
 5 We'll reconvene at nine o'clock.

6 (Thereupon, a recess was taken at 8:56 a.m.)

7 (The following proceedings had at 9:03 a.m.)

8 EXAMINER BROOKS: Okay, I will await before
 9 starting the next case the return of the Technical
 10 Examiner, but for the purpose of disposing of the current
 11 case, at this time we will call Case Number -- we will
 12 again call Case Number 13,920, Application of the New
 13 Mexico Oil Conservation Division for a compliance order
 14 against Northstar Oil and Gas.

15 Ms. MacQuesten and Mr. Corbett have already
 16 entered their appearances. Are there any other appearances
 17 in this matter? Anyone else wishing to be heard or make a
 18 statement in this matter?

19 There being none, Case Number 13,920 will be
 20 taken under advisement.

21 And we will again go into recess until Mr.
 22 Ezeanyim returns.

23 (Thereupon, these proceedings were concluded at
 24 9:04 a.m.)

25 * * *

I hereby certify that the foregoing is
 a correct and true copy of the proceedings in
 the Examination of Case No. _____
 heard by me on _____

STEVEN T. BRENNER, ^{Oil Conservation Division} Examiner
 (505) 989-9317

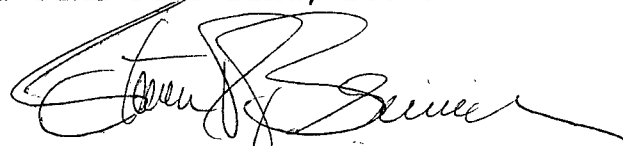
CERTIFICATE OF REPORTER

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 22nd, 2007.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2010