

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

ORIGINAL

IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:

CASE NO. 14164

APPLICATION OF THE NEW MEXICO OIL
CONSERVATION DIVISION FOR A COMPLIANCE
ORDER AGAINST PARRISH, H. DWAYNE AND
RHONDA K.

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID K. BROOKS, Legal Examiner
RICHARD EZEANYIM, Technical Examiner
TERRY G. WARNELL, Technical Examiner

September 18, 2008

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico
Oil Conservation Division, DAVID K. BROOKS, Legal Examiner,
RICHARD EZEANYIM, Technical Examiner, and TERRY G. WARNELL,
Technical Examiner, on Thursday, September 18, 2008, at the
New Mexico Energy, Minerals and Natural Resources Department,
1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico.

REPORTED BY: JOYCE D. CALVERT, P-03
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1 MR. EZEANYIM: At this point, I will call the next
2 case, the OCD case, but I notice that Mr. Padilla, who is for
3 the respondent, is not here yet. He told me he'd be here at
4 9:15 a.m. It's now almost 9:30, and he's not yet shown up.

5 Let's take a ten-minute break to allow Mr. Swazo to
6 see if he can contact Mr. Padilla to see where we stand and
7 whether he's going to show up today or not. So we'll take a
8 ten-minute break to allow you to see if you can contact him and
9 see where we stand. We'll be back in ten minutes.

10 * * *

11 MR. EZEANYIM: Let's go back on the record.

12 MR. PADILLA: Mr. Examiner, thank you for your
13 indulgence.

14 MR. EZEANYIM: We now call Case No. 14164. This is
15 the Application of the New Mexico Oil Conservation Division for
16 a Compliance Order against Parrish, H. Dwayne and Rhonda K.

17 Call for appearances.

18 MR. SWAZO: Sonny Swazo on behalf of the OCD.

19 MR. PADILLA: Earnest Padilla on behalf of the
20 Parrishes.

21 MR. EZEANYIM: Any witnesses?

22 MR. SWAZO: I have two witnesses, Mr. Hearing
23 Examiner. One of them is present, Mr. Daniel Sanchez. The
24 other is in Artesia awaiting our phone call. His name is
25 Richard Inge, and those are the two witnesses that I will

1 present.

2 MR. EZEANYIM: Any witnesses?

3 MR. PADILLA: I have one witness: Mr. Parrish.

4 MR. EZEANYIM: Okay. Do you wish to call your
5 witness in Artesia to be sworn together with the other
6 witnesses, or would you like to swear him later?

7 MR. SWAZO: I think it would be convenient if we
8 swore him in later.

9 MR. EZEANYIM: Okay. Call your witnesses. Please
10 stand up and state your name to be sworn.

11 MR. SANCHEZ: Daniel Sanchez.

12 MR. PARRISH: Dwayne Parrish.

13 MR. EZEANYIM: Do you people have opening statements,
14 or how do you want to proceed?

15 MR. SWAZO: I'm just going to give a real brief
16 opening statement.

17 MR. EZEANYIM: Okay. Do you have an opening
18 statement?

19 MR. PADILLA: I'll waive my opening statement.

20 MR. EZEANYIM: Okay, Mr. Swazo, you can go ahead.

21 MR. SWAZO: Well, Mr. Hearing Examiner, what you have
22 before you is my exhibit packet. The first exhibit -- or
23 Exhibit No. 1 is my Affidavit of Notice and Publication for
24 this case. Exhibit No. 2 is an affidavit from Dorothy Phillips
25 who oversees the financial assurance aspect of OCD, and her

1 exhibit concerns the \$50,000 blanket plugging bond that the
2 operator has posted in this case, as well as the additional
3 single well bonds that operator has posted on those wells
4 requiring additional financial assurance.

5 Mr. Hearing Examiner, I am here before you to present
6 a case concerning inactive wells operated by Parrish, H. Dwayne
7 and Rhonda K. My application concerns 11 wells, although 12
8 wells are currently on their inactive well list. Four of the
9 wells on their current inactive well list were the subject of a
10 case a little over six years ago, and three of the wells are
11 included in this application. It was an oversight on my part
12 to not include the other well that is currently on their
13 inactive well list. That will be addressed in the future.

14 Anyhow, the operator has -- for some of these wells,
15 the OCD has made efforts for over ten years to try to get the
16 operator to bring certain wells into compliance. And along
17 with the hearing, the OCD has spoken to the operator to get him
18 to address his inactive wells, but he hasn't done so.

19 Within the past week, operator has submitted C-103s
20 indicating his intent to plug six of the wells. The OCD has
21 approved those C-103s and has given him a completion date
22 around early to mid-December. The dates vary within a few
23 days. But in any event, the district office has approved the
24 plugging of those six wells for December of this year.

25 This application also concerns two injection wells.

1 Over two years ago, the operator -- two injection wells that
2 are the subject of this case failed MIT tests. And the OCD
3 ordered the operator to repair the wells and have them
4 retested. The operator has not done so.

5 The OCD has sent out letters of violation, notice of
6 violations, and even entered into an agreement with the
7 operator concerning these two injection wells. The OCD has
8 informed the operator that these wells were to remain shut-in
9 until these wells were repaired and retested; however, the
10 operator has ignored the OCD directives and has continued to
11 inject into these wells despite OCD's request.

12 And with that, I'd like to go into the testimony.

13 MR. EZEANYIM: Before you proceed, Mr. Swazo, I'm
14 looking at how many wells are involved in today's hearing. How
15 many wells are we talking about today?

16 MR. SWAZO: We're talking about the total of -- and
17 I'm going to break this down -- two of the wells involve the
18 MIT issues.

19 MR. EZEANYIM: What are those two injection wells
20 that failed the MITs? Which ones are those?

21 MR. SWAZO: That is the Adkins Williams State No. 1.

22 MR. EZEANYIM: Which one?

23 MR. SWAZO: The Adkins Williams State No. 1 and the
24 Adkins Williams State No. 6.

25 MR. EZEANYIM: They are all injection wells?

1 MR. SWAZO: Yes.

2 MR. EZEANYIM: They failed the MITs?

3 MR. SWAZO: Yes.

4 MR. EZEANYIM: What are they doing now? Do you know
5 what they are doing now? Are they still inactive?

6 MR. SWAZO: Well, the operator was injecting into
7 them despite the OCD's request that those wells remain shut-in
8 until they pass MITs.

9 MR. EZEANYIM: Okay. So two injection wells, and the
10 rest are inactive?

11 MR. SWAZO: That's correct.

12 MR. EZEANYIM: So how many are those, including these
13 two injection wells?

14 MR. SWAZO: Well, in this case, all the wells that
15 are listed are 13 wells.

16 MR. EZEANYIM: Okay.

17 MR. SWAZO: So if you break down those 13 wells, 11
18 we are pursuing inactive -- well, 11 concern inactive well
19 issues, and the other two concern MIT issues.

20 MR. EZEANYIM: Okay. So there are two injection and
21 11 inactive.

22 MR. SWAZO: That's correct.

23 MR. EZEANYIM: Okay. Go ahead.

24 ///

25 ///

1 DANIEL SANCHEZ

2 after having been first duly sworn under oath,
3 was questioned and testified as follows:

4 DIRECT EXAMINATION

5 BY MR. SWAZO:

6 Q. Would you please state your name for the record.

7 A. Daniel Sanchez.

8 Q. And Mr. Sanchez, with whom are you employed?

9 A. The New Mexico Oil Conservation Division.

10 Q. And what is your title?

11 A. I'm the Compliance and Enforcement Manager.

12 Q. And what are your duties?

13 A. I supervise the four district offices, the
14 Environmental Bureau and oversee the compliance and enforcement
15 efforts in the Division.

16 Q. Are you familiar with OCD Rule 201?

17 A. Yes, I am.

18 Q. And what are the general requirements of that
19 rule?

20 A. It requires an operator who has had a well or
21 wells out of production for a year plus 90 days to either plug
22 those wells or to get them on approved temporary abandonment
23 status. They can also come into compliance with that rule by
24 putting them back on production.

25 Q. Would you please identify Exhibit No. 3?

1 A. No. 3 is the well list, the total well list, for
2 Parrish, and there's 47 wells on there.

3 Q. And when was this list generated?

4 A. September 12, 2008.

5 Q. And is this list available to the public?

6 A. Yes, it is.

7 Q. And does the list show the dates of the last
8 reporting for these wells?

9 A. Yes, it does.

10 Q. Would you please identify Exhibit No. 4?

11 A. Exhibit No. 4 is the inactive well list for
12 Parrish, and this is showing 12 wells, and this one was
13 produced on September 12th, 2008.

14 Q. And this list is available to the public?

15 A. Yes, it is.

16 Q. And what's the criteria for being on this list?

17 A. For a well going over -- not being in production
18 for at least a year plus 90 days.

19 Q. Are you familiar with Case No. 12811?

20 A. Yes, I am.

21 Q. And could you please explain that case to the
22 Hearing Examiners?

23 A. A number of operators -- I believe it was 73 --
24 were brought in front of the Commission on Rule 201 violations.
25 And each one of those operators was heard, I guess, and certain

1 orders were put out from that case, and the order number was
2 R-11934. And that case also involved Parrish, and there were
3 certain orders and recommendations that were made that Parrish
4 was supposed to abide by.

5 Q. Do any of the wells that were the subject of that
6 case appear on the current inactive well list for the operator?

7 A. Yes, there's four. The four wells: The
8 Schoonmaker State No. 004; the Sunray Mid Continent No. 001;
9 the Sunray Mid Continent No. 002; the Toomey Allen No. 004 was
10 also on it; the Caroline No. 002; the Caroline No. 3; the
11 Caroline No. 004; the Mary Lou No. 004; and, the Toomey Allen
12 No. 003.

13 MR. EZEANYIM: If I may ask a question, please,
14 Mr. Swazo. Case 12811 and Case 11934, are those Commission
15 cases or Division cases? I mean, is that the Commission or
16 Division?

17 THE WITNESS: I believe those were Division cases.

18 MR. EZEANYIM: That was a Division case?

19 MR. SWAZO: That's correct.

20 MR. EZEANYIM: And then some of the inactive wells
21 today were involved in that; were they not?

22 MR. SWAZO: Yes.

23 MR. EZEANYIM: What were they supposed to do on that
24 order number? Do you know what they were supposed to do?

25 THE WITNESS: They were supposed to come into

1 compliance with Rule 201 which gave them that option of either
2 getting them procedural TA's, plugging them or getting them
3 back in production.

4 MR. EZEANYIM: Do you know when that order was
5 issued, approximately?

6 THE WITNESS: May 14th, 2003.

7 MR. EZEANYIM: May 14th, 2003, okay. Go ahead, Mr.
8 Swazo.

9 Q. (By Mr. Swazo): And did you say the Toomey Allen
10 No. 001 was part of that application case?

11 A. Yes, it was.

12 Q. Okay. Did you state when that case was heard?

13 A. Yes. Well, I didn't state it, but it was on
14 March 21st and 22nd, 2002.

15 Q. Okay. And do you have a copy of the order?

16 A. Yes, I do.

17 Q. If you can turn to page -- I'm sorry --
18 paragraph 148.

19 MR. EZEANYIM: Do we have a copy of that order, too?

20 MR. SWAZO: I apologize. I did not provide a copy.

21 MR. EZEANYIM: Okay.

22 MR. SWAZO: The reason being it's a rather lengthy
23 document.

24 MR. EZEANYIM: That's okay.

25 Q. (By Mr. Swazo): Could you read paragraph 148-H?

1 A. "The Division, on several occasions, commencing
2 in October of 1997, notified the Parrishes that the
3 above-described Caroline Wells No. 002, No. 003 and No. 004,
4 the Mary Lou Well No. 004, and the Toomey Allen Wells No. 001
5 and 003, were not in compliance with Rule 201-B and requested
6 that these six wells be brought into compliance."

7 Q. And can you read paragraph I -- or subsection I
8 of paragraph 148?

9 A. "By notice date December 18, 2000, the Division
10 first notified the Parrishes that the above-described
11 Schoonmaker State Well No. 004 and Sunray Mid Continent Wells
12 No. 001 and 002 were not in compliance with Rule 201-B and
13 demanded that these three wells be brought into compliance."

14 Q. So what was operator ordered to do in this case?

15 A. To bring the wells listed, in that order, back
16 into compliance.

17 Q. And which wells were -- which wells did the
18 Division order the operator to bring into compliance?

19 A. There were a total of nine wells. They were the
20 Caroline No. 002, No. 002 and No. 004; the Mary Lou No. 004;
21 the Schoonmaker State No. 004; Sunray Mid Continent No. 001;
22 Sunray Mid Continent No. 002; and, the Toomey Allen No. 001.

23 Q. Was the operator given a date for compliance?

24 A. Yes. I believe they were given five months to
25 complete the pluggings.

1 Q. Five months from the date of the order?

2 A. From the date of the order.

3 Q. And was a penalty assessed in that case?

4 A. Yes, there was. It was in the amount of \$30,000.

5 Q. And were any conditions made part of the \$30,000
6 penalty?

7 A. I believe the 30,000 would be waived if they met
8 the five-month deadline in plugging that wells.

9 Q. And did they ever meet the deadline?

10 A. No.

11 Q. Did they ever pay the \$30,000 penalty?

12 A. No.

13 Q. Were you able to determine the extent of
14 operator's compliance with this order?

15 A. Yes.

16 Q. And what were you able to determine?

17 A. That after the five-month period given in the
18 order, they hadn't met any of the compliance of that order.

19 Q. Did operator ever take steps to bring any of the
20 wells into compliance?

21 A. Not at that time.

22 Q. How about eventually?

23 A. Eventually they did on two of the wells. The
24 Caroline No. 002 and the Toomey Allen No. 003 were plugged just
25 this year. And I believe that was --

1 Q. And that was six years after the order?

2 A. Six years after the order. Yeah, that was in
3 April of '08, and that was the Caroline No. 002, and the Toomey
4 Allen No. 003 was plugged in August of '08.

5 Three other wells, the Caroline No. 003, the Caroline
6 No. 004, and the Mary Lou No. 004, were transferred to David G.
7 Hammond back on October 23rd of 2003.

8 MR. EZEANYIM: The two wells you are talking about
9 were just plugged and abandoned, or what happened to them?

10 THE WITNESS: Yeah, they were plugged and abandoned.

11 MR. EZEANYIM: Plugged and abandoned. And four wells
12 were --

13 THE WITNESS: Three of them were transferred.

14 MR. EZEANYIM: Three. And when was --

15 THE WITNESS: October of 2003.

16 Q. (By Mr. Swazo): And you testified that
17 Schoonmaker State No. 004, the sundry of Mid Continent No. 001
18 and 002 and the Toomey Allen No. 001 were part of this original
19 order?

20 A. Yes, they were.

21 Q. And they still appear on the operator's inactive
22 well list. Have you noticed any change in the dates of the
23 last reported activity from that which appears on the inactive
24 well list and that which was specified in the order?

25 A. No. The dates of the last productivity are the

1 same today as they were back at the time of that hearing.

2 Q. Now, can you please identify Exhibit No. 5?

3 A. Exhibit No. 5 is a letter of violation issued to
4 the Parrishes on July 10th of 2006 on the Adkins Williams State
5 No. 006 and the No. 001 wells, and they were for MIT failures.

6 Q. And what was the operator instructed to do with
7 the wells?

8 A. He was instructed to first shut both wells in
9 immediately and to repair the wells and reschedule a test with
10 the OCD.

11 Q. And was there a condition placed on how long he
12 would keep the wells shut-in in the LOV? Is there --

13 A. They were to be shut-in until the wells were
14 successfully repaired.

15 Q. And is there a compliance date?

16 A. It was for October 13th of 2006.

17 Q. Would you please identify Exhibit No. 6?

18 MR. EZEANYIM: Did they comply by that date?

19 THE WITNESS: No.

20 Q. (By Mr. Swazo): Have they complied at all?

21 A. No. Exhibit No. 6 is a Notice of Violation
22 issued to the Parrishes on April 26, 2007, and this involved
23 those same two wells, the Adkins Williams State No. 6 and the
24 Adkins Williams State No. 001. It was for not responding to
25 the letter of violation, not meeting the deadline and not

1 having the wells repaired.

2 Q. Is issuing a Notice of Violation in the normal
3 course for OCD to do when an operator has not complied with an
4 LOV?

5 A. Yes, it is.

6 Q. Would you please identify Exhibit No.7?

7 A. Exhibit No. 7 was an Agreed Compliance Order
8 between the OCD and the Parrishes on this same subject matter,
9 on the two wells, the Adkins No. 001 and 002 -- the No. 001
10 and 006.

11 Q. And it's dated August 3rd, 2007?

12 A. That's correct.

13 Q. And does the OCD have an administrative
14 conference with the operator?

15 A. Yes, we did.

16 Q. And did the operator admit receiving the letter
17 of violation and the Notice of Violation in this case?

18 A. Yes, he did.

19 Q. And at the conference, did the OCD speak with the
20 operator about the compliance action in this case, the MIT
21 issues?

22 A. Yes, we did.

23 Q. And was he given a time frame to bring those
24 wells into compliance?

25 A. Yes, he was, and he agreed to August 17th of 2007

1 as a date that they could meet for that compliance.

2 Q. Did the operator give you a reason why he was not
3 able to bring the wells into compliance?

4 A. Yes. At the time, there was a shortage of rigs
5 and personnel that he was able to get in order to get those
6 wells taken care of.

7 Q. And the operator signed off on this agreement?

8 A. Yes, he did.

9 Q. Did the operator ever request additional time to
10 come -- well, let me back up. Did operator ever come into
11 compliance? Or did operator ever bring the wells into
12 compliance as per the terms of this Agreed Compliance Order?

13 A. No, he didn't.

14 Q. Did the operator ever ask for additional time to
15 bring the wells into compliance?

16 A. Yes, he did. He asked for an additional ten days
17 to bring them into compliance.

18 Q. And what was his reason?

19 A. The rig availability. What he did was he ended
20 up buying a rig on his own so he could do the repairs himself.

21 Q. Did he experience any other issues which caused
22 him to request or caused him to need the additional time?

23 A. Not that I remember.

24 Q. Did he have problems with the Adkins Williams
25 State No. 006?

1 A. I believe on one of them -- I don't remember if
2 it was 001 or 006, it could be the 006 -- he hit oil, and he
3 decided he wanted to convert an injection well to a producing
4 well.

5 Q. Would you please identify Exhibit No. 8?

6 A. No. 8 is a letter from the OCD to Mr. Parrish
7 dated August 27, 2007.

8 Q. Now, at any point did the operator contact the
9 OCD about his inactive well list?

10 A. No. Well, not that I remember.

11 Q. Could you please describe -- well, let me -- what
12 does this letter concern?

13 A. Well, this letter discusses the
14 August 22nd, 2007, meeting where six wells were addressed from
15 the previous order that we had talked about, the R-11934. It
16 discusses coming into compliance with those. If Mr. Parrish
17 was able to come into compliance, bringing those wells back
18 into compliance by August 28, 2008, OCD wouldn't look any
19 further into that order in terms of recovering the \$30,000
20 penalty. If they didn't meet it, then we would initiate a case
21 into that.

22 Also, since he didn't meet the deadline of the Agreed
23 Compliance Order, the \$2,000 penalty which would have been made
24 had he met the deadline was put back on the table, and it was
25 due at that time.

1 Q. Does this letter concern the negotiation of an
2 inactive well Agreed Compliance Order with the operator?

3 A. Yes, it does: Agreed Compliance Order 186.

4 Q. So the OCD was willing to consider entering into
5 an Agreed Compliance Order with the operator for his inactive
6 wells if he cleared up these conditions?

7 A. Yes.

8 Q. Did operator ever clear up these conditions?

9 A. No.

10 Q. Would you please identify Exhibit No. 9?

11 A. This is a form C-103, and it is a notice of
12 intent to convert to a producer the Adkins Williams No. 006,
13 and this was on August 16th, 2007.

14 Q. And that date is the date before the Agreed
15 Compliance Order was -- before operator was required to come
16 into compliance under the terms of the Agreed Compliance Order?

17 A. Yes, by a date.

18 Q. Has operator taken any additional steps to bring
19 the well into -- to convert it to a producer?

20 A. Not as of today.

21 Q. Please identify Exhibit No. 11. I'm sorry.
22 Yes -- No. 11.

23 A. Exhibit 11 is a letter of violation issued to the
24 Parrishes on November 22nd, 2005. It was on the Schoonmaker
25 State No. 004. It was a Rule 201 violation.

1 Q. And was there a date for compliance?

2 A. February 24th, 2006.

3 Q. Identify Exhibit No. 12.

4 MR. EZEANYIM: Did they comply?

5 THE WITNESS: No, sir.

6 Q. (By Mr. Swazo): Okay.

7 A. Exhibit No. 12 is a letter of violation issued to
8 the Parrishes on November 22nd, 2005: Rule 201 violation on
9 the State T No. 001 with a corrective action due date of
10 February 28th, 2005.

11 Q. Did the operator ever comply with that letter of
12 violation?

13 A. No.

14 Q. Identify Exhibit No. 13.

15 A. Exhibit No. 13 is a letter of violation issued to
16 the Parrishes on November 22nd, 2005. It's a Rule 201
17 violation of the State T No. 002 with a corrective action date
18 of February 24th, 2006.

19 Q. And this was a Rule 201 violation?

20 A. That's correct.

21 Q. Did they ever come into compliance?

22 A. No.

23 Q. Identify Exhibit No. 14.

24 A. This is a letter of violation to the Parrishes
25 dated June 4th, 2007, regarding the Graridge State No. 003, the

1 Adkins Williams State No. 005, and the Welch State No. 004, all
2 of which were Rule 201 violations.

3 Q. And what was the date of corrective action?

4 A. June 22nd, 2007.

5 Q. Did the operator ever bring these wells into
6 compliance?

7 A. No.

8 Q. Identify Exhibit 15.

9 A. Exhibit 15 is a C-103, and it is a notice of
10 intent to perform remedial work on the Adkins Williams No. 001.
11 And that was submitted on September 10th, 2008.

12 Q. Please identify Exhibit No. 16.

13 A. This is a C-103 notice of intent to abandon the
14 Adkins Williams No. 001, and this one was submitted on the same
15 day and for the same well. There was some confusion here as to
16 which action that Parrish is going to take. On Exhibit No. 16,
17 which was the notice of intent to plug and abandon, it was
18 accepted by the Artesia office and given -- approval granted
19 providing the work would be completed by December 10, 2008. So
20 we're assuming that they're going for the plugging on that also
21 as opposed to putting it back into production.

22 Q. Identify Exhibit 17, please.

23 A. This is a C-103, a notice of intent to plug and
24 abandon the Atlantic State No. 003. It was approved by the
25 Artesia office and approval granted provided the work is

1 completed by December 8th, 2008.

2 Q. And identify Exhibit No. 19, please.

3 A. No. 18 is a C-103, notice of intent to plug and
4 abandon the Graridge. It was approved by the Artesia office.
5 Approval is granted provided work is completed by
6 December 9th, 2008.

7 Q. And Exhibit No. 19?

8 A. C-103, notice of intent to plug and abandon the
9 Schoonmaker No. 004; approved by the Artesia office; approval
10 is granted provided the work is completed by December 9th,
11 2008.

12 Q. Exhibit No. 20?

13 A. C-103, notice of intent to plug and abandon the
14 Sunray No. 002, and this one was submitted February 14, 2008.
15 But I don't see that it was -- yeah, it was. But there was no
16 deadline given on the date to have the well plugged.

17 Q. And this well has not been plugged as of today?

18 A. No, it hasn't.

19 Q. So operator has had over six months to plug the
20 well; is that correct?

21 A. Yes.

22 MR. EZEANYIM: Question. Question. Are these wells
23 that are 103, I think the application to plug or some dates in
24 December of this year -- December 10, December 4 -- are these
25 wells part of the wells that we're talking about today?

1 THE WITNESS: Yes, sir.

2 MR. EZEANYIM: Okay. So we have six of them now that
3 they have applied to plug and abandon.

4 THE WITNESS: That's correct.

5 Q. (By Mr. Swazo): Please identify Exhibit No. 21.

6 A. This is a C-103, notice of intent to plug and
7 abandon the Welch State No. 004, also accepted by the Artesia
8 office; approval granted provided work is completed by
9 December 8, 2008.

10 Q. Mr. Sanchez --

11 MR. EZEANYIM: They have not been plugged yet, right?
12 They haven't been plugged and abandoned?

13 THE WITNESS: Not at this time.

14 MR. EZEANYIM: But the work has been approved to plug
15 and abandon, but they have not yet been plugged and abandoned?

16 THE WITNESS: No, sir.

17 MR. EZEANYIM: Okay.

18 Q. (By Mr. Swazo): Mr. Sanchez, what are you asking
19 for in this case concerning the inactive wells?

20 A. That the wells be plugged by a date certain. At
21 this point, six of those wells have already been approved by
22 the Artesia office. We would recommend that the hearing order
23 state that that date be met. The other remaining wells, I
24 understand that the Parrishes can have those -- the rest of
25 them plugged, actually, within a four-month period.

1 So from the beginning of October, I wouldn't be
2 opposed to giving them until the end of January, which would be
3 the four months that was mentioned, to complete the plugging on
4 the remaining wells. I would also request that the first
5 available hearing date after that deadline that Parrish be
6 brought back in front of the Hearing Examiner or the Division
7 to state their progress, or if they've made the deadlines.

8 Given the fact that the Division has worked with them
9 on other occasions and had not seen any results, we would like
10 an additional hearing at that time to verify that the operator
11 is actually trying to get this work done or has gotten the work
12 done per the order.

13 Q. With regard to the two injection wells, what are
14 you asking for in that case?

15 A. One of the injection wells, the Adkins Williams
16 State No. 006, I believe, is the one where he put in a notice
17 of intent to rework it to make it a producing well. We ask
18 that that well be brought back into production by the same time
19 frame, and the repairs on the Adkins Williams State No. 001 be
20 completed by the end of October -- given that he's had a lot of
21 time to do that already -- before he gets it put back into
22 injection.

23 That well has been not injecting, or shouldn't have
24 been injecting, since that 2006 date. We're asking he verify
25 with the Engineering Bureau their ability to inject into that

1 well -- that it's still good. Otherwise, we'll have to file to
2 have that done and that reestablished.

3 Q. Are you requesting that the two injection wells
4 remain shut-in until operator has brought these wells into
5 compliance --

6 A. Yes.

7 Q. -- and the wells have passed injection tests?

8 A. As long as he's going to bring one into it and
9 make it a producer, that won't be necessary. But the other
10 one, if he's going to bring it back, it has to pass the MIT
11 before he can move on with it.

12 Q. Well, the letter of violation indicated that
13 these wells failed due to leaking problems. Wouldn't he have
14 to have the well he is converting to a producer -- wouldn't he
15 have to have the mechanical soundness of the well tested?

16 A. Yes, once he gets it back. It would still
17 require an MIT.

18 Q. And are you asking for anything in case operator
19 does not comply with the Hearing Examiner's order?

20 A. Yes, that the OCD be allowed to plug those wells
21 and financial assurance be forfeited.

22 MR. SWAZO: At this time, I don't have any other
23 questions, Mr. Hearing Examiner.

24 MR. EZEANYIM: What do you want to do with your
25 exhibits?

1 MR. SWAZO: The exhibits I would move to admit. I
2 was going to make the motion after opposing counsel had an
3 opportunity to question. But if it's okay to admit them at
4 this point, I would make that motion.

5 MR. PADILLA: I don't have an objection.

6 MR. EZEANYIM: So you're talking about Exhibits 1
7 through 20; is that right?

8 MR. SWAZO: Through 20. I haven't questioned the
9 witness about Exhibit No. 10, and I'm going to question my next
10 witness on Exhibit 10.

11 So at this point, I would move to admit all my
12 exhibits except for 10.

13 MR. EZEANYIM: Okay. So Exhibits 1 through 21,
14 except No. 10, will be admitted at this point.

15 [Applicant's Exhibits 1 through 9 and 11 through 21
16 admitted into evidence.]

17 MR. EZEANYIM: Mr. Padilla?

18 CROSS-EXAMINATION

19 BY MR. PADILLA:

20 Q. Mr. Sanchez, you testified concerning Order
21 R-11934, and the number of wells that were included in that
22 order, and they were apparently non-compliant, right?

23 A. Yes, sir.

24 Q. Which of the wells stated in that order are still
25 outstanding today?

1 A. They are the Mary Lou No. 005, the Schoonmaker
2 State No -- I'm sorry. Not the Mary Lou. The Schoonmaker
3 State No. 004, the Sunray Mid Continent No. 001, the Sunray
4 Continent No. 002, the Toomey Allen No. 001. There was also
5 the Toomey Allen No. 003, the Mary Lou 004, the Caroline 002,
6 003 and 004, but those have since either been transferred to
7 another operator or have been plugged.

8 Q. Are any of the Toomey wells in the notice or the
9 application, are they involved in the application today?

10 A. Actually, the Toomey Allen No. 001 was missed on
11 that. It is on the inactive well list. So I am asking that
12 that well be taken care of as well.

13 Q. But you didn't provide any notice on that one?

14 A. No, sir.

15 Q. Are there any other wells that you did not
16 provide notice for?

17 A. No.

18 Q. Now, let me be clear as to what you're asking
19 for: Are you asking for any penalties in this case?

20 A. No, sir.

21 Q. Okay. You just simply want the Parrishes to plug
22 and abandon the wells that you've testified about and either --
23 on the injection well, either convert it to a producing well by
24 the end of October or plug it; is that correct?

25 A. That's correct.

1 Q. Okay. Now, you also testified concerning --
2 let's see your Exhibit No. 8. I believe there was an Agreed
3 Compliance Order; is that correct?

4 A. Let me pull it out.

5 Q. I'm sorry. It's not No. 8, it's No. 7.

6 A. No. 7.

7 Q. Which wells were involved in that?

8 A. This well was on the inactive as Williams State
9 No. 001 and No. 006. This involved the two injection wells.

10 Q. Just the injection wells?

11 A. Yes, sir.

12 Q. None of the other wells were involved?

13 A. No.

14 Q. Now, I'm confused about your testimony. Are you
15 saying -- I believe you testified, and you can correct me if
16 I'm wrong, that the Parrishes are still producing the injection
17 wells?

18 A. There was a question as to whether or not they
19 were still injecting after the 2006 letter of violation had
20 them shut it in. I believe that might be able to be answered
21 by our other witness, though.

22 Q. Your person in Artesia?

23 A. Yes, sir.

24 Q. Do you know whether or not these wells have any
25 flow lines on them?

1 A. Not personally. I don't know.

2 Q. In preparation for this hearing, did you get any
3 information regarding whether these wells have actually been
4 used as injection wells up to this time?

5 A. I personally haven't. That might be best
6 answered by the other witness.

7 Q. Okay. Now, with respect to Exhibit No. 8, you
8 did assess a penalty of \$2,000; is that right?

9 A. Yes.

10 Q. And in lieu of -- was that paid?

11 A. Yes, it was.

12 Q. In lieu of -- well, because of that payment, was
13 the remainder of the \$30,000 penalty waived?

14 A. No. We didn't waive the penalty of 30,000. We
15 just left it out in the open for right now. It hasn't been
16 addressed.

17 Q. But you're not --

18 MR. EZEANYIM: I think -- let me interject here
19 because I'm confused. Is the \$2,000 that was paid part of the
20 \$30,000 or a different penalty?

21 THE WITNESS: No. It was based on the violations
22 from that Agreed Compliance Order strictly on the Adkins
23 Williams 001 and 006 wells.

24 MR. EZEANYIM: So that's a different penalty?

25 THE WITNESS: Different penalty.

1 MR. EZEANYIM: Because I don't see a standard.

2 THE WITNESS: That's right. We chose not to address
3 the \$30,000 in this hearing.

4 MR. EZEANYIM: Okay.

5 Q. (By Mr. Padilla): How do you intend to reinstate
6 that \$30,000 penalty?

7 A. Right now, my inclination is to see Parrish come
8 into compliance, get those wells taken care of. And if that
9 happens in the time frame allowed by the hearing order, I don't
10 see us going after it, no.

11 Q. Okay. In fact, you've never really gone after
12 the \$30,000 penalty, right?

13 A. No. We still -- like I said, we haven't
14 addressed that in this hearing. We could if we decided we
15 wanted to, but we haven't, and we've chosen not to at this
16 time.

17 MR. EZEANYIM: But who establishes the 30,000? Is
18 that in the R Order or a compliance --

19 THE WITNESS: It was an R Order.

20 MR. EZEANYIM: An R Order.

21 THE WITNESS: Yes, sir.

22 MR. EZEANYIM: For that R Order to be valid, the
23 \$30,000 still stands, right? I mean, you can't just take away
24 an R Order. If it's an Agreed Compliance Order, well, that's
25 okay. But when an R Order is issued, I don't think there's any

1 question that that has to be complied with. Is there anybody
2 who can correct me if I'm wrong?

3 THE WITNESS: No. I believe you're right. I believe
4 it is up to the Hearing Examiner to follow through on an order
5 and make that case.

6 MR. EZEANYIM: Unless it's going to be renegotiated
7 through another hearing. Is that how you do it? What I
8 understand is when an R Order is set, it should be complied
9 with by a certain date, and you do this. I don't know whether
10 we have to go to hearing to renegotiate the terms of that
11 order. Is that how we do it?

12 How do we do that to renegotiate when an R Order is
13 issued? Anybody can go ahead and comply with this, but if you
14 don't want to comply with the R Order, you appeal or go through
15 another hearing to get the terms of that order amended. I'm
16 not an attorney. How do we deal with such things?

17 MR. BROOKS: Well, I was going to ask about the
18 procedure of having scheduling a subsequent hearing because
19 that's not something we have done in the past, to my knowledge.

20 The statutes on plugging of wells, of course, provide
21 we are to require the operator to plug the well by a date
22 certain. Now, you're asking for us to make an order to plug
23 all of the wells; are you not, with certain other
24 contingencies? That is, if they restore them to compliance
25 first, then they would not have to plug them.

1 But I didn't follow your testimony in detail. Are
2 you asking for a plugging order on all of the wells that are
3 involved in the proceeding?

4 THE WITNESS: Yes, sir.

5 MR. BROOKS: And that would specify a particular date
6 by which they would be required to plug them, right?

7 THE WITNESS: Yes.

8 MR. BROOKS: And it would seem to me that either they
9 would be in compliance by that date, or they would not. So I
10 don't know that I understand the purpose of a subsequent
11 hearing.

12 THE WITNESS: I'd have to discuss that with the
13 attorneys.

14 MR. BROOKS: That's all I have.

15 MR. EZEANYIM: Okay. I'm just trying to -- because I
16 don't know the procedure to renegotiate the terms and condition
17 of that order, so I don't know it already. But from the
18 testimony today, I'm just making comments.

19 Like I said, I don't know. It seems to me that when
20 an order is issued, it should be complied with.

21 THE WITNESS: I agree.

22 MR. EZEANYIM: Otherwise, there's no point wasting
23 our time here.

24 Go ahead. I mean, that's all I have. Just go ahead.
25 I'm sorry I interrupted, but I just wanted to make that point.

1 Q. (By Mr. Padilla): Mr. Sanchez, in light of the
2 questions by the Hearing Examiner, your application today is
3 not intending to enforce the provisions of the 2003 order,
4 right?

5 A. No, it is not.

6 MR. PADILLA: I believe that's all I have.

7 MR. EZEANYIM: Okay. Do you have any redirect?

8 MR. SWAZO: I do have some additional questions.

9 REDIRECT EXAMINATION

10 BY MR. SWAZO:

11 Q. Mr. Sanchez, I'm a little confused about your
12 testimony concerning what you are asking for in terms of the
13 injection well that Mr. Parrish intends to, or would like to,
14 convert to a producer. That well is not on the inactive well
15 list. Are you asking that Mr. Parrish convert that well to a
16 producer by October or plug it?

17 A. I am asking that he follow through with his
18 notice of intent to take that well and make it a producer
19 either by the end of October or plug the well, yes.

20 Q. And I wanted to question you on the penalty. The
21 \$2,000 penalty is not part of the \$30,000 penalty that was
22 assessed on the May 2003 order?

23 A. No, it was not.

24 Q. In fact, the \$2,000 penalty was assessed under
25 the Agreed Compliance Order for violations related to the

1 injection wells?

2 A. That's correct.

3 Q. And \$30,000 penalty was assessed by the Division
4 for violations related to certain inactive wells for violations
5 of Rule 201?

6 A. That's correct.

7 Q. The \$30,000 penalty has not been waived?

8 A. No, it has not.

9 Q. And operator owes the \$30,000 penalty to the
10 Division, right?

11 A. As far as -- I'm starting to read the order.
12 Yes, they are still due on that.

13 Q. Well, the order specified that they were required
14 to bring certain inactive wells within compliance within five
15 months of the issuance of the order or pay a \$30,000 penalty.
16 They didn't bring the wells into compliance. They did not meet
17 the five-month deadline, so the \$30,000 penalty became due;
18 isn't that correct?

19 A. That's correct.

20 Q. And it hasn't been paid?

21 A. No, it hasn't.

22 Q. And it's operator's obligation to pay that
23 \$30,000 penalty to the OCD?

24 A. Yes, it is.

25 Q. And as far as your concerned, the \$30,000 penalty

1 is not off the table?

2 A. No.

3 MR. SWAZO: I have no other questions.

4 MR. EZEANYIM: Okay. Let me clarify that, too. I
5 know he asked that question. The 30,000 is not part of the
6 hearing today. It's still outstanding from a previous order.
7 But you're not asking me to excuse that 30,000 today, right?

8 THE WITNESS: It is not part of this order. The
9 reason it was brought up -- it's not part of this hearing --
10 what brought up the R Order was what we were trying to do is
11 establish a history of non-compliance. It had nothing to do
12 with whether or not we wanted to enforce the \$30,000 penalty.
13 We were just showing a history of non-compliance.

14 MR. EZEANYIM: Okay. Very good. Okay. Do you have
15 anything, Mr. Padilla?

16 MR. PADILLA: That explains -- no. I don't have any
17 other questions.

18 MR. EZEANYIM: Okay. Very good. Do you have any
19 questions, Mr. Brooks?

20 EXAMINATION

21 BY MR. BROOKS:

22 Q. Well, I guess, just follow-up on what I asked a
23 little bit earlier.

24 What would be the purpose of having a subsequent
25 hearing?

1 A. I'd have to ask my attorney on that one. I
2 really -- I would just, off the top of my head, I would guess
3 it would be to verify the previous order and try to enforce it.

4 Q. Yeah. You mean the order they issue as a result
5 of this hearing, right?

6 A. Yes.

7 Q. Not the '03 order --

8 A. No. We're talking that the subsequent hearing
9 would be to verify that all of the compliance issues that we're
10 talking about in this specific hearing were met.

11 Q. Right. Now, the '03 order, was that one the
12 30,000 penalty? Was that the one that assessed the 30,000
13 penalty?

14 A. Yes, sir.

15 Q. And that involves some of the same wells as this
16 proceeding?

17 A. Yes, it does.

18 Q. Are there wells in this proceeding that were not
19 involved in that?

20 A. Yes, there are some.

21 MR. BROOKS: Okay. That's all I have.

22 MR. EZEANYIM: Okay. And so -- just before I lose my
23 thought here -- and so the 30,000, when was that supposed to be
24 paid by that R Order in 2003? It should have been paid in
25 2003, but it wasn't paid.

1 THE WITNESS: The order was issued on May 14th. They
2 were given five months, so that would have given them October
3 14th of 2003 it would have come due.

4 MR. EZEANYIM: Okay. But they didn't do anything?

5 THE WITNESS: No, sir.

6 MR. EZEANYIM: Okay. That's what I need to know.
7 Mr. Warnell, do you have anything?

8 MR. WARNELL: I have one. Maybe you can help clarify
9 it for me. Have any of the orders that the OCD has issued in
10 the past ever been complied with? I guess the \$2,000.

11 THE WITNESS: From that specific hearing?

12 MR. EZEANYIM: From the operator.

13 THE WITNESS: From the operator?

14 MR. WARNELL: Anything. We're sitting here, and
15 we're talking about issuing a new order. And I'm wondering why
16 in the world would we want to do that if any of the orders
17 we've ever issued in the past have ever been complied with.

18 THE WITNESS: Yes. To date, the only other hearing
19 order against this operator was the hearing order back in 2003.
20 The other issues we've had have been addressed through letters
21 of violation, notices of violation and an Agreed Compliance
22 Order which eventually led to this hearing. And other than the
23 payment of the \$2,000 penalty off the Agreed Compliance Order,
24 no other compliance was met through those actions.

25 MR. WARNELL: Okay. That's all I've got.

1 MR. SWAZO: Can I address a couple of questions?

2 MR. EZEANYIM: Sure. Go head.

3 MR. SWAZO: I would ask the Division to take
4 administrative notice of the order, Order R-11934, and I would
5 just point out in paragraph number 6, towards the back of it on
6 page 55, it does give a due date as far as when the penalty
7 will be paid. It says, "The penalty herein assessed against
8 each of the ten following named respondents," which includes
9 Parrish, "shall be paid within 30 days of the day of this order
10 by certified or cashier's check made payable to the New Mexico
11 Oil Conservation Division and hand-mailed or hand-delivered to
12 the New Mexico Oil Conservation Division, attention Lori
13 Rottenberry, Director, 1220 South St. Francis Drive, Santa Fe,
14 New Mexico, 87505.

15 "Unless application is timely filed by the respondent
16 for de novo review by the New Mexico Oil Conservation
17 Commission, a penalty will be assessed against it."

18 And there has been no de novo appeal.

19 So as far as we're concerned, the penalty is
20 outstanding and has to be paid, and that's what the order
21 states. Concerning the subsequent hearing, an additional
22 aspect for requiring a subsequent hearing in this case, is not
23 only to ensure the operator --

24 MR. PADILLA: I object. I don't know where he's
25 going with this thing. It's not a question or any

1 clarification. This is not part of this hearing. If Mr. Swazo
2 wants to reinstate the order or take any action with regard to
3 the 2003 order, then he could have included it in the
4 application.

5 One of the wells is clear here. And he didn't even
6 include in this application the Toomey Allen No. 001, and there
7 are only four wells from that original order that are even
8 applicable in this hearing. So trying to get this in the back
9 door, and given his statement here, it's out of line. It
10 shouldn't be allowed, and I think Mr. Sanchez' testimony, you
11 know -- he stated what the purpose of this hearing is. If some
12 kind of compliance with Order R-11934 is required, then I think
13 it's the subject of another case.

14 MR. EZEANYIM: Mr. Padilla, I'm going to overrule
15 your objection because my understanding is that that R Order
16 number concerns some of the wells today. It's not mutually
17 exclusive from what we are talking about, even though I
18 understand where you are going. So I would like to hear what
19 they want to say about R-11934. Because the R Order wasn't
20 complied with, and some of the wells in that R Order are the
21 subject of the wells today. So that's why I'm going to
22 overrule and have him continue with that.

23 MR. SWAZO: Well, my point, Mr. Hearing Examiner, is
24 that the Hearing Examiners have questions regarding the status
25 of this prior -- of this other administrative order in this

1 case, and you folks can take administrative notice and review
2 your own orders to determine whether or not -- what it
3 addressed or talked about regarding the penalties. And so I'll
4 leave that to your review.

5 My other statement, the question that I was -- or the
6 statement -- that I was making during the time that Mr. Padilla
7 objected wasn't related to the other order, but was actually
8 related to some questions that have been asked concerning
9 Mr. Sanchez' request that a subsequent hearing -- or a hearing
10 subsequent on this case solely on the compliance issues in this
11 case be -- let me back up. Let me rephrase it.

12 Mr. Sanchez had asked the Commission as part of the
13 order in this case to set the case for a hearing after the --
14 after the dates set for compliance in this case so that the
15 Division would be able to determine whether or not Mr. Parrish
16 had addressed any of the compliance issues in this particular
17 case, and I wanted to comment on that. I just wanted to point
18 out, too, that another purpose of -- another thing that we
19 would look at if this case was -- if a subsequent hearing was
20 set for the compliance in this case, we'd also be considering
21 penalties. And that's the only point I wanted to make. It was
22 related to this order in this other case.

23 MR. EZEANYIM: Okay. I was just asking my legal
24 advisor here. What I think I'm going to do is on the issues of
25 that order. But when are you going to initiate in the hearing

1 on the compliance issues of that is not part of that case, so I
2 agree with Mr. Padilla on that case. However, I'm going to
3 administrative notice on this R-11934; is that correct?

4 THE WITNESS: Yes, sir.

5 MR. EZEANYIM: Okay. We will do that. But if you
6 want to initiate another proceeding to attend to that order,
7 that is you prerogative.

8 MR. SWAZO: That's not part of this proceeding.

9 MR. EZEANYIM: Okay. That's what I understand.
10 Okay, good. Do you have anything else to say on this?

11 MR. PADILLA: I don't have any further questions, no.

12 MR. EZEANYIM: Mr. Swazo?

13 MR. SWAZO: Nothing further.

14 MR. EZEANYIM: Mr. Sanchez, this case, you know, what
15 I wrote here is --

16 MR. SWAZO: Mr. Hearing Examiner, I do have another
17 witness. I don't know if --

18 MR. EZEANYIM: When I'm finished, we're going to call
19 him.

20 MR. SWAZO: All right.

21 EXAMINATION

22 BY MR. EZEANYIM:

23 Q. Okay. Six years in 2003? Is that what we're
24 talking about? Six years since that other was issued? And I
25 want to understand that some of the wells in that order is part

1 of the proceeding today; is that correct?

2 A. Yes, sir.

3 Q. And are these two injection wells part of that
4 order? I haven't had the opportunity to read that order to see
5 which ones or which wells were involved.

6 A. They were not a part of --

7 Q. But some other wells are part of it?

8 A. Yes.

9 Q. Okay. And the order was placed because of
10 compliance with Rule 201 or whatever, in '03, to have them
11 comply with that?

12 A. Yes, sir.

13 Q. And that's part of -- you are going to make sure
14 of that. Okay. And they have plugged and abandoned certain
15 wells. Is that a part of the condition of that order?

16 A. Yes, it was.

17 Q. It was, okay. Now, it looks like this September
18 they have applied to plug and abandon some of the wells that
19 are here today?

20 A. Yes, sir.

21 Q. Right? And they have been approved?

22 A. They have been approved by the district office,
23 but have been given a time frame in order to do it in.

24 Q. But they have not been plugged and abandoned?

25 A. Not at this stage.

1 Q. Okay. I just wanted to make sure I'm reading
2 what I wrote down to make sure that I -- okay. That's all I
3 have. You may step down. Do you have anything else to ask
4 him?

5 MR. PADILLA: No, I don't.

6 MR. EZEANYIM: And you may call your next witness.

7 MR. SWAZO: I'm calling Richard Inge from the Artesia
8 district office. He administers the UIC program, and he still
9 needs to be sworn in.

10 MR. EZEANYIM: Okay. Very good.

11 MR. SWAZO: This is Sonny Swazo in Porter Hall in
12 Santa Fe for the Division. Right now I'm calling you as a
13 witness.

14 THE WITNESS: All right.

15 MR. SWAZO: Mr. Hearing Examiner, if you want to --

16 MR. EZEANYIM: Mr. Inge, this is Richard Ezeanyim,
17 the Hearing Examiner today. Could you stand to be sworn and
18 state your name for the record?

19 MR. INGE: My name is Richard Inge.

20 [Witness sworn.]

21 MR. EZEANYIM: Now you may proceed, Mr. Swazo.

22 MR. SWAZO: Thank you.

23 RICHARD INGE

24 after having been first duly sworn under oath,
25 was questioned and testified as follows:

1 DIRECT EXAMINATION

2 BY MR. SWAZO:

3 Q. Would you please state your name for the record.

4 A. My name is Richard Inge.

5 Q. And with whom are you employed?

6 A. With the State of New Mexico Energy and Minerals
7 Department, Oil Conservation Division.

8 Q. And what is your current title?

9 A. Compliance officer.

10 Q. And what are your duties?

11 A. I am mainly responsible for UIC inspection, the
12 UIC program.

13 Q. And is that for the Artesia district office?

14 A. Yes, sir.

15 Q. And as part of your duties, do you schedule and
16 coordinate UIC-related tests?17 A. Yes. I'm in charge of scheduling and witnessing
18 the test.

19 Q. Does all UIC coordination go through you?

20 A. Yes, sir.

21 Q. And how long have you held the position?

22 A. Since May of 2007.

23 Q. And who held the position before you?

24 A. Mr. Gerry Guye did.

25 Q. Are you familiar with Rule 703?

1 A. Yes, sir.

2 Q. And what does that rule generally require?

3 A. The rule requires that the wells are mechanically
4 sound to make sure that there's no migration of fluids into
5 zones that are not authorized, and it also states that if there
6 is a failure, the well may be subject to restriction of
7 injection volume and pressure, or the well must be shut-in
8 until the failure has been identified and corrected.

9 Q. Does Rule 703 also require injection wells to be
10 in a condition which would facilitate periodic testing by the
11 OCD?

12 A. Yes. It's part of the operation and maintenance.

13 Q. And what does Rule 703 require? Are you familiar
14 with Rule 704 -- I'm sorry. Are you familiar with Rule 704?

15 A. Yes. Rule 704 talks about the testing
16 requirements, monitoring requirements, and specifically, it
17 mentions the five-year pressure tests that must be run on the
18 well to test for mechanical integrity.

19 Q. Does it also require the operator to contact OCD
20 to schedule -- to notify OCD of injection tests?

21 A. Yes. The operator is supposed to advise the
22 Division when the test will be run in order that we can witness
23 the test.

24 Q. Are you familiar with the Adkins Williams State
25 No. 001 and the Adkins Williams State No. 006 wells?

1 A. Yes, sir.

2 Q. And those wells are injection wells?

3 A. Correct.

4 Q. What's the current status of those wells? Well,
5 let me rephrase that question: When was the last time these
6 wells underwent a pressure test?

7 A. The wells were pressure tested on July 10th of
8 2006.

9 Q. And what happened?

10 A. Both of the wells failed their tests. They were
11 not able to hold their pressure.

12 Q. And who administered that test?

13 A. Mr. Gerry Guye did.

14 Q. If you look at Exhibit No. 5, does that concern
15 the test failure of those two wells?

16 A. Yes. That's the letter of violation that was
17 issued on that date, July 10th of '06.

18 Q. And in this letter of violation, does it indicate
19 that -- does it state what the suspected mechanical failure,
20 mechanical integrity test failure, or what caused the
21 mechanical integrity test failure?

22 A. Yes. The comments made regarding the test, the
23 test said the pressures that they pressured to and how much
24 they lost, and also it says here, "suspected packer leak" on
25 both of the wells.

1 Q. Now, I wanted the back up, Mr. Inge. Could you
2 please explain the pressure test? How often is it done?

3 A. Okay. The pressure tests are done initially
4 before a well can get injection and then after that every five
5 years.

6 Q. And in this case --

7 A. Or after a workover is done on a well.

8 Q. And in this case, was the testing being conducted
9 pursuant to the five-year provision?

10 A. Yes, sir.

11 Q. So it was due for its five-year test?

12 A. Yes. They had been pressure tested in 2001.

13 Q. And the wells passed at that time?

14 A. Yes, they did.

15 Q. Could you explain how a pressure test is
16 conducted?

17 A. Okay. There's a pump truck that has water, and a
18 pumper hooks up a hose to the casing valve. And next to the
19 valve, or along the line, they have a chart recorder so that
20 the pressure can be charted on a piece of paper and monitored.
21 So the pumper will pump up and increase the pressure of the
22 well to a minimum of 300 pounds and then close off the valves
23 so the pressure is -- so the well is isolated from the truck.

24 And then we watch the chart recorder and make sure
25 that the pressure maintains the pressure that the well was

1 pumped up to. And if it passes, after 30 minutes, then the
2 valves are opened and the fluid is drained back into the truck
3 and disconnected and then the chart is retained to show that
4 the well passed the pressure test. If it fails, if it cannot
5 maintain the pressure, then the well fails, and a letter of
6 violation is issued.

7 MR. EZEANYIM: What is a pass and what is a fail?
8 This is Richard. Mr. Inge, what is a pass and what is a fail
9 when you pump up the well?

10 THE WITNESS: What is a pass and what is a fail?

11 MR. EZEANYIM: Yes.

12 THE WITNESS: Okay. For the five-year test, a
13 minimum pressure of 300 psi is required for 30 minutes. An
14 operator is allowed a ten percent buildup or drop-off within
15 that 30 minutes.

16 So if a well is pressured to, for example, 360
17 pounds, well, then they're allowed 36 pounds pressure drop-off,
18 but it has to stay above the 300. So if it meets that
19 criteria, then the well is considered to pass. If it loses
20 more than 30 pounds pressure within the 30 minutes, then it's
21 considered a failure.

22 MR. EZEANYIM: Okay. Thank you.

23 Q. (By Mr. Swazo): Mr. Inge, what's the purpose of
24 testing the wells? What's the purpose of the pressure test?

25 A. The pressure test is actually to make sure that

1 there are no holes in the tubing or the casing. And the holes
2 would indicate that fluid can go into other zones that the well
3 may not be authorized to inject into or into groundwater.

4 Q. Now, in looking at Exhibit No. 5, the operator
5 was given a compliance due date of October 13th, 2006, correct?

6 A. Correct.

7 Q. What was operator instructed to do with these
8 wells until these wells were actually brought into compliance?

9 A. He was instructed that the wells must be shut-in
10 immediately until they were repaired.

11 Q. Have the wells been shut in?

12 A. No, sir.

13 Q. If you look at Exhibit No. 10, can you identify
14 that exhibit?

15 A. No. 10. Okay, I have it in front of me. That is
16 a print-off of the recorded injection volumes for the Adkins
17 Williams State No. 006 and the State No. 001, and it shows what
18 was recorded by the operator as injection for each month in the
19 years of 2006 through 2008.

20 Q. And so in July 2006, operator was instructed to
21 shut these wells in?

22 A. Correct.

23 Q. Has there been continuous injection since then?

24 A. Yes. On the Adkins Williams State No. 006, there
25 was continued injection through the rest of the year in 2006,

1 all of 2007, and January and February of 2008. And for the No.
2 001, there was continuous injection through 2006/2007 through
3 April of 2008.

4 Q. And where did you get this document?

5 A. This was downloaded from the New Mexico GOTECH
6 site that publishes the production and injection information
7 that we provide to them as reported by the operator.

8 Q. Now, I want you to turn to Exhibit No. 9. Let me
9 know when you're there.

10 A. Okay. I'm there.

11 Q. Now, this is the document that the operator filed
12 for the Adkins Williams State No. 006 stating that he intended
13 to convert this well to a producer. Has operator taken any
14 further action on this application?

15 A. None that I am aware of.

16 Q. Has operator contacted you to do a pressure test
17 on any of these wells?

18 A. No, sir.

19 Q. What does operator need to do in order to bring
20 these two wells into compliance?

21 A. The wells need to be -- the leaks need to be
22 repaired on the wells, and they must be pressure tested and
23 passed before these wells can be put back on to injection.

24 Q. Going back --

25 A. Or before they can be used again.

1 Q. Going back to the C-103 that the operator filed
2 expressing his intention to convert the No. 006 to a producer,
3 does that well also need to undergo a mechanical integrity
4 test?

5 A. Yes, sir, because there was evidence of a leak in
6 the well to begin with.

7 Q. And when do you think would be a reasonable date
8 for the operator to bring these wells into compliance?

9 A. Normally, when we have a compliance issue, we
10 give the operator three months. Because of the time delay that
11 has taken place, I would say that a maximum of three months
12 should be granted.

13 Q. Is there anything else that you would like to
14 add, Mr. Inge?

15 A. No, sir.

16 MR. SWAZO: I pass the witness.

17 MR. EZEANYIM: Mr. Padilla?

18 CROSS-EXAMINATION

19 BY MR. PADILLA:

20 Q. Mr. Inge, I'm Ernie Padilla. I'm Mr. Parrish's
21 lawyer. Did you ever go out and inspect these wells after the
22 integrity tests were made?

23 A. No, sir.

24 Q. So you don't know whether or not flow lines are
25 connected or disconnected on the wells?

1 A. Right. I do not know that.

2 Q. Okay.

3 MR. EZEANYIM: Well, somebody witnessed that test,
4 right? Mr. Gerry Guye, right? According to your testimony,
5 Mr. Gerry Guye witnessed the test, the MIT test on these two
6 well, right?

7 THE WITNESS: Yes. He witnessed the test on July
8 10th of 2006.

9 MR. EZEANYIM: So that's why you didn't look at it,
10 because he did the job, right?

11 THE WITNESS: Yes.

12 MR. EZEANYIM: Mr. Padilla?

13 Q. (By Mr. Padilla): Do you know whether Mr. Guye
14 filed any reports of any inspections made after the tests were
15 made?

16 A. Yes. That is Exhibit No. 5, the letter of
17 violation that was mailed to the operator.

18 Q. Okay. I understand that. But as I understand
19 this July 10th, 2006, letter addresses the results of the
20 integrity tests, right?

21 A. Yes.

22 Q. And Mr. Guye observed the tests?

23 A. Yes, sir.

24 Q. Do you know -- my question was whether or not
25 Mr. Guye made any further inspections on the two wells after

1 the integrity tests?

2 A. That I do not know.

3 Q. And you did not, according to your testimony,
4 make any inspections?

5 A. Correct.

6 Q. And you're only relying on the production reports
7 that were filed on the C-115s, right?

8 A. Correct.

9 Q. Okay.

10 MR. EZEANYIM: Let me get what you are getting to,
11 Mr. Padilla. When you say if they went out and conducted
12 inspections, MIT was conducted and the two wells failed. They
13 then issued an LOV. Have the wells been repaired? Is that why
14 you're asking whether they have gone out there to see whether
15 the well has been repaired and tested to pass? Is that -- what
16 are you getting at? Because I'm trying to get -- I'm trying to
17 understand what you are saying.

18 MR. PADILLA: I'm just trying to see whether he
19 relied on any other information other than the C-115s and the
20 production reports that were filed.

21 MR. EZEANYIM: That's not what I'm talking about.
22 These are two injection wells and were tested and they
23 indicated that two of them failed. Then they were issued a
24 violation. Subsequently, if we went out there to, you know,
25 inspect the wells to see whether they passed, you could just

1 relate to me whether you have repaired the well, but you
2 haven't had them inspected to see whether they passed or not.
3 Is that what you are -- because I don't understand.

4 MR. PADILLA: One of the questions I asked him was
5 whether or not he had observed if flow lines into the wells
6 were connected or disconnected. In other words, was there
7 actual injection in the wells that he observed by -- after the
8 integrity tests were made.

9 THE WITNESS: Can I make a comment? When we inspect
10 the wells, unless they are actively injecting at the time we
11 are there, we cannot tell if they have been injecting or not.
12 A number of operators, they have the wells inject at certain
13 times of the day or when they reach -- when their tanks reach a
14 certain amount of volume, then the wells will kick on and
15 inject until it reaches another shutoff volume level.

16 And so it would be purely by chance if I were to show
17 up at this well and actually witness it injecting at the time
18 that I happen to be there.

19 MR. PADILLA: Okay. I understand what you're saying,
20 Mr. Inge. I'm just merely asking whether you went out there
21 and checked the wells at any time after the integrity tests
22 were made.

23 A. No, I did not.

24 Q. And I understand your testimony is that, in
25 general, an operator may do this, but you don't have any

1 information whether the Parrishes were actually injecting in
2 the wells or not -- other than what is shown on the C-115s.

3 A. Correct. Other than what they reported as
4 injection.

5 Q. All right.

6 MR. PADILLA: That's all I have.

7 MR. EZEANYIM: Okay.

8 MR. PADILLA: I don't have any further questions.

9 MR. SWAZO: Nothing further, Mr. Hearing Examiner.

10 MR. BROOKS: No, I do not have any questions.

11 MR. EZEANYIM: I have. Let's continue with the
12 injection -- we are very, very particular about two injection
13 wells which failed MIT. And it's your testimony today,
14 Mr. Inge, that a letter of violation was issued, and they
15 didn't repair the well, and they continued to inject into that
16 well up to sometime this year; is that your testimony?

17 THE WITNESS: Yes, sir.

18 MR. EZEANYIM: And you do know that the wells failed
19 the MIT test?

20 THE WITNESS: Yes.

21 MR. EZEANYIM: Okay. Does anybody have anything else
22 for him?

23 MR. SWAZO: Nothing further.

24 MR. PADILLA: Nothing further.

25 MR. EZEANYIM: You can then present your witness.

1 MR. PADILLA: We'll call Mr. Parrish.

2 MR. SWAZO: Let me just interrupt real quick. I
3 would move to admit Exhibit No. 10 and to let Richard go
4 because he has to get to other work.

5 MR. EZEANYIM: We may call him if we need to, but,
6 Mr. Inge, you're excused for now. But I don't know whether we
7 need you, but if we need you, we'll call you back.

8 THE WITNESS: Okay. That's fine.

9 MR. EZEANYIM: And at this time, Exhibit No. 10 will
10 be admitted into the record.

11 [Applicant's Exhibit 10 admitted into evidence.]

12 MR. SWAZO: Thank you.

13 MR. EZEANYIM: Okay. Go ahead and call your witness.

14 H. DWAYNE PARRISH

15 after having been first duly sworn under oath,

16 was questioned and testified as follows:

17 DIRECT EXAMINATION

18 BY MR. PADILLA:

19 Q. Mr. Parrish, state your full name, please.

20 A. Harold Dwayne Parrish Jr.

21 Q. Mr. Parrish, you're the respondent in this case?

22 A. Yes.

23 Q. One of the respondents?

24 A. Yes.

25 Q. Who is Rhonda Parrish?

1 A. She's my wife.

2 Q. And both of you are owners and operators of the
3 wells in question here today?

4 A. Yes.

5 Q. Okay. Mr. Parrish, you've heard testimony here
6 today concerning your non-compliance issues involved in this
7 case, correct?

8 A. Yes.

9 Q. First of all, let me ask you and have you -- let
10 me direct your attention to Exhibit 10.

11 MR. PADILLA: May I approach?

12 MR. EZEANYIM: Okay. Sure.

13 Q. (By Mr. Padilla): Turn to Exhibit No. 10, would
14 you please, Mr. Parrish.

15 MR. EZEANYIM: Is this OCD's Exhibit 10?

16 MR. PADILLA: Exhibit 10, yes.

17 MR. WARNELL: It's probably the latter third or so.
18 It's quite a ways back.

19 MR. EZEANYIM: The production reports.

20 Q. (By Mr. Padilla): Mr. Parrish, we just heard
21 testimony from Mr. Inge concerning continued injection into the
22 wells, the Williams State No. 006 and the Williams State
23 No. 001?

24 A. Yes.

25 Q. Have you, in fact, injected water, produced

1 water, into those wells after the integrity tests were made?

2 A. We have not injected any water in those wells
3 since 2006 when Gerry Guye told me to block the wells in.

4 Q. Now, how did these numbers get in there in terms
5 of reported injection into the wells?

6 A. That is from actual poor communication between me
7 and my wife that fills out on C-115s. We failed to tell her
8 that the wells were blocked in. She knew that we were paying
9 to haul the water off, but it didn't dawn on her to alter the
10 C-115s on the reporting. And the reason it's reported like
11 this is because we knew how much water the wells produced, and
12 we divided it up between the wells. The meter on one of the
13 injection wells was messed up, so that's why we divide it
14 between the two wells for the amount of water produced.

15 Q. Tell us about your operation, you know, how many
16 wells do you operate?

17 A. We have 40, 41 -- something like that.

18 Q. What kind of wells -- how would you characterize
19 the kind of wells that you have?

20 A. They're all stripper wells, basically
21 barrel-a-day wells, besides the two injection wells.

22 Q. So in 2006, in July of 2006, the integrity tests
23 were performed?

24 A. Right.

25 Q. What, to your knowledge, occurred as far as why

1 they failed the integrity tests?

2 A. At the time we talked it over with Mr. Guye, we
3 were kind of suspicious that the packers were leaking because
4 they've been in there for some time. And we have determined
5 that there is a casing leak. We're not real sure the exact
6 depth; we hadn't determined that yet. But we ran another
7 packer in the hole and somewhere, I think, above 300 feet,
8 there's a hole in the casing on the No. 001.

9 All the tubing is laying -- the seals out are of the
10 No. 001 and on the ground as we speak. The No. 006 that failed
11 the test, we've applied to have a change from injection to a
12 producer. That well we ran tubing and pump in the hole and
13 everything is on location on that one. But I'm concerned about
14 my tank battery, and I need to replace my tank battery.

15 Q. Okay. But in terms of production or injection in
16 these wells, what mechanical -- what have you done to the wells
17 in order to -- so that you couldn't inject?

18 A. Okay. The No. 006, we ran tests. And like
19 Mr. Sanchez said, we encountered some oil in the hole, so I
20 requested to have that changed over to a producer.

21 Q. When did you do that?

22 A. That would be August of last year.

23 Q. Okay.

24 A. And the pump is in the hole and rods and
25 everything. We have it completed. We got to run electricity.

1 The pumpjack is there. Like I say, the tank battery was my
2 concern because I was concerned of possible leaks once we --
3 because it's a pretty old tank. I priced tanks with Patterson
4 Welding Works, and it would be about \$10,000 to replace the
5 tank. And that's where we are with the No. 006.

6 Q. How about the No. 001?

7 A. The No. 001, like I've said, we've determined
8 that there is a hole in the casing. The next procedure to do
9 on that -- and that's why there was two presented to the
10 Artesia office. One of them is to -- what you have to do, you
11 have to put kind of like a plug in the hole and run a packer
12 and try to squeeze cement through that hole in the casing.

13 And then when you retest it, you run a packer all the
14 way down to the bottom of the hole again and do your integrity
15 again, or whatever you call it. That's why I presented that
16 and a plugging procedure on the same day. Because I told
17 Mr. Hawkins there at the OCD office in Artesia, if it fails the
18 test, I'm just going to plug it.

19 So I wanted to have that approved. And I asked if
20 there would be a conflict, and they said no.

21 Q. Looking at the reported injection in these
22 wells -- for the two wells, you have -- as far as I can tell,
23 there's identical injection into both of the wells, right?

24 A. Right.

25 Q. Can you clarify that for the Examiner?

A. That's what I said a while ago. One of the meters had messed up on the wells, and the other one would get cranky sometimes. I hadn't replaced them, so we were dividing the water production between the two wells because the pressure was maintained about the same on both of them.

Q. What water production are you talking about?

A. The production that comes into that tank battery the pump disperses it into two separate injection wells.

Q. I understand that, but where's the water coming from?

A. From the produced water from the wells in the vicinity. From the wells -- there's four other leases that the water would go into that one tank and then inject into the two wells.

Q. Do you have a pipeline into that tank battery from all the other wells?

A. Yes, yes.

EXAMINATION

BY MR. EZEANYIM:

Q. Excuse me. If I might here. I think you are very right. Mr. Parrish, that's a good question. You said on the Adkins No. 006 and No. 001, you have identical well injection into those wells. Why are they that? I didn't get a satisfactory answer.

A. Each injection well has a meter that meters the

1 amount of volume going through it. The meters weren't working
2 properly all the time, and I just haven't replaced them. So we
3 figured the total amount of water production between the wells
4 and divided it between the two wells.

5 Q. Okay. So that's why --

6 A. It's not a total accurate --

7 Q. I see what you mean.

8 A. It could be a few barrels one way or the other,
9 but the pressure is equal on both wells.

10 Q. So if a thousand barrels come in, you give 500
11 here and 500 there?

12 A. Right. And the reason that's been reported that
13 way is just a lack of communication between me and my wife.

14 Q. Okay. And those wells aren't being injected.
15 And then if you look on 2006/2007 and some part of 2008,
16 those -- you were injecting into them. And, you know, the
17 question is: Did you repair those wells after you knew -- you
18 just testified that your wells were leaking. Your attorney
19 asked you when the MITs failed, what happened, and you said
20 there were leaks and everything.

21 A. Right.

22 Q. How do you know there were leaks? Did you do any
23 repair before you started dividing this water into those two
24 wells?

25 A. We hadn't produced -- we hadn't pumped any water

1 into the injection wells since they failed the test.

2 Q. Why are those ones --

3 A. That's what I'm staying; that was a communication
4 failure between me and my wife.

5 Q. What does that mean?

6 A. My wife, you know, she's a housewife. She takes
7 care of all of our C-115s. And unless I tell her, "Hey, this
8 well is blocked in," she doesn't know that it's blocked in.

9 Q. Or shut-in.

10 A. She knows how much water we produce, but she
11 doesn't know that's it's not being dispersed between the two
12 injection wells. We had to pay Hot Oil to be hauling it off on
13 a weekly basis.

14 Q. Because I'm trying to prove something. So what
15 you are saying, these numbers in there were entered in error;
16 is that what you're saying?

17 A. It's our error in reporting that it had been
18 water injected, yes.

19 Q. That produced water, where did it go if you did
20 not have --

21 A. The water?

22 Q. The produced water. Because nobody asked you
23 where is this water coming from.

24 A. Right.

25 Q. Now, when they come from the injection wells,

1 where are they going?

2 A. Okay. We hire OK Hot Oil Services, which is a
3 water transport company. They come and pick up the water and
4 haul it to an injection system, generally a salt system, and I
5 pay to have that injected into their well. Most producers do
6 that if they don't have injection wells.

7 Q. I know they do that. So for two years and a few
8 months you were only dividing the produced water into these
9 wells and reporting them. You say your wife did, right?

10 A. Yes.

11 Q. And you didn't catch it?

12 A. I didn't catch it. In fact, I rarely look at the
13 C-115s. I just don't look at them.

14 Q. But you knew --

15 A. I know how much we produce, but I don't pay any
16 attention to the water.

17 Q. You know that in those wells -- you shut them in?

18 A. Yes. They're shut-in. As a matter of fact, the
19 tubing is laying on the ground and the flow lines are
20 disconnected.

21 Q. And they were shut-in since October of 2006?

22 A. Yes. The day Gerry Guye told me to shut them in,
23 they've been shut-in.

24 Q. So the witness that testified that there is
25 injection there is lying, then?

1 A. Well, no. He's going by our reports. He's not
2 lying. He just hadn't gone out there to inspect and say, "Hey,
3 theses flow lines are disconnected."

4 You know, he's going -- and he said in his testimony
5 that he was going -- he had downloaded them off the file. It's
6 our reporting. It's not that he's lying, no.

7 Q. Okay.

8 MR. WARNELL: Before we get off of this subject,
9 Mr. Parrish, while we're here, what happens in March of 2008?
10 We stopped seeing any reports on the No. 006 well, but the
11 No. 001 is still being reported.

12 THE WITNESS: I'm not sure on that one.

13 MR. WARNELL: It's another one of those mysteries.

14 MR. EZEANYIM: The No. 001 went --

15 THE WITNESS: It's probably maybe a overlooking on
16 her part, once we realized what we were doing. But the flow
17 lines are disconnected. As a matter of fact, the check valve
18 on the No. 006 has been reversed. When I do have the new tank
19 battery hooked up, it'll go into the tank.

20 Q. (By Mr. Ezeanyim): So the wells have not been
21 repaired. I know you are going to convert that one to a
22 producer, but the other one is not repaired?

23 A. It's not repaired. What I have to do is -- like
24 I said, once I get the plug in the hole and then when you run
25 your packer in the hole, you pump cement into the formation.

1 If it does pass the test, then great, we can put it back on
2 injection. If it doesn't, then it's my intention to plug it.

3 But what I have to do first once we pump cement into
4 the hole, you also have to cement on the inside of the casing,
5 which I will have to have drilled out. And it's getting -- and
6 I even told Mr. Hawkins there at the OCD office the other day
7 that the costs -- it might be better for me to go ahead and
8 plug it and not try to repair it and use it as an injection.

9 MR. EZEANYIM: Okay, Mr. Padilla. Go ahead.

10 DIRECT EXAMINATION (CONT.)

11 BY MR. PADILLA:

12 Q. Mr. Parrish, there's been testimony here from
13 Mr. Sanchez regarding the history of non-compliance starting in
14 2003. You heard the testimony, right?

15 A. Yes, sir.

16 Q. Okay. Back in 2003, you had a number of wells
17 that were involved in a hearing, and the testimony is that you
18 only have the Schoonmaker State No. 004, the two Sunray wells,
19 and the --

20 A. The Toomey Allen No. 001.

21 Q. The Toomey Allen No. 001. And the Toomey Allen
22 No. 001 is not involved in this hearing, right?

23 A. It's not on the --

24 Q. Well, at that time, you were given five months to
25 get these wells into compliance?

1 A. Yes.

2 Q. Can you give us why you didn't get them into
3 compliance?

4 A. Initially I -- and the OCD has a copy of the
5 letter there -- I had L&R Well Servicing send them that. I was
6 on their waiting list for over a year, along with Reliable --
7 the smaller well servicing companies is who deals with the
8 small operators. The big companies won't have anything to do
9 with us.

10 Because of the difficulty getting well servicing
11 equipment on location, I went to Kansas and bought a pole rig
12 so I could start servicing my wells myself. A couple of
13 things -- I didn't know, you know, transport, trying to get
14 everything in order. In August -- see, that was in July when I
15 went and got the rig. In August -- well, the day that I met
16 with Mr. Sanchez and Ms. MacQuesten and Mr. Swazo, I left from
17 here and towed it to Tulsa, Oklahoma.

18 My three-week-old grand baby was in the hospital with
19 an IV. And at the same time, my son-in-law was in the process
20 of changing jobs. He lost his job that week -- or two weeks
21 before that. And so we helped them move.

22 Q. What time period are we talking about now?

23 A. My grandson was born August 2nd. I think I met
24 here August 17th.

25 Q. Of what year?

1 A. Last year.

2 Q. Last year. Okay.

3 A. And then two weeks later, my niece had a baby and
4 her baby died two weeks later. And there was a lot of activity
5 that we spent a lot of time -- like two or three months -- with
6 family situations that we didn't pursue getting things done.
7 The rig that I bought -- I didn't realize it -- didn't have guy
8 lines on it. So we had to locate guy wires so we could install
9 guy wires on it. I had it in my yard and rigged it up and saw
10 a brace was broken on it, so we had to get a welder.

11 So it was various things that happened over about
12 three or four months that I didn't get it done. But I got my
13 rig on the location after we got it welded. See, we had to
14 have that done pretty quick. And it would not pull -- your
15 tubing in an injection well is stretched. Once we set, the
16 packer stretched, and your slips are on it, and my rig wouldn't
17 stretch that to get it off the slips. So that put me behind,
18 because I thought I was going to be able to take care of these
19 wells myself, these injection wells.

20 So I had to rig down and get off location. That's
21 when, you know -- and you have difficulty finding well
22 servicing equipment. I went to Basics, which is a large oil
23 service company -- which I didn't want to do business with
24 them, but I promised them that I would pay them when they drove
25 off location -- to pull that No. 001. And that's where we're

1 at on No. 006. And as a matter of fact, the bill for No. 006,
2 the well service alone was a little over \$9,000. I went to the
3 bank and borrowed the money and paid them as they drove off
4 location.

5 Q. Do you have -- what are your finances?

6 A. Well, during the situation with the initial order
7 back in 2003, you know, oil was quite low at the time, and the
8 funds were not available. That's why I sold the Mary Lou and
9 the Caroline to the Hammonds, because I did not have the money
10 to repair the wells at the time.

11 Q. So did you sell any other wells?

12 A. I sold the ones -- just the Caroline -- and I
13 held the lease adjacent to the Caroline -- and the Mary Lou to
14 the Hammonds because they had the rig and the equipment to do
15 whatever they wanted to do with them.

16 Q. You plugged two wells this year, right?

17 A. Yes, sir.

18 Q. How did you do that?

19 A. Mr. Hammond and I had an agreement -- he has a
20 cement pump -- that I would pay for the Caroline. Even though
21 there apparently there was a mixup in the change of operator on
22 the Caroline No. 002, I told him that I would pay for all the
23 cement it took to plug that well if he would use his pump to
24 plug my wells. And the agreement was that he would charge me
25 \$500 to use his pump per well for the first two wells and

1 \$1,000 thereafter. We got the Caroline plugged. We got the
2 Toomey Allen No. 003 plugged. And the transmission went out on
3 my rig before we got to the Toomey Allen No. 001, and I've been
4 trying to locate a transmission for an old engine on the rig
5 ever since.

6 Q. Have you made other arrangements to plug your
7 wells?

8 A. Yes, sir. I contacted Mayo Marrs, a casing
9 pulling company just to go ahead and start plugging my wells
10 just as fast as they can plug them. I told him that -- his
11 price, he said, would be somewhere around 10,000 a well. It
12 shouldn't be over that -- for plugging. I told him I could
13 afford two a month -- and the bank would work with me on
14 that -- if he would get started on plugging my wells.

15 Q. When can Mayo Marrs start plugging the wells?

16 A. He's got a crew in Tatum right now plugging
17 wells, and he said they're almost through. And he's supposed
18 to go to work plugging wells for Marbob Energy. And he said
19 what he would do is a couple of days a month, he would pull
20 between wells and plug one of mine. And he can do -- because
21 mine are all shallow, he could plug two a month and then go
22 back and do some more for Marbob. And he would do two a month
23 for me until mine are completed.

24 Q. In terms of the December 8th deadline given to
25 you by the OCD, December 8th of this year, can you meet that

1 deadline?

2 A. All things being equal, probably. I think what
3 Mr. Hawkins was talking about on that, the approval for that
4 procedure is approved through that date. And then anything
5 after that, they would have to be reapproved. But I can't
6 remember how many that I presented to him so far. I haven't
7 presented all of them that are in question yet.

8 I've got the two Sunrays, the Atlantic, the Welch,
9 the Schoonmaker -- I'm not sure any other procedures, but I
10 told him I'll be bringing some more to you as we get done.

11 Q. When can Mayo Marrs start plugging the wells?

12 A. The letter that he sent us -- he said that he
13 would try to start this month, but he didn't think he could.
14 He said probably in October, no later than November, he would
15 get started on my wells.

16 Q. In terms of Mr. Sanchez' testimony, do you think
17 you can make it by December 8th or -- assuming that Mayo Marrs
18 gets on location?

19 A. Assuming that Mayo Marrs can do it, yes. There
20 shouldn't be no reason why we wouldn't be able to do that,
21 unless unforeseen things that we don't know about.

22 Q. How about the injection well, the October -- end
23 of October deadline to convert the well, the No. 006, to a
24 producing well?

25 A. What I lack on the No. 006 is -- like I said,

1 everything is in the hole. I need to have CD run electrical to
2 that. And then for caution purposes, I want to replace my tank
3 battery. So it would take borrowed money, but I could
4 probably -- it's going to be tight, but it'll --

5 Q. You think you can make that deadline?

6 A. I hope so.

7 Q. Well, I want you to be realistic here in terms of
8 whether that's realistic and not get in trouble if you think
9 you can't make it.

10 A. Like I said, I want to replace the tank battery.
11 That tank's probably 40, 50 years old. I have to replace that.
12 The flow lines are ready to go. Like I said, I've reversed the
13 flow lines from the injection well. All we got to do is run
14 electricity and set the pumpjack on it, and we'll be ready to
15 go, if I can get a tank installed. If I have to, I can run a
16 temporary line from another well.

17 Q. Would you have to repair the casing on the well
18 because the casing is bad?

19 A. What we've determined is the hole in the casing
20 was right at ground level. There was a little pinhole that can
21 be welded and repaired.

22 Q. So you don't have to do any major thing to that
23 well --

24 A. Not to the well, no.

25 Q. -- other than to replace the --

1 A. The tank battery and the electricity.

2 Q. Now, since that well has been an injection well,
3 would it produce a lot of water now if you convert it?

4 A. Generally, one of two things will happen: It's
5 just going to produce water, water, water. If that happens,
6 we'll turn around and plug it. But it had oil in the hole,
7 which is -- there's been times when injection wells were
8 converted and they paid out substantially once the water was
9 pumped out of the hole. In a sense you're kind of fracing the
10 well all the time when you're injecting it.

11 Q. Let me -- go ahead.

12 A. Also in reference to -- once I get my rig
13 running, if I can find a transmission and get that, and using
14 Johnny Hammond's cement pump, you know, it's always a
15 possibility that we can get wells plugged in a faster way, you
16 know. Because he still has an agreement to -- with Johnny's
17 pump, I can plug a well for \$3,000. With Marrs plugging it,
18 you know, I'm looking at around \$10,000.

19 Q. So you would prefer to do it yourself?

20 A. Oh, sure. Like I say, Marrs is going to start,
21 hopefully, in October.

22 Q. When did your transition go out?

23 A. May, I think it was. We had just plugged the
24 Toomey Allen No. 003 and were fixing to -- I wanted to pull a
25 pump off another well and replace the pump on the well on the

1 Toomey Allen No. 001 and that's when the transmission broke --
2 the housing broke on the transmission.

3 Q. Let's look at Exhibit 1-A of the OCD. In terms
4 of summary, let's take each well that is listed in that
5 Exhibit 1-A. The Adkins Williams State No. 001, you're going
6 to plug that; is that right?

7 A. That's the one that I have two procedures that we
8 were going to try to squeeze cement in the casing, then we have
9 to drill the plug out that's in the casing and then retest it.
10 If it failed, I was just going to plug it. That's why there's
11 two procedures, a remedial work procedure and a plugging
12 procedure.

13 Q. And when do you intend to get that done?

14 A. Just as soon as I can get a rig on location.

15 Q. So Mayo Marrs would do that work on that?

16 A. If they will. I hadn't actually asked them if
17 they -- I don't know if they can drill out the cement plug. I
18 hadn't asked him about that.

19 Q. But in terms of the OCD's deadline of October,
20 the end of October, can you realistically do that in that
21 amount of time?

22 A. Only if I can get a rig on location, true. I
23 mean, if I can pick up a rig in the next 30 days or, you know,
24 we can have that cement squeezed into the leak in the casing
25 and get that done.

1 Q. Okay.

2 A. Like I said, it's contingent on how quick I can
3 get a rig on location.

4 Q. You don't have anyone contracted at this point?

5 A. Not for the No. 001 because we have to drill the
6 cement out. Like I said, it's coming to the point where it
7 might be a better process just to -- instead of taking the risk
8 and spending \$4- or \$5,000 for a squeeze job, just to go ahead
9 and plug it.

10 Q. When did Mayo Marrs confirm that they could start
11 on your wells in October or even maybe September?

12 A. The last letter I got on the specific date for
13 starting in October, I received it last week -- or this week,
14 actually, I guess -- the 15th.

15 Q. Do you have the Adkins -- let's go on to the next
16 well -- the Adkins Williams State No. 002.

17 A. That will be plugged. The procedure hasn't been
18 given to Mr. Hawkins yet, the plugging procedure, but it's been
19 inactive for a long time. Whoever drilled the well, drilled an
20 injection well and never plugged that one. I'm sure there's a
21 reason why they didn't produce that well.

22 Q. The next well is the Adkins Williams State
23 No. 002Y. What's going to happen with that?

24 A. That well, if I can't seal some water off that
25 come in without the injection wells, the wells that I have that

1 produce a lot of water, they're not feasible for me to operate,
2 so the best process -- if I can't get that water sealed off --
3 is to plug it.

4 Q. Have you filed anything?

5 A. Not on the 002Y.

6 Q. How about the Williams State No. 005?

7 A. Yes. I'm going to plug that well.

8 Q. How about the Adkins Williams State No. 006?

9 A. That's the one that we're going to change to a
10 producer.

11 Q. The Atlantic State No. 003?

12 A. Plug.

13 Q. Have you filed paper on that?

14 A. Yes.

15 Q. Has it been approved?

16 A. Yes.

17 Q. The Graridge State No. 003?

18 A. Yes, I think it's been approved. I presented --
19 there's two or three of them I presented to Mr. Hawkins that he
20 said he would try to get approved before the court date, but
21 there was a couple of them that he was unable to get completed.

22 Q. Before today -- when you say "court date."

23 A. Yes, before today.

24 Q. The Schoonmaker State No. 004?

25 A. It's a plugging procedure. I think it's approved

1 now. It wasn't approved when I was on the website, but it's
2 going to be plugged. There was a discrepancy on my procedure
3 and he said -- I said I'll do whatever you want. I didn't
4 realize the depth of the salt zone there so I have to put salt
5 zone cement.

6 Q. But how about the State T No. 001?

7 A. Plug. I haven't got the procedure on it, but
8 that is another one that will be plugged.

9 Q. And the State T No. 002?

10 A. Just some remedial work on that well and then
11 it'll be ready to go.

12 Q. To plug or to produce?

13 A. To produce.

14 Q. Okay. How about the two Sunray wells?

15 A. They'll both be plugged.

16 Q. And the Welch State No. 004?

17 A. It'll be plugged.

18 Q. Have you submitted paperwork on the Sunray and
19 the Welch well?

20 A. The Sunray is approved -- both Sunrays and the
21 Welch. I think he's approved it, too.

22 Q. Okay. Do you have any -- let me ask this: Are
23 any of these wells, to your knowledge, impairing the
24 environment or somehow migrating into freshwater zones?

25 A. No.

1 Q. Or do they have liquids?

2 A. No. The nearest well in question would be the
3 Adkins Williams No. 001, the casing leak. You know, I'm not
4 sure of the depth, but it's in the -- the long string casing is
5 not in the surface casing where the leak was, because it was
6 actually coming out the top between the two casings when we
7 pressured up on it.

8 Q. Are there any freshwaters in the area?

9 A. I know there's a windmill about three-quarters of
10 a mile from this injection well. I'm guessing on the distance.
11 There's a lot of quail around it, but that's the nearest water
12 system that I know of.

13 Q. Do you have anything further to add to your
14 testimony?

15 A. I've been -- I want to be in compliance more
16 than -- as much as anybody does. I don't like being here.

17 Q. All right.

18 MR. PADILLA: Pass the witness.

19 MR. EZEANYIM: Mr. Swazo?

20 CROSS-EXAMINATION

21 BY MR. SWAZO:

22 Q. Mr. Parrish, you've known about the OCD's
23 inactive well Rule 201 since 1997; isn't that correct?

24 A. Yes.

25 Q. And three -- well, four of the wells that

1 currently show on your inactive well list, the Schoonmaker
2 State No. 004, the Sunray Mid Continent No. 001 and No. 002,
3 and the Toomey Allen No. 001, I believe?

4 A. Right.

5 Q. Those wells -- the OCD actually brought a
6 compliance proceeding against you for those wells due to their
7 inactivity; isn't that correct?

8 A. Yes.

9 Q. And under the prior case, you were required to
10 bring those wells into compliance back in 2003, correct?

11 A. Yes.

12 Q. Those wells still appear inactive. How come you
13 haven't returned those wells -- how come you haven't brought
14 those wells into compliance with Rule 201?

15 A. The reason those wells didn't get done initially
16 when the order was presented, it's just like I told Mr. Gum in
17 Artesia, I said initially I wanted to produce the wells. And
18 he said, "Well, then, produce them."

19 I said, "I don't have the money to produce them."

20 He said, "Well, if you can can't produce them, plug
21 them."

22 I said, "If I don't have the money to produce them --
23 the 6,000 or whatever it is to produce a well -- I don't have
24 the money, the \$6,000, to plug a well."

25 And that -- you know, funds availability was, at that

1 time, was the only reason for not being in compliance on any of
2 the wells. Just like the Helen and the Mary Lou -- or the
3 Caroline and the Mary Lou. I didn't want to sell those, but
4 because I couldn't afford to do anything with them, I sold them
5 to somebody that could.

6 Q. Now, when did you have this conversation with
7 Mr. Gum?

8 A. Off and on since I've been in business and the
9 oil prices were so low.

10 Q. And actually, the OCD started proceedings against
11 the Toomey Allen in November -- or they notified you of the
12 Toomey Allen back in 1997; isn't that correct?

13 A. I assume. I don't know.

14 Q. And didn't the OCD notify you about the
15 Schoonmaker State No. 004, the Sunray Mid Continent No. 001 and
16 002 back in the year 2000?

17 A. Probably.

18 Q. And those wells still had not been brought into
19 compliance by the time Case No. 12811 had gone to hearing back
20 in 2002?

21 A. Right. They're still not in compliance right now.

22 Q. And it's been nearly five years since you've been
23 ordered to bring those wells into compliance. Why haven't you
24 done that?

25 A. Again, the funds before oil prices spiked so

1 good, were not available. I mean, if you don't have it, you
2 don't have it. My only choice was bankruptcy. I tried to sell
3 the wells, and because of the out of compliance rulings, nobody
4 wanted to purchase them for even as much as I owed against
5 them. I tried to break even in just getting out and couldn't.

6 Now that the oil prices are up there -- and of
7 course, rigs have been very difficult to get. Of course, now
8 I'm set up to have Marrs -- Mayo Marrs -- to plug the wells.
9 And as soon as that's done, the wells will be in compliance.

10 Q. And isn't it true that those four wells have
11 actually been inactive since the early part of the 1990s?

12 A. Probably.

13 Q. And what's your intention --

14 A. Well, the Sunrays were -- when I purchased the
15 Sunray lease -- I bought the Sunrays April 1st of '93. They
16 were producing at the time. On April 26th of '93, I dissected
17 an artery in my neck and had a stroke and was in the hospital
18 for 11 days and in pretty bad shape for several months.

19 I come to find out I had purchased an expired lease.
20 And that's the only reason -- and Mr. Powell, who was the land
21 commissioner at the time, told me to vacate the lease, and
22 that's why they haven't been -- but they changed operators
23 three times on the expired lease status, and I'm the only one
24 that they caught up with, I guess.

25 Q. Well, if you look at Exhibit No. 4, which is your

1 inactive well list, doesn't it show the dates for the last
2 reported production for the Schoonmaker as of April 1993?

3 A. It could be. Because when I first -- on the two
4 Sunrays is what I was talking about.

5 Q. Well, let me give you the opportunity to get to
6 that exhibit.

7 A. Exhibit what?

8 Q. Exhibit 4?

9 A. Okay.

10 Q. So the Schoonmaker State No. 004 has been
11 inactive since -- the date of last reported production was
12 April 1993, correct?

13 A. Right.

14 Q. The Sunray Mid Continent No. 001, September 1994,
15 correct?

16 A. Right.

17 Q. The same thing with the Sunray Mid Continent
18 No. 002?

19 A. Right.

20 Q. And also the Toomey Allen No. 001 has been
21 inactive. The date of last production was December of 1992?

22 A. See, I never produced it.

23 Q. But that's the date that appears on this.

24 A. Okay.

25 Q. Is that correct?

1 A. Right.

2 Q. And nothing has been done to bring those wells
3 into compliance with Rule 201?

4 A. Not on the No. 001 or the Sunrays or the
5 Schoonmaker.

6 Q. What is your intention with regard to the \$30,000
7 civil penalty?

8 MR. PADILLA: Objection. I thought that was
9 already -- that was not part of the hearing.

10 MR. EZEANYIM: Can you redirect the question, please?

11 Q. (By Mr. Swazo): Well, I'll go ahead and move on.
12 Now, Mr. Parrish, you're saying that Exhibit 10 is a result of
13 a reporting error --

14 A. Yes.

15 Q. -- based on your wife?

16 A. Well, not on my wife, but the communication
17 between me and my wife, yes.

18 Q. So let me see if I understand this correctly from
19 your testimony: The way that you would report for those two
20 wells, there would be one meter, and you would simply divide
21 whatever was reported on that meter in half for each well?

22 A. No. The tank -- we knew how much water was
23 produced into the tank, and we would report -- divide the water
24 between the two wells.

25 Q. And that was -- you used that practice before you

1 were ordered to shut-in the wells, correct?

2 A. Yes.

3 Q. And your testimony was that this practice was
4 followed when your wife was filing the C-115s after that letter
5 of violation was issued?

6 A. Yes.

7 Q. Where did your wife get the information for the
8 C-115s from?

9 A. The amount of water produced is standard, you
10 know. It varies from month to month sometimes, but the amount
11 of oil you produce and the amount of water you produce is -- it
12 goes in the tanks. So we would divide it out when the wells
13 were running and injecting between the two, but the water is
14 still coming into the tank. Did I answer your question right?

15 Q. I don't think so. Let me go ahead and ask it
16 maybe a different way: Now, you testified that you shut-in
17 these wells after July --

18 A. The day they failed the test, yes.

19 Q. -- and your wife was still filing C-115 reports
20 after that date.

21 A. Right.

22 Q. Where was she getting her information from?

23 A. Well, the amount of water we produce. If you
24 produce 2000 barrels a month, then the water that was being
25 injected would be divided between the two wells. So we still

1 produce the same amount of water.

2 Q. And then if you look at Exhibit No. 10, nothing
3 is reported for the No. 006 from February on, but yet
4 production is being reported for up until May.

5 A. I do not know why that's like that. Unless it
6 was just an oversight on her part, I guess. I don't know.

7 MR. EZEANYIM: Repeat that question, because it's
8 important. On the other one, he stopped in February and
9 continued the other one. I don't know -- how did that come
10 about? I don't know if you answered that.

11 Could you clarify it on No. 001 and No. 006? No. 001
12 continues up until April, and the other one stopped in
13 February. Did you divide the, you know, the amount of water
14 produced between the wells.

15 And the one other question I would have is before
16 these two wells failed the MIT, is it your practice to divide
17 the produced water into two?

18 THE WITNESS: Yeah.

19 MR. EZEANYIM: Okay. Now, what are the injection
20 capacities of those wells? Because you don't just divide them.
21 Suppose one cannot even take all of the water or half of the
22 water that you have divided. I mean, you're supposed to take
23 500 barrels, now you're going to have 1,038. It's not going to
24 take it.

25 THE WITNESS: Well, one of the meters was working for

1 awhile and then we could tell that they were fairly balanced in
2 the amount of water they were taking. We had both of them
3 acidized here few years ago and they were doing good,
4 maintaining the same pressures, even when I blocked one in and
5 tested it that way, the pressure would be substantially the
6 same.

7 MR. EZEANYIM: Okay. Then answer the question why
8 you stopped in February on No. 006 and continued to April in
9 No. 001.

10 THE WITNESS: I don't know.

11 MR. EZEANYIM: Okay.

12 THE WITNESS: Like I said, apparently just an error
13 on our part.

14 Q. (By Mr. Swazo): When did you discover this
15 error?

16 A. Today -- or yesterday and or -- it was today when
17 you approached us with it. Because when Mr. Sanchez testified
18 that we were injecting, I told Mr. Padilla, I said, "We haven't
19 injected in two years."

20 I mean, I can show the electric meter on the
21 injection pump as well as expenses of hauling the water off.
22 You know, I presented that to you last time I was here, along
23 with Mr. Gum, paying OK Hot Oil to haul my water off.

24 Q. And so nothing has been reported for the Adkins
25 Williams No. 006 since February of this year, according to

1 this, correct?

2 A. Correct.

3 Q. And for the No. 001, nothing has been reported
4 since June of this year, correct?

5 A. Yes.

6 Q. And do you plan to correct this error?

7 A. We'll have to do a correction on the -- I forget
8 what they call it. We'd have to do a report, a corrective, on
9 the oil and tanks before because the water that -- barrels go
10 into a tank or something. I can't remember what you would call
11 it, but we'd to have correct that on the file, yes.

12 Q. There's additional wells -- I mean, there's wells
13 that were not part of that case a few years ago that are part
14 of this case that are out of compliance with Rule 201. Why
15 haven't you brought those wells into compliance with Rule 201?

16 A. What wells are you talking about?

17 Q. We're talking about the Adkins Williams State
18 No. 002, the Adkins Williams State No. 002Y.

19 A. I can answer that. Again, you know, five years
20 ago the funds were not there to let go of to produce a well.
21 Now that they're there, that's why I hired Mayo Marrs to start
22 plugging these wells.

23 Q. And you testified that you met with myself,
24 Mr. Sanchez, and Ms. MacQuesten last year, last August 2007?

25 A. Right.

1 Q. And at that meeting, we told you that you had to
2 bring your injection wells into compliance; isn't that correct?

3 A. Yes.

4 Q. Why haven't you done so?

5 A. The No. 006, like I said, the holdup has been
6 running electrical lines and the tank battery. The No. 001 is,
7 you know, getting ahold of a company who can drill a cement
8 plug out. I'd like to think about just plugging it instead of
9 trying to repair it.

10 At the same time that I was taking care of -- last
11 summer I had some environmental issues I was addressing with --
12 in regard to old pits. I had to get a trackhoe out on location
13 to dig up all the contaminated soil. And a couple of the pits
14 we went down right at 20 feet before we were able to get
15 cleared on the amount of contaminated soil. And I had to fill
16 up all these holes with fresh dirt. And now I'm in the process
17 of hauling all this dirt off to the land farm.

18 And so it's just the amount of money available to
19 take care everything that was needing to be taken care of.

20 Q. Do you recall us also telling you that you needed
21 to bring your inactive wells into compliance?

22 A. Yes.

23 Q. Those two injection wells, where would the waters
24 come from for those two wells?

25 A. From the Welch, Signal, Graridge, and the

1 Gilmore. And when the No. 006 would be pumping, it can come
2 from that also.

3 Q. And those four wells are your wells?

4 A. Yes, those leases.

5 Q. What did you do with the water from those wells?

6 A. They all -- pipelines go into the A & W
7 fiberglass tank and I have OK Hot Oil to come out with a
8 transport and haul it to the salt injection system.

9 Q. Did you bring any transport receipts for that?

10 A. Not today. Mr. Gum has -- I handed him, or
11 showed them to him. I don't know if we made copies of them or
12 not.

13 Q. In the compliance order, you agreed to repair the
14 two injection wells and bring them into compliance by
15 August 17th, 2007, right?

16 A. Right.

17 Q. You did not do so, correct?

18 A. I did not get them in compliance by the date, no.

19 Q. And then you asked for an additional ten days to
20 bring the wells into compliance?

21 A. I think it was something like that.

22 Q. And you did not bring those wells into compliance
23 within that ten-day period, right?

24 A. Right.

25 Q. In fact, the wells are still out of compliance.

1 A. Yes, they are.

2 Q. What I'm trying to understand is, what type of
3 time frame are you asking for in terms of bringing those wells
4 into compliance?

5 A. As far as plugging the wells, Mayo Marrs, in
6 their letter and my agreement with them, is to plug two wells a
7 month until all wells are in compliance.

8 Q. And what about those two injection wells?

9 A. The two injection wells will be a matter of me,
10 like I said, replacing the tank battery and running the
11 electrical line on the No. 006. And then the No. 001, probably
12 a plugging procedure if we can't get it to pass the integrity
13 test when we squeeze cement in the casing.

14 MR. SWAZO: I pass the witness at this time,
15 Mr. Hearing Examiner.

16 MR. EZEANYIM: Thank you. Mr. Padilla, do you have
17 any cross-examination?

18 MR. PADILLA: No, I don't.

19 MR. EZEANYIM: Do you have anything?

20 MR. BROOKS: Nothing.

21 EXAMINATION

22 BY MR. WARNELL:

23 Q. A couple of questions. You stated that you went
24 to Kansas in July and bought the pole rig?

25 A. Yes, sir.

1 Q. Was that July of this year?

2 A. It was last year.

3 Q. Last year.

4 A. I bought it so I could get on these wells real
5 quick. It wouldn't pull the injection well.

6 Q. And you had some problems -- well, you have a
7 problem right now with the transmission. But you had the guy
8 wires or the guy lines --

9 A. And the brace that I had to have welded up.

10 Q. How much money would you estimate you've got into
11 that pole rig right now?

12 A. Initially, the pole rig costs \$45,000. And then
13 just a few hundred for the remainder. And the transmission, I
14 don't know what it's going to cost.

15 Q. All right. Tell me a little bit about your
16 company. I see from one of the reports, on one of the OCD
17 exhibits, that you have 47 total wells?

18 A. I didn't think it was that much, but I was
19 thinking it was 41.

20 Q. How many employees do you have?

21 A. I have a man that works for me part-time when he
22 gets off work at 4 o'clock to help me with the greasing. And
23 when we do pull a well -- he helped me put the Toomey Allen
24 No. 003 when we plugged it. He ran the tubing in the hole for
25 me.

1 Q. Out of those 47 or 41 wells, what percentage of
2 those are producers?

3 A. All the ones are producers except the ones that
4 aren't in compliance right now.

5 Q. So your monthly production rate is how much?

6 A. Right now it's about 28 a day, or something like
7 that. I'm not real sure exactly.

8 Q. 28?

9 A. And I've got some wells -- like I said, when I
10 was pulling the pump and the transmission went out, that well,
11 you know -- things like that. I have two or three that I need
12 to replace pumps with.

13 Q. But what's your reported monthly production? How
14 many barrels?

15 A. Like I said, I rarely look at the C-115s. I can
16 calculate it in my head real quick if you want me to.

17 Q. Okay.

18 MR. EZEANYIM: You said 28, didn't you?

19 THE WITNESS: Pardon me?

20 MR. EZEANYIM: You said 28 barrels a day.

21 THE WITNESS: It's 20-something -- between 25 and
22 28 -- like that a day.

23 Q. (By Mr. Warnell): 25 or 28 barrels a day?

24 A. Some of the wells I have as low as 64 percent in
25 revenue. And there's a couple of them as high as 87 1/2.

1 MR. EZEANYIM: So the wells are just producing one
2 barrel or two barrels?

3 THE WITNESS: For the most part, yes. I have a
4 couple that make a little less than that. But I have one well
5 that's never been pulled since it was drilled, and it makes
6 just under a barrel a day.

7 MR. WARNELL: Okay. I have no further questions.

8 FURTHER EXAMINATION

9 BY MR. EZEANYIM:

10 Q. Continue on that. How did you acquire these
11 wells?

12 A. Excuse me?

13 Q. How did you acquire these wells?

14 A. Initially, my father-in-law owned some of these
15 wells, and we purchased them from him.

16 Q. What year?

17 A. Excuse me?

18 Q. What year did you own these wells? Was it in the
19 '90s, '80s --

20 A. 1993 is when I bought them.

21 Q. Okay.

22 A. Now, some of the wells -- let's see. The Welch
23 and the Signal, I bought those in '88 when the Colliers went
24 out of business. We bid on that and got those.

25 Q. Okay. Now, we know that the two injection wells

1 are leaking. Your attorney asked you whether there is any
2 environmental impact. You said no. How do you know?

3 A. We don't.

4 Q. But you said no, they have no environmental
5 impact.

6 A. To the best of my knowledge, the ones that aren't
7 in compliance have no flow. As a matter of fact, some of them
8 I tried to pump and there was no -- it didn't even fill the
9 flow line up, so there's no water. So the depth of water is
10 another way to get into, you know, your water and the area is
11 somewhere around 150 to 200 feet. So if your fluid in your
12 pipe is not to that height, you don't worry about it. Now, an
13 injection well, if you're injecting under pressure, you can
14 lift it all the way up and contaminate the water supply and
15 there's a concern there.

16 Q. Yeah, because --

17 A. In the No. 001, if I was injecting it under
18 pressure with that hole in the casing, yes, it could make an
19 environmental impact on the water, and that's why it's down.

20 Q. Of the wells that failed the MITs, I mean, you
21 said it's an error. Let's say it's not an error, and you're
22 injecting into a leaking well. All those are coming up. But
23 said you didn't inject after the failed MIT?

24 A. Well, they can -- I mean, the flow lines are
25 disconnected. I mean, they can go out and inspect them now.

1 Basic Well Servicing was there when we reversed the flow line
2 on the No. 006, and that was in August of last year. Those
3 flow lines, they can witness to that that it's been
4 disconnected.

5 Q. One of the questions you were asked; do you
6 intend to correct the error? Because this is what we get
7 whenever we go to hearing and we get this far.

8 Do you intend to correct these errors?

9 A. We'll to have correct the error on that.

10 Q. How do you plan to do that?

11 A. The form -- like I said, I can't remember what
12 it's called. There's a form you can go back --

13 Q. You have to go back two-and-a-half years back and
14 correct them?

15 A. -- and correct them.

16 Q. Your correction means you have to put zeros on
17 those numbers?

18 A. Right. And probably show proof that we've had it
19 hauled off.

20 Q. Now, I know I can see that there's some efforts
21 for you to plug some of these wells. You went one by one and
22 they asked you what you want to do with each of these wells,
23 which ones you are going to plug and abandon. Is it because of
24 this hearing that you are taking an active role in trying to do
25 that? Why not do it 1993 and 1997 and 2003? Is it because of

1 this hearing that you want to take all these actions now? I
2 wrote them down. Those wells you are going to plug and
3 abandon, or repair for oil production or approve for injection.
4 Why now?

5 A. Because the money's available now.

6 Q. Okay.

7 A. I mean, with the price of oil at \$100 a barrel,
8 there's no reason -- when it was \$20 a barrel, I couldn't
9 afford to do it. But now that it's, you know --

10 Q. Okay. Yeah, because you talked about funding.
11 And Terry asked you how many employees you have. You have just
12 one employee, right?

13 A. Right.

14 Q. You know, we -- the OCD has been trying to work
15 with you.

16 A. Sure.

17 Q. We understand that sometimes the funds are not
18 there and there are family situations. In 2003, I think that's
19 when the oil prices starting coming up. We can understand.
20 The OCD, we ask for agreement. We are not, you know -- you can
21 see we're very, very lenient on you.

22 You can come to the OCD when you see there's a
23 situation of time that -- they come to you or you come to them.
24 You can tell them, "Money is very tight now. Could you help me
25 out? This is what I'm going to do."

1 And then if you say, "I'm going to do this," then you
2 are -- give me just one-tenth of that to show us you want to
3 comply. That's really -- if they see that, they wouldn't even
4 bring this case to hearing.

5 But what I'm saying is that, with money being tight,
6 you could still do something by showing interest that you want
7 to comply. That's really what we're trying to do. We are not
8 trying to collect anything. I've said that many times. We
9 don't want your money; we want you to comply. Once you comply,
10 that's it. Right?

11 A. Right.

12 Q. Okay. Now, when the funds were very tight, you
13 could have negotiated with them, give them, you know -- you can
14 even communicate with them that you don't have money to do it
15 now, but you can do it whenever you want. And they can go into
16 an Agreed Compliance Order with you that you know you are going
17 to meet. You don't sign an Agreed Compliance Order if you're
18 not going to meet it, because it brings us here now.

19 A. Right.

20 Q. And you are telling me -- what I'm asking you:
21 Are you going to meet the December 8th? I know you want to
22 impress me and say, "Yeah, Mr. Examiner, I'm going to do it."

23 A. Right.

24 Q. But I would rather you say you are going to do it
25 in 2020 and you meet it, than say you're going to do it in 2008

1 and not. You see what I mean?

2 A. Yes, sir.

3 Q. I mean, I'm trying to tell you that we're not
4 bullies. No, no, we are not. If you work with us, we'll work
5 with you if you want to comply.

6 A. Okay.

7 Q. You know, you explained about your family
8 situation in 2007, that's not the situation in 1997 or 2003.

9 A. Right.

10 Q. You see the point? I heard everything you said.
11 You know, in 2007 I mean, you had a family situation. We
12 understand that, you know. And you could talk to them and they
13 could help you, you know.

14 It's really sad that we have to come here. Now, you
15 said the money is not a factor; you can do it.

16 A. Right.

17 Q. Now, when do you want to complete the tasks?
18 Your attorney asked you to set a date you can accomplish this.
19 You said the rig will come once a month. When do you hope to
20 comply with this?

21 A. The letter from my Mayo Marrs, is it in here?

22 MR. PADILLA: No.

23 THE WITNESS: I picked it up. I guess he'll fax it
24 to you Monday, then.

25 Mayo Marrs, the plugging company that I've contracted

1 to plug my wells, in his letter, he said that he could start on
2 those for sure probably in October, November at the latest.

3 The agreement with him is I needed two wells plugged
4 a month, and that's probably the most that I could afford at
5 this time. And he said that he could break away from, you
6 know, a few days a month from Marbob Energy that he's going to
7 be plugging their wells, and then come do a couple of mine, and
8 then go back to Marbob because he has several of Marbob's that
9 he's going to plug.

10 So in his letter, he said he should be able to start
11 in October. Also, I've contacted a company in Duncan, Oklahoma
12 to give me an estimate on a price of building me a cement pump
13 so that when my rig is available and running, then I can start
14 cementing, you know, also. And then, who knows, maybe start
15 cementing for the State, too.

16 But the feasibility of -- if I could just get an
17 estimate this week then, you know, if that's feasible, then I
18 could probably plug wells even faster.

19 Q. I still don't have a date that you think you can
20 finish all these jobs.

21 A. Finish all the wells, or start? I thought you
22 said start. He said he'd probably start somewhere in October,
23 November at the latest. Two a month.

24 Q. Two in two months, because when he does two a
25 month, he goes back to somebody and then comes back.

1 A. If we do one a month, we're looking at -- if I
2 plug all these -- a minimum of 11 months. That's at one a
3 month.

4 Q. Eleven months from now is what date?

5 A. From starting in October?

6 Q. Yeah.

7 A. August of next year.

8 Q. And you're not doing any injection into those
9 wells, right? You're not going to be injecting into those
10 wells, are you?

11 A. No.

12 MR. EZEANYIM: Mr. Swazo, do you have any other
13 comments on this case?

14 MR. SWAZO: Just a brief closing, if you want me to
15 give it.

16 MR. EZEANYIM: Sure, go ahead.

17 MR. SWAZO: Mr. Hearing Examiner, I would ask that a
18 very tight rein, a very short leash, be extended to Mr. Parrish
19 in this case.

20 MR. EZEANYIM: A very what?

21 MR. SWAZO: A very short leash should be extended to
22 the operator in this case. The OCD has been after the operator
23 for a few of these wells since the 1990s, and they still have
24 not been brought up to compliance. I've heard the operator say
25 that he's had problems when the oil has been good, and he's had

1 problems bringing these wells into compliance when oil has been
2 bad. And I'm afraid that if you give him a lot of time,
3 nothing is going to happen.

4 But what I wanted to say is, that of the 11 wells
5 that are part of this -- of the 11 inactive wells that are part
6 of this action, eight have been inactive since 2000; two have
7 been inactive since 2003; one has been inactive since 2004; and
8 one has been inactive since 2007. So the operator has had
9 quite a bit of time to bring these wells into compliance, and
10 he still has not done so.

11 The OCD has made the attempt over several years to
12 try to get operator to bring his wells into compliance. He
13 hasn't done so. What we are asking for is that the operator be
14 ordered to plug these wells by a date certain. With regard to
15 the six C-103s that the operator submitted so the OCD, I would
16 ask that you make the date certain be the date that's been
17 given for those C-103s.

18 And for the other five inactive wells where a C-103
19 has not been submitted, I would ask that you also consider
20 making December 2008 the date certain by when the operator is
21 required to bring these wells into compliance and have these
22 wells plugged.

23 With regard to the injection wells, the operator has
24 known about the fact that these wells have had needed to be
25 repaired for over two years, and here we are still two years

1 out. Nothing has been done with the wells, and the operator
2 had plenty of time to prepare those wells and bring those wells
3 back into compliance.

4 I would ask that, consistent with Inspector Inge's
5 testimony, that the date set for compliance be three months
6 from today's date. And we are asking for authorization to plug
7 the wells and forfeit the financial assurance if operator does
8 not meet the conditions set forth in your order.

9 And I would also ask for a hearing -- that the case
10 be reset for a hearing after the date for compliance -- after
11 the due date for compliance has been set in this case to
12 determine whether or not the operator has done what he's been
13 ordered to do in this case.

14 I don't have anything else to add.

15 MR. EZEANYIM: Okay. So what you're telling me, is
16 that I give him -- when I was probing him about how many months
17 he wants, that doesn't mean I will give him that. Are you
18 asking for the date certain to be three months from the date of
19 hearing, or what do you want?

20 MR. SWAZO: Yes. For the MIT, the date certain, we
21 are asking for three months from today's date.

22 MR. EZEANYIM: Okay. For the MIT test.

23 MR. SWAZO: For the injection wells.

24 MR. EZEANYIM: Okay. To repair the injection wells
25 and to test to make sure they pass.

1 MR. SWAZO: Yes. For them to be repaired, retested
2 and pass MIT.

3 MR. EZEANYIM: Within three months of the date of
4 this hearing?

5 MR. SWAZO: That's correct.

6 MR. EZEANYIM: Okay. On the other inactive wells,
7 what are you asking?

8 MR. SWAZO: For those inactive wells where the OCD
9 has stamped the C-103s and has given the operator a date for
10 bringing those wells into compliance, we're asking for you
11 folks to abide by that date and just order the date certain,
12 whatever date was ordered -- whatever date is ordered on the
13 six C-103s that the operator submitted to the OCD.

14 MR. EZEANYIM: Right. Who are you referring to when
15 you say "you folks."

16 MR. SWAZO: I'm sorry. The Hearing Examiners.

17 MR. EZEANYIM: Okay. I don't know whether you were
18 referring to the inspectors or something. Okay. Three months
19 from the date the injection wells to be brought into
20 compliance. The other 11 wells, you said were going to give
21 them whatever the approval says.

22 MR. SWAZO: Right.

23 MR. EZEANYIM: What is the approval? I know some of
24 them have been approved. When were they asked to comply with
25 those inactive wells, to plug and abandon them? We went

1 through them from the time -- from the date of those approvals.

2 MR. SWAZO: Well, if you look at Exhibit No. 15,
3 that's the Adkins well. Exhibit No. 16, that's the C-103 for
4 the Adkins Williams State No. 001.

5 MR. EZEANYIM: No. 16?

6 MR. SWAZO: No. 16, yes.

7 MR. EZEANYIM: Okay. That's injection, not the wells
8 that need to be plugged and abandoned. Okay, No. 16. Okay.
9 What date was that that the well had to be plugged and
10 abandoned?

11 MR. SWAZO: Well, in this case, the operator
12 testified that he had actually made two submissions that date
13 because he's still evaluating what he plans to do with this
14 well. But if he decides to plug this well, then we're asking
15 for the date certain to be set with the date that the OCD,
16 Artesia district office, stamped at the bottom of the form,
17 which is approval granted by the district to be complete by
18 December 2008.

19 MR. EZEANYIM: Okay. So you want all those inactive
20 wells to be completed by December 10, 2008?

21 MR. SWAZO: Yes. That's the Adkins Williams State
22 No. 001.

23 MR. EZEANYIM: For that particular well?

24 MR. SWAZO: Yes. Because the dates vary with the
25 C-103 forms. You know what? I can make it much more simpler

1 and just say, even though some of these forms are stamped where
2 the work is required to be done by December 8th, I will just
3 agree to a compliance deadline of December 10th, 2008, for all
4 the forms that have been submitted. And I would also ask that
5 that date also be set for the other wells where the forms have
6 not been submitted.

7 I just think that there's been plenty of time for the
8 operator to bring these wells into compliance.

9 MR. EZEANYIM: Okay. For all the 11 wells?

10 MR. SWAZO: Yes. I would also ask that you set this
11 case for a hearing following the date for compliance, simply so
12 that we could review whether or not Mr. Parrish has brought the
13 wells into compliance. I don't know if that's possible, but
14 that's what I would request.

15 MR. BROOKS: I assume -- I was trying to figure out
16 why you wanted us to do that, and I think it occurred to me.
17 You want to get an order under Rule 40; is that correct?

18 MR. SWAZO: That is correct.

19 MR. BROOKS: Yeah, that makes sense. There's no
20 reason why we can't do that, as far as I can tell.

21 MR. SWAZO: I don't have anything else to add.

22 MR. EZEANYIM: Do you have anything, Mr. Padilla?

23 MR. PADILLA: Yes, I do. First, Mr. Examiner, I have
24 a letter dated September 15th, '08.

25 MR. EZEANYIM: What's the date?

1 MR. PADILLA: September 15th, '08. I did not submit
2 that letter to Mr. Swazo because, obviously, I didn't have it
3 available until the day before yesterday. I can show it to
4 Mr. Swazo. It verifies Mr. Parrish's testimony about -- it's a
5 letter from Mayo Marrs.

6 MR. EZEANYIM: Saying what?

7 MR. PADILLA: Saying that they'll do -- their best
8 estimate is sometime in October, November of 2008 that they can
9 start the work for plugging. So I don't have -- if you want to
10 see it, fine. But I just want to inform you that we do have
11 this letter.

12 MR. EZEANYIM: I don't think it has any reference to
13 what we're doing, does it? Does it?

14 MR. BROOKS: That's up to you, Mr. Examiner.

15 MR. EZEANYIM: I mean, that's up to Mayo Marrs and
16 Mr. Parrish to know what they want to do. For me, I have to go
17 back and weigh everything and see what I need to do. I don't
18 have to rely on that.

19 MR. PADILLA: All right. I'm just making it
20 available if you want to see it.

21 MR. EZEANYIM: All right.

22 MR. PADILLA: I think by way of closing, I think it's
23 clear here that there's no question that the operator in this
24 case has gotten the message having to come to this hearing. I
25 don't think that -- I think to some extent, they're responding

1 to the hearing. And I think most operators, once they have the
2 hearing scheduled before the OCD, it catches their attention.
3 I'm not going to deny that.

4 I think in terms of the operator here, trying to plug
5 the wells, he has certainly started plugging two of the wells.
6 They had -- and they were doing it with their own equipment
7 that was used equipment, and it failed. They now have a
8 contract with Mayo Marrs to plug the wells.

9 I think -- well, I don't have any quarrel with the
10 demands made by Mr. Swazo in terms of deadlines. I would ask
11 that an order by the Division would contain some administrative
12 procedure in the event that the operator needs some flexibility
13 in the process. In other words, if Mayo Marrs can't get there
14 or Mr. Parrish can't get his own equipment there, I think that
15 he should be allowed to give some reason for asking for an
16 extension. And I don't think that extension should be
17 necessarily a year or anything like that. I think it ought to
18 be probably on a short rein. I have no objection to that.

19 But I think there has to be some flexibility in
20 orders, otherwise we have to come back to hearing, I suppose,
21 and ask for a more formal procedure to extend deadlines. I
22 think it should be a built-in administrative thing, if the
23 operator can show good cause why an extension should be
24 granted.

25 In terms of the status hearing, which Mr. Swazo's

1 asking for, I don't think that's unreasonable. On the other
2 hand, if there's been compliance and the work has been
3 finished, then perhaps the necessity of that kind of hearing
4 would be unnecessary.

5 So I leave it up to the Examiner in terms of the
6 status conference or status hearing sometime in January. If he
7 has not finished the work, then I think probably a status
8 hearing would not be unreasonable. And so I think it would
9 also have the effect of having Mr. Parrish try to complete the
10 work as far as -- and I think he's trying to do that.

11 I think he's been very forthright. When you have a
12 mom-and-pop operation such as they have here, obviously, I
13 don't think there's any testimony with regard to the injection
14 wells is that there was a mistake made.

15 MR. EZEANYIM: Right.

16 MR. PADILLA: He didn't communicate with his wife,
17 and I can understand how that happens. But they need to
18 correct the C-115s, which he needs to do in order to show zero
19 injection on those wells. But when the flow lines are not
20 connected, and there's been no inspection to verify whether
21 there's actual injection going on, then reliance on the C-115s
22 alone may not necessarily be appropriate.

23 But I think the deadlines are not unreasonable. But
24 on the other hand, I think whatever order comes out, there's
25 got to be a little bit of flexibility, and also you don't have

1 to come back to hearing to extend those deadlines.

2 MR. EZEANYIM: Thank you, Mr. Padilla. I appreciate
3 your statement now. Because other than the fact that we are
4 here, why we are asking questions of Mr. Parrish, is because he
5 is a mom-and-pop operation. If this was not a mom-and-pop
6 operation, I wouldn't have asked the question I was asking him.
7 And from what your closing statement just said, I think I
8 appreciate what you're saying.

9 Because my experience in the OCD is that these
10 operators, they don't anything until you take them to hearing.
11 And then we go to hearing, we have to be very serious about it
12 and make sure we get that compliance. Because, you know, as I
13 said before, we don't want the money. We don't want any
14 penalty. Even though you give the money to us, we don't want
15 the penalty, because it's a mom-and-pop operation. If it were
16 Exxon or Mobile, I don't think they were not -- and that's why
17 we're not asking for that penalty today, additional penalty,
18 whatever that is.

19 And I appreciate your comments about the time frame
20 that is in question, and I understand that. The point is to
21 ensure that you are interested in complying with these rules.
22 So we're going to grant your request and maybe put it in the
23 order that after the time, the date certain, we put in if the
24 order is not complied with, there will be a proceeding to
25 request extensions if he's making progress.

1 The point is, is he trying to? But after given this
2 hearing today and everything, yes. After the date certain, you
3 can bring him back in. That is what I understand.

4 But, Mr. Padilla, if after the date certain and we
5 see because of his strength or drew to lack of agreement or due
6 to his rig not working or due to something that nobody can
7 help, we can understand that, you know. But when they don't
8 try to comply because they don't really want to comply, is when
9 we start, you know, going hard on them. We say come in and
10 then comply.

11 So we're going to take administrative notice of that,
12 maybe put in the order that, after a date certain, they don't
13 come in. Then there might be purpose to grant an extension if
14 there's progress being made. But if they can't meet that
15 deadline we set in there, we can give them an extension and see
16 whether they will comply with that extension. If not, then
17 that gives us an opportunity to come back and bring him back.

18 So I think that's what he was saying, you know. When
19 you said, we go administratively to see about getting an
20 extension. And if they don't comply, then we can bring him in.

21 THE WITNESS: Can I ask a question?

22 MR. EZEANYIM: Yeah.

23 THE WITNESS: I'm trying to verify what Mr. Swazo
24 was -- to be specific what he wanted done by December 10th.

25 MR. EZEANYIM: Well, I know what he wants, but let me

1 to allow him to answer that question.

2 THE WITNESS: What wells do you want done by
3 December 10th?

4 MR. SWAZO: All of the inactive wells. That's what I
5 was requesting. Whether or not they grant it, I don't know,
6 but that's what I have asked for.

7 THE WITNESS: Okay. How many wells, I mean -- but
8 you say by December 10th. How many wells are we talking about
9 there?

10 MR. SWAZO: Eleven wells.

11 THE WITNESS: All of them by this December 10th?

12 MR. SWAZO: Yes.

13 THE WITNESS: That's plugging or repairing or taking
14 care of all 11 wells in three months?

15 MR. PADILLA: Well, that's why we're asking for
16 administrative extensions to give you more time.

17 THE WITNESS: Okay. I mean, that's just near
18 impossible to do.

19 MR. PADILLA: If you're showing diligent efforts,
20 that's what I'm asking for.

21 THE WITNESS: I mean, I would love to be -- because
22 I've got a man wanting to -- as soon as I make compliance, he
23 wants to buy me out. And the sooner, the better. I mean, I
24 would love to be in compliance by December 10th. But it's hard
25 for me to imagine to say, yeah, I can be in compliance by

1 December 10th and have all these wells taken care of. You see
2 what I'm saying?

3 MR. PADILLA: I understand.

4 THE WITNESS: Especially with Mayo Marrs saying he
5 can do two a month starting in October. And that's six wells
6 by the end of the year.

7 MR. EZEANYIM: Okay. I've heard you. We're going to
8 have to make a decision here, and let you know whatever
9 decision we make in this case. I've told you constantly, your
10 attorney, what I think we should do. It depends on what you
11 are asking, that December 10th is the deadline and after that,
12 I have consented to -- well, I don't know whether I'm going to
13 grant December 10th or not, but even if I do, we will watch
14 your progress, if you are making a diligent effort to comply
15 with those.

16 But if due to unforeseen extenuating circumstances,
17 you couldn't, that's what I was saying. You can come back here
18 and then share with them what happened at the hearing
19 altogether. But if you make a conscious effort to comply, I
20 mean, people will look at it. I don't think if you are making
21 a conscious effort to comply, they will bring you to hearing.
22 They can grant you an extension to do that. Maybe that would
23 be incorporated in the order. The point is for you to comply
24 with the rules.

25 THE WITNESS: Okay.

1 MR. EZEANYIM: If you are making a conscious effort
2 to comply with those rules. Now, that you are working on wells
3 that have been out of compliance since 1997 or whether you have
4 gotten started. Because I think you are here because at the
5 hearing you told me, most operators come in because they were
6 brought in. I don't think you could have come in here today,
7 "Okay. I'm going to do this."

8 You filled this out in September? September 10th,
9 all these wells were done because this hearing is coming up.
10 And I asked you that question, and we don't take kindly to
11 those. We want someone who will make a conscious effort.
12 Because if you were in our shoes, you wouldn't like it either.
13 So we're not trying to prosecute you or something. We are
14 trying to help you comply.

15 And looking -- we looked at it and found you are a
16 mom-and-pop operation. They're not asking for any penalties in
17 this particular case. Of course, you know there might be, if
18 you are to be a company that is well off, there might be
19 penalties. But because you're a mom-and-pop operation, there's
20 no point in going after you to pay penalties. Just comply with
21 the rules.

22 THE WITNESS: Sure.

23 MR. EZEANYIM: That's all. Anybody have anything
24 else?

25 MR. WARNELL: I wouldn't wait, Mr. Parrish, for the

1 order, to start working.

2 MR. EZEANYIM: Of course. You may start now, you
3 know. You know what the order is going to look like, so you
4 might start work, making that conscious effort to comply with
5 the rules.

6 THE WITNESS: All right.

7 MR. EZEANYIM: So when you get the order and see what
8 the terms are, then you can complete your compliance efforts.
9 So Terry's right.

10 Anything further, Mr. Padilla?

11 MR. PADILLA: Nothing further.

12 MR. EZEANYIM: Do you have anything, Mr. Swazo?

13 MR. SWAZO: I would just like to add that the Toomey
14 Allen No. 001, although it's not the subject of this
15 proceeding, is still out of compliance and needs to be
16 addressed.

17 THE WITNESS: That's the next one being plugged.
18 That was the next one we were going to plug when my
19 transmission went out on my rig, so it's already in the making.
20 As a matter of fact, the plugging -- the tubing to plug it and
21 the cement plug is on the next location. Now, we're ready to,
22 as soon as the rig gets on it.

23 MR. EZEANYIM: What did you want me to do with that
24 Toomey Allen?

25 MR. SWAZO: I just wanted to bring it to

1 Mr. Parrish's attention we had talked about this previously.
2 And, you know, I don't like bringing compliance action either.
3 It's a waste of my time. It's a waste of your time. And these
4 matters can be resolved without having to come all this way
5 after many years.

6 MR. EZEANYIM: I agree with you. Anything further?

7 Okay. Case No. One 14164 will be taken under
8 advisement.

9 And that concludes the cases for today.

10 * * *

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18 I do hereby certify that the foregoing is
19 a complete record of the proceedings in
20 the Examiner hearing of Case No. _____
heard by me on _____.

21 _____, Examiner
22 Oil Conservation Division
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REPORTER'S CERTIFICATE

I, JOYCE D. CALVERT, Provisional Court Reporter for the State of New Mexico, do hereby certify that I reported the foregoing proceedings in stenographic shorthand and that the foregoing pages are a true and correct transcript of those proceedings and was reduced to printed form under my direct supervision.

I FURTHER CERTIFY that I am neither employed by nor related to any of the parties or attorneys in this case and that I have no interest in the final disposition of this proceeding.

DATED this 18th of September, 2008.

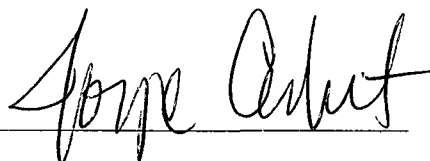


JOYCE D. CALVERT
New Mexico P-03
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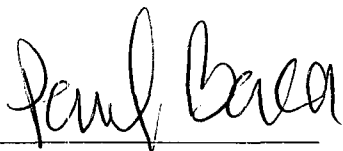
1 STATE OF NEW MEXICO)
2 COUNTY OF BERNALILLO)

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4 I, JOYCE D. CALVERT, a New Mexico Provisional
5 Reporter, working under the direction and direct supervision of
6 Paul Baca, New Mexico CCR License Number 112, hereby certify
7 that I reported the attached proceedings; that pages numbered
8 1-116 inclusive, are a true and correct transcript of my
9 stenographic notes. On the date I reported these proceedings,
10 I was the holder of Provisional License Number P-03.

11 Dated at Albuquerque, New Mexico, 18th day of
12 September, 2008.

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16 Joyce D. Calvert
17 Provisional License #P-03
18 License Expires: 7/31/09

19
20 
21

22 Paul Baca, RPR
23 Certified Court Reporter #112
24 License Expires: 12/31/08
25

1 STATE OF NEW MEXICO

2 ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

3 OIL CONSERVATION DIVISION

4
5 IN THE MATTER OF THE HEARING CALLED
6 BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:

CASE NO. 14164

7 APPLICATION OF THE NEW MEXICO OIL
8 CONSERVATION DIVISION FOR A COMPLIANCE
ORDER AGAINST PARRISH, H. DWAYNE AND
9 RHONDA K.

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11
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13 REPORTER'S TRANSCRIPT OF PROCEEDINGS14 EXAMINER HEARING

15
16 BEFORE: DAVID K. BROOKS, Legal Examiner
17 RICHARD EZEANYIM, Technical Examiner
TERRY G. WARNELL, Technical Examiner

18 September 18, 2008

19 Santa Fe, New Mexico

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21 This matter came on for hearing before the New Mexico
Oil Conservation Division, DAVID K. BROOKS, Legal Examiner,
22 RICHARD EZEANYIM, Technical Examiner, and TERRY G. WARNELL,
Technical Examiner, on Thursday, September 18, 2008, at the
23 New Mexico Energy, Minerals and Natural Resources Department,
1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico.

24 REPORTED BY: JOYCE D. CALVERT, P-03
Paul Baca Court Reporters
25 500 Fourth Street, NW, Suite 105
Albuquerque, New Mexico 87102