

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

IN THE MATTER OF THE HEARING CALLED BY)
THE OIL CONSERVATION DIVISION FOR THE)
PURPOSE OF CONSIDERING:)
)
APPLICATION OF THE NEW MEXICO OIL)
CONSERVATION DIVISION FOR AN ORDER)
REQUIRING IT PROPERTIES TO PROPERLY PLUG)
TWO WELLS, IMPOSING CIVIL PENALTIES,)
AUTHORIZING THE DIVISION TO PLUG SAID)
WELLS IN DEFAULT OF COMPLIANCE AND)
ORDERING A FORFEITURE OF APPLICABLE)
SECURITY, EDDY COUNTY, NEW MEXICO)

CASE NO. 13,128

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS
EXAMINER HEARING

RECEIVED

AUG 21 2003

Oil Conservation Division

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

August 7th, 2003
Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, WILLIAM V. JONES, JR., Hearing Examiner, on Thursday, August 7th, 2003, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

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August 7th, 2003
 Examiner Hearing
 CASE NO. 13,128

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* * *

A P P E A R A N C E S

FOR THE DIVISION:

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

* * *

ALSO PRESENT:

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

* * *

1 WHEREUPON, the following proceedings were had at
2 3:10 p.m.:

3 EXAMINER JONES: Let's go back on the record and
4 call Case 13,128, Application of the New Mexico Oil
5 Conservation Division for an order requiring IT Properties
6 to properly plug two wells, imposing civil penalties,
7 authorizing the Division to plug said wells in default of
8 compliance and ordering a forfeiture of applicable security
9 in Eddy County, New Mexico.

10 Call for appearances.

11 MR. BROOKS: I'm David Brooks, Assistant General
12 Counsel, Energy, Minerals and Natural Resources Department,
13 for the New Mexico Oil Conservation Division. I have three
14 witnesses.

15 Before we swear the witnesses in this case, Mr.
16 Examiner, in respect to Case Number 13,129, which is the
17 Application of the New Mexico Oil Conservation Division for
18 an order requiring Wood, McShane and Thams to properly
19 remediate the location of a plugged well in Lea County --
20 it's the next item on the docket after this one -- I've
21 been unable to contact my witness in the Hobbs Office,
22 Billy Prichard. I tried to call him and I did not get him
23 either in the -- He's not in the office, and I didn't get
24 him on the cell phone.

25 So it being so late in the afternoon and almost

1 closing time at the District Office, I'm going to request
2 to continue that case.

3 I will not be here on -- at least I may not be
4 here on August the 21st, so I'm going to request to
5 continue that case to September the 4th.

6 EXAMINER JONES: Okay, Case 13,129 is continued
7 to September 4th.

8 MR. BROOKS: Thank you. Going back to Case
9 Number 13,128, I have three witnesses, all of whom are
10 present.

11 EXAMINER JONES: Okay, will the witnesses please
12 stand to be sworn?

13 (Thereupon, the witnesses were sworn.)

14 MR. BROOKS: Proceed?

15 EXAMINER JONES: Yes.

16 MR. BROOKS: Okay.

17 ISABEL MONTOYA,

18 the witness herein, after having been first duly sworn upon
19 her oath, was examined and testified as follows:

20 DIRECT EXAMINATION

21 BY MR. BROOKS:

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

23 A. Isabel Montoya.

24 Q. And by whom are you employed?

25 A. Oil Conservation Division.

1 Q. At what location?

2 A. In Santa Fe.

3 Q. And in what capacity?

4 A. I do the -- key the C-115s.

5 Q. I will call your attention to Exhibit Number 1

6 that is in the exhibit stack that was presented to you.

7 Can you identify that as being a production report from the
8 ONGARD system?

9 A. Yes.

10 Q. And if -- for those months that are identified
11 there, if the operator had reported any production from the
12 wells identified, would that be shown in the --

13 A. Yes.

14 Q. -- column shown as Gas and Oil on that report?

15 A. It would.

16 Q. And so the absence of any such numbers indicates
17 that there was no production report; is that correct?

18 A. Nothing, no.

19 MR. BROOKS: Thank you, that's all my questions
20 of this witness.

21 EXAMINATION

22 BY EXAMINER JONES:

23 Q. Okay. Wait, Isabel, there is some gas here on
24 the Siegreest State Number 1. Is that --

25 A. Oh, are you looking for all of them? I thought

1 it was for --

2 Q. Actually 1997 to 1998, okay.

3 A. 1997 -- for the --

4 Q. Okay, that's --

5 MR. BROOKS: We're only dealing with the IT
6 Properties, the two wells, here, not the Jim Pierce yet.

7 THE WITNESS: Do you see something on the
8 Siegreest?

9 MR. BROOKS: Yes, it's on page 2 of the IT
10 report.

11 THE WITNESS: Okay.

12 MR. BROOKS: There's production reported for
13 October, 1997, through September, 1998. Look at Exhibit 1
14 in the clipped-together stack.

15 THE WITNESS: All right.

16 Q. (By Examiner Jones) But the wells haven't
17 produced for over a year, at least they haven't reported
18 any production?

19 A. No, there was one --

20 MR. BROOKS: Second page.

21 THE WITNESS: Okay, the -- right there, yeah.
22 There was one that did produce, okay. They produced just
23 for those -- it wasn't even nine months -- 10, 11, 1, 2 --

24 EXAMINER JONES: Okay, that's fine, I have no
25 further witnesses --

1 MR. BROOKS: No further questions.

2 EXAMINER JONES: -- no further questions for Ms.
3 Montoya.

4 MR. BROOKS: Okay, thank you.

5 THE WITNESS: Thank you.

6 MR. BROOKS: We call Dorothy Phillips.

7 DOROTHY L. PHILLIPS,

8 the witness herein, after having been first duly sworn upon
9 her oath, was examined and testified as follows:

10 DIRECT EXAMINATION

11 BY MR. BROOKS:

12 Q. State your name for the record, please.

13 A. Dorothy Phillips.

14 Q. And by whom are you employed?

15 A. By the New Mexico Oil Conservation Division.

16 Q. What location?

17 A. 1220 South Saint Francis Drive here in Santa Fe.

18 Q. And in what capacity?

19 A. I am the plugging bond administrator.

20 Q. Do you keep the files in which we keep the
21 original plugging bonds that are filed by operators?

22 A. That's correct.

23 Q. Look at the exhibit stack, and call your
24 attention to what has been identified as Exhibit Number 4.

25 A. Yes, sir.

1 Q. And can you identify that, please?

2 A. That's a copy of the \$50,000 blanket plugging
3 bond on file for K.W. Chen, doing business as IT
4 Properties.

5 Q. And who is the surety?

6 A. The surety is Gulf Insurance Company.

7 Q. Okay, and this is one of the plugging bonds that
8 you have on file, correct?

9 A. Yes, sir, it appears to be the exact same one
10 that's on file.

11 MR. BROOKS: Okay. I will offer -- I forgot to
12 offer Exhibit 1 a minute ago. I will offer Exhibits 1 and
13 4 at this time.

14 EXAMINER JONES: Exhibits 1 and 4 will be
15 admitted to evidence.

16 MR. BROOKS: Pass the witness.

17 EXAMINATION

18 BY EXAMINER JONES:

19 Q. Ms. Phillips, there's no other bonds, this is it
20 for these two wells?

21 A. That's correct.

22 Q. And it's issued to an individual?

23 A. Yes, sir, an individual can have a bond doing
24 business as a company name.

25 Q. And the company name would be IT Properties?

1 A. That's correct.

2 Q. Okay. And this is -- The latest correspondence
3 we have for these bonds is still in effect and --

4 A. That's correct, I have not released the bonds.

5 EXAMINER JONES: Okay, that's all the questions I
6 have. Thanks.

7 THE WITNESS: You're welcome.

8 MR. BROOKS: Thank you. Given the fact that
9 we're not presenting the Wood-McShane case, which is the
10 only other one on which we have a bond, I would request
11 that Ms. Phillips be excused at this time.

12 EXAMINER JONES: Okay, Ms. Phillips, you're
13 excused. Thank you very much.

14 THE WITNESS: All right, thank you.

15 MR. BROOKS: Call Van Barton

16 VAN BARTON,

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

19 DIRECT EXAMINATION

20 BY MR. BROOKS:

21 Q. Good afternoon, Mr. Barton.

22 A. Mr. Brooks.

23 Q. You've been waiting a long time here.

24 A. Yeah, I'm excited.

25 Q. State your name for the record, please.

1 A. Van Barton.

2 Q. By whom are you employed?

3 A. Energy, Minerals, Natural Resources, the Oil
4 Conservation Division, and I'm out of the Artesia Office.

5 Q. And what is your capacity?

6 A. I'm a compliance officer.

7 Q. Okay. Are you acquainted with the IW [sic]
8 Properties DHY State Number 1 and Siecrest State Number 1?

9 A. Yes, sir.

10 Q. I'm sorry, Sorry, DHY State "B" Number 1 --

11 A. State B Number 1 --

12 Q. -- and Siecrest Number 1?

13 A. Yes.

14 Q. I will call your attention, then, to what has
15 been marked as Exhibits Numbers 2 and 3, and I know you
16 haven't seen them in exactly this form before, so I'll give
17 you a few minutes to look through them and then I'll ask
18 you a couple of questions.

19 A. Okay.

20 Q. Okay, Mr. Barton, are these Exhibits 2 and 3, are
21 these excerpts from the well files for the DHY "B" State
22 Number 1 and the Siecrest State Number 1, respectively?

23 A. They are, sir.

24 Q. And I will then call your attention -- Well,
25 first of all, are there documents in these excerpts from

1 the well files for each of these wells which indicate that
2 IT Properties is the operator of record for each of these
3 wells?

4 A. Yes, sir.

5 Q. Now, I'll call your attention to Exhibits Numbers
6 5 and 6 that are in the exhibit folder. These exhibits
7 were prepared by me, and they purport to be summaries of
8 the information in the well files. If you would, just
9 glance over that and tell us if that correctly reflects
10 what's shown in the well files.

11 A. Yes, sir.

12 Q. Okay. Are you familiar with these wells
13 personally, Mr. Barton?

14 A. I am, one of them --

15 Q. Okay.

16 A. -- the "B" 1.

17 Q. And with regard to the other one, are you
18 familiar with it through reports from other inspectors?

19 A. Yes, from Mr. Gum and the other inspectors.

20 Q. Okay. Did you undertake to prepare -- on the
21 basis of these wells, did you undertake to prepare plugging
22 procedures to these wells?

23 A. Yes, sir.

24 Q. Call your attention to what's been marked as
25 Exhibits 7 and 8.

1 A. Yes, sir.

2 Q. And are these -- You have 7 and 8 there?

3 A. Right.

4 Q. Yeah, okay. Are these plugging procedures
5 prepared by you or under your direction for these two
6 wells?

7 A. Yes, sir.

8 Q. And Exhibit Number 7 is a plugging procedure for
9 the DHY State "B" Number 1, correct?

10 A. That's correct.

11 Q. And Exhibit Number 8 is for the Siecrest State
12 Number, correct?

13 A. That's correct.

14 Q. Based on your familiarity with these wells,
15 either personally or from reports that you've received in
16 the course of business from the other inspectors, do these
17 wells need to be plugged for the prevention of waste and
18 the protection of the environment?

19 A. Yes, sir.

20 Q. Is there anything you want to add about these
21 wells?

22 A. No, sir.

23 MR. BROOKS: Okay, very good.

24 I will offer into evidence at this time Exhibits
25 2, 3, 4, 5, 6, 7 and 8.

1 EXAMINER JONES: Exhibits 2, 3, 4, 5, 6, 7 and 8
2 will be admitted to evidence at this time.

3 MR. BROOKS: Pass the witness.

4 EXAMINER JONES: And also all three witnesses are
5 qualified as expert witnesses, just in case we didn't do
6 that before, or if it has to be done we'll do it now.

7 MR. BROOKS: Okay.

8 EXAMINATION

9 BY EXAMINER JONES:

10 Q. Mr. Barton, one of these wells -- I guess both of
11 them, have already been plugged back quite a bit. Are
12 these old plugbacks good enough, or do you have to drill
13 them out and --

14 A. No, from my examination of the well files, they
15 are fine. And the well can be plugged -- you know,
16 permanently plugged from that point up.

17 Q. Okay. And you have to put -- And you're not
18 going to recover any casing, going to pull any casing?

19 A. Well, that's not suggested by me, no.

20 Q. Okay.

21 A. If the operator chooses to recover casing he may,
22 yes.

23 Q. Oh, so he still has the opportunity, then. These
24 will be used in case he does not go ahead and plug it?

25 A. The plug depths wouldn't change, you know, or the

1 placement of the plugs wouldn't change even if you
2 recovered the pipe.

3 Q. Okay.

4 A. There would be an additional stub plug --

5 Q. Okay.

6 A. -- possibly, or it could, you know, work in place
7 of another one. But the placement of the plugs wouldn't
8 change even if the pipe is recovered.

9 Q. Okay. What's your general methodology on placing
10 the plugs? You place one above and below the producing
11 horizons in that area, and then every 5000 feet? Is that
12 what you do in case there is no producing horizons within
13 5000 feet vertically, or how do you determine where to put
14 your cement?

15 A. Okay, there's a plug over the producing zone --

16 Q. Okay.

17 A. -- of some type. And then on the right side of
18 the exhibits you can see some formation tops. Those must
19 be covered.

20 Q. Okay.

21 A. You're allowed 2000 feet of free pipe or 3000
22 feet of cemented pipe, you know, on the outside. You must
23 cover all salt sections, waterflows, casing shoes, and then
24 a surface plug.

25 Q. Okay, a salt section above and below?

1 A. That is correct.

2 Q. And the pipe inside and outside?

3 A. A plug would be cement inside and outside of all
4 casings --

5 Q. Okay.

6 A. -- at that depth, with a 25-sack minimum or 100
7 feet, whichever is greater.

8 Q. And these formations that you pick to cover, are
9 they producing in the area? These are the ones that -- the
10 Glorieta --

11 A. They aren't necessarily picked, but by our
12 guidelines and rules they must have cement plugs above
13 them.

14 EXAMINER JONES: Okay, that's all the questions I
15 have. Thanks for waiting around so long today.

16 THE WITNESS: No problem.

17 MR. BROOKS: I have nothing further, Mr.
18 Examiner.

19 EXAMINER JONES: Okay, with that Case 13,128 will
20 be taken under advisement.

21 (Thereupon, these proceedings were concluded at
22 3:28 p.m.)

I do hereby certify that the foregoing is
* * * a complete record of the proceedings in
the Examiner hearing of Case No. _____
heard by me on _____ 19__

25 _____, Examiner
Oil Conservation Division

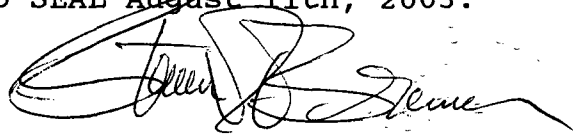
CERTIFICATE OF REPORTER

STATE OF NEW MEXICO)
) ss.
COUNTY OF SANTA FE)

I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL August 11th, 2003.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2006