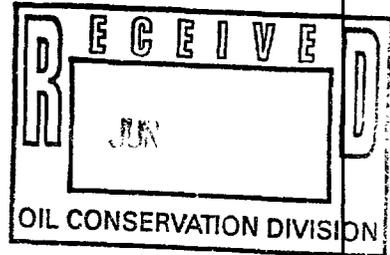


STATE OF NEW MEXICO

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:)
HEARINGS CALLED BY THE OIL)
CONSERVATION DIVISION ON ITS)
OWN MOTION)

CASE NOS. 11,253
11,254
11,255
(Consolidated)

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

May 18th, 1995

Santa Fe, New Mexico

This matter came on for hearing before the Oil
Conservation Division on Thursday, May 18th, 1995, at the
New Mexico Energy, Minerals and Natural Resources
Department, Porter Hall, 2040 South Pacheco, Santa Fe, New
Mexico, before Steven T. Brenner, Certified Court Reporter
No. 7 for the State of New Mexico.

* * *

I N D E X

May 18th, 1995
 Examiner Hearing
 CASE NOS. 11,253, 11,254 and 11,255 (Consolidated)

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APPEARANCES	3
APPLICANT'S WITNESSES:	
<u>RAY SMITH</u> (Field Rep 2, NMOCD Artesia Office, Present by Telephone)	
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Examination by Mr. Kendrick	13
Examination by Examiner Stogner	14
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REPORTER'S CERTIFICATE	19

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E X H I B I T S

Applicant's	Identified	Admitted
Exhibit 1	11	12
Exhibit 2	11	12

* * *

A P P E A R A N C E S

FOR THE DIVISION:

RAND L. CARROLL
Attorney at Law
Legal Counsel to the Division
2040 South Pacheco
Santa Fe, New Mexico 87505

FOR AMERICAN EMPLOYERS INSURANCE COMPANY (Case 11,255
only):

MONTGOMERY & ANDREWS, P.A.
325 Paseo de Peralta
P.O. Box 2307
Santa Fe, New Mexico 87504-2307
By: EDMUND H. KENDRICK

* * *

1 WHEREUPON, the following proceedings were had at
2 8:32 a.m.:

3 EXAMINER STOGNER: At this time I'll call Cases
4 11,253, 11,254 and 11,255, which are being consolidated at
5 Mr. Carroll's request.

6 These are in the matters of the Oil Conservation
7 Division on its own motion to permit Charles W. -- How do
8 you pronounce that last name, Mr. Carroll?

9 MR. CARROLL: Harle.

10 EXAMINER STOGNER: -- Harle, as operator,
11 American Manufacturers Mutual Insurance Company as surety,
12 and all other interested parties to appear and show cause
13 why three certain wells in Chaves County, New Mexico,
14 should not be properly plugged and abandoned.

15 At this time I'll call for appearances.

16 MR. CARROLL: Mr. Examiner, my name is Rand
17 Carroll, appearing on behalf of the Oil Conservation
18 Division.

19 I have one witness to be sworn.

20 EXAMINER STOGNER: And is that witness -- We're
21 going to do this over the telephone; is that correct?

22 MR. CARROLL: That is correct.

23 EXAMINER STOGNER: At this time I'm going to ask
24 our court reporter to -- I'm sorry, at this time I'll call
25 for any other appearances.

1 MR. KENDRICK: I'm Ned Kendrick with Montgomery
2 and Andrews law firm, appearing for American Employers
3 Insurance Company.

4 EXAMINER STOGNER: And you're here in the matter
5 of all three cases?

6 MR. KENDRICK: In the matter of the third case,
7 11,255.

8 EXAMINER STOGNER: 11,255. Okay. Now, I had
9 mentioned on my call of this case American Manufacturers
10 Mutual Insurance Company, which is the surety in cases
11 11,253 and 11,254.

12 But I show American Employers Insurance Company
13 as the surety in 11,255; is that right, Mr. Kendrick?

14 MR. KENDRICK: Yes.

15 EXAMINER STOGNER: Okay, I apologize for that.

16 So let the record so show that the surety is
17 different in the matter of 11,255, as opposed to 11,253 and
18 11,254.

19 Any other appearances in either of the -- or any
20 of these cases?

21 Okay, with that I'm going to ask our court
22 reporter to swear Mr. Ray Smith in.

23 Mr. Smith, are you ready to be sworn at this
24 time?

25 MR. SMITH: Yes, I am.

1 (Thereupon, the witness was sworn.)

2 EXAMINER STOGNER: Thank you. Mr. Carroll?

3 RAY SMITH (Present by telephone),

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

6 EXAMINATION

7 BY MR. CARROLL:

8 Q. Mr. Smith, will you please state your name, your
9 employer and your position for the record?

10 A. My name is Ray Smith. I work for the NMOCD in
11 the Artesia Office as Field Rep 2.

12 Q. And what is the NMOCD?

13 A. The Oil Conservation Division.

14 Q. Mr. Smith, have you had an opportunity to review
15 the well file that has been maintained -- or the well files
16 that have been maintained for the three wells we want to
17 plug in these three cases?

18 A. Yes, I have.

19 Q. And have you had an opportunity to testify before
20 the Division before and had your qualifications accepted?

21 A. Yes, I have.

22 MR. CARROLL: Are Mr. Smith's qualifications
23 acceptable today?

24 EXAMINER STOGNER: Are there any objections?

25 MR. KENDRICK: No objections.

1 EXAMINER STOGNER: Mr. Smith is so qualified.

2 Q. (By Mr. Carroll) Mr. Smith, could you please
3 briefly go over the well histories for each of these three
4 wells?

5 A. Okay, beginning with the Charles Harle Zimmerman
6 Number 2, this well was drilled by Wayne J. Spears of
7 Roswell, New Mexico, in March of 1961. He set 1293 feet of
8 5 1/2 casing, cemented with 500 sacks.

9 Effective July 1, an allowable of 22 barrels a
10 day was assigned. March 23, that well went into plugging
11 operations.

12 The well was then taken over by Charles Harle,
13 February 5, 1980, drilled out to 1293 feet, which was the
14 original TD, put on pump February 17, 1980.

15 Allowable was then canceled October 1 of 1980.
16 Last production date, September, 1980. The well has set
17 dormant since.

18 Okay, on the Zimmerman Number 3, the well was
19 drilled 9-1 of 1980 --

20 EXAMINER STOGNER: At this time, Mr. Smith, let
21 me hold you up on that.

22 THE WITNESS: All right.

23 EXAMINER STOGNER: Mr. Carroll, I believe there
24 was a little bit of a mistake or an error.

25 Could you please identify the Zimmerman Number 3?

1 I believe it was advertised as the Zimmerman Number 1 in
2 11,253. Do you want to clarify that at this time?

3 MR. CARROLL: Yes, Mr. Examiner, the Application
4 in this case listed the Zimmerman Well Number 2, the
5 Zimmerman Well Number 3 and the Christopher Well Number 1.

6 There was a mistake made in the advertisement,
7 and in Case 11,253, the Zimmerman Well Number 3 was
8 mistakenly listed as Zimmerman Well Number 1, although the
9 location is correct. It is just the 1 instead of the 3 in
10 the advertisement that is incorrect.

11 EXAMINER STOGNER: That is the only error that
12 you know of?

13 MR. CARROLL: That's the only error I know of.

14 EXAMINER STOGNER: Since the location is correct,
15 I don't see any reason to re-advertise at this point, but
16 should the need arise subsequent to today's hearing, we
17 might do that. But I'll entertain that at the end of the
18 testimony.

19 Sorry to interrupt you, Mr. Smith. I'll turn it
20 back over to you, Mr. Carroll.

21 Q. (By Mr. Carroll) Mr. Smith, you were on the
22 Zimmerman Well Number 3. Have you finished with listing
23 the well history?

24 A. I haven't started on the Number 3 yet.

25 Q. Okay, could you go through the well history of

1 the --

2 A. Okay.

3 Q. -- Zimmerman Number 3?

4 A. All right, the well was drilled 9-1 of 1980 by
5 Charles Harle to a depth of 320 feet.

6 We have no record of any cementing being done or
7 a water string, but -- The water string was set to 320
8 feet, but I see nothing showing that it was cemented.

9 They moved the rig to Sonora, Texas, 9-18 of
10 1980, for repairs and overhaul and did not come back.

11 And that is the status of that well at this time.
12 It's just sitting that way.

13 Q. Okay, can you briefly go over the history of the
14 Christopher Number 1?

15 A. Okay, this well was drilled 450 feet, and the
16 hole went crooked. 8 5/8 casing was run to 330 feet and
17 cemented.

18 Cement did not circulate, and apparently there
19 was a 1-inch job done on it, and cement was brought to
20 surface by pumping down 1-inch casing. There's 200 feet of
21 cement left inside the casing.

22 This was done 10-6 of 1974, and witnessed by our
23 OCD rep, Mr. Mike Stubblefield, of this office.

24 This well was originally drilled by Great Plans
25 Petroleum of Big Lake, Texas. Change of ownership was 11-7

1 of 1979 to Mr. Charles Harle.

2 Q. Mr. Smith, what is the current condition of all
3 three of these wells?

4 A. They are just sitting dormant.

5 Q. And it is your opinion that these wells need
6 plugging in order to protect fresh water and the
7 environment in the area, to prevent waste and protect
8 correlative rights?

9 A. That is correct.

10 Q. Mr. Smith, are there bonds covering these three
11 wells?

12 A. I believe that is correct.

13 Q. And do you know who holds the bonds on the
14 Zimmerman Well Number 1 and -- or 2 and 3, and who holds
15 the bond on the Christopher Well Number 1?

16 A. Okay -- Employers, I believe, is the Christopher
17 Number 1, located in B of Section 32, Township 6, Range 26
18 East.

19 Q. And what's the amount of that bond? Do you know?

20 A. I believe it is \$500.

21 Q. \$500 or \$5000?

22 A. \$5000, excuse me.

23 Q. And that American Manufacturers holds \$5000 bonds
24 on each of the Zimmerman Well Number 2 and Zimmerman Well
25 Number 3?

1 A. That is correct.

2 Q. Mr. Smith, do you have a recommended plugging
3 procedure for plugging each of these wells?

4 A. I believe there is plugging procedures for two of
5 the wells.

6 And the last well I gave you there is probably --
7 We're just going to have to play that by ear. I think what
8 the records indicate, that we did not get the water shut
9 off in that well, and I really haven't decided on a
10 procedure for that yet. I think we can go in there and
11 perforate the casing and maybe we can squeeze it.

12 Q. And which well are you referring to that you
13 don't have a recommended procedure at this point?

14 A. Well, let me look here. The Christopher Number
15 1.

16 Q. Okay. So you prefer to at this point retain a
17 plugging contractor and play it as we go?

18 A. That is correct.

19 MR. CARROLL: Mr. Examiner, what has been marked
20 as Exhibit Number 1 in each of these cases I've given to
21 you, and Mr. Smith has briefly gone over the well history
22 contained in the Exhibit Number 1's.

23 Number 2 is the same exhibit in each of the three
24 cases, and this is a proof of notice that notice was sent
25 to Charles Harle at two different addresses and to both

1 American Employers Insurance and American Manufacturers
2 Mutual Insurance Company, and the Kemper Group, which is
3 affiliated with American Manufacturers.

4 At this point I'd move that Exhibits marked OCD
5 Exhibits Number 1 and 2 be entered into the record.

6 EXAMINER STOGNER: Are there any objections?

7 MR. KENDRICK: I'd like to have copies of the
8 exhibits, but I think I have already seen the file, so I
9 don't object. But I'd like a copy.

10 EXAMINER STOGNER: Okay. Could you supply Mr.
11 Kendrick a copy of those, Mr. Carroll?

12 MR. CARROLL: Yes.

13 EXAMINER STOGNER: Exhibits 1 and 2 in each of
14 the cases will be admitted into evidence at this time.

15 Is that all, Mr. Carroll, that you have?

16 MR. CARROLL: Yes, at this time that's all I
17 have.

18 EXAMINER STOGNER: Mr. Kendrick, I'm going to
19 allow you to cross-examine Mr. Smith, but if you're going
20 to ask him any questions I would suggest you step forward
21 so he'll be able to hear you.

22 Mr. Smith, I've got Mr. Ned Kendrick. He's
23 representing Employers -- I'm sorry, American Employers
24 Insurance Company in Case 11,255, and he's got some
25 questions for you at this time.

1 THE WITNESS: All right, sir.

2 EXAMINATION

3 BY MR. KENDRICK:

4 Q. Hello, Mr. Smith.

5 A. Good morning.

6 Q. Did you say that there was cement placed outside
7 the casing in this well, all the way to the surface?

8 A. That's what my records show here, but they did
9 not shut off the surface water for some reason.

10 Q. Okay, so there's cement entirely outside the
11 casing.

12 And then how much cement was placed inside the
13 casing?

14 A. 200 feet left in the casing.

15 Q. So that would be about how many feet of -- to the
16 surface, without cement?

17 A. About 250 feet.

18 Q. Do you have any idea how much this plugging job
19 might cost?

20 A. It would be under \$5000, quite sure.

21 Q. Any idea of -- Can you be more any more specific
22 than that?

23 A. Oh, we might could get that done for \$2500 to
24 \$2700.

25 Q. Do you know anything about where Mr. Harle is

1 located?

2 A. I do not.

3 Q. What is the last address you have for him?

4 A. Let me grab my file.

5 Q. I see here a letter that was sent on April 20th,
6 1995, to an address in Sonora, Texas.

7 A. Last address I have is Post Office Box 1101,
8 Sonora, Texas.

9 MR. KENDRICK: Okay, I have no further questions.

10 EXAMINER STOGNER: Will you have a statement,

11 Mr. --

12 MR. KENDRICK: Yes.

13 EXAMINER STOGNER: -- Kendrick?

14 Are there any other questions of Mr. Smith at
15 this time by either Mr. Kendrick or Mr. Carroll?

16 MR. CARROLL: No.

17 EXAMINATION

18 BY EXAMINER STOGNER:

19 Q. Mr. Smith, before I let you go, on the
20 Christopher Well Number 1 could you maybe go into a little
21 more detail of why you don't have a proposed plugging
22 program at this time?

23 A. Well, we had kind of kicked around just how to
24 plug this thing, and then it's probably just an oversight
25 on my part that we didn't get you something up there.

1 Q. Okay, when you say "we", are you talking about
2 your supervisor there --

3 A. Right.

4 Q. -- in the Artesia office?

5 A. Right.

6 Q. And that would be -- Do you want to identify that
7 person?

8 A. Mr. Tim Gum.

9 Q. Mr. Tim Gum.

10 When you say -- When you talk about the surface
11 water flowing, do you want to be a little more detailed
12 about what the footage of that water is and perhaps what
13 formation that water is coming from?

14 A. Mr. Examiner, the only thing that I have is the
15 handwritten statement by the operator that they did not get
16 the surface water shut off. They -- He gave no depth at
17 all. That's all I have.

18 Q. So there could be some various aquifers that --
19 being included as this flowing water?

20 A. Very possibly.

21 Q. Okay. So it will have to be isolated once you
22 re-enter it?

23 A. Right. Probably can do this by perforating the
24 casing, and cement and squeeze the well.

25 EXAMINER STOGNER: Any other questions of Mr.

1 Smith at this time?

2 MR. CARROLL: No.

3 EXAMINER STOGNER: Okay, you may be excused.

4 Mr. Smith, I'm going to have you hang on the
5 line at this time --

6 THE WITNESS: Okay.

7 EXAMINER STOGNER: -- but you're excused in these
8 cases.

9 Mr. Kendrick, do you have a statement at this
10 time?

11 MR. KENDRICK: Yes, I'd like to ask for 60 days'
12 delay before you begin any kind of force-plugging.

13 I'd like to give the insurance company time to
14 try to locate Mr. Harle, see if he can be motivated to do
15 something about the well and, failing that, see if there's
16 anybody else in the area who might be interested in re-
17 entering the well and taking it over.

18 So I think 60 days would be adequate time to
19 allow us to do that.

20 EXAMINER STOGNER: Thank you, Mr. Kendrick.

21 Anything further, Mr. Carroll?

22 MR. CARROLL: I agree to the 60-day period.

23 EXAMINER STOGNER: Okay. Mr. Carroll, I'm going
24 to ask you also to have the Division come up with a
25 proposed -- this being proposed, of course -- plugging

1 program for that Christopher Well Number 1 and supply that
2 to Mr. Kendrick, if you could do that as soon as possible,
3 or see that it's done.

4 MR. CARROLL: Okay. All right, I'll do that.

5 EXAMINER STOGNER: And Mr. Kendrick, you
6 understand that any proposed plugging operation, there are
7 always -- or sometimes or anytime, regardless -- could be
8 some unforeseen problems that come up that's not reported
9 in a well file of additional junk in the hole or something.

10 So it's always our proposed plan of attack, you
11 might say, but there could always be a chance of that
12 having to be amended at any time during the operation.

13 Anything further in these cases at this time?

14 Cases 11,253, 11,254 and 11,255 will be taken
15 under advisement.

16 And Mr. Carroll, on 11,255, I'm going to ask that
17 you supply me a rough-draft copy of an order, to include
18 the 60-day delay in this matter.

19 MR. CARROLL: All right.

20 EXAMINER STOGNER: Thank you, Mr. Kendrick.

21 MR. KENDRICK: Thank you.

22 Could I at this time get copies of the exhibits?

23 EXAMINER STOGNER: Yes. Mr. Carroll, do you want
24 to supply Mr. Kendrick copies of the exhibits in Case
25 11,255?

1 Do you have them in 11,252?

2 MR. KENDRICK: I do not. I'd like those too,
3 please.

4 EXAMINER STOGNER: Okay.

5 (Thereupon, these proceedings were concluded at
6 8:55 a.m.)

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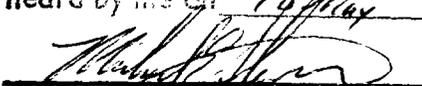
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I do hereby certify that the foregoing is
a complete record of the proceedings in
the examination hearing of Case Nos: 11253, 11254, 11255
heard by me on 18 May 1955.


_____, Examiner
Oil Conservation Division

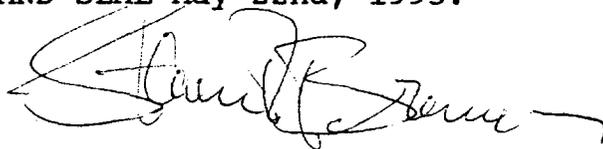
CERTIFICATE OF REPORTER

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 May 22nd, 1995.



STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 14, 1998