

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

IN THE MATTER OF THE HEARING CALLED BY )  
THE OIL CONSERVATION COMMISSION FOR THE )  
PURPOSE OF CONSIDERING: ) CASE NO. 12,733  
)  
APPLICATION OF THE NEW MEXICO OIL )  
CONSERVATION DIVISION FOR AN ORDER )  
REQUIRING GENERAL MINERALS CORPORATION )  
TO BRING ONE WELL INTO COMPLIANCE WITH )  
RULE 201.B AND ASSESSING APPROPRIATE )  
CIVIL PENALTIES, EDDY COUNTY, NEW MEXICO )  
\_\_\_\_\_)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

COMMISSION HEARING

BEFORE: LORI WROTENBERY, CHAIRMAN  
JAMI BAILEY, COMMISSIONER  
ROBERT LEE, COMMISSIONER

02 APR 10 AM 8:40

March 26th, 2002

Santa Fe, New Mexico

This matter came on for hearing before the Oil Conservation Commission, LORI WROTENBERY, Chairman, on Tuesday, March 26th, 2002, 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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 Commission Hearing  
 CASE NO. 12,733

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## A P P E A R A N C E S

## FOR THE COMMISSION:

STEPHEN ROSS  
 Deputy General Counsel  
 Energy, Minerals and Natural Resources Department  
 2040 South Pacheco  
 Santa Fe, New Mexico 87505

## FOR THE APPLICANT:

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

\* \* \*

1           WHEREUPON, the following proceedings were had at  
2   9:44 a.m.:

3           CHAIRMAN WROTENBERY: And we will next call Case  
4   12,733. This is the Application of the New Mexico Oil  
5   Conservation Division for an order requiring General  
6   Minerals Corporation to bring one well into compliance with  
7   Rule 201.B and assessing appropriate civil penalties, Eddy  
8   County, New Mexico.

9           This Application is being heard by the Commission  
10   *de novo* upon the request of General Minerals Corporation,  
11   and I'll call for appearances in this case.

12           MR. BROOKS: May it please the Commission, I'm  
13   David Brooks, Assistant General Counsel, Energy, Minerals  
14   and Natural Resources Department of the State of New  
15   Mexico, appearing for the New Mexico Oil Conservation  
16   Division.

17           CHAIRMAN WROTENBERY: Any other appearances?

18           Okay, Mr. Brooks?

19           MR. BROOKS: Okay, I have two witnesses in  
20   reference to this matter, one of whom has not been  
21   previously sworn.

22           Mr. Gum?

23           CHAIRMAN WROTENBERY: Okay, Mr. Gum, would you  
24   stand to be sworn?

25           (Thereupon, the witness was sworn.)

1 MR. BROOKS: I'll be calling Ms. Prouty first, so  
2 if you'll stand by me.

3 May I make a statement again?

4 CHAIRMAN WROTENBERY: Yes, sir.

5 MR. BROOKS: In contrast to the previous case --  
6 I believe no one is here representing General Minerals.

7 In contrast to the previous in which the District  
8 was inclined to think that the penalty was not particularly  
9 important because the well has been brought into  
10 compliance, this case has a different character because the  
11 well apparently has not been brought into compliance, and  
12 Mr. Agrawal -- I apologize if -- he's not present, but I  
13 apologize anyway if I'm mispronouncing his name -- has  
14 shown a rather hostile attitude toward the Division's  
15 regulations, not limited to the fact that I believe the  
16 evidence will show that he has failed to file production  
17 reports on this well for a period of approximately five  
18 years. And while we do acknowledge that some of the  
19 notices to him -- one of the notices was miscarried and  
20 another was not delivered because it was not picked up, and  
21 you can find a reference in his letter to the contention  
22 that he was disabled and was unable to get his mail.

23 But while there has been a notice problem in this  
24 case, the fact that he has apparently not taken any action  
25 to bring the well into compliance and his contemptuous

1 attitude toward our reporting requirements, we're not  
2 inclined to recommend mitigating factors in this case.

3 Thank you.

4 CHAIRMAN WROTENBERY: Thank you, Mr. Brooks.  
5 Would you like to call your first witness?

6 MR. BROOKS: Ms. Prouty?

7 CHAIRMAN WROTENBERY: Ms. Prouty, do you  
8 understand you're still under oath?

9 MS. PROUTY: Yes.

10 MR. BROOKS: This exhibit I only got this  
11 morning. It has not been marked, but it will be Exhibit  
12 Number 7 in the case, and I have six copies here.

13 These three exhibits also just came in this  
14 morning, and they will be 8, 9 and 10 . I have only four  
15 copies of these. They were just delivered to me this  
16 morning.

17 CHAIRMAN WROTENBERY: Mr. Brenner, are you  
18 marking those exhibits for your --

19 COURT REPORTER: I only have 1 through 6.

20 MR. BROOKS: Yeah, I believe -- We have only the  
21 four copies of the photographs, so if one set could be made  
22 the originals. Unfortunately, they only arrived this  
23 morning and our color printer upstairs is rather slow.

24 CHAIRMAN WROTENBERY: Okay, excuse me, Exhibits 1  
25 through 6 --

1 MR. BROOKS: Exhibits 1 through 6 are in the  
2 package I just handed you, and they are marked.

3 CHAIRMAN WROTENBERY: Well -- okay, here's  
4 what --

5 MR. BROOKS: That's Exhibit 7.

6 CHAIRMAN WROTENBERY: -- Exhibit 7.

7 MR. BROOKS: Yeah.

8 CHAIRMAN WROTENBERY: Did I miss something?

9 MR. BROOKS: I apologize for the confusion.

10 CHAIRMAN WROTENBERY: Just a second.

11 Do you see an exhibit packet? I don't think I  
12 got one. Okay, there we go.

13 MR. BROOKS: Does each person have a --

14 CHAIRMAN WROTENBERY: Okay --

15 MR. BROOKS: -- each Commissioner have an exhibit  
16 package?

17 CHAIRMAN WROTENBERY: I don't think Commissioner  
18 Bailey got Exhibit 7.

19 COMMISSIONER LEE: I don't have 7 either.

20 CHAIRMAN WROTENBERY: And you didn't get 7  
21 either.

22 MR. BROOKS: I handed you six copies of Number 7,  
23 because --

24 CHAIRMAN WROTENBERY: I got it, I thought this  
25 was --

1 MR. BROOKS: -- it hadn't been marked.

2 CHAIRMAN WROTENBERY: Okay, here we go. That was  
3 the misunderstanding.

4 Okay, and did you get Exhibits 1 through 6?

5 COMMISSIONER LEE: 1 through 6?

6 CHAIRMAN WROTENBERY: Yes. Yes, okay. Now I  
7 think we're sorted out here.

8 And Mr. Brenner, you've got 1 through 6, which  
9 have been marked, now have, I think, a copy of Exhibit  
10 Number 7 which is captioned "Daily Field Trip Report", and  
11 then the three pictures which will be --

12 MR. BROOKS: -- 8, 9 and 10.

13 CHAIRMAN WROTENBERY: -- 8 through 10?

14 MR. BROOKS: Correct.

15 CHAIRMAN WROTENBERY: Okay, thank you, Mr.  
16 Brooks.

17 MR. BROOKS: May I proceed?

18 CHAIRMAN WROTENBERY: Yes, sir.

19 JANE E. PROUTY,

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

22 DIRECT EXAMINATION

23 BY MR. BROOKS:

24 Q. Ms. Prouty, will you state your name, please, for  
25 the record?



1 A. Jane Prouty.

2 Q. And how are you employed?

3 A. By the Oil Conservation Division.

4 Q. And in what capacity?

5 A. I'm the manager of the group that processes the  
6 production reports.

7 Q. And in that capacity are you the person who is  
8 responsible for receiving and tabulating and maintaining  
9 the reports that are filed by operators on the production  
10 from their wells in New Mexico?

11 A. Yes.

12 Q. Did you at my request prepare a computer printout  
13 of production reports from an operator named General  
14 Minerals Corporation?

15 A. Yes.

16 Q. And that related to one well of General Minerals  
17 Corporation?

18 A. Uh-huh.

19 Q. I'll ask you to look at Exhibit Number 1 and see  
20 if you can identify it.

21 A. Yes, that's the report I created. It's for the  
22 Federal CCC Number 1 well.

23 Q. I note in looking at Exhibit Number 1 that there  
24 are no entries, and no dates appear on Exhibit Number 1,  
25 after October of 1997.

1           What does that indicate?

2           A.    It means that this particular well wasn't  
3 included on -- if General Minerals submitted a C-115 after  
4 October, 1997, this particular well was not on it.

5           Q.    Please explain to the Commissioners how this  
6 report is generated.

7           A.    This report queries our production database  
8 for -- I asked for all production received from this  
9 particular well for January, 1997, forward through the  
10 current time.

11          Q.    If reports had been filed but no production had  
12 been reported in this well -- if a report had been filed  
13 and the Federal CCC Number 1 had been included on that  
14 report but no production had been reported, in what respect  
15 would this report appear different?

16          A.    Well, that case did happen for October, 1997. It  
17 would look just like the October entry, where the well was  
18 on the C-115 with zero amounts, zero produced, zero  
19 injected.

20          Q.    And so what does Exhibit Number 1 cause you to  
21 conclude about the C-115s of General Minerals Corporation  
22 for the period November, 1997, through January, 2002,  
23 inclusive?

24          A.    I can't draw any conclusions about their C-115s,  
25 I just know that this well was not on it, any of the C-115s

1 submitted after October, 1997.

2 Q. Well, phrase it a little differently. You're  
3 telling us that you cannot make any inference as to whether  
4 or not they filed C-115s?

5 A. Correct, with other wells.

6 Q. But if they did file C-115s, you can conclude  
7 that the Federal CCC Number 1 was not included on those?

8 A. Right.

9 Q. Thank you.

10 Ms. Prouty, are you familiar with the inactive  
11 well project that's been conducted by the Oil Conservation  
12 Division?

13 A. Yes.

14 Q. And when did that project commence?

15 A. In May of 2000.

16 Q. And what was the first step undertaken in  
17 connection with the inactive well project?

18 A. We did a similar type of query against the  
19 database for all wells that appeared to be active -- well,  
20 just not plugged -- and queried whether we had received  
21 production or injection volumes for them for approximately  
22 the past 16 months or so.

23 And then we sent letters to those operators for  
24 the wells that did not appear to have produced although  
25 perhaps it appeared they should have, and we asked the

1 operator to let us know if they own the well and if it  
2 truly -- if the information we have is accurate.

3 Q. Okay, let me go over a few details of what you've  
4 just said. Did the computer generate a letter to the  
5 operator?

6 A. Yes.

7 Q. And did that letter have a specific list of the  
8 wells of that operator, which the computer showed to be  
9 inactive?

10 A. Yes.

11 Q. Did it list them by both name, location and API  
12 number?

13 A. Yes.

14 Q. Now, that letter was in the form of a  
15 questionnaire, was it not?

16 A. Yes.

17 Q. Now, did the instructions call for the operator  
18 to fill out that questionnaire by showing the status of  
19 each of the inactive wells and to return it to the District  
20 Office?

21 A. Yes.

22 Q. And was that letter -- Where was that letter sent  
23 from? Was that sent from the District Office, or was that  
24 sent from Santa Fe?

25 A. That one was mailed from Santa Fe.

1 Q. So that if the operator returned it, it would  
2 be -- and the operator followed the instructions, then it  
3 would go back to the District Office, correct?

4 A. Yes.

5 Q. But if they operator did not return it, you would  
6 not expect to find a copy, necessarily, in the District  
7 Office files, since it wasn't sent from the District  
8 Office; is that a fair assumption?

9 A. Yes.

10 MR. BROOKS: Very good. I believe that is all  
11 the questions I have of this witness. I'll pass the  
12 witness.

13 CHAIRMAN WROTENBERY: Any questions,  
14 Commissioners?

15 COMMISSIONER BAILEY: No.

16 COMMISSIONER LEE: (Shakes head)

17 CHAIRMAN WROTENBERY: Thank you for your  
18 testimony.

19 MR. BROOKS: I'll tender Exhibit Number 1 into  
20 evidence.

21 CHAIRMAN WROTENBERY: Exhibit Number 1 is  
22 admitted into the record.

23 MR. BROOKS: Call Tim Gum.

24 May I proceed?

25 CHAIRMAN WROTENBERY: Please.

1                                    TIM W. GUM,  
2     the witness herein, after having been first duly sworn upon  
3     his oath, was examined and testified as follows:

4                                    DIRECT EXAMINATION

5     BY MR. BROOKS:

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

7             A.     Tim W. Gum.

8             Q.     And by whom are you employed?

9             A.     New Mexico Oil Conservation Division.

10            Q.     And at what location?

11            A.     Artesia, New Mexico.

12            Q.     And in what capacity?

13            A.     I'm currently the District Supervisor.

14            Q.     And as District Supervisor are you the person  
15     responsible for overseeing all of the activities of the  
16     Division with regard to wells that are located within your  
17     District?

18            A.     That's correct.

19            Q.     And can you define the geographical limits of  
20     your District?

21            A.     Basically, it's the southernmost ten counties  
22     with the exception of Lea and Roosevelt, and if I can  
23     recall all ten I will try. It's Chaves, Eddy, DeBaca,  
24     Lincoln, Otero, Socorro, Sierra, Dona Ana, Guadalupe, and  
25     I'm missing one. But there are ten, so -- the major oil

1 activity is within Eddy, Chaves and Otero Counties.

2 Q. Okay, the well that we are concerned with is in  
3 Eddy County, is it not?

4 A. That's correct.

5 Q. This is the Federal CCC Number 1?

6 A. That's correct.

7 Q. Do you have a staff of field representatives to  
8 assist you in overseeing wells in your District?

9 A. That's correct.

10 Q. And do these gentlemen work under your direction?

11 A. They do.

12 Q. Could you briefly state for the Commission your  
13 experience with oilfield operations?

14 A. Basically, I have had somewhere on the order of  
15 30 years in private oil and gas industry. I have been  
16 responsible for different locations with different levels  
17 of authority and responsibilities. I have currently been  
18 on the staff of the OCD approximately eight years.

19 Q. And have you testified before the New Mexico Oil  
20 Conservation Commission before?

21 A. No.

22 Q. Have you testified before the New Mexico Oil  
23 Conservation Division Hearing Examiners?

24 A. Yes, I have.

25 Q. And have your credentials been accepted by the

1 Division as an expert in oil and gas field operations?

2 A. They have.

3 MR. BROOKS: We'll tender Mr. Gum as an expert in  
4 oil and gas field operations.

5 CHAIRMAN WROTENBERY: The Commission accepts Mr.  
6 Gum's qualifications.

7 MR. BROOKS: Thank you.

8 Q. (By Mr. Brooks) Mr. Gum, are you familiar with  
9 the Federal CCC Well Number 1?

10 A. Yes, I am.

11 Q. Was this well one of the wells that's on the list  
12 of inactive wells generated for the operator General  
13 Minerals Corp. in the manner described by Ms. Prouty?

14 A. That's correct.

15 Q. Ms. Prouty testified that a letter was sent out  
16 on May 11th to each of the operators that had inactive  
17 wells, listing their inactive wells and asking them to  
18 report to the District Office on their status. Was that  
19 questionnaire ever returned by General Minerals Corp. to  
20 the Artesia District Office?

21 A. Our files do not reflect that it was returned.

22 Q. Now, in view of the fact that that letter was  
23 sent out of Santa Fe, for those operators who never did  
24 return the questionnaire, do you have copies of that  
25 questionnaire in your files, in the District?



1           A.    I have copies of the ones that were returned to  
2 the District.

3           Q.    But you do not have copies of those that were  
4 not; is that correct?

5           A.    That's correct.

6           Q.    And for that reason we're not presenting to the  
7 Commission a copy of the May 11th, 2000, letter that went  
8 to General Minerals Corp. because you don't have one,  
9 correct?

10          A.    That's correct.

11          Q.    Now, did you subsequently follow up on that May  
12 11th letter by sending additional correspondence to the  
13 operators?

14          A.    Yes, sir.

15          Q.    I'll call your attention to what has been marked  
16 as OCD Exhibit 4 in this folder.

17          A.    This is a letter out of the OCD office in  
18 Artesia, directed to General Minerals Corp., dated  
19 September the 8th, 2000, and this letter was a follow-up to  
20 the May, 2000, request.

21          Q.    Okay. Now, does this letter state -- Does this  
22 letter specifically refer back to the May inquiry?

23          A.    Yes, it does.

24          Q.    Was this letter signed by you and sent to General  
25 Minerals Corp. -- Was this original of Exhibit Number 4

1 signed by you and sent to General Minerals Corp. on or  
2 about September 8th of 2000?

3 A. That's correct.

4 Q. Now, superimposed on Exhibit Number 4 is a postal  
5 receipt and a return receipt. Now, are these postal  
6 receipts and return receipts contained in the files of the  
7 Artesia District Office of the OCD in association with the  
8 letter which is Exhibit 4?

9 A. That's correct.

10 Q. Was the return receipt delivered back to the  
11 Artesia District Office by the United States Postal  
12 Service?

13 A. Yes.

14 MR. BROOKS: I will call the Commission's  
15 attention to the signature appearing on the return receipt  
16 in Exhibit 4 and invite their comparison of that signature  
17 with the signature of Mr. Agrawal appearing upon the letter  
18 that he sent to the Commission. I would not have been able  
19 to make out the name from the signature, but I will invite  
20 the Commissioners to conclude if it does not appear to be  
21 the same.

22 Q. (By Mr. Brooks) I will next call your attention  
23 to what has been marked as OCD Exhibit Number 5 and ask you  
24 to identify it.

25 A. This is a third series of correspondence to

1 General Minerals Corp., addressing the issue of the  
2 inactive wells, also referencing the May 11th, 2000, letter  
3 and specifically asking for a work plan and how General  
4 Minerals Corp. plan to bring their wells into compliance.  
5 And this particular well was listed as an attachment as  
6 being inactive.

7 Q. Was the original of this letter signed by you and  
8 posted to General Minerals Corp. on or about December 26th,  
9 2000?

10 A. That's correct.

11 Q. Now, I will call your attention to the address of  
12 General Minerals Corp. shown on Exhibit Number 5 and ask  
13 you to compare it to the address of General Minerals Corp.  
14 shown on OCD Exhibit Number 4.

15 A. They are very similar in nature. Unfortunately,  
16 the letter in Exhibit Number 5, there was a typographical  
17 error.

18 Q. So it would appear, at least from the letter  
19 itself, that Exhibit Number 5 may have been misdirected,  
20 correct?

21 A. That could be the case.

22 Q. Okay, I will call your attention to the third  
23 page of OCD Exhibit Number 5. Is that a copy of an  
24 envelope that was returned to the Artesia District Office  
25 of the Commission that contained Exhibit Number 5?

1           A.    That's correct.

2           Q.    Now, it appears the postal service has affixed a  
3   label over the address, so it's not possible to determine  
4   what address actually appeared on the envelope; is that  
5   correct?

6           A.    That's correct.

7           Q.    Mr. Gum, did you ever receive any correspondence,  
8   telephone contacts, C-103s, anything from General Minerals  
9   Corp. that was in any way responsive to the correspondence  
10   that was directed to them concerning this Federal CCC  
11   Number 1 well?

12          A.    Not that I recall.

13          Q.    And have you made a search of your files,  
14   correspondence files, for purposes of this hearing?

15          A.    Yes, I have.

16          Q.    Have you located any correspondence with General  
17   Minerals Corp., other than that which has been offered in  
18   evidence?

19          A.    No, I have not.

20          Q.    Or restate: other than those items you have  
21   identified this morning, since they haven't been offered  
22   yet?

23          A.    Correct.

24          Q.    After this proceeding was filed in September of  
25   2001, did you receive any communication from General

1 Minerals Corp.?

2 A. No, I've had no communication at all.

3 Q. Okay. On or about the 1st of February, 2002, did  
4 you direct one of your inspectors to make a field  
5 inspection of the Federal CCC Well Number 1?

6 A. Yes, I did.

7 Q. I will need to borrow one of the copies of  
8 Exhibit Number 7 to enable the witness to identify it.

9 I hand you what has been marked OCD Exhibit  
10 Number 7 and ask you if you can identify it.

11 A. Yes, this is what's commonly called in the field  
12 office the daily field trip report in which an inspector  
13 will generate a report computerized out of the RBDMS system  
14 recording his daily activities. In this particular report,  
15 Exhibit 7, the well listed as --

16 Q. Well, if you'll hold on a minute and let me ask  
17 you some more questions before we get to that.

18 Are reports of this character generated by your  
19 field inspector staff in the ordinary course of their  
20 business as representatives of the Oil Conservation  
21 Division?

22 A. Yes, it is.

23 Q. Are the notations about particular wells that are  
24 made on those reports made by the field inspectors at or  
25 about the time they conduct the inspections?

1           A.    It's made at the time that they do the  
2 inspection.

3           Q.    And does their inspection consist of personal  
4 observation so that they have personal knowledge of the  
5 facts that they state on these reports?

6           A.    It's a personal observation.

7           Q.    And is the computer report from which this paper  
8 report is generated maintained by the Oil Conservation  
9 Division in the ordinary course of its business?

10          A.    Yes, it is.

11          Q.    Okay. With that, let me then proceed to ask you,  
12 what does this Exhibit Number 7 reflect about the Federal  
13 CCC Well Number 1?

14          A.    It is listed as the third entry, time 10:47:03  
15 a.m., with the general comments below the listing of the  
16 well that there were no belts on the motor and no  
17 electricity to the motor.

18          Q.    Okay, thank you. Now I will need to borrow  
19 copies of Exhibits 8, 9 and 10 for the witness to look at.  
20 Thank you.

21                Now, Mr. Gum, do your field inspectors in the  
22 ordinary course of activity inspecting wells take pictures  
23 of conditions they feel are significant with regard to the  
24 wells they inspect?

25          A.    That's correct.

1           Q.   And are they furnished with date-encoding cameras  
2           so that those pictures will reflect the dates on which they  
3           were taken?

4           A.   That's correct.

5           Q.   Now, are those pictures developed and maintained  
6           by the New Mexico Oil Conservation Division in the ordinary  
7           course of business?

8           A.   Yes, sir.

9           Q.   Would you look at Exhibits Numbers 8, 9 and 10  
10          and tell me if those are pictures that were taken by Mr.  
11          Guye in the course of the field inspection reported on  
12          Exhibit Number 7?

13          A.   That's correct, these pictures were taken in  
14          conjunction with his field inspection, as reflected by the  
15          report.

16          Q.   Okay. Exhibit Number 8, what does that show?

17          A.   Basically the photo is indicating that this is  
18          the General Minerals Corp. Federal CC [sic] Number 1 at the  
19          tank battery, giving the location and the lease number.

20          Q.   Okay, would you look, then, at Exhibit Number 9  
21          and tell us what that shows about this well location?

22          A.   This is supporting evidence indicating that the  
23          number of belts required to make the pumping unit in an  
24          operational mode are not available. Based on the number of  
25          grooves on the shiv of the motor, it will take at least

1 four belts to make this pumping unit operate, and you will  
2 note that there is only one belt, and it is off of the --  
3 both shiv of the motor and the unit.

4 Q. Okay. Does Exhibit Number 10 show anything  
5 additional of significance?

6 A. No, it does not.

7 Q. Okay.

8 A. If I may, back on Exhibit Number 8 --

9 Q. Yes, go ahead.

10 A. -- pardon me, Exhibit Number 9, there is a  
11 comment in Exhibit Number 7 that there's no electricity to  
12 the motor. This Exhibit Number 9 also is a photo  
13 indicating the electrical box, which is the rust-colored  
14 box to the right of the photo. It was the inspector's  
15 personal observation that the electricity was turned off,  
16 manuals switched to off, and that was based on his comment  
17 there was no electricity to the motor.

18 Actually, there is physical connection of  
19 electricity to the motor, but the switch to allow power to  
20 be there is turned off.

21 Q. Based on Exhibits 7, 8, 9 and 10, would you reach  
22 any conclusion about whether or not in all probability the  
23 Federal CCC Number 1 well is so equipped that it's capable  
24 of production at this time?

25 A. I would have to base my opinion on it that it is



1 not capable of production.

2 MR. BROOKS: Thank you. I believe that's all the  
3 questions I have of this witness. We'll tender him to the  
4 Commission.

5 CHAIRMAN WROTENBERY: Any questions?

6 EXAMINATION

7 BY COMMISSIONER BAILEY:

8 Q. Mr. Gum, do you know if there could possibly be  
9 any conflict between the OCD regulations on temporary  
10 abandonment and production, with the BLM? Since this is a  
11 federal well, I'm assuming it's on BLM land.

12 A. Madame Commissioner, I would like to state first  
13 that I feel like the OCD and the BLM work very closely on  
14 their regulations and such.

15 As far as conflicts, I have noticed in the TA  
16 program that the BLM has been very strict on wells which  
17 have had prior TA wells for a period of years. Instead of  
18 granting them one year to five years to have it in a TA  
19 program, they are now requiring them to only be in three to  
20 four months.

21 This particular well I do not believe was even  
22 considered to be in TA status. Our well files did not have  
23 any recollection of that well being applied for a TA  
24 program.

25 Also, the BLM will require them generally to run

1 a bridge plug and pressure-test the casing, and I am  
2 assuming that this pumping unit still has rods and tubing  
3 in the hole, which would preclude that test from being  
4 conducted. So it's my opinion that this well was not  
5 properly T-and-A'd with the BLM.

6 COMMISSIONER BAILEY: Thank you, that's all I  
7 have.

8 CHAIRMAN WROTENBERY: Commissioner Lee?

9 COMMISSIONER LEE: (Shakes head)

10 CHAIRMAN WROTENBERY: No questions?

11 I had some questions about the material that  
12 General Minerals submitted to us.

13 MR. BROOKS: Yes, ma'am. Once again, I did not  
14 think it appropriate to offer that material in evidence on  
15 behalf of the Division. I considered it in the nature of  
16 pleadings. However, I have no objection to the Commission  
17 considering that material for whatever it's worth.

18 EXAMINATION

19 BY CHAIRMAN WROTENBERY:

20 Q. Mr. Gum, have you had a chance to look at the  
21 letter dated January 27th, 2002, from Kris Agrawal to --  
22 actually to the attention of Mr. Brooks and yourself?

23 A. I don't recall the letter.

24 CHAIRMAN WROTENBERY: Let me provide you a copy,  
25 and I'll look on with Commissioner Bailey here.

1 MR. BROOKS: Looking at the letter may refresh  
2 your refresh your recollection.

3 CHAIRMAN WROTENBERY: I'll give you a chance to  
4 look it over, Mr. Gum.

5 THE WITNESS: I do not recall seeing this letter.

6 Q. (By Chairman Wrotenbery) Okay. If I can call  
7 your attention to the attachment to the letter, that is a  
8 Division order and lease -- or it is material from the  
9 Division Order and Lease Record Department of Navajo  
10 refining, which in the letter Mr. Agrawal describes as, I  
11 believe, the purchaser of oil from this well.

12 And if you'll look on the material from Navajo,  
13 they -- you describe this as a statement of crude oil -- as  
14 I understand, it picked up from the Federal CCC Number 1,  
15 and there are ticket dates on here from March of 1999, from  
16 January of 2000 and from November of 2000. I'm sorry,  
17 October of 2000.

18 What does this information say to you, Mr. Gum?  
19 Can you help the Commission understand?

20 A. Basically, this indicates to me that Navajo did  
21 actually pick up production from this location at those  
22 listed dates.

23 Now, there's one thing to take into  
24 consideration. This production could have been made at any  
25 point in time. Navajo will normally only pick up a large

1 volume of oil, it will not pick up small partial loads.

2 So therefore the timing of when this production  
3 was actually made is not reflected here, only that this  
4 volume was picked up at this particular date. The  
5 production could have been made several months prior to  
6 this until they finally accumulated this particular volume,  
7 and then it was a full load and Navajo at that particular  
8 point in time picked it up.

9 Q. What is the latest date of a --

10 A. November the 29th of 2000 is the latest ticket  
11 run here, and that indicates that it was a -- nearly a full  
12 load.

13 Q. And then Mr. Agrawal also includes a letter from  
14 Central Valley Electric Cooperative.

15 A. Okay. Now, if I read this correctly, the amount  
16 that was tendered by General Minerals was \$77.05; is that  
17 correct? If that's the correct assumption, this is not a  
18 substantial amount of electricity used to run a pumping  
19 unit. Most likely, this is just a minimum charge for  
20 having a meter installed, regardless of whether you use any  
21 electricity at all.

22 CHAIRMAN WROTENBERY: Okay. Okay, thank you, Mr.  
23 Gum. I don't think I have any further questions.

24 Mr. Brooks, do you have anything --

25 MR. BROOKS: No more questions for the witness.

1           Based upon the witness's testimony, we'll offer  
2   OCD Exhibits Numbers 4 and 5 and 7, 8, 9 and 10.

3           CHAIRMAN WROTENBERY:   Okay, Exhibits 4, 5 and 7  
4   through 10 --

5           MR. BROOKS:   Correct.

6           CHAIRMAN WROTENBERY:   -- are admitted into the  
7   record.

8           MR. BROOKS:   Very good.

9           THE WITNESS:   Madame Chairman, may I make one  
10   additional comment?

11          CHAIRMAN WROTENBERY:   Yes, sir.

12          THE WITNESS:   After further reading of the letter  
13   from Central Valley, it looks like that the \$77 in itself  
14   was a special tax relief because of the way the corporation  
15   was set up. But for the total amount of \$2618 -- No,  
16   that's -- two million? I take exception with that  
17   electrical use.

18          CHAIRMAN WROTENBERY:   Okay, thank you, Mr. Gum.  
19   I don't know which patrons that first sentence is referring  
20   to. It's not --

21          THE WITNESS:   Well, I would suggest that --  
22   There's a minimum charge here for electrical use, that's  
23   probably what they were referring to.

24          CHAIRMAN WROTENBERY:   Okay, thank you, Mr. Gum.

25          MR. BROOKS:   Okay, I have --

1 CHAIRMAN WROTENBERY: Anything else?

2 MR. BROOKS: -- nothing further of the witness.

3 CHAIRMAN WROTENBERY: I'm sorry?

4 MR. BROOKS: I have nothing further of the  
5 witness.

6 CHAIRMAN WROTENBERY: Thank you, Mr. Gum, for  
7 your testimony.

8 MR. BROOKS: At this time, ladies and gentlemen,  
9 I would ask that Exhibits 2 and 3 and 6, which I will  
10 proceed to describe, be admitted as records of the -- on  
11 the basis of administrative notice, as records of the New  
12 Mexico Oil Conservation Division.

13 Exhibit Number 2 contains the material portions  
14 of the affidavit of notice that was filed in this case,  
15 including only those portions relative to General Minerals  
16 Corp. At the time that the Division Hearing occurred, we  
17 had neither received a return receipt nor had we received  
18 the letter back from General Minerals Corp. regarding the  
19 notice of the hearing in October of 2001. So only the  
20 certified mail receipt showing the mailing of that item is  
21 attached to Exhibit Number 2.

22 Exhibit Number 3 is a copy of the envelope in  
23 which the notice of the Division Hearing was sent to  
24 General Minerals Corp. That was returned with the original  
25 notice, undelivered, subsequent to the Division Hearing.

1 You will notice that it is checked "Returned Unclaimed" --  
2 that is, it is not checked "Returned, Addressee Unknown"  
3 but rather "Unclaimed". And you also notice that two  
4 notices apparently were given before it was returned.

5 I will also invite you to compare the address  
6 shown on the envelope, which is Exhibit 3, with the address  
7 shown on the letter, which is Exhibit 4, and which was --  
8 for which General Minerals Corp. did receipt. And you can  
9 observe that while the second letter that is Exhibit 5 was  
10 apparently misaddressed, the notice of the hearing was  
11 apparently not misaddressed. It was correctly addressed  
12 and simply was not claimed by General Minerals Corp.

13 Exhibit Number 6 is a copy of the relevant  
14 portions of the transcript of the Division Hearing.

15 Based on administrative notice, I will offer  
16 Exhibits 2, 3 and 6.

17 CHAIRMAN WROTENBERY: Thank you, Mr. Brooks.  
18 Exhibits 2, 3 and 6 are admitted into the record. Do you  
19 have anything further?

20 MR. BROOKS: Simply to say that I believe that  
21 the evidence, even if the hearsay evidence of Mr. Agrawal,  
22 who did not see fit to come here and offer the evidence  
23 under testimony -- testimony under oath subject to cross-  
24 examination -- is admitted, there is no evidence that would  
25 sufficiently indicate that this well has produced within

1 the last year or is in compliance or that any measures are  
2 being taken to bring it into compliance.

3 And this coupled with Mr. Agrawal -- I understand  
4 there's probably a jurisdictional problem with penalizing  
5 General Minerals Corp. for what they obviously have done in  
6 violation of the rules in not filing C-115s, because that  
7 was not what was noticed for the original hearing. So  
8 there's probably a jurisdictional problem with doing that.

9 But I think the record adequately reflects that  
10 they have a noncompliant well and that the Commission would  
11 be justified in affirming the penalty that was set by the  
12 Division, and also in ordering that this well be brought  
13 into compliance.

14 Thank you.

15 CHAIRMAN WROTENBERY: Thank you, Mr. Brooks. Any  
16 questions of Mr. Brooks?

17 COMMISSIONER BAILEY: No.

18 CHAIRMAN WROTENBERY: Commissioner Lee, do you  
19 have anything else?

20 COMMISSIONER LEE: (Shakes head)

21 CHAIRMAN WROTENBERY: Thank you. We will take  
22 Case 12,733 under advisement.

23 (Thereupon, these proceedings were concluded at  
24 10:28 a.m.)

25 \* \* \*



## 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 Commission 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 April 7th, 2002.

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STEVEN T. BRENNER  
CCR No. 7

My commission expires: October 14, 2002