STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION DIVISION FOR THE PURPOSE OF CONSIDERING:	)	CASE NO. 12,739
APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION FOR AN ORDER REQUIRING OPERATORS TO BRING ONE HUNDRED NINETEEN (119) WELLS INTO COMPLIANCE WITH RULE 201.B AND ASSESSING APPROPRIATE CIVIL PENALTIES; SAN JUAN, RIO ARRIBA, SANDOVAL AND McKINLEY COUNTIES, NEW MEXICO	)	

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

October 18th, 2001

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, October 18th, 2001, 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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I N D E X

October 18th, 2001
Examiner Hearing
CASE NO. 12,739

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E X H I B I T S

Applicant's	Identified	Admitted
Exhibit 1	24	30, 32
Exhibit 2	11, 32	32
Exhibit 3	15	20
Exhibit 4	16	20
Exhibit 5	17	20
Exhibit 6	10, 18	20
Exhibit 7	18	20
Exhibit 8	18	20
Exhibit 9	18	20
Exhibit 10	18	20
Exhibit 11	18	20
Exhibit 12	18	20
Exhibit 13	18	20
Exhibit 14	18	20
Exhibit 15	18	20
Exhibit 16	18	20
Exhibit 17	18	20
Exhibit 18	18	20

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A P P E A R A N C E S

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* * *

WHEREUPON, the following proceedings were had at 8:30 a.m.:

EXAMINER STOGNER: At this time I will call Case Number 12,379, which is the Application of the New Mexico Oil Conservation Division for an order requiring operators to bring 119 wells into compliance with Rule 201.B and assessing appropriate civil penalties for wells in San Juan, Rio Arriba, Sandoval and McKinley Counties, New Mexico.

Call for appearances.

MR. BROOKS: May it please the Examiner, I'm David Brooks, Assistant General Counsel, Department of Energy, Minerals and Natural Resources, appearing on behalf of the New Mexico Oil Conservation Division.

EXAMINER STOGNER: Any other appearances?

MR. HALL: Mr. Examiner, Scott Hall from the Miller Stratvert Torgerson law firm, Santa Fe, entering an appearance on behalf of Central Resources, Incorporated. No witnesses this morning, Mr. Examiner.

MR. BROOKS: And I have two witnesses, Mr. Examiner.

EXAMINER STOGNER: That's Central Resources?

MR. HALL: Yes, after the presentation of Mr. Brooks' case I'll explain the circumstances behind my evidence at this point.

EXAMINER STOGNER: Okay, if there's no other appearances, will the witnesses --

MR. BRUCE: Mr. Examiner --

EXAMINER STOGNER: Oh, I'm sorry.

MR. BRUCE: -- Jim Bruce, I'm entering an appearance on behalf of NM&O Operating Company, or I had previously entered an appearance. I understand that with respect to my client the case is being continued. Thank you.

EXAMINER STOGNER: Correction, that portion of the case will be continued.

MR. BRUCE: That portion.

EXAMINER STOGNER: Okay, I've got NM&O, Central Resources and OCD. Any other appearances?

Okay, at this time will all witnesses please stand to be sworn?

(Thereupon, the witnesses were sworn.)

MR. BROOKS: Your Honor, I would like to make a brief statement, and in view of what I'm going to say it may change the way in which we proceed. So may I proceed with my statement?

EXAMINER STOGNER: Please.

MR. BROOKS: Okay. First off, your Honor, we brought this Application against a very large number of operators, I think about 13 operators. And in accordance

with the way the inactive well project has proceeded heretofore in the Division, our policy has been to send out letters to all of the operators who have inactive wells, and most of the operators throughout have corrected these problems.

However, we have proceeded to file an Application against those with whom it was impossible to establish communication for whatever reason. And in this case it ended up being it looks like about 20 operators, 19 operators, that we named in the Application which I filed.

Of these, the personnel of District 3 has succeeded in establishing contact with 12 of these operators -- or with 18 of these operators, and it's my understanding that each of these operators has committed to a specific plan to bring their wells into compliance.

We are therefore requesting at this time that the hearing be continued -- Well, first of all, there are certain operators as to which we are requesting a dismissal. And in the case -- as to the following operators we are requesting dismissal of the proceeding:

Paragraph Number 7 of the Application deals with Julius Chodorow. We are requesting that the Application be dismissed as to Mr. Chodorow. We believe that Mr. Chodorow is not active any longer and that it will be necessary eventually to plug those wells. However, those wells are

located on tribal lands -- that well, it's one well, is located on tribal lands, and at this time we do not have an agreement with the tribe as to the appropriate means of disposition, and therefore we are not in a position to proceed as to that well, and we will dismiss that, of course, without prejudice to our subsequently bringing a plugging action with regards to that well.

We are also requesting dismissal as to Tasco, as the paragraph 17 of the Application, has eight wells, and the situation with Tasco is that there is a series of questions about who actually is presently responsible for those wells, and therefore we're not in a position to proceed with respect to those wells and to determine the appropriate disposition.

We are also requesting dismissal as to Keystone Energy, LLC, that is the subject of paragraph 8, and they have one well. And I believe that is a similar situation to the situation with Tasco, that there is a question of the status of their lease which cannot be solved within the parameters of this proceeding.

Am I missing anybody, Mr. Chavez, that we're dismissing?

MR. CHAVEZ: I can't think of anyone at this time, no.

MR. BROOKS: I believe that is the ones that

we're dismissing.

As to the remaining operators, with the exception of Coulthurst Management and Investment, Inc., Coulthurst Management and Investment, Inc., is the subject of paragraph 3 of the Application, as to all of the remaining operators except Coulthurst and the ones we have previously stated we're dismissing, we are requesting that this hearing be continued on our request for a compliance order until the second hearing in January. And I'm sorry, I do not have the date of that hearing. It will be the second Examiner Hearing in the month of January, 2002.

This will give those operators a period of approximately 90 days within which to comply with the plans which they have provided to supervisor Chavez, and if they do not do so, we will then proceed to ask the Examiner to enter a compliance order as to those who do not. But at this time we would ask for a severance of the proceeding as to those people so that we can continue it for that purpose.

Now, at this time I will call your attention to the exhibit folder, because there is an issue with regard to the remaining respondent Coulthurst Management and Investment, Inc., which is somewhat complicated. And because one of the documents in here might be construed as a request for continuance, I wanted to bring it to your

Honor's attention so that you can direct us as to how we should proceed.

I discussed this issue with Supervisor Chavez yesterday, and we concluded that we would ask to proceed for a compliance against them. However, your Honor may feel that a request for continuance has been presented and should be considered.

For this reason, I will call your attention to Exhibit Number 6 in the examination folder. Exhibit Number 6 appears to be and will be identified by my witness as a fax which was sent to our Aztec District Office by Coulthurst on October the 16th, 2001, the day before yesterday. And I'll give you a moment to read it, and then I will comment briefly on what I believe the evidence will show as to the background of this letter.

EXAMINER STOGNER: Okay.

MR. BROOKS: Are you ready for me to proceed?

EXAMINER STOGNER: Let's -- Just for the record, this will be a severed case. What we will consider today are the dismissals concerning the Julius Chodorow, Tasco and the Keystone Energy-operated wells. We will hear testimony concerning the wells that are being operated under Coulthurst Management, and all of the other wells and operators for this case will be continued to the second hearing in January. And I'm sorry, I can't remember if

that's the third or fourth Thursday of that month. I have it written upstairs, and we will make a note of that for the record before the day is over.

With that, I'll let you proceed, Mr. Brooks.

MR. BROOKS: Okay. What I believe the evidence will show, your Honor, as to the background of this letter is that the District Office has on numerous occasions attempted to communicate with Coulthurst and has done so at the address 1990 Main Avenue, Berkeley, California 94707, which is the address appearing on the letterhead of the fax, which is Exhibit 6, that was sent the day before yesterday.

The District's certified mailings to that address have been returned unclaimed. The notice of this hearing was sent to that same address by certified mail, return receipt requested, by myself, as evidenced by my affidavit which I intend to file as Exhibit 2, and we have neither received the return receipt, nor have we received the returned envelope. So we do not know what has happened to the notice.

Our reason for requesting to proceed at this time is that it seems to us that Coulthurst has been, at the very least, rather negligent in not receiving its communications at what apparently is its current address, and their statement in Exhibit Number 6 that they've had

only 24 hours' notice, and accordingly they request 30 days' continuance of what they refer to as "the meeting", so they obviously misunderstand the nature of this proceeding, would seem to me to be somewhat disingenuous in view of their failure or refusal to accept the Division's mailings.

However, I call this to your attention before presenting my evidence in case your Honor construes this as a request for a continuance which you are disposed to grant.

Thank you.

EXAMINER STOGNER: No, I'm not going to consider this a request for continuance at this time. I'd like for you to go ahead and proceed, and perhaps after we hear the testimony I'll make the decision at that time.

MR. BROOKS: Very good. The Division will call Mr. Frank Chavez.

May I proceed?

EXAMINER STOGNER: Please.

FRANK T. CHAVEZ,

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

DIRECT EXAMINATION

BY MR. BROOKS:

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

A. My name is Frank Chavez.

Q. And where do you reside?

A. I reside in Aztec, New Mexico.

Q. And how are you employed?

A. I'm the District Supervisor for the Oil Conservation Division District 3 Office in Aztec.

Q. And in that capacity are you the person who is responsible for the administration of the District's regulation of oil and gas in District 3?

A. Yes, I am.

Q. And what counties does District 3 include?

A. District 3 includes San Juan, Rio Arriba, Sandoval and McKinley Counties.

Q. Okay. Mr. Chavez, have you been involved in what has been referred to in previous proceedings as the inactive well project that is being conducted by the Division?

A. Yes, I have.

Q. And would you briefly review for the Examiner how you have proceeded in regard to the inactive well project, what your function has been?

A. In the District we've been responsible for following on notifying operators of wells that have been out of compliance with Oil Conservation Division Rules and Regulations, wells that have been inactive and not in

compliance with the temporary abandonment rules, or wells for which operators have not filed production reports, C-115s, as are required by OCD Regulations.

We sent an initial mailing out to operators who had met those criteria of having inactive wells or unreported wells in May of the year 2000. We received responses back, but in September of year 2000 we sent letters to those operators who hadn't responded to the May mailing.

The purpose of bringing Coulthurst for this particular hearing is that they did not respond to the May mailing, nor did they accept the September 25th letter that we sent to them concerning their response to the initial mailing.

Q. Okay. To clarify for the purposes of the record and the Examiner's understanding of this, there was a mass mailing mailed out in May -- approximately May 11th, 2000; is that correct?

A. I think that's correct.

Q. And was that mailed from the Santa Fe office?

A. Yes, it was.

Q. And was Jane Prouty responsible for generating the list of people to whom that was to be mailed?

A. That's correct.

Q. Okay, Ms. Prouty will be our next witness, and I

will go into that with her. But then you were notified as to the people to whom that mailing had been sent, correct?

A. That's correct, we received a list of the operators that had been notified and a list of wells that met those criteria.

Q. Very good. And one of the operators to whom that notice was sent was Coulthurst Management and Investment, Inc., correct?

A. That's correct.

Q. And did you receive any reply to that May 11th, 2000, letter from Coulthurst Management and Investment, Inc.?

A. No, we did not.

Q. Okay. Now, would you look at your exhibit stack, and I will call your attention to what has been marked as OCD Exhibit 3, and ask you to identify it.

A. Is it this one?

Q. Yes. Your exhibits -- you don't have a marked --

A. I don't have the numbers.

Q. -- marked set of exhibits. Let me get you a marked set of exhibits.

A. Thank you.

Q. That's all Exhibit 1, so just go on to the next one. There we go.

A. Exhibit Number 3 is a copy of a certified mail,

return receipt requested, letter that my office sent to Coulthurst Management and Investment Company on September 25th of the year 2000.

Q. Okay, and I will call your attention to the address. Would you read into the record the address to which that was sent?

A. The address is 1990, Marin Avenue, Berkeley, California 94707.

Q. Okay. Now I will call your attention to what has been marked as Exhibit 4 and ask if you can identify it.

A. This is a copy of the envelope that this letter was sent in as it was returned to our office.

Q. Okay. And we'll note for the record that Exhibit Number 4 has what appears to be a postal stamp that says "Returned to Sender", and below that the stamp says "Reason Checked", and of the various reasons that are given on the stamp the one that is checkmarked is "Unclaimed".

Now, Mr. Chavez, did you ever receive any further correspondence from Coulthurst regarding the inactive well project up to this week?

A. No, we did not.

Q. And this week, after this Application had been filed, did you attempt to contact Coulthurst?

A. Yes, Mr. Perrin from my office made several attempts through different channels and was finally able to

contact Mr. Coulthurst by telephone.

Q. Okay, I will call your attention to what has been marked as OCD Exhibit Number 5 and ask you if you can identify it.

A. This is a faxed, handwritten memorandum that was sent to Mr. Perrin in my office in response to his telephone contact. It was sent by Mr. Coulthurst.

Q. I note that Exhibit Number 5 is dated 10/16, without any year. Can you tell me what year that this was received?

A. It's this year.

Q. So that was 10-16 of 01?

A. That's correct.

Q. Which would have been the day before yesterday?

A. Yes. In looking at this we noticed also, we can't take into consideration the date at the top of the fax. Their machine is apparently not programmed correctly wit the right times and dates.

Q. Yes, I will note that the fax machine says "01/22/1995", or is it 1998? I don't have my glasses?

A. 1995.

Q. Okay. Well, this was not, in fact, received in 1995?

A. No, it was not.

Q. Very good. Okay, let me call your attention next

to what has been marked as OCD Exhibit 6 and ask you if you can identify it.

A. This is a copy of the fax that we received in our office addressed to Mr. Perrin in further response to the phone call that he had made.

Q. Okay, and this is dated October 16, 2001, correct? Again, Tuesday of this week?

A. Yes, it is there at the -- just above the greeting on the --

Q. And again, the fax stamp indicates that it was sent on "01/22/1995"?

A. That's right.

Q. And that is not correct as to when it was sent?

A. No, it's not.

Q. Thank you. Now, did you cause a physical inspection to be made of the Coulthurst wells that are included in this Application?

A. Yes, yes, we did.

Q. I will call your attention to what has been marked as OCD Exhibit 7 through 18, and of course these are Xerox copies of color pictures, and they may be a little hard to identify, but -- some of them, but I will ask you if you can identify those pictures.

A. Yes, these are copies of photos of the wells that are the subject of this Application for Coulthurst.

Q. Thank you. And I will note that the Examiner has been furnished with the originals, the color photographs that are not Xerox copies.

Is each of these photographs labeled with a label in rather large type showing the well to which it relates by well name, number and API number?

A. Yes, on the copies it's not very clear but it should be very clear on the originals.

Q. Okay. And these -- unlike some Division photographs, these do not have dates imprinted on them by the camera. Can you tell me approximately when these photographs, Exhibits 7 through 18, were taken?

A. They would have -- I'm sorry, I can't. It's done by a field inspection staff, and I don't recall the date they went out. It's been within the last month.

Q. It would have been since the filing of this Application?

A. That's correct.

Q. And this Application was filed on September the 27th, 2001?

A. Yes, sir.

Q. So it would have been sometime since that date and prior to today, correct?

A. Yes, sir.

MR. BROOKS: Okay. I'll move for the admission

of OCD Exhibits 3 through 18.

EXAMINER STOGNER: Exhibits 3 through 18 will be admitted into evidence at this time.

MR. BROOKS: And I'll pass the witness.

EXAMINATION

BY EXAMINER STOGNER:

Q. Mr. Chavez, in referring to Exhibit Number 6, up there at the top in the text it says "Dear Charlie, Thank you for your call and e-mail which were received about 4 PM Friday, Oct. 12th." What e-mail is he referring to that was sent on October the 12th?

A. My recollection is -- I'm sorry, I don't have a copy of that. In Mr. Perrin's communication with Mr. Coulthurst, he did send him copies or a list of the wells that we referred to, we're referring to, and I think some other communications, but I'm not real sure. He is present and he can be able to tell you exactly what that e-mail communication included.

Q. Are you referring to previous -- Okay, you've already stated in your testimony today about a mass mailing of May 11th, and of course Exhibit Number 3 contains a September 25th of 2000 letter. Are there any other additional correspondence --

A. Just --

Q. -- that would have been contained in that e-mail

that you know of?

A. I don't know. Like I say, you'd have to verify that with Mr. Perrin. But those e-mails were only after he established phone communication.

Q. Do you know who called who? Was it Mr. --

A. Yes, Mr. --

Q. -- Perrin that had reached him at this number stated on the letterhead?

A. Yes, Mr. Perrin initiated the phone call after looking -- several attempts to try to find a current number for Mr. Coulthurst.

Q. Because it goes down there, if you notice, "I never received either letter about an information request..." So that's what I was curious, of which correspondence was sent to him.

A. I'm presuming. He's referring to the initial May, 2000, letter and then the -- which wasn't returned -- or the September 20th, 2000, letter that was sent certified that he didn't claim. I was presuming that's what he was referring to.

Q. Okay, now it mentions something in here about his working with the BLM. What's been your correspondence or work or your people's work with the BLM concerning these federal lands?

A. We've only recently talked to the engineer with

the BLM out of the Albuquerque office, and apparently Mr. Coulthurst has been working with them on some long-term development issues on that property that appear to be waterflood issues.

Q. Now, is this property currently under waterflood?

A. No.

Q. And so there's no production and no injection whatsoever going on out there on any of these wells?

A. That's correct. If there's production going on on some wells, my understanding is that is not -- that these wells have not been reporting any production or injection.

Q. Okay, just by reviewing 7 through 18 it looks like some of them aren't even capable of producing.

A. That's correct.

MR. BROOKS: Mr. Examiner, it is our intention to offer the production records as they're shown in the OCD system through another witness.

EXAMINER STOGNER: Okay, I'll still reserve judgment on the -- I guess what can be interpreted -- I'm still not sure that can even be interpreted that way for their request for a 30-day delay stated in Exhibit Number 6.

So I have no other questions of Mr. Chavez. Are there any other questions of Mr. Chavez at this time, Mr.

Brooks?

MR. BROOKS: No, your Honor.

EXAMINER STOGNER: Thank you, Mr. Chavez.

Mr. Brooks?

MR. BROOKS: Call Jane Prouty.

Let's see, what happened to the exhibit folder? Okay, yeah, the exhibit folder is still up there, good. Thank you.

May I proceed?

EXAMINER STOGNER: Please.

JANE E. PROUTY,

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

DIRECT EXAMINATION

BY MR. BROOKS:

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

A. Jane Prouty.

Q. And where do you reside?

A. In Santa Fe.

Q. And how are you employed?

A. I work for the Oil Conservation Division, I'm the manager of the computing area for well production and permitting.

Q. And are you responsible -- are you the individual who is responsible for receiving, entering into the system

and maintaining the reports of production and injection that are submitted by operators of wells in New Mexico?

A. The staff that I work with is, yes.

Q. And they act under your direction and supervision?

A. Yes.

Q. I will call your attention to what has been marked as OCD Exhibit Number 1 and ask you to identify it.

A. Yes, this is a report of the wells on Exhibit A and B that -- the production that we've received for those wells. Just if you would look at the first page, for example, for Chaparral Energy, they reported volumes through August of 1998, and then those months that appear after that, they submitted C-115s with this well on the C-115s with this well on the C-115 but with no values for gas-oil, water or injection. So that's pretty much how you read the report.

Some other entries on here, I don't have a page number specifically. If no C-115 -- If the particular well was not on a C-115 it will say "No C-115 filed".

Q. Now, in making up this report -- Well, first of all, you said that this report included the wells identified on Exhibit A and Exhibit B. Now, by that are you referring to Exhibit A and Exhibit B to the Application that was filed in this case?

A. I believe so.

Q. Okay, thank you. And you have the ability to make the computer generate the data in various formats, correct?

A. Yes.

Q. And you could have instructed the computer wherever the volume injected or produced was zero to print out a zero no the report?

A. Right.

Q. But after discussing the matter with me, you concluded to just have the computer show the month with a blank if the report was filed but it reported zero production?

A. Yes.

Q. Okay. So whenever, with regard to a particular well, a month is listed and there are no other numbers beside it under the columns "Gas", "Oil", "Water" and "Inj", if there are no figures in any of those columns, that means that the operator filed a report which included that well but reported zero production of gas, oil and water and zero injection as to that well?

A. Yes.

Q. And if the report shows -- if the computer did not print out a particular month, that means, as I understand your testimony, that the operator either filed

no C-115 for that month or did not include that well on their C-115?

A. That's correct.

Q. Okay. Now, I will ask you to page over to the 4th page -- well, they are numbered, they're numbered in the upper right-hand corner. Pages 4 through --

A. -- 17?

Q. Okay, I was seeing how far it went. Yes, pages 4 through 17. Now, do those refer to the wells that are operated according to OCD records by Coulthurst Management and Investment, Inc.?

A. Yes.

Q. And just looking through pages 4 through 17, I don't see any volumes of production or injection reported?

A. Right.

Q. Okay. I think the exhibit will otherwise speak for itself.

Now, there is one other thing I need to take up with you, and I think that's all we need to say about the exhibit at the moment.

You are familiar, are you not, with the inactive well project which is being undertaken by the New Mexico Oil Conservation Division?

A. Yes.

Q. Okay. Now, since your involvement in it kid of

precedes Mr. Chavez's involvement, it might have been better to put you on first as a witness. But we've got you here now, so let me ask you to explain to us -- Well, first of all, were you the person -- was it you or people acting under your direction who generated the address list for what has been referred to as the May 11th, 2000, letter?

A. Yes, we used the addresses in our computer system.

Q. And you submitted an inquiry to the computer to determine which operators should receive that letter, correct?

A. Yes.

Q. And what were the criteria on which you selected the operators that should receive the May 11th, 2000, letter?

A. The criteria was, it included operators who had not produced for -- I can't tell you specifically the May one -- for beyond the period of time of the Rule 201, let me say that. I cannot tell you exactly which month at the time, and of course production could have come in subsequently, people who did not have production at that time may not still be on that list.

But the criteria was that they have completions, that the completion not be in the valid TA period or that we have not received an extension.

Q. Now hold on a minute. When you say TA, that means an approved temporary abandonment status --

A. Right.

Q. -- approved by the Division, correct?

A. Right.

Q. Go ahead.

A. Yes. And that we not have received production or injection.

Now, I generated a large list of wells, and for that particular mailing I wasn't in charge of exactly what went out the door. My understanding is, only wells that were classified as oil and gas were mailed. So I had generated a larger list, including injection wells, but on that particular May 11th mailing, just oil and gas wells were mailed.

Q. Okay. Now, was a list generated by the computer for each operator to be included with the May 11th, 2000, letter?

A. Yes, Ben Stone developed the letter, and it had every well listed, and it had a questionnaire on there saying things such as, do we have the well classification wrong, is this truly your well, do you feel it is producing or injecting, can you send a C-115? So it had places for the operator to fill it out and return it to us.

Q. Now, there were a much larger number of operators

on that mailing list than what's included here, correct?

A. Yes.

Q. And was that letter sent out by the Santa Fe office of the OCD?

A. Yes, it was.

Q. Very good. Do you have a means of determining that Coulthurst, in fact, received that letter -- or, in fact, that that letter was sent to them, not that they received it, because it wasn't sent certified?

A. Not in proof, no, but I keep track of any envelopes ever returned to Oil Conservation Division for a bad address, and we flag those until we get a good address, and then we unflag them. And the Coulthurst address was never returned as not an accurate address. So I have every reason to believe the letter was mailed, because the letters where we knew we didn't have valid addresses were not mailed.

And also the follow-up letter -- also the first letter, we knew, had not been returned, so I know that the follow-up letter in September was also sent.

Q. Okay. Well, the follow-up letter has been admitted in evidence --

A. Okay.

Q. -- on the testimony of Mr. Chavez, so we've gone into that.

But when I prepared this Application, if you will recall, you submitted to me a printout of wells that had -- in which you had entered Y's as to certain operators and wells, and I believe you told me at the time that that indicated that those operators and wells were included in the May, 2000, mailing. Can you tell me on what basis you gave me that indication?

A. I kept the file that generated -- the data file that generated those letters.

Q. And this would be a file that you kept in the ordinary course of your business as manager of the records for the New Mexico Oil Conservation Division?

A. Yes.

MR. BROOKS: Okay, very good. I will request admission of OCD Exhibit Number 1.

EXAMINER STOGNER: Exhibit Number 1 will be admitted into evidence.

MR. BROOKS: Pass the witness.

EXAMINATION

BY EXAMINER STOGNER:

Q. Ms. Prouty, maybe -- you may not be the person to ask this question, but if so Mr. Chavez can step up. Do you know when Coulthurst Management -- Did they drill the wells, or how long have they been operator of the wells?

A. No, I don't know that.

EXAMINER STOGNER: Mr. Chavez, do you?

MR. CHAVEZ: Yes, those wells were drilled many, many years ago. It's in a small oil field just in the Torreon area in Sandoval County, and Mr. Coulthurst is one of the latest operators. There have been many operators before.

EXAMINER STOGNER: Do you know about when Coulthurst took over operations?

MR. CHAVEZ: Early 1990s, late 1980s.

EXAMINER STOGNER: Okay, so -- and that's what I was leading up to my question when I was looking at this exhibit. I believe the earliest date shown for zero production on all these, by the way, is 1997.

So Coulthurst, as far as Mr. Prouty and Mr. Chavez -- as you both know, Coulthurst was the reflected operator at that time; is that correct?

MR. CHAVEZ: Yes.

EXAMINER STOGNER: Okay. I have no other questions of Ms. Prouty.

Mr. Brooks?

MR. BROOKS: Nor have I.

EXAMINER STOGNER: Okay, with the --

MR. BROOKS: I would like to put in Exhibit 2, if I may.

EXAMINER STOGNER: Please.

MR. BROOKS: Your Honor, Exhibit Number 2 is my affidavit of notice. Because we were continuing as to all operators except Coulthurst I did not deal with the operators other than Coulthurst in this affidavit, other than to state that the notice was sent to everyone on the mailing list attached to Attachment A to Exhibit 2.

But Attachment B to Exhibit 2, you will note, is the certified mail receipt issued by the United States Postal Service, showing that the letter was mailed to Coulthurst Management and Investment, Inc., at 1990 Marin Avenue, Berkeley, California 94707, which I will again call your attention to, is the address shown on the letterheads of the two faxes received October 16, 2001, from Coulthurst.

The affidavit also states, which I believe to be the fact as of this date, that the Division has neither received a return receipt from the United States Postal Service, nor has it received a return envelope containing Attachment A to Exhibit Number 2.

Attachment C to Exhibit Number 2 is the notice that was published in Sandoval County in accordance with Division Rules.

Thank you very much, your Honor.

EXAMINER STOGNER: Okay, Exhibits 1 and 2 will be admitted into evidence.

And while we're on this, just a couple -- just one little thing that you can clarify for me. The Application for 121 wells, the docket and the published notice has 119. What are the other two wells? Are we missing some, or are those --

MR. BROOKS: I believe -- and I had not reviewed the notice to be sure it was correct. Originally it was 119. A the last minute in the preparation of the Application, two wells operated by Noel --

THE WITNESS: -- Reynolds.

MR. BROOKS: -- Noel Reynolds were added to the Application, and it may be my mistake that I may not have gotten those added to the notice. I thought that I did, but if I did not -- It doesn't matter, of course, as far as the notice published in Sandoval County, because I believe those are not in Sandoval County, but at the appropriate time we can establish whether or not proper notice was given as to the Noel Reynolds wells.

EXAMINER STOGNER: Okay, if you can check that out, and whenever we hear this case again as it relates to Noel Reynolds and the other operators, if you can address that issue at that time.

MR. BROOKS: I will do so, your Honor.

EXAMINER STOGNER: Okay. Now, back to Exhibit Number 6, his request was to Mr. Charlie Perrin, which was

actually the wrong place to ask such a request. It's not up to Mr. Perrin or the Aztec office to come down here and ask for a continuance.

And also on Exhibit Number 5, if he was in Berkeley, California, e-mailing this and he had 45 minutes to catch a flight, I thought he would probably surely miss it, and he has plenty of time to address these issues. You don't catch a flight in 45 days --

MR. BROOKS: 45 minutes.

EXAMINER STOGNER: -- 45 minutes in these days, this day and time.

So with that, if this is a request, it is denied. I'm going to take this matter -- and I'm prepared to take this matter under advisement if that's your intent at this time, Mr. Brooks.

MR. BROOKS: That is my recommendation, your Honor.

EXAMINER STOGNER: Okay. Case Number 12,739, if there's nothing further, will be taken under advisement as it relates to --

MR. BROOKS: -- Coulthurst.

EXAMINER STOGNER: -- Coulthurst, and also I'd like to include Julius -- How do you pronounce it?

MR. BROOKS: Chodorow.

EXAMINER STOGNER: -- Chodorow, Tasco and

Keystone Energy dismissals.

MR. BROOKS: Okay.

EXAMINER STOGNER: And could I have you provide me a rough draft order, Mr. Brooks?

MR. BROOKS: I will do so.

EXAMINER STOGNER: Okay. And as far as the remaining operators under Case 12,739, this matter concerning those operators will be continued to the second hearing in January. I don't have the dates, but it is published upstairs and one can obtain it at that time.

If there's nothing further, we can proceed --

MR. BROOKS: Thank you.

EXAMINER STOGNER: -- to other cases today.

(Thereupon, these proceedings were concluded at 9:15 a.m.)

* * *

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 12739 heard by me on 18 October 2001

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 October 21st, 2001.

STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 2002