

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. 12,770
)	
APPLICATION OF THE NEW MEXICO OIL)	
CONSERVATION DIVISION FOR AN ORDER)	
REQUIRING SIERRA BLANCA OPERATING)	
COMPANY TO PROPERLY PLUG NINETY (90))	
WELLS, AUTHORIZING THE DIVISION TO)	
PLUG SAID WELLS IN DEFAULT COMPLIANCE)	
OF SIERRA BLANCA OPERATING COMPANY OR)	
ITS SURETIES, AND ORDERING A FORFEITURE)	
OF APPLICABLE PLUGGING BONDS AND CASH)	
COLLATERAL, LEA COUNTY, NEW MEXICO)	
)	

OIL CONSERVATION DIV.
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ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

November 15th, 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, November 15th, 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.

* * *

STEVEN T. BRENNER, CCR
(505) 989-9317

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November 15th, 2001
 Examiner Hearing
 CASE NO. 12,770

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A P P E A R A N C E S

FOR THE DIVISION:

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 10:53 a.m.:

3
4 EXAMINER STOGNER: At this time I will call Case
5 Number 12,770, which is the Application of the New Mexico
6 Oil Conservation Division for an order requiring Sierra
7 Blanca Operating company to properly plug ninety wells,
8 authorizing the Division to plug said wells in default
9 compliance of Sierra Blanca Operating Company or its
10 sureties, and ordering a forfeiture of applicable plugging
11 bonds and cash collateral, Lea County, New Mexico.

12 At this time I'll call for appearances.

13 MR. BROOKS: May it please your Honor, I am David
14 Brooks, Assistant General Counsel, Energy, Minerals and
15 Natural Resources Department of the State of New Mexico,
16 appearing for the New Mexico Oil Conservation Division, and
17 I have three witnesses.

18 EXAMINER STOGNER: Okay, there's nobody else in
19 the room, so there's no other appearances.

20 Will the three witnesses please stand to be sworn
21 at this time?

22 (Thereupon, the witnesses were sworn.)

23 MR. BROOKS: Very good, we'll call Jane Prouty.

24 May I proceed, your Honor?

25 EXAMINER STOGNER: Please.

1 JANE E. PROUTY,
2 the witness herein, after having been first duly sworn upon
3 her oath, was examined and testified as follows:

4 DIRECT EXAMINATION

5 BY MR. BROOKS:

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

7 A. Jane Prouty.

8 Q. And by whom are you employed?

9 A. OCD, Oil Conservation.

10 Q. And in what capacity?

11 A. I'm the manager of the area that works with oil
12 production reporting from the wells and computer operations
13 and the permitting.

14 Q. And in that capacity are you in charge of seeing
15 to it that production reports filed by operators are
16 entered into the OCD's system so that the OCD system will
17 give an accurate report of the -- or an accurate -- will
18 contain an accurate record of the production reports that
19 have been received from the operators?

20 A. Yes.

21 Q. And that applies to all wells in New Mexico,
22 correct?

23 A. Yes.

24 Q. And you have a staff of people who assist you in
25 that, correct?

1 A. Yes.

2 Q. I will ask you to look in the exhibit folder at
3 what has been marked as OCD Exhibit Number 1 --

4 A. Uh-huh.

5 Q. -- and I will ask you if that was prepared by you
6 or under your direction?

7 A. Yes, it was.

8 Q. And can you tell us what OCD Exhibit 1 is?

9 A. It's a report of all the production reported, or
10 injection, from January, 2000, through the present for the
11 -- I didn't count them, but I assume the 90 wells that were
12 on the exhibit.

13 Q. Okay. And it looks to me like, just looking at
14 this, that for each well, all the way through these seven
15 pages of wells listed, the statement appears in the
16 production month and year column "No C-115 filed"; is that
17 correct?

18 A. Right.

19 Q. What does that indicate?

20 A. That we didn't receive a C-115 with this well
21 completion on it during any month from January, 2000,
22 forward.

23 Q. Through and including what month?

24 A. Well, other operators are reporting through
25 August and September now, so I checked the system for

1 anything that had arrived, period.

2 Q. But nothing has arrived from Sierra Blanca
3 Operating Company?

4 A. Correct, for these wells, yes.

5 Q. Nothing, that is, except returned mail.

6 Okay. Now, if there had been any reports filed
7 and if they had shown -- if Sierra Blanca Operating Company
8 had reported any production from any of these wells during
9 any month from January, 2000, through and including
10 September, 2001, would there be production numbers under
11 the columns "Gas", "Oil", "Water" or "Injection" on this
12 report?

13 A. Well, depending on whether they reported volumes
14 or not. But if they had reported just zeroes, like if they
15 were shut-in wells, the month and the year would have
16 appeared --

17 Q. Right.

18 A. -- like it would have said January, 2000, and
19 then it would be blank in the gas, oil and water and
20 injection column. That would have been if we had even
21 received a C-115. But we didn't even --

22 Q. Yeah.

23 A. -- receive a C-115 with these -- for these wells.

24 Q. But if they had reported that there would have
25 been any production, it would have shown as a number under

1 the --

2 A. Right.

3 Q. -- columns on the right-hand side of this
4 exhibit?

5 A. Correct.

6 MR. BROOKS: I believe that concludes my
7 examination of this witness, Mr. Examiner.

8 EXAMINATION

9 BY EXAMINER STOGNER:

10 Q. Ms. Prouty, in reviewing Exhibit Number 1 here on
11 the first page, let's refer to the last three wells, the
12 Number 6. Now, that appears three times. But looking over
13 at the API number, there are three different API numbers
14 and also three different locations.

15 When I look at this, it would first appear that
16 this is the same well. But that's not the case, I would
17 assume?

18 A. Right, when -- The number that our system is
19 keyed off of is the API number, and to the computer, the
20 well name and number is sort of like a name: Whereas there
21 can be three Mikes in an office, we all know that they have
22 three different Social Security numbers.

23 So the names -- Most likely what happened in this
24 case is that some properties were merged over time and that
25 one operator used to own a Number 6, and a different one

1 owned a Number 6, and when they merged, for whatever
2 reason, we probably allowed them to keep the same numbers
3 so they didn't have to go change the signs.

4 But the entity -- We identify them from a
5 reporting and a computing point of view as the API number.

6 MR. BROOKS: I would note, Mr. Examiner, that on
7 Exhibit A to the Application they appear the same way, and
8 I prepared Exhibit A to the Application, and I did so by
9 electronic cut and paste from RBDMS, so obviously they're
10 the same.

11 So there's no possibility that I made a typo,
12 because I just clicked it out of RBDMS, so they appear the
13 same way in RBDMS.

14 THE WITNESS: We have hundreds of wells in the
15 system where the well number and the name are the same. We
16 try not to allow it, but operators often ask us to leave it
17 that way.

18 Q. (By Examiner Stogner) Well, is it that common of
19 an occurrence when there's a unit involved?

20 A. I'm not familiar with when it occurred, you know,
21 whether it's with a unit or without.

22 But that number is just like a name you would
23 say, and names can be duplicated, whereas numeric IDs
24 generally can't.

25 Q. But that's normally not the case in a unit, is

1 it?

2 A. It often is, in my experience, that people have
3 requested that we leave them the same, to save them, to use
4 the quote, millions of dollars in sign changes. We've done
5 it at their request.

6 Q. I understand, Ms. Prouty, that certain names do
7 duplicate, like the State Number 1 is duplicated quite
8 often, but in a unit that's a little bit different animal,
9 as you know.

10 And also if I'm looking, on the second page, Well
11 Number 11, it appears three times, all in Unit K, but in
12 three different counties -- I'm sorry, three different
13 sections, I should say.

14 But it's your belief at this time that that's not
15 a duplicate well -- that's not the same well that's
16 duplicated, or three different times?

17 A. Yes.

18 EXAMINER STOGNER: Okay. I have no other
19 questions of Ms. Prouty. Thank you, Mr. Brooks.

20 MR. BROOKS: Your Honor, we'll offer OCD Exhibit
21 1 in evidence.

22 EXAMINER STOGNER: Exhibit Number 1 is admitted
23 into evidence at this time. Thank you.

24 MR. BROOKS: Very good, you may stand down.

25 We call Chris Williams.

1 CHRISTOPHER J. WILLIAMS,

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

7 A. Chris Williams.

8 Q. And by whom are you employed?

9 A. New Mexico Oil Conservation Division.

10 Q. And in what capacity?

11 A. District Supervisor in Hobbs, New Mexico.

12 Q. And is that OCD District Number 1?

13 A. Yes, it is.

14 Q. And what area does District Number 1 include?

15 A. Lea, Roosevelt, Curry and part of Chaves

16 Counties.

17 Q. And you are the person who is responsible for the
18 overall operation of the New Mexico Oil Conservation
19 Division and its activities in that district, correct?

20 A. Correct.

21 Q. And like Ms. Prouty you have a staff of people
22 who assist you, correct?

23 A. Yes.

24 Q. Now, would you state briefly your experience with
25 oil and gas wells?

1 A. I have 25 years of experience at the field level,
2 from well completions to gas gathering, chemical and
3 corrosion control, computer databases, I have a little bit
4 -- like I said, a little over 25 years.

5 Q. Have you testified before the Division previously
6 and had your credentials accepted in well operations?

7 A. Yes, I have.

8 MR. BROOKS: Your Honor, we submit Mr. Williams
9 as an expert in well operations.

10 EXAMINER STOGNER: Mr. Williams is so qualified.

11 Q. (By Mr. Brooks) Very good. Are you familiar
12 with the -- Well, I will ask you to look at OCD Exhibit
13 Number 1 that's been admitted in evidence and ask you if
14 you are personally acquainted with the wells that are
15 reflected on that exhibit?

16 A. Yes.

17 Q. And these are, are they not -- All of these wells
18 are in certain units so that they're not 90 wells scattered
19 all over your district there, wells that are in a few
20 designated -- or a few concentrated places, correct?

21 A. Correct, they're kind of -- They're in the
22 northwest part of Lea County, and they're basically, I
23 would say, within a probably five- to ten-mile radius of
24 each other.

25 Q. And are you aware from your own personal

1 observations or from reports that have been made to you by
2 people under your -- on your staff in the ordinary course
3 of OCD operations, of the current status of those wells?

4 A. Yes.

5 Q. And are any of those wells capable of producing
6 at this time? That is to say, I'm not asking you for a
7 geologic opinion whether they could be restored to
8 production, but are they equipped to produce at this time?

9 A. At this time they are not.

10 Q. And has that been true for at least 15 months
11 prior to today?

12 A. Yes.

13 Q. Have you made efforts to contact Sierra Blanca
14 Operating Company concerning these wells?

15 A. Yes.

16 Q. And who, by the way, are the principals of Sierra
17 Blanca Operating Company?

18 A. The principals that I've dealt with at Sierra
19 Blanca were Rick Dickerson, who was with the original
20 Secondary Oil before it became Sierra Blanca; Clyde Lilley,
21 who is I believe now the agent for Sierra Blanca; and Carol
22 Reynolds, who worked for Sierra Blanca too.

23 Q. Have you been able to find any of these people
24 any time recently?

25 A. No.

1 Q. Okay. Now, I am going to call your attention --
2 Well, no, one thing I need to ask you first, before I go
3 into the background situation.

4 In your opinion, do these wells, these 90 wells
5 that are identified on OCD Exhibit 1, in your professional
6 opinion do those wells need to be plugged at this time in
7 order to protect the environment and prevent the
8 possibility of fluids migrating from the strata in which
9 they are found into other strata or to the surface?

10 A. Yeah, yes, they do.

11 Q. Very good. I will call your attention, then, to
12 what has been marked as OCD Exhibit Number 8, and I will
13 ask you if you are familiar -- First of all, I'll simply
14 ask you, are you familiar with the background of the
15 situation that gave rise to OCD Exhibit 8 having been
16 executed?

17 A. Yes, I am.

18 Q. And with that, I will ask you to identify OCD
19 Exhibit 8, tell us what it is.

20 A. It's a cash collateral deposit that was agreed to
21 by the Division when Secondary Oil first applied to go to a
22 different type of production method, which was swabbing of
23 cased wells, and they were required to put up a cash
24 deposit, along with, for every dollar per barrel -- or a
25 dollar per barrel of oil produced was supposed to go into

1 this escrow account.

2 Q. And this was an agreement between Secondary Oil
3 Corporation, which was the predecessor of Sierra Blanca,
4 and Mr. Bill LeMay?

5 A. Correct.

6 Q. And they didn't consistently deposit to it, did
7 they?

8 A. No.

9 Q. But there is some money in that account?

10 A. Yes.

11 Q. Okay, very good. I will next call your attention
12 to what's been marked as OCD Exhibits 9, 10 and 11, and I
13 will ask you to identify those.

14 A. These are plugging procedures that were written
15 by Billy Prichard in my office. I requested that he give
16 me two or three different types of plugging procedures
17 based on his knowledge of that particular field, because he
18 deals with that area exclusively. And he was trying to
19 take typical wellbores that are in this group of wells from
20 Sierra Blanca and design plugging procedures based on that.

21 We have done this in the past, we have used what
22 we call a generalized plugging procedure when the State has
23 had to take over wells. And he just basically gave me
24 three different types that we could use to plug wells.

25 Q. Okay. I notice each of these plugging procedures

1 is captioned for a specific well.

2 A. Right.

3 Q. Now --

4 A. These wells are characteristic of the other wells
5 that are in the units.

6 Q. So you are offering these plugging procedures not
7 only for the wells identified thereon but for wells similar
8 thereto among the other 90 wells, correct?

9 A. Correct, correct.

10 Q. Now, these wells have been off production for a
11 considerable period of time, have they not?

12 A. Correct.

13 Q. And there's been some removal of equipment?

14 A. Correct.

15 Q. So it would be kind of guesswork, would it not,
16 to figure out what kind of conditions a plugging contractor
17 is actually going to run into when he gets into those
18 wells, is that not a fair -- Is that a fair statement?

19 A. Very fair statement.

20 Q. In view of that background and in view of the
21 similarity of these wells in depth and formations, do you
22 believe that this approach of using prototype plugging
23 procedures is appropriate?

24 A. It's appropriate because of our limited knowledge
25 of what is actually occurring in those wellbores.

1 MR. BROOKS: Thank you. I will pass the witness
2 at this time.

3 EXAMINATION

4 BY EXAMINER STOGNER:

5 Q. Mr. Williams, all of these wells are in three
6 separate units; is that correct?

7 A. Correct.

8 Q. Were these units secondary recovery units at one
9 time?

10 A. At one time they were, yes.

11 Q. Was Sierra Blanca ever involved in the waterflood
12 aspect of the operations?

13 A. No.

14 Q. They took over the operations from a previous
15 operator that were doing that kind of operations, and then
16 they tried to utilize the swabbing technique?

17 A. Correct.

18 Q. Is there any surface equipment on any of these
19 wells, or what's the condition of the well pads on most of
20 these wells?

21 A. The condition of the well pads itself is not
22 good. Many of them do not have roads in to them, there is
23 no surface equipment left, there's no tubulars left in the
24 whole -- tank batteries, some of them are non-existent.
25 There is one still out there that's going to have to be

1 remediated. Basically, there is nothing but a hole with
2 casing in it, for all these wells.

3 Q. Was it Sierra Blanca's operations or Secondary
4 Recovery's operations when they came into this area, was to
5 remove that equipment?

6 A. They did remove the equipment.

7 Q. How about the swabbing unit or swabbing units?
8 Are they out there on the leases, or are they long gone?

9 A. I think there is -- I haven't seen it in the last
10 six or eight months, but there was an old broken-down
11 swabbing unit out there at one point in time. And it may
12 still be there, but I kind of doubt it.

13 Q. Do you know basically how old these wells
14 initially are?

15 A. I think most of these wells were drilled in the
16 late 1940s or early 1950s and during -- you know, in infill
17 wells added during the 1950s and 1960s. It's been a while
18 since I've looked at the well file.

19 Q. Well, for the most part they all have a pretty
20 low API number, don't they?

21 A. Uh-huh.?

22 Q. Where are these units physically located out of
23 Tatum-Lovington area?

24 A. They're west and north of Tatum and, let's see, I
25 can't really -- I don't know the names of the roads, I know

1 where they're at, but --

2 Q. They're not in a populated area?

3 A. No, no.

4 Q. How about the groundwater situation out in this
5 area?

6 A. The groundwater in that area is, one, it's
7 spotty; two, it's deep, for the most part. And at this
8 point in time we don't know whether we have any groundwater
9 contamination due to this particular company's operations.

10 Q. But you are concerned about that if we don't do
11 anything to these wells at this time, the groundwater could
12 be contaminated?

13 A. Correct, because these were -- many of them were,
14 you know, old waterfloods, and there could have been some
15 migration, because many of these wells were cased, but a
16 lot of them don't have cement.

17 Q. Okay, how about wellhead equipment? Is there any
18 Christmas trees or valves on the wells?

19 A. No.

20 Q. In referring to Exhibit Number 8, how much money
21 is in this cash collateral deposit account, roughly? Do
22 you know?

23 A. Roughly?

24 Q. Yes.

25 A. Last time I looked I thought it was about

1 \$29,873.

2 EXAMINER STOGNER: Okay, I have no other
3 questions of this witness, Mr. Brooks.

4 MR. BROOKS: Very good. We'll offer at this time
5 OCD Exhibits 8, 9, 10 and 11.

6 EXAMINER STOGNER: Okay, now I believe -- Was
7 Exhibit Number 2 also --

8 MR. BROOKS: And -- No, Exhibit Number 2 is my
9 notice affidavit, and the interim Exhibits 3 through 7 will
10 be identified by Ms. Phillips; 2 and 12 are my notice
11 affidavits.

12 EXAMINER STOGNER: Okay, at this time Exhibits 8,
13 9, 10 and 11 will be admitted into evidence.

14 Thank you, Mr. Williams.

15 MR. BROOKS: Very good, we call Dorothy Phillips.

16 DOROTHY PHILLIPS,

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

19 DIRECT EXAMINATION

20 BY MR. BROOKS:

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

22 A. Dorothy Phillips.

23 Q. And by whom are you employed, Ms. Phillips?

24 A. By the Oil Conservation Division.

25 Q. And in what capacity?

1 A. I'm the plugging bond administrator.

2 Q. And what are your duties as plugging bond
3 administrator?

4 A. When an operator wants to do business in the
5 State, I make sure that they're licensed to do so. They
6 have to get a bond in place with us. And I'll issue an
7 OGRID number, which is an ID number for a company if this
8 would be their first time to be an operator.

9 I draft a letter for the attorney's approval, I
10 enter the information to the ONGARD tri-agency database and
11 then send verification to the operator of approval, the
12 appropriate district offices, and to the surety and/or bank
13 that the bond has been approved.

14 Q. And one of your responsibilities, is it not, is
15 maintaining files of the active bonds that the operators
16 have on file with the OCD; is that correct?

17 A. That's correct, sir.

18 Q. Okay. Did I ask you to bring your file with
19 reference to Sierra Blanca Operating Company down to this
20 hearing with you?

21 A. Yes, sir.

22 Q. Okay. With that premise, I'm going to ask you to
23 look at -- in the exhibit folder that's in front of you, to
24 turn to OCD Exhibit Number 3.

25 A. Yes, sir.

1 Q. And I will ask you to identify OCD Exhibit 3,
2 referring to your bond file folder if necessary.

3 A. It's bond number B05485 for Secondary Oil
4 Corporation, Inc.

5 Q. And is that a \$50,000 blanket plugging bond that
6 covers all operations in New Mexico?

7 A. That's correct.

8 Q. And is that a current active bond that is on file
9 with you -- with the OCD?

10 A. That's correct.

11 Q. And I notice that on the second page of that bond
12 it says Approved Oil Conservation Division, and that
13 appears to be William LeMay's signature?

14 A. That's correct, sir.

15 Q. Okay, very good. I will now call your attention
16 to Exhibit Number 4 in the exhibit folder --

17 A. All right.

18 Q. -- and ask you to identify Exhibit Number 4.

19 A. It's Bond Rider Number 1 to Bond Number 5485.

20 Q. Okay, and is Bond Number 5485 Exhibit Number 3?

21 A. That's correct, sir.

22 Q. And what is the effect of that bond rider?

23 A. All right, the attorney, Rand Carroll, approved
24 that July 9th, 1998.

25 Q. Okay, and what does the rider do?

1 A. It adds -- Sierra Operating Company has been
2 added as principal -- as additional principal.

3 Q. Sierra Blanca Operating Company, is it not?

4 A. I'm sorry, right, Sierra Blanca Operating Company
5 has been added as additional principal.

6 Q. Thank you. Is there anything further in your
7 bond file that would reflect any kind of cancellation or
8 modification of Exhibit Number 3 as modified by Exhibit
9 Number 4?

10 A. No, sir.

11 Q. Okay, we'll call your attention next to OCD
12 Exhibit Number 5 in the exhibit folder, and we'll ask you
13 to identify OCD Exhibit Number 5.

14 A. This is also a \$50,000 blanket plugging bond.
15 This shows International Fidelity Insurance Company as the
16 surety, and it's Bond Number 000953560.

17 Q. And I will note that on the third page of that
18 again it appears to have a signature of William J. LeMay,
19 although it looks like it was signed by someone else. Do
20 you know whose initials those are? I'm not sure it's
21 important.

22 A. No, sir, I'm not sure.

23 Q. Okay. Well, I don't think it's important anyway.
24 This is a copy of a bond that is on file in your file?

25 A. That's correct, sir.

1 Q. Okay. I'll next call your attention to OCD
2 Exhibit Number 6 and ask you to identify that.

3 A. That is a notice of cancellation from the
4 International Fidelity Company, requesting to release the
5 bond.

6 Q. And does that refer to OCD Exhibit Number 5?

7 A. Oh, I'm sorry, Number 5.

8 Q. Well, no, I'm asking you --

9 A. Oh, yes, does it refer --

10 Q. -- does Number 6 --

11 A. -- yes --

12 Q. -- refer to Number 5?

13 A. Yes, sir.

14 Q. It relates to Bond Number 953560, correct?

15 A. Yes, sir.

16 Q. Okay. And next I will call your attention to OCD
17 Exhibit Number 7 and ask you to identify it.

18 A. This is a letter from the Director, Lori
19 Wrotenbery, of the Oil Conservation Division to Secondary
20 Oil Corporation. It's a letter of -- cancel to future
21 liability, which when surety requests that we release a
22 bond, we look to see if there are any wells still under
23 that bond, and if there are we cannot release the bond, but
24 we cancel it as to future liability, and 30 days from the
25 date of request they can no longer add any wells to -- The

1 bond remains in effect, but no other wells can be under
2 that bond after that date.

3 Q. And is this a notice to Secondary Oil
4 Corporation, now Sierra Blanca, and to International
5 Fidelity that that is the action the Division has taken
6 with respond to Bond Number 953560?

7 A. That's correct.

8 Q. Very good. And that letter, Exhibit Number 7,
9 reflects that a copy thereof was sent to International
10 Fidelity Insurance Company, correct?

11 A. That's correct, sir.

12 Q. Very good. I believe I have no further
13 questions.

14 Well, one more, just -- Is there anything further
15 in your bond file that reflects any further change in the
16 status of International Fidelity Insurance Company Bond
17 Number 953560?

18 A. No, sir.

19 MR. BROOKS: Very good. And Mr. Examiner, that
20 concludes my examination of this witness. I realize I'm
21 going to need to recall Mr. Williams to establish that
22 Sierra Blanca was the operator of these wells on the date
23 of cancellation of the bond, but -- That's something I
24 failed to connect up. But with that I will pass the
25 witness.

1 EXAMINER STOGNER: Okay, I have no questions of
2 the witness. Her testimony was very thorough and
3 knowledgeable, and I would probably agree that the
4 signature, as she referred to that person, is probably not
5 important.

6 (Laughter)

7 EXAMINER STOGNER: With that you may be excused,
8 thank you.

9 THE WITNESS: Thank you.

10 MR. BROOKS: Very good. I will at this time
11 offer Exhibits Numbers 3, 4, 5, 6 and 7 into evidence.

12 EXAMINER STOGNER: Exhibits Number 3, 4, 5, 6 and
13 7 are hereby admitted into evidence.

14 MR. BROOKS: And now with your Honor's
15 permission, I'd like to recall Mr. Williams for the purpose
16 that I indicated.

17 EXAMINER STOGNER: Mr. Williams, I may remind you
18 that you're still under oath.

19 CHRISTOPHER J. WILLIAMS (Recalled),
20 the witness herein, having been previously duly sworn upon
21 his oath, was examined and testified as follows:

22 DIRECT EXAMINATION

23 BY MR. BROOKS:

24 Q. Okay, Mr. Williams, I forgot to ask you a
25 question because of the fact that this Bond Number 953560

1 was canceled prospectively, effective the 24th day of April
2 of 1998.

3 I will ask you, did Sierra Blanca take over -- or
4 was Sierra Blanca the operator of all of the wells involved
5 in this proceeding on or prior to April 24th, 1998?

6 A. Yes, they were.

7 MR. BROOKS: Pass the witness.

8 EXAMINER STOGNER: No other questions, thank you.

9 MR. BROOKS: Your Honor, that will conclude our
10 presentation.

11 EXAMINER STOGNER: Okay, I believe you have an
12 Exhibit Number 12?

13 MR. BROOKS: Oh, yes, I have two exhibits, I'm
14 sorry, you're reminding me correctly.

15 Exhibit Number 2 and Exhibit Number 12 are notice
16 affidavits prepared by me which Exhibit Number 2 reflects
17 that notice was attempted to be sent to Sierra Blanca
18 Operating Company -- Well, first Exhibit Number 2 reflects
19 that notice of this proceeding was sent to and received by
20 Underwriters Indemnity Company and International Fidelity
21 Company.

22 It also reflects that notice was sent to Sierra
23 Blanca Operating Company at 802 Turner, Cleburne, Texas;
24 728 Briar Lane, Rockdale, Texas; Post Office Box 1623,
25 Ruidoso, New Mexico; 110 Avenue H, Suite 208, Marble Falls,

1 Texas; 301 North Main, Roswell, New Mexico; 119 North
2 Washington Avenue, Suite 6, Marble Falls, Texas.

3 None of those being returned, notice was
4 attempted -- I mean, all of those, the envelopes were
5 returned as undeliverable. In a couple of cases, there
6 were also return receipts returned to us signed by M.
7 Balink, but I am informed that M. Balink works in our mail
8 room, so that doesn't seem to have any particular
9 significance.

10 Also, notice was attempted to be sent to Clyde A.
11 Lilley at P.O. Box 708, Marble Falls, Texas; notice was
12 attempted to be sent to Rick Dickerson at 6350 New
13 Braunfels, Suite 214, San Antonio, Texas. Those envelopes
14 did not come back to the OCD, neither did return receipts.

15 Because apparently Sierra Blanca did not receive
16 any actual notice, or at least we're not able to establish
17 that, I'll also submit Exhibit Number 12, which is a copy
18 of the notice of this proceeding that was published in the
19 *Lovington Daily Leader* pursuant to OCD Rules. And each of
20 these is attested by my affidavit.

21 And with that statement, I will offer OCD
22 Exhibits 2 and 12.

23 EXAMINER STOGNER: Exhibits 2 and 12 will be
24 admitted into evidence at this time.

25 Anything further?

1 MR. BROOKS: Nothing further, your Honor.

2 EXAMINER STOGNER: Case Number 12,770 will be
3 taken under advisement at this time.

4 (Thereupon, these proceedings were concluded at
5 11:28 a.m.)

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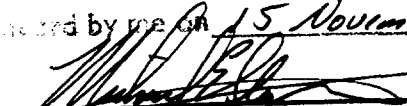
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I hereby certify that the foregoing is a complete record of the proceedings of the Examiner hearing of Case No. 12770 heard by me on 15 November 2001.

Oil Conservation Division

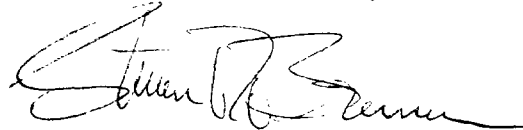
CERTIFICATE OF REPORTER

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 November 27th, 2001.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 2002