

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. 12,825

APPLICATION OF THE NEW MEXICO OIL)
CONSERVATION DIVISION FOR AN ORDER)
REQUIRING LEIGH OPERATING COMPANY TO)
PROPERLY PLUG TWO WELLS, IMPOSING CIVIL)
PENALTIES IN EVENT OF FAILURE TO COMPLY,)
AUTHORIZING THE DIVISION TO PLUG SAID)
WELLS IN DEFAULT OF COMPLIANCE BY LEIGH)
OPERATING COMPANY OR ITS SURETY, AND)
ORDERING A FORFEITURE OF APPLICABLE)
PLUGGING BONDS, LEA COUNTY, NEW MEXICO)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

May 16th, 2002

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday, May 16th, 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.

* * *

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

I N D E X

May 16th, 2002
Examiner Hearing
CASE NO. 12,825

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APPEARANCES	3
DIVISION WITNESSES:	
<u>CHRIS J. WILLIAMS</u> (District Supervisor, Hobbs District Office, District 1, NMOCD) (Present by telephone)	
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<u>DOROTHY L. PHILLIPS</u> (Plugging Bond Administrator, NMOCD, Santa Fe)	
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* * *

E X H I B I T S

Applicant's	Identified	Admitted
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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

ALSO PRESENT:

WILL JONES
 Engineer
 New Mexico Oil Conservation Division
 1220 South Saint Francis Drive
 Santa Fe, NM 87501

* * *

1 WHEREUPON, the following proceedings were had at
2 8:46 a.m.:

3 EXAMINER CATANACH: At this time I will call Case
4 12,825, the Application of the New Mexico Oil Conservation
5 Division for an order requiring Leigh Operating Company to
6 properly plug two wells, imposing civil penalties in event
7 of failure to comply, authorizing the Division to plug said
8 wells in default of compliance by Leigh Operating Company
9 or its surety, and ordering a forfeiture of applicable
10 plugging bonds, Lea County, New Mexico.

11 Call for appearances in this case.

12 MR. BROOKS: Mr. Examiner, I'm David Brooks,
13 Energy, Minerals and Natural Resources Department, State of
14 New Mexico, appearing for the Oil Conservation Division.

15 EXAMINER CATANACH: Any additional appearances in
16 this case?

17 MR. BROOKS: Again, I have two witnesses, one on
18 the phone and one present. Both have been sworn.

19 EXAMINER CATANACH: Let the record reflect that
20 the witnesses have previously been sworn and qualified.
21 May I remind the witnesses that you're still under oath in
22 this case?

23 You may proceed, Mr. Brooks.

24 MR. BROOKS: Very Good. I will call Chris
25 Williams.

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CHRIS J. WILLIAMS,

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

DIRECT EXAMINATION

BY MR. BROOKS:

Q. Mr. Williams, will you state your name again for
the record?

A. Yeah, it's Chris Williams.

Q. And by whom are you employed?

A. State of New Mexico, Oil Conservation Division.

Q. In what capacity?

A. District Supervisor in Hobbs.

Q. And in that capacity are you responsible for
overseeing the operation and inspection of wells located in
Lea County, New Mexico?

A. Yes, I am.

Q. I will call your attention to the exhibits that
were faxed to you. I call your attention first to OCD
Exhibit Number 1 and ask you to identify it.

A. Okay, on the fax the exhibit numbers didn't come
through, so I'm going to state that -- Is this the C-104?

Q. OCD Exhibit Number 1 is the C-104 for the Caudill
State Number 2.

A. Okay.

Q. I'm not sure why I got -- I think I misnumbered

1 the exhibits, but that's the way they are, so we'll leave
2 them that way.

3 A. The Caudill State -- Exhibit Number 1 is a C-104,
4 which is transferring the operatorship of this well from
5 Kelly H. Baxter to Leigh Operating Company.

6 Q. Okay, and for the benefit of the court reporter,
7 that's Leigh, L-e-i-g-h, correct?

8 A. Correct.

9 Q. Okay. And because I didn't number the exhibits
10 as I intended, I will next call your attention to OCD
11 Exhibit Number 4, which is the plugging procedure for the
12 Number 2, and ask you to identify it.

13 A. Yeah, this is a plugging procedure written by
14 Billy Prichard in my office.

15 Q. And is this a plugging procedure that was
16 prepared for the purpose of providing instructions for the
17 proper plugging and abandonment of the Caudill State Number
18 2 well?

19 A. That's correct.

20 Q. Okay, next --

21 EXAMINER CATANACH: Mr. Brooks, my Exhibit Number
22 2 is a plugging procedure for the Caudill State Number 1.
23 I just want to make that clear.

24 MR. BROOKS: Well, as I say Exhibit Number 4, I
25 took them --

1 EXAMINER CATANACH: I'm sorry.

2 MR. BROOKS: -- out of order, because I had
3 misnumbered them.

4 EXAMINER CATANACH: Okay, go ahead.

5 Q. (By Mr. Brooks) Next, call your attention to
6 Exhibit Number 3, which is the C-104 for the Caudill State
7 Number 1.

8 A. Right. That's a change of operatorship on the
9 Caudill State Number 1 from Kelly Baxter, Kelly H. Baxter,
10 to Leigh Operating company.

11 Q. Okay, and the remaining exhibit, OCD Exhibit
12 Number 2, would you please identify that?

13 A. It's a plugging procedure written by Billy
14 Prichard in my office.

15 Q. And to what well does that plugging procedure
16 relate?

17 A. The Caudill State Number 1.

18 Q. Okay. Now, I believe the Examiner indicated that
19 your qualifications from the previous case would apply to
20 this case, so I don't need to ask you those questions
21 again.

22 Are you familiar with the Leigh Operating
23 Company's Caudill State Number 1 and Caudill State Number 2
24 wells?

25 A. Yes.

1 Q. In your opinion -- Well, first of all, based on
2 your personal familiarity with those wells and the reports
3 you have received from inspectors acting under your
4 direction, can you state to the Examiner that each of these
5 wells has been inactive for a continuous period of at least
6 15 months preceding this date?

7 A. Yes.

8 Q. In your opinion, do these wells need to be
9 plugged and abandoned for the prevention of waste,
10 protection of correlative rights and protection of the
11 environment?

12 A. Yes.

13 Q. Have you made efforts to get Leigh Operating
14 Company to do something about these wells?

15 A. Yes, we have.

16 Q. Have you had any success?

17 A. No, we haven't.

18 Q. Okay. In the interest of fully informing the
19 honorable Examiner, would you describe to him the
20 correspondence you recently received regarding these wells?

21 A. Correspondence that I've recently received, we
22 got a letter from a company called Venture Energy,
23 Incorporated, out of Dallas, showing where they had
24 nominated the tracts of land for the Caudill State Number 2
25 and the Caudill State Number 1, and it was signed by two

1 people with Venture Energy. One was John L. Griffith, the
2 other one was Gordon H. John L. Griffith's signature also
3 appears on the C-104 operator change from Kelly Baxter to
4 Leigh Operating as president of Leigh Operating.

5 Q. Does anything in the correspondence you received
6 from Venture Energy, other than the coincidence of the
7 name, in any way explain the connection, if any, between
8 Leigh Operating Company and Venture Energy, Inc.?

9 A. No.

10 Q. Do you have any knowledge from any other source
11 whether or not there's any connection and, if so, what the
12 connection is?

13 A. Yes. Billy Prichard, a field inspector that
14 works for me, contacted Mr. Griffith, I think he told me
15 yesterday, about a year ago by phone and talked to him
16 about these two wells in which, at that time, Mr. Griffith
17 agreed that he would call the OCD every month, once a month
18 to keep us updated on what was going on. We haven't heard
19 from him since.

20 Q. Until earlier this week, correct?

21 A. Until we got this nomination form from the State
22 Land Office for Venture Energy.

23 Q. Now, at your request did I examine the records of
24 the New Mexico Public Regulation Commission to determine if
25 Venture Energy, Inc., was shown as a corporation in New

1 Mexico?

2 A. Yes, you did.

3 Q. And is it?

4 A. No.

5 Q. Okay. And based on the apparent unwillingness of
6 these people to assume responsibility for this well in
7 terms of the legal responsibility that attaches to the
8 company or corporate entity that was the operator, do you
9 believe that despite their apparent interest in nominating
10 these leases, that nevertheless these leases should be
11 ordered plugged and abandoned?

12 A. Yes, I do.

13 Q. Very good. Calling your attention again to
14 Exhibits Numbers 2 and 4, if these wells were plugged and
15 abandoned in accordance with the procedures set forth in
16 Exhibits Numbers 2 and 4, in your professional opinion do
17 you believe these wells would be plugged in such a manner
18 as to prevent the migration of fluids from the formations
19 in which they are found into other formations or to the
20 surface?

21 A. Yes.

22 Q. And do you believe that plugging these wells in
23 accordance with Exhibits Numbers 2 and 4, respectively,
24 would serve to prevent waste, protect correlative rights
25 and protect the environment?

1 A. Yes, I do.

2 Q. Were Exhibits Numbers 2 and 4 prepared by you or
3 under your direction?

4 A. Yes, they were prepared under my direction.

5 Q. Are Exhibits Numbers 1 and 3 copies of files kept
6 in your office in the ordinary course of business?

7 A. Yes, they are.

8 Q. Are Exhibits Numbers 1 and 3 public records of
9 the New Mexico Oil Conservation Division?

10 A. Yes.

11 MR. BROOKS: Tender Exhibits 1 through 4.

12 EXAMINER CATANACH: Exhibits 1 through 4 will be
13 admitted as evidence.

14 MR. BROOKS: Pass the witness.

15 EXAMINATION

16 BY EXAMINER CATANACH:

17 Q. Mr. Williams, can you describe the recent efforts
18 that you've undergone to find or contact Leigh Operating?

19 A. Yeah, December 13th of 2000 we sent a letter to
20 Leigh Operating for the Caudill State Number 1 and the
21 Caudill State Number 2, showing that reviewing our records,
22 this lease had been shut in at that time for over a year
23 and that they needed to restore the well to service, either
24 TA the well, temporarily abandon it properly, or plug and
25 abandon the well or bring it back onto production.

1 Also, there's numerous letters from March of 1996
2 from Jerry Sexton, the former District Supervisor, for the
3 Caudill State Number 2, telling them to do the same thing
4 as far as TA or plug and abandon or bring the well back to
5 injection, and there's no response to that one.

6 And there are about six other letters from Mr.
7 Sexton over the course of about five months back in 1996,
8 asking him to do that for the Caudill State Number 2.

9 And then we sent another letter on the Caudill
10 State Number 2, May the 23rd of 2000, to Leigh Operating to
11 plug and abandon the well or bring it back on production.
12 And there was no response.

13 There are several letters, I would say at least
14 eight.

15 Q. The latest letter that you sent would be the May
16 23rd letter -- or the -- I'm sorry, the December 13th
17 letter?

18 A. Yes.

19 Q. And were these letters -- as far as you know, did
20 they receive these letters?

21 A. I've got a note on the December 13th, 2000,
22 letter from Billy Prichard to Lea Operating.

23 Q. Uh-huh.

24 A. The note says "letter came back as undeliverable,
25 talked with John Griffith, faxed a copy of letter to John

1 at (214) 382-1902." So I'm sure he received it.

2 EXAMINER CATANACH: Okay, let me ask Mr. Brooks,
3 were you able to provide notice of this hearing to the
4 Applicant?

5 MR. BROOKS: Yes, sir.

6 We'll ask, Mr. Examiner, that you take
7 administrative notice of the fact that there is a return
8 receipt in the file, indicating that the notice of this
9 proceeding that was mailed to Lea Operating Company was
10 received.

11 EXAMINER CATANACH: I'll take administrative
12 notice of that return receipt, Mr. Brooks.

13 Q. (By Examiner Catanach) Mr. Williams, do you
14 believe that you can get Lea Operating to do anything with
15 these wells?

16 A. No.

17 Q. Now, you mentioned the fact that they've
18 nominated this lease to be put up by the State Land Office
19 for lease.

20 A. Right.

21 Q. Do you know if their current lease has expired?
22 Is that why --

23 A. Their current lease has expired.

24 Q. And it's a state lease, right?

25 A. Right.

1 Q. But you don't know what the intention of Venture
2 Energy is with regards to these wells?

3 A. No, I don't.

4 Q. I notice that one of the wells, the Caudill State
5 Number 2, wasn't previously a saltwater disposal well; is
6 that your understanding?

7 A. Yes.

8 Q. Do you have any idea about the mechanical
9 integrity of that wellbore?

10 A. No, we don't, not right now.

11 All we know is that the well has tubing in it and
12 it is connected to a triplex pump which is not running, and
13 there's no power to it.

14 Q. And again, by conducting inspections you know
15 that these wells are not being used for production or
16 disposal?

17 A. Correct.

18 Q. And those inspections have been ongoing, Mr.
19 Williams?

20 A. Yes, they have.

21 EXAMINER CATANACH: That's all the questions I
22 have of this witness, Mr. Brooks.

23 MR. BROOKS: Very good. I have no further
24 questions.

25 We call Ms. Phillips.

1 DOROTHY L. PHILLIPS,
2 the witness herein, having been previously duly sworn upon
3 her 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 Miss Phillips?

8 A. Dorothy Phillips.

9 Q. By whom are you employed?

10 A. By the New Mexico Oil Conservation Division.

11 Q. In what capacity?

12 A. I'm the plugging bond administrator.

13 Q. And in that capacity, are you responsible for
14 maintaining the files in which are kept the originals of
15 the bonds that are furnished by operators in the State of
16 New Mexico to secure their obligation to plug wells?

17 A. That's correct.

18 Q. Call your attention to Exhibits Numbers 5 and 6
19 and ask you to identify them.

20 A. Exhibit Number 5 is a one-well plugging bond for
21 Leigh Operating Company in the amount of \$10,000, and it's
22 for the Caudill State Number 2..

23 Q. Correct. And who is the surety on that bond?

24 A. Underwriters Indemnity.

25 Q. And Exhibit Number 6?

1 A. Exhibit Number 6 is a one-well plugging bond in
2 the amount of \$10,000. The operator or principal is Leigh
3 Operating Company. Surety is Underwriters Indemnity.

4 Q. Okay, now -- Thank you. I have handed you your
5 files which you maintain in the ordinary course of
6 business, correct?

7 A. That's correct.

8 Q. And I will ask you to take a couple of minutes
9 here and compare the bonds -- the Exhibits Numbers 5 and 6
10 to the originals maintained in the files kept under your
11 supervision.

12 A. Yes, sir, they are one and the same.

13 MR. BROOKS: Correct, thank you.

14 Tender Exhibits 5 and 6.

15 EXAMINER CATANACH: Exhibits 5 and 6 will be
16 admitted as evidence.

17 MR. BROOKS: Pass the witness.

18 EXAMINER CATANACH: I have no questions of the
19 witness, Mr. Brooks.

20 But I would ask, were you able to provide notice
21 to this Underwriter's Indemnity Company?

22 MR. BROOKS: We did send a letter to them, and I
23 cannot assure you right now whether or not there is a
24 return receipt in the file for them. I would have to check
25 the case file. I did specifically check the case file as

1 to Leigh Operating Company, and it was on that basis that I
2 asked you to take judicial notice, but I would have to
3 check the case file, and I did not specifically do so to
4 see if Underwriters...

5 MR. WILLIAMS: Mr. Examiner, this is Chris.

6 EXAMINER CATANACH: Yes, sir?

7 MR. WILLIAMS: Can I interject something into
8 this?

9 EXAMINER CATANACH: Certainly.

10 MR. WILLIAMS: I got a call from Underwriters
11 Insurance about these two wells on the 10th of May, Rick
12 Chilton with Underwriters, and he was asking me what was
13 still in the wells that they could salvage, and he does
14 know about the hearing.

15 EXAMINER CATANACH: Okay, thank you, Mr.
16 Williams.

17 For the record, in the case file is a green card
18 signed by a -- it looks like a P. Taylor, and it looks like
19 this was, in fact, delivered on February 7th of this year.

20 This witness may be excused.

21 Mr. Brooks, do you have anything further in this
22 case?

23 MR. BROOKS: Again, I call your attention, Mr.
24 Examiner, to OCD Exhibit Number 7. I do not have a witness
25 to sponsor that exhibit, but I will call your attention to

1 the fact that it appears to be a printout from the ONGARD
2 system, and I will again ask you to take administrative
3 notice of the production data that exists in the ONGARD
4 system in regard to these wells.

5 EXAMINER CATANACH: Okay, Mr. Brooks, with
6 regards to that it looks like for the Caudill State Number
7 1 the date of last production was 5 of 1998 --

8 MR. BROOKS: Correct.

9 EXAMINER CATANACH: -- and for the Caudill State
10 Number 2 it looks like date of last injection into that
11 well was -- it looks like 5 of 1997.

12 And this is the latest production or injection
13 data that we have for these wells, as far as you know?

14 MR. BROOKS: That was what I asked Jane to pull
15 this yesterday, so...

16 EXAMINER CATANACH: Okay, I will take
17 administrative notice, again, of the information contained
18 in the ONGARD system to verify this.

19 Anything further, Mr. Brooks?

20 MR. BROOKS: Nothing further, Mr. Examiner

21 EXAMINER CATANACH: There being nothing further,
22 Case 12,825 will be taken under advisement.

23 (Thereupon, these proceedings were concluded at
24 9:05 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 Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

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

WITNESS MY HAND AND SEAL May 18th, 2002.



STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 14, 2002