

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION  
STATE LAND OFFICE BLDG.  
SANTA FE, NEW MEXICO

9 September 1987

EXAMINER HEARING

IN THE MATTER OF:

Cases 8863, 8864, and 9074 being re-	CASE
opened upon the applications of	8863
Alano Oil and Gas Corporation and	8864
Suntex Energy Corporation to vacate	9074
or modify Division Order Nos. R-	
8210, R-8223, and R-8404.	

BEFORE: Michael E. Stogner, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

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## I N D E X

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MR. STOGNER: I'm going to now call Case Number 8863, which is in the matter of Case 8863 being reopened upon application of Alano Oil and Gas Corporation to vacate or modify Division Order No. R-8210, entered in Case Number 8863, Rio Arriba County, New Mexico.

Call for appearances.

MR. BRUCE: Mr. Examiner, my name is Jim Bruce, representing Alano Oil and Gas Corporation. I have one witness to be sworn.

MR. STOGNER: Are there any other appearances in this matter?

MR. TAYLOR: Mr. Examiner, I'm Jeff Taylor, Counsel for the Division and I have one witness who we can swear in case we need some rebuttal testimony.

MR. STOGNER: Are there any other appearances?

MR. TAYLOR: I'd also like to know if we shouldn't consolidate these cases, 8863, 8864, and 9074?

MR. BRUCE: Right. I'd request that 8863, 8864, and 9074 be consolidated.

MR. STOGNER: Okay, at this time I'll call Case Number 8864, which is in the matter of said case being reopened upon the application of Suntex

1 Energy Corporation to vacate or modify Division Order No. R-  
2 8223, entered in said case, Rio Arriba County, New Mexico.

3 And I will call also Case Num-  
4 ber 9074, which is being reopened upon application of Suntex  
5 Energy Corporation to vacate or modify Division order No. R-  
6 8404, entered in said case, Rio Arriba County, New Mexico.

7 I assume both you gentlemen --  
8 MR. TAYLOR: Yeah, the appear-  
9 ances will be the same.

10 MR. BRUCE: Yes, sir.

11 MR. STOGNER: Are there any  
12 other appearances in any or all of these cases?

13 Will the witnesses or potential  
14 witnesses please stand and be sworn at this time?

15

16 (Witnesses sworn.)

17

18 MR. STOGNER: Mr. Bruce.

19

20 TIMOTHY FREESE,

21 being called as a witness and being duly sworn upon his  
22 oath, testified as follows, to-wit:

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## 1 DIRECT EXAMINATION

2 BY MR. BRUCE:

3 Q Mr. Freese, would you please state your  
4 full name and city of residence?

5 A Timothy Freese, Houston, Texas.

6 Q And what is your relationship to Alano  
7 Oil and Gas Corporation and to Suntex Energy Corporation  
8 with respect to the wells which are the subject matter of  
9 this hearing?10 A I own a 25 percent interest in the Alano  
11 Oil and Gas Wells and as Suntex Energy, I was hired as a  
12 consultant prior to their bankruptcy and currently serve as  
13 treasurer of the company.14 MR. BRUCE: Mr. Examiner, I re-  
15 quest permission for Mr. Freese to testify based upon his  
16 interest ownership in the wells.17 MR. STOGNER: Mr. Freese, what  
18 is your interest in the Suntex?19 A Just strictly as an officer of the cor-  
20 poration.21 MR. STOGNER: And you have no  
22 interest in those wells that Suntex was operating?

23 A Not at this time, I do not.

24 MR. STOGNER: And when you say  
25 you're an officer, what particular -- what -- what position

1 do you hold?

2 A Treasurer.

3 MR. STOGNER: Treasurer. Mr.  
4 Taylor, are there any objections?

5 MR. TAYLOR: Do you have Texas  
6 Rose on here, too? No, I guess not.

7 MR. GHOLSON: Yes.

8 MR. TAYLOR: Is that a mistake?

9 MR. GHOLSON: No.

10 A Texas Rose is --

11 MR. BRUCE: We'll explain that  
12 as we get into it.

13 MR. GHOLSON: Suntex --

14 MR. BRUCE: There are Texas  
15 Rose wells --

16 MR. GHOLSON: According to  
17 this docket Suntex is proposing to take over operation of  
18 the Texas Rose wells.

19 MR. STOGNER: Mr. Bruce, please  
20 proceed.

21 Q Mr. Freese, I'd like you to discuss the  
22 background of the wells identified in the three applications  
23 and first, if you would, when were the wells in these mat-  
24 ters drilled?

25 A I believe the Alano Oil and Gas wells,

1 the Samantha 1, 2, and 3, were drilled in '82, I believe.

2 Q What about the Alano Well No. 1 in Sec-  
3 tion 11?

4 A It is, trying to remember, they're cur-  
5 rently pumping two of the three wells. One of them has a  
6 motor that's down.

7 Q Now the three wells you're talking about  
8 are the Samantha Wells Nos. 1, 2, and 3.

9 A Yes.

10 Q And the -- is the Alano Well No. 1 plug-  
11 ged and abandoned?

12 A The Alano No. 1 is -- has been plugged  
13 and abandoned, I believe.

14 MR. GHOLSON: That's wrong.  
15 It has not; I was just there.

16 A Okay.

17 MR. GHOLSON: I'm sorry. I  
18 will not interrupt you again.

19 A That's all right. I have not been down  
20 there.

21 Q What is the status of the Suntex Wells 1,  
22 2, 3, 5 and 6?

23 A Suntex 1, 2, 3, 4, 5 and 6?

24 Q 1, 2, 3, 4, 5 and 6, excuse me.

25 A Suntex 1 through 4 were drilled. They

1 are currently unequipped.

2 5 and 6 were spudded but never drilled.

3 Q And what date were the Texas Rose wells  
4 drilled?

5 A I believe those were in '84.

6 Q What formation were the wells completed  
7 in and what acreage is dedicated to each well?

8 A They're completed in the Greenhorn. Cur-  
9 rently they're -- the Suntex wells, there's only one well  
10 per 160-acre lease at this time.

11 Q What are the -- what is the production  
12 history, if any, and the reason they were not produced?

13 A The wells weren't produced, primarily, it  
14 was a combination of different factors, mostly legal prob-  
15 lems.

16 When the Suntex wells were drilled, 1  
17 through 4, at the time they were drilled there were no  
18 leases issued on the tracts that they were drilled on. The  
19 leases were not issued until 1984.

20 During 1984 they reached an agreement  
21 with the Maddox Estate, the mineral interest holders and the  
22 leases were then issued. Under the agreements by the end of  
23 1984 there was another slight misunderstanding and at that  
24 point in time a legal conflict with the estate came into  
25 being.

1           Q           Does that cover the Suntex wells and the  
2 -- and also the Alano wells?

3           A           That's just the Suntex wells.

4                        The Alano wells, to be honest with you, I  
5 don't know why they haven't been produced. They should have  
6 been a long time ago.

7           Q           Are they capable of producing now?

8           A           Yes, and, as I said, currently they are  
9 being -- they're equipped and they're being pumped now. We  
10 have an engineer coming in next week to do oil/gas ratio  
11 tests and everything else trying to do final filing to get  
12 them on line.

13          Q           And what steps are necessary to put the  
14 Suntex wells and the Texas Rose wells back in production?

15          A           We have requested the bankruptcy court  
16 for a hearing to allow Suntex to expend monies or whatever  
17 other steps are necessary in order to re-equip the Suntex  
18 wells and to start producing.

19                        The Texas Rose wells under agreement with  
20 Texas Rose, under that agreement Suntex had the right to as-  
21 sume operation if at any time Texas Rose could not, and if  
22 Texas Rose defaulted in their agreement, the leases under  
23 which they had, would revert back to Suntex.

24                        We are currently filing a civil suit on  
25 Texas Rose Petroleum to recover the rights under those

1 leases.

2 Q And what is Texas Rose corporate status  
3 at this time?

4 A It's pretty well nonexistent. I think  
5 you'd have a hard time finding them. At least the last time  
6 I talked to the postal authorities they were having a hard  
7 time finding them.

8 Q If the OCD grants these three applica-  
9 tions, would we promptly take all steps requested by the OCD  
10 to put these wells back into production?

11 A It's our wish to get them on line and get  
12 them producing as soon as possible.

13 Q And will the granting of this application  
14 be in the interest of conservation and the prevention of  
15 waste?

16 A I believe so.

17 MR. BRUCE: I have nothing fur-  
18 ther at this time, Mr. Examiner.

19 MR. STOGNER: Thank you, Mr.  
20 Bruce. Mr. Taylor, your witness.

21

22

#### CROSS EXAMINATION

23 BY MR. TAYLOR:

24 Q In your testimony, when you talk about  
25 all these wells, you're covering all the wells that are

1 listed, that were listed in our --

2 A Yes.

3 Q There's none of them that you think need  
4 to be plugged and abandoned?

5 A At this time, well, the Alano No. 1 needs  
6 to be plugged and abandoned.

7 MR. BRUCE: That's Case 8863.

8 A I'm not entirely sure who has current --  
9 I know who has possession of the lease. Within a week I'll  
10 have possession of the lease. That means I may get stuck  
11 with plug and abandon of three of them because they drilled  
12 two more.

13 Q And who was that, Alano?

14 A That was Alano Oil and Gas. That was  
15 drilled in '82. I think it was drilled in '81 or '82. '85?

16 Q But other than --

17 A I think that was the first one they drill-  
18 led.

19 Q Other than that one well do you all pro-  
20 pose to try to put all these on line again?

21 A Yes, at least to put them on line, to  
22 stimulate them, produce them, and at that point in time,  
23 they've been sitting there for so long that we're not en-  
24 tirely sure what they'll produce until we actually get out  
25 there and produce them.

1           Q           Well, which one of these companies is in  
2 bankruptcy?

3           A           Suntex.

4           Q           Suntex, so how do they propose to -- to  
5 undertake this if they're in bankruptcy?

6           A           I just paid them \$20,000 for 26 percent  
7 interest in Alano Oil and Gas and these people own Suntex.  
8 which is a whole lot more than it was worth.

9           Q           Well, are there not so many liens on the  
10 properties that it's just impossible for them to take over  
11 operations of them?

12                       What's the status of these as far as  
13 liens and lawsuits and bankruptcies?

14           A           The Texas Rose is totally inundated with  
15 judgments and liens.

16                       Suntex isn't too far behind. Suntex has  
17 come to some settlement terms with their judgment holders  
18 and I believe the liens that are placed on the property un-  
19 der New Mexico it's been over two years and I don't believe  
20 they're effective at this point in time.

21           Q           Well, why don't you all just -- I'll  
22 withdraw that question. That's all I have.

23                       MR. BRUCE: Yeah, just to clar-  
24 ify, looking at Case 8863, I believe Mr. Freese said the  
25 Samantha Wells 1, 2, 3, are capable -- are potentially cap-

1 able of producing.

2 The Alano Well No. 1 is to be  
3 plugged.

4 And looking at Case 8864, Wells  
5 Nos. 1 through 4 could produce, Wells 5 and 6 were never  
6 even drilled.

7 MR. TAYLOR: Wells -- Suntex  
8 Well 5 and Suntex Well 6 were never drilled, is that what  
9 you're saying?

10 MR. BRUCE: Yes, that is cor-  
11 rect.

12 MR. TAYLOR: That's 5 and 6?

13 MR. STOGNER: Mr. Bruce, do you  
14 have anything further here?

15 MR. BRUCE: Nothing further,  
16 Mr. Examiner.

17 MR. STOGNER: Mr. Taylor?

18 MR. TAYLOR: No, I have no more  
19 right now.

20 MR. STOGNER: He may be excused  
21 at this time.

22 MR. Taylor?

23 MR. TAYLOR: I call Mr. Ghol-  
24 son, Charles Gholson.

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CHARLES GHOLSON,

being called as a witness and being duly sworn upon his  
oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. TAYLOR:

Q Mr. Gholson, what is your knowledge of  
the status of the various wells listed in Cases 8863, 64,  
and 9074?

MR. STOGNER: Mr. Taylor, let's  
introduce Mr. Gholson first.

MR. TAYLOR: Okay.

Q Will you please state your name for the  
record?

A I'm Charles Gholson.

Q And where --

A NMOCD Oil and Gas Inspector, Aztec.

Q And have you previously testified before  
the Examiner and had your credentials accepted?

A I have.

MR. TAYLOR: I tender the wit-  
ness as an expert.

MR. STOGNER: Mr. Bruce, do you  
have any --

1 MR. BRUCE: None whatsoever.

2 MR. STOGNER: Mr. Gholson is so  
3 qualified.

4 Q Would you go through the -- or just tell  
5 us your knowledge of the status of these wells.

6 A Okay. As Mr. Freese says, the Suntex 1,  
7 3 -- 1, 2, 3 and 4 were drilled, completed.

8 MR. STOGNER: And these are the  
9 wells in Case Number 8864, is that it?

10 A And the 5 and 6 were spud but never drill-  
11 led and there wasn't surface pipe set in them.

12 Q Okay.

13 A And all these wells are not only Green-  
14 horn but there's also Greenhorn, Gallup, and Dakota comple-  
15 tions.

16 And in my opinion Suntex 1, 2, 3, and 4  
17 are dry holes, never had any production records and my check  
18 of the tanks has never showed any oil in the tanks.

19 Q So even though those wells apparently  
20 were drilled and completed, they have never had any (un-  
21 clear).

22 A That's correct. And the Alano wells, I  
23 mean the Texas -- yeah, the Alano wells --

24 Q Is this in Case 8863, the Samantha --

25 A Right.

1 Q Samantha 1, 2, and 3?

2 A Right. The Alano 1 was, I don't believe,  
3 every completed. It probably -- it had pipe ran in it and  
4 it was possibly perforated. I think they left it, abandoned  
5 it.

6 And the Alano wells although capable of  
7 small production, are, in my opinion, noncommercial.

8 I have production records through July,  
9 1985, which I assume was the last production, and at that  
10 time the Samantha 1 was not producing; the Samantha 2 had 6  
11 barrels in 20 days of production; the Samantha No. 3 had 2  
12 barrels in 20 days of production.

13 And where those wells are located that is  
14 definitely not commercial.

15 And the -- we haven't mentioned Texas  
16 Rose much yet, but those wells are a little bit better but  
17 the best well will make no more -- will not make 2 barrels a  
18 day and the sorry wells will make about 1, or less.

19 Q Are those the wells listed in Case 9074?

20 A Correct.

21 Q Okay. Is it your opinion that it would  
22 be nearly impossible for the -- with the status of these  
23 companies for these wells to be brought back into produc-  
24 tion?

25 A Well, I don't know about that. Possibly,

1 you know, with some treatment the production could be picked  
2 up and I really don't know, but as they stand right now,  
3 they're definitely noncommercial.

4 MR. TAYLOR: I think that's all  
5 we have.

6 I would -- excuse me, I'd point  
7 out that there's already a record in this case being the or-  
8 iginal hearings at which the Commission presented, as I re-  
9 call, testimony on these wells, and I would request that  
10 those transcripts be made a part of the record today.

11 A Also Texas Rose has another well which is  
12 not mentioned here and it's known as the Quinlan Ranch No. 1  
13 and it is a dry hole and plugged. It's been re-entered by  
14 Texas Rose and then plugged.

15 MR. STOGNER: But that's not a  
16 well that's the subject of this case today, is it, Mr.  
17 Gholson.

18 A No, that's right. They did -- we did  
19 testify the other time but they didn't (unclear)..

20 MR. STOGNER: Anything further,  
21 Mr. Taylor?

22 MR. TAYLOR: No, sir.

23 MR. STOGNER: Mr. Bruce, your  
24 witness.

25 MR. BRUCE: I have no questions

1 at this time.

2 MR. STOGNER: Of course the re-  
3 cords of each of these cases will be taken into account at  
4 this time.

5 MR. BRUCE: One -- can I have  
6 one final question of my witness?

7 MR. STOGNER: Yes, Mr. Bruce.

8

9 TIMOTHY FREESE,  
10 being recalled as a witness and remaining under oath, testi-  
11 fied as follows, to-wit:

12

13 REDIRECT EXAMINATION

14 BY MR. BRUCE:

15 Q Do you have anything final to say about  
16 this case, Mr. Freese?

17 A As far as the production of the Alano Oil  
18 and Gas Wells, I had a pumper out there last week and pum-  
19 ped, I believe it was the No. 2, turned the thing on, came  
20 back in four days. The pump motor had died on it somewhere  
21 in between but it had put oil in the tank.

22 MR. GHOLSON: Well, the well's  
23 been shut in for some time and actually it would come back  
24 a little bit stronger than it's going to produce after a  
25 few days.

1           A           I think if we get in -- and to be honest  
2 with you if it only produces 5 barrels or day or less, I'll  
3 plug the thing.

4                   MR. TAYLOR: Well, if I might  
5 ask Mr. Freese a further question, how -- because your cur-  
6 rent bonding company is unwilling to undertake a bond, if we  
7 let them off the hook on this one, in other words, if you  
8 come in to re-enter these wells, I think you're going to  
9 have to find a new bond and I in talking to the bonding com-  
10 pany, I just think that's going to be impossible.

11                   The current situation is we  
12 have a bond on these wells and we want to plug them under  
13 that bond; otherwise we have to pay, the State has to pay  
14 for it, and certainly it's my understanding from talking to  
15 the insurance company that they're not willing to go any  
16 further with this.

17           A           Well, on the Alano --

18                   MR. TAYLOR: Have you looked  
19 into your bonding situation to see if you can get a bond for  
20 these wells?

21           A           On the Alano wells I'll put up a cash  
22 bond, if necessary. I mean there's nothing wrong with that.  
23 I don't think I'll have any trouble getting a bond.

24                   MR. BRUCE: I would state for  
25 the record that the bonding companies were notified of this

1 hearing.

2 MR. TAYLOR: Yeah, they have  
3 been in contact but they aren't here this morning.

4 MR. BRUCE: And they have not  
5 put in an appearances.

6 MR. STOGNER: Mr. Gholson, I  
7 have a couple of questions for you.

8 MR. GHOLSON: Yes, sir.

9 MR. STOGNER: On the Alano Well  
10 No. 1 I believe you said it was not P & A'd.

11 MR. GHOLSON: No, it is not.

12 MR. STOGNER: If these wells,  
13 according to your testimony, are very low marginal produc-  
14 tion and/or no production at all, what kind of waste would  
15 occur if nothing was done to these wells at this time?

16 MR. GHOLSON: Well, I don't  
17 suppose any waste would occur. There's a very huge fresh  
18 water aquifer shallower there but it might possibly contami-  
19 nate groundwaters.

20 MR. STOGNER: In essence, if  
21 this groundwater was contaminated that would constitute  
22 waste, could it not?

23 MR. GHOLSON: Yes.

24 MR. STOGNER: Okay. I have no  
25 further questions of Mr. Gholson.



1                   Mr. Taylor, do you have any  
2 closing remarks at this time?

3                   MR. TAYLOR: Yes, sir, I'd just  
4 like to state that because we've already got orders in these  
5 cases to plug the wells or otherwise take care of them, I  
6 don't think that the applicants in this case have come  
7 forward with a sufficient case to overcome those existing  
8 orders. They haven't showed us that they're financially  
9 able to. I think that the orders are open enough that they  
10 could go to the Aztec District Office and make a showing on  
11 individual wells whether or not we should continue to give  
12 them an extension of the order on the date to be plugged.  
13 These wells were ordered plugged well over a year, maybe two  
14 years ago.

15                   And I don't see any reason to  
16 overturn it based upon the evidence they've presented today,  
17 but I would state that if they would get in contact with the  
18 Aztec Office and see if there's any showing they can make on  
19 any particular wells, that the supervisor up there does have  
20 discretion to suspend the part of the order requiring the  
21 plugging and could let them try to re-enter the wells.

22                   Certainly I have a problem with  
23 us -- with any rescission of these current orders to plug  
24 insofar as the bond and insurance situation. I think if Mr.  
25 Freese can make a showing that he can get bonds or that he

1 can put cash bonds up on individual wells, our District Sup-  
2 ervisor can except him from the order for a period of time  
3 in order to let him re-enter those wells, but I certainly  
4 think they've made no showing to allow the orders to be res-  
5 cinded.

6 MR. STOGNER: Thank you, Mr.  
7 Taylor.

8 Mr. Bruce?

9 MR. BRUCE: I would simply say,  
10 Mr. Examiner, that we request that Mr. Freese be given the  
11 chance to put the wells back on production. He's already  
12 put some money into the wells and into the company and he  
13 should be given at least temporary respite from the OCD  
14 plugging orders so that he can attempt to put the wells  
15 back on production.

16 MR. STOGNER: Thank you, Mr.  
17 Bruce.

18 Does anybody else have anything  
19 further in any of these cases?

20 If not, these three cases will  
21 be taken under advisement.

22

23 (Hearing concluded.)

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C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO  
HEREBY CERTIFY the foregoing Transcript of Hearing before  
the Oil Conservation Division (Commission) was reported by  
me; that the said transcript is a full, true, and correct  
record of the hearing, prepared by me to the best of my  
ability.

Sally W. Boyd CSR

I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case Nos. 8863, 8864, 9074  
heard by me on 29 Sept. 1987.

Michael E. Hooper, Examiner  
Oil Conservation Division

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISON  
STATE LAND OFFICE BLDG.  
SANTA FE, NEW MEXICO

12 August 1987

EXAMINER HEARING

IN THE MATTER OF:

Cases 8863, 8864, and 9074 being re-	CASE
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Energy Corporation to vacate or modify	8864
Division Order Nos. R-8210, R-8223,	9074
and R-8404.	

BEFORE: Michael E. Stogner, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Division:	Jeff Taylor
	Attorney at Law
	Legal Counsel to the Division
	State Land Office Bldg.
	Santa Fe, New Mexico 87501

For the Applicant:

1  
2 MR. STOGNER: We'll call next  
3 Case 8863, which is in the matter of Case No. 8863 being  
4 reopened upon application of Alana Oil and Gas Corporation  
5 to vacate and modify -- or modify Division Order No. R-8210,  
6 entered in said case, Rio Arriba County, New Mexico.

7 MR. TAYLOR: Mr. Examiner, we  
8 got a letter in the mail yesterday, which you may have a  
9 copy of, requesting a continuance of this case till, I be-  
10 lieve, September 9th.

11 We've continued this case since  
12 before this summer, I believe, and I would request that no  
13 further continuances be granted after this one.

14 MR. STOGNER: Thank you, Mr.  
15 Taylor. I believe this is a sister case to the next two, is  
16 that correct?

17 MR. TAYLOR: Yes, sir. And the  
18 letter, I think, requested continuances in all those cases  
19 and I don't see the attorney here so we'll -- I'll just, if  
20 it's deemed appropriate by the Examiner, I'll write a letter  
21 to him telling him that this is the last continuance we're  
22 going to give him.

23 MR. STOGNER: I concur with you  
24 Mr. Taylor, and if you'll get a letter to that effect, I be-  
25 lieve that will be appreciated.

1 In that case Case No. 8863 will  
2 be continued to the Examiner's Hearing scheduled for Septem-  
3 ber 9th, 1987.

4 Call next Case Number 8864.

5 MR. TAYLOR: That's in the mat-  
6 ter of Case 8864 being reopened upon the application of Sun-  
7 tex Energy Corporation, which a companion case with the pre-  
8 vious one and we will treat that in the same manner.

9 MR. STOGNER: Case Number 8864  
10 will be continued to the Examiner's Hearing scheduled for  
11 September 9th, 1987.

12 Call next Case Number 9074.

13 MR. TAYLOR: In the matter of  
14 Case 9074 being reopened upon application of Suntex Energy  
15 Corporation to vacate or modify Division Order No. R-8404,  
16 and this is also a companion case with the previous ones and  
17 we'll treat it in the same manner.

18 MR. STOGNER: Case Number 9074  
19 will be so continued to the Examiner's Hearing scheduled for  
20 September 9th, 1987.

21

22 (Hearing concluded.)

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C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO  
HEREBY CERTIFY the foregoing Transcript of Hearing before  
the Oil Conservation Division (Commission) was reported by  
me; that the said transcript is a full, true, and correct  
record of the hearing, prepared by me to the best of my  
ability.

Sally W. Boyd CSR

I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case nos: 8863, 8864, 9074  
heard by me on 12 August 19 87,  
[Signature], Examiner  
Oil Conservation Division

1  
2 STATE OF NEW MEXICO  
3 ENERGY AND MINERALS DEPARTMENT  
4 OIL CONSERVATION DIVISION  
5 STATE LAND OFFICE BLDG.  
6 SANTA FE, NEW MEXICO

7 1 July 1987

8 EXAMINER HEARING

9 IN THE MATTER OF:

10 In the matter of Case 8863 being re-  
11 opened upon application of Alana Oil  
12 and Gas Corporation to vacate or mod-  
13 ify Division Order No. R-8210, Rio  
14 Arriba County, New Mexico.  
15 and

CASE  
8863

16 In the matter of Case 8864 being re-  
17 opened upon the application of Suntex  
18 Energy Corporation to vacate or modify  
19 Division Order No. R-8223, Rio Arriba  
20 County, New Mexico.  
21 and

CASE  
8864

22 In the matter of Case 9074 being re-  
23 opened upon application of Suntex  
24 Energy Corporation to vacate or modify  
25 Division Order No. R-8404, Rio Arriba  
County, New Mexico.

CASE  
9074

BEFORE: David R. Catanach, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Division:

Jeff Taylor  
Legal Counsel for the Division  
Oil Conservation Division  
State Land Office Bldg.  
Santa Fe, New Mexico 87501

For the Applicant:

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MR. CATANACH: Call next Cases  
No. 8863, No. 8864, and No. 9074.

MR. TAYLOR: Case No. 8863, the  
matter of Case 8863 being reopened upon application of Alana  
Oil and gas Corporation to vacate or modify Division Order  
No R. 8210, Rio Arriba County, New Mexico, and

Case No. 8864, the matter of  
Case 8864 being reopened upon the application of Suntex  
Energy Corporation to vacate or modify Division Order No. R-  
8223, Rio Arriba County, New Mexico, and

Case No. 9074, the matter of  
Case 9074 being reopened upon application of Suntex Energy  
Corporation to vacate or modify Division Order No. R-8404,  
Rio Arriba County, New Mexico.

MR. CATANACH: At the request  
of the applicant Cases No. 8863, No. 8864 and No. 9074 will  
all be continued to the Examiner Hearing 2 August, 1987.

(Hearing concluded.)

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C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY the foregoing Transcript of Hearing before the Oil Conservation Division (Commission) was reported by me; that the said transcript is a full, true, and correct record prepared by me to the best of my ability.

Sally W. Boyd CSR

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 8863, 8864 heard by me on July 1 1987 - 9074  
David R. Caton, Examiner  
Oil Conservation Division

1 STATE OF NEW MEXICO  
2 ENERGY AND MINERALS DEPARTMENT  
3 OIL CONSERVATION DIVISION  
4 STATE LAND OFFICE BLDG.  
5 Santa Fe, New Mexico

6  
7 3 June 1987

8 EXAMINER HEARING

9 IN THE MATTER:

10 In the matter of Case 8863 being reopen-  
11 ed upon application of Alana Oil and Gas  
12 Corporation to vacate or modify Division  
13 Order No. R-8210, Rio Arriba County, New  
14 Mexico.

CASE  
8863

and

15 In the matter of Case 8864 being reopen-  
16 ed upon application of Suntex Energy  
17 Corporation to vacate or modify Division  
18 Order No. R-8223, Rio Arriba County, New  
19 Mexico.

CASE  
8864

20 BEFORE: David R. Catanach, Examiner

21 TRANSCRIPT OF HEARING

22 A P P E A R A N C E S

23 For the Division:

24 Jeff Taylor  
25 Legal Counsel to the Division  
Oil Conservation Division  
State Land Office Bldg.  
Santa Fe, New Mexico

For the Applicant:

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MR. CATANACH: Call next Case  
No. 8863.

MR. TAYLOR: The matter of Case  
8863 being reopened upon application of Alana Oil and Gas  
Corporation to vacate or modify Division Order No. R-8210,  
Rio Arriba County, New Mexico.

MR. CATANACH: At the request  
of the applicant Case No. 8863 will be continued to the  
Examiner Hearing 1 July 1987.

(Hearing concluded.)

MR. CATANACH: Call next Case  
No. 8864.

MR. TAYLOR: The matter of Case  
8864 being reopened upon application of Suntex Energy  
Corporation to vacate or modify Division Order No. R-8223,  
Rio Arriba County, New Mexico.

MR. CATANACH: At the request  
of the applicant Case No. 8864 will be continued to the  
Examiner Hearing 1 July 1987.

(Hearing concluded.)

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C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO  
HEREBY CERTIFY the foregoing Transcript of Hearing before  
the Oil Conservation Division (Commission) was reported by  
me; that the said transcript is a full, true, and correct  
record of the hearing, prepared by me to the best of my  
ability.

Sally W. Boyd CSR

I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. 8863 8864  
heard by me on June 3 1987.  
David R. Catanach, Examiner  
Oil Conservation Division

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION  
STATE LAND OFFICE BLDG.  
SANTA FE, NEW MEXICO

2 April 1986

DIVISION HEARING

IN THE MATTER OF:

Application of the Oil Conservation  
Division on its own motion to per-  
mit Gipson Oil Corporation and other  
interested parties to appear and show  
cause why certain wells in San Juan  
and Rio Arriba Counties, New Mexico,  
should not be plugged and abandoned  
in accordance with a Division-approved  
plugging program.

CASE  
8862  
8863  
8864

BEFORE: Michael E. Stogner, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Division:

Jeff Taylor  
Attorney at Law  
Legal Counsel to the Division  
State Land Office Bldg.  
Santa Fe, New Mexico 87501

For the Applicant:

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I N D E X

FRANK CHAVEZ

Direct Examination by Mr. Taylor	4
Cross Examination by Mr. Stogner	12

E X H I B I T S

CASE 8862

Division Exhibit One, Documents	7
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CASE 8863

Division Exhibit One, Documents	8
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CASE 8864

Division Exhibit one, Documents	8
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MR. STOGNER: This hearing will come to order.

At the applicant's request Cases Numbers 8862, 8863, and 8864 will be consolidated for purposes of testimony.

This is in the matter called by the Oil Conservation Division on its own motion to permit Gipson Oil Corporation, Alana Oil & Gas Corporation, Fidelity and Deposit Company, Suntex Energy Corporation, Fidelity and Deposit Company of Maryland, and other interested parties, to appear and show cause why certain wells in Rio Arriba and San Juan Counties, New Mexico, should not be plugged and abandoned in accordance with a Division-approved plugging program.

We will now call for appearances.

MR. TAYLOR: May it please the Examiner, my name is Jeff Taylor, Counsel for the Oil Conservation Division and I have one witness to be sworn in these cases.

MR. STOGNER: Are there any other appearances?

There being none, please raise your right hand.

1 (Witness sworn.)

2

3

MR. STOGNER: You may be seated.

4

Mr. Taylor?

5

6

FRANK CHAVEZ,

7

being called as a witness and being duly sworn upon his  
8 oath, testified as follows, to-wit:

9

10

DIRECT EXAMINATION

11

BY MR. TAYLOR:

12

Q

For the record would you please state

13

your name, by whom you're employed, and in what capacity?

14

A

My name is Frank Chavez. I'm employed by

15

the Oil Conservation Division as a Supervisor of District

16

III in Aztec.

17

Q

And how long have you worked for the Oil

18

Conservation Division, Mr. Chavez?

19

A

Eight years.

20

Q

Have you previously testified before the

21

Commission or its examiners and had your credentials made a

22

matter of record?

23

A

Yes, I have.

24

MR. TAYLOR: Mr. Examiner, I

25

tender the witness as an expert.

1 MR. STOGNER: Mr. Chavez is so  
2 qualified.

3 Q Mr. Chavez, Does District III include  
4 that part -- or does District III include the area that  
5 these wells that we're moving to have plugged are located?

6 A Yes, it does.

7 Q And do your duties as District III Super-  
8 visor include making recommendations to the Commission or  
9 its hearing officers as to when wells should be plugged and  
10 abandoned?

11 A Yes, they do.

12 Q Would you please then state the purpose  
13 of -- off the record a second.

14  
15 (Thereupon a discussion was had  
16 off the record.)

17  
18 Q We'll go back on now. Would you please  
19 state the purpose of Case 8854? No, excuse me, 8862?

20 A Case 8862 is called to permit Gipson Oil  
21 Corporation and other interested parties to appear and show  
22 cause why the John Bergin No. 2 Well, located in Unit letter  
23 F of Section 21, Township 29 North, Range 11 West, in San  
24 Juan County, should not be plugged in accordance with a Div-  
25 ision-approved plugging program.

1 Q Would you state the purpose of Case 8863?

2 A The Case 8863 is to permit Alana Oil &  
3 Gas, Incorporated, their bonding company, and other inter-  
4 ested parties to appear and show cause why their wells lo-  
5 cated in Rio Arriba County, should not be plugged and aban-  
6 doned in accordance with the a Division-approved plugging  
7 program.

8 Q And would you state the purpose of Case  
9 8864?

10 A 8864 is called to permit Suntex Energy  
11 Corporation, their bonding company, and other interested  
12 parties to appear and show cause why their well located in  
13 Rio Arriba County should not be plugged and abandoned in ac-  
14 cordance with a Division-approved plugging program.

15 Q Let's see, to make matters simple here,  
16 we'll just go well by well and ignore the difference in the  
17 cases.

18 Have you reviewed the well files and  
19 other records maintained by the Commission on each of the  
20 wells involved in these cases, including the reports filed  
21 with the Commission concerning the wells?

22 A Yes, I have.

23 Q And have you brought copies of the rele-  
24 vant documents with you?

25 A I have brought the summaries of the in-

1       formational documents with me in the form of exhibits.

2                   Q               At this time I would ask you to refer to  
3       the files and the documents you've got and the records in  
4       your possession and outline for us the relevant history of  
5       each of these wells and what you -- the plugging program you  
6       wish to accomplish.

7                   A               Okay.     Exhibit Number One for Case 8862  
8       contains on its first page a description of the proposed  
9       plugging program and the only record -- a copy of the only  
10      record which the Division has of the well.

11                               The Division record shows that the well  
12      was drilled or spud, excuse me, on May 13th of 1925.

13                               The record at the bottom shows that it  
14      was plugged and abandoned; however, the present condition of  
15      the well is such that there's just a hole at the surface  
16      that is flowing a small quantity of water and occasional gas  
17      bubbles will come up in it.

18                               The well is located within the city  
19      limits of Bloomfield, New Mexico, as indicated on the second  
20      page of Exhibit One, and poses a hazard at the surface  
21      because it is open and it is flowing water.

22                               We do not know what pipe is in the hole.  
23      There's no indication at the surface of any pipe or casing,  
24      and the TD, or total depth of the well at this time, best as  
25      we know, 660 feet.



1 mantha No. 2, located in Unit letter K of Section 26, Town-  
2 ship 28 North, Range 1 East.

3 The total depth of this well is at 1780  
4 feet.

5 The next well in the exhibit is the  
6 Samantha No. 3. Total depth of this well is -- I'm sorry.  
7 The location is Unit letter N of Section 26, Township 28  
8 North, Range 1 East.

9 The total depth of this well is 1778  
10 feet.

11 In Case 8864 Exhibit Number One is also  
12 -- again a summary of the presumed downhole equipment and  
13 the Division-approved plugging program for the individual  
14 well.

15 The first well on Exhibit Number One is  
16 the Suntex No. 1, located in Unit letter E of Section 26,  
17 Township 28 North, Range 1 East.

18 The total depth of this well is 2000  
19 feet.

20 The second well on the Exhibit is the  
21 Suntex No. 2, located in Unit letter P, Section 22, Township  
22 28 North, Range 1 East.

23 Total depth of this well is 1974 feet.

24 The third well on this exhibit is the  
25 Suntex No. 3, located in Unit letter F, Township 28 North,

1 Range 1 East.

2 Total depth of this well is 1660 feet.  
3 There is a correction on this portion of the exhibit. The  
4 casing in the well is a tapered casing string that has one  
5 joint of 5-1/2 at the top and the remainder of the casing is  
6 4-1/2 inch.

7 The fourth well in this exhibit is the  
8 Suntex No. 4, located in Unit letter C, Township 28 North,  
9 Range 1 East.

10 The total depth of this well is 1660  
11 feet.

12 The same correction applies here, that  
13 there is a joint of 5-1/2 inch casing at the top of a string  
14 of 4-1/2 inch casing in the well.

15 The next two wells in this exhibit are  
16 the Suntex 5 and 6. These wells were only spud with surface  
17 hole drilled and no casing set.

18 The Suntex 5 and 6 at this time, though  
19 they have not penetrated the fresh water in the area, they  
20 do pose a hazard to livestock grazing in the area and the  
21 location does need to be restored.

22 All the other wells in the Alana and the  
23 Suntex cases penetrate fresh water in the area at  
24 approximately 100 feet and the continued abandonment of  
25 these wells could lead to possible pollution of the water

1 should casing failure occur, since they are unattended.

2 Q Mr. Chavez, you indicated that the John  
3 Burgin No. 2 in Case 8862 was apparently plugged at the  
4 time, but I assume that even though you testified our re-  
5 cords indicate that the well, or this well and possibly  
6 others, have been plugged, that either the plugging proce-  
7 dures are known to be inadequate or the plugging procedure  
8 is unknown to us.

9 A That's correct. The plugging techniques  
10 that were used at that time would not be acceptable at this  
11 time and even if it had been plugged adequately, it has  
12 failed.

13 Q Were the plugging programs on each of the  
14 wells in Case 8862, 8863, and 8864 prepared by you or under  
15 your supervision and control?

16 A Yes, they were.

17 Q As to each of the wells that you've gone  
18 through in these three cases, is it your opinion that  
19 failure to plug the well would cause waste, contaminated  
20 fresh water sources, or otherwise present a safety hazard?

21 A Yes, they would.

22 Q Do you have anything else to offer in  
23 these cases?

24 A No, I do not.

25 MR. TAYLOR: Mr. Examiner, --

1           Q           Well, were Exhibit One in Case 8862, Ex-  
2           hibit One in Case 8863, and Exhibit One in Case 8864 pre-  
3           pared by you or under your supervision and control or are  
4           they records maintained in the normal course of business of  
5           the Oil Conservation Division?

6           A           Yes, they are.

7                           MR. TAYLOR: Mr. Examiner, I'd  
8           like to move the admission of Exhibit One in each of these  
9           cases.

10                          MR. STOGNER: Exhibit One in  
11           each of these three cases will be admitted into evidence.

12                          MR. TAYLOR: And that's all we  
13           have in this matter.

14

15   CROSS EXAMINATION

16           BY MR. STOGNER:

17                          Q           Mr. Chavez, on the Gipson Oil Corporation  
18           John Burgin Well No. 2 in Case 8862, are there any special  
19           problems that could be foreseen in plugging this? Is it  
20           close to houses or is it close to the highway?

21                          A           It's close to the highway at this time;  
22           however, we don't have any problems with getting the rig on  
23           it. We examined the physical surroundings. We feel that we  
24           can plug the well without any hazard; however, because the  
25           City of Bloomfield is growing, actually, in that direction,

1 to the west, this -- this land will be surrounded pretty  
2 soon and may be inaccessible and the well may pose a further  
3 hazard at this time.

4 Q You said at this moment that the well was  
5 sometimes bubbling water with gas mixed in it. Have you ob-  
6 served this or any of your personnel in the Aztex Office?

7 A Yes, that was observed by Mr. Charles  
8 Gholson of our office and we have come to hearing before the  
9 Division many times for wells in this area, especially on  
10 this old Burgin lease, because of problems like this, so it  
11 is one that we're very, very familiar with.

12 Q Was this well pretty easy to find?

13 A Once -- once it had been spotted by some-  
14 body else, yes. The location given on the record that we  
15 have wasn't very helpful and many times we have to take ap-  
16 proximations of these old footage locations.

17 Q Okay, now the location shown on the card  
18 which you attached to Exhibit Number One shows it to be 2440  
19 from the north and 1520 from the west.

20 Has this been resurveyed to see if that's  
21 correct?

22 A No, it has not. We have not resurveyed  
23 any of these locations.

24 Q So your best guesstimate is it's in the  
25 close proximity of this well?

1           A           Yes, it is. This is the reason that we  
2 pulled this particular record.

3                       The well was located first by some people  
4 who called our office and in examining our records we found  
5 this record of the well.

6           Q           In your testimony for Exhibit 8863 you  
7 mentioned that Alana Oil & Gas Corporation had gone defunct,  
8 is that correct?

9           A           That's correct; it's to the best of our  
10 knowledge, yes, sir.

11          Q           Okay. Also by the well records here I  
12 show that Alana Oil & Gas Corporation and Suntex Corporation  
13 share the same post office box in Houston, Texas.

14          A           Yes, they were operated by the same prin-  
15 cipals.

16          Q           Did you try to contact those offices in  
17 Houston?

18          A           Yes, sir, the telephones either go unan-  
19 swered or are disconnected. We have several telephone num-  
20 bers.

21                       MR. TAYLOR: I might point out  
22 at this time, Mr. Examiner, that I have been contacted by an  
23 attorney for the bonding company of Suntex and after an or-  
24 der is issued in this case they are going to investigate the  
25 possibility of having the wells at their expense in order to

1 save the bond from being forfeited.

2 MR. STOGNER: Thank you.

3 MR. TAYLOR: They also believe,  
4 although they do not know, that the companies are both de-  
5 funct, both Alana and Suntex.

6 Q All these wells are in the same general  
7 area, aren't they, Mr. Chavez?

8 A The Alana and Suntex are, yes, sir, in  
9 Rio Arriba County.

10 Q Those were the ones I was referring to.  
11 Are they on State or fee lands?

12 A They're on fee lands.

13 Q Are any of those presently out there per-  
14 colating water or gas?

15 A No, at this time they're not.

16 MR. STOGNER: I have no further  
17 questions of Mr. Chavez.

18 Are there any other questions  
19 of this witness?

20 If not, he may be excused.

21 Is there anything further in  
22 Case 8862, 8863, or 8864 at this time?

23 If not, these cases will be  
24 taken under advisement.

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(Hearing concluded.)

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C E R T I F I C A T E

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Sally W. Boyd CSR

I do hereby certify that the foregoing is a complete report of the proceedings in the Examiner hearing of Case No. 8863, heard by me on 2 April 1986.

Michael E. Stogner Examiner  
Oil Conservation Division