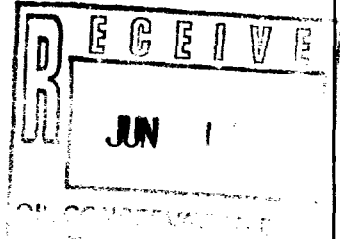


STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION



IN THE MATTER OF THE HEARING)
CALLED BY THE OIL CONSERVATION)
DIVISION FOR THE PURPOSE OF)
CONSIDERING:)
)
HEARING CALLED BY THE OIL)
CONSERVATION DIVISION ON ITS)
OWN MOTION)
)

CASE NO. 11,256

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

May 18th, 1995

Santa Fe, New Mexico

This matter came on for hearing before the Oil Conservation Division on Thursday, May 18th, 1995, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, Santa Fe, New Mexico, before 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 18th, 1995
 Examiner Hearing
 CASE NO. 11,256

PAGE

APPLICANT'S WITNESSES:

RAY SMITH (Field Rep 2, NMOCD Artesia Office,
 Present by Telephone)

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E X H I B I T S

Applicant's	Identified	Admitted
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Exhibit 2	7	9
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* * *

A P P E A R A N C E S

FOR THE DIVISION:

RAND L. CARROLL
 Attorney at Law
 Legal Counsel to the Division
 2040 South Pacheco
 Santa Fe, New Mexico 87505

* * *

1 WHEREUPON, the following proceedings were had at
2 8:55 a.m.:

3
4 EXAMINER STOGNER: At this time I'm going to call
5 Case Number 11,256, which is in the matter of the Oil
6 Conservation Division on its own motion to permit the
7 operator, Otis H. Sanders, and all other interested parties
8 to appear and show cause why a certain well in Eddy County,
9 New Mexico, should not be properly plugged and abandoned.

10 At this time I'll call for appearances.

11 MR. CARROLL: Yes, Mr. Examiner, my name is Rand
12 Carroll. I'm here representing the Oil Conservation
13 Division.

14 I have one witness.

15 EXAMINER STOGNER: Are there any other
16 appearances in this matter?

17 Mr. Carroll, do you have a witness?

18 MR. CARROLL: Yes, Mr. Ray Smith, and he has been
19 sworn in the prior case.

20 EXAMINER STOGNER: Let the record show that Mr.
21 Ray Smith is appearing at this hearing via telephone from
22 Artesia, New Mexico, has been previously sworn in three
23 previous cases.

24 And with that, Mr. Carroll, I'll turn it over to
25 you.

1 RAY SMITH (Present by telephone),
2 the witness herein, after having been first duly sworn upon
3 his oath, was examined and testified as follows:

4 EXAMINATION

5 BY MR. CARROLL:

6 Q. Mr. Smith, will you please state your name, your
7 employer and your position with that employer for the
8 record?

9 A. My name is Ray Smith. I'm employed by the New
10 Mexico Oil Conservation Division, Artesia Office, as Field
11 Rep 2.

12 Q. And have you had a chance to -- or an opportunity
13 to testify before this Division before and have had your
14 qualifications accepted?

15 A. Yes, I have.

16 MR. CARROLL: Mr. Examiner, are Mr. Smith's
17 qualifications acceptable in this case?

18 EXAMINER STOGNER: They are.

19 MR. CARROLL: Mr. Smith, have you had the
20 opportunity to review the well file of the Thigpen Well
21 Number 1-Y that is the subject matter of Case Number
22 11,256?

23 A. Yes, I have.

24 Q. And is this well file maintained by the Oil
25 Conservation Division in its ordinary course of business?

1 A. Yes, it is.

2 Q. Could you briefly go through that file and list
3 for the Examiner the well history of this well?

4 A. Okay, the well was drilled in 1979, June, by
5 Summit Energy, Incorporated, of Artesia, New Mexico.

6 13 3/8 casing was set at 334 feet, cement
7 circulated to surface. 9 5/8 casing set at 1222,
8 circulated to surface. 5 1/2 casing was set at 7197, top
9 of cement at 7166.

10 November, 1969, the well was plugged back to 5978
11 feet.

12 In January of 1981, there was a change of
13 operator to Donald R. Thigpen of the Artesia area.

14 And September 1, 1985, allowable was canceled on
15 that well.

16 Then in 1990, November, a C-104 was approved as
17 showing Otis H. Sanders of Roswell, New Mexico, as the new
18 owner.

19 And nothing has happened with the well since.

20 Q. Mr. Smith, what's the current condition of that
21 well?

22 A. It is sitting dormant, Christmas tree still
23 buttoned up.

24 Q. Mr. Smith, is it your recommendation that this
25 well be plugged in order to protect fresh water and the

1 environment, and to prevent waste and protect correlative
2 rights?

3 A. Yes, it is.

4 MR. CARROLL: What Mr. Smith has testified to is
5 listed in OCD Exhibit Number 1.

6 Q. (By Mr. Carroll) Mr. Smith, if I could refer you
7 to what has been marked OCD Exhibit Number 2, is there a
8 bond on this well?

9 A. Mr. Attorney, I'm not sure on that one. Let me
10 find my exhibit here.

11 I'm showing a bond, single-well case bond,
12 approved November 6th, 1990.

13 Q. And in what form is that bond? Is it a cash
14 bond?

15 A. Yes, it is, Bond Number OCD 255.

16 Q. And the surety is -- or the financial institution
17 is Sunwest Bank of Roswell; is that correct?

18 A. What I have here does not show that.

19 Q. Okay. Do you have OCD Exhibit Number 2 in front
20 of you, Mr. Smith?

21 A. Well, I did. I don't know where I put it. Okay,
22 yes, sir.

23 Q. And do you see the front page of that exhibit,
24 the first page?

25 A. Right, uh-huh.

1 Q. And is that first page a note in the file
2 indicating that Sunwest Bank of Roswell released the bond
3 back to Sanders, even though the bond was clearly marked
4 "Do not release without OCD approval"?

5 A. Well, I don't see that on my first page.

6 EXAMINER STOGNER: Do you want to describe your
7 first page?

8 THE WITNESS: It's got "page 1".

9 EXAMINER STOGNER: Well, good.

10 Q. (By Mr. Carroll) Is it marked "OCD Exhibit
11 Number 2", and is it marked "page 1"?

12 A. Yes, it is.

13 Q. And what's on that page?

14 A. It's got Charles Harle stuff on it.

15 EXAMINER STOGNER: Well, obviously we've got a
16 different Exhibit 2 if Charles Harle is on that.

17 MR. CARROLL: Mr. Examiner, if I can refer you to
18 what has been marked OCD Exhibit Number 2, which is a copy
19 of the bond file maintained in this case, which shows that
20 a \$5000 single-well cash bond was placed with the Sunwest
21 Bank of Roswell, New Mexico.

22 Checks with the Sunwest Bank of Roswell show that
23 the bank released the bond back to the operator, Otis
24 Sanders, without the OCD's approval.

25 So currently there -- as shown by the OCD files,

1 no bond covering this well, although the OCD may --
2 probably does have a cause of action against the bank for
3 releasing that bond back to the operator.

4 EXAMINER STOGNER: I have nine pages included in
5 Exhibit Number 2, Mr. Carroll, that you're referring to; is
6 that correct?

7 MR. CARROLL: That is correct.

8 EXAMINER STOGNER: With the front page being an
9 attached note, it looks like a note on file with the OCD
10 that talks about the Sunwest Bank releasing the bond back
11 to Sanders, even though something was marked "Do not
12 release without OCD approval" is that correct?

13 MR. CARROLL: That is correct.

14 EXAMINER STOGNER: Then included is several
15 correspondence letters from the OCD. I believe that's
16 somewhat self-explanatory.

17 And that's Exhibit Number 2, correct?

18 MR. CARROLL: Correct.

19 EXAMINER STOGNER: Okay. Do you want to
20 continue?

21 MR. CARROLL: Yes.

22 Q. (By Mr. Carroll) Mr. Smith, what efforts have
23 been made to contact Otis Sanders regarding this well?

24 A. I have sent a certified letter to Otis Sanders
25 and have received the letter back.

1 Q. Mr. Smith, I'm going to try this. Do you have
2 what has been marked OCD Exhibit Number 3 in front of you,
3 in Case 11,256?

4 A. No, I don't.

5 MR. CARROLL: Well, Mr. Examiner, I'll refer you
6 to what has been marked as OCD Exhibit Number 3, which is
7 proof that notice was sent via certified mail to Otis
8 Sanders and Sunwest Bank of Roswell, New Mexico.

9 Q. (By Mr. Carroll) Mr. Smith, included in -- I'll
10 refer you back to Exhibit Number 1.

11 Is there a recommended OCD plugging procedure
12 included as part of OCD Exhibit Number 1?

13 A. Yes, there is.

14 Q. And that is contained in page 2 and 3 of that
15 exhibit?

16 A. Yes, sir.

17 MR. CARROLL: Mr. Examiner, I have nothing
18 further of this witness, and I will move that what has been
19 marked as OCD Exhibit Numbers 1, 2 and 3 be entered into
20 the record.

21 EXAMINER STOGNER: Exhibits 1, 2 and 3 will be
22 admitted into the record.

23 EXAMINATION

24 BY EXAMINER STOGNER:

25 Q. Mr. Smith, do you have the proposal in front of

1 you for the plugging program?

2 A. Yes, sir, I do.

3 Q. Do you want to perhaps hit the highlights on
4 that, of what the OCD or what your district office is
5 proposing, how to plug it?

6 A. Okay, we propose to set a cement plug from 6598
7 back to 6588 by running in-hole with tubing, spotting
8 cement.

9 Okay, there is a bridge plug at 5978 which does
10 not show to be capped. We'll probably tag it and cap it.

11 We're going to set a -- Excuse me, I'm getting
12 ahead of myself.

13 We have changed our proposal and plan to set a
14 "K" Therm bridge plug at 4610 and cap of 35 feet. Spot 25
15 sacks at 3700, spot 25 sacks at 1265, 10-sack surface plug
16 and marker, clean and level location.

17 Q. You had mentioned in your testimony earlier about
18 the Christmas tree still being on the well?

19 A. Yes, sir.

20 Q. Are the -- all the valves securely shut? Is that
21 what you indicated?

22 A. Yes, they are.

23 Q. Are they sealed?

24 A. They are not sealed.

25 Q. Okay. Any indication of flow, or have they been

1 opened?

2 A. I don't believe they've been opened, Mr.
3 Examiner. We have been to the location, we have no gas
4 escaping to the atmosphere. Everything is tight.

5 Q. No water either?

6 A. No.

7 EXAMINER STOGNER: Okay. Are there any other
8 questions of Mr. Smith?

9 MR. CARROLL: No.

10 EXAMINER STOGNER: Thank you, Mr. Smith, you may
11 be excused at this time. And do we have anything further
12 for him, Mr. Carroll?

13 MR. CARROLL: No, we don't, Mr. Examiner.

14 EXAMINER STOGNER: Okay. Mr. Smith, I do
15 appreciate it. Thank you.

16 THE WITNESS: Thank you.

17 EXAMINER STOGNER: Mr. Carroll, do you have
18 anything further in Case 11,256?

19 MR. CARROLL: No, I don't, Mr. Examiner.

20 EXAMINER STOGNER: Does anybody else have
21 anything further in this case? Then this case will be
22 taken under advisement at this time.

23 (Thereupon, these proceedings were concluded at
24 9:08 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 22nd, 1995.

STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 1998

I do hereby certify that the foregoing is a complete record of the proceedings in the above-captioned hearing of Case No. 11256, heard by me on 1/18/95.

Michael J. Hogan, Examiner
Oil Conservation Division