

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

**IN THE MATTER OF PROPOSED
AMENDMENTS TO 19.15.2, 19.15.5,
19.15.8, 19.15.9, AND 19.15.25 NMAC**

CASE NO. 24683

OXY'S NOTICE OF REBUTTAL TESTIMONY AND EXHIBITS

OXY USA Inc., a party in the above-referenced case, gives notice that it is filing the attached rebuttal testimony and exhibits pursuant to 19.15.3.11.B NMAC and the Hearing Officer's Amended Prehearing Procedural Order in this matter.

Attached hereto is the complete rebuttal testimony of Oxy's rebuttal witnesses along with related exhibits. Their qualifications and a description of their education and experience was previously provided with their direct testimony and are unchanged. Presentation of a summary of their rebuttal testimony is expected to take approximately 30 minutes for each rebuttal witness.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that on September 19, 2025, I served a copy of the foregoing document to the following counsel of record via Electronic Mail to:

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EXHIBIT B

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

IN THE MATTER OF PROPOSED
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WESTERN ENVIRONMENTAL LAW CENTER, et al.
PETITIONERS.

CASE NO. 24683

SELF-AFFIRMED STATEMENT OF TIFFANY A. WALLACE

1. My name is Tiffany A. Wallace and I am employed by Oxy USA Inc. (“Oxy”). I am officed in Santa Fe, New Mexico, and my current duties include managing policy and externals affairs for Oxy in the lower 48 states, including New Mexico.

2. I am familiar with the application filed in this matter, the proposed amendments to existing rules, and Oxy’s proposed modifications to the proposed rule amendments. I previously filed direct testimony in this matter in support of Oxy’s proposed modifications to the proposed rule amendments on August 8, 2025 that was marked as Oxy Exhibit B. My qualifications were previously provided as part of my direct testimony filed in this case.

3. I have reviewed the testimony of the Oil Conservation Division’s witness, Justin Wrinkle, and have prepared this rebuttal in response to specific statements set out below that reflect Mr. Wrinkle’s opinion of the value of a “marginal well,” as defined in the proposed rule.

4. Specifically, Mr. Wrinkle testifies that “marginal wells” have “low production, are aging, and hold little value as an asset other than the lease.” *See* OCD Exhibit 7-0002 at lines 2-3. He further alleges that wells are often retained to hold leases or other reasons. *See id.* OCD Exhibit 7-0006 at lines 9-19.

5. While Mr. Wrinkle's testimony may accurately reflect the role of marginal wells in certain transactions, it is not always the case that marginal wells have value only for purposes of holding or conveying the underlying lease. Such testimony oversimplifies and overstates the role marginal wells sometimes play in oil and gas transactions or lease management as well as understates their potential value for workovers.

6. For instance, using only a few wells by way of example¹, Oxy has been able to improve overall production of wells using various workover operations or downhole stimulations.

a. Harroun 9 001: The Harroun well was categorized as a marginal well in 2022, but after re-frac operations, successfully produced thousands of additional barrels of oil in the following 12 months.

b. FNR 35 Fed 3H: The FNR well was categorized as a marginal well due to downhole mechanical problems, but after implementation of an artificial lift revision, its subsequent production is trending upward.

c. Similarly, the CC15 well was classified as marginal prior to Oxy's re-completion job, and that well more than doubled its prior level of production in just 6 months.

7. As evidenced by the data in Exhibit B-1, asserting that "marginal wells," as defined by the proposed rule, hold little value outside of holding the underlying lease paints these often highly marketable wells with far too broad of a brush. Prudent operators, including Oxy, should and do periodically review their active well inventory looking for opportunities to increase

¹ Graphs depicting well performance for these three wells are attached hereto as Oxy **Exhibit B-1**.

production in under-performing wells, such as wells that fall within the vast “marginal well” category proposed by WELC. Describing all wells capable of producing up to 1,000 barrels of oil equivalent within a consecutive 12-month period as being of “little value” is an overstatement that fails to account for the specific circumstances of a given well. Under the proposed rule, each “marginal” well, and its potential value or utility—either for continued production or some other valuable purpose, such as injection or enhanced oil recovery operations—must be evaluated on a case-by-case basis. The Division and Commission should take care to avoid over generalizing and discounting the State’s often overlooked valuable and marketable well inventory, as it is their statutory responsibility to prevent waste and protect correlative rights.

8. The few examples highlighted above and found in Oxy’s own inventory demonstrate that there are real and current opportunities to efficiently and effectively improve well production through existing well inventories without having to incur the cost and expense of drilling new wells and disturbing additional surface acreage. Additionally, for bigger and smaller operators alike, it can be cost prohibitive or even economically wasteful to attempt to redrill a well after plugging. Because the evaluation of marginal wells calls for such a fact specific inquiry, such wells should not be so easily written off as valueless.

9. I affirm under penalty of perjury under the laws of the State of New Mexico that the foregoing statements are true and correct. I understand that this self-affirmed statement will be used as written testimony in this case. This statement is made on the date next to my signature below.

/s/ Tiffany A. Wallace

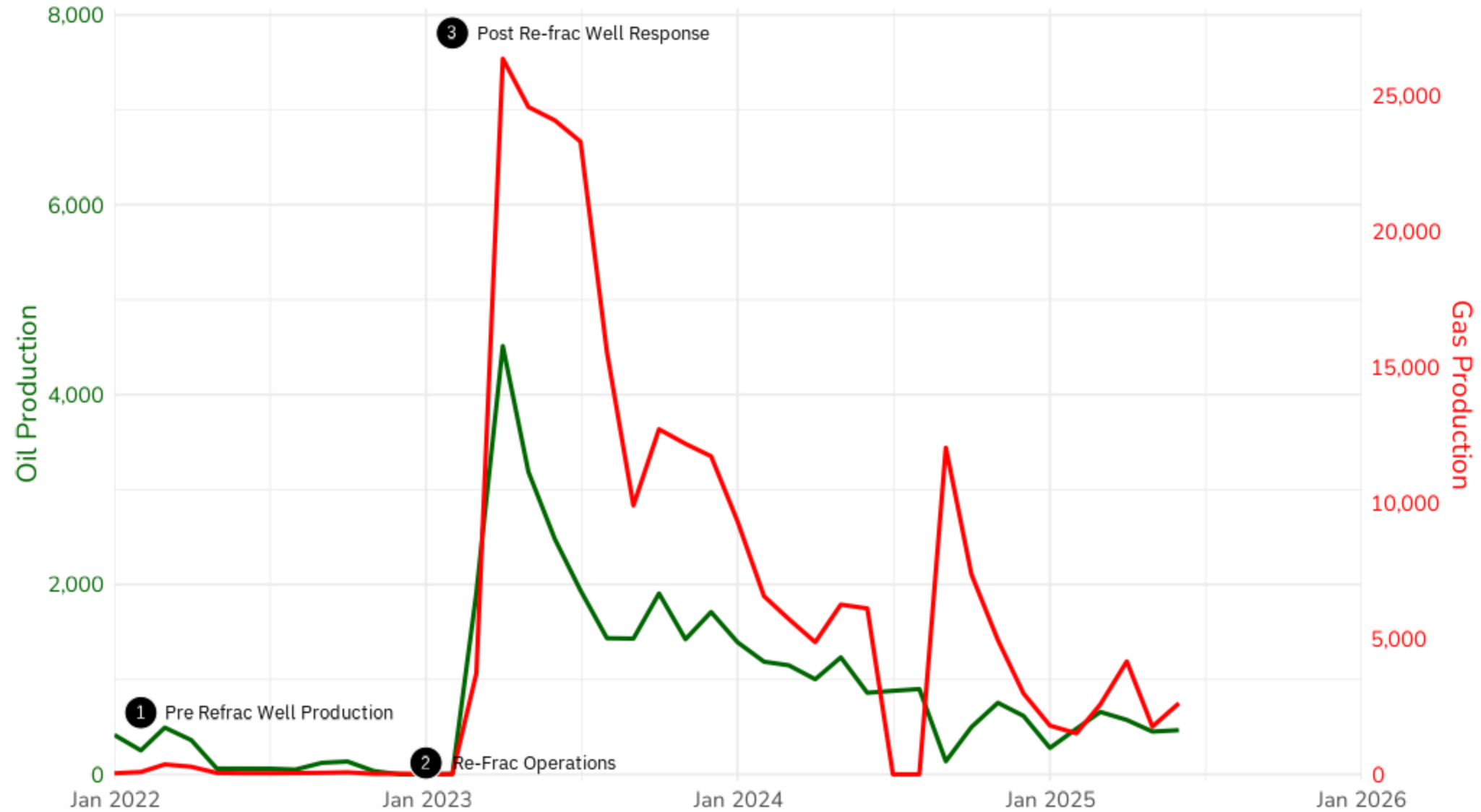
Tiffany A. Wallace

9/19/25

Date

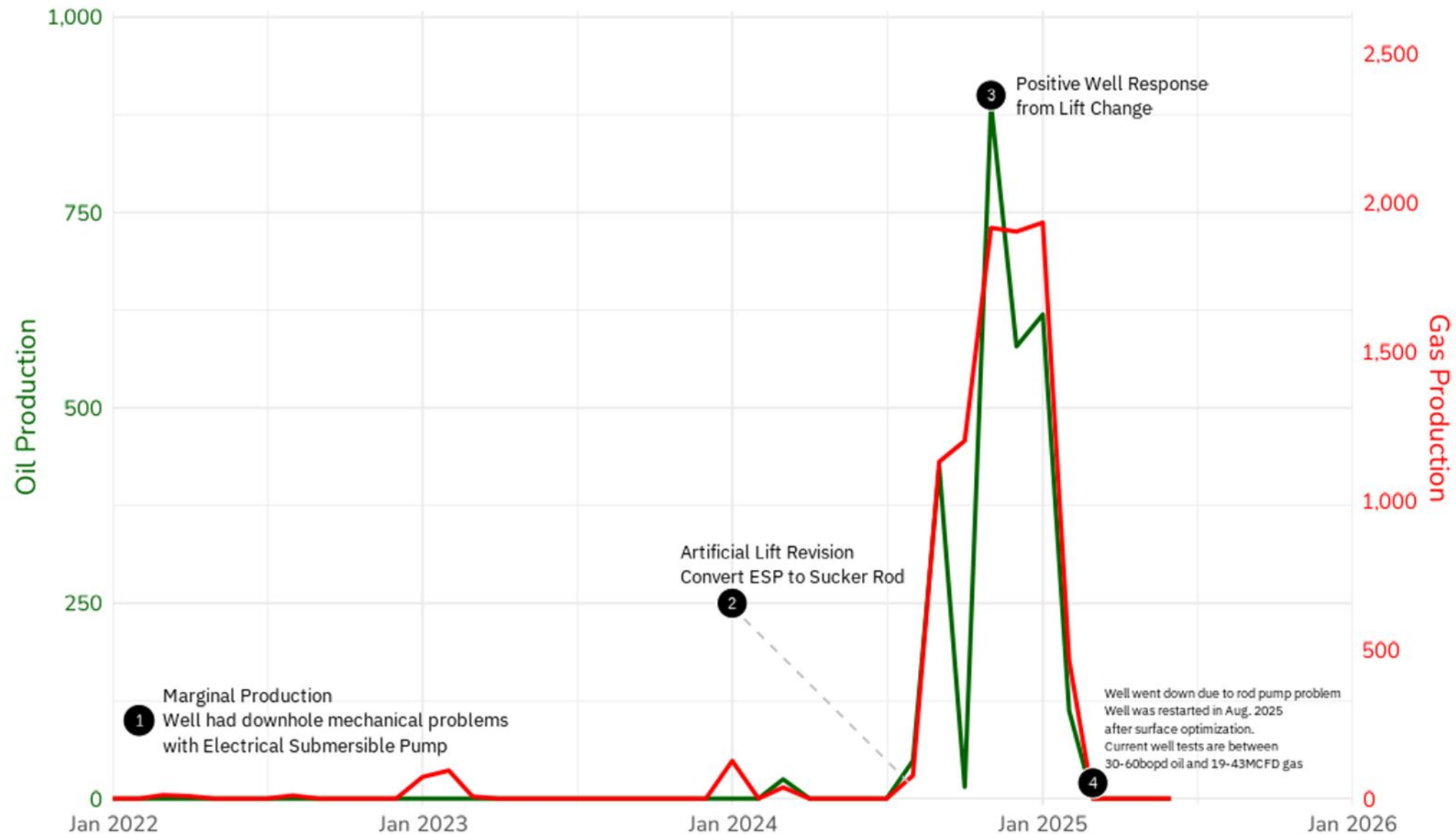
EXHIBIT B-1

HARROUN 9 001 (3001534997)
Monthly Production Profile





FNR 35 Fed 3H (3001542298) Monthly Production Profile



CC15-002H (3001541032) Monthly Production Profile

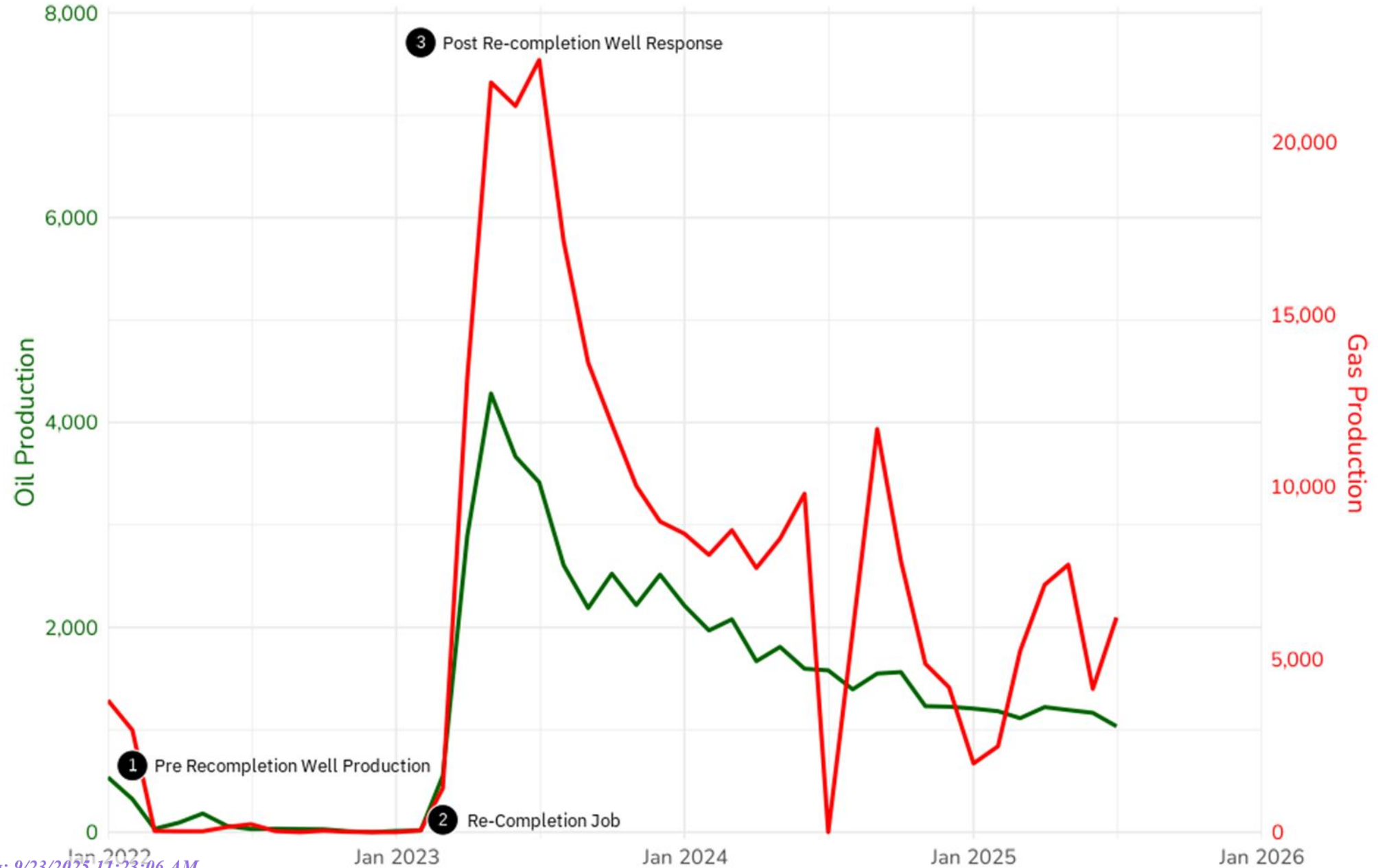


EXHIBIT C

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

**IN THE MATTER OF PROPOSED
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**WESTERN ENVIRONMENTAL LAW CENTER, et al.
PETITIONERS.**

CASE NO. 24683

SELF-AFFIRMED STATEMENT OF KELLEY MONTGOMERY

1. My name is Kelley A. Montgomery and I am employed by OXY USA Inc. (“Oxy”). I am officed in Houston, Texas currently serving as Vice President of Air Programs and I spent the previous 10 years as Regulatory Director for the Permian.

2. I previously filed direct testimony in this matter on August 8, 2025 in support of Oxy’s proposed modifications to the proposed rule amendments that was marked as Oxy Exhibit C. My qualifications were previously provided as part of my direct testimony filed in this case.

3. I have reviewed the testimony of WELC’s witnesses Thomas Alexander and Adam Peltz and have prepared this rebuttal statement in response to certain issues raised in their testimony regarding the proposed rule amendments limiting the Division’s ability to extend the time for wells in approved temporary abandonment status.

4. In support of placing non-discretionary limits on the Division’s ability to manage wells in “temporary abandonment status,” Thomas Alexander testifies that “[i]f a well has no present or future beneficial use, there is no good reason not to P&A the well.” WELC Ex. 3 at 54, lines 1-2; *see also id.* at 46, lines 17-18. He states that “Placing a well in temporary abandonment with no evidence for beneficial use just delays the

inevitable and creates a risk that the well will become orphaned and the State will become responsible for plugging, abandonment, and site remediation.” *Id.* at 46, lines 18-21.

5. In support of the proposed rule’s eight-year limit for “temporary abandonment status,” he states that allowing wells to stay in that status “indefinitely . . . makes no sense and is not in the best interest of preserving resources or the safety of the public and environment.” *Id.* at 88, lines 1-2. Accordingly, WELC proposes to require operators to either return all wells in temporary abandonment status after a period of seven years (an initial 5-year term plus up to a potential additional two years) “to beneficial use under a plan the division approves” or “[to] permanently plug and abandon the well and restore and remediate the location.” *See* WELC Ex. 1-E, proposed 19.15.25.13.B NMAC.

6. The data Mr. Alexander cites to support this rule modification—and elimination of all Division discretion on the management and handling of wells that have been in temporary abandonment status for seven years—is based on a subset of wells from the Division’s public database and includes only production data from 2010 to 2024 for wells spudded prior to 2017. *See* WELC Ex. 13. According to Mr. Alexander’s analysis many wells do not return to production after eight years. WELC Ex. 3 at 96, lines 3-6.

7. First, Mr. Alexander’s testimony fails to recognize that the proposed rule’s two-year extension limitation applies whether the Division allows a one-year or five-year initial period of approved temporary abandonment—meaning the approved period for temporary abandonment could be as short as three years and the Division would have no discretion to extend its status any further. Three years is an unreasonably short period of

time, and the Division should be given discretion to further extend temporary abandonment status when circumstance supports doing so.

8. Second, while it may be true that the majority of wells on a statewide basis are returned to production from temporary abandonment status sooner than eight years, the magnitude of sample wells in Mr. Alexander's analysis masks important exceptions to the general rule. These important exceptions justify the Division retaining its discretion to extend temporary abandonment status if the operator otherwise makes the necessary showings as Oxy has proposed. *See* Oxy Ex. B, Self-Affirmed Statement of T. Wallace at 13-14, ¶¶ 57-63.

9. For example, since 2015, in just the Hobbs, NM area alone, Oxy has returned 49 wells to production or injection that had been temporarily abandoned, with 46 of those wells currently active. *See* **Oxy Exhibit C-1**, attached hereto. But what makes this information particularly notable is that 22 of those wells, or **45%**, had been in temporary abandonment status for eight years or more – and 21 wells, or 43%, had been in temporary abandonment status for more than 10 years before they were returned to production/injection. *Id.* Of the 22 wells that had been in temporary abandonment status for eight years or more 12 of them are now producing wells currently making a combined 652 barrels of oil per day.

10. If WELC's proposed rule had been in place, and the Division had no discretion to allow Oxy the extension of temporary abandonment status, all these daily production volumes would have been arbitrarily lost. This point is best illustrated by wells that had been placed in temporary abandonment status but were subsequently reactivated in connection with enhanced oil recovery projects. Had these wells been

plugged, new wells would have had to be drilled to see the same production levels, but the capital expenditures required for drilling would have greatly reduced the overall recovery.

11. This data evidences Oxy's position that the value of a well cannot be determined by the number of years spent in temporary abandonment status and is exemplary of why the Division should be authorized to retain its discretion over these wells. While certainly not all wells in lengthy periods of temporary abandonment will be returned to production or injection, there are numerous situations in which the Division's discretion would (and could) result in production or value that would otherwise be lost.

12. Non-discretionary termination of temporary abandonment status after a maximum of seven years, no matter the condition of the well and its mechanical integrity or its potential utility in future known and unknown development situations and technologies, is likely to result in waste of valuable resources. For example, if Oxy's 22 wells from the first example above had not been returned to production and instead were required to be plugged after a maximum of seven years in temporary abandonment status it is unlikely the remaining reserves would have been targeted by future development due to the cost of drilling new wells, potentially stranding those reserves in place. That would have resulted in waste and would be contrary to the express statutory obligation of the Division and Commission to prevent waste. These and other similar exceptions deserve attention from the Commission and militate against the arbitrary imposition of such a rigid rule.

13. The Commission should reject WELC's proposed amendment and instead adopt Oxy's modification of the proposed rule. *See* Oxy Exhibit B at 19.15. 13.B NMAC.

At a minimum, WELC's proposed rule should be modified to authorize the Division to extend temporary abandonment status for additional terms for good cause shown.

14. I affirm under penalty of perjury under the laws of the State of New Mexico that the foregoing statements are true and correct. I understand that this self-affirmed statement will be used as written testimony in this case. This statement is made on the date next to my signature below.

/s/ Kelley A. Montgomery

9/19/25

Kelley A. Montgomery

Date

EXHIBIT C-1

Hobbs Area TA Wells Returned to Production (Since 2015)

