

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:

APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION COMPLIANCE AND ENFORCEMENT BUREAU FOR A COMPLIANCE ORDER AGAINST KERSEY AND COMPANY, FOR WELLS OPERATED IN EDDY COUNTY, NEW MEXICO. CASE NO. 15649

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

March 30, 2017

Santa Fe, New Mexico

BEFORE: PHILLIP GOETZE, CHIEF EXAMINER
WILLIAM V. JONES, TECHNICAL EXAMINER
MICHAEL McMILLAN, TECHNICAL EXAMINER
GABRIEL WADE, LEGAL EXAMINER

This matter came on for hearing before the New Mexico Oil Conservation Division, Phillip Goetze, Chief Examiner, William V. Jones and Michael McMillan, Technical Examiner, and Gabriel Wade, Legal Examiner, on Thursday, March 30, 2017, at the New Mexico Energy, Minerals and Natural Resources Department, Wendell Chino Building, 1220 South St. Francis Drive, Porter Hall, Room 102, Santa Fe, New Mexico.

REPORTED BY: Mary C. Hankins, CCR, RPR
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APPEARANCES

FOR APPLICANT THE NEW MEXICO OIL CONSERVATION DIVISION
COMPLIANCE AND ENFORCEMENT BUREAU:

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1 EXAMINER GOETZE: Case Number 15649,
2 application of New Mexico Oil Conservation Division
3 Compliance and Enforcement Bureau for a compliance order
4 against Kersey and Company, for wells operated in Eddy
5 County, New Mexico.

6 Call for appearances.

7 MR. HERRMANN: Mr. Examiner, Keith Herrmann
8 representing the Oil Conservation Division Compliance
9 and Enforcement Bureau.

10 EXAMINER GOETZE: Any other appearances?
11 Proceed.

12 MR. HERRMANN: I have one witness,
13 Ms. Denise Gallegos, and I would ask the -- ask the
14 Examiner to take notice that she has already been
15 previously sworn in in OCD Case 15648. And with that,
16 we can save some time re-identifying her as Denise
17 Gallegos and as administrator and compliance officer for
18 the Oil Conservation Division.

19 EXAMINER GOETZE: And her testimony will
20 be?

21 MR. HERRMANN: Factual.

22 EXAMINER GOETZE: Very good. Proceed.

23 DENISE GALLEGOS,
24 after having been previously sworn under oath, was
25 questioned and testified as follows:

1 DIRECT EXAMINATION

2 BY MR. HERRMANN:

3 Q. Ms. Gallegos, are you familiar with the
4 violations detailed in this application for hearing?

5 A. Yes.

6 Q. Can you please identify the operator that's the
7 subject of this compliance case and their OGRID?

8 A. Kersey and Company, OGRID Number 12576.

9 Q. Is the OCD only seeking to enforce violations
10 of the financial assurance requirements at this hearing?

11 A. Yes.

12 Q. Are there any financial assurance statutes
13 under the Oil and Gas Act you believe this operator is
14 violating?

15 A. Yes, 70-2-14. The statute states that in
16 addition to the blanket plugging financial assurance,
17 the Oil Conservation Division would require a one-well
18 financial assurance on any well that has been held in
19 temporarily abandoned status for more than two years.
20 The Division does have a rule, 19.15.8 NMAC, requiring
21 such well bonds, and the operator has blanket financial
22 assurance.

23 Q. Does the Division post all inactive wells or
24 otherwise as temporarily abandoned status for an
25 operator on its Web site?

1 A. Yes. The OCD Web site is updated daily on the
2 inactive well list listing each well by operator.

3 **Q. Are there any financial assurance rules under**
4 **the Oil and Gas Act you believe this operator has**
5 **violated.**

6 A. Yes, 19.15.8.9C. "The operator shall cover a
7 well that has been in temporary abandonment for more
8 than two years by either a one-well financial assurance
9 or a plugging financial assurance for wells in
10 temporarily abandoned status."

11 In addition, 19.15.8.9D(2) lists the
12 required bonding amounts for each county.

13 **Q. And how many of Kersey's wells need additional**
14 **financial assurance?**

15 A. One.

16 **Q. Can you identify that well in the amount and**
17 **use Exhibit 1 for reference if you need it?**

18 A. Texaco State #2, in the amount of \$7,362.

19 **Q. And in what county is this well located?**

20 A. Eddy County.

21 **Q. Was the operator notified of these violations?**

22 A. Yes. The notice of financial assurance
23 violation letter was sent out certified mail on June
24 17th, 2016, and a signed green card was never received
25 back. Of this date, I have not received a response from

1 the operator or the requested financial assurance. I
2 also have the tracking information, and the letter was
3 unclaimed, and the amount [sic] expired as of July 6th,
4 2016.

5 Q. And there is a copy of this in OCD Exhibit 2?

6 A. Uh-huh.

7 Q. Okay. And what relief is the Division
8 requesting?

9 A. The Division is requesting the operator to
10 provide the Division with acceptable financial assurance
11 within 30 days of issuance of an order of finding that
12 the operator is in violation of 70-2-14 of the New
13 Mexico State Statutes and 19.15.8 NMAC, and if the
14 operator does not post the requested financial assurance
15 within 30 days, an issuance of an order that the
16 operator is in violation of a Division order.

17 Q. And were Exhibits 1 and 2 prepared by you or
18 under your direction?

19 A. Yes.

20 Q. And the OCD Compliance and Enforcement Bureau
21 also has one more exhibit, 3, that I provided showing an
22 Affidavit of Service provided to Kersey and Company via
23 certified mail and advertisement of this hearing in
24 "Artesia Daily Press." And there is an Affidavit of
25 Publication. At this moment, I would move to admit OCD

1 **Exhibits 1 through 3.**

2 EXAMINER GOETZE: Exhibits 1 through 3 are
3 so entered.

4 (OCD Compliance and Enforcement Bureau
5 Exhibit Numbers 1 through 3 are offered and
6 admitted into evidence.)

7 EXAMINER GOETZE: We'd also ask you at this
8 time, Mr. Herrmann, to reconcile the 70-2-14 as the
9 specific statute that you're pursuing --

10 MR. HERRMANN: Yes.

11 EXAMINER GOETZE: -- for resolution.

12 CROSS-EXAMINATION

13 BY EXAMINER WADE:

14 **Q. Which county is the well in?**

15 A. Lea County.

16 **Q. Lea County.**

17 And the general publication is also Lea
18 County?

19 A. The well's in Eddy County.

20 **Q. Oh, I'm sorry. Eddy County.**

21 So the "Artesia Daily Press," Eddy County?

22 A. Yes.

23 EXAMINER GOETZE: You don't get out enough.
24 You should read the Artesia daily news.

25 Any questions?

1 I have no questions of this witness.

2 With that, we will take Case 15649 under
3 advisement.

4 (Case Number 15649 concludes, 1:30 p.m.)

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1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

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4 CERTIFICATE OF COURT REPORTER

5 I, MARY C. HANKINS, Certified Court
6 Reporter, New Mexico Certified Court Reporter No. 20,
7 and Registered Professional Reporter, do hereby certify
8 that I reported the foregoing proceedings in
9 stenographic shorthand and that the foregoing pages are
10 a true and correct transcript of those proceedings that
11 were reduced to printed form by me to the best of my
12 ability.

13 I FURTHER CERTIFY that the Reporter's
14 Record of the proceedings truly and accurately reflects
15 the exhibits, if any, offered by the respective parties.

16 I FURTHER CERTIFY that I am neither
17 employed by nor related to any of the parties or
18 attorneys in this case and that I have no interest in
19 the final disposition of this case.

20

21

22 MARY C. HANKINS, CCR, RPR
23 Certified Court Reporter
24 New Mexico CCR No. 20
25 Date of CCR Expiration: 12/31/2017
Paul Baca Professional Court Reporters