

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

4 IN THE MATTER OF THE HEARING CALLED
5 BY THE OIL CONSERVATION DIVISION FOR
6 THE PURPOSE OF CONSIDERING:

7 APPLICATION OF THE NEW MEXICO OIL CASE NO. 15683
8 CONSERVATION DIVISION COMPLIANCE
9 AND ENFORCEMENT BUREAU FOR A
10 COMPLIANCE ORDER AGAINST NANCY
11 WILCOX E QUALLS, FOR WELLS OPERATED
12 IN RIO ARriba COUNTY, NEW MEXICO.

13 REPORTER'S TRANSCRIPT OF PROCEEDINGS

14 EXAMINER HEARING

15 April 27, 2017

16 Santa Fe, New Mexico

17 BEFORE: WILLIAM V. JONES, CHIEF EXAMINER
18 DAVID K. BROOKS, LEGAL EXAMINER

19 This matter came on for hearing before the
20 New Mexico Oil Conservation Division, William V. Jones,
21 Chief Examiner, and David K. Brooks, Legal Examiner, on
22 Thursday, April 27, 2017, at the New Mexico Energy,
23 Minerals and Natural Resources Department, Wendell Chino
24 Building, 1220 South St. Francis Drive, Porter Hall,
25 Room 102, Santa Fe, New Mexico.

26 REPORTED BY: Mary C. Hankins, CCR, RPR
27 New Mexico CCR #20
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APPEARANCES

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

KEITH HERRMANN, ESQ.
STATE OF NEW MEXICO OIL CONSERVATION DIVISION
ENERGY, MINERALS & NATURAL RESOURCES DEPARTMENT
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1 (11:14 a.m.)

2 EXAMINER JONES: Let's go on the record and
3 finish the last two cases of this docket.

4 Call Case Number 15683, application of the
5 New Mexico Oil Conservation Division Compliance and
6 Enforcement Bureau for a compliance order against Nancy
7 Wilcox E Qualls, for wells operated in Rio Arriba
8 County, New Mexico.

9 Call for appearances.

10 MR. HERRMANN: Mr. Examiner, Keith Herrmann
11 appearing for the Oil Conservation Division Compliance
12 and Enforcement Bureau.

13 EXAMINER JONES: I see there are no other
14 appearances, so you may proceed. Do you have a witness?

15 MR. HERRMANN: I have one witness, and I'd
16 like to make a brief opening statement.

17 EXAMINER JONES: Okay.

18 MR. HERRMANN: This case is regarding our
19 financial assurance requirements for wells operated in
20 the state of New Mexico. The operator who is the
21 subject of this hearing, Nancy Wilcox E Qualls, has not
22 complied with our requirements, so we have brought this
23 to hearing to seek an order directing her to comply or
24 the operator to comply.

25 I have one witness, the OCD bond

1 administrator, Ms. Denise Gallegos.

2 EXAMINER JONES: Ms. Gallegos, please
3 stand.

4 And will the court reporter swear the
5 witness?

6 DENISE GALLEGOS,
7 after having been first duly sworn under oath, was
8 questioned and testified as follows:

9 EXAMINER JONES: Mr. Herrmann, can you say
10 one more time exactly which statutes are -- rules are
11 being violated here?

12 MR. HERRMANN: Yes, Mr. Examiner. It's in
13 both my pre-hearing statement and my application for
14 hearing, but the applicable statute requiring financial
15 assurance is NMSA 1978, Section 70-2-14, and the rule
16 that was adopted pursuant to it is 19.15.8 NMAC.

17 EXAMINER JONES: Thank you.

18 DIRECT EXAMINATION

19 BY MR. HERRMANN:

20 Q. Ms. Gallegos, would you please state your name,
21 title and place of employment for the record?

22 A. Denise Gallegos, compliance officer with the
23 Oil Conservation Division.

24 Q. And could you briefly describe your duties with
25 the OCD?

1 A. Among other duties, I am responsible for the
2 management, enforcement and ensuring compliance of the
3 Division's assurance program.

4 Q. Are you familiar with the violations detailed
5 in the application for hearing?

6 A. Yes.

7 Q. Could you identify the operator that's the
8 subject of this case and their OGRID number?

9 A. Nancy Wilcox E Qualls, OGRID Number 15501.

10 Q. And in what county are these well located?

11 A. Rio Arriba.

12 Q. Does the Division post all inactive wells and
13 other financial assurance information on its Web site?

14 A. Yes. This is available on the OCD Web site and
15 updated daily, on the inactive well list listing each
16 well by operator.

17 Q. And in the state of New Mexico, does the OCD
18 require financial assurance for wells operated on state
19 and private land?

20 A. Yes.

21 Q. And what's the amount of financial assurance
22 required for a well on state or private land in Rio
23 Arriba County?

24 A. \$5,000, plus a dollar per foot of the measured
25 depth.

1 Q. And how many of the operator's wells need
2 financial assurance?

3 A. Four.

4 Q. Can you list the amount of the additional -- or
5 financial assurance needed pursuant to 19.15.8.9 NMAC
6 for each well? I've also provided this information in
7 Exhibit 1, if you need that for reference.

8 A. So each of the wells already has a \$5,000 bond
9 on file, but that's not the correct amount. So the
10 first one is C P State #1, API 30-039-05667, and the
11 bond amount should be \$7,525. The second one is C P
12 State #2, API 30-039-05236, in the amount of \$7,350;
13 C P State #3, API 30-039-05252, in the amount of \$7,350;
14 and C P State #4, API 30-039-05634, in the amount of
15 \$7,341.

16 Q. And that's the total amount of financial
17 assurance required?

18 A. For each well, yes.

19 Q. And this is due to a change in the rule from
20 2008?

21 A. Yes.

22 Q. Was the operator notified of these violations,
23 and, if so, when?

24 A. Yes. I sent out a notice of financial
25 violation letter, certified mail, on June 17th of 2016,

1 and I received a signed green card on June 23rd, 2016.

2 As of today, I haven't received a response from the
3 operator or the requested financial assurance.

4 Q. And is Exhibit 2 a copy of that notice?

5 A. Yes.

6 Q. Can you please state the relief the Division is
7 requesting?

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

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

18 A. Yes.

19 MR. HERRMANN: Mr. Examiner, at this moment
20 I'd move to admit Exhibits 1, 2 and 3. Exhibit 3 was
21 not identified in testimony, but it was prepared by
22 myself. It's an Affidavit of Service of the Notice of
23 Hearing, including the green cards that we did receive
24 returned.

25 EXAMINER JONES: Exhibits 1, 2 and 3 are

1 admitted.

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

5 MR. HERRMANN: We also publish notice of
6 this hearing in the "Rio Grande Sun" newspaper, but due
7 to some issue with the newspaper that I won't get into,
8 we don't have the Affidavit of Publication just yet. So
9 I would move to continue the remainder of this case so I
10 can submit that remaining exhibit that will be
11 identified as Exhibit 3B.

12 EXAMINER JONES: Okay. Is that a two-week
13 continuance?

14 MR. HERRMANN: Yes. I should have the
15 Affidavit of Publication by then. They just need to
16 cash our check apparently.

17 EXAMINER JONES: Okay. Okay. Is that it
18 then?

19 MR. HERRMANN: That is it.

20 EXAMINER JONES: Any questions?

21 EXAMINER BROOKS: No questions.

22 CROSS-EXAMINATION

23 BY EXAMINER JONES:

24 Q. I only have one question. On Exhibit Number 2,
25 on the page that lists the OCD -- that lists all the

1 wells for Nancy Wilcox E Qualls, where it says over on
2 the right -- where it says "bond required" and then
3 "violation," it's only got a "yes" besides two of the
4 wells. Is there a reason for that, or was there -- the
5 other two wells -- should the other two wells have a
6 "yes" beside them also?

7 A. They should, because they've all been inactive
8 for more than the two years. And the most recent list
9 does have all Ys.

10 Q. Okay. So you have another list that it does
11 show up?

12 A. Yes. It's Exhibit 1 that he gave you.

13 Q. Okay. Okay. That's right. You gave me this
14 Exhibit Number 1. So it's just included twice in here;
15 is that correct? It's included in Exhibit Number 2?

16 A. Right. So Exhibit 2 is what was sent to the
17 operator last year.

18 Q. Okay. Thank you very much.

19 EXAMINER JONES: With that, we've heard
20 this case and we're continuing it until May the 11th.

21 MR. HERRMANN: Thank you, Mr. Examiner.

22 EXAMINER JONES: Thank you.

23 (Case Number 15683 concludes, 11:23 a.m.)

24

25

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