

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. 15684
8 CONSERVATION DIVISION COMPLIANCE AND
9 ENFORCEMENT BUREAU FOR A COMPLIANCE
10 ORDER AGAINST PETRO MEX, LLC, FOR
11 WELLS OPERATED IN SAN JUAN COUNTY,
12 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
28 Paul Baca Professional Court Reporters
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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 (11:23 a.m.)

2 EXAMINER JONES: So we'll call Case Number
3 15684, application of the New Mexico Oil Conservation
4 Compliance and Enforcement Bureau for a compliance order
5 against Petro Mex, LLC, for wells operated in San Juan
6 County, New Mexico.

7 Call for appearances.

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

11 EXAMINER JONES: I see there are no other
12 appearances.

13 Do you want to make a quick opening?

14 MR. HERRMANN: I would, Mr. Examiner.

15 This is a pretty straightforward case
16 regarding the operator's compliance with our financial
17 assurance requirements, which are identified in my
18 pre-hearing statement and my application for hearing,
19 which, for the record, are NMSA 1978 Section 70-2-14.
20 That's the statute that enables us to enact 19.15.8
21 NMAC, which addresses our specific amounts for financial
22 assurance and other -- other applicable rules.

23 EXAMINER JONES: Okay. The application
24 says also NMSA 70-2-12. Is that another applicable
25 statute in this case, or was it --

1 MR. HERRMANN: I believe 70-2-12 are
2 general provisions out of the Oil and Gas Act.

3 EXAMINER JONES: Allowing compliance
4 orders?

5 MR. HERRMANN: Yes, and the rules of
6 procedure and other enumeration of powers.

7 EXAMINER JONES: Okay. Let the record show
8 that the witness has been sworn and remains under oath.

9 DENISE GALLEGOS,
10 after having been previously sworn under oath, was
11 questioned and testified as follows:

12 DIRECT EXAMINATION

13 BY MR. HERRMANN:

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

16 A. Denise Gallegos, compliance officer with the
17 Oil Conservation Division.

18 Q. Could you briefly describe the duties you
19 perform for the OCD?

20 A. Among other duties, I'm responsible for the
21 management, enforcement and ensuring compliance of the
22 Division's financial assurance program.

23 Q. And are you familiar with the violations
24 detailed in the OCD application for hearing?

25 A. Yes.

1 Q. Could you identify the operator that's subject
2 of this compliance case and their OGRID number?

3 A. Petro Mex, LLC, OGRID Number 236452.

4 Q. And in what county or counties are these wells
5 located?

6 A. All the wells are in San Juan County.

7 Q. And does the Division post all inactive wells
8 or otherwise known as temporarily abandoned status for
9 an operator on its Web site?

10 A. Yes. It's updated daily on the OCD's Web site
11 on the inactive well list, listing each well by
12 operator.

13 Q. Does the OCD require additional financial
14 assurance for wells that have been inactive for over two
15 years?

16 A. Yes.

17 Q. What's the amount of financial assurance
18 required for a well that has been inactive for over two
19 years in San Juan County?

20 A. \$5,000, plus a dollar per foot of measured
21 depth.

22 Q. And how many of this operator's wells need
23 additional financial assurance?

24 A. Six.

25 Q. Could you, using Exhibit 1 for reference, list

1 the amounts of financial assurance needed and the wells,
2 pursuant to 19.15.8.9 NMAC?

3 A. Bob Blanche #1, API 30-045-24743, in the amount
4 of \$9,670; Dorothy #1, API 30-045- 24262, in the amount
5 of \$9,670; Kirtland #6, API 30-045-24448, in the amount
6 of \$9,700; Kirtland 14 #1, API 30-045-25922, in the
7 amount of \$9,627; Kirtland 18 #1, API 30-045-26203, in
8 the amount of \$9,710; TRS-EVI #1, API 30-045-24633, in
9 the amount of \$9,700.

10 Q. And was the operator notified of these
11 violations, and, if so, when?

12 A. Yes. The notice of financial violation letter
13 was sent out certified mail on June 30th, 2016, and a
14 signed green card was received by OCD on July 13th,
15 2016. As of today, I haven't received a response from
16 the operator or the requested financial assurance.

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

18 A. Yes.

19 Q. And could you please state the relief that the
20 Division is requesting?

21 A. The Division is requesting the operator to
22 provide the OCD with acceptable financial assurance
23 within 30 days of issuance of an order, a finding that
24 the operator is in violation of 70-2-14 of the New
25 Mexico State statutes and 19.15.8 NMAC, and if the

1 operator does not post the requested financial assurance
2 within 30 days of the issuance of an order, that the
3 operator is in violation of a Division order.

4 Q. Is the OCD only seeking to enforce violations
5 of financial assurance at this time?

6 A. Yes.

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

9 A. Yes.

10 MR. HERRMANN: Mr. Examiner, at this time I
11 would move to admit OCD Exhibits 1 and 2, as well as OCD
12 Exhibit 3, which is an Affidavit of Service provided by
13 myself showing that notice was mailed to the addresses
14 of record and the address the Secretary of State has on
15 record for the operator, and a copy of that notice is
16 provided as Exhibit 3A.

17 And there is also Exhibit 3B that is an
18 Affidavit of Publication in the "Farmington Daily
19 Times."

20 EXAMINER JONES: Exhibits 1, 2 and 3 are
21 admitted.

22 (NMOCD Compliance and Enforcement Bureau
23 Exhibit Numbers 1 through 3 are offered and
24 admitted into evidence.)
25

1 CROSS-EXAMINATION

2 BY EXAMINER JONES:

3 Q. Is it true that this entity has any bonds at
4 all posted, or you're asking for a brand-new bonds?
5 This is not an incremental bond request, is it?

6 A. No. They do have a \$50,000 blanket bond on
7 file, but it doesn't apply to these wells because
8 they've been inactive and not producing for more than
9 two years. So it requires a single-well bond.

10 Q. Which they have not posted any single-well
11 bonds on these?

12 A. Yes.

13 Q. Thank you very much.

14 EXAMINER BROOKS: Thank you. I have no
15 questions.

16 MR. HERRMANN: Thank you.

17 EXAMINER JONES: Case Number 15684 is taken
18 under advisement, and this hearing is concluded.

19 (Case Number 15684 concludes, 11:31 a.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

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