

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. 15699
8 CONSERVATION DIVISION COMPLIANCE
9 AND ENFORCEMENT BUREAU FOR A
10 COMPLIANCE ORDER AGAINST ELMIRA
11 T. WELCH, FOR WELLS OPERATED IN
12 EDDY AND LEA COUNTIES, NEW MEXICO.

13 REPORTER'S TRANSCRIPT OF PROCEEDINGS

14 EXAMINER HEARING

15 May 11, 2017

16 Santa Fe, New Mexico

17 BEFORE: MICHAEL McMILLAN, CHIEF EXAMINER
18 DAVID K. BROOKS, LEGAL EXAMINER

19 This matter came on for hearing before the
20 New Mexico Oil Conservation Division, Michael McMillan,
21 Chief Examiner, and David K. Brooks, Legal Examiner, on
22 Thursday, May 11, 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 (10:02 a.m.)

2 EXAMINER McMILLAN: Let's go back and let's
3 do Case Number 15699, application of New Mexico Oil
4 Conservation Division Compliance and Enforcement Bureau
5 for a compliance order against Elmira T. Welch, for a
6 well operated in Eddy County, New Mexico.

7 Call for appearances.

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

10 EXAMINER McMILLAN: Any other appearances?
11 Please proceed.

12 Will the witness please stand and be sworn?

13 DANIEL SANCHEZ,
14 after having been first duly sworn under oath, was
15 questioned and testified as follows:

16 MR. HERRMANN: Mr. Examiner, the case is
17 regarding the operator, Elmira T. Welch. She has one
18 well in Eddy County that has been inactive in excess of
19 one year, plus 90 days, and the OCD will be presenting
20 evidence of that violation. And it's also in violation
21 of our financial assurance provisions. And we're
22 requesting that the operator comply with those rules,
23 and, if not, that we be authorized to plug and abandon
24 the well and recoup the expenses from the operators who
25 posted the financial assurance.

1 We have one witness today, Mr. Daniel
2 Sanchez, and I will move right into direct examination.

3 DIRECT EXAMINATION

4 BY MR. HERRMANN:

5 Q. Mr. Sanchez, will you please state your name,
6 title and place of employment for the record?

7 A. Daniel Sanchez. I'm the compliance and
8 enforcement manager for the OCD in Santa Fe.

9 Q. Would you briefly describe the duties you
10 perform for the Oil Conservation Division?

11 A. Yes. I oversee the district offices. I work
12 on the enforcement and compliance program that we have.
13 I work with operators and compliance orders in
14 maintaining compliance with our rules.

15 Q. Have you researched the violations detailed in
16 this application for hearing?

17 A. Yes, I have.

18 Q. And have you previously testified in an expert
19 capacity before the OCD?

20 A. Yes, I have.

21 MR. HERRMANN: At this moment I'd like to
22 move to admit Daniel as an expert witness in compliance
23 with oil production and oil and gas in New Mexico.

24 EXAMINER McMILLAN: So qualified.

25 Q. (BY MR. HERRMANN) Could you please identify

1 Exhibit 1, please?

2 A. Exhibit 1 is the operator information for
3 Elmira T. Welch, and this is pulled out of the OCD
4 e-Permitting program.

5 Q. And what's the operators OGRID number?

6 A. 7192.

7 Q. And in what county does this operator have
8 wells?

9 A. This operator has one well in -- part of Eddy
10 County.

11 Q. Can you please identify Exhibit 2?

12 A. Exhibit 2 is a Notice of Enforcement Action
13 that was sent out on December 27th, 2016 by myself, and
14 this was to inform them of the inactive well or the
15 violation of Rule 529.

16 Q. And that was sent out at least 60 days prior to
17 commencement of this enforcement proceeding?

18 A. Yes, it was.

19 Q. Could you please identify Exhibit 3?

20 A. Exhibit 3 is the well information, the
21 correspondence to Elmira T. Welch on the Cheeseman #2
22 well in question here. Included in that is a letter
23 informing Elmira T. Welch, back in August of 2011, that
24 their bonding was insufficient. This was sent out and
25 signed off by Mr. Brooks.

1 Q. And that was sent on August 23rd, 2011?

2 A. Yes.

3 Q. And referencing page 8 of Exhibit 3, could you
4 identify that, please?

5 A. This is a letter of violation that went out on
6 July 21st of 2016 from the Artesia office by Inspector
7 Tony Morales informing Elmira T. Welch again of the
8 violation of 529, that the well needed to be plugged.

9 Q. Okay. While we're still on Exhibit 3, under
10 the well information, is there a bond on this well?

11 A. Yes. There is one for \$5,000.

12 Q. From the Travelers Indemnity Company?

13 A. Yes.

14 Q. Is that bond sufficient pursuant to OCD wells?

15 A. No. According to the OCD wells, the full
16 amount for that single-well bond should be \$7,340.

17 Q. And that was detailed in the Notice of
18 Violation from August 23rd, 2011?

19 A. Yes.

20 Q. When was the last production on this well?

21 A. I, through the inspection of the well records,
22 found that it may have been a dry hole. I didn't see
23 any indication or reports showing production with this
24 well.

25 Q. And those records go as far back as 1992?

1 A. Yes.

2 Q. And has Elmira T. Welch made any effort to
3 resolve these issues?

4 A. No, not at all.

5 Q. Of the items under 19.15.5.9 NMAC, Subsection
6 A, what does Ms. Welch currently not meet?

7 A. The financial assurance requirement being shy
8 of the 2,340 amount and the inactive well.

9 Q. And what's the current status of this well?

10 A. It is shut in at this point.

11 Q. Is it capable of production?

12 A. No, not at all.

13 Q. What's the estimated plugging cost of this
14 well?

15 A. Based on the wells that we've been plugging in
16 that area and similar depth, about \$32,000.

17 Q. And what corrective action is the Division
18 requesting?

19 A. We're requesting that the operator, Elmira T.
20 Welch, submit the required full amount of bond within 30
21 days and plug the well within 60 days or allow the
22 Division to go ahead and do that.

23 Q. If they don't comply with the order?

24 A. If they don't comply, yes.

25 Q. In your opinion, is that in the best interest

1 of protecting correlative rights for the Division to
2 issue this requested order?

3 A. Yes.

4 Q. And were Exhibits 1 through 3 prepared by you
5 or under your direction?

6 A. Yes.

7 MR. HERRMANN: Mr. Examiner, at this time
8 I'd move to admit OCD Exhibits 1 through 3 and,
9 additionally, OCD Exhibit 4, which is an Affidavit of
10 Service prepared by myself showing that we mailed
11 this -- or mailed notice of this hearing directly to the
12 operator at their address in Lubbock, Texas. We also
13 published it in the "Artesia Daily Press" and notified
14 the surety via the Office of the Superintendent of
15 Insurance.

16 EXAMINER McMILLAN: Where's the -- where's
17 the publication?

18 MR. HERRMANN: It should be there under
19 Exhibit 4, Exhibit 4B.

20 EXAMINER McMILLAN: Okay. Exhibits 1
21 through 4 may now be accepted as part of the record.

22 (NMOCD Compliance and Enforcement Bureau
23 Exhibit Numbers 1 through 4, 4A, B and C
24 are offered and admitted into evidence.)

25 MR. HERRMANN: I have no further questions.

1 EXAMINER BROOKS: No questions.

2 CROSS-EXAMINATION

3 BY EXAMINER McMILLAN:

4 Q. Okay. For clarity purposes, based on
5 production, you've never seen any -- you know, when you
6 go to ONGARD, it might show pre-1992. You didn't look
7 at any other sources to see if it may have actually been
8 a P&A'd well?

9 A. I looked at all the sources the OCD has. I
10 didn't find any evidence that there was production with
11 that well. No production was reported from that well.

12 EXAMINER McMILLAN: Okay. I have no
13 further questions.

14 And Case Number 15699 shall be taken under
15 advisement.

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

17 (Case Number 15699 concludes, 10:12 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