

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 GP II ENERGY, INC. FOR WELLS OPERATED IN EDDY AND LEA COUNTIES, NEW MEXICO. CASE NO. 16049

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

March 22, 2018

Santa Fe, New Mexico

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

This matter came on for hearing before the New Mexico Oil Conservation Division, William V. Jones, Chief Examiner, and David K. Brooks, Legal Examiner, on Thursday, March 22, 2018, 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  
New Mexico CCR #20  
Paul Baca Professional Court Reporters  
500 4th Street, Northwest, Suite 105  
Albuquerque, New Mexico 87102  
(505) 843-9241

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

APPEARANCES

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

KEITH W. HERRMANN, ESQ.  
NEW MEXICO OIL CONSERVATION DIVISION COMPLIANCE AND ENFORCEMENT BUREAU  
OFFICE OF GENERAL COUNSEL  
Wendell Chino Building  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505  
(505) 476-3463  
keith.herrmann@state.nm.us

INDEX

PAGE

Case Number 16049 Called	3
New Mexico Oil Conservation Division Compliance and Enforcement Bureau's Case-in-Chief:	
Witnesses:	
Daniel Sanchez:	
Direct Examination by Mr. Herrmann	4
Cross-Examination by Examiner Jones	4
Proceedings Conclude	6
Certificate of Court Reporter	7

EXHIBITS OFFERED AND ADMITTED

NM OCD Compliance and Enforcement Bureau Exhibit Numbers 1 through 5	4
--	---

1 (8:36 a.m.)

2 EXAMINER JONES: Let's move on and do Case  
3 Number 16049, application of the New Mexico Oil  
4 Conservation Division Compliance and Enforcement Bureau  
5 for a compliance order against GP II Energy,  
6 Incorporated, for wells operated in Eddy and Lea  
7 Counties, New Mexico.

8 Call for appearances.

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

12 EXAMINER JONES: Any other appearances?  
13 Mr. Sanchez will be testifying?

14 MR. HERRMANN: To the extent he was  
15 testifying in the last case.

16 EXAMINER JONES: Let the record show he's  
17 been sworn.

18 Do you want to admit him as an expert or  
19 just --

20 MR. HERRMANN: No, just a fact witness.

21 EXAMINER JONES: Fact witness. Okay.

22 DANIEL SANCHEZ,  
23 after having been previously sworn under oath, was  
24 questioned and testified as follows:

25

1 DIRECT EXAMINATION

2 BY MR. HERRMANN:

3 Q. Mr. Sanchez, were OCD Exhibits 1 through 5  
4 prepared by you or under your direction?

5 A. Yes, they were.

6 MR. HERRMANN: I would move to admit OCD  
7 Exhibits 1 through 5 for the record.

8 EXAMINER JONES: Exhibits 1 through 5 are  
9 admitted.

10 (NM OCD Compliance and Enforcement Bureau  
11 Exhibit Numbers 1 through 5 are offered and  
12 admitted into evidence.)

13 EXAMINER JONES: Mr. Brooks?

14 EXAMINER BROOKS: No questions.

15 CROSS-EXAMINATION

16 BY EXAMINER JONES:

17 Q. Mr. Sanchez, can you just summarize what you're  
18 saying in your affidavit?

19 A. It's my background as the Compliance and  
20 Enforcement manager and what my duties are under that  
21 title.

22 Q. Okay. Can you summarize the case against  
23 your -- this GP II Energy?

24 A. Yes. They were sent a letter on June 20th,  
25 2017. At the time they had six wells in violation.

1 They could have two. They are down to three, and one of  
2 them is going to be taken care of by receipt of a  
3 bond -- a single-well bond for that one. And then we  
4 have actually worked with them before to try to get back  
5 down to the two wells, and that'll happen as soon as we  
6 get the bond in.

7 **Q. So this is an action to bring the bond in?**

8 A. Inactive wells right now, and we're informally  
9 working with them on the bond.

10 **Q. So it's a 5.9 inactive well case?**

11 A. Yes.

12 **Q. But they are responding?**

13 A. They have, yes.

14 **Q. You're still asking for an order?**

15 MR. HERRMANN: Yes. We wanted to proceed  
16 with this case and get a compliance order should they  
17 fail to meet the promises they have made verbally. At  
18 this point we felt it would have the same effect of an  
19 agreed compliance order.

20 EXAMINER JONES: For the record -- I'm just  
21 asking -- you can't do an ACOI because of the bonding  
22 issue.

23 MR. HERRMANN: Yes.

24 EXAMINER JONES: Okay. Thank you very  
25 much. Is that all in this case?

1 MR. HERRMANN: Just similar to the last  
2 case, we request the producing wells be shut in  
3 immediately, but do not feel that will be necessary but  
4 do request that should they fail to comply with this  
5 order, that the producing wells be shut in and that  
6 their financial assurance be forfeited towards plugging  
7 costs.

8 EXAMINER JONES: How much time are you  
9 giving?

10 MR. HERRMANN: 45 days.

11 EXAMINER JONES: Can you outline this or --

12 MR. HERRMANN: Yes. I will prepare a draft  
13 order for you as well.

14 EXAMINER JONES: Thank you very much.

15 MR. HERRMANN: That concludes our  
16 presentation.

17 EXAMINER JONES: Thank you, Mr. Sanchez.  
18 Case Number 16049 is taken under  
19 advisement.

20 (Case Number 16049 concludes, 8:39 a.m.)

21  
22  
23  
24  
25

1 STATE OF NEW MEXICO  
2 COUNTY OF BERNALILLO

3

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 DATED THIS 10th day of April 2018.

21

22 MARY C. HANKINS, CCR, RPR  
23 Certified Court Reporter  
24 New Mexico CCR No. 20  
Date of CCR Expiration: 12/31/2018  
Paul Baca Professional Court Reporters

24

25