

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION COMMISSION**

IN RE FLARE OIL, INC.

CASE NO. 21669

**NEW MEXICO OIL CONSERVATION DIVISION'S
PRE-HEARING STATEMENT**

The New Mexico Oil Conservation Division (“OCD”) submits this Pre-Hearing Statement in accordance with 19.15.5.10(E)(2)(e) NMAC.

I. WITNESSES

OCD will present one witness, Mr. Daniel Sanchez, Chief of OCD’s Administrative and Compliance Bureau, 1220 S. St. Francis Drive, Santa Fe, New Mexico. He has served in this position since 2004. Prior to joining OCD, Mr. Sanchez was an engineer for the New Mexico Public Regulatory Commission, Westinghouse Electric Corporation, and Public Service Company of New Mexico. He holds a B.S. in Mechanical Engineering from New Mexico State University. His qualifications are described in Exhibit 1.

II. DIRECT TESTIMONY

On January 27, 2021, OCD issued a Notice of Violation to Flare Oil, Inc. (“Flare”). Exhibit 2. The NOV alleges four violations and requests specific relief.

First, Flare’s operator registration is invalid. 19.15.9.8(B)(4) NMAC require an operator which is a corporation to be registered to do business in the state of New Mexico. The regulation requires the operator to register with the New Mexico Public Regulatory Commission, but in 2013, the New Mexico Secretary of State assumed responsibility for this function. *See* Section 8-4-7 NMSA 1978. The Secretary of State revoked Flare’s authorization to do business in the state of

New Mexico. Exhibit 3. For this violation OCD proposes to revoke Flare’s operator registration and authority to transport from all wells.

Second, Flare changed its address of record without informing OCD within 30 days of the change. 19.15.9.8(C) NMAC requires an operator to inform OCD of its current address of record and emergency contact by submitting the change in writing to OCD within 30 days of the change. On January 5, 2021, OCD sent an NOV to Flare at its address of record. Exhibit 4. However, the certified mail was returned. Exhibit 5. OCD subsequently determined that Flare’s owner had deceased several years earlier. Exhibit 6. OCD was able to identify Flare’s registered agent from the Texas Secretary of State’s database. Exhibit 7. OCD successfully served the NOV to the registered agent by certified mail. Exhibits 8 & 9. For this violation, OCD proposes to revoke Flare’s operator registration and authority to transport from all wells and to assess a civil penalty of one thousand two hundred dollars (\$1,200). Exhibit 10.

Third, Flare has more than two (2) inactive wells. 19.15.9(A)(4)(a) NMAC states that an operator with less than 100 wells must plug and abandon or place into approved temporary abandonment status those inactive wells that exceed the threshold of two (2) wells or 50 percent of all wells. Flare is registered as the operator of five (5) wells, all of which are inactive and none of which have been plugged and abandoned or placed into approved temporary abandonment status.

<u>API</u>	<u>Well</u>	<u>Last Reported Production</u>
30-015-23604	Federal BV #1	10/2016
30-015-22451	Ingalls #1	10/2016
30-015-28273	Ingalls #2	10/2016
30-025-27359	Perro Grande #1	10/2016
30-015-23349	State IL Com #1	10/2016

For this violation, OCD requests an order requiring Flare to plug and abandon the wells or to allow OCD to do so, and if OCD plugs and abandons the wells, to forfeit the financial assurance for the wells and require Flare to pay the excess cost to plug and and abandon the wells. OCD also proposes to assess a civil penalty of nine hundred dollars (\$900) for exceeding the inactive well threshold. Exhibit 11.

Fourth, Flare does not have sufficient financial assurance for inactive wells. 19.15.5.9(D) NMAC requires an operator to provide single well or blanket financial assurance for inactive wells. Flare is registered as the operator of three (3) inactive wells for which there is insufficient one well financial assurance and no blanket financial assurance.

<u>API</u>	<u>Well</u>	<u>Existing FA</u>	<u>Required FA</u>
30-015-22451	Ingalls #1	\$ 7,500	\$ 51,374
30-015-28273	Ingalls #2	\$ 3,816	\$ 37,632
30-015-23349	State IL Com #1	\$ 10,000	\$ 42,934

For this violation, OCD proposes to assess a civil penalty of three thousand six hundred dollars (\$3,600). Exhibit 12.

Flare did not contact OCD during the informal resolution period, which expired on or about March 5, 2021. OCD filed and served the Docketing Notice on March 12, 2021. Flare did not file an answer to the NOV as allowed by 19.15.5.10(E)(2)(b) NMAC.

OCD requests an order revoking Flare’s operator registration, terminating Flare’s authority to transport from all wells, requiring Flare to plug and abandon inactive wells or alternatively, authorizing OCD to plug and abandon inactive wells, forfeiting financial assurance for inactive wells, requiring Flare to pay the excess cost to plug and and abandon inactive wells, and assessing civil penalties against Flare in the amount of five thousand seven hundred dollars (\$5,700).

III. EXHIBITS

- Exhibit 1 Curriculum Vitae of Daniel Sanchez
- Exhibit 2 Notice of Violation
- Exhibit 3 New Mexico Secretary of State – Corporate Search – Flare Oil, Inc.
- Exhibit 4 OCD Operator Registration Page for Flare Oil, Inc.
- Exhibit 5 Return Receipt for First NOV
- Exhibit 6 Obituary for Harwin T. Cook
- Exhibit 7 Texas Secretary of State – Corporate Search – Flare Oil, Inc.
- Exhibit 8 First Return Receipt for Bonnie Berger
- Exhibit 9 Second Return Receipt for Bonnie Berger
- Exhibit 10 Civil Penalty Calculation - 19.15.9.8(C) NMAC
- Exhibit 11 Civil Penalty Calculation - 19.15.5.9(A)(4)(a) NMAC
- Exhibit 12 Civil Penalty Calculation - 19.15.5.9(D) NMAC

III. PROCEDURAL MATTERS

OCD reserves the right to call rebuttal witnesses.

Respectfully submitted,



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CERTIFICATE OF SERVICE

I hereby certify that a copy of this pleading was served by certified mail on April 29, 2021 to:

Bonnie D. Berger
Registered Agent
Flare Oil, Inc.

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Eric Ames