

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:)

CASE NO. 13,980

APPLICATION OF THE NEW MEXICO OIL)
 CONSERVATION DIVISION FOR A COMPLIANCE)
 ORDER AGAINST ROJO GRANDE COMPANY, LLC)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGSEXAMINER HEARING

BEFORE: WILLIAM V. JONES, Jr., Technical Examiner
 DAVID K. BROOKS, Jr., Legal Examiner

January 10th, 2008

Santa Fe, New Mexico

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This matter came on for hearing before the New Mexico Oil Conservation Division, WILLIAM V. JONES, Jr., Technical Examiner, DAVID K. BROOKS, Jr., Legal Examiner, on Thursday, January 10th, 2008, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

STEVEN T. BRENNER, CCR
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January 10th, 2008
Examiner Hearing
CASE NO. 13,980

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A P P E A R A N C E S

FOR THE DIVISION:

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 1220 South St. Francis Drive
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FOR THE APPLICANT:

SONNY SWAZO
 Assistant General Counsel
 Energy, Minerals and Natural Resources Department
 1220 South St. Francis Drive
 Santa Fe, New Mexico 87505

* * *

1 WHEREUPON, the following proceedings were had at
2 9:45 a.m.:

3 EXAMINER JONES: Okay, let's go back on the
4 record, and let's call Case 13,980, Application of the New
5 Mexico Oil Conservation Division for a compliance order
6 against Rojo Grande Company, LLC.

7 Call for appearances.

8 MR. SWAZO: Sonny Swazo on behalf of Applicant
9 New Mexico Oil Conservation Division.

10 EXAMINER JONES: Any other appearances? No other
11 appearances.

12 Any witnesses?

13 MR. SWAZO: Yes, Mr. Hearing Examiner, I have one
14 witness and that will be Daniel Sanchez, the enforcement
15 and compliance manager.

16 EXAMINER JONES: Will the witness please stand to
17 be sworn?

18 (Thereupon, the witness was sworn.)

19 MR. SWAZO: I'd like to give a brief introduction
20 to this case, Mr. Hearing Examiner.

21 We are seeking a plugging order against operator.
22 The operator operates one well and this is it. The last
23 date of reported activity is November, 2001. The well is
24 currently not plugged and it's not on OCD-approved
25 temporary abandonment status.

1 The operator has posted a \$5000 single-well cash
2 bond in this case.

3 Shortly after I filed the Application for this
4 case, the operator contacted me by phone and has contacted
5 me periodically to discuss the case and also his intention
6 with the well. He would like to bring it back to
7 production.

8 In October he told me that the well was brought
9 back into production. I had OCD inspectors inspect the
10 well site, and that wasn't true, so that was a false report
11 on the operator's -- that was a -- that was not true.

12 In this case we are asking that -- we are asking
13 for a finding of a Rule 201 violation. We are asking for
14 an order -- we are asking that the operator be ordered to
15 bring the well into compliance with Rule 201 by a date
16 certain. We believe that 60 days would be a reasonable
17 amount of time, given the fact that OCD has notified this
18 operator in March, 2006, and June, 2007, of the violation
19 and the well's need to be brought back into compliance.

20 If the operator fails to bring the well into
21 compliance with Rule 201 by the set date, then we would ask
22 that the operator be ordered to plug the well. And if the
23 operator does not comply with that order, then we would ask
24 that the -- that you authorize OCD to plug the well and
25 forfeit the applicable financial assurance.

1 In this case we are not asking for penalties.

2 And I would like to refer you gentlemen to the
3 exhibit packet.

4 And Exhibit Number 1 is my affidavit of service
5 in this case.

6 And Exhibit Number 2 is the affidavit of --
7 affidavit from Dorothy Phillips concerning the financial
8 assurance. Now in this case notice was not provided to the
9 bank. This is not a situation where notice would be
10 required. The operator has the certificate of deposit with
11 the bank and has assigned that cash deposit to OCD. So the
12 bank is not really a sure- -- it's not a surety-type
13 situation.

14 And with that said, I'd like to go ahead and
15 proceed with my case.

16 EXAMINER JONES: Okay.

17 DANIEL SANCHEZ,
18 the witness herein, after having been first duly sworn upon
19 his oath, was examined and testified as follows:

20 DIRECT EXAMINATION

21 BY MR. SWAZO:

22 Q. Would you please state your name for the record?

23 A. Daniel Sanchez.

24 Q. And Mr. Sanchez, who are you employed with?

25 A. The Oil Conservation Division.

1 Q. And what is your title?

2 A. Compliance and enforcement manager.

3 Q. And could you explain the duties with that job?

4 A. Yes, I supervise the district offices, Santa Fe,
5 Hobbs, Artesia and Aztec, as well as the Environmental
6 Bureau here in Santa Fe. I manage the enforcement program,
7 inactive wells, that kind of thing, and I'm the director
8 for the underground injection control program.

9 Q. So part of your job duties include making sure
10 that operators of wells within the state are in compliance
11 with OCD rules?

12 A. Yes.

13 Q. As part of your duties, have you reviewed the OCD
14 file and records for the well in this case, which is the
15 Ramapo Number 6?

16 A. Yes, I have.

17 Q. And are those records kept by OCD in the normal
18 course of business?

19 A. Yes.

20 Q. And are those records available to the public at
21 the OCD website?

22 A. Yes, they are.

23 Q. Now, if I can have you turn to Exhibit Number 3,
24 would you please identify that?

25 A. That is the well list for Rojo Grande Company,

1 LLC.

2 Q. And how many wells are they operator of record?

3 A. Just one.

4 Q. And what well is that?

5 A. That's the Ramapo Number 6.

6 Q. Now if I could have you turn to Exhibit Number

7 7 --

8 A. Okay.

9 Q. -- could you please identify that exhibit?

10 A. That's the inactive well list for Rojo Grande
11 Company, LLC, and that single well, the Ramapo Number 6, is
12 the well on that list.

13 Q. And how does a well get on the inactive well
14 list?

15 A. By being -- by not producing or injecting for a
16 year plus 90 days.

17 Q. And does the inactive well list show the date of
18 last production for this well?

19 A. Yes, it does, and that was November of 2001.

20 Q. Mr. Sanchez, are you familiar with Rule 201?

21 A. Yes, I am.

22 Q. And if I could have you turn to Exhibit Number

23 8 --

24 A. Okay.

25 Q. -- could you please identify that exhibit?

1 A. That is a copy of Rule 201.

2 Q. And in general terms, could you describe what
3 Rule 201 requires?

4 A. It requires an operator who has a well or wells
5 that have been inactive for more than a year plus the 90
6 days to do one of three things to bring it back into
7 compliance, and that is either plug and abandon the well,
8 temporarily abandon the well, or get it back into
9 production or injection.

10 Q. And does the period for this particular well
11 exceed the requirements of Rule 201?

12 A. Yes, it does.

13 Q. Do you know if the well is -- Well, let me ask
14 you this. Is the well plugged?

15 A. No.

16 Q. Is the well on OCD-approved temporary abandonment
17 status?

18 A. No.

19 Q. Have OCD inspectors inspected the well?

20 A. Yes, they have.

21 Q. Have -- Are such inspections documented?

22 A. Yes, they are.

23 Q. Are the documents made in the normal course of
24 business?

25 A. Yes, they are.

1 Q. And if I can have you turn to Exhibit Number 4 --

2 A. Okay.

3 Q. -- could you please identify that?

4 A. That is a well inspection history for the Ramapo
5 Number 6.

6 Q. And what does it show in terms of -- in terms of
7 -- well, let me ask you this: Does it show anything with
8 regard to any Rule 201 violations?

9 A. Yes, it does. On May 11th of 2007 there's an
10 entry where there's a violation of Rule 201. It reads that
11 the flow line was closed, the last production reported was
12 November, 2001. Also shows a violation of Rule 116,
13 contamination around the wellhead, and it asks that the
14 operator submit paperwork to properly P-and-A the well or
15 bring it back into compliance, and submit a C-144 pit
16 closure form by compliance due date with the pit closure to
17 occur within one month of the compliance due date.

18 And again on October 18th, there's another entry
19 in 2007, and that one reads, The well still shows no
20 production since November, 2001. The pumpjack was intact,
21 the motor has a cracked belt. Electrical line is connected
22 to pumpjack motor and it leads to a power pole
23 approximately 200 yards west of the location. There was
24 also a note -- there was no meter installed, but there was
25 a note from Central Valley Electric that was dated October

1 10th of '07 and -- asking the operator to contact them for
2 any future connections.

3 Q. If you look at the well-inspection history, were
4 any inspections conducted in 2006?

5 A. Yes, there was one.

6 Q. And does that inspection indicate -- does the
7 inspection refer to any Rule 201 violations?

8 A. It doesn't specifically state a Rule 201
9 violation, but it does show that the well was shut in,
10 there was no electricity to it, and it indicates that there
11 wasn't any production since 2001, so that would indicate
12 that it's in violation of 201.

13 Q. And what's the date of that inspection?

14 A. February 27th, 2006.

15 Q. Has OCD made any attempt to notify the operator
16 of the Rule 201 violation to allow the operator to bring
17 the well -- to bring the well into compliance with Rule
18 201?

19 A. Yes, they have.

20 Q. And if I can have you turn to Exhibit Number 5 --

21 A. Okay.

22 Q. -- could you please identify that exhibit?

23 A. That's a letter of violation dated June 4th of
24 2007.

25 Q. And who is it addressed to?

1 A. To Rojo Grande Company, LLC.

2 Q. And what does it -- what does this letter of
3 violation state?

4 A. Once again, it lets the operator know that
5 they're in violation of Rule 201. It states -- it gives
6 the inspection history out of the -- from the previous
7 exhibit, the well inspection history for that date, and it
8 lets them know that they need to come into compliance with
9 that, with the rule.

10 Q. Does it give a date when corrective action was --
11 or is requested?

12 A. June 22nd, 2007.

13 Q. And if I can have you turn to Exhibit Number 6,
14 could you please identify that exhibit?

15 A. That's another letter of violation that was sent
16 out to Rojo Grande Company, LLC, on March 8th of 2006.

17 Q. And what does it state in terms of violations?

18 A. Again, it's talking about violations of Rule 201,
19 and it has -- it asks them to immediately restore the well
20 to production, injection or disposal and as applicable
21 requests that the temporary abandonment status be taken
22 care of or to plug and abandon the well, and it's given
23 corrective action due date by June 11th, 2006.

24 Q. And what was the date of this letter?

25 A. March 8th, 2006.

1 Q. And what was the date of the letter for the
2 Exhibit Number 5?

3 A. June 4th, 2007.

4 Q. And do both those letters concern the Ramapo
5 Number 6?

6 A. Yes, they do.

7 Q. In this case, what exactly are you requesting?

8 A. We're requesting that the Hearing Examiner give
9 Rojo Grande a time certain in order to put the well back
10 into production, temporarily abandon it, or to plug and
11 abandon it.

12 Q. And in your opinion, what time period would be
13 reasonable for the operator to -- what time period --

14 A. 60 days from the issuance of an order.

15 Q. And if -- are you requesting anything -- are you
16 requesting anything else in the order, as far as if the
17 operator does not bring the well into compliance with Rule
18 201 by the -- within the 30-day period, or --

19 A. Yeah, if the well is not in compliance within
20 that 60 days, we're asking that the financial assurance be
21 forfeited and the OCD go in and plug the well.

22 Q. Mr. Sanchez, is there anything else that you
23 would like to add about this case?

24 A. No, I think that's pretty much it.

25 MR. SWAZO: I have no further testimony -- or I

1 have no further questions for this witness.

2 EXAMINATION

3 BY EXAMINER JONES:

4 Q. Okay, thank you. So you're not seeking the \$1000
5 a day at this time?

6 A. No.

7 Q. Okay. It was in the Application, that's why I
8 wanted to ask for that. And so --

9 MR. SWAZO: Actually, Mr. Hearing Examiner, we
10 didn't request any civil penalties in this case when we
11 filed our application.

12 EXAMINER JONES: 13,980, right? It says --
13 paragraph C, number 1, assessing a penalty at \$1000 a day
14 for each day the well is out of compliance with the order.
15 Is that -- So not anymore, you're not asking for that?

16 MR. SWAZO: Well, originally that wasn't my
17 intent and --

18 EXAMINER JONES: Okay.

19 MR. SWAZO: -- I overlooked that.

20 EXAMINER JONES: Okay.

21 MR. SWAZO: I apologize.

22 EXAMINER JONES: No, that's okay.

23 Q. (By Examiner Jones) The -- I noticed there were
24 several motions for continuance in this case. Is that
25 because you were waiting for them to put the well back on?

1 A. Yeah, we've been in contact with them, or the
2 attorney has been in contact with them, and they tell us
3 that they're working on the well, trying to get it into
4 compliance, so we wanted to at least give them a little bit
5 more time.

6 That way it will give us a chance to send an
7 inspector out and verify whether they actually have done
8 any of the work.

9 Q. Did they give a reason why they haven't?

10 A. No.

11 EXAMINER JONES: Okay.

12 EXAMINER BROOKS: No questions.

13 EXAMINER JONES: No questions. Thank you, Mr.
14 Sanchez.

15 With that, we'll take Case 13,980 under
16 advisement.

17 MR. SWAZO: Thank you.

18 (Off the record at 9:59 a.m.)

19 (The following proceedings had at 2:30 p.m.):

20 EXAMINER JONES: Let's go on the record, and
21 let's call Case Number 14,054, Application of the New
22 Mexico Oil Conservation Division for a compliance order
23 against Kimlar Oil Company.

24 Call for appearances.

25 MR. SWAZO: Sonny Swazo for New Mexico Oil

1 Conservation Division.

2 Mr. Hearing Examiner, I neglected to move for
3 admission of my exhibits, and at this time I would like to
4 make a motion to have my exhibits admitted.

5 EXAMINER JONES: In this case?

6 MR. SWAZO: In Case Number 13,980.

7 EXAMINER JONES: 13,980, okay.

8 MR. SWAZO: Application for a compliance order
9 against Rojo Grande Company, LLC.

10 EXAMINER JONES: Yeah, in Case Number 13,980, the
11 exhibit...

12 Do you remember the number of them? Just all the
13 exhibits.

14 MR. SWAZO: All the exhibits, and I believe it
15 was Exhibits 1 through 8.

16 EXAMINER JONES: All exhibits in Case 13,980 will
17 be admitted.

18 MR. SWAZO: And I just wanted to clarify your
19 question at the end of the case regarding the assessment of
20 penalties.

21 It's true that we're not seeking penalties for
22 past violations, but -- in the Application we did ask for
23 an order which would assess penalties if the operator does
24 not come into compliance by the date set.

25 EXAMINER JONES: Okay.

1 MR. SWAZO: Thank you.

2 (Thereupon, these proceedings were concluded at
3 2:32 p.m.)

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I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. _____,
heard by me on _____.

_____, Examiner
Oil Conservation Division

CERTIFICATE OF REPORTER

STATE OF NEW MEXICO)
) ss.
COUNTY OF SANTA FE)

I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL March 29th, 2008.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2010