

**STATE OF NEW MEXICO
OIL CONSERVATION DIVISION**

IN RE LLJ VENTURES. LLC

CASE No. 22223

**NEW MEXICO OIL CONSERVATION DIVISION'S
CLOSING ARGUMENT**

The New Mexico Oil Conservation Division (“OCD”) requests an Order: revoking or suspending LLJ Ventures’ (“Operator”) authorization to transport from all wells until such time as Operator is in compliance with all production reporting, financial assurance, and inactive well requirements; requiring Operator to plug and abandon at least eighty-two (82) wells listed in Supplemental Exhibit 14 by a date certain, or alternatively to authorize OCD to plug and abandon the inactive wells, forfeiting any applicable financial assurance, and requiring Operator to pay the excess cost to plug and abandon inactive wells; to provide blanket financial assurance by a date certain; and assessing civil penalties against Operator of seventy-seven thousand three hundred dollars (\$77,300).

I. OPERATOR’S CLOSING ARGUMENT

1. Operator’s claim that it was forced into noncompliance by OCD’s release of a \$50,000 blanket bond is not supported by fact or consistent with rule. OCD does not dispute release of the bond, however the blanket bond in question was not sufficient under 19.15.8.9(C) NMAC to cover the number of qualifying wells registered to Operator at the time of the NOV or Hearing. Further, OCD’s release of a specific bond in 2019 does not relieve Operator of the obligation to provide adequate financial assurance. **See Hearing Transcript pp. 36-42.**
2. Operator’s claim that OCD has unreasonably denied change of operatorship lacks factual basis. OCD records indicate Operator as party to eleven submitted C-145s, eight of which OCD approved. **Rebuttal Ex. 17.** The three rejected changes of operator requests each involved a single well and were each rejected due to compliance issues. **Rebuttal Ex. 17A, B, & C.** Even if those three wells were transferred, Operator would remain out of compliance with inactive well and financial assurance rules.
3. Operator’s claim that OCD “[...] has no known consistent legitimate line of communication [...]” with Operator lacks merit. Operator acknowledged receipt of

the Notice of Violation (“NOV”). **Hearing Transcript p. 75.** The NOV included contact information for OCD and was delivered through email from undersigned counsel. **Ex. 2.** Operator did not contact anyone at OCD to discuss the NOV until the day before the hearing. **Hearing Transcript p. 74.** Operator simply did not read the NOV. **Id at 76.** OCD delivered the NOV through certified mail and email as required by 19.15.5.10(C)(2) NMAC.

4. OCD does not have sufficient information related to this allegation to respond, and disputes Operator’s claim as lacking any factual basis.
5. Operator acknowledges that he made no attempt to resolve the NOV. Further, Operator took no actions necessary to come into compliance after receipt of the NOV. **Hearing Transcript p. 74-76.**

II. THE RECORD SUPPORTS FINDINGS AND ORDERS REQUESTED BY THE DIVISION

6. As of the date of the NOV, Operator had one hundred sixteen (116) inactive wells. As of the date of the hearing, Operator had eighty-seven (87) inactive wells. **Hearing Transcript p. 33.** Pursuant to 19.15.5.9 NMAC, Operator may only have five inactive wells.
7. Operator attempted to dispute the number of inactive wells, claiming that OCD improperly denied transfers of wells to other operators. Operator did not provide any further information to support this claim. OCD records indicate that OCD has rejected transfer of only three wells. **See Rebuttal Ex. 17, 17A, 17B, & 17C.** There is no evidence in the record to support Operator’s claim.
8. Operator attempted to dispute the number of inactive wells, claiming that some number of the wells were producing. Operator claimed that certain of the wells were producing through other operators and that certain wells were producing but he was behind on production reporting by “six to eight months.” **Hearing Transcript pp. 78-80, 89-92, & 94.**
9. Operator indicated only five to six wells needed to be plugged and the rest could be brought online but were in “disrepair.” **Id at 94.**
10. Operator represented the ability to provide well statuses for each well listed (in Supplemental Ex. 14), in order to dispute the wells’ inactive status. Operator was

provided the opportunity to do so in closing. **Id at 96-98.** Operator provided no well status information in his closing argument.

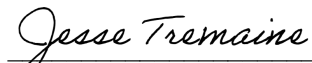
11. Operator has not provided any information to dispute the well status for any well listed in the NOV.
12. The violation of insufficient inactive well financial assurance similarly depends on the inactive status of the wells. Similarly, Operator has provided no information to dispute the well status related to the inactive well financial assurance violation.
13. As of the date of the NOV, Operator held thirty (30) qualifying wells in inactive status, requiring one million dollars in financial assurance. As of the date of the hearing, Operator held twenty-one (21) qualifying wells in inactive status, requiring five hundred thousand dollars in financial assurance. **Hearing Transcript p. 40-42.**
14. As of the date of the NOV, Operator provided no inactive well financial assurance. **Id at 42.**
15. The record supports only a finding of violation for inactive wells and insufficient inactive well financial assurance.
16. Operator disputed the violation of insufficient active well financial assurance, claiming that he would be in compliance if OCD had permitted requested transfer of wells and had not released the blanket bond. **Id, generally.**
17. OCD has record of rejecting transfers of only three wells. **See Rebuttal Ex. 17 & 17A-C.** Operator provided no information or documentation to dispute this information.
18. Operator's released fifty-thousand-dollar blanket bond is not sufficient financial assurance for the number of wells registered to Operator as of either the date of the NOV or the date of the hearing. Regardless of the bond status, Operator remains in violation of 19.15.8.9 (C) NMAC.
19. Operator intimated that he was unable to provide adequate blanket active well financial assurance, due to his insurer's insistence on one-hundred percent cash collateral. **Hearing Transcript p. 61.**
20. Operator cannot cover conservatively estimated plugging costs for currently inactive wells. **Id at 94.**

III. OCD'S REQUESTED RELIEF IS WARRANTED

21. Operator presented inconsistent, unclear, and conflicting claims regarding well status. Ultimately, Operator was unable to estimate the number of wells he believed were producing but not reporting. **Id at 78-96.**
22. Operator admits that some number of the wells in question are in a state of disrepair.
23. Operator acknowledges an inability to provide adequate financial assurance or to properly plug and abandon the inactive wells.
24. Operator admitted that he permitted other operators to produce from certain wells without reporting production. However, Operator has not provided any further information on any such well.
25. All information before the Division indicates that Operator remains in violation of 19.15.5.9, 19.15.8.9(C), & 19.15.8.9(D) NMAC.
26. Operator has not demonstrated any intention of coming into compliance.

Therefore, OCD respectfully requests an Order: revoking or suspending LLJ Ventures' authorization to transport from all wells until such time as Operator is in compliance with all production reporting, financial assurance, and inactive well requirements; requiring Operator to plug and abandon at least eighty-two (82) wells listed in Supplemental Exhibit 14 by a date certain, or alternatively to authorize OCD to plug and abandon the inactive wells, forfeiting any applicable financial assurance, and requiring Operator to pay the excess cost to plug and abandon inactive wells; to provide blanket financial assurance by a date certain; and assessing civil penalties against Operator of seventy-seven thousand three hundred dollars (\$77,300) as detailed in OCD exhibits 5, 6, & 7.

Respectfully submitted,



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CERTIFICATE OF SERVICE

I certify that on February 4, 2022, I served this pleading by electronic mail only on:

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