

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 WESTBROOK OIL CORPORATION, FOR WELLS OPERATED IN LEA COUNTY, NEW MEXICO. CASE NO. 15652

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

March 30, 2017

Santa Fe, New Mexico

BEFORE: PHILLIP GOETZE, CHIEF EXAMINER
WILLIAM V. JONES, TECHNICAL EXAMINER
MICHAEL McMILLAN, TECHNICAL EXAMINER
GABRIEL WADE, LEGAL EXAMINER

This matter came on for hearing before the New Mexico Oil Conservation Division, Phillip Goetze, Chief Examiner, William V. Jones and Michael McMillan, Technical Examiners, and Gabriel Wade, Legal Examiner, on Thursday, March 30, 2017, 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
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APPEARANCES

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

KEITH W. HERRMANN, ESQ.
STATE OF NEW MEXICO
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FOR WESTBROOK OIL CORPORATION:

MIKE WESTBROOK
PRO SE
WESTBROOK OIL CORPORATION
Post Office Box 2264
Hobbs, New Mexico 88241

ALSO PRESENT: Director David Catanach

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1 (1:30 p.m.)

2 EXAMINER GOETZE: Next is Case Number
3 15652, application of New Mexico Oil Conservation
4 Division Compliance and Enforcement Bureau for an
5 compliance order against Westbrook Oil Company for wells
6 operated in Lea County, New Mexico.

7 Call for appearances.

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

11 EXAMINER GOETZE: Any other appearances?

12 MR. WESTBROOK: Mike Westbrook.

13 EXAMINER GOETZE: Have you submitted a
14 statement -- a hearing statement?

15 MR. WESTBROOK: A brief.

16 EXAMINER GOETZE: A brief?

17 MR. WESTBROOK: Yes, sir.

18 EXAMINER GOETZE: You can go ahead and have
19 a seat over here (indicating).

20 At this point we will proceed with the
21 introduction of the case.

22 And you are here to make a statement on
23 behalf of Westbrook Oil or --

24 MR. WESTBROOK: Yes, sir.

25 EXAMINER GOETZE: Okay. We'll go ahead and

1 present the case, at which point you may present your
2 statement for the record.

3 Proceed, Mr. Herrmann.

4 MR. HERRMANN: Mr. Examiner, I would like
5 to ask the Division to take notice of Ms. Gallegos'
6 qualifications and identification and previously being
7 sworn in in OCD Case 15648.

8 EXAMINER GOETZE: She's qualified and
9 sworn-in is carried over.

10 MR. HERRMANN: With that, we will proceed
11 with our presentation of this case.

12 DENISE GALLEGOS,
13 after having been previously sworn under oath, was
14 questioned and testified as follows:

15 DIRECT EXAMINATION

16 BY MR. HERRMANN:

17 Q. Ms. Gallegos, are you familiar with the
18 violations detailed in this application for hearing?

19 A. Yes.

20 Q. Could you please identify the operator as the
21 subject of this compliance case and their OGRID?

22 A. Westbrook Oil Corp., OGRID Number 36671.

23 Q. Is the OCD only seeking to enforce violations
24 of financial assurance requirements at this hearing?

25 A. Yes.

1 **Q. Are there any financial assurance statutes**
2 **under the Oil and Gas Act you believe this operator is**
3 **violating?**

4 A. Yes, 70-2-14. The statute reads: In addition
5 to the blanket plugging financial assurance, the Oil
6 Conservation Division may require a one-well financial
7 assurance on any well that has been held in temporarily
8 abandoned status for more than two years. The Division
9 does have a rule, 19.15.8 NMAC, requiring single-well
10 bonds and the operator has blanket plugging financial
11 assurance.

12 **Q. Does the Division post all inactive wells,**
13 **otherwise known as temporarily abandoned status, for an**
14 **operator on its Web site?**

15 A. Yes. This is available on OCD's Web site,
16 updated daily on the inactive well list listing each
17 well by operator.

18 **Q. Are there any financial assurance rules under**
19 **the Oil and Gas Act you believe that operator is**
20 **violating?**

21 A. Yes, 19.15.8.9C. "The operator shall cover a
22 well that has been in temporary abandonment for more
23 than two years by either a one-well financial assurance
24 or a blanket plugging financial assurance for the wells
25 in temporarily abandoned status."

1 In addition, 19.15.8.9D(2) lists the
2 required single-well bonding amount for each county.

3 **Q. At this point I've presented you with the OCD's**
4 **exhibits. Could you list the amount of financial**
5 **assurance needed -- excuse me.**

6 How many wells need additional financial
7 assurance? You may use Exhibit 1 for reference.

8 A. Six.

9 **Q. Can you list the amounts of the additional**
10 **financial assurance needed pursuant to 19.15.8.9D NMAC**
11 **for each well?**

12 A. Comanchero #2, in the amount of \$8,075;
13 Phillips A State #1, in the amount of \$9,020; Phillips B
14 State #1, in the amount of \$8,920; Phillips C State #1,
15 in the amount of \$8,847; Phillips C State #2, in the
16 amount of \$8,942; and Red Cloud #3, in the amount of
17 \$8,100.

18 **Q. Was the operator notified of these violations?**
19 **If so, when?**

20 A. Yes. The notice of financial assurance
21 violation letter was sent out certified mail on June
22 30th, 2016, and a signed green card was received by --
23 on July 13th, 2016. I also spoke with Monique about the
24 financial assurance violation letter, and as of today, I
25 have not received that requested financial assurance.

1 **Q. And Monique contacted you from Westbrook Oil**
2 **Corp.?**

3 A. Yes.

4 **Q. What relief is the Division requesting?**

5 A. The Division is requesting the operator to
6 provide the Division with acceptable financial assurance
7 within 21 days of issuance of an order of finding that
8 the operator is in violation of 70-2-14 of the New
9 Mexico State Statutes and 19.15.8 NMAC. And if the
10 operator does not post the requested financial assurance
11 within 21 days of the issuance of an order, that the
12 operator is in violation of the Division order.

13 **Q. And is Exhibit 2 a copy of this letter that you**
14 **sent to Westbrook Oil Corp.?**

15 A. Yes.

16 **Q. And were Exhibits 1 and 2 prepared by you or**
17 **under your direction?**

18 A. Yes.

19 MR. HERRMANN: At this time, Mr. Examiner,
20 I would like to move to admit OCD Exhibits 1 through 3.
21 Exhibit 3, which was not previously testified on, was
22 the Affidavit of Service provided by myself stating that
23 we have served Westbrook Oil Corp. notice as required by
24 19.15.4.9 and 4.12 NMAC via certified mail, and we also
25 advertised it in the "Lovington Leader."

1 EXAMINER GOETZE: Exhibits 1 through --

2 MR. HERRMANN: 3.

3 EXAMINER GOETZE: -- 3 -- Exhibits 1
4 through 3 are so entered.

5 (OCD Compliance and Enforcement Bureau
6 Exhibit Number 1 through 3 are offered and
7 admitted into evidence.)

8 EXAMINER GOETZE: We're also -- you're also
9 going to reconcile between the hearing statement and
10 the application that you're only seeking a compliance
11 order under 70-2-14?

12 MR. HERRMANN: That is correct.

13 EXAMINER GOETZE: Very good.

14 Mr. Westbrook, please --

15 Do we need to swear him in on a statement?

16 EXAMINER WADE: You're just giving a
17 statement regarding factual --

18 MR. WESTBROOK: Yes.

19 EXAMINER WADE: Yeah. We should swear him
20 in.

21 EXAMINER GOETZE: Go ahead and identify
22 yourself. Please stand, identify yourself to the court
23 reporter.

24 MR. WESTBROOK: I'm Mike Westbrook. I'm
25 the president of Westbrook Oil.

1 EXAMINER GOETZE: And she shall swear you
2 in.

3 MIKE WESTBROOK,
4 after having been first duly sworn under oath,
5 testified in narrative form as follows:

6 EXAMINER GOETZE: Proceed, sir.

7 MR. WESTBROOK: Well, I could give you a
8 long, sordid story, but I won't do that. We are
9 currently attempting to put some wells back into
10 production. And the reason -- well, one reason to put a
11 well back in production -- one of the reasons is so that
12 we have enough income that we can start taking care of
13 these wells that have been abandoned as soon as we put
14 them back into production, but we're going to have to
15 have enough income from other wells to be able to do
16 that. And right now we're not in a position to be able
17 to work on these abandoned wells that we have. We hope
18 that -- but we're trying to formulate a plan. We hope
19 that by maybe 2019, we'll be able to have the wells we
20 do not have in production either in production or
21 plugged.

22 EXAMINER GOETZE: Is that it?

23 MR. WESTBROOK: Yes.

24 EXAMINER GOETZE: I guess one of the
25 questions I would have -- I mean, this started with a

1 notice of violation in 2016 and followed through with
2 several efforts of notification. Was any effort made to
3 contact the Compliance and Enforcement Bureau with
4 regard to the situation?

5 MR. WESTBROOK: Not to my knowledge.

6 EXAMINER GOETZE: So you've been notified
7 several times over, and you never came to the OCD to say
8 what's happening or to -- or to get some sort of
9 agreement worked out?

10 MR. WESTBROOK: No, sir. I don't think so.

11 EXAMINER GOETZE: I have no further
12 questions.

13 Mr. Wade?

14 EXAMINER WADE: Well, it looks like you
15 have -- you know, based on Exhibit 1, OCD Exhibit 1, it
16 looks like there are some bonds in place. What are
17 those bonds in place as a result of? In other words,
18 were you contacted -- were those bonds always in
19 place --

20 MR. WESTBROOK: Yes. They go way back.

21 EXAMINER WADE: Okay. So they weren't put
22 in place after being contacted by OCD.

23 MR. WESTBROOK: No. No.

24 EXAMINER GOETZE: Mr. Jones, no questions?

25 EXAMINER JONES: No.

1 EXAMINER GOETZE: We'll take your statement
2 under consideration, sir.

3 At this point, Director Catanach?

4 MR. CATANACH: Mr. Examiner, David
5 Catanach, Director of the Oil Conservation Division.

6 I just wanted to point out there is a
7 discrepancy between the application on the number of
8 days for compliance and the pre-hearing statement. So I
9 just wanted to see if counsel can rectify that.

10 EXAMINER GOETZE: Either that or we will
11 tell counsel what he can get or what he can't get.

12 Yes. Would you reconcile your days?

13 MR. HERRMANN: I believe we're asking for
14 30 days.

15 EXAMINER GOETZE: You applied for 21.

16 MR. HERRMANN: Oh.

17 EXAMINER GOETZE: So going with 30. Okay.

18 Other than that, thank you very much for
19 coming and providing us with a statement.

20 And Case Number 15652 is taken under
21 advisement.

22 (Case Number 15652 concludes, 1:41 p.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
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