

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 ELMIRA T. WELCH, FOR A WELL OPERATED IN EDDY COUNTY, NEW MEXICO. CASE NO. 15653

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 Examiner, 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 NMOCD COMPLIANCE AND ENFORCEMENT BUREAU:

KEITH W. HERRMANN, ESQ.
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ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
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1 (1:41 p.m.)

2 EXAMINER GOETZE: Next is Case Number
3 15653, application of the New Mexico Oil Conservation
4 Division Compliance and Enforcement Bureau for a
5 compliance order against Elmira T. Welch, for a well
6 operated in Eddy 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 Very well.

13 You have one witness?

14 MR. HERRMANN: Yes, Mr. Daniel Sanchez.

15 EXAMINER GOETZE: Would you please identify
16 yourself to the court reporter and be sworn in?

17 MR. SANCHEZ: Daniel Sanchez.

18 DANIEL SANCHEZ,

19 after having been first duly sworn under oath, was
20 questioned and testified as follows:

21 DIRECT EXAMINATION

22 BY MR. HERRMANN:

23 **Q. Mr. Sanchez, would you please state your name,**
24 **title and place of employment for the record?**

25 A. Daniel Sanchez. I'm the Compliance and

1 Enforcement manager for the OCD working out of the Santa
2 Fe office.

3 **Q. And could you briefly describe the duties you**
4 **perform for the OCD?**

5 A. I manage the district offices and oversee the
6 EPA UIC Program and handle all compliance and
7 enforcement cases that come through the OCD.

8 **Q. Have you researched the violations detailed in**
9 **the application for hearing?**

10 A. Yes, I have.

11 **Q. Have you previously testified in an expert**
12 **capacity before the Oil Conservation Division?**

13 A. Yes, I have.

14 MR. HERRMANN: At this moment I would like
15 to move to admit Mr. Sanchez as an expert witness in
16 compliance with the rules related to the production of
17 oil and gas in New Mexico.

18 EXAMINER GOETZE: He is so qualified.

19 **Q. (BY MR. HERRMANN) I'll provide you with our**
20 **exhibits. Referencing OCD Exhibit 1, could you please**
21 **identify the exhibit, the operator, the OGRID and any**
22 **persons of contact that we may have?**

23 A. This is for the operator, Elmira T. Welch,
24 OGRID 1729. And I don't believe there was one listed
25 that was recent, at least, as contact for this operator.

1 Q. In what county does this operator have wells?

2 A. Eddy County. And it's just a single well.

3 Q. Okay. Is it located outside any residential
4 areas or --

5 A. It's in a remote location.

6 Q. Do you recognize OCD Exhibit 2?

7 A. Yes, I do.

8 Q. Will you please identify that for the Examiner?

9 A. There are a couple of letters in here. One of
10 them was a letter that I sent out on December 27th of
11 2016 letting Elmira T. Welch know that they were in
12 violation of 19.15.5.9. That was on the inactive well,
13 failure to properly abandon the well.

14 There is also a letter from David K. Brooks
15 that was dated August 23rd, 2011 stating that Elmira T.
16 Welch was in violation of the same rule for insufficient
17 bonding and had requested an increase in the bonding
18 from \$5,000 to 7,340.

19 And one other letter that was in here, a
20 notice of violation issued through the Artesia District
21 Office for basically the same violations.

22 Q. Inactive -- for inactivity?

23 A. Inactivity.

24 Q. Is there also the well information in Exhibit
25 2?

1 A. Yes. Yes, there is.

2 Q. Could you identify the well?

3 A. The well is the -- pronounce it right --
4 Cheesman #2.

5 Q. So just to summarize again, how many times and
6 when has the OCD attempted to notify the operator of
7 these violations?

8 A. Including letters of violation that went out
9 just recently, at least four times that I'm aware of.

10 Q. And the dates?

11 A. Dates are December 27th, 2016; there was a
12 letter sent out, I believe, in June of 2016; the letter
13 of violation that was issued in July of 2016; and the
14 notice on the bonding on August 23rd, 2011.

15 Q. And has the operator made any effort to resolve
16 these issues?

17 A. No.

18 Q. Overall, how many terms of Subsection A of
19 19.15.5.9 is Elmira T. Welch in compliance with?

20 A. In compliance with?

21 Q. Or out of compliance. Let's go with that.

22 A. Financial assurance and inactive wells.

23 Q. Are the well-plugging rules in place to prevent
24 migration of fluids, prevent waste, protect correlative
25 rights, and protect fresh water?

1 A. Yes, they are.

2 **Q. What's the current status of this well?**

3 A. It is abandoned. We have been unable to
4 contact anyone that has taken responsibility for it.
5 Back in 2016, we did an inspection on the facility, and
6 we redid that inspection just on Tuesday, and the same
7 results. We have pictures of it from both time frames,
8 and nothing's changed in that time frame.

9 **Q. So the well is not capable of producing?**

10 A. No, it's not.

11 **Q. What's the estimated plugging cost of plugging**
12 **this well?**

13 A. This particular well, it would run about
14 \$35,000, based on the cost of other wells that we've
15 plugged.

16 **Q. And what corrective action is the Division**
17 **requesting?**

18 A. That within -- that the OCD issue an order
19 allowing the Division to plug the well.

20 **Q. All right. And were Exhibits 1 and 2 prepared**
21 **by you or under your direction?**

22 A. Yes, they were.

23 MR. HERRMANN: And at this point, I would
24 move to admit OCD Exhibits 1 through 3, Exhibit 3 being
25 an Affidavit of Service provided by myself showing that

1 we served Ms. Welch notice of this hearing by certified
2 mail and also published it in the newspaper of general
3 circulation, Eddy County.

4 And, Mr. Examiner, I apologize, but we also
5 served notice of this hearing to the surety, but I did
6 not include that in Exhibit 3 and would request that I
7 be given an opportunity to provide the Division with --
8 with that additional notice.

9 EXAMINER GOETZE: Well, go ahead and submit
10 that out of hearing. It's no issue, but let's make sure
11 we do get it.

12 MR. HERRMANN: Yes.

13 EXAMINER GOETZE: So Exhibits 1 through 3
14 are so in the record.

15 (OCD Compliance and Enforcement Bureau
16 Exhibit Number 1 through 3 are offered and
17 admitted into evidence.)

18 EXAMINER GOETZE: Mr. Wade?

19 MR. WADE: The supplemental exhibit notice
20 to the surety, that notice was given timely?

21 MR. HERRMANN: Yes.

22 EXAMINER WADE: No other questions.

23 EXAMINER GOETZE: Mr. Jones?

24 EXAMINER JONES: I don't have any
25 questions.

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CROSS-EXAMINATION

BY EXAMINER GOETZE:

Q. Just one other: There are notations here that at the wellhead, there are still surface issues also?

A. There are some, yeah, what looked to be minor surface issues.

Q. But you don't have any head or anything like that?

A. Not that I'm aware of, not in the pictures that I saw.

Q. Thank you.

EXAMINER GOETZE: We have no further questions for you.

And Case Number 15653 is taken under advisement.

So let's take a ten-minute break while we get the big guns up here for the next round.

(Case Number 15653 concludes, 1:50 p.m.)

(Recess 1:50 p.m. to 1:52 p.m.)

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.

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21

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MARY C. HANKINS, CCR, RPR
Certified Court Reporter
New Mexico CCR No. 20
Date of CCR Expiration: 12/31/2017
Paul Baca Professional Court Reporters

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