

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

IN RE BAR V BARB, LLC

CASE NO. 21900

**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 March 10, 2021, OCD issued a Notice of Violation to Bar V Barb, LLC (“BVB”). Exhibit 2. The NOV alleges two violations and requests specific relief.

First, BVB violated 19.15.5.9(A)(4)(a) NMAC because it has 15 inactive wells. 19.15.9(A)(4)(a) NMAC states that an operator with less than 100 wells may not have more than 2 wells or 50 percent of its wells out of compliance with 19.15.25.8 NMAC, e.g., the wells have been continuously inactive for a period of more than 15 months and are not plugged and abandoned or in approved Temporary Abandonment (“TA”) in accordance with 19.15.25 NMAC, and are not subject to an agreed compliance or final order setting a schedule for bringing the wells into

compliance with 19.15.25.8 NMAC and imposing sanctions if the schedule is not met. BVB is registered as the operator of 17 wells. Two wells are in TA status until 2023. The remaining 15 wells, which are identified in Table 1, are out of compliance with 19.15.25.8 NMAC, e.g., the wells have been continuously inactive for a period of more than 15 months and are not plugged and abandoned or in approved temporary abandonment in accordance with 19.15.25 NMAC, and are not subject to an agreed compliance or final order setting a schedule for bringing the wells into compliance with 19.15.25.8 NMAC and imposing sanctions if the schedule is not met.

Table 1

<u>API</u>	<u>Well</u>	<u>Last Production Reported</u>
30-005-20403	Federal 21 #001	6/2019
30-005-20361	Federal 28 #001	6/2019
30-005-20372	Federal 28 #003	6/2019
30-005-60360	South Lucky Lake Queen Unit #001	6/2019
30-005-61227	South Lucky Lake Queen Unit #001E	7/2013
30-005-60244	South Lucky Lake Queen Unit #001F	7/2013
30-005-60371	South Lucky Lake Queen Unit #002	6/2019
30-005-60375	South Lucky Lake Queen Unit #002B	6/2019
30-005-60361	South Lucky Lake Queen Unit #002C	6/2019
30-005-60382	South Lucky Lake Queen Unit #002X	6/2019
30-005-60350	South Lucky Lake Queen Unit #002Z	6/2019
30-005-60352	South Lucky Lake Queen Unit #003	6/2019
30-005-60377	South Lucky Lake Queen Unit #003B	6/2019
30-005-20384	WR Means #002	6/2019
30-005-20386	WR Means #003	4/2019

For this violation, OCD requests an order requiring BVB to plug and abandon 13 of the inactive wells identified in Table 1 or to allow OCD to do so, and if OCD plugs and abandons the wells, to forfeit the financial assurance for those wells and require BVB to pay the excess cost to plug and abandon those wells. OCD also proposes to assess a civil penalty of three thousand nine hundred dollars (\$3,900). Exhibit 3.

Second, BVB does not have sufficient financial assurance for inactive wells. 19.15.8.9(D) NMAC requires an operator to provide one well or blanket financial assurance for inactive wells in amounts that vary by projected depth of the wells and the number of wells. BVB is registered as the operator of 3 inactive wells identified in Table 2, which also identifies the one well financial assurance required for these wells. Alternatively, BVB must provide blanket financial assurance in the amount of \$150,000 for these wells. 19.15.8.9(D)(2)(a) NMAC.

Table 2

<u>API</u>	<u>Well</u>	<u>Existing FA</u>	<u>Required FA</u>
30-005-60360	South Lucky Lake Queen Unit #001	\$6,825	\$28,650
30-005-60371	South Lucky Lake Queen Unit #002	\$6,800	\$28,600
30-005-60332	South Lucky Lake Queen Unit #001A	\$6,848	\$28,696

For this violation, OCD requests an order requiring BVB to provide one well or blanket financial assurance for the wells listed in Table 2. OCD also proposes to assess a civil penalty of nine hundred dollars (\$900). Exhibit 4.

OCD sent the NOV to BVB at its address of record and the electronic mail address in OCD's database. The certified mail was unclaimed by BVB and returned to OCD. Exhibit 5. The electronic mail was not returned to OCD. Exhibit 6. BVB did not contact OCD during the informal resolution period, which expired on or about April 9, 2021. OCD filed the Docketing Notice on April 15, 2021, and served BVB at its address of record and the electronic mail address in OCD's database. BVB did not file an answer to the NOV as allowed by 19.15.5.10(E)(2)(b) NMAC.

OCD requests an order requiring BVB to provide sufficient financial assurance for the wells and to plug and abandon the inactive wells by a specified date, and if BVB fails to do so, terminating BVB's authority to transport from all wells, authorizing OCD to plug and abandon the

inactive wells, forfeiting BVB's financial assurance for the inactive wells, requiring BVB to pay the excess cost to plug and abandon the inactive wells, and assessing civil penalties against BVB.

III. EXHIBITS

Exhibit 1	Curriculum Vitae of Daniel Sanchez
Exhibit 2	Notice of Violation
Exhibit 3	Civil Penalty Calculation - 19.15.5.9(A)(4)(a) NMAC
Exhibit 4	Civil Penalty Calculation - 19.15.8.9(D) NMAC
Exhibit 5	Returned Certified Mail - NOV
Exhibit 6	Electronic Mail – NOV

IV. PROCEDURAL MATTERS

OCD reserves the right to call rebuttal witnesses.

Respectfully submitted,



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CERTIFICATE OF SERVICE

I certify that on May 24, 2021, this pleading was served on:

Steve Oldfield
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P.O. Box 4435
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By certified and electronic mail



Eric Ames