

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 COMPLIANCE AND ENFORCEMENT DIVISION BUREAU FOR A COMPLIANCE ORDER AGAINST JAM OIL, LLC, FOR WELLS OPERATED IN CHAVES AND LEA COUNTIES, NEW MEXICO. CASE NO. 15648

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 COMPLIANCE
AND ENFORCEMENT DIVISION BUREAU:

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1 (1:11 p.m.)

2 EXAMINER GOETZE: We will go back on the
3 record. At this point we'll pursue cases that were at
4 the beginning of the docket.

5 The first item is Case Number 15646,
6 application of New Mexico Oil Conservation Division
7 Compliance and Enforcement Bureau for a compliance order
8 against Cano Petro of New Mexico, Inc.

9 MR. HERRMANN: Mr. Examiner, I believe that
10 case was continued.

11 EXAMINER GOETZE: Oh, sorry. You did. I
12 did not pay attention.

13 So let's move on to case number three, Case
14 Number 15648, application of New Mexico Oil Conservation
15 Division Compliance and Enforcement Bureau for a
16 compliance order against Jam Oil, LLC, for wells
17 operated in Chaves and Lea Counties, New Mexico.

18 Call for appearances.

19 MR. HERRMANN: Mr. Examiner, Keith Herrmann
20 representing the Oil Conservation Division Compliance
21 and Enforcement Bureau.

22 EXAMINER GOETZE: Any other appearances?
23 Proceed.

24 MR. HERRMANN: I have one witness,
25 Ms. Denise Gallegos.

1 EXAMINER JONES: Will the court reporter
2 please swear the witness?

3 EXAMINER GOETZE: We'll get to that in a
4 moment.

5 So you just have one witness?

6 MR. HERRMANN: Yes.

7 EXAMINER GOETZE: Okay.

8 Will you stand and have the court reporter
9 swear you in and identify yourself to her?

10 MS. GALLEGOS: Denise Gallegos.

11 DENISE GALLEGOS,

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

14 EXAMINER GOETZE: Proceed, Mr. Herrmann.

15 DIRECT EXAMINATION

16 BY MR. HERRMANN:

17 **Q. Ms. Gallegos, will you please state your name,**
18 **title and place of employment for the record?**

19 A. Denise Gallegos, Compliance Officer, Oil
20 Conservation Division.

21 **Q. Could you briefly describe the duties you**
22 **perform for the OCD?**

23 A. Among other duties, I am responsible for the
24 management, enforcement and ensuring compliance of the
25 Division's Financial Assurance Program.

1 Q. And are you familiar with the violations
2 detailed in this application for hearing?

3 A. Yes.

4 Q. Can you please identify the operator that is
5 the subject of this compliance case and their oil and
6 gas registration identification?

7 A. Jam Oil, LLC, OGRID Number 256430.

8 Q. Is the OCD only seeking to enforce violations
9 of the financial requirements at this hearing?

10 A. Yes.

11 Q. Are there any financial assurance statutes
12 under the Oil and Gas Act you believe this operator is
13 violating?

14 A. Yes, 70-2-14. The statute states that in
15 addition to the blanket plugging financial assurance,
16 the Oil Conservation Division may require a one well
17 financial assurance on any well that has been held in
18 temporarily abandoned status for more than two years.
19 The Division does have a rule, 19.15.8 NMAC, requiring a
20 single well bond, and the operator has blanket plugging
21 financial assurance.

22 Q. Does the Division post all inactive wells or
23 temporarily abandoned wells in temporarily abandoned
24 status for an operator on its Web site?

25 A. Yes. This is available on OCD's Web site,

1 updated daily, on the inactive well list listing each
2 well by operator.

3 **Q. Are there any financial assurance rules under**
4 **the Oil and Gas Act you believe this operator has**
5 **violated?**

6 A. Yes, 19.15.8.9C. "The operator shall cover a
7 well that has been in temporary abandonment for more
8 than two years by either a one-well financial assurance
9 or a blanket plugging financial assurance for wells in
10 temporarily abandoned status."

11 In addition, 19.15.8.9D(2) lists the
12 required single-well bonding amounts for each county.

13 **Q. And how many wells does Jam need financial**
14 **assurance for?**

15 A. 20.

16 **Q. Can you list the amounts of the additional**
17 **financial assurance needed for each well pursuant to**
18 **19.15.8.9D? You can use Exhibit 1 that I've provided**
19 **you for details.**

20 A. Yes. Canyon [sic] #1, API 30-005-00044, in the
21 amount of \$5,801; Canyon #2, API, 30-005-00042, in the
22 amount of \$5,850; Canyon ET AL #1Y, API 30-005-61892, in
23 the amount of \$9,386.

24 **Q. Ms. Gallegos, may I interrupt you for a moment?**
25 **Is it Cannon or Canyon?**

1 A. Oh. Cannon. Cannon. Sorry.

2 **Q. So you were continuing at the Cannon ET AL**
3 **#001Y?**

4 A. Okay. Cannon ET AL #1Y, API 30-005-61892, in
5 the amount of \$9,386; Cannon ET AL #2, API 30-005-62292,
6 in the amount of \$9,330; Cannon Fee #1, API
7 30-005-60680, in the amount of \$5,850.

8 **Q. For the sake of brevity, I think we can skip**
9 **the API number because it's in the exhibit.**

10 A. Cannon Fee #2Y is \$5,865; Cannon Fee #3,
11 \$5,891; Cooper #1, \$6,110; Cooper #2, \$6,105; Johnson IL
12 #1, \$6,100; Kemnitz South AFL State #1, \$11,260; Mary
13 Ann Cannon #1, \$5,910; Mary Ann Cannon #2, \$5,934; Mary
14 Ann Cannon #3, \$5,887; Mary Ann Cannon #4, \$5,898; Mary
15 Ann Cannon #5, \$6,056; Mary Ann Cannon #6, \$6,012; Mary
16 Ann Cannon #7, \$6,038; Tamarack QF State #1, \$6,250,
17 Tamarack QF State #2, \$6,150.

18 **Q. And in what county are these wells located?**

19 A. They are all in Chaves County.

20 EXAMINER GOETZE: May I interrupt you,
21 Mr. Attorney? Is your witness presenting just testimony
22 as fact, or are you going to qualify her as an expert?

23 MR. HERRMANN: Just fact.

24 EXAMINER GOETZE: Thank you.

25 MR. HERRMANN: We will not need to qualify

1 her at this time.

2 EXAMINER GOETZE: Thank you.

3 Q. (BY MR. HERRMANN) Okay. Was the operator
4 notified of these violations? And if you need to
5 refresh your recollection, we've provided OCD Exhibit 2.

6 A. Yes. The notice of financial violation letter
7 was sent out certified mail on June 16th, 2016. This
8 was returned for an insufficient address. I also sent
9 out a second notice of financial violation letter,
10 certified mail, to a different address on June 29th of
11 2016. I never received a signed green card back. As of
12 today, I have not received a response from the operator
13 or the requested financial assurance, but I have the
14 tracking information, which shows, on July 19th of 2016,
15 the letter was refused.

16 Q. And what relief is the Division requesting from
17 this hearing?

18 A. The Division is requesting the operator to
19 provide the Division with acceptable financial assurance
20 within 30 days of issuance of an order of finding that
21 the operator is in violation of 70-2-14 of the
22 New Mexico Statutes and 19.15.8 NMAC. And if the
23 operator does not post the requested financial assurance
24 within 30 days of issuance of an order, that the
25 operator is in violation of the Division order.

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

3 A. Yes.

4 Q. The OCD also has a third exhibit, Exhibit 3,
5 prepared by myself. That is an Affidavit of Service
6 showing that we sent notice of this proceeding to the
7 operator via certified mail and also published it in the
8 "Roswell Daily Record," a newspaper of general
9 circulation in Chaves County. And at this point, I
10 would move to admit OCD Exhibits 1 through 3.

11 EXAMINER GOETZE: Exhibits 1 through 3 are
12 so entered.

13 (NMOCD Compliance and Enforcement Bureau.
14 Exhibit Numbers 1 through 3 are offered and
15 admitted into evidence.)

16 MR. HERRMANN: And that concludes the OCD's
17 presentation of this case.

18 EXAMINER GOETZE: Before we get into any
19 questions, real fast, reconciliation between your
20 application and your pre-hearing statement. So it is
21 only the 70-2-14 that we're dealing with here, and then
22 we've excluded the previous interest in 70-2-12B(1); is
23 that correct?

24 MR. HERRMANN: Yes.

25 EXAMINER GOETZE: Attorney?

1 EXAMINER WADE: So what is the specific
2 relief you're asking for?

3 MR. HERRMANN: We're asking that the OCD --
4 or that the Division issue an order finding that Jam is
5 in violation of the Division's financial assurance
6 rules, requiring additional financial assurance for
7 wells that have been in temporarily abandoned status in
8 excess of two years. Jam has 20 wells that require
9 additional financial assurance for the amounts
10 identified by Ms. Gallegos. And we're also requesting
11 that the Division enter an order requiring Jam to
12 provide such financial assurance as required by rule and
13 statute within 30 days and, if not, that Jam be found
14 out of violation -- or found in violation of the
15 Division order.

16 EXAMINER WADE: That's all I have.

17 EXAMINER GOETZE: Very good.

18 CROSS-EXAMINATION

19 BY EXAMINER JONES:

20 Q. The first two wells were actually Lea County;
21 is that correct?

22 A. They were all in Chaves County.

23 Q. Okay. They have little, bitty API numbers.

24 EXAMINER GOETZE: No more questions for
25 this witness by us.

1 Just one more notice to the folks who came
2 in late. For those people arriving, we are on Case
3 Number 15648 with regards to Jam Oil, LLC. If there are
4 any people wishing to give any statement of testimony.

5 With that, we will take this case, Case
6 15648, under advisement.

7 (Case Number 15648 concludes, 1:23 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.

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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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