

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

**IN RE ROGER SLAYTON
DBA ESCUDILLA OIL COMPANY**

CASE NO. 21899

**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 16, 2021, OCD issued a Notice of Violation to Roger Slayton dba Escudilla Oil Company (“Slayton”). Exhibit 2. The NOV alleges three violations and requests specific relief.

First, Slayton violated 19.15.5.9(A)(4)(a) NMAC because it has 8 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. Slayton is registered as the operator of 29 wells. The 8 wells 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> |
|--------------|------------------------------|---------------------------------|
| 30-005-61893 | ARD State #002 | 11/2018 |
| 30-005-10463 | Avalanche Journal State #001 | 12/1992 |
| 30-005-10471 | Avalanche Journal State #004 | 11/2018 |
| 30-005-10472 | Avalanche Journal State #005 | 11/2018 |
| 30-005-10488 | Avalanche Journal State #006 | 11/2018 |
| 30-005-10432 | Lewis Neff #003 | 8/2015 |
| 30-005-00228 | McIntyre State #001 | 2/2019 |
| 30-005-10429 | Standard State #003 | 6/2018 |

For this violation, OCD requests an order requiring Slayton to plug and abandon 6 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 Slayton to pay the excess cost to plug and and abandon those wells. OCD also proposes to assess a civil penalty of one thousand eight hundred dollars (\$1,800). Exhibit 3.

Second, Slayton does not have sufficient blanket plugging financial assurance. 19.15.8.9(C) NMAC requires an operator to provide one well or blanket plugging financial assurance for all wells in amounts that vary by projected depth of the wells or number of wells. Slayton is registered as the operator of 29 wells. For 29 wells, 19.15.8.9(C) NMAC requires one

well financial assurance for each well or blanket plugging financial assurance in the amount of \$75,000. However, Slayton has no one well financial assurance and blanket plugging financial assurance of only \$50,000 for the wells.

For this violation, OCD requests an order requiring Slayton to provide one well financial assurance for each well or blanket plugging financial assurance in the amount of \$75,000. OCD also proposes to assess a civil penalty of three hundred dollars (\$300). Exhibit 4.

Third, Slayton 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 or the number of wells. Slayton is registered as the operator of 8 inactive wells identified in Table 2, which also identifies the one well financial assurance required for these wells. Alternatively, Slayton must provide blanket financial assurance in the amount of \$300,000. 19.15.8.9(D)(2)(b) NMAC.

Table 2

| <u>API</u> | <u>Well</u> | <u>Existing FA</u> | <u>Required FA</u> |
|--------------|------------------------------|--------------------|--------------------|
| 30-005-61893 | ARD State #002 | 0 | \$29,010 |
| 30-005-10463 | Avalanche Journal State #001 | \$6,975 | \$29,950 |
| 30-005-10471 | Avalanche Journal State #004 | 0 | \$28,940 |
| 30-005-10472 | Avalanche Journal State #005 | 0 | \$28,928 |
| 30-005-10488 | Avalanche Journal State #006 | 0 | \$28,930 |
| 30-005-10432 | Lewis Neff #003 | \$6,975 | \$28,952 |
| 30-005-00228 | McIntyre State #001 | 0 | \$28,958 |
| 30-005-10429 | Standard State #003 | 0 | \$29,950 |

For this violation, OCD requests an order requiring Slayton to provide one well or blanket financial assurance for the wells listed in Table 2. OCD also proposes to assess a civil penalty of two thousand four hundred dollars (\$2,400). Exhibit 5.

OCD sent the NOV to Slayton at its address of record and the electronic mail address in OCD's database. The certified mail was undeliverable and returned to OCD. Exhibit 6. The

electronic mail was not returned to OCD. Exhibit 7. Slayton did not contact OCD during the informal resolution period, which expired on or about April 19, 2021. OCD filed the Docketing Notice on April 19, 2021, and served Slayton at its address of record and the electronic mail address in OCD's database. Slayton did not file an answer to the NOV as allowed by 19.15.5.10(E)(2)(b) NMAC.

OCD requests an order requiring Slayton to provide sufficient financial assurance for the wells and to plug and abandon the inactive wells by a specified date, and if Slayton fails to do so, terminating Slayton's authority to transport from all 29 wells, authorizing OCD to plug and abandon the inactive wells, forfeiting Slatyon's financial assurance for the inactive wells, requiring Slayton to pay the excess cost to plug and abandon the inactive wells, and assessing civil penalties against Slayton.

III. EXHIBITS

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|-----------|---|
| 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(C) NMAC |
| Exhibit 5 | Civil Penalty Calculation - 19.15.8.9(D) NMAC |
| Exhibit 6 | Returned Certified Mail - NOV |
| Exhibit 7 | 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:

Roger Slayton
dba Escudilla Oil Company
P.O. Box 687
Roswell, New Mexico 88202
IPPCooperative@outlook.com

By certified and electronic mail



Eric Ames