

State of New Mexico  
Oil Conservation Commission

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IN THE MATTER OF THE APPLICATION OF THE NEW MEXICO OIL CONSERVATION  
DIVISION TO AMEND TITLE 19, CHAPTER 15, PART 8 OF THE NEW MEXICO  
ADMINISTRATIVE CODE ("FINANCIAL ASSURANCE")

CASE NO. 15314

PRE-HEARING STATEMENT

This Pre-Hearing Statement is submitted on behalf of the New Mexico Oil Conservation Division ("OCD"), by and through undersigned counsel, as required by OCD Rule 19.15.3.11B NMAC.

APPEARANCES OF PARTIES

APPLICANT

New Mexico Oil Conservation Division

ATTORNEY

Allison R. Marks  
Assistant General Counsel  
Energy, Minerals and Natural Resources  
Department  
1220 S. St. Francis Drive  
Santa Fe, NM 87505

STATEMENT OF THE CASE

The OCD is proposing the adoption of revised rules for financial assurance. The proposed rule amendments (1) establish amounts of blanket plugging financial assurance for wells in temporarily abandoned status; (2) clarify and codify that, if a blanket bond no longer covers certain wells, additional financial assurance for the non-covered wells is required; (3) codify requirements for operators who elect to maintain financial assurance through a plugging insurance policy; (4) codify the requirement to notify the Division of any bankruptcy proceeding as required under rules of the United States bankruptcy court; (5) require operators to update financial assurance documents when certain changes occur to existing financial assurance documents on file with the OCD; and (5) otherwise amend rule 19.15.8 NMAC to protect water, public health and the environment, prevent waste of oil and gas, and to protect correlative rights.

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## WITNESSES

*Cheryl Bada, Deputy General Counsel, Energy, Minerals and Natural Resources Department*

Ms. Bada has a B.S. in Forestry from Colorado State University and received her J.D. from the University of New Mexico School of Law. Ms. Bada serves as Deputy General Counsel for the Energy, Minerals and Natural Resources Department ("Department"). Ms. Bada has practiced law for 18 years, of which 15 of those years have been with the Department.

Ms. Bada's testimony may include a review of the proposed rule, certain relevant legislation and laws, and other legal and/or administrative matters related to the proposed rule. Ms. Bada's testimony is expected to last 35 minutes.

*Daniel Sanchez, Compliance and Enforcement Manager, Oil Conservation Division/Energy, Minerals and Natural Resources Department*

Mr. Sanchez has a B.S. in Mechanical Engineering from New Mexico State University. Mr. Sanchez has served as the OCD's Compliance and Enforcement Manager for over 10 years. In his professional capacity with the OCD, Mr. Sanchez manages the Oil and Gas Reclamation Fund with respect to the plugging of abandoned wells and any remediation of well sites, oversees the OCD's four district offices, coordinates field inspections with the Bureau of Land Management, negotiates compliance orders with operators, and performs other related compliance and enforcement duties for the OCD. Prior to his employment with the OCD, Mr. Sanchez worked as an engineer for more than 16 years, including over 12 years with the Public Regulation Commission as a public utility engineer. Mr. Sanchez's testimony may include a review of the proposed blanket financial assurance bond and other matters related to the proposed rule related to enforcement and compliance. Mr. Sanchez's testimony is expected to last 10 minutes.

*Denise Gallegos, Business Operations Specialist/Bond Administrator, Oil Conservation Division/Energy, Minerals and Natural Resources Department*

Ms. Gallegos has a Bachelor's degree in Business Administration from New Mexico Highlands University. Ms. Gallegos has served as the OCD's bond administrator for over 2 years. As the bond administrator, Ms. Gallegos registers operators, tracks penalties, and ensures operators' financial compliance prior to allowing any operator changes. Ms. Gallegos has worked for the State of New Mexico since 2005. Prior to working for the OCD, Ms. Gallegos worked for the Public Regulation Commission, with her last position being that of the Compliance Officer Supervisor where she trained staff on business regulatory compliance matters.

Ms. Gallegos' testimony may include a review of how the proposed rule addresses deficiencies in the administration of the OCD's current bond program and how any bonds and/or proposed bonds will be administered. Ms. Gallegos' testimony is expected to last 10 minutes.

*Esther Varela-Lopez, Consultant/Independent Contractor*

Ms. Varela-Lopez has a Bachelor's degree in Accounting from the University of New Mexico. Ms. Varela-Lopez has over 30 years' experience in accounting and budgeting for state government. Ms. Varela-Lopez retired in 2011 as the Deputy State Budget Director for the State of New Mexico and has worked as a consultant for the State since 2013. Most recently, Ms. Varela-Lopez has audited a number of OCD's bond files. Ms. Varela-Lopez's testimony may include a review of how the proposed rule addresses deficiencies identified during Ms. Varela-Lopez's review of OCD's bond files. Ms. Varela-Lopez's testimony is expected to last 10 minutes.

EXHIBITS

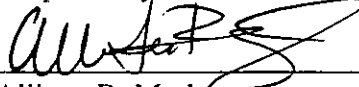
1. House Bill 383, 52<sup>nd</sup> Legislature, State of New Mexico, First Session, 2015 (introduced)
2. House Bill 383, 52<sup>nd</sup> Legislature, State of New Mexico, First Session, 2015
3. Fiscal Impact Report prepared by the Legislative Finance Committee of House Bill 383
4. Senate Bill 442, 52<sup>nd</sup> Legislature, State of New Mexico, First Session, 2015
5. Oil and Gas Act, Requirement for Financial Assurance. NMSA 1978, § 70-2-14
6. Affidavit of Notice of Marlene Salvidrez

A copy of Exhibits 1-6 are attached hereto.

PROCEDURAL MATTERS

The Applicant hereby requests that any cross-examination of its witnesses be done in a panel format, as such format will provide for efficiency in the hearing process.

Respectfully submitted,



Allison R. Marks

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