

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:

ORIGINAL

APPLICATION OF NEW MEXICO OIL
CONSERVATION DIVISION COMPLIANCE
AND ENFORCEMENT BUREAU FOR A
COMPLIANCE ORDER AGAINST SOUTHWESTERN,
INC., FOR WELLS OPERATED IN EDDY AND
LEA COUNTIES, NEW MEXICO.

CASE NO. 15705

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

May 25, 2017

Santa Fe, New Mexico

BEFORE: SCOTT DAWSON, CHIEF EXAMINER
DAVID K. BROOKS, LEGAL EXAMINER

This matter came on for hearing before the
New Mexico Oil Conservation Division, Chief Examiner,
Chief Examiner, and David K. Brooks, Legal Examiner, on
Thursday, May 25, 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
New Mexico CCR #20
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APPEARANCES

FOR APPLICANT OF NEW MEXICO OIL CONSERVATION DIVISION
COMPLIANCE AND ENFORCEMENT BUREAU:

KEITH W. HERRMANN, ESQ.
STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
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1 (1:17 a.m.)

2 EXAMINER DAWSON: At this time we're back
3 at hearing on Docket Number 19-17. We will continue the
4 hearing and go on to the last two cases.

5 The first case we will hear is 15705,
6 application of New Mexico Oil Conservation Division
7 Compliance and Enforcement Bureau for a compliance order
8 against Southwestern, Incorporated, for wells operated
9 in Eddy and Lea Counties, New Mexico.

10 Mr. Herrmann, you may present your witness.

11 MR. HERRMANN: Mr. Examiner, Keith Herrmann
12 representing the Compliance and Enforcement Bureau of
13 the Oil Conservation Division.

14 The Compliance and Enforcement Bureau is
15 seeking a compliance order for assurance violations
16 against the operator, Southwestern, Incorporated. They
17 have three wells in Lea and Eddy Counties that require
18 additional financial assurance.

19 The OCD has one witness, Ms. Denise
20 Gallegos.

21 EXAMINER DAWSON: Okay. Ms. Gallegos, can
22 you please get sworn in by the court reporter?

23 DENISE GALLEGOS,
24 after having been first duly sworn under oath, was
25 questioned and testified as follows:

1 EXAMINER DAWSON: Okay. Mr. Herrmann, you
2 can proceed.

3 MR. HERRMANN: Thank you.

4 DIRECT EXAMINATION

5 BY MR. HERRMANN:

6 Q. Ms. Gallegos, please state your name, title and
7 place of employment for the record.

8 A. Denise Gallegos, compliance officer with the
9 New Mexico Oil Conservation Division.

10 Q. And could you briefly described the duties you
11 perform for the Oil Conservation Division?

12 A. Among other duties, I'm responsible for
13 management, enforcement and ensuring compliance of the
14 Division's Financial Assurance Program.

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

17 A. Yes.

18 Q. Could you please identify the operator that is
19 the subject of this compliance case and their OGRID?

20 A. Southwestern, Incorporated, OGRID Number 21386.

21 Q. And how many wells do they operate and in what
22 counties are they located in?

23 A. Three wells, Eddy and Lea Counties.

24 Q. Does the Division post all inactive wells,
25 otherwise known as temporarily abandoned status, for an

1 operator on its Web site?

2 A. Yes. It's available on OCD's Web site. It's
3 updated daily, and it's a well list, listing each well
4 by operator.

5 Q. Does the OCD require additional financial
6 assurance for wells inactive over two years?

7 A. Yes.

8 Q. And what is the amount of financial assurance?

9 A. The amount is based on what county the well's
10 in and the measured depth of the well.

11 Q. And what is the financial assurance required
12 for wells in Eddy and Lea Counties?

13 A. A base of \$5,000.

14 Q. And?

15 A. A dollar per foot of the measured depth.

16 Q. Thank you.

17 How many of this operator's wells need
18 additional financial assurance?

19 A. Three.

20 Q. Could you identify the wells and the amounts
21 needed? And use Exhibit 1 for reference.

22 A. Humble State #1, API 30-015-01900, in the
23 amount of \$7,502; Humble State #2, API 30-015-01969, in
24 the amount of \$7,433; and State VC #1, API 30-025-03035,
25 in the amount of \$14,075.

1 Q. Was the operator notified of these violations?

2 A. Yes.

3 Q. When?

4 A. A Notice of Financial Assurance Violation
5 letter was mailed out certified mail on June 30th, 2016,
6 and a signed green card was received by the OCD on July
7 7th, 2016.

8 Q. And?

9 A. As of today, I haven't received any response
10 from the operator.

11 Q. And is Exhibit 2 a copy of that notice?

12 A. Yes.

13 Q. What relief is the Division requesting?

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

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

24 A. Yes.

25 Q. Were Exhibits 1 and 2 prepared by you or under

1 your direction?

2 A. Yes.

3 MR. HERRMANN: Mr. Examiner, I have no
4 further questions at this time.

5 I would move to admit OCD Exhibits 1 and 2
6 and, in addition, OCD Exhibit 3, which is an Affidavit
7 of Service that was prepared by myself that includes a
8 copy of the certified mailing to the operator's address
9 that we have on file and an Affidavit of Publication in
10 the "Artesia Daily Press" and the "Lovington Leader,"
11 newspapers of general circulation in Lea and Eddy
12 Counties.

13 EXAMINER DAWSON: Okay. Exhibits 1 and 2,
14 and the Affidavit of Service, which is Exhibit 3; the
15 certified mail return receipt -- Exhibit 3A, the direct
16 notice to the operator, the green cards and the copy of
17 publication in the "Artesia Daily Press" will all be
18 admitted to the record.

19 MR. HERRMANN: And also "The Lovington
20 Leader," sir.

21 EXAMINER DAWSON: I'm sorry. And also "The
22 Lovington Leader." That will be admitted to the record,
23 the Affidavit of Publication for "The Lovington Leader."
24 They'll all be admitted into the record.

25 (NMOCD Compliance and Enforcement Bureau

1 Exhibit Numbers 1, 2, 3, 3A, 3B are
2 offered and admitted into evidence.)

3 MR. HERRMANN: Thank you. That concludes
4 our presentation.

5 EXAMINER DAWSON: Do you have any
6 questions, Mr. Brooks?

7 EXAMINER BROOKS: No questions.

8 I remember bringing a compliance action
9 against this same operator quite a few years ago. Just
10 an observation.

11 MR. HERRMANN: I haven't found that one.

12 EXAMINER DAWSON: So with that, Case Number
13 15705 will be taken under advisement.

14 And that concludes today's hearings. Thank
15 you very much.

16 (Case Number 15705 concludes, 1:24 p.m.)

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I hereby certify that the foregoing is
a true and correct record of the proceedings in
the hearing of Case No. _____
held by me on _____.

_____, Examiner
Oil Conservation Division

1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO
3

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.

20 
21

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