

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

IN THE MATTER OF THE HEARING CALLED BY )  
 THE OIL CONSERVATION COMMISSION FOR THE )  
 PURPOSE OF CONSIDERING: )

CASE NO. 11,705

APPLICATION OF THE OIL CONSERVATION )  
 DIVISION TO AMEND ORDER R-8170, AS )  
 AMENDED, GENERAL RULES FOR THE PRORATED )  
 POOLS OF NEW MEXICO )

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

COMMISSION HEARING

BEFORE: WILLIAM J. LEMAY, CHAIRMAN  
 WILLIAM WEISS, COMMISSIONER  
 JAMI BAILEY, COMMISSIONER

January 16th, 1997

Santa Fe, New Mexico

This matter came on for hearing before the Oil Conservation Commission, WILLIAM J. LEMAY, Chairman, on Thursday, January 16th, 1997, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

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## I N D E X

January 16th, 1997  
Commission Hearing  
CASE NO. 11,705

## PAGE

REPORTER'S CERTIFICATE

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## A P P E A R A N C E S

## FOR THE COMMISSION:

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Deputy General Counsel  
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Santa Fe, New Mexico 87505

## FOR THE OIL CONSERVATION DIVISION:

RAND L. CARROLL  
Attorney at Law  
Legal Counsel to the Division  
2040 South Pacheco  
Santa Fe, New Mexico 87505

## FOR THE APPLICANT:

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1           WHEREUPON, the following proceedings were had at  
2   9:05 a.m.:

3           CHAIRMAN LEMAY: Okay, so now we shall Call Case  
4   Number 11,705, which is the Application of the Oil  
5   Conservation Division to amend Order R-8170, pertaining to  
6   the General Rules of Prorated Fields of New Mexico.

7           Appearances in Case 11,705?

8           MR. CARROLL: May it please the Commission, my  
9   name is Rand Carroll, appearing on behalf of the Division.

10          CHAIRMAN LEMAY: Mr. Carroll, thank you.

11          Any other appearances in the case?

12          Do you have any witnesses today, Mr. Carroll?

13          MR. CARROLL: No, I just have a brief statement.

14          CHAIRMAN LEMAY: Okay, for those of you that are  
15   curious about this particular Application, I think it has  
16   to do with a suggestion to relax the testing requirements,  
17   the deliverability testing requirements in the San Juan  
18   Basin.

19          I think Mr. Carroll will kind of brief the  
20   Commissioners, and I will appoint a committee to look into  
21   what tests can be relaxed and what kind of information we  
22   will need, and that committee will report back to us in a  
23   couple months, I understand.

24          Mr. Carroll?

25          MR. CARROLL: You stole most of my thunder, Mr.

1 Chairman.

2 CHAIRMAN LEMAY: I'm sorry, I -- just setting the  
3 stage for you, sir.

4 MR. CARROLL: I have an e-mail message from Frank  
5 Chavez in our Aztec District Office, and he has been  
6 speaking with members of industry, and there's a consensus  
7 that the proration rules for the northwest should be  
8 amended.

9 As the memo points out, there's declining  
10 productivity of wells in the northwest, and that the  
11 current proration formula for pools in the northwest may no  
12 longer be applicable. There are very few wells that can  
13 make the allowable up in the northwest, but deliverability  
14 tests are still required, although there is a moratorium in  
15 effect right now, that places a moratorium on  
16 deliverability testing.

17 The Division and industry consider a lot of this  
18 testing unnecessary and a burden on both the OCD and the  
19 industry. So the purpose of the Application is to decrease  
20 the amount of gas well deliverability testing required and  
21 review the basis for such testing.

22 The OCD therefore requests that a committee  
23 chaired by the OCD be set up with operator and pipeline  
24 representatives and any other interested parties, maybe the  
25 BLM, to address current reservoir and market conditions and

1 to assure that waste is prevented and correlative rights  
2 are protected.

3 And that's all I have.

4 CHAIRMAN LEMAY: Is it then your recommendation  
5 that a committee be appointed and that that committee come  
6 back to the Commission with recommendations for different  
7 testing? Any time schedule on that?

8 MR. CARROLL: Yeah, I guess we would like to see  
9 a new rule in effect by the end of summer, early fall.

10 CHAIRMAN LEMAY: Do you have a suggestion when  
11 this case should be continued until, then? June hearing?  
12 Is that something that -- July?

13 MR. CARROLL: Let's make it July.

14 CHAIRMAN LEMAY: July? Okay, we don't have a  
15 date yet in July, but we will have one.

16 Is it also your intent to, when you get a case  
17 like this, that -- it could be a rule and should be a rule  
18 that the order be changed to a rule rather than keep it as  
19 an order, like 8170?

20 MR. CARROLL: That's correct. Once we make this  
21 amendment and once we amend our order, the State Record  
22 Center requires that orders such as this become rule, so  
23 this will become a rule that will be placed in the rule  
24 book, the proration rule.

25 So I think for -- Hopefully the committee will

1     come up with a draft rule we can attach to the docket for  
2     July.

3             CHAIRMAN LEMAY:   Okay.   Any -- Will you take any  
4     questions from the Commissioners at this time?

5             MR. CARROLL:   I'll attempt to answer them.

6             CHAIRMAN LEMAY:   Okay.   Commissioner Weiss?

7             COMMISSIONER WEISS:   I'm concerned that some  
8     pressure data be maintained.   Up there in the San Juan  
9     Basin, we're fortunate to have maintained these records  
10    over the years, and the companies up there can do real  
11    reservoir engineering because they have pressure  
12    information and they know the volumes.

13            I can certainly understand the need to reduce the  
14    testing that's not necessary, but we certainly don't want  
15    to eliminate it.   We need to keep track of bottomhole  
16    pressure in those reservoirs.

17            MR. CARROLL:   I think, Commissioner Weiss, that  
18    is one of the concerns of the OCD and industry, that the  
19    pressure data is helpful and necessary in what needs to be  
20    retained and what can be done away with.   I don't know --  
21    It is up to the study of the committee.

22            CHAIRMAN LEMAY:   Commissioner Bailey?

23            COMMISSIONER BAILEY:   No, I just second Mr.  
24    Weiss's concerns.

25            CHAIRMAN LEMAY:   We shall appoint a committee,

1 then.

2 Does anyone else have anything to add to the case  
3 at this point in time?

4 MR. CARROLL: That's all.

5 CHAIRMAN LEMAY: Thank you very much, Mr.  
6 Carroll.

7 This case will be continued until the July  
8 Commission hearing.

9 MR. CARROLL: Thank you.

10 CHAIRMAN LEMAY: Thank you.

11 (Thereupon, these proceedings were concluded at  
12 9:12 a.m.)

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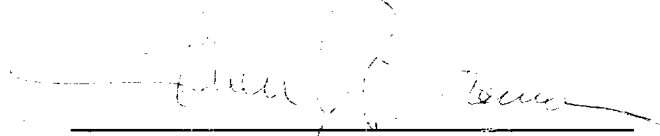
CERTIFICATE OF REPORTER

STATE OF NEW MEXICO    )  
                                   )   ss.  
 COUNTY OF SANTA FE    )

I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Commission was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL January 18th, 1997.

  
 STEVEN T. BRENNER  
 CCR No. 7

My commission expires: October 14, 1998