

NEW MEXICO OIL CONSERVATION DIVISION

COMMISSION HEARING

SANTA FE, NEW MEXICO

Hearing Date NOVEMBER 8, 2000 Time 9:00 A.M.

NAME	REPRESENTING	LOCATION
William F. Sam	Campbell, Sam, & Shuler	Santa Fe
Marty Bloodworth	SW Royalties	Midland, Tx
Gene Gallegos	Gallegos Law Firm	Santa Fe

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. 12,522

APPLICATION OF THE OIL CONSERVATION)
DIVISION TO AMEND RULE 705 (19 NMAC)
15.I.705 OR SECTION 705 OF 19.15.9)
NMAC UNDER THE RESTRUCTURED FORMAT))
TO RELAX THE PROVISION THAT GOVERNS)
AUTOMATIC TERMINATION OF INJECTION)
AUTHORITY)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

COMMISSION HEARING

BEFORE: LORI WROTENBERY, CHAIRMAN
JAMI BAILEY, COMMISSIONER
ROBERT LEE, COMMISSIONER

November 8th, 2000

Santa Fe, New Mexico

09 NOV 13 AM 2:15
OIL CONSERVATION

This matter came on for hearing before the Oil Conservation Commission, LORI WROTENBERY, Chairman, on Wednesday, November 8th, 2000, 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.

* * *

I N D E X

November 8th, 2000
 Commission Hearing
 CASE NO. 12,522

	PAGE
APPEARANCES	3
APPLICANT'S WITNESS:	
<u>DAVID R. CATANACH</u> (Engineer)	
Direct Examination by Ms. Hebert	5
Examination by Chairman Wrotenbery	7
REPORTER'S CERTIFICATE	9

* * *

Submissions by the Division, not offered or admitted as exhibits:

	identified
Draft Order	8

* * *

A P P E A R A N C E S

FOR THE COMMISSION:

STEPHEN ROSS
Deputy General Counsel
Energy, Minerals and Natural Resources Department
2040 South Pacheco
Santa Fe, New Mexico 87505

FOR THE OIL CONSERVATION DIVISION:

LYN S. HEBERT
Attorney at Law
Legal Counsel to the Division
2040 South Pacheco
Santa Fe, New Mexico 87505

* * *

1 WHEREUPON, the following proceedings were had at
2 9:50 a.m.:

3 CHAIRMAN WROTENBERY: The next item on the agenda
4 is Case 12,522. This is the Application of the Oil
5 Conservation Division to amend Rule 705 to relax the
6 provision that governs automatic termination of injection
7 authority.

8 The draft rule was published and is available on
9 our website. I don't believe we received any comments on
10 our rule. I don't know if there's anybody here today to
11 comment on the proposed amendments.

12 But let me first call for appearances.

13 MS. HEBERT: Chairman Wrotenbery, Commissioners,
14 Lyn Hebert on behalf of the Oil Conservation Division, and
15 I have one witness to be sworn.

16 CHAIRMAN WROTENBERY: Is there anybody else here
17 who intends to address this proposal? Doesn't look like
18 it.

19 Please stand and be sworn.

20 (Thereupon, the witness was sworn.)

21 MS. HEBERT: Commissioners, this is a simple
22 amendment to Rule 705. 705, as it is currently, allows for
23 only a six-month period for inactivity of certain wells and
24 injection projects and storage projects. The more general
25 rule for inactivity of wells, including injection wells,

1 that we have in 201, provides for a one-year period. So we
2 did perceive that there was a little bit of a contradiction
3 between the two rules.

4 And in addition to that I think there was
5 thinking that in many cases businesses were unable to make
6 decisions in regard to particularly large injection
7 projects in the six-month period that this rule provided
8 for. So the Division is just recommending that that six-
9 month period be extended to one year.

10 DAVID R. CATANACH,

11 the witness herein, after having been first duly sworn upon
12 his oath, was examined and testified as follows:

13 DIRECT EXAMINATION

14 BY MS. HEBERT:

15 Q. And Mr. Catanach, will you please state your name
16 and what your position with the Division is?

17 A. David Catanach, I'm a petroleum engineering
18 specialist with the Oil Conservation Division here in
19 Santa Fe.

20 Q. And how long have you worked in that position
21 with the Division?

22 A. I've been with the Division approximately 18
23 years.

24 Q. And have you testified before this Commission as
25 an expert in petroleum engineering in the past?

1 A. Yes, I have.

2 Q. And your credentials were accepted?

3 A. Yes, they were.

4 MS. HEBERT: I tender Mr. Catanach as an expert
5 in petroleum engineering to the Commission.

6 CHAIRMAN WROTENBERY: He is accepted in that
7 capacity.

8 Q. (By Ms. Hebert) Mr. Catanach, what exactly is
9 the change the Division is recommending be made to Rule
10 705?

11 A. As you so eloquently stated, the Division is
12 requesting that the rule be changed from a six-month time
13 period to a one-year time period. 705 currently requires
14 that if there is a six-month period of noninjection into a
15 project or a disposal well or a storage project, that the
16 authority for injection will automatically terminate. And
17 what we're simply requesting is that we change that six-
18 month period to a one-year period.

19 Q. And would this amendment make the time period for
20 the injection projects and injection wells and storage
21 projects uniform with the Rule 201 provisions?

22 A. Yes, it would. The Rule 201 concerning
23 temporarily abandoning the wells, it would be consistent
24 with that rule.

25 Q. To your knowledge, has the Division received any

1 comments on this proposed amendment?

2 A. The Division has not received any written
3 comments. We did receive two inquiries, one from e-mail
4 from Mr. Rick Foppiano with OXY, and a phone call I
5 received from a Mr. Ken Calvert with Mewbourne Oil Company.
6 And basically these two individuals had the same question.
7 Their question was, if you have an EOR waterflood project
8 and you for some reason shut in, say, one or two wells
9 within the project for a six-month period, would the new
10 rule affect that to where you would lose your injection
11 authority for those two wells?

12 And the answer to that is no, the way we
13 interpret this rule is, you would have to cease injection
14 into the entire project for a period exceeding one year for
15 it to affect the project. And they seemed satisfied with
16 that answer and didn't have any other problems with the
17 rule change.

18 MS. HEBERT: Thank you, Mr. Catanach. I have no
19 other questions for Mr. Catanach. Does the Commission have
20 any questions?

21 EXAMINATION

22 BY CHAIRMAN WROTENBERY:

23 Q. I might just ask Mr. Catanach, have we yet made
24 contact with EPA concerning this proposed amendment?

25 A. I have not, although we need to make contact with

1 EPA because it's a program change under the UIC program.
2 We think it's a minor program change, and we won't probably
3 have any problem getting it approved by EPA. But it still
4 has to be approved. So after the hearing I will begin the
5 process of contacting EPA and going through that process.

6 CHAIRMAN WROTENBERY: Questions? Commissioners,
7 we do have a draft order adopting this rule amendment, and
8 I believe you've had a brief period of time to review the
9 draft order. Are there any questions about the provisions
10 of the draft order?

11 COMMISSIONER BAILEY: It reflects the rule
12 change, proposed rule change.

13 CHAIRMAN WROTENBERY: Then I will entertain a
14 motion that we adopt the order of the Commission approving
15 the proposed change in Rule 705.

16 COMMISSIONER BAILEY: I so move.

17 COMMISSIONER LEE: Second.

18 CHAIRMAN WROTENBERY: All in favor say "aye".

19 COMMISSIONER BAILEY: Aye.

20 COMMISSIONER LEE: Aye.

21 CHAIRMAN WROTENBERY: Aye.

22 Thank you very much, Ms. Hebert and Mr. Catanach.

23 (Thereupon, these proceedings were concluded at
24 9:55 a.m.)

25 * * *

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 November 10th, 2000.



STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 14, 2002

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

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

*Case No. 12522
Order No. R-11480*

**APPLICATION OF OIL CONSERVATION DIVISION TO AMEND DIVISION
RULE 705 TO RELAX THE PROVISION THAT GOVERNS AUTOMATIC
TERMINATION OF INJECTION AUTHORITY.**

ORDER OF THE COMMISSION

BY THE COMMISSION:

This case came on for hearing at 9 o'clock a.m. on November 8, 2000, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission." The Commission, a quorum being present, having considered the record,

FINDS THAT:

(1) Due public notice has been given and the Commission has jurisdiction of this case and its subject matter.

(2) Testimony indicated Rule 705 should be amended to extend from six months to one year the period of time an injection project can have no injection activity before the project is considered abandoned and the authority for injection is automatically terminated. Testimony indicated that a six-month period does not provide sufficient flexibility for operators to make business plans and decisions in regard to injection projects. Additionally, extending the period to one year makes this time period uniform with the more general provision for other types of wells pursuant to Rule 201.

(3) Rule 705 of New Mexico Oil Conservation Division Rules should be amended as shown on the attached Exhibit "A."

(4) It is necessary to adopt the amendments to Rule 705 set forth in the attached Exhibit "A."

IT IS THEREFORE ORDERED:

- (1) Rule 705 is hereby amended and adopted as set forth in the attached Exhibit "A."
- (2) Amended Rule 705 is effective as of the date of publication in the New Mexico Register.
- (3) Jurisdiction of this case is retained for the entry of such further orders as the Commission may deem necessary.
- (4) Done at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JAMI BAILEY, Member

ROBERT L. LEE, Member

LORI WROTENBERY, Chairman

S E A L

EXHIBIT "A"
CASE NO. 12522
ORDER NO. R-11480

705 COMMENCEMENT, DISCONTINUANCE, AND ABANDONMENT OF INJECTION OPERATIONS

A. The following provisions apply to all injection projects, storage projects, salt water disposal wells and special purpose injection wells:

B. Notice of Commencement and Discontinuance

(1) Immediately upon the commencement of injection operations in any well, the operator shall notify the Division of the date such operations began.

(2) Within 30 days after permanent cessation of gas or liquefied petroleum gas storage operations or within 30 days after discontinuance of injection operations into any other well, the operator shall notify the Division of the date of such discontinuance and the reasons therefor. No injection well may be temporarily abandoned for a period exceeding one year unless the injection interval has been isolated by use of cement or a bridge plug. The Director of the Division may delay the cement or bridge plug requirements above upon a demonstration that there is a continuing need for such a well, that the well exhibits mechanical integrity, and that continued temporary abandonment will not endanger underground sources of drinking water.

(3) Before any injection well is plugged, the operator shall obtain approval for the well's plugging program from the appropriate District Office of the Division in the same manner as when plugging oil and gas wells or dry holes.

C. Abandonment of Injection Operations

(1) Whenever there is a continuous one year period of non-injection into any injection project, storage project, salt water disposal well, or special purpose injection well, such project or well shall be considered abandoned, and the authority for injection shall automatically terminate ipso facto.

(2) For good cause shown, the Division Director may grant an administrative extension or extensions of injection authority as an exception to Subsection B, Paragraph (1) above of 19.15.9.705 NMAC.

[1-1-50...2-1-96; 19.15.9.705 NMAC - Rn, 19 NMAC 15.I.705, A, 11-30-00]

