

NEW MEXICO OIL CONSERVATION COMMISSION

COMMISSION HEARING

SANTA FE, NEW MEXICO

Hearing Date MAY 24, 1990 Time: 9:00 A.M.

NAME	REPRESENTING	LOCATION
<i>Walt Richardson</i>	<i>Abundant Energy</i>	<i>Farmington</i>
<i>Paul West</i>	<i>Unocal</i>	<i>Farmington</i>
<i>John F. Eichelman II</i>	<i>Burlington Resources Inc</i>	<i>Santa Fe, N.M.</i>
<i>Mike Bruter</i>	<i>Santa Fe Energy Operating Partners, L.P.</i>	<i>Midland</i>
<i>BOB SEILER</i>	<i>SANTA FE ENERGY OPERATING PARTNERS, L.P.</i>	<i>MIDLAND</i>
<i>Ed Marcum</i>	<i>EPNG</i>	<i>Farmington</i>
<i>John R. Maillie</i>	<i>EPNG</i>	<i>Farmington</i>
<i>Vernon D. Jager</i>	<i>Santa Fe Energy Operating Partners, L.P.</i>	<i>Midland</i>
<i>R. R. Keady</i>	<i>El Paso Natural Gas Co</i>	<i>El Paso TX</i>
<i>Maurice Thompson</i>	<i>Byrdine Co.</i>	<i>Santa Fe</i>
<i>Danell Smith</i>	<i>NWP</i>	<i>Salt Lake</i>
<i>Bob Glenn</i>	<i>Northwest Pipeline Corp</i>	<i>Salt Lake City, Utah</i>
<i>Larry Emmons</i>	<i>Amoco Production Co</i>	<i>Denver, CO</i>
<i>JIM COLLIER</i>	<i>AMOCO</i>	<i>HOUSTON, TX</i>
<i>Alan Wood</i>	<i>Amoco</i>	<i>Denver, CO</i>
<i>Jerry Seale</i>	<i>ORD</i>	<i>Holbrook</i>
<i>Carroll Crawford</i>	<i>EPNG</i>	<i>EL PASO, TX</i>

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W T Kellin	Kellin-Yellin-ambury	Santa Fe
LOUIS D. JONES	MERIDIAN Oil	Farmington
B. Olang	OCD	Alto
F. Seay	OCD	Hobbs
William L. Seay	Campbell & Black	Santa Fe
Jameson Kuehler	EXXON	Midland.
Bill Dalness	BLM	Santa Fe
Dave ROYER	OCD	Santa Fe
Wanda S. Nguyen	Capital News Reports	"
Brash King	Exxon	Midland
Victor Lynn	OCD	Santa Fe
Ernest L. Padilla	Padilla & Smyer	Santa Fe
JOE HILL	EXXON	MIDLAND

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

CASE 9944

COMMISSION HEARING

IN THE MATTER OF:

Application of the Oil Conservation Division on
Its Own Motion for an Order Amending Rule 0.1 by
Amending and Adding Certain Definitions and
Repealing Existing Rules 201, 202, 203 and 204 and
Adopting New Rules 201, 202, 203 and 204 of the
General Rules and Regulations of the Oil
Conservation Division.

ORIGINAL

TRANSCRIPT OF PROCEEDINGS

BEFORE: WILLIAM J. LEMAY, CHAIRMAN
WILLIAM WEISS, COMMISSIONER
WILLIAM HUMPHRIES, COMMISSIONER

STATE LAND OFFICE BUILDING

SANTA FE, NEW MEXICO

May 24, 1990

A P P E A R A N C E S

FOR THE OIL CONSERVATION DIVISION:

ROBERT G. STOVALL
Attorney at Law
Legal Counsel to the Division
State Land Office Building
Santa Fe, New Mexico

* * *

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1 WHEREUPON, the following proceedings were had
2 at 9:06 a.m.:

3 CHAIRMAN LEMAY: We will now call Case 9941
4 -- I'm sorry, 9944.

5 MR. STOVALL: Mr. Chairman, since I am the
6 attorney in that case, I'll let you call the case and
7 I'll move to a more appropriate location.

8 CHAIRMAN LEMAY: Fine. Case 9944, in the
9 matter of the Application of the Oil Conservation
10 Division on its own motion for an order amending Rule
11 0.1 by amending and adding certain definitions and
12 repealing existing Rules 201, 202, 203 and 204 and
13 adopting new Rules 201, 202, 203 and 204 of the General
14 Rules and Regulations of the Oil Conservation Division.
15 Appearances in the case?

16 MR. STOVALL: Mr. Chairman, Robert G. Stovall
17 of Santa Fe, representing the Oil Conservation Division
18 in this case, and I have three witnesses.

19 CHAIRMAN LEMAY: Okay, are there additional
20 appearances in the case?

21 Yes, sir?

22 MR. COLLIER: My name is Jim Collier with
23 Amoco Production Company, Houston, Texas.

24 CHAIRMAN LEMAY: We're happy to have you in
25 New Mexico, Mr. Collier, for Amoco.

1 Additional appearances in the case?

2 If not, Mr. Stovall, you may begin.

3 First, let's swear in the witnesses. Those
4 that will be giving testimony, please stand and raise
5 your right hand.

6 (Thereupon, the witnesses were sworn.)

7 CHAIRMAN LEMAY: Mr. Collier, do you have any
8 witnesses for the case --

9 MR. COLLIER: No --

10 CHAIRMAN LEMAY: -- or do you just plan to
11 make a statement?

12 MR. COLLIER: -- I just plan to make a
13 statement.

14 CHAIRMAN LEMAY: Fine.

15 MR. STOVALL: Mr. Chairman, what I'm passing
16 out at this time is the proposed rules, the new
17 proposed rules for adoption. There have been some
18 minor changes made in the rules from what was actually
19 published in the Application.

20 I have additional copies here if anybody
21 would care to look at them. I'll just leave them on
22 the table here.

23 My first witness is Jerry Sexton.

24

25

1 JERRY SEXTON,
2 the witness herein, after having been first duly sworn
3 upon his oath, was examined and testified as follows:

4 EXAMINATION

5 BY MR. STOVALL:

6 Q. Please state your name and place of
7 residence, Mr. Sexton.

8 A. Jerry Sexton, Hobbs, OCD District 1
9 Supervisor.

10 Q. And as the District 1 Supervisor of the OCD,
11 what are your responsibilities?

12 A. To enforce the Rules and Regulations of the
13 Oil Conservation Division.

14 Q. And I take it, then, you are familiar with
15 the Rules and Regulations?

16 A. Yes.

17 Q. And specifically, you are familiar with the
18 Rules and Regulations regarding the abandonment,
19 temporary abandonment of wells?

20 A. Yes.

21 Q. Have you testified before the Division or the
22 Commission previously and had your credentials
23 accepted?

24 A. Yes.

25 MR. STOVALL: Mr. Chairman, I'm offering Mr.

1 Sexton as a witness not in any particular technical
2 discipline, but rather the -- a supervisor of the OCD
3 responsible for enforcement and development of rules in
4 some cases, as in this case, and ask that he be
5 accepted as qualified for that purpose.

6 CHAIRMAN LEMAY: His qualifications are
7 acceptable.

8 Q. (By Mr. Stovall) Mr. Sexton, have you been
9 involved in the development and rewrite of rules
10 concerning the abandonment, plugging and temporary
11 abandonment of wells?

12 A. Yes, it was initiated in the area.

13 Q. Could you describe briefly for the Commission
14 the history behind what created the impetus to change
15 these rules?

16 A. Well, while the OCD does not want to see
17 wells plugged, in the last several years it's become
18 obvious that the State is taking on a large liability
19 and a lot of potential water contamination due to our
20 temporary abandoned wells. And our program that we had
21 was not working.

22 The companies also realized this, that the
23 bonds won't cover it. The companies have an asset if
24 they have a wellbore that's properly temporary
25 abandoned. If it's not properly temporary abandoned,

1 why, they have a large liability.

2 And what we're attempting to do is to have
3 the State turn these temporary abandonments from a
4 liability into an asset, as oil wells for the
5 companies.

6 We've found that if you leave a well
7 temporary abandoned, after so long you're going to have
8 a very hard time getting in to properly plug and
9 abandon the well. And when this happens, you lose
10 secondary and tertiary recovery, plus you have the
11 potential water contamination.

12 At the present time, we have some 9000 wells
13 in New Mexico that are temporary abandoned. From spot-
14 checking our records, I think this may be a little bit
15 high, but there's a tremendous number.

16 The last three or four years, the companies
17 have started setting bridge plugs and pressure-testing
18 the casing and leaving the wells in proper temporary
19 abandonment procedures.

20 And this is really what we're aiming for.
21 We'd like to see the wellbores saved but to have them
22 saved in such a way that they'll be able to be used in
23 future operations.

24 So what we're really requiring is a
25 mechanical integrity test of some sort. And we've

1 written out three -- or four -- ways you can get the
2 wells approved for temporary abandoned, and then we
3 give you a category that if you can come up with
4 another test that would satisfy us, we'll approve this.

5 Because --

6 Q. Mr. -- Go ahead.

7 A. Because there's so many wells in the state,
8 we've gone along with giving six months after rule to
9 get your wells in effect. But some of the companies,
10 we also don't have the equipment in the oil industry,
11 nor the people to temporarily abandon 9000 wells within
12 a six-month period.

13 So we're going to give the District
14 Supervisors approval that he could extend this date up
15 to two years.

16 If the company, say, has two or three hundred
17 wells to be temporarily abandoned, they can come in and
18 submit a time frame and when they're going to get on
19 them, which wells they're going to do, and they end up
20 being about a two-year frame.

21 So we feel like this is a -- While not
22 perfect, it's a realistic idea that within two, two and
23 a half years, we will be able to say that the liability
24 for the State is down, there's less chance of water
25 contamination, and we're just in better shape.

1 The BLM has been very cooperative, and we've
2 worked together on this, and they've agreed to regulate
3 and enforce this on federal lands.

4 Because of the timetable, I think it will
5 take a lot of cooperation between the state and federal
6 agencies. But cooperation is there, so I don't see
7 this as a problem.

8 Q. Mr. Sexton, let me at this point just ask
9 you, under the existing rules regarding temporary
10 abandonment, in your opinion, is there some lack of
11 clarity in -- as to the proper procedures for temporary
12 abandonment? Is there some question as to what is
13 required in the time frames for taking certain actions?

14 A. Well, it was set up in a fairly reasonable
15 manner, except after two years it had to come up for a
16 hearing. And to bring each temporary abandoned well up
17 for a hearing or let the Division look at it was
18 impractical, and for this reason the Districts gave two
19 years of temporary abandonment, which we were allowed
20 to do, and then from there on, nothing was ever done.

21 So we've got wells that -- Since 1975, I
22 think the rules came into effect, close in that area,
23 that have never been -- Companies submitted their
24 paperwork, and then nothing else was done. So we're
25 sitting out there with thousands of wells that have the

1 potential to be a problem for both the companies and
2 us.

3 Q. So -- And we'll get into the specifics of the
4 new rules in just a moment, but at this time what
5 you're saying is that because of the rather cumbersome
6 procedures that were required to continue temporary
7 abandonment, in fact, nothing has been done to insure
8 or protect some wells in the state; is that correct?

9 A. That's correct.

10 Q. Now, with respect to -- This rule addresses
11 -- The proposed rule changes address more than just
12 temporary abandonment, do they not?

13 A. Yes.

14 Q. They also address the permanent plugging and
15 abandonment of wells too; is that correct?

16 A. That's correct.

17 Q. And is it your understanding that that is --
18 the reason for addressing that is to clarify and put
19 into a more definitive form the requirements for
20 plugging and abandonment procedures to be undertaken?

21 A. When you changed one, I think it made it
22 necessary to change both to bring them all into a
23 standard that was clear and told the companies and the
24 regulatory body about what was happening and how.

25 Q. Mr. Sexton, I'm now going to ask you to turn

1 to specific rules, and you have a copy of the exhibit
2 which I've distributed this morning, do you not?

3 A. Yes.

4 Q. Let's look first at Exhibit Number 1, and
5 would you briefly summarize what Exhibit Number 1 is
6 and what it requests.

7 A. Well, it just states the definitions. And
8 they're fairly clear, but there has been a lot of
9 confusion on what people call -- one shut-in well may
10 be actually a temporary abandoned well in other
11 people's minds. And to clear it up for both the
12 industry and everyone, these definitions were installed
13 and will be used in our rules.

14 Q. Now, under the first proposal, the definition
15 of temporary abandonment, there is currently a
16 definition for that in the Rules, is there not?

17 A. Yes.

18 Q. And if I understand the current definition,
19 it describes the status of a well, based on the
20 activity criteria of a well as a state of suspended
21 operations.

22 And if I understand the change correctly,
23 what now happens is that a well is not a temporarily
24 abandoned well until it is actually approved as such by
25 the Division; is that correct?

1 A. That's correct, and some sort of a mechanical
2 integrity test has been performed and has been approved
3 by the Division.

4 Q. So there really is -- no longer will be a
5 judgment call as to whether a well is temporarily
6 abandoned or not --

7 A. That's --

8 Q. -- there will be some papers to show it?

9 A. That's correct.

10 Q. Under Exhibit 1, we propose to add two
11 additional definitions. Let me look at the second one
12 first, the definition of a shut-in well.

13 Review that, and I would note first, for the
14 Commission or for anybody who has a copy, that there
15 have been some changes made in this definition
16 subsequent to the filing of the Application with the
17 Commission, and on the exhibit which I have presented
18 today, the additions are noted with the underlining by
19 dots, and the deletions of words is noted by the
20 strikeout through the words themselves.

21 And what is the purpose of adding a
22 definition of a shut-in well, Mr. Sexton?

23 A. Well, it means that it can be brought back
24 into use and that it -- for some reason, it is shut in.
25 And this happens frequently in the industry, and we

1 just defined it after the change.

2 I don't know if you all have it, but it's
3 defined very simply: A shut-in well shall mean a
4 producing [sic] well or an injection well which is
5 temporarily closed down, whether by closing a valve or
6 disconnecting or other physical means.

7 So it means you may have potential use, but
8 at this moment it is not being used.

9 Q. And then we've added a definition of an
10 inactive well which -- is it not correct that the
11 purpose of this definition is to aid in defining when
12 the abandonment rules are required to become effective,
13 that is, when operators are required to take some
14 action?

15 A. That's true. And it just puts it on the
16 status that -- different from shut-in, that it's not
17 going to be used, and it's just being held, not for
18 beneficial use in the near future.

19 Q. Let's turn now to Exhibit Number 2, Mr.
20 Sexton. Exhibit Number 2 is the proposed new Rule 201.

21 And I might state in preface that the
22 Application does request the -- that the Commission
23 repeal the existing Rules 201, 202, 203 and 204, and
24 this is a completely new set of rules, not an amendment
25 to existing rules in this particular part of the rule

1 book.

2 Now, Mr. Sexton, would you just briefly
3 describe what is -- what Rule 201 proposes?

4 A. 201 gives you two things: Who is responsible
5 for the plugging of the well, and when the well is to
6 be plugged, what is the criteria for plugging and
7 abandonment of the well?

8 Q. And it's your opinion that the criteria
9 established in this rule are reasonable and sound and
10 should be adopted as a rule by the Commission?

11 A. Yes, I think they're reasonable and should be
12 adopted.

13 Q. Let's turn now to Exhibit Number 3, and would
14 you just again, just briefly give an overview to the
15 Commission of what is requested in Rule 202, the new
16 Rule 202 as proposed?

17 A. It's following a sequence. 201 told you when
18 to plug the well. 202 tells you how and the procedure
19 and, from the start of what you submit, how you plug
20 the well, where you get the information and what you
21 turn in after you plug it and what you expect to
22 restore the land and get your bond released.

23 MR. STOVALL: Again, Mr. Chairman, I would
24 note that there have been some minor changes noted in
25 the exhibit copy as presented in the same manner as

1 previously: The new words added have been underlined
2 with dots, and the words stricken have been lined out.

3 Q. (By Mr. Stovall) Mr. Sexton, do the
4 requirements as established under Rule 202
5 substantially change the requirements from the existing
6 rules regarding plugging of a well?

7 A. No, this is the way we now do the rule -- do
8 the plugging procedure, and I think this clarifies it
9 for everyone.

10 Q. Let's turn now to Exhibit Number 4, if you
11 would, Mr. Sexton, and please describe what the new
12 proposed Rule 203 provides.

13 A. Well, it pretty well talks about the
14 temporary abandonment procedure, and it -- It's fairly
15 well self-explanatory, we've gone over.

16 It also -- we went -- This rule, probably
17 more than any other, has outlined exactly what you can
18 do and what you can't do as far as mechanical integrity
19 tests, and we -- it gives us some option, and the only
20 thing it -- The approvals will be up to five years.
21 When we give you a permit after you test the well, we
22 can give a permit up to five years. And then with an
23 additional pressure test, like if you have a cast-iron
24 bridge plug, we can extend this another five years.

25 So we're not setting any time limit for you

1 to be able to temporarily abandon the well, but we'll
2 have time limits for you to test the well and make sure
3 it is in the proper conditions to -- to a temporary
4 abandonment.

5 The rule seems to be well written and
6 clarifies a lot of procedures.

7 Q. Now, if I understand, the testing we're
8 requiring and the procedures that we're requiring under
9 this proposed rule are outlined in Rule 203-B-2, and I
10 might read that into the record, to protect -- prevent
11 damage to the producing zone, migration of hydrocarbons
12 or water, contamination of fresh water or other natural
13 resources, and the leakage of any substance at the
14 surface.

15 Those -- Are those requirements that are
16 within the OCD statutory authority and that we're
17 required to prevent those types of harm from occurring
18 in general; is that --

19 A. Yes, uh-huh. I think -- Like I said before,
20 I think this -- This rule will finish up a very good
21 program. We have a good injection program, and with
22 this program I think we can tell the people in the
23 industry we're about as well any state.

24 Q. So it's your understanding that from a
25 testing standpoint what we're going to permit is that a

1 well would be tested and so long as it is in such a
2 condition to prevent these harms, it can be placed in a
3 temporary abandonment status. And each time permission
4 is requested, tests are required. And then it can be
5 continued in that status indefinitely, theoretically;
6 is that correct?

7 A. Yes.

8 Q. Now, if I understand from what you said
9 previously, one of the real substantial changes --
10 Well, there are two substantial changes from what has
11 been discussed. One is, the approval is up for -- up
12 to a period up to five years; is that correct?

13 A. Yes.

14 Q. Previously, if I understand you correctly,
15 they were short-term approvals of six months to a year
16 by the district, to a maximum of two years at which
17 time it had to go to hearing; is that correct?

18 A. Yes.

19 Q. Now, all hearings -- all approvals in this
20 case are now at the district level; is that correct?

21 A. That's correct.

22 Q. Now, is it your opinion that these procedures
23 are adequate to prevent the harms and protect the
24 resources that are identified in the rule?

25 A. Yes, I think after this is done, I think that

1 we will be protecting the fresh water in the producing
2 zones.

3 Q. In Subsection C of Rule 203, Mr. Sexton,
4 there are -- and I think you alluded to this in your
5 opening comments -- there are three different
6 provisions for specific tests; is that correct?

7 A. Yes.

8 Q. And it's your belief that in -- With the
9 exception of small letter c under paragraph 1, any of
10 these -- Actually, excuse me, there are four different
11 provisions for testing.

12 A. Yes.

13 Q. Provision c applies only to southeast New
14 Mexico, the San Andres Formation, but otherwise, any of
15 these tests can be used in the alternative to establish
16 the integrity of a well; is that correct?

17 A. That's correct. We put that one in for
18 southeast New Mexico, in, because we have some low-
19 pressure gas wells in the Jalmat, the Eumont, that
20 won't hold. If you put a full column of fluid in
21 there, you'll damage it, and if the fluid level is
22 below the base of the salt, you're some 1500 feet, 2000
23 foot below the fresh water, and water contamination
24 really would not be a problem, and you'd be within a
25 few hundred foot of the producing zones where you could

1 be properly flooded.

2 But it does seem a little different, but
3 because of the isolated case, it will work to assure
4 what we want.

5 Q. Now, in subsection C-2 of the rule, we've
6 also -- The proposed rules authorize additional tests
7 which may be approved by the Division; is that correct?

8 A. It just gives the operators, if he has some
9 special or unique situation, to come in to us and ask
10 for something different.

11 Q. Mr. Sexton, early in the morning, in your
12 early comments, you commented that we have had
13 discussions and worked with the Bureau of Land
14 Management in the adoption of these rules. Are you
15 familiar with any proposals they may have in that
16 regard?

17 A. Just somewhat. They also are concerned about
18 the liability on federal lands, same as the State, and
19 I think the same as the industry. Their rules are a
20 little ways behind us, but our rules are close enough
21 to theirs that I have the feeling that they will accept
22 ours on a long-term basis, even though they are
23 developing their own rules.

24 We're close enough, I believe, that we can
25 adopt the same rules, which makes it better for

1 regulatory bodies and for the industry, if you're
2 playing by one set of rules.

3 Q. Now, is it -- Do you have knowledge or an
4 opinion as to whether or not the testing procedures are
5 similar, requiring similar types of tests?

6 A. In the meeting we discussed the testings, and
7 I believe they are acceptable.

8 MR. STOVALL: I would note, information
9 that's subsequently become available, Mr. Chairman,
10 that perhaps -- I have a BLM witness that there is a
11 different pressure level at which they're currently
12 requiring, by the proposed rules, that they're going to
13 require, I believe it's 1000 pounds per square inch.
14 Possibly the BLM witness can testify as to those
15 differences and the significance of them.

16 And he will also testify as to where they
17 stand. I think it's important to be aware that
18 regulatory agencies are cooperating here.

19 I would also note that their proposed rules
20 talk about a three-year testing period rather than a
21 five-year.

22 Q. (By Mr. Stovall) And on that line, Mr.
23 Sexton, it is anticipated under these rules, if I'm not
24 mistaken, that the approval period would be up to five
25 years. It may be less if the tests indicate that the

1 wells should be looked at more frequently; is that
2 correct?

3 A. That's correct.

4 Q. Let's turn quickly to Exhibit Number 5 and
5 just briefly describe what Exhibit Number 5, which is
6 the proposed Rule 204, does.

7 A. Over the years we've had numerous wells
8 plugged, oil wells plugged, that have been converted to
9 fresh-water wells, and this gives a procedure to go
10 through and it clarifies it a little from the previous
11 rules.

12 Q. But it's not substantially different in --

13 A. No.

14 Q. -- in content, is it, from the previous
15 rules?

16 Mr. Sexton, based upon your review of these
17 rules and participation in the development of these
18 rules, do you think that they are in the interest of
19 conservation, the prevention of waste and the
20 protection of correlative rights?

21 A. Yes, I do.

22 Q. Do you believe that in adopting these rules
23 that the Commission has come up with a more efficient
24 and effective manner for the Division to carry out its
25 responsibilities in these areas?

1 A. Yes.

2 Q. And I take it, then, you recommend the
3 adoption of these rules by the Commission?

4 A. Yes, I do recommend they be adopted.

5 MR. STOVALL: I have no further questions of
6 Mr. Sexton.

7 CHAIRMAN LEMAY: Thank you, Mr. Stovall.

8 Additional questions of Mr. Stovall -- I mean
9 of the witness? Sorry, you're not the witness, Bob.

10 Jerry?

11 Does anyone have any questions?

12 If not, you may be excused. Thank you,

13 Mr. --

14 Yes, I'm sorry, Commissioner Weiss.

15 EXAMINATION

16 BY COMMISSIONER WEISS:

17 Q. Jerry, what does this do the validity of the
18 lease? Will a TA well hold a lease?

19 A. No. BLM has a -- and I think the State Land
20 Department has some shut-in provisions, that we're not
21 altering anything on a -- or giving any extension on a
22 temporary abandoned.

23 Where this will be used is mainly on mobile-
24 unit leases, like in old waterfloods, if you want to
25 hold the wells for possibly tertiaries and -- But it

1 does not have anything to do with lease rights.

2 MR. STOVALL: Mr. Commissioner Weiss, I might
3 point out that, in general, probably Mr. Sexton's
4 comments are correct. But what it takes to hold a
5 lease is determined by the terms and conditions of the
6 lease itself, and I don't think Mr. Sexton can actually
7 answer that generically as being entirely true.

8 The OCD, of course, is not concerned with
9 leases. We are not a lessor, and we do not have any
10 interest in a lease. So I think the more specific and
11 correct answer is that that would depend on the terms
12 of the lease between the operator, lessee, and the
13 lessor.

14 And I think I understand your concern is,
15 perhaps, that -- does this -- Is this going to have an
16 impact on that? And I believe the answer is probably
17 no. The conditions which would cause a well, for
18 example, to be temporarily abandoned may or may not
19 terminate the lease, whether or not the well is
20 temporarily abandoned, so -- But that answer has to be,
21 It depends on the lease.

22 EXAMINATION

23 BY COMMISSIONER HUMPHRIES:

24 Q. Mr. Sexton, I was going to wait a little bit
25 but I'll ask now because it may be easier than asking

1 you to come back.

2 On page 6, Tests Required --

3 A. Yes, sir.

4 Q. -- item subparagraph a, it's talking about a
5 pressure drop of not more than ten percent for 30
6 minutes.

7 Would you explain to me -- Is there an
8 existing standard of the ten percent? Does that mean
9 ten percent drop in 30 minutes?

10 A. Yes.

11 Q. Of not more than ten percent --

12 A. Right.

13 Q. -- for 30 minutes?

14 A. And I'll be honest with you: You're even
15 going to have this on a brand-new casing because of
16 casing collars and pins not quite right, so you can't
17 expect in actual theory to have one hole perfect.

18 And so for this reason we say ten percent,
19 and it will vary some. Most regulatory people's
20 feelings are, if you stay in there close you're better
21 off accepting a test that won't feed down and that you
22 can't pump into, than having to perforate the well and
23 leave your holes in the casing.

24 So these are guidelines, and you have to have
25 some leeway, because you just cannot achieve a hundred

1 percent integrity.

2 Q. Is this a test you use in any other place?

3 A. We use it on the original casing, and we use
4 300 pounds on the back side of the injection wells.

5 Q. On item -- On page 7, subsection d, A casing
6 inspection log confirming the mechanical integrity of
7 the production casing may be submitted -- doesn't that
8 need some additional definition as to the date of that
9 inspection log?

10 A. No -- well --

11 Q. Let's say, assume you have an inspection log
12 that's 20 years old. Are you going to accept that?

13 A. We will only give up to five years from the
14 date of the log, and this is the same way we're going.
15 Because the companies have been pressure-testing the
16 wells, knowing this rule this rule is going to affect
17 for the last, say, year and a half. I've been on a
18 going heading except up to five years from that date
19 that they pressure-tested it within the last year and a
20 half.

21 But you'll have to submit a test within a
22 five-year period, and if it was five years ago, you'd
23 have to retest it now. So --

24 Q. Well, I would suggest, then, that we ought to
25 put that language in subsection d, a casing inspection

1 log not older than five years.

2 MR. STOVALL: If I may follow up with that,
3 Mr. Chairman?

4 FURTHER EXAMINATION

5 BY MR. STOVALL:

6 Q. Perhaps, if I understand your statement, Mr.
7 Sexton, what we need -- perhaps need to do is in
8 subsection B, paragraph 6, not more than five years
9 from the date of the test, rather than date of
10 approval. Would that satisfy you, Mr. Humphries?

11 I think Mr. Sexton was saying regardless of
12 the type of test, whether it's the log or a pressure
13 test, you're going to look at a date as being five
14 years --

15 A. Maximum.

16 Q. -- from that test, correct?

17 A. Correct, and I think we'll run into this
18 maybe only for a one- or two-year period until we get
19 all these old ones plugged that there will be any
20 exceptions, and then -- We probably should clarify that
21 the test that they submit for this will have to be done
22 at this time.

23 MR. HUMPHRIES: I think the language has got
24 to be beyond paragraph 6. I mean, I don't think that's
25 very -- the same question I had. The expiration date

1 of the permit should not be more than five years old.

2 MR. STOVALL: How about a language in the
3 paragraph -- subsection C, paragraph 1, some language
4 in "The following methods of demonstrating casing
5 integrity may be approved," and put some -- some
6 requirement for the currency of the test. Is that more
7 in line with what you're looking for?

8 COMMISSIONER HUMPHRIES: Well, I'm -- That's
9 what I'm trying to get at.

10 MR. STOVALL: Okay.

11 COMMISSIONER HUMPHRIES: It's talking about
12 the age of the -- in these tests, so I assume that you
13 want some relative currency to the tests.

14 THE WITNESS: Yes, sir.

15 Q. (By Mr. Stovall) Would that be acceptable,
16 Mr. Sexton? We'd have to modify the language. I
17 can't --

18 A. I don't --

19 Q. -- do it on my feet right here.

20 A. It would probably clarify it, but I do think
21 that's a valid point, Bill.

22 MR. HUMPHRIES: I have no further questions
23 of the witness.

24 CHAIRMAN LEMAY: Thank you, Mr. Humphries.

25 Additional questions of the witness?

1 If not, he may be excused.

2 You may call your next witness, Mr. Stovall.

3 MR. STOVALL: Call Mr. Frank Chavez.

4 FRANK CHAVEZ,

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

7 EXAMINATION

8 BY MR. STOVALL:

9 Q. Please state your name and place of
10 residence.

11 A. My name is Frank Chavez. I live in Aztec,
12 New Mexico.

13 Q. And how are you employed, Mr. Chavez?

14 A. I'm District Supervisor for the District 3 of
15 the Oil Conservation Division.

16 Q. And is it safe to assume that your duties are
17 similar to those of Mr. Sexton in that capacity?;

18 A. Yes, they're the same.

19 Q. And you are familiar with the Rules and
20 Regulations of the Division?

21 A. Yes, I am.

22 Q. You're responsible for enforcement thereof?

23 A. Yes.

24 Q. And are you familiar with the current rules
25 regarding abandonment and plugging, and the proposed

1 rules?

2 A. Yes, I am.

3 Q. And just in a broad overview -- I'm not going
4 to ask you to repeat everything Mr. Sexton has said --
5 is it your opinion that adoption of these rules by the
6 Commission with the suggestions that have been noted is
7 in the interest of conservation, the prevention of
8 waste and protection of correlative rights?

9 A. Yes, I agree with that.

10 Q. Do you have any specific suggestions with
11 respect to changes, linguistic or substantive changes
12 in any of the rules?

13 A. Yes, I do.

14 On Exhibit Number 1, the definition for a
15 shut-in well, I would like to see as a definition for
16 shut-in status something to the effect that shut-in
17 shall be the status of a production well, and then
18 continue as it's further taken because under our other
19 reporting requirements, we do require that the operator
20 report the status of a well. And he has the option of
21 reporting whether it's temporarily abandoned or shut-in
22 on forms such as the C-115 Monthly Operator's Report of
23 Production.

24 Also under shut-in, there should be some time
25 requirement, because some wells normally operate during

1 a month in a condition where they would, say, operate
2 for a week or a few days of the month and then be shut
3 in the rest of the month. For practical purposes, that
4 should be a producing well, not a shut-in well. And
5 should the well not be used, produced or injected into
6 over a reporting period, then the appropriate status
7 would be on the operator's report as shut-in.

8 Q. Let me -- Let me interrupt you here and see
9 if I understand what you're saying. What you're
10 suggesting is -- Part one of your suggestion is that
11 shut-in be the status of the well, status being an
12 officially reported condition of a well, an operator's
13 monthly report; is that correct?

14 A. That's correct.

15 Q. And that's different, say, for example,
16 inactive well is not a status as reported. Inactivity
17 refers to what's happening, actually out in the field
18 with the well; is that correct?

19 A. That's right.

20 Q. And then if I understand the second part of
21 what you're saying, is that only if a well is shut-in
22 for an entire reporting period should it be reported as
23 a shut-in well?

24 A. That's right.

25 Q. If it is open at all to a line or a tank or

1 being used for injection at any time during the
2 reporting period, then it would be reported as a
3 producing or injection well?

4 A. Yes.

5 Q. Are there any other suggested changes that
6 you have to any of the rules?

7 A. Yes, under Exhibit 3, Rule Number 202, part
8 A, line 3, there should be a reference to Rule 1103 to
9 the effect that prior to the commencement -- or in --
10 the line 3, which starts, "...the operator prior to the
11 commencement of plugging operations," we should have a
12 reference, "in accordance with Rule 1103."

13 MR. STOVALL: And I might note for the
14 Commission that similar changes were made in other
15 provisions in the rule regarding reporting.

16 Most of the reporting in this particular rule
17 is done on Rule 103 -- on Form C-103. In all other
18 cases where we've required reporting on a form, if you
19 look at Rule 1103, it specifies the information
20 required in reporting any particular activity under
21 that report, including plugging and abandonment.

22 Q. (By Mr. Stovall) Mr. Chavez's comments are
23 in line with keeping that consistent with the rules; is
24 that correct?

25 A. Yes.

1 On Exhibit 4, Rule 203, part A, line 6, it
2 starts, "Prior to the expiration period..." The
3 "Temporary Abandonment Permit" is capitalized and gives
4 the appearance of being a proper name for a form or
5 permit, and the wording can be changed, something like:
6 "Prior to the expiration of any approved temporary
7 abandonment," would be more in line with the wording
8 that will be appropriate.

9 Also, the last line of section A, where it
10 starts, "...or apply..." could be worded, "...or apply
11 for a new approval to temporarily abandon the well,"
12 rather than a permit. There is no permit form, as
13 such. It's Form C-103, which will give the approval.

14 Q. An approved C-103 is what the operator has
15 showing that the temporary abandonment is okay with the
16 Division; is that right?

17 A. That's correct.

18 Q. As opposed to being a separate form
19 identified as temporary abandonment?

20 A. That's correct. It eliminates some
21 confusion, I think.

22 Also under part B, number 1, we have the same
23 effect on the first line there with the capitalization
24 of "Temporary Abandonment" and the word "permit."

25 It could be worded, "Any operator seeking

1 temporary abandonment approval shall submit on Form C-
2 103."

3 Under part 2, again we use the word "permit,"
4 and we can strike -- on that first line, strike the
5 words "permit for" so that it would read, "No temporary
6 abandonment shall be approved." It would clear up
7 confusion with the operators who are trying to seek a
8 permit form.

9 Q. I assume that would -- that your comments,
10 then, would apply anyplace in this rule that we talk
11 about temporary abandonment or a temporary abandonment
12 permit with capital letters?

13 A. That's correct.

14 Q. Refer to it as an approval of the temporary
15 abandonment, rather than as, you're saying, what
16 appears to be a document called by this name?

17 A. That's right. And those are the only
18 comments I have on the wording of the...

19 MR. STOVALL: I have no further questions of
20 Mr. Chavez.

21 CHAIRMAN LEMAY: Thank you, Mr. Stovall.

22 Questions of the witness?

23 Only one thing I might add that looks like a
24 typographical error, just for the record. "Integrity"
25 is spelled wrong on page 7, item d. It's a typo.

1 MR. STOVALL: Page 7, item which?

2 CHAIRMAN LEMAY: d, "mechanical integrity."

3 MR. STOVALL: Well, we won't mention the fact
4 that the Division attorney did his own typing in these
5 particular rules, but he will correct that.

6 CHAIRMAN LEMAY: Thank you.

7 No further questions?

8 I'm sorry, is there a question out there?

9 Yes, sir?

10 MR. MARTIN: Ed Martin, El Paso Natural Gas.

11 Frank, in your discussion, and with the new
12 order as written, each one of the district offices in
13 the Hobbs area and Aztec has a form that they require
14 that the transmission company file for a new
15 connection, reconnection and also a disconnection.
16 This is never referred to in this new order.

17 What is your interpretation that we as a
18 transporter company be responsible for the filing of
19 this form?

20 THE WITNESS: Yesterday at the Gas Proration
21 Committee meeting, we discussed the issue of forms to
22 be filed by transporters, including not just first
23 delivery but disconnection notices, and the Gas
24 Proration Committee will -- or at least some people who
25 are looking at rules for forms are going to be drafting

1 a Rule 1135, I think, which will deal with
2 responsibility of the transporters for filing reports,
3 which would include a report which indicates that the
4 transporter has disconnected the well from the line.

5 At that point, it becomes the operator's
6 responsibility under these rules to report that the
7 well has been mechanically or physically closed down
8 and -- or the operator is responsible for that report
9 requests a temporary abandonment status.

10 MR. MARTIN: During that process they will
11 consist of form number two, just like that?

12 THE WITNESS: I don't understand your
13 question.

14 MR. MARTIN: There is not official
15 documentation that identifies this as a state form.
16 That would surely help.

17 THE WITNESS: Under Rule -- or proposal for a
18 new Rule 1103, the form which the pipeline would file
19 would have an official number and would be identified
20 for those purposes.

21 MR. MARTIN: Thank you.

22 CHAIRMAN LEMAY: Thanks, Ed. Additional
23 questions of the witness?

24 If not, he may be excused.

25 You may call your next witness, Mr. Stovall.

1 MR. STOVALL: I'd like to call Mr. Bill
2 Dalness, please.

3 BILL DALNESS,
4 the witness herein, after having been first duly sworn
5 upon his oath, was examined and testified as follows:

6 EXAMINATION

7 BY MR. STOVALL:

8 Q. Mr. Dalness, would you please state your name
9 and place of residence?

10 A. My name is Bill Dalness. I'm -- I live in
11 Santa Fe, New Mexico.

12 Q. And how are you employed, Mr. Dalness?

13 A. I'm a geologist with the Bureau of Land
14 Management, and the BLM, New Mexico State Office.

15 Q. And you're involved in the -- You're in the
16 Fluids Division; is that correct?

17 A. That's correct, the Branch of Fluid Minerals
18 and the Division of Mineral Resources.

19 Q. And have you had any involvement or
20 participation at all in discussions with the OCD
21 regarding these proposed rules and the BLM activity
22 regarding abandonment, temporary abandonment
23 procedures?

24 A. Yes, I have.

25 Q. And so you are familiar with both the OCD

1 Rules and with what the BLM is proposing; is that
2 correct?

3 A. I am, yes.

4 MR. STOVALL: Mr. Chairman, I'm not offering
5 Mr. Dalness for any particular technical expertise, but
6 rather just to summarize what the relationship between
7 the BLM and OCD has been and discuss in general some
8 differences in the rules, and I therefore offer him for
9 that purpose, and I don't know that I need your
10 approval but I'll ask for it anyway.

11 CHAIRMAN LEMAY: I'll certainly qualify him
12 as an expert witness.

13 Q. (By Mr. Stovall) Mr. Dalness, would you just
14 start out by just briefly telling the Commission what
15 has happened from the BLM standpoint as far as their
16 activities with temporary abandonment and the
17 coordination with the OCD?

18 A. Is it okay if I read this statement, because
19 I do think the statement explains the position very
20 well, you know.

21 Q. Yes, that's fine.

22 A. Yes.

23 "The Bureau of Land Management, New Mexico
24 State Office, has over the past several months reviewed
25 the development of the revised OCD rules concerning

1 abandonment of State and fee wells. BLM has
2 independently developed a proposed Onshore Oil and Gas
3 Order to supplement the Federal regulations concerning
4 abandonment of Federal wells. The objective of BLM's
5 involvement in the OCD rules has been to suggest
6 conformance as much as possible between the OCD rules
7 and the BLM proposed Order concerning the abandonment
8 of Federal wells. Consistency in the BLM and OCD rules
9 will facilitate operator compliance as well as
10 administration and enforcement by both agencies.

11 "The BLM recently completed draft Onshore Oil
12 and Gas Order Number 8, entitled 'Well Completions,
13 Workovers, and Abandonments' which will supplement the
14 Federal Onshore Oil and Gas Operations regulations at
15 43 CFR 3160. This Order addresses the requirements for
16 abandonment of Federal wells. This Order will be
17 published as proposed rulemaking in the Federal
18 Register, hopefully --" I just added that word,
19 "hopefully." "-- by September 30, 1990. Copies of the
20 proposed Order," which you may comment on, "may be
21 obtained after it is published from the Bureau of Land
22 Management, New Mexico State Office..."

23 Q. And it's your understanding, and you are
24 aware, that the BLM and the OCD technical staffs have
25 had some discussions regarding some of the specific

1 provisions; is that correct?

2 A. That is correct.

3 Q. And are you in a position that you can
4 comment on some differences between -- and we
5 understand it's a proposed order that is not even yet
6 published for comment, and these rules which are
7 proposed for adoption by the Commission today.

8 I believe we discussed with Mr. Sexton
9 earlier the issue of permit time. Now, it's my
10 understanding, and correct me if I'm wrong, that under
11 the statutes, your permit can actually only be issued
12 for a year, but that the BLM is looking at a three-year
13 test period for wells, even though they be permitted
14 annually; is that correct?

15 A. That's correct, and that is the way the Order
16 is expected to read when it is published as proposed
17 rulemaking.

18 Q. And I believe there also was some comment
19 that the BLM pressure-test limits are different from
20 those proposed by the OCD; is that correct?

21 A. Correct. We expect when it's published that
22 it will be 1000 p.s.i., as opposed to the 500 in the
23 OCD rule.

24 Q. And are there any other differences of any
25 substantive nature between that --

1 A. Well, those are the only three that come to
2 mind, to my mind at this time. There are probably
3 others, but these seem to be the three most important
4 ones.

5 I also want to mention that the order is not
6 just abandonments. It does, of course, involve other
7 completions and work orders on federal wells.

8 Q. And just so there's no ambiguity in the
9 record about this issue, once that Order is published
10 in the Federal Register, then that is subject to
11 comment and then possible revision after comments --

12 A. That is correct.

13 Q. -- are submitted; is that correct?

14 And I would note for the record that, having
15 participated in the discussions with the BLM, that
16 there may be some comments submitted with respect to
17 the three-year/five-year test period. It's just simply
18 at this point a difference which is not based upon any
19 substantial technical differences of opinion, but
20 rather an approach to the procedure.

21 And I would also comment that this is -- and
22 perhaps, Mr. Dalness, you can confirm -- just one of
23 several examples of where the BLM and OCD have
24 cooperated to try to create some uniformity between the
25 operation on state fee lands and federal and indian

1 lands in the State of New Mexico, correct?

2 A. Indeed.

3 MR. STOVALL: I have no further questions of
4 Mr. Dalness.

5 THE WITNESS: Can I --

6 CHAIRMAN LEMAY: Mr. Dalness?

7 THE WITNESS: I have some minor technical
8 suggestions I would like to bring forward and --

9 Q. (By Mr. Stovall) Oh, I'm sorry. I do have a
10 question. Do you have some minor technical changes
11 that you'd like to recommend for the rule? I'm sorry.
12 Please?

13 A. Yes. These are suggestions, again, in
14 keeping with the interaction we've had in the
15 development of these regs, or these rules, proposed
16 rules.

17 On Exhibit 3, Rule 202, Plugging and
18 Permanent Abandonment, A, Notice of Plugging, to be in
19 conformance with federal regulations we suggest that
20 not only is a notice of intention to plug filed but
21 that a wellbore diagram also be made available.

22 This is done on federal wells, and we as
23 administrators find this very valuable. This is a
24 suggestion.

25 Under B, Plugging, on Rule 202, we also

1 suggest that the operator give the OCD 24-hour notice
2 prior to plugging. This would be consistent with a 24-
3 hour notice that you're requiring under a -- under
4 202 -- -3-b for temporary abandonment.

5 And the last suggestion we have is under 204,
6 Wells to be Used for Fresh Water. The statement is
7 made, "...the well need not be filled above the sealing
8 plug..."

9 We believe a better word there would be
10 "plugged," if indeed that's what you mean.

11 I have no other comments.

12 MR. STOVALL: Now I have no further
13 questions.

14 CHAIRMAN LEMAY: You can leave any further
15 comments you'd like to say, Mr. Dalness.

16 THE WITNESS: That's all I have.

17 CHAIRMAN LEMAY: Would you submit the
18 questions?

19 Are there any questions of Mr. Dalness?

20 Commissioner Humphries?

21 EXAMINATION

22 BY COMMISSIONER HUMPHRIES:

23 Q. Mr. Dalness, I didn't get completely what you
24 said in your -- in Rule 204 --

25 A. Yeah.

1 Q. -- where you said "...filled above the
2 sealing plug..."

3 A. Yeah, "...the well need not be filled above
4 the sealing plug..."

5 Now, I am not a petroleum engineer and don't
6 claim to be technically competent, perhaps, in this
7 particular statement. But I've been told that the word
8 "plugged" may be a better word there. "Filled" may
9 be -- give a wrong impression. We're suggesting that
10 the word "filled" be replaced by the word "plugged."

11 Q. Oh. And on your suggestion that the Bureau
12 of Land Management's test be performed at a level of
13 1000 pounds per square inch, versus 500 pounds per
14 square inch, which is the suggestion of this rule, was
15 there some difference in opinion about why doubling the
16 pressure would --

17 A. I cannot speak to that. I was not involved
18 actively in the development of that Order, and I do
19 want to let everybody know that when that is published,
20 it's open to comments, and at that time concerns along
21 those lines should be expressed to the BLM.

22 COMMISSIONER HUMPHRIES: Thank you. I don't
23 have any further questions.

24 COMMISSIONER WEISS: I don't have any
25 questions.

EXAMINATION

BY CHAIRMAN LEMAY:

Q. Mr. Dalness, you gave three -- I guess I missed one --

A. Okay.

Q. -- three areas of difference between --

A. Yeah.

Q. -- the OCD. One was 1000 --

A. Right.

Q. versus 500 --

A. That's right.

Q. Three-year versus five-year test period, and what was the third?

A. The one-year approval time, the three-year versus the five-year testing, and the other one is the pressure difference we just mentioned, the 1000 versus the 500.

Q. Well, I had -- I had that, and I also had the three-year test period versus five-year.

A. We -- We approved temporary abandonment for one year. You are up one year at a time.

Q. I see.

A. You are up to five years.

MR. STOVALL: Mr. Chairman, I think there's a difference there. That they've got a bifurcated

1 process, if you will. The testing process is not
2 necessarily tied to the permit process, because the BLM
3 just -- largely because of statutes, so that's the
4 intention.

5 CHAIRMAN LEMAY: All right, thank you.

6 Additional questions of the witness?

7 If not, he may be excused.

8 Do you have additional testimony?

9 MR. STOVALL: I have nothing further. I'm
10 done.

11 CHAIRMAN LEMAY: At this time we will take
12 comments.

13 Yes, sir? For Amoco, Mr. Collier?

14 MR. COLLIER: Commissioners, Amoco Production
15 Company appreciates being heard in this matter.

16 Amoco supports the proposed 200-series rule
17 changes, but we believe that the accompanying
18 amendments to Rule 0.1 Definitions should be further
19 revised prior to their adoption.

20 The definition of temporary abandonment is
21 proposed as "the status of a well which is inactive and
22 has been approved for temporary abandonment in
23 accordance with the provisions of these rules."

24 In turn, the proposed definition of "inactive
25 well" is "a well which is not being utilized for

1 beneficial purposes such as production, injection or
2 monitoring and which is not being drilled, completed,
3 repaired or worked over."

4 "Shut-in well" is proposed as meaning "a
5 production well which is capable of production but is
6 not currently producing, or an injection well which is
7 not currently being used for injection. Wells with no
8 production or injection volumes for a given reporting
9 period shall be reported as shut-in on the appropriate
10 report filed with the Division."

11 The term "inactive well" is applicable to
12 wells that would be included in the proposed terms
13 "temporary abandonment" and "shut-in well."

14 From a reporting standpoint, such as on Form
15 C-115, the difference between these latter two
16 categories is reflective of the time period a well has
17 been an "inactive well" and whether or not "temporary
18 abandonment" approval has been obtained.

19 If a well has had no activity for less than
20 12 months it would be an "inactive well" reportable as
21 a "shut-in well" unless "temporary abandonment" had
22 been approved by the Division. If a well has not been
23 active for 12 months or more then it must be plugged
24 and abandoned unless "temporary abandonment" status
25 approval has been obtained.

1 The inclusion of a separate definition of
2 "shut-in well" is confusing, and we believe it to be
3 unwarranted. The addition of that definition may
4 simply lead to controversy between lessors and lessees
5 with respect to shut-in provision of their leases, and
6 adds nothing beneficial to OCD rules.

7 Therefore, Amoco recommends that no
8 definition of "shut-in well" be included in the rules
9 and that the proposed definitions be revised to read as
10 follows:

11 "Temporary abandonment" shall be the status
12 of a well which has been approved for temporary
13 abandonment in accordance with the provisions of these
14 rules.

15 An "inactive well" shall be a well which is
16 not being utilized for beneficial purposes such as
17 production, injection or monitoring and which is not
18 being drilled, completed, repaired or worked over.
19 Wells with no production or injection volumes for a
20 given reporting period shall be reported as shut-in or
21 temporarily abandoned on the appropriate form,
22 including Form C-115, filed with the Division.

23 To summarize, we are basically reducing the
24 definitions to the fact that a temporarily abandoned
25 well is always an inactive well, but an inactive well

1 is not necessarily temporarily abandoned. An inactive
2 well has either a shut-in well status or a temporary
3 abandoned well status.

4 CHAIRMAN LEMAY: Is that the conclusion of
5 your statements --

6 MR. COLLIER: Yes, Mr. --

7 CHAIRMAN LEMAY: -- and recommendation?

8 Thank you, Mr. Collier.

9 Are there additional statements in the case?
10 Comments?

11 If not, we --

12 MR. STOVALL: Mr. Chairman, I'd like to point
13 out --

14 CHAIRMAN LEMAY: Mr. Stovall?

15 MR. STOVALL: -- that in case anybody wants
16 to make comment, because this is a rulemaking it is not
17 necessary that it be done in a formal sense nor that
18 they be sworn. If any additional parties wish to make
19 comments at this time, procedure would permit them to
20 do so without being sworn, just as opinion comment.

21 CHAIRMAN LEMAY: All right. Not only that, I
22 think the Commission will leave the record open in this
23 case for 15 days for further written comment concerning
24 our proposed rules and regulations.

25 At that time, we shall take the case under

1 advisement.

2 Yes, sir, Mr. Sexton?

3 MR. SEXTON: I might clarify a few of the
4 differences we discussed with the BLM in the proposed
5 regulations.

6 We went with a five-year period based on EPA
7 approval of a five-year mechanical-integrity test for
8 injection wells, which is consistent with our total
9 policy.

10 And on the 500-pound pressure tests, you have
11 to consider that BLM operates offshore, onshore. We're
12 low-pressure reservoirs in New Mexico, compared to some
13 of the others, and this is where we came up with the
14 difference.

15 If you were trying to get one set of
16 pressures for the entire nation, ours might not be
17 right. So we did consider these factors, and that's
18 where our differences stem from.

19 CHAIRMAN LEMAY: Thank you for the
20 clarification.

21 Additional comments concerning the case?

22 We shall leave the record open 15 days for
23 additional written comment, close the record and take
24 the case under advisement.

25 Thank you very much, Mr. Stovall.

1 (Thereupon, these proceedings were concluded
2 at 10:10 a.m.)
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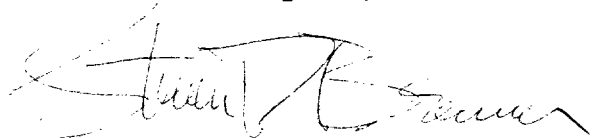
CERTIFICATE OF REPORTER

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

I, Steven T. Brenner, Certified Shorthand 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 May 26, 1990.



STEVEN T. BRENNER
CSR No. 106

My commission expires: October 14, 1990