

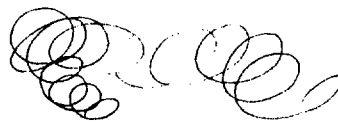
CASE 8645

ADDITIONAL REQUIREMENTS OF NOTICE FOR DIVISION RULE 102

All applications to drill shall be accompanied by a plat (Form C-102) which shall show any other well located on the same quarter - quarter section as the proposed well. No permit to drill shall be approved unless accompanied by a statement that the operator of any such well on the same quarter - quarter section has been given written notice of the proposed application to drill.

EXHIBIT AA

○ Rule Changes



Application of the OCC on its own motion to amend Rule 0.1, Rule 1, Rule 2, Rule 3, ~~Rule 7~~ <sup>Rule 710</sup> ~~to~~ <sup>to</sup> define ~~the definition of~~ fresh water and produced water and to provide for protection of fresh water.

Application

to promulgate a new Rule ~~102~~ <sup>8</sup> to provide for the approval of the use of lined pits or below grade tanks for disposal or storage of produced water and other oil field fluids.

Application - - -

Case 8645

to amend Rule 102 to provide for notice to landowners and/or tenants prior to the staking of well locations.

Application - -

to amend Rules 108 and 113 to provide for notice ~~to~~ <sup>of</sup> defective casing and <sup>leakage to</sup> damage to casing, cement, or the formation as the result of well treatment.

Application

The need

to ~~delete~~ <sup>delete</sup> Rule 308 in order to clarify ~~the need~~ <sup>for</sup> reporting small volumes of produced water.

Application

to amend Rule 111 to provide for operator calculation of maximum ~~duration~~ <sup>displacement</sup> of the bottomhole displacement when the ~~bottomhole displacement~~ <sup>displacement</sup> is ~~less than~~ <sup>less than</sup> 100 feet.

Copies of the proposed rule changes,  
~~a~~ deletions, and new rules are available  
at ~~the~~ Oil Conservation Division office in  
Santa Fe, Hobbs, Artesia, and Aztec.

For presentation to Oil Conservation Commission  
From Mr. Losee - 746-3508

— Abo - 1160 (50%)  
— Abo - 320 (25%)  
(no pooling)

Order R-6873, upheld by the Supreme Court of New Mexico, pooled all mineral interests through the Ordovician formation underlying West/2 Section 18, Township 9 South, Range <sup>27</sup> East, designated Harvey E. Yates Co. as Operator <sup>of the unit</sup> and authorized 200% Risk Charge. Harvey E. Yates Co. drilled and completed its Seymour State #1 Well and in the SWNW/4 Section 18, dually completing the well in the Atoka and Abo formation. <sup>Jack J.</sup> Grynberg, the owner of the East/2 NW/4 has <sup>remained nonconsent</sup> not paid any part of the costs of drilling and completing the Seymour State #1 Well. At this time, Harvey E. Yates Co. has not recovered its costs, much less the 200% risk charge. Harvey E. Yates Co. offered to farm out to Jack J. Grynberg its interest in the West/2 of Section 18 subject to its vested rights in the Seymour State #1 Well, reserving a net overriding royalty interest of 6%, without any back-in requirements. <sup>- no agreement reached</sup>

→ Harvey E. Yates Co. objects to the application <sup>if it is not related to</sup> insofar as it ~~proports to~~ substitute Grynberg as Operator of the Seymour State #1 Well and the spacing unit on which it is located on the grounds that until pay out of costs and risk charge the Commission has not power to divest Harvey E. Yates Co. of its vested interest in the Seymour State #1 Well.

Harvey E. Yates Co. objects to the forced pooling of rights from surface to the base of the Abo. Under 70-2-17(C) the party who proposes to <sup>pool for the</sup> drill a well must have the right to drill the well. Harvey E. Yates Co. submits that Grynberg does not have the right to drill the well in <sup>the</sup> SW/4 insofar as it effects formations from the

<sup>base</sup>  
surface to the ~~top~~ of the Abo.

*Furthermore (*

There is nothing in Order R-6873 or in the Notice of Hearing thereon which even proports to creating a non-standard unit in the Abo for the Seymour State #1 well. If Mr Grynberg claims an interest in the Abo formation under the SW/4 by reason of his ownership of the East/2 NW/4, then Grynberg will have to reduce his interest in the Abo formation in Seymour State #1 well from 1/2 to 1/4.

*- Grynberg - rights in SW/4*



Texaco USA  
Producing Department

P.O. Box 3109  
Midland TX 79702

September 17, 1985

New Mexico Oil Conservation Division  
P. O. Box 2088  
Santa Fe, New Mexico 87501

Attention: Mr. R. L. Stamets

Gentlemen:

In light of the Commission's reopening of Case No. 8645 (to amend Rule No. 102), Texaco reiterates its opposition to the proposed regulatory requirement for operator notification to landowners and/or tenants prior to the staking of a well location. No matter how reasonable and desirable this proposal may seem, it nevertheless exceeds the statutory charge to, and authority of, the Oil Conservation Division. It therefore should not be made a part of the Commission's regulations.

Even if there were a statutory basis for this new regulation, Texaco would oppose it as being impractical. While we customarily contact the landowner of record before actual work on a location is begun, we can see no reason why he needs to be located and notified before a well is staked. For various reasons, the originally staked location is often not where the well is ultimately drilled (if it ever is drilled). Furthermore, there may be considerable delay between the time a well is staked and the time location preparation begins. This may make it necessary for the operator to have to notify the landowner a second time (or third time, if the stake has been moved) for the same location.

Finally, Texaco fails to see any reason why an operator should be required to notify both a landowner of record and his tenant. We believe that any notification to a tenant is the obligation of the landowner rather than the operator.

It is therefore recommended that the unnecessarily burdensome landowner/tenant notification requirements of proposed Rule 102(c) be deleted.

Yours very truly,

Allan W. Dees  
Regulatory Compliance Manager

AWD:cjc



# United States Department of the Interior

IN REPLY REFER TO:

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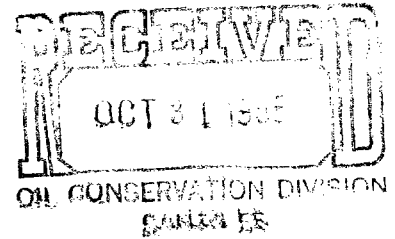
## BUREAU OF LAND MANAGEMENT NEW MEXICO STATE OFFICE

Post Office and Federal Building

P.O. Box 1449

Santa Fe, New Mexico 87504-1449

OCT 29 1985

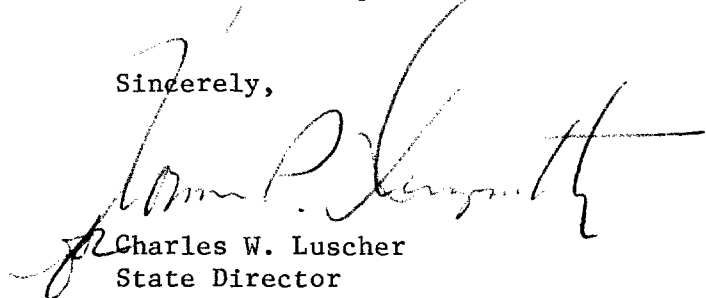


Mr. Richard L. Stamets  
Director  
Oil Conservation Division  
P.O. Box 2088  
State Land Office Bldg.  
Santa Fe, NM 87504

Dear Mr. Stamets:

The Bureau of Land Management supports proposed Rule 102(c) which requires that the operator give notice to the surface owner prior to staking a well. This will bring non-Federal lease operations procedures more in line with Federal lease operations procedures which require that operators reach an agreement with the surface owner prior to commencing operations. As a surface management agency for certain Federal lands where oil and gas is reserved and leased by the State or a private party, the proposed rule will allow BLM to advise the operator of possible surface resource conflicts prior to the commencement of operations.

Sincerely,

  
Charles W. Luscher  
State Director