

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. 10,907

HEARING CALLED BY THE)
 OIL CONSERVATION DIVISION)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGSCOMMISSION HEARING

BEFORE: WILLIAM J. LEMAY, CHAIRMAN
 WILLIAM WEISS, COMMISSIONER
 GARY CARLSON, COMMISSIONER

APR 13 1994

March 10th, 1994

Santa Fe, New Mexico

This matter came on for hearing before the Oil
 Conservation Commission on Thursday, March 10th, 1994, at
 Morgan Hall, State Land Office Building, 310 Old Santa Fe
 Trail, Santa Fe, New Mexico, before Steven T. Brenner,
 Certified Court Reporter No. 7 for the State of New Mexico.

* * *

I N D E X

March 10th, 1994
Commission Hearing
CASE NO. 10,907

PAGE

EXHIBIT 3

APPEARANCES 3

DIVISION WITNESSES:

DAVE NELSON

Examination by Mr. Stovall	9
Examination by Mr. Carr	21
Further Examination by Mr. Stovall	24
Examination by Commissioner Carlson	27
Examination by Commissioner Weiss	31
Examination by Chairman LeMay	33
Further Examination by Commissioner Weiss	35
Further Examination by Mr. Stovall	36

YATES PETROLEUM AND INDEPENDENT PETROLEUM ASSOCIATION OF
NEW MEXICO WITNESSES:SUSAN KLEIN

Examination by Mr. Carr	38
Examination by Commissioner Carlson	47
Examination by Chairman LeMay	49
Examination by Commissioner Weiss	52
Examination by Mr. Stovall	53

CAMILLE WALLER

Examination by Mr. Carr	54
Examination by Mr. Stovall	59
Examination by Chairman LeMay	61
Further Examination by Mr. Stovall	63

CATHY SEELY

Examination by Mr. Carr	64
Examination by Commissioner Carlson	69
Examination by Chairman LeMay	70

REPORTER'S CERTIFICATE 82

* * *

E X H I B I T

	Identified	Admitted
--	------------	----------

Exhibit 1	41	47
-----------	----	----

* * *

A P P E A R A N C E S

FOR THE COMMISSION:

ROBERT G. STOVALL
Attorney at Law
Legal Counsel to the Division
State Land Office Building
Santa Fe, New Mexico 87504

FOR THE YATES PETROLEUM AND THE INDEPENDENT
PETROLEUM ASSOCIATION OF NEW MEXICO:

CAMPBELL, CARR, BERGE & SHERIDAN, P.A.
Suite 1 - 110 N. Guadalupe
P.O. Box 2208
Santa Fe, New Mexico 87504-2208
By: WILLIAM F. CARR

* * *

1 WHEREUPON, the following proceedings were had at
2 1:40 p.m.:

3 CHAIRMAN LEMAY: We'll now call Case Number
4 10,907, which is the Oil Conservation Commission
5 Application to amend Rules 1111, 1112 and 1115 of its
6 General Rules and Regulations.

7 This is a case that is being carried over from
8 the February 10th hearing, and we'll start with you, Mr.
9 Stovall.

10 MR. STOVALL: Just briefly, to recite the history
11 here, just in case anybody's forgotten, it's been a month,
12 this case -- With the coming of the Ongard system, we've
13 determined that the current reporting dates in the rules
14 provide unnecessarily short reporting times, that in the
15 interest of having an effective and an efficient data
16 collection system it's necessary to give operators
17 additional time in which to report. The Division
18 originally proposed that the reports be due the last day of
19 the month following the month of production.

20 At the last hearing, Yates Petroleum Corporation
21 presented a witness on behalf of the Independent Petroleum
22 Association of New Mexico, supporting an extension to the
23 15th of the second month following.

24 Subsequent to the hearing, the Commission has
25 entered an order temporarily setting that date for the

1 filing of C-111s, C-112s and C-115s. We continued the
2 hearing to this date to take additional testimony.

3 I'd like to reiterate that although in the notice
4 there was some discussion about penalties, it is not the
5 Division's position at this time to seek any sort of
6 penalty imposition for failure to file timely reports. I
7 think it's essential that the Ongard system and the new
8 reporting requirements be in place, that we have time to
9 get the system up and running, that everybody be given a
10 reasonable chance to really get to the point where they can
11 report accurately and comply with the rules.

12 At that time, it may be appropriate to look at
13 some method to enforce compliance for those operators and
14 transporters who fail to report timely or accurately and
15 just simply don't make the system work through their
16 inattention and failure to correct problems.

17 But at this time, I have no -- nothing to address
18 the issue of a penalty, and it is not part of what we seek
19 in this Application.

20 One of the issues that has come up in the new
21 Ongard reporting system is the possibility of electronic
22 filing, which Ed Martin, the Division witness last time,
23 explained is simply a process to transmit data directly
24 into a database so that there's no key entry at this end of
25 the system.

1 Today I'd like to call a witness who will explain
2 a little bit about where that process is today, best-guess
3 estimates -- and I think they're WAGs entirely -- as to
4 when that will be up and running, but also discuss the
5 possibility of the fact that because the electronic filing
6 puts the data directly into the system, there's no key
7 entry required at the end of the process, that it may be
8 appropriate to have a different date for filing reports if
9 reporters file on paper, where there is a key entry
10 requirement, than if they file electronically where there
11 is none.

12 And at this time I'd like to call Mr. Dave
13 Nelson. And I guess, Mr. Chairman, we probably ought to
14 swear Mr. Nelson.

15 CHAIRMAN LEMAY: Swear him in? That's fine. How
16 about all those that are going to give testimony?

17 MR. STOVALL: And I'm sorry, I didn't know -- Mr.
18 Carr had a --

19 CHAIRMAN LEMAY: Mr. Carr has --

20 MR. STOVALL: -- an entry of an appearance too.

21 MR. CARR: May it please the Commission, as you
22 will recall, I entered my appearance last month in this
23 case for Yates Petroleum Corporation and also for the
24 Independent Petroleum Association of New Mexico.

25 Present today, appearing for their companies

1 through the Independent Petroleum Association, are
2 representatives not only of Yates but Yates Drilling
3 Company, John A. Yates, Jr., Harvey E. Yates Company, Siete
4 Oil and Gas Corporation, Myco Industries, and Abo Petroleum
5 Corporation.

6 We are going to have three witnesses who will
7 provide brief testimony.

8 Initially, I think it's important to note that we
9 stand before you, really not knowing day by day what is
10 really before the Commission in these proceedings. And
11 we're not intending to address alternate or multiple filing
12 dates.

13 But the companies are here today, and other
14 individuals, primarily, through this association, are
15 concerned that they're trying to make a good-faith effort,
16 they're concerned that the word "penalty" hangs out there.

17 They are taking this opportunity to present --
18 and they've coordinated their testimony -- to tell you what
19 they're doing to try and comply with Ongard, and to
20 generally explain to you what -- the problems they are
21 having in terms of trying to meet current deadlines for
22 filing C-115 and related information.

23 So we have three witnesses that can be sworn,
24 please.

25 CHAIRMAN LEMAY: If all of you will stand who are

1 about to give testimony, raise your right hand.

2 (Thereupon, the witnesses were sworn.)

3 MR. STOVALL: Make sure that there is
4 clarification on this.

5 Really, the Application the Division is seeking
6 is to extend those filing dates; that's the issue at this
7 time. And the date at the moment is the 15th of the second
8 month following the month of production.

9 There are some problems, I think Mr. Carr alluded
10 to, dealing with the ability of operators to get that
11 information in to us today, the information that's required
12 currently.

13 I think we -- I suspect we'll hear some problems
14 with our getting -- with the Division's getting some
15 information to them which they need to file.

16 The rule change we're looking at is to set a date
17 by which reports will be due, and that's going to be a
18 long-term, when is this report due?

19 The short term transition is an issue, I think,
20 that has to be addressed administratively by the Division.

21 So as long as -- clear, the only thing we're
22 really seeking at this time is to set the filing date in
23 the rules, recognizing that the transition period, there
24 may be some changes or extensions granted to accommodate
25 problems with the conversion.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

DAVE NELSON,

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

EXAMINATION

BY MR. STOVALL:

Q. Mr. Nelson, would you please state your name and
place of residence?

A. My name is Dave Nelson. I reside in Santa Fe,
New Mexico.

Q. And how are you employed, Mr. Nelson?

A. I work for the Energy, Minerals and Natural
Resources Department of the State of New Mexico.

Q. In what capacity?

A. I'm the data processing manager for the Oil
Conservation Division.

Q. Now, in that capacity are you familiar with and
have you been involved in the development of the Ongard
reporting system?

A. Yes, I have.

A. And specifically what aspects of the Ongard
system have you been involved in the development of?

A. Well, I've been involved in the technical review
of the software delivered by the Ongard contractor, and I
have the primary responsibility for developing the data
entry functions that the Oil Conservation Division will use

1 to support the Ongard automated system.

2 Q. And are you referring to the system that will be
3 used by the key-entry staff of the Division or the system
4 that would be used through the electronic data interchange
5 process, or both?

6 A. I am developing the system that would be used by
7 the key-entry staff. As a consequence of that, I'm
8 involved with the design, development and testing of the
9 system that would be used for electronic filing by
10 operators. So I think the answer is both.

11 Q. You're familiar with the data-processing
12 technical aspect of getting information from operators'
13 databases, whatever type they might be, into the Ongard
14 reporting system; is that correct?

15 A. Yes.

16 Q. And have you been involved in the process of
17 converting existing OCD data, again, whether electronic or
18 hard-copy-type information, into the Ongard database?

19 A. Yes, I have. I've been involved specifically in
20 well data conversion and development of point-of-
21 disposition data.

22 Q. And are you familiar with the nature of the
23 process by which data goes into the Ongard system, again,
24 whether electronically or through key entry by the --

25 A. Yes.

1 MR. STOVALL: I would offer Mr. Nelson at this
2 time as an expert in -- I'll call it electronic data
3 processing and transmission for lack of a better term.

4 CHAIRMAN LEMAY: His qualifications are
5 acceptable.

6 Q. (By Mr. Stovall) Now, Mr. Nelson, you did not
7 testify and I don't think you were present at the last
8 hearing, but as the proposal stands now, the proposal is to
9 require reporting by operators by the 15th day of the
10 second month following the month of production. In other
11 words, to give them 45 days from the data that production
12 ends, or the production period ends, roughly, till the time
13 they have to get a report in.

14 Do you -- From the standpoint of the Division,
15 does that time frame cause any problems, as far as you can
16 see?

17 A. No, that's a very desirable time frame for us.
18 The -- We have to balance two problems. One is the problem
19 of having sufficient time to key-enter, verify and process
20 the reports that come in from the operators. That has to
21 be balanced against the need to provide production and
22 transportation data in a timely fashion.

23 The 15th of the second month following production
24 is an advantageous date for us.

25 Q. Now, from the standpoint of actually entering and

1 handling data, is more or less data going to be entered
2 into an electronic database system?

3 A. Well, the Ongard system results in a, I think,
4 fairly significant increase in the amount of data that's
5 being submitted by operators for each -- on each report,
6 perhaps 40 percent additional. The -- So overall, there's
7 more data to be processed.

8 The fact that we've made provisions for
9 electronic data submission allows operators who have
10 computer systems -- which is a large percentage of
11 operators -- to provide data to us in electronic format so
12 it doesn't have to be processed. So our total workload is
13 probably going to remain constant or decrease, even though
14 the total amount of data that's submitted will increase
15 somewhat.

16 Q. Does this take into account the fact that C-111
17 and -112 transportation reports are going to be -- now be
18 captured electronically, where they have not been in the
19 past?

20 A. Yes.

21 Q. What is the advantage to the Division of having
22 an operator file electronically?

23 A. Well, one -- The first advantage is significantly
24 less labor on the part of Division staff. Key-entry errors
25 due to transpositions or just simple typographical errors

1 will be going away.

2 In addition to that, the staff in Santa Fe is not
3 -- will not be required to make corrections to the data
4 that's submitted by the operator, if the operator submits
5 electronically. In that case the data will simply be
6 returned to the operator with a notice indicating that a
7 correction is required. So the submission of data
8 electronically by operators almost eliminates the effort on
9 the part of the OCD staff.

10 Q. Now, accepting as a fact that there is going to
11 be an expense and a burden upon operators to develop the
12 electronic data system, once they've incurred that burden
13 and expense do you anticipate that there would be any
14 significant increase in an operator's workload to prepare a
15 data file for electronic transmission as opposed to
16 hardcopy transmission?

17 A. No, the -- Once the required software changes are
18 made, the effort required by the operator to report
19 electronically should be significantly less.

20 There is that one-time up-front cost of
21 developing the software, and that could be a significant
22 effort, depending on the individual computer system used by
23 the operator.

24 Q. Now, I mentioned in my opening remarks in this
25 case the possibility of providing a different filing date

1 for hardcopy filers than for electronic filers. Can you
2 see any reason why there -- from the Division -- again,
3 speaking just from the Division perspective, what would be
4 the reasons for providing a different, probably earlier
5 date for filing hard copy?

6 A. Well, the reason for an earlier date for hard
7 copy would be that, first off, electronically filed data
8 can be transmitted over a value-added network that the
9 State has contracted with, so that the transmission of data
10 should be instantaneous. Actually, that doesn't really
11 refer to the deadline, but it's much quicker to turn around
12 error correction in that type of environment than in a
13 hardcopy environment.

14 The second thing is that the electronic
15 submission should be a lot cleaner and require less effort
16 on the part of the Division.

17 Q. What about the aspect of actually getting the
18 data into the electronic database? Hard copy, that would
19 have to be done by Division staff, would it not?

20 A. Yes, and with electronic data, the process is
21 virtually automatic.

22 Q. Now, given your earlier comment about balancing
23 the need to give time to get accuracy and meeting a
24 requirements deadline, in fact, if paper comes into the
25 Division, the report really isn't in a usable format in the

1 system yet; it still has to go into the electronic system,
2 doesn't it?

3 A. Right, it has to go through a key-entry step and
4 then a correction step. So there's a -- depending on the
5 size of the report, there could be several hours of work
6 that has to be accomplished by Division staff before this
7 data can be entered electronically into the system, and it
8 has to also be batched up with reports from other
9 operators.

10 So my estimate is that by filing on a hard copy,
11 approximately five to ten days are required, additional
12 days are required, for the manual key-entry and error-
13 correction cycle that OCD staff has to perform.

14 Q. So from a requirement standpoint, it might make
15 sense to require hardcopy filers to file five to ten days
16 before that 15th deadline; would that be true?

17 A. Well, I think that the 15th deadline is an
18 acceptable deadline for hardcopy filers.

19 I think we need to look at it the other way
20 around: It's possible to allow additional time for
21 electronic filers, because that preparation and processing
22 effort on the part of OCD staff isn't there.

23 Q. So it's a question of, the hard copy needs to
24 come in five to ten days before the electronic copy needs
25 to come in, simply because they at that point get to the

1 database at the same time?

2 A. Right, yes.

3 Q. Okay. And for the moment, at least, we're
4 working off the 15th as kind of the last date. And what
5 you're suggesting is, you could move that five- to ten-day
6 time frame five or ten days in either direction? In other
7 words, you could move the 15th to the 25th, if that met
8 operational business requirements?

9 A. Yes.

10 Q. Okay. Now, at the moment, what is the status of
11 the electronic filing system, the ability for operators to
12 file electronically?

13 A. Well we're currently in the process of testing
14 electronic filing.

15 We have five major producers who are currently
16 testing electronic submission of C-115 data. So the
17 mechanism for doing that is in place for producers who have
18 the ability to generate electronic data themselves.
19 Whether they choose to or not is a business decision that
20 they have to make.

21 Q. In other words what you're saying is, from the
22 Ongard development side, is this what you would call -- I
23 guess the buzzword is "beta testing"; is that correct?
24 User testing, getting it out --

25 A. Yes.

1 Q. -- and seeing if it works?

2 A. Yes.

3 Q. And so the system is there, subject to some
4 debugging?

5 A. Yes. Well, it depends on who you ask. There's
6 some people who say the system is already debugged and the
7 operators need debugging. I don't think that's the
8 viewpoint of the operators at that point.

9 Q. So would it be reasonable at this point in time,
10 you know, speaking today, to say that we really should have
11 that system fairly well tested at both ends of the system
12 for those operators that are already participating before
13 setting up some sort of differential deadlines for paper
14 and electronic filers, simply because the electronic filing
15 is not really available to everyone yet; is that correct?

16 A. Yes.

17 Q. I referred to giving a WAG about when that might
18 be? Have you got a guess that would apply as to when you
19 might look?

20 A. I would say within the next couple of weeks, the
21 kinks upon the possibility of electronic filing will have
22 all been worked out.

23 Q. And so then would it, say, be reasonable to give
24 six to nine months to, say, a year before we started to put
25 a differential deadline in there as a basis for operators

1 to file, to give people -- to give development time at the
2 other end too, as well? Would that be reasonable?

3 A. That would certainly be reasonable. You know,
4 it's really advantageous to us to encourage electronic
5 filing, and I feel that the Division should do everything
6 within its power to encourage electronic filing. If
7 allowing an additional few days works as an incentive, then
8 I think it's a smart thing for us to do.

9 Q. Finally, there are some -- We will hear some
10 testimony about some data problems themselves, operators
11 not having data, they -- you've got to do things. As Mr.
12 Martin testified last time, point-of-disposition numbers,
13 API numbers -- API numbers are pretty well converted,
14 aren't they, as far as you know --

15 A. Yes.

16 Q. -- to accurate API numbers?

17 A. Yes.

18 Q. So you have point-of-disposition numbers and
19 various other codes that will be used in the data system
20 that are still in the process of being assigned and
21 operators being notified of those numbers; is that correct?

22 A. Yes, that's -- we -- In order to develop the
23 Ongard database, we have to clean up a number of -- we have
24 to clean up errors in our data going back to, you know,
25 essentially the beginning of when this Division became

1 automated in the -- I guess, in the early Sixties. So
2 there are just a lot of small errors that have to be
3 corrected.

4 The second thing is that the point-of-disposition
5 coding scheme is brand new, and we did an approximation to
6 come up with point-of-disposition codes, and then that had
7 to be adjusted to reality. And that's created a tremendous
8 workload for both the operators and the Division staff,
9 particularly in the district offices.

10 Q. Would it be fair to say, then, again, that
11 certainly no penalty scheme, and probably any sort of,
12 again, electronic filing incentive date, if you will, or
13 paper filing disincentive date, could not reasonably be
14 imposed until most of that data, items, are cleared up, and
15 particularly PODs are assigned and --

16 A. That's reasonable. I think it's unreasonable of
17 the Division if the Division were to penalize or in any way
18 sanction operators for a failure to file with the codes
19 that the Division requires them to file with, but hasn't
20 yet provided in all cases.

21 Q. So --

22 A. I mean, we have to get our act together --

23 Q. Right, we --

24 A. -- simply. And, you know, we need some time to
25 do that. And during that time period, we're not going to

1 be -- we're not going to be looking at operators as a --
2 you know, operators who are trying to comply with this
3 situation as creating problems.

4 Q. And is it your experience that most of the
5 operators are making a real good effort to work with us;
6 it's just a matter of time, and --

7 A. Well, they certainly have in the past. I think a
8 lot of them are making an exceptional effort now. The cost
9 that we've imposed on them in the changes they have to make
10 to their computer systems in some cases could be fairly
11 high because of Ongard.

12 So I think, you know, every sign that we have is
13 that operators are making very good-faith efforts to meet
14 our requirements.

15 Q. Is there anything else you'd like to add or
16 comment about the system as far as the reporting effects,
17 requirements?

18 A. No.

19 MR. STOVALL: I have nothing further at this
20 time.

21 After we hear Mr. Carr's witnesses, I may make
22 some suggestions to the Commission. But I think I have
23 nothing further of this witness.

24 CHAIRMAN LEMAY: Okay, thank you.

25 Questions of the witness, Mr. Carr?

EXAMINATION

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

BY MR. CARR:

Q. Mr. Nelson, we -- Today's the first time we've heard about perhaps alternative filing dates if you're filing hard copy as opposed to an electronic filing. You indicated that the 15th day of the second month following the production month was an acceptable filing time for the OCD.

My question is, are you aware of anything that would cause that time period to be shortened for any operator, depending on whether they file electronically or hardcopy? Would that be a minimum date?

A. Yes, that would be a --

Q. And there's nothing that you're aware of that's being discussed whereby even an operator filing on hard copy would be faced in the foreseeable future with having to file sooner than the 15th day of the second month?

A. No.

Q. Have you given any consideration to permitting operators to file on magnetic tape?

A. Yes, that's been an allowable -- an acceptable medium.

Q. Is that acceptable as you understand it now, under Ongard?

A. Yes.

1 Q. And would it be acceptable to file on a magnetic
2 tape in a format other than the EDI format?

3 A. At this time it would not be.

4 Q. Is it possible that that would be considered and
5 it might be possible for operators to do it -- file
6 magnetic tape other than in the EDI format?

7 MR. STOVALL: Could I ask a question? I think
8 that becomes a confusing question because there's a
9 background element to it.

10 Mr. Nelson, the EDI format as we talked about,
11 electronic data interchange, as I understand it, is just
12 simply a series of protocols or standards by which two
13 electronic end points, terminals, could communicate with
14 each other; is that correct --

15 THE WITNESS: Well --

16 MR. STOVALL: -- as opposed to the format of the
17 data, which is driven as much by the Ongard system as it is
18 by an EDI system? I want to make that distinction when you
19 answer Mr. Carr's question.

20 THE WITNESS: Well, it is the format of the data.
21 The EDI requirements specify the format of the data. The
22 purpose is to provide a standardized data exchange.

23 The EDI standards that have been used in Ongard
24 are industry standards, going beyond OCD. A conscious
25 decision was made that those standards would be used.

1 The problem that you get when you say you would
2 consider other standards is that there are so many other
3 possibilities for data layout that we cannot, as we're
4 currently constituted, accommodate them all.

5 So we drew the line, saying that the EDI format
6 was what we would accept electronically.

7 Q. (By Mr. Carr) And is that the determination
8 that's been made, or would an operator be able to propose
9 an alternative way of magnetic filing?

10 A. That's been a determination that -- that's pretty
11 firm at this point. It's been discussed a lot and hashed
12 and rehashed extensively.

13 Q. In conversation with Mr. Stovall, you discussed
14 POD numbers. We understand there's a March 31 deadline for
15 filing January C-115 information.

16 Has there been any discussion that you're aware
17 of, extending that deadline or waiving it for operators in
18 view of the fact they don't have the POD numbers?

19 A. We allowed a blanket March 31st deadline for all
20 operators. We've discussed extension of that on a case-by-
21 case basis, and we'll pretty much allow it, given good
22 reason on the part of the operator.

23 Q. Would absence of a PDO number, in your opinion,
24 be a good reason? Or a POD number?

25 A. It definitely would, it would.

1 Q. In terms of getting this POD number situation
2 worked out, do you have any estimate or guesstimate as to
3 when we might be able to have these numbers in place so we
4 can start getting under the system as an operator?

5 A. I really don't know, to be honest with you.

6 MR. CARR: That's all I have.

7 CHAIRMAN LEMAY: Thank you, Mr. Carr.

8 MR. STOVALL: Let me just follow up, if I might,
9 real quickly on that.

10 FURTHER EXAMINATION

11 BY MR. STOVALL:

12 Q. The POD numbers at this point are being worked on
13 on a company-by-company basis, so it's going to vary from
14 companies; is that not correct?

15 A. Yes.

16 Q. And if a company doesn't have its numbers,
17 it's -- if I understood what you said, is, just write and
18 say, We don't have our numbers yet, we can't file.

19 But you're not recommending this -- a blanket --
20 another blanket extension just saying, Companies write in
21 and tell us? Because some companies do have them; is that
22 correct?

23 A. Yes, a large number have them. A fair number
24 have already submitted reports for January production. But
25 those tend to be the smaller companies.

1 CHAIRMAN LEMAY: Additional questions?

2 Commissioner Carlson?

3 COMMISSIONER CARLSON: Yeah. I think my question
4 might be for Bob.

5 We're talking about today just changing it to the
6 -- I guess we don't have a draft rule, right, in front of
7 us?

8 MR. STOVALL: Well, the discussion that's come up
9 -- I was going to do this at the end; it might make more
10 sense to do it now.

11 You've got an order out right now, which
12 temporarily sets those dates till the 15th of the second
13 month. We are discussing a rule which would be
14 applicable -- you know, actually changing the rule in the
15 rule book.

16 A proposal which I would suggest -- and in light
17 of Mr. Nelson's testimony it might make some sense -- would
18 be to continue this case for a longer period, operate under
19 that temporary order, let this system get up and running,
20 and find out what really is a good date.

21 Mr. Nelson suggested that you could do hard copy
22 the 15th and give electronic filers five or ten days after
23 that. It might be -- I mean, that's something you might
24 want to consider from that standpoint.

25 No, you don't have an order in front of you.

1 They had a proposal last time, and we modified the dates
2 and -- And that's something you just -- you might want to
3 think about, is, operate under a temporary order until such
4 time as we've got a better sense of what it's going to
5 take, to get the system up and running so everybody knows
6 what it is.

7 COMMISSIONER CARLSON: Well, it seems to me we've
8 got a moving target for -- you know, they don't know what
9 to comment on.

10 Our proposal is the 15th day of the second month,
11 right now, and that's what we're hearing testimony on
12 today.

13 MR. STOVALL: Correct, correct. That --

14 COMMISSIONER CARLSON: And then we -- You know,
15 we can always amend the rules to say that and then come
16 back sometime if that isn't working, and put in two
17 different dates or add a penalty or put in a format for
18 requiring EDI or whatever.

19 But right now the proposal is the 15th day of the
20 second month; is that correct?

21 MR. STOVALL: Correct. And the other discussion
22 is being raised to give people time, rather than coming in
23 six months and say, Okay, here's what we're talking about
24 doing, you've got thirty days to respond. To say, Here are
25 some of the questions you need to think about over the next

1 six months. And that's why that is being proposed.

2 Yes, your answer is, they're really -- The moving
3 target has been fixed at the 15th day. How you go about --
4 How you want to deal with handling the future questions, I
5 think, is up to the Commission.

6 EXAMINATION

7 BY COMMISSIONER CARLSON:

8 Q. (By Commissioner Carlson) Dave, when does the
9 OCD actually use the data? When is the -- I mean, we kind
10 of -- I guess it's the -- Is it the last day of the month
11 following production now? Is that when the C-111s and
12 C-115s are due?

13 A. I believe it's the 25th.

14 COMMISSIONER CARLSON: 25th?

15 MR. STOVALL: It's the 15th for the C-111 and
16 C-112 and the 25th for the C-115.

17 COMMISSIONER CARLSON: Okay. When is it that
18 anybody within the Division actually uses that data?

19 MR. STOVALL: Again, I'm going to step into that
20 because I don't think Dave knows.

21 What's going to drive it with the dates we're
22 talking about now is not going to be the Division; it's
23 going to be the Taxation and Revenue and the State Land
24 Office --

25 COMMISSIONER CARLSON: So when we want --

1 MR. STOVALL: -- because these are revenue-
2 driving numbers and --

3 COMMISSIONER CARLSON: So when we at the Land
4 Office want to compare C-115 volumes, for example, with tax
5 and royalty volumes --

6 MR. STOVALL: Correct.

7 COMMISSIONER CARLSON: -- and taxes and royalties
8 are reported on the 25th day of the second month?

9 MR. STOVALL: Correct.

10 COMMISSIONER CARLSON: So I mean we have till
11 that window, at least, and oftentimes -- You know, speaking
12 from experience, I know that we don't look back for
13 oftentimes many months after that.

14 MR. STOVALL: Yeah, I think the thing that it is,
15 is that we know we don't need it before the 15th of the
16 second month. If you start going beyond that, we
17 definitely have to be in communication with Taxation and
18 Revenue and the State Land Office, and that may be another
19 reason to do it by way of the order for the moment, until
20 -- because it is a tri-agency system, as you're aware.

21 So that's going to be the driver on that end of
22 it. The OCD uses it simply to put out data for operators
23 to use, quite frankly. That's the biggest -- probably one
24 of the biggest activities that's done with it from the OCD
25 standpoint.

1 Q. (By Commissioner Carlson) Well, from a data-
2 processing standpoint, I take it accuracy, then, is much
3 more important than time?

4 In other words, if you don't have to go back and
5 amend this system with amended reports from data processing
6 points of view, anyway, you could handle two months later,
7 really?

8 A. Yes. We have to balance when the need for data
9 by the users of that data exists against the accuracy of
10 it.

11 If we push the date too close to the month of
12 production, then operators don't have an opportunity to
13 collect and process the data internally before they have to
14 report to us.

15 If we push it too far, the reports that we
16 distribute to industry will be delayed. So it's a
17 balancing act.

18 One other aspect of that is that with the Ongard
19 system, as soon as the data is processed it becomes
20 available online, which is not a feature of our current
21 system. So, you know, even with these extended filing
22 dates, because there's online access to the data, immediate
23 inquiries can be handled, you know, the next day after the
24 data has been processed into the mainframe system.

25 So overall, we get about the same and probably a

1 somewhat better availability of data, even with the later
2 filing dates due to the new software.

3 Q. At one time early in the Ongard -- I don't know,
4 it's been many years ago now, I think. But they were
5 talking about actually buying PCs for those small operators
6 that would still submit a hard copy to avoid that. Is that
7 still under consideration?

8 A. As far as I know, that's not.

9 Q. Would that be cost-effective? If the State
10 would buy a PC and loan it to an operator where he could
11 submit -- ?

12 A. Well, we've done a couple of things like that,
13 similar to that.

14 First off, we're in the process of developing
15 software that operators could load on their own PC and
16 prepare reports electronically and submit them to us.

17 Secondly, we are placing PCs in the three
18 district offices that are available for operator use in
19 accessing data as well as preparing data, in theory.

20 So we -- Those two ways, we've already started
21 undertaking. As far as --

22 Q. But your goal is to minimize the hard copy, I
23 take it? That's in everybody's interest?

24 A. Since we don't collect taxes or royalties off
25 this production data, I don't think there's much of a

1 financial incentive for us to see PCs into the industry,
2 where other agencies might have that type of incentive.

3 Q. But it would save you money on having to input
4 and avoid errors by -- if you got more in by electronic
5 transmission and less in hard copy, right?

6 MR. STOVALL: Mr. Carlson, I might address that.

7 I don't think the problem, really, today with
8 probably 95 percent of the volume, most of those operators
9 have got some sort of computer in their office, whether
10 it's a smaller PC or a mainframe or whatever.

11 I think the software is the real key. If we can
12 develop a software package which we can give to operators,
13 that really would solve the bulk of their -- that's where
14 the expense and the difficulty would come in. And if we do
15 it, we develop one tool for everybody to use, rather than
16 everybody having to develop the same tool.

17 So that really would be the key, is working on
18 that one, not the hardware itself.

19 COMMISSIONER CARLSON: That's all, thank you.

20 CHAIRMAN LEMAY: Commissioner Weiss?

21 EXAMINATION

22 BY COMMISSIONER WEISS:

23 Q. Yes, sir. Mr. Nelson, how long have these
24 operators been in this beta testing?

25 A. I believe it began in January.

1 Q. Do you have any results?

2 A. Well, we've been working with five operators.

3 The main difficulty that we're encountering is
4 misunderstanding or lack of specificity as to the reporting
5 formats. And so an operator says, Well, how do I use the
6 electronic -- the EDI reporting format to report this type
7 of situation? And a lot of times they attempt to interpret
8 the specifications and come up with a different
9 interpretation than the contractor who developed the
10 software.

11 At that point we have to get everybody together
12 and determine which is the correct way to do that and then
13 put that information out to all the potential electronic
14 filers.

15 So that's how the process has been going. It's
16 somewhat slow because it may take us a week to get our
17 heads together, figure out what the answer is and
18 disseminate it.

19 Q. Has there been a successful transmission?

20 A. As of yesterday, I don't think any operator has
21 done a transmission that's been clean yet.

22 THE WITNESS: When we have our next discussion
23 along this line, I would be very interested, and perhaps
24 the other Commissioners, in seeing some support from
25 operators of some real examples that said, Yes, here, I did

1 it, this works. And that would be quite helpful for me.

2 THE WITNESS: Yes, sir.

3 COMMISSIONER WEISS: That's all I have. Thank
4 you.

5 EXAMINATION

6 BY CHAIRMAN LEMAY:

7 Q. The only other thing of Mr. Nelson I might add or
8 ask is, we've covered the time frame in relationship to
9 Taxation and Revenue, State Land office. Do you happen to
10 know the public's need for information?

11 I'm thinking particularly like the *Dwight's*, the
12 PIs, because it is public record. Have you any knowledge
13 of when that information would be ready for the -- or when
14 the public would like that kind of information?

15 A. I'm afraid I don't. We've dealt with them on the
16 basis of attempting to provide them the information as
17 quickly as we can, and they seem to be grateful to get it
18 as soon as they can. And we haven't discussed formal, you
19 know, deadlines, if you will, for that type of thing.

20 Q. They've never complained, I assume, about not
21 getting the information in a timely fashion or required at
22 a certain time?

23 MR. STOVALL: I might interrupt you to say that I
24 think your answer before would really go to that, that
25 although it's coming in to us later, it's available to the

1 public as soon or sooner, simply because the information...

2 In other words, under the current system, Mr.
3 Nelson, you put information in and it's just a bunch of
4 electronic switches sitting on a computer someplace until
5 you put something out, right?

6 THE WITNESS: Right.

7 CHAIRMAN LEMAY: Well, no, I --

8 MR. STOVALL: And the new system it's available
9 immediately, so I think -- I don't think it's a change in
10 that.

11 Q. (By Chairman LeMay) Well, I understand -- Yeah,
12 I understand that. I was just looking at specific dates.

13 Was there a date that a PI or a *Dwight's* or a
14 public member would say, Yeah, I need that information two
15 months after the last day of production?

16 It's -- Generally what you're saying, it's
17 generally been available as quickly as we can get it, and
18 there's been no complaint on the other end of that. Is
19 that fair to say?

20 A. I've never heard it expressed in the terms that
21 you just phrased it, we need it by such and such a date.
22 I've heard comparisons with other states and other
23 processes, but I haven't heard it where it's stated as a
24 need for the information at a particular time.

25 Q. Do we measure up pretty good with other states as

1 far as, you know, as far as supplying that available
2 information to the users?

3 A. That's what I've been told.

4 CHAIRMAN LEMAY: Okay, that's all the questions I
5 have.

6 Anything else? Bill?

7 FURTHER EXAMINATION

8 BY COMMISSIONER WEISS:

9 Q. Yes. Is there any danger of losing some
10 production information in this transition period? Is the
11 State in danger of losing a month's worth of the oil and
12 gas records?

13 A. No. In fact, this transition is focusing our
14 attention on the controls, on data integrity. We will have
15 much better tools to determine errors in the data, to
16 cross-check it and to determine gaps in the data.

17 I don't -- we're actually -- We're building a
18 more solid system than we currently have, in addition to a
19 more modern system.

20 Q. Well, I remember back -- Tapes are stored in
21 Socorro, and there's a couple years where they got wet or
22 something. They're not readable, or not readily readable.
23 So there's two years of magnetic data that's no good. Now,
24 we have hard copies, we can get information from there.

25 And I'm concerned that something like that nature

1 could happen in this transition period, without any hard
2 copy. Could we lose the electronic data?

3 A. That's -- There's cause for concern. There's no
4 additional cause for concern because of this transition.

5 In the next few years we're going to be looking
6 at better ways of archiving data, using, for instance,
7 optical discs, which are much more durable than the
8 magnetic tape that's traditionally been used.

9 So I think we should overall improve the -- you
10 know, the ability to capture and permanently maintain
11 production data.

12 COMMISSIONER WEISS: That's all I have. Thank
13 you.

14 FURTHER EXAMINATION

15 BY MR. STOVALL:

16 Q. Just one last quick question with regard to --
17 Mr. Carr was asking you about accepting data in other
18 formats. It doesn't matter -- The thing that's going to
19 drive that shift is, it's got to be able to get into our
20 database; is that correct?

21 A. Yes. If we accept data in a different format,
22 then there has to be a programming effort undertaken to
23 translate that format into a format that can be handled by
24 the Ongard programs.

25 We attempted to do electronic data capturing just

1 that way under the current system, and because of the need
2 to accommodate the differences in the data files that each
3 operator could provide, we wound up only able to accept
4 data from two operators. So it limits our ability to
5 accept data electronically.

6 MR. STOVALL: I have no further questions.

7 CHAIRMAN LEMAY: Additional questions of the
8 witness?

9 If not, he may be excused.

10 Is that all you have, Mr. Stovall?

11 MR. STOVALL: That's all I have.

12 CHAIRMAN LEMAY: Mr. Carr?

13 MR. CARR: May it please the Commission,
14 initially I would like to assure you that the people who
15 are here today that I represent appreciate the fact that
16 we're in a transition period with Ongard and there's a
17 necessary shakedown that occurs at a time like this.

18 We also want you to know we appreciate the
19 extension of time and the response to the testimony we
20 presented a month ago. We believe that at some point in
21 time there will have to be a formal rule change, and there
22 will be a formal proposal before you, and we will have an
23 opportunity to review it and to comment.

24 Our concern, really, is that much of that
25 decision may be, in fact, made as we go through this

1 transitional period in proceedings like this. And as
2 Commissioner Carlson noted, in a sense we do feel like
3 we're chasing on some parts of this question a moving
4 target.

5 We really don't know, day by day, what you really
6 are thinking -- "we" being operators. We think it's
7 necessary, important that you know what we're thinking, and
8 we're trying to -- We have a number of people here who are
9 the people who are actually wrestling with this problem at
10 the operator level.

11 We have three people who are going to testify and
12 very briefly just bring you up to date on where they and
13 their individual companies are in an effort to try and
14 comply and meet the requirements of Ongard, and so that's
15 the purpose of our testimony.

16 And at this time I would call Susan Klein.

17 SUSAN KLEIN,

18 the witness herein, after having been first duly sworn upon
19 her oath, was examined and testified as follows:

20 EXAMINATION

21 BY MR. CARR:

22 Q. Would you state your name for the record, please?

23 A. Susan Klein.

24 Q. And where do you reside?

25 A. Artesia, New Mexico.

1 Q. By whom are you employed?

2 A. Yates Petroleum Corporation.

3 Q. And what is your current job with Yates Petroleum
4 Corporation?

5 A. Data processing manager.

6 Q. How long have you held this position?

7 A. Nine years.

8 Q. Can you briefly tell the Commission what your
9 duties are as the data processing manager for Yates?

10 A. I manage the day-to-day computer activities. I'm
11 responsible for any ongoing program development and manage
12 the acquisition and maintenance of any computer hardware
13 and software used by Yates Petroleum.

14 Q. You're personally involved with the effort to
15 bring Yates's reporting effort into compliance with Ongard?

16 A. Yes.

17 Q. Could you briefly review your educational
18 background and work experience for the Commission?

19 A. I graduated from Artesia High School in 1973, and
20 after a few years of working I decided to go back to
21 college.

22 I graduated with an associate's degree from New
23 Mexico State in 1983, and I have worked in the oil and gas
24 industry since March of 1982. About a year and a half of
25 that was with a firm called Artesia Data Systems, which is

1 a computer software company for the oil and gas industry.

2 Q. Are you generally familiar with what the Oil
3 Conservation Division is proposing in this case?

4 A. Yes.

5 Q. And are you familiar with the efforts being made
6 by Yates Petroleum Corporation to timely file data in
7 accordance with the OCD requirement and also in compliance
8 with Ongard, as you understand it?

9 A. Yes, I work closely with those problems.

10 Q. Are you familiar with the order that has been
11 entered already in this case, Order 10,061, entered
12 February the 17th?

13 A. Yes.

14 Q. And are you prepared to make some recommendations
15 to the Commission concerning the filing of data with the
16 OCD?

17 A. Yes, I am.

18 MR. CARR: Are the witness's qualifications
19 acceptable?

20 CHAIRMAN LEMAY: They're acceptable.

21 Q. (By Mr. Carr) Could you briefly summarize the
22 purpose of Yates's presentation here today?

23 A. Well, we would like to review Yates's efforts to
24 comply with the Ongard requirements. We'd also like to
25 make some recommendations concerning the filing of the

1 C-111s, C-112s and C-115s.

2 Q. Do you request that the time frame set forth in
3 Order 10,061 be adopted on a permanent basis?

4 A. Yes, definitely.

5 Q. And do you have an opinion, on to penalties,
6 whether or not they're really on the table or not?

7 A. It doesn't sound like they're on the table right
8 now, but -- We would like to see them never on the table.

9 Q. Have you prepared an exhibit for presentation in
10 this hearing?

11 A. Yes, I have.

12 Q. Could you identify that for the Commission and
13 then just briefly review what it is?

14 A. Okay, I prepared a worksheet which, at the top of
15 it, it says, "Yates Petroleum Corporation, Expenses
16 Associated with Ongard, Costs Incurred to Date Plus
17 Estimated Costs", and it summarizes all of the expenses
18 that Yates Petroleum has incurred to date and expenses we
19 are expecting to incur, including several options.

20 Hopefully, we can get to do the option we would
21 like to do, which I'll go over all the separate options and
22 what the expenses are comprised of.

23 The first two groups, the Production System
24 Modifications and the Revenue System Modifications, those
25 are modifications we had to make to our in-house computer

1 programs in order to -- well, actually the production
2 system is pretty much complete.

3 The revenue system modifications we do not know
4 what we're going to have to do yet, because we have not
5 received those instructions.

6 But the total of those two is -- What we have
7 spent and what we estimate to spend is about \$13,000 --
8 well, \$12,500, as you can see on the worksheet. Now, those
9 are both expenses that we have to spend.

10 The rest of the worksheet is options. The next
11 item on there, the EDI-Technet Expenses, those will only be
12 incurred if we do decide at some point to go with the EDI
13 process. And these are expenses, as we understand them,
14 that would be like incurred during the first year of use.

15 Under that are the EDI-Software Expenses, which
16 I've labeled A), B) and C).

17 A) is if we purchased software for our particular
18 system at Yates Petroleum, which is an IBM AS/400 -- To
19 purchase software for that system would cost us about
20 \$23,000 for the first year. \$20,000 of it is a one-time
21 expense, the purchase of the software. And because of the
22 size of our system, that's why our amount is probably a lot
23 higher than some of the other systems around the state
24 might be, because we have a large AS/400.

25 The \$3075, our yearly software maintenance. So

1 that would be an ongoing expense every year.

2 So that first option, if you'll look on the right
3 side of the paper, that column, the first option would cost
4 \$40,500.29 [sic], or somewhere thereabouts, for the first
5 year.

6 Q. This is in addition to the system modifications
7 that you're going to be making?

8 A. That's including those.

9 Q. All right. Then let's go, now, to the next
10 option.

11 A. Okay, that's the Personal Computer Option. If we
12 got our data downloaded from the AS/400 to the personal
13 computer and had to translate it some way in order to get
14 it into the EDI format to send to the State, it would be
15 about \$23,000. Now, that's a pretty -- I guess I'm
16 sticking my neck out making that estimate, because we've
17 really never had to do anything like that; we just know it
18 would take us a lot -- There's a big learning curve there
19 for us.

20 The third option, labeled C), the Do-It-
21 Ourselves, that's if we write our own EDI translator for
22 the AS/400. And there again, we haven't had to do it, but
23 considering all of the translation and the communication
24 options -- or those things that we would have to learn, and
25 there would be a lot of debugging in that option, so we

1 think that it would run somewhere around \$27,000.

2 Now, these amounts in the right-hand column all
3 do include the programming expenses that I mentioned at the
4 top of the page. This is like the total package.

5 The next option, the Magnetic Tape Option -- and
6 I do need to make a note on that. That is a non-EDI-format
7 tape, which we were listening to some comments about a
8 while ago. That type of tape was accepted with the pre-
9 Ongard system. And it could be -- If the State would just
10 tell us what kind of format that they would like our data
11 in, we could put it in that format. And I know of at least
12 one other operator, and I've spoken with several others who
13 might be willing to do that.

14 But the programming burden would fall on us,
15 which would be a lot less of a programming burden than the
16 EDI burden. But the State could tell us what format they
17 would like that in, and all of the operators would put it
18 in that format and send that tape. It should be ready to
19 put into the Ongard system at that point. Or that's my
20 idea of it. And to us, that's our best option. That's a
21 \$17,000 option.

22 And then of course the hard copy that we all know
23 about, and considering the cost of paper and postage, for a
24 yearly cost we estimate that at \$17,000.

25 Q. Now, you heard Mr. Nelson testify?

1 A. Yes.

2 Q. And you agree with him that all of these options
3 are available to you now, except for magnetic tape options
4 on a non-EDI format; is that right?

5 A. Yes.

6 Q. What would just generally be the benefits of the
7 magnetic filing if you could get it in a format that would
8 be compatible with the state system?

9 A. Well, it would save Yates Petroleum resources and
10 also the State, because they would not have to re-key the
11 data.

12 Q. So it would have some of the benefits that just
13 the electronic filing would have?

14 A. Yes.

15 Q. Have you reviewed this proposal with
16 representatives of the State?

17 A. Yes.

18 Q. And who have you reviewed it with?

19 A. I have talked to Ed Martin, and then I talked to
20 a couple of people in the data processing State
21 departments.

22 Q. And what has been the general response to it?

23 A. They all seem to be receptive to the idea.

24 Q. And are you interested in continuing to work with
25 State representatives to see if you cannot develop a

1 program whereby you can file with a magnetic tape option?

2 A. Yes, I would be.

3 Q. In your opinion, has Yates Petroleum Corporation
4 been making a good-faith effort to comply with Ongard and
5 the OCD rules?

6 A. Yes, we have made a substantial investment, as
7 you can see by the worksheet, and are expecting to make
8 more of an investment. And then as far as the actual
9 personnel at Yates Petroleum, we've worked hard at trying
10 to comply.

11 Q. Basically what is Yates requesting here today?

12 A. Basically we're requesting that, first of all, no
13 penalties ever be imposed on the operators. We would like
14 for the State to work with the operators in getting the
15 most efficient and beneficial system going for both us and
16 the State, which hopefully will include this non-EDI format
17 magnetic tape.

18 Q. And Yates is also anxious to work with the State
19 to achieve that end; is that right?

20 A. Yes.

21 Q. Was Exhibit Number 1 prepared by you?

22 A. Yes.

23 MR. CARR: At this time we would move the
24 admission of Yates Petroleum Corporation Exhibit Number 1.

25 CHAIRMAN LEMAY: Without objection, the exhibit

1 will be entered into the record.

2 MR. CARR: And that concludes my direct
3 examination of Susan Klein.

4 CHAIRMAN LEMAY: Thank you, Mr. Carr.

5 Questions of the witness?

6 MR. STOVALL: No questions.

7 CHAIRMAN LEMAY: Commissioner Carlson?

8 EXAMINATION

9 BY COMMISSIONER CARLSON:

10 Q. Yeah, just one. I can sympathize with your
11 position on no penalties. However, as a representative of
12 the State Land Office and a royalty owner, what do you
13 suggest the State does with producers that consistently
14 either do not report, late report, or report incorrectly,
15 which is our real problem? Say that do that 14 months in a
16 row and show no intention of ever changing short of
17 penalties. What can the State do to force those people to
18 comply?

19 A. Well, I don't work in the production department,
20 but from my understanding I thought the State had the
21 option to shut in wells if the operators were not
22 complying.

23 Q. Well, I suppose that is an option --

24 A. And that --

25 Q. -- I would refer to the OCD.

1 But on a C-111, for example, I have on a number
2 of occasions, have had to go up to the OCD's files and try
3 to review gas-plan accounts, and some of them report very
4 correctly and some of them just throw any number on a sheet
5 and turn it in.

6 There's -- Really, as I see it, there's no option
7 but to, sooner or later -- and I agree with Bob, we ought
8 to wait until later and see what is appropriate -- but
9 sooner or later I think penalties, some sort of penalties,
10 some sort of mechanism to force people to comply, are going
11 to become necessary.

12 A. Well, I don't really know how I would propose to
13 go about penalizing. But when, you know, the operators are
14 making a good-faith effort, plus investing, as you can
15 tell, quite a large amount of dollars in the system, I
16 believe that the -- maybe the Ongard system itself will
17 help with the compliance, since there's going to be more
18 cross-checking available with that system.

19 Q. Well, I can -- I have no problem with people that
20 are making good-faith efforts. I think there's a lot of
21 people that have stopped making good-faith efforts many
22 years ago, and it's those people I think we need to somehow
23 be able to force to comply.

24 I have further --

25 A. Just don't know where to draw the line.

1 COMMISSIONER CARLSON: That's all.

2 CHAIRMAN LEMAY: Bill?

3 COMMISSIONER WEISS: I have no questions.

4 CHAIRMAN LEMAY: I've got a couple.

5 EXAMINATION

6 BY CHAIRMAN LEMAY:

7 Q. Would the shut-in option be a very severe
8 penalty?

9 A. Yes, that would -- I would think that would be
10 more incentive to get your data in on time and correctly.

11 Q. So your comment on not recommending any
12 penalties, do you want to withdraw that and say we
13 already --

14 A. No, we're -- I don't think that we're going to
15 get penalties. We're working hard to work with you.

16 Q. But my key question, and one that I want you to
17 think about -- you know, maybe you can't answer -- but what
18 can the State do, Ms. Klein, to encourage Yates and other
19 operators to go to the EDI format?

20 A. If the State would furnish a translator where we
21 did not have to go out and spend money on one --

22 Q. That would -- what you --

23 A. And of course we would rather have one on our
24 AS/400 system, but I realize the State can't furnish a
25 translator for each system. But even if they would furnish

1 a translator for us to download our AS/400 data to a PC and
2 then translate it to the EDI format, we probably would go
3 for it.

4 It just depends on the actual costs associated
5 with the EDI transmissions itself at that point.

6 Q. I think the costs that I've seen, ultimately it's
7 going to be a cheaper way for both the operators to
8 transmit data and the OCD to receive, or the State Land
9 Office or the Tax and Revenue to receive it.

10 I understand you -- Also are you responsible for
11 the operations in Wyoming and other states that Yates
12 Petroleum operates in?

13 A. Those are not as computerized as the New Mexico.

14 Q. Are you familiar with any of the efforts that are
15 going on with other states in ultimately going to the EDI
16 format?

17 A. No, I'm not really familiar with them.

18 Q. In the event that all states ultimately would be
19 making a commitment, all state agencies, to go to the EDI
20 format, would that change Yates's overall plan in how they
21 would submit data to New Mexico, since we may be the first
22 but other states would follow?

23 A. It possibly could, and that depends on, you know,
24 the price of oil and gas. Right now that's not so great,
25 so that's a big factor.

1 But if we had more uses of an EDI translator or,
2 you know, more reasons to purchase one, then we probably
3 would be a lot more receptive.

4 Q. Would the possibility or probability that other
5 states, as I mentioned, would be going to that format in
6 the future be a consideration in the decisions you make?

7 A. It will always be a consideration, or -- What did
8 you ask me?

9 Q. A consideration on your decision on how you --

10 A. Yes.

11 Q. -- report data to New Mexico?

12 A. I would say it could be a consideration.

13 Q. Has Ed Martin talked with you all about working
14 with you in trying to go the EDI route?

15 A. Yes.

16 Q. Will you continue to talk to him on translators
17 and other things?

18 A. If they will talk to me about this other option.

19 Q. Well, are you familiar with all the other
20 companies that have committed that are smaller than Yates,
21 have committed to submit their data, EDI format?

22 A. To the EDI?

23 Q. All the major oil companies, many of which have
24 less production than Yates?

25 A. Am I familiar with them?

1 Q. Yeah.

2 A. No.

3 Q. Do you know who made those decisions already?

4 A. No.

5 CHAIRMAN LEMAY: Okay. Commissioner Weiss, do
6 you have any questions?

7 EXAMINATION

8 BY COMMISSIONER WEISS:

9 Q. Yeah. I don't understand what the difference is
10 in writing a translator for a magnetic tape and writing a
11 translator for a computer. You can do the magnetic tape
12 one, right?

13 A. Yes. That does not involve translation, because
14 the EDI standard requires -- it requires beginning
15 characters -- All of the data has to be translated to a
16 standard format.

17 Q. Well, if you give them a tape, doesn't that have
18 to be in the same format?

19 A. No, it's just got to be in the -- you tell -- It
20 may have to be in the same physical format, but the data
21 format is not the same at all. It's not a translation like
22 the EDI is.

23 MR. STOVALL: That's if it's non-EDI tape, right?

24 THE WITNESS: Right.

25 COMMISSIONER WEISS: I have no other questions.

1 I don't understand much about it. That's all.

2 CHAIRMAN LEMAY: You're not alone.

3 MR. STOVALL: I have two I'd like to follow up
4 with.

5 EXAMINATION

6 BY MR. STOVALL:

7 Q. Number, one, in coming up with these costs have
8 you had any discussions with other operators about somehow
9 sharing software development costs so that these costs
10 could be spread?

11 And I don't know what the practicalities of that
12 are as far as data processing. I just want to know if
13 you've had discussions.

14 A. No, not to a large extent. I have discussed with
15 some of the people that I'm here with today.

16 Q. Okay. Second question would be, is -- Assuming,
17 of course, management permission, would you be willing to
18 work with the Commission and the Division on developing
19 some sort of -- given the concerns we've expressed with
20 respect to a penalty, to make sure that as long as Yates is
21 doing a good -- working in good faith as they have, that we
22 come up with a system that accomplishes our objectives
23 without penalizing Yates and other companies that are --
24 really make an effort to do the job?

25 A. Would I -- would we --

1 Q. Would you be willing to participate, given
2 management approval, to protect Yates's interests?

3 A. Sure.

4 MR. STOVALL: Okay.

5 CHAIRMAN LEMAY: Are there any other questions of
6 the witness?

7 Thank you, Ms. Klein. You may be excused.

8 MR. CARR: At this time I call Camille Waller.

9 CAMILLE WALLER,

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

12 EXAMINATION

13 BY MR. CARR:

14 Q. Would you state your full name and place of
15 residence?

16 A. Yes, my full name is Camille Waller. I live in
17 Roswell, New Mexico.

18 Q. By whom are you employed, and in what capacity?

19 A. I'm the data processing manager for Harvey E.
20 Yates Company.

21 Q. And how long have you been employed in that
22 capacity?

23 A. I've been there four years.

24 Q. Generally, what are your duties?

25 A. My duties are the computer management in both PCs

1 and the AS/400. I take care of all hardware and software
2 acquisitions, and I'm in charge of all developing and
3 maintaining of our computer software on the AS/400.

4 Q. Could you briefly summarize your educational
5 background and your work experience?

6 A. I have 22 years of experience in data processing.
7 I've been a programmer/analyst, served as a consultant and
8 seven years in management, and I went to school at New
9 Mexico State University.

10 Q. Are you familiar with, generally, what the Oil
11 Conservation Division is proposing in this case?

12 A. Yes, I am.

13 Q. And are you familiar with Heyco's efforts to file
14 data in accordance with OCD rules and also to comply with
15 the Ongard system?

16 A. Yes.

17 Q. Are you also familiar with the order recently
18 entered in this case?

19 A. Yes, sir.

20 Q. And are you prepared to make some general
21 recommendations to the Commission concerning filing of
22 forms C-111, C-112 and C-115?

23 A. Yes, sir.

24 MR. CARR: Are the witness's qualifications
25 acceptable?

1 CHAIRMAN LEMAY: Her qualifications are
2 acceptable.

3 Q. (By Mr. Carr) Would you briefly state what Heyco
4 seeks in this case?

5 A. We would like to support the testimony of Yates
6 Petroleum that was given at the last session on the filing
7 dates.

8 We would also like to express our concerns about
9 filing on the new forms when we feel like that the State
10 may not be ready to accept this.

11 And we're also very concerned about the
12 penalties.

13 Q. Under Ongard, when are you supposed to file C-115
14 information?

15 A. It's my understanding that January's is due March
16 31st, and then under the temporary rules that February's is
17 supposed to be due April 15th.

18 Q. Will Heyco be able to meet these filing dates?

19 A. I'm very concerned that we're not.

20 Q. And why not?

21 A. We're having difficulty in receiving some of our
22 numbers as far as our point of dispositions, our property
23 numbers and our pool codes. And we had been trying to get
24 them over the telephone, and we were told Tuesday of this
25 week that they would be no longer available over the phone,

1 we would have to submit forms, which -- these are wells
2 that were in operation when Ongard was started.

3 Q. Why is this PDO number so important? Or, I'm
4 sorry, POD?

5 A. POD. It's a collection point number that we have
6 to have for each disposition, gas, water and oil, and the
7 State is requiring us to have that as well as the property
8 numbers and the pool numbers.

9 Q. In your efforts to report data under Ongard, are
10 you of the opinion that you will be able to report accurate
11 information for Heyco?

12 A. Well, one thing I have been concerned about, we
13 were sent -- All operators were sent an extensive list of
14 the wells, as the OCD database presented at that time, and
15 we were supposed to make corrections and send those back on
16 December 1st.

17 And we complied with that, and we were under the
18 impression that we would get listings back showing that
19 these corrections had been made. And as -- To this day, we
20 have not received any of this information. And I'm
21 concerned that the database -- if it hasn't in fact been
22 corrected for the changes that we made.

23 Q. Could this in fact result in information being
24 incorrectly either reported or --

25 A. Yes, because there was a large percentage of

1 errors. And I visited with other operators in our area,
2 and we weren't the only ones that had a large percentage of
3 errors on their printouts.

4 Q. Have you experienced any other problems in your
5 efforts to implement your system in accordance with Ongard?

6 A. Well, one thing that my company has been
7 concerned about is, when we went -- We attended all of the
8 Ongard sessions in Albuquerque, and I attended the EDI
9 session. And we were under the impression that we would
10 not have to do hardcopy filing, that we would go directly
11 to EDI.

12 And we were also under the impression that we
13 would get a PC program that would have an import
14 capability. And we also understood that in this PC
15 program, that there would be a translator, which you have
16 heard a lot of talk about. This translator is big bucks to
17 us. And \$3000 is for a PC, and our system is not as big as
18 Yates Petroleum, and it would be \$10,000 for ours.

19 So one thing that we had asked for, and we had
20 been said that we would get that, is that they would give
21 us the format that we could put our information in and
22 download it to the PC. Then the translator program would
23 be included in this free PC program, and we could translate
24 it and send it. And that was one option that we were real
25 interested in, because that cut our dollars dramatically.

1 As far as the magnetic tape that Susan has been
2 talking about, we would still have to have a translator
3 program if you required us to have it in the EDI format.
4 So that's one thing.

5 And we have never received any information on the
6 PC, and I was told in December that this was not going to
7 be a possibility, to have this import capability. And so
8 that's why February 1st I became panicked and I wrote
9 programs to do a hard copy, which I had fully been told
10 that we would not have to do that.

11 Q. Basically, what is Heyco recommending here today?

12 A. Well, I -- We're recommending that the State
13 really look closely at maybe trying to get their database
14 as correct as we can before we implement this.

15 We definitely would like to see the penalties for
16 late filing not be put before you right now.

17 And we'd also like to see that maybe the filing
18 deadlines might be moved back even farther than they are
19 for the March 31, given that we're having trouble getting
20 our numbers.

21 Q. Anything further to add to your testimony?

22 A. No, sir.

23 MR. CARR: That's all I have on direct of this
24 witness.

25 CHAIRMAN LEMAY: Thank you.

1 Mr. Stovall?

2 MR. STOVALL: One quick question.

3 EXAMINATION

4 BY MR. STOVALL:

5 Q. With respect to your immediate problem, are you
6 aware that you can write a letter to the Division, and
7 because of the data problems you would be granted an
8 extension for Heyco?

9 A. The last thing that we received was the blanket,
10 March 31st. Now, until today, I was not aware that we
11 could --

12 Q. Okay.

13 A. -- have a further extension.

14 Q. I'm afraid that -- It was in the memo, but if you
15 would do that -- I mean, I'll just state the Division's
16 position: If you will do that and we'll address it, and
17 say that to all the other operators here, and please
18 communicate that. We recognize that's a problem, and
19 that's not really what this hearing is about. So --

20 A. Right.

21 Q. So if you'll submit a letter and let us know,
22 believe me, we know that we're behind, so we'll deal with
23 that on an individual basis.

24 Have you been in communication with Mr. Martin or
25 anybody from the Division with respect to the --

1 A. We know each other quite well.

2 Q. I've worked with him, he's -- Yeah.

3 A. I know several of the people, and all that.

4 Q. Now, recognizing a lot of these are transitional
5 problems, and we accept that, and probably this hearing
6 isn't the place -- Is the 15th deadline, the deadline that
7 we're talking about now, is that an acceptable deadline to
8 you, the 45 days after the month?

9 A. Yes, if we had our POD number -- of we had --

10 Q. Once we're up and running?

11 A. Once we're up and running, I agree, that's very,
12 very practical.

13 MR. STOVALL: Okay, that's all I have.

14 CHAIRMAN LEMAY: Mr. Carlson?

15 COMMISSIONER CARLSON: No questions.

16 CHAIRMAN LEMAY: Mr. Weiss?

17 COMMISSIONER WEISS: No questions.

18 CHAIRMAN LEMAY: I've got one I'd like to ask you
19 all.

20 EXAMINATION

21 BY CHAIRMAN LEMAY:

22 Q. What can we do to encourage an EDI format? Is
23 that --

24 A. You can --

25 Q. -- translator?

1 A. -- get us an import capability on the PC
2 program --

3 Q. So --

4 A. -- with the translator.

5 Q. -- you need a translator also?

6 A. Yes. You'll find most of us smaller operators,
7 that's what we need. Because we -- It's too expensive for
8 you to go out and spend \$10,000 for a translator, right now
9 with the price of oil.

10 Q. Is there a generic translator that -- I mean, I
11 just --

12 A. Well, I was under the impression that the PC
13 program that we were supposed to receive for either -- that
14 was going to be included in that.

15 But we would like to see the import capabilities
16 so that we could download our files and just run it through
17 that when we had it in the right file format. And we were
18 under the impression from September on -- I've talked with
19 these men a number of times, and we were going to get to
20 have that, until December, and then it all fell through.

21 So that's when -- And February, when I could see
22 that EDI was not going to happen for us, when I even asked
23 to be a beta site, I decided to go with hard copy because
24 of that. So...

25 Q. But the EDI is an option in the future if you can

1 do it economically; is that --

2 A. Absolutely, if we can get a translator program
3 that is free of charge.

4 CHAIRMAN LEMAY: Thank you, Ms. Waller.

5 MR. STOVALL: Let me call -- One last one.

6 FURTHER EXAMINATION

7 BY MR. STOVALL:

8 Q. What about -- have we figured out -- Again, I
9 ought to ask the Yates witness if we've figured out a way
10 to spread that cost over several companies if we were
11 unable to do it through the Division? Would that be of
12 interest?

13 A. Well, I just feel like that the State is
14 requiring -- would like us to do that, and it's supposed to
15 be saving you personnel time.

16 I feel like the State can come back in the PC
17 program and give us the tools to do this, because there's
18 been this comment how much cheaper it's going to be for the
19 companies to report EDI. Well, I don't see how Federal
20 Express in comparison to EDI charges is cheaper. I haven't
21 been able to figure that out, so...

22 MR. STOVALL: Okay.

23 CHAIRMAN LEMAY: Additional questions?

24 Thank you, Ms. Waller.

25 THE WITNESS: Uh-huh.

1 CHAIRMAN LEMAY: The witness may be excused.

2 Mr. Carr?

3 MR. CARR: May it please the Commission, at this
4 time I would call Cathy Seely.

5 CATHY SEELY,

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

8 EXAMINATION

9 BY MR. CARR:

10 Q. Would you state your name and place of residence?

11 A. Cathy Seely, Roswell, New Mexico.

12 Q. By whom are you employed?

13 A. Siete Oil and Gas Corporation.

14 Q. And what is your job with Siete?

15 A. I'm a regulatory specialist.

16 Q. How long have you been employed in that capacity?

17 A. Six years.

18 Q. And generally what are your duties?

19 A. I prepare and file the appropriate documents that
20 is required to comply with the state and federal
21 regulations.

22 Q. Could you briefly summarize your educational
23 background and work experience?

24 A. I attended Kansas State University. I graduated
25 from Chanute High School, and I have six years of oil and

1 gas experience.

2 Q. Are you familiar with the efforts made by Siete
3 to timely file data in accordance with OCD regulations and
4 in compliance with the Ongard program?

5 A. Yes, I'm responsible for that.

6 Q. And you're familiar with the order recently
7 entered in this case?

8 A. Generally, yes.

9 Q. And are you prepared to make some general
10 recommendations to the Commission concerning the filing of
11 certain data with the Oil Conservation Division?

12 A. Yes, I am.

13 MR. CARR: Are the witness's qualifications
14 acceptable?

15 CHAIRMAN LEMAY: Her qualifications are
16 acceptable.

17 Q. (By Mr. Carr) Ms. Seely, what does Siete seek by
18 appearing here in this case?

19 A. Well, first of all, we concur with presentations
20 that Heyco and Yates Petroleum have already presented to
21 the Board.

22 We would again like to emphasize that we would
23 like to be put into ruling that the 15th of the second
24 month be the filing deadline, whether it be hard copy or
25 not, for the filing of the C-115s.

1 And that we are -- Because we are having such a
2 lack of communication with the OCD on information that --
3 Really penalties, I don't even think, should even be an
4 option here, because I feel that the operators have so far
5 done their part. The part that we're having problems with
6 right now is the OCD doing their part. So I don't feel
7 that we should be penalized, because so far we are at the
8 point where we cannot do any more.

9 Q. Very briefly, why is the -- any date prior to the
10 15th day of the second month a hardship or a difficult date
11 for Siete to meet?

12 A. Presently, our transporter statements are not
13 coming to us in a timely manner or fashion. We are usually
14 having to call the transporters and purchasers and have
15 them fax them to us. They're not getting to us at all.

16 The C-120s no longer will be necessary. We'll go
17 on the C-115, as I understand it. And in order to comply
18 with that we need to have it in there on the 15th.

19 The OCD is requiring a lot more information on
20 the C-115, a lot more data input that we have to input. In
21 order to comply with that, it's going to take us more time
22 inputting data. And like I said, we don't receive in a
23 timely manner now.

24 So by asking for additional data, we need that
25 extra time in order to get you accurate reports so we don't

1 have to go back into amendments.

2 Q. After we get past the transitional phase and if
3 we can get the kinks out of the system, would a -- the
4 date, the 15th day of the second month, be a satisfactory
5 or a reasonable reporting date, in your opinion?

6 A. Yes.

7 Q. Is Siete also having trouble complying with
8 current deadlines to get information to the State in
9 compliance with the Ongard system?

10 A. Yes, we have sent back our documentations that we
11 have received from their database. We also had errors on
12 every property that we received.

13 We did have API numbers that were wrong, there
14 was a problem there. The OCD assigns temporary API numbers
15 sometimes on properties. What we have found is that in
16 their database they still have those temporary numbers on
17 some of the properties there, instead of having the
18 permanent numbers.

19 Our collection points that they sent to us were
20 incomplete. Where the properties were located were
21 incomplete, incorrect. We had to break up a lot of
22 properties. They had some of our leases completely wrong.

23 Right now, I have inputted and I've got all the
24 data that is correct, possibly, but I am late on about 50
25 percent of my data from the District's office. And I have

1 spoke with them on Tuesday, and I'm not expecting them --
2 to receive any more information from them for at least
3 another week. And of course January, as we all know, is
4 due the end of this month, and February shortly thereafter.

5 My programmers -- We do not have the advantage of
6 having programmers at our company; we have to contract them
7 out. Because Ongard was pretty much handed to the
8 operators at the last minute and the kinks were not yet
9 debugged, our programmers are working blind, trying to work
10 with the OCD and comply with the new Ongard system in order
11 to get up and running for the transition. And right now,
12 they have not gotten to that point. After speaking to them
13 day before yesterday, they don't feel like they will be
14 prepared for the Ongard by the end of January.

15 Q. Are you going to need to request an extension of
16 the March 31st date for Siete?

17 A. If the Oil Conservation Division feels that they
18 would want to use the Ongard system for January, 1994,
19 reports, we will definitely need an extension under the
20 Ongard system, unless we go back to the old format, until
21 the OCD has ironed out their kinks and got all the
22 information to us that we need in order to file these
23 documentations the way that OCD has required and asked us
24 to do. So...

25 Q. Do you have anything further to add to your

1 testimony?

2 A. I would want to address a question that I would
3 like them to keep in mind on -- The Ongard is in effect
4 January, 1994. I am not yet familiar with what the OCD is
5 going to do about amended reports prior to January, 1994,
6 what format that will be, what it will be put on the
7 operator. I have never heard that to be addressed.

8 And right now, as the other companies, we have
9 put a lot of money into this. Well, like I said, we do not
10 have our own programmers. But I'm sure our cost is pretty
11 comparable to what theirs is. And with the price of oil,
12 as we all know, as it is, with the EDI I suspect that we
13 cannot afford right now to spend much more than what we
14 already have.

15 MR. CARR: That concludes my direct examination
16 of this witness.

17 CHAIRMAN LEMAY: Thank you, Mr. Carr.

18 Questions of the witness?

19 Gary?

20 EXAMINATION

21 BY COMMISSIONER CARLSON:

22 Q. Do you know what penalties the federal government
23 imposes for incorrect filers or late filers?

24 A. To the MMS? Is that what you're talking about?

25 Q. MMS or BLM --

1 A. Federal?

2 Q. -- yeah.

3 A. It's \$10 per production line.

4 Q. Per line on the report?

5 A. Yes, \$10 per line on the report.

6 Q. Is that for anything inaccurate on that?

7 A. Yes, that's for, you know, if you have a typo
8 error, yeah, if -- for any incorrect -- If the number is
9 wrong, then it's \$10 per line.

10 Q. What about for late filers? Do you know what
11 their penalties are?

12 A. \$10 per line. If you have 15 properties and
13 there are five properties on each, that's \$10, probably,
14 per property.

15 Q. If you submitted a day late?

16 A. Yes, a day late, yes.

17 COMMISSIONER CARLSON: That's all I have. Thank
18 you.

19 CHAIRMAN LEMAY: Commissioner Weiss?

20 COMMISSIONER WEISS: No questions.

21 CHAIRMAN LEMAY: I have one.

22 EXAMINATION

23 BY CHAIRMAN LEMAY:

24 Q. Is it your testimony that fines and penalties are
25 unreasonable and unfair for OCD mistakes?

1 A. Due to the OCD mistakes?

2 Q. I would tend to agree with you.

3 A. Yes.

4 Q. I wanted to get that in the record. I thought
5 you were saying that basically we're making a lot of
6 mistakes and our data is not correct, and it wouldn't be
7 fair to fine you because of all the errors we've found in
8 our database.

9 A. Yes, that would be -- You know, there are a lot
10 of errors in the database, and I'm not familiar with what
11 all -- the personnel with the District Office. But it
12 has -- it's obvious to me that they do not have enough
13 time. They're still working out the kinks of this Ongard
14 while, at the same time, the OCD is requiring us to file
15 Ongard.

16 I believe that this should have been handled
17 before it was ever introduced to the operators. These
18 kinks should have already been gone through, the database
19 at the OCD should have been completely correct and then
20 introduced it to the operators who said, Okay, now we've
21 got everything working; effective such-and-such day, we
22 will require that you file under this new system.

23 But right now, we're kind of -- We're required to
24 file under Ongard while you still haven't worked at Ongard.
25 And so it kind of really is a headache for us.

1 And like January, 1994, even -- you know,
2 extending the deadline to April 30th, the thing that --
3 where it affects me is that you're extending January; well,
4 that means you're extending February and March. Well, I
5 have people I have to answer to in the production and
6 sales, we have revenue, you know, we have to get these
7 numbers out.

8 And even though it's -- Under the Ongard system
9 you're just putting off months to where all of a sudden
10 five months of filing are going to be required within three
11 weeks' time, it seems like, and we're to get you all up to
12 date, because *Dwight's* is going to be the information PI --
13 You know, we can get the production and sales information
14 to you, but we might not be able to get it under the format
15 that you would like it to be under.

16 And I would think that would be the most
17 important information, is -- What you're wanting is the
18 information that the well has, not so much the PODs, point
19 of dispositions, your O-grid number, your property number.
20 But what's important is what comes out of the ground, the
21 production and the sales.

22 And I would think that, you know, until you get
23 your Ongard up and working and your district office has
24 their database, I just don't see how you're going to be
25 able to require the operator to report under the Ongard

1 system. I just don't see that it's going to happen.

2 Q. We have to get our shop in order before we
3 require you to --

4 A. Yes, I believe that would be nice.

5 CHAIRMAN LEMAY: Thank you.

6 Additional questions of the witness?

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

8 MR. CARR: We have nothing further for the
9 Independent Petroleum Association.

10 (Off the record)

11 CHAIRMAN LEMAY: Mr. Stovall?

12 MR. STOVALL: I'd like to address one comment,
13 because I think it's a valid concern on the part of the
14 operators, and I think it's kind of a Catch-22, and I --
15 Dave would probably confirm this.

16 I understand what the last witness was just
17 saying about, you know, the production data is really the
18 important thing. The problem is, all those other numbers
19 that we haven't gotten back to them are the method by which
20 that production number becomes accessible. That is, it
21 goes in and it comes out by that way.

22 So I recognize that's a problem, and -- I think
23 that's an administration problem that has to be dealt with.
24 But I think in terms of changing the reporting system --
25 and Dave, confirm if I'm not right -- but at this point

1 it's necessary to go forward and say, starting January,
2 1994, it's got to be in an Ongard format.

3 And unfortunately, because of problems which are
4 no fault of the operator's, we're just not going to get it
5 in in time.

6 But if we get it in in any other format, it's not
7 usable or retrievable. So I think it's just a -- Is that
8 correct, Dave? Is that a --

9 MR. NELSON: Yes.

10 MR. STOVALL: So this POD problem and property-
11 number problem and all those data-conversion items are just
12 something that, yeah, in an ideal world I guess it would
13 have been nice if it had all been done before we got to the
14 system.

15 But I think we're kind of locked in at this point
16 of saying this is the format, because otherwise we've just
17 got boxes of paper, and --

18 COMMISSIONER WEISS: Well, why is January 1st
19 cast in concrete? Let's make it January 1st next year.

20 MR. STOVALL: Well, let me ask Dave, because he's
21 the DP guy.

22 Have we got a place where we could put
23 information and get it out at this point? Have we shut
24 down the -- Is the old system available? And what burdens
25 would that put on an operator to, say, Go back and do that

1 data in the old system now, now that you've done half your
2 programming. I think that's -- That's kind of a
3 frightening prospect, I would guess.

4 MS. WALLER: Mr. Stovall, We kept our old --

5 MR. STOVALL: You kept your old, just in case?
6 Okay.

7 MS. SEELY: Just in case you change it again.

8 CHAIRMAN LEMAY: Yeah, they've worked with the
9 government before.

10 MR. STOVALL: And I'm speaking kind of from the
11 outside. I mean, I'm just, you know, talking about -- I
12 haven't been closely involved with the project for a couple
13 of months.

14 CHAIRMAN LEMAY: Let the record show that your
15 previous question was answered by Dave in the affirmative
16 when he nodded his head.

17 MR. STOVALL: Yeah.

18 I think it's a problem, and how to get the data
19 is -- at this point is -- That's a management problem; I
20 don't think that's a Commission problem, quite frankly. I
21 don't think the Commission is in a -- We'd have to call in
22 the contractor and everybody else to review that if it were
23 going to be decided by the Commission.

24 CHAIRMAN LEMAY: Is it legally possible for the
25 Commission to fine the Division for -- late getting

1 information out?

2 MR. STOVALL: What would you do with the money if
3 you got it?

4 CHAIRMAN LEMAY: Having been involved with both
5 entities, I can assure you that we've been at fault here
6 recently, and a lot of it is our database, and -- We are
7 going to try to do the best we can.

8 MR. STOVALL: Well, I think the problem -- I
9 think every question that's come up from this group is a
10 valid problem, and it's a real problem. And believe me,
11 the Division recognizes that it's not the operators who
12 have created the problem, but they're having to live with
13 it.

14 And the question now is a management question:
15 How best do you get through the transition hump?

16 The real issue here is -- I mean, the purpose of
17 this hearing -- I'm glad we put the penalty language in,
18 because it got some attention, and that's what we wanted,
19 was attention and operator input. I think that helps.

20 CHAIRMAN LEMAY: I think, Mr. Stovall, the
21 purpose of the hearing has changed from one of penalties
22 and dates to one of expressing frustration with the whole
23 implementation of the system.

24 MR. STOVALL: And that's fine, and I think it's
25 fair and it's a good forum to do that.

1 I'd like now to direct the Commission's attention
2 back to the very narrow purpose of this -- of the original
3 Application, and that is, what date should operators be
4 required to report by, once the conversion is made?

5 And we recognize that these dates are, you know,
6 just marks on a calendar until such time as we have the
7 technical capability to get the information, for them to
8 generate it and for us to capture it.

9 CHAIRMAN LEMAY: A legal question: We have an
10 order in place right now. In the event that that order --
11 it's an interim order -- but that we continued that case
12 indefinitely, that order would suffice until such time a
13 subsequent order was issued?

14 MR. STOVALL: I believe -- I'd have to go back
15 and look to make sure. I don't think we put a termination
16 date on that order.

17 MR. CARR: I've looked at the order, and the
18 dates stand until further order of the Commission, and that
19 order could stand indefinitely.

20 MR. STOVALL: And the reason I would recommend
21 that as opposed to changing the rule at this time is,
22 there's some additional bureaucratic processes that have to
23 go through to actually change the rule back. And I'm
24 concerned that we're operating in a little bit of a
25 knowledge vacuum in terms of how it's really going to work,

1 and I think if we can accomplish the result now, by letting
2 that order stand -- you know, for whatever good my word is
3 at this point in the game, I would say that -- and I think
4 the Division would probably say -- that there would be no
5 effort to shorten those dates.

6 I think we've got enough testimony to say that
7 the 15th of the second month following is a good date.
8 We've raised the question of whether or not there ought to
9 be sort of an incentive date for hard copy versus
10 electronic.

11 CHAIRMAN LEMAY: But that can be covered in the
12 future.

13 MR. STOVALL: That could be covered later on. It
14 should not be addressed in this hearing as a result of what
15 information you've got today.

16 CHAIRMAN LEMAY: Okay.

17 MR. STOVALL: And I think if you left the interim
18 order in place and -- I would say continue this for six
19 months, just because it's easier to have it on a docket
20 rather than to just let it float out there in never-never
21 land, and then address it again at that time and see where
22 the project is and where the operators are and what the
23 Division has done to address all of the concerns, including
24 the software concern that was raised.

25 I think there were some problems with the

1 Division representing and saying that we're going to try to
2 develop some PC software to let you report, and what all
3 did we say, and what did they understand, and -- They're
4 all real concerns.

5 CHAIRMAN LEMAY: We understand.

6 MR. STOVALL: I think we need to -- I recommend
7 that we leave -- at this time continue the case for six
8 months, leave the interim order standing, and at that time
9 come back and take a look because we'll have a pretty good
10 idea where we are.

11 CHAIRMAN LEMAY: Do you all want to do that?

12 (Off the record)

13 CHAIRMAN LEMAY: Okay, we'll rule from the bench
14 on this one.

15 The case will be continued for six months with
16 the interim order in effect, and at that time we'll review
17 it. And who knows? We may continue it additional time.
18 But hopefully not, we'll have something in place by then.

19 MR. STOVALL: One last thing to address, just for
20 the concern, I think, at the moment I would encourage
21 everybody in this room who's got a problem to send in a
22 letter as soon as you get back just requesting an
23 extension, and again rather than just issue a blanket
24 extension, I think, you know, it's safe to say that if you
25 haven't got information, you can't report, so you'll get

1 the extension, just a question of how long, and I don't
2 think we know.

3 CHAIRMAN LEMAY: Well, those extensions have been
4 granted based on not having the available information to
5 file, so I can tell you that that is pretty well a standard
6 procedure. Just send a letter in, and we'll grant an
7 extension.

8 MR. STOVALL: One further thing on that, and I
9 think the point was brought up, the February report would
10 be due March 31st, and I think we need to address the
11 February production.

12 CHAIRMAN LEMAY: Well, I think it's April, but
13 we'll look at that.

14 MR. STOVALL: Yeah.

15 CHAIRMAN LEMAY: Anything else in this case?
16 It shall be -- if not --

17 MR. STOVALL: I have nothing.

18 CHAIRMAN LEMAY: Well, we might get something
19 from Mr. Carr.

20 MR. CARR: The only concern we have that's just
21 been expressed, is, there's still some confusion about what
22 to do with the C-120s in the interim. We can address that
23 in the letter when we ask the extension, otherwise, because
24 it may require some thought.

25 That's all we have. Thank you.

1 CHAIRMAN LEMAY: Anything additional in this
2 case?

3 If not, it shall be continued for six months with
4 the interim order the Commission issued in effect during
5 those six months.

6 Thank you very much for coming and expressing, I
7 guess, your total frustration.

8 MR. STOVALL: I'm glad we got the people that are
9 actually doing it down here talking about it.

10 CHAIRMAN LEMAY: I am too, I am too.

11 (Thereupon, these proceedings were concluded at
12 3:30 p.m.)

13 * * *

14

15

16

17

18

19

20

21

22

23

24

25

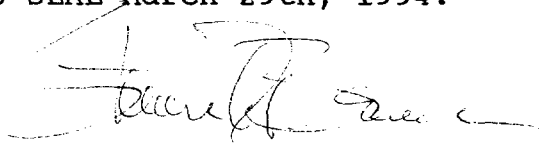
1 CERTIFICATE OF REPORTER

2
3 STATE OF NEW MEXICO)
4) ss.
COUNTY OF SANTA FE)

5
6 I, Steven T. Brenner, Certified Court Reporter
7 and Notary Public, HEREBY CERTIFY that the foregoing
8 transcript of proceedings before the Oil Conservation
9 Commission was reported by me; that I transcribed my notes;
10 and that the foregoing is a true and accurate record of the
11 proceedings.

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

16 WITNESS MY HAND AND SEAL March 29th, 1994.

17
18 
19 STEVEN T. BRENNER
CCR No. 7

20
21 My commission expires: October 14, 1994
22
23
24
25