

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:)
APPLICATION OF THE NEW MEXICO OIL)
CONSERVATION DIVISION THROUGH THE)
ENGINEERING BUREAU CHIEF FOR AMENDMENT)
OF RULE 705 [COMMENCEMENT,)
DISCONTINUANCE AND ABANDONMENT OF)
INJECTION OPERATIONS])

CASE NO. 13,068

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

COMMISSION HEARING

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

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Oil Conservation Division

May 15th, 2003

Santa Fe, New Mexico

This matter came on for hearing before the Oil Conservation Commission, LORI WROTENBERY, Chairman, on Thursday, May 15th, 2003, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

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I N D E X

May 15th, 2003,
Commission Hearing
CASE NO. 13,068

	PAGE
APPEARANCES	3
APPLICANT'S WITNESS:	
<u>RICHARD EZEANYIM</u> (Chief Engineer, NMOCD)	
Direct Examination by Mr. Brooks	5
Examination by Commissioner Bailey	14
Examination by Chairman Wrotenbery	14
REPORTER'S CERTIFICATE	19

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E X H I B I T S

Applicant's	Identified	Admitted
Exhibit 1	6	14
Exhibit 2	6	14
Exhibit 3	17	17

* * *

A P P E A R A N C E S

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* * *

1 WHEREUPON, the following proceedings were had at
2 9:13 a.m.:

3 CHAIRMAN WROTENBERY: Okay, that brings us to the
4 last two items on the agenda. We have two rule-making
5 proceedings to consider this morning.

6 Mr. Brooks, which would you like to do first?

7 EXAMINER BROOKS: Madame Chairman, honorable
8 Commissioners, based on the docket I had represented to my
9 witnesses that we do the 13,068 first. I suspect most of
10 the people are here on 13,069. However, I anticipate
11 13,068 will be probably than 20 or 30 minutes at maximum.

12 CHAIRMAN WROTENBERY: Okay, thank you.

13 Then we'll call Case 13,068. This is the
14 Application of the New Mexico Oil Conservation Division
15 through the Engineering Bureau Chief for amendment of Rule
16 705, concerning the commencement, discontinuance and
17 abandonment of injection operations, and we'll call for
18 appearances.

19 EXAMINER BROOKS: Madame Chairman, honorable
20 Commissioners, I'm David Brooks, Assistant General Counsel,
21 Energy, Minerals and Natural Resources Department of the
22 State of New Mexico, for the New Mexico Oil Conservation
23 Division. I have one witness.

24 CHAIRMAN WROTENBERY: Thank you. Any other
25 appearances in this matter?

1 Then are you ready to call your one witness, Mr.
2 Brooks?

3 EXAMINER BROOKS: I am.

4 (Thereupon, the witness was sworn.)

5 EXAMINER BROOKS: May I proceed?

6 CHAIRMAN WROTENBERY: Please.

7 RICHARD EZEANYIM,

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

10 DIRECT EXAMINATION

11 BY MR. BROOKS:

12 Q. Good morning, Mr. Ezeanyim.

13 A. Good morning.

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

15 A. My name is Richard Ezeanyim.

16 Q. And by whom are you employed, Mr. Ezeanyim?

17 A. By the Oil Conservation Division, Energy,
18 Minerals and Natural Resources Department.

19 Q. And in what location?

20 A. In Santa Fe.

21 Q. And what is your title?

22 A. Chief Engineer.

23 Q. And how long have you held that position?

24 A. Two years now.

25 Q. Mr. Ezeanyim, looking at the exhibits that have

1 been put before you, would you identify Exhibit 1 for us?

2 A. Yes, Exhibit 1 is the Rule 705, which we intend
3 to amend today. It deals with the commencement,
4 discontinuance and abandonment of injection operations.

5 Q. As is usually done in mark-ups, the text in black
6 and the deleted text, or the crossed-out text, is the
7 present text of the Rule?

8 A. That's correct.

9 Q. The crossed-out text is the text that we propose
10 to delete, and the inserted red text that's underlined is
11 the text we propose to add?

12 A. That's correct, I'm going to get to it later on.

13 Q. Okay. What is the purpose of Rule 705?

14 A. Well, the main purpose, if you look at Exhibit 1,
15 it just deals with notice of OCD about commencement of any
16 authorized injection operations or discontinuance of
17 injection operations or abandonment of injection
18 operations.

19 Q. Is Rule 203 the Division's Rule covering
20 temporary abandonment of wells?

21 A. That's correct.

22 Q. I'll now call your attention to what is marked as
23 Exhibit 2 and ask you to identify Exhibit 2.

24 A. If you look at Exhibit 2, you are going to see
25 two rules. The first one is Rule 201. It deals with

1 "Wells to be Temporarily Abandoned". And Rule 203,
2 "Temporary Abandonment".

3 Q. Now, Rule 201 sets forth the requirements of when
4 a well must be either permanently or temporarily abandoned,
5 correct?

6 A. That's correct.

7 Q. And Rule 203 provides the means by which wells
8 are to be temporarily abandoned if the operator elects to
9 do so?

10 A. That's correct, and that's a new well.

11 Q. Now, we do not propose any amendments to these
12 rules, correct?

13 A. No, we do not.

14 Q. To 201 and 203?

15 A. No.

16 Q. We are just putting them in the record here so
17 the Commissioners will have them to look at for purposes of
18 seeing how they affect the amendments that we propose for
19 Rule 705?

20 A. That's correct.

21 Q. Does Rule 203 make any distinction between
22 injection wells and production wells?

23 A. Really, no distinction between temporary
24 abandonment of injection wells and the production wells, or
25 for that matter any well.

1 Q. Rule 203 applies to all wells --

2 A. All wells.

3 Q. -- that are within OCD jurisdiction?

4 A. That's correct.

5 Q. So if one reads Rule 203 without looking at Rule
6 705, one would assume that they had a complete guide for
7 what they had to do, to temporarily abandon an injection
8 well?

9 A. Yeah, that's correct.

10 Q. But Rule 705 has some additional requirements,
11 applicable specifically to injection wells that would
12 appear to say something different, correct?

13 A. Yeah, that's correct, and that's why we are
14 before the Commission to present that.

15 Q. What does Rule 705 require?

16 A. Rule 705 requires you to -- First of all, I
17 mentioned earlier that -- those three notifications to OCD,
18 that if you want to commence your injection operation, you
19 have to notify so we are aware. Or if you want to
20 discontinue or abandon, we need to know.

21 However, there are additional requirements that
22 we don't know they got in there, and those requirements are
23 extraneous to what the Rule is basically meant to.

24 If we go to Exhibit 1, I refer you to what is
25 marked in red, and I need to read it slowly and aloud and

1 tell you those requirements.

2 It says that "No injection well may be
3 temporarily abandoned for a period exceeding one year
4 unless the injection interval has been isolated by the use
5 of cement or a bridge plug."

6 Okay, let's take a look at that sentence. For an
7 operator to comply with this sentence, he has to do several
8 things. First of all, he has to move in a rig and then
9 isolate the injection interval, has to pull the tubing and
10 start the packer and then do the testing.

11 So we believe these operations cost a lot of
12 money. And I think, as I tried to say, that we have to
13 prevent waste, we should prevent waste in all forms. So we
14 are asking that that sentence be eliminated from this Rule,
15 because it has no place in this place.

16 Q. Now, Rule 203 would not require that type of
17 operation; is that correct?

18 A. No, it doesn't. If you go through Rule 203,
19 those requirements are not stated in there.

20 And then going further on -- That is B.(1). The
21 second sentence -- and I'm going to read as it is: "The
22 Director of the Division may delay the cement or bridge
23 plug requirements above upon a demonstration that there is
24 a continuing need for such a well that the well exhibits
25 mechanical integrity, and that continued temporary

1 abandonment will not endanger underground sources of
2 drinking water."

3 Okay, let's look at that again. If you look at
4 B.(2), you are talking about Section 203.B.(2) and Section
5 203.C.(1), so you have to demonstrate mechanical integrity.
6 You have to make sure that the well is not going to be a
7 source of pollution to the drinking water before the
8 Division Director can even give you an exception to the
9 Rule.

10 So if that is contained in 203, I don't see any
11 need for that second sentence we are trying to eliminate to
12 be included in 705.

13 Q. So what you're saying, then, is, first of all,
14 Rule 705 permits the Director to grant an exception to the
15 provision that says that you must isolate the formation
16 with a bridge plug?

17 A. Yes.

18 Q. And one of the criteria for granting that
19 exception is that the well demonstrates mechanical
20 integrity?

21 A. That's correct.

22 Q. But if they've satisfied Rule 203, then by
23 definition they've demonstrated the well has mechanical
24 integrity, correct?

25 A. That's correct, that's correct.

1 Q. Okay. Continue, if you have any further --

2 A. So what we are trying to -- Those two sentences
3 are the main crux the matter, why we are here today. We
4 are asking the Commission to -- We are trying to amend this
5 Rule to eliminate those two sentences, because they don't
6 have any place there.

7 If you look at the title of this Rule 705, it
8 just says notice. If you read it carefully, it says notice
9 to OCD about discontinuance or commencement, or if you are
10 abandoning, you are getting out for one year, then you see
11 this automatically. It has nothing to do with mechanical
12 integrity. We have to deal with mechanical integrity in
13 201 or 202.

14 Q. Now under 203, the operator has several
15 alternative means of demonstrating mechanical integrity?

16 A. Yeah, they do.

17 Q. And some of those would not involve as much
18 expense or operation as would complying with this provision
19 of Rule 705 that you're proposing to --

20 A. That's correct.

21 Q. Now, in your professional opinion, Mr. Ezeanyim
22 -- And let me interject at this point, because I believe I
23 neglected a formality here.

24 You have testified before the Oil Conservation
25 Commission and had your credentials as a petroleum engineer

1 made a matter of record?

2 A. Yes, they have been.

3 EXAMINER BROOKS: Okay. Are the witness's
4 credentials accepted?

5 CHAIRMAN WROTENBERY: We accept his
6 qualifications, thank you.

7 EXAMINER BROOKS: Thank you.

8 Q. (By Examiner Brooks) In your professional
9 opinion, Mr. Ezeanyim, is there any necessity, from the
10 point of view of either protection of freshwater resources
11 or other environmental concerns, to require in the case of
12 temporary abandonment of an injection well, that in every
13 case the formation be isolated by cement or a cast-iron
14 bridge plug?

15 A. No, not really, not in every case. If a well
16 fails, I mean, then the well has to be repaired and then be
17 brought back to -- and then retested. So not in all cases
18 do you require the mechanical -- I mean bridge plug to be
19 set.

20 Q. But in your opinion, if the well's mechanical
21 integrity is demonstrated under Rule 203, is the
22 environment adequately protected without the additional
23 procedures of setting a bridge plug?

24 A. Yes, that's correct.

25 Q. Explain why you believe, to the extent you have

1 not already, why you believe the Rule 203 procedures are
2 adequate.

3 A. Okay, let's go back to Exhibit 2, and the very
4 first sentence there on Exhibit 2 says, "The Division may
5 permit any well..." And this "any well" includes injection
6 wells. And then all the requirements are set forth.

7 If you look at 203, 203.B.(2), it tells you that
8 no TA will be approved unless you can protect the
9 underground source of drinking water.

10 And then if you go to 203.C.(1), it gives you the
11 approving -- those methods of doing mechanical integrity to
12 demonstrate that you're not going to do any pollution to
13 the underground source of drinking water.

14 Then if any well -- it's stated in both 201 and
15 203 for -- then including injection wells, we don't see any
16 reason why we should have a different requirement in 705,
17 so the extraneous requirement that maybe costs more money
18 and then wastes a lot of operator's time and it's not
19 really useful for us today, because -- unless we don't
20 believe in 201 and 203, and we essentially believe in that
21 because they are adequate enough to protect our sources of
22 drinking water.

23 So the point here is that the demonstration of
24 mechanical integrity, in accordance with 203 you will be
25 obligated to give reasonable assurance that the temporarily

1 abandoned injection wells will not be a source of pollution
2 to our underground sources of drinking water.

3 EXAMINER BROOKS: Thank you, Mr. Ezeanyim. The
4 exhibits are not really evidentiary exhibits, but I request
5 that Exhibits 1 and 2 be made a part of the record at this
6 time, for the assistance of the Commission.

7 CHAIRMAN WROTENBERY: Okay, OCD Exhibits 1 and 2
8 will be admitted into the record.

9 EXAMINER BROOKS: We'll pass the witness.

10 CHAIRMAN WROTENBERY: Commissioners?

11 EXAMINATION

12 BY COMMISSIONER BAILEY:

13 Q. Is there any potential at all for conflict with
14 the UIC, the underground injection control, requirements?

15 A. Conflict with the UIC?

16 Q. Yes.

17 A. There is no conflict at all we foresee here.

18 Actually, it's helping the UIC because the UIC program we
19 derive from 203, and 203 is adequate to provide protection
20 for all the UIC programs.

21 COMMISSIONER BAILEY: Okay, thank you. That's
22 all I have.

23 EXAMINATION

24 BY CHAIRMAN WROTENBERY:

25 Q. Just following up on Commissioner Bailey's

1 question, have we talked with the EPA Region 6 staff about
2 this proposed amendment and what procedures we might have
3 to go through to make sure that these changes are
4 incorporated into our approved underground injection
5 control program?

6 A. Well, we haven't really talked to the EPA, but we
7 believe that 203 is adequate enough, like I answered to
8 Commissioner Bailey, that 203 is enough to take care of
9 those two sentences we have in 705. And I think the EPA --
10 I believe the EPA will be happy with it, but we will be
11 happy to talk to them. But they will be happy with what we
12 have in 203.

13 Q. Okay, thank you. We will need to have that
14 conversation with EPA Region 6 and make sure we understand
15 what changes, if anything, need to be made in our program
16 application --

17 A. Okay.

18 Q. -- for the underground injection control program.
19 I think you've laid it out pretty clearly here so that we
20 can tell that the language that we're striking from Rule
21 705 is really duplicated in --

22 A. -- in 203.

23 Q. -- in 203, and so I think it does make sense, to
24 eliminate any chance of confusion, to strike that language
25 from 705 and rely on the standard in 203.

1 I'd also note that there's a little bit of an
2 inconsistency between 705 and 203 in the time frames --

3 A. Yes.

4 Q. -- because this provision in 705.B.(2) uses a
5 flat year as the triggering date --

6 A. That's --

7 Q. -- and the time line under Rules 201 and 203 has
8 a few more special circumstances. And so I think it will
9 be good to clarify that discrepancy --

10 A. Okay.

11 Q. -- get rid of it, actually.

12 CHAIRMAN WROTENBERY: Okay, in that case, Mr.
13 Brooks, do you have anything?

14 EXAMINER BROOKS: Yes, one thing.

15 I did not mark this as an exhibit, but I do not
16 believe there's anyone here from NMOGA, so I would like to
17 make this a part of the record. And I only have the one
18 copy.

19 But I have here a copy of a letter dated November
20 29, 2001, from Bob Gallagher, President, New Mexico Oil and
21 Gas Association, to Ms. Lori Wrotenbery, Director, New
22 Mexico Oil Conservation Division, Re: Proposed Revision of
23 Rule 705.

24 Ordinarily I would not undertake to speak for the
25 New Mexico Oil and Gas Association, but in this instance

1 the New Mexico Oil Conservation Division is proposing
2 exactly the same rule amendment that was suggested by
3 NMOGA.

4 And since I'm not aware of any written comments,
5 I would like to make this a part of the record to show that
6 the New Mexico Oil and Gas Association did, on November 29,
7 2001, suggest this exact amendment.

8 CHAIRMAN WROTENBERY: Okay, would you like to
9 mark that as OCD Exhibit 3, then?

10 EXAMINER BROOKS: I have done so.

11 CHAIRMAN WROTENBERY: Okay, and we will admit OCD
12 Exhibit 3 into the record.

13 EXAMINER BROOKS: That will conclude the
14 Division's presentation.

15 CHAIRMAN WROTENBERY: Okay, thank you.

16 In that case, Mr. Brooks, the Commission would
17 appreciate it if you would draft an order for our
18 consideration --

19 EXAMINER BROOKS: I shall be happy --

20 CHAIRMAN WROTENBERY: -- at the June 12th
21 Commission meeting.

22 EXAMINER BROOKS: -- to prepare a proposed order
23 in draft and submit it to Commission's counsel.

24 CHAIRMAN WROTENBERY: Thank you very much.

25 And with that, we'll take this particular case

1 under advisement. Thank you very much for your testimony,
2 Mr. Ezeanyim.

3 (Thereupon, these proceedings were concluded at
4 9:32 a.m.)

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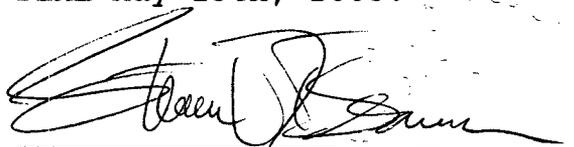
CERTIFICATE OF REPORTER

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

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

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

WITNESS MY HAND AND SEAL May 15th, 2003.



STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 16th, 2006