

1 STATE OF NEW MEXICO
2 ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
3 OIL CONSERVATION DIVISION

ORIGINAL

4
5 REPORTER'S TRANSCRIPT OF PROCEEDINGS

6 PRE-HEARING TRANSCRIPT

7 September 18, 2014

8 Santa Fe, New Mexico

SEP 22 10 51 AM '14

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12 BEFORE: RICHARD EZEANYIM, CHIEF EXAMINER
13 SCOTT DAWSON, DEPUTY DIRECTOR, CHIEF EXAMINER

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16 This matter came on for hearing before the
17 New Mexico Oil Conservation Division, Richard Ezeanyim,
18 Chief Examiner, with Scott Dawson, Deputy Director and
19 Chief Examiner, also present, on Thursday, September 18,
20 2014, at the New Mexico Energy, Minerals and Natural
21 Resources Department, Wendell Chino Building, 1220 South
22 St. Francis Drive, Porter Hall, Room 102, Santa Fe,
23 New Mexico.

24 REPORTED BY: Mary C. Hankins, CCR, RPR
25 New Mexico CCR #20
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Albuquerque, New Mexico 87102
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1 (8:20 a.m.)

2 EXAMINER EZEANYIM: This hearing will come
3 to order. Today is the OCD hearing. This is Docket
4 Number 28-14. We are in Porter Hall on Thursday,
5 September 18, at approximately 8:15 a.m.

6 My name is Richard Ezeanyim. I'm going to
7 be the Hearing Examiner today. By my left is Scott
8 Dawson. He will be hearing some of the cases here, but
9 we have agreed that I go first, and then he will go
10 second on some of the cases. We have a full docket.
11 None of you want to, you know, dismiss, so I think we
12 have a full day. That's good.

13 Scott Dawson will be hearing about two
14 cases, and I'm going to tell you what cases they are
15 when we get there.

16 Before we proceed, there is some
17 announcement I want to make for the benefit of all in
18 operations. We'll start with the hydrocarbons.

19 You know, the oil and gas industry has
20 evolved over the last 100 years, and you-all know that
21 in the '50s and the '60s we have some of the rules on
22 the books that don't conform with the current industry
23 operations. And when I look at them, I become amazed
24 what happened in those 100 years or so, because if you
25 look at what we are doing now, it's quite different from

1 what was happening then, and I think you-all know that
2 from your operations.

3 So those rules we need to do what? Revise
4 them, update them or repeal them if they are no more
5 useful to us, because at the time we conformed to what
6 was happening, not what is happening at the time.
7 Vertical wells, new oil rates -- you know, I don't
8 know -- now, you know oil has increased and how
9 operations are now, and you begin to apply those old
10 rules -- Jim knows that -- begin to apply those old
11 rules that are really old ones and cumbersome. That's
12 why when you run into them, please don't ask for
13 exceptions to them, because if you have the exceptions
14 to the rules to stay there and then the docket is full.
15 Everybody will come in to ask for exceptions when we can
16 just add them and repeal it. That's my preference, if
17 it's not useful, or revise them to conform with the
18 statewide rules, which I think I'm going to revise the
19 statewide rules. I think it would be better than what
20 I'm seeing. You know, we update some of these rules to
21 conform with what we are doing in the industry.

22 So what I'm asking the industry to do is
23 when you come in, please -- I think -- you know, I ask
24 of you to come in to tell us what you want to do with
25 the rules. You can tell us better than anybody because

1 you are the operator. So instead of asking for an
2 exception to those rules and going back to statewide
3 rules, ask to revise or to repeal the rule altogether.

4 The last time when we had a summer intern
5 come in here, I asked him to compile some of those rules
6 from the '40s, '50s, '60s, '70s, even the '80s. I have
7 about 1,260 of them here. Jim has a lot. I know the
8 rest of you -- what I would like you to do, Jim and the
9 rest of you -- so I can compile with what I have here,
10 and then we can move forward. Because, you know, if we
11 don't do it, you know what we're doing? We're not doing
12 our job, especially me, not you. Because you know what?
13 We're going to be inducing waste if we apply those
14 rules, and really we are going to impair correlative
15 rights. That's not normal. If you are supposed to
16 produce 100 barrels of oil and you produce 70 because of
17 a rule, that is not really red line [sic]. That is
18 waste, and if it's waste, it also impairs your
19 correlative rights because you are not able to produce
20 as much as you would have.

21 So those things -- when I look at those
22 rules, I'm not happy with them. Would you please help
23 us revise them, repeal them? We can bring it on our own
24 motion -- we do that -- but I think I would like you in
25 the industry to bring it forward and we take a look.

1 There are rules and we have to work with them. Right
2 now there are rules, and you can't operate until you
3 obey those rules or ask for exceptions. Please don't
4 ask for exceptions. Just try to revise them as much as
5 we could. And as you-all know, I don't want to leave a
6 drop of oil, as long as we protect correlative rights
7 and obey the rules. It would be excellent to me to see
8 that happen, so get we these rules squared out.

9 And remember, they are the rules; they must
10 be obeyed. Right? They must be obeyed because those
11 are the rules, until we change them. And because of the
12 industry, the way the industry has gone these past
13 years, if I see a well that is producing more and
14 producing less because of the rule, we are not happy
15 when I do my calculations. So please help us in doing
16 that.

17 At this point, does anybody have comments
18 or questions or a list to give me or whatever regarding
19 what I just said?

20 How many of you here are compiling a list
21 of some of these rules apart from Jim?

22 Mr. Bruce, you're compiling a list?

23 MR. BRUCE: I started on it, Mr. Examiner,
24 and I still need to go through the rest of my files.
25 I'll get something to you.

1 EXAMINER EZEANYIM: Yeah. Anything you
2 get, so I can compile with this -- with this other log.
3 There are some asking me to give from 10 feet -- from 10
4 feet in the quarter-quarter section. This is
5 mind-boggling. I hope you understand what I'm saying.
6 I mean business here. Well, unless you want me to do
7 some other thing, and then I will do it, but I want you
8 to do it. If we do it through you, it becomes more
9 effective and more efficient.

10 If you have no questions or comments, then
11 I'm happy because I know you're going to do something.

12 Okay. Now, we are going to go back to
13 today's docket; go back to Docket Number 28-14.
14 Everybody is here, and we have a full docket, and it's a
15 full house, only we don't have any contested cases.
16 First of all, we are going to identify all the
17 dismissals and continuances.

18 First we go to page 1. Case Number 15194
19 is continued to October 30th.

20 On page 3, Case Number 15192 is continued
21 October 2nd.

22 Now, as I told you before -- I want you to
23 take note of this -- Scott Dawson will be hearing Case
24 Number 15201.

25 MR. BRUCE: Mr. Examiner, there's one more

1 continuance.

2 EXAMINER EZEANYIM: Okay. When I come to
3 you, I will ask you that.

4 15201 is the one that's for Scott. And
5 then 15179, that was heard earlier. And I will take,
6 first of all, the rest of the cases, and Scott Dawson
7 will hear those cases.

8 Any other continuances or dismissals?

9 MR. BRUCE: Mr. Examiner, the case you just
10 mentioned, 15179, I'd ask that that be continued to
11 October 16th.

12 EXAMINER EZEANYIM: Okay. Continued to
13 October 16th.

14 Any more continuances or dismissals?

15 Okay. The way we are going to work today,
16 because of the nature of these cases -- they're not
17 really difficult cases, but I want to follow the order
18 of the docket, except 15201 will be heard last. 15179
19 has been continued.

20 Any other dismissals or continuances?

21 I have to go through the normal procedure
22 of how you appear on the docket.

23 Okay. We'll start the business.

24 (The pre-hearing proceedings conclude, 8:31 a.m.)

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I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 15179
heard by me, on

1 STATE OF NEW MEXICO
2 COUNTY OF BERNALILLO

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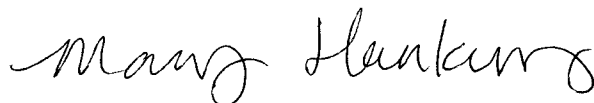
4 CERTIFICATE OF COURT REPORTER

5 I, MARY C. HANKINS, New Mexico Certified
6 Court Reporter No. 20, and Registered Professional
7 Reporter, do hereby certify that I reported the
8 foregoing proceedings in stenographic shorthand and that
9 the foregoing pages are a true and correct transcript of
10 those proceedings that were reduced to printed form by
11 me to the best of my ability.

12 I FURTHER CERTIFY that the Reporter's
13 Record of the proceedings truly and accurately reflects
14 the exhibits, if any, offered by the respective parties.

15 I FURTHER CERTIFY that I am neither
16 employed by nor related to any of the parties or
17 attorneys in this case and that I have no interest in
18 the final disposition of this case.

19



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MARY C. HANKINS, CCR, RPR
Paul Baca Court Reporters, Inc.
New Mexico CCR No. 20
Date of CCR Expiration: 12/31/2014

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