

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

AMENDED APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION,
THROUGH THE ENFORCEMENT AND COMPLIANCE MANAGER, FOR THE ADOPTION OF
NEW RULES, 19.15.1.37 NMAC, 19.15.1.38 NMAC, 19.15.3.100 NMAC, AND 19.15.14.1227 NMAC;
AND THE AMENDMENT OF 19.15.1.7 NMAC, 19.15.3.101 NMAC, 19.15.3.102 NMAC, 19.15.4.201
NMAC, 19.15.4.203 NMAC, 19.15.4.1101 NMAC, 19.15.9.701 NMAC, 19.15.13.1103 NMAC,
19.15.13.1104 NMAC, AND 19.15.13.1115 NMAC

CASE NO. 13564

PRE-HEARING STATEMENT

The applicant, the Oil Conservation Division, submits this pre-hearing statement pursuant to 19.15.14.1204 NMAC.

Statement of the case:

In this rulemaking proceeding the Oil Conservation Division (OCD) asks the Oil Conservation Commission to amend existing rules, and adopt new rules, related to enforcement and compliance.

Witnesses:

1. Daniel Sanchez, OCD Compliance and Enforcement Manager

Education/Experience: Mr. Sanchez' current duties include overseeing OCD enforcement and compliance efforts, supervising the district offices and the environmental bureau, and directing the UIC program. Mr. Sanchez holds a B.S. in mechanical engineering from New Mexico State University, worked as a field service engineer for Westinghouse for approximately 4 years, and worked for 12 years as a public utility engineer at the New Mexico Public Regulatory Commission.

Testimony: Mr. Sanchez will testify concerning the scope of OCD's enforcement responsibilities, OCD's enforcement resources, its existing enforcement tools, and describe how the proposed rules will apply to enforcement activities.

Time: The OCD anticipates that the direct examination of Mr. Sanchez will take 2 1/2 hours.

2. Jack Ford, OCD Environmental Bureau

Education/Experience: Mr. Ford has been a geologist and environmental engineer with the OCD's Environmental Bureau for seven years. He holds a B.S. and an M.S. in geology from the University of Oklahoma.

Prior to joining OCD, Mr. Ford worked with the Environment Department for three years and the Mining and Minerals Division for three years. He has approximately 40 years of experience in the petroleum industry including exploration and production and all phases of over 400 successful drilling ventures.

Testimony: Mr. Ford and/or Mr. Price (see below) will testify concerning the need to plug or properly temporarily abandon inactive wells, including the statutes and rules governing inactive wells, waste and

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environmental problems that can result from communication between formations, safety issues, and financial concerns.

Time: The OCD estimates that the direct examination of Mr. Ford and/or Mr. Price on these issues will take 30 minutes.

3. Wayne Price, OCD Environmental Bureau

Education/Experience: Mr. Price has been with the OCD for 11 years: 7 years as a senior environmental engineer with the Environmental Bureau, and 4 years as a field environmental engineer in the Hobbs district. He holds a B.S. in engineering from New Mexico State University.

Before joining OCD, Mr. Price worked for 10 years with Unichem International, an oilfield service company. His duties included engineering support for several Class II and Class III wells, oilfield trucking operations, landfill disposal operation, manager of chemical blending maintenance staff, lead design engineer for chemical plant instrumentation design, general plant operations including staff environmental issues company-wide.

Testimony: Mr. Price will testify concerning the proposed changes to Rule 203 Temporary Abandonment, including approved methods for demonstrating mechanical integrity.

Time: The OCD estimates that the direct examination of Mr. Price on these issues will take 30 minutes.

4. Charlie Perrin, Supervisor, OCD Aztec District

Education/Experience: Mr. Perrin has worked for OCD for approximately 12 years: approximately 5 years as a field representative in the Aztec District; approximately 6 years as a field representative II in the Aztec District, and became Supervisor of the Aztec District in March, 2005. He holds an associates degree in petrochemical technology from New Mexico Junior College, and a B.A. in business from College of the Southwest.

Before joining OCD, Mr. Perrin worked for 11 years at Davis Tool, an oil and gas service company.

Testimony: Mr. Perrin will testify regarding the OCD's efforts to enforce its inactive well rules, including the voluntary compliance initiative launched in 2000, cases seeking compliance orders and penalties, and the current agreed compliance order program. Mr. Perrin will also testify regarding the state's plugging of orphan wells, including bringing cases to obtain plugging authority, plugging contracts, and the cost factors. Mr. Perrin will also testify regarding reimbursement on federal bonds, and the rationale for the proposed single well financial assurance amounts.

Time: The OCD anticipates that the direct examination of Mr. Perrin on these issues will take approximately 1 hour.

5. Jane Prouty, OCD Bureau Chief, Automation and Records Bureau

Education/Experience: Ms. Prouty has been a computer specialist at OCD for 9 years. Prior to joining OCD she worked at IBM for 20 years, working her way up from accounts payable to systems.

Testimony: Ms. Prouty will provide relevant data, including a comparison of the state's actual costs for well plugging for the past 3 years, the financial assurances actually posted for those wells, and the proposed financial assurance requirements; information on current financial assurances, including information regarding wells on federal lands and wells with single-well financial assurances; use of the reclamation fund; and the number of wells out of compliance with the inactive well rules. Ms. Prouty will also testify concerning the development of the inactive well list and the other lists to be used with the proposed "good standing" rule. She will also describe the proposed changes to the operator's monthly report and the proposed rule regarding operator registration, change of name and change of operator.

Time: The OCD anticipates that the direct examination of Ms. Prouty will take approximately 2 1/2 hours.

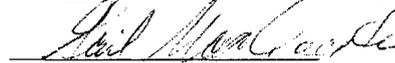
Attorney:

The OCD will be represented by Gail MacQuesten.

Exhibits:

A copy of the OCD's exhibits is attached.

Respectfully submitted,
This 5 day of October, 2005 by



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