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STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
1 June 1983

COMMISSION HEARING

IN THE MATTER OF:

The hearing called by the Oil Conservation Commission on its own motion to consider amendments to the Geothermal Rules and Regulations.

CASE
7891

BEFORE: Commissioner Joe Ramey
Commissioner Ed Kelley

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

W. Perry Pearce, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

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I N D E X

CARL ULVOG

Direct Examination by Mr. Pearce

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E X H I B I T S

Division Exhibit One, Document

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3 COMMISSIONER RAMEY: The hearing
4 will please come to order.

5 We'll call first Case 7891. It's in
6 the matter of the hearing called by the Oil Conservation
7 Commission on its own motion to consider amendments to the
8 Geothermal Rules and Regulations.

9 MR. PEARCE: May it please the Com-
10 mission, I am W. Perry Pearce, appearing in this matter on
11 behalf of New Mexico Oil Conservation Division, and I have
12 one witness who will need to be sworn.

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14 (Witness sworn.)

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16 CARL ULVOG,
17 being called as a witness and being duly sworn upon his oath,
18 testified as follows, to-wit;

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20 DIRECT EXAMINATION

21 BY MR. PEARCE:

22 Q For the record, would you please state your
23 name, place of employment and position in such employment?

24 A Yes, sir. Carl Ulvog. I'm the Geothermal
25 Supervisor for the Oil Conservation Division. I'm based here

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in Santa Fe.

Q Mr. Ulvog, have you previously testified before the Commission or one of the Division's Examiners and had your credentials made a matter of record?

A I have, and they are.

Q Mr. Ulvog, as part of your work related responsibilities, are you charged with formulating proposed rules and regulations for governing geothermal operations within the State of New Mexico?

A Yes, sir, that is correct.

Q And pursuant to such responsibilities, have you proposed a set of regulations, which are presently under consideration by the Commission in this case?

A Yes, I have.

MR. PEARCE: Mr. Chairman, are the witness' qualifications acceptable in this matter?

MR. RAMEY: Yes, they are.

Q Mr. Ulvog, generally, for the members of the Commission present today, and those in attendance at this hearing, would you briefly describe the general purpose and reasons for these proposed changes to the Geothermal Rules and Regulations?

A Yes, sir. The rules that we have been operating under for regulation of geothermal drilling and develop-

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2 ment were adopted in 1974. At that time there was very little
3 activity in development of geothermal going on.

4 In those nine years there's been a great
5 deal of drilling and development and we have learned from ex-
6 perience some of the changes that we need to make to bring
7 our rules more in line with what's practical and feasible,
8 and so on.

9 In some cases the rule changes being pro-
10 posed will simplify what we want -- our intentions; in other
11 cases to become more specific, to avoid confusion, and in
12 other cases they will clarify some of our intentions on how
13 we want to do this; to help both the operators and the Oil
14 Conservation Division in fulfilling its duties with respect
15 to preventing waste and protecting correlative rights.

16 Q. Thank you, sir. In order to save time, I
17 would suggest that we not read into this record all of the
18 proposed changes, but would you begin in the set of proposed
19 changes which has been distributed and simply describe those
20 areas which are being proposed for amendment and what those
21 amendments generally accomplish?

22 A. Yes, sir. In the first case, the matter of
23 definitions that previously were not very clear with respect
24 to a category of wells which we are calling geothermal obser-
25 vation wells, and previously we considered all wells that were

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2 drilled not for production or disposal, or anything, as ob-
3 servation wells, including this category that we are now
4 calling gradient wells, because that is accepted terminology.

5 So we have now added a category known as a
6 geothermal gradient well, and that's covered by definition.

7 Then we have made a change with respect to
8 the geothermal observation well in order to bring that more
9 in line with what's the intent, and in that case we are, in
10 addition to the change that's been advertised, you'll find
11 that we're proposing that we drop the term "geothermal re-
12 sources" that appears in that first sentence, so that it will
13 then read, instead of the proposed change, it will read,
14 "geothermal observation well shall mean any well which is to
15 be utilized for the express purpose of evaluating or monitor-
16 ing a geothermal reservoir" and so on.

17 Then going on to page A-2, the first line,
18 "geothermal waters", that's simply a typographical correction
19 there. We are inserting the word "or" instead of the pre-
20 vious "of".

21 Down in, towards the bottom of the page,
22 we have "Temporary Abandonment" and again here in that de-
23 finition it is simply a typographical correction, "of" instead
24 of "or".

25 Then for Thermal Gradient Well we're making

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2 another change other than that advertised in which we are
3 suggesting now, after, in the sentence after the word "drilled"
4 we would insert "or used" so that that definition will then
5 read "Thermal Gradient Well shall mean a well drilled or used
6 solely for temperature observation . . ." and so on.

7 Q. Very briefly, Mr. Ulvog, in reviewing these
8 proposed changes I noticed that throughout there is a repeti-
9 tious insertion of the new terminology, Thermal Gradient
10 Well.

11 . Would you once again for the record explain
12 why that additional phraseology is being inserted in --

13 A. Yes.

14 Q. -- these Rules and Regulations?

15 A. Yes, sir. When these rules were originally
16 drawn up, we did not anticipate any wells being used for ob-
17 serving conditions in a reservoir. We were interpreting
18 "observation" as to mean wells drilled in the exploratory
19 program whereby they would measure the thermal gradient in
20 the hole, but since that time we have had wells to be used
21 for observation purposes, which were drilled for production,
22 disposal, and so on.

23 . So now our observation well becomes a well
24 where the temperature, pressures, fluids, et cetera, forma-
25 tion characteristics are being observed, possibly due to

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2 production in offsetting wells, and that sort of thing, to
3 see what's happening in the reservoir. Therefor, we are in-
4 sserting "thermal gradient" to specify a well that's drilled
5 just to measure the gradient. That's the reason.

6 Q Thank you, sir. Would you proceed?

7 A On page C-1 we have in the Plugging Bond,
8 we have changed basically all of our bonding requirements to
9 just make it more simple; make the bonds more inclusive, and
10 so on, other than -- previous to what it was before.

11 There was a great deal of confusion in the
12 way our bonds set-up was previous to this, and this is de-
13 signed to make it much simpler, clarify it for everybody's
14 understanding.

15 And unless somebody wants me to read it,
16 I'll just pass on that. I think it's quite clear. We are
17 not proposing any other changes on C-1, other than those that
18 are advertised, with the exception of down in the middle of
19 the page under 2(a), multi-well bonds, it's simply a typo-
20 graphical error that says "nor more than ten shallow wells"
21 and that should be "not".

22 Q Very generally, the new bonding requirements
23 provide that any one well bond shall be in a varying amount
24 depending upon the depth of the well, and multi-well bonds
25 shall cover a varying number of wells for each \$10,000 denom-

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2 ination depending on the depth of the wells covered, is that
3 correct?

4 A. That is correct. We are depending -- we
5 are going more, basing more of our bonding requirements on
6 depth than we did previously.

7 Q. Excellent. Now, let's proceed to Rule 102.

8 MR. RAMEY: Mr. Pearce, may I inter-
9 rupt a minute?

10 MR. PEARCE: Certainly.

11 MR. RAMEY: Mr. Ulvog, you've men-
12 tioned "advertised" a couple of times. Now we didn't adver-
13 tise these rules, as such, we just circulated them through
14 the --

15 A. I'm sorry.

16 MR. RAMEY: -- the mailing list and
17 any other interested parties.

18 A. I should have said circulated.

19 MR. RAMEY: Okay, thank you.

20 A. And we have additional copies in case any-
21 body did not receive them. We've had a number of them come
22 back because our addresses were wrong, and so on, so have ad-
23 ditional copies if anybody needs them.

24 MR. PEARCE: Thank you, Mr. Chairman,
25 and for clarification of the record, the legal advertisement

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of this case indicated that any interested party could obtain copies by contacting our office.

A. So without any further ado, I'll go on then, unless there's a question, I'll go on to page C-5, which is -- and there we're dealing with, under paragraph A, that's Rule 108, Paragraph A.

We, since these were circulated, the proposed changes were circulated, it's been called to our attention that we could clarify somewhat by adding another sentence at the end of Paragraph A, adding this sentence: "The Division may require casing and cementing as is deemed necessary for such wells", to make that paragraph -- clarify it.

Otherwise, there aren't any more comments with the change on page C-5.

I'd like to turn to page H-1, unless there is a question on the preceding pages, and --

MR. RAMEY: Would you read that again, Mr. Ulvog, that -- that sentence?

A. Yes. The sentence that we are proposing for Rule 108-A, the sentence at the end of the paragraph would be: "The Division may require casing and cementing as is deemed necessary for such wells."

MR. RAMEY: Thank you.

A. If we go to page H-1, we're dealing there

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2 with blowout prevention and under Rule 601 the second para-
3 graph of that rule, we've had some problems there, and now
4 instead of the changes proposed by this material that was
5 circulated, I'm proposing that we simply delete that second
6 paragraph entirely and substitute for that this paragraph:

7 "The Division's geothermal supervisor shall
8 have the authority to waive requirements for casing and/or
9 blowout preventers for holes less than 500 feet deep."

10 MR. RAMEY: One more time.

11 A. Yes. "The Division's geothermal supervisor
12 shall have the authority to waive requirements for casing
13 and/or blowout preventers for holes less than 500 feet deep."

14 Q. For clarification of the record, Mr. Ulvog,
15 those rules for which amendments are proposed which have not
16 been discussed by you in this proceeding are being amended by
17 the addition of the term "thermal gradient well", is that cor-
18 rect?

19 A. That is correct. We have the new bond forms,
20 and so on, proposed new forms, I should say, that were at-
21 tached to this material that was circulated, and I won't
22 bother reading any of those unless there are any questions on
23 that.

24 Also, there are additional attachments here
25 that we would be using with respect to bonding.

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2 Q Do you have anything further at this time,
3 Mr. Ulvog?

4 A I believe that's all I have.

5 MR. PEARCE: Mr. Chairman, we have
6 nothing further at this time.

7 I would move the admission into the
8 record of this proceeding of the previously distributed pro-
9 posed rule changes as Exhibit One, and I would pass the wit-
10 ness for any further questioning.

11 MR. RAMEY: Division Exhibit One
12 will be admitted.

13 And are there any questions of Mr.
14 Ulvog?

15 MR. GRYNBERG: Could I ask a ques-
16 tion?

17 MR. RAMEY: Sure, Mr. Grynberg.

18 MR. GRYNBERG: Wouldn't you want, as
19 an additional requirement, to get a chemical composition of
20 your thermal waters?

21 A Would you run that by again?

22 MR. GRYNBERG: Wouldn't you want, as
23 an additional requirement, to get the chemical composition
24 of the chemicals present in your thermal waters?

25 A Well, this is covered under our old rules

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with respect to production. It must be made a matter of record but it will not become public property until production begins, you see.

MR. GRYNBERG: But I'm talking about getting a chemical analysis while exploring so that you have additional information. Say, for instance, that a well encountered bromine, unless you analyze this and found that it had bromine, you'd never know and you might forfeit a reservoir that would be valuable to the State of New Mexico.

A. This is true. The information is made a matter of record in our rules, we're not making any change in it, that we require a designation of agent that must be a resident of the state where the well is located, and all of the data must be on file there so that we have access to it if we should need it.

After the wells go on production, this becomes a matter of public information, but it becomes proprietary until that time.

MR. GRYNBERG: Then you are saying there is a requirement to make a chemical analysis of all the chemicals in your thermal sources?

A. Why, yes. Oh, that's already in our rules.

MR. GRYNBERG: That's all I asked.

A. Yeah.

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2 MR. RAMEY: Any other questions of
3 Mr. Ulvog? He may be excused.

4 Is there anything further, Mr. Pearce?

5 MR. PEARCE: There is not.

6 MR. RAMEY: Does anyone have anything
7 to add to Case 7891?

8 If not, the Commission will take the
9 case under advisement.

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11 (Hearing concluded.)
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C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability.

Sally W. Boyd CSR

SALLY W. BOYD, C.S.R.

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