

dugan production corp.

OIL CONSERVATION DIVISION
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July 20, 1995

Mr. Bill LeMay
New Mexico Oil Conservation Division
2040 South Pacheco Street
Santa Fe, NM 87505

**Re: Comments for 8/3/95 Commission Hearing
Case Nos. 10907, 11351, 11352, 11353
Proposed Amendments to NMOCD General Rules**

Dear Mr. LeMay:

We are writing to comment on the captioned NMOCC cases which propose amendments to the New Mexico Oil Conservation General Rules No. 1111, 1112 & 1115; 104; 116; and 303.C., respectively. We request that our comments be made part of the record in each case.

NMOCC Case No. 10907: to amend Rules 1111, 1112 and 1115. We support changing the filing deadline to be the last business day of the month following the month of production. This change is a welcome relief since we are often pressed to meet the current deadlines of the 15th (C-111 & C-112 forms) and 24th (C-115) day of the month following the production month. We do not support the automatic imposition of penalties for failure to file timely and accurate reports. Dugan Production Corp. (DPC) expends a tremendous amount of time and effort each month to timely produce the subject reports and frequently events beyond our control (such as late, erroneous or incomplete gas volume statements from any of 5 different pipeline companies or required revisions to commercially performed gas chart integrations on any one of the 250 wells we operate on central gathering systems) can create delays in producing these reports. DPC prepares monthly C-111 reports for 10 gathering systems which handled 74,176 MCF of gas from 250 completions during May 1995. In addition, our May 1995 C-115 report required 92 pages to report production from 645 completions in 63 different pools totaling 20,427 bbls oil; 14,997 bbls water and 254,219 MCF of gas. As you can probably imagine, even the most diligent of operators will occasionally have some problem receiving sales information from purchasers, obtaining production volumes and reports from approximately 20 company employees and outside contractors, checking and compiling the information, and producing the reports (people get sick, have vacations and unplanned family emergencies and computers do on occasion refuse to operate). The Federal MMS reporting has an automatic reporting penalty system which causes a great deal of unnecessary frustration and added cost to our operations since so many things are beyond our control and many times, even though we make the effort, it is impossible to always be timely. It is very unfair to the operator to not have any flexibility when it is destined to have unusual circumstances which will require some flexibility. We appeal to the NMOCC to be

sensitive to an operator who through no fault of his own, is not able to meet some predetermined deadline that he is normally able to meet.

We would support a penalty assessment to be made if it can be demonstrated that an operator is truly not making an effort to timely and accurately report.

NMOCC Case No. 11351: to amend Rule 104. We support the proposed amendments to Rule 104. Under Section F.(4), operators of offsetting spacing units are required to be notified of an application for unorthodox locations. We agree with this, however, in the event there is undeveloped acreage offsetting the proposed unorthodox location, what notification is required?

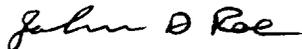
NMOCC Case No. 11352: to amend Rule 116. It is our belief that this proposed amendment will result in a substantial increase in operator reporting requirements and paperwork handled by the NMOCD. Lowering the limits for requiring "immediate" reporting for water from 100 to 25 bbls and for gas from 1000 to 500 MCF is not quite as objectionable as is the proposal to lower the limits requiring written notification from 5 to 1 bbl for oil and condensate and from 25 to 1 bbl for water and from 1000 to 50 MCF for gas. This will basically require spill reporting for many well workovers, equipment repairs, and routine maintenance operations. It is very common to have a well unload small bubbles of fluid (oil and water) while pulling which undoubtedly will exceed 1 bbl of total fluid and will require a spill report to be a routine part of most workovers. It is not clear how these lower limits will result in any improvements, but will likely increase reporting requirements and will make it very burdensome for an operator to be in full compliance with the proposed reporting requirements.

In addition, we have some concern as to what is "substantial" and who will determine this with respect to damage to the environment in Section B.1.(b)(iii). Exhaust emissions from a 25 hp pump unit engine might be considered to be substantial damage to the air quality by some people (particularly those worrying about lawn mower exhaust emissions). We believe this should be more clearly defined. Also, the definition for what constitutes a watercourse is being deleted. We believe that it should be clearly stated somewhere as to what is a watercourse since this has such a bearing upon reporting requirements.

NMOCC Case No. 11353: to amend Rule 303(c). We support this proposed amendment.

Should you have questions or need additional information, please let us know.

Respectfully,



John D. Roe
Manager of Engineering

JDR/cg