

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

IN THE MATTER OF THE PROCEEDINGS
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

VARIOUS MOTIONS FILED BY MERIDIAN OIL INC. (MERIDIAN), TEXACO EXPLORATION & PRODUCTION INC. (TEXACO), AND DOYLE HARTMAN, OIL OPERATOR & JAMES A. DAVIDSON (HARTMAN), IN PENDING DIVISION CASE NO. 11528 WITH REGARDS TO THE ISSUANCE OF DIVISION ADMINISTRATIVE ORDER NO. NSL-3633, DATED FEBRUARY 28, 1996:

BY THE DIVISION:

These proceedings were heard at 10:00 a.m. on April 25, 1996, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 30th day of April, 1996, the Division Examiner, having considered the arguments put forth in support of and in opposition to the various motions, hereby enters the following rulings:

(1)

Motion of Meridian to Dismiss Hartman's Application to Rescind Administrative Order NSL-3633, and for the Contraction & Expansion of the Rhodes Yates-Seven Rivers Oil & Gas Pools (Case No. 11528):

Motion of Meridian to Dismiss Texaco as a Party in this Case:

Finding: Both Hartman and Texaco, being offset interest owners to the north in the SW/4 of Section 23, are parties which are potentially affected by Division Administrative Order No. NSL-3633. Both Hartman and Texaco should be afforded the opportunity to appear and present technical evidence and testimony to substantiate their contention that their correlative rights are being violated by the unorthodox well location for the Rhodes "B" Federal Well No. 7.

RULING

Motion of Meridian to Dismiss Hartman's Application to Rescind Administrative Order NSL-3633, and for the Contraction & Expansion of the Rhodes Yates-Seven Rivers Oil & Gas Pools (Case No. 11528), and Motion of Meridian to Dismiss Texaco as a Party in this Case are hereby denied.

(2)

Motion of Hartman for a Stay of Administrative Order No. NSL-3633 and to Shut-in the Rhodes "B" Federal Well No. 7 Pending the Outcome of Case No. 11528:

Motion of Meridian for Denial of a Stay of Administrative Order No. NSL-3633:

Finding: The Division does not have all the information necessary to arrive at a determination of whether or not Division Rules and Regulations were followed in the issuance of Administrative Order No. NSL-3633.

Finding: If Administrative Order No. NSL-3633 is stayed, it would necessarily

require Meridian to shut in the Rhodes "B" Federal Well No. 7 inasmuch as its authority to produce the well at the unorthodox location would be suspended. Subsequent to the Motion Proceeding, the Division requested and obtained production data for the subject well from Meridian. This data indicates that Meridian produced the Rhodes "B" Federal Well No. 7 in the amount of 13.5 MMCFG prior to the issuance of Administrative Order No. NSL-3633, in violation of a Division directive contained on Form 3160-3 (Application for Permit to Drill or Deepen) dated October 23, 1995.

Finding: On April 17, 1996, William J. LeMay, OCC Chairman, issued a letter in which he states that Division policy is against shutting in wells where a subsequent Division order can correct any overproduction or impairment of correlative rights. Mr. LeMay therefore rescinded his directive to the Division to stay Administrative Order No. NSL-3633.

Finding: No argument put forth in these proceedings justify overturning Mr. LeMay's directive of April 17, 1996.

Finding: There is no evidence at the current time which clearly indicates that continued production of the Rhodes "B" Federal Well No. 7 prior to the hearing in Case No. 11528 will impair the correlative rights of Hartman and Texaco.

Finding: If the technical evidence presented in Case No. 11528 demonstrates that Hartman's and Texaco's correlative rights have been violated by prior production from the Rhodes "B" Federal Well No. 7, the order issued in the case can correct such inequities.

Finding: Meridian should be prepared to present evidence and/or testimony with regards to its actions of producing the Rhodes "B" Federal Well No. 7 prior to the issuance of Administrative Order No. NSL-3633.

RULING

Motion of Hartman for a Stay of Administrative Order No. NSL-3633 and to Shut-in the Rhodes "B" Federal Well No. 7 Pending the Outcome of Case No. 11528 is hereby denied.

Motion of Meridian for Denial of a Stay of Administrative Order No. NSL-3633 is hereby approved.

(3)

Motion of Hartman & Texaco to Recuse Examiner Stogner from Hearing Case No. 11528:

Finding: At the proceedings, it was generally agreed to by all parties, including the Division, that Examiner Catanach will hear Case No. 11528 on a special hearing date to be determined.

Finding: The question of whether or not Examiner Stogner should be recused is not an issue at this time and a ruling is unnecessary for the reason described above.

(4)

Motion of Hartman to Undertake Discovery Prior to the Hearing in Case No. 11528:

Motion of Meridian for a Protective Order Postponing Discovery in this Case Pending the Adoption by the Oil Conservation Commission of Rules and Regulations for Pre-hearing Discovery in Matters Pending Adjudication by the Division:

Finding: Hartman seeks to depose certain Meridian personnel and require answers to interrogatories prior to the hearing in Case No. 11528. Normally, opposing parties acquire this type of information through the efficient and effective

method of cross examination of witnesses at Division hearings. Meridian has stated that it is willing to make available for cross examination at the hearing in Case No. 11528 those personnel Hartman currently seeks to depose. There is not sufficient justification to require the production of information via depositions and interrogatories prior to the hearing in Case No. 11528.

Finding: Limited pre-hearing discovery is currently allowed by Division rules and policies. The adoption of formal rules and regulations for pre-hearing discovery is not warranted due to the existing procedures and the opportunity to cross examine witnesses at the Examiner hearing.

Finding: Through the process of subpoena and upon sufficient justification, the Division normally allows a party to obtain a limited amount of information (discovery) prior to a hearing. The type and amount of information allowed to be obtained is generally determined by the Division at a pre-hearing conference with opposing counsel.

Finding: The type and amount of information requested by Hartman in its Motion for Discovery appears to excessively focus on Meridian's intent in the drilling of the Rhodes "B" Federal Well No. 7 and the process by which Meridian obtained Division permits to drill the well at the unorthodox location. While this certainly is an issue, it is not the main issue in Case No. 11528. The fact remains that the Rhodes "B" Federal Well No. 7 has been drilled at the unorthodox location and the presentation of evidence and testimony at the hearing by both parties should focus on the resolution of inequities which may have been caused by drilling the well at the unorthodox location.

Finding: It appears that a substantial amount of the information requested by Hartman can be easily obtained by the cross examination of Meridian's witnesses at the hearing in Case No. 11528.

Finding: The information Hartman currently seeks to obtain from Meridian appears to be excessive, unreasonable, unnecessary and some items require further explanation by Hartman as to their relevance to the case.

Finding: Hartman should submit to the Division a revised list of items it seeks to obtain from Meridian prior to the hearing in Case No. 11528. The Division, through its normal process of a pre-hearing meeting with opposing counsel, will then determine which information Meridian will be required to produce prior to the hearing.

RULING

Motion of Hartman to Undertake Discovery Prior to the Hearing in Case No. 11528 is hereby approved only as to certain documents which will be determined by the Division at a subsequent pre-hearing proceeding.

Motion of Meridian for a Protective Order Postponing Discovery in this Case Pending the Adoption by the Oil Conservation Commission of Rules and Regulations for Pre-hearing Discovery in Matters Pending Adjudication by the Division is hereby denied.



David R. Catanach
Division Examiner



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
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April 30, 1996

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RE: Rulings on Pre-Hearing Motions Presented
at Division Proceedings Held on April 25, 1996

Dear Messrs. Gallegos, Condon, Carr & Kellahin:

Enclosed please find the rulings issued by the Division in the Pre-Hearing Motion Proceedings held on April 25, 1996 in Case No. 11528.

Sincerely,

David R. Catanach
Division Examiner