

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

9

IN THE MATTER OF THE HEARING CALLED BY )  
THE OIL CONSERVATION COMMISSION FOR THE )  
PURPOSE OF CONSIDERING: )  
APPLICATION OF THE OIL CONSERVATION )  
DIVISION TO AMEND DIVISION RULE 1115 )  
TO REQUIRE ELECTRONIC FILING OF FORM )  
C-115, "OPERATOR'S MONTHLY REPORT" )

CASE NO. 11,551

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

COMMISSION HEARING

BEFORE: WILLIAM J. LEMAY, CHAIRMAN  
WILLIAM WEISS, COMMISSIONER  
JAMI BAILEY, COMMISSIONER

August 15th, 1996

Santa Fe, New Mexico

This matter came on for hearing before the Oil Conservation Commission on Thursday, August 15th, 1996, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

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August 16th, 1996  
 Commission Hearing  
 CASE NO. 11,551

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## A P P E A R A N C E S

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## ALSO PRESENT:

Frank Gray, Texaco Exploration and Production, Inc.  
Juanel Harper, Ray Westall Operating  
Ron Merrett, NMOCD Natural Gas Programs Director  
Rhonda Nelson, Marbob Energy  
Jim Smalley, Yates Petroleum  
Michelle Taylor, Yates Petroleum Corporation  
Frank Yates, Jr., Yates Petroleum Corporation

\* \* \*

1           WHEREUPON, the following proceedings were had at  
2 9:45 a.m.:

3           CHAIRMAN LEMAY: And we shall now call Case  
4 Number 11,551, which is the Application of the Oil  
5 Conservation Division to amend Division Rule 1115 to  
6 require electronic filing of Form C-115, which is the  
7 operators' monthly production reports.

8           I shall call for appearances in Case 11,551.

9           MR. CARROLL: May it please the Commission, my  
10 name is Rand Carroll. I'm appearing on behalf of the Oil  
11 Conservation Division. I have two witnesses.

12           CHAIRMAN LEMAY: Thank you, Mr. Carroll.

13           MR. PEARCE: May it please the Commission, I'm  
14 Perry Pearce, appearing in this matter on behalf of the New  
15 Mexico Oil and Gas Association.

16           I'm planning, Mr. Chairman, if it is acceptable,  
17 to make a statement rather than do it as a witness.

18           CHAIRMAN LEMAY: That's very acceptable. Thank  
19 you, Mr. Pearce.

20           MR. PEARCE: Thank you.

21           CHAIRMAN LEMAY: Additional appearances in the  
22 case?

23           We'll certainly have the -- kind of the informal  
24 action, too, that we've had in the past, so we can get some  
25 comment on it, I think. It's a rule-making procedure, so

1 we won't hold it to formal guidelines.

2 Okay, the two witnesses that will be giving  
3 testimony, would you stand and raise your right hand?

4 (Thereupon, the witnesses were sworn.)

5 CHAIRMAN LEMAY: Thank you. Mr. Carroll?

6 MR. CARROLL: May it please the Commission, I  
7 call Ed Martin to the stand.

8 ED MARTIN,

9 the witness herein, after having been first duly sworn upon  
10 his oath, was examined and testified as follows:

11 DIRECT EXAMINATION

12 BY MR. CARROLL:

13 Q. Mr. Martin, will you please state your name and  
14 your place of residence?

15 A. Ed Martin, Santa Fe.

16 Q. And who is your employer?

17 A. Oil Conservation Division, Energy and Minerals.

18 Q. What is your position with the Oil Conservation  
19 Division?

20 A. Bureau Chief with Data Information and Management  
21 Systems.

22 Q. And do your duties in that position include  
23 maintenance of the ONGARD system which tracks oil and gas  
24 production in New Mexico?

25 A. Yes, they do.

1 MR. CARROLL: Mr. Chairman, I offer Mr. Martin as  
2 a qualified witness in this matter.

3 CHAIRMAN LEMAY: Mr. Martin's qualifications are  
4 acceptable.

5 Q. (By Mr. Carroll) Mr. Martin, will you please  
6 discuss the problems you've experienced with the current  
7 ONGARD reporting system?

8 A. A variety of problems, not excluding: no filing,  
9 incorrect filing, errors in data entry on our side, a  
10 variety of other smaller items.

11 Q. Mr. Martin, why do we need electronic filing and  
12 a rule requiring electronic filing?

13 A. To eliminate the data-entry errors on our side,  
14 to reduce paperwork generally, reduce costs.

15 Q. Well, what has the Division done to aid operators  
16 in making electronic filings?

17 A. We have been willing and will continue to be  
18 willing to assist, even on-site, the operators' changing  
19 over to this electronic filing system.

20 Q. You've also been providing phone support --

21 A. Phone support.

22 Q. -- for all those questions?

23 A. Yes.

24 Q. Currently, is there any incentive or penalty  
25 which encourages operators to file directly?

1 A. No.

2 Q. So the Division recommends that some type of  
3 penalty be imposed in order to force or encourage operators  
4 to make the correct filing?

5 A. Yes.

6 Q. Does a cancellation of allowable after a  
7 reasonable opportunity to correct any errors seem  
8 reasonable to you?

9 A. Yes.

10 Q. And that is what you recommend?

11 A. Yes.

12 Q. Mr. Martin, have you reviewed the proposed Rule  
13 1115 that was prepared by NMOGA?

14 A. Yes, I have.

15 MR. CARROLL: And Mr. Chairman, I have marked --  
16 we have obtained a copy of what NMOGA has prepared as a  
17 proposed Rule 1115, and I have marked that as OCD Exhibit  
18 Number 1.

19 In the interest of consensus and for the  
20 Commission's convenience, we adopt NMOGA's proposal for the  
21 most part, although we do have a couple comments.

22 CHAIRMAN LEMAY: Thank you, Mr. Carroll.

23 Q. (By Mr. Carroll) Mr. Martin, do you have any  
24 problems with the NMOGA-proposed Rule?

25 A. Only that the paragraph stipulating response is a

1 little vague. It doesn't require that the operator send a  
2 correction in, only that they respond in acknowledgement  
3 that they received the error notice.

4 Other than that, I don't have any problem with  
5 it.

6 Q. So we're looking at Paragraph 3 --

7 A. Yes.

8 Q. -- which starts at the bottom of Page 1 --

9 A. Right.

10 Q. -- and I guess the third line down in the second  
11 page --

12 A. Right.

13 Q. -- where it states, The operator to whom the  
14 error or omission message is addressed shall respond to the  
15 Division within 30 days --

16 A. Yes.

17 Q. -- acknowledging receipt of the error or omission  
18 message, and inform the Division of the operator's schedule  
19 to file the report or correct the error?

20 A. I would recommend that it go on to say, if the  
21 Division does not receive the operator's correction within  
22 some specified time, that we will send notice to do so.

23 Q. So you're recommending that the operator not only  
24 file a schedule as to when they're going to do it, but have  
25 some definite commitment and have a time frame in which

1 they are to correct the error?

2 A. Yes.

3 Q. Mr. Martin, do you have any figures as to --  
4 First, let me refer you to Paragraph 4 of OCD Exhibit  
5 Number 1, which is the NMOGA-proposed Rule, and that  
6 contains the phase-in period, where operators with more  
7 than 300 wells are to file by January, 1997,  
8 electronically, operators with more than 200 wells, for the  
9 July, 1997, production, and operators with more than 100  
10 wells file electronically for January, 1998.

11 A. Right.

12 Q. What percentage of production and how many  
13 operators is included in the more-than-300-well category?

14 A. More than 300 wells would be 33 operators and  
15 about 63 percent of the well completions in the state.

16 Q. And then if we add the operators with between 200  
17 and 300, what does that make the numbers?

18 A. That's an additional 12, and it brings it up to  
19 45, it brings up the percentage of well completions in the  
20 state up to almost 70 percent.

21 Q. Seventy percent of the production?

22 A. Seventy percent of the well completions. I don't  
23 have the figures on production itself, but it's -- Yeah,  
24 you could equate those two.

25 Q. Okay. And then if we add in the wells between

1 100 and 200?

2 A. That will bring in the total number of companies  
3 up to 73 and bring the well-completion percentage up to 77  
4 percent.

5 Q. And how many total operators are we talking  
6 about?

7 A. Nine hundred.

8 Q. So this Rule, then, would just -- would really  
9 only apply to 73 of 900 operators?

10 A. Right.

11 Q. But we would encourage all other operators to  
12 file electronically --

13 A. Sure.

14 Q. -- although they wouldn't be required by Rule; is  
15 that correct?

16 A. Yes.

17 Q. Mr. Martin, do you have any estimate as to the  
18 cost to industry or individual industry members of  
19 complying with the new Rule and filing electronically?

20 A. I don't have any firm estimates, firm numbers. I  
21 would think it would be minimal.

22 Q. Mr. Martin, do you have anything further to add?

23 A. No.

24 MR. CARROLL: That's all I have of this witness.

25 CHAIRMAN LEMAY: Thank you, Mr. Carroll.

1 Questions of the witness? Commissioner Weiss?

2 EXAMINATION

3 BY COMMISSIONER WEISS:

4 Q. Yeah, what were the numbers for the 300-well  
5 category? I missed that.

6 A. In excess of 300 wells would encompass 33  
7 operators, with about 63 percent of the well completions  
8 covered in the state.

9 Q. Thank you. I had one other question.

10 Incentive was mentioned. What were considered?  
11 Did we consider anything to inspire people to --

12 A. Well, the Division has always considered the  
13 incentive to file correct data is that the industry uses  
14 the data just as much as anybody else does, for investment  
15 purposes and drilling permits and this type of stuff. So  
16 that's an incentive to file correctly.

17 As far as I know, there's no written penalty for  
18 not filing correctly. That was what I was trying to say,  
19 that was the gist of what I was trying to say.

20 COMMISSIONER WEISS: That was my only questions.  
21 Thank you.

22 CHAIRMAN LEMAY: Commissioner Bailey?

23 EXAMINATION

24 BY COMMISSIONER BAILEY:

25 Q. This Rule does not specify that operators have to

1 use any particular form, such as EDI or any of the other  
2 commercially available spreadsheets?

3 A. Right.

4 Q. Are you saying that operators can send in Lotus  
5 spreadsheets --

6 A. No.

7 Q. -- EDI or what?

8 A. It has to be -- And that's really a question for  
9 a co-worker of mine, but it has to be in a specified flat-  
10 file format. If you keep -- My understanding is, if you  
11 keep your wells on any kind of computer system and are able  
12 to manipulate the output and format it in this specified  
13 format, then you can file electronically.

14 We won't accept any kind of format; we would have  
15 to accept a specified format. It's not EDI, but it is a  
16 specific format, flat-file format.

17 Q. How expensive will that be for smaller operators?

18 A. Again, I'm not sure. It's a question for Dave  
19 Nelson again, and he can give you the time necessary. He's  
20 been able to talk people through it on the phone in a  
21 couple of hours, to program it in this format.

22 Q. Then I'll talk to Dave too.

23 A. Okay.

24 COMMISSIONER BAILEY: Thank you.

25 CHAIRMAN LEMAY: I don't have any questions.

1           Any other questions of the witness? We can make  
2 him available later for some general discussion concerning  
3 the Rule if you'd like.

4           Thank you, Mr. Martin.

5           MR. CARROLL: I call Dave Nelson to the stand.

6                           DAVID S. NELSON,

7 the witness herein, after having been first duly sworn upon  
8 his oath, was examined and testified as follows:

9                           DIRECT EXAMINATION

10 BY MR. CARROLL:

11           Q. Mr. Nelson, will you please state your name and  
12 residence?

13           A. My name is David S. Nelson. I'm a resident of  
14 Santa Fe, New Mexico.

15           Q. And who is your employer?

16           A. I'm employed by the New Mexico Energy, Minerals  
17 and Natural Resources Department, Oil Conservation  
18 Division.

19           Q. And what is your position with the OCD?

20           A. I'm the Data Processing Manager.

21           Q. And your duties as Data Processing Manager  
22 include providing computer support for OCD's use of the  
23 ONGARD system?

24           A. Yes they do.

25           MR. CARROLL: Mr. Chairman, are the witness's

1 qualifications acceptable?

2 CHAIRMAN LEMAY: His qualifications are  
3 acceptable.

4 Q. (By Mr. Carroll) What problems have you  
5 encountered with OCD's use of the ONGARD system?

6 A. The main challenges in using the ONGARD system  
7 are the volume of data that need to be submitted each month  
8 by operators and the resulting errors that occur in  
9 processing this data against the ONGARD database.

10 Many of these errors are introduced by key-entry  
11 problems on the part of the Oil Conservation Division or by  
12 inconsistencies in the data submitted by the operator, as  
13 compared to the ONGARD database.

14 Q. So by filing electronically will eliminate one  
15 step. That's the key entry at OCD and the resulting human  
16 error that occurs in making that key entry of the data?

17 A. Yes, and also eliminate the error-correction  
18 burden, which is extremely time consuming. I estimate that  
19 100,000 records can possibly be entered within a month, and  
20 even a small percentage of error results in a lot of error  
21 situations which need to be corrected, and most of that  
22 burden, in fact, falls back on the operator.

23 Q. Maybe you're already answered this, but how can  
24 electronic filing make things easier for the OCD and  
25 industry?

1           A.    Well, by filing electronically, the originator of  
2 the data -- that is to say, the operator -- will be the  
3 only person that records it in machine-readable form. So  
4 if there's an error at that point, the person who's  
5 originally entered the data would presumably have the  
6 records in front of them in order to make a correction.

7                   Once a paper form is passed on from the person  
8 who actually has access to the original records, the -- a  
9 second person working with that form has real -- has no  
10 real knowledge of whether, in fact, the information on that  
11 form is correct. They can come up with a guess, but they  
12 have no direct knowledge of that.

13           Q.    Mr. Nelson, how difficult or costly is it for  
14 operators to file electronically?

15           A.    There is a cost involved, but I feel that it's  
16 very competitive with the cost of filing on paper.

17                   Most of the ONGARD C-114 forms that we receive  
18 have been printed on a computer in some form or another.  
19 So that indicates to us that the operators are using  
20 computer technology.

21                   The process of converting that information from  
22 the hard-copy output form that they now send to a directly  
23 machine-readable diskette file or electronic submission  
24 should not be terribly burdensome. I've worked with  
25 several programmers who have changed a C-115 print program

1 and submitted output to me within four hours of receiving  
2 the specifications.

3 Q. So you're saying that it really isn't that costly  
4 and it really isn't that difficult?

5 A. Well, the big issue is whether the operator has  
6 either a qualified programmer on staff or uses a software  
7 package designed to produce these kind of reports. If  
8 that's the case, the impact should not be major. It should  
9 be a relatively routine job, a one-time thing. And from  
10 that point on, the submission -- the costs of actually  
11 submitting data in electronic form should be no higher than  
12 the cost of paper.

13 If someone doesn't have those resources, then  
14 it's a different proposition, and it becomes more expensive  
15 for them.

16 Q. What is the OCD prepared to do at this point to  
17 aid operators in filing electronically?

18 A. Well, we're doing several things.

19 The first thing is that we have developed an  
20 alternative electronic filing format so that an operator  
21 who wishes to file electronically doesn't need to work with  
22 complicated EDI record formats but instead can use a much  
23 simpler format that can be produced by virtually any  
24 program environment.

25 The second thing is that we're available for

1 consultation, and within the limits of our resources we  
2 will provide one-on-one assistance to any operator desiring  
3 to file electronically. It's to our advantage for them to  
4 file electronically, and so within our resources we're  
5 willing to assist them.

6 The third thing is that we are developing a  
7 software package that operators can use if they wish for  
8 electronic filing, and this will be provided to the  
9 operators at no cost.

10 Q. And I'll get back to a question asked by Ms.  
11 Bailey earlier. What exactly does the OCD mean by  
12 electronically, filing electronically?

13 A. Well, the key thing is that we need to receive a  
14 file that can be read directly by our computer systems, and  
15 it needs to be in a format that those computer systems  
16 understand. It can be physically submitted in the form of  
17 a diskette, magnetic tape, or by an electronic transmission  
18 through an electronic mail system. Across the Internet,  
19 for instance.

20 Q. So an operator doesn't have to have a modem; they  
21 could download it onto a diskette and send the diskette?

22 A. Yes, they can just mail the diskette to us.

23 Q. And in your experience, the operators of more  
24 than a hundred wells -- I guess in all likelihood, they  
25 would have some computer capability?



1           The problem is that we can't anticipate these --  
2 the variations in formats that hundreds of individual  
3 operators could send us. So we need to -- we've developed  
4 a single common format that can be produced from virtually  
5 any program, including a spreadsheet.

6           The problem is that a macro or something would  
7 need to be written for a particular spreadsheet to output  
8 the data in the form that's required. Now, this could be a  
9 comparatively simple thing, but it would have to be  
10 customized for each individual operator's spreadsheet  
11 setup. And if that's how an operator chooses to meet the  
12 electronic-reporting requirement, and our resources permit,  
13 we'll assist them in modifying their spreadsheets to output  
14 those formats.

15           Q. When you say modifying a spreadsheet, you're just  
16 talking about physically looking at a screen so that you  
17 have the same number of rows as the C-115, same number of  
18 columns and the same headers on these columns and such; is  
19 that what you're saying?

20           A. Well, essentially that's it.

21           Q. And then the suffix that goes on that file for  
22 many of these spreadsheets will allow you to use a  
23 multitude -- ASCII, for instance, you could save everything  
24 in ASCII and send it in that form. Would that -- Does that  
25 work?

1           A.    Well, just ASCII by itself doesn't say anything  
2 about the actual layout of the data in the output.  I mean,  
3 the order of the data items is very important.  The length  
4 of each individual item is important.  For instance,  
5 whether they have dashes between the characters becomes an  
6 issue.

7                    There are so many possibilities for variation  
8 that we have to -- that we just can't deal with every  
9 possible combination.

10           Q.    Yeah, I understand that.  But can you specify a  
11 spreadsheet layout and the way to save it, with the proper  
12 ASCII or whatever you want on the suffix, on the file, and  
13 accept that?  Does that help?  The guys with less than a  
14 hundred wells is what I'm thinking.

15           A.    Well, yeah, that could be done.

16           Q.    Is that done?

17           A.    We haven't done that yet, because we're focusing  
18 on the folks with larger numbers --

19           Q.    Sure.

20           A.    -- right now.  But we're willing to work with  
21 somebody who seeks to do that.

22                    COMMISSIONER WEISS:  I think many operators keep  
23 their production information as spreadsheets so they can  
24 look at it, you know.  If that's do-able, that's something  
25 that smaller guys can do, I believe.



1 A. I'm afraid I don't have those figures.

2 Q. I should have asked Ed that.

3 A. Yes, I'm sorry.

4 Q. Could you elaborate on the free program that you  
5 mentioned?

6 A. Yes, we've had requests from a number of  
7 operators to provide them a program that will produce  
8 ONGARD electronic reports in the format that we specify,  
9 based on inputting sales, storage and production  
10 information.

11 And we're developing a program to do this that  
12 will be offered to operators as an option for meeting our  
13 electronic filing requirements. It will also be made  
14 available to them if they have their own programming staffs  
15 and care to use portions of the program for their own  
16 purposes.

17 Q. So that's not quite available yet, but will be  
18 soon?

19 A. Yeah, I expect within three to four months it  
20 should be available.

21 COMMISSIONER BAILEY: That's all I have.

22 CHAIRMAN LEMAY: Thank you. I don't have  
23 anything

24 COMMISSIONER WEISS: I've got one.

25 CHAIRMAN LEMAY: Go ahead, Commissioner Weiss.

## FURTHER EXAMINATION

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BY COMMISSIONER WEISS:

Q. Let's just say you're a major oil company and you save your information -- I guess they all have their own method of recording this information in-house; is that right? And what you're developing is something to transform that in-house information to something that you can use?

A. No, actually it's designed for somebody to enter -- to capture the information from their -- from hard-copy records --

Q. Oh.

A. -- and then produce the output reports.

The operators who have major computer systems, as you mentioned, each one of them does it a different way. And if they have the information that they need to do ONGARD reporting, putting it together in an electronic reporting format as opposed to a hard-copy C-115 is a very minor change for an experienced programmer.

Q. So you're not having any trouble with the majors; they're all reporting on time; is that the gist of this? Electronically?

A. I don't think that's universally the case, but my involvement isn't directly in that area, so I don't -- I can't really answer that as well as others could.

1 I know there are exceptions -- there are possibly  
2 some major operators who have been experiencing problems  
3 for one reason or another.

4 Q. Is our reporting system different than Texas or  
5 Kansas or Wyoming or anybody else?

6 A. Yes.

7 Q. Are they all different?

8 A. They're all different from each other.

9 One of the design goals in ONGARD was to use an  
10 industry-standard format, and they came up with the EDI  
11 format, which was in fact pushed by some of the majors, and  
12 then the experience that we've had is that that format has  
13 been causing a lot of difficulties, both for us and for the  
14 majors.

15 COMMISSIONER WEISS: Okay, thank you.

16 CHAIRMAN LEMAY: Other questions of Dave? Yes?

17 MS. TAYLOR: I'm Michelle Taylor with Yates  
18 Petroleum. I have a question on the electronic reporting.

19 Is the errors that are generated from it going to  
20 be the same as the errors you're receiving currently by  
21 filing hard copy?

22 THE WITNESS: Yes.

23 MS. TAYLOR: Will a normal production person  
24 understand what those errors are so they can correct this  
25 if it's on a computer -- If it's electronically filed, will

1 they be able to understand what kind of errors that they're  
2 having?

3 THE WITNESS: Well, the output will be exactly  
4 the same as they receive now from the ONGARD system, and  
5 I've heard that there's considerable room for improvement  
6 in the notices that they receive right now.

7 But, you know, that's something that's being  
8 worked on, and the changes that we make to improve the  
9 error notices coming out of the ONGARD system will be  
10 equally applicable here.

11 EXAMINATION

12 BY CHAIRMAN LEMAY:

13 Q. Dave, will the error notices also be filed  
14 electronically, or would there be a requirement for paper  
15 -- I mean, would you accept paper filing of error notices  
16 for those that are filing electronically, or would it --  
17 you assume that it would be electronic corrections?

18 A. Well, corrections could be submitted  
19 electronically. In fact, the -- You know, maybe that's  
20 something that there's a problem in this Rule. It doesn't  
21 allow for the option of doing small volumes of corrections  
22 by hard copy. Possibly that's something to be looked at,  
23 or not.

24 Q. What type of a -- Would that be labor-intensive,  
25 small corrections to hard copy? Would it be your

1 recommendation that that be accepted or that all  
2 corrections from electronic filers be filed electronically?

3 A. Well, small volumes of corrections, you know, are  
4 not a problem; large volumes are. And we've -- I believe  
5 we've gotten both situations.

6 CHAIRMAN LEMAY: Okay. Commissioner Weiss?

7 FURTHER EXAMINATION

8 BY COMMISSIONER WEISS:

9 Q. What is an error? I can recall getting these  
10 messages -- You know, the PC software that I use, it just  
11 says "error", and it might take me half a day to figure out  
12 what that is. Perhaps that is what Yates is concerned  
13 about.

14 Do we have an explicit error that says this --  
15 you know, you've got the wrong number in column number 7,  
16 row 6?

17 A. Well, yes. I mean, we have a -- There's a  
18 standard set of errors that come out of the ONGARD system.  
19 For example, an API well number that was reported by the  
20 operator not matching a corresponding number in the ONGARD  
21 database. That would be an example of an error.

22 Q. And it says exactly that, it's not a code that  
23 comes out that somebody has to decipher?

24 A. Well, we're working on making it say exactly  
25 that. I think there have been some -- You know, there have

1 been some problems in the past with the clarity of the  
2 error messages, but it's being improved.

3 Q. And it -- Can you give me another example of an  
4 error?

5 A. Well, for instance, a transporter that didn't --  
6 you know, an operator saying that they had shipped product  
7 to a transporter who wasn't -- either didn't exist or  
8 wasn't authorized to transport, that might be another  
9 example.

10 COMMISSIONER WEISS: Thank you.

11 CHAIRMAN LEMAY: Additional questions of Dave?  
12 Yes, Frank?

13 MR. YATES: Yeah, Frank Yates, Yates Petroleum.

14 An error, for example, could be one line item on  
15 a specific well. Say you miss a comma or something, could  
16 that generate an error? Could that generate an error?

17 THE WITNESS: Computers are demanding. I mean,  
18 they can't figure out problems, so that if -- Even a  
19 transposition of figures or a missing digit or something,  
20 that could easily trigger an error, yes.

21 MR. YATES: So it could just be on a specific  
22 well that that could happen, correct?

23 THE WITNESS: Yes.

24 MR. YATES: And for example, a larger operator  
25 that submits a report of 2000 wells, could an error on one

1 of those wells kick out an entire report, 2000 wells, or  
2 would that just kick that one specific well out?

3 THE WITNESS: Generally, the errors are just for  
4 a particular record. However, if there's a problem with  
5 the overall format of the report, then that could result in  
6 the entire report being rejected, and one -- and a single  
7 character omission could cause that too, particularly in  
8 the case of EDI reports.

9 MR. YATES: Okay. So do I understand you  
10 correctly that, say you have a lease number for a specific  
11 lease, or a well name is spelled wrong or there's a dash  
12 missing or something like that. Could that potentially be  
13 an error that could kick out an entire report?

14 THE WITNESS: Well --

15 MR. YATES: Number is out of field or something  
16 of that nature. Would that -- Could an error such as that,  
17 that might be an error for a specific well, be an error  
18 that could kick out an entire report?

19 THE WITNESS: Generally, no, but there are cases  
20 where that could occur. But they're limited to folks who  
21 file with the EDI reporting formats.

22 MR. YATES: Okay, so do errors -- can errors  
23 result in fines?

24 THE WITNESS: No, we don't -- We don't have  
25 fines, and we haven't proposed fines. I mean, I believe

1 the proposed penalty is cancellation of C-104 authority.

2 MR. YATES: Can errors result in late filings?

3 In other words, if someone files a report that's perhaps on  
4 time, that -- say there's an error that's uncovered and you  
5 kick that report out, and it has to be -- those errors have  
6 to be corrected by the operator, does that have the  
7 potential to generate a late filing?

8 THE WITNESS: Well, a garbled report where we  
9 cannot identify the submitter of the report at all would  
10 certainly be considered a late filing. A simple digit  
11 transposition or something in, you know, in a production  
12 record, for instance, wouldn't cause that to happen. Just  
13 the individual record would create a -- would be errored.

14 MR. YATES: Okay. So in other words, what you're  
15 saying is that if an operator submits a report and it's  
16 legible but perhaps there's a few simple errors, and it's  
17 on time, it's deemed to be on time, regardless of how long  
18 it takes to correct those errors?

19 If they correct the errors, resubmit it, maybe  
20 there's another error that pops up, you guys kick it back  
21 to the operator, it's re-corrected and sent back to you,  
22 and at that point the corrected report may be a few days  
23 late, but that would not constitute a late filing, because  
24 you received a relatively legible report prior to the late  
25 filing date; is that correct?

1 THE WITNESS: That's right, the late filing  
2 applies to the filing of the original report.

3 If there are errors, then amended reports would  
4 be filed to correct those errors, and there really isn't a  
5 late filing window on amended reports. There is a -- You  
6 know, there is a proposed time frame for correcting errors,  
7 but that's a different issue than late filing of the  
8 original report.

9 MR. YATES: Thank you.

10 CHAIRMAN LEMAY: Thank you.

11 Additional questions of Dave?

12 If not, you may be excused. Thank you, Mr.  
13 Nelson.

14 All right, we have Mr. Pearce, I think, first,  
15 and then we can open it up for general comments.

16 MR. CARROLL: Do you have any additional  
17 questions of Ed?

18 CHAIRMAN LEMAY: Let's have Perry's comments  
19 first, and then we'll kind of open it up for comments of Ed  
20 -- I mean questions of Ed or Dave or any of us, you know.  
21 It's -- We'll get through the informational part of it  
22 after --

23 MR. CARROLL: Then I'll move OCD Exhibit Number 1  
24 into evidence.

25 CHAIRMAN LEMAY: Okay, I'm sorry, thank you. I

1 didn't let you finish the -- Thank you, Mr. Carroll.

2 Without objection, Exhibit 1 will be admitted  
3 into the record.

4 Mr. Pearce? Thank you.

5 MR. PEARCE: Thank you, Mr. Chairman.

6 Members of the Commission, I -- after listening  
7 to the two previous witnesses, I think I had better give  
8 you a warning before I start, and that is that I am a  
9 generalist, and if you ask me questions about fields and  
10 codes and any number of computer things, I will not know  
11 the answers. There may be people here behind me who will,  
12 but I want you to know that I'm not presenting myself as a  
13 technician.

14 But I do ask your patience while I step back from  
15 what has been talked about this morning, because I want to  
16 give you a general overview of the New Mexico Oil and Gas  
17 Association process and intent with regard to the proposed  
18 Rule that's been presented to you this morning by the  
19 Division.

20 The Oil and Gas Association received the  
21 Application that started this case and formed an *ad hoc*  
22 task force to review that Application and the issues that  
23 were addressed in that Application.

24 The task force has had extensive discussion by  
25 fax and telephone. I had a meeting to which Chairman LeMay

1 was kind enough to attend and discuss the issues with us,  
2 and out of that process came the proposed Rule.

3 It seems to us that there are two issues that the  
4 Division was trying to address, which have been previously  
5 touched on this morning by Mr. Martin.

6 The first is a desire on the part of the Division  
7 to formalize and clarify the efforts to increase electronic  
8 filing of production reports.

9 The second issue that has also been addressed is  
10 a desire in the Division to have some aid to enforcement  
11 available to them, to correct some problems that they  
12 perceive going on in the filing of production reports.

13 The subcommittee members recognize the need for  
14 accurate and timely filing of production information. We  
15 believe that that clearly benefits the industry as well as  
16 the regulatory agency, and we have tried to come up with a  
17 rule which will aid in that effort.

18 But the committee members are also aware of some  
19 tensions and concerns related to unnecessary administrative  
20 burdens and some attendant costs that may result from that.  
21 We have tried to balance those two concerns: our concern  
22 for timely, accurate filing, and our concern for an  
23 efficient and effective regulatory and administrative  
24 program.

25 If I can ask you to address your attention to OCD

1 Exhibit Number 1, which is the NMOGA-proposed rule, I want  
2 to take just a minute and walk you through some things that  
3 are of significance to members of the industry task force.

4 The first is that Section B (1) of the proposed  
5 rule deals with an exclusion. I believe the Division and  
6 the industry believe that there are some small producers  
7 who ought not to be required to file electronically, even  
8 if they are encouraged to do so. This proposed Rule, at  
9 the suggestion of the Division itself, proposes that cutoff  
10 at 100 wells.

11 In circulating the materials to NMOGA members, we  
12 did not receive a comment from any NMOGA member which  
13 requested a cutoff higher than 100 wells. Everybody who  
14 commented said either 100, which coincidentally some did  
15 suggest, or some lower number. It therefore seems to us  
16 that the 100-well cutoff is appropriate from our industry  
17 reaction, and we appreciate that.

18 As Mr. Martin pointed out, this means that less  
19 than 10 percent of the total number of operators in the  
20 State of New Mexico will be forced to file electronically,  
21 but that almost 80 percent of the well completions will be  
22 covered by that requirement. We ask you to continue that  
23 limit since we think it is appropriate.

24 The second item is that a cutoff of 100 wells is  
25 established. Any operator who operates 100 or more wells

1 will eventually be required to file electronically. Again,  
2 we think it is appropriate, in view of the State and  
3 industry's need for accurate, timely information. We  
4 believe that is appropriate.

5           Please note that in the second paragraph of  
6 Section B (2) there is a specific authorization for an  
7 operator to apply to the Division for some hardship  
8 exemption of more than 100 wells if he believes -- if the  
9 operator believes that's necessary. Members of the  
10 subcommittee are not aware of any operator that has that  
11 concern, who has more than 100 wells, who expects to seek a  
12 further exemption, but we put it in there in case such  
13 hardship case does in fact arise.

14           Those two items, the cutoff and B (2) requirement  
15 of more than 100 wells filing, contain the real substance  
16 of the electronic filing requirement set forth in the Rule,  
17 but as has been mentioned, the phase-in application set  
18 forth in subparts B (4), again that was the suggestion of  
19 the Division for the 300-200-100 cutoff. We have not  
20 received specific objection to that phase-in schedule.

21           There is some concern, general though I think it  
22 is rather than specific, that the cutoff dates may be too  
23 short. But we don't have any specific information to  
24 suggest some other schedule.

25           I just want to point out to the Division that

1 there may be more trouble bringing nonelectronic filers on  
2 line than is allowed for in this time schedule. I don't  
3 know that, but I want you to know that there is some  
4 concern in the industry that the time line may not work,  
5 and you may receive requests for extensions from individual  
6 companies.

7 I would hope that those requests for extensions  
8 of time from individuals, if they are necessary, can be  
9 handled the way ordinary requests for extensions are  
10 handled by the agency -- and we appreciate that -- with  
11 patience and understanding.

12 The second area that the Rule attempts to address  
13 is providing to the Division some aid to enforcement.  
14 That's been discussed by other witnesses.

15 My personal suspicion is that in answer to  
16 Commissioner Weiss's question earlier in the case today,  
17 the Division has current authority to seek a fine for  
18 somebody who refuses or fails to comply with the rules and  
19 regulations. There is a general, monetary fine statute  
20 currently in the Oil and Gas Act. It would be very time-  
21 consuming, complicated and burdensome, I think, to try to  
22 make that monetary-penalty statute applicable to a data-  
23 filing problem.

24 The Division therefore suggested the cancellation  
25 of authority to produce. Industry believes that that may

1 be much more effective and efficient than trying to go to  
2 courthouses and collecting fines and involving lawyers and  
3 all kinds of nefarious characters.

4 The industry members, though, also have some  
5 concerns that that authority to cancel production authority  
6 not be used overzealously. And a great deal of the  
7 discussion that the industry has, has dealt with this sort  
8 of nonspecific concern about overzealous enforcement.

9 To address those concerns, the draft that you  
10 have before you sets out a somewhat extended but certainly  
11 more definite process for cancellation of authority to  
12 produce. It requires the -- in the case of errors, sending  
13 of an error message, followed by a letter informing a  
14 producer who has not responded that that penalty of  
15 cancellation of authority to produce is available, followed  
16 by a second certified letter making it very clear that that  
17 penalty is being considered by the agency.

18 Although that stretches out the time line to some  
19 extent, we think that that's necessary in view of a new  
20 process being adopted and the concerns with the electronic  
21 filing, and we ask you to consider that time line.

22 The Division has indicated that they expect the  
23 cancellation to be used only in the most egregious  
24 circumstances of failure to file or failure to correct. If  
25 that is what is expected, we don't think our proposed

1 process of notification will interfere with the Division's  
2 ability to get compliance.

3 A couple of things that other people have  
4 mentioned. One is, there are some concerns in the industry  
5 about the format of the error notice itself. We don't  
6 think that is part of this rule-making proceeding, but I  
7 did want to inform the Commission that the industry has  
8 some concerns, and we will be working with the Division  
9 staff to try to improve that error-report format, to make  
10 it more readily and easily useful to the people who receive  
11 those error messages.

12 The other thing that was discussed by the  
13 subcommittee in the process was whether or not it would be  
14 possible for the Division to implement some kind of  
15 electronic acknowledgement of filing system.

16 We do have a couple of industry participants who  
17 submitted reports electronically, and those reports were  
18 not received or did not register in the OCD system, and the  
19 company didn't get any notice of that. They pressed the  
20 send button and, as far as they knew, the report went and  
21 got to the machine and got registered. It subsequently  
22 turned out that somewhere between the send button and the  
23 received database, the information apparently just  
24 disappeared.

25 That's a very large problem to us, because if we

1 don't know that there's an error or a failure to receive  
2 information, we can't even help you get what you need.

3 We're going to be working with the Division staff  
4 to try to solve that problem. It seems to us, frankly,  
5 that the machines themselves ought to be able to take care  
6 of that problem for us.

7 I think that's the only explanatory comments that  
8 I have, Mr. Commissioner. Again, I apologize for dropping  
9 back and being general again, but I did want you to know  
10 what we were trying to accomplish with this draft.

11 If I may address the one comment that Mr. Martin  
12 and Mr. Carroll had about the language in sub-part (3), top  
13 of the second page, the language was in there because it  
14 was our understanding that if an operator was working with  
15 the Division in good faith, that the cancellation-of-  
16 authority-to-produce penalty would not be invoked.

17 If that is unduly vague or troublesome to the  
18 Division, we certainly are willing to work with the  
19 Division to come up with some other language, and we're not  
20 tied to this schedule to file language.

21 What we were trying to do was make sure that the  
22 cancellation-of-authority penalty was not implemented if  
23 somebody was trying to solve the problem. We've found  
24 solving these ONGARD problems to be more troublesome than  
25 we would like, and sometimes it takes longer.

1           So with those comments, Mr. Chairman, if the  
2 Commission members or others have questions for me or there  
3 are some members of the subcommittee here, there are some  
4 other producers here, they may have comments.

5           CHAIRMAN LEMAY: Thank you, Mr. Pearce.

6           MR. PEARCE: Yes, sir.

7           CHAIRMAN LEMAY: Any questions in the audience  
8 for Perry?

9           Yes, Ron?

10          MR. MERRETT: Ron Merrett, Oil Conservation  
11 Division.

12          Perry, I've got two questions, two issues I want  
13 to ask you about.

14          Did your subcommittee first of all consider the  
15 situation of the reporting services which exist? There are  
16 a number of them in this state who report on behalf of  
17 small operators. They may report in excess of 100 wells,  
18 and it would be hard for us to impose penalties on  
19 reporting services, but we sure would like those reporting  
20 services to file electronically if they're not doing so  
21 already.

22          So that's the first question, did your committee  
23 consider those reporting services?

24          MR. PEARCE: Let me answer that one first.

25          I was not even aware that there were companies

1 who were providing that service, and I don't think there  
2 was -- I'm sure that there was not anybody who participated  
3 in the subcommittee who utilizes that service, and that  
4 issue is not addressed in this proposed Rule, and as I say,  
5 I -- personally, I don't know that other members were aware  
6 that it existed.

7           If the service files in the name of the operator,  
8 the way the proposed Rule currently stands, I don't think  
9 that would require electronic filing. The Division staff  
10 and legal staff may want to give some thought to what to do  
11 about that.

12           MR. MERRETT: I understand that and I agree with  
13 you, but I think we ought to raise that issue.

14           The --

15           MR. GRAY: Might I expand a little bit? What I  
16 hear you saying, maybe, is that the filing service  
17 responded from all companies, the sum of whose wells are  
18 already covered. So --

19           MR. MERRETT: Yes, that's right.

20           MR. GRAY: -- I don't think that's what the order  
21 would be looking for in the penalty and the --

22           MR. MERRETT: Right.

23           MR. GRAY: -- the requirement for sufficient  
24 electronic --

25           MR. MERRETT: The order essentially --

1 MR. GRAY: -- filing, each individual company.

2 MR. MERRETT: Our wish, I think, is to encourage  
3 anyone who reports more than 100 wells, whether they be an  
4 individual operator or a reporting service, to file  
5 electronically.

6 But as I say, this order doesn't actually cover  
7 that, and I thought that maybe your committee had --

8 MR. PEARCE: We had no discussion on that issue.

9 MR. MERRETT: My second question is perhaps a bit  
10 picky, but the ONGARD system recognizes well completions  
11 rather than wells, and as you well know, a well may have  
12 several completions, and it will come down to deciding who  
13 makes the cut and who misses the cut, and I wonder whether  
14 your committee considered that issue too.

15 MR. PEARCE: We did not. Let me ask Ed Martin,  
16 if I may, the numbers that you gave us, the 300 or more  
17 wells, was that wells or -- in your system was that well  
18 completions?

19 MR. MARTIN: Well completions.

20 MR. PEARCE: I suspect that -- The Committee  
21 proposal, I know, was based on the OCD suggestion, and if  
22 "completions" is inserted after "wells", I don't think that  
23 would cause anybody heartburn.

24 CHAIRMAN LEMAY: Thank you, Mr. Merrett.

25 Other questions of Perry?

1 Commissioner Weiss?

2 COMMISSIONER WEISS: I have no questions.

3 CHAIRMAN LEMAY: Commissioner Bailey?

4 COMMISSIONER BAILEY: No questions.

5 CHAIRMAN LEMAY: I just want to bring up the  
6 point that we did in this order -- and it's been addressed  
7 by Perry -- There doesn't seem to be a controversy that the  
8 new filing data that we ended up putting temporarily in  
9 there, which extends the time, and this order would make  
10 that actually permanent. I just want to bring that up for  
11 the record, and I don't think that was a controversial  
12 point, was it? That was supported by all the operators?

13 MR. PEARCE: Mr. Chairman, that item was  
14 addressed in the information that was sent to members of  
15 the NMOGA Regulatory Practices Committee. We got several  
16 comments of people being unclear about what the language  
17 meant, but when the callers had explained to them what the  
18 rule actually said about filing date, there was uniform  
19 agreement that that was the appropriate filing date.

20 CHAIRMAN LEMAY: Thank you very much.

21 MR. PEARCE: Yes, sir.

22 CHAIRMAN LEMAY: Yes, Frank?

23 MR. GRAY: Frank Gray with Texaco again.

24 There was a couple of issues, and this may be  
25 redundant a little bit, but one issue I wanted to address

1 to the Commission involved the amendments, the answers to  
2 the correction -- of the corrections that need to be  
3 submitted.

4 We need to keep that on a manual basis, or at  
5 least that capability to file corrections on a manual  
6 basis. Those of us who have a large number of wells, we  
7 file electronically in many states, our programs are set up  
8 that when we ask for a print, we get the entire print, or  
9 we get the sending -- the entire data.

10 It would involve a tremendous amount of  
11 reprogramming to just get a line output or line sending so  
12 that -- Corrections are done manually, because you wouldn't  
13 want to recreate errors or overlay data that was previously  
14 submitted and so forth.

15 So we need the option, at least, to continue to  
16 file manually for corrections. We don't want to adopt  
17 another program to supplement our existing programs, just  
18 to handle corrections and file those electronically,  
19 because then we have inherent errors in our system, getting  
20 it from that program over to the other program and so  
21 forth. It would be a lot easier to handle it manually.

22 And Perry has already touched on the two issues  
23 that we also need to address, and it does not need to be as  
24 a part of the order, but I would like to seek an official  
25 recognition by the Commission that the Division will

1 consider our input for improvements to the error reports.

2 As you remember in our meeting, there were some  
3 very significant problems with the error reports, and we  
4 have a plan to have operators submit recommended changes,  
5 and we would like to have a recognition that those will be  
6 considered and hopefully put in the process.

7 And of course, the other deal is the electronic  
8 notification. We were one of the parties that did submit  
9 data, and it was lost in some form, and our finding out  
10 that that occurred was two months -- three months later,  
11 when BI did not show production for our wells, and we need  
12 to find it much quicker than that.

13 So an electronic indication that information was  
14 received would be very helpful.

15 That's all I have.

16 CHAIRMAN LEMAY: Thank you, Mr. Gray.

17 Additional questions of Perry?

18 If not, you may be excused. Thank you very  
19 much --

20 MR. PEARCE: Thank you.

21 CHAIRMAN LEMAY: -- for your input to this.

22 Let me throw it open for some general comments  
23 from the floor or from fellow Commissioners as to -- Yes,  
24 Michelle?

25 MS. TAYLOR: Michelle Taylor, Yates Petroleum.

1 And I do have some concerns with the phase-in period for  
2 the electronic filing, and it kind of goes back to Frank's  
3 question on some of the problems that are generated from  
4 EDI filing anyway.

5 The errors -- Sometimes the errors have not been  
6 fully identified by the operators when they are filing  
7 electronically or with EDI.

8 We did come across one, and the question -- We  
9 had two errors, and they were upgrade numbers on transport.  
10 Those districts could not furnish us these transporter  
11 upgrade numbers. They didn't have it. So we went ahead  
12 and sent in our report, and it did kick out the entire  
13 2100-plus wells for two transporter upgrade numbers  
14 missing. Therefore, we did have to regenerate the entire  
15 report and send it in.

16 As I was talking to our revenue department, this  
17 same thing had happened to them. They unfortunately were  
18 fined \$26,000 for one error. They did get it appealed, so  
19 they didn't have to pay for it, but they did have to go  
20 through the process of going in and getting this fine  
21 rescinded.

22 There's a lot of other errors that can happen  
23 with electronic filing that we are not fully aware of, and  
24 I don't know that the State -- just getting this stuff on  
25 line out of the flat files, the layouts that they're

1 providing, I don't know if they know exactly what all types  
2 of errors that these can construct with the different  
3 operators and their layouts.

4 I'd like to take Commissioner Weiss's comments  
5 on: I think we ought to work with it first, before we get  
6 into some situations that we don't understand completely,  
7 by not utilizing it.

8 Also, the Districts have some problems too with  
9 getting the information to the operators. So a lot of the  
10 errors that are generated are not exactly on the operators.  
11 The Districts cannot supply information, the information  
12 that is needed on time for the operators to comply.

13 There's a lot of confusion within the rules and  
14 regulations on how to set their database to make ONGARD  
15 work.

16 So until some of these guidelines -- or there are  
17 some guidelines set, I don't know that maybe the time frame  
18 for this filing, mandating and -- should be maybe set at  
19 this point.

20 That was just some of my concerns.

21 Also, on the error messages, my question today  
22 was that when we did receive this error on our report, the  
23 State could not tell me what the error was. All she could  
24 tell me was, computer language, line sequence, and I don't  
25 have a clue what that means.

1 I asked her what the specific well was and the  
2 specific problem. She then had to go to their computer  
3 department to get those guys to translate it for her, to  
4 let us know.

5 And as it ended up, the two computer departments  
6 were talking, and production, those that generate the  
7 C-115, were pretty much left out. We did not understand  
8 some of the computer language.

9 So I think a lot of this computer -- the EDI, the  
10 electronic filing, there's a lot of people that are not  
11 computer programmers, that don't fully understand some of  
12 this language. And I think until it's tested and worked  
13 with, we ought to look at doing that.

14 That's all the questions that I have.

15 Also I would like to -- the amended reporting, I  
16 think we probably -- amended reporting being left filing a  
17 hard copy for managing. It is very difficult to file  
18 electronically anyway, without something giving you -- some  
19 error.

20 That's all that I have.

21 CHAIRMAN LEMAY: Thank you, Ms. Taylor.

22 Yes?

23 MS. NELSON: Rhonda Nelson with Marbob Energy. I  
24 have several comments I'd like to make, and the first one  
25 starts with the cost.

1 I'm an operator that operates over 500 wells, so  
2 I'm going to be affected January, 1997. And what we've  
3 done, we have an outside software program that provides us  
4 with the software in order for us to comply with ONGARD.

5 In getting with them after I received the letter  
6 from Ed Martin explaining the flat format, I had gotten  
7 back with my software people, and actually the cost is  
8 going to run -- it's probably going to be around \$6000 in  
9 order to do this. They're looking at 60 hours of  
10 programming. About a week and a half is what my  
11 programmer, my computer people, have told me.

12 The next thing I'd like to know is -- You know,  
13 that's an additional cost, You know, we've already been  
14 through the cost of complying with ONGARD and everything  
15 and getting our computer set up in order to do this in  
16 1994, and so now we have this additional cost of another  
17 \$6000 in order to file electronically with a flat format.

18 Has it ever been considered, a scanning device to  
19 maybe scan the data?

20 CHAIRMAN LEMAY: I guess I'll defer to the  
21 experts on that. Ed or Dave, do you want to handle that  
22 one?

23 MS. RHONDA NELSON: And if so, you know, what  
24 were the results?

25 MR. DAVE NELSON: We've considered it. The

1 problem is that there is no really, truly standard C-115,  
2 or the scanning technology just isn't up to handling the  
3 variety of problems we have.

4 And frankly, the hard-copy C-115 form is such a  
5 disaster anyway that scanning it is nearly impossible.

6 MS. RHONDA NELSON: Okay. Then my other comment  
7 here on personal assistance from you guys.

8 You know, we've scheduled with you -- what, a  
9 couple of months ago? And we've had several cancellations,  
10 and actually I've forgotten about it, you know. Is it one  
11 of those to where you get with my computer people? Would  
12 that be the easiest --

13 MR. MARTIN: Right.

14 MS. RHONDA NELSON: -- thing?

15 MR. MARTIN: I'd have to do that with Dave.

16 MS. RHONDA NELSON: With Dave. And then he in  
17 turn will -- would call my computer people, which are in  
18 Dallas, for example? Is that the intention here?

19 MR. MARTIN: Your people are in Dallas? Well --

20 MS. RHONDA NELSON: See, that's the other  
21 hardship that we entail.

22 MR. MARTIN: You could handle it over the phone  
23 between here and Dallas?

24 MR. DAVE NELSON: I may have. Who are they?

25 MS. RHONDA NELSON: ADS.

1 MR. DAVE NELSON: ADS. Well, I haven't spoken  
2 with them. I've spoken with a number of some -- I mean --  
3 A lot of them see this as a -- you know, as an economic  
4 opportunity. I think 60 hours is, you know, very generous  
5 as an amount of time it would take to make these  
6 modifications. But, you know, that's a matter between you  
7 and your supplier.

8 MS. NELSON: Well, it was one of those that  
9 basically was like a minimum of 60 hours.

10 CHAIRMAN LEMAY: Yes?

11 MS. HARPER: Juanel Harper, Ray Westall  
12 Operating.

13 You said that in scanning the C-115 where there  
14 are so many different formats is the reason you don't  
15 bypass to that.

16 Wouldn't it be much more economical for everybody  
17 involved to adjust the format, rather than go through all  
18 these programs it's going to cost? Because we don't have a  
19 programming person in our company.

20 MR. NELSON: Well, the problem is, it's much more  
21 difficult to produce a precise format on a printout than it  
22 is to do it on a -- from a programming point of view. And  
23 it would be more work to try and make C-115 reports achieve  
24 the degree of uniformity that's needed for scanning than it  
25 is to report it electronically.

1           The technology is just not there for that kind of  
2 thing. Those things work well with standard OCR fonts  
3 being used by the reporter on standard hard-copy forms.  
4 But when people print them from a computer system, they  
5 have difficulty achieving the precision that most OCR  
6 systems require.

7           CHAIRMAN LEMAY: Does that kind of answer your  
8 question, or -- ?

9           MS. HARPER: Perhaps I'm not literate enough on  
10 this to understand his meaning there, but I've seen other  
11 documents be scanned, and it didn't have to be so precise.

12           And I was just thinking of the operator, you  
13 know, and this tremendous cost out there as it is. And you  
14 pile another \$6000 on us, we just don't have that kind of  
15 money.

16           And if it could be scanned in, which I know other  
17 -- they scan in their invoices, their receipts, their --  
18 various things. I just didn't understand how we couldn't  
19 adjust the format, rather than overhaul everything.

20           CHAIRMAN LEMAY: I think Commissioner Weiss maybe  
21 has a comment that's pertinent on that.

22           COMMISSIONER WEISS: Well, I don't know if it's  
23 pertinent or not, but we've got optical scanners that Los  
24 Alamos gave us because they don't work. So...

25           MS. HARPER: Oh, is that --

1           COMMISSIONER WEISS: Yeah, it's that easy. You  
2 know, they tried to scan a bunch of stuff into their  
3 records.

4           And I think rows and columns, if they're all the  
5 same, it works. But they aren't all the same, so they get  
6 off just a little bit.

7           MS. HARPER: I have another question, please.

8           Minerals Management is also working toward this  
9 goal of everybody filing electronically. Is it ever going  
10 to be possible that perhaps we file like they do, so that  
11 we're not doing double work out in the field?

12           CHAIRMAN LEMAY: I've got a comment that maybe  
13 Mr. Merrett could address too.

14           I think we tried to get them to file our way  
15 because we felt we were ahead of them.

16           But Ron, do you want to address that one?

17           MR. MERRETT: Well, really I'm not that  
18 knowledgeable about it. But we've tried to work with the  
19 MMS and tried to get a common format with them.

20           We've also worked with other states, and the  
21 truth is that all these states -- and maybe Frank knows  
22 this as good as anybody -- these other states have  
23 different laws and regulations. They require reporting at  
24 different levels, some at the lease level, some at the well  
25 level, and it's very difficult to get a common format among

1 all the states. So...

2 You know that there was an effort done by the  
3 University of Oklahoma to produce a common production  
4 reporting system, and that really has not gotten -- is not  
5 getting off the ground very well.

6 So it's difficult to get it among the states, and  
7 MMS has their own rules and they won't bend. And so I  
8 sympathize with you, and I wish we had a common form.

9 MS. HARPER: But you couldn't even make more  
10 progress on getting this compatible, and perhaps us gals  
11 that -- this information --

12 (Laughter)

13 MR. MERRETT: I'm sure you could solve it all.

14 CHAIRMAN LEMAY: That's it? Good, Ms. Harper,  
15 you want to -- I understand you have a problem. We need to  
16 kind of work toward solutions for the small operator who is  
17 getting bombarded with different formats.

18 Did you have something else on that you wanted --

19 COMMISSIONER WEISS: As I mentioned earlier, I  
20 think spreadsheets might be the answer here. But I don't  
21 do that.

22 I mean, I don't know what you guys do because I  
23 don't do it. But it looks to me like that could be a  
24 solution for the smaller operator. Five hundred wells, it  
25 looks to me like you could put that in a spreadsheet and

1 e-mail it somehow.

2 MS. TAYLOR: I don't -- I'm not sure that e-mail  
3 -- Is e-mail an option at this point?

4 MR. NELSON: Yes.

5 MS. TAYLOR: And if it's in -- But if there's  
6 still some computer programming involved to translate the  
7 spreadsheet, whatever, Lotus or Excel or whatever she may  
8 be using, to get it into the format that it's reported,  
9 that it's required, that that not --

10 MR. NELSON: Yes.

11 MS. TAYLOR: So there's still programming  
12 involved and programming costs and --

13 MS. HARPER: Isn't that what you said? Isn't  
14 that what you said? It would take four or five hours over  
15 the phone with a programmer to adapt it or to format your  
16 own program?

17 MR. NELSON: Well, a spreadsheet is easy to type  
18 numbers into and print them straight out.

19 It's not as easy to produce data in a specific  
20 format out of the spreadsheet. It's easy to put it in, add  
21 it up and print it out. That's what they're designed to  
22 do.

23 Almost every spreadsheet program, though, has a  
24 macro or programming-language capability built into it that  
25 allows you to reformat data and output it in any format

1 that you desire. And that's the level that we need to work  
2 with operators on their spreadsheets.

3 Now, once it has been done once, it could be  
4 easily transported to another operator if they were willing  
5 to use a different spreadsheet format than the one they  
6 happen to use right now. If they desire to stick with  
7 their current spreadsheet format, then we could take the  
8 macro program and use that as a model for incorporating it  
9 into their system.

10 But as long as it's done with, you know, each  
11 operator doing it their own way, a custom solution is  
12 needed for each operator. And when you multiply that by  
13 the number of operators, you know, it would take us a while  
14 to work with each one.

15 CHAIRMAN LEMAY: Thanks, Mr. Nelson.

16 Anything else? Yes?

17 MR. SMALLEY: Jim Smalley with Yates Petroleum.

18 I have -- I want to kind of go back to Michelle's  
19 concern about these dates that we're using.

20 We had this last month submitted a C-115. We had  
21 two line items that were bad, the rest of the report was  
22 good, and we got the entire report rejected. We had to  
23 resubmit the entire report.

24 Two months ago, we sent in -- we've been doing  
25 EDI format for quite some time now -- we sent in diskettes.

1 I handle the EDI for Yates Petroleum and Yates Drilling.  
2 We sent it in, got a call back saying that our diskettes  
3 were no good. Sent it in again, had to regenerate the  
4 entire report. Sent it in again. Called me back, said it  
5 was still garbled.

6 Come to find out, the person that was trying to  
7 read our diskettes didn't have any inkling of an idea of  
8 what was actually on the diskette. I had to talk this  
9 person through, going in and actually looking at the  
10 diskette to see if the data was still good. And lo and  
11 behold, the original diskette was fine.

12 Is this type of thing going to be taken care of  
13 before you start giving us problems about late filing?

14 MR. NELSON: Well, I've written a program to  
15 handle the diskette data directly, so that the program will  
16 interpret the data on the diskette and make sure that it  
17 understands, and take away a lot of the decision-making  
18 process that some of you have to go through.

19 You just put a diskette in and read whatever  
20 files are on the diskette, checks them, stores them in the  
21 appropriate place. And then when they're transmitted to  
22 the main frame, they just go -- all over --

23 MR. SMALLEY: Okay, what would happen like in our  
24 case? We omitted two lines. Well, what it was is, we  
25 omitted -- we sent a POD, but we didn't send the production

1 that went along -- or we didn't send the disposition volume  
2 that went along with that data.

3 In our case, our EDI translator didn't find a  
4 problem with it. I translated it going out, and I tried to  
5 receive it, just to make sure that -- you know, after we  
6 found out what was wrong. I brought it back in, my  
7 translator did not have a problem with it. And you guys --  
8 or your EDI department, I'm not going to say you, because  
9 you didn't --

10 MR. NELSON: We've developed a simplified  
11 reporting format, just for that reason. EDI is a  
12 sophisticated computer program mold, and it works for some  
13 companies and it doesn't work for a lot of companies.

14 We, for instance, don't use EDI ourselves to  
15 transmit data to ONGARD where the information is keyed,  
16 because of these types of problems. We came up with a  
17 simplified format to resolve problems like this.

18 CHAIRMAN LEMAY: I don't know if we're going to  
19 resolve some of the individual problems here. I think it's  
20 important to recognize that there are still problems in the  
21 system, and that, you know, collectively we've had a  
22 history of working with industry, the Division has, to  
23 solve problems by working together, and I think we will  
24 continue that.

25 The fact that we're proposing the Rule here does

1 not mean that we're going to all of a sudden stop working  
2 with you to resolve these individual problems. I think  
3 it's important that we do continue.

4 Is there anything else that someone would like to  
5 bring up concerning the proposed Rule?

6 Our intention is to leave the record open for 30  
7 days to handle additional comments and also maybe some  
8 slight language changes, Mr. Pearce, that you suggest  
9 concerning our concern there.

10 Is there anything else to this case that you  
11 would like to discuss?

12 Commissioner Weiss?

13 COMMISSIONER WEISS: Yeah, just as a matter of  
14 curiosity, what is the status of the 1994 records? Are  
15 they available on ONGARD? Are they complete on ONGARD, or  
16 just not the hard copy is the one we're missing?

17 MR. MARTIN: They're available but they're not  
18 complete. They're -- The 1994 data is in- -- woefully  
19 incomplete and -- for a variety of reasons, problems on  
20 both sides, the State's and the operators'.

21 Whenever you institute a big system like this you  
22 get problems on both sides, and that's kind of what  
23 happened.

24 1994 was a year -- Everybody was trying to get  
25 used to the new system, including us, in 1994, and it's

1 still -- we're working -- I'm working together with the  
2 other agencies to find a way to alleviate their problem and  
3 prevent it from happening in the future.

4 COMMISSIONER WEISS: Well, I think it's vital  
5 that the production histories be put together for 1994.  
6 That's information I don't think we can do without.

7 MR. MARTIN: Right.

8 CHAIRMAN LEMAY: Commissioner Bailey, any  
9 thoughts or comments?

10 COMMISSIONER BAILEY: Ed, reporting has gone into  
11 ONGARD since 1994, and what percentage of these larger  
12 recorders are complying with this Rule now in attempting or  
13 doing electronic filing?

14 MR. MARTIN: I don't know, percentagewise, but a  
15 goodly percentage of what the Commission has already  
16 reported electronically, because the majors, most of the  
17 majors -- in fact all the majors, I think, except one,  
18 files electronically, currently --

19 COMMISSIONER BAILEY: But there --

20 MR. MARTIN: -- either on tape -- all of -- all  
21 the EDI, yes, all the EDI --

22 COMMISSIONER BAILEY: But there are some  
23 companies who are reluctant, which is why we need to have  
24 this penalty?

25 MR. MARTIN: I'm sorry, say that again?

1                   COMMISSIONER BAILEY: There are some companies  
2 that are reluctant to comply? Is that why -- one reason  
3 why you need this?

4                   MR. MARTIN: Well, yeah, I would be too. I mean,  
5 I'm reluctant to change over, change again, after I've just  
6 made a change to institute ONGARD to begin with. Yeah, I'd  
7 be reluctant as well.

8                   CHAIRMAN LEMAY: Is there anything else in the  
9 case?

10                   It's a tough one. I'd like to reiterate the fact  
11 that it's through the cooperation of the regulatory agency  
12 like the OCD and the industry and the help of Dave and  
13 others that we can work through these problems.

14                   There's no doubt that 1994, we have to figure at  
15 least 50 percent of the errors were because of our errors.  
16 And we can apologize for that and we can make all kinds of  
17 excuses, but the end result is -- It was asked to me from  
18 Secretary Salisbury whether we could just kind of forget  
19 1994, because it was a bad year, we got bad data, and --

20                   (Laughter)

21                   CHAIRMAN LEMAY: -- that would be nice, but I  
22 think we would all regret that in the future.

23                   And Commissioner Weiss's comments are well taken;  
24 we have to kind of go back in there and work our way  
25 through those errors.

1           And, you know, we'll take all the blame you want  
2 to throw at us. We're not saying that it's your fault and  
3 not ours; we're saying that collectively we can work  
4 through these and have a system that works. And that's  
5 where we're all trying to do.

6           So we appreciate your input and your cooperation.  
7 We'll continue to do that.

8           And we shall take this case under advisement  
9 after we leave the record open for 30 days.

10           Thank you very much.

11           (Thereupon, these proceedings were concluded at  
12 11:18 a.m.)

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## CERTIFICATE OF REPORTER

STATE OF NEW MEXICO )  
 ) ss.  
 COUNTY OF SANTA FE )

I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Commission was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL August 21st, 1996.



STEVEN T. BRENNER  
 CCR No. 7

My commission expires: October 14, 1998