

CASE NO.

7438

APPLICATION,
TRANSCRIPTS,
SMALL EXHIBITS,
ETC.

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

22 December 1981

COMMISSION HEARING

IN THE MATTER OF:

The Commission will consider the amendment of Division Rule 1204 to require applicants for hearings to make a reasonable effort to provide notice of hearings to adversely affected persons, or, in the alternative to adversely affected operators.

CASE
7438

BEFORE: Mr. Ramey
Mr. Arnold

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:

1
2 MR. RAMEY: We'll call Case 7438.

3 MR. HALL: The Commission will consider
4 the amendment of Division Rule 1204 to require applicants
5 for hearings to make a reasonable effort to provide notice of
6 hearings to adversely affected persons, or, in the alternative,
7 to adversely affected operators.

8 MR. RAMEY: This case was heard on
9 December 3rd, and I think continued indefinitely, if I re-
10 member, and that is the status.

11 It will be continued to some later date.

12 Does anyone have anything further to
13 add in Case 7438?

14 If not, the hearing is adjourned.

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16 (Hearing continued.)
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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 Conserva-
tion 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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STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO

12 December 1984

COMMISSION HEARING

IN THE MATTER OF:

The Commission will consider the
amendment of Division Rule No.
1204.

CASE
7438

BEFORE: Richard L. Shumets, Chairman
Commissioner Ed Kelley

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

Jeff Taylor
Attorney at Law
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

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MR. STAMETS: The hearing will
please come to order.

Let's take first Case 7438,
being the matter of the application of the Oil Conservation
Commission to consider amendment of Division Rule 1204.

As advertised for today this
case will be dismissed.

(Hearing concluded.)

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 Con-
servation Division was reported by me; that the said tran-
script is a full, true, and correct record of the hearing,
prepared by me to the best of my ability.

Sally W. Boyd CSR

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
3 December 1981

COMMISSION HEARING

IN THE MATTER OF:

The Commission will consider the amendment of Division Rule 1204 to require applicants for hearings to make a reasonable effort to provide notice of hearings to adversely affected persons or, in the alternative, to adversely affected operators.

CASE
7438

BEFORE: Commissioner Ramey
Commissioner Arnold

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

Commission:
For the Applicant:

J. Scott Hall, Esq.
ENERGY & MINERALS DEPT.
Santa Fe, New Mexico 87501

A P P E A R A N C E S

For Amoco Production Company:

Clyde Mote, Esq.
AMOCO PRODUCTION COMPANY
Houston, Texas

As Chairman of the
Regulatory Practices
Committee for the New
Mexico Oil and Gas
Association:

W. Thomas Kellahin, Esq.
KELLAHIN & KELLAHIN
500 Don Gaspar
Santa Fe, New Mexico 87501

(REPORTER'S NOTE: All other interested
parties who made comments or asked
questions during these hearings are
listed on the Commission roster for
3 December 1981.)

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I N D E X

RICHARD L. STAMETS

Direct Examination by Mr. Pearce

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PRESENTATION BY MR. KELLAHIN

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STATEMENT BY MR. BATEMAN

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STATEMENT BY MR. HARPER

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STATEMENT BY MR. MOTE

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STATEMENT BY MR. KALTEYER

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STATEMENT BY MR. INGRAM

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STATEMENT BY MR. YATES

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STATEMENT BY MR. MORGAN

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E X H I B I T S

Division Exhibit One

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Committee Exhibit One, Tabulation

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Committee Exhibit Two, Ballot

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MR. RAMEY: Call next Case 7438.

MR. HALL: The Commission will consider the amendment of Division Rule 1204 to require applicants for hearings to make a reasonable effort to provide notice of hearing to adversely affected persons, or in the alternative, to adversely affected operators.

MR. PEARCE: May it please the Commission, I am W. Perry Pearce, appearing on behalf of the New Mexico Oil Conservation Division.

We have one witness in this matter, who has been previously sworn and qualified. With the permission of the Commission, we will proceed with the presentation of this matter.

MR. RAMEY: You may proceed, Mr. Pearce.

MR. PEARCE: Thank you, sir.

RICHARD L. STAMETS
being called as a witness and being previously sworn upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. PEARCE:

Q Mr. Stamets, with regard to the case which has been advertised as 7438, relating to certain notice

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2 requirements, would you briefly summarize for the Commission
3 and those in attendance at this hearing the general outline
4 of this case and what is being proposed at this time?

5 A Yes. I'd like to preface my remarks by
6 saying that this wasn't my idea. This wasn't necessarily the
7 Division's idea.

8 This is an issue which was brought to us
9 by the people we deal with. Some of these people had become
10 concerned as to the adequacy of the notice and feeling that
11 perhaps a court might find our current notice procedure in-
12 adequate. Upon this basis they recommended to us the pro-
13 posal that I have presented here today as Exhibit Number One.

14 And I guess I should just read through
15 this and outline what they have done.

16 Rule 1204, which is the rule under
17 consideration here, deals with the method of giving legal
18 notice. The proposal here would include what we do currently
19 plus some additional requirements.

20 The first part says the applicant for a
21 hearing in any case before the Division, or any of its Exa-
22 miners, shall at the time of filing the application make a
23 reasonable effort to notify any adversely affected person
24 of the general nature of the application, the date, time, and
25 place of hearing, not less than ten days prior to the hearing.

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2 The next paragraph goes on to say that
3 in addition to the above notice the Division shall cause to be
4 published a notice in -- as required by Rule 1205 -- once in
5 a newspaper of general circulation published in Santa Fe,
6 New Mexico, and once in a newspaper of general circulation
7 published in the county, or each of the counties if there be
8 more than one, in which any land, oil or gas or other pro-
9 perty which may be affected, shall be situated.

10 The second paragraph is essentially what
11 we're doing now.

12 There is an alternative to the proposal
13 and it simply substitutes "adversely affected operator" for
14 "adversely affected person". While this was not our idea,
15 we felt that it was an important issue, and since we were
16 coming up with all these other proposed rules and regulations,
17 and so on, we thought this would be a good forum at least to
18 get this proposal out and maybe get a committee assigned to
19 study the situation and report back in some reasonable period
20 of time.

21 Q Mr. Stamets, do you have anything fur-
22 ther in this matter at this time?

23 A No, I do not.

24 MR. PEARCE: Mr. Commissioner, we move
25 the admission of Exhibit One to Case 7438, and the Division

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2 has nothing further to present at this time in this matter.

3 MR. RAMEY: Exhibit One will be admitted.
4 Are there any questions of the witness?

5 MR. PEARCE: There may be some statements
6 as opposed to questions, Mr. Commissioner.

7 MR. KELLAHIN: We have some testimony
8 to give, Mr. Ramey.

9 MR. RAMEY: Mr. Kellahin. Mr. Stamets
10 will be excused.

11 Why don't we let Mr. Kellahin put on
12 his testimony and then we'll take statements?

13
14 STATEMENT OF MR. KELLAHIN:

15 MR. KELLAHIN: Thank you, Mr. Ramey.

16 I'm Tom Kellahin of Santa Fe. I'm here
17 as Chairman of the Regulatory Practices Committee of the
18 New Mexico Oil and Gas Association.

19 By way of background, so that we may
20 have benefit of those that are present today, let me explain
21 to you, as you already know, how this suggestion came about.

22 Some eighteen months or two years ago
23 Mr. Vic Lyon (sic) and others were appointed by the Division
24 as an industry committee to discuss ways of streamlining the
25 Oil Commission practices to benefit the industry in general.

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2 Mr. Lyon's committee came up with some
3 recommendations in certain areas.

4 This spring I was requested through the
5 Association to attempt to place those general suggestions in
6 the form of proposed orders and rules. The review of those
7 matters has evolved into the hearing today with the result
8 that I believe that we've streamlined, or helped you stream-
9 line, certain areas that were of concern to operators that
10 practiced regularly before the Commission.

11 The unorthodox well locations, downhole
12 comminglings, multiple completions.

13 And in the subcommittee's work in re-
14 vising those rules there was a concern expressed with regards
15 to how the Commission was going to handle notices to affected
16 individuals. In the past we've operated under a process that
17 allowed the notice of hearings to be published in a news-
18 paper and that for those interested they could be placed on
19 a mailing docket and receive the Commission's docket.

20 This last Legislature tightened up some
21 of the rules with regards to the appealing process from
22 hearings. As you know, after an Examiner Hearing an adversely
23 affected party can ask for a de novo hearing. The change in
24 the rules made by the Legislature precluded someone asking
25 for a de novo hearing that wasn't a party of record at an

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2 Examiner hearing, and there was a concern expressed that a
3 person might not hear of a hearing before an Examiner until
4 after the hearing and thereby was precluded from an appeal.

5 In reviewing the rules about trying to
6 develop flexibility on deep gas unorthodox locations, we were
7 concerned about the following situation occurring: If you
8 had an application for an administrative approval to be
9 closer than 1980 feet to an end boundary, using the proposed
10 new Rule 104, thereby being no closer than 990 to the end
11 boundary, you would in that case ask for an administrative
12 order and you would have to give the offset operator notice;
13 however, the rules would provide that if you moved to an 900
14 foot location, far closer to the east boundary, it required
15 a hearing. There is no obligation to notify the offset oper-
16 ator. And that occurrence is not particularly unusual in
17 that someone will not hear about being affected by an appli-
18 cation for hearing until after the fact.

19 The second thing that concerned us is
20 the situation in Oklahoma in a spacing hearing in which they
21 had relied upon a newspaper publication very similar to what
22 we have, and the Oklahoma Supreme Court said that was fatally
23 deficient and they set aside the Oklahoma rule.

24 So as long as we're talking about rule
25 changes, we wanted to have you at least consider a discussion

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2 of whether or not you feel there ought to be some revisions
3 made.

4 What is suggested here is a shifting of
5 the burden of responsibility on notice from the Commission to
6 the applicant. That burden in many cases is already upon the
7 applicant. It is the custom and practice, I think, of the
8 Division in a compulsory pooling case, apart from what the
9 rule may say, to require the applicant in a pooling case to
10 demonstrate reasonable notice efforts. We now do that in
11 waterflood areas administratively. Offset operators within
12 a half mile radius receive notice.

13 We took the basic proposal of notifying
14 the entire world, practically, and made it as broad as pos-
15 sible to serve a discussion function only, and after the Com-
16 mittee met in September and again in October, there was no
17 general consensus of how to suggest the rule might be rewritten.
18 Therefor, we polled our membership, which includes some 180
19 different individuals from a great many companies, to deter-
20 mine what, if any, suggestions and comments they might have.
21 The ballot was mailed out and it was provided in three parts.
22 The first ballot check was to do nothing at all and continue
23 with the existing rule, which as you know, has operated
24 reasonably well for some 30 years.

25 The second choice -- I might tell you

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2 that of the ballots received, there was approximately seven
3 companies and individuals that voted for that.

4 The second choice was to provide a great
5 broad notice provision to any adversely affected person,
6 which I think there are some great reservations about. It
7 may require the operator to search lease records to determine
8 offset ownership and it's a substantial burden; however,
9 apart from that burden there were three companies that voted
10 for that.

11 The third choice was to approximate what
12 apparently is the existing practice insofar as notifying
13 offset operators and the suggestion was to use words to the
14 effect adversely affected operators. That was placed on the
15 ballot and of those individuals voting, there was twenty-two
16 companies and individuals that voted for that.

17 I'm not saying that anyone of those is
18 the necessary right solution and I think it perhaps bears
19 further study, but I wanted to give you the advantage and
20 opportunity to understand that we have worked on this for a
21 great many months and we have come to the point now where
22 there is some concensus that the rule ought to be improved
23 upon to give fair and reasonable notice to those operators
24 that are going to be affected.

25 In 80 percent of the cases the affected

operator is an offset operator, but there are exceptions.

IN cases where you have special pool rules the affected operator that has the greatest interest may not necessarily be the offset.

There are other examples. In change in vertical limits in pool rules, again, the greatest interest may not be the offset operator.

So what we chose is to -- to put on the ballot, is adversely affected operator, not because it was the best words we could think of, but it was the best we could at that time, to try to put it in a context where an applicant comes before the Division and has to demonstrate for you that what he has done is reasonable and to shift that burden away from the Division to fulfill the obligation and responsibility of the notice provision; then in turn deciding a case, they ought to also decide whether the applicant is being reasonable with regards to these notice provisions.

I'll be happy to answer any questions.

MR. RAMEY: I take it you don't have a solution, Mr. Kellahin? Or any recommendation?

MR. KELLAHIN: I don't think the question any more, at least in my personal opinion, and that doesn't represent the Committee, but in my personal opinion, I don't think the question is any longer if we change the rule; it's

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2 how it ought to be changed. And there are a number of very
3 bright lawyers here, as well as in the industry, that have
4 been on the mailing lists and perhaps they have some specific
5 suggestions.

6 But the best we could come up with in
7 the Committee was the third alternative, providing reasonable
8 notice to adversely affected operators. Again, that's a sub-
9 jective test, and you'll have to decide whether you want to
10 undertake at a hearing the responsibility, as you do now in
11 forced pooling cases, of deciding whether the applicant is
12 reasonable.

13 The fourth choice that we discussed and
14 didn't get around to drafting was specific criteria for
15 specific cases, and we found that that became very difficult.
16 There was always someone that could think of an exception
17 that made the rule unfair.

18 MR. RAMEY: It's hard to write a rule
19 to cover every situation, Mr. Kellahin.

20 MR. PEARCE: Mr. Ramey, if I may, I
21 would request, if Mr. Kellahin believes there is no objection
22 on the part of his committee, that the results of polling
23 and, as well, a copy of the questionnaire that was sent to
24 the operators, be submitted and made a part of the record of
25 this proceeding. I think in future discussions, whatever

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2 they may be, that information may be of assistance.

3 MR. KELLAHIN: I'd be happy to do that.
4 I have a tabulation of the ballot and a copy of the ballot.

5 MR. PEARCE: With the Commission's per-
6 mission, we will mark these as New Mexico Oil and Gas Asso-
7 ciation Exhibits One and Two.

8 MR. RAMEY: Okay, Exhibits One and Two
9 will be admitted.

10 Are there any questions of Mr. Kellahin?
11 If not, you may be excused, Mr. Kellahin. Thank you.

12 Are there any -- any statements at this
13 time in Case 7438? Mr. Bateman.

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15 STATEMENT BY MR. BATEMAN:

16 MR. BATEMAN: Mr. Ramey, on behalf of
17 Texaco, the principal concern we have with the proposal is
18 the possible substitution of a subjective standard upon
19 which the applicant would have to make a decision regarding
20 who might be adversely affected; would be an adversely af-
21 fected person or an adversely affected operator.

22 It seems to me that the subjective stand-
23 ard leaves the door open to the possibility of jurisdictional
24 challenges to the orders of the Commission after it's been
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2 heard and debated, because someone could then convince a
3 court somewhere, perhaps, that he was an adversely affected
4 person simply by the result and the wisdom of the Division
5 coming from its decision.

6 It seems to me a better approach would
7 be to have in the rule an objective standard by which per-
8 sons to whom notice is to be given are identified specifically
9 by the rule, as well as the manner of giving notice.

10 I would agree that what we all want to
11 achieve is a method by which fair notice is given to everybody,
12 and again, it's a difficult thing to put your finger on.

13 But our proposal, specifically, is that
14 the rule as proposed be changed to provide that notice be
15 given in writing to the operator or lessee of all properties
16 offsetting the lands included in the application. That, I
17 would concede, would not cover all possibilities. I do think
18 it would cover the great majority of possibilities by which
19 people who would be directly affected by the proposal would
20 be given notice in writing and of course there would be some
21 evidence available to the Division at the time of the
22 hearing of whether notice was given or not.

23 It seems to me that if a change is to
24 be made in the rule, you might consider making specific re-
25 quirements for notice to other persons beyond offsetting oper-

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2 ators and lessees and specific areas involving a change of
3 pool rules or vertical limits, and so forth, which I think
4 are the -- principally the cases in which you would be in-
5 volving people other than the directly offsetting owners or
6 operators.

7 So our proposal, again, is that you have
8 an objective standard stated in the rule and that the kind
9 of notice required be stated, as well.

10 Thank you.

11 MR. RAMEY: Thank you, Mr. Bateman.

12 Mr. Harper?

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14 STATEMENT BY MR. HARPER:

15 MR. HARPER: If the Commission please,
16 I guess Cities Service was one of the seven parties who
17 thought perhaps that the notice provision has worked well in
18 the past, and I guess I would say that we're particularly
19 opposed to the term "adversely affected operator", "adversely
20 affected person".

21 I think that if the notice provision
22 does need to be changed, we would suggest that perhaps, as
23 Mr. Stamets suggested, a committee be formed to try to bring
24 some kind of unanimity to what notice is required in order
25 to solve the problem.

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2 I would particularly state that the case
3 that Mr. Kellahin referred to in Oklahoma was a spacing case;
4 not that I'm suggesting that New Mexico does like Oklahoma,
5 but in Oklahoma we have very specific provisions for notice
6 in various types of cases.

7 Because of that case in Oklahoma, notice
8 in spacing cases only was altered, and I'd be glad, personally,
9 or anyone in my company, would be glad to work on that commit-
10 tee. Thank you.

11 MR. RAMEY: Thank you. Any other state-
12 ments? Mr. Mote?

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14 STATEMENT BY MR. MOTE:

15 MR. MOTE: First of all, would we be
16 permitted to file a written statement with regard to all these
17 cases so we won't have to do a bunch of reading here today?

18 MR. RAMEY: I think you can file any-
19 thing. We're going to continue this case until December 22nd,
20 and if that's -- that should be adequate time for you to file
21 anything you may want to file.

22 MR. MOTE: Okay. With regard to notice
23 provisions, I'd just like to make a comment.

24 We must be one of the seven, also, that
25 wanted to keep it just like it is, but I would like to state

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2 that if we go to the adversely affected operator, which is
3 preferable to person, that we certainly think that we ought
4 to have certain limitations as to distance, a half mile, con-
5 tiguous tracts; there should be some limitation on adversely
6 affected operators; otherwise the whole world has to be
7 noticed.

8 With that comment, I'll put the rest of
9 it in writing.

10 MR. RAMEY: Thank you, Mr. Mote.
11 Any other? Mr. Kalteyer?

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13 STATEMENT BY MR. KALTEYER:

14 MR. KALTEYER: Charles Kalteyer with
15 Gulf Oil.

16 We believe that due to the differences
17 in the priority of notices of the various types of hearings,
18 that the Commission should select an industry committee to
19 define the problem more specifically and make specific recom-
20 mendations for those various types of hearings.

21 If they do not see fit to make a commit-
22 tee selection study, we do have a recommendation modifying
23 the proposed, and that would be that the applicant for a
24 hearing in any case before the Division, or any of its Exa-
25 miners, shall at the time of filing an application notify in

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2 writing operators of adjacent or affected tracts or the primary
3 mineral interest owner of each unleased adjacent or affected
4 tract, of the general nature of the application, the date,
5 time, and place of hearing, not less than ten days prior to
6 the hearing.

7 MR. RAMEY: Thank you, Mr. Kalteyer.

8 Mr. Ingram?
9

10 STATEMENT BY MR. INGRAM:

11 MR. INGRAM: I'm Hugh Ingram with
12 Conoco.

13 In the absence of -- I first of all
14 want to congratulate Mr. Kellahin for chairing the committee
15 that made a study of this. It's really a lot more involved
16 than a lot of people might imagine that didn't have the
17 opportunity to attend some of those committee meetings.

18 And I guess my recommendation on behalf
19 of Conoco is that in the absence of a more generally accepted
20 or approved procedure, that no changes at all be made in
21 this rule at this time; that it be referred to a committee
22 for further study, and all the suggestions that I've heard
23 here this morning are good, except they don't all apply in
24 all cases, and once you establish any rule, and I can see the
25 possibility, at least, of an operator becoming so passive that

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2 he sits and waits for someone to tell him what they're going
3 to do and really doesn't look out for himself to the extent
4 that he might open up more liability than an operator might
5 in some cases be able to handle.

6 Now, in cases, for example, such as pool
7 rule changes, you don't have offset operators affected. You
8 have everyone who's operating in that pool is affected.

9 And so my suggestion is that you have
10 a committee for further study and that they come back to the
11 Director with a recommendation.

12 I know that it's been studied by a com-
13 mittee in the past, but I don't believe that a sufficient
14 answer has come forth yet that would warrant changing the
15 rule. Thank you.

16 MR. RAMEY: Thank you, Mr. Ingram.

17 Mr. Yates.

18
19 STATEMENT BY MR. YATES:

20 MR. YATES: Generally, we have come to
21 the same conclusion that there is a problem that needs to
22 be addressed. We feel that to go on, go on forever with this
23 existing setup is not going to work out; however, we're not
24 in favor of accepting either of the two alternatives proposed
25 today, in particular the words affected person. I think

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2 that's totally unworkable.

3 We would recommend that a committee be
4 formed or continued to study the problem and, hopefully, with
5 time can come up with a workable solution.

6 MR. RAMEY: Mr. Morgan?

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8 STATEMENT BY MR. MORGAN:

9 MR. MORGAN: Dennis Morgan. I represent
10 Southern Union Exporation.

11 We also urge that a committee be esta-
12 blished to study the problem. We don't necessarily support
13 the proposal that's been made today. We're afraid that it
14 might not go far enough in all circumstances, but in others.

15 We also echo the sentiment that, as
16 already brought up, there might be an operator who does have
17 a cavalier attitude toward the -- toward the proposal, and
18 therefor seeks to do not enough.

19 One idea that we had had was that cer-
20 tain objective standards be set up and then there will also
21 be added on top of that a subjective standard, which would
22 include adversely affected persons, therefor picking up those
23 unusual situations that can't be anticipated at this time.

24 MR. RAMEY: Thank you, Mr. Morgan.

25 Any other statements at this time?

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2 The Commission will continue Case 7438
3 and I think perhaps we'll have an industry committee, perhaps
4 through the Oil and Gas Association, to study further this
5 matter.

6 If no one has anything further in Case
7 7438, I guess it will be continued indefinitely, and with
8 that, the hearing is adjourned.
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10 (Hearing concluded.)
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10 (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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STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

TONEY ANAYA
GOVERNOR

January 7, 1985

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Mr. Thomas Kellahin
Kellahin & Kellahin
Attorneys at Law
Post Office Box 2265
Santa Fe, New Mexico

Re: CASE NO. 7438
ORDER NO. R-7759

Applicant:

Oil Conservation Commission

Dear Sir:

Enclosed herewith are two copies of the above-referenced
Commission order recently entered in the subject case.

Yours very truly,


JOE D. RAMEY
Director

JDR/fd

Copy of order also sent to:

Hobbs OCD X
Artesia OCD X
Aztec OCD X

Other Clyde Mote, Kenneth Bateman, R. C. Hocker, Gulf Oil
Corporation, Hugh Ingram, Dennis Morgan, Payton Yates

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION COMMISSION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING
AMENDMENT OF RULE NO. 1204

CASE No. 7438
Order No. R-7759

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 A. M. on December 8, 1984, and December 12, 1984, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission".

NOW, on this 4th of January, 1985, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, and being fully advised in the premises,

FINDS THAT:

An excessive amount of time having passed since this matter having been heard initially, this case should be dismissed.

IT IS THEREFORE ORDERED THAT:

Case No. 7438 is hereby dismissed.

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Case No. 7438
Order No. R-7759

DONE at Santa Fe, New Mexico, on the day and year
hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JIM BACA, Member


ED KELLEY, Member


R. L. STAMETS, Chairman and
Secretary

SEAL

CASE 7438

Proposed amendment of Division Rule 1204, Method of Giving Legal Notice.

Rule 1204

"The applicant for a hearing in any case before the Division or any of its examiners shall at the time of filing an application make a reasonable effort to notify any adversely affected person of the general nature of the application, the date, time and place of hearing not less than 10 days prior to the hearing.

In addition to the above notice, the Division shall cause to be published a notice as required by Rule 1205 once in a newspaper of general circulation published at Santa Fe, New Mexico, and once in a newspaper of general circulation published in the county or each of the counties, if there be more than one, in which any land, oil or gas or other property which may be affected shall be situated."

Rule 1204 Alternative

Same as proposal No. 1 except delete "adversely affected person" and substitute with "adversely affected operator."

OIL CONSERVATION DIV.
SANTA FE, N.M.
BEFORE THE
OCD
CASE 7438
DIVISION NO. 1

Page 2

COMMISSION HEARING - TUESDAY - DECEMBER 22, 1981

CASE 7437: The Commission will consider the amendment of Division Rule 105 to prescribe certain requirements governing the disposition of drill cuttings and drilling fluids.

CASE 7438: The Commission will consider the amendment of Division Rule 1204 to require applicants for hearings to make a reasonable effort to provide notice of hearings to adversely affected persons or, in the alternative, to adversely affected operators.

Docket No. 42-81

DOCKET: EXAMINER HEARING - MONDAY - DECEMBER 28, 1981

9 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following case will be heard before Daniel S. Nutter, Examiner, or Richard L. Stamets, Alternate Examiner:

CASE 7450: Application of Kenai Oil and Gas Inc. for a unit agreement, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Ojito Unit Area, comprising 6425 acres, more or less, of Federal and fee lands in Townships 24 and 25 North, Ranges 1 and 2 West.

Dockets Nos. 1-82 and 2-82 are tentatively set for January 6 and January 20, 1982. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: COMMISSION HEARING - TUESDAY - DECEMBER 22, 1981

OIL CONSERVATION COMMISSION - 9 A.M.
ROOM 205, STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO

CASE 7390: (Continued and Readvertised)

Application of Harvey E. Yates Company for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests down through the Ordovician formation underlying the W/2 of Section 18, Township 9 South, Range 27 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

(The following cases have been continued from December 3, 1981 Commission Hearing)

In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider the following cases. Copies of all rule changes and forms as presently proposed are available for inspection during normal business hours at the main office of the Oil Conservation Division, State Land Office Building, Santa Fe, and at the Division's District Offices in Artesia, Aztec, and Hobbs.

CASE 7433: In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider the designation of two crude petroleum oil producing areas and the amendment of the Oil Conservation Division's Rules and Regulations governing the acquisition, movement, and disposition of crude oil and condensate, sediment oil, tank bottoms and other miscellaneous hydrocarbons as well as produced waters. Pursuant to Section 30-16-48, NMSA 1978 Comp. the Commission would designate Chaves, De Baca, Eddy, Lea, and Roosevelt Counties, and Cibola, McKinley, Rio Arriba, Sandoval, San Juan, and Valencia Counties as Crude Petroleum Oil Producing Areas. Further, in order to facilitate oil theft investigation and provide an improved audit trail for the movement of liquid hydrocarbons, the Commission will consider certain amendments to the Division's Rules relating to the acquisition, movement, and disposition of crude oil and condensate, sediment oil, tank bottoms and other miscellaneous hydrocarbons as well as produced waters. Specifically, the Commission will consider the amendment of Division Rules 310, 311, 312, 1110, 1117, and 1119, and the adoption of new Rules 709, 710, 804, and 1133. Also to be considered will be the revision of existing Forms C-117-A and C-117-B governing the acquisition, movement and disposition of tank bottoms, sediment oil, waste oil and other miscellaneous hydrocarbons, and the adoption of a new Form C-133, Authorization To Move Produced Water.

CASE 7434: The Commission will consider the amendment of Division Rule 112-A to permit the Division's District Supervisors to approve the multiple completion of wells under certain specified conditions and to delete the requirement for notice to offset operators. Form C-107, Application For Multiple Completion, would also be revised. Also to be considered will be the amendment of Rule 303-C to permit the Division Director to approve the downhole commingling, under certain specified conditions, of two or more oil zones, or gas zones, or oil zones and gas zones in the wellbore of a single well.

CASE 7435: The Commission will consider the amendment of Rule 104 of the Oil Conservation Division Rules and Regulations. Specifically, the Commission will consider the amendment of Rule 104 to permit the Division Director to approve unorthodox gas well locations for geological reasons under certain specified conditions in Lea, Chaves, Eddy, and Roosevelt Counties, and the amendment of Rule 104 B Section III to require the dedication of 160 acres to wells projected as gas wells in presumed or known gas producing formations and areas outside Lea, Chaves, Eddy, Roosevelt, San Juan, Rio Arriba, and Sandoval Counties.

CASE 7436: The Commission will consider the adoption of a Rule Number for the Definitions Section of the Division's Rules.

Dockets Nos. 1-85 and 2-85 are tentatively set for January 3 and January 17, 1985. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: COMMISSION HEARING - WEDNESDAY - DECEMBER 12, 1984

OIL CONSERVATION COMMISSION - 9 A.M. - ROOM 205 - STATE LAND
OFFICE BUILDING, SANTA FE, NEW MEXICO

CASE 7438: (Continued and Readvertised)

The Commission will consider the amendment of Division Rule No. 1204 to require applicants for hearings to make a reasonable effort to provide notice of hearings to adversely affected persons or, in the alternative, to adversely affected operators. This case will be dismissed.

CASE 8226: (Continued and Readvertised) (This case will be dismissed)

Application of Doyle Hartman for HARDSHIP GAS WELL CLASSIFICATION, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks a determination that its South Empire State Com Well No. 1 located in Unit M of Section 24, Township 17 South, Range 28 East, South Empire-Morrow Gas Pool, is a hardship gas well which should be granted priority access to pipeline takes in order to avoid waste.

CASE 8400: (Continued from November 7, 1984, Commission Hearing)

Application of Jack J. Grynberg for amendment of Division Order R-6873, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Division Order R-6873 to 1) declare the applicant to be the operator of said Order's subject well and unit; 2) allow for the drilling of a second PrePermian well on the established 320-acre proration unit and 3) the establishment of a risk factor and overhead charges for the new well.

CASE 8373: (De Novo)

Application of Harvey E. Yates Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the N/2 of Section 11, Township 18 South, Range 31 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Upon application of Harvey E. Yates Company, this case will be heard De Novo pursuant to the provisions of Division Rule 1220.

CASE 8139: (De Novo)

Application of BBC, Inc. for salt water disposal, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Delaware formation in the open-hole interval from 2,800 feet to 3,750 feet in its SWD Well No. 1 located 660 feet from the South line and 1980 feet from the East line of Section 18, Township 20 South, Range 28 East. Upon request of Robert N. Enfield and Penroc Oil Corporation, this case will be heard De Novo pursuant to the provisions of Rule 1220.

CASE 8359: (Continued from October 31, 1984, Examiner Hearing)

Application of Doyle Hartman for the reinstatement of cancelled underproduction, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order to reinstate the cancelled underproduction assigned to the existing 320-acre non-standard gas proration unit comprised of the S/2 of Section 17, Township 24 South, Range 37 East, Jalmat Gas Pool, and dedicated to its Late Thomas Wells Nos. 1, 2, and 3 located in Units M, L, and J, respectively, of said Section 17.

CASE 8360: (Continued from October 31, 1984, Examiner Hearing)

Application of Doyle Hartman for reinstatement of cancelled underproduction, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order to reinstate the cancelled underproduction assigned to the existing 80-acre non-standard gas proration unit comprised of the E/2 SW/4 of Section 36, Township 23 South, Range 36 East, Jalmat Gas Pool, and dedicated to its Maralo State Well No. 1 located in the SE/4 SW/4 of said Section 36.

CASE 8361: (Continued from October 31, 1984, Examiner Hearing)

Application of Doyle Hartman for the reinstatement of cancelled underproduction, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order to reinstate the cancelled underproduction assigned to the existing 80-acre non-standard gas proration unit comprised of the SE/4 NW/4 and SW/4 NE/4 of Section 36, Township 24 South, Range 36 East, Jalmat Gas Pool, and dedicated to its Custer State Well No. 1 located in the SW/4 NE/4 of Section 36.

CASE 8425: Application of Doyle Hartman for reinstatement of cancelled underproduction, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order to reinstate the cancelled underproduction assigned to the existing 160-acre non-standard gas proration unit comprised of the SE/4 of Section 13, Township 23 South, Range 36 East, Jalmat Gas Pool, and dedicated to its Shell State Wells Nos. 2 and 5 located in Units P and J, respectively, of said Section 13.CASE 8182: (Continued from November 7, 1984, Commission Hearing)

(De Novo)

Application of Mesa Petroleum Co. for NGPA determination, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks a determination that production from its State Com A1 Well No. 34 located in the NW/4 NW/4 of Section 31, Township 32 North, Range 12 West, is above normal NGPA stripper well levels as a result of the recognized enhanced recovery techniques as defined by 18 CFR 271.803 (a).

Upon application of Mesa Petroleum Co., this case will be heard De Novo pursuant to the provisions of Division Rule 1220.

CASE 8183: (Continued from November 7, 1984, Commission Hearing)

(De Novo)

Application of Mesa Petroleum Co. for NGPA determination, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks a determination that production from its State Com A1 Well No. 33 located in the NW/4 NW/4 of Section 32, Township 27 North, Range 9 West, is above normal NGPA stripper well levels as a result of the recognized enhanced recovery techniques as defined by 18 CFR 271.803 (a).

Upon application of Mesa Petroleum Co., this case will be heard De Novo pursuant to the provisions of Division Rule 1220.

CASE 8331: (De Novo)

Application of Amoco Production Company for an extension of the Gavilan-Mancos Oil Pool, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks the extension of the Gavilan-Mancos Oil Pool to include Sections 10, 11, 12, 13, 14, 23 and 24 in Township 24 North, Range 2 West. Upon application of Amoco Production Company, this case will be heard De Novo pursuant to the provisions of Division Rule 1220.

DOCKET: COMMISSION HEARING - THURSDAY - DECEMBER 3, 1981

9 A.M. - OIL CONSERVATION COMMISSION - MORGAN HALL
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider the following cases. Copies of all rule changes and forms as presently proposed are available for inspection during normal business hours at the main office of the Oil Conservation Division, State Land Office Building, Santa Fe, and at the Division's District Offices in Artesia, Aztec, and Hobbs.

- CASE 7433: In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider the designation of two crude petroleum oil producing areas and the amendment of the Oil Conservation Division's Rules and Regulations governing the acquisition, movement, and disposition of crude oil and condensate, sediment oil, tank bottoms and other miscellaneous hydrocarbons as well as produced waters. Pursuant to Section 30-16-48, NMSA 1978 Comp. the Commission would designate Chaves, De Baca, Eddy, Lea, and Roosevelt Counties, and Cibola, McKinley, Rio Arriba, Sandoval, San Juan, and Valencia Counties as Crude Petroleum Oil Producing Areas. Further, in order to facilitate oil theft investigation and provide an improved audit trail for the movement of liquid hydrocarbons, the Commission will consider certain amendments to the Division's Rules relating to the acquisition, movement, and disposition of crude oil and condensate, sediment oil, tank bottoms and other miscellaneous hydrocarbons as well as produced waters. Specifically, the Commission will consider the amendment of Division Rules 310, 311, 312, 1110, 1117, and 1118, and the adoption of new Rules 709, 710, 804, and 1133. Also to be considered will be the revision of existing Forms C-117-A and C-117-B governing the acquisition, movement, and disposition of tank bottoms, sediment oil, waste oil and other miscellaneous hydrocarbons, and the adoption of a new Form C-133, Authorization To Move Produced Water.
- CASE 7434: The Commission will consider the amendment of Division Rule 112-A to permit the Division's District Supervisors to approve the multiple completion of wells under certain specified conditions and to delete the requirement for notice to offset operators. Form C-107, Application For Multiple Completion, would also be revised. Also to be considered will be the amendment of Rule 303-C to permit the Division Director to approve the downhole commingling, under certain specified conditions, of two or more oil zones, or gas zones, or oil zones and gas zones in the wellbore of a single well.
- CASE 7435: The Commission will consider the amendment of Rule 104 of the Oil Conservation Division Rules and Regulations. Specifically, the Commission will consider the amendment of Rule 104 F to permit the Division Director to approve unorthodox gas well locations for geological reasons under certain specified conditions in Lea, Chaves, Eddy, and Roosevelt Counties, and the amendment of Rule 104 B Section III to require the dedication of 160 acres to wells projected as gas wells in presumed or known gas producing formations and areas outside Lea, Chaves, Eddy, Roosevelt, San Juan, Rio Arriba, and Sandoval Counties.
- CASE 7436: The Commission will consider the adoption of a Rule Number for the Definitions Section of the Division's Rules.
- CASE 7437: The Commission will consider the amendment of Division Rule 105 to prescribe certain requirements governing the disposition of drill cuttings and drilling fluids.
- CASE 7438: The Commission will consider the amendment of Division Rule 1204 to require applicants for hearings to make a reasonable effort to provide notice of hearings to adversely affected persons or, in the alternative, to adversely affected operators.

DOCKET NO. 38-81 FOR THE EXAMINER HEARING TO BE HELD ON DECEMBER 2, 1981, WILL BE MAILED UNDER SEPARATE COVER.

(1)

Hearing

In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider the following cases. ~~etc~~ Copies of all rule changes and forms as presently proposed are available for inspection during normal business hours at the main office of the Oil Conservation Division, Green Land Office Building, Santa Fe, and at the Division's District Offices in Cortes, Aztec, and Hobbs.

"All" means Lea, Chavez, Lovell, Eddy, San Juan, Sandoval, Rio Arriba, McKinley, Union, and Quay

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Case 2438

The Commission will consider the amendment of Division Rule 1204 to require applicants for hearings to ^{make a reasonable effort to provide} ~~provide prompt service of notice~~ of hearings to adversely affected persons or, in the alternative, to adversely affected operators.

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STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION COMMISSION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING

AMENDMENT OF
RULE No 1204

CASE No. *7438*
Order No. R-*7759*

Re
APPEALATION OF

ORDER OF THE COMMISSION

BY THE COMMISSION:

and This cause came on for hearing at 9 A. M. on *December 3, 1981*
December, 12 1984, at Santa Fe, New Mexico, before the
Oil Conservation Commission of New Mexico, hereinafter
referred to as the "Commission".

NOW, on this _____ day of _____, 1984, the
Commission, a quorum being present, having considered the
testimony presented and the exhibits received at said
hearing, and being fully advised in the premises,

FINDS THAT:

An excessive amount of time having passed since this
The applicant's request for dismissal should be
granted. Matter having been heard initially, this case should
be dismissed

IT IS THEREFORE ORDERED THAT:

Case No. *7438* is hereby dismissed.

DONE at Santa Fe, New Mexico, on the day and year
hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JIM BACA, Member

ED KELLEY, Member

R. L. STAMETS, Chairman and
Secretary

S E A L

ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION COMMISSION

M.S. (1/10/85)
JPP 1/10/85
J 1/10

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING
AMENDMENT OF RULE NO. 1204

CASE No. 7438
Order No. R-7759

NUNC PRO TUNC ORDER
ORDER OF THE COMMISSION

BY THE COMMISSION:

It appearing to the Commission that Order No. R-7759, dated January 4, 1985, does not correctly state the intended order of the Commission in accordance with the record of Case No. 7438, due to inadvertence,

IT IS THEREFORE ORDERED:

(1) That the first introductory paragraph on page 1 of Order No. R-7759, dated January 4, 1985, be and the same is hereby amended to read in its entirety as follows:

"This cause came on for hearing at 9 A. M. on December 3, 1981, and December 12, 1984, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission"."

(2) That the corrections set forth in this order be entered nunc pro tunc as of ~~March 12, 1985~~ January 4, 1985.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JIM BACA, Member

[Signature]

ED KELLEY, Member

[Signature]

R. L. STAMETS, Chairman and
Secretary

