

CASE 5943: OCC CONSIDER ADOPTION OF  
RULE 407, RULE 1130, FORM C-130, NOTICE  
OF DISCONNECTION

Case Number  
5943

Application  
Transcripts.

Small Exhibits

ETC.

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
COMMISSION OF NEW MEXICO ON ITS  
OWN MOTION TO CONSIDER ADOPTION  
OF RULES 407 AND 1130, AND FORM C-130.

CASE NO. 5943  
Order No. R-5515

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on June 8, 1977,  
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 23rd day of August, 1977, the Commission,  
a quorum being present, having considered the testimony, the  
record, and the recommendations of the Examiner, and being fully  
advised in the premises,

FINDS:

(1) That due public notice having been given as required  
by law, the Commission has jurisdiction of this cause and the  
subject matter thereof.

(2) That the 33rd Legislature of the State of New Mexico  
passed the Natural Gas Pricing Act (being Laws 1977, Chapter 73),  
Section 9 of which states that "except for wells plugged and  
abandoned pursuant to rules and regulations of the oil conserva-  
tion commission, no producer who is subject to the maximum allow-  
able base price limitations shall abandon all or any portion of  
its facilities for production and sale of natural gas for consump-  
tion in New Mexico without first obtaining the permission and  
approval of the commission."

(3) That said Act was signed into law and became effective  
on March 18, 1977.

(4) That the term "commission" as the last word in Finding  
(2) above refers to the Public Service Commission.

(5) That the Public Service Commission intends to adopt  
regulations defining "abandonment of facilities," which definition  
should include the disconnection of gas wells from intrastate  
gas transportation facilities if the well was drilled prior to  
January 1, 1975, and should exclude wells plugged and abandoned  
pursuant to the rules and regulations of the Oil Conservation  
Commission.

(6) That in order to monitor abandonment of facilities and to provide notice to operators that they may need to seek Public Service Commission approval before abandonment, rules and a form should be adopted providing for the reporting by operators of all gas wells which are disconnected from intrastate gas transportation facilities.

(7) That such rules and form are within the Commission's authority to collect data, to make investigations and inspections, and to examine, check and test all means and modes of transportation and equipment.

(8) That proposed Rule 407 DISCONNECTION OF GAS WELLS states:

"All gas wells which are disconnected from intrastate gas transportation facilities shall be reported to the Commission by the operator of the well or wells within 30 days of the date of disconnection. Such notice must be filed on Form C-130 in compliance with Rule 1130."

(9) That proposed Rule 1130 NOTICE OF DISCONNECTION (Form C-130) States:

"(1) Form C-130, Notice of Disconnection, shall be filed in triplicate with the Commission by the operator of the well as provided in Rule 407.

(2) The operator shall state, to the best of his knowledge, the reasons for disconnecting any gas well from gas transportation facilities.

(3) The Commission shall furnish the New Mexico Public Service Commission with any Form C-130 indicating that a disconnected gas well may or will be reconnected to a gas transportation facility for ultimate distribution to consumers outside of the State of New Mexico."

(10) That the proposed Notice of Disconnection (Form C-130) is in the form and style prescribed by Exhibit A attached to this Order and by this reference made a part hereof.

(11) That in the public interest, the Commission should adopt proposed Rules 407 and 1130, and proposed Form C-130.

IT IS THEREFORE ORDERED:

(1) That Rule 407 of the Commission Rules and Regulations is hereby adopted and reads in its entirety as follows:

"RULE 407. DISCONNECTION OF GAS WELLS

"All gas wells which are disconnected from intrastate gas transportation facilities shall be reported to the

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Case No. 5943  
Order No. R-5515

Commission by the operator of the well or wells within 30 days of the date of disconnection. Such notice must be filed on Form C-130 in compliance with Rule 1130."

(2) That Rule 1130 of the Commission Rules and Regulations is hereby adopted and reads in its entirety as follows:

"RULE 1130. NOTICE OF DISCONNECTION (Form C-130)

"(1) Form C-130, Notice of Disconnection, shall be filed in triplicate with the Commission by the operator of the well as provided in Rule 407.

"(2) The operator shall state, to the best of his knowledge, the reasons for disconnecting any gas well from gas transportation facilities.

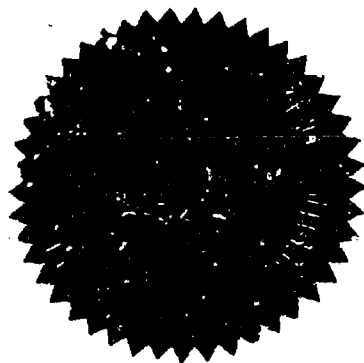
"(3) The Commission shall furnish the New Mexico Public Service Commission with any Form C-130 indicating that a disconnected gas well may or will be reconnected to a gas transportation facility for ultimate distribution to consumers outside of the State of New Mexico."

(3) That Form C-130 is hereby adopted in the form and style prescribed by Exhibit A attached to this order and by this reference made a part hereof.

(4) That jurisdiction of this cause is retained for the entry of such further order of the Commission.

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

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION



S E A L

PHIL R. LUCERO, Chairman

*Emery C. Arnold*  
EMERY C. ARNOLD, Member

*Joe D. Ramey*  
JOE D. RAMEY, Member & Secretary

jr/

Dockets Nos. 21-77 and 22-77 are tentatively set for hearing on June 22 and July 6, 1977. Applications for hearing must be filed at least 22 days in advance of hearing date.

## DOCKET: EXAMINER HEARING - WEDNESDAY - JUNE 8, 1977

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

The following cases will be heard before Daniel S. Mutter, Examiner, or Richard L. Stanets, Alternate Examiner:

CASE 5942: In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider the amendment of Rule 1115 of the Commission Rules and Regulations to provide for the reporting of salt water disposal, secondary recovery, and other injection well volumes and pressures on Commission Form C-115, Operator's Monthly Report. Further to be considered will be the amendment of Form C-115 and the deletion of Rule 1120.

(Please see two potential configurations of Form C-115 enclosed)

CASE 5943: In the matter of the hearing called by the Oil Conservation Commission on its own motion to consider adoption of the following:

1. Rule 407, requiring notice to the Commission by the operator of the disconnection of any gas wells from intrastate transportation facilities.
2. Rule 1130, setting forth the requirements of the notice of disconnection.
3. Form C-130, NOTICE OF DISCONNECTION, requiring notice of the reason(s) for disconnection.

CASE 5920: (Continued from May 11, 1977 Examiner Hearing)

Application of New Mexico Salt Water Disposal Co., Inc. for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Devonian formation through the perforated interval from approximately 13,000 feet to 13,500 feet in its Sinclair State Lea Well No. 1, located in Unit M of Section 1, Township 11 South, Range 34 East, Sand Springs-Devonian Pool, Lea County, New Mexico.

CASE 5944: Application of Read & Stevens, Inc., for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Hisson- State Com Well No. 1 located in Unit M of Section 23, Township 21 South, Range 27 East, Burton Flats-Morrow Gas Pool, Eddy County, New Mexico, the S/2 of said Section 23 to be dedicated to the well.

CASE 5945: Application of El Paso Natural Gas Company for downhole commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of South Blanco-Pictured Cliffs and Blanco Mesaverde production in the wellbore of its Blanco Well No. 15 located in Unit K of Section 36, Township 28 North, Range 8 West, San Juan County, New Mexico.

CASE 5946: Application of Amoco Production Company for a dual completion and a non-standard proration unit, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion of its Swearingen "C" Well No. 1 located in Unit M of Section 18, Township 5 South, Range 33 East, Roosevelt County, New Mexico, to produce gas from the Pennsylvanian and oil from the Fusselman formations. Applicant also seeks approval for a 160-acre non-standard Pennsylvanian gas proration unit comprising the SW/4 of said Section 18.

CASE 5947: Application of Texaco Inc., for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for its Central Vacuum Unit Area comprising 3046 acres, more or less, of State and fee lands in Sections 25, 30, 31 and 36, Township 17 South, Range 35 East, and Sections 5, 7, and 12, Township 18 South, Range 35 East, Lea County, New Mexico.

CASE 5948: Application of Texaco Inc., for a waterflood project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project on its Central Vacuum Unit Area by the injection of water into the Grayburg-San Andres formation through 54 wells, Vacuum Pool, Lea County, New Mexico.

CASE 5949: Application of Mesa Petroleum Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying Section 34, Township 24 South, Range 26 East, Eddy County, New Mexico, 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. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

locked on Case

(Rule 407 + 1130)

PAUL BIDERMAN - AG'S OFFICE  
CONSUMER PROTECTION

TONY MARTINEZ -

David Cohen - Public Service Commission

Joan Ellis - Energy Resources Board

BEFORE THE  
NEW MEXICO OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
8 June 1977

EXAMINER HEARING

IN THE MATTER OF:

The hearing called by the Oil Conservation Commission on its own motion to consider adoption of the following: 1. Rule 407, requiring notice to the Commission by the operator of the disconnection of any gas wells from intrastate transportation facilities. 2. Rule 1130, setting forth the requirements of the notice of disconnection. 3. Form C-130, NOTICE OF DISCONNECTION, requiring notice of the reason(s) for disconnection.

CASE  
5943

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the New Mexico Oil  
Conservation Commission:

Lynn Teschendorf, Esq.  
Legal Counsel for the Commission  
State Land Office Building  
Santa Fe, New Mexico

sid morrish reporting service

General Court Reporting Service  
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501  
Phone (505) 982-9212



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RICHARD L. STAMETS

Direct Examination by Ms. Teschendorf	3
Cross Examination by Mr. Nutter	10

E X H I B I T S

Admitted

Commission Exhibit One, Section of Act	10
Commission Exhibit Two, Rule 407	10
Commission Exhibit Three, Rule 1130	10

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1 MR. NUTTER: We'll call Case 5943, which is in the  
 2 matter of the hearing called by the Oil Conservation Com-  
 3 mission on its own motion to consider adoption of the follow-  
 4 ing: Rule 407, requiring notice to the Commission by the  
 5 operator of the disconnection of any gas wells from intra-  
 6 state transportation facilities.

7 Section Two, Rule 1130, setting forth the re-  
 8 quirements of the notice of disconnection;

9 And Three, Form C-130, Notice of Disconnection,  
 10 requiring notice of the reasons for disconnection.

11 We'll call for appearances in this case.

12 MS. TESCHENDORF: Lynn Teschendorf, appearing on  
 13 behalf of the Commission, and I have one witness.

14 And may the record show that he has previously  
 15 been sworn?

16 MR. NUTTER: Any other appearances?

17 The record will show Mr. Stamets is under oath.  
 18 Would you proceed, please.

19  
 20 RICHARD L. STAMETS

21 called as a witness, having been first duly sworn, was  
 22 examined and testified as follows:

23  
 24 DIRECT EXAMINATION

25 BY MS. TESCHENDORF:

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1 Q Mr. Stamets, are you familiar with Case Number  
2 5943?

3 A Yes, I am.

4 Q And what is the purpose of this case?

5 A Case 5943 is for the adoption of a new Rule 407  
6 requiring notice to the Commission by the operator of the  
7 disconnection of any gas wells from intrastate transportation  
8 facilities. A new Rule 1130, setting forth requirements of  
9 this notice, and a new Form C-130, Notice of Disconnection,  
10 requiring notice of the reasons for disconnection.

11 Q The 1977 Legislature passed a bill called the  
12 Natural Gas Pricing Act. Exhibit One is Section Nine of that  
13 Act. Would you please read and explain that section?

14 A Yes. Section Nine is entitled Abandonment of  
15 Facilities, and it says: "Except for wells plugged and aban-  
16 doned pursuant to rules and regulations of the Oil Conserva-  
17 tion Commission, no producer, who is subject to the maximum  
18 allowable base price limitations, shall abandon all or any  
19 portion of its facilities for production and sale of natural  
20 gas for consumption in New Mexico without first obtaining  
21 the permission and approval of the Commission." Now, this  
22 second Commission is the Public Service Commission. "Such  
23 approval information shall be given only after reasonable  
24 notice and hearing and a finding by the Commission," again,  
25 Public Service Commission, "that the available supply of

1 natural gas is depleted to the extent that continuance of  
2 production is unwarranted or the present or future public  
3 convenience or necessity permits such abandonment."

4 A And the Public Service Commission plans to propose  
5 regulations for defining abandonment of facilities, does it  
6 not?

7 A Yes, it does.

8 Q To the best of your knowledge, what will this  
9 definition encompass?

10 A Well, to the best of my knowledge at this time it  
11 will encompass reconnection in P & A wells.

12 Q Okay. What about the wells plugged and abandoned  
13 pursuant to --

14 A Okay, sorry about that. Now, let me start over  
15 again. The definition will cover the disconnection of gas  
16 wells drilled prior to 1/1/75 from intrastate pipelines. It  
17 will exclude wells, P & A, pursuant to the rules and regu-  
18 lations of the Oil Commission, provided that these wells are  
19 not P & A'd solely for the purpose of avoiding the application  
20 of the Natural Gas Pricing Act.

21 Q Would you please refer to what has been marked as  
22 Exhibit Two and explain that?

23 A Yes. Exhibit Number Two is our proposed Rule 407,  
24 entitled Disconnection of Gas Wells, and this rule states:  
25 "All gas wells which are disconnected from intrastate gas

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1 transportation facilities shall be reported to the Commission  
2 by the operator of the well or wells within thirty days of  
3 the date of disconnection. Such notice shall be filed on  
4 Form C-130 in compliance with Rule 1130."

5 A Do you propose any amendments to our proposal and  
6 if so, why do you propose them?

7 Q Well, there's a couple of possibilities. One,  
8 would be to apply this rule only to wells drilled prior to  
9 1/1/75, because this is the only wells that the Public Ser-  
10 vice Commission would be concerned with.

11 The other possible amendment would be to make  
12 this particular rule applicable to all gas wells. At the  
13 present time we have no rule which requires the operator or  
14 anyone else, to notify us of a disconnection of a gas well.  
15 And our well files may reflect that a well is connected to  
16 a gas transportation facility but there have been no operations  
17 out there for a couple of years. Unless we physically go to  
18 the location, we can't tell if there has been a disconnection.

19 So there would be some benefit to the Commission  
20 from this Notice of Disconnection on all wells. Also, we  
21 use Notices of Disconnection in our gas proration department  
22 to cancel allowables on prorated wells, and at the present  
23 time prorated wells do constitute the majority of wells in  
24 the State.

25 So, I think we need to do one of the two things,

1 either further restrict the rule to 1/1/75 before, or make it  
2 applicable to all gas wells.

3 A Will you please refer to what has been marked as  
4 Exhibit Three and explain that?

5 A Exhibit Number Three is proposed Rule 1130, Notice  
6 of Disconnection, and this is a three-paragraph rule. Para-  
7 graph One says: "Form C-130, Notice of Disconnection, shall  
8 be filed with the Commission by the operator of the well as  
9 provided in Rule 407."

10 "Two, the operator shall state, to the best of  
11 his knowledge, the reasons for disconnection of any gas well  
12 from gas transportation facilities."

13 "Three, the Commission shall furnish the New Mexico  
14 Public Service Commission with any Form C-130 indicating that  
15 a disconnected gas well may or will be reconnected to a gas  
16 transportation facility for ultimate distribution to con-  
17 sumers outside the State of New Mexico."

18 Now, of course, if the Rule 407 were expanded to  
19 include all gas wells, Paragraph Three should have a state-  
20 ment included in it to indicate that this would be applicable  
21 only to intrastate connections.

22 Q Will this notice be filed with the appropriate  
23 Commission District Office?

24 A Yes, Form C-130 would be filed with our District  
25 Offices.

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1 Q And as they are written now, Rules 407 and 1130  
2 read in conjunction with each other, apply only to the dis-  
3 connection of gas wells from intrastate transportation faci-  
4 lities, is that right?

5 A That is correct.

6 Q Will these rules satisfy the definition of aban-  
7 donment of facilities that you believe the Public Service  
8 Commission intends to adopt?

9 A Yes.

10 Q Would you now refer to Exhibit Four and explain  
11 that?

12 A Exhibit Number Four is a proposed Form C-130,  
13 Notice of Disconnection, and it provides space for the oper-  
14 ator's name and address, lease name, well number, pool name,  
15 the well location, name of the transporter prior to discon-  
16 nection, date of disconnection, and then a check box for  
17 various reasons for disconnection, plugged and abandoned,  
18 temporary abandonment, reconnection to intrastate, reconnection  
19 to interstate, other, and then it does state opposite recon-  
20 nection to interstate pipeline, "Notice. Under the terms in  
21 the Natural Gas Pricing Act laws of 1977, Chapter 73, no  
22 producer shall abandon any portion of its facilities for  
23 production and sale of natural gas for consumption in New  
24 Mexico without first obtaining the permission and approval of  
25 the New Mexico Public Service Commission."

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1 Q Why is the Oil Commission proposing to adopt these  
2 rules and form rather than the Public Service Commission?

3 A Well, primarily as a matter of convenience to  
4 operators. We have been the point that operators have been  
5 filing similar type forms for many, many years. They file  
6 with us when they get a transportation connection, and it  
7 seemed it would be a more logical place than the Public Ser-  
8 vice Commission.

9 Q In your opinion, will these rules and forms faci-  
10 litate the monitoring of abandonment of intrastate pipelines  
11 as required by the Natural Gas Pricing Act?

12 A Yes, they will.

13 Q Will they give adequate notice to operators that  
14 they may need Public Service Commission approval before re-  
15 connecting to interstate pipelines?

16 A They should.

17 Q Do you recommend that the Commission adopt these  
18 proposed rules this morning?

19 A I do.

20 MS. TESCHENDORF: I might add this morning that  
21 I've got copies of these things, if anybody wants them.

22 Q Were Exhibits One through Four prepared by you or  
23 under your supervision?

24 A They were.

25 MS. TESCHENDORF: I offer Exhibits One through Four.



1 MR. NUTTER: Exhibits One through Four will be ad-  
2 mitted in evidence.

3 Are there any questions of Mr. Stamets?  
4

5 CROSS EXAMINATION

6 BY MR. NUTTER:

7 Q Mr. Stamets, you've mentioned the possibility of  
8 expanding the application of this Rule 407 to interstate  
9 pipeline disconnections. There is a possibility that the  
10 thing is limited in scope of the consideration by the adver-  
11 tisement of the case.

12 A It definitely would be. I would assume that if  
13 we expanded this, that we might have to re-advertise this  
14 case.

15 Q Now, Rule 407 would be a brand new rule; there  
16 is no such rule now.

17 A That's correct.

18 Q And Form 130 would also be a brand new form; there  
19 is no such form?

20 A That's correct.

21 Q And, likewise, there is no Rule 1130?

22 A That's right.

23 Q So this is all new material.

24 Are there any further questions of Mr. Stamets?

25 MR. NUTTER: He may be excused. Does anyone have

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1 anything they wish to offer in Case Number 5943?

2 Do you have anything further, Ms. Teschendorf?

3 MS. TESCHENDORF: No, I do not.

4 MR. NUTTER: We'll take the case under advisement.

5 (Hearing concluded.)

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REPORTER'S CERTIFICATE

I, SALLY WALTON BOYD, a Certified Shorthand Reporter,  
do hereby certify that the foregoing and attached Transcript  
of Hearing before the New Mexico Oil Conservation Commission  
was reported by me, and the same is a true and correct record  
of the said proceedings to the best of my knowledge, skill  
and ability.

Sally Walton Boyd, C. S. R.

I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. 743  
heard by me on 6-8, 1977.

[Signature] Examiner  
New Mexico Oil Conservation Commission

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BEFORE THE  
NEW MEXICO OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
June 22, 1977

EXAMINER HEARING

IN THE MATTER OF:

The hearing called by the OCC on its ) CASE  
own motion to consider adoption of the ) 5943  
ff.: Rule 407, Rule 1130 and Form C-130.)

BEFORE: Richard L. Stamets, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the New Mexico Oil	Lynn Teschendorf, Esq.
Conservation Commission:	Legal Counsel for the Commission
	State Land Office Building
	Santa Fe, New Mexico

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1 MR. STANETS: We will call Case 5943 in the matter of  
2 the hearing called by the Oil Conservation Commission on its  
3 own motion to consider adoption of the following: Rule 407,  
4 Rule 1130 and Form C-130.

5 This case was readvertised with respect to McKinley  
6 County only.

7 Is there anything further in this case? The case  
8 will be taken under advisement and the hearing is adjourned.

9 (THEREUPON, the hearing was adjourned.)  
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## REPORTER'S CERTIFICATE

I, SIDNEY F. MORRISH, a Certified Shorthand Reporter,  
do hereby certify that the foregoing and attached Transcript  
of Hearing before the New Mexico Oil Conservation Commission  
was reported by me, and the same is a true and correct record  
of the said proceedings to the best of my knowledge, skill and  
ability.

*Sidney F. Morrish*  
Sidney F. Morrish, C.S.R.

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I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. 5943  
heard by me on 6-22-77 1977  
*Richard L. L...* Examiner  
New Mexico Oil Conservation Commission

NATURAL GAS PRICING ACT,  
LAWS 1977, CHAPTER 73

Section 9. ABANDONMENT OF FACILITIES.--Except for wells plugged and abandoned pursuant to rules and regulations of the oil conservation commission, no producer who is subject to the maximum allowable base price limitations shall abandon all or any portion of its facilities for production and sale of natural gas for consumption in New Mexico without first obtaining the permission and approval of the commission. Such approval and permission shall be given only after reasonable notice and hearing and a finding by the commission that:

A. the available supply of natural gas is depleted to the extent that the continuance of production is unwarranted; or

B. the present or future public convenience or necessity permits such abandonment.

BEFORE EXAMINER NUTTER
OIL CONSERVATION COMMISSION
<u>OCC</u> EXHIBIT NO. <u>1</u>
CASE NO. <u>5943</u>

Proposed Rule 407 DISCONNECTION OF GAS WELLS

All gas wells which are disconnected from intrastate gas transportation facilities shall be reported to the Commission by the operator of the well or wells within 30 days of the date of disconnection. Such notice must be filed on Form C-130 in compliance with Rule 1130.

*Exhibit 2*  
*Case 5943*



Proposed Rule 1130 NOTICE OF DISCONNECTION  
(Form C-130)

(1) Form C-130, Notice of Disconnection, shall be filed in triplicate with the Commission by the operator of the well as provided in Rule 407.

(2) The operator shall state, to the best of his knowledge, the reasons for disconnecting any gas well from gas transportation facilities.

(3) The Commission shall furnish the New Mexico Public Service Commission with any Form C-130 indicating that a disconnected gas well may or will be reconnected to a gas transportation facility for ultimate distribution to consumers outside of the State of New Mexico.

*Exhibit 3*  
*Case 5943*

NEW MEXICO OIL CONSERVATION COMMISSION  
NOTICE OF DISCONNECTION

I. OPERATOR
ADDRESS

## II. DESCRIPTION OF WELL AND LEASE

LEASE NAME	WELL NO.	POOL NAME, INCLUDING FORMATION
LOCATION Unit Letter _____; _____ feet from the _____ line and _____ feet from the _____ line; Section _____; Township _____, Range _____; NMPM; _____ County, New Mexico		

## III. Name of Transporter Prior to Disconnection

Date of Disconnection

## IV. REASON(S) FOR DISCONNECTION (CHECK PROPER BOX)

<input type="checkbox"/> Plug and Abandon <input type="checkbox"/> Temporary Abandonment <input type="checkbox"/> Reconnection to Intrastate Pipeline <input type="checkbox"/> Reconnection to Interstate Pipeline*	<input type="checkbox"/> Other (Please specify)
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\*NOTICE - Under the terms of the Natural Gas Trading Act, Laws 1977, Chapter 77, no producer shall abandon any portion of its facilities for production and sale of natural gas for consumption in New Mexico without first obtaining the permission and approval of the New Mexico Public Service Commission

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

Signed \_\_\_\_\_ Title \_\_\_\_\_ Date \_\_\_\_\_

BEFORE EXAMINER NUTTER  
 OIL CONSERVATION COMMISSION  
 OLC EXHIBIT NO. 4  
 CASE NO. 5943

PROPOSED RULEMAKING REGULATIONS  
UNDER THE NATURAL GAS PRICING ACT

1. <sup>A</sup>PREMBLE: The purpose of General Order No. 31 is to establish rules and regulations relating to the implementation of Section 7. MAXIMUM ALLOWABLE BASE PRICE--LIMITATIONS--ESCALATIONS of the New Mexico Natural Gas Pricing Act.

2. APPLICABILITY: General Order 31 shall apply to any natural gas producer who is subject to the maximum allowable base price limitation of the Natural Gas Pricing Act and desires to abandon all or any portion of its facilities for production and sale of natural gas for consumption in New Mexico; and, where applicable, to any purchaser of natural gas who purchases natural gas for sale and consumption in the State of New Mexico when the purchase price paid is subject to the Natural Gas Pricing Act.

3. DEFINITIONS:

A. "Producer" - means any person, not engaged solely in interstate business, who does now or may hereafter own or have any interest in production in a well or wells capable of producing natural gas.

B. "Intrastate Commerce" - means commerce between any two points within the State of New Mexico.

C. "Base Price" - means the price per thousand cubic feet at a pressure base of 14.65 pounds per square inch absolute and at a temperature base of 60 degrees Fahrenheit for gas sold at or near the wellhead or by a producer at the outlet of a natural gas processing plant. This price shall be exclusive of adjustments for BTU content, taxes, and, if provided for by contract, that portion of royalty payable on a value in excess of the contract sales price.

D. "Abandonment of Facilities" - means any cessation of production from wells drilled before January 1, 1975 of natural gas by a producer for ultimate consumption in New Mexico. However wells plugged and abandoned pursuant to the rules and regulations of the Oil Conservation Commission are not considered abandoned under this section unless such wells are plugged and abandoned solely for the purpose of avoiding the application of the Natural Gas Pricing Act.

*includes disconnection of gas wells from intrastate gas transportation facilities if the well was drilled prior to 1-1-75.*

4. INTRASTATE PURCHASERS REPORTS:

A. All purchasers of natural gas shall report to the Commission the names of any producers who are demanding a base price of gas higher than that price allowed under the Natural Gas Pricing Act or who are attempting to change markets for the sale of their natural gas. The report shall be in writing and mailed to the Commission within five days after the producers demand.

B. All purchasers of natural gas shall report to the Commission the names of any producer ~~(and~~ the identification of the producers well) who has totally abandoned or substantially reduced the production of gas for intrastate sale.

5. APPLICATIONS FOR ABANDONMENT OF FACILITIES:

A. Prior to the abandonment of any facility a producer who has not filed a form (C) with Oil Conservation Commission shall file an Application for Abandonment of Facility with the Commission.

B. Applications for Abandonment of Facility shall include:

1. The name of the operator or producer;
2. An identification and location of the facility to be abandoned;
3. The date of the proposed abandonment;
4. The time period of the proposed abandonment;
5. The reasons for the abandonment;
6. A form of notice suitable for publication which will briefly summarize the facts contained in the application;
7. A conformed copy of each intrastate contract or other agreement pertaining directly or indirectly to the proposed abandonment;
8. Proof of service of the application on any intrastate purchaser affected directly or indirectly by the proposed abandonment;

~~C. Upon the Commission~~

c. Upon the Commission's receipt of application for abandonment the Commission shall determine whether it has jurisdiction over the proposed abandonment. Should the Commission determine that the proposed abandonment is under its jurisdiction, it shall issue an order setting a hearing date and published notice.

D. Prepared testimony shall be submitted to the Commission of the abandonment demonstrating that either the available supply of natural gas is depleted to the extent that the continuance of production is unwarranted; or the present ~~and future public convenience or necessity permit such~~ and future public convenience or necessity permit such abandonment.

7. RULES OF PRACTICE AND PROCEDURE: All rules of General Order No. 1 shall apply to proceedings under this General Order 31 unless otherwise inconsistent with this General Order.

8. BURDEN OF PROOF: The applicant shall be required to meet the burden of proof justifying an abandonment under the Natural Gas Pricing Act.

9. HEARING SCHEDULE: The Commission shall schedule applications for abandonment for public hearing at the earliest date possible giving due consideration to statutory requirements and other matters pending.

10. EMERGENCY ABANDONMENT: In the event of an emergency situation which requires the immediate abandonment of facility, the producer must notify the Commission of the circumstances of the emergency within 72 hours after the emergency abandonment has occurred. At the discretion of the Commission, a subsequent hearing on whether the public convenience and necessity required the abandonment may be ordered.

NATURAL GAS PRICING ACT,  
LAWS 1977, CHAPTER 73

Section 9. ABANDONMENT OF FACILITIES.--Except for wells plugged and abandoned pursuant to rules and regulations of the oil conservation commission, no producer who is subject to the maximum allowable base price limitations shall abandon all or any portion of its facilities for production and sale of natural gas for consumption in New Mexico without first obtaining the permission and approval of the commission. Such approval and permission shall be given only after reasonable notice and hearing and a finding by the commission that:

A. the available supply of natural gas is depleted to the extent that the continuance of production is unwarranted; or

B. the present or future public convenience or necessity permits such abandonment.

*Exhibit 1*  
*Case 5943*



Proposed Rule 407 DISCONNECTION OF GAS WELLS

All gas wells which are disconnected from intrastate gas transportation facilities shall be reported to the Commission by the operator of the well or wells within 30 days of the date of disconnection. Such notice must be filed on Form C-130 in compliance with Rule 1130.

*Exhibit 2*  
*Case 5943*

Proposed Rule 1130 NOTICE OF DISCONNECTION  
(Form C-130)

(1) Form C-130, Notice of Disconnection, shall be filed in triplicate with the Commission by the operator of the well as provided in Rule 407.

(2) The operator shall state, to the best of his knowledge, the reasons for disconnecting any gas well from gas transportation facilities.

(3) The Commission shall furnish the New Mexico Public Service Commission with any Form C-130 indicating that a disconnected gas well may or will be reconnected to a gas transportation facility for ultimate distribution to consumers outside of the State of New Mexico.

*Exhibit 3  
Case 5943*



NEW MEXICO OIL CONSERVATION COMMISSION  
NOTICE OF DISCONNECTION

I. OPERATOR

ADDRESS

## II. DESCRIPTION OF WELL AND LEASE

LEASE NAME	WELL NO.	POOL NAME, INCLUDING FORMATION
LOCATION Unit Letter _____; _____ feet from the _____ line and _____ feet from the _____ line; Section _____; Township _____, Range _____; NMPM; _____ County, New Mexico		

III. Name of Transporter Prior to Disconnection

Date of Disconnection

## IV. REASON(S) FOR DISCONNECTION (CHECK PROPER BOX)

<input type="checkbox"/> Plug and Abandon <input type="checkbox"/> Temporary Abandonment <input type="checkbox"/> Reconnection to Intrastate Pipeline <input type="checkbox"/> Reconnection to Interstate Pipeline*	<input type="checkbox"/> Other (Please specify)
--	---

\*NOTICE - Under the terms of the Natural Gas Pricing Act, Laws 1977, Chapter 73, no producer shall abandon any portion of its facilities for production and sale of natural gas for consumption in New Mexico without first obtaining the permission and approval of the New Mexico Public Service Commission

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

Signed \_\_\_\_\_

Title \_\_\_\_\_

Date \_\_\_\_\_

Exhibit 4  
Case 5943

DRAFT  
LT/jr,

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
COMMISSION OF NEW MEXICO ON ITS  
OWN MOTION TO CONSIDER ADOPTION  
OF RULE 407 AND 1130, AND FORM C-130.

CASE NO. 5943

Order No. R- 5515

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on June 8,  
19 77, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this \_\_\_\_\_ day of \_\_\_\_\_, 19 77, the Commission,  
a quorum being present, having considered the testimony, the record,  
and the recommendations of the Examiner, and being fully advised  
in the premises,

FINDS:

(1) That due public notice having been given as required by  
law, the Commission has jurisdiction of this cause and the subject  
matter thereof.

(2) That the 33rd Legislature of the State of New Mexico passed  
the Natural Gas Pricing Act (being Laws 1977, Chapter 73), Section 9  
of which states that "except for wells plugged and abandoned  
pursuant to rules and regulations of the Oil Conservation Commission,  
no producer who is subject to the maximum allowable base price limita-  
tions shall abandon all or any portion of its facilities for production  
and sale of natural gas for consumption in New Mexico without first  
obtaining the permission and approval of the Commission."

(3) That said Act was signed into law and became effective on March 18, 1977.

*as the last word*

(4) That the term "commission" <sup>A</sup> in Finding (2) above refers to the Public Service Commission.

(5) That the Public Service Commission intends to adopt regulations defining "abandonment of facilities," which definition should include the disconnection of gas wells from intrastate gas transportation facilities if the well was drilled prior to January 1, 1975, and should exclude wells plugged and abandoned pursuant to the rules and regulations of the Oil Conservation Commission, ~~unless such wells are plugged and abandoned solely for the purpose of avoiding the application of the Natural Gas Pricing Act.~~

(6) That in order to monitor abandonment of facilities and to provide notice to operators that they may need to seek Public Service Commission approval before abandonment, rules and a form should be adopted providing for the reporting by operators of all gas wells which are disconnected from intrastate gas transportation facilities.

(7) That such rules and form are within the Commission's authority to collect data, to make investigations and inspections, and to examine, check and test all means and modes of transportation and equipment.

(8) That proposed Rule 407 DISCONNECTION OF GAS WELLS states:

" All gas wells which are disconnected from intrastate gas transportation facilities shall be reported to the Commission by the operator of the well or wells within 30 days of the date of disconnection. Such notice ~~must~~ be filed on Form C-130 in compliance with Rule 1130. "

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Case No. 5943

Order No. R-

(9) That proposed Rule 1130 NOTICE OF DISCONNECTION (Form C-130) states:

(1) Form C-130, Notice of Disconnection, shall be filed in triplicate with the Commission by the operator of the well as provided in Rule 407.

(2) The operator shall state, to the best of his knowledge, the reasons for disconnecting any gas well from gas transportation facilities.

(3) The Commission shall furnish the New Mexico Public Service Commission with any Form C-130 indicating that a disconnected gas well may or will be reconnected to a gas transportation facility for ultimate distribution to consumers outside of the State of New Mexico. "

(10) That the proposed Notice of Disconnection (Form C-130) is in the form and style prescribed by Exhibit A attached to this Order and by this reference made a part hereof.

(11) That <sup>in the public interest,</sup> the Commission should adopt proposed Rules 407 and 1130, and proposed Form C-130.

IT IS THEREFORE ORDERED:

(1) That Rule 407 of the Commission Rules and Regulations is hereby adopted and reads in its entirety as follows:

"RULE 407. DISCONNECTION OF GAS WELLS

"All gas wells which are disconnected from intrastate gas transportation facilities shall be reported to the Commission by the operator of the well or wells within 30 days of the date of disconnection. Such notice must be filed on Form C-130 in compliance with Rule 1130."

(2) That Rule 1130 of the Commission Rules and Regulations is hereby adopted and reads in its entirety as follows:

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Case No. 5943  
Order No. R-

"RULE 1130. NOTICE OF DISCONNECTION (Form C-130)  
(~~Form C-120~~)

"(1) Form C-130, Notice of Disconnection, shall be filed in triplicate with the Commission by the operator of the well as provided in Rule 407.

"(2) The operator shall state, to the best of his knowledge, the reasons for disconnecting any gas well from gas transportation facilities.

"(3) The Commission shall furnish the New Mexico Public Service Commission with any Form C-130 indicating that a disconnected gas well may or will be reconnected to a gas transportation facility for ultimate distribution to consumers outside of the State of New Mexico."

(3) That Form C-130 is hereby adopted in the form and style prescribed by Exhibit A attached to this Order and by this reference made a part hereof.

(4) That jurisdiction of this cause is retained for the entry of such further order of the Commission.

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