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RECEIVED

July 8, 2004

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OIL CONSERVATION
DIVISION

VIA FACSIMILE

Mr. Mark Fesmire, Director
Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

Re: Proposed Amendments to 19.15.5.307 NMAC
OPERATION AT BELOW ATMOSPHERIC PRESSURE

Dear Mr. Fesmire:

New Mexico Oil and Gas Association (NMOGA) supports the proposed changes to Rule 307. The current rule does not serve the needs of industry or the interests of conservation by outright banning the use of vacuum pumps. The prudent use of vacuum pumps in other areas of the country confirms that this production method can reduce waste by recovering additional reserves in a safe manner. NMOGA supports the regulatory process described in the proposed changes that require an operator of the vacuum pump system to have an agreement with the downstream gatherer to which the well or gathering system so operated is immediately connected. This will allow the contract between the parties to dictate if and when necessary controls for oxygen monitoring and anything else is necessary in that particular situation.

Technical representatives of both producer and gatherers in NMOGA participated in the development of this solution by researching other installations and even conducting field tours of vacuum pump operations that have been in existence for over 10 years. Additionally, we worked with on OCD's Workgroup to help design a reasonable regulatory approach that provides a safe and effective means of recovering these extra reserves before a well is plugged.

Sincerely,

Bob Gallagher
President



BP America Production Company
1660 Lincoln Street, Suite 3000
Denver CO 80264

July 13, 2004

Mr. Mark Fesmire, P.E.
Director
Oil Conservation Division
1220 St. Francis Drive
Santa Fe, New Mexico 87505

Proposed Rule 307 OPERATION AT BELOW ATMOSPHERIC PRESSURE

Dear Mr. Fesmire:

BP America Production Company is the third largest natural gas producer in New Mexico and we operate over three thousand wells in the state. BP representatives participated on the NMOCD Rule 307 Workgroup and agree conceptually with the proposed rule.

BP supports the NMOCD Workgroup proposed language for Rule 307, Paragraph A. Vacuum operations should be allowed to improve recovery and eliminate waste in low-pressure reservoirs in New Mexico. The primary concern is the potential introduction of oxygen into the gathering system, which could increase corrosion in the pipeline system. This issue is addressed in the rule by requiring the operator of the well using vacuum compression to enter into an agreement with the immediate downstream gatherer that will govern operations at below atmospheric pressure. Based on our experience operating vacuum systems in North Texas and Southwest Kansas, we have not found vacuum operations to be a safety hazard.

Paragraph B attempts to regulate two separate concepts regarding operation of a gathering system and is confusing. The language as currently proposed in Paragraph B could be interpreted that a gatherer two or more connections downstream from the wellhead could prevent gas from wells being operated at below atmospheric pressure from being allowed into the pipeline system even though the well operator has executed an agreement allowing vacuum operations with the immediate downstream gatherer. BP proposes that Paragraph B be modified and replaced with two paragraphs. Paragraph B would regulate operating a gathering system at below atmospheric pressure by requiring an agreement with the immediate downstream gatherer or pipeline operator and, Paragraph C would address a gathering system that is carrying gas originating from upstream wells operated at below atmospheric pressure and require notice to the immediate downstream gatherer or pipeline operator.

The operation of wells at below atmospheric pressure will not adversely affect the correlative rights of offsetting operators. Currently there is no concern of infringement of correlative rights when an operator attempts to increase well productivity by treating a wellbore with chemicals or fracture stimulation, or by placing a pumping unit on a well or using a compressor to lower the wellhead pressure from 100 psia to 50 psia or 20 psia. We believe there is no difference to lower the wellhead pressure to 15 psia or below. Notice to offsetting operators is unnecessary.

Thank you for the opportunity to comment on the proposed rule.

Sincerely,

James W. Hawkins
BP San Juan Regulatory Consultant

BP PROPOSED RULE 307

OPERATION AT BELOW ATMOSPHERIC PRESSURE:

A. A well operator may use vacuum pumps, gathering system compressors or other devices to operate a well or gathering system at below atmospheric pressure only if that operator has:

(1) executed a written agreement with the operator of the downstream gathering system or pipeline to which the well or gathering system so operated is immediately connected allowing operation of the well or gathering system at below atmospheric pressure; and

(2) filed a sundry notice (form C-103) in the appropriate district office of the division for each well operated at below atmospheric pressure or served by a gathering system operated at below atmospheric pressure, notifying the division that the well or gathering system serving the well is being operated at below atmospheric pressure.

B. A gathering system operator may use vacuum pumps, gathering system compressors or other devices to operate the gathering system at below atmospheric pressure only if that operator has executed a written agreement with the operator of the downstream gathering system or pipeline to which the gathering system is immediately connected allowing operation of the gathering system at below atmospheric pressure.

C. A gathering system operator accepting gas that originated from upstream wells operated at below atmospheric pressure or that has been carried by any upstream gathering system operated at below atmospheric pressure must notify the operator of the downstream gathering system or pipeline to which the gathering system is immediately connected.

BURLINGTON

RESOURCES

July 14, 2004

Mr. Mark E. Fesmire, PE
Director, Oil Conservation Division
New Mexico Department of Energy, Minerals and Natural Resources
1220 South St. Francis Drive
Santa Fe, NM 87505

RE: Burlington Resources Support for Proposed Amendment to 19.15.5.307 NMAC Allowing the Operation of Wells and Gathering Systems at Below Atmospheric Pressure

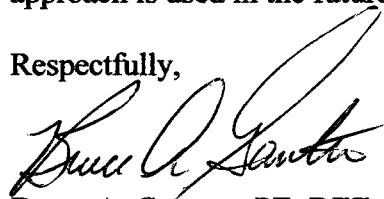
Dear Mr. Fesmire:

I am writing to express Burlington Resources general support for the proposed amendment to the above referenced rule that will allow for the operation of wells and gathering systems at below atmospheric pressure. Burlington Resources would like to emphasize the importance of this rule to more fully recover natural gas reserves not only in the Fruitland Coal formation but also from conventional gas reservoirs in all areas of the state. The proposed amended rule will allow for this enhanced recovery by allowing compressors and other means of artificial lift to operate at below atmospheric pressures while insuring protection of public safety and the environment through notification of operators of affected gathering systems and requiring an agreement with those gatherers.

Although we generally support the rule in its present form, we are aware of and agree with a proposal that will be presented by BP with regard to paragraph B that will break it into two parts. We would encourage the OCD and the Commissioners to consider this BP proposal in further improving this rule amendment.

As a final note, we would like to thank the NMOCD for allowing Burlington Resources' and other company representatives to work with the agency in developing this proposed rule amendment. This collaborative approach is an excellent example of how industry and governmental representatives can research an issue and develop a rule that assures protection of public safety and the environment while conserving vital natural gas resources. We hope this approach is used in the future to resolve other issues of mutual interest.

Respectfully,



Bruce A. Gantner, PE, DEE
Manager, Environmental, Health, and Safety

Cc: R.Fraley, J.Zent, R.Muncrief, A.Walker, A.Alexander