

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

IN THE MATTER OF THE HEARING CALLED BY)
THE OIL CONSERVATION COMMISSION FOR THE)
PURPOSE OF CONSIDERING:) CASE NO. 13,029
)
APPLICATION OF THE NEW MEXICO OIL)
CONSERVATION DIVISION FOR AMENDMENT)
OF RULE 1107 [APPLICATION FOR MULTIPLE)
COMPLETION (FORM C-107)])

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

COMMISSION HEARING

BEFORE: LORI WROTENBERY, CHAIRMAN
JAMI BAILEY, COMMISSIONER
ROBERT LEE, COMMISSIONER

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Oil Conservation Division

April 17th, 2003

Santa Fe, New Mexico

This matter came on for hearing before the Oil Conservation Commission, LORI WROTENBERY, Chairman, on Thursday, April 17th, 2003, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

STEVEN T. BRENNER, CCR
(505) 989-9317

I N D E X

April 17th, 2003
Commission Hearing
CASE NO. 13,029

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* * *

E X H I B I T S

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* * *

A P P E A R A N C E S

FOR THE COMMISSION:

STEPHEN C. ROSS
Assistant General Counsel
Energy, Minerals and Natural Resources Department
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

FOR THE DIVISION:

DAVID K. BROOKS, JR.
Attorney at Law
Energy, Minerals and Natural Resources Department
Assistant General Counsel
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

* * *

1 WHEREUPON, the following proceedings were had at
2 9:15 a.m.:

3 CHAIRMAN WROTENBERY: And now I believe we're
4 ready to back up a little bit and call Case 13,029. This
5 is the Application of the New Mexico Oil Conservation
6 Division for amendment of Rule 1107 concerning the
7 application for multiple completion, Form C-107. The
8 Division applies to amend Rule 1107 to provide for a form
9 C-107A and Form C-107B. The Application of this proposed
10 rule and amendment is statewide.

11 Again, Mr. Brooks, enter your appearance, please?

12 MR. BROOKS: Madame Chairman, honorable
13 Commissioners, I'm David Brooks, Assistant General Counsel,
14 Energy, Minerals and Natural Resources Department of the
15 State of New Mexico, appearing for the Oil Conservation
16 Division.

17 CHAIRMAN WROTENBERY: Thank you. And you have
18 one witness?

19 MR. BROOKS: One witness.

20 CHAIRMAN WROTENBERY: Mr. Ezeanyim, would you
21 please stand and be sworn?

22 (Thereupon, the witness was sworn.)

23 MR. BROOKS: Madame Chairman, with the permission
24 of the Commission I would like to make a preliminary
25 statement again.

1 CHAIRMAN WROTENBERY: Thank you.

2 MR. BROOKS: The 1100 series of the Division's
3 Rules, the Commission's Rules, sets forth the official
4 forms that are utilized by the Division.

5 A few months ago we amended Rule 303 to provide
6 for a new procedure for surface commingling. Rule 303
7 calls for a new form, a Form C-107B, as an application for
8 surface commingling. However, when we noticed the
9 proceeding to amend Rule 303 we did not include in the
10 notice a statement that Rule 1107 would be amended, so we
11 could not at that time promulgate the Form C-107B as an
12 official form.

13 So I instituted this correction proceeding to do
14 that. And in the course of -- the first thing that came to
15 my attention in the course of preparing the Application was
16 that the Form C-107A which we utilize for downhole
17 commingling also had never been included in the list of
18 forms in Part 11 of the Rules. Therefore, my proposal was
19 to add to Rule 1107 a prescription of the Form C-107A for
20 downhole commingling and Form C-107B for surface
21 commingling.

22 Mr. Ezeanyim brought to my attention yesterday
23 that the Form C-107 which is listed in the existing Rule
24 1107 is no longer used by the Division. And therefore we
25 have amended our original proposal, and what we now propose

1 to do is to delete all of the text of the existing Form
2 1107, which is simply the specification Form C-107 and
3 substitute therefor the specification of the new Form
4 C-107A and C-107B.

5 With that, I'm ready to present Mr. Ezeanyim's
6 testimony.

7 CHAIRMAN WROTENBERY: Please proceed.

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

11 DIRECT EXAMINATION

12 BY MR. BROOKS:

13 Q. State your name for the record, please.

14 A. Richard Ezeanyim.

15 Q. And by whom are you employed?

16 A. By the New Mexico Oil Conservation Division,
17 Santa Fe Office.

18 Q. And in what capacity?

19 A. The Chief Engineer.

20 Q. And how long have you been so employed?

21 A. Approximately two years.

22 Q. In fact, I think you and I started with the
23 Division on the same day?

24 A. That's right.

25 Q. May 21st, 2001.

1 A. That's correct.

2 COMMISSIONER LEE: Is that good or bad?

3 Q. (By Mr. Brooks) Mr. Ezeanyim, were you a
4 participant in a work group to develop new procedures for
5 surface commingling?

6 A. Yes, I was a participant. Actually, I'm the
7 chairman of that work group.

8 Q. And did you and I present that proposal to the
9 Commission back last November?

10 A. Yeah, last November we presented it to the
11 Commission.

12 Q. And pursuant to that presentation a new Rule 303
13 was adopted?

14 A. That's correct.

15 Q. Now, the new Rule 303 -- Well, the old Rule 303
16 had detailed requirements of the information that had to be
17 furnished in an application for surface commingling; is
18 that correct?

19 A. That's correct.

20 Q. Now, the new rule did not include those detailed
21 requirements but instead referred to a form?

22 A. Yeah, it does, Form C-107B.

23 Q. Okay. Has the Division developed a form for that
24 purpose?

25 A. Yes, we have.

1 Q. Now, I'll call your attention to what has been
2 marked as OCD Exhibit Number 3 and ask you to identify it.

3 A. Yes, this is the form that we came with during
4 the work group to deal with surface commingling,
5 particularly with diverse ownership.

6 Q. Right. Now, the present rule provides for the
7 use of the Form C-103 in the case -- which is an existing
8 form, in the case of identical ownership, correct?

9 A. That's correct.

10 Q. And there may be a proposal at a later date to
11 change that. There's some objection to that from the
12 records processing people, but that's not the current
13 proposal?

14 A. That's not the current proposal. As we found
15 some changes we made them accordingly.

16 Q. Okay. Now, is there also a provision in Rule 303
17 that predates the recent amendment for a Form C-107A?

18 A. Yes, that's correct, yeah.

19 Q. And what is the purpose of Form C-107A?

20 A. The purpose of C-107A is for downhole
21 commingling. We get all the data in that form so that we
22 can evaluate whether we could approve or deny downhole
23 commingling.

24 Q. Okay, call your attention, then, to what has been
25 marked as OCD Exhibit Number 2. Is that a Form C-107A as

1 currently used by the Division?

2 A. Yes, that is the current form we use. It's
3 called Application for Downhole Commingling.

4 Q. Okay. Now, Rule 1107 in its present form calls
5 for a Form C-107 to be utilized in connection with
6 Subsection A of 19.15.3.112?

7 A. Yeah.

8 Q. Now, are you familiar with the Form C-107?

9 A. Yes, I'm familiar with Form C-107. It deals with
10 multiple completions.

11 Q. Is that form any longer used by the Division?

12 A. No, the Division doesn't use Form C-107 anymore.
13 Rather, it substitutes Form C-101 and/or C-103, before you
14 multiple complete, and after multiple completion then you
15 do Form C-104. So those three forms seem to substitute for
16 Form C-107.

17 Q. There's no longer any requirement or practice
18 that people fill out Form C-107 or use it for any purpose?

19 A. As far as I know, nobody does that anymore.

20 Q. Okay. Call your attention to what has been
21 marked as OCD Exhibit Number 1, and I will mention that
22 that is simply the proposed text of the Rule 1107 as we
23 request the Commission to adopt it and will ask you to
24 confirm that that's the amendment we're asking for.

25 A. That's correct, that's the amendment. We're

1 asking that we adopt Form C-107A and Form C-107B and delete
2 Form C-107.

3 MR. BROOKS: Very good, we'll offer into evidence
4 Exhibits 1, 2 and 3.

5 CHAIRMAN WROTENBERY: Okay, OCD Exhibits 1
6 through 3 are admitted into evidence.

7 MR. BROOKS: And pass the witness.

8 CHAIRMAN WROTENBERY: Questions, Commissioners?

9 MR. ROSS: One question.

10 CHAIRMAN WROTENBERY: Okay. I'll bet it's the
11 same one I've got.

12 MR. ROSS: I'll bet you're right.

13 Do you need to change the title --

14 CHAIRMAN WROTENBERY: Yeah.

15 MR. ROSS: -- to --

16 MR. BROOKS: Yes, we probably also need to delete
17 the words "Multiple Completion (Form C-107)" from the
18 title.

19 Once again at the request of Mr. Ross, I will
20 prepare and furnish to Mr. Ross a proposed order prior to
21 the next Commission Hearing.

22 CHAIRMAN WROTENBERY: Okay. Thank you, Mr.
23 Brooks.

24 Thank you for your testimony, Mr. Ezeanyim.

25 THE WITNESS: Thank you.

1 CHAIRMAN WROTENBERY: Anything further in this
2 matter?

3 MR. BROOKS: Nothing further, madame Chairman.

4 CHAIRMAN WROTENBERY: Okay, thank you. We will
5 take this case under advisement.

6 (Thereupon, these proceedings were concluded at
7 9:25 a.m.)

8 * * *

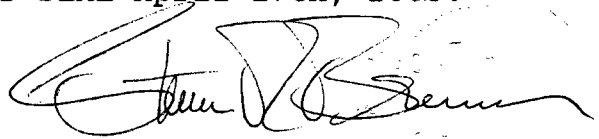
CERTIFICATE OF REPORTER

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

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

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

WITNESS MY HAND AND SEAL April 17th, 2003.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2006

PROPOSED TECHNICAL AMENDMENT OF RULE 1107

19.15.13.1107 APPLICATION FOR MULTIPLE COMPLETION (Form C-107); DOWNHOLE COMMINGLING (Form C-107A) AND SURFACE COMMINGLING (Form C-107B)

~~Form C-107, when applicable, shall be filed in accordance with Subsection A of 19.15.3.112~~
NMAC

A. Form C-107A, when applicable, shall be filed in accordance with Subsection C of 19.15.5.303 NMAC.

B. Form C-107B, when applicable shall be filed in accordance with Subsections B and D of 19.15.5.303 NMAC.

Operator

Address

Lease

Well No.

Unit Letter-Section-Township-Range

County

OGRID No. _____ Property Code _____ API No. _____ Lease Type: ____ Federal ____ State ____ Fee

DATA ELEMENT	UPPER ZONE		INTERMEDIATE ZONE		LOWER ZONE	
Pool Name						
Pool Code						
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)						
Method of Production (Flowing or Artificial Lift)						
Bottomhole Pressure (Note: Pressure data will not be required if the bottom perforation in the lower zone is within 150% of the depth of the top perforation in the upper zone)						
Oil Gravity or Gas BTU (Degree API or Gas BTU)						
Producing, Shut-In or New Zone						
Date and Oil/Gas/Water Rates of Last Production. (Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data.)	Date: Rates:		Date: Rates:		Date: Rates:	
Fixed Allocation Percentage (Note: If allocation is based upon something other than current or past production, supporting data or explanation will be required.)	Oil %	Gas %	Oil %	Gas %	Oil %	Gas %

ADDITIONAL DATA

Are all working, royalty and overriding royalty interests identical in all commingled zones?
If not, have all working, royalty and overriding royalty interest owners been notified by certified mail?

Yes ____ No ____
Yes ____ No ____

Are all produced fluids from all commingled zones compatible with each other?

Yes ____ No ____

Will commingling decrease the value of production?

Yes ____ No ____

If this well is on, or communitized with, state or federal lands, has either the Commissioner of Public Lands or the United States Bureau of Land Management been notified in writing of this application?

Yes ____ No ____

NMOCD Reference Case No. applicable to this well: _____

OCD Exhibit No. 2

Case No. 13029 April 17, 2003

Attachments:

C-102 for each zone to be commingled showing its spacing unit and acreage dedication

Production curve for each zone for at least one year. (If not available, attach explanation.)

For zones with no production history, estimated production rates and supporting data.

Data to support allocation method or formula.

Notification list of working, royalty and overriding royalty interests for uncommon interest cases.

Any additional statements, data or documents required to support commingling.

PRE-APPROVED POOLS

If application is to establish Pre-Approved Pools, the following additional information will be required:

List of other orders approving downhole commingling within the proposed Pre-Approved Pools

List of all operators within the proposed Pre-Approved Pools

Proof that all operators within the proposed Pre-Approved Pools were provided notice of this application.

Bottomhole pressure data.

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

SIGNATURE _____

TITLE _____

DATE _____

TYPE OR PRINT NAME _____

TELEPHONE NO. (____) _____

District I
1625 N. French Drive, Hobbs, NM 88240

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-107-B
_____, 200-

District II
1301 W. Grand Ave, Artesia, NM 88210

District III
1000 Rio Brazos Road, Aztec, NM 87410

District IV
1220 S. St Francis Dr, Santa Fe, NM
87505

OIL CONSERVATION DIVISION

1220 S. St Francis Drive
Santa Fe, New Mexico 87505

Submit the original
application to the Santa Fe
office with one copy to the
appropriate District Office.

APPLICATION FOR SURFACE COMMINGLING (DIVERSE OWNERSHIP)

OPERATOR NAME: _____

OPERATOR ADDRESS: _____

APPLICATION TYPE:

☐ Pool Commingling ☐ Lease Commingling ☐ Pool and Lease Commingling ☐ Off-Lease Storage and Measurement (Only if not Surface Commingled)

LEASE TYPE: ☐ Fee ☐ State ☐ Federal

Is this an Amendment to existing Order? ☐ Yes ☐ No If "Yes", please include the appropriate Order No. _____

Have the Bureau of Land Management (BLM) and State Land office (SLO) been notified in writing of the proposed commingling

☐ Yes ☐ No

(A) POOL COMMINGLING

Please attach sheets with the following information

(1) Pool Names and Codes	Gravities / BTU of Non-Commingled Production	Calculated Gravities / BTU of Commingled Production	Value of Non- Commingled Production	Calculated Value of Commingled Production	Volumes

(2) Are any units producing at top allowables? ☐ Yes ☐ No

(3) Have all interest owners been notified by certified mail of the proposed commingling? ☐ Yes ☐ No.

(4) Measurement type: ☐ Metering ☐ Other (Specify)

(5) Will commingling decrease the value of production? ☐ Yes ☐ No If "yes", describe why commingling should be approved

(B) LEASE COMMINGLING

Please attach sheets with the following information

(1) Pool Name and Code.

(2) Is all production from same source of supply? ☐ Yes ☐ No

(3) Have all interest owners been notified by certified mail of the proposed commingling? ☐ Yes ☐ No

(4) Measurement type: ☐ Metering ☐ Other (Specify)

(C) POOL and LEASE COMMINGLING

Please attach sheets with the following information

(1) Complete Sections A and E.

(D) OFF-LEASE STORAGE and MEASUREMENT

Please attached sheets with the following information

(1) Is all production from same source of supply? ☐ Yes ☐ No

(2) Include proof of notice to all interest owners.

(E) ADDITIONAL INFORMATION (for all application types)

Please attach sheets with the following information

(1) A schematic diagram of facility, including legal location.

(2) A plat with lease boundaries showing all well and facility locations. Include lease numbers if Federal or State lands are involved.

(3) Lease Names, Lease and Well Numbers, and API Numbers.

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

SIGNATURE: _____ TITLE: _____ DATE: _____

TYPE OR PRINT NAME _____ TELEPHONE NO.: _____