

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

CASE NO. 13,069  
AWAITING FINAL COMMISSION ACTION  
NO EVIDENCE OR TESTIMONY TAKEN

REPORTER'S TRANSCRIPT OF PROCEEDINGS

**RECEIVED**

COMMISSION HEARING

JUL 24 2003

Oil Conservation Division

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

ORIGINAL

July 17th, 2003  
Santa Fe, New Mexico

This matter came on for hearing before the Oil Conservation Commission, LORI WROTENBERY, Chairman, on Thursday, July 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  
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## I N D E X

July 17th, 2003  
Commission Hearing  
CASE NO. 13,069  
(Awaiting final Commission Action -  
No evidence or testimony taken)

PAGE

REPORTER'S CERTIFICATE

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

## FOR THE COMMISSION:

CAROL LEACH  
General Counsel  
Energy, Minerals and Natural Resources Department  
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Santa Fe, New Mexico 87505

## FOR THE DIVISION:

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

\* \* \*

1           WHEREUPON, the following proceedings were had at  
2   9:17 a.m.:

3           CHAIRMAN WROTENBERY: Okay, then I think we're at  
4   this point ready to discuss Case 13,069. This is the  
5   Application of the New Mexico Oil Conservation Division  
6   through the Engineering Bureau Chief for adoption of a new  
7   rule relating to compulsory pooling and prescribing risk  
8   charges.

9           As you remember, Commissioners, we held  
10   evidentiary hearings on this Application on May 15th and  
11   June 12th, 2003, and we do have a draft order before us at  
12   this point. Ms. Leach, would you like to --

13           MS. LEACH: At the June 12th meeting you asked  
14   Mr. Brooks as sort of the representative of the committee  
15   that had been looking at the Rules to propose a draft  
16   order. He did that and provided it to me, and it's been  
17   out to the Commissioners.

18           Yesterday afternoon I met with the Chairman of  
19   the Commission to go through the proposed order, and we  
20   made some changes. The changes do not change the outcome  
21   or the intent of anything that the Commission had talked  
22   about previously. There are some language changes that we  
23   thought were made to clarify, or simplify, perhaps, and  
24   that draft is in front of all the Commissioners now for any  
25   additional discussion or changes or that kind of thing.

1           So if you approve the order that is in front of  
2 you, then you will be adopting the rule that is shown as  
3 Exhibit A to the order, and it has basically, for the risk  
4 share, the 200 percent of well cost all the way through it.

5           The Commission had some discussion about other  
6 possibilities. We did not prepare an order with an  
7 alternative amount of even the 200 percent, in large part  
8 because a review of the record really indicated there was  
9 probably not sufficient testimony to support that order, so  
10 I didn't want to put in front of you something and then  
11 tell you not to sign it.

12           So if you want to go to something other than the  
13 200 percent, we probably need to reopen the record and take  
14 additional testimony to justify that if that's the  
15 direction -- if the Commission feels they really want to  
16 explore that direction more.

17           CHAIRMAN WROTENBERY: Any questions,  
18 Commissioners?

19           COMMISSIONER BAILEY: (Shakes head)

20           COMMISSIONER LEE: (Shakes head)

21           CHAIRMAN WROTENBERY: I guess I'll just note that  
22 the rule does contain the procedure that would allow  
23 somebody who opposed the 200-percent risk penalty to --

24           MS. LEACH: Right, there's an exception process  
25 that they can petition for something else --

1 CHAIRMAN WROTENBERY: -- petition --

2 MS. LEACH: -- and bring forward the facts that  
3 would justify a different risk share allocation.

4 CHAIRMAN WROTENBERY: Okay. I know you just got  
5 this latest draft this morning. Have you had a chance to  
6 look through it?

7 COMMISSIONER BAILEY: Yes, I have, and I move  
8 that we adopt it.

9 COMMISSIONER LEE: Second.

10 CHAIRMAN WROTENBERY: All in favor say aye.

11 COMMISSIONER BAILEY: Aye.

12 COMMISSIONER LEE: Aye.

13 CHAIRMAN WROTENBERY: Aye. Okay, I think we've  
14 got that ready to go as well.

15 MS. LEACH: That is ready. And when this order  
16 is signed, I will be leaving the Commission for today.

17 CHAIRMAN WROTENBERY: Okay.

18 MS. LEACH: I apologize for this kind of  
19 confusion. This is -- as we try and work through replacing  
20 Steve Ross and having David Brooks become the Commission  
21 counsel, we have a few conflicts that we're trying to  
22 avoid. So you'll be seeing at least for this meeting and  
23 the next couple of meetings probably a couple of attorneys  
24 working with you at different times so that we try not to  
25 do anything terribly unethical. So thank you.

1 CHAIRMAN WROTENBERY: Thank you.

2 COMMISSIONER LEE: Do we have the authority to  
3 keep her here?

4 CHAIRMAN WROTENBERY: I don't know.

5 MS. LEACH: The next case, it sort of relates to  
6 one that's pending in front of the Secretary.

7 CHAIRMAN WROTENBERY: I just note that I really  
8 appreciate Mr. Brooks for raising this compulsory pooling  
9 issue after handling a number of the compulsory pooling  
10 cases over the last few years. He noted that the Division,  
11 the Commission and the various parties could probably save  
12 a lot of time and effort if we put some of this information  
13 down in the Rules and didn't require a formal presentation  
14 on the risk charge at every hearing.

15 MS. LEACH: Yeah, you'll have a presumptive 200  
16 percent unless people --

17 CHAIRMAN WROTENBERY: Right.

18 MS. LEACH: -- petition, so --

19 CHAIRMAN WROTENBERY: So he set up the work group  
20 and brought the proposal forward, and thank you very much,  
21 Mr. Brooks.

22 MR. BROOKS: Thank you.

23 (Thereupon, these proceedings were concluded at  
24 9:21 a.m.)

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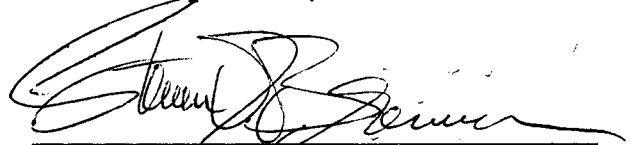
## CERTIFICATE OF REPORTER

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

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

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

WITNESS MY HAND AND SEAL July 17th, 2003.



STEVEN T. BRENNER  
CCR No. 7

My commission expires: October 16th, 2006