

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. 12,119

APPLICATION OF THE OIL CONSERVATION)
DIVISION TO AMEND RULE 104)
(19 NMAC 15.C.104) PERTAINING TO)
WELL SPACING)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

COMMISSION HEARING

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

August 12th, 1999

Santa Fe, New Mexico

This matter came on for hearing before the Oil Conservation Commission, LORI WROTENBERY, Chairman, on Thursday, August 12th, 1999, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, 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

August 12th, 1999
Commission Hearing
CASE NO. 12,119

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REPORTER'S CERTIFICATE

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A P P E A R A N C E S

FOR THE COMMISSION:

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FOR THE OIL CONSERVATION DIVISION:

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* * *

1 WHEREUPON, the following proceedings were had at
2 9:03 a.m.:

3 CHAIRMAN WROTENBERY: And next on the agenda is
4 12,119. This is the Application of the Oil Conservation
5 Division to amend Rule 104 (19 NMAC 15.C.104) pertaining to
6 well spacing.

7 We continued this case from the July 15th, 1999,
8 Commission hearing. At that hearing we took a final round
9 of oral testimony on the proposed amendments to Rule 104.

10 After that hearing, we extended the comment
11 period until August 4th to allow for any additional written
12 comments on the proposed amendments to Rule 104. We
13 received three sets of written comments during that period.
14 I believe, Commissioners, you each have a copy of those
15 comments in your notebooks.

16 I guess I'd just like to say in response to those
17 comments, we received a comment from Tom Kellahin
18 concerning the procedures for notice of administrative
19 applications and applications that are being set for
20 hearing.

21 He proposed that we add a provision in Rule 104
22 saying that in the event of a timely filed objection to an
23 administrative application the Division shall notify the
24 applicant and the objecting party in writing that the case
25 has been set for hearing on the next available Examiner's

1 docket. No further notice shall be required.

2 He had previously requested and expressed his
3 belief that the Division had concurred with the adoption of
4 that provision. And in fact, we had -- that particular
5 provision was incorporated into the Commission's Amended
6 Procedural Rules. Lyn, do you have the cite? It's now in
7 Commission -- in Division Rule 1207. We did not see a need
8 to repeat that in the rules on every individual type of
9 application. We think we have addressed that particular
10 comment.

11 We also received a set of comments from Frank
12 Gray with Texaco. He had several comments requesting some
13 editorial changes, some corrections to the proposed
14 amendments. Those have all been addressed in the proposed
15 order that is before us today.

16 He had also requested that notice be required to
17 affected offset parties surrounding a unit where a second
18 well is proposed on a 320-acre gas spacing unit. In the
19 proposed order that we've got before you today, we have
20 declined to incorporate that particular notice provision.
21 The Division's feeling on that particular point, as we
22 discussed at the last hearing, is that the appropriate
23 course for an operator in a particular pool to follow, if
24 they believe that a second infill -- that an infill well
25 would be inappropriate in a particular pool, is to come in

1 and ask that there be special pool rules adopted for that
2 particular pool and to address the issue that way.

3 I know early on there was a concern that the
4 notice requirements for special pool rules were so
5 burdensome that that was not a realistic option for
6 operators. But since we have amended the procedural rules
7 and notice rules, I think we have addressed the concerns
8 about the overwhelming nature of the notice requirements
9 for special pool rules, and we believe that is the
10 appropriate remedy in case an offset operator has concerns
11 about the drilling of infield wells in a particular pool.
12 So we have not adopted that particular recommendation in
13 the draft order.

14 And then finally we had comments from Santa Fe
15 Snyder Corporation recommending essentially that we hold
16 off on the adoption of the Rule 104 amendments until we
17 have addressed an issue that has arisen concerning the
18 compulsory pooling orders issued by the Commission and how
19 those -- or the Division, and how those compulsory pooling
20 orders affect the drilling of an infill well in a 320-acre
21 gas spacing unit.

22 The Division has established a special work group
23 that will be meeting, I believe, at the end of this month.
24 What is the date on that, Rand?

25 MR. CARROLL: August 31st at 8:30 -- that's a

1 Tuesday -- in this room.

2 CHAIRMAN WROTENBERY: -- has established a
3 special work group to address the compulsory pooling issues
4 that have arisen as a result of these proposed amendments
5 to Rule 104.

6 The Division does not see a need to hold up on
7 the adoption of the Rule 104 amendments pending the
8 resolution of that particular issue, so we have circulated
9 a draft Commission order that adopts the proposed 104
10 amendments. And we will proceed as expeditiously as
11 possible with the efforts of that work group. And I
12 believe the work group plans to come back at the
13 Commission's September meeting and discuss their current
14 thinking on the compulsory pooling issue.

15 I will say, anybody who is interested in that
16 work group, please contact Mr. Carroll. We're trying to
17 keep the discussion open so we can identify all of the
18 issues that have cropped up relating to the compulsory
19 pooling orders and try to address those.

20 With that summary of the comments that we've
21 received, Commissioners, you've each had a chance to look
22 at a copy of the proposed order of the Commission amending
23 Rule 104. Do you have any comments or questions on that
24 proposed order?

25 COMMISSIONER BAILEY: I move that we accept that

1 proposed order that contains one minor clarification of
2 language change.

3 CHAIRMAN WROTENBERY: Are you referring to the
4 reference to --

5 COMMISSIONER BAILEY: On the 640-acre spacing.

6 CHAIRMAN WROTENBERY: Okay, let me look.

7 COMMISSIONER BAILEY: 104.C.(1), 640-acre spacing
8 paragraph.

9 CHAIRMAN WROTENBERY: Okay, yes. In the order
10 that we have prepared for signature by the Commission
11 today, we have made one change from the order that was
12 circulated to the Commission, and that is, we've added a
13 parenthetical phrase. In the paragraph on 640-acre
14 spacing, we've added at the end there of the first sentence
15 a parenthetical phrase, "(i.e., the San Juan Basin)".

16 Is that the one you're referring to --

17 COMMISSIONER BAILEY: Yes.

18 CHAIRMAN WROTENBERY: -- Commissioner Bailey?
19 Just as a point of clarification.

20 And with that change you have moved --

21 COMMISSIONER BAILEY: I move we adopt Rule.

22 CHAIRMAN WROTENBERY: -- that we adopt the
23 Commission order?

24 Do I hear a second?

25 COMMISSIONER LEE: (Nods)

1 CHAIRMAN WROTENBERY: All in favor, say "Aye".

2 COMMISSIONER BAILEY: Aye.

3 COMMISSIONER LEE: Aye.

4 CHAIRMAN WROTENBERY: Aye.

5 I believe these amendments to Rule 104 will be
6 effective on August 31st; is that right, Ms. Hebert?

7 MS. HEBERT: When they're published in the
8 *Register*.

9 CHAIRMAN WROTENBERY: When they're published in
10 the *Register*. And I believe the schedule is such that they
11 will be published on August 31st.

12 And I'd like to take this opportunity once again
13 to thank all of the industry representatives who
14 participated in this lengthy process of examining the
15 provisions of Rule 104 and identifying the updates and
16 revisions that we should make to those proposed rules.

17 I think the proposal is an extremely sound one
18 that will benefit both the Commission and the industry and
19 the State of New Mexico, and I thank you very much for your
20 participation in that particular effort.

21 (Thereupon, these proceedings were concluded at
22 9:16 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 August 22nd, 1999.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 14, 2002