

## NEW MEXICO OIL CONSERVATION DIVISION

COMMISSION HEARINGSANTA FE, NEW MEXICOHearing Date JULY 15, 1999 Time 9:00 A.M.

NAME	REPRESENTING	LOCATION
W. Kellishin	Kellishin Kellishin	Santa Fe
Frank Gray	Texaco E & P INC	Midland, TX
WALTER DUEFASE	MAKATHON OIL CO	MIDLAND, TX
Bill Hawkins	BP Amoco	Houston TX
Paul ROSEN	CAMPBELL, CARR, BERGEY & SHERIDAN	SANTA FE
Fred Hansen	NMOGA	SANTA FE
David Pearson	Yates	Artesia, NM
James T. Zuer	—	SF
Randy G. Patterson	Yates Petroleum	Artesia NM
Steve Smith	Santa Fe Energy	Midland
Michael Sogner	Yates	Santa Fe

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. 12,214

APPLICATION OF THE OIL CONSERVATION )  
DIVISION TO AMEND DIVISION RULE 303 TO )  
ELIMINATE THE REQUIREMENT OF NOTICE TO )  
OFFSET OPERATORS FOR DOWNHOLE )  
COMMINGLING APPLICATIONS )

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

COMMISSION HEARING

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

July 15th, 1999

Santa Fe, New Mexico

This matter came on for hearing before the Oil Conservation Commission, LORI WROTENBERY, Chairman, on Thursday, July 15th, 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

OIL CONSERVATION DIV.  
29 JUN 29 PM 1:59

## I N D E X

July 15th, 1999  
 Commission Hearing  
 CASE NO. 12,214

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\* \* \*

## E X H I B I T

Division	Identified	Admitted
Exhibit 1	5	-

\* \* \*

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

## FOR THE COMMISSION:

LYN S. HEBERT  
 Deputy General Counsel  
 Energy, Minerals and Natural Resources Department  
 2040 South Pacheco  
 Santa Fe, New Mexico 87505

## FOR THE OIL CONSERVATION DIVISION:

RAND L. CARROLL  
 Attorney at Law  
 Legal Counsel to the Division  
 2040 South Pacheco  
 Santa Fe, New Mexico 87505

\* \* \*

1           WHEREUPON, the following proceedings were had at  
2   9:00 a.m.:

3           CHAIRMAN WROTENBERY: Okay, it's 9:00 a.m. on  
4   July 15th, 1999. We're in the Oil Conservation Commission  
5   conference room in Santa Fe, New Mexico. This is a meeting  
6   of the Oil Conservation Commission.

7           I'm Lori Wrotenbery, Chairman of the Commission.  
8   To my right is Commissioner Jami Bailey representing Land  
9   Commissioner Ray Powell on the Commission, and then to my  
10   left is Commissioner Robert Lee.

11           We also have Florene Davidson the Commission  
12   Secretary, Lyn Hebert the Commission's legal counsel, and  
13   Steve Brenner is going to be recording the meeting for us  
14   today.

15           We've got one preliminary matter, and that's the  
16   minutes of the last Commission meeting on June 17th, 1999.

17           Commissioners, I believe you've seen a copy of  
18   the draft of the minutes. There was one change that we  
19   made this morning, and that was in the third paragraph of  
20   the minutes where we changed one word to reflect the fact  
21   that we took -- we discussed the notice rules at the last  
22   meeting. We didn't take any additional testimony on those  
23   at that time, so we changed one word from "testimony" to  
24   "discussion".

25           COMMISSIONER BAILEY: Sounds good to me.

1           CHAIRMAN WROTENBERY: And do I hear a motion to  
2 adopt the minutes?

3           COMMISSIONER BAILEY: I move that we adopt the  
4 minutes.

5           COMMISSIONER LEE: I second.

6           CHAIRMAN WROTENBERY: All in favor say "aye".

7           COMMISSIONER BAILEY: Aye.

8           COMMISSIONER LEE: Aye.

9           CHAIRMAN WROTENBERY: Aye.

10                           \* \* \*

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12           CHAIRMAN WROTENBERY: Okay, and that brings us to  
13 Case Number 12,214. This is the Application of the Oil  
14 Conservation Division to amend Division Rule 303 to  
15 eliminate the requirement of notice to offset operators for  
16 downhole commingling applications.

17           And Mr. Carroll, would you like to lay this one  
18 out for us?

19           MR. CARROLL: Thank you. May it please the  
20 Commission, my name is Rand Carroll, appearing on behalf of  
21 the Oil Conservation Division.

22           As the Commission knows, last month you signed an  
23 order adopting new notice requirements in OCD Rule 1207.  
24 1207.A (6) deleted the notice to offset operators for  
25 downhole commingling applications. The administrative

1 procedure found in 303 still required notice to offset  
2 operators.

3 So the changes we have proposed -- and I've  
4 marked it as OCD Exhibit Number 1 -- as you can see on page  
5 3 of Exhibit 1, and it's D (10) (c), was deleted. That's  
6 the requirement of notice to offset operators. And in (10)  
7 (a) we've just inserted the word "and". So it's (10) (a)  
8 and (b), with the deletion of (c).

9 And then on page 4, in 303.F (1), we've just  
10 deleted the words "any offset operator or". So it's  
11 limited to the interest owners in the spacing unit, and not  
12 offset operators.

13 David Catanach, a petroleum engineer and Hearing  
14 Examiner within the Division, is currently the head of a  
15 committee considering extensive changes to 303. We went  
16 ahead and made this change regarding notice for the interim  
17 and did not mess around with any of the rest of 303,  
18 because it will be rewritten.

19 So right now, we're just asking that these  
20 changes be made so that industry is clear that they don't  
21 have to notice offset operators for administrative  
22 applications for commingling applications.

23 CHAIRMAN WROTENBERY: Any questions of Mr.  
24 Carroll?

25 CHAIRMAN WROTENBERY: No.

1 COMMISSIONER LEE: (Shakes head)

2 CHAIRMAN WROTENBERY: Mr. Catanach, did you want  
3 to make any comments on this?

4 MR. CATANACH: No, I support the rule changes.

5 CHAIRMAN WROTENBERY: Is there anybody else in  
6 the audience that would like to comment on this proposal?

7 MR. KELLAHIN: Madame Chairman, I'm Tom Kellahin  
8 of the Santa Fe law firm of Kellahin and Kellahin,  
9 appearing on behalf of the New Mexico Oil and Gas  
10 Association, and we support the proposed change.

11 There's one more change, perhaps, that Mr.  
12 Carroll might want to -- (16) (f), we need to take that  
13 out.

14 MR. CARROLL: Okay, (16) (f) should be deleted.  
15 That's also on page 3 of the exhibit.

16 CHAIRMAN WROTENBERY: So we'll add an "and" after  
17 (e), delete the current (f), and then redesignate (g) as  
18 (f); is that --

19 MR. CARROLL: Yeah.

20 CHAIRMAN WROTENBERY: -- what we'll do there?

21 MR. CARROLL: I guess we'd better get Sally  
22 cracking.

23 CHAIRMAN WROTENBERY: Any other comments? Okay,  
24 we'll move on and take up the next item on our agenda, and  
25 in the meantime we can make a quick revision to the Order

1 and act on that at the end of the meeting.

2 I also should note that Florene has pointed out  
3 that this case -- there was a typo in the docket. This  
4 case appeared as 11,214, and it should have been 12,214, so  
5 we'll just correct that for the record.

6 Okay, then, Mr. Carroll, you'll give that to  
7 Sally and bring that back or -- Florene, would you mind?  
8 Thank you.

9 (Off the record at 9:10 a.m.)

10 (The following proceedings had at 9:43 a.m.)

11 CHAIRMAN WROTENBERY: While Florene is getting  
12 the revised order on the Rule 303 amendments, I should just  
13 note that we did have one case on the docket, Case 12,161.  
14 This was a *de novo* hearing on the Application of Ridgeway  
15 Arizona Oil Corporation for a unit agreement in Catron  
16 County, New Mexico.

17 This case has been continued to the August 12th  
18 meeting at the request of the parties. Okay.

19 Mr. Carroll, would you take a look a look at this  
20 revision and make sure it does what we wanted it to do?

21 I believe, Commissioners, you've had a chance to  
22 look at a draft of the Order adopting the amendment to Rule  
23 303?

24 COMMISSIONER BAILEY: Yes, I have.

25 COMMISSIONER LEE: (Nods)



1 MR. CARROLL: Yes, it does.

2 CHAIRMAN WROTENBERY: We've made one further  
3 change in the Order based on the testimony that we got, or  
4 the comments that we got here today, and that was in  
5 paragraph 16 of 303.D, and we deleted what was subparagraph  
6 (f) and renumbered the other subparagraphs accordingly.

7 Do I hear a motion to adopt the order amending  
8 Rule 303?

9 COMMISSIONER BAILEY: I so move.

10 COMMISSIONER LEE: I second.

11 CHAIRMAN WROTENBERY: Second? All in favor say  
12 "aye".

13 COMMISSIONER BAILEY: Aye.

14 COMMISSIONER LEE: Aye.

15 CHAIRMAN WROTENBERY: Aye.

16 Okay, it's done.

17 And that was everything that was on our docket  
18 today. Any further matters?

19 MS. DAVIDSON: Ridgeway.

20 CHAIRMAN WROTENBERY: I mentioned that Ridgeway  
21 had been continued to the August 12th meeting.

22 Okay, then -- Oh, I'm sorry, Mr. Carroll?

23 MR. CARROLL: Yes, Chairman Wrotenbery, on June  
24 2nd the Division held a meeting with industry regarding  
25 review of our plugging and bonding requirements --

1 CHAIRMAN WROTENBERY: Yes.

2 MR. CARROLL: -- and at that meeting the Division  
3 said it would make a report to the Commission today, July  
4 15th. That report will be deferred two months to the  
5 September Commission hearing.

6 CHAIRMAN WROTENBERY: Thank you, Mr. Carroll.

7 I think we did have a good discussion on that  
8 particular topic.

9 MR. CARROLL: Oh, yes, we did.

10 CHAIRMAN WROTENBERY: Mr. Carroll is following  
11 up, looking at whether we need to propose some changes to  
12 the statutes or the rules to address bonding and plugging  
13 issues. We'll look forward to your report.

14 Okay, thank you very much.

15 We're adjourned.

16 (Thereupon, these proceedings were concluded at  
17 9:45 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, 1999.



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STEVEN T. BRENNER  
CCR No. 7

My commission expires: October 14, 2002