

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

CASE NOS. 12,897, 12,934, 12,622 and 12,908-A

AWAITING FINAL COMMISSION ACTION

NO EVIDENCE OR TESTIMONY TAKEN

CLOSING OF SESSION FOR DELIBERATION

REPORTER'S TRANSCRIPT OF PROCEEDINGS

COMMISSION HEARING

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

November 22nd, 2002

Santa Fe, New Mexico

This matter came on for hearing before the Oil Conservation Commission, LORI WROTENBERY, Chairman, on Friday, November 22nd, 2002, 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.

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I N D E X

October 16th, 2002
 Commission Hearing
 CASE NOS. 12,897, 12,934,
 and 12,622 and 12,908-A (Consolidated)

(Awaiting final Commission Action -
 No evidence or testimony taken)

(Closing of Session for Deliberation)

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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

* * *

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

3 CHAIRMAN WROTENBERY: Looks to me like what we've
4 got here today are the Commission groupies, so I don't know
5 that we need to do the introductions. Let's just let the
6 record reflect that all three members of the Commission are
7 present. What?

8 COMMISSIONER LEE: He's recording.

9 (Laughter)

10 CHAIRMAN WROTENBERY: Do you want me to strike
11 that comment?

12 COMMISSIONER LEE: No, no.

13 CHAIRMAN WROTENBERY: Okay. We've got a couple
14 of items that I know we're ready to take action on, and we
15 might take those up first. One is Case 12,897, the
16 Application of the New Mexico Oil Conservation Division
17 through the Environmental Bureau Chief for the adoption of
18 amendments to Division Rule 118 concerning Hydrogen sulfide
19 gas.

20 Steve, do you have copies, or do the
21 Commissioners already have their copies? I've got a draft
22 final order here. And I believe, Commissioners, you've had
23 a chance to review this draft.

24 Steve, do you want to explain any aspect of this
25 draft? I'm thinking there was one other issue that had

1 come up since we discussed the matter last on -- I believe
2 it was the 27th of September, on the encroachment issue.

3 MR. ROSS: Was that not in the prior draft?
4 Anyway, the --

5 CHAIRMAN WROTENBERY: I don't believe so, no.

6 MR. ROSS: -- the six issues that we discussed
7 last time have been incorporated into this draft, based on
8 the input I thought I received during the last meeting.
9 And I don't recall if the encroachment issue was in that
10 draft or not, but it is in this one. And I'll call your
11 attention to it if I can find the page.

12 It's on page 14 of the draft order, which is, of
13 course, the Rule itself. The last sentence of 4.b
14 basically -- it's D.4.b, basically provides that should an
15 encroachment result in a potentially hazardous volume where
16 none existed previously that an operator would be required
17 to then submit a contingency plan.

18 CHAIRMAN WROTENBERY: The work group in their
19 last recommendation had crossed through this language
20 entirely. As I remember the testimony -- I believe it was
21 on September 20th when we last took testimony on it --
22 there was a concern expressed about the ability of the
23 operator to detect encroachment in all circumstances. And
24 what this language does is add the phrase "or should have
25 become aware", to try to address that concern that there

1 would be some development that was not easily discernible
2 by the operator.

3 And I think we had actually talked about that
4 perhaps at the meeting when we took the testimony, but we
5 didn't discuss it at our last meeting where we identified
6 the key issues remaining to be resolved.

7 Any questions about that?

8 COMMISSIONER BAILEY: No, I agree it needs to be
9 included.

10 CHAIRMAN WROTENBERY: Any other questions or
11 comments from the Commissioners on the draft? Any further
12 discussion?

13 COMMISSIONER BAILEY: No, I move we adopt this
14 Order.

15 COMMISSIONER LEE: Second.

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

17 COMMISSIONER BAILEY: Aye.

18 COMMISSIONER LEE: Aye.

19 CHAIRMAN WROTENBERY: Aye.

20 FROM THE FLOOR: Can we clap?

21 (Laughter)

22 CHAIRMAN WROTENBERY: I will note, there is a
23 finding in the order where we express appreciation to all
24 of the participants in the work group process and the
25 hearing process on this particular rule-making. A lot of

1 thought, a lot of effort, a lot of time went into this one,
2 and I think we're all quite pleased with the result. It
3 will have the effect of ensuring that the public is
4 protected, and I think we've worked out some mechanisms
5 here that the agency and the industry can implement
6 effectively.

7 So thank you, everybody. Wayne, it's now the day
8 after groundhog day.

9 (Laughter)

10 CHAIRMAN WROTENBERY: Anything further on this
11 one?

12 COMMISSIONER BAILEY: I don't believe so.

13 * * *

14
15 CHAIRMAN WROTENBERY: The next item is the
16 Application of the New Mexico Oil Conservation Division for
17 Repeal of Rule 402 (method and time of shut-in pressure
18 test), and this was a shorter order.

19 Do you have copies of that draft? I know they
20 were circulated to the Commissioners earlier.

21 Steve has drafted up an Order consistent with the
22 decision, really, of the Commission, or the expression of
23 the intent of the Commission at the last meeting to repeal
24 Rule 402.

25 Any discussion on the draft order?

1 COMMISSIONER BAILEY: No, I move that we adopt
2 this order.

3 COMMISSIONER LEE: Second.

4 CHAIRMAN WROTENBERY: All in favor say "Aye".

5 COMMISSIONER BAILEY: Aye.

6 COMMISSIONER LEE: Aye.

7 CHAIRMAN WROTENBERY: Aye.

8 Okay, and thank you, Mr. Brooks and Mr. Ezeanyim
9 and Mr. Foppiano, for your assistance in this particular
10 rule-making.

11 * * *

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13 CHAIRMAN WROTENBERY: And then we do have a draft
14 order in Cases Number 12,622 and 12,908-A, the Applications
15 of Nearburg Exploration Company, L.L.C., for two
16 nonstandard gas spacing and proration units and the
17 Application of the Oil Conservation Division for an order
18 creating, designating and extending the vertical and
19 horizontal limits of certain pools in Lea County, New
20 Mexico, what we've been calling the Nearburg case.

21 And I believe we need to deliberate a little bit
22 further on some of the provisions in this draft order, but
23 we'll move that to the end of our agenda today.

24 (Off the record at 9:12 a.m.)

25 (The following proceedings had at 11:36 a.m.:)

1 CHAIRMAN WROTENBERY: And I believe that gets us
2 to the point where I'll entertain a motion that the
3 Commission go into closed executive session in order that
4 we may deliberate in connection with any administrative
5 adjudicatory proceeding pending before the Commission.

6 COMMISSIONER BAILEY: I so move.

7 COMMISSIONER LEE: Second.

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

9 COMMISSIONER BAILEY: Aye.

10 COMMISSIONER LEE: Aye.

11 CHAIRMAN WROTENBERY: Aye.

12 (Off the record at 11:37 a.m.)

13 (The following proceedings had at 12:35 p.m.)

14 CHAIRMAN WROTENBERY: Okay, I'll entertain a
15 motion that we go back into open session.

16 COMMISSIONER BAILEY: I so move.

17 COMMISSIONER LEE: Second.

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

19 COMMISSIONER BAILEY: Aye.

20 COMMISSIONER LEE: Aye.

21 CHAIRMAN WROTENBERY: Aye. And for the record,
22 the only matters that were discussed while the Commission
23 was in executive session were the Nearburg case, Cases
24 12,622 and 12,908-A, and then we also spent a moment
25 talking about Case 12,734, the Application of Richardson

1 Operating Company to establish a special "infill well" area
2 within the Basin Fruitland Coal Gas Pool in San Juan
3 County, New Mexico.

4 And Commissioners, I believe we do have a draft
5 order in the Nearburg Case that is ready for consideration
6 of approval. Have you had a chance to review this draft
7 order?

8 COMMISSIONER BAILEY: Yes, I have, and I move
9 that we adopt that order.

10 COMMISSIONER LEE: Second.

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

12 COMMISSIONER BAILEY: Aye.

13 COMMISSIONER LEE: Aye.

14 CHAIRMAN WROTENBERY: Aye. Okay, that completes
15 our work in that matter.

16 And just for the record, I will note that Case
17 12,734, the Application of Richardson Operating I referred
18 to a moment ago, is being continued to the Commission
19 Hearing on December 13th, 2002, at which point I think
20 we'll be ready to at least consider adopting final order in
21 that case.

22 And then I'll also note, since it was on the
23 agenda, that Case 12,969, the Application of the New Mexico
24 Oil Conservation Division through the Environmental Bureau
25 Chief for repeal of Rules 18, 105 and 313 and adoption of a

1 new Rule regulating pits, has been continued indefinitely.

2 Are there any other matters that the Commission
3 needs to discuss at this time?

4 I don't believe so, so I'll entertain a motion to
5 adjourn.

6 COMMISSIONER BAILEY: I so move.

7 COMMISSIONER LEE: Second.

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

9 COMMISSIONER BAILEY: Aye.

10 COMMISSIONER LEE: Aye.

11 CHAIRMAN WROTENBERY: Aye. We're done, thank you
12 very much.

13 (Thereupon, these proceedings were concluded at
14 12:37 p.m.)

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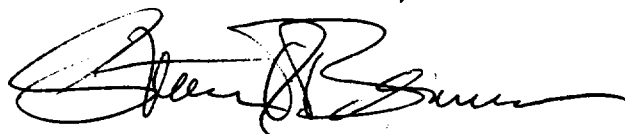
CERTIFICATE OF REPORTER

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 November 26th, 2002.



STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 16th, 2006