# NEW MEXICO OIL CONSERVATION COMMISSION

COMMISSION HEARING

SANTA FE, NEW MEXICO

Hearing Date SEPTEMBER 21, 1989 Time: 9:00 A.M.

| NAME | REPRESENTING | LOCATION |
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STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION COMMISSION
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO

21 September 1989

COMMISSION HEARING

IN THE MATTER OF:

In the matter of the hearing called by the Oil Conservation on its own motion to amend Rules 0.1, 106, 111, 117, 118, 301, 303, 309-C, 503, 505, 506, 509, 1100, 1113, 1122, and 1304 of the General Rules and Regulations for the New Mexico Oil Conservation Division. CASE 9768

BEFORE: William J. Lemay, Chairman
William W. Weiss, Commissioner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Division: Robert G. Stovall
Attorney at Law
Legal Counsel to the Division
State Land Office Building
Santa Fe, New Mexico

# I N D E X



## E X H I B I T S

MR. LEMAY: We'll now call Case Number 9768.

Case Number 9768, in the matter of the hearing called by the Oil Conservation Division on its own motion to amend Rules 0.1, 106, 111, 117, 118, 301, 303, 309-C, 503, 505, 506, 509, 1100, 1113, 1122, and 1304 of the General Rules and Regulations for the New Mexico Oil Conservation Division.

These changes are primarily to clarify language and do not change the impact of the rules.

Appearances in Case 9768.

MR. STOVALL: Robert G. Stovall of Santa Fe, New Mexico, on behalf of the Oil Conservation Division.

MR. LEMAY: Mr. Stovall. Are there any other appearances in this case?

MR. STOVALL: I have one witness.

MR. LEMAY: Okay, if that witness will stand and be sworn in.

(Witness sworn.)

VICTOR T. LYON,

being called as a witness and being duly sworn upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. STOVALL:

Q Please state your name and place of employment.

A I'm Victor T. Lyon, Chief Engineer for the Oil Conservation Division.

Q Have you testified before this Commission and had your qualifications accepted as a matter of record?

A Yes, I have.

Q And are you familiar with the application in this case?

A Yes, I am.

Q Would you please describe the background of how this application came about and the purpose of the application?

A From time to time it's necessary for us to print additional copies of our rules and regulations and it has got to the point that there are -- we've noticed a large number of small, insignificant changes which need to be made, but also including the changes in the statute

which we thought should be incorporated into any future printings of the -- of the rules, and in contemplation of that I went through the entire set of rules and made notations as to those changes which obviously need to be made.

Q Now, what is -- what is the nature of most of those changes?

A Most of them are correction of words. In one case there is the repeat of a line which should be eliminated, and there are some changes, such as the rules refer to U. S. Geological Survey and that is now the U. S. Bureau of Mines.

It also refers to the --

Q Excuse me, Mr. Lyon, is that U. S. Bureau of Mines or Bureau of Land Management?

A Bureau of Land Management, excuse me. Thank you for correcting it.

And also, the name of our department has changed from New Mexico Minerals -- or Energy and Minerals to New Mexico Energy, Minerals and Natural Resources, and those changes certainly should be made.

Q Let me ask you, have you before you what has been identified as Exhibit One in this case?

A Yes.

MR. STOVALL: At this time --

would you now go through Exhibit One and identify what has been -- tell the Commission about the more significant, what you consider significant changes, which actually change words or correction, major word corrections other than just punctuation and spellings?

A All right. The first change in the definitions changes the word "prorationing" to "proration", since "prorationing" is not the proper word and "proration" is.

The second one is the change from "Oil Conservation Division of the New Mexico Energy and Minerals Department" to the "Energy, Minerals and Natural Resources Department."

The next one, the proration period, the definition does not conform to our current usage of the proration period. In Order R-8170 proration period is defined as the 12-month period beginning April 1st and which is clearly inconsistent with this definition; however, if we were to change it to April 1st, it -- and we for some reason made another change in the proration period, then it would be inconsistent again, and therefore I added the language "or other period designated by general or special order of the Division."

Q Are there any other significant changes in the definitions?

A Well, on the second page, Rule 118, it seems that it is a little awkward in the 1, 2, 3, 4, fifth line down, it reads much more clearly if we just add "$H_2S$" in there and I'm not sure whether the period -- the comma preceding that should be in there. There is a phrase after it says, "The operator of a lease producing, or a gas processing plant handling, $H_2S$ . . .".

I think probably we can eliminate that comma and it would be --

Q And that particular thing is over and above the changes that have been marked on the exhibit, is that correct?

A Yes.

On the third page, Rule 301, the rules use the term "proration department". We really don't have a proration department. I think what -- what they had had in mind when they wrote that was that each district office has a proration group who handle certain functions and it just seemed more appropriate to strike that "proration department" and put in "Division".

Q And Division, as defined in the rule refers to the general -- to the Oil Conservation Division, is that correct?

A Yes.

Q Continue, please.

A All right. Toward the bottom of the page, the second paragraph of Rule 303-B, there was a repeated line in there and it made it very awkward to read and it's much better when you take that line out.

The last paragraph is a substitute of "Bureau of Land Management" for "geological survey".

On the next page, Rule 503, obviously it was a typographical error but I'm sure that they intended to say 100 percent rather than 10 percent because we've been at 100 percent for the last eight or nine years.

In Rule 505 the word "available" did not seem to fit in there and I'm not sure what the original intent was, but "appropriate" seems to be much more appropriate in this case.

On the next page, Rule 509, paragraph 2, obviously the word "allowable" had been left out of the rule and should be placed back in there.

And on the last page, the first paragraph, when that rules was written we did not have the "Gas Well Testing Manual for Northwest New Mexico". We now have that and I think it is appropriate to insert that additional manual in there in this rule.

Q Do you have anything further to add with respect to the proposed rule changes in this case?

A No, I think not.

Q And Exhibit One was prepared by you or under your supervision and you've reviewed it for accuracy?

A Yes.

MR. STOVALL: Move the admission of Exhibit One and have nothing further to offer in this case.

MR. LEMAY: Without objection Exhibit One will be admitted into the evidence.

Are there additional questions of the witness?

Did you qualify the witness earlier?

MR. STOVALL: Yes.

MR. LEMAY: If not, the witness may be excused.

Is there anything additional in Case 9768?

MR. STOVALL: No, nothing further in this case.

MR. LEMAY: Does anyone have any testimony, comments, statements, for Case 9768?

If not, the Commission will take Case 9768 under advisement.

(Hearing concluded.)

C E R T I F I C A T E

I, SALLY W. BOYD, C. S. R. DO HEREBY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division (Commission) was reported by me; that the said transcript is a full, true and correct record of the hearing, prepared by me to the best of my ability.

Sally W. Boyd CSR