plans for disposal of [illegible]
produced water and other oil field
fluids.

Application - - -

To amend Rule 102 to provide for notice to landowners and/or tennants prior to the staking of well locations.

Application - -

To amend Rules 108 and 113 to provide for notice of detective casing and/or damage to casing, cement, or the formation as the result of well treatment.

Application

To delete Rule 308 in order to clarify the need for reporting of small volumes of produced water.

Application

To amend Rule 111 to provide for operator calculation of maximum bottomhole displacement during drilling when the deviation averages more than five degrees in any 500-foot interval.

Case 8649

Application to renumber and amend Rule 1207 and to promulgate as

To amend Rule 1204 and Rule 1205 to delete prompt Rule 1206, renumber Rule and create new Rule 1207. Applicant in the above styled cause seeks to amend its rules relative to giving notice of hearings and to establish additional notice requirements for applicants for hearings.

Copies of the proposed rule changes, deletions, and new rules are available at the Oil Conservation Division offices in Santa Fe, Hobbs, Artesia, and Aztec.

OFFICE PHONE 746-9336

HOME PHONE 746-9056

ROBERT E. BOLING

EXPLORATION CONSULTANT

305 SOUTH FIFTH STREET

ARTESIA, NEW MEXICO - 88210

June 16, 1987

Case 8649

New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87504-2088

Attention: Mr. Bill LaMay, Director

Re: Request that Notice provisions be corrected

Gentlemen:

The present Notice provisions required for administrative approval for a salt water disposal well are inconsistent, amgiguous and incomplete and should be corrected as soon as possible.

A copy of the C-108 is enclosed. You will note that it provides "Surface owners or offset operators must file any objections or requests for hearing of administrative applications within 15 days from the date this application was mailed to them." This should be 15 days from the date the application is received by surface owners or offset operators.

A copy of page I-1 of the Oil Conservation Division Rules and Regulations is enclosed. Paragraph C. Hearings, says "If a written objection to any application for administrative approval of an injection well is filed within 15 days after receipt of a complete application, ..." This does not set out who has to receive the application before the 15-day time period. This rule should provide for 15 days after receipt by the surface owner or offset operator.

The above ambiguous rules recently cost me $7,500, which was ridiculous, and I respectfully request they be corrected at once.

Please let me know when you think this problem will be corrected.

Yours very truly,

Robert E. Boling

Robert E. Boling

REB:scp

III. WELL DATA

A. The following well data must be submitted for each injection well covered by this application. The data must be both in tabular and schematic form and shall include:

(1) Lease name; Well No.; location by Section, Township, and Range; and footage location within the section.

(2) Each casing string used with its size, setting depth, sacks of cement used, hole size, top of cement, and how such top was determined.

(3) A description of the tubing to be used including its size, lining material, and setting depth.

(4) The name, model, and setting depth of the packer used or a description of any other seal system or assembly used.

Division District offices have supplies of Well Data Sheets which may be used or which may be used as models for this purpose. Applicants for several identical wells may submit a "typical data sheet" rather than submitting the data for each well.

B. The following must be submitted for each injection well covered by this application. All items must be addressed for the initial well. Responses for additional wells need be shown only when different. Information shown on schematics need not be repeated.

(1) The name of the injection formation and, if applicable, the field or pool name.

(2) The injection interval and whether it is perforated or open-hole.

(3) State if the well was drilled for injection or, if not, the original purpose of the well.

(4) Give the depths of any other perforated intervals and detail on the sacks of cement or bridge plugs used to seal off such perforations.

(5) Give the depth to and name of the next higher and next lower oil or gas zone in the area of the well, if any.

XIV. PROOF OF NOTICE

All applicants must furnish proof that a copy of the application has been furnished, by certified or registered mail, to the owner of the surface of the land on which the well is to be located and to each leasehold operator within one-half mile of the well location.

Where an application is subject to administrative approval, a proof of publication must be submitted. Such proof shall consist of a copy of the legal advertisement which was published in the county in which the well is located. The contents of such advertisement must include:

(1) The name, address, phone number, and contact party for the applicant;

(2) the intended purpose of the injection well; with the exact location of single wells or the section, township, and range location of multiple wells;

(3) the formation name and depth with expected maximum injection rates and pressures; and

(4) a notation that interested parties must file objections or requests for hearing with the Oil Conservation Division, P. O. Box 2088, Santa Fe, New Mexico 87501 within 15 days.

NO ACTION WILL BE TAKEN ON THE APPLICATION UNTIL PROPER PROOF OF NOTICE HAS BEEN SUBMITTED.

NOTICE: Surface owners or offset operators must file any objections or requests for hearing of administrative applications within 15 days from the date this application was mailed to them.

I. SECONDARY OR OTHER ENHANCED RECOVERY, PRESSURE MAINTENANCE, SALT WATER DISPOSAL, AND UNDERGROUND STORAGE

RULE 701. INJECTION OF FLUIDS INTO RESERVOIRS

A. Permit for Injection Required

The injection of gas, liquefied petroleum gas, air, water, or any other medium into any reservoir for the purpose of maintaining reservoir pressure or for the purpose of secondary or other enhanced recovery or for storage or the injection of water into any formation for the purpose of water disposal shall be permitted only by order of the Division after notice and hearing, unless otherwise provided herein.

B. Method of Making Application

1. Application for authority for the injection of gas, liquefied petroleum gas, air, water or any other medium into any formation for any reason, including but not necessarily limited to the establishment of or the expansion of water flood projects, enhanced recovery projects, pressure maintenance projects, and salt water disposal, shall be by submittal of Division Form C-108 complete with all attachments.

2. The Applicant shall furnish, by certified or registered mail, a copy of the application to the owner of the surface of the land on which each injection or disposal well is to be located and to each leasehold operator within one-half mile of the well.

3. Administrative Approval

If the application is for administrative approval rather than for a hearing, it must also be accompanied by a copy of a legal publication published by the applicant in a newspaper of general circulation in the county in which the proposed injection well is located. (The details required in such legal notice are listed on Side 2 of Form C-108).

No application for administrative approval may be approved until 15 days following receipt by the Division of Form C-108 complete with all attachments including evidence of mailing as required under paragraph 2 above and proof of publication as required by paragraph 3 above.

In no objection is received within said 15-day period, and a hearing is not otherwise required, the application may be approved administratively.

C. Hearings

If a written objection to any application for administrative approval of an injection well is filed within 15 days after receipt of a complete application, or if a hearing is required by these rules or deemed advisable by the Division Director, the application shall be set for hearing and notice thereof given by the Division.

Amoco Production Company

Denver Region
1670 Broadway
P.O. Box 800
Denver, Colorado 80201
303-830-4040

Gary L. Paulson
Attorney

August 16, 1985

New Mexico Oil & Gas Association
1227 Paseo de Peralta
P.O. Box 1864
Santa Fe, N.M. 87504-1864

Attention: W. Thomas Kellahin

Re: New Mexico Oil Conservation Commission Rule Changes
Case 8649

Dear Tom:

In response to your letter of August 13, 1985, we would offer the following comments concerning the most recent Rule 1207 Proposal.

1. In Subsections (a)(1) through (a)(8) the rule requires that "actual notice" be given to specified individuals. It is further provided that "such notice . . . shall be given by certified mail (Return Receipt Requested)". It is not, however, made clear that the act of placing the Notice in the mail in the manner specified shall constitute "actual notice". We are concerned that the use of the term "actual" might well be construed by the Court to mean that the Notice must actually be received by the targeted party to be effective. Therefore, if an individual wished to thwart an Applicant's efforts, he could simply refuse to accept the Certified Mail. At a minimum, this would make the Order ineffective as to that individual and could arguably render the entire Order voidable.

2. Subsection (a) (9) would require Notice to be given to all persons whose "property interest. . . may [be] affect[ed]. . .". This subsection would apply to all Applications not specifically listed in Subsections (a)(1) through (a)(8). The reality of the situation is that the class of persons to whom this requirement would mandate the sending of Notice might be quite large, and the Applicant could never be certain that he had given Notice to all such persons. A surface owner several sections away whose property bordered the access road leading to the drill site could legitimately claim that his property interest might be affected by the increased traffic on the road and, thus, that he should have been entitled to Notice. The ultimate effect of this type of provision would be to render every border voidable and, thus, to prevent any such Applicant from ever possessing the certainty that his Order was entered with the requisite jurisdiction and finality.

I would suggest that these problems might be corrected by the following changes:

1. In Subsections (a)(1) through (a)(8) the language should be amended to provide that "such actual notice shall be provided by Certified Mail (Return Receipt Requested) and shall be complete upon the placing of the Notice in the mails."

2. Subsection (a)(9) should be revised to read as follows:

> In cases of Applications not listed above, the outcome of which may effect a property interest of other individuals or entities; actual notice will be given, to those individuals and entities whose names and addresses are known to the Applicant, by Certified Mail (Return Receipt Requested) and this additional Notice, together with the published Notice given pursuant to Rule 1204 shall constitute actual Notice upon placing of the Notices in the mail.

Thank you for your courtesy and cooperation in this matter.

Yours very truly,

Gary L. Paulson

GLP:lls

cc: Charles Boyce
Charles Krol

ARCO Oil and Gas Company
Legal Department
Post Office Box 2819
Dallas, Texas 75221
Telephone 214 880 5182

Ronald T. Sponberg
Senior Attorney

August 19, 1985

New Mexico Oil & Gas Association
1227 Paseo De Peralta
P.O. Box 1864
Sante Fe, New Mexico 87504-1864

Attention: Mr. W. Thomas Kellahin
Repetoire Practices Committee

RE: New Mexico Oil Conservation Commission
Notice of Hearing Rule Changes (Case 8649)

Gentlemen:

In response to your letter dated August 13, 1985, concerning the above-captioned subject, this is to advise that ARCO Oil and Gas Company has two objections to the proposed Hearing Rule Changes which were attached to such letter.

First, in connection with Rule 1207(a)2, ARCO Oil and Gas Company believes that all operators of an off-setting spacing unit or owners of an undrilled lease abutting the tract on which an unorthodox well location is proposed should be notified by certified mail of the application for the approval of such an unorthodox well location. ARCO Oil and Gas Company does not believe that providing such notice only to the operator of the off-setting spacing unit or owner of an undrilled lease to which the proposed location is closer than the closest standard location is sufficient, because, depending on the configuration of the reservoir, it is possible that an operator of another off-setting spacing unit may be adversely affected even though the well is actually the standard distance from the property line of such other off-setting operator.

Second, with respect to Rule 1207(b), ARCO Oil and Gas Company would prefer that the rule be revised to eliminate the requirement that the applicant explain the means by which protest may be made in the notices which are required by Rule 1207. An applicant may inadvertently state the incorrect protest procedure causing confusion and presenting possible grounds for invalidating a proceeding. It may be preferable merely to require an applicant to advise all noticees that they should apprise themselves of the protest procedure established by the Oil Conservation Commission or Division.

Very truly yours,

Ronald T. Sponberg

RTS:bee

cc: Mr. David Douglas - 554 MIO/Midland
Mr. G. H. Hoff - 3049 DT/Denver
Ms. Livvy Roth - 20-086 DAB/Dallas

KELLAHIN and KELLAHIN
Attorneys at Law
El Patio - 117 North Guadalupe
Post Office Box 2265
Santa Fe, New Mexico 87504-2265

Jason Kellahin
W. Thomas Kellahin
Karen Aubrey

Telephone 982-4285
Area Code 505

August 26, 1985

RECEIVED
AUG 26 1985
OIL CONSERVATION DIVISION

Mr. Richard L. Stamets
Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87504

"Hand Delivered"

Re: New Mexico Oil Conservation Commission
Rule Change Hearing
NMOCC Case 8649

Dear Mr. Stamets:

Subsequent to the July 10, 1985, hearing on the above referenced rule changes, you provided me with a draft of possible notice rule changes.

I have circulated that proposal to members of the Regulatory Practice Committee of the Oil & Gas Association. As of today, I have received telephone comments and the enclosed letters, one from Mr. Paulson dated August 16, 1985, and one from Mr. Sponberg dated August 19, 1985.

The telephone comments follow the points raised by Mr. Paulson in which I also concur.

I will forward any other comments I receive to you for consideration.

Very truly yours,

W. Thomas Kellahin

WTK:ca
Enc.

cc: Ronald T. Sponberg, Esq.
Gary L. Paulson, Esq.
Peter Hanagan, Esq.

Texaco USA
Producing Department

PO Box 3109
Midland TX 79702

September 17, 1985

New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Attention: Mr. R. L. Stamets

Gentlemen:

Reference is made to Case No. 8649, continued from July 10, 1985. Texaco supports the Commission in its efforts to develop effective and reasonable hearing notice requirements. It is believed that the current proposal generally meets those standards, with only a few major exceptions. Specific recommendations are as follows:

In Rule 1207(a), subsection no. 7, an applicant would be required to determine the impact of its request(s) on royalty owners as well as on working interest owners. If any such impact(s) existed, the applicant would have specified royalty owner notification obligations. In promulgating such rules, the Commission would be regulating matters that are properly contractual between lessor and lessee (and over which it should not attempt to establish jurisdiction). It is therefore recommended that this subsection be reworded as follows:

> "7. In the case of any other application which will, if granted, alter any working interest owner's percentage interest in an existing well: actual notice shall be given to the working interest owners in such existing well. Such notice shall be provided by certified mail (return receipt requested)."

The "catch-all" notification requirements in proposed Rule 1207(a), subsection no. 9, are so sweeping that they defy compliance. Virtually every application made to the Commission may conceivably, in some obscure manner, affect some other person's property interest (or the lack thereof). Also the term "property interest" includes royalty interest owners, to whom the arguments for exclusion made in the preceeding paragraph apply. Instead of trying to cover every possible unforeseen contingency with a three-line rule, the Commission should amend its rules as new situations and needs arise. It is therefore recommended that this subsection be deleted.

Paragraph (b) of proposed Rule 1207 relates to the method of compliance with the notification requirements set out in paragraph (a). These requirements may, at times, be next to impossible to

fully satisfy because of a lack of recorded information regarding ownership or owners' addresses. This is particularly true with regard to the royalty interest owner notification requirements in proposed Rule 1207(a), subsection no. 1, as well as those other royalty interest owner notifications for which objection has been previously stated. As a practical matter, an applicant should not be required to do more than search the county property ownership and/or oil and gas lease records for this information, since a conscientious operator should be expected to file a copy of the lease or a memorandum of lease with the county clerk. It is recommended that proposed 1207(b) read:

> "(b) Any notice required by this rule shall be to the last known address of the party to whom notice is to be given, as recorded in the county property ownership and/or oil and gas lease records, at least 20 days prior to the date of hearing of the application, and shall apprise such party of the nature and pendency of such action and the means by which protests may be made."

There is a strong implication in paragraph (c) of proposed Rule 1207, reinforced by remarks by Commission witnesses at the July 10 hearing, that a diligent good-faith notification effort by the applicant would satisfy the requirements of this Rule. This is extremely important, since there will be instances when an applicant will be unable to locate a person to whom notice should be given. It needs, therefore, to be clearly stated in the rule itself. It is recommended that the last subparagraph of paragraph (c) read:

> "Evidence of failure by the applicant to make a good-faith diligent effort to provide notice as provided in this rule may, upon a proper showing, be considered cause for reopening the case."

Yours very truly,

Allan W. Dees

Allan W. Dees
Regulatory Compliance Manager

AWD:cjc

Texaco USA
Producing Department

PO Box 3109
Midland TX 79702

September 17, 1985

New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Attention: Mr. R. L. Stamets

Gentlemen:

In light of the Commission's reopening of Case No. 8645 (to amend Rule No. 102), Texaco reiterates its opposition to the proposed regulatory requirement for operator notification to landowners and/or tenants prior to the staking of a well location. No matter how reasonable and desirable this proposal may seem, it nevertheless exceeds the statutory charge to, and authority of, the Oil Conservation Division. It therefore should not be made a part of the Commission's regulations.

Even if there were a statutory basis for this new regulation, Texaco would oppose it as being impractical. While we customarily contact the landowner of record before actual work on a location is begun, we can see no reason why he needs to be located and notified before a well is staked. For various reasons, the originally staked location is often not where the well is ultimately drilled (if it ever is drilled). Furthermore, there may be considerable delay between the time a well is staked and the time location preparation begins. This may make it necessary for the operator to have to notify the landowner a second time (or third time, if the stake has been moved) for the same location.

Finally, Texaco fails to see any reason why an operator should be required to notify both a landowner of record and his tenant. We believe that any notification to a tenant is the obligation of the landowner rather than the operator.

It is therefore recommended that the unnecessarily burdensome landowner/tenant notification requirements of proposed Rule 102(c) be deleted.

Yours very truly,

Allan W. Dees
Regulatory Compliance Manager

AWD:cjc

DOYLE HARTMAN
Oil Operator
500 N. MAIN
P.O. BOX 10426
MIDLAND, TEXAS 79702
(915) 684-4011

October 1, 1985

State of New Mexico
Energy and Minerals Department
Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87501

Attention: Mr. Richard L. Stamets
Director

Re: NMOCD Case No. 8649

Gentlemen:

Reference is made to the proposed rule making under the above-noted case number 8649 involving notice to be given under various situations.

Although a hearing has been held on this matter, we do not believe that sufficient time has been allowed operators of present and future wells in New Mexico to properly prepare and appear at a formal hearing. The rule modifications proposed in Case 8649 can be construed as being extremely complex from the standpoint of the actual operators of New Mexico oil or gas wells and could create an extremely burdensome, time consuming, expensive, and possibly impossible situation to comply with such rule changes.

We therefore respectfully request either of the following:

1. That Case No. 8649 be re-opened and a new hearing date be set; OR,

2. At the least, we request that the time for comments be extended for 60 days.

Thank you for your consideration and please advise should we need to do anything further regarding our requests.

Very truly yours,

Doyle Hartman

DH/mh

Texaco USA
Producing Department

PO Box 3109
Midland TX 79702

October 1, 1985

New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Attention: Mr. R. L. Stamets

Gentlemen:

Reference is made to Case No. 8649, a continued hearing held on September 18, 1985. Texaco has reviewed the Commission's recommended hearing notice requirements in cases of applications for approval of unorthodox well locations (set out in the Rule 1207(a)(2) proposal), together with the comments made by Arco and Cities Service at the subject hearing. With one exception, Texaco supports the notice requirements recommended by the Commission. Texaco recommends that notice of application for hearing on an unorthodox well location be provided to any operator of an offsetting spacing unit, or owner of an offsetting undrilled lease, when the location is unorthodox by virtue of its proximity to another well in the same spacing unit.

Texaco's recommendation would prevent an operator from bypassing normal notice requirements for such an unorthodox well location by requesting a hearing instead of administrative approval. The proposed revision would provide notice to those offsetting operators who could reasonably be expected to be affected by an applicant's attempt to cluster producers in the best part of the lease and gain an unfair advantage in the ability to produce (and thus drain those offsetting operators). Recommended language for this Rule is as follows:

> "Actual notice shall be given to any operator of an offsetting spacing unit or owner of an offsetting undrilled lease to which the proposed location is closer than the closest standard location; or, if the proposed well is unorthodox by virtue of its proximity to another well or wells within the same spacing unit, to any operator of an offsetting spacing unit or owner of an offsetting undrilled lease; and, if the

proposed well lies within or offsets a Division designated potash area subject to special rules, any potash operator within one mile of the proposed location. Such notice shall be given by certified mail (return receipt requested)."

Texaco does not support the Cities Service recommendations regarding proposed Rules (a) 4 and 5. The Commission proposals in this regard appear to be adequate, and it is recommended that these be adopted.

Yours very truly,

Allan W. Dees

Allan W. Dees
Regulatory Compliance Manager

AWD:cjc

Texaco USA
Producing Department

P O Box 3109
Midland TX 79702

October 1, 1985

New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Attention: Mr. R. L. Stamets

Gentlemen:

Reference is made to Case No. 8645, continued to October 17, 1985. Texaco objects to the proposal by an operator that Rule 102 be amended to require notice, to the operator of any other well on a 40-acre tract, by the operator of a new well proposed to be drilled on such a tract. The Commission's regulations are adequate to provide reasonable spacing between such wells under normal circumstances. When conditions make an exception to these regulations appropriate, there is already adequate provision for notice to other operators, either in place or currently proposed by the Commission. The subject proposal for additional notice is thus unnecessary and should not be adopted.

Yours very truly,

Allan W Dees

Allan W. Dees
Regulatory Compliance Manager

AWD:cjc

Rec'd 10/2/85
BLL

DANIEL S. NUTTER

REGISTERED PETROLEUM ENGINEER

PETROLEUM CONSULTATION AND STATE AND FEDERAL REGULATORY SERVICES

105 EAST ALICANTE

SANTA FE, NEW MEXICO 87501

PHONE (505) 982-0757

October 1, 1985

Mr. Richard L. Stamets, Director
New Mexico Oil Conservation Division
Post Office Box 2208
Santa Fe, New Mexico 87501

Re: OCC Case 8649

Dear Mr. Stamets:

Case No. 8649, which is for the purpose of considering the amendment of certain of the OCD's rules regarding applying for hearings, was originally heard by the Commission on July 10, 1985, and was continued to September 18, 1985, at which time additional testimony was taken. The case was then taken under advisement and the record left open for a period of two weeks for interested parties to submit written comments, for which I thank you. The purpose of this letter is to convey to you certain of my thoughts and comments regarding this case, and will be confined to your proposed Rule 1207, Alternative No. 1.

Sub-section 1: Compulsory pooling or statutory unitization

No comment; I believe it is fully appropriate to require notice by certified mail, return receipt requested, in all cases involving statutory unitization or compulsory pooling.

Sub-section 2: Unorthodox locations

While I do not subscribe to the theory that individual notice is necessary or should be required, I believe that if this rule requiring individual notice is adopted, the notice should be given only to those offsetting operators who are actually affected. One positive manner by which to determine who is affected is simply to see who has property within the radius of the well's influence as determined by the allowed distance from the property line for a well drilled at a standard location for the pool. In other

words, if the location is in a pool wherein 660-foot locations are required, and the unorthodox location is less than 660 feet from the tract boundary, then the notice should be given to any operator whose lease is within 660 feet of the proposed location, be he a diagonal or direct offset. To eliminate the type of situation ARCo brought up at the last hearing, in pools with rectangular spacing and proration units, notice would be required to be given to any operator within the maximum footage distance required for a standard location in that specific pool, e.g. in a deep gas pool with 660-1980 locations, notice would be required to any operator within 1980 feet of the proposed location. In those pools requiring staggered locations in alternate tracts, such as the Blanco Mesaverde Pool and a number of 80-acre oil pools, notice should be required to all operators offsetting the tract (the 160-acre tract in pools such as the Blanco Mesaverde and the 40-acre tract in pools such as the 80-acre oil pools mentioned above) upon which it is proposed to drill the off-pattern well.

While it is not simple nor particularly brief to do so, I believe that the rule can be written so that anyone can understand it and know exactly what is expected--possibly something similar to the following:

"2. In cases of applications for approval of unorthodox locations less than the minimum required distance from the outer boundary of the spacing unit:

"Actual notice shall be given to any operator of an offsetting spacing unit or to the owner of an undrilled lease falling within the following radii of the proposed unorthodox location:

Minimum Distance Required for Standard Location	Notice Required To Be Given To Owners or Operators Within:
330'- 330'	330'
660'- 660'	660'
790'- 790'	790'
990'- 990'	990'
660'-1980'	1980'
1650'-1650'	1650'

"In addition to the above, when an application is for an unorthodox location which is off-pattern, i.e., not in the specified quarter-quarter section or quarter section as required by certain special pool rules, actual notice shall be given to any

operator of an offsetting spacing unit or to the owner of of any undrilled lease which would comprise, or be a part of, an offsetting spacing unit, which spacing unit offsets, either directly or diagonally, the off-pattern quarter-quarter section or quarter section upon which the proposed well would be drilled.

"If any proposed location is within or offsets a Division-designated potash area, actual notice shall, in addition to the above, also be given to any potash operator within one mile of the proposed location.

"Actual notice for purposes of this sub-section 2 shall be by certified mail, return receipt requested."

Sub-section 3: Non-standard proration units

I do not subscribe to the theory that actual notice is necessary or should be required. Otherwise, no comments.

Sub-section 4: Special pool rules

I do not subscribe to the theory that actual notice is necessary or should be required. However, if this requirement is adopted, I would endorse Mr. Hocker's suggestion at the last hearing that actual notice would be given to "operators <u>of wells</u>" within the pool or within one mile thereof.

Sub-section 5: Special rules in the potash area

Actual notice not necessary nor should it be required. However if it is, I do not comprehend the necessity of giving the potash operators their notice by certified mail when only regular mail is required in sub-section 4 above. There is really not that much difference in adopting or amending special oil or gas pool rules and potash area rules. Regular mail should be sufficient, and you would be consistent.

Sub-section 6: Downhole Commingling; No comment

Sub-section 7: This sub-section appears to me to be aimed at any case which would affect any working interest or royalty interest owner's interest in any well in any pool, and requires notice by certified mail, return receipt requested. I believe that any case to consider changing the spacing in a pool, for example, probably does this, and yet

the adoption or amendment of special pool rules requires notice only by regular mail. This sub-section should be dropped, especially in view of the catch-all sub-section 9.

Sub-sections 8 and 9: No comment

In addition to the above observations and suggestions, permit me to say that I would hope that the terms "operators", "oil or gas operators" and "operators of spacing units" as used in these proposed rules would be interpreted broadly enough so that notice to these would also constitute notice to non-operating working interest owners. I believe this should be spelled out in the order, at least in the findings, so that at some future date the question as to who it was intended should have received the notice and did not may be resolved.

With regard to the catch-all subsection 9, if it is your intent that operators are resposible for looking out for the interest of their royalty owners as they protect their own interests and correlative rights, this too should be spelled out in the order, at least in the findings, so as to preclude any future questions as to intent.

Again let me thank you for the opportunity of offering these comments.

Very truly yours,

Daniel S. Nutter, P.E.

DSN:ms