

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

CASE NO. 9134
Order No. R-8054-A

IN THE MATTER OF THE APPLICATION
OF THE OIL CONSERVATION COMMISSION
TO AMEND RULE 1207(a) OF ITS RULES
OF PROCEDURE.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9:00 a.m. on November 19, 1987 at Santa Fe, New Mexico before the Oil Conservation Commission.

NOW, on this 17th day of December, 1987, the Commission, having considered the testimony presented and the exhibits received at said hearing, and being otherwise fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) Section 70-2-7 NMSA 1978 of the Oil and Gas Act (Chapter 234 of the Laws of 1987) provides that the Division (or Commission) shall prescribe its rules of procedure for hearings.

(3) Rule 1207 of the "Rules and Regulations of the Oil Conservation Division" sets forth the requirements that applicants must follow in giving notice to prospective parties to cases brought before the Division or Commission.

(4) Rules 1207(a) 1 through 6 set forth the specific notice requirements for cases involving compulsory pooling, unorthodox well locations, non-standard proration units, special pool rules, potash area rules and downhole commingling.

(5) Rule 1207(a) 7 is a "catchall" rule intended to apply to situations not covered by the other rules. It provides:

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

(6) Rule 1207(a) 9 is also a "catchall" rule which provides that:

"In cases of applications not listed above, the outcome of which may affect a property interest of other individuals or entities: Actual notice shall be given to such individuals or entities by certified mail (return receipt requested)."

(7) Testimony was presented at the hearing that Rule 1207(a) 7 has caused confusion and ambiguity because it is more strict than the provisions for which it serves as a catchall and because both 1207 (a) 7 and (a) 9 appear from their wording to be catchall rules.

(8) In addition, testimony was presented that decisions relating to operation of a lease are usually the subject of a contract between the lessee and lessor and that Rule 1207 (a) 7 may affect the rights of the parties in a manner not contemplated by the terms of the lease nor intended by the Commission in adopting the rule.

(9) Rule 1207 would be more clear if subsection (a) 7 were eliminated.

IT IS THEREFORE ORDERED THAT:

(1) Rule 1207 is amended by deleting therefrom subsection (a) 7.

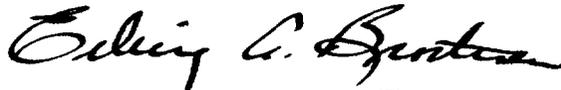
(2) Jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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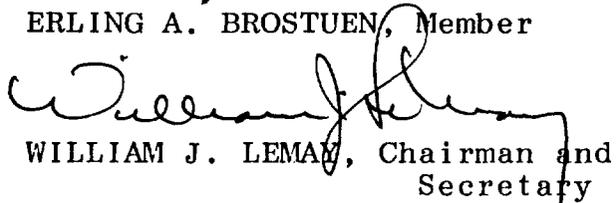
DONE at Santa Fe, New Mexico, on the day and year
hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

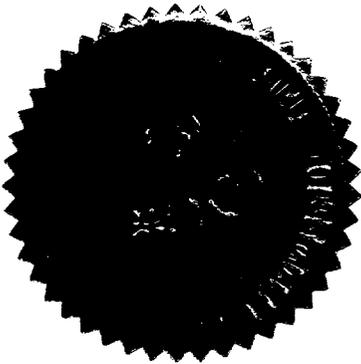
WILLIAM R. HUMPHRIES, Member



ERLING A. BROSTUEN, Member



WILLIAM J. LEMAY, Chairman and
Secretary



S E A L