

1 STATE OF NEW MEXICO
2 ENERGY AND MINERALS DEPARTMENT
3 OIL CONSERVATION DIVISION
4 STATE LAND OFFICE BLDG.
5 SANTA FE, NEW MEXICO

6 28 May 1986

7 EXAMINER HEARING

8 IN THE MATTER OF:

9 The hearing called by the Oil Con- CASE
10 servation Division on its own motion 8903
11 to consider amendments to its special
12 rules for applications for wellhead
13 price ceiling category determinations.

14 BEFORE: David R. Catanach, Examiner

15
16 TRANSCRIPT OF HEARING

17
18 A P P E A R A N C E S

19
20 For the Division: Jeff Taylor
21 Attorney at Law
22 Legal Counsel to the Division
23 State Land Office Bldg.
24 Santa Fe, New Mexico 87501

25 For the N. M. Oil & Gas
Association: W. Thomas Kellahin
Attorney at Law
KELLAHIN & KELLAHIN
P. O. Box 2265
Santa Fe, New Mexico 87501

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

I N D E X

MICHAEL E. STOGNER

Direct Examination by Mr. Taylor 4

E X H I B I T S

Division Exhibit One, Special Rules	5
Division Exhibit Two,	6
Division Exhibit Three, FERC	6
Division Exhibit Four, Order R-8170	7
Division Exhibit Five, HB 225	8
Division Exhibit Six,	11
Division Exhibit Seven, FERC 272.103 (d)	13
Division Exhibit Eight, FERC 274.205	14
Division Exhibit Nine, Wording	14
Division Exhibit Ten, Form	14

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

MR. CATANACH: This hearing will come to order.

We'll call next Case 8903, in the matter of the hearing called by the Oil Conservation Division on its own motion to consider amendments to special rules for applications for wellhead price ceiling category determinations.

Are there appearances in this case?

MR. TAYLOR: May it please the Examiner, my name is Jeff Taylor, Counsel for the Oil Conservation Division, and I have one witness to be sworn.

MR. CATANACH: Are there other appearances in this case?

MR. KELLAHIN: Mr. Examiner, I'm Tom Kellahin of Santa Fe, New Mexico, appearing on behalf of the New Mexico Oil and Gas Association.

MR. CATANACH: Will the witness please stand and be sworn in?

(Witness sworn.)

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

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

DIRECT EXAMINATION

BY MR. TAYLOR:

Q Would you please state your name, your occupation, and place of residence for the record?

A I'm Michael E. Stogner. I'm a petroleum engineer for the Oil Conservation Division here in Santa Fe. I'm presently a resident of Las Vegas, New Mexico.

Q Mr. Stogner, have you previously testified before the Examiner or the Commission and had your credentials accepted?

A Yes, I have.

MR. TAYLOR: Mr. Examiner, I tender the witness as an expert.

MR. CATANACH: Mr. Stogner is considered qualified.

Q Mr. Stogner, would you briefly state for us the purpose of Case 8903 and what you intend to testify about today?

A Yes, sir. Case 8903 is being called to amend Order No. R-5878-B, as amended, which is the NGPA Special Rules for making applications for wellhead price ceiling category determinations on State and fee lands within New Mexico.

There are several changes and they are

1 due to recent legislative actions and at the request of
2 several operators and with some -- several past problems tha
3 we've had with certain filings and also to try to streamline
4 some of the NGPA procedure.

5 Q Do you just want to then start and go
6 through each of the proposed changes or amendments to the
7 order?

8 A Yes, sir.

9 The first one I'd like to cover is a sim-
10 ple matter.

11 If you will look at Exhibit Number One,
12 which is a copy of the special rules for applications for
13 wellhead price ceiling category determinations, this a
14 conglomeration of the rules enacted by Order No. R-5878-B,
15 R-5878-B-1, and R-5878-B-2.

16 I have numerous copies of theses if
17 anybody would like copies of the exhibit.

18 First of all, I'd like to refer to in the
19 definitions under USGS, being the United States Geological
20 Survey, I wish to change this to the USBLM, United States
21 Bureau of Land Management, and also they refer to the USGS
22 in Rule 3. This is on the first page of Exhibit One. This
23 will update our orders to be current with the present rules
24 and regulations.

25 At this time if you'll turn to Exhibit

1 Number Two, since these rules were enacted there's been
2 another BLM office added to New Mexico, and this being the
3 Roswell office, which handles applications on Federal lands
4 in southern New Mexico, and this exhibit is essentially for
5 information only.

6 Q Okay, what -- Mr. Stogner, would you
7 outline the next proposed change you have?

8 A As I had previously started, in refer-
9 encing back to Exhibit One under Rule 16-B, which is appli-
10 cation for new on-shore production wells in the Basin Dakota
11 and Blanco Mesaverde Pools in San Juan Basin, New Mexico,
12 when these orders were enacted the Division order, infill
13 order for these were R-1670-T and R-1670-V.

14 Since that time these rules have been
15 given a -- or these have been enacted under Order R-8170.

16 In talking with the staff here, at this
17 time I don't believe that R-5878-B will need to be amended
18 to include this. I'd just like to point out that if any of
19 these applications come in referring back to Order No. 8170
20 or the applicable Order R-1670-V or T, I will accept those.

21 I'd also like to present Exhibit Number
22 Three, which is a copy of FERC, and at this time I'll be
23 referring to the FERC, that's the Federal Energy Regulatory
24 Commission, as FERC.

25 Rule Number 274.208 which was an order

1 enacted to give us special provisions to make infill appli-
2 cations for new on-shore production wells.

3 Also, Exhibit Number Four is a copy of
4 that recent Division Order No. R-8170, and if you'll refer
5 back in the body of this particular order, it being Exhibit
6 B on page one, that refers to the Basin Dakota Gas Pool and
7 has the infill provisions in it, as was in R-1670, and on
8 page number three of that Exhibit B of that order, refers
9 back to the infill provisions for the Blanco Mesaverde
10 Pool.

11 There again, I submit these applications
12 for information only at this time and again I'll state that
13 the order will still read as is. We don't see any reason to
14 change it but I will accept any applications that come in
15 referring to this new order.

16 Q Thank you, Mr. Stogner, would you next
17 outline the third proposed amendment that you have?

18 A This one is a proposal to amend Rule
19 Number Two, if you'll refer back to Exhibit Number One on
20 the first page over in the extreme lefthand column. I'd
21 like to amend this to include a provision requiring a filing
22 fee of \$25.00 per category sought for each application
23 submitted and a provision whereas such filing fee would be
24 nonrefundable due to withdrawal of the application either by
25 the Division, FERC, or applicant.

1 If you'll refer to my Exhibit Number
2 Five, this is a copy of House Bill 223, as amended. The
3 provision for the \$25.00 filing fee that was enacted by the
4 recent Legislature is on the third page starting over in the
5 lefthand column down the page marked Subparagraph 19, giving
6 the Oil Conservation Division authority to charge a filing
7 fee of \$25.00.

8 Q Thank you. I notice that you don't have
9 any language on that. Would we just put a comma after the
10 word "agent" in existing Rule 2 and add the language that
11 "shall be accompanied by a filing fee"?

12 A I haven't prepared such yet. I guess at
13 this time it will be reasonable to request that this case be
14 continued for the June 25th, 1986, hearing to give ample
15 time for any additional comments or proposals or whatever of
16 what kind of wording should be included in this Rule Number
17 Two. As of yet I haven't got particulars on that.

18 Q But essentially it would be a \$25.00
19 filing fee, nonrefundable, that's the main thing that would
20 be in the rule.

21 A And I'd like to stress that that would be
22 per -- the filing fee would be for each category sought, so
23 if an applicant turns in an application for 102, 103, and
24 107 in the same application, that would be considered \$25.00
25 apiece, essentially \$75.00 filing fee.

1 Q Okay. Would you next outline your fourth
2 proposed change or amendment to this rule?

3 A If you'll refer back to Exhibit One and
4 Rule Number Four, we asked that a copy of the application,
5 C-132 or C-132-A, be sent to the appropriate district of-
6 fice.

7 I wish to omit this particular item at
8 this time. This would -- this would reduce any undue paper-
9 work going to the Division offices, because in the past very
10 few of the applications, they district offices felt they
11 didn't have any need for any dealings with such, and also
12 this is just one more burden to be taken off the applicant
13 of sending copies of the notice to the district office.

14 I'd also like to make note that if an ap-
15 plication for 102's come in, that is the new onshore reser-
16 voir, in the past the Santa Fe office has sought help from
17 the district office in looking at these new onshore reser-
18 voirs. I'd also like to point out that at any time in the
19 future I believe it would be appropriate that the district
20 offices, at the request of the examiner or the Division
21 Director up here, to send a copy to the district office that
22 those -- that those wishes would be upheld, and I believe
23 Rule Number Ten, if you'll refer back to Exhibit One, gives
24 us the authority for that. It's essentially a catch-all or-
25 der, giving the powers to the examiner or Division Director

1 on a case by case basis to make any additional request as
2 may seem fit.

3 Q Thank you. Would you next outline your
4 fifth proposed --

5 A Well, I'm not through with all (not
6 clearly understood) on that.

7 Q Oh, excuse me.

8 A I'd like to refer to Exhibit Number Six
9 -- oh, I'm sorry. I'm sorry, I was jumping ahead of myself.
10 I have no exhibits for this particular
11 question.

12 Q So you are through?

13 A Yes.

14 Q Okay, would you then next move to your
15 fifth proposed rule change?

16 A My fifth proposed rule change is for Rule
17 Number Thirteen, there again, on Exhibit Number One.

18 If I may give a little brief history,
19 Rule Number Thirteen states that a proration unit for a
20 given pool shall automatically expire upon the plugging and
21 abandonment of a recompletion in another pool of the last
22 well on the proration unit dedicated to said unit in that
23 pool.

24 Essentially what that meant was that a
25 proration unit expired when the original well, let's say,
was either plugged and abandoned or plugged back.

1 We have a lot of cases in New Mexico
2 where we have waterfloods and an old well was converted to a
3 water injection well in a waterflood pattern to complete it.
4 Most of the time these old wells were converted, essentially
5 the first production was completed, and Rule 13 does not
6 specifically states that and in the past we've required in-
7 fill well findings, which is again a costly, time-consuming
8 type of an application to get, and it has been found that, I
9 believe, if we include these converted water wells, the pro-
10 ration unit being abandoned at that time, if you will, that
11 this will cut down on additional paperwork and time and such
12 as that.

13 There again I'd also like to stress out
14 that in any -- for some of the pressure maintenance projects
15 where, say, injection is being -- where there is gas or
16 water being injected in the lower portion of the zone and
17 maybe the higher portion in that well could be producable,
18 we might then require an infill well finding.

19 These again this would be taken on a case
20 by case basis where the applicant, the Division Director,
21 and the NGPA examiner looking at all facets of the case by
22 case basis.

23 I'd like to refer to Exhibit Number Six.
24 This is my proposed wording in which I would replace Rule
25 Number Three with this wording.

1 Q Would you next outline your sixth pro-
2 posed amendment for us?

3 A The following requirements for a Section
4 102, Category Four, which is a New Onshore Reservoir using
5 geological -- I'm sorry, let me back up.

6 That's Section 102, New Onshore Reservoir
7 using the 2-1/2 mile radius or 2-1/2 mile radius 1000-foot
8 deeper test.

9 In the past we've gotten many applica-
10 tions that have come in where a plat doesn't show any well
11 and then in further investigation there are numerous wells
12 within this 2-1/2 mile radius and time is spent either cor-
13 responding with the applicant or the NGPA examiner's time
14 was spent going to the well records.

15 Applications that have come in with all
16 the wells within the 2-1/2 mile radius identified by one way
17 or another have made applications easier to -- to administer
18 or give the applicant ample information so that he may apply
19 for a category 102.3, which is the geological means.

20 In some case this may be an additional
21 burden but I believe in the long terms, once the application
22 goes to final review before the FERC, all pertinent informa-
23 tion will be there and there will be no question as to its
24 status or not.

25 And I have no exhibit for this particular

1 portion at this time.

2 Q Would you next explain for us then your
3 seventh proposed amendment to the rule?

4 A When the NGPA procedures were adopted by
5 the Oil Conservation Commission, Division, back in the last
6 seventies, there were several Section 107 filings that we
7 didn't feel applied to us, those being high pressure geo-
8 brines (sic) which was the Gulf Coast Devonian Shale, which
9 is applicable to the Appalachian Mountain Region, and the
10 coal seam, gas produced from coal seams, which we felt was
11 applicable to other parts of the country.

12 We didn't set up an administrative proce-
13 dure for these filings. To date there's been six, plus or
14 minus one, applications filed and all these filings have
15 come before Division hearing examiners.

16 This again is a costly, time-consuming
17 effort and at this time I would like to propose some addi-
18 tions to in particular Rule -- I'm sorry -- Rule 17, which
19 covers the Section 107 high priced gas, if you will, and in-
20 clude in there Sub-part 5.

21 At this time I'd like to offer Exhibit
22 Number Seven, which is a copy of the FERC Rule 272.103, Sub-
23 paragraph (d) down at the lower portion of the page, gives
24 the definition for occluded natural gas produced in coal
25 seams.

1 And Exhibit Number Eight, which is the
2 FERC Rule 274.205, High Cost Natural Gas, Subparagraph C, is
3 the FERC rules and standards for coal seam applications.

4 My Exhibit Number Nine is the proposed
5 wording which I would like to include in Rule Number 17,
6 Subparagraph 5 to standardize for Oil Conservation Division
7 needs what would be applicable for such applications.

8 I've also included down at the bottom in
9 Paragraph E as in egg, if you will, a statement -- I'm sorry
10 -- under C, Part 5, a copy of the Division order resulting
11 from a hearing to establish a coal seam pool if such a hear-
12 ing was held by the Division; so far there has been one, and
13 I feel that if the applicant in a particular case refers
14 back to the order setting up a coal seam pool, this would be
15 applicable and if the FERC required any additional informa-
16 tion we have it here on record, and the case I'm referring
17 to the Cedar Hill Basal Coal Pool in the San Juan Basin.

18 That's all the additions I have on that.

19 Q Would you next explain for us your eighth
20 proposed amendment?

21 A The eighth proposed amendment is just re-
22 vising our Form C-132. I haven't set up one formallly yet.
23 I've pencilled in, and if you'll look at Exhibit Number Ten,
24 showing that the \$25.00 filing fee would be put under, I
25 guess, the category information to (sic). I would make that

1 top priority showing that a \$25.00 filing fee should be in-
2 cluded with this application, and also I'd include down in
3 portion 3 part D and in dog, just the word "coal seam gas"
4 for any applicable applications on this, and I believe that
5 would be sufficient amendments to the Form C-132 at this
6 time.

7 Q Okay, and then would you outline for us
8 your final amendment to this rule?

9 A Yes, sir. Since the inception of Order
10 Number R-5878-B and it's two amending orders, the standar-
11 dized outline method has been somewhat taken away and for --
12 to make an easier cookbook, if you will, or simpler one, I
13 would like to go back and standardize our rules to -- just
14 to show these paragraphs and make them in order as complied
15 to the rest of the application. I don't feel that any of
16 the rule changes would be changed or any of the first sub-
17 parts, but some of the others might, but it would just be a
18 minor change.

19 I have nothing prepared for that.

20 Q Thank you. Do you have anything further
21 to add to your direct testimony in this case?

22 A I would also like to state and request
23 that this case be continued to the Examiner Hearing sche-
24 duled for July -- I'm sorry, June 25th 1986. This is at the
25 request of some interested parties so that they may have

1 time to comment and we certainly welcome any comments, and
2 at that time I would like to submit, at the June 25th hear-
3 ing I'd like to submit a proposed rough draft order at tha
4 time.

5 I'd also like to add that Exhibits Six,
6 Nine, and Ten were prepared by me and all the others are es-
7 sentially copies of rules and regulations or laws that are
8 either in existence or were in existence.

9 Q They're either documents that -- docu-
10 ments that were received and retained by the Oil Conserva-
11 tion Division in its normal business routine?

12 A Yes.

13 MR. TAYLOR: I'd move then the
14 admission of Exhibits One through Ten.

15 MR. CATANACH: Exhibits One
16 through Ten will be admitted into evidence.

17 MR. TAYLOR: And that's all we
18 have in this matter.

19 MR. CATANACH: Mr. Kellahin, do
20 you have any questions?

21 MR. KELLAHIN: Not a this time,
22 thank you.

23 MR. CATANACH: Are there any
24 other questions of Mr. Stogner at this time?

25 If not, this case will be con-

1 tinued to the June 25th, 1986, Examiner Hearing docket for
2 additional testimony or comments.

3

4

(Hearing concluded.)

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY
CERTIFY 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

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 8903,
heard by me on 28 May 1986.

Michael E. Stegner, Examiner
Oil Conservation Division

NEW MEXICO OIL CONSERVATION COMMISSION

EXAMINER HEARINGSANTA FE, NEW MEXICOHearing Date MAY 28, 1986 Time: 8:15 A.M.

NAME	REPRESENTING	LOCATION
W D Kellobin	Kellobin & Kellobin	Santa Fe
Paul V. Benchell	El Paso Natural Gas	El Paso, TX.
Bob Hahn	Program	Santa Fe
John Bruce	Hickel Law Firm	Santa Fe
Thane Akins	O'Briant Engr.	Midland
Bill Seltzer	Amerind Oil.	Midland
Wanda J. Jumper	Stubbeman, McRae, Sealy, Laughlin & Branch	Midland
J. D. Cobb	Ind. Geol.	Midland
Robert C. Leibrock	Amerind Oil Co.	"
William L. Pau	Samuel and Jack	Santa Fe
AL KLAAR	MINERALS, INC.	HOBBS
W. Ray Pearce	Mortenson & Andrews, P.A.	Santa Fe
Robert Spahr	State Land Office	Santa Fe
Paul C. Thompson	NORTHWEST PIPELINE	FARMINGTON

1 STATE OF NEW MEXICO
2 ENERGY AND MINERALS DEPARTMENT
3 OIL CONSERVATION DIVISION
4 STATE LAND OFFICE BUILDING
5 SANTA FE, NEW MEXICO

6 25 June 1986

7 EXAMINER HEARING

8 IN THE MATTER OF:

9 The hearing called by the Oil Conser- CASE
10 vation Division on its own motion to 8903
11 consider amendments to its special
12 rules for applications for wellhead
13 price ceiling category determinations.

14 BEFORE: David R. Catanach, Examiner
15
16

17 TRANSCRIPT OF HEARING

18 A P P E A R A N C E S
19

20 For the Oil Conservation Division: Jeff Taylor
21 Attorney at Law
22 Legal Counsel to the Division
23 State Land Office Bldg.
Santa Fe, New Mexico 87501
24 For El Paso Natural Gas: W. Perry Pearce
25 Attorney at Law
MONTGOMERY & ANDREWS
P. O. Box 2307
Santa Fe, New Mexico 87504

A P P E A R A N C E S

For Phillips Petroleum: W. Thomas Kellahin
 Attorney at Law
 KELLAHIN & KELLAHIN
 Santa Fe, New Mexico 87501
 and
 George Terry
 Attorney at Law

I N D E X

MICHAEL E. STOGNER
 Direct Examination by Mr. Taylor 4
 Cross Examination by Mr. Kellahin 7
 Cross Examination by Mr. Pearce 10

E X H I B I T S

Division Exhibit Eleven, Memorandum 5

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

MR. CATANACH: Call next Case
Number 8903.

MR. TAYLOR: I'm Jeff Taylor.
I'm counsel for the Division and I have one witness.

MR. CATANACH: Are there other
appearances in this case?

MR. KELLAHIN: Mr. Examiner,
I'm Tom Kellahin of Santa Fe, New Mexico, appearing in
association with George Terry.

We represent Phillips Petroleum
Company.

MR. TAYLOR: Are there other
appearances?

MR. PEARCE: May it please the
Examiner, I am W. Perry Pearce of the Santa Fe law firm of
Montgomery and Andrews, appearing in this matter on behalf
of El Paso Natural Gas Company.

MR. TAYLOR: Are there other
appearances?

Will the witness please stand
and be sworn?

(Witness sworn.)

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

MICHAEL E. STOGNER,

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

DIRECT EXAMINATION

BY MR. TAYLOR:

Q Would you please state your name and
employment for the record?

A I'm Michael E. Stogner, petroleum en-
gineer with the Oil Conservation Division here in Santa Fe.

Q Mr. Stogner, you have previously testi-
fied before the Commission or its examiners and had your
credentials accepted, have you not?

A Yes, I have.

MR. TAYLOR: We tender the wit-
ness as an expert.

MR. CATANACH: He is considered
qualified.

Q Mr. Stogner, would you please explain the
purpose of the hearing today? This is a continued case and
we've gone through it once previously.

A A month ago this case was called and at
which time I presented testimony concerning some proposed

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

rule changes in Division Order Number R-5878-B, as amended.

At that time I also requested that the case be continued for an additional month for any additional comments from the industry regarding this, at which time I have -- on June 11th, 1986, I wrote a memorandum, Memorandum NO. 686, that went out to all interested parties.

At this time I'd like to offer that as Exhibit Number Eleven, and this shows some of the -- or the proposed rules changes and amendment and wordings.

Since that time I have received some comments, specifically to Rule No. 13.

Rule No. 13 was changed to accommodate what I feel is some unnecessary paperwork in the waterflood areas, where you have an old well that was converted into a water injection well sometime ago, and because of Rule 13 it's still considered holding acreage, and any subsequent well drilled and produced would be an infill well and would require an infill well finding.

It was brought to my attention that some certain wording in our waterflood rules, which state that acreage within a waterflood project is held by that injection well and this would be in direct conflict with that, and this, of course, is not the purpose of that, and rethinking Rule 13, I would request at this time or consider

1 at this time that Rule 13 be as is and made a policy change
2 in the order; a policy change meaning that the existing
3 waterflood order that went out would -- could be construed
4 as being an infill order or subsequent information was pro-
5 vided for an infill order to be issued.

6 If you look at the wording in waterflood
7 areas and in our Series 700 General Rules and Regulations,
8 and in particular Rule No. -- I'm sorry, I cannot recall it
9 at this time -- the spacing requirements which state that in
10 a waterflood area a proration unit can have more than four
11 wells on it, or some wording to that. This to me should
12 suffice as an infill well finding if a waterflood order is
13 in existence.

14 So what I would propose, that whenever an
15 application, a 103 application comes in, that they refer
16 back to the waterflood order and that the old statement come
17 in relating back to the waterflood order as sufficient for
18 an infill well finding.

19 That's what I would propose at this time
20 and that Rule 13 not be changed at all.

21 Also there was some discussion for my
22 proposed changes on Rule No. 14-1-C and 14-2-C.

23 In the past I have received applications
24 that show some wells in the 2-1/2 mile radius of a well or a
25 102. Further investigation shows that there were marker

1 wells in there or wells which not allow this application to
2 go through. I feel this is unfortunate but I feel that this
3 particular wording would suffice in making certain that an
4 application is indeed a 102 application.

5 And that's all I have at this time.

6 Q Okay, thank you. And Exhibit Eleven was
7 prepared by you?

8 A Yes, it was.

9 MR. TAYLOR: We move the admis-
10 sion of Exhibit Eleven.

11 MR. CATANACH: Exhibit Number
12 Eleven will be admitted into evidence.

13 Mr. Kellahin, any questions?

14 MR. KELLAHIN: Thank you, Mr.
15 Examiner.

16
17 CROSS EXAMINATION

18 BY MR. KELLAHIN:

19 Q Mr. Stogner, you've addressed in Rule 13
20 a concern Phillips Petroleum Company had about the lost al-
21 lowable in a pressure maintenance project where the proraton
22 unit for which the allowable to credited to the project is
23 held only by an injection well and let me make sure I under-
24 stand the process, then.

25 We keep the existing Rule 13. You're

1 suggesting a policy change so that NGPA filings that are
2 made can include prior determinations about the pressure
3 maintenance project which would satisfy Section 103 NGPA
4 filings and we would not have the kind of problem you
5 thought you had back in May?

6 A Yes, that's right.

7 Q All right, so we would continue to be
8 able to allow the operator of a pressure maintenance project
9 to receive credit in this allowable for a proration unit
10 that's held simply by an injection well, the way we do now.

11 A Yes.

12 MR. STAMETS: Excuse me, let me
13 interrupt here.

14 What would the impact be if
15 Rule 13 were kept more or less as proposed in this exhibit
16 if the wording were changed just a little bit to say that
17 for purposes of these special rules only a proration unit
18 for a given formation or pool shall be considered to have
19 automatically expired in the last well, and so on; that if
20 they're limited to these special rules only, then it would
21 seem to have no impact in any other rules of the Division.

22 MR. KELLAHIN: That may be ap-
23 propriate. We want to make it very clear that the rule
24 change here for this order would not be construed or used to
25 reduce the allowable of a pressure maintenance project, and

1 so long as it was very clear, we wouldn't have a problem
2 with that change.

3 It was the combination of this
4 proposed rule change with Rule 701 that we at least read to
5 mean that we would lose some allowable under these pressure
6 maintenance projects, and it was a result that we didn't
7 think the Division intended and certainly one that we didn't
8 want.

9 So if Rule 13 is changed to in-
10 sure in some fashion that that result does not occur, ob-
11 viously the change is acceptable to us.

12 Q For a point of clarification, Mr. Stog-
13 ner, let me have you refresh our memory about what is in-
14 tended the by the phrase "a marker well" in Item Six. Would
15 you describe that for me, please?

16 It talks about providing sufficient in-
17 formation on each well, whether or not it is "a marker
18 well".

19 A A marker well, and I'm sorry I do not
20 have the FERC definition on that, but it is as is found in
21 the FERC rules and regulations, a marker well is a well
22 which has produced natural gas from any formation for the
23 period of January 1st, 1970, to some particular date early
24 in 1977, and that is the definition of a marker well.

25 Q All right, and what you propose to do

1 with this Item Six rule change, would be to have the plats
2 provided with the filing show all wells within the 2.5 mile
3 radius?

4 A Show sufficient evidence on all wells
5 within the 2-1/2 mile radius to eliminate any marker wells.

6 If a well was spudded after 1977 it
7 should be identified as so and that should suffice to show
8 that that well was not a marker well.

9 Q Thank you.

10 MR. CATANACH: Mr. Pearce.

11 MR. PEARCE: Thank you.

12

13 CROSS EXAMINATION

14 BY MR. PEARCE:

15 Q Mr. Stogner, if we could, let's return
16 to our previous visit on these proposed rule changes.

17 I'd like for you to refresh my recollec-
18 tion about the \$25.00 filing fee item set forth in Rule 2.

19 What's the ultimate destination of that
20 \$25.00 filing fee?

21 A As I understand it, Mr. Pearce, the
22 \$25.00 filing fee will be put in an account in the name of
23 the OCD and that's all I know about it.

24 Q It's your understanding that all of that
25 money will be used for the operational purposes of the Oil

1 Conservation Division?

2 A I do not know.

3 Q I saw you look at what appears to be an
4 amendment to the statute. May I look at that for a moment,
5 sir?

6 A What I was looking at is Exhibit Number
7 Five.

8 Q Thank you. Do you know which sub-part you
9 were looking at?

10 A I do not recall. I believe it was on the
11 second page, second paragraph, second column somewhere.

12 MR. STAMETS: It should be the
13 last enumeration of powers.

14 MR. TAYLOR: Yeah, 19 or some-
15 thing.

16 Q Okay. All right, I am reading from Chap-
17 ter 76 of the Laws of the State of New Mexico of 1986, the
18 amendment to Section 70-2-12 (19).

19 The last sentence of that sub-part says
20 "such fee shall be credited to the account of the Oil Con-
21 servation Division by the State Treasurer and may be
22 expended as authorized by the Legislature."

23 That's the section of the statute to
24 which you have reference?

25 A Yes, sir.

1 MR. TAYLOR: If I might clarify

2 --

3 MR. PEARCE: Yes.

4 MR. TAYLOR: -- Mr. Pearce, as
5 I recall, and I might have had something to do with this,
6 the original intent of the bill was to have the money avail-
7 able for especially to pay salaries and for some vehicles or
8 other, equipment for the Division; however, there is some
9 dispute, I believe, between the department and DFA as to
10 whether that language is sufficient to allow that or whether
11 more specific language allowing us to spend that was needed.

12 There was another bill entered,
13 written, I believe, by DFA or somebody, to allow us to spend
14 that, which didn't make it through the Legislature at the
15 same time this one did, and so it says in there that we may
16 spend it and I guess the question is whether it has to go
17 through a budget process or a more specific bill has to be
18 passed.

19 So I don't really know what's
20 going to happen. I think it's going to go into an account
21 and the determination made as to whether we need authority
22 to expend that money.

23 MR. PEARCE: Did they give you
24 any indication of what's going to happen if they decide you
25 need more specific authority?

1 MR. TAYLOR: We'd have to go
2 back to the Legislature.

3 MR. PEARCE: I mean before you
4 get there. Is DFA going to take the money?

5 MR. TAYLOR: Oh, they can't --
6 they couldn't take it.

7 It would be in our account, I
8 think.

9 MR. PEARCE: Thank you for that
10 expression of confidence.

11 That's all I have at this time.

12 MR. CATANACH: Is there any-
13 thing further of the witness?

14 MR. TAYLOR: No, sir.

15 MR. CATANACH: If not, he may
16 be excused.

17 Is there anything further in
18 Case 8903?

19 If not, it will be taken under
20 advisement.

21

22 (Hearing concluded.)

23

24

25

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

I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 8903,
heard by me on June 25 1986 :

David L. Catamb, Examiner
Oil Conservation Division