

**MINUTES OF THE SPECIAL MEETING
OF THE OIL CONSERVATION COMMISSION
HELD ON JULY 14, 2011**

The Oil Conservation Commission met at 9 o'clock a.m. on July 14, 2011, in Porter Hall, Wendell Chino Building, 1220 S. St. Francis Drive, Santa Fe, New Mexico.

PRESENT: **SCOTT DAWSON, Member**
 ROBERT BALCH, Member
 JAMI BAILEY, Chair

Cheryl Bada served as the Commission counsel.

The meeting was called to order by Chairman Bailey. The minutes of the June 28-29 Commission meeting were approved and adopted.

Case 13589, the application of DCP Midstream, LP to amend Order No. R-12546, Lea County, New Mexico, was called. Appearances were made by Tom Bunting for Randy Smith, Naomi Smith, and the Smith Farm and Ranch (the Smiths) and Ocean Munds-Dry for DCP Midstream, LP (DCP). Counsel argued motions for continuance of the case filed by the Smiths in which they stated they needed time for discovery, did not receive the DCP pre-hearing statement until two days before the hearing, and did not have time to engage a consultant. Ms. Munds-Dry stated that the pre-hearing statement was e-mailed to the Smiths, but for some reason they did not receive it. She pointed out that the Smiths' pre-hearing statement was also filed late. After a motion by Commissioner Balch and a second to the motion by Commissioner Dawson, the Commission voted unanimously to close the session pursuant to NMSA 1978, Section 10-15-1 H to discuss the motions to continue the hearing. The meeting went back into open session, and Chairman Bailey announced that the motions were the only matters discussed during the closed session. The Commission unanimously denied the motions for continuance based on the fact that the Smiths had the opportunity to participate in the original hearing of this matter, and no new issues have been brought up.

The motion for a protective order filed by DCP was argued. Ms. Munds-Dry stated that the Commission was not asked to and did not issue a subpoena to DCP for discovery. She said that the Smiths are asking for information that goes beyond the scope of this hearing. Mr. Bunting said that DCP brought up compliance issues in its motion for the hearing today, and he believes the discovery requests are well within the scope of what DCP is proposing in its motion. The Commission denied the motion for discovery. The motion to provide a protective order was granted.

Ms. Munds-Dry made an opening statement explaining the background of the case and the provisions of the original order dealing with a discharge permit. Her first witness was John Cook, Environmental Manager for the Western Region with DCP in Midland, Texas. He explained that DCP is seeking the removal of the temporary injection authority and asking for authority to inject under the original order. He stated that DCP had submitted a questionnaire to the Oil Conservation Division's Environmental Bureau and was told that a discharge permit is no longer required for the subject well. He discussed DCP's contingency plan. Mr. Bunting, Commissioner Balch, and Chairman Bailey cross-examined the witness, and he was excused.

The next witness was David Garrett, Senior Vice President of the West Business Unit with DCP in Crosby, Texas. He discussed the concentration of CO₂ and H₂S in the Avalon Shale. He said that gas wells had to be shut in because some producers refused to take higher CO₂ gas because it is exceeding their limit. He said DCP needs to be able to service its customers to allow them to

produce more natural gas. Mr. Bunting, Commissioner Dawson, and Chairman Bailey cross-examined the witness, and he was excused.

The next witness was Alberto Gutierrez, Geologist and President of Geo-Lex, Inc. in Albuquerque, New Mexico. He discussed the maximum acceptable injection volumes and pressures for acid gas injection wells. He presented data on injection rates and pressures for the subject well. He discussed the H₂S contingency plan and the radius of exposure calculations if a release should occur. He described the basic conditions of injection at the subject well. He concluded that the original order contained enough data to determine that the lower Bone Spring formation was an adequate reservoir for injection. Mr. Bunting, Commissioner Dawson, Commissioner Balch, and Chairman Bailey cross-examined the witness, and he was excused.

Mr. Bunting's witness was Randy Smith, who works for a gas company and owns the Smith ranch in Hobbs, New Mexico. He discussed the safety training for H₂S releases. He identified the location of his ranch in relation to the gas plant and the subject well. He talked of the flaring practices of DCP. He told of alarms sounding at various times and odors coming from the well. He explained why he did not want an alarm system in his house or on his ranch. He described the entrances and exits to his property. Ms. Munds-Dry, Commissioner Dawson, Commissioner Balch, and Chairman Bailey cross-examined the witness, and he was excused.

Ms. Munds-Dry and Mr. Bunting made closing statements.

After a motion by Commissioner Balch and a second to the motion by Commissioner Dawson, the Commission voted unanimously to close the session pursuant to NMSA 1978, Section 10-15-1 H to discuss this case. The meeting went back into open session, and Chairman Bailey announced that Case 13589 was the only matter discussed during the closed session. Chairman Bailey announced that the Commission unanimously agreed that DCP has met the requirements of Commission Order No. R-12546; Paragraph N is no longer applicable; Paragraph Q is no longer applicable; Paragraph F will be modified to reflect the two-year requirements for pressure testing; Paragraph O will be modified to no longer require an alarm at Mr. Smith's house; and DCP shall be responsible for placing an audible alarm at the residence or business of any person located in the area of exposure who requests it. The Commission counsel was instructed to draft an order including these provisions to be signed at the next regularly scheduled Commission meeting on July 28, 2011.

The meeting was adjourned at 2:30 p.m.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



JAMI BAILEY, Chair