

**MINUTES OF THE MEETING
OF THE OIL CONSERVATION COMMISSION
HELD ON SEPTEMBER 25, 2014**

The Oil Conservation Commission met at 9 o'clock a.m. on September 25, 2014 in Porter Hall, Wendell Chino Building, 1220 S. St. Francis Drive, Santa Fe, New Mexico.

PRESENT: ROBERT BALCH, Member
TERRY WARNELL, Member
JAMI BAILEY, Chair

Bill Brancard served as the Commission counsel.

The meeting was called to order by Chair Bailey. After a motion by Commissioner Warnell and a second to the motion by Commissioner Balch, the minutes of the July 17, 2014 Commission meeting were unanimously approved and adopted.

Case 15193, the application of Frontier Field Services, LLC for authorization to inject, Lea County, New Mexico, was called. Appearances were made by Jim Bruce for Frontier Field Services, LLC (Frontier) and Gabriel Wade for the Oil Conservation Division (OCD or Division.) Mr. Wade informed the Commission that the Division does not oppose the application but does request that some conditions be included in the order. Mr. Bruce outlined the presentation of the applicant's case.

Mr. Bruce's first witness was Coy Bryant, Director of Operations at Aka Energy Group, LLC in Durango, Colorado. He described the location and use of the Maljamar Gas Plant and explained why a redundant well is needed. He presented a summary of operations of the AGI No. 1 well. He asked that the daily injection rate being sought in this case be applied to either well or both wells combined. Commissioner Warnell, Commissioner Balch, and Chair Bailey cross-examined the witness, and he was excused.

The next witness was Alberto Gutierrez, President of Geolex, Inc. in Albuquerque, New Mexico, and consultant to Frontier. He explained the request for a second well and identified the injection zone. He said the proposed well is located near the No. 1 well but the bottom hole for the proposed well is about one-half mile from the surface location. He identified wells in the area of review. He discussed fluid volume, composition and pressure considerations. He said that Frontier is seeking a 2MMSCF daily injection rate to be applied to both wells. He said a H₂S contingency plan for the Maljamar Gas Plant has been approved by the OCD and will be modified to include the second well. He stated that Frontier is waiting on approval of the APD from the BLM. He listed the parties to which notice had been sent. He discussed stratigraphy and the geologic structure in the project area and described what is needed in a reservoir for CO₂ and H₂S sequestration. He discussed the 3-D seismic data acquisition analysis. He presented calculations of the reservoir area that will be affected after 30 years of injection. He discussed the generalized design of the AGI system and the well schematic of the proposed No. 2 well. He said that adjacent operators support the proposed project. He said that Frontier agrees to the majority of OCD's proposed conditions and listed the conditions that Frontier would like to negotiate. Mr. Wade, Commissioner Warnell, Commissioner Balch, and Chair Bailey cross-examined the witness, and he was excused.

Mr. Wade's witness was Phillip Goetze with the Engineering and Geologic Resources Bureau of the OCD in Santa Fe, New Mexico. He reviewed the application and the C-108 presented by Frontier. He explained that OCD has some intermediate casing

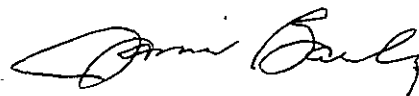
concerns and recommended that the applicant provide the OCD with a diagram addressing the casing issue. He requested that the application be approved incorporating the conditions sought by the OCD into the final order. Commissioner Balch cross-examined the witness, and he was excused.

After a motion by Commissioner Balch and a second to the motion by Commissioner Warnell, the Commission voted unanimously to close the session pursuant to NMSA 1978, Section 10-15-1 H, to deliberate on Case 15193. After a motion by Commissioner Balch and a second to the motion by Commissioner Warnell, the Commission voted unanimously to return the meeting to open session. Chair Bailey announced that Case 15193 was the only matter discussed during the closed session. She said that some questions had been raised during the deliberations, and the Commission determined that Case 15193 should be reopened. After a motion by Commissioner Balch and a second to the motion by Commissioner Warnell, the Commission voted unanimously to reopen Case 15193 to address these questions. Counsel Brancard announced that the applicant has requested an order for the second well which would modify the order for the first well as far as the injection rate is concerned. He asked if the applicant would be agreeable to modifying the first order. Mr. Gutierrez said it would be acceptable. Counsel Brancard said that the order in this case would be an amendment of the first well's order to allow for the addition of a second well and an increased daily injection rate. Mr. Gutierrez said there are no integrity issues with the No. 1 well and requested that the applicant not be required to retrofit the No. 1 well at this time. He said his client would agree to adding bottomhole pressure and temperature measurement sensors to the well the first time it is worked over. After a motion by Commissioner Balch and a second to the motion by Commissioner Warnell, the Commission voted unanimously to close the session pursuant to NMSA 1978, Section 10-15-1 H, to deliberate. After a motion by Commissioner Warnell and a second to the motion by Commissioner Balch, the Commission voted unanimously to come back into open session. Chair Bailey announced that Case 15193 was the only matter discussed during the closed session. Counsel Brancard explained the Commission decision in the case including approving the permit for the No. 2 well as specified in the C-108 and including certain conditions set forth by the Division. The applicant agreed to make a proposal regarding casing changes for the OCD to review. Counsel Brancard asked for a draft order from Mr. Bruce. The final order will be signed at the Commission meeting scheduled for November 19, 2014.

Counsel Brancard informed the Commission that the pit rule appeal has been submitted to a panel and a decision could be made within a few months.

After a motion by Commissioner Warnell and a second to the motion by Commissioner Balch, the Commission voted unanimously to adjourn the meeting at 11:45 a.m.

**STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION**



JAMI BAILEY, Chair