

**STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION**

**Meeting Minutes
Regular Meeting
May 7, 2015
Porter Hall
Wendell Chino Building
1220 S. St. Francis Drive
Santa Fe, New Mexico 87505**

MEMBERS PRESENT:

David R. Catanach	Chair, Oil Conservation Division
Robert Balch	Designee, Energy, Minerals and Natural Resources Department
Terry Warnell	Designee, New Mexico State Land Commissioner

OTHERS PRESENT:

Bill Brancard, Counsel for the Commission

The meeting was called to order by Chair Catanach at 9:00 a.m.

Item 1. Roll Call.

Roll was taken, a quorum was present.
Chair Catanach announced that a letter from State Land Commissioner Aubrey Dunn had been received naming Terry Warnell as his designee for this hearing.

Item 2. Approval of Agenda.

Action: Commissioner Warnell moved adoption of the agenda. Commissioner Balch seconded the motion. The motion passed unanimously.

Item 3. Approval of minutes of March 12, 2015 meeting.

Action: Commissioner Warnell moved to approve the minutes. Commissioner Balch seconded the motion. The motion passed unanimously.

**Item 4. Case 15284: Application of Linn Operating, Inc. to Amend
Commission Order No. R-11980-A regarding the East Hobbs San
Andres Unit, Lea County, New Mexico.**

Action: An appearance was made by Jim Bruce for Linn Operating, Inc. (Linn). Mr. Bruce made an opening statement explaining that this is an application to eliminate Ordering Paragraph 9 of Order No. R-11980-A, which required that no fresh water be used as make-up water or otherwise be injected. Linn's witness was Robert Sutherland, Petroleum Engineer with Tabula Rasa Energy, a joint venture partner with Linn to develop the East Hobbs Unit. He told of the increase in production due to an increase in well count and waterflooding operations. He discussed the CO₂ flood development plan. He stated that additional oil will be recovered with the

CO₂ development. He presented reservoir pressure data and voidage history which caused him to determine that more reservoir pressure is needed. He explained Linn's plan to obtain fresh water from the City of Hobbs. He discussed several options for obtaining water and said that the most economic and practical option was the city water. He presented a letter from Linn to the State Land Office (SLO) regarding the reasons for using fresh water in this Unit for this period of time and said that the SLO had verbally advised Linn that it would not be a problem. He discussed the compatibility of produced water with city water. Mr. Bruce informed the Commission that he had reviewed the rules and could find no reference regarding notification for this type of hearing and, therefore, had not noticed anyone. He pointed out that the SLO is represented at this meeting. Counsel Brancard said he will review the rules on notification. Commissioner Balch, Commissioner Warnell and Chair Catanach cross-examined the witness, and he was excused.

After a motion by Commissioner Warnell and a second to the motion by Commissioner Balch, the Commission voted unanimously to close the meeting pursuant to NMSA 1978, Section 10-15-1-H to deliberate on Case 15284. After a motion by Commissioner Warnell and a second to the motion by Commissioner Balch, the Commission voted unanimously to go back into open session. Chair Catanach announced that the only matter discussed during the closed session was Case 15284. Chair Catanach stated that the Commission unanimously agreed that the applicant did not meet the burden of proof for amending Order No. R-11980-A and continued the case to the Commission meeting scheduled for July 16, 2015, at which time the applicant will be required to present additional evidence regarding the research of the JOA, to give specific notice of the hearing to the City of Hobbs and the SLO, to obtain a statement from those parties supporting the project, to show why it would be uneconomic to use produced water from other sources, to further explore the Glorieta as a source, and to provide information on why using CO₂ for repressuring fluid is not economic. The record was left open until July 16, 2015.

Item 5. Discussion of Legislative Session results.

Action: Counsel Brancard presented an update on the legislative session and discussed two bills that were passed and have been signed by the Governor. HB 383 and SB 442 were identical bills addressing the financial assurance section of the Oil and Gas Act. They authorize the Commission to create different categories of bonds for inactive wells. A proposal by the Division to amend the financial assurance rule to include the inactive well bond provisions has been scheduled for the June 4, 2015 Commission meeting. There was also legislation changing the method by which a rule can be appealed by going directly to the court of appeals now instead of to the district court. The legislation also requires that the Commission wait 20 days from the adoption of a new rule to file it with the Records Center. The pre-emption issue was also discussed.

Item 6. Next meeting: June 4, 2015

Item 7. Adjournment.

The chair adjourned the meeting at 10:50 a.m.

A handwritten signature in black ink, appearing to read "David R. Catanach". The signature is fluid and cursive, with the first name "David" and last name "Catanach" clearly distinguishable.

DAVID R. CATANACH, Chair