

**STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION**

**Meeting Minutes
Regular Meeting
September 13, 2018
Porter Hall
Wendell Chino Building
1220 S. St. Francis Drive
Santa Fe, New Mexico 87505**

MEMBERS PRESENT:

Heather Riley	Chair, Oil Conservation Division
Robert Balch	Designee, Energy, Minerals and Natural Resources Department
Ed Martin	Designee, New Mexico State Land Commissioner

OTHERS PRESENT:

Bill Brancard, Counsel for the Commission
Florene Davidson, Commission Clerk

Item 1. Roll Call.

Roll was taken; a quorum was present.

Item 2. Approval of Agenda.

Action: Commissioner Balch moved to adopt the agenda. Commissioner Martin seconded the motion. The motion passed unanimously.

Item 3. Approval of minutes of August 20-21, 2018 meeting.

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

Item 4. Case No. 16040 (De Novo): Application of the New Mexico Oil Conservation Division Compliance and Enforcement Bureau for a Compliance Order Against Cano Petro of New Mexico, Inc. for Wells Operated in Chaves and Roosevelt Counties, New Mexico.

Case No. 16359: Application of the New Mexico Oil Conservation Division Compliance and Enforcement Bureau for a Compliance Order Against Cano Petro of New Mexico, Inc. for Wells Operated in Chaves and Roosevelt Counties, New Mexico.

Action: These cases were consolidated and heard at the August 20-21 Commission Hearing. An order was drafted and forwarded to the Commissioners for their review. Commissioner Balch made a motion to adopt the order in these two consolidated cases. Commissioner Martin seconded the motion. The motion passed unanimously and Order No. R-14795-A was signed by all Commissioners.

Item 5. Case No. 16027 (De Novo): Application of Chisholm Energy Operating, LLC for a non-standard spacing and proration unit and compulsory pooling, Eddy County, New Mexico

Action: Jennifer Bradfute representing Cimarex Energy Company and Jordan Kessler representing Chisholm Energy Operating, LLC requested a change to one of the findings in the order that had been circulated to the Commission for their review in this matter. The Commission unanimously agreed to adopt the requested change. Commissioner Balch made a motion to adopt the order with the change. Commissioner Martin seconded the motion. The motion passed unanimously, and Order No. R-14719-A was signed by all Commissioners.

Item 6. Case No. 16078 (Rulemaking): In the matter of Proposed Amendments to the Commission's Rules on Financial Assurance and Plugging and Abandonment of Wells, 19.15.2, 19.15.8, and 19.15.25 NMAC.

Action: The Commission discussed an application for rehearing of this case filed by Larry Marker. Counsel Brancard stated that Mr. Marker is not a party in this proceeding and therefore does not have standing in the case to file the rehearing application. NMSA 1978, §70-2-25(A). After discussion, the Commission, on its own motion, agreed to rehear the case solely to address the issue of the applicability of the rule to wells that are covered by federally required financial assurance. Commissioner Balch made a motion to re-open the case for this issue only. Commissioner Martin seconded the motion. The motion passed unanimously, and the rehearing was scheduled for November 15, 2018. The Commission Chair was requested to prepare an Order describing the limited rehearing and directing the Division to prepare proposed changes to the rule.

Item 7: The Commission will consider the application for rehearing filed by Delaware Energy, LLC in:

Case No. 15855 (De Novo): Application of Delaware Energy LLC to revoke the injection authority granted under SWD-1680 for the Alpha SWD No. 1 Well operated by Alpha SWD Operating LLC, Eddy County, New Mexico

Action: An appearance was made by Michael Feldewert for Delaware Energy LLC (Delaware). He cited statutes and argued that the De Novo process in this case was correct. After a motion by Commissioner Balch and a second to the motion by Commissioner Martin, the Commission voted unanimously to close the meeting pursuant to NMAC 1978, Section 10-15-1H to deliberate on this matter. After a motion by Commissioner Balch and a second to the motion by Commissioner Martin, the Commission voted unanimously to go back into open session. Chair Riley announced that the application for rehearing in Case No. 15855 was the only matter discussed during the closed session. Chair Riley said that the Commission decided to grant the application for rehearing. Counsel Brancard was instructed to prepare an order granting the rehearing for October 11, 2018.

The following Items 8, 9 and 10 were continued to the Commission hearing scheduled for October 11, 2018:

- Item 8.** **Case No. 15758 (De Novo): Application of OneEnergy Partners Operating, LLC for a non-standard spacing and proration unit and compulsory pooling, Lea County, New Mexico**
- Item 9.** **Case No. 15759 (De Novo): Application of OneEnergy Partners Operating, LLC for a non-standard spacing and proration unit and compulsory pooling, Lea County, New Mexico**
- Item 10.** **Case No. 15844 (De Novo): Amended Application of XTO Energy Inc. for Approval of the Expansion of the James Ranch Unit, Eddy County, New Mexico**
- Item 11.** **Case No. 15073 (Re-opened): Application of DCP Operating Company, LP to Re-Open Case No. 15073 to Amend Order R-13809 to Remove the Request to Remediate the Wells Identified in Paragraph 33, Lea County, New Mexico**

Action: An appearance was made by Adam Rankin for DCP Operating Company, LP (DCP). Mr. Rankin made an opening statement explaining the purpose of the re-opening of this case.

DCP's witness was Alberto Gutierrez, President of Geolex, Inc. in Albuquerque, New Mexico. He presented testimony to show that the injection of acid gas into the acid gas injection well will not affect the four wells identified in Paragraph 33 of Order No. R-13809. Chair Riley, Commissioner Martin, Commissioner Balch, and Counsel Brancard cross-examined the witness, and he was excused.

After a motion by Commissioner Balch and a second to the motion by Commissioner Martin, the Commission voted unanimously to close the meeting pursuant to NMAC 1978, Section 10-15-1-H to deliberate. After a motion by Commissioner Balch and a second to the motion by Commissioner Martin, the Commission voted unanimously to go back into open session. Chair Riley announced that Reopened Case No. 15073 was the only matter discussed during the closed session. Mr. Rankin was asked to draft a revision to the order correcting Paragraph 33 and including conditions to remove the approval of the AGI well that has not been drilled.

- Item 12.** **Case No. 16403: Application of Hilcorp Energy Company to Amend the Well Density and Location Requirements and Administrative Exceptions of the Special Rules for the Blanco-Mesaverde Gas Pool, Rio Arriba and San Juan Counties, New Mexico.**

Action: Public comments against the granting of the application were taken from the following:

Joe Manley
Jemez Pueblo
Lynne Fischer
Teresa Seamster

Appearances were made by Michael Feldewert, Adam Rankin, and James Bruce for Hilcorp Energy Company (Hilcorp), Jon Anderson for the San Juan Citizens Alliance (SJCA), Scott Hall for LOGOS Resources II, LLC, and Michael Feldewert for Enduring Resources.

Mr. Feldewert and Mr. Anderson argued the Motion for Intervention filed by the SJCA and the Motion to Strike the Motion for Intervention filed by Hilcorp. After a motion by Commissioner Balch and a second to the motion by Commissioner Martin, the Commission voted unanimously to close the meeting to make a decision on the Motions. After a motion by Commissioner Martin and a second to the motion by Commissioner Balch, the Commission voted unanimously to go back into open session. Chair Riley announced that the Motions were the only matters discussed during the closed session. Counsel Brancard announced that the Motion to Strike was granted.

Hilcorp's first witness was Chuck Creekmore, Landman with Hilcorp. He summarized Hilcorp's operations in the San Juan Basin and the Blanco-Mesaverde Gas Pool. He identified who was given notice of this hearing. Chair Riley, Commissioner Balch, and Counsel Brancard cross-examined the witness, and he was excused.

The next witness was Andrew Sparks, Geologist with Hilcorp in Houston, Texas. He gave an overview of the reservoir and history of the Blanco-Mesaverde Gas Pool. Commissioner Balch cross-examined the witness, and he was excused.

The next witness was Michelle Sivadon, Engineer with Hilcorp in Houston. She discussed the variation of pressures in different sands of the Mesaverde formation. She compared the total recovery from wells in the Devonian and Mesaverde formations and described future development plans to recover gas in place. Chair Riley, Commissioner Balch, and Counsel Brancard cross-examined the witness, and she was excused.

Mr. Creekmore was recalled to discuss the Colorado side of the Blanco-Mesaverde Gas Pool.

Mr. Hall presented a letter from the President of LOGOS to the Commission in support of Hilcorp's application.

Public comments against the application were taken from the following:

Jon Anderson
Dr. Marie Morgan
John Otter
Bobbe Bebord
Caren Waters
Richard Vietal

After a motion by Commissioner Martin and a second to the motion by Commissioner Balch, the Commission voted unanimously to close the meeting pursuant to NMAC 1978, Section 10-15-1-H to deliberate. After a motion by Commissioner Balch and a second to the motion by Commissioner Martin, the Commission voted unanimously to go back into open session. Chair Riley announced that Case 16403 was the only matter discussed during the closed session. Chair Riley said that the Commission found that the notice to the operators in the pool provided an incorrect date for the hearing. The Commission decided to continue this case to a future hearing date so that proper notice of the application to increase the drilling

of infill wells in a spacing unit can be given to the operators. After discussion, the Commission decided to continue the case to November 19, 2018.

Item 13. Other business.

Action: Commissioner Balch made a statement regarding public comments and the use of brine water in fracturing.

Item 14. Next meeting – October 11, 2018.

Item 15. Adjournment.

The Chair adjourned the meeting at 5:10 p.m.


HEATHER RILEY, Chair