

**STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION**

**Meeting Minutes
Regular Meeting
December 11, 2019
Porter Hall
Wendell Chino Building
1220 S. St. Francis Drive
Santa Fe, New Mexico 87505**

MEMBERS PRESENT:

Adrienne Sandoval Chair, Oil Conservation Division
Tom Engler Designee, Energy, Minerals and Natural Resources Department
Niranjan Khalsa Designee, New Mexico State Land Commissioner

OTHERS PRESENT:

Miguel Lozano, Counsel for the Commission
Florene Davidson, Commission Clerk

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

Item 1. Roll Call.

Roll was taken; a quorum was present.

Item 2. Approval of Agenda.

Action: Commissioner Engler moved adoption of the agenda. Commissioner Khalsa seconded the motion. The motion passed unanimously.

Item 3. Approval of minutes of November 6, 2019 meeting.

Action: Commissioner Engler moved to approve the minutes. Commissioner Khalsa seconded the motion. The motion passed unanimously.

Item 4. Case No. 20795: Application of Advance Energy Partners, LLC for Approval of Applications for Permits to Drill, Lea County, New Mexico.

Action: Chair Sandoval announced that this case has been continued to the February 27, 2020 Commission Meeting.

Item 5. Case No. 20780: Application of Salt Creek Midstream LLC for authorization to drill, complete and operate an Acid Gas Injection (AGI) well at the Ameredev South gas processing facility (the "Plant") in Lea County, New Mexico.

Action: Chair Sandoval explained how the hearing will be conducted to comply with the provisions of the Open Meetings Act, Oil and Gas Act, as well as the Commission rules regarding adjudication. Appearances were made by Thomas M. Hnasko and Dana Hardy for Salt Creek Midstream LLC (Salt Creek), Eric Ames for the Oil Conservation Division (OCD), and Andrea Antillon for the New Mexico State Land Office (SLO). Mr. Hnasko made an opening statement announcing that certain concerns of the intervenors have been resolved, and he outlined the presentation of his case. Ms. Antillon made an opening statement in which she discussed the settlement reached between the SLO and Salt Creek and that the SLO now supports the application. Mr. Ames stated that the OCD does not oppose the application but does not entirely support it.

Salt Creek's first witness was Brian Perriloux, Senior Vice President for Engineering and Operations with Salt Creek. He described different methods of

disposing of H₂S. He stated that a H₂S contingency plan has been filed with OCD's Environmental Bureau and will be updated when necessary. Commissioner Engler, Chair Sandoval, and Commissioner Khalsa cross-examined the witness, and he was excused.

The next witness was Alberto Gutierrez, President of Geolex Inc. He described the key elements shown on the Form C-108 application and the plume dispersion. He discussed the notice of this application given to adjacent operators and mineral and surface owners within a one-mile radius of the proposed well. He identified the concerns of the SLO and the OCD and summarized the SLO special terms and conditions. Commissioner Engler, Commissioner Khalsa, and Chair Sandoval cross-examined the witness, and he was excused.

The next witness for Salt Creek was David White, Geologist and Project Manager for Geolex. He provided an analysis of 3D seismic data to identify any faults in the area by conducting a fault-slip modeling to determine the probability of induced seismic events. Commissioner Khalsa, Commissioner Engler, and Chair Sandoval cross-examined the witness, and he was excused.

Mr. Perriloux was recalled to address what would happen if a problem arose in the facility or the injection well and how soon the facility could be brought back into service. Mr. Perriloux committed to the creation and submission of a response plan for Division review and approval. Chair Sandoval and Mr. Ames cross-examined the witness, and he was excused.

Mr. Gutierrez was recalled to clarify injection in wells in the one-mile area of review and to identify the design of the AGI system. He was excused.

OCD's witness was Phillip Goetze, UIC Program Manager and Hearing Examiner for the OCD. He explained OCD's objection to the Delaware Mountain Group as a disposal zone but after reaching an agreement with the SLO and Salt Creek, OCD no longer opposes the application with the proposed conditions. He pointed out how the OCD's opinion of the plume dispersion differs from that of Mr. Gutierrez. Commissioner Khalsa, Commissioner Engler, Chair Sandoval, and Mr. Hnasko cross-examined the witness, and he was excused.

Closing arguments were made by Mr. Hnasko, Ms. Antillon, and Mr. Ames.

After a motion by Commissioner Engler and a second to the motion by Commissioner Khalsa to close the meeting pursuant to NMAC 1978, Section 10-15-1(H) to deliberate on this matter, a roll call vote was held.

Chair Sandoval – Yes
Commissioner Engler – Yes
Commissioner Khalsa – Yes

The meeting was closed by a unanimous vote.

After a motion by Commissioner Engler and a second to the motion by Commissioner Khalsa, the Commission voted unanimously to go back into open session. Chair Sandoval announced that Case No. 20780 was the only matter discussed during the closed session. Commissioner Engler moved that the Form C-108 application be approved with the OCD standard conditions for acid gas injection wells and the special conditions agreed upon by all parties and amended by the Commission. Commissioner Engler made a statement requesting additional data to be included in future AGI applications. Mr. Hnasko was instructed to draft an order incorporating all of these conditions to be signed at the January 16, 2020 Commission meeting.

Item 6. Pending litigation

Counsel Lozano informed the Commission that a hearing will be held on December 30, 2019 on the Delaware Energy appeal of the final order in Case 15855.

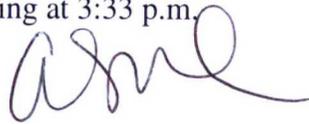
Item 7. Other business

There was no other business.

Item 8. Next meeting: January 2, 2020

Item 9. Adjournment

Chair Sandoval adjourned the meeting at 3:33 p.m.



ADRIENNE SANDOVAL, Chair