

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

CASE NO. 15957

IN THE MATTER OF THE:

APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION TO AMEND RULES OF THE COMMISSION CONCERNING THE DRILLING, SPACING, AND OPERATION OF HORIZONTAL WELLS AND RELATED MATTERS BY AMENDING VARIOUS SECTIONS OF RULES 19.15.2, 19.15.4, 19.15.14, 19.15.15, AND 19.15.16 NMAC; STATEWIDE.

CERTIFICATE OF COMPLIANCE WITH NOTICE REQUIREMENTS

As Clerk to the New Mexico Oil Conservation Commission, I hereby certify that notice of this matter has been provided as follows:

1. The Notice of Proposed Rulemaking for this Case ("Notice") was sent to the State Records Center and Archives and was published in the New Mexico Register on February 27, 2018. (Attachment A)
2. A copy of the Notice was sent to the Albuquerque Journal and was published on March 15, 2018. (Attachment B)
3. On February 27, 2018, a copy of the Notice was posted on the Oil Conservation Division website and remained posted through the date of the public hearing.
4. On March 5, 2018, a copy of the Notice was sent to the Oil Conservation Division field offices in Hobbs, Artesia, and Aztec to be available to the public.
5. By March 19, 2018, a copy of the Notice had been mailed or e-mailed to all persons on the Commission mailing list for rulemakings.
6. On March 12, 2018, a copy of the Notice was e-mailed to the New Mexico Legislative Council for distribution to committees.
7. On March 1, 2018, a copy of the Notice was posted to the New Mexico Department of Information Technology's Sunshine Portal.

NEW MEXICO OIL CONSERVATION COMMISSION

Florene Davidson

Florene Davidson, Commission Clerk



Notices of Rulemaking and Proposed Rules

CULTURAL AFFAIRS, DEPARTMENT OF

NOTICE OF PROPOSED RULEMAKING

NOTICE IS HEREBY GIVEN that the Museum of New Mexico Board of Regents (BOR) and the Department of Cultural Affairs (DCA) are proposing to repeal 4.51.57 NMAC, which governs the portal artisans program of the New Mexico Palace of the Governors State History Museum (POG/NMHM), and replace it with a new 4.51.57 NMAC. In summary, 4.51.57 NMAC contains provisions on the location of the portal program; participant qualifications and program operations; vending rules; annual meeting requirements; responsibilities of portal committee; POG/NMHM's administration of the program; and the authenticity and quality of products offered for sale in the program. The BOR/DCA propose to repeal 4.51.57 NMAC because the current rule is disorganized; needs clarification; contains redundant, outdated, and unnecessary provisions; and lacks definitions and detail on the application process, committee structure, committee meetings, committee member elections, duty officer responsibilities, and rule enforcement.

The purpose of the proposed new rule is to clarify, supplement, and update 4.51.57 NMAC in order to enhance the program and the NMHM/POG's ability to effectively, fairly and lawfully administer the program. In summary, the proposed replacement rule 4.51.57 NMAC defines key terms; sets forth the portal coordinator's administrative responsibilities; establishes requirements for the application and demonstration process and participant qualifications consistent with law; establishes rules on the selection, structure, and responsibilities of the portal committee and removal of its members; establishes procedures for conducting annual, committee

and special meetings; governs daily operations of the program, including establishing duty officer responsibilities, rules for the drawing for spaces, and participant vending rules; sets forth disciplinary procedures for rule violations, including penalty guidelines and appeals process; establishes product authenticity and quality standards; and codifies the portal committee code of conduct for all participants.

The BOR and DCA are proposing these rule changes pursuant to Subsection E of Section 9-4A-6 NMSA 1978 and Subsection G of Section 18-3-3 NMSA 1978.

The BOR and the DCA will hold a public hearing on Tuesday, April 3, 2018, at 10:00 A.M. in Room 238 of the Bataan Memorial Building (Old Senate Chambers), 407 Galisteo Street, Santa Fe, New Mexico 87501. The purpose of the hearing is to receive oral and written comments on the proposed rule repeals and on the proposed new rule.

The proposed rule is available at the DCA website: <http://www.newmexicoculture.org>. To request that a copy of the proposed rule be mailed to you, submit your request in writing to Shirley Lujan, Museum Resources Center, Dept. of Cultural Affairs, 725 Camino Lejo, Santa Fe, New Mexico 87504, or by email to Shirley.Lujan@state.nm.us.

Any person may appear at the hearing and make oral comments, or submit written comments, or both. Written comments may be submitted by mail or email to Shirley Lujan at the addresses noted above. The BOR and DCA will accept written comments for consideration no later than 10:00 A.M. on the hearing date. Written comments received at least one day prior to the public hearing will be posted on the DCA's website.

Individuals in need of a reader, amplifier, qualified sign language interpreter or any other form of

auxiliary aid or service to attend or participate in the hearing should contact Shirley Lujan at 505-476-1126 at least five business days prior to the hearing.

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT OIL CONSERVATION COMMISSION

NOTICE OF PROPOSED RULEMAKING

The New Mexico Oil Conservation Commission (Commission) hereby gives notice of the following proposed rulemaking (Case No. 15957).

The New Mexico Oil Conservation Division ("OCD") proposes to amend 19.15.2, 19.15.4, 19.15.14, 19.15.15, and 19.15.16 NMAC as follows to make changes concerning the drilling, spacing and operation of horizontal wells, and related matters:

19.15.2.7 NMAC. OCD proposes to amend 19.15.2.7 to add a new definition of "affected persons" and amend the definitions of "mineral interest owners" and "proration unit".
19.15.4.12 NMAC. OCD proposes to amend 19.15.4.12 to clarify the notice requirements for applications for non-standard well locations and non-standard spacing and proration units.

19.15.14 and 19.15.15 NMAC. OCD proposes to amend 19.15.14.8 and 19.15.15.8 to conform cross-references to proposed revisions of 19.15.16 NMAC.

19.15.16 NMAC. OCD proposes to amend 19.15.16 NMAC to comprehensively revise the requirements for horizontal wells. Changes include adding definitions of "first take point" and "last take point", "infill horizontal well", "multi-lateral well", and "unitized area", and repeal definitions of "penetration point", "producing area", "project area", and "standard project area".

19.15.16.14 NMAC will be

amended to provide for distinct rules of "directional" as opposed to "horizontal" wells. The rules for directional wells will not be significantly changed, but will no longer apply to horizontal wells.

19.15.16.15 NMAC will be amended to collect in a single section those rules that apply to horizontal wells and proposes revisions to comprehensively regulate such wells. These changes include establishing standard horizontal spacing units and procedures for OCD approval of non-standard horizontal spacing units. The proposed changes also provide minimum setback distances for horizontal wells from horizontal spacing unit boundaries and authorize horizontal wells to produce at maximum efficient rates to prevent waste of oil and gas.

Purpose of Proposed Rule. The proposed changes will adapt the spacing and setback requirements for horizontal wells to the unique nature of those wells, and maximize such wells' efficiency by eliminating unnecessary restrictions on production, and also clarify matters that are uncertain in existing rules.

Legal Authority. These amendments are authorized by the Oil and Gas Act, NMSA 1978, Sections 70-2-1 through 70-2-38, and specifically Section 70-2-11(A), (which authorizes the adoption of rules to carry out the purposes of the Act), Section 70-2-12(A) (which authorizes the Commission to prorate production of crude petroleum oil and natural gas) and Section 70-2-12(B)(10) (which authorizes the Commission to fix the spacing of wells). The rulemaking proceeding will be governed by the Commission's rule on rulemaking, 19.15.3 NMAC.

The full text of the proposed rule amendments is available from Commission Clerk, Florene Davidson at (505) 476-3458 or can be viewed on the Rules page at the Oil Conservation Division's website at <http://www.emnrd.state.nm.us/ocd>, or at Oil Conservation Division offices

in Santa Fe, Hobbs, Artesia, or Aztec.

Public Hearing and Comment.

The Commission will hold a public hearing on the proposed rules at the Commission meeting which will commence at 9:00 A.M. on April 17, 2018, in Porter Hall, 1st Floor, Wendell Chino Building, 1220 South St. Francis Drive, Santa Fe, New Mexico.

Written or electronic comments on the proposed rule may be hand delivered or mailed to the Commission Clerk, Florene Davidson, 3d floor, 1220 South St. Francis Drive, Santa Fe, NM 87505, or e-mailed to florene.davidson@state.nm.us. All written or electronic comments must be received by the Commission Clerk no later than 9:00 A.M. on April 17, 2018, unless the Commission or the Commission Chair extends this deadline.

Persons intending to submit proposed modifications to the proposed rule amendments, to present technical testimony at the hearing, or to cross-examine witnesses must file six copies of a Pre-hearing Statement conforming to the requirements of Subsection B of 19.15.3.11 NMAC, no later than 5:00 P.M. on April 3, 2018. Pre-hearing Statements must be hand-delivered, mailed, or e-mailed to the Commission Clerk at the above address.

Any person who has not submitted a pre-hearing statement may present non-technical testimony or make an unsworn statement at the hearing. A person may also offer exhibits with the testimony so long as the exhibits are relevant to the proposed rule changes and do not unduly repeat the testimony. Any person who wishes to present non-technical testimony should indicate his or her intent on a sign-in sheet at the hearing. A person who testifies at the hearing is subject to cross-examination by the commissioners, commission counsel, or a party on the subject matter of the person's direct testimony.

If you are an individual with a disability who needs a reader,

amplifier, qualified sign language interpreter, or any other form of auxiliary aid or service to attend or participate in the hearing, please contact Ms. Davidson at (505) 476-3458 or through the New Mexico Relay Network at 1-800-659-1779 by April 3, 2018. Public documents can be provided in various accessible forms. Please contact Ms. Davidson if a summary or other type of accessible form is needed. A party who plans to use projection equipment at a hearing must contact Ms. Davidson seven business days prior to the hearing requesting the use of the projection equipment. Wireless internet is available; however, the person requesting to use the wireless connection must provide a laptop computer.

Technical Information that served as a basis for the proposed rule includes: -Holditch, S. and Blakeley, D., "Flow Characteristics of Hydraulic Fracture Proppants Subjected to Repeated Production Cycles", *SPE Production Engineering*, Feb. 1992; and -Crafton, J. and Noe, S., "Impact of Delays and Shut-Ins on Well Productivity", *SPE Eastern Regional Meeting*, August 2013. These materials can be viewed on the Rules page at the Oil Conservation Division's website at <http://www.emnrd.state.nm.us/ocd>.

**ENERGY, MINERALS AND
NATURAL RESOURCES
DEPARTMENT
STATE PARKS DIVISION**

**NOTICE OF PROPOSED
RULEMAKING**

The New Mexico Energy, Minerals and Natural Resources Department (EMNRD), State Parks Division hereby gives notice of the following proposed rulemaking.

The State Parks Division proposes to amend its rules 19.5.1 NMAC, General Provisions; 19.5.2 NMAC,

Notice of Proposed Rulemaking

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The New Mexico Oil Conservation Division (“OCD”) proposes to amend 19.15.2, 19.15.4, 19.15.14, 19.15.15, and 19.15.16 NMAC as follows to make changes concerning the drilling, spacing and operation of horizontal wells, and related matters:

19.15.2.7 NMAC. OCD proposes to amend 19.15.2.7 to add a new definition of “affected persons” and amend the definitions of “mineral interest owners” and “proration unit”.

19.15.4.12 NMAC. OCD proposes to amend 19.15.4.12 to clarify the notice requirements for applications for non-standard well locations and non-standard spacing and proration units.

19.15.14 and 19.15.15 NMAC. OCD proposes to amend 19.15.14.8 and 19.15.15.8 to conform cross-references to proposed revisions of 19.15.16 NMAC.

19.15.16 NMAC. OCD proposes to amend 19.15.16 NMAC to comprehensively revise the requirements for horizontal wells. Changes include adding definitions of “first take point” and “last take point”, “infill horizontal well”, “multi-lateral well”, and “unitized area”, and repeal definitions of “penetration point”, “producing area”, “project area”, and “standard project area”.

19.15.16.14 NMAC will be amended to provide for distinct rules of “directional” as opposed to “horizontal” wells. The rules for directional wells will not be significantly changed, but will no longer apply to horizontal wells.

19.15.16.15 NMAC will be amended to collect in a single section those rules that apply to horizontal wells and proposes revisions to comprehensively regulate such wells. These changes include establishing standard horizontal spacing units and procedures for OCD approval of non-standard horizontal spacing units. The proposed changes also provide minimum setback distances for horizontal wells from horizontal spacing unit boundaries and authorize horizontal wells to produce at maximum efficient rates to prevent waste of oil and gas.

Purpose of Proposed Rule. The proposed changes will adapt the spacing and setback requirements for horizontal wells to the unique nature of those wells, and maximize such wells’ efficiency by eliminating unnecessary restrictions on production, and also clarify matters that are uncertain in existing rules.

Legal Authority. These amendments are authorized by the Oil and Gas Act, NMSA 1978, Sections 70-2-1 through 70-2-38, and specifically Section 70-2-11(A), (which authorizes the adoption of rules to carry out the purposes of the Act), Section 70-2-12(A) (which authorizes the Commission to prorate production of crude petroleum oil and natural gas) and Section 70-2-12(B)(10) (which authorizes the Commission to fix the spacing of wells). The rulemaking proceeding will be governed by the Commission’s rule on rulemaking, 19.15.3 NMAC.

The full text of the proposed rule amendments is available from Commission Clerk, Florene Davidson at (505) 476-3458 or can be viewed on the Rules page at the Oil Conservation Division's website at <http://www.emnrd.state.nm.us/ocd>, or at Oil Conservation Division offices in Santa Fe, Hobbs, Artesia, or Aztec.

Public Hearing and Comment. The Commission will hold a **public hearing** on the proposed rules at the Commission meeting which will commence at 9:00 A.M. on April 17, 2018, in Porter Hall, 1st Floor, Wendell Chino Building, 1220 South St. Francis Drive, Santa Fe, New Mexico.

Written or electronic comments on the proposed rule may be hand delivered or mailed to the Commission Clerk, Florene Davidson, 3d floor, 1220 South St. Francis Drive, Santa Fe, NM 87505, or e-mailed to florene.davidson@state.nm.us. All written or electronic comments must be received by the Commission Clerk no later than 9:00 A.M. on April 17, 2018, unless the Commission or the Commission Chair extends this deadline.

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Any person who has not submitted a pre-hearing statement may present non-technical testimony or make an unsworn statement at the hearing. A person may also offer exhibits with the testimony so long as the exhibits are relevant to the proposed rule changes and do not unduly repeat the testimony. Any person who wishes to present non-technical testimony should indicate his or her intent on a sign-in sheet at the hearing. A person who testifies at the hearing is subject to cross-examination by the commissioners, commission counsel, or a party on the subject matter of the person’s direct testimony.

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Given under the Seal of the State of New Mexico Oil Conservation Commission at Santa Fe, New Mexico on this 12th day of March, 2018.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Heather Riley
Director, Oil Conservation Division

Journal: March 15, 2018