

**MINUTES OF THE MEETING
OF THE OIL CONSERVATION COMMISSION
HELD ON MARCH 13, 2014**

The Oil Conservation Commission met at 9 o'clock a.m. on March 13, 2014, in Porter Hall, Wendell Chino Building, 1220 S. St. Francis Drive, Santa Fe, New Mexico.

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

Bill Brancard served as Commission counsel.

The meeting was called to order by Chair Bailey. Upon a motion by Commissioner Warnell and a second to the motion by Commissioner Balch, the minutes of the February 13, 2014 Commission meeting were unanimously approved and adopted.

Case 15073, the application of DCP Midstream, LP for authority to inject treated acid gas into the Lower Cherry Canyon and Upper Brushy Canyon formations through its proposed Zia AGI #1 and Zia AGI #2, Lea County, New Mexico, was called for final action. Counsel Brancard explained that a draft order was provided by the counsel for the applicant. The Commission members individually provided comments on the draft to Counsel Brancard, and he explained the changes he made to the draft to coincide with the recommended decision of the Commission at its last meeting. After a motion by Commissioner Warnell and a second to the motion by Commissioner Balch, the Commission voted unanimously to adopt the order, and Order No. R-13809 in Case 15073 was signed by the Commission.

Case 15103, the application of Occidental Permian Ltd. to amend Order No. R-6199-B to expand the North Hobbs Grayburg-San Andres Unit Phase I Tertiary Recovery Project, to modify certain operating requirements, and to certify this expansion for the Recovered Oil Tax Rate pursuant to the New Mexico Enhanced Oil Recovery Act, Lea County, New Mexico, was called. An appearance was made by Michael Feldewert for Occidental Permian Ltd. (Oxy). Counsel Brancard stated that written appearances have been entered by David Ellison, Personal Representative of the Estate of George Rittenhouse Ellison, Cornelia England, Gerald Carl Golden, Sharon Aileen Mehs (Lee), and Thomas R. Mehs to establish themselves as parties of record.

Mr. Feldewert made an opening statement explaining what the applicant is seeking at this hearing. He asked the Commission to incorporate the record of Case 14981 involving the South Hobbs Unit into this record. The Commission unanimously voted to incorporate the record.

The first witness was Jared Brockman, Production Manager with Oxy in Houston, Texas. He described the current operations of the North Hobbs Unit. He listed the exceptions that Oxy is seeking for the North Hobbs Phase I area. He outlined the current Phase I geographic area. He explained the injection pattern and the necessity of having more than four wells per quarter-quarter section. He explained why Oxy is seeking permission to drill closer than 10 feet to the section line. He said that new surface facilities will be added and described the costs involved with the expansion. Commissioner Balch, Commissioner Warnell, and Chair Bailey cross-examined the witness, and he was excused.

The next witness was Randy Stillwell, Senior Geologic Advisor with Oxy in Houston. He explained a general type log from a well in the North Hobbs Unit. He identified the injection interval in the unit. He discussed the structure, porosity and packer setting depth. He presented an analysis of the fresh water zone. Commissioner Warnell, Commissioner Balch, and Chair Bailey cross-examined the witness, and he was excused.

The next witness was Scott Hodges, Operations Team Leader in the North and South Hobbs Units with Oxy in Hobbs, New Mexico. He discussed CO₂ satellites for the North Hobbs Unit. He described the Supervisory Control and Data Acquisition (SCADA) System which receives input from sensing devices on equipment. He described how data in the system is accepted and utilized. He said there is 24-hour monitoring of the data. He described typical injection and production well setups. He told of H₂S detection devices located at all facilities. He advised the Commission of how corrosion issues will be handled. He discussed the design and fabrication of surface equipment. He explained maintenance standards and discussed downhole corrosion mitigation. He said that real time pressure monitoring devices will be placed on temporarily abandoned wells and requested that the Division allow up to five years before requiring a MIT. Commissioner Balch, Commissioner Warnell, and Chair Bailey cross-examined the witness, and he was excused.

The next witness was Kelley Montgomery, Production Engineer and Regulatory Consultant for Oxy in Houston. She presented tax incentive information and gave the legal description of the project area location. She provided an estimate of the capital cost of the expansion of the project. She discussed current producing and injection wells. She identified 22 wells to be converted to injection. She explained the design of current injectors and proposed new drills. She provided an area-of-review analysis. Commissioner Warnell, Commissioner Balch, and Chair Bailey cross-examined the witness, and she was excused.

The next witness was Pat Sparks, Landman with Oxy in Houston. He identified the ownership of the proposed expanded area. He explained how owners had been identified for purposes of notification. He explained the methods used to notify all operators, working interest owners, lessees, and mineral interest owners. He identified owners for which addresses could not be found. The witness was excused.

Mr. Feldewert explained that the newspaper had not published the notice correctly and asked that Oxy be allowed to come back and present the corrected affidavit of publication at the next Commission meeting. Counsel Brancard said that the corrected notice should advise that a hearing was held on this matter, and the record will be left open for 30 days.

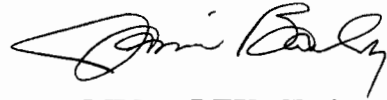
Mr. Hodges was recalled for further questioning by Commissioner Balch and was excused.

After a motion by Commissioner Balch and a second to the motion by Commissioner Warnell, the Commission voted unanimously to close the meeting pursuant to NMSA 1978, Section 10-15-1 H, to deliberate on Case 15103. After a motion by Commissioner Balch and a second to the motion by Commissioner Warnell, the Commission voted unanimously to go back into open session. Chair Bailey announced that Case 15103 was the only matter discussed during the closed session. Counsel Brancard explained that the decision of the Commission is contingent upon there being no additional entries into the record after the corrected notice is published in the newspaper. He stated that the Commission had voted unanimously to approve the application subject to certain conditions. Mr. Feldewert was instructed to present a proposed order which will be addressed at the May 22, 2014 Commission meeting.

Counsel Brancard presented an update to the Commission on the pit rule appeal litigation.

The meeting was adjourned at 2:45 p.m.

**STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION**

A handwritten signature in black ink, appearing to read "Jami Bailey", written in a cursive style.

JAMI BAILEY, Chair