

**STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION**

**Meeting Minutes
Regular Meeting
May 19, 2016
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
Patrick Padilla	Designee, 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.

Item 2. Approval of Agenda.

Commissioner Balch moved adoption of the agenda. Commissioner Padilla seconded the motion. The motion passed unanimously.

Item 3. Approval of minutes of April 7, 2016 meeting.

Commissioner Padilla moved to approve the minutes. Commissioner Balch seconded the motion. The motion passed unanimously.

Item 4. Final action may be taken in Case 15443: Application of the New Mexico Oil Conservation Division to amend certain provisions of Title 19, Chapter 15, Part 36 of the New Mexico Administrative Code concerning surface waste management facilities, Part 35 of the New Mexico Administrative Code concerning waste disposal, and Part 2 of the New Mexico Administrative Code concerning the definition of oil field waste.

Action: After having reviewed the draft order prepared in this case, Commissioner Padilla moved to adopt the order and amended rules. Commissioner Balch seconded the motion. The motion passed unanimously, and Order No. R-14170 in Case 15443 was signed by all Commissioners. Counsel Brancard explained that changes to the Oil and Gas Act now require a delay of 20 days to file the proposed rule amendments with the State Records and Archives Center for publication in the New Mexico Register.

Item 5. Case 15322: De Novo Application of Key Energy Services, LLC for approval of a salt water disposal well, Eddy County, New Mexico.

Action: Chair Catanach announced that at the request of Key Energy Services, LLC this case was dismissed. Commissioner Padilla moved and Commissioner Balch seconded a motion to allow Chairman Catanach to sign the dismissal Order No. R-14052-A as Chair of the Commission. The motion passed.

Item 6. Case 15278: De Novo Application of High Roller Wells LLC for authorization to inject, Eddy County, New Mexico.

Action: Appearances were made by Scott Hall for High Roller Wells LLC (High Roller), Jim Bruce for Mewbourne Oil Company (Mewbourne), and Ocean Munds-Dry for COG Operating LLC (COG). The first witness for High Roller was Rick Johnston, Partner and Consulting Petroleum Engineer with Johnston & Cloud in Austin, Texas. He explained that High Roller conducts its business by drilling and completing wells, then sells them to other companies, such as NGL Water Solutions in Denver, Colorado. He identified the interval in which the well will be completed. He described the manner in which it would be drilled, including the setting of a packer and the running of tubing. He discussed the injection rates being sought. He discussed the original application heard before an examiner and explained that, because of COG's objection, the disposal interval has been amended. He told of two wells within a two-mile radius that have previously disposed in the interval being sought at this hearing. He said this will be a commercial facility. He discussed the chemical analyses of produced water from wells in the area and said he does not anticipate there will be compatibility issues with the formation. He said the proposed well will penetrate all three members of the Delaware formation. He identified plugged wells in the area. He said no casing leaks have been found in the wells within the area of review and no production in the disposal zone. He described barriers that will confine the injected fluids. He discussed all known water wells within two miles of the proposed injection well. He said High Roller expects to come back and ask for a higher injection pressure based on step rate tests if the application is approved. He discussed the unloading process, facility and tank battery. Mr. Bruce, Chair Catanach, Commissioner Padilla, Commissioner Balch, and Counsel Brancard cross-examined the witness, and he was excused.

High Roller's next witness was Brian Woods employed by Permits West in Santa Fe, New Mexico. He told of repairing a packing leak in one well. He presented information on the top of cement. He was excused.

Mewbourne's witness was Clayton Pearson, Petroleum Landman with Mewbourne in Midland, Texas. He described a Devonian salt water disposal well that has been drilled by Mewbourne in the area. He said that Mewbourne owns a partial working interest in the subject area. Chair Catanach and Commissioner Padilla cross-examined the witness, and he was excused.

The next witness for Mewbourne was Nate Cless, Geologist with Mewbourne in Midland, Texas. He listed the objections Mewbourne has with the drilling of the injection well in this case. He stated that the Delaware formation is a very productive formation in this area. He

discussed water saturation and oil shows in wells drilled in this formation. He told of one well where water could flow freely throughout the formations if injection fluids migrate into it. He said he did not see any impermeable barriers to prevent migration between zones. He believes there are two wells not properly plugged and abandoned which would allow migration. Mr. Hall, Chair Catanach, Commissioner Padilla, and Commissioner Balch cross examined the witness, and he was excused.

Mewbourne's next witness was Travis Cude, Reservoir Engineer with Mewbourne in Midland. He discussed frac gradient studies he had made of different portions of the Delaware formation. He said he has seen migration of injected fluids down into the Cherry Canyon formation. He explained that Mewbourne is trying to move out of injection into the Delaware formation and has no objection to a Devonian salt water disposal well in this area. He discussed wells that would provide a conduit for injected fluids. He said a higher injection pressure would not be acceptable to Mewbourne. Mr. Hall, Chair Catanach, and Commissioner Balch cross examined the witness, and he was excused.

Mr. Johnston was called as a rebuttal witness to address a pump shut-in test taken on two wells, which did not show that the formation was being fractured. He said that porosity pressure point calculations show an increase in reservoir pressure which substantiates his conclusion that the injection fluids will be contained. Mr. Bruce, Chair Catanach, and Commissioner Balch cross-examined the witness, and he was excused.

Mr. Bruce and Mr. Hall made closing statements.

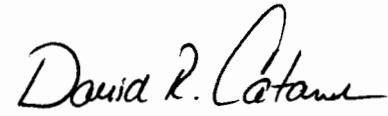
After a motion by Commissioner Balch and a second to the motion by Commissioner Padilla, the Commission voted unanimously to close the meeting pursuant to NMSA 1978, Section 10-15-1-H to deliberate on the case. After a motion by Commissioner Balch and a second to the motion by Commissioner Padilla, the Commission voted unanimously to go back into open session. Chair Catanach announced that De Novo Case 15278 was the only matter discussed during the closed session. Counsel Brancard announced that the Commission applied the standard in the Oil and Gas Act found in Section 70-2-12 that requires "prevention of drowning by water of any structure or part thereof capable of producing oil or gas in paying quantities...", and determined that they should deny High Roller's application in this case. Mr. Bruce was asked to provide a draft order to the Commission.

Counsel Brancard provided an update on pending litigation regarding the pit rule and the geothermal court cases.

- Item 7.** **Case 15379: De Novo**
Application of the New Mexico Oil Conservation Division ("OCD")
Compliance and Enforcement Manager for a compliance order against
Dominion Production Operating, LLC.
- Action:** At the request of the applicant, this case was continued to the June 16, 2016, Commission meeting.
- Item 8.** **Next meeting: June 16, 2016**

Item 9. Adjournment

The chair adjourned the meeting at 1:00 p.m.

A handwritten signature in black ink, reading "David R. Catanach". The signature is written in a cursive style with a large, looping initial 'D'.

DAVID R. CATANACH, Chair