

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION COMMISSION**

**APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION FOR
THE AMENDMENTS OF 19.15.14.8 AND 19.15.16 NMAC.**

CASE NO. 14744

AFFIDAVIT OF NOTICE

My name is Theresa Duran-Saenz, and I am a Legal Assistant with the Energy, Minerals and Natural Resources Department. I hereby certify that notice of Case 14744 was given as follows:

1. On September 19, 2011, the Oil Conservation Commission issued a notice for hearing in Case No. 14744 to be conducted on October 20, 2011 for the purpose of amending 19.15.14.8 and 19.15.16 NMAC to require an operator to obtain mineral owner or lessee consent or a compulsory pooling order prior to obtaining a permit to drill and prior to commencing drilling operations; define terms either not previously included in the rules or redefine terms; revise rules fixing the spacing and allowable production from horizontal wells, and encourage the development of oil and gas reserves in New Mexico with horizontal wells where technically and economically feasible.

2. **19.15.3.9(A)(1) NMAC** requires that the notice be published one time in a newspaper of general circulation in the state, no less than 20 days prior to the scheduled hearing date. The proposed amendments in Case 14744 affect the state of New Mexico.

- The Albuquerque Journal is a newspaper of general circulation in New Mexico. Exhibit 1 is a copy of the publication from the Albuquerque Journal, showing publication of the Notice on September 22, 2011.

3. **19.15.3.9.A(2) NMAC** requires that the notice be published on the applicable Oil Conservation Commission (OCC) docket and that the clerk send the docket by regular or electronic mail not less than 20 days prior to the hearing to all who have requested such notice. The docket and the revised Notice were posted on September 28, 2011 and sent that day by electronic mail to those individuals who requested such notice, and to those individuals who requested notice of rulemaking. See Exhibits 2 (the docket) and 3 (the Notice), attached.

4. **19.15.3.9.A(3) NMAC** requires that the notice be published one time in the New Mexico Register, with the publication date not less than 10 business days prior to the scheduled hearing date. The revised Notice was published in the New Mexico Register on September 30, 2011. See Exhibit 4, attached.

5. **19.15.3.9.A(4) NMAC** requires that the notice be published by posting on the OCD's website not less than 20 days prior to the scheduled hearing date. The Notice was scanned and posted on September 19, 2011. See Exhibit 5, attached.

8. **Section 14-4A-4, NMSA 1978** provides that prior to the adoption of a proposed rule that may have an adverse effect on small business, an agency shall provide a copy of the proposed rule to the commission at the same time as persons who have requested advance notice of rulemaking. On September 19, 2011, I hand delivered a letter of the proposed rulemaking to the Small Business Regulatory Commission. See Exhibit 6, attached.

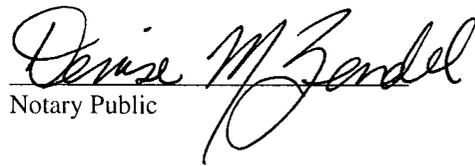
Case: 14744

OCD Exhibit 1

This concludes my affidavit.


Theresa Duran-Saenz

SUBSCRIBED AND SWORN to before me this 12th day of October 2011.


Notary Public

My Commission Expires:

01-09-12

Linda MacEachen, being duly sworn, declares and says that she is Classified Advertising Manager of The Albuquerque Journal, and that this newspaper is duly qualified to publish legal notices or advertisements within the meaning of Section 3, Chapter 167, Session Laws of 1937, and that payment therefore has been made of assessed as court cost; that the notice, copy of which is hereto attached, was published in said paper in the regular daily edition, for 1 times, the first publication being on the 22 day of September 11 and the subsequent consecutive publications on _____

Linda MacEachen²⁰

Sworn and subscribed before me, a Notary Public, in and for the County of Bernalillo and State of New Mexico this 22 day of September of 2011.

OFFICIAL SEAL
Jenny Gomez
NOTARY PUBLIC
STATE OF NEW MEXICO
2/18/13

PRICE \$ 101.12

Statement to come at end of month.

ACCOUNT NUMBER C 80932

CLA-22-A (R-1/93)

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION
SANTA FE, NEW MEXICO
The State of New Mexico, through its Oil Conservation Commission hereby gives notice pursuant to law and Commission rules of the following meeting and public hearing to be held at 9:00 A.M. on October 20, 2011, in Porter Hall at 1220 South St. Francis Drive, Santa Fe, New Mexico, before the Oil Conservation Commission. If you are an individual with a disability who is 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, please contact Commission Clerk Florene Davidson at (505) 476-3458 or through the New Mexico Relay Network (1-800-659-1779) by October 10, 2011. Public documents can be provided in various accessible forms. Please contact Ms. Davidson at a summary or other type of accessible form is needed. A preliminary agenda will be available to the public no later than two weeks prior to the meeting. A final agenda will be available no later than 24 hours preceding the meeting. Members of the public may obtain copies of the agenda by contacting Ms. Davidson at the phone number indicated above. Also, the agenda will be posted on the Oil Conservation Division web site at www.emrd.state.nm.us.
STATE OF NEW MEXICO TO: All named parties and persons having any right, title, interest or claim in the following cases and notice to the public. CASE 14744: Application of the New Mexico Oil Conservation Division: Notice of rule making concerning the repeal, adoption and amendment of rules issued pursuant to the Oil and Gas Act, NMSA 1978, Sections 70-2-1 through 70-2-38. The hearing concerns the following changes to Title 19, Chapter 15 of the New Mexico Administrative Code amend Parts 14 and 16. The proposed changes require an operator to obtain mineral owner or lessee consent for a compulsory pooling order prior to obtaining a permit to drill and prior to commencing drilling operations; define terms either not previously included in the rules or redefine terms; revise rules fixing the spacing and allowable production from horizontal wells and encourage the development of oil and gas reserves in New Mexico with horizontal wells where technically and economically feasible. The proposed rule changes will be effective statewide. Copies of a summary of the intended effect of the proposed rule changes and of the text of the proposed new rules and amendments are available from commission clerk Florene Davidson at (505) 476-3458 or from the Division on the website at the following URL: http://www.emrd.state.nm.us/ocd under Rules/Proposed Rules. Written comments on the proposed amendments and pre-hearing statements must be received no later than 5:00 p.m. on Thursday, October 13, 2011. Any person may present non-technical testimony or make an unsworn statement at the hearing. Any person who intends to present technical testimony or cross-examine witnesses at the hearing shall, no later than 5:00 p.m. on Thursday, October 13, 2011, file six sets of a pre-hearing statement with Ms. Davidson. The pre-hearing statement shall include the person's name and the name of the person's attorney; the names of all witnesses the person will call to testify at the hearing; a concise statement of each witness' testimony; all technical witnesses' qualifications including a description of the witnesses' education and experience; and the approximate time needed to present the testimony. The person shall attach to the pre-hearing statement any

Present the testimony. The person shall attach to the pre-hearing statement any exhibits he or she plans to offer as evidence at the hearing. Any person recommending modifications to a proposed rule change shall, no later than Thursday, October 6, 2011, file a notice of recommended modifications with Ms. Davidson including the text of the recommended modifications, an explanation of the modifications' impact, and the reasons for adopting the modifications. Written comments, pre-hearing statements and notices of recommended modifications may be hand-delivered or mailed to Ms. Davidson at 1220 South St. Francis Drive, Santa Fe, New Mexico 87505, or may be faxed to Ms. Davidson at (505) 476-3462. Faxed documents must be entirely received prior to 5:00 p.m. Mountain Time on the due date. If additional time is needed the hearing may continue at a later date announced by the Commission. Given under the Seal of the State of New Mexico Oil Conservation Commission at Santa Fe, New Mexico on this 19th day of September, 2011.
STATE OF NEW MEXICO
OIL CONSERVATION DIVISION
Jami Bailey
Director, Oil Conservation Division
Journal, September 22, 2011

Case: 14744
OCD Exhibit I-A

PRELIMINARY DOCKET: COMMISSION MEETING – THURSDAY – OCTOBER 20, 2011

9:00 A.M. – Porter Hall
1220 South St. Francis
Santa Fe, New Mexico

Land Commissioner, Ray Powell, may designate Scott Dawson for this meeting, or may participate himself.

Notice: The minutes of the September 22, 2011 Commission Meeting will be adopted.

Notice: During this meeting, the Commission may conduct a closed executive session during which it will deliberate in connection with an administrative adjudicatory proceeding pending before the Commission or consult with Commission counsel under the attorney-client privilege concerning threatened or pending litigation in which the Commission is or may become a participant.

Final action may be taken in *CASE 14161: (REOPENED) Application of Targa Midstream Service LP to Amend Order No. R-13052.*

CASE 14744: *Application of the New Mexico Oil Conservation Division. Notice of rule making concerning the repeal, adoption and amendment of rules issued pursuant to the Oil and Gas Act, NMSA 1978, Sections 70-2-1 through 70-2-38.* The hearing concerns the following changes to Title 19, Chapter 15 of the New Mexico Administrative Code: amend Parts 14 and 16. The proposed changes require an operator to obtain mineral owner or lessee consent or a compulsory pooling order prior to obtaining a permit to drill and prior to commencing drilling operations; define terms either not previously included in the rules or redefine terms; revise rules fixing the spacing and allowable production from horizontal wells, and encourage the development of oil and gas reserves in New Mexico with horizontal wells where technically and economically feasible. The proposed rule changes will be effective statewide. Copies of a summary of the intended effect of the proposed rule changes and of the text of the proposed new rules and amendments are available from commission clerk Florene Davidson at (505) 476-3458 or from the Division's web site at <http://www.emnrd.state.nm.us/ocd> under Rules/Proposed Rules. Written comments on the proposed amendments and pre-hearing statements must be received no later than 5:00 p.m. on Thursday, October 13, 2011. Any person may present non-technical testimony or make an un-sworn statement at the hearing. Any person who intends to present technical testimony or cross-examine witnesses at the hearing shall, no later than 5:00 p.m. on Thursday, October 13, 2011, file six sets of a pre-hearing statement with Ms. Davidson. The pre-hearing statement shall include the person's name and the name of the person's attorney; the names of all witnesses the person will call to testify at the hearing; a concise statement of each witnesses' testimony; all technical witnesses' qualifications including a description of the witnesses' education and experience; and the approximate time needed to present the testimony. The person shall attach to the pre-hearing statement any exhibits he or she plans to offer as evidence at the hearing. Any person recommending modifications to a proposed rule change shall, no later than Thursday, October 6, 2011, file a notice of recommended modifications with Ms. Davidson including the text of the recommended modifications, an explanation of the modifications' impact, and the reasons for adopting the modifications. Written comments, pre-hearing statements and notices of recommended modifications may be hand-delivered or mailed to Ms. Davidson at 1220 South St. Francis Drive, Santa Fe, New Mexico 87505, or may be faxed to Ms. Davidson at (505) 476-3462. Faxed documents must be entirely received prior to 5:00 p.m., Mountain Time, on the due date. If additional time is needed, the hearing may continue at a later date announced by the Commission.

Case: 14744

OCD Exhibit 1-B

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION
SANTA FE, NEW MEXICO**

The State of New Mexico, through its Oil Conservation Commission hereby gives notice pursuant to law and Commission rules of the following meeting and public hearing to be held at 9:00 A.M. on **October 20, 2011**, in Porter Hall at 1220 South St. Francis Drive, Santa Fe, New Mexico, before the Oil Conservation Commission. If you are an individual with a disability who is 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 please contact Commission Clerk Florene Davidson at (505) 476-3458 or through the New Mexico Relay Network (1-800-659-1779) by **October 10, 2011**. 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 preliminary agenda will be available to the public no later than two weeks prior to the meeting. A final agenda will be available no later than 24 hours preceding the meeting. Members of the public may obtain copies of the agenda by contacting Ms. Davidson at the phone number indicated above. Also, the agenda will be posted on the Oil Conservation Division website at www.emnrd.state.nm.us.

STATE OF NEW MEXICO TO:

**All named parties and persons
having any right, title, interest
or claim in the following cases
and notice to the public.**

CASE 14744: Application of the New Mexico Oil Conservation Division. Notice of rule making concerning the repeal, adoption and amendment of rules issued pursuant to the Oil and Gas Act, NMSA 1978, Sections 70-2-1 through 70-2-38. The hearing concerns the following changes to Title 19, Chapter 15 of the New Mexico Administrative Code: amend Parts 14 and 16. The proposed changes require an operator to obtain mineral owner or lessee consent or a compulsory pooling order prior to obtaining a permit to drill and prior to commencing drilling operations; define terms either not previously included in the rules or redefine terms; revise rules fixing the spacing and allowable production from horizontal wells, and encourage the development of oil and gas reserves in New Mexico with horizontal wells where technically and economically feasible. The proposed rule changes will be effective statewide. Copies of a summary of the intended effect of the proposed rule changes and of the text of the proposed new rules and amendments are available from commission clerk Florene Davidson at (505) 476-3458 or from the Division's web site at <http://www.emnrd.state.nm.us/ocd> under Rules/Proposed Rules. Written comments on the proposed amendments and pre-hearing statements must be received no later than 5:00 p.m. on Thursday, October 13, 2011. Any person may present non-technical testimony or make an un-sworn statement at the hearing. Any person who intends to present technical testimony or cross-examine witnesses at the hearing shall, no later than 5:00 p.m. on Thursday, October 13, 2011, file six sets of a pre-hearing statement with Ms. Davidson. The pre-hearing statement shall include the person's name and the name of the person's attorney; the names of all witnesses the person will call to testify at the hearing; a concise statement of each witnesses' testimony; all technical witnesses' qualifications including a description of the witnesses' education and experience; and the approximate time needed to present the testimony. The person shall attach to the pre-hearing statement any exhibits he or she plans to offer as evidence at the hearing. Any person recommending modifications to a proposed rule change shall, no later than Thursday, October 6, 2011, file a notice of recommended modifications with Ms. Davidson including the text of the recommended modifications, an explanation of the modifications' impact, and the reasons for adopting the modifications. Written comments, pre-hearing statements and notices of recommended modifications may be hand-delivered or mailed to Ms. Davidson at 1220 South St. Francis Drive, Santa Fe, New Mexico 87505, or may be faxed to Ms. Davidson at (505) 476-3462. Faxed documents must be entirely received prior to 5:00 p.m., Mountain Time, on the due date. If additional time is needed, the hearing may continue at a later date announced by the Commission.

Given under the Seal of the State of New Mexico Oil Conservation Commission at Santa Fe, New Mexico on this 19th day of September, 2011.

**STATE OF NEW MEXICO
OIL CONSERVATION DIVISION**

**Jami Bailey
Director, Oil Conservation Division**

S E A L

Case: 14744

OCD Exhibit 1-C

New Mexico Register / Volume XXII, Number 18 / September 30, 2011**NOTICE OF RULE MAKING****STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL
RESOURCES DEPARTMENT
OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO**

The State of New Mexico, through its Oil Conservation Commission, hereby gives notice that the Commission will conduct a public hearing on Thursday, **October 20, 2011**, beginning at 9:00 a.m., in Porter Hall at 1220 South St. Francis Drive, Santa Fe, New Mexico, concerning the repeal, adoption and amendment of rules issued pursuant to the Oil and Gas Act, NMSA 1978, Sections 70-2-1 through 70-2-38. If additional time is needed, the hearing may continue at a later date announced by the Commission.

The hearing concerns the following changes to Title 19, Chapter 15 of the New Mexico Administrative Code: amend Parts 14 and 16. The proposed changes require an operator to obtain mineral owner or lessee consent or a compulsory pooling order prior to obtaining a permit to drill and prior to commencing drilling operations; define terms either not previously included in the rules or redefine terms; revise rules fixing the spacing and allowable production from horizontal wells, and encourage the development of oil and gas reserves in New Mexico with horizontal wells where technically and economically feasible. The proposed rule changes will be effective statewide.

Copies of a summary of the intended effect of the proposed rule changes and of the text of the proposed new rules and amendments are available from commission clerk Florene Davidson at (505) 476-3458 or from the Division's web site at <http://www.emnrd.state.nm.us/ocd> under "Rules/Proposed Rules."

If you are an individual with a disability who is 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, please contact Ms. Davidson at (505) 476-3458 or through the New Mexico Relay Network (1-800-659-1779) as soon as possible.

Written comments on the proposed amendments and pre-hearing statements must be received no later than 5:00 p.m. on Thursday, October 13, 2011. Any person may present non-technical testimony or make an un-sworn statement at the hearing. Any person who intends to present technical testimony or cross-examine witnesses at the hearing shall, no later than 5:00 p.m. on Thursday, October 13, 2011, file six sets of a pre-hearing statement with Ms. Davidson. The pre-hearing statement shall include the person's name and the name of the person's attorney; the names of all witnesses the person will call to testify at the hearing; a concise statement of each witnesses' testimony; all technical witnesses' qualifications including a description of the witnesses' education and experience; and the approximate time needed to present the testimony. The person shall attach to the pre-hearing statement any exhibits he or she plans to offer as evidence at the hearing. Any person recommending modifications to a proposed rule change shall, no later than Thursday, October 6, 2011, file a notice of recommended modifications with Ms. Davidson including the text of the recommended modifications, an explanation of the modifications' impact, and the reasons for adopting the modifications. Written comments, pre-hearing statements and notices of recommended modifications may be hand-delivered or mailed to Ms. Davidson at 1220 South St. Francis Drive, Santa Fe, New Mexico 87505, or may be faxed to Ms. Davidson at (505) 476-3462. Faxed documents must be entirely received prior to 5:00 p.m., Mountain Time, on the due date.

Given under the Seal of the State of New Mexico Oil Conservation Commission at Santa Fe, New Mexico on this 15th day of September 2011.

**STATE OF NEW MEXICO
OIL CONSERVATION DIVISION****Jami Bailey
Director, Oil Conservation Division***Case: 14744**OCD Exhibit 1-D*



NEW MEXICO ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

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Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505
P: (505) 476-3440
F: (505) 476-3471

RULES

Current Rules:

OCD Rules, found in Parts 1 thru 39 of Title 19, Chapter 15 of the New Mexico Administrative Code, are periodically compiled and posted into this searchable PDF document for your convenience.

OCD Rules Index: The Oil Conservation Division (OCD) provides this index as a courtesy.

For the most up-to-date version of OCD's rules or to investigate the rules of other New Mexico state agencies please visit our state's Commission for Public Records' official website via the links below:

New Mexico Administrative Code (*indexed*)
New Mexico Administrative Code (*searchable*)

OCD Rule Cross Walks:

Old Rules to Current Rules
Current Rules to Old Rules

Rules

New Mexico Statutes:

Oil and Gas Act, NMSA 1978

Proposed Rule Changes:

DRILLING PERMITS - DRILLING AND PRODUCTION

Title 19, Chapter 15, Parts 14 & 16

Application (posted 9-19-11)
Summary of Intended Effects (posed 9-19-11)
19.15.14 Proposed Changes (posted 9-19-11)
19.15.16 Proposed Changes (posted 9-19-11)
Notice of Hearing (posted 9-19-11)
Preliminary Docket (posted 9-28-11)
Modifications: Jalapeno Corporation (posted 10-7-11)
Comments: Harvey Yates Company (posted 10-11-11)

HYDRAULIC FRACTURING AND WORKOVER REPORTING

Title 19, Chapter 15, Part 16

Case: 14744

OCD Exhibit 1-E



New Mexico Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

John H. Bemis
Cabinet Secretary-Designate

Brett F. Woods, Ph.D.
Deputy Cabinet Secretary

Jami Bailey
Division Director
Oil Conservation Division



September 19, 2011

Small Business Regulatory Advisory Commission
Economic Development Department
Attn: Wade Jackson, General Counsel
Joseph M. Montoya Building
1100 S. St. Francis Drive, Suite 1060
Santa Fe, NM 87505

Via hand-delivered

Re: Application of the Oil Conservation Division for Rule Amendment

Dear Commissioners:

The Oil Conservation Division (OCD) is proposing to amend 19.15.14 NMAC and 19.15.16 NMAC, statewide.

The intended effect of the proposed rule changes is to adopt the following new rules for horizontal wells:

1. As provided in present rules, a horizontal well need not be confined to a single spacing unit, but may be dedicated instead to a "project area" comprising multiple, contiguous spacing units. However,
 - a. An operator filing an Application for Permit to Drill (APD) for a horizontal well must certify that it has obtained consent from at least one lessee or owner of an unleased mineral interest in each tract the well will penetrate.
 - b. A horizontal well dedicated to a project area may not be produced until the operator has consolidated ownership of production for the project area by voluntary or compulsory pooling.
2. Horizontal wells must be set back from project area boundaries the same distance as the required setback from spacing unit boundaries for vertical wells (usually 330 feet for oil wells and 660 feet for gas wells). However, under the proposed rules, the setback requirements will apply only to the portion of the well beyond the casing shoe of the last cemented casing string (in an open hole) or the first perforation (in a cased hole). This will allow operators to drill outside the setbacks and build a curve that will permit penetration of the particular zone or member of the target formation close to the 330-foot, 660-foot, or other, setback line.
3. Existing vertical wells within a horizontal well's project area will continue be assigned to their existing spacing units.
4. Existing statewide or pool rules that limit the number of wells that may simultaneously produce from a pool within a given spacing unit or portion of a spacing unit will not apply to horizontal wells.

The Oil Conservation Division does not believe that these rules will adversely affect small business. However, in order to insure compliance with the Small Business Regulatory Relief Act, this notice is provided pursuant to NMSA 1978, Section 14-4A-4.

October 12, 2011

Page 2

The Oil Conservation Commission has scheduled a hearing on the OCD's application for **October 20, 2011** in Porter Hall at the Wendell Chino Building, 1220 S. St. Francis Drive, in Santa Fe. If you have any questions, please do not hesitate to call.

Sincerely,

David Brooks
OCD Attorney
(505) 476-3450