

**MINUTES OF THE MEETING
OF THE OIL CONSERVATION COMMISSION
HELD ON JUNE 19, 2014**

The Oil Conservation Commission met at 9 o'clock a.m. on June 19, 2014, in Porter Hall, Wendell Chino Building, 1220 S. St. Francis Drive, Santa Fe, New Mexico.

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

Bill Brancard served as the 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 May 22, 2014 Commission meeting were unanimously approved and adopted.

De Novo Case 15044, the application of COG Operating LLC for a non-standard spacing and proration unit and compulsory pooling, Lea County, New Mexico, to be heard De Novo upon the application of Yates Brothers, Yates Holdings LLC, Sugarberry Oil and Gas Corporation and Katy Pipeline, and Production Corporation, was called and continued to the Commission meeting scheduled for July 17, 2014.

De Novo Case 15035, the application of COG Operating LLC for two non-standard project areas, two non-standard oil spacing and proration units, and approval of two non-standard locations for two wells in Lea County, New Mexico, to be heard De Novo upon the application of Yates Brothers, Yates Holdings LLC, Sugarberry Oil and Gas Corporation and Katy Pipeline and Production Corporation, was called and continued to the Commission meeting scheduled for July 17, 2014.

Case 15127, the application of DCP Midstream, LP for authorization to inject acid gas into the Artesia AGI #2 Well, Section 7, Township 18 South, Range 28 East, NMPM, Eddy County, New Mexico, was called. Appearances were made by Adam Rankin for DCP Midstream, LP (DCP) and Gabriel Wade for the Oil Conservation Division (OCD). Mr. Rankin made an opening statement explaining the purpose of the application and outlining the presentation of his case.

Mr. Rankin's first witness was Russell Ortega, Asset Director with DCP in Hobbs, New Mexico. He gave an overview of the Artesia Gas Plant, including the amount of production of treated acid gas (TAG), disposed of in the existing AGI well, and average wastewater production, which is currently disposed of in a salt water disposal well on location. He said CO₂ is being sequestered instead of going to the atmosphere. He stated that the salt water disposal well will be shut in if the subject well is approved. He said granting the authority for the acid gas injection (AGI) well will improve operational reliability and safety by providing a redundant well which will allow simultaneous or alternate usage resulting in uninterrupted service for the producers. He stated that DCP is planning a December, 2015 start date. He said he understands that DCP has reached agreement with the OCD on its proposed conditions as listed in OCD's pre-hearing statement with a few exceptions. Commissioner Warnell and Commissioner Balch cross-examined the witness, and he was excused.

The next witness was Alberto Gutierrez, President of Geolex, Inc. in Albuquerque, New Mexico. He said the proposed well will provide primary TAG injection and the Well No.

1 will be the redundant well. He stated that DCP is currently in the process of revising the H₂S contingency plan to include the new well. He explained the reason for asking for a deviated well. He discussed pressures and the geology of the reservoir. He listed all wells penetrating the injection zone within the one-mile area of review (AOR). He described the surface and bottomhole locations of the proposed deviated well and discussed the proposed injection interval, fluid composition, injected fluid compatibility, the maximum allowed operating pressure, and the calculation of the plume extent. He provided proof of the notice of the application sent to adjacent operators and surface owners. He listed the requirements for an AGI reservoir and discussed the number of wells and production in the ½ mile AOR, and the structure and stratigraphy of the proposed injection area. He discussed current water conditions in the area. He summarized the geologic factors that will assure the integrity and safety of the proposed well. He discussed the OCD's proposed conditions with the modifications that DCP is proposing. Commissioner Warnell, Commissioner Balch, Counsel Brancard, and Chair Bailey cross-examined the witness, and he was excused.

Mr. Wade's witness was Phillip Goetze with the Engineering and Geologic Bureau of the OCD in Santa Fe, New Mexico. He discussed the OCD's proposed conditions and later modifications of certain conditions agreed upon by the OCD and DCP. He agreed with Mr. Gutierrez's explanation of the modifications. Chair Bailey cross-examined the witness, and he was excused.

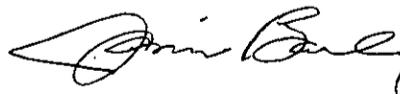
After a motion by Commissioner Warnell and a second to the motion by Commissioner Balch, the Commission voted unanimously to close the meeting pursuant to NMSA 1978, Section 10-15-1 H, to deliberate on Case 15127. After a motion by Commissioner Warnell and a second to the motion by Commissioner Balch, the Commission voted unanimously to go back into open session. Chair Bailey announced that Case 15127 was the only matter discussed during the closed session. Counsel Brancard summarized the proposed provisions of the order unanimously agreed upon by the Commission as follows:

- Approve the application as set forth in Form C-108 with the conditions submitted by the OCD in its pre-hearing statement and the modifications submitted at today's hearing;
- Require the salt water disposal well at the facility to be plugged properly;
- Require the H₂S contingency plan to be approved before injection begins in the No. 2 well.

Mr. Rankin was asked to prepare a draft order and present it to the Commission counsel the week before the next Commission meeting which will be held on July 17, 2014.

After a motion by Commissioner Warnell and a second to the motion by Commissioner Balch, the meeting was adjourned at 1:05 p.m.

**STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION**



JAMI BAILEY, Chair