

**STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION**

**Meeting Minutes
Special Meeting
April 17-20, 2018
Porter Hall
Wendell Chino Building
1220 S. St. Francis Drive
Santa Fe, New Mexico 87505**

MEMBERS PRESENT:

Heather Riley	Chair, Oil Conservation Division
Robert Balch	Designee, Energy, Minerals and Natural Resources Department
Ed Martin	Designee, New Mexico State Land Commissioner

OTHERS PRESENT:

Bill Brancard, Counsel for the Commission

Item 1. Roll Call.

Roll was taken; a quorum was present.

Item 2. Approval of Agenda.

Action: Commissioner Martin moved adoption of the agenda. Commissioner Balch seconded the motion; The motion passed unanimously.

Item 3. Approval of minutes of April 12, 2018 meeting.

Action: Commissioner Balch moved to approve the minutes. Commissioner Martin seconded the motion. The motion passed unanimously.

Item 4. Case No. 15957: 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, 19.15.15, and 19.15.16 NMAC; Statewide

Chair Riley opened the public hearing with a statement on the nature of the hearing and the procedures. The hearing is scheduled to last from April 17 to April 20. Appearances were made by Cheryl Bada for the Oil Conservation Division (OCD); Michael Feldewert for the New Mexico Oil and Gas Association (NMOGA); Jennifer Bradfute and Earl DeBrine, Jr. for Marathon Oil Permian LLC (Marathon); Scott Hall for Energen Resources Corporation (Energen); Andrew Cloutier for the Independent Petroleum Association of New Mexico (IPANM); and Patrick Fort for Jalapeno Corporation (Jalapeno).. Each party indicated how many witnesses they intended to call. Energen and IPANM indicated they did not intend to call witnesses.

OCD's witness was David Brooks, Assistant General Counsel with the OCD in Santa Fe, New Mexico. He explained the purpose of the new rules for horizontal drilling and described the proposed rule changes in each section. He discussed NMOGA's and Marathon's proposed modifications to the proposed rules. Ms. Bradfute, Mr. Cloutier, Mr. Feldewert, Commissioner Balch, Commissioner Martin, Chair Riley, and Counsel Brancard cross-examined the witness, and he was excused.

NMOGA presented Rick Foppiano, Petroleum Engineer, who reviewed the rule amendments and all proposed modifications. Mr. Foppiano began his testimony on April 17 and continued on April 18.

Chair Riley provided an opportunity for public comments, and there was no response.

The hearing was recessed at 5:55 p.m.

The hearing reconvened at 9:00 a. m. on April 18, 2018.

NMOGA's witnesses on April 18 were:

Brian Taylor, Petroleum Engineer with Occidental Oil & Gas. He discussed the completion process for horizontal wells

Joseph Beer, Senior Manager of Geoscience and Basic Asset Development with Encana Oil & Gas. He discussed the need for horizontal wells.

T. J. Midkiff, Petroleum Reservoir Engineer with Concho Resources, who discussed allowables and GOR limitations.

Roderick Milligan, Petroleum Engineer with Chevron who discussed difficulties encountered while drilling horizontal wells.

The hearing recessed at 5:00 p.m.

The hearing reconvened at 9:00 a.m. on April 19, 2018.

NMOGA presented George King, Petroleum Reservoir Engineer, hired by Apache Corporation. He discussed hydraulic fractures and drainage patterns between the fractures,

Ms. Bradfute stated that Marathon no longer intended to present a witness and made a statement concerning the definition of infill horizontal wells.

Jalapeno's witness was Harvey E. Yates, Jr., President of Jalapeno Corporation. He testified about compulsory pooling, risk penalties, well spacing, and allowables assigned to horizontal and vertical wells.

Mr. Feldewert expressed concerns about Harvey Yates being allowed to present testimony concerning pooling matters which are not before the Commission at this hearing. He also was concerned because the Jalapeno exhibits were not attached to the pre-hearing statement and not provided to parties timely. He moved that the Commission not accept these exhibits. Mr. Gallegos responded. The Commission allowed Mr. Yates' testimony to proceed but ruled that the untimely filing of the exhibits was not fair to

the other parties involved, and the Jalapeno presentation could go forward without exhibits.

All witnesses were cross-examined by Ms. Bradfute, Mr. Clautier, Mr. Feldewert, the Commissioners, and Counsel Brancard.

Mr. Feldewert stated that all parties involved in this hearing except for Jalapeno wanted to present additional changes to the proposed rule based on concerns raised by the Commission during the hearing. The Commission was presented copies of the proposal to review.

Chair Riley provided an opportunity for public comments, and there was no response. Closing statements were made by Mr. Clautier, Mr. Gallegos, Ms. Bradfute, and Mr. Feldewert.

The Commission began deliberations in open session on each of the proposed rule amendments and modifications presented by the OCD, NMOGA, and Marathon and Jalapeno's pre-hearing statement. The Commission requested that Mr. Brooks be recalled on April 20 to answer certain questions from the Commission.

The hearing was recessed at 5:35 p.m.

The hearing resumed at 10:00 a.m. on April 20, 2018.

David Brooks was recalled as a witness and questioned by the Commission on OCD's position on certain amendments. The Commission resumed deliberations and unanimously agreed on certain amendments to the proposed rules. The record was closed. Counsel Brancard was requested to draft a proposed order and provide a revised proposed rule incorporating all changes agreed to by the Commission, present it to the Commission for individual review, and finalize it for further deliberation and adoption by the Commission at its meeting scheduled for May 22, 2018.

Item 5. Other business

Item 6. Next meeting: May 22, 2018

Item 7. Adjournment.

The hearing was adjourned on April 20, 2018 at 3:45 p.m.

HEATHER RILEY, Chair