

Notice of Public Meeting and Public Hearing

The State of New Mexico through its Oil Conservation Commission (Commission) hereby gives notice of the following special meeting and public hearing to be held commencing at 9:00 a.m. on **April 17, 2018**, in Porter Hall, 1st floor, Wendell Chino Building, 1220 South St. Francis Drive, Santa Fe, New Mexico, before the Oil Conservation Commission. A preliminary agenda for the meeting will be available to the public no later than two weeks prior to the meeting. A final agenda will be available no later than 72 hours preceding the meeting. At the meeting, a public hearing will be held on the following Case:

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

The New Mexico Oil Conservation Division (“OCD”) proposes to amend 19.15.2, 19.15.4, 19.15.14, 19.15.15, and 19.15.16 NMAC as follows to make changes concerning the drilling, spacing and operation of horizontal wells, and related matters:

19.15.2.7 NMAC. OCD proposes to amend 19.15.2.7 to add a new definition of “affected persons” and amend the definitions of “mineral interest owners” and “proration unit”.

19.15.4.12 NMAC. OCD proposes to amend 19.15.4.12 to clarify the notice requirements for applications for non-standard well locations and non-standard spacing and proration units.

19.15.14 and 19.15.15 NMAC. OCD proposes to amend 19.15.14.8 and 19.15.15.8 to conform cross-references to proposed revisions of 19.15.16 NMAC.

19.15.16 NMAC. OCD proposes to amend 19.15.16 NMAC to comprehensively revise the requirements for horizontal wells. Changes include adding definitions of “first take point” and “last take point”, “infill horizontal well”, “multi-lateral well”, and “unitized area”, and repeal definitions of “penetration point”, “producing area”, “project area”, and “standard project area”.

19.15.16.14 NMAC will be amended to provide for distinct rules of “directional” as opposed to “horizontal” wells. The rules for directional wells will not be significantly changed, but will no longer apply to horizontal wells.

19.15.16.15 NMAC will be amended to collect in a single section those rules that apply to horizontal wells and proposes revisions to comprehensively regulate such wells. These changes include establishing standard horizontal spacing units and procedures for OCD approval of non-standard horizontal spacing units. The proposed changes also provide minimum setback distances for horizontal wells from horizontal spacing unit boundaries and authorize horizontal wells to produce at maximum efficient rates to prevent waste of oil and gas.

Purpose of Proposed Rule. The proposed changes will adapt the spacing and setback requirements for horizontal wells to the unique nature of those wells, and maximize such wells’ efficiency by eliminating unnecessary restrictions on production, and also clarify matters that are uncertain in existing rules.

Legal Authority. These amendments are authorized by the Oil and Gas Act, NMSA 1978, Sections 70-2-1 through 70-2-38, and specifically Section 70-2-11(A), (which authorizes the

adoption of rules to carry out the purposes of the Act), Section 70-2-12(A) (which authorizes the Commission to prorate production of crude petroleum oil and natural gas) and Section 70-2-12(B)(10) (which authorizes the Commission to fix the spacing of wells). The rulemaking proceeding will be governed by the Commission's rule on rulemaking, 19.15.3 NMAC.

The full text of the proposed rule amendments is available from Commission Clerk, Florene Davidson at (505) 476-3458 or can be viewed on the Rules page at the Oil Conservation Division's website at <http://www.emnrd.state.nm.us/ocd>, or at Oil Conservation Division offices in Santa Fe, Hobbs, Artesia, or Aztec.

Public Hearing and Comment. The Commission will hold a **public hearing** on the proposed rules at the Commission meeting which will commence at 9:00 A.M. on April 17, 2018, in Porter Hall, 1st Floor, Wendell Chino Building, 1220 South St. Francis Drive, Santa Fe, New Mexico. The hearing may be continued to following days if not completed.

Written or electronic comments on the proposed rule may be hand delivered or mailed to the Commission Clerk, Florene Davidson, 3d floor, 1220 South St. Francis Drive, Santa Fe, NM 87505, or e-mailed to florene.davidson@state.nm.us. All written or electronic comments must be received by the Commission Clerk no later than 9:00 A.M. on April 17, 2018, unless the Commission or the Commission Chair extends this deadline.

Persons intending to submit proposed modifications to the proposed rule amendments, to present technical testimony at the hearing, or to cross-examine witnesses must file six copies of a Pre-hearing Statement conforming to the requirements of Subsection B of 19.15.3.11 NMAC, no later than 5:00 P.M. on April 3, 2018. Pre-hearing Statements must be hand-delivered, mailed, or e-mailed to the Commission Clerk at the above address.

Any person who has not submitted a pre-hearing statement may present non-technical testimony or make an unsworn statement at the hearing. A person may also offer exhibits with the testimony so long as the exhibits are relevant to the proposed rule changes and do not unduly repeat the testimony. Any person who wishes to present non-technical testimony should indicate his or her intent on a sign-in sheet at the hearing. A person who testifies at the hearing is subject to cross-examination by the commissioners, commission counsel, or a party on the subject matter of the person's direct testimony.

If you are an individual with a disability who needs 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 at 1-800-659-1779 by April 3, 2018. 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 party who plans to use projection equipment at a hearing must contact Ms. Davidson seven business days prior to the hearing requesting the use of the projection equipment. Wireless internet is available; however, the person requesting to use the wireless connection must provide a laptop computer.

Technical Information that served as a basis for the proposed rule includes:

-Holditch, S. and Blakeley, D., “Flow Characteristics of Hydraulic Fracture Proppants Subjected to Repeated Production Cycles”, SPE Production Engineering, Feb. 1992; and
-Crafton, J. and Noe, S., “Impact of Delays and Shut-Ins on Well Productivity”, SPE Eastern Regional Meeting, August 2013.

These materials can be viewed on the Rules page at the Oil Conservation Division's website at <http://www.emnrd.state.nm.us/ocd>.