

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

FINAL AGENDA AND DOCKET
NEW MEXICO OIL CONSERVATION COMMISSION MEETING

April 12, 2018

9:00 a.m.

Wendell Chino Building
Porter Hall
1220 S. St. Francis Drive
Santa Fe, New Mexico 87505

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 the Commission counsel under the client-attorney privilege concerning threatened or pending litigation in which the Commission is or may become a participant.

The following items are for discussion and possible action:

1. Roll Call.
2. Approve the Agenda.
3. Approve minutes of March 1, 2018 meeting.
4. The Commission will determine whether and when to hear the following rulemaking case:

Case No. 16078: Application of the New Mexico Oil Conservation Division for Proposed Amendments to the Commission's Rules on Financial Assurance and Plugging and Abandonment of Wells, 19.15.2, 19.15.8, and 19.15.25 NMAC

5. ***Case No. 15655 (De Novo): (Continued from the March 1, 2018 Commission Meeting.) (This case will be continued.)***
Application of Black Mountain Operating LLC for a Non-Standard Oil Spacing and Proration Unit, Compulsory Pooling, and an Unorthodox Well Location, Lea County, New Mexico.
Applicant seeks an order approving a non-standard oil spacing and proration unit in the Bone Spring formation comprised of the W/2 SW/4 of Section 35, Township 21 South, Range 34 East, NMPM, Lea County, New Mexico and the W/2 W/2 of Section 2, Township 22 South, Range 34 East, NMPM, Lea County, New Mexico, and pooling all mineral interests in the Bone Spring formation underlying the non-standard unit. The unit will be dedicated to Applicant's proposed **Grama Ridge State Com 1H well** to be drilled at an unorthodox location approximately 144.3 feet from the south line and 911 feet from the west line (surface) of Section 2, Township 22 South, Range 34 East, to 2371 feet from the south line and 330 feet from the west line (terminus) of Section 35, Township 21 South, Range 34 East. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost, the designation of Applicant as Operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The well and lands are located approximately 17 miles west of Eunice, New Mexico. Upon applications of BTA

Oil Producers, LLC and Centennial Resources Production, LLC, this case will be heard De Novo pursuant to the provisions of Division Rule 19.15.4.23 NMAC.

6. **Case No. 15659 (De Novo):** *(Continued from the March 1, 2018 Commission Meeting.) (This case will be continued.)*

Application of GMT Exploration Company LLC for a non-standard oil spacing and proration unit and compulsory pooling, Lea County, New Mexico. GMT Exploration Company LLC seeks an order approving a 160-acre non-standard oil spacing and proration unit (project area) in the Bone Spring formation comprised of the W/2 W/2 of Section 2, Township 22 South, Range 34 East, NMPM. Applicant further seeks the pooling of all mineral interests in the Bone Spring formation underlying the non-standard unit (project area). The unit will be dedicated to the **Pucker Rapid State Com. Well No. 1H**, a horizontal well with a surface location in the SW/4 SW/4, and a terminus in the NW/4 NW/4, of Section 2. The beginning and end of the productive interval will be orthodox. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The unit is located approximately 12 miles west-southwest of Oil Center, New Mexico. Upon applications of BTA Oil Producers, LLC and Centennial Resources Production, LLC, this case will be heard De Novo pursuant to the provisions of Division Rule 19.15.4.23 NMAC.

7. **Case No. 15656 (De Novo):** *(Continued from the March 1, 2018 Commission Meeting.) (This case will be continued.)*

Application of Black Mountain Operating LLC for a Non-Standard Oil Spacing and Proration Unit, Compulsory Pooling, and an Unorthodox Well Location, Lea County, New Mexico. Applicant seeks an order approving a non-standard oil spacing and proration unit in the Bone Spring formation comprised of the E/2 SW/4 of Section 35, Township 21 South, Range 34 East, NMPM, Lea County, New Mexico and the E/2 W/2 of Section 2, Township 22 South, Range 34 East, NMPM, Lea County, New Mexico, and pooling all mineral interests in the Bone Spring formation underlying the non-standard unit. The unit will be dedicated to Applicant's proposed **Grama Ridge State Com 3H well** to be drilled at an unorthodox location approximately 144.3 feet from the south line and 971 feet from the east line (surface) of Section 2, Township 22 South, Range 34 East, to 2387 feet from the south line and 1707.7 feet from the east line (terminus) of Section 35, Township 21 South, Range 34 East. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost, the designation of Applicant as Operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The well and lands are located approximately 17 miles west of Eunice, New Mexico. Upon applications of BTA Oil Producers, LLC and Centennial Resources Production, LLC, this case will be heard De Novo pursuant to the provisions of Division Rule 19.15.4.23 NMAC.

8. **Case No. 15660 (De Novo):** *(Continued from the March 1, 2018 Commission Meeting.) (This case will be continued.)*

Application of GMT Exploration Company LLC for a non-standard oil spacing and proration unit and compulsory pooling, Lea County, New Mexico. GMT Exploration Company LLC seeks an order approving a 160-acre non-standard oil spacing and proration unit (project area) in the Bone Spring formation comprised of the E/2 W/2 of Section 2, Township 22 South, Range 34 East, NMPM. Applicant further seeks the pooling of all mineral interests in the Bone Spring formation underlying the non-standard unit (project area). The unit will be dedicated to the **Squeeze State Com. Well No. 1H**, a horizontal well with a surface location in the SE/4 SW/4, and a terminus in the NE/4 NW/4, of Section 2. The beginning and end of the productive interval will be orthodox. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant

as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The unit is located approximately 12 miles west-southwest of Oil Center, New Mexico. Upon applications of BTA Oil Producers, LLC and Centennial Resources Production, LLC, this case will be heard De Novo pursuant to the provisions of Division Rule 19.15.4.23 NMAC.

9. **Case No. 15758 (De Novo):** *(Continued from the March 1, 2018 Commission Meeting.) (This case will be continued.)*
Application of OneEnergy Partners Operating, LLC for a non- standard spacing and proration unit and compulsory pooling, Lea County, New Mexico. Applicant in the above-styled cause seeks an order (1) creating a 322.42-acre spacing and proration unit in the Bone Spring Formation comprised of the W/2 W/2 of Section 1 and the W/2 W/2 of Section 12, Township 22 South, Range 34 East, NMPM, Lea County, New Mexico; and (2) pooling all uncommitted interest owners within the non-standard spacing and proration unit. Said unit will be the project area for its proposed **Lobo Rojo B3 State Com No. 1H Well**, which will be horizontally drilled from a surface location in the SW/4 SW/4 (Unit M) of Section 12 to a standard bottom hole location in the NW/4 NW/4 (Unit D) of Section 1. The completed interval for this well will comply with the 330-foot standard setbacks for oil wells. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of OneEnergy Partners Operating, LLC as operator of the well and a 200% charge for risk involved in drilling said well. Said area is located approximately 16 miles west of Eunice, New Mexico. Upon application of V-F Petroleum Inc., Fuel Products, Inc., Gahr Energy Company, Ameristate Partners LLC, HFLP E&P LLC, Thomas M. Beall, Jerry M. Gahr, Marcus Wayne Luna, Sandra K. Lawlis, Clifford N. Hair, and Mark K. Nearburg, this case will be heard De Novo pursuant to the provisions of Division Rule 19.15.4.23 NMAC.

10. **Case No. 15759 (De Novo):** *(Continued from the March 1, 2018 Commission Meeting.) (This case will be continued.)*
Application of OneEnergy Partners Operating, LLC for a non- standard spacing and proration unit and compulsory pooling, Lea County, New Mexico. Applicant in the above-styled cause seeks an order (1) creating a 322.49-acre spacing and proration unit in the Bone Spring Formation comprised of the E/2 W/2 of Section 1 and the E/2 W/2 of Section 12, Township 22 South, Range 34 East, NMPM, Lea County, New Mexico; and (2) pooling all uncommitted interest owners within the non-standard spacing and proration unit. Said unit will be the project area for its proposed **Lobo Rojo B3 State Com No. 2H Well**, which will be horizontally drilled from a surface location in the SE/4 SW/4 (Unit N) of Section 12 to a standard bottom hole location in the NE/4 NW/4 (Unit C) of Section 1. The completed interval for this well will comply with the 330-foot standard setbacks for oil wells. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of OneEnergy Partners Operating, LLC as operator of the well and a 200% charge for risk involved in drilling said well. Said area is located approximately 16 miles west of Eunice, New Mexico. Upon application of V-F Petroleum Inc., Fuel Products, Inc., Gahr Energy Company, Ameristate Partners LLC, HFLP E&P LLC, Thomas M. Beall, Jerry M. Gahr, Marcus Wayne Luna, Sandra K. Lawlis, Clifford N. Hair, and Mark K. Nearburg, this case will be heard De Novo pursuant to the provisions of Division Rule 19.15.4.23 NMAC.

11. **Case No. 15844 (De Novo):** *(This case will be continued.)*
Amended Application Of XTO Energy Inc. For Approval f The Expansion of the James Ranch Unit, Eddy County, New Mexico. Applicant seeks approval to expand the geographic area of the James Ranch Unit by 13,223.68 acres of land. Said Unit currently consists of approximately 15,094.41 acres of Federal, Fee, and State Acreage in Eddy County, New Mexico. The total unit

acreage will include 28,318.09 acres. XTO seeks to expand the Unit to include the following Federal and State lands situated in Eddy County, New Mexico:

Township 21 South - Range 30 East N.M.P.M.

Section 25: All
Section 26: All
Section 27: S/2
Section 33: All
Section 34: W/2; NE/4
Section 31: Lots 1-8; E/2W/2; E/2
Section 32: All
Section 34: SE/4

Township 22 South - Range 29 East N.M.P.M.

Section 1: Lots 1-4; S/2N/2; S/2
Section 11: All
Section 12: All
Section 13: All
Section 14: All

Township 22 South - Range 30 East N.M.P.M.

Section 18: Lots 1-4; E/2W/2; E/2
Section 7: Lots 1-4; E/2W/2; E/2
Section 6: Lots 1-7; SE/4NW/4; E/2SW/4; SE/4; S/2NE/4
Section 5: Lots 1-4; S/2N/2; S/2
Section 4: Lots 1-4; S/2N/2; S/2
Section 3: Lots 1-4; S/2N/2; S/2
Section 10: All
Section 9: All
Section 8: All
Section 17: W/2NW/4

The unitized interval includes all depths. The James Ranch Unit Expansion Area is approximately 20 miles east of Carlsbad, New Mexico. Upon application of MRC Permian Company and MRC Permian LKE Company, LLC, this case will be heard De Novo pursuant to the provisions of Division Rule 19.15.4.23 NMAC.

12. ***Case No. 15855 (De Novo):*** *(This case will be continued.)*
Application of Delaware Energy LLC to Revoke the Injection Authority Granted Under SWD-1680 for the Alpha SWD No. 1 Well Operated by Alpha SWD Operating LLC, Eddy County, New Mexico. *(This case will be continued.)*

Applicant in the above-styled cause seeks an order revoking the injection authority granted by Administrative Order SWD-1680 for the Alpha SWD No. 1 well (API No. 30-015-44237), a salt water disposal well located 1,457 feet from the south line and 2,093 feet from the east line of Section 10, Township 24 South, Range 28 East, NMPM, Eddy County, New Mexico. Alpha SWD Operating LLC is the operator of the well. The well is located approximately 4 miles southeast of Loving, New Mexico. Upon the application of Alpha SWD Operating, LLC, this case will be heard De Novo pursuant to the provisions of Division Rule 19.15.4.23 NMAC.

13. Other business.

14. Next meeting: April 17, 2018

52. Adjournment

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 or meeting, please contact Florene Davidson at least ten days prior to the meeting or as soon as possible at (505) 476-3458 or florene.davidson@state.nm.us. Public documents can be provided in various accessible formats.