

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

PRELIMINARY AGENDA AND DOCKET
REGULAR MEETING

August 20, 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 July 19-20, 2018 Commission Meeting.

The following cases are scheduled for hearing and possible action by the Commission. The hearings may continue to following days if not completed:

4. Final action may be taken in the following:

Case No. 16078 (Rulemaking): (Continued from the July 19-20, 2018 Commission Meeting)
In the Matter of 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. Final action may be taken in the following:

Case No. 15855 (De Novo): (Continued from the July 19-20, 2018 Commission Meeting)
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.

6. The Commission will determine whether and when to hear the following rulemaking cases:

Case No. 16376: *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 Section 15 of Rule 19.15.16 NMAC; Statewide.*

Case No. 16377: Application of the New Mexico Oil Conservation Division to Amend Rules of the Commission for Permitting of Wells for Underground Injection by Amending Certain Sections of Rule 19.15.26 NMAC; Statewide

7. **Case No. 16040 (De Novo): Application of The New Mexico Oil Conservation Division Compliance and Enforcement Bureau for a Compliance Order against Cano Petro of New Mexico, Inc., for Wells Operated in Chaves and Roosevelt Counties, New Mexico.** Compliance and Enforcement Bureau (“Bureau”), through its undersigned attorney, hereby files this application with the Oil Conservation Division (“OCD” or “Division”) pursuant to the provisions of NMSA 1978, §70-2-12 for a compliance order (1) determining operator Cano Petro of New Mexico, Inc. (“Operator”) is out of compliance with 19.15.5.9(A)(4), and 19.15.25.8 NMAC; (2) requiring the Operator to return to compliance with 19.15.5.9(A)(4) and 19.15.25.8 NMAC within 45 days and requiring producing wells shut-in until compliance is achieved; and (3) in the event of non-compliance, declaring the wells abandoned and authorizing the OCD to plug the violating wells in accordance with a Division-approved plugging program and restore and remediate the location, recover costs from the Operator’s financial assurance as permitted by 19.15.8.13 NMAC, and seek indemnification as permitted by NMSA 1978, § 70-2-14(E). Upon application of Cano Petro of New Mexico, Inc. and U. S. Specialty Insurance Company, this case will be heard De Novo pursuant to the provisions of Division Rule 19.15.4.23 NMAC.
8. **Case No. 16359: Application of the New Mexico Oil Conservation Division Compliance and Enforcement Bureau for a Compliance Order against Cano Petro of New Mexico, Inc., for Wells Operated in Chaves and Roosevelt Counties, New Mexico.** The Oil Conservation Division Compliance and Enforcement Bureau (“Bureau”), through its undersigned attorney, hereby files this application with the Oil Conservation Division (“OCD” or “Division”) pursuant to the provisions of NMSA 1978, §70-2-12 for a compliance order (1) determining operator Cano Petro of New Mexico, Inc. (“Operator”) is out of compliance with 19.15.8, 19.15.17, 19.15.29, and 19.15.36 NMAC; (2) requiring the Operator to return to compliance with 19.15.8, 19.15.17, 19.15.29, and 19.15.36 NMAC by a date certain; and (3) the OCD retains its right to bring a compliance action for any other existing and future violations.
9. **Case No. 16027 (De Novo): Application of Chisholm Energy Operating, LLC for a non-standard spacing and proration unit and compulsory pooling, Eddy County, New Mexico.** Applicant in the above-styled cause seeks an order (1) creating a non-standard 638.16-acre, more or less, spacing and proration unit comprised of the W/2 of Section 3 and the W/2 of Section 10, Township 24 South, Range 26 East, NMPM, Eddy County, New Mexico; and (2) pooling all uncommitted interests in the Wolfcamp formation underlying this acreage. Said non-standard unit is to be a project area for three proposed initial wells, to be drilled and completed simultaneously: the proposed **Black River 3-10 Fed Com WCA No. 2H Well**, the proposed **Black River 3-10 Fed Com WCA No. 3H Well**, and the proposed **Black River 3-10 Fed Com WCA No. 4H Well**. These wells will be horizontally drilled from a surface location in the NE/4 NW/4 (Lot 3) of Section 3 to bottom hole locations in the SW/4 SW/4 (Unit M) and the SE/4 SW/4 (Unit N) of Section 10. The completed intervals for these wells will remain within the 330-foot offset as required by the special rules for the Purple Sage-Wolfcamp Gas Pool adopted under Division Order R-14262. Also to be considered will be the timing of the drilling and completion of said wells, the cost of drilling and completing said wells and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of Chisholm Energy Operating, LLC as operator of the wells and a 200% charge for risk involved in drilling said wells. Said area is located approximately 12 miles southwest of Carlsbad, New Mexico. Upon application of Cimarex Energy Co., this case will be heard De Novo pursuant to the provisions of Division Rule 19.15.4.23 NMAC.

10. *Case No. 15758 (De Novo): (Continued from the April 12, 2018 Commission Meeting.)*
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.
11. *Case No. 15759 (De Novo): (Continued from the April 12, 2018 Commission Meeting.)*
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.
12. *Case No. 15844 (De Novo): (Continued from the June 21, 2018 Commission Meeting.)*
Amended Application of XTO Energy Inc. for Approval of 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. (all or portions of Sections 25, 26, 27, 31, 32, 33 and 34); Township 22 South, Range 29 East N.M.P.M. (all or portions of Sections 1, 11, 12, 13 and 14); and Township 22 South, Range 30 East N.M.P.M. (all or portions of Sections 3, 4, 5, 6, 7, 8, 9, 10, 17 and 18).
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.

13. Other business.
14. Next meeting: September 13, 2018
15. 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.