

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

APPLICATION OF THE NEW MEXICO OIL AND GAS ASSOCIATION FOR AMENDMENT OF CERTAIN PROVISIONS OF TITLE 19, CHAPTER 15 OF THE NEW MEXICO ADMINISTRATIVE CODE CONCERNING PITS, CLOSED-LOOP SYSTEMS, BELOW GRADE TANKS, SUMPS AND OTHER ALTERNATIVE METHODS RELATED TO THE FOREGOING AND AMENDING OTHER RULES TO CONFORM TO CHANGES, STATEWIDE.

Case No. 14784

APPLICATION OF THE INDPENDENT PETROLEUM ASSOCIATION OF NEW MEXICO FOR AMENDMENT OF CERTAIN PROVISIONS OF TITLE 19, CHAPTER 15 OF THE NEW MEXICO ADMINISTRATIVE CODE CONCERNING PITS, CLOSED-LOOP SYSTEMS, BELOW GRADE TANKS, SUMPS AND OTHER ALTERNATIVE METHODS RELATING TO THE FOREGOING AND AMENDING, STATEWIDE AND AMENDMENT OF TITLE 19, CHAPTER 15, PART 39.8(B) OF THE NEW MEXICO ADMINISTRATIVE CODE CONCERNING PITS AND SIERRA AND OTERO COUNTIES.

Case No. 14785

NOTICE OF APPLICANT INDEPENDENT PETROLEUM ASSOCIATION OF NEW MEXICO'S PREHEARING STATEMENT AND MODIFICATIONS TO THEIR PETITION FOR RULEMAKING TITLE 19, CHAPTER 15, PART 17

I

The Independent Petroleum Association of New Mexico (IPANM), the applicant in the above captioned matter, hereby submitted this prehearing statement to our application for consideration by the New Mexico Conservation Commission (Commission) pursuant to 19.15.3.11 NMAC.

APPEARANCES OF PARTIES

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Case No. 14784

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STATEMENT OF CASE

The Independent Petroleum Association of New Mexico has filed an application to amend 19.15.17 NMAC to revise the 1. Revision of the permitting and registration requirements

for permanent pits, temporary pits and below grade tanks; eliminate the permitting, design, construction and operational requirements for closed-loop systems; revise the siting, design, construction, operation, closure and site reclamation provision for temporary pits, permanent pits, drying pads, below grade tanks and tanks associated with closed loop systems; adopt a definition for 'low chloride' drilling fluids and the establish siting, closure and remediation requirements for temporary pits based on the chloride concentration in the waste and the distance between the waste and ground water of a flowing water course; revise rules governing the testing and removal of below grade tanks; revise rules governing onsite disposal in pits and trenches; revise rules governing releases, waste testing and excavation and the concentration of wastes disposed in temporary pits or burial trenches; revise the requirement for remediation and site reclamation including contouring and re-vegetation; revise the rules governing variances and exceptions to the these rules to provide for their approval by the appropriate division district office pursuant to procedures set out in the proposed amendments; revise and adopt of rules and procedures governing the Divisions's notice, processing and approval of applications filed pursuant to these rules; and otherwise amend the Commissions requirements concerning permitting, design construction, operation and closure of pits, below grade tanks and sumps in any geographic location in the state for use in lieu of pits or below grade tanks used in oil and gas operations, to protect public health and the environment to prevent the waste of oil and gas and to protect correlative rights pursuant to the mandates of the Oil and Gas Act.

IPANM generally supports the petition filed by the New Mexico Oil and Gas Association and their amendments with the exception that IPANM believes the science demonstrates that testing requirements are not necessary when ground water is greater than 100 feet from the bottom of the burial pit or trench. Therefore we would question the standards posed in Table II of 19.15.17.13. Notification to the Division of the use of closed loop systems is also unnecessary. In addition, IPANM believes the statutory requirements of the Oil Conservation is solely limited to protection of public health and the environment and expansion to protection of livestock is outside the legislative mandate of the division.

IPANM generally supports the amendments proposed by the New Mexico Oil Conservation Division with the exception that IPANM opposes: the addition of "significant watercourse" when siting and closure of a temporary pit, and the location of excavated soils; filing the C-141 report for visual observation of wet soils and the implementation of corrective

actions pursuant to 19.15.30 NMAC; the testing and closure provisions when completing burial on site when groundwater is greater than 100 feet from the bottom of the pit or trench; the new provisions for closure identification; demonstration of protection of livestock and public safety when filing a variance request; and the administrative approval requirements posed by the NMOCD.

PROPOSED EVIDENCE

Witness: **Tom Mullins**

Estimated Time: **3 hours**

Principal

Synergy Operating LLC

Mr. Mullins will testify on the testing requirements for closure of a temporary pit. He will discuss the revisions to the existing rule 17 that are needed to achieve closures in an environmentally protective manner without excess regulatory burdens of testing and hauling to centralized facilities. Mr. Mullins has also completed extensive modeling which expands on the NMOCD modeling of the 2007 and 2009 hearings which will give scientific support to his position. Mr. Mullins is a registered professional engineer (New Mexico Petroleum #14247) for over thirteen years. He has over twenty years of diversified petroleum production, reservoir, drilling and acquisition engineering experience. Mullins has participated in the drilling/completion preparation, hydraulic fracture stimulation design, onsite field supervision of over 600 San Juan Basin workovers or new wells.

Witness: **Larry Scott**

Estimated Time: **45 Minutes**

President

Lynx Petroleum Consultants

Mr. Scott will testify on the practical difficulties in implementing provisions of the existing Rule 17 and reasons for its revision. Mr. Scott will compare operations in Texas to versus operations New Mexico under the current Rule 17. Mr. Scott will also discuss the impracticality of implementing the proposed amendments offered by NMOCD. Mr. Scott is one of the founding partners of Lynx Petroleum Consultants, Inc. for over 29 years. Mr. Scott is currently Lynx Petroleum's President with responsibility for prospect generation, acreage acquisition, drilling and completion plans and procedures, production operations and regulatory compliance. Prior to

founding Lynx, Mr. Scott worked in the Gulf Coast region as an automation, production facilities and drilling engineer. Scott then came to work in Hobbs, New Mexico as a supervising production engineer. Mr. Scott holds a Bachelor of Science in Electrical Engineering Degree from the University of Texas.

EXHIBITS

The following exhibits are attached to this statement and comprise the exhibits that IPANM anticipates it may introduce at the Commission hearing:

IPANM EX. 1: Roswell Sun Cartoon – 1 page

IPANM EX. 2: “Energy News: A publication of IPANM” – 36 pages

IPANM EX. 3: EIA NM Energy Profile – 8 pages

IPANM EX. 4: NM Production rankings – 3 pages

IPANM EX. 5: Resume of Thomas E. Mullins – 3 pages

IPANM EX. 6: Slide Presentation by Thomas E. Mullins – 10 pages

IPANM EX. 7: HELP Model Runs 3-05-12 – 25 pages

IPANM EX. 8: Multimed Model Run 3-05-12 – 42 pages

IPANM EX. 9: Multimed Model Manual - 222 pages

IPANM EX. 10: HELP Model Manual – 104 pages

IPANM EX. 11: HELP Engineering Manual – 126 pages

IPANM EX. 12: Climatological Data Sheets – 5 pages

IPANM EX. 13: Non-Aqueous Phase Liquid Mobility limits in soils – 10 pages

IPANM EX. 14: USGS Fact Sheet – 4 pages

IPANM EX. 15: Rigs Counts in NMSE Counties and Texas 2007-2011

PROCEDURAL MATTERS

IPANM respectfully requests that our petition be presented and heard after the conclusion of NMOGA’s direct case.

Respectfully Submitted,

CHATHAM PARTNERS, INC.

By: _____

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