

NMOGA Exhibit #55

TRANSCRIPT OF TESTIMONY BEFORE NEW MEXICO OIL CONSERVATION COMMISSION

APPLICATION OF OIL CONSERVATION DIVISION
TO ADOPT 19.15.27 NMAC AND D19.15.28
NMAC, AND TO AMEND 19.15.7 NMAC,
19.15.18 NMAC, and 19.15.19 NMAC;
STATEWIDE

Reporter's Virtual Transcript, Day 2, page 48

Introducing Mr. Lepore and Mr. Bolander as Division witness

Reporter's Virtual Transcript, Day 3, pages 41-42

Mr. Lepore's testimony on completions/flow back

Reporter's Virtual Transcript, Day 4, pages 18

Mr. Bolander's testimony on completions/flow back

Reporter's Virtual Transcript, Day 4, pages 61-62

Mr. Bolander's response under cross on completions/flow back safety

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

APPLICATION OF OIL CONSERVATION DIVISION
TO ADOPT 19.15.27 NMAC AND D19.15.28
NMAC, AND TO AMEND 19.15.7 NMAC,
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STATEWIDE

CASE NO. 21528

REPORTER'S VIRTUAL TRANSCRIPT OF PROCEEDINGS

DAY 2

January 5, 2021

8:30 a.m.

Hearing Officer Felicia Orth

Chairwoman Sandoval

Commissioner Engler

Commissioner Kessler

REPORTED BY: PAUL BACA, CCR #112
PAUL BACA COURT REPORTERS
500 4th Street, NW, Suite 105
Albuquerque, New Mexico 87102

1 Today, OCD proposes rules to regulate
2 venting and flaring from oil and gas in the oil and
3 gas industry in New Mexico.

4 OCD's proposed rules respond to Governor
5 Lujan Grisham's executive order to reduce waste of
6 natural gas.

7 This commission is authorized to adopt the
8 rules proposed today by the Oil and Gas Act, which
9 establishes this commission's purpose and duty to
10 reduce waste and protect correlative rights and
11 protect the environment and public health.

12 With me today are four witnesses for OCD:
13 Ms. Tiffany Polak, deputy director of OCD;
14 Mr. Brandon Powell, the engineering Bureau Chief;
15 Mr. Matt Lepore, the principal of Insight Energy
16 Law, and former general counsel and director of the
17 Colorado Oil and Gas Commission; and Jim Bolander, a
18 registered professional engineer with years of
19 experience in the oil and gas industry, including
20 vice president of resource development, health,
21 safety, and environment and chief operations
22 engineer.

23 I'd like to begin by reviewing the
24 executive order, and this commission's statutory
25 authority to adopt the rules, and then describe the

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DAY 3 A.M. SESSION
January 6, 2021
8:30 a.m.

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1 often. Exception for emergencies or malfunctions to
2 avoid a risk of immediate and substantial adverse
3 impact on safety, public health, or the environment.

4 So these are real emergencies with real
5 potential consequences of an immediate and
6 substantial nature that are excluded.

7 Under the completion side, once
8 hydrocarbons begin to flow to the surface during the
9 initial flowback, that can be a lot of fluids mixed
10 together. You have flowback fluid, you have
11 drilling mud, you have hydrocarbons all coming to
12 the surface. There's a point at which those fluids
13 can be routed to a separator and separated safely.
14 And that's the point at which those -- the natural
15 gas must be captured at that point.

16 Again, Mr. Bolander can be a little bit
17 more articulate than I can about that process.

18 They must capture that separated natural
19 gas. They may flare only to avoid safety risks to
20 operations or personnel.

21 And after the original draft, we did
22 modify this rule to include a third allowance for
23 venting and flaring which pertains to off spec gas,
24 meaning gas into which impurities have been
25 entrained, such as hydrogen sulfide, hydrogen,

1 potentially CO2, or oxygen.

2 Those things can make it unsafe or
3 infeasible to put gas into a gathering system, so
4 there are circumstances there where it is
5 appropriate to allow flaring of that gas.

6 Next slide.

7 Let me say one more thing about the prior
8 slide. And this goes to Mr. Ames' questions about
9 the definitions a little bit.

10 I know that the completion phase is a
11 phase of some focus by the environmental side.

12 It is a phase where venting and flaring
13 can occur, and venting can occur. And we have put
14 sideboards on that in the definitions by saying that
15 the separation of flowback period ends not more than
16 30 days after initial flowback.

17 So there is a 30-day sort of clock, or put
18 sideboards on how long that separation flowback can
19 last. After that 30 days the gas can go to a
20 gathering line. Okay.

21 So production. More exceptions here,
22 because production lasts for a long time. It's --
23 you know, the majority of a well's life is the
24 production phase. And there are many
25 circumstances -- more circumstances throughout the

1 goals is, on flowback, is to recover as much fluid as
2 possible and to get the wells to sale as quickly as
3 possible. So we are flowing the wells back at high flow
4 rate, many times in excess of 2000 barrels a day.

5 Second, you know, we talk about drilling out the
6 plugs, so that's obviously that's debris that's coming back.
7 In addition we also recover some frac sand, so all of that
8 is coming back during the process. As mentioned before, you
9 know, during this early stage until the well stabilizes, you
10 have erratic flow, you know, resulting in, you know, slow
11 flow which could create, you know, safety issues.

12 And, you know, we are already flowing back into
13 enclosed frac tanks, and any attempt to try to, you know,
14 capture at this point could cause excessive back pressure
15 within the tanks themselves which, one, becomes a safety
16 issue; and, two, puts an artificial back pressure on the
17 well itself which could hinder and lengthen that flowback
18 time.

19 Once the flowing pressure is sufficient for a
20 separation stage, then we move from initial flowback to
21 separation stage. And as you can see, here is where we
22 separate the natural gas from the fluid, and the fluids are
23 routed to a tank, and the gas either routed to sales if
24 available or to a flare.

25 Also I would like to point out in this slide, as

1 Q. Now, you mentioned the completion process.

2 A. Yes, sir.

3 Q. And you discussed the initial flowback time
4 frame.

5 A. Correct.

6 Q. And if I understand it from your slide here on
7 completion operations, the Division recognizes that during
8 initial flowback there is going to be some, potentially some
9 venting of gas; correct?

10 A. Yes, sir.

11 Q. And that, is it also true that that venting is
12 usually for a short period of time and so you can get a
13 separator in place?

14 A. Yes. So if you designed your separator properly
15 to be able to initiate reduced emission completions,
16 which is required, then yes.

17 Q. Okay. And you mentioned here in your slide that
18 there is no methodology to safely capture the initial
19 flowback until you have separation in place?

20 A. Yes. I am concerned with that, I do know that
21 Colorado did make that change to require that. However, I
22 have some concerns with that from my background in
23 operations and HS&A that that can be done safely in all
24 cases. Not to say they can't be done, but to make it a
25 normal part of a regulation does give me some concern.

1 Q. So it's not something based on your experience,
2 Mr. Bolander, that you would recommend at this point in
3 time?

4 A. Correct.

5 Q. Okay. I want to ask you about AVO inspections,
6 okay? So I want to jump up here to Slide 77.

7 A. Okay. I'm moving with you with my copy of the
8 rule, if you don't mind.

9 Q. That's fine. I think that would be great because
10 here you are talking about 27.8.E, but I really want to
11 focus on the statement here, and I think I'm on the right
12 slide. You say that there are provisions in the rule
13 addressing AVO inspections where the Division is suggesting
14 weekly; right?

15 A. Correct.

16 Q. Okay. And you indicate that the Division
17 modified the rule to conform with NMED requirements. Are
18 there -- are you suggesting that the current NMED
19 requirements impose weekly inspections?

20 A. What that is meant to mean in the slide is that
21 the original draft of the NMED language set forth specific
22 requirements that should be performed during an AVO
23 inspection. And in our language specifically beginning in
24 E.R.A, all the way through 5 -- yeah -- 5.A little 3, all of
25 those, that language we, you know, in our collaboration with