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Claire Chase
President IPANM
"By working together,
we can find ways to
improve safety and
quality of life, even
with all the ongoing
changes."
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Richard Frommer
Chairman WEA
"Western Energy
Alliance remains
aligned with President
Trump's agenda of
energy dominance for
this country."
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Eugene Garcia
Chairman TIPRO
"With Texas' broad
economic model, if
our industry
experiences oil and
gas market stability,
things will really hit
their stride."
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New Mexico Oil Output Among Top In USA

By Dan Larson

ALBUQUERQUE, N.M.—The rapid expansion of oil and natural gas development in Southeast New Mexico has raised the state's profile among oil producers, increased the flow of revenue to local governments and economies and added thousands of jobs, report leaders of the Independent Petroleum Association of New Mexico.

Even so, increased production also has come with some growing pains, the group's leaders acknowledge. "These are exciting times to be working in Southeast New Mexico," describes IPANM President Claire Chase, Director of Government Affairs at Mack Energy Corp. in Roswell, N.M. "We love all our members, but southeast is where it's at right now. As they say, we

are blowing and going."

Thanks to a new strategic alliance with the state's other oil and gas trade group, a legislative session that did no harm to the industry, and companies' collective can-do attitude toward infrastructure and communities, IPANM indicates it is well positioned for a productive and informative annual meeting this month.

Scheduled for July 25-27 at Albuquerque's Hotel Chaco, the IPANM annual convention includes a roster of speakers highlighted by keynote speaker Taya Kyle, widow of U.S. Navy Seal Chris Kyle, who was memorialized in the film, *American Sniper*; and climate contrarian Myron Ebell from the Competitive Enterprise Institute. Other scheduled presenters include New Mexico Governor Susana Mar-

tinez, state and federal regulators, and New Mexico's gubernatorial candidates.

"This year's meeting will feature a diverse lineup of speakers who will focus on issues relevant to national, state and local issues," notes IPANM Executive Director Jim Winchester. "We think the agenda is fun and informative."

Delaware Growing Pains

Oil and gas development in the Delaware Basin on the Permian's western flank has expanded so rapidly that reports of strained infrastructure, worker shortages, increasing water disposal costs and take-away bottlenecks are common.

Chase says growing pains are a daily issue in the Delaware Basin. "As an independent exploration and production company,

we see the whole range of issues facing operators and service companies," she relates. "The pipeline companies are working with local governments to get new pipe in the ground, land developers are working hard to build housing and infrastructure, and everybody is looking for new hands."

Helping companies identify infrastructure needs and making connections with local governments have become IPANM priorities, she indicates.

"We also are seeing companies come to the table with plans to bulk up infrastructure and improve safety corridors when they roll out a new well site or facility," she adds. "I think that speaks to their awareness and community commitment, and for that we are grateful."

As Delaware production grows, so do state revenues, Winchester observes. As a result, that money's destination has become one of the hottest energy-related topics as election season approaches. "Our elected officials can argue what to do with the money. It is industry's job to remind them where this new money is coming from, especially candidates who push for increased regulation," Winchester says. "Regulating oil producers out of business makes no sense when one-third of New Mexico's budget is oil and gas revenue, which creates jobs and more funding for schools."

San Juan Protests

Oil and gas opponents remain active in the Land Of Enchantment, Winchester notes. Moreover, a few New Mexico oil and gas issues have attracted the attention of national environmental groups, the news media and political leadership. Published reports indicate one such controversy deals with concern about possible oil and gas facilities' proximity to a national historical park.

In January, the Bureau of Land Management proposed a lease sale for federal acreage near a Native American historical site, press accounts note, and the sale was later deferred. That proposed sale was followed in April by a court ruling against the groups seeking an injunction barring new development in the area. For several weeks in the spring, local news media reported on protest rallies by opposition groups across northern New Mexico.

In response, Senators Tom Udall, D-N.M., and Martin Heinrich, D-N.M., on May 22 filed the "Chaco Cultural Heritage Area Protection Act of 2018." The bill seeks to codify a 10-mile buffer around the 53-square-mile Chaco Canyon National Historic Park. Media reports say the All Pueblo Council of Governors offered emphatic support for the legislation, stating that withdrawing the land from a possible

lease sale "is an important step in protecting the 20 Pueblos' cultural resources and sacred sites."

BLM has maintained an informal 10-mile buffer around the park and routinely deferred lease petitions within that buffer, a bureau statement indicates. The senate bill would formalize that buffer into law.

Oil and gas development around the park was the subject of a 2015 lawsuit, *Dine v. BLM*, that was decided in April. In that decision, U.S. District Judge James Oren Browning ruled against the plaintiff tribal and environmental groups, stating the bureau did not violate historic preservation rules when it approved permits for some 350 wells near the park.

Earlier this year, Interim Secretary Ryan Zinke announced BLM would defer the March 8 lease sale, citing "some concern about the proximity to Chaco of some of the leases and the uncertainty about cultural impacts."

According to BLM, the lease sale, as originally announced in January, was "to include 25 parcels, covering 4,434 acres within Rio Arriba, Sandoval and San Juan counties in northwestern New Mexico." About half the proposed parcels were for private land, with the balance said to include about 1,000 acres of BLM-managed land and 1,300 acres of tribal trust land.

Chase suggests efforts to ban drilling across a wide swath of Northwest New Mexico is part of a larger effort by tribal leaders and their allies in the environmental community to severely restrict oil and gas development in that corner of the state.

"I cannot think of a single oil and gas company that wants to drill within the Chaco Canyon National Historic Park," she relates. "The opposition creates this emotional response by getting people to think they will visit a sacred site and find a drilling rig 500 feet away. That is simply not the case."

In the meantime, IPANM leaders say the group will keep a close eye on the controversy surrounding development on the San Juan Basin's federal lands, and will take issue if proposed drilling bans call for excessive buffer zones. "Chaco Canyon is one of several topics we are watching these days," Winchester says.

Increased Blanket Bond

The association has taken notice of a bill that passed the legislature this year and was signed by the governor to update the state's well plugging bond requirements.

Sponsored by Senator Richard Martinez, D-Española, SB 189 directs the state to increase a company's well plugging bond "to an amount not to exceed

\$250,000." Current regulations set the maximum bond at \$50,000, according to a fiscal report attached to the bill.

Winchester notes that the current bill declares an operator's financial assurance obligation can be satisfied with a blanket bond. This differs from language in a similar bill that failed to pass in 2013, which sought to require progressively higher bond amounts according to the number of wells a company operated.

Industry "understands and appreciates why there is a need for an operator's financial assurance that abandoned wells will be plugged," Winchester assures. "We disagree with how large those bond levels should be."

He says the association has submitted comments to the New Mexico Oil Conservation Division and is participating in a rule-making hearing on the bill this month. "We don't want to see onerous and burdensome bond amounts that tie up smaller operators when the money can be used more responsibly," he adds.

Horizontal Rules

Winchester notes that another issue examined by the OCD this spring concerns revisions to the state's horizontal drilling rules.

The OCD issued a draft in January that would revise rules to Title 19, Ch. 15

(2-16) defining horizontal wells as distinct from directional wells and establish standard horizontal well spacing rules, among other issues. The bill also sets minimum setback distances for horizontal wells from spacing unit boundaries.

IPANM supports "99 percent of the rule," Winchester declares. However, he allows, "We do have some concerns about language in the section on compulsory pooling."

A hearing on the draft proposed revisions was held April 17 in Santa Fe and, Winchester indicates, the association and state regulators failed to agree on how the rules define an infill horizontal well. OCD proposes a definition such that "the completed interval of which is located wholly within the horizontal spacing unit dedicated to a previously drilled or proposed horizontal well in the same pool or formation."

Winchester advises that the addition of the qualifier "or proposed" potentially may allow a large operator to drill simultaneous wells within a single track all at once. "That raises the question of how a smaller interest or lease holder in the single well unit can be charged a risk penalty under compulsory pooling on each well, even though there was no production data from an initial well," he observes.

OCD left the language unchanged after IPANM met with division officials and they failed to arrive at a mutually agreeable solution, he adds. As a result, New Mexico Energy, Minerals and Natural Resources Department Secretary Ken McQueen formed a small industry working group to be led by Bill Carr, who Winchester describes as "an industry legal veteran." He adds that IPANM will be represented on the panel by past presidents Tom Mullins and Larry Scott.

"Risk penalties for lease holders who are compulsorily pooled can be as much as 200 percent. That is too high for many of our members. The risk profiles for many horizontal wells drilled into source rock are considerably different from historic vertical drilling," Winchester concludes.

IPANM also has weighed in on an OCD proposal to revise the state's spill response rules under Title 19, Ch. 15.29. The proposed rules define a major spill as entailing at least 25 barrels, and a minor release as spills between six and 25 barrels. The proposal obligates a responsible party to notify the state of a spill within 24 hours of discovery.

IPANM Annual Meeting – Albuquerque, N.M.

Wednesday, July 25

- 3-5 p.m. Board of Directors Meeting, Hotel Chaco
Board Members Only
- 6-8 p.m. Welcome Reception, Hotel Albuquerque, Outdoor Pavilion & Gardens

Thursday, July 26

- 7 a.m. Buffet Breakfast, Hotel Chaco
- 8:30-11 a.m. General Session
Governor Susana Martinez
Claire Chase, IPANM President
An Update from the U.S. Department of Interior
Ryan Ullman, Director of Government Relations and Political Affairs, Independent Petroleum Association of America
Jim Winchester, IPANM Executive Director
- Noon-5 p.m. Golf Tournament, Albuquerque Country Club
- Noon-5 p.m. Family Outing, Explora Museum,
Gelato Party at Hotel Chaco Pool Following
- 6-8 p.m. President's Reception, Casa Esencia

Friday, July 27

- 8:30 a.m. Awards Breakfast, Hotel Chaco
Speaker: Myron Ebell, Director of the Center for Energy and Environment, Competitive Enterprise Institute
IPANM Business Matters for Members
IPANM "Wildlife in the Oil Field" Photo Contest Award Presentations
Golf Awards Presentations
Member of the Year Presentation
IPANM President Transition
- 10:15-11:35 a.m. General Session
Aubrey Dunn, New Mexico State Land Commissioner
An Update from the U.S. Bureau of Land Management, New Mexico Office
Heather Riley, Division Director, New Mexico Oil Conservation Division
Butch Tongate, Cabinet Secretary, New Mexico Environment Department
- 11:45 a.m. Keynote Luncheon, Alvarado Ballroom
Speaker: Taya Kyle, widow of U.S. Navy Seal Chris Kyle, *American Sniper*
- 1:15-2 p.m. New Mexico Candidate Forum
- 3-5 p.m. Skyview Happy Hour, Level 5, A Rooftop Experience

Winchester notes the proposed rules include extensive, specific instructions for site cleanup, long-term remediation and closure. "The closure standards are so expensive, it will be difficult for some operators to ever meet them," he warns, adding that it is unreasonable for an operator to halt production for weeks at a time while waiting for an inspector to visit the site.

Working through the dense, often subtle language in a regulatory proposal and then producing a thorough response sometimes can be more than one trade group can handle, Winchester considers. That is one reason why IPANM has worked on an agreement to work more closely with the state's other industry trade group, he says.

Strategic Alliance

As activity ramps up in New Mexico, the state's two industry trade groups have decided to form a strategic alliance to promote and protect the oil and gas industry, Winchester reports.

Announced in December, the alliance brings IPANM together with the New Mexico Oil & Gas Association to "promote an industry-friendly business and regu-

latory environment based on sound science," says NMOGA Executive Director Ryan Flynn.

New Mexico's oil production is increasing so rapidly the state's output has ascended to third in the country behind Texas and North Dakota, ahead of Oklahoma and Alaska, indicates the U.S. Energy Information Administration's February production report.

"We are seeing big gains in production every month," Winchester says. "Being the country's number-three oil producer speaks volumes about the level of interest and the potential in the Permian basin."

"The alliance with NMOGA makes so much sense," Chase affirms. "By working together, we can find ways to improve safety and quality of life, even with all the basin's ongoing changes."

According to the announcement, the two associations remain operationally independent but "will work together on strategic messaging for the public and state legislature." Another indication of the groups' close working relationship is Chase's presence as a director on both associations' boards. Shortly after Chase concludes her term as IPANM president

at this year's convention, she will step into a similar role as chairman of NMOGA, she mentions.

"I could not be more pleased with the improved relationship between the two associations," Chase relates. "We have come a long way in repairing a relationship that frankly, was not perfect. Now, we are working together and building a unified voice."

Each trade group has its own mission and serves a different membership, she observes. While NMOGA traditionally has counted larger independents and even major companies among its membership, IPANM represents small independents, local oil field service providers and consultants, she describes.

"Many IPANM members have spent their whole lives in New Mexico," Chase says. "This group provides a voice for the independents where they could get drowned out among the big companies."

Nevertheless, she notes, the industry is confronting a number of unifying challenges. "There are enough people working against the industry that it is important for us to have a united voice," she concludes. □

Winchester Leading IPANM Forward

ALBUQUERQUE, N.M.— Jim Winchester says he is right where he wants to be.

Appointed executive director of the Independent Petroleum Association of New Mexico in October, he observes that since he came aboard, the association has made strides by forging alliances with other industry representatives and connecting with policymakers.

"My mandate is to continue growing our membership," Winchester notes. "With all that is going on in New Mexico, this is a great opportunity for producers to come into our organization and get as involved as they want."

"The strength of our group means that our members, large or small, have a powerful voice that is projected to our legislators and federal and state regulators," he adds.

Winchester says he is proud of the informal but strong connection IPANM made with the New Mexico Oil & Gas Association shortly after he took the reins.

Both Winchester and NMOGA Executive Director Ryan Flynn worked for the state during Governor Susana Mar-

tinez's administration. Winchester was communications director for both the New Mexico Environment Department and for the Energy, Minerals and Natural Resources Department; Flynn was Cabinet Secretary of the NMED. After his stint in state government, Winchester worked as a communications manager in Boulder, Co., but stayed in contact with Flynn. Winchester says those conversations drew him back to Mexico and the energy sector. The former engineer turned television reporter turned communications professional accepted the executive director position at IPANM last September.

Winchester acknowledges that he and Flynn do not expect to see eye-to-eye on every issue, but predicts their complementary perspectives usually should enable strong teamwork. "We both have the ability to step back and see the big picture and how we are representing the interests of our members and the industry as a whole," Winchester assesses.

Late last year, leaders of the two organizations signed an informal memorandum of understanding that helps define

interaction between the two while assuring transparency and recognizing differences (see accompanying story). In one example of their cooperation, IPANM and NMOGA co-signed several letters to the U.S. Bureau of Land Management that commented on a variety of federal proposals that would impact the state.

"When we cosign comment letters, it gives us a stronger voice and shows a united front as we make our case," Winchester observes. "That is very important in the current, uncertain political climate."

IPANM president Claire Chase applauds Winchester's efforts at rebuilding a connection between the two trade groups.

"Our relationship with NMOGA was not perfect, and that did not help the industry," Chase acknowledges. "If we hope to accomplish anything, we need a unified voice, because there are enough people out there working against us."

Chase says Winchester is the right person for the job of being IPANM's top staff member. "He brings the public relations and communications skills that are so important," she affirms. □