

OCD EXHIBIT 4

TITLE 19 NATURAL RESOURCES & WILDLIFE

CHAPTER 15 OIL AND GAS

PART A GENERAL PROVISIONS AND DEFINITIONS

- 1 ISSUING AGENCY: Energy, Minerals and Natural Resources Department
Oil Conservation Division
2040 S. Pacheco
Santa Fe, New Mexico 87505
(505) 827-7131. [2-1-96]
- 2 SCOPE: All persons/entities engaged in oil and gas development and production within New Mexico. [2-1-96]
- 3 STATUTORY AUTHORITY: Sections 70-2-1 through 70-2-38 NMSA 1978 sets forth the Oil and Gas Act which grants the Oil Conservation Division jurisdiction and authority over all matters relating to the conservation of oil and gas, the prevention of waste of oil and gas and of potash as a result of oil and gas operations, the protection of correlative rights, and the disposition of wastes resulting from oil and gas operations. [2-1-96]
- 4 DURATION: Permanent [2-1-96]
- 5 EFFECTIVE DATE: February 1, 1996. [2-1-96]
- 6 OBJECTIVE: To set forth general provisions and definitions pertaining to the authority of the Oil Conservation Division and the Oil Conservation Commission pursuant to the Oil and Gas Act, NMSA 1978, Sections 70-2-1 through 70-2-38. [2-1-96]

7 DEFINITIONS

1 ABATE or ABATEMENT shall mean the investigation, containment, removal or other mitigation of water pollution. [3-15-97]

2 ABATEMENT PLAN shall mean a description of any operational, monitoring, contingency and closure requirements and conditions for the prevention, investigation and abatement of water pollution. [3-15-97]

3 ADJUSTED ALLOWABLE shall mean the allowable production a well or proration unit receives after all adjustments are made. [1-1-50...2-1-96; Rn, 19 NMAC 15.A.7.1, 3-15-97]

4 ALLOCATED POOL is one in which the total oil or natural gas production is restricted and allocated to various wells therein in accordance with proration schedules. [1-1-50...2-1-96; Rn, 19 NMAC 15.A.7.2, 3-15-97]

5 ALLOWABLE PRODUCTION shall mean that number of barrels of oil or standard cubic feet of natural gas authorized by the Division to be produced from an allocated pool. [1-1-50...2-1-96; Rn, 19 NMAC 15.A.7.3, 3-15-97]

6 AQUIFER shall mean a geological formation, group of formations, or a part of a formation that is capable of yielding a significant amount of water to a well or spring. [7-1-81...2-1-96; Rn, 19 NMAC 15.A.7.4, 3-15-97]

7 BACK ALLOWABLE shall mean the authorization for production of any shortage or underproduction resulting from pipeline proration. [1-1-50...2-1-96; Rn, 19 NMAC 15.A.7.5, 3-15-97]

8 BACKGROUND shall mean, for purposes of ground-water abatement plans only, the amount of ground-water contaminants naturally occurring from undisturbed geologic sources or water contaminants occurring from a source other than the responsible person's facility. This definition shall not prevent the Director from requiring abatement of commingled plumes of pollution, shall not prevent responsible persons from seeking contribution or other legal or equitable relief from other persons, and shall not preclude the Director from exercising enforcement authority under any applicable statute, regulation or common law. [3-15-97]

9 BARREL shall mean 42 United States Gallons measured at 60 degrees Fahrenheit and atmospheric pressure at the sea level. [1-1-50...2-1-96; Rn, 19 NMAC 15.A.7.6, 3-15-97]

10 BARREL OF OIL shall mean 42 United States Gallons of oil, after deductions for the full amount of basic sediment, water and other impurities present, ascertained by centrifugal or other recognized and customary test. [1-1-50...2-1-96; Rn, 19 NMAC 15.A.7.7, 3-15-97]

11 BOTTOM HOLE OR SUBSURFACE PRESSURE shall mean the gauge pressure in pounds per square inch under conditions existing at or near the producing horizon. [1-1-50...2-1-96; Rn, 19 NMAC 15.A.7.8, 3-15-97]

12 BRADENHEAD GAS WELL shall mean any well producing gas through wellhead connections from a gas reservoir which has been successfully cased off from an underlying oil or gas reservoir. [1-1-50...2-1-96; Rn, 19 NMAC 15.A.7.9, 3-15-97]

13 CARBON DIOXIDE GAS shall mean noncombustible gas composed chiefly of carbon dioxide occurring naturally in underground rocks. [1-1-50...2-1-96; Rn, 19 NMAC 15.A.7.10, 3-15-97]

14 CASINGHEAD GAS shall mean any gas or vapor or both gas and vapor indigenous to and produced from a pool classified as an oil pool by the Division. This also includes gas-cap gas produced from such an oil pool. [1-1-50...2-1-96; Rn, 19 NMAC 15.A.7.11, 3-15-97]

15 COMMISSION shall mean the Oil Conservation Commission. [1-1-50...2-1-96; Rn, 19 NMAC 15.A.7.12, 3-15-97]

16 COMMON PURCHASER FOR NATURAL GAS shall mean any person now or hereafter engaged in purchasing from one or more producers gas produced from gas wells within each common source of supply from which it purchases. [1-1-50...2-1-96; Rn, 19 NMAC 15.A.7.13, 3-15-97]

17 COMMON PURCHASER FOR OIL shall mean every person now engaged or hereafter engaging in the business of purchasing oil to be transported through pipelines. [1-1-50...2-1-96; Rn, 19 NMAC 15.A.7.14, 3-15-97]

18 COMMON SOURCE OF SUPPLY. See Pool. [1-1-50...2-1-96; Rn, 19 NMAC 15.A.7.15, 3-15-97]

19 CONDENSATE shall mean the liquid recovered at the surface that results from condensation due to reduced pressure or temperature of petroleum hydrocarbons existing in a gaseous phase in the reservoir. [1-1-50...2-1-96; Rn, 19 NMAC 15.A.7.16, 3-15-97]

20 CONTIGUOUS shall mean acreage joined by more than one common point, that is, the common boundary must be at least one side of a governmental quarter-quarter section. [1-7-82...2-1-96; Rn, 15 NMAC 15.A.7.17, 3-15-97]

21 CONVENTIONAL COMPLETION shall mean a well completion in which the production string of casing has an outside diameter in excess of 2.875 inches. [5-1-61...2-1-96; Rn, 19 NMAC 15.A.7.18, 3-15-97]

22 CORRELATIVE RIGHTS shall mean the opportunity afforded, as far as it is practicable to do so, to the owner of each property in a pool to produce without waste his just and equitable share of the oil or gas, or both, in the pool, being an amount, so far as can be practically determined, and so far as can be practicably obtained without waste, substantially in the proportion that the quantity of recoverable oil or gas, or both, under such property bears to the total recoverable oil or gas, or both, in the pool, and for such purpose to use his just and equitable share of the reservoir energy. [1-1-50...2-1-96; Rn, 19 NMAC 15.A.7.19, 3-15-97]

23 CUBIC FEET OF GAS OR STANDARD CUBIC FOOT OF GAS, for the purpose of these rules, shall mean that volume of gas contained in one cubic foot of space and computed at a base pressure of 10 ounces per square inch above the average barometric pressure of 14.4 pounds per square inch (15.025 psia), at a standard base temperature of 60 degrees Fahrenheit. [1-1-50...2-1-96; Rn, 19 NMAC 15.A.7.20, 3-15-97]

24 DEEP POOL shall mean a common source of supply which is situated 5000 feet or more below the surface. [1-1-50...2-1-96; Rn, 19 NMAC 15.A.7.21, 3-15-97]

25 DEPTH BRACKET ALLOWABLE shall mean the basic oil allowable assigned to a pool and based on its depth, unit size, or special pool rules, which, when multiplied by the market demand percentage

factor in effect, will determine the top unit allowable for the pool. [9-1-72...2-1-96; Rn, 19 NMAC 15.A.7.22, 3-15-97]

26 DIRECTOR shall mean the Director of the Oil Conservation Division of the New Mexico Energy, Minerals and Natural Resources Department. [3-15-97]

27 DIVISION shall mean the Oil Conservation Division of the New Mexico Energy, Minerals and Natural Resources Department. [4-15-78...2-1-96; Rn, 19 NMAC 15.A.7.23, 3-15-97]

28 EXEMPTED AQUIFER shall mean an aquifer that does not currently serve as a source of drinking water, and which cannot now and will not in the foreseeable future serve as a source of drinking water because:

(a) it is hydrocarbon producing;

(b) it is situated at a depth or location which makes the recovery of water for drinking water purposes economically or technologically impractical; or,

(c) it is so contaminated that it would be economically or technologically impractical to render that water fit for human consumption. [7-1-81...2-1-96; Rn, 19 NMAC 15.A.7.24, 3-15-97]

29 FACILITY shall mean any structure, installation, operation, storage tank, transmission line, access road, motor vehicle, rolling stock, or activity of any kind, whether stationary or mobile. [3-15-97]

30 FIELD means the general area which is underlaid or appears to be underlaid by at least one pool; and field also includes the underground reservoir or reservoirs containing such crude petroleum oil or natural gas, or both. The words field and pool mean the same thing when only one underground reservoir is involved; however, field unlike pool may relate to two or more pools. [1-1-50...2-1-96; Rn, 19 NMAC 15.A.7.25, 3-15-97]

31 FRESH WATER (to be protected) includes the water in lakes and playas, the surface waters of all streams regardless of the quality of the water within any given reach, and all underground waters containing 10,000 milligrams per liter (mg/l) or less of total dissolved solids (TDS) except for which, after notice and hearing, it is found there is no present or reasonably foreseeable beneficial use which would be impaired by contamination of such waters. The water in lakes and playas shall be protected from contamination even though it may contain more than 10,000 mg/l of TDS unless it can be shown that hydrologically connected fresh ground water will not be adversely affected. [1-7-82...2-1-96; Rn, 19 NMAC 15.A.7.26, 3-15-97]

32 GAS LIFT shall mean any method of lifting liquid to the surface by injecting gas into a well from which oil production is obtained. [1-1-50...2-1-96; Rn, 19 NMAC 15.A.7.27, 3-15-97]

33 GAS-OIL RATIO shall mean the ratio of the casinghead gas produced in standard cubic feet to the number of barrels of oil concurrently produced during any stated period. [1-1-50...2-1-96; Rn, 19 NMAC 15.A.7.28, 3-15-97]

34 GAS-OIL RATIO ADJUSTMENT shall mean the reduction in allowable of a high gas-oil ratio unit to conform with the production permitted by the limiting gas-oil ratio for the particular pool during a particular proration period. [1-1-50...2-1-96; Rn, 19 NMAC 15.A.7.29, 3-15-97]

35 GAS TRANSPORTATION FACILITY shall mean a pipeline in operation serving gas wells for the transportation of natural gas, or some other device or equipment in like operation whereby natural gas produced from gas wells connected therewith can be transported or used for consumption. [1-1-50...2-1-96; Rn, 19 NMAC 15.A.7.30, 3-15-97]

36 GAS WELL shall mean a well producing gas or natural gas from a gas pool, or a well with a gas-oil ratio in excess of 100,000 cubic feet of gas per barrel of oil producing from an oil pool. [1-1-50...2-1-96; Rn, 19 NMAC 15.A.7.31, 3-15-97]

37 GROUND WATER shall mean interstitial water which occurs in saturated earth material and which is capable of entering a well in sufficient amounts to be utilized as a water supply. [3-15-97]

38 HAZARD TO PUBLIC HEALTH exists when water which is used or is reasonably expected to be used in the future as a human drinking water supply exceeds at the time and place of such use, one or more of the numerical standards of 20 NMAC 6.2.3103.A, or the naturally occurring concentrations, whichever is higher, or if any toxic pollutant as defined at 20 NMAC 6.2.1101 affecting human health is present in the water. In determining whether a release would cause a hazard to public health to exist, the Director shall investigate and consider the purification and dilution reasonably expected to occur from the time and place of release to the time and place of withdrawal for use as human drinking water. [3-15-97]

39 HIGH GAS-OIL RATIO PRORATION UNIT shall mean a unit with at least one producing oil well with a gas-oil ratio in excess of the limiting gas-oil ratio for the pool in which the unit is located. [1-1-50...2-1-96; Rn, 19 NMAC 15.A.7.32, 3-15-97]

40 ILLEGAL GAS shall mean natural gas produced from a gas well in excess of the allowable determined by the Division. [1-1-50...2-1-96; Rn, 19 NMAC 15.A.7.33, 3-15-97]

41 ILLEGAL OIL shall mean crude petroleum oil produced in excess of the allowable as fixed by the Division. [1-1-50...2-1-96; Rn, 19 NMAC 15.A.7.34, 3-15-97]

42 ILLEGAL PRODUCT shall mean any product of illegal gas or illegal oil. [1-1-50...2-1-96; Rn, 19 15.A.7.35, 3-15-97]

43 INACTIVE WELL shall be a well which is not being utilized for beneficial purposes such as production, injection or monitoring and which is not being drilled, completed, repaired or worked over. [7-12-90...2-1-96; Rn, 19 NMAC 15.A.7.36, 3-15-97]

44 INJECTION OR INPUT WELL shall mean any well used for the injection of air, gas, water, or other fluids into any underground stratum. [1-1-50...2-1-96; Rn, 19 NMAC 15.A.7.37, 3-15-97]

45 LIMITING GAS-OIL RATIO shall mean the gas-oil ratio assigned by the Division to a particular oil pool to limit the volumes of casinghead gas which may be produced from the various oil producing units within that particular pool. [1-1-50...2-1-96; Rn, 19 NMAC 15.A.7.38, 3-15-97]

46 LOAD OIL is any oil or liquid hydrocarbon which has been used in remedial operation in any oil or gas well. [4-15-54...2-1-96; Rn, 19 NMAC 15.A.7.39, 3-15-97]

47 LOG OR WELL LOG shall mean a systematic detailed and correct record of formations encountered in the drilling of a well. [1-1-50...2-1-96; Rn, 19 NMAC 15.A.7.40, 3-15-97]

48 MARGINAL UNIT shall mean a proration unit which is incapable of producing top unit allowable for the pool in which it is located. [1-1-50...2-1-96; Rn, 19 NMAC 15.A.7.41, 3-15-97]

49 MARKET DEMAND PERCENTAGE FACTOR shall mean that percentage factor of 100 percent or less as determined by the Division at an oil allowable hearing, which, when multiplied by the depth bracket allowable applicable to each pool, will determine the top unit allowable for that pool. [1-1-50...2-1-96; Rn, 19 NMAC 15.A.7.42, 3-15-97]

50 MINIMUM ALLOWABLE shall mean the minimum amount of production from an oil or gas well which may be advisable from time to time to the end that production will repay reasonable lifting cost and thus prevent premature abandonment and resulting waste. [9-1-72...2-1-96; Rn, 19 NMAC 15.A.7.43, 3-15-97]

51 MULTIPLE COMPLETION (COMBINATION) shall mean a multiple completion in which two or more common sources of supply are produced through a combination of two or more conventional diameter casing strings cemented in a common well-bore, or a combination of small diameter and conventional diameter casing strings cemented in a common well-bore, the conventional diameter strings of which might or might not be a Multiple Completion (Conventional). [5-1-61...2-1-96; Rn, 19 NMAC 15.A.7.44, 3-15-97]

52 MULTIPLE COMPLETION (CONVENTIONAL) shall mean a completion in which two or more common sources of supply are produced through one or more strings of tubing installed within a single casing string, with the production from each common source of supply completely segregated by means of

packers. [5-1-61...2-1-96; Rn, 19 NMAC 15.A.7.45, 3-15-97]

53 MULTIPLE COMPLETION (TUBINGLESS) shall mean completion in which two or more common sources of supply are produced through an equal number of casing strings cemented in a common well-bore, each such string of casing having an outside diameter of 2.875 inches or less, with the production from each common source of supply completely segregated by use of cement. [5-1-61...2-1-96; Rn, 19 NMAC 15.A.7.46, 3-15-97]

54 NATURAL GAS OR GAS shall mean any combustible vapor composed chiefly of hydrocarbons occurring naturally in a pool classified by the Division as a gas pool. [1-1-50...2-1-96; Rn, 19 NMAC 15.A.7.47, 3-15-97]

55 NON-AQUEOUS PHASE LIQUID shall mean an interstitial body of liquid oil, petroleum product, petrochemical, or organic solvent, including an emulsion containing such material. [3-15-97]

56 NON-MARGINAL UNIT shall mean a proration unit which is capable of producing top unit allowable for the pool in which it is located, and to which has been assigned a top unit allowable. [1-1-50...2-1-96; Rn, 19 NMAC 15.A.7.48, 3-15-97]

57 OFFICIAL GAS-OIL RATIO TEST shall mean the periodic gas-oil ratio test made by order of the Division by such method and means and in such manner as prescribed by the Division. [1-1-50...2-1-96; Rn, 19 NMAC 15.A.7.49, 3-15-97]

58 OIL, CRUDE OIL, OR CRUDE PETROLEUM OIL shall mean any petroleum hydrocarbon produced from a well in the liquid phase and which existed in a liquid phase in the reservoir. [1-1-50...2-1-96; Rn, 19 NMAC 15.A.7.50, 3-15-97]

59 OIL FIELD WASTES shall mean those wastes produced in conjunction with the exploration, production, refining, processing and transportation of crude oil and/or natural gas and commonly collected at field storage, processing, disposal, or service facilities, and waste collected at gas processing plants, refineries and other processing or transportation facilities. [3-15-97]

60 OIL WELL shall mean any well capable of producing oil and which is not a gas well as defined herein. [1-1-50...2-1-96; Rn, 19 NMAC 15.A.7.51, 3-15-97]

61 OPERATOR shall mean any person or persons who, duly authorized, is in charge of the development of a lease or the operation of a producing property. [1-1-50...2-1-96; Rn, 19 NMAC 15.A.7.52, 3-15-97]

62 OVERAGE OR OVERPRODUCTION shall mean the amount of oil or the amount of natural gas produced during a proration period in excess of the amount authorized on the proration schedule. [1-1-50...2-1-96; Rn, 19 NMAC 15.A.7.53, 3-15-97]

63 OWNER means the person who has the right to drill into and to produce from any pool, and to appropriate the production either for himself or for himself and another. [1-1-50...2-1-96; Rn, 19 NMAC 15.A.7.54, 3-15-97]

64 PENALIZED UNIT shall mean a proration unit to which, because of an excessive gas-oil ratio, an allowable has been assigned which is less than top unit allowable for the pool in which it is located and also less than the ability of the well(s) on the unit to produce. [9-1-72...2-1-96; Rn, 19 NMAC 15.A.7.55, 3-15-97]

65 PERSON shall mean an individual or any other entity including partnerships, corporation, associations, responsible business or association agents or officers, the state or a political subdivision of the state or any agency, department or instrumentality of the United States and any of its officers, agents or employees. [1-1-50...3-15-97; Rn, 19 NMAC 15.A.7.56, 3-15-97]

66 POOL means any underground reservoir containing a common accumulation of crude petroleum oil or natural gas or both. Each zone of a general structure, which zone is completely separated from any other zone in the structure, is covered by the word "pool" as used herein. "Pool" is synonymous with "common source of supply" and with "common reservoir." [1-1-50...2-1-96; Rn, 19 NMAC 15.A.7.57, 3-15-97]

67 POTENTIAL shall mean the properly determined capacity of a well to produce oil, or gas, or both, under conditions prescribed by the Division. [1-1-50...2-1-96; Rn, 19 NMAC 15.A.7.58, 3-15-97]

68 PRESSURE MAINTENANCE shall mean the injection of gas or other fluid into a reservoir, either to maintain the existing pressure in such reservoir or to retard the natural decline in the reservoir pressure. [1-1-50...2-1-96; Rn, 15 NMAC.A.7.59, 3-15-97]

69 PRODUCED WATER shall mean those waters produced in conjunction with the production of crude oil and/or natural gas and commonly collected at field storage, processing, or disposal facilities including but not limited to: lease tanks, commingled tank batteries, burn pits, LACT units, and community or lease salt water disposal systems and which may be collected at gas processing plants, pipeline drips and other processing or transportation facilities. [1-7-82...2-1-96; Rn, 19 NMAC 15.A.7.60, 3-15-97]

70 PRODUCER shall mean the owner of a well or wells capable of producing oil or natural gas or both in paying quantities. [1-1-50...2-1-96; Rn, 19 NMAC 15.A.7.61, 3-15-97]

71 PRODUCT means any commodity or thing made or manufactured from crude petroleum oil or natural gas, and all derivatives of crude petroleum oil or natural gas, including refined crude oil, crude tops, topped crude, processed crude petroleum, residue from crude petroleum, cracking stock, uncracked fuel oil, treated crude oil, fuel oil, residuum, gas oil, naphtha, distillate, gasoline, kerosene, benzene, wash oil, lubricating oil, and blends or mixtures of crude petroleum oil or natural gas or any derivative thereof. [1-1-50...2-1-96; Rn, 19 NMAC 15.A.7.62, 3-15-97]

72 PRORATION DAY shall consist of 24 consecutive hours which shall begin at 7 a.m. and end at 7 a.m. on the following day. [1-1-50...2-1-96; Rn, 19 NMAC 15.A.7.63, 3-15-97]

73 PRORATION MONTH shall mean the calendar month which shall begin at 7 a.m. on the first day of such month and end at 7 a.m. on the first day of the next succeeding month. [1-1-50...2-1-96; Rn, 19 NMAC 15.A.7.64, 3-15-97]

74 PRORATION PERIOD shall mean for oil the proration month and for gas the twelve-month period which shall begin at 7 a.m. on January 1 of each year and end at 7 a.m. on January 1 of the succeeding year or other period designated by general or special order of the Division. [1-1-50...2-1-96; Rn, 19 NMAC 15.A.7.65, 3-15-97]

75 PRORATION SCHEDULE shall mean the order of the Division authorizing the production, purchase, and transportation of oil, casinghead gas, and natural gas from the various units of oil or of natural gas in allocated pools. [1-1-50...2-1-96; Rn, 19 NMAC 15.A.7.66, 3-15-97]

76 RECOMPLETE shall mean the subsequent completion of a well in a different pool from the pool in which it was originally completed. [1-1-50...2-1-96; Rn, 19 NMAC 15.A.7.67, 3-15-97]

77 REGULATED NATURALLY OCCURRING RADIOACTIVE MATERIAL (REGULATED NORM) shall mean naturally occurring radioactive material (NORM) contained in any oil-field soils, equipment, sludges or any other materials related to oil-field operations or processes exceeding the radiation levels specified in 20 NMAC 3.1., Section 1403. [7-15-96; Rn, 19 NMAC 15.A.7.84, 3-15-97]

78 RELEASE shall mean all breaks, leaks, spills, releases, fires or blowouts involving crude oil, produced water, condensate, drilling fluids, completion fluids or other chemical or contaminant or mixture thereof, including oil field wastes and natural gases to the environment. [3-15-97]

79 REMEDIATION PLAN shall mean a written description of a program to address unauthorized releases. The plan may include appropriate information, including assessment data, health risk demonstrations, and corrective action(s). The plan may also include an alternative proposing no action beyond the submittal of a spill report. [3-15-97]

80 RESPONSIBLE PERSON shall mean the owner or operator who must complete Division approved corrective action for pollution from releases. [3-15-97]

81 SECONDARY RECOVERY shall mean a method of recovering quantities of oil or gas from a reservoir which quantities would not be recoverable by ordinary primary depletion methods. [1-1-50...2-1-96; Rn, 19 NMAC 15.A.7.68, 3-15-97]

82 SHALLOW POOL shall mean a pool which has a depth range from 0 to 5000 feet. [1-1-50...2-1-96; Rn, 19 NMAC 15.A.7.69, 3-15-97]

83 SHORTAGE OR UNDERPRODUCTION shall mean the amount of oil or the amount of natural gas during a proration period by which a given proration unit failed to produce an amount equal to that authorized in the proration schedule. [1-1-50...2-1-96; Rn, 19 NMAC 15.A.7.70, 3-15-97]

84 SHUT-IN shall be the status of a production well or an injection well which is temporarily closed down, whether by closing a valve or disconnection or other physical means. [7-12-90...2-1-96; Rn, 19 NMAC 15.A.7.71, 3-15-97]

85 SHUT-IN PRESSURE shall mean the gauge pressure noted at the wellhead when the well is completely shut in, not to be confused with bottom hole pressure. [1-1-50...2-1-96; Rn, 19 NMAC 15.A.7.72, 3-15-97]

86 SIGNIFICANT MODIFICATION OF AN ABATEMENT PLAN shall mean a change in the abatement technology used excluding design and operational parameters, or relocation of 25% or more of the compliance sampling stations, for any single medium, as designated pursuant to 19 NMAC 19.E.(4)(b)(iv). [3-15-97]

87 SUBSURFACE WATER shall mean ground water and water in the vadose zone that may become ground water or surface water in the reasonably foreseeable future or may be utilized by vegetation. [3-15-97]

88 TANK BOTTOMS shall mean that accumulation of hydrocarbon material and other substances which settles naturally below crude oil in tanks and receptacles that are used in handling and storing of crude oil, and which accumulation contains in excess of two (2%) percent of basic sediment and water; provided, however, that with respect to lease production and for lease storage tanks, a tank bottom shall be limited to that volume of the tank in which it is contained that lies below the bottom of the pipeline outlet thereto. [1-1-50...2-1-96; Rn, 19 NMAC 15.A.7.73, 3-15-97]

89 TEMPORARY ABANDONMENT shall be the status of a well which is inactive and has been approved for temporary abandonment in accordance with the provisions of these rules. [7-1-75...2-1-96; Rn, 19 NMAC 15.A.7.74, 3-15-97]

90 TOP UNIT ALLOWABLE FOR GAS shall mean the maximum number of cubic feet of natural gas, for the proration period, allocated to a gas producing unit in an allocated gas pool. [1-1-50...2-1-96; Rn, 19 NMAC 15.A.7.75, 3-15-97]

91 TOP UNIT ALLOWABLE FOR OIL shall mean the maximum number of barrels for oil daily for each calendar month allocated on a proration unit basis in a pool to non-marginal units. The top unit allowable for a pool shall be determined by multiplying the applicable depth bracket allowable by the market demand percentage factor in effect. [1-1-50...2-1-96; Rn, 19 NMAC 15.A.7.76, 3-15-97]

92 TREATING PLANT shall mean any plant constructed for the purpose of wholly or partially or being used wholly or partially for reclaiming, treating, processing, or in any manner making tank bottoms or any other waste oil marketable. [1-1-50...2-1-96; Rn, 19 NMAC 15.A.7.77, 3-15-97]

93 TUBINGLESS COMPLETION shall mean a well completion in which the production string of casing has an outside diameter of 2.875 inches or less. [5-1-61...2-1-96; Rn, 19 NMAC 15.A.7.78, 3-15-97]

94 UNDERGROUND SOURCE OF DRINKING WATER shall mean an aquifer which supplies water for human consumption or which contains ground water having a total dissolved solids concentration of 10,000 mg/l or less and which is not an exempted aquifer. [7-1-81...2-1-96; Rn, 19 NMAC 15.A.7.79, 3-15-97]

95 UNIT OF PRORATION FOR GAS shall consist of such multiples of 40 acres as may be prescribed by special pool rules issued by the Division. [1-1-50...2-1-96; Rn, 19 NMAC 15.A.7.80, 3-15-97]

96 UNIT OF PRORATION FOR OIL shall consist of one 40-acre tract or such multiples of 40-acre tracts as may be prescribed by special pool rules issued by the Division. [1-1-50...2-1-96; Rn, 19 NMAC 15.A.7.81, 3-15-97]

97 UNORTHODOX WELL LOCATION shall mean a location which does not conform to the spacing

requirements established by the rules and regulations of the Division. [1-1-50...2-1-96; Rn, 19 NMAC 15.A.7.82, 3-15-97]

98 VADOSE ZONE shall mean unsaturated earth material below the land surface and above ground water, or in between bodies of ground water. [3-15-97]

99 WASTE, in addition to its ordinary meaning, shall include: 1-1-50...2-1-96; Rn, 19 NMAC 15.A.7.83, 3-15-97]

- (a) Underground Waste as those words are generally understood in the oil and gas business, and in any event to embrace the inefficient, excessive, or improper use or dissipation of the reservoir energy, including gas energy and water drive, of any pool, and the locating, spacing, drilling, equipping, operating, or producing, of any well or wells in a manner to reduce or tend to reduce the total quantity of crude petroleum oil or natural gas ultimately recovered from any pool, and the use of inefficient underground storage of natural gas. [1-1-50...2-1-96; Rn, 19 NMAC 15.A.7.83, 3-15-97]
- (b) Surface Waste as those words are generally understood in the oil and gas business, and in any event to embrace the unnecessary or excessive surface loss or destruction without beneficial use, however caused, of natural gas of any type or in any form, or crude petroleum oil, or any product thereof, but including the loss or destruction, without beneficial use, resulting from evaporation, seepage, leakage, or fire, especially such loss or destruction incident to or resulting from the manner of spacing, equipping, operating or producing a well or wells, or incident to or resulting from the use of inefficient storage or from the production of crude petroleum oil or natural gas, in excess of the reasonable market demand. [1-1-50...2-1-96; Rn, 19 NMAC 15.A.7.83, 3-15-97]
- (c) The production of crude petroleum oil in this state in excess of the reasonable market demand for such crude petroleum oil. Such excess production causes or results in waste which is prohibited by the Oil and Gas Act. The words "reasonable market demand" as used herein with respect to crude petroleum oil, shall be construed to mean the demand for such crude petroleum oil, for reasonable current requirements for current consumption and use within or outside of the state, together with the demand of such amounts as are reasonably necessary for building up or maintaining reasonable storage reserves of crude petroleum oil or the products thereof, or both such crude petroleum oil and products. [1-1-50...2-1-96; Rn, 19 NMAC 15.A.7.83, 3-15-97]
- (d) The non-ratable purchase or taking of crude petroleum oil in this state. Such non-ratable taking and purchasing causes or results in waste, as defined in paragraphs (a), (b), and (c) of this definition and causes waste by violating Section 70-2-16 of the Oil and Gas Act. [1-1-50...2-1-96; Rn, 19 NMAC 15.A.7.83, 3-15-97]
- (e) The production in this state of natural gas from any gas well or wells, or from any gas pool, in excess of the reasonable market demand from such source for natural gas of the type produced or in excess of the capacity of gas transportation facilities for such type of natural gas. The words "reasonable market demand," as used herein with respect to natural gas, shall be construed to mean the demand for natural gas for reasonable current requirements, for current consumption and for use within or outside the state, together with the demand for such amounts as are necessary for building up or maintaining reasonable storage reserves of natural gas or products thereof, or both such natural gas and products. [1-1-50...2-1-96; Rn, 19 NMAC 15.A.7.83, 3-15-97]

100 WATER shall mean all water including water situated wholly or partly within or bordering upon the state, whether surface or subsurface, public or private, except private waters that do not combine with other surface or subsurface water. [3-15-97]

101 WATER CONTAMINANT shall mean any substance that could alter if released or spilled the

physical, chemical, biological or radiological qualities of water. "Water contaminant" does not mean source, special nuclear or by-product material as defined by the Atomic Energy Act of 1954. [3-15-97]

102 WATERCOURSE shall mean any lake bed, or gully, draw, stream bed, wash, arroyo, or natural or human-made channel through which water flows or has flowed. [3-15-97]

103 WATER POLLUTION shall mean introducing or permitting the introduction into water, either directly or indirectly, of one or more water contaminants in such quantity and of such duration as may with reasonable probability injure human health, animal or plant life or property, or to unreasonably interfere with the public welfare or the use of property. [3-15-97]

104 WELL BLOWOUT shall mean a loss of control over and subsequent eruption of any drilling or workover well or the rupture of the casing, casinghead, or wellhead or any oil or gas well or injection or disposal well, whether active or inactive, accompanied by the sudden emission of fluids, gaseous or liquids, from the well. [3-15-97]

8-10 Reserved

11 SCOPE OF RULES AND REGULATIONS

11.A. The following General Rules of statewide application have been adopted by the Oil Conservation Division of the New Mexico Energy, Minerals and Natural Resources Department to conserve the natural resources of the State of New Mexico, to prevent waste, to protect correlative rights of all owners of crude oil and natural gas, and to protect fresh waters. Special rules, regulations and orders have been and will be issued when required and shall prevail as against General Rules, Regulations and Orders if in conflict therewith. However, whenever these General Rules do not conflict with special rules heretofore or hereafter adopted, these General Rules shall apply. [1-1-50...2-1-96]

11.B. The Division may grant exceptions to these rules after notice and hearing, when the granting of such exceptions will not result in waste but will protect correlative rights or prevent undue hardship. [1-1-50...2-1-96]

12 ENFORCEMENT OF LAWS, RULES AND REGULATIONS DEALING WITH CONSERVATION OF OIL AND GAS

The Division, its agents, representatives and employees are charged with the duty and obligation of enforcing all rules and statutes of the State of New Mexico relating to the conservation of oil and gas including the related protection of fresh waters. However, it shall be the responsibility of all the owners or operators to obtain information pertaining to the regulation of oil and gas before operations have begun. [1-1-50...2-1-96]

13 GENERAL OPERATIONS/WASTE PROHIBITED

13.A. The production or handling of crude petroleum oil or natural gas of any type or in any form, or the handling of products thereof, in such a manner or under such conditions or in such amount as to constitute or result in waste is hereby prohibited. [1-1-50...2-1-96]

13.B. All operators, contractors, drillers, carriers, gas distributors, service companies, pipe pulling and salvaging contractors, treating plant operators or other persons shall at all times conduct their operations in or related to the drilling, equipping, operating, producing, plugging and abandonment of oil, gas, injection, disposal, and storage wells or other facilities in a manner that will prevent waste of oil and gas, the contamination of fresh waters and shall not wastefully utilize oil or gas, or allow either to leak or escape from a natural reservoir, or from wells, tanks, containers, pipe or other storage, conduit or operating equipment. [1-1-50...2-1-96]

14 UNITED STATES GOVERNMENT LEASES

Operator shall file or cause to be filed with the Division copies of "Application for Permit to Drill, Deepen or Plug Back," (BLM Form No. 3160-3), "Sundry Notices and Reports on Wells," (BLM Form No. 3160-5), and "Well Completion or Recompletion Report and Log," (BLM Form No. 3160-4), as approved by the Bureau of Land Management for wells on U.S. Government Land. [1-1-50...2-1-96]

rubbish or debris that might constitute a fire hazard shall be removed to a distance of at least 150 feet from the vicinity of wells and tanks. All waste shall be burned or disposed of in such manner as to avoid creating a fire hazard. [1-1-50...2-1-96]

114.B. When coming out of the hole with drill pipe, drilling fluid shall be circulated until equalized and subsequently drilling fluid level shall be maintained at a height sufficient to control subsurface pressures. During course of drilling blowout preventers shall be tested at least once each 24-hour period. [1-1-50...2-1-96]

115 WELL AND LEASE EQUIPMENT

115.A. Christmas tree fittings or wellhead connections shall be installed and maintained in first class condition so that all necessary pressure tests may easily be made on flowing wells. On oil wells the Christmas tree fittings shall have a test pressure rating at least equivalent to the calculated or known pressure in the reservoir from which production is expected. On gas wells the Christmas tree fittings shall have a test pressure equivalent to at least 150 percent of the calculated or known pressure in the reservoir from which production is expected. [1-1-50...2-1-96]

115.B. Valves shall be installed and maintained in good working order to permit pressures to be obtained on both casing and tubing. Each flowing well shall be equipped to control properly the flowing of each well, and in case of an oil well, shall be produced into an oil and gas separator of a type generally used in the industry. [1-1-50...2-1-96]

116 RELEASE NOTIFICATION AND CORRECTIVE ACTION [1-1-50...2-1-96; A, 3-15-97]

116.A. NOTIFICATION

(1) The Division shall be notified of any unauthorized release occurring during the drilling, producing, storing, disposing, injecting, transporting, servicing or processing of crude oil, natural gases, produced water, condensate or oil field waste including Regulated NORM, or other oil field related chemicals, contaminants or mixture thereof, in the State of New Mexico in accordance with the requirements of this Rule. [1-1-50...2-1-96; A, 3-15-97]

(2) The Division shall be notified in accordance with this Rule with respect to any release from any facility of oil or other water contaminant, in such quantity as may with reasonable probability be detrimental to water or cause an exceedance of the standards in 19 NMAC 15.A.19. B(1), B(2) or B(3). [3-15-97]

116.B. REPORTING REQUIREMENTS: Notification of the above releases shall be made by the person operating or controlling either the release or the location of the release in accordance with the following requirements: [5-22-73...2-1-96; A, 3-15-97]

(1) A Major Release shall be reported by giving both immediate verbal notice and timely written notice pursuant to Paragraphs C(1) and C(2) of this Rule. A Major Release is:

- (a) an unauthorized release of a volume, excluding natural gases, in excess of 25 barrels;
- (b) an unauthorized release of any volume which:
 - (i) results in a fire;
 - (ii) will reach a water course;

- (iii) may with reasonable probability endanger public health; or
- (iv) results in substantial damage to property or the environment;
- (c) an unauthorized release of natural gases in excess of 500 mcf; or
- (d) a release of any volume which may with reasonable probability be detrimental to water or cause an exceedance of the standards in 19 NMAC 15.a.19. B(1), B(2) or B(3). [3/15/97]

[3-15-97]

(2) A Minor Release shall be reported by giving timely written notice pursuant to Paragraph C(2) of this Rule. A Minor Release is an unauthorized release of a volume, greater than 5 barrels but not more than 25 barrels; or greater than 50 mcf but less than 500 mcf of natural gases. [3-15-97]

116.C. CONTENTS OF NOTIFICATION

Immediate verbal notification required pursuant to Paragraph B shall be reported within twenty-four (24) hours of discovery to the Division District Office for the area within which the release takes place. In addition, immediate verbal notification pursuant to Subparagraph B.(1).(d). shall be reported to the Division's Environmental Bureau Chief. This notification shall provide the information required on Division Form C-141.

Timely written notification is required to be reported pursuant to Paragraph B within fifteen (15) days to the Division District Office for the area within which the release takes place by completing and filing Division Form C-141. In addition, timely written notification required pursuant to Subparagraph B.(1).(d). shall also be reported to the Division's Environmental Bureau Chief within fifteen (15) days after the release is discovered. The written notification shall verify the prior verbal notification and provide any appropriate additions or corrections to the information contained in the prior verbal notification.

[5-22-73...2-1-96; A, 3-15-97]

116.D CORRECTIVE ACTION: The responsible person must complete Division approved corrective action for releases which endanger public health or the environment. Releases will be addressed in accordance with a remediation plan submitted to and approved by the Division or with an abatement plan submitted in accordance with Rule 19 (19 NMAC 15.A.19). [3-15-97]

117 WELL LOG, COMPLETION AND WORKOVER REPORTS

Within 20 days after the completion of a well drilled for oil or gas, or the recompletion of a well into a different common source of supply, a completion report shall be filed with the Division on Form C-105. For the purpose of this rule, any hole drilled or cored below fresh water or which penetrates oil- or gas-bearing formations or which is drilled by an "owner" as defined herein shall be presumed to be a well drilled for oil or gas. [1-1-50...2-1-96]

118 HYDROGEN SULFIDE GAS - PUBLIC SAFETY

118.A. The intent of this rule is to provide for the protection of the public's safety in areas where hydrogen sulfide (H₂S) gas in concentrations greater than 100 parts per million (PPM) may be encountered. [1-1-87...2-1-96]