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

APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION, THROUGH THE ENFORCEMENT AND COMPLIANCE MANAGER, FOR THE ADOPTION OF NEW RULES, 19.15.1.37 NMAC, 19.15.1.38 NMAC, 19.15.3.100 NMAC, AND 19.15.14.1227 NMAC; AND THE AMENDMENT OF 19.15.1.7 NMAC, 19.15.3.101 NMAC, 19.15.3.102 NMAC, 19.15.4.201 NMAC, 19.15.4.203 NMAC, 19.15.4.1101 NMAC, 19.15.9.701 NMAC, 19.15.13.1103 NMAC, 19.15.13.1104 NMAC, AND 19.15.13.1115 NMAC

CASE NO. 13564

APPLICATION FOR RULE ADOPTION AND AMENDMENT

The New Mexico Oil Conservation Division (the Division), through its Enforcement and Compliance Manager, files this application requesting that the Oil Conservation Commission (the Commission) adopt new rules and amend existing rules, as follows. Copies of the proposed rules and amendments are attached as Exhibit A. A copy of a proposed newspaper advertisement is attached as Exhibit B.

Establishing Procedures for Compliance Actions

1. [New] 19.15.14.1227 Compliance Proceedings.

The proposed rule sets out procedures unique to compliance proceedings, including how a case is initiated, the contents of the application and notice requirements. The proposed rule also recognizes the validity of agreed compliance orders.

The Division currently has no procedural rules specific to compliance proceedings.

2. **19.15.1.7 Definitions: “Knowingly and willfully”.**

The Division proposes amending the general definition section to adopt a definition of the term “knowingly and willfully”. Under the Oil and Gas Act (Act), any person who “knowingly and willfully” violates any provision of the Act, or any rule or order issued pursuant to that Act is subject to a civil penalty. See NMSA 1978, Section 70-2-31(A).

Current Division rules do not define “knowingly and willfully”.

3. **[New] 19.15.1.38 Enforceability of Permits and Administrative Orders.**

The proposed rule requires any person who conducts an activity pursuant to a permit, administrative order or other written authorization or approval from the Division to comply with that document’s terms.

If the Oil Conservation Commission adopts the proposed rules, the violation of a permit, administrative order or other written directive from the Division will be a violation of this rule, and the violator may be subject to penalties.

“Good Standing” and Other Enforcement Tools

4. **[New] 19.15.1.37 Good Standing.**

The proposed rule establishes the concept of “good standing”; as explained below, proposed amendments to other rules will impose a “good standing” requirement on operators seeking certain privileges the Division grants.

A well operator is in “good standing” with the Division if it is in compliance with its financial assurance requirements, is not subject to an order finding it to be in violation of an order requiring corrective action, does not have an unpaid penalty assessment and has no more than a certain number of non-compliant inactive wells.

**5. 19.15.3.102 Notice of Intention to Drill
19.15.13.1101 Application for Permit to Drill, Deepen or Plug Back (Form C-101)**

The Division proposes to amend these two companion rules to allow the Division to deny permits to drill, deepen or plug back to operators who are not in “good standing”.

The proposed amendments also bring the notice requirements into conformity with recent amendments to 19.15.3.104 NMAC.

6. 19.15.9.701 Injection of Fluids Into Reservoirs.

The proposed amendment imposes a “good standing” requirement, prohibiting the Division from issuing an injection permit to an operator who is not in “good standing”, and allowing the Division to revoke a permit, after notice and hearing, if an operator is not in “good standing”.

7. 19.15.13.1104 Request for Allowable and Authorization to Transport Oil and Natural Gas (Form C-104)

The proposed amendment imposes a “good standing” requirement, allowing the Division to assign an allowable or issue an authorization to transport only if the operator is in “good standing”. The amendment replaces the broad but vague language, “No allowable will be assigned to any well until all forms and reports due have been received by the division and the well is otherwise in full compliance with these rules”.

8. [New] 19.15.3.100 Operator Registration; Change of Operator; Change of Name.

The proposed new rule explains the process for registering as an operator, changing operators and changing names. The current rules do not address operator registration, and mention change of name and change of operator only in 19.15.13.1103 NMAC: Sundry Notices and Reports on Wells (Form C-103). As discussed below, the

Division proposes to amend that rule to eliminate the references to change of name and change of operator.

The proposed new rule creates the following enforcement tools:

a. New operators will be required to register, and the Division may deny registration if the applicant is not in “good standing” or if the applicant is related in certain specified ways to an entity that is not in “good standing”.

b. The Division may deny a change of operator if the new operator is not in “good standing”.

c. The Division may require the new operator to enter into an agreed compliance order setting a schedule for achieving compliance if the new operator is acquiring wells, facilities or site that are subject to a compliance order requiring remediation or abatement, or compliance with 19.15.3.201 NMAC (the inactive well rule).

d. Operators must provide the Division with a current address, and that address will be used to provide notice of compliance proceedings. (See proposed rule 19.15.14.1227 NMAC, Compliance Proceedings.)

9. 19.15.13.1115 Operator’s Monthly Report (Form C-115).

The proposed amendment will replace the cumbersome current process that requires the Division to notify the operator of a reporting problem four times before the Division can take enforcement action. Under the proposed amendment, the operator will receive one notification, and will be given a deadline to file the report or request a hearing to show cause why its authority to transport from or inject into wells should not be cancelled.

Financial Assurance

10. 19.15.3.101 Plugging Bond.

The Division proposes to amend this rule as follows:

- a. Require all wells located in New Mexico to be covered by a financial assurance. The current rule requires a financial assurance for a well “on privately owned or state owned lands within this state”.
- b. Require a one-well financial assurance for each well inactive for a period exceeding two years.
- c. Increase the amount of single-well bonds to reflect the state’s actual plugging costs.

The Division proposes that these new requirements take effect immediately as to all wells drilled or acquired after the rule’s effective date. The Division proposes that as to all other wells, the rule be effective January 1, 2008.

The proposed amendments also clarify the requirements for each type of financial assurance: cash bonds, surety bonds and letters of credit. The current rule does not address requirements for letters of credit.

11. 19.15.1.7 Definitions: “Approved Temporary Abandonment” and “Temporary Abandonment”.

The statutory basis for requiring for requiring a one-well financial assurance for each well inactive for a period exceeding two years is found in NMSA 1978, Section 70-2-14(A): “In addition to the blanket plugging financial assurance, the oil conservation division may require a one-well financial assurance on any well that has been held in a temporarily abandoned status for more than two years”. Current rules define temporary abandonment as the status of a well that is in compliance with 19.15.4.203 NMAC. See

19.15.1.7.T(2) NMAC. This definition creates the following anomaly: the Division can require a one well bond on an inactive well that is in compliance with our rules, but not on an inactive well that is out of compliance with the Division's rules.

The Division proposes amending the definition of "temporary abandonment" and adopting a definition for "approved temporary abandonment". Any inactive well is "temporarily abandoned"; those in compliance with 19.15.4.203 NMAC are on "approved temporary abandonment" status.

12. 19.15.4.203 Temporary Abandonment.

The Division proposes amending the current temporary abandonment rule to reflect the new term, "approved temporary abandonment".

The proposed amendment also clarifies the requirements for mechanical integrity tests for wells placed on approved temporary abandonment status, and waives the requirements for mechanical integrity tests for wells that have been completed for less than five years and not connected to a pipeline.

13. 19.15.4.201 Wells to be Properly Abandoned.

The Division proposes amending this rule to reflect the new term, "approved temporary abandonment", and to clarify that injection wells are subject to the rule's requirements.

14. 19.15.13.1103 Sundry Notices and Reports on Wells (Form C-103).

The Division proposes amending the current temporary abandonment rule to reflect the new term, "approved temporary abandonment". The Division also proposes to delete the provision, found at paragraph I, relating to change of operator and change of name, because those issues will be addressed in proposed rule 19.15.3.100 NMAC.

WHEREFORE, the Division's Enforcement and Compliance Manager hereby applies to the Commission to enter an order:

- A. Adopting the proposed rules and amendments as set forth in Exhibit A.
- B. Granting such other and further relief as the Commission deems

appropriate.

RESPECTFULLY SUBMITTED,



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PROPOSED RULES AND AMENDMENTS

EXHIBIT A

[New] 19.15.14.1227 COMPLIANCE PROCEEDINGS:

A. The provisions in 19.115.14 NMAC applicable to adjudicatory proceedings shall apply to compliance proceedings unless altered or amended by 19.15.14.1227 NMAC.

B. A compliance proceeding is an adjudicatory proceeding in which the division seeks an order imposing sanctions for violation of any provision of the Oil and Gas Act, NMSA 1978, Sections 70-2-1 through 70-2-38 or any provision of any rule or order issued pursuant to that act. Such sanctions may include but are not limited to:

(1) requiring compliance with any provision of the Oil and Gas Act, NMSA 1978, Sections 70-2-1 through 70-2-38 or any provision of any rule or order issued pursuant to that act;

(2) assessment of civil penalties pursuant to NMSA 1978, Section 70-2-31(A);

(3) corrective action including but not limited to abatement or remediation of contamination and removal of surface equipment;

(4) plugging and abandonment of a well, and authority for the division to forfeit the applicable financial assurance if the well is not plugged and abandoned;

(5) denial, cancellation or suspension of a permit;

(6) denial, cancellation or suspension of authorization to transport;

(7) shutting in a well or wells.

C. The division initiates an administrative compliance proceeding by filing a written application with the division clerk:

(1) identifying the operator and any other responsible parties against whom the order is sought, including the surety if the division seeks an order allowing forfeiture of a surety bond;

(2) identifying the provision of the Oil and Gas Act, NMSA 1978, Sections 70-2-1 through 70-2-38, or the provision of the rule or order issued pursuant to that act, allegedly violated;

(3) providing a general description of the facts supporting the allegations;

(4) stating the sanction or sanctions sought; and

(5) providing proposed legal notice.

D. The division shall provide notice of compliance proceedings as follows:

(1) the division shall publish notice in accordance with 19.15.14.1207 NMAC.

(2) the division shall provide notice to the operator and any other responsible parties against whom the compliance order is sought by following the provisions of 19.15.14.1210 NMAC, except that when notifying an operator required to provide the division with a current address pursuant to 19.15.3.100.NMAC, it shall be sufficient for the division to send notice by first class mail to the most recent address the operator provided.

E. The division director may enter into an agreed compliance order with an entity against whom compliance is sought to resolve alleged violations of any provision of the Oil and Gas Act, NMSA 1978, Sections 70-2-1 through 70-2-38 or any provision of any rule or order issued pursuant to that act. The division director may enter into an agreed compliance order prior to or after the filing of an application for an administrative

compliance proceeding. An agreed compliance order shall have the same force and effect as a compliance order issued after an adjudicatory hearing.

F. Nothing in 19.15.14.1227 NMAC precludes the division from bringing other actions provided for in the Oil and Gas Act, NMSA 1978, Sections 70-2-1 through 70-2-38, including but not limited to the following: suit for indemnification pursuant to NMSA 1978, Section 70-2-14(E) or NMSA 1978, Section 70-2-38(B); an action through the attorney general with respect to the forfeiture of illegal oil or illegal gas pursuant to NMSA 1978, Section 70-2-32; an injunction under NMSA 1978, Section 70-2-28; collection of penalties pursuant to NMSA 1978, Section 70-2-31(A).

19.15.1.7 DEFINITIONS:

K. Definitions beginning with the letter "K".

Knowingly and willfully means the voluntary or conscious performance of an act that is prohibited or the voluntary or conscious failure to perform an act or duty that is required. It does not include performances or failures to perform that are honest mistakes or merely inadvertent. It includes, but does not require, performances or failures to perform that result from a criminal or evil intent or from a specific intent to violate the law. The conduct's knowing and willful nature may be established by plain indifference to or reckless disregard of the requirements of the law, rules, orders or permits. A consistent pattern or performance or failure to perform also may be sufficient to establish the conduct's knowing and willful nature, where such consistent pattern is neither the result of honest mistakes nor mere inadvertency. Conduct that is otherwise regarded as being knowing and willful is rendered neither accidental nor mitigated in character by the belief that the conduct is reasonable or legal.

[NEW] 19.15.1.38 ENFORCEABILITY OF PERMITS AND ADMINISTRATIVE ORDERS: Any person who conducts any activity pursuant to a permit, administrative order or other written authorization or approval from the division shall comply with every term, condition and provision of such permit, administrative order, authorization or approval.

[NEW] 19.15.1.37 GOOD STANDING:

- A. A well operator is in good standing with the division if the operator
- (1) currently meets the financial assurance requirements of 19.15.3.101 NMAC;
 - (2) is not subject to a division or commission order, issued after notice and hearing, finding the operator to be in violation of an order requiring corrective action;
 - (3) does not have a penalty assessment that is unpaid more than 70 days after issuance of the order assessing the penalty; and
 - (4) has no more than the following number of wells out of compliance with 19.15.4.201 NMAC that are not subject to an agreed compliance order setting a schedule for bringing the wells into compliance with 19.15.4.201 NMAC and imposing sanctions if the schedule is not met:
 - (a) two wells if the operator operates fewer than 100 wells;
 - (b) five wells if the operator operates 100 wells or more.
- B. Compliance with financial assurance requirements. The division shall post on its website and update weekly a list of operators who are not in compliance with the financial assurance requirements of 19.15.3.101 NMAC.
- C. Compliance with orders requiring corrective action.
- (1) The division shall post on its website a list of operators who are not in compliance with a division or commission order, issued after notice and hearing, finding the operator to be in violation of an order requiring corrective action.
 - (2) An operator who contests an order finding it to be in violation of an order requiring corrective action may appeal and may seek a stay of the order. An order that is stayed pending appeal does not affect an operator's good standing with the division.
 - (3) An operator who completes the corrective action the order requires may file a motion with the order's issuer to declare the order satisfied. The division or commission, as applicable, may grant the motion without hearing, or may set the matter for hearing.
- D. Compliance with penalty assessments.
- (1) The division shall post on its website a list of operators who have a penalty assessment unpaid more than 70 days after issuance of the order assessing the penalty.
 - (2) An operator who contests an order assessing penalties may appeal and may seek a stay of the order. An order that is stayed pending appeal does not affect an operator's good standing with the division.
- E. Compliance with inactive well requirements.
- (1) The division shall post on its website, and update daily, a "rule 201 non-compliant list" listing each well, by operator, that according to division records:
 - (a) has not produced or been used for injection for a continuous period of more than one year plus 90 days;
 - (b) does not have its wellbore plugged in accordance with 19.15.4.202 NMAC;
 - (c) is not on approved temporary abandonment status in accordance with 19.15.4.203 NMAC; and

(d) is not subject to an agreed compliance order setting a schedule for bringing the well into compliance with 19.15.4.201 NMAC and imposing sanctions if the operator does not meet the schedule.

(2) For purposes of 19.15.1.36 NMAC, the listing of a well on the division's rule 201 non-compliant list creates a rebuttable presumption that the well is out of compliance with 19.15.4.201 NMAC.

19.15.3.102 NOTICE OF INTENTION PERMIT TO DRILL, DEEPEN, OR PLUG BACK:

~~A. Prior to the commencement of operations, notice shall be delivered to the division of intention to drill any well for oil or gas or for injection purposes and approval obtained on Form C-101. A copy of the approved Form C-101 must be kept at the well site during drilling operations.~~

~~B. No permit shall be approved for the drilling of any well within the corporate limits of any city, town, or village of this state unless notice of intention to drill such well has been given to the duly constituted governing body of such city, town or village or its duly authorized agent. Evidence of such notification shall accompany the application for a permit to drill (Form C-101).~~

~~C. When filing a permit to drill in any quarter-quarter section containing an existing well or wells, the applicant shall concurrently file a plat or other acceptable document locating and identifying such well(s) and a statement that the operator(s) of such well(s) have been furnished a copy of the permit.~~

A. The operator shall obtain a permit prior to commencing drilling, deepening or re-entry operations, or before plugging a well back to a different pool or completing or re-completing a well in an additional pool.

B. Applicants shall file a complete form C-101 (application for permit to drill, deepen or plug back) and a complete form C-102 (well location and acreage dedication plat), and meet the following requirements, if applicable:

(1) An applicant for a permit to drill any well within the corporate limits of any city, town or village of this state shall give notice to the duly constituted governing body of such city, town or village or its duly authorized agent and certify on the form C-101 that it gave such notice.

(2) An applicant for a permit to drill in any quarter-quarter section containing an existing well or wells operated by another operator shall concurrently file a plat or other acceptable document locating and identifying such well or wells, furnish a copy of the application to the other operator or operators in the quarter-quarter section and certify on the form C-101 that it furnished such copies.

(3) An applicant for a permit to operate a well in a spacing or proration unit containing an existing well or wells operated by another operator shall also comply with Paragraph 2 of Subsection E of 19.15.3.104 NMAC.

C. The division may not approve a permit to drill, deepen or plug back if the applicant is not in good standing pursuant to 19.15.1.37 NMAC.

D. The division may impose conditions on an approved permit to drill, deepen or plug back.

E. The operator shall keep a copy of the approved form C-101 at the well site during drilling operations.

[1-1-50, 5-22-73...2-1-96; 19.15.3.102 NMAC - Rn, 19 NMAC 15.C.102, 11-15-01]

19.15.13.1101 APPLICATION FOR PERMIT TO DRILL, DEEPEN OR OR-PLUG BACK (Form C-101):

~~A. Before commencing drilling or deepening operations, or before plugging a well back to another zone, the operator of the well must obtain a permit to do so. To obtain such permit, the operator shall submit to the division five copies of form C-101, application for permit to drill, deepen or plug back, completely filled out. If the operator has an approved bond in accordance with 19.15.3.101 NMAC, one copy of the drilling permit will be returned to him on which will be noted the division's approval, with any modification deemed advisable. If the proposal cannot be approved for any reason, the forms C-101 will be returned with the cause for rejection stated thereon.~~

~~B. Form C-101 must be accompanied by three copies of form C-102, well location and acreage dedication plat. (See 19.15.13.1102 NMAC.)~~

~~C. If the well is to be drilled on state land, submit six copies of form C-101 and four copies of form C-102, the extra copy of each form being for the state land office~~

A. An operator applying for a permit to drill, deepen, re-enter or plug a well back to a different pool or complete or re-complete a well in an additional pool shall file a complete form C-101 and a complete form C-102, well location and acreage dedication plat.

(1) An applicant for a permit to drill any well within the corporate limits of any city, town or village of this state shall give notice to the duly constituted governing body of such city, town or village or its duly authorized agent and certify on the form C-101 that it gave such notice.

(2) An applicant for a permit to drill in any quarter-quarter section containing an existing well or wells operated by another operator shall concurrently file a plat or other acceptable document locating and identifying such well or wells, furnish a copy of the application to any other operator in the quarter-quarter section and certify on the form C-101 that it furnished such copies.

(3) An applicant for a permit to operate a well in a spacing or proration unit containing an existing well or wells operated by another operator shall also comply with Paragraph 2 of Subsection E of 19.15.3.104 NMAC.

B. If the division approves the permit, it may impose conditions of approval.

C. If the division denies the permit, it shall return the form C-101 to the applicant with the cause for rejection stated thereon.

[1-1-64...2-1-96; 19.15.13.1101 NMAC - Rn, 19 NMAC 15.M.1101, 06/30/04]

19.15.9.701 INJECTION OF FLUIDS INTO RESERVOIRS:

A. ~~Permit for Injection Required~~injection required. —The injection of gas, liquefied petroleum gas, air, water, or any other medium into any reservoir for the purpose of maintaining reservoir pressure or for the purpose of secondary or other enhanced recovery or for storage or the injection of water into any formation for the purpose of water disposal shall be permitted only by order of the division after notice and hearing, unless otherwise provided herein. The division shall grant a permit for injection under 19.15.9.701 NMAC only to an operator who is in good standing pursuant to 19.15.1.37 NMAC. The division may revoke a permit for injection issued under 19.15.9.701 NMAC after notice and hearing if the operator is not in good standing pursuant to 19.15.1.37 NMAC.

B. ~~Method of Making Application~~making application.

(1) ~~The operator shall apply~~Application for authority ~~to for the injection of~~ gas, liquefied petroleum gas, air, water or any other medium into any formation for any reason, including but not necessarily limited to the establishment of or the expansion of water flood projects, enhanced recovery projects, pressure maintenance projects, and salt water disposal, ~~shall be by submittal~~submitting of division Form form C-108 complete with all attachments.

(2) ~~The Applicant~~applicant shall furnish, by certified or registered mail, a copy of the application to ~~each~~the owner of the surface of the land on which each injection or disposal well is to be located and to each leasehold operator or other “affected person” as defined in Subparagraph (a) of Paragraph (2) of Subsection A of 19.15.14.1210 NMAC within one-half mile of the well.

C. ~~Administrative Approval~~approval.

(1) If the application is for administrative approval rather than for a hearing, it ~~must~~shall also be accompanied by a copy of a legal publication ~~the applicant~~ published by the applicant in a newspaper of general circulation in the county in which the proposed injection well is located. (The details required in such legal notice are listed on ~~Side~~side 2 of ~~Form~~form C-108).

(2) ~~The division shall not approve an~~No application for administrative approval ~~may be approved~~ until 15 days following ~~the division's receipt by the division~~ of ~~Form~~form C-108 complete with all attachments including evidence of mailing as required under ~~Paragraph (2) of Subsection B of Subsection B, Paragraph (2) above of~~ 19.15.9.701 NMAC and proof of publication as required by ~~Paragraph (1) of Subsection C~~Subsection C, Paragraph (1) above of 19.15.9.701 NMAC.

(3) ~~If the division does not receive an~~no objection is received within said 15-day period, and a hearing is not otherwise required, ~~the division may approve the application may be approved~~ administratively.

D. ~~Hearings.~~—If a written objection to any application for administrative approval of an injection well is filed within 15 days after receipt of a complete application, or if a hearing is required pursuant to 19.15.9.701 NMAC ~~by these rules or deemed advisable by the division director, the division shall set the application shall be set for hearing and give notice of the hearing, thereof given by the division.~~

E. ~~Salt Water Disposal Wells~~water disposal wells.

(1) The division director shall have authority to grant an exception to the hearing requirements of Subsection ~~Subsection A of 19.15.9.701 NMAC~~ for water

disposal wells only, ~~without hearing~~, when the waters to be disposed of are mineralized to such a degree as to be unfit for domestic, stock, irrigation, or other general use, and when said waters are to be disposed of into a formation older than Triassic (Lea County ~~county~~ only) and provided the division receives no objections ~~are received~~ pursuant to Subsection C of 19.15.9.701 NMAC.

(2) The division shall not permit disposal ~~Disposal will not be permitted~~ into zones containing waters having total dissolved solids concentrations of 10,000 mg/l or less except after notice and hearing, provided however, that the division may establish exempted aquifers for such zones wherein the division may administratively approve such injection, ~~may be approved administratively~~.

(3) Notwithstanding the provisions of Paragraph (2) of Subsection E of Subsection E, Paragraph (2) above of 19.15.9.701 NMAC, the division director may authorize disposal into such zones if the waters to be disposed of are of higher quality than the native water in the disposal zone.

F. ~~Pressure Maintenance Projects~~ maintenance projects.

(1) Pressure maintenance projects are defined as those projects in which fluids are injected into the producing horizon in an effort to build up ~~and/or~~ maintain the reservoir pressure in an area ~~that~~ which has not reached the advanced or "stripper" state of depletion.

(2) The division shall set all ~~All~~ applications for establishment of pressure maintenance projects ~~shall be set for hearing~~. The division shall fix the project area and the allowable formula for any pressure maintenance project shall be fixed by the division on an individual basis after notice and hearing.

(3) The division may authorize an operator to expand a pressure ~~Pressure~~ maintenance projects ~~may be expanded and place additional wells placed on injection only upon authority from the division after notice and hearing or by administrative approval~~.

(4) The division director shall have authority to grant an exception to the hearing requirements of ~~Subsection~~ Subsection A of 19.15.9.701 NMAC for the conversion to injection of additional wells within a project area provided that any such well is necessary to develop or maintain efficient pressure maintenance within such project and provided that the division receives no objections ~~are received~~ pursuant to Subsection C of 19.15.9.701 NMAC.

(5) An established pressure maintenance project shall have only one designated operator. Any application for exception must be set for hearing.

G. ~~Water Flood Projects~~ flood projects.

(1) Water flood projects are defined as those projects in which water is injected into a producing horizon in sufficient quantities and under sufficient pressure to stimulate the production of oil from other wells in the area, and shall be limited to those areas in which the wells have reached an advanced state of depletion and are regarded as what is commonly referred to as "stripper" wells.

(2) The division shall set all ~~All~~ applications for establishment of water flood projects ~~shall be set for hearing~~.

(3) The project area of a water flood project shall comprise the proration units ~~owned or operated by a given operator~~ owns or operates upon which injection wells are located plus all proration units ~~owned or operated by the same operator~~ owns or

~~operates that~~ which directly or diagonally offset the injection tracts and have producing wells completed on them in the same formation; provided however, that the division may include in the project area additional proration units not directly ~~nor~~ or diagonally offsetting an injection tract may be included in the project area if, after notice and hearing, the operator ~~it has been established~~ that such additional units have wells completed thereon ~~which~~ that have experienced a substantial response to water injection.

(4) The allowable the division assigns ~~assigned~~ to wells in a water flood project area shall be equal to the wells' ability of the wells to produce and shall not be subject to the depth bracket allowable for the pool nor to the market demand percentage factor.

(5) Nothing herein contained shall be construed as prohibiting the assignment of special allowables to wells in buffer zones after notice and hearing. The division may assign special ~~Special allowables may also be assigned~~ in the limited instances where it is established at a hearing that it is imperative for the protection of correlative rights to do so.

(6) The division shall authorize the expansion of ~~Water~~ water flood projects ~~may be expanded and the placement of additional wells placed on injection only upon authority from the division after notice and hearing or by administrative approval.~~

(7) The division director shall have authority to grant an exception to the hearing requirements of ~~Subsection~~ Subsection A of 19.15.9.701 NMAC for conversion to injection of additional wells provided that any such well is necessary to develop or maintain thorough and efficient water flood injection for any authorized project and provided that the division receives no objections ~~are received pursuant to Subsection C of 19.15.9.701 NMAC.~~

(8) An established water flood project shall have only one designated operator. The division shall set for hearing any ~~Any application for exception, must be set for hearing.~~

H. Storage Wells ~~wells.~~

(1) The division director shall have authority to grant an exception to the hearing requirements of ~~Subsection~~ Subsection A of 19.15.9.701 NMAC for the underground storage of liquefied petroleum gas or liquid hydrocarbons in secure caverns within massive salt beds, and provided the division receives no objections ~~are received pursuant to Subsection~~ Subsection C of 19.15.9.701 NMAC.

(2) In addition to the filing requirements of ~~Subsection~~ Subsection B of 19.15.9.701 NMAC, the applicant for approval of a storage well under 19.15.9.701 NMAC ~~this rule~~ shall file the following:

(a) ~~With~~ with the division director, a ~~plugging bond~~ financial assurance in accordance with the provisions of ~~Rule 10+~~ 19.5.3.101 NMAC;

(b) ~~With~~ with the appropriate district office of the division ~~in triplicate:~~

(i) ~~form~~ Form C-101, Application for Permit to Drill, Deepen, or Plug Back application for permit to drill, deepen or plug back;

(ii) ~~form~~ Form C-102, Well Location and Acreage Dedication Plat well location and acreage dedication plat; and

(iii) ~~form~~ Form C-105, Well Completion or Recompletion Report and Log well completion or recompletion report and log.

[1-1-50...2-1-96; 19.15.9.701 NMAC - Rn, 19 NMAC 15.I.701, 11-30-00; A, 5/31/05]

19.15.13.1104 REQUEST FOR ALLOWABLE AND AUTHORIZATION TO TRANSPORT OIL AND NATURAL GAS (Form C-104):

~~_____ A. _____ Form C-104 completely filled out by the operator of the well must be filed in quintuplicate before an allowable will be assigned to any newly completed or recompleted well. (A recompleted well shall be considered one which has been deepened or plugged back to produce from a different pool than previously.) Form C-104 must be accompanied by a tabulation of all deviation tests taken on the well as provided by 19.15.3.111 NMAC.~~

A. The division may assign an allowable to a newly completed or recompleted well or a well completed in an additional pool, or issue an operator authorization to transport oil or natural gas from such a well if the operator

(1) has filed a complete form C-104;

(2) has provided a sworn and notarized tabulation of all deviation tests run on the well, and directional surveys with calculated bottom hole location, in accordance with the requirements of 19.15.3.111 NMAC;

(3) has dedicated a standard unit for the pool in which the well is completed, a standard unit has been communitized or pooled and dedicated to the well or the division has approved a non-standard unit; and

(4) is in good standing pursuant to 19.15.1.37 NMAC.

B. The allowable the division assigns assigned to an oil well shall be effective at 7:00 o'clock a.m. on the date of completion, provided the division receives the form C-104 is received by the division during the month of completion. Date of completion shall be that date when new oil is delivered into the stock tanks. Unless otherwise specified by special pool rules, the allowable the division assigns assigned to a gas well shall be effective at 7:00 o'clock a.m. on the date of connection to a gas transportation facility, as evidenced by an affidavit of connection from the transporter to the division, or the date of receipt of form C-104 by the division, whichever date is later.

~~_____ C. _____ No allowable will be assigned to any well until a standard unit for the pool in which the well is completed has been dedicated by the operator, or a non-standard unit has been approved by the division, or a standard unit has been communitized or pooled and dedicated to the well.~~

~~_____ D. _____ No allowable will be assigned to any well until all forms and reports due have been received by the division and the well is otherwise in full compliance with these rules.~~

~~_____ E. _____ Form C-104 with sections I, II, III and VI, completely filled out shall be filed in quintuplicate by the operator of the well in the event there is a change of operator of any producing well, injection well or disposal well, a change in pool designation, lease name or well number, or any other pertinent change in condition of any such well. When filing form C-104 for change of operator, the new operator shall file the form in the above manner, and shall give the name and address of the previous as well as the present operator. The form C-104 will not be approved by the division unless the new operator has an approved bond in compliance with 19.15.3.101 NMAC.~~

[1-1-65...2-1-96; A, 7-31-97; 19.15.13.1104 NMAC - Rn, 19 NMAC 15.M.1104, 06/30/04]

**[NEW] 19.15.3.100 OPERATOR REGISTRATION; CHANGE OF OPERATOR;
CHANGE OF NAME:**

A. Prior to commencing operations, every operator of a well or wells in New Mexico shall register with the division as an operator. Applicants shall provide the following to the financial assurance administrator in the division's Santa Fe office:

- (1) an oil and gas registration identification (OGRID) number obtained from the division, the state land office or the taxation and revenue department;
- (2) a current address;
- (3) the financial assurance required by 19.15.3.101 NMAC.

B. The division may deny registration if

- (1) the applicant is not in good standing pursuant to 19.15.1.37 NMAC;
- (2) an officer, director, partner in the applicant or person with an interest in the applicant exceeding 5%, is or was within the past five years an officer, director, partner or person with an interest exceeding 5% in another entity that is not in good standing pursuant to 19.15.1.36 NMAC;

(3) the applicant is or was within the past five years an officer, director, partner or person with an interest exceeding 5% in another entity that is not in good standing pursuant to 19.15.1.36 NMAC;

(4) the applicant is a corporation or limited liability company, and is not registered with the public regulation commission to do business in New Mexico; or

(5) the applicant is a limited partnership, and is not registered with the New Mexico secretary of state to do business in New Mexico.

C. Operators shall keep the division informed of their current address by submitting address changes in writing to the division's financial assurance administrator in the division's Santa Fe office within 30 days of the change.

D. The division may require an operator or applicant to identify its current and past officers, directors and partners, and its current and past ownership interest in other operators.

E. Change of operator.

(1) A change of operator occurs when the entity responsible for a well or a group of wells changes. A change of operator may result from a sale, assignment by a court, a change in operating agreement or other transaction. Under a change of operator, wells are moved from the OGRID number of the operator of record with the division to the new operator's OGRID number.

(2) The operator of record with the division and the new operator shall apply for a change of operator by jointly filing a form C-145 using the division's web-based online application. If the operator of record with the division is unavailable, the new operator shall apply to the division for approval of change of operator without a joint application. The operator shall make such application in writing, and provide documentary evidence of the applicant's right to assume operations. The new operator may not commence operations until the division approves the application for change of operator.

(3) The division may deny a change of operator if

(a) the new operator is not in good standing pursuant to 19.15.1.36 NMAC; or

(b) the new operator is acquiring wells, facilities or sites subject to a compliance order requiring remediation or abatement of contamination, or compliance with 19.15.3.201 NMAC, and the new operator has not entered into an agreed compliance order setting a schedule for compliance with the existing order.

F. Change of name.

(1) A change of operator name occurs when the name of the entity responsible for a well or wells changes but the entity does not change. For a change of name, the OGRID number remains the same but division records are changed to reflect the new operator name.

(2) An operator applies for a change of name by filing a form C-146 using the division's web-based online application and supplying documentary proof that the change is a name change and not a change of operator. If the operator is a corporation, limited liability company or limited partnership, the name must be registered with the public regulation commission or the New Mexico secretary of state, as applicable. The division shall not approve a change of name until the state land office and the taxation and revenue department have cleared the change of name on the OGRID.

G. Examples of change of operator and change of name.

(1) Mr. Smith, a sole proprietor, operates five wells under the name "Smith Oil Company". Mr. Smith changes the name of his company to "Smith Production Company". The name of the entity operating the well has changed, but the entity has not changed. Mr. Smith should apply for a change of name.

(2) Mr. Smith incorporates his business, changing from the sole proprietorship, "Smith Production Company", to a corporation: "Smith Production Company, Inc". The entity responsible for the well has changed, and Mr. Smith and "Smith Production Company, Inc." should apply for a change of operator.

(3) Smith Production Company, Inc., a New Mexico operator, merges with XYZ, Inc., which does not operate in New Mexico. At the surviving entity's election, this transaction may be treated as a change of name from Smith Production Company, Inc. to XYZ, Inc., maintaining the existing OGRID, or as a change of operator, with a new OGRID.

(4) Two New Mexico operators, Smith Production Company, Inc. and Jones Production Company, Inc., merge. The surviving corporation is Jones Production Company, Inc. A different entity now operates the wells Smith Production Company, Inc. formerly operated, and the wells must be placed under that entity's OGRID. Jones Production Company, Inc. and Smith Production Company, Inc. should apply for a change of operator as to the wells Smith Production Company, Inc. operated.

19.15.13.1115 OPERATOR'S MONTHLY REPORT (Form C-115):

A. The operator shall file a ~~Operator's monthly report, form C-115, or form C-115 EDP, shall be filed~~ for each non-plugged well completion for which the division has approved a C-104 authorization to transport, and for each ~~each producing lease and each secondary or other enhanced recovery project or pressure maintenance project injection well or other injection well within the state of New Mexico for each calendar month, setting forth complete information and data indicated on said forms in the order, format and style the division director prescribes~~ ~~prescribed by the division director~~. The operator shall estimate oil ~~Oil~~ production from wells which are producing into common storage shall be estimated as accurately as possible on the basis of periodic tests.

B. The operator shall file ~~The reports required to be filed by 19.15.13.1115 NMAC shall be filed by the operator~~ using the division's web-based online application as follows:

~~(1) Any operator which operates fewer than one hundred (100) wells in the state of New Mexico shall file a C-115 either electronically or by delivery of a printed copy of the report to the oil conservation division at its Santa Fe office on or before the 15th~~ ~~fifteenth (15th) day of the second month following the month of production, or if such day falls on a weekend or holiday, the first workday following the fifteenth.~~

~~(2) Any operator which operates one hundred (100) or more wells in the state of New Mexico shall file a C-115 electronically, either by physical delivery of electronically readable media or by electronic transfer of data, to the oil conservation division at its Santa Fe office on or before the fifteenth day of the second month following the month of production, or if such day falls on a weekend or holiday, the first workday following the fifteenth. Any operator otherwise required to file electronically may apply to the division for exemption from the electronic filing requirement is requirement based upon a demonstration that such electronic filing requirement would operate as an economic or other hardship.~~

(3) If an operator fails to file a C-115 that the division accepts, ~~or if the division finds errors in any C-115, the division shall, within 60~~ ~~thirty (30) days of the appropriate filing date, notify the operator by electronic mail or letter of its intent to revoke the operator's authorization to transport or inject if the operator does not submit an acceptable and complete C-115. If the operator does not file an acceptable and complete C-115 or request a hearing on the proposed cancellation within 120 days of the original due date of the C-115, the division may cancel the operator's authority to transport from or inject into all wells it operates.~~ ~~prepare and send to the operator an error/omission message which identifies the specific well as to which the report has not been filed or is in error and a statement of the error. The operator to whom the error/omission message is addressed shall respond to the division within thirty (30) days acknowledging receipt of the error/omission message and informing the division of the operator's schedule to file the report or correct the error. If the division does not receive the operator's response within thirty (30) days, the division shall send notice to the operator that operator has failed to comply with the provisions of 19.15.13.1115 NMAC and may be subjected to loss of authority to produce from the affected well if the operator does not respond to the division. Willful failure of the operator to respond to the notice and to correct the error or omission may result in the division informing the operator by certified return receipt letter that thirty (30) days from the date of such letter the division~~

~~will cancel the C-104 authority of operator to produce or inject into the well. Any operator which receives such notice may contact the division and request that the matter of the cancellation of authority to produce or inject be set for hearing before a hearing officer duly appointed by the division. If the division sends certified return receipt correspondence informing the operator of cancellation of authority to produce and the operator does not request a hearing, the division may cancel the authority of the operator to produce the well on the date set forth in the letter.~~

~~(4) The electronic filing requirements set forth in Paragraph (2), Subsection B, of 19.15.13.115 NMAC shall be phased in with all operators of three hundred (300) or more wells being required to file electronically for January 1997 production, all operators of two hundred (200) or more wells being required to file electronically for July 1997 production and all operators of one hundred (100) or more wells being required to file electronically for January 1998 production.~~

[1-1-65...2-1-96; 19.15.13.1115 NMAC - Rn, 19 NMAC 15.M.1115, 06/30/04]

19.15.3.101 PLUGGING BOND FINANCIAL ASSURANCE FOR WELL PLUGGING:

A. Any person, firm, corporation, or association who has drilled or acquired, is drilling, or proposes to drill or acquire any oil, gas, or injection or other service well on privately owned or state owned lands within this state shall furnish to the division, and obtain approval thereof, a surety bond a financial assurance acceptable to the division in the form of an irrevocable letter of credit or cash or surety bond running to the State of New Mexico, in a form prescribed by the division, and conditioned that the well be plugged and abandoned in compliance with the rules and regulations of the division rules.

B. The division accepts two forms of financial assurance: a one-well financial assurance that covers a single well and a blanket financial assurance that covers multiple wells. Such bond may be a one-well plugging bond or a blanket plugging bond. Any well that has been in temporary abandonment status for more than two years must be covered by a one-well financial assurance, except that the division may waive the requirement of a one-well financial assurance for a well that is shut-in because of lack of a pipeline connection. The division may release the one-well financial assurance upon the operator's or surety's written request after the well is returned to production if a blanket financial assurance covers the well. All bonds shall be executed by a responsible surety company authorized to do business in the State of New Mexico.

B.C. Amounts.

(1) Blanket plugging bonds A blanket financial assurance shall be in the amount of fifty thousand dollars (\$50,000) conditioned as above provided, covering all oil, gas, or service wells drilled, acquired or operated in this state by the principal on the bond.

(2) One well plugging bonds A one-well financial assurance shall be in the amounts stated below in accordance with the well's depth and location of the well:

(+) (a) Chaves, Eddy, Lea, McKinley, Rio Arriba, Roosevelt, Sandoval, and San Juan Counties counties, New Mexico: \$5000 plus \$1 per foot projected depth of proposed well or measured depth of existing well.

Projected Depth of Proposed Well or Actual Depth of Existing Well	Amount of Bond
Less than 5,000 feet	\$ 5,000
5,000 feet to 10,000 feet	\$ 7,500
More than 10,000 feet	\$ 10,000

(2) (b) All other counties Counties in the state State: \$10,000 plus \$1 per foot projected depth of proposed well or measured depth of existing well.

Projected Depth of Proposed Well or Actual Depth of Existing Well	Amount of Bond
Less than 5,000 feet	\$ 7,500
5,000 feet to 10,000 feet	\$ 10,000
More than 10,000 feet	\$ 12,500

(3) The appropriate division district office may approve revised Revised plans for an actively drilling well may be approved by the appropriate District Office of the division for drilling as much as 500 feet deeper than the normal maximum depth stated allowed on the well's financial assurance bond. Any well to be drilled more than 500 feet deeper than the depth stated on the well's financial assurance shall normal depth bracket must be covered by a new bond financial assurance in the amount prescribed for the new projected depth deeper depth bracket.

(4) The bond requirement amount of the one-well financial assurance required for any intentionally deviated well shall be determined by the well's measured depth, and not its true vertical depth.

F.D. General requirements for financial assurance.

(1) The operator shall file financial assurance documents with the division's Santa Fe office, and obtain approvals and releases of financial assurance from that office.

(2) All financial assurance documents shall be on forms prescribed by or otherwise acceptable to the division.

(3) A financial assurance shall be conditioned for well plugging and location restoration and remediation only, and not to secure payment for damages to livestock, range, crops, tangible improvements or any other purpose.

(4) The division may require proof that the individual signing for an entity on a financial assurance document or an amendment to a financial assurance document has the authority to obligate that

entity.

E. Additional requirements for cash and surety bonds.

(1) Surety bonds shall be issued by a reputable corporate surety authorized to do business in the state of New Mexico.

(2) The operator shall deposit cash representing the full amount of the bond. A cash bond may be accepted by the division pursuant to the conditions set forth hereinafter. Cash representing the full amount of the bond shall be deposited by the operator in an account in a federally-insured financial institution located within the State of New Mexico, such account to be held in trust for the division. Both one well and blanket cash bonds shall be in the amount specified for surety bonds. Authorized representatives of the operator and the depository institution shall execute a document, approved by the division, evidencing the cash bond's terms and conditions. The cash bond shall be executed by an authorized representative of the operator and the depository institution and the operator shall file the document filed with the division prior to the bond's effective date of the bond. No cash bond will be authorized by the Director and no wells may be drilled or acquired under a blanket cash bond unless the operator/applicant is in good standing with the division. If the operator's financial status or reliability of the applicant is unknown to the Director/division director he or she may require the filing of a financial statement or such other information as may be necessary to evaluate the operator's ability of the applicant/operator to fulfill the bond's conditions of the bond. From time to time any accrued interest over and above the bond's face amount may be paid to the operator.

G.F. Additional requirements for letters of credit.

(1) The division may accept irrevocable letters of credit issued by national or state-chartered banking associations.

(2) Letters of credit shall be irrevocable for a term of not less than five years, unless the applicant shows good cause for a shorter time period.

(3) Letters of credit shall provide for automatic renewal for successive, like terms upon expiration, unless the issuer has notified the division in writing of non-renewal at least 30 days prior to expiration.

(4) The division may forfeit and collect a letter of credit if not replaced by an approved financial assurance at least 30 days before the expiration date.

From time to time any accrued interest over and above the face amount of the bond may be paid to the operator. Upon satisfactory plugging by the operator of any well(s) covered by a cash bond, the Director shall issue an order authorizing the release of said bond.

H. Any bond required by Section 101 of 19.15.3 NMAC is a plugging bond, not a drilling bond, and shall endure until any well drilled or acquired under such bond has been plugged and abandoned and such plugging and abandonment has been approved by the division, or has been covered by another bond approved by the division.

I. Transfer of a property does not of itself release a bond. In the event of transfer of ownership of a well, the appropriate form, C-103 or C-104, properly executed, shall be filed with the District Office of the division in accordance with Rule 1103 or Rule 1104 by the new owner of the well. The District Office may approve the transfer providing that a new one well bond covering the well or a blanket bond in the name of the new owner has been approved by the Santa Fe office of the division.

J. Upon approval of the bond and the Form C-103 or C-104, the transferee is released of plugging responsibility for the well, and upon request, the original bond will be released. No blanket bond will be released, however, until all wells covered by the bond have been plugged and abandoned or transferred in accordance with the provisions of Section 101 of 19.15.3 NMAC.

K. All bonds shall be filed with the Santa Fe office of the division, and approval of such bonds, as well as releases thereof, obtained from said office.

L. All bonds required by these rules shall be conditioned for well plugging and location cleanup only, and not to secure payment for damages to livestock, range, water, crops, tangible improvements, nor any other purpose.

G. Release of financial assurance.

(1) The division may release a financial assurance document upon the operator's or surety's written request if all wells drilled or acquired under that financial assurance have been plugged and abandoned and location released pursuant to 19.15.4.202 NMAC, or have been covered by another financial assurance the division has approved.

(2) Transfer of a property or a change of operator does not of itself release a financial

assurance. The division shall not approve a request for change of operator for a well until the new operator has the required financial assurance in place.

M.H. Forfeiture of financial assurance.

Upon failure of the operator to properly plug and abandon the well(s) covered by a bond, the division shall give notice to the operator and surety, if applicable, and hold a hearing as to whether the well(s) should be plugged in accordance with a division approved plugging program. If, at the hearing, it is determined that the operator has failed to plug the well as provided for in the bond conditions and division rules, the Division director shall issue an order directing the well(s) to be plugged in a time certain. Such an order may also direct the forfeiture of the bond upon the failure or refusal of the operator, surety, or other responsible party to properly plug the well(s). If the proceeds of the bond(s) are not sufficient to cover all of the costs incurred by the division in plugging the well(s) covered by the bond, the division shall take such legal action as is necessary to recover such additional costs. Any monies recovered through bond forfeiture or legal actions shall be placed in the Oil & Gas Reclamation Fund.

(1) Upon the operator's failure to properly plug and abandon any well or wells a financial assurance covers, the division shall give notice to the operator and surety, if applicable, and hold a hearing as to whether the well or wells should be plugged in accordance with a division-approved plugging program. If it is determined at the hearing that the operator has failed to plug the well or wells as provided for in the financial assurance or division rules, the division director shall issue an order directing the well or wells to be plugged in a time certain. Such an order may also direct the forfeiture of the financial assurance upon the failure or refusal of the operator, surety or other responsible party to properly plug the well or wells.

(2) If the proceeds of the financial assurance exceed the costs the division incurred plugging the well or wells the financial assurance covers and restoring and remediating the well sites, the division shall return the excess to the surety or the operator, as appropriate.

(3) If the proceeds of the financial assurance are not sufficient to cover all of the costs the division incurred in plugging the well or wells the financial assurance covers and remediating the well sites, the division may seek indemnification from the operator as provided in NMSA 1978, Section 70-2-14(E).

(4) The division shall deposit all forfeitures and all funds collected pursuant to a judgment in a suit for indemnification in the oil and gas reclamation fund.

I. Effective dates:

(1) 19.15.3.101 NMAC is effective immediately as to all wells drilled or acquired after its effective date.

(2) As to all other wells, 19.15.3.101 NMAC is effective January 1, 2008.

[1-1-50, 6-17-77, 6-5-86, 2-1-96; 19.15.3.101 NMAC - Rn, 19 NMAC 15.C.101, 11-15-01]

19.15.1.7 DEFINITIONS:

T. Definitions beginning with the letter "T".

(2) Temporary abandonment shall be the status of a well which that is inactive and has been approved for temporary abandonment in accordance with the provisions of these rules.

19.15.1.7 DEFINITIONS:

A. Definitions beginning with the letter "A".

Approved temporary abandonment shall be the status of a well that is inactive, has been approved in accordance with 19.15.4.203 NMAC, and is in compliance with 19.15.4.203 NMAC.

19.15.4.203 APPROVED TEMPORARY ABANDONMENT:

A. Wells Which May Be Temporarily Abandoned Approved temporary abandonment status.

(1) ~~The Division~~division may permit any well which is required to be properly abandoned under these rules but which has potential for future beneficial use for enhanced recovery or injection, and any other well for which an operator requests temporary abandonment, to be temporarily abandoned place any well on approved temporary abandonment status for a period of up to five (5) years. Prior to the expiration of any approved temporary abandonment the operator shall return the well to beneficial use under a plan approved by the Division~~division approves~~, permanently plug and abandon said well or apply for a new approval to temporarily abandon the well.

B. Request For Approval And Permitfor approval and permit.

(1) Any operator seeking approval for temporary abandonment shall submit on ~~Form~~form C-103, ~~Sundry Notices and Reports on Wells~~sundry notices and reports on wells, a notice of intent to temporarily abandon seek approved temporary abandonment status for the well describing the proposed temporary abandonment procedure to be used. The operator shall not commence any No work shall be commenced until approved by the Division~~division~~. The and the operator shall give 24 hours notice to the appropriate District~~district~~ office of the Division~~division~~ before work actually begins.

(2) The division shall not approve temporary abandonment until the operator ~~No temporary abandonment shall be approved unless evidence is furnished~~furnishes evidence demonstrating to show that such well's~~the casing of such well is mechanically sound and in such condition as to prevent:~~

- (a) damage to the producing zone;
- (b) migration of hydrocarbons or water;
- (c) the contamination of fresh water or other natural resources; and
- (d) the leakage of any substance at the surface.

~~(3) If the well fails the mechanical integrity test required herein, the well shall be plugged and abandoned in accordance with these rules or the casing problem corrected and the casing retested within ninety (90) days.~~

(4) Upon successful completion of the work on the temporarily abandoned well, the operator ~~shall will~~ submit a request for approved Temporary Abandonment~~temporary abandonment~~ to the appropriate district office on ~~Form~~form C-103 together with such other information as is required by Rule 1403 E. ~~(4) Subsection E of 19.15.13.1103 NMAC.~~

(5) ~~The Division may require the operator to post with the Division a one well plugging bond for the well in an amount to be determined by the Division to be satisfactory to meet the particular requirements of the well.~~

~~(6)~~(4) ~~The Division~~division shall specify the permit's expiration date of the permit, which shall be not more than five (5) years from the date of approval.

C. Tests RequiredDemonstrating mechanical integrity.

(1) ~~The division may approve the following methods of demonstrating casing integrity may be approved for temporarily abandoning a well~~for wells to be placed on approved temporary abandonment status:

(a) ~~The operator may set a cast iron bridge plug will be set within one hundred (100) feet of uppermost perforations or production casing shoe, and load the casing loaded with inert fluid and pressure tested to 500 pounds per square inch surface pressure with a pressure drop of not more than 10% for thirty (30) minutes; or~~

(b) ~~The operator may run a retrievable bridge plug or packer will be run to within one hundred (100) feet of uppermost perforations or production casing shoe, and and test the well tested to 500 pounds per square inch for surface pressure for thirty (30) minutes with a pressure drop of not greater than 10% for thirty (30) minutes; or~~

(c) ~~for a gas well in southeast New Mexico completed above the San Andres formation, if the operator can demonstrate that the fluid level is below the base of the salt and that a Bradenhead test shows no casing leaks, the Division may exempt the well from the requirement for a bridge plug or packer; or~~

~~(d) a casing inspection log confirming the mechanical integrity of the production casing may be submitted~~

~~(c) The operator may demonstrate that the well has been completed for less than five years and has not been connected to a pipeline.~~

(2) The division will not accept mechanical integrity tests or logs conducted more than 12

~~months prior to submittal. Any such test which is submitted must have been conducted within the previous twelve (12) months.~~

(3) The operator shall record mechanical integrity tests on a chart recorder with a maximum two hour clock and maximum 1000 pound spring, which has been calibrated within the six months prior to conducting the test. All witnesses to the test shall sign the chart. The operator shall submit the chart with the form C-103 requesting approved temporary abandonment status.

~~(4) The Division~~division may approve other casing tests submitted~~the operator proposes if the operator demonstrates that the test will satisfy the requirements of Paragraph (2) of Subsection B of 19.15.4.203 NMAC, on Form C-103 on an individual basis.~~

[7-12-90...7-12-90, 2-1-96; 19.15.4.203 NMAC - Rn, 19 NMAC 15.D.203, 12-14-01]

19.15.4.201 WELLS TO BE PROPERLY ABANDONED:

A. The operator of any of the following wells, ~~well drilled for oil, gas or injection; for seismic, core or other exploration, or for a service well, whether cased or uncased, shall be responsible for the plugging thereof: wells drilled for oil or gas; or service wells including but not limited to seismic, core, exploration or injection wells.~~

B. A well shall be either properly plugged and abandoned or ~~temporarily abandoned~~ placed on approved temporary abandonment status in accordance with these rules within ~~ninety (90)~~ days after:

- (1) a ~~sixty (60)~~ day period following suspension of drilling operations, or
- (2) a determination that a well is no longer usable for beneficial purposes, or
- (3) a period of one (~~1~~) year in which a well has been continuously inactive.

[7-12-90...2-1-96; 19.15.4.201 NMAC - Rn, 19 NMAC 15.D.201, 12-14-01]

19.15.13.1103 SUNDRY NOTICES AND REPORTS ON WELLS (Form C-103):

Form C-103 is a dual purpose form the operator shall file to be filed with the appropriate district office of the division to obtain division approval prior to commencing certain operations and also to report various completed operations.

A. Form C-103 as a notice of intention.

(1) The operator shall file form ~~Form~~ C-103 ~~shall be filed in triplicate by the operator and approval and~~ obtain the division's approval ~~from the division~~ prior to:

(a) ~~Effecting~~ effecting a change of plans from those previously approved on form C-101 or form C-103;

(b) ~~Altering~~ altering a drilling well's casing program or pulling casing or otherwise altering an existing well's casing installation;

(c) ~~Temporarily abandoning a well~~ placing a well on approved temporary abandonment status;

(d) ~~Plugging~~ plugging and abandoning a well; or

(e) ~~Performing~~ performing remedial work on a well that ~~which~~, when completed, will affect the well's original status ~~of the well~~. (This shall include making new perforations in existing wells or squeezing old perforations in existing wells, but is not applicable to new wells in the process of being completed nor to old wells being deepened or plugged back to another zone when such recompletion has been authorized by an approved form C-101, application for permit to drill, re-enter, deepen, ~~or~~ plug back or add a zone, nor to acidizing, fracturing or cleaning out previously completed wells, nor to installing artificial lift equipment.)

(2) In the case of well plugging operations, the notice of intention shall include a detailed statement of the proposed work, including plans for shooting and pulling casing; plans for mudding, including the mud's weight ~~of mud~~; plans for cementing, including number of sacks of cement and depths of plugs; and the time and date of the proposed plugging operations. The operator shall file ~~If not previously filed, a complete log of the well on form C-105 with the notice of intention to plug the well, if the operator has not previously filed the log (See 19.15.13.1105 NMAC).~~ ~~shall accompany the notice of intention to plug the well; the division shall not release the financial assurance until the operator complies with this requirement.~~ ~~bond will not be released until this is complied with.~~

B. Form C-103 as a subsequent report.

(1) The operator shall file the form ~~Form~~ C-103 as a subsequent report of operations ~~shall be filed in accordance with the section of this rule applicable to the particular operation being reported.~~

(2) Form C-103 is to be used in reporting such completed operations as:

(a) commencement of drilling operations;

(b) casing and cement test;

(c) altering a well's casing installation;

(d) work to secure approved temporary abandonment status;

(e) plugging and abandonment;

(f) plugging back or deepening within the same pool;

(g) remedial work;

(h) installation of artificial lifting equipment; or

(i) ~~change of operator of a drilling well;~~

~~(j)(i)~~ such other operations which that affect the well's original status of the well but which that are not specifically covered herein.

C. Information to be entered on form C-103, subsequent report, for a particular operation is as follows: ~~Report~~ report of commencement of drilling operations. Within ten days following the commencement of drilling operations, the well's operator of the well shall file a report thereof on form C-103 ~~in triplicate~~. Such report shall indicate the hour and the date the well was spudded.

D. Report of results of test of casing and cement job; report of casing alteration. The well's operator shall file a ~~A~~ report of casing and cement test shall be filed by the operator of the well within ten days following the setting of each string of casing or liner. Said report shall be filed ~~in triplicate~~ on form C-103 and shall present a detailed description of the test method employed and the results obtained by such test and any other pertinent information required by 19.15.1.107 NMAC. The report shall also indicate the top of the cement and the means by which such top was determined. It shall also indicate any changes from the casing program previously authorized for the well.

E. Report of temporary abandonment work. ~~The operator shall file a notice of work to secure approved temporary abandonment status~~ ~~A report of temporary abandonment of a well shall be filed by the operator of the well within thirty days following completion of the work.~~ The report shall be filed ~~in triplicate~~ and shall present a detailed account of the work done on the well, including location and type of plugs used, if any, and status of surface and downhole equipment and any other pertinent information relative to the well's overall status of the well.

F. Report on plugging of well.

(1) The operator shall file a ~~A~~ report of plugging operations shall be filed by the operator of the well within 30 days following completion of plugging operations on any well. Said report shall be filed ~~in triplicate~~ on form C-103 and shall include the date the plugging operations were begun and the date the work was completed, a detailed account of the manner in which the work was performed including the depths and lengths of the various plugs set, the nature and quantities of materials employed in the plugging operations including the weight of the mud used, the size and depth of all casing left in the hole and any other pertinent information. (See 19.15.4.201 NMAC - 19.15.4.204 NMAC regarding plugging operations.)

(2) The division shall not approve a ~~No~~ plugging report will be approved by the division until the pits have been closed ~~filled~~ and the location levelled and cleared of junk. It shall be the operator's responsibility of the operator to contact the appropriate district office of the division when the location has been so restored in order to arrange for an inspection of the plugged well and the location by a division representative.

G. Report of remedial work. ~~—~~

~~The operator shall file a~~ A report of remedial work performed on a well shall be filed by the operator of the well within 30 days following completion of such work. Said report shall be filed ~~in quadruplicate~~ on form C-103 and shall present a detailed account of the work done and the manner in which such work was performed; the daily production of oil, gas and water both prior to and after the remedial operation; the size and depth of shots; the quantity of and, crude, chemical or other materials employed in the operation; and any other pertinent information. Among the remedial work to be reported on form C-103 are the following:

- (1) report on shooting, fluid fracturing or chemical treatment of a previously completed well;
- (2) report of squeeze job;
- (3) report on setting of liner or packer;
- (4) report of installation of pumping equipment or gas lift facilities; or
- (5) report of any other remedial operations ~~which~~ that are not specifically covered herein.

H. Report on deepening or plugging back within the same pool —The operator shall file ~~a~~ report of deepening or plugging back shall be filed by the operator of the well within 30 days following completion of such operations on any well. The operator shall file said ~~Said~~ report shall be filed in quadruplicate on form C-103 and shall present a detailed account of work done and the manner in which such work was performed. If the well is recompleted in the same pool, the operator ~~it~~ shall also report the daily production of oil, gas, and water both prior to and after recompletion. If the well is recompleted in another pool, the operator shall file forms C-101, C-102, C-104 and C-105 ~~must be filed in accordance with Sections~~ Sections 1101, 1102, 1104 and 1105 of 19.15.13 NMAC.

~~I.~~ Report of change of operator of a drilling well —A report of change of ownership shall be filed by the new operator of any drilling well within ten days following actual transfer of ownership or responsibility. Said report shall be filed in triplicate on form C-103 and shall include the name and address of both the new operator and the previous operator, the effective date of the change of ownership or responsibility and any other pertinent information. No change in the operator of a drilling well will be approved by the division unless the new operator has an approved bond in accordance with 19.15.3.101 NMAC. (Form C-104 shall be used to report transfer of operator of a completed well; see 19.15.13.1104 NMAC.

~~J.I.~~ Other reports on wells.—The operator shall submit reports ~~Reports~~ on any other operations that ~~which~~ affect the well's original status of the well but ~~which~~ that are not specifically covered herein shall be submitted to the division on form C-103, in triplicate, by the operator of the well ten days following the completion of such operation's completion.

[1-1-65...2-1-96; 19.15.13.1103 NMAC - Rn, 19 NMAC 15.M.1103, 06/30/04]

NOTICE OF HEARING

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

The State of New Mexico through its Oil Conservation Commission hereby gives notice pursuant to law and the Rules and Regulations of the Commission of the following meeting and public hearing to be held at 9:00 A.M. on **October 13 and 14, 2005**, in Porter Hall at 1220 South St. Francis Drive, Santa Fe, New Mexico, before the Oil Conservation Commission. If you are an individual with a disability who is in need of a reader, amplifier, qualified sign language interpreter, or any other form of auxiliary aid or service to attend or participate in the hearing, please contact Division Administrator Florene Davidson at 505-476-3458 or through the New Mexico Relay Network (1-800-659-1779) by **October 3, 2005**. Public documents can be provided in various accessible forms. Please contact Ms. Davidson if a summary or other type of accessible form is needed. A preliminary agenda will be available to the public no later than two weeks prior to the meeting. A final agenda will be available no later than twenty-hour (24) hours preceding the meeting. Members of the public may obtain copies of the agenda by contacting Ms. Davidson at the phone number indicated above. Also, the agenda will be posted on the Oil Conservation Division website at www.emnrd.state.nm.us.

STATE OF NEW MEXICO TO:

**All named parties and persons
having any right, title, interest
or claim in the following cases
and notice to the public.**

CASE 13564: *In the matter of the Proposal of the Oil Conservation Division, On Its Own Motion, To Amend Rule 7 of 19.15.1 NMAC, Rules 101 and 102 of 19.15.3 NMAC; Rules 201 and 203 of 19.15.4 NMAC; Rule 701 of 19.15.9 NMAC; Rules 1101, 1103, 1104 and 1115 of 19.15.13 NMAC. The adoption of Rules 37 and 38 of 19.15.1 NMAC; Rule 100 of 19.15.3 NMAC; Rule 1227 of 19.15.14 NMAC.* The hearing concerns the following: adoption of a new rule setting out procedures for compliance proceedings (to be codified as 19.15.14.1227 NMAC); amendment of 19.15.1.7 NMAC to define "knowingly and willfully;" adoption of a new rule clarifying the enforceability of permits and administrative orders (to be codified as 19.15.1.38 NMAC); amendment of 19.15.13.1115 NMAC to clarify monthly reporting requirements and their enforcement; adoption of a new rule creating a "good standing" requirement for well operators (to be codified as 19.15.1.37 NMAC); adoption of a new rule regarding operator registration, change of operator and change of name, and including a "good standing" requirement (to be codified as 19.15.3.100 NMAC); amendment of 19.15.3.102 NMAC and 19.15.3.1101 NMAC to clarify the issuance of permits to drill, deepen or plug back, and include a "good standing" requirement; amendment of 19.15.9.701 NMAC to clarify injection permit requirements, and include a "good standing" requirement; amendment of 19.15.13.1104 NMAC to clarify the assignment of allowables and authorization to transport, and include a "good standing" requirement; amendment of 19.15.3.101 NMAC to clarify and expand financial assurance requirements and increase the amounts of one-well financial assurances; amending 19.15.4.203 NMAC, 19.15.1.7 NMAC, 19.15.4.201 NMAC and 19.15.13.1103 NMAC to distinguish between "temporary abandonment" and "approved temporary abandonment" and clarify the requirements for approved temporary abandonment. Copies of the

EXHIBIT B

text of the proposed new rules and amendments are available from commission clerk Florene Davidson at (505) 476-3458 or from the Division's web site at <http://www.emnrd.state.nm.us/ocd/whatsnew.htm> Written comments on the proposed amendments must be received no later than 5:00 p.m. on Wednesday, October 5, 2005. Any person may present non-technical testimony or make an un-sworn statement at the hearing. Any person who intends to present technical testimony or cross-examine witnesses at the hearing shall, no later than 5:00 p.m. on Wednesday, October 5, file six sets of a pre-hearing statement with Ms. Davidson. Any person recommending modifications to a proposed rule change shall, no later than Wednesday, September 28, file a notice of recommended modifications with Ms. Davidson including the text of the recommended modifications, an explanation of the modifications' impact, and the reasons for adopting the modifications. Written comments, pre-hearing statements and notices of recommended modifications may be hand-delivered or mailed to Ms. Davidson at 1220 South St. Francis Drive, Santa Fe, New Mexico 87505, or may be faxed to Ms. Davidson at (505) 476-3462.

Given under the Seal of the State of New Mexico Oil Conservation Commission at Santa Fe, New Mexico on this 2nd day of September, 2005.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Mark E. Fesmire
Mark E. Fesmire, P.E. *by sm*
Division Director

S E A L

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

**AMENDED APPLICATION OF THE NEW MEXICO OIL CONSERVATION
DIVISION, THROUGH THE ENFORCEMENT AND COMPLIANCE
MANAGER, FOR THE ADOPTION OF NEW RULES, 19.15.1.37 NMAC,
19.15.1.38 NMAC, 19.15.3.100 NMAC, AND 19.15.14.1227 NMAC; AND THE
AMENDMENT OF 19.15.1.7 NMAC, 19.15.3.101 NMAC, 19.15.3.102 NMAC,
19.15.4.201 NMAC, 19.15.4.203 NMAC, 19.15.4.1101 NMAC, 19.15.9.701 NMAC,
19.15.13.1103 NMAC, 19.15.13.1104 NMAC, AND 19.15.13.1115 NMAC**

CASE NO. 1356

2005 OCT 3 3:01 PM 2956

**AMENDED
APPLICATION FOR RULE ADOPTION AND AMENDMENT**

On September 2, 2005, the New Mexico Oil Conservation Division (the Division), through its Enforcement and Compliance Manager, filed its application requesting that the Oil Conservation Commission (the Commission) adopt new rules and amend existing rules. Copies of the proposed amendments and new rules were attached to the original application as Exhibit A.

During the process of taking public comment and preparing for the hearing, the Division discovered several provisions in the proposed rules that need to be corrected or clarified. Revised copies of those rules requiring revision are attached as Exhibit B. Revisions to the original proposals appear in green ink.

The specific revisions are discussed below.

1. [New] 19.15.1.37 Good Standing.

The Division revises paragraph E of Rule 37 to more accurately describe the list available on the Division's website for use in determining compliance with inactive well requirements.

As described in the original version of proposed Rule 37, the "rule 201 non-compliant list" would list each well that has been inactive for 15 months or more that also meets certain requirements specified in the rule (does not have its wellbore plugged, is not on approved temporary abandonment status, and is not subject to an inactive well agreed compliance order). The list, which is currently available on the Division's website, actually provides much more information and is a valuable management tool for operators seeking to stay in compliance.

The list identifies all inactive wells that meet the rule's specified requirements. An operator may use this tool to generate a list of all its inactive wells, or to generate a list of its wells that have been inactive for more than a specified number of months. So, if an operator wants to see how many wells have been inactive 15 months (and are therefore out of compliance with Rule 201 and affecting the operator's "good standing") he can specify "15" as the search criteria. But an operator may also search for wells that have been inactive for a shorter period of time. For example, an operator may generate a list of wells that have been inactive for 6 months or more. That will show him not only wells that are out currently out of compliance, but wells that are in danger of falling out of compliance if the operator does not take appropriate action.

Subparagraph (1) of Paragraph E has been revised to change the title of the list to “inactive well list,” and to remove language that suggests that the list only includes wells that have been inactive for more than 15 months.

Subparagraph (2) of Paragraph E has been revised so that for purposes of the “good standing” rule, the listing of a well on the “inactive well list” as a well that has been inactive for a period of more than 15 months creates a rebuttable presumption that the well is out of compliance with Rule 201.

2. [New] 19.15.3.100 Operator Registration; Change of Operator; Change of Name.

The Division has revised proposed Rule 100 to explain that the address the operator provides will be used for notice, and to add a requirement that the operator provide an emergency contact name and telephone number for each district in which the operator operates wells.

The revised Rule 100 also corrects the citation to the “good standing” rule. It is Rule 37, not Rule 36.

3. 19.15.13.1115 Operator’s Monthly Report (Form C-115).

Proposed Rule 1115 is revised to correct a formatting issue. The proposed rule eliminates subparagraphs (1) and (2) of paragraph B, but leaves subparagraph (3). The Division has revised proposed Rule 1115 to turn subparagraph (3) of Paragraph B into Paragraph C.

WHEREFORE, the Division’s Enforcement and Compliance Manager hereby applies to the Commission to enter an order after notice and hearing:

- A. adopting the proposed rules and amendments as set forth in Exhibit A to the original application, as amended by Exhibit B to the amended application and
- B. granting such other and further relief as the Commission deems appropriate.

RESPECTFULLY SUBMITTED,



Gail MacQuesten
Assistant General Counsel
Energy, Minerals and Natural
Resources Department of the State of
New Mexico
1220 S. St. Francis Drive
Santa Fe, NM 87505
(505)-476-3451
Attorney for The New Mexico Oil
Conservation Division

[NEW] 19.15.1.37 GOOD STANDING:

- A. A well operator is in good standing with the division if the operator
- (1) currently meets the financial assurance requirements of 19.15.3.101 NMAC;
 - (2) is not subject to a division or commission order, issued after notice and hearing, finding the operator to be in violation of an order requiring corrective action;
 - (3) does not have a penalty assessment that is unpaid more than 70 days after issuance of the order assessing the penalty; and
 - (4) has no more than the following number of wells out of compliance with 19.15.4.201 NMAC that are not subject to an agreed compliance order setting a schedule for bringing the wells into compliance with 19.15.4.201 NMAC and imposing sanctions if the schedule is not met:
 - (a) two wells if the operator operates fewer than 100 wells;
 - (b) five wells if the operator operates 100 wells or more.
- B. Compliance with financial assurance requirements. The division shall post on its website and update weekly a list of operators who are not in compliance with the financial assurance requirements of 19.15.3.101 NMAC.
- C. Compliance with orders requiring corrective action.
- (1) The division shall post on its website a list of operators who are not in compliance with a division or commission order, issued after notice and hearing, finding the operator to be in violation of an order requiring corrective action.
 - (2) An operator who contests an order finding it to be in violation of an order requiring corrective action may appeal and may seek a stay of the order. An order that is stayed pending appeal does not affect an operator's good standing with the division.
 - (3) An operator who completes the corrective action the order requires may file a motion with the order's issuer to declare the order satisfied. The division or commission, as applicable, may grant the motion without hearing, or may set the matter for hearing.
- D. Compliance with penalty assessments.
- (1) The division shall post on its website a list of operators who have a penalty assessment unpaid more than 70 days after issuance of the order assessing the penalty.
 - (2) An operator who contests an order assessing penalties may appeal and may seek a stay of the order. An order that is stayed pending appeal does not affect an operator's good standing with the division.
- E. Compliance with inactive well requirements.
- (1) The division shall post on its website, and update daily, an "~~rule 201 non-compliant~~ inactive well list" listing each well, by operator, that according to division records:
 - (a) ~~has not produced or been used for injection for a continuous period of more than one year plus 90 days;~~
 - (~~b~~) does not have its wellbore plugged in accordance with 19.15.4.202 NMAC;
 - (~~e~~)-(b) is not on approved temporary abandonment status in accordance with 19.15.4.203 NMAC; and

(d) (c) is not subject to an agreed compliance order setting a schedule for bringing the well into compliance with 19.15.4.201 NMAC and imposing sanctions if the operator does not meet the schedule.

(2) For purposes of 19.15.1.3637 NMAC, the listing of a well on the division's ~~rule 201 non-compliant~~ inactive well list as a well inactive for more than 15 months creates a rebuttable presumption that the well is out of compliance with 19.15.4.201 NMAC.

[NEW] 19.15.3.100 OPERATOR REGISTRATION; CHANGE OF OPERATOR; CHANGE OF NAME:

A. Prior to commencing operations, every operator of a well or wells in New Mexico shall register with the division as an operator. Applicants shall provide the following to the financial assurance administrator in the division's Santa Fe office:

(1) an oil and gas registration identification (OGRID) number obtained from the division, the state land office or the taxation and revenue department;

(2) a current address of record to be used for notice, and a current emergency contact name and telephone number for each district in which the operator operates wells;

(3) the financial assurance required by 19.15.3.101 NMAC.

B. The division may deny registration if

(1) the applicant is not in good standing pursuant to 19.15.1.37 NMAC;

(2) an officer, director, partner in the applicant or person with an interest in the applicant exceeding 5%, is or was within the past five years an officer, director, partner or person with an interest exceeding 5% in another entity that is not in good standing pursuant to 19.15.1.3637 NMAC;

(3) the applicant is or was within the past five years an officer, director, partner or person with an interest exceeding 5% in another entity that is not in good standing pursuant to 19.15.1.3637 NMAC;

(4) the applicant is a corporation or limited liability company, and is not registered with the public regulation commission to do business in New Mexico; or

(5) the applicant is a limited partnership, and is not registered with the New Mexico secretary of state to do business in New Mexico.

C. Operators shall keep the division informed of their current address of record and emergency contact names and telephone numbers by submitting address changes in writing to the division's financial assurance administrator in the division's Santa Fe office within 30 days of the change.

D. The division may require an operator or applicant to identify its current and past officers, directors and partners, and its current and past ownership interest in other operators.

E. Change of operator.

(1) A change of operator occurs when the entity responsible for a well or a group of wells changes. A change of operator may result from a sale, assignment by a court, a change in operating agreement or other transaction. Under a change of operator, wells are moved from the OGRID number of the operator of record with the division to the new operator's OGRID number.

(2) The operator of record with the division and the new operator shall apply for a change of operator by jointly filing a form C-145 using the division's web-based online application. If the operator of record with the division is unavailable, the new operator shall apply to the division for approval of change of operator without a joint application. The operator shall make such application in writing, and provide documentary evidence of the applicant's right to assume operations. The new operator may not commence operations until the division approves the application for change of operator.

(3) The division may deny a change of operator if

(a) the new operator is not in good standing pursuant to 19.15.1.3637 NMAC; or

(b) the new operator is acquiring wells, facilities or sites subject to a compliance order requiring remediation or abatement of contamination, or compliance with 19.15.3.201 NMAC, and the new operator has not entered into an agreed compliance order setting a schedule for compliance with the existing order.

F. Change of name.

(1) A change of operator name occurs when the name of the entity responsible for a well or wells changes but the entity does not change. For a change of name, the OGRID number remains the same but division records are changed to reflect the new operator name.

(2) An operator applies for a change of name by filing a form C-146 using the division's web-based online application and supplying documentary proof that the change is a name change and not a change of operator. If the operator is a corporation, limited liability company or limited partnership, the name must be registered with the public regulation commission or the New Mexico secretary of state, as applicable. The division shall not approve a change of name until the state land office and the taxation and revenue department have cleared the change of name on the OGRID.

G. Examples of change of operator and change of name.

(1) Mr. Smith, a sole proprietor, operates five wells under the name "Smith Oil Company". Mr. Smith changes the name of his company to "Smith Production Company". The name of the entity operating the well has changed, but the entity has not changed. Mr. Smith should apply for a change of name.

(2) Mr. Smith incorporates his business, changing from the sole proprietorship, "Smith Production Company", to a corporation: "Smith Production Company, Inc". The entity responsible for the well has changed, and Mr. Smith and "Smith Production Company, Inc." should apply for a change of operator.

(3) Smith Production Company, Inc., a New Mexico operator, merges with XYZ, Inc., which does not operate in New Mexico. At the surviving entity's election, this transaction may be treated as a change of name from Smith Production Company, Inc. to XYZ, Inc., maintaining the existing OGRID, or as a change of operator, with a new OGRID.

(4) Two New Mexico operators, Smith Production Company, Inc. and Jones Production Company, Inc., merge. The surviving corporation is Jones Production Company, Inc. A different entity now operates the wells Smith Production Company, Inc. formerly operated, and the wells must be placed under that entity's OGRID. Jones Production Company, Inc. and Smith Production Company, Inc. should apply for a change of operator as to the wells Smith Production Company, Inc. operated.

19.15.13.1115 OPERATOR'S MONTHLY REPORT (Form C-115):

A. The operator shall file a ~~Operator's monthly report, form C-115, or form C-115 EDP, shall be filed~~ for each non-plugged well completion for which the division has approved a C-104 authorization to transport, and for each ~~on each producing lease and each~~ **secondary or other enhanced recovery project or pressure maintenance project injection well** or other injection well **within the state of New Mexico** for each calendar month, **setting forth complete information and data indicated on said forms in the order, format and style** the division director prescribes ~~prescribed by the division director~~. The operator shall estimate oil ~~Oil~~ **production from wells which are producing into common storage** shall be estimated as accurately as possible on the basis of periodic tests.

B. The operator shall file ~~the~~ **reports required to be filed by 19.15.13.1115 NMAC** shall be filed by the operator using the division's web-based online application as follows:

~~—————~~ **(1)** Any operator which operates fewer than one hundred (100) wells in the state of New Mexico shall file a C-115 either electronically or by delivery of a printed copy of the report to the oil conservation division at its Santa Fe office **on or before the 15th** ~~fifteenth (15th)~~ **day of the second month following the month of production, or if such day falls on a weekend or holiday, the first workday following the fifteenth.**

~~—————~~ **(2)** Any operator which operates one hundred (100) or more wells in the state of New Mexico shall file a C-115 electronically, either by physical delivery of electronically readable media or by electronic transfer of data, to the oil conservation division at its Santa Fe office **on or before the fifteenth day of the second month following the month of production, or if such day falls on a weekend or holiday, the first workday following the fifteenth.** **Any operator** otherwise required to file electronically **may apply to the division for exemption from the** electronic filing requirement ~~is~~ **based upon a demonstration that such electronic filing requirement would operate as an economic or other hardship.**

C. (3) **If an operator fails to file a C-115** that the division accepts, ~~or if the division finds errors in any C-115,~~ **the division shall, within 60** ~~thirty (30)~~ **days of the appropriate filing date,** notify the operator by electronic mail or letter of its intent to revoke the operator's authorization to transport or inject if the operator does not submit an acceptable and complete C-115. If the operator does not file an acceptable and complete C-115 or request a hearing on the proposed cancellation within 120 days of the original due date of the C-115, the division may cancel the operator's authority to transport from or inject into all wells it operates. ~~prepare and send to the operator an error/omission message which identifies the specific well as to which the report has not been filed or is in error and a statement of the error. The operator to whom the error/omission message is addressed shall respond to the division within thirty (30) days acknowledging receipt of the error/omission message and informing the division of the operator's schedule to file the report or correct the error. If the division does not receive the operator's response within thirty (30) days, the division shall send notice to the operator that operator has failed to comply with the provisions of 19.15.13.1115 NMAC and may be subjected to loss of authority to produce from the affected well if the operator does not respond to the division. Willful failure of the operator to respond to the notice and to correct the error or omission may result in the division informing the operator by certified return receipt letter that thirty (30) days from the date of such letter the division~~

will cancel the C-104 authority of operator to produce or inject into the well. Any operator which receives such notice may contact the division and request that the matter of the cancellation of authority to produce or inject be set for hearing before a hearing officer duly appointed by the division. If the division sends certified return receipt correspondence informing the operator of cancellation of authority to produce and the operator does not request a hearing, the division may cancel the authority of the operator to produce the well on the date set forth in the letter.

~~(4) The electronic filing requirements set forth in Paragraph (2), Subsection B, of 19.15.13.115 NMAC shall be phased in with all operators of three hundred (300) or more wells being required to file electronically for January 1997 production, all operators of two hundred (200) or more wells being required to file electronically for July 1997 production and all operators of one hundred (100) or more wells being required to file electronically for January 1998 production.~~

[1-1-65...2-1-96; 19.15.13.1115 NMAC - Rn, 19 NMAC 15.M.1115, 06/30/04]